



Rate Schedules & Options FY 2014
Citizens' Water Advisory Committee
March 20, 2013

Belinda Oden, Business Services Administrator
Harold Smith, Vice President Raftelis Financial Consultants, Inc.

A Resilient Rate Structure is a Key Component of :



Water **Reliability**

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

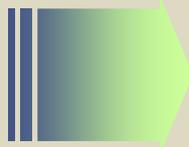


The Tucson Water Process

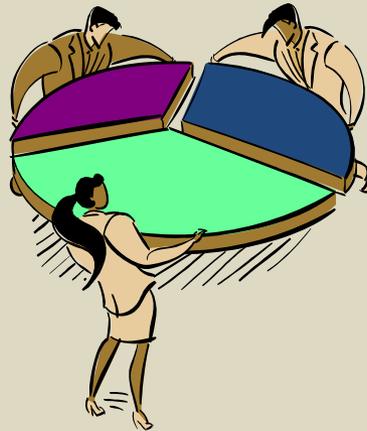
1. Financial Plan



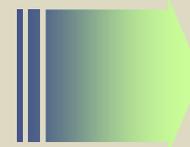
**CWAC
City Staff
Rate Consultants**



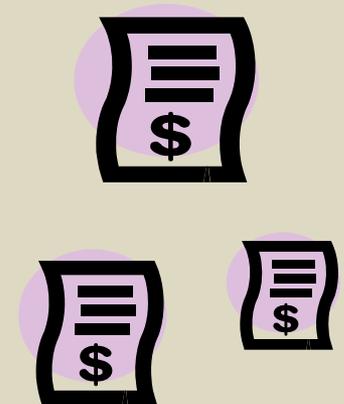
2. Cost of Service Analysis



**Customer Rate
Design Group**



3. Rate Design



Customer Feedback



FY 2013 Rate Making Recap

- **Modified residential block structure to reflect current demand patterns**
 - **Block 1 rates low to minimize impact on average user**
- **Modified CAP surcharge to reflect water purchase costs for Clearwater facilities**
- **Increased fixed charge to maintain 20% revenue recovery**
- **Increased commercial tier rates**
- **Strong conservation message**



FY2013 Residential Rate Structure Changes



Current Rate



Preferred Alternative



Alternative A



FY 2014 Rate Making Objectives

- Ensure financial sufficiency
- Temper pocketbook shock
- Continue conservation message
- Improve rate resiliency:
 1. Increasing revenue from fixed charges (21%-22%)
 2. reducing reliance on upper blocks
 3. Increase CAP charge to cover all water purchase costs



FY2014-FY2018 Financial Plan Adopted by Mayor & Council

	<u>Current Plan</u>	<u>Prior Plan</u>
FY 2014	8.3%	8.3%
FY 2015	8.3%	8.3%
FY 2016	8.3%	8.3%
FY 2017	8.3%	8.3%
FY 2018	8.3%	NA



