Utility Rate Making

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CH2MHILL

Purpose of Presentation

FYI only

Present ratemaking basics

Factors to consider for project selection in Alternative Water Supply Grants program

Senate sponsor of SB444 interested in these ratemaking issues

Presentation Overview

- Background
- Rate and Fee Setting Practices
- Rates v. Impact Fees
- Transfers to General Fund
- Water Conservation
- Rates to Encourage Alternative Water Supply Development
- Typical Residential User Bills

Background

- Alternative Water Supply Grant Program 373.1961(3)(f), F.S. (Senate Bill 444)

  Factors to consider for project selection:
  - Encourage Alternative Water Supplies
  - Promote Conservation
  - Transfers to General Fund

- CH2M HILL conducting rate survey

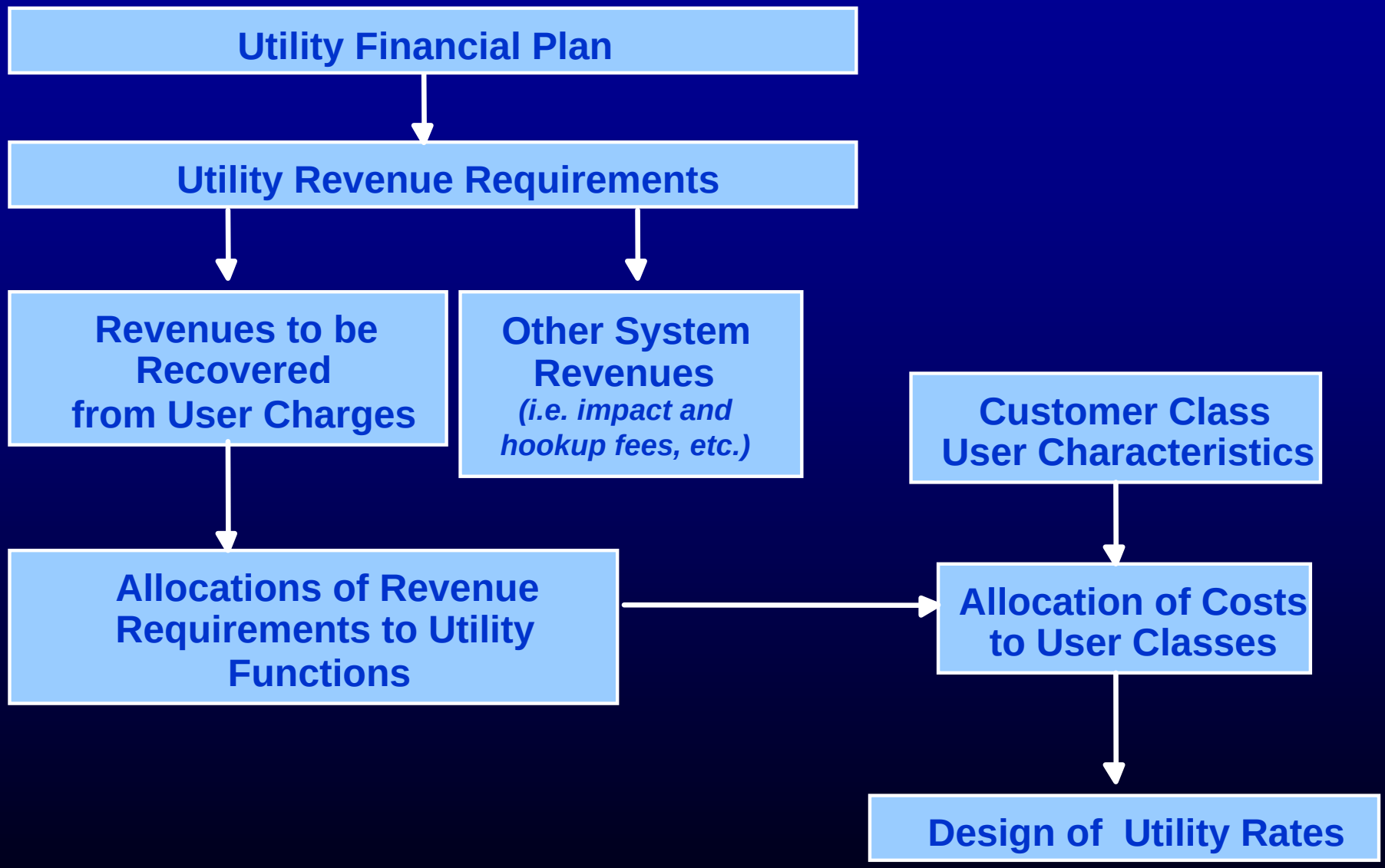
Rate and Fee Setting Practices

- Most utilities are government owned
- Typically self-regulated
- Private utilities regulated by state or county
- State laws require rates to be “reasonable”
- Case law requires a “rational nexus” between impact fee and cost to provide capacity to serve new growth

