

Proposed Calendar Year 2018 Rates and Charges

Administrative and Finance Committee
June 22, 2017

Lisa Marie Harris, Director of Finance



Agenda

- Carollo cost of service study
- CY 2018 rate and charge drivers
- Proposed CY 2018 rates and charges
- Today's action

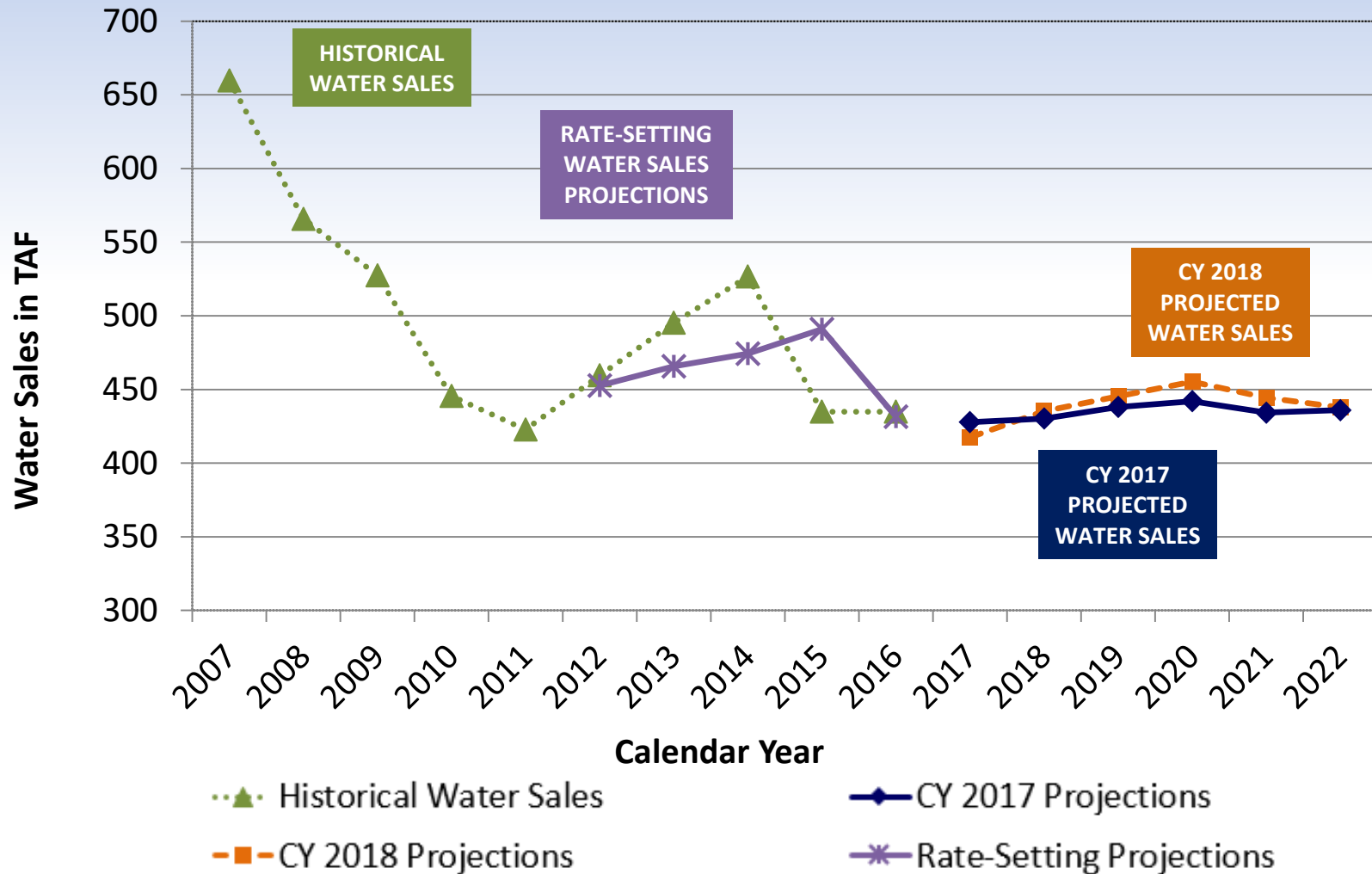
Carollo Cost of Service Study

- Independent comprehensive cost of service study
 - Validated rate and charge methodologies for consistency with AWWA guidelines, legal requirements and Board policies
- Met with Water Authority staff to review operating cost allocations to rate and charge categories
- Validated the rate and charge revenue requirements and proposed CY 2018 rates and charges

CY 2018 Rate and Charge Drivers

- Drivers
 - Water sales uncertainty due to long-term impacts of state water regulations
 - MWD's CY 2018 rate and charge increases
 - Extended timeframe for MWD rate litigation resolution
 - LRFP assumed resolution and legal MWD rates and charges effective CY 2018
 - Ramp up of IID water deliveries starting in CY 2018
 - 30,000 AF increase
 - Meeting rate and charge goals and objectives
- Rate Relief
 - Utilization of Rate Stabilization Fund
 - Current budget period debt refundings have saved \$78.3 million on a present value basis

Water Sales*



- Projections account for long-term impacts of water use regulations, near-term increased levels of local supplies and local supply development

