

# Proposed Calendar Year 2017 Rates and Charges

Administrative and Finance Committee  
June 23, 2016

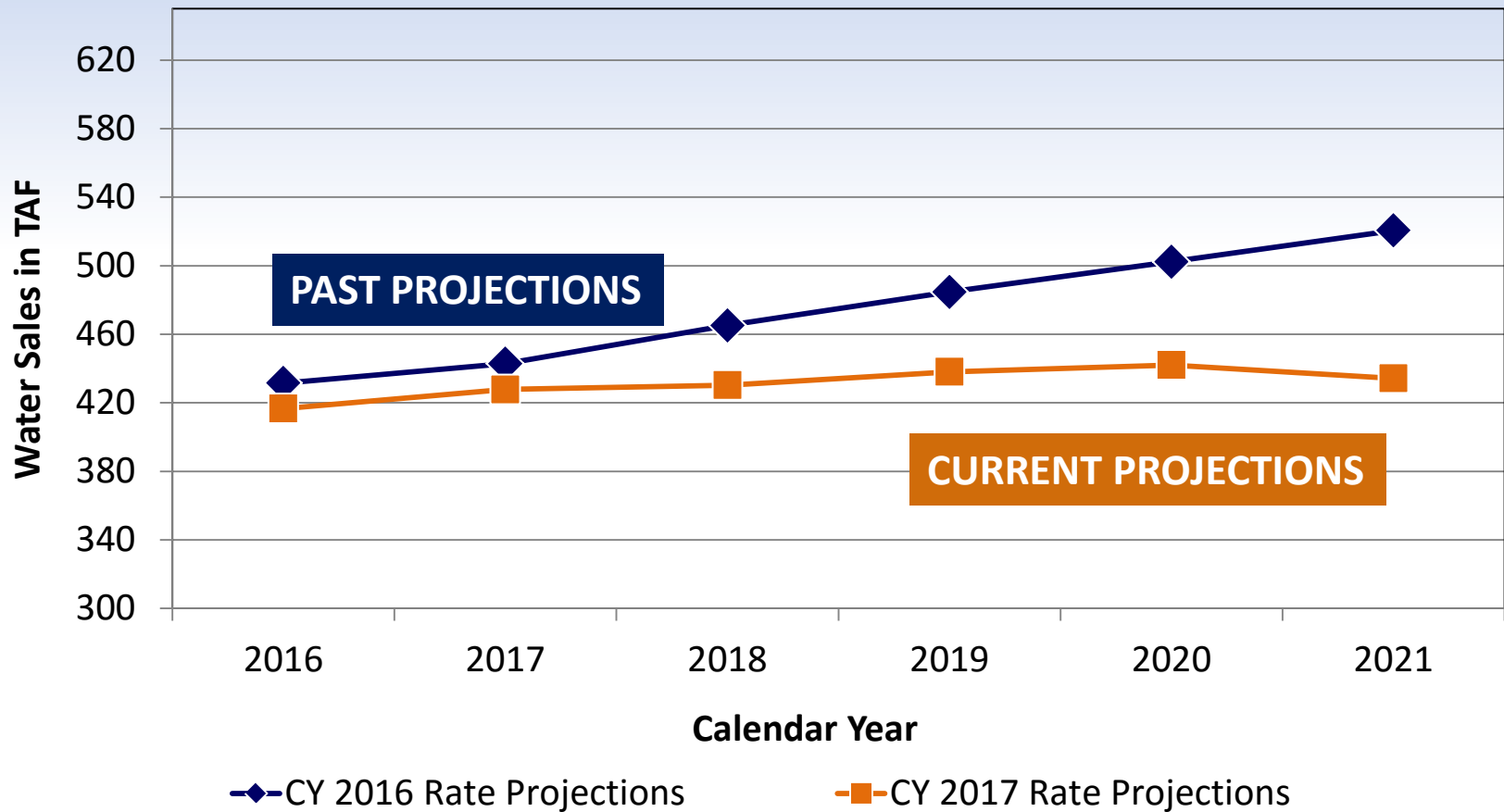
Lisa Marie Harris, Director of Finance  
David Shank, Financial Planning Manager



# CY 2017 Rate and Charge Drivers

- Drivers
  - Water sales uncertainty due to long-term impacts of state water regulations
  - MWD's CY 2017 rate and charge increases
  - Meeting rate and charge goals and objectives

# Water Sales Levels \*



- Projections account for long-term impacts of water use regulations
- Water sales projected to remain relatively flat over the next five years

