



Staff Report

File #: 24-0512

**REQUEST FOR CITY COUNCIL ACTION**

DATE: 07/03/2024

TO: Honorable Mayor and City Council Members

FROM: Utilities Department

SUBJECT:  
UTILITY RATE STUDY UPDATE - COST OF SERVICE & RATE DESIGN

**RECOMMENDED ACTION:**

**That the City Council** provides direction on which sewer/water rate option to proceed with and confirms the proposed rate structures for recycled water and electric rates.

**ANALYSIS:**

The city's hired utility rate consultant, RDN, will present proposed rate changes for sewer, water, reclaimed water, and electricity to the city council, as shown below. The options provided are proposed, not adopted, nor finalized. Based on the feedback received from the City Council, final rates will be presented at a future City Council meeting.

**Sewer Rates**

***Option 1: Operations and Maintenance and Debt Service (No Capital Investment)***

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	5.0%	4.0%	3.0%	3.0%	3.0%

	Current Residential	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Fixed	\$45.60	\$43.40	\$45.13	\$46.49	\$47.88	\$49.32
Variable - non- residential only	N/A	\$5.25	\$5.46	\$5.62	\$5.79	\$5.97
Residential Impact (Per Month)		-\$2.20	\$1.73	\$1.36	\$1.39	\$1.44

***Option 2: Operations and Maintenance and Debt Service, w/ Capital Investment (Recommended)***

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Revenue Adjustment	10.0%	10.0%	10.0%	10.0%	10.0%
Proposed Debt Issuance		\$45,000,000			

	<b>Current Residential</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Fixed	\$45.60	\$45.46	\$50.01	\$55.01	\$60.51	\$66.56
Variable - non- residential only	N/A	\$5.50	\$6.05	\$6.66	\$7.32	\$8.05
Residential Impact (Per Month)		-\$0.14	\$4.55	\$5.00	\$5.50	\$6.05

**Water Rates****Option 1: Operations and Maintenance and Debt Service (No Capital Investment)**

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Revenue Adjustment	7.0%	5.0%	4.0%	4.0%	4.0%

**Proposed Fixed Rates**

<b>Meter Size</b>	<b>Current Rate</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
5/8"	\$27.09	\$31.30	\$32.86	\$34.18	\$35.55	\$36.97
3/4"	\$36.46	\$40.81	\$42.85	\$44.57	\$46.35	\$48.20
1"	\$55.18	\$59.83	\$62.82	\$65.34	\$67.95	\$70.67
1 1/2"	\$101.98	\$107.39	\$112.76	\$117.27	\$121.96	\$126.84
2"	\$158.13	\$164.45	\$172.68	\$179.58	\$186.77	\$194.24
3"	\$335.95	\$345.16	\$362.42	\$376.92	\$391.99	\$407.67
4"	\$598.02	\$611.47	\$642.04	\$667.72	\$694.43	\$722.21
6"	\$1,505.89	\$1,534.03	\$1,610.74	\$1,675.17	\$1,742.17	\$1,811.86
8"	\$2,629.02	\$2,675.35	\$2,809.12	\$2,921.49	\$3,038.34	\$3,159.88
10"	\$3,939.33	\$4,006.89	\$4,207.23	\$4,375.52	\$4,550.54	\$4,732.57
<b>Private Fire</b>						
5/8"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
3/4"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
1"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
1 1/2"	\$8.60	\$13.09	\$13.74	\$14.29	\$14.87	\$15.46
2"	\$9.74	\$14.64	\$15.37	\$15.98	\$16.62	\$17.29
3"	\$10.81	\$17.30	\$18.17	\$18.90	\$19.65	\$20.44
4"	\$16.76	\$26.88	\$28.22	\$29.35	\$30.52	\$31.74
6"	\$32.74	\$43.39	\$45.56	\$47.38	\$49.28	\$51.25
8"	\$60.29	\$68.23	\$71.64	\$74.50	\$77.48	\$80.58
10"	\$101.72	\$102.65	\$107.78	\$112.09	\$116.58	\$121.24

