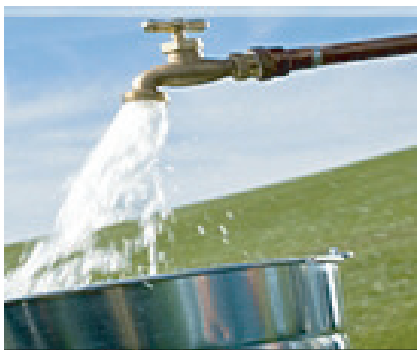


LA CAÑADA IRRIGATION DISTRICT



Water Rate Study Report - 2009



March, 2009

RFC
RAFTELIS FINANCIAL
CONSULTANTS, INC.



RAFTELIS FINANCIAL
CONSULTANTS, INC.

201 S. Lake Blvd, Suite 803
Pasadena • CA • 91101

■ Phone
Fax

626•583•1894
626•583•1411

■ www.raftelis.com

March 30, 2009

Mr. Douglas M. Caister
General Manager
La Cañada Irrigation District
1443 Foothill Blvd.
La Canada, CA 91011

Subject: Water Cost of Service Rate Study

Dear Mr. Caister:

Raftelis Financial Consultants Inc. (RFC) is pleased to present this report on the water cost of service rate study (Study) to the La Cañada Irrigation District (District). The Study involved a comprehensive review of the District's financial plan and rate structures. In addition, the Study included the participation of the District's Board and staff in the design of the rates.

The assumptions and recommendations are described in detail in this report. There are significant impacts resulting from the expected rate increases for water purchases from the Metropolitan Water District. These increases are factored into the rates. The various tables describing the calculation of the rates are included.

It was a pleasure working with you and we wish to express our thanks to Mr. David Hiroto, Mrs. Susan Williamson and other staff members of the District for the support and cooperation extended throughout the Study. We would also like to acknowledge the participation of and input provided by the District's board. If you have any questions, please call me at (626) 583-1894.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sudhir Pardiwala', is written over a light blue horizontal line.

Sudhir Pardiwala
Project Manager

TABLE OF CONTENTS

SECTION 1

EXECUTIVE SUMMARY	1
<i>BACKGROUND.....</i>	<i>1</i>
<i>CURRENT RATE STRUCTURE.....</i>	<i>2</i>
<i>REVIEW OF REVENUE REQUIREMENTS.....</i>	<i>2</i>
<i>COST OF SERVICE.....</i>	<i>2</i>
<i>RECOMMENDATIONS AND PROPOSED CHANGES.....</i>	<i>3</i>

SECTION 2

INTRODUCTION.....	6
<i>BACKGROUND.....</i>	<i>6</i>
<i>SCOPE OF STUDY</i>	<i>6</i>
<i>EXISTING SYSTEMS AND RATE STRUCTURE.....</i>	<i>7</i>

SECTION 3

REVENUE REQUIREMENTS	12
<i>PROJECTED REVENUES.....</i>	<i>12</i>
<i>OPERATING AND MAINTENANCE EXPENSES (O&M).....</i>	<i>12</i>
<i>CAPITAL IMPROVEMENT PROGRAM (CIP).....</i>	<i>13</i>
<i>PROPOSED RATE ADJUSTMENTS</i>	<i>14</i>
<i>RESERVES</i>	<i>16</i>

SECTION 4

COST OF SERVICE AND RATES	18
<i>COST OF SERVICE ANALYSIS.....</i>	<i>18</i>
<i>UNIT COSTS OF SERVICE.....</i>	<i>19</i>

SECTION 5

PROPOSED RATE STRUCTURE.....	21
<i>CUSTOMER RATE IMPACTS.....</i>	<i>22</i>
<i>ALTERNATIVE.....</i>	<i>25</i>
<i>RATE SURVEY.....</i>	<i>28</i>

EXECUTIVE SUMMARY

The La Cañada Irrigation District (District) is a political subdivision of the State of California formed in 1924. The District provides service to the north half of the La Cañada Flintridge city boundaries and serves primarily residential customers, which account for more than 90 percent of the District's total customers. The District is one of the members of the Foothill Municipal Water District (Foothill MWD). About 95 percent of the District's water is imported from Foothill MWD. The total sales in the District are about 3,000 acre feet of water per year. The District receives assessment income as revenue, but it relies mainly on water service fees and charges to support operating and capital expenses.

The District is anticipating significant capital improvements in the near future, such as construction of new water reservoir. With expected increases in the price of purchased water, and increased O&M costs, the District engaged Raftelis Financial Consultants, Inc. (RFC) to develop a financial plan and perform a water cost of service rate study that accomplishes the following goals:

- Ensures revenue sufficiency to meet operating and capital costs;
- Determines the costs to provide service to the District's customers;
- Determines rates that conform to cost of service principles; and,
- Develops a rate structure to promote conservation.

This section of the Executive Summary provides a brief description of the water system, revenue requirements, cost of service principles, and the proposed water rates.

BACKGROUND

The District provides water service to the north half of the City of La Cañada Flintridge. The District is basically built-out; therefore, growth would result primarily from redevelopment. The District serves primarily residential customers, representing more than 90% of the District's total customers. The District imports about 95 percent of water, about 3000 acre feet per year, from Foothill MWD, which receives its water supply from the Metropolitan Water District of Southern California (MWD). Both MWD and Foothill MWD are increasing the price of water they supply. The District, along with numerous agencies in California, is faced with challenges resulting from drought and increasing water and power purchase costs.

SECTION 1 - EXECUTIVE SUMMARY

CURRENT RATE STRUCTURE

Currently, the District's water rate structure includes a bi-monthly service charge based on meter size and a volumetric component with five tiers, as shown in Table ES-1.

TABLE ES - 1 –CURRENT WATER RATE STRUCTURE

Service charge (bi-monthly)

<u>Meter size</u>	<u>Flat rate</u>
5/8 - 3/4	\$ 40.00
1 - 1 1/4	\$ 46.00
1 1/2	\$ 76.00
2	\$ 116.00
3	\$ 166.00

Bi-monthly Tier rates (hcf)

<u>Tier</u>	<u>Rate</u>
1-100	\$ 2.46
101-150	\$ 2.65
151-200	\$ 2.92
201-250	\$ 3.22
251+	\$ 3.54

REVIEW OF REVENUE REQUIREMENTS

Revenue requirements include annual operating and maintenance (O&M) costs, capital expenditures, and debt service payments. The District's principal source of operating revenues is revenue from rates.

The District estimates overall annual water O&M expenditures to increase from approximately \$4.3 to \$6.2 million during the study period FY 2010 through FY 2014. This includes the most significant cost component, the costs of purchased water, to increase from \$2.9 to almost \$4.4 million over the same period. The District is expecting to construct a 2 million gallon reservoir, which will cost \$3 million, and is expected to be funded during FY 2010 and FY 2011. The District currently does not have any debt and does not expect to issue any debt to cover capital expenses. With the increasing operating and capital expenses, the District will start to have an operating deficit in FY 2010 without rate adjustments.

COST OF SERVICE

The total FY 2010 revenue requirement to be recovered from the District's users is around \$4.4 million, of which approximately \$3.6 million are operating costs and the remaining \$ 800,000 are capital costs.

SECTION 1 - EXECUTIVE SUMMARY

The cost of service allocations in this study are based on the Base-Extra Capacity method endorsed by the American Water Works Association (AWWA), a nationally recognized industry group. Under the Base-Extra Capacity method, revenue requirements are allocated to different user classes proportionately to their use of the water system. Allocations are based on average day (Base) usage, maximum day (Max Day) usage, maximum hour peak (Max Hour) usage, meter services, and billing and collection. Details about the cost of service allocations are covered in later sections.

RECOMMENDATIONS AND PROPOSED CHANGES

This section of the Executive Summary outlines RFC's suggestions and recommendations that will enhance equity in the apportionment and recovery of costs. These changes include modifications to water rates and the reserve fund balances.

Revenue Adjustments

Revenue requirements for the five-year planning period were projected from the District's FY 2009 budget information. The projections indicated that the District needs rate adjustments over the next few years. The District has indicated that the rate increase can be effective as early as June 2009. As a result, the first rate adjustment will be implemented in June 2009. The subsequent rate increases are anticipated to take place on July 1st of each year. RFC has proposed the following adjustments.

June 2009	20%
July 1 2010	20%
July 1 2011	10%
July 1 2012	10%
July 1 2013	10%

Recommended Rate Structure

RFC recommends that the District retains the use of a rate structure that includes both a fixed bi-monthly service charge and a variable quantity or commodity rate.

