

WATER RATE PROPOSAL

PUBLIC BOARD MEETING FEBRUARY 12,
2015



Agenda

Meetings Recap

Cost Reductions

Policies Evaluated in the Study

Dec 8, 2014 Public Workshop Discussion

Cost of Service Analysis

Customer Impact Analysis

Next Steps

Public Outreach

List of Meetings Held To Date

January 17, 2014	Governor Edmund G. Brown declares State drought emergency
March 13	Board adopts water shortage emergency ordinance
April 15	Board / Public workshop on fiscal impact/mitigations/surcharge options
May 5	Board / Public workshop discussing proposed surcharges
July 17	Public Hearing regarding proposed drought surcharges and adoption of drought surcharge
Sept/October 2014	Rate Design Options and Rate Study Discussions with RFC
October 22	Exec Staff meeting
November 6	Board / Public Rates Workshop
December 8	Board / Public Rates Workshop
December 16	F&O / Public Board Committee
January 8, 2015	Board Meeting Summary and Confirmation of Approach
January 20, 2015	F&O / Public Board Committee

Cost Reductions

Unfunded liabilities additional payments delayed

- Required annual payments will continue to be made
- Additional annual payments:
 - FY 2015 – 2017: \$0
 - FY 2018: \$3M
 - FY 2019-2020: \$4M
 - FY 2021-2022: \$5M
 - FY 2023-2024: \$6M
 - FY 2025-2026: \$7M

Deferral of \$20 million in capital projects

\$1.5 million in Operating Expense cuts including the elimination of or holding vacant a number of temporary and permanent positions

Policies Evaluated in the Study

1. Financial Planning Scenarios

- Debt service coverage and cash levels
- Different levels of drought and revenue adjustments

2. Rate Structure Evaluation

- Different levels of fixed and variable revenue structure
- Comprehensive Cost of Service analysis
 - Calculating fixed service charges
 - Uniform vs. tiered commodity rates
 - Different drought surcharges options

Dec 8, 2014 Public Workshop Discussion

1. No increase in current commodity rates
2. Proceed with increasing the service charge revenue by 30%
 - Equivalent to 8% increase in overall revenue
 - Service charge is based on updated comprehensive Cost of Service Analysis
3. Maintain the current uniform rate structure with a tiered drought surcharge rate
4. Once the drought is over, consider implementation of a tiered rate structure

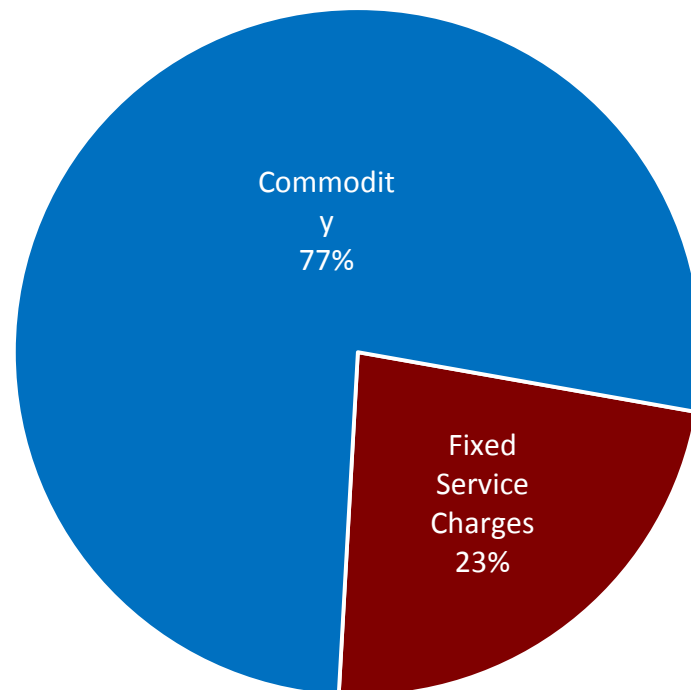
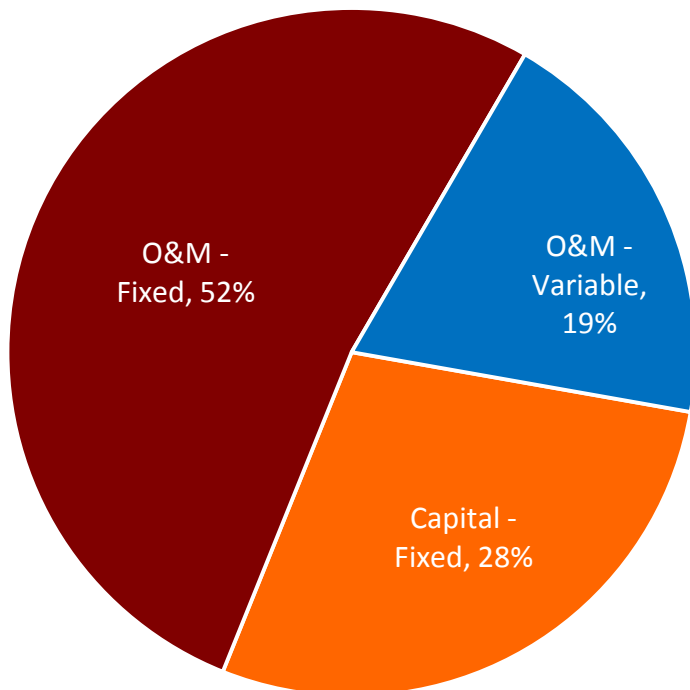
Estimated Cost Components of the 8% Increase

