

STAFF REPORT

Date: September 28, 2021

To: Board of Directors
From: John Bosler, General Manager/CEO
Agenda Title: **Public Hearing – Proposed Adjustments to Water Rates**

Purpose

The Board of Directors is asked to adopt the following proposed items: a) changes to rates for the Monthly Meter Service Charge, Water Commodity Charge, Temporary Water Service Charge, and Private Fire Line Service Charge; changes to the monthly tier allocations for the Water Commodity Charge; b) establishment of new monthly tier allocations for drought conditions (Drought Stages 2-9); c) reset the MWD Surcharge Pass-Through Rate; and d) establishment of the new IEUA Surcharge Pass-Through Rate. The five-year schedule of rate adjustments and other changes will assist the District with continuing to meet operational, capital and debt payment requirements, as well as offset the impacts of the state-wide drought.

In connection with this process, the Board is asked to review the 2021 Multi-Year Water Rate Study Report (Water Rate Study). This report documents the Administrative Record which includes the Financial Plan for 2022 through 2026, the Cost of Service Analysis, the Rate Design, and the Rate Report. This information explains the rationale and foundation for the recommended changes.

Background

The Board of Directors approved a series of annual water rate adjustments on June 9, 2015. The rate changes became effective each July 1 from 2015 through 2018. In 2019, there were no increases to the District’s meter or commodity charges, only the MWD Surcharge was adjusted. In 2020, the Board of Directors deferred the rate setting process due to restrictions preventing in-person meetings during the COVID-19 pandemic. This deferral meant the District did not adjust rates for a second year. It is the Board’s goal to conduct a rate study process that is transparent and accessible to the ratepayers.

Public Engagement – The District has provided several opportunities for customers to learn more about the process of conducting the Water Rate Study and to learn more about the need to implement changes in the Tiered Commodity allotments as well as the Other Agency Pass-Through charges. The following table lists these public engagement opportunities:

Date	Action
01/07/2020	Finance Committee – Water Fund Financial Condition Report
01/22/2020	Board of Directors – Water Rates Workshop #1
02/10/2020	Government and Public Affairs Committee – Water Rates Outreach Plan
02/25/2020	Board of Directors – Water Rates Workshop #2
12/09/2020	Finance Committee – Water Rate Study Financial Model Update
12/09/2020	Finance Committee – Draft Proposition 218 Notice Review

12/14/2020	Government and Public Affairs Committee – Draft Prop 218 Notice Review
03/09/2021	Board of Directors – Water Rates Workshop #3
05/11/2021	Board of Directors – Water Rates Workshop #4
06/09/2021	Finance Committee – Draft Proposition 218 Notice Review
06/17/2021	Government and Public Affairs Committee – Draft Prop 218 Notice Review
07/27/2021	Board of Directors – Review of Water Rates Study and Setting of Public Hearing on September 28, 2021

Analysis

The District’s mission is “To provide high quality, safe and reliable water and wastewater services, while practicing good stewardship of natural and financial resources.” Furthermore, one of the three District vision points is Water – “providing a high quality, sustainable water supply that is safe and reliable, while being delivered at a cost effective price.” The District must generate sufficient revenue to provide safe and affordable water services to our customers while covering the costs to provide that service. The District always strives to provide services at the lowest possible cost to our customers.

The District maintains a philosophy of sustainable rate design. Sustainability of the water rates is derived from responsible management and long-term planning associated with the District’s infrastructure and operations. Sustainability is also supported by the fair and logical cost allocations contained in the Water Rate Study. The Water Rate Study is also designed to be in compliance with California law under the rules of Proposition 218.

There are many moving parts to the Water Rate Study: (1) estimating future Operating and Maintenance costs and the resulting revenue requirements, (2) estimating future Capital Improvement Projects (CIP), (3) meeting the debt payment coverage ratio requirements, (4) utilizing pass-through rates for charges set and imposed by outside agencies, (5) development of new commodity tier allotments for water supply emergencies, (6) maintaining minimum levels of emergency financial reserves, and (7) design and message of the Proposition 218 (Prop 218) Notice delivered to all owners and tenants receiving water service which explained the proposed rates.

Future Costs & Revenue Requirement – staff provided Raftelis with a five-year operating expense plan. Operation and Maintenance expenses represent the core function of the District and make up the majority of the costs that water rates pay for. These costs include purchase or production of water from various sources that have different availability limits and prices. The Water Rate Study supports and explains needed changes in the water commodity tier allotments based on the amount of water available from these different sources. These water sources and their respective costs have been arranged to support the graduated tier availability and price from lowest to highest. The five-year Operation and Maintenance plan incorporates estimates for cost inflation based on the trends in various cost categories. Staff also provided estimates for non-water rate revenue sources (e.g. wholesale water rights revenues, water service fees, interest income, rental income, etc.) as these additional sources

of revenue offset the amount needed to be generated from the rates. This information provides the basis of the calculated revenue requirement.

Capital Improvement Projects – the Engineering Department has provided a listing of capital projects for the next five years. Projects include wellhead treatment, new wells, pump station reconstruction, reservoir replacement and redundancy, water pipeline replacement, and other routine repair and replacement projects. At this time, staff is assuming that these projects will be funded from rates and development fee reserves. The Water Rate Study specifies that approximately 30% of projected annual capital improvements projects will be funded by the Developer Fees Reserve.

Debt Payment Coverage – long-term debt issued by the District to fund the acquisition of water rights and the investment in water infrastructure includes requirements to make annual payments and meet certain minimum net revenue levels. Meeting these debt coverage requirements allows the District to minimize interest cost by maintaining a high credit rating.

Pass-Through Charges – other agencies have the ability to impose charges that CVWD must pay in association with wholesale water supply costs. Because future increases in these charges are uncertain and determined by the independent actions of the other agencies, pass-through charges are an effective way to mitigate the risk posed by uncertain wholesale water supply costs.

The MWD Surcharge Rate recovers rate changes by the Metropolitan Water District (MWD) over which the District has no control. This pass-through rate was enacted utilizing the provisions of AB3030. The current rate is 29¢ per HCF and staff is recommending that this rate be reset on January 1, 2022 relative to the current MWD purchased water rate of \$777 per acre-foot. Resetting the MWD Surcharge Rate to incorporate the current MWD price into the District's rate structure can be done at the time the rate study is completed. However, since the MWD sets rates independently and their future actions are unknown, CVWD will continue the pass-through rate for the remainder of this multi-year rate structure.

In addition to the MWD, the Inland Empire Utilities Agency (IEUA) imposes charges that are uncertain and beyond the control of CVWD. The IEUA collects these charges from CVWD on a monthly basis. A new monthly pass-through rate is proposed to recover these fixed costs associated with water service. The new IEUA Fixed Surcharge Rate will be based on the size of each water meter and will be adjusted in the future based on the actual rates charged by IEUA.

Water Supply Shortage Contingency Plan – a revised method of recovering reduced rate revenue caused by mandated water use restrictions is included in the Water Rate Study and connected to the District's Water Supply Shortage Contingency Plan (WSSCP). The proposed method adjusts the monthly tier allotments according to the drought stage of the WSSCP as declared by the Board of Directors through formal action.

Emergency Reserves – prudent levels of emergency financial reserves are important to mitigate risk, keep rate adjustments stable, and maintain infrastructure. The District’s Reserve Policy establishes goals and targets that support sound financial management and a sustainable long-range perspective. Reserves can offset unanticipated reductions in revenues, fluctuations in costs, and fiscal emergencies such as revenue shortfalls, asset failures, and natural disasters. The revenue projections based on the proposed rates in the Water Rate Study support reserves at minimum levels as specified by the Reserve Policy.

Public Hearing Process – Pursuant to the requirements of Prop 218 the District provided property owners and customers-of-record a written notice at least 45 days in advance of the public hearing. The analysis, justification and proposed ordinance were made available in the District’s web site and were available at the Customer Service counter. In addition, a Notice of Public Hearing and Ordinance Summary were published in the Inland Valley Daily Bulletin in accordance with the Water Code. Staff has implemented the following timeline that meets Prop 218 requirements.

Date	Action
07/27/2021	Staff presentation to the full Board of Directors for consideration and setting of Public Hearing.
08/03/2021	Protest notice mailed to property owners and customers-of-record
09/28/2021	Public Hearing and consideration of any protests
01/01/2022	Effective date for Water Commodity Rates, Water Commodity Tier Allotment changes, Monthly Meter Service Charge, Temporary Water Rates (Construction Water), Private Fire Line Charges, and WSSCP Tier Allotment Stages

Alignment with Strategic Goals

Key elements of the District’s vision are to deliver high quality water, provide excellent customer service, and to promote good stewardship of financial resources through accountability.

Fiscal Impact

The Water Fund’s current annual cost of service is approximately \$85 million. The annual revenue from the CVWD Monthly Service Charge, Commodity Charge, Fireline Service Charge, and the Temporary Water Service Charge will be adjusted 2.8% on an annual basis. The fiscal impact of the MWD and IEUA pass-through rates cannot be determined at this time.

