



**BOARD OF DIRECTORS
EAST BAY MUNICIPAL UTILITY DISTRICT**

375 - 11th Street, Oakland, CA 94607

Office of the Secretary: (510) 287-0440

Notice of Special Meeting

**Long-Term
Financial Stability--Workshop #5
(Water and Wastewater Cost of Service Study)**

Tuesday, November 25, 2014

9:00 a.m.

**Training Resource Center
375 Eleventh Street
Oakland, California**

At the call of President Andy Katz, the Board of Directors has scheduled a special meeting for 9:00 a.m. on Tuesday, November 25, 2014, at 375 Eleventh Street, Training Resource Center, Oakland, California.

The Board will meet in workshop session for a presentation to review the Water and Wastewater Cost of Service Study.

Dated: November 20, 2014

A handwritten signature in cursive script that reads 'Lynelle M. Lewis'.

Lynelle M. Lewis
Secretary of the District



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**AGENDA
Special Meeting**

**Long-Term
Financial Stability--Workshop #5
(Water and Wastewater Cost of Service Study)**

9:00 a.m.

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Training Resource Center

375 Eleventh Street

Oakland, California

(Director Doug Linney will participate by telephone from 2253 Poipu Road, Koloa, Kauai, Hawaii)

ROLL CALL:

PUBLIC COMMENT: The Board of Directors is limited by State law to providing a brief response, asking questions for clarification, or referring a matter to staff when responding to items that are not listed on the agenda.

DISCUSSION:

1. Long-Term Financial Stability--Workshop #5 (Sandler)
(Water and Wastewater Cost of Service Study)

ADJOURNMENT:

Disability Notice

If you require a disability-related modification or accommodation to participate in an EBMUD public meeting please call the Office of the Secretary (510) 287-0404. We will make reasonable arrangements to ensure accessibility. Some special equipment arrangements may require 48 hours advance notice.

Document Availability

Materials related to an item on this Agenda that have been submitted to the EBMUD Board of Directors within 72 hours prior to this meeting are available for public inspection in EBMUD's Office of the Secretary at 375 11th Street, Oakland, California, during normal business hours.

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: November 20, 2014

MEMO TO: Board of Directors

THROUGH: Alexander R. Coate, General Manager 

FROM: Eric L. Sandler, Director of Finance 

SUBJECT: Long-Term Financial Stability—Workshop #5: Water and Wastewater Cost of Service Study

SUMMARY

One of the District's six Strategic Plan goals is Long-Term Financial Stability. At the Finance/Administration Committee meeting on November 12, 2013 staff identified a series of workshops to support this Strategic Plan goal and to prepare for the development of the subsequent two-year budget. This memo provides an overview of completed and scheduled workshops. The subject Board workshop to review the water and wastewater cost of service (COS) study is scheduled for November 25, 2014. A summary of the COS findings is provided in this memo.

DISCUSSION

Workshop Topics and Schedule

On November 12, 2013 staff identified certain activities throughout the following year to support long-range financial planning and development of the upcoming biennial budget/rates package. These activities included a series of workshops on key financial policy issues and the completion of a third-party cost of service (COS) study for the water and wastewater enterprises. The workshops are a public forum for discussing policies impacting the long-term funding needs of the District and the COS study analyzes how to properly allocate those costs to customer classes and establishes a legal basis and administrative record for the District's rates and charges. Continued drought conditions have brought a renewed focus on drought-related financial management issues. In response, the content and schedule of workshop topics was revised as follows:

- Workshop #1 (March 25, 2014): *Introduction*. At this workshop, staff provided a review of workshop topics for the coming year and proposed revisions to the Strategic Plan goal of Long-Term Financial Stability. The revisions focused on three areas including: a) the development of a long range financial plan and assessment of policies, relating to reserves and debt service coverage; b) policies regarding rates and charges; and c) enhancing transparency in financial documents. In addition staff presented the District's financial planning model and a detailed account of how financial policies (e.g. capital financing, debt service coverage, and reserves) drive revenue requirements and rates.

- Workshop #2 (July 22, 2014): *Reserves*. At this workshop, staff reviewed findings from Workshop #1 and provided information regarding the use of reserves to manage financial risk. This workshop focused on drought-related financial risks and assessed the various tools to manage those impacts—e.g. reserves, supplemental supply surcharge and drought rates. In the workshop staff addressed the adequacy of these tools to manage drought related risks in both the short and long-term.
- Workshop #3 (August 12, 2014): *Drought Financial Management/Drought Rates*. At this workshop, staff reviewed some of the findings from Workshop #2, including the financial impact of drought and the various tools used to mitigate these impacts. This workshop focused on the development of a system of drought rates that would be flexible enough to be deployed in stages depending on the severity of drought conditions and could be considered for adoption as part of the Board's FY16-17 budget and rates actions. Staff summarized the history of previous District drought rates, described the existing water rate structure, reviewed the policy objectives of drought rates, compared potential drought rate structure features, and showed the drought responses of other regional water agencies. During the workshop, the Board emphasized the importance of public engagement and outreach as drought rate options are considered. A separate series of four public meetings was conducted throughout the service area during October and November 2014.
- Workshop #4 (September 23, 2014): This workshop provided two presentations. The first discussed capital investment and financing and the second discussed drought financial management and drought rates.
 - a. *Capital Investment/Financing*—Staff provided information for Board consideration and discussion on key capital financing policies—Capital Improvement Program (CIP) funding (cash vs. debt) and debt service coverage ratios. Staff also discussed the District's Seismic Improvement Program (SIP) and the status of the SIP surcharge. In Workshop #5 staff will present several alternatives to address the level of fixed water revenues for further Board consideration. The sunset of the fixed SIP charge reduces the level of fixed water revenues from 26% to 20%. Reducing the level of fixed revenues contributes to revenue instability which is magnified during periods of drought.
 - b. *Drought Financial Management/Drought Rates*—Staff provided additional information for discussion of a staged system of drought rates to recover the costs of supplemental supplies and the revenue lost due to customers' reduction in water use during drought and reviewed a plan for public engagement and outreach related to drought response and drought rates.
- Workshop #5 (November 25): *Water and Wastewater Cost of Service (COS) Study*. Staff will present the results and review findings from the COS study as further described below at the workshop.

- Workshop #6 (January 13): *Long Term Financial Stability Capstone: Policies and Rates*. Staff will present a long-term financial forecast including a number of scenarios reflecting the rate impact of policy options discussed in previous workshops.

Water and Wastewater COS Study

In November 2013, EBMUD retained Raftelis Financial Consultants (RFC) to perform cost of service (COS) studies for the water and wastewater systems. State law mandates public utility rates and charges to be based on COS. District policy requires COS based rates and charges. The COS study allocates operating and capital costs to customer classes based on both customer class usage characteristics and facility design and operations. This nexus between usage and cost forms the financial and legal basis for setting utility rates and charges.

