



City of Franklin, TN Water Rate Recommendations

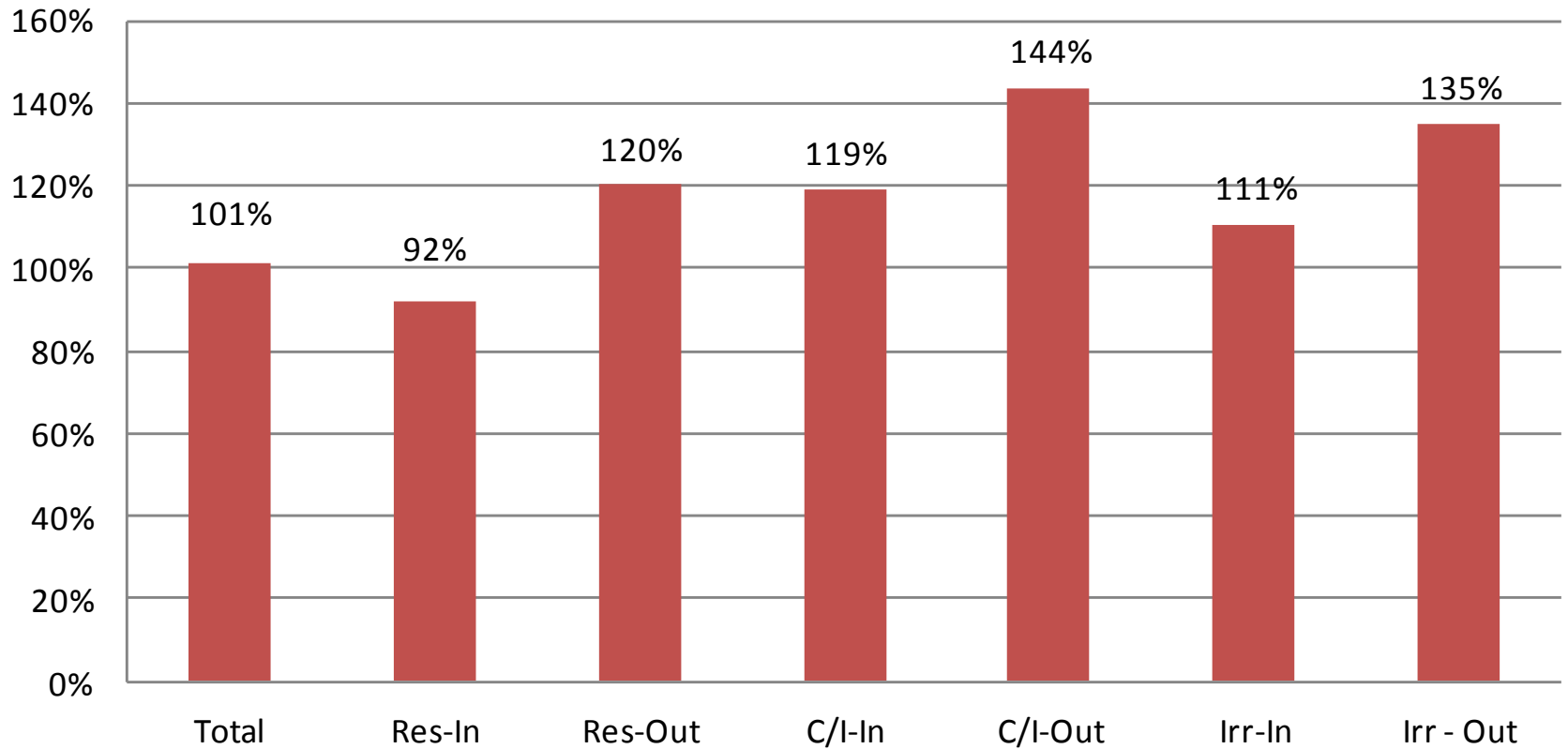
Presented: March 10, 2016

Sarah Chandler/Jim Marshall | Jackson Thornton Utilities Consultants



Water – Cost of Service Results

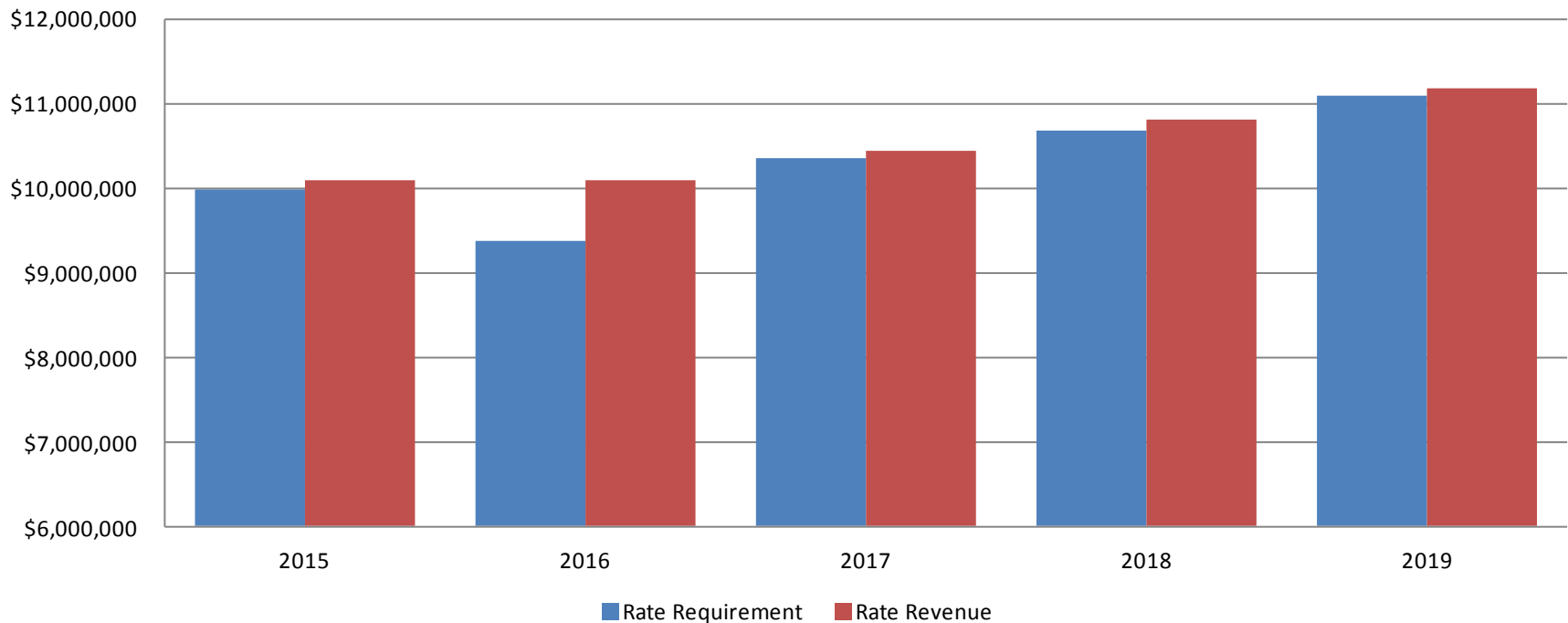
Recovery by Rate Class



Water – Adopted Five Year Approach

	Rate Requirement	% Change	\$ Change	Rate Revenue	Proposed Rate Change	Additional Revenue	Revenue - Requirement
Actual 2015	\$ 9,977,814			\$ 10,089,454			\$ 111,639
Budget 2016	\$ 9,366,471	-6.1%	\$ (611,343)	\$ 10,089,454		\$ -	\$ 722,982
Budget 2017	\$ 10,350,395	10.5%	\$ 983,924	\$ 10,442,585	3.50%	\$ 353,131	\$ 92,189
Budget 2018	\$ 10,678,636	3.2%	\$ 328,241	\$ 10,808,075	3.50%	\$ 365,490	\$ 129,439
Budget 2019	\$ 11,088,934	3.8%	\$ 410,298	\$ 11,186,358	3.50%	\$ 378,283	\$ 97,423