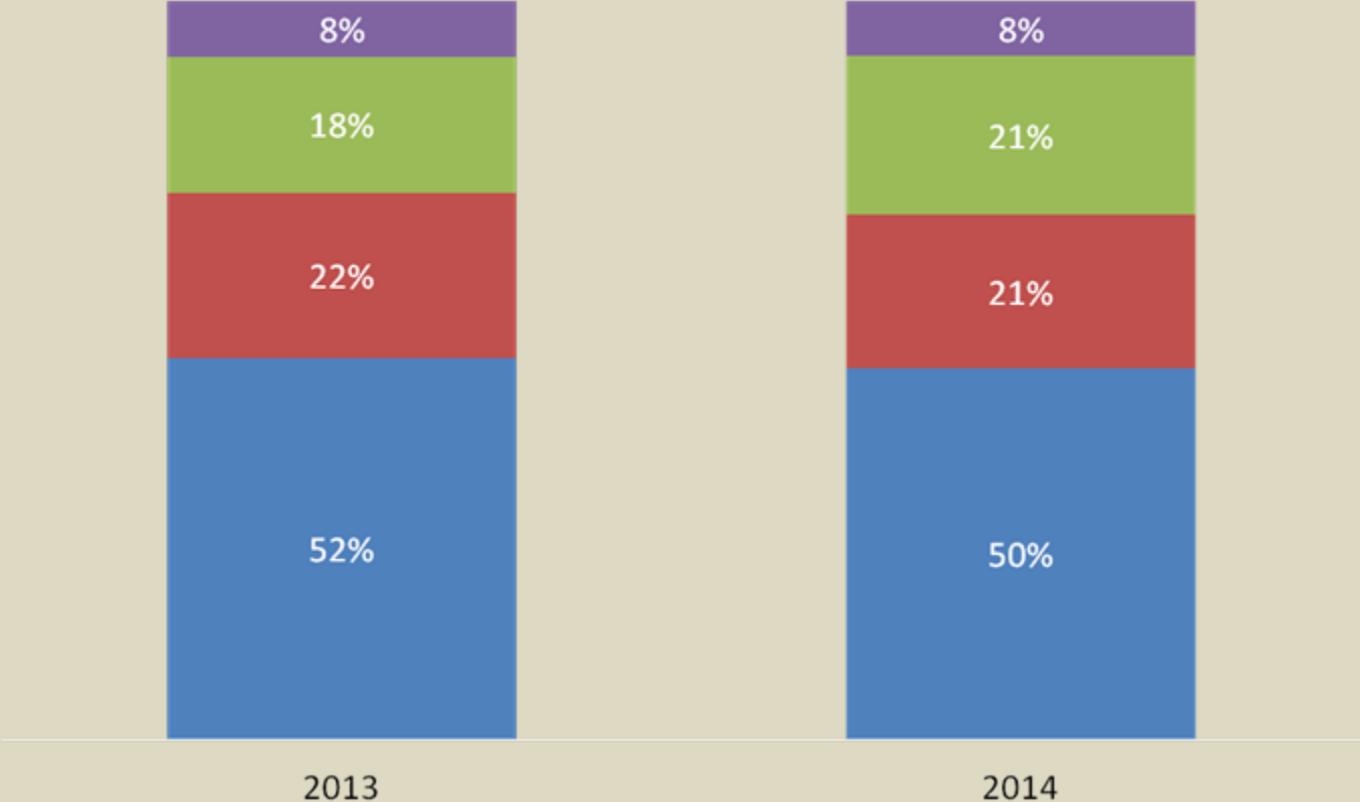
Tucson Water Customers

<u>Class</u>	<u>% of revenues</u>	<u>% usage</u>	<u>% accts</u>
Residential	60.0	57.1	89.3
Multifamily	15.6	19.0	2.5
Commercial	21.2	21.8	6.3
Other	3.2	2.1	1.9



Cost of Service Components

■ Base Demand ■ Peak Demand ■ Service Charge* ■ Reclaimed



**Includes customer services, meter-related costs, fire protection, distribution system maintenance, and CAP capital charges*



