



Preliminary Wastewater Rates

September 10, 2009



Existing Wastewater Rate Structure

Rate Structure for ALL Customer Classes:

- Minimum monthly charge that includes 1st 1,496 gallons of water usage
- Uniform volumetric rate for usage above 1,496 gallons



Existing Wastewater Rate Structure

- ❑ **Residential**
 - **Based on winter average (Nov – March) water usage to reflect water not returned to wastewater system**
- ❑ **General**
 - **Based on 100% of water usage**



Rate Structures Modeled

- Option 1: Retain existing rate structure but reflect cost of service for FY 2009
- Option 2: Eliminate minimum usage

Under both scenarios:

Maintain winter average usage for Residential customers and 100% of water usage for General Class customers.

FY 2009 Revenue Requirements

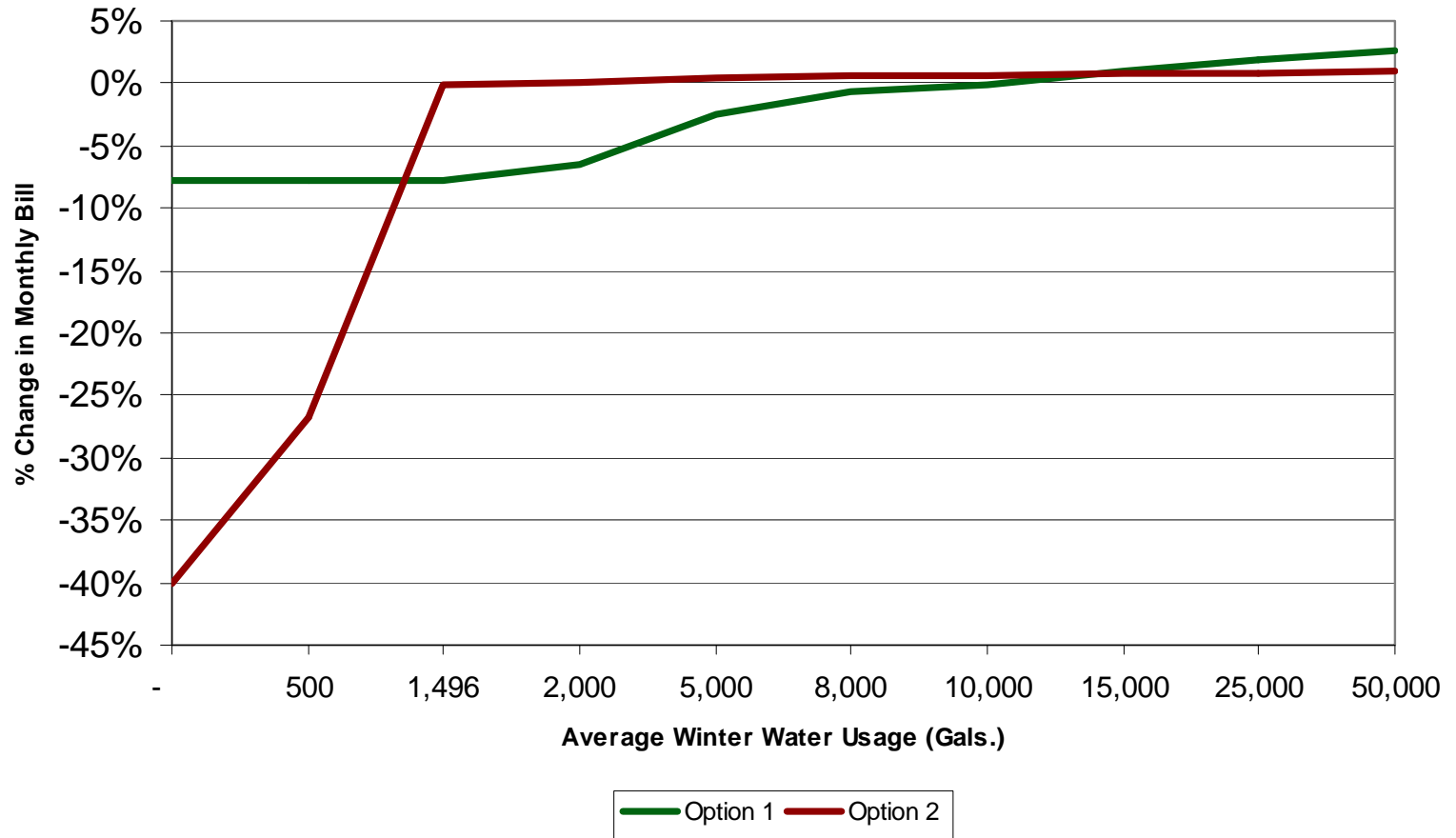
| Test Year | 2009 | | |
|---|----------------------|----------------------|-----------------------|
| | Operating Expense | Capital Cost | Total |
| O&M Expenses | \$ 70,514,327 | | \$ 70,514,327 |
| Debt Service | | \$ 54,196,972 | \$ 54,196,972 |
| Transfer to the City | \$ 3,759,958 | | \$ 3,759,958 |
| Transfer to R&R | | \$ 4,374,168 | \$ 4,374,168 |
| Capital Outlay | | \$ 6,412,287 | \$ 6,412,287 |
| | <u>\$ 74,274,285</u> | <u>\$ 64,983,427</u> | <u>\$ 139,257,712</u> |
| Less Revenue Requirements Met from Other | \$ (10,901,133) | | \$ (10,901,133) |
| Subtotal | \$ 63,373,152 | \$ 64,983,427 | \$ 128,356,580 |
| Subtotal | \$ - | \$ - | \$ - |
| Cost of Service to be Recovered from Rates | \$ 63,373,152 | \$ 64,983,427 | \$ 128,356,580 |

Calculated Rates

| | Existing Rates | Option 1 | Option 2 |
|--|----------------|----------|----------|
| Inside-City | | | |
| Base Charge | | | |
| Residential and General Class | \$7.76 | \$7.16 | \$4.65 |
| Wholesale Class | | | |
| Volumetric Charge (per 100 gallons) | | | |
| Residential and General Class | \$0.2057 | \$0.2126 | \$0.2077 |
| Wholesale Customers | \$0.1854 | \$0.1900 | \$0.1856 |
| Outside City | | | |
| Base Charge | | | |
| Residential and General Class | \$9.32 | \$8.59 | \$5.58 |
| Wholesale Class | \$91.11 | \$81.64 | \$81.64 |
| Volumetric Charge (per 100 gallons) | | | |
| Residential and General Class | \$0.2468 | \$0.2551 | \$0.2492 |
| Wholesale Customers | \$0.2226 | \$0.2280 | \$0.2227 |

