



# Rate Study Update



CITY OF SNOQUALMIE

DECEMBER 9, 2024

Rate Design  
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 FCS  
a Bowman company



# Presentation Overview

- Background
- Rate setting overview
- Rate design
- Question / discussion



# Background

- Performed fiscal health review November 2023
  - » Modified 2024 rate implementation due to higher than anticipated inflation
- Comprehensive rate study commenced in 2024
  - » June 24th, 2024: City Council – Rate Setting Fundamentals
  - » July 2nd, 2024: P&PW Committee – Revenue Requirement
  - » July 8th, 2024: City Council – Revenue Requirement
  - » October 22nd, 2024: P&PW Committee – Cost of Service
  - » November 5th, 2024: P&PW Committee – Cost of Service Update
  - » November 12th, 2024: City Council – Cost of Service
  - » November 19th, 2024: P&PW Committee – Introduction to Rate Design
  - » December 3<sup>rd</sup>, 2024: P&PW Committee – Rate Design
- Today's focus
  - » Finalize rate design



# Overview of Rate Setting Process

## Fiscal Policies – Set the Management Foundation

**Step 1:**  
**Revenue  
Requirement**  
(defining overall needs)

Revenue

Debt

Reserves

O&M

Capital

**Step 2:**  
**Cost of Service**  
(equity evaluation)

Define Customer Classes

Allocate Costs

**Step 3:**  
**Design Rates**  
(collect target revenue)

Fixed Charge

Variable Charge



# Revenue Requirement Summary

- Revenue requirement analysis identified rates at current levels are not sufficient to cover existing obligations
  - » Primary driver associated with capital improvement program
- Met with P&PW Committee and Council during 2 dedicated meetings to review findings and alternatives
  - » Presented 3 scenarios for consideration
    - S1: 100% Cash financed capital
    - S2: Maximized debt – 52% of CIP funded through debt
    - S3: Hybrid debt & cash – 28% of CIP funded through debt
  - » Council directed to develop 1 additional scenario between S2 & S3



# Revenue Requirement Summary

- Since last full Council meeting on November 12, 2024, removed sewer 2028 FTE additions
  - Allows for lower debt in 2027, no changes to implementation strategy

Combined Utilities	Existing	2025	2026	2027	2028	2029	2030	Total
Avg. Residential Monthly Bill	\$ 177.46	\$ 199.38	\$ 212.13	\$ 221.96	\$ 232.31	\$ 242.60	\$ 253.41	
\$ Monthly Difference		21.92	12.76	9.83	10.35	10.29	10.81	
Overall Increase		12.35%	6.40%	4.63%	4.66%	4.43%	4.46%	
New Debt Proceeds		\$ 10,960,000	\$ -	\$ 10,200,000	\$ -	\$ 12,700,000	\$ -	\$ 33,860,000

