



September 10, 2020

Georgetown Water Utility Advisory Board

RESULTS AND RECOMMENDATIONS WATER AND WASTEWATER COST OF SERVICE AND RATE DESIGN STUDY



AGENDA




RECAP/COUNCIL FEEDBACK

RATE OPTIONS

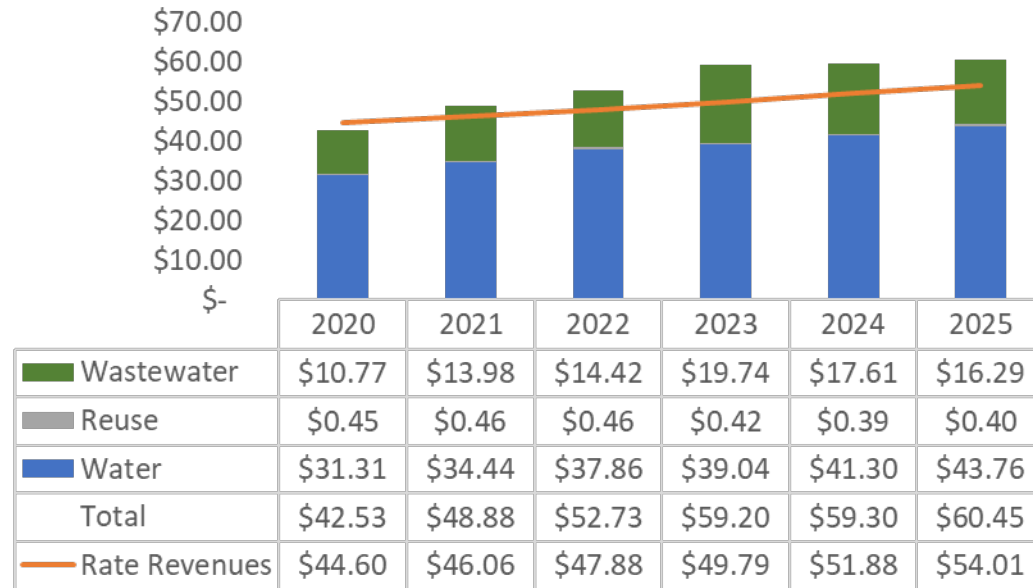
BOARD DIRECTION

RECAP/COUNCIL FEEDBACK

SUMMARY INTRODUCTION

- FY 2020 Study Goals and Objectives:
 -  Fiscal Policy Compliance (including Revenue Sufficiency)
 -  Equitable Cost of Service
 -  Conservation
- Presentations on Draft Results and Rate Setting Options
 - August 13 - Georgetown Water Utility Advisory Board
 - August 25 - City Council

PROJECTED COMBINED UTILITY PERFORMANCE UNDER CURRENT REVENUES



- Combined utility estimated to not recover revenue required as early as **FY 2021**
- Days Cash on Hand reserves drop below 90 Days as early as **FY 2023**
- Water Monthly Base Charge revenues estimated to not recognize Water Fixed Cost of Service as early as **FY 2021**

FY (Targets)	2021	2022	2023	2024	2025
DSC (1.50x)	3.82	3.07	2.44	2.27	2.07
Days Cash (90 Days)*	187	127	40	-24	-75
Fixed COS (75%)	71%	68%	69%	69%	68%

**Excludes \$10M Annual Non-Operating Contingency*

FY 2021 COST OF SERVICE RECAP

- Grouped Inside and Outside Class Usage
 - Leaving rate differentials the same for FY 2021
 - Deeper study into outside versus inside next year
- Residential/Builders
 - Current rates produce revenues \$2.34M or 8.3% below cost of service requirement in FY 2021
- Government
 - Estimated \$0.06M or 8.2% below, but rate structure will be reviewed next year with Commercial and Reuse rate design

Per Utility Billing Data Extract (Oct 2018 – Sep 2019)		
Customer Class	Peaking Ratio	Customers
<i>Inside and Outside City</i>		
Residential (incl Builder)	2.08	41,450
Small Commercial	1.39	1,013
Large Commercial	1.26	274
Government	2.06	158
Irrigation	2.11	634
Total System	1.98	43,529

