

Salt Lake City Department of Public Utilities

City Council Work Session



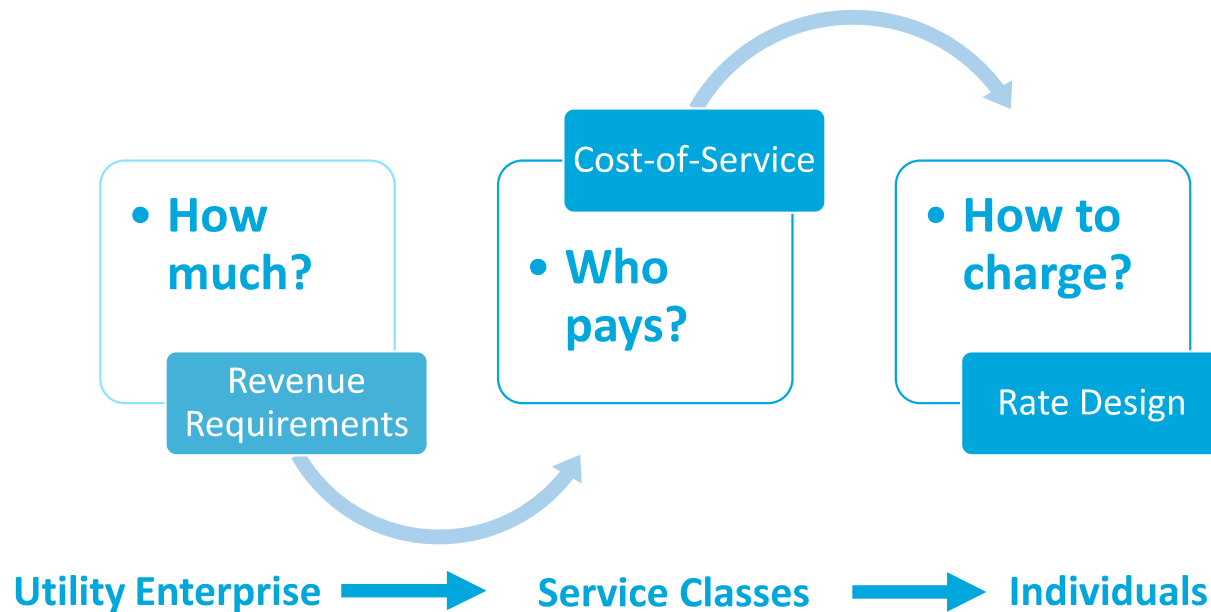
Agenda

- Rate Setting Process
- Rate Recommendations
- Affordability
- Regional Bill Comparison



The Rate-Setting Process

The rate study process is about building the factual basis that translates costs from the enterprise level down to the individual customer level; from total costs to the rate schedule.



Rate Design Applies to Individual Customers

The goal of rate design is to meet the financial realities of the utilities while accomplishing as many of the community's other objectives as possible.

REVENUE SUFFICIENCY

The rate design should recover the necessary revenues.

FAIRNESS & EQUITY

The rate design should achieve interclass and intraclass equity

ECONOMIC EFFICIENCY

The rate design should promote the efficient use of resources.

SUSTAINABILITY & PREDICTABILITY

The rate design should allow utility customers to budget and plan their utility expenses.

CLARITY

The rate design should be transparent and easily understood by the customers.

COST ALLOCATION

The rates should allocate costs based on cost causation principles.

AFFORDABILITY

Basic utility service should be reasonably affordable for those in need.



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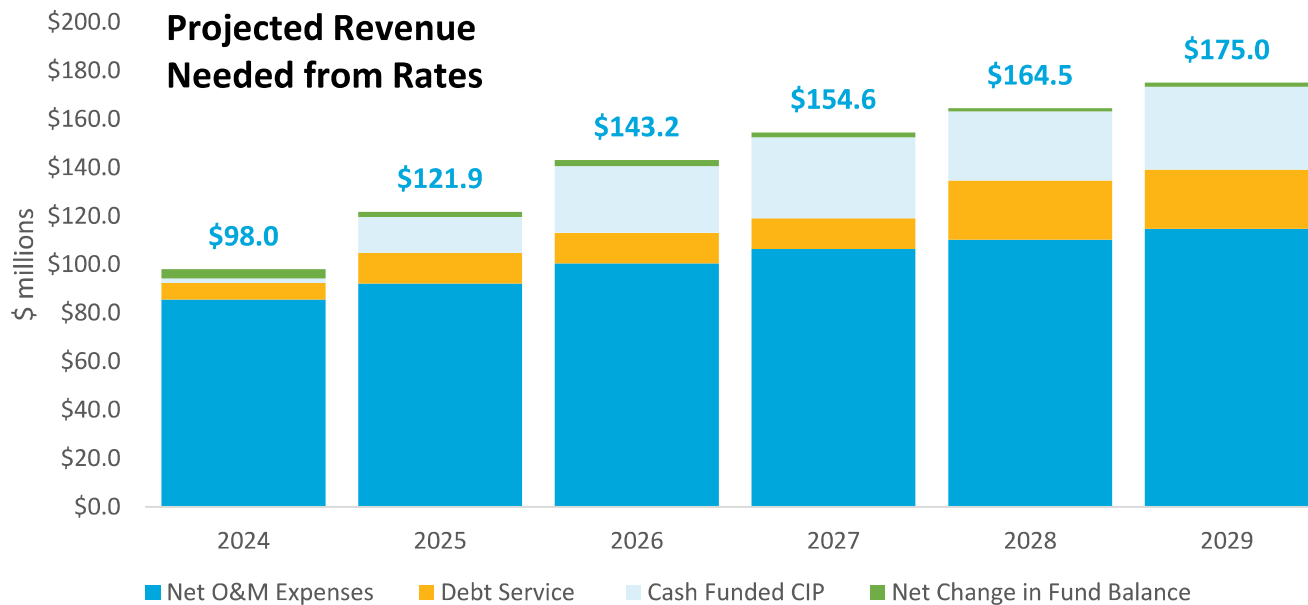
Water Utility Rates



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Projected Water Revenue Requirements

While O&M costs will continue to make up the largest part of the revenue requirements, capital needs will go from being 13% of the revenue requirement today to 34% by 2029.

