



Agenda



Background

Review of current & past rate study milestones



Rate Study Overview

What is a rate study?



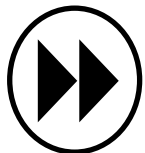
Revenue Requirement Results

Forecast of revenues, expenditures, and fund balances from 2024 to 2029



Water Rate Design

Proposed rate schedule for the water utility from 2025 to 2029



Discussion and Next Steps

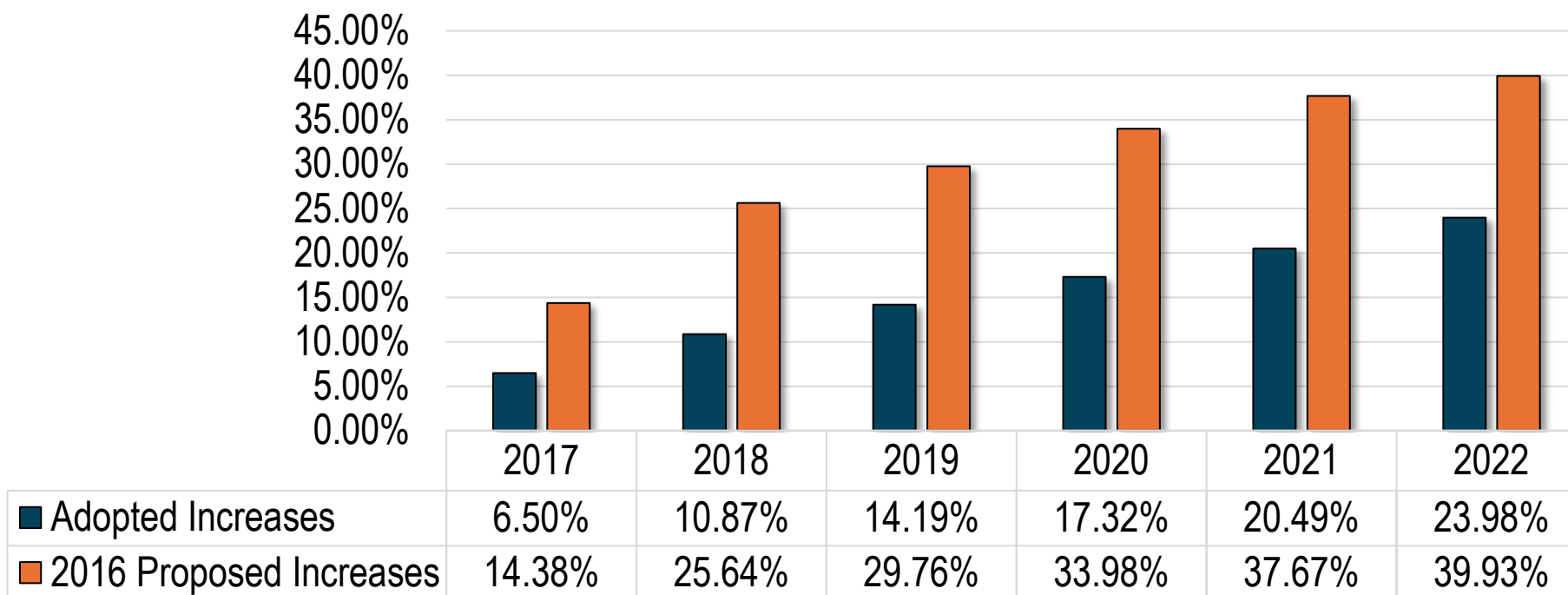
Implementing the results



Background: Past Rate Study

- Rate study completed in 2016
 - » Recommended increases from study were not adopted
 - » Capital costs were deferred and now are subjected to increased inflation

Cumulative Rate Increases vs. 2016 Proposed Increases





Background: Current Rate Study

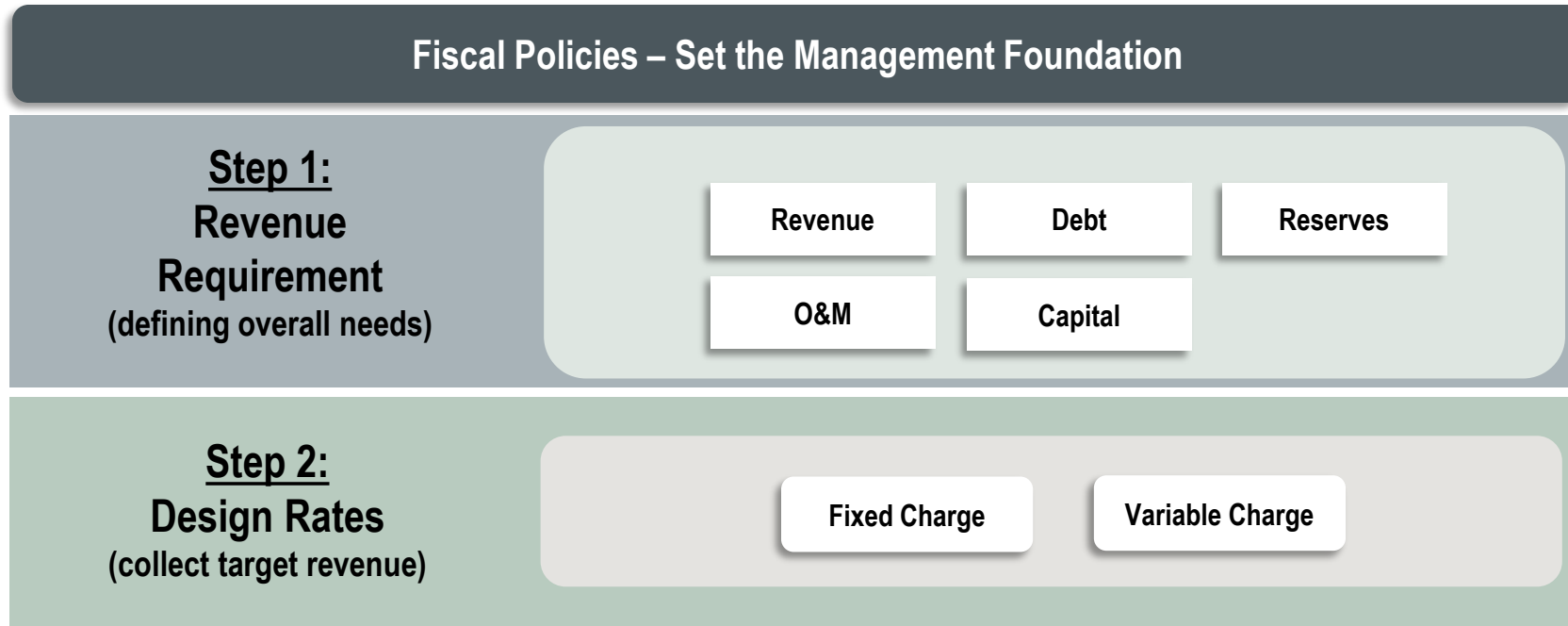
- Study commenced in 2022
- Presented draft findings in June & October of 2023

Proposed Rate Increases	2024	2025	2026	2027	2028
Electric	8.75%	8.75%	8.75%	8.75%	0.00%
Water	28.00%	16.25%	16.25%	3.00%	3.00%
Sewer	16.00%	12.25%	8.50%	3.00%	3.00%
Stormwater	93.00%	5.50%	5.50%	5.50%	5.50%

- 2.00% increase adopted in 2024
 - » Based on adopted rate increase staff made reductions to operating and capital budgets
 - Reduced operating expenses for water & sewer utilities
 - Deferred short term capital for all utilities and modified long term stormwater capital



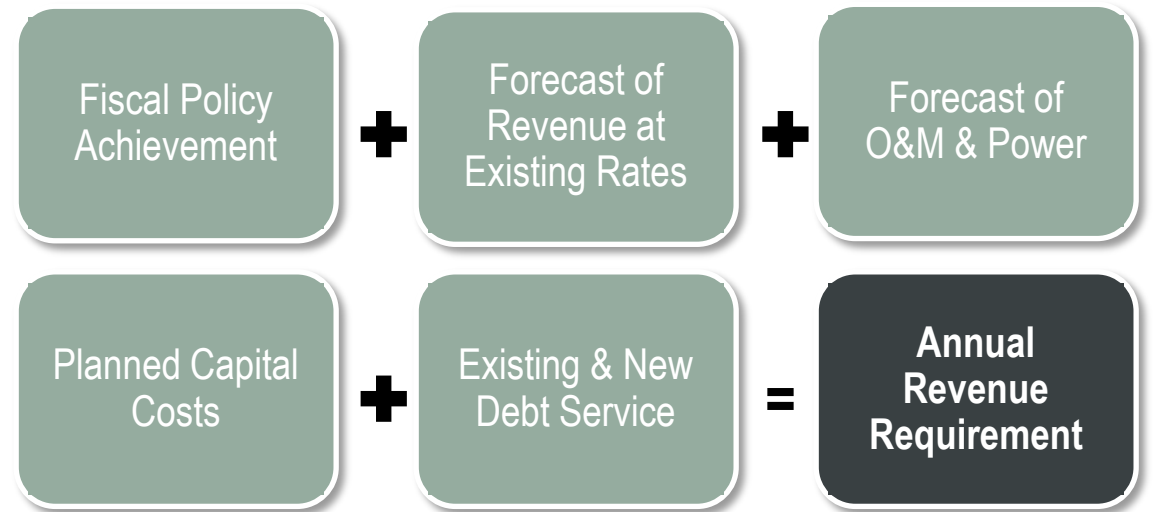
Overview of Rate Study Process





Revenue Requirement Objectives

- Determine the amount of annual revenue necessary to fund all financial obligations on a standalone basis
 - » Operating & power expenses
 - » Debt service (principal & interest)
 - » Capital costs and funding approach
- Meet financial parameters and targets
 - » Target debt service coverage ratios
 - » Maintain target reserve balances
- Evaluate revenue sufficiency over a multi-year period
- Develop rate plan to balance financial needs and minimize customer impacts





Summary of Revenue Requirements

Adequacy of Existing Rate Revenue to Meet Revenue Requirements

Description	Water	Sewer	Electric	Stormwater
O&M & Existing Debt Service Expenses	●	●	○	◐
Financial Reserves	◐	◐	○	○
Capital Improvement Plan	◐	◐	○	○

Legend

- = Meets current and future requirements
- ◐ = Meets current requirements; insufficient for future requirements
- = Does not meet current or future requirements