**Proposed Variable Rates**

<b>Tier</b>	<b>Current Rate</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Tier 1	1.93	\$1.92	\$2.02	\$2.10	\$2.18	\$2.27
Tier 2	2.77	\$3.25	\$3.41	\$3.54	\$3.69	\$3.83
Tier 3	5.48	\$4.30	\$4.51	\$4.69	\$4.88	\$5.08

Tier 4	9.12	\$5.12	\$5.38	\$5.59	\$5.82	\$6.05
Tier 5	13.59					

***Option 2: Operations and Maintenance and Debt Service, w/ Capital Investment (Recommended)***

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Revenue Adjustment	9.0%	9.0%	9.0%	9.0%	9.0%
Proposed Debt Issuance		\$50,000,000			

**Proposed Fixed Rates**

<b>Meter Size</b>	<b>Current Rate</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
5/8"	\$27.09	\$31.88	\$34.75	\$37.88	\$41.29	\$45.01
3/4"	\$36.46	\$41.57	\$45.32	\$49.39	\$53.84	\$58.68
1"	\$55.18	\$60.95	\$66.44	\$72.42	\$78.93	\$86.04
1 1/2"	\$101.98	\$109.39	\$119.24	\$129.97	\$141.67	\$154.42
2"	\$158.13	\$167.53	\$182.60	\$199.04	\$216.95	\$236.48
3"	\$335.95	\$351.61	\$383.26	\$417.75	\$455.35	\$496.33
4"	\$598.02	\$622.90	\$678.96	\$740.07	\$806.67	\$879.27
6"	\$1,505.89	\$1,562.71	\$1,703.35	\$1,856.65	\$2,023.75	\$2,205.89
8"	\$2,629.02	\$2,725.36	\$2,970.64	\$3,238.00	\$3,529.42	\$3,847.07
10"	\$3,939.33	\$4,081.79	\$4,449.15	\$4,849.57	\$5,286.03	\$5,761.77
<b>Private Fire</b>						
5/8"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
3/4"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
1"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
1 1/2"	\$8.60	\$13.33	\$14.53	\$15.84	\$17.27	\$18.82
2"	\$9.74	\$14.91	\$16.25	\$17.71	\$19.31	\$21.05
3"	\$10.81	\$17.63	\$19.21	\$20.94	\$22.83	\$24.88
4"	\$16.76	\$27.38	\$29.84	\$32.53	\$35.46	\$38.65
6"	\$32.74	\$44.20	\$48.18	\$52.51	\$57.24	\$62.39
8"	\$60.29	\$69.50	\$75.76	\$82.57	\$90.01	\$98.11
10"	\$101.72	\$104.57	\$113.98	\$124.24	\$135.42	\$147.61

Proposed Variable Rates

<b>Tier</b>	<b>Current Rate</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Tier 1	\$1.93	\$1.96	\$2.13	\$2.32	\$2.53	\$2.76
Tier 2	\$2.77	\$3.31	\$3.60	\$3.93	\$4.28	\$4.67
Tier 3	\$5.48	\$4.38	\$4.77	\$5.20	\$5.67	\$6.18
Tier 4	\$9.12	\$5.22	\$5.69	\$6.20	\$6.76	\$7.36
Tier 5	\$13.59					

**Reclaimed Water Rates**

	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Revenue Adjustment	4.0%	4.0%	4.0%	4.0%	4.0%
Proposed Interfund Loan	\$8,000,000	\$5,000,000			