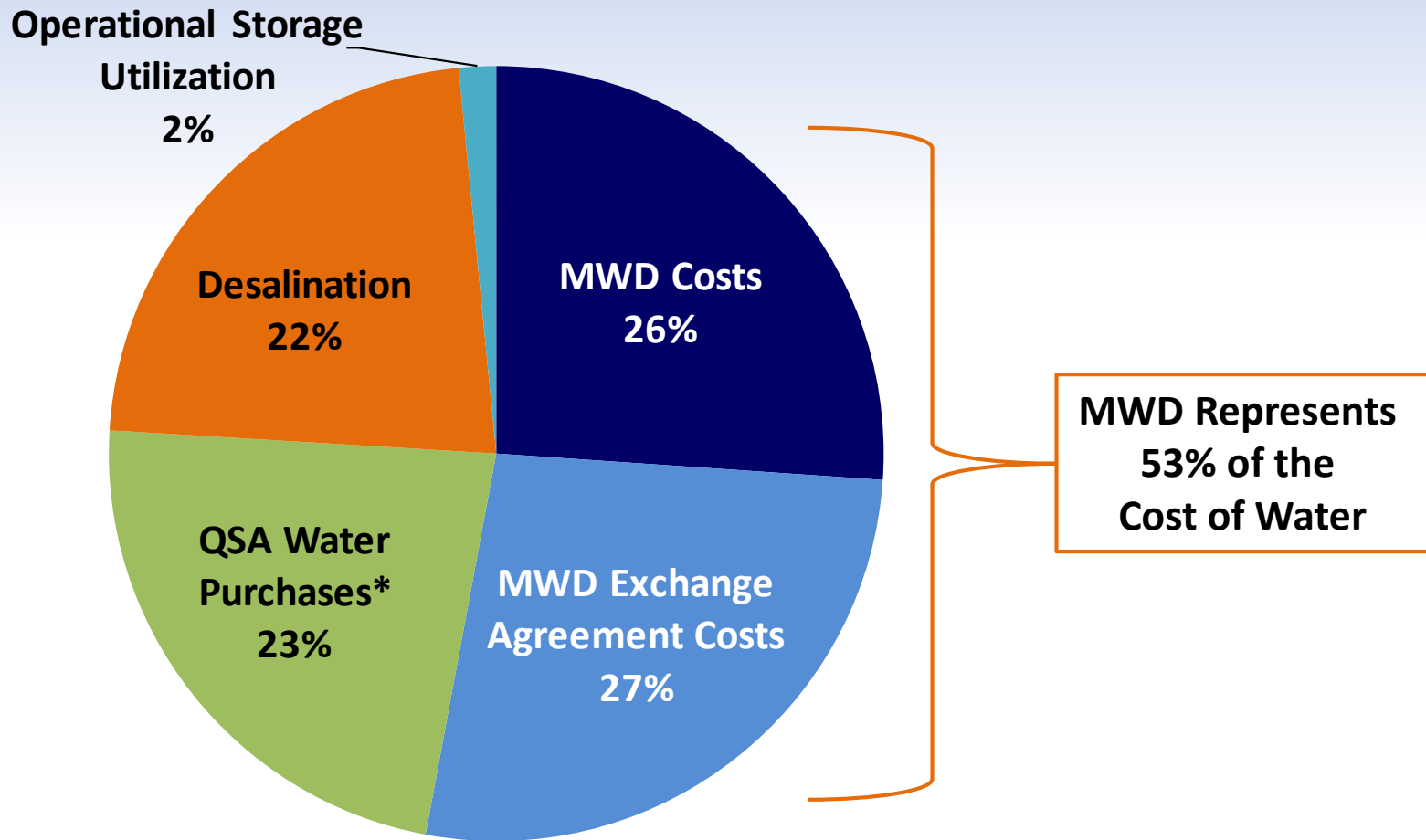
MWD's Rates and Charges

Adopted MWD (\$/AF)	CY 2017	CY 2018	% Change
Tier 1 Supply	\$201	\$209	4.0%
System Access	\$289	\$299	3.5%
Water Stewardship	\$52	\$55	5.8%
System Power	\$124	\$132	6.5%
Treatment	\$313	\$320	2.2%
Tier 1 Untreated	\$666	\$695	4.4%
Tier 1 Treated	\$979	\$1,015	3.7%

Transportation increase of 4.5%

- CY 2018 total fixed charge increases
 - Readiness-to-Serve Charge (RTS) - \$140M for an increase of 3.7%
 - Capacity Charge - \$8,700/CFS for an increase of 8.7%

MWD Remains the Largest Share of Water Cost



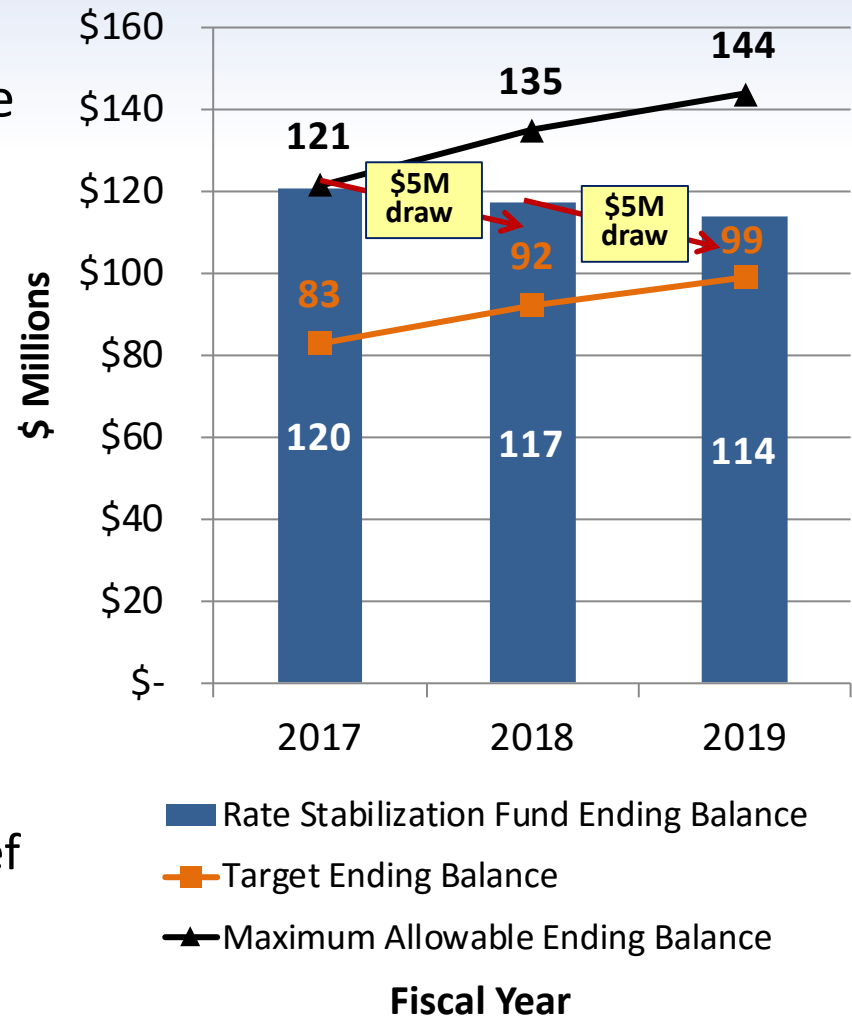
- Excludes MWD's fixed RTS and Capacity charges, which are not recovered on the Melded Supply Rate

*Excludes the debt service for capital projects and recovery of settlement expenditures. Includes both canal and conservation transfer costs

Meeting Goals and Objectives

- Smooth and predictable rates
 - Mitigating upward rate and charge pressures
 - Continued low water sales environment
 - Increase in QSA supply costs
 - Extended timeframe for MWD lawsuit resolution
 - Utilizing the RSF
 - Projected FY 2018 draw of \$5M
 - ~\$13 per acre-foot of rate relief

