


Date 6/3/21  
To President and members of the Board of Public Works  
From Robert J. Kennedy, III   
Subject Request for further rate design considerations

Before accepting Utility Financial Solutions, LLC (UFS) recent analysis and recommendations regarding future rate adjustments I would ask that the Board address the following issue: should intra-class rate discrimination be continued.

I do not question the assumed revenue requirement or, in general, the cost allocation methodology used by UFS to allocate cost to customer classes. I also believe that the current rate design is appropriate with the exception of charging certain customers in the BPW service area a higher rate for some BPW services than is charged to other customers in the same rate classification.

I believe, absent a materially different cost to serve, charging customers (those receiving service “Outside” vs “In City”) a higher rate for the same class of service is unfair and discriminatory. Furthermore, the practice of rate discrimination is selectively applied to water and waste water service but not for electric service.

If the BPW doesn’t charge a higher rate for electric service to customers in its service area outside of municipal limits what then is the rationale for charging those same customers higher water and waste water rates?

It is a traditional practice in utility rate design to class average costs and charge a different rate only when the service or costs are dissimilar. There is no basis in the Executive Summary, and I assume in the underlying analysis, that supports

continuing to charge a different rate (customer and volume charge) to some customers, for some services, simply based on, what appears to be, their geographical location. This departure from established utility rate making practices should be addressed and corrected now.

I request that the Board direct UFS to address this issue and either defend the recommendation of continuing to charge different rates for the same service or develop new rates that do not discriminate based solely on geographical location or type of service.

I would be willing to elaborate or answer questions if requested.