

DPU Rates

Presented to Richmond City Council
by: April Bingham, DPU Director
July 27, 2022



DEPARTMENT OF
**PUBLIC
UTILITIES**

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 are aligned with pricing objectives and cost of providing services.
- Rates are set to provide sufficient revenues to cover O&M, debt service, PILOT payments, dividend payments, and pay as you go capital contributions over the forecast period.

Why are Costs Increasing?

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

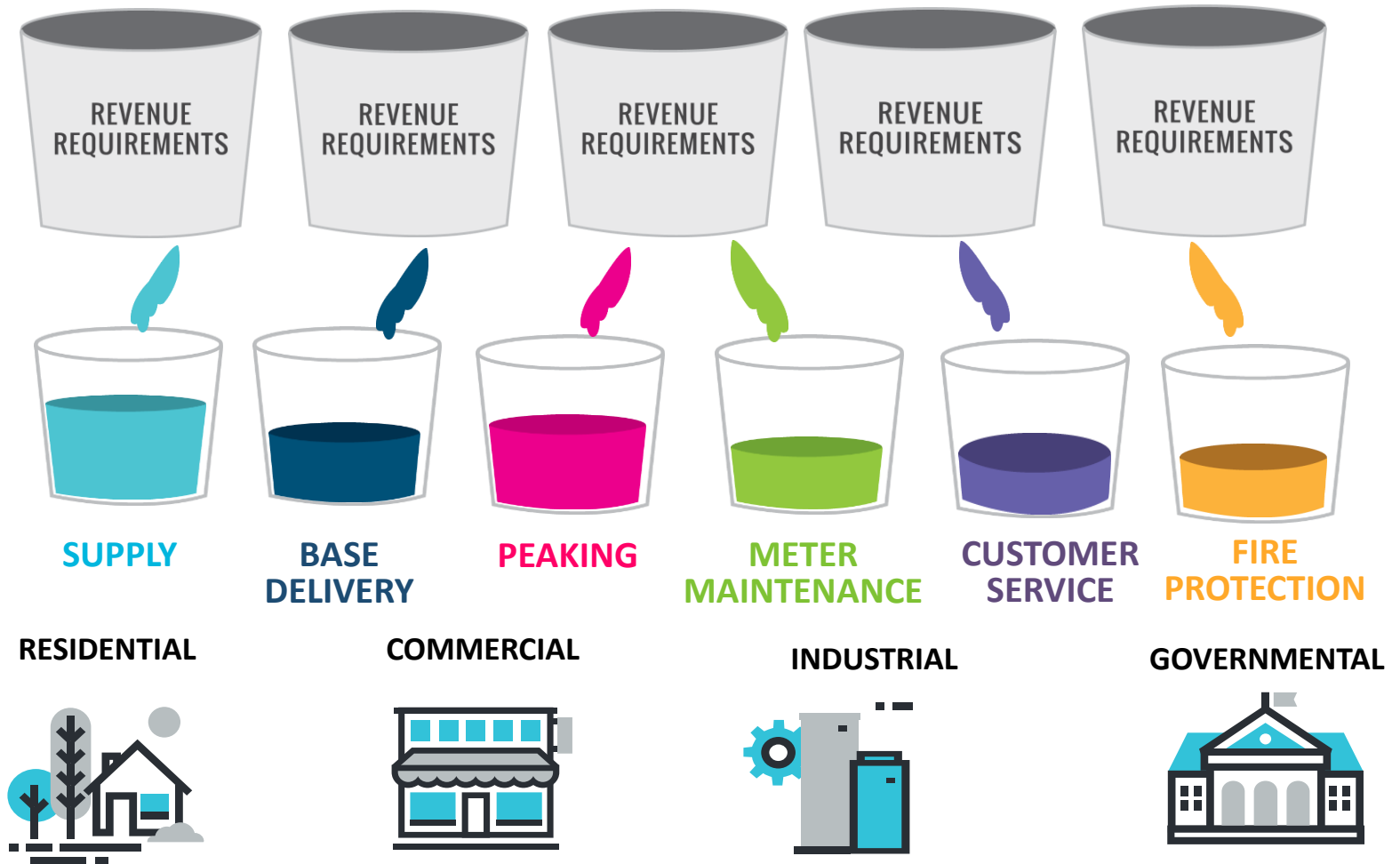
- Parts of Richmond's utility system are almost 100 years old
- Historical Cost
 - Natural Gas - \$690.4M
 - Water – \$606.3M
 - Wastewater - \$796.7M
 - Stormwater – \$47.2M
- Over \$2B in assets will require repair and replacement

