

**ACTION ITEM
BOARD OF SUPERVISORS**

DATE: December 2, 2008

TO Board of Supervisors

FROM Steve Crosby *SC*
Interim Director of Utilities

ISSUE: Reconsideration of Effective Date of Water Conservation Rates

STAFF RECOMMENDATION No Change

BUDGET IMPACT: Change of the effective date would require refunding of the price differential between the conservation rate and the rate that was previously in effect, amounting to approximately \$340,000 after three months of billing. Additionally, customer re-notification of a new effective date would cost approximately \$9,000.

ATTACHMENTS (2)

- [1] Background Report
- [2] Reso/Ord/Proc # O08-40(R)
- [] Reso/Ord/Proc #
- [] Reso/Ord/Proc #

REVIEW [X] County Administrator's Office *[Signature]*
 [X] Legal *[Signature]*
 [] Budget

- [] Consent Agenda
- [] Discussion Item
- [] New Business
- [] Other Business
- [] Presentation
- [X] Public Hearing
- [] Unfinished Business

PRESENTATION BY Susan Fitzgibbon, Utilities Financial Manager

ELECTION DISTRICT N/A

BACKGROUND REPORT

The Board of Supervisors approved Ordinance O08-40 on June 17, 2008. The new "conservation" ordinance increased the high-usage residential water rate from \$7.85 to \$23.55 per thousand gallons for usage in excess of 20Tgals/month, effective July 1, 2008.

Due to drought conditions experienced the previous year, staff had recommended the "conservation" rates with the expectation that they would result in reducing demand by approximately 7 million gallons per month during peak months. (Based on a month over month comparison of peak-period usage (Aug vs Sep), the actual reduction within the new pricing tier was 6.5 million gallons. The significant reductions observed in October are more aptly attributable to normal seasonal trends.) Since the rate change was implemented within the "high-volume" pricing tier only, it was expected to impact primarily those customers that use a substantial amount of water to irrigate lawns/landscaping or to fill pools.

On September 16, 2008, the Board of Supervisors requested that the Utilities Commission hold another public hearing and reconsider the effective date of the "conservation" ordinance.

On November 12, 2008, the Utilities Commission held the public hearing and then voted 5-1 (Mr. Chittum voted no and Ms. Surman abstained) to recommend to the Board that the effective date of the conservation rates not be changed.

After three months of billing at the higher rate, the following statistics have been recorded:

Residential Rates

August billing The rate change impacted 906 accounts, which represents 3.2% of the total residential customers. These "high-usage" customers used 14.4% of the total residential volume. The average bill (water only) for this "high-volume" user segment was \$344.08, compared to \$413.22, which was used in the presentation at both the April 8th and the June 17th public hearings. Of the 906 customers that were impacted, 194 were billed more than the "average increase" that was presented at the public hearings. Of the 906 accounts, 120 accounts (13%) are currently delinquent. This percentage is slightly lower than the overall residential delinquency rate which is currently 14%. Therefore, it would appear that the conservation rate has not increased the normal level of delinquencies.

September billing The rate change impacted 879 accounts, which represents 3.1% of the total residential customers. These "high-usage" customers used 13.9% of the total residential volume. The average bill (water only) for this "high-volume" user segment was \$343.80. Of the 879 customers that were impacted, 160 were billed more than the "average increase" that was presented at the public hearings.

October billing The rate change impacted 353 accounts, which represents 1.2% of the total residential customers, but 6.8% of total residential volume

Irrigation Meter Rates

Under the new ordinance, all irrigation meters are billed using the bulk rate which was increased from \$9.00 to \$13.00 per Tgal. In both August and September, 50 irrigation meter accounts were billed the new rate and 44 were billed the new rate in October

If the Board should change the effective date, there are a number of related costs and concerns

- High-volume customers may sense that they will not be impacted by conservation rates and may revert to prior water usage habits that do not necessarily support conservation philosophies
- At least one additional month of billing will have passed and there will be several thousand refunds that will have to manually be calculated and issued. The later the effective date, the more refunds will need to be provided. Overtime will be required in both Utilities and Finance to manually calculate and issue the refunds in a timely manner
- Refunding the impact of the conservation rates billed during August, September and October will involve refunding approximately \$340,000. Again, the later the effective date, the more refunds will need to be provided
- Customers will need to be re-notified of the new effective date. Another postcard mailing to all residential customers will cost approximately \$9,000
- Immediately following the first month of billing, there was an increase in calls to Customer Service and a number of technicians were dispatched to customer residences to check for leaks. This increase in customer complaints/inquiries would most likely occur again following any new effective date
- If the effective date is changed, some customers may not pay attention to notifications because they do not realize that they are "high-usage" customers - until they receive their first high bill. It is reasonable to expect that some "high-usage" customers may again voice concern about lack of notification

Historically, the peak billing months have been June, July, August and September. The number of high volume customers significantly decreases during October billing and remains lower during the winter months.