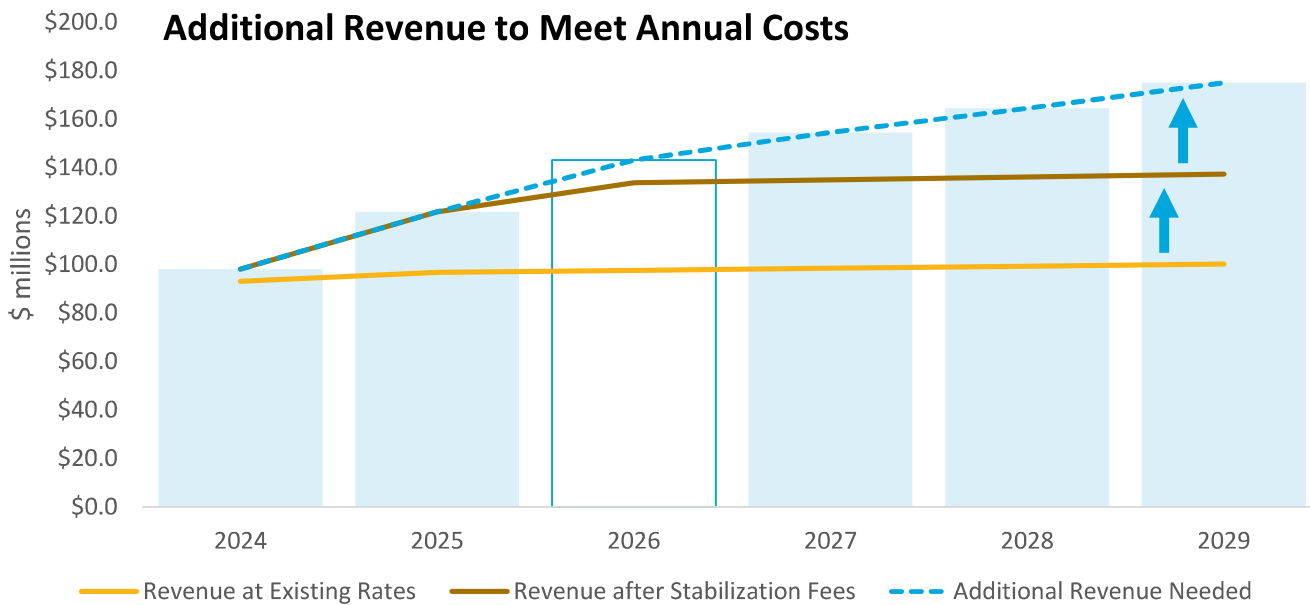


The capital needs will play a much larger role in the next five years and going forward.

These needs grow almost 3.8x between 2024 and 2029.

Revenue Requirement vs. Current Rates

Even with the rate stabilization fees in place, the Water Utility will need additional increases by FY2026 to cover the revenue requirement.



Fiscal Year	Increase from Stab. Fees	Additional Increases Needed	Total Increase
2024	5.4%	0.0%	5.4%
2025	20.3%	0.0%	20.3%
2026	9.0%	7.0%	16.0%
2027	0.0%	7.0%	7.0%
2028	0.0%	5.5%	5.5%
2029	0.0%	5.5%	5.5%

Current Water Rates vs. Cost-of-Service

Comparing expected revenue in FY2026 vs. the cost-of-service yields the revenue adjustments necessary for each class in FY2026 (\$ million)

Class	Revenue at Existing Rates	Costs of Service	Variance \$	Variance %
Single Family (Inside)	\$35.92	\$38.02	\$2.10	5.5%
Single Family (County)	\$29.38	\$34.26	\$4.88	14.2%
Duplex (Inside)	\$3.32	\$3.57	\$0.25	6.9%
Duplex (County)	\$0.74	\$0.84	\$0.09	11.2%
Triplex (Inside)	\$0.59	\$0.49	-\$0.10	-19.9%
Triplex (County)	\$0.03	\$0.03	-\$0.00	-1.4%
Multi-Family (Inside)	\$10.68	\$9.49	-\$1.19	-12.6%
Multi-Family (County)	\$3.64	\$4.10	\$0.46	11.3%
Commercial (Inside)	\$29.00	\$25.07	-\$3.94	-15.7%
Commercial (County)	\$5.65	\$5.26	-\$0.39	-7.4%
Institutional (Inside)	\$4.58	\$4.39	-\$0.18	-4.2%
Institutional (County)	\$0.58	\$0.62	\$0.04	5.8%
Industrial (Inside)	\$4.44	\$4.84	\$0.40	8.2%
Industrial (County)	\$0.28	\$0.26	-\$0.02	-8.5%
Irrigation (Inside)	\$12.97	\$10.08	-\$2.90	-28.8%
Irrigation (County)	\$1.38	\$1.88	\$0.50	26.5%
Total	\$143.18	\$143.18	\$0.00	

