

TO: City Council  
FROM: William Gin, Finance Director  
Through Scott Burgess, City Manager  
DATE: August 26, 1994  
SUBJECT: August 29 Work Session on Cost-of-Service Water Rates

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The purpose of this memo is to bring you up to date on what has occurred over the last twelve months.

**First Meeting, August 30, 1993**

On August 30, 1993, the City Council held its first work session on the City's "Cost-of-Service Water Rates & Charges" report, prepared by Economic Resource Associates [ERA]. At that time, the report called for a 64% rate increase (based on median use of 1,100 cubic feet of water per month). At this meeting Council asked staff to look at: (a) the South Fork Water Board's rate methodology and (b) financial options to reduce the increase.

**Second Meeting, November 29, 1993**

At the second meeting (November 29, 1993), the information requested at the first meeting was presented--which incorporated additional information on how the South Fork Water Board's [SFWB] rate study affected the City's study.

The SFWB's rate study (prepared by Economic and Engineering Services [EES], dated November 1993) was not available when the City's study was prepared. The EES report called for a 39% SFWB rate increase (from \$.226 to \$0.313 per 100 cubic feet). After comparing both study's projected data for water purchases, we estimated that the City's cost of service report came up \$454,982 short over the 5-year projection period (fiscal years 1995 through 1999). As a result of this, and Council's desire to reduce the original 64% rate increase, staff made some reductions in non-CIP expenditures. With these two changes, we made a rough estimate that the proposed rate increase would be reduced to around 58%, which would need to be recalculated and confirmed by ERA.

By the end of the meeting, Council asked for additional information about: (a) tiered/block/seasonal water rates, (b) names of water utilities using tiered rates and (c) the cost of using revenue or general obligation bonds<sup>1</sup>.

**Third Meeting, January 18, 1994**

At the last meeting, Staff presented the additional information and recommended following the "pay-as-you-go" approach and approving ERA's "Cost-of-Service, Water Rates & Charges" report, as amended for the SFWB rate increases and staff's reduction in non-CIP expenditures.

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<sup>1</sup> It was staff's opinion that using bond financing would not be a wise decision at this time, because it would be costly and we are nearing the end of the 1982 water master plan's 20-year study period and a new study needs to be conducted within the next 5 years to identify the longer-term needs.

At the meeting, Council had a discussion about adjusting water rates annually, rather than adopting a 5-year average rate. They also discussed the proposed rate structure (which is "commodity" based), in that customers using less than 400 cubic feet of water per month would see a 9% to a 66% reduction in their water bill, while customers using 400 cubic feet or more would see increases ranging from 8% to 65%.

Council asked staff to comeback with information leaning more toward a "capacity" based rate structure (larger fixed/minimum monthly charge based on meter size), so that customers using less water would not have such a large reduction in their water bill, which would have the affect of reducing the increase of those who use larger amounts.

### ***Subsequent Events***

In late February, early March, the possibility of issuing additional SFWB bonds surfaced, which would require increasing the rates again. Further work on the City's water cost-of service study was held-up. As things turned-out, by July 7, 1994, the City received EES's report showing SFWB's rate to the City needed to be increased from \$.313 to \$.557--another 78% increase to cover a \$4.3 million revenue bond issue. This increased the City's water purchase costs by another \$1,158,246, over our study's 5-year projection period.

### ***West Linn Proposed Rate Increase***

Before you now is a recommendation to adopt a 98% rate increase, based on a 5-year average rate (Alternative B), using the "commodity" billing approach. In summary, the following changes were made to ERA's original report:

- o O&M expenditures reduced \$226,913,
- o Payments to SFWB for purchase of water increased \$1,613,228,
- o Capital project expenditures reduced \$313,390, which include projects being carried over and the re-scheduling of priorities,
- o Phase I of the Willamette Falls Drive transmission main project added to the CIP schedule (\$249,700), and
- o Transfer \$77,138 from the Capital Development Fund to subsidize the Water Fund's 1994-95 CIP budget.

