



VENTURA COUNTY WATER COST OF SERVICE STUDY

Waterworks District 17 – Bell Canyon

Citizen Advisory Committee

October 19, 2016

AGENDA

- Objectives of the Study
- Reasons for Rate Changes
- Proposed Water Rates
 - Rate study process
 - Proposition 218 requirements
 - Rates calculation
 - Customer impacts
- Q&A

OBJECTIVES OF THE STUDY

- Ensure that the water rates are *defensible* and equitably recover the cost of serving customers
- Ensure the *financial health* of the water system
- Provide *stable* revenue stream to the water system to avoid rate instability

REASONS FOR RATE CHANGES

- Defensible water rates in compliance with Proposition 218 and San Juan Capistrano requirements
 - Government code 54999.7 requires that a cost of service rate study be conducted at least every 10 years
- Water costs increases
 - Imported water costs increase at ~6% per year
 - Labor and material costs increase at ~3 to 5% per year
 - Capital needs of repair and replacement of aging water system infrastructure

PROPOSITION 218 REQUIREMENTS

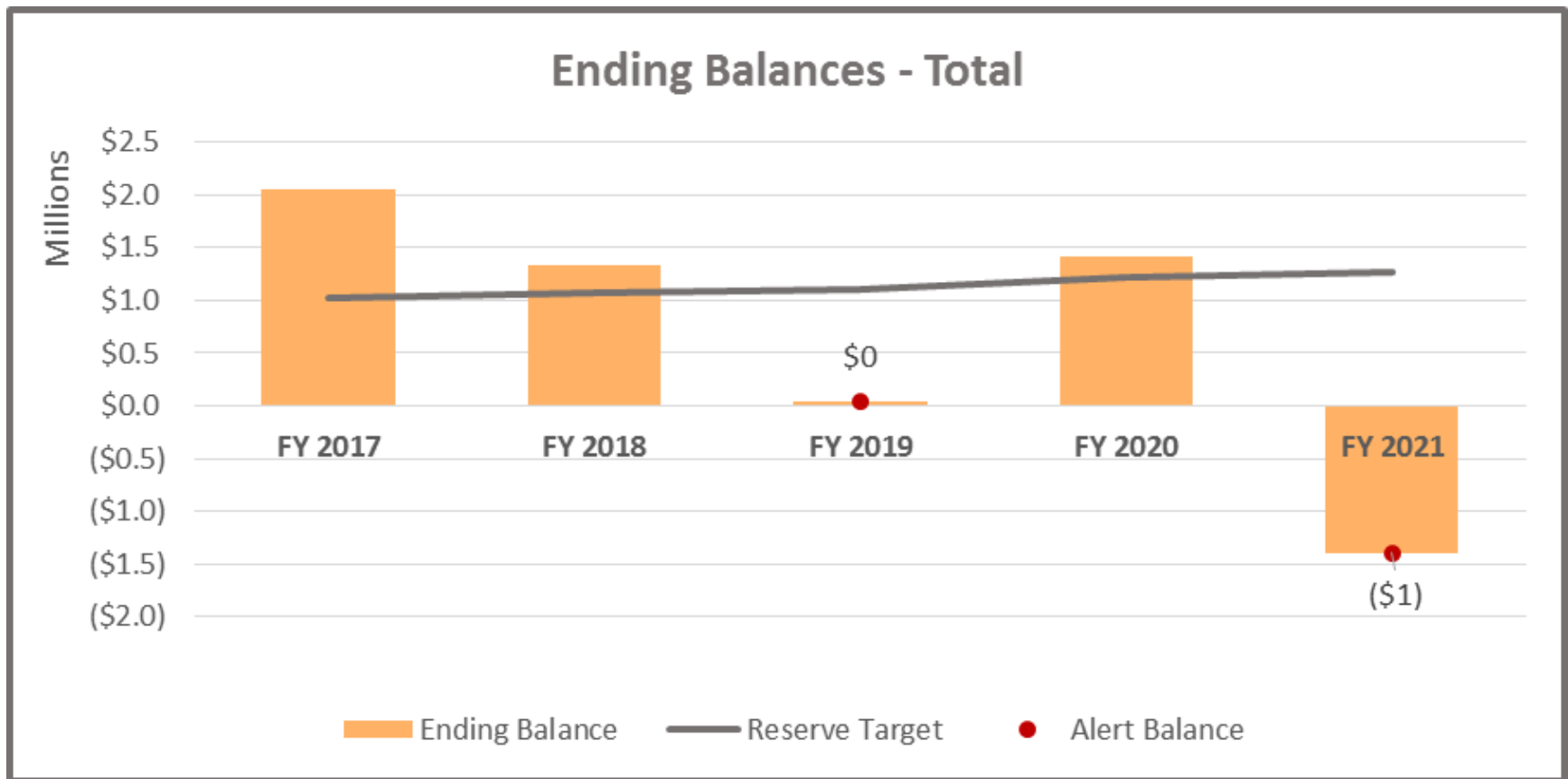
- An agency cannot collect revenue beyond what is necessary to provide service
- Revenues derived by the charge shall not be used for any other purpose other than that for which the charge was imposed
- *The amount of the fee may not exceed the proportional cost of service for the parcel*
- No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property
- A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge

