

6.A. 2025 Water Cost-of-Service Study

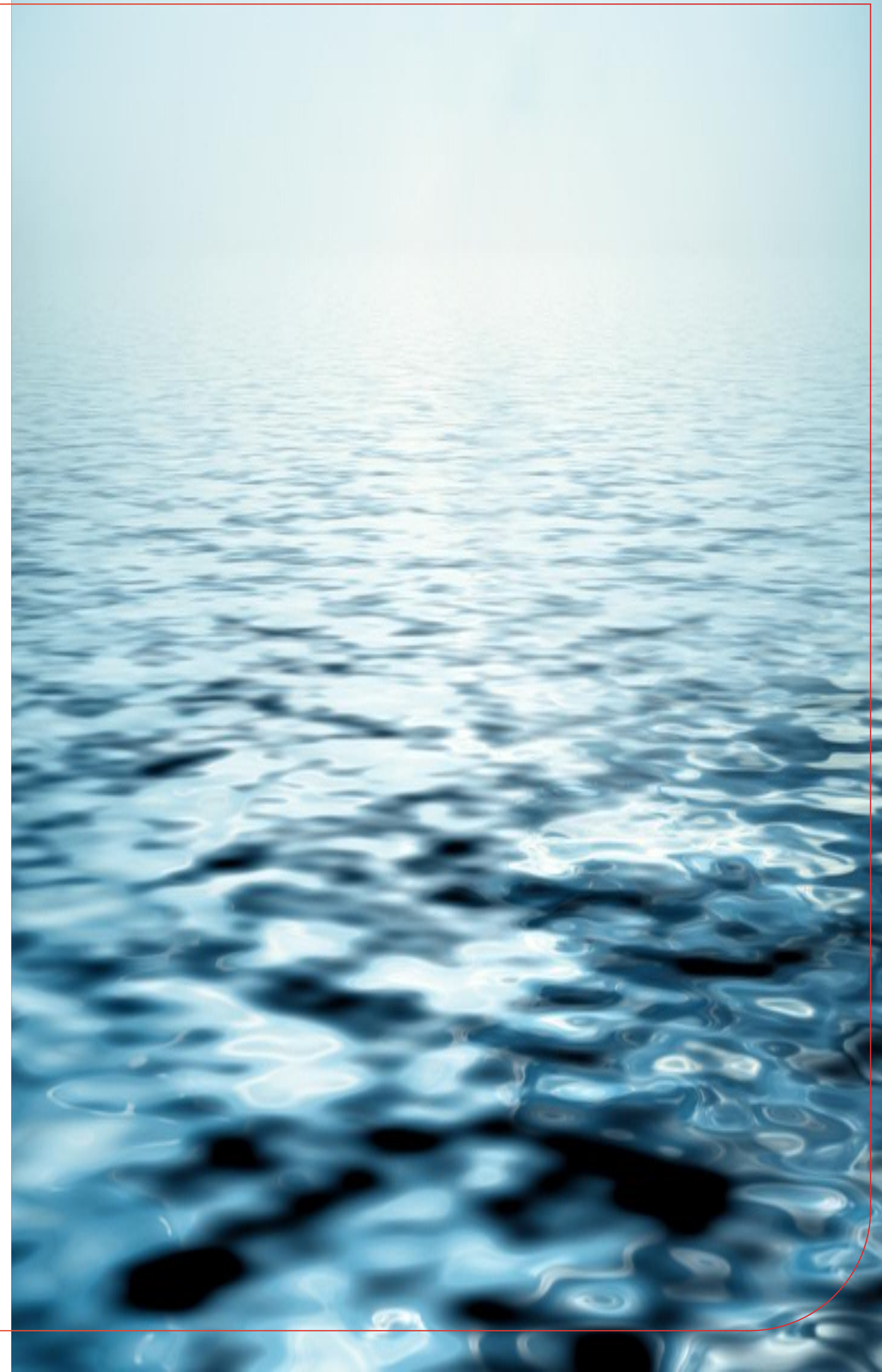
Rochester Public Utilities Board Meeting
August 26, 2025

