WATER RATES
Staff Report, Jen Clancy
6/9/2021

Water rates are reviewed annually when setting the Water Fund's budget. Water rates must be sufficient to cover the costs of running the system, repay debt, and save for future infrastructure replacement. Additionally, rates are an appropriate tool for encouraging conservation of water. While working on this year's budget added emphasis has been placed on paying down the water systems debt to the general fund (with a 10 year plan to retire the debt) and including infrastructure replacement, both of which have been absent or underfunded in previous budgets. Excluding the BOR grant funds, the revenue required to run the system and meet these goals is $222,565.

Each water system user in the Town is assigned an Equivalent Capacity Unit (ECU) value, which is defined as a unit reflecting that part of the capacity of the water system necessary to serve a standard water customer. Customers, such as hotels, can be assigned multiples of the unit to reflect the number and types of water fixtures and other water system demand factors. All single-family residential buildings are assigned an ECU value of 1.25. All commercial buildings are carefully assessed individually, and the ECU value is determined using the table in the water rates resolution that shows the ECU contribution of each type of fixture; there is a minimum ECU value of 1.25 for all buildings.

Historically, the allocation of water per ECU has varied by user type. Residential customers have been allocated 6,400 gallons per ECU value per month (thus 8,000 gallons/month for single-family residence) and commercial customers have been allocated 12,000 gallons per month per ECU value. The larger allocation for commercial users is at odds with the underlying principles behind an ECU based system. In an ECU based system, each ECU should reflect the same water allocation; an accurate assessment of ECUs for each customer reflects their potential use of water. Our proposal equalizes the allocation of water across user groups -- each user is allocated 6,400 gallons of water times it's ECU value per month.

To set the water rate, we first determine the amount of revenue needed to support the system and then divide this by the total ECU count for the system. The rate is then multiplied by the ECU value for each customer to determine their fees paid into the system.

Revenue required to support the water system	$222,564.74	Refer to proposed budget. See subtotals by user groups below
Total ECU Count	252.60	81.25 Residential, 171.35 Commercial
Rate / month – all users	$73.42	Annual revenue required / ECU count / 12 months
Cost / month for Residents	$91.78	1.25 ECU x rate of 73.42
Annual Revenue - Residents	$72,690.39	All residential customers. Represents 32% of revenue.
Annual Revenue - Commercial	$150,975.73	All commercial customers. Represents 68% of revenue.

When a customer exceeds their ECU allocation, they incur an overage charge. Reducing the commercial allocation for each ECU to the standard amount of 6,400 gallons means that some users may more readily reach their allocation this coming year than they have before and thus will be subject to overage charges. In light of this change, we propose that the overage charge per 1,000 gallons of water be cut in

half of its current level ($2.86 vs $5.72). The decrease in the overage charge, along with the equalization of the cost of water to all customers, will help our customers ease into the new cost structure and will give users a financial incentive to make upgrades that will aid them in conserving water. We anticipate the overage charge will have to be adjusted back up to reflect the actual costs of supplying water.

We reviewed our customers' accounts to estimate how this rate and allocation change will affect them. Residential customers very rarely incur overages. Commercial customers sometimes do. With the equalization of commercial and residential ECU allocation, we do not expect any commercial customer to be charged overages during all 12 months of the year. Most will run into overages only during the winter months, when they are operating at full capacity.

Below are some examples to help you understand the effects of this year's water resolution.

Description	**FY22**	**FY21**
Rate	$73.42	N/A
Gallons per ECU	6,400	Residential: 6,400 Commercial: 12,000
Example #1 Single-family residence / month 1.25 ECU	$91.78 for 8,000 gallons water ($11.47 per 1,000 gallons)	$68.47 for 8,000 gallons water ($8.56 per 1,000 gallons)
Example #2 Small commercial user 15 ECU Value / month	$1,101.37 for 96,000 gallons month ($11.47 per 1,000 gallons)	$824.40 for 180,000 gallons month ($4.58 per 1,000 gallons)
Example #3 Medium commercial user 25 ECU Value / month	$1,835.62 for 160,000 gallons ($11.47 per 1,000 gallons)	$2,198.40 for 480,000 gallons ($4.58 per 1,000 gallons)
Example #4 Large commercial user 40 ECU Value / month	$2,936.99 for 256,000 gallons ($11.47 per 1,000 gallons)	$2,198.40 for 480,000 gallons ($4.58 per 1,000 gallons)
Estimate for Overages: The average overage for 5 Lodges given ECU = 6,400 gallons based on last year's use	Estimated to be $1,658.27 for 579,815 gallons @$2.86 per 1,000 gallons over allocation. Based on allocation of 6,400 gallons per ECU	Estimated to be $1,436.29 for 251,100 gallons @$5.72 per 1,000 gallons over allocation. Based on allocation of 12,000 gallons per ECU

Please feel free to contact Jen Clancy if you have questions about this report and/or would like assistance understanding how this rate change affects you specifically.