



Bear Creek Special Utility District

Water Rate Study

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Expergy

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Agenda

- Introduction
- Overview of Water Ratemaking
- Revenue Requirements (Costs)
 - Operations & Maintenance Expenses
 - Capital Costs: Debt Service & Rate-Funded CapEx
- Projected Revenues at Current Rates
- Projected Excess or Shortfall of Revenues versus Costs
- Rate Design
 - Base Rates
 - Surcharges

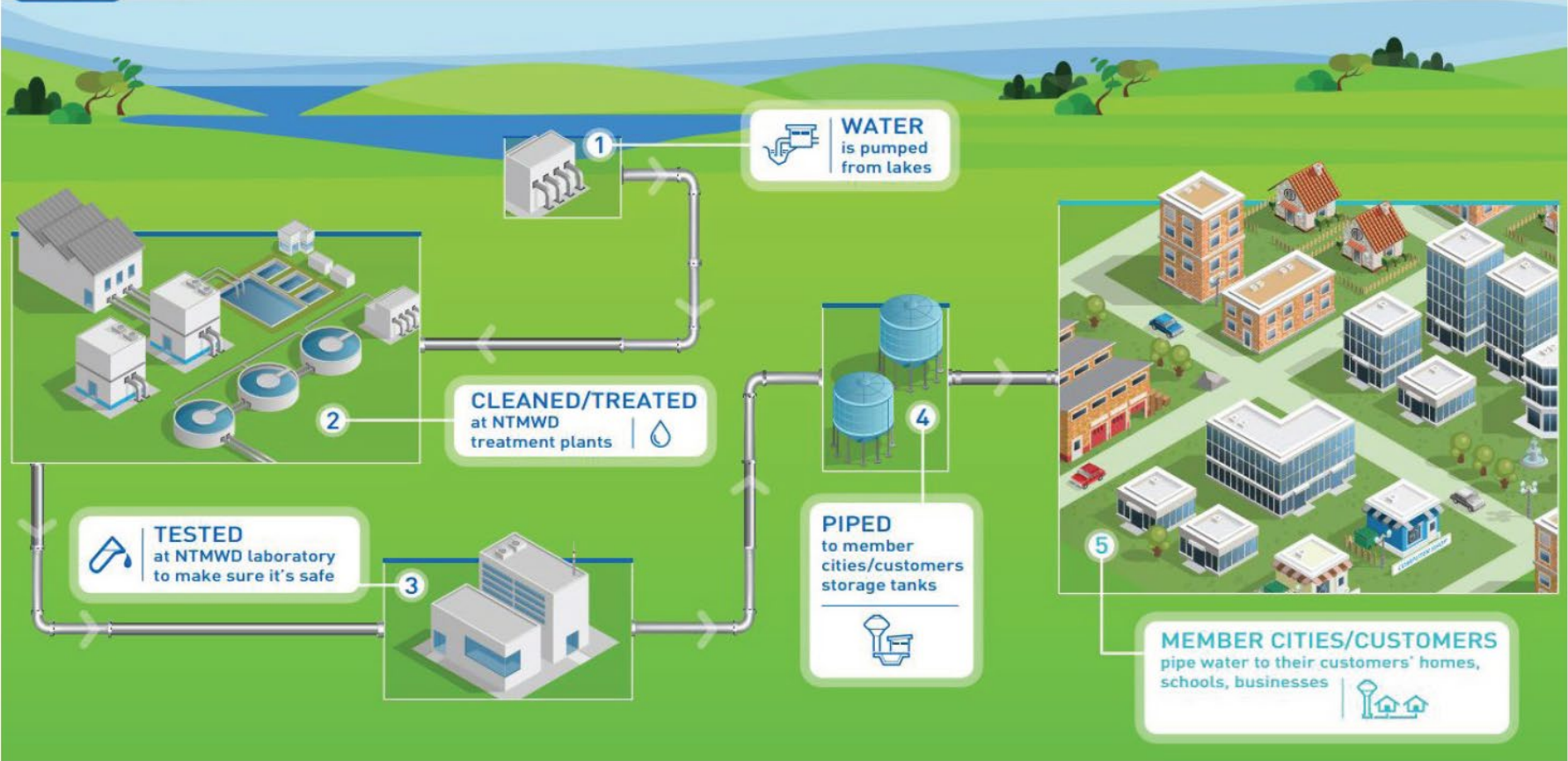
Introduction

- Expergy
- The Carlton Law Firm
- Why We're Here
 - Pending Rate Appeal at Public Utility Commission of Texas
 - Periodic Rate Studies are Industry Best Practice
- Tonight's Objectives
 - Explain how water rates are developed
 - Present the Water Rate Study for Bear Creek SUD
 - Respond to applicable questions from the pending Rate Appeal

