

# City of Norman

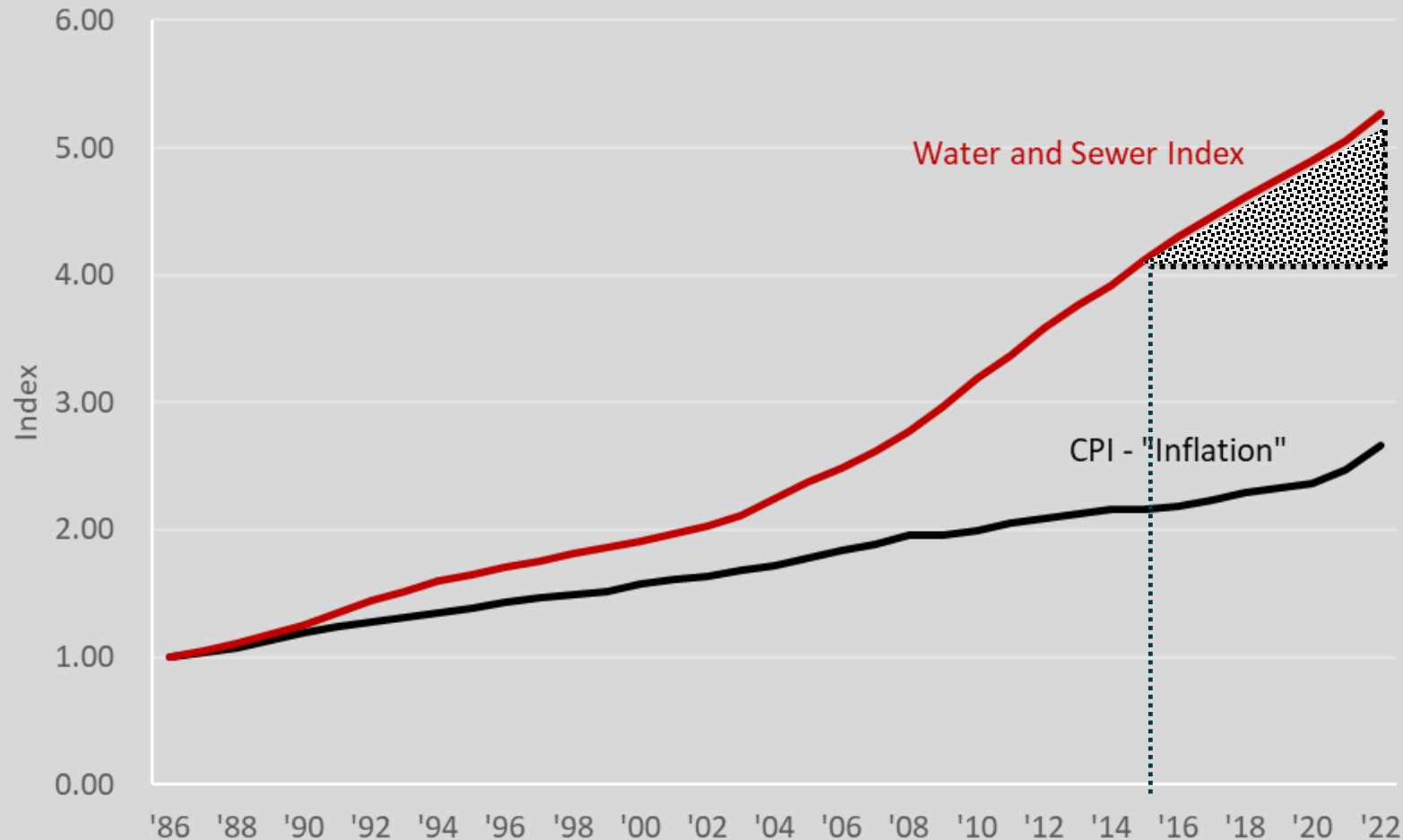
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## 2022 Water and Wastewater Cost of Service Study

February 7, 2023



# Water and wastewater costs continue to increase Nationwide



Last Rate Increase

**2015**

Water and Sewer Index  
2015 – 2022

↑ **28%**

2023 Proposed Rate Increase

↑ **28%**

3.5% Annually  
2016 - 2022

# Rate study process

December 20, 2022

Council Workshop

1

Financial Plan



How much money do we need?

2

Cost of Service



Is everyone paying their fair share?

