

WALNUT VALLEY WATER DISTRICT
271 South Brea Canyon Road
Walnut, California 91789

SPECIAL BOARD MEETING
THURSDAY, OCTOBER 24, 2013 – 4:00 P.M.
AGENDA

NOTE: To comply with the Americans with Disabilities Act, if you need special assistance to participate in any Board meeting, please contact the General Manager's office at least 48 hours prior to a Board meeting to inform the District of your needs and to determine if accommodation is feasible.

Each item on the agenda shall be deemed to include any appropriate motion, resolution, or ordinance, to take action on any item.

Materials related to an item on this agenda submitted after distribution of the agenda packet are available for public review during regular business hours at the District office, located at 271 S. Brea Canyon Road, Walnut, California.

1. Flag Salute
2. Roll Call: Ms. Carrera_____ Mr. Ebenkamp_____ Mr. Hilden_____ Ms. Kwong_____ Dr. Wu_____
3. Public Comment_____Mr. Hilden
The Presiding Officer may impose reasonable limitations on public comments to assure an orderly and timely meeting.
 - A. **Agenda Items** - Any person desiring to address the Board of Directors on any Agenda item may do so at the time the item is considered on the Agenda by requesting the privilege of doing so at this time and stating the Agenda item to be addressed. At the time the item is discussed, those requesting to speak will be called to do so.
 - B. **Non-Agenda Items** - At this time the public shall have an opportunity to comment on any non-agenda item relevant to the jurisdiction of the District. Reasonable time limits on each topic and on each speaker are imposed in accordance with Board policy.
4. Discussion, Consideration and Possible Action of Possible Water Rate Adjustment Effective January 1, 2014, with all Proposed Adjustments within the Parameters of the Previously Approved Rate Structure
 - A. Discussion
 - B. Action Taken
5. Consider Adoption of Policy Objectives for Guiding Water Rate Design
 - A. Discussion
 - B. Action Taken

Adjournment

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
DATE: October 24, 2013
SUBJECT: Discussion, Consideration and Possible Action of Possible Water Rate Adjustment Effective January 1, 2014, with all Proposed Adjustments within the Parameters of the Previously Approved Rate Structure

Action/Discussion Fiscal Impact Resolution Information Only

Recommendation

That the Board of Directors consider approval of Rate Scenario No. 3 to be effective January 1, 2014.

Background Information

In response to the increase in the cost of water, internal costs, debt financing and to ensure sufficient reserves, staff has compiled various rate scenarios for discussion, review, and possible adoption by the Board.

- Effective January 1, 2014, the District will be buying water from TVMWD/MWD at a cost of \$875 per acre foot - or *\$2.01 per ccf*.
- This past March the District issued approximately \$20 million in debt to finance various alternative water resource projects. The annual debt payment for the current year is \$1,225,191.
- At the end of the fiscal year (June 30, 2014) the budget projects reserve funding of approximately \$766,000. This figure is approximately \$2.75 million below the District's current annual reserve funding goal of \$3.525 Million.

Rate Scenarios

The underlying methodology for the District's rate structure is based on the cost-to-serve each of the District's user classes. This approach recognizes that the cost-to-serve each user class not only depends on the amount of water demanded but also the manner in which it is demanded, also known as 'peaking' or 'capacity' needs.

Based on the current budget (FY 2013-14) the District's revenue requirement is \$30,752,554. This presumes all budgeted revenues will be recognized and all budgeted expenses will be incurred. Recognizing that actual revenues and expenses typically vary from budget amounts along with the potential to reduce annual reserves, the scenarios presented offer alternatives that balance the financial needs of the District along with the desire to minimize rate increases to our customers.

Each rate scenario provides sufficient revenues to meet the operating needs of the District, ensures compliance with all bond covenants, but varies with respect to the estimated reserves that would be funded.

Scenario No. 1

The impact of the increase for the average residential customer ranges from 6.41% to 6.79%.¹ Based on this scenario reserve funding is estimated to be approximately \$2.3 million, assuming unspent expenditures of \$750,000.

¹ The "average" residential customer described for each scenario uses a 5/8-inch or 3/4-inch meter, using 24 units of water

Scenario No. 2

The impact of the increase for the average residential customer ranges from 7.43% to 7.92%. Based on this scenario reserve funding is estimated to be approximately \$2.4 million, assuming unspent expenditures of \$750,000.

