

Charles Town Utility Board
 Analysis of Rate Equalization Revenue Gap Based on Ranson Benchmark Rates
 For the year ended June 30, 2018

Jefferson County Public Service District Component

Customer Class	Number Of Customers	Annual Gallons Usage (000)	Average Monthly Usage (000)	Monthly Step 2 JCPD Bill	Monthly Current Ranson Bill	Average Bill Revenue Differential	% Decrease to Ranson Rates	FY 18 JCPD Revenues	Unified Rate Revenue Loss	% of JCPD Revenue Loss
Residential	2,486	109,114	3.66	\$ 60.75	\$ 47.24	\$ 13.51	22.2425%	\$ 1,986,529.00	\$ 441,854.21	
Commercial	171	33,927	16.53	\$ 274.62	\$ 177.85	\$ 96.77	35.2386%	608,231.00	214,332.17	
Industrial	7	3,229	38.44	\$ 638.50	\$ 389.71	\$ 248.79	38.9644%	54,690.00	21,309.63	
Public Authorities	11	11,223	85.02	\$ 1,412.23	\$ 840.14	\$ 572.09	40.5096%	188,628.00	76,412.42	
	<u>2,675</u>	<u>157,493</u>						<u>\$ 2,838,078.00</u>	<u>\$ 753,908.44</u>	
							Average % rate reduction needed		<u>26.56%</u>	

Charles Town Utility Board Component

Customer Class	Number Of Customers	Annual Gallons Usage (000)	Average Monthly Usage (000)	Monthly Current Ranson Bill	Monthly Current CTUB Bill	Average Bill Revenue Differential	% Increase to Ranson Rates	FY 18 CTUB Revenues	Unified Rate Revenue Gain	
Residential	3,018	120,245	3.32	\$ 43.62	\$ 41.50	\$ 2.12	5.11%	\$ 1,550,571.00	\$ (79,209.89)	
Commercial	307	44,473	12.07	\$ 134.72	\$ 128.14	\$ 6.58	5.14%	560,015.00	(28,756.82)	
	<u>3,325</u>	<u>164,718</u>						<u>\$ 2,110,586.00</u>	<u>\$ (107,966.71)</u>	14.32%

Net Revenue Gap \$ 645,941.73

Identified Cost of Service Changes

Change in JCPD pro forma operating expenses based on fy 18 audited financial statements	(200,000.00)	26.53%
Change in JCPD pro forma operating revenues based on fy 18 audited financial statements	(5,000.00)	0.66%
Assumed economy of scale on operating expenses post acquisition of approximately 10%	<u>(100,000.00)</u>	13.26%
Remaining revenue gap after identified cost of service changes	<u>\$ 340,941.73</u>	45.22%

Potential equalization of JCPD rates based on known cost of service changes estimated as:

	% Reduction	Average Residential Bill		% Reduction	Average Residential Bill
Year 0	0%	\$ 60.75	Year 6	Unknown	\$ 51.63
Year 1	5%	\$ 57.71	Year 7	Unknown	\$ 51.63
Year 2	5%	\$ 54.67	Year 8	Unknown	\$ 51.63
Year 3	5%	\$ 51.63	Year 9	Unknown	\$ 51.63
Year 4	Unknown	\$ 51.63	Year 10	Unknown	\$ 51.63
Year 5	Unknown	\$ 51.63			

Assumptions:

Charles Town rates will be increased (contingent on Council approval) after one year to Ranson current rates. The revenues provided by the increase will be used for equalization (contingent on Council approval).

Contingent on Council approval, costs of all future projects including the Ranson project, the Flowing Springs project and the Renewal and Replacement project will be shared equally by all customers. As such, potential project rate changes have no effect on rate equalization.

The Rockwool project is assumed to be revenue neutral to the Utility.

The consolidated utility-wide schedule of rates and charges will need to be designed in a non-discriminatory manner. Single tier versus multiple tier rates will need to be analyzed. The ultimate tariff design will need Council approval.

The remaining revenue gap will require future growth and cost reduction analysis or equalization would need to be accomplished by increasing the Ranson/CTUB rates and decreasing JCPD rates.

Based on Council approval, if rates are equalized by increasing CTUB/Ranson rates, a 5% reduction in JCPD rates would require a 2% increase in CTUB/Ranson rates.