



1800 Limerick Street  
Alexandria, VA 22314  
[alexrenew.com](http://alexrenew.com)

**Board of Directors**  
John Hill, Chair  
James Beall, Vice Chair  
Rebecca Hammer, Sec'y-Treas  
Mark Jinks  
Moussa Wone  
**Chief Executive Officer**  
Justin Carl, PE  
**General Counsel**  
Amanda Waters

Friday, February 7 and Saturday, February 8, 2025

## 2025 Board of Directors Retreat Agenda

AlexRenew Environmental Center (1800 Limerick St)  
Ed Semonian Boardroom, Room 600

The 2025 AlexRenew Board of Directors Retreat will be held in-person at AlexRenew (1800 Limerick Street) in the Ed Semonian Boardroom, Room 600. If you need an interpreter, translator, materials in alternate formats, or other accommodations to access this service, activity, or program, please contact Lorna Huff, Board Executive Assistant, at (703) 721-3500 ext. 2260 or [lorna.huff@alexrenew.com](mailto:lorna.huff@alexrenew.com), at least three business days prior to the meeting.

### Friday, February 7, 2025

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- |                  |  |
|------------------|--|
| <b>1:00 p.m.</b> | <b>Call to Order</b><br>John Hill   AlexRenew Board Chair  |
| <b>1:05 p.m.</b> | <b>Welcome and Introductions</b><br>Justin Carl   AlexRenew General Manager and CEO  |
| <b>1:15 p.m.</b> | <b>Rate Design Basics and AlexRenew's Current Rate Structure</b><br>Justin Carl   AlexRenew General Manager and CEO<br>Thierry Boveri   Vice President, Raftelis |
| <b>2:30 p.m.</b> | <b>New Ideas in Rate Setting and Affordability</b><br>Manuel P. Teodoro, PhD   La Follette School of Public Affairs, University of Wisconsin                     |
| <b>3:30 p.m.</b> | <b>Rate Structure Case Studies</b><br>Rob Ori, CPA   Executive Vice President, Raftelis  |
| <b>4:30 p.m.</b> | <b>Wrap Up and Adjourn</b>   |

### Saturday, February 8, 2025

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- |                  |  |
|------------------|--|
| <b>8:30 a.m.</b> | <b>Call to Order and Day 1 Recap</b><br>John Hill   AlexRenew Board Chair                                      |
| <b>9:00 a.m.</b> | <b>Pricing Objectives and Board Values for Rate Setting</b><br>Justin Carl   AlexRenew General Manager and CEO |

<b>10:45 a.m.</b>	<b>Benefits and Opportunities of AlexRenew's Current Rate Structure</b> Caitlin Feehan   AlexRenew Chief Administrative Officer Lake Akinkugbe   AlexRenew Director of Finance
<b>11:30 a.m.</b>	<b>Break for Lunch</b>
<b>12:00 p.m.</b>	<b>Alternatives to Adapt AlexRenew's Current Rate Structure</b> Diana Ling   Senior Consultant, Raftelis Thierry Boveri   Vice President, Raftelis
<b>2:00 p.m.</b>	<b>Next Steps and Adjourn</b>

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#### **About the 2025 Board of Directors Retreat**

*In alignment with AlexRenew's Strategic Plan, the 2025 Board of Directors Retreat will review its current and potential alternative rate structure(s) to continue to deliver cost-effective wastewater service for its customers. The goals of the retreat are to:*

- Review unique aspects, governance criteria, and trends at AlexRenew that affect the rate setting process;*
- Discuss AlexRenew's current rate structure;*
- Explore innovative ideas in rate setting;*
- Refresh the Board's priorities for rate setting;*
- Evaluate potential alternative rate structures;*
- Refine the current rate setting policy, if deemed appropriate; and*
- Update the rate model with additional guidance for rate review at a later date.*



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February 7-8, 2025  
**Board of Directors Retreat**

**Board Packet Table of Contents**

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Tab	Item
1	Rate Design Basics and AlexRenew's Current Rate Structure (Carl, Boveri) <i>Included in 1/31/25 Draft Package</i>
2	New Ideas in Rate Setting and Affordability (Teodoro)
3	Rate Structure Case Studies (Ori)
4	Pricing Objectives and Board Values for Rate Setting <i>Included in 1/31/25 Draft Package</i>
5	Benefits and Opportunities of AlexRenew's Current Rate Structure (Feehan, Akinkugbe)
6	Alternatives to Adapt AlexRenew's Current Rate Structure (Ling, Boveri)

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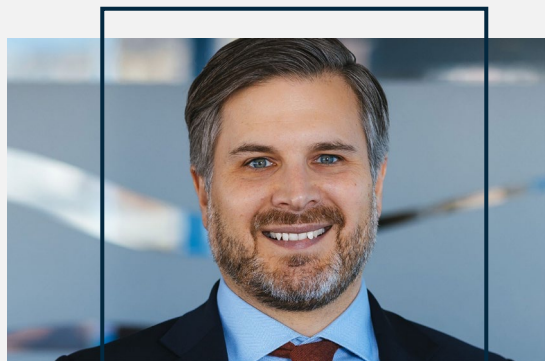


# ALEXRENEW BOARD OF DIRECTORS RETREAT

FEBRUARY 7, 2025



# TODAY'S PRESENTERS



*Chief Executive Officer*

**Justin Carl**

Justin joined AlexRenew in 2023 as the organization's 5th General Manager and Chief Executive Officer.



*Rate Consultant*

**Thierry Boveri**

Thierry is a Vice President at Raftelis and has been supporting AlexRenew's rate setting since 2009. Thierry has over 20 years of rate consulting experience and has been a lead author to several rate setting manuals of practice (MOP), including the Water Environment Federation (WEF) Financing and Charges for Wastewater Systems MOP #27.



*Professor of Public Affairs*

**Manuel (Manny) Teodoro**

As a professor at the University of Wisconsin-Madison's La Follette School of Public Affairs, Manny works at the intersection of politics, public policy, and public management. He has developed novel methods for analyzing utility rate equity and affordability, working directly with governments and water sector leaders across the United States to address policy problems.



*Executive Vice President*

**Rob Ori**

Rob is an Executive Vice President at Raftelis and has been supporting AlexRenew's rate setting since 2009. Rob has over 40 years of experience performing utility revenue sufficiency and cost-of-service studies for over 175 local governments. Rob has assisted in several rate setting and cost of service manuals including the American Water Works Association (AWWA) M1 Principles of Water Rates, Fees and Charges.





# ALEXRENEW RATE STRUCTURE OVERVIEW

BOARD OF DIRECTORS RETREAT | FEBRUARY 7, 2025



# ALEXANDRIA'S WATER SYSTEM



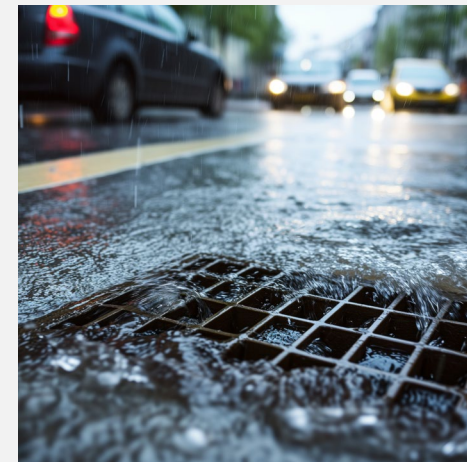
## Drinking water distribution system



## Sanitary and combined sewer system



## Wastewater treatment and combined sewer outfalls



## Stormwater system

### Owner

Virginia American Water

### Billing agent

Virginia American Water

### Rate/fee regulator

Virginia State Corporation Commission

City of Alexandria

AlexRenew

Alexandria City Council

AlexRenew

AlexRenew

AlexRenew Board of Directors

City of Alexandria

City of Alexandria (real estate fee)

Alexandria City Council

AlexRenew

# STRATEGIC GOALS

## Operational Excellence

Taking proactive steps to meet current and future challenges

## Thriving Workforce

Investing in our staff and fostering a culture of belonging

## Environmental Sustainability

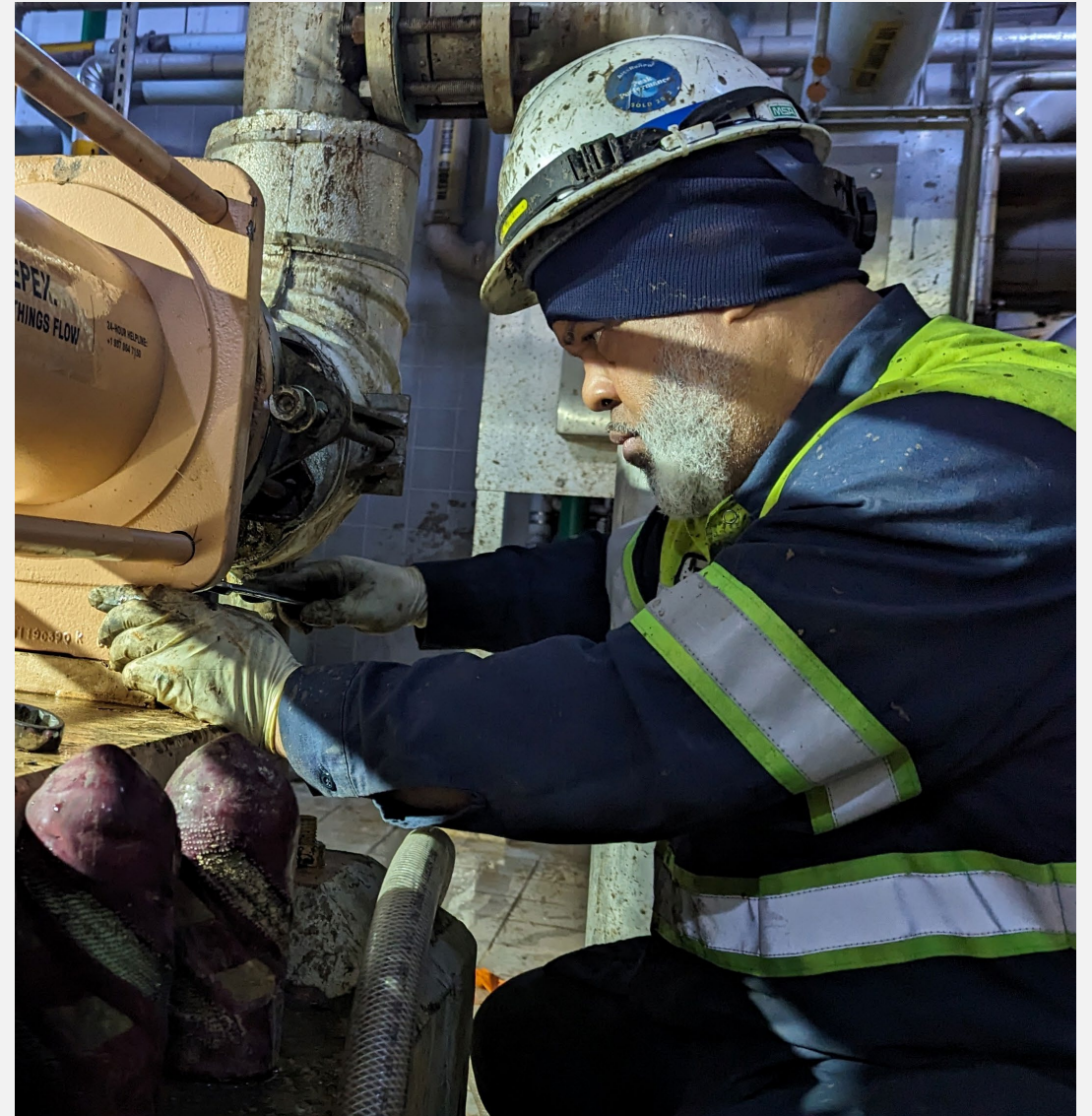
Being good stewards of our resources to minimize our impact on the environment

## Commitment to Community

Strengthening connections with the public and providing affordable service

## Strategic Partnerships

Promoting watershed-level thinking through collaboration and advocacy



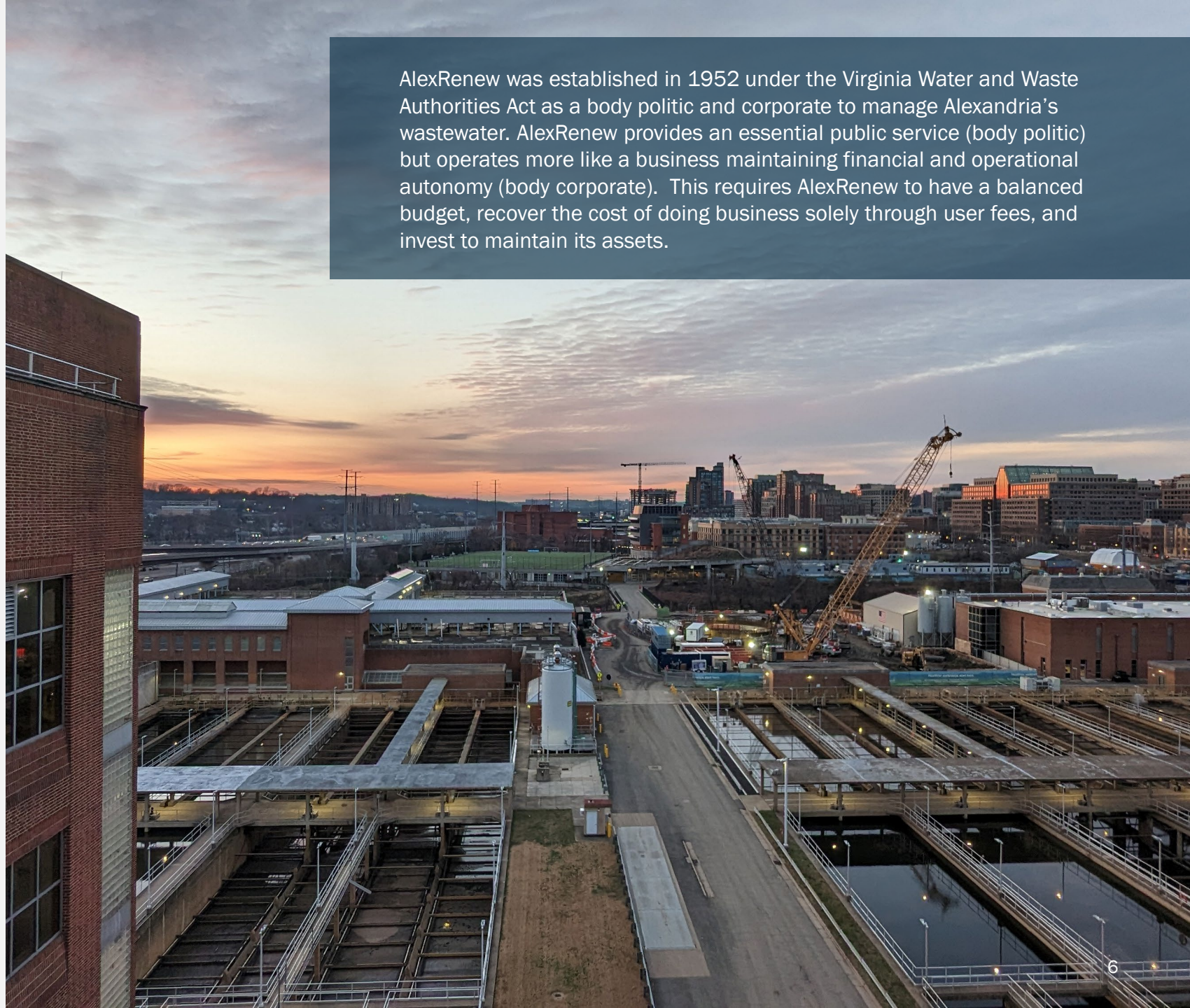


# AlexRenew

## UNIQUE ASPECTS

- / First Virginia wastewater authority established by the Virginia Water and Waste Authorities Act
- / Governed by a 5-member citizen Board appointed by Alexandria City Council
- / Body politic and corporate
- / Manages wastewater only
- / Relies on Virginia American Water for customer usage data
- / Complies with strict permit limits established by the Chesapeake Bay TMDL
- / Wet weather facility with major CSO program
- / Constrained site makes expansion challenging

AlexRenew was established in 1952 under the Virginia Water and Waste Authorities Act as a body politic and corporate to manage Alexandria's wastewater. AlexRenew provides an essential public service (body politic) but operates more like a business maintaining financial and operational autonomy (body corporate). This requires AlexRenew to have a balanced budget, recover the cost of doing business solely through user fees, and invest to maintain its assets.





AlexRenew

# RATE SETTING GOVERNANCE

## Virginia Water and Waste Authorities Act

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- / Rates must cover cost of service
- / Rates must be “just and equitable” and “fair and reasonable”
- / Rates based on factors:
  1. Water use or sewer connections
  2. No. and type of plumbing fixtures
  3. No. of people within household
  4. Other factors affecting use
  5. Any combination of 1-4

## Master Indenture of Trust

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- / Fix, charge, and collect rates for the use and services furnished by the System
- / Billing frequency
- / Fund establishment and flow of funds
- / Bond issuance requirements
- / Investments requirements
- / Bond covenants: financial rating (AAA)

## Board Policies and Resolutions

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- / **Financial policy.** Budgetary principles, debt service and reserve coverage, debt management, write offs
- / **Rate policy.** Cost of service recovery, pricing objectives

## Service Agreements and MOUs

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- / **Fairfax.** 32.4 MGD cost share, Improvement, Repair and Replacement funding, RiverRenew cost share
- / **City.** 21.6 MGD capacity share, billing agreement
- / **Arlington.** Billing for City flows to Arlington and capital contributions to WPCP

## Case Law

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- / **Dual Rational Nexus.**
  - (1) Rates reflect the full cost to provide service
  - (2) Rates must be proportional to the benefit provided





