



Town of Taos Utility Rate Study Summary

November 2010

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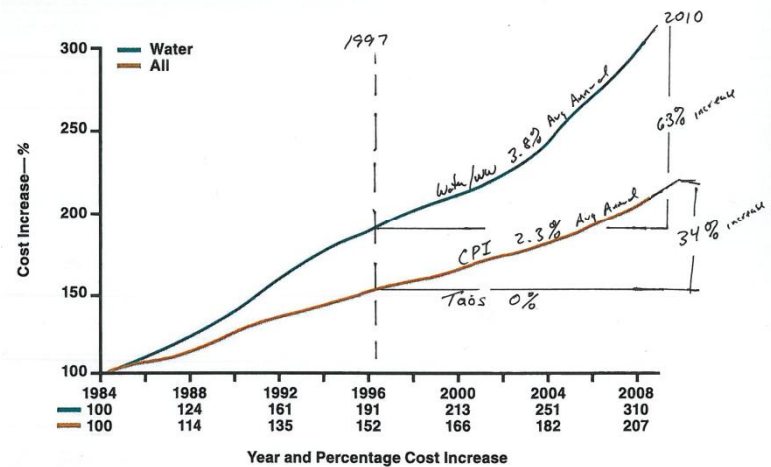
Agenda

- Introduction/Background
- Discussion of Rate Structure and Basis for Rates
- Assumptions
- Alternatives
- Recommended Alternative
 - Residential Water Rates
 - Commercial Water Rates
 - Residential Wastewater Rates
 - Commercial Wastewater Rates
- Comparisons
- Summary

Introduction

- Taos-0% increase since 1997
- CPI increased avg 2.3% annual-34% since 1997
- Nationwide W/WW costs increased 3.8% avg annual-63% since 1997

FIGURE 3 Average water and sewage treatment cost increases compared with cost increases for all items in consumer price index—1984 to 2008



Source: US Bureau of Labor Statistics

- Source AWWA Journal April 2010

Taos Rates

- Rates unchanged since 1997
- Expenses have risen about 6% faster than revenues (from growth) over past 10 years.
- Current revenues just cover O&M
- No ability to cover Asset Management or Capital Improvements without 100% grants (recent grants awarded with understanding Taos would increase rates to cover loan components)
- Espanola residents and business currently pay an average of 133% more than Taos customers pay (2.33 times Taos rates)
- Santa Fe City and County customers currently pay 90% more (1.9 times Taos rates)
- City of Las Vegas customers pay 64% more (1.64 times Taos rates)

Rates Concepts

- Should reflect true costs of value of water and true costs of treating the wastewater.
 - **O&M (System maintenance and facility operations)**
 - Pumping, treating, storing, delivering, minor repairs, meter reading, billing, collections, training
 - **Capital costs (includes debt repayment)**
 - Costs of items needed (new wells, tanks, line extensions, etc.)
 - **Replacement Costs/Asset Management**
 - Costs of wells, tanks, treatment, etc., capitalized over life of the item (asset management-replacement well, or replacement pump)
- **COST OF SERVICE** should reflect actual costs and apply fairly to all customers (residential, commercial, low flow, high flow, etc.)
 - Base Rates (cost of having service available)
 - Usage Rate (cost per 1000 gallons for using the service)

Rate Structure to the customers

- Service Charge (Base Rate) – fixed service fee per billing period
 - Fixed cost for having service available, whether it is used or not-
 - Residential currently 50% less than other communities
 - Commercial currently 80% less than other communities.
- Consumption Charge – price for each unit of water consumed or used
 - Consumption charges based on a tiered rate structure for residential customers to encourage conservation (the more water used, the higher the charge)

The total charge should cover costs on previous slide

Basis for Taos Rate Analysis

- Revenues and expenses evaluated for past 5 years
 - Water and Wastewater Revenues increased 4% annually, (fees, connections, GRT, interest, etc.) (although 2009 revenues were down-4% decrease)
 - Water and Wastewater Expenses increased average of 9.5% annually (although 2009 expenses increased 1% water, 16% WW)
 - Town has received about \$6 million in grants over past 5 years with 20% average matching Town funds required.

