

**MEETING:** Lakeview Rate Study Planning Meeting

**DATE:** 12/11/2023

**LOCATION:** Lakeview Town Hall

**ATTENDEES:** Dan Scalas, Abraham Barr, Michelle Parry, Sean Petitmermet, Scott Langum

**AGENDA:**

1. Assumptions – All the following information is based on these assumptions. We need the Town to confirm that they are ok with these before we proceed.
  - a. We assume a 5-year planning period.
  - b. For planned capital projects, we used the list of high priority pipe projects that the Town sent us, spread out over the next five years. We estimated the costs of these projects by using data from the N 2<sup>nd</sup> street project and the North End Industrial project.
  - c. We assumed a Town growth rate of 0.5% (based on PSU population projections)
  - d. We assumed an inflation rate of 3% for operating costs (based on stated inflation rates).
  - e. We assumed a construction inflation rate of 5% based on nationwide engineering publications.
  - f. We assume that the 750 cubic foot allowance within the base rate will remain at this time, at the request of the Town. It would be in accordance with industry standards to remove the allowance, but if the Town would rather keep it, this can be revisited in a future update.
2. Cost of Service Analysis
  - a. A rate study often includes a cost-of-service analysis. This means calculating the different cost burdens that different types of users place on the system (residential, commercial, out of town, etc), as these are not typically uniform for all customer types. However, this is a detailed process that requires a lot of data that we do not currently possess.
  - b. Specifically, we would need a better breakdown of how the Town's operating expenses are split up between maintaining different components of the system. We would also need more detailed meter data. We recommend foregoing the cost-of-service analysis at this time and applying uniform rates to all users, and only

charging different base rates on the basis of meter size and in/out of town distinctions.

- c. We will include recommendations in the report for the Town to begin collecting the necessary data that will allow for a cost-of-service analysis in a future update.
- d. On this topic, we are suggesting that the Town keep the 1.5x multiplier for out-of-town service. As stated, a cost-of-service analysis that would determine the “fair” difference between in and out of town customers is not really feasible right now, so leaving the current difference is a good short term solution, even though it is not defensible long-term.

**3. Rate increase phasing options**

- a. There are three main phasing strategies for increasing water rates.
  - i. Just-in-time increases. These change the rate the exact amount needed to meet the given year’s cash flow requirement.
  - ii. Single increase. This increases the rate a single time in year 1, sufficient to meet cash flow requirements at the end of year 5.
  - iii. Equal increase. This increases the rate an equal percentage each year to meet the cash flow requirements at the end of year 5.
  - iv. See the table below for how each phasing type would increase the typical single-family connection.

Phasing Options						
	Just in Time		Single Increase		Equal Increase	
	Increase	Typ. SFR	Increase	Typ. SFR	Increase	Typ. SFR
Base Year	n/a	\$ 19.87		\$ 19.87		\$ 19.87
Year 1	52.8%	\$ 30.37	86.4%	\$ 37.03	18.8%	\$ 23.60
Year 2	0.0%	\$ 30.37	0.0%	\$ 37.03	18.8%	\$ 28.03
Year 3	6.6%	\$ 32.37	0.0%	\$ 37.03	18.8%	\$ 33.28
Year 4	17.0%	\$ 37.87	0.0%	\$ 37.03	18.8%	\$ 39.53
Year 5	10.6%	\$ 41.87	0.0%	\$ 37.03	18.8%	\$ 46.95

**4. Base vs Volume Rate options**

- a. The Town currently earns about 60% of its revenue from base rates and about 40% from volume rates (in excess of 750 cf). In the tables below we show how rates would change if the Town decided to change this percent split. Generally, a higher percentage from fixed rates puts more burden on smaller (residential) users, while a higher percentage on volume rates puts more burden on large (commercial) users. The tables below are based on the equal increase of 18.8%.

