



Water & Sewer Rate Study



Frequently Asked Questions

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The City of Manistee recently commissioned a professional water and sewer rate study. The study was conducted by Burton & Associates in accordance with American Water Works Association industry standard practices. The purpose of the study was to ensure that the rates and rate structure for the water and sewer utility were adequate to provide high quality service, to secure the ongoing financial stability and viability of the system, and to ensure the costs of operating and maintaining the system were allocated equitably among the various classes of users.

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Q. Why did the City need a rate study?

The City has not had a professional rate study in recent memory. Rates have traditionally been set using an internal rate making process. While this process worked well, a variety of factors pointed to the need for a professional review. Among those were the ongoing combined sewer separation program, upcoming significant large capital projects and ongoing discussions with neighboring townships regarding provision of utility service. With all of this activity, the time was right to conduct a study.

Q. What did the study conclude?

The study looked at many aspects of the water and sewer utility. Overall, the system is doing fairly well. One key recommendation was to bring the system in line with industry accepted practice by implementing a ready-to-serve charge for both water and sewer. This charge would replace the old and obsolete “bond debt” charge.

Q: What is a Ready-To-Serve charge?

Common industry practice is a two-part rate structure comprised of both fixed and variable charges. A ready to serve charge is a fixed monthly charge that is designed to recover a portion of the costs of operating the system. Generally accepted practice recovers a portion of the costs of the system in a fixed monthly ready-to-serve charge, recognizing that utilities have substantial investments in capacity-related costs and other fixed costs that are incurred year-round to maintain a state of readiness to meet peak demands when they occur.

Q: Why do I have to pay the Ready-to-Serve charge if my water is shut off at the street?

The purpose of the Ready-to-Serve charge is to help defray fixed costs. If the Ready-to-Serve charge were to be suspended when the water was shut off, the cost to operate the system would remain the same while the revenues to maintain the system would decrease. It is for this reason every connection must pay their share in the expense of the systems readiness and availability no matter if the water is on or off.

Q: Why do I have to pay the Ready-to-Serve charge on my sprinkling meter?

The water system incurs a substantial amount of fixed capacity-related costs associated with serving the potential demands each meter places on the system, including irrigation meters. The ready to serve charge was developed to recover a portion of these costs associated with meeting peak demands, which irrigation meters contribute significantly to. As the water system has been sized to meet these peak demands, recovering all or a portion of the associated costs from a monthly readiness to serve charge applicable to each meter based upon its size is appropriate.

Q: What are the new usage rates for water and sewer in the City?

Rates Per 1,000 G Usage		
Service Type	Old Rates	New Rates (7-2015)
Water	\$3.37	\$2.52
Sewer	\$6.74	\$6.91

Water volume rates decreased by 25% while sewer volume rates increased by 2.5%.

Q: I am a typical residential user. What will the impact be on my bill?

The chart below shows what the impact on a typical residential customer will be. A typical 6,000 G per month user will see an increase of just over \$3 per month or 4.7%.

5/8" Meter Usage (TGAL)	FY 2014 - Existing Rate Structure			FY 2015 - New Rate Structure			\$ Change	% Change
	Water	Sewer	Total	Water	Sewer	Total		
0	\$ -	\$ 6.60	\$ 6.60	\$ 3.57	\$ 10.27	\$ 13.84	\$ 7.24	109.7%
2	\$ 6.74	\$ 20.08	\$ 26.82	\$ 8.61	\$ 24.09	\$ 32.70	\$ 5.88	21.9%
4	\$ 13.48	\$ 33.56	\$ 47.04	\$ 13.65	\$ 37.91	\$ 51.56	\$ 4.52	9.6%
6	\$ 20.22	\$ 47.04	\$ 67.26	\$ 18.69	\$ 51.73	\$ 70.42	\$ 3.16	4.7%
8	\$ 26.96	\$ 60.52	\$ 87.48	\$ 23.73	\$ 65.55	\$ 89.28	\$ 1.80	2.1%
10	\$ 33.70	\$ 74.00	\$ 107.70	\$ 28.77	\$ 79.37	\$ 108.14	\$ 0.44	0.4%
15	\$ 50.55	\$ 107.70	\$ 158.25	\$ 41.37	\$ 113.92	\$ 155.29	\$ (2.96)	-1.9%
20	\$ 67.40	\$ 141.40	\$ 208.80	\$ 53.97	\$ 148.47	\$ 202.44	\$ (6.36)	-3.0%
30	\$ 101.10	\$ 208.80	\$ 309.90	\$ 79.17	\$ 217.57	\$ 296.74	\$ (13.16)	-4.2%

Q: The new rate structure seems to negatively impact low volume users. Doesn't the City want to encourage water conservation?

The City does want to encourage water conservation. However, our old rate structure was out of line with industry norms and needed to be brought back into alignment. In any event, only 20% of system revenues are derived from the monthly Ready-To-Serve charge. Most of the remaining is derived from volume usage, so customers that want to conserve water and reduce their usage to save money still have ample opportunity to do so.