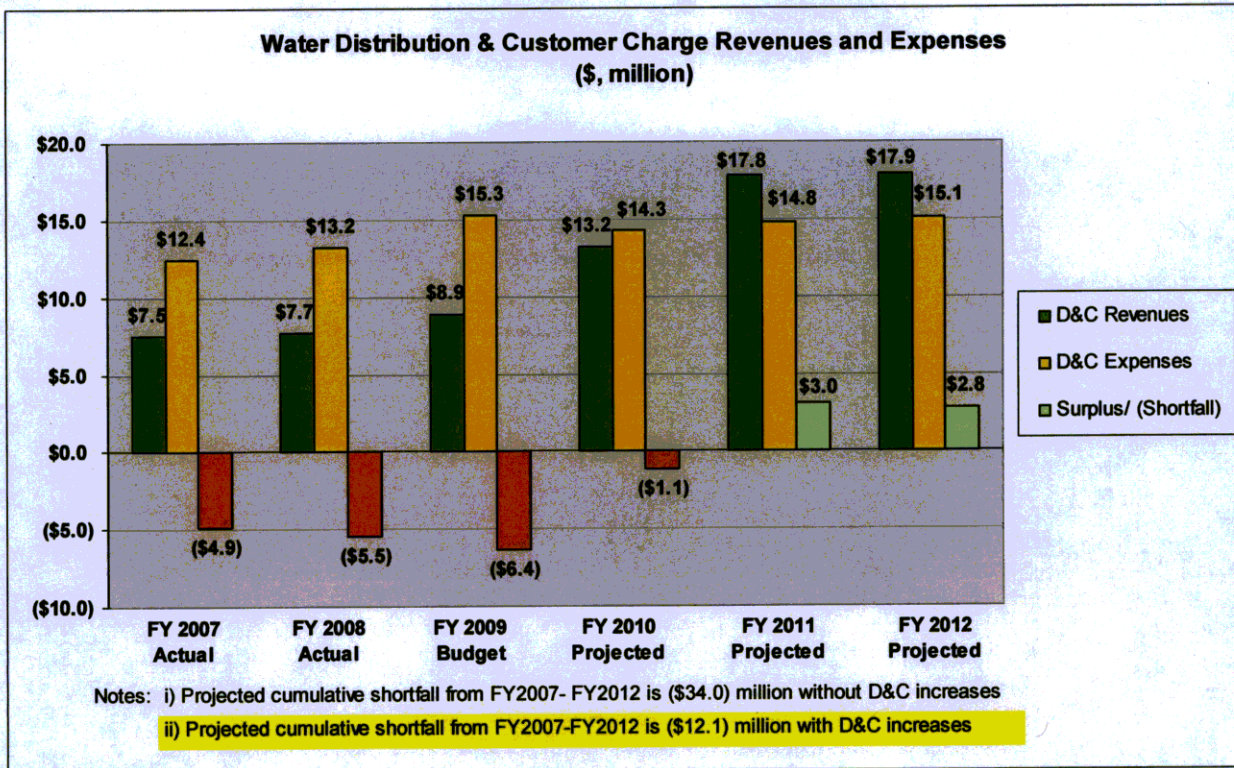


# Water Rate Proposal

## Chart 1

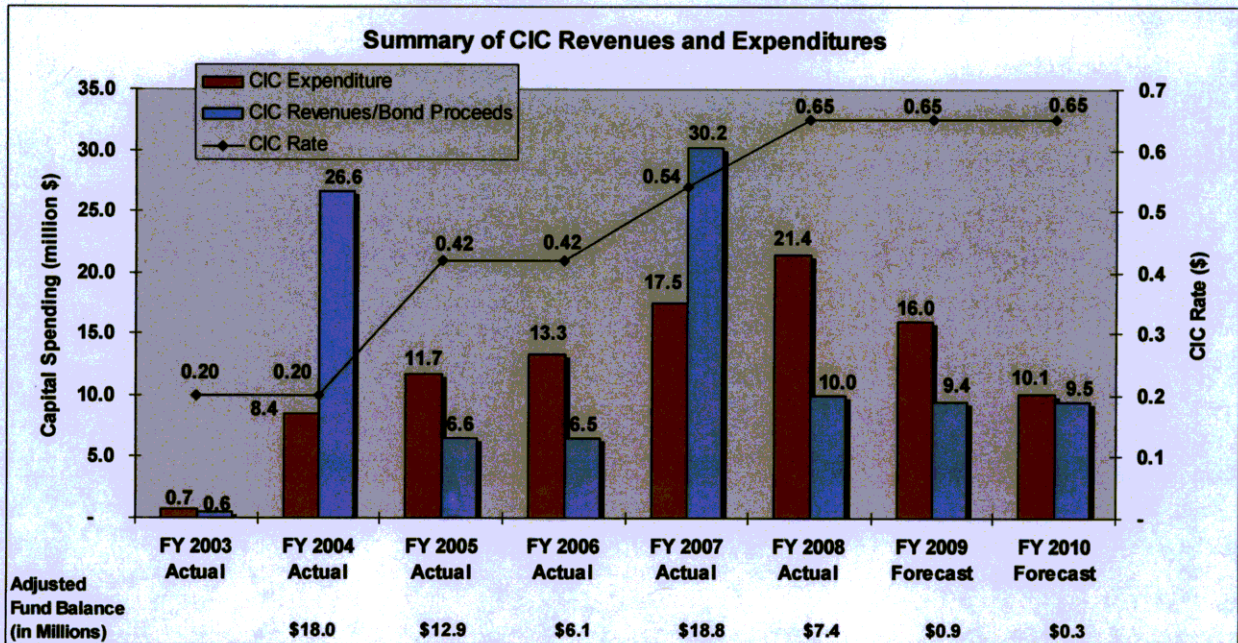


**Capital Improvement Charge (CIC)** – this rate component is intended to generate revenue dedicated to investment in the Water distribution system as approved in the Water Distribution System Master Plan (WDSMP). Revenues must also cover the principal portion of bonds issued to facilitate investment in the water infrastructure. The CIC rate is volumetric and the revenue generated varies with the amount of water consumed. The CIC which was established in 2002 averages about \$0.65 per billing unit of water delivered, and generates about \$10 million annually. Chart 2 provides a summary of the historical water capital spending including the CIC rates and expenditures since its inception.



