




CITY OF GILLETTE

Utilities

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MEMO

TO: Patrick Davidson, City Administrator

FROM: Michael H. Cole, P.E., Utilities Director 

COPY: Michelle Henderson, Finance Director

DATE: February 27, 2020

RE: 2020 Utility Rate Increase(s)
Staff Recommendation

Summary

City Staff recommends utility rate increases to generate an additional \$187,350 for the Water (Distribution) Fund and an additional \$800,000 for the Sewer Fund for FY 20/21 as further described within this memo. No rate increases are proposed for the City's electric utility or solid waste collection services this year. The effective date of the proposed rate increases will be May 1, 2020, pending approval of an Ordinance by the City Council. The typical residential utility customer in the City of Gillette will see an average increase of 2.8% on their utility bill, or \$5.14 per month increase from \$183.08 per month (existing) to \$188.22 per month (proposed).

Water (Distribution) Rate Increase

Based on the Pro-Forma presented to the City Council during their January 28, 2020 workshop, City Staff estimates the need to generate an additional \$187,350.00 from our distribution rates for FY 20/21.

Rather than impose an increase to the "volumetric" or usage charge, City Staff recommends we establish a monthly base charge (fixed charge) for the Small Residential and Small Commercial customer class who receive water service through a water meter that is less than 1-1/2". We currently have 9,184 customers in this rate category. We currently do not charge a base charge for customers in this category. Staff proposes we begin charging a monthly base charge in the amount of \$1.10 per month. This will generate \$121,228.80 additional annual revenue. (9,184 customers x \$1.10 per month x 12 months per year = \$121,228.80)

Likewise, City Staff recommends we increase the monthly base charge (fixed charge) for the Large Residential and Large Commercial customer class who receive water service through a 1-1/2" water meter and larger. We currently have 1,877 customers in this rate category. We currently charge a base charge of \$83.06 per month for customers in this category. Staff proposes we increase the monthly base charge in the amount of \$2.94 per month. This will generate \$66,220.56 additional annual revenue. (1,877 customers x \$2.94 per month x 12 months per year = \$66,220.56)

The total additional revenue from the proposed rate increase will be \$121,228.80 (small meter) + \$66,220.56 (large meter) = \$187,449.36, which is slightly more than the revenue requirement of \$187,350.00 from the January 28, 2020 Pro-Forma.

All Usage Charge(s), Transmission Rates, and Bulk Water Rates will remain the same. The new Distribution Base Charge (Fixed Charge) will be as follows:

Small Meter = \$1.10 per month
Large Meter = \$86.00 per month

Table 1 summarizes existing versus proposed water rates. The proposed changes are shown in **red font**.

| TABLE 1 | | | | Existing Charges | | Proposed Charges | |
|------------------------|--------------------------|--------------|----------------------------|---------------------|-------------------------|---------------------|-------------------------|
| Customer Type | Rate Category | Rate Type | Number of Active Customers | Fixed Charge (each) | Usage Charge (per kGal) | Fixed Charge (each) | Usage Charge (per kGal) |
| All (City & Wholesale) | Transmission | Year Round | 11,068 | \$ 6.50 | \$ 3.01 | \$ 6.50 | \$ 3.01 |
| | | Intermittent | 2 | 5.00 | 6.03 | 5.00 | 6.03 |
| City Only | Residential & Commercial | Small | 9,184 | 0.00 | 0.94 | 1.10 | 0.94 |
| | | Large | 1,877 | 83.06 | 0.94 | 86.00 | 0.94 |
| Water Haulers Only | Bulk Water | | 109 | 6.50 | 3.01 | 6.50 | 3.01 |

Residential: This rate applies to residential users with less than 1-1/2" water meter. Residential users with water meters that are 1-1/2" or larger are billed at the Large Residential Rate.

Commercial: This rate applies to all users other than residential.

The small meter commercial rate applies for commercial users with less than 1-1/2" water meter.

The large meter commercial rate applies for commercial users with 1-1/2" or larger water meter.

