

RESOLUTION NO. 1655

A RESOLUTION OF THE CITY OF CENTRAL POINT  
SETTING A WATER RATE ADJUSTMENT EFFECTIVE MARCH 1, 2021

Recitals:

- A. The City has received information from the Medford Water Commission that on March 1, 2021 the rate for bulk water purchase will increase by 3.6%, an estimated additional cost of \$34,000-\$38,000 annually.
- B. The City of Central Point conducted an update based on inflationary cost increases and determined that a 3% increase is needed to handle the increased supply costs.
- C. The combined increases equate to a 3% increase which would be split between the base and tier rates.

The City of Central Point resolves as follows:

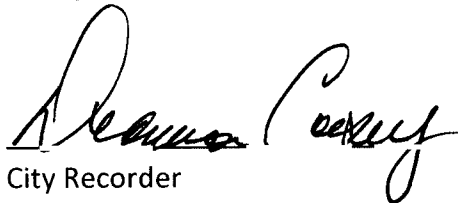
Section 1. Effective March 1, 2021, the City of Central Point Water Rates shall be as set forth on the Attachment A.

Passed by the Council and signed by me in authentication of its passage this 11<sup>th</sup> day of February 2021.



Mayor Hank Williams

ATTEST:



City Recorder

# 2021/22 Utility Rates

## Cost of Service - Water Rates (Per hundred cubic feet)

### Res. No.

(Into effect March 21, 2021)

### Residential

Meter Size	Monthly Base Charge	Monthly R & R Charge	Total Monthly Fixed Charge	Volume Charge	
				First 8 ccf	Over 22 ccf
5/8"	14.57	1.00	15.57	0.98	1.90
1"	19.96	2.45	22.41	0.98	1.90
1.5"	25.34	8.15	33.49	0.98	1.90
2"	36.12	11.15	47.27	0.98	1.90
3"	57.68	25.25	82.93	0.98	1.90
4"	79.24	43.85	123.09	0.98	1.90
6"	149.30	86.00	235.30	0.98	1.90
8"	230.14	139.50	369.64	0.98	1.90

### Senior-Housing

Units	Monthly Base Charge	Monthly R & R Charge	Total Monthly Fixed Charge	Volume Charge	
				First 8 ccf	Over 22 ccf
5	21.63	1.25	22.88	1.72	1.90
10	43.26	2.50	45.76	1.72	1.90
15	64.89	3.75	68.64	1.72	1.90
20	86.52	5.00	91.52	1.72	1.90
25	108.15	6.25	114.40	1.72	1.90
30	129.78	7.50	137.28	1.72	1.90

35	151.41	8.75	160.16	1.72
40	173.04	10.00	183.04	1.72

### Multi-Family Residential

Units	Monthly Base Charge	Monthly R & R Charge	Total Monthly Fixed Charge	Volume Charge First 8 ccf
3	23.49	4.50	27.99	1.72
4	31.32	6.00	37.32	1.72
5	39.15	7.50	46.65	1.72
6	46.98	9.00	55.98	1.72
7	54.81	10.50	65.31	1.72
8	62.64	12.00	74.64	1.72
9	70.46	13.50	83.96	1.72
10	78.29	15.00	93.29	1.72

### Commercial & Standby

Meter Size	Monthly Base Charge	Monthly R & R Charge	Total Monthly Fixed Charge	Volume Charge First 8 ccf
5/8"	12.95	1.00	13.95	1.72
1"	16.18	2.10	18.28	1.72
1.5"	21.57	4.00	25.57	1.72
2"	26.96	7.15	34.11	1.72
3"	43.13	14.10	57.23	1.72
4"	62.53	21.70	84.23	1.72
6"	111.58	44.00	155.58	1.72
8"	174.09	68.00	242.09	1.72

### Irrigation

Meter Size	Monthly Base Charge	Monthly R & R Charge	Total Monthly Fixed Charge	Volume Charge First 8 ccf	Volume Charge 8 - 22 ccf	Volume Charge Over 22 ccf