Rate Stabilization Fund (RSF)
Balance Requirements



Proposed CY 2018 Rates and Charges

Water Authority Rates and Charges	CY 2016 Previous	CY 2017 Current	CY 2018 Proposed
Variable Rates			
Melded Supply Rate (\$/AF)	\$780	\$855	\$894
Melded Treatment Rate (\$/AF)	280	290	300
Transportation Rate (\$/AF)	105	110	115
Untreated Special Agricultural Water Rate ¹ (\$/AF)	594	666	695
Treated Special Agricultural Water Rate ¹ (\$/AF)	874	956	995
Fixed Charges			
Customer Service Charge (\$ Millions)	\$26.4	\$26.4	\$26.4
Storage Charge (\$ Millions)	63.2	65.0	65.0
Supply Reliability Charge ² (\$ Millions)	26.0	24.8	28.6
Other Rates and Charges			
Infrastructure Access Charge ³ (\$/ME)	\$2.76	\$2.87	\$3.01
Standby Availability Charge ^{4,5} (\$)	10	10	10
System Capacity Charge (\$/ME)	4,840	5,029	5,099
Treatment Capacity Charge (\$/ME)	123	128	141
MWD Capacity Charge (\$)	12,406,380	9,105,600	9,902,340
MWD Readiness-to-Serve Charge ⁵ (\$)	22,145,912	18,623,577	16,291,858
Annexation Application Fee (Per Application) ⁶ (\$)	3,000	3,000	10,340

¹ Per current Board Policy, TSAWR is set to end Dec. 31, 2020

² Supply Reliability Charge was effective Jan. 1, 2016

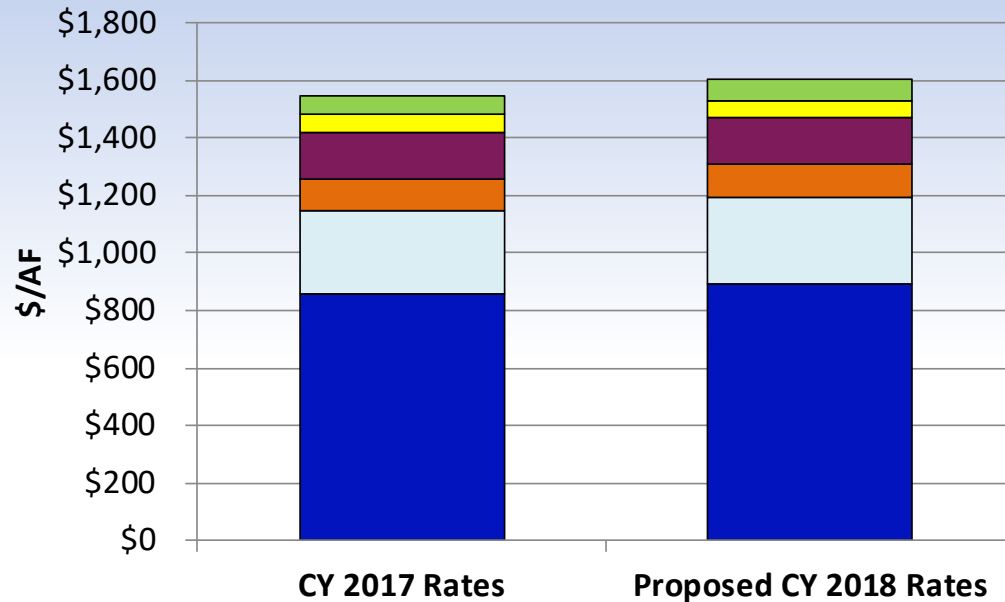
³ ME means meter equivalent as defined in the Resolution establishing the IAC

⁴ Per parcel or acre, whichever is greater

⁵ Fiscal Year

⁶ New fee is effective July 1, 2017

Proposed CY 2018 Total Cost of Water Breakdown*



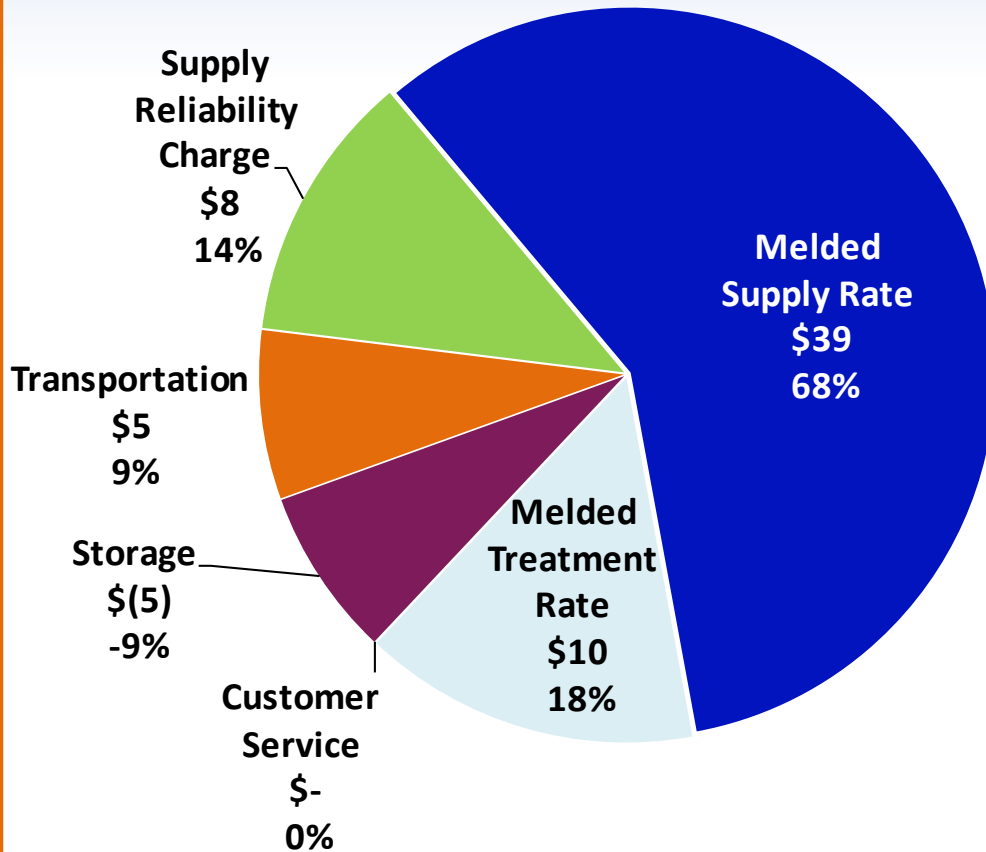
Water Rates and Charges (\$/AF)	CY 2017 Rates	Proposed CY 2018 Rates	Proposed CY 2018 Change in Rate	Proposed Year/Year Change
Merged Supply Rate	\$855	\$894	\$39	4.6%
Merged Treatment Rate	290	300	10	3.4%
Transportation	110	115	5	4.5%
Storage ¹	167	162	(5)	-3.0%
Customer Service ¹	61	61	0	0.0%
Supply Reliability Charge ¹	63	71	8	12.7%
Treated Water Cost*	\$1,546	\$1,603	\$57	3.7%
Untreated Water Cost*	\$1,256	\$1,303	\$47	3.7%

*Actual member agency increases will vary. Includes water rates and charges and excludes the Water Authority's IAC and MWD's RTS and Capacity charges.

