

Rate Schedules and Options FY 2016

Mayor and Council

April 7, 2015

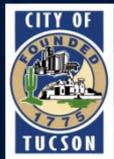


A Resilient Rate Structure is a Key Component of



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.



CITY OF
TUCSON

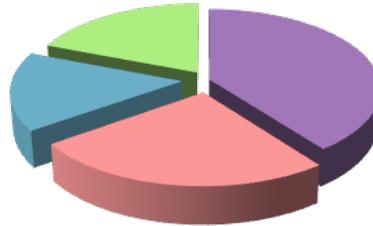


The Tucson Water Rate Process

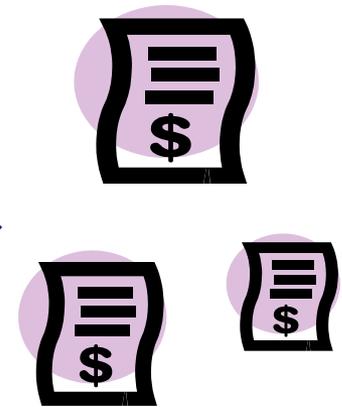
Financial Plan



Cost of Service Analysis



Rate Design



CITY OF
TUCSON



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



CITY OF
TUCSON



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**



**CITY OF
TUCSON**



**CITY OF TUCSON
Advanced Oxidation Process
Water Treatment Facility**

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, meter size



CITY OF
TUCSON



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



CITY OF
TUCSON



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)			
Fiscal Year	Summer	Winter	Annual
2010*	12.4	7.8	10.2
2014	10.4	7.3	8.7

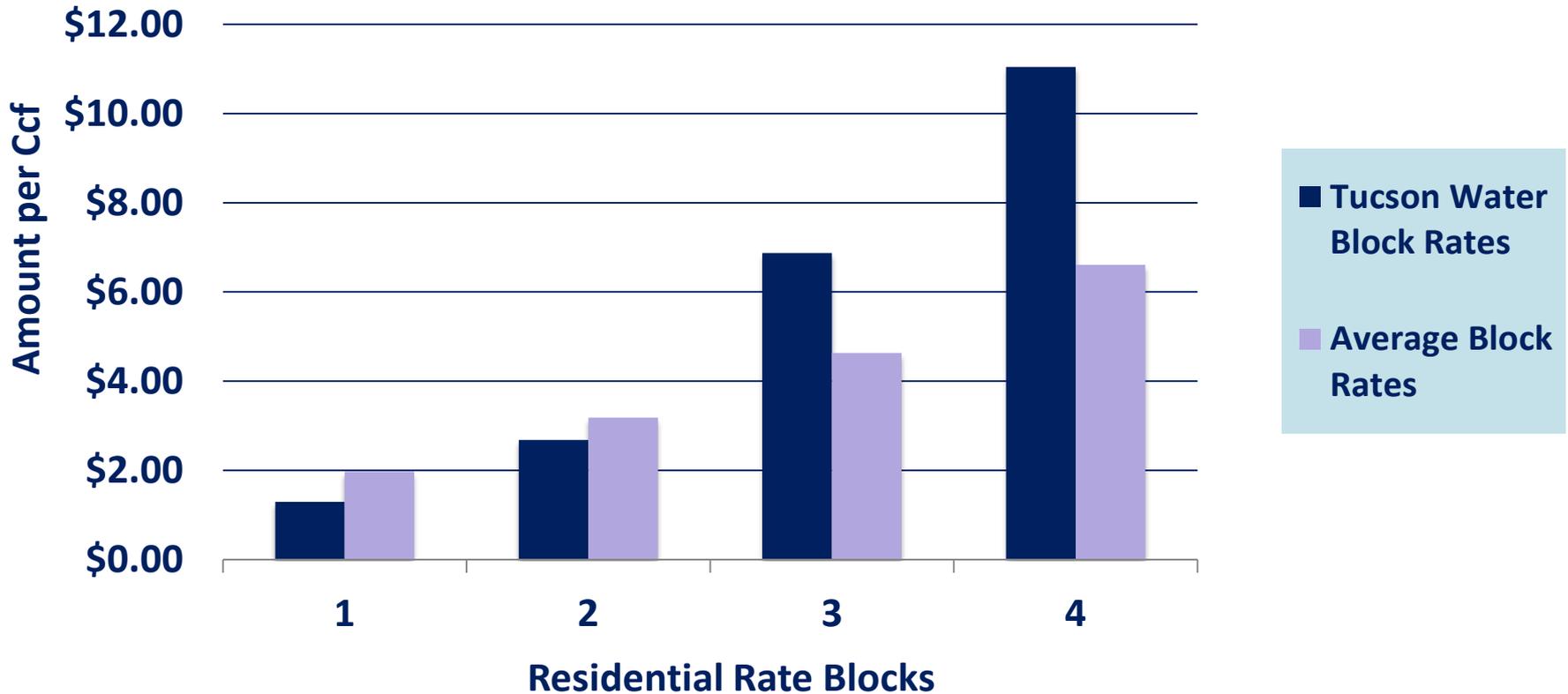
*Basis for current blocks



CITY OF
TUCSON



Evaluation of Residential Block Pricing



CITY OF
TUCSON



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

Reflects 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

Rate Changes for Other Components*

	Current	Options A & B	Difference
Base Service charge (5/8" meter)	\$ 11.00	\$ 11.90	\$ 0.90
CAP Charge (\$/ccf)	\$ 0.56	\$ 0.60	\$ 0.04
Conservation Fund	\$ 0.07	\$ 0.08	\$ 0.01

*Apply to all customer classes



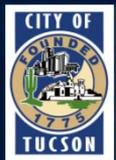
CITY OF
TUCSON



Usage Charges for Other Customer Groups

	Current	Options A & B	Difference
Customer Class (\$/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
Industrial	\$ 2.09	\$ 2.33	\$ 0.24
Construction	\$ 2.70	\$ 2.80	\$ 0.10

*Difference in usage rates by customer class reflect updated cost-of-service analysis