Rate Development - Objectives

- Revenue adequacy and stability
- Rate equity
- Defensibility
- Resource efficiency/conservation
- Public understanding and acceptance
- Other goals and objectives

Utility Cost Allocations



Rates and Charges

Existing Customers-Rates

- Monthly Rates

New Customers-Charges

- Impact Fees $$$
  for System Capacity

North Miami Beach

- Hookup Fees $
  for the Meter and connection

Transfers to General Fund

- Reimbursement for Services
  - Billing and Collection
  - City Overheads
- Payment in Lieu of Taxes
  - Compensation for Lost Tax Revenue
  - Provision of Municipal Services to Utility
- Return to Owner
  - Investor-owned Utilities Generally Allowed 10-11% Return on Investment
  - Owner determines use of funds
- Bond Covenants Often Limit these Transfers

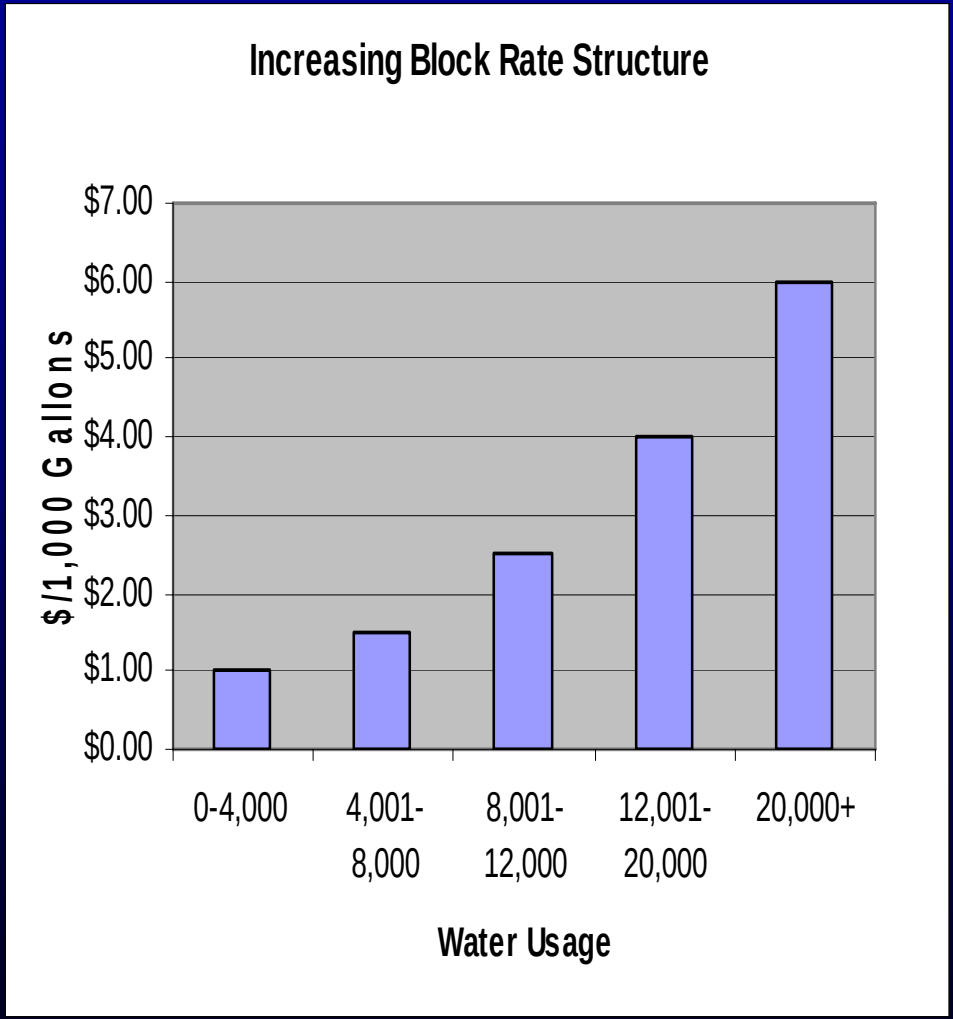
Water Conservation

- Base Charge

  $____ per month

- Volume Charge

  $____/1,000 gallons or per 100 cubic feet of water consumed



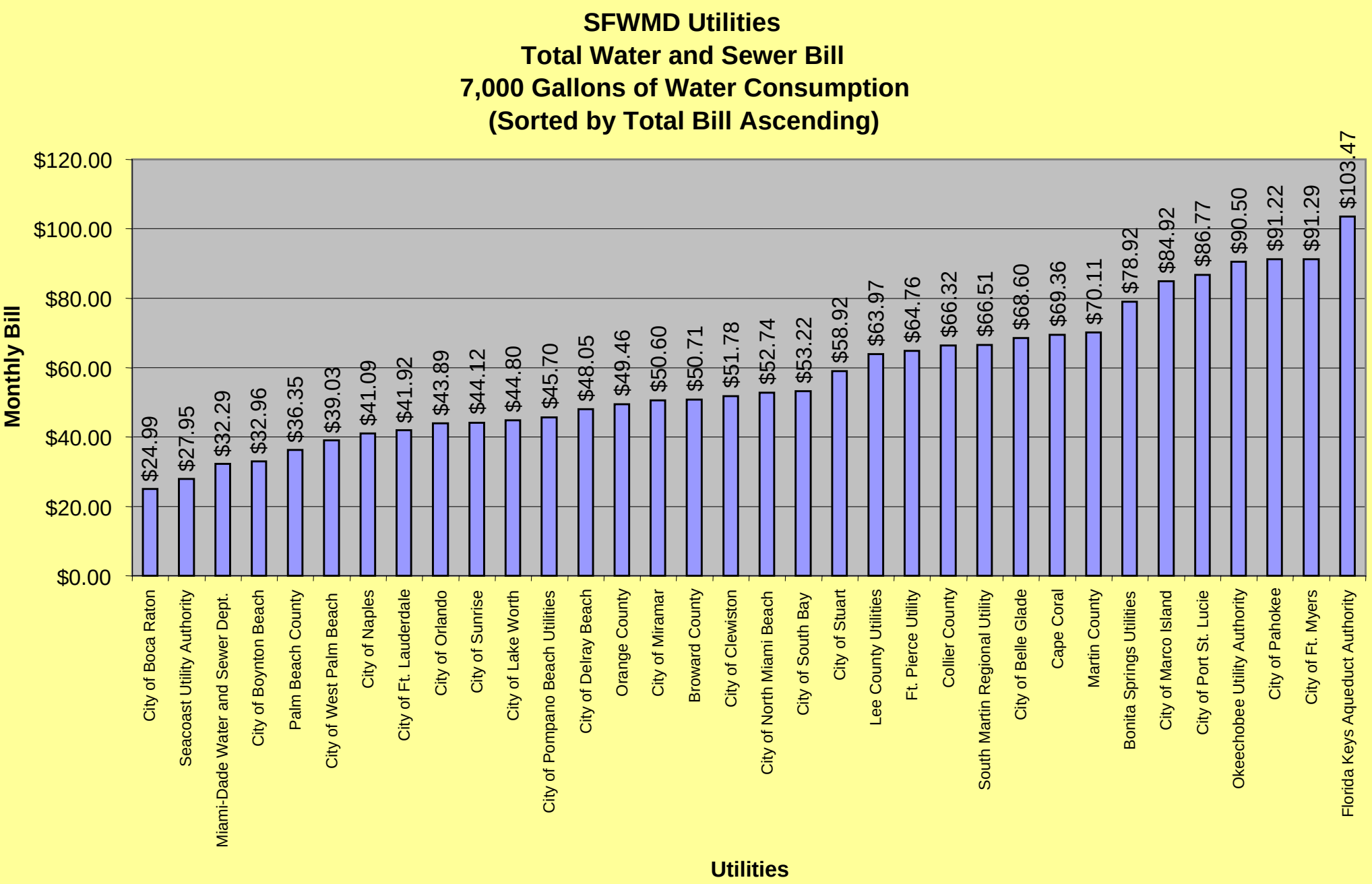
Rates Should Encourage Alternative Water Supply Development – Ch. 373.1961 (3)(j), F.S.