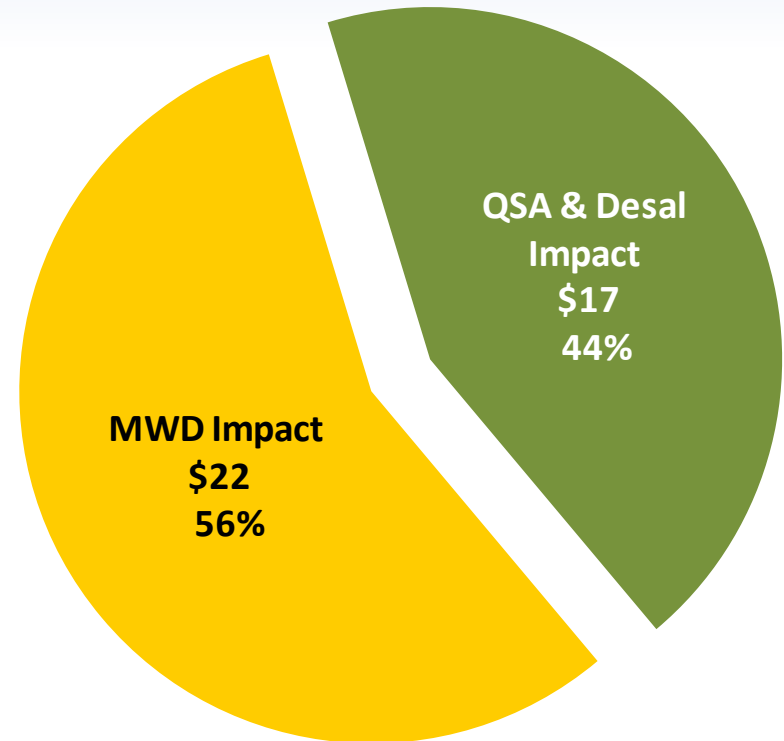
¹ Customer Service, Storage and Supply Reliability Charges converted to \$/AF based on sales forecast.

Estimated Breakdown of the CY 2018 Treated Water Rate and Charge Increases*

Breakdown of \$57/AF Increase



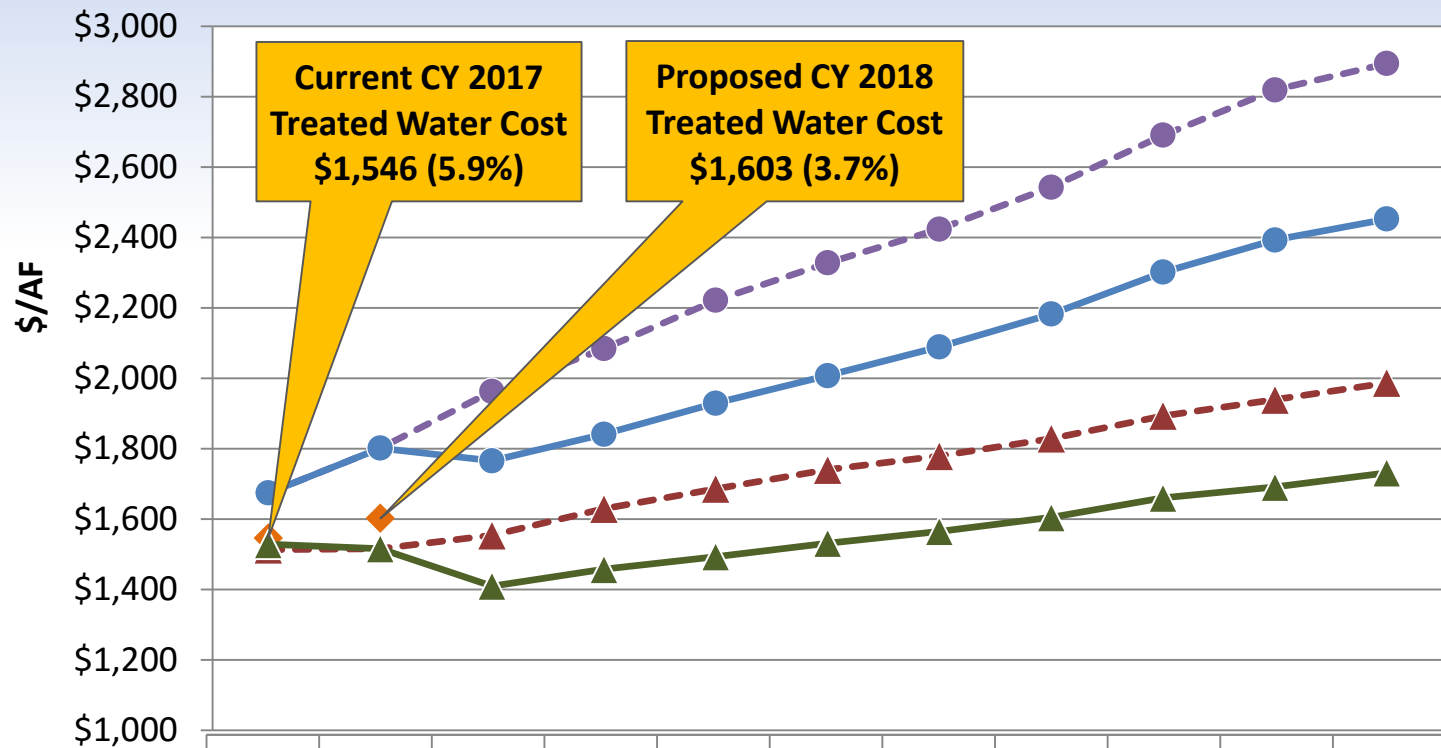
Breakdown of the Merged Supply Rate Increase of \$39/AF



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Proposed Treated Water Costs¹