Basis for Taos Rate Analysis (cont)

- Capital improvements projected for next 5 years
 - Water System estimated \$5 million capital required (current \$850K SAP being spent on Wells 7 and 9, \$2 million application in to WTB)
 - Sewer System estimated \$9.3 million capital required plus asset management in plaza area (secured \$4.3 million from WTB, \$4.5 million ARRA)
 - Asset Management fund of \$ 500K each water and wastewater to cover 50% of asset mgmt requirements

Assumptions:

- Expenses continue to rise as they have in the past
- Town continues to have success at getting loan:grant combinations of at least 25:75
- Town undertakes an Asset Management program setting aside \$500K/year for both water and wastewater and Town will get matching funds for these. (past decade got 20:80 loan:grant-assume 50:50 going forward)

Taos Rate Increase Alternatives

- **Option 1)** Need aggressive (50%) increase now to catch up to CPI increases with annual CPI (2.3%) increases after that.

(rates would still be significantly lower than Espanola, Santa Fe, Las Vegas)

- **Option 2:** moderate (25%) increase now with annual 6.3% (4% plus 2.3% CPI) for next 5 years (**Option 2 is Recommended Option**)
- **Option 3:** Annual 11.3% increase (9% plus 2.3% CPI) for next 5 years.
- Plan for 3.8% annually after that (2.3% CPI plus 1.5%)

Recommended-Option 2

Residential Water

- **Residential Water (40% of water used,)**
 - \$5.50/mo Base charge increase to \$8.38/mo. Keep 2000 free gallons-increase 6.3% annually for next 5 years.
 - \$2.85/1000 gallons increase to \$3.03/1000 gallons for use over 2000 gal + 6.3% annual increase for next 5 years (4% +2.3% CPI)
 - Add in conservation incentive tier at 6000 gallons (avg user uses 4800 gal/mo) rates increase 50%/1000 gal up to 12,000, 50% increase above that
- Avg bill would go from \$13.48/mo to \$16.86/mo

Recommended-Option 2

Commercial Water

- **Commercial Water (60% of water used)**
 - \$9.15/mo Base Charge becomes tiered with meter sizes

3/4"	\$ 12.50
1"	\$ 25.00
1 1/2"	\$ 50.00
2"	\$ 100.00
3"	\$ 150.00
4"	\$ 200.00
6"	\$ 400.00
8"	\$ 500.00

- \$3.03/1000 gallons additional – (6.3% increase)
- Spread of users from 200 that use less than 1000 gallons per month, to 10 that use over 100,000 gallons per month
- Includes 2000 free gallons in base rate
- Still less than half cost in Espanola and Santa Fe County, 40% less than City of Las Vegas

Recommended- Option 2

Residential Wastewater

- Residential Wastewater
 - \$15.50/mo Base charge (unchanged) which includes 1000 gallons water
 - \$0.86/1000 gallons increase to \$3.03/1000 gal
 - No conservation incentive
 - 6.3% annual increase for next 5 years (4% plus 2.3% CPI)
- Avg Bill goes from \$18.77/mo to \$23.98/mo

Recommended-Option 2

Commercial Wastewater

- **Commercial Water (60% of water used)**
 - \$25.50/mo Base Charge becomes tiered with meter sizes

3/4"	\$ 25.50
1"	\$ 25.50
1 1/2"	\$ 25.50
2"	\$ 50.00
3"	\$ 75.00
4"	\$ 100.00
6"	\$ 200.00
8"	\$ 300.00

- \$3.03/1000 gallons additional – (6.3% increase)
- Avg 12.6% increase
- 90% less than Espanola, 30% less than City of Las Vegas, 23% less than SFe County