3

Rate Design



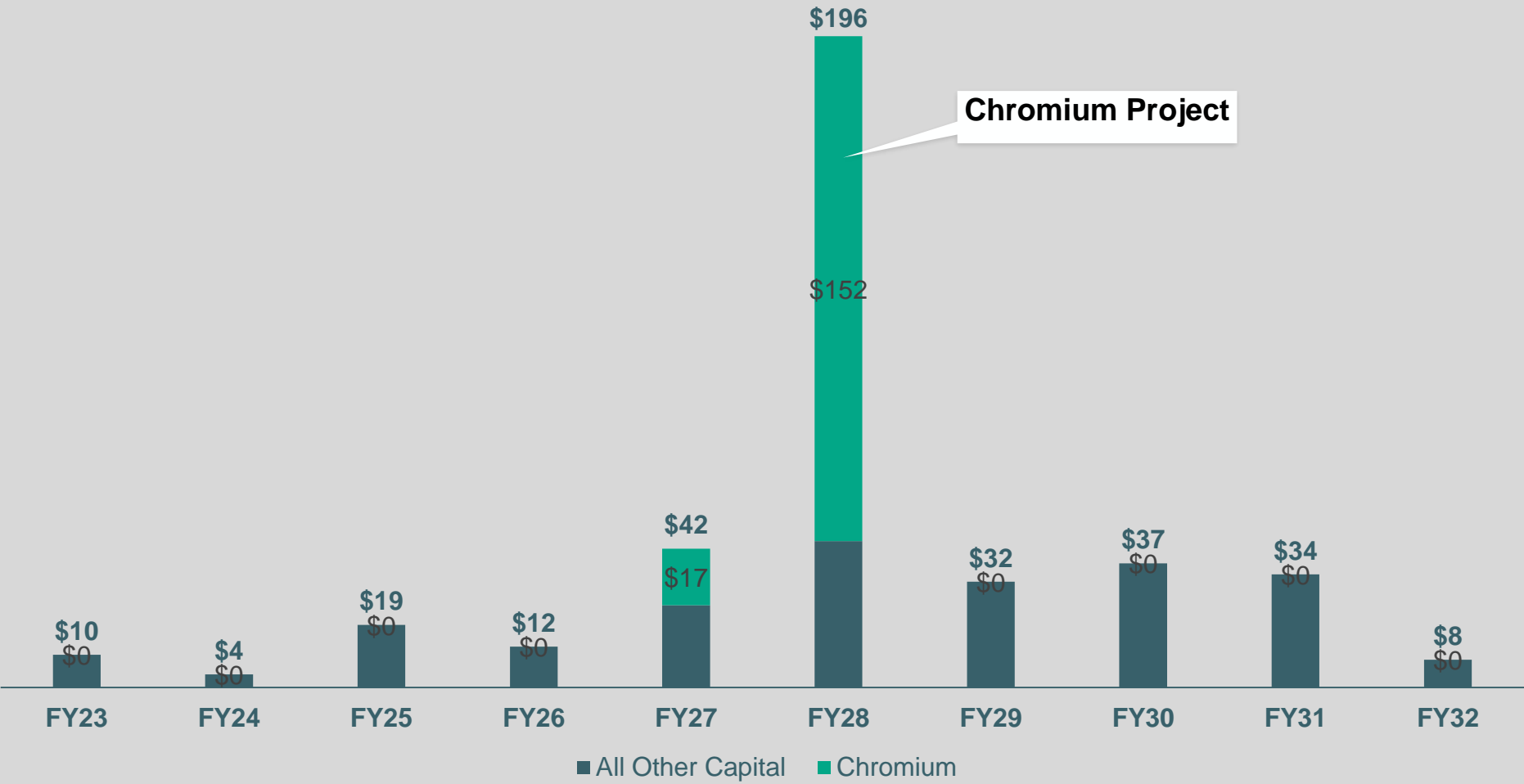
How can our rates help ensure fairness?

# Water Utility



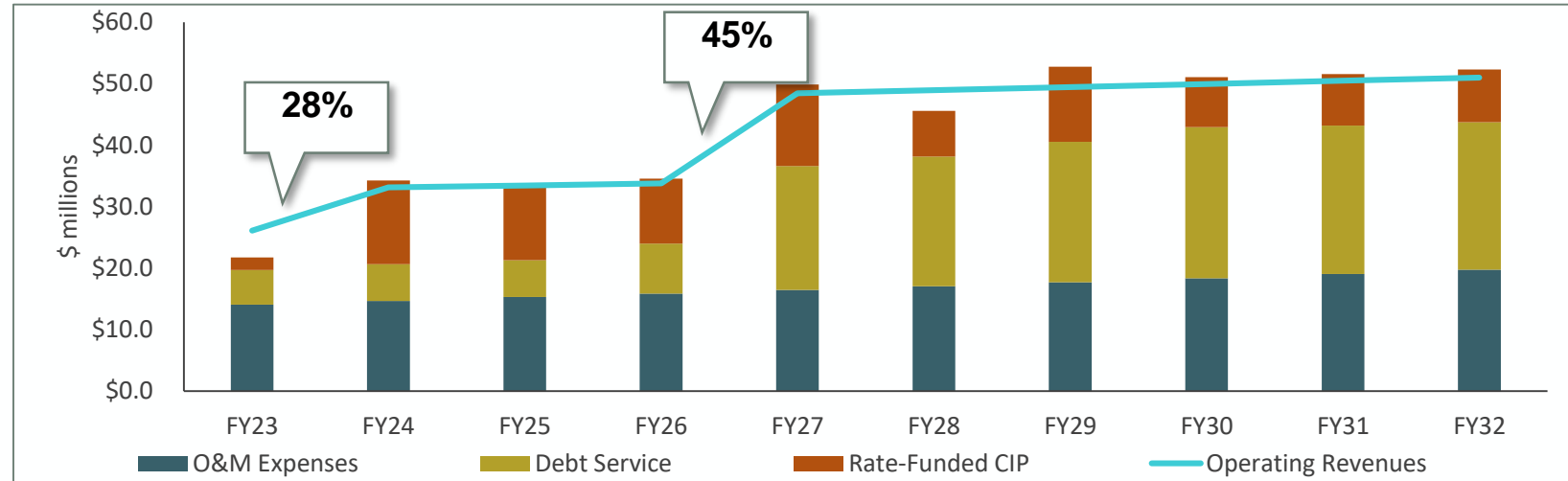
# 10-year water capital improvement program