Current Rates include the Rate Stabilization Fees

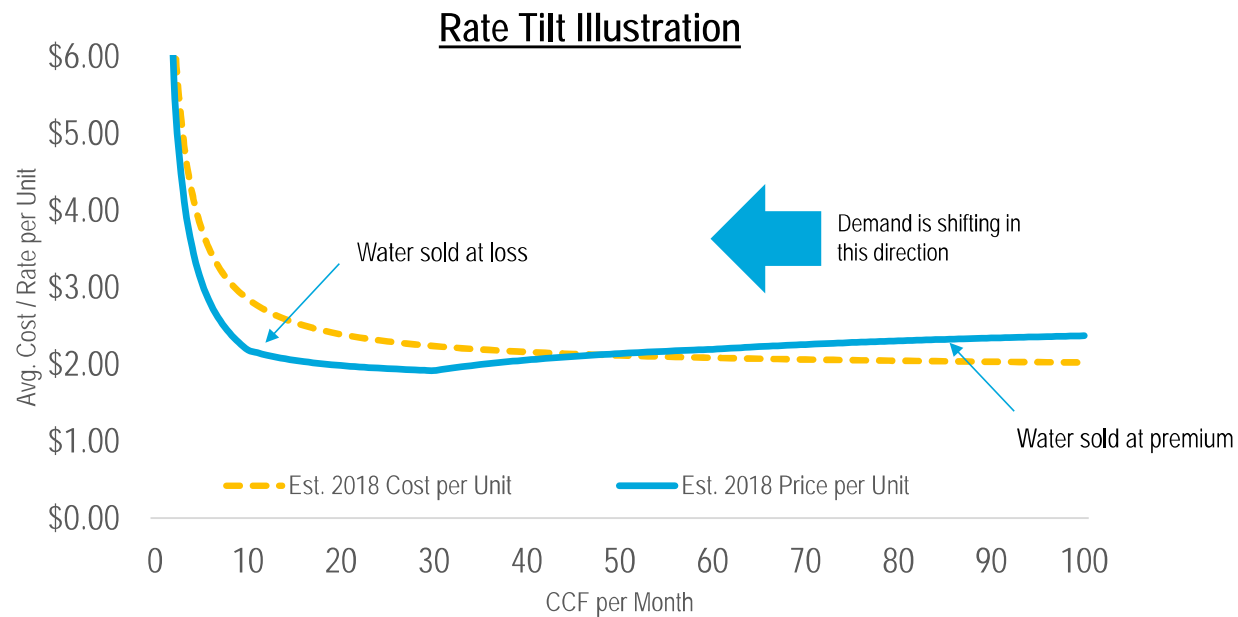
(-) Negative Variance = rates need to decrease
(+) Positive Variance – rates need to increase.

County customers pay 35% more.



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Drivers in Water Rate Design



1. Ensure revenue sufficiency
2. Eliminate "rate tilt"
3. Address affordability

Proposed Residential Water Rates

Residential rates apply to single-family, duplex, and tri-plex units. Multi-unit properties receive the volumes in each block times the number of dwelling units (e.g. duplex block 1 is 2 x 5 CCF = 10 CCF).

Monthly Service Charges			Volumetric Rates			
Meter	Current	Proposed	Current Tiers	Current \$/CCF	Proposed Tiers	Proposed \$/CCF
3/4"	\$25.65	\$22.48	Block 1 (0-10CCF)	\$2.24	Block 1 (0-5CCF)	\$2.84
1"	\$60.79	\$28.57	Block 2 (11-30CCF)	\$3.05	Block 2 (6-10CCF)	\$3.49
1 1/2"	\$200.77	\$43.66	Block 3 (31-60CCF)	\$4.23	Block 3 (11-40CCF)	\$4.46
2"	\$214.78	\$61.85	Block 4 (> 60CCF)	\$4.52	Block 4 (> 40CCF)	\$4.92
			Winter (All CCF)	\$2.24	Winter (All CCF)	n/a

Proposed Nonresidential Water Rates

The proposal consolidates commercial, industrial, and institutional customers into a single “nonresidential class” and multi-family (> 3 dwelling units) into another. It replaces the %-AWC tier system with uniform seasonal rates.

Monthly Service Charges

Meter	Current	Proposed
3/4"	\$25.65	\$22.48
1"	\$60.79	\$28.57
1 ½"	\$200.77	\$43.66
2"	\$214.78	\$61.85
3"	\$604.67	\$110.40
4"	\$646.62	\$164.95

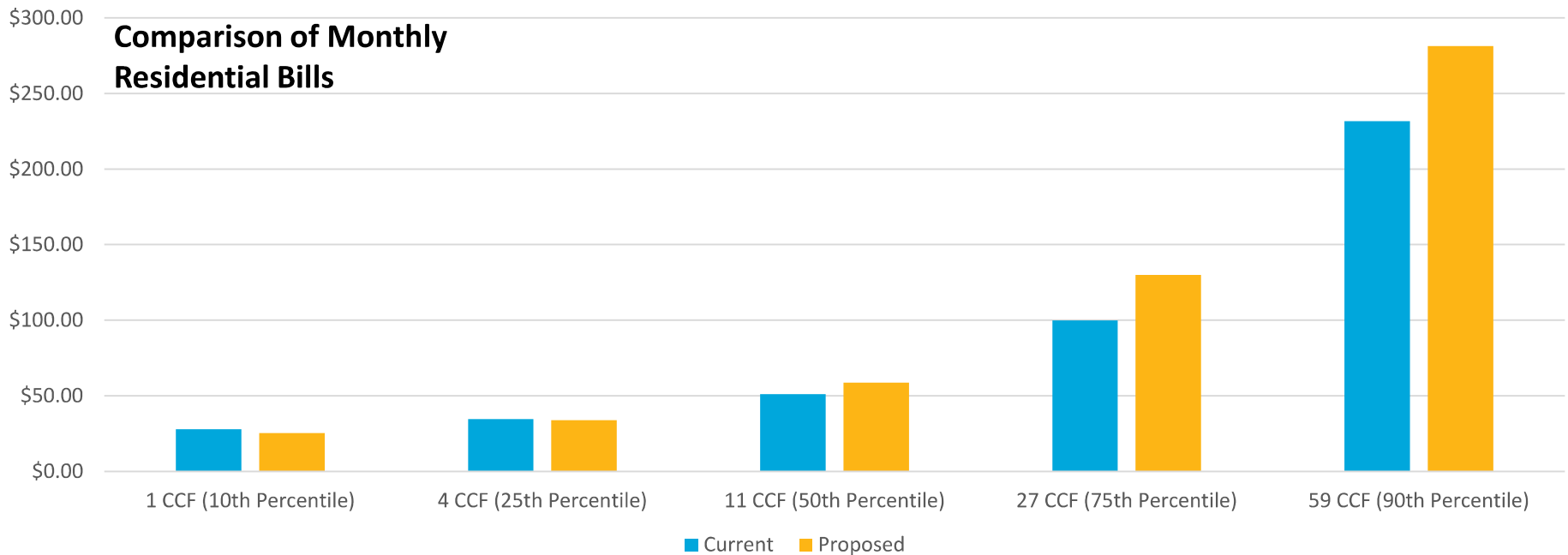
Volumetric Rates

Current Tiers (as % of AWC)	Current \$/CCF	Proposed Tiers	Proposed \$/CCF
Block 1 (0-100%)	\$2.43	<u>Non-Residential</u>	
Block 2 (100-300%)	\$3.34	Summer (All CCF)	\$3.53
Block 3 (300-600%)	\$4.64	Winter (All CCF)	\$2.18
Block 4 (> 600%)	\$4.93	<u>Multi-Family</u>	
Winter (All CCF)	\$2.43	Summer (All CCF)	\$3.35
		Winter (All CCF)	\$2.18



Residential Water Rate Impacts for FY2026

Bills for residents using 5 CCF or less would experience a modest decrease with the proposed rates compared to the current structure which includes the RSF. Larger users will experience a growing increase.

