

**KUB**

# Wastewater and Water Cost of Service Studies

June 20, 2019



## Cost of Service Studies

- Board directed study be completed for each system prior to consideration of any rate actions in 2020
- Contracted with Utility Financial Solutions to conduct the studies
- Electric study presented to Board in March 2018
- Gas study presented to Board in November 2018
- Wastewater and water studies recently completed

# Cost of Service Methodology

- Determine revenue requirement
- Identify treatment, collection, fire protection, and customer-related costs
- Categorize costs between customer and commodity
- Allocate costs to each rate class

# Components of Basic Service Charges

- **Minimum System Costs**
  - Based on minimum system design
  - Costs required to enable customer to use one unit of water or wastewater
  
- **Direct Customer Costs**
  - Meter Operation & Maintenance
  - Meter reading
  - Billing
  - Services
  - Customer services

# Wastewater Cost of Service Summary Results

Rate Schedule	Customers in Class	Cost of Service	Projected Revenues	% Change
Residential	63,200	\$51,841,782	\$47,339,887	9.5%
Nonresidential	7,842	\$45,659,637	\$50,325,388	- 9.3%
Hauled Waste	10	\$ 739,260	\$ 679,581	8.8%
Wholesale	1	\$ 522,668	\$ 417,189	25.3%
Total		\$ 98,763,348	\$ 98,762,045	0.0%

# Wastewater Basic Service Charge Analysis

Customers	Meter Size	Cost of Service Basic Service Charge	FY 20 Basic Service Charge	Percent Change
59,325	5/8"	\$ 32.59	\$ 35.90	-9.2%
1,024	1"	\$ 52.65	\$ 50.90	3.4%
760	1 1/2"	\$ 102.35	\$ 62.90	62.7%
1,085	2"	\$ 164.88	\$ 82.90	98.9%
160	3"	\$ 307.35	\$ 161.00	90.9%
158	4"	\$ 509.70	\$ 264.00	93.1%
104	6"	\$1,013.80	\$ 562.00	80.4%
22	8"	\$1,617.90	\$ 977.00	65.6%
3	10"	\$2,321.99	\$1,481.00	56.8%

*Inside City Customers & Charges*

# Wastewater Basic Service Charge Components

Wastewater	5/8" Inside
Collection Facilities	\$ 23.78
Collection Operations & Maintenance	\$ 5.03
Customer Service	\$ 3.78
Basic Service Charge – Cost of Service	<b>\$ 32.59</b>
FY 20 KUB Basic Service Charge	<b>\$ 35.90</b>



# Water Cost of Service Summary Results

Rate Schedule	Customers in Class	Cost of Service	Projected Revenues	% Change
Residential	69,170	\$ 28,662,011	\$ 23,749,615	20.7%
Nonresidential	9,009	\$ 21,166,385	\$ 26,175,085	-19.1%
Fire Protection	1,597	\$ 8,115,848	\$ 8,247,493	- 1.6%
Wholesale	2	\$ 1,502,463	\$ 1,276,807	17.7%
Total		\$ 59,446,707	\$ 59,449,000	0.0%

# Water Basic Service Charge Analysis

Customers	Meter Size	Cost of Service Basic Service Charge	FY 20 Basic Service Charge	Percent Change
60,329	5/8"	\$ 19.73	\$ 18.00	9.6%
1,226	1"	\$ 30.49	\$ 32.10	- 5.0%
835	1 1/2"	\$ 71.32	\$ 44.00	62.1%
1,310	2"	\$ 99.69	\$ 60.00	66.2%
171	3"	\$ 224.36	\$ 161.00	39.4%
177	4"	\$ 308.45	\$ 266.00	16.0%
114	6"	\$ 543.63	\$ 583.00	- 6.8%
26	8"	\$ 872.81	\$1,026.00	-14.9%
5	10"	\$1,210.43	\$1,563.00	-22.6%

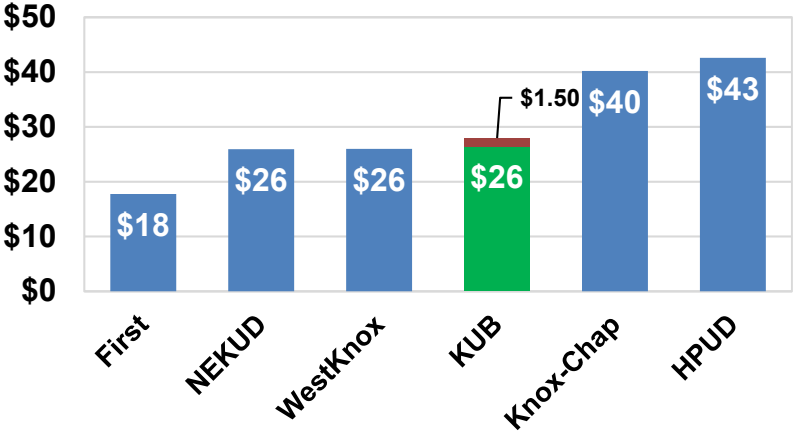
*Inside City Customers & Charges*

# Water Basic Service Charge Components

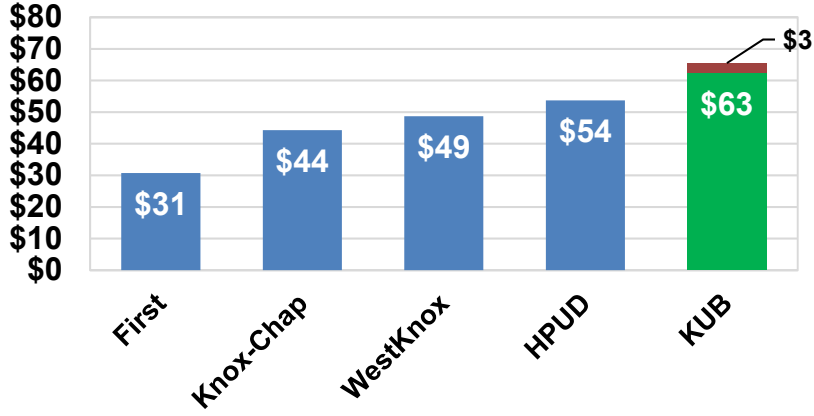
Water	5/8" Inside
Meters	\$ 6.30
Distribution Facilities	\$ 5.95
Distribution Operations & Maintenance	\$ 5.21
Customer Service	\$ 2.27
Basic Service Charge – Cost of Service	<b>\$ 19.73</b>
FY 20 KUB Basic Service Charge	<b>\$ 18.00</b>

# Water and Wastewater Residential Bills

Water – Local



Wastewater – Local



■ With FY 20 rate increases

# Key Findings from Cost of Service Studies

- Wastewater and water cost of service results similar to electric and gas
  - Residential paying below cost of service
  - Commercial classes paying above cost of service
- KUB's cost of service typical of other utilities
- Most basic service charges below cost of service
- KUB capital investment in wastewater and water systems above average

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