## \$394.5 million

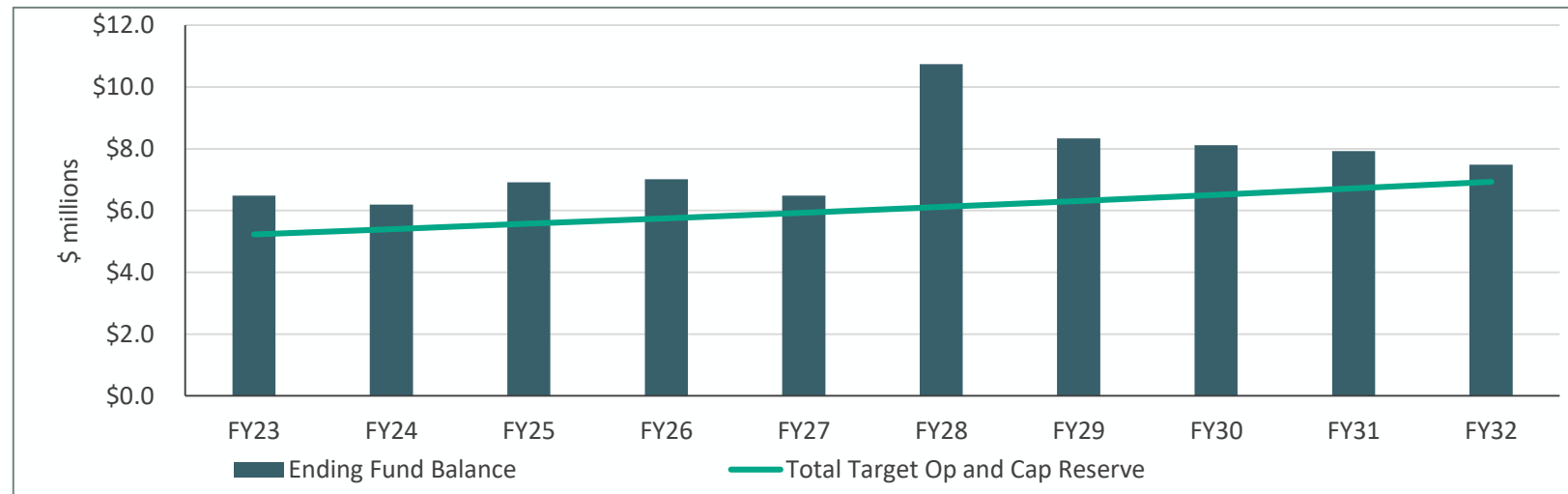


# Water utility cash flow target state

## Revenues and Expenditures



## Fund Balance and Target Reserves



# Cost of Service



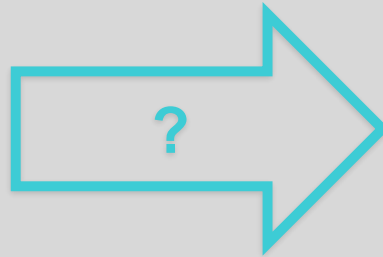


# Step 2: Cost of Service Analysis

*Is everyone paying their proportionate share?*



Revenue  
Requirement



Residential



Commercial



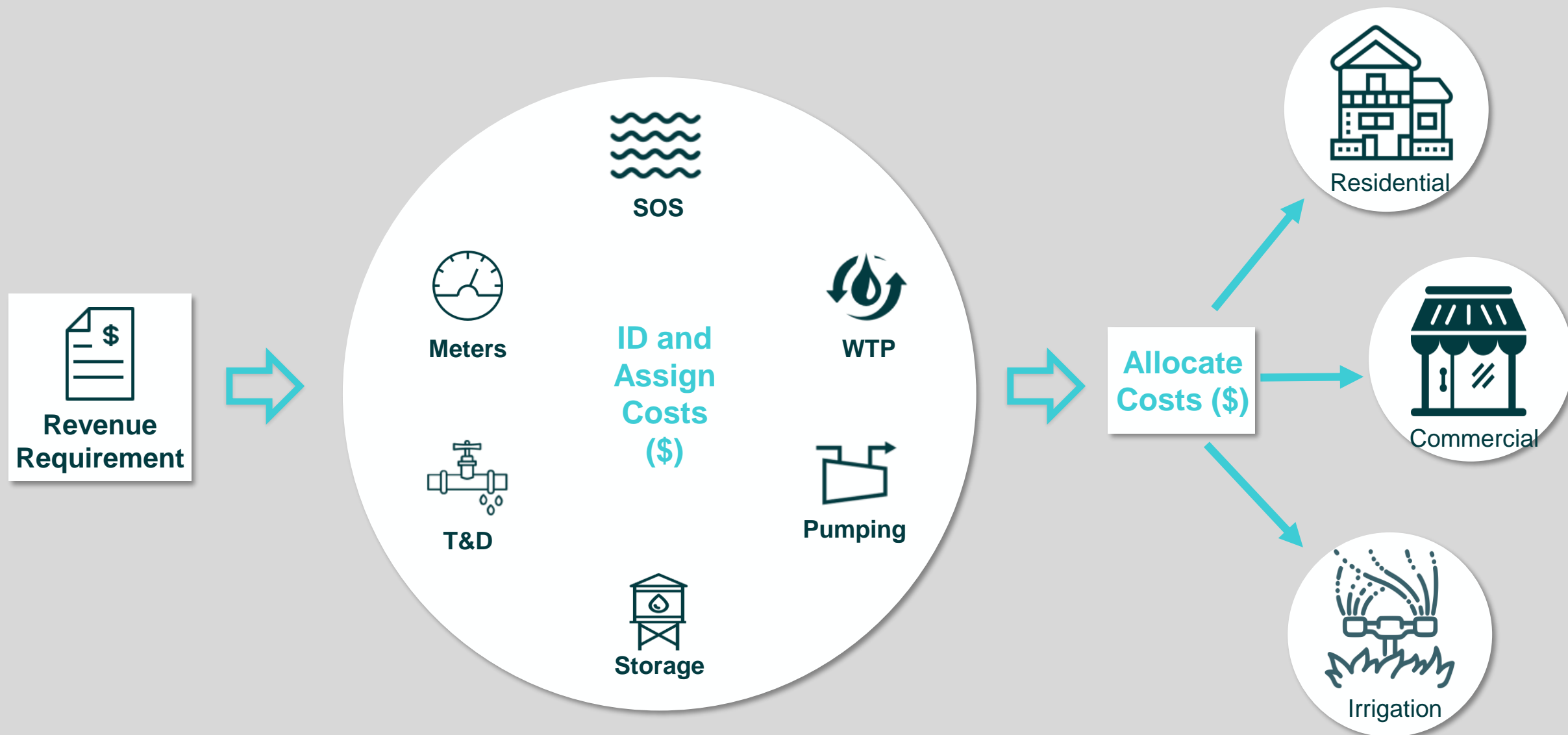
Irrigation





# Step 2: Cost of Service Analysis

*Assign operating and capital costs to customers based on their specific demand requirements*



# Water Rate Design



# Step 3: Incorporating community values in rate design

## *Pricing objectives*



**Revenue stability**



**Cost recovery between classes**



**Cost recovery within a class**



**Cost recovery between existing and new customers**



**Efficient water use pricing signal**



**Demand management**



**Essential use pricing**



**Citizen vote approval**



**Customer impact**



**Ease of administration/  
implementation**

# Water rate alternatives

## Alternative 1: Across the Board

- Recover costs by class
- Maintain existing residential and commercial structure

## Alternative 2: Fixed Charge Recovery

- Higher base fee to improve revenue stability
- Residential: Adjust tier 3 and tier 4 pricing to encourage wise water use
- Commercial: Adjusted tier 2 pricing to encourage wise water use

