



ST. CHARLES  
SINCE 1834

## AGENDA ITEM EXECUTIVE SUMMARY

Title: Presentation of Utility Rate Study

Presenter: Chris Minick, Finance Director

*Please check appropriate box:*

|                          |                        |                                     |                              |
|--------------------------|------------------------|-------------------------------------|------------------------------|
| <input type="checkbox"/> | Government Operations  | <input checked="" type="checkbox"/> | Government Services 04.25.11 |
| <input type="checkbox"/> | Planning & Development | <input type="checkbox"/>            | City Council                 |
| <input type="checkbox"/> | Public Hearing         | <input type="checkbox"/>            |                              |

|                 |     |           |     |                          |    |                          |
|-----------------|-----|-----------|-----|--------------------------|----|--------------------------|
| Estimated Cost: | N/A | Budgeted: | YES | <input type="checkbox"/> | NO | <input type="checkbox"/> |
|-----------------|-----|-----------|-----|--------------------------|----|--------------------------|

If NO, please explain how item will be funded:

**Executive Summary:**

During the fall of 2010, the City Council commissioned a rate study of the City's three main operating utilities, electric water and sewer. There was concern among the staff that the rate structure was no longer matching either the amount or way in which the utilities were incurring expenses. Additionally, with the change in the wholesale power provider from Com Ed to IMEA, certain elements of the City's retail rate structure had become outdated, rates for different seasons in particular.

RW Beck was selected as the consultant to perform the rate study. Various analysis has been performed on the three utilities and Beck will be presenting its recommendations of guidelines for changes to the City's utility rate structure for the next four fiscal years.

**Attachments: (please list)**

**Electric, Water and Sewer Utilities Rate Study**

**Recommendation / Suggested Action (briefly explain):**

**A motion to recommend acceptance of the rate study to the City Council**

*For office use only:*

*Agenda Item Number: 3.a*

Executive Summary

# Electric, Water, and Sewer Utilities Rate Study

City of St. Charles

April 2011



An SAIC Company

Executive Summary

Electric, Water, and Sewer  
Utilities Rate Study

City of St. Charles

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An SAIC Company

This report has been prepared for the use of the client for the specific purposes identified in the report. The conclusions, observations and recommendations contained herein attributed to R. W. Beck, Inc. (R. W. Beck) constitute the opinions of R. W. Beck. To the extent that statements, information and opinions provided by the client or others have been used in the preparation of this report, R. W. Beck has relied upon the same to be accurate, and for which no assurances are intended and no representations or warranties are made. R. W. Beck makes no certification and gives no assurances except as explicitly set forth in this report.

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# EXECUTIVE SUMMARY

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## Study Background and Objectives

The City of St. Charles, Illinois, (“The City” or “St. Charles”) owns, operates, and maintains municipal electric, water, and sewer utilities that provide retail service to approximately 15,500 customers located within St. Charles’ corporate limits, as well as certain adjacent areas.

R. W. Beck performed a financial review and a study of the allocated cost of serving each of the City’s utility customer classifications. The scope of the Cost of Service Study (“COS”) includes:

- An analysis of estimated revenue requirements for fiscal year ended April 30, 2011, (“FY 2011”) through FY 2015 based on revenues and expenses reported in the FY 2010 budget
- Development of a Test Year to be used as the basis for the COS studies
- A five-year financial forecast including revenues, operating and maintenance expenses, and a capital spending plan for each of the utilities
- A Cost of Service Study based on St. Charles’ budget and financial forecast developed with the assistance of City staff
- An analysis of the recently implemented FY 2010-11 rate increases for the electric, water, and sewer utilities (7 percent, 4 percent, and 4 percent respectively)
- A connection fee analysis for the water and sewer utilities
- An analysis of the City’s current interdepartmental cost allocation process
- Development of a multi-year Rate Plan for the electric, water, and sewer systems

This report summarizes the analyses undertaken in our study and describes the results and our recommendations for the City.

