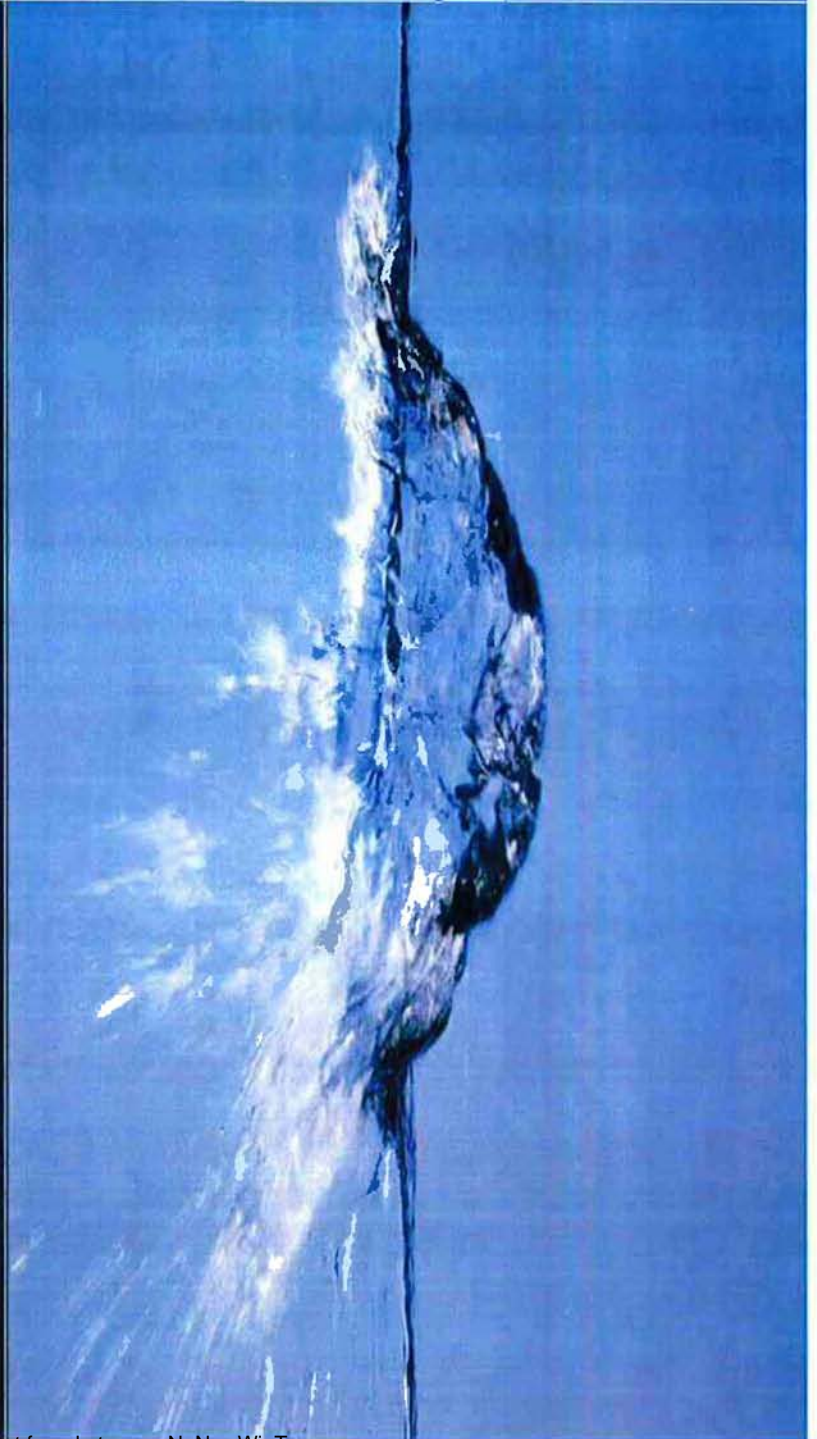


**WATER RATE STUDY**  
**SUMMARY OF PROJECT STATUS**

**NIPOMO COMMUNITY SERVICES DISTRICT**

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

Presentation  
August 13, 2014



# Agenda

- The categories of rates we are looking at
  - Water Rates (Fund 125 rates)
  - Capacity Charges
  - Supplemental Water Rates
  - Water Shortage Rates
  
- What is current status of the rates and charges?
- What decisions need to be made?
- What is our proposed timeline to complete the process?

