



Village of Lakeview, Ohio

2022 WATER RATE AND COST OF SERVICE STUDY

January 18, 2022

Courtney & Associates



SCOPE OF SERVICES

- Data Acquisition/Verification
- Projected Revenue Requirements
- Cost of Service Analysis
- Rate Review/Design
- Present Results



DATA ACQUISITION/VERIFICATION

- Identify Availability of Information
- Prepare and Submit Data Request
- Review Information and Data Provided
 - Billing Statistics
 - Operational Data
 - Financial Statements/Reports
- Verify the Accuracy of the Information Provided



PROJECTED REVENUE REQUIREMENTS

1. Project Water Sales
2. Project Revenues at Current Rates
3. Project Revenue Requirements
4. Determine Overall Revenue Adjustment



1. Project Water Sales

- Separate Sales by Customer Class
- Project Sales Growth Rates
- Sales Have Dropped by Approximately 10% Since 2017



SALES GROWTH RATES

Residential 0.0%

Comm/Industrial 0.0%



PROJECTED WATER SALES (Mgal)

<u>Customer Class</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Residential	24,600	24,600	24,600	24,600
Comm/Ind	21,300	21,300	21,300	21,300
Totals	<u>45,900</u>	<u>45,900</u>	<u>45,900</u>	<u>45,900</u>



2. Project Revenues at Current Rates*

- Project Average Revenues by Customer Class

Residential	\$ 14.31/Mgal
Comm/Ind	\$ 6.20/Mgal

- Multiply Water Sales by Average Rates

- Reflects rates effective 1/1/20.

PROJECTED REVENUES AT CURRENT RATES

	<u>Mgal</u>	<u>\$/Mgal*</u>	<u>Amount</u>
Residential	24,600	\$14.31	\$ 351,500
Comm/Ind	21,300	6.20	132,000
Totals	<u>45,900</u>	<u>\$10.53</u>	<u>\$ 483,500</u>

* Reflects rates effective 1/1/16



3. Project Revenue Requirements

- Cash Basis vs. Utility Basis
- Normalize Historical Data
- Inflation (3% Per Year)
- Capital Improvements
- Debt Service
 - WTP Upgrade
- Other Income Credits

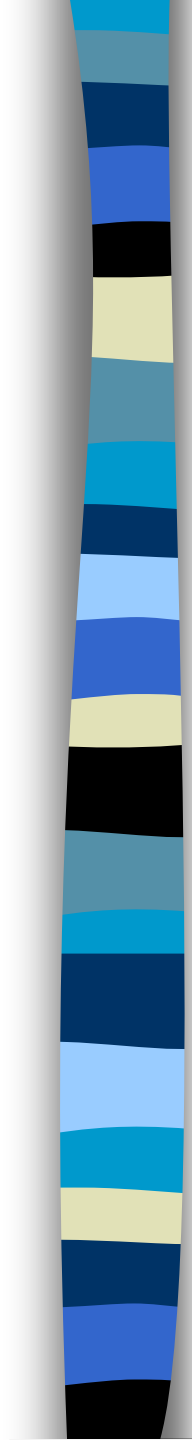
PROJECTED REVENUE REQUIREMENTS

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Operation & Maintenance	\$ 226,600	\$ 233,398	\$ 240,400	\$ 247,612
Other operating Expenses	0	0	0	0
Debt Service - Existing	114,848	112,973	112,973	112,973
Debt Service - New	0	0	0	47,000
Capital Improvements	<u>118,450</u>	<u>122,004</u>	<u>125,664</u>	<u>129,434</u>
Gross Revenue Requirement	\$ 459,898	\$ 468,375	\$ 479,037	\$ 537,018
Total Other Income	\$ (2,000)	\$ (2,000)	\$ (2,000)	\$ (2,000)
Net Revenue Requirement	\$ 457,898	\$ 466,375	\$ 477,037	\$ 535,018



4. Determine Overall Revenue Adjustment

- Compare Projected Revenue Requirements to Projected Revenues at Current Rates



DETERMINATION OF OVERALL REVENUE ADJUSTMENT

	<u>Revenues at Current Rates</u>	<u>Net Revenues Requirements</u>	<u>Revenue Adjustment Amount</u>	<u>%</u>
2022	\$ 483,519	\$ 457,898	\$ (25,621)	(5.30%)
2023	\$ 483,519	\$ 466,375	\$ (17,144)	(3.55%)
2024	\$ 483,519	\$ 477,037	\$ (6,482)	(1.34%)
2025	\$ 483,519	\$ 535,018	\$ 51,500	10.65%



Conclusions

- Revenues at Current Rates are **NOT** Sufficient to Meet the Projected 2025 Revenue Requirements.
- Due to the Drop in Sales, Inflation and the Projected Debt Service Costs Associated with the Water Treatment Plant Upgrade, Revenues Need to be Increased by 11% in Order to Meet the Projected 2025 Revenue Requirements.



