

Rate Schedules and Options FY 2016

Citizens' Water Advisory Committee

March 4, 2015



A Resilient Rate Structure is a Key Component of



Water Reliability

The Water Reliability Program includes projects and programs that ensure we have a reliable water supply and water system today & in the future.



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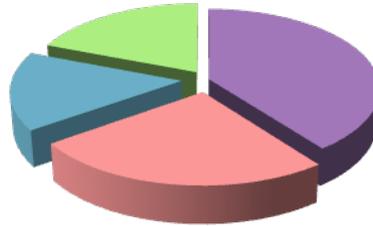


The Tucson Water Rate Process

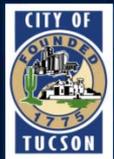
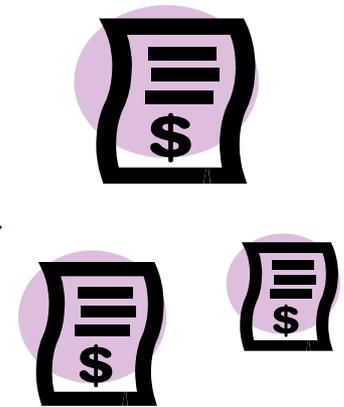
Financial Plan



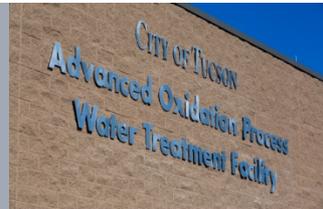
Cost of Service Analysis



Rate Design



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FY 2016-FY 2020 Financial Plan Adopted by Mayor & Council

Fiscal Year	Current Plan	Prior Plan
2016	7.3%	8.3%
2017	7.3%	8.3%
2018	7.3%	8.3%
2019	7.3%	8.3%
2020	7.3%	N/A

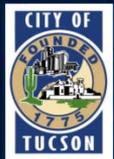


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FY 2016 Rate Structure Objectives

- Ensure financial sufficiency
- Temper pocketbook shock
- Continue conservation message
- Continue to improve rate resiliency
 - Maintain revenue from fixed charges 24%-25%
 - Evaluate residential rate blocks and pricing
 - Maintain 100% cost recovery for CAP charge
 - Moderate increase in reclaimed contract customer rates to achieve equity with standard rates



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Cost of Service

Slicing the Revenue Pie

The nature of the water product delivered to customers

The water usage/demand of customers

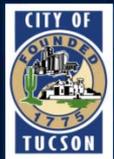
customers in each group

Cost of Service

*Drinking/Potable Water
Reclaimed Water
Fire Protection*

*Total Demand
Usage Patterns
Average/Seasonal*

*Number of Meters
Size of Meters*

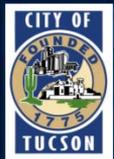


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Tucson Water Customers

Group	% of Revenue	% Usage	% of Accounts
Residential	59.8	55.2	89.4
Multi-Family	15.4	19.6	2.4
Commercial	21.6	22.8	6.3
Other	3.5	2.4	1.9



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FY 2016 Revenue Targets

Customer Group	<u>Cost of Service</u>		<u>CWAC Recommended</u>	
	Revenue Target 1,000's	% Revenue Increase Required	Revenue Target 1,000's	% Revenue Increase Required
Residential	98,461	6.0%	100,434	8.2%
Multifamily	25,222	4.6%	25,904	7.5%
Commercial	34,761	3.1%	35,566	5.5%
Industrial	2,171	11.7%	2,135	9.9%
Construction Water	1,579	3.7%	1,612	5.9%
Fire Sprinkler Service	2,360	21.4%	2,138	10.0%
Total Potable/Drinking Water	164,554	5.4%	167,789	7.5%
Reclaimed	14,106	35.6%	10,871	4.5%
Utility Total	178,660	7.3%	178,660	7.3%



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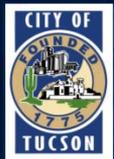
Evaluation of Residential Block Structure