Proposed Fixed Rates

<b>Meter Size</b>	<b>Current Rate</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
<b>5/8"</b>	\$23.52	\$26.64	\$27.70	\$28.81	\$29.96	\$31.16
<b>3/4"</b>	\$30.81	\$35.95	\$37.38	\$38.88	\$40.43	\$42.05
<b>1"</b>	\$45.39	\$54.57	\$56.75	\$59.02	\$61.38	\$63.84
<b>1 1/2"</b>	\$81.84	\$101.12	\$105.16	\$109.37	\$113.75	\$118.30
<b>2"</b>	\$125.59	\$156.98	\$163.26	\$169.79	\$176.58	\$183.65
<b>3"</b>	\$264.13	\$333.88	\$347.24	\$361.13	\$375.57	\$390.60
<b>4"</b>	\$468.28	\$594.58	\$618.36	\$643.10	\$668.82	\$695.57
<b>6"</b>	\$1,175.53	\$1,497.70	\$1,557.61	\$1,619.91	\$1,684.71	\$1,752.10
<b>8"</b>	\$2,050.48	\$2,614.96	\$2,719.56	\$2,828.34	\$2,941.48	\$3,059.14
<b>10"</b>	\$3,071.25	\$3,918.44	\$4,075.17	\$4,238.18	\$4,407.71	\$4,584.02

Proposed Variable Rates

<b>Tier</b>	<b>Current Rate</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Tier 1	\$2.14	\$2.37	\$2.46	\$2.56	\$2.66	\$2.77
Tier 2	\$3.21	\$2.60	\$2.71	\$2.82	\$2.93	\$3.05
Tier 3	\$4.27					
Tier 4	\$6.41					

## Electric Rates

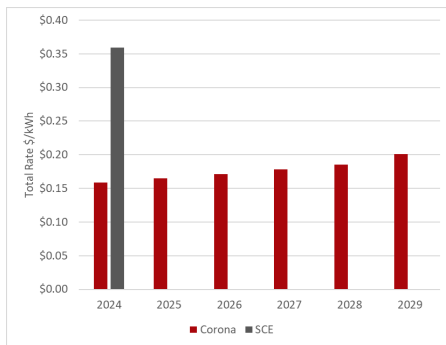
### *Residential*

#### Rate Adjustment

	<b>Cost of Service Unit Costs</b>	<b>Current Rates</b>	<b>FY 2025 Proposed</b>
Fixed Charge, \$/month	\$15.90	Single Family: \$0.88 Multi-Family: \$0.67	Single Family: \$15.90 Multi-Family: \$15.76
Energy, \$/kWh	\$0.1273		
Tier 1 Baseline		\$0.11808	\$0.10100
Tier 2 101-130% Baseline		\$0.13741	\$0.11100
Tier 3 131-200% Baseline		\$0.22696	\$0.21000
Tier 4 over 200% Baseline		\$0.32337	
Public Benefits Charge \$/kWh			\$0.00378

#### Estimated Bill Impact Per Month

<b>Customer</b>	<b>Current Bill</b>	<b>Proposed Bill</b>	<b>\$ Change</b>
Example Solar Customer with 0 kWh	\$0.88	\$15.90	\$15.02
Average Monthly Summer Bill	\$62.44	\$53.08	-\$9.36
Average Monthly Winter Bill	\$54.48	\$61.23	\$6.75



### Small Commercial (GS-1)

#### Rate Adjustment

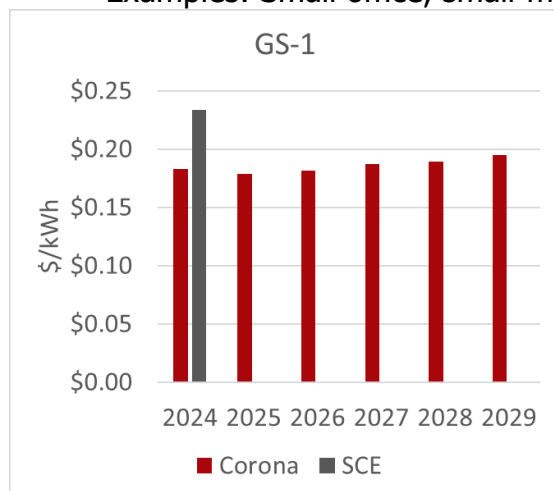
	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$20.97	Single Phase: \$12.99 Three Phase: \$3.16	Single Phase: \$20.97 Three Phase: \$3.16
Demand, \$/kW	\$27.82		
Energy, \$/kWh	\$0.058		
Summer		\$0.17280	\$0.15500
Winter		\$0.16872	\$0.15500
Public Benefits Charge, \$/kWh			\$0.00378
<b>Total Variable Rate</b>			<b>\$0.15878</b>