# Current and proposed rate alternatives

## Residential

Description		Current Rates	Alt 1 Across the Board	Alt. 2 Fixed Charge Recovery
RESIDENTIAL				
Base Fee,\$ per Bill		\$6.00	\$7.70	\$10.90
CIC, \$ per Bill		1.50	1.50	1.50
Volume Rates, \$ per 1,000 gallons				
Tier 1	0 - 5 Kgal	\$3.35	\$4.27	\$3.46
Tier 2	5 - 15 Kgal	4.10	5.23	4.50
Tier 3	5 - 20 Kgal	5.20	6.63	6.75
Tier 4	> 20 Kgal	6.80	8.67	9.51

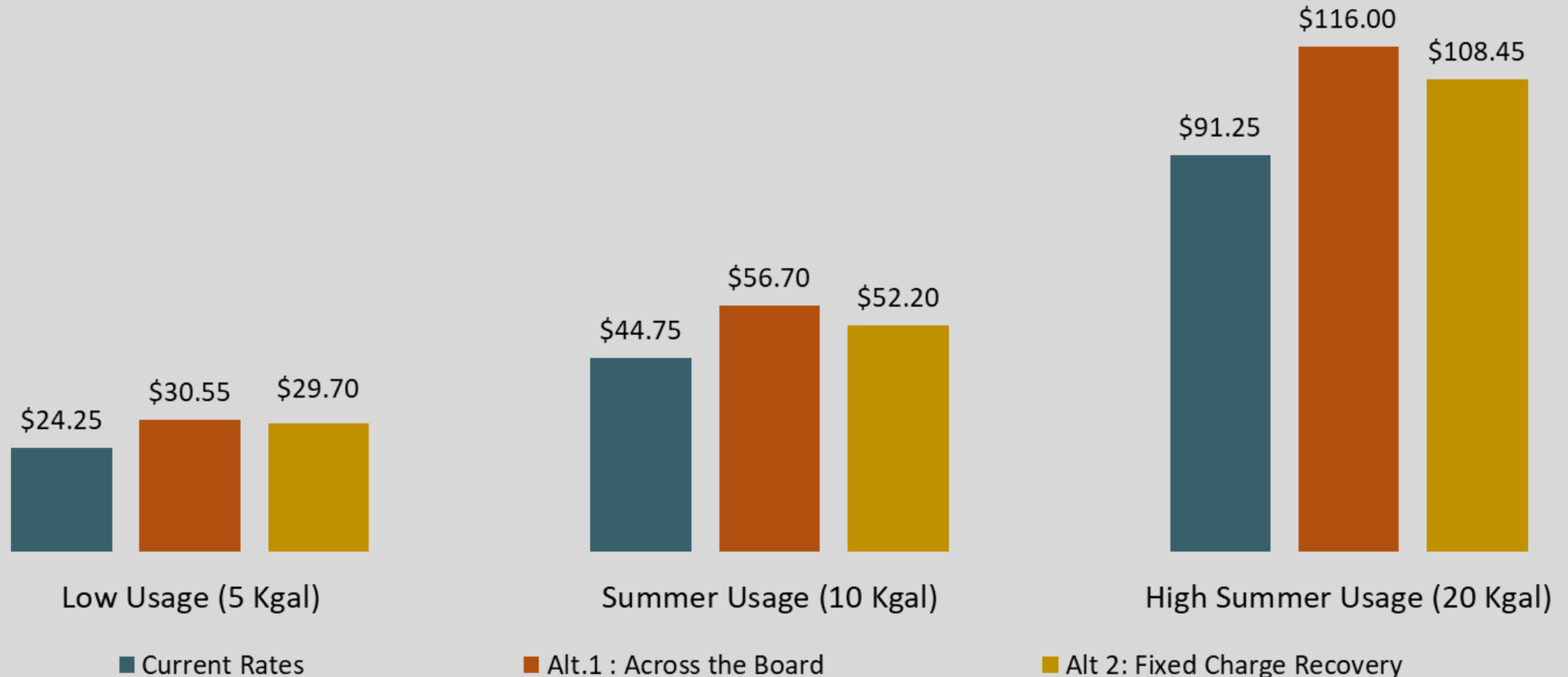
# Current and proposed rate alternatives

## Commercial and irrigation

Description		Current Rates	Alt 1 Across the Board	Alt. 2 Fixed Charge Recovery
COMMERCIAL				
Base Fee,\$ per Bill		\$6.00	\$7.70	\$10.90
Volume Rates, \$ per 1,000 gallons				
Tier 1	0 - AWC	\$3.80	\$5.62	\$5.15
Tier 2	> AWC	4.20	6.21	7.72
IRRIGATION				
Base Fee, \$ per Bill		\$6.00	\$7.70	\$10.90
CIC, \$ per Bill		1.50	1.50	1.50
Volume Rates, \$ per 1,000 gallons				
Tier 1	0 - 5 Kgal	\$3.35	\$4.27	\$3.46
Tier 2	5 - 15 Kgal	4.10	5.23	\$4.50
Tier 3	5 - 20 Kgal	5.20	6.63	\$6.75
Tier 4	> 20 Kgal	6.80	8.67	\$9.51

