


Water Rate Workshop

Thursday, December 17, 2009—4:00 p.m.



The District is a Service Provider

To provide a high quality water supply in a fiscally efficient and environmentally responsible manner while remaining committed to providing superior service to our customers.

District's Mission Statement

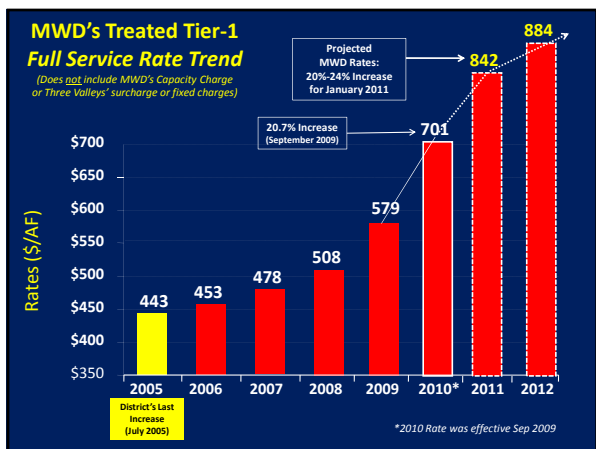
Dates	Items Reviewed or Proposed for Review
January to June 2009 <i>Collect & Analyze Background data</i>	Analyze Cost Impacts Expense / Revenue Estimates Rate / Costs from MWD Rate / Costs from Three Valleys MWD
February 11, 2009 <i>Special Board Meeting</i>	Water Rate Discussion
April–June 2009	MWD/TVMWD finalized their rates
April 3, 2009 <i>Special Board Meeting</i>	Review of the of the District's FY 2009-10 Budget MWD's / TVMWD's proposed rates Proposition 218 Process, approval given to hire a rate consultant
April 23, 2009 <i>Budget Workshop</i>	Budget Overview
June 4, 2009 <i>Budget Workshop</i>	Review of Detailed Expense & Revenue Items Purchased Water Salaries & Benefits Capital Projects Expense Line-items Revenues Capital Projects Reserves
June 2009	Budget Adoption
June to December 2009	Rate Study: Consultant's work, Ad Hoc and staff meet and discuss, review rate model and present recommendations for Board consideration

What is Driving a Rate Increase?

Rate increases at MWD have a dramatic impact on our rates as we are 100% dependent on MWD's imported water. Since January of this year, MWD has raised their 37% and an additional increase of more than 20% is being projected by MWD effective January 2011:

Why has MWD Raised Rates?

- Purchased water costs have significantly increased due to dry conditions throughout California, and the court-imposed cutback in State Water Project (SWP) deliveries from the Sacramento-San Joaquin Delta. The reduced supplies have resulted in MWD having "lost" a substantial portion of its SWP water delivery allocation.
- Higher costs for State Water Project deliveries. The cost payable under the State Water Contract is estimated to be almost \$53 million higher than costs in 2007/08, and about \$48 million higher than in 2008/09.
- Debt service. The financing costs for Metropolitan's ongoing \$3.85 billion capital program will result in an increase of about \$39 million in debt service from 2008/09.



Walnut Valley Water District's Last Rate Increase was in July 2005

- WVWD has not raised rates since July 2005. In the interim (2005-2010), the District has absorbed a 58% increase in MWD/TVMWD wholesale water costs.
- For the current fiscal year (2009/10) we are running a deficit (projected at nearly \$5 million that is currently being offset by our rate stabilization fund).

District Cost-control Efforts

- Since 2006, the District has reduced the number of full-time employees by 8%. For FY 2009-10, this has resulted in estimated savings of \$750,000.
- To mitigate impacts on our customers, the 2009/10 departmental operating budgets have been held "flat" when compared to the 2008/09 budget.
- We worked with and encouraged Three Valleys to lower their rates through 2010 by \$30 per acre-foot.
- Conservation efforts have decreased District revenues but are helping to avoid water allocation penalties.

Rate Study Objectives

- Fairly and equitably allocate the District's expenses to customers following the principles of cost-of-service
- Plan for proper operating and capital expenses as well as reserve funding
- Promote water conservation through price signaling
- Ensure long-term financial stability and compliance with current and future bond requirements

Walnut Valley Water District Water Rate Study

Board of Directors Presentation

Karyn Keese and Steve Gagnon
PBS&J
December 17, 2009

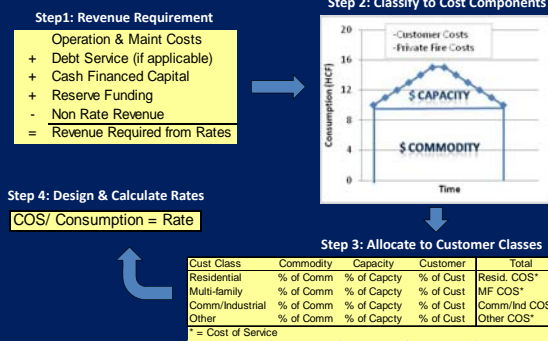
Outline

- Rate Study Goals
- Rate Setting Basic Theory
 - Revenue Requirement
 - Allocation to Customer Classes
 - Water Rates
- Customer Bill Impacts
- Rate Comparison with Other Agencies