- Annual average basis vs. winter average basis
- Current block thresholds do not reflect current usage characteristics

Single Family Residential Avg. Monthly Use/Acct (ccf)

<u>Fiscal Year</u>	<u>Summer</u>	<u>Winter</u>	<u>Annual</u>
2010*	12.4	7.8	10.2
2014	10.4	7.3	8.7

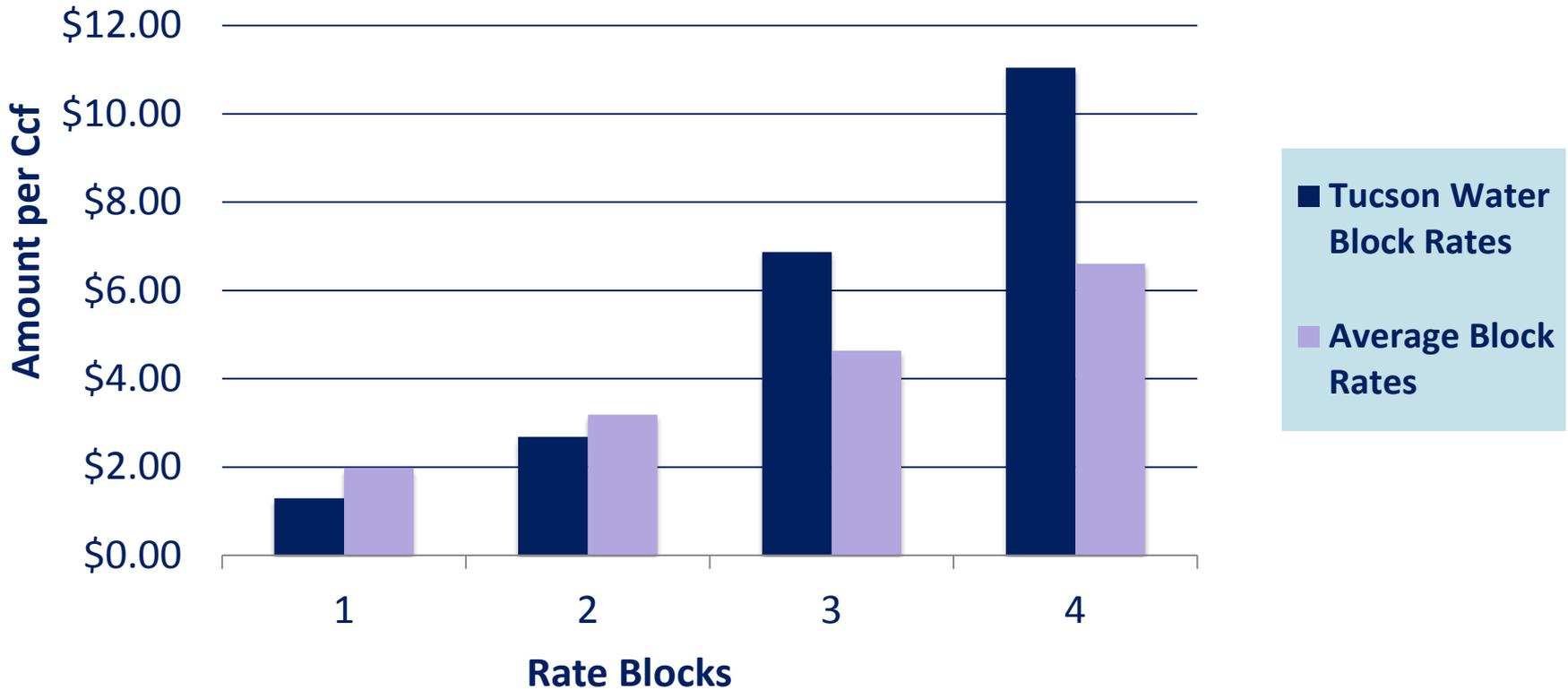
**Basis for current blocks*



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Evaluation of Residential Block Pricing