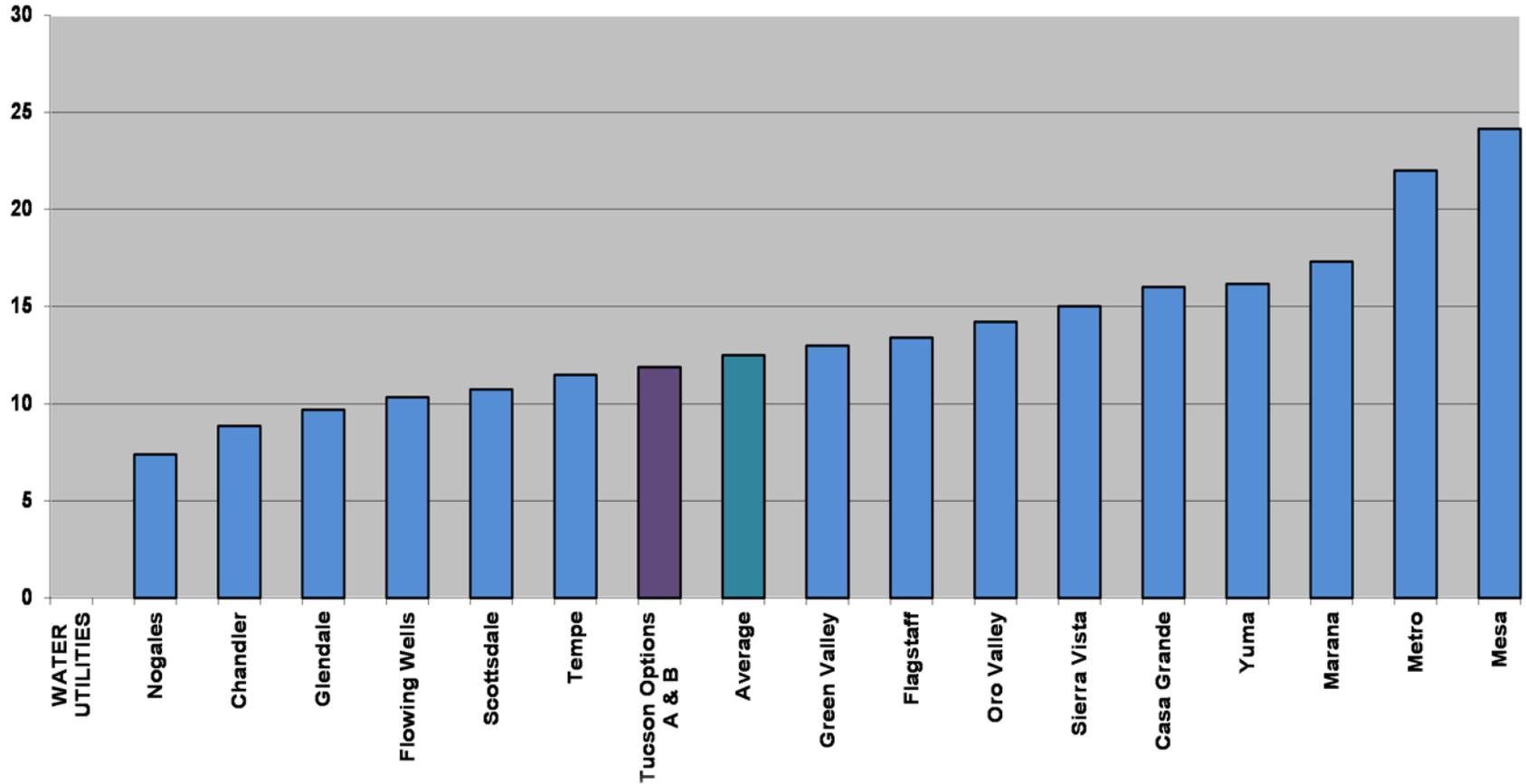


CITY OF
TUCSON



Comparison of Monthly Fixed Charges

Monthly Charges for 5/8" Meter



CITY OF
TUCSON



Bill Impacts: Options A* and B

Monthly Ccf	Current Rates	Option A	Option B
0	\$ 11.00	\$ 11.90	\$ 11.90
3	\$ 17.03	\$ 18.14	\$ 18.50
<i>7 Avg Winter Use</i>	<i>\$ 25.07</i>	<i>\$ 26.46</i>	<i>\$ 27.30</i>
<i>9 Avg Annual Use</i>	<i>\$ 29.09</i>	<i>\$ 33.22</i>	<i>\$ 31.70</i>
<i>10 Avg Summer Use</i>	<i>\$ 31.10</i>	<i>\$ 36.60</i>	<i>\$ 33.90</i>
20	\$ 87.40	\$ 93.05	\$ 95.20
30	\$ 163.70	\$ 172.15	\$ 177.00
50	\$ 401.30	\$ 415.75	\$ 425.62

