



CITY OF GILLETTE

Utilities Department

611 N. Exchange Ave. • Gillette, Wyoming 82716
Phone 307.686.5262 • Fax 307.686.6564
www.gillettewy.gov

MEMO

TO: Patrick Davidson, City Administrator
FROM: Michael H. Cole, PE, Utilities Director
COPY: Michelle Henderson, Finance Director
DATE: February 19, 2019
RE: **2019 Wastewater Rate Increase**
Proposed Rate Structure

During the January 22 Council Work Session, City Staff identified the need to increase Wastewater revenue by 8% during the next year through a rate adjustment. The following summarizes our proposed rate structure to accomplish this goal. If approved by Ordinance by the City Council, the new wastewater rates will go into effect on May 1, 2019.

Assumptions

1. The Customer Service Division previously provided an estimate of \$21.94 as the average monthly wastewater bill for the typical residential customer. For this analysis, and for ease of calculations, I assumed the monthly wastewater bill for the typical, average residential sewer customer with a 1" or less City water meter is \$22.02, which is the current \$10.50 base rate + 4,000 gallons consumption @ \$2.88 per 1,000 gallons. $(\$10.50 + (4 \times \$2.88)) = \$22.02$.
2. The typical, average residential sewer customer with a 1" or less City water meter will see a wastewater rate increase of 8%, or \$1.76 per month.
3. Other wastewater rate classes with larger water meters will see a proportionate increase.
4. Similar to last year's rate adjustment, we will add a new rate category for sewer customers with City water meters 4" and larger. We intend to add a final rate category in 2020 for sewer customers with City water meters 6" and larger.
5. Only the "Fixed Charge" will increase. The "Usage Charge of \$2.88 per 1,000 gallons will remain the same.

Meter Factors

The current "meter factor" for wastewater customers is identified within Section 17-21 (c) of Gillette City Code. These meter factors were recommended by HDR in 2015 for a separate water rate study.

Water Meter Size	Factor ⁽¹⁾
1" or smaller	1.00
1.5"	3.80
2.0"	5.33
3.0" or larger	10.00

The proposed meter factor for wastewater customers will be amended to include a new rate category for sewer customers with a 4" or larger City water meter.

Water Meter Size	Factor ⁽¹⁾
1" or smaller	1.00
1.5"	3.80
2.0"	5.33
3.0"	10.00
4.0" or larger	16.67

Wastewater Rates

The current wastewater rates are identified in Section 17-21 (k) of the Gillette City Code.

Rate Category	Rate Type (water meter size)	Fixed Charge (each)	Usage Charge (per kGal)
Residential & Commercial (Classes I, II & III)	1" meter (or smaller)	\$ 10.50	\$ 2.88
	1.5" meter	\$ 39.90	\$ 2.88
	2" meter	\$ 55.97	\$ 2.88
	3" meter (or larger)	\$ 105.00	\$ 2.88

The proposed wastewater rates are summarized in the following table. As shown, the "Fixed Charge" for each rate category will increase. The "Usage Charge" will remain the same. A "new" rate category for sewer customers with a 4" or larger water meter is also proposed.

Rate Category	Rate Type (water meter size)	Fixed Charge (each)	Usage Charge (per kGal)
Residential & Commercial (Classes I, II & III)	1" meter (or smaller)	\$ 12.26	\$ 2.88
	1.5" meter	\$ 46.59	\$ 2.88
	2" meter	\$ 65.35	\$ 2.88
	3" meter	\$ 122.60	\$ 2.88
	4" meter (or larger)	\$ 204.37	\$ 2.88

Calculations

Average monthly sewer bills for individual customers, for each rate class, using the proposed rates were compared to existing rates in the following table.

Rate Type (water meter size)	Average Consumption (kGal)	Average Consumption Charge	Average Monthly Bill (current)	Average Monthly Bill (proposed)	Increase (\$)	Increase (%)
1" meter (or smaller)	4	\$11.52	\$22.02	\$23.78	\$1.76	8%
1.5" meter	15	\$43.78	\$83.68	\$90.36	\$6.69	8%
2" meter	21	\$61.40	\$117.37	\$126.75	\$9.38	8%
3" meter	40	\$115.20	\$220.20	\$237.80	\$17.60	8%
4" meter (or larger)	67	\$192.04	\$297.04	\$396.41	\$99.37	33%
Flat Rate / Other	4	\$11.52	\$22.02	\$23.78	\$1.76	8%

Total monthly and annual revenue for each rate class using the proposed rates were compared to existing rates in the following table.

Rate Type (water meter size)	# Customers	Total Revenue (current)	Total Revenue (proposed)	Increase (\$)	Increase (%)
1" meter (or smaller)	9,428	\$207,604.56	\$224,197.84	\$16,593.28	8%
1.5" meter	170	\$14,224.92	\$15,361.88	\$1,136.96	8%
2" meter	668	\$78,404.23	\$84,667.26	\$6,263.03	8%
3" meter	47	\$10,349.40	\$11,176.60	\$827.20	8%
4" meter (or larger)	27	\$8,020.04	\$10,703.14	\$2,683.10	33%
Flat Rate / Other	4,197	\$92,417.94	\$99,804.66	\$7,386.72	8%
TOTAL (Month) =	14,537	\$411,021.09	\$445,911.38	\$34,890.30	8%
TOTAL (Year) =	14,537	\$4,932,253.03	\$5,350,936.60	\$418,683.57	8%

Observations

1. The "current" revenue from wastewater rates for FY 18/19 is within 1.77% of the "estimated" revenue within our FY 18/19 approved budget. This is an indicator that the revenue comparison calculations are valid.
2. We will realize approximately \$400,000 of additional, annual revenue with the proposed rate increase.
3. The greatest impact will be observed by the 27 sewer customers that have 4" and larger water meters. Their monthly sewer bill will increase by \$99 per month. Most of these are Mobile Home Parks and large buildings like schools, the Rec Center and hotels.
4. Of the 4,197 "Flat Rate/Other" customers, there are 325 customers in Antelope Valley. After May 1, 2019, Antelope Valley Customers will become volumetric customers.
5. The total customer count was provided by the Customer Service Division. This amount includes all lots within master meter areas and subsequently much higher than other customer count reports.

Recommendation

I recommend approval of the proposed wastewater rates with an effective date of May 1, 2019. I intend to incorporate this information into a presentation for the City Council during the March 12 Workshop. If acceptable, I will prepare the Ordinance for consideration on First Reading during the March 19 City Council Meeting.

- END OF MEMO -