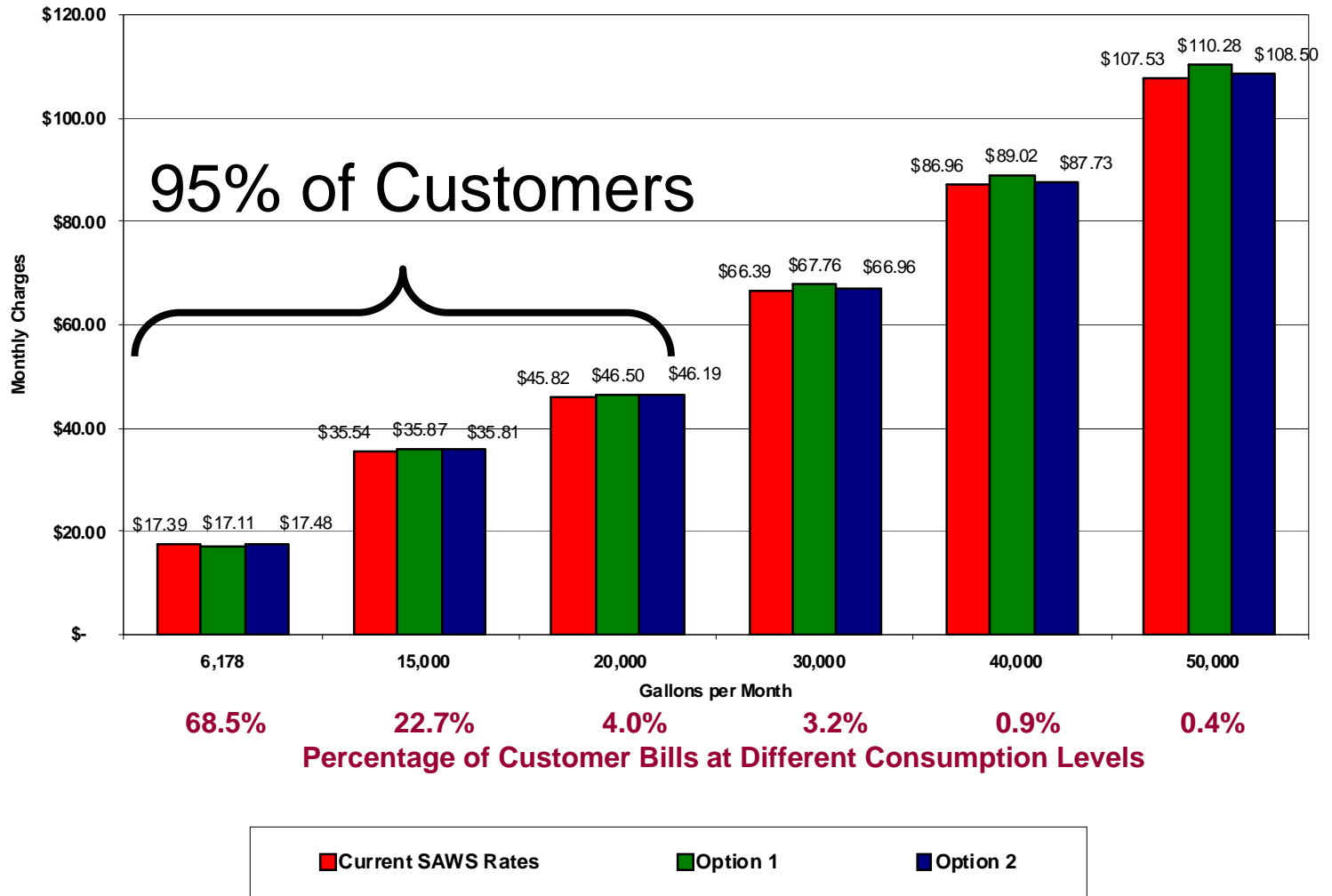
Residential Impact

Residential Customer With 5/8" Meter



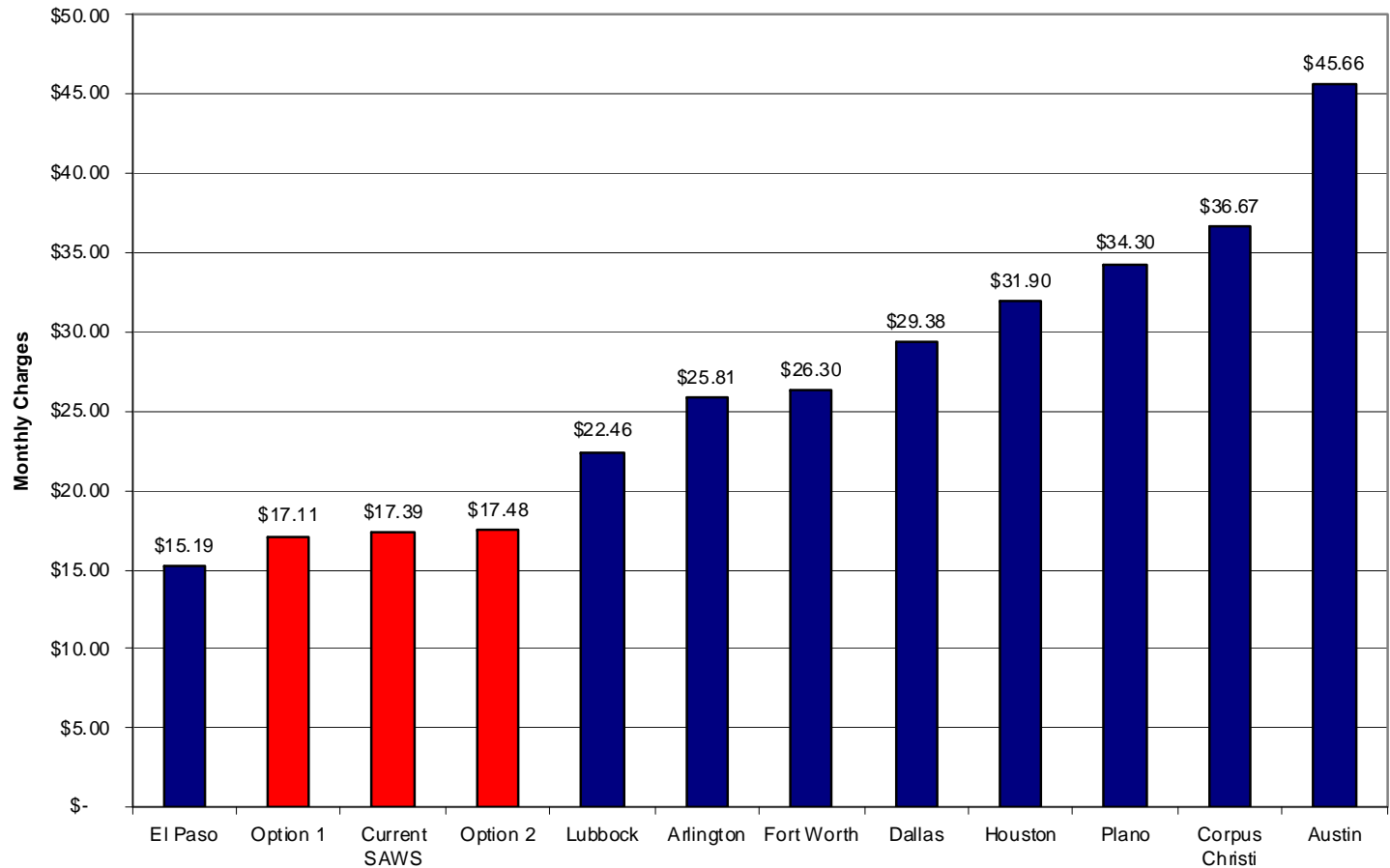


Monthly Charges Comparison of Alternatives Residential





Texas Cities Comparison (6,178 gallons per month) Residential Class



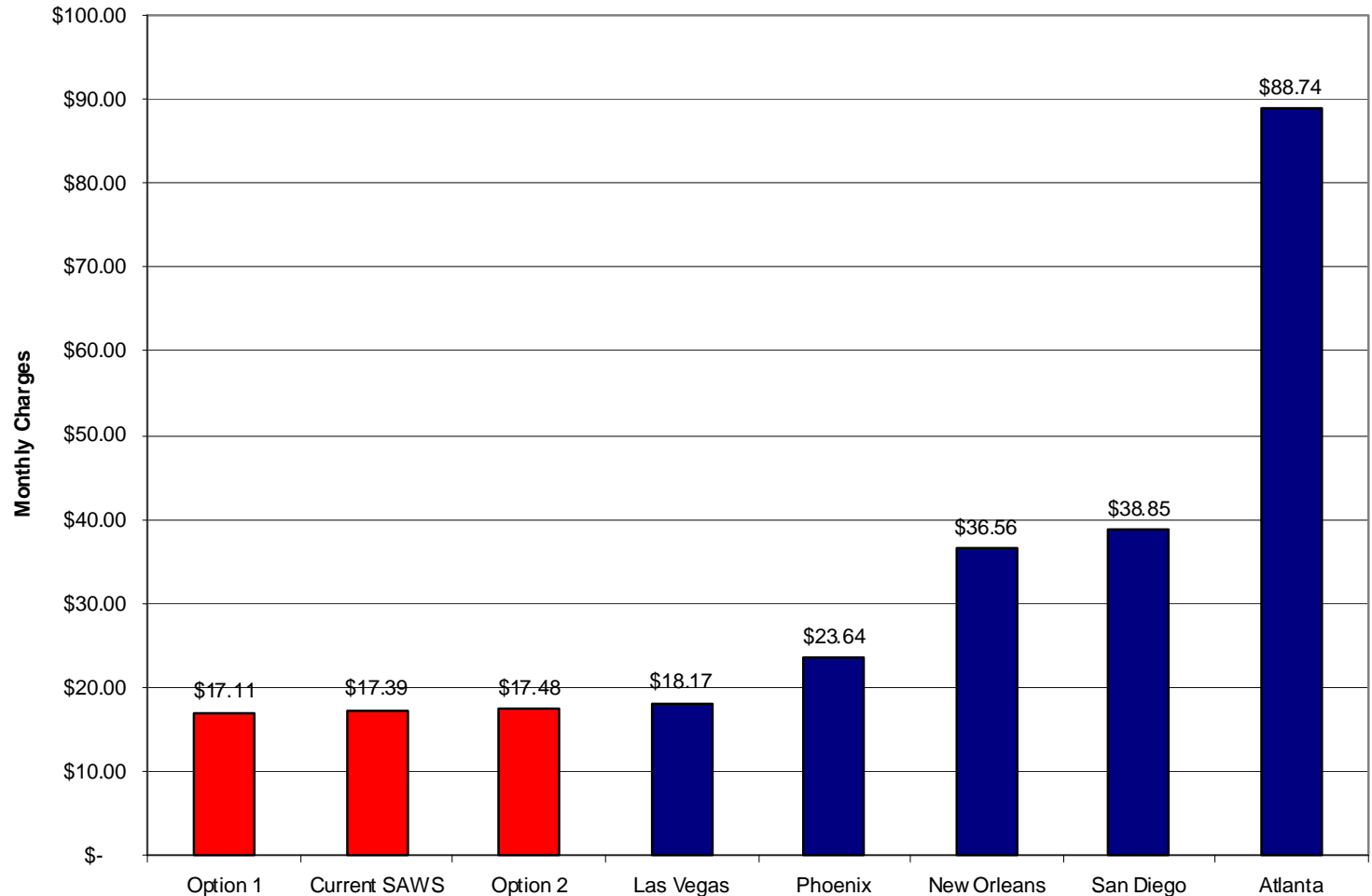
Wastewater Rates

Comprehensive Cost of Service and Rate Design Study

Preliminary Cost of Service Rate Calculations



U.S. Cities Comparison (6,178 gallons per month) Residential Class



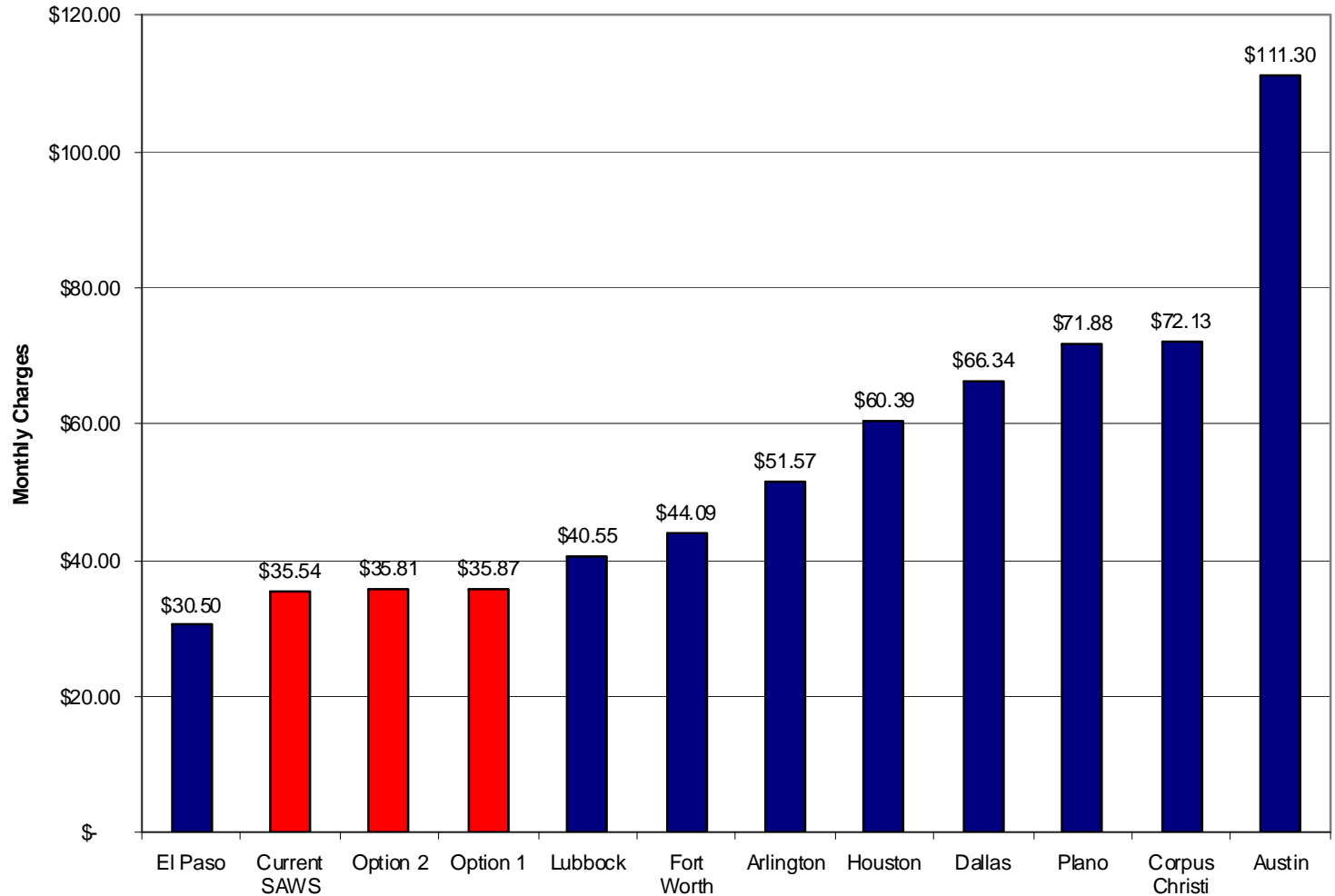
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Texas Cities Comparison (15,000 gallons per month) Residential Class