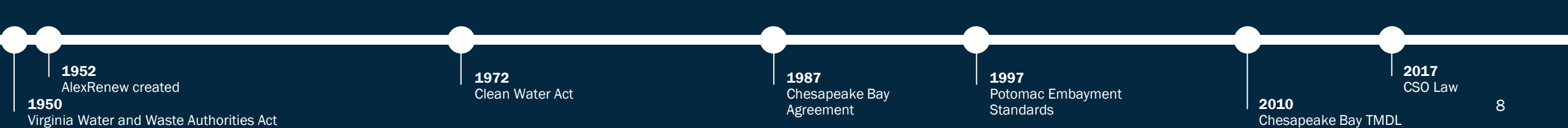
# AlexRenew

## RATE HISTORY

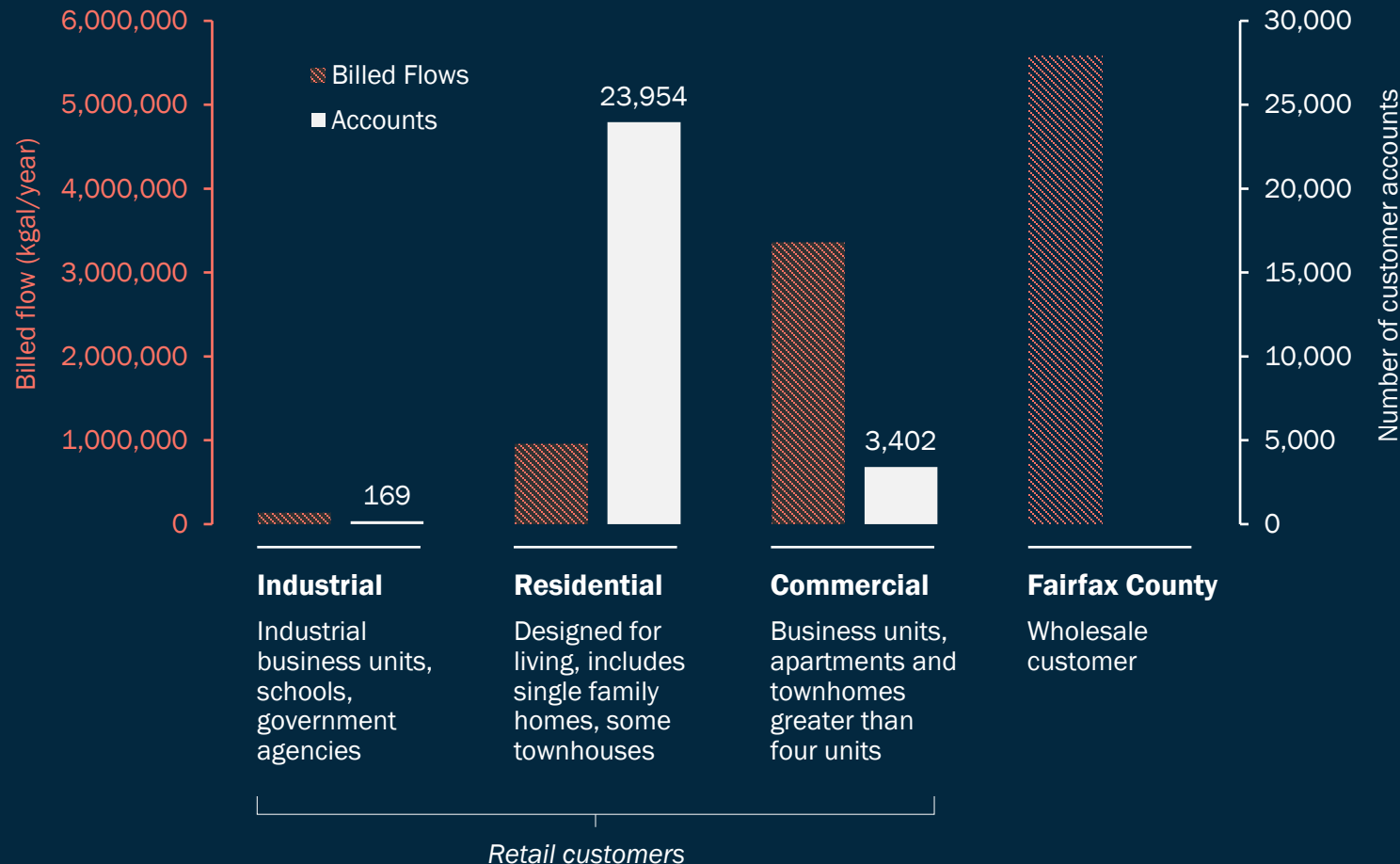
### Wastewater Rate and Plant Upgrade History



### Regulatory Timeline



# CUSTOMER CLASSES AND UNITS OF SERVICE



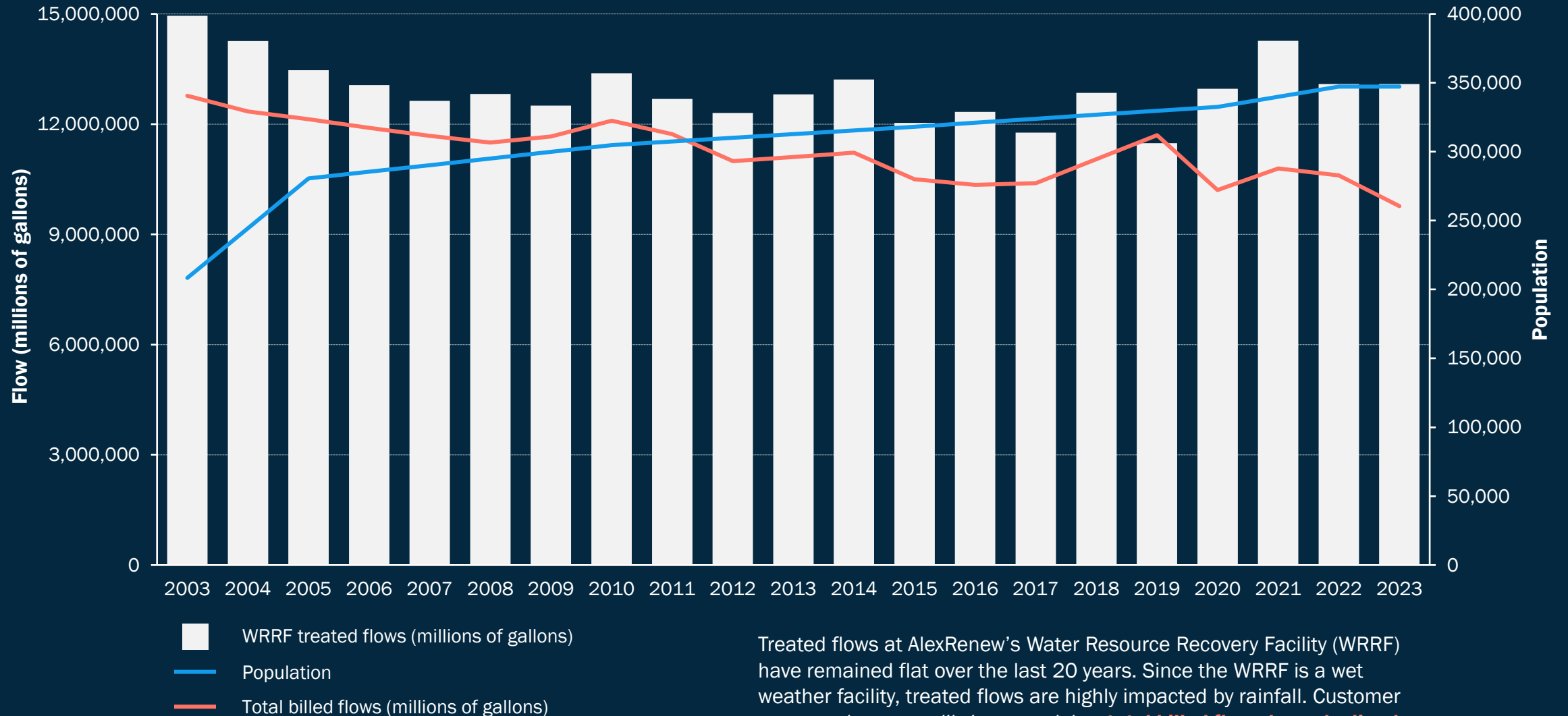
- / Fairfax County as a wholesale customer makes up half of billed flows
- / Residential single-family is the largest retail customer class by number of accounts only
- / Approximately 25% of commercial accounts are multi-family units
- / Most retail customer flows are from “residential” type users – single and multi-family units
- / AlexRenew has an average of three industrial customers since 2003 (Reworld, Inova, laundromat)
- / Pretreatment and FOG regulations enforce requirements on certain industrial and commercial customers, this results in **retail customer flows being relatively homogeneous** – customers have the same impact on a per gallon basis