Recommendation

Staff recommends that the Board of Directors adopt Ordinance No. 2021-9-1 to implement adjustments to Water Service Rates and Charges as documented in the 2021 Multi-Year Water Rate Study, as follows:

- Rate for Monthly Service Charge
- Rate for Water Commodity Charge
- Rate for Private Fire Line Service Charge
- Rate for Temporary Water Service (Construction Water)
- Reset the Rate for the MWD Surcharge Pass-Through
- Establish the Rate for the IEUA Surcharge Pass-Through
- Establish new Monthly Tier Allocations for the Water Commodity Charge
- Establish new Monthly Tier Allocations for WSSCP Stages

Attachments: Presentation
Ordinance No. 2021-9-1
Water Rate Study Administrative Record

Submitted by: Chad Brantley, Director of Finance and Technology Services



Service Beyond Expectation

Public Hearing - Proposed Adjustments to Water Rates

Presented to: Board of Directors
September 28, 2021

We're Your Water Provider

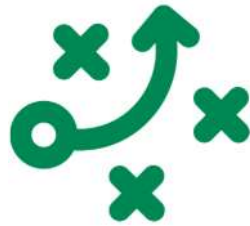
- Incorporated in 1955
- Independent Special District
- Serving over 190,000 people in the City of Rancho Cucamonga; and portions of Fontana, Ontario, Upland and unincorporated San Bernardino County
- Customer Service Beyond Expectations



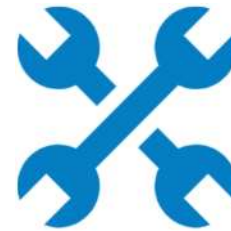
How We Operate



Efficient & Innovative

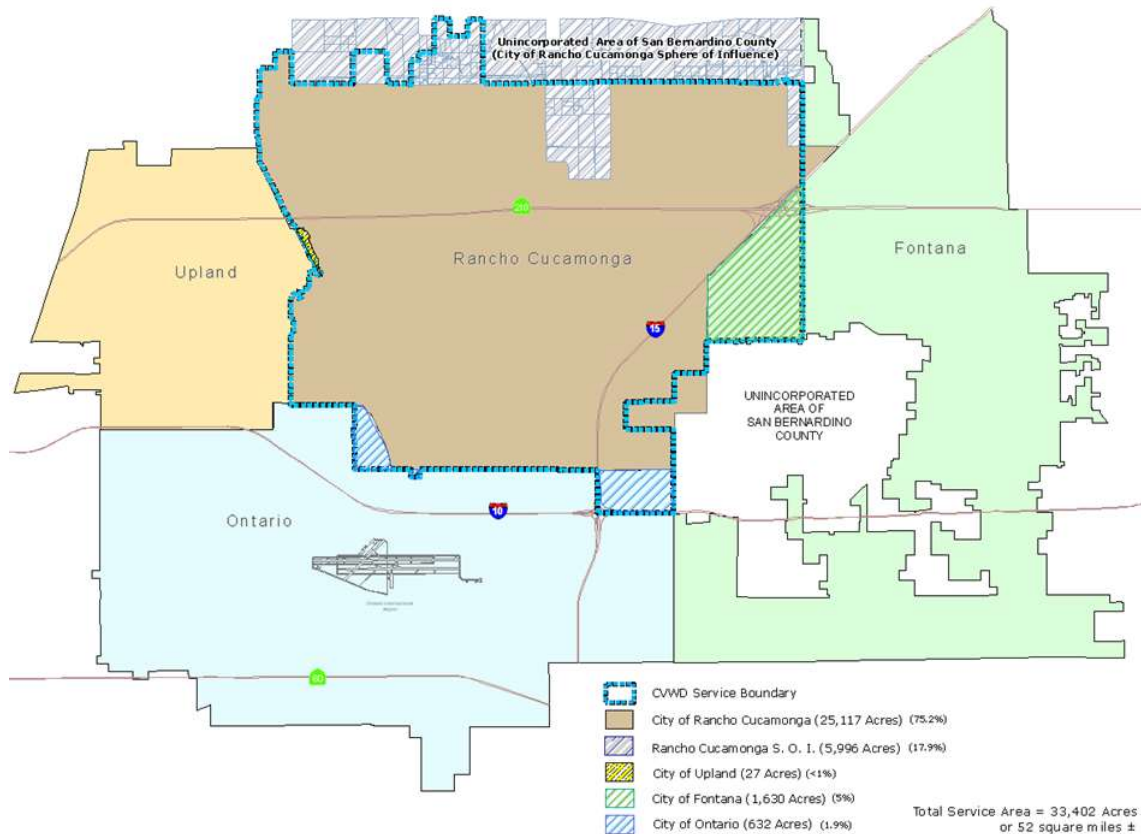


Proactive Planning



Thorough Maintenance

Safe, Reliable, High-Quality Water



- **Service Area:** 47 square mile area
- **Service Connections:**
Over 50,000 water
Over 37,000 sewer
- **Average Production:**
40 Million Gallons Per Day
- **Facilities**
 - 3 Treatment Plants
 - 29 Wells
 - 36 Reservoirs
 - 708 Miles of Water Pipeline
 - 420 Miles of Sewer Pipeline

Diversified Water Sources



Local surface water



Groundwater

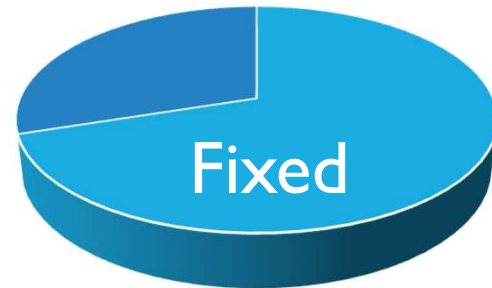


Imported water



Our Costs Are Rising

- Nearly 70% of our costs are fixed:



- Cost to purchase water in last five years:



Investing in Secure Water

More than \$50 million in upgrades over next 5 years



Local surface water



Groundwater



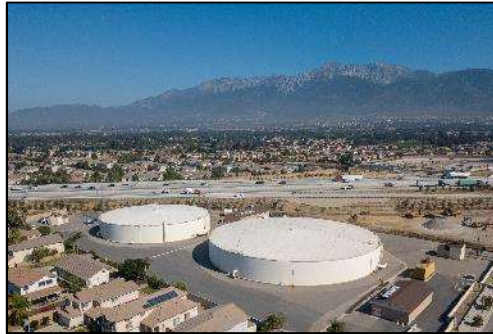
Slide 7

MW7

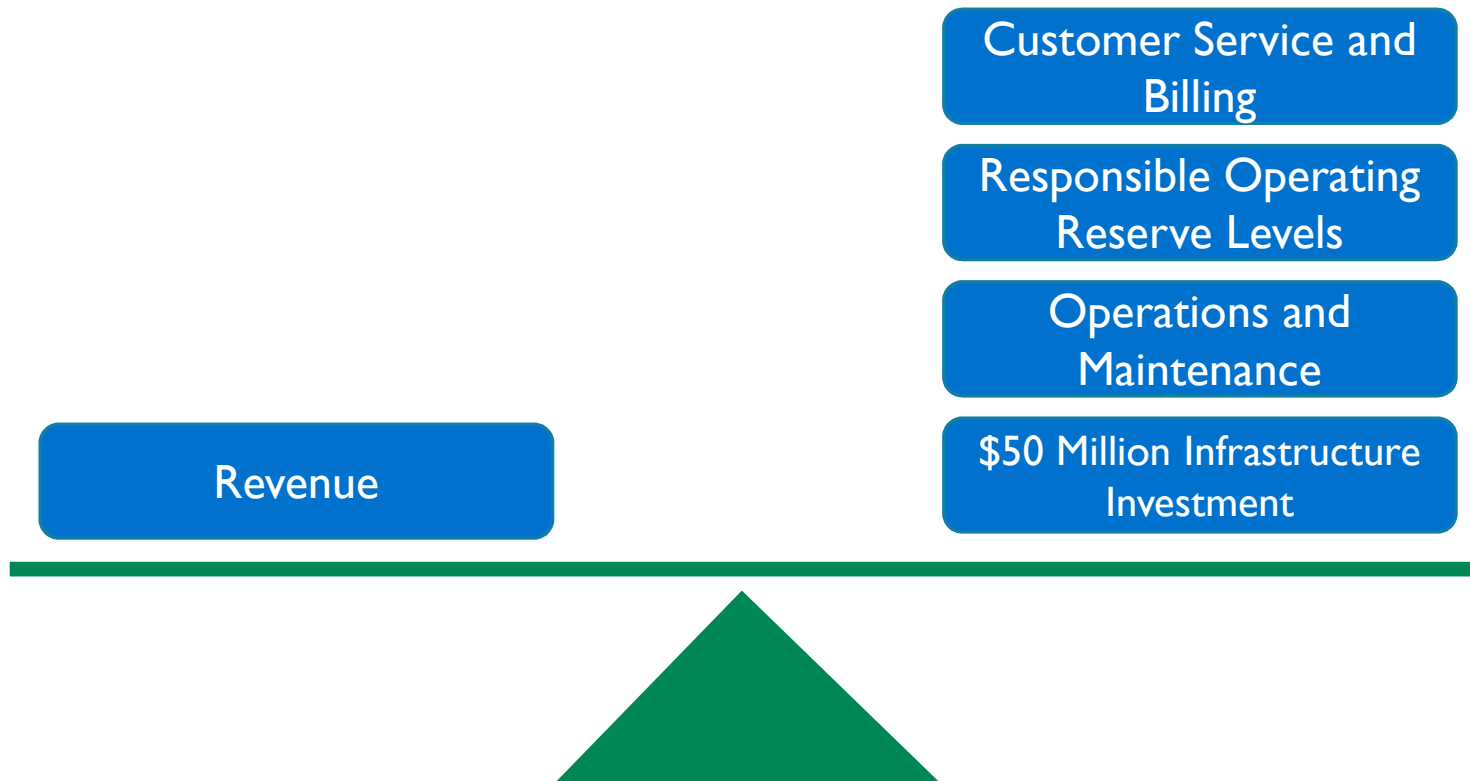
Same comment from the FAQs - CVWD can you confirm this is still the case with your well work?

