



City of Cottonwood

2009 Water and Wastewater Rate Study and Financial Forecast Council Presentation

economists.com



July 2009

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Presentation Format



- ⌵ Background on Rates
- ⌵ Forecast Volumes and Revenue Requirements
- ⌵ Proposed Rate Plan
- ⌵ Next Steps



Facts about Water/WW Rates in the 21st Century



- u Average utility has been increasing rates 5-6% per year; trend expected to continue

- u Rate adjustments primarily due to reasons beyond utility's control:
 - o Inflation

 - o system replacement

- u 30-40% of utilities currently charge rates that do not cover their costs

- u General rule: a utility can have low rates or high quality service but NOT both!

Cottonwood Current Water/WW Rate Structure



Current Water Rates

Monthly Service Charge:

| | |
|--------------|---------|
| 5/8" Meter | \$17.00 |
| 1" Meter | 28.00 |
| 1 1/2" Meter | 57.00 |
| 2" Meter | 90.00 |
| 3" Meter | 180.00 |
| 4" Meter | 280.00 |
| 6" Meter | 570.00 |

Monthly Residential Consumption Rate per 1,000 Gallons:

| | |
|-----------------|------|
| 1001 - 10,000 | 2.90 |
| 10,001 - 20,000 | 4.06 |
| Over 20,000 | 5.68 |

Current Wastewater Rates

Residential

| | |
|---------------------|---------|
| Monthly Service Chg | \$16.75 |
|---------------------|---------|

Multi-Residential

| | |
|--------------------------------|-------|
| Monthly Service Chg (Per Unit) | 16.75 |
|--------------------------------|-------|

Commercial

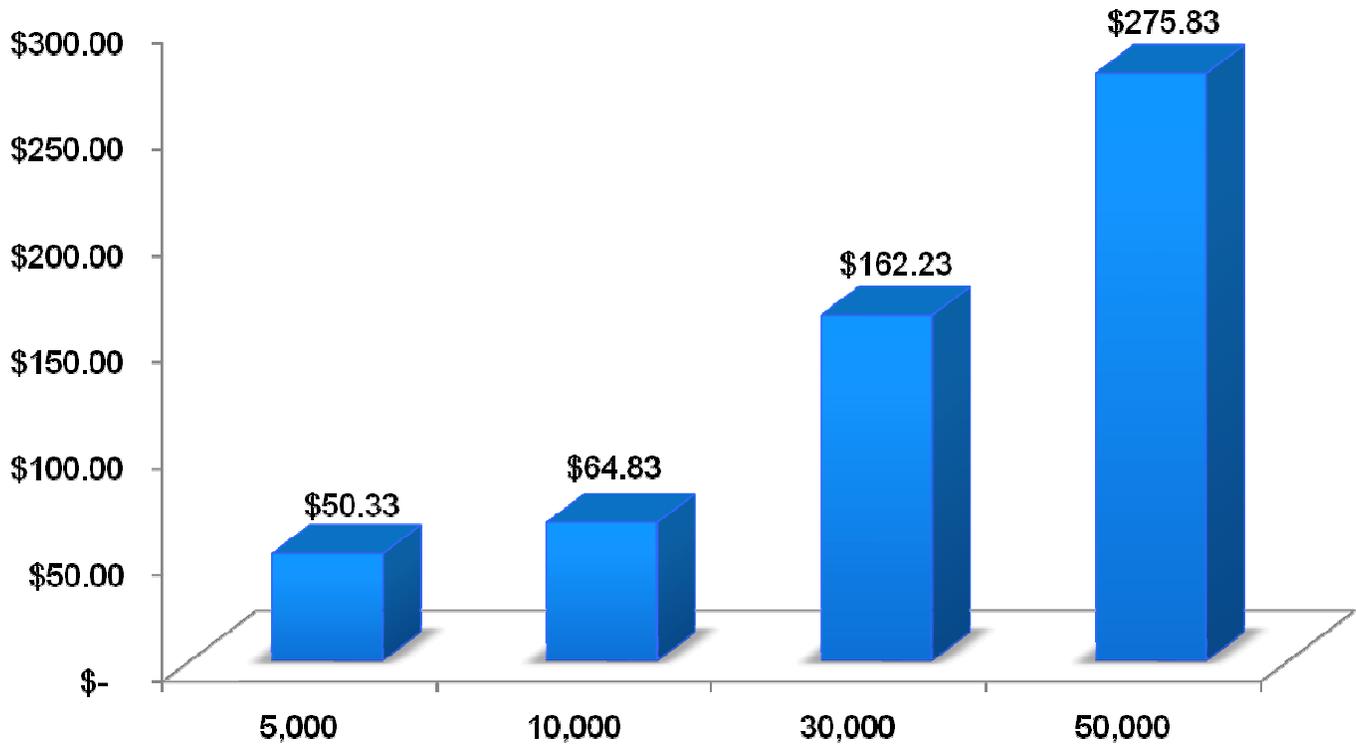
| | |
|----------------------|-------|
| Monthly Service Chg* | 16.75 |
|----------------------|-------|