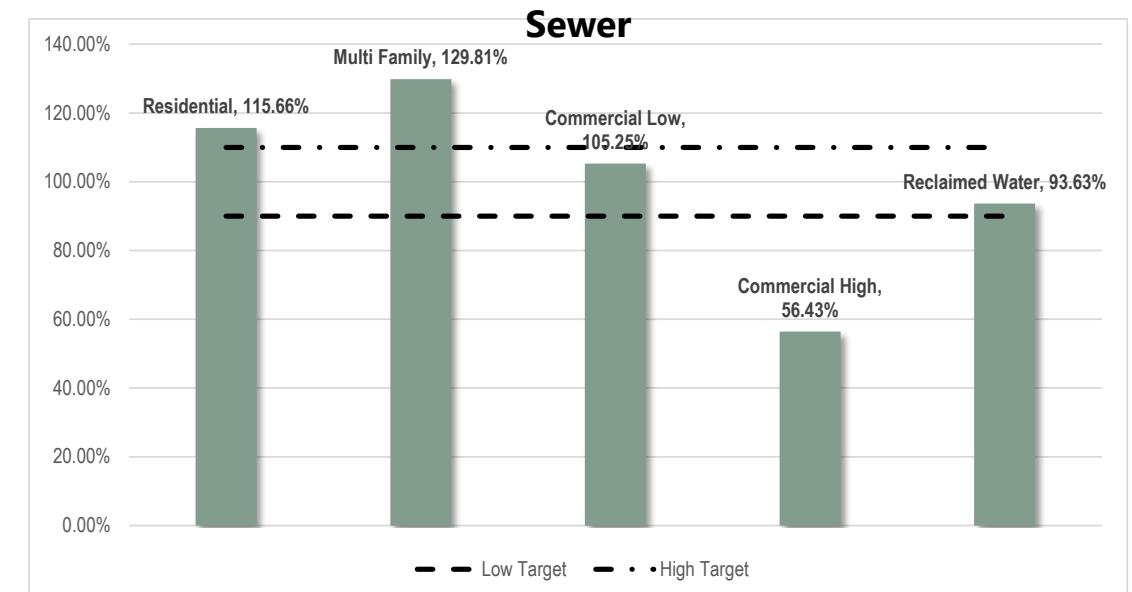
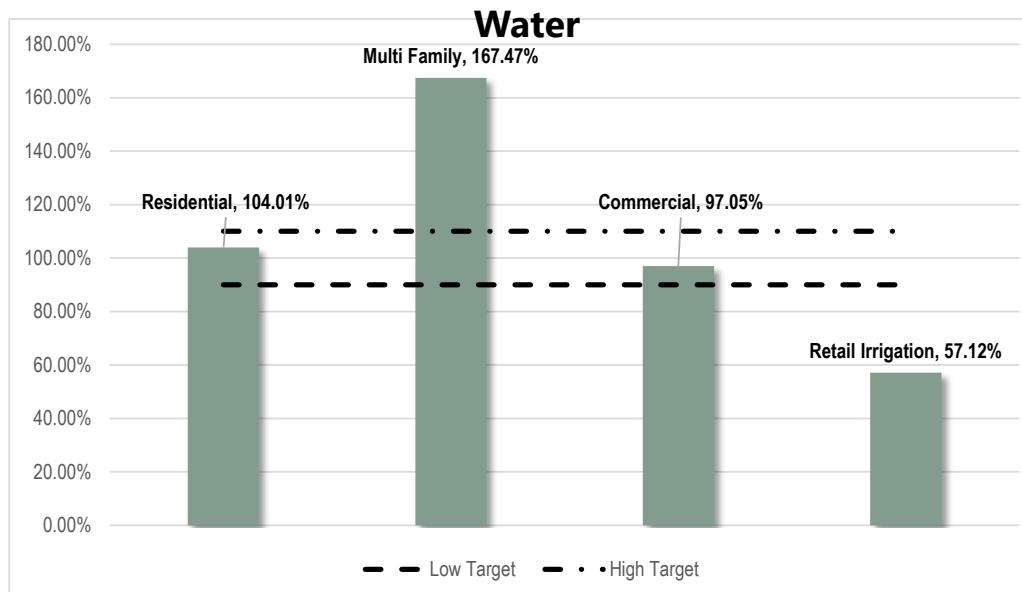


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Overall Increase		12.35%	6.40%	4.63%	4.66%	4.43%	4.46%	
New Debt Proceeds		\$ 10,960,000	\$ -	\$ 9,800,000	\$ -	\$ 12,700,000	\$ -	\$ 33,460,000



# Cost of Service Summary

- Cost of service analysis indicated interclass allocation differences outside of range of reasonableness for water and sewer utilities
  - Class results of  $\pm 10.0\%$  of average are considered to be within COSA
    - Water: MF paying more than COSA | retail irrigation paying less than COSA
    - Sewer: Res. & MF paying more than COSA | Comm. High paying less than COSA