Rate Setting Goals

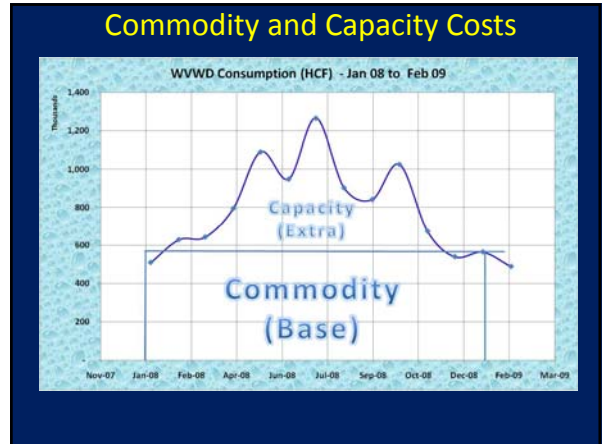
- Fairly and equitably allocate the utility's expenses to customers following the principles of cost causation – thus the new bill zone surcharge
- Plan for proper operating and capital expenses as well as reserve funding
- Promote water conservation through price signaling
- Balance the above goals with revenue stability – thus a portion of capacity related costs were allocated to the service charge

Rate Setting Theory Cost Based Rates



The Four Cost Components

- Commodity Costs – costs associated with meeting average daily (or base) demands
- Capacity Costs – costs associated with meeting peak demands or demands above a base year- round demand
- Customer Costs – 1) billing, collection, & service calls and 2) meter reading, maintenance & replacement
- Private Fire Costs – costs associated with maintaining fire connections as well as providing standby fire fighting capacity



Step 1: Revenue Requirement

Line No.	Budget Item	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14
1	Operations (net of pumping costs)	\$ 4,652,359	\$ 3,187,250	\$ 3,299,548	\$ 3,415,601	\$ 3,535,751	\$ 3,660,142
2	Bill Zone Pumping Power and Maintenance	\$ -	\$ 1,064,602	\$ 1,122,526	\$ 1,186,603	\$ 1,248,925	\$ 1,314,676
3	Engineering	\$ 814,290	\$ 766,118	\$ 792,932	\$ 820,685	\$ 849,499	\$ 879,138
4	Finance	\$ 2,101,788	\$ 1,998,965	\$ 1,965,428	\$ 2,024,218	\$ 2,105,416	\$ 2,179,709
5	GM/Governance	\$ 930,188	\$ 933,250	\$ 965,914	\$ 999,721	\$ 1,034,711	\$ 1,070,926
6	Administrative Services	\$ 1,802,911	\$ 2,084,607	\$ 2,157,568	\$ 2,233,083	\$ 2,311,241	\$ 2,392,134
7	General and Administrative	\$ 965,419	\$ 837,516	\$ 866,829	\$ 897,168	\$ 928,568	\$ 961,068
8	Water Supply & Related Costs	\$ 14,287,851	\$ 15,997,175	\$ 17,846,664	\$ 20,461,772	\$ 21,375,805	\$ 22,336,439
9	Total O&M Expenses	\$ 25,554,806	\$ 26,769,481	\$ 29,022,409	\$ 32,048,851	\$ 33,389,826	\$ 34,793,628
10	Replacement Reserve Funding	\$ -	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
11	Capital Reserve Funding	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
12	OPEB Funding	\$ -	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000	\$ 750,000
13	Operating Fund Reserve Building	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
14	Long Term Debt	\$ 1,657,776	\$ -	\$ -	\$ -	\$ -	\$ -
15	Use of Reserves (Lower Rev. Reqmnt)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	Subtotal Revenue Requirement	\$ 27,212,582	\$ 29,819,481	\$ 32,072,409	\$ 35,098,851	\$ 36,439,826	\$ 37,843,628
17	Less Non-Operating Revenues	\$ 4,804,310	\$ 3,487,349	\$ 2,535,309	\$ 2,514,470	\$ 2,483,999	\$ 2,456,827
18	Total Revenue Required from Rates	\$ 22,408,272	\$ 26,332,133	\$ 29,537,100	\$ 32,584,381	\$ 33,955,826	\$ 35,386,801
19	Percent Increase		17.5%	12.2%	10.3%	4.2%	4.2%

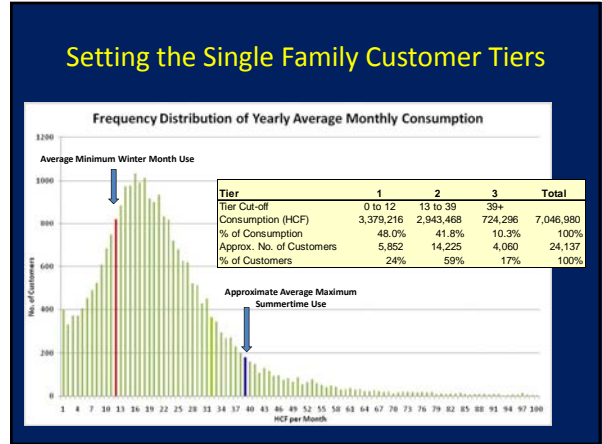
Steps 2 & 3: Classify to Cost Components and Allocate to Customer Classes

