

DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: October 28, 2009

Board Item: 5-1

Adoption of Water Rates for 2010

Action by Consent

Action

Information

Staff is recommending adjustments to existing water rates for customer meters read on or after February 3, 2010.

Required 2010 Increase in Revenue from Water Rates

Based on the 2010 water rate cost-of-service study, Staff is proposing changes in water rates that will increase total system revenues from water sales by approximately \$13.33 million (6.0%) over current levels. These proposed rate changes will impact treated, recycled and raw water customers served by Denver Water. The 2010 revenue increase required from outside city customers is approximately \$4.68 million (3.7%). The 2010 revenue increase required from inside city customers is approximately \$8.65 million (9.2%). Actual rate and bill impacts for each customer rate class and individual customers will vary based on their forecast water consumption profile.

Key Issues Associated with Proposed 2010 Water Rates

New Long-Term Demand Forecast: Denver Water's cost-of-service study allocates capacity-related assets between inside city and outside city customers based on a long-term demand forecast produced by the Planning Division. As part of the 2010 Integrated Resource Planning process, the Planning Division completed an updated long-term demand forecast that was incorporated in the 2010 water rate cost-of-service study. This updated forecast features higher demand growth inside the City and County of Denver. As a result, a higher percentage of costs are allocated to inside city customers than has been the case in previous years.

Monthly Billing: The cost-of-service study estimates maximum day and maximum hour peaking factors for each customer rate class based on historical billed consumption data. Denver Water's existing historical billed consumption data is based on bi-monthly billing periods. The implementation of monthly billing in July 2009 caused this historical data to lose predictive value. As a result, the 2010 cost-of-service study restates historical bi-monthly billed consumption data to develop a proxy for the anticipated profile of future monthly billed consumption. The maximum day and maximum hour peaking factors used in the 2010 cost-of-service study reflect a four-year transition from peaking factors based on actual historical bi-monthly billed consumption data to those based on anticipated monthly billed consumption patterns.

Customer Service Charge: The 2010 cost-of-service study lowers the amount of customer service costs allocated to Master Meter distributors to more accurately reflect the actual costs Denver Water incurs on their behalf. As a result, more costs are allocated to inside city, Read & Bill and Total Service customers. The proposed 2010 customer service charge of \$5.58 is 26.5% higher than the existing 2009 customer service charge of \$4.41.

Differential Between Inside City and Read & Bill Rates: Proposed 2010 single family residential (SFR) rates for Read & Bill customers are 4.3% higher than proposed 2010 inside city SFR rates. This differential is less than historical norms and has declined since 2007 when the Board modified the SFR rate design to feature a 4:1 steepness. On an average rate per thousand gallons basis, proposed 2010 rates for Read & Bill SFR customers will be approximately 20.57% higher than inside city SFR customers.

2010 Transition to Full Cost Other Irrigation Rates: In 2008, the Board created the Other Irrigation rate class for commercial, industrial and governmental irrigation-only customers. The Board elected to transition these customers to full cost rates over a three-year period. Proposed 2010 rates reflect the final phase-in to full cost rates. As a result, inside city commercial, industrial and governmental irrigation-only customers will experience a 26.2% increase in their 2010 summer rate. Read & Bill and Total Service customers will experience respective 10.7% and 16.5% increases in their 2010 summer rate.

For 2010, Staff proposes the Other Irrigation customer rate class be consolidated with the Single Family Residential customer rate class. This will result in Denver Water having a single irrigation-only rate class which is appropriate given the homogeneity of their consumption patterns.

Rate Schedule Attachment

Attachment #1 includes full proposed 2010 Denver Water rate schedules.

Public Participation

Public comment on proposed 2010 water rates was taken at the Board Workshop on October 14, 2009 and a public participation meeting was held by the Citizen's Advisory Committee on the evening of October 15, 2009.

Proposed 2010 water rates were presented to the Outside City Distributor's Forum on October 20, 2010. In addition, inside city single family residential bill impacts were discussed with the Greenprint Committee of the Denver City Council on October 20, 2010.

Recommendation:

It is recommended the board approve the proposed water rates for 2010 shown in Attachment #1.

Respectfully submitted,



H. J. Barry, Manager

Approvals:



David, LaFrance, Director of Finance