Rate Study Summary

• Revenue Requirements
• Cost of Service Analysis
• System Development Fees
• Rate Design
Goal: Distribute costs equitably among customer classes

- Utility costs broken out by system function -
  - Customers, Meters & services, Base demand, Peak demand, Fire protection
- Allocate costs to customer classes -
  - Residential, non-residential, Fire protection
- Compare revenue generated by customer class to C-O-S by customer class
System Development Fee

Results of Analysis:

– Could increase SDF $564
– Existing SDF = $4,905 increase to $5,469

Existing Cost Basis

✓ Existing assets (original cost)
✓ Less: Contributions (developer/grants)
✓ Plus: Construction work in progress

Future Cost Basis

✓ Future capital
✓ Less: Developer donations
✓ Less: Repair & replacement

Current & Future Customers
Rate Design Considerations

• Fixed & variable charges
• Meet revenue requirements of District
• Changes always help some customers and hurt other customers
• Rate design requires tradeoffs and choices between District policy goals & objectives
<table>
<thead>
<tr>
<th>Fixed Charge By Meter Size:</th>
<th>Existing</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2019</td>
<td>2020</td>
</tr>
<tr>
<td>5/8 - Inch</td>
<td>$ 29.15</td>
<td>$ 32.38</td>
</tr>
<tr>
<td>3/4 - Inch</td>
<td>$ 29.15</td>
<td>$ 32.38</td>
</tr>
<tr>
<td>1 - Inch</td>
<td>$ 48.55</td>
<td>$ 50.98</td>
</tr>
<tr>
<td>1-1/2- Inch</td>
<td>$ 96.80</td>
<td>$ 101.64</td>
</tr>
<tr>
<td>2 - Inch</td>
<td>$154.60</td>
<td>$ 162.33</td>
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<tr>
<td>3 - Inch</td>
<td>$289.85</td>
<td>$ 304.34</td>
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<tr>
<td>4 - Inch</td>
<td>$482.65</td>
<td>$ 506.78</td>
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<tr>
<td>6 - Inch</td>
<td>$965.35</td>
<td>$1,013.62</td>
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</tbody>
</table>

Capital Improvement Surcharge: $2.00

**Single Family & Duplex**

<table>
<thead>
<tr>
<th></th>
<th>Existing</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block 1 (0-3 ccf)</td>
<td>$ 3.21</td>
<td>$ 3.37</td>
</tr>
<tr>
<td>Block 2 (4-100 ccf)</td>
<td>$ 5.06</td>
<td>$ 5.31</td>
</tr>
<tr>
<td>Block 3 (101+ccf)</td>
<td>$ 2.95</td>
<td>$ 3.10</td>
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</table>

**All Others**

<table>
<thead>
<tr>
<th></th>
<th>Existing</th>
<th>Proposed</th>
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<tbody>
<tr>
<td>Block 1 (0-3 ccf)</td>
<td>$ 5.06</td>
<td>$ 5.31</td>
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<tr>
<td>Block 3 (101+ccf)</td>
<td>$ 2.95</td>
<td>$ 3.10</td>
</tr>
</tbody>
</table>

1 ccf = 100 cubic feet
Bi-Monthly Residential Bill $116.66

- Tier 2: $31.68
- Tier 1: $20.22
- Base: $64.76

Residential bi-monthly bill using 6 ccf per month

- Capital Projects: $60.80
- O&M: $38.88
- Debt Service: $13.73
- Taxes: $3.25
Proposed 5% Increase

<table>
<thead>
<tr>
<th>Year</th>
<th>Actual</th>
<th>Proposed</th>
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<tbody>
<tr>
<td>2017</td>
<td>$96</td>
<td>$103</td>
</tr>
<tr>
<td>2018</td>
<td>$103</td>
<td>$112</td>
</tr>
<tr>
<td>2019</td>
<td>$112</td>
<td>$117</td>
</tr>
<tr>
<td>2020</td>
<td>$117</td>
<td>$123</td>
</tr>
<tr>
<td>2021</td>
<td>$123</td>
<td>$129</td>
</tr>
<tr>
<td>2022</td>
<td>$129</td>
<td>$135</td>
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<tr>
<td>2023</td>
<td>$135</td>
<td>$142</td>
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</table>

Owned By The People We Serve!