2015 LRF High/Low Treated Water Costs



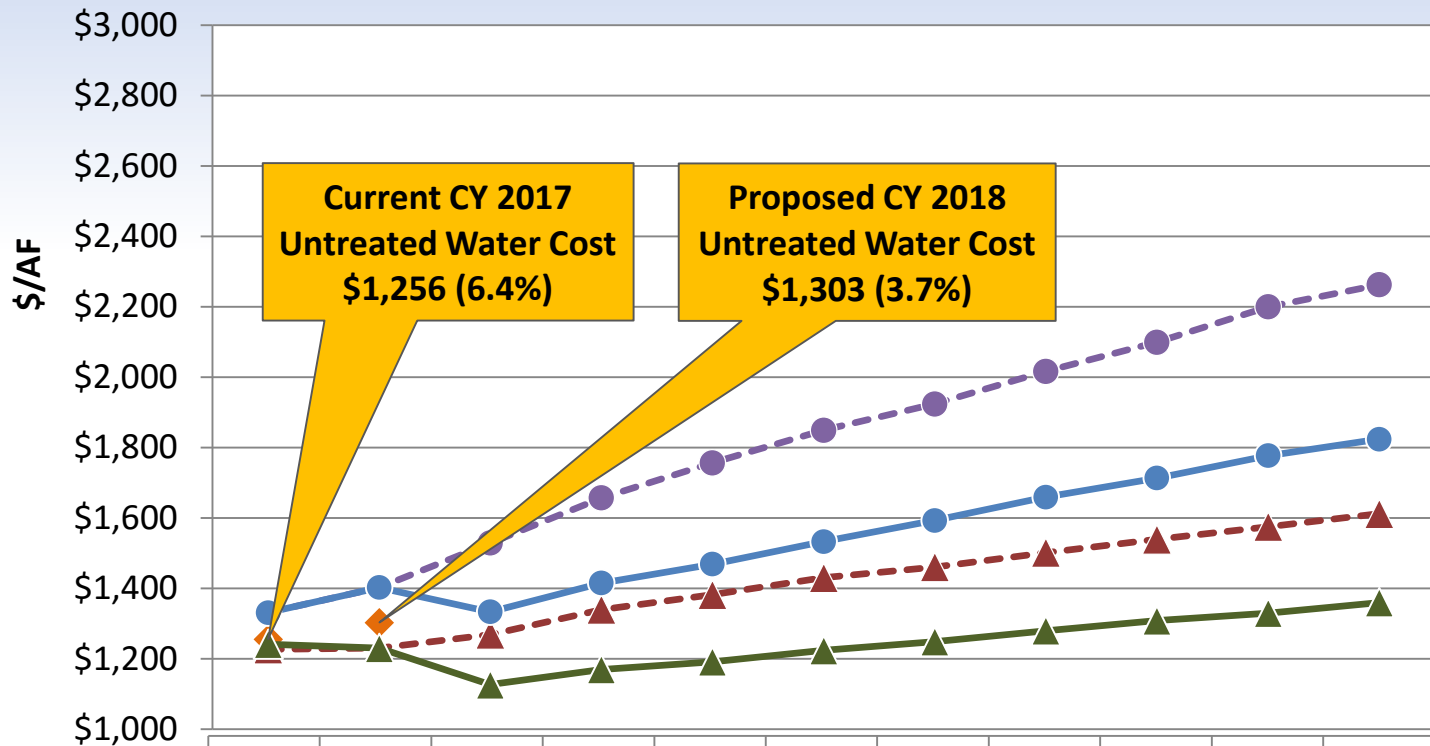
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
—●— Status Quo - High Rate Scenario	1,674	1,802	1,963	2,084	2,221	2,328	2,424	2,543	2,690	2,819	2,894
-▲- Status Quo - Low Rate Scenario	1,514	1,516	1,554	1,629	1,686	1,740	1,779	1,829	1,893	1,939	1,987
—●— Lawsuit Win - High Rate Scenario	1,674	1,802	1,766	1,841	1,929	2,007	2,089	2,182	2,302	2,393	2,452
—▲— Lawsuit Win - Low Rate Scenario	1,528	1,516	1,410	1,458	1,493	1,532	1,565	1,605	1,660	1,691	1,731

Calendar Year

¹Includes water rates and charges and excludes the Water Authority's IAC and MWD's RTS and Capacity charges. Lawsuit win rate guidance assumes resolution of MWD lawsuit and rate restructure in CY 2019.

Proposed Untreated Water Costs¹

2015 LRFP High/Low Untreated Water Costs



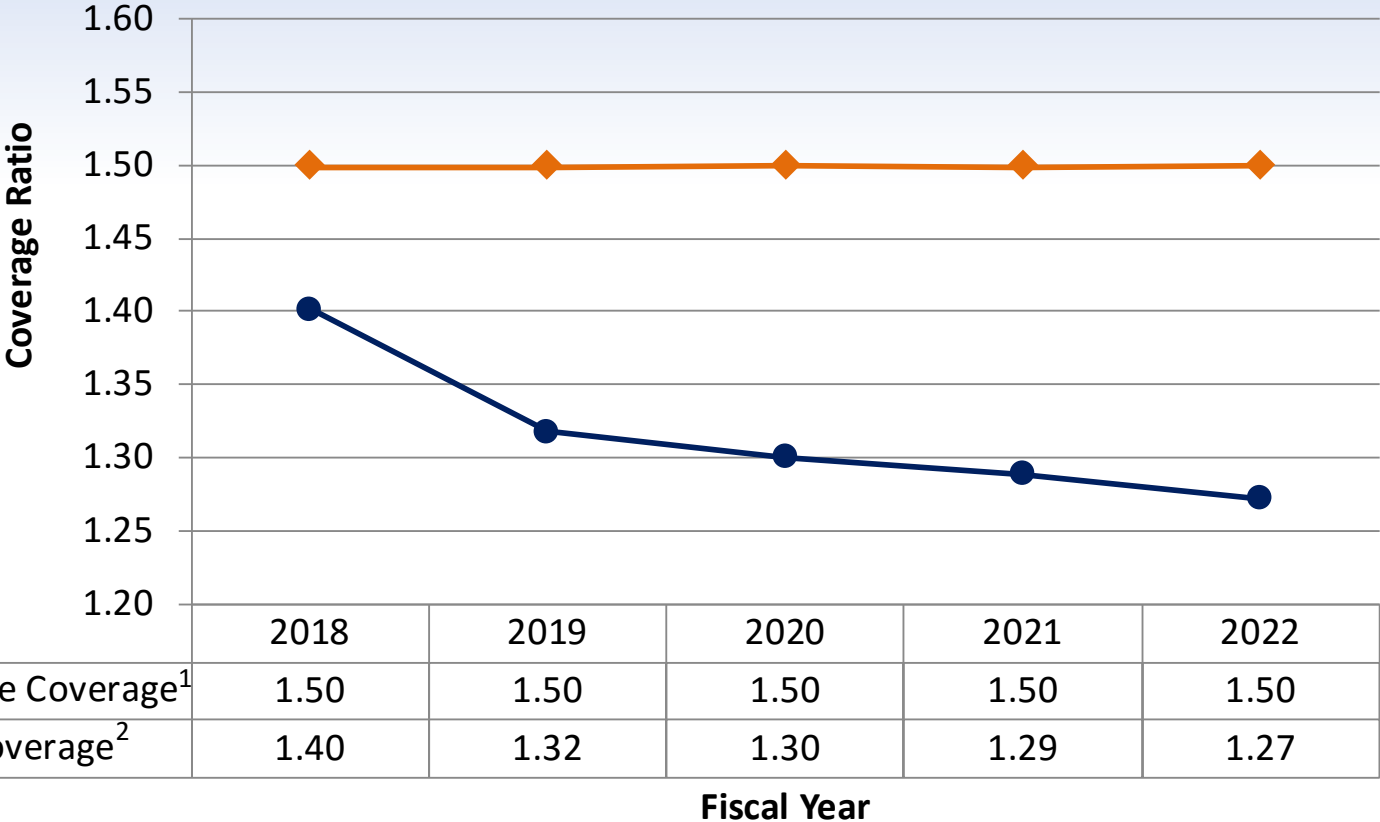
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
—●— Status Quo - High Rate Scenario	1,332	1,403	1,529	1,657	1,757	1,850	1,924	2,017	2,100	2,200	2,263
-▲- Status Quo - Low Rate Scenario	1,227	1,231	1,269	1,340	1,382	1,431	1,461	1,502	1,540	1,575	1,612
—●— Lawsuit Win - High Rate Scenario	1,332	1,403	1,334	1,415	1,469	1,533	1,593	1,660	1,714	1,777	1,824
—▲— Lawsuit Win - Low Rate Scenario	1,242	1,231	1,127	1,170	1,192	1,224	1,249	1,280	1,309	1,330	1,360

