

CITY OF PORT ORCHARD UTILITIES COMMITTEE

2011 PROPOSED WATER
RATE INCREASE STUDY
(REVISED)

City of Port Orchard Condensed Water-Sewer Operating Statements

□ Water

	<u>2008</u>	<u>2009</u>	<u>2010</u>
□ Water Revenues	\$1,053,231	\$1,168,779	\$1,126,269
□ Water Operating Expenses	-\$362,398	-\$342,149	-\$425,903
□ Customer Accounts – 50%	-\$92,905	-\$94,720	-\$82,263
□ Admin - 50%	-\$342,523	-\$364,027	-\$370,920
□ Water Taxes	-\$101,449	-\$111,263	-\$106,074
□ City Hall Debt Payment – 50%	<u>-\$31,000</u>	<u>-\$31,000</u>	<u>-\$31,000</u>
□ Operating Income	\$122,956	\$225,620	\$110,109
□ Depreciation - 50%	<u>-\$266,335</u>	<u>-\$327,246</u>	<u>-\$316,514</u>
□ Net Operating Income	-\$143,379	-\$101,626	-\$206,405

□ Sewer

	<u>2008</u>	<u>2009</u>	<u>2010</u>
□ Sewer Revenues	\$2,222,872	\$2,255,772	\$2,498,403
□ Sewer Operating Expenses	-\$1,405,076	-\$1,524,138	-\$1,481,565
□ Customer Accounts – 50%	-\$92,905	-\$94,720	-\$82,263
□ Admin - 50%	-\$342,523	-\$364,027	-\$370,920
□ Sewer Taxes	-\$136,631	-\$141,009	-\$157,268
□ City Hall Debt Payment – 50%	<u>-\$31,000</u>	<u>-\$31,000</u>	<u>-\$31,000</u>
□ Operating Income	\$214,737	\$100,878	\$375,387
□ Depreciation - 50%	<u>-\$266,335</u>	<u>-\$327,246</u>	<u>-\$316,514</u>
□ Net Operating Income	-\$51,598	-\$226,368	\$58,873

City of Port Orchard Condensed 2010 Water Operating Statement

•	Water Revenue	\$1,126,269
•	Water Operating Expense	-\$425,903
•	Customer Accounts – 50%	-\$82,263
•	50% Administration	-\$370,920
•	Water Taxes	-\$106,074
•	City Hall Debt Payment	<u>-\$31,000</u>
•	Operating Income	\$110,109
•	<u>Depreciation [1]</u>	<u>-\$316,514</u>
•	Net Income	-\$206,405

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• \$206,405 ÷ 5,800 (ERU's) = \$35.59

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• \$35.59 × 12 months = \$2.97 Monthly (Operating Shortfall)

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• 20 years (Capital Improvement Plan) × \$316,514 (depreciation) = \$6,330,280

• [1] *“Depreciation” means those dollars allocated in which to replace capitalized assets (equipment) over the anticipated useful life of said asset*

**Table 7-1 City of Port Orchard
Water System Capital Improvement Plan**

Project	Description	COPO \$	DEV \$	Financing
1	Telemetry Upgrades	\$75,000		Conn Charge/Rates
2	Well 5 (#11) Treatment Upgrade	\$506,250	\$168,750	Dev/Conn Charge/Rates
3	Well 10—Pump/Generator/Building	\$325,000	\$325,000	Conn Charge/Rates
4	Wells 6/10 Treatment Improvements	\$1,000,000	\$1,000,000	Conn Charge/Rates
5	Well 10 12-inch Transmission Main	\$800,000	\$800,000	Conn Charge/Rates
6	PRVs High to Low Zone:			
	Melcher/Pottery & Eaglecrest	\$55,000		Conn Charge/Rates
	Mitchell & Dwight	\$55,000		Conn Charge/Rates
	Kendall & Maple	\$55,000		Conn Charge/Rates
7	City Hall PS Elimination/Well 7 Trtmt.	\$735,000		Conn Charge/Rates
8	1.1 Million Gallon 580 Reservoir		\$2,200,000	Developer/Conn Charge
9	390 - 580 Booster Pump Station		\$450,000	Developer/Conn Charge
10	390 - 580 12-in Trans. Main (9,000± lf)		\$1,600,000	Developer/Conn Charge
11	580 - 660 Constant Press. Booster Sta.		\$450,000	Developer
12	Melcher Street Pump Station Upgrade	\$125,000	\$125,000	Dev/Conn Charge
13	390 Zone Storage	\$500,000		Conn Charge/Rates
14	Well 9 Water Treatment	\$850,000		Rates
15	Systems Operation Study	\$100,000		Rates
19	Wellhead Protection Plan	\$50,000		Rates
	Subtotal	\$5,231,250	\$7,118,750	
16	2009 - 2015 Watermain Replacement Program Phase 1			
	High Priority	\$1,868,000		Rates
	Medium Priority	\$1,111,000		Rates
	Low Priority	\$3,327,000		Rates
	Subtotal	\$6,306,000		
	2009 - 2015 Recommended Improvements	\$11,537,250	\$7,118,750	
17	East City Water Main Replacement Program			
	High Priority	\$353,000		Rates
	Medium Priority	\$598,000		Rates
	Low Priority	\$1,423,000		Rates
	Subtotal	\$2,374,000		
18	Miscellaneous Improvements			
	High Priority	\$1,476,000		Rates
	Low Priority	\$2,653,000		Rates
	Subtotal	\$4,129,000		
	Long Range Recommended Improvements	\$6,503,000		
	Total CIP	\$18,040,250	\$7,118,750	

Notes: Estimates are presented in 2008 dollars (ENR 8680)