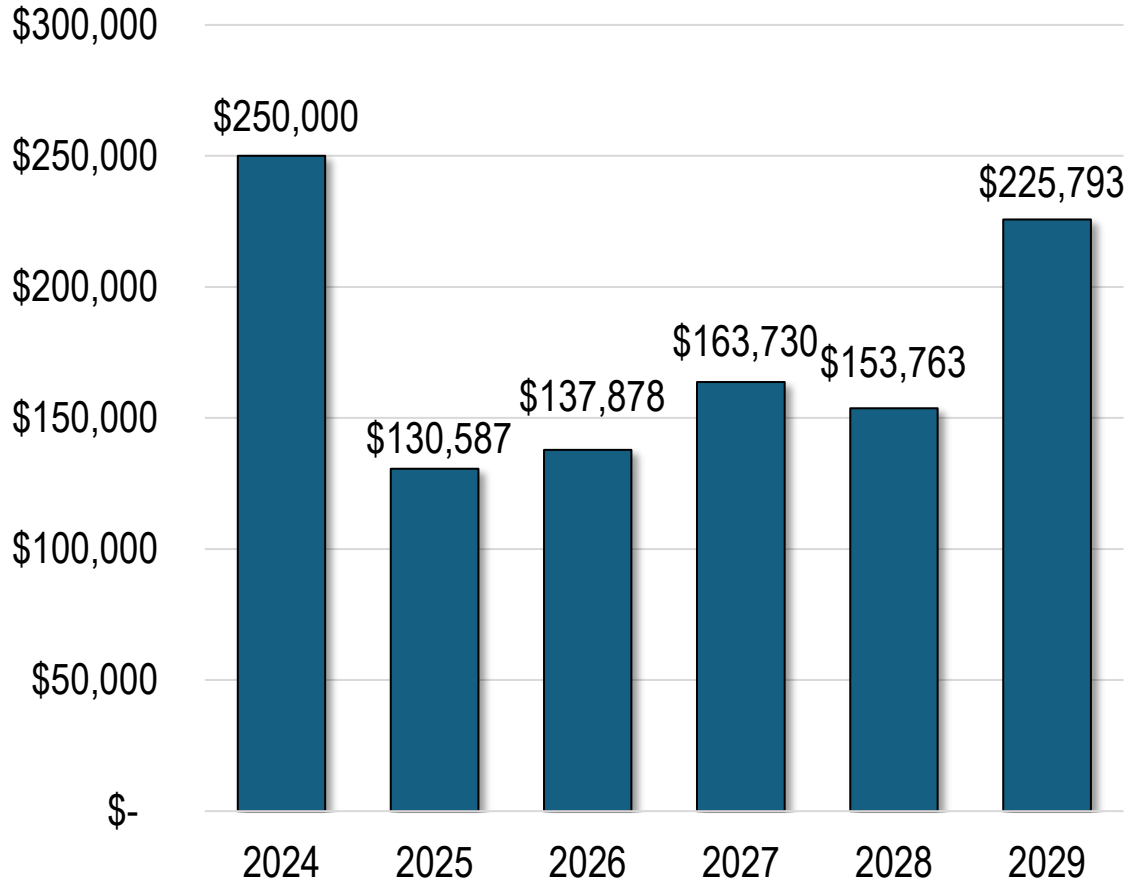


Electric Utility

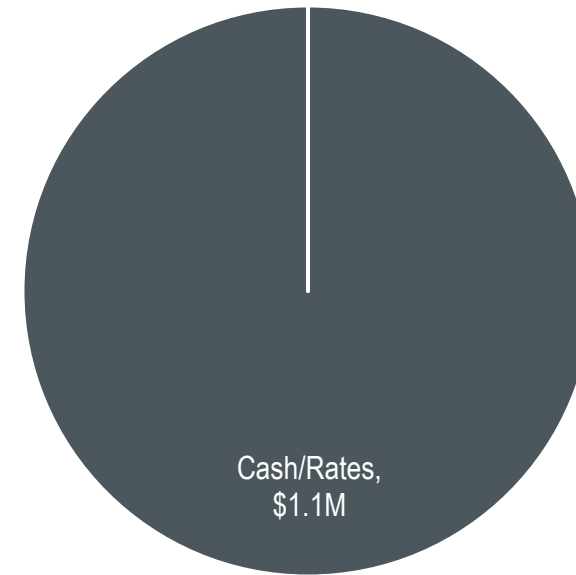


CIP and Capital Funding Strategy

2024-2029 Electric CIP (Escalated)



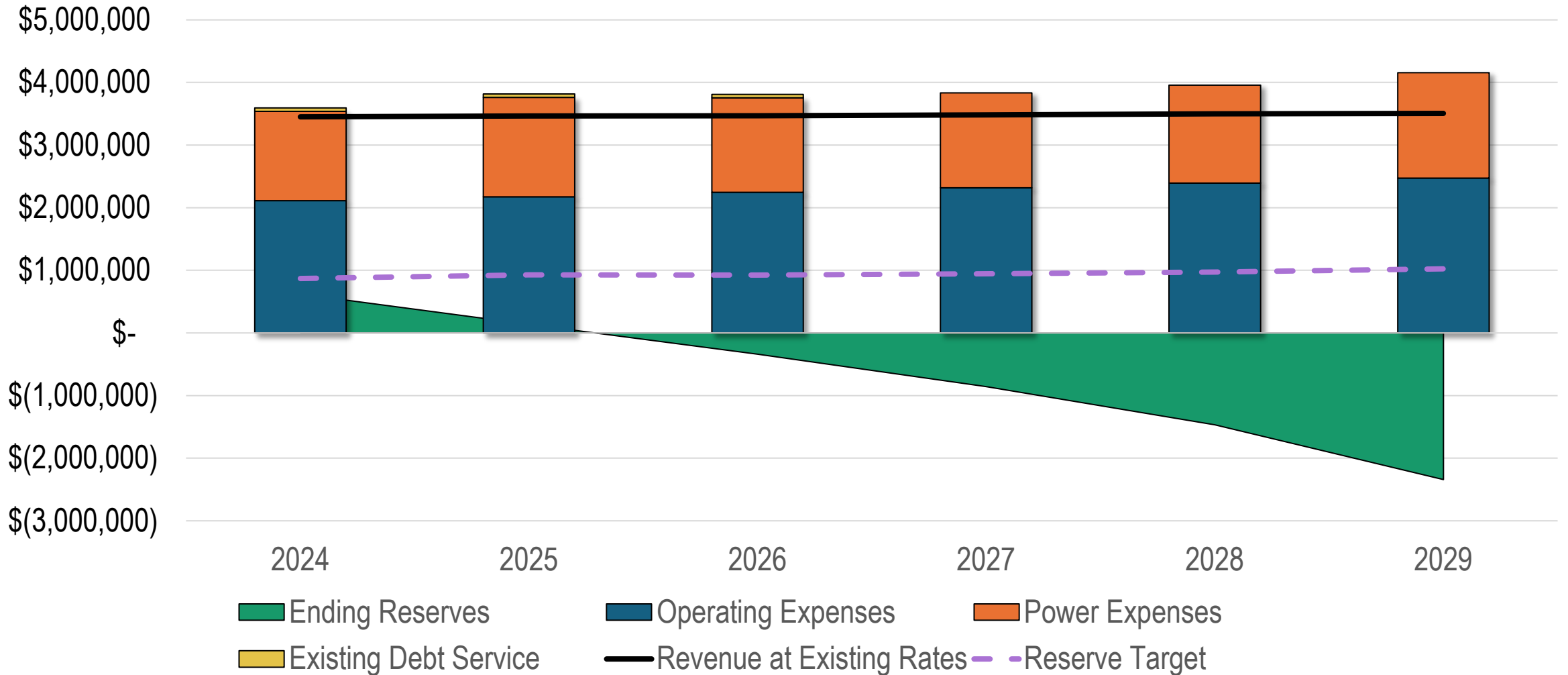
2024-2029 Funding Sources



- CIP totals \$1.1M
 - » No new debt assumed

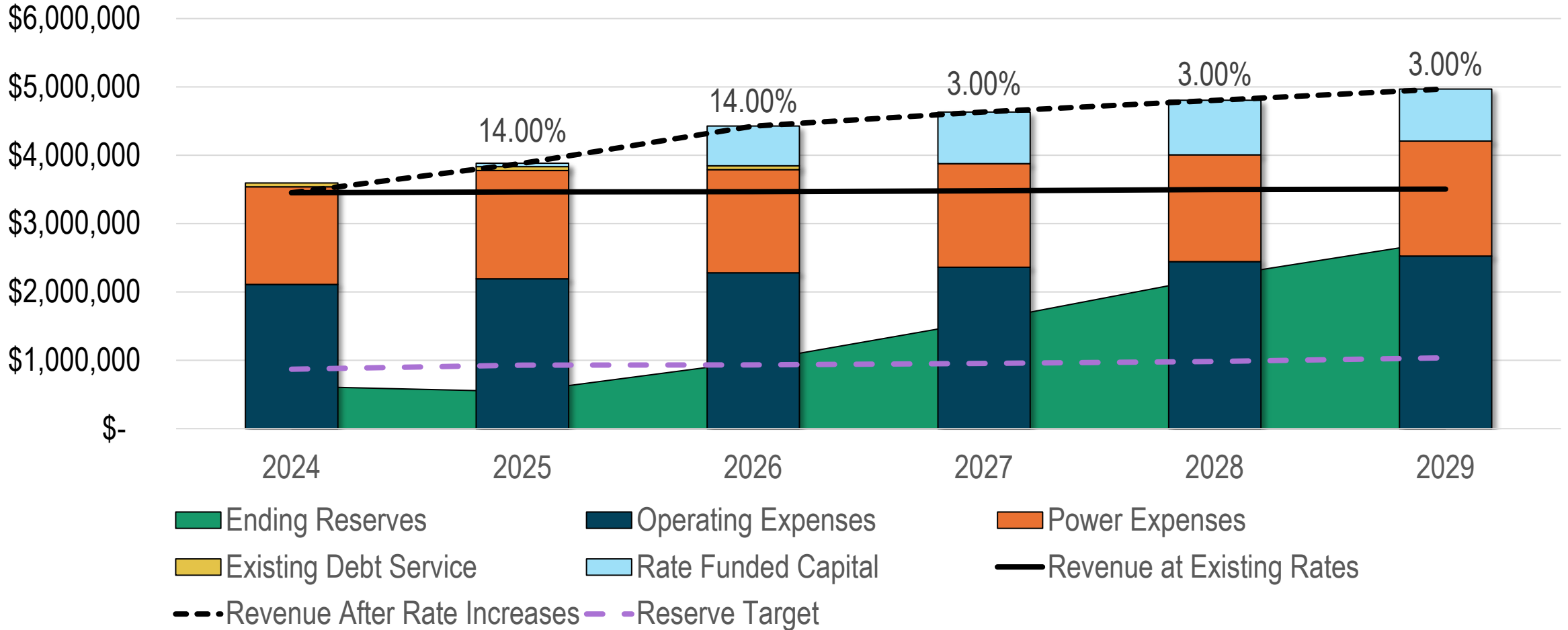


Revenue Requirement – Existing Rates





Revenue Requirement – Proposed Strategy



Residential Bill Impacts	Existing	2025	2026	2027	2028	2029
Monthly Bill	\$ 135.12	\$ 154.04	\$ 175.61	\$ 180.88	\$ 186.31	\$ 191.90
\$ Change		\$ 18.92	\$ 21.57	\$ 5.27	\$ 5.43	\$ 5.59