Commercial Usage Charge

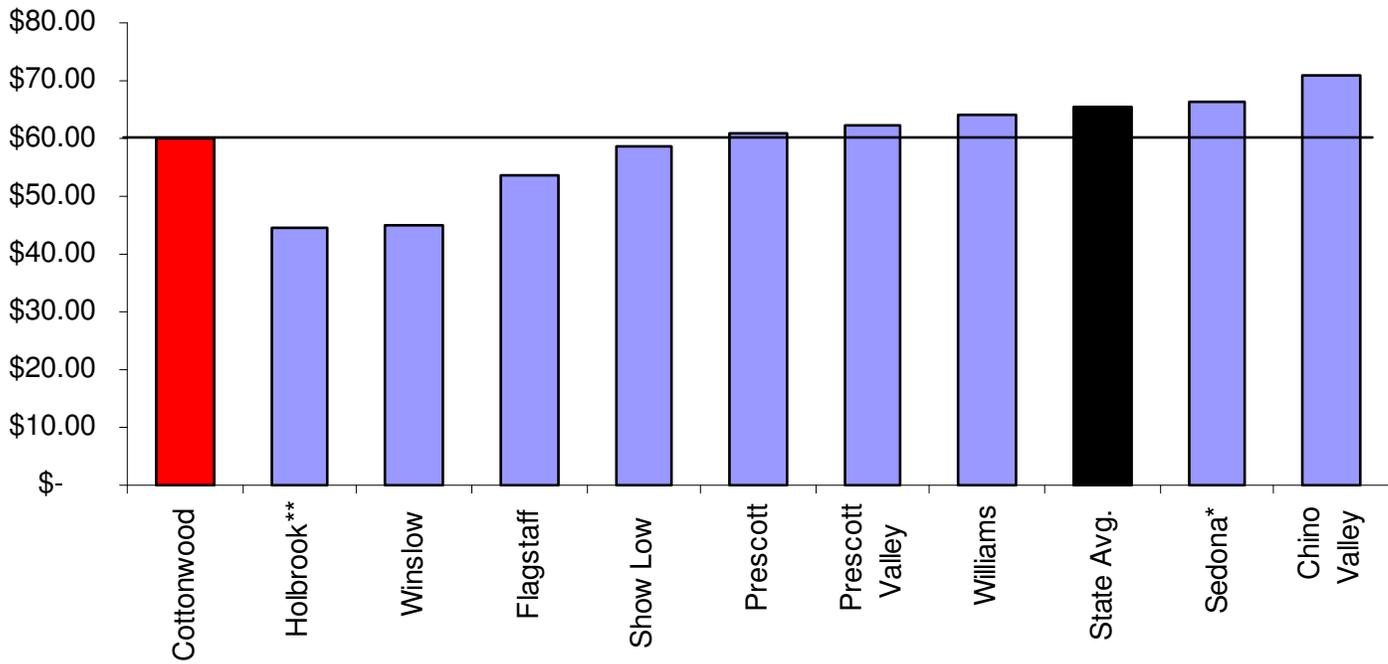
| | |
|-------------------|------|
| Per 1,000 Gallons | 2.60 |
|-------------------|------|