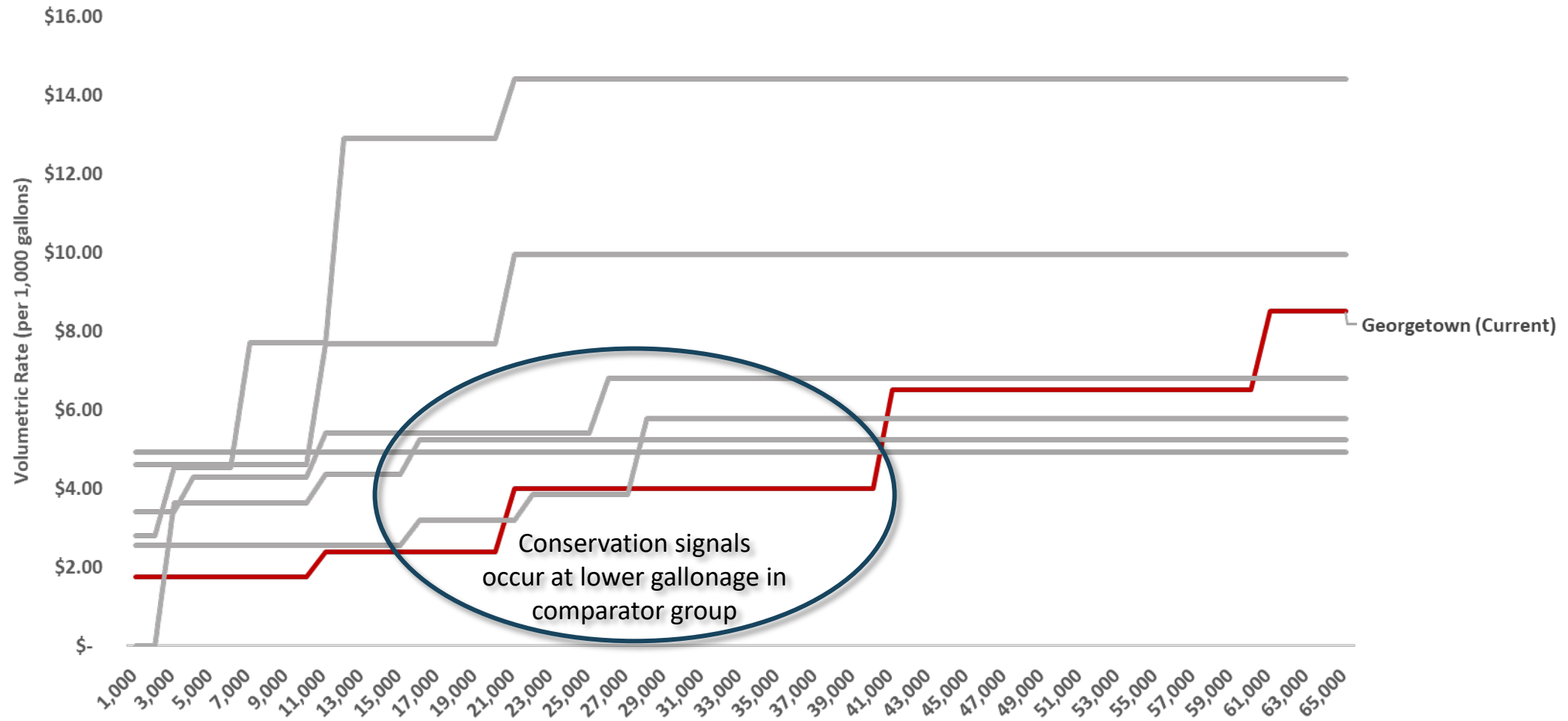
COUNCIL FEEDBACK TO GUIDE RATE RECOMMENDATIONS

- Financial Policy Compliance
 - Current rates for water and wastewater are insufficient and require revision.
 - Increasing minimum charges \$1.50 on 3/4" meters achieves the 75% target.
- Equitable Cost of Service
 - Residential revenues have the greatest shortfall and are the primary focus this year.
- Conservation Plan
 - Current residential volumetric structure is not achieving conservation plan objectives.
 - Moving the residential top tier down to 25,000 gallons impacts fewer than 10% of customer bills, will improve residential conservation, and is common in the market.

