




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## MEMORANDUM

CWS File #11-280

To: Ben Wade, CWCB

From: Steve Nguyen, P.E. 

cc: A.J. Euckert, Kelly Stroh, Jon Rabas

Date: August 21, 2012

Subject: 75% Progress Report for City of Dacono Rate Study

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Clear Water Solutions and Water Consulting Group have worked closely with City of Dacono staff to develop rates that work well for the City's existing customer base. Recovering costs and encouraging water conservation have been key focus areas during our rate development. Staff provided water use and revenue and expense data that have been important in establishing rates. The City has not adjusted rates since 2005. Because of this, staff preferred implementing a larger rate increase in the first year, with subsequent increases around 5-6%.

Our priority was to provide the City Council and staff with the background and education needed to establish rates fairly and to understand the importance rates play in water conservation. We feel the Council is well equipped to set rates that best suit Dacono.

We will present three rate structure alternatives to review with staff before taking the draft plan to City Council in October.

- Alternative 1 will leave the minimum charge in place with the 7,000 gallons of water included with the first tier.
- Alternative 2 will eliminate the 7,000 gallons of water included with the first tier and reduce the base rate.
- Alternative 3 will be somewhere in the middle of Alternatives 1 and 2.

We will provide an overview of how these rates were developed and show how the recommended rate structure compares to other similar-sized water providers. Further, we will discuss the anticipated impacts the rate structures will have on existing Dacono rate payers and the timeline for implementation. We will request that the Council provide direction on which rate alternative to implement. The Council will provide any suggestions or adjustments that need to be made to the recommended rate structure prior to implementation.

Since Dacono only has two customer classes at this point, Residential and Commercial, we do not feel a separate rate for Commercial, such as a uniform rate, makes sense.

This option can be evaluated in the future as Dacono grows and develops more Commercial accounts. In addition, in the cost allocation analysis, we determined that neither customer class is subsidizing the other under the current rate structure. This will lead to the same rate increase across the two customer classes, which greatly simplifies communication on the rate increase.

The project is on schedule. The City will complete a 60-day public comment period to begin in October 2012, during which time a copy of the draft plan will be kept at City Hall and posted on the City's website. Notice of this 60-day review period will be posted in the paper and water bill. Once the 60-day review period is completed, we will address public comments as directed by the City Council and staff and request the Council adopt the plan at the December 2012 meeting.