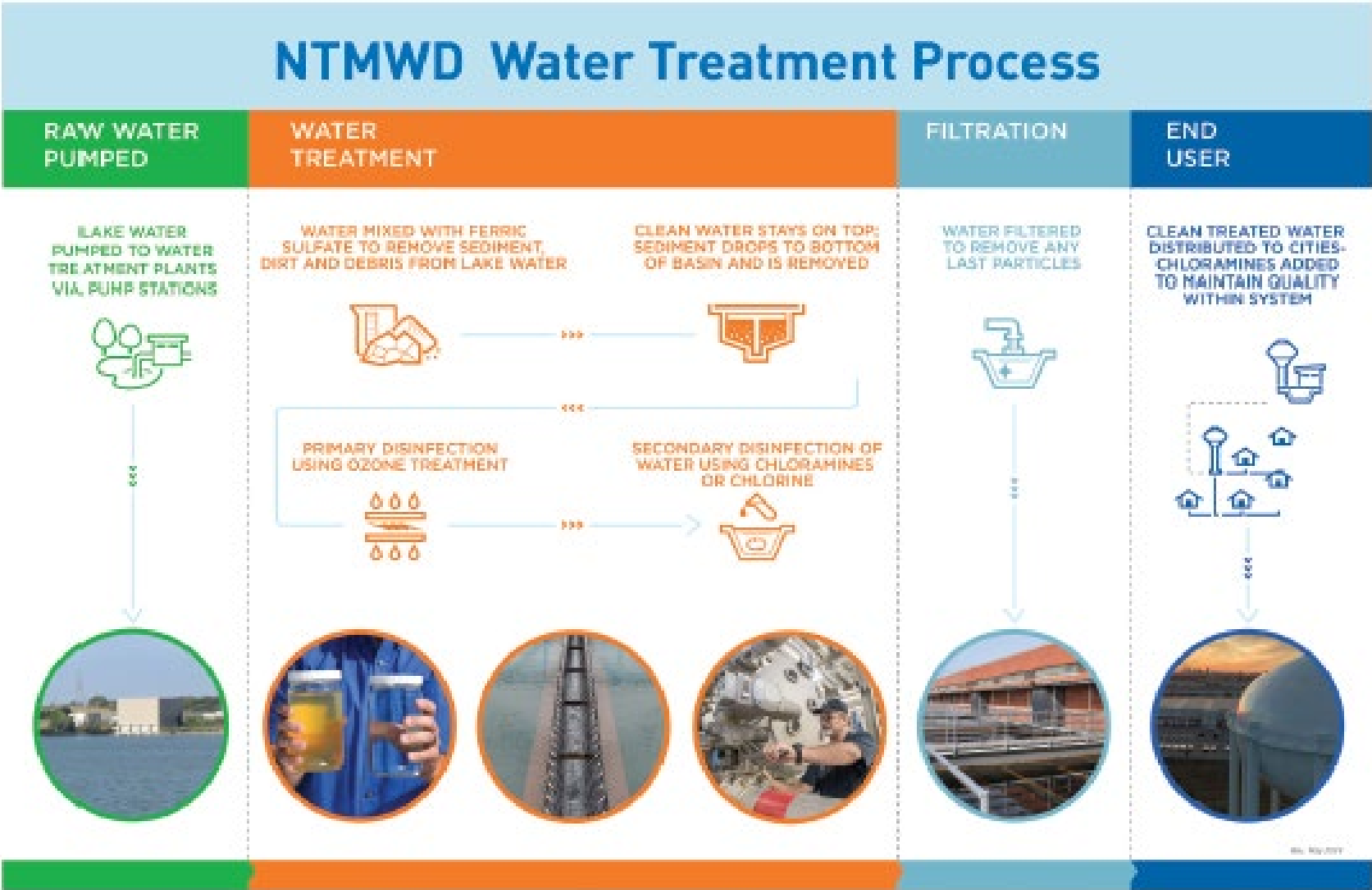
NTMWD Water System

GETTING WATER TO YOU

Shared Regional Systems Serves 80 North Texas Communities



NTMWD Water System



Overview of Water Ratemaking— Components of a Rate Study

- **Revenue Requirements (Costs)**—How much money do you need?
- **Revenues at Current Rates**—How much money do you expect to make?
- **Under recovery or Overrecovery** (Excess Revenue or Revenue Shortfall)—Do you need to increase or reduce rates?
- **Rate Design**—What's your rate structure to recover costs? Base monthly fees? Volume rates per thousand gallons of water sold? Miscellaneous charges?

