



September 22, 2020

City Council Meeting, Georgetown, TX

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



# AGENDA

RECAP &  
BOARD FEEDBACK

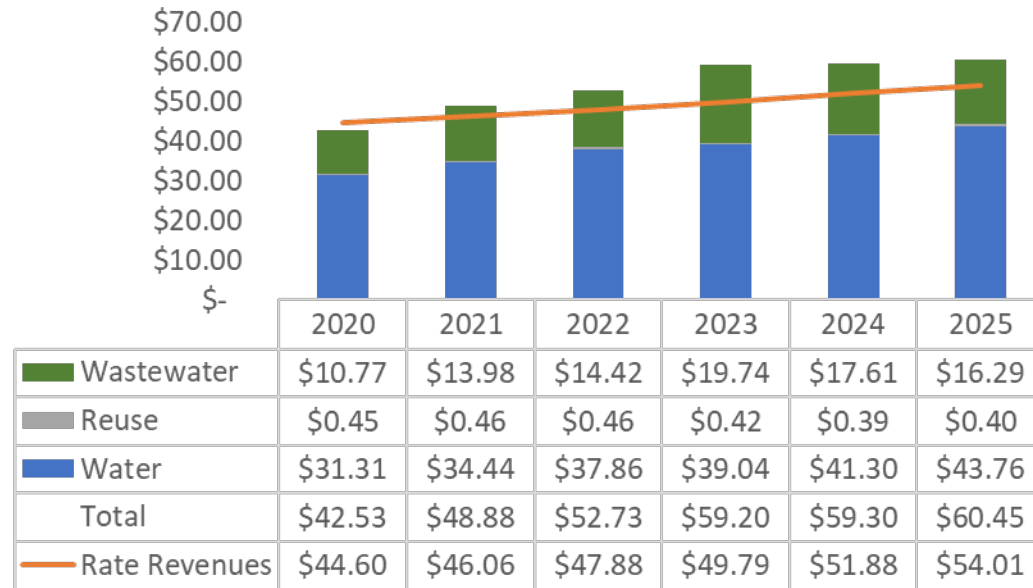
RATE OPTIONS

CONCLUSION &  
COUNCIL DISCUSSION

# RECAP & BOARD FEEDBACK

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# 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*

# SUMMARY INTRODUCTION

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- 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
  - September 10 - Georgetown Water Utility Advisory Board

# FEEDBACK TO DATE

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- City Council on August 25
  - Financial Policy Compliance
    - Increasing minimum charges based on \$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
    - 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.
- Board Feedback on September 10
  - Agreed on Major Council Objectives Above
  - Generally preferred the 0-7,000 gallons for Tier 1 rates

# RATE OPTIONS

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# RESIDENTIAL VOLUMETRIC RATE DESIGN

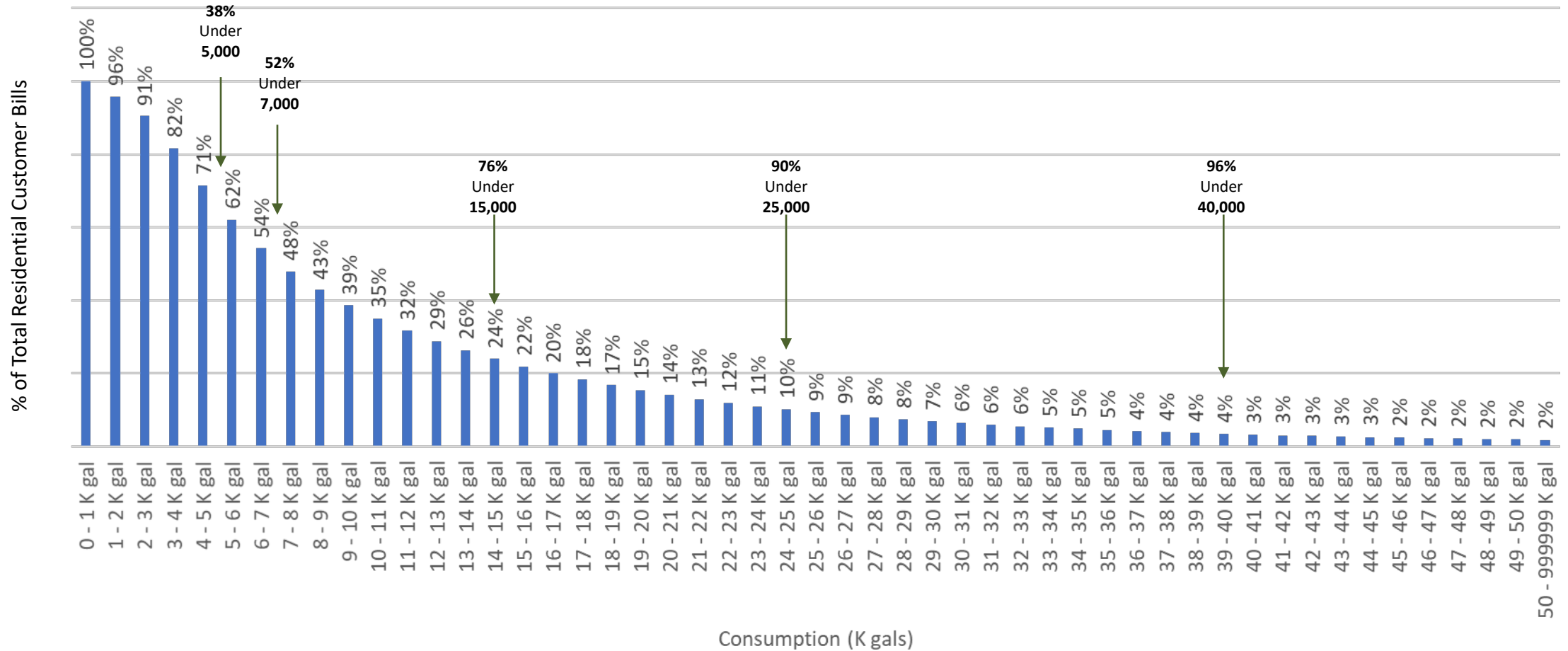
- Based on historical customer usage characteristics and feedback from the City, the following Residential alternatives were determined:

Current Tiers		Scenario 1		Scenario 2	
	Rates		Rates		Rates
0 – 10,000 gals	\$1.75	0 – <b>5,000</b> gals	\$1.80	0 – <b>7,000</b> gals	\$1.85
10,001 – 20,000 gals	2.40	5,001 – 15,000 gals	2.70	7,001 – 15,000 gals	2.75
20,001 – 40,000 gals	4.00	15,001 – 25,000 gals	4.75	15,001 – 25,000 gals	4.80
40,001 – 60,000 gals	6.50	<b>25,001+</b> gals	8.30	<b>25,001+</b> gals	8.40
60,001+ gals	8.50				



# RESIDENTIAL VOLUMETRIC RATE DESIGN

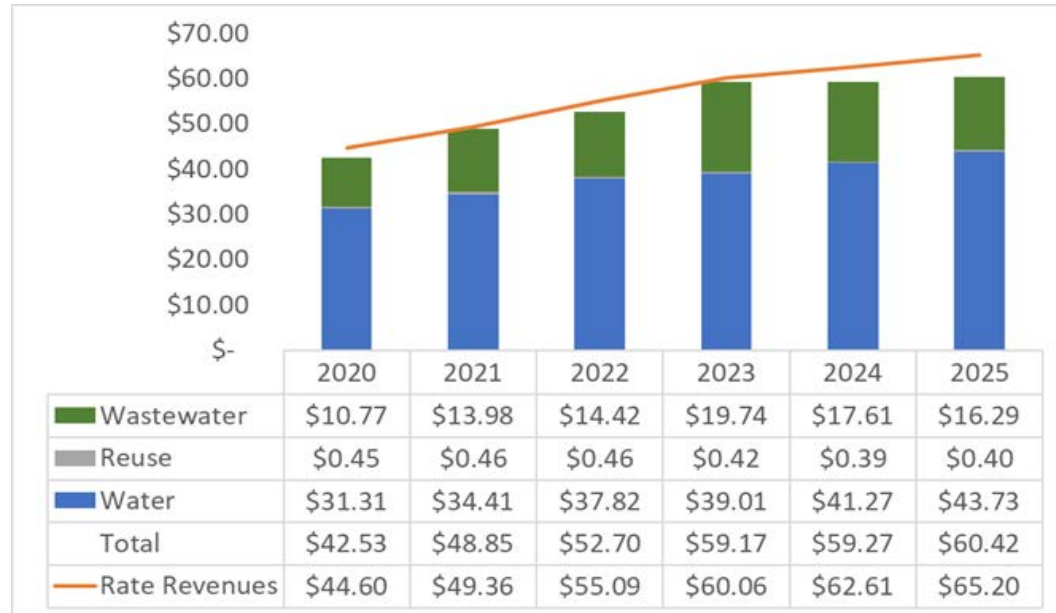
## CUMULATIVE BILLED USAGE FREQUENCY DISTRIBUTION



# SCENARIO 1:

## 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**; wastewater increases smoothed out over 3 years.
- Water Base rate adjustments targeting Fixed COS metric and volumetric adjustments to residential to achieve cost of service and conservation objectives.
- **75% Tier Differential between top two revised Residential rate tiers**

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

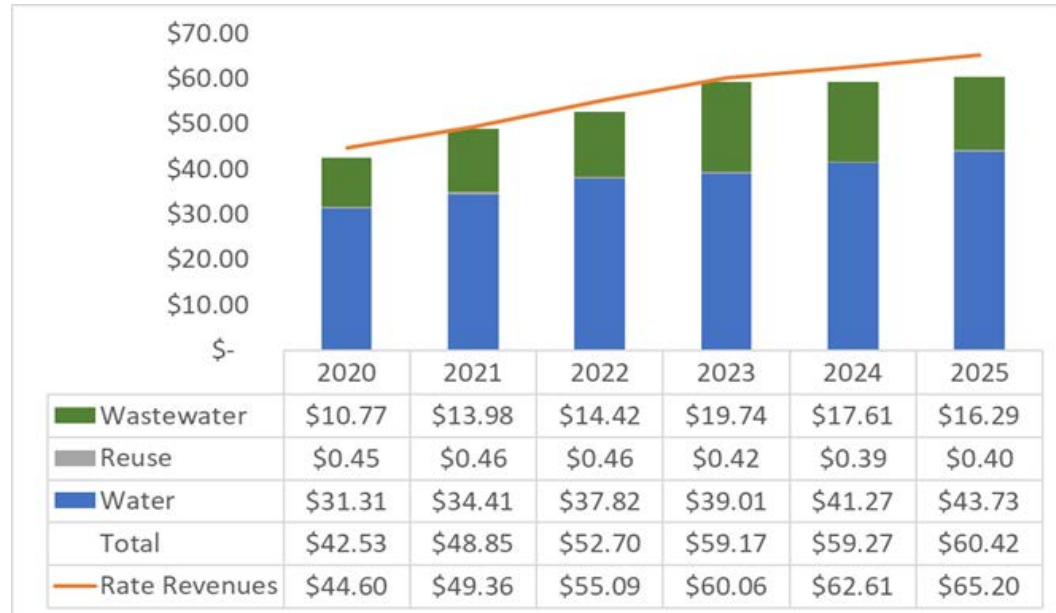
Rate Adjustments	2021	2022	2023	2024	2025
Water (Base \$ Only)	<b>\$1.50</b>	<b>\$1.50</b>	<b>\$1.50</b>	-	-
Water (Volumetric)	<b>Varies</b>	-	-	-	-
Wastewater (All %)	<b>8.89%</b>	<b>8.89%</b>	<b>8.89%</b>	-	-