Service Charge: We suggest that the District continues to utilize a bi-monthly service charge varying with meter size. The service charge that makes up the fixed revenue portion of the District's total rate revenue is currently 20 percent. The District indicates that it wants to cover more of the fixed costs with service charges in order to ensure financial stability. Under the proposed rate structure, the District's total fixed revenue will be 25 percent. Both small and large meters will have higher service charges, but the

SECTION 1 - EXECUTIVE SUMMARY

charges for larger meters increase more in proportion to reflect the higher costs of servicing those meters. The fixed meter charges will meet the best management practices of the California Urban Water Conservation Council (CUWCC), which recommends that fixed revenue be less than 30 percent of total rate revenue.

Commodity Rate: Because of the water supply situation MWD may impose a mandatory cut back in consumption. The revenue requirements were developed assuming that the District will seek to reduce usage by 10 percent. Currently, ninety-two percent of the District’s water usage is attributable to residential customers who use, on average, 71 hundred cubic feet (hcf) on a bi-monthly basis. A significant portion of the residential usage is non-essential water use. The current rate structure has the first tier set at 100 hcf bi-monthly. To target the non-essential water use, RFC recommends changing the current increasing block rate structure from five-tiers to three tiers and adjusting the usage at each block in order to encourage conservation.

Table ES-2 shows the recommended rate structure.

TABLE ES - 2– PROPOSED BI-MONTHLY WATER RATE STRUCTURE

Bi-monthly	Existing		Proposed						
	FY 2009		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Service Charge									
Meter Size		Meter Size							
5/8" - 3/4"	\$ 40.00	5/8" - 3/4"	\$ 51.00	\$ 51.00	\$ 61.20	\$ 67.32	\$ 74.05	\$ 81.46	
1" - 1 1/4"	\$ 46.00	1" - 1 1/4"	\$ 86.00	\$ 86.00	\$ 103.20	\$ 113.52	\$ 124.87	\$ 137.36	
1 1/2"	\$ 76.00	1 1/2"	\$ 207.00	\$ 207.00	\$ 248.40	\$ 273.24	\$ 300.56	\$ 330.62	
2"	\$ 116.00	2"	\$ 287.00	\$ 287.00	\$ 344.40	\$ 378.84	\$ 416.72	\$ 458.40	
3"	\$ 166.00	3"	\$ 488.00	\$ 488.00	\$ 585.60	\$ 644.16	\$ 708.58	\$ 779.43	
Tier Rate									
Tier		Tier							
1-100	\$ 2.46	1 - 30	\$ 2.66	\$ 2.66	\$ 3.19	\$ 3.51	\$ 3.86	\$ 4.24	
101-150	\$ 2.65	31 - 70	\$ 2.89	\$ 2.89	\$ 3.46	\$ 3.81	\$ 4.19	\$ 4.61	
151-200	\$ 2.92	71+	\$ 3.15	\$ 3.15	\$ 3.78	\$ 4.15	\$ 4.57	\$ 5.03	
201-250	\$ 3.22		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
251+	\$ 3.54		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

SECTION 1 - EXECUTIVE SUMMARY

Alternative Five-Tiered Structure

A five-tiered rate structure, which is consistent with the District’s current rate structure, has also been developed by the District’s Board in conjunction with staff input. However, the usage at each block has been adjusted. The meter charges remain the same as shown in Table ES – 2. The tiered commodity rates provide higher allowances. The bi-monthly tiers and corresponding rates are shown in Table ES – 3. Any revenue in excess of expenses should be set aside to fund conservation programs.

TABLE ES - 3– PROPOSED BI-MONTHLY WATER RATE STRUCTURE

Bi-monthly	Existing		Proposed						
	FY 2009		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	
Tier Rate									
<u>Tier</u>		<u>Tier</u>							
1-100	\$ 2.46	1 - 60	\$ 2.85	\$ 2.85	\$ 3.42	\$ 3.76	\$ 4.14	\$ 4.55	
101-150	\$ 2.65	61 - 100	\$ 3.18	\$ 3.18	\$ 3.82	\$ 4.20	\$ 4.62	\$ 5.08	
151-200	\$ 2.92	101 - 175	\$ 3.65	\$ 3.65	\$ 4.38	\$ 4.82	\$ 5.30	\$ 5.83	
201-250	\$ 3.22	176 - 250	\$ 4.15	\$ 4.15	\$ 4.98	\$ 5.48	\$ 6.03	\$ 6.63	
251+	\$ 3.54	251+	\$ 4.57	\$ 4.57	\$ 5.48	\$ 6.03	\$ 6.64	\$ 7.30	

Reserves

Prudent business practice requires that the District maintains an operating reserve fund from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. The District currently has two major reserve funds: an operating reserve fund and a capital reserve fund. RFC recommends that the District maintain 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. Fifty percent of average routine Capital Improvement Projects (CIP) is recommended in the capital reserve fund.

INTRODUCTION

The water supply situation in Southern California has caused wholesale rates to spike up with more increases to follow. Metropolitan Water District of Southern California (MWD) which is wholesale provider is projecting a high probability of mandatory cutbacks. The District is planning capital improvement projects which will further strain the financial resources of the District. The combination of these factors and the fact that the District has not reviewed its rate structure in years prompted the District to engage Raftelis Financial Consultants, Inc. (RFC) to review water rates, develop financial plans and to perform a water cost of service rate study.

BACKGROUND

The District purchases water from the Foothill Municipal Water District (Foothill MWD) which is a member agency of MWD. The District provides water service to the north half of the City of La Cañada Flintridge. The District is essentially built-out; therefore, growth will result primarily from redevelopment. The District primarily serves residential customers, which account for more than 90% of the District's total customers. The District imports about 95 percent of water, or about 3,000 acre feet per year, from Foothill MWD. The District owns seven reservoir sites with a total capacity of approximately 6.8 million gallons, and seven pump stations, including two wells in the Raymond Basin, and owns approximately 80 acres in Picken Canyon.

SCOPE OF STUDY

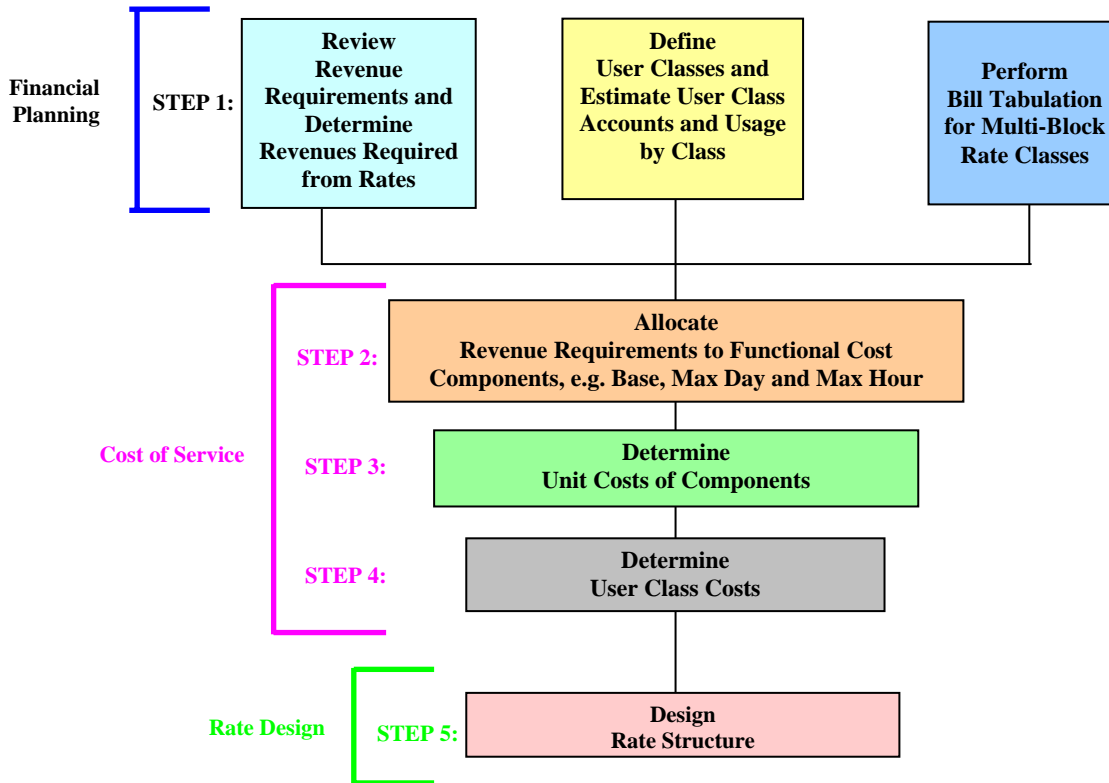
The scope of this study entails developing a five-year financial plan and cost-based water user rates through a comprehensive cost of service and rate design study process. Figure 2-1 provides a graphical representation of the three major processes involved in this study. The three major processes are listed below and are executed by building a rate and financial planning model using a Microsoft Excel® (Rate Model):

Financial Planning: Revenue requirements are projected for a five-year period from FY 2010 through FY 2014. Financial planning involves estimation of annual O&M and capital expenses (CIP), reserve requirements, operating and capital revenue sources, and the determination of required annual user revenues from rates and charges.