Summary Cost of Service

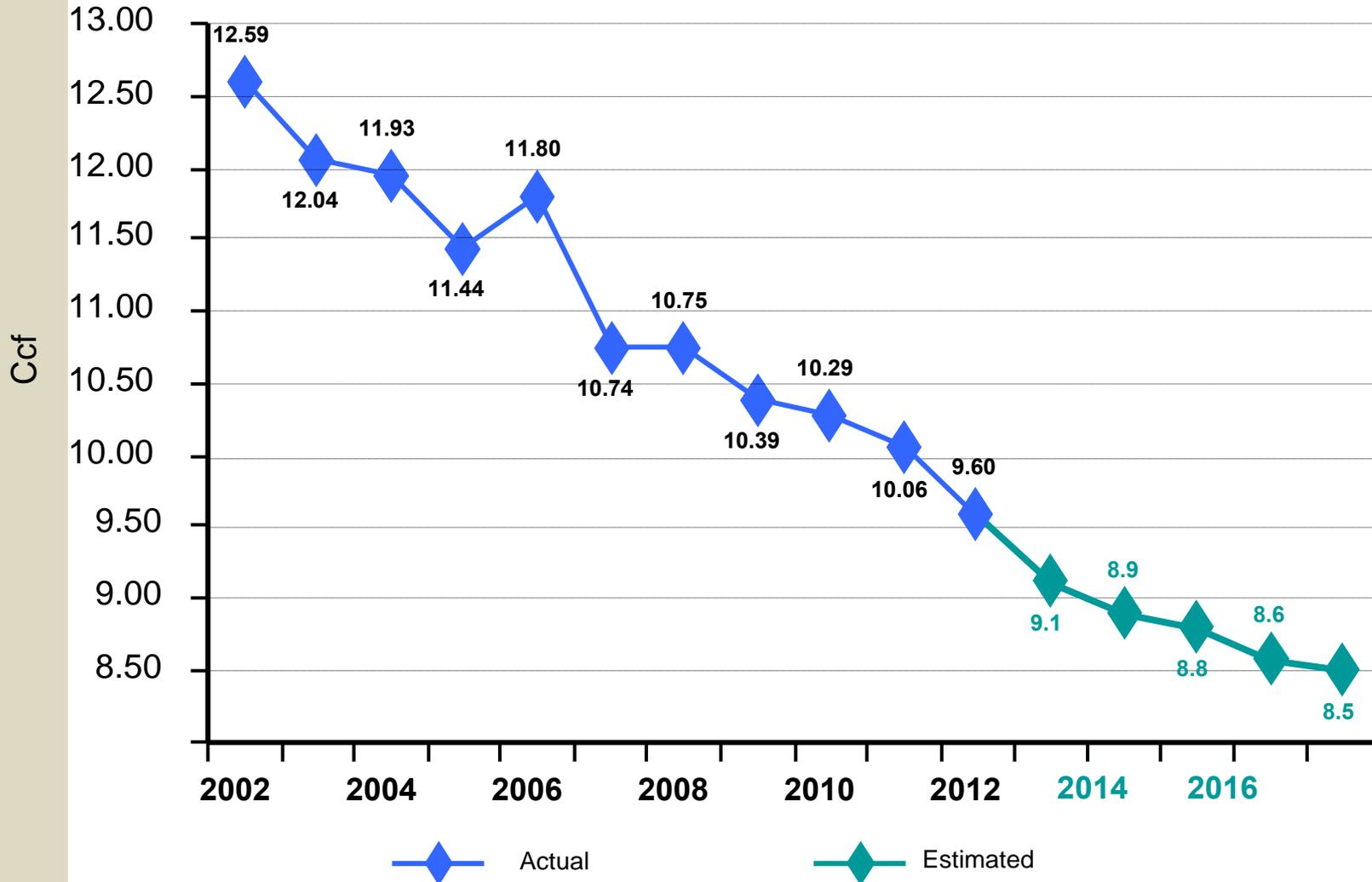
Revenue Increase by Customer Class

Class	Baseline	Options A& B	Option C
Residential	9.2%	10.9%	11.1%
Multi-Family	3.6%	5.8%	5.1%
Commercial	3.7%	5.6%	5.3%
Industrial	2.8%	4.8%	4.0%
Construction Water	9.5%	11.1%	11.2%
Fire Sprinkler	17.0%	11.9%	11.9%
Reclaimed	24.6%	0.8%	1.2%