5/8"	14.57	1.50	16.07	0.98	1.90	3.04
1"	19.96	4.15	24.11	0.98	1.90	3.04
1.5"	25.34	8.65	33.99	0.98	1.90	3.04
2"	36.12	14.00	50.12	0.98	1.90	3.04
3"	57.68	28.00	85.68	0.98	1.90	3.04
4"	79.24	44.00	123.24	0.98	1.90	3.04
6"	149.30	88.00	237.30	0.98	1.90	3.04
8"	230.14	139.00	369.14	0.98	1.90	3.04
Hydrant	29.51	20.00	49.51	1.72		
Expo	0.00	0.00	0.00	1.72		
Hardship Discount			50%	50%		
Outside City Factor			200%	200%		

**2017/18 Street Fee**

\$6.00

**2017/18 Stormwater Fee**

\$6.50

**2017/18 Stormwater Quality Fee**

\$1.00

**Notes:**

**Backflow Fee**

\$1.00 w/backflow

\$0.25 w/o backflow

**Damage Recovery**

**Minimum \$150 + cost of materials, extra  
for more than one hour of a PW employee,  
+ 10% admin fee**

# Technical Memorandum



**To:** Brad Taylor, Medford Water Commission

**From:** Shawn Koorn, HDR  
Kevin Lorentzen, HDR

**Date:** December 4, 2020

**Subject:** Partner City Cost of Service Comparative Analysis

## 1.0 Purpose

HDR has assisted the Medford Water Commission (Commission) with their rate setting process on an annual basis for several years. A key stakeholder in this process is the Commission Partner Cities who purchase water from the Commission. This memo is intended to provide comparison of the Partner City cost of service results from the 2019/20 study and the current year, 2020/21. The comparison covers several exhibits from the cost of service analysis including Distribution exhibits for the Base-All and Extra Capacity Day. Also included are cost of service summaries and a summary of rate base changes that are not directly taken from the exhibits in the cost of service.

## 2.0 Distribution Factors

The distribution factors that pertain to Partner Cities are specifically Base-All and Extra Capacity (Day). Distribution factors are a means for proportionally and equitably distributing the costs of the utility in a way consistent with the way each of the Commission's customer classes impact the system. How customers are distributed costs are impacted both directly and indirectly. The distribution factors are directly linked to the customer's usage (consumption) of water and indirectly by other customer's usage (consumption) of water. There are several other distribution factors (e.g., customer, revenue) but none have changed materially from the last year when compared to this year. One of the factors not shown, or included in this discussion, is the extra capacity hour factor since partner Cities are not included as a factor in that calculation.

The base-All distribution factor is the proportion of customer's consumption compared to total consumption. As a result of the Partner Cities consumption decrease from 2019/20 and changes in other customer usage the base distribution factor for Partner Cities decreased by 1.15%. Table 1 provides the Base distribution factor comparison between 2019/20 and 2020/21.

**Table 1**

Customer Class	2019/20		2020/21	
	Base Consumption (MGD)	% of Total - ALL	Base Consumption (MGD)	% of Total - ALL
<b>Inside City</b>				
Single-Family Residential (Inside-City) - Schedule 2R	8.76	31.93%	9.12	32.07%
Nonresidential & Multifamily (Inside-City) - Schedule 2C	7.45	27.15%	6.53	22.97%
Irrigation (Inside-City)			1.40	4.92%
Fire Standby Service (Inside-City) - Schedule 1	0.00	0.00%	0.00	0.00%
<b>Outside City</b>				
Single-Family Residential (Outside-City) - Schedule 4R	1.04	3.79%	1.02	3.60%
Nonresidential & Multifamily (Outside-City) - Schedule 4C	2.66	9.71%	2.81	9.89%
Irrigation (Outside City)			0.07	0.25%
Fire Standby Service (Outside-City) - Schedule 3	0.00	0.00%	0.00	0.00%
<b>Wholesale</b>				
District Customers - Schedule 5	0.79	2.87%	0.83	2.90%
Partner Cities - Schedule 6	6.74	24.55%	6.66	23.40%
Pumping	0.00	0.00%	0.00	0.00%
<b>Total Consumption</b>	<b>27.45</b>	<b>100.00%</b>	<b>28.44</b>	<b>100.00%</b>