# Trends Affecting Rate Revenues

## BILLED AND TREATED FLOW

2003-2023

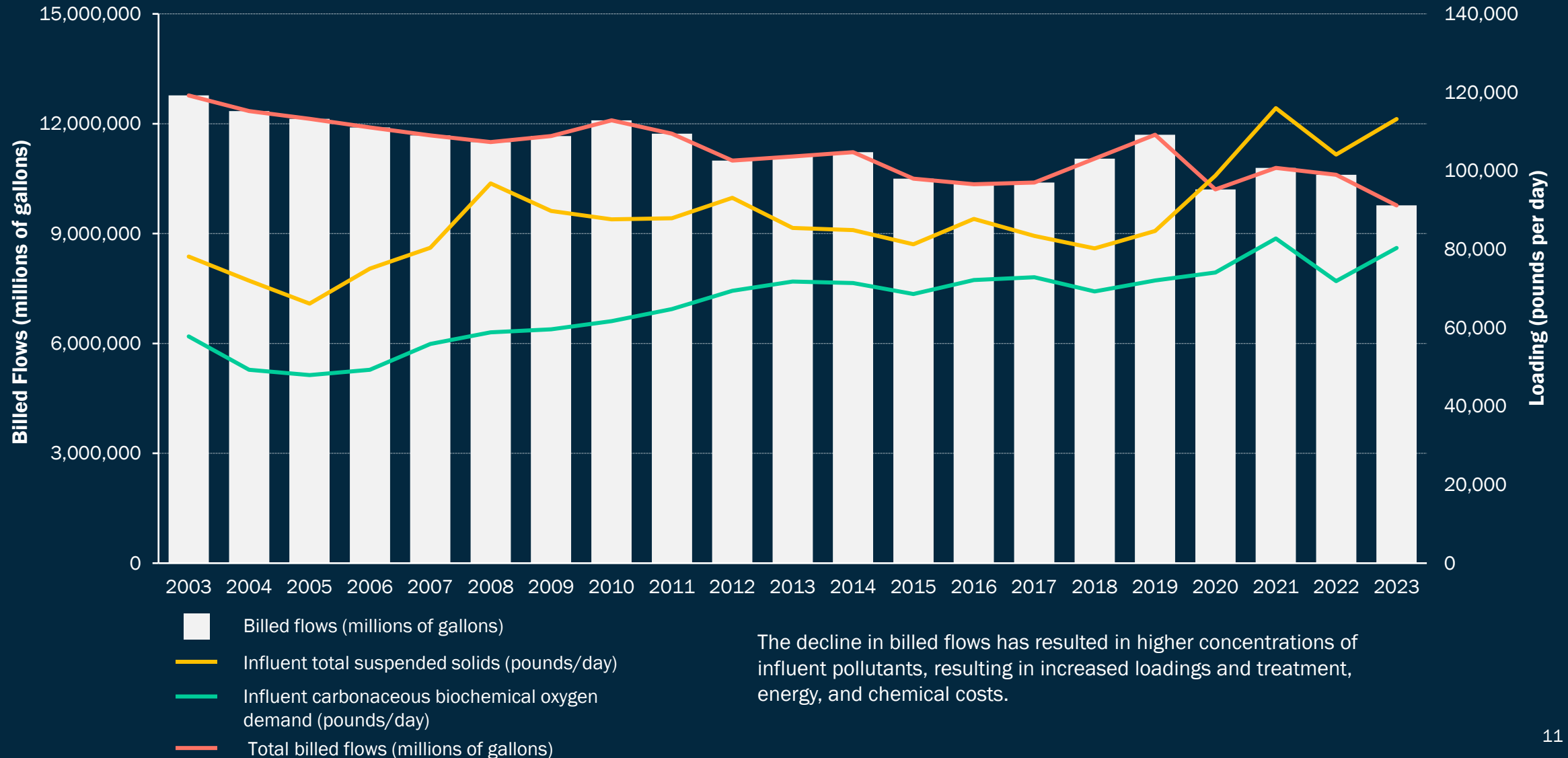


Treated flows at AlexRenew's Water Resource Recovery Facility (WRRF) have remained flat over the last 20 years. Since the WRRF is a wet weather facility, treated flows are highly impacted by rainfall. Customer accounts have steadily increased, but **total billed flows have declined over time.**

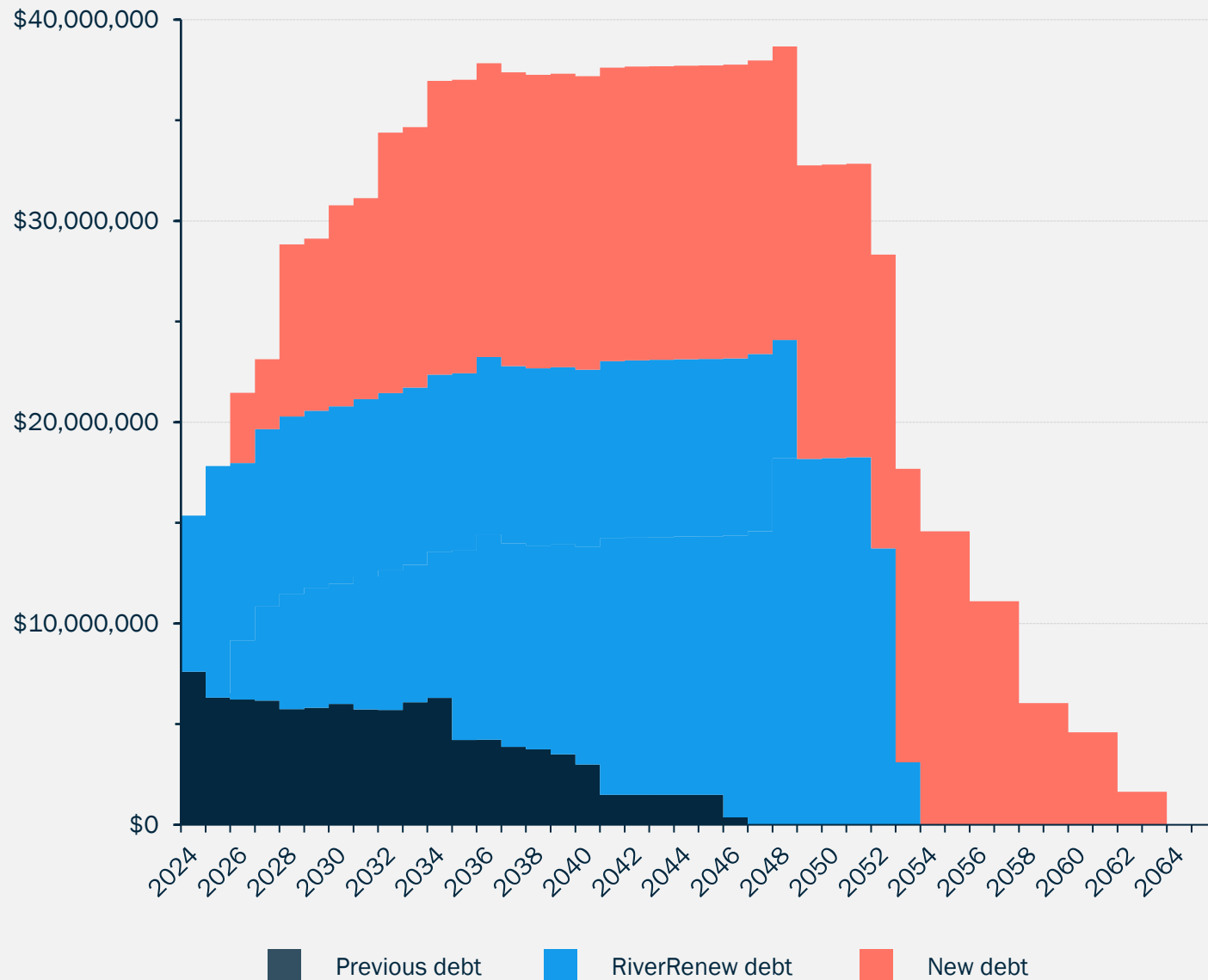
# Trends Affecting Rate Revenue

## WRRF INFLUENT LOAD TRENDS

2003-2023







## AlexRenew DEBT SERVICE

A major portion of AlexRenew's costs to be recovered include debt service. These costs need to be recovered through rates as part of AlexRenew's bond covenants. **Changes to rate structure and recovery need to meet current guarantees.**

# FUTURE INITIATIVES



## Respond to increased wastewater demands

Dealing with new contaminants of concern, more complex and stringent regulations, climate change impacts, while supporting regional development and growth.

## Develop the workforce of the future

Educate staff to develop skills necessary to maintain complex systems and foster a culture of belonging.