# Cost of Service Summary

- Met with P&PW Committee over 2 dedicated meetings and Council over 1 dedicated meeting to review findings and alternatives
  - » Discussed implementation options including
    - Postponing making any COSA adjustments
    - Making COSA adjustments all at once
    - Phasing-in results over time
  - » Committee preferred phasing in COSA over time and requested 2 alternatives
    - Alternatives focused on reducing impacts to the Multifamily class of service



# Cost of Service Summary

- Council provided consensus for the Committee recommended phase-in alternative

Class	Full 2025 COSA	WATER - Phase-In				
		2025	2026	2027	2028	2029
Residential	1.67%	5.75%	5.75%	5.75%	5.75%	5.00%
Multi Family	-36.85%	0.00%	0.00%	0.00%	0.00%	0.00%
Commercial	8.96%	6.95%	6.67%	6.40%	6.14%	4.96%
Irrigation	85.13%	9.50%	9.50%	9.50%	9.50%	8.50%
<b>System Total</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>5.00%</b>	<b>5.00%</b>

Class	Full 2025 COSA	SEWER - Phase-In				
		2025	2026	2027	2028	2029
Residential	2.89%	18.50%	6.00%	2.50%	2.50%	2.50%
Multi Family	-8.33%	7.00%	2.00%	0.00%	0.00%	0.00%
Commercial Low	13.07%	20.96%	6.52%	2.50%	2.50%	2.50%
Commercial High	110.87%	27.00%	10.74%	6.65%	6.49%	6.34%
Reclaimed Water	27.10%	21.96%	7.52%	3.50%	3.50%	3.50%
<b>System Total</b>	<b>19.00%</b>	<b>19.00%</b>	<b>6.50%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>



# Overview of Rate Design

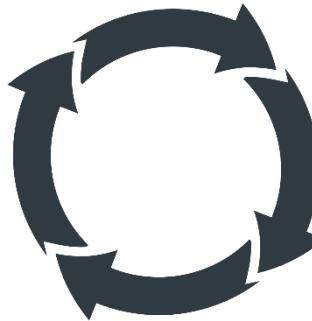
- Development of fixed and variable charges assessed to customers



Aligns fixed and variable costs with fixed and variable revenue sources



Generates sufficient revenue to meet utility requirements



Meet goals and objectives of the utility (e.g., conservation)