Matt Wittern, 8/18/2021

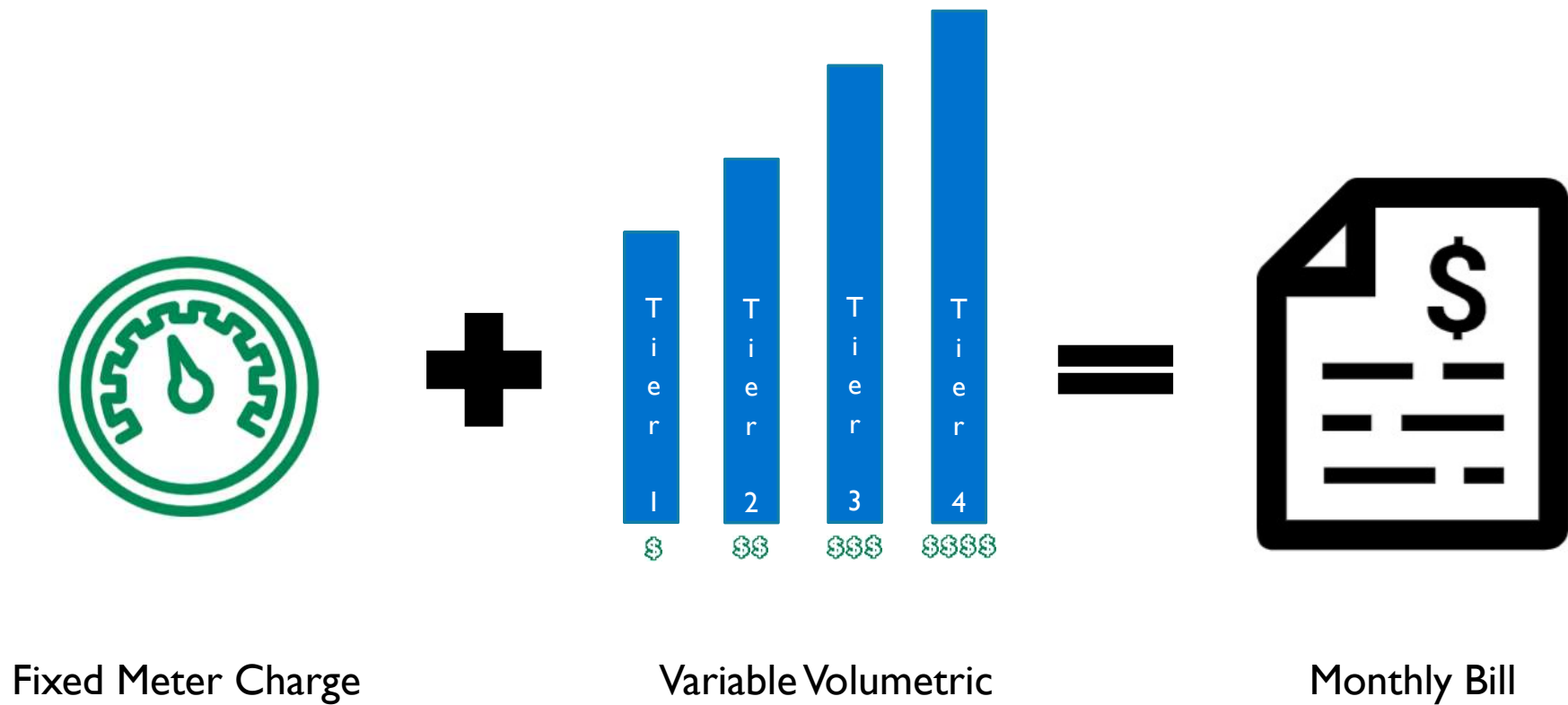
Investing in Secure Water



Financial Plan and Rate Study



Rate Structure



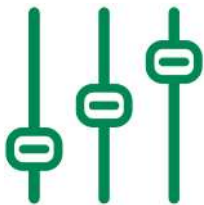
Proposed Rates



Simple, Transparent



Fund Critical Maintenance



Adjust Volumetric



Increase Yield from
Least Expensive
Sources



Solidifies District's
Financial Health

Tiers and Volumetric Rates



Tier 1: Local surface
water

Tier 1

Current	Proposed	Current	Jan 2022
0-5 hcf	0-6 hcf	\$1.91	\$1.67



Tier 2:
Groundwater

Tier 2

Current	Proposed	Current	Jan 2022
6-20 hcf	7-18 hcf	\$2.45	\$2.07



Tiers 3 & 4:
Purchased water

Tier 3

Current	Proposed	Current	Jan 2022
21-50 hcf	19-36 hcf	\$3.00	\$3.55

Tier 4

Current	Proposed	Current	Jan 2022
>50 hcf	>36 hcf	\$3.36	\$3.76

Typical Bill Impact



uses 8 units (hcf) of water per month and will see their 2022 monthly bill **increase by \$1.08**



uses 24 units (hcf) of water per month and will see their 2022 monthly bill **increase by \$1.69**

Scenarios based on most common $\frac{3}{4}$ " meter size.
One hundred cubic feet (hcf) = 748 gallons.

Key Context

Cost per gallon:



<\$0.01



\$3.30



\$3.83



\$1.11

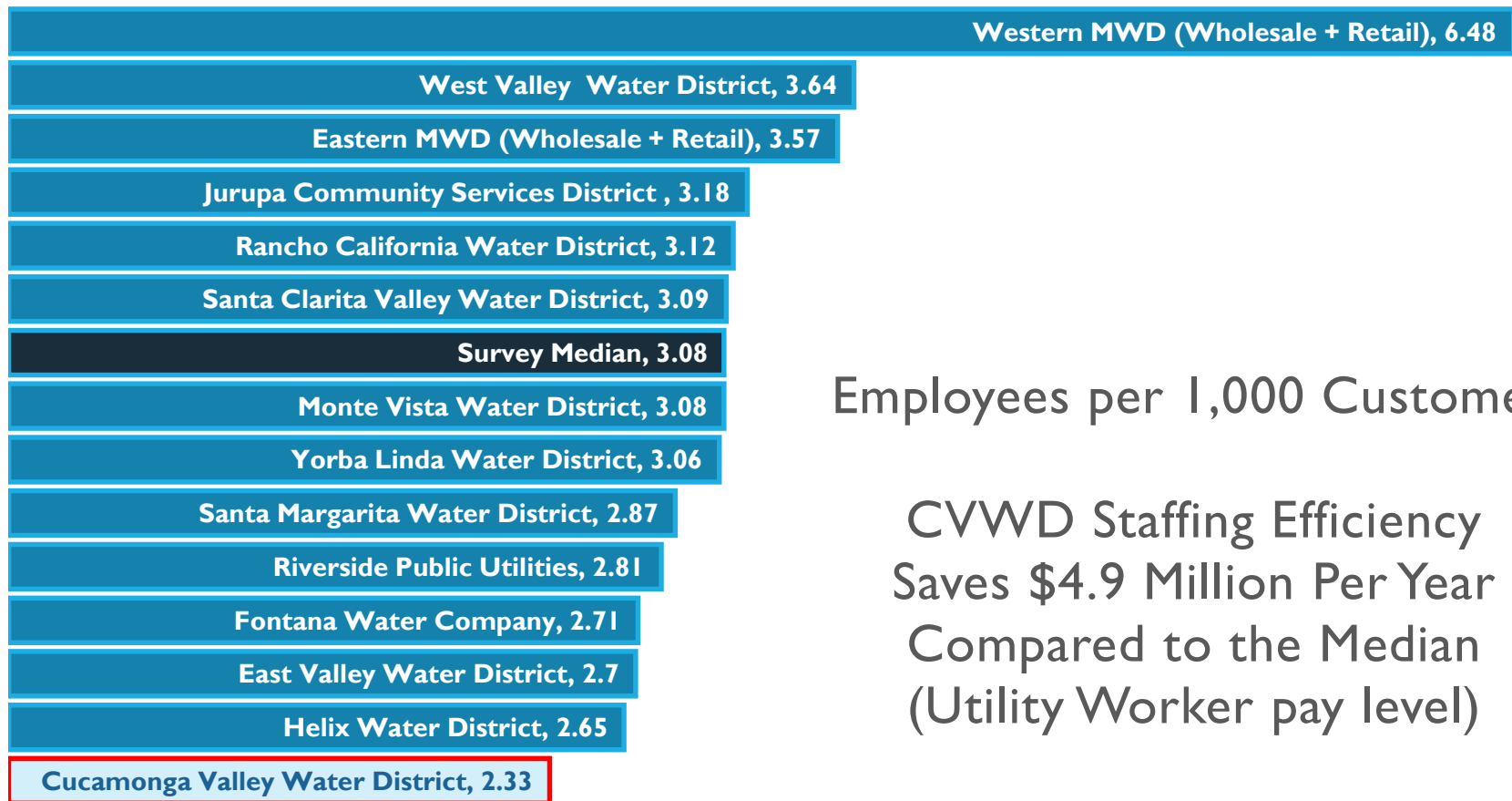
Water Rate Multi-Agency Comparison at 1/1/2021