*Includes \$3.75 Admin Fee

Water/WW Monthly Residential Charges at Various Usage Levels



Monthly Residential Charges 10,000 Gal Water, 5,000 Gal WW

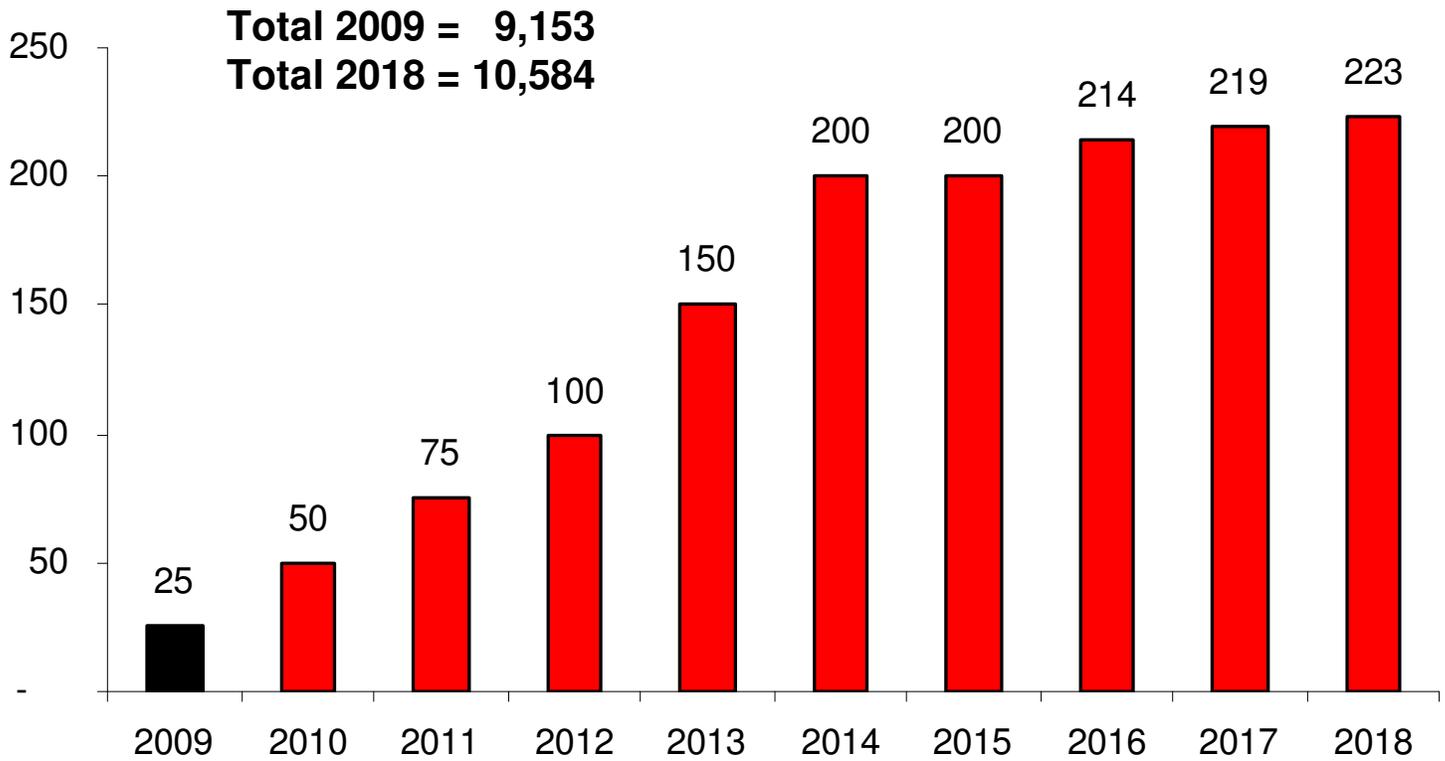


Source: WIFA 2007 Survey

