



Legislation Text

File #: 24-0512, Version: 1

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)

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

	Current Residential	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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)**

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	7.0%	5.0%	4.0%	4.0%	4.0%

Proposed Fixed Rates

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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
Private Fire						
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

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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)

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

Proposed Fixed Rates

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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
Private Fire						
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

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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

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

Proposed Fixed Rates

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

Proposed Variable Rates

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
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

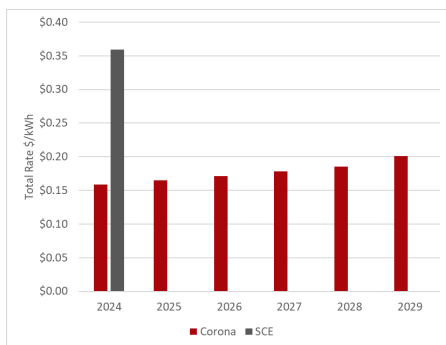
Residential

Rate Adjustment

	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
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

Customer	Current Bill	Proposed Bill	\$ Change
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

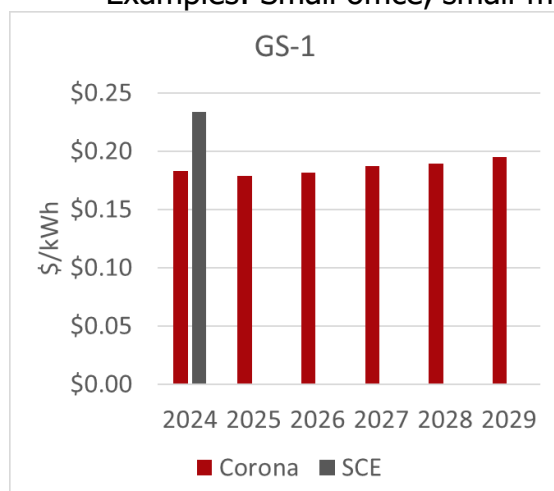
	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$20.97	Single Phase: \$12.99 Three Phase: \$3.16	Single Phase: \$20.97 Three Phase: \$3.16
Demand, \$/kW	\$27.82		
Energy, \$/kWh	\$0.058		
Summer		\$0.17280	\$0.15500
Winter		\$0.16872	\$0.15500
Public Benefits Charge,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

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
--	----------	----------	----------

- Summer June-Sept and Winter Oct-May
 - Examples: Small office, small-medium retail, restaurant



Medium Commercial (GS-2)

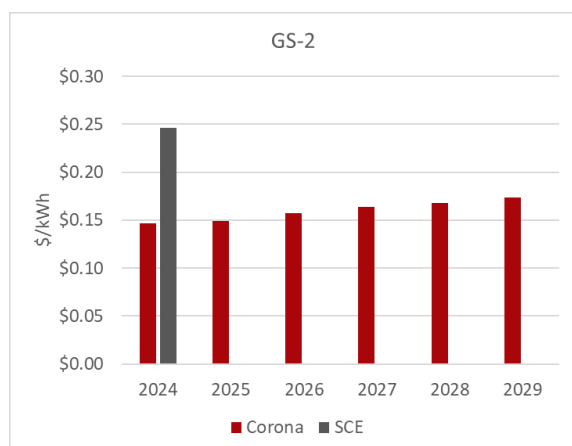
Proposed Rate Adjustment

	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
Total Variable Rate			\$0.06283

Bill Impacts

	kWh	kW	Current	FY 2025	Difference
Summer					
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
Winter					
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)

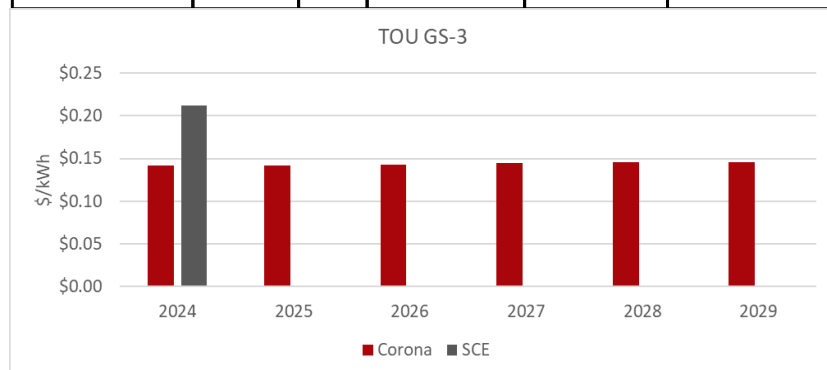
Proposed Rate Adjustment

	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
Summer	58,953	181	\$12,126.56	\$9,165.12	-\$2,961.44
Winter	41,967	96	\$4,998.16	\$5,392.00	\$393.84