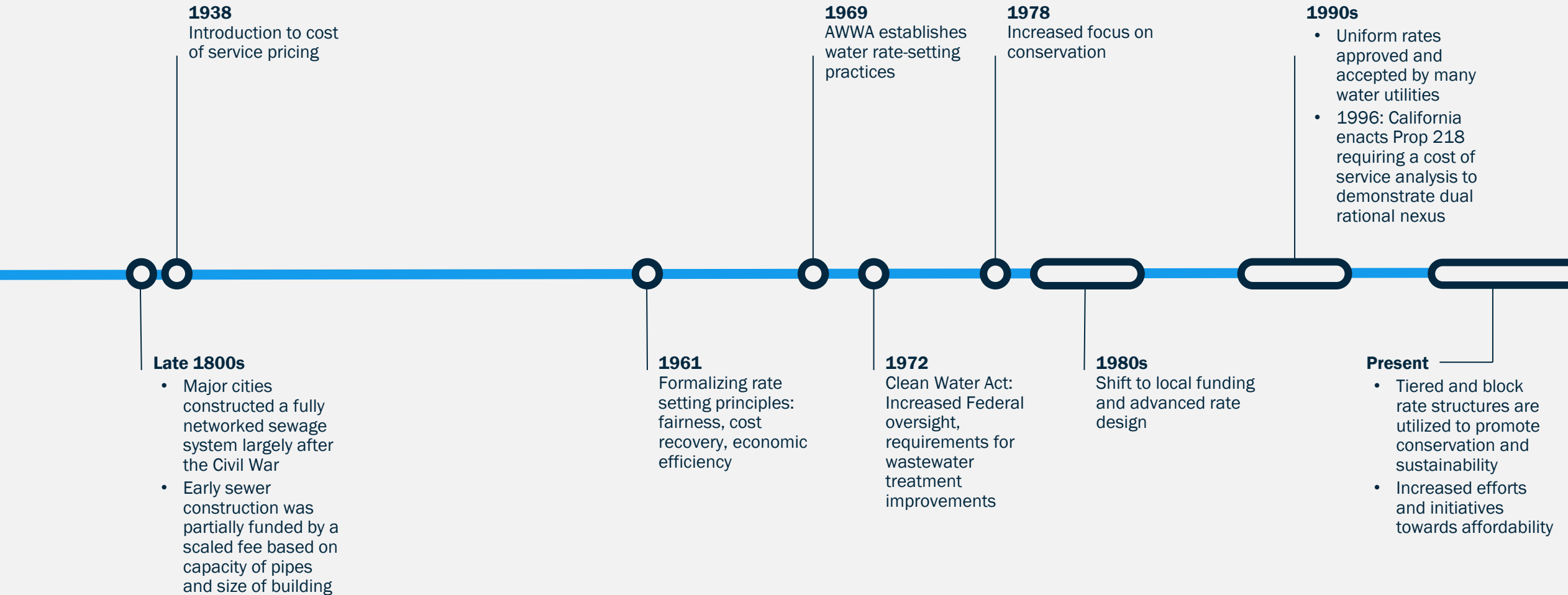
## Focus on a circular water economy

Recover resources from wastewater and put them to use, transition to renewable energy and carbon neutrality.

## Build personal connections to water

Advance public understanding and trust, establish a pricing model to reflect the true value of water, and support a one water governance approach.

# HISTORY OF RATE DESIGN





# ESTABLISHING A RATE STRUCTURE

1

## Identify financial and pricing objectives

- / What level of services is necessary to meet the fundamental needs of the community?
- / What level of revenues is needed to assure the financial viability and efficient operation of the utility?
- / How should pricing structure be designed to ensure utility and community objectives are appropriately addressed?

2

## Forecast demand & units of service

- / Are expected revenues consistent with actual reported revenues?
- / Do the existing customer classifications provide the right information to support the rate structure?

3

## Identify revenue requirements

What costs must be recovered through wastewater charges?

4

## Allocate costs & determine cost of service

Allocate revenue requirements to customer classes and choose appropriate allocation factors to distribute costs among customer classes.

5

## Design the rate structure

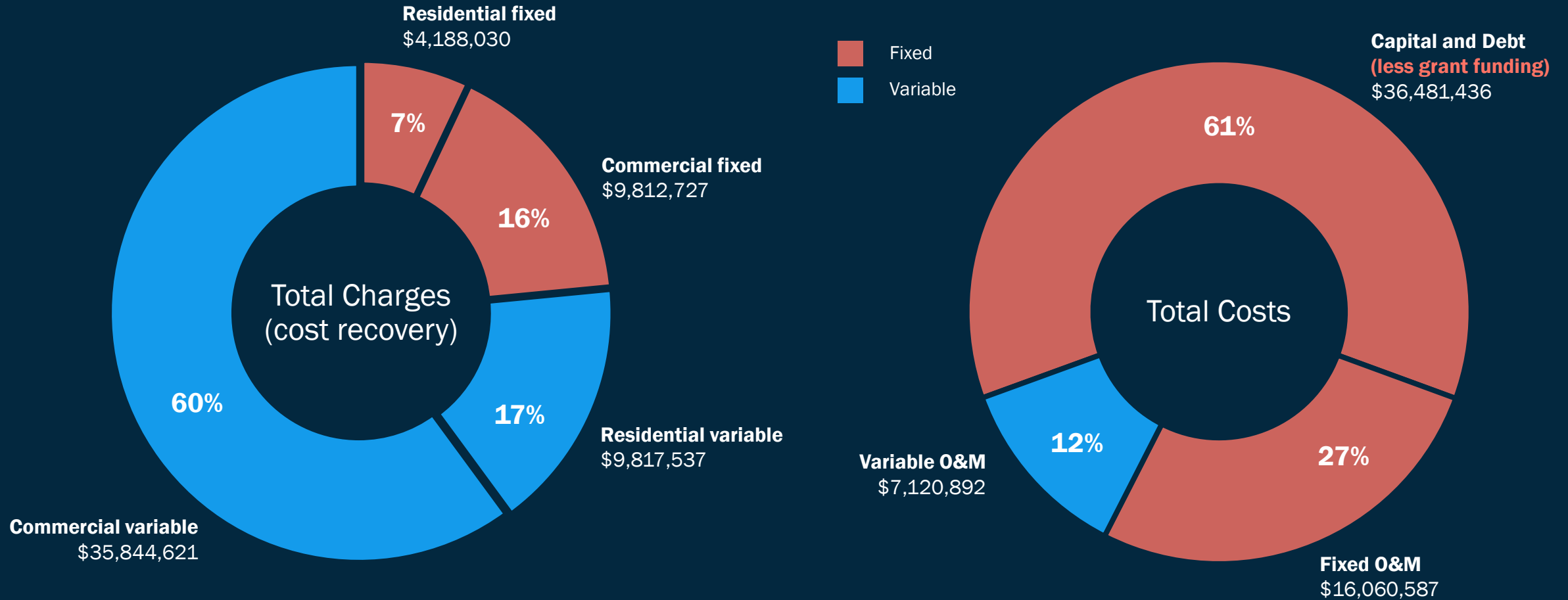
- / Establish fixed and volumetric charges and associated cost recovery through the charges.
- / Assess customer impacts and equitability across customer classes.



**Pricing objectives** are a broad range of rate-setting objectives that reflect the values and goals of the organization. AlexRenew's pricing objectives were established in 2019 by the Board's **Resolution on Rate Adjustment Principles**.



# TOTAL COSTS AND COST RECOVERY



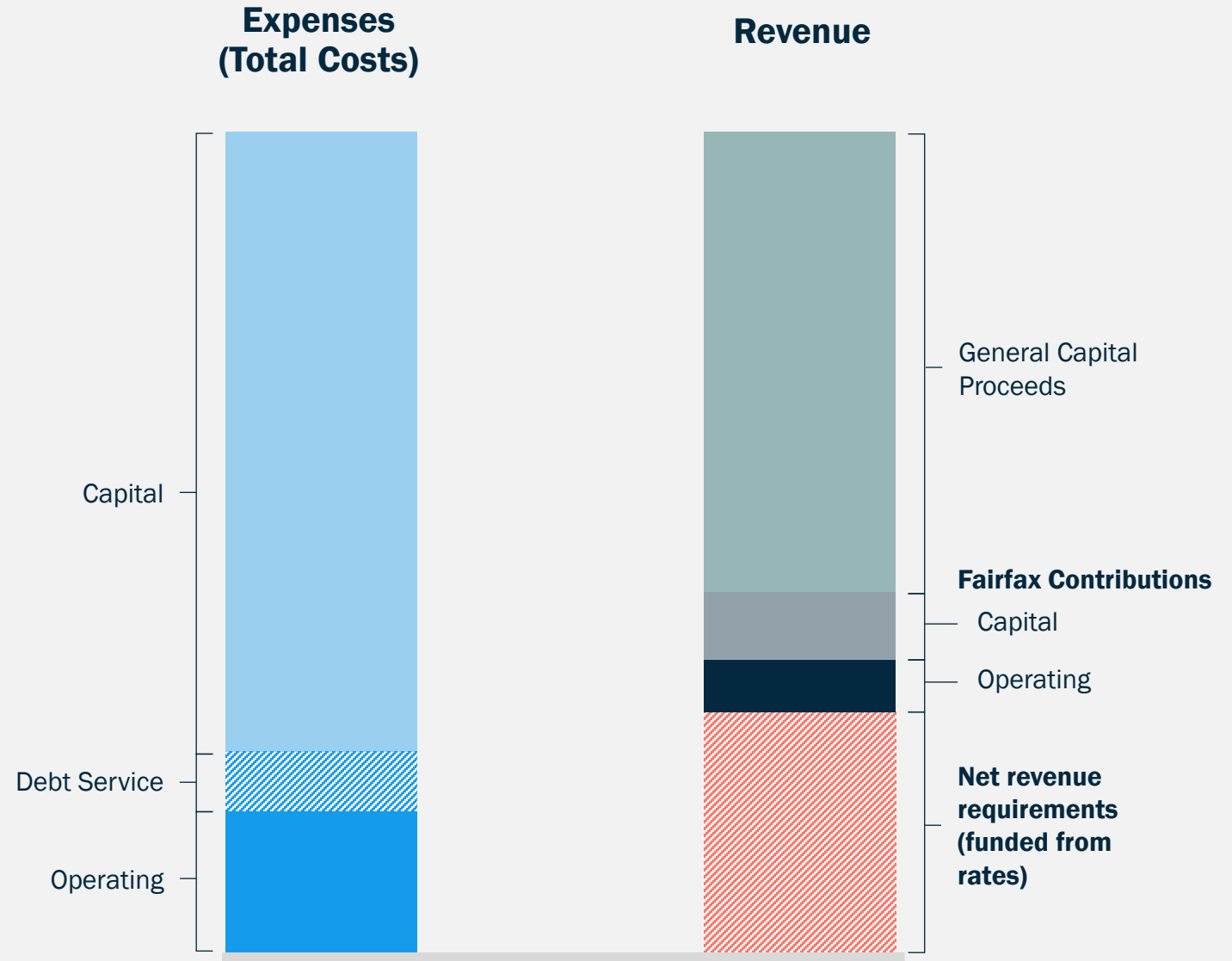
Fixed costs represent approximately 90 percent of annual total costs, while variable charges represent approximately 70 percent of annual costs recovered.