## General Discussion

### Customer Statistics

Summaries of electric, water, and sewer utility customer class statistics, as derived from available data for the test year are presented in Tables ES-1 through ES-3. Detailed customer class statistics are shown in the Cost of Service Study; see Exhibits 1-3 and Appendix A for more information.

## EXECUTIVE SUMMARY

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**Table ES-1  
Electric Customer Class Statistics**

| Customer Classification | Number of Customers | Consumption (kWh)  | %           |
|-------------------------|---------------------|--------------------|-------------|
| Residential             | 13,181              | 134,877,000        | 26%         |
| Small Commercial        | 992                 | 7,228,000          | 1%          |
| Large Commercial        | 1,097               | 162,044,000        | 31%         |
| Industrial              | 47                  | 204,213,000        | 39%         |
| Municipal               | 51                  | 12,278,000         | 2%          |
| Outdoor Lighting        | 22                  | 7,576,000          | 1%          |
| <b>Total</b>            | <b>15,390</b>       | <b>528,218,000</b> | <b>100%</b> |

**Table ES-2  
Water Customer Class Statistics**

| Customer Classification   | Number of Customers | Consumption (000 gallons) | %           |
|---------------------------|---------------------|---------------------------|-------------|
| Residential               | 11,086              | 842,000                   | 66%         |
| Commercial and Industrial | 1,200               | 413,000                   | 33%         |
| Municipal                 | 44                  | 13,000                    | 1%          |
| <b>Total</b>              | <b>12,330</b>       | <b>1,268,000</b>          | <b>100%</b> |

**Table ES-3  
Sewer Customer Class Statistics**

| Customer Classification   | Number of Customers | Consumption (000 gallons) | %           |
|---------------------------|---------------------|---------------------------|-------------|
| Residential               | 12,999              | 762,000                   | 64%         |
| Commercial and Industrial | 1,728               | 425,000                   | 35%         |
| Municipal                 | 21                  | 8,000                     | 1%          |
| <b>Total</b>              | <b>15,000</b>       | <b>1,195,000</b>          | <b>100%</b> |

### Revenue Requirement

To provide for the continued operation of a utility on a sound financial basis, revenues must be sufficient to meet the cash requirements of operation and maintenance expenses, administrative expenses, debt service expenses, ordinary replacements, planned system improvements, and any other operating expenses and/or capital costs. In addition, cash reserves should be sufficient to provide needed capital in the event of revenue fluctuations or emergencies. The sum of these cost components is referred to as a utility's *revenue requirements*.

Revenue requirements serve as a basis for determining the level of revenue recovery needed from rates and provide a foundation for cost-of-service analysis. For purposes

of the 2011 Rate Study, revenue requirements are based on the FY 2011 utility budgets and adjusted to develop the Test Year Revenue Requirements for the COS Study. The pro forma FY 2011 electric, water, and sewer utility revenue requirements are summarized and compared to existing rate revenues in Tables ES-4 through ES-6, below.

**Table ES-4  
Comparison of Existing Rate Revenue to  
Total Revenue Requirements- Electric**

| Item                        | Amount        |
|-----------------------------|---------------|
| Existing Rate Revenue       | \$43,800,000  |
| Total Revenue Requirements  | \$49,870,000  |
| Dollar Difference (Deficit) | (\$6,070,000) |
| Percent Difference          | 13.9%         |

**Table ES-5  
Comparison of Existing Rate Revenue to  
Total Revenue Requirements- Water**

| Item                        | Amount        |
|-----------------------------|---------------|
| Existing Rate Revenue       | \$3,036,000   |
| Total Revenue Requirements  | \$5,288,000   |
| Dollar Difference (Deficit) | (\$2,251,000) |
| Percent Difference          | 74.0%         |

**Table ES-6  
Comparison of Existing Rate Revenue to  
Total Revenue Requirements- Sewer**

| Item                        | Amount        |
|-----------------------------|---------------|
| Existing Rate Revenue       | \$5,779,000   |
| Total Revenue Requirements  | \$7,777,000   |
| Dollar Difference (Deficit) | (\$1,998,000) |
| Percent Difference          | 35.0%         |

On a strict revenue requirements basis, rate increases for electric, water, and sewer are 13.9 percent, 74 percent, and 35 percent, respectively. However, a multi-year financial forecast model was utilized in the development of a forward-looking Rate Plan. The Financial Forecast and Rate Plan are more fully discussed in the following sections.