# Existing Rate Schedule

- Performed update to five-year Water Fund financial plan
- Presented results to F&A Committee on Feb. 19, 2014
- Result of update: no changes to water rate schedule
  - Approved Water rate increases Nov 1, 2014 and Nov 1, 2015 are sufficient
  - Operating reserve target increased to 360 days
    - Reflects potential for significant changes in groundwater pumping and initiation of supplemental water deliveries, both of which present revenue stability challenges in the near future

# Capacity Charges

- Updated capacity charges following 2008 methodology
  - Updated current fixed assets value to December 2013 dollars
  - Updated capital value of Santa Maria MOU
  - Refined Supplemental Water Project costs Phases 1 thru 3
  - Restated value of Desalinization Project cost to December 2013
- Results
  - Proposed Distribution System charges are slightly less than current
  - Proposed Supplemental Water charges will be reduced by about ½ due to change in funding approach

# SUPPLEMENTAL WATER RATES

NIPOMO COMMUNITY SERVICES DISTRICT

# Supplemental Water Rates

- Supplemental Water (SW) rates presented to Board April 9, 2014
  - Included fixed charges of about \$40 every two months per Eq. Meter
  - Board requested a scenario showing a SW volume rate and to seek public comment on SW charges
- SW volume rates presented to Board May 14, 2014
  - Impact to SFR bills were presented showing differences in the bills between the two alternatives
  - Board requested a scenario whereby SW volume rates would adjust automatically as additional Supplemental Water is taken

# Supplemental Water Rates (cont.)

- Automatic Water Commodity Adjustment (WCA) method presented to F&A Committee on June 26, 2014
  - Method allows SW volume rate to change with any amount of SW taken from Santa Maria
  - Results showed that large price increases in SW rate and large increases in bi-monthly bills could occur without customer approval
  - Committee requested a return to a volume rate for the minimum SW allocation and include a justified operating reserve
- SW volume rate and fixed charge presented on July 14, 2014
  - Volume rate based on taking minimum SW allocation per the Agreement with Santa Maria and includes a small fixed charge
  - Committee selected this alternative for SW

# Volume Rate for Supplemental Water

| Description  | July 1, 2015      | July 1, 2016      | July 1, 2017      |
|--|-------------------|-------------------|-------------------|
| <b>Bi-Monthly Variable Costs</b>                           |                   |                   |                   |
| <b>Pass-Through Supplemental Water Costs</b>               |                   |                   |                   |
| Supplemental Water Cost (\$ per AF)                        | \$1,703.20        | \$1,777.25        | \$1,860.01        |
| Supplemental Water O&M Cost (\$ per AF)                    | \$107.16          | \$110.37          | \$113.68          |
| <b>Pass-Through Cost of Supplemental Water (\$ per AF)</b> | <b>\$1,810.36</b> | <b>\$1,887.62</b> | <b>\$1,973.69</b> |
| Minimum Annual Supplemental Water Contract Allocation (AF) | 645               | 800               | 800               |
| Nipomo CSD Share of Supplemental Water (AF)                | 430.09            | 533.44            | 533.44            |
| Total Annual Cost of Supplemental Water                    | \$778,610         | \$1,006,932       | \$1,052,845       |
| Projected Annual Water Sales with Demand Response (Ccf)    | 1,005,805         | 1,004,308         | 1,010,924         |
| <b>Variable Supplemental Water Charge per Ccf</b>          | <b>\$0.774</b>    | <b>\$1.003</b>    | <b>\$1.041</b>    |

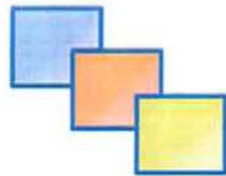


# SFR Bills with Supplemental Water Fixed and Volume Charges

| Description | Use | Without Project            | July 1, 2015                | Nov 1, 2015                 | July 1, 2016                | July 1, 2017                |
|-------------|-----|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|             |     | Nov 1, 2014                | With Project <sup>[2]</sup> | With Project <sup>[3]</sup> | With Project <sup>[4]</sup> | With Project <sup>[5]</sup> |
|             |     | Water Rates <sup>[1]</sup> | 645 AFY                     | 645 AFY                     | 800 AFY                     | 800 AFY                     |
| Very Low    | 10  | \$56.85                    | \$77.79                     | \$83.24                     | \$85.53                     | \$85.91                     |
| Low         | 20  | \$78.45                    | \$107.13                    | \$114.68                    | \$119.26                    | \$120.02                    |
| Median      | 22  | \$82.77                    | \$113.00                    | \$120.97                    | \$126.01                    | \$126.84                    |
| Average     | 36  | \$119.37                   | \$160.43                    | \$171.94                    | \$180.19                    | \$181.56                    |
| High        | 80  | \$281.33                   | \$356.45                    | \$383.40                    | \$401.72                    | \$404.76                    |
| Very High   | 120 | \$486.33                   | \$592.41                    | \$638.76                    | \$666.24                    | \$670.80                    |

