

At A Glance City of Charlottesville Utility Rate Report



The following material provides a brief summary of the rate and fee recommendations for water, wastewater, and natural gas for FY2019. All rates will go into effect July 1, 2018. For a thorough explanation and details of the recommendations please consult the complete Adopted Utility Rate Report FY2019.

The table below illustrates the impact on an average City residential customer using 400 cubic feet (cf) of water and wastewater and 4,600 cf of gas per month based on utility rates and charges adopted July 1, 2017 and adopted rates and charges.

	Current Based on rates adopted 7/1/17	Adopted Effective 7/1/18	Change	Percent
Water	\$25.73	\$27.38	\$ 1.65	6.42%
Wastewater	\$33.93	\$36.43	\$2.50	7.36%
Gas	\$47.28	\$47.81	\$0.52	1.11%
Total	\$106.95	\$111.62	\$4.67	4.37%

Specific changes to each utility's rate are discussed in this report.

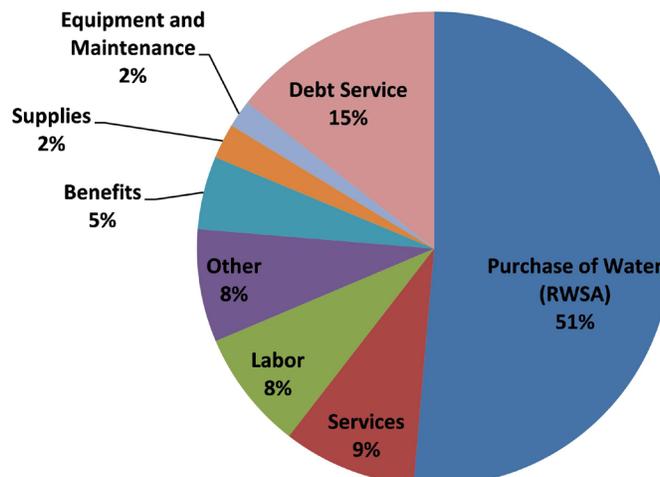
Water Rates

Revenue Requirements to operate and maintain the City's Water System

The chart below depicts the expenses that impact the water rate.

Factors Influencing Water Rates and Charges

FY'19 Budget = \$11,749,327



Usage Rate



Water rates are adopted to increase by \$1.63 per 1,000 cf based on the amount of water used which is a 3% increase.

Monthly Service Charge

The monthly service charge for water is currently \$4.00 per month per account. For several decades, the City has assessed a monthly service charge for water, sewer, and natural gas to recoup the fixed costs of providing utility services such as customer service, billing, and meter services. The monthly service charge for water last changed from \$1.25 to \$4.00 in 2004.

The adopted monthly service charge for water is changing in two ways:

- The dollar amount is increasing.
- The charge will vary by the size of a customer's water meter.

For the residential water customers (94% of all City water customers) the adopted change is \$1.00 per month (increasing from \$4.00 to \$5.00). The adopted monthly service charges for water are as follows:

Water Meter Size (in inches)	Current	Adopted	\$ Change	% Change
5/8 and 3/4 ¹	\$ 4.00	\$ 5.00	\$ 1.00	25 %
1	\$ 4.00	\$ 12.50	\$ 8.50	213 %
1 1/2	\$ 4.00	\$ 25.00	\$ 21.00	525 %
2	\$ 4.00	\$ 40.00	\$ 36.00	900 %
3	\$ 4.00	\$ 80.00	\$ 76.00	1,900 %
4	\$ 4.00	\$ 125.00	\$ 121.00	3,025 %
6	\$ 4.00	\$ 250.00	\$ 246.00	6,150 %
14	\$ 4.00	\$ 1, 637.40	\$ 1,633.40	40,835%

(¹) Approximately 94% of City water customers have a 5/8 or 3/4 inch water meter.

The adopted monthly service charge reflects a change in how the water utility funds its operation and infrastructure. The adopted changes will not result in net additional revenue to the water utility. The revenues collected from customers will shift from the usage rate portion of their bill to the monthly service charge portion.

The reasons for the change include the following:

Improve revenue stability to ensure reliability of service. Like many utilities across the country, the City is using less water due to conservation efforts. While this is beneficial to the environment, the City is highly dependent on revenues generated by water consumption. The City's fixed costs for providing safe, reliable, and convenient water service (including infrastructure) continue to increase. Coupled together, these trends create financial challenges for utilities.

Improve equity and distribution of costs. Before a customer uses the first drop of water, the City has several fixed costs to provide water service (customer service, billing, meter services, infrastructure). Some of these fixed costs are the same per customer (customer service, billing) while others vary by the size of the water meter (meter services, infrastructure).

