

## Impact of MWC Water Rate Increase

The Water Commission has proposed the follow rate increase for their “Other Cities Rates”. See insert from the Medford Water Commission’s report below.

### 5.6 Present and Proposed Other Cities Rates – Schedule 6

Schedule 6 is the rate schedule for Other Cities. This rate schedule is similar to the other rate schedules reviewed. It has a base charge which varies by the meter size and there is a consumption charge. The consumption charge is a seasonal rate structure with the seasons being defined in the same manner as the Commission’s other seasonal rate structures. For this rate setting period, there is a special fee associated with this rate which is temporary in nature and reflects the Other Cities share of the conservation project for a one year period.

Schedule 6			
Rates Effective: January 1, 2016			
Other Cities			
<b>Application:</b>			
<i>This rate schedule shall apply to incorporated cities purchasing water from the commission as defined by the Regulations Governing Water Service</i>			
Base Charge	Meter Size	Present Rates	Calculated Rates
1) Normal Monthly Fee	2"	\$49.07	\$69.62
	3"	99.55	141.24
	4"	154.49	219.19
	6"	295.94	419.88
	8"	453.22	643.02
	10"	689.74	978.80
2) Special Fees			
a) Conservation Project Surcharge [1]		N/A	\$469.79
<b>Consumption Charges</b>			
1) Water Gallonage Charge			
<i>All gallonage, per 1,000 gallons.</i>			
<b>Blocks</b>			
Summer		\$0.67	\$0.95
Winter		0.48	0.77
<i>* Differential is based on \$0.08 for summer incentive &amp; \$0.10 for Duff II *</i>			
<b>Notes:</b>			
[1] Includes Cities \$28,187 share of cost of Conservation Strategies planning project, with payment over 12 month period (Jan 2016 - Dec 2016)			

The rates for this schedule have been adjusted by the cost of service analysis results which indicated a 41.9% revenue adjustment. The consumption charge components of this particular rate have not been adjusted equally in order to maintain the differential between seasons. In total, the rate is designed to collect the additional 41.9%. To establish the rate, the summer consumption charge has been adjusted to the 41.9% level, but the winter charge is set the needed differential, and the base charges are set below the 41.9% adjustment to collect the appropriate level of revenue.

The impacts to the individual cities may vary somewhat from the 41.9% as a result of each individual customer’s usage

patterns between winter and summer usage. The rate is developed for the entire group of customers and as such has been designed around the seasonal usage characteristics of the group and not individual customers.

This rate schedule represents a 41.9% increase in the base meter charge, a 41.8% increase in the summer block rate per 1,000 gallons, a 60.4% increase in the winter block rate per 1,000 gallons and implementation of a \$469.79 per month Conservation Project Surcharge.

The proposed rates have been applied to the FY 2014/15 water expenditures for the City of Talent. The City of Talent portion of the TAP base rate would increase by \$1,155 annually. The gallonage charges would increase by approximately \$75,000 annually and the conservation surcharge would add another \$2,115. The total increased cost of water to the City would be \$78,230 annually for the City based on the City’s water consumption in FY 2015.

Returning the City of Talent Base Rates back to the 2002 rate schedule shown below generates approximately \$114,000 in revenue annually net of any associated charge in lieu of franchise fees. The majority of the Talent’s water customers have a 5/8” meter. The monthly rate increase for a 5/8” meter would be \$4.14 per month or just under \$50 annually.

<b>City of Talent Base Rate Schedule as of May 2002</b>		
<b>Meter Size</b>	<b>In City Limits</b>	<b>Outside City Limits</b>
3/4" to 5/8"	\$16.14	\$32.28
1"	\$35.64	\$71.28
1 1/2"	\$68.14	\$136.28
2"	\$143.00	\$286.00
3"	\$247.00	\$494.00
4"	\$364.00	\$728.00
6"	\$689.00	\$1,378.00

In addition to the rate increase proposed by the Medford Water Commission, the City's Water Utility must upgrade the SCADA communication system and complete capital maintenance on the Regional Booster Pump Station and Talent Booster Pump Station as part of the TAP Intertie with the Cities of Phoenix and Ashland. The City's portion of the SCADA system is estimated at \$50,000. The SCADA system monitors the flow of water through the system, monitors and maintains reservoir levels and sends system alerts. The City of Talent's portion of capital maintenance cost for the TAP Intertie over the next ten years is estimated at \$95,000.

Returning to the 2002 City of Talent Base Rates would generate the revenue needed to cover the Medford Water Commission proposed rate increase, capital maintenance of the TAP Intertie system and funding for future distribution system infrastructure improvements outlined in the City's Capital Improvement Plan.