Over time, both customer usage characteristics and costs can change and a COS study helps reconcile these changes with revenues under existing rates and charges. COS studies often result in recommended modifications to existing rates and charges. This particular study indicates that the District's current rates are generally in line with COS. As expected, however, the study also indicates some recommended adjustments. Findings from the study are identified below. At the November 25th workshop, staff will review these findings with the Board and solicit direction regarding the level of fixed revenues following the sunset of the SIP charge.

The findings of the Water COS study are summarized as follows:

- Private fire COS results indicate fewer costs than under current COS, resulting in a decrease in the private fire meter charge.
- The District's elevation charges were reviewed and COS confirmed that only small adjustments are needed to current levels of the charge.
- Recycled water charges have not previously been reviewed from a COS perspective. Recent legal cases support the need for a COS basis for recycled water charges. The COS study confirms current recycled water rates.
- Current District Single Family Residence (SFR) tier breakpoints were reviewed and confirmed.
- The District's tier rates had not previously been reviewed from a COS perspective. The study established a methodology for developing tiered rates based on the differential allocation of costs for base use, peaking, and supplemental supplies.
- The Sunset of SIP charge needs to be addressed. Several alternatives will be presented to the Board for consideration to address the level of fixed water revenues.

The findings of the Wastewater COS study are summarized as follows:

- Treatment Charge
 - The COS analysis indicates adjustments to treatment assumptions to more accurately reflect current customer class strengths and flows. The result is a decrease in the overall SFR charge and a corresponding increase in non-residential customer charges with similar wastewater characteristics.

- Wet Weather Charge
 - The basis for current charge is equivalent SFR laterals. With a shift in the Wet Weather program towards infiltration/inflow and focus on upgrade of laterals, COS indicates a need to update the basis of the Wet Weather charge. The changes to the Wet Weather charge collected on the property tax bill are:
 - Decrease to Multi Family Residential including apartments
 - Increase to non-residential
 - Slight increase to SFR

Following presentation of the COS study findings and Board discussion and policy direction, staff will work with RFC over the next few months to develop a final report.



EAST BAY MUNICIPAL UTILITY DISTRICT

Water and Wastewater Cost of Service Study

Board of Directors
November 25, 2014

Agenda



- Introduction
- Water Cost of Service
- Wastewater Cost of Service
- Discussion and Next Steps

Introduction

District Strategic Plan Goal



Goals

Long-Term Water Supply

Water Quality &
Environmental Protection

Long-Term Infrastructure
Investment

Long-Term Financial
Stability

Customer Service

Workforce Planning &
Development

*Manage the District's
finances to support District
needs and maintain
reasonable water and
wastewater rates*

Strategy 1—Objectives



Strategy 1	<i>Develop a Long-Range Financing Plan that sets forth the long-term funding needs of the District</i>
Objectives	<ul style="list-style-type: none">• Develop and maintain financial planning models to include long-term forecasts of operating and capital expenditures, revenue requirements and rates and charges
	<ul style="list-style-type: none">• Ensure the long-term financial plan is based on reasonable, conservative assumptions and accounts for uncertainties
	<ul style="list-style-type: none">• Ensure the long-term plan maintains the District's good standing in the credit markets to provide ready access to cost-effective capital financing
	<ul style="list-style-type: none">• Evaluate the District's capital financing and debt service coverage policies to optimize cash funding of capital investments
	<ul style="list-style-type: none">• Evaluate the District's cash reserve policies to consider optimal uses and levels of reserves, including alternative strategies for funding drought-related costs

Strategy 2—Objectives

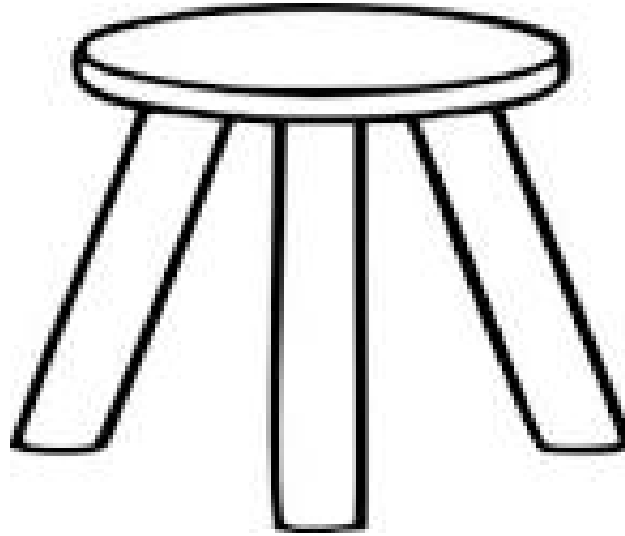


Strategy 2	<i>Implement water and wastewater rates and charges that are legal, fair and equitable</i>
Objectives	<ul style="list-style-type: none">• Plan for rate increases that are steady and predictable
	<ul style="list-style-type: none">• Mitigate increases in rates and charges by optimizing use of non-rate revenue and pursuing opportunities for cost efficiencies and new technologies
	<ul style="list-style-type: none">• Establish rates and charges based on cost-of-service principles
	<ul style="list-style-type: none">• Periodically conduct third-party cost of service studies

Long-Term Financial Stability

Revenue Requirements

- O&M costs
- Capital costs
- Debt service
- Financial policies



Cost of Service

- Allocate costs to customer classes based on usage characteristics

Rate Design

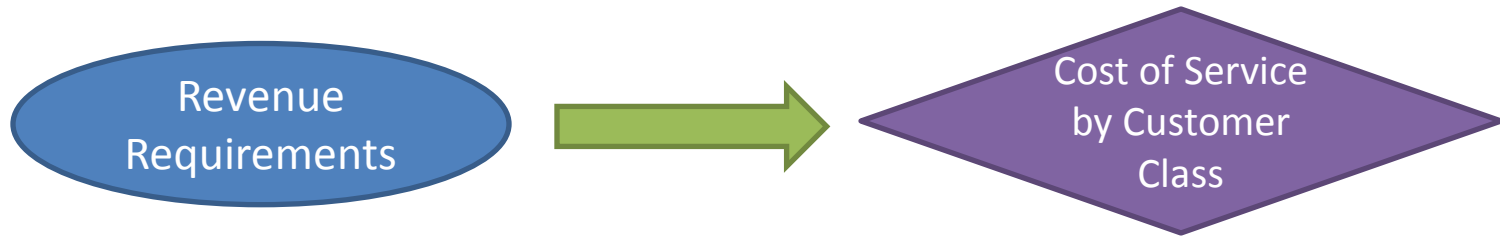
- Recovering costs from customers

Long Term Financial Stability Workshop Topics



Workshop 1 <i>Introduction</i> (March 2014)	Workshop 2 <i>Reserves</i> (July 2014)	Workshop 3 <i>Drought Rates</i> (Aug 2014)	Workshop 4 <i>Capital Plan/ Drought Rates</i> (Sept 2014)	Workshop 5 <i>Cost of Service</i> (Nov 2014)	Workshop 6 <i>Capstone- Policies & Rates</i> (Jan 2015)
<ul style="list-style-type: none"> -Strategic Plan Update -Review Financial Planning Model -How policies drive revenue requirements 	<ul style="list-style-type: none"> -Demand projections and variability -Funding drought costs -Fixed/variable revenues -Review/evaluate reserve policies 	<ul style="list-style-type: none"> -EBMUD drought rate history -Alternative drought rate structures -Pros/cons of alternative drought rate structures 	<ul style="list-style-type: none"> -CIP Projections -Review/evaluate capital investment policies -CIP funding: debt vs. cash -Debt Service Coverage Ratios -Seismic Improvement program 	<ul style="list-style-type: none"> -Review results of Cost of Service study 	<ul style="list-style-type: none"> -Develop Financial Forecast based on Workshops 1-4

What is a Cost of Service Study?



