



# Summary of the Water Rate Study Update

October 7, 2020



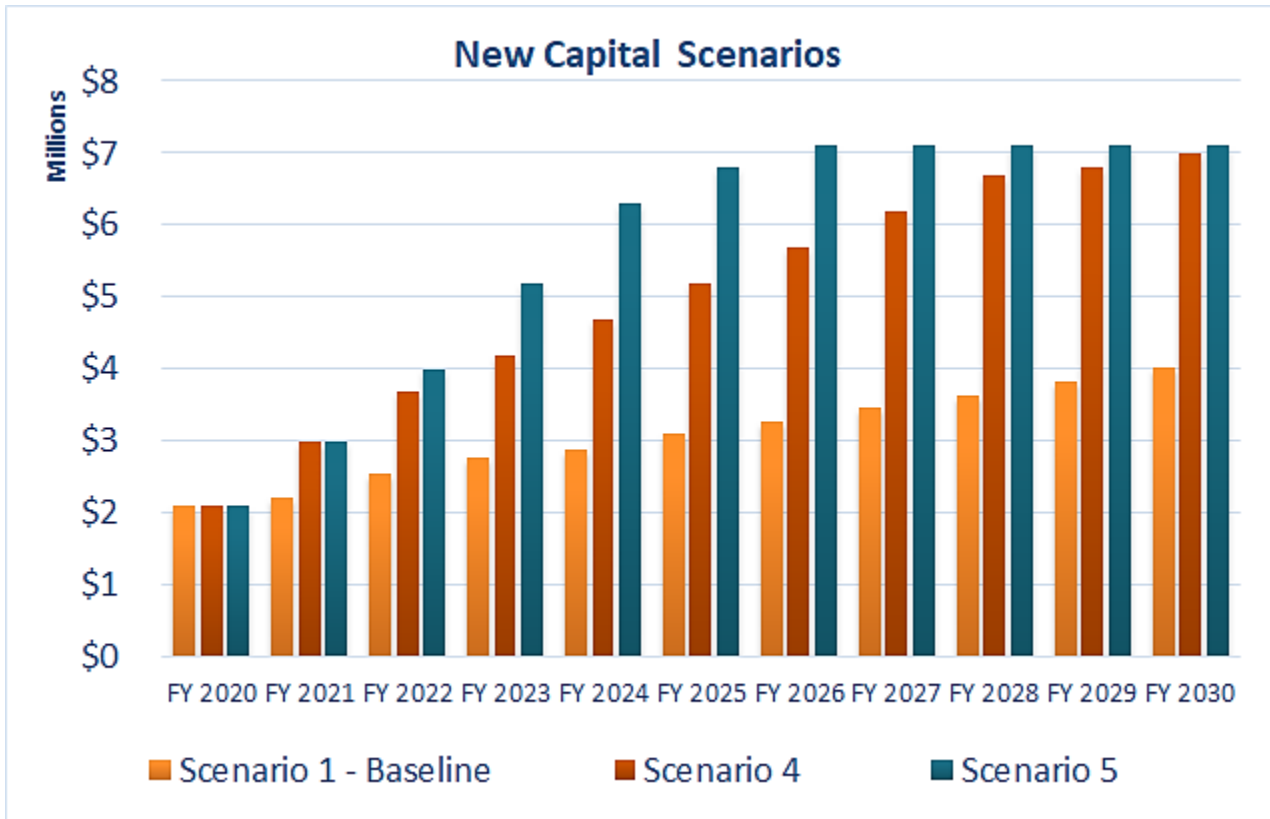
# Presentation Summary

- Summary of previous rate alternatives discussed
- Review revised rate alternatives based on Board input
  - Provide feedback and direction on preferred capital scenario
- Review and discuss the cost of service results and recommendations
- Review Proposed Rates
- Next Steps

