

TO: BOARD OF DIRECTORS

FROM: DON SPAGNOLO  
GENERAL MANAGER



DATE: SEPTEMBER 29, 2010

**AGENDA ITEM**

**4**

**OCTOBER 1, 2010**

**REVIEW 45 DAY NOTICE FOR PROPOSED WATER RATE  
INCREASE AND RESCHEDULE PUBLIC HEARING**

**ITEM**

Consider review of the 45 day Notice for the proposed water rate increase and reschedule the public hearing [RECEIVE ORAL STAFF REPORT, REVIEW PROPOSED 45 DAY NOTICE AND RESCHEDULE PUBLIC HEARING]

**BACKGROUND**

Staff will present an oral report regarding this item at the Board meeting.

**RECOMMENDATION**

Staff recommends Your Honorable Board review the proposed 45 day Notice and reschedule the public hearing.

**ATTACHMENTS**

- Proposed Notice Of Public Hearing - Water Rate Increase.

**NIPOMO COMMUNITY SERVICES DISTRICT  
NOTICE OF PUBLIC HEARING  
WATER RATE INCREASE**

To: Owners of Record and Customers of Record

This is a notice to explain proposed increases in water rates for the Nipomo Community Services District ("NCSD" or the "District") and the majority protest procedures. The proposed rate increases will be recommended for adoption by the NCSD's Board of Directors at the Public Hearing described in this Notice.

**NOTICE OF PUBLIC HEARING**

**A Public Hearing for the Proposed Water Rate Increase will be held on:**

**Date:** \_\_\_\_\_, 2010      **Time:** 9:00 a.m.

**Place:** Nipomo Community Services District Board Room, 148 South Wilson Street, Nipomo, CA

**At the public hearing the Nipomo Community Services District Board of Directors will consider all public comment in support and in opposition of the Water Rate Increase and whether or not a Majority Protest exists (see below). If approved, the Water Rate Increase would become effective January 1, 2011.**

**After the close of the Public Hearing, the Board of Directors may direct the District Secretary, or designee, to begin tabulation of the protests and to continue the agenda item to the Board of Directors meeting of \_\_\_\_\_, 2010, to announce the protest outcome and to consider the adoption of resolutions consistent with the District Secretary's determination.**

**REVISED RATE STRUCTURE**

The existing rate structure for residential customers is based on a bi-monthly fixed charge component and a bi-monthly two tiered (block rate) commodity component. The existing rate structure for irrigation, commercial and other water customers is based on a bi-monthly fixed charge component and bi-monthly single block rate component.

The proposed rate structure includes:

- A bi-monthly fixed charge component (Table 1).
- Residential four block (tiered) commodity rate component (Table 2).
- Two block (tiered) commodity rate component for commercial and irrigation (Table 3); and
- A uniform water rate for agriculture and all other users (Table 4).

The revised rate structure is included in the Tuckfield & Associate "Report on Water Rate Study" referenced in the next section.

**BASIS OF PROPOSED RATES**

The NCSD contracted with Tuckfield & Associates to conduct a water rate study to determine the revenue required to meet the NCSD's financial obligations in providing water service within the NCSD's Water System. The conclusions and recommendations of Tuckfield & Associates are summarized in a final report entitled, "Report on Water Rate Study," dated September 2010 (the "Study").

The objectives of the Study included the following:

- Analyze the water fund's historical revenue and revenue requirements, and project future revenue and revenue requirements recognizing the existing water service rates and future water system operations.
- Develop a reliable 5-year financial plan for the water fund that identifies adjustments to revenue to meet future water fund obligations.
- Create a schedule of water service rates that is fair and equitable, that provides predictable sources of revenue as described in the financial plan, and that meets Proposition 218 requirements for water service rates.

