

# DENVER BOARD OF WATER COMMISSIONERS

Meeting Date: December 9, 2009

Board Item: V-D-2

## Adoption of 2011 City and County of Denver Water Rates

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Action by Consent

Action

Information

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### Revised Water Rate Assessment Process

For 2009, Denver Water modified the process used to calculate water rates for the City and County of Denver ("City") by eliminating depreciation from the City's cost basis.

On July 16, 2009, Staff briefed the Board on a new process for assessing water rates to the City. This new process is an outgrowth of a request made by the City that they receive notification of future annual rate increases by late July (six months in advance of the effective date). Because Denver Water's financial planning and cost-of-service rate setting processes are not completed until September, accommodating this request required the development of a proposed new process for assessing City water rates. The anticipated process works as follows:

1. The City's 2010 water rates were calculated as part of Denver Water's regular 2010 cost-of-service study. However, these rates will not go into effect until January 2011. Thus, the City will pay water rates one-year in arrears of when they were calculated. This same process will be followed in 2011 and 2012.
2. Prior to the start of the 2013 cost-of-service study in July 2012, the Board will determine if this process for assessing City water rates should continue in the future.

The above process prevents budget constrained City agencies from receiving a water rate increase in 2010. It provides notice of water rate increases well before the start of the City's normal annual budgeting cycle. It allows Denver Water to recover the full cost of providing water service to the City, albeit on a basis that is one-year in arrears.

### Proposed 2011 City Water Rates

The table on the next page shows Staff's proposed 2011 City water rates. Although the proposed percentage increase in rates for recycled and raw water service exceed 10%, the forecast increase in the City's bill is only 4.09%.

**Proposed 2011 City and County of Denver Water Rates**

Service	2010 Rates	Proposed 2011 Rates	% Rate Increase	Forecast 2010 Bill	Forecast 2011 Bill	% Bill Increase
Treated Domestic	\$1.98	\$2.04	3.26%	\$5.436 million	\$5.629 million	3.55%
Treated Irrigation	W: \$1.19 S: \$2.38	W: \$1.03 S: \$2.58	-13.36% 8.30%			
Recycled	\$0.26	\$0.35	34.62%	\$45,038	\$60,796	34.99%
Raw	\$0.19	\$0.24	26.32%	\$65,735	\$83,809	27.50%
Service Charge	\$4.41	\$5.58	26.53%	-----	-----	-----
<b>Forecast 2011 City Bill Increase Over 2010</b>				<b>\$5.547 million</b>	<b>\$5.774 million</b>	<b>4.09%</b>

Like all inside city customers, the City receives benefit from the rate-of-return on rate base paid by outside city customers. A key driver of the proposed 2011 rate increases for City raw and recycled water service is a modification to the method used by Staff to allocate this benefit to the City. This modification, which was driven by the 2009 decision to eliminate depreciation from the City's rate calculation, allows for greater symmetry between City non-potable rates and those paid by non-City customers.

**Recommendation**

It is recommended the Board adopt the 2011 City and County water rates described in this action item memorandum for an effective date corresponding to the effective date of 2011 rate increases for other Denver Water customers.

Respectfully submitted,



H. J. Barry, Manager

**Approvals:**



David LaFrance, Director of Finance