

WATER RATE STUDY
SUPPLEMENTAL WATER RATE ALTERNATIVES
NIPOMO COMMUNITY SERVICES DISTRICT

FINANCIAL CONSULTING
**TUCKFIELD &
ASSOCIATES**
MANAGEMENT CONSULTING

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

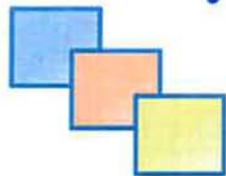
Presentation

May 14, 2014

New Supplemental Water Op Fund

- Captures all revenue and obligations related to Supplemental Water
 - » Revenues from charges to Purveyors and District customers
 - » Supplemental Water cost from Santa Maria
 - » Annual Project replacement
 - » Portion of 2013 and 2013A COPs debt service

- Ensure all users pay their share of Supplemental Water Project
 - Purveyor's pay their Court mandated share
 - District customers pay their Court mandated share



Supplemental Water Charge Approach

- Assume Project Replacement amount is based on final Project Cost
 - Total Project cost with Phase 3 complete is \$33,651,640
 - Equals Bi-monthly Replacement recovery of \$37,342
 - Eliminates having different Replacement amount for each Project Phase
- Assume Normal Conditions
 - No Pumping Reductions



Stabilize Recovery of Replacement and District Portion of Debt Service

- Same charge for replacement and debt service for each Project Phase and delivery amount

Description	Fixed Charge
Supplemental Water Other Fixed Charge	
Supplemental Water Project Bi-monthly Replacement	\$37,342
Difference Between Prop Taxes Received and Debt Service	\$7,881
Total Other Bi-monthly Fixed Costs	<u>\$45,223</u>
Number of Equivalent Meters	4,939
Supplemental Water Other Bi-monthly Fixed Charge	\$9.16

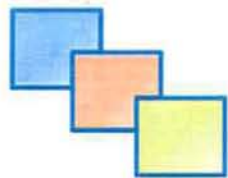


$$\$37,342 = \text{Round}((\$33,651,640/100 \text{ years}/12 \text{ months}),-3)*2*66.68\%$$

$$\$7,881 = ((\$750,000-\$250,000)/12 \text{ months})-\$16,893 \text{ from Purveyors}) * 2$$

Updated Cost of Supplemental Water

Description	Cost
Santa Maria July 1, 2014 Tier 1 water rate	\$3.27
Base Energy Component (\$206.85/AF as of May 7, 2013)	\$0.47
50% of Increase of CPI Energy Services Index for LA-Riv-OC to March 1, 2014	\$0.01
Total Cost of Supplemental Water (\$/Ccf)	\$3.75
Total Cost of Supplemental Water (\$/AF)	\$1,633.50
District Additional O&M (\$/Ccf)	\$0.24
District Additional O&M (\$/AF)	\$104.54
Total Cost of Supplemental Water (\$/Ccf) with Add'l O&M	\$3.99
Total Cost of Supplemental Water (\$/AF) with Add'l O&M	\$1,738.04
	Index
CPI Energy Services LA-RV-OC May 1, 2013	264.188
CPI Energy Services LA-RV-OC March 1, 2014	270.430



Supplemental Water Variable Rates and Fixed Charge Alternatives

Description	Normal Conditions		
	Supplemental Water Contract Delivery		
	Minimum 800 AFY	Minimum 1,000 AFY	Minimum 2,500 AFY
FY 2014-15 Water Volume Projection (Ccf)	1,036,400	1,036,400	1,036,400
Supplemental Water			
Total Project Minimum Take-or-Pay (AFY)	800	1,000	2,500
District Share (%)	66.68%	66.68%	66.68%
District Share Minimum Take-or-Pay (AFY)	533.44	666.80	1,667.00
Supplemental Water Sales Required (Ccf)	232,366	290,458	726,145
Supplemental Water Cost (\$3.99/Ccf) or (\$1,738.04/AF)	\$927,140	\$1,158,927	\$2,897,319
Supplemental Water Cost Recovered on Water Sales Volume			
Supplemental Water Variable Charge (\$/Ccf)	\$0.89	\$1.12	\$2.80
Supplemental Water Other Bi-monthly Fixed Charge	\$9.16	\$9.16	\$9.16
Supplemental Water Cost Recovered Through Fixed Charge			
Supplemental Water Bi-monthly Fixed Charge	\$31.29	\$39.11	\$97.77
Supplemental Water Other Bi-monthly Fixed Charge	\$9.16	\$9.16	\$9.16
Total Bi-monthly Fixed Charge	\$40.45	\$48.27	\$106.93