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

# SCENARIO 2:

## REVISED RESIDENTIAL TIER DESIGN

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



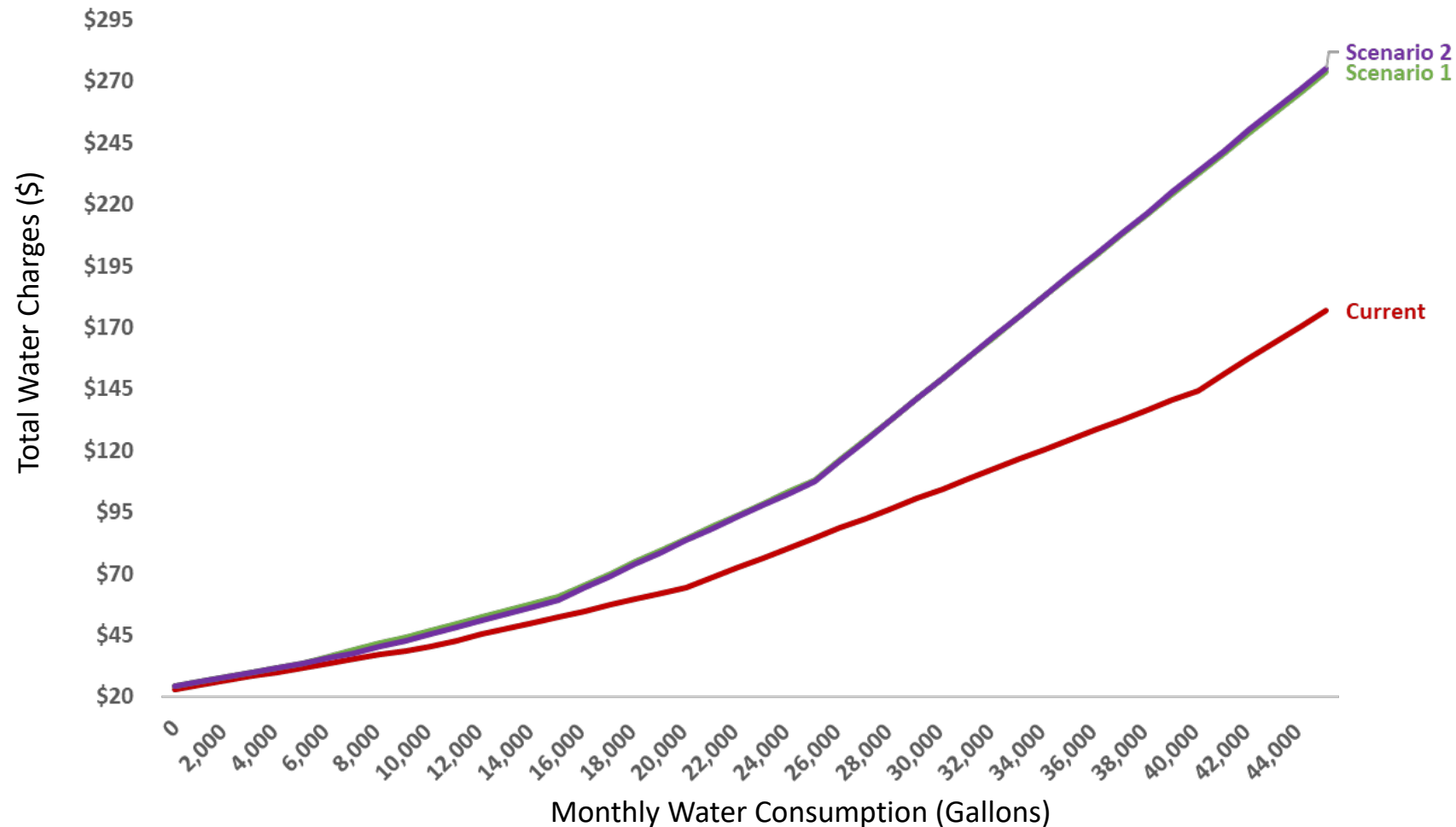
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Water (Volumetric)	<b>Varies</b>	-	-	-	-
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\*Excludes \$10M Annual Non-Operating Contingency

# SAMPLE OF RESIDENTIAL WATER CHARGES FOR RANGE OF USAGE FROM 0-45,000 GALLONS



# RESIDENTIAL WATER BILL COMPARISON

Based on ¾" meter.

