

City of Bend Utility Rate Modernization: Sewer Rate Design Workshop

September 24, 2014



Agenda

- Welcome and introductions
- Purpose of workshop
- Overview of rate setting process
- Cost of service
- Rate structure scenarios
- Wrap-up: priorities, direction, recommendations

Welcome and Introductions

■ Brief history

■ Ground rules

- ✓ Give your full attention to this today
- ✓ Listen to understand, as an ally, with an open mind
- ✓ Check your understanding by asking questions
- ✓ Silence is agreement
- ✓ It's ok to disagree, respectfully and openly

Workshop Purpose

- What are your goals for rate design?
- What will happen post workshop?
 - ✓ Incorporate feedback on priorities and preferences
 - ✓ Develop formal rate structure recommendation

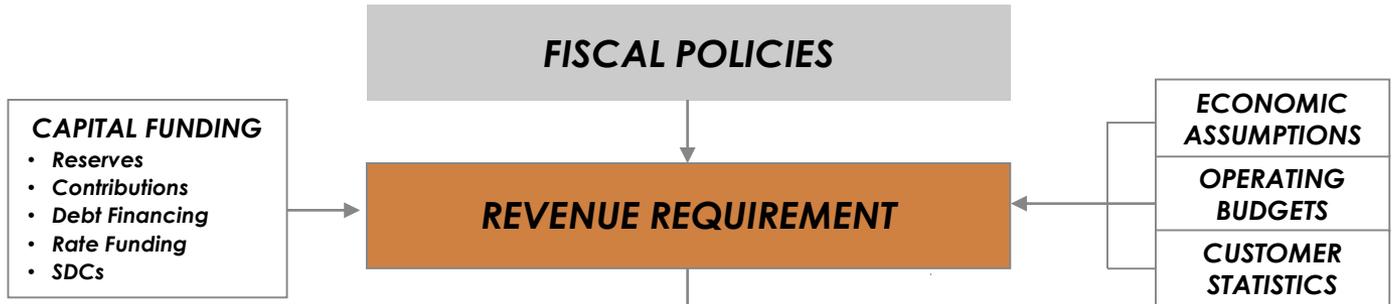
Rate Policy Objectives

- Equitable
- Affordable
- Promote efficient use
- Revenue stability
- Rate stability
- Publically acceptable
- Administratively feasible



3-Step Rate Setting Process

Step 1:
Revenue Requirement



Step 2: Cost of Service



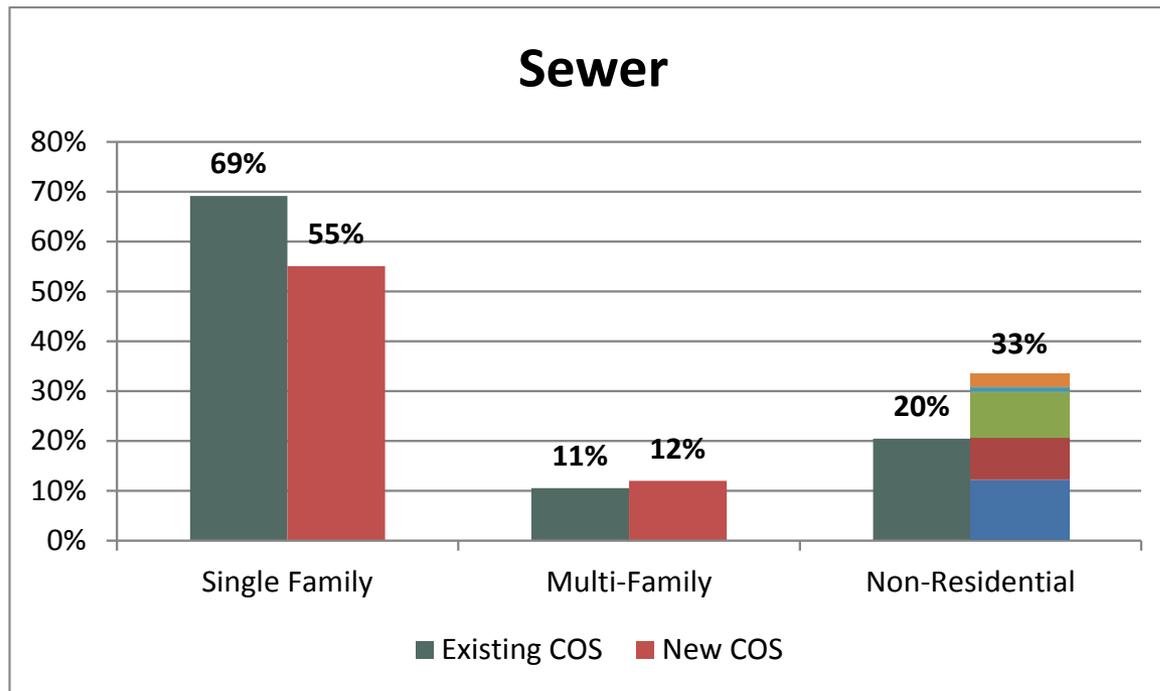
ALLOCATE COSTS TO CUSTOMER CLASSES

Step 3: Rate Design



Sewer Cost of Service Results

- Shift between customer classes
- Extra strength classes separated



Cost of Service Revenue Targets

Class	EXISTING REVENUE	COST OF SERVICE	\$	%
Singlefamily	\$ 12,450,414	\$ 10,808,521	\$ (1,641,893)	-13.2%
Multifamily	1,895,578	2,350,235	454,658	24.0%
Non Residential				
Standard				
Low User	1,857,830	2,338,840	481,009	25.9%
High User	972,540	1,609,428	636,888	65.5%
Low	658,323	1,762,629	1,104,305	167.7%
Medium	-	-	-	0.0%
High	47,511	174,633	127,122	267.6%
Super High	143,717	608,065	464,348	323.1%
Total	\$ 18,025,913	\$ 19,652,350	\$ 1,626,437	9.0%

Cost of Service Policy Questions

- Does Council want to use pure cost of service for the basis for rates moving forward?
- Given the distance between the existing revenue and cost of service does Council want to explore options to bring classes into alignment over time (phasing)?