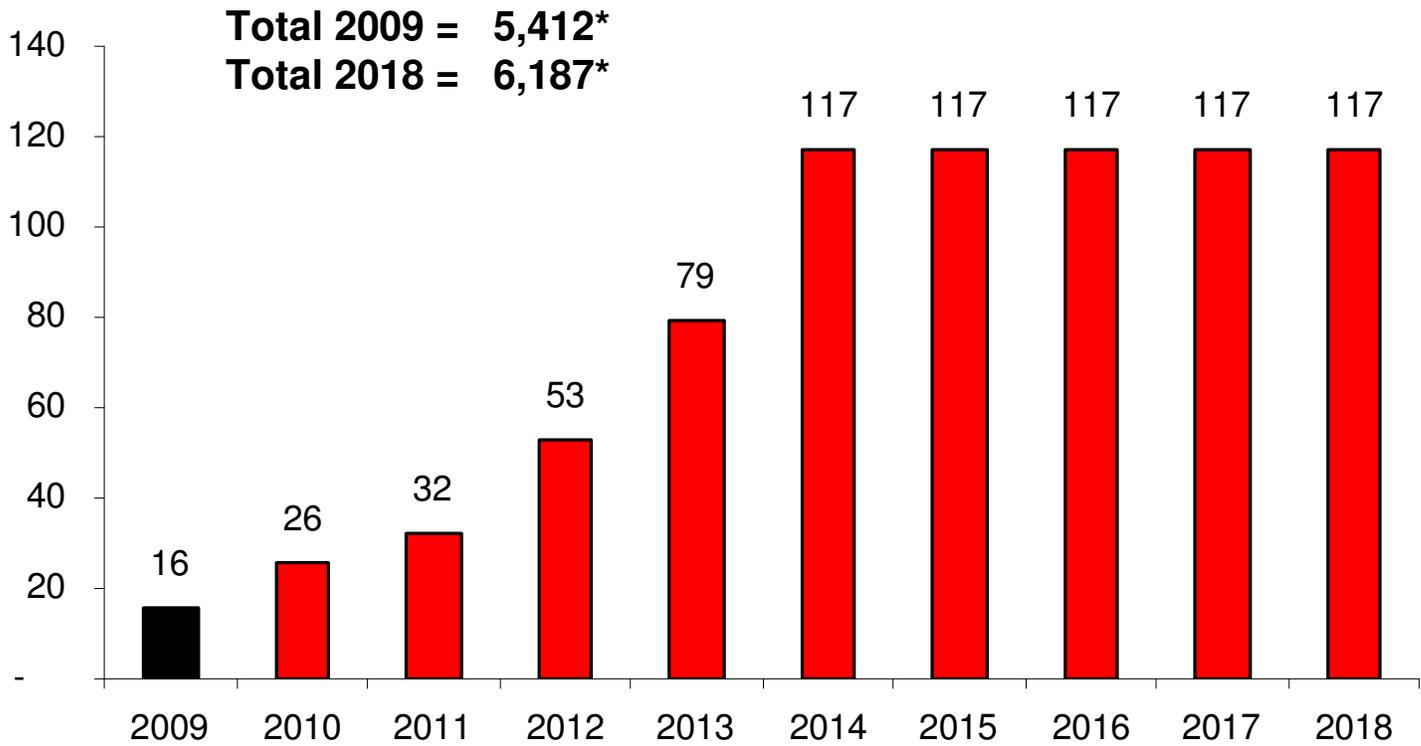
* Operated by the AZ Water Company ** Winter Water Rates

NOTE: excludes resource development fee

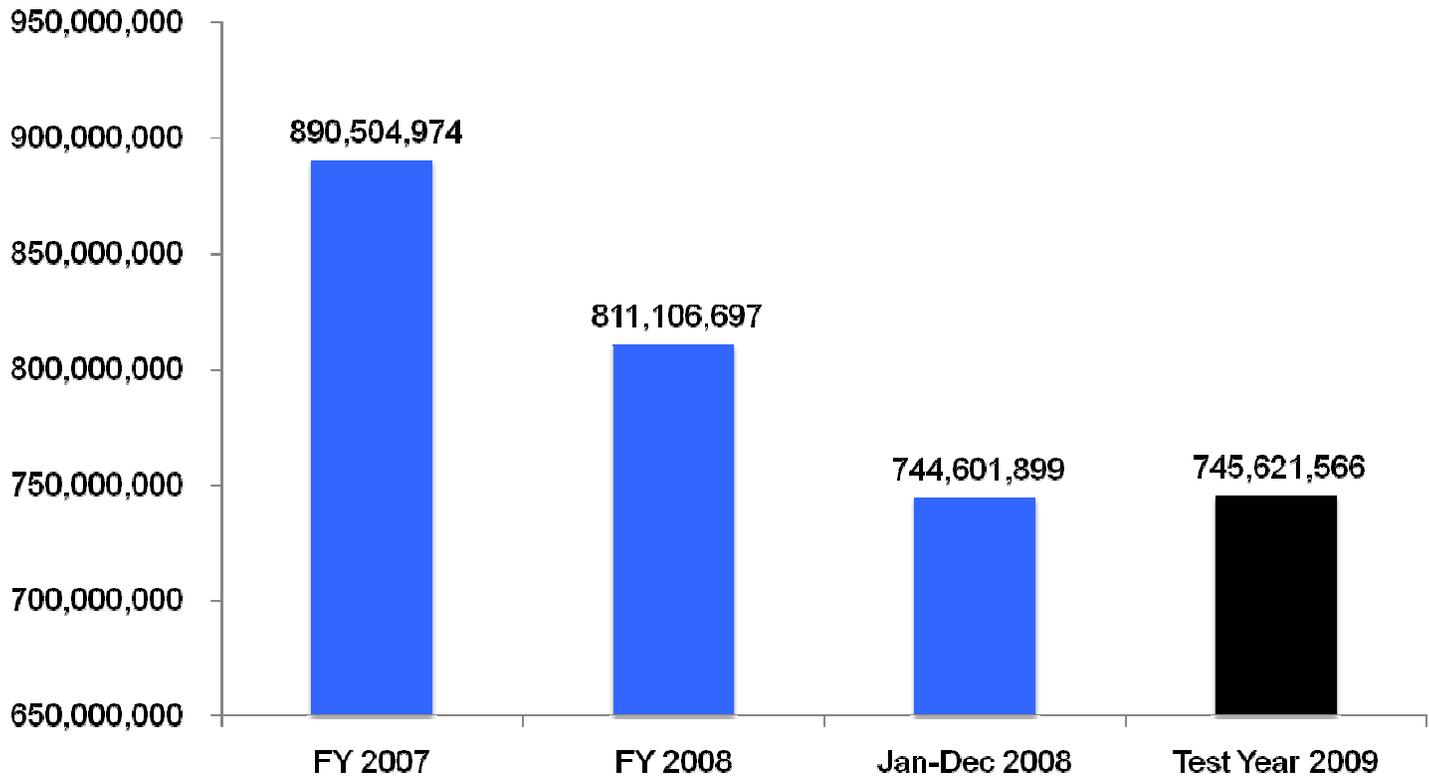
Test Year & Forecast Annual New Water Accounts 2009 -- 2018