Variances are from  
the current rates.

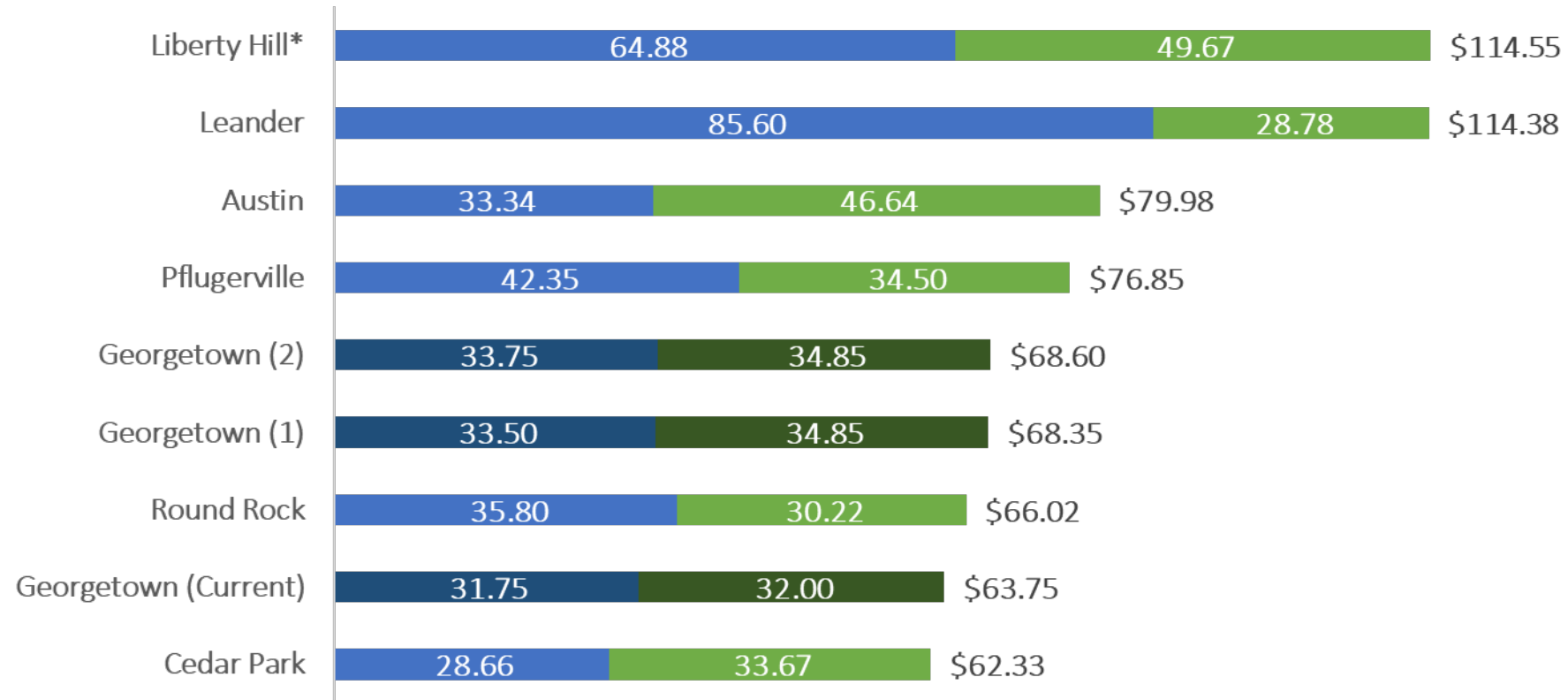
	Current	Scenario 1	Scenario 2
5,000 Gallons	\$ 31.75	\$ 33.50	\$ 33.75
<i>Variance, \$</i>		\$ 1.75	\$ 2.00
<i>Variance %</i>		5.51%	6.30%
15,000 Gallons	\$ 52.50	\$ 60.50	\$ 59.45
<i>Variance, \$</i>		\$ 8.00	\$ 6.95
<i>Variance %</i>		15.24%	13.24%
25,000 Gallons	\$ 84.50	\$ 108.00	\$ 107.45
<i>Variance, \$</i>		\$ 23.50	\$ 22.95
<i>Variance %</i>		27.81%	27.16%
35,000 Gallons	\$ 124.50	\$ 191.00	\$ 191.45
<i>Variance, \$</i>		\$ 66.50	\$ 66.95
<i>Variance %</i>		53.41%	53.78%