	% of Total Cost Increase	
Water Supply	70%	5.6%
Other Water System Costs (Pumping, Transmission & Distribution, Water Treatment)	15%	1.2%
Customer and Administrative Costs	15%	1.2%
Total	100%	8%

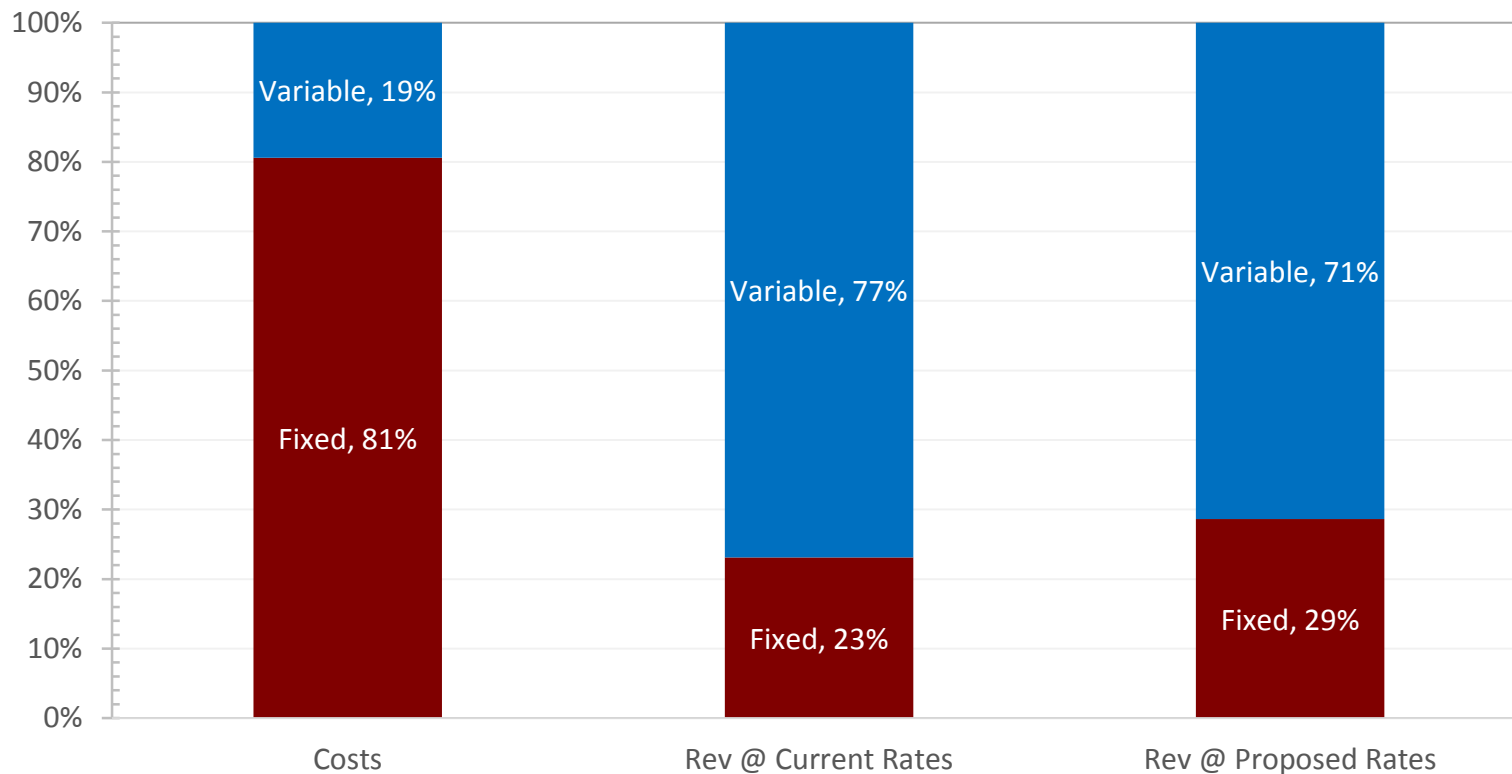
Water System Costs vs. Revenues

WATER SYSTEM COSTS
HIGH FIXED COSTS

WATER REVENUES
VARIABLE REVENUES

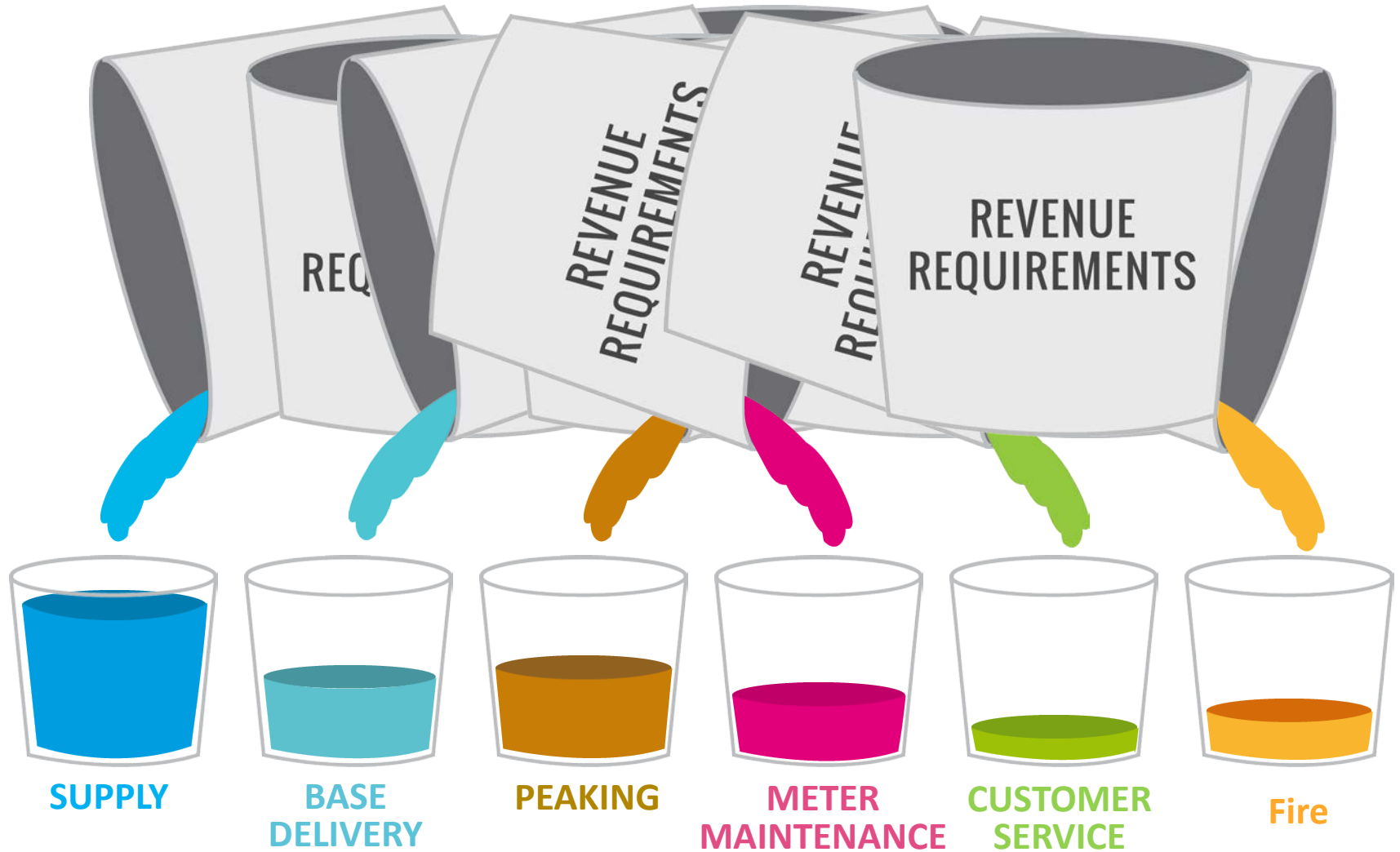


Aligning Water System Costs and Revenues



Proposed Rates – Realignment with Revenue Adjustment of 30% on Fixed, 0% on Commodity

Cost of Service Allocation



Annual Water System Costs Recovery

Fixed and Commodity Revenues

	Water System Costs	Fixed Service Revenues	Commodity Revenues
Water Supply (WS)	\$13,653,842		\$13,653,842
WS Offset	-\$3,831,215		-\$3,831,215
Base	\$52,307,636	\$10,163,374	\$42,144,262
Peaking	\$22,875,928	\$4,444,793	\$18,431,136
Conservation	\$920,000		\$920,000
Revenue Offsets	-\$5,189,044		-\$5,189,044
Meters	\$3,077,491	\$3,077,491	\$0
Billing & CS	\$2,910,698	\$2,910,698	\$0
Total	\$86,725,335	\$20,596,355	\$66,128,981

Justification of Service Charges

Components of Service Charges

Billing & Customer Service	Meter & Service Costs	Capacity Related Costs
Costs associated with meter readings, billings, & customer service	Part of the costs of delivering water to customers & meter maintenance costs	Part of costs associated with meeting peak demand