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Two CWAC Proposals

Single Family Blocks

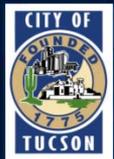
Preferred Alternative:		Option A*		
	consumption (Ccf)	% consumption	% of accounts	proposed rate
Block 1	0-7	60.0	48.3	\$ 1.40
Block 2	>8-15	25.5	34.6	\$ 2.70
Block 3	>16-30	10.8	13.9	\$ 7.23
Block 4	>30	3.7	3.2	\$ 11.50

Current Structure:		Option B		
	consumption (Ccf)	% consumption	% of accounts	proposed rate
Block 1	0-10	73.9	72.0	\$ 1.52
Block 2	>11-15	12.0	14.8	\$ 3.40
Block 3	>16-30	10.5	10.9	\$ 7.50
Block 4	>30	3.6	2.3	\$ 11.75

*Option A is the preferred alternative of the CWAC Finance Sub-committee

Rate Changes for Other Customer Groups

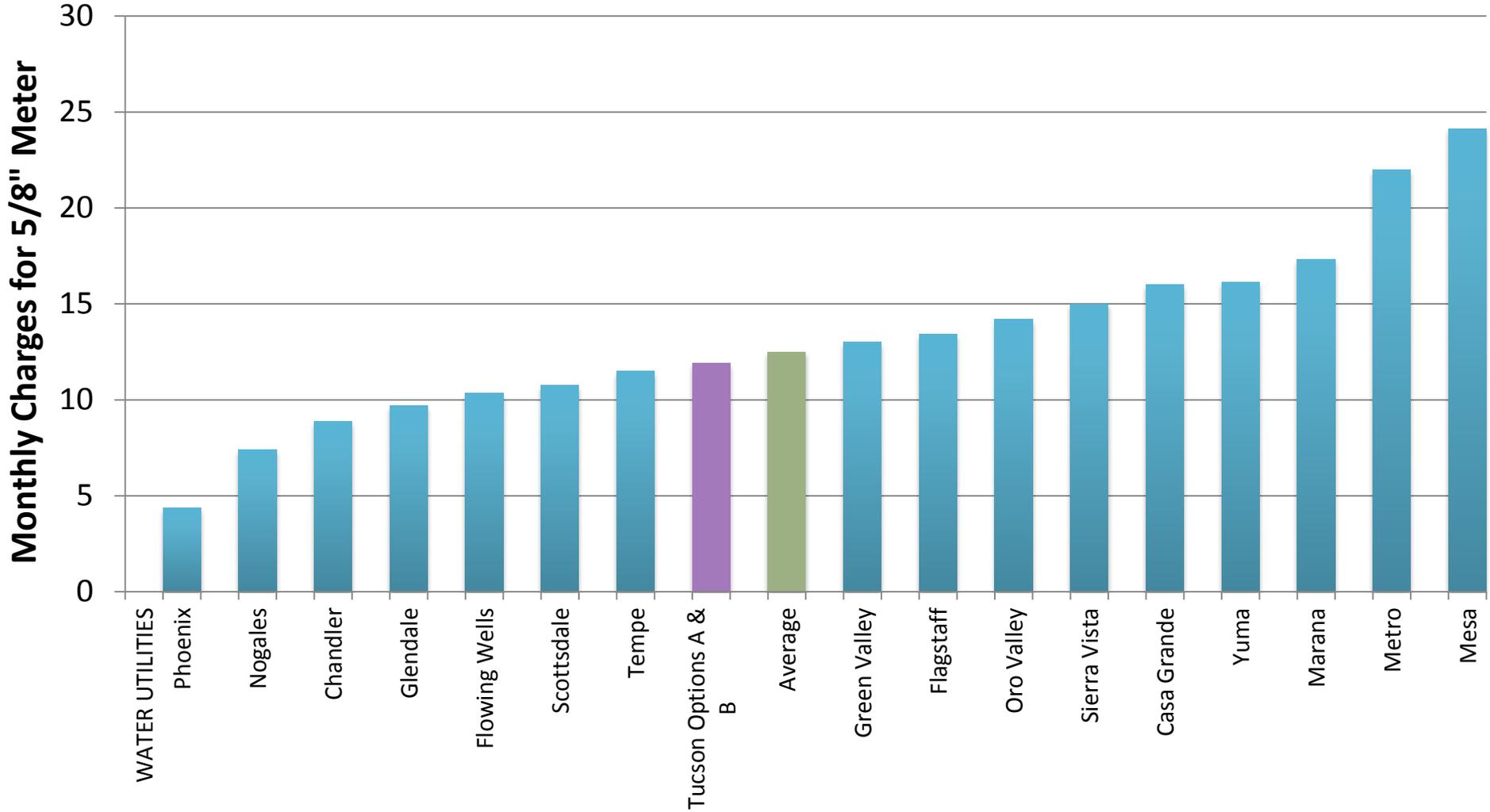
	Current	Options A& B	Difference
Service Charge 5/8"	\$ 11.00	\$ 11.90	\$ 0.90
Usage Charge (\$/ccf)			
Multi-Family	\$ 2.38	\$ 2.55	\$ 0.17
Sub-Metered Mobile Home Pks	\$ 1.80	\$ 1.92	\$ 0.12
Commercial	\$ 2.35	\$ 2.46	\$ 0.11
Construction	\$ 2.70	\$ 2.33	\$ 0.24
CAP (\$/ccf)	\$ 0.56	\$ 0.60	\$ 0.04
Conservation Fund	\$ 0.07	\$ 0.08	\$ 0.01