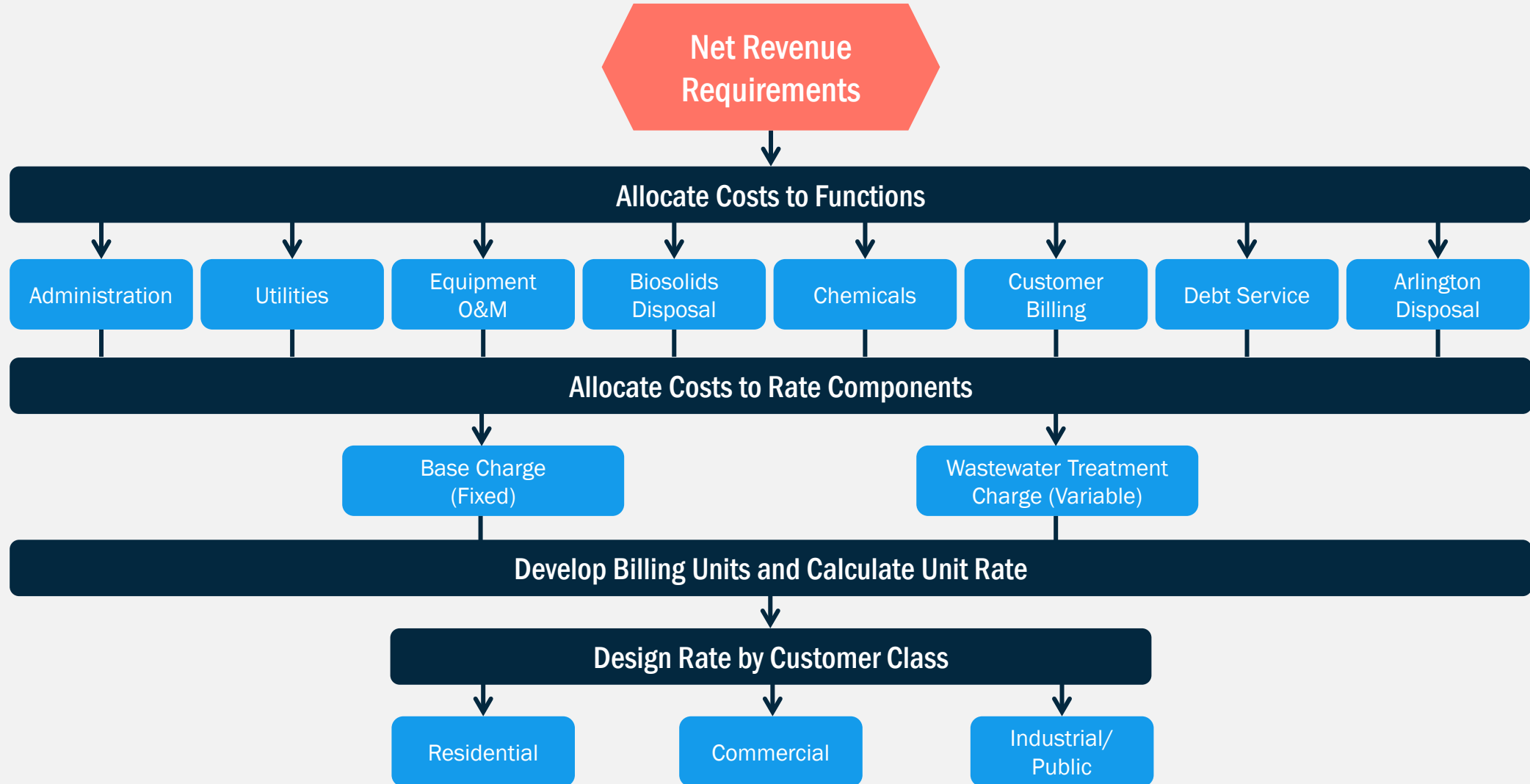
# NET REVENUE REQUIREMENTS

Net revenue requirements are the revenue needs to make up the difference between total costs (operating, debt, and capital) and non-rate revenue.

$$\begin{array}{r}
 \text{Total costs (revenue requirements)} \\
 - \text{Non-rate revenue} \\
 \hline
 \text{Net revenue requirements}
 \end{array}$$



# WASTEWATER COST OF SERVICE & RATE DESIGN

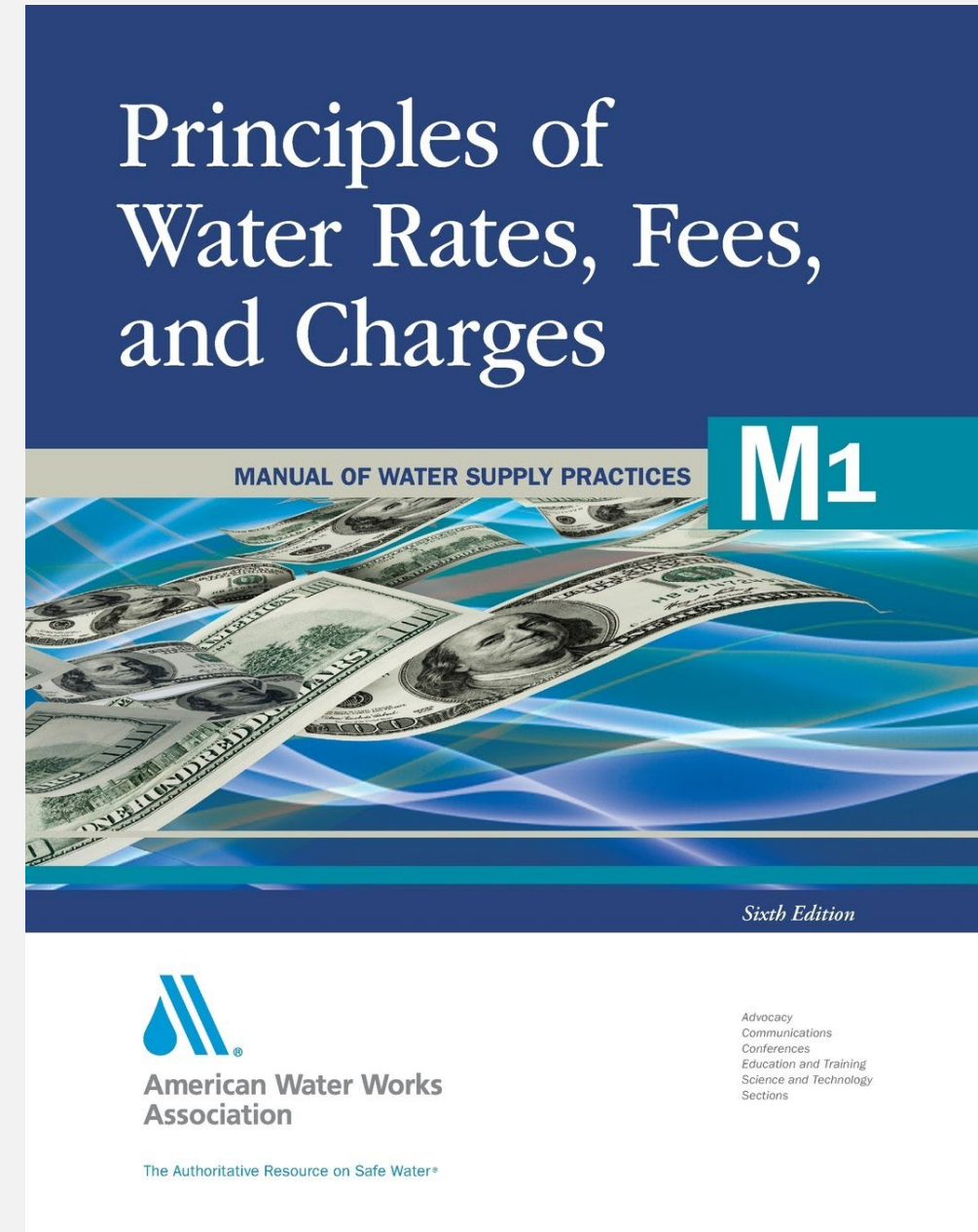


# METER EQUIVALENCY

The American Water Works Association (AWWA) publishes instantaneous water flow relationships for various meter sizes that are commonly used by water and wastewater utilities for rate making purposes. These are referred to as equivalency factors.