Proposed Water Rates

Proposed Water Service Rates within Town Limits													
Residential		2010		2011		2012		2013		2014		2015	
Base Service Charge/ Month		5.50		8.38		8.91		9.47		10.07		10.70	
Tier 1: 2001-6000		2.85		3.03		3.22		3.42		3.64		3.87	
Tier 2: 6001-12000		2.85		4.55		4.83		5.13		5.46		5.81	
Tier 3: Over 12,000		2.85		6.06		6.44		6.84		7.28		7.74	
Cost for 6,000 gallons/month		16.90		20.50		21.79		23.15		24.63		26.18	
Cost for 5,000 gallons/month		14.05		17.47		18.57		19.73		20.99		22.31	
Commercial		2010		2011		2012		2013		2014		2015	
		Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage
Meter Size			(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)
3/4"		\$ 9.15	\$ 2.85	\$ 12.50	\$ 3.03	\$ 13.29	\$ 3.22	\$ 14.12	\$ 3.42	\$ 15.01	\$ 3.64	\$ 15.96	\$ 3.87
1"		\$ 9.15	\$ 2.85	\$ 25.00	\$ 3.03	\$ 26.58	\$ 3.22	\$ 28.25	\$ 3.42	\$ 30.03	\$ 3.64	\$ 31.92	\$ 3.87
1 1/2"		\$ 9.15	\$ 2.85	\$ 50.00	\$ 3.03	\$ 53.15	\$ 3.22	\$ 56.50	\$ 3.42	\$ 60.06	\$ 3.64	\$ 63.84	\$ 3.87
2"		\$ 9.15	\$ 2.85	\$ 100.00	\$ 3.03	\$ 106.30	\$ 3.22	\$ 113.00	\$ 3.42	\$ 120.12	\$ 3.64	\$ 127.68	\$ 3.87
3"		\$ 9.15	\$ 2.85	\$ 150.00	\$ 3.03	\$ 159.45	\$ 3.22	\$ 169.50	\$ 3.42	\$ 180.17	\$ 3.64	\$ 191.52	\$ 3.87
4"		\$ 9.15	\$ 2.85	\$ 200.00	\$ 3.03	\$ 212.60	\$ 3.22	\$ 225.99	\$ 3.42	\$ 240.23	\$ 3.64	\$ 255.37	\$ 3.87
6"		\$ 9.15	\$ 2.85	\$ 400.00	\$ 3.03	\$ 425.20	\$ 3.22	\$ 451.99	\$ 3.42	\$ 480.46	\$ 3.64	\$ 510.73	\$ 3.87
8"		\$ 9.15	\$ 2.85	\$ 500.00	\$ 3.03	\$ 531.50	\$ 3.22	\$ 564.98	\$ 3.42	\$ 600.58	\$ 3.64	\$ 638.41	\$ 3.87