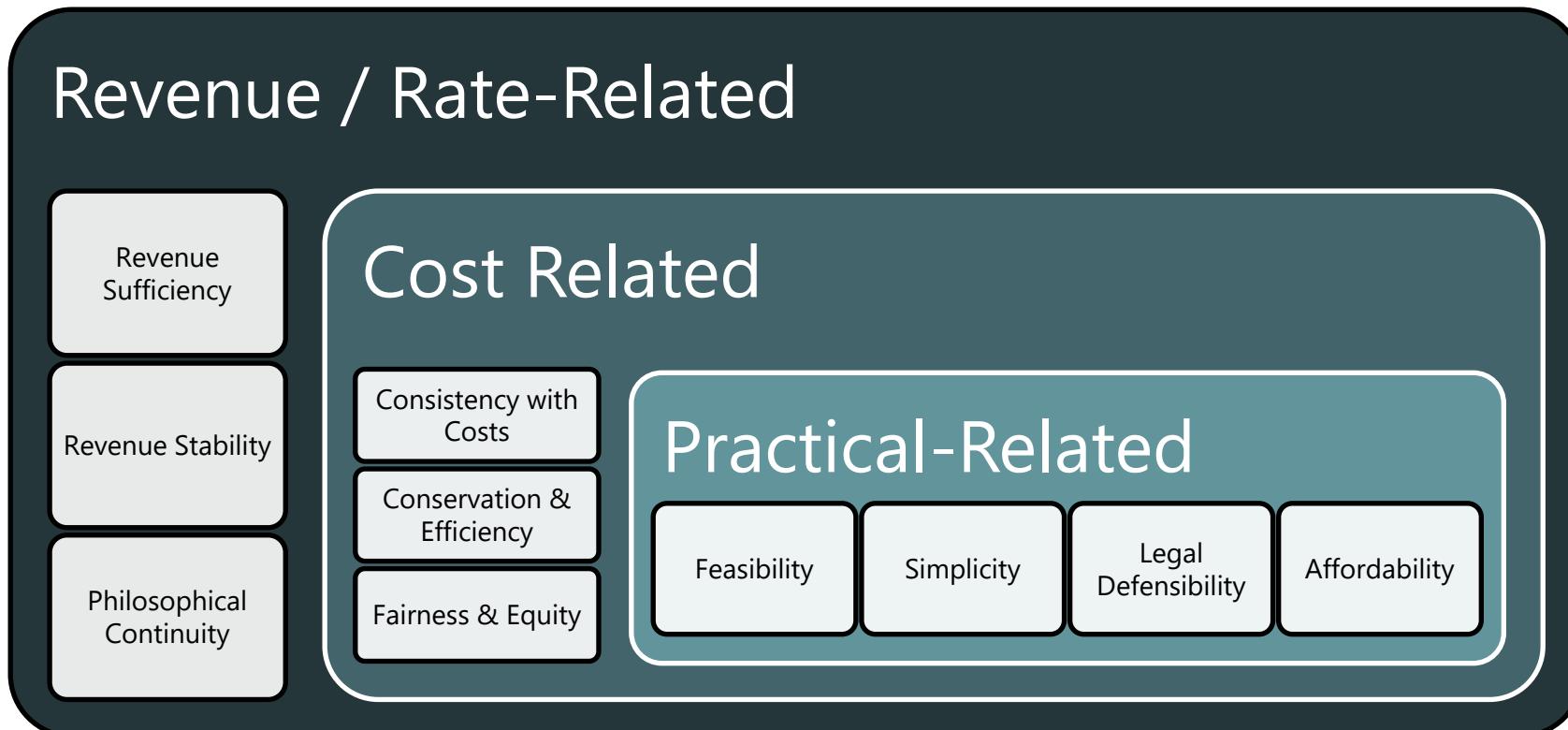


Evaluate monthly rate impact for different levels of use



# Rate Design Goals

- No structure can completely achieve all the objectives – it's a balancing act





# Rate Design Summary

- Met with P&PW Committee over 2 dedicated meetings to discuss findings and alternatives
  - » Discussed structure modification options including
    - No changes – across the board adjustments based on COSA for each class
    - Weighted fixed and variable adjustments
    - Increased conservation
    - Volume based sewer rates for single family residential customers
  - » Committee preferred no changes to structures and apply increases across the board based on COSA phase-in by utility
    - Primary focus on overall revenue collection and COSA phase-in
    - Any alternative structure changes may impact customers disproportionately within individual classes of service
    - Consistent with prior Councils' direction



# Water Rate Design – Considerations

Meter	2024		
	Residential	Commercial	Irrigation
Monthly Fixed			
3/4"	\$ 39.17	\$ 48.55	\$ 51.63
1"	49.18	60.94	64.81
1.5"	81.50	101.00	107.40
2"	135.99	168.51	179.21
3"	204.19	253.00	269.06
4"	272.22	337.31	358.73
6"	408.07	505.63	537.73
8"	544.13	674.22	717.04
MF per Unit	31.19		
Volume (per ccf)			
Residential			
Block 1 (0-300cf)	\$2.58		
Block 2 (301-800cf)	4.34		
Block 3 (801+cf)	5.42		
Multifamily	2.80		
Commercial	4.08		
Irrigation	4.33		

## Notes:

Outside City rates are 1.5 times the inside City rates.

Low income senior/disable rate available.