Rate Design

- Produce cost of service revenue targets for each class
- In total should meet the overall financial requirements of the utility
- Balance rate policy objectives
 - ✓ Equitable
 - ✓ Affordable
 - ✓ Promote efficient use
 - ✓ Revenue stability
 - ✓ Administratively feasible

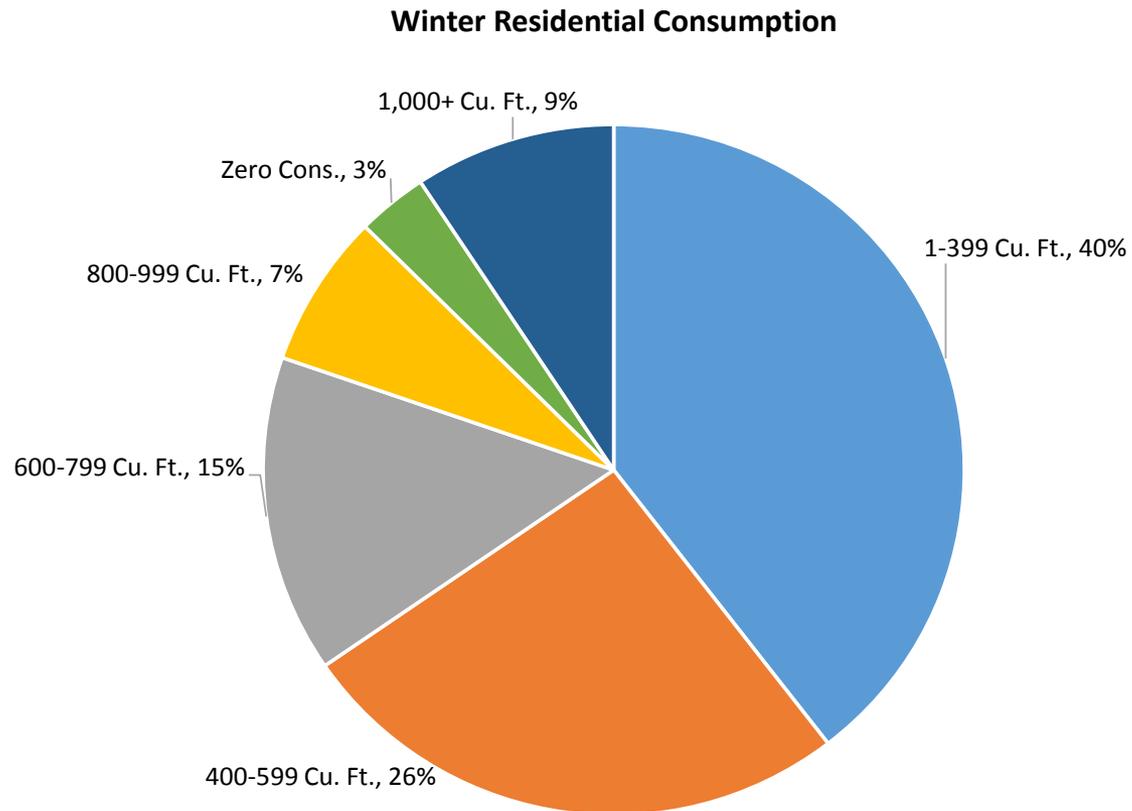
Existing Rate Structure

- Fixed monthly rate for single family customers
- Non-residential
 - ✓ Fixed monthly rate = single family; includes 1,000 cubic feet
 - ✓ Volume charge for flow >1,000 cubic feet

Sewer Utility	
Inside City	
Single Family Residential	\$ 44.37 /month
Multi-Family Residential	\$ 44.37 /month/EDU
Non-Residential Rates	
First 1,000 cu. ft. of water use	\$ 44.37 /month
Excess of 1,000 cu. ft.	\$ 3.48 /100 cu. ft.

Single Family

■ Approximately 23,150 accounts



Single Family Rate Structure Scenarios

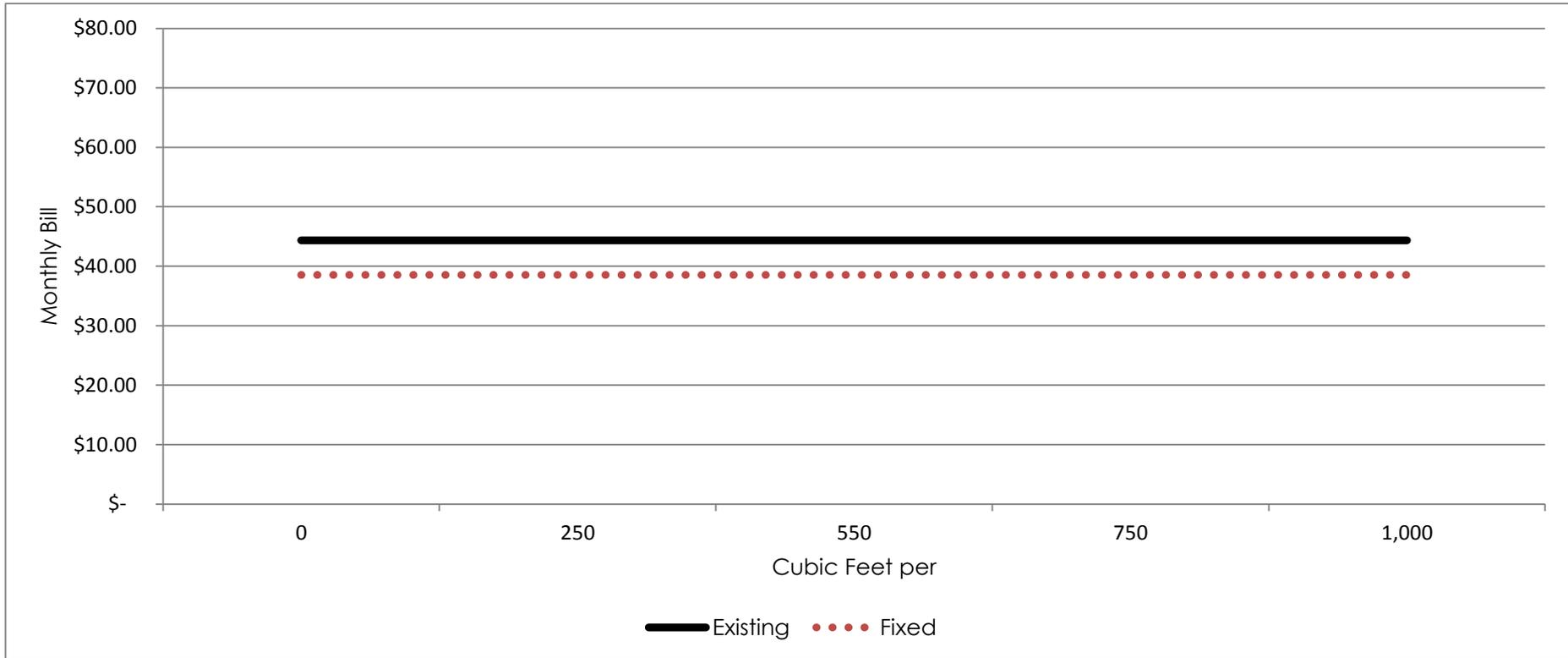
- All scenarios at cost of service: **13.2 % reduction** for the class
- Existing flat monthly rate structure
- Fixed monthly charge + volume scenarios
 - ✓ High monthly fixed charge (95% revenue recovery) + all volume billed
 - ✓ Low monthly fixed charge (6% revenue recovery) + all volume billed
 - ✓ Balance monthly fixed charge (50% revenue recovery) + all volume billed