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

How We Allocate Cost (Water Example)

Costs are allocated to customers in proportion to how they use the utility system.



Wholesale Contracts

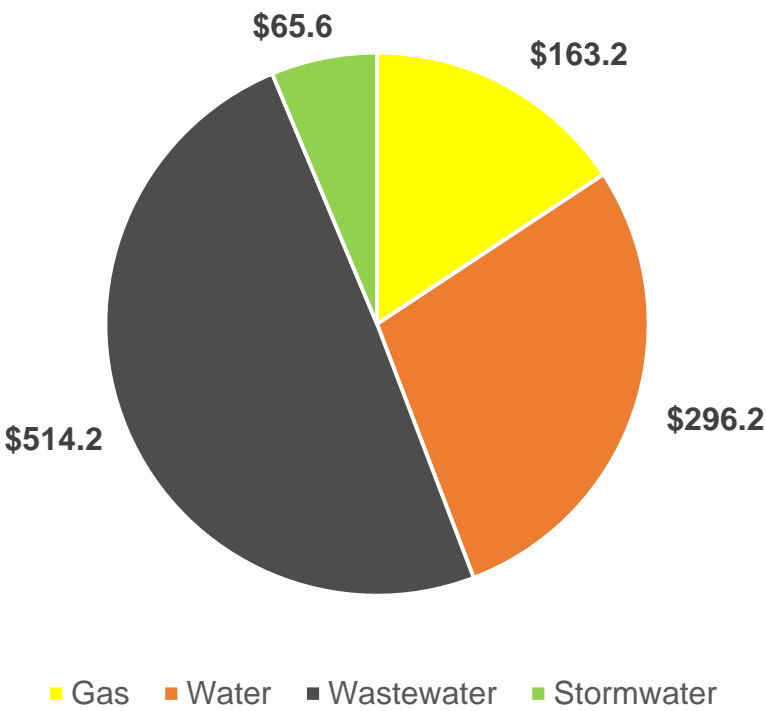
- DPU has wholesale contracts to supply water to Chesterfield, Hanover and Henrico, which are calculated with a cost of service model.
 - Each contract determines how the cost is to be calculated.
 - Model designed to recuperate the cost of delivering water to the counties' system or receiving wastewater into DPU's system.