Cost of Service Analysis: The cost of service analysis involves identifying and allocating annual revenue requirements to the different cost parameters.

Rate Design: The rate design involves the development of a fixed and variable schedule of rates to proportionately recover the costs of providing service.

FIGURE 2 - 1– COST OF SERVICE/ RATE DESIGN PROCESS



EXISTING SYSTEMS AND RATE STRUCTURE

Growth

The area within the District’s service boundaries is generally fully developed; therefore, the Rate Model assumes a small 0.1 percent annual account growth rate due to redevelopment for all customer types during the study period from FY 2010 to FY 2014.

Existing Rate Structure

The District’s existing water rate structure includes a bi-monthly customer charge based on meter size and a volumetric component that has five tiers. The existing customer charges are shown in Table 2-1 below.

Service Charge: The typical single-family residential (SFR) user with a 5/8-inch –3/4 inch meter pays \$40.00 bi-monthly. Customers with larger demands require larger meters. Larger meters are more expensive to maintain and replace, so it is customary under the American Water Works Association (AWWA) methodology to charge higher bi-monthly customer service charges for larger meters consistent with the demand they place on the system.

Commodity Charge: The District currently has a five tiered increasing block rate structure. The first tier is for usage up to 100 hcf. The second tier is for usage from 101 hcf to 150 hcf. The third is from 151 hcf to 200 hcf, the fourth tier is from 201 hcf to 250 hcf. The last tier is for

usage over 250 hcf. The tiered rate structure promotes water conservation because it charges customers higher rates at higher usage levels. The current rate structure provides very generous allowances in the different tiers. The rate differentials among the tiers are not very conducive to sending a strong signal for conservation.

TABLE 2 - 1–CURRENT WATER RATE STRUCTURE

Service charge (bi-monthly)

<u>Meter size</u>	<u>Flat rate</u>
5/8 - 3/4	\$ 40.00
1 - 1 1/4	\$ 46.00
1 1/2	\$ 76.00
2	\$ 116.00
3	\$ 166.00

Bi-monthly Tier rates (hcf)

<u>Tier</u>	<u>Rate</u>
1-100	\$ 2.46
101-150	\$ 2.65
151-200	\$ 2.92
201-250	\$ 3.22
251+	\$ 3.54

Meters and Equivalent Meters

Most customers in the District are provided service through 5/8” – 3/4” meter. The total number of meters by size in the District is shown in Table 2-2 below. To make projections on water sales and allocate meter-related costs appropriately, the concept of equivalent meters needs to be understood. By using equivalent meters instead of a straight meter count, the analysis reflects the fact that larger meters impose larger demands and are more expensive to install, maintain, and replace than smaller meters.

Most rate studies calculate equivalent meters data on the basis of meter hydraulic capacity. The hydraulic capacity ratios shown in Table 2-2 were provided by the District. . A ratio of hydraulic capacity is calculated by dividing large meter capacities by the base meter capacity. The base meter is the most common small meter in our case, a 5/8-in to 3/4-in meter. The actual number of meters by size is multiplied by the corresponding capacity ratio to calculate equivalent meters.

Equivalent meters are used in calculating meter services costs. The equivalent meter ratios used for this study, along with the total number of equivalent meters in the system, are shown in Table 2-2 below.

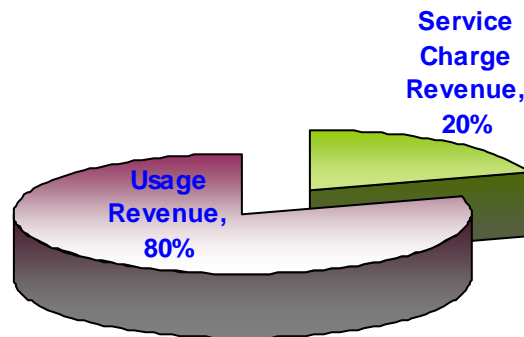
TABLE 2 - 2– METERS AND EQUIVALENT METERS

Meter Ratio			
Meter Size	No. of Meters	Capacity Ratio	Equivalent Meters
5/8"- 3/4"	2,083	1.00	2,083
1" - 1 1/4"	783	1.79	1,401
1 1/2"	5	4.46	22
2"	31	6.25	194
3"	7	10.71	75
Total	2,909		3,776

Revenue and Usage Characteristics

The District currently receives approximately 20 percent of its revenue from fixed service charges and the remainder from variable usage charges, as shown in Figure 2-2.

FIGURE 2 - 2– REVENUE DISTRIBUTION



The majority of the District’s customers, approximately 92 percent of total service accounts, are single family residential customers. Based on the data provided by the District, RFC performed several analyses to determine customers’ usage characteristics. Figure 2-3 shows usage by customer class. Single Family customers use 92.4 percent of the total usage. Figure 2-4 shows the usage revenue by customer class based on current rate structure.

FIGURE 2 - 3- USAGE ALLOCATION BY CUSTOMER CLASS

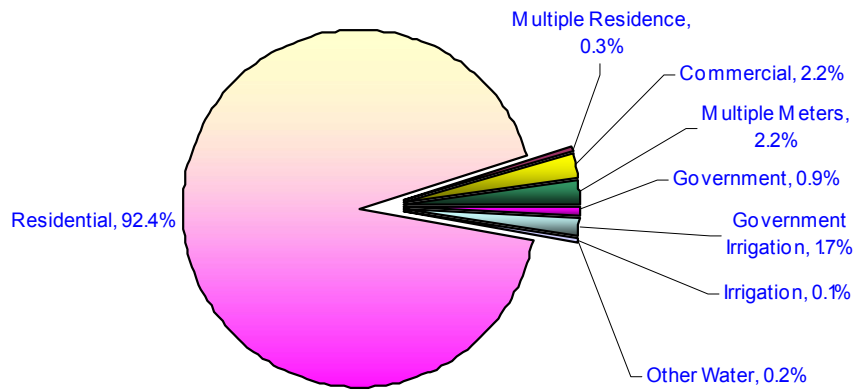
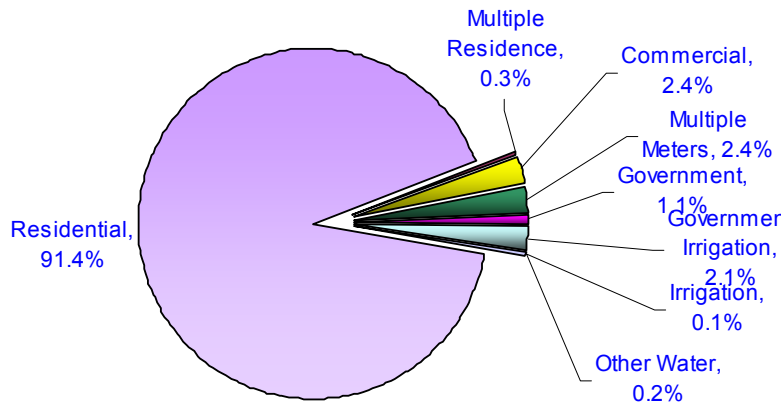


FIGURE 2 - 4- USAGE REVENUE BY CUSTOMER CLASS



Figures 2-5 and 2-6 illustrate the usage pattern of all customer classes and the residential customers, respectively.

