

To: Honorable Mayor and Members of Town Council

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

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Discussion/Direction: Bulk Water Program Changes

Executive Summary

Castle Rock Water offers two options for bulk water, hydrant meters and our bulk water station. Hydrant meters are typically used on construction projects in Castle Rock where significant amounts of water are needed at a single location. The bulk water station is typically used for smaller needs, ranches, for private livestock watering, people having trouble with a private well, contractors doing work in multiple locations, and uses that are outside the Town of Castle Rock.

The table below summarizes the changes Castle Rock Water is proposing to the program:

| 2018 Proposed Charges/Deposits | Bulk Hydrant | | Bulk Station | |
|---|---------------------|-----------|---------------------|-----------|
| | From | To | From | To |
| Monthly Water Service Charge | \$9.54 | \$18.78 | \$9.54 | \$9.54 |
| Water Volumetric Rate (per 1,000 gallons) | \$5.07 | \$5.07 | \$5.07 | \$9.48 |
| Renewable Water Fixed Rate | \$0.24* | \$187.50 | \$0.24* | \$26.15 |
| Refundable Deposit | \$1,875 | \$1,875 | \$150 | \$150 |
| Monthly Permit Fee | \$300 | \$300 | 0 | 0 |
| Minimum Daily Usage Requirement | 5,000 gallons | 0 | 0 | 0 |

*Per 1,000 gallons

The goals of the proposed changes area as follows:

1. Discourage contractors from keeping hydrant meters that are not being used which create a cross connection control risk to our system.
2. Ensure bulk water users are paying their fair share of the renewable water fees for the system.
3. Collect an appropriate rate that recovers the cost of bulk water that can be taken out of Castle Rock and used in other jurisdictions where Castle Rock does not get the benefit of the reuse water for these uses.

The proposed changes are still competitive with surrounding jurisdictions. Castle Rock Water Commission and staff recommend adopting the changes as summarized herein.

Notification and Outreach Efforts

Castle Rock Water staff presented the proposed changes to the Developer's Round Table on February 21, 2018. There were no comments or questions at that time.

History of Past Town Council, Boards & Commissions, or Other Discussions

On December 13, 2017 and February 28, 2018, Castle Rock Water Commission unanimously recommended support of these proposed changes.

Discussion

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:

