2018 Rate Structure Presentation
Presentation Focus

- Rate Discussion Process
- What we learned about existing rates
- Share and Discuss PROPOSAL for improved rate structure.
Rate Structure Committee

Board Members
- Joe Cohen
- Steve Miller
- Jim Nelson

Members At Large
- Jay Kimball
- Mike Stolmeier

Staff
- Paul Kamin
Rate Committee Values

What a rate structure should do?

- Promotes Equity among members and service groups
- Promotes Conservation
- Addresses Water System Seasonality
- Provides predictable and adequate revenue for safe, sustainable water system operation
- Considers potential for controversy.
Rate Study Process

- Existing Structure adopted 2004

- 2016 Member Engagement Process
  - "How should the costs of operating and maintaining our water system be shared equitably and fairly among the membership?"

- Recommendations led to Board Commitment to Explore Alternative Rate Structures.
Rate Study Process

- May 2017 Board appoints Rate Structure Committee

- Committee meets weekly throughout summer/fall.

- Committee Explores
  - Financial needs of water system
  - How Existing rates collect revenue
  - Other water system rate structures
  - Models dozens of potential rate structures

- Initiating discussions with members beginning at annual meeting. **TONIGHT’S NEW RATE STRUCTURE IS STILL IN PROPOSAL STAGE NOT ADOPTED!**
Rate Study Vision after 3 months

- Be seen by a wide spectrum of the membership as being very equitable.

- Apply exactly the same to all memberships. Regardless of service class, all users of XXX gal/mo would pay the same rate. This is key to being equitable.

- Be independent of ERU’s. A membership’s ERU would have no bearing on service fees.

- Have no base allotment; every gallon of water used has a monetary value.
Rate Study Vision

- Would provide stable revenue by producing 75% of service fee revenue from base rates.

- Provide all memberships with a reasonable, non-punitive, conservation signal by collecting 25% of service fees from consumption charges.

- Has the potential to be easily “adjusted” in the future, potentially to include a seasonal adjustment to recognize the summer water use has greater impact on water system than winter use.

- Maintain the existing “equity” between service classes. (existing equity shown in figure #1) Each service class would pay “their fair share”, no group subsidizes another.
Rate Study Vision

- Would be as simple as possible.

- Would be compatible with existing billing software.

- Would be implemented with adequate advanced notice that members could adjust to potential changes without surprise.

- Incorporate support for a “voluntary financial assistance program” for community members who struggle with utility costs.
2016 Distribution of All Water Users

81% of ALL ACCOUNTS average less than 5000 gal per month.
Eastsound Residential Water Use
Aver. Gal/Mo in 2016

- 139 INACTIVE ACCTS
- 584 ACCTS AVERAGE LESS THAN 5000 GAL/MO (81%)
  Median Use for active accounts: 2850 gal/mo

Average Residential use in gal per month

858 Residential Accounts
Existing Rates

- **Base Rate**: $47 per month *per ERU*

- **Base allotment is**: 5000 gal *per ERU*

- **Consumption Fee**: $20 per 1000 gal for use above base allotment

*(structure in place since 2004)*
Remarkable balance between service groups under existing rates. Should preserve
Eastsound Residential Water Use
Aver. Gal/Mo in 2016

139 INACTIVE ACCTS

584 ACCTS AVERAGE LESS THAN 5000 GAL/MO (81%)
Median Use for active accounts 2850 gal/mo

Lowest 25% of Users

Highest 25% of Users
2016 Equity balance within groups

Under existing rates highest users pay least $/gal.
2016 Equity balance within groups

Under existing rates highest users pay least $/gal.
2016 Dissimilar Rates for Similar Use

Existing rates have different costs for the same water uses. NOT IDEAL.