SAN JUAN CAPISTRANO RULING

There needs to be a nexus between cost of providing services and rates

- City of Capistrano failed to demonstrate that the rates for the tiers represented the actual cost of providing service at a ***given level of usage***

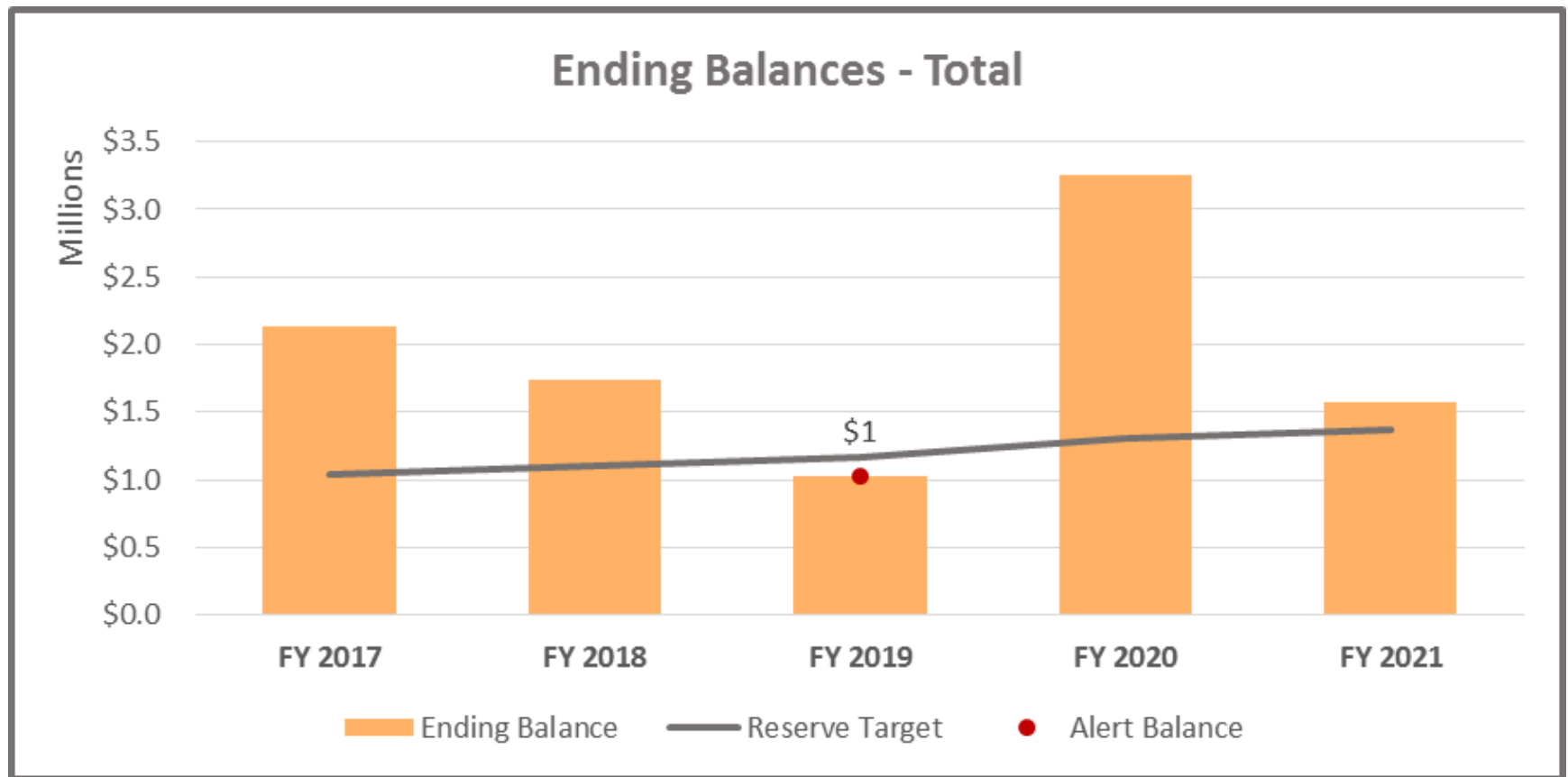
FUND BALANCES – STATUS QUO



RESERVES POLICY

Reserves Type	Purpose	Determination Method
Operating	Provide working capital, cash flow needs	3 months of O&M expenses
Rate Stabilization	Provide funds during periods of revenue shortages	10% of rate revenue
Capital	Provide funds to award contract and adjustments to timing	Funded by depreciation, target is 2% of net assets