# Water Rate Proposal

## Chart 2



**Commodity Charge and Purchased Water Adjustment Charge (PWAC)** – these rate components generate revenue to cover the costs of the actual water commodity, both groundwater and purchased water. The PWAC functions as a mechanism to pass through the increased cost of water purchased from the Metropolitan Water District (MWD) and additional production cost of local groundwater supply, not included in existing commodity charges to customers. The current commodity rates including PWAC generate about \$24 million annually. In July 2008, the City Council approved an increase of \$0.10 per billing unit to the commodity rate that will be effective in July 2009. A billing unit is equal to 748 gallons. This increase was required to pass-through increases in purchased water costs. Prior to the July 2008 PWAC adjustment of \$0.23 per BU, there were two PWAC adjustments implemented since October 2003; a \$0.03 per BU increase in October 2003 and a \$0.04 increase in December 2004.

### 1.2 Water Fund Financial Condition

Prior to the adoption of the FY 2009 operating budget, PWP conducted a revenue requirement analysis of the Water Fund and determined that revenues from existing rates were insufficient to meet projected FY 2009 revenue requirements. This finding was substantiated by the results of the Water Cost of Service Study (WCOS) completed by Red Oak Consulting in July 2008. The results of the WCOS were presented to the Municipal Services Committee in November 2008 although no specific rate adjustments were recommended at that time.

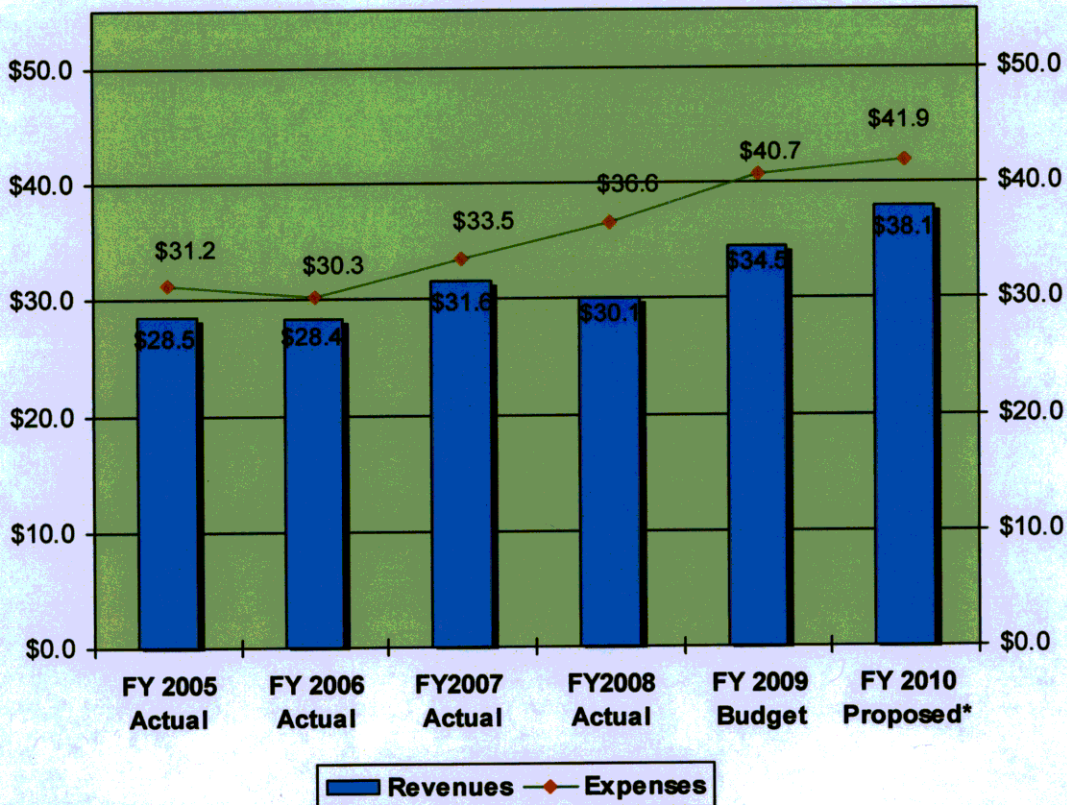


## Water Rate Proposal

Chart 3 depicts the relationship between the water fund operating expenses and revenues over the past five years and clearly shows the structural imbalance between revenues and expenses.

**Chart 3**

**Water Fund  
Operating Revenues and Expenses (in millions)\*\*  
FY 2005 – FY 2010**



\*Excludes proposed rate changes

\*\* This chart depicts operating revenues and expenses only and does **not** include CIC revenues or related capital expenditures

As discussed above, recent adjustments to the water rates have focused on the approved investment in the City's water infrastructure as approved in the Water Distribution System Master Plan through establishment and adjustments to the Capital Improvement Charge (CIC) and the pass-through of additional costs of both local groundwater and purchased water from the Metropolitan Water District (MWD) through the Purchased Water Adjustment Charge (PWAC).