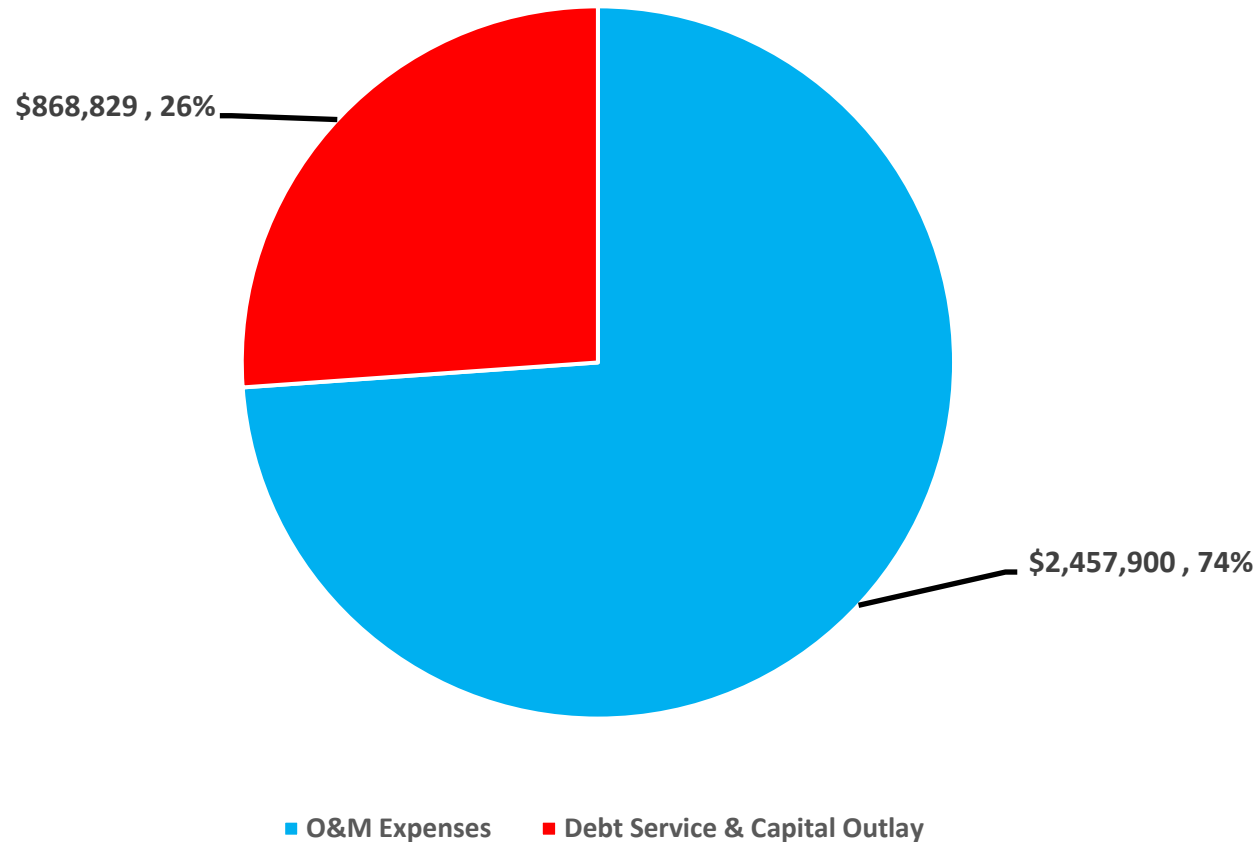
Public Utility Commission Requirements

The PUCT ratemaking requirements are more restrictive than your regular budgeting guidelines

For example, adjustments to costs must be known and measurable to be included in rates at the PUCT

Revenue Requirements (Costs)

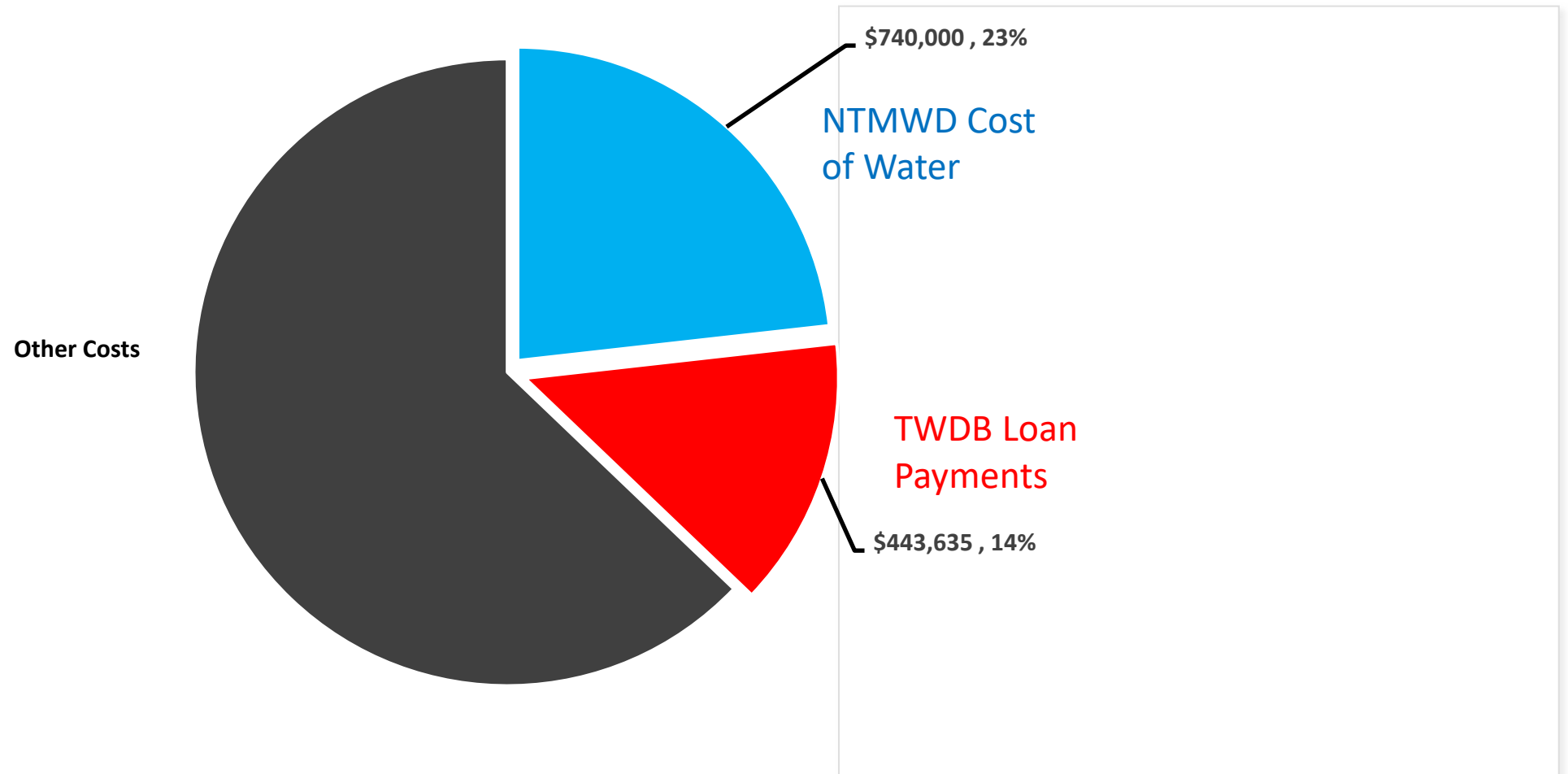
Two Categories



1. Operations & Maintenance Expenses (2020 Budget)
2. Capital: Debt Service (Principal + Interest + Reserve) for Capital Costs financed with Loans (2020 Adjusted Budget) + Rate-Funded Capital Outlays