FIGURE 2 - 5- USAGE CHARACTERISTICS FOR ALL CUSTOMER CLASS

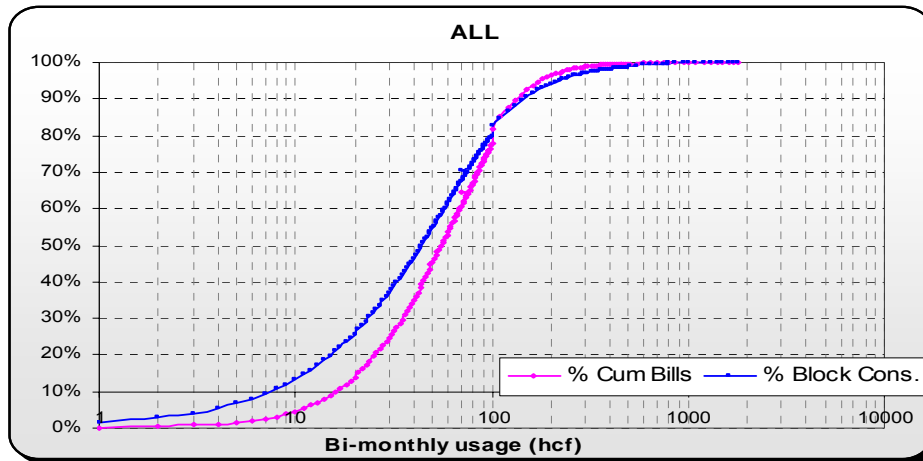
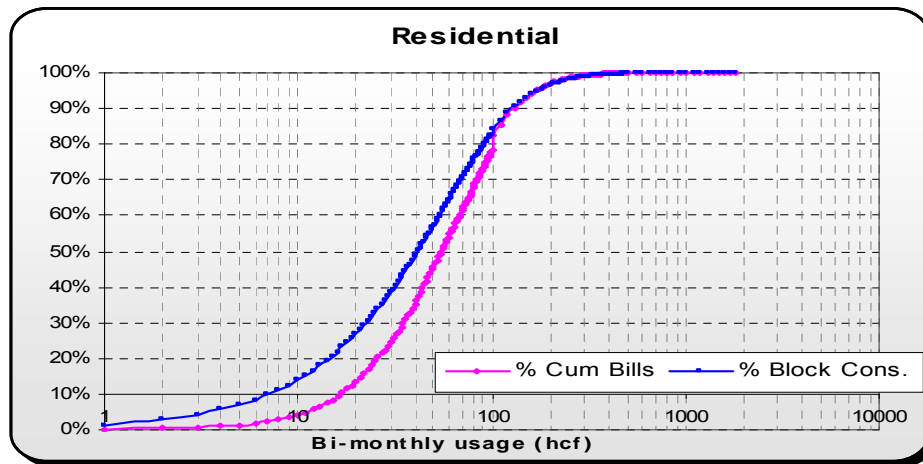


FIGURE 2 - 6- USAGE CHARACTERISTICS FOR RESIDENTIAL CUSTOMERS



These two graphs show the cumulative usage to any given bi-monthly block (blue line) and the percentage of bills that are in that block (pink line). For example, Figure 2-5 indicates that 50 percent of all customers use more than 56 hcf bi-monthly. Similarly, Figure 2-6 shows that 50 percent of residential customers use more than 55 hcf bi-monthly. Since the majority of the customers are residential, the usage patterns of the two graphs are very similar since residential customers represent a large majority of the users in the system. The average bi-monthly usage for all customer classes is approximately 74 hcf, whereas the average usage for residential customers is about 71 hcf bi-monthly.

This analysis is useful in designing tiers and reviewing impacts on customers.

SECTION 3 - REVENUE REQUIREMENTS

REVENUE REQUIREMENTS

A review of the District's revenue requirements is a key first step in the rate design process. The review involves an analysis of annual operating revenues under existing rates, operation and maintenance (O&M) expenses, capital expenditures, transfers among funds, and reserve requirements. This section of the report provides a discussion of the projected revenues, O&M expenses, capital improvement program (CIP).

PROJECTED REVENUES

Table 3-1 displays the District's water revenues projected by the Rate Model over the forecast period. These revenues are projected under the current rate structure.

TABLE 3 - 1 - PROJECTED WATER REVENUES

	Actual FY 2008	Budgeted FY 2009	Projected FY 2010	Projected FY 2011	Projected FY 2012	Projected FY 2013	Projected FY 2014
Operating Revenues							
Service Charge Revenue	20% \$ 746,100	\$ 746,100	\$ 746,846	\$ 747,593	\$ 748,341	\$ 749,089	\$ 749,838
Usage Revenue	80% \$ 3,278,394	\$ 3,278,394	\$ 2,953,505	\$ 2,956,459	\$ 2,959,415	\$ 2,962,375	\$ 2,965,337
Customer Service	\$ 28,997	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000
Other Revenue	\$ 13,843	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Total Operating Revenues	\$ 4,067,334	\$ 4,064,494	\$ 3,740,351	\$ 3,744,052	\$ 3,747,756	\$ 3,751,464	\$ 3,755,175
Other-Operating Revenues							
Interest Revenue	\$ 192,485	\$ 119,050	\$ 99,134	\$ 53,741	\$ 62,610	\$ 88,531	\$ 125,001
Tax Assessments	\$ 383,220	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Total Other-Operating Revenues	\$ 575,705	\$ 519,050	\$ 499,134	\$ 453,741	\$ 462,610	\$ 488,531	\$ 525,001
	\$ 4,588,564						
TOTAL REVENUE	\$ 4,643,039	\$ 4,583,544	\$ 4,239,485	\$ 4,197,792	\$ 4,210,366	\$ 4,239,995	\$ 4,280,176

OPERATING AND MAINTENANCE EXPENSES (O&M)

The District's FY 2009 water budget was entered into the Rate Model and used as the base year for O&M costs. In order to project O&M expenses for future years, RFC assumed an escalation factor of three percent per year for general costs and five percent per year for personnel costs. The O&M costs include administrative expenses and plant expenses, which include salaries, water purchase costs and other general costs. The water purchase price is adjusted based on the rate forecast from Foothill MWD and represents the majority of the increase in operating costs. Water costs are projected to increase by 20 percent in 2010 and 10 percent in 2011. Subsequent increases are 10 percent per year. Table 3-2 shows the O&M budget and projected costs in detail. The rate study also assumes a 10 percent reduction in water usage in FY 2010 and beyond.

SECTION 3 - REVENUE REQUIREMENTS

TABLE 3 - 2 - WATER O&M EXPENSES

Description	Fixed Variable	Actual	Budgeted	Projected	Projected	Projected	Projected	Projected
		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Administrative Expenses								
Office Salaries & Payroll Tax	Fixed	\$ 90,764	\$ 92,000	\$ 96,600	\$ 101,430	\$ 106,502	\$ 111,827	\$ 117,418
Office Supplies & Expense	Fixed	\$ 35,440	\$ 36,000	\$ 37,080	\$ 38,192	\$ 39,338	\$ 40,518	\$ 41,734
Dues	Fixed	\$ 11,571	\$ 12,000	\$ 12,360	\$ 12,731	\$ 13,113	\$ 13,506	\$ 13,911
Bonds & Insurance	Fixed	\$ 23,375	\$ 30,000	\$ 30,900	\$ 31,827	\$ 32,782	\$ 33,765	\$ 34,778
Fringe Benefits	Fixed	\$ 139,652	\$ 141,000	\$ 148,050	\$ 155,453	\$ 163,225	\$ 171,386	\$ 179,956
County Taxes	Fixed	\$ 1,140	\$ 1,200	\$ 1,236	\$ 1,273	\$ 1,311	\$ 1,351	\$ 1,391
Director's Fees	Fixed	\$ 6,000	\$ 6,000	\$ 6,180	\$ 6,365	\$ 6,556	\$ 6,753	\$ 6,956
Professional Services	Fixed	\$ 54,170	\$ 65,000	\$ 66,950	\$ 68,959	\$ 71,027	\$ 73,158	\$ 75,353
Trustee Fees	Fixed	\$ 560	\$ 700	\$ 721	\$ 743	\$ 765	\$ 788	\$ 811
Travel	Fixed	\$ -	\$ 1,500	\$ 1,545	\$ 1,591	\$ 1,639	\$ 1,688	\$ 1,739
Assessment Collection	Fixed	\$ 4,847	\$ 5,100	\$ 5,253	\$ 5,411	\$ 5,573	\$ 5,740	\$ 5,912
Uncollected Accounts	Fixed	\$ 322	\$ 1,000	\$ 1,030	\$ 1,061	\$ 1,093	\$ 1,126	\$ 1,159
Total Administrative Expenses		\$ 367,841	\$ 391,500	\$ 407,905	\$ 425,035	\$ 442,924	\$ 461,606	\$ 481,119
Plant Expenses								
Water Purchases - Variable	Variable	July to Dec	55%	\$ 1,590,099	\$ 1,908,119	\$ 2,020,221	\$ 2,222,243	\$ 2,444,467
		Jan to June	45%	\$ 2,141,688	\$ 2,676,934	\$ 1,300,990	\$ 1,431,089	\$ 1,652,908
Water Purchases -Fixed	Fixed	\$ 71,940	\$ 71,940	\$ 71,940	\$ 71,940	\$ 71,940	\$ 71,940	\$ 71,940
Pump & Electrical	Fixed	\$ 8,944	\$ 15,000	\$ 15,450	\$ 15,914	\$ 16,391	\$ 16,883	\$ 17,389
Power Purchases	Variable	\$ 238,976	\$ 266,107	\$ 292,718	\$ 321,989	\$ 354,188	\$ 389,607	\$ 428,568
Water Treatment	Variable	\$ 18,094	\$ 19,000	\$ 19,570	\$ 20,157	\$ 20,762	\$ 21,385	\$ 22,026
Telemetry Control	Variable	\$ 469	\$ 500	\$ 515	\$ 530	\$ 546	\$ 563	\$ 580
Wages	Fixed	\$ 296,021	\$ 308,000	\$ 323,400	\$ 339,570	\$ 356,549	\$ 374,376	\$ 393,095
Superintendent's Salary	Fixed	\$ 139,922	\$ 141,000	\$ 148,050	\$ 155,453	\$ 163,225	\$ 171,386	\$ 179,956
Auto & Truck	Fixed	\$ 19,984	\$ 25,000	\$ 25,750	\$ 26,523	\$ 27,318	\$ 28,138	\$ 28,982
Repair & Maintenance	Fixed	\$ 75,010	\$ 75,000	\$ 77,250	\$ 79,568	\$ 81,955	\$ 84,413	\$ 86,946
Total Plant Expenses		\$ 3,011,048	\$ 3,598,481	\$ 3,865,731	\$ 4,370,850	\$ 4,766,002	\$ 5,199,132	\$ 5,673,966
Total O&M		\$ 3,378,889	\$ 3,989,981	\$ 4,273,636	\$ 4,795,886	\$ 5,208,926	\$ 5,660,738	\$ 6,155,084

