

WATER RATE STUDY
SUMMARY OF PROJECT STATUS

NIPOMO COMMUNITY SERVICES DISTRICT



Clayton Tuckfield, P.E.
Principal, Tuckfield & Associates

Presentation
August 13, 2014

Agenda

- The categories of rates we are looking at
 - Water Rates (Fund 125 rates)
 - Capacity Charges
 - Supplemental Water Rates
 - Water Shortage Rates

- What is current status of the rates and charges?
- What decisions need to be made?
- What is our proposed timeline to complete the process?

Existing Rate Schedule

- Performed update to five-year Water Fund financial plan
- Presented results to F&A Committee on Feb. 19, 2014
- Result of update: no changes to water rate schedule
 - Approved Water rate increases Nov 1, 2014 and Nov 1, 2015 are sufficient
 - Operating reserve target increased to 360 days
 - Reflects potential for significant changes in groundwater pumping and initiation of supplemental water deliveries, both of which present revenue stability challenges in the near future

Capacity Charges

- Updated capacity charges following 2008 methodology
 - Updated current fixed assets value to December 2013 dollars
 - Updated capital value of Santa Maria MOU
 - Refined Supplemental Water Project costs Phases 1 thru 3
 - Restated value of Desalinization Project cost to December 2013
- Results
 - Proposed Distribution System charges are slightly less than current
 - Proposed Supplemental Water charges will be reduced by about ½ due to change in funding approach

SUPPLEMENTAL WATER RATES

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Supplemental Water Rates

- Supplemental Water (SW) rates presented to Board April 9, 2014
 - Included fixed charges of about \$40 every two months per Eq. Meter
 - Board requested a scenario showing a SW volume rate and to seek public comment on SW charges
- SW volume rates presented to Board May 14, 2014
 - Impact to SFR bills were presented showing differences in the bills between the two alternatives
 - Board requested a scenario whereby SW volume rates would adjust automatically as additional Supplemental Water is taken

Supplemental Water Rates (cont.)

- Automatic Water Commodity Adjustment (WCA) method presented to F&A Committee on June 26, 2014
 - Method allows SW volume rate to change with any amount of SW taken from Santa Maria
 - Results showed that large price increases in SW rate and large increases in bi-monthly bills could occur without customer approval
 - Committee requested a return to a volume rate for the minimum SW allocation and include a justified operating reserve
- SW volume rate and fixed charge presented on July 14, 2014
 - Volume rate based on taking minimum SW allocation per the Agreement with Santa Maria and includes a small fixed charge
 - Committee selected this alternative for SW

Volume Rate for Supplemental Water

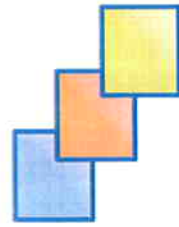
Description	July 1, 2015	July 1, 2016	July 1, 2017
Bi-Monthly Variable Costs			
Pass-Through Supplemental Water Costs			
Supplemental Water Cost (\$ per AF)	\$1,703.20	\$1,777.25	\$1,860.01
Supplemental Water O&M Cost (\$ per AF)	\$107.16	\$110.37	\$113.68
Pass-Through Cost of Supplemental Water (\$ per AF)	\$1,810.36	\$1,887.62	\$1,973.69
Minimum Annual Supplemental Water Contract Allocation (AF)	645	800	800
Nipomo CSD Share of Supplemental Water (AF)	430.09	533.44	533.44
Total Annual Cost of Supplemental Water	\$778,610	\$1,006,932	\$1,052,845
Projected Annual Water Sales with Demand Response (Ccf)	1,005,805	1,004,308	1,010,924
Variable Supplemental Water Charge per Ccf	\$0.774	\$1.003	\$1.041

SFR Bills with Supplemental Water Fixed and Volume Charges

Description	Use	Without Project		July 1, 2015		Nov 1, 2015		July 1, 2016		July 1, 2017	
		Nov 1, 2014		With Project ^[2]		With Project ^[3]		With Project ^[4]		With Project ^[5]	
Water Rates ^[1]				645 AFY		645 AFY		800 AFY		800 AFY	
Very Low	10	\$56.85	\$77.79	\$83.24	\$85.53	\$85.53	\$85.53	\$85.53	\$85.53	\$85.53	\$85.91
Low	20	\$78.45	\$107.13	\$114.68	\$119.26	\$119.26	\$119.26	\$119.26	\$119.26	\$119.26	\$120.02
Median	22	\$82.77	\$113.00	\$120.97	\$126.01	\$126.01	\$126.01	\$126.01	\$126.01	\$126.01	\$126.84
Average	36	\$119.37	\$160.43	\$171.94	\$180.19	\$180.19	\$180.19	\$180.19	\$180.19	\$180.19	\$181.56
High	80	\$281.33	\$356.45	\$383.40	\$401.72	\$401.72	\$401.72	\$401.72	\$401.72	\$401.72	\$404.76
Very High	120	\$486.33	\$592.41	\$638.76	\$666.24	\$666.24	\$666.24	\$666.24	\$666.24	\$666.24	\$670.80