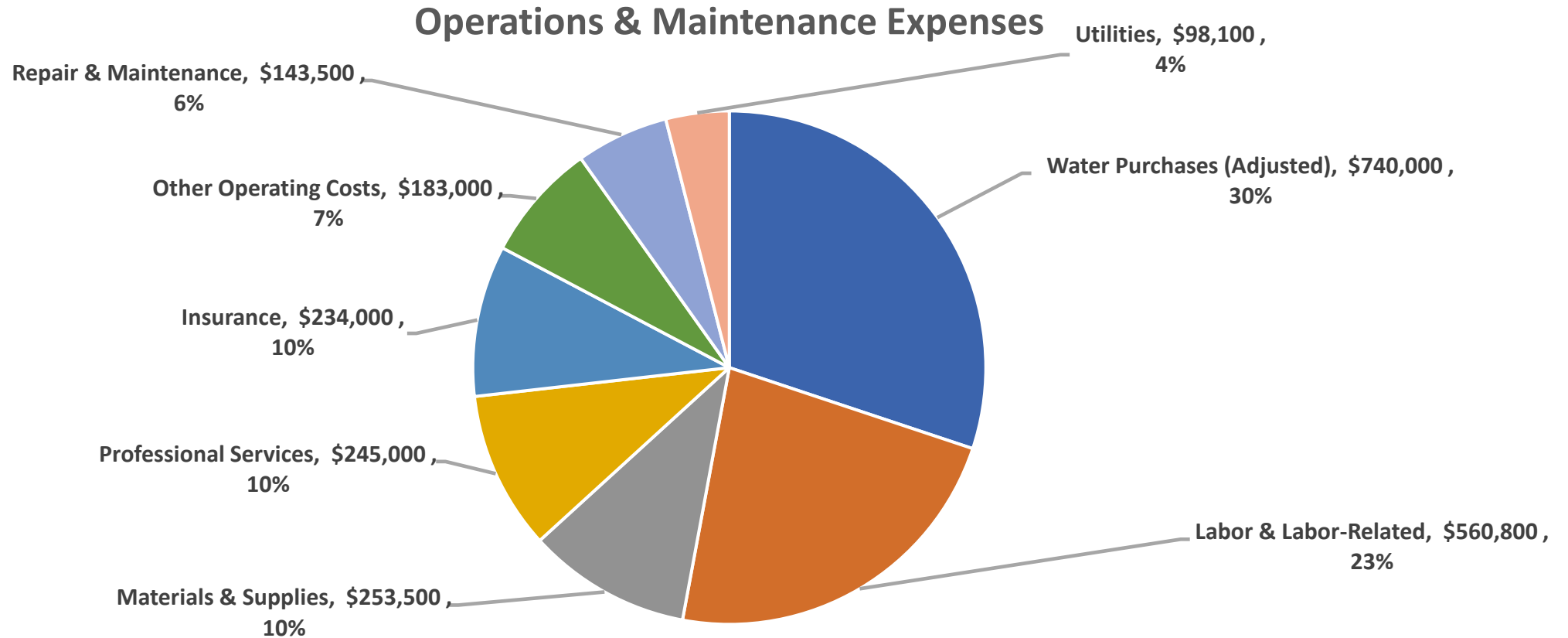
Revenue Requirements (Costs)

NTMWD Cost of Water and TWDB Loan Payments dominate Cost of Service



Revenue Requirements (Costs)

Operations & Maintenance Expenses

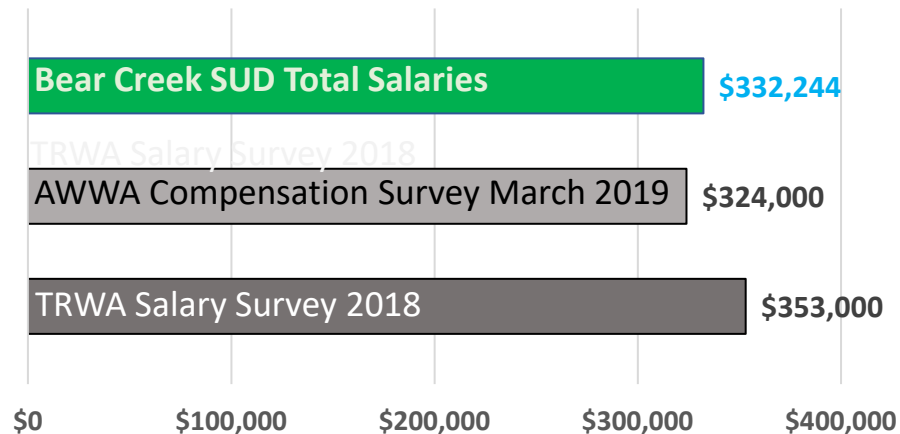


Total O&M Expenses = \$2,457,900

Questions on Operations & Maintenance Expenses from Rate Appeal

Are salaries reasonable?

Yes, below is comparison of mean salaries for same positions:



Are staffing levels reasonable?

Yes.

Year	Overtime Hrs Worked	FTE Equivalent
2017	880	0.42
2018	824	0.40

Questions on Operations & Maintenance Expenses from Rate Appeal

Additional notes on salary comparison:

- The \$332,244 in BCSUD salaries was the amount budgeted for ALL salaries/wages for the entire 2019 fiscal year, excluding bonuses and overtime.
- Actual BCSUD salaries/wages in 2019 were \$338,407.45 which is gross pay of \$370k less overtime (\$21k) and bonus (\$11k) = \$338k.
- The TRWA average of \$353,000 also excludes bonuses and overtime.