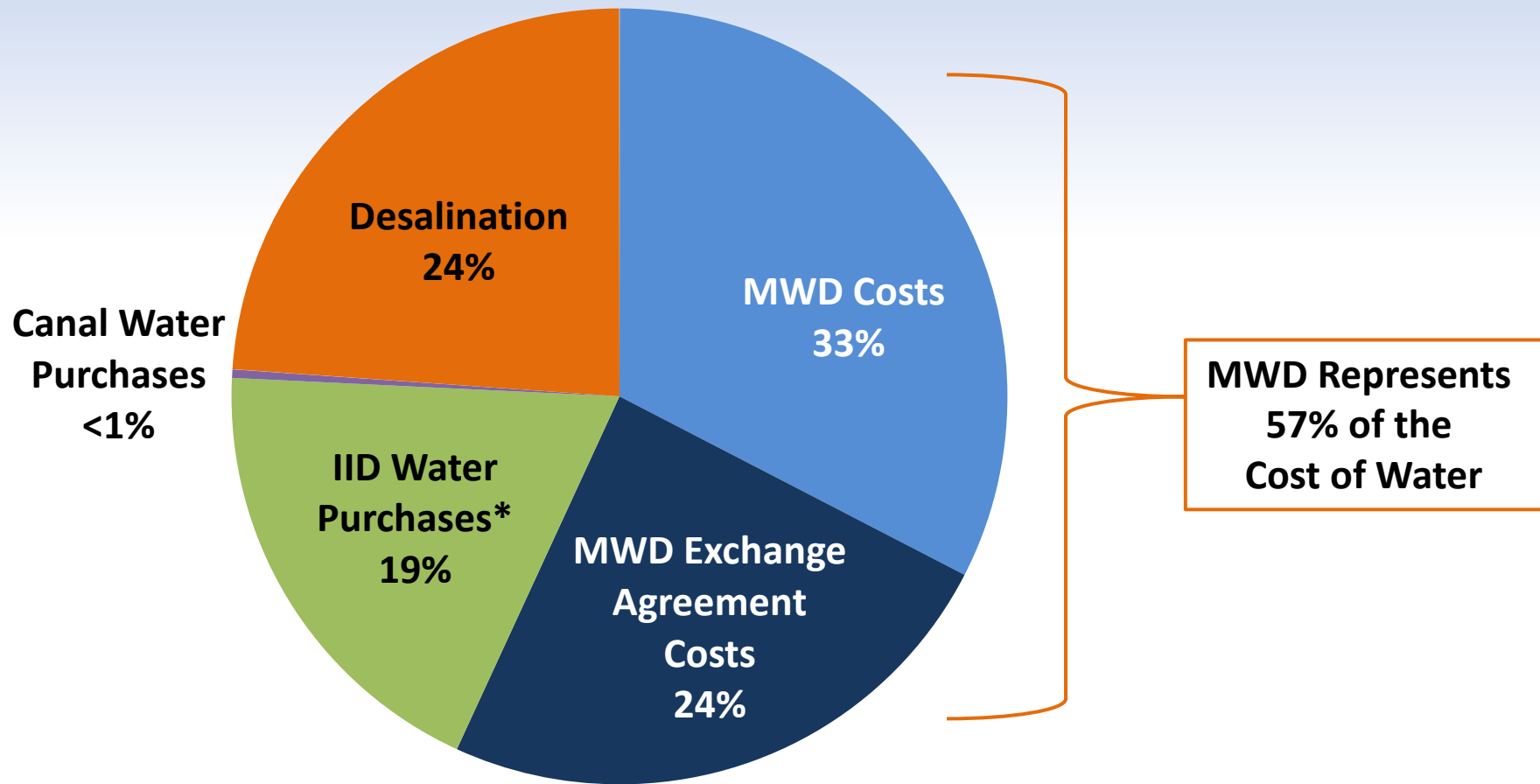
# Changes to MWD's Rate and Charge Structure

Adopted MWD	CY 2016	CY 2017	% Change
Tier 1 Supply	\$156	\$201	28.8%
System Access	\$259	\$289	11.6%
Water Stewardship	\$41	\$52	26.8%
System Power	\$138	\$124	-10.1%
Treatment	\$348	\$313	-10.1%
Tier 1 Untreated	\$594	\$666	12.1%
Tier 1 Treated	\$942	\$979	3.9%

Transportation increase of 6.2%

- CY 2017 fixed charge decreases
  - Readiness-to-Serve Charge (RTS) - \$135M for a decrease of 11.8%
  - Capacity Charge - \$8,000/cfs for a decrease of 26.6%

# MWD Remains the Largest Share of Water Cost



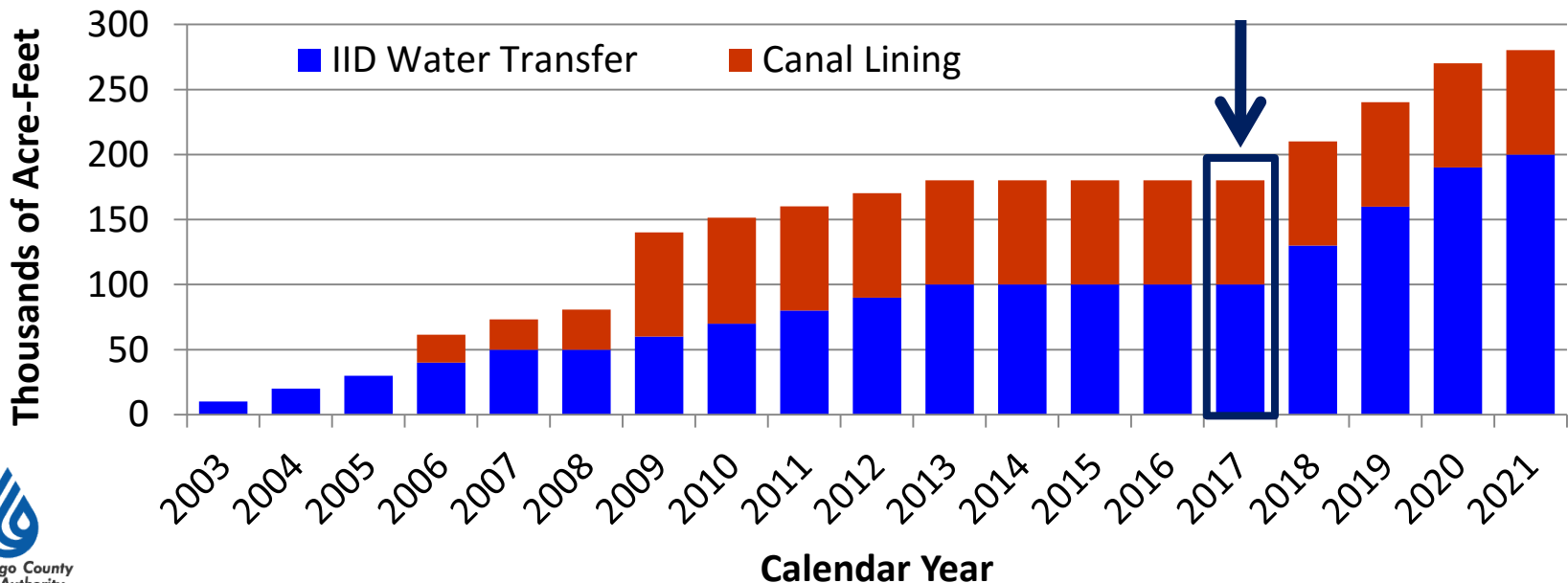
- Water Authority water supply costs increased by 3.4% due to MWD's CY 2017 \$72/AF rate increase

# MWD's Transportation Rate Increase Impacts QSA Supplies

## Diversified, Local and Stable Water Supply

- Agreements stabilize cost and supply of water in drought
  - Projected 3.2% increase in IID water rate
  - 46% of projected M&I sales are controlled by contract
- By 2021, represents over 280,000 acre-feet of water supply reliability

