



City of Napa Water

Public Notification of Water Rate Structure and Water Rate Modifications

City Council – August 2, 2011





City of Napa Water Proposed Water Rates and Public Notification Plan

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Purpose of Presentation

- **Importance of Rate Adjustments**
- **Staff's Recommended Rates and Structure**
- **Define Public Communication Plan**



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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



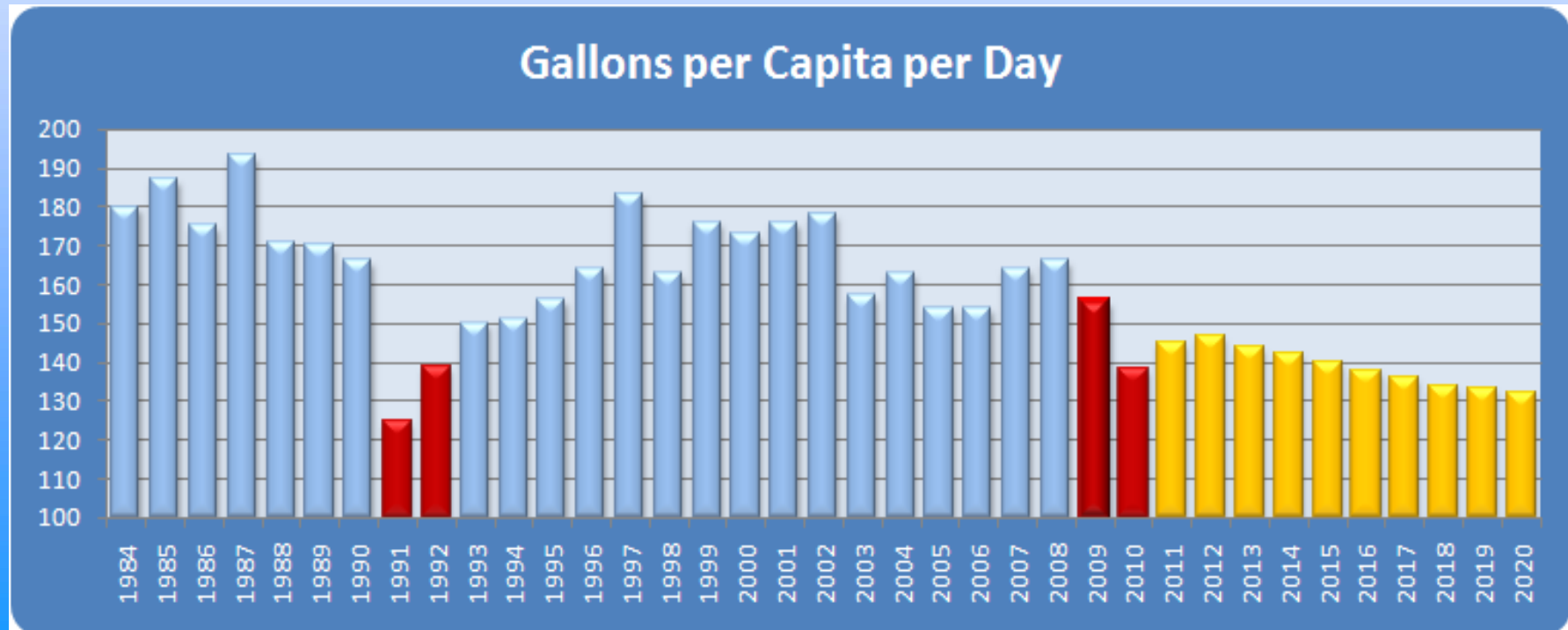
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Consumption Projections

- Compliance with CUWCC BMPs and SBx7-7 conservation requirements
 - 165 gpcpd to 132 gpcpd





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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**



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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



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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 B – Recommended

Scenario A – Presented July 19th

(1 Unit = 1,000 gallons)	Percent Total Customer Bills Per Year		Proposed 2012 Rate
	Winter	Summer	
Units			
Bimonthly Service Charge (includes 3 units)	9%	4%	\$13.25
4-34	89%	75%	\$4.42
35+	2%	21%	\$7.70

(1 Unit = 1,000 gallons)	Percent Total Customer Bills Per Year		Proposed 2012 Rate
	Winter	Summer	
Units			
Bimonthly Service Charge (includes 3 units)	9%	4%	\$13.25
4-20	79%	42%	\$4.42
21-40	10%	40%	\$4.58
41-75	1%	12%	\$5.80
76+	0.3%	2%	\$7.70



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Scenarios A & B: Rate Structure – Bill Impact

SFR – Inside City (18,900 customers)

Units Consumed Bimonthly	Current Bimonthly Bill	Proposed 2012				
		Scenario A		Scenario B - Recommended		
		Bimonthly Bill	Monthly Increase	Bimonthly Bill	Monthly Increase	Price Per Gallon
3	\$12.27	\$13.25	\$0.49	\$13.25	\$0.49	\$0.0044
9 (average winter)	\$36.81	\$39.78	\$1.49	\$39.78	\$1.48	\$0.0044
27 (average summer)	\$110.43	\$119.34	\$4.46	\$120.45	\$5.01	\$0.0045
55	\$224.95	\$311.98	\$43.52	\$267.03	\$21.04	\$0.0049
100	\$409.00	\$658.48	\$124.74	\$575.58	\$83.29	\$0.0058

