

## **CITY COUNCIL BUDGET QUESTIONS FOR DPU for FY 2019 & 2020**

### **Natural Gas**

Q: An increase of 3.25% is proposed for Natural Gas rates in FY19. What is the reason for the proposed increases?

A: The increase will cover increased operating costs and greater cash contributions to capital projects (as recommended by the Bond Rating Agencies). It will also be used for building new infrastructure that will result in additional revenue in future years. Much of that infrastructure will be in Henrico County.

Q: How much revenue is projected to be generated by the proposed rate increase? How does this compare to the proposed increase in operating expenses?

A: Approximately \$2.5 million will be raised by the rate increase. The additional revenue compares favorably to the additional operating costs over recent years actual amounts.

Q: The average residential rate increase is projected to be \$1.61 per month. How does the proposed rate increase affect the typical commercial, or industrial customer?

A: While there is not a typical commercial or industrial customer, the increase to the nonresidential customers will be variable and depends on their rate as shown in Appendix A; however, the percentage increase to all customers will be 3.25% (excluding the cost of purchased gas).

### **Water**

Q: What is the reason for the proposed rate changes?

A: The proposed rate changes ensure that each class of customers is paying their fair share of expenses (equity). The new Lifeline Rate will be applied to all residential customers using up to 4 CCFs (hundred cubic feet) with the second residential tier covering usage above that amount.

Q: How much revenue, if any, is projected to be generated by the proposed rate changes? How are the proposed rate changes justified in light of the reduction in operating expenses when compared to the FY18 adopted budget?

A: Approximately \$2 million will be raised by the rate increase. These funds will be used to increase cash contributions to capital projects, to ensure compliance with our financial ratios and to provide sufficient operating cash for the utility.

Q: The average residential rate is projected to decrease by \$3.70 per month. How do the proposed rate changes affect the typical commercial, or industrial customer?

A: While there is not a typical commercial or industrial customer, rates for nonresidential customers will be higher in the monthly service charge and the volumetric rates. These increases are very small relative to the amounts these customers currently pay which depends on the size of their meter.

## Wastewater

Q: What is the reason for the proposed increase?

A: Revenue from the proposed rate changes will be used to make cash contributions to the capital projects in compliance with our financial policies, to remain in compliance with our financial coverage ratios and to provide sufficient operating cash for the utility.

Q: The average residential wastewater bill is not projected to change. Why is the average residential wastewater bill not projected to change if rates are increased by 0.25%?

A: The stated increase of .25% is an overall, average rate increase excluding residential customers which will have no increase.

Q: How does the proposed rate increase affect the typical commercial, or industrial customer?

A: The nonresidential customers will see an average increase of 0.25% to their monthly service charge. There is no increase to the volumetric rates for any customer class. There is no proposed change to the Surcharge Rates and Connection Fees as shown in Appendix A.

Q: How much revenue is projected to be generated by the proposed rate increase? How does this compare to the proposed changes in operating expenses?

A: Approximately \$200K will be raised by the rate increase. This increase compares very favorably to the amount of increase in operating expenses.

## Electric

Q: What is the reason for the decline in Electric Light Utility operating expenses?

A: The proposed operating expenses reflect the amount and cost of work that is expected to be done in the Electric Utility for the respective years shown.

Q: Council may want to know the rationale for the proposed transfer of \$3.0 million from the Electric Utility to the General Fund

A: The \$3 million transfer into the Electric Utility is a return of cash in that utility not currently needed for operations.

## **Stormwater**

Q: What is the reason for the proposed changes in rates tiers?

A: The change in rate tiers is necessary to provide equity among the various sizes of residential properties in the City. Parcels with larger impervious areas will pay more to cover their share of operating costs.

Q: How much revenue is projected to be generated by the proposed rate changes? How does this compare to the proposed changes in operating expenses?

A: Approximately \$500K is expected to be generated from the rate increase. The increase in revenue compares very favorably to the increase in operating expenses when compared to actuals in recent years. Operating expenses are expected to increase.

Q: Why is the average residential wastewater bill not projected to change if rate tiers are changed?

A: There is no connection between wastewater rates and Stormwater rates. These utilities operate separately as required by City Charter.

Q: Council may desire that the Department of Public Utilities provide examples that compare the residential charges under the current and proposed rate structures

A: A comparison of residential rates (current vs proposed) is illustrated in the presentation.

Q: How does the proposed rate structure affect the typical commercial, or industrial customer?

A: The nonresidential customers should not see any material change in their Stormwater bills over the current year.

## **Stores**

Q: An increase of \$38,370 is proposed for the Stores in FY19, followed by a reduction of (\$668) in FY 2020.

A: Stores is an Internal Service Fund operated within DPU. The size of its budget is driven by the amount of work budgeted in each of the utilities in a given year.