Notes:

- [1] Includes Nov 1, 2014 water rates.
- [2] Includes Nov 1, 2014 water rates and July 1, 2015 new Supplemental Water rates.
- [3] Includes Nov 1, 2015 water rates and July 1, 2015 new Supplemental Water rates.
- [4] Includes Nov 1, 2015 water rates and July 1, 2016 new Supplemental Water rates.
- [5] Includes Nov 1, 2015 water rates and July 1, 2017 new Supplemental Water rates.



Impacts to SFR Bills from Supplemental Water

■ Overall impacts including water rates and SW rates

Description	Use	Without Project		July 1, 2015		Nov 1, 2015		July 1, 2016		July 1, 2017	
		Water Rates ^[1]		With Project ^[2]		With Project ^[3]		With Project ^[4]		With Project ^[5]	
		645 AFY	800 AFY	645 AFY	800 AFY	645 AFY	800 AFY	645 AFY	800 AFY	645 AFY	800 AFY
Very Low	10	9.6%	37%	7.0%	2.8%	7.0%	2.8%	7.0%	2.8%	7.0%	0.4%
Low	20	9.6%	37%	7.0%	4.0%	7.0%	4.0%	7.0%	4.0%	7.0%	0.6%
Median	22	9.6%	37%	7.1%	4.2%	7.1%	4.2%	7.1%	4.2%	7.1%	0.7%
Average	36	9.6%	34%	7.2%	4.8%	7.2%	4.8%	7.2%	4.8%	7.2%	0.8%
High	80	9.6%	27%	7.6%	4.8%	7.6%	4.8%	7.6%	4.8%	7.6%	0.8%
Very High	120	9.5%	22%	7.8%	4.3%	7.8%	4.3%	7.8%	4.3%	7.8%	0.7%

Notes:

[1] Includes Nov 1, 2014 water rates.

[2] Includes Nov 1, 2014 water rates and July 1, 2015 new Supplemental Water rates.

[3] Includes Nov 1, 2015 water rates and July 1, 2015 new Supplemental Water rates.

[4] Includes Nov 1, 2015 water rates and July 1, 2016 new Supplemental Water rates.

[5] Includes Nov 1, 2015 water rates and July 1, 2017 new Supplemental Water rates.

