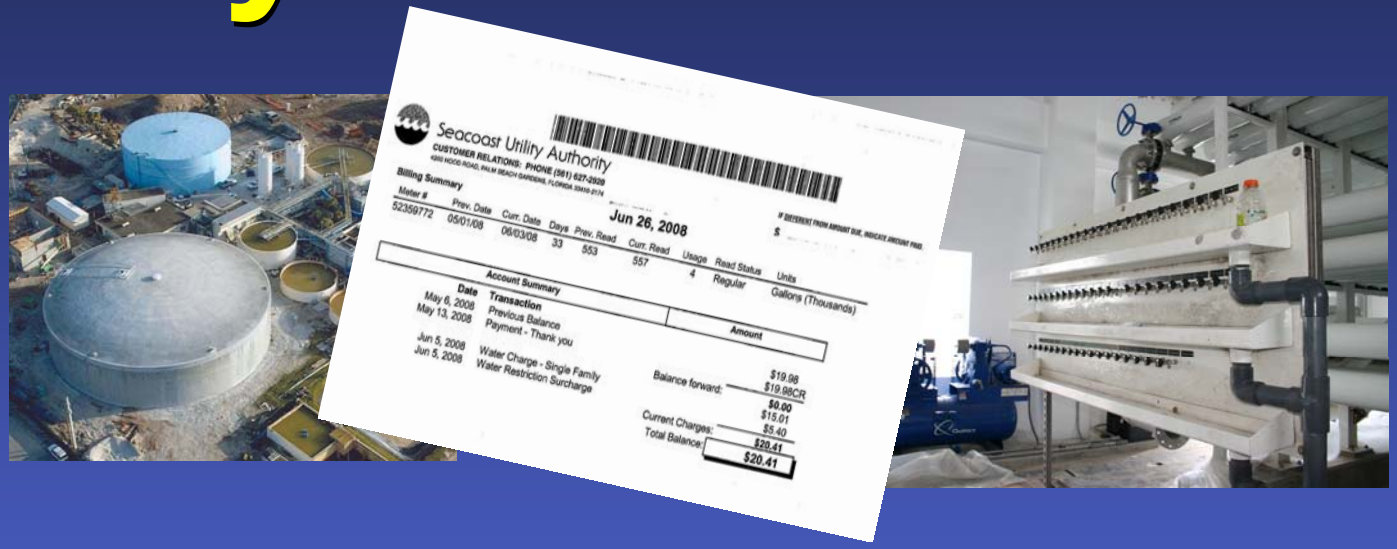
Utility Rate Discussion



Marjorie G. Craig, P.E.