Recommendations

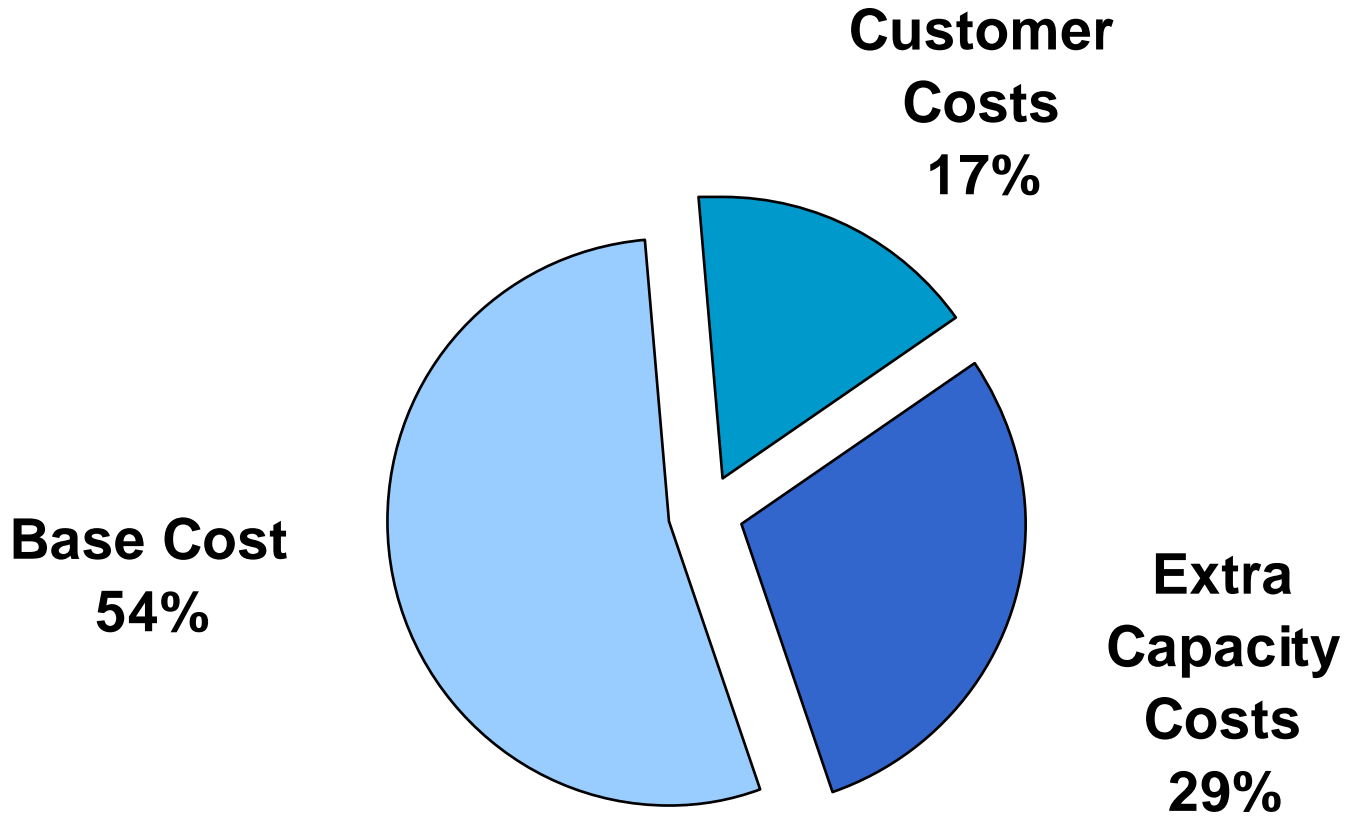
- Increase Revenues Overall by 3% Each Year Over the Next 4 Years (2022 – 2025).
- Update the Water Rate Study in 2025 and Adjust Rates, if Needed, to Meet the Projected Revenue Requirements.