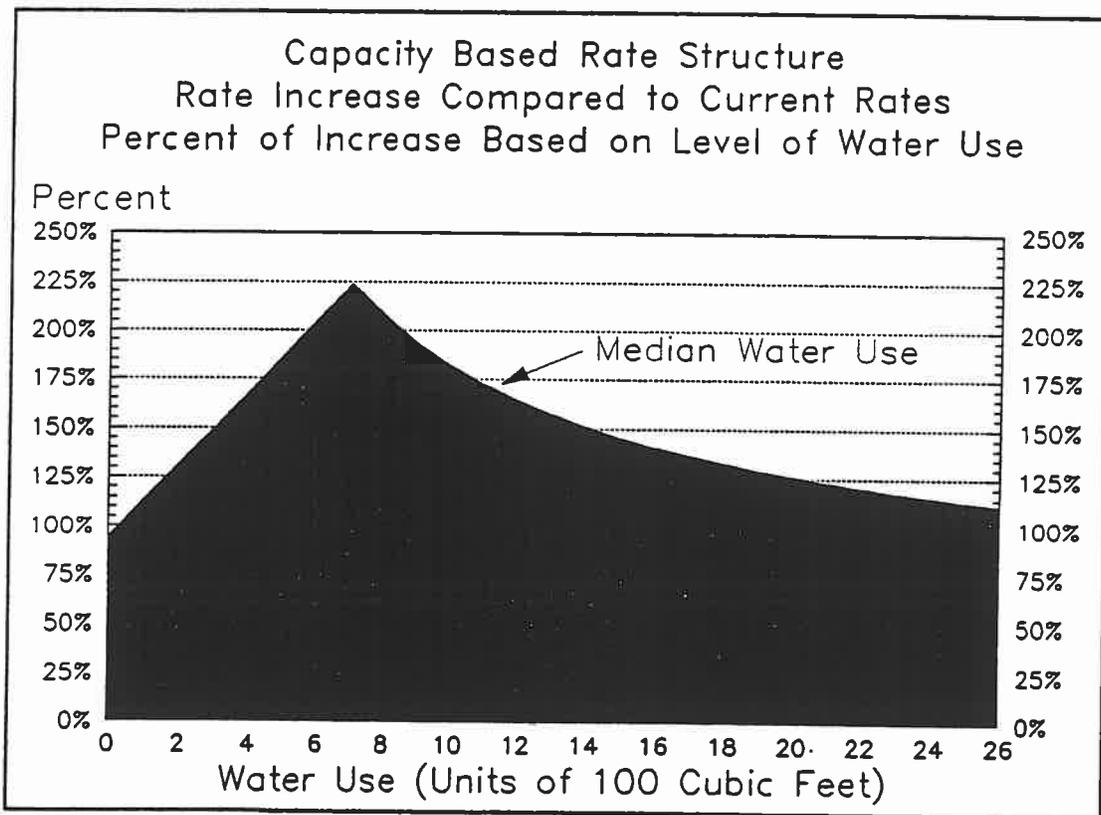
Staff recommends adopting the 5-year average rate, rather than making annual rate changes and/or using the "capacity" billing approach, for the following reasons:

1. October 1, 1994 is the earliest date that a rate increase could be in effect. This means that December would be the first billing period with the new rates in effect. By then, five billing periods (July through November) will have gone by, using current rates. On average, during this 5-month period the City bills 52 to 55 percent of its total water sales for the entire year. These two things will cause a revenue shortfall, and affect the financing of the Water Fund's 1994-95 budget.

To makeup for the 5-month revenue shortfall, it would require back-loading the shortfall into the remaining seven months left in 1994-95. This results in a 171% rate increase.

2. We found inequalities associated with adopting a "capacity based" rate structure [reference Alternative C]. Median users (1,100 cubic feet of water use) would see a 172% rate increase, while larger users (greater than 1,100) would see declining increases. At the other end of the scale, users falling within the 500-to-1,000 range would see a 181% to a 224% increase and users within the 0 to 400 range a 94% to a 168% increase.

Our records show users falling within the 500-to-1000 range purchase appropriately 23-24% of the total water sold and makeup 42-45% of the City's total annual billings. Two conclusions can be drawn from this information: sales to this group of users would subsidize the cost of water to larger users and sales to the 0-to-400 users group does the same. This occurrence is shown graphically below, if a capacity based rate structure were adopted:



Carl Goebel (of Economic Resource Associates) will be at our August 29 work session, to present and answer questions about the City's cost-of-service water rates. Along with this memo is some pre-meeting information, prepared by him, for your review.