The Study concluded:

- The water fund's revenue and revenue requirements indicated that the fund will be deficient in meeting its future obligations. The deficiency is due to existing operation deficiencies, inflation in operation and maintenance (O&M) expenses, and the additional expense obligations related to operation, maintenance and purchase of supplemental water from the Waterline Intertie Project for Fiscal Year 2012-2013. The actual construction cost of the Waterline Intertie Project is proposed to be financed by an assessment district.
- Revenue from water service rates will need to increase by an average of thirteen (13%) percent on an annual basis commencing on January 1, 2011 through December 31, 2015.

### COMMODITY – DEMAND COST OF SERVICE METHODOLOGY

The Study recommends the use of commodity-demand cost of service methodology in establishing water rates.

In the commodity-demand method, revenue requirements are assigned as commodity costs, demand (capacity) costs, and customer costs. Commodity costs are characterized by those costs that vary with the quantity of water produced, such as pumping power, chemicals, purchased water, and other costs. Demand costs are generally those costs associated with providing facilities to meet peak rates of use. Such costs may include all transmission and distribution system pumping and all treatment transmission, and distribution mains and storage facilities that are sized to meet peak demands. Customer costs include those incurred to serve the customer, regardless of the amount of water consumed. These costs include meter and service maintenance, meter reading, billing, collecting, and accounting costs. The cost of service analysis resulted in an allocation of 25 to 30 percent of costs to be recovered from fixed charges with the remaining 70-75 percent of costs recovered from commodity rates. This result is similar to the existing rate structure.

### The Fixed Charge Component

The proposed bi-monthly fixed charge component for all customer classifications is based on meter size and is depicted in the following table:

TABLE 1  
Proposed Bi-monthly Water Fixed Charges <sup>(1)</sup>

Meter Size/ Litigation Charge	Existing Charges	Effective January 1 of each Fiscal Year				
		2010-11	2011-12	2012-13	2013-14	2014-15
1 inch and less Litigation Charge	\$24.52 \$6.32	\$24.52 \$6.32	\$27.71 \$6.32	\$31.31 \$6.32	\$35.38 \$6.32	\$39.98 \$6.32
1 1/2 inch Litigation Charge	\$69.61 \$14.36	\$69.61 \$14.36	\$78.66 \$14.36	\$88.89 \$14.36	\$100.45 \$14.36	\$113.51 \$14.36
2 inch Litigation Charge	\$110.25 \$19.92	\$110.25 \$19.92	\$124.58 \$19.92	\$140.78 \$19.92	\$159.08 \$19.92	\$179.76 \$19.92
3 inch Litigation Charge	\$205.15 \$27.92	\$205.15 \$27.92	\$231.82 \$27.92	\$261.96 \$27.92	\$296.01 \$27.92	\$334.49 \$27.92
4 inch Litigation Charge	\$340.68 \$36.00	\$340.68 \$36.00	\$384.97 \$36.00	\$435.02 \$36.00	\$491.57 \$36.00	\$555.47 \$36.00
6 inch Litigation Charge	\$679.22 \$59.58	\$679.22 \$59.58	\$767.52 \$59.58	\$867.30 \$59.58	\$980.05 \$59.58	\$1,107.46 \$59.58
8 inch Litigation Charge	\$1,085.63 \$68.08	\$1,085.63 \$68.08	\$1,226.76 \$68.08	\$1,386.24 \$68.08	\$1,566.45 \$68.08	\$1,770.09 \$68.08

<sup>(1)</sup> Does not include Blacklake buy-in-charge (NCS Code § 3.40)

The above referenced litigation charge reflects the adjusted rate to offset the District's financial obligations related to the lawsuit titled *Santa Maria Valley Water Conservation District v. The City of Santa Maria, the Nipomo Community Services District, et al.* This lawsuit is commonly referred to as the Santa Maria Groundwater Adjudication. When the District's financial obligations regarding this lawsuit have been satisfied the litigation charge will be eliminated.