## **Financial Forecasts**

Projected operating results were developed to forecast the financial status of the individual utility departments over a five-year period from FY 2012 to FY 2016. The Study takes into consideration the anticipated capital improvements and the sources of funding for these projects. For a summary of the projected results of the financial forecast see Exhibit 2 of this report.

## **Interdepartmental Cost Allocation**

A review of the City's current interdepartmental cost allocation process was performed as part of our study. We reviewed certain documents associated with the study previously prepared for the City in 2009 and compared that to current financial results for the City and the individual Utilities. After review, we determined that the current method of interdepartmental cost allocation is reasonable and sufficient. With the assistance of City staff, we prepared a simple model based on the methodology used in the 2009 study. This model can be updated on a semi-annual basis and compared to actual results to determine if any changes need to be made.

## **Capital Improvement Plan**

A five-year capital improvement plan was developed for each of the utilities with the assistance of City staff. Planned capital improvements include a level of normal capital expenditures plus certain other capital projects required to meet system capacity, reliability, or environmental and regulatory requirements. Funding for capital improvements is provided through rates (cash basis), use of existing reserves, and/or new debt (typically, a series of bond issues). A summary of planned capital improvements and funding source for each utility is presented below in Tables ES-7 through ES-9.

**Table ES-7  
Five Year Capital Plan – Electric**

| <b>Funding Type</b> | <b>Year 1</b>      | <b>Year 2</b>      | <b>Year 3</b>      | <b>Year 4</b>      | <b>Year 5</b>      |
|---------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Debt Financed       | \$2,300,000        | \$2,000,000        | \$1,800,000        | \$2,000,000        | \$2,000,000        |
| Cash Funded         | \$1,432,000        | \$1,804,000        | \$893,000          | \$703,000          | \$1,500,000        |
| <b>Total</b>        | <b>\$3,732,000</b> | <b>\$3,804,000</b> | <b>\$2,693,000</b> | <b>\$2,703,000</b> | <b>\$3,500,000</b> |

**Table ES-8  
Five Year Capital Plan – Water**

| <b>Funding Type</b> | <b>Year 1</b>      | <b>Year 2</b>      | <b>Year 3</b>      | <b>Year 4</b>      | <b>Year 5</b>    |
|---------------------|--------------------|--------------------|--------------------|--------------------|------------------|
| Debt Financed       | \$2,300,000        | \$1,245,000        | \$1,700,000        | \$675,000          | \$700,000        |
| Cash Funded         | \$706,000          | \$371,000          | \$745,000          | \$368,000          | \$63,000         |
| <b>Total</b>        | <b>\$3,006,000</b> | <b>\$1,616,000</b> | <b>\$2,445,000</b> | <b>\$1,043,000</b> | <b>\$763,000</b> |

**Table ES-9  
Five Year Capital Plan – Sewer**

| Funding Type  | Year 1             | Year 2             | Year 3             | Year 4           | Year 5             |
|---------------|--------------------|--------------------|--------------------|------------------|--------------------|
| Debt Financed | \$2,355,000        | \$7,755,000        | \$1,040,000        | \$625,000        | \$1,700,000        |
| Cash Funded   | \$342,000          | \$258,000          | \$363,000          | \$100,000        | \$50,000           |
| <b>Total</b>  | <b>\$2,697,000</b> | <b>\$8,013,000</b> | <b>\$3,403,000</b> | <b>\$725,000</b> | <b>\$1,750,000</b> |

## Debt Plan and Reserves

As described above, capital improvements are funded through a combination of cash (rate revenue and reserves) and debt financing. The Financial Forecast model was used to develop an integrated, multi-year recommendation for rate adjustments, debt financing, and reserve balances. The use of cash reserves as a funding source for planned capital improvements allows the City to mitigate the level of required rate increases over the Study period. The table below shows the projected reserve levels throughout the Study period and illustrates how the utility funds use reserves to offset rate increases in the earlier years and begin to add reserves in the later years.