**ATTACHMENT A**

City of West Linn, Oregon

Water Rate Alternatives

City Council Workshop

7:30 pm

August 29, 1994

# ADOPT RATE CHANGES ANNUALLY

## ALTERNATIVE A

### ASSUMPTIONS

- Based on City's 1994-95 Water Budget
- Finances the City's 1994-95 Capital Improvement Program
- Rates will be adjusted annually.
- Increases South Fork Water Rates by 78% from \$0.313 to \$0.557 per 100 cubic feet of water
- Inflation will continue to be modest at 3-3.5%
- Rates will be adopted in time for the City to receive seven months of collections in 1994-95 at the higher rate.

### IMPLICATIONS

- Rates will be sufficient to meet operating and capital requirements for the next five years.
- Average increase in 1994-95 is 82%, 1995-96 is 107%, 1996-97 is 85% and continues to drop slightly for the remaining two years.
- The actual bill for the seven month rate increase period in 1994-95 will increase 170% from \$13.90 currently to \$37.74 during the seven month period.
- Revenues to the Water Fund will increase by approximately \$1 million per year.
- Ten percent of the Rate increase is needed to fund just operations, thirty percent for the added cost of South Fork, and the remainder for investments in new capital requirements.

City of West Linn, Oregon Annual Water Rate Adjustments					
Base Case	Seven Months 1994-95	1995-96	1996-97	1997-98	1998-99
Rate Increase Average Customer	82.41%	107.27%	84.96%	83.60%	76.12%
Seven Month Rate Increase	170.79%				
Average Monthly Bill (1,100 CF)	\$25.36	\$28.81	\$25.71	\$25.52	\$24.48
Rate					
Customer	\$1.34	\$1.01	\$0.94	\$0.94	\$0.92
Capacity	\$3.18	\$2.72	\$2.11	\$2.14	\$2.00
Commodity	\$3.01	\$2.28	\$2.06	\$2.04	\$1.96
Total Revenue Earned	\$2,365,188	\$2,689,364	\$2,472,290	\$2,526,677	\$2,496,466
Expenditures w/o CIP	\$1,951,718	\$2,013,388	\$2,014,271	\$2,045,144	\$2,048,666
Available for CIP					
Carry Forward	\$236,500	\$0	\$0	\$0	\$0
New Projects	\$413,469	\$675,977	\$458,019	\$481,533	\$447,800
Total	\$649,969	\$675,977	\$458,019	\$481,533	\$447,800

Note: The 1994-95 average monthly bill amount shown (\$25.36) is a 12-month composite figure, comprised of 5 months billing under current rates and 7 months billing using proposed rates.

# ALTERNATIVE A

City of West Linn, Oregon Water Capital Improvement Program Annual Water Rate Adjustments						
Capital Projects	1994-95	1995-96	1996-97	1997-98	1998-99	Total
Main Replacement #507	\$200,000		\$200,000		\$200,000	\$600,000
Boiton Res. Upgrade #5026	\$110,000					\$110,000
Horton #2 Land Acquisition #5023	\$43,500					\$43,500
Salamo Res. Re-Coat #5032	\$50,000					\$50,000
Facility Improvements #5033			\$10,000		\$10,000	\$20,000
Cathodic Protection			\$20,000			\$20,000
I-205 Tran. Main Analysis #5025	\$13,000					\$13,000
I-205 Main Improvements	\$10,000	\$200,000				\$210,000
Seismic Improvements #5034	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
SFWB Ownership #5035	\$130,000					\$130,000
Regional Surviv Study #0764	\$12,000					\$12,000
Share SDC Projects #5014	\$25,000	\$45,000	\$45,000	\$45,000	\$45,000	\$205,000
Telemetry. Phs. 2&3 #5036	\$15,000			\$30,000		\$45,000
Willamette Falls Phs I		\$249,700				\$249,700
Willamette Falls Phs II #5029	\$20,000	\$165,700	\$165,700			\$351,400
Willamette Falls Phs III				\$325,700		\$325,700
Horton Res. Re-Coat				\$70,000		\$70,000
Other Improvements					\$176,025	\$176,025
Balance Forward	(\$236,500)					(\$236,500)
Total	\$402,000	\$570,400	\$450,700	\$480,700	\$441,025	\$2,444,825
Inflated and Extended	\$402,000	\$693,864	\$482,801	\$552,961	\$506,086	\$2,617,712