Meter Ratios and EMUs

Meter Size	Number of Meters	Equivalent Meter Ratios			Equivalent Meter Units (EMU) per Year		
		Customer Service	Meter Service	Capacity	Customer Service	Meter Service	Capacity
5/8	26,925	1.00	1.00	1.00	161,550	161,550	161,550
¾	38,758	1.00	1.00	1.00	232,548	232,548	232,548
1	10,733	1.00	1.67	1.67	64,398	107,330	107,330
1 ½	1,659	1.00	3.33	3.33	9,954	33,180	33,180
2	2,693	1.00	5.33	5.33	16,158	86,176	86,176
3	208	1.00	11.67	11.67	1,248	14,560	14,560
4	94	1.00	21.00	21.00	564	11,844	11,844
6	53	1.00	53.33	53.33	318	16,960	16,960
8	23	1.00	93.33	93.33	138	12,880	12,880
10	5	1.00	140.00	140.00	30	4,200	4,200
Total	81,151				486,906	681,228	681,228

Bi-Monthly Fixed Service Charges Components

	Revenue Requirements before Revenue Adjustment	Unit of Service (EMU / Year)	Unit Rate (\$/EMU)
Billing & Customer Service	\$2,910,698	486,906 Bills	\$5.98
Meter Service	\$3,077,491	681,228 EMU	\$4.52
Capacity (base + peaking cost in fixed revenues)	\$14,608,167	681,228 EMU	\$21.45
Total	\$20,596,355		\$31.95

Bi-Monthly Fixed Service Charges Components

Meter Size	Customer Service	Meter Service	Capacity	Realignment of Fixed Service Charges before Revenue Adjustment
5/8	\$5.98	\$4.52	\$21.45	\$31.95
¾	\$5.98	\$4.52	\$21.45	\$31.95
1	\$5.98	\$7.54	\$35.75	\$49.27
1 ½	\$5.98	\$15.07	\$71.50	\$92.55
2	\$5.98	\$24.11	\$114.40	\$144.49
3	\$5.98	\$52.74	\$250.25	\$308.97
4	\$5.98	\$94.92	\$450.45	\$551.35
6	\$5.98	\$241.07	\$1,144.00	\$1,391.05
8	\$5.98	\$421.87	\$2,002.00	\$2,429.85
10	\$5.98	\$632.80	\$3,003.00	\$3,641.78

Bi-Monthly Fixed Service Charges

Revenue Adjustment for FY 2015: 30% Fixed, 0% Commodity
(8% Overall Increase in Revenues)

Bi-Monthly Fixed Service Charges by Meter Size (inch)	Current	Realignment before Rev Adjustment	Realignment with Rev Adjustment
5/8	\$31.95	\$31.95	\$41.54
¾	\$31.95	\$31.95	\$41.54
1	\$45.82	\$49.27	\$64.05
1 ½	\$80.93	\$92.55	\$120.32
2	\$116.07	\$144.49	\$187.84
3	\$440.13	\$308.97	\$401.66
4	\$637.46	\$551.35	\$716.76
6	\$1,538.70	\$1,391.05	\$1,808.37
8	\$2,253.10	\$2,429.85	\$3,158.81
10	\$4,026.56	\$3,641.78	\$4,734.31
Uniform Base Rate (Inside)	\$3.373/ccf	\$3.373/ccf	\$3.373/ccf
Uniform Base Rate (Outside)	\$3.878/ccf	\$3.878/ccf	\$3.878/ccf