**Table ES-10  
Summary of Electric, Water, and Sewer Operating Reserves**

|                       | FY 11-12      | FY 12-13      | FY 13-14      | FY 14-15    | FY 15-16    |
|-----------------------|---------------|---------------|---------------|-------------|-------------|
| Electric Reserve Fund | (\$3,835,000) | (\$5,097,000) | (\$2,866,000) | \$588,000   | \$2,970,000 |
| Water Reserve Fund    | \$3,440,000   | \$2,607,000   | \$1,730,000   | \$1,707,000 | \$1,848,000 |
| Sewer Reserve Fund    | \$3,548,000   | \$2,333,000   | \$1,924,000   | \$2,668,000 | \$3,240,000 |

## Cost-of-Service Results

The Cost of Service Study provides an estimate of required rate revenue that should be recovered from each customer class during the test year. Costs are allocated to each customer class and then compared to estimated revenues collected through existing rates. Study results indicate the degree to which existing rates adequately recover revenues from each rate class on a cost of service basis and are used in designing new rates. A summary of cost of service findings is presented in Section 1, 2, and 3 for the electric, water, and sewer systems respectively.

## Rate Design

### Existing and Proposed Rates

The City's existing rate revenue is not sufficient to adequately cover revenue requirements for the study period. In addition, there are some rate structure modifications needed to better align revenues and costs. R. W. Beck and the City

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jointly developed a four-year rate plan based on results of the financial forecast model and Cost of Service Study. Several rate scenarios were considered in the process of developing the proposed four-year rate plan including an examination of rate revenues, operating margins, capital improvement plans, and reserve balances over longer time periods. Based on the financial forecast modeling, the prolonged approach ultimately led to higher rates for customers, decreased reserve levels, and cash flow uncertainty in later years. Table ES-10 below summarizes overall rate revenue adjustments proposed for each utility over the four-year rate plan period.

**Table ES-11  
Recommended Rate Increases**

|                      | Year 1   | Year 2 | Year 3 | Year 4 |
|----------------------|----------|--------|--------|--------|
| Electric             | 6%       | 6%     | 6%     | 2.5%   |
| Water <sup>(1)</sup> | 6% / 17% | 13%    | 13%    | 13%    |
| Sewer                | 6%       | 13%    | 13%    | 13%    |

Note: [1] The water rate plan includes a 6% increase in May and a 17% increase in October of Year 1

Financial forecast results indicate that recommended rate adjustments, as shown in the table above, produce revenues sufficient to cover costs and allow the City to meet its overall financial goals. Realizing that actual future operating results may differ from those assumed, St. Charles plans to update the financial forecast and rate plan on a periodic basis to reflect actual conditions.

The rate plan includes the determination of rates and estimated revenues for each of the City's rate schedules. Rate revenue annual increase and overall percent increase for electric, water, and sewer is summarized in Table ES-11, Table ES-12, and Table ES-13 below. A detailed analysis of rates and estimated revenues is included in Section 1, 2, and 3 for the electric, water, and sewer systems respectively.

**Table ES-12  
Electric Rates**

| Item                  | Existing Rate | FY 2011-12   | FY 2012-13   | FY 2013-14   | FY 2014-15   |
|-----------------------|---------------|--------------|--------------|--------------|--------------|
| Rate Revenue          | \$43,777,000  | \$46,406,000 | \$49,201,000 | \$52,147,000 | \$53,447,000 |
| Revenue Increase (\$) |               | \$2,628,000  | \$2,796,000  | \$2,946,000  | \$1,300,000  |
| Revenue Increase (%)  |               | 6.0%         | 6.0%         | 6.0%         | 2.5%         |