#### Estimated Bill Impact

Customer	Current Bill	Proposed Bill	\$ Change
1,100 kWh Summer	\$203.10	\$191.53	-\$11.57
700 kWh Winter	\$131.14	\$129.53	-\$1.60
Dental Office 400 kWh Winter	\$80.51	\$83.03	\$2.52

Construction Retailer 3,280 kWh Summer	\$579.81	\$529.43	-\$50.35
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- Summer June-Sept and Winter Oct-May
  - Examples: Small office, small-medium retail, restaurant



## Medium Commercial (GS-2)

### Proposed Rate Adjustment

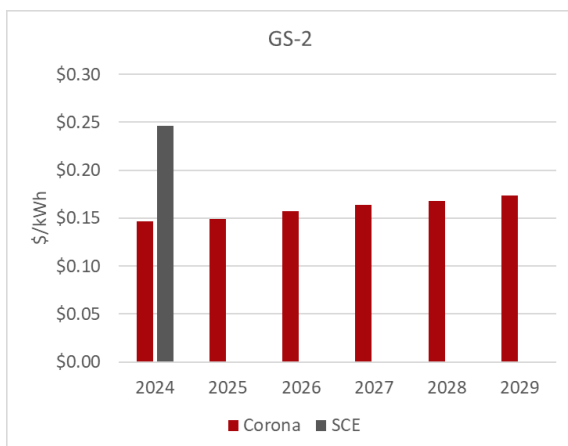
	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$35.13	\$71.50	\$35.13
Demand, \$/kW			
Power Supply	\$8.27	Summer Peak: \$20.67	Peak: \$8.27
Distribution	\$15.74	Facilities: \$7.35	Facilities: \$15.74
Energy, \$/kWh	\$0.057		
Summer		\$0.09648	\$0.05905
Winter		\$0.08738	\$0.05905
Public Benefits Charge			\$0.00378
<b>Total Variable Rate</b>			<b>\$0.06283</b>

### Bill Impacts



	kWh	kW	Current	FY 2025	Difference
<b>Summer</b>					
Medium/Large Retail	10,510	35.3	\$1,930.56	\$1,479.08	-\$451.48
Hotel	58,800	197.6	\$10,800.83	\$8,274.94	-\$2,525.89
Bank	6,700	23.7	\$1,261.46	\$970.36	-\$291.10
<b>Winter</b>					
Medium/Large Retail	7,100	23.9	\$795.75	\$999.19	\$203.43
Hotel	54,000	181.5	\$6,052.19	\$7,599.44	\$1,547.25
Bank	4,800	18.4	\$554.91	\$728.92	\$174.01

- Examples: Old Navy, TGI Fridays, Starbucks, Target



### Large Commercial (TOU-GS-3)

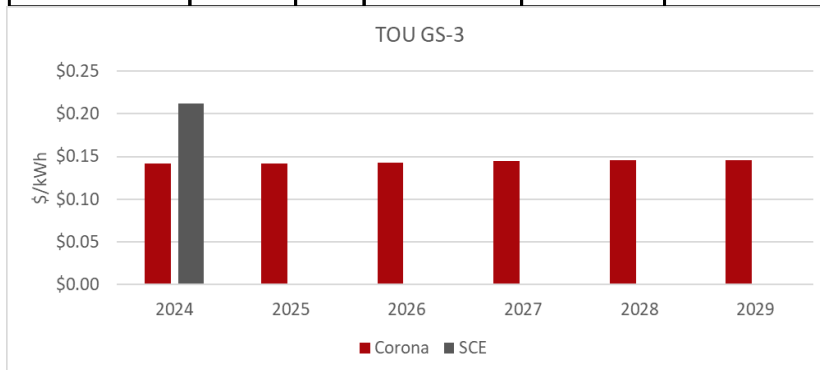
#### Proposed Rate Adjustment

	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$49.30	\$277.25	\$49.30
Demand, \$/kW			
Power Supply	\$8.29	Summer Peak: \$18.16 Summer Mid-Peak: \$6.23	Peak: \$8.29
Distribution	\$17.51	Facilities: \$7.62	Facilities: \$17.51
Energy, \$/kWh	\$0.057		
Summer On-Peak		\$0.13561	\$0.09620

