

FY24 Proposed Utility Rate Increases

Presented to Richmond City Council

by: April Bingham, DPU Director

March 22, 2023



DEPARTMENT OF
**PUBLIC
UTILITIES**

Agenda

- The value utility services and DPU's rate setting process.
- Major factors impacting rates.
- FY2024 rate increases and how we can help.



Value of Utility Services

Economic Development – reasonable and affordable rates for all citizens



Public Health – safe drinking water, reliable natural gas and wastewater best practices

Environment – nutrient reduction program, ditch maintenance, drainage improvement, basin cleaning & mosquito treatment programs

Rate Setting Process

- The Department of Public Utilities funds are Enterprise Funds, therefore each utility must be self-supported with user fees.
- User fees must be equal for all customers within their bill class.
- Rates are designed to provide sufficient revenues to cover O&M (people / 8%, power, chemicals) debt service, PILOT, internal service costs and dividend payments (to the general fund), and pay as you go capital contributions (39%) over the forecast period.

What impacts Utility Rates?

Increasingly Stringent Regulations

- Regulated by the U.S. EPA and Virginia Dept. of Health
- Monitors 10 microbial contaminants and substances, along with disinfectants, turbidity, lead, copper, etc.
- As regulations become more stringent, costs rise

Aging Infrastructure

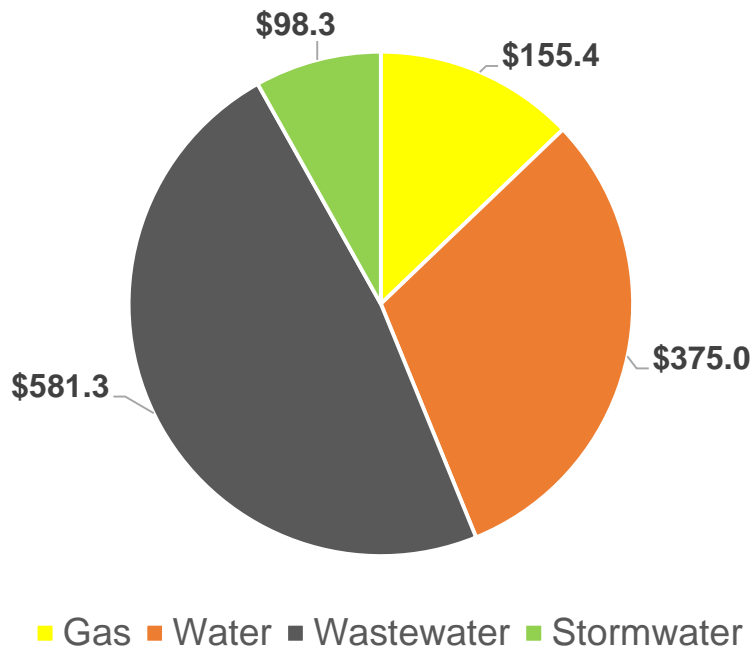
- Parts of Richmond's utility system are almost 100 years old
- Historical Cost
 - Natural Gas – \$760M
 - Water – \$680M
 - Wastewater - \$916M
 - Stormwater – \$69M
- Over \$2B in assets will require repair and replacement