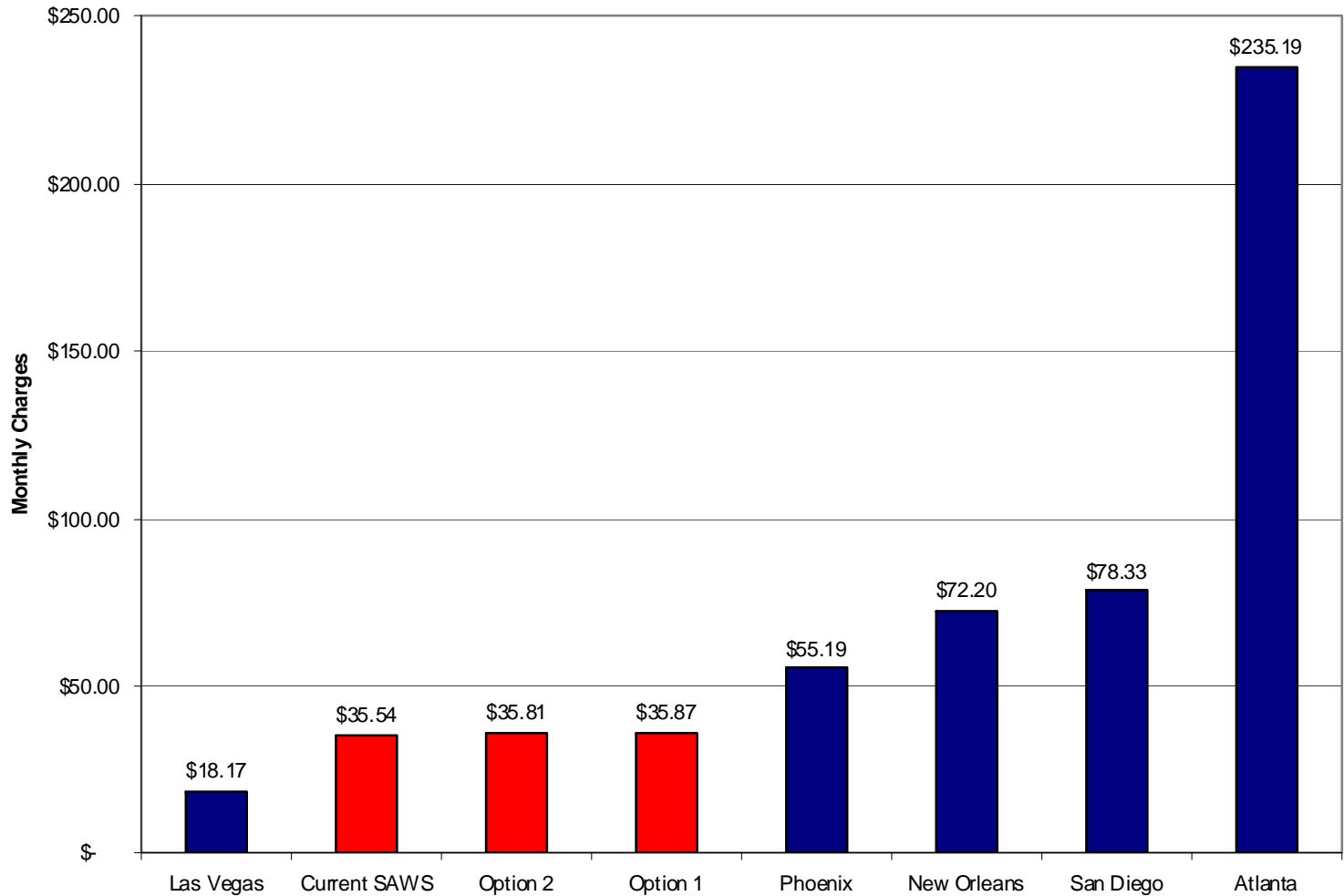


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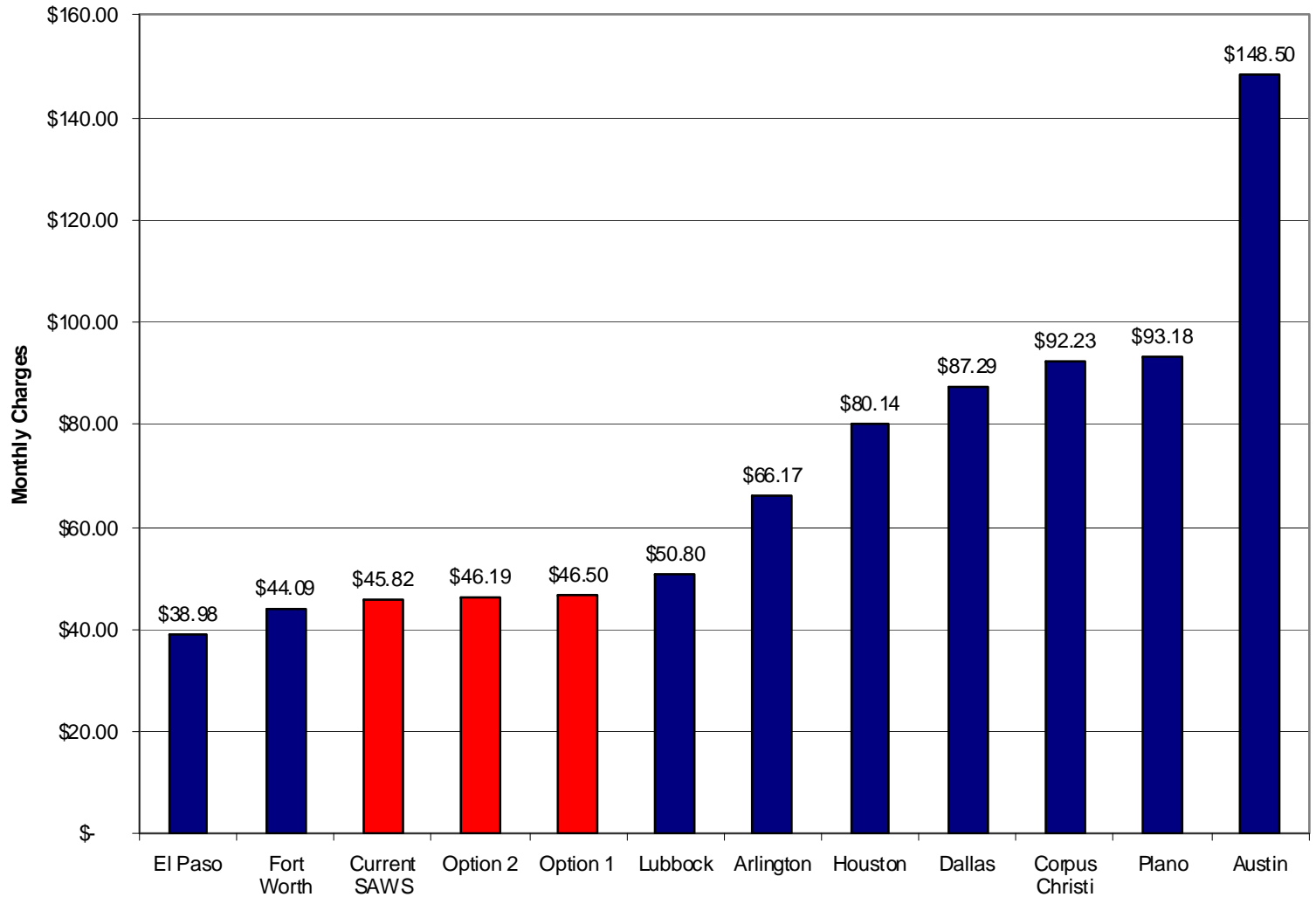
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Texas Cities Comparison (20,000 gallons per month) Residential Class

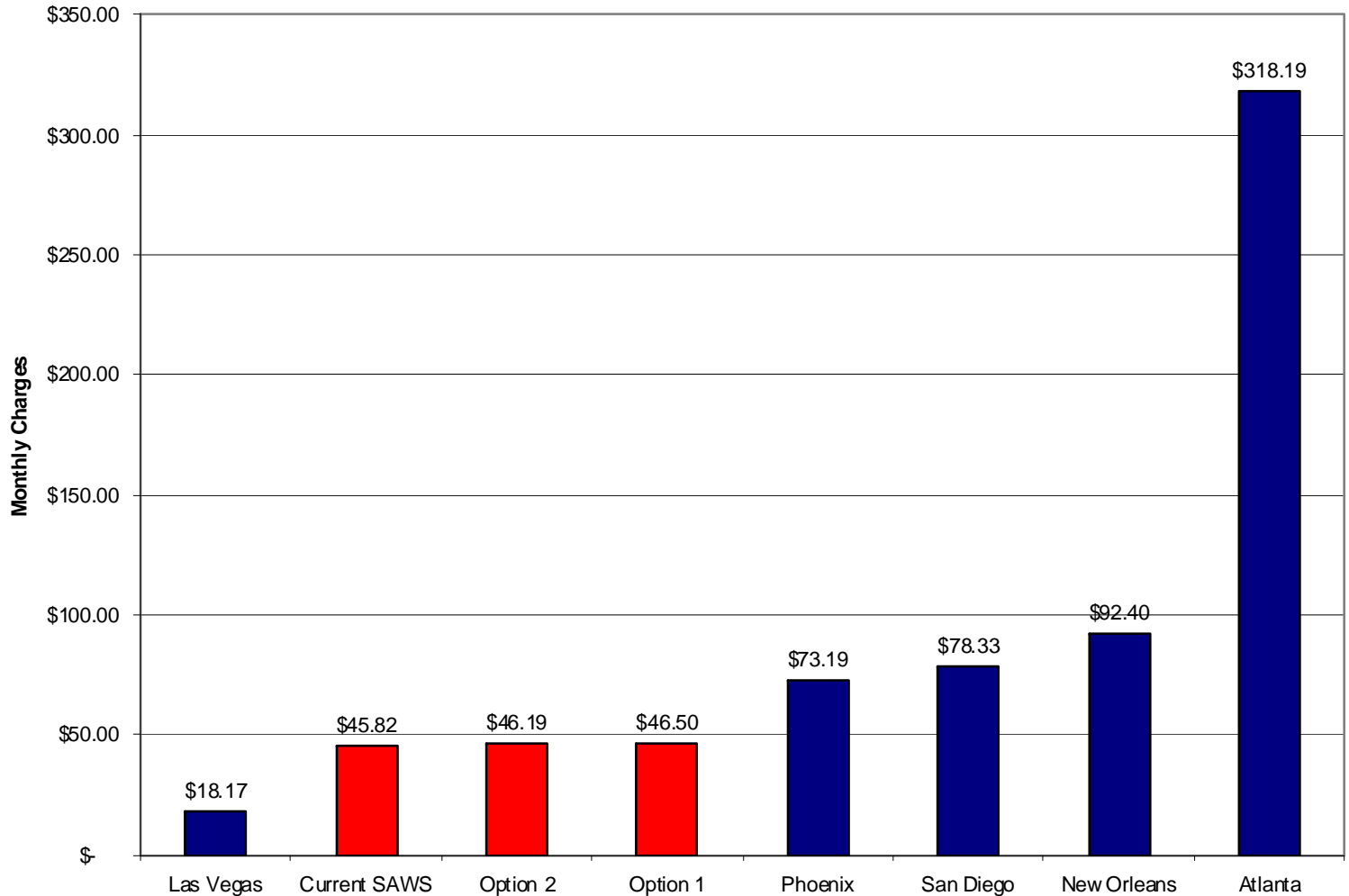


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U.S. Cities Comparison (20,000 gallons per month) Residential Class