Scenario No. 3

The impact of the increase for the average residential customer ranges from 8.73% to 9.36%. Based on this scenario reserve funding is estimated to be approximately \$2.5 million, assuming unspent expenditures of \$750,000.

Scenario No. 4

The impact of the increase for the average residential customer ranges from 11.05% to 11.94%. Based on this scenario reserve funding is estimated to be approximately \$2.7 million, assuming unspent expenditures of \$750,000.

Scenario No. 5²

The impact of the increase for the average residential customer ranges from 11.92% to 12.90%. Based on this scenario reserve funding is estimated to be approximately \$2.8 million, assuming unspent expenditures of \$750,000.

Reserve Funding Impacts

In addition to the rate scenarios analyzed, staff also evaluated the impact of the rates relative to Reserve for Replacement funding. As you know, the District's Asset Replacement Funding Model identified a need for approximately \$2.3 million dollars annually to fund future system replacements and maintain the minimum reserve balance per the District's approved Reserve Policy. The Asset Replacement Funding Model assumes all assets will be replaced at the anticipated end of their useful life. Staff has recently prepared a twenty-year asset replacement plan that has identified system replacement projects reasonably anticipated to be required over that period.

The plan also allows staff to analyze the impact on reserve balance for various funding levels over the planning horizon. Based on the plan and the reserve funding analysis, funding for the Reserve for Replacement would be adequate if reserve funding levels are maintained between \$1.5 and \$1.75 million annually.

At these levels total reserve funding, including OPEB and Capital, would need to be between \$2.75 and \$3.0 million annually.

Based on an evaluation of the various rate scenarios and the impact on reserve funding, staff recommends that the Board adopt rate increase Scenario 3. Scenario 3 includes a rate increase, for our average residential customer, of less than 10%. This percentage increase is consistent with increases approved over the past several years, and staff believes balances the funding needs of the District with rates that are affordable and manageable for our customers.

Attachments:

- ✓ Rate Scenarios detail
- ✓ District's recent rate history
- ✓ Asset Replacement Schedule

² Scenario 5 was added since the September 19, 2013 Special Board Workshop.

Walnut Valley Water District – Rate History

Monthly Meter Charges

Meter Size	1/1/2004	7/1/2001	4/1/2010	4/1/2011	1/1/2012	1/1/2013
	Residential	Commercial / Industrial	All Customers	All Customers	All Customers	All Customers
5/8" or 3/4"	11.01	13.43	16.03	16.03	16.03	16.33
1"	17.82	21.63	20.21	20.21	20.21	20.75
1-1/2"	33.64	40.25	42.74	42.74	42.74	44.64
2"	53.59	64.05	65.25	65.25	65.25	68.51
3"	100.94	118.71	118.67	118.67	118.67	125.12
4"	164.19	194.97	194.78	194.78	194.78	205.80
6"	318.25	384.76	380.43	380.43	380.43	402.72
8"	503.10	613.20	603.79	603.79	603.79	639.61

Monthly Fire Service Charges

Line Size	1/1/2004	1/1/2002	4/1/2010	4/1/2011	1/1/2012	1/1/2013
	Residential	Commercial / Industrial	All Customers	All Customers	All Customers	All Customers
1"	11.01	13.43	16.04	16.04	16.04	16.48
1-1/2"	11.01	13.43	16.43	16.43	16.43	16.89
2"	11.01	13.43	16.81	16.81	16.81	17.30
4"	11.01	13.43	19.43	19.43	19.43	20.09
6"	11.01	13.43	22.13	22.13	22.13	22.99
8"	17.82	21.63	25.51	25.51	25.51	26.60
10"	33.64	40.25	28.89	28.89	28.89	30.21
Private Hydrant	22.00	22.00	22.13	22.13	22.13	22.99

Commodity Rates

Customer Rate Class	7/1/2005	4/1/2010	4/1/2011	1/1/2012	1/13/2013
Single Family Residential Tier Blocks					
Tier 1 (0-12 Units)	n/a	1.75	1.75	1.92	2.16
Tier 2 (13-39 Units)	n/a	2.19	2.19	2.40	2.70
Tier 3 (40 + Units)	n/a	2.19	2.19	2.40	2.70
Single Family Residential	1.75	n/a	n/a	n/a	n/a
Multi-Family Residential	1.75	2.06	2.23	2.32	2.56
Commercial / Industrial	1.75	2.10	2.34	2.39	2.61
Recycled	1.49	1.49	1.49	1.49	1.49