San Dimas (Golden State), \$120.08
Claremont (Golden State), \$120.08
Western Municipal Water District (Ave. Zone), \$112.86
Glendora (Ave. Zone), \$112.12
Fontana (Fontana Water Co.), \$109.97
Chino Hills (Ave. Zone)-Budget Based, \$107.37
Walnut Valley Water District, \$99.70
Upland, \$91.90
City of Monrovia, \$89.68
City of La Verne (Ave. Zone), \$87.23
Survey Median, \$87.23
City of Pomona, \$86.74
Monte Vista Water District - Budget Based, \$86.47
City of Ontario, \$85.84
Chino - Budget Based, \$83.13
East Valley Water District - Budget Based, \$82.61
Jurupa Community Services District, \$77.86
Cucamonga Valley Water District (Current), \$74.30
West Valley Water District, \$68.81
City of Azusa Water & Power, \$54.78
Riverside Water & Power (Ave.), \$49.99

Monthly Water Bill
21 hcf Consumption
3/4" Residential Account
(15,700 Gallons)

2022 Adjustment = \$74.57

Staffing Efficiency Multi-Agency Comparison



Employees per 1,000 Customers

CVWD Staffing Efficiency
Saves \$4.9 Million Per Year
Compared to the Median
(Utility Worker pay level)

Open Public Process

Activity	Date
Rates Workshop #1	January 22, 2020
Rates Workshop #2	February 25, 2020
Rates Workshop #3	March 9, 2021
Rates Workshop #4	May 11, 2021
Customer Outreach	Ongoing
Board Meeting – Review Final Report	July 27, 2021
Customer Notice Mailed	August 2021
Public Hearing	September 28, 2021
Proposed Rates Effective	January 1, 2022

For More Information Contact

- (909) 987-2591 Operator / Customer Service
- Chad Brantley, Director of Finance and Technology Services
- custserv@cvwdwater.com
- boardmember@cvwdwater.com
- www.cvwdwater.com

Thank You!

Cucamonga Valley

Water District

Public Hearing on Water Rate Adoption

September 28, 2021



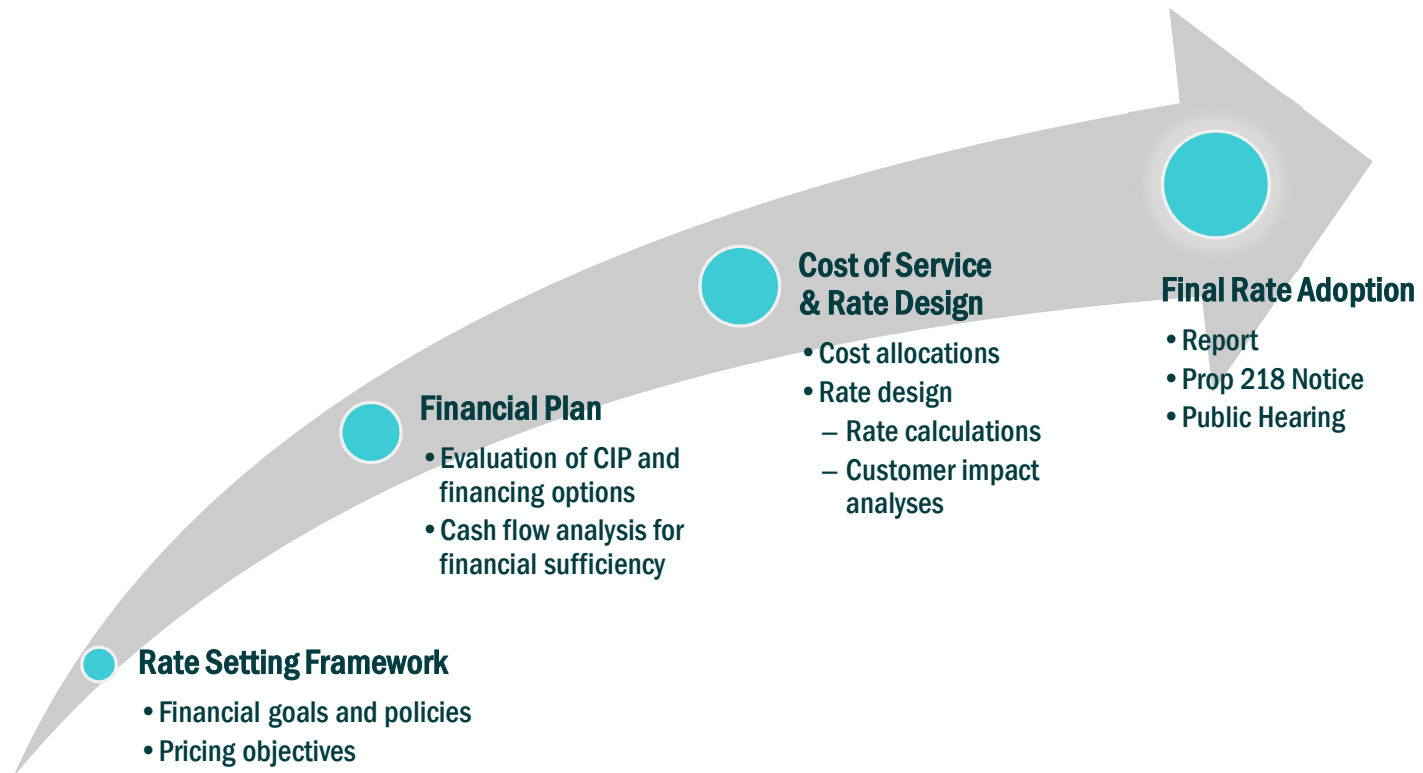
Agenda

- Introduction
- Rate Study Process
- Financial Plan
- Cost of Service
- Proposed Rates
- Drought Rates
- Questions and Answers

Introduction

- Sanjay Gaur
 - › Over 25 years of rate consulting experience
 - › Consulted over 100 different agencies in California
 - › Considered an expert on Proposition 218, speaks regularly at conferences, and writes articles in trade association publications
 - › Member of the Rates and Charges Committee of American Water Works Association
 - Responsible for developing rate-making standards
 - MSc in Applied Economics from UC Santa Cruz and MPA/ID from Kennedy School of Government, Harvard University

