Proposed Water and Sewer Rates

Metro Water Services
NewWaterRates.Nashville.gov
Metro Water Services has been serving the Nashville community since 1833. The reservoir and pump station placed in service in 1833 was on the site of the old General Hospital on Rolling Mill Hill.
The 8th Avenue Reservoir (upper left) and George Reyer Pumping Station (upper right) were both placed in service in 1889. Both facilities remain in service today as vital components of our water system.

In the late 1800’s, creeks and streams in the downtown area were encased and converted to sewers to keep sewage out of the streets and direct it to the River. The first Water Reclamation Facility or Wastewater Treatment Plant in Nashville was built in 1958.
The Drinking water System is extensive.
The Water Reclamation System is just as extensive.
This is an example of a current customer bill. It is important to recognize that we are NOT discussing Stormwater Charges in this presentation or rate proposal.
Our current structure has several bill variables.
Typical Residential Customer

30% of residential customers use less than 2 CCF of water (2 ccf = 1,469 gallons)

Most residential customers use less than 7 ccf (5,236 gallons)
Nashville’s last water and sewer rate increase was in 2011. Prior to that increase, MWS had not raised water and sewer rates for 13 years. In the past 10 years, operating costs have increased 30% and capital needs for maintenance and upgrades have increased as well.
We currently have the lowest rates compared to our regional peers and are well below the regional average.
Our rates are also lower than our regional neighbors.
OUR COSTS HAVE GONE UP
COSTS TO CUSTOMERS HAVE NOT

OUR RATES HAVE NOT CHANGED SINCE 2011
IN THE PAST 10 YEARS, OUR OPERATING COSTS HAVE INCREASED 30%
Water and Sewer balances two types of budgets – a Capital Improvements budget and an Operating budget.

1. **Capital Improvements** are things that will last longer than 1 year and cost more than $10,000.
   - This budget is for infrastructure projects, repair and maintenance of our facilities such as pumps and disinfection equipment, and other large projects.
   - This budget is funded by borrowing money (bonds) that we payback over time. It is similar to how an individual would borrow money for a car or a house.

2. **The Operating budget** is used for our day-to-day operation costs.
   - This budget is to pay our utility (electric, water) bills, our employees, for chemicals and for other supplies and services.
   - This budget is funded by our revenue.
Salaries are one of our largest expenses. Salaries, Utilities and Water Treatment Chemicals make up 72% of our operating expenses.
Staffing has been reduced over the years through efficiency and the use of technology.

Although we cannot control the cost of energy, we can control our overall usage and the rate at which we consume electricity. Various projects, programs and upgrades at our facilities have allowed MWS to save in electrical costs. Additionally, the biogas produced during digestion is being utilized onsite to power various process equipment which was once depended on natural gas to operate.
Even after implementing efficiencies and reducing staff, our daily cost to operate is $570,000.
MWS has between $100 million and $300 million in capital investment needs each year.

Capital Projects are large projects such as new facilities, pipes, and equipment as well as replacing or refurbishing existing infrastructure (e.g. facilities, pumps, pipes, valves, equipment).

The Whites Creek Pumping Station project replaced a 40 year old sewer pump station with a new 16 MGD pump station and new force main to transport sewage to the water reclamation facility.
Capital Projects are not just the facilities we see above ground. Replacing and refurbishing water mains and sewer mains are critical components of our capital program.

This project included over 4.5 miles of large diameter (24-inch to 60-inch) water main in the Donelson area.
Aging Water Infrastructure

- < 20 yrs: 14%
- 20 - 40 yrs: 21%
- > 40 yrs: 65%

65% of our water mains are over 40 years old.
Replacing Old Infrastructure - Water

1%
GOAL
Replace 1% of old water pipes annually equaling approx. 30 miles of pipe each year.

$40M
COST
The cost to replace 1% of pipes equals $40 million annually.

100yr
LONGEVITY
New pipes are designed to last for 100 years.
Aging Sewer Infrastructure

58% of our sewer mains are over 40 years old.
Due to our aging and failing sewer infrastructure, MWS fell out of compliance and has entered into an agreement with the U.S. Department of Justice, EPA, and TDEC. This agreement is called a Consent Decree.