- Allocates costs to customer classes based on the impact of each class on system facilities and operations
 - Each customer class “pays its own way”
- Basis for establishing utility rates and charges
 - Requirement of Prop 218

Why Conduct a Cost of Service Study?



- To ensure existing rates and charges conform to COS principles
- Recently updated Strategic Plan calls for periodic third party COS study

Water System	Wastewater System
<ul style="list-style-type: none">• Last comprehensive study conducted in 1995 (CH2M-Hill)• Update conducted in 2009 (Bartle Wells Associates)	<ul style="list-style-type: none">• Last study for treatment charge conducted in 2000 (Carollo Engineers)• Last study for wet weather charge was 1987 (Brown and Caldwell)

2014 Cost of Service Study



- Retained third party consultant—Raftelis Financial Consultants
- Engaged cross-functional District team—Finance, OGC, O&M, and Engineering
- Preliminary findings
 - Confirms basic cost allocation
 - Recommends some modifications

Summary of Preliminary Findings



- Water
 - Modify private fire cost allocation
 - Confirm elevation charge
 - Establish recycled water cost allocation
 - Confirm SFR tier breakpoints
 - Establish cost of service basis for SRF tiered rates
 - Address sunset of Seismic Charge
 - Level of fixed charges—existing, more, or less

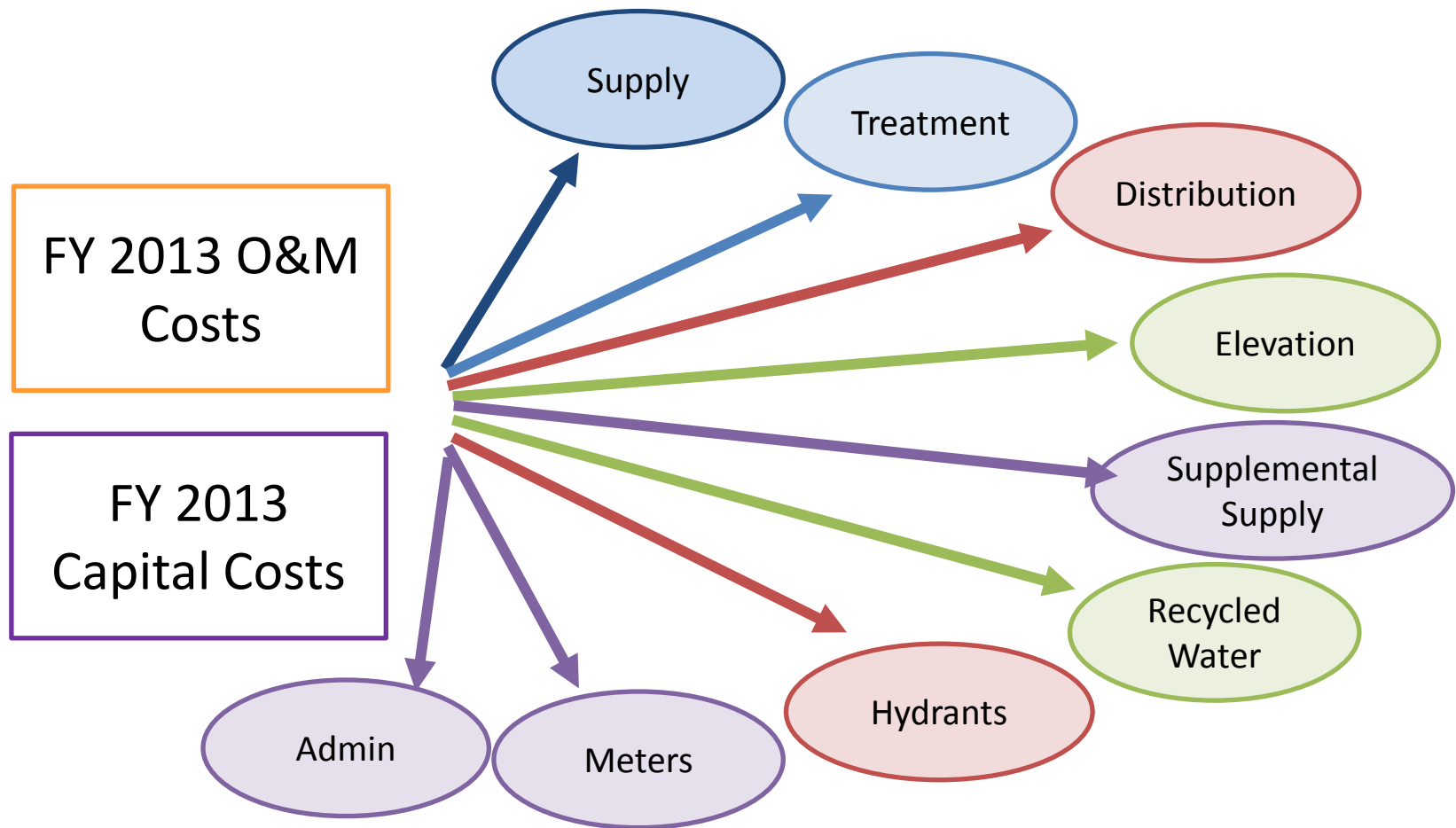
Summary of Preliminary Findings



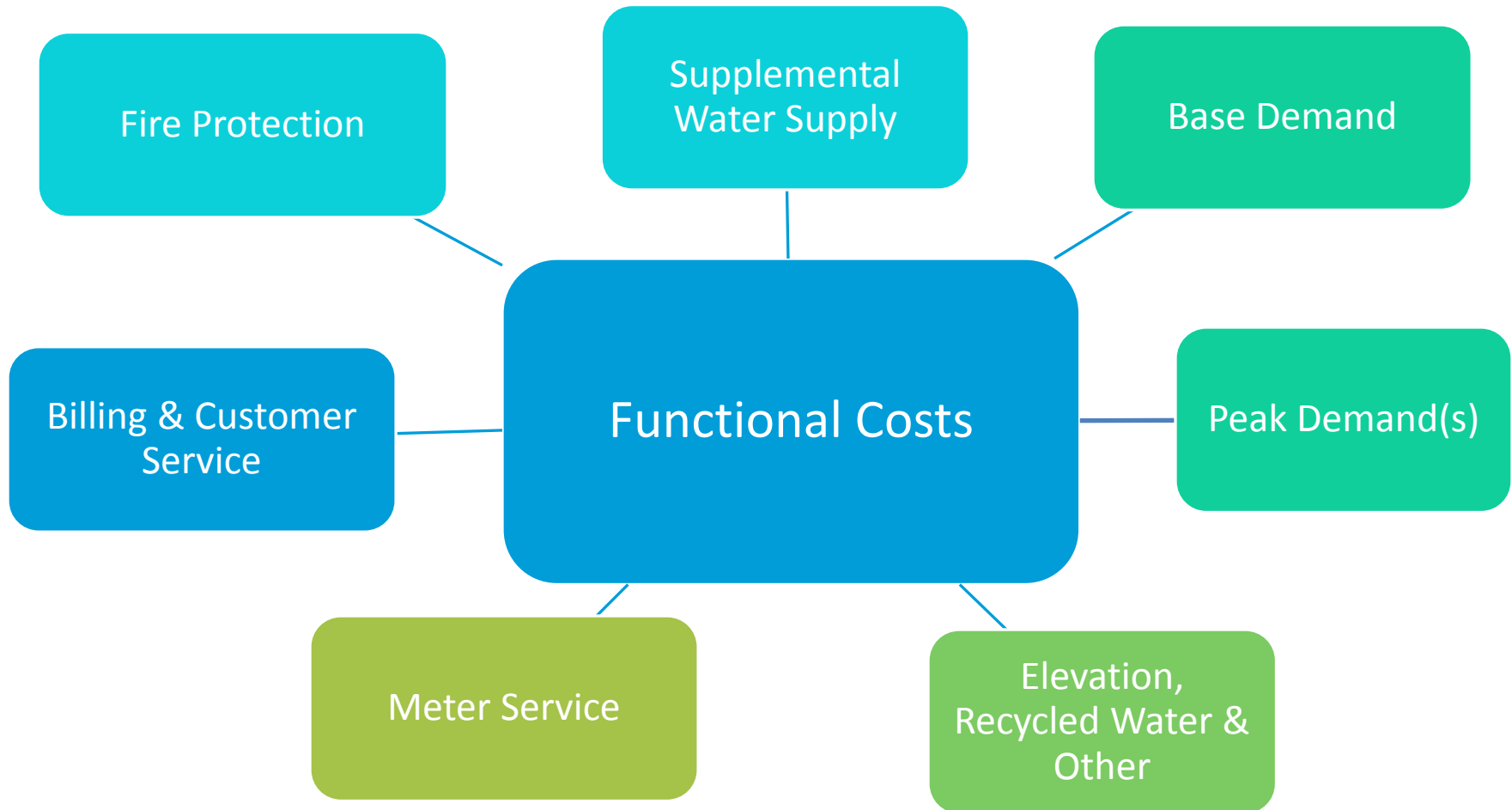
- Wastewater
 - Modify domestic strength concentrations and average SFR wastewater flow to reflect reductions in flow seen at the plant
 - Modify allocation of wet weather costs

Water Cost of Service

Step 1—Allocate Revenue Requirements to Function



Step 2—Allocate Functional Costs to Services



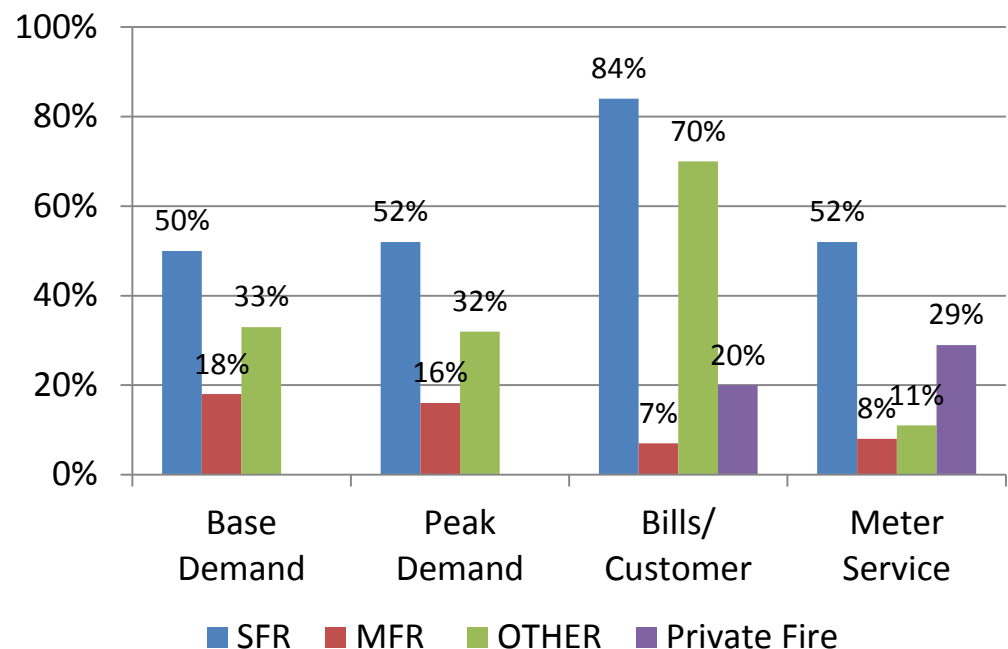
Step 3— Determine the Number of Service Units Provided



- In Step 2 the cost to provide each service was calculated
- Step 3 calculates how many units of each service are provided for each customer class. For example:

- Peaking Demand Units = amount of peak demand service provided by the water system measured in Ccf
- Meter Service Units = number of equivalent meters in District
- Billing service = number of customer bills