The extra capacity (peak day) distribution factor is a measure of each customer class's peak day demand on the water system. The factor compares each customer class's demand, calculated as peak use less base use, to total demand. The extra capacity distribution factor for Partner Cities has decreased as a proportion of total due to reduced base use and peak day demand on the system compared to the other customer classes of service. Table 2 provides the comparison of the extra capacity distribution factor from the 2019/20 study and the 2020/21 study.

**Table 2**

Customer Class	2019/20		2019/20	
	Extra Capacity (MGD)	% of Total - ALL	Extra Capacity (MGD)	% of Total - ALL
<b>Inside City</b>				
Single-Family Residential (Inside-City) - Schedule 2R	10.17	36.20%	11.03	36.33%
Nonresidential & Multifamily (Inside-City) - Schedule 2C	6.65	23.68%	4.97	16.37%
Irrigation (Inside-City)			2.94	9.69%
Fire Standby Service (Inside-City) - Schedule 1	0.48	1.71%	0.48	1.58%
<b>Outside City</b>				
Single-Family Residential (Outside-City) - Schedule 4R	1.16	4.13%	1.23	4.05%
Nonresidential & Multifamily (Outside-City) - Schedule 4C	2.08	7.41%	1.97	6.50%
Irrigation (Outside City)			0.10	0.33%
Fire Standby Service (Outside-City) - Schedule 3	0.18	0.64%	0.18	0.59%
<b>Wholesale</b>				
District Customers - Schedule 5	0.78	2.77%	0.80	2.63%
Partner Cities - Schedule 6	6.59	23.46%	6.66	21.93%
Pumping	0.00	0.00%	0.00	0.00%
Total Consumption	28.09	100.00%	30.36	100.00%

### 3.0 Rate Base

Rate base is the amount of asset value for which the return on investment is determined. This includes assets that are “used and useful” less contributions. Return on rate base is one of a several components that when added together determine each customer class’ total distributed revenue requirement. Rate base is determined through an allocation process where system plant components are determined to serve base, extra capacity (day and hour) and customer. Table 3 provides a comparison of the 2019/20 rate base compared to the 2020/21 rate base. As the table shows, the net plant in service, which is the value of the plant before being distributed to customer classes, decreased by 1.1%. This is due to annual depreciation expense and timing of when the assets are booked (e.g., used and useful). In addition, the distributed rate base to partner Cities has also decreased. In this case, by 6.8% as a result of the change in rate base, as well as the decrease in the Partner Cities average day and peak day demands as outlined in the prior distribution factor discussion.



**Table 3**

<b>Calculation of Rate Base</b>	<b>FY 19/20</b>	<b>FY 20/21</b>	<b>% Change</b>
<b>Rate Base</b>			
Source of Supply	\$6,714,740	\$6,565,452	-2.2%
Pumping	7,112,943	7,072,912	-0.6%
Treatment Facilities	36,870,043	35,717,135	-3.1%
Transmission Distribution	68,028,144	72,616,931	6.7%
Reservoirs	8,568,490	8,445,999	-1.4%
General Plant	3,770,835	3,527,893	-6.4%
Plant Before General	\$131,065,196	\$133,946,321	2.2%
Less Developer and SDC Funded	(\$55,471,937)	(\$59,109,481)	
Plus Inventory, Work in Progress and 45 Days O&M	2,929,760	2,824,664	
<b>Net Plant in Service</b>	<b>\$78,523,019</b>	<b>\$77,661,504</b>	<b>-1.1%</b>
<b>Allocated Rate Base (Only Base and Extra Capacity all)</b>			
Base All	\$30,032,215	\$29,121,252	-3.0%
Extra Capacity - All	22,207,876	22,420,655	1.0%
Total Allocated Rate Base (Base All & Extra Cap All)	\$52,240,091	\$51,541,906	-1.3%
<b>Distribution to Partner Cities</b>			
Base All	24.60%	23.4%	
Extra Capacity - All	23.50%	21.9%	
<b>Partner City Distributed Rate Base</b>			
Base All	\$7,374,036	\$6,815,335	-7.6%
Extra Capacity - All	5,210,778	4,917,501	-5.6%
Distributed Rate Base	\$12,584,814	\$11,732,836	-6.8%