# 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\*)



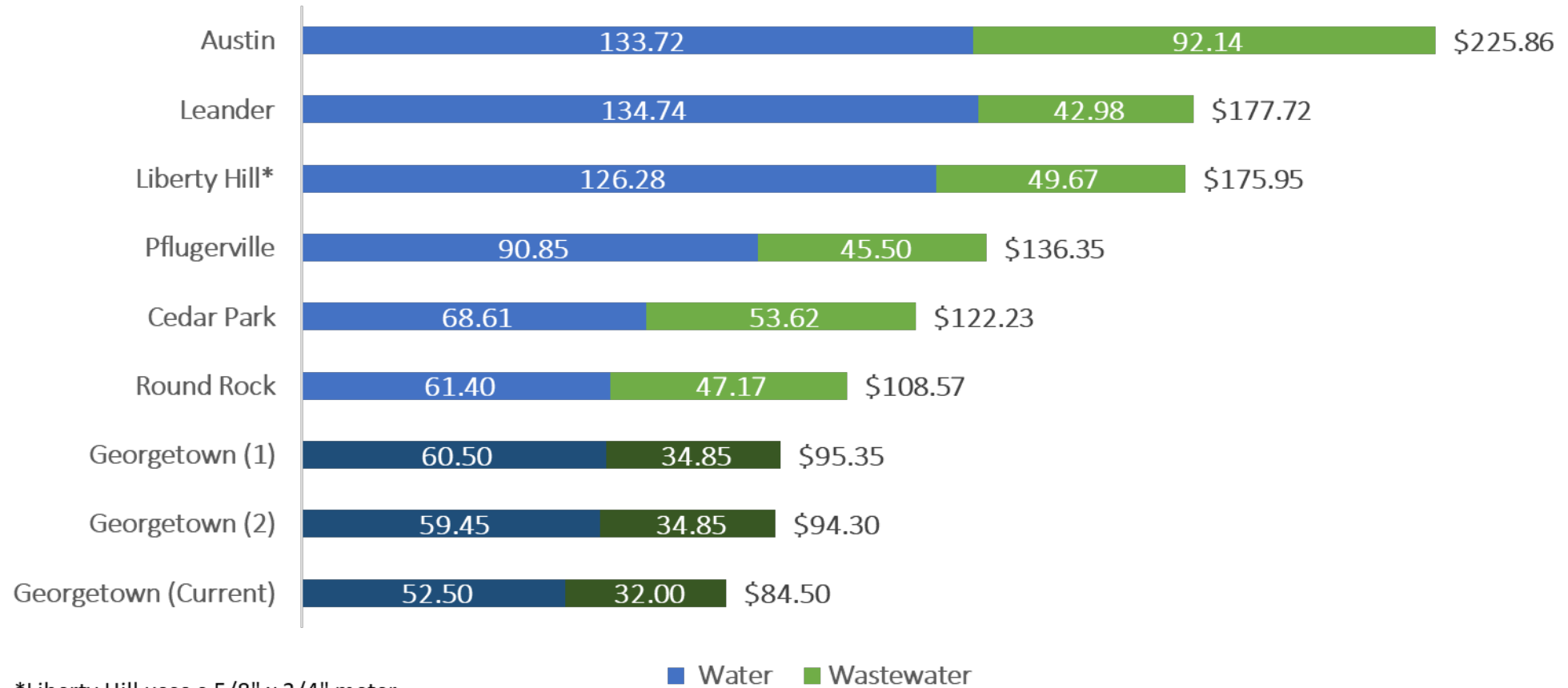
\*Liberty Hill uses a 5/8" x 3/4" meter.

■ Water ■ Wastewater

*\*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\*)