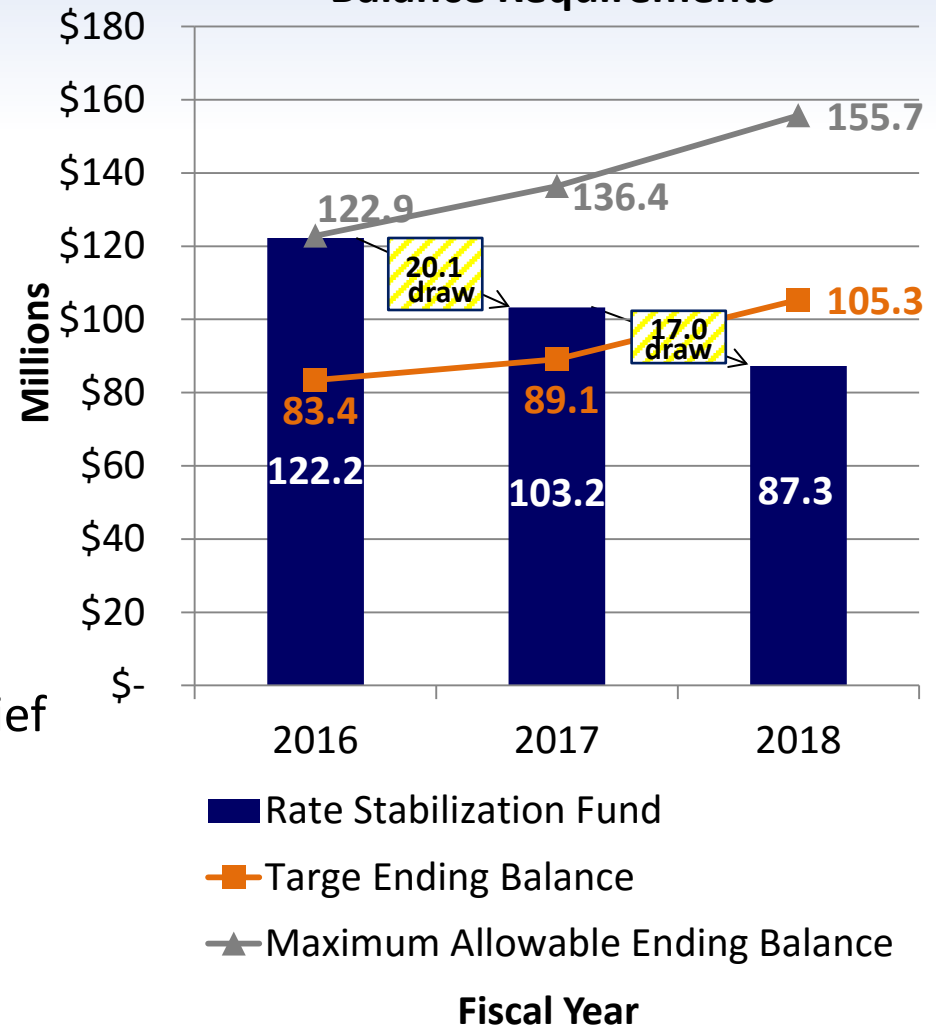
**IID and Canal Lining Deliveries 2003-2021**



# Meeting Goals and Objectives

- Smooth and predictable rates
  - Mitigating upward rate and charge pressures
    - Continued low water sales environment
    - Increasing MWD costs
    - Cost of desalinated water
  - Utilizing the RSF
    - Projected fiscal year draw of \$20.1M in 2017
      - ~\$50 per acre-foot of rate relief

**Rate Stabilization Fund (RSF)  
Balance Requirements**



# Proposed CY 2017 Rates & Charges

Water Authority Rates and Charges	CY 2015 Previous	CY 2016 Current	CY 2017 Proposed	Year/Year Change
<b>Variable Rates</b>				
Melded Supply Rate (\$/AF)	\$764	\$780	\$855	9.6%
Melded Treatment Rate (\$/AF)	\$278	\$280	\$290	3.6%
Transportation Rate (\$/AF)	\$101	\$105	\$110	4.8%
Untreated Special Agricultural Water Rate (\$/AF) <sup>1</sup>	\$582	\$594	\$666	12.1%
Treated Special Agricultural Water Rate (\$/AF) <sup>1</sup>	\$860	\$874	\$956	9.4%
<b>Fixed Charges</b>				
Customer Service Charge (millions)	\$26.4	\$26.4	\$26.4	0%
Storage Charge (millions)	\$63.2	\$63.2	\$65.0	2.8%
Supply Reliability Charge (millions) <sup>2</sup>	-	\$26.0	\$24.8	-4.6%
<b>Other Rates and Charges</b>				
Infrastructure Access Charge (IAC)	\$2.76/ME <sup>3</sup>	\$2.76/ME <sup>3</sup>	\$2.87/ME <sup>3</sup>	3.9%
Standby Availability Charge <sup>4,5</sup>	\$10	\$10	\$10	0%
System Capacity Charge	\$4,681/ME	\$4,840/ME	TBD <sup>6</sup>	-
Treatment Capacity Charge	\$119/ME	\$123/ME	TBD <sup>6</sup>	-
MWD Capacity Charge	\$10,738,140	\$12,406,380	\$9,105,600 <sup>7</sup>	-26.6%
MWD Readiness-to-Serve <sup>5</sup>	\$25,043,402	\$22,145,912	\$18,623,577 <sup>7</sup>	-15.9%

<sup>1</sup> Per current Board Policy, TSAWR is set to end Dec. 31, 2020

<sup>2</sup> Supply Reliability Charge was effective Jan. 1, 2016

<sup>3</sup> ME means meter equivalent as defined in the Resolution establishing the IAC