RATE OPTIONS

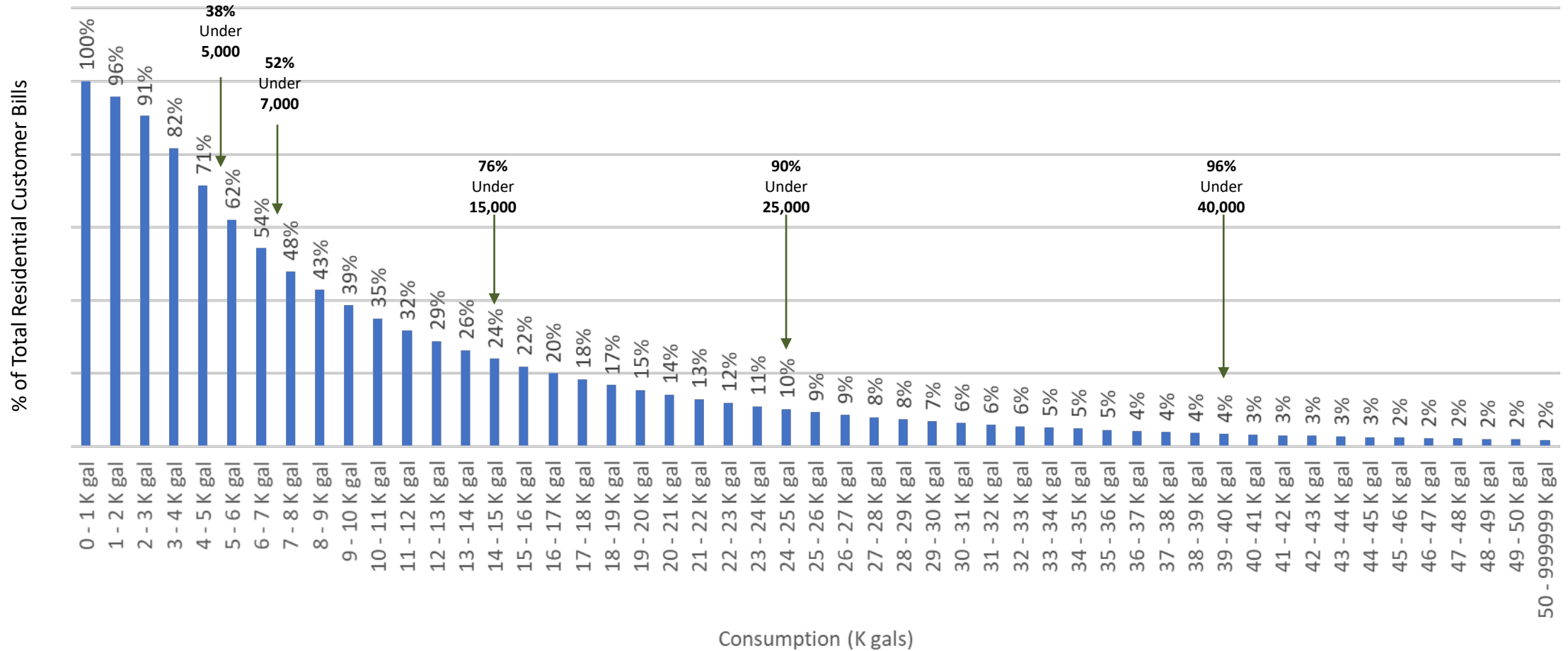
RESIDENTIAL VOLUMETRIC RATE DESIGN

CURRENT STRUCTURE



RESIDENTIAL VOLUMETRIC RATE DESIGN

CUMULATIVE BILLED USAGE FREQUENCY DISTRIBUTION



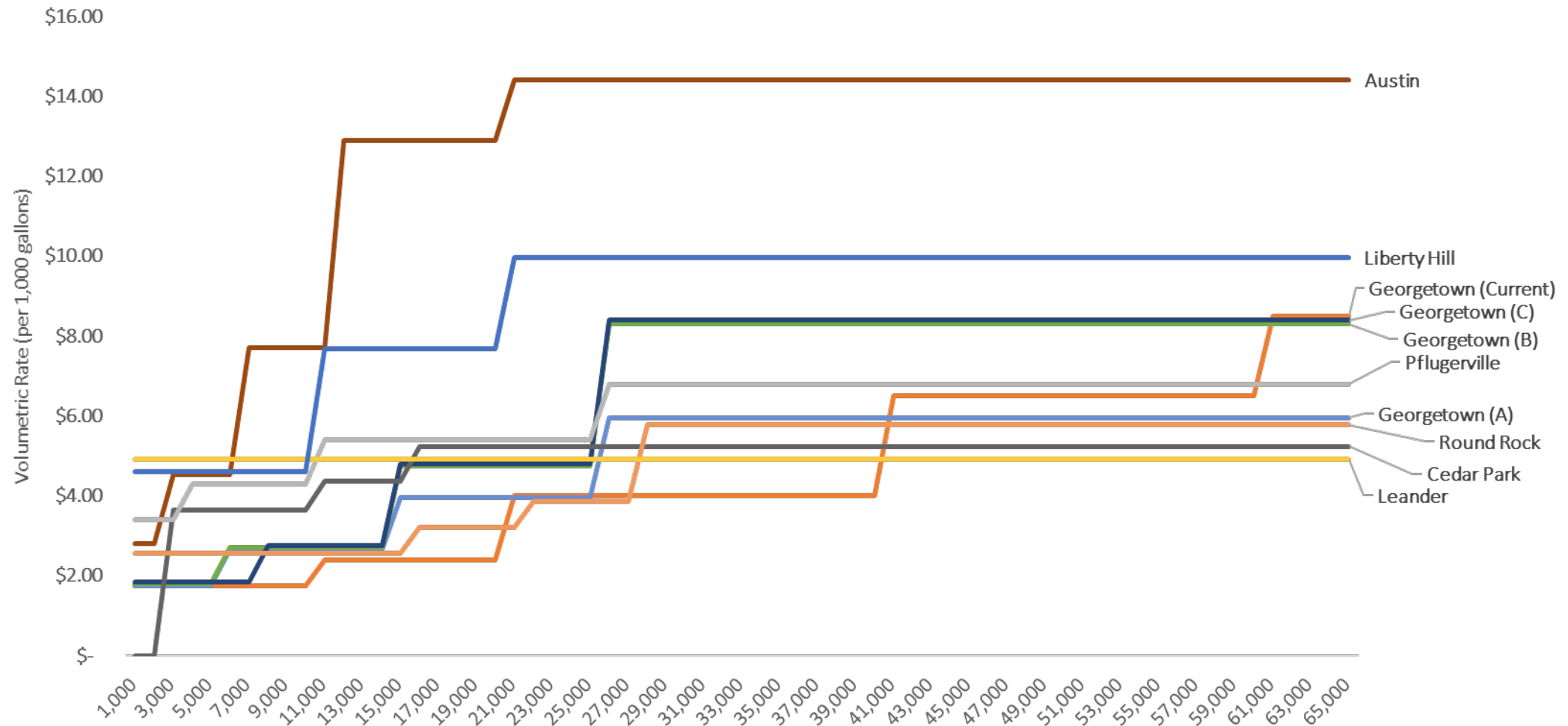
RESIDENTIAL VOLUMETRIC RATE DESIGN

- Based on historical customer usage characteristics and feedback from the City, the following Residential alternatives were determined:

Current Tiers		Current Rates		Scenarios A and B		Rates for A		Rates for B		Scenario C		Rates for C	
0 – 10,000 gals		\$1.75		0 – 5,000 gals		\$1.75		\$1.80		0 – 7,000 gals		\$1.85	
10,001 – 20,000 gals		2.40		5,001 – 15,000 gals		2.65		2.70		7,001 – 15,000 gals		2.75	
20,001 – 40,000 gals		4.00		15,001 – 25,000 gals		3.95		4.75		15,001 – 25,000 gals		4.80	
40,001 – 60,000 gals		6.50		25,001+ gals		5.95		8.30		25,001+ gals		8.40	
60,001+ gals		8.50											

