

# City of Mesa

FY 2020/21

## Utility Rates Recommendations

Audit, Finance & Enterprise Committee  
September 10, 2020

Presented by:

Brian A. Ritschel – Management & Budget Assistant Director

Jake West – Water Resources Director

Patrick Murphy – Deputy Solid Waste Director

Frank McRae – Energy Resources Director



# Utility Enterprise Operations

- Each utility is operated as a separate business center
- Reserve balance can be used to smooth rate adjustments year-to-year
- Reserve balance can be used to phase in new programs or changes in operations



# Financial Principles

- Balanced net sources and uses
- 20% or higher reserve fund balance
- Rate adjustments that are predictable and smoothed throughout the forecast
- Equity between residential and non-residential rates
- Affordable utility services

# Utility Enterprise Fund Forecast: No Rate Adjustments

\*For Planning Purposes Only\*






As of 08/16/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	(\$170,094)	(\$4,984,116)	(\$7,460,577)	(\$6,779,287)	(\$13,052,033)	(\$15,116,050)
WASTEWATER	(\$13,491,202)	(\$12,754,447)	(\$13,146,817)	(\$15,845,832)	(\$16,714,813)	(\$17,843,866)
SOLID WASTE	\$3,725,506	\$963,766	\$1,394,272	(\$393,794)	\$875,847	\$1,013,800
ELECTRIC	\$1,386,515	\$152,000	(\$454,956)	(\$1,400,619)	(\$1,419,666)	(\$2,023,613)
NATURAL GAS	\$1,958,550	(\$1,057,181)	(\$2,253,111)	(\$3,333,798)	(\$3,238,758)	(\$3,729,172)
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
<b>TOTAL NET SOURCES AND USES</b>	<b>(\$6,842,292)</b>	<b>(\$17,790,137)</b>	<b>(\$22,077,297)</b>	<b>(\$27,903,799)</b>	<b>(\$33,788,113)</b>	<b>(\$38,089,827)</b>
Beginning Reserve Balance	\$135,470,845	\$128,628,553	\$110,838,417	\$88,761,120	\$60,857,321	\$27,069,207
<b>Ending Reserve Balance</b>	<b>\$128,628,553</b>	<b>\$110,838,417</b>	<b>\$88,761,120</b>	<b>\$60,857,321</b>	<b>\$27,069,207</b>	<b>(\$11,020,619)</b>

Ending Reserve Balance Percent\*

**31.6%**      **26.7%**      **20.9%**      **14.0%**      **6.1%**      **-2.4%**

\*As a % of Next Fiscal Year's Expenditures

WATER Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WATER Non-Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WASTEWATER Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WASTEWATER Non-Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SOLID WASTE Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SOLID WASTE Commercial	4.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ELECTRIC Non-Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GAS Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GAS Non-Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

-  Balanced Net S&U
-  20% Fund Balance
-  Smoothed Adjustments
-  Equity Res. & Non-Res.
-  Affordable Services

# Utility Enterprise Fund Forecast: FY 25/26 Balanced Net Sources & Uses

\*For Planning Purposes Only\*

As of 08/17/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	\$596,627	(\$1,048,693)	(\$205,484)	\$3,935,297	\$1,237,726	\$2,764,980
WASTEWATER	(\$12,984,174)	(\$10,092,584)	(\$8,207,513)	(\$8,515,511)	(\$6,908,221)	(\$5,422,729)
SOLID WASTE	\$4,028,650	\$1,904,900	\$3,175,091	\$2,272,961	\$4,473,500	\$5,591,629
ELECTRIC	\$1,526,727	\$574,495	\$310,320	(\$288,041)	\$44,675	(\$203,048)
NATURAL GAS	\$2,310,474	\$4,995	(\$311,780)	(\$476,115)	\$536,357	\$979,911
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
<b>TOTAL NET SOURCES AND USES</b>	<b>(\$4,773,261)</b>	<b>(\$8,767,045)</b>	<b>(\$5,395,474)</b>	<b>(\$3,221,879)</b>	<b>(\$854,653)</b>	<b>\$3,319,819</b>
Beginning Reserve Balance	\$135,470,845	\$130,697,584	\$121,930,539	\$116,535,065	\$113,313,186	\$112,458,533
<b>Ending Reserve Balance</b>	<b>\$130,697,584</b>	<b>\$121,930,539</b>	<b>\$116,535,065</b>	<b>\$113,313,186</b>	<b>\$112,458,533</b>	<b>\$115,778,352</b>

Ending Reserve Balance Percent\*

**31.7%**      **28.7%**      **26.5%**      **25.1%**      **24.1%**      **24.1%**

\*As a % of Next Fiscal Year's Expenditures

WATER Residential	<b>2.50%</b>	2.50%	2.50%	2.50%	2.50%	1.50%
WATER Non-Residential (usage only)	<b>5.00%</b>	5.00%	5.00%	5.00%	5.00%	3.00%
WASTEWATER Residential	<b>4.00%</b>	4.00%	4.00%	4.00%	4.00%	3.50%
WASTEWATER Non-Residential	<b>4.00%</b>	4.00%	4.00%	4.00%	4.00%	3.50%
SOLID WASTE Residential	<b>2.00%</b>	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	<b>4.00%</b>	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	<b>3.00%</b>	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge only	<b>\$2.50</b>	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge only	<b>\$3.00</b>	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
GAS Residential - svc charge only	<b>\$1.50</b>	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
GAS Non-Residential - svc charge only	<b>\$2.50</b>	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50

- Balanced Net S&U
- 20% Fund Balance
- Smoothed Adjustments
- Equity Res. & Non-Res.
- Affordable Services

# Utility Enterprise Fund Forecast: Draw Down Rate Adjustments

\*For Planning Purposes Only\*

As of 09/02/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	\$110,345	(\$3,500,265)	(\$4,730,057)	(\$660,073)	\$3,064,956	\$9,745,324
WASTEWATER	(\$13,302,523)	(\$11,743,589)	(\$11,289,256)	(\$11,837,790)	(\$6,301,740)	(\$1,836,899)
SOLID WASTE	\$3,709,462	\$925,069	\$1,600,988	\$3,385,365	\$8,088,403	\$11,071,572
ELECTRIC	\$1,477,744	\$518,976	\$277,620	(\$249,856)	\$194,584	\$39,036
NATURAL GAS	\$2,182,874	(\$306,296)	(\$903,006)	(\$1,200,341)	(\$185,021)	\$288,757
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
<b>TOTAL NET SOURCES AND USES</b>	<b>(\$6,073,664)</b>	<b>(\$14,216,264)</b>	<b>(\$15,199,817)</b>	<b>(\$10,713,165)</b>	<b>\$4,622,492</b>	<b>\$18,916,864</b>
Beginning Reserve Balance	\$135,470,845	\$129,397,181	\$115,180,917	\$99,981,100	\$89,267,935	\$93,890,427
<b>Ending Reserve Balance</b>	<b>\$129,397,181</b>	<b>\$115,180,917</b>	<b>\$99,981,100</b>	<b>\$89,267,935</b>	<b>\$93,890,427</b>	<b>\$112,807,291</b>