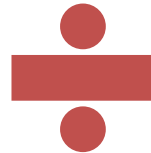
Service Units by Customer Class



Step 4—Develop Service Unit Costs



Step 2 -Total
Cost to
Provide Each
Service



Step 3 - Total #
of Service
Units Provided



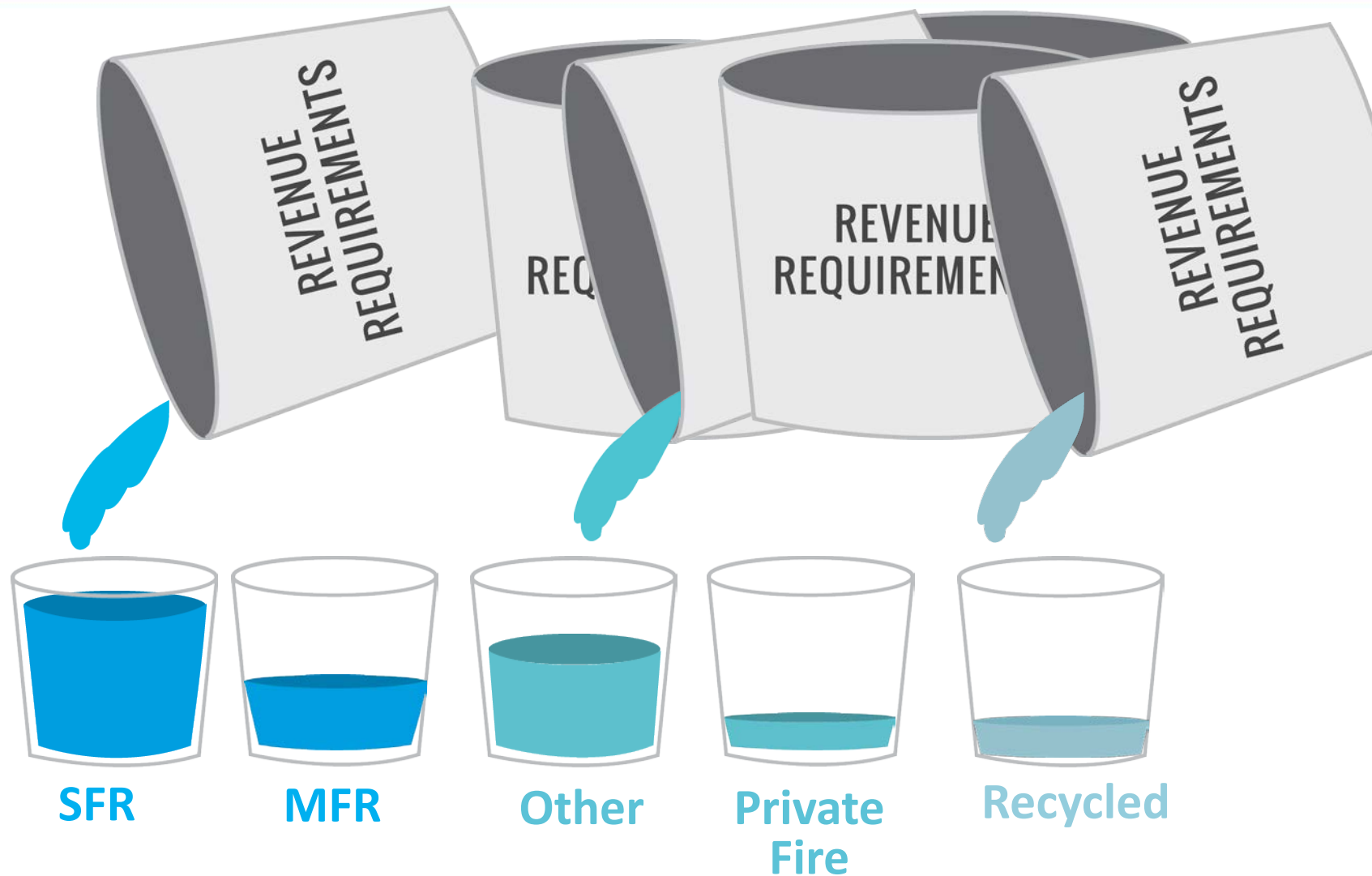
Step 4 -Service
Unit Costs

- Base Demand
- Peak Demand
- Elevation
- Supplemental Water Supply
- Meter Service
- Bill/Customer
- Fire Protection

- Base Demand (Ccf)
- Peak Demand (Ccf)
- Elevation (Ccf)
- Supplemental Water Supply (Ccf)
- Meters (Equivalent)
- Bills

- Base Demand(\$/Ccf)
- Peaking Demand (\$/Ccf)
- Elevation (\$/Ccf)
- Supplemental WaterSupply (\$/Ccf)
- Meters (\$/month per equivalent)
- Bills (\$/month)

Step 5—Allocate Service Costs to Customer Classes to Establish COS



Preliminary Findings—Water



- Modify private fire cost allocation
- Confirm elevation charge
- Establish recycled water cost allocation
- Confirm SFR tier breakpoints
- Establish cost of service basis for SRF tiered rates
- Address sunset of Seismic Charge
 - Level of fixed charges—existing, more, or less

Private Fire Service



- Updated estimates of fire protection component of the water system, including reservoirs, distribution system, and hydrants
- Approach consistent with latest AWWA methodology

Finding: Private fire COS results indicate fewer costs than revenue under current rates

Recommendation: Modify allocation of private fire protection costs

Elevation Charge



- Elevation charge based on energy cost to pump water in three distinct elevations bands
- Reviewed basis for elevation charge and developed updated cost of service

Finding: *Elevation COS results indicate minimal changes*

Recommendation: *Retain current approach*

Recycled Water Service



- Under Prop 218 recycled water rates must meet cost of service requirements
- Determined the total costs of the recycled water program
- Use of recycled water reduces the District's purchases of supplemental water, which benefits all customers

***Finding:** Current recycled water rates generally in alignment with COS*

Private Fire, Elevation Charge and Recycled Water Bill Impacts



	FY15 (Current)	FY15 (COS)	% Change
Private Fire Meter Size	\$/mo	\$/mo	
4"	\$132.26	\$92.94	-29.7%
6"	\$255.66	\$181.67	-28.9%
8"	\$403.75	\$288.14	-28.6%
Elevation Band Charge	\$/Ccf	\$/Ccf	
Band 1	\$0.00	\$0.00	0%
Band 2	\$0.55	\$0.56	2%
Band 3	\$1.12	\$1.15	3%
Recycled Water	\$/Ccf	\$/Ccf	
All Meter Sizes	\$3.17	\$3.17	0%

SFR Tier Breakpoints



- Reviewed recent SFR water consumption patterns
 - Winter use—proxy for indoor
 - Summer use
- Review supports retaining current tier breaks
 - Tier 1 at 0-7 Ccf per month
 - Represents average District-wide indoor water usage based on winter use
 - Tier 2 at 8-16 Ccf per month
 - Represents average District-wide outdoor water needs based on summer use
 - Tier 3 above 16 Ccf per month

Finding: Current tier breakpoints continue to reflect average District Use

SFR Tier Cost Allocation



- Recent Proposition 218 interpretation
 - The SFR rates must recover the overall COS developed for the SFR customer class; and
 - Tier rate justification with cost of service calculation

Recommendation: Establish tier rates based on allocations of base, peaking and supplemental supply costs

SFR Tier Cost Allocation



Tier	Base Costs	Peaking Costs	Supplemental Supply Cost
Tier 1	+	+	+
Tier 2	+	++	++
Tier 3	+	+++	++

- Base Costs are the costs to provide water at average conditions
- Peaking Costs are the costs to provide water during peak conditions
- Supplemental supply costs are the capital and standby operating costs to allow for dry-year water supplies

Fixed/Variable Revenue Mix



- Volumetric rates provide an economic incentive to conserve; however
- They introduce revenue volatility
- Extended periods of sales reductions pose financial challenges—e.g. post drought demand suppression
 - Budget impacts—deferred maintenance and capital investment
 - Rate increases—*You ask me to conserve but then raise my rates*

Sunset of Seismic Improvement Program (SIP) Charge



- 1994 SIP Charge has collected sufficient revenue and ahead of schedule and will sunset in FY16
- Sunset of fixed SIP charge (\$25M/yr) impacts fixed/variable revenue mix
 - Current fixed revenue would drop from 26% to 20% with sunset of SIP
- Fixed revenues assist the District in collecting sufficient funds during periods of drought

