



Executive Outline 2014 Rate Study
March 19, 2014

1. The American Water Works Association (“AWWA”) has cost of service and rate design methodologies outlined in its “Principles of Water Rates, Fees and Charges” commonly referred to as the M1 Manual. A cost of service model for water systems has been designed around this manual and other generally accepted cost of service principles. The above-mentioned model was used to determine the revenue requirements for Shelby County Water Services. The Cash Method was employed in the model to calculate the revenue requirement for the system. The methodology employed for the classification of revenue requirements is the Commodity/Demand Method.
2. In the Shelby County system, there are currently two classes of customer – Retail (customer served directly, primarily single-family residential and some small commercial) and Wholesale (customer who sells our water to others). There are currently 4 active wholesale contract customers, not including the emergency service connections with Leeds, Vincent, and Birmingham Water Works. We currently have 11,151 county retail customers.
3. The current monthly water rates for our system are as follows:
 - a. Retail minimum bill, 3,000 gallons, \$20.48 per month, and all usage over 3,000 gallons @ \$4.10 per 1,000 gallons.
 - b. Wholesale bill of \$2.80 per 1,000 gallons.
4. Major assumptions made in the rate study:
 - a. The new monthly rates become effective with the April, 2014 billing.
 - b. Residential (Retail) growth rate of 180 new taps per year.
 - c. Wholesale water sales applicable to the existing wholesale contract terms.
 - d. Capital Recovery Fee of \$1810.22* per tap.
5. The Sanitary Sewer System was sold in 2005 for \$8.5 million. Combined with approximately \$12 million reserves on hand that were generated by the sanitary sewer system, a total of approximately \$20.5 million were made available from the former Shelby County Sanitary Sewer System to pay part of the cost of the new water treatment plant and water transmission lines.
6. The rate increase will be phased-in as shown below:

Shelby County Monthly Water Rates				
Effective Date:	Retail Minimum Gallons	Retail Minimum Charge	Retail Usage Charge per 1,000 gallons > Retail minimum gallons	Wholesale Charge per 1,000 gallons
Existing	3,000	\$20.48	\$4.10	\$2.80
2014	2,000	\$20.68	\$4.14	\$3.00
2015	1,500	\$20.89	\$4.18	\$3.21
2016	1,000	\$21.10	\$4.22	\$3.43

2017	500	\$21.31	\$4.27	\$3.67
2018	-	\$21.52	\$4.31	\$3.93

7. Tap Fees, Capital Recovery Charges, and Connection Charges are shown below:

Shelby County Tap Fees				
Meter Size	Tap Fee Charge		Capital Recovery Charge *	Total (Standard)
	Standard	AMR**		
3/4"	\$705.00	Standard + \$78.00	\$1,810.22 *	\$2,515.22
1"	\$910.00	Standard + \$87.00	\$1,810.22 *	\$2,720.22
2"	\$2,820.00	Standard + \$116.00	\$1,810.22 *	\$4,630.22
2" Fire Service	\$3,040.00	Standard + \$99.00	\$1,810.22 *	\$4,850.22
4" & Up	Cost + Overhead		\$1,810.22 *	Cost + Overhead + \$1,810.22

Connection Fee	\$50.00
Administration/Reconnection Fee	\$50.00

* The Capital Recovery Charge will increase automatically annually each October 1, by a percentage equal to the then current percentage of increase in the Consumer Price Index for all Urban Consumers, South Region, using July as the base period from which increases will be calculated.

**Automatic Meter Read (AMR) meter additional cost contingent on the method used for meter reading.