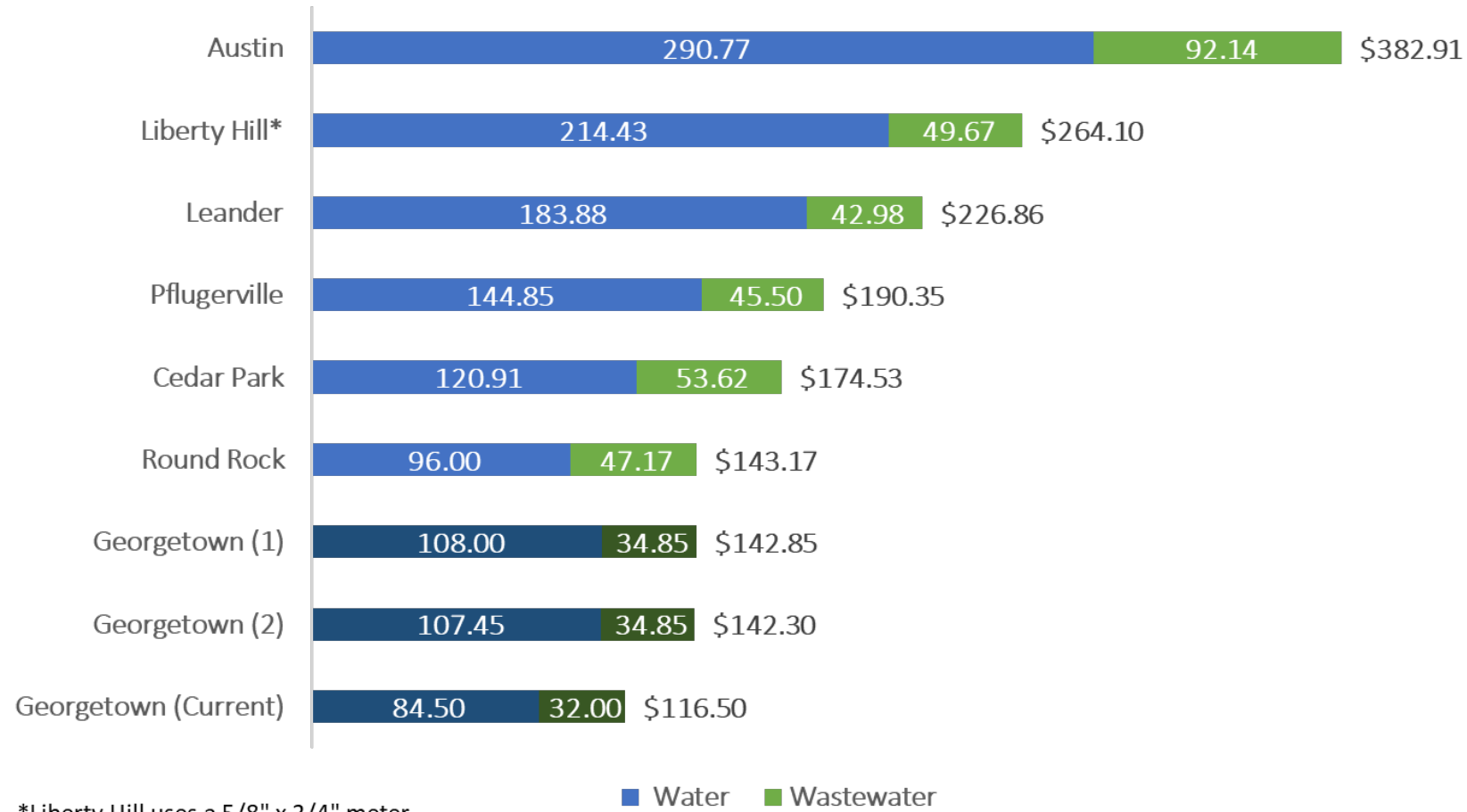


*\*Georgetown currently does not charge a variable rate based on billed Sewer flows. 10,000 gals in Sewer flows assumed for surrounding cities*



## REGIONAL BILL COMPARISON

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

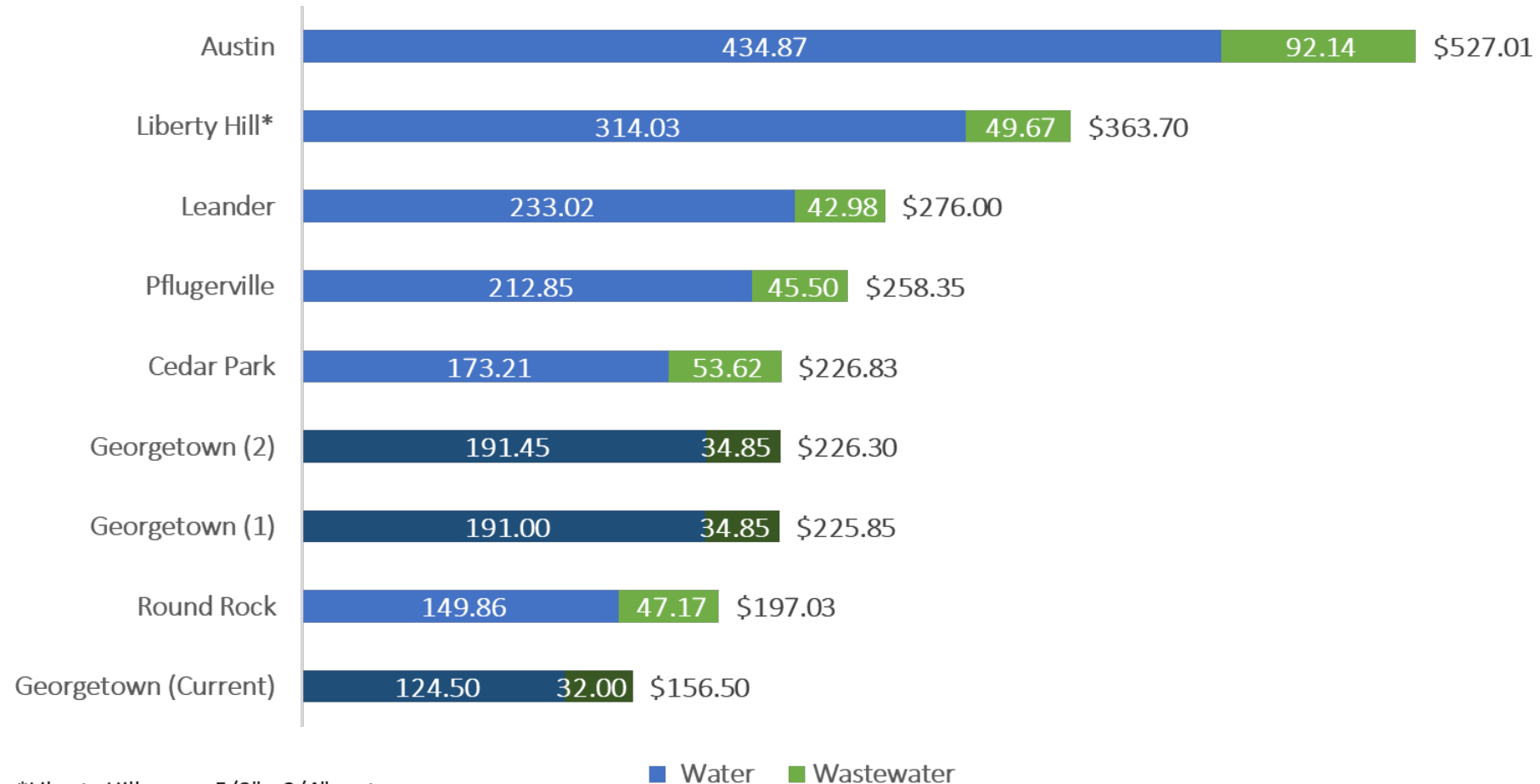


\*Liberty Hill uses a 5/8" x 3/4" meter.