We must meet the goals detailed in the Consent Decree by 2028 or we will be assessed stipulated penalties/fines.
MWS is required to invest an additional $1.5 Billion in Nashville's sewer system to meet the demands of the Consent Decree. Compliance with the Consent Decree is the purpose of the Clean Water Nashville program.
The rate proposal process began in 2016 when a financial forecast showed a needed adjustment in FY17. Without the needed increase, MWS scaled back on capital activities. In 2018, MWS was labeled as financially distressed by the TN Comptroller’s Office. Without a rate increase, we face action by the TN Comptroller.
A Cost of Service Study (COS) was done by Raftelis, a national expert on rates, based on principles endorsed by the American Water Works Association and the Water Environment Federation.

The proposed structure is fair and equitable - no group subsidizes another.
91% of our customers are residential but they only use 41% of the water. Only 3% of our customers are intermediate commercial but they use 40% of the water.
Metro Water Services has reached the point where its capital and operational needs far exceed its expected revenue generation and its existing water and sewer rates no longer suffice.
The proposed rate structure is cost-of-service based, encourages wise water use and conservation, and provides for the provision of affordable drinking water for essential residential use.

Fixed meter charges are uniform across all customer classes and are cost justified, providing for more equitable cost recovery.

The first two ccf of water remains included in the fixed charges, allowing for an essential use water allowance for all customers at minimal costs.

The residential volumetric rate includes a tiered approach encouraging wise water use by charging more for discretionary water use.

A 10% Water Infrastructure Replacement (WIR) fee and 10% Sewer Infrastructure Replacement (SIR) will provide for dedicated funding sources for the continual replacement of aging water distribution and sewer collection infrastructure.
The new structure has fewer variables.

Small, medium, and large customer designations are removed so that all commercial customers are included in one class and fixed meter charges are uniform across all customer classes.
The proposal includes multi year adjustments as increasing operating and capital requirements cannot be addressed in a one-year rate adjustment.

There will be percentage rate increases for the fiscal years 2021-2024; beginning in 2025, small, annual increases will be implemented based on the Consumer Price Index to adjust for continually increasing operating and capital costs and MWS’ debt service coverage requirements.
Proper funding will allow us to invest in our infrastructure and meet demanding regulations to ensure we have plenty of safe, clean drinking water now and in the future.
The proposed rates will be effective January 1, 2020.

Fixed meter charges are uniform across all customer classes and the first two ccf of water remains included in the fixed charges.

The residential volumetric rate includes a tiered approach encouraging wise water use by charging more for discretionary water use.
Effective January 1, 2020

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<thead>
<tr>
<th>5/8-inch meter</th>
<th>Current Rates</th>
<th>Proposed Rates</th>
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<tbody>
<tr>
<td>2 ccf</td>
<td>$11.80</td>
<td>$15.02</td>
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<tr>
<td>6 ccf</td>
<td>$42.84</td>
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<td>8 ccf</td>
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<td>10 ccf</td>
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<td>$103.23</td>
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*Includes water, sewer, WIR, SIR, and taxes

These are examples based on various residential usages. A rate calculator is on the website at NewWaterRates.Nashville.gov to help residential customers determine how their bill will be impacted. *The rate calculator does not reflect sprinkler adjustments.*

Residential customers will still receive the automatic sprinkler adjustment during the months of March – November.
Even after the proposed increases, our rates will be lower than most of our regional peers and below the regional average.
After the proposed increases, our rates will remain lower than most of our regional neighbors and will be closer to the average.
This proposal includes updates to Capacity Fees and other development driven fees such as tap fees, inspection fees, plans review fees etc.

The increase in fees are direct cost recovery so that developers pay for the costs they incur.

This proposal includes updates to Capacity Fees and other development driven fees.

The fee chart is posted on our website at NewWaterRates.Nashville.gov
Thank You
For more information visit
NewWaterRates.Nashville.gov