

Water Rate Adjustments

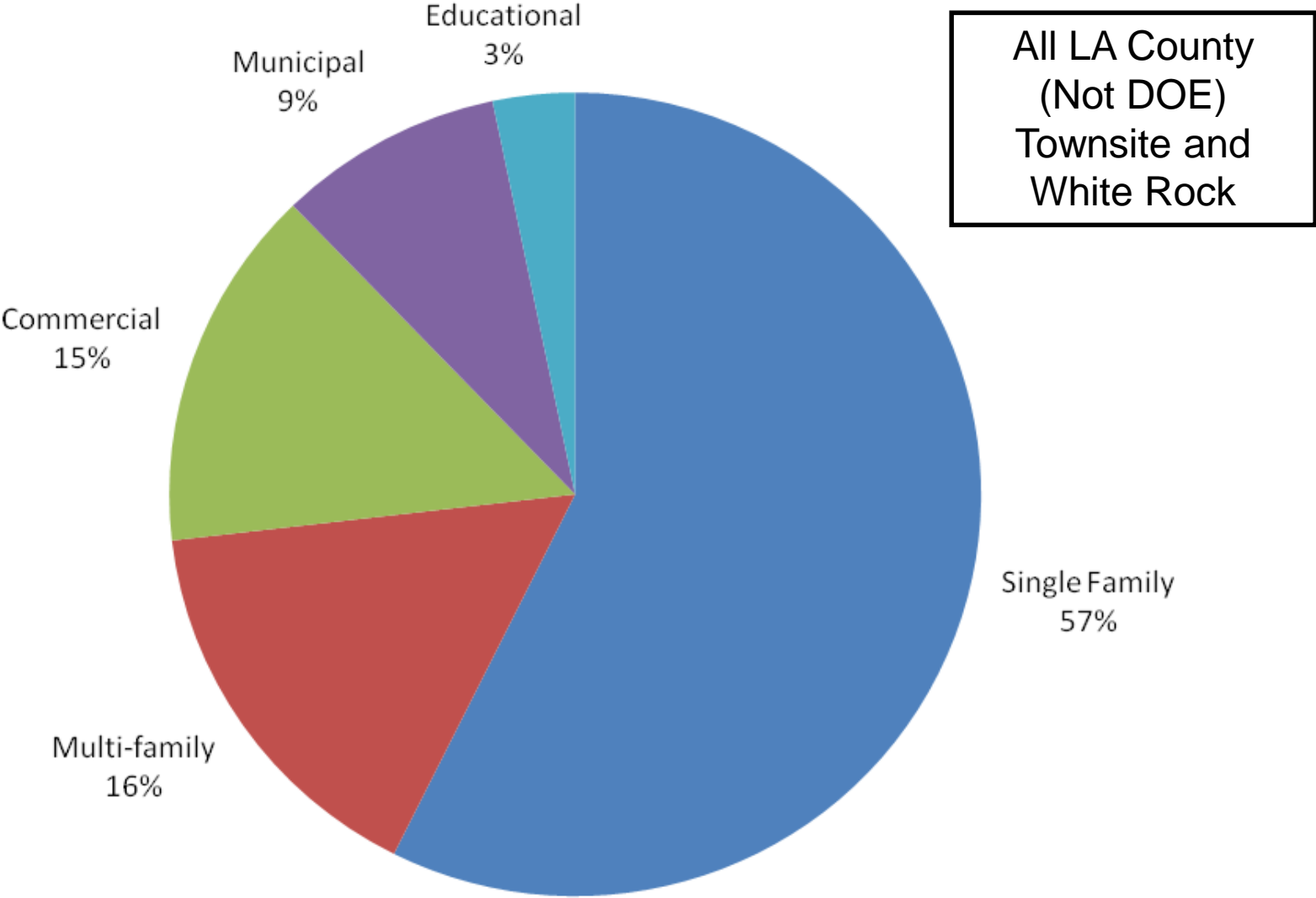
FY 2020 thru FY 2022

*Board of Public Utilities & County Council
October thru November 2019 Meetings*



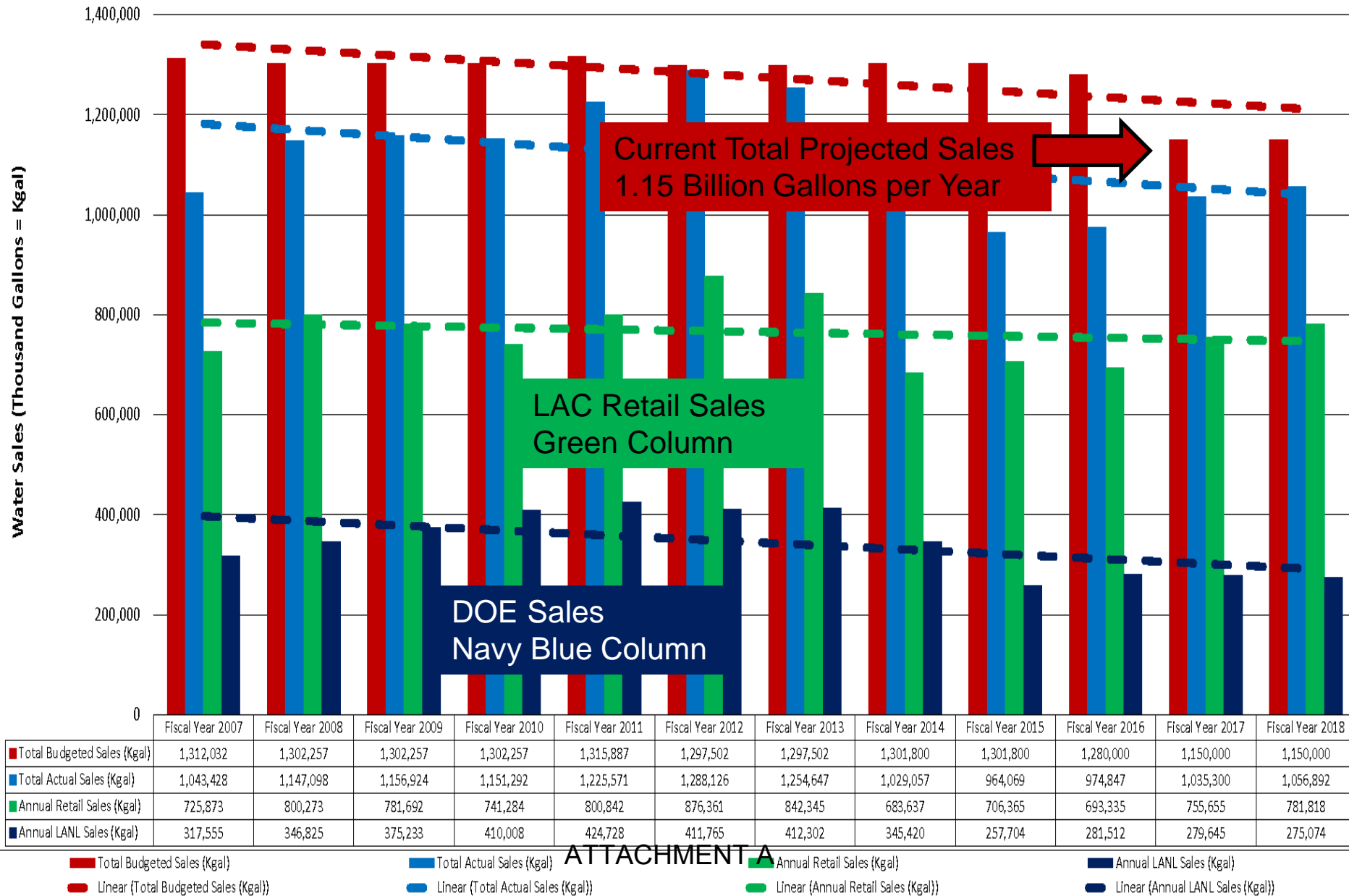
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Water Consumption by Category



Total Budget vs Total Actual Water Sales w/ Retail & DOE Sales

Budgeted vs. Actual Water Sales with Separate Retail and DOE Sales



DPU Financial Policy for Cash Reserves – Water Fund

In Each Utilities Fund or Sub-Fund:

1. 180-Days of Budgeted O&M Expenses for the Following Year (90-Days Min. Floor)
 2. Debt Service Reserve (Sufficient to Fund All Debt Service for the Following Year)
 3. Contingency Reserve (**Only One Occurrence in any Single Year**)
 - WP = \$750,000 Replace a Well House or Booster Station or Storage Tank
 - DW = \$750,000 Replace a Major Segment of Pipeline
 - NP = \$750,000 Replace a Storage Tank or Booster Station
 4. Retirement/Reclamation Reserve (**Only One Occurrence in any Single Year**)
 - WP = \$150,000 Abandon a Well House or Water Tank or Booster Station
 - DW = \$150,000 Abandon a Major PRV Asset
 - NP = \$150,000 Abandon a Water Tank or Booster Station
- Cash Balance and Risk Sharing Between System Sub-Funds/Sub-Groups
- DW & WP Sub-Group's Budgets for Contingency and Retirement/Reclamation Reserves are Split 50/50
- NP is Embedded Within WP so NP Reserves are Considered Covered by WP Reserves
5. Actual CIP Program Expenditures for the Following Year – or – The System's Annual Depreciation Plus 2.5% (whichever is greater)

Capital Improvement Program (CIP) – Water Fund Financial Policy versus 10-Year Historic & Proposed

5. Actual CIP Program Expenditures for the Following Year – or – The System's Annual Depreciation Plus 2.5% (whichever is greater)

- WP = \$1,024,017 (FY20 Dep. + 2.5%) Compared to \$1,136,208 (Historic) & \$1,945,984 (Proposed)
- DW = \$543,552 (FY20 Dep. + 2.5%) Compared to \$553,875 (Historic) & \$473,938 (Proposed)