<sup>4</sup> Per parcel or acre, whichever is greater

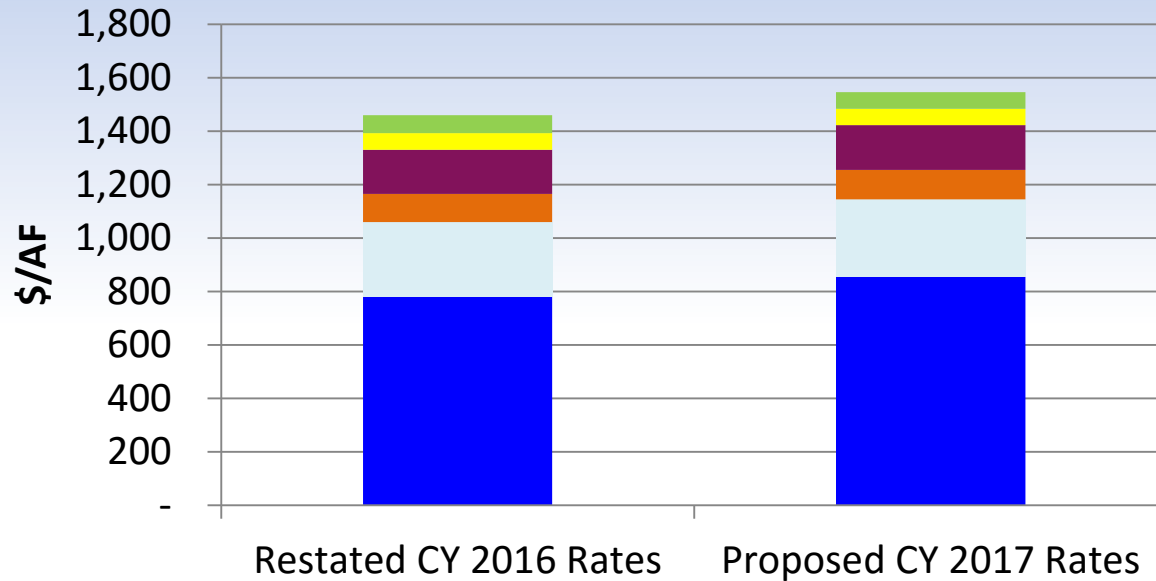
<sup>5</sup> Fiscal Year

<sup>6</sup> Charges will be administratively adjusted effective January 2017

<sup>7</sup> Pending MWD's Rate & Charge notification



# Proposed CY 2017 Total Cost of Water Breakdown\*



Water Rates and Charges (\$/AF)	Restated <sup>1</sup> CY 2016 Rates	Proposed CY 2017 Rates	Proposed CY 2017 Change in Rate	Proposed Year/Year Change
Melded Supply Rate	\$780	\$855	\$75	9.6%
Melded Treatment Rate	280	290	10	3.6%
Transportation	105	110	5	4.8%
Storage <sup>2</sup>	165	167	2	1.2%
Customer Service <sup>2</sup>	63	61	-2	-3.2%
Supply Reliability Charge <sup>2</sup>	67	63	-4	-6.0%
<b>Treated Water Cost*</b>	<b>\$1,460</b>	<b>\$1,546</b>	<b>\$86</b>	<b>5.9%</b>
<b>Untreated Water Cost*</b>	<b>\$1,180</b>	<b>\$1,256</b>	<b>\$76</b>	<b>6.4%</b>



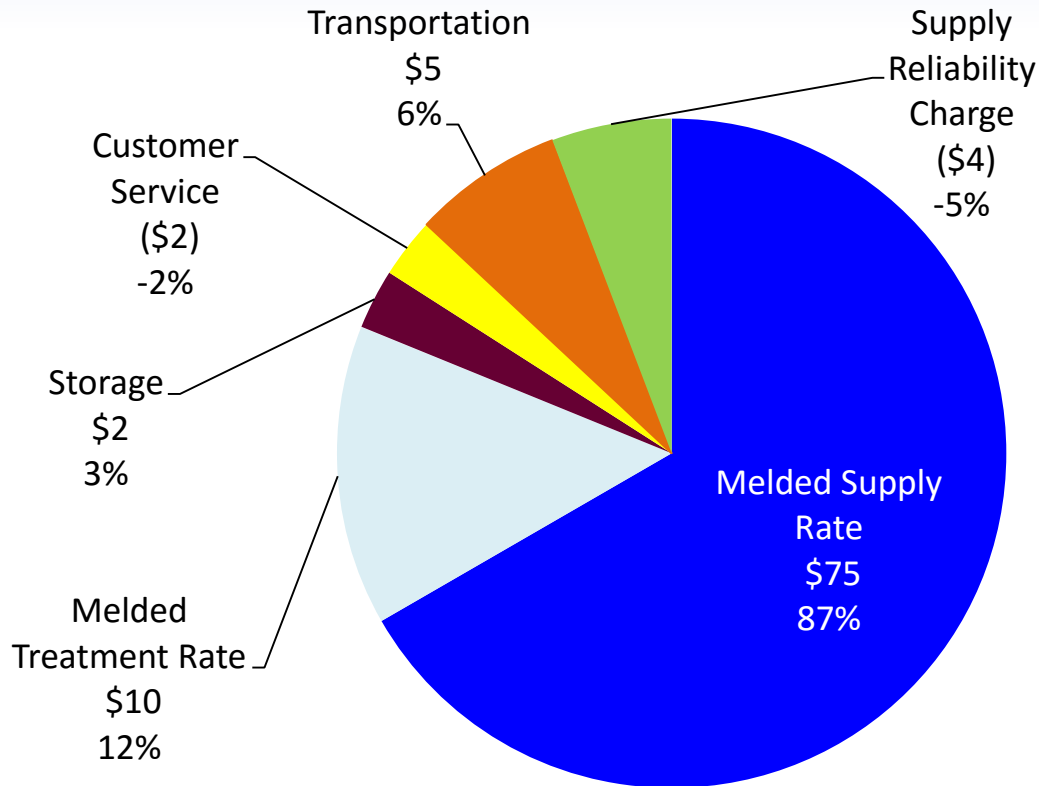
\*Actual member agency increases will vary. Includes water rates and charges and excludes the Water Authority's IAC and MWD's RTS and Capacity charges.