<table>
<thead>
<tr>
<th>if you have</th>
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<th>if you have</th>
<th>if you have</th>
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</thead>
<tbody>
<tr>
<td>.6 ERU</td>
<td>1.0 ERU</td>
<td>1.75 ERU</td>
<td>5 ERU</td>
</tr>
<tr>
<td>2000 gal/mo</td>
<td>$28</td>
<td>$47</td>
<td>$82</td>
</tr>
<tr>
<td>4000 gal/mo</td>
<td>$48</td>
<td>$47</td>
<td>$82</td>
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<tr>
<td>6000 gal/mo</td>
<td>$88</td>
<td>$67</td>
<td>$82</td>
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<td>8000 gal/mo</td>
<td>$128</td>
<td>$107</td>
<td>$82</td>
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<tr>
<td>10000 gal/mo</td>
<td>$168</td>
<td>$147</td>
<td>$117</td>
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<tr>
<td>15000 gal/mo</td>
<td>$268</td>
<td>$247</td>
<td>$217</td>
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<tr>
<td>20000 gal/mo</td>
<td>$368</td>
<td>$347</td>
<td>$317</td>
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<tr>
<td>25000 gal/mo</td>
<td>$468</td>
<td>$447</td>
<td>$417</td>
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</table>
Proposed Equity balance within groups
Proposed Equity balance within groups
Existing Per ERU Rate and Water User Pattern

81% of users

19% of users
Existing Rates

- Residential (1.0 ERU)
Existing Rates

- Residential (1.0 ERU)
- Multi Unit (0.6 ERU)
Existing Rates

- Residential (1.0 ERU)
- Multi Unit (0.6 ERU)
- Commercial (1.75 ERU)
Existing Rates

- Residential (1.0 ERU)
- Multi Unit (0.6 ERU)
- Commercial (1.75 ERU)
- High Commercial (5.0 ERU)
PROPOSED RATE
SAME USE = SAME COST

Proposed Rate Structure applies the same for all accounts for same water user pattern.
PROPOSED New Rate Structure

- **Base Rate**
  past year’s average monthly use X $13/1000 gal.

- **Consumption Rate**
  $4 per each 1000 gal used

- **Minimum Base $30***

- Based on 2016 water use and revenue requirements
Proposed New Rate Structure

- PROPOSED not yet ADOPTED

- Both Existing $47/20 rate structure and Proposed $13/$4 rate structure generate SAME REVENUE.

- The new rate structure has been designed to be ‘revenue neutral’ at this time.
Proposed New Rate Structure

- Example of $13/$4 rate structure –
- Last year average – 3000 gal/mo
- Last months use – 2000 gal/mo

- Base Rate: $39
  \[3000 \times \frac{13}{1000} = 39\]

- Consumption Rate: $8
  \[2000 \times \frac{4}{1000} = 8\]

- Total bill for last month: $47
## RESIDENTIAL 1.0 ERU Comparison Chart

<table>
<thead>
<tr>
<th>AVER MONTH USE</th>
<th>Existing</th>
<th>Proposed</th>
<th>% change</th>
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</thead>
<tbody>
<tr>
<td>INACTIVE</td>
<td>$39.00</td>
<td>$30</td>
<td>-23%</td>
</tr>
<tr>
<td>1000 gal/mo</td>
<td>$47.00</td>
<td>$34.00</td>
<td>-28%</td>
</tr>
<tr>
<td>2000 gal/mo</td>
<td>$47.00</td>
<td>$42.00</td>
<td>-11%</td>
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<tr>
<td>2850 gal/mo</td>
<td>$47.00</td>
<td>$48.45</td>
<td>3%</td>
</tr>
<tr>
<td>3000 gal/mo</td>
<td>$47.00</td>
<td>$51.00</td>
<td>9%</td>
</tr>
<tr>
<td>4000 gal/mo</td>
<td>$47.00</td>
<td>$68.00</td>
<td>45%</td>
</tr>
<tr>
<td>5000 gal/mo</td>
<td>$47.00</td>
<td>$85.00</td>
<td>81%</td>
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<tr>
<td>6000 gal/mo</td>
<td>$67.00</td>
<td>$102.00</td>
<td>52%</td>
</tr>
<tr>
<td>7000 gal/mo</td>
<td>$87.00</td>
<td>$119.00</td>
<td>37%</td>
</tr>
<tr>
<td>8000 gal/mo</td>
<td>$107.00</td>
<td>$136.00</td>
<td>27%</td>
</tr>
<tr>
<td>9000 gal/mo</td>
<td>$127.00</td>
<td>$153.00</td>
<td>20%</td>
</tr>
<tr>
<td>10000 gal/mo</td>
<td>$147.00</td>
<td>$170.00</td>
<td>16%</td>
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</table>
Single Family Users
Rate Structure Vision and Values Check

