

PROPOSED WATER SHORTAGE RATES

WATER SHORTAGE TASK FORCE

JANUARY 14, 2015



AGENDA

- Water Shortage Stages
- Drought-Related Expenses
- Excess Water Use Charge
- Water Shortage Rates Comparison
 - Additional Scenario – Reduced Revenue Recovery
- Customer Impacts – Stage 3
- Next Steps

WATER SHORTAGE STAGES

- Stage 1 - 10% cutback - Voluntary
- Stage 2 - 10% cutback - Mandatory
- **Stage 3 - 20% cutback - Mandatory**
- Stage 4 - 30% cutback - Mandatory
- Stage 5 - 40% cutback - Mandatory
- Stage 6 - 50% cutback - Mandatory

DROUGHT-RELATED EXPENSES

Expenses	Stage 3 – 20%	Stage 4 – 30%	Stage 5 – 40%	Stage 6 – 50%
Incentive Program	\$825,000	\$440,000	\$440,000	\$0
Waste Waste Enforcement	\$122,000	\$122,000	\$122,000	\$122,000
Customer Outreach	\$100,000	\$100,000	\$100,000	\$100,000
Customer Response (+Surveys)	\$87,000	\$87,000	\$87,000	\$87,000
TOTAL EXPENSES	\$1,134,000	\$749,000	\$749,000	\$309,000

DROUGHT-RELATED EXPENSES

- Drought-related expenses are allocated to each customer class in proportion to their water usage
 - Residential Tier 1 rate is not allocated any of these expenses

EXCESS WATER USE CHARGE

- In the event that the City incurs penalty charges from Fox Canyon GMA and/or increases in shortage-related water supply costs from United Water Conservation District and/or Casitas Municipal Water District, the City will pass on the additional charges to all customers, except Residential Tier 1.

EXCESS WATER USE CHARGE

- Excess water use charges will be assessed based on the actual water consumption in each customer class compared to the expected water consumption in each shortage stage
 - Example: In stage 3, commercial customers are expected to conserve 10% of their base water use. The penalty will be assessed to all usage above 90% of the base water use.

WATER SHORTAGE RATES OPTIONS

- Not Selected
 - Roseville Option
- Selected Option
 - Revising Current Tiers with Full Revenue Recovery
 - Alternate Options:
 - 4 Tiers Modified Roseville
 - Revising Current Rates with Reduced Revenue Recovery

4 TIERS MODIFIED ROSEVILLE OPTION

- Residential Customers - Revising Bi-Monthly Tiers for Stages 2-6
 - Existing Tier 1 will be split into two tiers – the lowest tier rates will remain unchanged in all drought stages to provide for lifeline usage
 - Existing Tiers 2 and 3 will become new Tiers 3 and 4
- Tier 1 is lifeline; thus everyone else is expected to conserve more to reach target level

WATER SHORTAGE RATES - 4 TIERS MODIFIED ROSEVILLE OPTION

	Shortage Surcharge – Stage 2	Shortage Surcharge – Stage 3	Shortage Surcharge – Stage 4	Shortage Surcharge – Stage 5	Shortage Surcharge – Stage 6	Excess Water Use Charge*
Residential						
Tier 1: 0-6	0%	0%	0%	0%	0%	0%
Tier 2: 7-14	15%	33%	58%	94%	160%	50%
Tier 3: 15-30	15%	33%	58%	94%	160%	100%
Tier 4: 30+	15%	33%	58%	94%	160%	150%
Non-Residential	15%	33%	58%	94%	160%	100%

* Recovers drought-related expenses and/or penalties and supply costs increases

SFR CUSTOMER IMPACTS – FY 2016 STAGE 3 (4 TIERS ROSEVILLE)