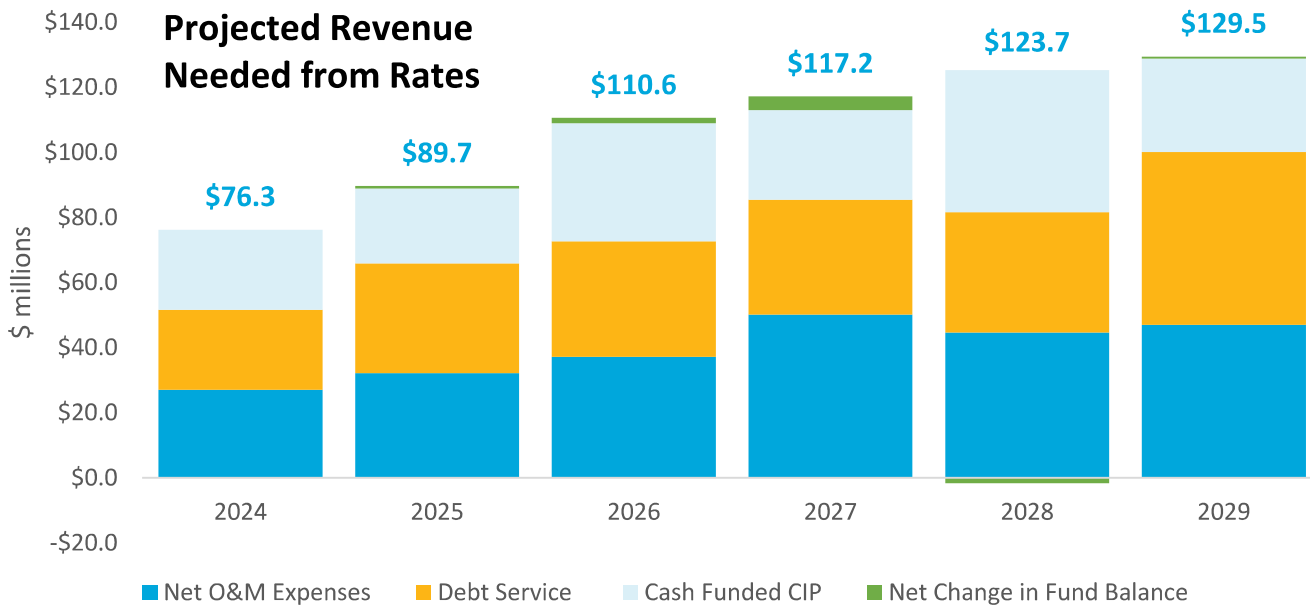


Wastewater Utility Rates



Projected Sewer Revenue Requirements

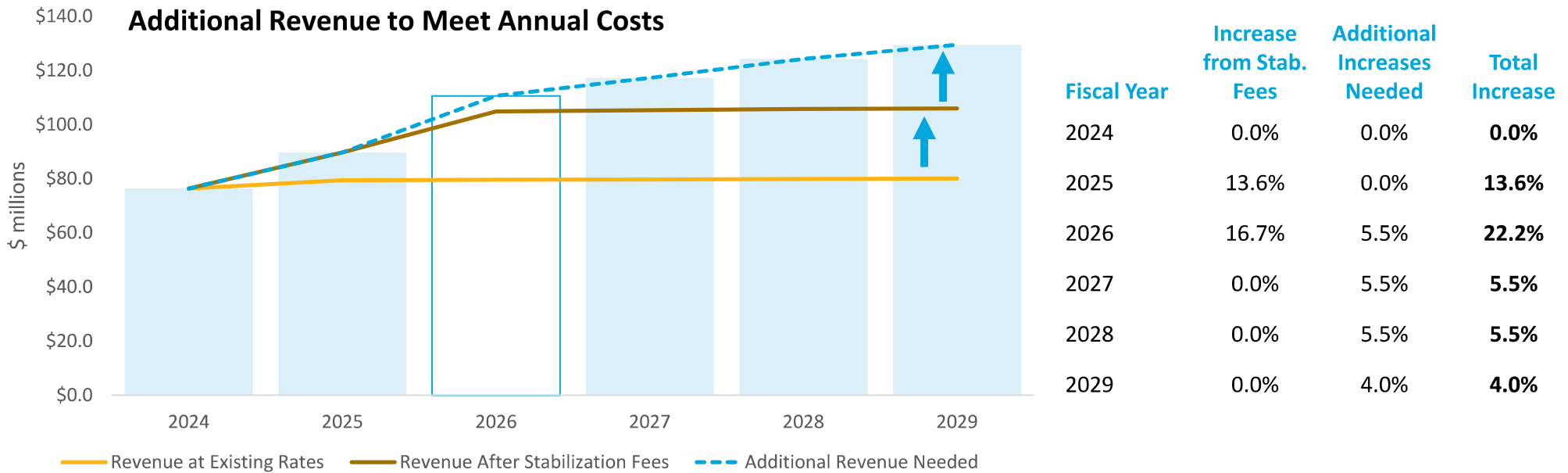
The Wastewater Utility requires approximately \$2 for capital needs for every \$1 in operating expense while the total revenue needs increase about 11% per year between now and 2029.



The capital needs will continue to make up approximately 2/3 of the total revenue needs.

Revenue Requirement vs. Current Rates

The Wastewater Utility will need additional increases in revenue to cover its projected revenue requirements even after implementing the rate stabilization fees.



Current Wastewater Rates vs. Cost of Service

The proposal consolidates existing customer classifications into just three, the cost-of-service analysis tells us how much to adjust the rates for each class (\$ million).