5 Year Rate Requirement Timeline



Water Rate Option A – Consumption Only Increase

Option A

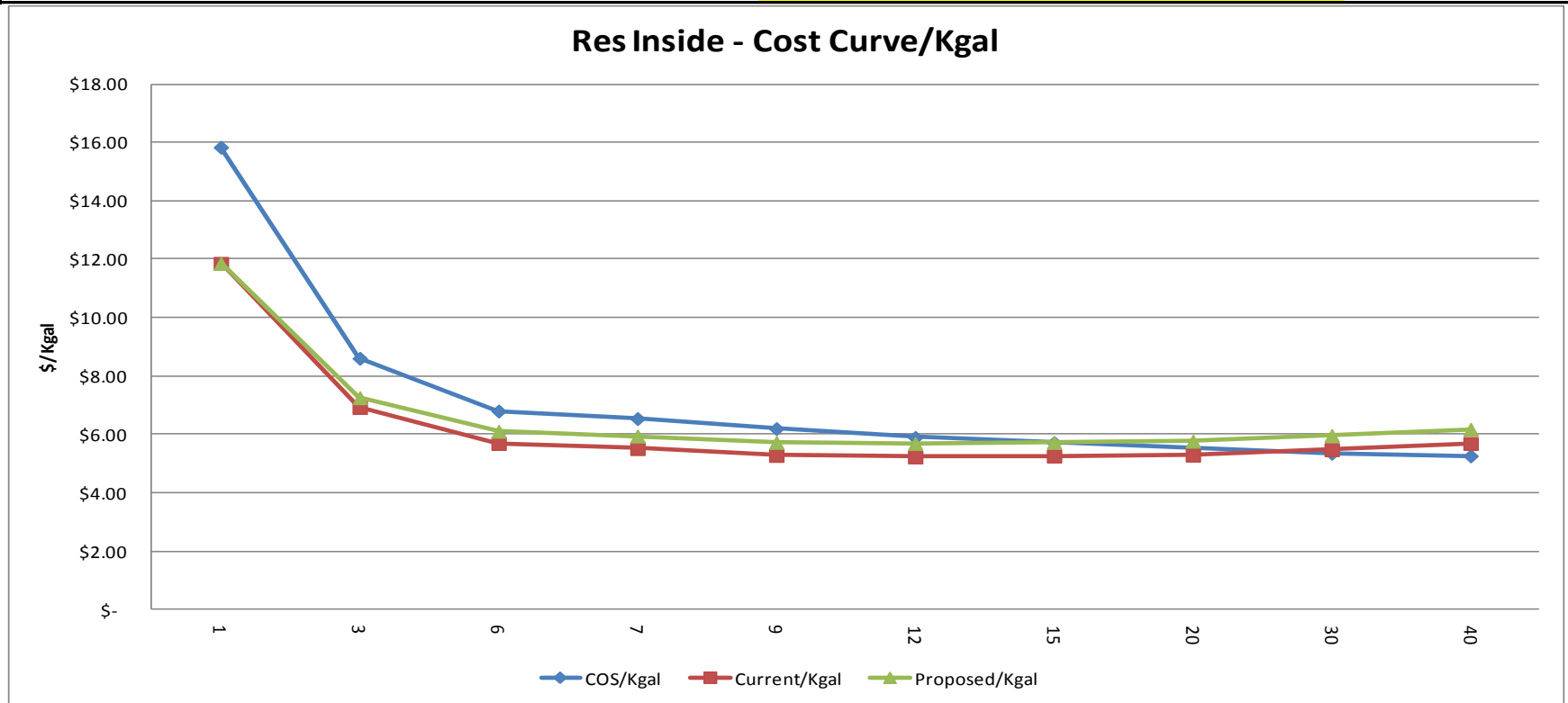
Years One and Two:

- \$0.25 Annual increase in Consumption Charge per kGal for Inside Customers
- \$0.39 Annual increase in Consumption Charge per kGal for Outside Customers

Option A would generate approximately \$712,000 in additional revenue over the two year period.

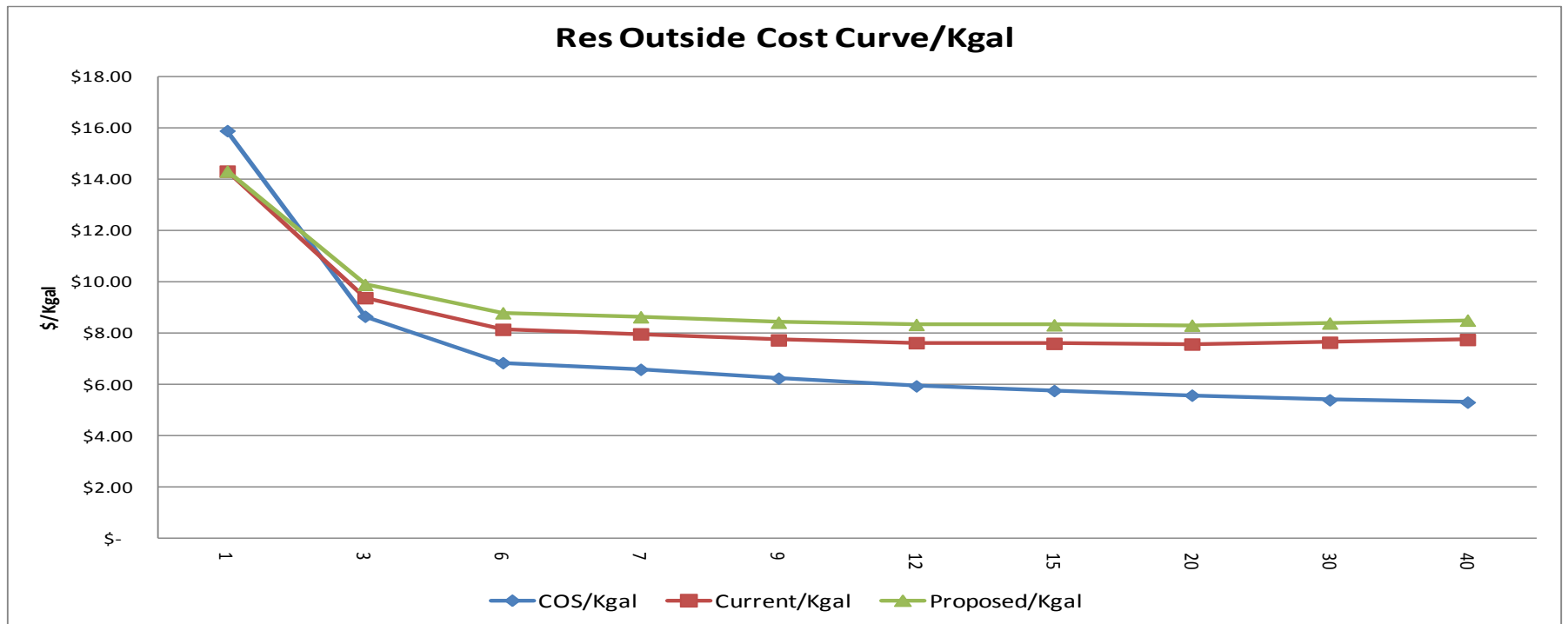
Water – Option A Residential Inside

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 10.84	\$ 11.86	\$ 11.86	\$ -
Next 9,000 Gallons	\$ 5.00	\$ 4.46	\$ 4.96	\$ 0.50
Next 15,000 Gallons		\$ 5.39	\$ 5.89	\$ 0.50
All Additional		\$ 6.32	\$ 6.82	\$ 0.50



Water – Option A Residential Outside

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 10.85	\$ 14.30	\$ 14.30	\$ -
Next 9,000 Gallons	\$ 5.03	\$ 6.90	\$ 7.68	\$ 0.78
Next 15,000 Gallons		\$ 7.48	\$ 8.26	\$ 0.78
All Additional		\$ 8.06	\$ 8.84	\$ 0.78



Water Rate Option B – Customer Charge Only Increase

Option B

Years One and Two:

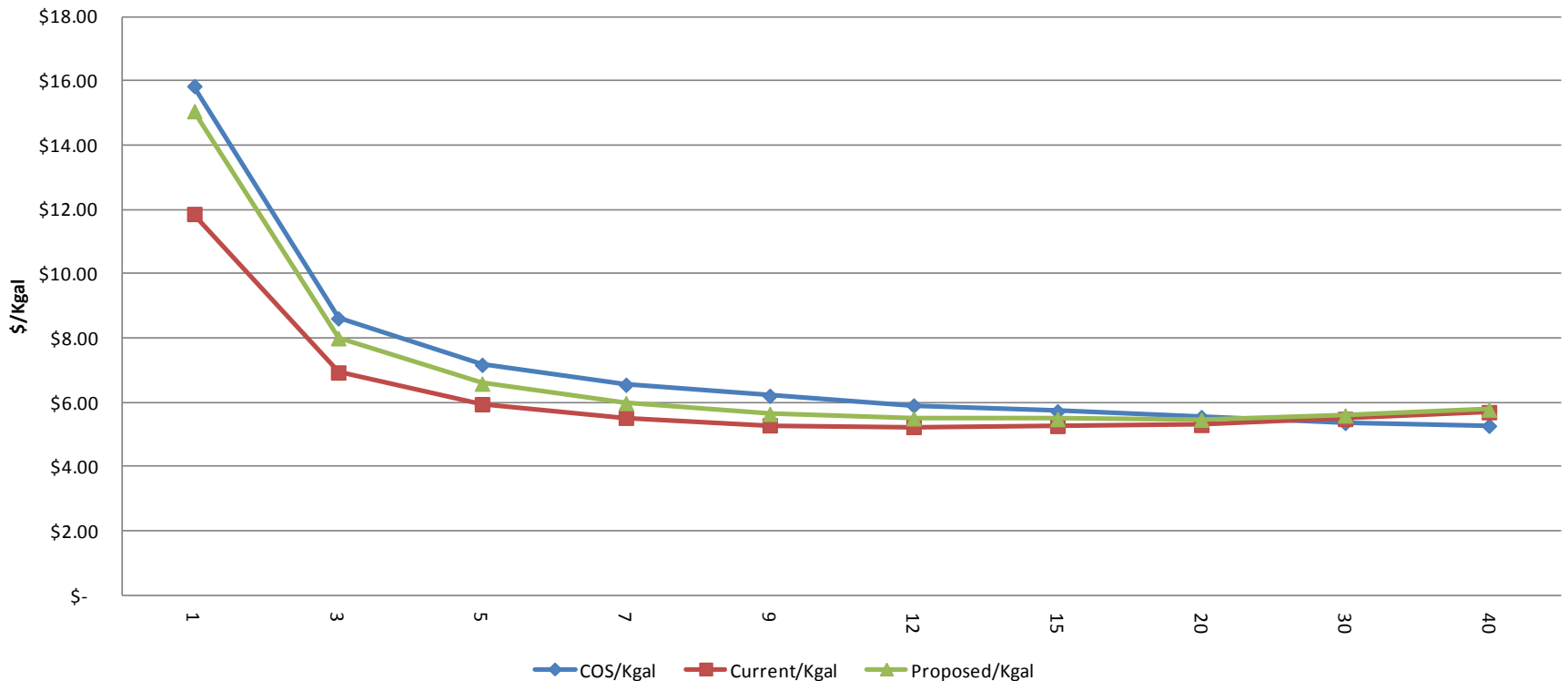
- \$1.60 Annual increase in Customer Charge per kGal for Inside Customers
- \$2.48 Annual increase in Customer Charge per kGal for Outside Customers

Option B would generate approximately \$718,000 in additional revenue over the two year period.

Water – Option B Residential Inside

	Cost of Service		Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$	10.84	\$ 11.86	\$ 15.06	\$ 3.20
Next 9,500 Gallons	\$	5.00	\$ 4.46	\$ 4.46	\$ -
Next 15,000 Gallons			\$ 5.39	\$ 5.39	\$ -
All Additional			\$ 6.32	\$ 6.32	\$ -

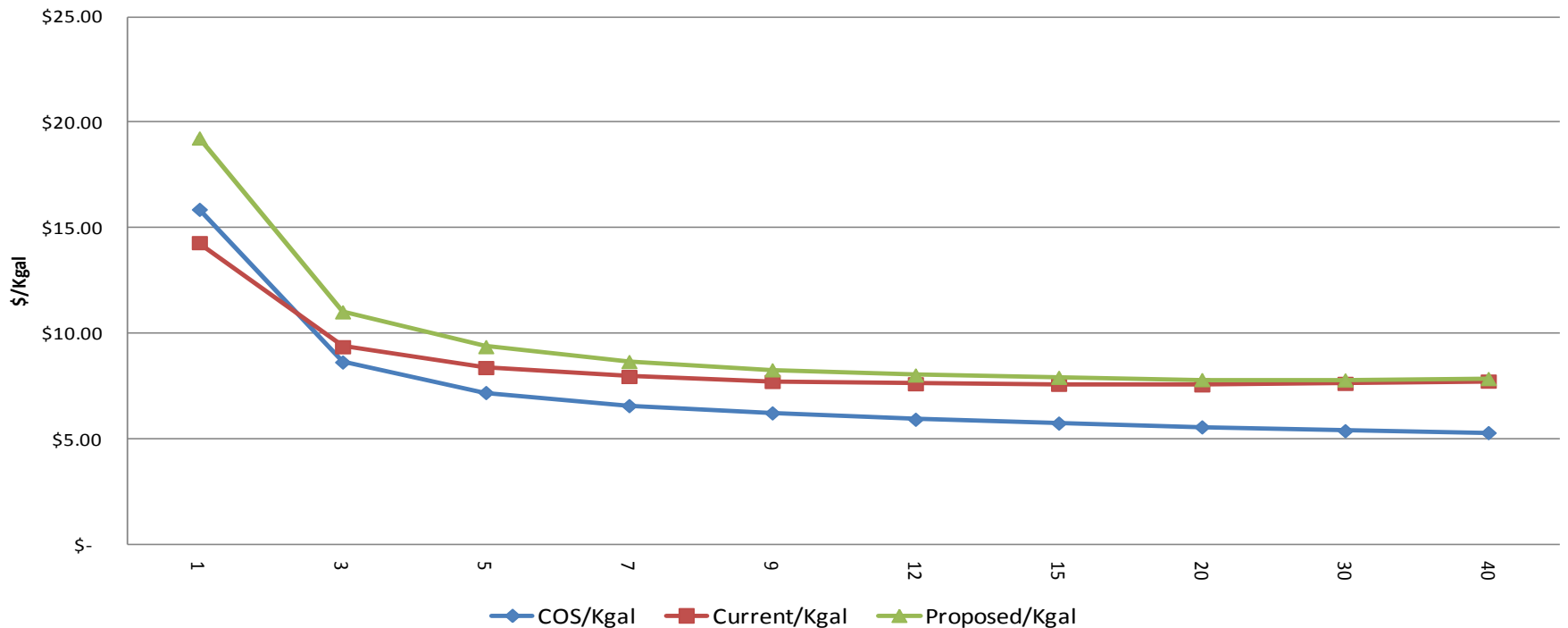
Res Inside - Cost Curve/Kgal



Water – Option B Residential Outside

	Cost of Service		Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$	10.85	\$ 14.30	\$ 19.26	\$ 4.96
Next 9,500 Gallons	\$	5.03	\$ 6.90	\$ 6.90	\$ -
Next 15,000 Gallons			\$ 7.48	\$ 7.48	\$ -
All Additional			\$ 8.06	\$ 8.06	\$ -

Res Outside Cost Curve/Kgal



Water Rate Option C – Customer Charge and Consumption Increase

Option C

Years One and Two:

- \$1.00 Annual increase in Customer Charge per kGal for Inside Customers
- \$0.10 Annual increase in Consumption Charge per kGal for Inside Customers