City of West Linn, Oregon  
 1994-95 Impact on 3/4" Service  
 Annual Water Rate Adjustment

Water Use (Cubic Feet)	Proposed		Current	Savings/ (Costs)	Change		Water Use	Bills
	Average	7 Months			Average	7 Months		
0	\$6.60	\$4.53	\$9.50	\$2.90	-30.53%	-52.34%		
100	\$8.10	\$7.54	\$9.50	\$1.40	-14.69%	-20.65%		
200	\$9.61	\$10.55	\$9.50	(\$0.11)	1.16%	11.04%	0.08%	2.11%
300	\$11.11	\$13.56	\$9.50	(\$1.61)	17.00%	42.73%	0.30%	2.55%
400	\$12.62	\$16.57	\$9.50	(\$3.12)	32.84%	74.41%	1.31%	4.90%
500	\$14.13	\$19.58	\$9.50	\$4.63	48.68%	106.09%	2.17%	6.30%
600	\$15.63	\$22.59	\$9.50	\$6.13	64.53%	137.73%	3.27%	7.79%
700	\$17.14	\$25.60	\$9.50	\$7.64	80.37%	169.46%	4.33%	8.72%
800	\$19.19	\$28.61	\$10.60	\$8.59	91.04%	169.90%	4.71%	8.25%
900	\$21.25	\$31.62	\$11.70	(\$9.55)	91.58%	170.25%	4.83%	7.32%
1000	\$23.30	\$34.63	\$12.80	(\$10.50)	92.03%	170.54%	4.76%	6.58%
1100	\$25.36	\$37.64	\$13.90	(\$11.46)	92.41%	170.79%	4.53%	5.66%
1200	\$27.41	\$40.65	\$15.00	(\$12.41)	92.74%	171.00%	4.22%	4.81%
1300	\$29.47	\$43.66	\$16.10	(\$13.37)	93.02%	171.18%	3.77%	3.96%
1400	\$31.52	\$46.67	\$17.20	(\$14.32)	93.26%	171.34%	3.58%	3.48%
1500	\$33.58	\$49.68	\$18.30	(\$15.28)	93.47%	171.47%	3.11%	2.82%
1600	\$35.63	\$52.69	\$19.40	(\$16.23)	93.66%	171.60%	2.76%	2.34%
1700	\$37.69	\$55.70	\$20.50	(\$17.19)	93.83%	171.71%	2.64%	2.10%
1800	\$39.74	\$58.71	\$21.60	(\$18.14)	93.99%	171.81%	2.34%	1.76%
1900	\$41.80	\$61.72	\$22.70	(\$19.10)	94.12%	171.90%	1.94%	1.37%
2000	\$43.85	\$64.73	\$23.80	(\$20.05)	94.25%	171.98%	1.85%	1.25%
2100	\$45.91	\$67.74	\$24.90	(\$21.01)	94.36%	172.05%	1.61%	1.03%
2200	\$47.96	\$70.75	\$26.00	(\$21.96)	94.47%	172.12%	1.70%	1.04%
2300	\$50.02	\$73.76	\$27.10	(\$22.92)	94.56%	172.18%	1.43%	0.83%
2400	\$52.07	\$76.77	\$28.20	(\$23.87)	94.65%	172.24%	1.44%	0.81%
2500	\$54.13	\$79.78	\$29.30	(\$24.83)	94.73%	172.29%	1.32%	0.71%
2600	\$56.18	\$82.79	\$30.40	(\$25.78)	94.81%	172.34%	1.14%	0.59%
Above 2600							34.09%	6.96%

# ADOPT A 5-YEAR AVERAGE RATE

## ALTERNATIVE B

### ASSUMPTIONS

- Based on City's 1994-95 Water Budget
- City's Capital Improvement Program is adjusted to accommodate resources available.
- The average five year rate will be charged in each year.
- Increases South Fork Water Rates by 78% from \$031.3 to \$0.557 per 100 cubic feet of water
- Inflation will continue to be modest at 3-3.5%
- Rates will be adopted in time for the City to receive seven months of collections in 1994-95 at the higher rate.