Summary of Single Family Scenarios

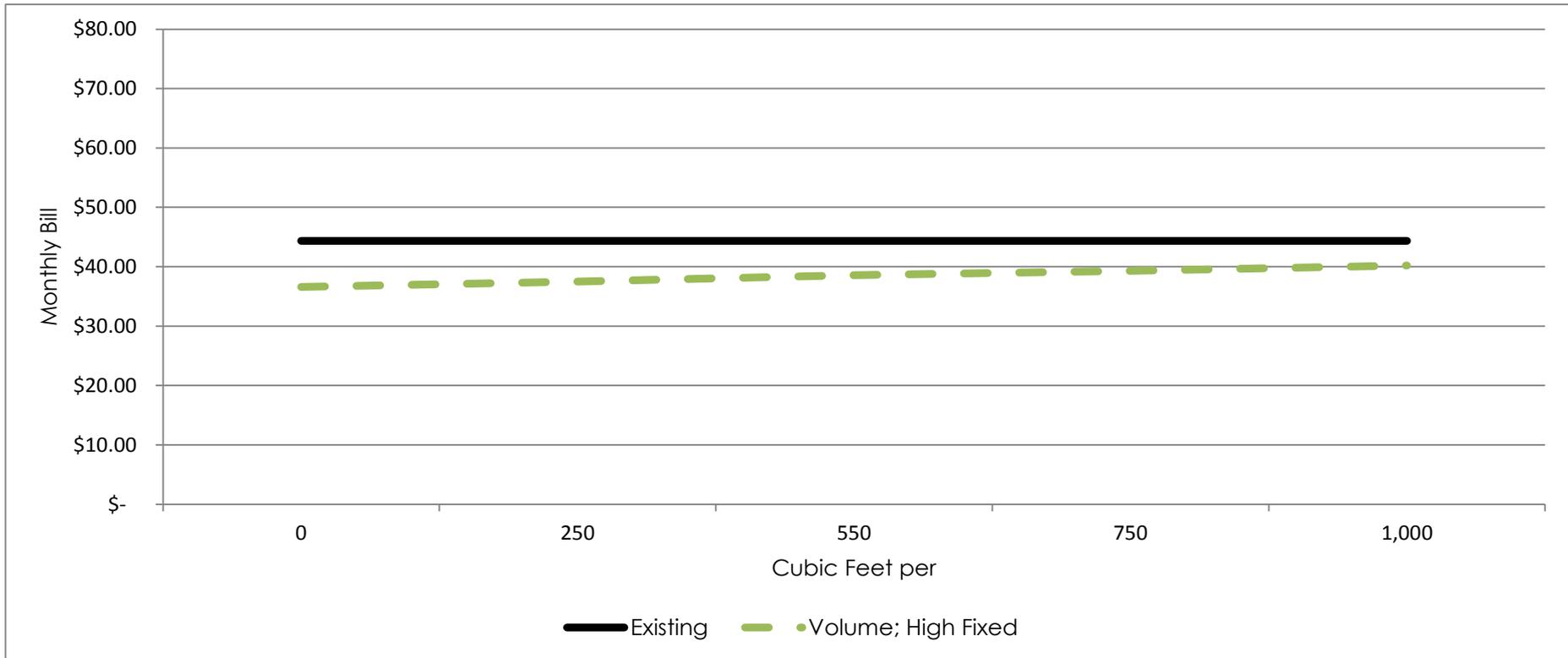
	Existing Rate	Fixed Only	Volume; High Fixed	Volume; Low Fixed	Volume Balance Fixed
Fixed Charge/Month	\$44.37	\$38.52	\$36.59	\$2.18	\$19.26
	+	+	+	+	+
Volume Charge/cu. Ft.	N/A	N/A	\$0.36	\$6.78	\$3.59

	1-10 Ranking				
Equitable	5.0	=	++	+	+
Affordable	6.0	+	+	+	+
Promote Efficient Use	4.0	=	+	++	++
Revenue Stability	8.0	=	=	--	-
Administratively Feasible	7.5	=	-	-	-

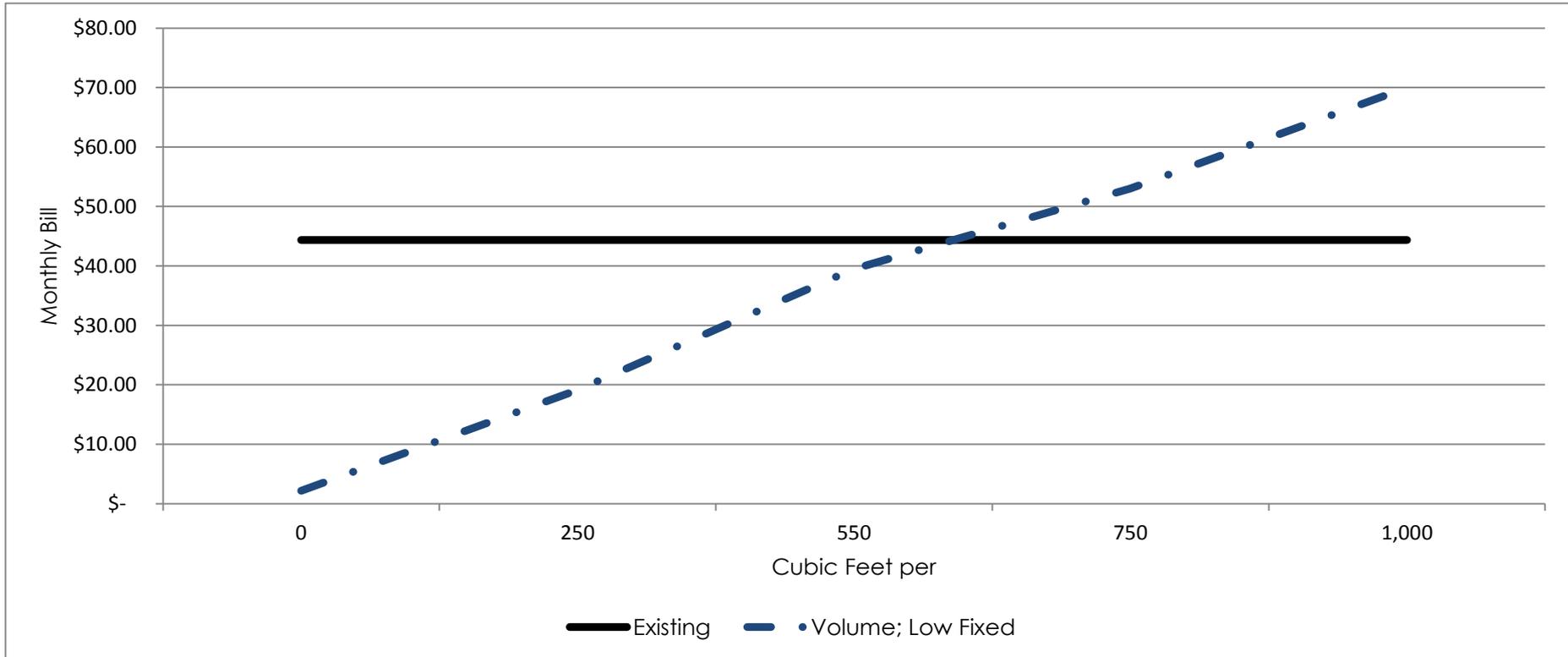
“Fixed” Rate Scenario Single Family Monthly Bill