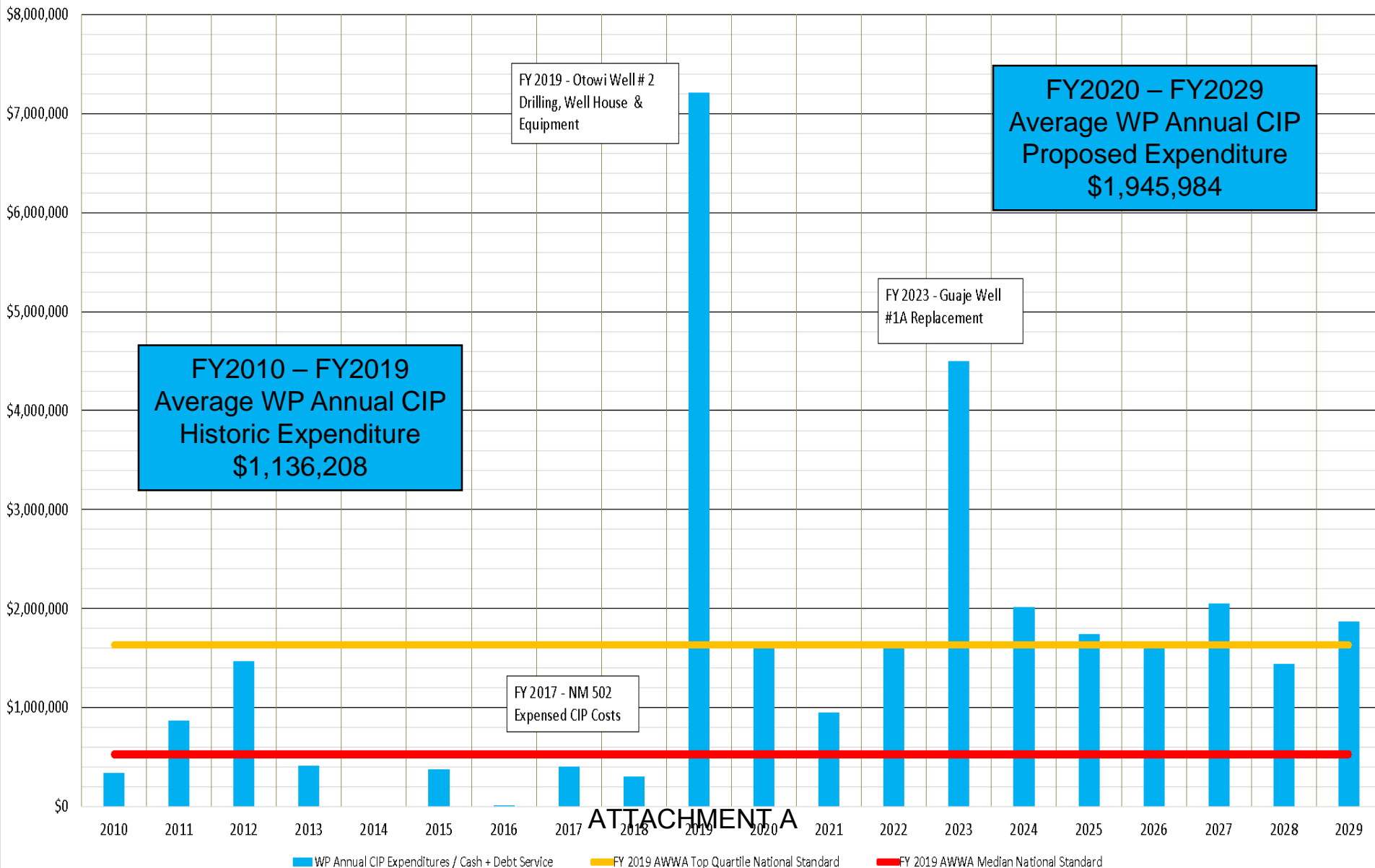
{NOTE: DW Historic Average Does Not Include AMI}

- NP = \$104,688 (FY20 Dep. + 2.5% Compared to \$509,060 (Historic) & \$468,400 (Proposed)