# Residential monthly water bill comparison

## Various levels of consumption

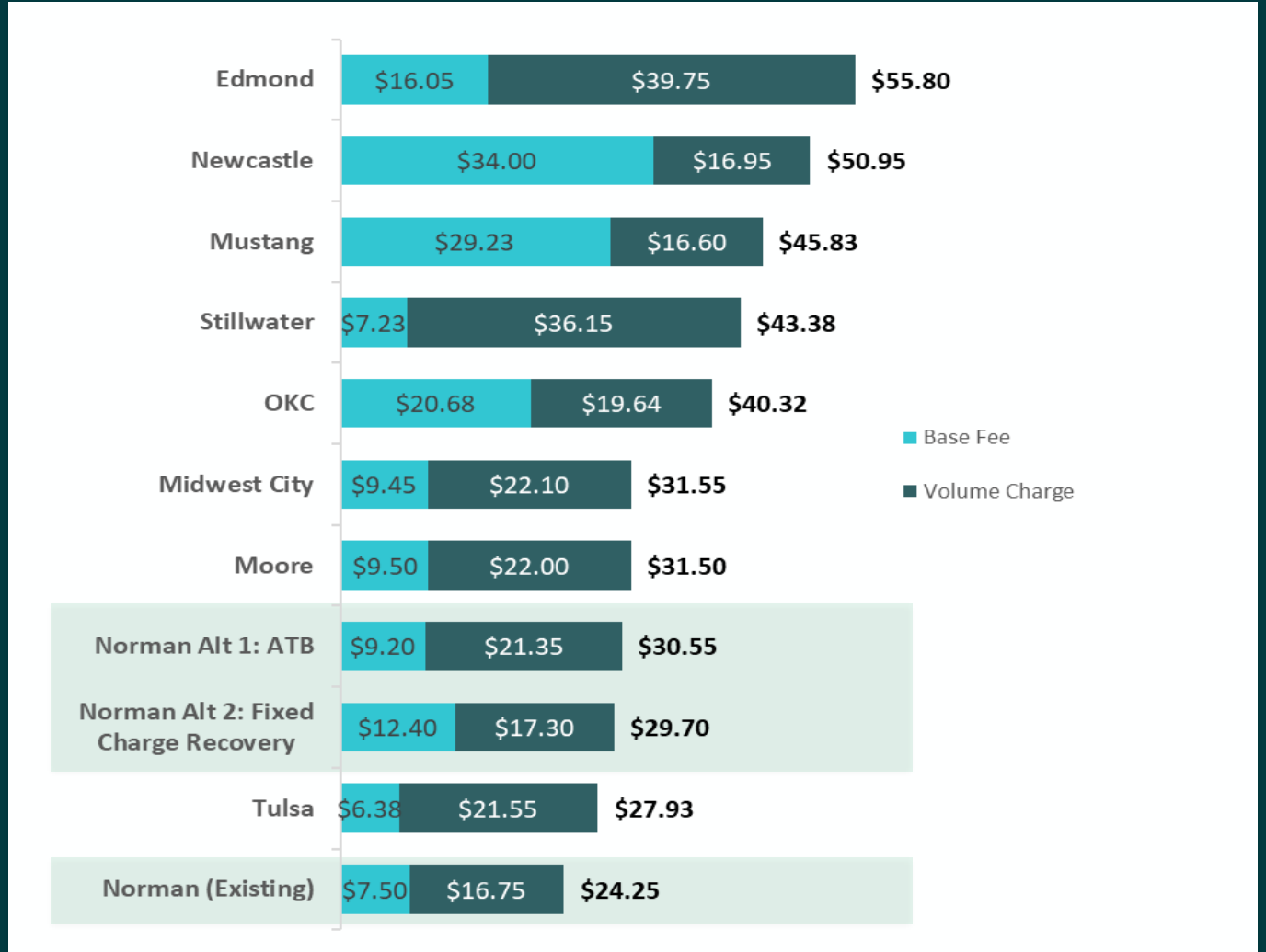


# Peer utility residential typical bill survey

Residential Customer

3/4" Meter

5,000 gallons



