

FREQUENTLY ASKED QUESTIONS ABOUT THE RATE STUDY

What is a rate study and why was it done? This rate study is a comprehensive analysis of the City's wastewater rates that addresses a number of key factors such as the financial plan and revenue requirements, the cost-of-service for each customer class, and the fairness and equity of the rate design.

How was the study conducted and who was involved? The City selected and retained NBS in 2015 to begin evaluating the City's sewer rates. By the time this study is completed and recommendations finalized, the City's Utility Rate Advisory Committee will have reviewed the rates. After holding public hearings to discuss them, the City Council will ultimately decide on the proposed sewer rates.

What are the benefits of conducting such a study? First and foremost, it evaluates the fairness and equity of rates among customer classes. This is a key requirement of Prop 218. A wastewater rate model was developed as a part of the study to both document the study results and ensure that City's sewer rates are properly aligned to the rate study methodology.

What were the results of the rate study? The study shows several things:

- First, no increases in the revenue requirements are needed for the next five years.
- Second, that the more expensive treatment costs of the new wastewater treatment plant will increase the share of overall costs borne by higher strength customers, like restaurants, and will slightly decreasing the costs borne by lower strength customers, like office/retail and residential.
- Third, because of water conservation and lower average winter water use, volumetric rates will, by necessity, need to increase. However, when combined with the lower consumption levels, customers -- on average -- will only see minimal changes in their bills other than those related to this shift in costs related to strength factors.

How often will my sewer bill change? Once the average winter water use is available (approximately in April for water use the previous winter), the City recalculates sewer bills using this new data. Those new bills will go into effect on May 1st of each year.

What new wastewater treatment plant components increased costs for higher strength customers? The wastewater improvement project currently under construction replaces the City's existing treatment system with a new and different treatment system that was chosen because it can reliably meet the 2012 wastewater discharge permit water quality standards and has the ability to adapt to future permit changes. The new treatment system has higher costs for effluent strength-related components. For example, the new system uses large electric air compressors, bigger tanks, and more powerful compressors in treating BOD and TSS constituents.

For rate setting purposes, wastewater is divided into four components – Flow, Biochemical Oxygen Demand (BOD), Total Suspended Solids (TSS), and Customer Service (CS). In 2008, the City concluded that the operational costs of the existing plant for Flow/BOD/TSS/CS were roughly 80%/10%/6%/4%. This study concluded that the new plant's costs are approximately 65%/15%/15%/5%, thereby increasing the costs allocated to customers with higher-strength effluent, such as restaurants.

How has lower average winter water use affected my bill? Monthly sewer bills are recalculated each year based on each customer's average winter water use. Periodically, the City prepares a rate study that adjusts the sewer rates to reflect the most current cost factors, including winter water use. As average winter water use has decreased the last several years, collecting the same amount of revenue from volumetric rates requires that volumetric charges increase (same revenue must be collected from fewer units of winter water use). Customers with average reductions in water use should have very similar monthly bills, while customers who do not decrease their average winter water use will see slightly higher sewer bills.

How and when will the recommended rate changes be implemented? In order to implement the new rates, the City will need to issue written notices of the proposed rate adjustments to customers, as mandated by Proposition 218, and hold a public hearing to adopt and implement the new rates. Assuming there is no successful challenge during the Prop 218 balloting, new rates would be implemented by October 1, 2017.

When will the City evaluate and adjust sewer rates again? The City typically re-examines sewer bills, using a cost-of-service rate study, about every five years, although these studies are sometimes done more frequently if there are significant changes in revenue requirements and/or cost-allocation factors.

For more information, please contact Public Works at (530) 757-5686.