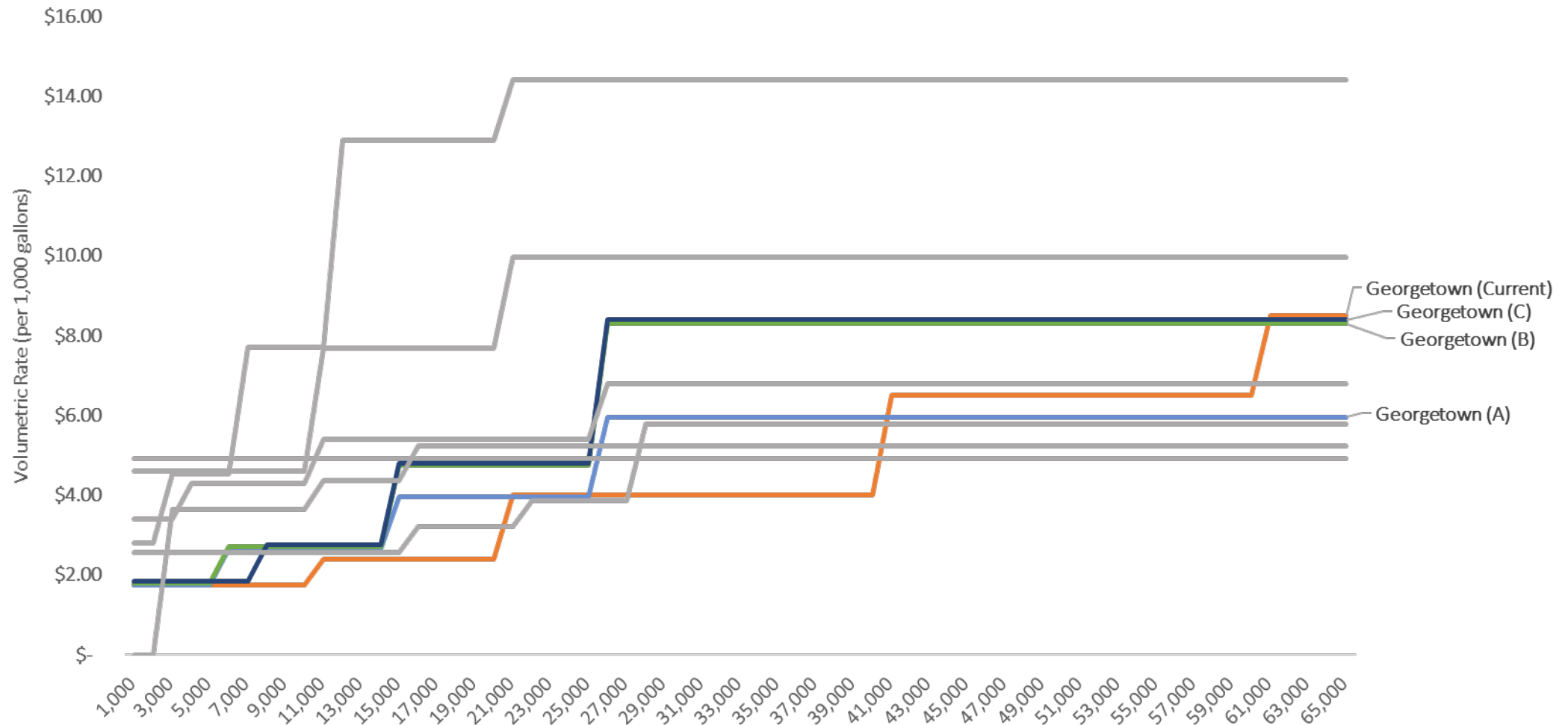
RESIDENTIAL VOLUMETRIC RATE DESIGN

REGIONAL VOLUMETRIC RATE COMPARISON



RESIDENTIAL VOLUMETRIC RATE DESIGN

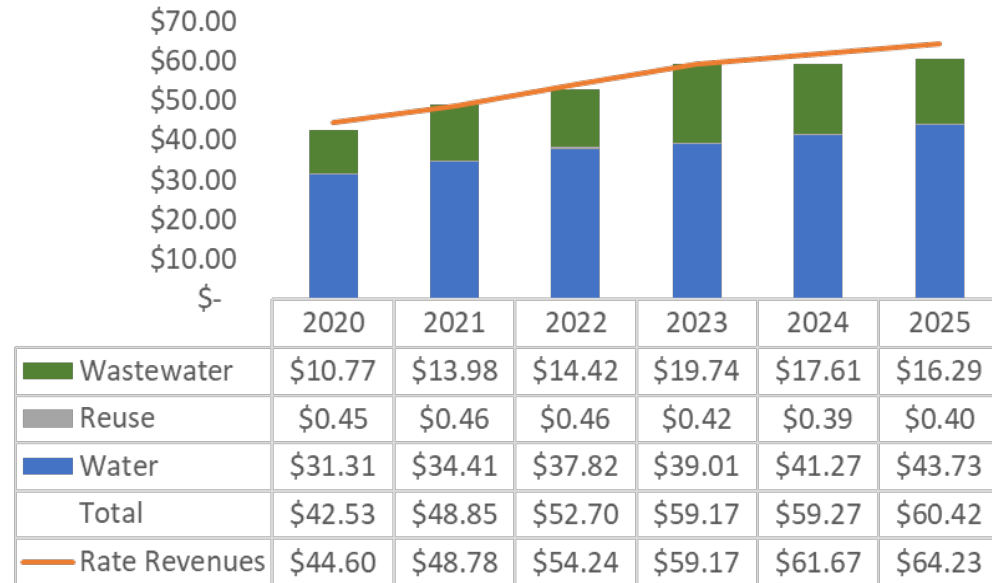
REGIONAL VOLUMETRIC RATE COMPARISON



SCENARIO A:

REVISED RESIDENTIAL TIER DESIGN

FIRST TIER (0–5,000 GALLONS); FOURTH TIER (25,000+ GALLONS)



- Revenue adjustments driven by first debt payment for San Gabriel Interceptor (\$32.5M) in **FY 2023**
- Water Base rate adjustments targeting Fixed COS metric and to mitigate significant Wastewater rate increases
- **50% Tier Differential between all revised Residential rate tiers**

FY (Targets)	2021	2022	2023	2024	2025
DSC (1.50x)	4.25	3.95	3.47	3.25	3.01
Days Cash (90 Days)*	214	211	203	216	237
Fixed COS (75%)	75%	77%	83%	82%	81%

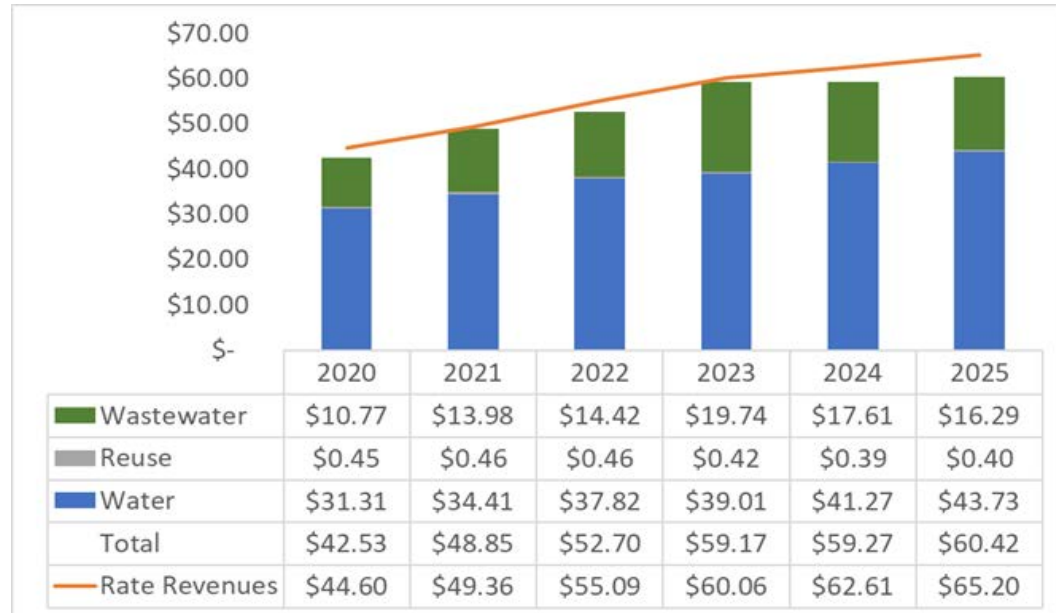
Rate Adjustments	2021	2022	2023	2024	2025
Water (Base \$ Only)	\$1.50	\$1.50	\$1.50	-	-
Water (Volumetric)	Varies	-	-	-	-
Wastewater (All %)	8.89%	8.89%	8.89%	-	-

*Excludes \$10M Annual Non-Operating Contingency

SCENARIO B:

REVISED RESIDENTIAL TIER DESIGN

FIRST TIER (0–5,000 GALLONS); FOURTH TIER (25,000+ GALLONS)



- Revenue adjustments driven by first debt payment for San Gabriel Interceptor (\$32.5M) in **FY 2023**
- Water Base rate adjustments targeting Fixed COS metric and to mitigate significant Wastewater rate increases
- **75% Tier Differential between top two revised Residential rate tiers**

FY (Targets)	2021	2022	2023	2024	2025
DSC (1.50x)	4.34	4.07	3.56	3.34	3.10
Days Cash (90 Days)*	220	224	224	245	274
Fixed COS (75%)	75%	77%	83%	82%	81%

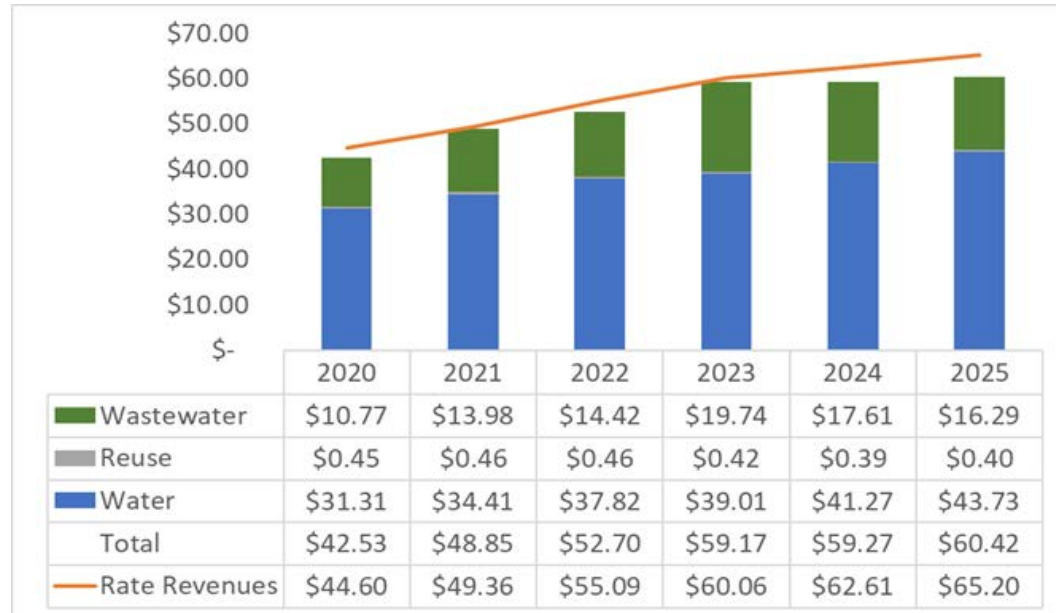
Rate Adjustments	2021	2022	2023	2024	2025
Water (Base \$ Only)	\$1.50	\$1.50	\$1.50	-	-
Water (Volumetric)	Varies	-	-	-	-
Wastewater (All %)	8.89%	8.89%	8.89%	-	-