{NOTE: NP System CIP = Expansion/Not R&R}

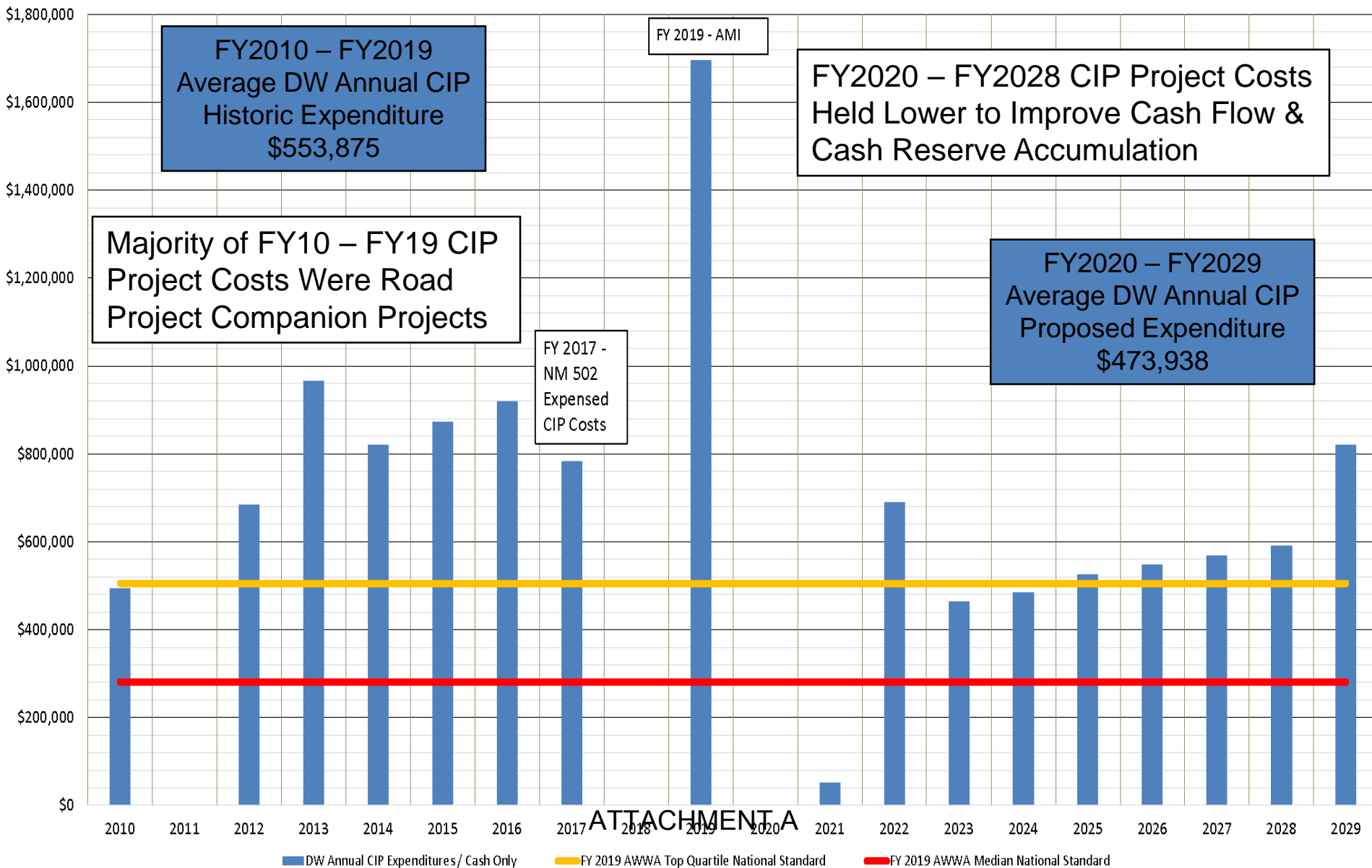
AWWA / Water Production – WP Sub-System R & R