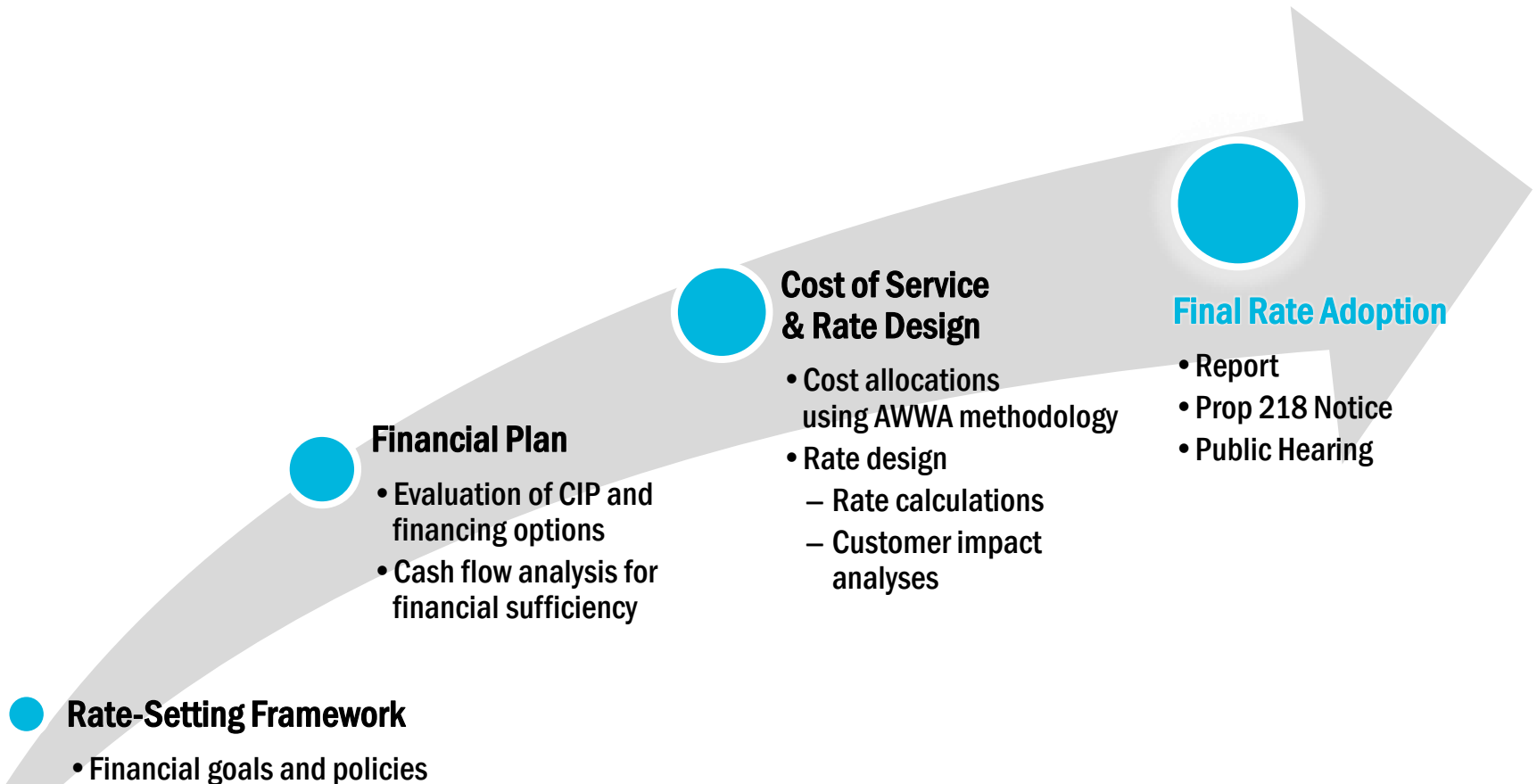
ENDING BALANCES – PROPOSED RATES



PROPOSED WATER RATES

		February 2017	January 2018	January 2019	January 2020	January 2021
Monthly Meter Charges						
Meter Size						
3/4"		\$12.05	\$14.37	\$18.11	\$22.36	\$26.67
1"		\$16.61	\$19.82	\$24.98	\$30.84	\$36.78
1 1/2"		\$28.03	\$33.45	\$42.15	\$52.03	\$62.05
2"		\$41.74	\$49.80	\$62.75	\$77.46	\$92.38
3"		\$85.14	\$101.57	\$127.98	\$157.97	\$188.38
4"		\$149.09	\$177.87	\$224.12	\$276.63	\$329.89
6"		\$302.12	\$360.44	\$454.16	\$560.57	\$668.48
Commodity Rates						
Residential						
Tier 1	0-10 hcf	\$4.91	\$5.28	\$5.65	\$6.04	\$6.34
Tier 2	>10-54 hcf	\$5.25	\$5.64	\$6.03	\$6.45	\$6.77
Tier 3	>54 hcf	\$6.54	\$7.03	\$7.52	\$8.04	\$8.43
Non-Residential		\$5.38	\$5.78	\$6.18	\$6.61	\$6.94
Temporary Construction		\$5.54	\$5.95	\$6.36	\$6.80	\$7.13

RATE STUDY PROCESS



WHAT IS COST OF SERVICE?