PWP has undertaken significant measures in recent years to reduce operating costs and improve efficiencies. For fiscal year 2009, approximately \$500,000 will be saved through the postponement of vehicle purchases and reduced purchases of services and



# Water Rate Proposal

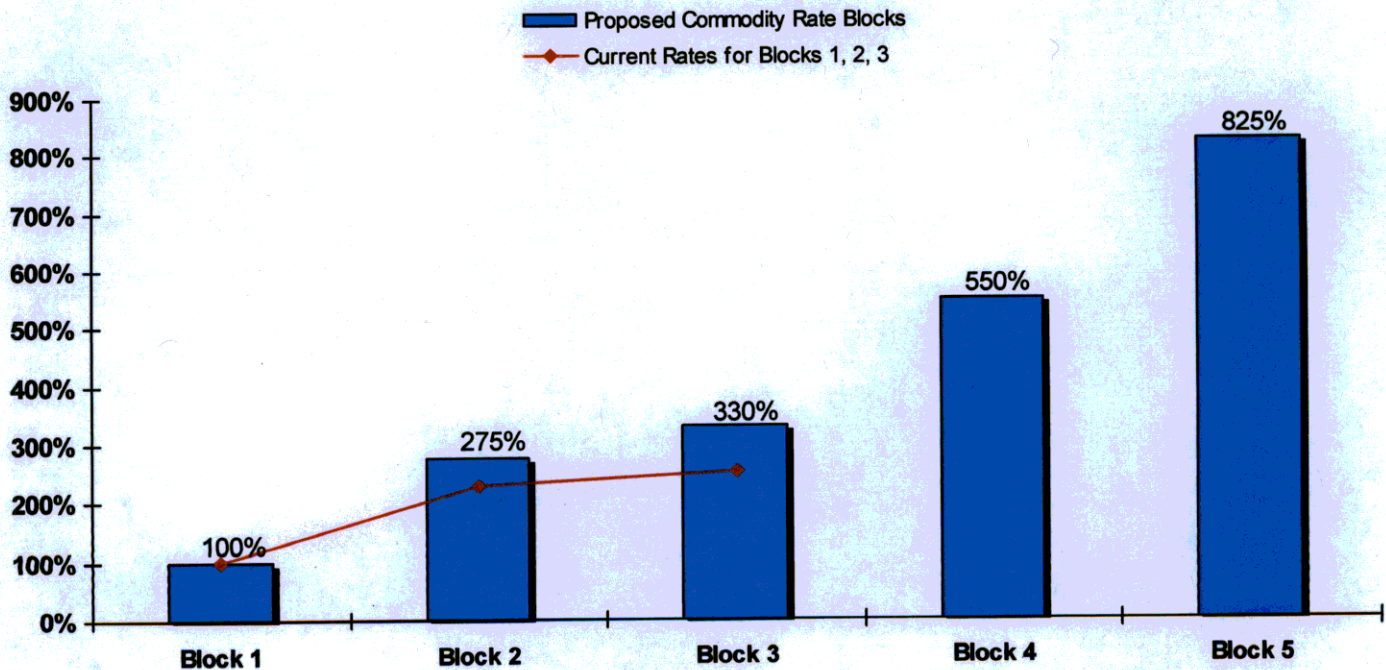
**Table 6**  
**Proposed Water Block Allocation and Commodity Rates**

<b>Usage by Block (BU/Month)</b>					
<b>Meter Size</b>	<b>Block 1</b>	<b>Block 2</b>	<b>Block 3</b>	<b>Block 4</b>	<b>Block 5</b>
5/8", 3/4"	0-8	9-24	25-34	35-46	>46
1"	0-12	13-40	41-60	61-90	>90
1-1/2"	0-22	23-86	87-132	133-188	>188
2"	0-48	49-188	189-290	291-405	>405
3"	0-116	117-500	501-860	861-1,300	>1,300
4"	0-225	226-1,000	1,001-1,800	1,801-3,000	>3,000
6"	0-500	501-5,600	5,601-8,800	8,801-12,000	>12,000
8"	0-500	501-5,600	5,601-10,000	10,001-14,000	>14,000
10", 12"	0-500	501-24,000	24,001-32,000	32,001-37,000	>37,000
<b>Commodity Rates per BU</b>					
Summer Rate - IC	\$0.91/BU	\$2.50/BU	\$3.00/BU	\$5.00/BU	\$7.51/BU
Winter Rate - IC	\$0.88/BU	\$2.43/BU	\$2.92/BU	\$4.86/BU	\$7.29/BU
Summer Rate - OC	\$1.14/BU	\$3.13/BU	\$3.76/BU	\$6.26/BU	\$9.39/BU
Winter Rate - OC	\$1.10/BU	\$3.04/BU	\$3.65/BU	\$6.08/BU	\$9.12/BU

Notes: Commodity rates shown above include approved July 2009 PWAC of \$0.10 per BU; IC = Inside City; OC = Outside City

Table 7 further illustrates the relationship between the proposed block pricing structure using Block 1 pricing as the base rate:

**Table 7**  
**Proposed Block Pricing Structure (as % of base rate)**



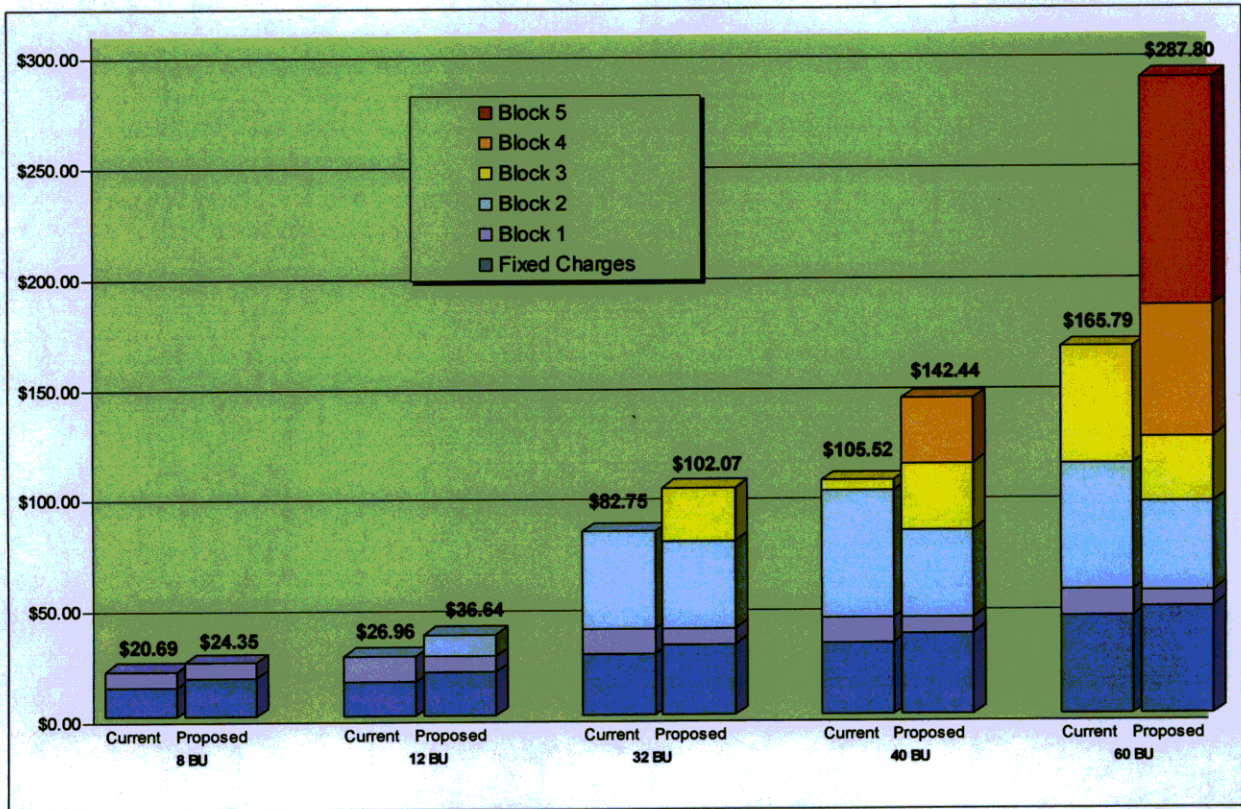


# Water Rate Proposal

## 5.0 CUSTOMER IMPACT OF PROPOSED CHANGES

The customer impact of the proposed changes to customers with 5/8", 3/4", 1", 1 1/2", 2", and 4" meters are shown in the charts below. The yellow highlighted areas in the tables below the charts indicate the average number of customers that will be affected within each block.

**Monthly Customer Bill Impact  
Inside City Annualized Average Excluding Taxes  
Small Residential with 5/8" or 3/4" Meter Connection**



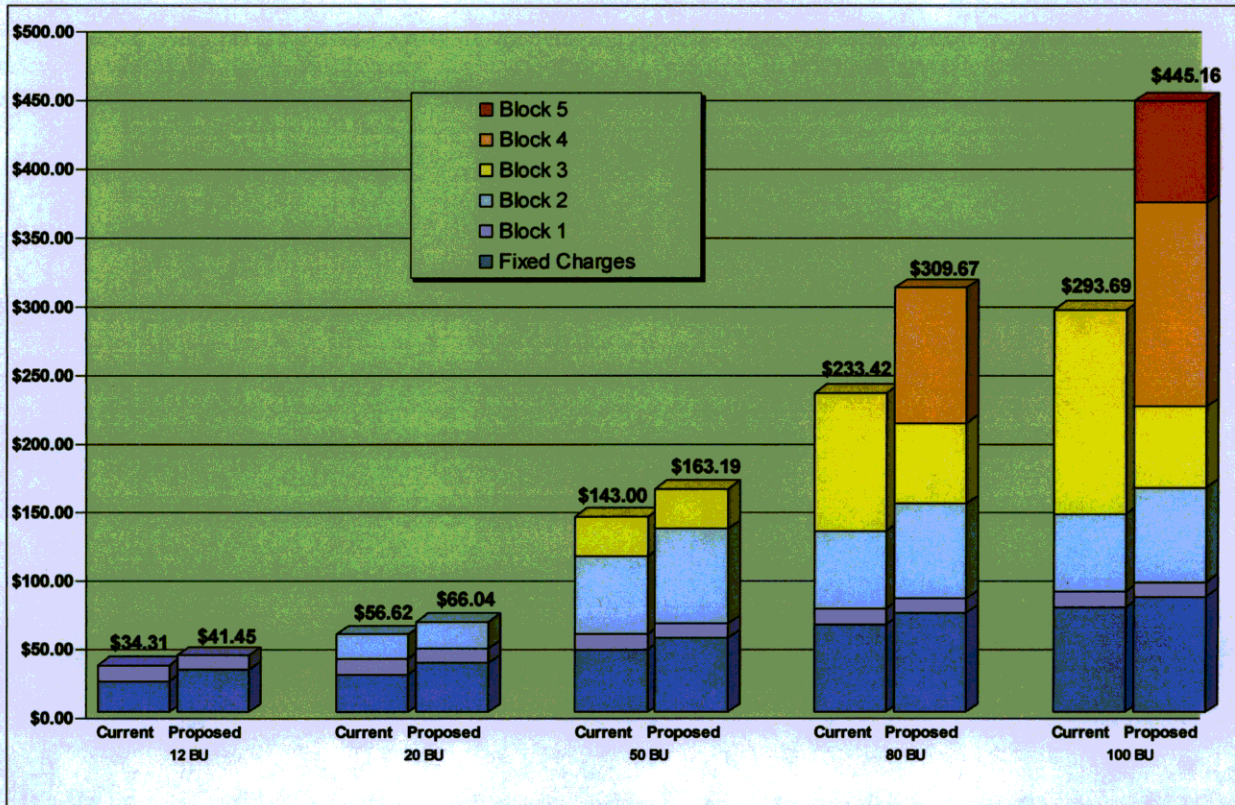
Meter Size	Average Number of Customers by Block Width					
	Block 1	Block 2	Block 3	Block 4	Block 5	Total
5/8" and 3/4"	5,291	10,787	2,890	1,252	790	21,010
1-inch	1,942	7,139	1,388	692	374	11,535
1 1/2-inch	618	1,157	221	98	65	2,159
2-inch	541	793	155	59	52	1,600
3-inch	105	116	16	6	4	247
4-inch	51	85	11	3	2	152
6-inch	37	38	2	1	1	79
8-inch	9	11	1	1	1	23
10-inch	1	0	0	0	1	2
<b>Total</b>	<b>8,595</b>	<b>20,126</b>	<b>4,684</b>	<b>2,112</b>	<b>1,290</b>	<b>36,807</b>