- Promotes Equity among members and service groups: **YES**
- Promotes Conservation: **YES**
- 75% / 25% base consumption ratio: **YES**
- Independent of ERU’s: **YES**
- Controversy? / Defendable: **YES**
- Simple? / Implementable: **YES**
Sample Comparison #1
uses 38% less than average – rates decrease 57%

Sample Impact 38% less than average
(19,446 gal/yr)
Sample Comparison #2
uses 14% more than average – rates increase 7%
Sample Comparison #3  worst case
uses 92% more than average – rates increase 80%
Sample Comparison #4
$7900 (2016) to $8723 (+10%)
New Relationship between Fees and Conservation

- On an annual basis a Member who lower their water use 10% will see a 10% decrease in their water bills.
Outreach Efforts

• Will calculate impact of rate change for any member.

• Lots of time provided before change

<table>
<thead>
<tr>
<th>Water Use (gal)</th>
<th>2016 Fees</th>
<th>Total</th>
<th>Base</th>
<th>Consumption</th>
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</thead>
<tbody>
<tr>
<td>Quarter #1</td>
<td>9000</td>
<td>$141.00</td>
<td>$149.75</td>
<td>$113.75</td>
</tr>
<tr>
<td>Quarter #2</td>
<td>8000</td>
<td>$141.00</td>
<td>$145.75</td>
<td>$113.75</td>
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<tr>
<td>Quarter #3</td>
<td>10000</td>
<td>$141.00</td>
<td>$153.75</td>
<td>$113.75</td>
</tr>
<tr>
<td>Quarter #4</td>
<td>8000</td>
<td>$141.00</td>
<td>$145.75</td>
<td>$113.75</td>
</tr>
<tr>
<td>2016 Total</td>
<td>35000</td>
<td>$564.00</td>
<td>$595.00</td>
<td>2017 total</td>
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</tbody>
</table>

Your 2016 water use was 12% higher than the average single family home.
<table>
<thead>
<tr>
<th>Water Use (gal)</th>
<th>LAST 12 MO Fees</th>
<th>Total</th>
<th>Base</th>
<th>Consumption</th>
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</thead>
<tbody>
<tr>
<td>Quarter #1</td>
<td>$141.00</td>
<td>$149.00</td>
<td>$117.00</td>
<td>$32.00</td>
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<tr>
<td>Quarter #2</td>
<td>$141.00</td>
<td>$149.00</td>
<td>$117.00</td>
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<tr>
<td>Quarter #3</td>
<td>$141.00</td>
<td>$165.00</td>
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<td>$48.00</td>
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<tr>
<td>Quarter #4</td>
<td>$141.00</td>
<td>$149.00</td>
<td>$117.00</td>
<td>$32.00</td>
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<tr>
<td>2016 Total</td>
<td>$564.00</td>
<td>$612.00</td>
<td>new rate total</td>
<td></td>
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</table>

Average 9000
Most effective ways to save water at home

Members can find “water saving suggestions” posted at EastsoundWater.Org
Member Questions and Comments
Member Questions and Comments

Eastsound Water Presentations and Discussions on Proposed Rate Structure – all meetings at Eastsound Fire Hall.

- **January 7, 2018**: Member Engagement Group 6:30-8:00
- **January 14, 2018**: Residential Members 6:30-7:30
- **January 21, 2018**: Multi-Unit Members 5:30-6:30
- **January 28, 2018**: Commercial Members 6:30-7:30

Eastsound Water bylaws define 3 different service classes. The new proposed rate structure impacts each service class somewhat differently. Eastsound Water has scheduled meetings for each service class to present and discuss the proposed rate structure.
EWUA Rates vs Inflation

- Seattle Consumer Price Index (inflation)
- EWUA ACTIVE ACCOUNT RATE HISTORY