Rationale:

- Different types of customers generate different costs because their patterns of use or characteristics are different
- Cost of service allows the matching of rates charged to each group with the costs of serving them
- Each group will “pay its own way”; no subsidies

PROPOSED METER CHARGES

- Proposed fixed revenue percentage of ~5.5% based on COS
 - Increase subsequent year by 1% to provide for revenue stability
- Use AWWA meter capacity ratio to differentiate between meter sizes

Meter Size	Meter Ratio	Meter	Customer/ Billing	Total Monthly Charges	Current Charges	Difference	No. of Meters
3/4"	1.00	\$6.85	\$5.19	\$12.05	\$6.00	\$6.05	39
1"	1.67	\$11.42	\$5.19	\$16.61	\$12.00	\$4.61	657
1 1/2"	3.33	\$22.84	\$5.19	\$28.03	\$24.00	\$4.03	15
2"	5.33	\$36.55	\$5.19	\$41.74	\$42.00	(\$0.26)	5
3"	11.67	\$79.94	\$5.19	\$85.14	\$90.00	(\$4.86)	1
4"	21.00	\$143.90	\$5.19	\$149.09	\$180.00	(\$30.91)	1
6"	43.33	\$296.93	\$5.19	\$302.12	\$360.00	(\$57.88)	0