Note: Assumes 1,200kWh

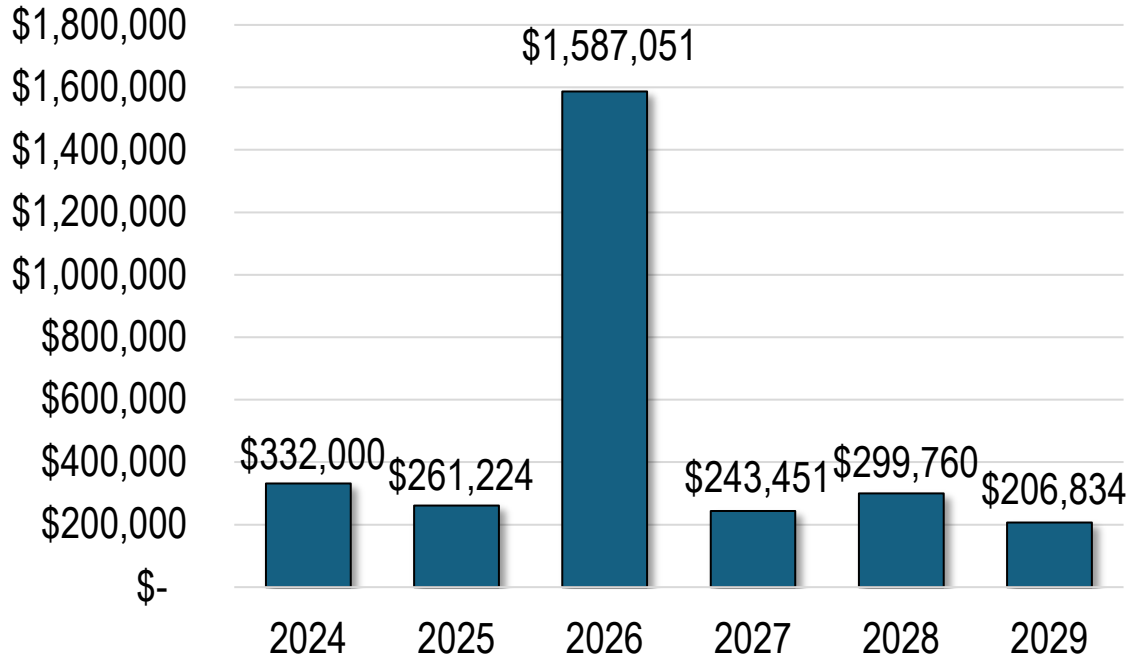


Water Utility

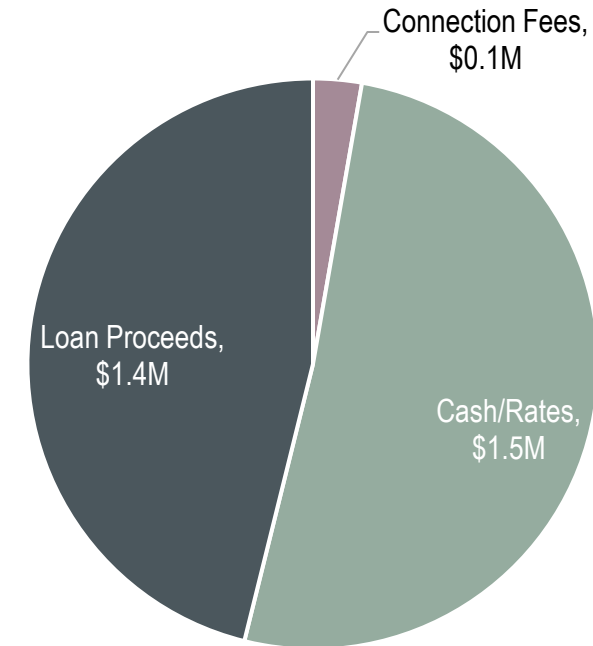


CIP and Capital Funding Strategy

2024-2029 Water CIP (Escalated)



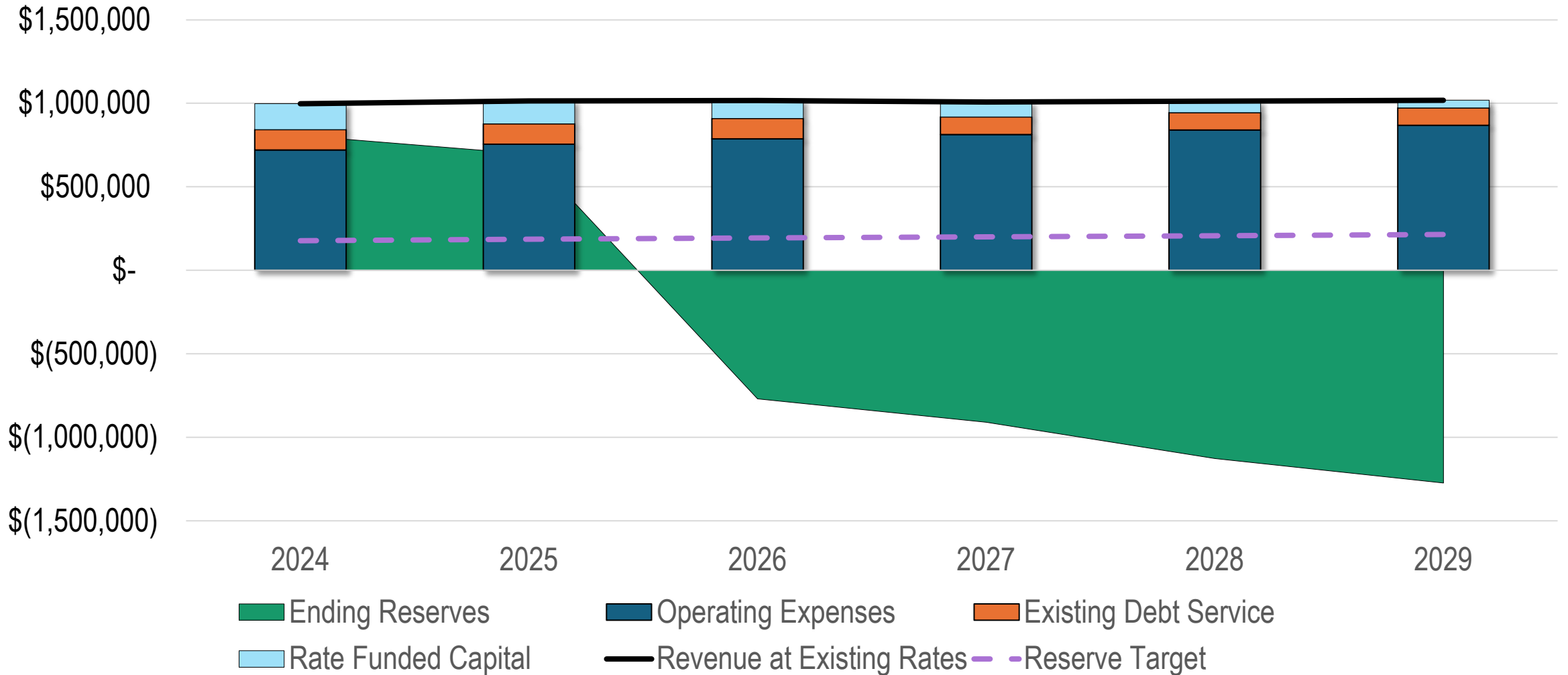
2024-2029 Funding Sources



- CIP totals \$2.9M – funds 2026 Simpson Avenue project
 - » \$1.4M of loan proceeds assumed (2026) – 20yr term & 1.50% interest
- Future CIP (2031 – 2033) totals of \$5.1M
 - » Major projects include Summit Road Phase 1, Summit Road Phase 2, and additional Simpson Avenue

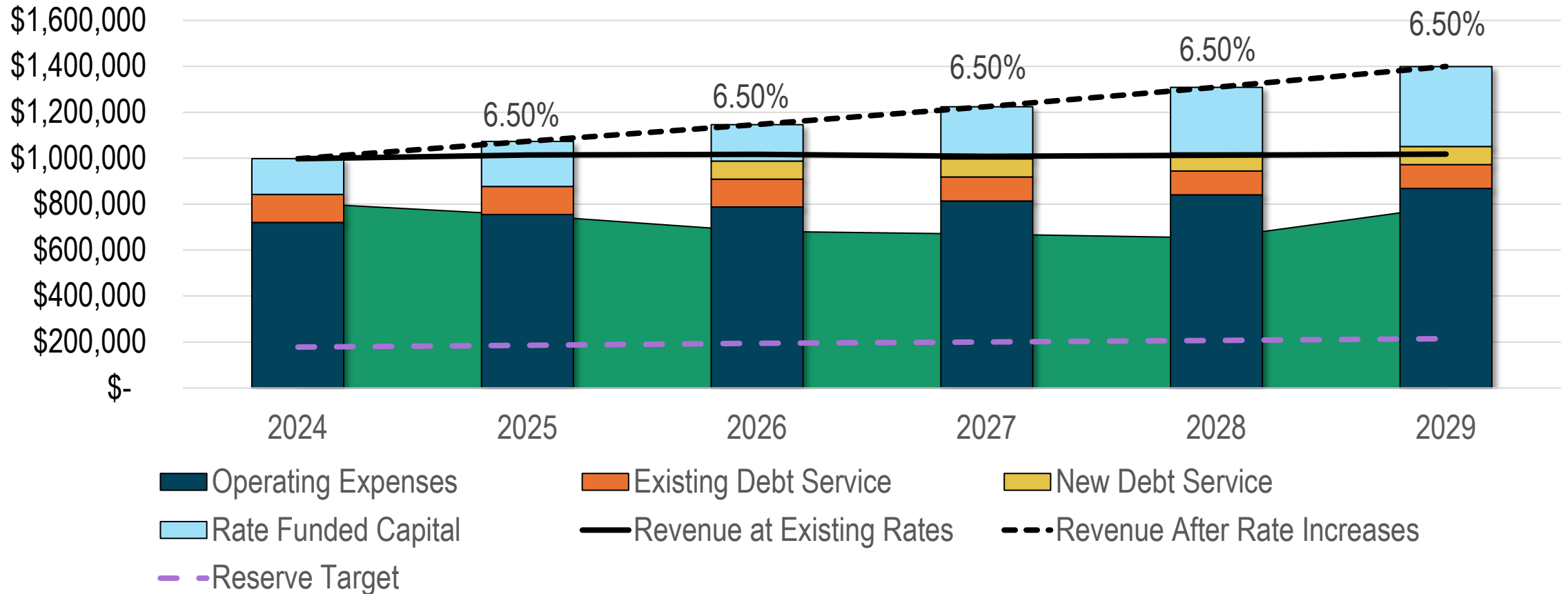


Revenue Requirement – Existing Rates





Revenue Requirement – Proposed Strategy



- Rate strategy accounts for the next six-year (2030 – 2035) CIP funding

Residential Bill Impacts	Existing	2025	2026	2027	2028	2029
Monthly Bill	\$ 90.06	\$ 95.91	\$ 102.14	\$ 108.78	\$ 115.85	\$ 123.38
\$ Change		\$ 5.85	\$ 6.23	\$ 6.64	\$ 7.07	\$ 7.53