Water Cost-of-Service & Rate Design Study



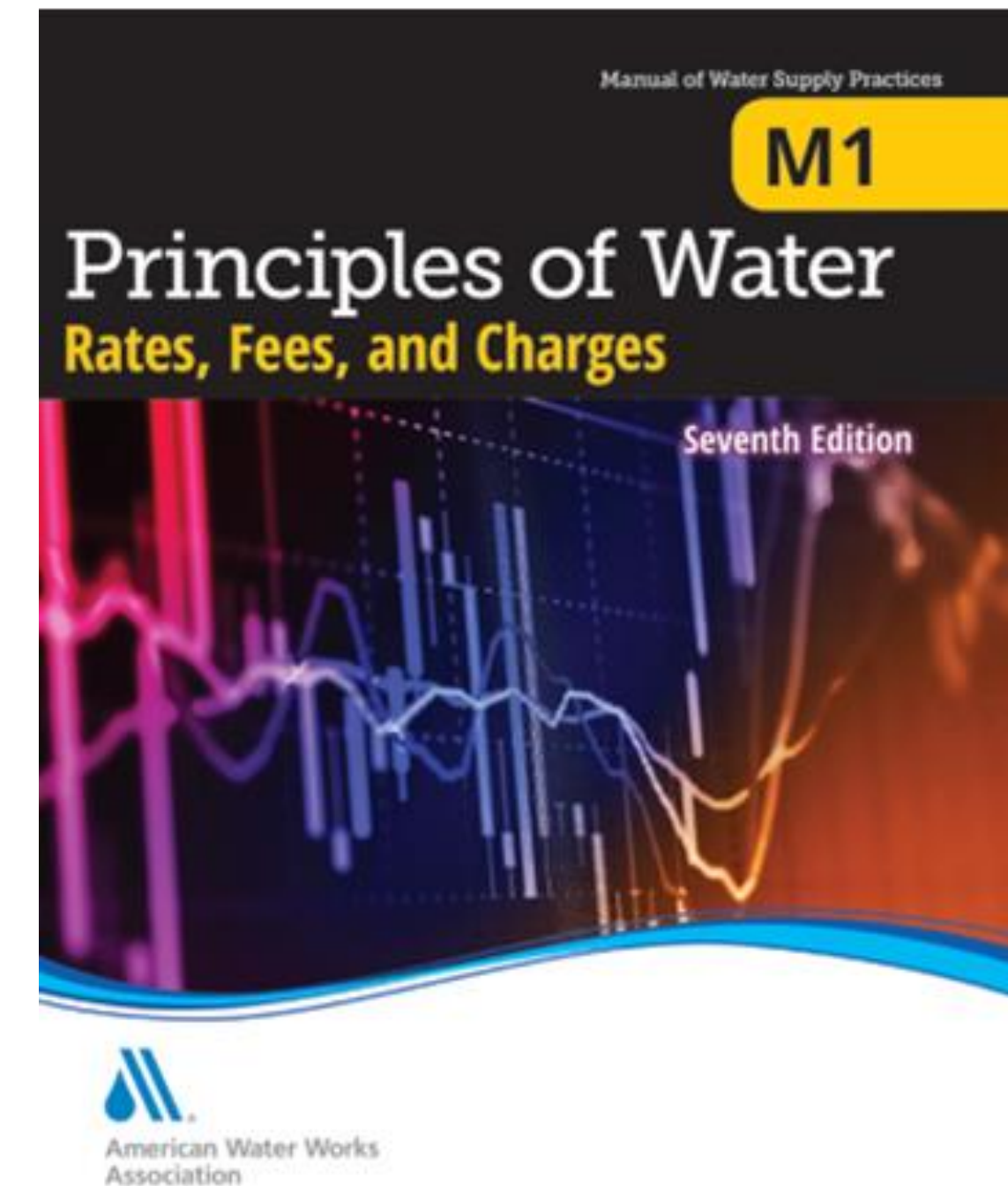
Board Presentation

8/26/2025



OVERVIEW

1. Background Information
2. Study Approach
3. Recommendations
4. Discussion & Questions



Background Information

National Trends in Household Water Costs

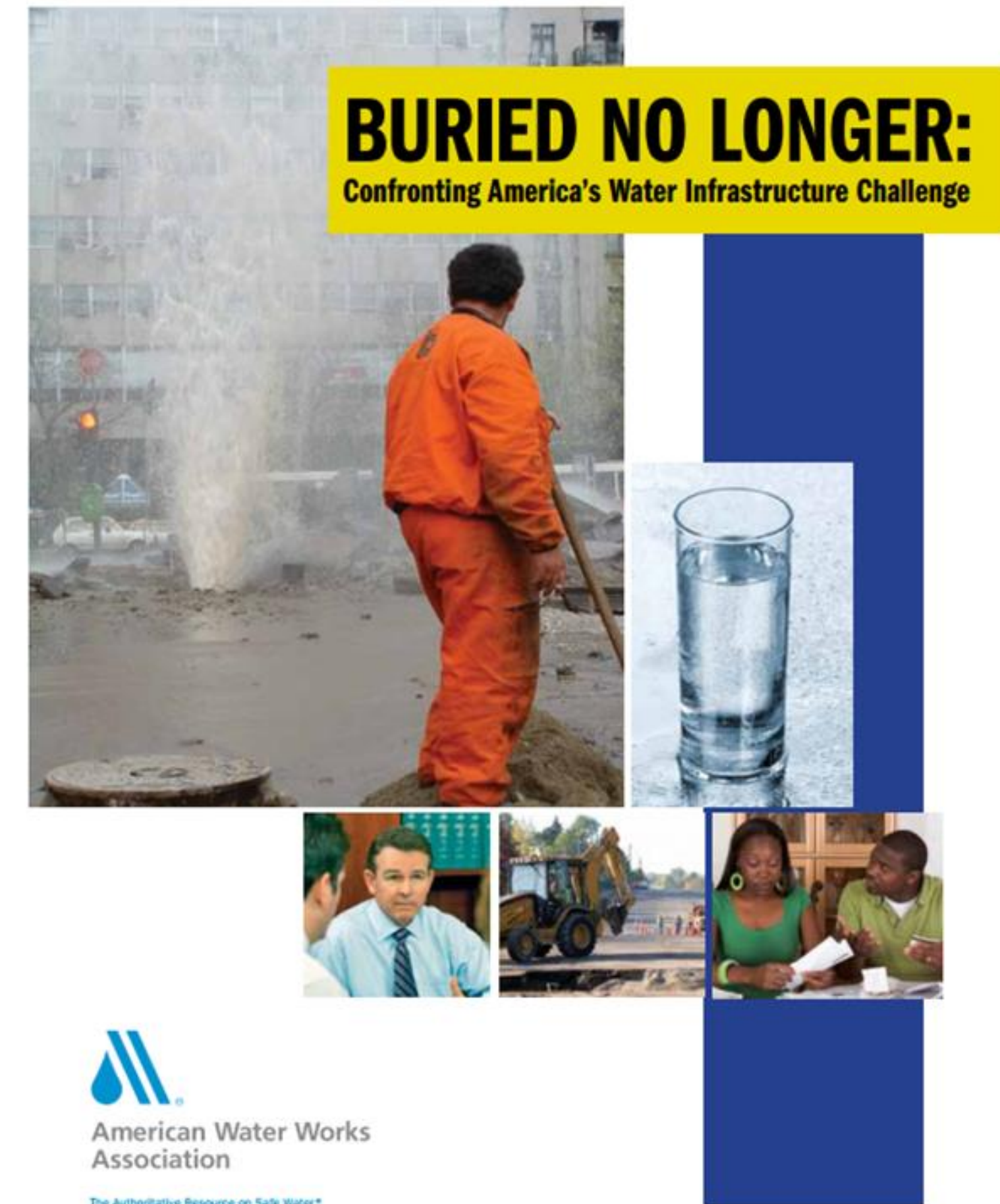


Survey or Publication	Period	Historical Increase per Year
Water & Sewer Index, BLS	2000 - 2024	4.8%
AWWA Rate Survey - Water	1996 - 2018	5.1%
RPU Historic Increases	2013 - 2025	3.6%
CPI-U (General Inflation)	2000 - 2024	2.5%

In recent history, household water costs have increased nearly 2x household inflation