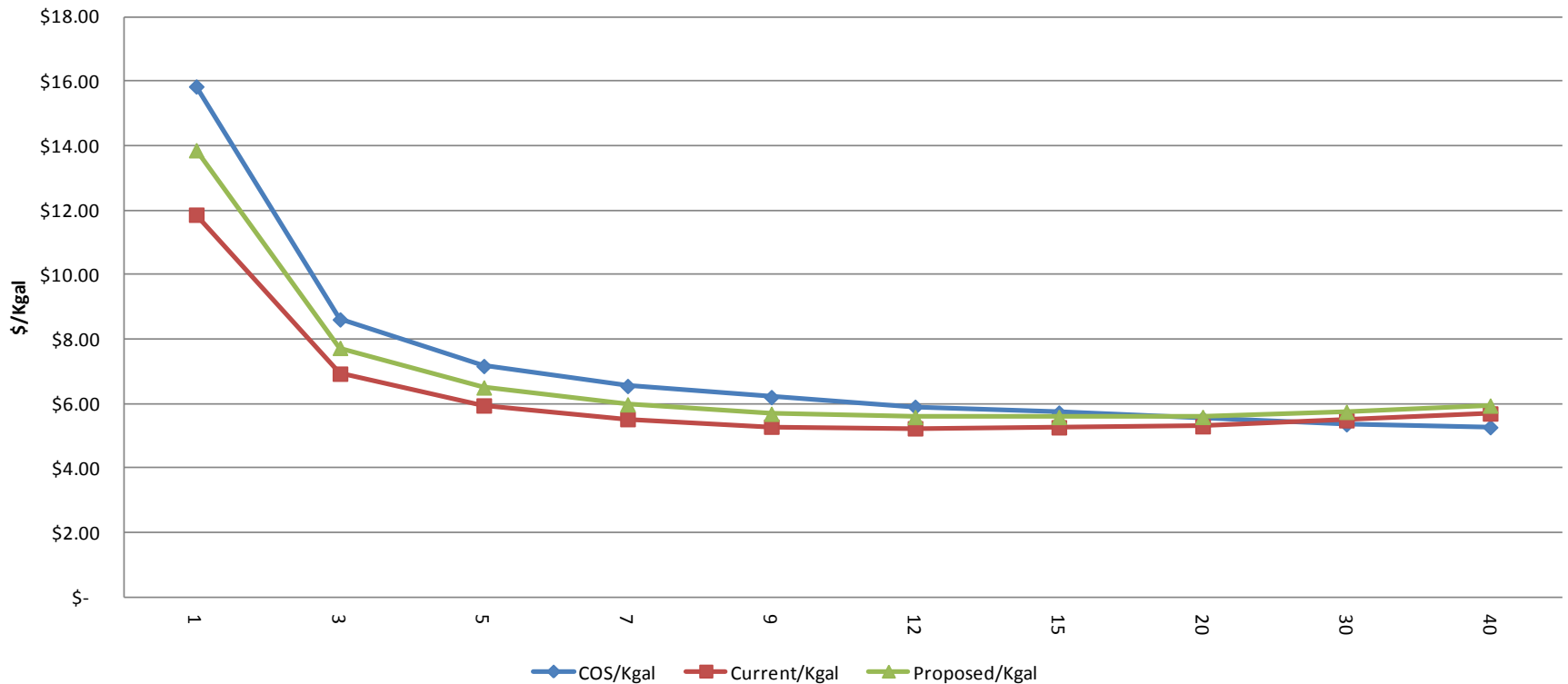
- \$1.55 Annual increase in Customer Charge per kGal for Outside Customers
- \$0.16 Annual increase in Consumption Charge per kGal for Outside Customers

Option C would generate approximately \$732,000 in additional revenue over the two year period.

Water – Option C Residential Inside

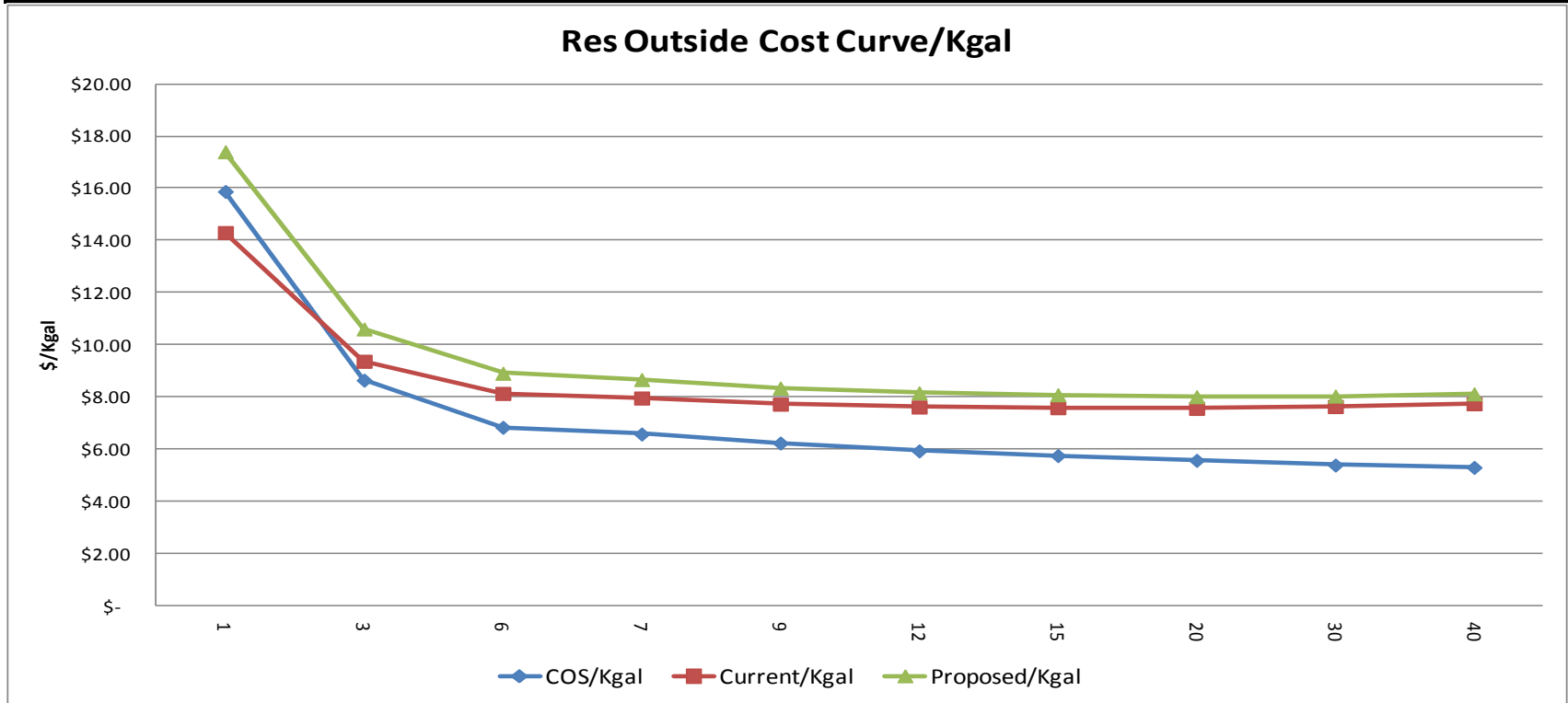
	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 10.84	\$ 11.86	\$ 13.86	\$ 2.00
Next 9,000 Gallons	\$ 5.00	\$ 4.46	\$ 4.66	\$ 0.20
Next 15,000 Gallons		\$ 5.39	\$ 5.59	\$ 0.20
All Additional		\$ 6.32	\$ 6.52	\$ 0.20

Res Inside - Cost Curve/Kgal



Water – Option C Residential Outside

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 10.85	\$ 14.30	\$ 17.40	\$ 3.10
Next 9,000 Gallons	\$ 5.03	\$ 6.90	\$ 7.21	\$ 0.31
Next 15,000 Gallons		\$ 7.48	\$ 7.79	\$ 0.31
All Additional		\$ 8.06	\$ 8.37	\$ 0.31



Water – Summary of Rate Options

3.5% Increase in Revenue Generated

	Option A		Option B		Option C	
	Rate Adjustment (Consumption)	Revenue Generated	Rate Adjustment (Cust. Chg.)	Revenue Generated	Rate Adjustment (Combo.)	Revenue Generated
Residential In						
Year One	\$ 0.25	\$ 218,872	\$ 1.60	\$ 265,618	\$ 1.00	\$ 166,011
Year Two	\$ 0.25	\$ 218,872	\$ 1.60	\$ 265,618	\$ 0.10	\$ 87,331
					\$ 1.00	\$ 166,011
					\$ 0.10	\$ 87,331
Residential Out						
Year One	\$ 0.39	\$ 59,226	\$ 2.48	\$ 71,508	\$ 1.55	\$ 44,693
Year Two	\$ 0.39	\$ 59,226	\$ 2.48	\$ 71,508	\$ 0.16	\$ 23,537
					\$ 1.55	\$ 44,693
					\$ 0.16	\$ 23,537
Comm In						
Year One	\$ 0.25	\$ 70,646	\$ 1.60	\$ 19,754	\$ 1.00	\$ 12,346
Year Two	\$ 0.25	\$ 70,646	\$ 1.60	\$ 19,754	\$ 0.10	\$ 28,258
					\$ 1.00	\$ 12,346
					\$ 0.10	\$ 28,258
Comm Out						
Year One	\$ 0.39	\$ 7,067	\$ 2.48	\$ 1,964	\$ 1.55	\$ 1,228
Year Two	\$ 0.39	\$ 7,067	\$ 2.48	\$ 1,964	\$ 0.16	\$ 2,827
					\$ 1.55	\$ 1,228
					\$ 0.16	\$ 2,827
Total Additional Revenue - Two Years		\$ 711,620		\$717,687		\$732,462



