

CITY OF HOMER UTILITY RATE STUDY

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Prepared for:

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A couple of unique aspects exist within the demand cost portion of the rate structure. The new rate structure does not recognize separate classes of customers (residential, commercial, public authority, etc.) Rather, all customers with a given meter size pay the same demand rate. The exceptions to this rule are the customers that are located on the Homer Spit. Due to the large capital costs associated with providing service to those customers, a surcharge is applied to their demand rate.

Another unique feature added to the rate structure is application of a demand surcharge to customers that far exceed the normal range of water consumption for a given meter size. This feature adds a conservation incentive to the rate structure.

Customer costs comprise those costs associated with serving customers, irrespective of the amount or rate of water use. They include meter reading, billing, and customer accounting and collecting expenses, as well as maintenance and capital costs related to meters and services.

A hard copy of the water utility rate structure is attached, and a diskette containing the rate model has been provided. Data used in the model is 1997 data provided by the City of Homer.

Wastewater Utility

The wastewater utility rate structure is based on the same methodology as the water utility rate structure. The costs are allocated to customer, commodity, and demand categories. The demand costs are distributed based on the equivalent meter concept, and a surcharge is applied to customers located on the Homer Spit.

Kachemak City customers that receive service from the City of Homer are treated like any other residential customer within the City of Homer, with one exception: an additional charge is assessed to cover the cost of pumping each resident's septic tank.

A hard copy of the wastewater utility rate structure is attached, and a diskette containing the rate model has been provided.

USING THE RATE MODELS

The rate model was written on Microsoft Excel. One of the objectives of the rate study was to create a model that was easy to update so that rates would always reflect the current needs of the utility. The individual responsible for updating the water and wastewater models should open the desired document and locate the first sheet in the workbook entitled "Input Data". This is the only sheet in the workbook that is not protected. All other sheets are protected so that formulas and other critical data are not accidentally altered. The password for the water model is simply "water". The password for the wastewater model is "sewer". The passwords must be entered in lower case.

The first sheet in the workbook prompts the user for specific information relating to the utility. Revenue requirements, water sales, and the number of customers by meter size are all examples of the type of data required. Most of the data is readily available through the City of Homer at City Hall, or through the Department of Public Works. Once the data has been entered, the spreadsheet calculates the rates automatically. The second worksheet in the workbook shows the rates that reflect the entered data. This information should be used to formulate customer bills. The remainder of the sheets contain formulas and show how the rates are derived.