Finding—Policy guidance requested regarding fixed/variable revenue mix

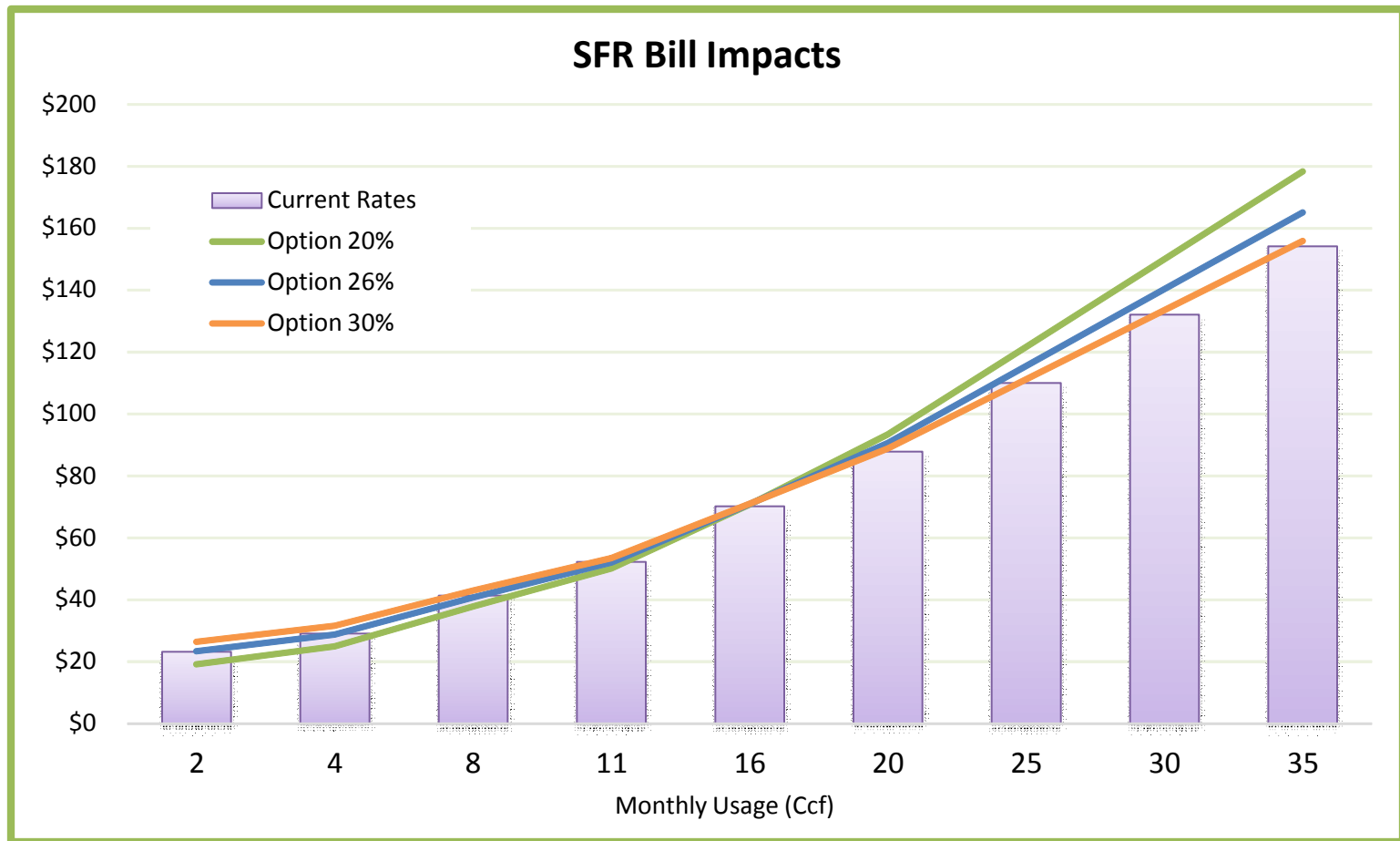
Fixed/Variable Revenue Mix



Scenario Description	% Fixed Revenue	\$ Fixed of \$416M Total
Decrease percentage of fixed revenues	20%	\$83M
Maintain existing percentage of fixed revenues	26%	\$108M
Increase percentage of fixed revenues	30%	\$125M

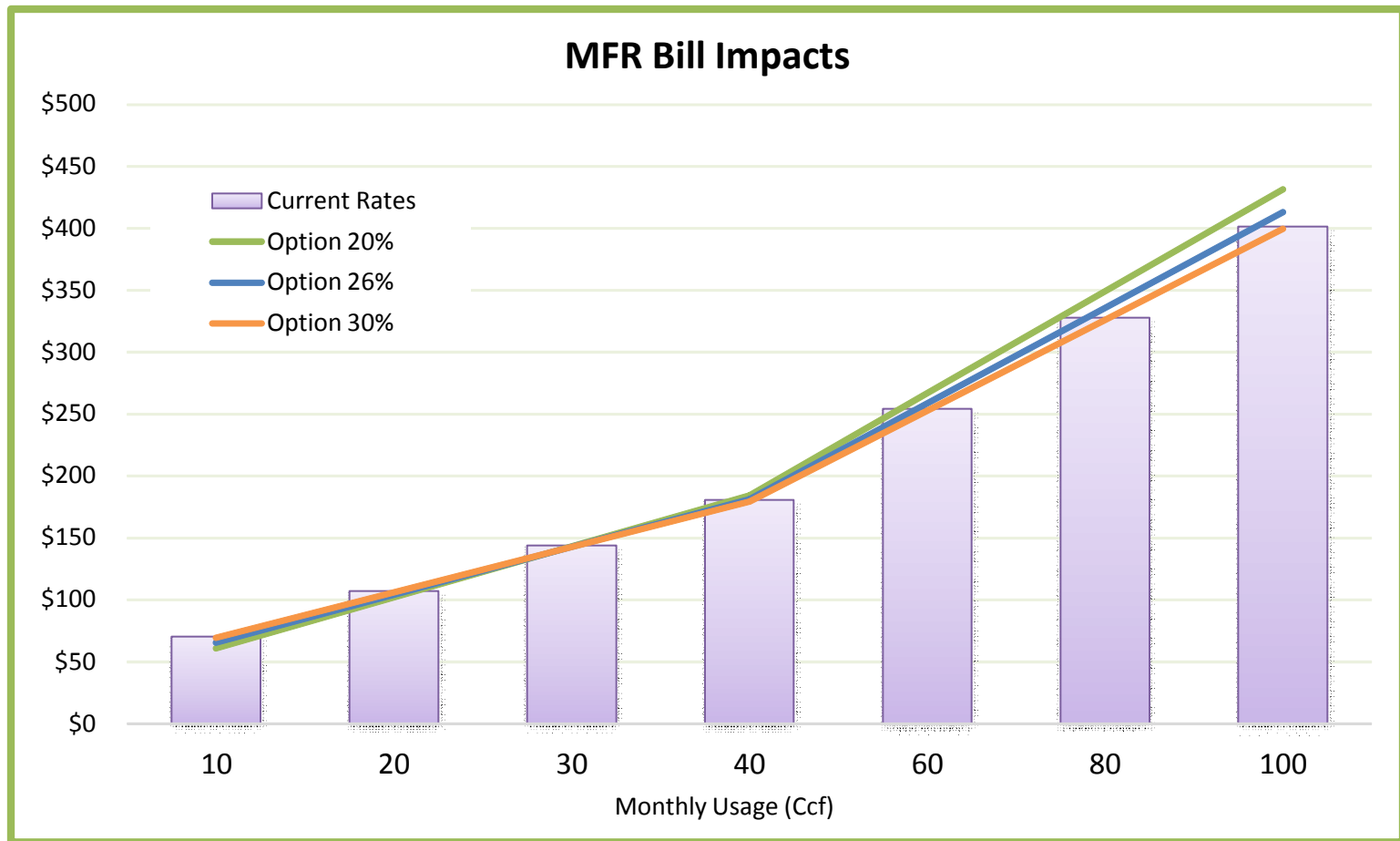
- Balance revenue stability and conservation incentive considerations
- All conform with CUWCC Best Management Practices