## Residential Commodity Rate Component

The proposed bi-monthly four block commodity rate component for both single family and multifamily is depicted in the following table:

TABLE 2

Proposed Residential Water Commodity Rates [1][2] CcF equals 748 gallons							
Customer Classification	Rate Block	Existing Rates	Effective January 1 of each Fiscal Year				
			2010-11	2011-12	2012-13	2013-14	2014-15
<b>Single Family</b>							
<b>Existing Structure</b>							
	0 to 40 Ccf	\$1.64					
	Over 40 Ccf	\$2.80					
<b>Proposed 4 Block Structure</b>							
	0 to 24 Ccf		\$1.80	\$2.03	\$2.29	\$2.59	\$2.93
	25 to 40 Ccf		\$2.07	\$2.34	\$2.64	\$2.98	\$3.37
	41 to 100 Ccf		\$3.15	\$3.56	\$4.02	\$4.54	\$5.13
	Over 100 Ccf		\$5.40	\$6.10	\$6.89	\$7.79	\$8.80
<b>Multifamily</b>							
<b>Existing Structure</b>							
	All Consumption	\$2.06					
<b>Proposed 4 Block Structure (per dwelling unit)</b>							
	0 to 8 Ccf		\$1.80	\$2.03	\$2.29	\$2.59	\$2.93
	9 to 12 Ccf		\$2.07	\$2.34	\$2.64	\$2.98	\$3.37
	13 to 25 Ccf		\$3.15	\$3.56	\$4.02	\$4.54	\$5.13
	Over 25 Ccf		\$5.40	\$6.10	\$6.89	\$7.79	\$8.80

[1] Does not include fixed charges.

[2] Does not include Blacklake buy-in-charge (NCS Code § 3.40)

## Commercial and Irrigation Commodity Rate Component

The proposed bi-monthly two block commodity rate component for commercial and irrigation is depicted in the following table:

TABLE 3

Proposed Non-residential Commodity Rate Component [1] [2]  
All numbers reflect CcF  
CcF equals 748 gallons

Customer Classification	Meter Size	Rate Block	Existing Rates	Effective January 1 of each Fiscal Year				
				2010-11	2011-12	2012-13	2013-14	2014-15
<b>Proposed Two Block Rate Structure for Commercial and Irrigation Commodity Rate Component</b>								
<b>Commercial</b>								
5/8" Meter	0 to 35 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 35 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
3/4" Meter	0 to 50 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 50 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
1" Meter	0 to 55 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 55 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
1 1/2" Meter	0 to 290 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 290 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
2" Meter	0 to 165 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 165 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
3" Meter	0 to 82 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 82 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
4" Meter	0 to 25 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 25 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
<b>Irrigation</b>								
5/8" Meter	0 to 50 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 50 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
1" Meter	0 to 75 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 75 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	
1 1/2" Meter	0 to 350 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37	
	Over 350 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13	

**Table 3 Continued**

2" Meter	0 to 350 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37
	Over 350 Ccf	\$2.06	\$3.15		\$4.02	\$4.54	\$5.13
3" Meter	0 to 3000 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37
	Over 3000 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13
4" Meter	0 to 3000 Ccf	\$2.06	\$2.07	\$2.34	\$2.64	\$2.98	\$3.37
	Over 3000 Ccf	\$2.06	\$3.15	\$3.56	\$4.02	\$4.54	\$5.13

<sup>[1]</sup> Does not include fixed charges.

<sup>[2]</sup> Does not include Blacklake buy-in-charge (NCSD Code § 3.40)

### Agriculture Commodity Rate Component

The proposed single block commodity rate component for agriculture and all other user is depicted in the following table:

**TABLE 4**

**Proposed Agriculture Commodity Rate Component [1]**  
**All numbers reflect CcF**  
**CcF equals 748 gallons**

Customer Classification	Meter Size	Rate Block	Existing Rates	Effective January 1 of each Fiscal Year				
				2010-11	2011-12	2012-13	2013-14	2014-15
Agriculture			\$2.06	\$2.40	\$2.71	\$3.06	\$3.46	\$3.91
All Other			\$2.06	\$2.40	\$2.71	\$3.06	\$3.46	\$3.91

<sup>[1]</sup> Does not include fixed charges.