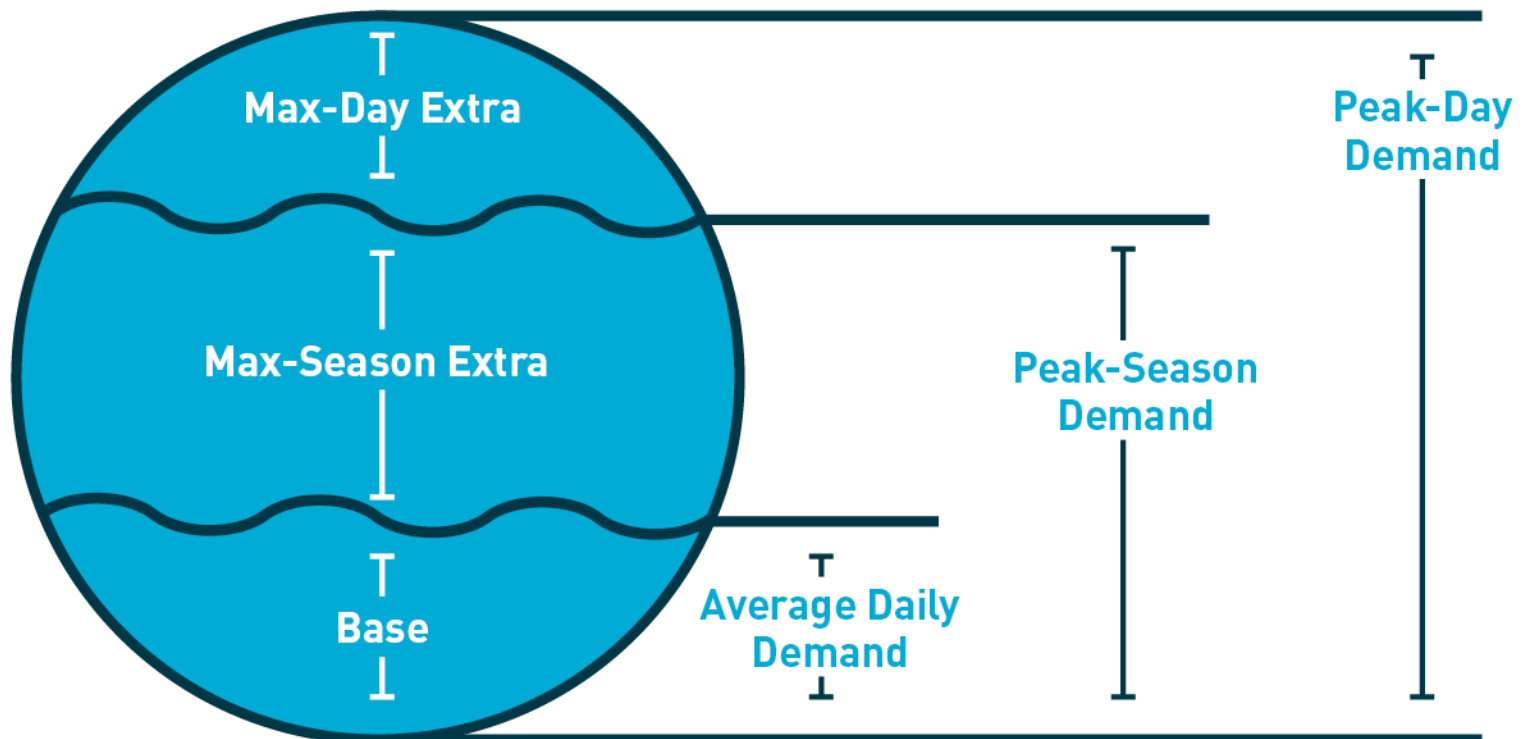
PROPOSED WATER RATE STRUCTURE

- SFR customers will have 3 tiers
 - Tier 1: 0-10 hcf/month – provide for indoor water usage
 - Tier 2: >10-54 hcf/month – represent average usage
 - Tier 3: >54 hcf/month
- All other customers will have uniform rates
 - Non-Residential
 - Temporary Construction

WATER RATE COMPONENTS

- *Water supply* costs
 - 100% Imported water
- *Base delivery* costs recover remaining fixed costs not recovered by service charges
- *Peaking* costs recover the extra capacity, or peak demand, costs of the system

HOW DO WE DETERMINE PEAK DEMAND?



PEAKING COSTS

- **Peaking factors:**
 - Indoor Use: very low-peaking
 - Outdoor Use: high peaking factors
 - Commercial / Industrial: low peaking factor
- Peaking factors by customer classes



PROPOSED WATER RATES

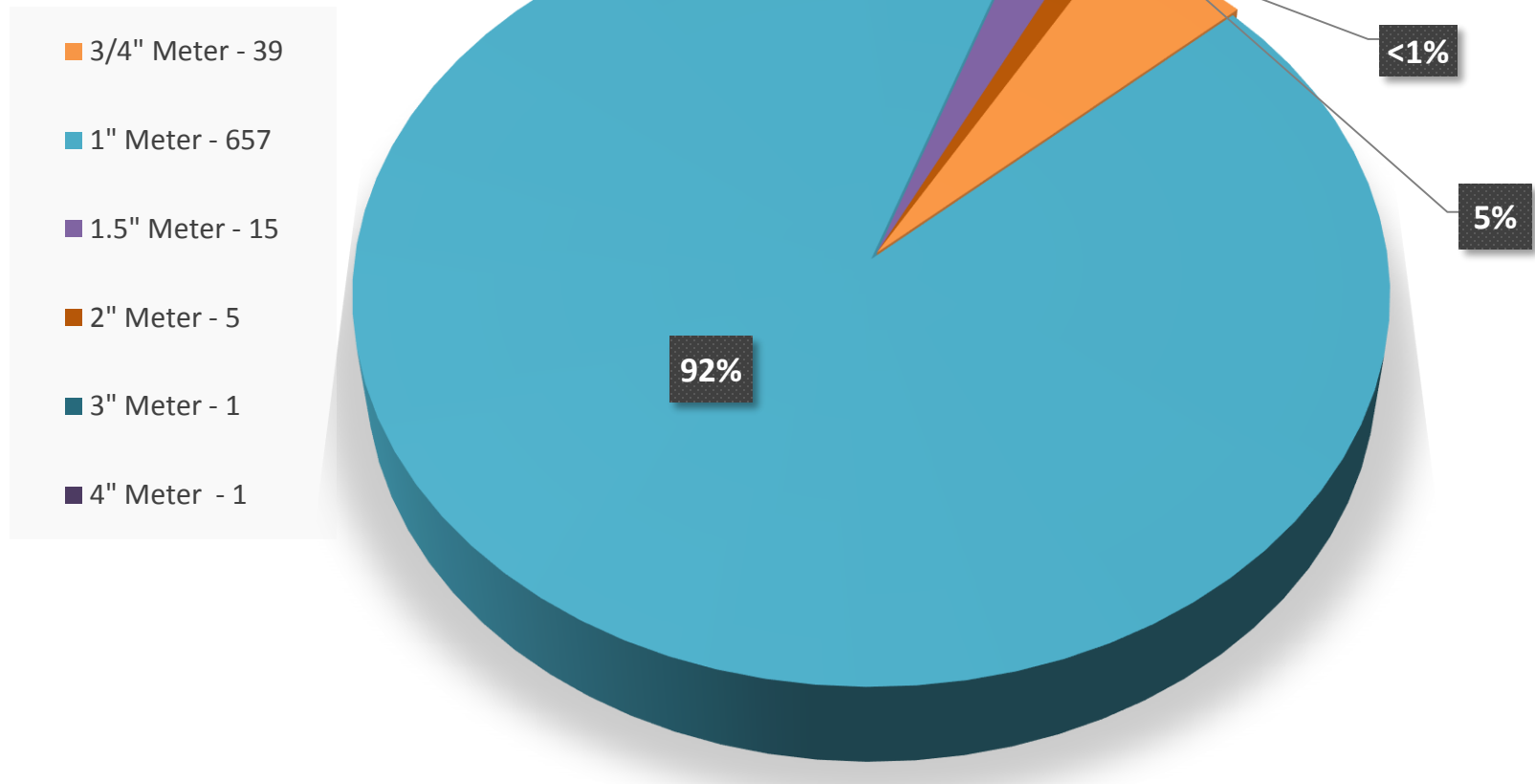
Customer Class	Monthly Tier (hcf)	% Usage	% Bills	Usage (hcf)	Supply	Base Delivery	Peaking	Total Rate
Residential								
Tier 1	10	18%	7%	74,868	\$3.73	\$1.08	\$0.10	\$4.91
Tier 2	54	53%	55%	217,596	\$3.73	\$1.08	\$0.44	\$5.25
Tier 3	>54	29%	38%	117,576	\$3.73	\$1.08	\$1.73	\$6.54
Subtotal Residential				410,040				
Non-Residential				47,111	\$3.73	\$1.08	\$0.57	\$5.38
Temporary Construction				5,211	\$3.73	\$1.08	\$0.73	\$5.54