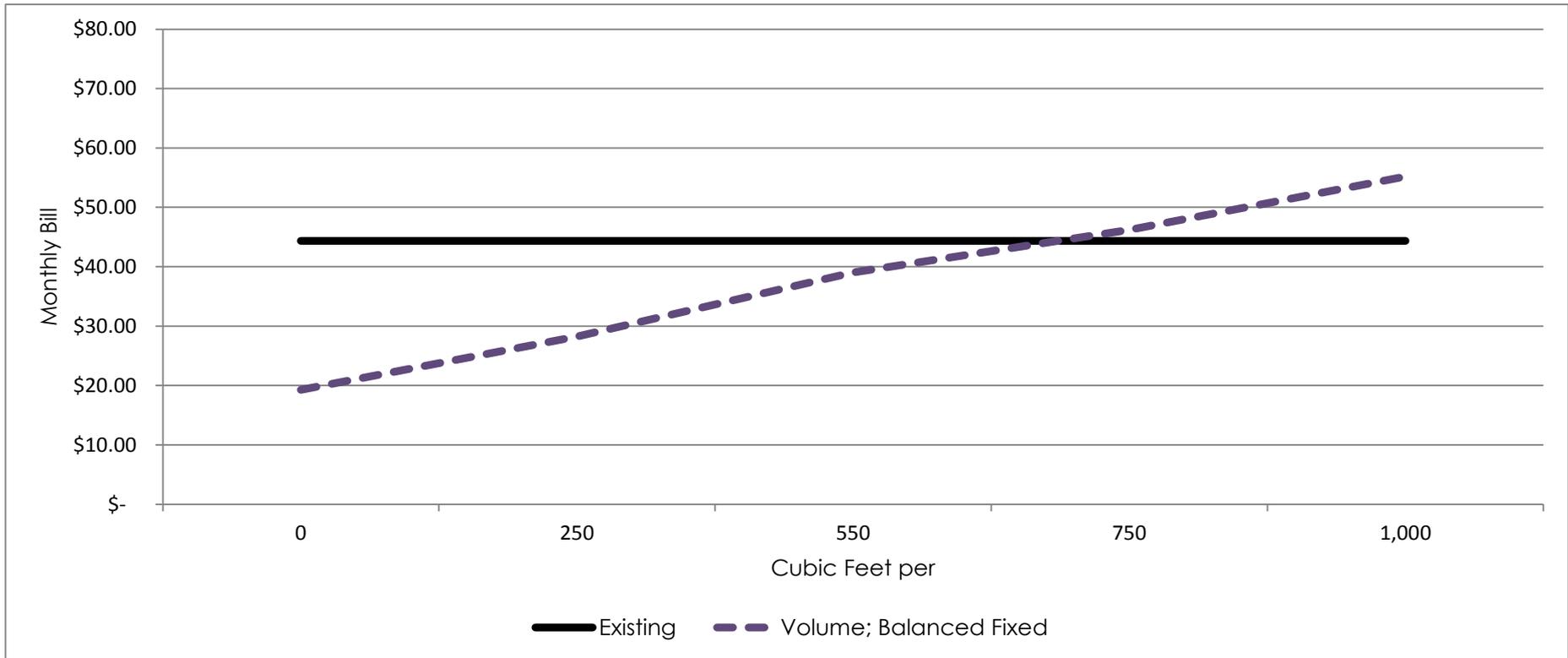
“Volume; High Fixed” Rate Scenario Single Family Monthly Bill



“Volume; Low Fixed” Rate Scenario Single Family Monthly Bill



“Volume; Balance Fixed” Rate Scenario Single Family Monthly Bill



Single Family Monthly Bill Comparisons

■ Existing Rate \$44.37 per month

User	Cubic Feet
Low	250
Average	537
High	1,000

Fixed	Difference
\$ 38.52	\$ (5.85)
\$ 38.52	\$ (5.85)
\$ 38.52	\$ (5.85)

Volume; High Fixed	Difference
\$ 37.49	\$ (6.88)
\$ 38.52	\$ (5.85)
\$ 40.19	\$ (4.18)

User	Cubic Feet
Low	250
Average	537
High	1,000

Volume; Low Fixed	Difference
\$ 19.13	\$ (25.24)
\$ 38.59	\$ (5.78)
\$ 69.99	\$ 25.62

Volume; Balanced Fixed	Difference
\$ 28.24	\$ (16.13)
\$ 38.56	\$ (5.81)
\$ 55.20	\$ 10.83

**ILLUSTRATION
PURPOSES ONLY**

BREAK

Multi-Family

- Cost of service = **24 % increase** for the class
- Approximately 1,650 accounts and 6,600 units
- Two existing rate schedules
 - ✓ Per unit (like single family)
 - ✓ Fixed charge plus volume (like non-residential)
- Policy Question
 - ✓ Consider moving to one rate structure for consistency?

Multi-Family Rate Comparison

- Rate Scenario \$29.67 per unit

VOLUME BILLED CUSTOMERS

Units	Cu. Ft	Existing	Fixed \$/Unit	\$/ Account	\$/ Unit
2	885	\$ 44.37	\$ 59.34	\$ 14.97	\$ 7.48
10	4,407	162.94	296.70	133.76	13.38
30	12,856	456.97	890.10	433.13	14.44
100	42,752	1,497.33	2,967.00	1,469.67	14.70

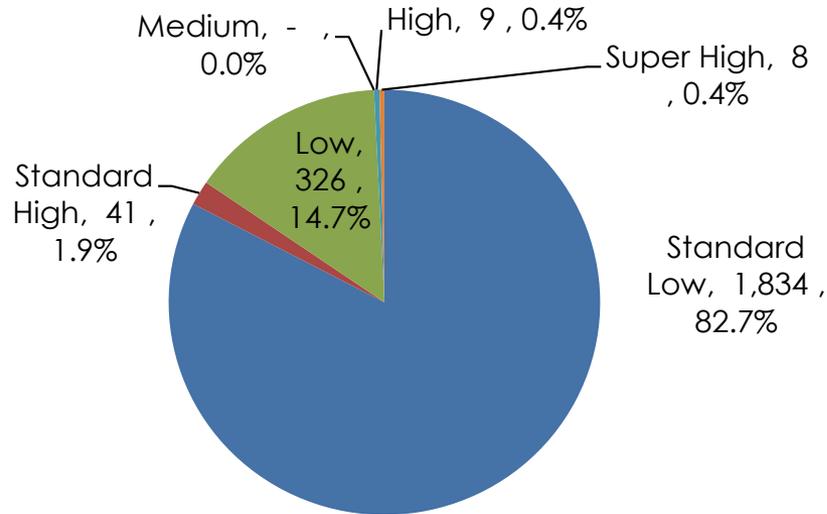
UNIT BILLED CUSTOMERS

Units	Cu. Ft	Existing	Fixed \$/Unit	\$/ Account	\$/ Unit
2	859	\$ 88.74	\$ 59.34	\$ (29.40)	\$ (14.70)
4	1,718	177.48	118.68	(58.80)	(14.70)
10	4,296	443.70	296.70	(147.00)	(14.70)
12	5,155	532.44	356.04	(176.40)	(14.70)