Summer Mid-Peak		\$0.11027	\$0.07280
Summer Off-Peak		\$0.07706	\$0.05200
Winter Mid-Peak		\$0.11282	\$0.07986
Winter Off-Peak		\$0.08052	\$0.05200
Public Benefits Charge, \$/kWh			\$0.00378

### Bill Impacts

Customer A	kWh	kW	Current	FY 2025	Difference
<b>Summer</b>	58,953	181	\$12,126.56	\$9,165.12	-\$2,961.44
<b>Winter</b>	41,967	96	\$4,998.16	\$5,392.00	\$393.84



### Industrial (TOU-8)

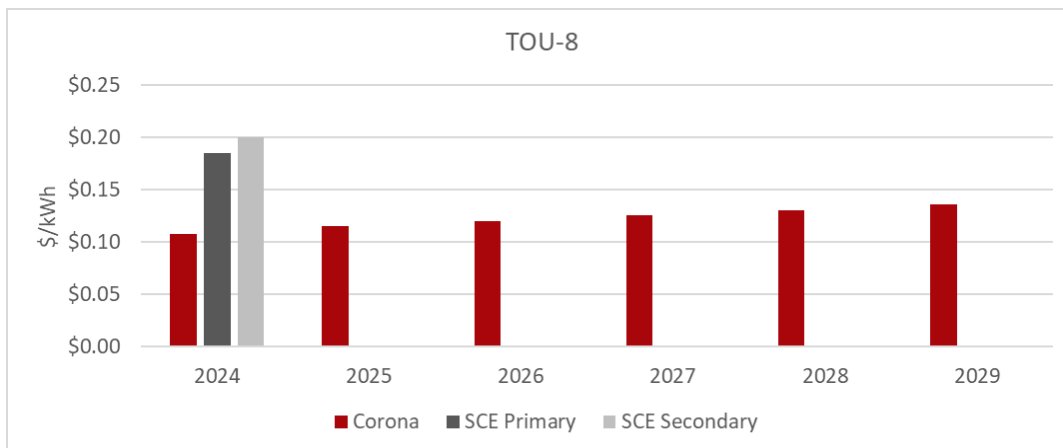
#### Proposed Rate Adjustment

	COSA Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$76.97	\$346	\$76.97
Demand, \$/kW			

Power Supply	\$8.31	Summer Peak: \$16.91 Summer Mid-Peak: \$5.71	Peak: \$8.31
Distribution	\$15.06	Facilities: \$8.31	Facilities: \$15.06
Energy, \$/kWh	\$0.056		
Summer On-Peak		\$0.12675	\$0.09630
Summer Mid-Peak		\$0.10299	\$0.07319
Summer Off-Peak		\$0.07184	\$0.05200
Winter Mid-Peak		\$0.10538	\$0.07986
Winter Off-Peak		\$0.07509	\$0.05200
Public Benefits Charge, \$/kWh			\$0.00378

### Bill Impacts

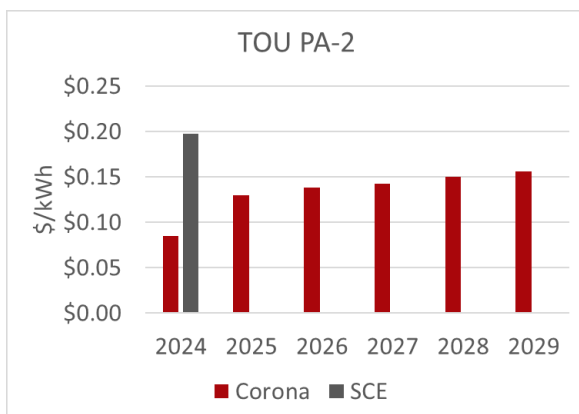
Customer B	kWh	kW	Current	FY 2025	Difference
<b>Summer</b>	101,087	343	\$19,889.12	\$15,154.10	-\$4,735.02
<b>Winter</b>	91,675	225	\$9,986.80	\$11,265.28	\$1,278.48