Rate Study Process



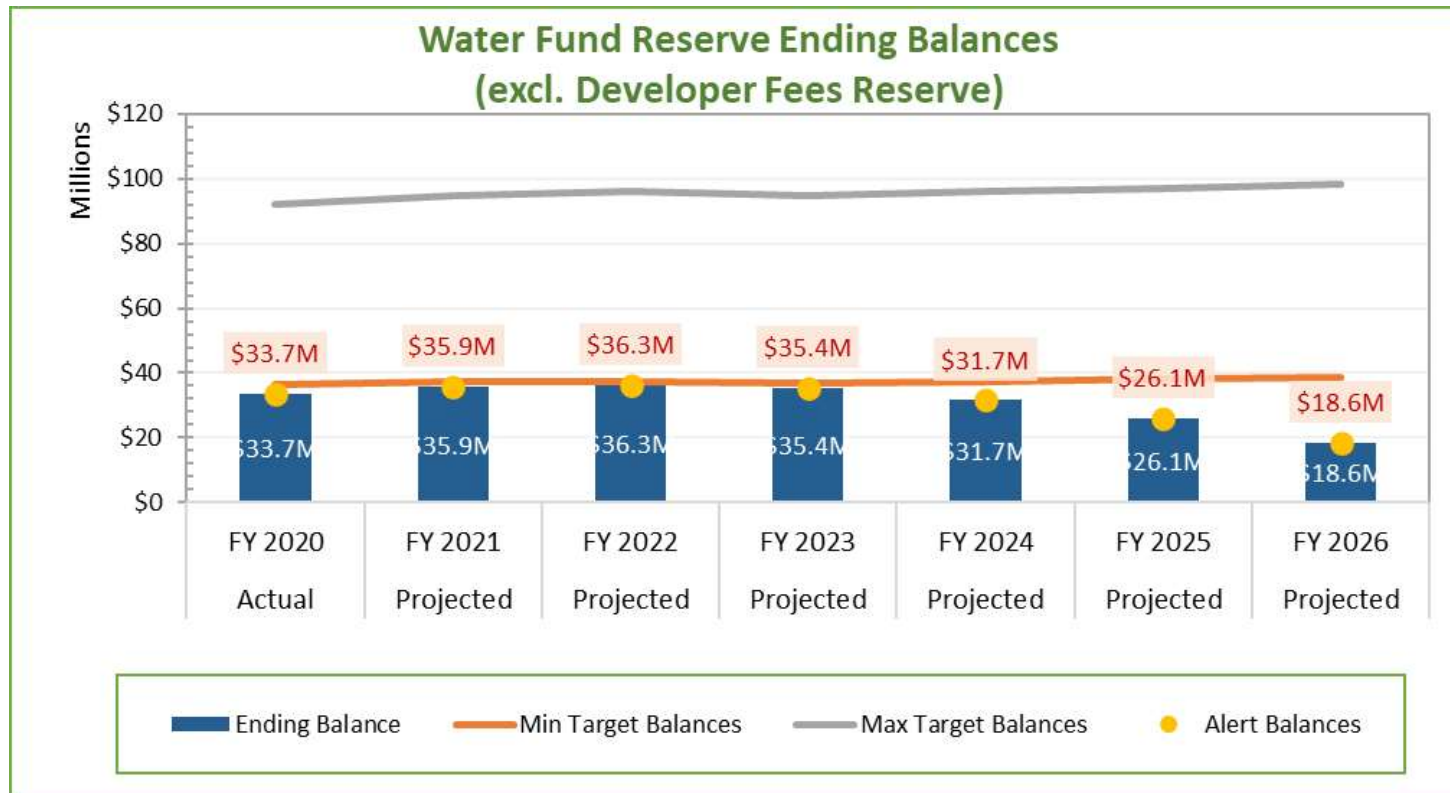
Financial Plan



Financial Policies

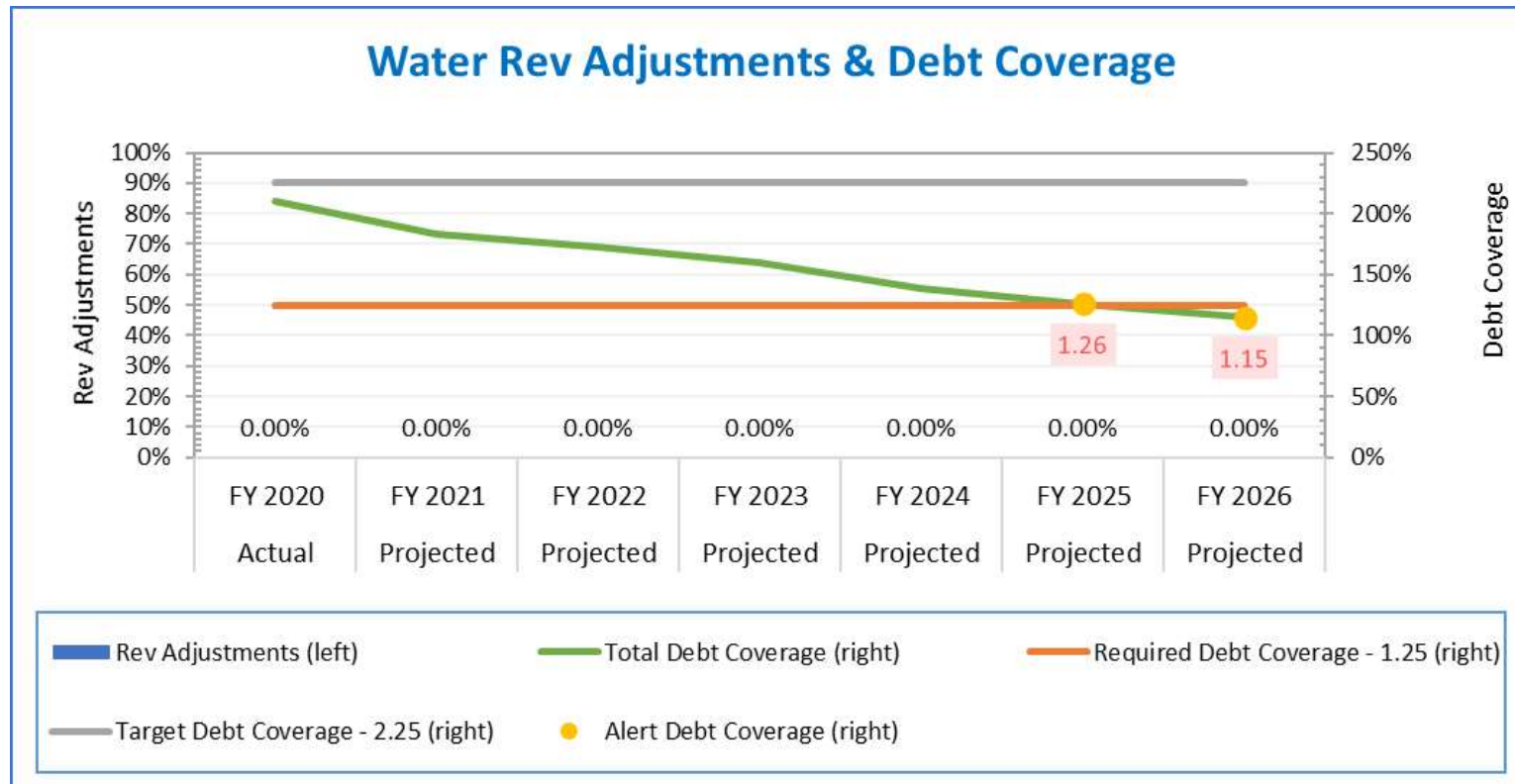
Reserve	Minimum Goal	Maximum Goal
Water Operations Reserve	20% of Operating Budget	50% of Operating Budget
Water Banking Reserve	\$2,500,000	Cost of 5,000AF of MWD Tier II Water
Water Rate Stabilization Reserve	\$2,200,000	25% of Net Operating Revenue from prior fiscal year
Water Capital & Equipment Replacement Reserve	\$13,000,000	\$30,000,000
Water Capital Emergency Reserve	1% of Capital Assets	4% of Capital Assets
Water Administrative Capital Reserve	\$1,500,000	Inflated minimum
Local Water Resource Development Reserve	\$2,000,000	\$5,000,000

Status Quo Financial Plan: No Revenue Adjustments



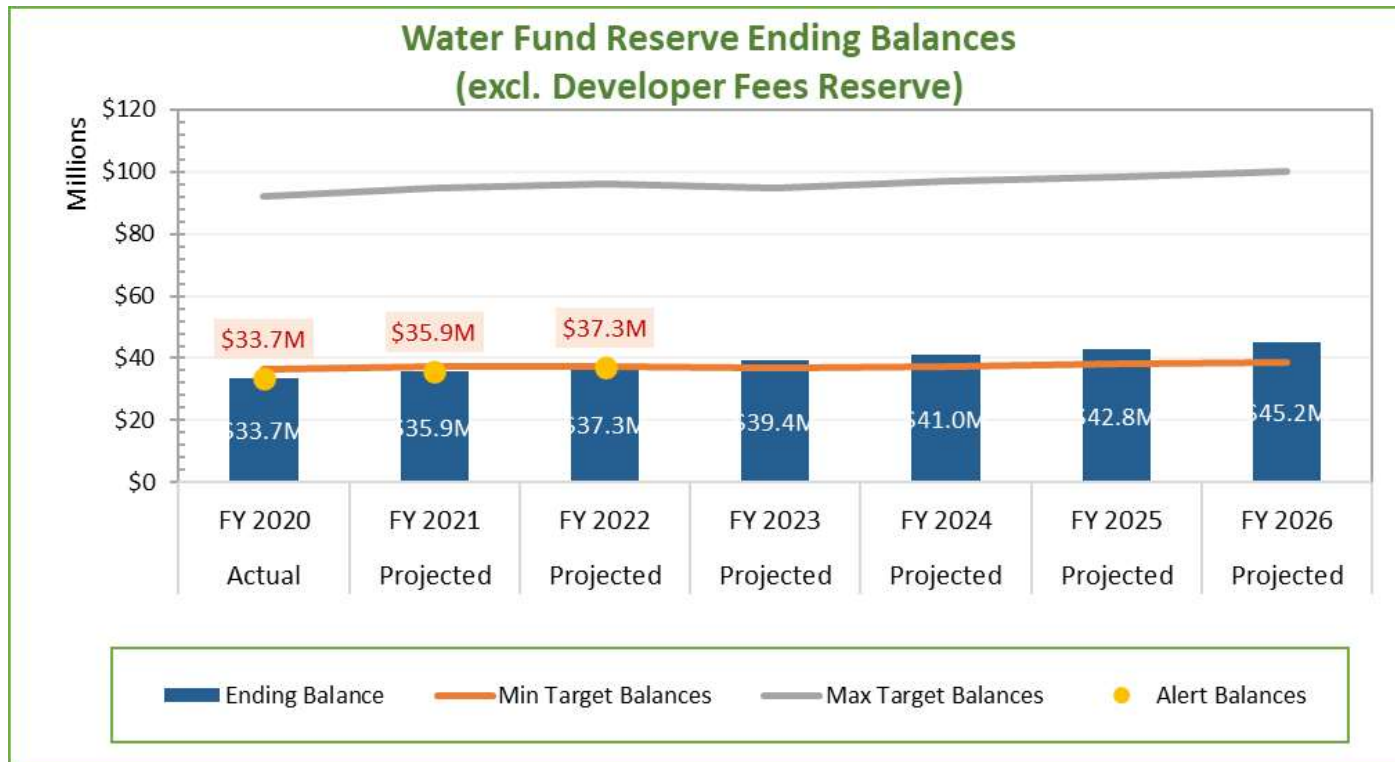
Note: Chart above assumes that imported wholesale water cost increases will be offset by pass-through rates/charges.