Stormwater Utility Goals

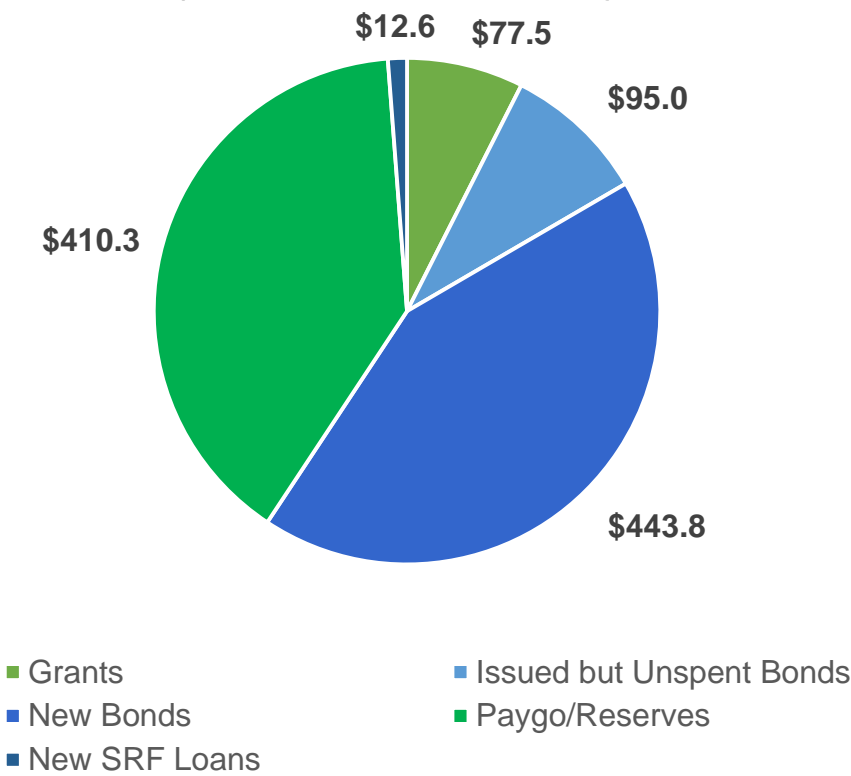
- Protect residential, commercial, industrial and public properties within the City of Richmond.
- Protect public health.
- Improve economic opportunities with better drainage.
- Improve and protect public safety and mobility

Capital Improvements Plan (\$ Millions)

Planned Improvements
(FY 2023 - FY 2027)
Total: \$1,039.2



Planned Funding Sources
(FY 2023 - FY 2027)



FY23 Rate Increase Request

Utility	Estimated Incremental Revenue in Millions	Increase to Typical Residential Customer Monthly Bill
Gas (Excluding PGC)	\$3.7	\$2.25
Water	\$2.2	\$1.30
Wastewater	\$4.4	\$3.38
Stormwater	\$1.1	\$.39
Total	\$11.4	\$7.32

Sample Utility Bill



DEPARTMENT OF
PUBLIC UTILITIES

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CUSTOMER CUSTOMER

Page 1 of 2

BILL SUMMARY	
Previous Balance	\$230.75
Payments Received (-)	\$230.75
Balance Forward (=)	\$0.00
Current Charges (+)	\$238.07
Total Charges Due	\$238.07

Account Number	59106-0123456
Bill Date	Aug 10 2022
Next Read Date	Sep 02 2022
Next Bill Date	Sep 08 2022
Payment Due Date	Sep 07 2022

PLEASE READ IMPORTANT MESSAGES

SERVICE ADDRESS: 2906 DOUGLASDALE RD

STORMWATER DETAILS						
Dates of Service	Rate/YR	Class	Impervious	MSF	Credit	
Jul 08 Aug 10	\$58.20	SFR2	1563	2.00	0%	

Stormwater Tier 2-1001 - 2000 SF

\$4.85

Current Charges

\$4.85

WATER/WASTEWATER DETAILS						
Meter No.	Prior Read	Current Read	Read Type	Dates of Service	Days of Service	
0123456	1126	1132	E	Jul 03 Aug 10	38	

Water Single Family Res.

\$22.66

4 ccf@\$2.85=\$11.40

2 ccf@\$5.63=\$11.26

Water Single Family Res. - Base Fee

\$16.06

Wastewater Residential 6 ccf@\$7.985

\$47.91

Wastewater Residential - Base Fee

\$19.93

OTHER CITY SERVICES

Solid Waste Charge

\$21.45

Recycling Charge

\$2.99

Current Charges

\$130.40

WATER HISTORICAL USAGE					
Same Month Last Year	No. Days	Prior Month	No. Days	Current Month	No. Days
6 CCFs	34	4 CCFs	32	6 CCFs	38