Cost Component	Total	SFR	MF/Apts/ Townhomes	Comen/Indus/ Government
Commodity	\$ 12,976,370	\$ 9,569,207	\$ 1,220,333	\$ 2,186,830
Capacity	\$ 6,152,055	\$ 4,527,672	\$ 540,649	\$ 1,083,735
Capacity (Service Charge)	\$ 4,103,908	\$ 3,162,952	\$ 355,347	\$ 585,609
Customer Meter Reading & Maint	\$ 760,410	\$ 642,116	\$ 43,848	\$ 74,446
Customer Billing & Collection	\$ 1,095,430	\$ 994,905	\$ 41,281	\$ 59,244
Private Fire Services	\$ 179,357	\$ 1,485	\$ 8,306	\$ 169,565
Bill Zone Pumping & Maint	\$ 1,064,602	\$ 820,643	\$ 122,837	\$ 121,122
Total Cost of Service	\$ 26,332,133	\$ 19,718,980	\$ 2,332,602	\$ 4,280,551
		74.9%	8.9%	16.3%

	Annual Consumption (HCF)	Commodity Alloc Factor	Max Month (HCF)	Capacity Alloc Factor	No. of 5/8" or 3/4" Hydraulically Equivalent Meters	Alternative Cap Alloc Factor	Meter Replacement Cost	Meter Reading & Maint Factor	Number of Meters	% of Total
Single Family Resid	7,046,880	73.7%	962,533	73.6%	25,211	77.1%	3,755,211	84.4%	24,149	90.6%
MF/Apts/Townhomes	896,881	9.4%	114,956	8.8%	2,832	8.7%	256,431	9.8%	1,002	3.8%
Comm/Indus/Gov/Inst	1,610,431	16.9%	230,390	17.6%	4,668	14.3%	435,374	9.8%	1,438	5.4%
Total	9,556,092	100%	1,307,859	100%	32,711	100%	4,447,015	100%	26,589	100%

Step 4: Design & Calculate Rates

- Tiered Rates for Single Family Users
 - Provides biggest "conservation bang for buck" since 50% or more of water is used outside the home
- Uniform Rates for Other User Classes
 - Difficult to have tiered rates for commercial/ industrial class due to large variations in water demand
 - Most other agencies do not have tiered commercial/industrial rates
- A portion of capacity costs are collected through service charge for revenue stability

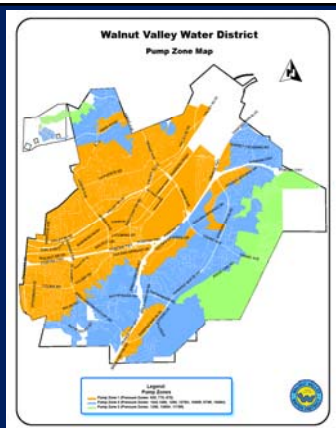


Proposed Commodity Rates

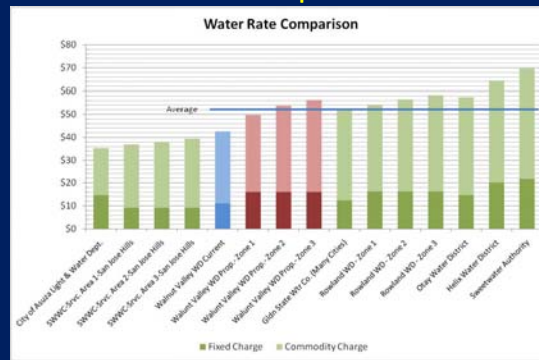
User Class	Consumption Block	Differential	Proposed Rate (\$/HCF)	Current Rate (\$/HCF)
Single Family Residential	0-12	1.00	\$ 1.75	\$ 1.75
	13-39	1.25	\$ 2.19	
	39+	2.00	\$ 3.50	
Multi-Family/Apt/Townhomes			\$ 2.06	\$ 1.75
Non-Residential Commercial/Industrial Government/Irrigation			\$ 2.10	\$ 1.75
			\$ 2.10	\$ 1.75
Recycled			\$ 1.49	1.49

Bill Zone Surcharges

Bill Zone	Pumping Zones	Power & Maintenance (\$)	Consumption (HCF)	Bill Zone Surcharge (\$/HCF)	Cumulative Surcharge
1	930, 770, 875		4,357,226	None	
2	1043, 1050, 1200, 1275H, 1000R, 970R, 1000H	\$911,690	4,208,396	\$0.220	\$0.220
3	1350, 1350H, 1175R	\$152,912	990,468	\$0.150	\$0.370
Total		\$1,064,602	9,556,090		



Rate Comparison



Questions?