### EXISTING RATE AND PROPOSED RATE COMPARISON

Tables 5 and 6 compare existing rates to the proposed rates for calendar year 2011.

**TABLE 5**

**Example Residential Bi-monthly Water Bills <sup>[1][2]</sup>**  
**All numbers reflect CcF**  
**CcF equals 748 gallons**

Customer Classification	Consumption Ccf	Existing Rates	Proposed 4 Block		Percent Difference
			Rates	Difference	
Single Family 1" meter and smaller	0	\$24.52	\$24.52	\$0.00	0.0%
	5	\$32.72	\$33.52	\$0.80	2.4%
	10	\$40.92	\$42.52	\$1.60	3.9%
	20	\$57.32	\$60.52	\$3.20	5.6%
	30	\$73.72	\$80.15	\$6.43	8.7%
	40	\$90.12	\$100.88	\$10.76	11.9%
	50	\$118.12	\$132.38	\$14.26	12.1%
	60	\$146.12	\$163.88	\$17.76	12.2%
	70	\$174.12	\$195.38	\$21.26	12.2%
	80	\$202.12	\$226.88	\$24.76	12.2%
	90	\$230.12	\$258.38	\$28.26	12.3%
	100	\$258.12	\$289.88	\$31.76	12.3%
	150	\$398.12	\$559.88	\$161.76	40.6%
	200	\$538.12	\$829.88	\$291.76	54.2%

<sup>[1]</sup> Includes both fixed and consumption (variable) charges.

<sup>[2]</sup> Does not include Blacklake buy-in-charge (NCSD Code § 3.40)

TABLE 6

Example Commercial, Irrigation and Agriculture Bi-monthly Water Bills <sup>(1)(2)</sup>

All numbers reflect CcF  
CcF equals 748 gallons

Customer Classification	Consumption Ccf	Existing Rates	Commercial 2 Block	Irrigation 2 Block	All Other 1 Block	Difference
Commercial 1" Meter	0	\$24.52	\$24.52			\$0.00
	20	\$65.72	\$65.97			\$0.25
	40	\$106.92	\$107.41			\$0.49
	60	\$148.12	\$154.25			\$6.13
	80	\$189.32	\$217.25			\$27.93
	100	\$230.52	\$280.25			\$49.73
	150	\$333.52	\$437.75			\$104.23
	200	\$436.52	\$595.25			\$158.73
	250	\$539.52	\$752.75			\$213.23
	300	\$642.52	\$910.25			\$267.73
	350	\$745.52	\$1,067.75			\$322.23
400	\$848.52	\$1,225.25			\$376.73	
500	\$1,054.52	\$1,540.25			\$485.73	
Irrigation 1 1/2" Meter	0	\$69.61		\$69.61		\$0.00
	50	\$172.61		\$173.23		\$0.62
	100	\$275.61		\$276.85		\$1.24
	150	\$378.61		\$380.47		\$1.86
	200	\$481.61		\$484.08		\$2.47
	250	\$584.61		\$587.70		\$3.09
	300	\$687.61		\$691.32		\$3.71
	350	\$790.61		\$794.94		\$4.33
	400	\$893.61		\$1,064.94		\$171.33
	450	\$996.61		\$1,334.94		\$338.33
500	\$1,099.61		\$1,604.94		\$505.33	
Agriculture & All Other 1" Meter	0	\$24.52			\$24.52	\$0.00
	100	\$230.52			\$264.52	\$34.00
	200	\$436.52			\$504.52	\$68.00
	300	\$642.52			\$744.52	\$102.00
	400	\$848.52			\$984.52	\$136.00
	500	\$1,054.52			\$1,224.52	\$170.00