WP CIP EXPENDITURES / FY 2010 - FY 2019 HISTORIC & FY 2020 - FY 2029 PROPOSED VERSUS AWWA NATIONAL STANDARD



AWWA / Water Distribution –DW Sub-System R & R

DW CIP EXPENDITURES / FY 2010 - FY 2019 HISTORIC & FY 2020 - FY 2029 PROPOSED VERSUS AWWA NATIONAL STANDARD

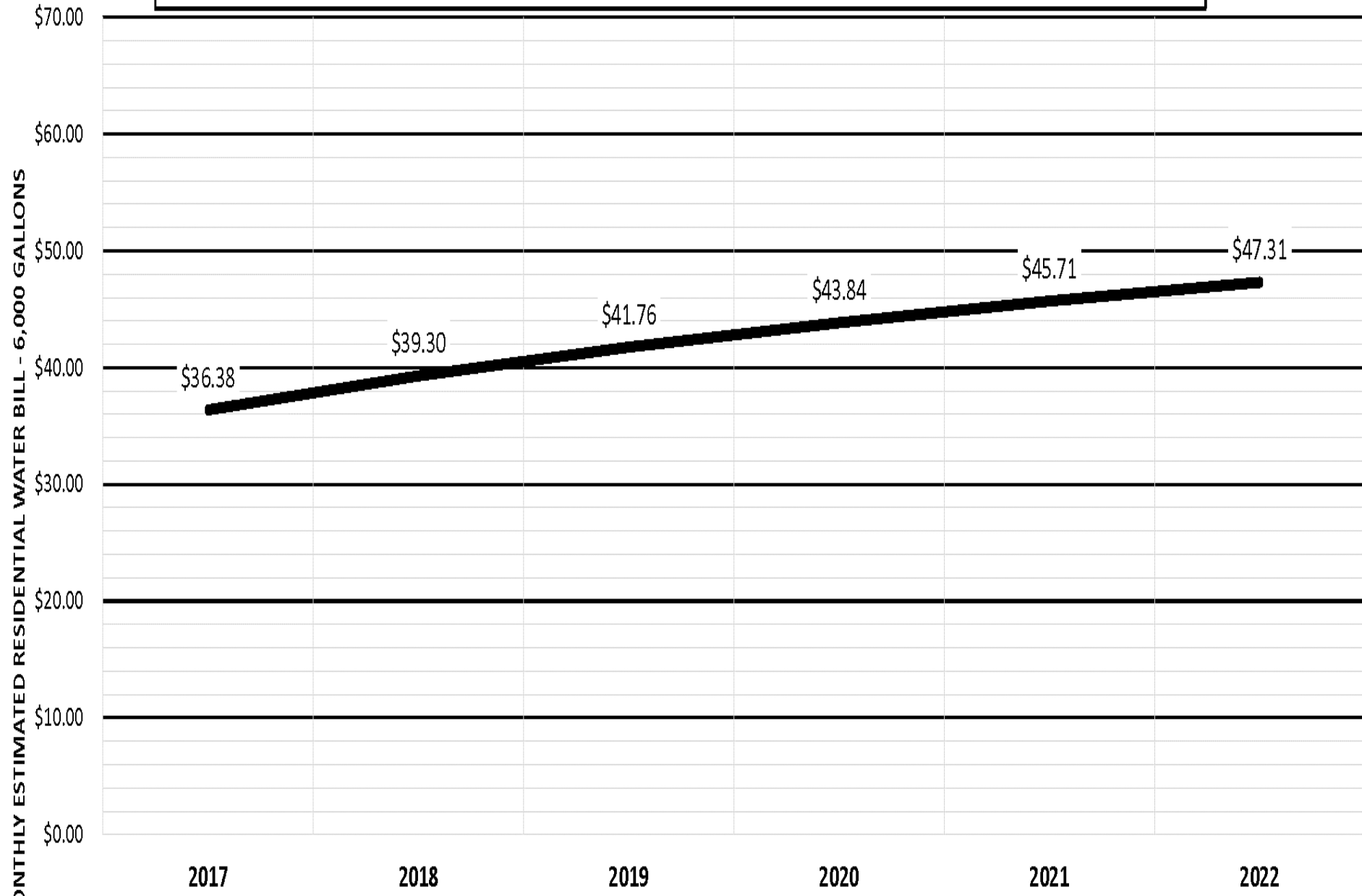


National Comparable - AWWA / System R & R – W & WW

System Renewal & Replacement AWWA National Standard Percentages

	Actual CY 2017 / Dashboard FY 2020 AWWA System Renewal & Replacement Percentage				Annual Repair & Replacement National Standard (PWV) X (System R&R %)		
AWWA Asset Class	Bottom Quartile	Median	Top Quartile	Actual FY 2018 / Dashboard FY 2020 Present Worth Value of the GWS Sub-Group System	Bottom Quartile	Median	Top Quartile
1. Water Supply	0.7%	1.9%	5.1%				
2. Water Treatment Facilities (not used)	1.1%	2.4%	5.5%				
3. Water Pump Station	0.5%	1.2%	6.4%				
4. Water Transmission and Distribution	0.6%	1.5%	2.7%				
5. Wastewater Collection	0.8%	1.5%	3.0%		Proposed CIP Program Average Annual FY 2020 thru FY 2029 CIP Costs		
6. Wastewater Pump Stations	1.6%	3.1%	5.7%				
7. Wastewater Treatment	0.9%	2.3%	3.4%				
							\$1,945,984
Water Production (average 1, 3 & 4)	0.60%	1.53%	4.73%	\$34,456,203	\$206,737	\$527,180	\$1,629,778
							\$473,938
Water Distribution (4 only)	0.60%	1.50%	2.70%	\$18,715,209	\$112,291	\$280,728	\$505,311
							\$578,070
Wastewater Collection (average 5 & 6)	1.20%	2.30%	4.35%	\$20,306,557	\$243,679	\$467,051	\$883,335
		ATTACHMENT A					\$324,029
Wastewater Treatment (7 only)	0.90%	2.30%	3.40%	\$13,537,704	\$121,839	\$311,367	\$460,282

SINGLE FAMILY MONTHLY WATER BILL - 2017 to 2022 - HISTORIC THROUGH PROPOSED FY 2020 FORECAST MODEL



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Single Family Residential Monthly Water Bill - 6,000 Gallons