<sup>1</sup> Fixed charges on a \$/AF basis are restated based on current water sales estimates

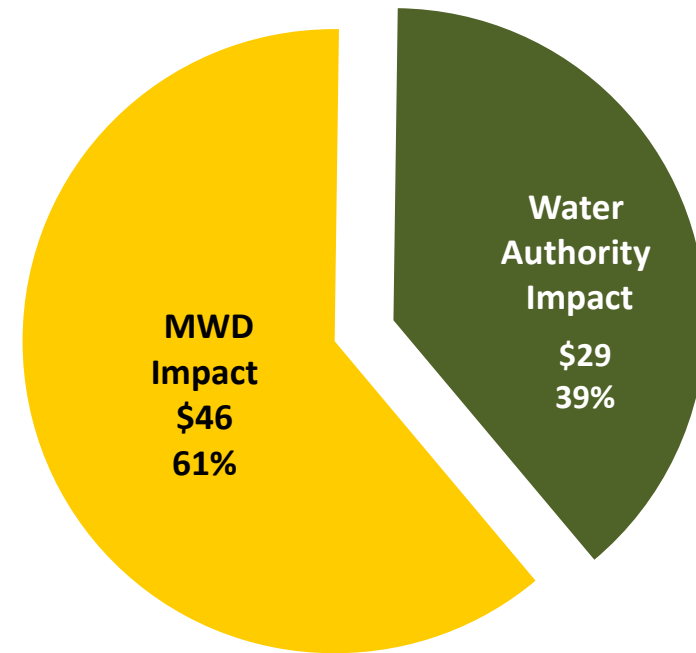
<sup>2</sup> Customer Service, Storage and Supply Reliability Charges converted to \$/AF based on sales forecast

# Estimated Breakdown of the CY 2017 Treated Water Rate and Charge Increases\*

## Breakdown of \$86/AF Increase



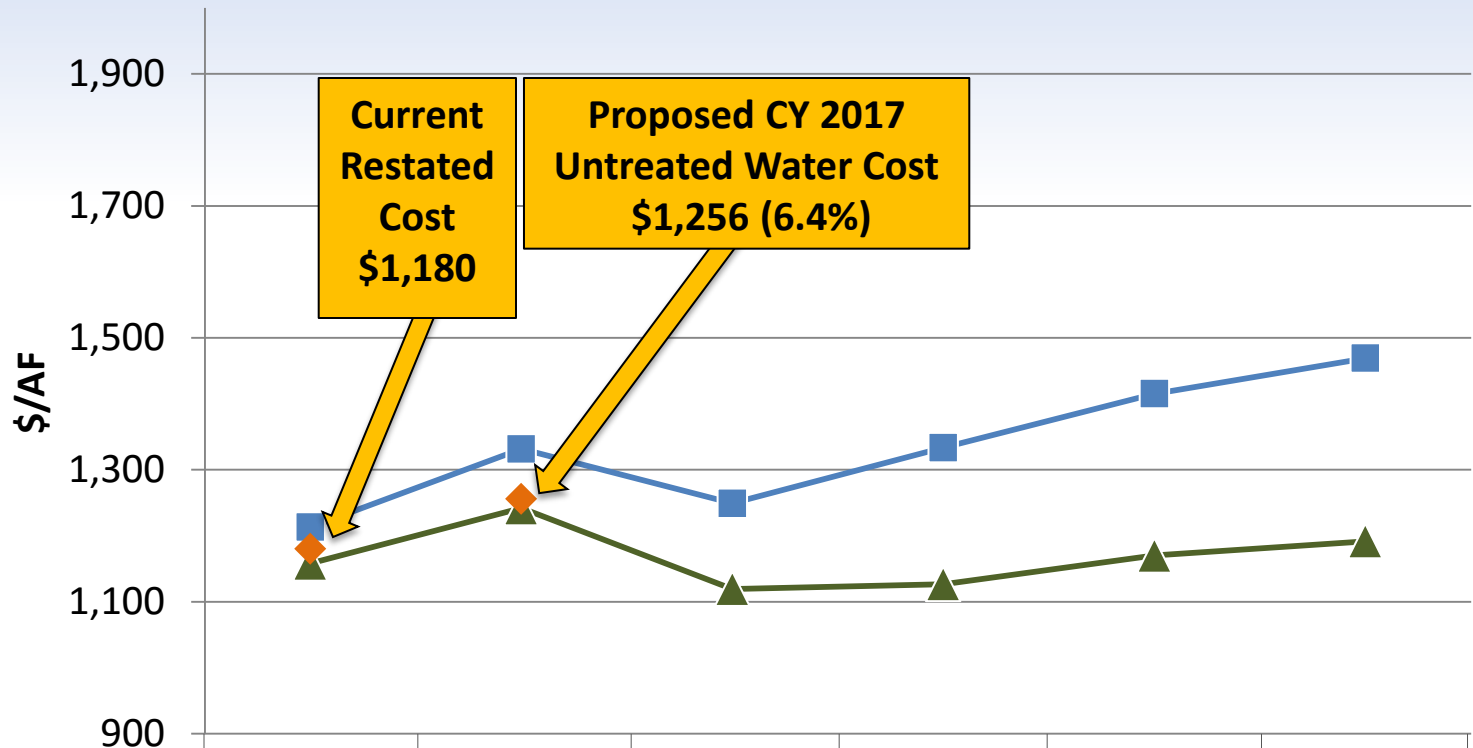
## Breakdown of the Merged Supply Rate Increase of \$75



\*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.

