



## **2021 Water Works Rate Case Fact Sheet**

In 2016, City of Bloomington Utilities conducted a rate review and a rate case that enabled a number of significant initiatives for the modernization and improvement of the Water Works. Notably, the 2016 rate case facilitated CBU's move to an Advanced Metering Infrastructure (smart meters) and regular \$1.7 million annual investments in water-main replacement.

At that time, the Common Council requested that CBU bring rate cases on a regular schedule. CBU now plans for Water rate reviews every four years during leap years. CBU intended to initiate a rate case in early 2020, but delayed the process into 2021 in response to the COVID-19 pandemic.

CBU plans to bring a rate case to the Utilities Service Board in January 2021, and then to the Bloomington Common Council in February 2021. We expect to file the case before the Indiana Utilities Regulatory Commission (IURC) in March 2021. We are providing this fact sheet as background information for our interested stakeholders and the public.

In addition to the overall financial analysis, CBU has conducted a cost-of-service study. CBU will be requesting that the amount charged to each customer category be changed to reflect the cost of providing service for the category. Cost-based ratemaking is favored by the IURC. Historically, CBU's Residential customers have paid rates that are larger than their cost of service while all other customers have paid less than their cost of service. Cost-of-service based ratemaking ensures that certain customer categories do not subsidize the cost of service for other customer categories. CBU plans to make significant progress in moving to a cost-based rate structure.

Below, we provide answers to frequently asked questions related to the rate case proposal. Please contact CBU Director Vic Kelson at [kelsonv@bloomington.in.gov](mailto:kelsonv@bloomington.in.gov) or 812-349-3650 with any questions.

### **What is the timing of the rate changes?**

CBU expects to file the rate case with the IURC in March 2021. We anticipate that the case will take 9 months or more to be completed, and it is likely that any rate increases would be implemented in 2022 at the earliest. We wish to implement the changes in two phases, Phase 1 in 2022 and Phase 2 in 2024.

### **What is the needed revenue increase that is requested?**

For Phase 1 (2022), the revenue increase is \$1.98 million per year, or 11.73%

For Phase 2 (2024), the revenue increase is \$1.77 million per year, or 9.38%

**What costs are driving the needed revenue increase?**

Most of the rate increase is to cover inflationary increases in Operation and Maintenance costs. In addition, we wish to increase our annual investments for water-main replacement to \$2 million in 2022-2023, escalating to \$2.5 million in 2024 and \$3 million per year in 2025. In the first three years of the replacement program we have replaced about 6 miles of water mains at a cost of \$1.7 million per year. This amounts to a 215-year replacement schedule for our 430 miles of distribution mains. CBU's goal is to ultimately achieve a 100-year replacement schedule for water mains. We expect to achieve this in future rate cycles.

**How would cost-based rates change for the various customer categories?**

Cost-based metered rates (per 1000-gallon unit) for all customer categories are shown below, based on a two-phase implementation in 2022 and 2024. We do not anticipate achieving cost-based rates for all categories in this rate case (see below).

Category	Current Rate \$/1000 gal	Phase 1 Rate \$/1000 gal	Phase 1 % Increase	Phase 2 Rate \$/1000 gal	Phase 1 & 2 % Increase (total)
Residential and Multi-family	\$3.73	\$3.95	5.9%	\$4.33	16.1%
Commercial, Governmental, Interdepartmental	\$3.16	\$3.83	21.2%	\$4.20	32.9%
Industrial	\$2.92	\$4.00	37.0%	\$4.40	50.7%
Wholesale	\$2.39	\$2.94	23.0%	\$3.18	33.1%
Indiana University	\$2.37	\$3.06	29.1%	\$3.32	40.1%
Irrigation Usage	\$3.42	\$8.11	137%	\$9.06	165%

**What rates will CBU be requesting for metered sales?**

As some of the increases will create significant rate impacts for some customer classes, CBU has structured its rate request based on the objective that no customer class will receive an increase larger than 20% in either Phase 1 or Phase 2. We are requesting the following rates for metered sales.

In addition, CBU is proposing to merge the categories for “Commercial, Governmental, and Interdepartmental” and “Industrial” customers. This is based on the fact that Bloomington’s economy has changed greatly, and the Industrial category is very small. This can lead to large rate changes for our relatively few Industrial customers. This would occur over the two phases, with the two categories being merged into one in Phase 2.