Q&A

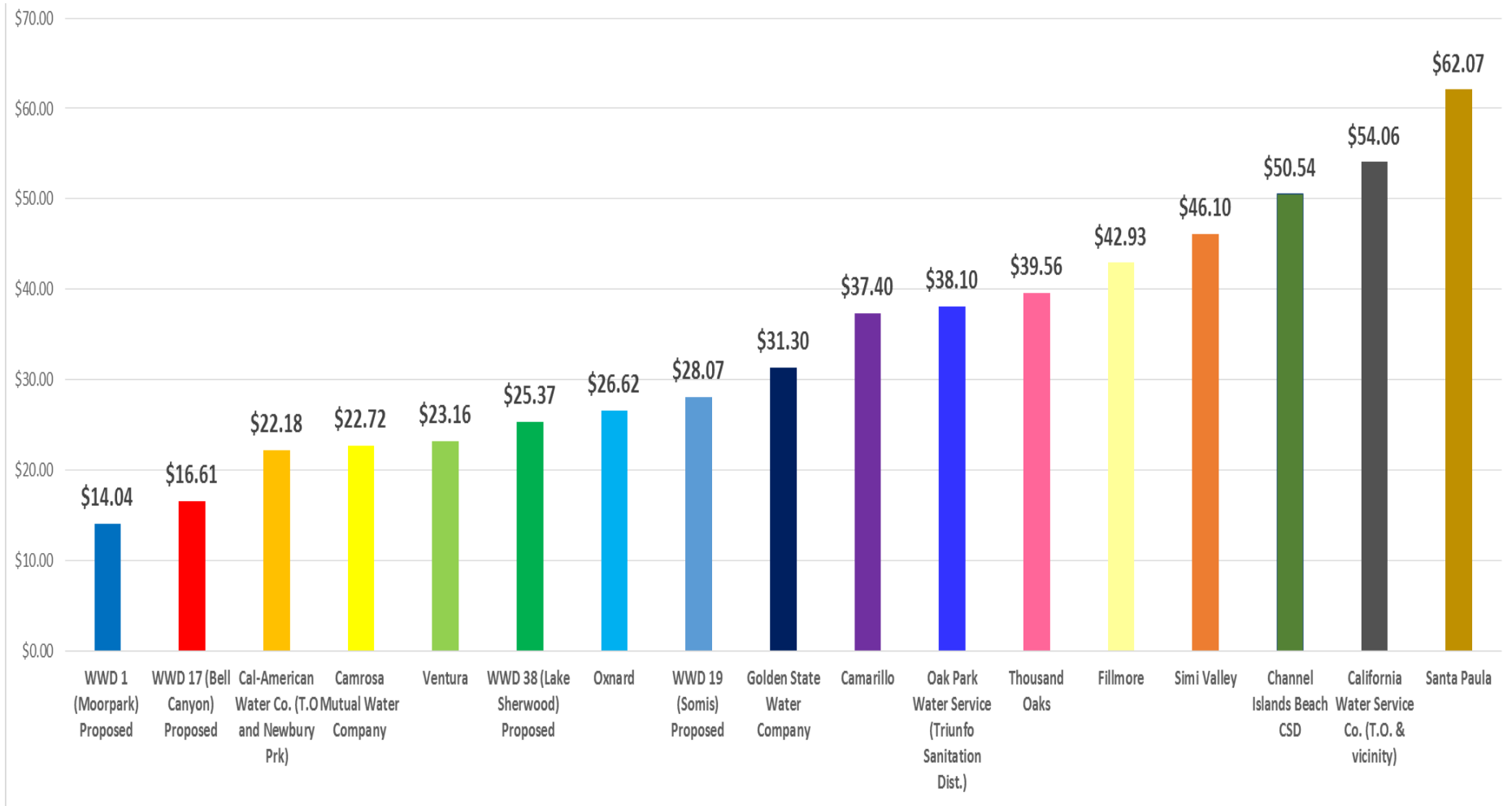
BACKUP SLIDES

Ventura County Waterworks District No. 17 (WWD 17)

