



# Northern Water Cost of Service Study & Assessment Rate Study

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# Northern Water's Cost of Service and Rate Study

- **Drivers:**

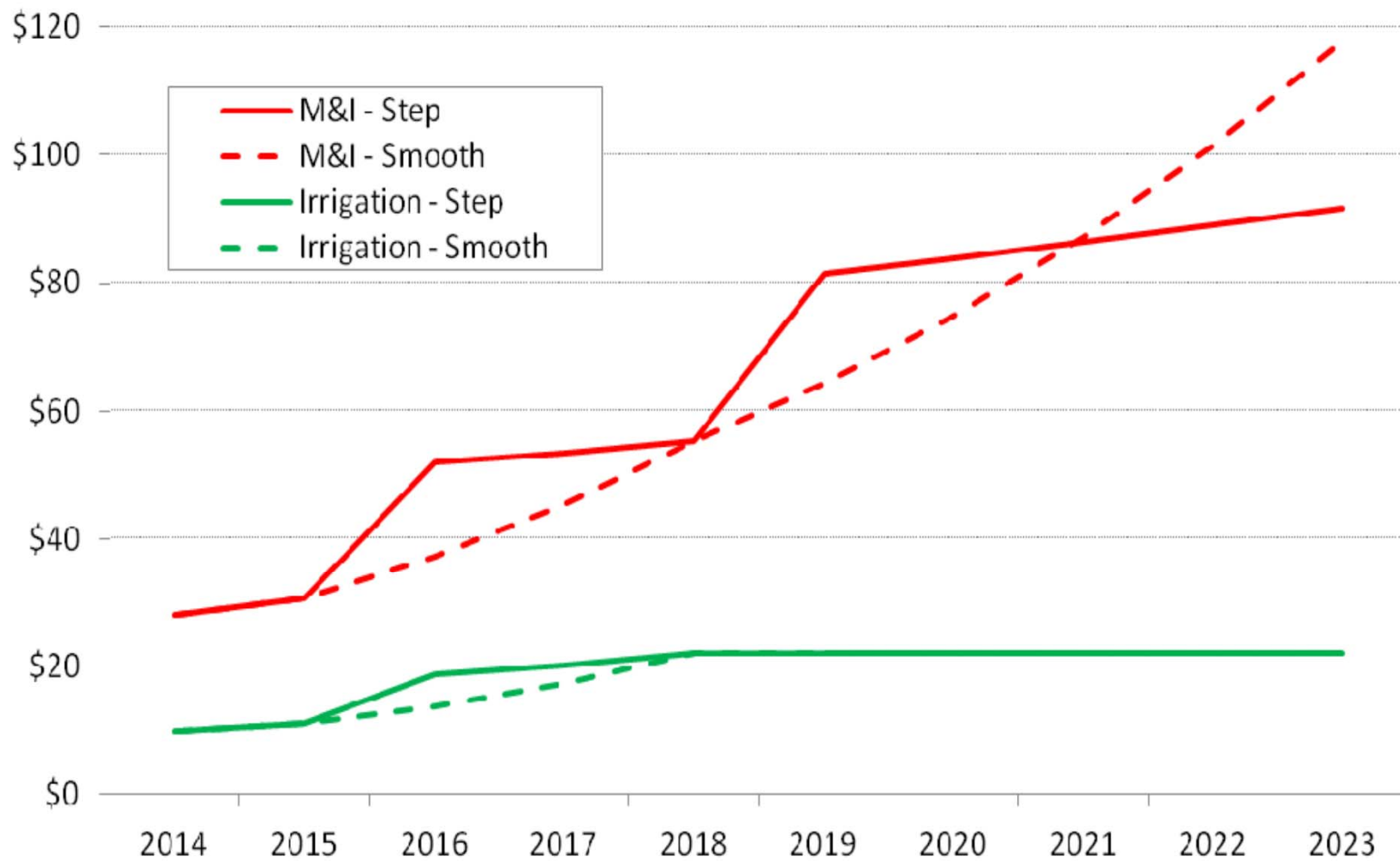
- Increasing Costs (Aging Infrastructure, Water Quality, Environmental, Watershed Health)
- Flat Tax Valuations (Recession)
- Result: Declining Reserves