**Table ES-13  
Water Rates**

| Item                  | Existing Rates | FY 2011-12  |             | FY 2012-13 | FY 2013-14  | FY 2014-15  |
|-----------------------|----------------|-------------|-------------|------------|-------------|-------------|
|                       |                | Phase 1     | Phase 2     |            |             |             |
| Rate Revenue          | \$3,036,000    | \$3,218,000 | \$3,772,000 | 4,265,000  | \$4,823,000 | \$5,429,000 |
| Revenue Increase (\$) |                | \$182,000   | \$553,000   | \$494,000  | \$558,000   | \$606,000   |
| Revenue Increase (%)  |                | 6.0%        | 17.2%       | 13.1%      | 13.1%       | 12.6%       |

**Table ES-14  
Sewer Rates**

| Item                  | Existing Rates | FY 2011-12  | FY 2012-13  | FY 2013-14  | FY 2014-15  |
|-----------------------|----------------|-------------|-------------|-------------|-------------|
| Rate Revenue          | \$5,747,000    | \$6,092,000 | \$6,894,000 | \$7,784,000 | \$8,845,000 |
| Revenue Increase (\$) |                | \$345,000   | \$803,000   | \$889,000   | \$1,062,000 |
| Revenue Increase (%)  |                | 6.0%        | 13.2%       | 12.9%       | 13.6%       |

## Findings and Recommendations

In the preparation of this study and report, we made certain assumptions and used certain considerations with respect to conditions that may occur in the future. While we believe these considerations and assumptions to be reasonable and reasonably attainable based on conditions known to us at the time of this study and report, they are dependent on future events and actual conditions that may differ from those assumed. To the extent that actual future conditions differ from those assumed herein, the actual results will vary from those estimated. Based on our investigation and analyses, the principal findings of this study include the following:

### Electric

From our study results, we offer the following conclusions and recommendations for the electric utility:

- Based on forecasted revenue requirements developed in this study for FY 2011-12 through FY 2015-16, we recommend that the electric utility have an initial 6 percent rate increase in May 2011. This is to be followed by two successive 6 percent increases in FY 2012-13, FY 2013-14 and a 2.5 percent increase in FY 2014-15.
- Under the proposed rate plan, the electric utility will use reserves to meet its overall financial needs in FY 2011-12 and FY 2012-13; however, these funds will be replaced over the next two years (FY 2013-14 and FY 2014-15).
- Recommended rate structure changes include an increase in customer charges to better reflect the City's metering, billing, and fixed customer-related costs. As mentioned above, the Cost of Service indicated monthly residential customer charges of \$13.96 to \$32.71. An increase in the fixed monthly customer charge helps align St. Charles' revenues with the costs incurred to provide service to customers.
- Based on the City's current wholesale power supply arrangements with IMEA, we recommend eliminating the seasonal rate structure. This will address the significant swing in operating margins (rate revenue less power costs) during the summer and non-summer months. Doing this over the proposed four-year rate plan will help alleviate rate shock for customers and provide a gradual approach for St. Charles to realign its revenues with costs. It should be noted that the current seasonal rate structure was based on a previous wholesale power supply

## EXECUTIVE SUMMARY

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arrangement that is no longer in effect and, therefore, does not accurately reflect how charges to the utility are incurred for power supply.

- We recommend St. Charles implement a Power Cost Adjustment to recover any future changes in power purchased from IMEA. This is a key assumption that is reflected in financial forecast results, including through revenues, power costs, operating margins, and determination of cash reserves.
- Existing electric rate schedules do not include charges for low power factor. For customers that have appropriate metering, we recommend the implementation of a power factor charge. The power factor charge should apply to monthly bills with a peak power factor below 85 percent.
- In addition to overall rate adjustments, we recommend St. Charles modify certain policies relating to the administration of Rate 3, small commercial service, and Rate 5, commercial service. Changes include the monthly demand and energy thresholds and the time period between rate moves. These changes lessen the abrupt transition that sometimes occurs when a customer moves from one rate schedule to another. St. Charles plans to monitor this item closely and make additional adjustments if warranted.