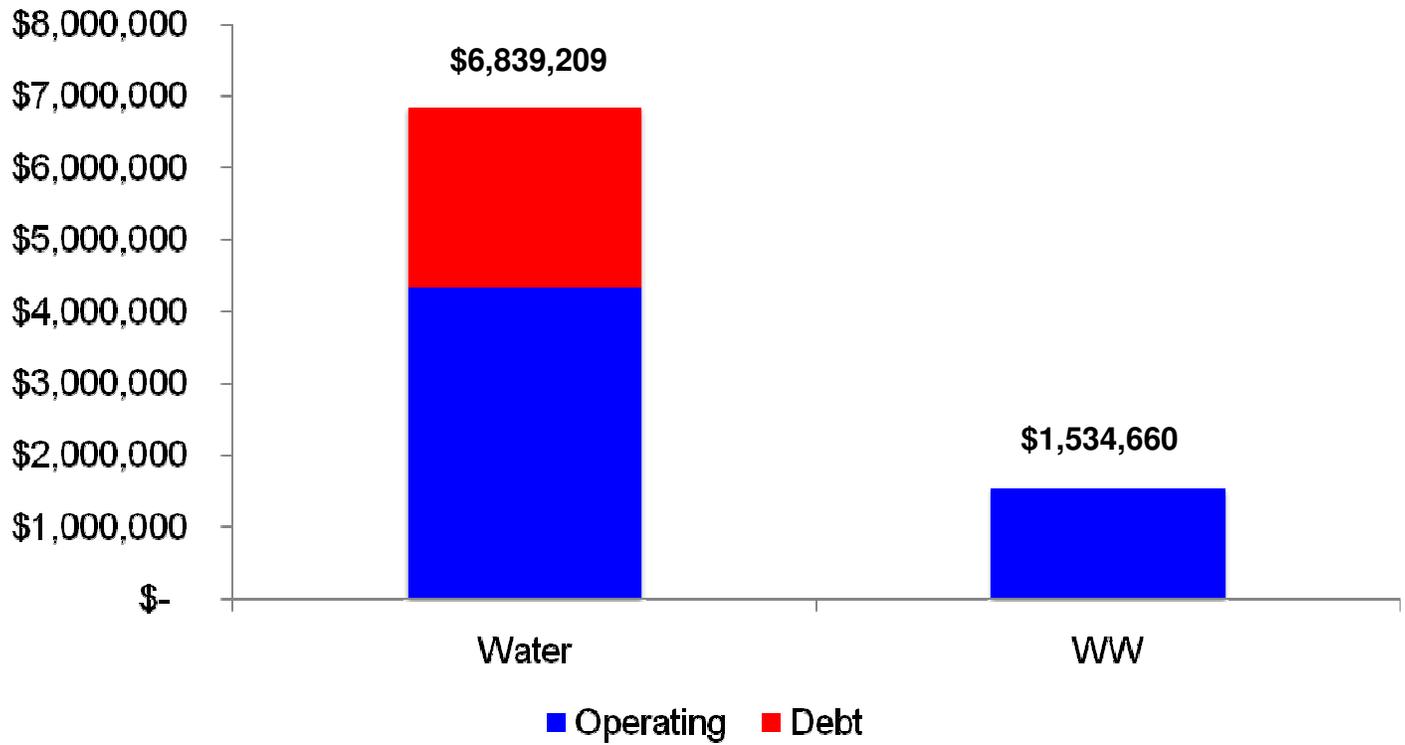
Test Year & Forecast Annual New WW Accounts 2009 -- 2018