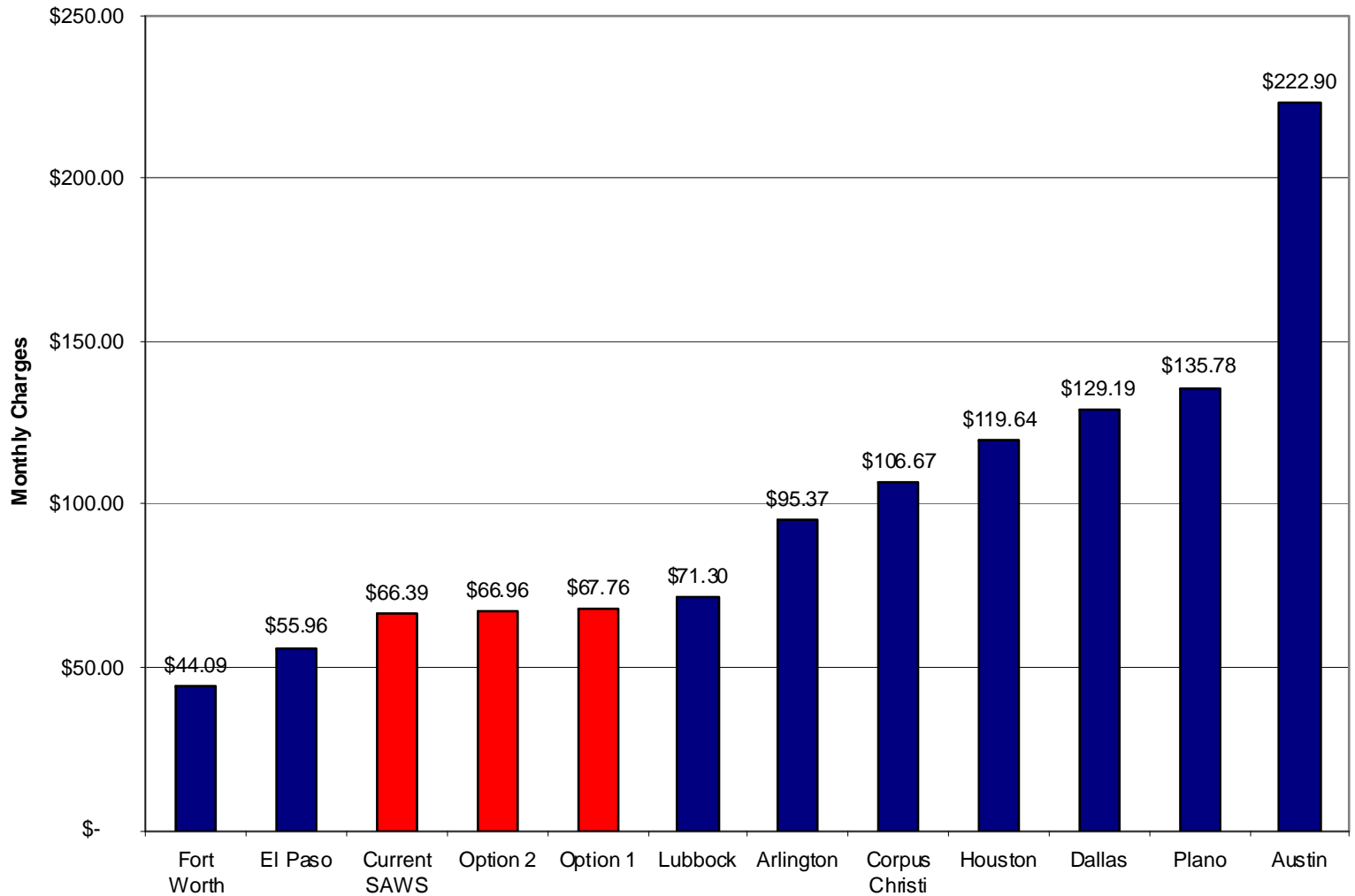
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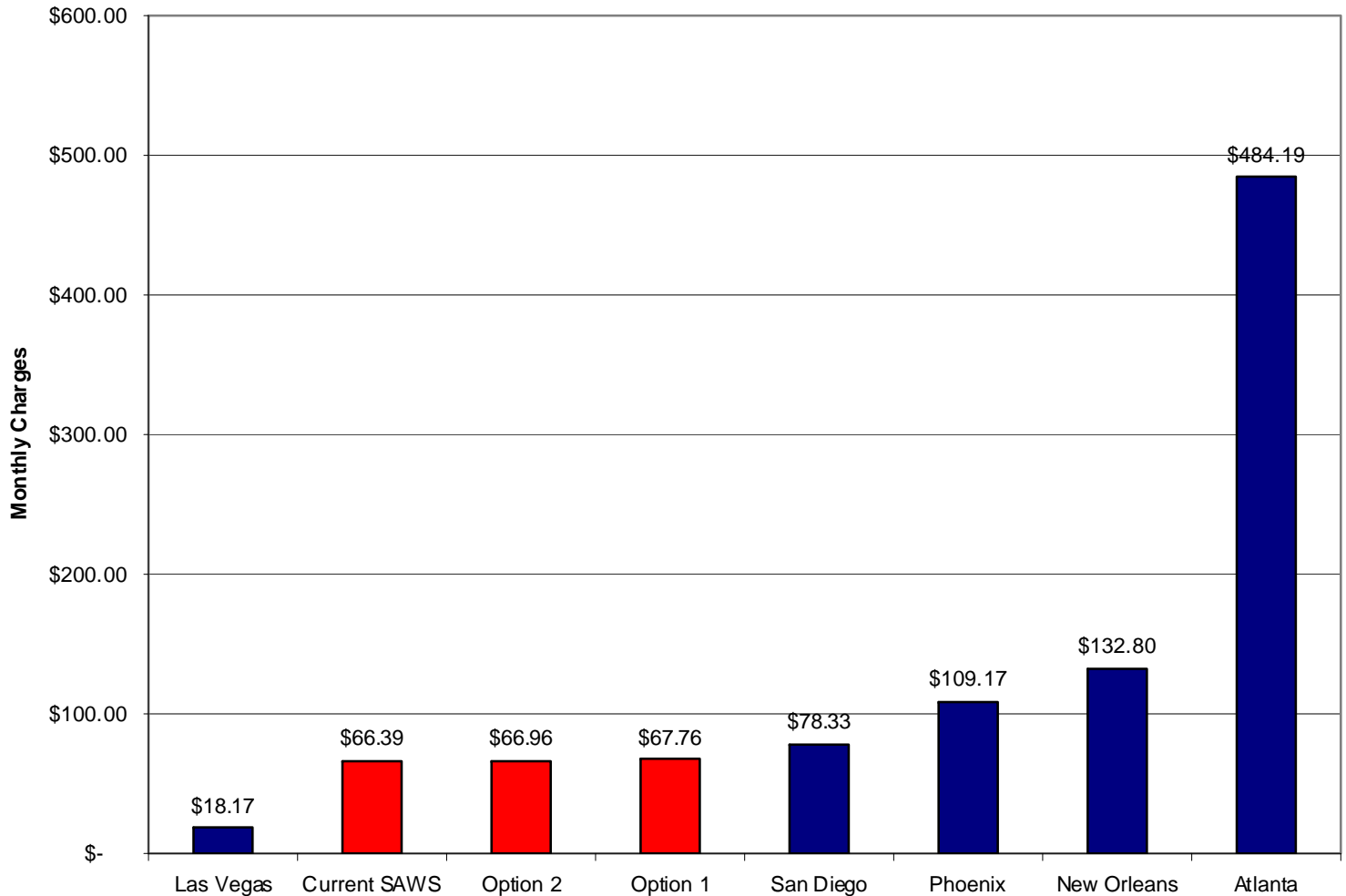