11/13/2019
2020
PROPOSED
BUDGET
PUBLIC UTILITY DISTRICT
NO. 1 OF SKAGIT COUNTY
Budget Functions

• Determine District Needs
• Establishes Priorities & Goals
• Identifies funding necessary to achieve goals
• Maintains Accountability
Budget Inflows $71.7 M

- Debt Proceeds, $41.7
- Water Sales, $26.4
- Misc. Revenue, $0.9
- System Development Fees, $1.4
- Other Capital Contributions, $1.4

Owned By The People We Serve!

11/13/2019
Budgeted Outflows $45.3 M

- Major Capital, $22.2
- Operating Expenses, $15.1
- Debt Service Estimated, $5.3
- Department Capital, $1.4
- Taxes, $1.3
Major Capital Projects $22 M

Transmission Line, Judy - Mt. Vernon, $11.0

Raw Water PS Upgrade, $3.0

Sky Ridge Replacement, $2.0

WTP Projects, $1.5

Mt. View Consolidation $1.4

Other Agency Projects $1.0

PUD Campus Design, $1.0

Panorama Tank & Pumps, $0.7

Other, $0.5

11/13/2019

Owned By The People We Serve!
O&M Expenses $16.4 M

- Engineering & Admin: 48%
- Water Treatment: 14%
- Trans. & Distribution: 13%
- Customer Service: 12%
- Water Supply: 5%
- All Taxes: 8%
# Maintenance Budget

<table>
<thead>
<tr>
<th>Description</th>
<th>S&amp;B</th>
<th>Equipment</th>
<th>Inventory</th>
<th>Services &amp; Materials</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meters</td>
<td>68,574</td>
<td>2,630</td>
<td>684</td>
<td>18,782</td>
<td>90,670</td>
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<tr>
<td>Hydrants</td>
<td>93,087</td>
<td>18,806</td>
<td>22,472</td>
<td>25,496</td>
<td>159,861</td>
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<tr>
<td>Valves</td>
<td>55,472</td>
<td>7,834</td>
<td>9,796</td>
<td>15,193</td>
<td>88,295</td>
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<tr>
<td>Services &amp; Repairs</td>
<td>78,717</td>
<td>70,064</td>
<td>19,092</td>
<td>21,560</td>
<td>189,434</td>
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<tr>
<td>Leak Repairs</td>
<td>689,067</td>
<td>63,608</td>
<td>20,274</td>
<td>188,731</td>
<td>961,681</td>
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<tr>
<td>Water Loss</td>
<td>95,887</td>
<td></td>
<td></td>
<td>26,263</td>
<td>122,150</td>
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<tr>
<td>Facilities</td>
<td>336,635</td>
<td>31,075</td>
<td>9,905</td>
<td>92,202</td>
<td>469,817</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>1,417,440</strong></td>
<td><strong>194,017</strong></td>
<td><strong>82,223</strong></td>
<td><strong>388,228</strong></td>
<td><strong>2,081,908</strong></td>
</tr>
</tbody>
</table>

11/13/2019  
Owned By The People We Serve!
Budget Schedule

- October 8th - Budget Hearing
- October 15th - Work Session #1
  - Admin, HR, CS/CR, Safety & IT
- October 22 – Regular Meeting
- October 29th – Work Session #2
  - Engineering, Finance, & Operations
- November 5th – Work Session #3 (if needed)
- November 26th – Regular Meeting
  - Adopt Rate & Budget
Public Hearing
October 8, 2019