\*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\*)

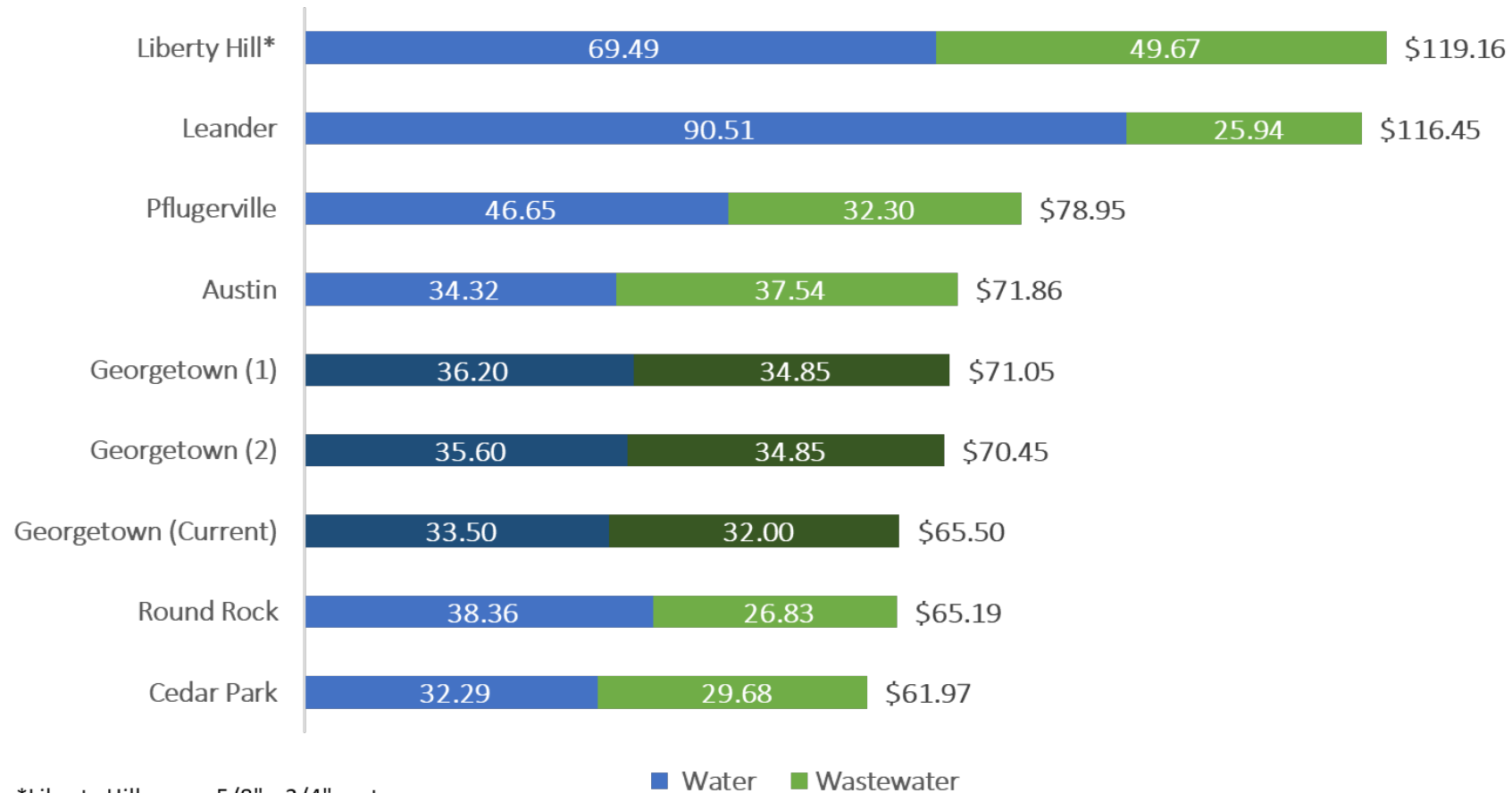


\*Liberty Hill uses a 5/8" x 3/4" meter.

\*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 MEDIAN USER BILL (6,000 GALS – WATER; FLAT SEWER\*)