Ending Reserve Balance Percent*	<b>31.6%</b>	<b>27.5%</b>	<b>23.0%</b>	<b>19.6%</b>	<b>19.8%</b>	<b>22.9%</b>
---------------------------------	--------------	--------------	--------------	--------------	--------------	--------------

\*As a % of Next Fiscal Year's Expenditures

WATER Residential	0.00%	0.00%	0.00%	9.00%	9.00%	0.00%
WATER Non-Residential (usage only)	4.00%	4.00%	4.00%	11.00%	11.00%	4.00%
WASTEWATER Residential	0.00%	0.00%	0.00%	11.00%	11.00%	0.00%
WASTEWATER Non-Residential	3.50%	3.50%	3.50%	11.00%	11.00%	3.00%
SOLID WASTE Residential	0.00%	0.00%	0.00%	8.00%	8.00%	0.00%
SOLID WASTE Commercial	3.50%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	1.00%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge	\$1.00	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.25	\$0.50	\$0.75	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

- Balanced Net S&U
- 20% Fund Balance
- Smoothed Adjustments
- Equity Res. & Non-Res.
- Affordable Services

# Utility Enterprise Fund Forecast: FY 20/21 Recommended Rate Adjustments

As of 09/08/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	\$430,158	(\$1,882,070)	(\$1,748,628)	\$1,644,732	(\$1,812,306)	(\$738,851)
WASTEWATER	(\$13,020,598)	(\$10,282,065)	(\$8,486,135)	(\$8,642,281)	(\$6,864,876)	(\$5,106,376)
SOLID WASTE	\$3,709,462	\$1,106,445	\$2,281,696	\$1,280,248	\$3,377,725	\$4,387,995
ELECTRIC	\$1,449,220	\$428,351	\$184,489	(\$344,983)	\$97,774	(\$58,289)
NATURAL GAS	\$2,182,874	(\$306,296)	(\$903,006)	(\$1,200,341)	(\$185,021)	\$288,757
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
<b>TOTAL NET SOURCES AND USES</b>	<b>(\$5,500,449)</b>	<b>(\$11,045,795)</b>	<b>(\$8,827,691)</b>	<b>(\$7,413,095)</b>	<b>(\$5,625,395)</b>	<b>(\$1,617,690)</b>
Beginning Reserve Balance	\$135,470,845	\$129,970,396	\$118,924,601	\$110,096,910	\$102,683,815	\$97,058,420
<b>Ending Reserve Balance</b>	<b>\$129,970,396</b>	<b>\$118,924,601</b>	<b>\$110,096,910</b>	<b>\$102,683,815</b>	<b>\$97,058,420</b>	<b>\$95,440,730</b>
Ending Reserve Balance Percent*	<b>31.6%</b>	<b>28.1%</b>	<b>25.2%</b>	<b>22.8%</b>	<b>20.9%</b>	<b>20.0%</b>

\*As a % of Next Fiscal Year's Expenditures

WATER Residential	<b>1.50%</b>	1.50%	1.50%	1.50%	1.50%	1.50%
WATER Non-Residential (usage only)	<b>5.00%</b>	5.00%	5.00%	5.00%	5.00%	5.00%
WASTEWATER Residential	<b>3.50%</b>	3.50%	4.50%	4.50%	4.50%	4.50%
WASTEWATER Non-Residential	<b>4.00%</b>	4.00%	4.00%	4.00%	4.00%	4.00%
SOLID WASTE Residential	<b>0.00%</b>	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	<b>3.50%</b>	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	<b>1.00%</b>	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge	<b>\$1.00</b>	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	<b>\$0.00</b>	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	<b>\$0.25</b>	\$0.50	\$0.75	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	<b>\$2.00</b>	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

- Balanced Net S&U
- 20% Fund Balance
- Smoothed Adjustments
- Equity Res. & Non-Res.
- Affordable Services



# Water and Wastewater



# Increasing Costs

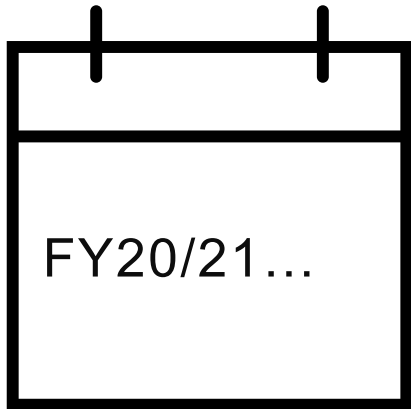
## **Water**

- Operating Expenditures: +\$15.2 million
- Debt Service Transfer: +\$4.1 million