CAPITAL IMPROVEMENT PROGRAM (CIP)

The District has developed a water capital improvement program (CIP) to address future water system needs. The total estimated inflated water CIP for the study period of FY 2010 to FY 2014 is \$6.2 million. An inflation rate of four percent per year was used to project the CIP. The CIP expenses are listed in Table 3-3 below.

SECTION 3 - REVENUE REQUIREMENTS

TABLE 3 - 3- CAPITAL IMPROVEMENT PROGRAM – INFLATED

Description	Actual	Budgeted	Projected	Projected	Projected	Projected	Projected
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Phase II Storage Improvement	\$ 213,900	\$ 1,000,000	\$ -	\$ -	\$ -	\$ -	\$ -
Pipeline & Valve Replacement	\$ 45,000	\$ -	\$ 312,000	\$ 432,640	\$ 562,432	\$ 584,929	\$ 608,326
Pumping Plant Upgrades	\$ 100,000	\$ -	\$ 104,000	\$ 108,160	\$ 112,486	\$ -	\$ -
Miscellaneous	\$ 7,127	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Office Equipment Upgrade	\$ 37,229	\$ -	\$ 26,000	\$ 27,040	\$ 28,122	\$ -	\$ -
Vehicle Replacement	\$ 35,000	\$ 35,000	\$ 26,000	\$ 27,040	\$ 28,122	\$ -	\$ -
Olive Lane 8" Main Line	\$ -	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -
Well No. 6 Electrical Upgrade	\$ -	\$ 90,000	\$ -	\$ -	\$ -	\$ -	\$ -
Gould Ave. Pressure Stn. Upgrade	\$ -	\$ 45,000	\$ -	\$ -	\$ -	\$ -	\$ -
Diesel Gen/ Sets Upgrade	\$ -	\$ 80,000	\$ 52,000	\$ -	\$ -	\$ -	\$ -
2 mil. Gallon Reservoir	\$ -	\$ -	\$ 2,600,000	\$ 540,800	\$ -	\$ -	\$ -
TOTAL CIP - Uninflated	\$ 438,256	\$ 1,500,000	\$ 3,120,000	\$ 1,135,680	\$ 731,162	\$ 584,929	\$ 608,326

PROPOSED RATE ADJUSTMENTS

Non rate revenues and expenses were compiled in Table 3-4 to determine the revenue adjustments needed.

SECTION 3 - REVENUE REQUIREMENTS

TABLE 3 - 4 –PROJECTED WATER CASH FLOW

	Budgeted	Projected	Projected	Projected	Projected	Projected
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Operating Revenues						
Revenue from existing rates	\$ 4,024,494	\$ 3,700,351	\$ 3,704,052	\$ 3,707,756	\$ 3,711,464	\$ 3,715,175
Additional Revenue Required:						
2009	1	20%	\$ 67,075	\$ 740,070	\$ 740,810	\$ 741,551
2010	12	0%		\$ -	\$ -	\$ -
2011	12	20%		\$ 888,972	\$ 889,861	\$ 890,751
2012	12	10%		\$ 533,917	\$ 534,451	\$ 534,985
2013	12	10%			\$ 587,896	\$ 588,484
2014	12	10%				\$ 647,332
Revenues from proposed rates	\$ 4,091,569	\$ 4,440,422	\$ 5,333,835	\$ 5,873,085	\$ 6,466,854	\$ 7,120,653
Customer Services	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000	\$ 28,000
Other Revenue	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000	\$ 12,000
Assessment Income	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Interest	\$ 119,050	\$ 99,134	\$ 53,741	\$ 62,610	\$ 88,531	\$ 125,001
Total Revenue	\$ 4,650,619	\$ 4,979,556	\$ 5,827,575	\$ 6,375,695	\$ 6,995,385	\$ 7,685,654
REVENUES REQUIREMENTS						
O&M Expenses	\$ 3,989,981	\$ 4,273,636	\$ 4,795,886	\$ 5,208,926	\$ 5,660,738	\$ 6,155,084
Proposed Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfer to Capital Reserve		\$ 800,000	\$ 800,000	\$ 800,000	\$ 1,200,000	\$ 1,200,000
Total Revenues Requirements	\$ 3,989,981	\$ 5,073,636	\$ 5,595,886	\$ 6,008,926	\$ 6,860,738	\$ 7,355,084
Net Annual Cash Flows	\$ 660,638	\$ (94,081)	\$ 231,689	\$ 366,769	\$ 134,647	\$ 330,570

Figures 3-1 below presents the proposed cash flow in a graphical format. The figure shows the O&M costs and the capital costs funded by rates and reserves. In FY 2010, the increase in capital project expenses results in a depletion of the reserves. However, in future years, there are positive cash balances leading to a stabilization of the financial situation. The District's rate revenue stream will be sufficient to meet current and future revenue requirements. The revenues under current and projected rates are represented by the lines.

SECTION 3 - REVENUE REQUIREMENTS

FIGURE 3 - 1-WATER OPERATING FINANCIAL PLAN



The District has indicated that the rate increase can be effective as early as June 2009. As a result, the first rate adjustment will be implemented in June 2009. The subsequent rate increases are anticipated to take place on July 1st of each year. RFC proposes the following adjustments.

June 2009	20%
July 1 2010	20%
July 1 2011	10%
July 1 2012	10%
July 1 2013	10%

RESERVES

Prudent business practice requires that the District maintains an operating reserve fund from rate revenues. These reserves may be used to meet ongoing operating expenses as well as unexpected increases in costs. The District currently has two major reserve funds—operating reserve fund and capital reserve fund. RFC recommends that the District maintains 25 percent or 90 days of O&M expenses in its operating reserves to meet working capital requirements and unexpected increases in costs during the forecast years. In addition, the District should maintain a capital reserve with a target of fifty percent of average routine annual capital expenses over the planning period.

Figure 3-2 shows projected operating reserve fund level over the five-year study period. The figure shows that the District’s operating reserve will be met towards the end of the forecast year after the recommended rate adjustments are implemented.

SECTION 3 - REVENUE REQUIREMENTS

FIGURE 3 - 2–WATER OPERATING RESERVES

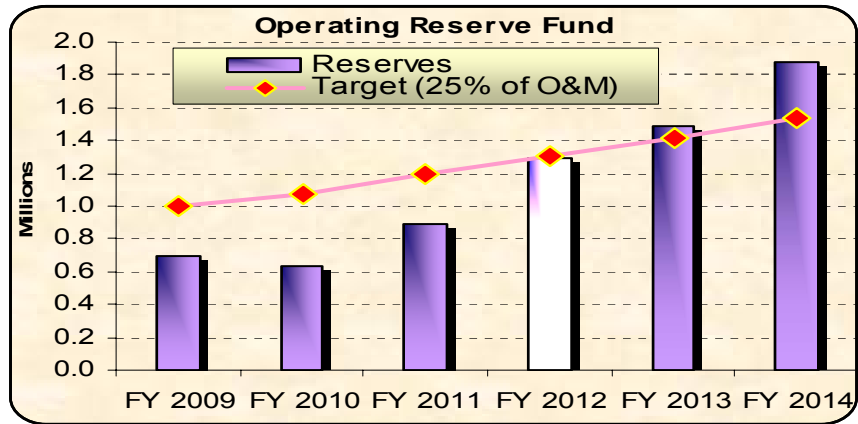
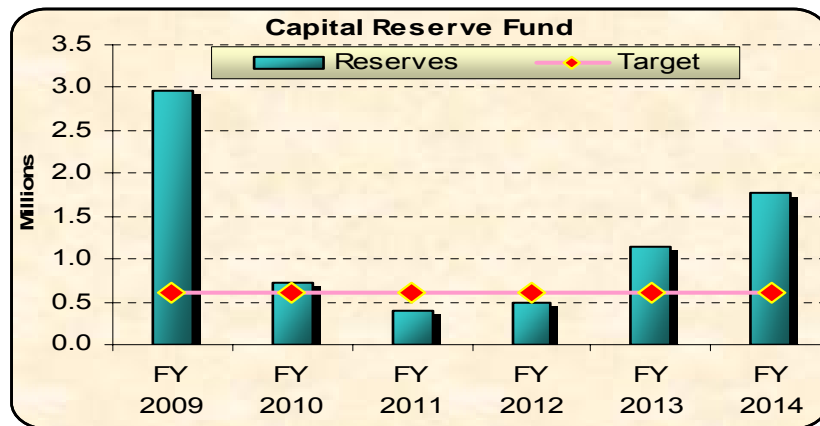


Figure 3-3 shows the anticipated capital reserve fund level over the five-year study period. The figure shows that the District's capital reserve fund will also be met towards the end of the forecast year, after the recommended rate adjustments are implemented.