**Notes:**

- [1] Includes Nov 1, 2014 water rates.
- [2] Includes Nov 1, 2014 water rates and July 1, 2015 new Supplemental Water rates.
- [3] Includes Nov 1, 2015 water rates and July 1, 2015 new Supplemental Water rates.
- [4] Includes Nov 1, 2015 water rates and July 1, 2016 new Supplemental Water rates.
- [5] Includes Nov 1, 2015 water rates and July 1, 2017 new Supplemental Water rates.



# Impacts to SFR Bills from Supplemental Water

- Overall impacts including water rates and SW rates

| Description | Use | Without Project            | July 1, 2015                | Nov 1, 2015                 | July 1, 2016                | July 1, 2017                |
|-------------|-----|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|             |     | Nov 1, 2014                | With Project <sup>[2]</sup> | With Project <sup>[3]</sup> | With Project <sup>[4]</sup> | With Project <sup>[5]</sup> |
|             |     | Water Rates <sup>[1]</sup> | 645 AFY                     | 645 AFY                     | 800 AFY                     | 800 AFY                     |
| Very Low    | 10  | 9.6%                       | 37%                         | 7.0%                        | 2.8%                        | 0.4%                        |
| Low         | 20  | 9.6%                       | 37%                         | 7.0%                        | 4.0%                        | 0.6%                        |
| Median      | 22  | 9.6%                       | 37%                         | 7.1%                        | 4.2%                        | 0.7%                        |
| Average     | 36  | 9.6%                       | 34%                         | 7.2%                        | 4.8%                        | 0.8%                        |
| High        | 80  | 9.6%                       | 27%                         | 7.6%                        | 4.8%                        | 0.8%                        |
| Very High   | 120 | 9.5%                       | 22%                         | 7.8%                        | 4.3%                        | 0.7%                        |

**Notes:**

[1] Includes Nov 1, 2014 water rates.

[2] Includes Nov 1, 2014 water rates and July 1, 2015 new Supplemental Water rates.

[3] Includes Nov 1, 2015 water rates and July 1, 2015 new Supplemental Water rates.

[4] Includes Nov 1, 2015 water rates and July 1, 2016 new Supplemental Water rates.

[5] Includes Nov 1, 2015 water rates and July 1, 2017 new Supplemental Water rates.