Bi-Monthly Fixed Service Charge Impacts

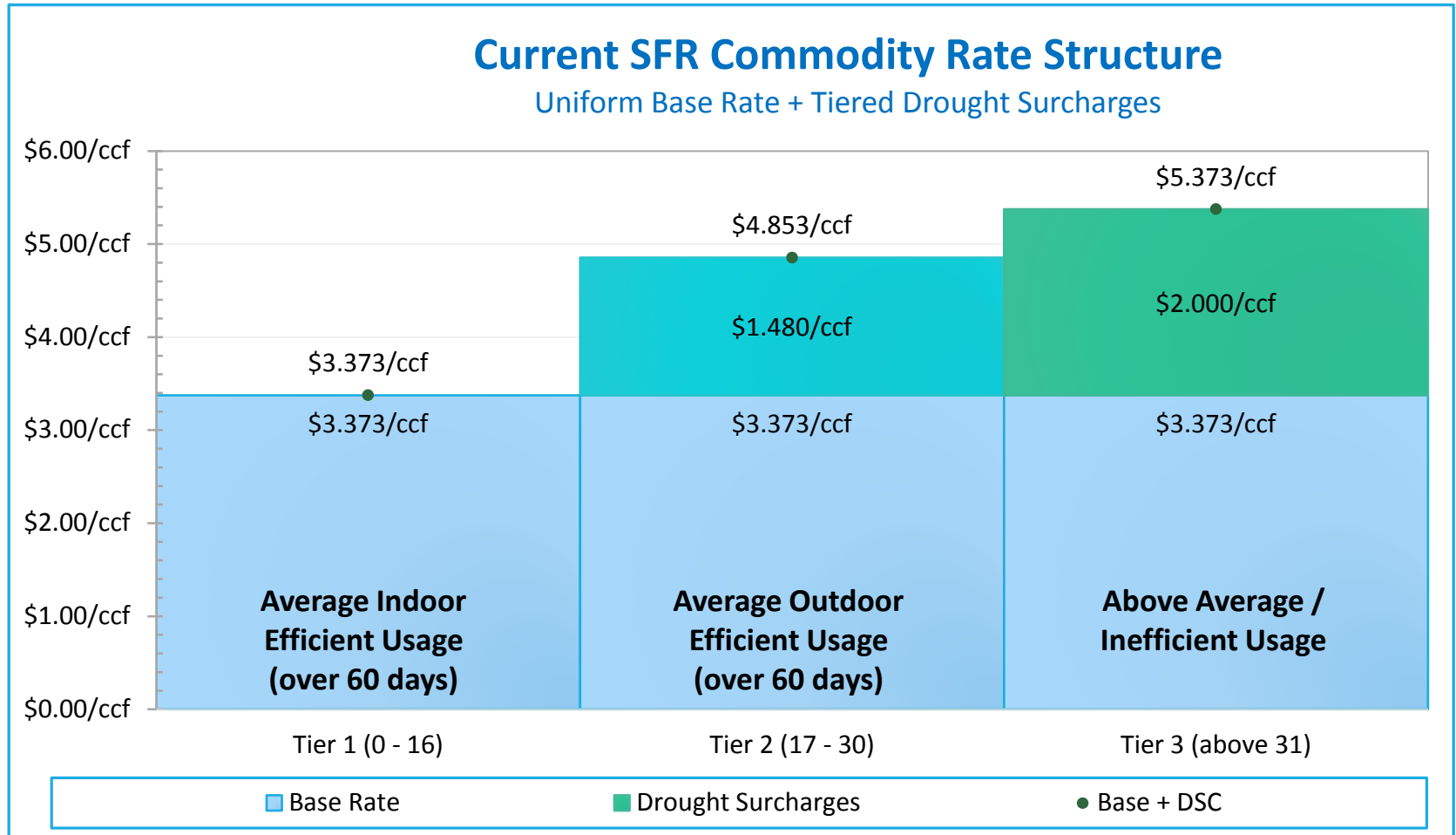
Revenue Adjustment for FY 2015: 30% Fixed, 0% Commodity
(8% Overall Increase in Revenues)

Bi-Monthly Fixed Service Charges by Meter Size (inch)	Number of Accounts	Current	Realignment with Rev Adjustment	% Change	\$ Change
5/8	26,925	\$31.95	\$41.54	30%	\$9.59
¾	38,758	\$31.95	\$41.54	30%	\$9.59
1	10,733	\$45.82	\$64.05	40%	\$18.23
1 ½	1,659	\$80.93	\$120.32	49%	\$39.39
2	2,693	\$116.07	\$187.84	62%	\$71.77
3	208	\$440.13	\$401.66	-9%	-\$38.47
4	94	\$637.46	\$716.76	12%	\$79.30
6	53	\$1,538.70	\$1,808.37	18%	\$269.67
8	23	\$2,253.10	\$3,158.81	40%	\$905.71
10	5	\$4,026.56	\$4,734.31	18%	\$707.75

SFR Commodity Rate Structure

Uniform Base Rate and Tiered Surcharges

No Change in Commodity Rates

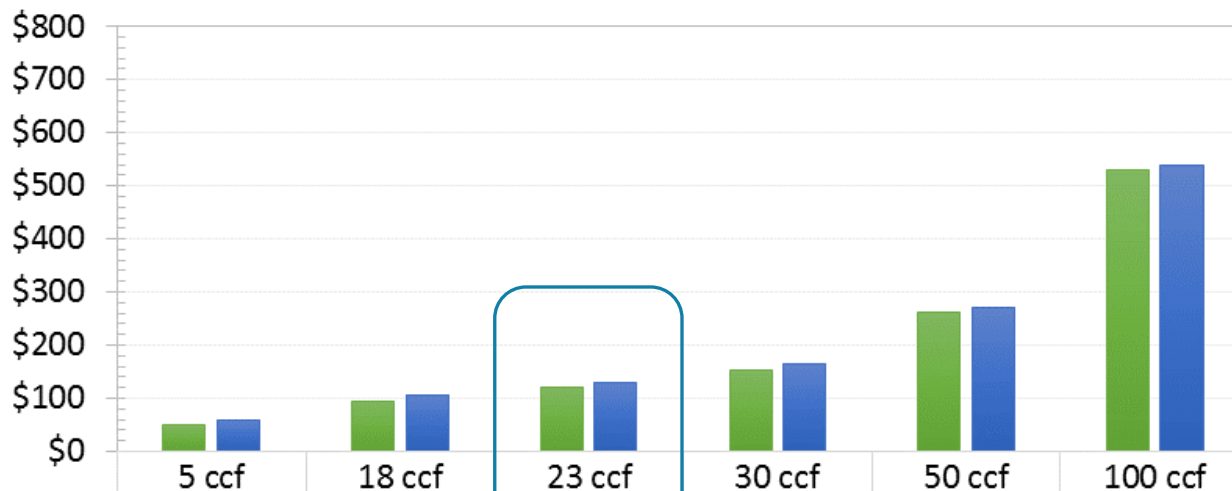


Bi-Monthly Customer Bill Impacts

(Monthly SFR Bill Impact < \$5)