Total Water Consumption (Thousand Gal) FY 2007 – TY 2009



2009 Water/WW Cost of Service

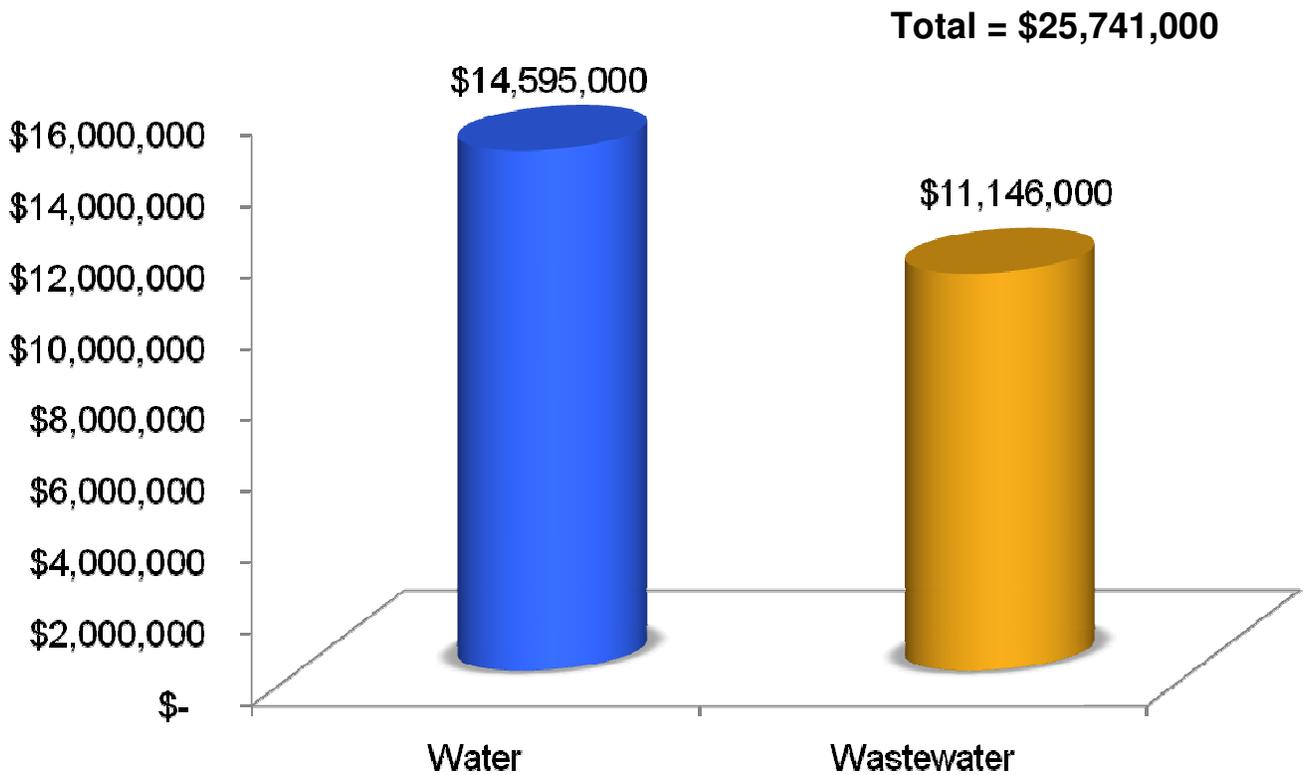


10 Year Cost of Service Forecast Primary Assumptions



- u Growth stays slow until 2012, eventually returning to previous levels
- u Most personnel and operating expenses will increase 3-5% per year
- u Some expenses (insurance/energy) will increase at higher rates
- u Certain expenses will increase with volume and customer growth (electricity/chemicals)
- u Most significant impact on rates – how to fund **capital improvement plan**