Class	Revenue at Existing Rates	Costs of Service	Variance \$	Variance %
Residential	\$45.55	\$23.74	-\$21.80	-91.8%
Multi-Family	\$18.12	\$20.88	\$2.77	13.2%
Non-Residential	\$60.08	\$79.12	\$19.04	24.1%
Total (\$ million)	\$123.74	\$123.74	\$0.00	

Current Rates include the Rate Stabilization Fees

(-) Negative Variance = rates need to decrease

(+) Positive Variance – rates need to increase.



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Drivers in Wastewater Rate Design

Class	Flow	BOD	TSS	NH3	TP
Class 1					
Class 2					
Class 3					
Class 4					
Class 5					
Class 6					

37 Possible Rate Combinations as is
 $1+6^2$

Adding these makes it 1,297
 $1+6^4$

1. Ensure revenue sufficiency
2. Introduce new pollutant charges
3. Simplification

Proposed Wastewater Rates

Monthly Service Charges

Current Charges

<u>Meter Sz.</u>	<u>Monthly Charge</u>
5/8"	\$17.66
1"	\$51.89
2"	\$138.19
3"	\$704.02
4"	\$704.02
6"	\$704.02

Proposed Charges

<u>Class</u>	<u>Monthly Charge*</u>
Residential	\$3.70
Commercial	\$3.70

* per equivalent dwelling unit

Volumetric Rates

Current Volumetric Rates (\$/CCF)

<u>Classes</u>	<u>Flow</u>	<u>BOD</u>	<u>TSS</u>
SC 1	\$4.63	\$1.64	\$1.18
SC 2	\$4.63	\$2.66	\$2.38
SC 3	\$4.63	\$4.37	\$4.06
SC 4	\$4.63	\$6.26	\$5.53
SC 5	\$4.63	\$7.84	\$7.20
SC 6	\$4.63	\$9.66	\$8.71

Proposed Volumetric Rates (\$/CCF)

Residential	\$8.56
<i>Per CCF Avg. Winter Consumption</i>	
Multi-Family	\$8.56
<i>per CCF 70% of Metered Water Use</i>	
Non-Residential	\$9.54
<i>per CCF 70% of Metered Water Use</i>	

- Residential includes single family, duplex, triplex, and fourplex
- Multi-family includes all residential properties > 4 dwelling units
- Non-residential includes commercial, industrial, and institutional customers



Proposed High-Strength Surcharges

Surcharges will apply to customers discharging much higher waste concentrations to the sewer system. The City will identify and monitor such customers in order to assess the correct charges.

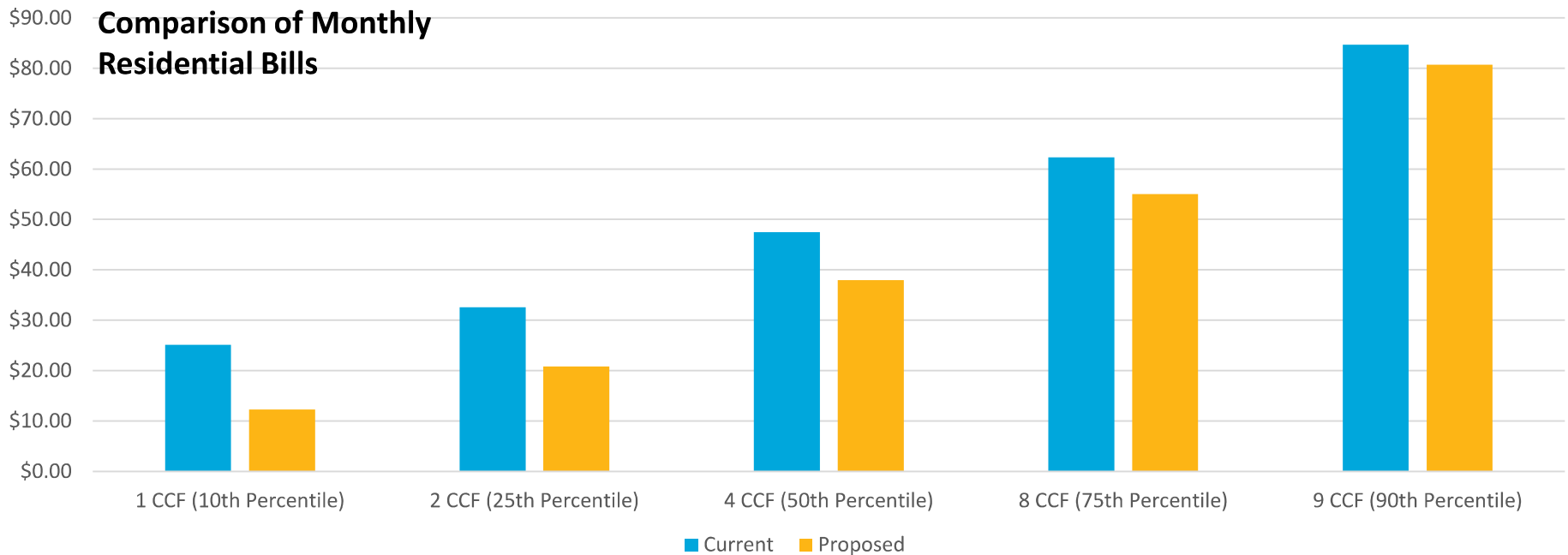
- New surcharges include two new pollutants
 - Ammonia (NH₃)
 - Phosphorus (TP)
- These charges are in addition to the regular rates on the previous slide.

Current Surcharges		Proposed Surcharges	
<u>Pollutant</u>	<u>\$/LB.</u>	<u>Pollutant</u>	<u>\$/LB.</u>
BOD	\$1.05	BOD	\$0.53
TSS	\$0.63	TSS	\$0.55
		NH ₃	\$2.88
		TP	\$14.52



Residential Wastewater Rate Impacts for FY2026

Bills for most residents would be lower under the proposed rate structure, mostly due to eliminating the RSF and placing larger emphasis on flow-related charges.