GAS DETAILS					
Meter No.	Prior Read	Current Read	Read Type	Dates of Service	Days of Service
9876543	4046	4116	A	Jul 03 Aug 03	31

Gas Residential 70 ccf@\$0.63

\$44.10

Gas Residential - Base Fee

\$14.82

Purchased Gas Cost 70 ccf@\$0.57

\$39.90

Gas Tax Residential


\$4.00

Continues on back



DEPARTMENT OF
PUBLIC UTILITIES

Sample Utility Bill – Stormwater Charges



CITY OF RICHMOND
DEPARTMENT OF
PUBLIC UTILITIES

0000001234567 CUSTOMER CUSTOMER Page 1 of 2

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Current Charges **\$4.85**

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Gas Tax Residential \$4.00

Impervious Area is the amount of land that is covered by water resistant materials such as asphalt, concrete, brick, stone and rooftops. The stormwater charge is based on the amount of impervious area on a property. A typical residential customer has between 1,000 and 2,000 square feet of impervious

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Sample Utility Bill – Water Charges



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Gas Tax Residential					\$4.00

Continues on back

Water Volumetric Charge: DPU measures water usage with a meter at each location served. Monthly readings are collected to calculate the customer's consumption for the month. This charge recovers a portion of the water utility's fixed cost, but is also driven by cost of producing water (power, chemicals, water plant operating personnel). The typical residential customer uses 6 CCFs of water, and the first 4 CCFs of consumption are at a lower rate, which is what we call the Lifeline Rate.

Water Base Fee: This charge recovers a portion of the water utility's fixed costs associated with running a water utility. They include primarily costs for customer service, billing, meter reading, and debt service related to infrastructure investment.

Sample Utility Bill – Wastewater Charges



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0000001234567 CUSTOMER CUSTOMER Page 1 of 2

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Wastewater Volumetric Charge: DPU uses a customer's water consumption to approximate a customer's usage of the wastewater system. This charge recovers a portion of the wastewater utility's fixed costs but is also driven by the cost of treating wastewater (power, chemicals, wastewater plant operating personnel).

Wastewater Base Fee: This charge recovers a portion of the wastewater utility's fixed costs associated with running a wastewater utility. They include primarily costs for customer service, billing, meter reading, and debt service related to infrastructure investment.

Sample Utility Bill – Gas Charges



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0000001234567 CUSTOMER CUSTOMER Page 1 of 2