SFR	Normal Bi-monthly Usage (hcf)	Current Bi-monthly Bill	Drought Bi-monthly Bill	Difference \$	Drought Bi-monthly Usage (hcf)	Drought Bi-monthly Bill	Difference \$
Very Low	5	\$41.28	\$41.28	\$0.00	4	\$38.88	(\$2.40)
Low	12	\$58.08	\$64.08	\$6.00	10	\$57.28	(\$0.80)
Average	21	\$86.33	\$104.83	\$18.50	17	\$85.43	(\$0.90)
High	35	\$144.78	\$189.08	\$44.30	28	\$138.78	(\$6.00)
Very High	50	\$229.68	\$310.88	\$81.20	40	\$229.68	\$0.00

Note: Assume 3/4" meter, includes drought-related expenses

MFR CUSTOMER IMPACTS – FY 2016 STAGE 3 (4 TIERS ROSEVILLE)

MFR	Normal Bi-monthly Usage (hcf)	Current Bi-monthly Bill	Drought Bi-monthly Bill	Difference \$	Drought Bi-monthly Usage (hcf)	Drought Bi-monthly Bill	Difference \$
Very Low	3	\$36.48	\$36.48	\$0.00	3	\$36.48	\$0.00
Low	8	\$48.48	\$50.48	\$2.00	7	\$47.08	(\$1.40)
Average	13	\$63.33	\$71.83	\$8.50	11	\$62.13	(\$1.20)
High	22	\$107.34	\$135.10	\$27.76	18	\$102.62	(\$4.72)
Very High	35	\$180.92	\$240.66	\$59.74	28	\$183.82	\$2.90

Note: Assume 3/4" meter, includes drought-related expenses

PROPOSED WATER SHORTAGE RATE STRUCTURE

- Residential Customers - Revising Bi-Monthly Tiers for Stages 2-6
 - Existing Tier 1 will be split into two tiers – the lowest tier rates will remain unchanged in all drought stages to provide for lifeline usage
 - Existing Tiers 2 and 3 will become new Tiers 3 and 4
- Low to average volume users that conserve would not experience higher bills

PROPOSED WATER SHORTAGE RATE STRUCTURE

- Non-Residential Customers
 - Irrigation meters will be expected to conserve at the same levels as Tiers 3 and 4 since they represent outdoor discretionary use
 - Commercial customers, due to the nature of the business, are expected to conserve at half the targeted demand reduction – i.e. 10% reduction during a 20% reduction stage

SHORTAGE RATES SUMMARY – FY 2016 (FULL REVENUE RECOVERY)

Customer Class	Bi-monthly Tier	Base Rates (\$/hcf)	Stage 2 Rate (\$/hcf)	Stage 3 Rate (\$/hcf)	Stage 4 Rate (\$/hcf)	Stage 5 Rate (\$/hcf)	Stage 6 Rate (\$/hcf)
<u>Inside City</u>							
SFR							
Tier 1	6	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40
Tier 2	14	\$2.40	\$2.70	\$3.25	\$3.49	\$4.09	\$5.04
Tier 3	30	\$3.35	\$4.00	\$5.55	\$6.99	\$9.99	\$16.99
Tier 4	> 30	\$5.66	\$6.70	\$8.35	\$12.29	\$26.39	\$49.24
MFR (per unit)							
Tier 1	6	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40	\$2.40
Tier 2	10	\$2.40	\$2.70	\$3.25	\$3.49	\$4.09	\$5.04
Tier 3	16	\$3.35	\$4.00	\$5.55	\$6.99	\$9.99	\$16.99
Tier 4	> 16	\$5.66	\$6.70	\$8.35	\$12.29	\$26.39	\$49.24
Non-Residential		\$3.09	\$3.44	\$3.61	\$3.71	\$3.92	\$4.03
Non-Residential Irrigation		\$3.09	\$3.68	\$4.93	\$6.58	\$11.30	\$20.51
Institutional/Interruptible		\$2.39	\$2.85	\$3.85	\$4.86	\$6.89	\$11.86