---

## **Wastewater**

- Operating Expenditures: +\$6.4 million
- Debt Service Transfer: +\$3.9 million



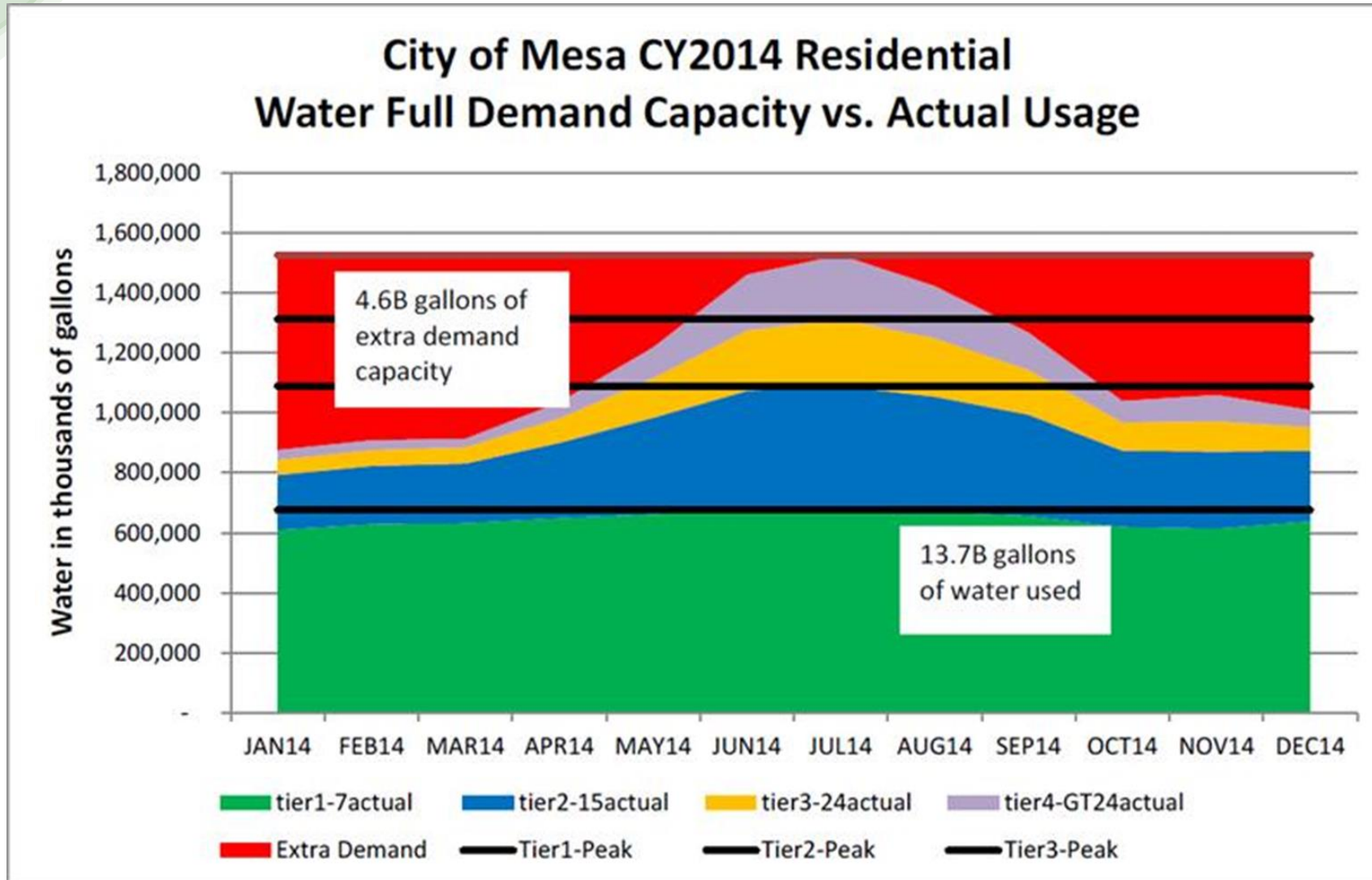


# Rate Structure Adjustments

## **Additional items**

- Complete final Water Residential tier realignment
- Eliminate Water Non-Residential Excess Surcharge holiday

# Residential Water Tiers



# Typical Customer - Water



	<u>Current</u>	<u>Recommended</u>
<i>Residential (3/4" line), 6.0kgal/mo.</i>		
Service Charge:	\$28.10/mo.	\$28.52/mo.
Usage Charge:	\$3.19/kgal	\$3.24/kgal
<b>Monthly bill:</b>	<b>\$37.67/mo.</b>	<b>\$38.24/mo.</b>
	<b>(effective increase 1.5% or \$0.57/mo.)</b>	
<i>Commercial-General (1" line), 9.0kgal/mo.</i>		
Service Charge:	\$31.47/mo.	\$31.94/mo.
Usage Charge:	\$3.38/kgal	\$3.55/kgal
<b>Monthly bill:</b>	<b>\$51.75/mo.</b>	<b>\$53.24/mo.</b>
	<b>(effective increase 2.9% or \$1.49/mo.)</b>	
<i>Commercial-Landscape (1" line), 31.0kgal/mo.</i>		
Service Charge:	\$31.47/mo.	\$31.94/mo.
Usage Charge:	\$3.38/kgal	\$3.55/kgal
<b>Monthly bill:</b>	<b>\$126.11/mo.</b>	<b>\$131.34/mo.</b>
	<b>(effective increase 4.1% or \$5.23/mo.)</b>	

# Typical Customer - Wastewater



	<u>Current</u>	<u>Recommended</u>
<i>Residential: 4.0kgal/mo. (90% 3-mo. WWA)</i>		
Service Charge:	\$19.27/mo.	\$19.94/mo.
Usage Charge:	\$1.58/kgal	\$1.64/kgal
<b>Monthly bill:</b>	<b>\$22.43/mo.</b>	<b>\$23.22/mo.</b>
	<b>(effective increase 3.5% or \$0.79/mo.)</b>	
<i>Commercial: 9.0kgal/mo.</i>		
Service Charge:	\$20.67/mo.	\$21.50/mo.
Usage Charge:	\$1.65/kgal	\$1.72/kgal
Surcharge:	\$2.98/kgal	\$3.10/kgal
<b>Monthly bill:</b>	<b>\$44.14/mo.</b>	<b>\$45.94/mo.</b>
	<b>(effective increase 4.0% or \$1.80/mo.)</b>	



# Solid Waste



# Solid Waste Utility Rate Recommendations

- Residential Barrels:
  - No increase
- Commercial Front Load Rates:
  - Overall 3.5% increase
- Commercial Roll Off Rates:
  - Overall increase 1%
- Bulk Item:
  - Collection Fee increase by \$1.96, from \$23.04 to \$25.00
  - Not Out Fee increase by \$13.21, from \$11.79 to \$25.00
- HHM Only Fee
  - \$0.41 per month

# Front Load Trash Rate Recommendations

- Increase base rates for all size bins by \$1.50
- Increase out-of-zone fee by \$1.50, from \$15.00 to \$16.50
- Increase multi-day and multi-bin discounts by 2 percentage points
- Implement a Front Load Set Fee \$80.00 per Bin
- Implement a Front Load Removal Fee \$110.00 per Bin
- Implement a Front Load Relocation Fee
  - \$85.00 First Bin
  - \$10.00 Each Additional Bin
- Implement a Change in Size Fee \$90.00 per Bin