### IMPLICATIONS

- Rates will not be sufficient to meet operations and debt service in 1994-95.
- To fund the carry over 1993-94 projects, the General Fund will be required to contribute \$77,138 in 1994-95. No further contribution from the General Fund is contemplated during the remaining four years.
- Capital spending drops to \$263,500 in 1994-95. Projects are shifted into future years. Capital spending for the remaining four years averages about \$560,000.
- Average increase in 1994-95 is 46%, and remains at 99% for the remainder of the five year period.
- The actual bill for the seven month rate increase period in 1994-95 will increase by 199% from \$13.90 currently to \$27.59 during the seven month period.
- Revenues to the Water Fund will increase by approximately \$520,000 in 1994-95 and approximately \$1.2 million in the following four years.
- Ten percent of the Rate increase is needed to fund just operations, thirty percent for the added cost of South Fork, and the remainder for investments in new capital requirements.

City of West Linn, Oregon Five Year Average Water Rates					
5 Year Average Rate	Seven Months 1994-95	1995-96	1996-97	1997-98	1998-99
Rate Increase Average Customer	45.58%	98.52%	98.52%	98.52%	98.52%
Seven Month Rate Increase	98.52%				
Average Monthly Bill (1,000 CF)	\$20.24	\$27.59	\$27.59	\$27.59	\$27.59
Rate					
Customer	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Capacity	\$2.36	\$2.36	\$2.36	\$2.36	\$2.36
Commodity	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
Total Revenue Earned	\$1,901,580	\$2,576,975	\$2,585,404	\$2,594,113	\$2,603,115
Expenditures w/o CIP	\$1,951,718	\$2,013,388	\$2,014,271	\$2,045,144	\$2,048,666
Available for CIP					
Carry Forward	\$236,500	\$0	\$0	\$0	\$0
New Projects	(\$50,138)	\$563,588	\$571,133	\$548,969	\$554,449
Total	\$186,362	\$563,588	\$571,133	\$548,969	\$554,449

Note: The 1994-95 average monthly bill amount shown (\$20.24) is a 12-month composite figure, comprised of 5 months billing under current rates and 7 months billing using proposed rates.

**REVISED (Sept 6, 1994)**

City of West Linn, Oregon Five Year Average Rates Revised for Consumption Growth					
5 Year Average Rate	Seven Months 1994-95	1995-96	1996-97	1997-98	1998-99
Rate Increase Average Customer	45.58%	98.52%	98.52%	98.52%	98.52%
Seven Month Rate Increase	98.52%				
Average Monthly Bill	\$20.24	\$27.59	\$27.59	\$27.59	\$27.59
Rate					
Customer	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Capacity	\$2.36	\$2.36	\$2.36	\$2.36	\$2.36
Commodity	\$2.20	\$2.20	\$2.20	\$2.20	\$2.20
Total Revenue Earned	\$1,901,580	\$2,576,975	\$2,655,053	\$2,731,908	\$2,813,682
Expenditures w/o CIP	\$1,951,718	\$2,013,388	\$2,014,271	\$2,045,144	\$2,048,666
Available for CIP					
Carry Forward	\$236,500	\$0	\$0	\$0	\$0
New Projects	(\$50,138)	\$563,588	\$638,782	\$686,765	\$765,016
Total	\$186,362	\$563,588	\$638,782	\$686,765	\$765,016

Note: ERA had under estimated the income earnings and inadvertently used the same level of water consumption for future years. This problem was caused by copying spreadsheet cells using alternative set of assumptions and what-if scenarios.