Capital Improvement Plan 2009 -- 2018

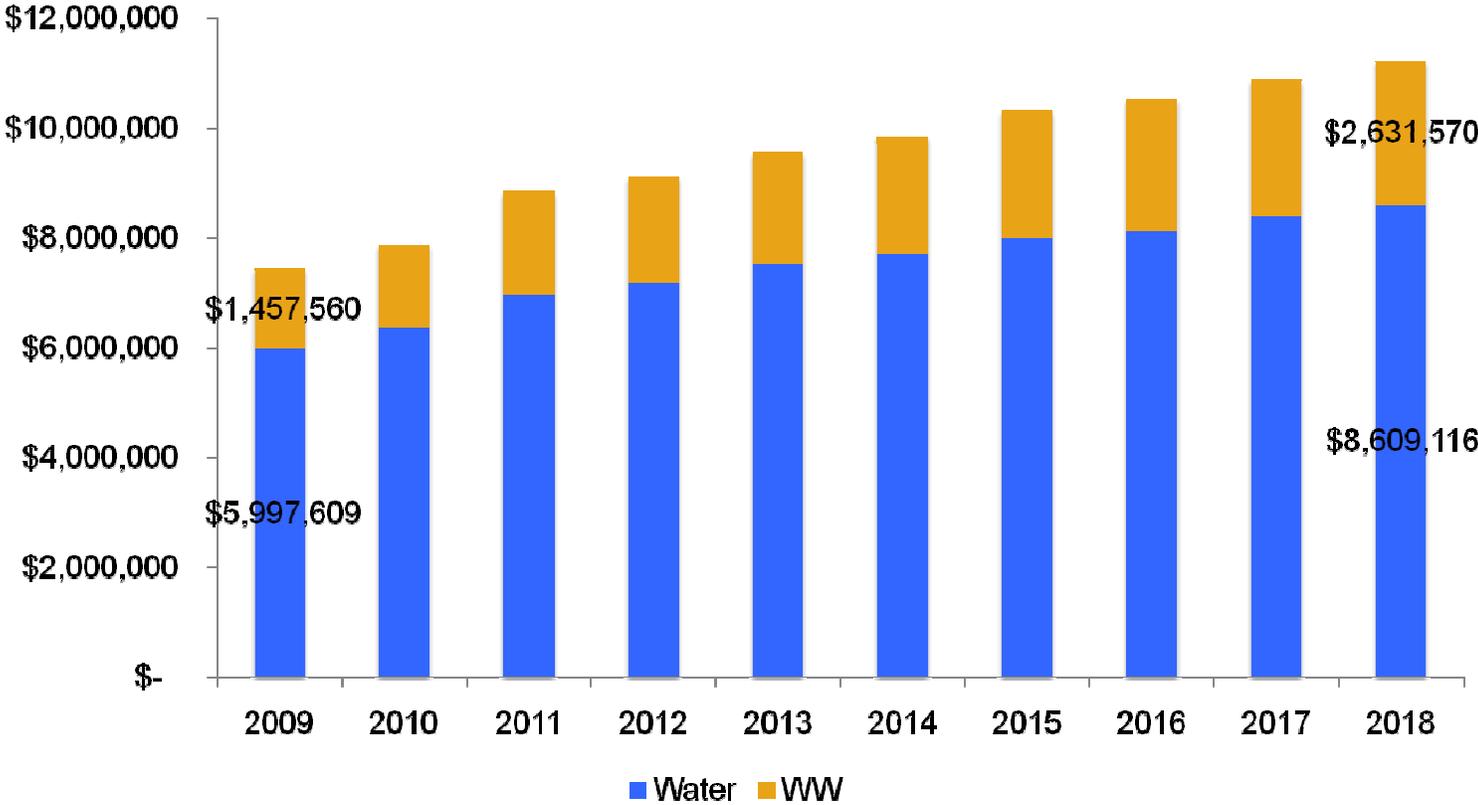


Capital Improvement Plan 2009 -- 2018



| | <u>Cost</u> |
|--|-------------------|
| WATER | |
| New Utility Building | \$700,000 |
| Well 1 and 2 Improvements | 450,000 |
| Well 4 and 7 Improvements | 750,000 |
| Well 8 and 9 Improvements | 750,000 |
| Highway 260 Well | 1,500,000 |
| Verde Village Well Improvements | 1,110,000 |
| Highway 89A Waterline Crossings | 600,000 |
| Pine Shadows Waterline | 500,000 |
| VSF Well | 75,000 |
| Hospital Well | 150,000 |
| State Land Well | 560,000 |
| Valves | 1,000,000 |
| Wells | 1,500,000 |
| Storage | 400,000 |
| Booster Pumping | 1,000,000 |
| Vehicle Replacement | 50,000 |
| Reserve for Future Projects | <u>3,500,000</u> |
| Total Water | 14,595,000 |
| WASTEWATER | |
| New Utility Building | \$300,000 |
| City of Cottonwood WWTP Improvements | 1,961,000 |
| Riverfront Water Reclamation Facility | 5,500,000 |
| WW Equalization & Conveyance Infrastructure - Arsenic Treatment Backwash | 385,000 |
| Reserve for Future Projects | <u>3,000,000</u> |
| Total Water | 11,146,000 |
| TOTAL CIP | 25,741,000 |