Common Factors Contributing to Utility Rate Increases

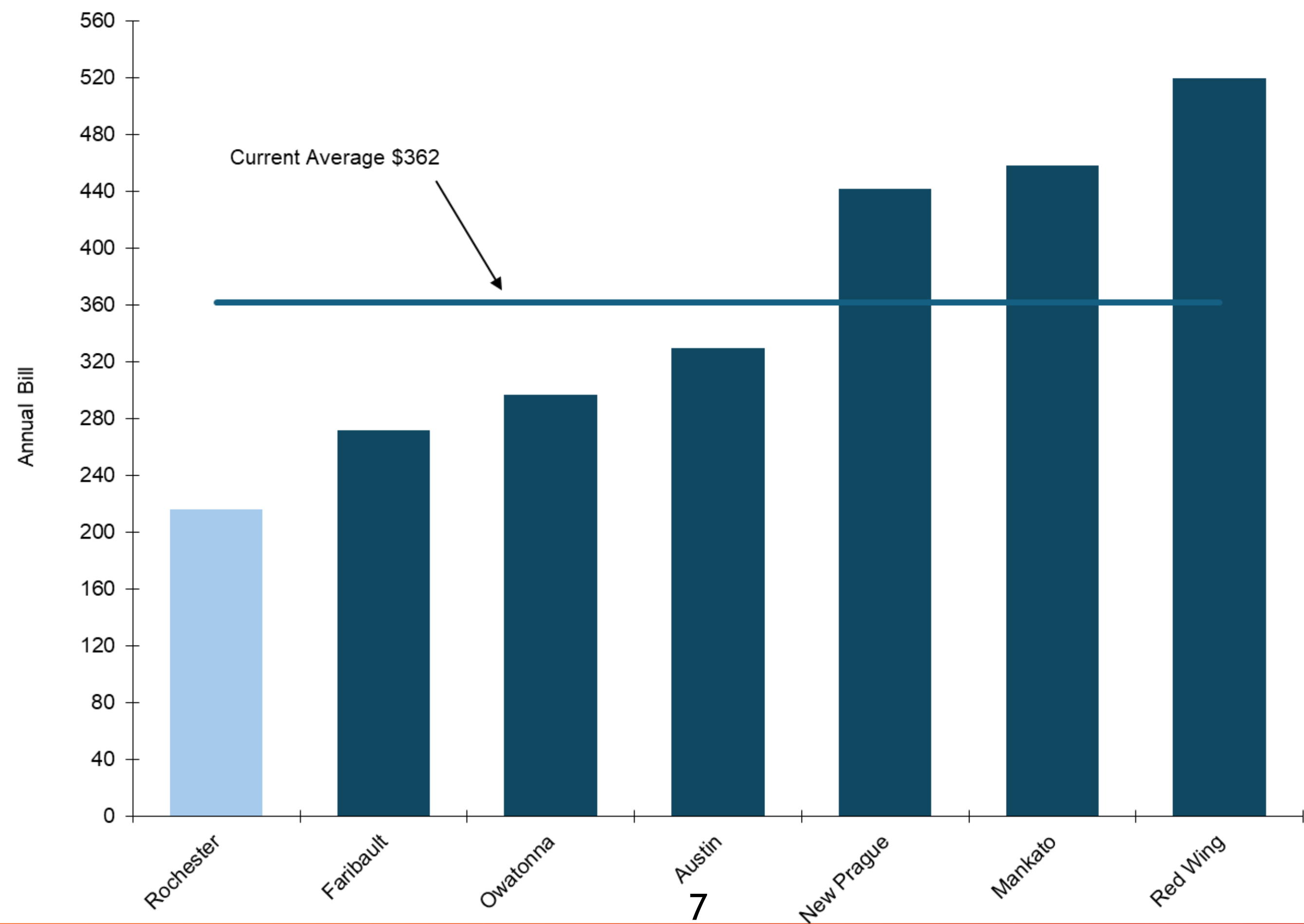
- General trend in lower use per account can pressure variable revenue streams
- Inflation on operating and capital/construction costs