# ALTERNATIVE B

## City of West Linn, Oregon Water Capital Improvement Program Five Year Average Water Rates

Capital Projects	1994-95	1995-96	1996-97	1997-98	1998-99	Total
Main Replacement #507	\$50,000		\$200,000		\$200,000	\$450,000
Bolton Res. Upgrade #5025	\$110,000					\$110,000
Horton #2 Land Acquisition #5013	\$43,500					\$43,500
Salamo Res. Re-Coat #5032		\$50,000				\$50,000
Facility Improvements #5033			\$10,000		\$10,000	\$20,000
Cathodic Protection			\$20,000			\$20,000
I-205 Tran. Main Analysis #5029	\$13,000					\$13,000
I-205 Main Improvements		\$10,000	\$85,433	\$33,259	\$78,424	\$207,126
Seismic Improvements #5034		\$10,000	\$10,000	\$10,000	\$10,000	\$40,000
SFWB Ownership #5035		\$35,000	\$35,000	\$35,000	\$35,000	\$140,000
Regional Supply Study #5764	\$12,000					\$12,000
Share SDC Projects #5014		\$43,133	\$45,000	\$45,000	\$45,000	\$178,133
Telemetry, Phs. 2&3 #5036	\$15,000			\$30,000		\$45,000
Willamette Falls Phs I		\$249,700				\$249,700
Willamette Falls Phs II #5020	\$20,000	\$165,700	\$165,700			\$351,400
Willamette Falls Phs III				\$325,700		\$325,700
Horton Res. Re-Coat				\$70,000		\$70,000
Other Improvements						
<b>Total</b>	<b>\$263,500</b>	<b>\$563,583</b>	<b>\$571,133</b>	<b>\$548,969</b>	<b>\$554,449</b>	<b>\$2,501,639</b>
Available Revenues 5-Year Average	\$186,362	\$563,588	\$571,133	\$548,969	\$554,449	\$2,424,501
General Fund Subsidy	\$77,138	\$0	\$0	\$0	\$0	\$77,138
Balance	\$0	\$0	\$0	\$0	\$0	\$0

# ALTERNATIVE B

## City of West Linn, Oregon 1994-95 Impact on 3/4" Service Five Year Average Water Rates

Water Use (Cubic Feet)	Monthly Rate		Savings/ (Costs)	Increase/ (Decrease)	Water	
	Proposed	Current			Use	Bills
0	\$5.92	\$9.50	\$3.58	-37.67%		
100	\$7.02	\$9.50	\$2.48	-26.08%	0.08%	2.11%
200	\$8.12	\$9.50	\$1.38	-14.49%	0.30%	2.55%
300	\$9.23	\$9.50	\$0.27	-2.89%	0.72%	3.76%
400	\$10.33	\$9.50	(\$0.83)	8.70%	1.31%	4.90%
500	\$11.43	\$9.50	(\$1.93)	20.29%	2.17%	6.30%
600	\$12.53	\$9.50	(\$3.03)	31.89%	3.27%	7.79%
700	\$13.63	\$9.50	(\$4.13)	43.48%	4.53%	8.72%
800	\$14.73	\$10.60	(\$4.68)	44.17%	4.71%	8.25%
900	\$15.83	\$11.70	(\$5.23)	44.73%	4.88%	7.52%
1000	\$16.93	\$12.80	(\$5.78)	45.19%	4.76%	6.58%
1100	\$18.03	\$13.90	(\$6.34)	45.58%	4.53%	5.66%
1200	\$19.13	\$15.00	(\$6.89)	45.92%	4.22%	4.81%
1300	\$20.23	\$16.10	(\$7.44)	46.20%	3.77%	3.96%
1400	\$21.33	\$17.20	(\$7.99)	46.45%	3.58%	3.48%
1500	\$22.43	\$18.30	(\$8.54)	46.68%	3.11%	2.82%
1600	\$23.53	\$19.40	(\$9.09)	46.87%	2.76%	2.34%
1700	\$24.63	\$20.50	(\$9.64)	47.05%	2.64%	2.10%
1800	\$25.73	\$21.60	(\$10.20)	47.20%	2.34%	1.76%
1900	\$26.83	\$22.70	(\$10.75)	47.34%	1.94%	1.37%
2000	\$27.93	\$23.80	(\$11.30)	47.47%	1.85%	1.25%
2100	\$29.03	\$24.90	(\$11.85)	47.59%	1.61%	1.03%
2200	\$30.13	\$26.00	(\$12.40)	47.70%	1.70%	1.04%
2300	\$31.23	\$27.10	(\$12.95)	47.80%	1.43%	0.83%
2400	\$32.33	\$28.20	(\$13.50)	47.89%	1.44%	0.81%
2500	\$33.43	\$29.30	(\$14.06)	47.97%	1.32%	0.71%
2600	\$34.53	\$30.40	(\$14.61)	48.05%	1.14%	0.59%
Above 2600					34.09%	6.96%

Note: The figures shown up the "Proposed" column are average monthly monthly bill amounts: a 12-month composite figure, comprised of 5 months billing under current rates and 7 months billing using proposed rates.