# Overview of the Revenue Requirement

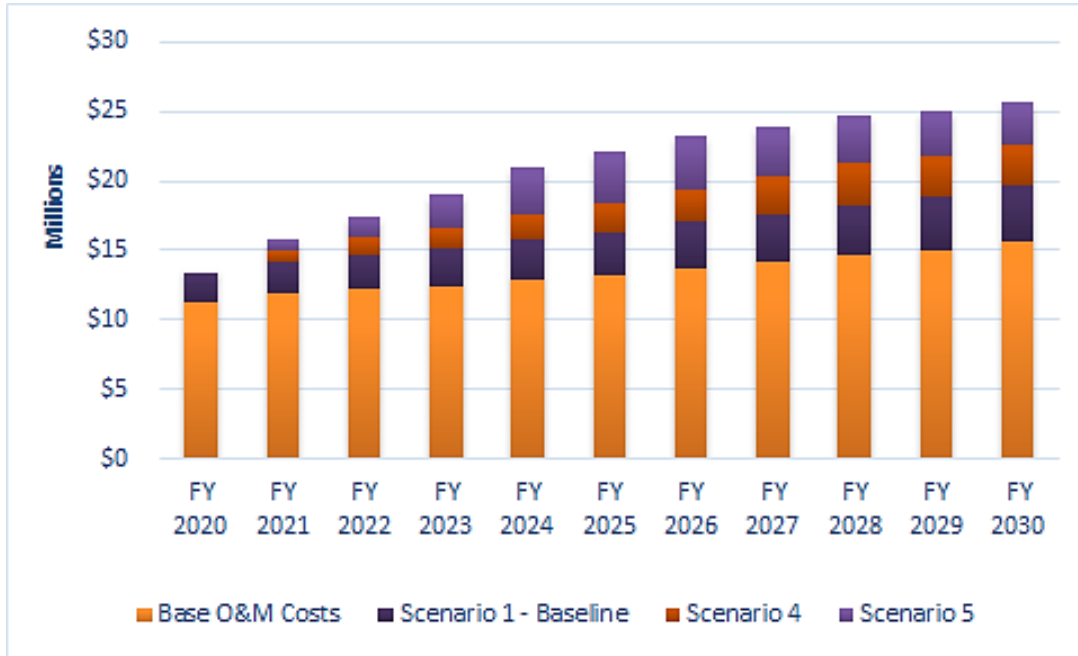
- Based on the FY 2020 and FY 2021 budgeted expenses
  - Projected through FY 2030 based on historical inflationary increases (~3.0% annually)
- Developed a projection of rate revenues at current rate levels
  - Assumed annual customer growth of 1.0%
- Previously developed three capital funding scenarios for Board input and discussion (baseline, medium, full capital)
  - All capital improvements are funded through annual rate funded capital – no new long-term borrowing
- Developed two additional rate and capital scenarios based on Board input
  - Includes long-term borrowing (\$11 Mil) to fund additional necessary capital funding needs to meet target levels

# Revenue Requirement – Capital Improvement Plan



- Scenario 1 funds an average of \$3.4 million/year in capital projects, \$34 million total
- Scenario 2 funds an average of \$4.3 million/year in capital projects, \$43 million total
- Scenario 3 funds an average of \$7.3 million/year in capital Projects \$73 million total
- Scenario 4 funds an average of \$6.5 million/year in capital Projects \$65 million total
- Scenario 5 funds an average of \$7.2 million/year in capital Projects \$72 million total