## Water Rate Proposal

As further clarification, 8 billing units (BU) is the equivalent of 5,984 gallons of water per month, or approximately 50 gallons per capita per day for a family of four. This is typically considered "low volume" usage, and is considered adequate to provide for indoor water usage requirements. Approximately 25% of PWP's residential customers in this meter size are already in the "low volume" category. These customers would see an increase of \$3.66 per month (17.7%) under the proposed rate structure.

### Monthly Customer Bill Impact Inside City Annualized Average Excluding Taxes Medium Single Family Resident with 1" Meter Connection

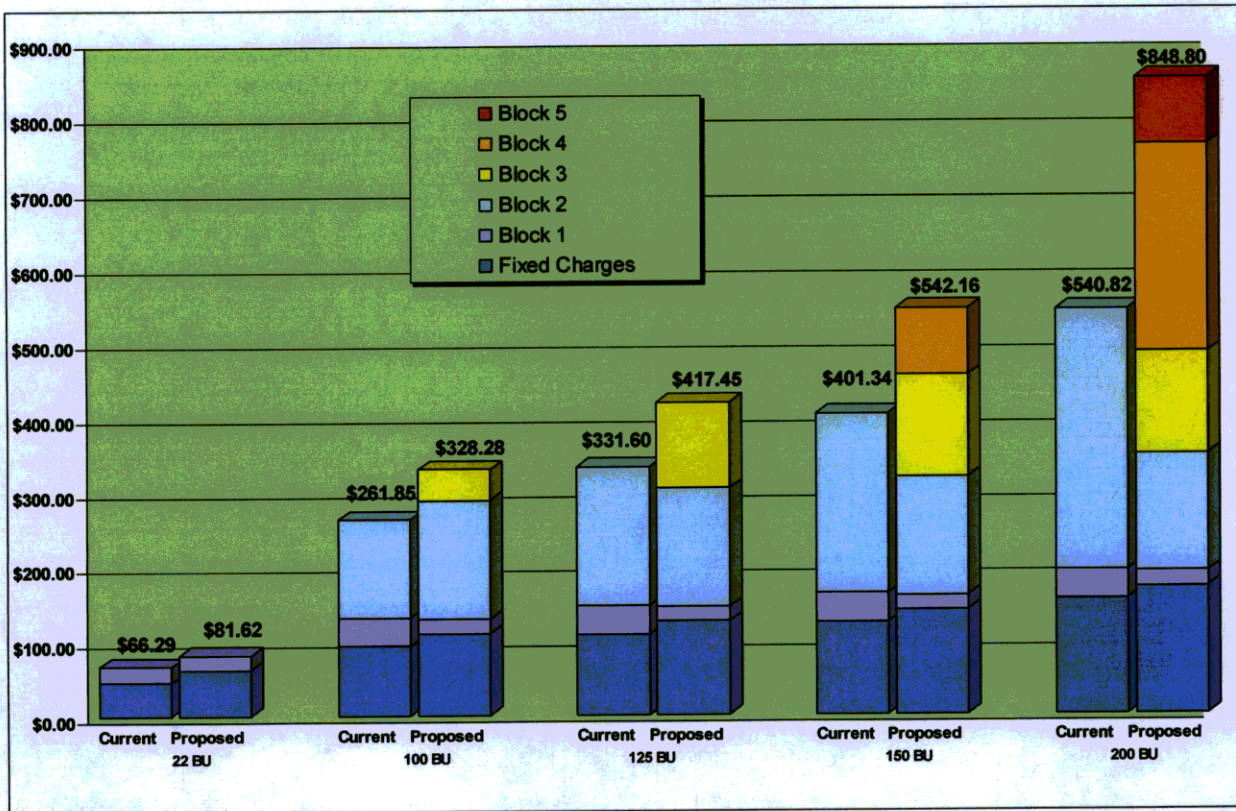


Meter Size	Average Number of Customers by Block Width					Total
	Block 1	Block 2	Block 3	Block 4	Block 5	
5/8" and 3/4"	5,291	10,787	2,890	1,252	790	21,010
1-inch	1,942	7,139	1,388	692	374	11,535
1 1/2-inch	618	1,157	221	98	65	2,159
2-inch	541	793	155	59	52	1,600
3-inch	105	116	16	6	4	247
4-inch	51	85	11	3	2	152
6-inch	37	38	2	1	1	79
8-inch	9	11	1	1	1	23
10-inch	1	0	0	0	1	2
<b>Total</b>	<b>8,595</b>	<b>20,126</b>	<b>4,684</b>	<b>2,112</b>	<b>1,290</b>	<b>36,807</b>