Declining Per Capita Consumption

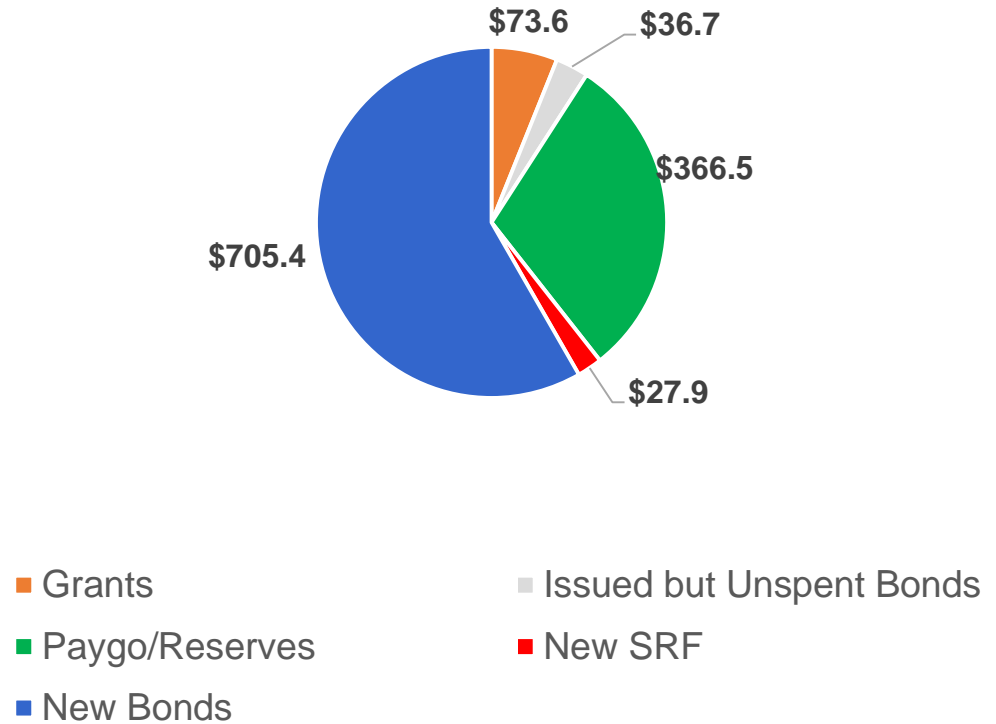
- Annual decrease in water and natural gas consumption per customer
- Forecasting indicates continued decline in water and modest increase in gas due to increasing customer base
- Majority of DPU's costs are fixed, therefore the cost per unit will likely increase

Capital Improvements Spending Plan (\$ Millions)