Texas Cities Comparison (30,000 gallons per month) Residential Class



Wastewater Rates

U.S. Cities Comparison (30,000 gallons per month) Residential Class



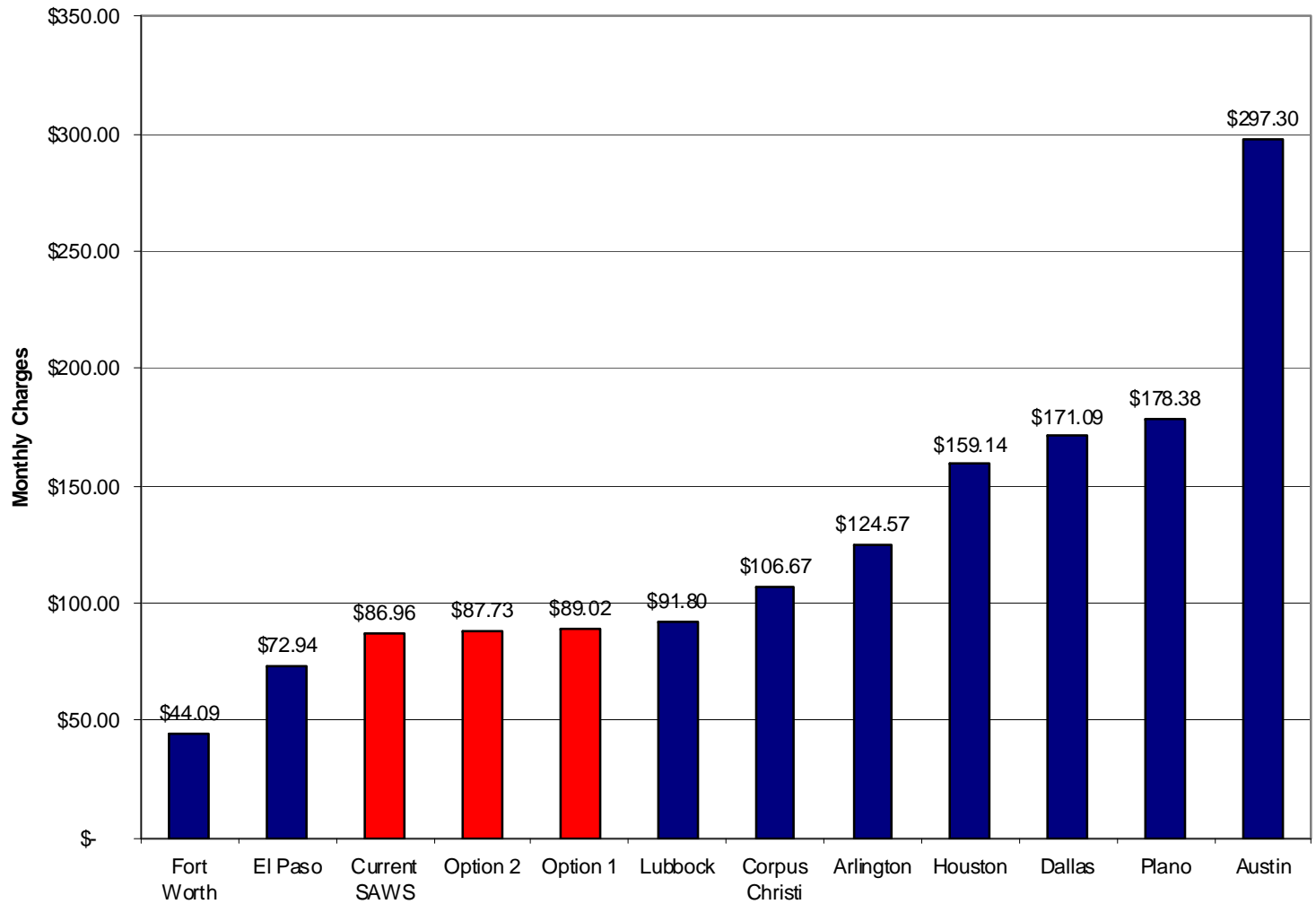
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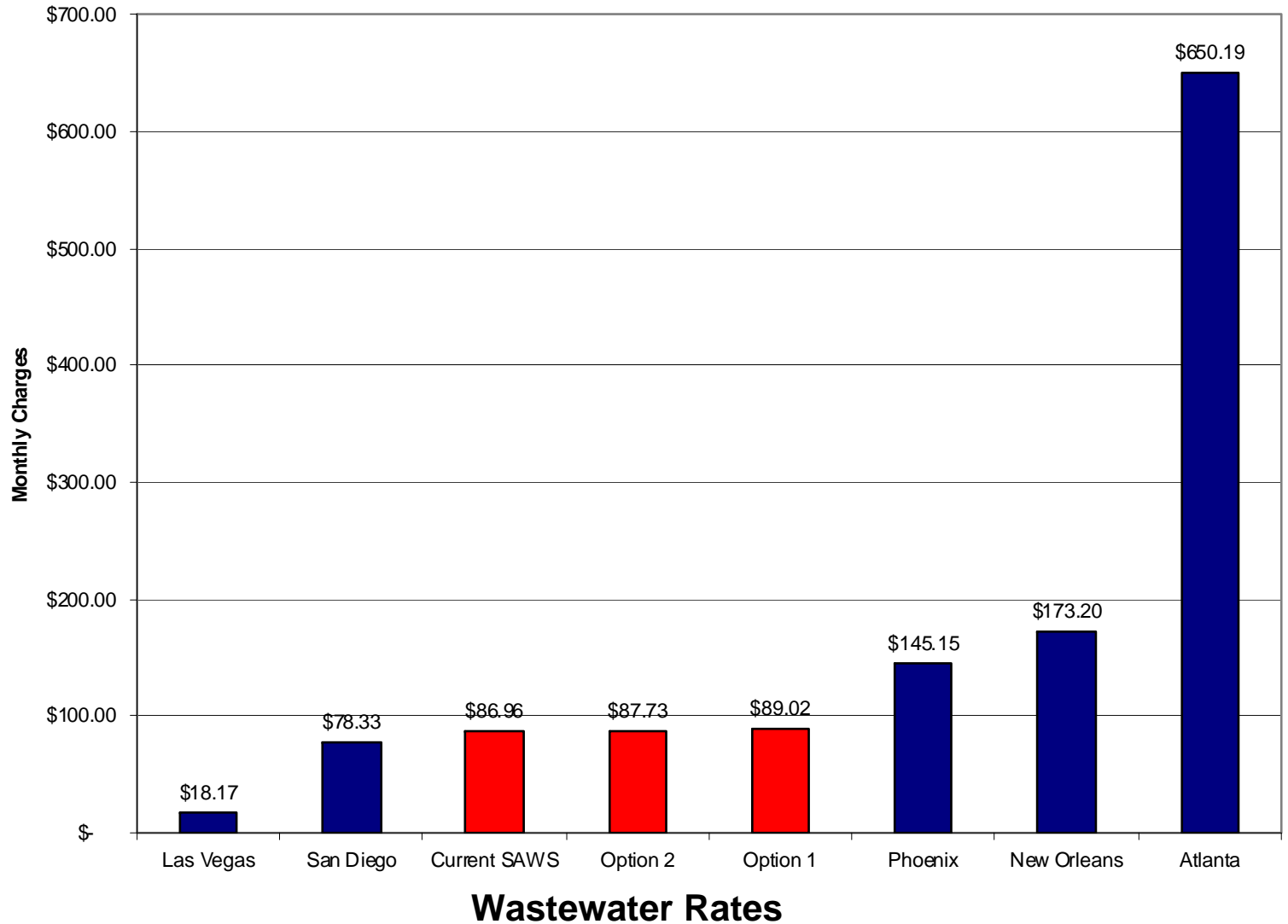
Texas Cities Comparison (40,000 gallons per month) Residential Class



Wastewater Rates

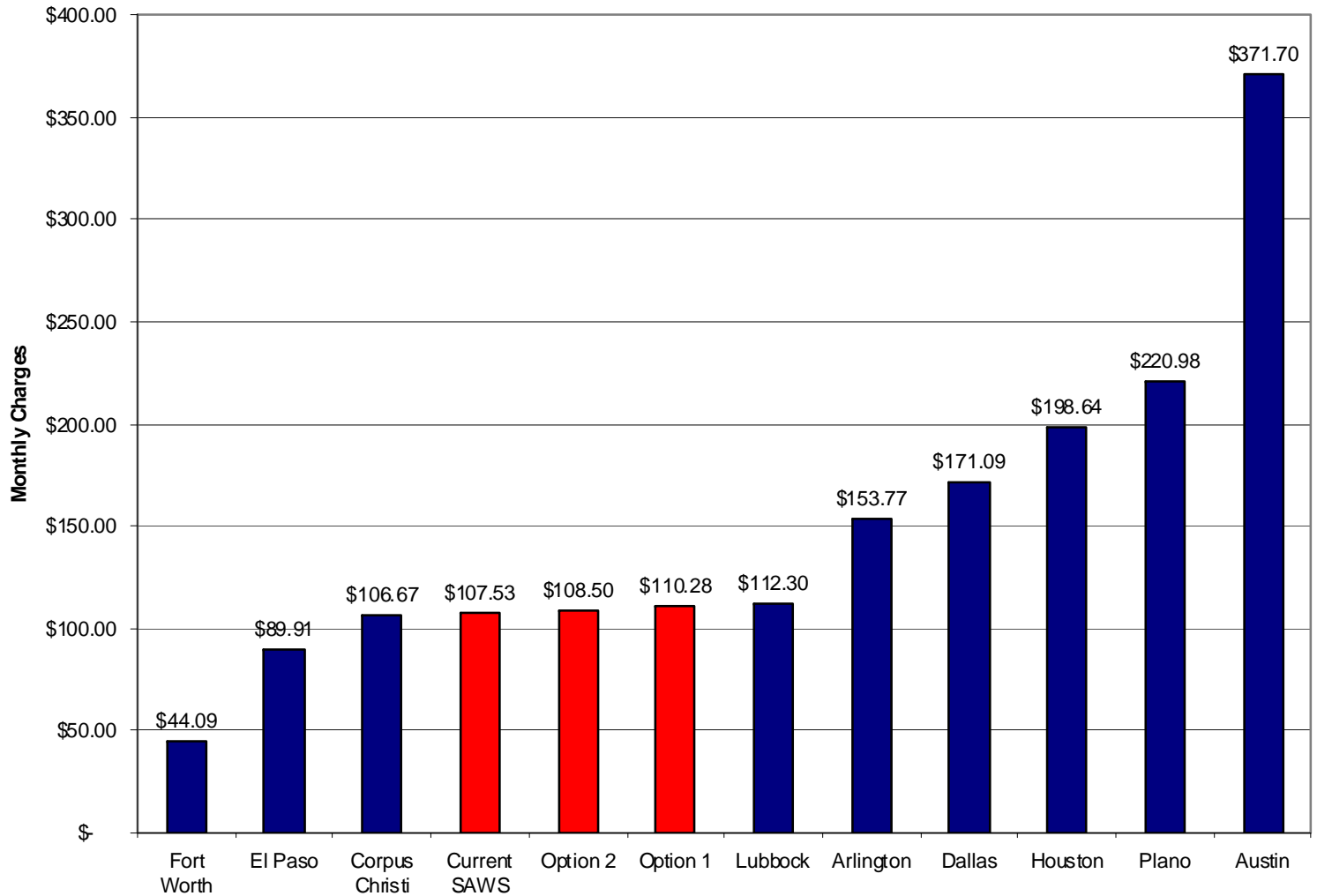
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U.S. Cities Comparison (40,000 gallons per month) Residential Class