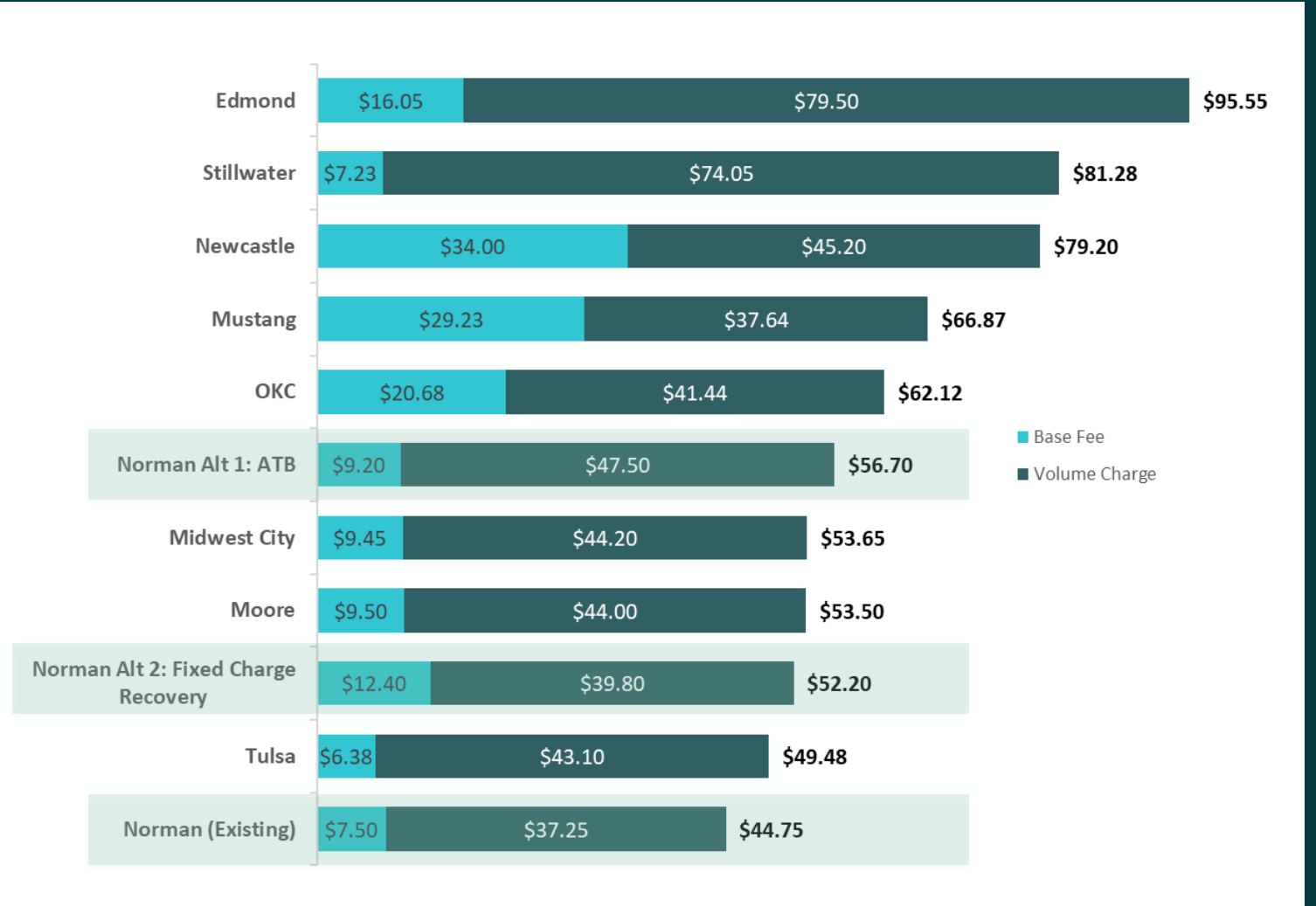


# Peer utility residential typical bill survey

Residential Customer

3/4" Meter

10,000 gallons



# Wastewater Utility

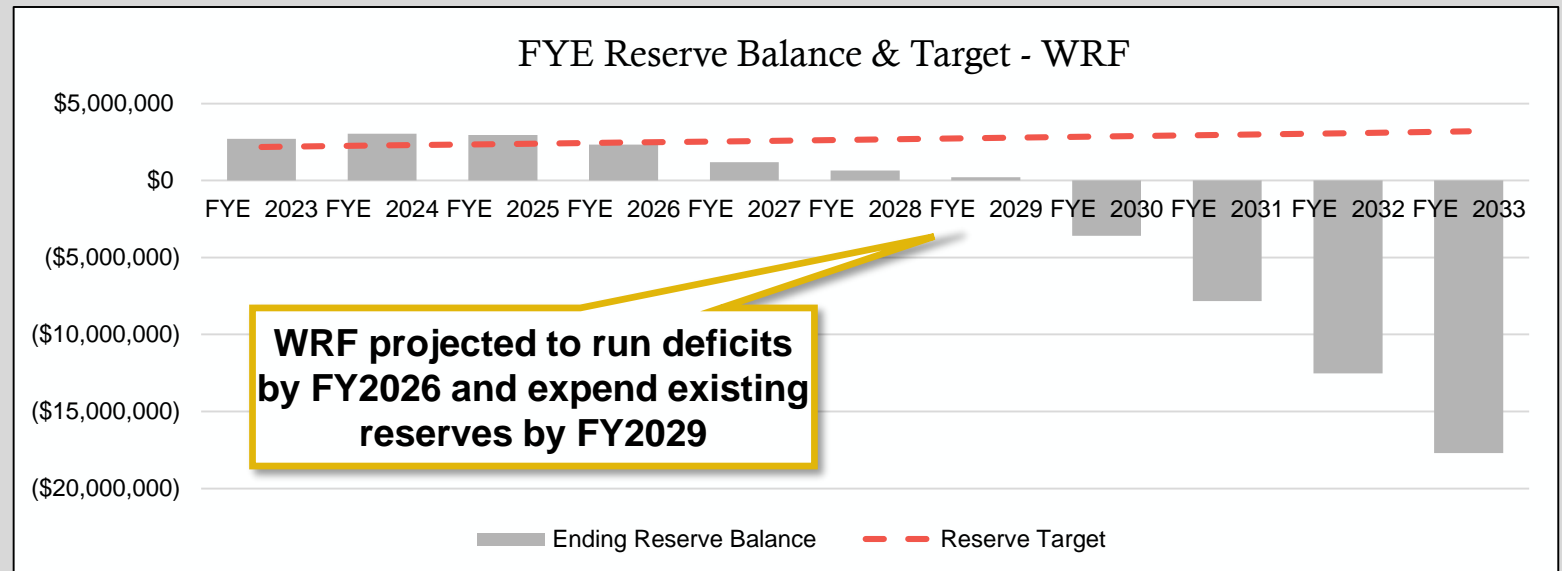
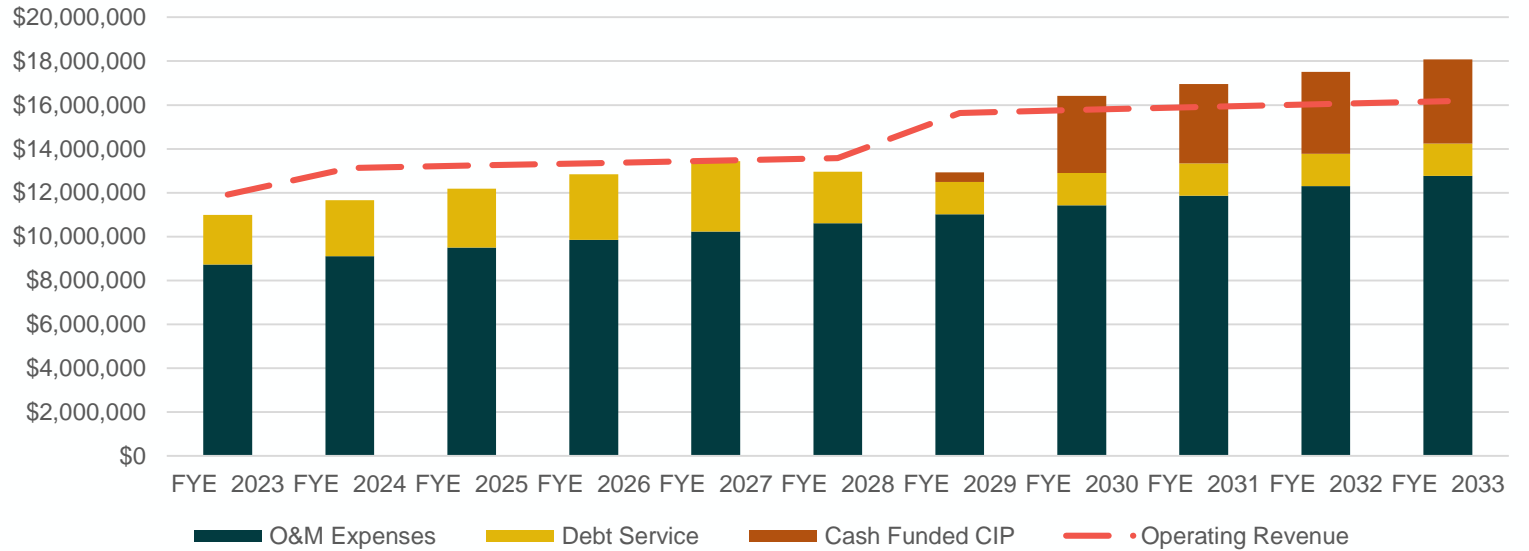