Calendar Year

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Financial Performance Metrics

Debt Service Coverage Ratios



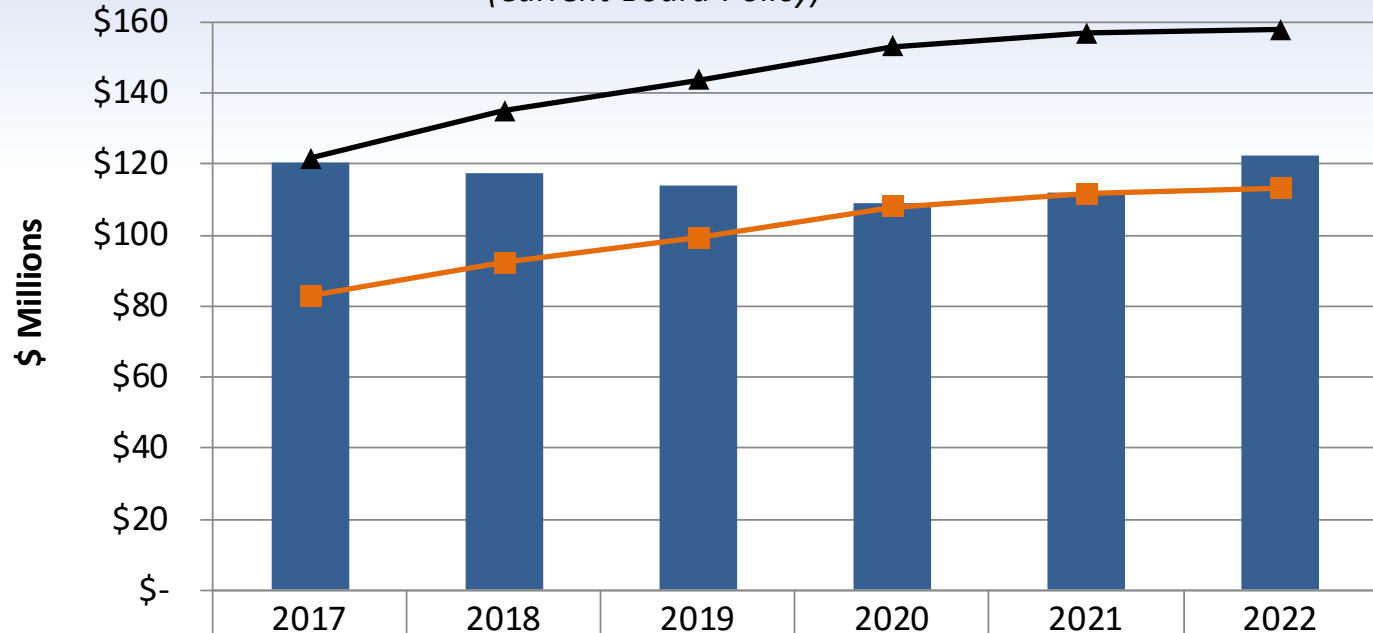
¹ Coverage requirement for senior debt service is 1.20x

² Overall coverage requirement is 1.00x. Overall debt service coverage includes subordinate lien debt such as the commercial paper program and medium term notes

- Achieves the Board’s policy target of 1.50x in FYs 2018 – 2022

Financial Performance Metrics

Rate Stabilization (RSF) Fund Balance Requirements
(Current Board Policy)



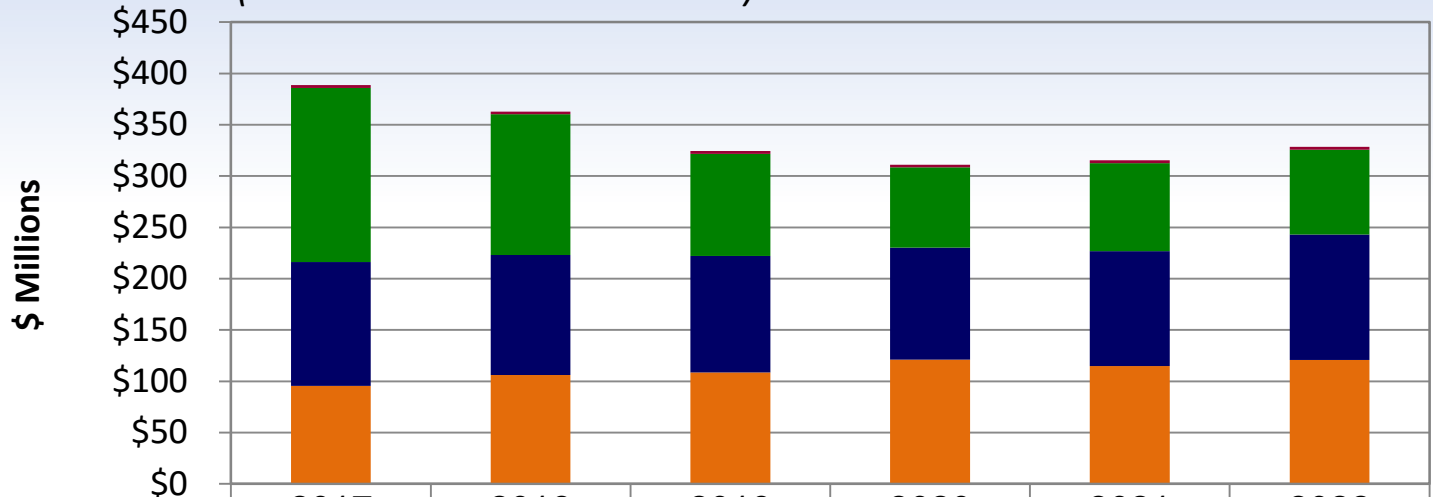
■ Rate Stabilization Fund Ending Balance	120	117	114	109	112	122
■ Target Ending Balance	83	92	99	108	112	113
▲ Maximum Allowable Ending Balance	121	135	144	153	157	158
(Deposit)/Draw	8	5	5	6	(1)	(8)