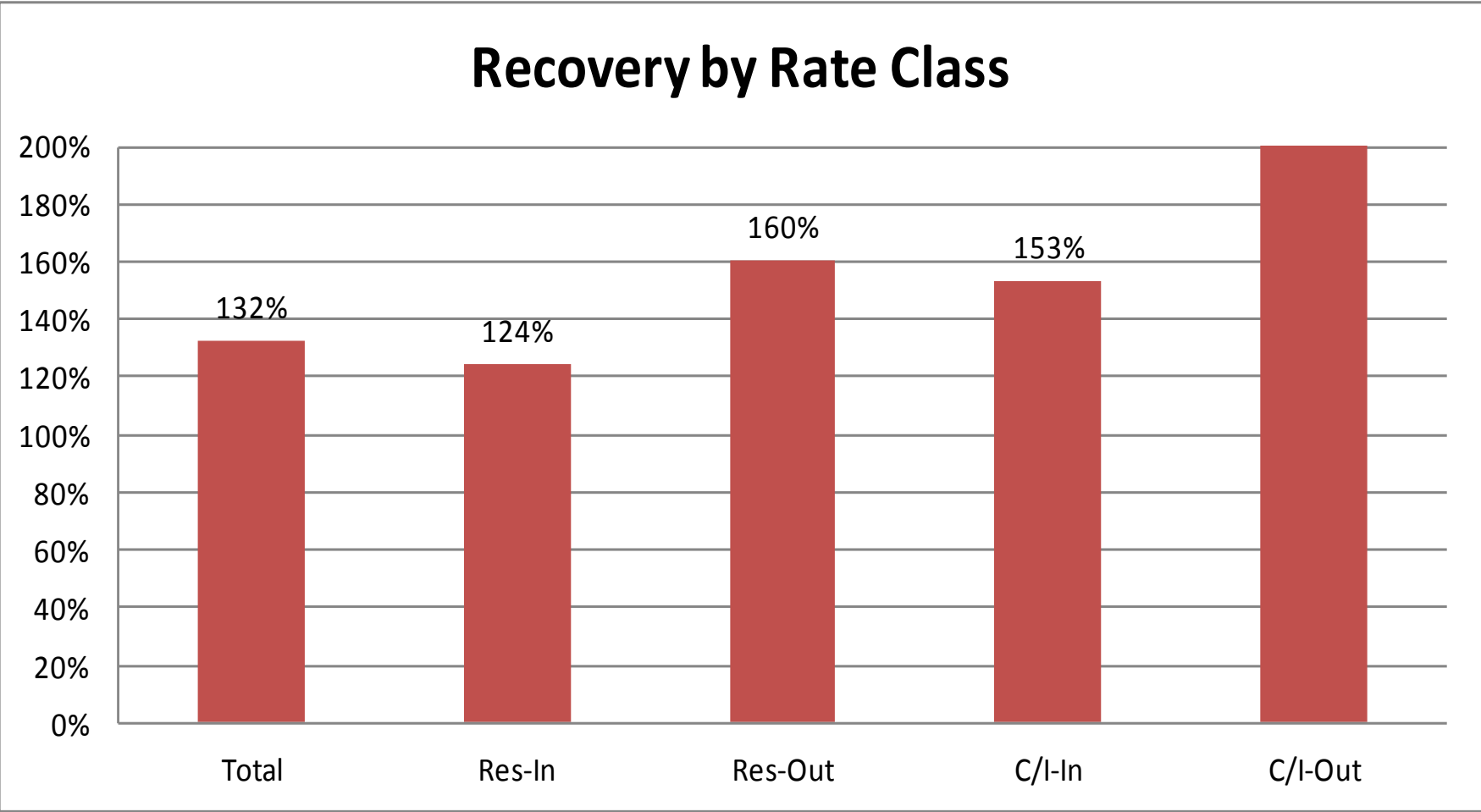
City of Franklin, TN Sewer Rate Recommendations

Presented: March 10, 2016

Sarah Chandler/Jim Marshall | Jackson Thornton Utilities Consultants



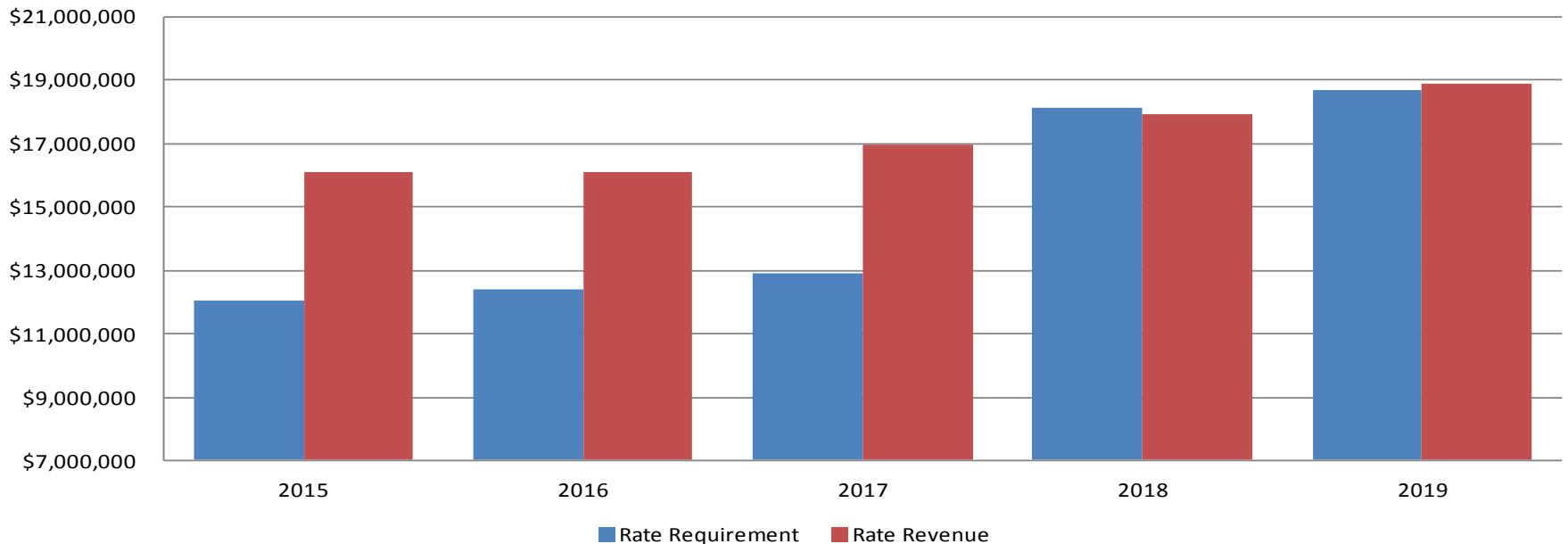
Sewer – Cost of Service Results



Sewer – Adopted Five Year Approach

		Rate Requirement	% Change	\$ Change	Rate Revenue	Proposed Rate Change	Additional Revenue	Revenue - Requirement
Actual	2015	\$12,031,597			\$ 16,083,649			\$ 4,052,052
Budget	2016	\$ 12,382,551	2.9%	\$ 350,954	\$ 16,083,649		\$ -	\$ 3,701,098
Budget	2017	\$ 12,913,349	4.3%	\$ 530,798	\$ 16,968,250	5.50%	\$ 884,601	\$ 4,054,900
Budget	2018	\$ 18,141,855	40.5%	\$ 5,228,506	\$ 17,901,504	5.50%	\$ 933,254	\$ (240,352)
Budget	2019	\$ 18,660,394	2.9%	\$ 518,539	\$ 18,886,086	5.50%	\$ 984,583	\$ 225,692

5 Year Rate Requirement Timeline



Sewer Rate Option A – Consumption Only Increase

Option A

Years One and Two:

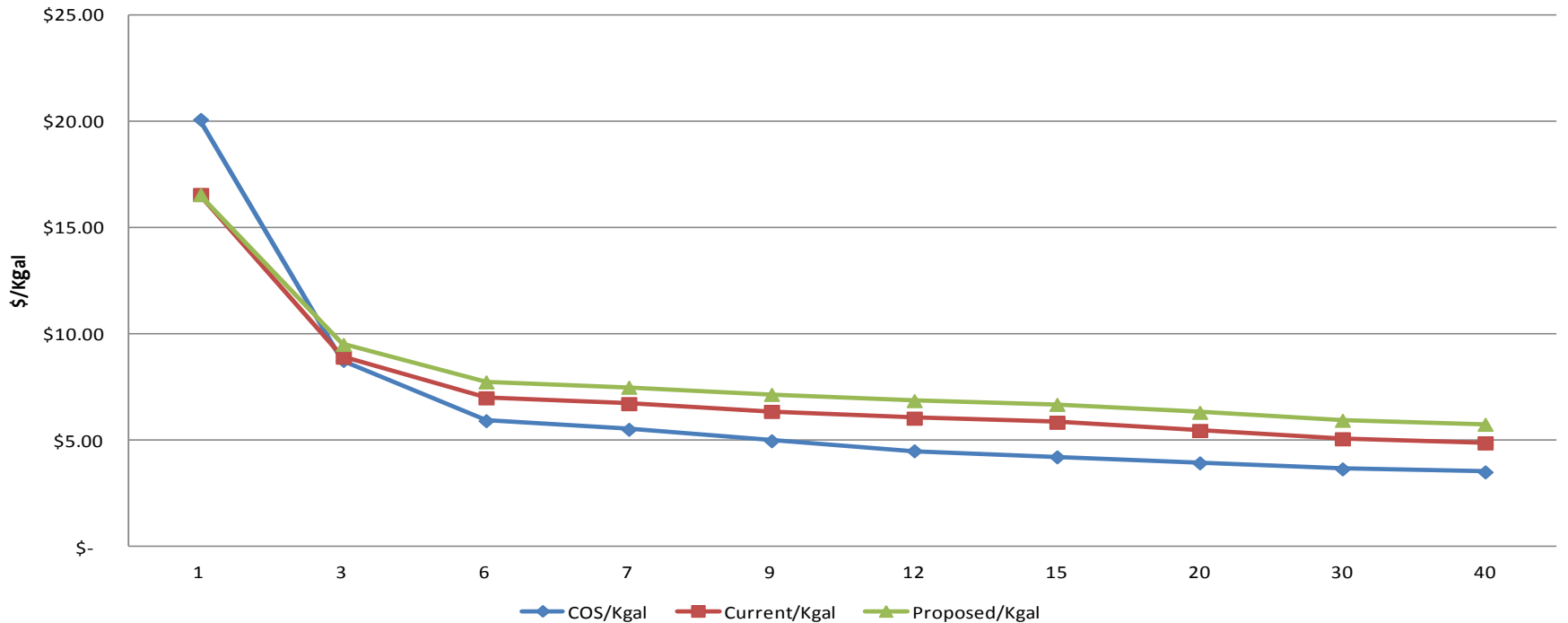
- \$0.45 Annual increase in Consumption Charge per kGal for Inside Customers
- \$0.70 Annual increase in Consumption Charge per kGal for Outside Customers

Option A would generate approximately \$1,883,000 in additional revenue over the two year period.

Sewer – Option A Residential Inside

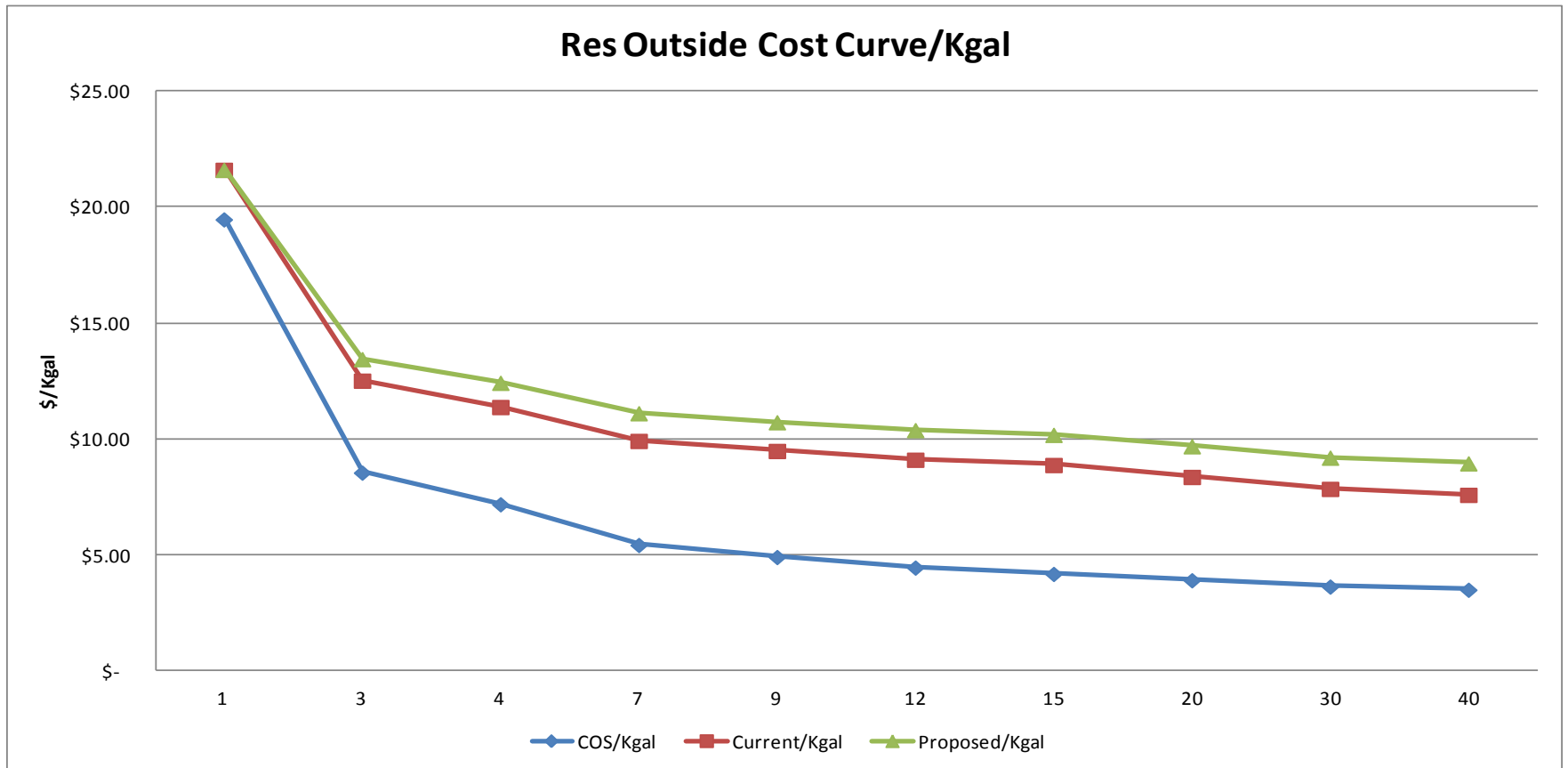
	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 16.98	\$ 16.55	\$ 16.55	\$ -
Next 14,000 Gallons	\$ 3.10	\$ 5.09	\$ 5.99	\$ 0.90
All Additional		\$ 4.30	\$ 5.20	\$ 0.90

Res Inside Cost Curve/Kgal



Sewer – Option A Residential Outside

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 16.39	\$ 21.63	\$ 21.63	\$ -
Next 14,000 Gallons	\$ 3.10	\$ 7.98	\$ 9.38	\$ 1.40
All Additional		\$ 6.83	\$ 8.23	\$ 1.40