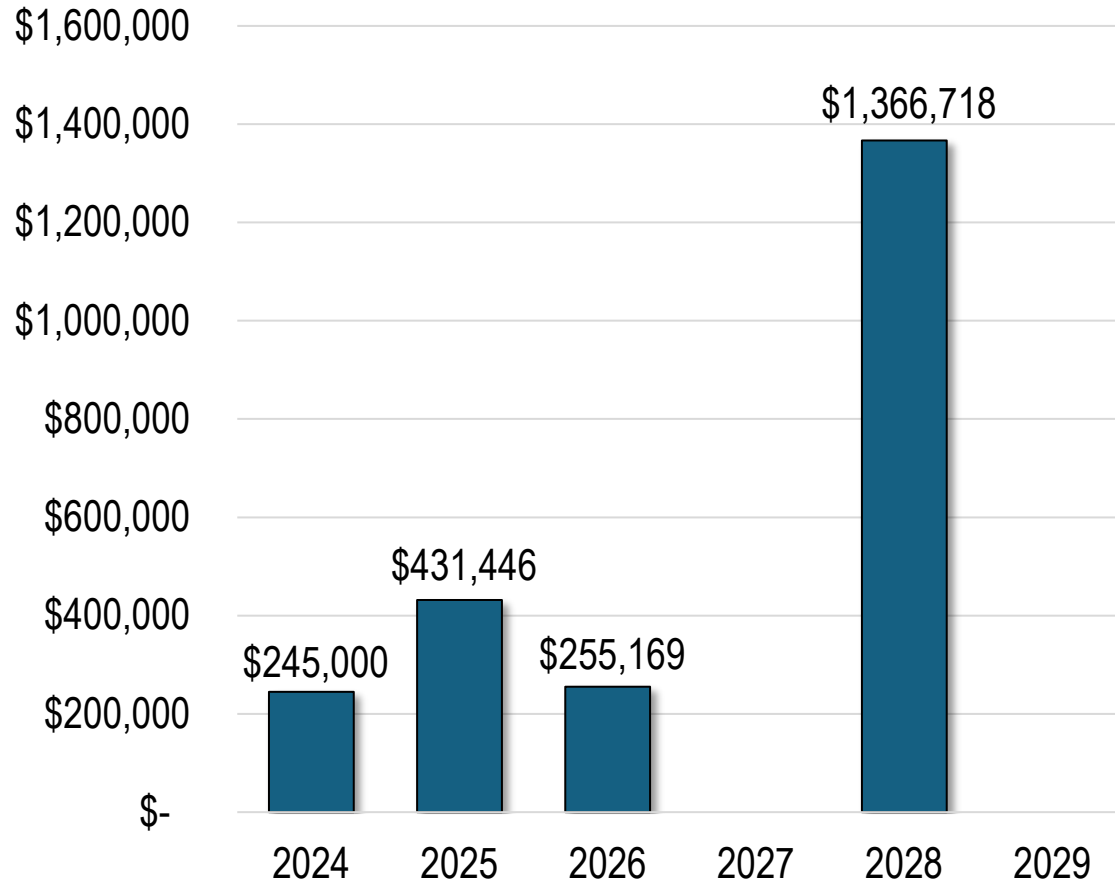
A close-up, high-angle photograph of a circular sewer manhole cover. The cover is made of a textured, light-colored material, possibly cast iron or concrete, and features a complex, raised pattern of rectangular and circular shapes. A dark, semi-transparent arrow points from the left side of the frame towards the center of the cover. The background is a blurred, light-colored surface, likely asphalt or concrete.

Sewer Utility

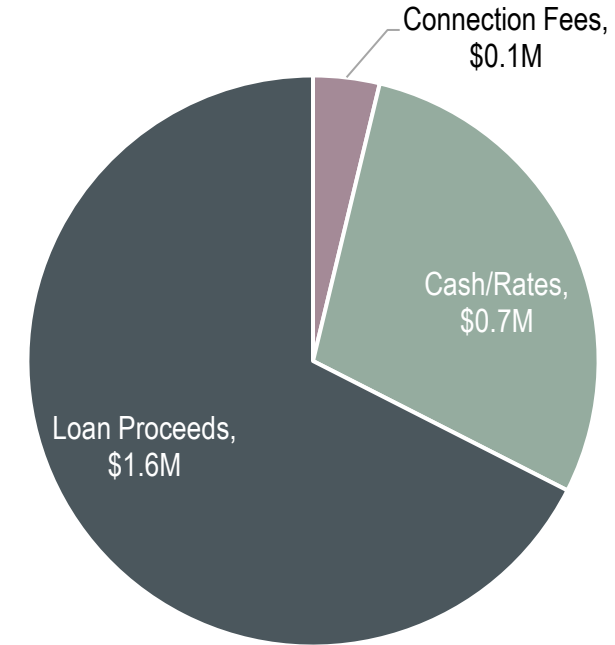


CIP and Capital Funding Strategy

2024-2029 Sewer CIP (Escalated)



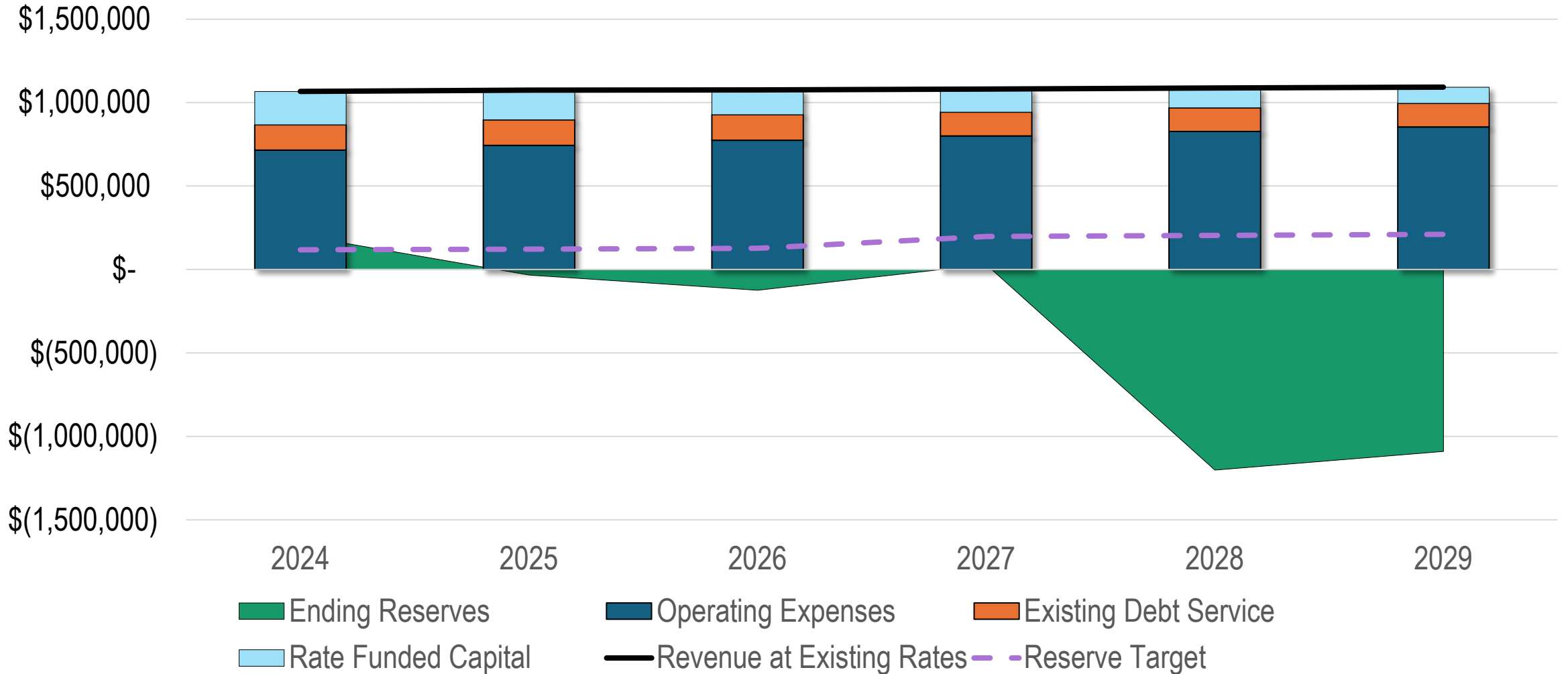
2024-2029 Funding Sources



- CIP totals \$2.3M
 - » \$1.6M of loan proceeds assumed (2025 & 2028)
 - 20yr term & 1.50% interest
 - Funds infiltration and inflow analysis & pump stations and SR8 crossing