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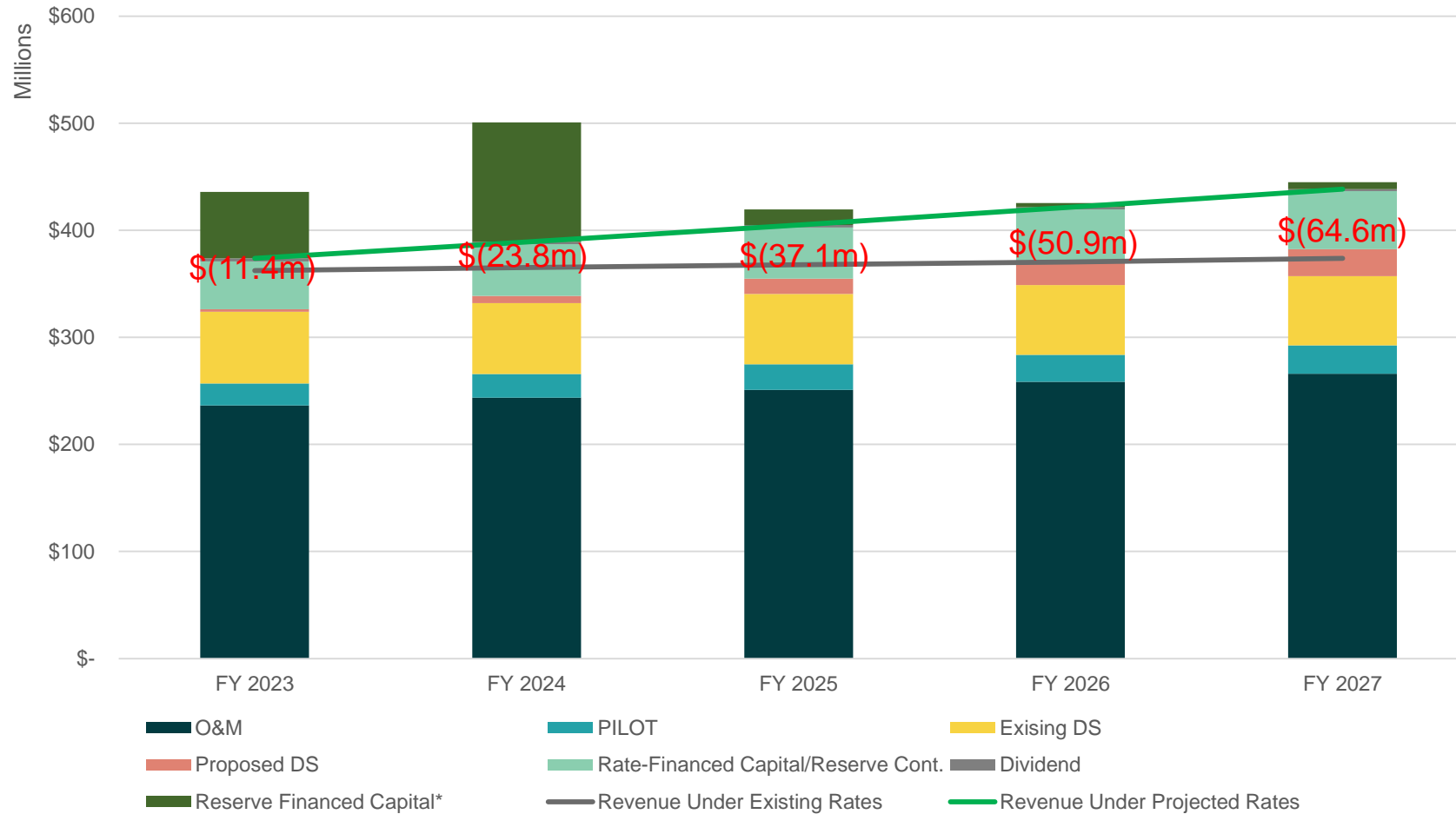
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Gas Distribution Charge: DPU measures gas usage with a meter at each location served. Monthly readings are collected to calculate the customer's consumption for the month. This charge recovers a portion of the gas utility's fixed costs but is also driven by cost of distributing natural gas (gate stations, pressure control, chemicals, gas leak repairs). During a normal year, a typical residential customer will use an average of 70 CCFs per month.