Sample SFR Bills

A&F Fixed & Uniform Rates for 3/4-in meters & with DSC in Bills



	5 ccf	18 ccf	23 ccf	30 ccf	50 ccf	100 ccf
Current Bills w/ current DSC	\$48.82	\$95.62	\$119.89	\$153.86	\$261.32	\$529.97
Proposed Bills w/ DSC	\$58.41	\$105.21	\$129.48	\$163.45	\$270.91	\$539.56
Total Impact	\$9.59	\$9.59	\$9.59	\$9.59	\$9.59	\$9.59
% Impact	19.6%	10.0%	8.0%	6.2%	3.7%	1.8%

Bi-Monthly Average SFR Customer Bill Impacts by Meter Size

Meter Size	% of SFR Accounts	Average Bi-monthly Usage By Meter Size	Total Current Bills	Total Proposed Bills	Total Impact	% Impact
With Drought Surcharges included in Total Bills \$						
¾ or less	86.86%	23 ccf	\$119.89	\$129.48	\$9.59	8.0%
1	10.11%	26 ccf	\$148.32	\$166.55	\$18.23	12.3%
1 1/2	2.99%	33 ccf	\$218.96	\$258.34	\$39.39	18.0%

Bi-Monthly Average Non-SFR Customer Bill Impacts by Meter Size

Meter Size	% of Non-SFR Accounts	Average Bi-monthly Usage By Meter Size	Total Current Bills (w/ DSC)	Total Proposed Bills (w/ DSC)	Total Impact	% Impact
¾ or less	23.39%	27 ccf	\$135.44	\$145.03	\$9.59	7.1%
1	17.38%	67 ccf	\$302.63	\$320.86	\$18.23	6.0%
1 ½	20.14%	160 ccf	\$694.21	\$733.60	\$39.39	5.7%
2	33.96%	278 ccf	\$1,181.64	\$1,253.41	\$71.77	6.1%
3	2.64%	759 ccf	\$3,349.38	\$3,310.91	-\$38.47	-1.1%
4	1.34%	1,402 ccf	\$6,011.33	\$6,090.62	\$79.30	1.3%
6	0.74%	1,699 ccf	\$8,050.97	\$8,320.63	\$269.67	3.3%
8	0.38%	2,098 ccf	\$10,294.73	\$11,200.44	\$905.71	8.8%
10	0.04%	3,416 ccf	\$17,120.09	\$17,827.84	\$707.75	4.1%

Prop 218 and Next Rate Meetings

- February 13: Begin Public Information Campaign Rate Changes
- February 24: Mail Prop. 218 Notifications
- April 14: Public Hearing
- May 1, 2015: Effective Date of All Relevant Rates and Charges, if adopted

Communication and Outreach Plan

PRESENTED BY SHARENE GONZALES

Communication and Outreach Plan

Working to Keep the Public Informed

- Comprehensive Outreach Plan to inform customers and internal/external stakeholders
- Transparency in all components of rates and drought surcharge processes
- Communication to keep the public informed and seek input

Communication and Outreach

Print

Dec 2014

- Media Advisory Announcing Board Workshop **complete**

February 2015

- Press Release Announcing Board Meeting and Solicit Public Input **complete**
- Fact Sheet
- Frequently Asked Questions
- Information Flyer
- Bill message announcing Public Hearing
- Feb 24 – Proposition 218 Notice Mailed Out
- Feb/Mar – The Aqueduct announcing rates-related information **Articles complete, distribution ~2/20**

April 2015

- Press Release Announcing Public Hearing

May/June 2015

- If adopted, new rates announced in the Aqueduct

Communication and Outreach

Other

January 2015

- New webpage www.acwd.org/rateproposals ongoing updates

February

- Customer Service Training
- Social media updates ongoing updates

February/March

- Cities of Fremont, Newark & Union City
- School districts
- Chamber of Commerce

March/April

Host community meetings

- Presentations to include District overview, drought update, value of services from water rates

Discussion



Appendix

Baseline Fixed Charges

23% Fixed / 77% Commodity
+ 8% Revenue Adjustments

Baseline Fixed Service Charges

23% Fixed / 77% Commodity

Fixed Charges Options	Current	Baseline Fixed w/o Rev Adjmt	Baseline Fixed w/ 8% Rev Adjmt
5/8	\$31.95	\$31.95	\$34.51
¾	\$31.95	\$31.95	\$34.51
1	\$45.82	\$49.27	\$53.22
1 ½	\$80.93	\$92.55	\$99.96
2	\$116.07	\$144.49	\$156.05
3	\$440.13	\$308.97	\$333.69
4	\$637.46	\$551.35	\$595.46
6	\$1,538.70	\$1,391.05	\$1,502.34
8	\$2,253.10	\$2,429.85	\$2,624.24
10	\$4,026.56	\$3,641.78	\$3,933.13
Uniform Base Rate (Inside)	\$3.373/ccf	\$3.373/ccf	\$3.642/ccf
Uniform Base Rate (Outside)	\$3.878/ccf	\$3.828/ccf	\$4.135/ccf