# Roll Off Rate Recommendations

- Increase trash and green set fee by \$2.00, from \$58.00 to \$60.00
- Increase trash per ton charge by \$0.20, from \$33.30 to \$33.50
- Increase green waste per ton charge by \$7.45, from \$32.30 to \$39.75
- Increase blocked/overloaded/unserviceable charge by \$25.00, from \$65.00 to \$90.00
- Implement a 24-hour cancellation charge of \$90.00

# Commercial Recycling

## CARDBOARD

<b>BIN SIZE</b>	<b>CURRENT</b>	<b>PROPOSED</b>
2 YD	\$ 36.00	\$ 45.06
3 YD	\$ 39.36	\$ 49.18
4 YD	\$ 42.72	\$ 53.03
6 YD	\$ 53.03	\$ 65.87
8 YD	\$ 63.09	\$ 78.12
Multi-Bin Factor	0.65	0.67

Eliminate Frontload Commercial Commingled Recycling



# Electric Service



# ENERGY RATE ADJUSTMENT PRINCIPLES

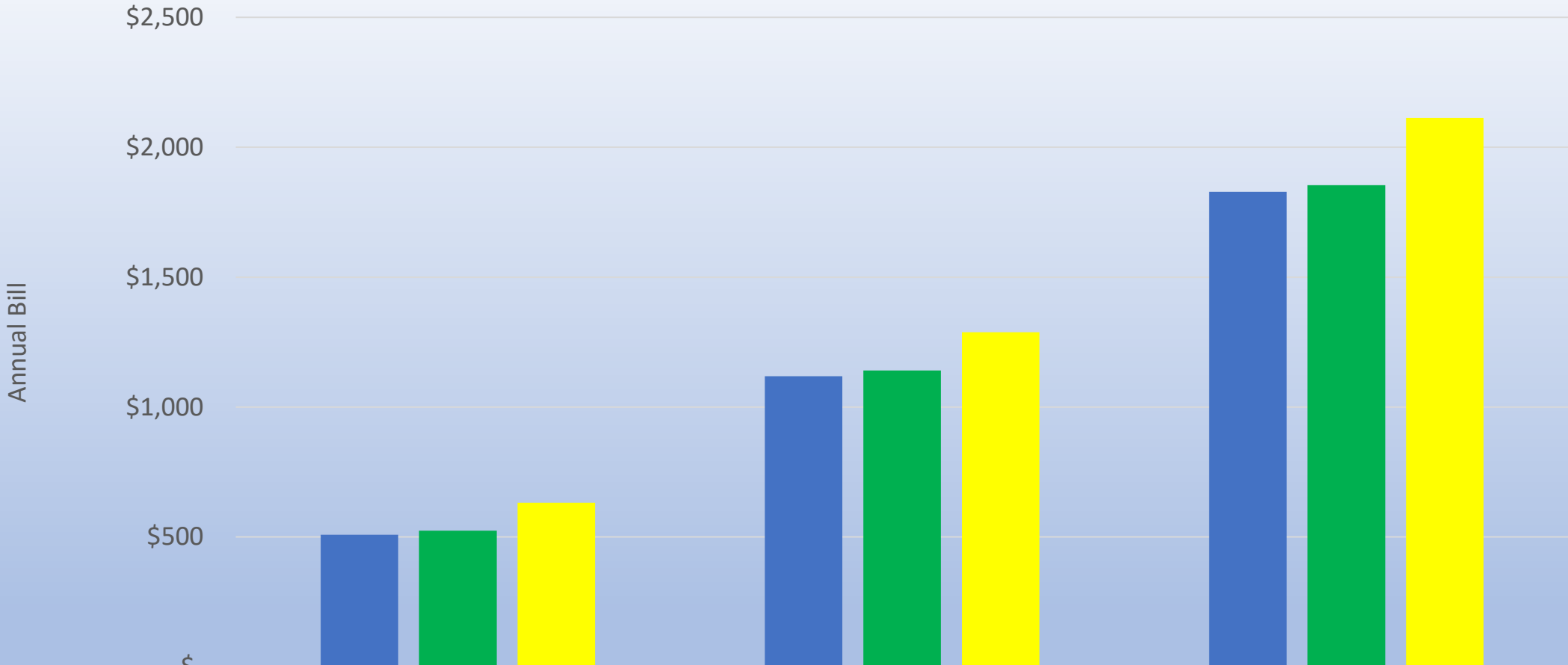
- Recover costs incurred to provide service
  - Infrastructure investments to enhance safety, reliability & efficiency
  - Align recovery of fixed costs with rate components that are not a function of consumption
- Promote energy efficiency & conservation
- Minimize rate/bill spikes
  - Long-term rate stability
  - Minimize bill impacts of extreme weather
- Benchmark with neighboring utilities (SRP & SWG)

# RESIDENTIAL ELECTRIC RATE STRUCTURE

## *There are three components*

- System Service Charge (fixed \$ per month per account)
- Usage (Consumption)
- Electric Energy Cost Adjustment Factor (EECAF)
  - Consumption
  - Pass-through of cost of commodity

### Residential Electric Annual Bill Comparison March 2021 to Feb 2022



	Small	Avg	Large
■ Mesa - Current	\$508.59	\$1,118.50	\$1,828.15
■ Mesa - Proposed	\$524.39	\$1,140.65	\$1,854.34
■ SRP	\$632.19	\$1,287.81	\$2,112.99

# PROPOSED ELECTRIC RATE ADJUSTMENTS

- Minimal Rate & Bill Adjustments
  - Residential: System Service Charge rate adjustment and Summer/Winter usage charge rate adjustment
- New Electric Services & Rates
  - Standby Rate