Capital Improvement Program Summary

- ▣ Funded Maintenance Items = COPO \$
- ▣ Unfunded Maintenance Items = DEV \$
- ▣
- ▣ **\$18,040,250** – COPO maintenance related capital items
- ▣ -6,330,280 - Funded depreciation (20-year CIP)
- ▣ +500,000 – Funding of reserves
- ▣ \$12,209,970 – Funding Need

- ▣ \$12,209,970 20 years = \$610,498.50/year
- ▣ \$610,498.50 5,800 ERU's = \$105.26 (Annual funding need)
- ▣ \$105.26 12 months = **8.77/Month**

Current SFR Water System Rate Summary

- Assumes 3/4" Service Size @ Single Family Residential Bi-Monthly:
- Rate 1 0 - 3,000 gal \$18.50 No Consumption Charge 8% ERU
- Rate 2 3,001 – 5,000 gal \$22.50 No Consumption Charge 8% ERU
- Rate 3 5,001 – 30,000 gal \$22.50 Plus Consumption Charge 30% ERU

Proposed Water System Rate Increase

- Operating Shortfall (Slide 3) \$ 2.97 Monthly
 - Capital Improvement Plan (Slide 5) \$ 8.77 Monthly
- \$11.74 / ERU Monthly =
\$23.48 / ERU Bi-Monthly

Proposed Bi-Monthly Base Rate(s) - Assumes ¾" Service Size @ Single Family Residential Bi-Monthly:

•Rate 1	0 - 3,000 gal	$\$18.50 + \$23.48/2 = \$30.24$ [1]	No Consumption Charge
•Rate 2	3,001 – 5,000 gal	$\$22.50 + \$23.48 = \$45.98$	No Consumption Charge
•Rate 3	5,001 – 30,000 gal	$\$22.50 + \$23.48 = \$45.98$	Plus Consumption Charge

•[1] Proposed 50% base rate increase reduction for SFR low water usage customers

Monthly Water Rate Comparison(s)

<u>District</u>	<u>SFR Rate</u>	<u>Calculated SFR Monthly Rate [1]</u>
<ul style="list-style-type: none"> □ <u>Bainbridge Is.</u> <li style="padding-left: 20px;">\$2.82/Hcf < 5 <li style="padding-left: 20px;">\$4.58/Hcf (6-12) <li style="padding-left: 20px;">\$6.46/Hcf (13-30) <li style="padding-left: 20px;">\$8.80/Hcf > 30 	\$27.98 Base Monthly:	<u>\$70.21</u>
<ul style="list-style-type: none"> □ <u>Poulsbo</u> <li style="padding-left: 20px;">\$1.80/Hcf < 9 <li style="padding-left: 20px;">\$2.81/Hcf > 9 	\$11.64 Base Monthly	<u>\$37.55</u>
<ul style="list-style-type: none"> □ <u>Gig Harbor</u> <li style="padding-left: 20px;">\$1.97/Hcf 	\$30.19 Base Bi-Monthly	\$66.52/2 = <u>\$33.26</u>
<ul style="list-style-type: none"> □ <u>Port Orchard</u> 		<u>\$32.22</u> (See Next Slide)
<ul style="list-style-type: none"> □ <u>WSUD</u> <li style="padding-left: 20px;">\$1.47/Hcf <11 <li style="padding-left: 20px;">\$1.72/Hcf (11-21) <li style="padding-left: 20px;">\$1.97/Hcf > 21 	\$12.75 Base Monthly	<u>\$26.30</u>
<ul style="list-style-type: none"> □ <u>Bremerton</u> <li style="padding-left: 20px;">\$1.16/Hcf < 10 <li style="padding-left: 20px;">\$1.31/Hcf >10 	\$10.74 Base Monthly:	<u>\$21.43</u>

□ [1] Assume 100 gal/person/day = 13.4 cf/person/day @ 7.48 gal/cf x 2.26 persons/SFR and 30.5 days/month = 921.5 cf/Month/SFR = 9.22 Hcf/Month/SFR

Monthly Water Rate Comparison Continued

<u>District</u>	<u>SFR Rate</u>	<u>Calculated SFR Monthly Rate [1]</u>
<u>Port Orchard – Current Bi-Monthly</u>		
Rate 3	5,001 – 30,000 gal	\$22.50 Base Plus \$2.10/1,000 gal

$$\$22.50 + \$2.10/1,000(13,786 - 5,000) = \$22.50 + \$18.45 = \$40.95/2 = \underline{\$20.47 \text{ Current Monthly}}$$

□ Port Orchard – Proposed Bi-Monthly

Rate 3	5,001 – 30,000 gal	\$45.98 Base Plus \$2.10/1,000 gal
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$$\$45.98 + \$2.10/1,000(13,786 - 5,000) = \$45.98 + \$18.45 = \$64.43/2 = \underline{\$32.22 \text{ Proposed Monthly}}$$

□ **Average monthly rate increase @ \$11.75 (57% Base Rate increase with no Commodity Charge increase proposed).....round up to \$12.00**

□ [1] Assume 100 gal/person/day x 2.26 persons/SFR and 61 days/bi-monthly billing cycle =

□ 13,786 gal/bi-monthly billing cycle/SFR

Proposed Rate Increase Options

Using a proposed rate increase of \$12.00/Month:

Option A Increase \$12/Month in 2011 (immediate)

Option B Increase \$6/Month in 2011 and an additional \$6/Month in 2012
(1-year ramp)

Option C Increase \$6/Month in 2011 and an additional \$6/Month in
2014 (3-year ramp)

Option D Increase \$4/Month in 2011, an additional \$4/Month in 2013
and an additional \$4/Month in 2015 (4-year ramp)

NOTE: RATE 1 (0 – 3,000 GAL) INCLUDES 50% BASE RATE INCREASE REDUCTION FOR
SFR LOW WATER USAGE CUSTOMERS