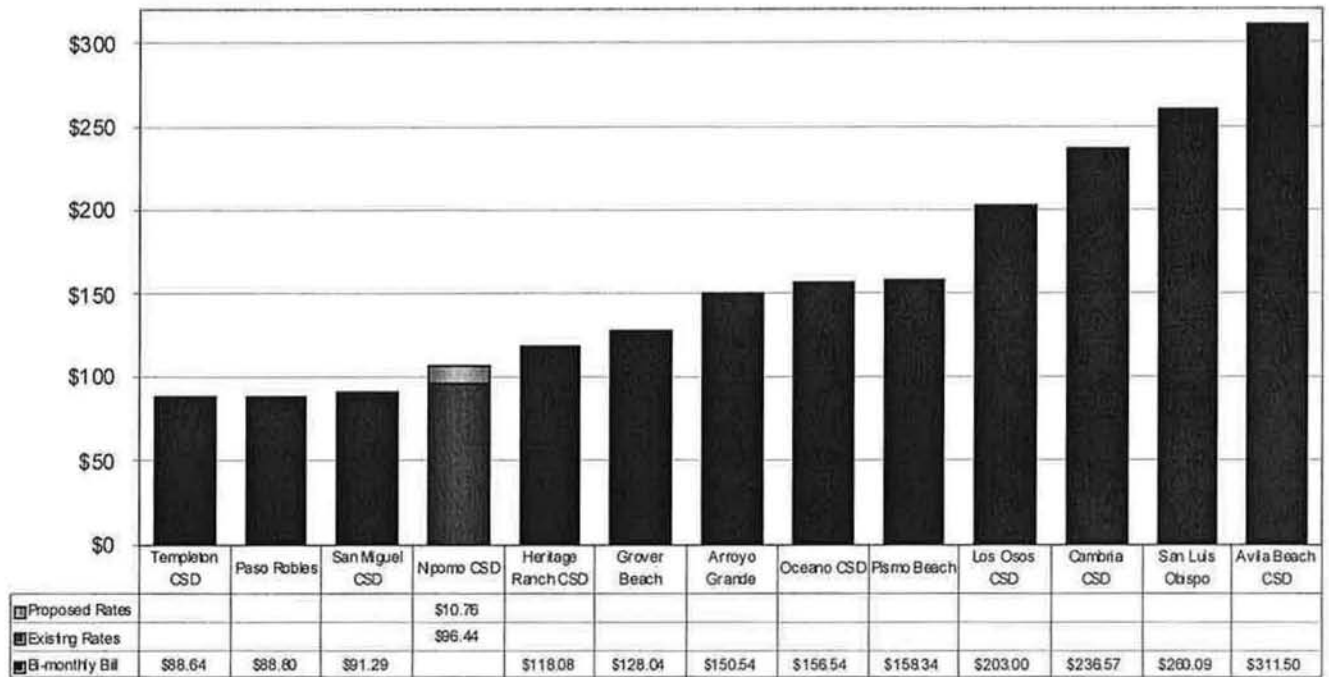
<sup>(1)</sup> Includes both fixed and commodity (variable) charges.

<sup>(2)</sup> Does not include Blacklake buy-in-charge (NCS Code § 3.40)

**SINGLE FAMILY BILL COMPARISON WITH OTHER LOCAL AGENCIES**

A bi-monthly bill comparison has been prepared showing the District's average single family bi-monthly bill under the proposed rates with other local water purveyors in San Luis Obispo County. The comparison has been made using water rates in effect as of July 1, 2010, with proposed rate adjustment. The comparison shown in Chart 1 was prepared by applying the District's average single family water consumption of 40 Ccf, including the litigation charge, to each of the water purveyor's single family water rate schedules.

Chart 1  
 San Luis Obispo County Water Agencies  
**Comparison of Single Family Residential Bi-monthly Water Bills** <sup>[1]</sup>  
 at 40 Ccf Bi-monthly



[1] For rates in effect July 2010.