Modernize and follow industry best practices. As noted above, utilities across the country are working to reconcile the contradictory trends of declining revenues from lower water production and increasing fixed costs. Nationally, utilities are shifting their revenue structures to a higher proportion of fixed fees (some as high as 30%). With the adopted change, the City would be collecting about 11% from fixed fees.

Customers will still be able to control the vast majority of their water bill through their usage. Customers currently have control of 84% of their bill based on their water usage. Under the adopted change, customers will have control over 81% of their bill based on the average customer’s monthly water usage.

The table below shows the monthly change for the number of water customers with different meter sizes.

Water Meter Size (in inches)	# Customers	\$ Change/month
5/8 and 3/4	13,514	\$ 1.00
1	273	\$ 8.50
1 1/2	232	\$ 21.00
2	235	\$ 36.00
3	39	\$ 76.00
4	15	\$ 121.00
6	1	\$ 246.00
14	1	\$ 1,633.40
Total	14,310	

Impact on the Customer

In addition to a change to the usage rate and monthly service charge, the impact on a customer’s bill will depend on how much water is consumed. The average single-family household uses 400 cf/month (2,992 gallons/month; approximately 100 gallons/day). To the extent an individual customer’s usage differs from the average will determine the impact of the adopted rate on their bill. The table below shows the monthly impact on water customers at different amounts of usage.

	Water Used/Month (cf)	Current Composite Water Rate/1,000 cf	Current Water Usage Charge/month	Adopted Composite Water Rate/1,000 cf	Adopted Water Usage Charge/month	\$ Change	% Change
Minimal User (10 th Percentile)	140	\$54.32	\$7.60	\$55.95	\$7.83	\$0.23	3.00%
Small User (25 th Percentile)	250	\$54.32	\$13.58	\$55.95	\$13.99	\$0.41	3.00%
Median User (50 th Percentile)	400	\$54.32	\$21.73	\$55.95	\$22.38	\$0.65	3.00%
Large User (75 th Percentile)	610	\$54.32	\$33.14	\$55.95	\$34.13	\$0.99	3.00%
High Volume User (90 th Percentile)	880	\$54.32	\$47.80	\$55.95	\$49.24	\$1.43	3.00%

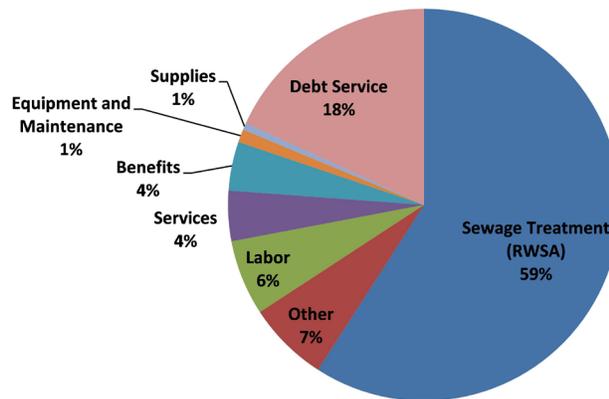
Wastewater Rates

Revenue Requirements to operate and maintain the City's Wastewater System

The chart below depicts the expenses that impact the wastewater rate

Factors Influencing Wastewater Rates and Charges

FY'19 Budget = \$15,040,187



Usage Rate

Wastewater usage rates are adopted to increase by \$3.74 per 1,000 cf based on the amount of water used which is a 5.0% increase.

Monthly Service Charge

Similar to the monthly service charge for water, the monthly service charge for wastewater is currently \$4.00 per month per account. Also like the monthly service charge for water, the monthly service charge for wastewater last changed from \$1.25 to \$4.00 in 2004.

The adopted changes to the monthly service charge for wastewater are similar in scope and rationale as the changes in the monthly service charge for water:

- The dollar amount is increasing.
- The charge will vary by the size of a customer's water meter.

For the residential wastewater customers (94% of all City wastewater customers) the adopted change is \$1.00 per month (increasing from \$4.00 to \$5.00). The adopted monthly service charges for wastewater are as follows:

Water Meter Size (in inches)	Current	Proposed	\$ Change	% Change
5/8 and 3/4 ¹	\$ 4.00	\$ 5.00	\$ 1.00	25 %
1	\$ 4.00	\$ 12.50	\$ 8.50	213 %
1 1/2	\$ 4.00	\$ 25.00	\$ 21.00	525 %
2	\$ 4.00	\$ 40.00	\$ 36.00	900 %
3	\$ 4.00	\$ 80.00	\$ 76.00	1,900 %
4	\$ 4.00	\$ 125.00	\$ 121.00	3,025 %
6	\$ 4.00	\$ 250.00	\$ 246.00	6,150 %
14	\$ 4.00	\$ 1,637.40	\$ 1,633.40	40,835%

(¹) Approximately 94% of City wastewater customer have a 5/8 or 3/4 inch water meter.

The table below shows the monthly change for the number of wastewater customers with different meter sizes.