**i. Impact to typical single-family house (USDA affordability is \$51.56 for Lakeview's MHI)**

Typical Single Fam House (10 HCF/month)					Current =	\$ 19.87
	All Fixed	High Fixed	Current	Moderate	Low Fixed	Very Low Fixed
	100%/0%	90%/10%	60%/40%	50%/50%	30%/70%	10%/90%
per HCF	\$ -	\$ 0.20	\$ 1.00	\$ 1.14	\$ 1.60	\$ 2.06
New	\$ 27.77	\$ 25.98	\$ 19.87	\$ 14.63	\$ 13.50	\$ 9.40
Yr1	\$ 32.98	\$ 30.85	\$ 23.60	\$ 17.37	\$ 16.03	\$ 11.16
Yr2	\$ 39.17	\$ 36.64	\$ 28.03	\$ 20.63	\$ 19.04	\$ 13.25
Yr3	\$ 46.52	\$ 43.52	\$ 33.28	\$ 24.51	\$ 22.61	\$ 15.74
Yr4	\$ 55.24	\$ 51.68	\$ 39.53	\$ 29.10	\$ 26.86	\$ 18.69
Yr5	\$ 65.61	\$ 61.38	\$ 46.95	\$ 34.57	\$ 31.90	\$ 22.20

**ii. Impact to system's largest users**

1482 School District (956 HCF/month)					Current =	\$ 973.66
	All Fixed	High Fixed	Current	Moderate	Low Fixed	Very Low Fixed
	100%/0%	90%/10%	60%/40%	50%/50%	30%/70%	10%/90%
New	\$ 27.77	\$ 216.74	\$ 973.66	\$ 1,101.95	\$ 1,539.57	\$ 1,974.21
Yr1	\$ 32.98	\$ 257.40	\$ 1,156.34	\$ 1,308.70	\$ 1,828.42	\$ 2,344.62
Yr2	\$ 39.17	\$ 305.70	\$ 1,373.30	\$ 1,554.25	\$ 2,171.48	\$ 2,784.52
Yr3	\$ 46.52	\$ 363.05	\$ 1,630.96	\$ 1,845.86	\$ 2,578.90	\$ 3,306.96
Yr4	\$ 55.24	\$ 431.17	\$ 1,936.97	\$ 2,192.19	\$ 3,062.76	\$ 3,927.43
Yr5	\$ 65.61	\$ 512.07	\$ 2,300.39	\$ 2,603.49	\$ 3,637.41	\$ 4,664.30

918 Collins Mill (2035 HCF/month)					Current =	\$ 2,067.09
All Fixed	High Fixed	Current	Moderate	Low Fixed	Very Low Fixed	

	100%/0%	90%/10%	60%/40%	50%/50%	30%/70%	10%/90%
New	\$ 695.57	\$ 1,045.44	\$ 2,470.95	\$ 2,615.99	\$ 3,495.27	\$ 4,300.18
Yr1	\$ 826.08	\$ 1,241.59	\$ 2,934.56	\$ 3,106.81	\$ 4,151.06	\$ 5,106.99
Yr2	\$ 981.07	\$ 1,474.54	\$ 3,485.15	\$ 3,689.72	\$ 4,929.90	\$ 6,065.19
Yr3	\$ 1,165.14	\$ 1,751.20	\$ 4,139.05	\$ 4,382.00	\$ 5,854.86	\$ 7,203.15
Yr4	\$ 1,383.75	\$ 2,079.76	\$ 4,915.63	\$ 5,204.16	\$ 6,953.37	\$ 8,554.63
Yr5	\$ 1,643.37	\$ 2,469.98	\$ 5,837.91	\$ 6,180.58	\$ 8,257.98	\$ 10,159.68

<b>464 Lakeview Lodge (454 HCF/month)</b>						Current =	\$ 499.43
All Fixed	High Fixed	Current	Moderate	Low Fixed	Very Low Fixed		
100%/0%	90%/10%	60%/40%	50%/50%	30%/70%	10%/90%		
New	\$ 147.17	\$ 225.90	\$ 546.35	\$ 580.34	\$ 777.21	\$ 958.35	
Yr1	\$ 174.78	\$ 268.29	\$ 648.86	\$ 689.22	\$ 923.03	\$ 1,138.15	
Yr2	\$ 207.57	\$ 318.62	\$ 770.60	\$ 818.54	\$ 1,096.21	\$ 1,351.70	
Yr3	\$ 246.52	\$ 378.40	\$ 915.19	\$ 972.11	\$ 1,301.89	\$ 1,605.31	
Yr4	\$ 292.77	\$ 449.40	\$ 1,086.90	\$ 1,154.50	\$ 1,546.15	\$ 1,906.50	
Yr5	\$ 347.70	\$ 533.72	\$ 1,290.82	\$ 1,371.11	\$ 1,836.25	\$ 2,264.20	