Projected Average Water Bill for Residential Customers - FY 2017 though FY 2022

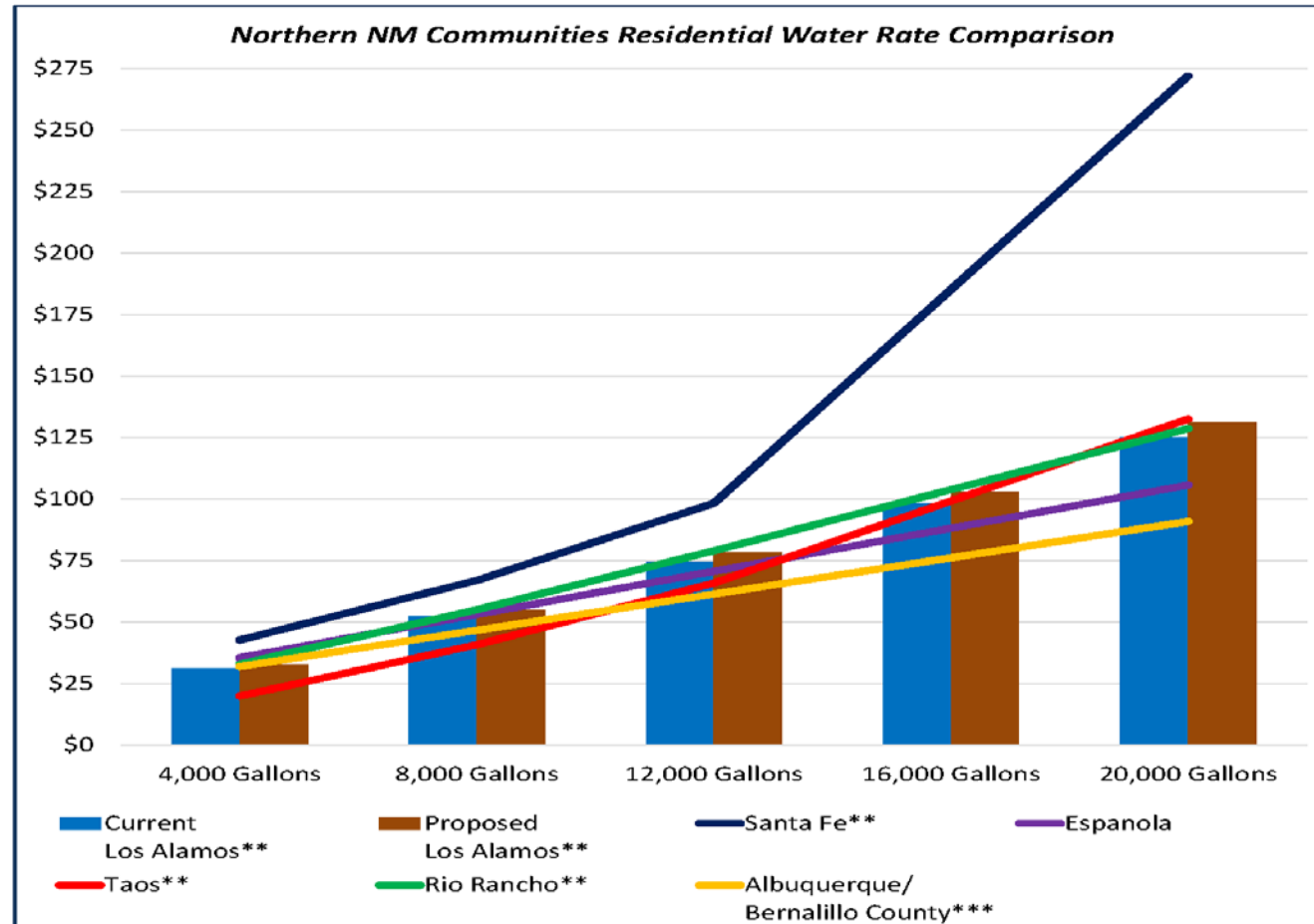
	6,000 Gallon per Month Water Bill	Rate Increase Percentage	Additional Annual Cost Over Previous Year	Los Alamos Median Household Income *	Assumed Annual Income Increase	Percentage of Income Needed to Pay Water Bill		New Mexico Median Houshold Income**	Assumed Annual Income Increase	Percentage Needed To Pay Utility Bill
FY2017	\$36.38	8.00%	\$39.72	\$110,190	2.5%	0.40%		\$46,744	0.0%	0.93%
FY2018	\$39.30	8.00%	\$35.04	\$112,945	2.5%	0.42%		\$46,744	0.0%	1.01%
FY2019	\$41.76	6.25%	\$29.48	\$115,768	2.5%	0.43%		\$46,744	0.0%	1.07%
FY2020	\$43.84	5.00%	\$25.05	\$118,663	2.5%	0.44%		\$46,744	0.0%	1.13%
FY2021	\$45.71	4.25%	\$22.36	\$121,629	2.5%	0.45%		\$46,744	0.0%	1.17%
FY2022	\$47.31	4.00%	\$19.20	\$124,670	2.5%	0.46%		\$46,744	0.0%	1.21%

* 2017 data point from <https://www.census.gov/quickfacts/fact/table/losalamoscountynewmexico/PST045217> - 2013-2017 data, 2017 dollars

** <https://www.deptofnumbers.com/income/new-mexico/> - 2016 data

AWWA Water Service Affordability for FY 2020
National Benchmark Median Value = 0.69%
Compared to National Median Household Income

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SAMPLE RESIDENTIAL BILL - Assuming 5/8" Meter & PEAK Season*

Monthly Usage	Current Los Alamos**	Proposed Los Alamos**	Santa Fe**	Espanola	Taos**	Rio Rancho**	Albuquerque/ Bernalillo County***
4,000 Gallons	31.17	32.71	42.66	35.49	19.88	32.81	31.91
6,000 Gallons	41.75	43.81	54.78	44.26	28.22	43.45	39.27
8,000 Gallons	52.33	54.91	66.90	53.03	40.74	54.97	46.64
12,000 Gallons	74.48	78.16	98.22	70.56	65.78	78.91	61.36
14,000 Gallons	85.72	89.96	141.66	79.33	82.46	91.33	68.73
16,000 Gallons	98.06	102.92	185.10	88.10	99.14	103.75	76.09
20,000 Gallons	124.94	131.16	271.98	105.63	132.50	128.59	90.82
30,000 Gallons	192.14	201.76	489.18	149.47	215.90	190.69	127.64