- Reduced rates for reclaimed water
- Blending of rates for traditional and alternative water supply sources

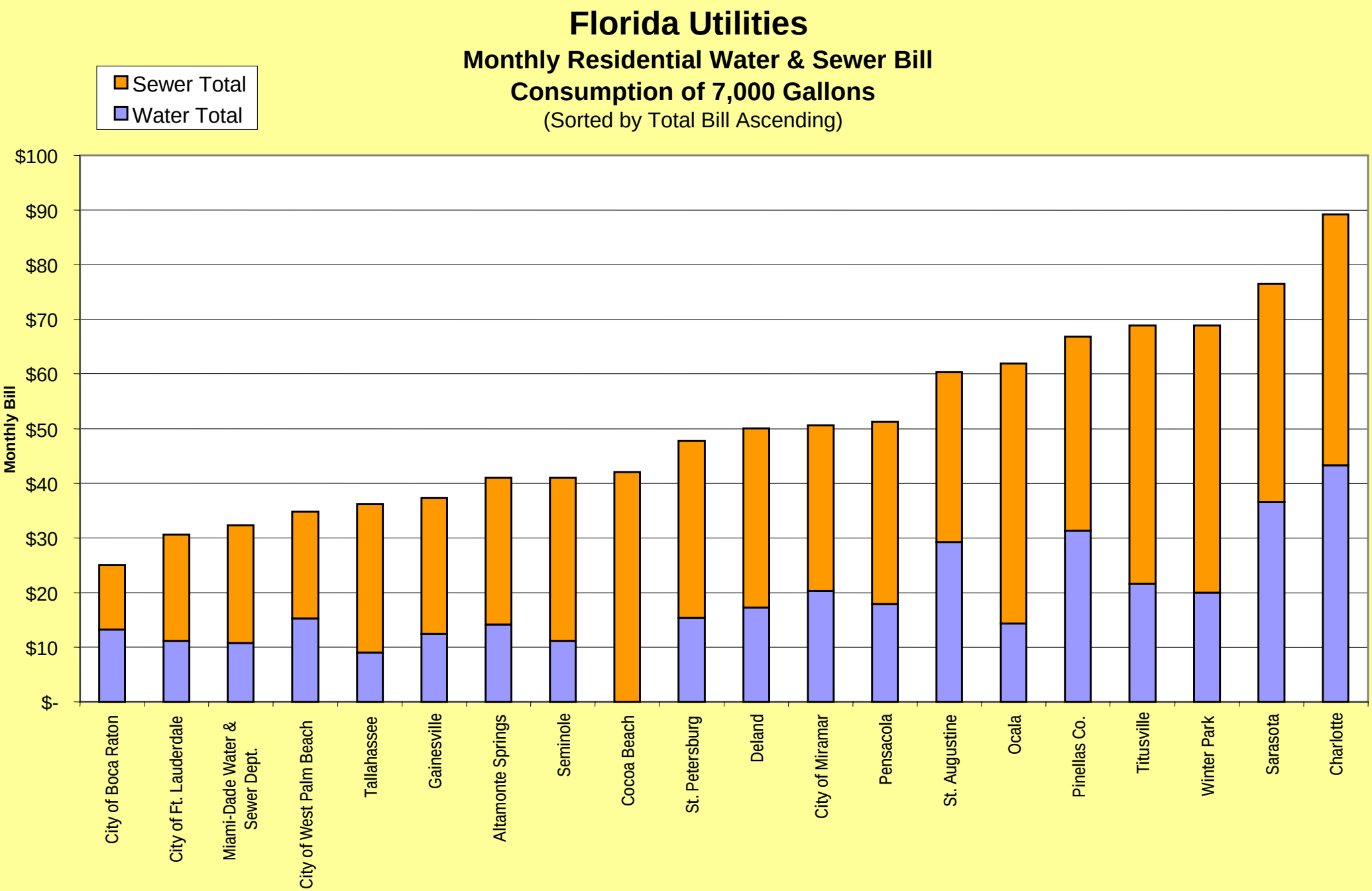
Factors That Influence Rates

- Economies of Scale
- Service Area Density
- Age of System
- Extent of Alternative Water Supply Development
- Planning and Cost Recovery Policies
- Rate and Fee Structure