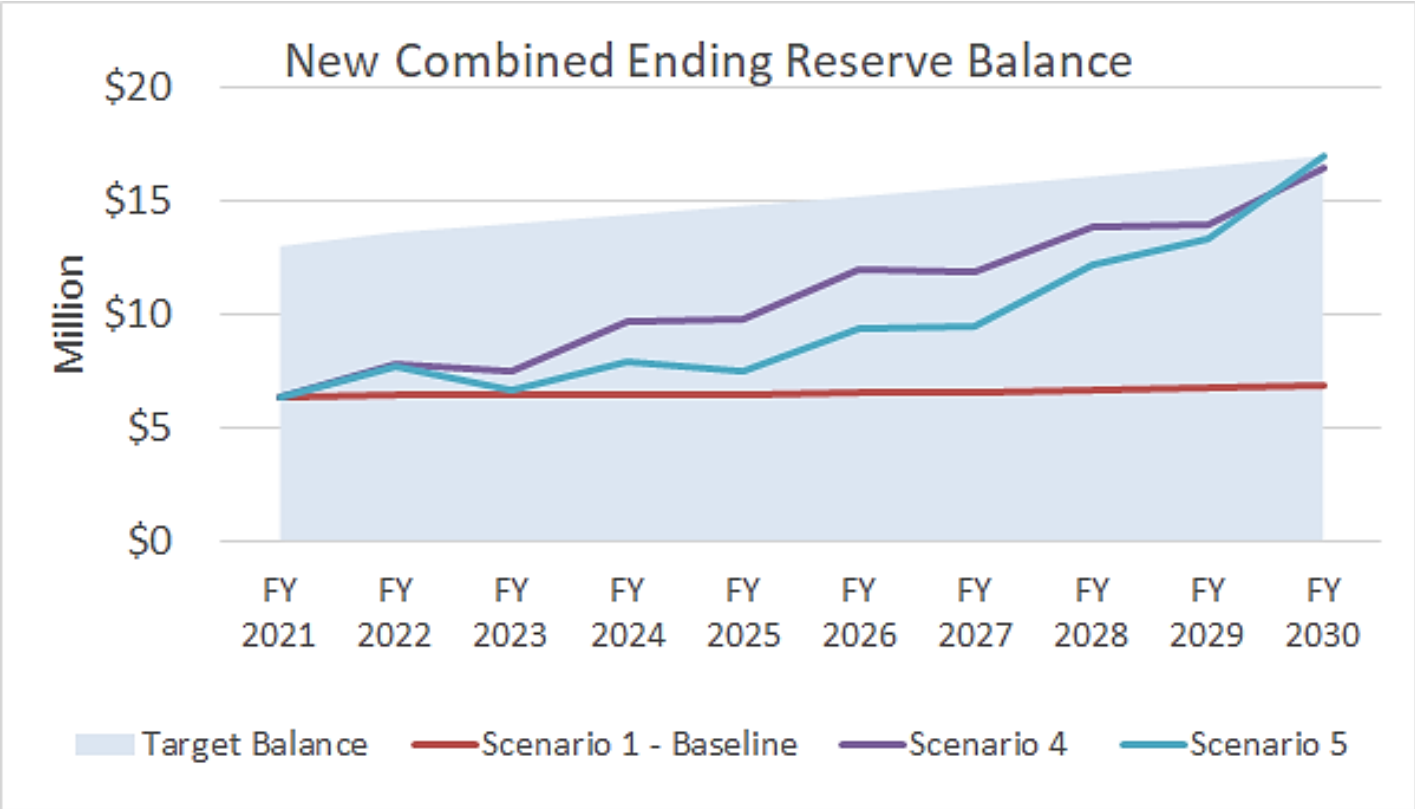
# Revenue Requirement Summary



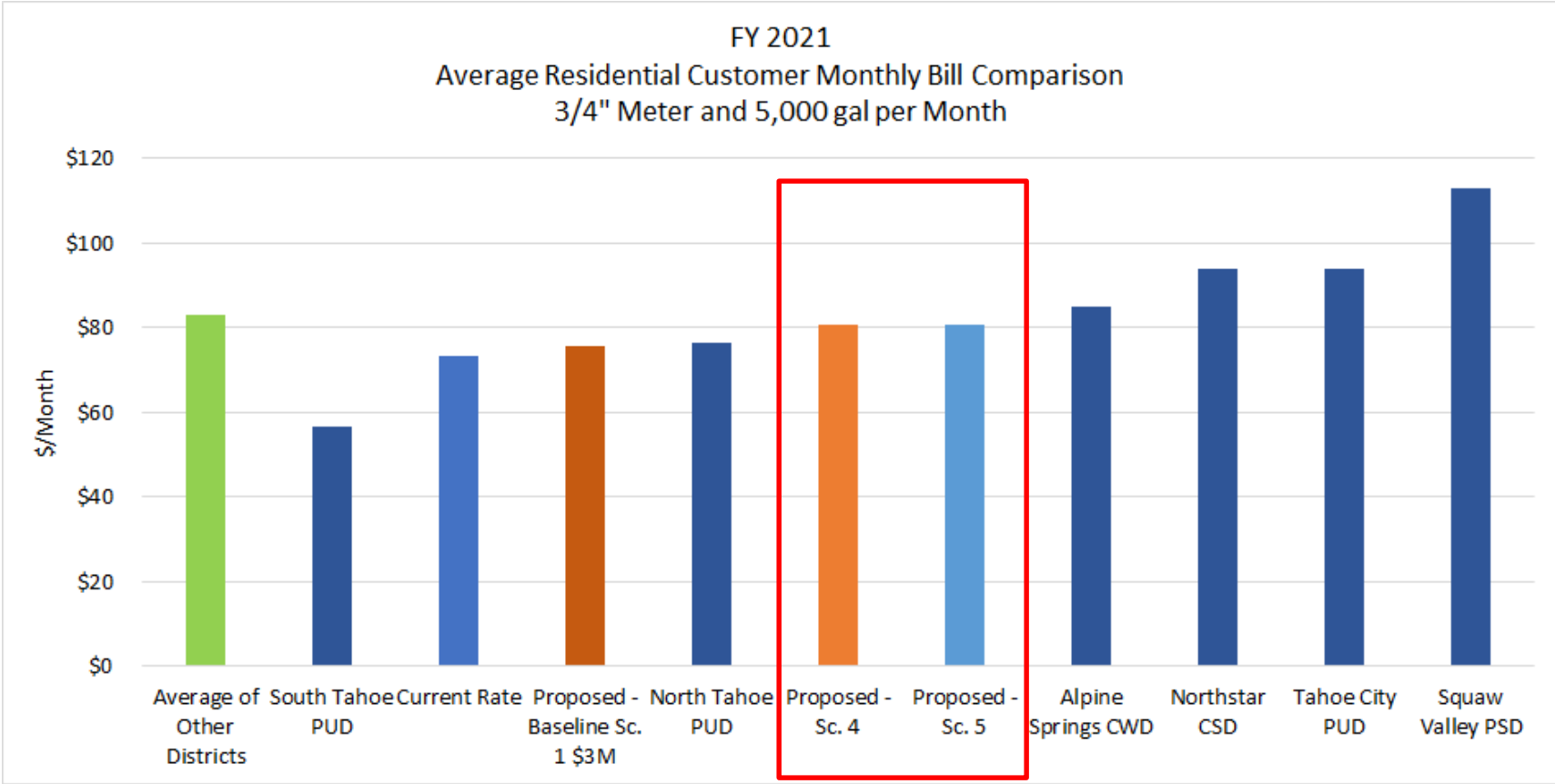
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Scenario 1 - \$3m Cap (Baseline)	\$73.56	\$75.87	\$77.77	\$79.72	\$81.71	\$83.75
Scenario 2 - \$4m Cap	\$73.56	\$77.47	\$81.35	\$85.41	\$89.69	\$94.17
Scenario 3 – \$7m Cap	\$73.56	\$85.47	\$98.29	\$104.19	\$108.36	\$112.69
Scenario 4	\$73.56	\$80.67	\$87.13	\$93.23	\$98.82	\$103.76
Scenario 5	\$73.56	\$80.67	\$87.93	\$94.97	\$102.57	\$109.75

Assumes a 3/4" meter and 5,000 gallons per month  
Includes Cost of Service Adjustments

# Combined Reserve Balance by Scenario



# Local Average Residential Bill Comparison



**Board Discussion –  
Capital Funding and Rate  
Transition Plan**





**Cost of Service**

# Overview of the Water Utility Cost of Service

## What is cost of service?

- Analysis to equitably allocate the water revenue requirement to the customer classes of service

## Why cost of service

- Generally accepted as “fair and equitable”
- Avoids subsidies
- Revenues reflect costs
- Meet the intent of Proposition 218

## Objectives of Cost of Service

- Determine if subsidies exist
- Develop average unit costs

# Need for Cost of Service

- Required by Proposition 218
  - Provide the cost basis for revenues and rates by customer class of service
- Recent legal decisions
  - Additional efforts and analysis to illustrate cost basis
- Equitably and proportionally allocates costs to the various customer classes of service (e.g., rate schedules)
- Provides the basis for developing the rate structure components
  - Fixed charge
  - Consumption charge

# Summary of the Cost of Service Analysis

	Total	Residential	Commercial	Pump Zones
Revenues at Present Rates	\$13,128,225	\$11,176,645	\$1,405,305	\$546,275
Allocated Revenue Requirement	\$14,309,765	\$12,288,342	\$1,333,441	\$687,982
Subtotal Balance/(Deficiency) of Funds	(\$1,181,540)	(\$1,111,697)	\$71,863	(\$141,707)
<b>% Change Over Present Rates</b>	<b>9.0%</b>	<b>9.9%</b>	<b>-5.1%</b>	<b>25.9%</b>

	FY 2021 System Average	Residential		Commercial
		Tier 1	Tier 2	
<b>Commodity Costs - \$/CCF</b>	\$0.61	\$0.61	\$0.61	\$0.61
<b>Capacity Costs - \$/CCF</b>	\$0.59	\$0.37	\$0.79	\$0.75
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<b>Total Allocated Costs - \$/CCF</b>	\$1.21	\$0.99	\$1.40	\$1.37
<b>Current Consumption Rates</b>		\$0.78	\$0.97	\$1.91
<b>Customer - \$ / Equiv. Mtrs / month</b>	\$74.59			
Fire Protection - \$ / Equiv. Mtrs / month	1.14			
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<b>Total - \$ / Month</b>	\$75.74			
<b>Current Fixed Charge (3/4")</b>	\$69.66			

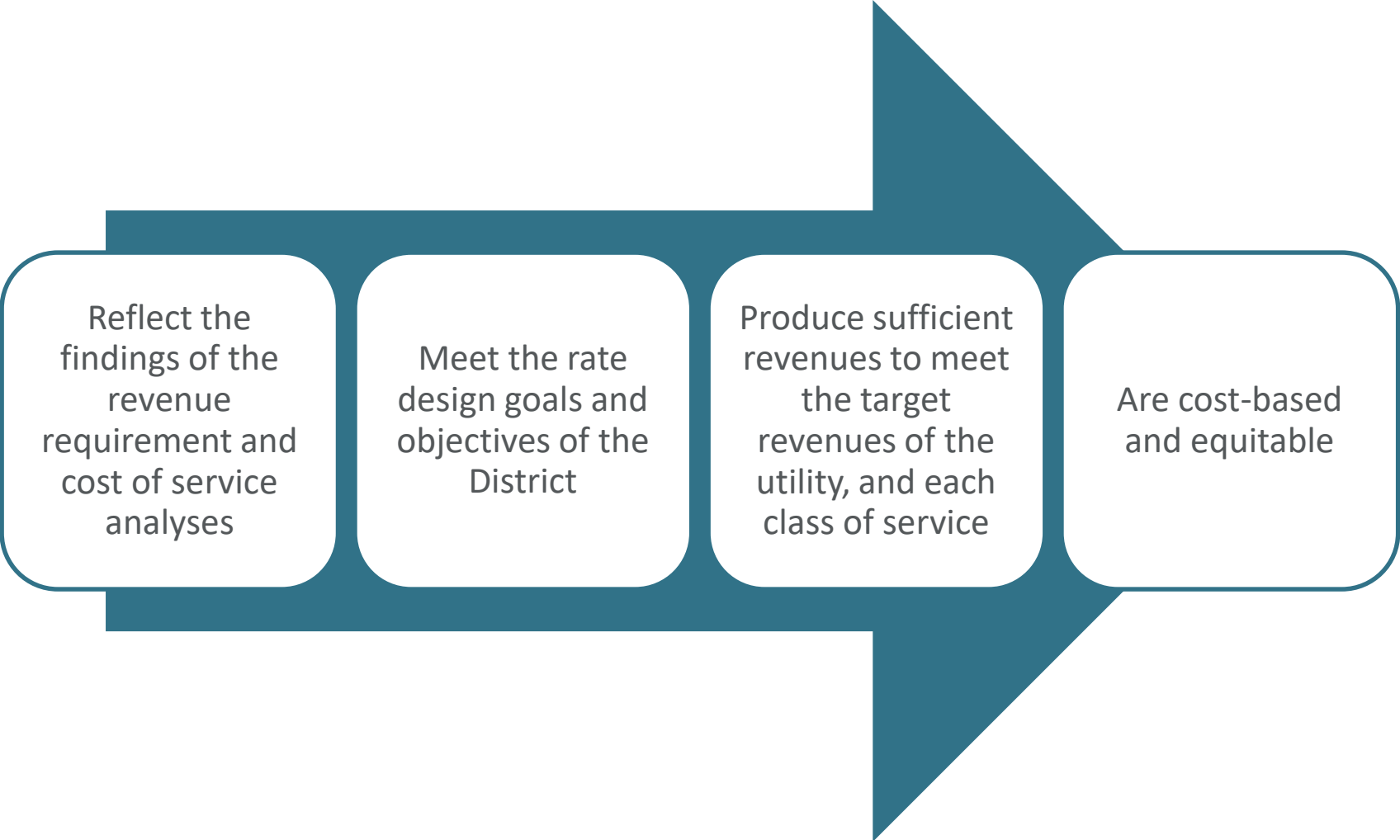
# Cost of Service Summary

- Cost of service analysis demonstrates the cost basis for the rates for each customer class
  - Unit costs are the basis for the proposed rates
    - Meter and consumption charges
- Proposition 218 limits the ability to phase in cost of service results and customer class impacts
- Same methodology and customer classes are being used as in prior studies completed for the District
  - Each study “resets” the cost of service analysis and rates
- Proposed rates reflect cost of service results and unit costs



## Rate Design

# Overview of the Rate Design



# Current Rates as of 01/01/2020

## Residential

### Meter Charge/Month

5/8" x 3/4"	\$69.66
3/4"	69.66
1"	83.09

### Metered Consumption (1,000 gal)

0 – 8,000 gal	\$0.78
8,000 + gal	0.97

### Zone Charge (per 1,000 gal)

Zone 1	\$0.00
Zone 2	0.60
Zone 3	1.20
Zone 4	1.80
Zone 5	2.40
Zone 6	3.00
Zone 7	3.60

## Commercial

### Meter Charge/Month

5/8" x 3/4"	\$69.66
3/4"	69.66
1"	83.09
1 1/2"	116.80
2"	160.58
3"	268.81
4"	384.62
6"	576.93
8"	721.16

### Commercial Consumption

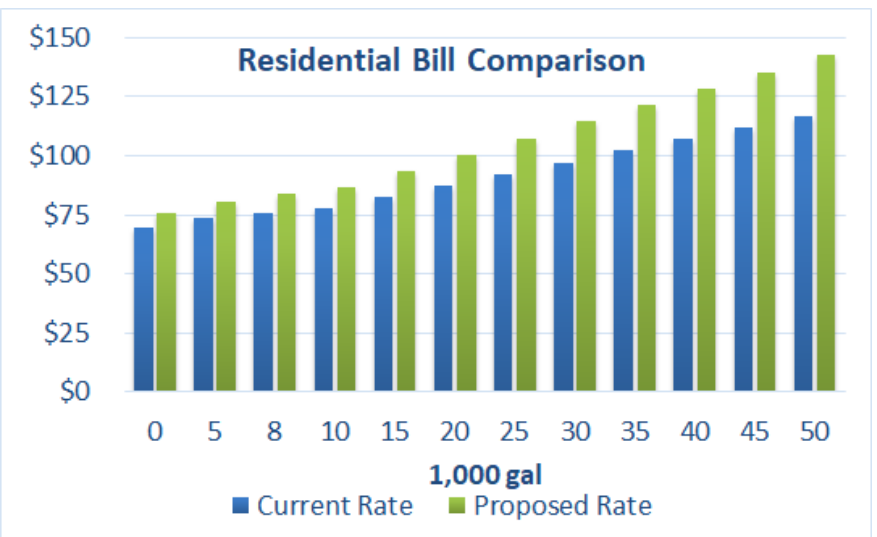
\$/1,000 gal	\$1.91
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# Proposed Residential Rates

## (Scenario 5)

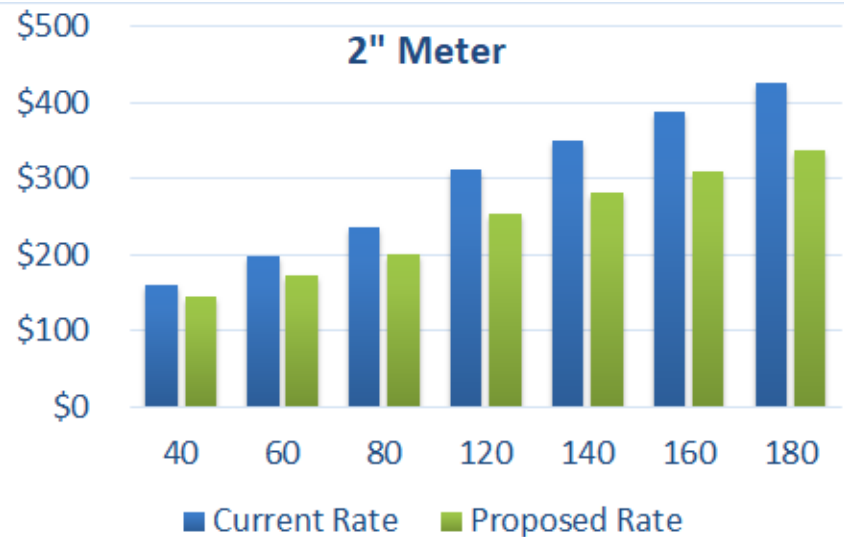
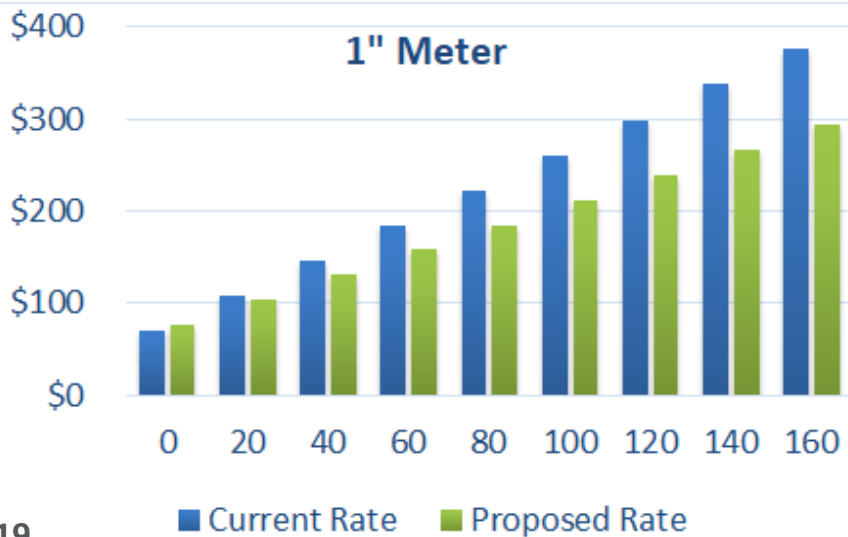
Residential	Current	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Meter Charge</b>						
5/8" x 3/4"	\$69.66	\$75.74	\$82.55	\$89.16	\$96.29	\$103.03
3/4"	69.66	75.74	82.55	89.16	96.29	103.03
1"	83.09	90.34	98.47	106.35	114.85	122.89
<b>Metered Consumption (\$/1,000 gal)</b>						
0 - 8,000 gal (block 1)	\$0.78	\$0.99	\$1.08	\$1.16	\$1.26	\$1.34
8,000 + gal (block 2)	0.97	1.40	1.53	1.65	1.78	1.91
<b>Average Residential Customer</b>						
Average Residential Customer	\$73.56	\$80.67	\$87.93	\$94.97	\$102.57	\$109.75
Annual \$ Increase		7.11	7.26	7.03	7.60	7.18
Cumulative \$ Increase		7.11	14.37	21.41	29.01	36.19



# Proposed Commercial Rates

## (Scenario 5)

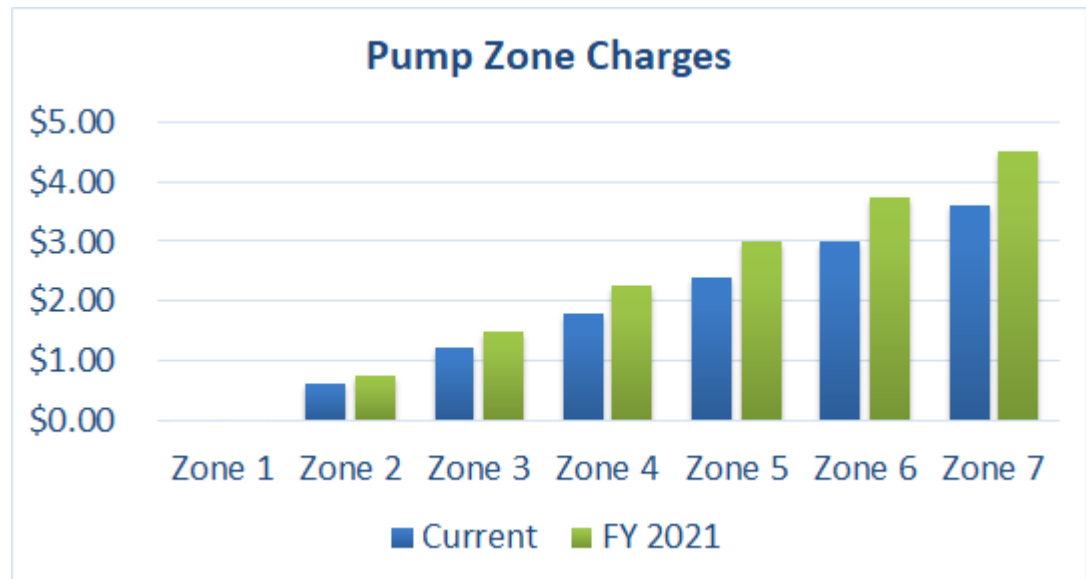
Commercial	Current	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Meter Charge</b>						
5/8" x 3/4"	\$69.66	\$75.74	\$82.55	\$89.16	\$96.29	\$103.03
3/4"	69.66	75.74	82.55	89.16	96.29	103.03
1"	83.09	90.34	98.47	106.35	114.85	122.89
1 1/2"	116.80	126.99	138.42	149.49	161.45	172.75
2"	160.58	174.59	190.30	205.52	221.97	237.50
3"	268.81	292.26	318.56	344.05	371.57	397.58
4"	384.62	418.17	455.80	492.27	531.65	568.87
6"	576.93	627.25	683.71	738.40	797.48	853.30
8"	721.16	784.07	854.63	923.00	996.84	1,066.62
<b>Commercial Consumption</b>						
\$/1,000 gal	\$1.91	\$1.37	\$1.49	\$1.61	\$1.74	\$1.86



# Proposed Pump Zone Rates

(Scenario 5)

Pump Zone	Current	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
<b>Charge (\$/1,000 gal)</b>						
Zone 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zone 2	0.60	0.75	0.82	0.89	0.96	1.03
Zone 3	1.20	1.50	1.64	1.77	1.91	2.04
Zone 4	1.80	2.25	2.45	2.65	2.86	3.06
Zone 5	2.40	3.00	3.27	3.53	3.81	4.08
Zone 6	3.00	3.75	4.09	4.42	4.77	5.10
Zone 7	3.60	4.50	4.91	5.30	5.72	6.12



# Rate Design Summary

- Cost of service unit costs provide the cost basis for each customer class
  - Meter charge
  - Consumption charge
- Proposed rates were developed based on the revenue requirement and cost of service results
- Proposed rates were provided for a up to a five-year period
  - Proposed January 2021 implementation

## Next Steps...

- Finalize the rate study
  - Develop written report (part of the administrative record)
- If directed by Board begin Proposition 218 process
  - Send customer notification
  - Hold a public hearing (December)
  - Adopt proposed rates
    - If no majority protest (<50%)
  - Implement adopted rates (January 2021)



**Thank you for your input!**