# PROPOSED RESIDENTIAL ELECTRIC RATES

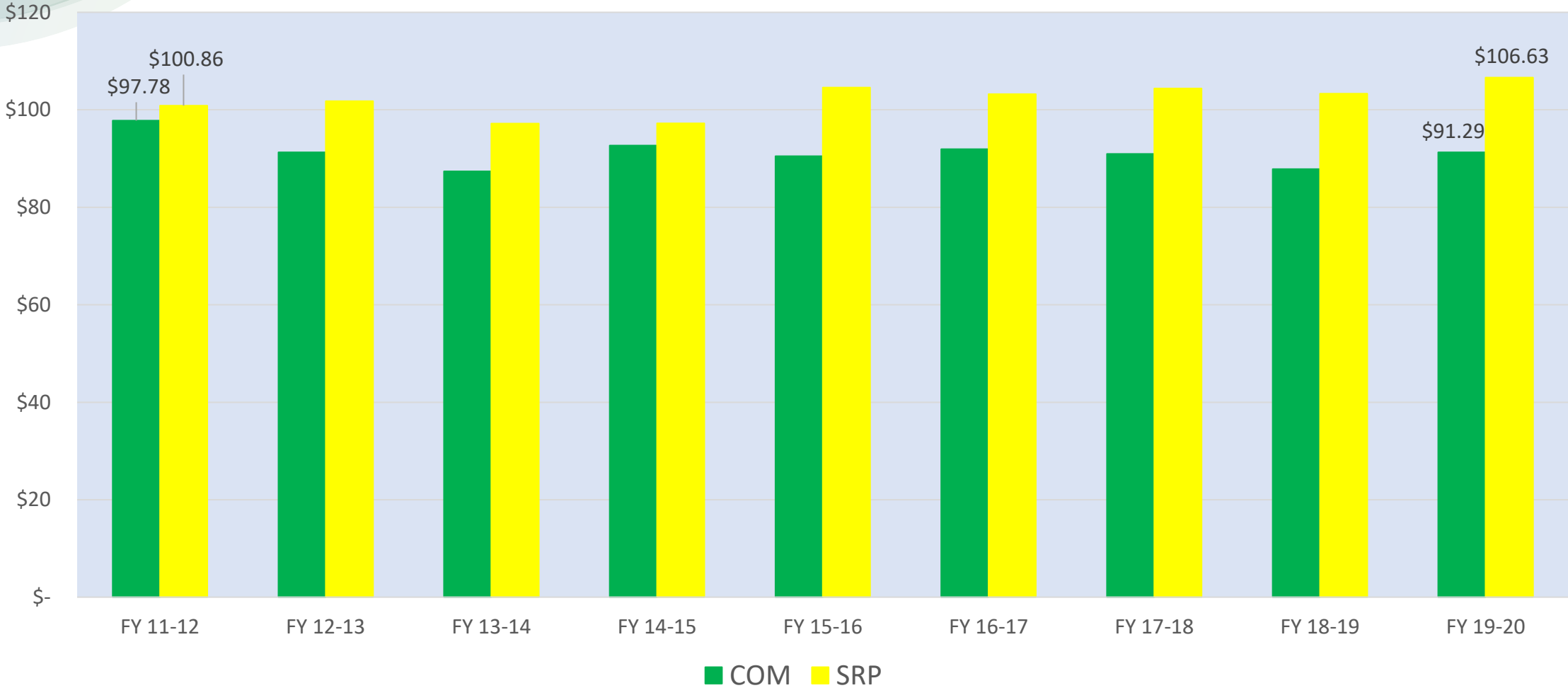
COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE	\$12.00	\$13.00
USAGE CHARGE SUMMER per kWh	Tier 1 - \$0.05128 Tier 2 - \$0.04822	Tier 1 - \$0.05179 Tier 2 - \$0.04822
USAGE CHARGE WINTER per kWh	Tier 1 - \$0.03765 Tier 2 - \$0.01633	Tier 1 - \$0.03953 Tier 2 - \$0.01715
ELECTRIC ENERGY SUPPLY COST	\$0.04618/kWh	\$ 0.04618/kWh

- EECAF is average of EECAF forecast for FY 20/21
  - Forecast range of \$0.04475 to \$0.04815