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SHORTAGE RATES INCREASE BY STAGE (FULL REVENUE RECOVERY)

Customer Class	Bi-monthly Tier	Stage 2 Increase	Stage 3 Increase	Stage 4 Increase	Stage 5 Increase	Stage 6 Increase
<u>Inside City</u>						
SFR						
Tier 1	6	0%	0%	0%	0%	0%
Tier 2	14	13%	36%	46%	71%	110%
Tier 3	30	20%	66%	109%	199%	408%
Tier 4	> 30	19%	48%	118%	367%	770%
MFR (per unit)						
Tier 1	6	0%	0%	0%	0%	0%
Tier 2	10	13%	36%	46%	71%	110%
Tier 3	16	20%	66%	109%	199%	408%
Tier 4	> 16	19%	48%	118%	367%	770%
Non-Residential		12%	17%	21%	27%	31%
Non-Residential Irrigation		20%	60%	113%	266%	564%
Institutional/Interruptible		20%	62%	104%	189%	397%

SFR CUSTOMER IMPACTS – FY 2016 STAGE 3 (FULL RECOVERY)

SFR	Normal Bi-monthly Usage (hcf)	Current Bi-monthly Bill	Drought Bi-monthly Bill	Difference \$	Drought Bi-monthly Usage (hcf)	Drought Bi-monthly Bill	Difference \$
Very Low	5	\$41.28	\$41.28	\$0.00	4	\$38.88	(\$2.40)
Low	12	\$58.08	\$63.18	\$5.10	10	\$56.68	(\$1.40)
Average	21	\$86.33	\$108.53	\$22.20	17	\$86.33	\$0.00
High	35	\$144.78	\$200.23	\$55.45	28	\$147.38	\$2.60
Very High	50	\$229.68	\$325.48	\$95.80	40	\$241.98	\$12.30

Note: Assume 3/4" meter, includes drought-related expenses

MFR CUSTOMER IMPACTS – FY 2016 STAGE 3 (FULL RECOVERY)

MFR	Normal Bi-monthly Usage (hcf)	Current Bi-monthly Bill	Drought Bi-monthly Bill	Difference \$	Drought Bi-monthly Usage (hcf)	Drought Bi-monthly Bill	Difference \$
Very Low	3	\$36.48	\$36.48	\$0.00	3	\$36.48	\$0.00
Low	8	\$48.48	\$50.18	\$1.70	7	\$46.93	(\$1.55)
Average	13	\$63.33	\$73.33	\$10.00	11	\$62.23	(\$1.10)
High	22	\$107.34	\$140.08	\$32.74	18	\$106.68	(\$0.66)
Very High	35	\$180.92	\$248.63	\$67.71	28	\$190.18	\$9.26

Note: Assume 3/4" meter, includes drought-related expenses

ALTERNATIVE SCENARIO: REDUCED REVENUE RECOVERY

- Commodity revenue reduced by \$1.44M (25% of O&M reserves target) – the shortfall will be covered by reserves
 - Rates are set to collect \$19.4M (compared to \$20.8M)
- Year 2 rates would need to increase by \$1.44M in addition to full revenue recovery to replenish reserves

SHORTAGE RATES SUMMARY – FY 2016 (REDUCED REVENUE RECOVERY)