# Wastewater Current Trajectory

## Financial Plan includes:

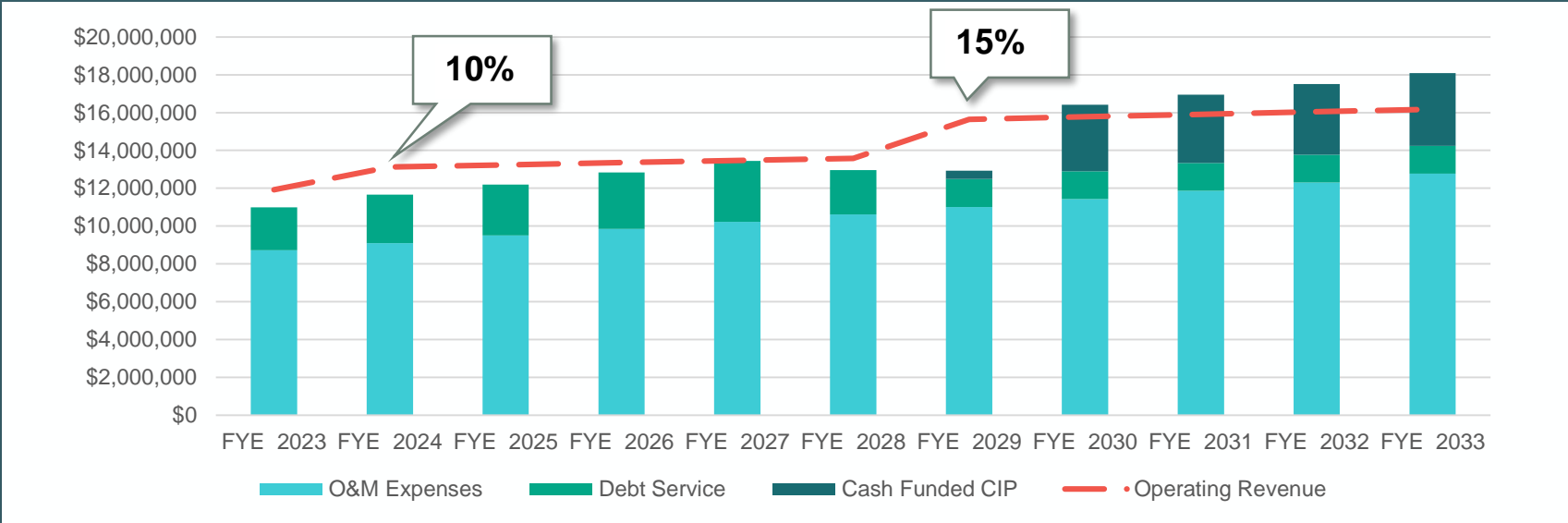
- Fully Fund Operations and Maintenance
- Cover existing Debt Service
- Transition to Debt-financed Capital (non-growth) through FY28
  - *To account for existing debt maturity over next 5 years*
  - *(\$19.8M over 5 years - escalated)*
- Performance shows current rates

Revenue adjustment is needed in FY2024 to maintain Wastewater Reserves in line with Norman policies

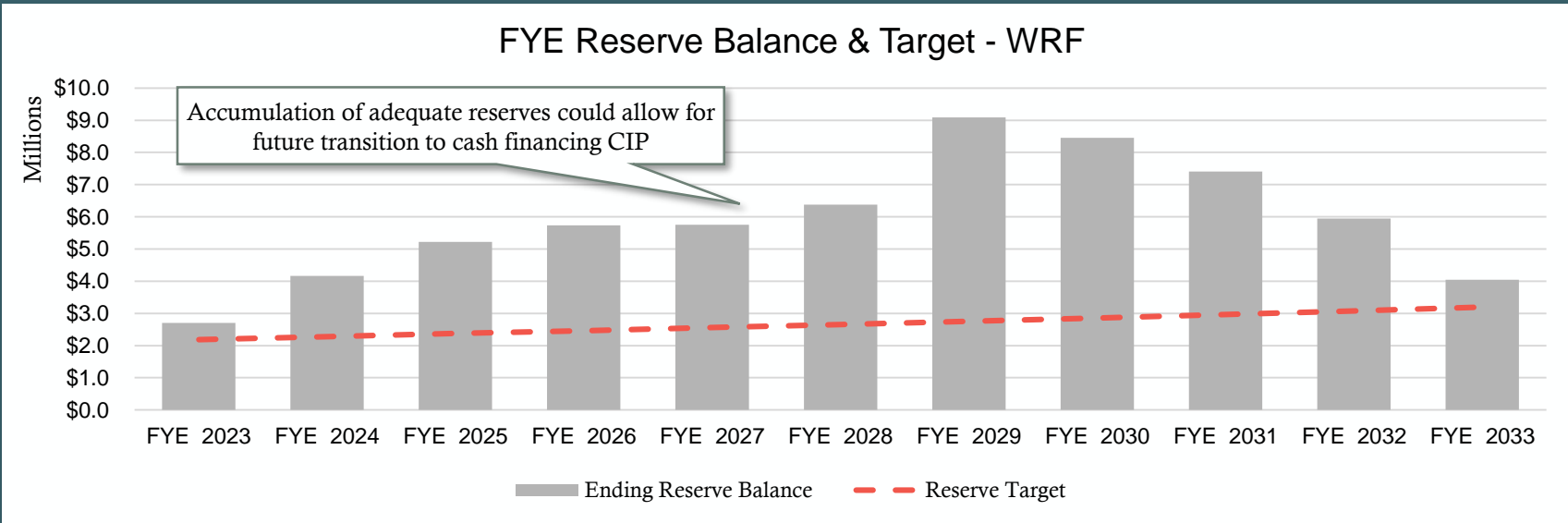


# Wastewater utility cash flow – target state

## Revenues and Expenditures



## Ending Balance and Target Reserves



# Wastewater Rate Options



# Rate structure alternatives

No COS-related adjustment due to AWC billing practice



- **Alternative 1: Across the Board Increase**
  - **Maintain current structure**
  - **Equal % increase on base fee + volumetric rates billed on average winter consumption**