Texas Cities Comparison (50,000 gallons per month) Residential Class

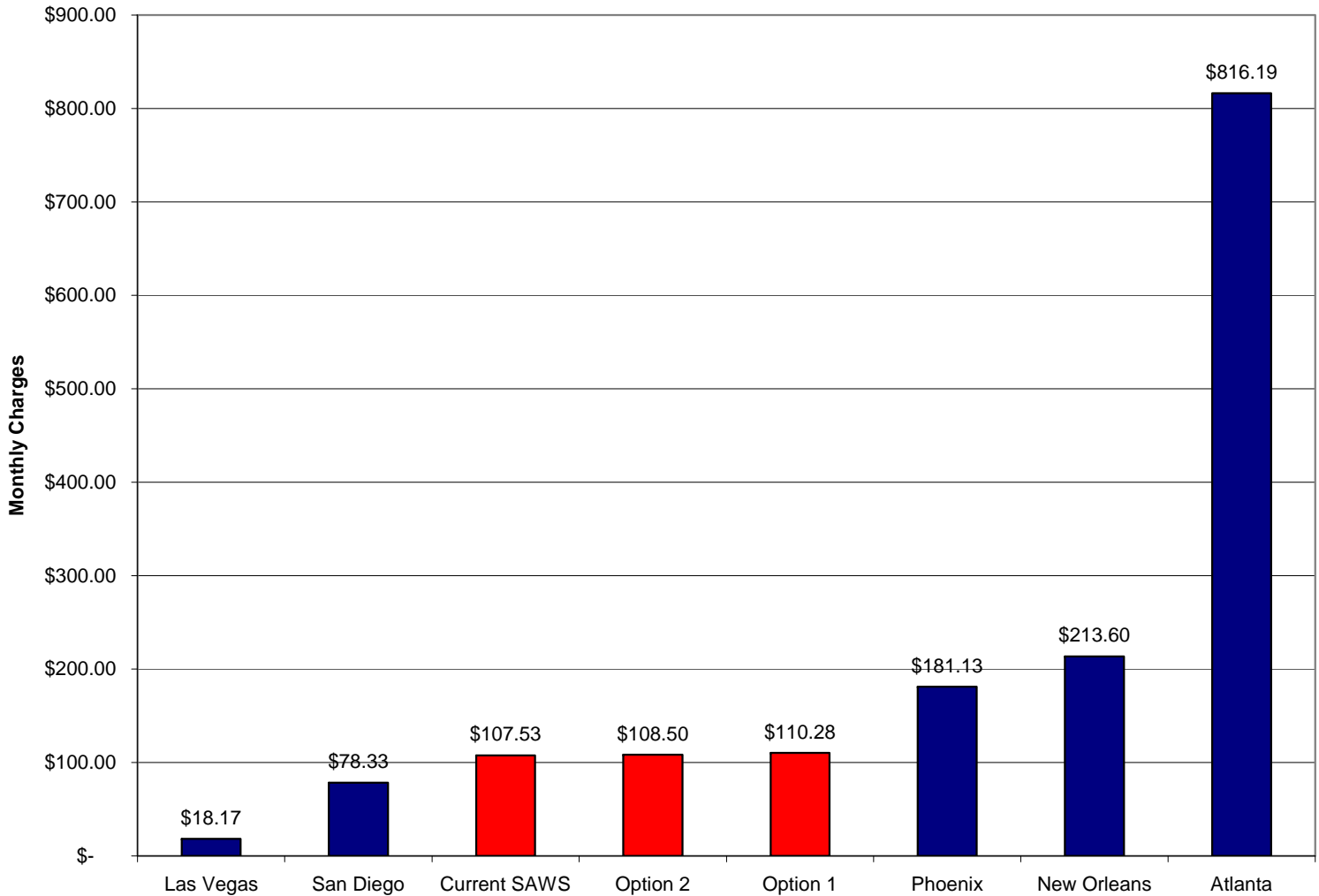


Wastewater Rates

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U.S. Cities Comparison (50,000 gallons per month) Residential Class



Wastewater Rates

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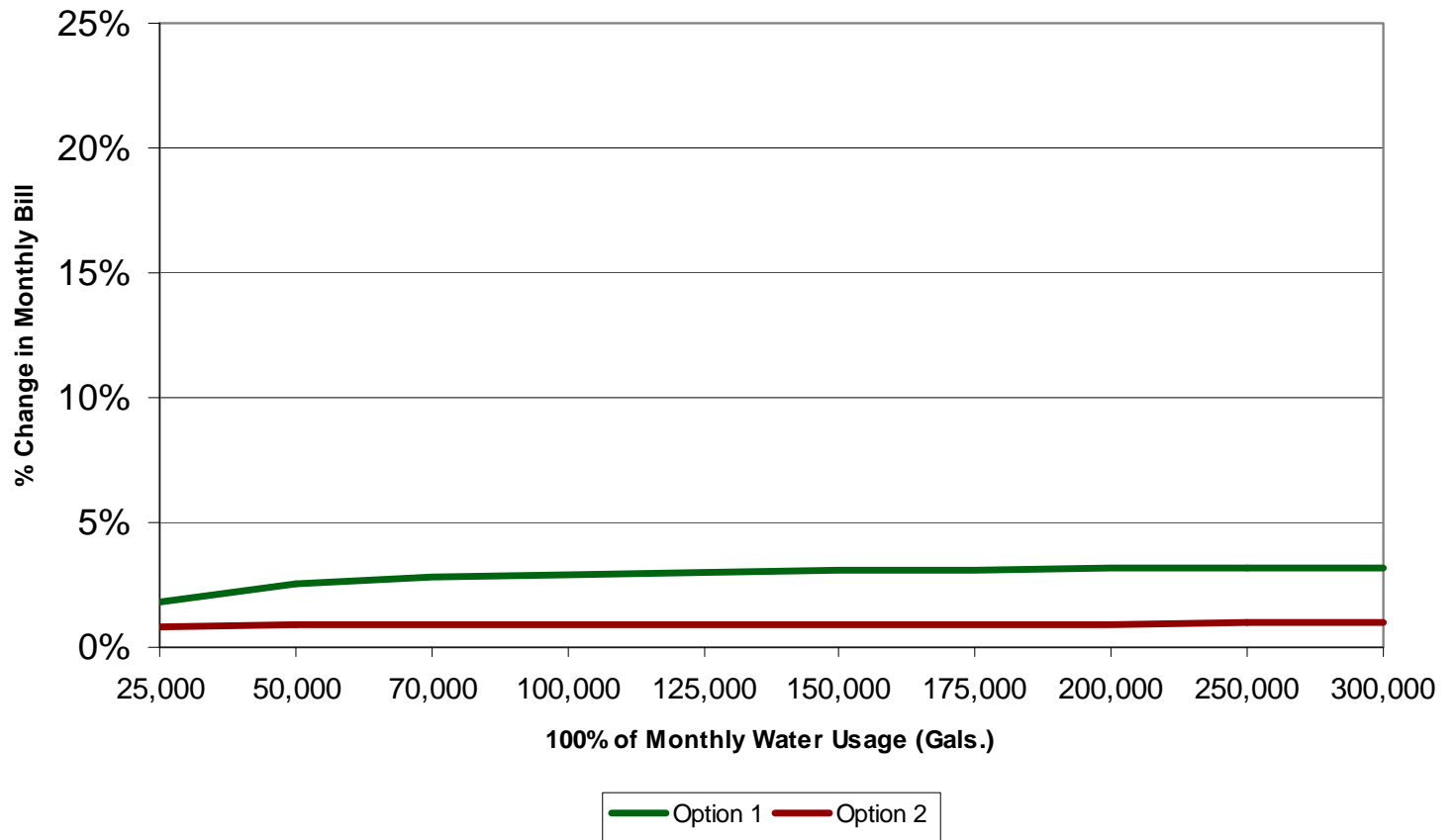


General Class, Commercial Customer Impacts

(2" Meter)