- **Solution: Increase Revenue through Assessments**

- Closed Rate, Open Rate (Irrigation), Open Rate (M&I)
- Historically, Open Rate (Irrigation) capped by 'ability to pay'

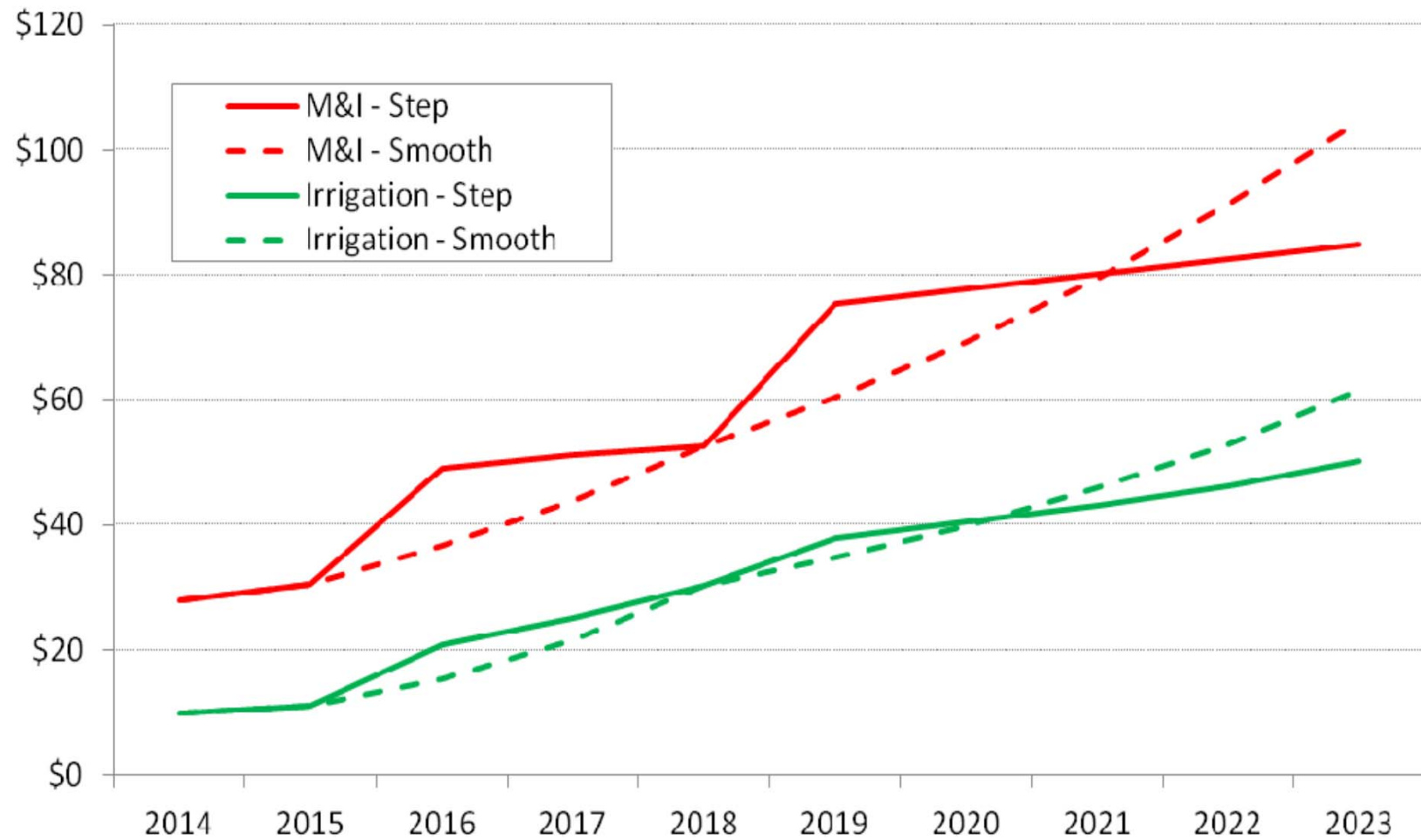
## Option 1

# Existing Structure



## Option 2

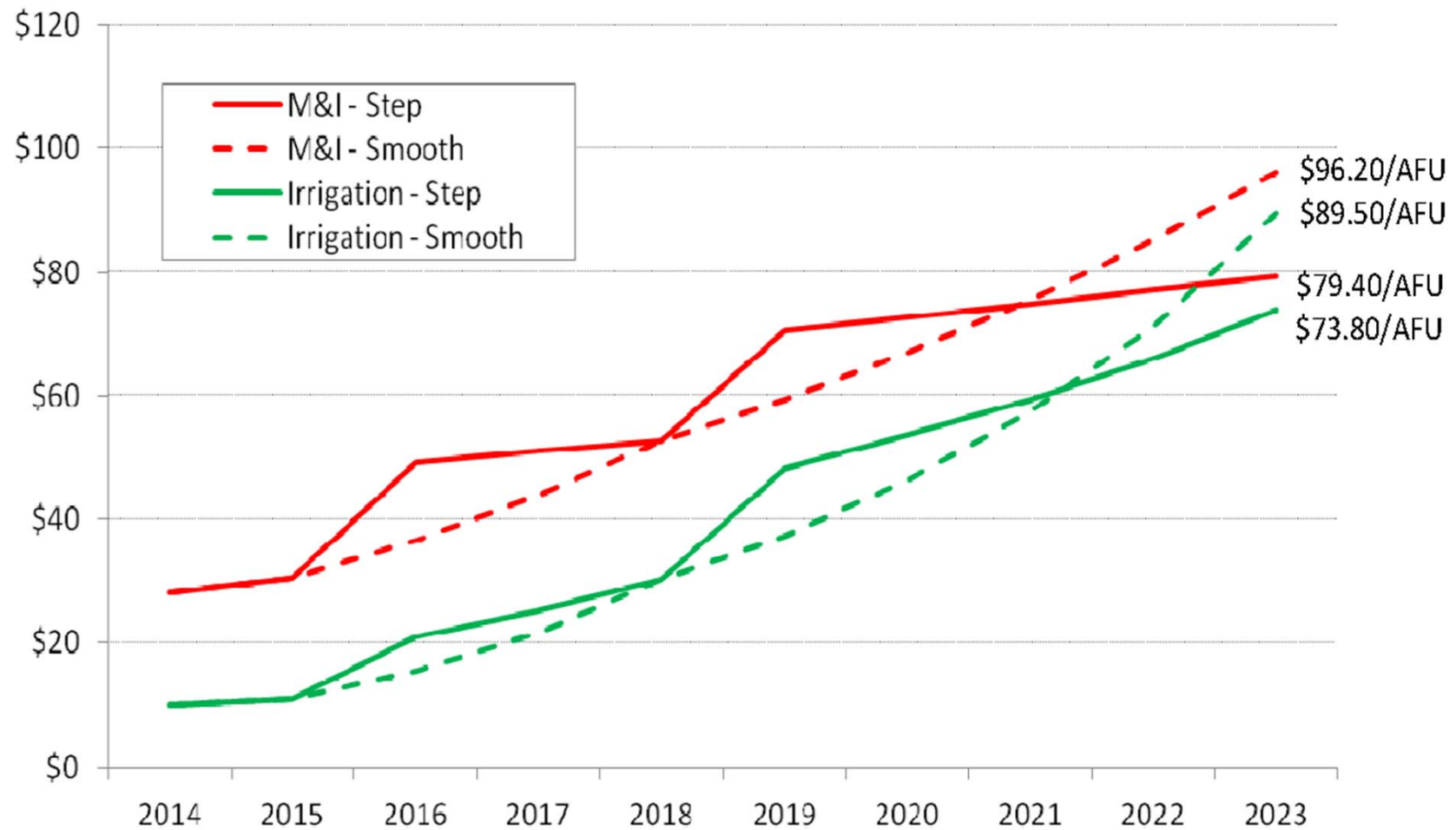
# Base Assessment Design





## Option 3

# Open Rate Assessment Design



# Staff Recommendations

- **Option 2 – Base Assessment Design**

- Moves closer to a Cost-of-Service approach: proportionally allocates costs to appropriate user classes
- Less impact on agriculture than Option 3

- **Smooth Increase Implementation Plan**

- Less disruptive to Water Enterprise revenue
- Allows for year-by-year evaluation of revenues and reserve levels
- Lower probability of 'over collecting' should tax revenues rebound stronger than anticipated

# LUC Discussion and Input