Pump Zone Surcharges

Zone	7/1/2005	4/1/2010	4/1/2011	1/1/2012	1/1/2013
Zone 1	n/a	0.00	0.00	0.00	0.00
Zone 2	n/a	0.18	0.18	0.18	0.18
Zone 3	n/a	0.33	0.33	0.33	0.34

Walnut Valley Water District
Asset Replacement Schedule

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Asset Class	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Reservoir Coatings		1,100,000.00	1,670,000.00	630,000.00	930,000.00	400,000.00	100,000.00	180,000.00	130,000.00	-	100,000.00	-	75,000.00	600,000.00	-	400,000.00	645,000.00	930,000.00	300,000.00	630,000.00	260,000.00	-
Pump Stations		780,000.00	450,000.00	425,000.00	275,000.00	250,000.00	250,000.00	250,000.00	-	-	-	220,000.00	265,000.00	140,000.00	160,000.00	120,000.00	105,000.00	100,000.00	-	-	-	160,000.00
Other Assets		2,649,000.00	720,000.00	1,550,000.00	550,000.00	600,000.00	1,600,000.00	1,600,000.00	1,600,000.00	1,600,000.00	1,600,000.00	1,600,000.00	1,650,000.00	1,650,000.00	650,000.00	650,000.00	650,000.00	700,000.00	700,000.00	700,000.00	700,000.00	700,000.00
Total		\$ 4,529,000.00	\$ 2,840,000.00	\$ 2,605,000.00	\$ 1,755,000.00	\$ 1,250,000.00	\$ 1,950,000.00	\$ 2,030,000.00	\$ 1,730,000.00	\$ 1,600,000.00	\$ 1,700,000.00	\$ 1,820,000.00	\$ 1,990,000.00	\$ 2,390,000.00	\$ 810,000.00	\$ 1,170,000.00	\$ 1,400,000.00	\$ 1,730,000.00	\$ 1,000,000.00	\$ 1,330,000.00	\$ 960,000.00	\$ 860,000.00
Cumulative Expenses		4,529,000.00	7,369,000.00	9,974,000.00	11,729,000.00	12,979,000.00	14,929,000.00	16,959,000.00	18,689,000.00	20,289,000.00	21,989,000.00	23,809,000.00	25,799,000.00	28,189,000.00	28,999,000.00	30,169,000.00	31,569,000.00	33,299,000.00	34,299,000.00	35,629,000.00	36,589,000.00	37,449,000.00
Replacement Reserve Funding	\$	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00	2,275,000.00
Funding Alternative 1	\$	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00	1,250,000.00
Funding Alternative 2	\$	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00
Funding Alternative 3	\$	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00	1,750,000.00
Funding Alternative 4	\$	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00
Replacement Reserve Balance	22,216,042.92	\$ 19,962,042.92	\$ 19,397,042.92	\$ 19,067,042.92	\$ 19,587,042.92	\$ 20,612,042.92	\$ 20,937,042.92	\$ 21,182,042.92	\$ 21,727,042.92	\$ 22,402,042.92	\$ 22,977,042.92	\$ 23,432,042.92	\$ 23,717,042.92	\$ 23,602,042.92	\$ 25,067,042.92	\$ 26,172,042.92	\$ 27,047,042.92	\$ 27,592,042.92	\$ 28,867,042.92	\$ 29,812,042.92	\$ 31,127,042.92	\$ 32,542,042.92
Funding Alternative 1 Balance	22,216,042.92	\$ 18,937,042.92	\$ 17,347,042.92	\$ 15,992,042.92	\$ 15,487,042.92	\$ 15,487,042.92	\$ 14,787,042.92	\$ 14,007,042.92	\$ 13,527,042.92	\$ 13,177,042.92	\$ 12,727,042.92	\$ 12,157,042.92	\$ 11,417,042.92	\$ 10,277,042.92	\$ 10,717,042.92	\$ 10,797,042.92	\$ 10,647,042.92	\$ 10,167,042.92	\$ 10,417,042.92	\$ 10,337,042.92	\$ 10,627,042.92	\$ 11,017,042.92
Funding Alternative 2 Balance	22,216,042.92	\$ 19,187,042.92	\$ 17,847,042.92	\$ 16,742,042.92	\$ 16,487,042.92	\$ 16,737,042.92	\$ 16,287,042.92	\$ 15,757,042.92	\$ 15,527,042.92	\$ 15,427,042.92	\$ 15,227,042.92	\$ 14,907,042.92	\$ 14,417,042.92	\$ 13,527,042.92	\$ 14,217,042.92	\$ 14,547,042.92	\$ 14,647,042.92	\$ 14,417,042.92	\$ 14,917,042.92	\$ 15,087,042.92	\$ 15,627,042.92	\$ 16,267,042.92
Funding Alternative 3 Balance	22,216,042.92	\$ 19,437,042.92	\$ 18,347,042.92	\$ 17,492,042.92	\$ 17,487,042.92	\$ 17,987,042.92	\$ 17,787,042.92	\$ 17,507,042.92	\$ 17,527,042.92	\$ 17,677,042.92	\$ 17,727,042.92	\$ 17,657,042.92	\$ 17,417,042.92	\$ 16,777,042.92	\$ 17,717,042.92	\$ 18,297,042.92	\$ 18,647,042.92	\$ 18,667,042.92	\$ 19,417,042.92	\$ 19,837,042.92	\$ 20,627,042.92	\$ 21,517,042.92
Funding Alternative 4 Balance	22,216,042.92	\$ 19,687,042.92	\$ 18,847,042.92	\$ 18,242,042.92	\$ 18,487,042.92	\$ 19,237,042.92	\$ 19,287,042.92	\$ 19,257,042.92	\$ 19,527,042.92	\$ 19,927,042.92	\$ 20,227,042.92	\$ 20,407,042.92	\$ 20,417,042.92	\$ 20,027,042.92	\$ 21,217,042.92	\$ 22,047,042.92	\$ 22,647,042.92	\$ 22,917,042.92	\$ 23,917,042.92	\$ 24,587,042.92	\$ 25,627,042.92	\$ 26,767,042.92