## Water

From our study results, we offer the following conclusions and recommendations for the water utility:

- An increase of \$2.25 million is needed in water utility revenue to make the water utility financially self-sufficient in FY 2011-12.
- A significant balance in water utility reserves will permit some flexibility in phasing in annual increases over the next five years by drawing down on the balance to offset annual rate revenue shortfalls.
- Based on forecasted revenue requirements developed in this study for FY 2011-12 through FY 2015-16, we recommend that the water utility have an initial 6 percent rate increase in May 2011. This should be followed by a 17 percent increase in October 2011 and a 13 percent increase in rates annually for FY 2012-12 through FY 2015-16.
- Based on ratemaking policy objectives stated by City staff and our experience with rate design practices, R. W. Beck does not recommend a change in the water utility's current rate structure at this time. Thus, we have forecasted retail water rates using the utility's current rate design.
- Further, we recommend that the increase proposed to the water rates be weighted more on the customer charge in the second phase increase and the three years following the initial year increase. This will enhance future revenue stability for the utility.
- We recommend that the City conduct a comprehensive water and sewer connection fee study. However, since the City is currently experiencing slow or no growth, we

would recommend deferring this study until the City begins to again experience considerable growth trends.

## **Sewer**

From our study results, we offer the following conclusions and recommendations for the sewer utility:

- An increase of \$2 million is needed in sewer utility revenue to make the sewer utility financially self-sufficient in FY 2011-12.
- A significant balance in sewer utility reserves will permit some flexibility in phasing in annual increases over the next five years by drawing down on the balance to offset annual rate revenue shortfalls.
- Based on forecasted revenue requirements developed in this study for FY 2011-12 through FY 2015-16, we recommend that the sewer utility have an initial 6 percent rate increase in May 2011. This should be followed by a 13 percent increase in rates annually for FY 2012-12 through FY 2015-16.
- Based on ratemaking policy objectives stated by City staff and our experience with rate design practices, R. W. Beck does not recommend a change in the sewer utility's current rate structure at this time. Thus, we have forecasted retail sewer rates using the City's current rate design.
- We recommend that the increase proposed to the rates be weighted more on the customer charge in FY 2012-13 to enhance future revenue stability for the utility. We then recommend that the increase in proposed rates be weighted more on the volume charge in FY 2013-14 and FY 2014-15. The purpose of this recommended weighting in the outer years of our financial planning period is two-fold: 1) increasing the volume charge primarily impacts commercial customers which are slightly subsidized by other classes of customers; and 2) the increase in volume rate will send a stronger pricing signal to customers encouraging them to conserve water.