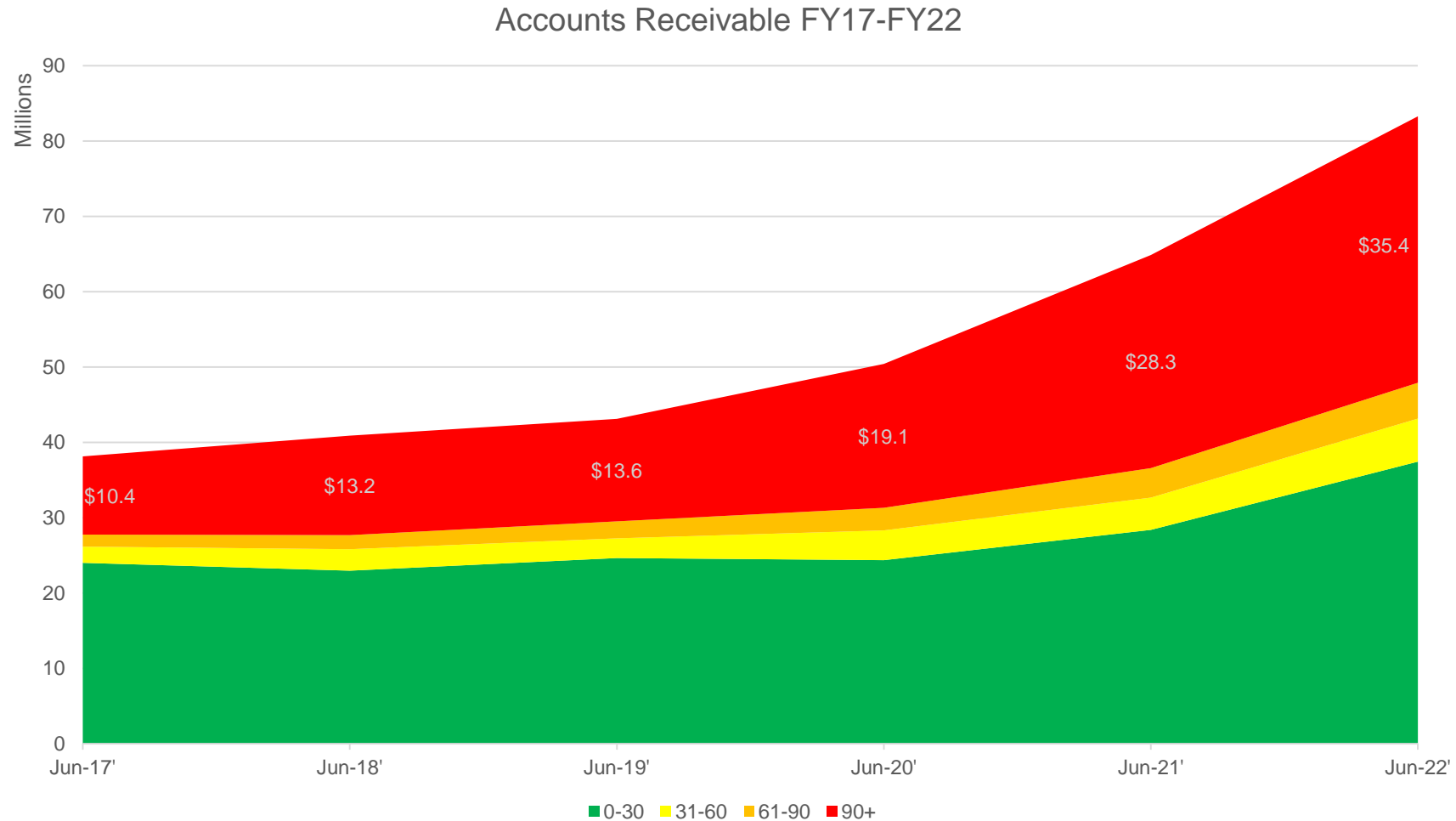
Gas Base Fee: This charge recovers a portion of the gas utility's variable charges, but is primarily driven by fixed cost associated with running a gas utility. They include primarily costs for customer service, billing, meter reading, and debt service related to infrastructure investment.

Purchased Gas Cost: This charge recovers the actual cost of natural gas delivered to customers. DPU is required to pass the cost of natural gas to customers on a dollar for dollar basis, with no markup or loss.