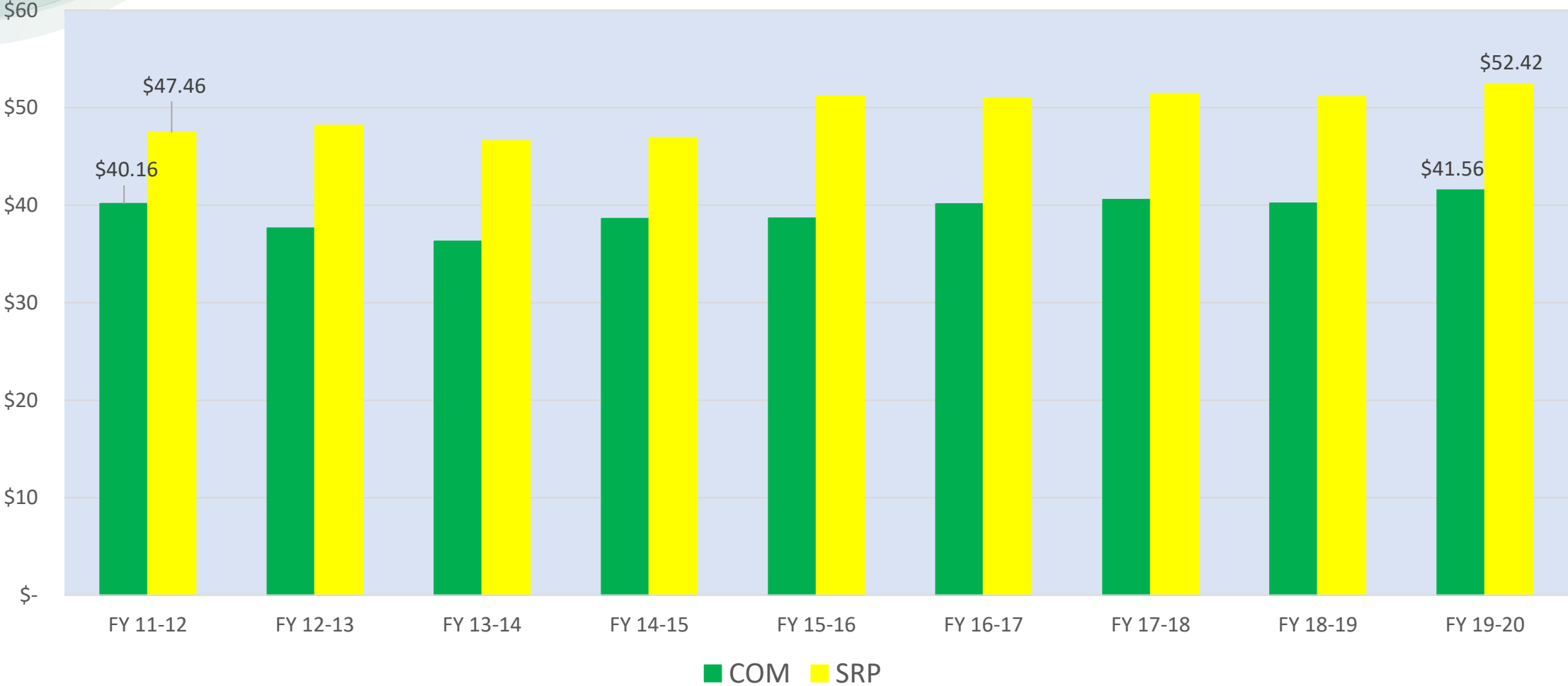
# EECAF REDUCTION EFFECTS ON AVERAGE RESIDENTIAL MONTHLY BILLS VERSUS SRP

Average Residential Electric Monthly Bills by Fiscal Year



# EECAF REDUCTION EFFECTS ON SMALL RESIDENTIAL MONTHLY BILLS VERSUS SRP

Small Residential Electric Monthly Bills by Fiscal Year



# PROPOSED NEW STANDBY ELECTRIC RATE

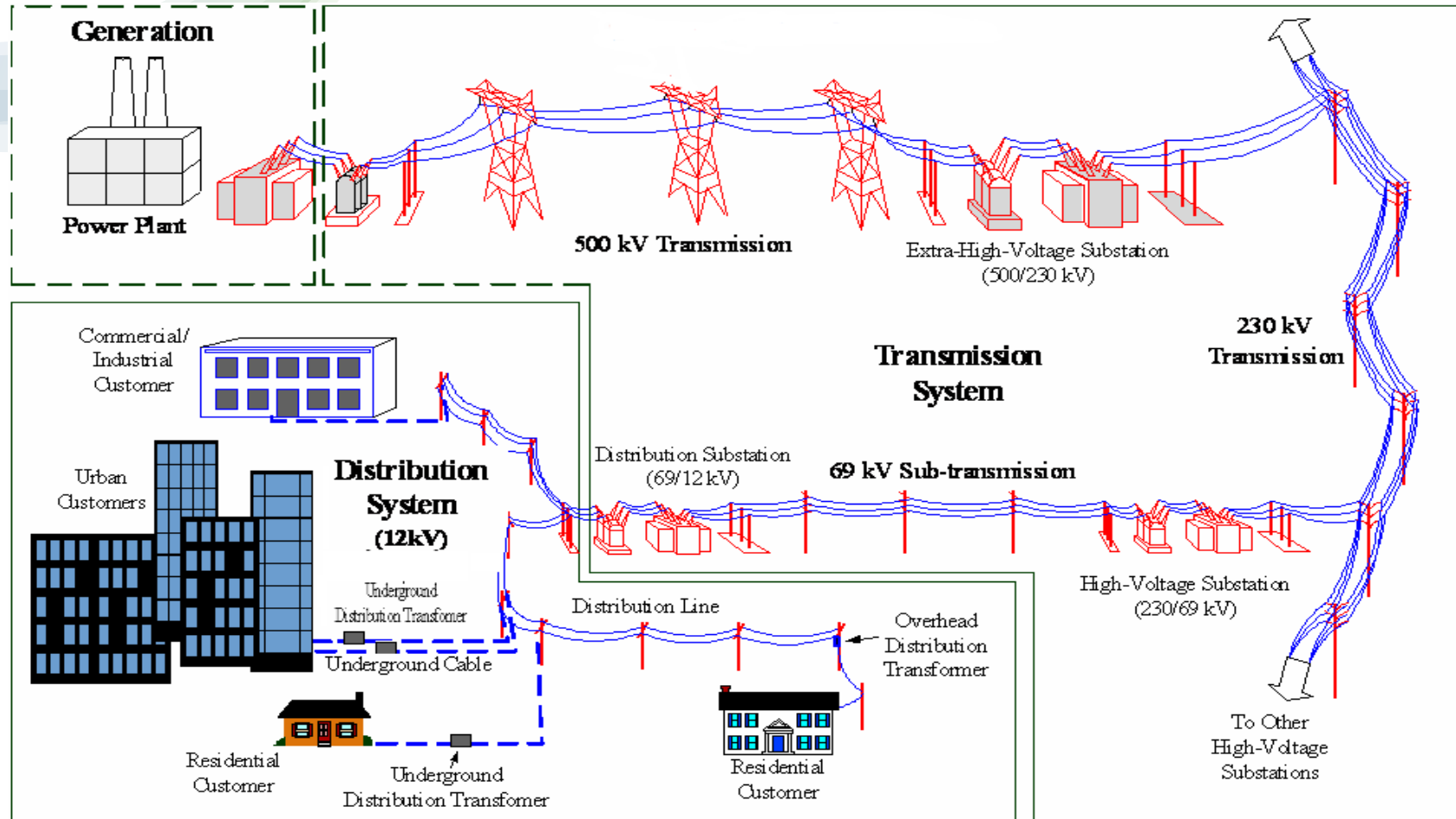
- Existing rates aren't adequate to ensure costs are recovered to provide requested service to new development projects
  - On-site Generation will provide significant portion of electric needs
  - Significant electric improvements to meet all electric needs
- Existing rates don't ensure timely & equitable cost recovery
- Standby rate "de-couples" cost recovery from whether utility or on-site generation meets energy needs
- Risks minimized that costs won't be recovered in a timely manner

# ELECTRIC COMMERCIAL (E3.1) COMPARED TO PROPOSED NEW STANDBY RATE

COMPONENT	TIER	E3.1 (Summer, 3 Phase)	PROPOSED NEW STANDBY
SYSTEM SERVICE CHARGE (\$/MONTH)	N/A	\$13.24	\$13.24
ENERGY CONSUMPTION CHARGE (\$/kWh)	0 - 15,000 kWh	\$0.06491	\$0.06491
	15,001–75,000 kWh	\$0.04125	\$0.04125
	MORE THAN 75,000 kWh	\$0.02901	\$0.02901
DEMAND CHARGE (\$/kW PER MONTH)	0-50 kW	0	N/A
	MORE THAN 50 kW	\$3.9168	N/A
FACILITY CHARGE (\$/kW PER MONTH)	Contract kW or Actual kW	N/A	\$6.670
ELECTRIC ENERGY SUPPLY COST(\$/kWh)	All kW	\$ 0.03483	\$ 0.03483

- EECAF is average of EECAF forecast for FY 20/21
  - Forecast range of \$0.03300 to \$0.03625

# Electric System



Standby Customers with on-site generation use entire electric system if their generation does not meet their energy requirements.