AlexRenew commercial equivalent residential unit calculation based on AWWA equivalency factors

Meter size	AWWA Meter Equivalency Factor	# of AlexRenew Commercial Meters	Factor × Accounts
5/8 inch	1.0	1,321	1,321
3/4 inch	1.5	19	29
1 inch	2.5	693	1,733
1-1/2 inch	5.0	449	2,245
2 inch	8.0	1,334	10,672
3 inch	15.0	0	0
4 inch	25.0	53	1,325
6 inch	50.0	0	0
8 inch	80.0	1	80
<b>Total</b>		<b>3,870</b>	<b>17,405</b>





# EQUIVALENT RESIDENTIAL UNITS


An equivalent residential unit or ERU equals one (1) single-family residence with a standard 5/8" meter.

As part of AlexRenew's rate structure, adjustments to AWWA's equivalency factors were necessary to make ERUs between the residential and commercial customer classes more equitable.

## AlexRenew Residential and Commercial Equivalent Residential Units (ERU)

Item		Residential Class	Commercial Class	
			Direct AWWA factors	Adjusted AWWA factors
Average Monthly Accounts	a	23,954	3,402	3,402
# of Meters for Service	b	23,954	3,870	3,870
Equivalent residential units (ERU)	c	23,954	17,514	52,241
Total billed flows (kgals)	d	956,875	3,358,530	3,358,530
Monthly billed flows (kgals)	e=d/12	79,740	279,877	279,877
Monthly billed flows per account (kgals)	f=e/a	3.3	82.3	82.3
Monthly billed flows per ERU (kgals)	g=e/c	3.3	16.0	5.3

Equivalency factor of three  
(3) times the AWWA factor



# UNIT RATE CALCULATION

A key element of AlexRenew’s rate structure was the development of the base charge to better allow for adequate fixed cost recovery and increase revenue stability. To calculate the unit rate for fixed and variable charges, the net revenue requirements are divided by the billing units (total ERUs for the fixed charge and billed flows for the variable charge).

	BASE CHARGE (FIXED)	WASTEWATER TREATMENT CHARGE (VARIABLE)
Net Revenue Requirements	\$14,000,757	\$45,662,158
Billing Unit	80,078 (total ERUs)	4,450,503 (billed flows in kgals)
Unit Rate	\$174.84	\$10.26
Monthly Charge	\$14.57 (unit rate/12 months)	\$10.26

Rates as of July 1, 2024

# RATE DESIGN OBJECTIVES

The primary objective in AlexRenew's rate design is to **fully recover Cost of Service through rates**. Additional key objectives in AlexRenew's rate design include:

- / Meet governance requirements
- / Balance competing pricing objectives
- / Ensure rates are defensible
- / Allocate fixed vs variable rates
  - Readiness to serve
  - Dependency on billed flows
  - Conservation and sustainability
  - Service area growth



In most rate design cases, pricing objectives are in conflict and require balancing as part of establishing a final rate design. This is typically accomplished through sound policies and good governance.



## AlexRenew Rates and Charges (effective July 1, 2024)

Charge	Meter size	Monthly cost
Residential Base	All meters	\$14.57
Commercial Base	5/8 inch	\$43.68
	3/4 inch	\$43.68
	1 inch	\$109.19
	1-1/2 inch	\$218.38
	2 inch	\$349.41
	3 inch	\$655.14
	4 inch	\$1,091.90
	6 inch	\$2,183.80
	8 inch	\$3,494.08
Wastewater Treatment (Residential and Commercial)	All meters	\$10.26 per 1,000 gallons
City Sanitary Sewer	All meters	\$2.28 per 1,000 gallons

## AlexRenew

# RATE STRUCTURE

AlexRenew's current rate structure was established in 2011, includes three (3) customer classes (based on data provided by Virginia American Water), and fixed and variable charges:

### Classes:

- Residential
- Commercial
- Industrial and Public

### Base Charge (Fixed):

- Residential class billed per unit
- Commercial class billed per meter size and equivalency factors

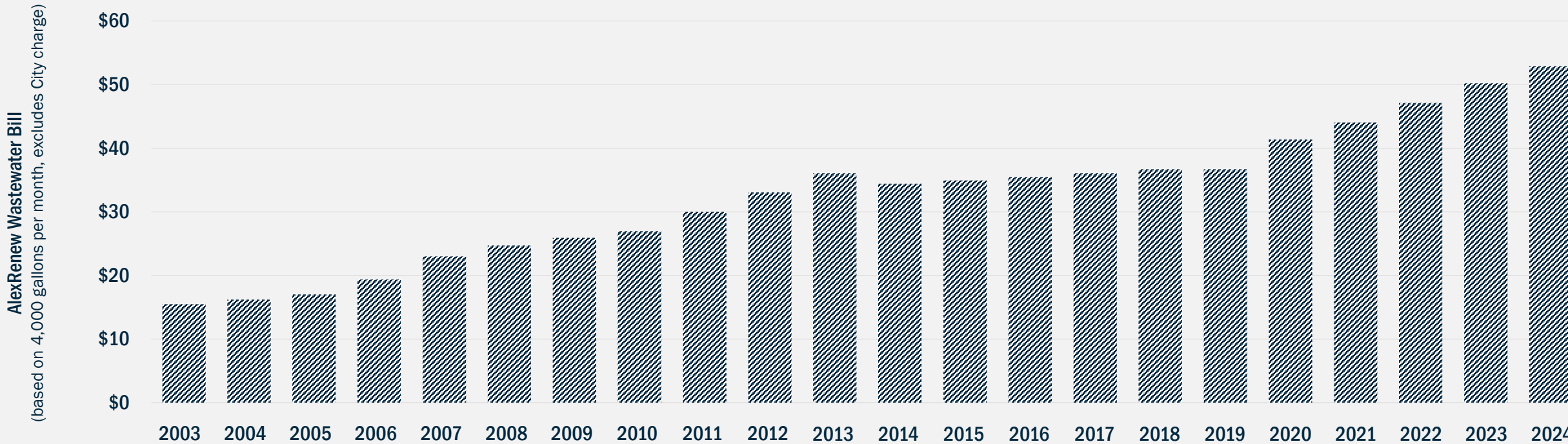
### Wastewater Treatment Charge (Variable):

- All customers charged a flat rate per 1,000 gallons
- Winter Quarter Average for eligible residential customers

AlexRenew

FINANCIAL TRENDS

AlexRenew's strategic financial planning has been pivotal in strengthening the authority's financial condition over time. This has enabled the organization to fund substantial capital investments required by regulatory mandates while maintaining predictable and incremental rate adjustments.



Change in Bill (%)		4.8	4.9	13.8	18.7	7.6	4.8	4.0	11.3	10.2	9.2	-4.6	1.5	1.5	1.7	1.7	0.0	12.7	6.6	6.7	6.6	5.4	5.1
Net Operating Margin (%)	Min 40	32	25	30	29	40	41	41	46	49	43	50	48	48	52	54	53	55	53	52	54	46	52
Debt Service Coverage (%)	Min 150	141	102	107	102	165	176	179	176	195	171	232	197	188	187	197	191	238	197	211	244	263	254
Days of Unrestricted Cash	Min 120	206	249	154	163	219	191	315	336	455	378	654	688	622	498	531	723	851	547	579	837	715	811

# KEY PRESENTATION TAKEAWAYS

- / AlexRenew's unique aspects as an authority in the Commonwealth of Virginia and key governance requirements affect how it structures and sets rates
- / Evolving trends, such as higher influent concentrations, AlexRenew's debt service, and future regulatory drivers will shape rate design in the future
- / AlexRenew's rate setting process follows a five (5) step industry best practice approach that is designed to recover costs in compliance with legal and policy goals
- / The key goal of rate design is to recover Cost of Service and apportion costs equitably to customers
- / AlexRenew's rate structure has provided the organization with the capacity to take on major necessary capital improvements, while ensuring customers rates remain equitable and predictable









## 2025 Board of Directors Retreat

### Pricing Principles Exercise

February 8, 2025

## INTRODUCTION

As part of the 2025 Board of Directors Retreat, Board members will review and discuss its rate structure to ensure that AlexRenew continues to deliver cost-effective wastewater service for its customers. The goals of the retreat are to:

- Review unique aspects, governance criteria, and trends at AlexRenew that affect the rate setting process;
- Discuss AlexRenew's current rate structure;
- Explore innovative ideas in rate setting;
- Refresh the Board's priorities for rate setting;
- Evaluate potential alternative rate structures;
- Refine the current rate setting policy, if deemed appropriate; and
- Update the rate model with additional guidance for rate review at a later date.