## Appendix A

# EXISTING AND PROPOSED RATES

**Table A-1**  
**Existing and Proposed Electric Rates**

| Rate Schedule                           | Existing Rate | FY 2011-12<br>Rate | FY 2012-13<br>Rate | FY 2013-14<br>Rate | FY 2014-15<br>Rate |
|---|---------------|--------------------|--------------------|--------------------|--------------------|
| <b>Rate 1 - Residential</b>             |               |                    |                    |                    |                    |
| Summer Energy Charge                    |               |                    |                    |                    |                    |
| First 1,200 kWh                         | 0.1100        | 0.1100             | 0.1100             | 0.1045             | 0.1045             |
| Over 1,200 kWh                          | 0.1200        | 0.1200             | 0.1100             | 0.1045             | 0.1045             |
| Non-Summer Energy Charge                |               |                    |                    |                    |                    |
| First 750 kWh                           | 0.0800        | 0.0838             | 0.0913             | 0.1045             | 0.1045             |
| Over 750 kWh                            | 0.0650        | 0.0738             | 0.0913             | 0.1045             | 0.1045             |
| Monthly Customer Charge                 | 5.84          | 8.50               | 10.00              | 12.50              | 15.00              |
| Rate Revenue                            | \$13,482,000  | \$14,296,000       | \$15,161,000       | \$16,072,000       | \$16,467,000       |
| Increase (\$)                           |               | \$814,000          | \$865,000          | \$911,000          | \$395,000          |
| Increase (%)                            |               | 6.0%               | 6.0%               | 6.0%               | 2.5%               |
| <b>Rate 3 - Small Commercial</b>        |               |                    |                    |                    |                    |
| Summer Energy Charge                    | 0.124         | 0.1203             | 0.0860             | 0.0786             | 0.0826             |
| Non-Summer Energy Charge                | 0.087         | 0.0870             | 0.0860             | 0.0786             | 0.0826             |
| Monthly Customer Charge                 | 19.02         | 25.00              | 40.00              | 50.00              | 50.00              |
| Rate Revenue                            | \$977,000     | \$1,036,000        | \$1,098,000        | \$1,163,000        | \$1,192,000        |
| Increase (\$)                           | 535,000       | \$59,000           | \$62,000           | \$65,000           | \$29,000           |
| Increase (%)                            | \$442,000     | 6.0%               | 5.9%               | 6.0%               | 2.5%               |
| <b>Rate 5 - Commercial</b>              |               |                    |                    |                    |                    |
| Summer Demand Charges                   | 17.19         | 17.19              | 16.35              | 17.40              | 17.85              |
| Non-summer Demand Charges               | 12.42         | 14.10              | 16.35              | 17.40              | 17.85              |
| Charge Per kwh                          | 0.0390        | 0.0407             | 0.0436             | 0.0458             | 0.0470             |
| Monthly Charge w/o Demand Meter         | 36.56         | 45.00              | 45.00              | 50.00              | 50.00              |
| Rate Revenue                            | \$13,823,000  | \$14,651,000       | \$15,529,000       | \$16,457,000       | \$16,868,000       |
| Increase (\$)                           |               | \$828,000          | \$878,000          | \$928,000          | \$411,000          |
| Increase (%)                            |               | 6.0%               | 6.0%               | 6.0%               | 2.5%               |
| <b>Rate 6 - Outdoor Sports Lighting</b> |               |                    |                    |                    |                    |
| Summer Energy Charges                   | 0.1360        | 0.1433             | 0.1523             | 0.1611             | 0.1653             |
| Non-summer Energy Charges               | 0.1360        | 0.1433             | 0.1523             | .01611             | 0.1653             |
| Monthly Customer Charge                 | 36.56         | 45.00              | 45.00              | 50.00              | 50.00              |
| Rate Revenue                            | \$22,314      | \$23,654           | \$25,078           | \$26,580           | \$27,244           |
| Increase (\$)                           |               | \$1,340            | \$1,423            | \$1,502            | \$664              |
| Increase (%)                            |               | 6.0%               | 6.0%               | 6.0%               | 2.5%               |



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**APPENDIX A**

| Rate Schedule                    | Existing Rate | FY 2011-12 Rate | FY 2012-13 Rate | FY 2013-14 Rate | FY 2014-15 Rate |
|----------------------------------|---------------|-----------------|-----------------|-----------------|-----------------|
| <b>Rate 7 – Large Industrial</b> |               |                 |                 |                 |                 |
| Summer Energy Charge             | 17.19         | 17.19           | 16.35           | 17.40           | 17.85           |
| Non-Summer Energy Charge         | 12.42         | 14.10           | 16.35           | 17.40           | 17.85           |
| Monthly Customer Charge          | 146.25        | 150.00          | 165.00          | 170.00          | 175.00          |
| Rate Revenue                     | \$14,119,000  | \$14,964,000    | \$15,861,000    | \$16,810,000    | \$17,234,000    |
| Increase (\$)                    |               | \$845,000       | \$897,000       | \$950,000       | \$423,000       |
| Increase (%)                     |               | 6.0%            | 6.0%            | 6.0%            | 2.5%            |