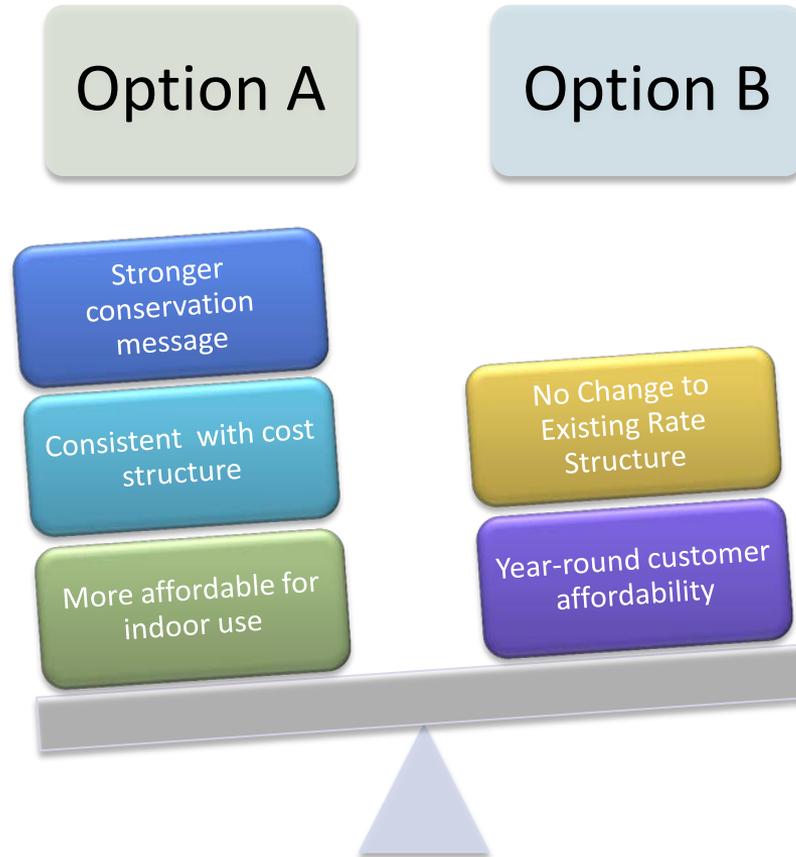
* Option A is the preferred alternative of the CWAC



CITY OF
TUCSON



CWAC Preference: Option A



CITY OF
TUCSON



Option A Sample Utility Services Statement

	Current rate	Proposed rates	\$ difference	
Tucson Water Service*				
Monthly service charge	\$11.00	\$11.90	\$0.90	
Residential vol.	\$12.42	\$15.20	\$1.44	
CAP	\$ 5.04	\$5.40	\$0.72	
Conservation fee	\$ 0.63	\$0.72	\$0.09	
Total Water	\$29.09	\$33.22	\$4.13	
Pima County Sewer Service**				
Monthly service charge	\$12.63	\$12.63	\$0.00	
Residential vol.	\$28.18	\$28.18	\$0.00	
Total Sewer	\$40.81	\$40.81	\$0.00	
Tucson Environmental Services				
Groundwater protection fee	\$1.06	\$1.06	\$0.00	
95 gal. curb	\$16.75	\$16.75	\$0.00	
Total Environmental	\$17.81	\$17.81	\$0.00	
Total	\$87.71	\$91.84	\$4.13	4.71%

* Water service based on average 9 Ccfs

**Sewer service based on average 8 Ccfs



CITY OF
TUCSON



Option B Sample Utility Services Statement

	Current rate	Proposed rates	\$ difference	
Tucson Water Service*				
Monthly service charge	\$11.00	\$11.90	\$0.90	
Residential vol.	\$12.42	\$13.68	\$1.26	
CAP	\$5.04	\$ 5.40	\$0.36	
Conservation fee	\$0.63	\$0.72	\$0.09	
Total Water	\$29.09	\$31.70	\$2.61	
Pima County Sewer Service**				
Monthly service charge	\$12.63	\$12.63	\$0.00	
Residential vol.	\$28.18	\$28.18	\$0.00	
Total Sewer	\$40.81	\$40.81	\$0.00	
Tucson Environmental Service				
Groundwater protection fee	\$1.06	\$1.06	\$0.00	
95 gal. curb	\$16.75	\$16.75	\$0.00	
Total Environmental	\$17.81	\$17.81	\$0.00	
Total	\$87.71	\$90.32	\$2.61	2.97%

