Public Notification of Water Rate Structure and Water Rate Modifications

City Council - August 2, 2011
Purpose of Presentation

- Importance of Rate Adjustments
- Staff’s Recommended Rates and Structure
- Define Public Communication Plan
Compliance

1. **Stage II Disinfection Byproduct Rule** (DBPR-II)
   - October 2012
   
   **Effects:** Capital Improvements to distribution and treatment

2. **SBx7-7** Mandatory to reduce baseline 165 gpcpd
   - 2015 - reduce per capita consumption by 15% (148 gpcpd)
   - 2020 - reduce per capita consumption by 20% (132 gpcpd)

   **Effects:** Limits Sales and Revenue
   
   No change to level of service or fireflow requirements
Consumption Projections

- Compliance with CUWCC BMPs and SBx7-7 conservation requirements
- 165 gpcpd to 132 gpcpd
Goals for Cost Of Service Analysis

Capital Costs

- Insure continued capital investments to protect and replace aging system and meet new regulations per DBPR-II
- Develop CIP reserve funds for major treatment investments required in years 6-8 per DBPR-II

Operating Costs

- Maintain pace with increases of fixed operating costs
- Optimize O&M systems so life of assets are extended and responsiveness is increased

Revenue Stability and Equity

- Return to a fixed service charge for minimum level of service and tiered quantity charges to promote conservation per SBx7-7
- Insure charges among customer classes are equitable
2011 20-Year Master Plan

- Capital Investments focused on protection of existing Transmission and Distribution assets

- Compliance-driven projects require distribution replacements to increase flow regime: DBPR-II

- Hennessey Treatment Plant is 30 years old

- Major transmission mains are 40+ and 60+ yrs old

- 47 miles of pipelines are 60+ years old
# Scenarios A & B: Rate Structure

**Single Family Residential (SFR)**

- Return to service charge and tiers
- Ensure basic level of service is included
- Promote conservation at all levels of summer consumption
- Equitable charges for level of service received

## Scenario A - Presented July 19th

<table>
<thead>
<tr>
<th>Units</th>
<th>Winter %</th>
<th>Summer %</th>
<th>Proposed 2012 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bimonthly Service Charge (includes 3 units)</td>
<td>9%</td>
<td>4%</td>
<td>$13.25</td>
</tr>
<tr>
<td>4-34</td>
<td>89%</td>
<td>75%</td>
<td>$4.42</td>
</tr>
<tr>
<td>35+</td>
<td>2%</td>
<td>21%</td>
<td>$7.70</td>
</tr>
</tbody>
</table>

## Scenario B - Recommended

<table>
<thead>
<tr>
<th>Units</th>
<th>Winter %</th>
<th>Summer %</th>
<th>Proposed 2012 Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bimonthly Service Charge (includes 3 units)</td>
<td>9%</td>
<td>4%</td>
<td>$13.25</td>
</tr>
<tr>
<td>4-20</td>
<td>79%</td>
<td>42%</td>
<td>$4.42</td>
</tr>
<tr>
<td>21-40</td>
<td>10%</td>
<td>40%</td>
<td>$4.58</td>
</tr>
<tr>
<td>41-75</td>
<td>1%</td>
<td>12%</td>
<td>$5.80</td>
</tr>
<tr>
<td>76+</td>
<td>0.3%</td>
<td>2%</td>
<td>$7.70</td>
</tr>
</tbody>
</table>
## Scenarios A & B: Rate Structure - Bill Impact

### SFR - Inside City (18,900 customers)

<table>
<thead>
<tr>
<th>Units Consumed Bimonthly</th>
<th>Current Bimonthly Bill</th>
<th>Proposed 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current</td>
<td>Bimonthly Bill</td>
</tr>
<tr>
<td></td>
<td>Bimonthly Bill</td>
<td>Bimonthly Bill</td>
</tr>
<tr>
<td>3</td>
<td>$12.27</td>
<td>$13.25</td>
</tr>
<tr>
<td>9 (average winter)</td>
<td>$36.81</td>
<td>$39.78</td>
</tr>
<tr>
<td>27 (average summer)</td>
<td>$110.43</td>
<td>$119.34</td>
</tr>
<tr>
<td>55</td>
<td>$224.95</td>
<td>$311.98</td>
</tr>
<tr>
<td>100</td>
<td>$409.00</td>
<td>$658.48</td>
</tr>
</tbody>
</table>
Cost of Napa Water

Average Yearly Water Costs for Single-Family Residential Customers
(applying each Agency's current rates to average Napa residential usage)
**Scenarios A & B: Rate Structure - Bill Impact**

**Inside City Irrigation**

- Tiers are not applied (250 customers)

<table>
<thead>
<tr>
<th>Units Consumed Bimonthly</th>
<th>Scenario A</th>
<th></th>
<th>Scenario B - Recommended</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rate ($/Unit)</td>
<td>Total Bimonthly Bill</td>
<td>Monthly Increase from Current</td>
<td>Rate ($/Unit)</td>
</tr>
<tr>
<td>25</td>
<td>$4.42</td>
<td>$110.50</td>
<td>$4.13</td>
<td>$4.64</td>
</tr>
<tr>
<td>120</td>
<td>$4.42</td>
<td>$530.40</td>
<td>$19.80</td>
<td>$4.64</td>
</tr>
<tr>
<td>200</td>
<td>$4.42</td>
<td>$884.00</td>
<td>$33.00</td>
<td>$4.64</td>
</tr>
</tbody>
</table>
### Scenarios A & B: Rate Structure - Bill Impact

**Inside City Commercial**

- **Tiers are not applied** (1,400 customers)

<table>
<thead>
<tr>
<th>Units Consumed Bimonthly</th>
<th>Proposed - 2012</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Scenario A</td>
<td>Scenario B - Recommended</td>
</tr>
<tr>
<td></td>
<td>Rate ($/Unit)</td>
<td>Rate ($/Unit)</td>
</tr>
<tr>
<td>25</td>
<td>$4.42</td>
<td>$4.50</td>
</tr>
<tr>
<td>120</td>
<td>$530.40</td>
<td>$540.00</td>
</tr>
<tr>
<td>200</td>
<td>$884.00</td>
<td>$900.00</td>
</tr>
</tbody>
</table>
What will be achieved?

- Capital Investments of $3M per year
- Establish $4.8M CIP Reserve for large compliance-driven projects
- Fixed service charge stabilizes revenue and moves toward covering actual costs incurred
- Tier Rates to raise awareness of conservation and move towards compliance with 20% by 2020 Regulation SBx7-7
- Maintain capital investments and cover increasing chemical and water supply costs
Communication Plan

- Prop 218 Notifications mailed to all account holders and property owners
- Information posted on the web-site at:
  
  www.cityofnapa.org/water

  - Interactive bill calculator
  - FAQs
  - Report of Cost of Service Analysis

- Information booth at County Fair
- Ongoing conservation messaging
Next Steps

- August 5 - Prop 218 Notifications will be mailed to all customers
- September 20 - Return to Council for a Public Hearing and Consider Action to Adopt Rate Structure
- October 1 - Revised Rates take effect
Cost Of Service Analysis

Results of Adjusted Rates:

➢ Safe, reliable, low cost water for our customers

➢ Move towards meeting pending regulations
  ➢ Stage II DBPR
  ➢ SBx7-7 Conservation

➢ Control O&M costs through consistent investment in capital improvements

➢ Consistent investment avoids inevitable rate shock later
Council Action Requested

- Authorize staff to issue the Notification of Water Rate Adjustment to property owners based on proposed Scenario B water rates and structure.