There have been concerns raised about notification of citizens about the rate changes. The following methods were used to notify customers of the rate change:

- Proposed rates published in the Free Lance Star on March 18, 2008 and again on March 25, 2008 as part of the April 8th Public Hearing Advertisement

- Proposed rates presented at the Utility Commission Public Hearing on April 8, 2008
- Proposed rates published in the Free Lance Star on May 27, 2008 and again on June 3, 2008 as part of the June 17th Public Hearing Advertisement
- Proposed rates presented at the Board of Supervisors Public Hearing on June 17, 2008
- A postcard was mailed to all residential customers notifying them of the rate increase
- A letter was mailed to all Irrigation meter customers notifying them of the rate increase
- A message about the rate change was printed on all customer bills mailed during the month of July
- Information was provided to the press, which resulted in a front page article in the Free Lance Star
- Interviews were given to two different radio stations, resulting in mentions of the rate change on local radio stations
- A slide about the rate change was included on the Stafford County Access Channel
- A copy of the rate schedule with the new rates was included with new applications, effective the first of July 2008
- A notice was placed on the Stafford County Utilities website

Staff recommends no change in the ordinance

PROPOSED

BOARD OF SUPERVISORS
COUNTY OF STAFFORD
STAFFORD, VIRGINIA

ORDINANCE

At a regular meeting of the Stafford County Board of Supervisors (the Board) held in the Board Chambers, Stafford County Administration Center, Stafford, Virginia, on the 2nd day of December, 2008

MEMBERS

VOTE

George H Schwartz, Chairman
M S "Joe" Brito, Vice Chairman
Harry E Crisp II
Mark Dudenhefer
Paul V Milde III
Cord A Sterling
Robert "Bob" Woodson

On motion of , seconded by , which carried by a vote of to , the following was adopted

AN ORDINANCE TO AMEND AND READOPT THE FEES FOR PROVIDING PUBLIC WATER AND SEWER SERVICE

WHEREAS, the Board is authorized to set reasonable fees and charges for public water and sewer service, and

WHEREAS, such authority can be found in Sections 15 2-2111, 15 2-2119, and 15 2-2122 of the Code of Virginia (1950), as amended, and

WHEREAS, Chapter 25 of the County Code authorizes the establishment of fees, and

WHEREAS, the Board desires to set the fees for these services commensurate with the services provided by the County, and

WHEREAS, the Board desires to set the fees for these services to encourage the conservation of resources, and

WHEREAS, the Board has carefully considered the recommendation of the Utilities Commission and Staff and the testimony at the public hearing,

NOW, THEREFORE, BE IT ORDAINED by the Stafford County Board of Supervisors on this the 2nd day of December, 2008, that the fees for providing public water and sewer service be amended and are hereby readopted as follows

User Fees

~~July 1, 2008~~ _____

<u>Service Section</u>	<u>Water Fees</u>	<u>Sewer Fees</u>	<u>Code</u>
Monthly Service Charges (Consumption per 1,000 gallons)			25-96(b)
0-4,000 gallons	1 86		
4,001-8,000 gallons	2 82		
8,001-12,000 gallons	5 51		
12,001-20,000 gallons	7 85		
all over 20,000 gallons	23 55		
Sewer Charge up to Seasonal Average & 20%		3 91	25-96(b)
Non-Residential (excludes Irrigation Meters)			
All consumption	2 83	3 91	
Irrigation Meters	Same as Bulk Rate	n/a	
Bulk Water (per 1,000 gal)	13 00		25-96(e)

BE IT FURTHER ORDAINED that except as otherwise stipulated, the effective date of this ordinance is for all bills issued after ~~July 31, 2008~~ _____

AJR SC smf