Industrial (TOU-8)

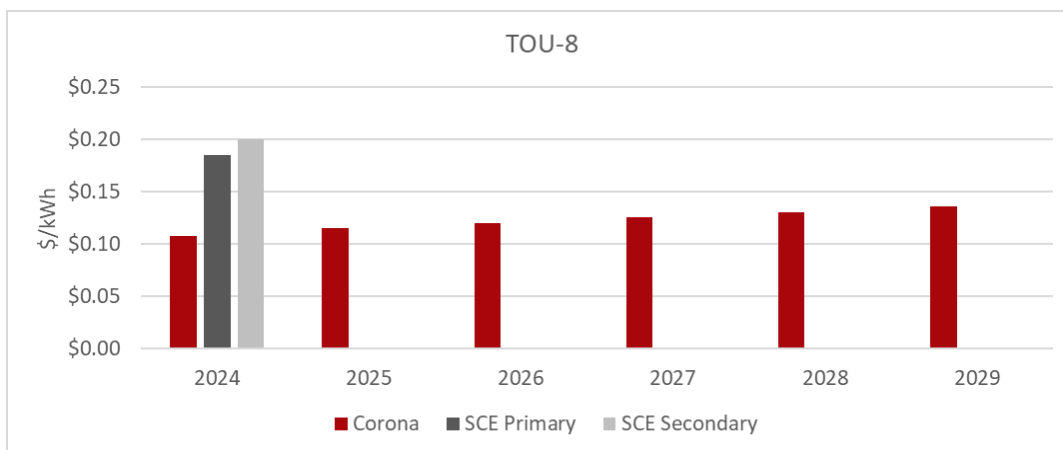
Proposed Rate Adjustment

	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

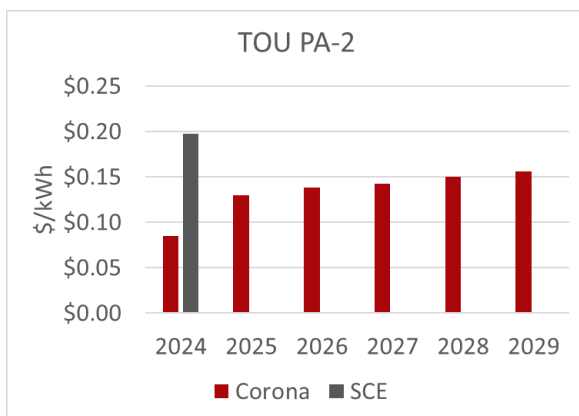
Customer B	kWh	kW	Current	FY 2025	Difference
Summer	101,087	343	\$19,889.12	\$15,154.10	-\$4,735.02
Winter	91,675	225	\$9,986.80	\$11,265.28	\$1,278.48



Pumping and Agriculture

Proposed Rate Adjustment

	COSA Unit Costs	Current Rates	January 2025 Proposed	July 2025 Proposed	January 2026 Proposed
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

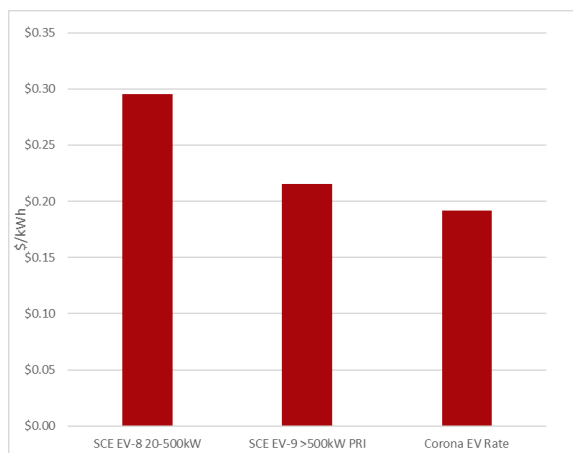


Lighting Areas (AL-2, LS-3, TC-1) Proposed Rate Adjustments

	Current Rates	Proposed FY 2025
Outdoor Area Lighting (AL-2)		
Energy Charge, \$/kWh	\$0.08224	\$0.12056
Customer Charge, \$/month	\$7.00	\$10.26
Street Lighting (LS-3)		
Energy Charge, \$/kWh	\$0.08224	\$0.12056
Customer Charge, \$/month	\$7.00	\$10.26
Series Service, \$/month	\$548.03	\$803.41
Traffic Control (TC-1)		
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