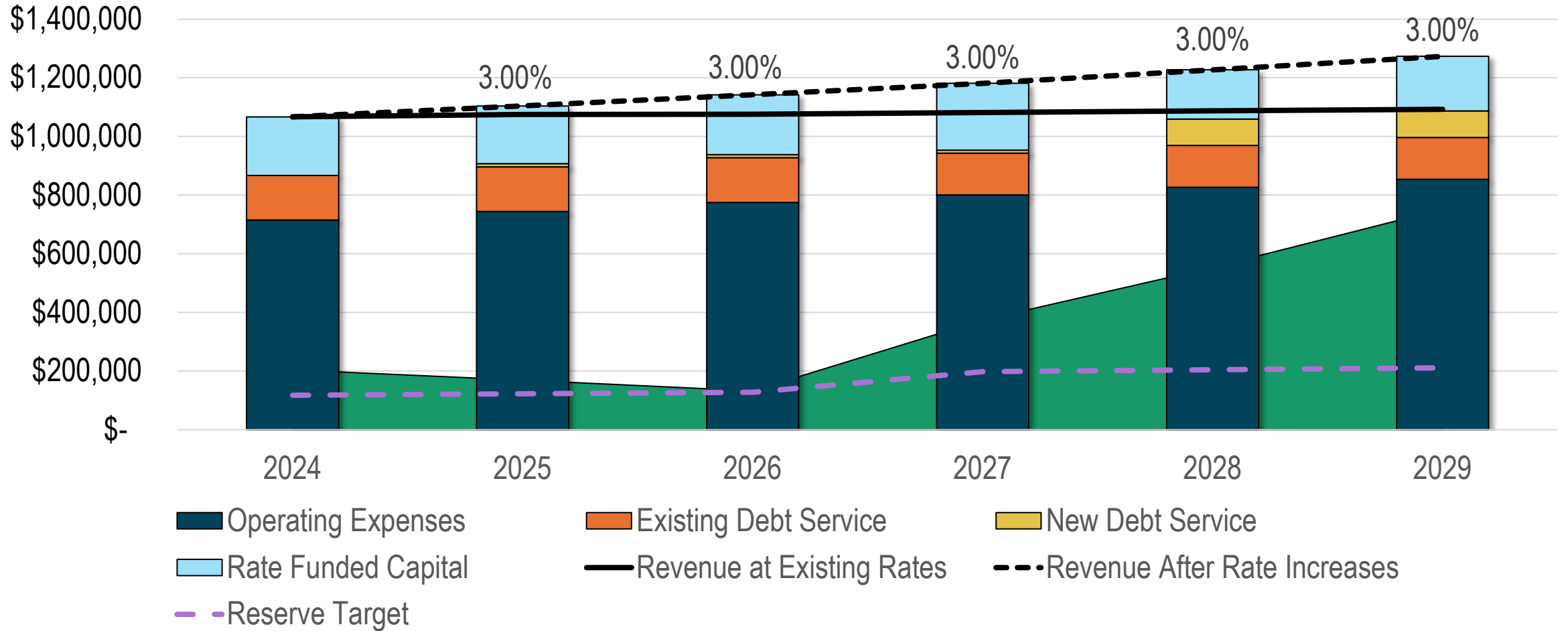


Revenue Requirement – Existing Rates





Revenue Requirement – Proposed Strategy



Residential Bill Impacts	Existing	2025	2026	2027	2028	2029
Monthly Bill	\$ 110.34	\$ 113.65	\$ 117.06	\$ 120.57	\$ 124.19	\$ 127.92
\$ Change		\$ 3.31	\$ 3.41	\$ 3.51	\$ 3.62	\$ 3.73



Stormwater Utility



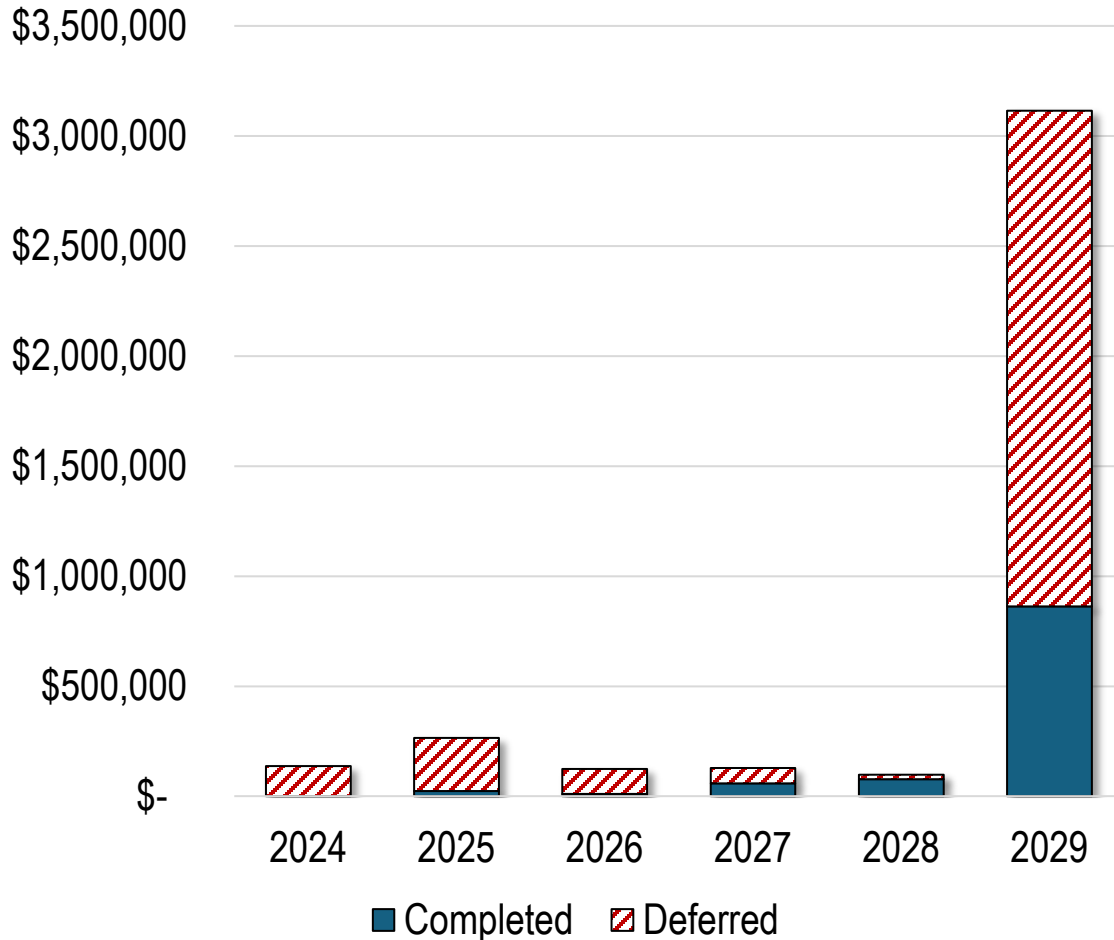
Capital Plan Deferrals

- Utility needs extensive rate adjustments to fund capital plan
 - » Original CIP of \$3.7M (2024 – 2029)
 - » Annual revenues of \$0.2M and no cash flow
- Staff has identified costs to be deferred to keep rate adjustments manageable
 - » Deferring \$2.7M beyond study period (73% of costs)

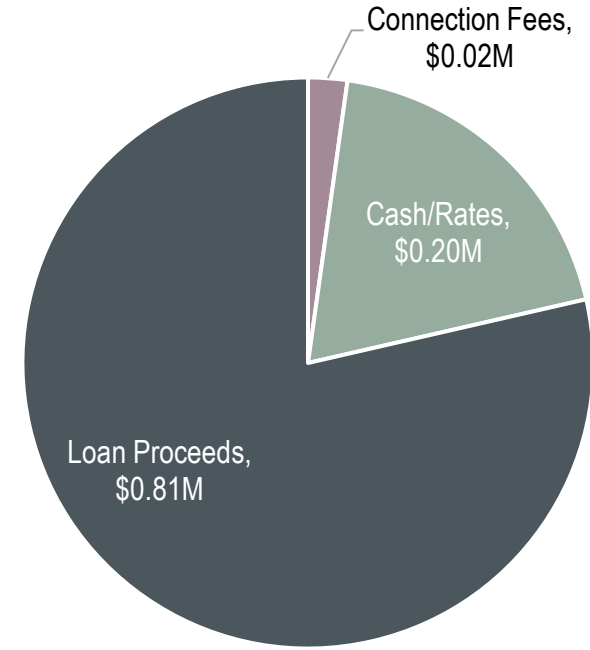


CIP and Capital Funding Strategy

2024-2029 Stormwater CIP (Escalated)



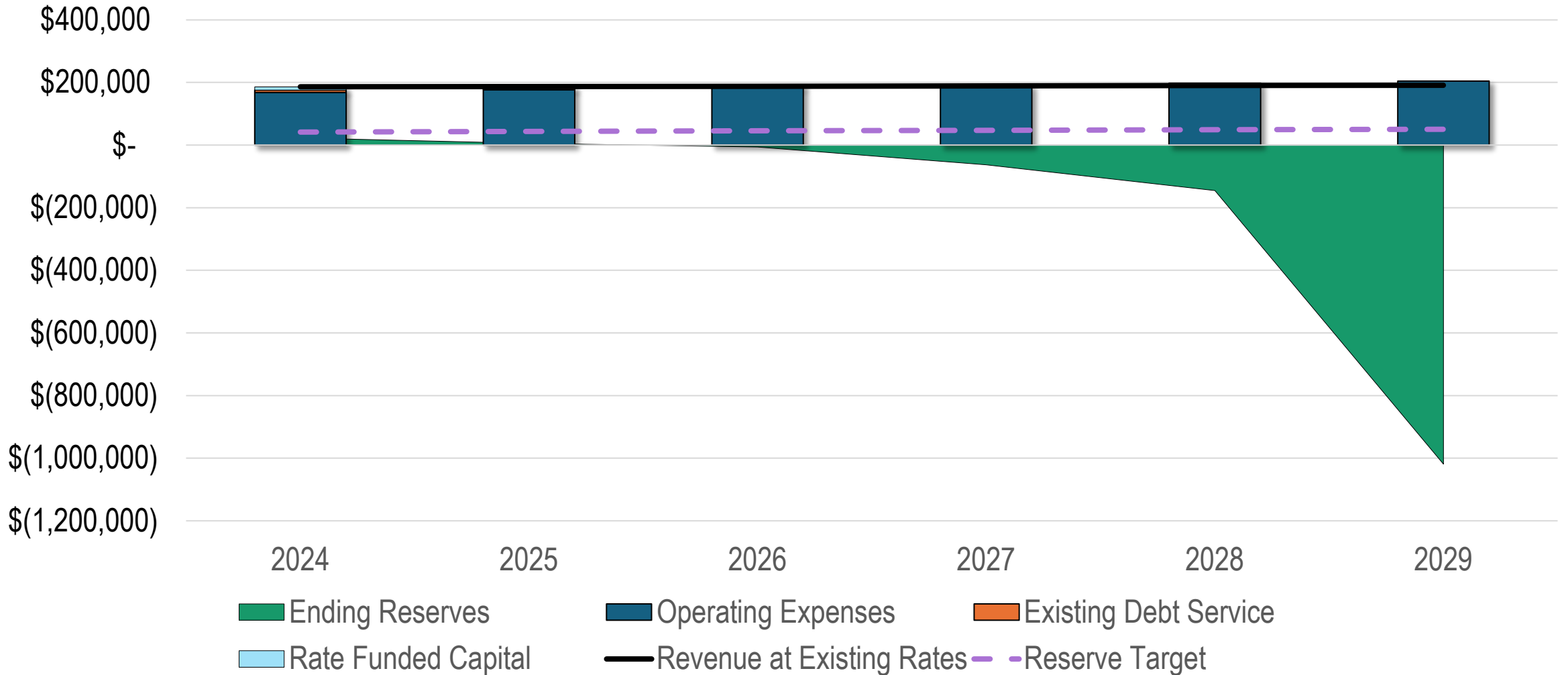
2024-2029 Funding Sources



- CIP totals \$1.0M
 - » Reflects CIP deferrals
 - » \$0.8M of loan proceeds assumed (2029)
 - 20yr term & 1.50% interest
 - Funds 5th St. Pine to Maple pipe upsizing