Water Meter Size (in inches)	# Customers	\$ Change/month
5/8 and 3/4	13,392	\$ 1.00
1	264	\$ 8.50
1 1/2	224	\$ 21.00
2	231	\$ 36.00
3	36	\$ 76.00
4	12	\$ 121.00
6	1	\$ 246.00
14	1	\$ 1,633.40
TOTAL	14,161	

Impact on the Customer

In addition to a change to the usage rate and monthly service charge, the impact on a customer's bill will depend on how much water is consumed. The average single-family household uses 400 cf/month (2,992 gallons/month; approximately 100 gallons/day). To the extent an individual customer's usage differs from the average will determine the impact of the adopted rate on their bill. The table below shows the monthly impact on wastewater customers at different amounts of usage.

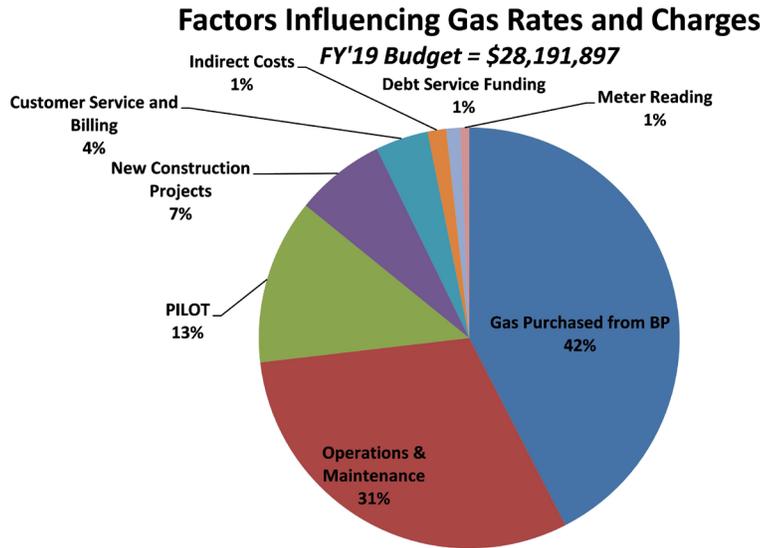


	Water Used/Month (cf)	Current Wastewater Rate/1,000 cf	Current Wastewater Usage	Adopted Wastewater Rate/1,000 cf	Adopted Wastewater Usage	\$ Change	% Change
Minimal User (10 th Percentile)	140	\$74.83	\$10.48	\$78.57	\$11.00	\$0.52	5.00%
Small User (25 th Percentile)	250	\$74.83	\$18.71	\$78.57	\$19.64	\$0.93	5.00%
Median User (50 th Percentile)	400	\$74.83	\$29.93	\$78.57	\$31.43	\$1.50	5.00%
Large User (75 th Percentile)	610	\$74.83	\$45.65	\$78.57	\$47.93	\$2.28	5.00%
High Volume User (90 th Percentile)	880	\$74.83	\$65.85	\$78.57	\$69.14	\$3.29	5.00%

Gas Rates

Revenue Requirements to operate and maintain the City's Natural Gas System

The chart below depicts the expenses that impact the gas rate.



Usage Rate

Gas usage rates are adopted to increase by an average of 1.40% for firm customers. **Note: There is no change to the monthly service charge for gas.**



Impact on the Customer

In addition to a change to the usage rate, the impact on a customer's bill will depend on how much gas is consumed. The average single-family household is a firm gas customer that uses 4,600 cf of gas monthly. To the extent an individual customer is a firm or interruptible customer and their usage differs from the average will determine the impact of the adopted rate on their bill. The table below shows the monthly impact on different types of gas customers at different amounts of usage.

<i>Firm Customers</i>	Gas Used/Month (cf)	Current Monthly Gas Bill (based on rates adopted 7/1/17) ¹	Adopted Monthly Gas Bill	\$ Change	% Change
Minimal User	4,000	\$42.62	\$43.07	\$0.45	1.06%
Average User	4,600	\$47.28	\$47.81	\$0.52	1.11%
Large User	20,000	\$155.53	\$157.57	\$2.04	1.31%
High Volume User	60,000	\$433.67	\$439.63	\$5.96	1.37%

<i>Interruptible Customers</i>	Gas Used/Month (cf)	Current Monthly Gas Bill (based on rates adopted 7/1/17) ¹	Adopted Monthly Gas Bill	\$ Change	% Change
	100,000	\$643.19	\$670.65	\$27.46	4.27%
	1,000,000	\$5,389.66	\$5,772.30	\$382.64	7.10%
	2,000,000	\$9,965.96	\$10,893.30	\$927.34	9.31%
	4,000,000	\$19,118.56	\$21,135.30	\$2,016.74	10.55%

(¹) Include monthly service charges.