Water/Wastewater Forecast Net Revenue Requirement



Residential Rate Recommendation Water/WW Adjustments



| | Current | Effective Aug 2009 | Effective Jan 2010 | Effective Jan 2011 | Effective Jan 2012 | Effective Jan 2013 |
|----------------------------|---------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Water Rates | | | | | | |
| Water Resource Development | \$4.98 | \$5.38 | \$5.81 | \$6.27 | \$6.43 | \$6.59 |
| Minimum Charge -- 5/8" | 17.00 | 18.36 | 19.83 | 21.42 | 21.95 | 22.50 |
| Volume Charge | | | | | | |
| 1,001 10,000 | 2.90 | 3.13 | 3.38 | 3.65 | 3.74 | 3.84 |
| 10,001 20,000 | 4.06 | 4.38 | 4.74 | 5.11 | 5.24 | 5.37 |
| 20,001 Above | 5.68 | 6.13 | 6.63 | 7.16 | 7.33 | 7.52 |
| WW Rates | | | | | | |
| Monthly Charge | 16.75 | 20.33 | 23.00 | 25.00 | 25.63 | 26.27 |

Rate Recommendation Impact on Monthly Bills



| | Current | Effective Aug 2009 | Effective Jan 2010 | Effective Jan 2011 | Effective Jan 2012 | Effective Jan 2013 |
|-----------------|---------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 5,000 Gallons | \$50.33 | \$56.60 | \$62.17 | \$67.30 | \$68.98 | \$70.71 |
| Increase | | 6.27 | 5.57 | 5.13 | 1.68 | 1.72 |
| 10,000 Gallons | 64.83 | 72.26 | 79.08 | 85.57 | 87.71 | 89.90 |
| Increase | | 7.43 | 6.82 | 6.49 | 2.14 | 2.19 |
| 30,000 Gallons | 162.23 | 177.45 | 192.69 | 208.26 | 213.47 | 218.81 |
| Increase | | 15.22 | 15.24 | 15.58 | 5.21 | 5.34 |

Comparison of Current Rate Plan to 2005 Rate Plan



| | | Current | Effective Nov-07 | Effective Aug-09 | Effective Jan-10 | Effective Jan-11 | Effective Jan-12 | Effective Jan-13 |
|--------------------------|--------|---------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| 2005 Rate Plan | | | | | | | | |
| Min Chg | 5/8" | \$17.00 | \$20.40 | n/c | n/c | n/c | \$22.00 | n/c |
| Volume Chg: | | | | | | | | |
| 1 1/2" | 57 | 2.90 | 3.48 | n/c | n/c | n/c | 3.76 | n/c |
| 2" | 90 | 4.06 | 4.87 | n/c | n/c | n/c | 5.26 | n/c |
| 3" | 180 | 5.68 | 6.82 | n/c | n/c | n/c | 7.37 | n/c |
| Current Rate Plan | | | | | | | | |
| Min Chg | 5/8" | \$17.00 | \$17.00 | \$18.36 | \$19.83 | \$21.42 | \$21.95 | \$22.50 |
| Volume Chg: | | | | | | | | |
| 1,001 | 10,000 | 2.90 | 2.90 | 3.13 | 3.38 | 3.65 | 3.74 | 3.84 |
| 10,001 | 20,000 | 4.06 | 4.06 | 4.38 | 4.74 | 5.11 | 5.24 | 5.37 |
| 20,001 | Above | 5.68 | 5.68 | 6.13 | 6.63 | 7.16 | 7.33 | 7.52 |

Presentation Summary



- u Rate adjustments are required to fund CIP and to meet increasing costs over next decade
- u Rate plan is designed to minimize impact on ratepayers while ensuring utility remains financially solvent
- u Average water and ww utility increasing rates 5-6% per year
- u For most residential ratepayers rate plan requires initial increase of \$6-\$7 per month