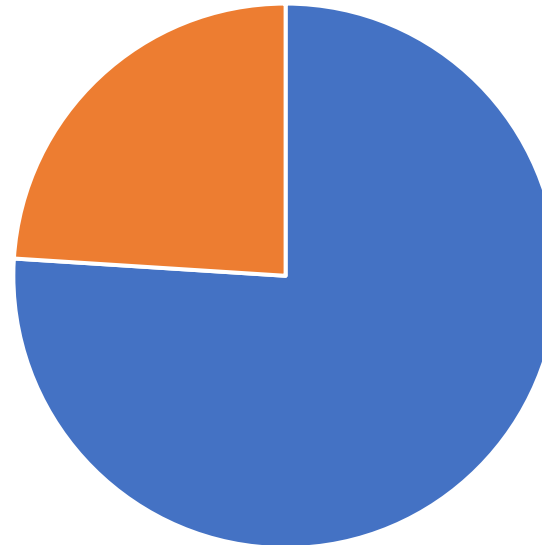
Note that virtually all the labor costs are FIXED which will be important later when we discuss rate design...

Revenue Requirements (Costs)

Debt Service

Debt Service = Principal + Interest + Reserve

Debt service is beneficial because it spreads out the cost of capital projects over the life of the projects making it easier to fund reserves



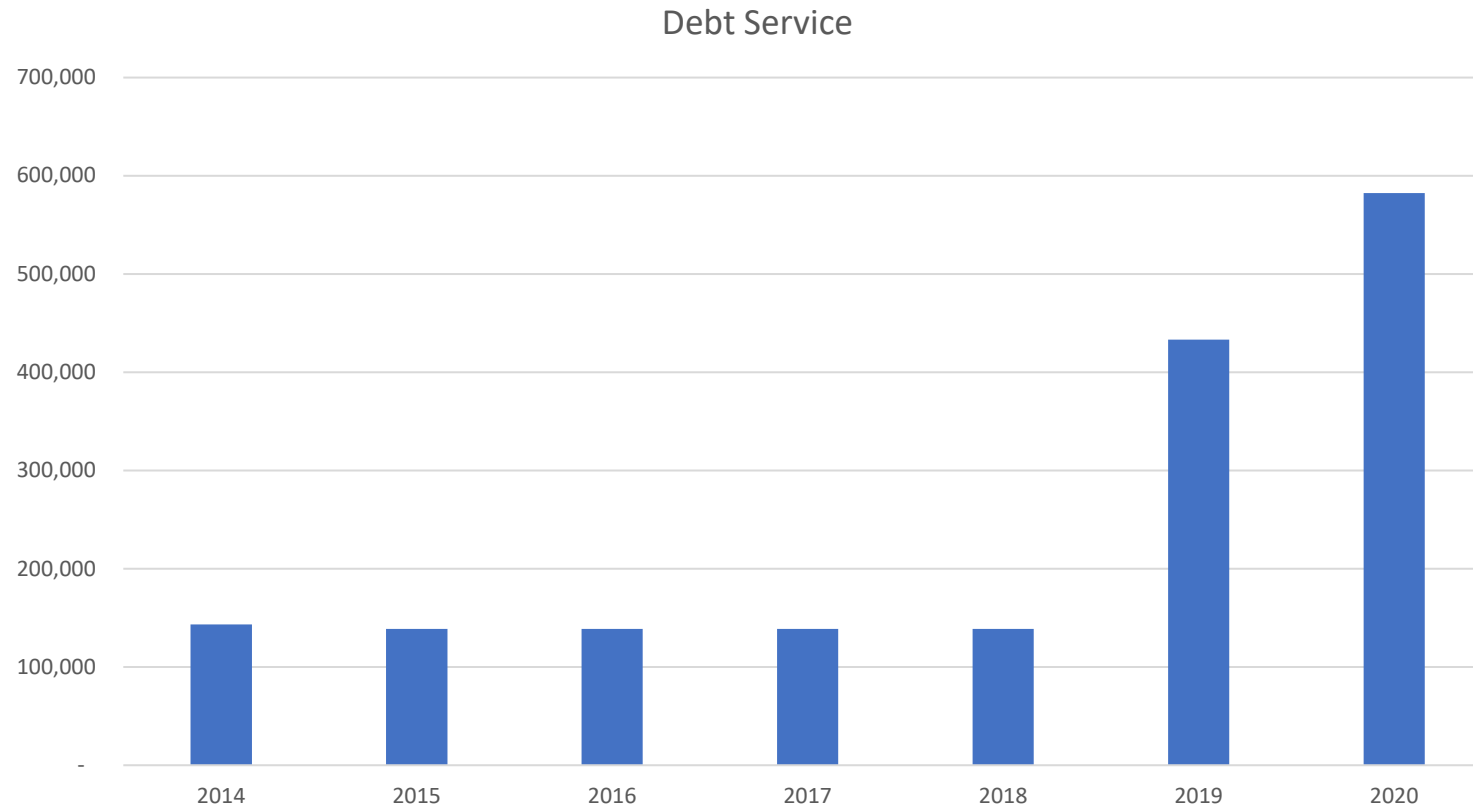
Debt service allows for lower rates today vs cash funding capital projects

