

PALMER LAKE WATER RATE STUDY – Rate Scenarios Recommendation

July 13th 2023

Water Rates by Brandewie LLC and the Staff of Palmer Lake have gathered data on the systems finances, debts, operation costs, current infrastructure, future infrastructure needs and customer usage to build a comprehensive rate model:

Recommendations:

Out of Town Customers and Irrigation customers shall be billed 1.5X their corresponding meter size base Rate. This establishes new customer classes.

The town uses “Total Minimum Bill” to describe the base fee plus Capital Investment Fee plus the loan payment. All of this should be considered the Base Rate.

A list of all assets, best estimation of cost and remaining life span was developed and replacement of assets where replacement costs are limited to 30 years into the future and follow:

Default Funding of Asset Replacements		Cash	Grant	Loan
Replacement Value From To				
\$0	\$100,000	100%	0%	0%
\$100,001	\$500,000	20%	0%	80%
\$500,001	\$1,000,000	10%	30%	60%
\$1,000,001	\$9,999,999	2%	30%	68%

The model is built with a 5-year budget forecast. With current rates and including new proposed projects, asset replacement detailed in the CIP results in over \$2M in deficit over the next 5 years.

The average residential usage from actual historical data from Palmer Lake is **3,714 gallons** per month. This varies month to month. Monthly residential averages are shown below.

JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
3205	2943	2653	4015	3443	4398	4904	4466	4572	3854	3225	2891

Meter Size	Base Rate	Tier	Volume Limit	Tier Price/1000 gal
0.750	\$85.00	1	1,000	\$8.40
		2	3,000	\$12.00
1.000	\$111.85	3	6,000	\$14.50
		4	9,000	\$16.50
1.500	\$157.01	5	12,000	\$19.00
		6	20,000	\$21.00
2.000	\$8.79	7	99,999,999	\$23.00

Results of the new rates	2024	2025	2026	2027	2028	5 Years
TOTAL EXPENSES	\$1,790,023	\$1,832,931	\$2,118,278	\$2,169,394	\$2,229,465	\$10,140,091
TOTAL REVENUE	\$1,808,791	\$1,911,960	\$2,019,830	\$2,143,032	\$2,273,614	\$10,157,227
NET LOSS OR GAIN: (Short/Over to Reserves)	\$18,769	\$79,029	-\$98,448	-\$26,362	\$44,149	\$17,137
NET CASH FLOW (Contribution to Reserves)	\$338,587	\$332,484	\$51,071	\$108,927	\$170,896	\$1,001,966
Affordability assuming MHI of \$92333 for residential meters.	1.70%	1.81%	1.91%	2.03%	2.15%	

Previously the escalation of rates or annual increase was set at 3%, it is recommended to increase this to 5% annually. This balances the budget and keeps revenue up with rising costs. This is shown below.

	2023	2024	2025	2026	2027	2028
Base Rate	\$68.23	\$85.00	\$89.25	\$93.71	\$98.39	\$103.32
Ave Resident Bill w Usage	\$102.41	\$132.72	\$140.88	\$148.86	\$157.99	\$167.68