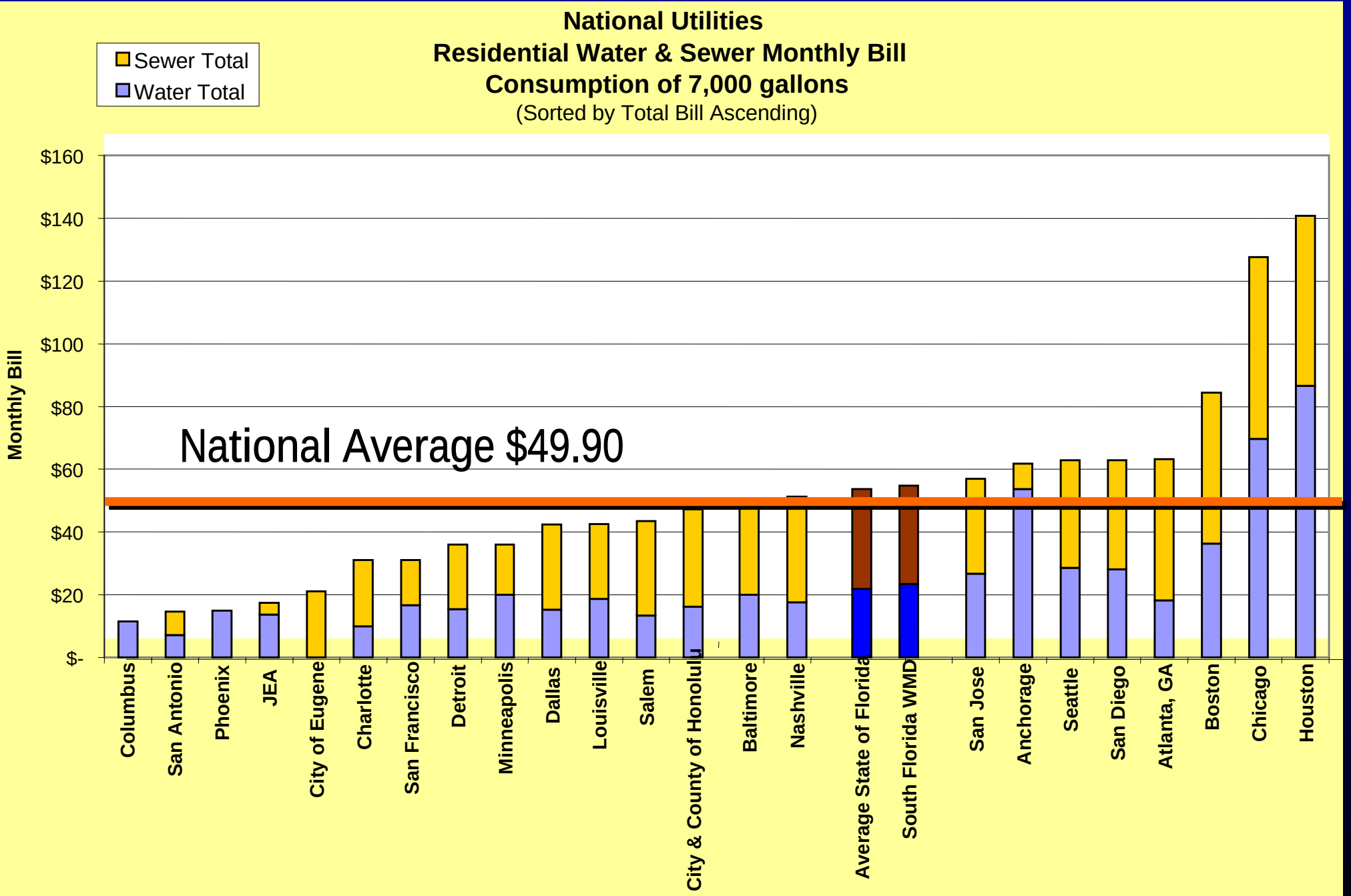
Monthly Bills within SFWMD



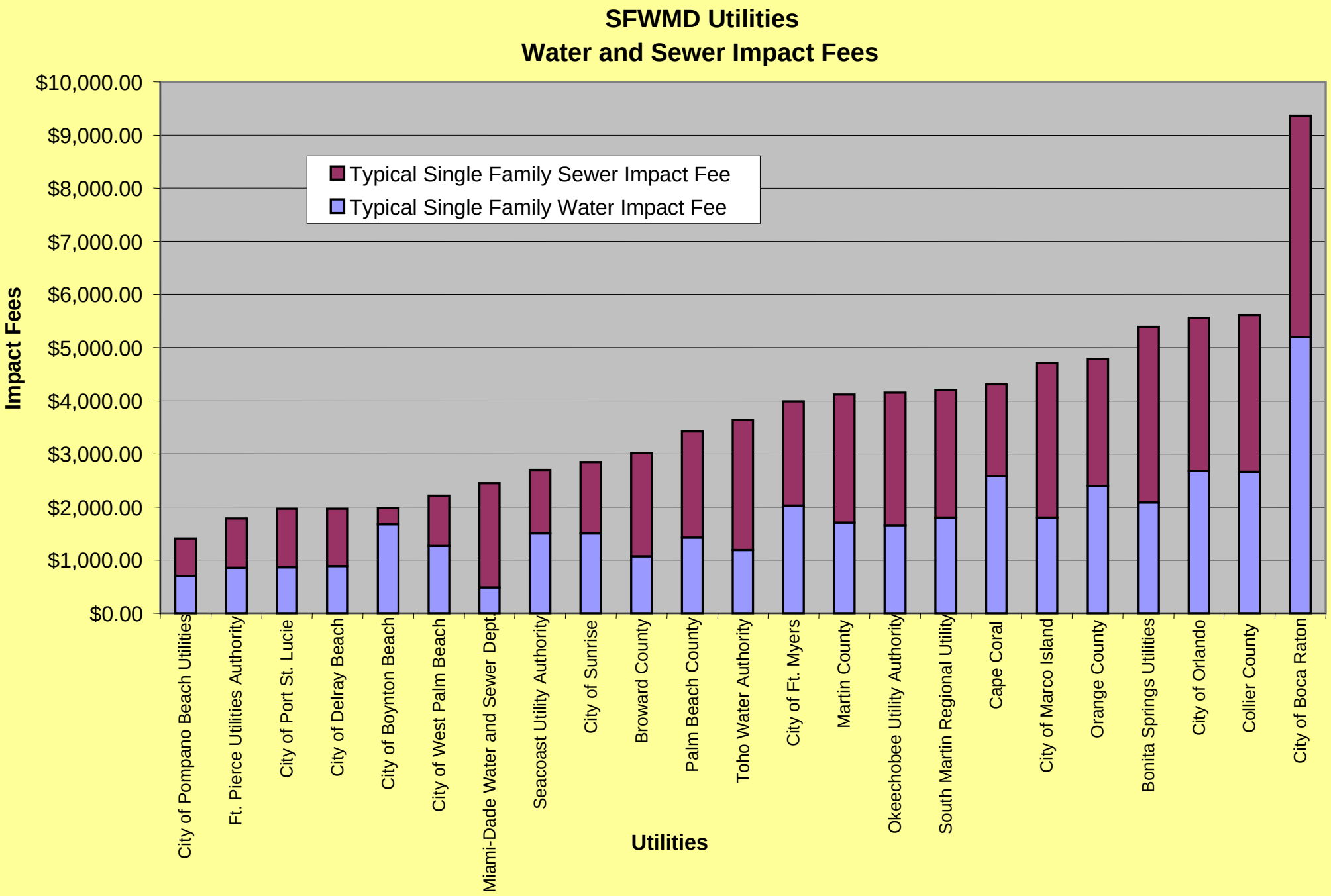
Statewide


Florida Utilities
Monthly Residential Water & Sewer Bill
Consumption of 7,000 Gallons
(Sorted by Total Bill Ascending)
Sewer Total
Water Total
Monthly Bill
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$-
City of Boca Raton
City of Ft. Lauderdale
Miami-Dade Water & Sewer Dept.
City of West Palm Beach
Tallahassee
Gainesville
Altamonte Springs
Seminole
Cocoa Beach
St. Petersburg
Deland
City of Miramar
Pensacola
St. Augustine
Ocala
Pinellas Co.
Titusville
Winter Park
Sarasota
Charlotte

Nationwide


National Utilities
Residential Water & Sewer Monthly Bill
Consumption of 7,000 gallons
(Sorted by Total Bill Ascending)
Sewer Total
Water Total
Monthly Bill
$160
$140
$120
$100
$80
$60
$40
$20
$-
National Average $49.90
Columbus
San Antonio
Phoenix
JEA
City of Eugene
Charlotte
San Francisco
Detroit
Minneapolis
Dallas
Louisville
Salem
City & County of Honolulu
Baltimore
Nashville
Average State of Florida
South Florida WMD
San Jose
Anchorage
Seattle
San Diego
Atlanta, GA
Boston
Chicago
Houston

Water and Sewer Impact Fees



Summary

Complex issues for local utilities to balance:

- Cost recovery
- Legal requirements (e.g. - rates v. impact fees)
- Local conditions (e.g. – typical amount of water used, low income customer needs, etc.)
- Resource efficiency and conservation

Local responsibility to develop rates and charges

Water Management District protects water resources