**Options A-C hold reclaimed at current standard rate*



Residential Water Use Trends



Single Family Residential Revenue Profile

FY2013 Revenue by Residential Rate Component

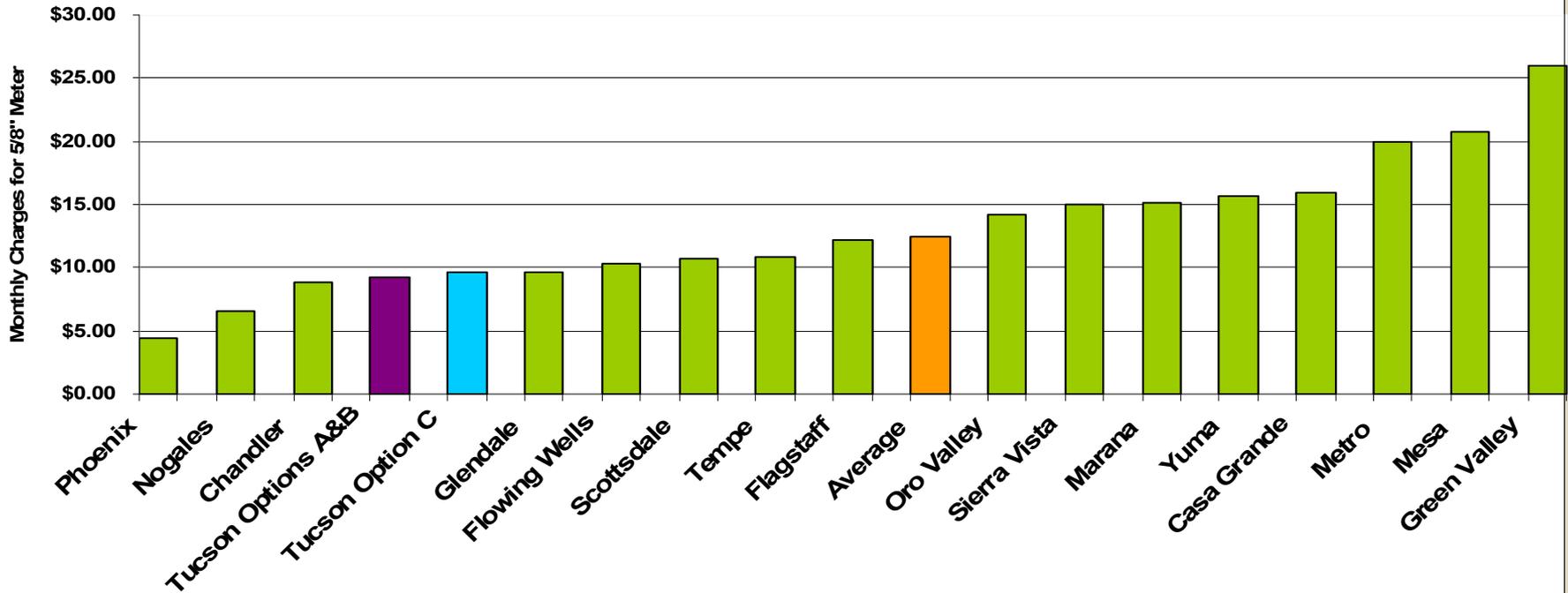
	Previous	Current	
	Projection	Estimate	% Change
Service Charge	\$20,750,369	\$21,160,239	2.0%
CAP Charge	\$8,328,183	\$8,075,624	-3.0%
Block 1	\$20,349,168	\$20,343,151	0.0%
Block 2	\$7,437,876	\$6,899,972	-7.2%
Block 3	\$18,656,655	\$16,614,828	-10.9%
Block 4	\$11,028,269	\$9,349,328	-15.2%
Total	\$86,550,520	\$82,443,142	-4.7%