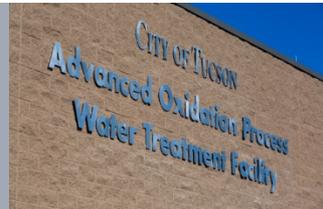
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Comparison of Monthly Fixed Charges



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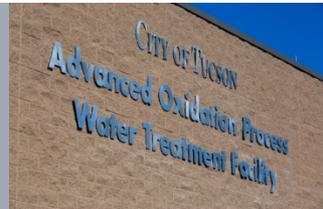
Bill Impacts: Preferred Alternative/Option A*

Monthly Ccf	Current Rates	Option A	Difference
0	\$ 11.00	\$ 11.90	\$ 0.90
3	\$ 17.03	\$ 18.14	\$ 1.11
9	\$ 29.09	\$ 33.23	\$ 4.14
20	\$ 87.40	\$ 93.06	\$ 5.66
30	\$ 163.70	\$ 172.16	\$ 8.46
50	\$ 401.30	\$ 415.75	\$ 14.45

* Option A is the preferred alternative of the CWAC Finance Sub-committee



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Bill Impacts: Option B

Monthly Ccf	Current Rates	Option B	Difference
0	\$ 11.00	\$ 11.90	\$ 0.90
3	\$ 17.03	\$ 18.50	\$ 1.47
9	\$ 29.09	\$ 31.71	\$ 2.61
20	\$ 87.40	\$ 95.21	\$ 7.81
30	\$ 163.70	\$ 163.40	\$ 13.31
50	\$ 401.30	\$ 425.62	\$ 24.32



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Next Steps

Apr 7

Mayor and Council review proposed rates & schedule Notice of Intent to increase water rates



Apr 8, 14, 16

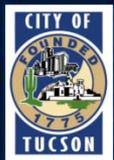
Rate town halls

May 19

Mayor and Council public hearing on proposed FY 2016 water rates and miscellaneous fees.

July 6

New water rates & fees take effect



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Low Income Assistance Program

- Program Continues at 50% monthly water bill credit
- Approximately 3,000 participants/ Currently utilizing close to \$500,000 annually in funds allocated for Low Income Assistance
- Average Customer participating in Low Income Program receives a \$1.31 or \$2.07 monthly bill increase under the proposed options



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Questions or Comments?



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