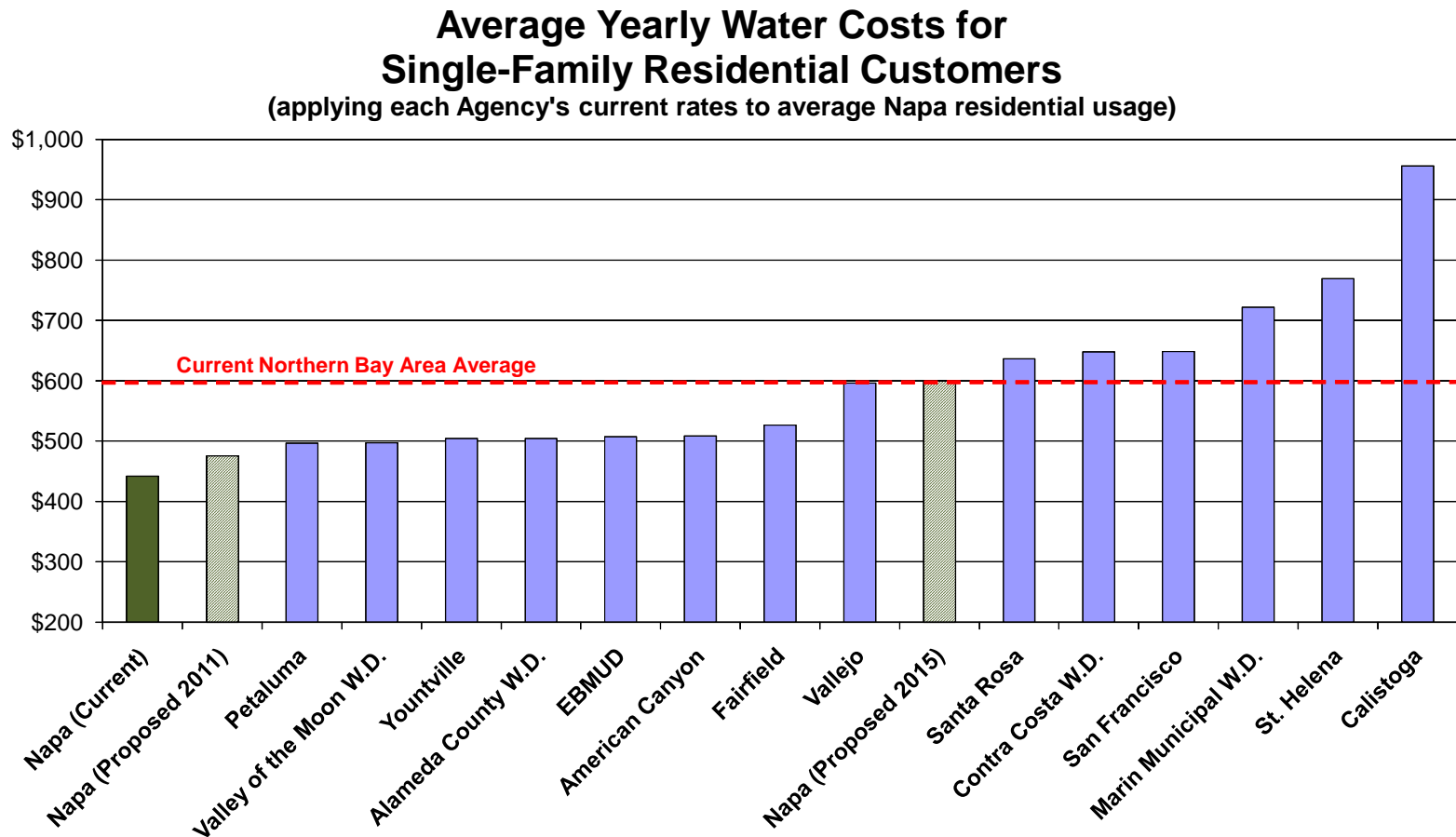


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Cost of Napa Water





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Scenarios A & B: Rate Structure – Bill Impact

Inside City Irrigation

➤ Tiers are not applied (250 customers)

Units Consumed Bimonthly	Proposed - 2012						
	Scenario A			Scenario B - Recommended			
	Rate (\$/Unit)	Total Bimonthly Bill	Monthly Increase from Current	Rate (\$/Unit)	Total Bimonthly Bill	Monthly Increase from Current	Price Per Gallon
25	\$4.42	\$110.50	\$4.13	\$4.64	\$116.03	\$6.89	\$0.0046
120		\$530.40	\$19.80		\$556.92	\$33.06	\$0.0046
200		\$884.00	\$33.00		\$928.20	\$55.10	\$0.0046



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Scenarios A & B: Rate Structure – Bill Impact

Inside City Commercial

➤ Tiers are not applied (1,400 customers)

Units Consumed Bimonthly	Proposed - 2012						
	Scenario A			Scenario B - Recommended			
	Rate (\$/Unit)	Total Bimonthly Bill	Monthly Increase from Current	Rate (\$/Unit)	Total Bimonthly Bill	Monthly Increase from Current	Price Per Gallon
25	\$4.42	\$110.50	\$4.13	\$4.50	\$112.50	\$5.13	\$0.0045
120		\$530.40	\$19.80		\$540.00	\$24.60	\$0.0045
200		\$884 .00	\$33.00		\$900 .00	\$41.00	\$0.0045



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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



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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



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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**



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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



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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.**