Status Quo Financial Plan Debt Coverage: No Revenue Adjustments



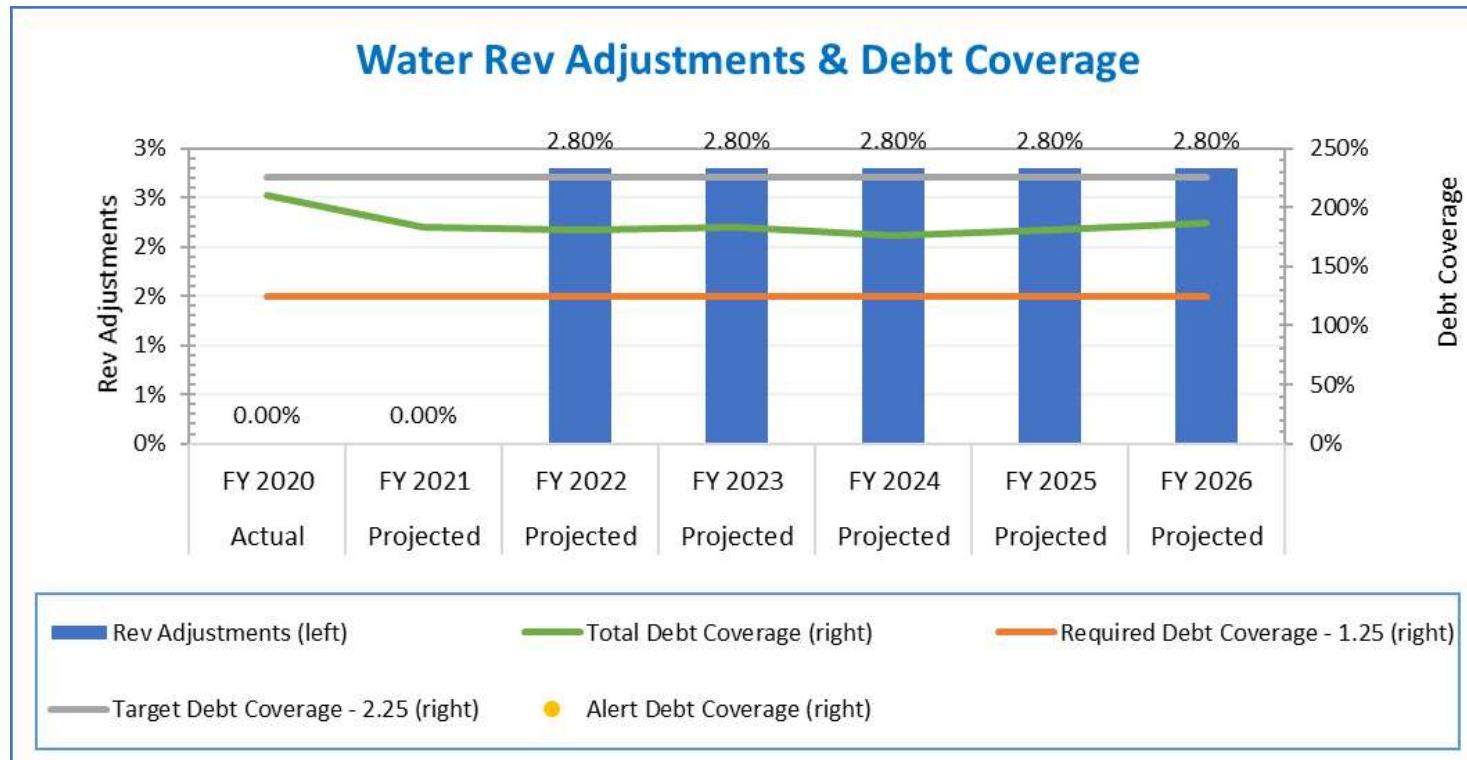
Note: Chart above assumes that imported wholesale water cost increases will be offset by pass-through rates/charges.

Proposed Financial Plan Scenario: 2.8% Annual Revenue Adjustments



Note: Chart above assumes that imported wholesale water cost increases will be offset by pass-through rates; Revenue adjustments are in addition to pass-through increases.

Proposed Financial Plan Scenario Debt Coverage: 2.8% Revenue Adjustments



Note: Chart above assumes that imported wholesale water cost increases will be offset by pass-through rates; Revenue adjustments shown are in addition to pass-through rate increases.

Water Cost of Service



Key Legislation in California Affecting Water Rates

- **Cost of Service Requirements**

- › Proposition 218 (Article XIII C and XIII D of California Constitution)

- San Juan Capistrano ruling:

- There must be a nexus between cost of providing service and rates charged to customers

- This nexus needs to be clearly shown in the administrative record (i.e., study report)

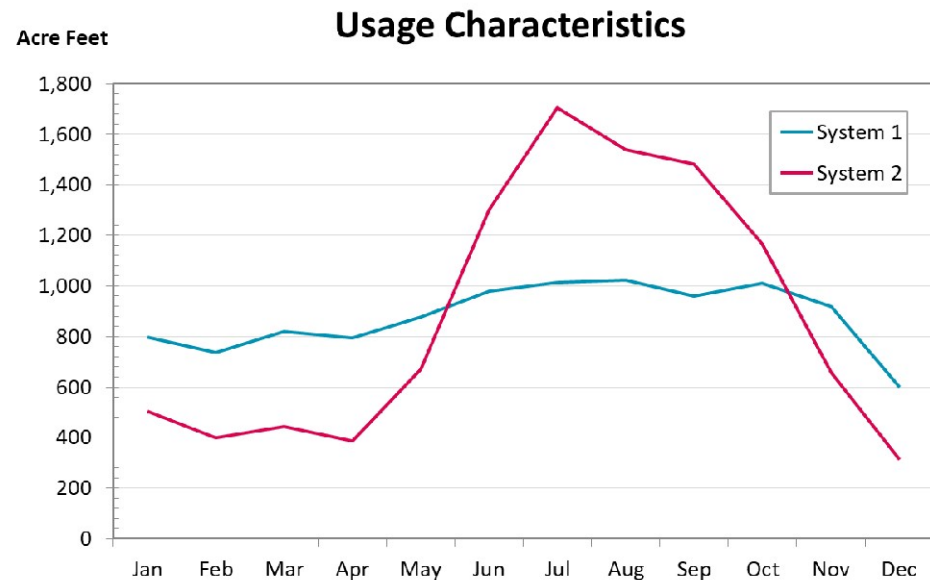
What is Cost of Service?

- Different types of customers generate different costs because their patterns of use or characteristics are different
- Cost of service allows the matching of rates charged with the costs of serving each group
- Each group will “pay its own way” – no subsidies

Water Systems and Costs

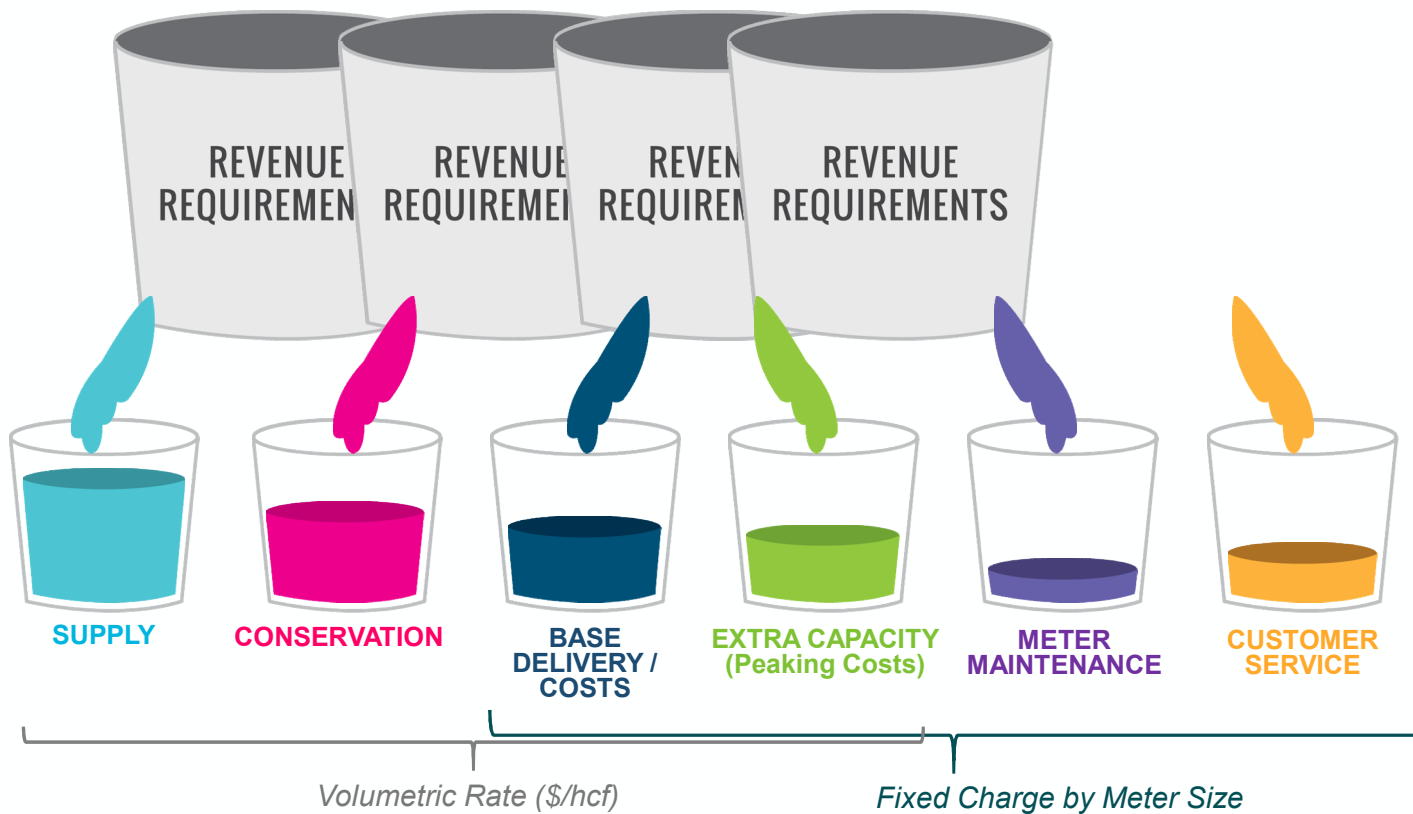
Both water systems shown on the right have an annual demand of approximately 10,500 AF per year

Which system costs more to operate, repair, or replace?