Planned Improvements
(FY 2024 - FY 2028)
Total \$1.21 Billion



Planned Funding Sources
(FY 2024 - FY 2028)
Total \$1.21 Billion



FY24 Rate Increase Request

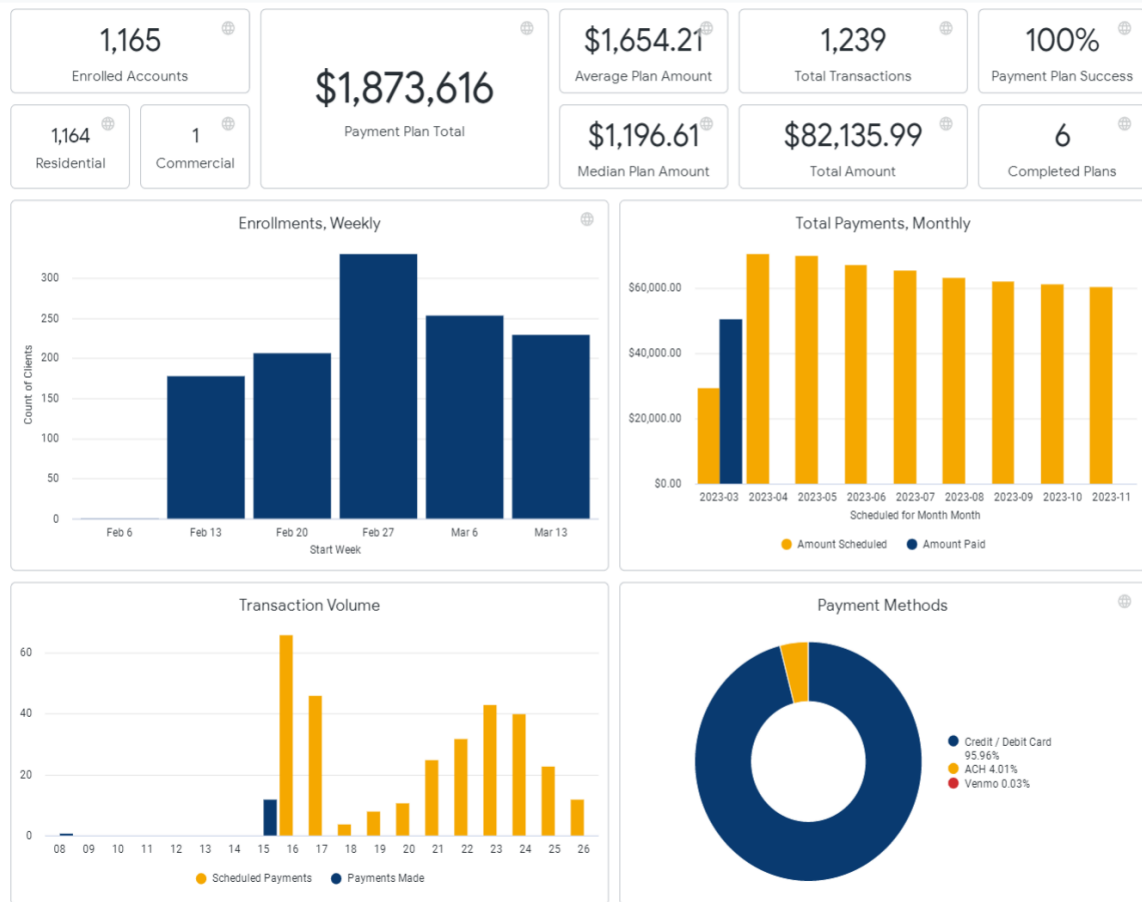
Utility	Estimated Incremental Revenue in Millions	Increase to Typical Residential Customer Monthly Bill	Typical Residential Customer Bill in FY24
Gas (Excluding PGC)	\$3.6	\$2.24	\$102.29
Water	\$2.7	\$1.55	\$40.27
Wastewater	\$6.0	\$4.40	\$72.24
Stormwater	\$1.5	\$0.51	\$5.36
Total	\$13.8	\$8.70	\$220.16

Addressing Affordability

DPUCares Customer Support Programs

- **PromisePay Payment Plans** (flexible; as low as \$10 down, up to 3 years repayment)
 - Launched mid-February 2023; \$1.9M in past due receivables pledged, \$82,000 collected to date
 - **LIHWAP** (temporary water bill assistance for low income households)
 - Launched early February 2023; distributed \$1.4M to date
 - **MetroCare** (heat and water/wastewater bill assistance, plumbing repairs and replacements)
 - **SeniorCare** (winter assurance, third-party notification, weatherization kits)
 - **Customer Support Events** (in-person assistance; 2 executed, more to come)
- **NEW** **PromisePay Payment Plans** – DPU recently partnered with PromisePay to bring flexible and convenient payment plans for customers who are behind on their utility bills. All customers with a past due balance may enroll in a PromisePay payment plan for their outstanding balance at [Richmond.promise-pay.com](https://richmond.promise-pay.com). The PromisePay portal offers users the opportunity to select from a variety of payment plan options, set up automatic payments, and provide contact information for payment reminders and other account notifications through text messaging.
 - **LIHWAP** – Qualified customers who are behind on their water bills are encouraged to apply to the federally-funded Low Income Household Water Assistance Program (LIHWAP). This temporary funding program is being administered through the Virginia Department of Social Services in partnership with PromisePay. Households eligible for LIHWAP assistance must have a past due water/wastewater balance and a gross household income below 150% of the federal poverty level based on household size. Eligible households must apply by visiting www.virginialihwap.com or calling 888-373-9908. **Customers are encouraged to apply as soon as possible as LIHWAP funding will end once funds are depleted.**
 - **MetroCare Water Program** – This water bill payment assistance program provides funds to eligible families and individuals who are having difficulty paying their primary water bills due to financial concerns. There is an application process and ratepayers can receive up to \$500 per applicant if approved.
 - **MetroCare Heat Program** – This heating bill payment assistance program provides funds to eligible families and individuals who are having trouble paying their primary heating bills due to a financial difficulty or other special hardship. The program period begins December 15. Residents within Richmond Gas Works' service territory may apply for funds through MetroCare.
 - **MetroCare Water Conservation Program** – This program provides financial assistance to eligible customers who are homeowners for plumbing repairs and the replacement of water-inefficient appliances with EPA WaterSense products to conserve water and reduce wasteful consumption. This program includes an audit approved by the Department of Energy for all eligible homeowners as a method for improving water use efficiency.
 - **SeniorCare Program** – This program caters to the unique needs of seniors 65 years of age and older in the Richmond metropolitan community. Senior customers can sign up for this program and take advantage of Winter Service Assurance, no late fees, security deposit waiver program, annual weatherization kit giveaways and third party notification.
 - **Equal Monthly Payment Plan** – The EMPP budget plan spreads your annual gas bill over 12 months. The estimated monthly payment is based on the previous year's natural gas usage.