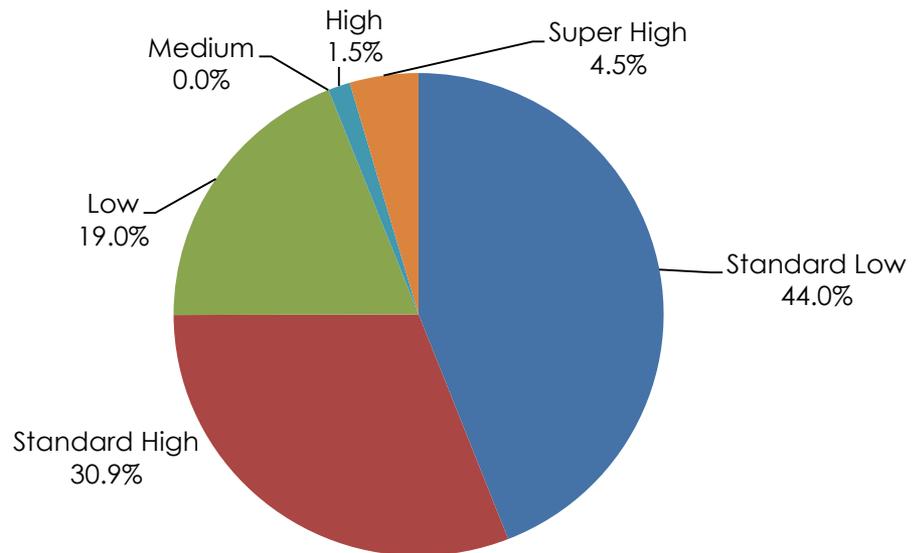
**ILLUSTRATION
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Non-Residential

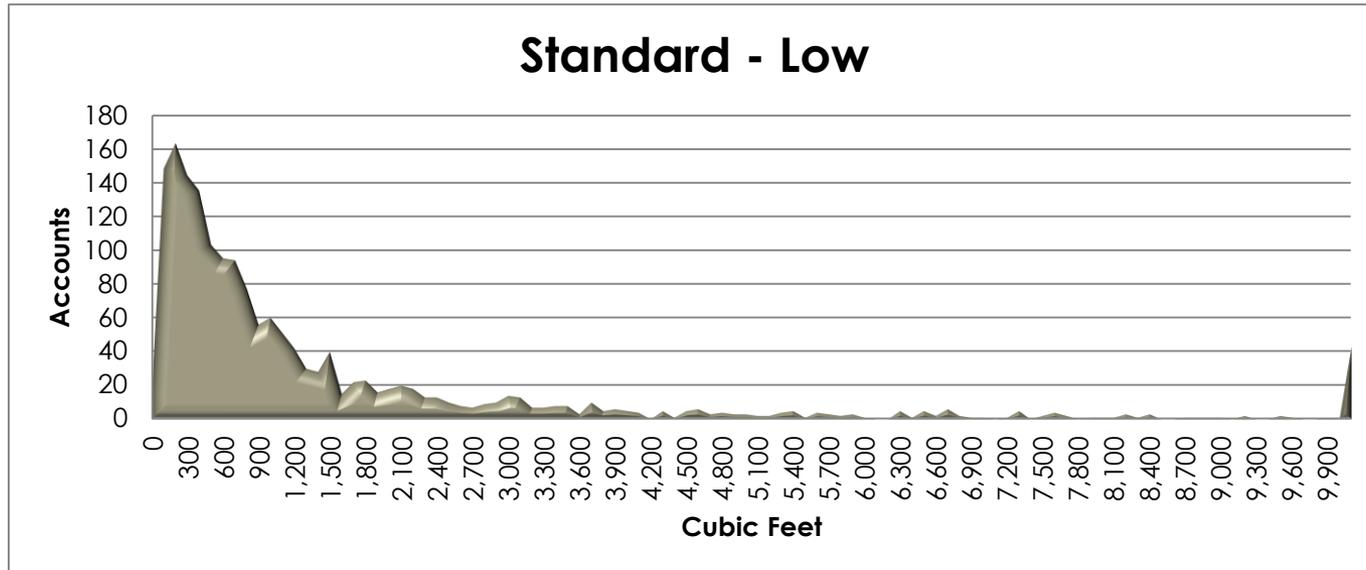
Accounts



Volume



Non-Residential Standard Billed Use Analysis



Range	Accounts	% of Total	% Between
0-400	605	34%	34%
0-537	737	42%	7%
0-700	897	51%	9%
>701	865	49%	49%

Notes: based on monthly average account bill.

Non-Residential Rate Structure Scenarios

- Separation by strength categories
 - ✓ Standard Low * Standard High* Low * Medium * High * Super High
- All scenarios eliminate 1,000 cubic foot allowance
- ESC program fee is allocated to all non-residential **except standard class**
- Rate structures include fixed monthly charge + **all** volume is billed

Non Residential: Standard Low User Rate Scenarios

- Cost of service = **25.9% increase** for the class

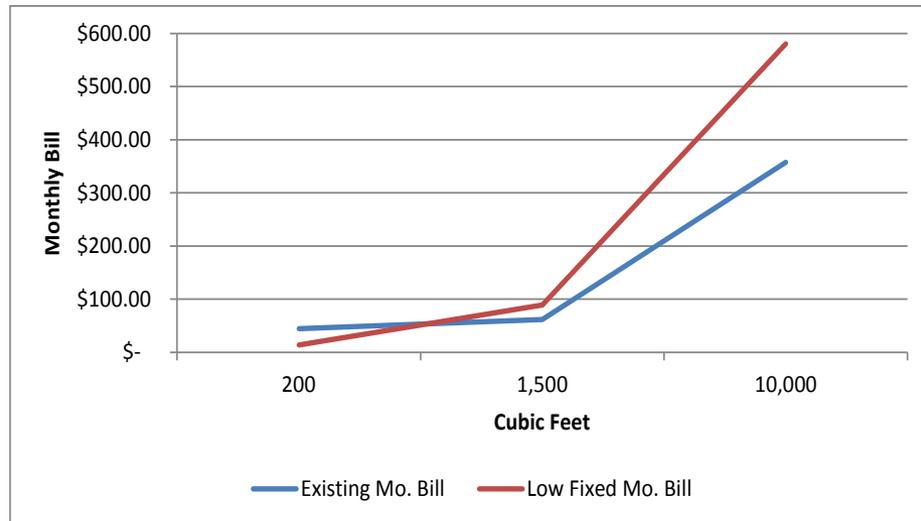
	Existing Rate	Low Fixed	Balanced Fixed
Fixed Charges/Month			
Base Charge	\$ 44.37	\$ 2.18	\$ 19.26
	+	+	+
Volume Charge >1,000 cu. Ft.	\$ 3.48		
Volume Charge All/ cu. Ft.		\$ 5.78	\$ 4.83