WVWD – Staff Report



TO: Board of Directors
FROM: General Manager
SUBMITTED BY:: Director of Finance and the Assistant General Manager
DATE: October 24, 2013
SUBJECT: Consider Adoption of Policy Objectives for Guiding Water Rate Design

Action/Discussion

Fiscal Impact

Resolution

Information Only

RECOMMENDATION

It is recommended that the Board adopt the *Policy Objectives for Guiding Rate Design*, and that the primary emphasis for developing and selecting a rate design be based on the “most important” and “very important” pricing objectives, as determined by the Board.

Background

In July of this year, the District Board provided direction to District staff regarding rate-design policy objectives by reviewing and prioritizing various pricing objectives.

The outcomes, as displayed in the ‘Results’ section (see below), reflect the aggregate of the Board’s selection for each pricing objective according to a range of *Least Important* to *Most Important* in terms of meeting the District’s goals and objectives.

Two pricing objectives were selected as “most important”:

- 1) Enhance revenue stability; and
- 2) Affordability for essential use.

Five pricing objectives determined to be “very important:”

- 1) Consistent with drought action plan;
- 2) Fair to the public;
- 3) Mitigate customer impact;
- 4) Rate stability; and
- 5) Customer understanding.

Based on the pricing objectives, District staff and the rate consultant have developed “Policy Objectives for Guiding Rate Design – Administration, Equity, Funding Mechanisms, Rate Stability/Affordability, and, Water-Use Efficiency/Conservation.” The pricing objectives have been incorporated into the Policy Objectives and will serve as the foundation for the rate design process.

Staff recommends that the Board adopt the *Policy Objectives for Guiding Rate Design*, and that the primary emphasis for developing and selecting a rate design be based on the “most important” and “very important” pricing objectives, as determined by the Board, and listed above.

RESULTS

The table below shows the results of the Board’s voting on pricing objectives.

Importance Rankings	Pricing Objectives
Most Important	Enhance revenue stability
	Affordability for essential use
Very Important	Consistent with drought action plan
	Fair to the public
	Mitigate customer impact
	Rate stability
	Customer understanding
Important	Equitable in allocating CIP cost
	Equitable in allocating water resource cost
	Ease-of-administration
	Promotes efficiency
	Promotes conservation
	Ease-of-implementation
Least Important	Provide revenue source for RW/conservation
	Consistent residential rates (SF & MF)
	Target outdoor water use

Attachment:

- ✓ Policy Objectives for Guiding Rate Design

Walnut Valley Water District Policy Objectives for Guiding Rate Design

POLICY OBJECTIVE 1: ADMINISTRATION

Policy Statement: The District Board recognizes the advantages of providing a rate structure that is easily understood by District Customers and can easily be implemented and administered by staff with the current billing software.