Addressing Affordability



LIHWAP PAYMENTS AS OF 3/13/2023			
Date Received	Date Applied	Amount	Number of Accounts
1/27/2023	1/31/2023	\$398,262.47	351
1/30/2023	2/1/2023	\$27,756.22	24
2/8/2023	2/8/2023	\$442,557.86	351
2/13/2023	2/13/2023	\$170,694.94	169
1/18/2023	2/21/2023	\$5,769.18	5
2/21/2023	2/21/2023	\$88,371.63	120
2/24/2023	2/27/2023	\$79,304.32	79
3/3/2023	3/6/2023	\$111,248.69	92
3/10/2023	3/13/2023	\$102,597.77	77
TOTALS		\$1,426,563.08	1268

- **Unpaid Utility Bills – Spring 2023**
 - Resume past due notices in the monthly utility bills.
 - Resume delinquency processes for non-residential customers who have not complied with established payment arrangements since March 2020.
 - Resume delinquency processes for any customer whose service was restored as a result of the pandemic where no payments have been received since March 2020.
 - Mass cancellation of non-compliant payment arrangements established as a result of the pandemic in July 2020. The mass cancellation will assess applicable late charges for non-payment. Will perform outreach to impacted customers to bring awareness of change and options available.
 - Assistance opportunities outlined in customer letter (March/April 2023 bill insert)



March 2023

Dear Valued Customer:

As a result of the COVID-19 pandemic, most service providers have changed how they conduct business and deliver service to their customers. Despite nationwide changes and challenges, the City of Richmond Department of Public Utilities has maintained its position as a proud partner in helping protect the health and safety of Richmond residents by providing clean and safe drinking water, among other utility services. Due to federal funding made available through the CARES and American Rescue Plan Acts, DPU was able to distribute \$21.3 million of financial assistance to gas and water customers through calendar year 2022. Over the past year, DPU has taken progressive steps to normalize business operations and will continue on that path with the resumption of disconnections of utility services for non-payment in spring 2023.

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Financial Assistance is Available

Resuming disconnections is not an easy decision, nor is it taken lightly. DPU recognizes customers are still in need of financial assistance and are pleased to announce two new assistance programs – LIHWAP and PromisePay Payment Plans. These and other programs are outlined on the reverse side of this letter. All customers needing help paying their utility bill are strongly urged to review the available options and apply accordingly to avoid collection activity, up to and including disconnection of utility service.

Convenient and Flexible Payment Plans

DPU has partnered with PromisePay to offer new flexible payment plans. Customers that are active on an existing payment plan with DPU are encouraged to convert to a new payment plan with PromisePay. Residential and commercial customers who are not currently enrolled in a payment plan with DPU, but are experiencing past due balances are also encouraged to enroll with PromisePay. Benefits include lower down payments, longer repayment terms, a variety of payment plan options, automatic payments, payment reminders and other account notifications all through the convenience of your mobile device.

QUESTIONS?