



TO: Mark Jinks, City Manager, City of Alexandria

FROM: Barry Suits, President, Virginia American Water

DATE: January 14, 2019

Re: Virginia American Water rate adjustment request

Mark,

Per your January 13 email, below is a summary of Virginia American Water's rate adjustment application, filed with the State Corporation Commission (SCC) on November 2, 2018. The application was filed to recover costs associated with providing reliable, high-quality water service to the company's Alexandria, Hopewell, Prince William (water and wastewater in Dale City) and Eastern districts (in and around Virginia's Northern Neck).

Virginia American Water is requesting an overall increase in rates of \$5.6 million, based on \$98 million of infrastructure upgrades.

The requested revenue increase incorporates savings associated with the Tax Cuts and Jobs Act of 2017 which accounts for the reduction in the corporate federal income tax rate from 35 percent to 21 percent, which became effective on January 1, 2018.

The company's previous rate adjustment request was filed on October 30, 2015. The SCC issued a final order on May 24, 2017 after a thorough public review.

Items addressed in 2018 rate application:

- **Capital investment**
 - Replacement of water mains that have reached the end of their useful lives throughout the City of Alexandria
 - **Virginia American Water is investing approximately \$9 million per year in WWISC-eligible infrastructure improvements in Alexandria.**
- **Consolidated tariff pricing proposal**
 - To be implemented gradually consistent with Senate Bill 1492, which was signed in 2017. The result of the proposed move to consolidated pricing is that the cost of water will remain different per district until 2021, at which point all water customers in Virginia American Water residential districts will have the same base rates. This should stabilize rates over the long run and smooth out rate increases over time to the extent that rate increases are necessary to maintain the proper investment.

Rates

Interim rates based on the company's proposed increase are planned to take effect on May 1, 2019, though it could take nine months or longer for the SCC to make its final decision. Final rates are subject to the SCC's final decision, which includes a thorough public review of Virginia

American Water's rate application.

- Prior to when proposed rates are put into effect, customers will receive information explaining these rates.
- The proposed bill for the average residential customer (5/8" meter) would change as follows over the next 3 years:

BASED ON 2,500 GALLONS PER MONTH (RESIDENTIAL, 5/8" meter)

NOTE: The proposed new billing amounts do not include surcharges, taxes or third-party fees.

Current monthly bill based on 2,500 gallons/month	Year 1 proposed 2019	Year 2 proposed 2020	Year 3 proposed 2021
\$15.98	\$17.26 (8%)	\$17.91 (3.8%)	\$18.56 (3.6%)

BASED ON 4,500 GALLONS PER MONTH (RESIDENTIAL, 5/8" meter)

NOTE: The proposed new billing amounts do not include surcharges, taxes or third-party fees.

Current monthly bill based on 4,500 gallons/month	Year 1 proposed 2019	Year 2 proposed 2020	Year 3 proposed 2021
\$19.91	\$26.31 (32.1%)	\$29.57 (12.4%)	\$32.82 (11%)

The average residential customer in Alexandria uses approximately 4,300 gallons of water per month. Even with the proposed rate increase over the next 3 years, the average city resident will have safe, clean, reliable, 24-hour water service for about \$1 per day. The proposed rates are competitive with water service rates in similar neighboring communities.

Virginia American Water continues to be actively engaged with the City of Alexandria. Below is an example of our recent community involvement in the city:

- City proclamation, June 20, 2018, Alexandria Water & Wastewater Professionals Appreciation Day
- Supported Charter Revision for reuse water service by AlexRenew
- Lead service line/main replacement community meetings
- American Water Charitable Foundation grant for Jones Point Park pier
- AlexRenew and City partner – Know Alexandria's H2O
- Active science partner – Alexandria City Public Schools - water curriculum & fairs
- Sponsor/participant in Alexandria Earth Day
- Sponsor/participant in Northern Virginia VisionWalk
- Team volunteers with ALIVE food distribution
- Active member of Alexandria Chamber of Commerce

Virginia American Water continues to be a proud partner with the City of Alexandria. With our increased communications regarding service emergencies, regulatory filings, economic development and various meetings with city staff in multiple departments, the company looks forward to continuing to collaborate with the city.

Please do not hesitate to contact me if you'd like to discuss this, or any other issue, further.