# Proposed Untreated Water Cost\*

## 2015 LFRP High/Low Untreated Water Rates (Lawsuit Win)

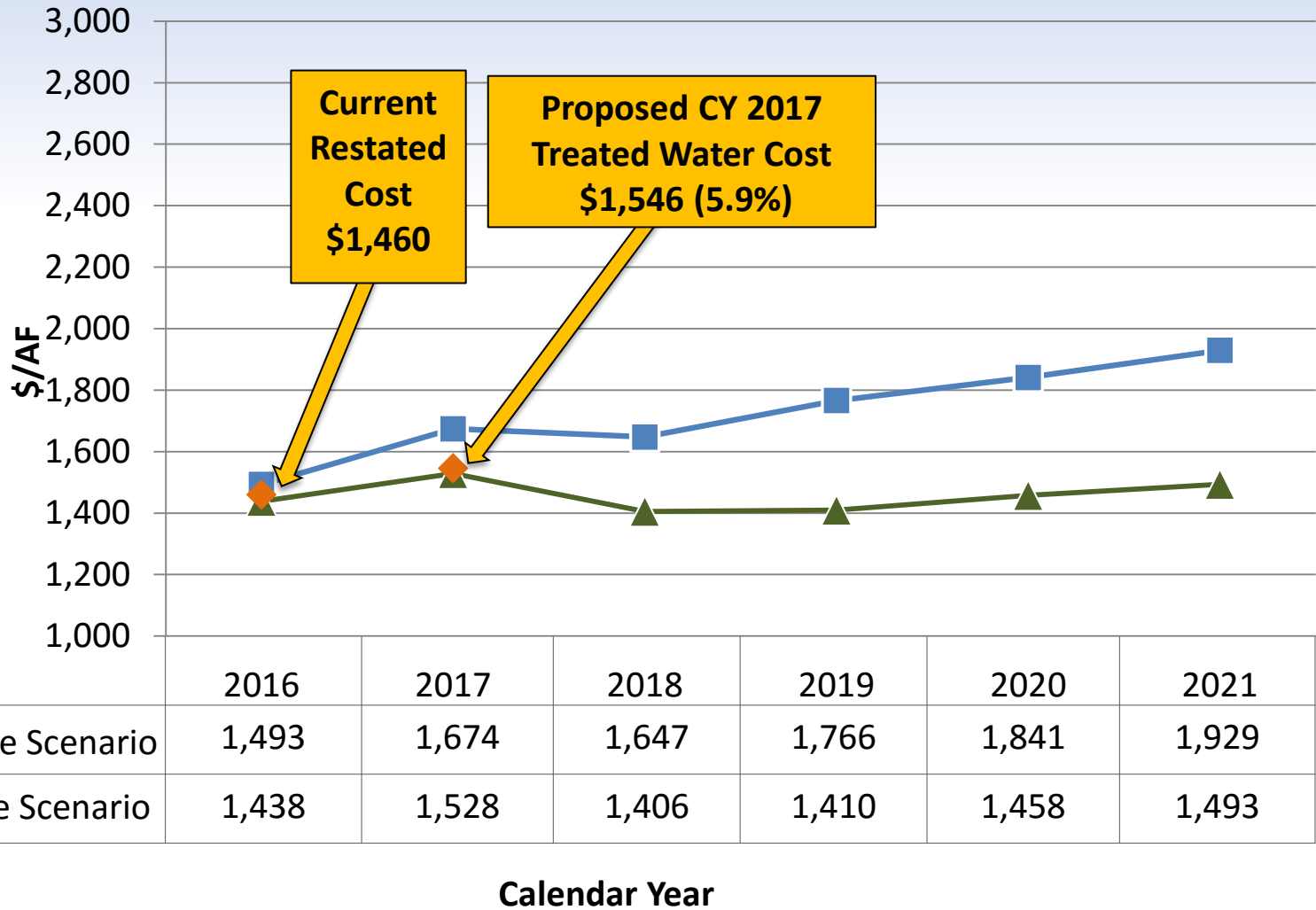


	2016	2017	2018	2019	2020	2021
■ High Rate Scenario	1,213	1,332	1,249	1,334	1,415	1,469
▲ Low Rate Scenario	1,158	1,242	1,119	1,127	1,170	1,192

Calendar Year

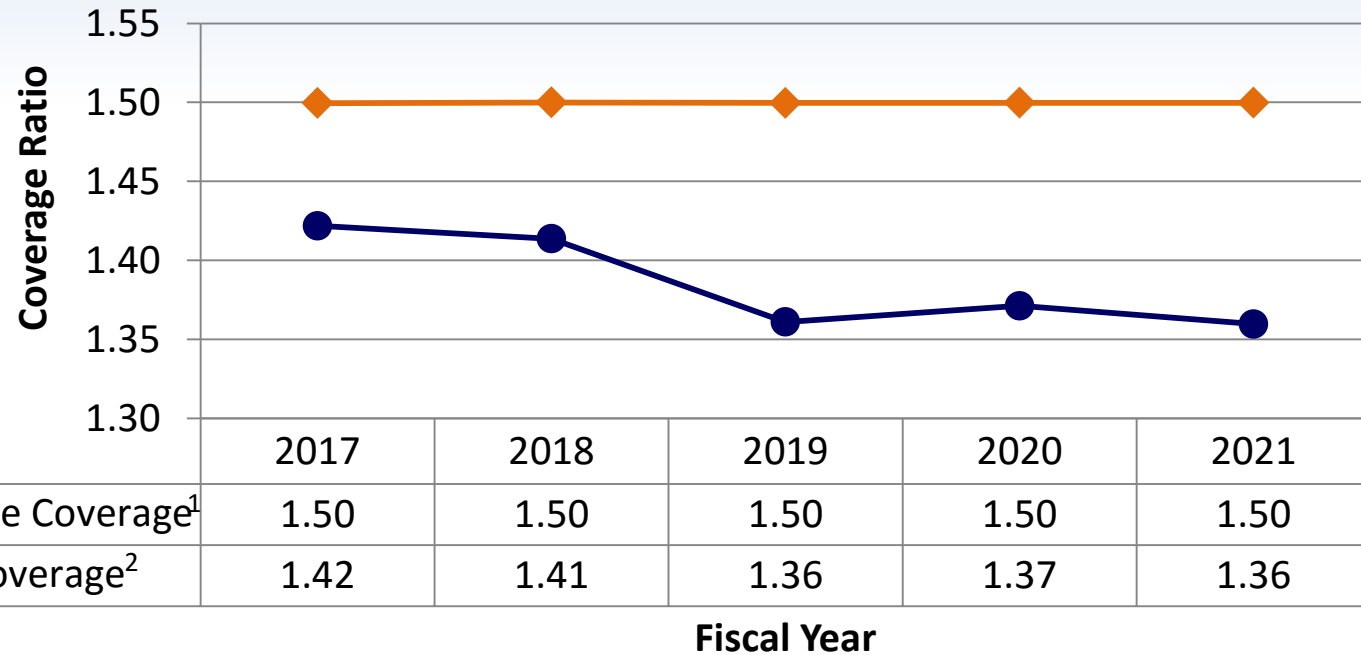
# Proposed Treated Water Costs\*

## 2015 LFRP High/Low Treated Water Rates (Lawsuit Win)



\*Includes water rates and charges and excludes the Water Authority's IAC and MWD's RTS and Capacity charges.

