Tonight’s Agenda

1. Welcome
2. Decisions by Executive Team
3. Activities since last meeting
4. Review of Water options
5. Review of Wastewater options
6. Next steps
7. Public comments
Decisions by Executive Team

Public Involvement Committee Workshop
July 22, 2008
Executive Team Decisions Since Last Meeting

- 5-block rate structure for residential
- Outside-city retail classes eliminated
- No separate irrigation class
- April 2009 implementation
Activities Since Last Meeting

**Water Model**
- Variable month implementation
- Excess-use rate design

**Wastewater Model**
- Re-constructed from water model to be consistent
- Updated cost allocations
- Developed extra-strength surcharge calculations

**Other Activities**
- Validated inputs
- Conducted staff training
- Developed “what-if” options
Water and Wastewater Options

Public Involvement Committee Workshop
July 22, 2008
## Water Options to be Reviewed

<table>
<thead>
<tr>
<th>Option</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black and Veatch</td>
<td>Current approach</td>
</tr>
<tr>
<td>Option 1</td>
<td>Red Oak Base</td>
</tr>
<tr>
<td>Option 2</td>
<td>Seasonal rates for wholesale customers</td>
</tr>
<tr>
<td>Option 3</td>
<td>Recover fire protection through fixed charges</td>
</tr>
<tr>
<td>Option 4</td>
<td>All classes at cost of service</td>
</tr>
<tr>
<td>Option 5</td>
<td>Residential Advocate Hybrid allocation approach</td>
</tr>
</tbody>
</table>
Option 1: Red Oak Base

- 5-block rate structure for residential
- Large-volume customers disaggregated
- 10% above cost for commercial and large-volume customers
- Low income waiver of minimum charge
- Base/extra-capacity allocation method
Residential Water Bills—Option 1

Monthly Bill $ vs. Billed Consumption (1,000 Gallons)

- Red Oak Base 5 Block
- Black & Veatch Base 4 Block

Residential Average Bill 8,500 Gallons
Black & Veatch Base $24.32
Red Oak Base $25.07
Option 2

Seasonal Rate Design for Wholesale Customer

- 10% differential
- No impact on cost of service

Other classes remain the same
Option 3

Fire protection in minimum charges

• Minimum charges vary by meter size
Option 4

All classes at cost of service

- Eliminates 10% subsidy from commercial and large volume customers
Option 5

Residential Advocate Hybrid Allocation

• Cost allocated using base-extra-capacity
• Customer responsibility allocated based on commodity/demand method
• Mutes the impact of peaking
Water Summaries

Revenues from Rates
- Compares revenues by option
- Compares to B&V

Cost of Service
- Allocated costs by class
- Ignores subsidies

Rates
- Presents blocks and seasons
- Selected fixed monthly charges
Wastewater Options to be Reviewed

- **Black and Veatch**: Current approach
- **Option 1**: Red Oak Base
  - Includes I&I as a system cost
- **Option 2**: I&I allocated based on 50% customer and 50% flow
- **Option 3**: All classes at cost of service
Option 1: Red Oak Base

- Large-volume customers disaggregated
- I&I allocated as a system-wide cost based on flow
- 10% above cost for commercial and large-volume customers; 2.8% above cost for multifamily
- Low income waiver of minimum charge
- Hybrid allocation method (O&M based on function; capital costs based on design)
Option 2

Alternative I&I Allocation

- 50% customer
- 50% contributed flow
Option 3

All classes at cost of service

- Eliminates subsidies:
  - Commercial and large-volume customers currently 10%
  - Multifamily currently 2.8%
Wastewater Summaries

Revenues from Rates
- Compares revenues by option
- Compares to B&V

Cost of Service
- Allocated costs by class
- Ignores subsidies

Rates
- Presents blocks and seasons
- Selected fixed monthly charges
Next Steps

PIC Meeting #10: Review “what-if” options and model printouts

PIC member review of options and provide comments – Due August 12th

Executive Team review of PIC member comments and decisions on remaining issues – 2 weeks (depending on comments)

Update models based on FY08-09 Approved Budget – 2 weeks

PIC Meeting (to review “final” Executive Team decisions and “final” model) – Late September or Early October
Next Steps (Continued)

Submission of final comments by PIC members – 3-4 weeks

COS Presentation to Water and Wastewater Commission – November or December meeting

COS Presentation to Citizen’s Water Conservation Implementation Task Force – November or December meeting

COS Presentation and adoption by the City Council – January or early February

Implementation of rates based on new COS methodology – April 1, 2009