***2000 gallons of flow are included in cost of all residential and commercial base rates.

Proposed Wastewater Rates

Proposed Wastewater Service Rates within Town Limits												
Residential Wastewater	2010		2011		2012		2013		2014		2015	
	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage
		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)
	\$ 15.50	\$ 0.85	\$ 15.50	\$ 3.03	\$ 16.48	\$ 3.22	\$ 17.51	\$ 3.42	\$ 18.62	\$ 3.64	\$ 19.79	\$ 3.87
Base Rate includes 1000 gallons flow												
Commercial Wastewater	2010		2011		2012		2013		2014		2015	
	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage	Base	Usage
Based on Water Meter Size		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)		(\$/1000gal)
3/4"	\$ 25.50	\$ 2.85	\$ 25.50	\$ 3.03	\$ 27.11	\$ 3.22	\$ 28.81	\$ 3.42	\$ 30.63	\$ 3.64	\$ 32.56	\$ 3.87
1"	\$ 25.50	\$ 2.85	\$ 25.50	\$ 3.03	\$ 27.11	\$ 3.22	\$ 28.81	\$ 3.42	\$ 30.63	\$ 3.64	\$ 32.56	\$ 3.87
1 1/2"	\$ 25.50	\$ 2.85	\$ 25.50	\$ 3.03	\$ 27.11	\$ 3.22	\$ 28.81	\$ 3.42	\$ 30.63	\$ 3.64	\$ 32.56	\$ 3.87
2"	\$ 25.50	\$ 2.85	\$ 50.00	\$ 3.03	\$ 53.15	\$ 3.22	\$ 56.50	\$ 3.42	\$ 60.06	\$ 3.64	\$ 63.84	\$ 3.87
3"	\$ 25.50	\$ 2.85	\$ 75.00	\$ 3.03	\$ 79.73	\$ 3.22	\$ 84.75	\$ 3.42	\$ 90.09	\$ 3.64	\$ 95.76	\$ 3.87
4"	\$ 25.50	\$ 2.85	\$ 100.00	\$ 3.03	\$ 106.30	\$ 3.22	\$ 113.00	\$ 3.42	\$ 120.12	\$ 3.64	\$ 127.68	\$ 3.87
6"	\$ 25.50	\$ 2.85	\$ 200.00	\$ 3.03	\$ 212.60	\$ 3.22	\$ 225.99	\$ 3.42	\$ 240.23	\$ 3.64	\$ 255.37	\$ 3.87
8"	\$ 25.50	\$ 2.85	\$ 300.00	\$ 3.03	\$ 318.90	\$ 3.22	\$ 338.99	\$ 3.42	\$ 360.35	\$ 3.64	\$ 383.05	\$ 3.87

***1000 gallons of flow are included in cost of residential base rates

*** 0 gallons of flow included in cost of commercial base rates

Water Rate Comparisons

		Taos-Current		Taos-Proposed		Española		Santa Fe County		City of Las Vegas	
		Present Base Rate	\$/1000 gal	Base Rate	\$/1000 gal	Base Rate	\$/1000 gal	Base Rate	\$/1000 gal	Base Rate	\$/1000 gal
Residential	5/8"	\$ 5.50	\$ 2.85	\$ 8.38	\$ 3.03	\$ 15.51	\$ 3.78	\$ 14.50	\$ 5.32	\$ 14.29	\$ 1.89
Commercial	3/4"	\$ 9.15	\$ 2.85	\$ 12.50	\$ 3.03	\$ 30.35	\$ 6.71	\$ 43.59	\$ 5.32	\$ 31.53	\$ 2.31
	1"	\$ 9.15	\$ 2.85	\$ 25.00	\$ 3.03	\$ 43.13	\$ 6.71	\$ 69.42	\$ 5.32	\$ 157.65	\$ 2.31
	1 1/2"	\$ 9.15	\$ 2.85	\$ 50.00	\$ 3.03	\$ 68.68	\$ 6.71	\$ 133.99	\$ 5.32	N/A	
	2"	\$ 9.15	\$ 2.85	\$ 100.00	\$ 3.03	\$ 209.23	\$ 6.71	\$ 211.46	\$ 5.32	\$ 315.30	\$ 2.31
	3"	\$ 9.15	\$ 2.85	\$ 150.00	\$ 3.03	\$ 247.94	\$ 6.71	\$ 407.77	\$ 5.32	N/A	
	4"	\$ 9.15	\$ 2.85	\$ 200.00	\$ 3.03	\$ 403.47	\$ 6.71	\$ 484.45	\$ 5.32	\$ 472.95	\$ 2.31
	6"	\$ 9.15	\$ 2.85	\$ 400.00	\$ 3.03	\$ 479.35	\$ 6.71	\$ 964.05	\$ 5.32	\$ 630.60	\$ 2.31
	8"	\$ 9.15	\$ 2.85	\$ 500.00	\$ 3.03	\$ 634.87	\$ 6.71	\$ 1,539.58	\$ 5.32	\$ 788.25	\$ 2.31
		Res free:	2000	Res free:	2000	Res free:	0	Res free:	0	Res free:	2000
		Comm free	3000	Comm free	2000	Comm free	0	Comm free	0	Comm free	2000
				6.3% increase projected annually for next 5 years		10+% increase projected annually for next 5 years		15+% increase projected annually for next 5 years		Oct 2005 last update	