# Water Rate Proposal

## Monthly Customer Bill Impact Inside City Annualized Average Excluding Taxes Small Commercial with 1-1/2" Meter Connection

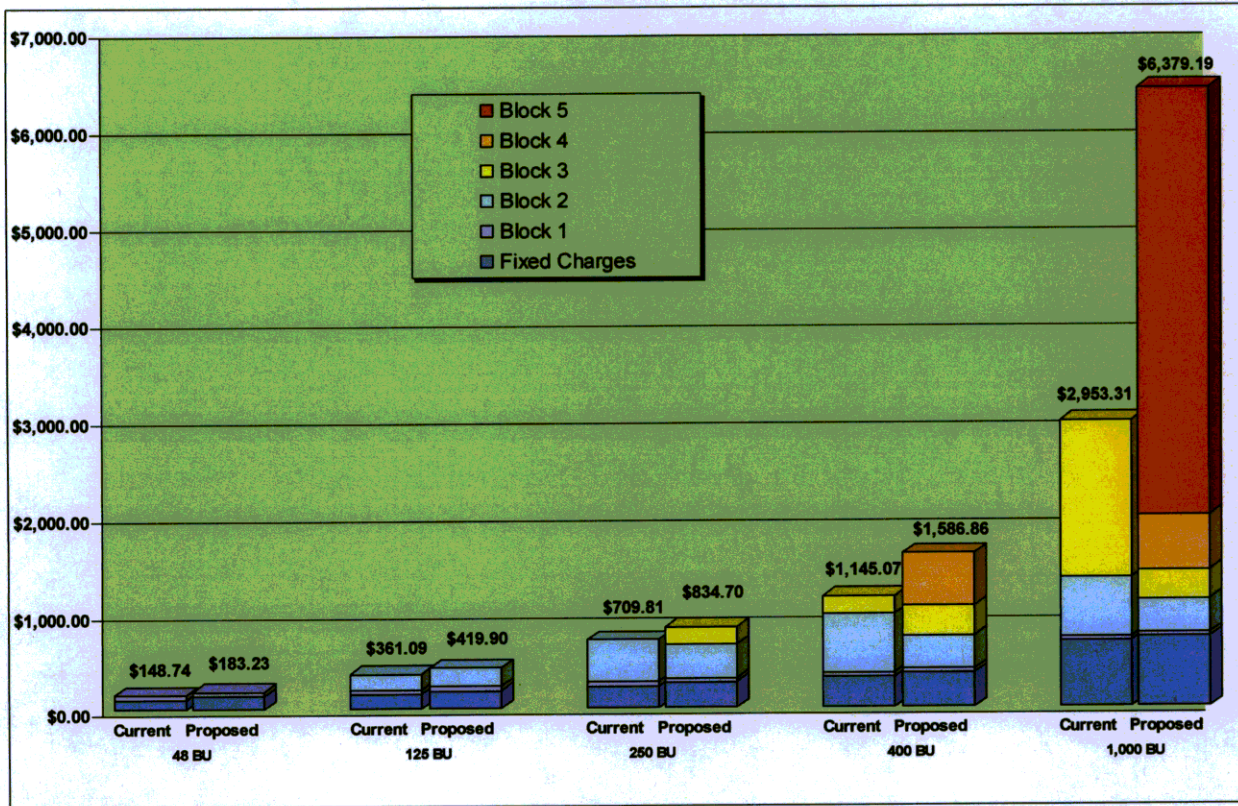


Meter Size	Average Number of Customers by Block Width					
	Block 1	Block 2	Block 3	Block 4	Block 5	Total
5/8" and 3/4"	5,291	10,787	2,890	1,252	790	21,010
1-inch	1,942	7,139	1,388	692	374	11,535
<b>1 1/2-inch</b>	<b>618</b>	<b>1,157</b>	<b>221</b>	<b>98</b>	<b>65</b>	<b>2,159</b>
2-inch	541	793	155	59	52	1,600
3-inch	105	116	16	6	4	247
4-inch	51	85	11	3	2	152
6-inch	37	38	2	1	1	79
8-inch	9	11	1	1	1	23
10-inch	1	0	0	0	1	2
<b>Total</b>	<b>8,595</b>	<b>20,126</b>	<b>4,684</b>	<b>2,112</b>	<b>1,290</b>	<b>36,807</b>



# Water Rate Proposal

## Monthly Customer Bill Impact Inside City Annualized Average Excluding Taxes Medium Commercial with 2" Meter Connection