*Excludes \$10M Annual Non-Operating Contingency

SCENARIO C:

REVISED RESIDENTIAL TIER DESIGN

FIRST TIER (0 – 7,000 GALLONS); FOURTH TIER (25,000+ GALLONS)



- Revenue adjustments driven by first debt payment for San Gabriel Interceptor (\$32.5M) in **FY 2023**
- Water Base rate adjustments targeting Fixed COS metric and to mitigate significant Wastewater rate increases
- **75% Tier Differential between top two revised Residential rate tiers**

FY (Targets)	2021	2022	2023	2024	2025
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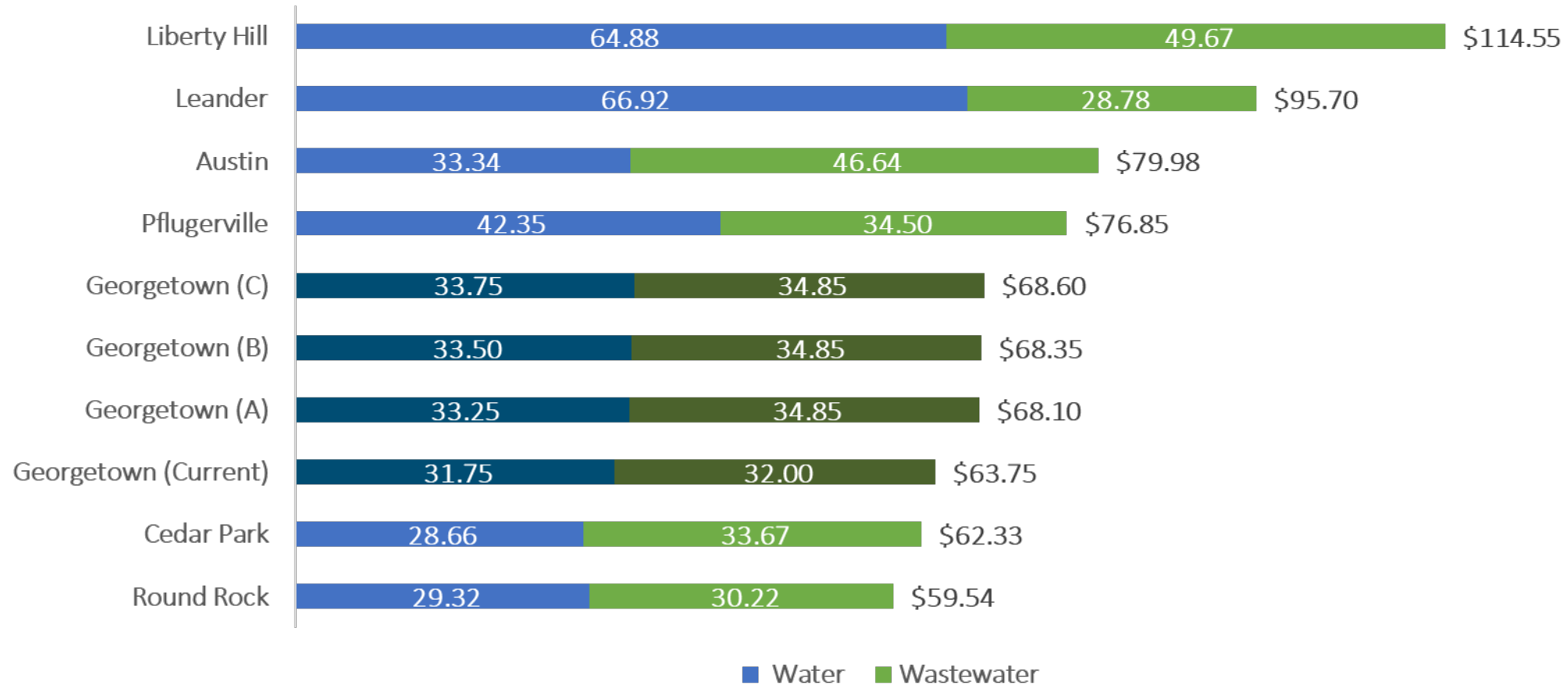
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COMMUNITY RATE COMPARISONS

- Comparisons between communities are very common, but may not tell the whole story.
- Each system is unique in geography, age of infrastructure, capital maintenance efforts, and typical usage patterns.