Fixed Service Charge Impacts

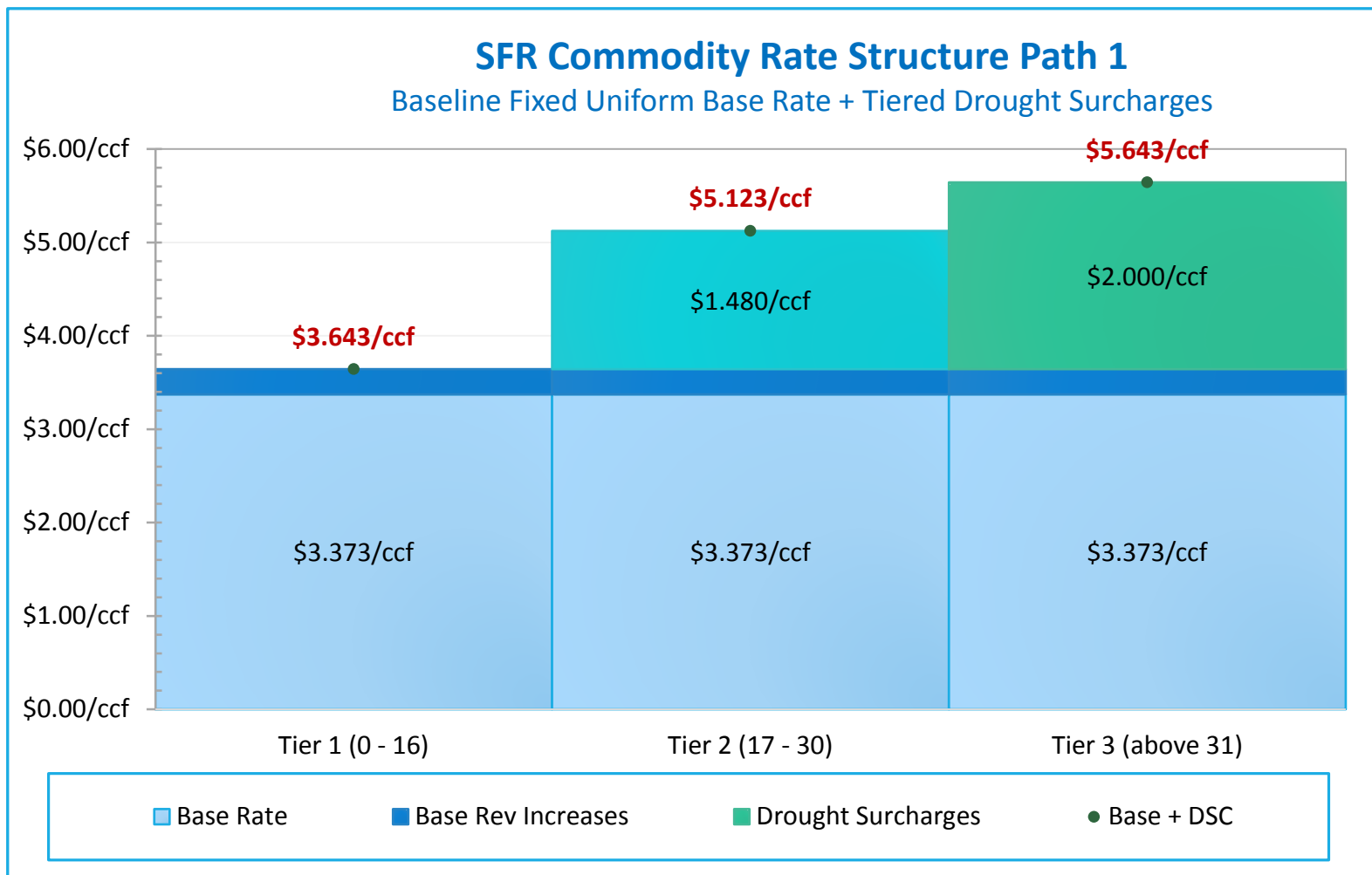
Revenue Adjustment for FY 2015: 8% Fixed, 8% Commodity

Bi-Monthly Fixed Service Charges by Meter Size (inch)	Number of Accounts	Current	Realignment with Rev Adjustment	% Change
5/8	26,925	\$31.95	\$34.51	8%
¾	38,758	\$31.95	\$34.51	8%
1	10,733	\$45.82	\$53.22	16%
1 ½	1,659	\$80.93	\$99.96	24%
2	2,693	\$116.07	\$156.05	34%
3	208	\$440.13	\$333.69	-24%
4	94	\$637.46	\$595.46	-7%
6	53	\$1,538.70	\$1,502.34	-2%
8	23	\$2,253.10	\$2,624.24	16%
10	5	\$4,026.56	\$3,933.13	-2%