- More stringent water quality regulations
- Aging infrastructure requires renewal and replacement



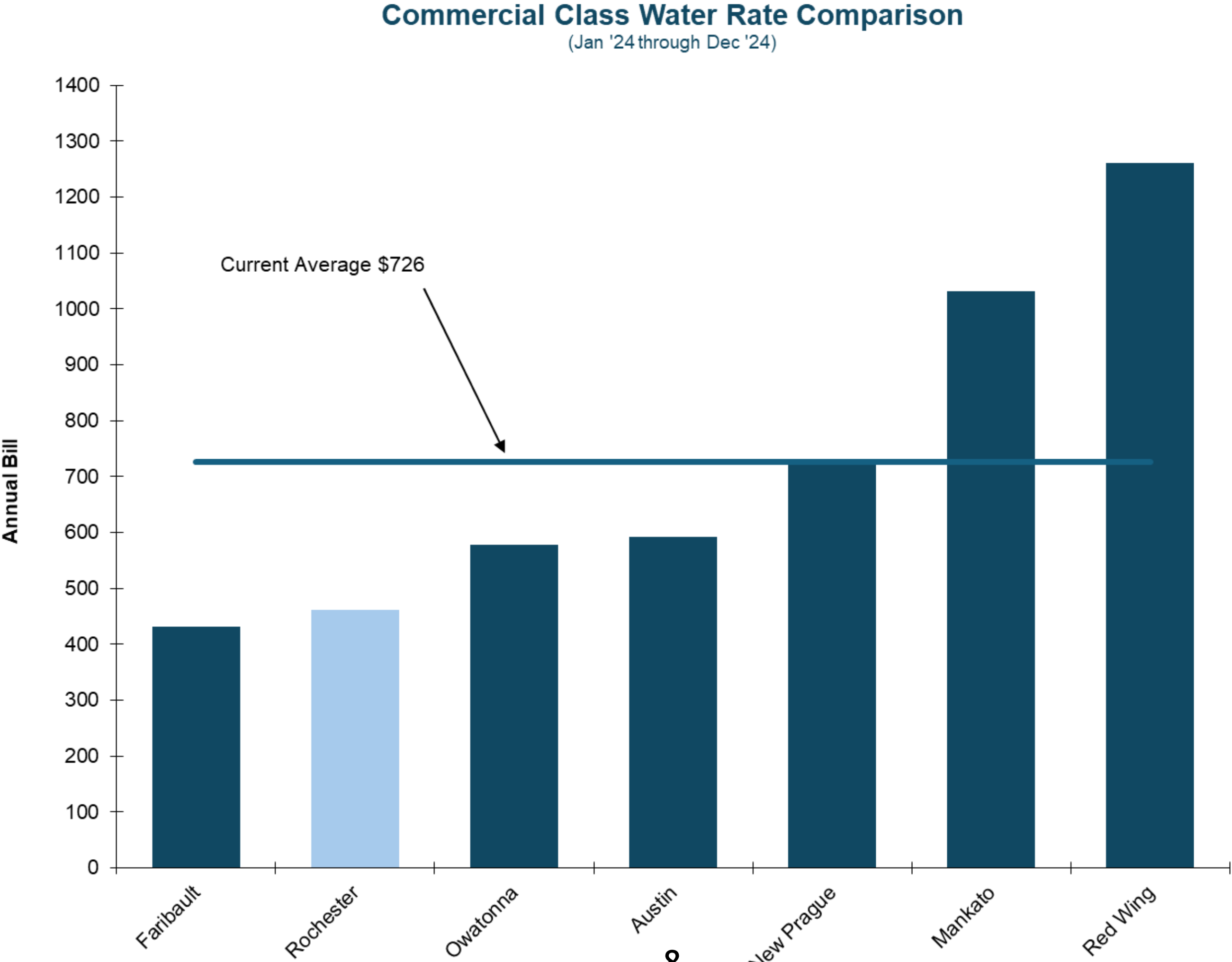
Regional Residential Water Bill Comparison