Additionally, significant investments in the 12 kV Distribution System are required to extend service to the new developments



# Natural Gas Service

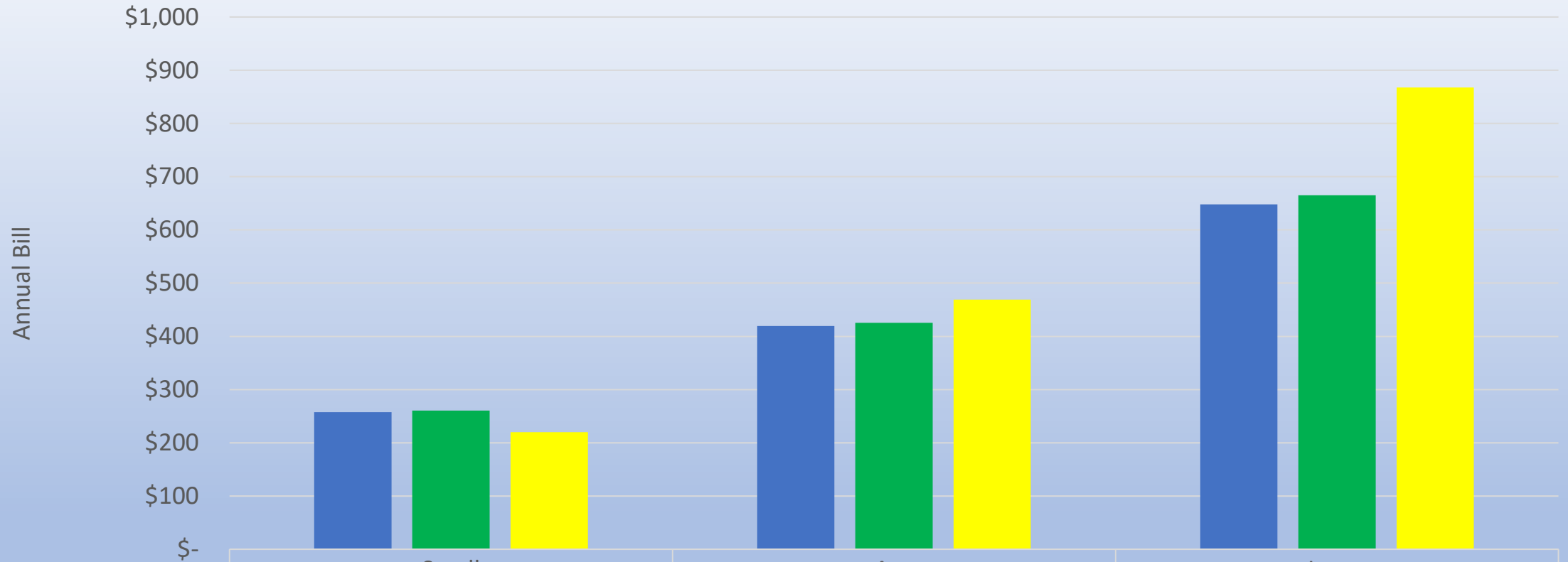


# RESIDENTIAL NATURAL GAS RATE STRUCTURE

There are three components

- System Service Charge (fixed \$ per month per account)
- Usage (Consumption)
- Purchased Natural Gas Cost Adjustment Factor (PNGCAF)
  - Consumption
  - Pass-through of cost of commodity

### Residential Gas Annual Bill Comparison - Mesa March 2021 to Feb 2022



	Small	Avg	Large
■ Mesa - Current	\$257.55	\$419.61	\$648.21
■ Mesa - Proposed	\$260.55	\$425.30	\$665.01
■ SWG Annual Bill	\$220.11	\$468.94	\$867.42



# PROPOSED GAS RATE ADJUSTMENTS

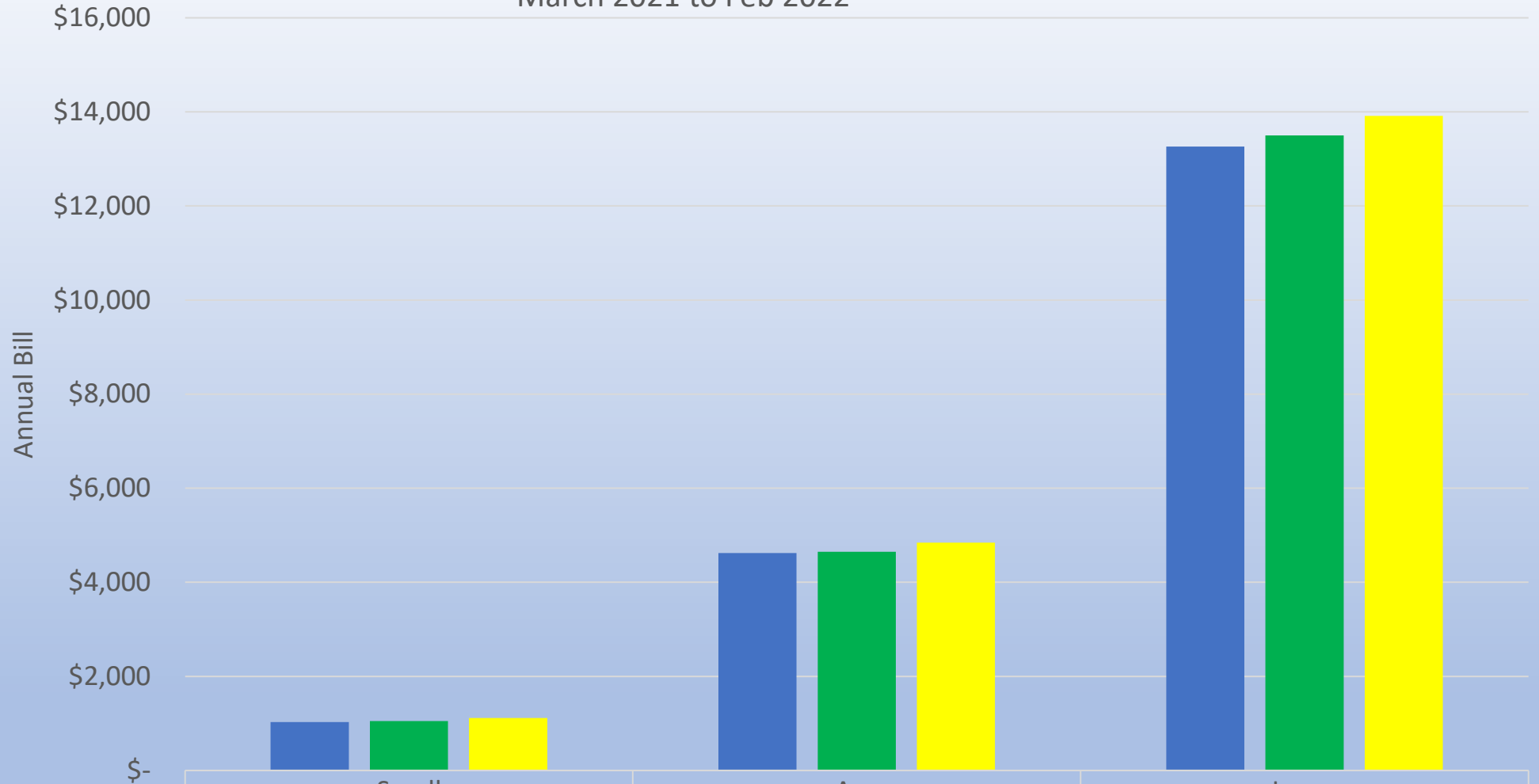
- Minimal Rate & Bill Adjustments for natural gas
  - Residential: System Service Charge rate adjustment and Tier 2 usage charge rate adjustment
  - Non-Residential: System Service Charge rate adjustment, Tier 2 usage charge rate adjustment and increase Tier 1 usage limit to 1500 therms from 1200 therms
- New Gas Economic Development Rate