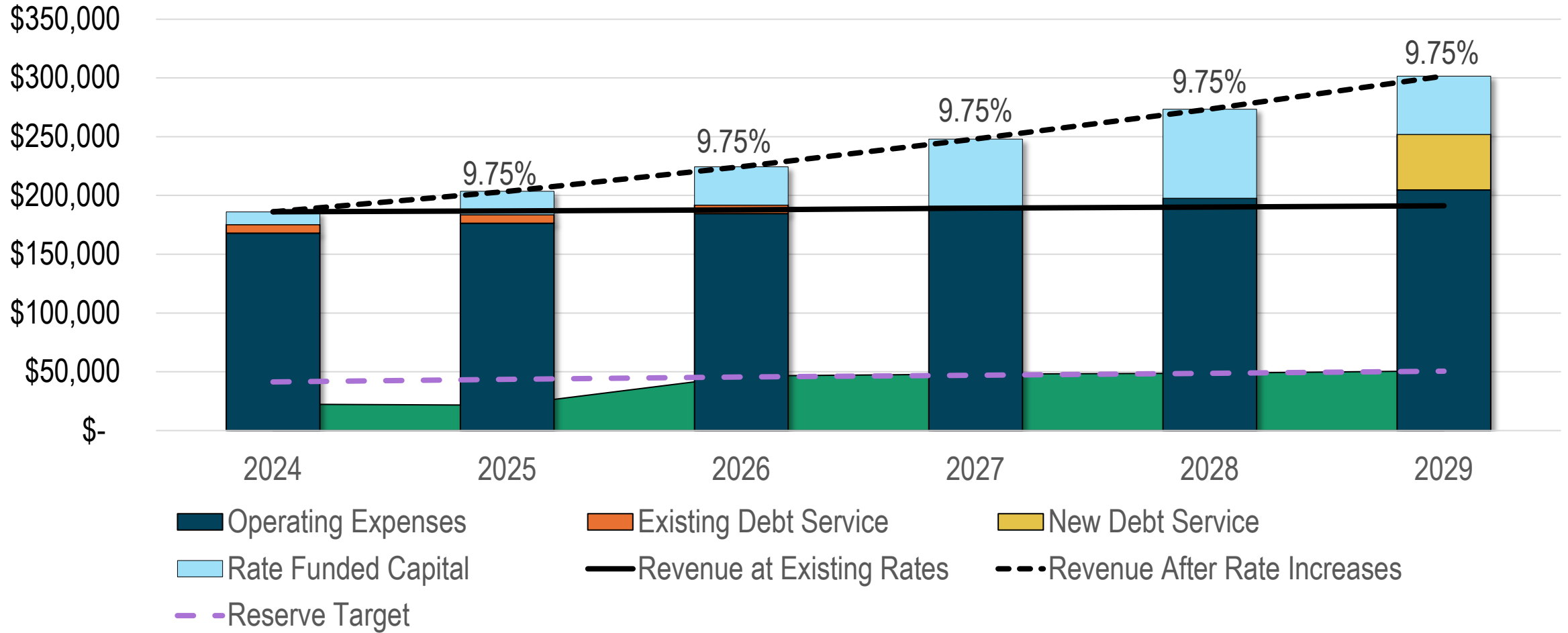


Revenue Requirement – Existing Rates





Revenue Requirement – Proposed Strategy



Residential Bill Impacts	Existing	2025	2026	2027	2028	2029
Monthly Bill	\$ 15.20	\$ 16.68	\$ 18.31	\$ 20.10	\$ 22.06	\$ 24.21
\$ Change		\$ 1.48	\$ 1.63	\$ 1.79	\$ 1.96	\$ 2.15

Water Rate Design



Fund
BKCP
SKWLD
IWLKS
SKWOS
ISKLS
AKSDK
PKDKJ
KSPFW



Overview of Rate Design

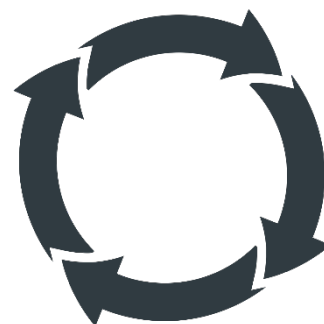
- Development of fixed or variable charges assessed to customers



Aligns fixed and variable costs with fixed and variable revenue sources



Generates sufficient revenue to meet utility requirements



Meet goals and objectives of the utility (e.g., conservation)

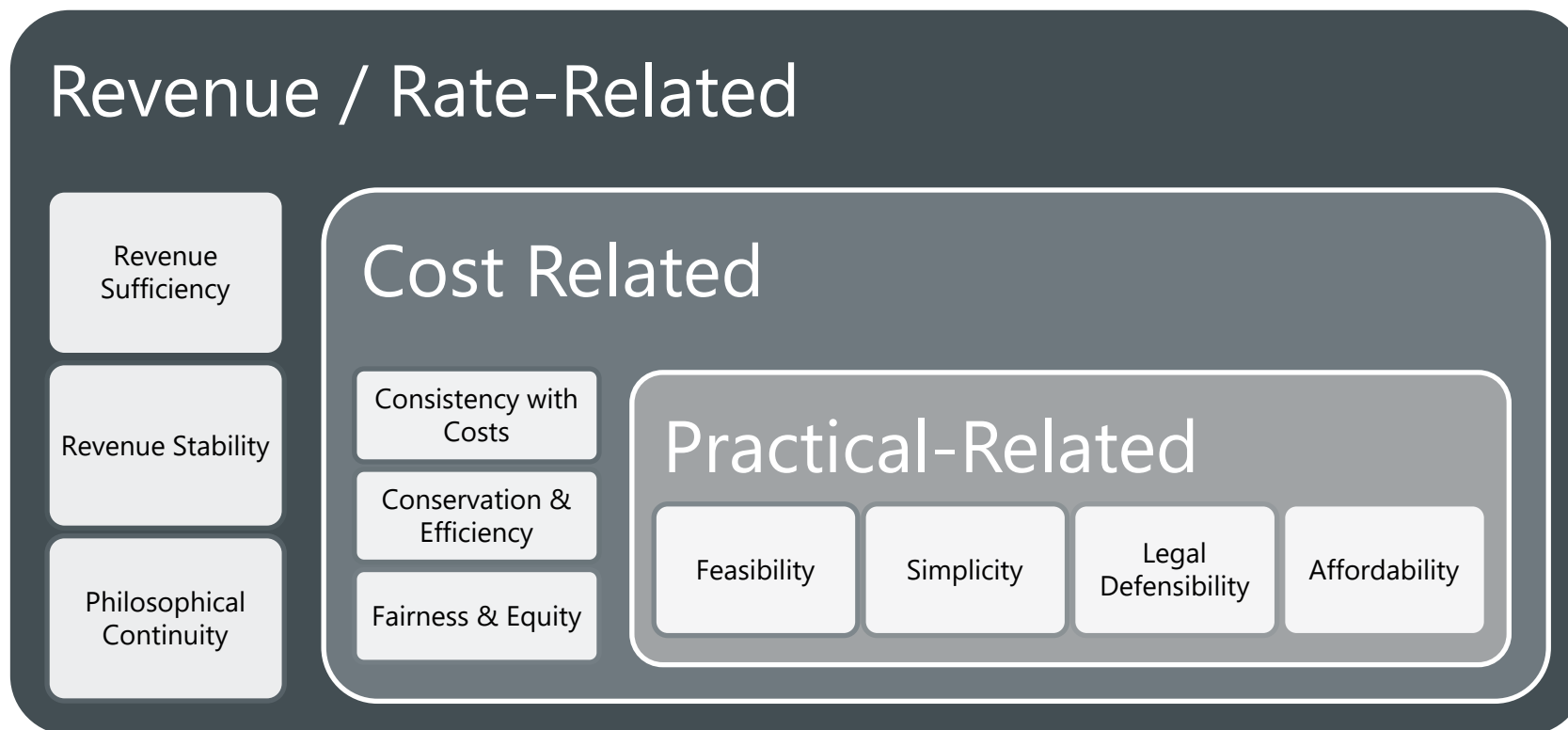


Evaluate monthly rate impact for different levels of use



Rate Design Goals

- No structure can completely achieve all the objectives – it's a balancing act



Source: *Principles of Public Utility Rates*, Bonbright, Danielson and Kamerschen



Rate Design – Considerations

- No structure changes for electric, sewer, and stormwater utility
 - » Apply increase across the board
- Proposed structural changes for water utility
 - » Separate into single family residential & non-single family



Rate Design – Considerations (Water)

- Single family
 - » Reduced monthly fixed charge to promote affordability
 - » Eliminate allowance to promote conservation
 - Charge for all usage
 - Provides customers more control over their bill
- Non-single family
 - » No structural changes proposed
 - » Increases applied on an across the board basis
- 2026 – 2029 proposed rates increase across the board for all customers



Proposed Rate Structure

Description	Existing	Rate Design Alternative				
		2025	2026	2027	2028	2029
Fixed Monthly Charge						
Single Family Residential						
Meters 1" or smaller	\$ 88.76	\$ 79.00	\$ 84.14	\$ 89.60	\$ 95.43	\$ 101.63
Meters larger than 1"	113.80	101.29	107.87	114.88	122.35	130.30
Non-Single Family						
Meters 1" or smaller	\$ 88.76	\$ 94.53	\$ 100.67	\$ 107.22	\$ 114.19	\$ 121.61
Meters larger than 1"	113.80	121.20	129.08	137.47	146.40	155.92
Volume Charge (\$ / ccf)						
Single Family Residential						
Block 1 (0-5 ccf)	\$ -	\$ 3.07	\$ 3.27	\$ 3.48	\$ 3.71	\$ 3.95
Block 2 (>5 ccf)	1.30	3.07	3.27	3.48	3.71	3.95
Non-Single Family						
Block 1 (0-5 ccf)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Block 2 (>5 ccf)	1.30	1.38	1.47	1.56	1.67	1.77

Notes :