SFR Bill Impact



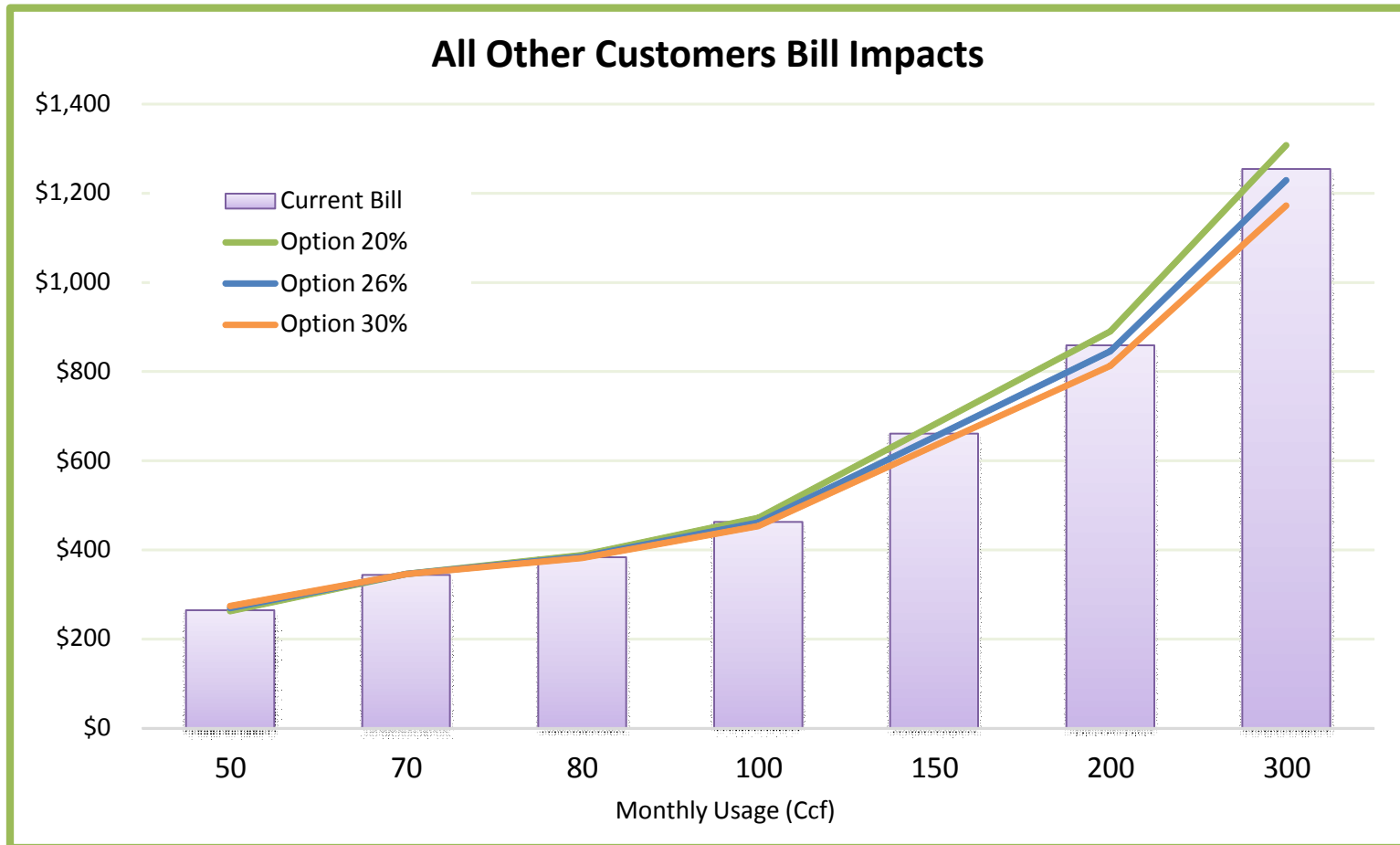
*Assume ¾" meter and no elevation charge.
Current bill includes SIP charges.

MFR Bill Impact



*Assume 1" meter and no elevation charge.
Current bill includes SIP charges.

All Other Customers Bill Impact



*Assume 2" meter and no elevation charge.
Current bill includes SIP charges.

FY15 - SFR Bill Impact



	FY15 (Current)	20% Fixed		26% Fixed		30% Fixed	
	\$	\$	% Change	\$	% Change	\$	% Change
4 Ccf/mo	\$29.07	\$25.04	-13.9%	\$28.83	-0.8%	\$31.63	8.8%
7 Ccf/mo	\$37.80	\$33.71	-10.8%	\$37.02	-2.1%	\$39.46	4.4%
Average 10 Ccf/mo	\$48.60	\$46.07	-5.2%	\$48.30	-0.6%	\$49.96	2.8%
16 Ccf/mo	\$70.20	\$70.79	0.8%	\$70.86	0.9%	\$70.96	1.1%
30 Ccf/mo	\$132.08	\$150.03	13.6%	\$140.30	6.2%	\$133.54	1.1%

FY15 - MFR Bill Impact



	FY15 (Current)	20% Fixed		26% Fixed		30% Fixed	
1" Meter	\$	\$	% Change	\$	% Change	\$	% Change
20 Ccf/mo	\$107.14	\$ 102.06	-4.7%	\$ 104.25	-2.7%	\$ 105.92	-1.1%
Average							
40 Ccf/mo	\$180.74	\$ 184.46	2.1%	\$ 181.45	0.4%	\$ 179.32	-0.8%
100 Ccf/mo	\$401.54	\$ 431.66	7.5%	\$ 413.05	2.9%	\$ 399.52	-0.5%