■ GTUA \$7,490,000 ■ Independent Bank \$2,030,468

Total Debt Service = \$583,635

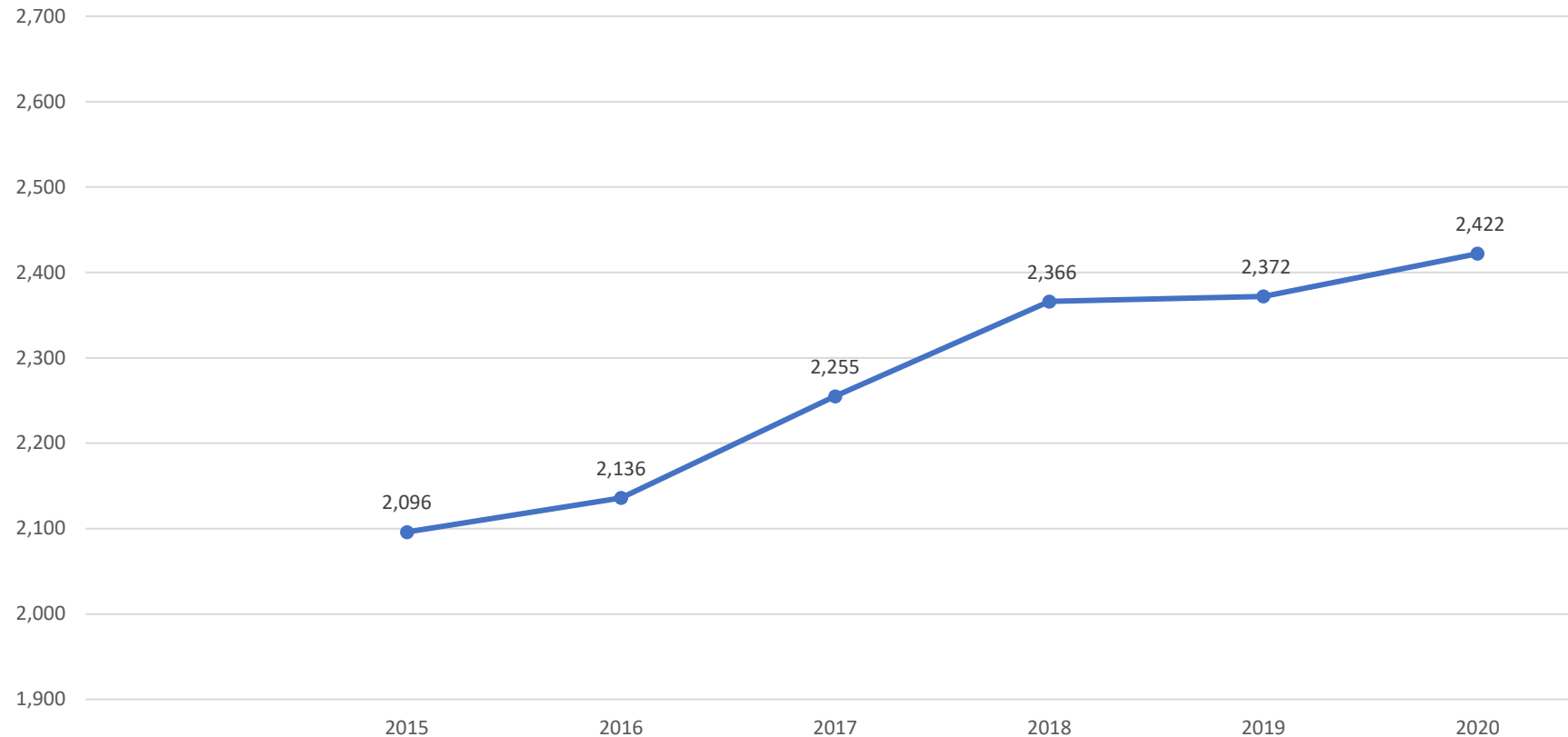
Revenue Requirements (Costs)