Wastewater Rate Comparison

		Taos-Current		Taos-Proposed		Española		Santa Fe County		City of Las Vegas	
		present rate	\$/1000 gal		\$/1000 gal	Base Rate	\$/1000 gal	Base Rate	\$/1000 gal	Base Rate	\$/1000 gal
Residential	5/8"	\$ 15.50	\$ 0.86	\$ 15.50	\$ 3.03	\$ 20.15	\$ 5.38	\$ 6.54	\$ 3.50	\$ 12.01	\$ 4.03
Commercial	3/4"	\$ 25.50	\$ 2.85	\$ 25.50	\$ 3.03	\$ 20.15	\$ 5.64	\$ 6.54	\$ 3.50	\$ 12.01	\$ 4.03
	1"	\$ 25.50	\$ 2.85	\$ 25.50	\$ 3.03	\$ 20.15	\$ 5.64	\$ 6.54	\$ 3.50	\$ 21.32	\$ 4.03
	1 1/2"	\$ 25.50	\$ 2.85	\$ 25.50	\$ 3.03	\$ 20.15	\$ 5.93	\$ 6.54	\$ 3.50		
	2"	\$ 25.50	\$ 2.85	\$ 50.00	\$ 3.03	\$ 20.15	\$ 5.93	\$ 6.54	\$ 3.50	\$ 85.28	\$ 4.03
	3"	\$ 25.50	\$ 2.85	\$ 75.00	\$ 3.03	\$ 20.15	\$ 6.23	\$ 6.54	\$ 3.50		
	4"	\$ 25.50	\$ 2.85	\$ 100.00	\$ 3.03	\$ 20.15	\$ 6.23	\$ 6.54	\$ 3.50	\$ 341.11	\$ 4.03
	6"	\$ 25.50	\$ 2.85	\$ 200.00	\$ 3.03	\$ 20.15	\$ 6.23	\$ 6.54	\$ 3.50	\$ 767.58	\$ 4.03
	8"	\$ 25.50	\$ 2.85	\$ 300.00	\$ 3.03	\$ 20.15	\$ 6.23	\$ 6.54	\$ 3.50		
		Residential free	1000	Residential free	1000	Residential free	3000	Residential free	0	Residential free	2000
		Commercial Free	0	Commercial Free	0	Commercial Free	0	Commercial Free	0	Commercial Free	0
				6.3% increase projected		10+% increase projected		15+% increase projected		Oct 2005 last update	
				annually for next 5 years		annually for next 5 years		annually for next 5 years		CPI 2.7% annual increase	

Comparisons

Total Bill-Water and Wastewater

		Average Bill Comparison							
		gal/mo	Taos-Current	Taos-Proposed	Espanola	Santa Fe County	City of Las Vegas		
Residential	5/8"	4800	\$ 32.25	\$ 40.85	\$ 63.49	\$ 63.38	\$ 42.88		
Commercial	3/4"	5000	\$ 54.35	\$ 61.99	\$ 112.25	\$ 94.23	\$ 70.62		
	1"	20000	\$ 139.85	\$ 165.39	\$ 310.28	\$ 252.36	\$ 301.15		
	1 1/2"	30000	\$ 196.85	\$ 250.99	\$ 468.03	\$ 405.13	\$ -		
	2"	100000	\$ 595.85	\$ 749.94	\$ 1,493.38	\$ 1,100.00	\$ 1,029.96		
	3"	200000	\$ 1,165.85	\$ 1,430.94	\$ 2,856.09	\$ 2,178.31	\$ -		
	4"	300000	\$ 1,735.85	\$ 2,111.94	\$ 4,305.62	\$ 3,136.99	\$ 2,753.44		
	6"	400000	\$ 2,305.85	\$ 3,017.94	\$ 5,675.50	\$ 4,498.59	\$ 3,992.56		
	8"	500000	\$ 2,875.85	\$ 3,823.94	\$ 7,125.02	\$ 5,956.12			