REGIONAL BILL COMPARISON

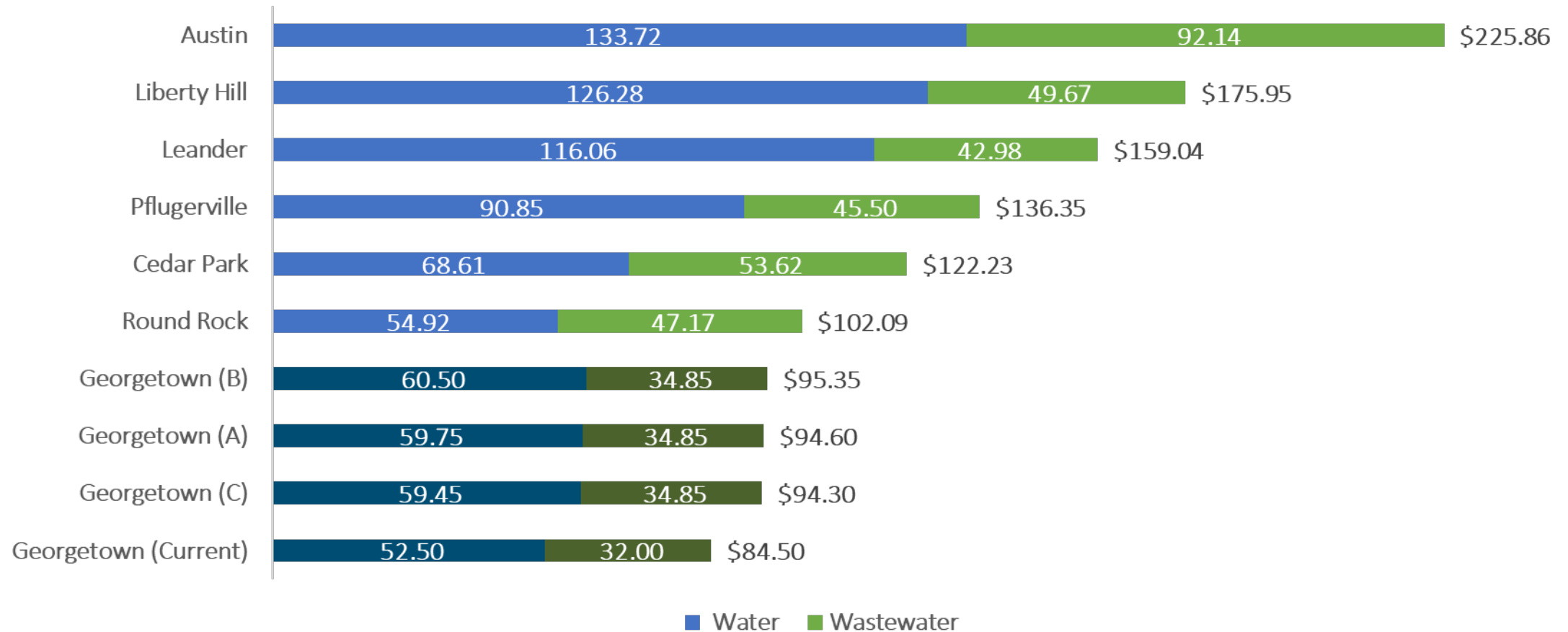
RESIDENTIAL USER BILL (5,000 GALS – WATER; FLAT SEWER*)



**Georgetown currently does not charge a variable rate based on billed Sewer flows. 5,000 gals in Sewer flows assumed for surrounding cities*

REGIONAL BILL COMPARISON

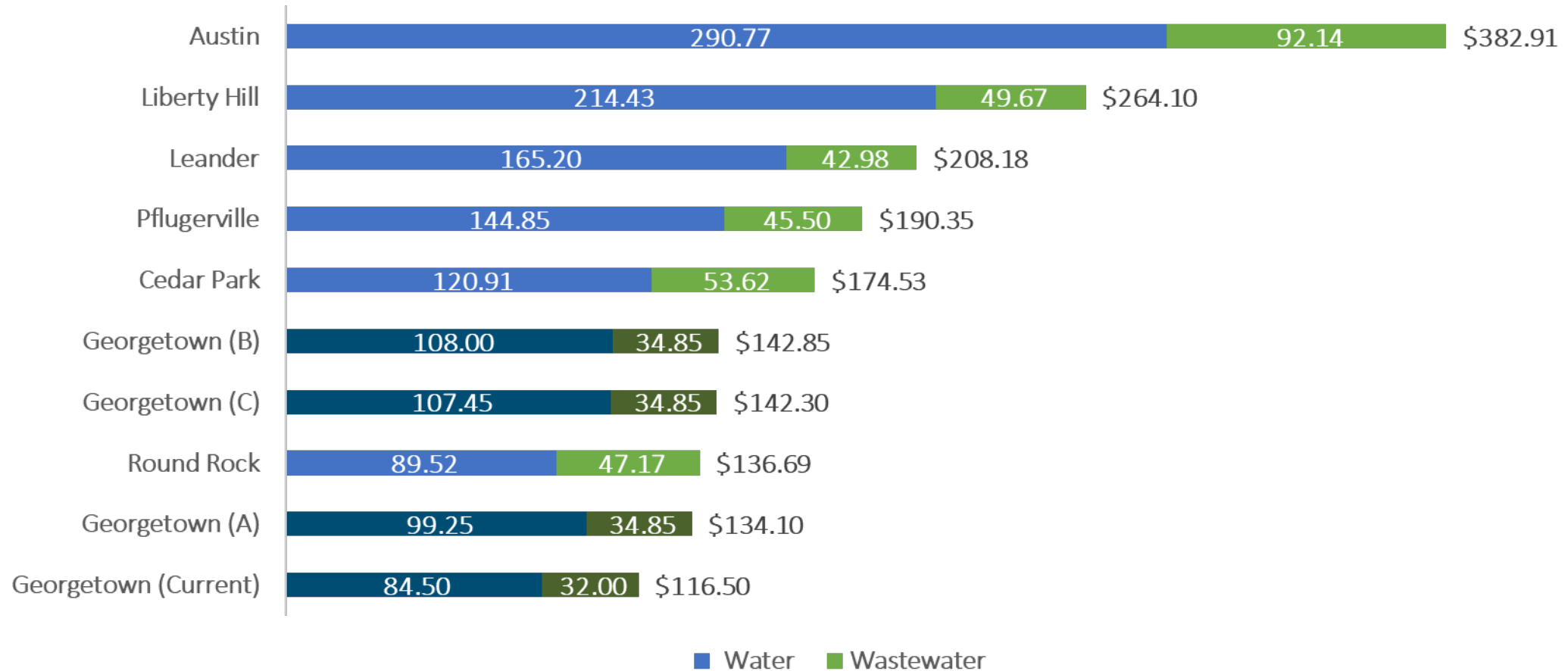
RESIDENTIAL USER BILL (15,000 GALS – WATER; FLAT SEWER*)