Discussion: This principle highlights the importance of keeping rate structures and the process of administering them simple. Customer education and clarity of customer bills should be considered as part of this principle.

Advantages of the Policy Objective: Creating rates that are easy for customers to understand will minimize rate-related customer service issues. If customers understand the basis of their bills, they will have a greater ability to comprehend their billing, how usage will affect their bill, and conclude that it is fair.

Disadvantage of the Policy Objective: Simplifying the rate structure does not always provide a maximum degree of fairness and equity. However, from the customer perspective, rates that are simple to understand may be more important than creating a complicated rate structure that achieves a higher degree of equity.

Pricing Objectives

Primary Objectives

- **CUSTOMER UNDERSTANDING** – The ability for the rate structure to be explained in a manner that can be understood by customers and other stakeholders can have important impacts on the ability to build acceptance of rate adjustments. The degree of customer understanding can be measured through their understanding between current and a proposed rate structure.

Secondary Objectives

- **EASE-OF-IMPLEMENTATION** – Implementing a new rate structure merits careful consideration, as rate structure implementation requires an upfront (one-time) cost such as for data gathering or billing system changes.
- **EASE-OF-ADMINISTRATION** – An easy-to-administer rate structure decreases the ongoing costs of administering the structure, made up predominantly of additional staffing costs.

POLICY OBJECTIVE 2: EQUITY

Policy Statement: In compliance with the State Constitution (Article XIII D) and governing statutes of State Law, rates should be cost-based, fairly apportioned among customers, and account for the substantive provisions of law through a sound, technically defensible methodology.

Discussion: This principle highlights the importance to the District Board of the customer's perception of fairness and equity, while also recognizing that an absolute equity among all

customers and customer classes may not be achieved. Rates should generally be perceived by the District's customers as fair, reasonable, and equitable for all customers.

Advantages of the Policy Objective: An advantage of this principle is that it reinforces the District Board's priority of treating all customers fairly. It also underscores the importance of "District-wide" fairness and equity as opposed to appealing once customer class or stakeholder group. Also, it acknowledges the practical obstacles that may prevent perfect equity, such as, excessive administrative cost solely to achieve additional equity.

Disadvantages of the Policy Objective: This principle ultimately does not clearly define the terms "fair and equitable" and will still require the District Board to apply its discretion and judgment.

Pricing Objectives

Primary Objectives

- **FAIR TO THE PUBLIC** – This objective recognizes the relevance of the public's perception of how equitable a rate structure is and that managing that perception sometimes calls for informing/educating the public and other stakeholders.

Secondary Objectives

- **EQUITABLE IN ALLOCATING WATER RESOURCE COST** – This objective states that a rate structure achieves equity by reflecting the makeup of the demands on water supply in terms of allocation to each customer and the price each customer pays for it.
- **EQUITABLE IN ALLOCATING CIP COST** – This objective states that a rate structure achieves equity by allocating the cost of capital (infrastructure) to each customer class based on each class' consumption patterns and peaking characteristics.
- **CONSISTENT RESIDENTIAL RATES (SF & MF)** – This objective would strive to have similar rate structures for all residential customer types – both single-family (SF) and multi-family (MF), if administratively possible.

POLICY OBJECTIVE 3: APPROPRIATE FUNDING MECHANISMS

Policy Statement: The District Board recognizes the advantages of increased revenue sufficiency and stability as enabled by incorporating additional funding mechanisms or cost components into the rate structure.

Discussion: This principle highlights the importance of the utility to ensure adequate revenue generation for achieving a self-sustaining enterprise. Revenues must be adequate to satisfy salaries, operations and maintenance, and new and existing capital needs. Revenue generation should also be predictable to maintain favorable credit ratings (borrowing terms for critical infrastructure).

Advantages of the Policy Objective: The good financial practice of ensuring revenue sufficiency and stability begets additional gains in financial health; better credit ratings lower interest expense associated with borrowing to cover capital infrastructure costs.

