

## ROCHESTER PUBLIC UTILITIES BOARD

### POLICY STATEMENT

POLICY SUBJECT:        RATES

#### POLICY OBJECTIVE:

The Board's objective is to recover, through the application of rates and charges for utility services, revenues which are sufficient to meet the financial obligations of each independent Utility enterprise. Further, the Board intends to apply rates and charges which are equitable and financially sustainable among customers or classes of customers based on the Utility Basis of rate-making principles.

The Utility Basis of rate-making is designed to provide financial sustainability and stability by aligning variable and fixed costs with the variable and fixed revenues while generating sufficient revenues to fund operations, debt service, working capital, contingency reserves and the replacement of long term assets.

#### POLICY STATEMENT:

1. Rates and charges for utility services will be sufficient to produce that portion of total funding requirements which is to be provided by revenues from such rates and charges based on a periodic cost of service study. A cost of service study will be conducted at least every three years. The amount of revenue to be provided from rates and charges will be established in accordance with the Board's approved budget and financing plan.
2. Revenues derived from rates and charges for utility services will be applied only to the respective utility enterprise fund from which the cost of providing such service is paid.
3. Rates and charges will be based upon generally accepted industry principles (Utility Basis) to reflect an equitable distribution of costs to customers. No "free" service will be provided, including service to the municipality.
4. Within the limitations imposed by the application of generally accepted industry principles, rates and charges will be designed to encourage the end use of services in a way which will reduce the total cost of providing those services and promote financial sustainability.
5. All rates and charges for service will be set forth in writing on a schedule or tariff sheet which specifies, where applicable, the type of service, its availability,

conditions of delivery, and terms of payment.

6. Applicable schedules of rates and charges will be available on the RPU web site or upon request, during regular business hours at the RPU Service Center.
7. All proposed rate schedules will be published on the RPU web site and in the newspaper of record within five (5) business days after the Board authorizes publication of the proposed rates with notice that the Board invites public comment at the upcoming meeting scheduled for the Board's formal consideration of such rates. The publication will specify the intended meeting dates, times, and locations at which the Board and Common Council will formally consider the rates for adoption.
8. Each service account will be assigned to an applicable rate classification available to their customer class which is expected to result in the lowest cost to the customer.

#### RESPONSIBILITIES:

1. The adequacy of rates and charges to produce the level of revenues established by the Board will be reviewed by the General Manager and discussed with the Board. The review will normally be conducted concurrent with review of the annual budget; however, the General Manager will monitor conditions and alert the Board at any time that the rates do not produce the anticipated level of revenues.
2. At the Board's direction, the General Manager will prepare rate studies and present the results of such studies to the Board. The General Manager is directed to develop rate design expertise on the RPU staff. With the concurrence of the Board, the General Manager is authorized to retain outside consulting assistance when required or desirable.
3. The Board, following review of pertinent studies and other information will establish rates and charges for service. With the concurrence of the Common Council, the Board will direct the General Manager to implement such rates and charges as of the approved effective date.
4. The General Manager will prepare and implement those management policies and procedures which are needed to carry out the administrative provisions of this policy statement.
5. The General Manager will keep the Board informed of significant developments on the subject of rates and will recommend changes in rate policy, design, and application which may be in the best interests of the

RPU and its customers.

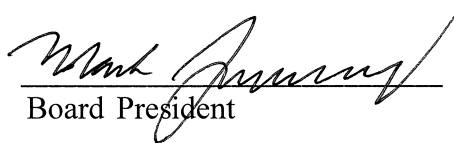
RELEVANT LEGAL AUTHORITY:

Rochester Home Rule Charter Sections: 15.05, Subd. 3. ....The Board shall, with the concurrence of the common council, fix the rates to be charged for the availability and use of the public utility commodities and services under its jurisdiction. Rates shall be reasonable and compensatory so as to cover all of the costs of the respective public utility and shall be uniform for all consumers within the same class, but different rates may be established for different classifications by the board. Rates within the city corporate limits may be less but shall be no greater than rates for the same classification outside the city limits.

EFFECTIVE DATE OF POLICY: April 10, 1984

DATE OF POLICY REVISION: July 25, 2017

POLICY APPROVAL:

  
Board President

7-25-17  
Date