**ILLUSTRATION
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Non Residential: Standard Low User

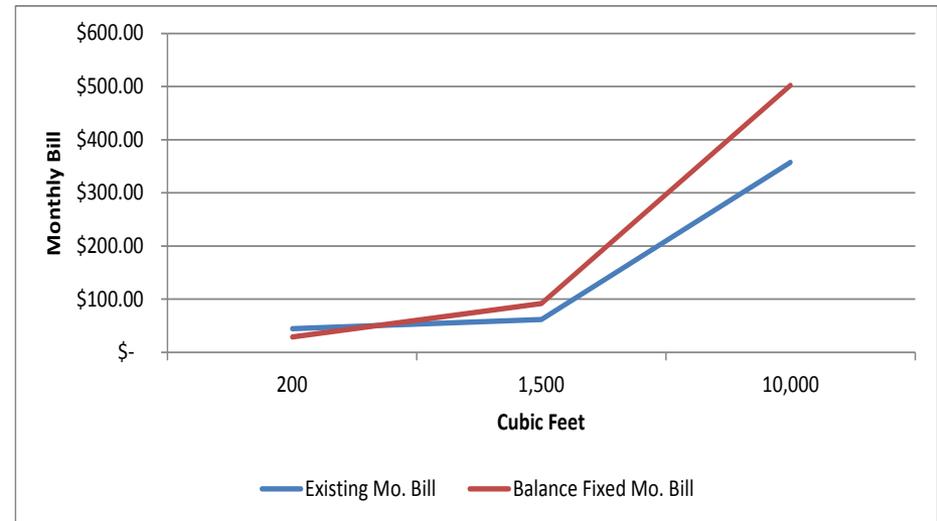
Low Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Low Fixed Mo. Bill	Difference
Accounting Office	200	\$ 44.37	\$ 13.74	\$ (30.63)
Medical Office	1,500	61.77	88.88	27.11
Manufacturing	10,000	357.57	580.18	222.61



Balanced Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Balance Fixed Mo. Bill	Difference
Accounting Office	200	\$ 44.37	\$ 28.92	\$ (15.45)
Medical Office	1,500	61.77	91.71	29.94
Manufacturing	10,000	357.57	502.26	144.69



**ILLUSTRATION
PURPOSES ONLY**

Non-Residential: Standard High User Rate Scenarios

- Cost of service = **65.5% Increase** for the class

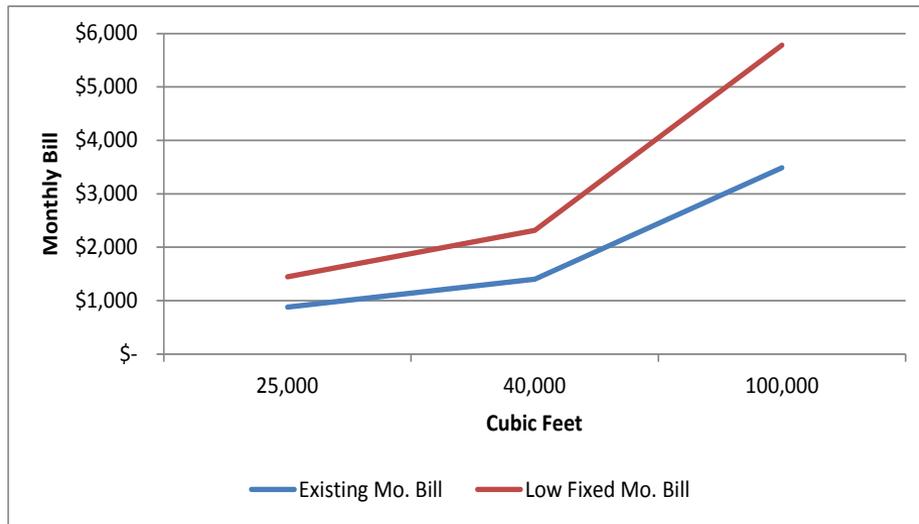
	Existing Rate		Low Fixed		Balanced Fixed
Fixed Charges/Month					
Base Charge	\$ 44.37		\$ 2.18		\$ 19.26
	+		+		+
Volume Charge >1,000 cu. Ft.	\$ 3.48				
Volume Charge All/ cu. Ft.			\$ 5.78		\$ 5.75

**ILLUSTRATION
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Non-Residential: Standard High User

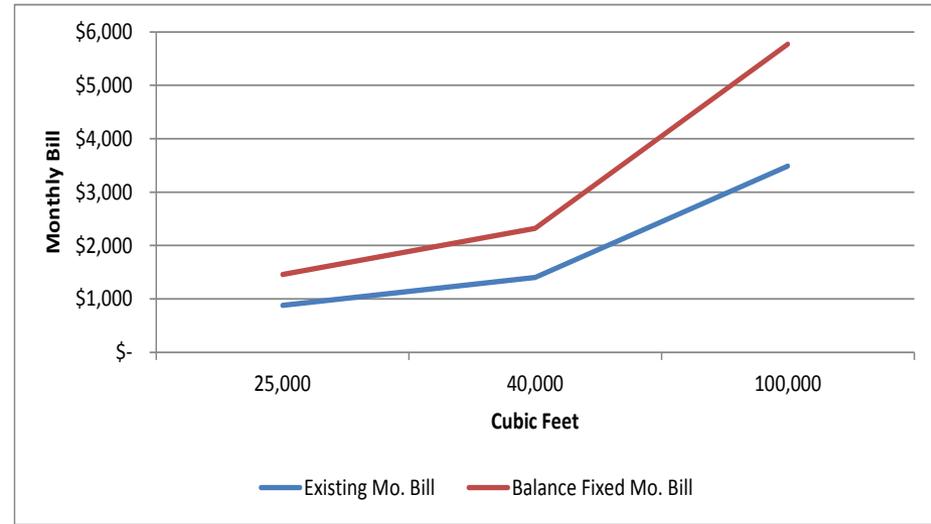
Low Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Low Fixed Mo. Bill	Difference
Hotel	25,000	\$ 879.57	\$ 1,447.18	\$ 567.61
Retail/Grocery Store	40,000	1,401.57	2,314.18	912.61
Manufacturing	100,000	3,489.57	5,782.18	2,292.61



Balanced Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Balance Fixed Mo. Bill	Difference
Hotel	25,000	\$ 879.57	\$ 1,456.76	\$ 577.19
Retail/Grocery Store	40,000	1,401.57	2,319.26	917.69
Manufacturing	100,000	3,489.57	5,769.26	2,279.69



**ILLUSTRATION
PURPOSES ONLY**

Non-Residential ESC: Low Rate Scenarios

- Cost of service = **167.7% Increase** for the class

	Existing Rate	Low Fixed	Balanced Fixed
Fixed Charges/Month			
Base Charge	\$ 44.37	\$ 2.18	\$ 19.26
	+	+	+
ESC Program Charge		\$ 64.32	\$ 64.32
		=	=
Total Fixed Charges		\$ 66.50	\$ 83.58
		+	+
Volume Charge >1,000 cu. Ft.	\$ 3.48		
Volume Charge All/ cu. Ft.		\$ 8.77	\$ 8.38