Sewer Rate Increase

Based on the Pro-Forma presented to the City Council during their January 28, 2020 workshop, City Staff estimates the need to generate an additional \$800,000 from our sewer rates for FY 20/21.

Rather than impose an increase to the "volumetric" or usage charge, City Staff recommends we increase the monthly base charge (fixed charge) in accordance with Table 2.

TABLE 2

| Rate Type (based on water meter size) | Existing Monthly Fixed Charge | Proposed Monthly Fixed Charge | Proposed Monthly Increase |
|--|-------------------------------|-------------------------------|---------------------------|
| 1" meter (or smaller) | \$ 12.26 | \$ 16.30 | \$ 4.04 |
| 1.5" meter | 46.59 | 61.94 | 15.35 |
| 2" meter | 65.35 | 86.88 | 21.53 |
| 3" meter | 122.60 | 163.00 | 40.40 |
| 4" meter | 204.37 | 271.72 | 67.35 |
| 6" meter (or larger) | 204.37 | 543.28 | 338.91 |
| Flat Rate / Special Contract | 12.26 | 16.30 | 4.04 |

The total additional revenue from the proposed increase will be \$800,175, which is slightly more than the revenue requirement of \$800,000 from the January 28, 2020 Pro-Forma.

Table 3 summarizes existing versus proposed sewer rates, and calculates the additional revenue expected for each rate type. The proposed changes are shown in **red font**.

TABLE 3

| Rate Category | Rate Type (water meter size) | Number of Active Customers | Existing Fixed Charge | Usage Charge (per kGal) | Factor | Proposed Increase | Additional Revenue | Proposed Fixed Charge |
|--|---------------------------------|----------------------------------|-----------------------------|-------------------------------|--------|----------------------|-----------------------|-----------------------------|
| Residential & Commercial (Classes I, II & III) | 1" meter (or smaller) | 9,830 | \$ 12.26 | \$ 2.88 | 1.00 | \$ 4.04 | \$ 476,558 | \$ 16.30 |
| | 1.5" meter | 168 | 46.59 | 2.88 | 3.80 | 15.35 | 30,950 | 61.94 |
| | 2" meter | 281 | 65.35 | 2.88 | 5.33 | 21.53 | 72,610 | 86.88 |
| | 3" meter | 47 | 122.60 | 2.88 | 10.00 | 40.40 | 22,786 | 163.00 |
| | 4" meter | 40 | 204.37 | 2.88 | 16.67 | 67.35 | 32,326 | 271.72 |
| | 6" meter (or larger) | 15 | 204.37 | 2.88 | 33.33 | 338.91 | 61,004 | 543.28 |
| Flat Rate / Special Contract / Other | | 2,144 | 12.26 | 2.88 | 1.00 | 4.04 | 103,941 | 16.30 |

Total = 12,525

Total = \$ 800,175

Notes: Flat Rate / Special Contract / Other customers include outside City sewer customers with special agreements (like Sleepy Hollow), accounts without City water service, and/or various trailer parks in the City with a master water meter. The summation of the total number of units within each of these areas was used to reflect the number of actual customers for determining the base charge.

Other Enterprise Funds

No rate increases are proposed for the City's electric utility or solid waste collection services this year.

Utility Residential Rate Comparison

Please see the enclosed Residential Utility Rate Comparison included as an attachment to this memo. City Staff completed this rate comparison on January 31, 2020.

The attached Residential Utility Rate Comparison was prepared using average monthly charges based on the following average monthly consumption amounts and other assumptions.

| | |
|-------------|---|
| Power | 750 kilowatt-hours per month |
| Water | 1" water meter & 12,000 gallons per month |
| Sewer | 1" water meter & 4,000 gallons per month |
| Solid Waste | weekly residential pick-up |

