

Rate Study

Rate Analysis for Small Systems

Financial Health

- Review water rates annually.
- Do revenues cover all operating costs?
- Operating Ratio = Total Revenues/Total Expenses
- Required Debt Coverage for DWSRF = 1.25

Flat Fee Rate

- All customers pay the same amount each month regardless of quantity of water used – used in unmetered systems.
- Advantages: Eliminates the cost of installing and reading meters
- Disadvantages: Everyone pays too much or too little for what they use – promotes high consumption.

Single Block/Uniform Rate

- Customers are charged a constant price per gallon regardless of the amount of water used – often coupled with a minimum charge for having service available
- Advantages: Easy to administer, may encourage water conservation – cost to the customer is in direct proportion to amount used.
- Disadvantages: Could discourage high water consuming industries from locating in the community.

Decreasing Block Rate

- The price of water declines as the amount used increases, with cheaper succeeding consumption blocks – based on the assumption that costs decline as consumption goes up.
- Advantages: Attractive to agricultural and industrial users.
- Disadvantages: May reach a point of diminishing returns. High water consumption increases the need for wastewater treatment facilities.

Increasing Block Rate

- The price of water increases as the amount used increases, with more expensive succeeding consumption blocks – based on the assumption that water rates should promote water conservation.
- Advantages: Promotes water conservation, thereby producing less wastewater, and provides a reasonable amount of water at a reasonable price and charges a premium for those using more.
- Disadvantages: Higher costs for high usage may discourage industry from locating within the system's service area.

WATER RATES ANALYSIS

FISCAL YEAR: 2006 - 2007

FINANCIAL INFORMATION

DESCRIPTION	TOTAL
Operating & Maintenance Costs	
Wages	146,106.00
Payroll Tax/Employee Benefits	26,988.00
Water Costs/Exam/Permit	76,873.00
Operating/Chemicals/Supplies	33,022.00
Fuel/Repair & Maintenance	51,337.00
Insurance/Uniform Rental	17,342.00
Professional Fees/Office/Postage	11,039.00
Training/Utilities/Telephone	33,828.00
Bad Debts/Other Expenses	10,558.00
SUBTOTAL	407,093.00

Financial Costs

Depreciation	\$52,701.00
Debt Service - Principal & Interest	\$0
Debt Service - Reserve	\$0
Subtotal	\$52,701.00
Total O&M and Financial Cost	\$459,794.00

2007 RATE STRUCTURE

First 2,000 Gallons	\$20.00
Next 1,000 Gallons	\$3.55
Next 1,000 Gallons	\$3.60
Next 1,000 Gallons	\$3.65
Next 1,000 Gallons	\$3.70
Next 1,000 Gallons	\$3.75
Next 1,000 Gallons	\$3.80
Next 1,000 Gallons	\$3.85

SHOWN DEPRECIATION **\$52,701.00**

Sewer Revenues **\$26,643.00**

Water Revenues **\$433,879.00**

Other Revenues **\$28,179.00**

2007 Audit Total Revenues **\$488,701.00**

MISCELLANEOUS INFORMATION

Average # Monthly Customers	926
Average Gallons Sold (Monthly)	6,645,346
Average Gallons Sold (Yearly)	79,744,150
Average Revenue Per Customer (Monthly)	\$38.48
Average Revenue (Monthly)	\$35,635.26
Average Gallons Per Customer (Monthly)	7,176

ANALYSIS OF BREAK-EVEN POINT (ALL CUSTOMERS)

Annual Revenue Required to Break Even	\$459,794.00
Revenue as Per Current Rate Case:	\$427,623.14
Over/(Under) Revenue Required to Break Even	(\$3,991.86)
Other Income (Taxes, Interest, Other)	\$26,643.00
Estimated Net Income	\$22,651.14

Total After Operating Expenses

Net Operating Income \$ 28,907.00

Non-Operating Income

Interest Income \$ 0.00

Total Non-Operating Income \$ 0.00

Income Available for Debt Service \$ 28,907.00

Annual Payments

Proposed DWSRF Loan \$ 31,312.80

Current Loans \$ 32,374.40

Total Annual Payments \$ 63,687.20

X Rate Covenant (1.25) \$ 15,921.80

Income Needed for Debt Coverage \$ 79,609.00

Income Available for Debt Coverage \$-50,702.00

Actual Debt Coverage (X) 0.45

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
12.20												12.2
8.68	9.915	6.775	6.28	9.9	6.24	11.46	10.94	11.57	10.02	8.89	11.15	111.8
25.28	19.6	19.05	24.08	9.17	5.79	25.62	22.91	24.38	4.54	13.03	13.92	207.4
2.74	12.2	1.93	2.4	3.12	2.42			3.1	3.58	4.57	2.62	38.7
9.42	8.71	4.3	2.98	2.47	1.89	4.45	7.19	9.23	8.16	10.05	8	76.9
0.48	0.655	0.25	0.34	0.34	0.23	0.22	0.27	0.22	0.25	0.78	0.83	4.9
0.51	0.515	0.185	0.84	1.22	0.36	0.25	1.21	0.41	0.56	0.42	0.52	7.0
28.94	61.15	21.54	17.53	24.14	19.07	30.73	36.84	39.57	34.77	30.23	22.91	367.4
0.72	0.42	0.79	0.63	0.91	0.57	0.66	0.77	0.83	0.69	0.7	0.7	8.4
86.8	73.4	16.7	53.3	97.6	58.2	23.7	40.9	23.9	60.1	70	60	664.6
	0.03		1.49	7.52	1.01	1.94	0.98	1.86	3.97	0.28	0.06	19.1
7.1	7.75	6.85	7.8	10.4	6.4	1.6	2.4	11.8	18.8	10.6	8.4	99.9
												0.0
24.2	23	11.2	7.5	31.2	8	10.7	8.4	5.7	7.4	8.8	21.8	167.9
0.58	0.55	2.79	11.67	1.59	0.77	0.46	0.29	0.14	0.23	0.47	0.52	20.1
5.12	3.805	1.51	1.79	11.39	1.91	6.49	7.51	4.75	5.54	2.43	2.49	54.7
0.18	0.415	0.01	0.03	0.04	0.16	0.05	0.03	0.04	0.09	0.12	0.65	1.8
8.95	7.795	5.54	6.62	10.44	8.55	7.96	8.21	8.99	5.74	4.7	6.64	90.1
8.29	8.355	6.095	6.91	12.36	6.83	16.3	18.16	12.47	8.03	12.58	8.42	124.8
2.31	1.925	0.76	0.8	0.96	0.63	10.61	13.32	10.07	0.71	1.97	1.54	45.6

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