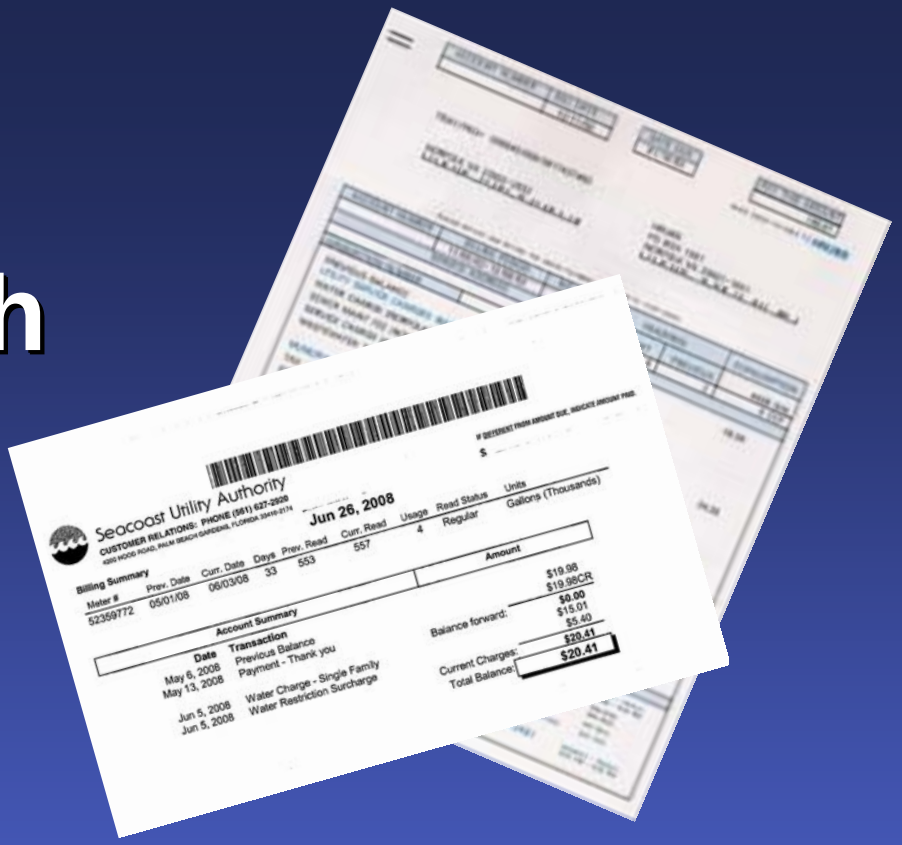
Director, Water Supply Department

June 11, 2008 Governing Board

sfwmd.gov

General

- Within the South Florida Water Management District
  - 16 counties
  - 153 local governments
  - 104 utilities
  - 7 million people



Rate and Fee Setting Practices

- Most utilities are government owned
- Typically self-regulated – by respective elected officials
- Private utilities regulated by state or county
- State laws require rates to be "reasonable"
- Case law requires a "rational nexus" between impact fee and cost to provide capacity to serve new growth

Rate and Fee Setting Practices

- All utilities required to have a water conserving rate structure in place – result of 1990-1991 drought
- All water use permits require a water conservation plan - includes water conserving rate structure requirement

- Drought "surcharge" for phases of water shortage - as a result of 2001 drought
  - Half utilities responded to survey
  - about 1/3 have drought surcharge in place – 15%, 30%, 45%, 60%

Reasons Rates are Raised

- Increase in aging infrastructure
- Increase in fuel & energy costs
- Increase in chemical costs
- Increase in regulatory criteria
- Increased cost in procuring water supplies/alternative water supplies

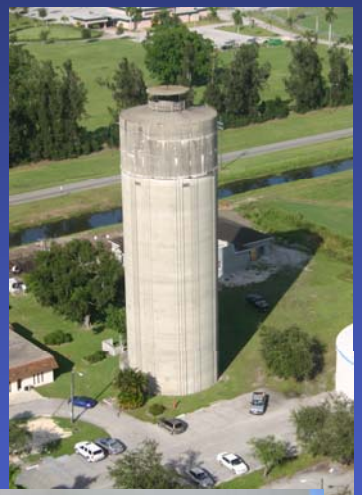
NO NEW "CHEAP" WATER SUPPLIES

Reasons Rates are Raised

- Upgrades in SCADA, instrumentation, & automation
- Increased cost of personnel – benefits, contracting out
- Shortage of raw materials
- Shortage of skilled labor – cost premium
- Lost revenue – to theft, leakage, natural disasters, & drought

Rate Development - Objectives

- Revenue adequacy and stability: bond coverage, general reserve requirements
- Rate equity- among utilities
- Rate equity – among usage classes
- Defensibility – basis of rate
- Resource efficiency & conservation
- Elected officials & the public - understanding and acceptance
- Other goals and objectives