Comparisons

Commercial Water

		Taos	Taos		
	gal/mo ave	Current Rate	Proposed Rate	Espanola Rate	% < Espanola
Holiday Inn	743,200	\$ 2,127.27	\$ 3,047.65	\$ 4,960.54	39%
Kachina Properties	512,380	\$ 1,469.43	\$ 2,225.35	\$ 3,554.84	37%
Holy Cross Hospital	464,060	\$ 1,331.72	\$ 2,053.21	\$ 3,260.58	37%
Sagebrush Inn	406,120	\$ 1,166.59	\$ 1,846.80	\$ 2,907.72	36%
Quality Inn	320,810	\$ 923.46	\$ 1,342.89	\$ 2,339.42	43%
Richwall Conoco	229,620	\$ 663.57	\$ 968.02	\$ 1,623.11	40%
El Monte Lodge	225,320	\$ 651.31	\$ 952.70	\$ 1,596.92	40%
Taos County Housing Authority	224,080	\$ 647.78	\$ 948.29	\$ 1,589.37	40%
El Monte Sagrado	218,900	\$ 633.02	\$ 929.83	\$ 1,557.82	40%
Cordova Mobile Home Park	155,190	\$ 451.44	\$ 652.86	\$ 1,153.71	43%

Comparisons

Commercial Wastewater

		Taos	Taos		
	gal/mo ave	Current Rate	Proposed Rate	Espanola Rate	% < Espanola
Holiday Inn	743,200	\$ 2,143.37	\$ 2,635.84	\$ 3,497.74	25%
Kachina Properties	512,380	\$ 1,485.53	\$ 1,879.33	\$ 2,412.89	22%
Holy Cross Hospital	464,060	\$ 1,347.82	\$ 1,720.96	\$ 2,185.78	21%
Sagebrush Inn	406,120	\$ 1,182.69	\$ 1,531.06	\$ 1,913.46	20%
Quality Inn	320,810	\$ 939.56	\$ 1,151.45	\$ 1,512.51	24%
Richwall Conoco	229,620	\$ 679.67	\$ 827.58	\$ 1,083.91	24%
El Monte Lodge	225,320	\$ 667.41	\$ 813.49	\$ 1,063.70	24%
Taos County Housing Authority	224,080	\$ 663.88	\$ 809.42	\$ 1,057.88	23%
El Monte Sagrado	218,900	\$ 649.12	\$ 792.44	\$ 1,033.53	23%
Cordova Mobile Home Park	155,190	\$ 467.54	\$ 558.64	\$ 734.09	24%

Summary Recommendations-Water

Residential Water

- Increase **base** rate from \$5.50/mo to \$8.38/mo
- Leave **usage** rate same with 6.3% annual increases
- Leave first 2000 gal water free
- Tier usage rate structure to support water conservation
- Average Residential Bill goes from \$13.48/mo to \$16.86/mo

Commercial Water

- Increase **base** rates based on meter size and Town's cost to provide service
- Leave **usage** rate same with 6.3% annual increases
- Leave first 2000 gal water free

Summary Recommendations- Wastewater

Residential Wastewater

- Leave **Base** Rates unchanged, increase 6.3% annually after first year
- Increase usage rate from \$0.85/1000 gal to \$3.03/1000 gal
- Leave first 1000 gal/mo free
- Annual 6.3% increase for both base and usage rates next 5 years
- Average Residential Bill goes from \$18.77/mo to \$23.98/mo

Commercial Wastewater

- Increase **base** rates based on meter size and Town's cost to provide service
- Leave **usage** rate same with 6.3% annual increases
- Annual 6.3% increase for both base and usage rates next 5 years

- These changes result in balanced budget and establishment of funds for repayment of loans and asset management.