FIGURE 3 - 3–WATER CAPITAL RESERVES



SECTION 4 - COST OF SERVICE AND RATES

COST OF SERVICE AND RATES

The District's revenue requirements discussed in the previous section of the report provide the basis for performing the cost of service analysis. This section of the report discusses the allocation of operating and capital costs, the determination of unit costs, and the design of rates.

COST OF SERVICE ANALYSIS

The cost of service analysis is based upon the premise of generating revenues sufficient to meet the estimated annual revenue requirements and allocating the revenue requirements to the customers in proportion to the service they receive. Revenue requirements include operating costs and rate funded capital costs, annual debt service, and reserve requirements. Deductions from revenue requirements include miscellaneous operating revenues, interest revenues, reserve funding, and raw water revenue. Adjustments for fund balances and mid-year rate increases ensure that rates are not set higher than needed to recover the necessary revenue requirements. Table 4-1 below shows the costs to be recovered from the District for FY 2010. This cost is then used as the basis to develop unit rates and to allocate costs to the various user classes in proportion to the water services rendered.

TABLE 4- 1– COST TO BE RECOVERED FROM WATER RATES

	2010		
	Operating Expense	Capital Cost	Total
Operating Expenses	\$	\$	\$
O&M Expenses	\$ 4,273,636		\$ 4,273,636
Proposed Bonds		\$ -	\$ -
Transfer to Capital Reserve		\$ 800,000	\$ 800,000
Subtotal	\$ 4,273,636	\$ 800,000	\$ 5,073,636
Less: Miscellaneous Revenue			
Customer Services	\$ 28,000		\$ 28,000
Other Revenue	\$ 12,000		\$ 12,000
Assessment Income	\$ 400,000		\$ 400,000
Interest	\$ 99,134		\$ 99,134
	\$ 539,134	\$ -	\$ 539,134
Less: Adjustments			
Adjustment for Annual Cash Balance	\$ 94,081		\$ 94,081
Adjustment to Annualize Rate Increase	\$ -		\$ -
Subtotal	\$ 94,081	\$ -	\$ 94,081
Total Cost to be Recovered	\$ 3,640,422	\$ 800,000	\$ 4,440,422

The total costs of the water enterprise are functionalized as supply, treatment, transmission and distribution, storage, customer service, etc. These costs are then allocated to water system

SECTION 4 - COST OF SERVICE AND RATES

parameters in accordance with the Base-Extra Capacity method endorsed by the American Water Works Association (AWWA), a nationally recognized industry group. For this analysis, the functionalized water utility costs are allocated to three parameters or cost centers including base costs, extra capacity costs and customer service related costs.

Base costs are those operating and capital costs of the water system associated with serving customers under average conditions. Extra capacity costs represent those operating costs incurred to meet customer peak demands for water in excess of average day usage, plus those capital costs for extra plant and system capacity beyond that required to supply water at the average rate of use. Total extra capacity costs are subdivided into costs associated with maximum day and maximum hour demands. RFC used peaking factors provided by the District’s engineer to allocate among base, maximum day and maximum hour as shown in Table 4-2.

TABLE 4- 2– PEAKING FACTORS

<i>Base-Extra Capacity Method</i>					
System Wide Peaking Factors	Demand				
<u>System Wide</u>	Factors	Base	Max Day	Max Hour	Total
Base	1.00	100.00%			100.00%
Max Day	2.00	50.00%	50.00%		100.00%
Max Hour	4.00	25.00%	25.00%	50.00%	100.00%

UNIT COSTS OF SERVICE

In order to allocate costs of service to the different user classes, unit costs of service need to be developed for each cost parameter. The unit costs of service are developed by dividing the total annual costs allocated to each parameter by the total annual units of service of the respective cost parameter. Table 4-3 shows the units of service and the development of the FY 2010 unit costs for each of the cost parameters.

Different units are used for the different cost parameters. The volume related costs parameters are based on volumetric units of one hundred cubic feet or hcf (about 748 gallons). The extra capacity parameters of Max Day and Max Hour are based on a rate of usage so they are calculated in HCF per day. Customer related cost parameters are based on equivalent meters or bills.

SECTION 4 - COST OF SERVICE AND RATES

TABLE 4- 3– COST ALLOCATION AND UNIT COST CALCULATION

	Base	Max Day	Max Hour	Meter Charges	Billing & Customer Service	General	Total
Net Operating Expense	\$ 2,791,122	\$ 504,662	\$ 275,144	\$ 34,747	\$ 34,747	\$ -	\$ 3,640,422
Capital Costs	\$ 274,148	\$ 289,848	\$ 135,449	\$ 45,810	\$ 54,743	\$ -	\$ 800,000
Total Cost of Service	\$ 3,065,270	\$ 794,511	\$ 410,594	\$ 80,557	\$ 89,490	\$ -	\$ 4,440,422
Allocation Percentage	69%	18%	9%	2%	2%		100%
Allocation of General Cost	\$ -	\$ -	\$ -	\$ -	\$ -		
Total Cost	\$ 3,065,270	\$ 794,511	\$ 410,594	\$ 80,557	\$ 89,490		
Total Modified Cost	\$ 3,065,270	\$ 174,792	\$ 90,331	\$ 1,020,539	\$ 89,490		\$ 4,440,422
	69%	4%	2%	23%	2%		25%
				Equiv Meters	Equiv Bills		
Unit of Measure	hcf	hcf/day	hcf/day	/bi- monthly	/bi-monthly		
Total Units of Service	1,153,410	3160	6320	22653	17453		
Total Unit Cost of Service	\$ 2.66	\$ 0.15	\$ 0.04	\$ 45.05	\$ 5.13		

SECTION 5 - PROPOSED RATE STRUCTURE

PROPOSED RATE STRUCTURE

Rate design is the process of developing rate schedules for each user class which will recover, in an equitable manner, the annual cost of service from the members of that class. Rate structures should be designed to ensure that users pay only their proportionate share of costs. In addition, rate structures should be easy to understand, simple to administer, and comply with regulatory requirements.

After careful review of the District's revenue requirements and cost of service, RFC recommends that the District retain the use of a rate structure that includes both a fixed bi-monthly customer charge and a variable quantity, or commodity rate.

Service Charge: We suggest that the District continues to utilize a bi-monthly service charge varying with meter size. The service charge that makes up the fixed revenue portion of the District's total rate revenue is currently 20 percent. The District indicates that it wants to ensure greater financial stability, especially with reduction in water usage resulting from mandatory cut backs. Under the proposed rate structure, the District's total fixed revenue will be 25 percent. Both small and large meters will have higher service charges, but the charges for larger meters increase more in proportion to reflect the higher costs of servicing those meters. The fixed meter charges will meet the best management practices of the California Urban Water Conservation Council (CUWCC), which recommends that fixed revenue be less than 30 percent of total rate revenue.

Commodity Rate: Because of the water supply situation, MWD may impose a mandatory cut back in consumption. The revenue requirements were developed assuming that the District will reduce usage by 10 percent. Currently, ninety-two percent of the District's water usage is attributable to residential customers who use, on average, 71 hundred cubic feet (hcf) on a bi-monthly basis. A significant portion of the residential usage is non-essential water use. The current rate structure has the first tier set at 100 hcf bi-monthly. To target the non-essential water use, RFC recommends changing the current increasing block rate structure from five-tiers to three tiers and adjusting the usage at each block in order to encourage conservation.

Table 5-1 shows the proposed rate structure.