# WATER SHORTAGE RATES

NIPOMO COMMUNITY SERVICES DISTRICT

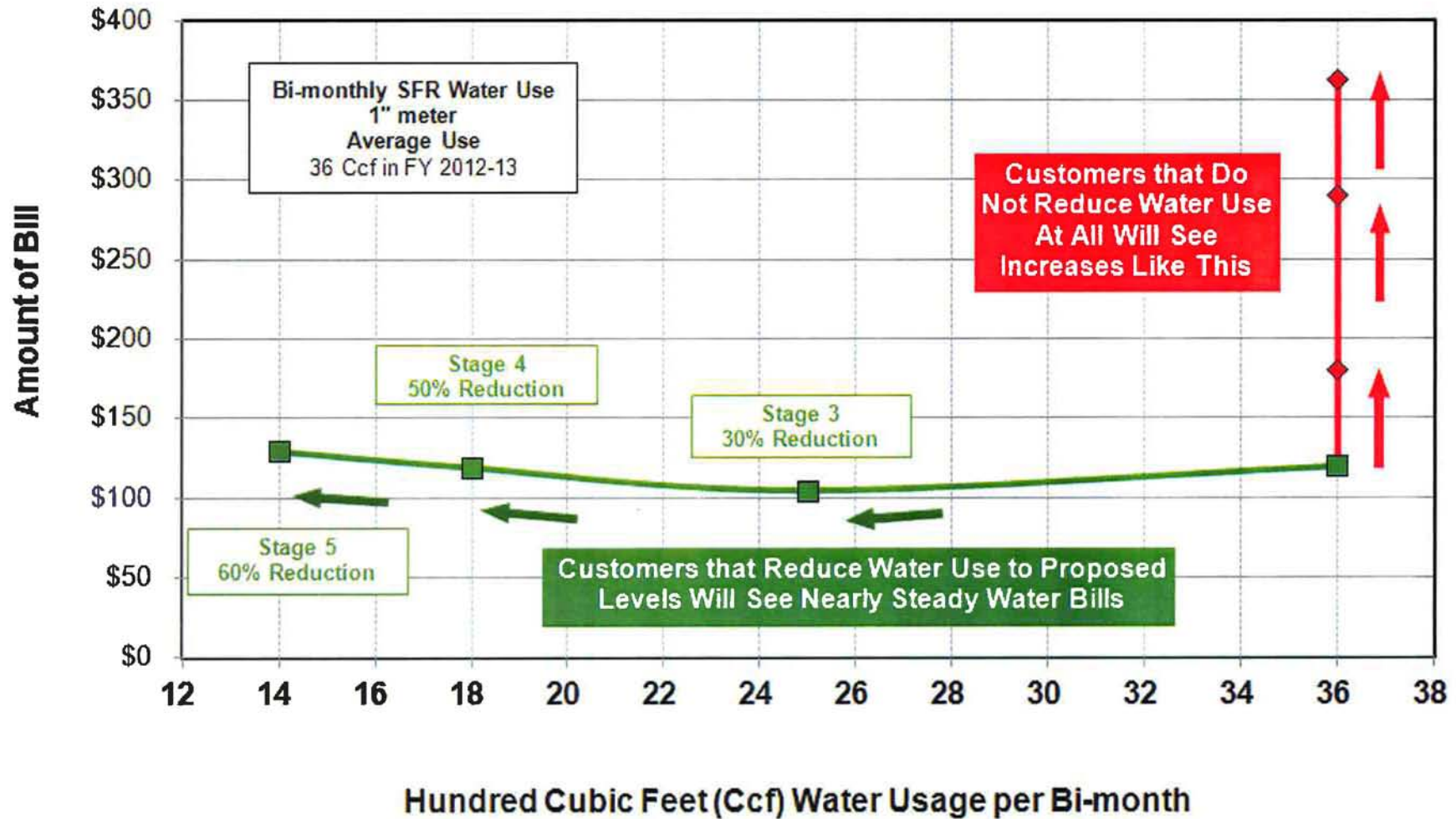
# Water Shortage Rates

- Water shortage rates presented at April 9, 2014 Board meeting
- Approach consists of....
  - Estimating water sales volume targets for each Drought Stage
  - Including additional District costs expected with implementation
  - Estimating customer reaction through Price Elasticity Factors
  - Setting rates to recover same revenue
- Two methods presented
  - Price-Induced/Voluntary Measures
  - Price-Induced/Mandatory Measures
- Result: Board selected Price-Induced/Voluntary rates

# Water Shortage Rates Approach

## No Reduction versus Assumed Customer Stage Reductions

(Does not include Supplemental Water)



# Water Shortage Rates (cont.)

- Additional Analyses Required
  - Importing Supplemental Water reduces the amount of groundwater pumping needed to meet demand
  - With volume rates for SW, the reductions in water sales associated with each drought Stage affects the revenue derived from SW rates
    - Recovering same costs on lower water sales volume requires higher commodity rates for SW
- Complexity of predicting and explaining water shortage rates combined with supplemental water rates significantly increases

# Water Shortage Rates (cont.)

- Three time frames must be considered
  - Fall 2014 – no delivery of Supplemental Water
  - Spring 2015 - Supplemental Water delivery of 645 AFY
  - Spring 2016 - Supplemental Water delivery of 800 AFY
- Three shortage scenarios must be considered
  - Stage III – 30% reduction
  - Stage IV – 50% reduction
  - Stage V – 60% reduction
- All Scenarios must be included in the draft rate schedules for 218 hearing

# STATUS AND TIMELINE

NIPOMO COMMUNITY SERVICES DISTRICT



# Current Status

- Fiscal Year 2013-14 is complete
  - Consultant has begun to update all analysis of rates and charges to include new information
- Scheduled to present draft rate study report by September 10, 2014
  - Draft study will include:
    - Review of current Fund #125 rates
    - Review of Capacity Charges
    - Review of Supplemental Water Charges
    - Review of Water Shortage Rates

# Proposed Timeline

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|                     |  |
|---------------------|--|
| <b>September 4</b>  | <b>Conduct public workshops</b>  |
| <b>September 10</b> | <b>Draft Rate Study Report before the Board</b>  |
| <b>September 24</b> | <b>Board to approve draft Rate Study Report</b><br><b>Direct staff to prepare Prop 218 Notices for Supplemental Water Rates and Shortage Rates</b> |
| <b>November 19</b>  | <b>Public Water Rate Hearing for Supplemental Water</b>  |

# DISCUSSION

NIPOMO COMMUNITY SERVICES DISTRICT

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

Presentation

August 2014