Cost of Service

Allocation to Cost Components



Distribute Costs to Customer Classes



SUPPLY
Use



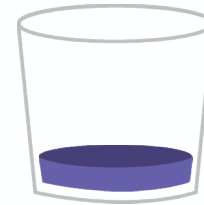
DELIVERY COSTS
Use: Same for All
Classes



CONSERVATION
Distributed to
High Vol Users



**EXTRA CAPACITY
(PEAKING)**
Peaking Factors or
Meter Cap Ratios



**METER
MAINTENANCE**
Meter Size



**CUSTOMER
SERVICE**
of Cust Bills



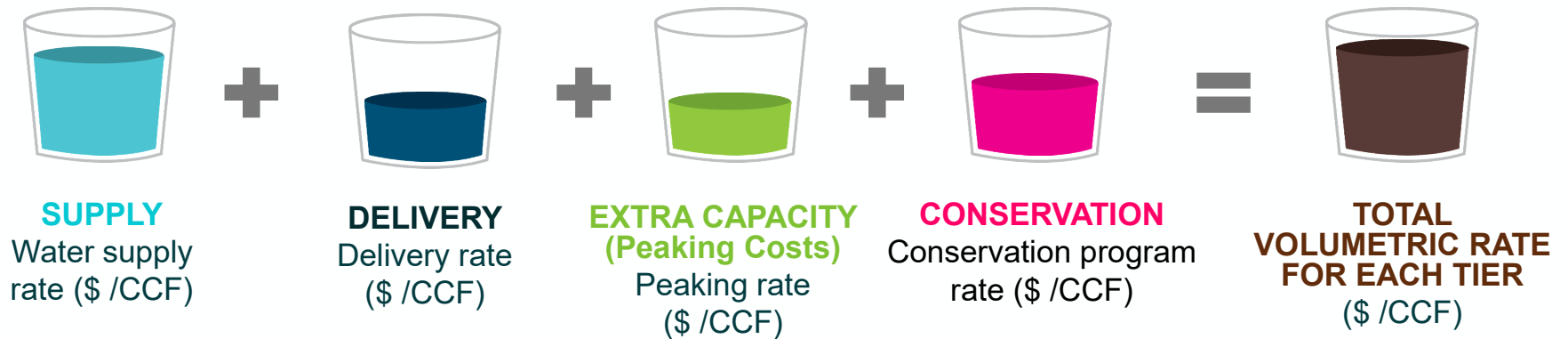
Distribute Costs to Each Class

CUSTOMER CLASSES
Cost to Serve Each Meter Size

Rate Design

Commodity Rate Derivation

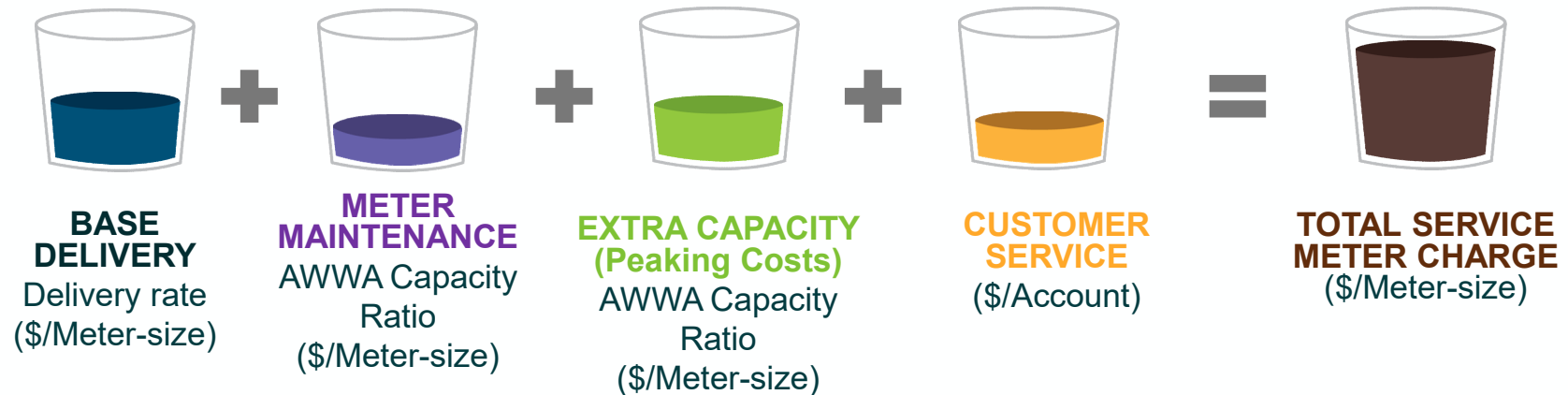
To calculate commodity rates, we combine the unit (\$/CCF) costs of water supply, water delivery, peaking/capacity costs and conservation costs



Rate Design

Service Meter Charge Derivation

To calculate service meter charges, we combine the costs of base delivery, meter maintenance, extra capacity and customer service



Cost of Service Considerations: Tiered Water Rates

- Given Prop 218, there needs to be rationality behind the tier width
 - › Water supply availability will determine the associated tier break point

Monthly Tier Breakpoints for 3/4" Meters (hcf)			
Tier	Current	Proposed	Supply Source Basis
Tier 1	5	6	Cucamonga Water
Tier 2	20	18	Chino Basin Water
Tier 3	50	36	MWD Tier 1
Tier 4	>50	>36	

Cost of Service Considerations: Tiered Water Rates

- Tier widths increased by meter size based on AWWA capacity ratios

Meter Size	AWWA Capacity Ratios	Tier 1 Monthly Max (HCF)	Tier 2 Monthly Max (HCF)	Tier 3 Monthly Max (HCF)	Tier 4 Monthly Max (HCF)
3/4"	1.00	6	18	36	> 36 hcf
1"	1.67	10	30	60	> 60 hcf
1 1/2"	3.33	20	60	120	> 120 hcf
2"	5.33	32	96	192	> 192 hcf
3"	10.67	64	192	384	> 384 hcf
4"	16.67	100	300	600	> 600 hcf
6"	33.33	200	600	1200	> 1200 hcf
8"	53.33	320	960	1920	> 1920 hcf
10"	80.00	480	1440	2880	> 2880 hcf
12"	112.50	675	2025	4050	> 4050 hcf

Tier Rate Justification

Customer Class/ Tier	Water Supply	Base Delivery	Peaking	Conservation
Tier 1	X	X	X	N/A
Tier 2	XX	X	XX	N/A
Tier 3	XXX	X	XXX	N/A
Tier 4	XXX	X	XXXX	X
Temporary	XXX	X	XXXX	X

Proposed Rates



Rate Implementation Assumptions

- Rate Adjustment Schedule
 - › FY 2022: Jan. 2022
 - › FY 2023: Jan. 2023
 - › FY 2024: Jan. 2024
 - › FY 2025: Jan. 2025
 - › FY 2026: Jan. 2026
- Current MWD Surcharge will be reset in Jan. 2022
 - › MWD Surcharge will be calculated annually over next 5 years based on actual changes in the MWD Tier 1 rate

Proposed Monthly Meter Charges (excl. new IEUA Fixed Charge pass-through)

Meter Size	Current	Proposed FY 2022 <i>(Jan. 2022)</i>	Proposed FY 2023 <i>(Jan. 2023)</i>	Proposed FY 2024 <i>(Jan. 2024)</i>	Proposed FY 2025 <i>(Jan. 2025)</i>	Proposed FY 2026 <i>(Jan. 2026)</i>
3/4"	\$25.00	\$25.30	\$26.01	\$26.74	\$27.49	\$28.26
1"	\$41.67	\$40.08	\$41.21	\$42.37	\$43.56	\$44.78
1.5"	\$83.34	\$77.02	\$79.18	\$81.40	\$83.68	\$86.03
2"	\$133.34	\$121.36	\$124.76	\$128.26	\$131.86	\$135.56
3"	\$250.00	\$239.59	\$246.30	\$253.20	\$260.29	\$267.58
4"	\$416.67	\$372.60	\$383.04	\$393.77	\$404.80	\$416.14
6"	\$833.34	\$742.08	\$762.86	\$784.23	\$806.19	\$828.77
8"	\$1,333.34	\$1,185.44	\$1,218.64	\$1,252.77	\$1,287.85	\$1,323.91
10"	\$2,000.00	\$1,776.59	\$1,826.34	\$1,877.48	\$1,930.05	\$1,984.10
12"	\$3,000.00	\$2,497.07	\$2,566.99	\$2,638.87	\$2,712.76	\$2,788.72

Proposed Monthly IEUA Fixed Charges (New Pass-Through Charge)