General Class Impact

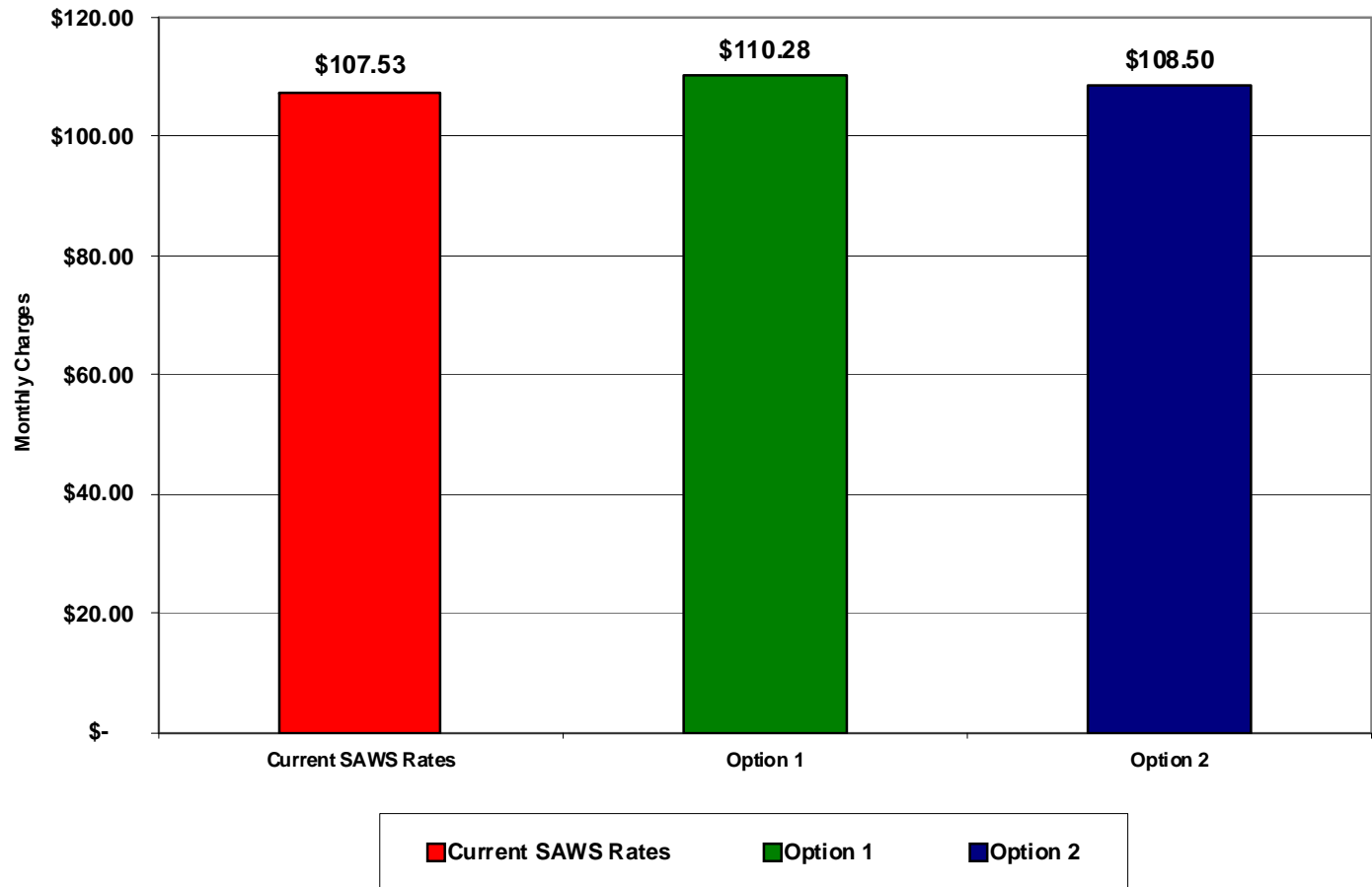
General Class Customer with 2" Meter





Monthly Charges Comparison of Alternatives

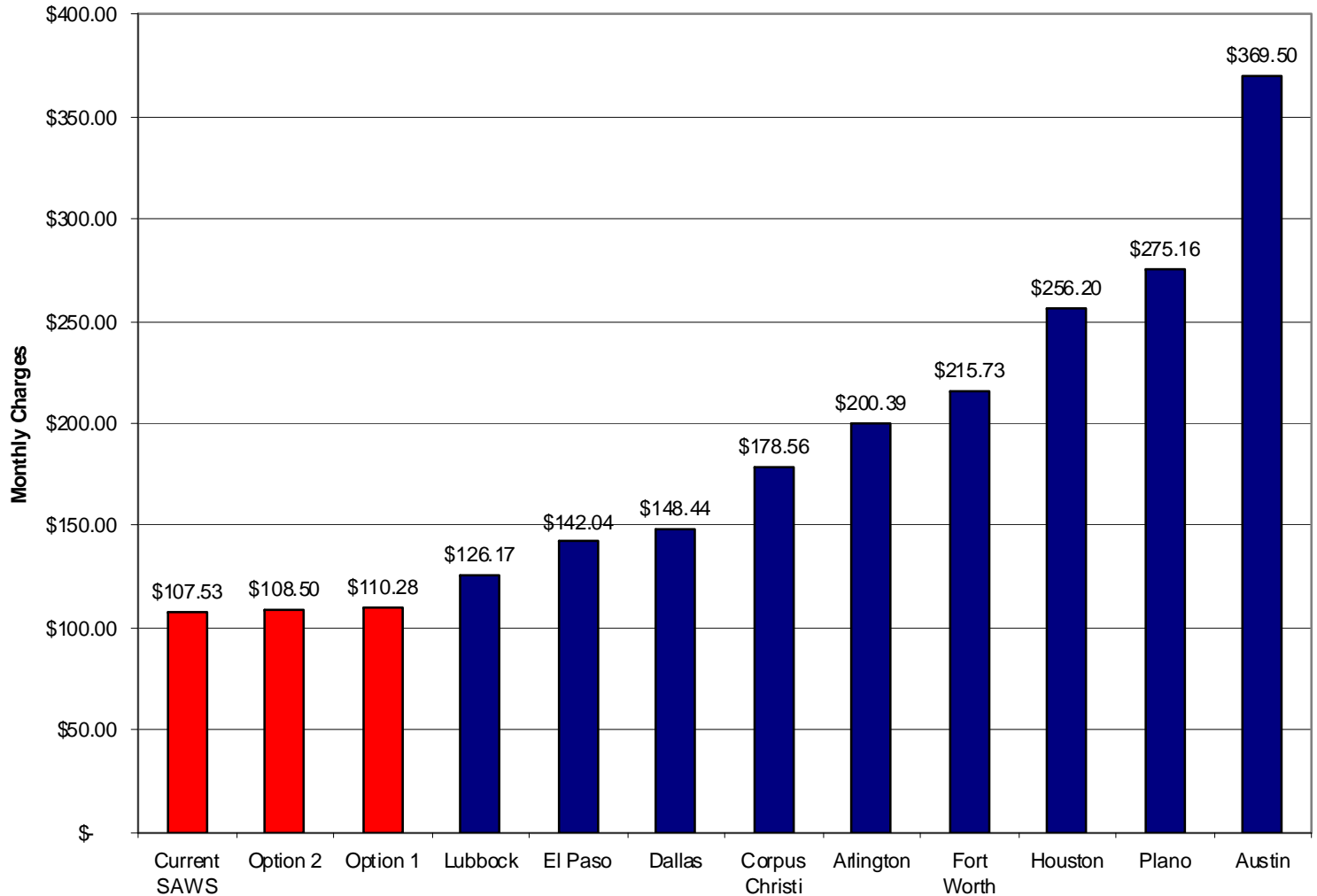
General Class, Commercial (base = 50,000 gallons)



Wastewater Rates



Texas Cities Comparison (50,000 gallons per month) General Class

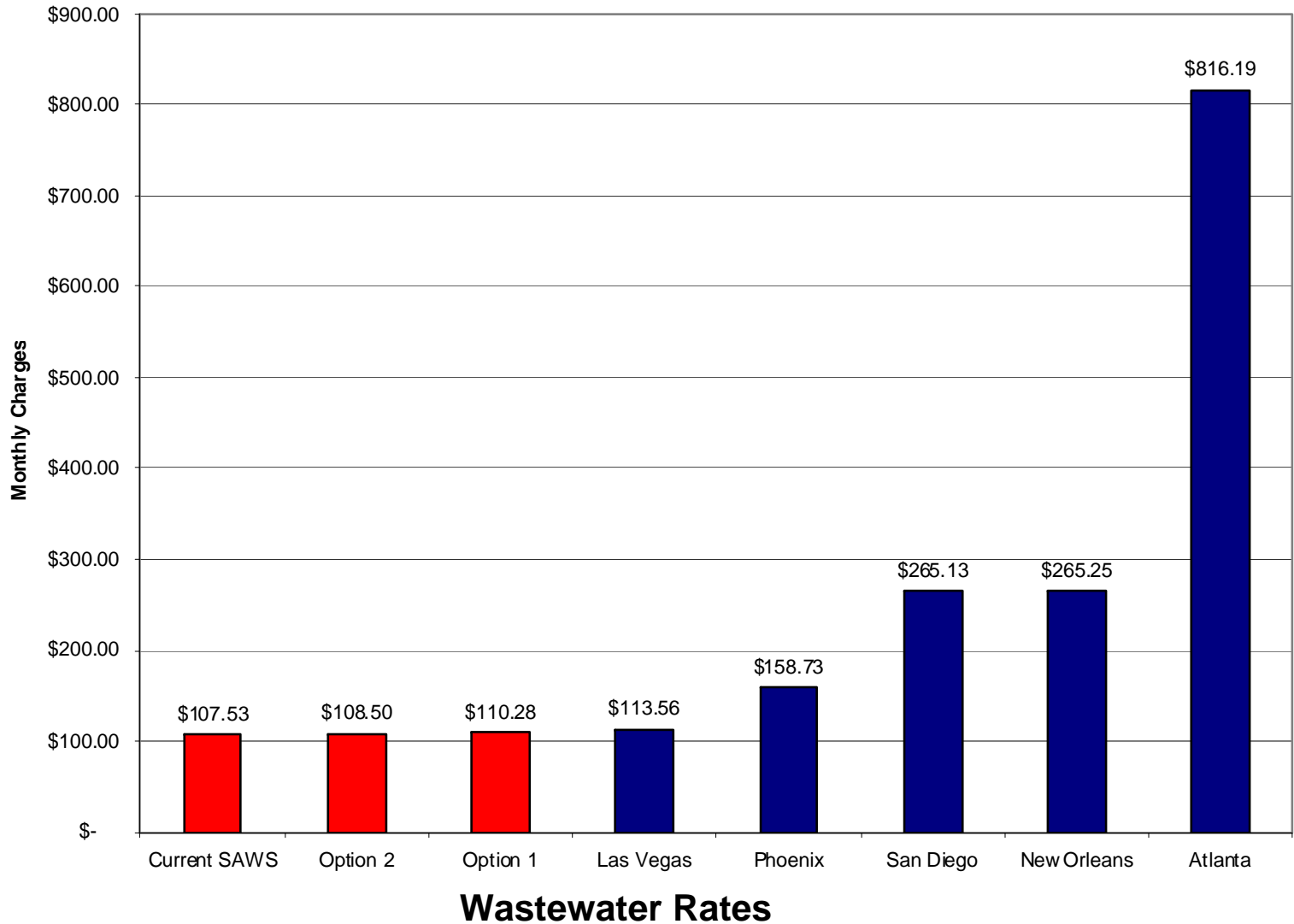


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U.S. Cities Comparison (50,000 gallons per month) General Class



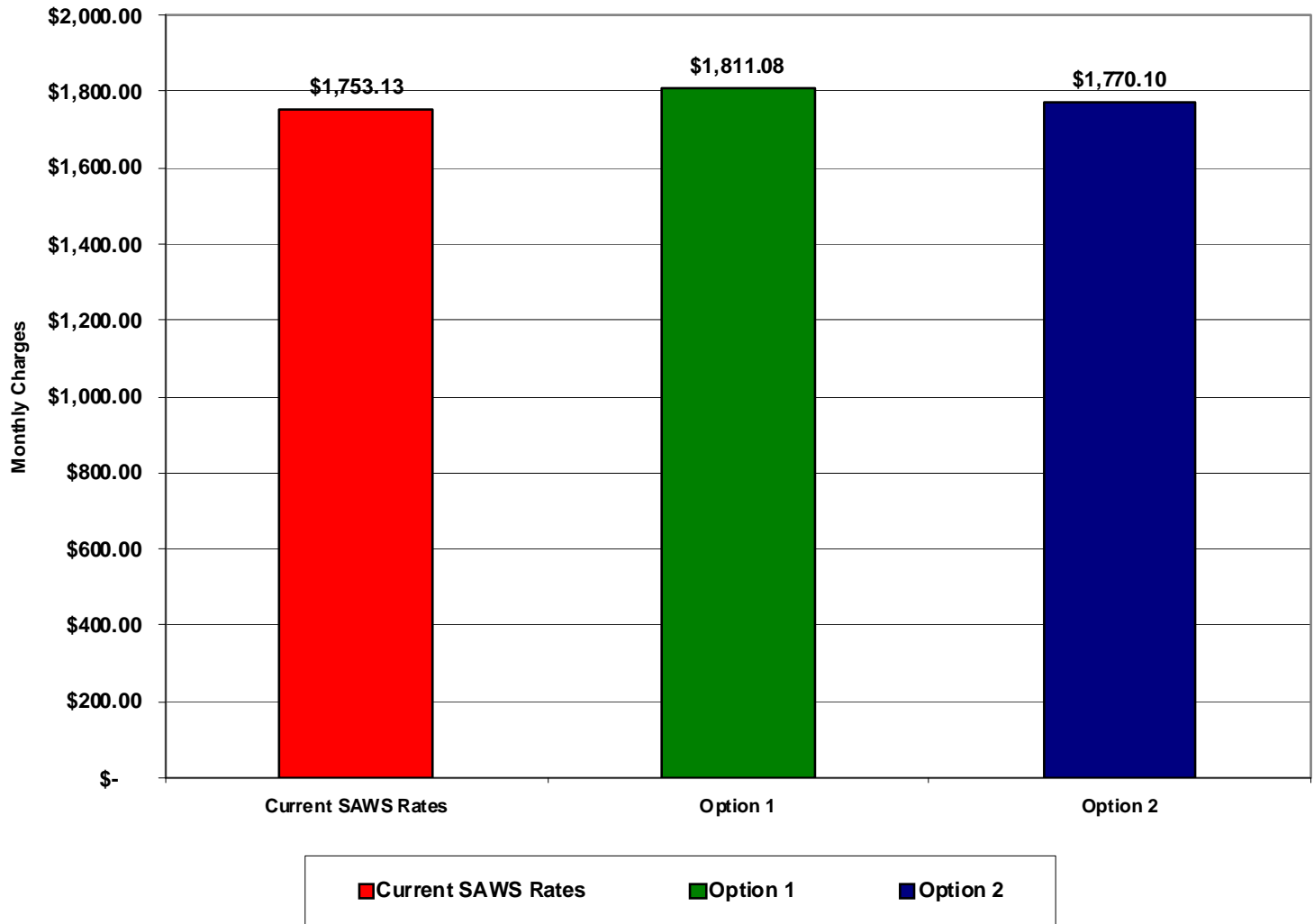


General Class, Industrial Customer Impacts

(6" Meter)