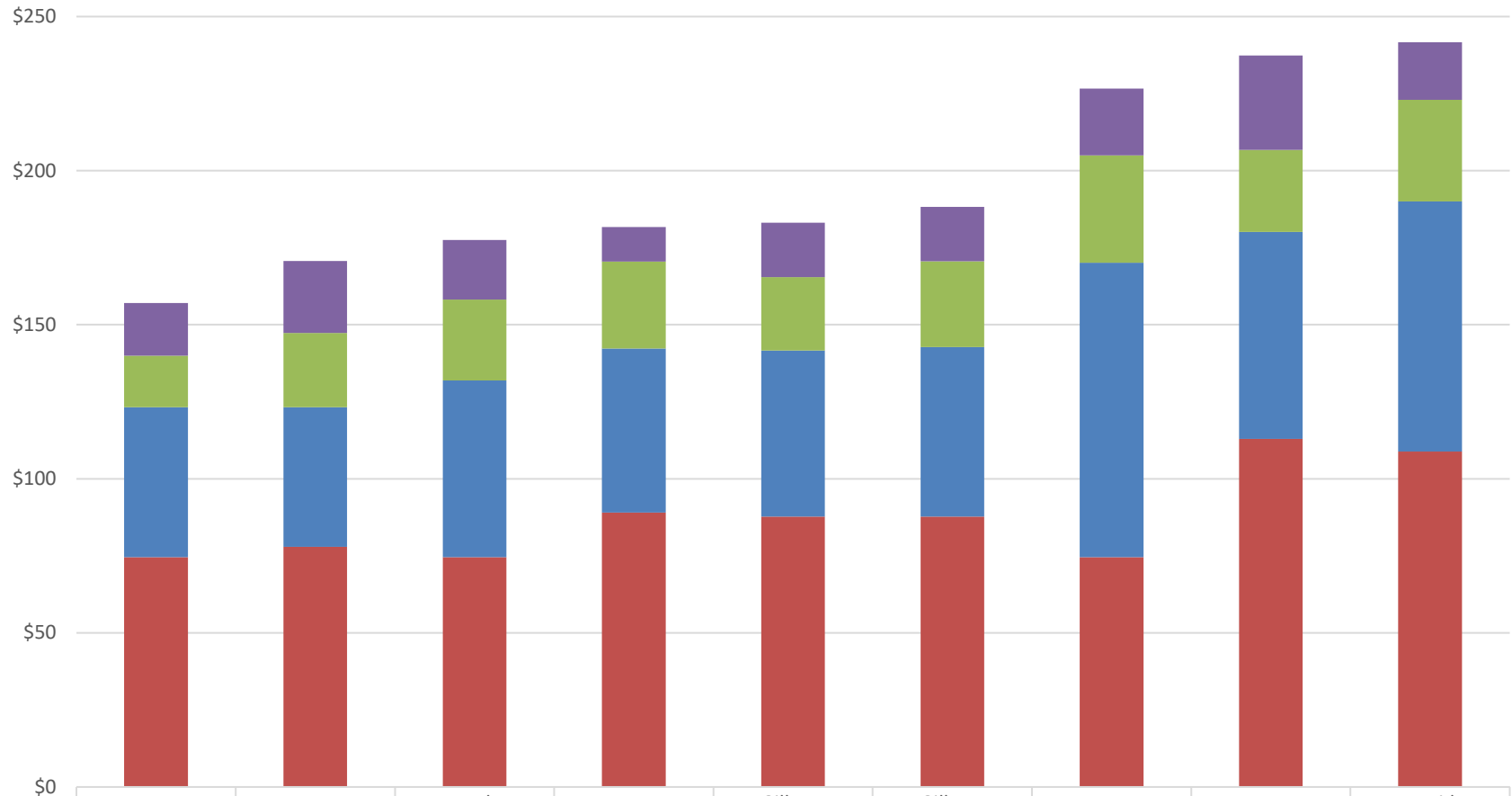
The typical residential utility customer in the City of Gillette will see an average increase of 2.8% on their utility bill, or \$5.14 per month increase from \$183.08 per month (existing) to \$188.22 per month (proposed). Even with this proposed increase, Gillette Utility customers will continue to pay an average amount for these services when compared to Rapid City, Billings and other major Wyoming cities.