Residential Class Water Rate Comparison
(Jan '24 through Dec '24)

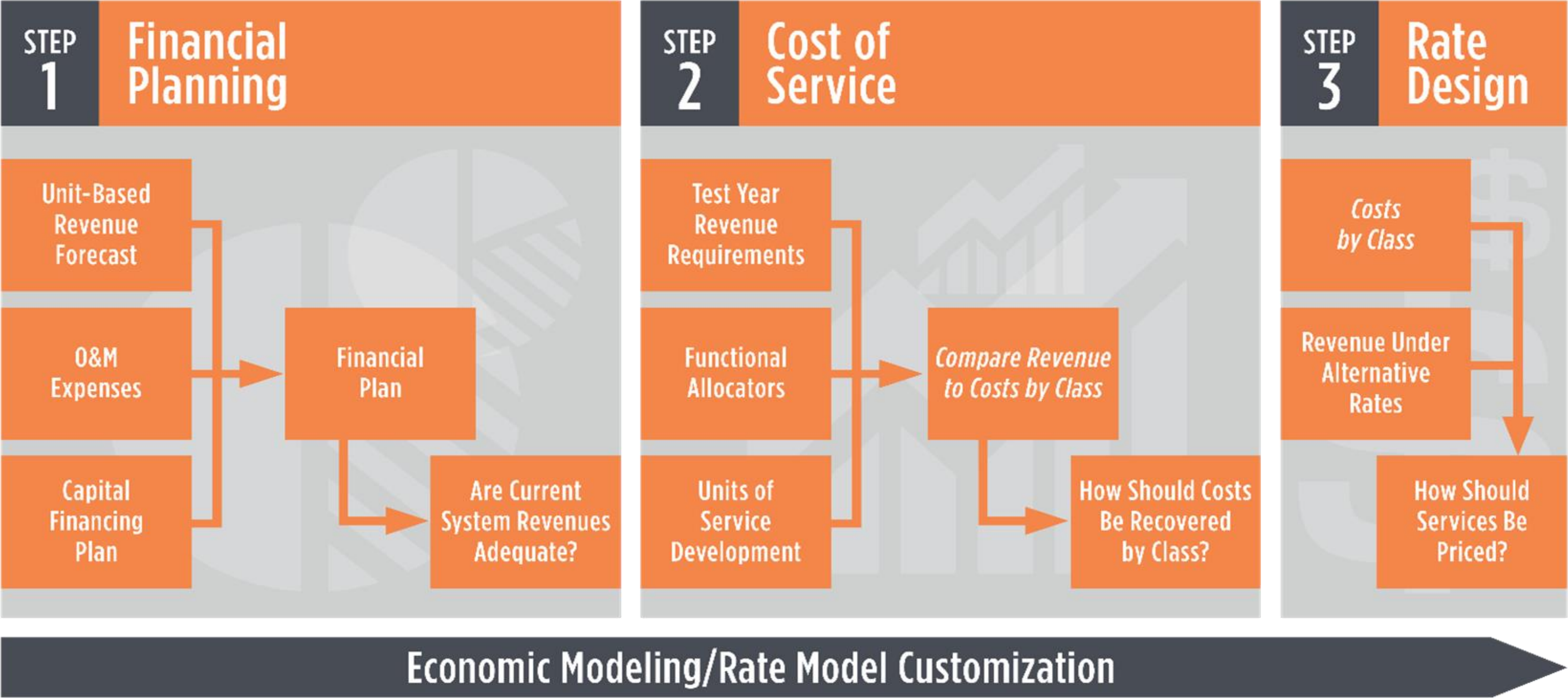


Regional Commercial Water Bill Comparison



Study Approach

STUDY APPROACH



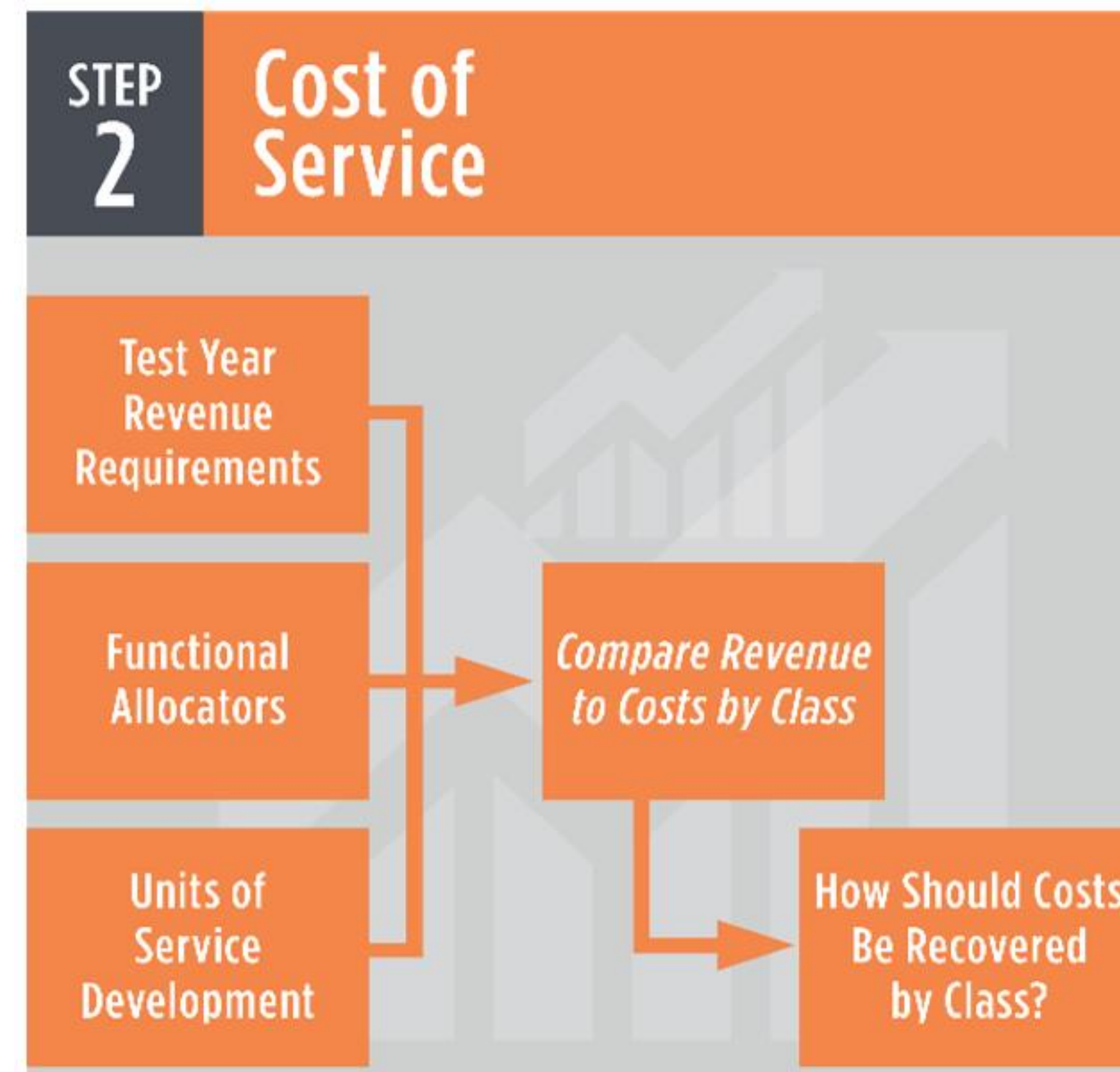
FINANCIAL FORECAST

- Developed and reviewed financial plan with RPU management using the following key inputs
 - Unit based revenue forecast (accounts, volume, existing rates)
 - Budgeted operating and capital expenses
 - Achieved targeted operating margins and cash balances