Projected Revenues from Rates

	Realignment before Rev Adjustment	Realignment with Rev Adjustment	% Change
Fixed Charge	\$20.60M	\$22.25M	8%
Commodity	\$54.12M	\$58.43M	8%
Total Revenues from Rates	\$74.70M	\$80.69M	8%

SFR Commodity Rates with Uniform Base + 8% and Tiered Drought Surcharges

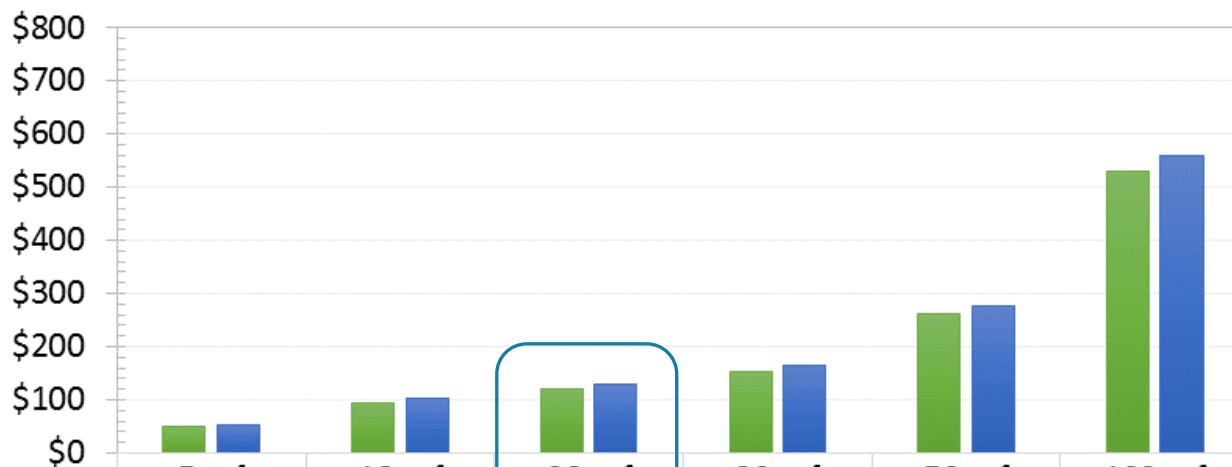


Bi-Monthly Customer Bill Impacts

(Monthly SFR Bill Impact < \$5)

Sample SFR Bills

Baseline Fixed w/ 8% Rev Adj & Uniform Rates for 3/4-in meters & with DSC in Bills



	5 ccf	18 ccf	23 ccf	30 ccf	50 ccf	100 ccf
■ Current Bills w/ current DSC	\$48.82	\$95.62	\$119.89	\$153.86	\$261.32	\$529.97
■ Proposed Bills w/ DSC	\$52.73	\$103.04	\$128.66	\$164.52	\$277.38	\$559.53
Total Impact	\$3.91	\$7.42	\$8.77	\$10.66	\$16.06	\$29.56
% Impact	8.0%	7.8%	7.3%	6.9%	6.1%	5.6%

Bi-Monthly Average SFR Customer Bill Impacts by Meter Size

Meter Size	% of SFR Accounts	Average Bi-monthly Usage By Meter Size	Total Current Bills	Total Proposed Bills	Total Impact	% Impact
WITH Drought Surcharges included in Total Bills \$						
¾ or less	86.86%	23 ccf	\$119.89	\$128.66	\$8.77	7.3%
1	10.11%	26 ccf	\$148.32	\$162.73	\$14.41	9.7%
1 ½	2.99%	33 ccf	\$218.96	\$246.89	\$27.93	12.8%

Bi-Monthly Average Non-SFR Customer Bill Impacts by Meter Size

Meter Size	% of Non-SFR Accounts	Average Bi-monthly Usage By Meter Size	Total Current Bills (w/ DSC)	Total Proposed Bills (w/ DSC)	Total Impact	% Impact
¾ or less	23.39%	27 ccf	\$135.44	\$145.29	\$9.85	7.3%
1	17.38%	67 ccf	\$302.63	\$328.11	\$25.48	8.4%
1 ½	20.14%	160 ccf	\$694.21	\$756.43	\$62.22	9.0%
2	33.96%	278 ccf	\$1,181.64	\$1,296.68	\$115.04	9.7%
3	2.64%	759 ccf	\$3,349.38	\$3,447.87	\$98.49	2.9%
4	1.34%	1,402 ccf	\$6,011.33	\$6,347.87	\$336.54	5.6%
6	0.74%	1,699 ccf	\$8,050.97	\$8,473.33	\$422.36	5.2%
8	0.38%	2,098 ccf	\$10,294.73	\$11,232.33	\$937.60	9.1%
10	0.04%	3,416 ccf	\$17,120.09	\$17,948.97	\$828.88	4.8%

Projected Revenues from Water Rates

	Realignment before Rev Adjustment	Realignment with Rev Adjustment	% Change
Fixed Service Charge	\$20.60M	\$26.78M	30%
Commodity	\$54.12M	\$54.12M	0%
Total Revenues from Rates	\$74.72M	\$80.90M	8%