Disadvantages of the Policy Objective: While pursuing a rate structure that promotes revenue stability and allows special-project funding is advantageous, setting rates to high can unfairly

charge users and may encourage the utility to be less fiscally responsible with operating and capital programs. In addition, the public may perceive the need as unnecessary.

Pricing Objectives

Primary Objectives

- **ENHANCE REVENUE STABILITY** – The ability of the rate structure to generate stable and predictable revenues from year to year can be an important consideration, particularly with regard to maintaining a good credit rating for borrowing money to address infrastructure needs, when needed and/or desired. It should be recognized that certain types of rate structures are more effective at maintaining revenue stability than others.

Secondary Objectives

- **PROVIDE REVENUE SOURCE FOR RECYCLING/CONSERVATION** – The rate structure should provide a funding mechanism to expand the recycling program of the agency, and in so doing, also determine the allocation of the program's costs among customers.

POLICY OBJECTIVE 4: RATE STABILITY & AFFORDABILITY

Policy Statement: The District Board recognizes the importance of establishing rates that generate adequate revenues from year to year, regardless of weather or consumption characteristics. Large and unexpected year-to-year rate changes impose financial hardships on customers and may decrease the District's favor with the public in terms of revenue management, fiscal responsibility, and rate equity.

Discussion: Rates are best when predictable over time, which requires a balance between generating sufficient revenue for utility operations, funding capital improvements, and maintaining customer support for required rate adjustments.

Advantages of the Policy Objective: The principle attempts to stabilize the cash flow of the District and improve customer support to rate adjustments through proper revenue management of the District.

Disadvantages of the Policy Objective: It is difficult to define "stable", as this term has different meanings for different people. Customers may construe stable to mean no increases from year to year.

Pricing Objectives

Primary Objectives

- **AFFORDABILITY FOR ESSENTIAL USE** – This objective addresses the importance of maintaining the price of water for essential use – i.e. that which is used for health and safety – at the lowest cost possible while considering the needs of the utility, industry practice, and regulatory conditions.
- **RATE STABILITY** – This objective aims to minimize rate increases. Careful capital and financial planning can ensure rate stability and avoid erratic changes in rates and charges from one year to the next. Also, a steady or consistent program of smaller annual rate adjustments is generally recognized as preferable to a significantly larger increase once every three or four years. *Note: This objective is not to be confused with Revenue Stability, detailed under Principle 3.*

- **MITIGATE CUSTOMER IMPACT** – Any new rate structure may result in different impacts to different customers. This objective recognizes these impacts and aim to minimize them.

POLICY OBJECTIVE 5: WATER-USE EFFICIENCY/CONSERVATION

Policy Statement: The value of water as a limited resource should be reflected in the rates, and the District’s rate structure should discourage wasteful use and encourage efficient use of water resources.

Discussion: This principle is intended to recognize the limited resources of the District and the State, as well as the environmental impact of generating new water resources. The District’s rates should encourage the efficient use of water. This principle is intended not to discourage reasonable uses of these resources but to encourage efficient use of limited resources by pricing water, as a commodity, roughly equal to its true cost.

Advantages of the Policy Objective: This principle recognizes the multiple uses of our natural resources and makes a positive statement to all customers and outside parties that the District encourages the efficient use of its limited resources.

Disadvantages of the Policy Objective: Some customers may believe this principle necessarily implies adoption of aggressive conservation-based rates such as multi-tiered rates.

Pricing Objectives

Primary Objectives

- **CONSISTENT WITH DROUGHT MANAGEMENT ACTION PLAN** – This objective encourages the District remain consistent with the drought management plan that it has in place. Commitment to the plan allows a mechanism to allocate both water and drought penalty rates during drought conditions.

Secondary Objectives

- **PROMOTES CONSERVATION** – The objective of water conservation aims to reduce total water use through a focus on reducing individual accounts that use above-average water use (that are asked to reduce their water use)
- **PROMOTES EFFICIENCY** – The objective of water efficiency includes development of benchmark standards associated with the appropriate amount of water use for indoor and outdoor water needs based on local characteristics of the District. Standards are set on an individual basis and on indoor and outdoor use parameters.
- **TARGET OUTDOOR WATER USE** – This objective targets outdoor water customers and use by determining the appropriate amount of water to allocate to outdoor use.