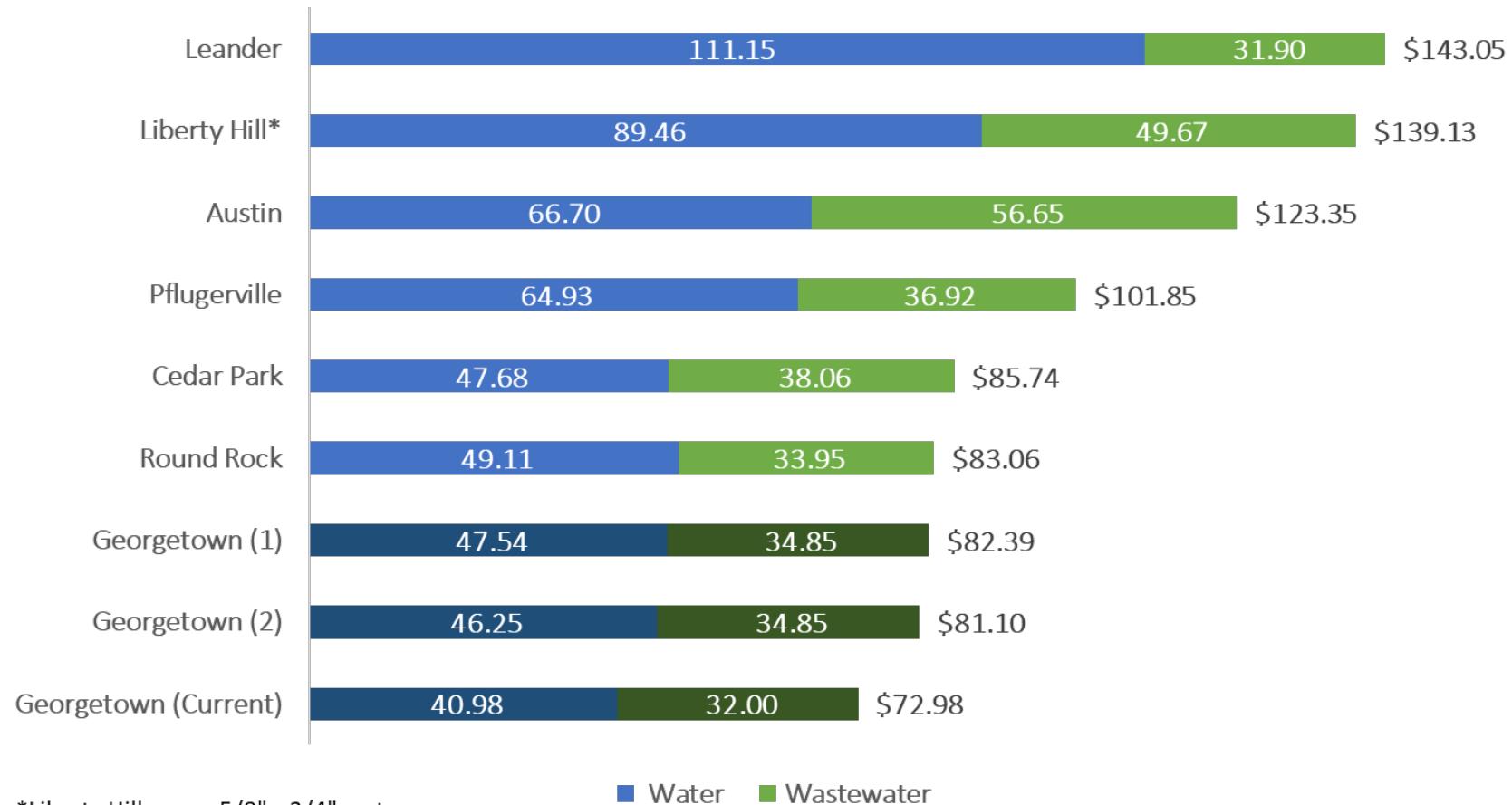


\*Liberty Hill uses a 5/8" x 3/4" meter.

\*Georgetown currently does not charge a variable rate based on billed Sewer flows. 4,000 gals in Sewer flows assumed for surrounding cities

## REGIONAL BILL COMPARISON

### RESIDENTIAL AVERAGE USER BILL (10,200 GALS – WATER; FLAT SEWER\*)



\*Liberty Hill uses a 5/8" x 3/4" meter.

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# CONCLUSIONS & COUNCIL FEEDBACK

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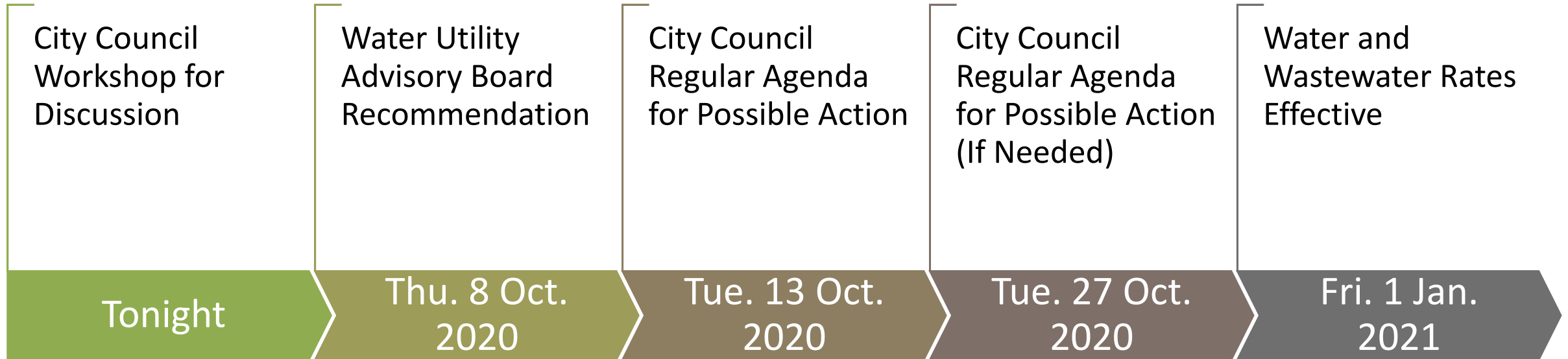
## CONCLUSIONS AND COUNCIL FEEDBACK

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- NewGen's proposed rate Scenario 1 (0-5k) and Scenario 2 (0-7k) both fully meet the Board's and City Council's requested objectives.
  - ✔ Financial Policy Compliance
  - ✔ Equitable Cost of Service
  - ✔ Conservation Plan
- What (if any) other analysis or discussion is needed to inform the Council's future decision?

# NEXT STEPS

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# THANK YOU! ANY QUESTIONS?

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