Number and Percentage of each Meter Size



A Comparison Between WWD 17 and Ventura County Water Purveyors Current and Proposed 1 Inch Meter/Monthly Services Charges



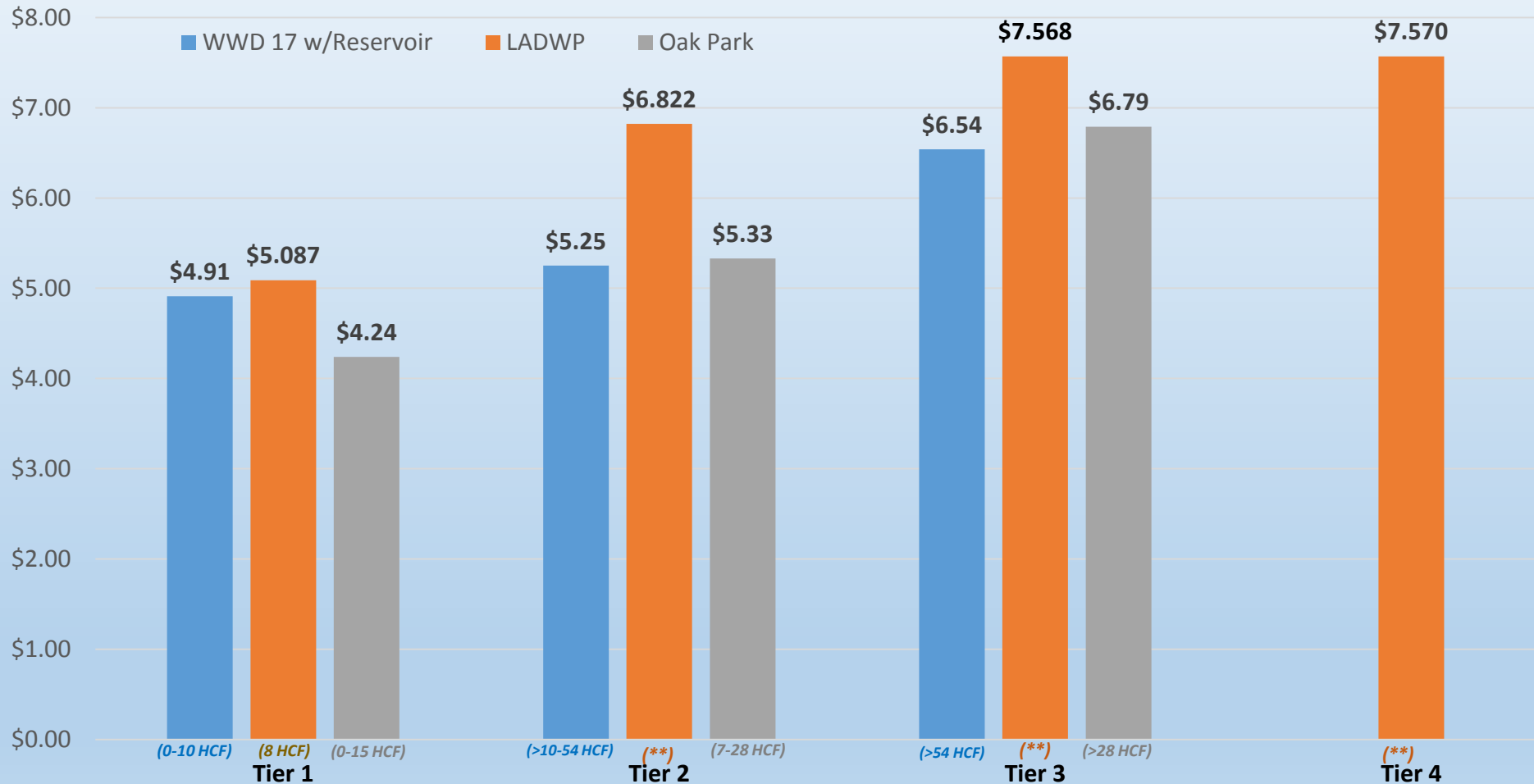
Ventura County Waterworks District No. 17 Current BAN Structure

Water/Irrigation Tiered Rates WF0 & IO0			
District No. 17 - Rounding			
Low Demand			
Rate	Tier I \$3.849/hcf	Tier II \$5.774/hcf	Tier III \$9.623/hcf
Penalty		\$1.925	\$5.774
BAN	Values are the Top of the Range (hcf)		
1	18.00	31.50	999,999,999
2	27.00	47.25	999,999,999
3	36.00	63.00	999,999,999
4	45.00	78.75	999,999,999
5	54.00	94.50	999,999,999
6	63.00	110.25	999,999,999
7	72.00	126.00	999,999,999
8	81.00	141.75	999,999,999
9	90.00	157.50	999,999,999
10	99.00	173.25	999,999,999
13	126.00	220.50	999,999,999
16	153.00	267.75	999,999,999
20	189.00	330.75	999,999,999
29	270.00	472.50	999,999,999
39	360.00	630.00	999,999,999
44	405.00	708.75	999,999,999
59	540.00	945.00	999,999,999
119	1080.00	1890.00	999,999,999