Year	Proposed Rate Change
2026	9%
2027	9%
2028	7%
2029	7%
2030	5%

COST OF SERVICE ANALYSIS

- Reflects financial planning from Step 1
- Allocated operating and capital costs to functions
- Develop units and unit cost of service
- Allocate unit costs to classes



COST OF SERVICE ANALYSIS (TEST YEAR 2026)



		Test Year 2026			
Line No.	Description	Revenue	Total	Indicated	Indicated
		Under Existing Rates	Allocated Cost of Service	Increase / (Decrease)	Increase / (Decrease)
		\$	\$	\$	%
1	Residential	8,475,100	8,850,800	375,700	4.4%
2	Commercial	3,982,000	4,697,100	715,100	18.0%
3	Industrial	668,200	797,600	129,400	19.4%
4	Interdepartmental (RPU	32,100	35,300	3,200	10.0%
5	Public Fire Protection	699,800	723,900	24,100	3.4%
6	Total	13,857,200	15,104,700	1,247,500	9.0%

COST OF SERVICE ANALYSIS (FORECASTED AVERAGE)



		Test Year 2030			2026 - 2030
Line No.	Description	Revenue	Total	Indicated	Average
		Under Existing Rates	Allocated Cost of Service	Increase / (Decrease)	Annual Increase / (Decrease)
		\$	\$	\$	%
1	Residential	8,749,500	11,895,900	3,146,400	6.3%
2	Commercial	4,111,000	6,515,400	2,404,400	9.6%
3	Industrial	668,200	1,078,600	410,400	10.1%
4	Interdepartmental (RPU	32,100	47,800	15,700	8.3%
5	Public Fire Protection	722,400	863,100	140,700	3.6%
6	Total	14,283,200	20,400,800	6,117,600	7.4%

Recommendations

RPU RATE DESIGN BOARD POLICY



- Financial Stability - Alignment of fixed and variable cost with fixed and variable rates
- No subsidization between Rate Classes
- Reduce subsidization within Rate Classes
- Rates that promote conservation and reduce costs

RATE DESIGN: APPROACH



1. Increased the volume charges more than the customer charges (in line with COS results)
2. Increased the Commercial & Industrial volumetric rates more than Residential (to achieve better class cost of service alignment)
3. Achieving impacts to customer bills within 2% of system wide revenue increase each year
4. Maintaining fixed revenue generation commensurate with fixed cost structure

EXISTING & PROPOSED RATES



		Existing	Proposed				
Line No.		2025 Rates \$	2026 Rates \$	2027 Rates \$	2028 Rates \$	2029 Rates \$	2030 Rates \$
	Customer Charge by Meter size						
1	5/8"	11.86	12.75	13.71	14.51	15.36	16.00
2	3/4"	15.49	16.65	17.90	18.94	20.04	20.88
3	1"	22.50	24.19	26.00	27.52	29.13	30.34
4	1.5"	40.41	43.44	46.70	49.42	52.30	54.48
5	2"	61.94	66.59	71.58	75.76	80.18	83.52
6	3"	112.45	120.88	129.95	137.53	145.55	151.61
7	4"	184.44	198.27	213.14	225.57	238.73	248.68
8	6"	364.84	392.20	421.62	446.21	472.24	491.92
9	8"	649.18	697.87	750.21	793.97	840.28	875.29
	Volume Charge per 100 Cubic Feet						
	Residential						
10	First 7 CCF	1.053	1.166	1.291	1.399	1.516	1.607
11	Next 5 CCF	1.156	1.301	1.464	1.606	1.762	1.884
12	Over 12 CCF	1.312	1.486	1.683	1.856	2.047	2.198
13	Commercial	1.053	1.172	1.304	1.419	1.544	1.641
14	Industrial	1.053	1.172	1.304	1.419	1.544	1.641
15	Inderdepartmental	1.053	1.172	1.304	1.419	1.544	1.641
	Fire Charge						
16	Residential	1.11	1.15	1.19	1.22	1.25	1.27
17	Commercial	4.60	4.77	4.93	5.06	5.18	5.26
18	Industrial	4.60	4.77	4.93	5.06	5.18	5.26
19	Interdepartmental (RPU)	4.60	4.77	4.93	5.06	5.18	5.26