Debt Service has Increased over Historical Levels



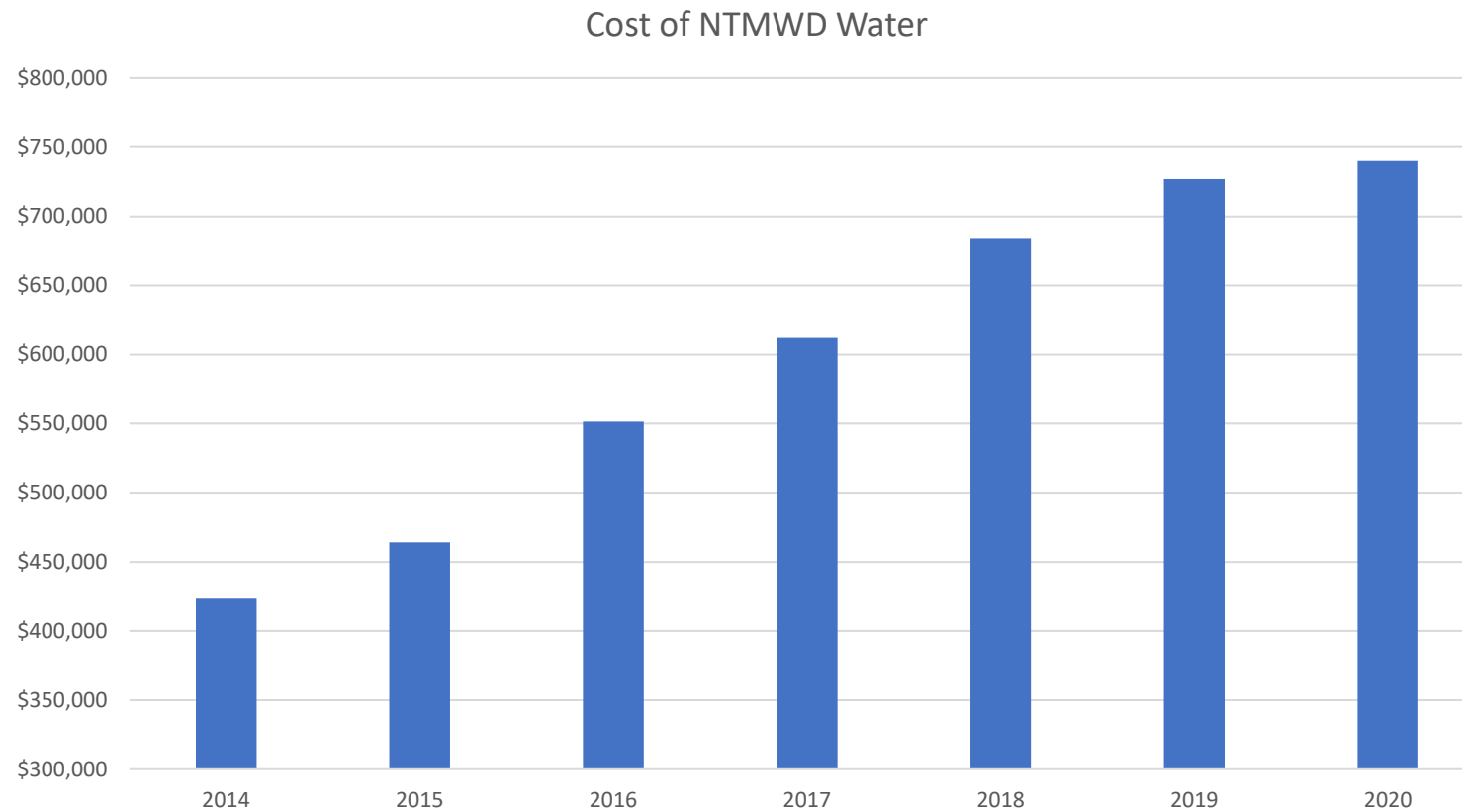
Revenue Requirements vs Revenues

Number of Connections at 12/31



Revenue Requirements (Costs)

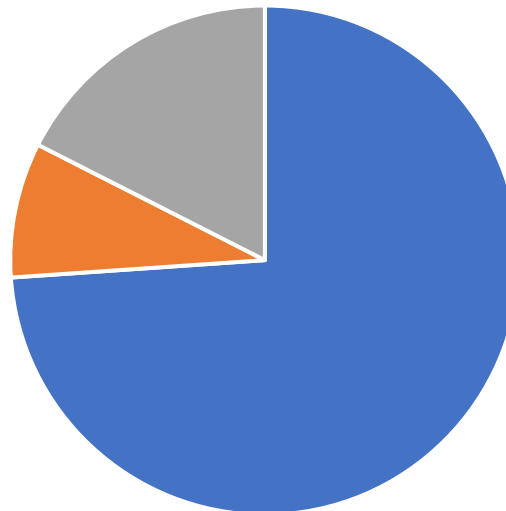
Total Revenue Requirements



Revenue Requirements (Costs)

Total Revenue Requirements

Total Revenue Requirements

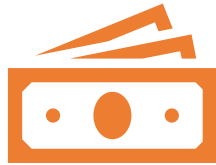


Reserves should be approx. \$1.3 million representing at least 6 months of Operating Expenses – to cover unplanned costs e.g., unfunded mandates, roadway widening

■ Operations & Maintenance Expenses ■ Rate Funded CapEx ■ Debt Service

Total Revenue Requirements = \$3,326,729

Revenues at Current Rates



Base Revenues

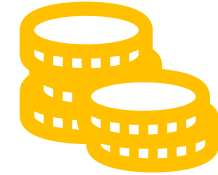
Minimum Monthly Bill based on
Meter Size



Volumetric Revenues

Inverted Block Rate Structure

- Volume Rate Increases as Usage Increases
- Promotes Conservation



Miscellaneous Revenues

Interest Income
Tower Rent
Meter Sales
Account Transfer Fees
Late Fees
Reconnect Fees
Returned Check Fee

2020 Revenues at Current Rates

Minimum Bill Revenues

Meter Size	Count	Base Rate	Revenues	Base Revenues
3/4"	2,368	\$35.00	\$994,511	95%
1"	35	\$60.00	\$24,996	3%
2"	18	\$98.00	\$21,614	2%
3"	1	\$186.00	\$2,279	
Totals	2,422		\$1,043,400	100%