WATER SHORTAGE RATES

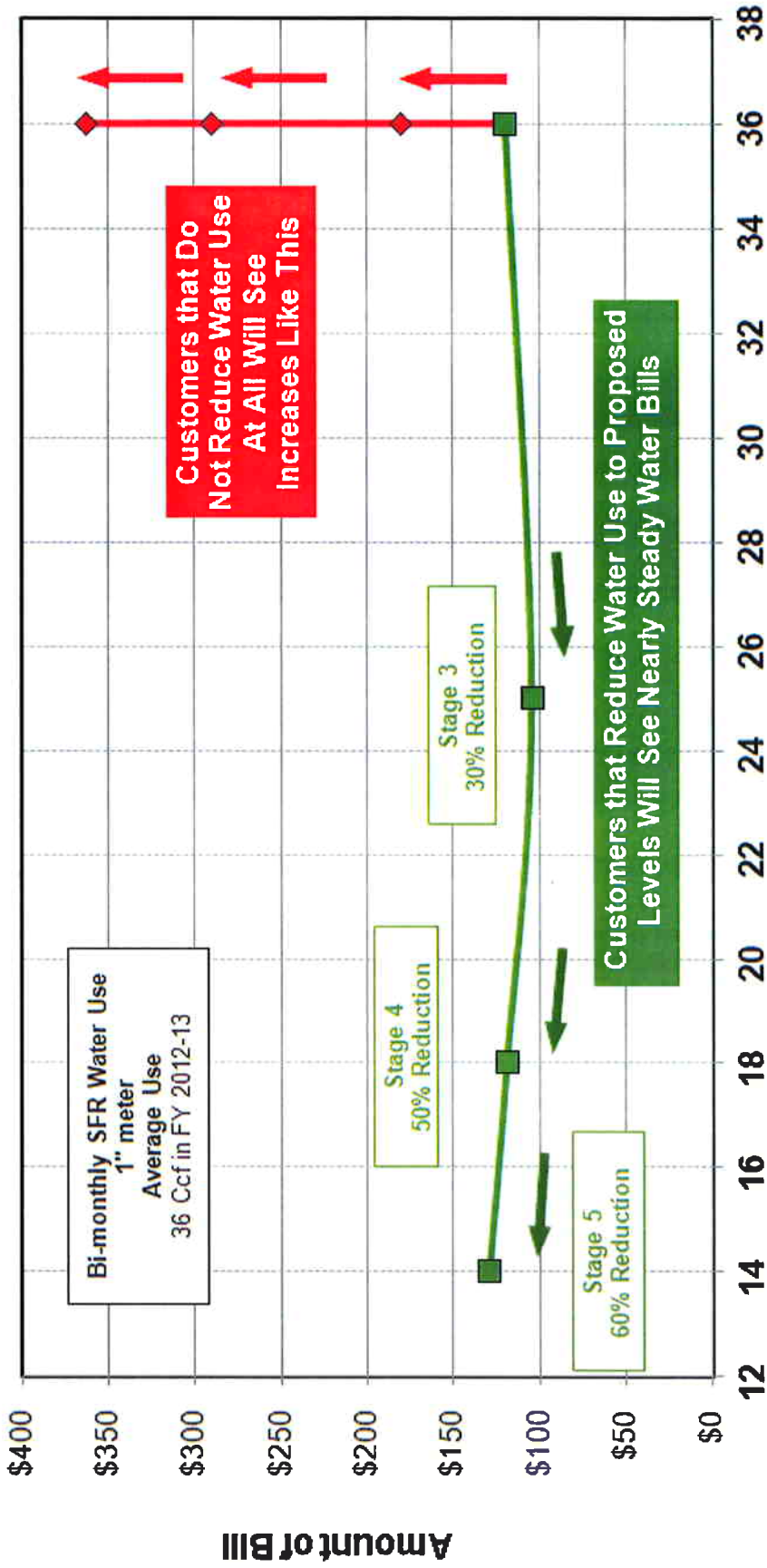
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Water Shortage Rates

- Water shortage rates presented at April 9, 2014 Board meeting
- Approach consists of....
 - Estimating water sales volume targets for each Drought Stage
 - Including additional District costs expected with implementation
 - Estimating customer reaction through Price Elasticity Factors
 - Setting rates to recover same revenue
- Two methods presented
 - Price-Induced/Voluntary Measures
 - Price-Induced/Mandatory Measures
- Result: Board selected Price-Induced/Voluntary rates

Water Shortage Rates Approach No Reduction versus Assumed Customer Stage Reductions

(Does not include Supplemental Water)



Hundred Cubic Feet (Ccf) Water Usage per Bi-month

Water Shortage Rates (cont.)

- Additional Analyses Required
 - Importing Supplemental Water reduces the amount of groundwater pumping needed to meet demand
 - With volume rates for SW, the reductions in water sales associated with each drought Stage affects the revenue derived from SW rates
 - Recovering same costs on lower water sales volume requires higher commodity rates for SW
- Complexity of predicting and explaining water shortage rates combined with supplemental water rates significantly increases

Water Shortage Rates (cont.)

- Three time frames must be considered
 - Fall 2014 – no delivery of Supplemental Water
 - Spring 2015 - Supplemental Water delivery of 645 AFY
 - Spring 2016 - Supplemental Water delivery of 800 AFY
- Three shortage scenarios must be considered
 - Stage III – 30% reduction
 - Stage IV – 50% reduction
 - Stage V – 60% reduction
- All Scenarios must be included in the draft rate schedules for 218 hearing

STATUS AND TIMELINE

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Current Status

- Fiscal Year 2013-14 is complete
 - Consultant has begun to update all analysis of rates and charges to include new information
- Scheduled to present draft rate study report by September 10, 2014
 - Draft study will include:
 - Review of current Fund #125 rates
 - Review of Capacity Charges
 - Review of Supplemental Water Charges
 - Review of Water Shortage Rates

Proposed Timeline

September 4	Conduct public workshops
September 10	Draft Rate Study Report before the Board
September 24	Board to approve draft Rate Study Report Direct staff to prepare Prop 218 Notices for Supplemental Water Rates and Shortage Rates
November 19	Public Water Rate Hearing for Supplemental Water

DISCUSSION

NIPOMO COMMUNITY SERVICES DISTRICT

Clayton Tuckfield, P.E.
Principal, Tuckfield & Associates

Presentation

August 2014