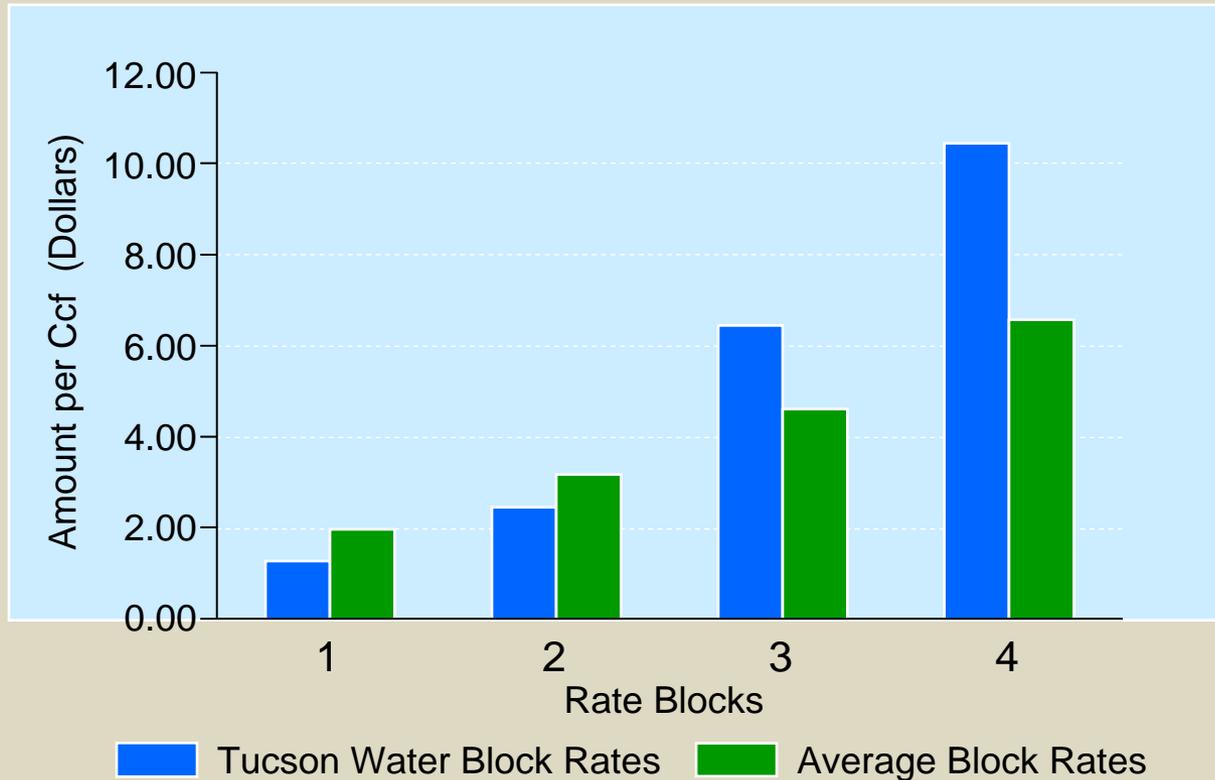
Fixed Rate Comparison

standard residential meter

Comparison of Monthly Fixed Charges All Options



Comparison Block Rates to Average of Other Cities with 4 Block Rates

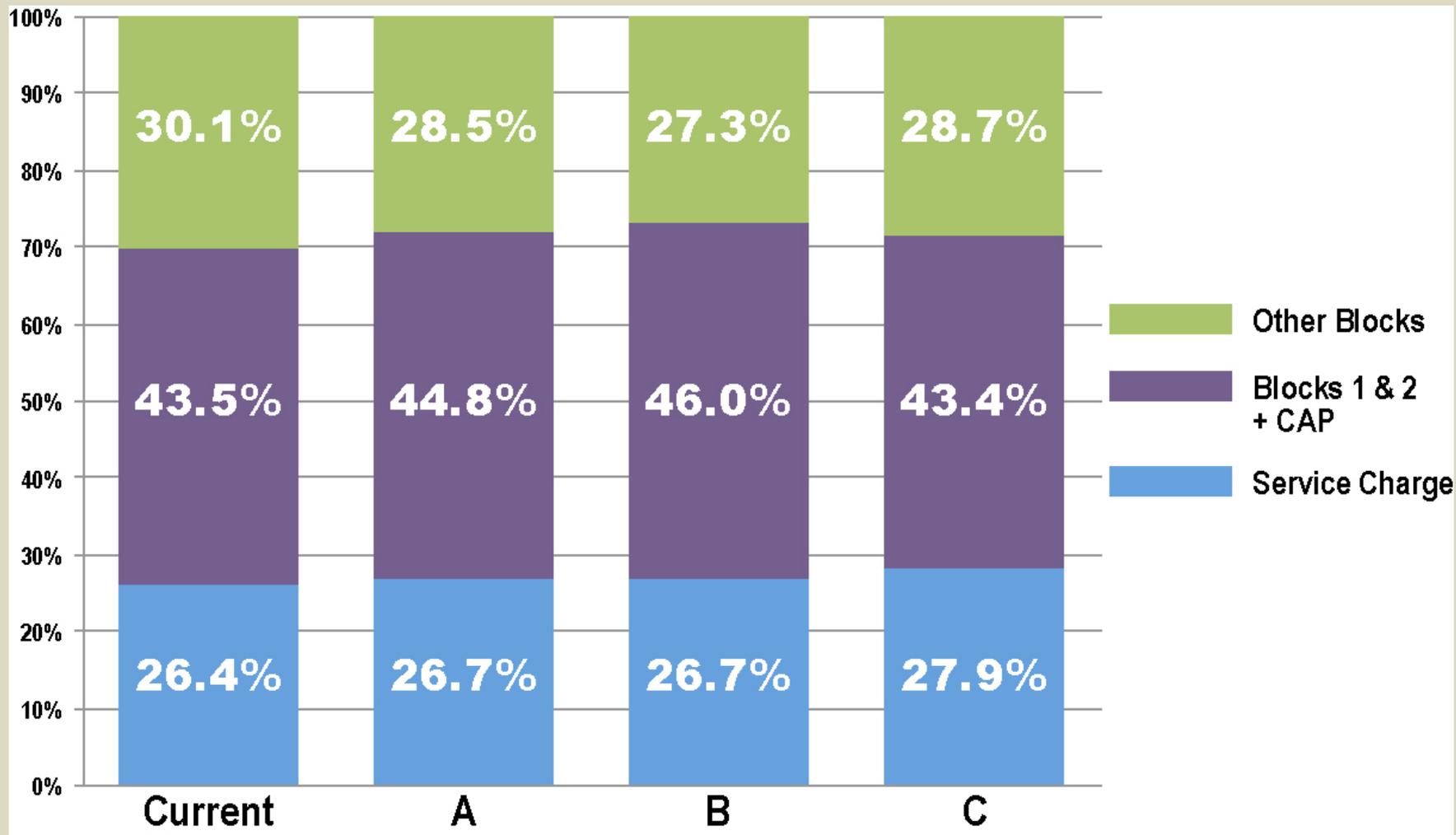


Rate Option Comparisons

	Current	Option A	Option B	Option C
1-10 Ccf	\$ 1.26	\$ 1.36	\$ 1.41	\$ 1.29
11-15 Ccf	\$ 2.45	\$ 2.70	\$ 2.80	\$ 2.68
16-30 Ccf	\$ 6.45	\$ 6.83	\$ 6.50	\$ 6.87
30+ Ccf	\$ 10.45	\$ 10.85	\$ 10.50	\$ 11.04
CAP	\$ 0.36	\$ 0.48	\$ 0.48	\$ 0.48



Residential Revenue Recovery



Option A bill impacts

Ccf Usage	Current Rates	Option A	Difference
0	\$ 8.27	\$ 9.25	\$ 0.98
3	\$ 13.13	\$ 14.77	\$ 1.64
10	\$ 24.47	\$ 27.65	\$ 3.18
30	\$ 140.67	\$ 153.20	\$ 12.53
50	\$ 356.87	\$ 379.80	\$ 22.93
70	\$ 573.07	\$ 606.40	\$ 33.33



Option B bill impacts

Ccf Usage	Current Rate	Option B	Difference
0	\$ 8.27	\$ 9.25	\$ 0.98
3	\$ 13.13	\$ 14.92	\$ 1.79
10	\$ 24.47	\$ 28.15	\$ 3.68
30	\$ 140.67	\$ 149.25	\$ 8.58
50	\$ 356.87	\$ 368.85	\$ 11.98
70	\$ 573.07	\$ 588.45	\$ 15.38