### BLACKLAKE "BUY-IN-CHARGE"

(Only applies to NCSD Blacklake Water Customers)

In 2009 the Blacklake and Town Water Divisions were merged into a single water system known as the NCSD Water System. As part of the merger former Blacklake water customers agreed to pay a fixed Buy-in-Charge. The Buy-in-Charge is a separate surcharge on individual water bills within Blacklake only, to offset the financial impacts of the merger on the former Town Water Division and to pay the costs for the related intertie projects. The Blacklake Buy-in-Charge is not adjusted by the proposed rate increase. The Blacklake Buy-in-Charge will continue to be included only in Blacklake customer water bills until paid in full.

### USE OF WATER RATE

Each District utility service (water & sewer) is operated as separate enterprises. The proposed water system rates would be used to:

- Provide sufficient funds for on-going operation and maintenance for the District Water System.
- Rehabilitate, replace and upgrade facilities needed to provide services for the District Water System.
- Establish reserves to reduce risk and prudently manage the District's delivery of water resources.

### MAJORITY PROTEST

Pursuant to Section 6 of Article XIII D of the California Constitution, the following persons may submit a written protest against the Proposed Water Rate Increase to the District's Secretary before the close of the Public Hearing referenced above.

- An owner(s) of property (parcel(s)) ("owner of record") receiving water service from the NCSD Water System. If the person(s) signing the protest, as an owner, is not shown on the last equalized assessment roll as the owner of the parcel(s) then the protest must contain or be accompanied by written evidence that such person signing the protest is the owner of the parcel(s) receiving water service; and

- "Customer of record" (Tenant(s)) whose name appears on the District records as the customer of record for the corresponding parcel receiving water service from the NCSD Water System (tenant-customer).

A valid written protest must contain a statement that you protest the increase in water rates, the address and Assessor's Parcel Number (APN) of the parcel or parcels which receive water service and must be signed and dated, with original signature, by the owner of record, the customer of record, or a representative of an owner of record or a customer of record, for the parcel or parcels receiving water service. One written protest per parcel shall be counted in calculating a majority protest to the proposed water rate increase subject to the requirements of Section 6 of Article XIII D of the California Constitution. Written protests will not be accepted by email or by facsimile. Verbal protests will not be counted in determining the existence of a majority protest.

To be counted, a written protest must be received by the close of the Public Hearing referenced on page 1, including those mailed to the District. No postmarks will be accepted; therefore, any written protest not actually received by the close of the Public Hearing, whether or not mailed prior to the Public Hearing, will not be counted.

A representative may sign a written protest on behalf of an owner of record or a customer of record provided the representative attaches to the written protest, written documentation/authorization, with original signature, to act in such capacity.

Written protests regarding the water rate increase may be mailed to:

**Nipomo Community Services District**  
**Attn: District Secretary**  
**P.O. Box 326**  
**Nipomo, CA 93444-0326**

Written protests may also be personally delivered to the Board Secretary at the Nipomo Community Service District Office located at 148 South Wilson Street, Nipomo, California, during regular office hours (8 a.m. – 4:30 p.m. Monday through Friday, excluding holidays).

If valid written protests are presented by a majority of owners of record and/or customers of record of parcels receiving water service within the NCSD's Water System, then the NCSD will not adjust/increase the water rates. Only one protest per parcel will be counted in determining whether or not a majority protest exists.

#### **CHANGE IN PROTEST**

Up to the close of the above referenced public hearing of November 17, 2010 (see page 1), owners of record and customers of record can change or cancel a prior written protest by written notification to the District. To be valid, the change in protest must state that the prior protest is withdrawn, must be signed by the person or persons who signed the original protest, must contain the address and APN number of the parcel or parcels that receive water service, must be dated and must be received by the District Secretary by the close of the Public Hearing referenced in this Notice.

#### **AVAILABILITY OF STUDIES, REPORTS AND INFORMATION**

Additional information on the proposed water rates is available in the *Tuckfield & Associates Report on Water Rate Study* and the *Staff Report*. These reports are available for review at the District's administrative offices located at 148 South Wilson Street, Nipomo, California and on the District's website at [www.ncsd.ca.gov](http://www.ncsd.ca.gov). In addition, customers may contact the District General Manager at (805) 929-1133 for further information about the proposed rates.