# Rate structure alternatives

No COS-related adjustment due to AWC billing practice



- **Alternative 1: Across the Board Increase**
  - Maintain current structure
  - Equal % increase on base fee + volumetric rates billed on average winter consumption



- **Alternative 2: Fixed Charge Recovery**
  - Modify current structure to increase revenues from base fee
  - Increase base fee and maintain volumetric rates at current level

# Comparison of existing and proposed rate alternatives

Description	FY24 Existing	Alt. 1 ATB	Alt. 2 FCR
<b>RESIDENTIAL</b>			
Base Fee,\$ per Bill	\$5.00	\$5.50	\$6.75
Volume Rates, \$ per 1,000 gallons Billed Volume	2.70	2.97	2.70
<b>COMMERCIAL</b>			
Base Fee,\$ per Bill	\$5.00	\$5.50	\$6.75
Volume Rates, \$ per 1,000 gallons Billed Volume (80% of Water Use)	2.70	2.97	2.70



# Average Residential Customer – Wastewater Bill



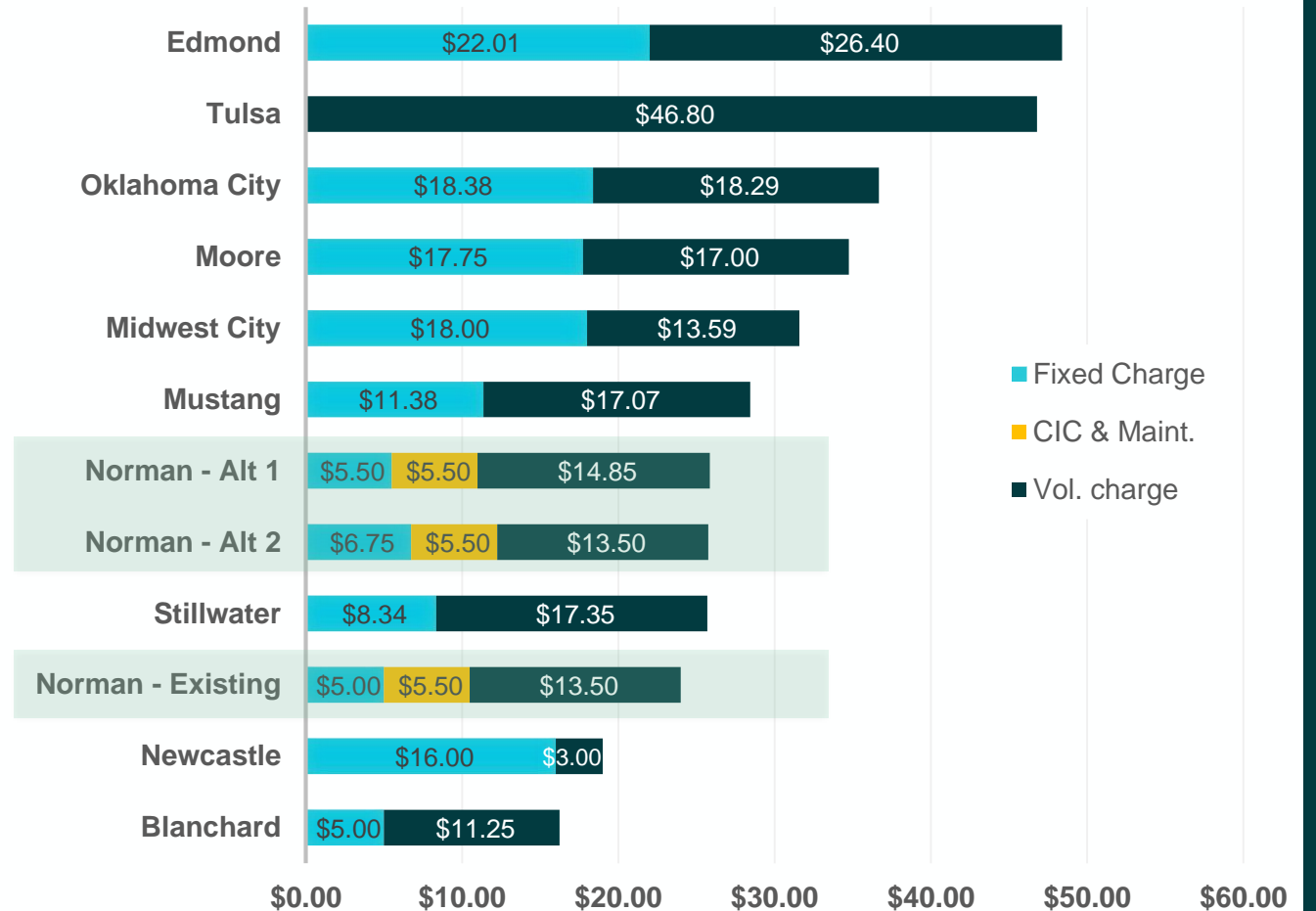
Customer	Rate Alternate		
	Current	Alt 1 ATB	Alt 2 FCR
<u>Customer 1 - 4kGal/month billed</u>			
Base Fee	\$ 5.00	\$ 5.50	\$ 6.75
Volumetric Charge	\$ 10.80	\$ 11.88	\$ 10.80
Maintenance Charge	\$ 5.00	\$ 5.00	\$ 5.00
CIC Charge	\$ 0.50	\$ 0.50	\$ 0.50
<b>Total</b>	<b>\$ 21.30</b>	<b>\$ 22.38</b>	<b>\$ 23.05</b>
<u>Customer 2 - 8kGal/month billed</u>			
Base Fee	\$ 5.00	\$ 5.50	\$ 6.75
Volumetric Charge	\$ 21.60	\$ 23.76	\$ 21.60
Maintenance Charge	\$ 5.00	\$ 5.00	\$ 5.00
CIC Charge	\$ 0.50	\$ 0.50	\$ 0.50
<b>Total</b>	<b>\$ 32.10</b>	<b>\$ 34.76</b>	<b>\$ 33.85</b>

Monthly bills increase  
by \$1.08 to \$1.75  
on low-use  
customers

Monthly bills increase  
by \$1.75 to \$2.66  
on mid-use  
customers

# Peer utility residential typical bill survey

Residential Customer  
5,000 gallons AWC





# Thank you!

**Contact:**

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