Option C bill impacts

Ccf Usage	Current Rate	Option C	Difference
0	\$ 8.27	\$ 9.68	\$ 1.41
3	\$ 13.13	\$ 14.99	\$ 1.86
10	\$ 24.47	\$ 27.38	\$ 2.91
30	\$ 140.67	\$ 153.43	\$ 12.76
50	\$ 356.87	\$ 383.83	\$ 29.96
70	\$ 573.07	\$ 614.23	\$ 41.46



Rate Option Evaluation

	Option A	Option B	Option C
Revenue stability			
<ul style="list-style-type: none"> ● Increased fixed revenue % 	medium	medium	high
<ul style="list-style-type: none"> ● decrease reliance on upper blocks 	medium	high	low
Promote conservation message	high	medium	high
Pocketbook impact	low	medium	low
Consistent with Cost of Service	medium	high	medium



Next Steps

- **March 20** - Special CWAC meeting to review rate schedules
- **April 16** - Mayor & Council review proposed rate schedules and schedule Notice of Intent to increase water rates
- **April 17-May 20** – Community Town Hall meetings
- **May 22**- Mayor & Council Public Hearing on Proposed Water Rates and Miscellaneous Fees.
- **July 1** - New Water Rates and Miscellaneous Fees take effect



Questions or Comments?