FY15 - All Other Customers Bill Impact



	FY15 (Current)	20% Fixed		26% Fixed		30% Fixed	
	\$	\$	% Change	\$	% Change	\$	% Change
1" Meter							
50 Ccf/mo	\$264.68	\$ 259.66	-1.9%	\$ 270.32	2.1%	\$ 278.30	5.1%
Average 80 Ccf/mo	\$383.48	\$ 383.26	-0.1%	\$ 386.12	0.7%	\$ 388.40	1.3%
200 Ccf/mo	\$858.68	\$ 877.66	2.2%	\$ 849.32	-1.1%	\$ 828.80	-3.5%

Fixed/Variable Revenue Mix



- Decision point with sunset of SIP
- Options for consideration
 - 20% Fixed Revenue
 - 26% Fixed Revenue - current
 - 30% Fixed Revenue
- Balance revenue stability with incentive to conserve
- Discussion/direction

Wastewater Cost of Service

Wastewater Plant



Scope of Wastewater COS



- Treatment Charge (\$67M - FY15)
 - Charged bimonthly water bill
- Wet Weather Charge (\$21.5M - FY15)
 - Charged annually on property tax bill

Wastewater Cost of Service Analysis



Step 1

- **Determined flows and strengths**
 - Examined inflow of the treatment and number of customers

Step 2

- **Allocated O&M costs and assets list by function**
 - Determined how much O&M and capital is strength or flow-related

Step 3

- **Allocated revenue requirements based on above allocations**
 - Determined allocations of flow and strength

Step 4

- **Determined customer class characteristics and unit cost**

Step 5

- **Distributed costs to customer classes**

Preliminary Findings - Wastewater

- Treatment Charge
 - Review and update indicates modifying domestic strength (residential and commercial) concentrations and average SFR wastewater flow to reflect reductions in flow seen at the plant
- Wet Weather Charge
 - Modify allocation of wet weather charge given program has shifted towards Infiltration/Inflow

Treatment Charge Findings



- Domestic strength (residential and commercial) concentrations have increased and average SFR flow has decreased
- Reflects reductions seen in flow at the plant (~15%)

***Finding**—Increase in strength and decrease in flow results in a decrease to SFR customer bills and increases to other customer bills*

Treatment Charge – Bill Impact



Typical Customer for Each Category	FY 15 (Current) Treatment, \$/mo	FY15 (COS) Treatment, \$/mo	% Change
SFR 6 Ccf/mo	\$19.25	\$18.06	-6.2%
MFR Fourplex 24 Ccf/mo	\$55.61	\$57.12	+2.7%
Commercial - Office 50 Ccf/mo	\$105.61	\$122.52	+16.0%
Commercial- Restaurant 50 Ccf/mo	\$229.61	\$235.02	+2.4%
Industrial- Beverage Manufacturing 500 Ccf/mo	\$1,462.52	\$1,545.52	+5.7%

Current Wet Weather Charge



- Began in 1987 to collect new Wet Weather costs; collected annually on property tax bill
- Basis is SFR lateral equivalents

	Number of equivalent SFR units charged	FY15 (Current) Annual Charge
SFR	1	\$89.34
Duplex	2	\$178.68
Triplex	3	\$268.02
Fourplex	4	\$357.36
Apartment	5	\$446.70
All Other	1.5	\$134.00

Wet Weather Charge Findings



- Basis of program has changed with private sewer laterals being addressed and with shift in Wet Weather Program as a result of Consent Decree
- Focus of Wet Weather Program shifting from point of discharge treatment to overall infiltration/inflow

Finding – Equivalent laterals no longer a strong basis for allocating costs

Wet Weather Charge – Bill Impacts



- Reviewed a number of alternatives, and a nexus was found with using average parcel area to establish fee

	FY 15 (Current) Wet Weather Charge	FY15 (COS) Wet Weather Charge	% Change
SFR	\$89.34	\$94.98	+6.3%
Duplex	\$178.68	\$94.98	-46.8%
Triplex	\$268.02	\$94.98	-64.6%
Fourplex	\$357.36	\$94.98	-73.4%
Apartment	\$446.70	\$338.86	-24.1%
All Other	\$134.00	\$338.86	+152.9%

Combined Wastewater Charge Impact -Typical Customer



Typical Customer and Ccf/mo	FY15 (Current) Treatment, \$/mo	FY15 (Current) Wet Weather, \$/mo	Total, \$/mo	FY15 (COS) Treatment, \$/mo	FY15 (COS) Wet Weather, \$/mo	Total, \$/mo	% Change
SFR (6 Ccf)	\$19.25	\$7.44	\$26.69	18.06	\$7.91	\$25.97	-2.7%
MFR Fourplex (24 Ccf)	\$55.61	\$29.78	\$85.39	\$57.12	\$7.91	\$65.03	-23.8%
Commercial - Office (50 Ccf)	\$105.61	\$11.17	\$116.78	\$122.52	\$28.24	\$150.76	+29.1%
Commercial-Restaurant (50 Ccf)	\$229.61	\$11.17	\$240.78	\$235.02	\$28.24	\$263.26	+9.3%
Industrial-Beverage Manufacturing (500 Ccf)	\$1,462.52	\$11.17	\$1,473.69	\$1,545.52	\$28.24	\$1,573.76	+6.8%

Wastewater COS Summary



- Move to Average Parcel Area as basis for Wet Weather Charge has stronger COS justification than current methodology given shift in Wet Weather Program
- COS results in virtually no net impact to SFR user and increase to domestic strength non-residential users.

Discussion and Next Steps

Next Steps



- Incorporate feedback on COS
- Finalize Water and Wastewater COS report
- Use COS as basis for developing FY16/17 rates and charges
- Issue Proposition 218 notice
- Hold public hearing
- Consider rates and charges for adoption

APPENDIX



SFR Rate Impact – FY15



	FY15 (Current)	20% Fixed	26% Fixed	30% Fixed
Fixed Charge, \$/mo	\$17.43	\$13.48	\$17.91	\$21.19
Tier 1 (0-7 Ccf), \$/Ccf	\$2.91	\$2.89	\$2.73	\$2.61
Tier 2 (8-16 Ccf), \$/Ccf	\$3.60	\$4.12	\$3.76	\$3.50
Tier 3 (16+ Ccf), \$/Ccf	\$4.41	\$5.66	\$4.96	\$4.47

MFR Rate Impact – FY15



	FY15 (Current)	20% Fixed	26% Fixed	30% Fixed
1" Meter Charge, \$/mo	\$33.54	\$19.66	\$27.05	\$32.52
2" Meter Charge, \$/mo	\$73.14	\$53.66	\$77.32	\$94.80
Volume Charge \$/Ccf	\$3.68	\$4.12	\$3.86	\$3.67

All Other Customers Rate Impact



	FY15 (Current)	20% Fixed	26% Fixed	30% Fixed
1" Meter Charge, \$/mo	\$27.08	\$19.66	\$27.05	\$32.52
2" Meter Charge, \$/mo	\$66.68	\$53.66	\$77.32	\$94.80
Volume Charge \$/Ccf	\$3.96	\$4.12	\$3.86	\$3.67