**Table A-2  
Water Rates**

|                         | Current Rates      | FY 2011-12         |                    | FY 2012-13       | FY 2013-14         | FY 2014-15         |
|-------------------------|--------------------|--------------------|--------------------|------------------|--------------------|--------------------|
|                         |                    | Phase 1            | Phase 2            |                  |                    |                    |
| <b>Residential</b>      |                    |                    |                    |                  |                    |                    |
| Base Usage              | 1.72               | 1.82               | 2.08               | 2.29             | 2.54               | 2.79               |
| Premium Usage           | 2.91               | 3.08               | 3.52               | 3.87             | 4.25               | 4.68               |
| Monthly Customer Charge | 3.60               | 3.82               | 4.96               | 6.15             | 7.38               | 8.86               |
| Grand Total             | \$2,121,000        | \$2,248,000        | \$2,653,000        | \$3,021,000      | \$3,433,000        | \$3,885,000        |
| <b>Commercial</b>       |                    |                    |                    |                  |                    |                    |
| Base Usage              | 1.72               | 1.82               | 2.08               | 2.29             | 2.54               | 2.79               |
| Premium Usage           | 2.91               | 3.08               | 3.52               | 3.87             | 4.25               | 4.68               |
| Monthly Customer Charge | \$4.82             |                    |                    |                  |                    |                    |
| Grand Total             | \$886,000          | \$940,000          | \$1,083,000        | \$1,205,000      | \$1,346,000        | \$1,495,000        |
| <b>Municipal</b>        |                    |                    |                    |                  |                    |                    |
| Base Usage              | 1.72               | 1.82               | 2.08               | 2.29             | 2.54               | 2.79               |
| Premium Usage           | 2.91               | 3.08               | 3.52               | 3.87             | 4.25               | 4.68               |
| Monthly Customer Charge | \$4.82             |                    |                    |                  |                    |                    |
| Grand Total             | \$29,000           | \$30,000           | \$35,000           | \$39,000         | \$44,000           | \$49,000           |
| <b>Total</b>            | <b>\$3,036,000</b> | <b>\$3,218,000</b> | <b>\$3,772,000</b> | <b>4,265,000</b> | <b>\$4,823,000</b> | <b>\$5,429,000</b> |
| Percent Difference      |                    | 6.0%               | 17.2%              | 13.1%            | 13.1%              | 12.6%              |

**Table A-3  
Sewer Rates**

|                    | <b>Current Rates</b> | <b>2011-12</b> | <b>2012-13</b> | <b>2013-14</b> | <b>2014-15</b> |
|--------------------|----------------------|----------------|----------------|----------------|----------------|
| <b>Residential</b> |                      |                |                |                |                |
| Volumetric         | \$3.53               | \$3.74         | \$4.21         | \$4.80         | \$5.47         |
| Customer Charge    | \$8.90               | \$9.43         | \$10.85        | \$11.93        | \$13.49        |
| Revenue            | \$4,075,000          | \$4,320,000    | \$4,896,000    | \$5,514,000    | \$6,268,000    |
| % Difference       |                      | 6.0%           | 13.3%          | 12.6%          | 13.7%          |
| <b>Commercial</b>  |                      |                |                |                |                |
| Volumetric         | \$3.53               | \$3.74         | \$4.21         | \$4.80         | \$5.47         |
| Customer Charge    | \$8.90               | \$9.43         | \$10.85        | \$11.93        | \$13.13        |
| Revenue            | \$1,672,000          | \$1,772,000    | \$1,998,000    | \$2,269,000    | \$2,578,000    |
| % Difference       |                      | 6.0%           | 12.8%          | 13.6%          | 13.6%          |
| <b>Municipal</b>   |                      |                |                |                |                |
| Volumetric         | \$3.53               | \$3.74         | \$4.21         | \$4.80         | \$5.47         |
| Customer Charge    | \$8.90               | \$9.43         | \$10.85        | \$11.93        | \$13.13        |
| Revenue            | \$32,000             | \$34,000       | \$38,000       | \$44,000       | \$50,000       |
| <b>Total</b>       |                      |                |                |                |                |
| % Difference       |                      | 6.0%           | 12.7%          | 13.7%          | 13.7%          |