Rates and Charges

Existing Customers-Rates

- Monthly service charge
- Monthly usage charge

New Customers - Charges

- Impact fees
- Hook-up fees
- Deposit and rates above

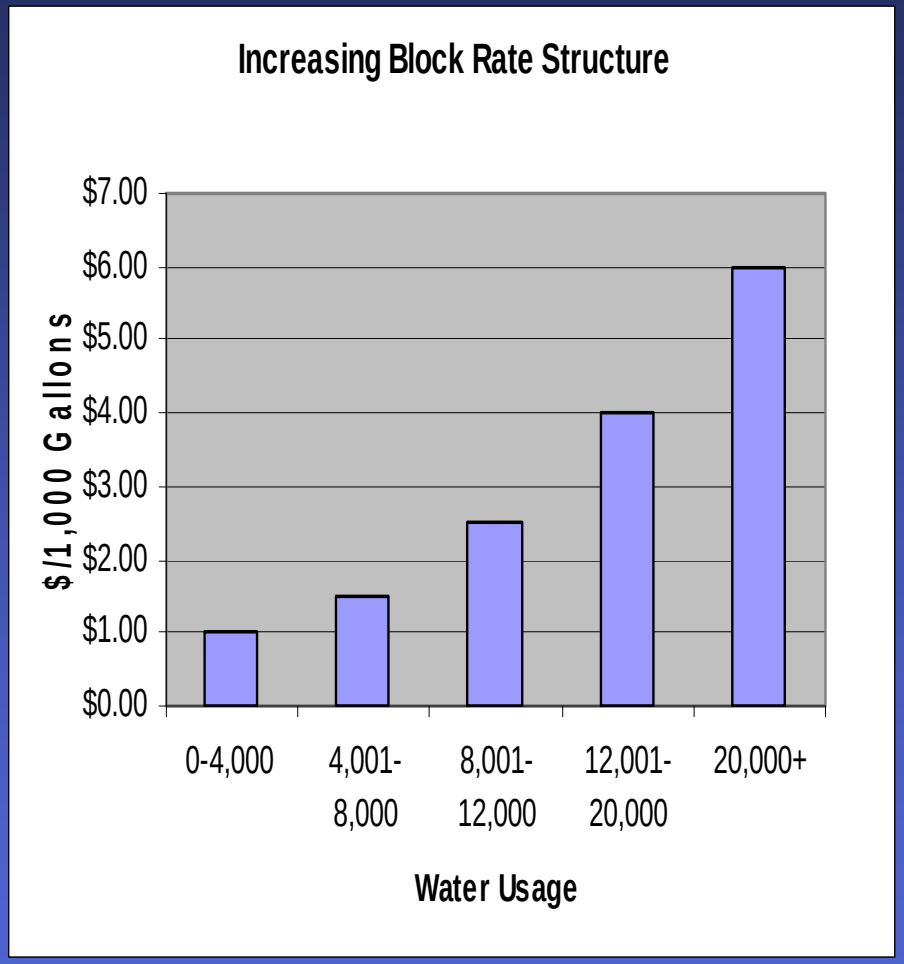
Water Conserving Rate Structure

- Base Charge

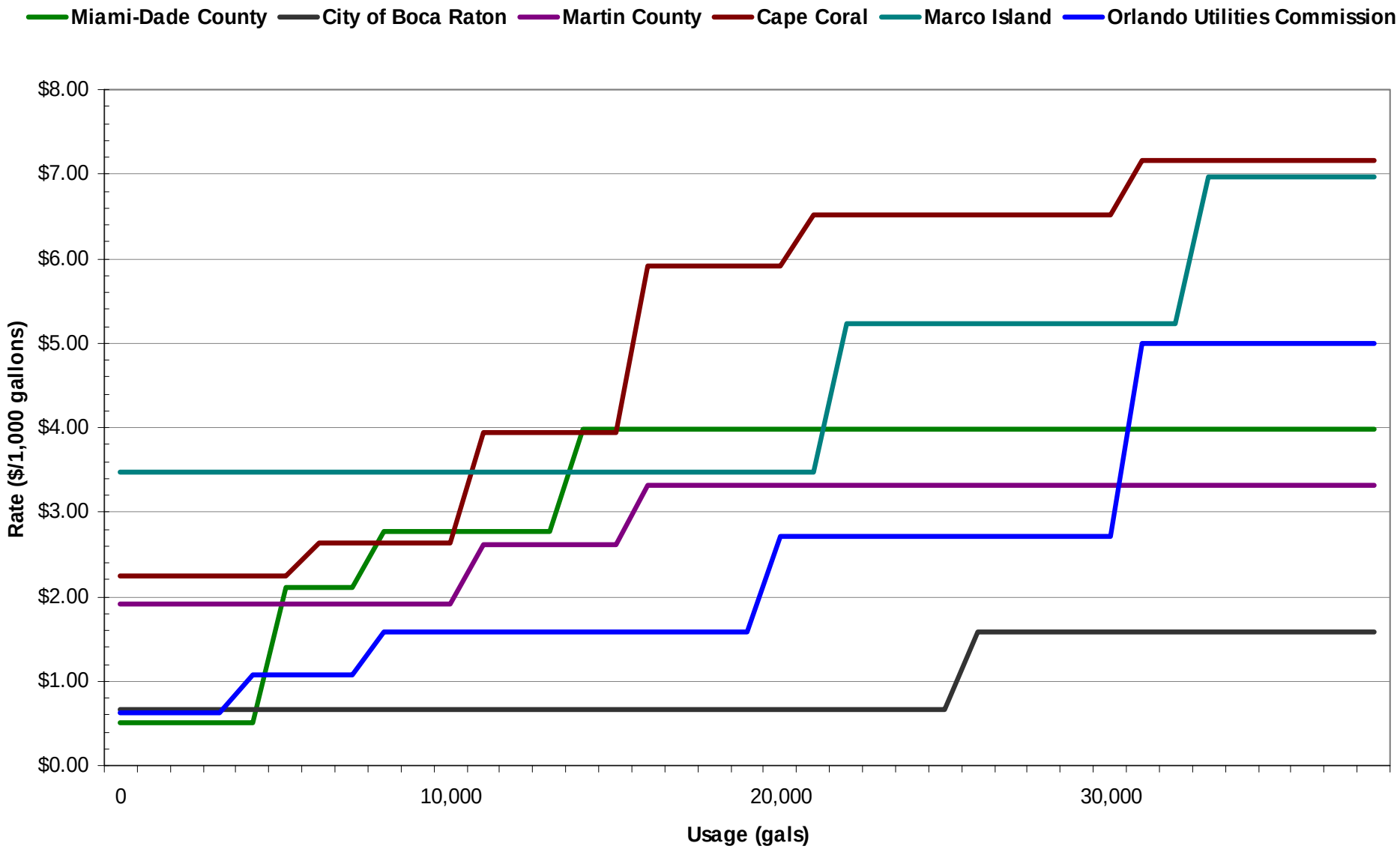
  $_____ per month

- Volume Charge

  $_____/1,000 gallons or per 100 cubic feet of water consumed



Example Block Rate Schedules



Example of Utility Water Charges

Utility	Base Charge (Month)	Commodity Charge	
		Usage (Gal)	Fee
Boca Raton	$11.20	0 – 25,000	$0.66
		25,000 – 50,000	$1.58
		> 50,000	$2.02
Toho Water Authority	$1.78	0 – 2,000	$0.70
		3,000 – 6,000	$1.40
		7,000 – 15,000	$1.54
		16,000 – 25,000	$2.10
		> 25,000	$3.51
Collier County	$16.03	0 – 5,000	$2.20
		5,000 – 10,000	$3.30
		10,000 – 20,000	$4.40
		20,000 – 30,000	$5.50
		30,000 – 50,000	$6.59
		> 50,000	$8.79