- Increases applied on an across-the-board basis
  - » No changes to structures
  - » Tied to cost-of-service phase-in
  - » Impacts all customers within each class proportionately



# Water Rate Design – Residential & Multifamily

Meter	Existing	Proposed					
		2025	2026	2027	2028	2029	2030
<b>Monthly Fixed</b>							
3/4"	\$ 39.17	\$ 41.42	\$ 43.80	\$ 46.32	\$ 48.98	\$ 51.43	\$ 54.00
1"	49.18	52.01	55.00	58.16	61.50	64.58	67.81
1.5"	81.50	86.19	91.15	96.39	101.93	107.03	112.38
2"	135.99	143.81	152.08	160.82	170.07	178.57	187.50
3"	204.19	215.93	228.35	241.48	255.37	268.14	281.55
4"	272.22	287.87	304.42	321.92	340.43	357.45	375.32
6"	408.07	431.53	456.34	482.58	510.33	535.85	562.64
8"	544.13	575.42	608.51	643.50	680.50	714.53	750.26
MF per Unit	\$ 31.19	\$ 31.19	\$ 31.19	\$ 31.19	\$ 31.19	\$ 31.19	\$ 31.19
<b>Volume (per ccf)</b>							
Residential							
Block 1 (0-300cf)	\$ 2.58	\$ 2.73	\$ 2.89	\$ 3.06	\$ 3.24	\$ 3.40	\$ 3.57
Block 2 (301-800cf)	4.34	4.59	4.85	5.13	5.42	5.69	5.97
Block 3 (801+cf)	5.42	5.73	6.06	6.41	6.78	7.12	7.48
Multifamily	\$ 2.80	\$ 2.80	\$ 2.80	\$ 2.80	\$ 2.80	\$ 2.80	\$ 2.80

## Notes:

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Low income senior/disable rate available.



# Water Rate Design – Commercial

Meter	Existing		Proposed - Commercial						
	Commercial	2025	2026	2027	2028	2029	2030		
<b>Monthly Fixed</b>									
3/4"	\$ 48.55	\$ 51.93	\$ 55.39	\$ 58.93	\$ 62.55	\$ 65.65	\$ 68.78		
1"	60.94	65.18	69.53	73.98	78.52	82.41	86.34		
1.5"	101.00	108.02	115.22	122.59	130.12	136.57	143.08		
2"	168.51	180.23	192.25	204.55	217.11	227.88	238.74		
3"	253.00	270.59	288.63	307.10	325.96	342.13	358.43		
4"	337.31	360.76	384.81	409.43	434.57	456.12	477.86		
6"	505.63	540.78	576.84	613.75	651.44	683.75	716.34		
8"	674.22	721.09	769.17	818.38	868.64	911.72	955.17		
<b>Volume (per ccf)</b>									
All Volume - \$ / ccf	\$ 4.08	\$ 4.36	\$ 4.65	\$ 4.95	\$ 5.25	\$ 5.51	\$ 5.77		

## Notes:

Outside City rates are 1.5 times the inside City rates.



# Water Rate Design – Irrigation

Meter	Existing Irrigation		Proposed - Irrigation					
	2025	2026	2027	2028	2029	2030		
<b>Monthly Fixed Charge</b>								
3/4"	\$ 51.63	\$ 56.53	\$ 61.90	\$ 67.78	\$ 74.22	\$ 80.53	\$ 87.38	
1"	64.81	70.97	77.71	85.09	93.17	101.09	109.68	
1.5"	107.40	117.60	128.77	141.00	154.40	167.52	181.76	
2"	179.21	196.23	214.87	235.28	257.63	279.53	303.29	
3"	269.06	294.62	322.61	353.26	386.82	419.7	455.37	
4"	358.73	392.81	430.13	470.99	515.73	559.57	607.13	
6"	537.73	588.81	644.75	706.00	773.07	838.78	910.08	
8"	717.04	785.16	859.75	941.43	1,030.87	1,118.49	1,213.56	
<b>Monthly Fixed Charge</b>								
All Volume - \$ / ccf	\$ 4.33	\$ 4.74	\$ 5.19	\$ 5.68	\$ 6.22	\$ 6.75	\$ 7.32	

## Notes:

Outside City rates are 1.5 times the inside City rates.