COST OF SERVICE ANALYSIS

1. Functionalization of Revenue Requirements
2. Allocation of Functionalized Expenses
(Base-Extra Capacity Method)
3. Unit Cost of Service
(Base-Extra Capacity Method)
4. Determination of Equivalent Number of Meters
(Meter Capacity)
5. Cost of Service Results
6. COS Results vs. Revenues at Current Rates

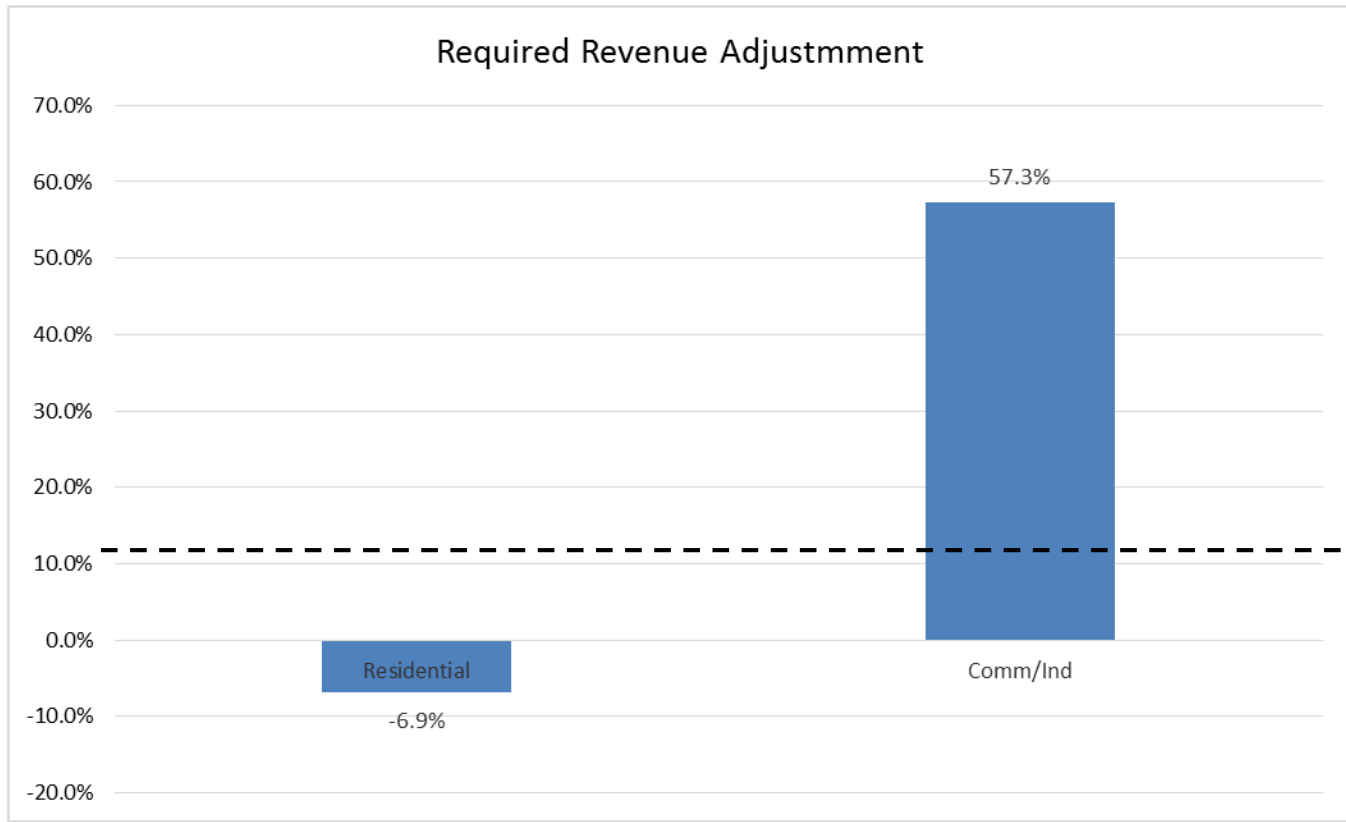
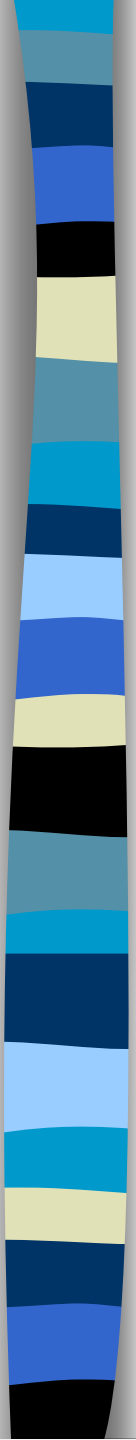
FUNCTIONALIZED COSTS