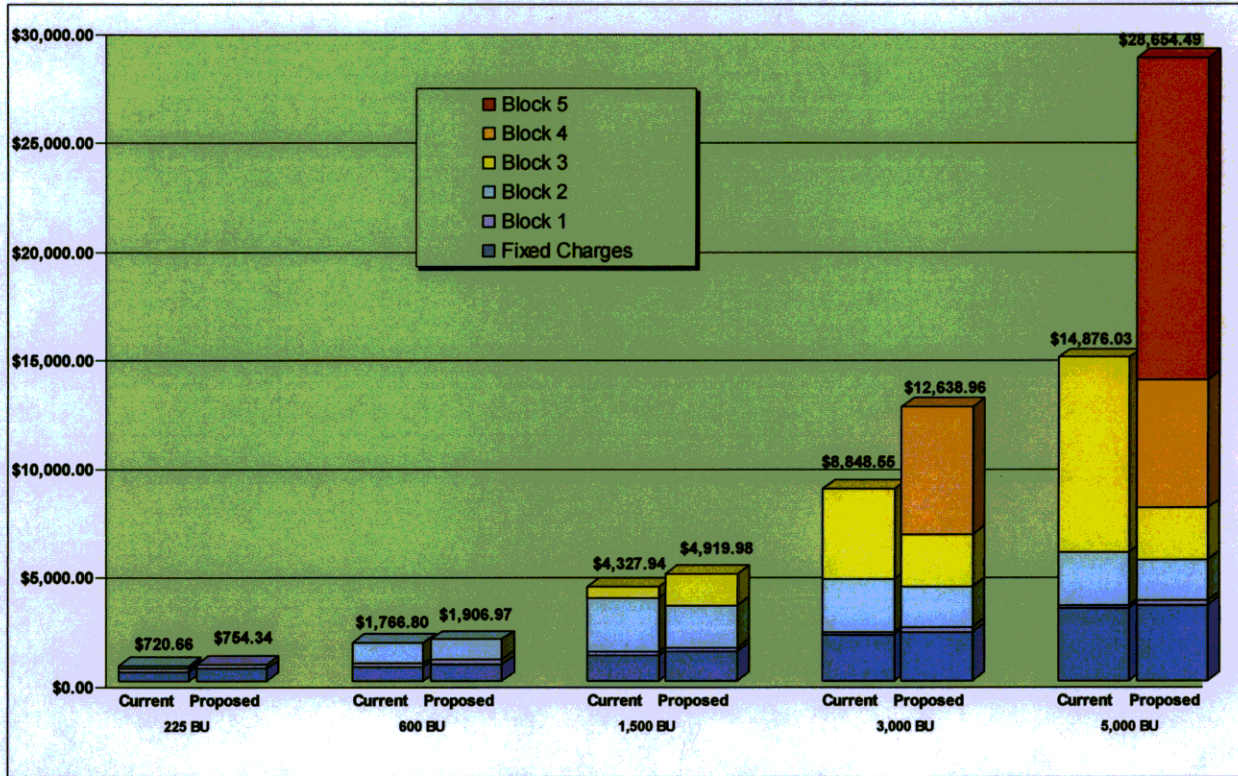


Meter Size	Average Number of Customers by Block Width					
	Block 1	Block 2	Block 3	Block 4	Block 5	Total
5/8" and 3/4"	5,291	10,787	2,890	1,252	790	21,010
1-inch	1,942	7,139	1,388	692	374	11,535
1 1/2-inch	618	1,157	221	98	65	2,159
<b>2-inch</b>	<b>541</b>	<b>793</b>	<b>155</b>	<b>59</b>	<b>52</b>	<b>1,600</b>
3-inch	105	116	16	6	4	247
4-inch	51	85	11	3	2	152
6-inch	37	38	2	1	1	79
8-inch	9	11	1	1	1	23
10-inch	1	0	0	0	1	2
<b>Total</b>	<b>8,595</b>	<b>20,126</b>	<b>4,684</b>	<b>2,112</b>	<b>1,290</b>	<b>36,807</b>



# Water Rate Proposal

## Monthly Customer Bill Impact Inside City Annualized Average Excluding Taxes Large Commercial with 4" Meter Connection



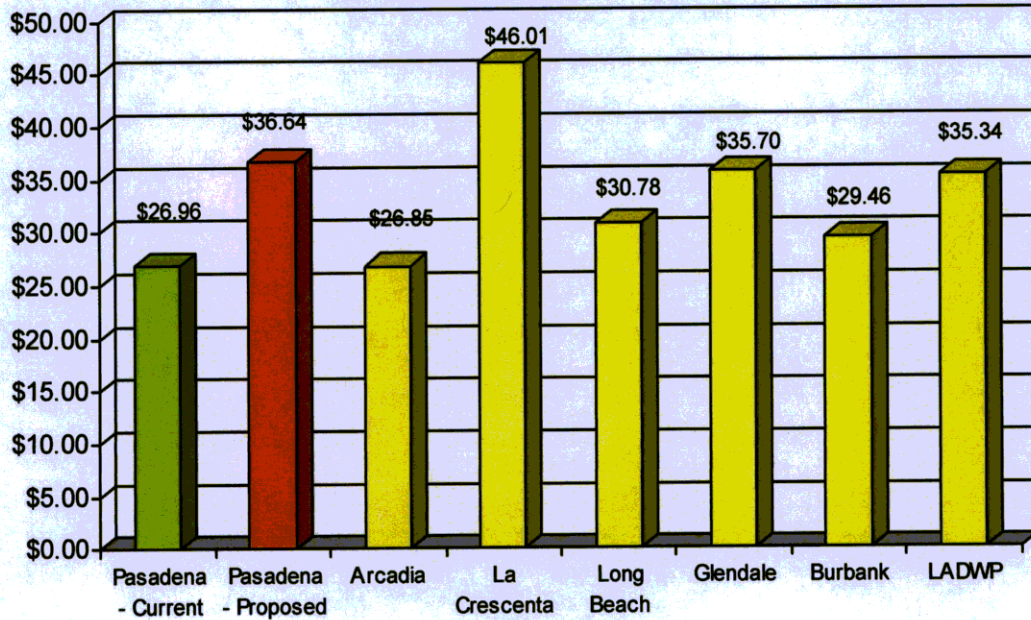
Meter Size	Average Number of Customers by Block Width					
	Block 1	Block 2	Block 3	Block 4	Block 5	Total
5/8" and 3/4"	5,291	10,787	2,890	1,252	790	21,010
1-inch	1,942	7,139	1,388	692	374	11,535
1 1/2-inch	618	1,157	221	98	65	2,159
2-inch	541	793	155	59	52	1,600
3-inch	105	116	16	6	4	247
4-inch	51	85	11	3	2	152
6-inch	37	38	2	1	1	79
8-inch	9	11	1	1	1	23
10-inch	1	0	0	0	1	2
<b>Total</b>	<b>8,595</b>	<b>20,126</b>	<b>4,684</b>	<b>2,112</b>	<b>1,290</b>	<b>36,807</b>