## ALTERNATIVE B

### City of West Linn, Oregon Seven Month Rate Increase in Effect 1994-95 Impact on 3/4" Service Adopting 5-Year Averaged Water Rate

Water Use Cubic Feet	Monthly Rate		Savings/ (Costs)	Increase/ (Decrease)
	Proposed	Current		
0	\$3.36	\$9.50	\$6.14	-64.63%
100	\$5.55	\$9.50	\$3.94	-41.47%
200	\$7.76	\$9.50	\$1.74	-18.32%
300	\$9.96	\$9.50	(\$0.46)	4.84%
400	\$12.16	\$9.50	(\$2.66)	28.00%
500	\$14.36	\$9.50	(\$4.86)	51.16%
600	\$16.56	\$9.50	(\$7.06)	74.32%
700	\$18.76	\$9.50	(\$9.26)	97.47%
800	\$20.96	\$10.60	(\$10.36)	97.74%
900	\$23.16	\$11.70	(\$11.46)	97.95%
1000	\$25.36	\$12.80	(\$12.56)	98.13%
1100	\$27.56	\$13.90	(\$13.66)	98.27%
1200	\$29.76	\$15.00	(\$14.76)	98.40%
1300	\$31.96	\$16.10	(\$15.86)	98.51%
1400	\$34.16	\$17.20	(\$16.96)	98.60%
1500	\$36.36	\$18.30	(\$18.06)	98.69%
1600	\$38.56	\$19.40	(\$19.16)	98.76%
1700	\$40.76	\$20.50	(\$20.26)	98.83%
1800	\$42.96	\$21.60	(\$21.36)	98.89%
1900	\$45.16	\$22.70	(\$22.46)	98.94%
2000	\$47.36	\$23.80	(\$23.56)	98.99%
2100	\$49.56	\$24.90	(\$24.66)	99.04%
2200	\$51.76	\$26.00	(\$25.76)	99.08%
2300	\$53.96	\$27.10	(\$26.86)	99.11%
2400	\$56.16	\$28.20	(\$27.96)	99.15%
2500	\$58.36	\$29.30	(\$29.06)	99.18%
2600	\$60.56	\$30.40	(\$30.16)	99.21%

# **CAPACITY BASED RATE STRUCTURE**

## **ALTERNATIVE C**

### ASSUMPTIONS

- Based on City's 1994-95 Water Budget
- Finances the City's 1994-95 Capital Improvement Program
- Rates will be adjusted annually.
- Rates based on allocating approximately half of system and supply costs to capacity based on flow and storage requirements.
- Increases South Fork Water Rates by 78% from \$031.3 to \$0557 per 100 cubic feet of water
- Inflation will continue to be modest at 3-3.5%
- Rates will be adopted in time for the City to receive seven months of collections in 1994-95 at the higher rate.

### IMPLICATIONS

- Rates will be sufficient to meet operating and capital requirements for the next five years. Because of the differences in approach, resources in the last three years are slightly less than Alternative A.
- Average increase in 1994-95 is 65%, 1995-96 is 109%, 1996-97 is 86% and continues to drop slightly for the remaining two years.
- The actual bill for the seven month rate increase period in 1994-95 will increase 172% from \$13.90 currently to \$37.85 during the seven month period.
- Revenues to the Water Fund will increase by approximately \$1 million per year.
- Ten percent of the Rate increase is needed to fund just operations, thirty percent for the added cost of South Fork, and the remainder for investments in new capital requirements.

## ALTERNATIVE C

City of West Linn, Oregon Annual Water Rate Adjustments Capacity Rates					
Capacity Rate	Seven Months 1994-95	1995-96	1996-97	1997-98	1998-99
Rate Increase Average Customer	87.32% <del>69.16%</del>	109.35%	86.55%	85.61%	77.77%
Seven Month Rate Increase	172.37% <del>69.16%</del>				
Average Monthly Bill (1.00 CF) Rate	\$26.04 <del>\$22.96</del>	\$29.10	\$25.93	\$25.80	\$24.71
Customer	\$1.23	\$1.01	\$0.94	\$0.94	\$0.92
Capacity	\$17.26	\$14.01	\$12.23	\$12.32	\$11.91
Commodity	\$1.76	\$1.28	\$1.16	\$1.14	\$1.08
Total Revenue Earned	\$2,307,989	\$2,659,909	\$2,404,218	\$2,426,093	\$2,357,930
Expenditures w/o CIP	\$1,951,718	\$2,013,388	\$2,014,271	\$2,045,144	\$2,048,666
Available for CIP					
Carry Forward	\$256,500	\$0	\$0	\$0	\$0
New Projects	\$356,270	\$646,521	\$389,947	\$380,949	\$309,264
Total	\$592,770	\$646,521	\$389,947	\$380,949	\$309,264