* Water service based on average 9 Ccfs

**Sewer service based on average 8 Ccfs



CITY OF
TUCSON



Safe, Clean Tap Water is a Good Value

1 gallon tap water

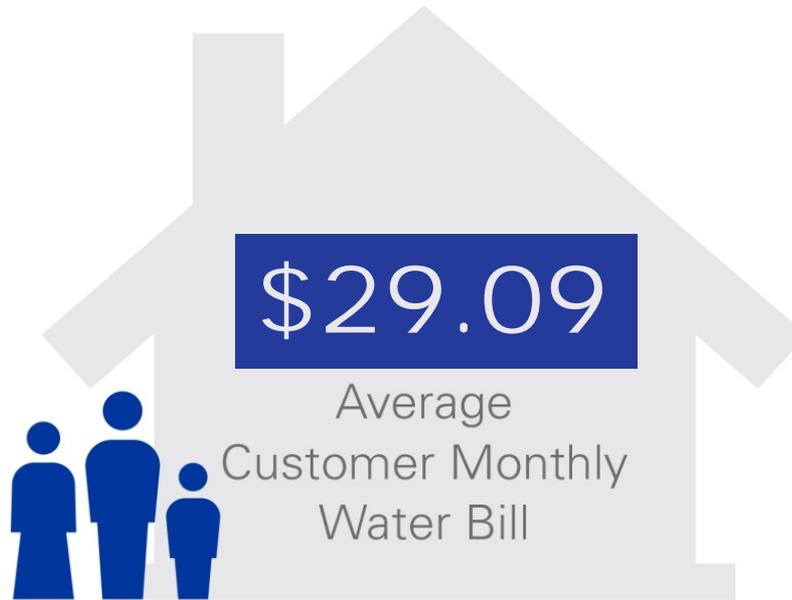
Costs less than a penny



CITY OF
TUCSON



When you pay your **water bill**...



68% of households use
9 CCFs each month
OR LESS



Water Supplies

Purchase CAP Water
Water Storage for Future
Develop New Resources



Water Quality

Water Quality Lab
Treatment
Testing
Monitoring
Reporting



Water Customers

Customer Service
Online Services
Meter Reading
Water Audits



Water Operations/Systems

Reservoir Rehab
Pipeline Protection
Capital Projects
System Maintenance

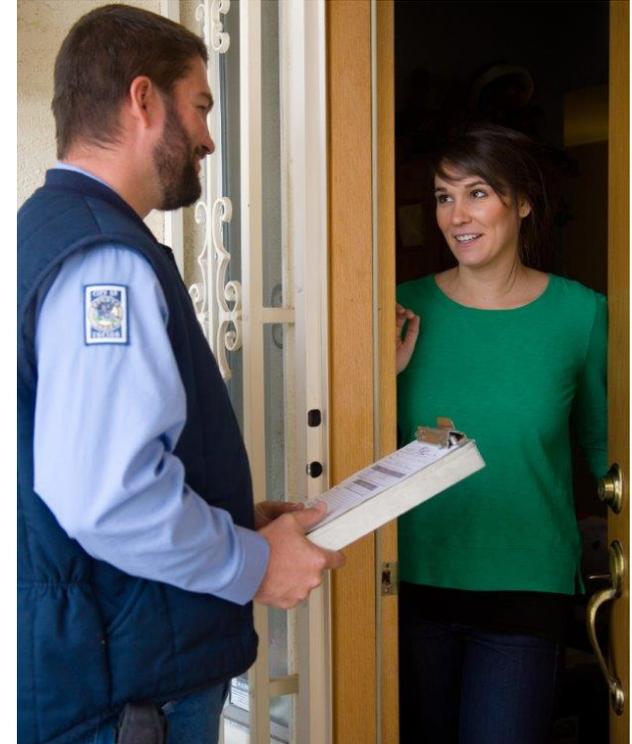


Water Efficiency

Conservation Rebates
Energy Efficiency
K-12 Education Programs

Low Income Assistance Program

- Program continues at 50% monthly water bill credit
- Approximately 3,000 participants currently use close to \$500,000 annually in funds allocated for low income assistance
- Average customer participating in Low Income Assistance Program receives a \$1.31 or \$2.07 monthly bill increase under the proposed options



CITY OF
TUCSON



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



CITY OF TUCSON



Questions or Comments?



CITY OF
TUCSON