# Financial Performance Metrics – Debt Service Coverage Ratios



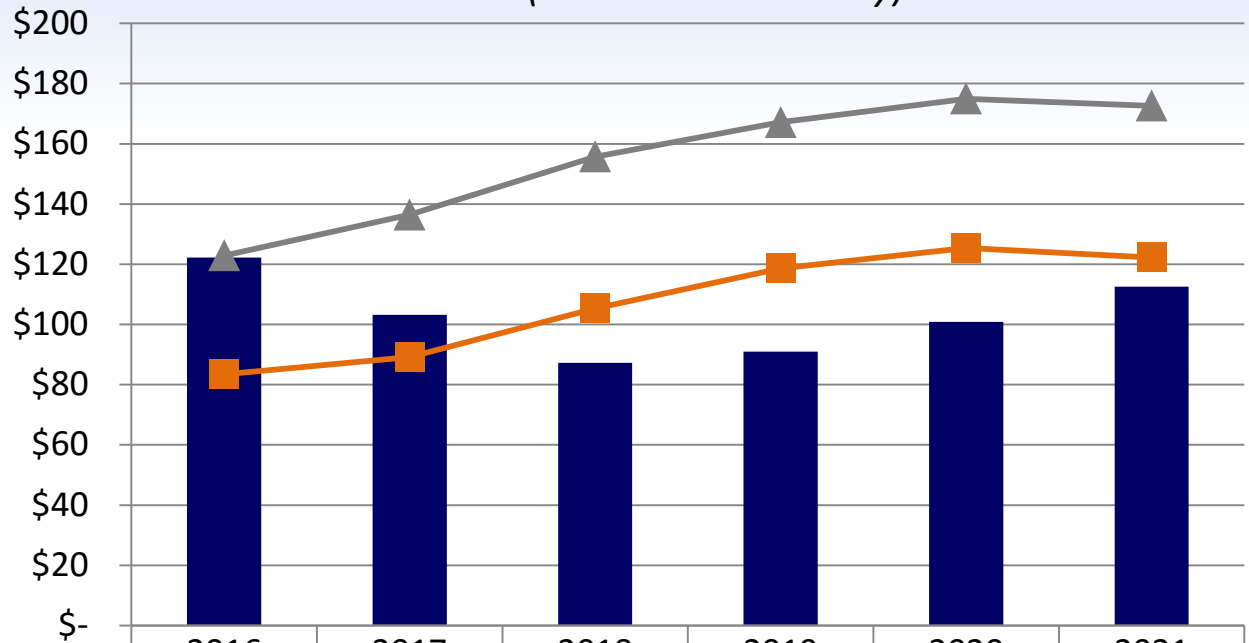
<sup>1</sup> Coverage requirement for senior debt service is 1.20x