## 4.0 Cost of Service Analysis

Another component that makes up a customer's total distributed revenue requirement is the distribution of operating and maintenance (O&M) expenses. Table 4 provides a breakdown of Partner Cities distributed O&M expenses by Base-All, Extra-Capacity Peak Day, Actual Customer, and Direct Assignment. In total the amount of expenses distributed to Partner Cities increased by 0.9% which is a result of several factor. Overall O&M expenditures increased system wide from \$11.1 million to \$12.5 million a 12.6% increase, however the proportionate share for the Partner Cities, based on the reduction in the average day and peak day distribution factors, increased by only 0.9% for O&M expenses.

**Table 4**

	<b>Partner Cities</b>		
	<b>FY 19/20</b>	<b>FY 20/21</b>	<b>% Change</b>
Base Allocation			
Base - All	\$807,782	\$677,672	-16.1%
Extra-Capacity - Peak-Day ALL	119,633	260,242	117.5%
Actual Customer - All	543	646	18.9%
Direct Assignment	137,558	137,073	-0.4%
<b>Net Revenue Requirement</b>	<b>\$1,065,516</b>	<b>\$1,075,633</b>	<b>0.9%</b>

## 5.0 Summary

The previous tables show the result of reduced water annual consumption and peak day contributions by the partner Cities. Simply put the Partner Cities share of the overall costs is less than in previous years. As a result, the cost distributed to the Partner Cities is not increasing at the same level as the system as a whole. In fact, costs have declined compared to previous period with the exception of O&M which has only increased a small amount to the Partner Cities.

Table 5 below provides the side by side comparison of the cost of service summary. Much of what was shown in the previous tables is summarized on this table including O&M expenses and distributed rate base. The Partner Cities rate increase can be explained by comparing the proposed rate revenue to the current rate revenue.

**Table 5**

	Partner Cities		% Change
	FY 19/20	FY 20/21	
Revenues at Present Rates	\$2,016,361	\$1,956,166	-3.0%
Less: Allocated O&M Expenses	\$1,065,516	\$1,075,633	0.9%
Less: Allocated Ann. Depr. Expense [1]	394,189	370,297	-6.1%
Total Allocated O&M & Ann. Depr. Exp.	\$1,459,705	\$1,445,930	-0.9%
Net Income/(Loss)	\$556,656	\$510,236	-8.3%
Distributed Rate Base	\$12,584,814	\$11,732,836	-6.8%
Present Return on Rate Base	4.40%	4.30%	
Proposed Return Component	\$648,118	\$574,909	-11.3%
Proposed Rate of Return	5.15%	4.90%	
Proposed Revenue	\$2,107,823	\$2,020,839	-4.1%
Required \$ Change in Rates	\$91,462	\$64,673	
<b>Required % Change in Rates</b>	4.5%	3.3%	

[1] Annual Depreciation is Allocated and Distributed same as Rate Base

As a point of reference, the distribution of costs to the Partner Cities will vary annually based on a variety of factors. These can include the Partner Cities consumption characteristics (average day and peak day use), overall O&M costs by category (e.g., treatment, distribution) which can vary from year to year, as well as the assets (infrastructure) that is booked on an annual basis. However, as noted in this year's review, a key driver is the Partner Cities impact on the system from an average day and peak day perspective in relationship to the system as a whole.