SECTION 5 - PROPOSED RATE STRUCTURE

TABLE 5 - 1- PROPOSED BI-MONTHLY WATER RATE STRUCTURE

Bi-monthly	Existing		Proposed					
	FY 2009		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Service Charge								
Meter Size		Meter Size						
5/8" - 3/4"	\$ 40.00	5/8" - 3/4"	\$ 51.00	\$ 51.00	\$ 61.20	\$ 67.32	\$ 74.05	\$ 81.46
1" - 1 1/4"	\$ 46.00	1" - 1 1/4"	\$ 86.00	\$ 86.00	\$ 103.20	\$ 113.52	\$ 124.87	\$ 137.36
1 1/2"	\$ 76.00	1 1/2"	\$ 207.00	\$ 207.00	\$ 248.40	\$ 273.24	\$ 300.56	\$ 330.62
2"	\$ 116.00	2"	\$ 287.00	\$ 287.00	\$ 344.40	\$ 378.84	\$ 416.72	\$ 458.40
3"	\$ 166.00	3"	\$ 488.00	\$ 488.00	\$ 585.60	\$ 644.16	\$ 708.58	\$ 779.43
Tier Rate								
Tier		Tier						
1-100	\$ 2.46	1 - 30	\$ 2.66	\$ 2.66	\$ 3.19	\$ 3.51	\$ 3.86	\$ 4.24
101-150	\$ 2.65	31 - 70	\$ 2.89	\$ 2.89	\$ 3.46	\$ 3.81	\$ 4.19	\$ 4.61
151-200	\$ 2.92	71+	\$ 3.15	\$ 3.15	\$ 3.78	\$ 4.15	\$ 4.57	\$ 5.03
201-250	\$ 3.22		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
251+	\$ 3.54		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CUSTOMER RATE IMPACTS

Before implementing any rate structure recommendations, it is important to understand how the proposed rate structure would impact water customers. RFC worked closely with District Staff to ensure that the new rate structure would recover the necessary revenue requirements while at the same time maintaining manageable customer impacts.

Since the majority of the District's customers are residential customers, RFC has developed the following tables and figures which demonstrate the impacts of the proposed rates for FY 2010 on single-family residential customers across varying usage levels.

Table 5-2 and Figure 5-1 show the rate impacts on customers in different formats for the proposed rates. The dollar impacts increase with usage level; however, the percentage impacts decrease with usage since the rate structure is designed to have a higher fixed service charge.

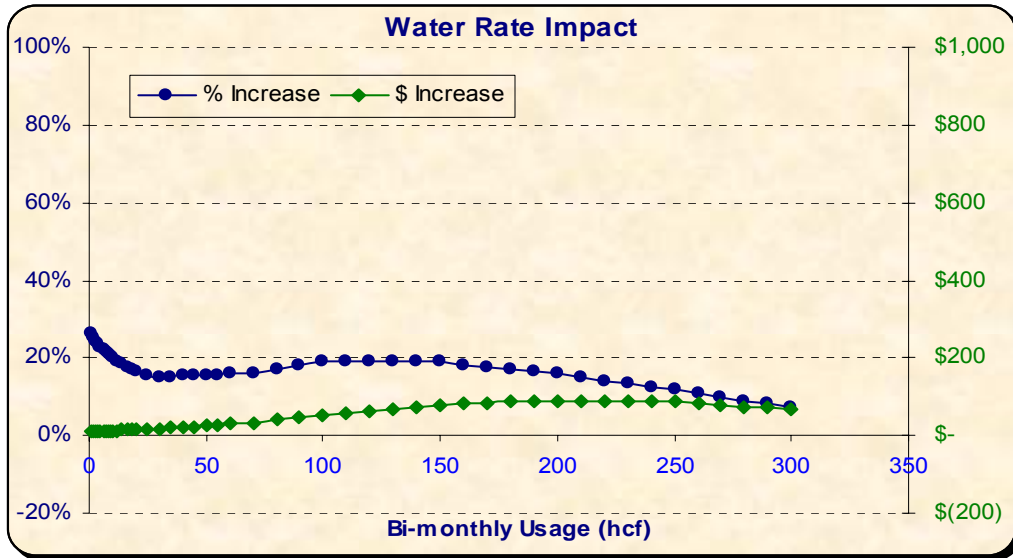
SECTION 5 - PROPOSED RATE STRUCTURE

TABLE 5 - 2 – SINGLE FAMILY RESIDENCE RATE IMPACTS – 5/8 INCH

Bi-Monthly Usage (hcf)	Existing	Proposed	% Increase	\$ Increase
1	\$ 42.46	\$ 53.66	26%	\$ 11.20
2	\$ 44.92	\$ 56.32	25%	\$ 11.40
3	\$ 47.38	\$ 58.97	24%	\$ 11.59
4	\$ 49.84	\$ 61.63	24%	\$ 11.79
5	\$ 52.30	\$ 64.29	23%	\$ 11.99
6	\$ 54.76	\$ 66.95	22%	\$ 12.19
7	\$ 57.22	\$ 69.60	22%	\$ 12.38
8	\$ 59.68	\$ 72.26	21%	\$ 12.58
9	\$ 62.14	\$ 74.92	21%	\$ 12.78
10	\$ 64.60	\$ 77.58	20%	\$ 12.98
12	\$ 69.52	\$ 82.89	19%	\$ 13.37
14	\$ 74.44	\$ 88.21	18%	\$ 13.77
16	\$ 79.36	\$ 93.52	18%	\$ 14.16
18	\$ 84.28	\$ 98.84	17%	\$ 14.56
20	\$ 89.20	\$ 104.15	17%	\$ 14.95
25	\$ 101.50	\$ 117.44	16%	\$ 15.94
30	\$ 113.80	\$ 130.73	15%	\$ 16.93
35	\$ 126.10	\$ 145.17	15%	\$ 19.07
40	\$ 138.40	\$ 159.60	15%	\$ 21.20
45	\$ 150.70	\$ 174.04	15%	\$ 23.34
50	\$ 163.00	\$ 188.48	16%	\$ 25.48
55	\$ 175.30	\$ 202.91	16%	\$ 27.61
60	\$ 187.60	\$ 217.35	16%	\$ 29.75
70	\$ 212.20	\$ 246.22	16%	\$ 34.02
80	\$ 236.80	\$ 277.69	17%	\$ 40.89
90	\$ 261.40	\$ 309.16	18%	\$ 47.76
100	\$ 286.00	\$ 340.63	19%	\$ 54.63
110	\$ 312.50	\$ 372.10	19%	\$ 59.60
120	\$ 339.00	\$ 403.56	19%	\$ 64.56
130	\$ 365.50	\$ 435.03	19%	\$ 69.53
140	\$ 392.00	\$ 466.50	19%	\$ 74.50
150	\$ 418.50	\$ 497.97	19%	\$ 79.47
160	\$ 447.70	\$ 529.44	18%	\$ 81.74
170	\$ 476.90	\$ 560.90	18%	\$ 84.00
180	\$ 506.10	\$ 592.37	17%	\$ 86.27
190	\$ 535.30	\$ 623.84	17%	\$ 88.54
200	\$ 564.50	\$ 655.31	16%	\$ 90.81
210	\$ 596.70	\$ 686.78	15%	\$ 90.08
220	\$ 628.90	\$ 718.24	14%	\$ 89.34
230	\$ 661.10	\$ 749.71	13%	\$ 88.61
240	\$ 693.30	\$ 781.18	13%	\$ 87.88
250	\$ 725.50	\$ 812.65	12%	\$ 87.15
260	\$ 760.90	\$ 844.12	11%	\$ 83.22
270	\$ 796.30	\$ 875.58	10%	\$ 79.28
280	\$ 831.70	\$ 907.05	9%	\$ 75.35
290	\$ 867.10	\$ 938.52	8%	\$ 71.42
300	\$ 902.50	\$ 969.99	7%	\$ 67.49

SECTION 5 - PROPOSED RATE STRUCTURE

FIGURE 5 - 1- SINGLE FAMILY RESIDENCE RATE IMPACTS – 5/8 INCH



SECTION 5 - PROPOSED RATE STRUCTURE

ALTERNATIVE

There is a strong possibility that MWD may mandate a cutback in usage exceeding 10 percent. In anticipation of this possibility, the District’s Board opted to retain the existing five-tiered rate structure but with tighter tiers to encourage conservation. Table 5 – 3 shows that customers using 60 to 100 hcf of water, about 18 percent of usage, will now be charged at the second tier rates; customers using 101 to 175 hcf of water, about 12 percent of usage, will be charged at the third tier rates; 176 to 250 hcf usage customers, representing about four percent of usage, will be charged at the fourth tier and customers using more than 250 hcf, representing about four percent of usage, will be charged at the fifth tier rates.

Table 5 - 3 shows the proposed alternative five-tiered rate structure.