<sup>2</sup> 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 2017 – 2021

# Financial Performance Metrics

**RSF Fund Balance Requirements**  
(Current Board Policy)

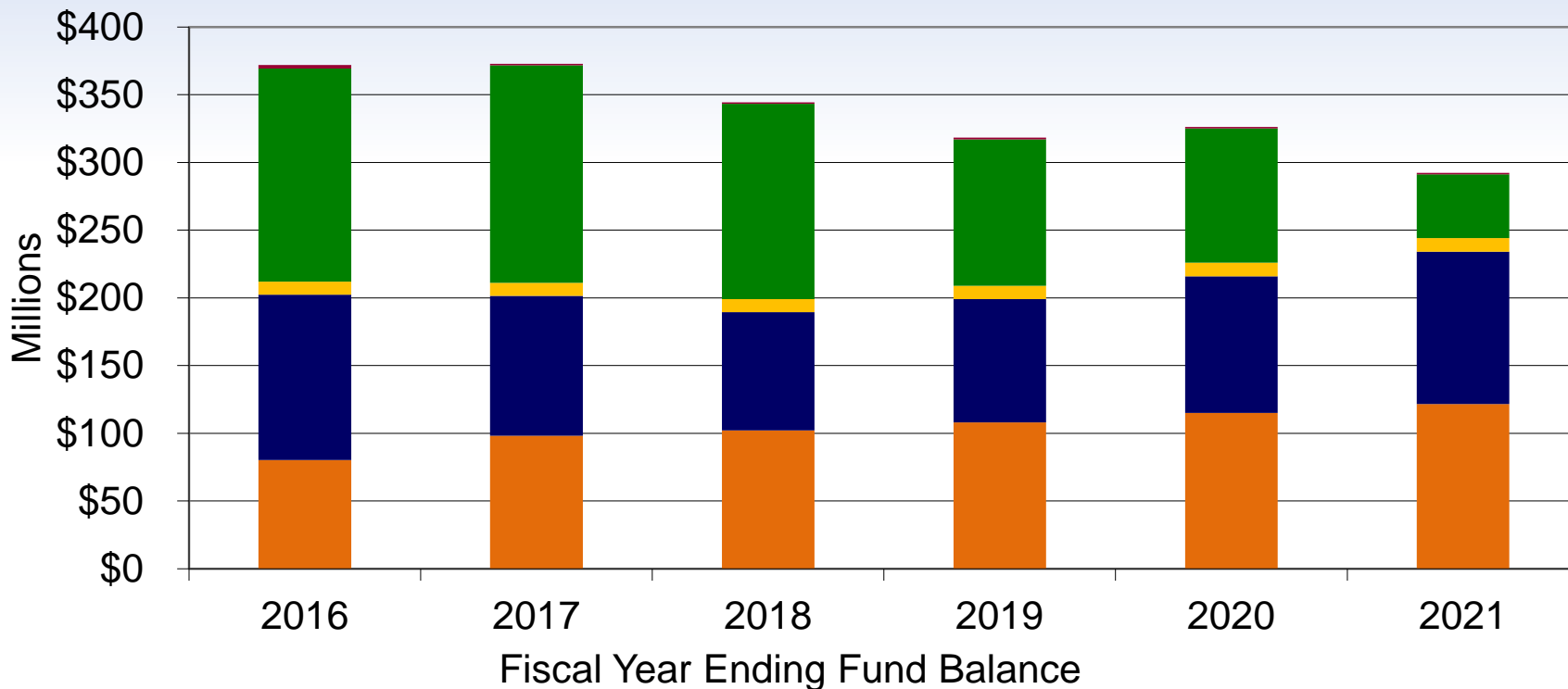


 Rate Stabilization Fund	122.2	103.2	87.3	91.0	100.9	112.5
 Target Ending Balance	83.4	89.1	105.3	118.6	125.4	122.2
 Maximum Allowable Ending Balance	122.9	136.4	155.7	167.2	175.0	172.6
(Deposit)/Draw	(6.2)	20.1	17.0	(2.6)	(8.7)	(10.1)

Fiscal Year

# Financial Performance Metrics

## Current Board Policy - Cash Balances by Fund (Excludes Debt-Related Funds)



- Operating Fund Summary
- Rate Stabilization Fund
- Stored Water Fund
- Pay As You Go Fund
- Equipment Replacement Fund

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

# Impact of CY 2017 Rate Increase on Composite Monthly Residential Bill

- 5 Retail Agency Average Composite Cost (CY 2017)
  - Fixed Charge: \$23.01 monthly
  - Commodity Charge: \$62.56
  - Composite Monthly Residential Bill: \$85.57

Wholesale Charges	Proposed Rates Monthly Retail Cost	Percent Retail Impact
Untreated	\$2.73	3.2%
Treated	\$3.07	3.6%

Actual rate impact will vary by member agency

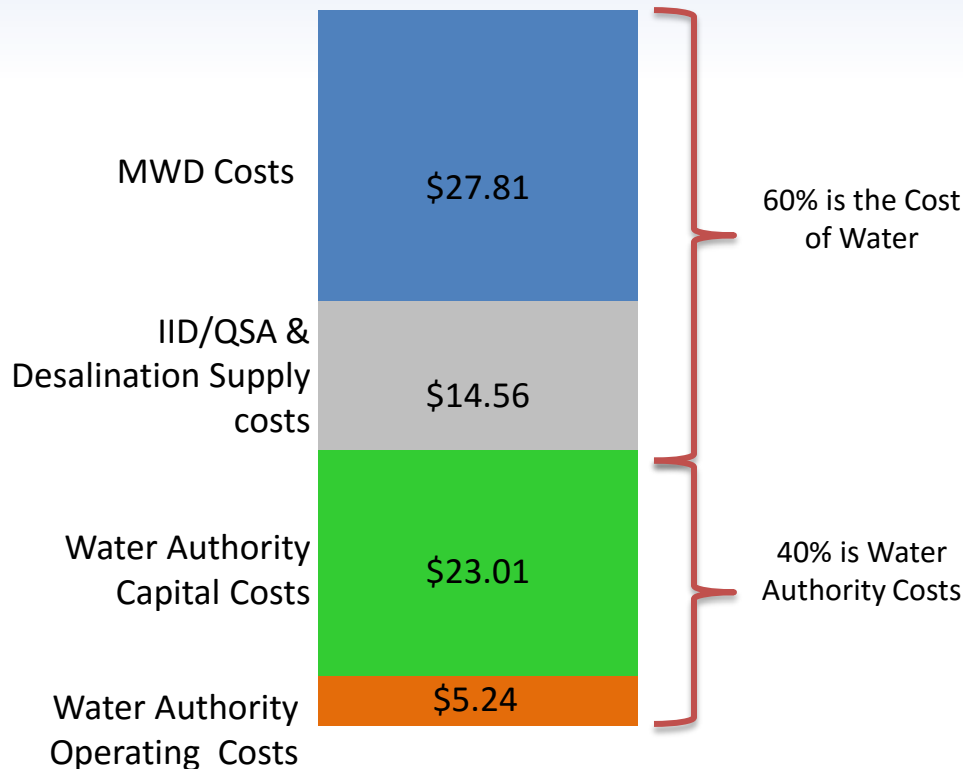
Notes:

1. Analysis based on retail rates for the City of Carlsbad, Helix Water District, the City of San Diego, Sweetwater Authority, and Otay Water District.
2. Tier 1 and Tier 2 pricing blocks vary by member agency.
3. Historic water demand used to calculate member agency specific weighting factors.
4. Individual member agency commodity charge calculated using its average single family residential water use (hcf).
5. Composite commodity charge is the sum of the individual member agency's commodity charge times its weighting factor.



# Wholesale Monthly Household Cost

## Estimated CY 2017 Wholesale Costs per Household\*



**TOTAL: \$70.62/month**

- Cost of water purchases is 60% of the wholesale cost of water
- The remaining 40% or \$28.25/month is for the Water Authority to:
  - Deliver water and maintain the system
  - Rapidly diversify the region's water supplies
  - Provide in-region emergency water storage
  - Develop in-region water storage capacity
  - Administer conservation and demand management programs

*\*Based upon 0.5 AF of consumption a year and includes meter charges and MWD pass-through costs*

# Summary

- Rate and Charge Drivers
  - MWD rate and charge increases
    - Untreated water rate increases of 12.1%
  - Persistent low sales environment
  - Smoothing the rate impact of desalinated water costs
- Proactive financial management
  - Highlights how essential the Rate Stabilization Fund is to rate and charge smoothing
- Rate and charge increases inline with guidance
  - Treated increase 5.9%
  - Untreated increase 6.4%
- Overall rate and charge increase will vary by member agency depending upon the fixed charge allocations

# Today's Actions

- Adopt Ordinance No. 2016-\_\_ 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. 2016-\_\_ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge.
- Adopt Resolution No. 2016-\_\_ a resolution of the Board of Directors of the San Diego County Water Authority setting the contract water rate for South Coast Water District water deliveries.