# PROPOSED RESIDENTIAL GAS RATES

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE SUMMER WINTER	\$15.06 \$17.99	\$15.31 \$18.24
USAGE CHARGE SUMMER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.2167	Tier 1 - \$0.6685 Tier 2 - \$0.2384
USAGE CHARGE WINTER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.4926	Tier 1 - \$0.6685 Tier 2 - \$0.5419
NATURAL GAS SUPPLY COST	\$0.1985/therm	\$0.1985/therm

- PNGCAF is average of PNGCAF forecast for FY 20/21

### Commercial Gas Annual Bill Comparison - Mesa March 2021 to Feb 2022



	Small	Avg	Large
■ Mesa - Current	\$1,027.57	\$4,621.79	\$13,264.87
■ Mesa - Proposed	\$1,051.57	\$4,645.79	\$13,498.41
■ SWG Annual Bill	\$1,112.80	\$4,839.61	\$13,914.37

# PROPOSED COMMERCIAL GAS RATES

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE SUMMER WINTER	\$35.66 \$45.34	\$37.66 \$47.34
USAGE CHARGE SUMMER PER THERM	Tier 1 - \$0.5280 Tier 2 - \$0.3166	Tier 1 - \$0.5280 Tier 2 - \$0.3261
USAGE CHARGE WINTER PER THERM	Tier 1 - \$0.5718 Tier 2 - \$0.4574	Tier 1 - \$0.5718 Tier 2 - \$0.4711
TIER 1 to 2 THERM USAGE ADJUSTMENT	TIER 1: 0-1200 TIER 2: 1201+	TIER 1: 0-1500 TIER 2: 1501+
NATURAL GAS SUPPLY COST	\$0.1985/therm	\$0.1985/therm

- PNGCAF is average of PNGCAF forecast for FY 20/21

# NEW GAS ECONOMIC DEVELOPMENT RATE

- Structured to encourage existing large gas customers to expand and new large gas customers to come to Mesa
- Tiered rate structure designed to encourage large users to come to Mesa while still adequately recovering Mesa's investment in infrastructure
  - 0-90,000 Therms: \$0.2863
  - 90,000 – 500,000 Therms: \$0.2100
  - 500,000+ Therms: \$0.1400
- Criteria for enrollment:
  - \$25 million in Capital Investment
  - 50 new employees
  - Minimum 36,000 therms of consumption per month

# IN THE FUTURE

- Smart Meters
  - Time of Use Rates
    - Electric Vehicle Rates
- Prepaid Electric Bills

# Schedule for FY 2020/21 Utility Rates Adjustment Recommendation

- Sept 21** – City Council Action on Notice of Intent
- Oct 15** – City Council Discussion of Utility Rates
- Nov 16** – Introduce Utility Rate Ordinances
- Dec 1** – City Council Action on Utility Rates
- Jan 1** – Effective date for Utility Rate changes





# Rate Adjustment History

## FY 19/20 Forecasted

	FY 17/18	FY 18/19	FY 19/20
WATER Residential	3.50%	2.00%	3.85%
WATER Non-Residential	3.50%	2.00%	3.85%
WASTEWATER Residential	4.00%	2.50%	4.35%
WASTEWATER Non-Residential	4.00%	2.50%	4.35%
SOLID WASTE Residential	3.50%	2.00%	3.85%
SOLID WASTE Commercial	2.50%	2.00%	2.00%
SOLID WASTE Rolloff	0.00%	0.00%	2.00%
ELECTRIC Residential -svc charge only	\$1.25	\$1.00	\$2.25
ELECTRIC Non-Residential	\$0.00	\$0.00	\$0.00
GAS Residential - svc charge only	\$0.75	\$0.45	\$0.75
GAS Non-Residential - svc charge only	\$0.75	\$0.45	\$0.75

## FY 19/20 Adopted

	FY 17/18	FY 18/19	FY 19/20*
WATER Residential	3.50%	2.00%	0.00%
WATER Non-Residential (usage only)	3.50%	2.00%	6.00%
WASTEWATER Residential	4.00%	2.50%	0.00%
WASTEWATER Non-Residential	4.00%	2.50%	4.35%
SOLID WASTE Residential	3.50%	2.00%	0.00%
SOLID WASTE Commercial	2.50%	2.00%	3.80%
SOLID WASTE Rolloff	0.00%	0.00%	2.40%
ELECTRIC Residential - svc charge only	\$1.25	\$1.00	\$0.25
ELECTRIC Non-Residential - svc charge only	\$0.00	\$0.00	\$2.50
GAS Residential - svc charge only	\$0.75	\$0.45	\$0.75
GAS Non-Residential - svc charge only	\$0.75	\$0.45	\$2.00

\*FY 19/20 Effective date shifted from July to March/April

# Residential Water Tiers

## Current Residential Tier Structure

First 3,000 gallons included in service charge

Gallons	Cost per 1,000 gal
4,000-9,000	\$3.19
10,000-18,000	\$4.79
19,000-24,000	\$5.77
25,000 and greater	\$6.46

## Recommended Residential Tier Structure

First 3,000 gallons included in service charge

Gallons	Cost per 1,000 gal
4,000-7,000	\$3.24
8,000-15,000	\$4.86
16,000-24,000	\$5.86
25,000 and greater	\$6.56