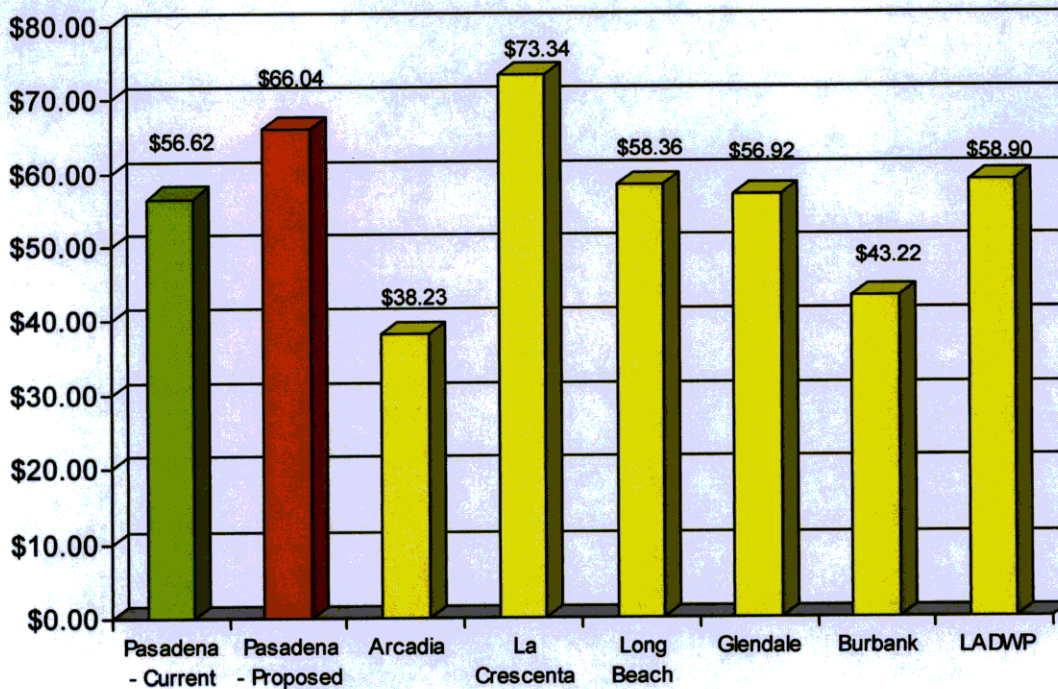
# Water Rate Proposal

## Rate Comparisons with Selected Neighboring Utilities Average Monthly Utility Bill (Annualized, Without Taxes)

### Small Residential Monthly Bill – 5/8" Meter Size, 12 BU



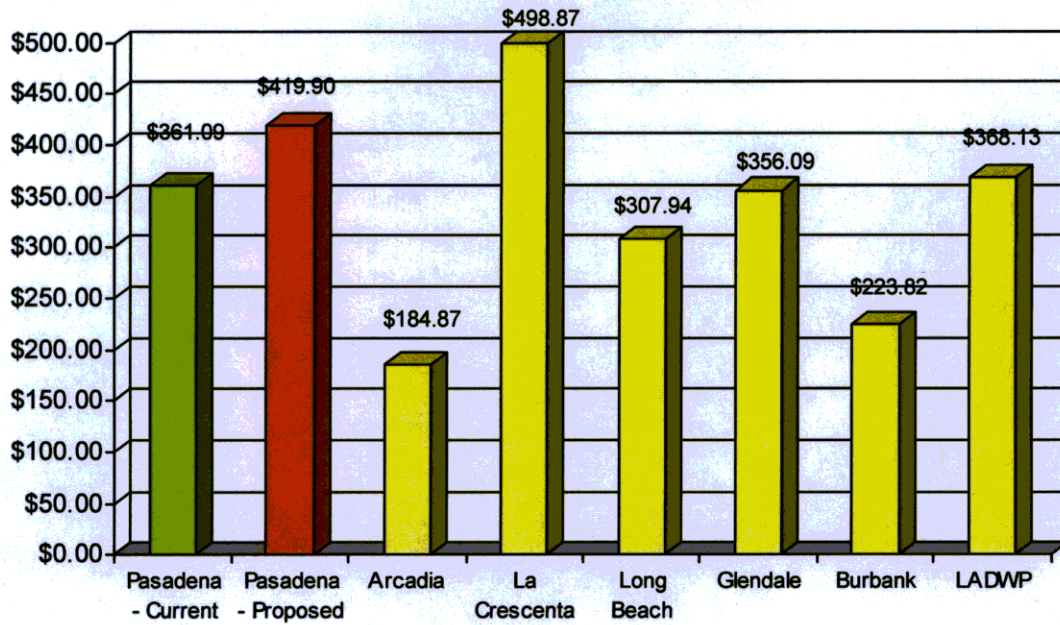
### Large Residential Monthly Bill – 1" Meter Size, 20 BU





# Water Rate Proposal

### Medium Commercial Monthly Bill – 2” Meter Size, 125 BU



### Commercial Monthly Bill – 4” Meter Size, 600 BU