Note: The 1994-95 average monthly bill amount shown (\$26.04) is a 12-month composite figure, comprised of 5 months billing under current rates and 7 months billing using proposed rates.

# ALTERNATIVE C

## City of West Linn, Oregon 1994-95 Impact on 3/4" Service Annual Water Rate Adjustment CAPACITY RATES

Water Use (Cubic Feet)	Proposed			Savings/ (Costs)	Change		Water	
	Average	7 Months	Current		Average	7 Months	Use	Bills
0	\$14.74	\$18.48	\$9.50	(\$5.24)	55.17%	94.58%		
100	\$15.77	\$20.25	\$9.50	(\$6.27)	65.98%	113.11%	0.08%	2.11%
200	\$16.80	\$22.01	\$9.50	(\$7.30)	76.79%	131.64%	0.30%	2.55%
300	\$17.82	\$23.77	\$9.50	(\$8.32)	87.60%	150.17%	0.72%	3.76%
400	\$18.85	\$25.53	\$9.50	(\$9.35)	98.41%	168.70%	1.31%	4.90%
500	\$19.88	\$27.29	\$9.50	(\$10.38)	109.22%	187.23%	2.17%	6.30%
600	\$20.90	\$29.05	\$9.50	(\$11.40)	120.03%	205.77%	3.27%	7.79%
700	\$21.93	\$30.81	\$9.50	(\$12.43)	130.84%	224.30%	4.33%	8.72%
800	\$22.96	\$32.57	\$10.60	(\$12.36)	116.57%	207.25%	4.71%	8.25%
900	\$23.98	\$34.33	\$11.70	(\$12.23)	104.99%	193.41%	4.88%	7.52%
1000	\$25.01	\$36.09	\$12.80	(\$12.21)	95.40%	181.95%	4.76%	6.58%
1100	\$26.04	\$37.85	\$13.90	(\$12.14)	87.32%	172.30%	4.53%	5.66%
1200	\$27.06	\$39.61	\$15.00	(\$12.06)	80.43%	164.07%	4.22%	4.81%
1300	\$28.09	\$41.37	\$16.10	(\$11.99)	74.48%	156.96%	3.77%	3.96%
1400	\$29.12	\$43.13	\$17.20	(\$11.92)	69.29%	150.76%	3.58%	3.48%
1500	\$30.15	\$44.89	\$18.30	(\$11.85)	64.73%	145.31%	3.11%	2.82%
1600	\$31.17	\$46.65	\$19.40	(\$11.77)	60.68%	140.48%	2.76%	2.34%
1700	\$32.20	\$48.41	\$20.50	(\$11.70)	57.07%	136.16%	2.54%	2.10%
1800	\$33.23	\$50.17	\$21.60	(\$11.63)	53.82%	132.28%	2.34%	1.76%
1900	\$34.25	\$51.93	\$22.70	(\$11.55)	50.89%	128.78%	1.94%	1.37%
2000	\$35.28	\$53.69	\$23.80	(\$11.48)	48.24%	125.61%	1.85%	1.25%
2100	\$36.31	\$55.45	\$24.90	(\$11.41)	45.81%	122.71%	1.61%	1.03%
2200	\$37.33	\$57.22	\$26.00	(\$11.33)	43.59%	120.06%	1.70%	1.04%
2300	\$38.36	\$58.98	\$27.10	(\$11.26)	41.55%	117.62%	1.43%	0.83%
2400	\$39.39	\$60.74	\$28.20	(\$11.19)	39.67%	115.38%	1.44%	0.81%
2500	\$40.41	\$62.50	\$29.30	(\$11.11)	37.93%	113.30%	1.32%	0.71%
2500	\$41.44	\$64.26	\$30.40	(\$11.04)	36.32%	111.37%	1.14%	0.59%
Above 2500							34.09%	6.96%