**Georgetown currently does not charge a variable rate based on billed Sewer flows. 10,000 gals in Sewer flows assumed for surrounding cities*

REGIONAL BILL COMPARISON

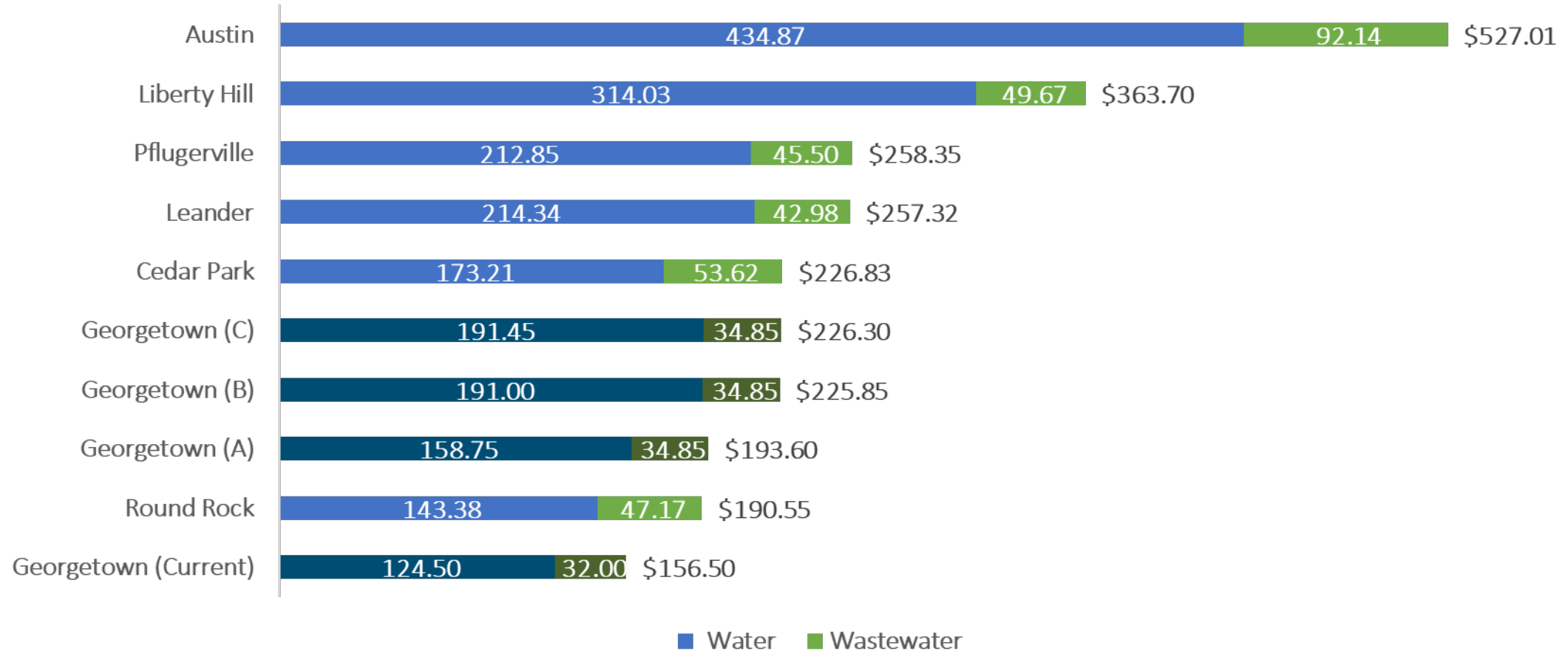
RESIDENTIAL USER BILL (25,000 GALS – WATER; FLAT SEWER*)



**Georgetown currently does not charge a variable rate based on billed Sewer flows. 10,000 gals in Sewer flows assumed for surrounding cities*

REGIONAL BILL COMPARISON

RESIDENTIAL USER BILL (35,000 GALS – WATER; FLAT SEWER*)



**Georgetown currently does not charge a variable rate based on billed Sewer flows. 10,000 gals in Sewer flows assumed for surrounding cities*

BOARD DIRECTION

CONCLUSIONS AND BOARD RECOMMENDATION FOR COUNCIL

- NewGen recommends either Option B (0-5k) or Option C (0-7k)
 - Both fully meet the City Council's requested objectives
 - ✓ Financial Policy Compliance
 - ✓ Equitable Cost of Service
 - ✓ Conservation Plan
- Which of these rate options would the Board like to propose for Council adoption?
 - Is other analysis or discussion needed to inform the Board's decision?

NEXT STEPS





THANK YOU! ANY QUESTIONS?

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