<b>5025 Tall Town RV (229 HCF/month)</b>						Current =	\$ 364.92
All Fixed	High Fixed	Current	Moderate	Low Fixed	Very Low Fixed		
100%/0%	90%/10%	60%/40%	50%/50%	30%/70%	10%/90%		
New	\$ 91.63	\$ 129.98	\$ 286.82	\$ 300.51	\$ 398.54	\$ 486.78	
Yr1	\$ 108.82	\$ 154.37	\$ 340.64	\$ 356.89	\$ 473.32	\$ 578.11	
Yr2	\$ 129.24	\$ 183.34	\$ 404.55	\$ 423.86	\$ 562.13	\$ 686.58	
Yr3	\$ 153.49	\$ 217.73	\$ 480.45	\$ 503.38	\$ 667.60	\$ 815.40	
Yr4	\$ 182.29	\$ 258.59	\$ 570.59	\$ 597.83	\$ 792.85	\$ 968.39	
Yr5	\$ 216.49	\$ 307.10	\$ 677.65	\$ 709.99	\$ 941.61	\$ 1,150.08	

<b>1831 Jail (1298 HCF/month)</b>						Current =	\$ 1,330.02
All Fixed	High Fixed	Current	Moderate	Low Fixed	Very Low Fixed		
100%/0%	90%/10%	60%/40%	50%/50%	30%/70%	10%/90%		
New	\$ 695.57	\$ 898.03	\$ 1,733.87	\$ 1,775.72	\$ 2,315.95	\$ 2,781.80	
Yr1	\$ 826.08	\$ 1,066.52	\$ 2,059.19	\$ 2,108.89	\$ 2,750.47	\$ 3,303.73	
Yr2	\$ 981.07	\$ 1,266.62	\$ 2,445.54	\$ 2,504.57	\$ 3,266.52	\$ 3,923.59	
Yr3	\$ 1,165.14	\$ 1,504.27	\$ 2,904.38	\$ 2,974.48	\$ 3,879.40	\$ 4,659.75	
Yr4	\$ 1,383.75	\$ 1,786.50	\$ 3,449.31	\$ 3,532.56	\$ 4,607.26	\$ 5,534.02	
Yr5	\$ 1,643.37	\$ 2,121.69	\$ 4,096.48	\$ 4,195.35	\$ 5,471.69	\$ 6,572.33	

<b>1152 Western Villa (331 HCF/month)</b>					Current =	\$ 1,186.53
	<b>All Fixed</b>	<b>High Fixed</b>	<b>Current</b>	<b>Moderate</b>	<b>Low Fixed</b>	<b>Very Low Fixed</b>
	<b>100%/0%</b>	<b>90%/10%</b>	<b>60%/40%</b>	<b>50%/50%</b>	<b>30%/70%</b>	<b>10%/90%</b>
New	\$ 220.75	\$ 268.80	\$ 469.26	\$ 471.20	\$ 605.38	\$ 715.96
Yr1	\$ 262.17	\$ 319.23	\$ 557.30	\$ 559.60	\$ 718.96	\$ 850.29
Yr2	\$ 311.36	\$ 379.13	\$ 661.86	\$ 664.60	\$ 853.86	\$ 1,009.82
Yr3	\$ 369.78	\$ 450.26	\$ 786.05	\$ 789.29	\$ 1,014.06	\$ 1,199.29
Yr4	\$ 439.15	\$ 534.74	\$ 933.53	\$ 937.38	\$ 1,204.32	\$ 1,424.31
Yr5	\$ 521.55	\$ 635.07	\$ 1,108.68	\$ 1,113.26	\$ 1,430.28	\$ 1,691.54

5. Next steps

- a. Confirm assumptions (most importantly, CIP schedule and amount since this currently raises rates a lot)
- b. Decide on rate increase strategy (just in time, at once, equal increase)
- c. Decide on split between fixed/volume percentages

6. Questions

- a. Any info (inspections, cleanings) on tanks so we can estimate their useful life for the SDC calculation.
- b. Town budget item 48-51-751 through 755 mention loan interest. We understood that the water utility did not have debt service, but wanted to confirm this in light of these line items.
- c. Is the Town able to earn interest on its balances through the Oregon Short Term Fund?

**NOTES:**

**ACTION ITEMS:**