# Sewer Rate Design - Considerations

Class	2024	
<b>Monthly fixed</b>		
Residential	\$	84.62
Multi Family		63.19
Commercial		
Low Commercial		104.91
High Commercial		134.70
<b>Volume per ccf &gt; 6ccf per month</b>		
Commercial		
Low Commercial	\$	7.59
High Commercial		10.66

- Increases applied on an across-the-board basis
  - » No changes to structures
  - » Tied to cost-of-service phase-in
  - » Impacts all customers within each class proportionately

## Notes:

*Low income senior/disable rate available.*

*Outside City rates are 1.5 times the inside City rates.*



# Sewer Rate Design

Class	Existing		2025		2026		2027		2028		2029		2030										
	Proposed																						
<b>Monthly fixed</b>																							
Residential	\$	84.62	\$	100.27	\$	106.29	\$	108.95	\$	111.67	\$	114.46	\$	117.32									
Multi Family		63.19		67.61		68.96		68.96		68.96		68.96		68.96									
Commercial																							
Low Commercial		104.91		126.89		135.16		138.54		142.00		145.55		149.19									
High Commercial		134.70		171.06		189.43		202.02		215.13		228.77		242.97									
<b>Volume per ccf &gt; 6ccf per month (Commercial only)</b>																							
Commercial																							
Low Commercial	\$	7.59	\$	9.18	\$	9.78	\$	10.02	\$	10.27	\$	10.53	\$	10.79									
High Commercial		10.66		13.54		14.99		15.99		17.03		18.11		19.23									

**Notes:**

*Low income senior/disable rate available.*

*Outside City rates are 1.5 times the inside City rates.*



# Stormwater Rate Design

- Apply increases across the board
  - » No changes to structure; impacts all customers proportionately

Description	2024	2025	2026	2027	2028	2029	2030
	Proposed						
Monthly Charge - (per ESU)	\$ 28.57	\$ 30.71	\$ 33.01	\$ 35.49	\$ 38.15	\$ 41.01	\$ 44.09