Total Minimum Bill Revenues = \$1,043,400

2020 Revenues at Current Rates

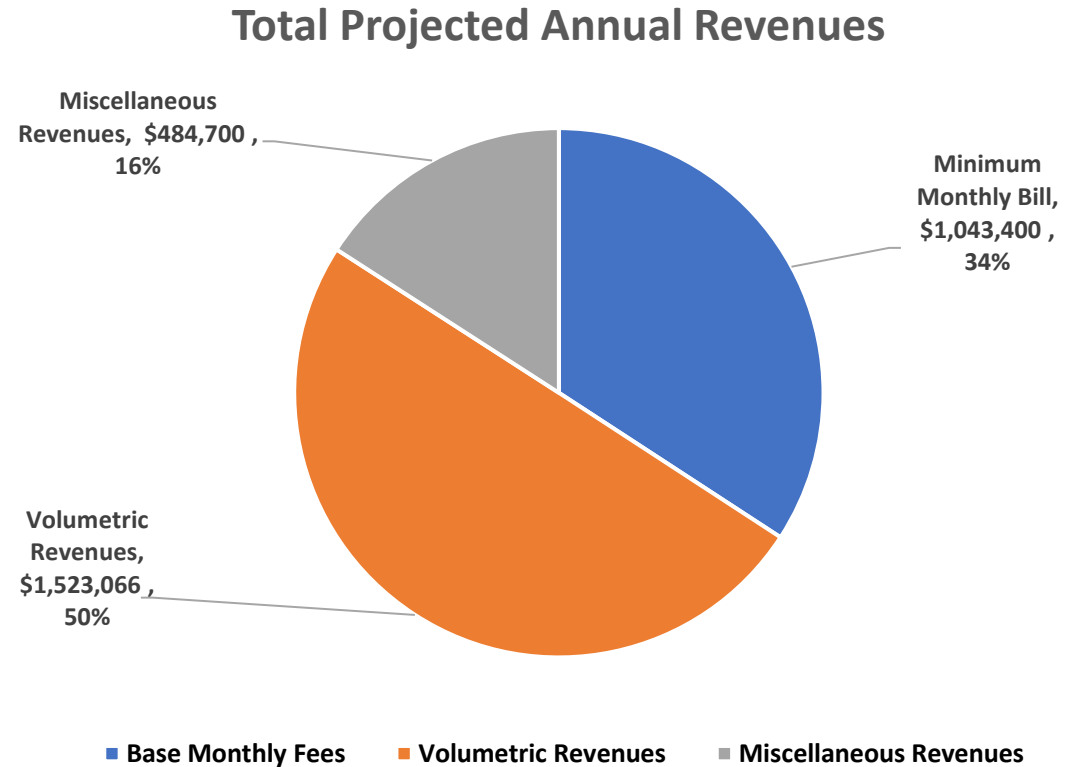
Volume Revenues

Usage Block (Gallons/Month)	Projected Volume	Percent of Volume	Rate per 1000 Gallons	Volume Revenues	Percent Volume Revenues
0-5,000	110,006,315	55%	\$ 6.50	\$ 715,041	47%
5,001-10,000	36,775,963	18%	7.22	265,522	17%
10,001-15,000	14,799,323	7%	8.28	122,538	8%
15,001-25,000	12,760,131	6%	10.24	130,664	9%
25,001+	25,069,364	13%	11.54	289,300	19%
	199,411,095	100%		\$ 1,523,066	100%

Total Volume Revenues = \$1,523,066

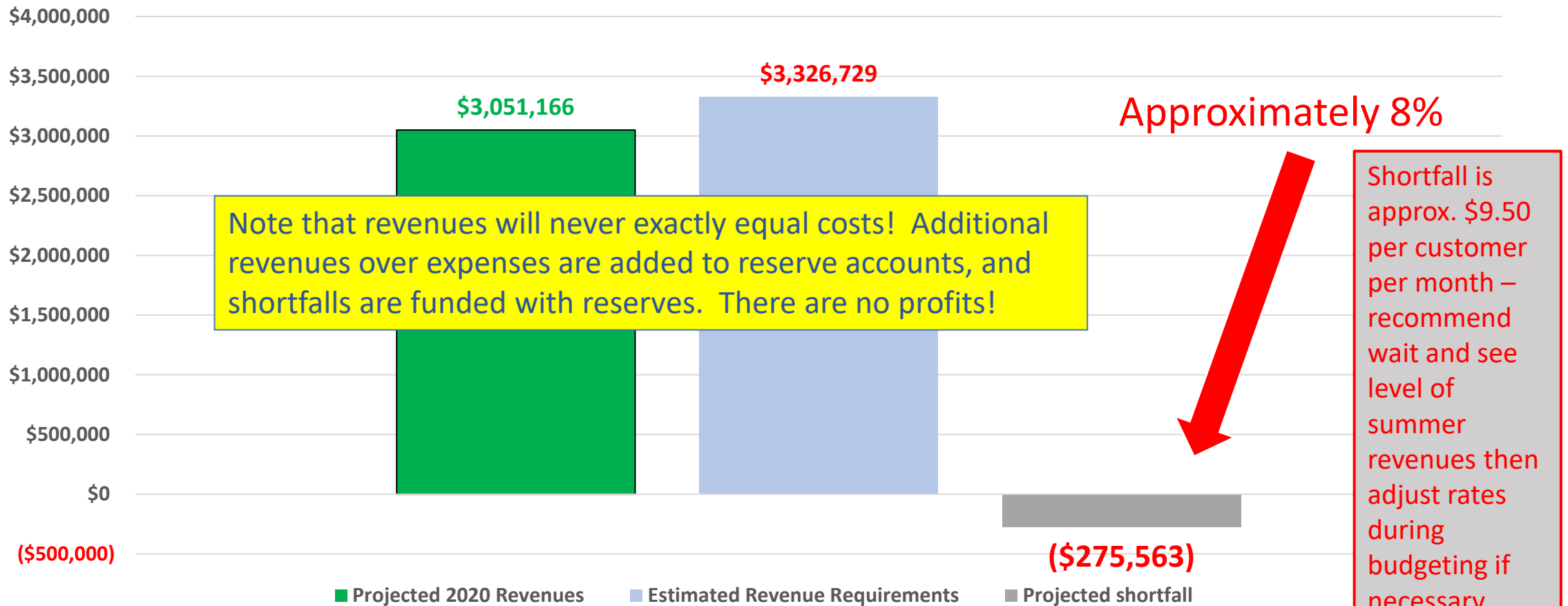
Projected Revenues for 2020 at Current Rates

Total



Total Projected Revenues at Current Rates = \$3,051,166

Projected Excess or Shortfall of Revenues vs. Costs—Does the District need to adjust rates?



Rate Design

Base Rates

- Minimum Monthly Bill revenues are a **Fixed Revenue Source = 41%** of rate revenues
- Volume Rate revenues are a Variable Revenue Source – 59% of rate revenues

But, approximately **88% of costs are FIXED** and only 12% are VARIABLE

Additional Cost of Rate Appeal – Above Normal Costs

\$300,000 divided by #customers =

Appeal will cost an estimated **\$125.00 per customer**

Some Additional Known Costs related to COVID-19

- Suspended late fees
- Suspended disconnect fees
- Estimated **\$60,000** in additional costs to-date

Thank You!

Questions?