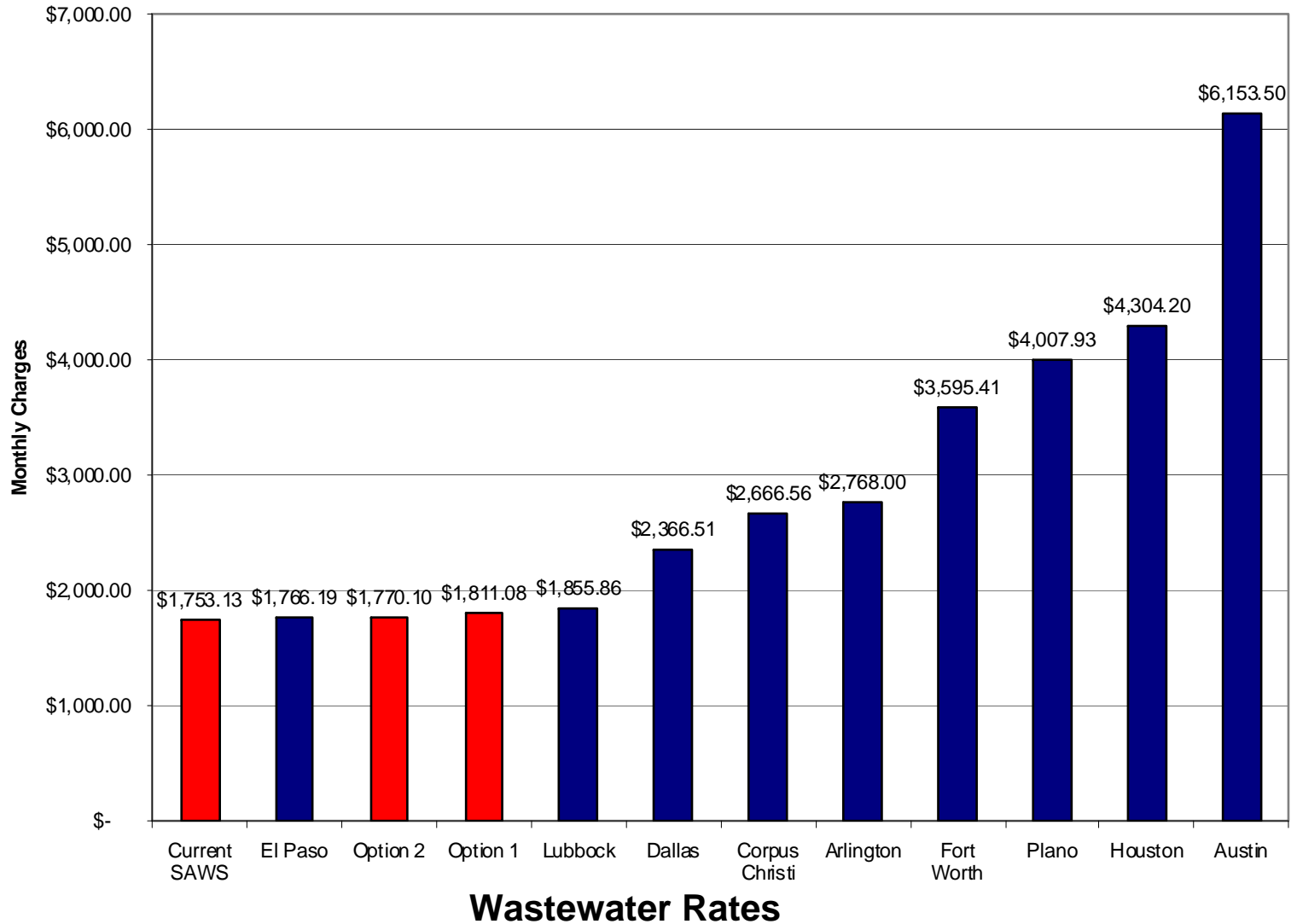


Monthly Charges Comparison of Alternatives General Class, Industrial (850,000 gallons)

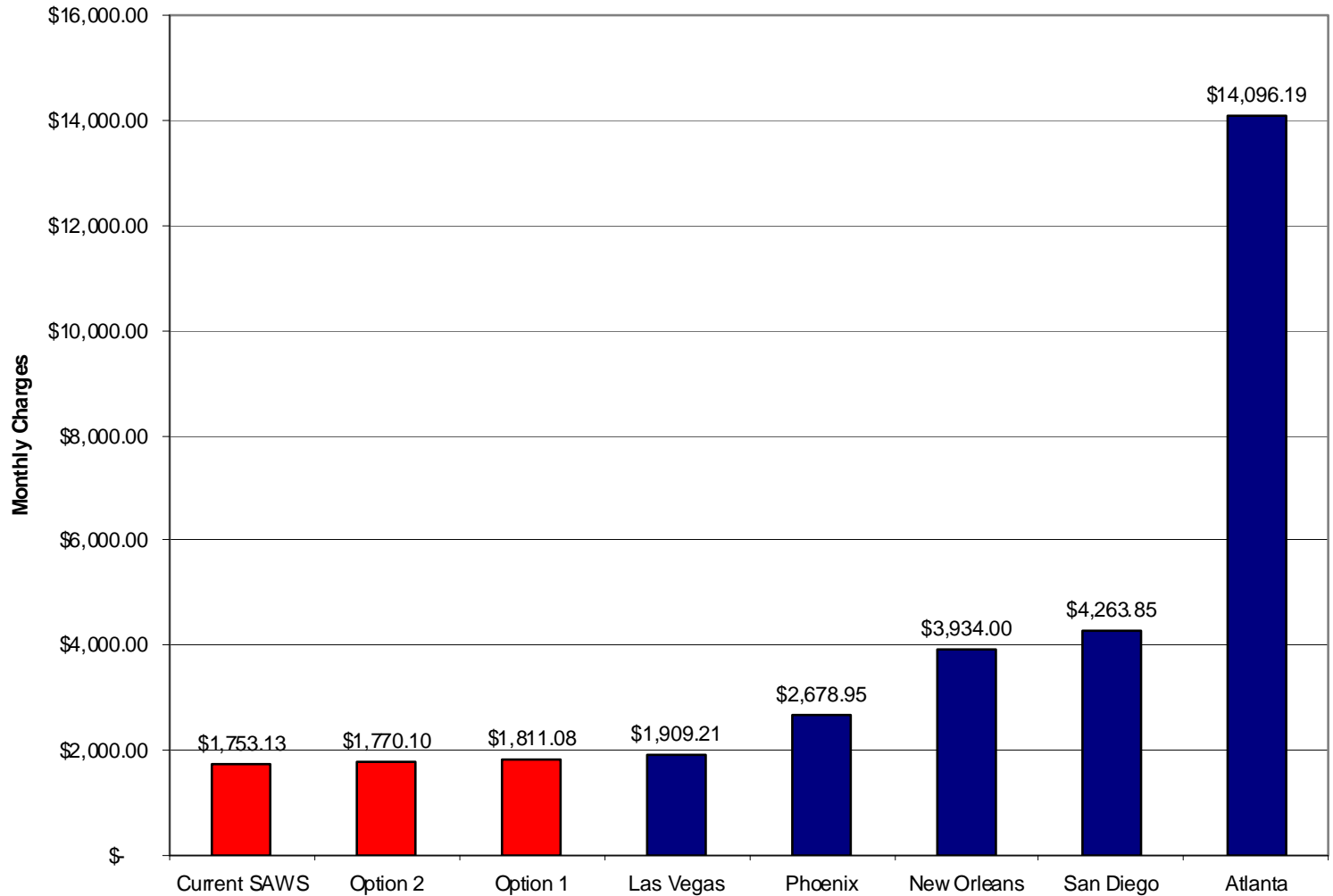


Wastewater Rates

Texas Cities Comparison (850,000 gallons per month) General Class



U.S. Cities Comparison (850,000 gallons per month) General Class



Wastewater Rates

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Revenue Comparison

| | Existing Rate Structure | Option 1 Rate Structure | Option 2 Rate Structure |
|---------------------------|-------------------------|-------------------------|-------------------------|
| Base Charges | | | |
| Residential | \$ 35,333,040 | \$ 32,597,432 | \$ 21,170,275 |
| General | \$ 2,298,140 | \$ 2,120,405 | \$ 1,377,080 |
| Wholesale | \$ 13,120 | \$ 11,756 | \$ 11,756 |
| | <u>\$ 37,644,300</u> | <u>\$ 34,729,593</u> | <u>\$ 22,559,111</u> |
| | | -7.7% | -40.1% |
| Volumetric Charges | | | |
| Residential | \$ 45,411,249 | \$ 46,934,886 | \$ 59,350,520 |
| General | \$ 39,895,894 | \$ 41,234,240 | \$ 41,218,295 |
| Wholesale | \$ 5,341,283 | \$ 5,470,856 | \$ 5,343,683 |
| | <u>\$ 90,648,426</u> | <u>\$ 93,639,982</u> | <u>\$ 105,912,497</u> |
| | | 3.3% | 16.8% |
| Totals | | | |
| Residential | \$ 80,744,289 | \$ 79,532,318 | \$ 80,520,794 |
| General | \$ 42,194,034 | \$ 43,354,645 | \$ 42,595,375 |
| Wholesale | \$ 5,354,403 | \$ 5,482,612 | \$ 5,355,438 |
| | <u>\$ 128,292,726</u> | <u>\$ 128,369,575</u> | <u>\$ 128,471,608</u> |
| | | 0.1% | 0.1% |

% of Revenues from Base Charges

29.3%

27.1%

17.6%



Conclusions

- Current WW rates and rate structure are fair and equitable and consistent with industry standards.
- Options only offer slight improvement over existing rates.
- Maintaining existing rates is an acceptable option.