



East Larimer County Water District

Memorandum

To: Ben Wade, Office of Water Conservation & Drought Planning CWCB

From: Melissa Tremelling, East Larimer County Water District
Webster Jones, P.E., Water Consulting Group

Date: July 15, 2013

Subject: 50% Progress Report for East Larimer County Water District Rate Study
Water Efficiency Grant #PO 13000000104

This memorandum has been prepared to provide the status of work performed to date on the water rate study for East Larimer County (ELCO) Water District. The water rate study is being partially funded by a Water Efficiency Grant administered by the Colorado Water Conservation Board: (OE PDA 13000000029).

Task 1.1 - Data Collection and Development: May 10-17

Data on customer accounts, meter sizes, monthly consumption, total rate revenue, wholesale rate revenue, development fees, capital projects and peaking characteristics was collected.

Actual water use data from 2011 was selected as the basis for evaluating rates. Data from 2011 was chosen because that year had a fairly typical pattern of summer weather. The summer of 2011 was not unusually hot and there were measurable rains scattered at regular intervals throughout summer months.

Existing customer categories and rate structures were discussed with staff. It was determined that some irrigation-only customers were classified as commercial customers. District staff audited all commercial accounts and identified those accounts that should be classified as irrigation-only.

Task 1.2 – Evaluation of Current Policies, Goals and Objectives: May 20 - June 14

To establish revenue requirements necessary to perform the cost-of-service analysis, District staff developed a 10-year cash flow projection. After presentation of the preliminary cash flow projection to the District Board, it was determined that a new development fee will be levied by the District.

The Board directed staff to calculate a new “Storage Fee” that reflects the anticipated costs of acquiring and developing water rights originating from the Poudre River. Once calculated and adopted by the Board, the Storage Fee will be charged to each customer purchasing a new water tap. The consultant developed several alternatives to assist staff in calculating the new storage fee.

Wholesale rates charged to Northern Colorado Water Association and Sunset Water District are established by contract. The unique provisions of existing contracts were analyzed to determine the most appropriate method of allocating costs specific to those wholesale customers.

A mid-year water rate increase was anticipated and reflected in the District's adopted 2013 Budget. Without cost-of-service data available to determine relative rate increases applicable to the different customer categories, it was determined by the Board that a uniform, across-the-board rate increase be implemented. The Board approved the rate increase at its May Board meeting. New rates became effective on July 1st. A copy of the rate-increase notification provided to all ELCO customers is attached.

Capital projects planned over the next few years will have a significant impact on District water rates. Before proceeding with the cost-of-service analysis, it was decided that staff would review the capital improvement plan with the Board. The capital improvement plan and cash flow projection were discussed in detail in Board meetings and in meetings with individual Board members.

The consultant and staff discussed various rate alternatives that encourage conservation while preventing any class of customer from subsidizing another class of customer. Staff provided direction on preferable conservation oriented rate structures. Those rate structures will be evaluated in Task 1.3.3, Rate Design.

Task 1.3 – Cost-of-Service Analysis: June 17 - July 12

A projection of revenues, development fees, expenditures, capital costs, debt service obligations, and reserve requirements from retail and wholesale water customers was developed. Preliminary estimated revenue requirements were allocated to the different types of customers based on their respective water use characteristics. Actual revenue requirements will not be available until establishment of the new Storage Fee discussed earlier.

Using Microsoft Excel, the consultant is developing a preliminary rate model. The model shows all pertinent financial data, water usage, customer account data, allocation methodology, unit costs and cost-of-service for all customer categories. The consultant is refining the preliminary model to accurately reflect costs that apply to all customers, and exclusively to retail customers and the District's two wholesale customers.

Schedule

The project is currently on schedule. At this time, no revisions to the schedule submitted with the CWCB Water-Efficiency Grant Application are anticipated.



Rate adjustment to take effect July 1, 2013

At its May 2013 meeting, the East Larimer County Water District Board of Directors approved a 9% rate increase effective July 1, 2013. The rate adjustment is necessary to balance the District's water service revenues and expenditures, which include costs related to the High Park fire mitigation effort along with replacing aging ELCO water system infrastructure to help ensure system health and reliability. Even with the rate increase, ELCO still charges less than most other northern Colorado water suppliers. The new rate will be reflected on the billing customers receive in August. Please feel free to contact the District with any questions at (970) 493-2044.

	June 2013	July 2013
Monthly Minimum Charge – ¾" meter (provides up to 4,000 gallons per month)	\$18.69 / month	\$20.37 / month
Charge after the first 4,000 gallons / month	\$2.53/ 1,000 gallons	\$2.76/ 1,000 gallons
Conservation Charge (Assessed only after use exceeds annual allotment)	\$1.93 / 1,000 gallons	\$1.93 / 1,000 gallons

Below is a table showing the rate increase based on meter size:

CHARGES FOR WATER SERVICE EFFECTIVE JULY 1, 2013

<u>METER SIZE</u>	<u>CURRENT</u>	<u>9% RATE INCREASE</u>
¾"	\$ 18.69	\$ 20.37
1"	\$ 19.57	\$ 21.33
1 1/2"	\$ 20.44	\$ 22.28
2"	\$ 22.85	\$ 24.91
3"	\$ 40.61	\$ 44.26
MOBILE HOME PARK	\$ 9.34	\$ 10.18
VOLUMETRIC CHARGE	\$ 2.53	\$ 2.76