

TO: FINANCE AND AUDIT COMMITTEE
FROM: MICHAEL LEBRUN *MSL*
GENERAL MANAGER
DATE: JULY 11, 2014



RECEIVE PRESENTATION ON SUPPLEMENTAL WATER RATE SETTING

ITEM

Receive presentation by District Rate Consultant Clayton Tuckfield of Tuckfield & Associates

BACKGROUND

On September 25, 2013, your Board awarded a contract to Tuckfield & Associates to conduct a water rate study. On February 19 and March 6, your Committee received presentations by Clayton Tuckfield on the status of the rate study and preliminary work products.

On April 9, 2014, your Board considered supplemental water rate and drought rate setting and directed staff to conduct public workshops to seek community input on rate setting.

On May 5, 2014, staff and Mr. Tuckfield conducted two public workshops. On May 14, 2014, your Board considered a presentation on supplemental water rate setting approaches by Mr. Tuckfield and directed staff to further develop 'pass-through' variable rate structures for assigning supplemental water cost to customers.

On June 26, 2014, the Finance and Audit Committee met and directed Staff to present an approach that includes stronger justification for the fixed and variable components of the proposed rates. The committee directed that the reserve component be included in the variable rate not the fixed rate and should be the minimum necessary, rational and understandable.

Your Board also directed staff to finalize supplemental water sales agreements with area purveyors in accordance with the Stipulated Settlement.

Today, Mr. Tuckfield and staff will present and discuss variable versus fixed rate approaches for supplemental water.

STRATEGIC PLAN

Goal 1. WATER SUPPLIES. Actively plan to provide reliable water supply of sufficient quality and quantity to serve both current customers and those in the long-term future.

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

4.1 Ensure that purveyors and others pay their fair share of financing water supply, supplemental water, conservation, and sustainability of the regional water supply. Purveyors should pay their share up front before getting water in order to help finance next phases of supplemental water program.

4.4 Maintain adequate rates to fund future capital replacements.

RECOMMENDATION

It is recommended consider the presentation and provide staff direction.

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NEXT STEPS IN RATE SETTING PROCESS

ITEM

Consider schedule

BACKGROUND

The District began the current rate study and rate setting process in September 2013. The process is complicated by supplemental water sales agreements, supplemental water rate setting approaches, and drought rates.

The Committee and staff will discuss the next steps and schedule ahead for completing the process and establishing rates for supplemental water.

Supplemental water pipeline is under construction and the District is scheduled to begin delivery of supplemental water in about one year.

STRATEGIC PLAN

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4.1 Ensure that purveyors and others pay their fair share of financing water supply, supplemental water, conservation, and sustainability of the regional water supply. Purveyors should pay their share up front before getting water in order to help finance next phases of supplemental water program.

4.4 Maintain adequate rates to fund future capital replacements.

RECOMMENDATION

It is recommended that the Committee discuss the schedule and rate study process and provide staff direction.