District No. 17 - Rounding			
Peak Demand			
Rate	Tier I \$3.849/hcf	Tier II \$5.774/hcf	Tier III \$9.623/hcf
Penalty		\$1.925	\$5.774
BAN	Values are the Top of the Range (hcf)		
1	30.00	52.50	999,999,999
2	45.00	78.75	999,999,999
3	60.00	105.00	999,999,999
4	75.00	131.25	999,999,999
5	90.00	157.50	999,999,999
6	105.00	183.75	999,999,999
7	120.00	210.00	999,999,999
8	135.00	236.25	999,999,999
9	150.00	262.50	999,999,999
10	165.00	288.75	999,999,999
13	210.00	367.50	999,999,999
16	255.00	446.25	999,999,999
20	315.00	551.25	999,999,999
29	450.00	787.50	999,999,999
39	600.00	1050.00	999,999,999
44	675.00	1181.25	999,999,999
59	900.00	1575.00	999,999,999
119	1800.00	3150.00	999,999,999

A Comparison Between WWD 17 Residential Water Rates and Neighboring Water Districts' Rates

- Ventura County Waterworks District No. 17 - Proposed 2017 Rates
- Los Angeles Department of Water and Power (LADWP) - Rates as of Fiscal Year 2016/2017**
- Oak Park – Rates as of 2015-2016. Rate Increase Approved for 2017, but Rates Unavailable.



** Prices set at these tiers vary according to the lot size of a customer's house, temperature zone where they live (low, medium, and high), and the season (summer and winter).

Disclaimer: While the information contained in this comparison has been presented with all due care, the County of Ventura Water and Sanitation Department does not warrant or represent that the information is free from errors or omissions.

Waterworks District #17 - Bell Canyon
Cost Impact with Reservoir
Residential Customer's Monthly Cost Increase or Decrease by Meter Size & BAN
(Based on Average Usage)

Usage HCF	Meter Size	# of Customers	1-2	# of Customers	3-4	# of Customers	5-6	# of Customers	7-8
0-10	3/4"	9	\$8.56	0	-	1	\$8.44	0	-
> 10 - 54	3/4"	26	\$24.86	7	\$42.01	0	-	0	-
> 54	3/4"	1	(\$119.24)	0	-	0	-	0	-
0-10	1"	0	-	73	\$10.07	3	\$9.14	1	\$5.85
> 10 - 54	1"	0	-	412	\$41.18	33	\$55.46	6	\$57.31
> 54	1"	0	-	109	\$63.73	48	\$115.41	17	\$140.09
0-10	1.5"	0	-	0	-	0	-	1	\$11.99
> 10 - 54	1.5"	0	-	0	-	0	-	5	\$56.62
> 54	1.5"	0	-	0	-	0	-	6	\$131.69
0-10	2"	0	-	0	-	0	-	0	-
> 10 - 54	2"	0	-	0	-	0	-	0	-
> 54	2"	0	-	0	-	0	-	0	-

Usage HCF	Meter Size	# of Customers	9-11	# of Customers	13	# of Customers	16
0-10	3/4"	0	-	0	-	0	-
> 10 - 54	3/4"	0	-	0	-	0	-
> 54	3/4"	0	-	0	-	0	-
0-10	1"	0	-	0	-	0	-
> 10 - 54	1"	3	\$60.02	0	-	0	-
> 54	1"	4	\$227.02	1	\$282.55	1	\$470.39
0-10	1.5"	0	-	0	-	0	-
> 10 - 54	1.5"	1	\$59.12	0	-	0	-
> 54	1.5"	0	-	0	-	0	-
0-10	2"	0	-	0	-	0	-
> 10 - 54	2"	0	-	2	\$51.82	0	-
> 54	2"	0	-	1	\$150.94	1	\$73.63

Customers Average Monthly Bill Inc >\$200

# of Customers	BAN2	Meter Size	Average Monthly Usage >=54	Average Monthly Current Usage	Average Monthly Proposed Usage	Average Monthly Bill Increase
1	9-11	1"	77.17	\$309.01	\$448.22	\$139.21
2	9-11	1"	89.92	\$366.43	\$531.61	\$165.17
3	9-11	1"	125.67	\$518.37	\$765.41	\$247.04
4	9-11	1"	207.50	\$943.96	\$1,300.60	\$356.64
1	13	1"	132.67	\$528.64	\$811.19	\$282.55
1	16	1"	226.83	\$956.65	\$1,427.04	\$470.39