Customer Class	Bi-monthly Tier	Base Rates (\$/hcf)	Stage 2 Rate (\$/hcf)	Stage 3 Rate (\$/hcf)	Stage 4 Rate (\$/hcf)	Stage 5 Rate (\$/hcf)	Stage 6 Rate (\$/hcf)
<u>Inside City</u>							
SFR							
Tier 1	6	\$2.40	\$2.23	\$2.23	\$2.23	\$2.23	\$2.23
Tier 2	14	\$2.40	\$2.50	\$3.05	\$3.29	\$3.89	\$4.70
Tier 3	30	\$3.35	\$3.80	\$5.15	\$6.59	\$9.39	\$15.84
Tier 4	>30	\$5.66	\$6.10	\$8.35	\$11.29	\$23.39	\$45.24
MFR (per unit)							
Tier 1	6	\$2.40	\$2.23	\$2.23	\$2.23	\$2.23	\$2.23
Tier 2	10	\$2.40	\$2.50	\$3.05	\$3.29	\$3.89	\$4.70
Tier 3	16	\$3.35	\$3.80	\$5.15	\$6.59	\$9.39	\$15.84
Tier 4	> 16	\$5.66	\$6.10	\$8.35	\$11.29	\$23.39	\$45.24
Non-Residential		\$3.09	\$3.20	\$3.37	\$3.47	\$3.66	\$3.75
Non-Residential Irrigation		\$3.09	\$3.43	\$4.61	\$6.14	\$10.53	\$19.11
Institutional/Interruptible		\$2.39	\$2.65	\$3.59	\$4.52	\$6.40	\$11.01

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SHORTAGE RATES INCREASE BY STAGE (REDUCED REVENUE RECOVERY)

Customer Class	Bi-monthly Tier	Stage 2 Increase	Stage 3 Increase	Stage 4 Increase	Stage 5 Increase	Stage 6 Increase
<u>Inside City</u>						
SFR						
Tier 1	6	-8%	-8%	-8%	-8%	-8%
Tier 2	14	5%	28%	38%	63%	96%
Tier 3	30	14%	54%	97%	181%	373%
Tier 4	> 30	8%	48%	100%	314%	700%
MFR (per unit)						
Tier 1	6	-8%	-8%	-8%	-8%	-8%
Tier 2	10	5%	28%	38%	63%	96%
Tier 3	16	14%	54%	97%	181%	373%
Tier 4	> 16	8%	48%	100%	314%	700%
Non-Residential		4%	10%	13%	19%	22%
Non-Residential Irrigation		12%	50%	99%	241%	519%
Institutional/Interruptible		11%	51%	90%	168%	361%

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SFR CUSTOMER IMPACTS – FY 2016 STAGE 3 (REDUCED REV)

SFR	Normal Bi-monthly Usage (hcf)	Current Bi-monthly Bill	Drought Bi-monthly Bill	Difference \$	Drought Bi-monthly Usage (hcf)	Drought Bi-monthly Bill	Difference \$
Very Low	5	\$41.28	\$40.43	(\$0.85)	4	\$38.20	(\$3.08)
Low	12	\$58.08	\$60.96	\$2.88	10	\$54.86	(\$3.22)
Average	21	\$86.33	\$103.11	\$16.78	17	\$82.51	(\$3.82)
High	35	\$144.78	\$191.21	\$46.43	28	\$139.16	(\$5.62)
Very High	50	\$229.68	\$316.46	\$86.78	40	\$232.96	\$3.28

Note: Assume 3/4" meter, includes drought-related expenses

MFR CUSTOMER IMPACTS – FY 2016 STAGE 3 (REDUCED REV)

MFR	Normal Bi-monthly Usage (hcf)	Current Bi-monthly Bill	Drought Bi-monthly Bill	Difference \$	Drought Bi-monthly Usage (hcf)	Drought Bi-monthly Bill	Difference \$
Very Low	3	\$36.48	\$35.97	(\$0.51)	3	\$35.97	(\$0.51)
Low	8	\$48.48	\$48.76	\$0.28	7	\$45.71	(\$2.77)
Average	13	\$63.33	\$70.31	\$6.98	11	\$60.01	(\$3.32)
High	22	\$107.34	\$135.86	\$28.52	18	\$102.46	(\$4.88)
Very High	35	\$180.92	\$244.41	\$63.49	28	\$185.96	\$5.04

Note: Assume 3/4" meter, includes drought-related expenses

NEXT STEPS

- Task Force selects a shortage rate structure to present to City Council

QUESTIONS AND DISCUSSION