[1] Outside City customer pay 2.0 times the inside city customer rate

RESIDENTIAL RATES



Line No.	Customer Class	Billable Flow CCF	Meter Size Inches	Monthly Bill Under							
				Existing	Proposed						
				2025 Rates	2026 Rates	2027 Rates	2028 Rates	2029 Rates	2030 Rates		
<u>Residential Customer</u>											
1	Low User	3.0	5/8"	\$ 15.02	\$ 16.25	\$ 17.58	\$ 18.71	\$ 19.91	\$ 20.82		
2	Average User	6.0	5/8"	\$ 18.18	\$ 19.75	\$ 21.46	\$ 22.90	\$ 24.46	\$ 25.64		
3	High User	12.0	5/8"	\$ 25.01	\$ 27.42	\$ 30.07	\$ 32.33	\$ 34.78	\$ 36.67		
<u>Change in Bills (\$)</u>											
4	Low User	3.0	5/8"		\$ 1.23	\$ 1.34	\$ 1.12	\$ 1.20	\$ 0.91		
5	Average User	6.0	5/8"		\$ 1.57	\$ 1.71	\$ 1.45	\$ 1.55	\$ 1.19		
6	High User	12.0	5/8"		\$ 2.41	\$ 2.65	\$ 2.27	\$ 2.45	\$ 1.89		
<u>Change in Bills (%)</u>											
7	Low User	3.0	5/8"		8.2%	8.2%	6.4%	6.4%	4.6%		
8	Average User	6.0	5/8"		8.6%	8.7%	6.7%	6.8%	4.8%		
9	High User	12.0	5/8"		9.6%	9.7%	7.5%	7.6%	5.4%		

COMMERCIAL RATES



Line No.	Customer Class	Billable Flow CCF	Meter Size Inches	Monthly Bill Under					
				Existing	Proposed				
				2025 Rates	2026 Rates	2027 Rates	2028 Rates	2029 Rates	2030 Rates
<u>Commercial Customer</u>									
1	Low User	24.0	1"	\$ 47.77	\$ 52.32	\$ 57.30	\$ 61.58	\$ 66.19	\$ 69.72
2	Average User	48.0	1"	\$ 73.04	\$ 80.45	\$ 88.59	\$ 95.63	\$ 103.24	\$ 109.11
3	High User	96.0	1"	\$ 123.59	\$ 136.70	\$ 151.18	\$ 163.74	\$ 177.35	\$ 187.88
<u>Change in Bills (\$)</u>									
4	Low User	24.0	1"		\$ 4.55	\$ 4.98	\$ 4.28	\$ 4.61	\$ 3.54
5	Average User	48.0	1"		\$ 7.40	\$ 8.15	\$ 7.04	\$ 7.61	\$ 5.87
6	High User	96.0	1"		\$ 13.11	\$ 14.48	\$ 12.56	\$ 13.61	\$ 10.52
<u>Change in Bills (%)</u>									
7	Low User	24.0	1"		9.5%	9.5%	7.5%	7.5%	5.3%
8	Average User	48.0	1"		10.1%	10.1%	7.9%	8.0%	5.7%
9	High User	96.0	1"		10.6%	10.6%	8.3%	8.3%	5.9%

INDUSTRIAL RATES



Line No.	Customer Class	Billable Flow CCF	Meter Size Inches	Monthly Bill Under					
				Existing	Proposed				
				2025 Rates	2026 Rates	2027 Rates	2028 Rates	2029 Rates	2030 Rates
Industrial Customer									
1	Low User	1,050.0	8"	\$1,470.49	\$1,622.80	\$1,790.82	\$1,936.16	\$2,093.44	\$2,214.97
2	Average User	2,100.0	8"	\$2,576.14	\$2,853.40	\$3,160.02	\$3,426.11	\$3,714.64	\$3,938.02
3	High User	4,200.0	8"	\$4,787.44	\$5,314.60	\$5,898.42	\$6,406.01	\$6,957.04	\$7,384.12
Change in Bills (\$)									
4	Low User	1,050.0	8"		\$ 152.31	\$ 168.02	\$ 145.34	\$ 157.28	\$ 121.53
5	Average User	2,100.0	8"		\$ 277.26	\$ 306.62	\$ 266.09	\$ 288.53	\$ 223.38
6	High User	4,200.0	8"		\$ 527.16	\$ 583.82	\$ 507.59	\$ 551.03	\$ 427.08
Change in Bills (%)									
7	Low User	1,050.0	8"		10.4%	10.4%	8.1%	8.1%	5.8%
8	Average User	2,100.0	8"		10.8%	10.7%	8.4%	8.4%	6.0%
9	High User	4,200.0	8"		11.0%	11.0%	8.6%	8.6%	6.1%





Questions