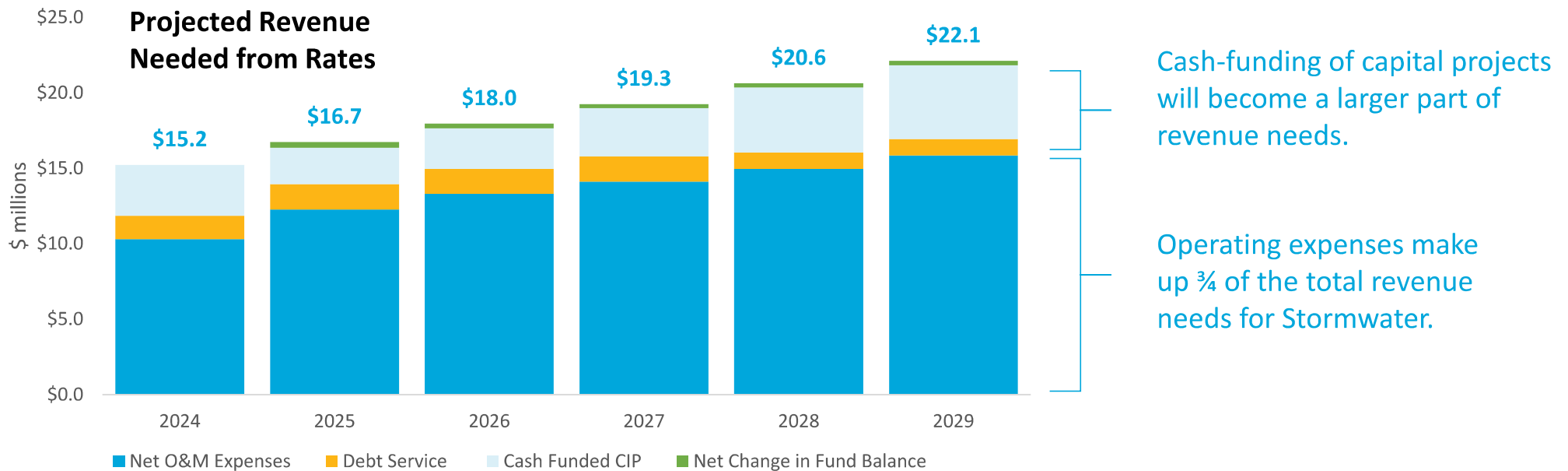


Stormwater Utility Rates



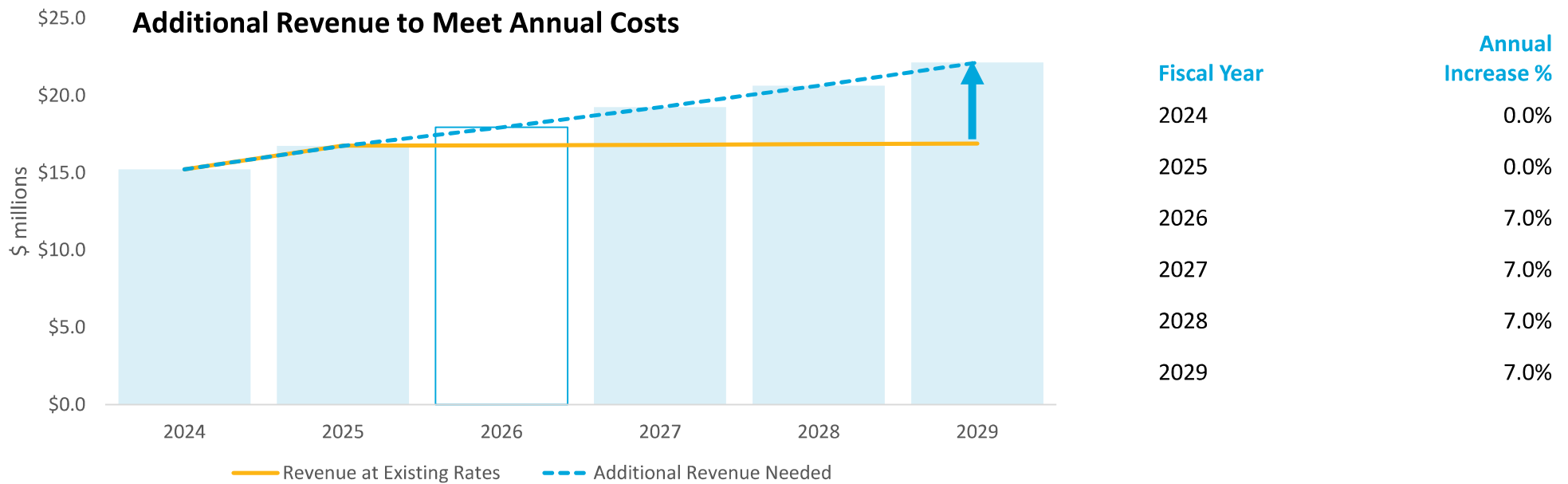
Projected Stormwater Revenue Requirements

The Stormwater Utility requires \$50m in capital projects, which will be paid mostly from revenue earned from the rates. The rates will need to increase 7% per year starting in FY2026 to support the plan.



Revenue Requirement vs. Current Rates

Revenue from the current rates are expected to increase slightly each year from expected growth with, but costs increase by over 10% annually in the same time, meaning the rates will need to be adjusted upward.



