

Summary of Municipal Services Committee Recommendations re: Water Rate Proposal
 June 22, 2009

Recommended Modifications	Fiscal Impact	Operation/CIP Impact																
<p>1. Three-Year Implementation of Increase to Distribution and Customer Charge</p>	<p>Two-Year and Three-Year D&C Rate Impacts:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: right;"><u>Two-Year</u></td> <td style="text-align: right;"><u>Revenue</u></td> </tr> <tr> <td>7/1/09 51%</td> <td>\$4.3M</td> </tr> <tr> <td>7/1/10 34%</td> <td>\$4.5M</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td style="text-align: right;"><u>Three-Year</u></td> <td></td> </tr> <tr> <td>7/1/09 35%</td> <td>\$3.0M</td> </tr> <tr> <td>7/1/10 27%</td> <td>\$3.2M</td> </tr> <tr> <td>7/1/11 25%</td> <td>\$3.7M</td> </tr> </table>	<u>Two-Year</u>	<u>Revenue</u>	7/1/09 51%	\$4.3M	7/1/10 34%	\$4.5M			<u>Three-Year</u>		7/1/09 35%	\$3.0M	7/1/10 27%	\$3.2M	7/1/11 25%	\$3.7M	<ul style="list-style-type: none"> • Three smaller percentage increases • Cumulative impact higher on customers over three years • Prolongs structural deficit of Water fund by at least one year <ul style="list-style-type: none"> ○ Operations will "borrow" \$2.4M additional from Capital program in FY 2010 ○ Reduced Capital funds for Reclaimed Water, Distribution Main Replacement, Meter Replacement, other projects ○ Potential Increased cost of borrowing, limited capacity to borrow
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<p>2. Implement credit or rebate for customers paying Block 4 and 5 rates where revenue collected is in excess of actual "penalty" rates paid to the Metropolitan Water District (MWD)</p>	<p>Revenue neutral to Water Fund since only revenue collected in excess of "penalty" rates paid to MWD will be credited or rebated to customers</p>	<ul style="list-style-type: none"> • Maintains conservation price signals to highest volume users • Ensures that highest volume users do not "overpay" for usage • If insufficient revenue is recovered to offset MWD "penalty rates," will need to increase PWAC to recover costs from all customers 																
<p>3. Implement "rate relief" program from Block 5 for high volume customers able to demonstrate efficient water use</p>	<p>Reduced revenues from Block 5 for commercial customers who qualify for rate relief program as defined:</p> <ul style="list-style-type: none"> • A professional water audit confirms the customer has implemented all feasible and water-efficient technologies and practices; and, • A customer demonstrates that despite implementation of all feasible and water-efficient technologies and practices. The customer will still be subject to payment of block 5 rates for more than one billing period in a calendar year; • The customer complies with established industry best practices or water usage levels consistent with State of California ordinance guidelines for efficient water use for a specific residential property or business. 	<ul style="list-style-type: none"> • Implement procedures for rate relief program, including appeals process • Modify billing system data to ensure accurate customer profiles and characteristics • Monitor sales in each Block to ensure adequate water availability • Requires periodic review of rate design as adjustments are made to individual customers to ensure fairness to all customers 																

**Impacts on Customer Bill
Original Proposal and MSC Recommended Modification 1
Three Year Implementation of D&C Charge**

Meter Size	Usage/BU	Current Average Monthly Bill	Current Monthly D&C with FPS	Original Proposal		3-Year Implementation		
				July 2009 \$ Change	July 2010 \$ Change	July 2009 \$ Change	July 2010 \$ Change	July 2011 \$ Change
5/8" & 3/4"	12	\$26.96	\$8.17	\$4.15	\$3.82	\$2.90	\$2.98	\$3.45
1"	20	\$56.62	\$15.52	\$7.89	\$7.27	\$5.51	\$5.67	\$6.55
1-1/2"	100	\$261.85	\$31.85	\$16.69	\$13.41	\$11.88	\$11.44	\$13.23
2"	125	\$361.09	\$73.59	\$37.46	\$34.30	\$26.18	\$26.85	\$31.04
3"	300	\$833.05	\$179.76	\$91.37	\$84.16	\$63.82	\$65.62	\$75.88
4"	600	\$1,766.80	\$276.61	\$139.40	\$133.03	\$96.84	\$101.42	\$117.26
6"	1,400	\$3,841.91	\$425.99	\$217.62	\$196.12	\$152.52	\$155.10	\$179.34
8"	2,400	\$6,899.35	\$693.73	\$351.83	\$327.06	\$245.41	\$253.53	\$293.15
10"	3,000	\$8,782.25	\$902.81	\$457.81	\$425.82	\$319.30	\$329.97	\$381.53

Impacts of MSC Recommended Modifications 1 and 2 on Average Water Rates