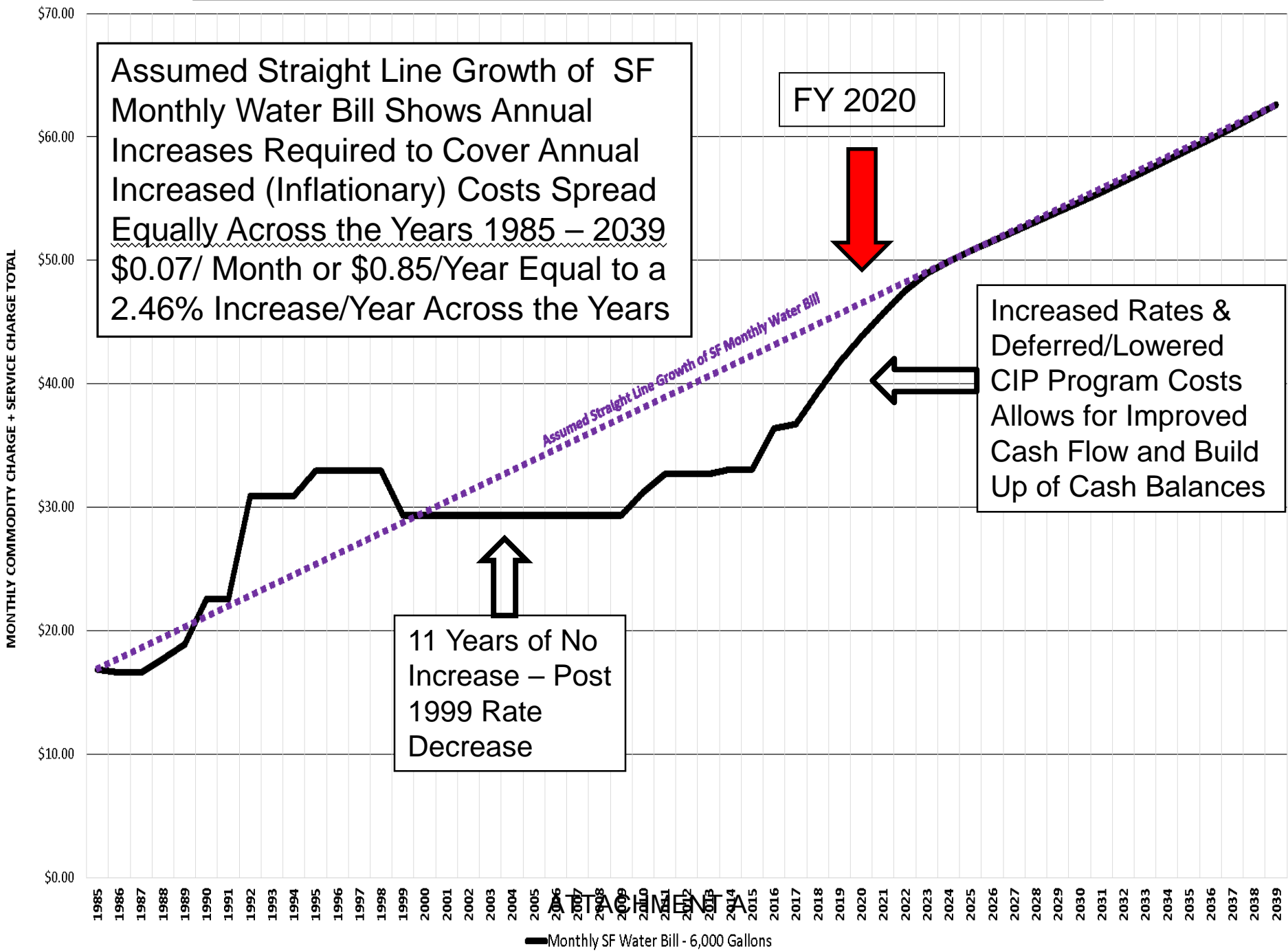
* For comparison purposes, August was used for all locations