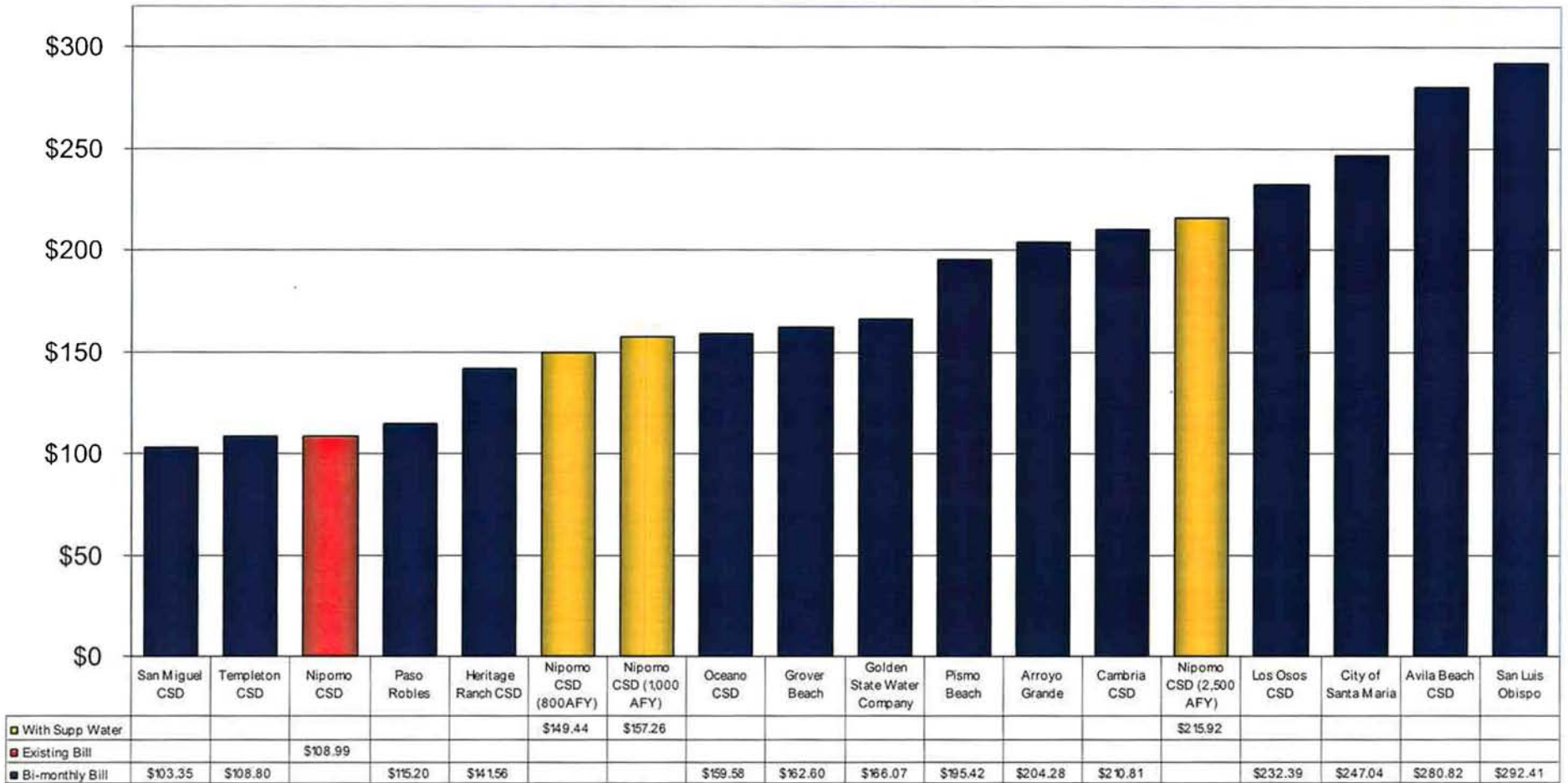
SFR Bi-monthly Water Bills

Variable Rates vs. Fixed Charges

- Differences show the impact of variable rates on bills at minimum take-or-pay amounts

Description	Use	Difference		
		Minimum 800 AFY	Minimum 1,000 AFY	Minimum 2,500 AFY
Very Low	10	(\$22.34)	(\$27.93)	(\$69.81)
Low	20	(\$13.40)	(\$16.75)	(\$41.86)
Average	36	\$0.91	\$1.15	\$2.87
High	80	\$40.28	\$50.35	\$125.87
Very High	120	\$76.06	\$95.08	\$237.70

Selected Local Water Agencies
Comparison of Single-family Residential Bi-monthly Water Bills ^[1]
 at 36 Ccf Bi-monthly



[1] For rates in effect January 2014.

Assumes fixed charges for Supplemental Water and a 1 inch meter

Summary

- Fixed charges collect the revenue required to offset Supplemental Water costs
 - Only if District uses its planned amount of Supplemental Water and pumps the rest
 - Fixed charges assist in creating revenue stability for District, especially needed during Project start-up
- Variable charges introduces revenue uncertainty and very high water bills in upper tiers
 - Key point: If water sales are less than forecast, District will not collect the revenue necessary to pay Santa Maria
 - A 5% decrease in water sales volume with a 2,500 minimum take-or-pay results in a loss of \$145,000 annually

What's Next and Timeline for Water Shortage Response Plan

March - May

Public Outreach

May

Learn and Report Basin Status