COS vs. CURRENT RATES

<u>Customer Class</u>	<u>Revenue at Current Rates</u>	<u>COS Results(1)</u>	<u>Under(Over)Recovery</u>	
			<u>\$</u>	<u>%</u>
Residential	\$ 351,562	\$ 327,443	\$ (24,119)	(6.9%)
Comm/Ind	131,957	207,576	75,619	57.3%
Totals	\$ 483,519	\$ 535,018	\$ 51,500	10.7%

(1) Reflects 2025 Test Year.



--- Overall Increase (11%)



Conclusions & Recommendations

- Commercial/Industrial Class is being Subsidized by the Residential Class.
- Base Cost of Service is Greater Than the Commodity Charge.
- Future Rate Adjustments Should Move Towards Cost of Service Results.
- Continue to Monitor Revenues and Expenses and Adjust Rates as Needed.



RATE REVIEW/DESIGN

- Review Current Rates
- Identify Problem Areas
- Develop Rate Adjustments to Meet Future Revenue Requirements



INSIDE RATES

- Effective 1/1/20
- Usage Charge:
 - All gallons @ \$ 3.75 / Mgal
- Monthly Charge:
 - 5/8" & 3/4" \$ 30.00/Month
 - 1.00 Inch 50.00/Month
 - 1.50 Inch 75.00/Month
 - 2.00 Inch 100.00/Month
 - 4.00 Inch or greater 150.00/Month



OUTSIDE RATES

- Inside Rate plus 50%



CONCLUSIONS & RECOMMENDATIONS

- Commodity Rate is Substantially Lower than the Base Cost of Service
- Increase the Commodity Charge by \$0.25 per Mgal Each Year Over the Next Four (2022-2025) Years
- Review Rates Periodically and Adjust Them as Needed.

PROPOSED WATER RATES 2022-2025

Description	2022		2023		2024		2025	
	Inside	Outside	Inside	Outside	Inside	Outside	Inside	Outside
Commodity Charge: (Per 1,000 gallons)								
All Mgal	\$ 4.00	\$ 6.00	\$ 4.25	\$ 6.375	\$ 4.50	\$ 6.75	\$ 4.75	\$ 7.125
Service Charge: (Per Month)*								
5/8" & 3/4"	\$ 30.00	\$ 45.00	\$ 30.00	\$ 45.00	\$ 30.00	\$ 45.00	\$ 30.00	\$ 45.00
1"	50.00	75.00	50.00	75.00	50.00	75.00	50.00	75.00
1.5"	75.00	112.50	75.00	112.50	75.00	112.50	75.00	112.50
2"	100.00	150.00	100.00	150.00	100.00	150.00	100.00	150.00
4"	150.00	225.00	150.00	225.00	150.00	225.00	150.00	225.00

Village of Lakeview, Ohio

**TYPICAL WATER BILL COMPARISON
EXISTING VS. PROPOSED**

Line No.	Usage	Existing Rates	2022	2023	2024	2025
<u>Residential</u>						
1	3,000 gallons	\$ 41.25	\$ 42.00	\$ 42.75	\$ 43.50	\$ 44.25
2		100.0%	101.8%	103.6%	105.5%	105.4%
<u>Commercial (1")</u>						
3	20,000 gallons	\$ 125.00	\$ 130.00	\$ 135.00	\$ 140.00	\$ 145.00
4		100.0%	104.0%	108.0%	112.0%	111.5%
<u>Industrial (2")</u>						
5	100,000 gallons	\$ 475.00	\$ 500.00	\$ 525.00	\$ 550.00	\$ 575.00
6		100.0%	105.3%	110.5%	115.8%	115.0%



RECOMMENDATIONS

- Implement the Proposed Rates, Which Move the Revenue Distribution Towards the cost of Service Results.
- Update the Water Rate Study in 2025 and Adjust Rates, if Needed, to Meet the Projected Revenue Requirements.