**Notes:**

*Low income senior/disable rate available.*

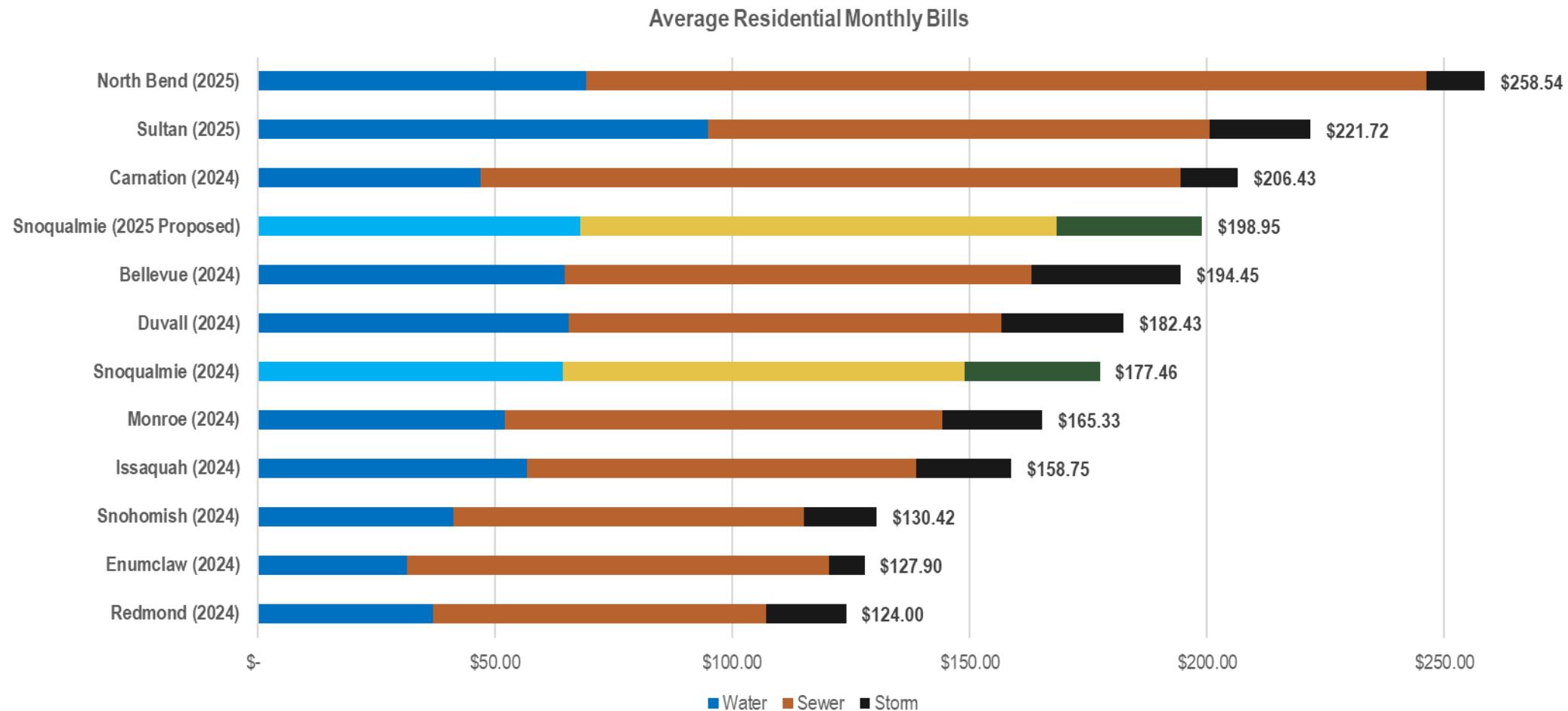


# Rate Design – Impacts

Combined Utilities	Existing	2025	2026	2027	2028	2029	2030
Avg. Residential Monthly Bill	\$ 177.46	\$ 198.95	\$ 211.18	\$ 220.45	\$ 230.20	\$ 239.88	\$ 250.03
\$ Change		21.49	12.23	9.27	9.76	9.67	10.16
Overall Increase		12.11%	6.15%	4.39%	4.43%	4.20%	4.23%
Avg. Multi-Family Monthly Bill	\$ 719.19	\$ 752.16	\$ 767.18	\$ 774.61	\$ 782.60	\$ 791.18	\$ 800.41
\$ Change		32.97	15.02	7.43	7.99	8.58	9.23
Overall Increase		4.58%	2.00%	0.97%	1.03%	1.10%	1.17%
Avg. Commercial Low Monthly Bill	\$ 438.21	\$ 493.71	\$ 527.59	\$ 554.47	\$ 582.60	\$ 610.58	\$ 639.84
\$ Change		55.50	33.88	26.88	28.13	27.97	29.26
Overall Increase		12.67%	6.86%	5.09%	5.07%	4.80%	4.79%
Avg. Commercial High Monthly Bill	\$ 2,643.56	\$ 3,137.95	\$ 3,429.51	\$ 3,657.93	\$ 3,895.40	\$ 4,132.31	\$ 4,378.17
\$ Change		494.39	291.56	228.42	237.46	236.91	245.86
Overall Increase		18.70%	9.29%	6.66%	6.49%	6.08%	5.95%



# Combined Rate Survey



Notes: assumes 7ccf for water & sewer bills where applicable | some jurisdictions assess utility taxes on-top of customer bill | Bellevue excludes capital recovery charge



# Next Steps

- Direction / feedback
  - » Rate design alternatives
- Rates effective as early as February 1<sup>st</sup>, 2025
- Next steps
  - » Finalize rate study
  - » Update General Facilities Charges (GFCs)

# Thank you! Questions?

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# Cost of Service Summary

- Cost of service analysis indicated interclass allocation differences outside of range of reasonableness for water and sewer utilities
  - Class results of  $\pm 10.0\%$  of average are considered to be within COSA
    - Water: MF paying more than COSA | retail irrigation paying less than COSA
    - Sewer: Res. & MF paying more than COSA | Comm. High paying less than COSA