Example of Utility Bill

Seacoast Utility Authority

CUSTOMER RELATIONS: PHONE (561) 627-2920

4200 HOOD ROAD, PALM BEACH GARDENS, FLORIDA 33410-2174

IF DIFFERENT FROM AMOUNT DUE, INDICATE A

$

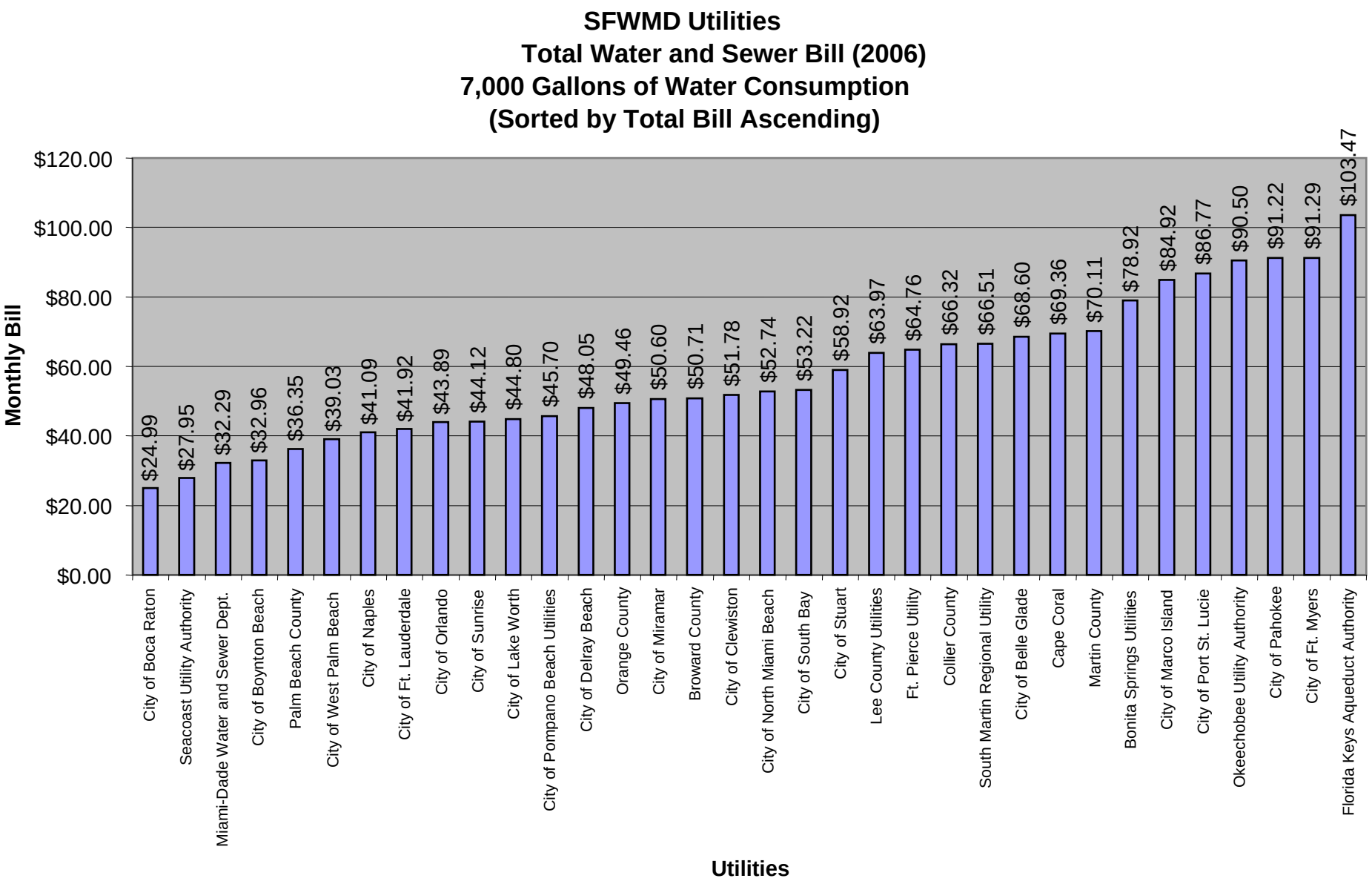
Billing Summary

Jun 26, 2008

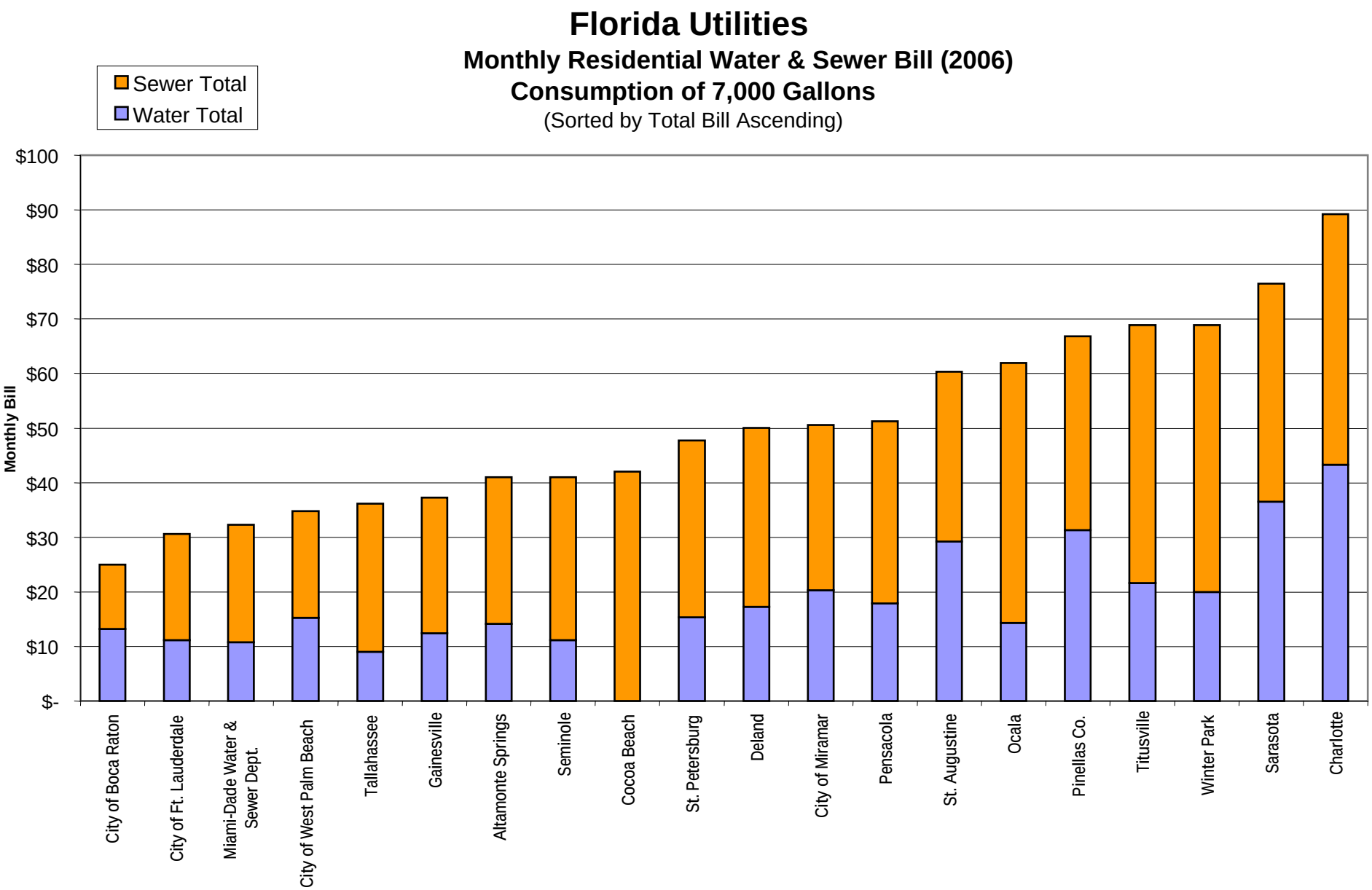
Meter #	Prev. Date	Curr. Date	Days	Prev. Read	Curr. Read	Usage	Read Status	Units
52359772	05/01/08	06/03/08	33	553	557	4	Regular	Gallons (Thousands)

Account Summary		Amount
Date	**Transaction**	
May 6, 2008	Previous Balance	$19.98
May 13, 2008	Payment - Thank you	$19.98CR
	Balance forward:	**$0.00**
Jun 5, 2008	Water Charge - Single Family	$15.01
Jun 5, 2008	Water Restriction Surcharge	$5.40
	Current Charges:	**$20.41**
	Total Balance:	**$20.41**