TABLE 5 - 3– PROPOSED BI-MONTHLY WATER RATE STRUCTURE

Bi-monthly	Existing		Proposed					
	FY 2009		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Service Charge								
Meter Size		Meter Size						
5/8" - 3/4"	\$ 40.00	5/8" - 3/4"	\$ 51.00	\$ 51.00	\$ 61.20	\$ 67.32	\$ 74.05	\$ 81.46
1" - 1 1/4"	\$ 46.00	1" - 1 1/4"	\$ 86.00	\$ 86.00	\$ 103.20	\$ 113.52	\$ 124.87	\$ 137.36
1 1/2"	\$ 76.00	1 1/2"	\$ 207.00	\$ 207.00	\$ 248.40	\$ 273.24	\$ 300.56	\$ 330.62
2"	\$ 116.00	2"	\$ 287.00	\$ 287.00	\$ 344.40	\$ 378.84	\$ 416.72	\$ 458.40
3"	\$ 166.00	3"	\$ 488.00	\$ 488.00	\$ 585.60	\$ 644.16	\$ 708.58	\$ 779.43
Tier Rate								
Tier		Tier						
1-100	\$ 2.46	1 - 60	\$ 2.85	\$ 2.85	\$ 3.42	\$ 3.76	\$ 4.14	\$ 4.55
101-150	\$ 2.65	61 - 100	\$ 3.18	\$ 3.18	\$ 3.82	\$ 4.20	\$ 4.62	\$ 5.08
151-200	\$ 2.92	101 - 175	\$ 3.65	\$ 3.65	\$ 4.38	\$ 4.82	\$ 5.30	\$ 5.83
201-250	\$ 3.22	176 - 250	\$ 4.15	\$ 4.15	\$ 4.98	\$ 5.48	\$ 6.03	\$ 6.63
251+	\$ 3.54	251+	\$ 4.57	\$ 4.57	\$ 5.48	\$ 6.03	\$ 6.64	\$ 7.30

Table 5-4 and Figure 5-2 show the rate impacts on customers in different formats for the alternative proposed rate.

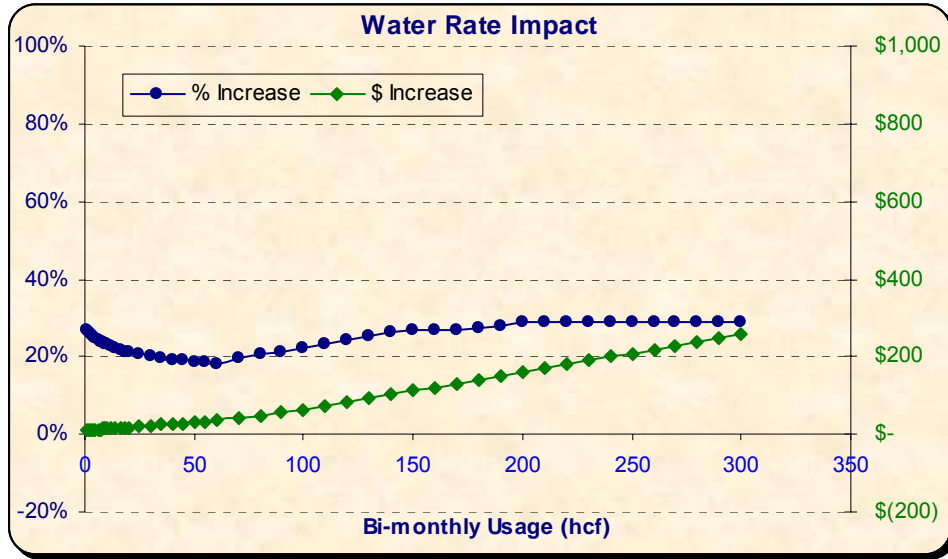
SECTION 5 - PROPOSED RATE STRUCTURE

TABLE 5 - 4 - SINGLE FAMILY RESIDENCE RATE IMPACTS – 5/8 INCH

Bi-Monthly Usage (hcf)	Existing	Proposed	% Increase	\$ Increase
1	\$ 42.46	\$ 53.85	27%	\$ 11.39
2	\$ 44.92	\$ 56.70	26%	\$ 11.78
3	\$ 47.38	\$ 59.55	26%	\$ 12.17
4	\$ 49.84	\$ 62.40	25%	\$ 12.56
5	\$ 52.30	\$ 65.25	25%	\$ 12.95
6	\$ 54.76	\$ 68.10	24%	\$ 13.34
7	\$ 57.22	\$ 70.95	24%	\$ 13.73
8	\$ 59.68	\$ 73.80	24%	\$ 14.12
9	\$ 62.14	\$ 76.65	23%	\$ 14.51
10	\$ 64.60	\$ 79.50	23%	\$ 14.90
12	\$ 69.52	\$ 85.20	23%	\$ 15.68
14	\$ 74.44	\$ 90.90	22%	\$ 16.46
16	\$ 79.36	\$ 96.60	22%	\$ 17.24
18	\$ 84.28	\$ 102.30	21%	\$ 18.02
20	\$ 89.20	\$ 108.00	21%	\$ 18.80
25	\$ 101.50	\$ 122.25	20%	\$ 20.75
30	\$ 113.80	\$ 136.50	20%	\$ 22.70
35	\$ 126.10	\$ 150.75	20%	\$ 24.65
40	\$ 138.40	\$ 165.00	19%	\$ 26.60
45	\$ 150.70	\$ 179.25	19%	\$ 28.55
50	\$ 163.00	\$ 193.50	19%	\$ 30.50
55	\$ 175.30	\$ 207.75	19%	\$ 32.45
60	\$ 187.60	\$ 222.00	18%	\$ 34.40
70	\$ 212.20	\$ 253.80	20%	\$ 41.60
80	\$ 236.80	\$ 285.60	21%	\$ 48.80
90	\$ 261.40	\$ 317.40	21%	\$ 56.00
100	\$ 286.00	\$ 349.20	22%	\$ 63.20
110	\$ 312.50	\$ 385.70	23%	\$ 73.20
120	\$ 339.00	\$ 422.20	25%	\$ 83.20
130	\$ 365.50	\$ 458.70	25%	\$ 93.20
140	\$ 392.00	\$ 495.20	26%	\$ 103.20
150	\$ 418.50	\$ 531.70	27%	\$ 113.20
160	\$ 447.70	\$ 568.20	27%	\$ 120.50
170	\$ 476.90	\$ 604.70	27%	\$ 127.80
180	\$ 506.10	\$ 643.70	27%	\$ 137.60
190	\$ 535.30	\$ 685.20	28%	\$ 149.90
200	\$ 564.50	\$ 726.70	29%	\$ 162.20
210	\$ 596.70	\$ 768.20	29%	\$ 171.50
220	\$ 628.90	\$ 809.70	29%	\$ 180.80
230	\$ 661.10	\$ 851.20	29%	\$ 190.10
240	\$ 693.30	\$ 892.70	29%	\$ 199.40
250	\$ 725.50	\$ 934.20	29%	\$ 208.70
260	\$ 760.90	\$ 979.90	29%	\$ 219.00
270	\$ 796.30	\$ 1,025.60	29%	\$ 229.30
280	\$ 831.70	\$ 1,071.30	29%	\$ 239.60
290	\$ 867.10	\$ 1,117.00	29%	\$ 249.90
300	\$ 902.50	\$ 1,162.70	29%	\$ 260.20

SECTION 5 - PROPOSED RATE STRUCTURE

FIGURE 5 - 2 SINGLE FAMILY RESIDENCE RATE IMPACTS – 5/8 INCH



SECTION 5 - PROPOSED RATE STRUCTURE

RATE SURVEY

Comparing water rates with other representative communities can provide insights into a utility's pricing policies related to water service. Care should be taken, however, in drawing conclusions from such a comparison. High rates may not mean the utilities are operated and managed poorly. Many factors affect the level of costs and the pricing structure employed to recover those costs. Some of the most prevalent factors include geographic location, demand, customer constituency, level of treatment, level of grant funding, age of system, level of general fund subsidization, and rate-setting methodology.

As shown in Figure 5-3, the District's existing bi-monthly water charges place it in the middle in a comparison with surrounding agencies. Even with the proposed increases, the District's charges remain comparable with the neighboring utilities. Figure 5-3 compares bi-monthly bills under existing and proposed rates to other bills within the region, using regional charges that will be in effect at the time of the District's rates increase. In order to provide a meaningful comparison, all bills are calculated on a bi-monthly basis for a SFR customer using a 5/8" meter and an assumed usage of 71 hundred cubic feet.

FIGURE 5 - 3 – SINGLE FAMILY RESIDENCE BI-MONTHLY CHARGE COMPARISON