**ILLUSTRATION
PURPOSES ONLY**

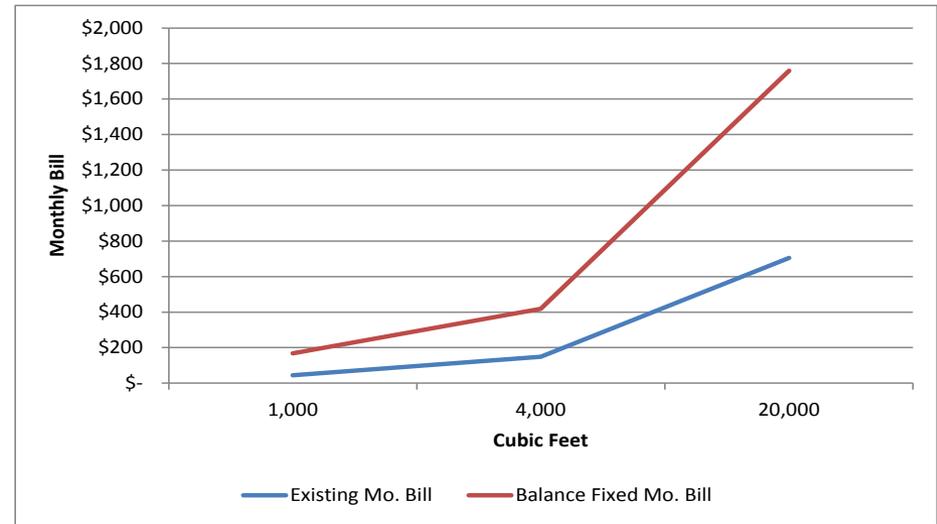
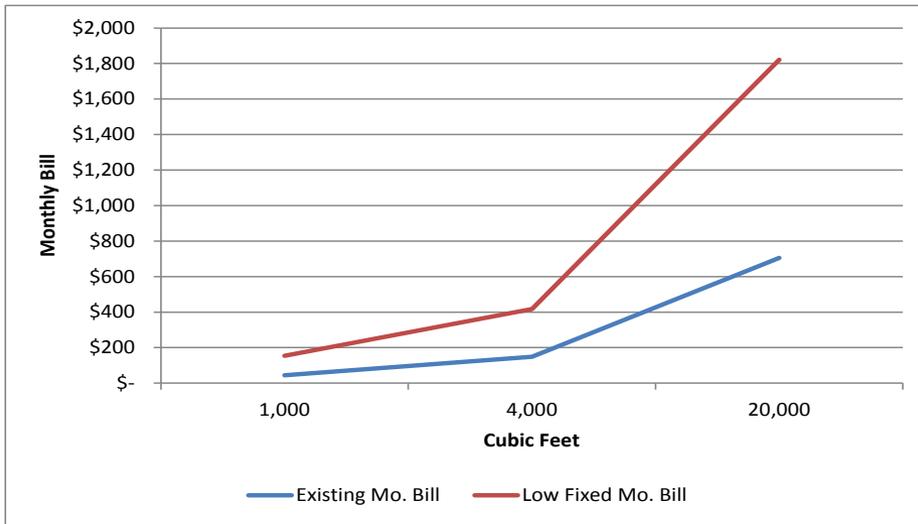
Non-Residential ESC: Low

Low Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Low Fixed Mo. Bill	Difference
Car Dealer	1,000	\$ 44.37	\$ 154.20	\$ 109.83
Fun Center	4,000	148.77	417.30	268.53
Carwash	20,000	705.57	1,820.50	1,114.93

Balanced Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Balance Fixed Mo. Bill	Difference
Car Dealer	1,000	\$ 44.37	\$ 167.38	\$ 123.01
Fun Center	4,000	148.77	418.78	270.01
Carwash	20,000	705.57	1,759.58	1,054.01



**ILLUSTRATION
PURPOSES ONLY**

Non-Residential ESC: High Rate Scenarios

- Cost of service = **267.7 % Increase** for the class

	Existing Rate	Low Fixed	Balanced Fixed
Fixed Charges/Month			
Base Charge	\$ 44.37	\$ 2.18	\$ 19.26
	+	+	+
ESC Program Charge		\$ 64.32	\$ 64.32
		=	=
Total Fixed Charges		\$ 66.50	\$ 83.58
		+	+
Volume Charge >1,000 cu. Ft.	\$ 3.48		
Volume Charge All/ cu. Ft.		\$ 12.75	\$ 12.61

**ILLUSTRATION
PURPOSES ONLY**

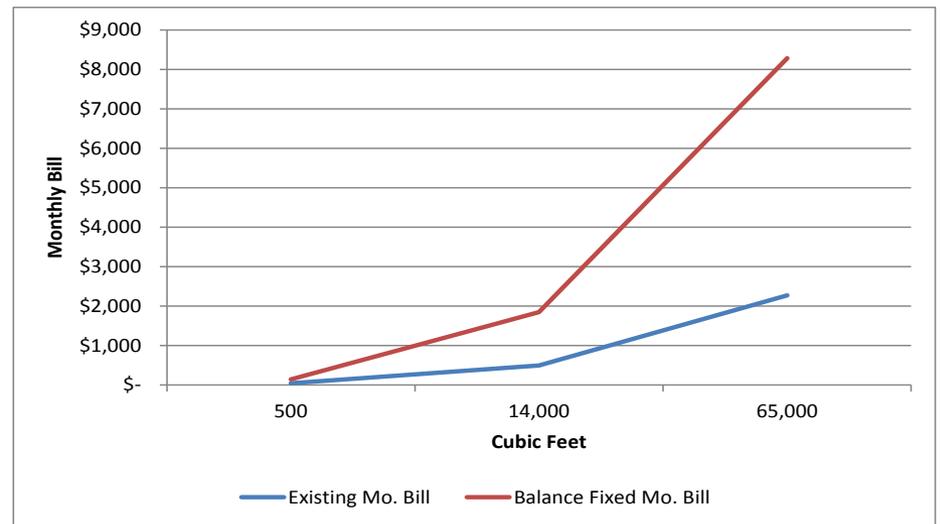
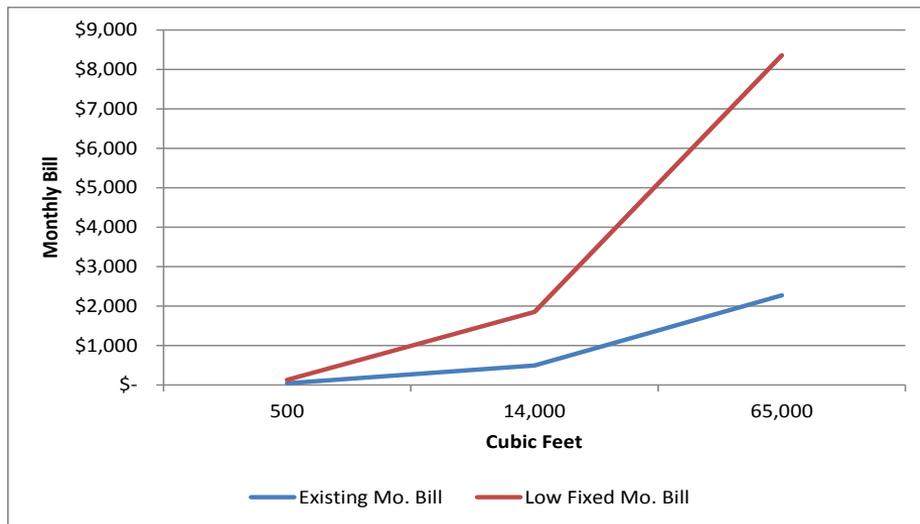
Non-Residential ESC: High