** Tiered or seasonal rates apply for this jurisdiction

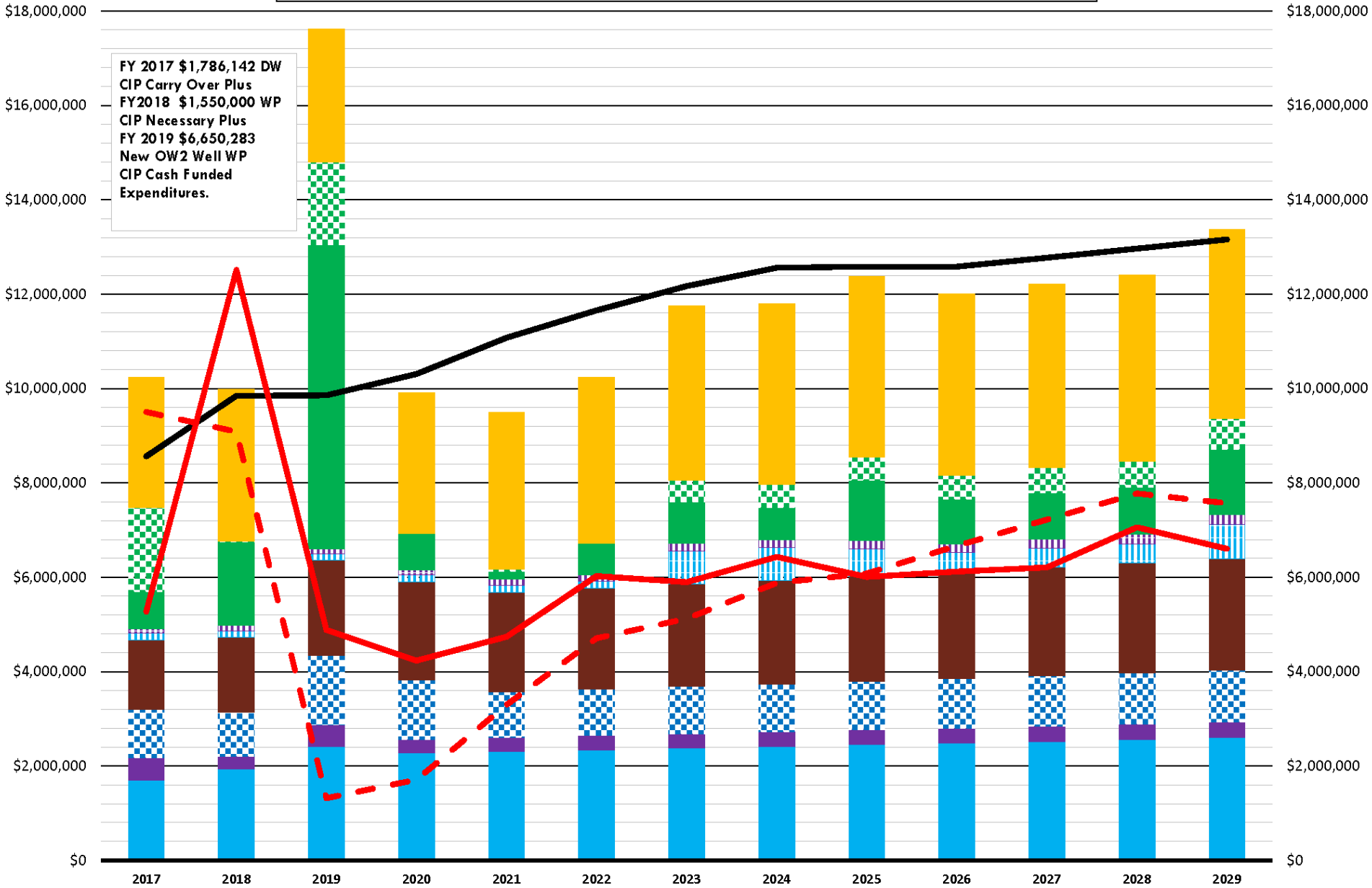
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*** Rates shown DO NOT include the surcharges for usage in excess of a citizen's water budget calculated by season and winter mean which can be up to 100% of commodity charge. Drought surcharges of up to 400 percent may also apply.

SINGLE FAMILY MONTHLY WATER BILL (6,000 Gallons) - 1985 to 2039 - HISTORIC THROUGH PROPOSED - FY 2020 FORECAST MODEL



FY 2020 Rate Adjustment 10-Year Forecast - Water Fund (WP + NP + DW) - Revenue / Expense / Cash Balance



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- Total O&M Expenses - WP
- Total IDC & ADA Expenses - WP+NP+DW
- Total Capital Cash - WP
- Cost of Water - DW to WP
- Total Recommended Cash Balance - WP+NP+DW
- Total O&M Expenses - NP
- Debt Service - WP
- Total Capital Cash - NP
- Total Cash Inflow exc/ Financing - WP+NP+DW
- Total O&M Expenses - DW
- Debt Service - NP
- Total Capital Cash - DW
- Total Calculated Cash Balance - WP+NP+DW

CONCLUSIONS & RECOMMENDATIONS

- The Long Range Rate Adjustment Plan Executed by DPU over the Past Few Years has Established a Multi-Year Record of Financial Health Improvement in All Funds and Sub-Funds
- The Proposed CIP Programs for Each Sub-Group are Planned to Reach a “Modern Acceptable Standard” in Terms of Capacity and Physical Integrity Within the Current Long Range (20-Year) Planning Period
- It is Not Recommended to Further Delay Any System’s CIP Program
- If the Current Proposal for a 3-Year Rate Adjustment Program is Approved, and if Everything Goes According to Plan, the Financial Policy Goals of the BPU Will be Met By FY 2025 and the CIP Needs of all Sub-Groups Will be Met

Continuous Improvement Steps

- Continue to Research Ways to Emphasize Repair & Rehabilitation of Existing Facilities In Lieu of Full CIP Replacement
- Annually Verify That All Revenue Related Assumptions Regarding Projected Sales Volumes, Number of Housing Units, Etc. Are Accurate In the Financial Models
- Annually Refine the Financial Models Data Sets and Assumptions
- Annually Review and Potentially Revise Proposed CIP Costs and Future Rates Based on the Best Available Data and Refined Model Output
- Every Year's Budget Includes a 10-Year Forecast Based on the Reviewed & Refined Financial Models

Questions?

For a copy of this presentation please provide your email address on a comment card or directly email

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