## Pumping and Agriculture

### Proposed Rate Adjustment

	<b>COSA Unit Costs</b>	<b>Current Rates</b>	<b>January 2025 Proposed</b>	<b>July 2025 Proposed</b>	<b>January 2026 Proposed</b>
Fixed Charge, \$/month	\$19.14	\$63.25	\$19.14	\$19.14	\$20.86
Demand, \$/kW					
Power Supply	\$12.54	Summer Peak: \$10.85	Peak: \$6.00	Peak: \$12.00	Peak: \$12.98
Distribution	\$19.53	Facilities: \$3.85	Facilities: \$8.00	Facilities: \$10.00	Facilities: \$21.55
Energy, \$/kWh	\$0.057				
Summer On-Peak		\$0.13064	\$0.10361	\$0.10361	\$0.09444
Summer Mid-Peak		\$0.10929	\$0.07874	\$0.07874	\$0.07178
Summer Off-Peak		\$0.05226	\$0.05595	\$0.05595	\$0.05100
Winter Mid-Peak		\$0.12255	\$0.08592	\$0.08592	\$0.07832
Winter Off-Peak		\$0.05226	\$0.05595	\$0.05595	\$0.05100
Public Benefits Charge \$/kWh			\$0.00378	\$0.00378	\$0.00405

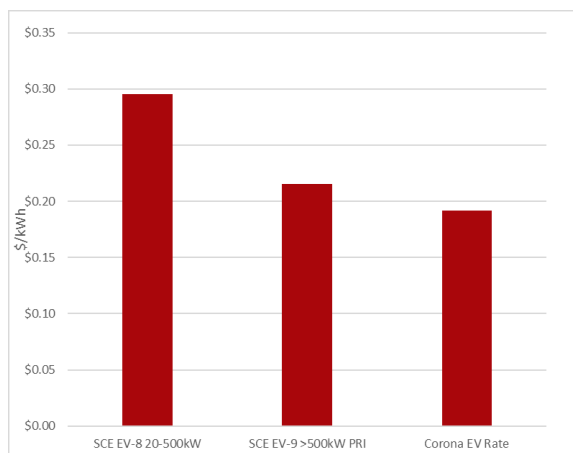


### ***Lighting Areas (AL-2, LS-3, TC-1) Proposed Rate Adjustments***

	Current Rates	Proposed FY 2025
<b>Outdoor Area Lighting (AL-2)</b>		
Energy Charge, \$/kWh	\$0.08224	\$0.12056
Customer Charge, \$/month	\$7.00	\$10.26
<b>Street Lighting (LS-3)</b>		
Energy Charge, \$/kWh	\$0.08224	\$0.12056
Customer Charge, \$/month	\$7.00	\$10.26
Series Service, \$/month	\$548.03	\$803.41
<b>Traffic Control (TC-1)</b>		
Energy Charge, \$/kWh	\$0.11407	\$0.16723
Customer Charge, \$/day	\$0.312	\$0.4574
Three Phase, \$/day	\$0.104	\$0.1525
Rate Adjustment		46.6%

### ***Proposed Commercial Electric Vehicle Rate***

	Proposed
Fixed Charge, \$/month	\$76.97
Demand, \$/kW	\$15.06
Energy, \$/kWh	
On-Peak 4-9pm	\$0.19710
Off-Peak All Other Hours	\$0.06570
Public Benefits Charge \$/kWh	\$0.00378



**Attachments:**

1. Exhibit 1: Staff Presentation
2. Exhibit 2: Cost of Service Analysis and Rate Structure Options Presentation