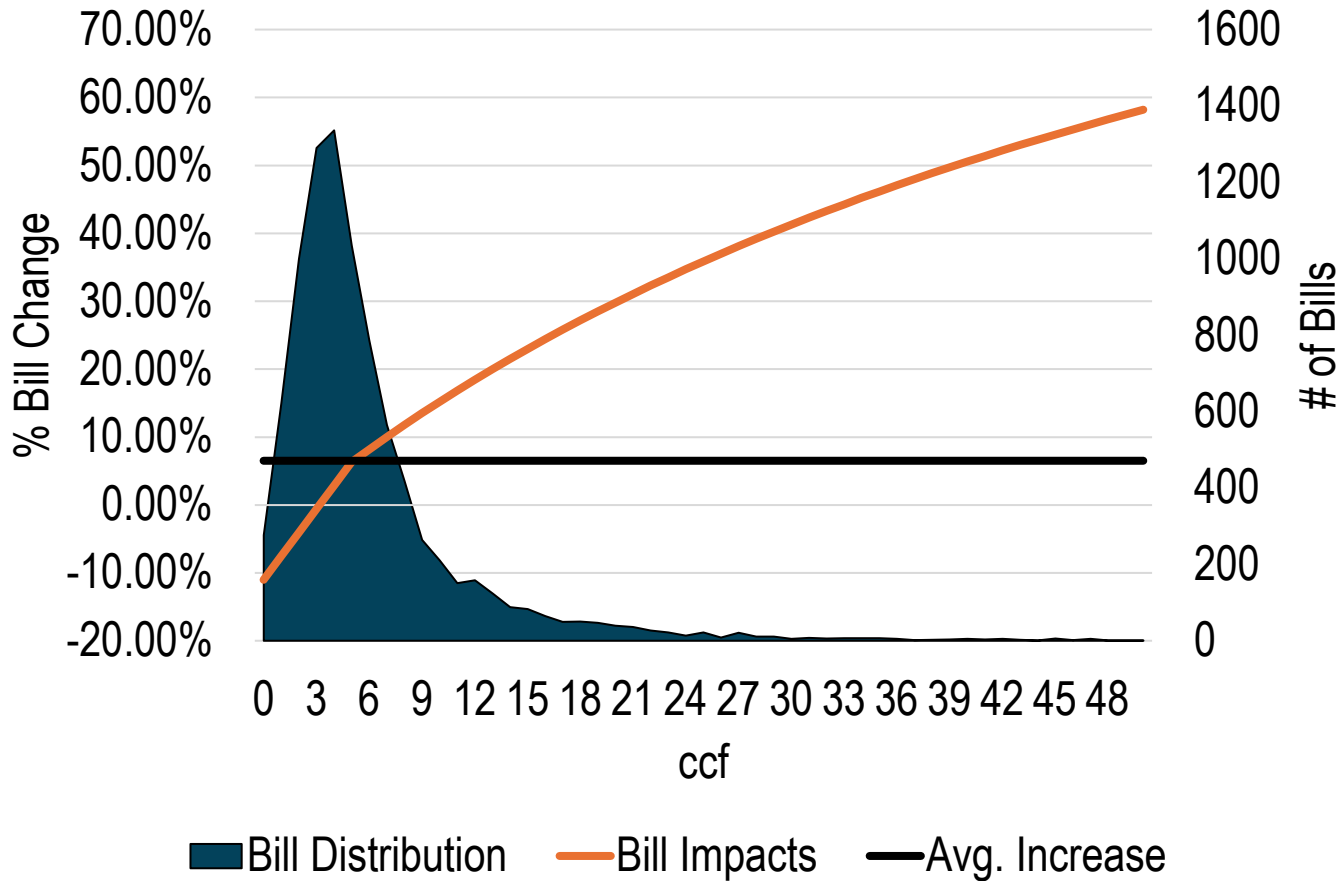
Monthly meter charge for customers located outside the City are increased by 1.50x

Unmetered customers are billed the meter rate based on number of units



Single Family Residential 2025 Impacts

Impact by Usage Level



ccf	Existing		2025 Proposed		Difference	
		\$		\$	\$	%
0		88.76		79.00	(9.76)	-11.00%
3		88.76		88.22	(0.54)	-0.61%
5		88.76		94.36	5.60	6.31%
6		90.06		97.44	7.38	8.19%
7		91.35		100.51	9.16	10.02%
8		92.65		103.58	10.93	11.80%
9		93.94		106.65	12.71	13.53%
10		95.24		109.73	14.49	15.21%
11		96.53		112.80	16.27	16.85%
20		108.19		140.45	32.26	29.82%
30		121.15		171.18	50.03	41.30%
40		134.10		201.90	67.80	50.56%

winter avg.
annual avg.
peak mo. avg.

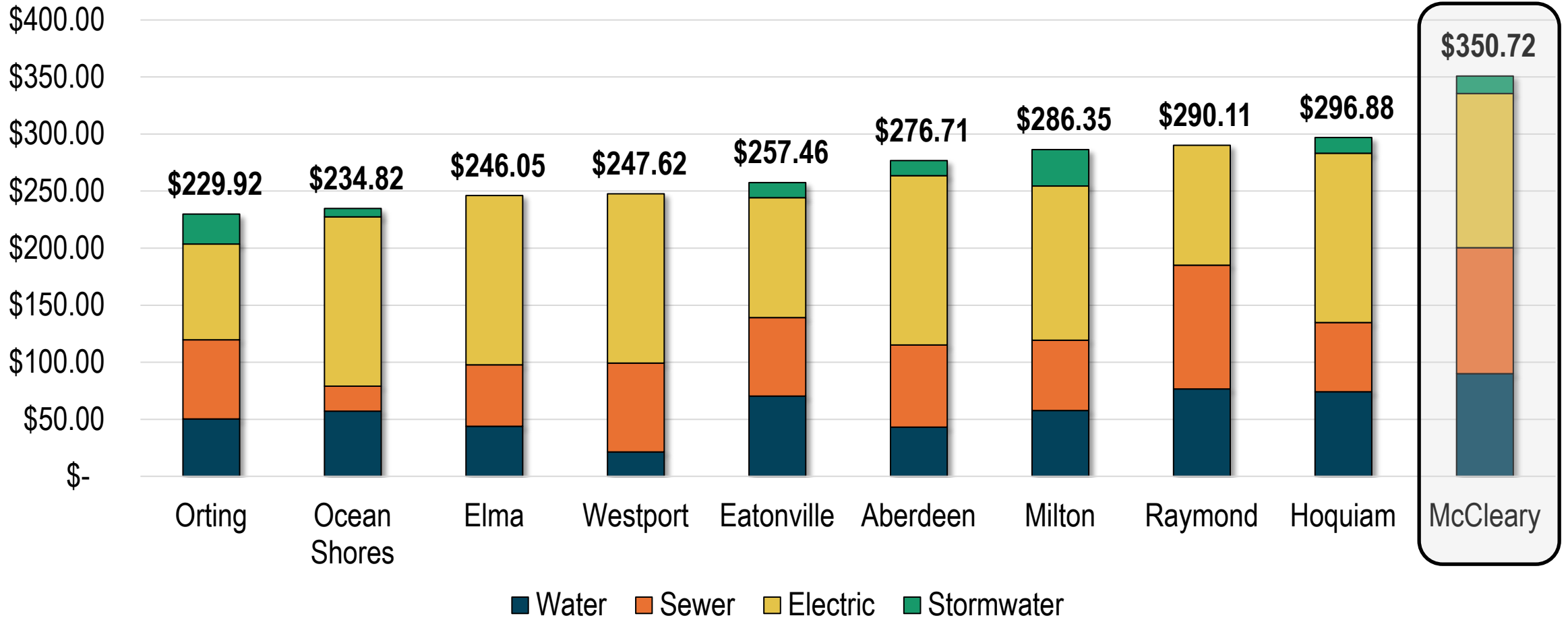
- Low users see a bill decrease
 - » 35% of bills are 3ccf or less
- Revisit rate structure in a couple of years to assess impacts on consumption

Impacts





Combined Residential Rate Survey – Existing Rates



Notes:

No stormwater rates identified for Raymond, Westport, & Elma | Some utilities assess taxes on top of bill



Residential Monthly Bill Impacts

- Monthly impacts for residential customer across all utilities

Residential Bill (\$)	Existing	2025	2026	2027	2028	2029
Average User	\$ 350.72	\$ 381.77	\$ 414.74	\$ 432.03	\$ 450.21	\$ 469.27
Low User	289.36	304.10	326.87	341.19	356.28	372.16
High User	437.30	488.40	535.17	556.63	579.16	602.70

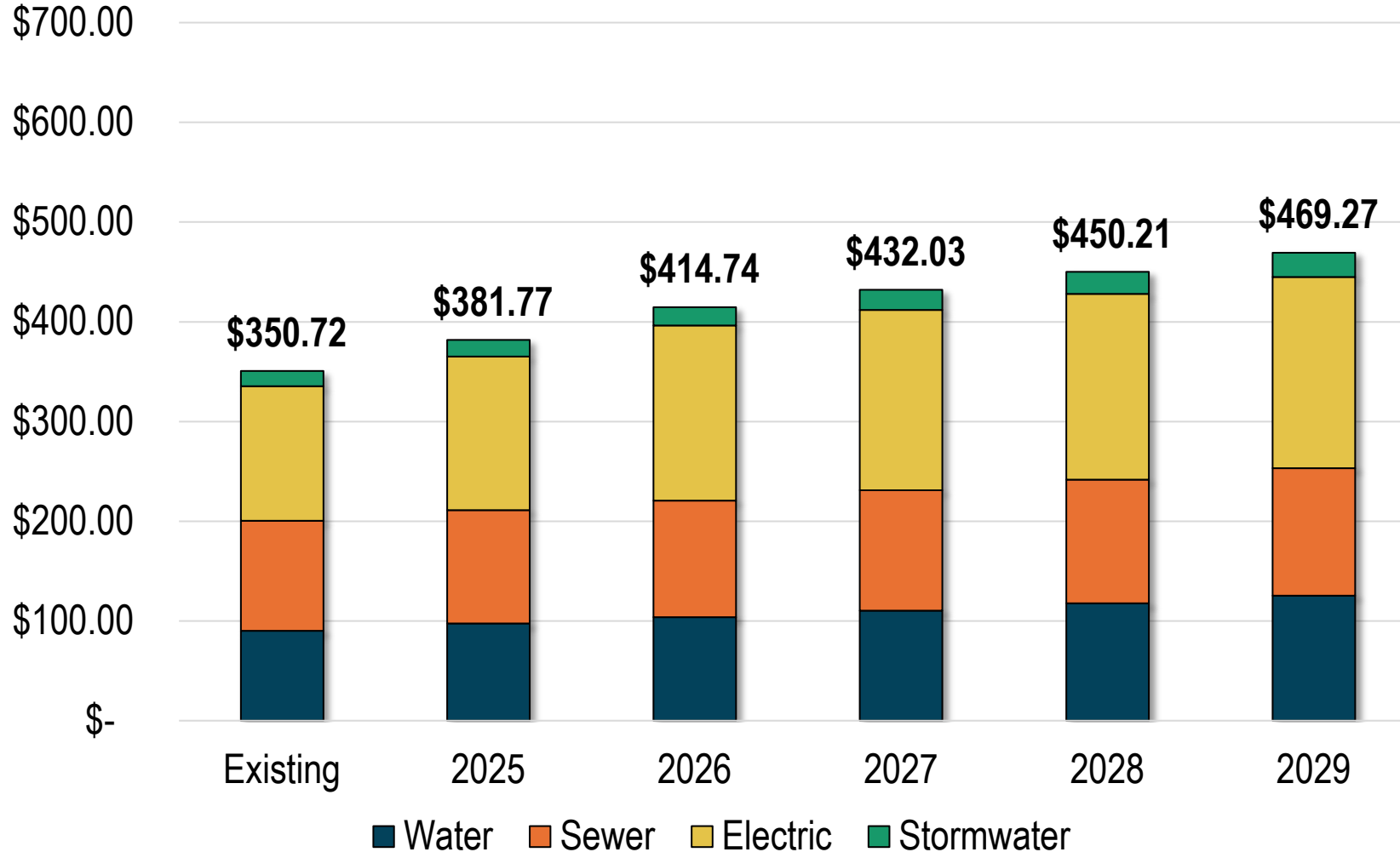
Residential Bill (% Increase)	Existing	2025	2026	2027	2028	2029
Average User		8.85%	8.64%	4.17%	4.21%	4.23%
Low User		5.09%	7.49%	4.38%	4.42%	4.46%
High User		11.69%	9.58%	4.01%	4.05%	4.06%