Drivers in Stormwater Rate Design



1. Ensure revenue sufficiency
2. Adjust rate credits
3. Phase-in changes over 3-years

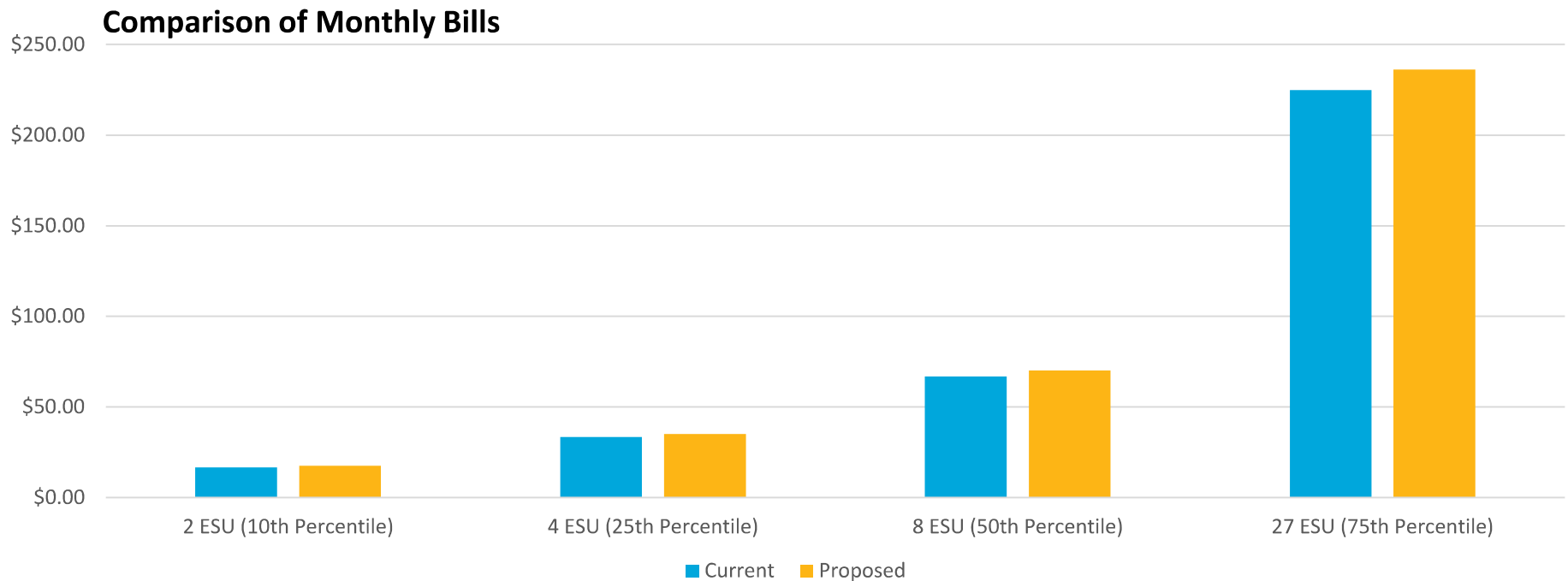
Current & Proposed Stormwater Rates

The proposal reduces the maximum credit for on-site mitigation over a three-year phase-in period, balancing the overall revenue needs to minimize impact on rates.

Class	Current FY2025 Monthly Fee	Proposed FY2026 Monthly Fee	Proposed FY2027 Monthly Fee	Proposed FY2028 Monthly Fee	
SF & Duplex (< 0.25 acres)	\$8.33	\$8.75	\$8.75	\$8.85	5% rate increase for residential and non-credit customers in FY2026
SF & Duplex (>0.25 acres)	\$11.63	\$12.25	\$12.25	\$12.39	
Triplex & Fourplex	\$16.64	\$17.50	\$17.50	\$17.70	
All Other (per 2,500 Imp. SF)	\$8.33	\$8.75	\$8.75	\$8.85	
<i>Max Credit for On-site Mit.</i>	70%	55%	40%	25%	On-site mitigation credit reduced to 25% maximum in FY2028
<i>Add. Credit for NPDES Permit</i>	5%	7%	8%	10%	NPDES permit credit increased to 10% maximum in FY2028

Stormwater Rate Impacts for FY2026

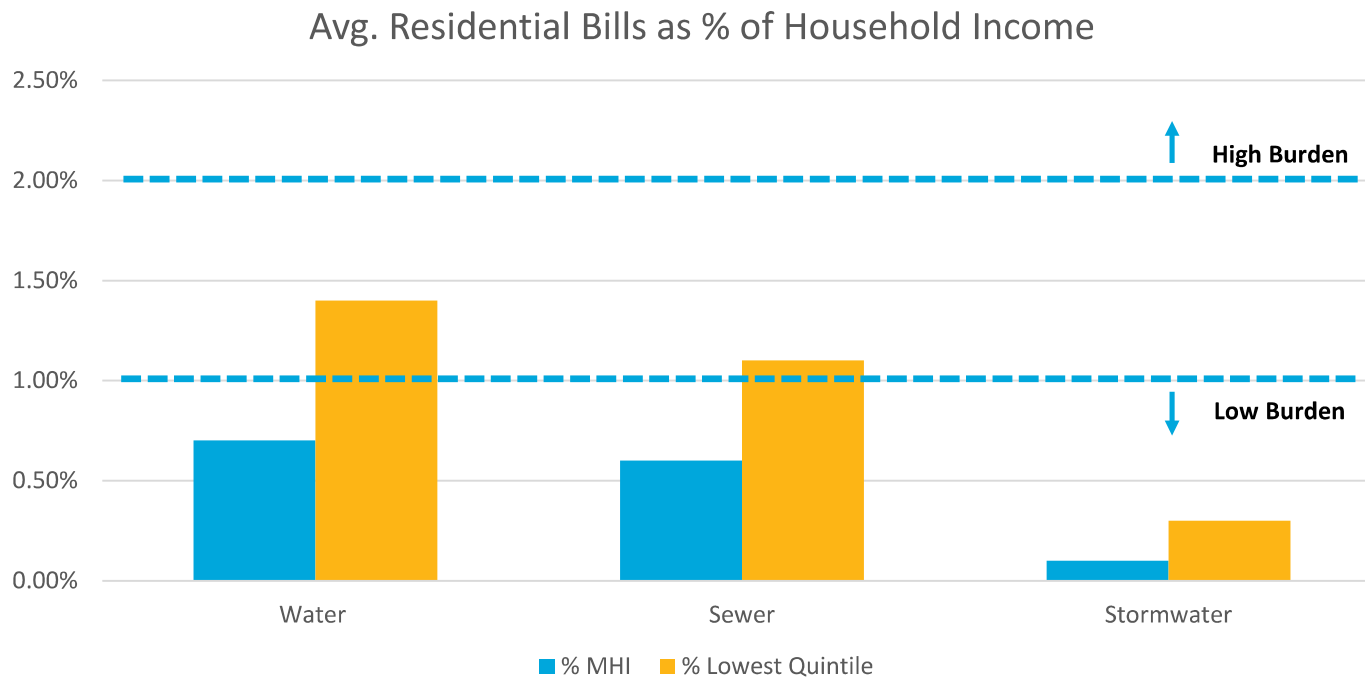
Most stormwater customers would experience a 5% increase from the existing rates.