It is important to recognize that the rate-setting process is just that: a process that requires a structured approach, adequate time and resources, and a broad commitment from the Board and staff. The five basic steps of the rate-setting process are illustrated in Figure 1 and will be discussed in detail during the Board retreat.

## RATE-SETTING PROCESS



**Figure 1.** Overview of the rate-setting process for water and wastewater utilities

## **PRICING OBJECTIVES**

The first step of the rate-setting process is to identify the financial and pricing objectives. Pricing objectives are a broad range of rate-setting objectives that reflect the values and goals of the organization. Pricing objectives also serve as discussion points when designing a rate structure.

AlexRenew's pricing objectives were established in 2019 by the Board's *Resolution on Rate Adjustment Principles* (2019 Rate Resolution) provided as Attachment 1. The pricing objectives support AlexRenew's unique positioning, characteristics, and needs as a wastewater authority in Alexandria, Virginia. The current objectives have guided the Board as it has determined necessary rate increases throughout the years, ensuring consistent application of guidance as members and regulations change.

This exercise will allow the Board to prioritize a developed list of pricing objectives. The pricing objectives for Board consideration include the seven outlined in the 2019 Rate Resolution: revenue sufficiency, revenue stability, affordability, equity/fairness, ease of understanding, rate stability, and customer impact; as well as four additional objectives common to the practice of rate setting: water conservation, legality and litigation potential, implementation, and economic development.

It is important to note that no single rate structure fits all utilities, and no single rate structure will remain perfect for a utility over the years. Reviewing and prioritizing objectives on a regular basis keeps rate-setting transparent, reasonable, and meaningful. There are tradeoffs between various objectives, and some may be mutually exclusive. It is challenging, if not impossible, to achieve all objectives in one rate design. Therefore, boards and utility leaders are responsible for deciding, through prioritization exercises, which objectives are most important to the communities they serve, and design rates that reflect relative priorities. It may be that some objectives are always important to the communities they serve.

### **1 – Revenue Sufficiency**

This objective aims to ensure that adequate revenues are generated through rates and charges to allow the utility to operate on a self-sustaining basis. Revenues must be adequate to cover the full cost of utility operations, such as personnel costs, operations and maintenance needs, annual debt service and debt reserve, appropriate additional reserves (to withstand cash-flow fluctuations, weather impacts, flow changes, and emergencies; and better manage rate adjustments to minimize customer impacts) and new and existing capital needs. Revenue generation should be predictable and sufficient to maintain favorable credit ratings, as defined in existing borrowing terms.

### **2 – Revenue Stability**

The ability of the rate structure to generate stable and predictable revenues from year to year with a minimum of unexpected changes is an important consideration, particularly as it relates to maintenance of a good credit rating for borrowing money to address infrastructure repairs, renewals, and replacements.

### **3 – Affordability**

Utility affordability as an objective refers to the ability of households to pay for essential water and wastewater services without experiencing financial strain or hardship. There are a variety of limitations and challenges inherent with achieving this objective including how to measure a customer's affordability and what means are legally available to help address affordability challenges that



customers may face. Several steps AlexRenew currently takes already is to provide the most cost-effective service in compliance with all regulations and policy goals, maximizing grants and non-rate revenues, providing stable and predictable rates, and optimizing customer service policies to benefit ratepayers.

#### **4 – Equitable, Fair, and Reasonable Rates**

This objective addresses the ability to set rates and charges to recover costs from customers or customer classes in proportion to the costs of providing services to these customers to demonstrate that the rates are fair and equitable. Often, there is a trade-off that must be addressed between implementing a rate structure that is reasonably equitable but is not so complex that it cannot be implemented or administered effectively and efficiently. This objective does not consider the impacts to customers, only that cost recovery is equitable based on the demand of the system.

#### **5 – Simplicity and Ease of Understanding**

The ability for the rate structure to be explained in a manner that can be understood by customers, as well as elected officials and other stakeholders, can have important impacts on the ability to build acceptance of rate adjustments, and can impact customer service and collection functions.

#### **6 – Rate Stability**

This objective seeks to avoid large annual rate adjustments. Utilities should communicate and financially plan to provide a smooth program of predictable and reasonable rate adjustments.

#### **7 – Customer Impact**

Any new rate structure may result in different impacts on different customers and customer classes. These potential impacts should be recognized prior to implementing new rate structures and mitigated.

#### **8 – Conservation**

*Conservation can be an important consideration of a rate design since it can incentivize certain behaviors. For example, if a utility rate structure were entirely fixed then a customer would have little incentive to conserve water use while a completely variable structure could under-recover the cost of service when customers use little to no water. This is typically a consideration in the setting of water rates but could be considered by wastewater utilities.*

#### **9 – Legality and Litigation Potential**

*Rate structure must be consistent with local and state statutes and be within accepted practice and water industry standards. Rate structure and associated rates must meet the Virginia Water and Wastes Authorities Act, bond covenants, contractual obligations, and interjurisdictional agreements. The potential for litigation due to controversy or improper interpretation of the rate structure should be minimized.*

#### **10 – Implementation**

*The difficulty of implementing a new rate structure should be carefully considered. The possible implementation issues include the availability of data for initial and future rate structure changes, the*

ability to modify the customer billing system to accommodate a new rate structure, changes to procedures and policies, and the additional effort to perform future rate changes.

## 11 – Economic Development

*This objective considers how water and sewer service and associated costs impact the desirability of the local community in attracting and retaining business investment and needed business services for tourism, tax base stabilization and creating livable-workable communities. This objective also includes the degree to which the rate structure and pricing level is competitive with those of similar and adjacent communities.*

## INSTRUCTIONS

After reviewing the information presented in the previous sections and the 2019 Rate Resolution, score the following pricing objectives. Bring your scores to the Board retreat on Saturday, February 8 to share and discuss with your fellow Board members.

Please assign a score between 1-10 to each of the listed pricing objectives using the following scale. Please note this is not a ranking. You may assign the same score to multiple objectives based on your assessment of their importance to the organization.

- Most important/critical = 1, 2, 3
- Very important = 4, 5
- Important = 6, 7
- Least important = 8, 9, 10

## Matrix for Scoring Pricing Objectives

No.	Pricing Objective	Description	Score
1	Revenue Sufficiency	Provide for full cost recovery	
2	Revenue Stability	Generate stable and predictable revenues	
3	Affordability	Provide the most cost-effective service	
4	Equitable Rates	Recover costs in proportion to customer use	
5	Ease of Understanding	Provide a structure easily understood by customers	
6	Rate Stability	Provide stable and predictable rates	
7	Customer Impact	Mitigate adverse impacts on customers	
8	Conservation	<i>Incentivize customer behavior to conserve water</i>	
9	Legality	<i>Meet legal and regulatory requirements</i>	
10	Implementation	<i>Minimize challenges in rate structure implementation</i>	
11	Economic Development	<i>Attract and maintain businesses</i>	
–	Other?		

**Title: Resolution on Rate Adjustment Principles**

Date of  
Adoption: February 19, 2019

Date of  
Revision: April 19, 2022

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WHEREAS Alexandria Renew Enterprises will continue to manage its operations and capital improvement budgets to ensure the sustainability of our operations; and

WHEREAS It is essential to ensure stakeholder understanding and engagement in rate setting actions; and

WHEREAS Alexandria Renew Enterprises rates should be developed so that they are described in straightforward language, free of technical terminology, that can be readily understood by the public; and

WHEREAS To ensure financial strength that benefits our customers and community, Alexandria Renew Enterprises will plan for rate adjustments that create revenue stability and predictability; and

WHEREAS Alexandria Renew Enterprises will continue to partner with the City of Alexandria to provide best-in-class wastewater collection and treatment services, compliant with environmental requirements, at a reasonable cost to all our customers.

NOW, THEREFORE, The Board of Directors of Alexandria Renew Enterprises do hereby adopt the following principles for the development and consideration of rate changes.

1. Recovering our cost of service, with reasonable reserves, will be the foundation of our rate and fee design. Rate structures will be created to ensure that revenue is sustainable and predictable thereby satisfying rating agencies such that Alexandria Renew Enterprises maintains fiscal sustainability.
2. Alexandria Renew Enterprises will provide appropriate public notice of any rate changes that are contemplated by the board in a manner and with sufficient notice to allow for public participation. Our rates and rate change communications will be presented in a straightforward manner ensuring complete understanding by customers and stakeholders.
3. Our billing policies and procedures will allow for payment flexibility to assist those facing financial hardships while maintaining necessary and equitable revenues, within the restrictions of applicable Virginia Laws.
4. Notwithstanding situations beyond our control, Alexandria Renew Enterprises will diligently plan and project budget and capital requirements such that year to year rate adjustments do not impose drastic rate increases that unduly burden its customers.

The foregoing Resolution was adopted by the Alexandria Renew Board of Directors at its regular meeting held on February 19, 2019.