Note: Water usage - 3ccf (Low), 6ccf (Avg.), 11ccf (High) | Electric usage - 600kWh (Low), 1,200kWh (Avg.), 2,000kWh (High)



Residential Monthly Bill Impacts – Average User

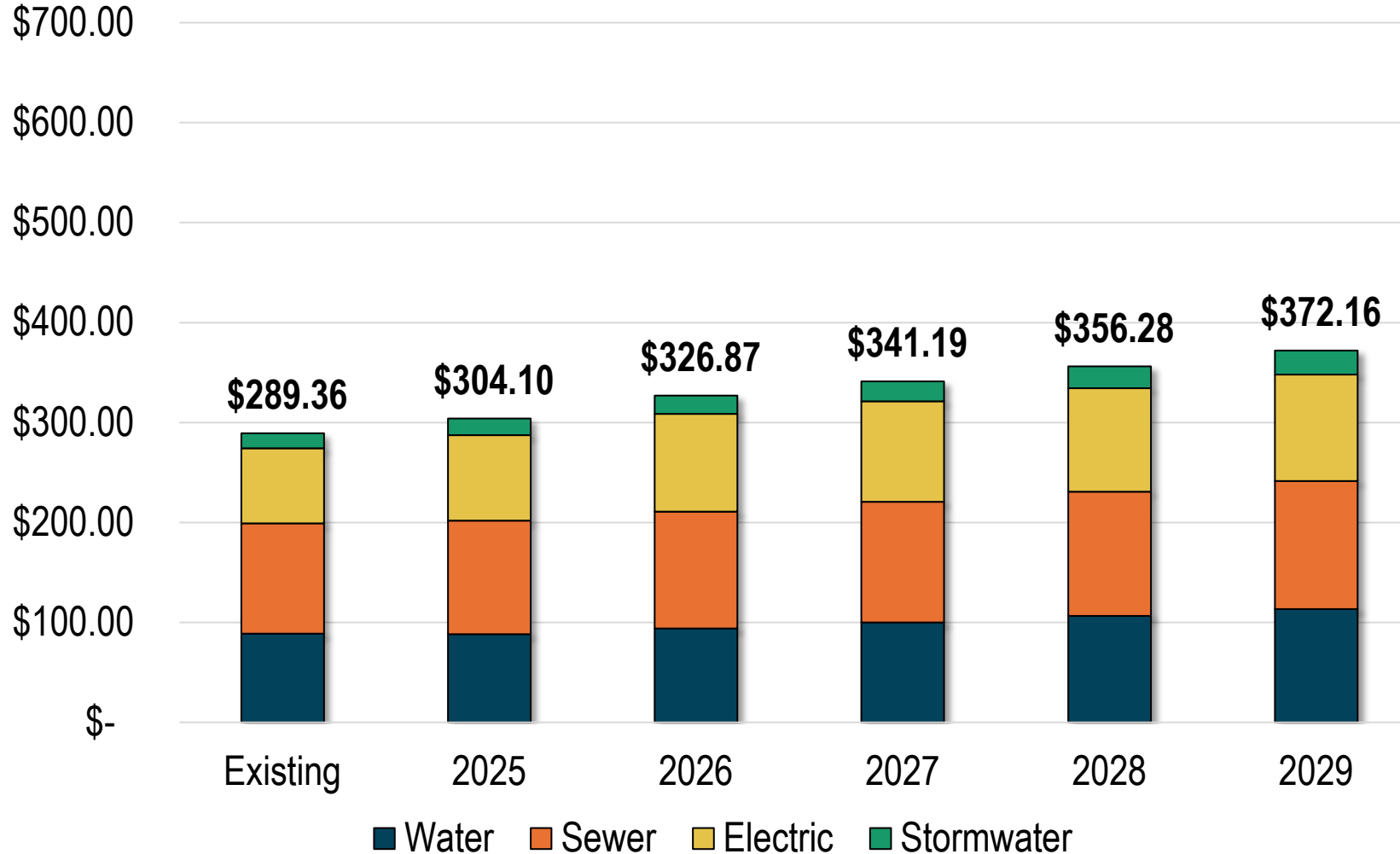
Residential Monthly Bill – Average User





Residential Monthly Bill Impacts – Low User

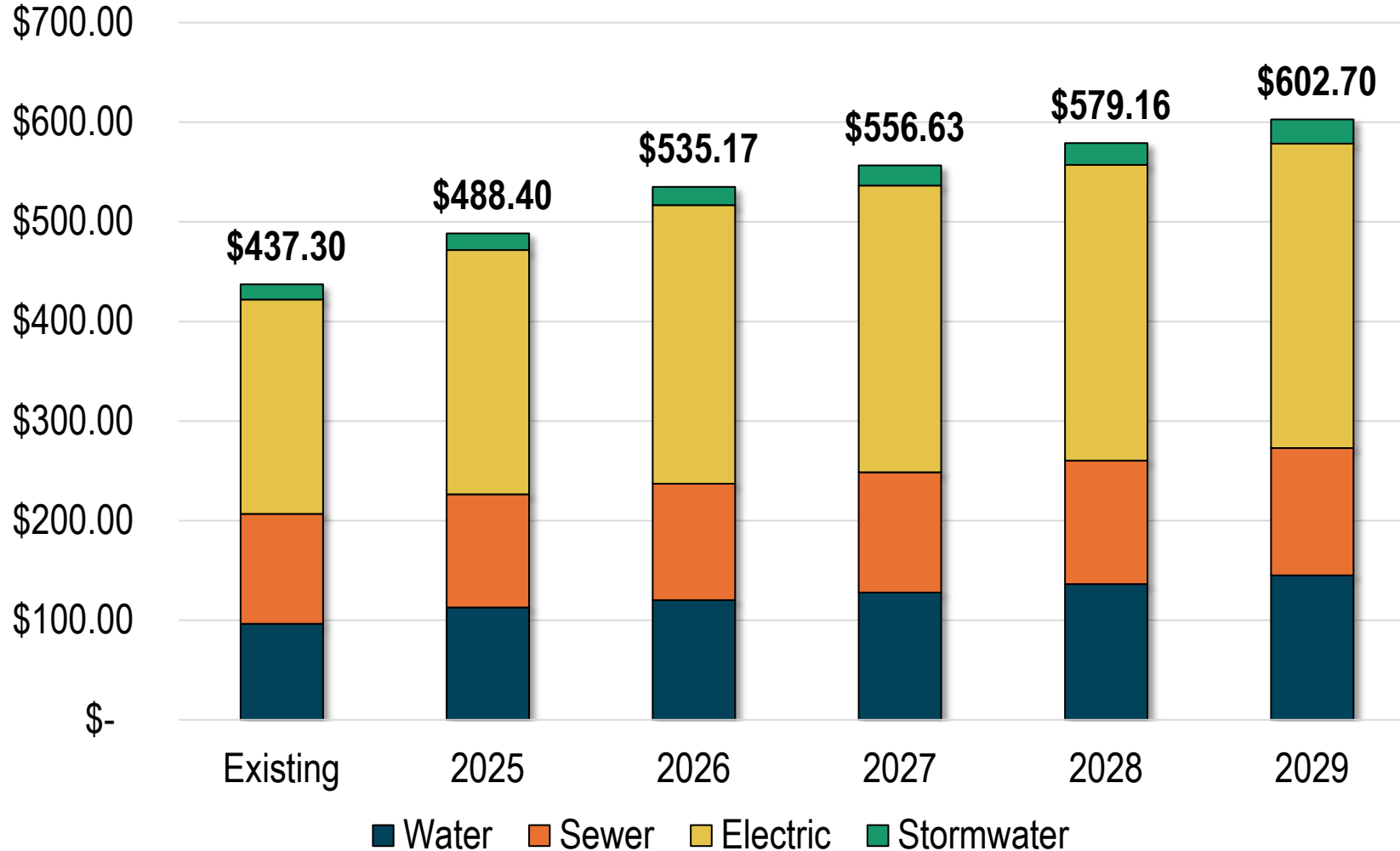
Residential Monthly Bill – Low User





Residential Monthly Bill Impacts – High User

Residential Monthly Bill – High User





Discussion & Next Steps

- Incorporate feedback on scenarios

Proposed Rate Adjustments	2025	2026	2027	2028	2029
Water	6.50%	6.50%	6.50%	6.50%	6.50%
Sewer	3.00%	3.00%	3.00%	3.00%	3.00%
Electric	14.00%	14.00%	3.00%	3.00%	3.00%
Stormwater	9.75%	9.75%	9.75%	9.75%	9.75%

- Rate design

- » Water

- Separate single family residential & non-single family customers
- Eliminate allowance for single family customers

- » All other utilities increase across the board

- Rates effective January 2025

Thank you! Questions?

Sergey Tarasov, Principal
(425) 867-1802 ext 247
sergeyt@fcsgroup.com

www.fcsgroup.com