Impact of No Rate Increases



Impact of Pandemic on Customer Payments



Addressing Affordability

- Residential lifeline water rate instituted in FY19 for non-discretionary consumption. This gives consumers greater control over their bill.
- DPU Ongoing Programs
 - MetroCare (heat and water/wastewater bill assistance, plumbing repairs and replacements)
 - Special payment agreements
 - Senior assistance

Customer Pandemic Assistance

- CARES Act Program
 - In December 2020, the City was awarded federal CARES Municipal Utility Relief funds
 - Distributed \$12.2M to 13,389 residential and commercial customers
- ARPA Program
 - In October 2021, the City was awarded federal COVID-19 ARPA SLFRF Municipal Utility Assistance Program funds
 - Distributed \$7M to 13,261 residential customers

Utility Disconnection Moratorium Timeline

Public Health & Safety Measures

- March 12, 2020
 - DPU announced the suspension of water and wastewater service disconnections.
 - DPU reconnected service for past due customers to help avoid the spread of COVID-19.
 - DPU suspended late fees and collection notices.
- March 16, 2020
 - SCC Directs Electric, Natural Gas and Water Companies to Suspend Service Disconnections during COVID-19 State Emergency.
- June 1, 2020
 - DPU automatically created an estimated 12,363 installment plans [totaling \$11,772,281.96] for residential customers with balances greater than 90 days in arrears, allowing up to 12 months for repayment. 40% honored the payment plans. The remaining 60% fell further behind in their payment plan schedule or failed to satisfy any portion of their account balance. Friendly reminder notices were released for this population.
- **December 2020 – CARES Act Funds Awarded to COR (DPU distributed \$12.2M to residential and commercial customers).**
- June 30, 2021, Virginia's state of emergency expired.
- August 29, 2021, the 2020 Appropriations Act that established the statewide moratorium on disconnections officially ended.
- **October 2021 – ARPA Funds Awarded to COR (DPU distributed \$7M to residential customers).**
- November 1, 2021, DPU reinstates late fees.
- December 2021,
 - Installment Plans = 13,773 for \$12.5M with 54% compliance.
 - Installment Plans are protected from late fees.

- **Unpaid Utility Bills - Effective June 1 2022**
 - Resume delinquency notices in the monthly utility bills.
 - Field disconnections for non-residential customers who have not complied with established payment arrangements since March 2020.
 - Field disconnections 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.
- **DPU Partners with PromisePay**
 - The PromisePay COVID-19 Relief Portal helped to reach over 27,000 eligible customers to inform them of the available relief through CARES.
 - The PromisePay Payment Plan Portal creates flexibility by allowing customers to modify their payment plan and stay on track for repayment.
 - Recognizing economic realities (i.e. inability to pay vs. unwillingness to pay), payment plans can start with as little as \$5 down.

Communicating Rate Changes

Utility Rates Effective July 1, 2022

The City of Richmond Department of Public Utilities announces utility rate changes adopted by Richmond City Council, effective July 1, 2022. These rate increases are projected to cost the average utility customer approximately \$7.32 more per month which equates to a 4.50% increase.

Utility	Rate Increase	Average Increase *
Natural Gas	4.00%	\$2.25
Water	3.50%	\$1.32
Wastewater	5.25%	\$3.38
Stormwater	8.75%	\$0.39

*Monthly average increase assumes natural gas usage of 70 Ccf; water/ and stormwater parcel categorized in Tier 2 (impervious surface between

Cost of service increases are necessary to help protect the City's financial health and its ability to ensure the delivery of quality services. They also ensure the ability to maintain and replace aging infrastructure, complete capital projects, meet regulatory requirements and maintain the ability to leverage DPU's strong bond rating.

How we manage costs and affordability

Rates affect everyone. That is why we work hard to keep our costs low, which keeps rates more affordable for everyone in our community.

- Asset and project management – identifying, evaluating and prioritizing capital projects.
- Equitable cost distribution – establishment of lifeline water rates, consumption-based rates and stormwater tiers.
- Payment assistance programs – more offerings, greater flexibility, increased available funds.

How we address equity when planning rates

We commit to achieving equity in our budget by ensuring:

- We provide equitable delivery of services to residents, including access to safe and clean water.
- We maximize the benefits of infrastructure investments.
- Our workforce reflects the community we serve.
- We engage in community outreach.

Visit www.rva.gov/public-utilities or call (804) 646-4646 for more information

QUESTIONS?