Meter Size	Current	Proposed FY 2022 <i>(Jan. 2022)</i>	Proposed FY 2023 <i>(Jan. 2023)</i>	Proposed FY 2024 <i>(Jan. 2024)</i>	Proposed FY 2025 <i>(Jan. 2025)</i>	Proposed FY 2026 <i>(Jan. 2026)</i>
3/4"	N/A	\$3.52	TBD	TBD	TBD	TBD
1"	N/A	\$5.87	TBD	TBD	TBD	TBD
1.5"	N/A	\$11.70	TBD	TBD	TBD	TBD
2"	N/A	\$18.72	TBD	TBD	TBD	TBD
3"	N/A	\$37.43	TBD	TBD	TBD	TBD
4"	N/A	\$58.47	TBD	TBD	TBD	TBD
6"	N/A	\$116.91	TBD	TBD	TBD	TBD
8"	N/A	\$187.04	TBD	TBD	TBD	TBD
10"	N/A	\$280.55	TBD	TBD	TBD	TBD
12"	N/A	\$394.52	TBD	TBD	TBD	TBD

Note: charges beyond 2022 will depend on actual IEUA pass-through costs

Proposed Water Commodity Charges excluding MWD Surcharges (per HCF)

Customer Class/Tier	Current	Proposed FY 2022 <i>(Jan. 2022)</i>	Proposed FY 2023 <i>(Jan. 2023)</i>	Proposed FY 2024 <i>(Jan. 2024)</i>	Proposed FY 2025 <i>(Jan. 2025)</i>	Proposed FY 2026 <i>(Jan. 2026)</i>
Tier 1	\$1.62	\$1.67	\$1.72	\$1.77	\$1.82	\$1.88
Tier 2	\$2.16	\$2.07	\$2.13	\$2.19	\$2.26	\$2.33
Tier 3	\$2.71	\$3.55	\$3.65	\$3.76	\$3.87	\$3.98
Tier 4	\$3.07	\$3.76	\$3.87	\$3.98	\$4.10	\$4.22
Temporary	\$4.70	\$3.76	\$3.87	\$3.98	\$4.10	\$4.22

MWD Surcharges (Pass-Through Rate per HCF)

Customer Class/Tier	Current	Projected FY 2022 <i>(Jan. 2022)</i>	Proposed FY 2023 <i>(Jan. 2023)</i>	Proposed FY 2024 <i>(Jan. 2024)</i>	Proposed FY 2025 <i>(Jan. 2025)</i>	Proposed FY 2026 <i>(Jan. 2026)</i>
Tier 1	\$0.29	N/A	N/A	N/A	N/A	N/A
Tier 2	\$0.29	N/A	N/A	N/A	N/A	N/A
Tier 3	\$0.29	\$0.07	TBD	TBD	TBD	TBD
Tier 4	\$0.29	\$0.07	TBD	TBD	TBD	TBD
Temporary	\$0.29	\$0.07	TBD	TBD	TBD	TBD

Notes: 1) The 2022 MWD Surcharge rate of \$0.07 per HCF is a preliminary projection subject to change.

2) MWD Surcharge rates beyond 2022 will depend on actual MWD wholesale pass-through costs.

3) Tiers 1 & 2 will no longer be subject to MWD Surcharges beginning in 2022

Proposed Water Commodity Charges including MWD Surcharges (per HCF)

Customer Class/Tier	Current	Projected ¹ FY 2022 <i>(Jan. 2022)</i>	Proposed FY 2023 <i>(Jan. 2023)</i>	Proposed FY 2024 <i>(Jan. 2024)</i>	Proposed FY 2025 <i>(Jan. 2025)</i>	Proposed FY 2026 <i>(Jan. 2026)</i>
Tier 1	\$1.91	\$1.67	\$1.72	\$1.77	\$1.82	\$1.88
Tier 2	\$2.45	\$2.07	\$2.13	\$2.19	\$2.26	\$2.33
Tier 3	\$3.00	\$3.62	\$3.65+TBD	\$3.76+ TBD	\$3.87+ TBD	\$3.98+ TBD
Tier 4	\$3.36	\$3.83	\$3.87+ TBD	\$3.98+ TBD	\$4.10+ TBD	\$4.22+ TBD
Temporary	\$4.99	\$3.83	\$3.87+ TBD	\$3.98+ TBD	\$4.10+ TBD	\$4.22+ TBD

Notes: 1) The 2022 MWD Surcharge rate of \$0.07 per HCF is a preliminary projection subject to change.

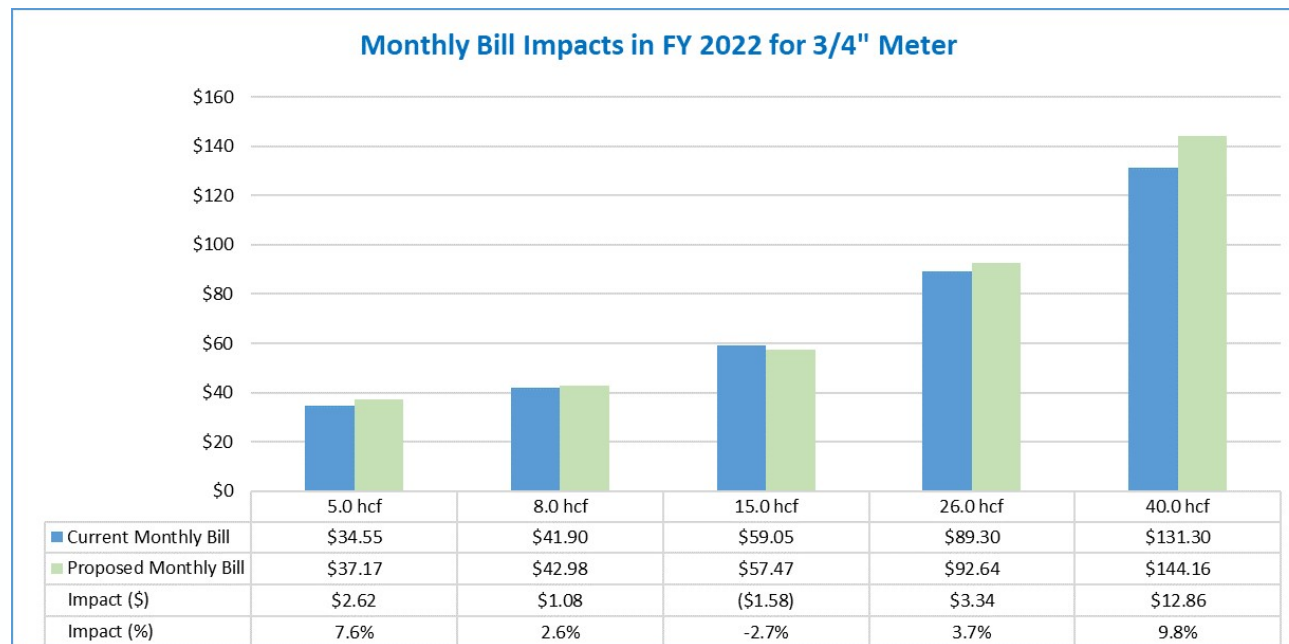
2) MWD Surcharge rates beyond 2022 will depend on actual MWD wholesale pass-through costs.

3) Tiers 1 & 2 will no longer be subject to MWD Surcharges beginning in 2022

Monthly Fireline Service Charges

Connection Size	Current	Proposed FY 2022 <i>(Jan. 2022)</i>	Proposed FY 2023 <i>(Jan. 2023)</i>	Proposed FY 2024 <i>(Jan. 2024)</i>	Proposed FY 2025 <i>(Jan. 2025)</i>	Proposed FY 2026 <i>(Jan. 2026)</i>
2"	\$9.20	\$3.37	\$3.47	\$3.57	\$3.67	\$3.78
3"	\$13.80	\$3.82	\$3.93	\$4.05	\$4.17	\$4.29
4"	\$18.40	\$4.59	\$4.72	\$4.86	\$5.00	\$5.14
6"	\$27.60	\$7.38	\$7.59	\$7.81	\$8.03	\$8.26
8"	\$36.80	\$12.17	\$12.52	\$12.88	\$13.25	\$13.63
10"	\$46.00	\$19.38	\$19.93	\$20.49	\$21.07	\$21.66

Sample Monthly Bill Impacts in FY 2022 for 3/4" Meter (2.8% rev. adj.)



Notes: Monthly water use levels represent 10th, 25th, 50th, 75th, and 90th percentile for customers with 3/4" meters in FY 2019; Proposed bills include projected \$0.07/hcf 2022 MWD Surcharge; Current bill includes current \$0.29/hcf MWD Surcharge.

Proposed Drought Rates

- The District will reduce tier allotments at each successive Water Supply Shortage Contingency Plan (WSSCP) Stage to adequately recover costs during periods of reduced water sales
 - › Proposed tier allotments for 3/4-inch water meter:

WSSCP Stage	Required Water Use Reduction	Tier 1 (hcf)	Tier 2 (hcf)	Tier 3 (hcf)	Tier 4 (hcf)
Normal Conditions	<i>0% reduction</i>	0-6	7-18	19-36	> 36
Stage 1	<i>10% reduction</i>	0-6	7-14	N/A	> 14
Stage 2	<i>15% reduction</i>	0-6	7-12	N/A	> 12
Stage 3	<i>20% reduction</i>	0-6	7-10	N/A	> 10
Stage 4	<i>25% reduction</i>	0-6	7-9	N/A	> 9
Stage 5	<i>30% reduction</i>	0-6	7-7	N/A	>7
Stage 6	<i>35% reduction</i>	0-6	N/A	N/A	> 6
Stage 7	<i>40% reduction</i>	0-5	N/A	N/A	>5
Stage 8	<i>50% reduction</i>	0-4	N/A	N/A	>4
Stage 9	<i>>50% reduction</i>	0-3	N/A	N/A	> 3



Thank you!

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