Financial Performance Metrics

Current Board Policy - Cash Balances by Fund

(Excludes Debt-Related Funds)



	2017	2018	2019	2020	2021	2022
■ Equipment Replacement Fund	3	3	3	3	3	3
■ Pay As You Go Fund	170	137	99	78	86	83
■ Stored Water Fund	0	0	0	0	0	0
■ Rate Stabilization Fund Ending Balance	120	117	114	109	112	122
■ Operating Fund Summary	96	106	108	121	115	121

Fiscal Year

- PAYGO funds are projected to be utilized to pay for the CIP

Today's Actions

- Adopt Ordinance No. 2017-___ an ordinance of the Board of Directors of the San Diego County Water Authority setting rates and charges for the delivery and supply of water, use of facilities, and provision of services.
- Adopt Resolution No. 2017-___ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge.
- Adopt Ordinance No. 2017-___ an ordinance of the Board of Directors of the San Diego County Water Authority amending and restating the System Capacity and Water Treatment Capacity Charges imposed by the Water Authority pursuant to Section 5.9 of the County Water Authority Act.

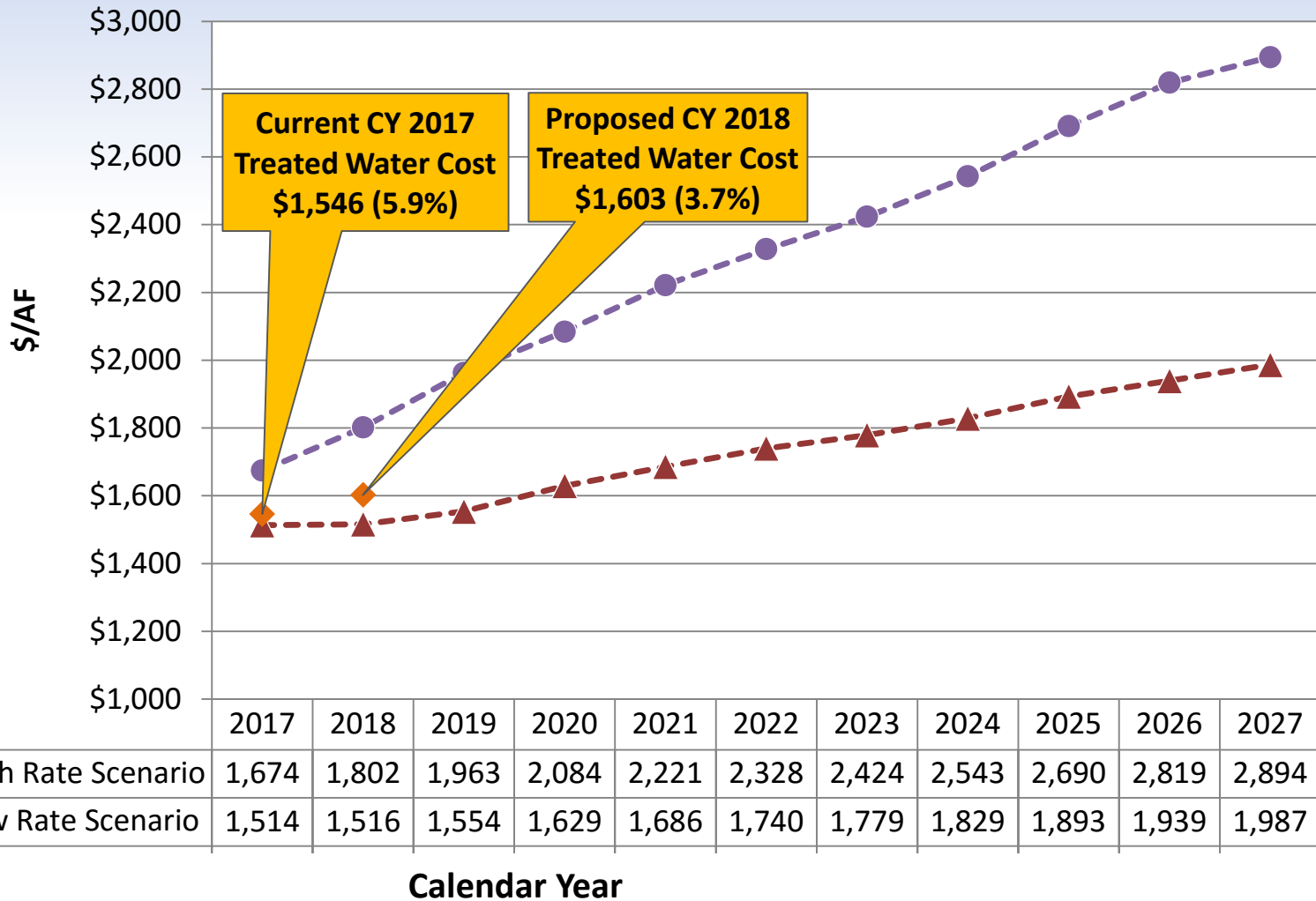
END

Restructure of Annexation Fee

- Past annexation fee structure
 - Administration Fee (\$3,000) paid at time of application
 - Annexation Fee (\$2,929/acre) paid at time of annexation approval
- Proposed annexation fee structure
 - Proposed Annexation Application Fee effective July 1, 2017
 - \$10,340
 - Elimination of the Annexation Fee