Board to discuss feedback from workshops and define rate setting schedule

June

Possible 30% Conservation Cutbacks

May-October

Coordinate with Neighbors for Shared Conservation and Supplemental Water Responsibilities

DISCUSSION

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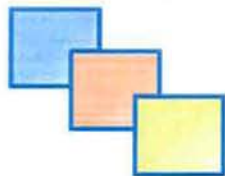
Clayton Tuckfield, P.E.
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Presentation

April 2014

SFR Bills with Variable Rates

Description	Use	Without Project Current Rates ^[1]	Supplemental Water Contract Delivery		
			Minimum 800 AFY	Minimum 1,000 AFY	Minimum 2,500 AFY
Variable Supp Charge (\$/Ccf) ^[2]			\$0.89	\$1.12	\$2.80
Other Fixed Charge (\$/bi-month) ^[2]			\$9.16	\$9.16	\$9.16
Very Low	10	\$51.89	\$70.00	\$72.23	\$89.01
Low	20	\$71.59	\$98.64	\$103.11	\$136.66
Average	36	\$108.99	\$150.35	\$158.41	\$218.79
High	80	\$256.83	\$337.56	\$355.45	\$489.63
Very High	120	\$444.03	\$560.54	\$587.38	\$788.66



SFR Bills with Fixed Charges

Description	Use	Without Project Current Rates ^[1]	Supplemental Water Contract Delivery		
			Minimum 800 AFY	Minimum 1,000 AFY	Minimum 2,500 AFY
Fixed Charge (\$/bi-month) ^[2]			\$40.45	\$48.27	\$106.93
Very Low	10	\$51.89	\$92.34	\$100.16	\$158.82
Low	20	\$71.59	\$112.04	\$119.86	\$178.52
Average	36	\$108.99	\$149.44	\$157.26	\$215.92
High	80	\$256.83	\$297.28	\$305.10	\$363.76
Very High	120	\$444.03	\$484.48	\$492.30	\$550.96