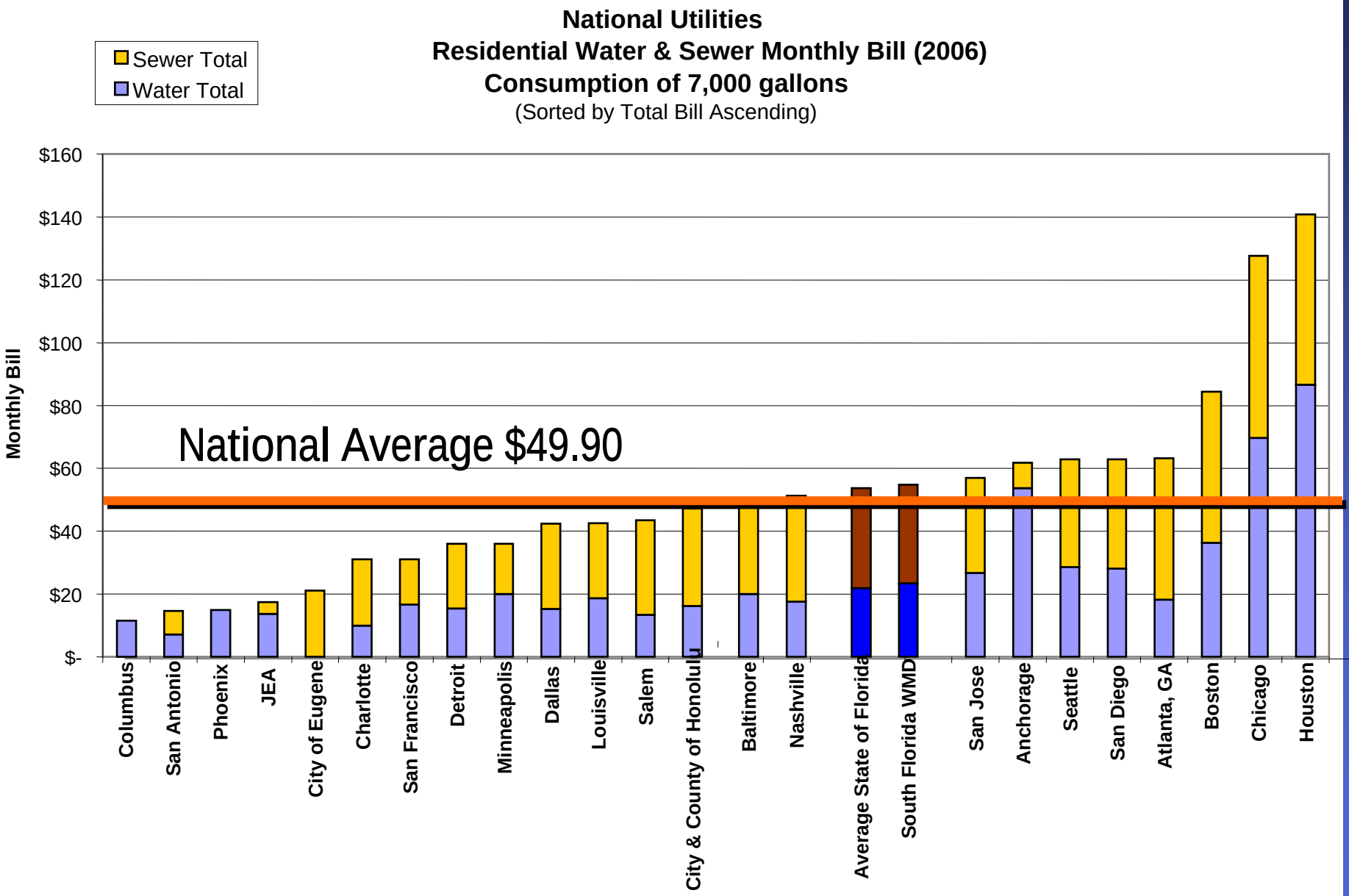
Monthly Bills within SFWMD



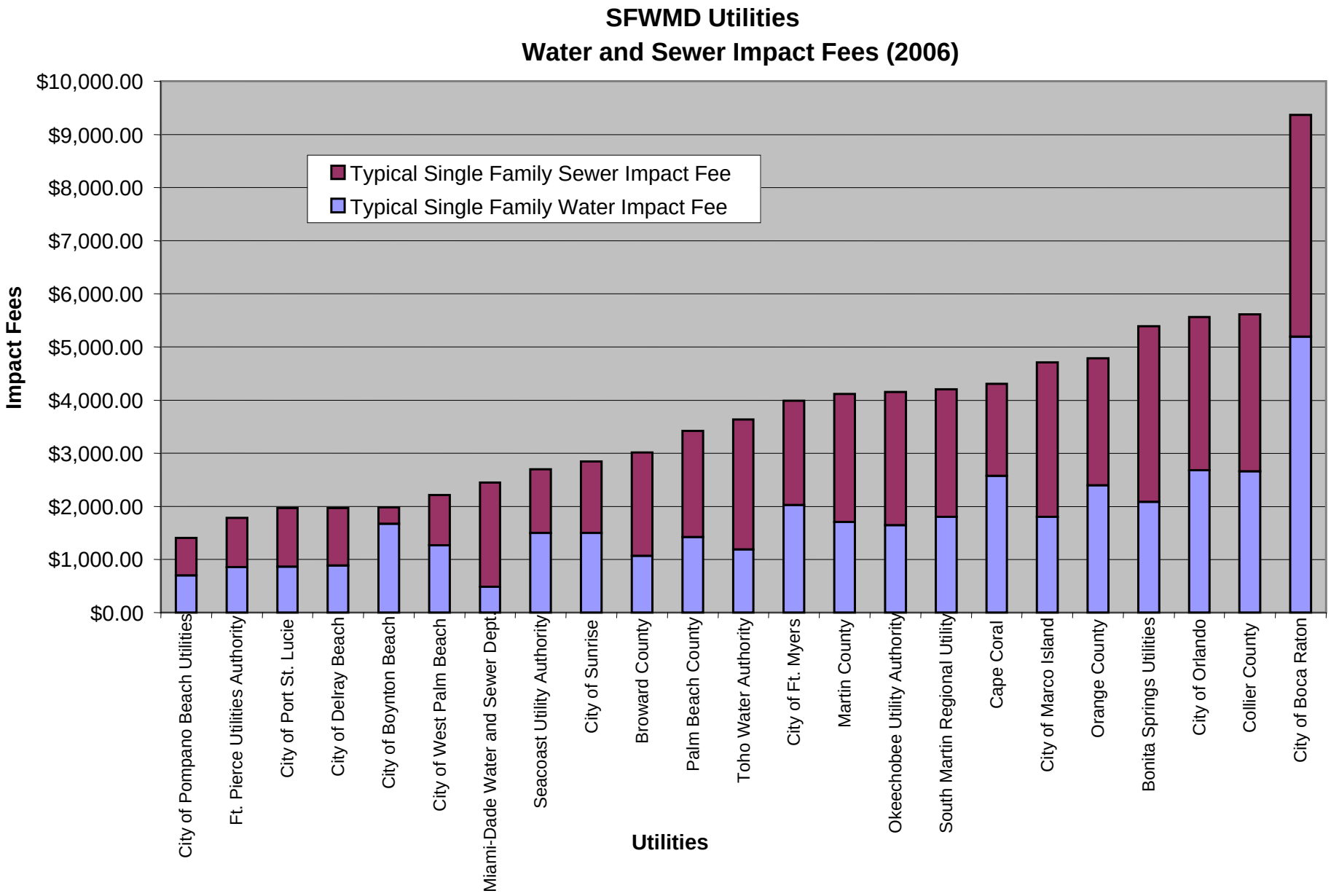
Statewide


Florida Utilities
Monthly Residential Water & Sewer Bill (2006)
Consumption of 7,000 Gallons
(Sorted by Total Bill Ascending)
Sewer Total
Water Total
Monthly Bill
$100
$90
$80
$70
$60
$50
$40
$30
$20
$10
$-
City of Boca Raton
City of Ft. Lauderdale
Miami-Dade Water & Sewer Dept.
City of West Palm Beach
Tallahassee
Gainesville
Altamonte Springs
Seminole
Cocoa Beach
St. Petersburg
Deland
City of Miramar
Pensacola
St. Augustine
Ocala
Pinellas Co.
Titusville
Winter Park
Sarasota
Charlotte

Nationwide


National Utilities
Residential Water & Sewer Monthly Bill (2006)
Consumption of 7,000 gallons
(Sorted by Total Bill Ascending)
Sewer Total
Water Total
Monthly Bill
$160
$140
$120
$100
$80
$60
$40
$20
$-
National Average $49.90
Columbus
San Antonio
Phoenix
JEA
City of Eugene
Charlotte
San Francisco
Detroit
Minneapolis
Dallas
Louisville
Salem
City & County of Honolulu
Baltimore
Nashville
Average State of Florida
South Florida WMD
San Jose
Anchorage
Seattle
San Diego
Atlanta, GA
Boston
Chicago
Houston

Water and Sewer Impact Fees



Factors That Influence Rates

- Service area demographics
- Economies of Scale
- Service Area Density
- Age of System
- Extent of Alternative Water Supply Development
- Planning and Cost Recovery Policies
- Rate and Fee Structure

Summary

- Complex issues for local utilities to balance:
  - Cost recovery & general reserve requirements
  - Legal requirements
  - Local conditions
  - Resource efficiency & conservation

Summary

- Local government and/or utility responsibility to develop rates and charges

- Water Management District responsibility to protect water resources

So how can we help utilities?