Proposed Treated Water Costs¹

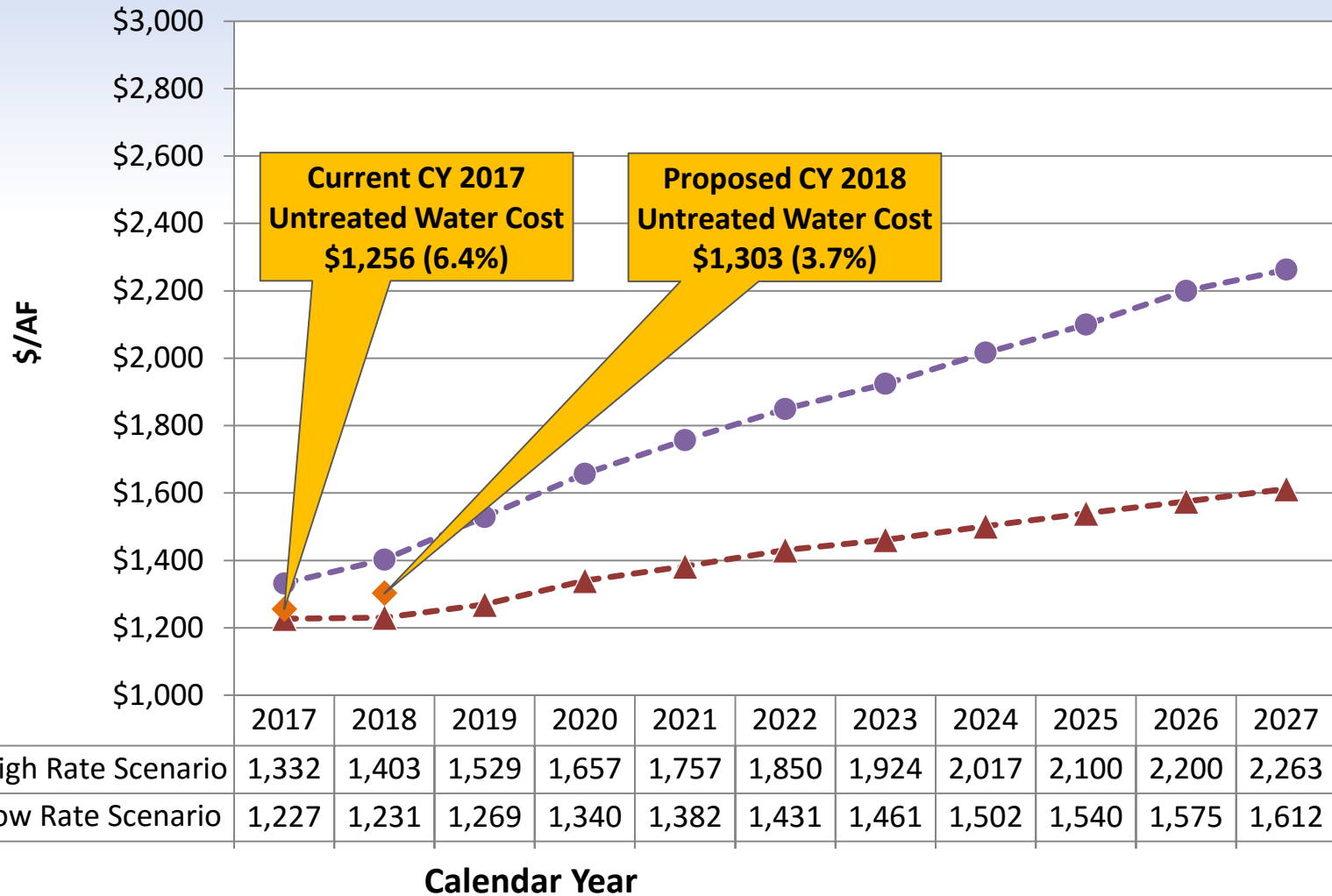
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Proposed Untreated Water Costs¹

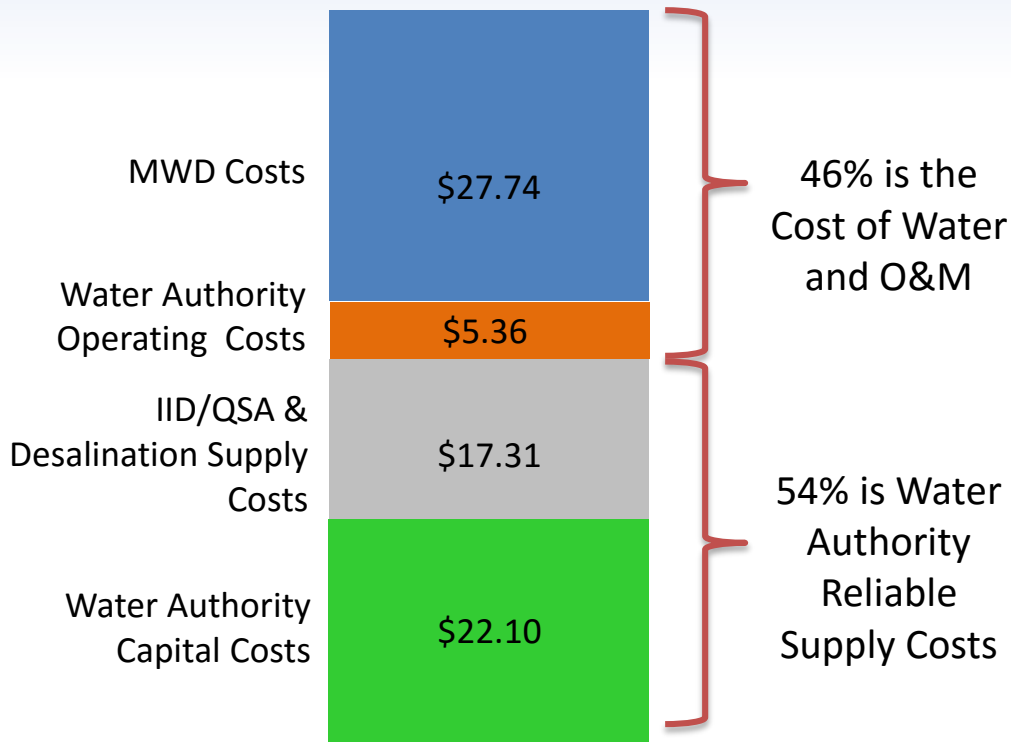
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Wholesale Monthly Household Cost Supply Reliability Breakdown

Estimated CY 2018
Wholesale Costs per Household*



TOTAL: \$72.51/month

- Operating and MWD costs represent 46% of the monthly wholesale household cost
- Approximately 54% or \$39.41/month provides the region's reliable water supply and supporting infrastructure
 - QSA and desalinated water