Category	Current Rate \$/1000 gal	Phase 1 Rate \$/1000 gal	Phase 1 % Increase	Phase 2 Rate \$/1000 gal	Phase 1 & 2 % Increase (total)
Residential and Multi-family	\$3.73	\$4.09	9.7%	\$4.54	21.7%
Commercial, Governmental, Interdepartmental	\$3.16	\$3.79	19.9%	\$4.20	32.9%
Industrial	\$2.92	\$3.50	19.9%	\$4.20	43.8%
Wholesale	\$2.39	\$2.81	17.6%	\$3.18	33.1%
Indiana University	\$2.37	\$2.78	17.3%	\$3.31	39.7%
Irrigation Usage	\$3.42	\$4.10	19.9%	\$4.92	43.9%

### How much will residential customers' bills increase?

The tables provided below summarize the changes in customer bills, based on the monthly number of 1000-gallon units charged and the size of the meter at the customer's home. The columns listed under Phase 2 represent the total increase over the two phases.

Monthly Bill Usage, 5/8" Meter Inside City							
		Phase 1			Phase 2 (total of both phases)		
Usage	Current	COS	Change (\$)	Change (%)	COS	Change (\$)	Change (%)
1.0	\$11.58	\$12.71	\$1.13	9.8%	\$13.29	\$1.71	14.8%
1.5	\$13.45	\$14.76	\$1.31	9.7%	\$15.56	\$2.12	15.7%
2.0	\$15.31	\$16.80	\$1.49	9.7%	\$17.83	\$2.52	16.5%
2.5	\$17.18	\$18.85	\$1.67	9.7%	\$20.10	\$2.93	17.0%
3.0	\$19.04	\$20.89	\$1.85	9.7%	\$22.37	\$3.33	17.5%
3.5	\$20.91	\$22.94	\$2.03	9.7%	\$24.64	\$3.74	17.9%
4.0	\$22.77	\$24.98	\$2.21	9.7%	\$26.91	\$4.14	18.2%
4.5	\$24.64	\$27.03	\$2.39	9.7%	\$29.18	\$4.55	18.4%
5.0	\$26.50	\$29.07	\$2.57	9.7%	\$31.45	\$4.95	18.7%
5.5	\$28.37	\$31.12	\$2.75	9.7%	\$33.72	\$5.36	18.9%

Monthly Bill Usage, ¾" Meter Inside City							
		Phase 1			Phase 2 (total of both phases)		
Usage	Current	COS	Change (\$)	Change (%)	COS	Change (\$)	Change (%)
1.0	\$7.86	\$7.86	\$0.00	0.0%	\$7.86	\$0.00	0.0%
1.5	\$2.93	\$3.25	\$0.32	10.9%	\$3.25	\$0.32	10.9%
2.0	\$3.73	\$4.09	\$0.36	9.7%	\$4.54	\$0.81	21.7%
2.5	\$11.58	\$12.71	\$1.13	9.8%	\$13.29	\$1.71	14.8%
3.0	\$13.45	\$14.76	\$1.31	9.7%	\$15.56	\$2.12	15.7%
3.5	\$15.31	\$16.80	\$1.49	9.7%	\$17.83	\$2.52	16.5%
4.0	\$17.18	\$18.85	\$1.67	9.7%	\$20.10	\$2.93	17.0%
4.5	\$19.04	\$20.89	\$1.85	9.7%	\$22.37	\$3.33	17.5%
5.0	\$20.91	\$22.94	\$2.03	9.7%	\$24.64	\$3.74	17.9%
5.5	\$22.77	\$24.98	\$2.21	9.7%	\$26.91	\$4.14	18.2%

**How can my organization participate in the process?**

Please feel free to reach out to CBU Director Vic Kelson via email [kelsonv@bloomington.in.gov](mailto:kelsonv@bloomington.in.gov), or phone 812-349-3650 with any questions you may have. The current planned schedule for public events is provided below.

Utility Service Board: All of the USB meetings will be held on Zoom and on Facebook Live. The USB Finance Subcommittee will hear the proposal on January 4 at 4:00PM and on January 11 at 4:00PM. The whole USB will consider the proposal on January 18 at 5:00PM.

Common Council: We anticipate First Reading before Council on February 3, with committee review and public comment in the following weeks, leading up to a final vote on March 3. Council meetings are held at 6:30PM.

Indiana Utilities Regulatory Commission: IURC will be announcing Public Hearings during the rate case review process (dates and times TBA).