Recommendation and Next Steps

City Staff recommends the Fixed Charge increases as described within this memo be approved by the City Council to generate an additional \$187,350 for the Water (Distribution) Fund and an additional \$800,000 for the Sewer Fund for FY 20/21. City Staff will prepare an Ordinance, 1st Reading, with the proposed rate increases for consideration during the March 17, 2020 City Council Meeting. The effective date of the proposed rate increase will be May 1, 2020.

Utility Residential Rate Comparison

(Monthly Average)



| | Casper | Sheridan | Rock Springs | Billings | Gillette (current) | Gillette (proposed) | Laramie | Cheyenne | Rapid City |
|-------------|----------|----------|--------------|----------|--------------------|---------------------|----------|----------|------------|
| Total | \$157.07 | \$170.70 | \$177.48 | \$181.74 | \$183.08 | \$188.22 | \$226.63 | \$237.35 | \$241.71 |
| Solid Waste | \$17.10 | \$23.33 | \$19.30 | \$11.25 | \$17.65 | \$17.65 | \$21.64 | \$30.60 | \$18.68 |
| Sewer | \$16.69 | \$24.09 | \$26.26 | \$28.19 | \$23.78 | \$27.82 | \$34.88 | \$26.67 | \$32.99 |
| Water | \$48.74 | \$45.32 | \$57.38 | \$53.25 | \$53.90 | \$55.00 | \$95.57 | \$67.07 | \$81.18 |
| Power | \$74.54 | \$77.96 | \$74.54 | \$89.05 | \$87.75 | \$87.75 | \$74.54 | \$113.01 | \$108.86 |

■ Power
 ■ Water
 ■ Sewer
 ■ Solid Waste
 ■ Total

Utility Residential Rate Comparison

| 2020 | Casper | Sheridan | Rock Springs | Billings | Gillette (current) | Gillette (proposed) | Laramie | Cheyenne | Rapid City | Gillette (change) |
|--------------|------------------|------------------|------------------|------------------|--------------------|---------------------|------------------|------------------|------------------|-------------------|
| Power | \$ 74.54 | \$ 77.96 | \$ 74.54 | \$ 89.05 | \$ 87.75 | \$ 87.75 | \$ 74.54 | \$ 113.01 | \$ 108.86 | \$ - |
| Water | \$ 48.74 | \$ 45.32 | \$ 57.38 | \$ 53.25 | \$ 53.90 | \$ 55.00 | \$ 95.57 | \$ 67.07 | \$ 81.18 | \$ 1.10 |
| Sewer | \$ 16.69 | \$ 24.09 | \$ 26.26 | \$ 28.19 | \$ 23.78 | \$ 27.82 | \$ 34.88 | \$ 26.67 | \$ 32.99 | \$ 4.04 |
| Solid Waste | \$ 17.10 | \$ 23.33 | \$ 19.30 | \$ 11.25 | \$ 17.65 | \$ 17.65 | \$ 21.64 | \$ 30.60 | \$ 18.68 | \$ - |
| Total | \$ 157.07 | \$ 170.70 | \$ 177.48 | \$ 181.74 | \$ 183.08 | \$ 188.22 | \$ 226.63 | \$ 237.35 | \$ 241.71 | \$ 5.14 |

Average monthly charges based on the following assumptions:

Power - 750 kilowatt-hours per month

Water - 1" water meter & 12,000 gallons per month

Sewer - 1" water meter & 4,000 gallons per month

Notes:

1. Sheridan charges a mandatory \$3 Recycling Fee for all Solid Waste Customers. This amount is included in the Solid Waste total, above.
2. Laramie charges a mandatory \$4.48 Recycling Fee for all Solid Waste Customers. This amount is included in the Solid Waste total, above.
3. Rapid City charges a mandatory \$4.60 Recycling Fee for all Solid Waste Customers. This amount is included in the Solid Waste total, above.

Rural Electric (Powder River Energy Corp.) \$89.56 (effective Jan 2020)