Affordability Metrics

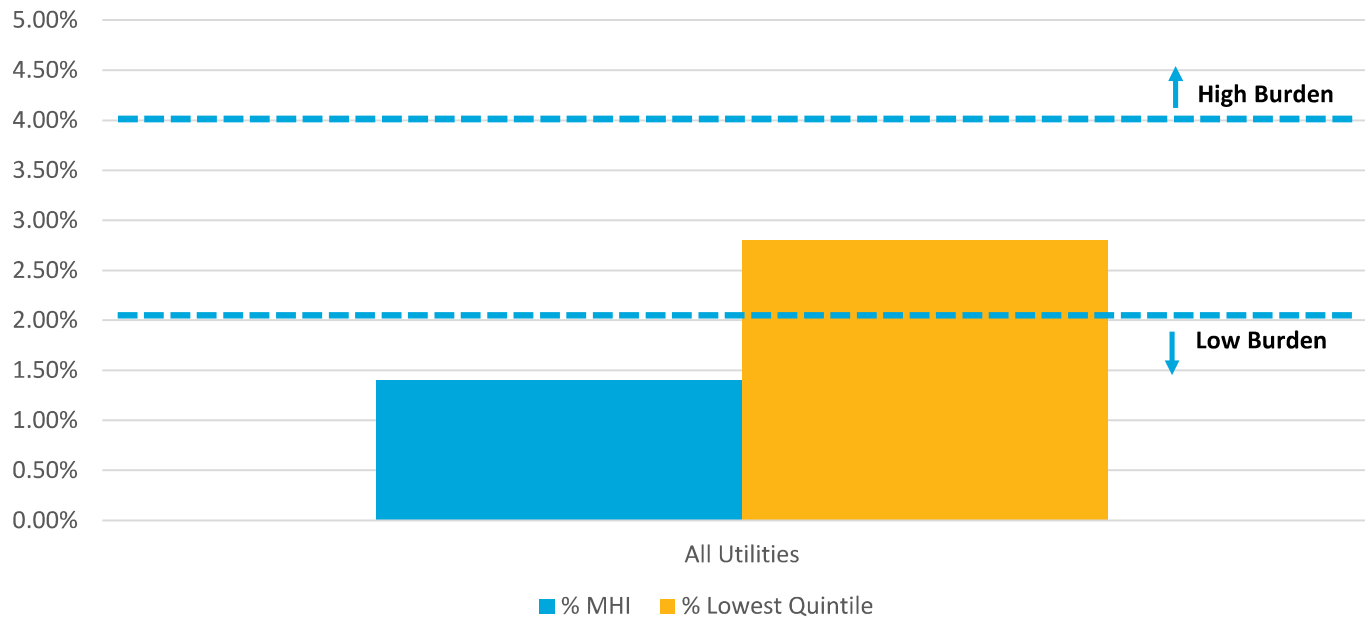


Affordability



Affordability – Combined Bills

Avg. Residential Bills as % of Household Income

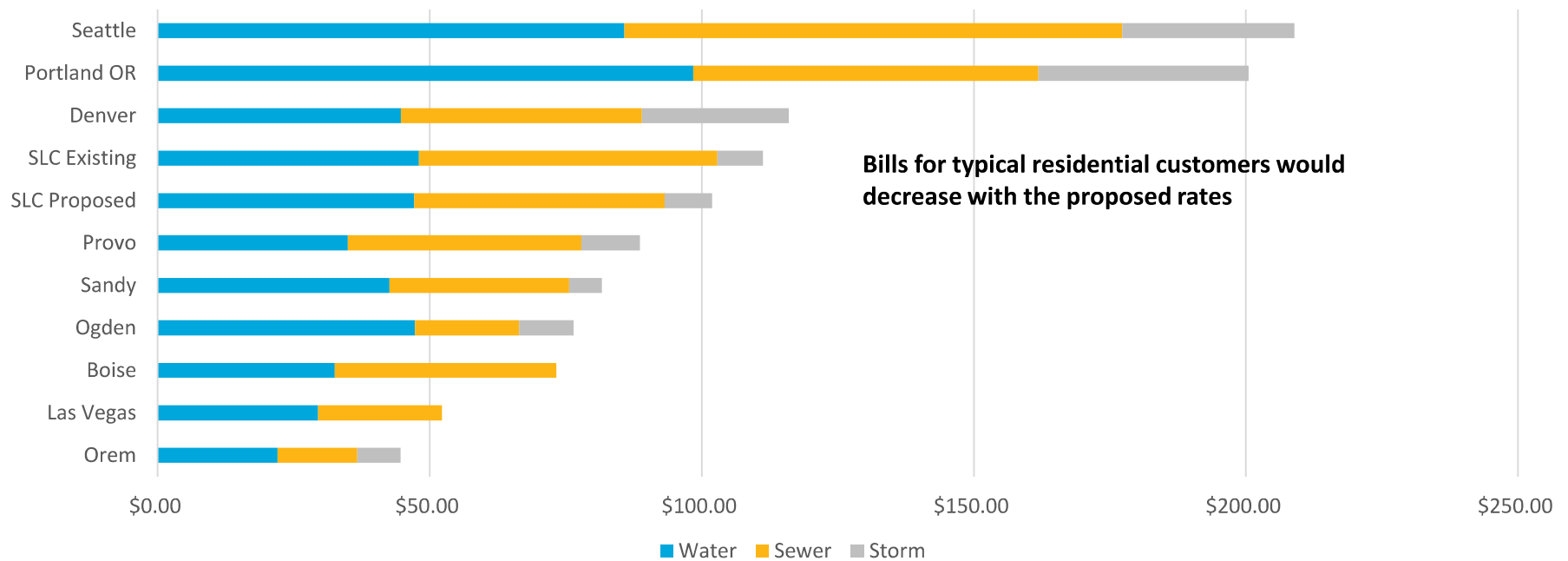


Regional Bill Comparison



Single Family Combined Bill Comparison

FY2026 Monthly Bills (3/4" Meter, 10 ccf, 5 ccf AWC)



The End



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