



Town of Castle Rock

DRAFT

Agenda Memorandum

Agenda Date: 3/6/2018

Item #: File #: TMP 2018-004

To: Honorable Mayor and Members of Town Council

From: Mark Marlowe, P.E., Director of Castle Rock Water

Discussion/Direction: Bulk Water Program Changes

Executive Summary

Castle Rock Water provides customers with two options for bulk water. For the larger users typically 5,000+ gallons a day, a bulk water hydrant permit can be issued. These are typically for development projects for dust control, grading, etc. The second option that is offered to customers is access to the bulk water station. This is for the smaller users, typically less than 5,000 gallons a day. Staff recommends that we remove the 5,000+ gallons minimum requirement per day to no minimum requirement per day. Currently meter reads are captured once a month so there is no mechanism or resources to enforce this daily requirement. Staff feels that if a customer requests a bulk hydrant meter and agrees to pay all the monthly fees associated with such, they should have that option, otherwise they can choose to have a bulk station permit for smaller usage and monthly fees.

The chart below shows the 2018 adopted rates for bulk water:

2018 Adopted Charges/Deposits	Bulk Hydrant	Bulk Station
Monthly Water Service Charge	\$9.54*	\$9.54*
Water Volumetric Rate (per 1,000 gallons)	\$5.07	\$5.07
Renewable Water Volumetric Rate (per 1,000 gallons)	\$0.24	\$0.24
Refundable Deposit	\$1,875	\$150
Monthly Permit Fee	\$300	\$0
Minimum Daily Usage Requirement	5,000 gallons	0

*Bulk hydrant customers are charged the monthly service charge from the time the hydrant meter is issued until it is returned. Bulk station customers are only charged the monthly service charge if water is consumed in any given month.

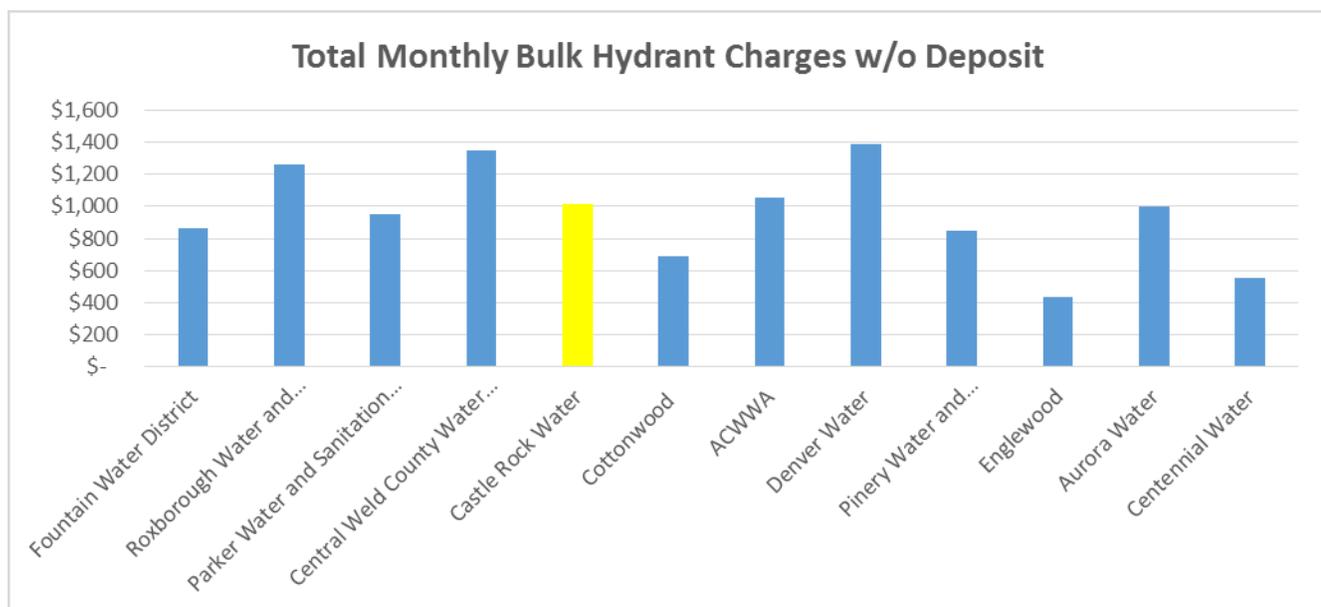
As noted above, bulk water station customers are not charged the monthly water service charge of \$9.54 per month unless water is consumed in any given month. However, staff is proposing to charge that \$9.54 rate per month regardless if water is consumed in any given month. The Cost of Service (COS) for administrative services is the same for collection efforts, statement generation, online portal maintenance, etc. regardless if an account has water usage. Staff also recommends an

increase to the monthly water service charge that bulk hydrant customers are charged from \$9.54 to \$18.78 per month based on the average monthly use of this customer class compared to that of a 1.5" irrigation customer class. These changes eliminate other accounts subsidizing the bulk station accounts from a COS perspective.

As part of the application process for obtaining a bulk water station permit, the customer has to answer a series of questions. Will the water be used in the Town limits? For what purpose will the water be used? These are just two of the questions that are asked on every application. However, there is no guarantee that the water will not be transported out of the Town and basin, therefore losing the return flows. To mitigate that, we would like to increase the bulk station water volumetric rate (per 1,000 gallons) to \$9.48, which is 125 percent of the highest Tier 2 outdoor irrigation rate. This is consistent with the 125 percent we charge for extra territorial agreements. We think this makes the rate structure fair and equitable amongst all water customers. This rate structure will be evaluated annually as part of the rates and fees study.

Staff recommends a change in the monthly renewable water charge from a volumetric rate to a fixed rate. For bulk hydrant customers the change would be from \$0.24 per 1,000 gallons to a fixed rate of \$187.50 per month regardless if they have consumption in any given month, which is the same rate that a 1.5" irrigation customer class would pay who uses on average the same amount of water per month. For bulk station customers the change would be from \$0.24 per 1,000 gallons to a fixed rate of \$26.15 per month regardless if they have consumption in any given month, which is the same rate as that of a residential customer who would have similar average monthly consumption.

With these changes, Castle Rock Water is still somewhere in the middle compared to the water providers that we benchmarked against. See the graph below for a comparison:



The table below summarizes the proposed changes for 2018 to the bulk water program:

2018 Proposed Charges/Deposits	Bulk Hydrant	Bulk Station
Monthly Water Service Charge	\$18.78	\$9.54
Water Volumetric Rate (per 1,000 gallons)	\$5.07	\$9.48
Renewable Water Fixed Rate	\$187.50	\$26.15
Refundable Deposit	\$1,875	\$150
Monthly Permit Fee	\$300	\$0
Minimum Daily Usage Requirement	0	0