

Summary

To: Infrastructure Board
Cc:
From: Micah Badana
Subject:
Date: 04/07/2014

Summary: Town staff completed a comprehensive study of the water utility's rate structure.

Previous Board Action: None.

Background/Problem Discussion: The water department has experienced negative net operating income at an annual average loss of \$ (331,108) over the past five years. If the town decides to retain its water department the town must re-assess the current rate structures and increase revenue.

Financial Implications: If rates are not redesigned then the Water Department will continue to run at a deficit.

Recommendation: Staff has evaluated various rate scenarios and recommends a structure exhibiting the following characteristics:

- 1) A universal base charge that everyone pays,
- 2) Three rate tiers,
- 3) A structure that makes basic water needs affordable and
- 4) A structure that sends a conservation price message to high consumers.

i. Residential:

- A universal base fee of \$12.37 for all residential customers
- A rate charge of \$1.86 per 1,000 gallons for consumption between 0 and 4,000 gallons
- A rate charge of \$6.21 per 1,000 gallons for consumption between 4,001 and 25,000 gallons
- A rate charge of \$7.45 per 1,000 gallons for consumption of 25,001 gallons and above

ii. Commercial:

- A universal base fee of \$24.74 for all commercial customers
- A rate charge of \$4.67 per 1,000 gallons for consumption between 0 and 25,000 gallons
- A rate charge of \$5.85 per 1,000 gallons for consumption of 25,001 gallons and above

Proposed Motion: