

MEMO

TO: Board of Directors

FROM: Management Staff

DATE: 2/12/09

RE: Water Rate Study update

Requests:

At the last Board Meeting staff requested to narrow the rate alternative down to three alternatives: 2A (40/60 split by customer class), 2B (40/60 split by connection size), and 4.1. At this time I would like to drop 4.1 from the discussion and add a new alternative based on a 3 tiered metered rate system by connection size which I will call alternative 5.

After spending a year reviewing and studying the water rates and the budget, it is clear to me that a large difference in connection size charges is not the fairest method to achieve rate equity. Parcel size has a much larger impact on water usage than service connection size up to 2 Inch connections.

Timetable:

In February of 2009 staff will be presenting the draft budget to the Board. By March District staff will need to send out our proposition 218 notification letters to customers so we can have the public hearing in May of 2009. The Board needs to narrow the alternatives down to one by March in order to meet the timetable and deadlines. From March through June there will be revisions to the budget and minor adjustments in the rates with the final budget presented at the May public hearing. After taking the comments from the May Public hearing and making adjustments staff will present the Budget/Rates for approval in June 2009.

Rate Alternatives:

2A: CCF \$1.11

Class	Bimon. Fixed	Estimated Bimon.
Res	45.50	113.91
MF	60.00	96.59
Condos	28.00	63.18
Apt	173.10	433.74
Comm	90.44	226.84
Parks	346.63	1,146.27
Schools	412.54	1,022.10
Irrig	111.44	278.62

2B: CCF \$1.11

Class	Bimon. Fixed	Estimated Bimon.
¾	25.00	53.31
1.0	41.56	106.51
1.5	96.14	246.61
2.0	145.90	374.13
3.0	220.78	566.11
4.0	458.26	1,175.16
6.0	1,019.20	2,612.95
8.0	2,200.00	2,693.59
12.0	0	0

5: CCF 0-10 CCF \$1.10

11-50 CCF \$1.20

51-above CCF \$1.40

Size	Bimon. Fixed	Estimated Bimon/Range.
¾	30.00	60.00 - 449.36
1.0	45.00	93.00 - 450.25
1.5	60.00	107.21 - 565.17
2.0	75.00	206.89 - 685.50
3.0	250.00	450.17 - 1,248.39
4.0	500.00	751.21 - 1,314.67
6.0	1,000.00	1,551.34 - 2,183.64
8.0	2,000.00	2,150.00 - 2,386.13

Comparisons:

Current Structure, #2A= 40% fixed, 60% consumptive by customer class, 2B =40% fixed, 60% consumptive by customer class, 5 Tiered metered system:

Class	2A (AVG)	Class	Current (Avg)	2B (AVG)	5 (Range)
Res	113.91	¾	59.11	53.31	60.00 - 449.36
MF	96.59	1	105.32	106.51	93.00 - 450.25
Condos	63.18	1.5	216.72	246.61	107.21 - 565.17
Apt	433.74	2.0	334.22	374.13	206.89 - 685.50
Comm	226.84	3.0	589.53	566.11	450.17 - 1,248.39
Parks	1,146.27	4.0	1,032.33	1,175.11	751.21 - 1,314.67
Schools	1,022.10	6.0	2,162.60	2,612.95	1,551.34 - 2,183.64
Irrig	278.62	8.0	2,346.62	2,693.59	2,150.00 - 2,386.13

** When comparing 2A to the other alternatives you must remember each customer class rolls up the service connection size and looks just at proportional usage.

Remaining Flat Rate Customers:

SF11 will be moved to \$111.00/bimonthly

SF51 will be moved to \$172.71/bimonthly

SF21 will be moved to \$243.96/bimonthly

Pro's/Con's for each Alternative:

Alternative 2A uses proportional usage and does not take into account that there is a higher marginal cost for each larger connection. From ¾ inch to 2 inch there is not a great difference, but there is a difference. Starting at 3 inch is when connection size does make an impact in replacement and operational cost. Alternative 2A does not reward customers who are already conserving.

Alternative 2B uses average proportional usage by connection size; it puts a higher service charge burden for the 1.5 inch and 2 inch connections; and it does not reward customers for conserving because of the higher fixed charges.

Alternative 5 lowers the service charge and better reflects the usage, gives customers an opportunity to save money through conservation efforts, charges customers more who use more; it takes into account the marginal increase in cost by connection size for replacement and operational cost; it gives a strong price signal for those customers who use large amounts of water; and it meets conservation goals and will fit in well with the Water Forums Agreement, California Urban Conservation Counsel, and I believe will meet future water pricing regulations.

Recommendation:

Staff recommends moving alternative 5 and the remaining Flat Rate customers forward through the 218 process.

Attached Comments and Views (Mr. Baker's):

11 FEB 09

ATTN: STEVE NOLANT
RE: RATE STUDY

AT THE DEC. 08 BOARD MEETING, IT WAS THE DECISION OF THE BOARD TO CONSIDER PLANS 2-A, 2-B, & 4-1.

I HAVE BEEN A PROponent OF PLAN 2-A AND REMAIN SO. I ALSO THINK A 30% - 70% RATIO BASED ON CUSTOMER CLASSES IS THE BEST PLAN - LET US DO THIS ONE TIME.

I THINK MOST C.W.D. CUSTOMERS ASSUME THAT THE MORE WATER A CUSTOMER USES THE MORE A CUSTOMER WOULD PAY. THE SCATTER GRAPHS PRESENTED BY STAFF AT DEC. 08 MEETING PROVE THIS ASSUMPTION TO BE FALSE.

THE PROOF

TOP 149 1" METERED CUSTOMERS USE 198,402 ccf
AN AVERAGE PER CUSTOMER OF 1331 ccf
↳ ALL FEES PAID (NO CONSUMPTION) \$ 56,500. -
AN AVERAGE PER CUSTOMER OF \$ 379.00

ALL 149 1 1/2" & 2" METERED CUST. USE 162,424 ccf
AN AVERAGE PER CUSTOMER OF 1090 ccf
↳ ALL FEES PAID (NO CONSUMPTION) \$ 121,998. -
AVERAGE PER CUSTOMER \$ 818.00

THE DIFFERENCE IN FEES \$65,498.

THE DIFFERENCE IN CCF 35,978

Oil 1 1/2 & 2" RESIDENTIAL CUSTOMERS
PAY AN AVERAGE OF \$439. MORE
AND USE AN AVERAGE OF 241 CCF LESS

RATE STUDY METER CHARGES

1" = 54.90 PER YEAR

1 1/2" = 103.50 PER YEAR / \$48.60 OVER 1"

2" = 152.76 PER YEAR / \$97.86 OVER 1"

PLAN 2-B

TOP 149 1" METERED CUSTOMERS = \$247,556
(SERVICE CHARGE & CONSUMPTION)

All 1 1/2 & 2" METERED COST = \$269,802
(SERVICE CHARGE & CONSUMPTION) <\$22,246.>

517,358

PLAN 4-)

TOP 149 1" COST. \$242,323.00

All 1 1/2" & 2" COST. \$269,772.00

<\$26,000.>

PLAN 2-A

511,545 -

TOP 149 1" COST \$249,588.00

All 1 1/2" & 2" COST \$211,457.00

1" + \$38,131

1" USES 35,978 MORE CCF

MULTIPLY BY \$1.06 PER CCF = 38,136

46,045

CONDOS?

357 METERED CUSTOMERS USE 67,862,000

CURRENT FEES = \$188,277.00

(NO CONSUMPTION)

Plan 250 = \$11,210

Plan 250 = \$11,210

Plan 250 = \$11,210

Plan 250 = \$11,210

NETTED COSTS (PER STAFF REPORTS)

THE BOARD SHOULD BE \$15
THE HIGHEST QUALITY
WATER AT THE LOWEST FEASIBLE COST.
TO SERVE OUR CUSTOMERS WITH
DILIGENCE, EFFICIENCY & INTEGRITY.

THE NUMBER OF CUSTOMERS THAT MAY
ATTEND A BOARD MEETING - NOR - THE
POSSIBILITY THAT IT MAY RAISE A
BOARD MEMBER'S WATER RATE -
SHOULD BE CONSIDERED!

BY DOING THE RIGHT THING,
THAT GOAL CAN BE ACHIEVED!