Sewer Rate Option B – Customer Charge Only Increase

Option B

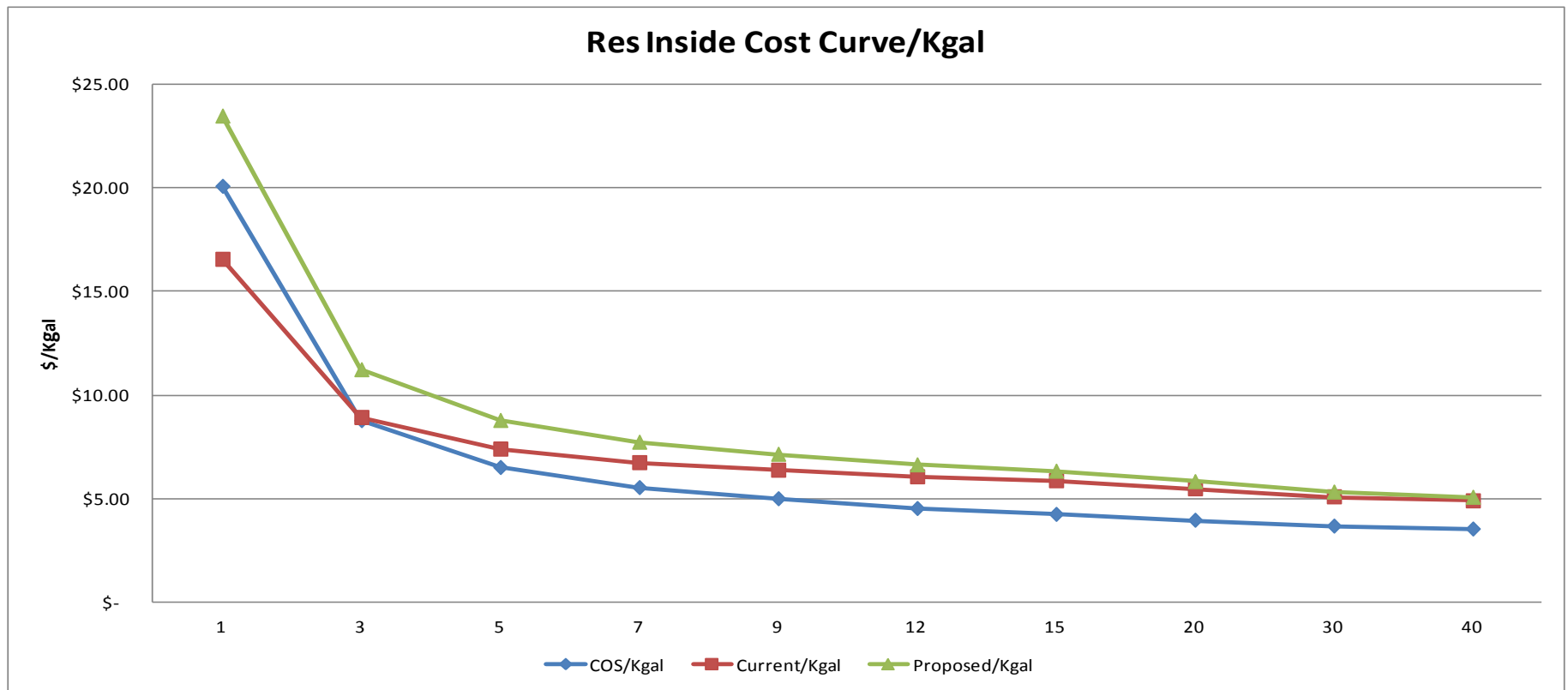
Years One and Two:

- \$3.46 Annual increase in Customer Charge per kGal for Inside Customers
- \$5.36 Annual increase in Customer Charge per kGal for Outside Customers

Option B would generate approximately \$1,880,000 in additional revenue over the two year period.

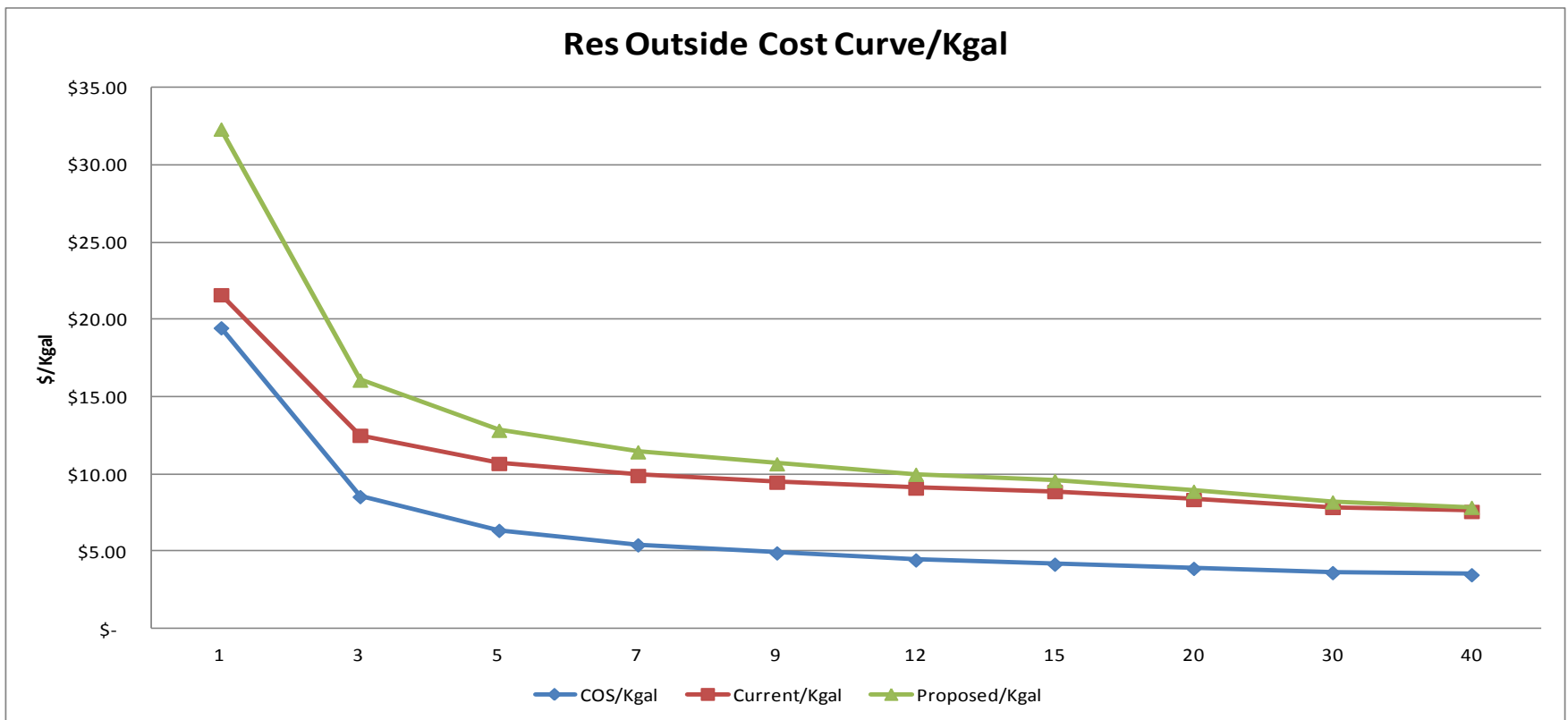
Sewer – Option B Residential Inside

	Cost of Service		Current		Proposed		Difference	
Availability Charge (1,000 Gal)	\$	16.98	\$	16.55	\$	23.47	\$	6.92
Next 14,500 Gallons	\$	3.10	\$	5.09	\$	5.09	\$	-
All Additional			\$	4.30	\$	4.30	\$	-



Sewer – Option B Residential Outside

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 16.39	\$ 21.63	\$ 32.36	\$ 10.73
Next 14,500 Gallons	\$ 3.10	\$ 7.98	\$ 7.98	\$ -
All Additional		\$ 6.83	\$ 6.83	\$ -



Sewer Rate Option C – Customer Charge and Consumption Increase

Option C

Years One and Two:

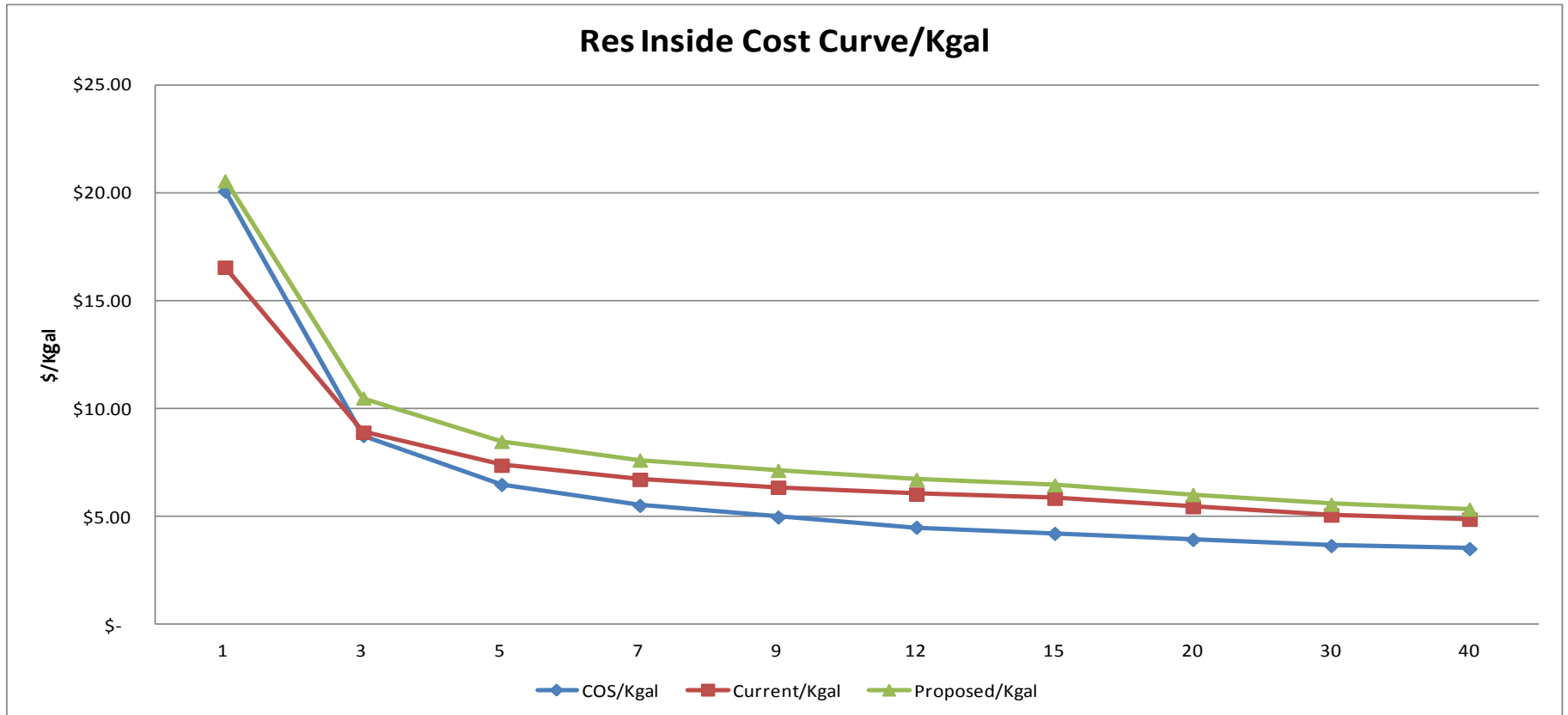
- \$2.00 Annual increase in Customer Charge per kGal for Inside Customers
- \$0.19 Annual increase in Consumption Charge per kGal for Inside Customers

- \$3.10 Annual increase in Customer Charge per kGal for Outside Customers
- \$0.29 Annual increase in Consumption Charge per kGal for Outside Customers

Option C would generate approximately \$1,882,000 in additional revenue over the two year period.

Sewer – Option C Residential Inside

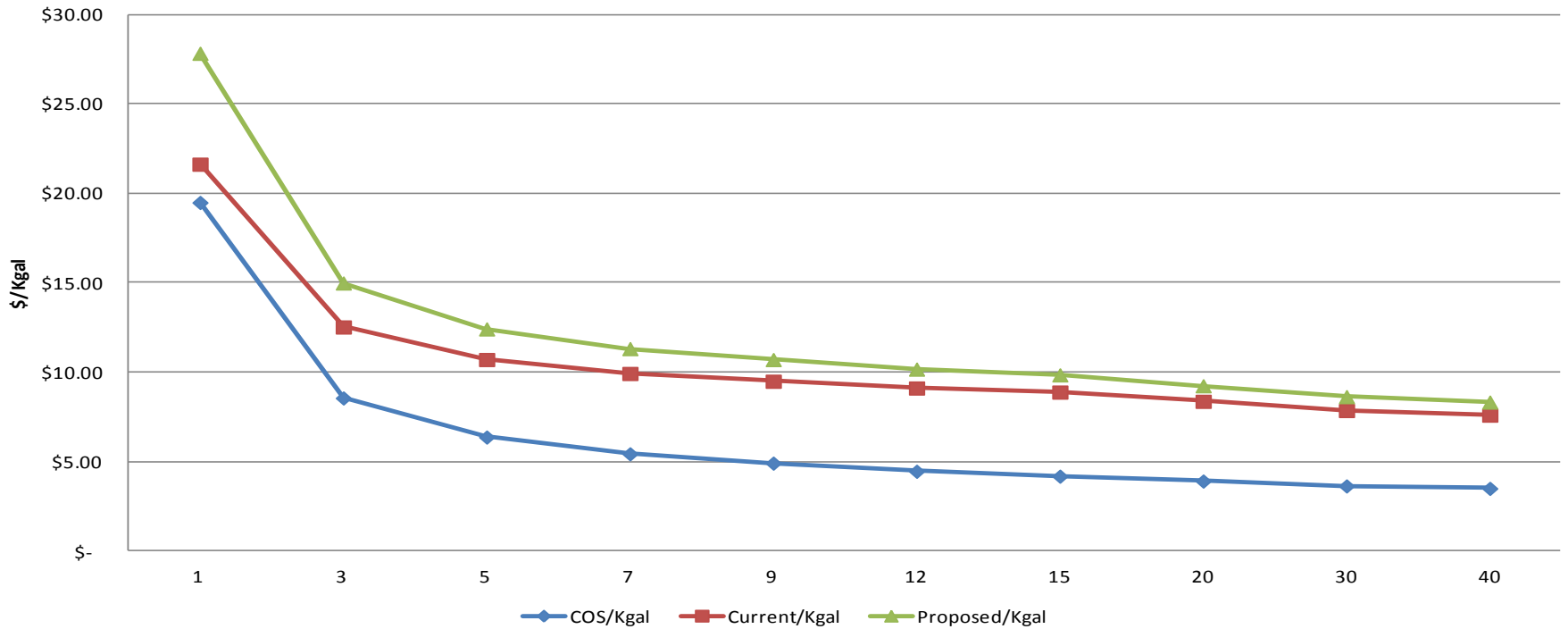
	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 16.98	\$ 16.55	\$ 20.55	\$ 4.00
Next 14,000 Gallons	\$ 3.10	\$ 5.09	\$ 5.47	\$ 0.38
All Additional		\$ 4.30	\$ 4.68	\$ 0.38



Sewer – Option C Residential Outside

	Cost of Service	Current	Proposed	Difference
Availability Charge (1,000 Gal)	\$ 16.39	\$ 21.63	\$ 27.83	\$ 6.20
Next 14,000 Gallons	\$ 3.10	\$ 7.98	\$ 8.57	\$ 0.59
All Additional		\$ 6.83	\$ 7.42	\$ 0.59

Res Outside Cost Curve/Kgal



Sewer – Summary of Rate Options

5.5% Increase in Revenue Generated							
	Option A		Option B		Option C		
	Rate Adjustment (Consumption)	Revenue Generated	Rate Adjustment (Cust. Chg)	Revenue Generated	Rate Adjustment (Combo.)	Revenue Generated	
Consumption Charge Adjustment							
Residential In							
Year One	\$ 0.45	\$ 570,859	\$ 3.46	\$ 846,849	\$ 2.00	\$ 489,508	
					\$ 0.19	\$ 241,029	
Year Two	\$ 0.45	\$ 570,859	\$ 3.46	\$ 846,849	\$ 2.00	\$ 489,508	
					\$ 0.19	\$ 241,029	
Residential Out							
Year One	\$ 1.40	\$ 14,118	\$ 5.36	\$ 30,092	\$ 3.10	\$ 17,394	
					\$ 0.29	\$ 5,961	
Year Two	\$ 1.40	\$ 14,118	\$ 5.36	\$ 30,092	\$ 3.10	\$ 17,394	
					\$ 0.29	\$ 5,961	
Comm In							
Year One	\$ 0.45	\$ 336,579	\$ 3.46	\$ 58,394	\$ 2.00	\$ 33,754	
					\$ 0.19	\$ 142,111	
Year Two	\$ 0.45	\$ 336,579	\$ 3.46	\$ 58,394	\$ 2.00	\$ 33,754	
					\$ 0.19	\$ 142,111	
Comm Out							
Year One	\$ 1.40	\$ 20,123	\$ 5.36	\$ 4,864	\$ 3.10	\$ 2,812	
					\$ 0.29	\$ 8,496	
Year Two	\$ 1.40	\$ 20,123	\$ 5.36	\$ 4,864	\$ 3.10	\$ 2,812	
					\$ 0.29	\$ 8,496	
Total Additional Revenue - Two Years		\$1,883,357		\$1,880,399		\$1,882,131	