Low Fixed Scenario

Balanced Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Low Fixed Mo. Bill	Difference
Funeral Home	500	\$ 44.37	\$ 130.25	\$ 85.88
Lg. Grocery Store	14,000	496.77	1,851.50	1,354.73
Linen Supply	65,000	2,271.57	8,354.00	6,082.43

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Balance Fixed Mo. Bill	Difference
Funeral Home	500	\$ 44.37	\$ 146.63	\$ 102.26
Lg. Grocery Store	14,000	496.77	1,848.98	1,352.21
Linen Supply	65,000	2,271.57	8,280.08	6,008.51



**ILLUSTRATION
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Non-Residential ESC: Super High Rate Scenarios

- Cost of service = **323.1% Increase** for the class

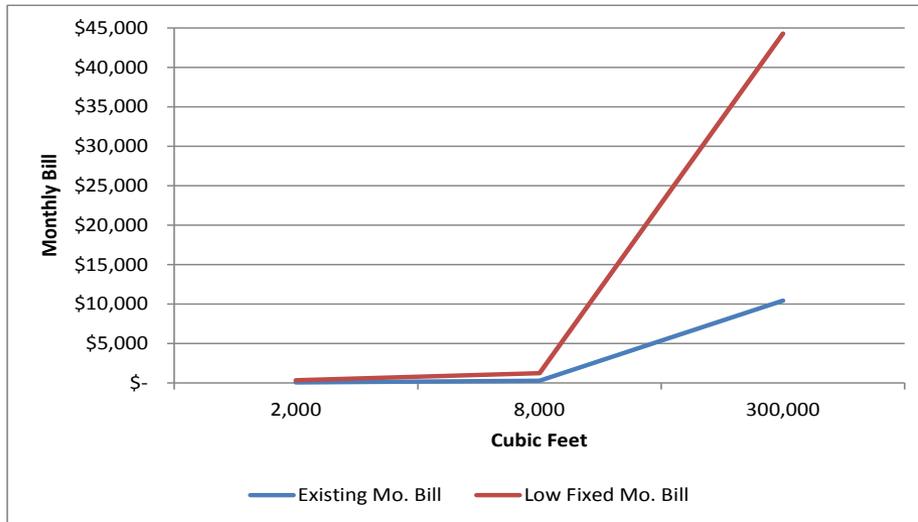
	Existing Rate	Low Fixed	Balanced Fixed
Fixed Charges/Month			
Base Charge	\$ 44.37	\$ 2.18	\$ 19.26
	+	+	+
ESC Program Charge		\$ 64.32	\$ 64.32
		=	=
Total Fixed Charges		\$ 66.50	\$ 83.58
		+	+
Volume Charge >1,000 cu. Ft.	\$ 3.48		
Volume Charge All/ cu. Ft.		\$ 14.74	\$ 14.70

**ILLUSTRATION
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Non-Residential ESC: Super High

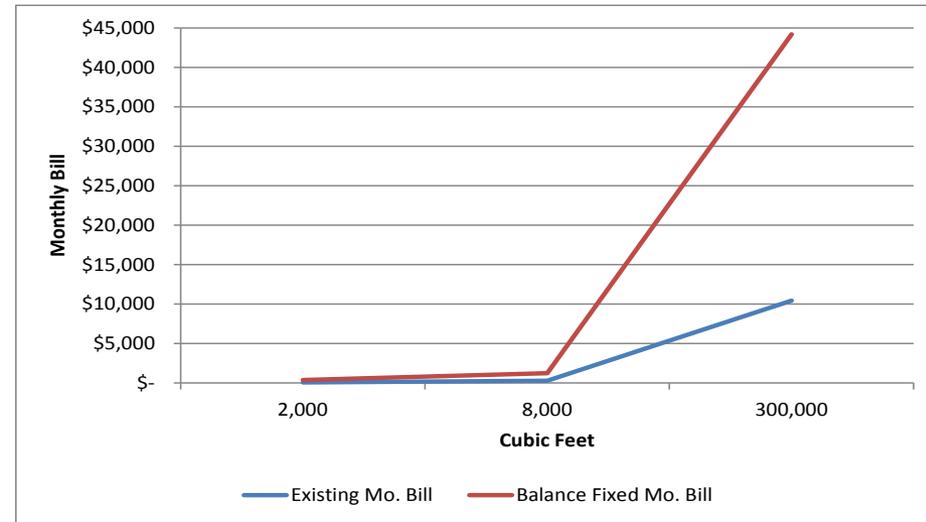
Low Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Low Fixed Mo. Bill	Difference
Brewery	2,000	\$ 79.17	\$ 361.30	\$ 282.13
Brewery	8,000	287.97	1,245.70	957.73
Brewery	300,000	10,449.57	44,286.50	33,836.93



Balanced Fixed Scenario

Customer Type	Cu. Ft. per Month	Existing Mo. Bill	Balance Fixed Mo. Bill	Difference
Brewery	2,000	\$ 79.17	\$ 377.58	\$ 298.41
Brewery	8,000	287.97	1,259.58	971.61
Brewery	300,000	10,449.57	44,183.58	33,734.01



**ILLUSTRATION
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Summary of Non-Residential

	Existing Rate	Low Fixed	Balanced Fixed
Fixed Charges/Month			
Base Charge	\$ 44.37	\$ 2.18 - 66.50	\$ 19.26 - 83.58
		+	+
Volume Charge >1,000 cu. Ft.	\$ 3.48		
Volume Charge All/ cu. Ft.		\$5.78 - 14.74	\$ 4.83 - 14.70

	1-10 Ranking	Low Fixed	Balance Fixed
Equitable	5.0	+	+
Affordable	6.0	-	-
Promote Efficient Use	4.0	++	++
Revenue Stability	8.0	--/+	--/+
Administratively Feasible	7.5	=	=

**ILLUSTRATION
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Policy Questions

- Given the distance between the existing revenue and cost of service does council want to explore options to bring classes into alignment over time (phasing)?

Phase-In of Cost of Service

Class	FY2015 COSA	Phase-in Alternative				
		FY2015	FY2016	FY2017	FY2018	FY2019
Singlefamily	-13.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Multifamily	24.0%	12.7%	4.7%	5.3%	6.0%	6.6%
Non Residential						
Standard						
Low User	25.9%	15.0%	5.3%	5.3%	5.3%	5.3%
High User	65.5%	30.0%	9.3%	9.3%	9.3%	9.3%
Low	167.7%	50.0%	15.1%	15.1%	15.1%	15.1%
Medium	0.0%					
High	267.6%	100.0%	19.7%	19.7%	19.7%	19.7%
Super High	323.1%	120.0%	22.1%	22.1%	22.1%	22.1%
Total	9.0%	9.0%	3.1%	3.1%	3.1%	3.1%

**ILLUSTRATION
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Wrap-Up

- Priorities
- Directions
- Areas of agreement
- Are we headed in the right direction?

Next Steps

- Oct. 14th water rate structure design workshop
- Nov. 5th rate structure options
- Open houses?
- Dec. 3rd final recommendations
- Dec. 17th formal commitment to changes