

Proposed Calendar Year 2015 Rates and Charges

Administrative and Finance Committee
May 22, 2014

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San Diego County
Water Authority

Agenda

- CY 2015 Rate and Charge Drivers and Highlights
- Proposed Rates and Charges
- Phase II Cost of Service Study Summary
 - Integrating the cost of desalination
- Rate and Charge Calendar

CY 2015 Rate and Charge Drivers

- MWD's Treatment Rate Increase
- Cost of desalinated water
 - Earlier water delivery increases CY 2015 costs
- Securing a prudent financial position
 - Smooth and predictable rates and charges
 - Position to achieve the RSF target levels

Adopted MWD CY 2015 Rates

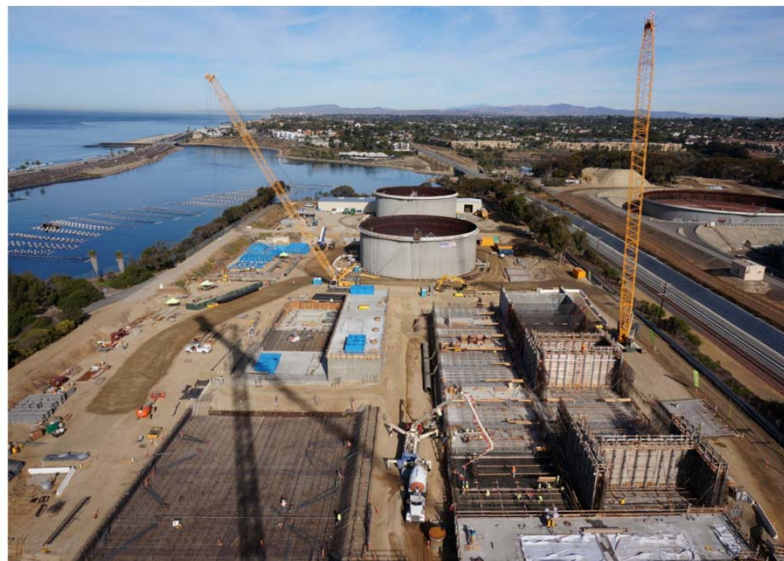
Adopted MWD	CY 2014	CY 2015	% Change
Tier 1 Supply	\$148	\$158	6.76%
System Access	\$243	\$257	5.76%
Water Stewardship	\$41	\$41	0.0%
System Power	\$161	\$126	-21.74%
Treatment	\$297	\$341	14.81%
Tier 1 Untreated	\$593	\$582	-1.85%
Tier 1 Treated	\$890	\$923	3.71%

Transportation decrease of 4.72%

- Water Authority treatment costs mitigate MWD's increase
- CY 2015 fixed charge increases
 - Readiness-to-Serve Charge (RTS) - \$158M for a decrease of 4.8%
 - Capacity Charge - \$11,100/cfs for an increase of 29.1%

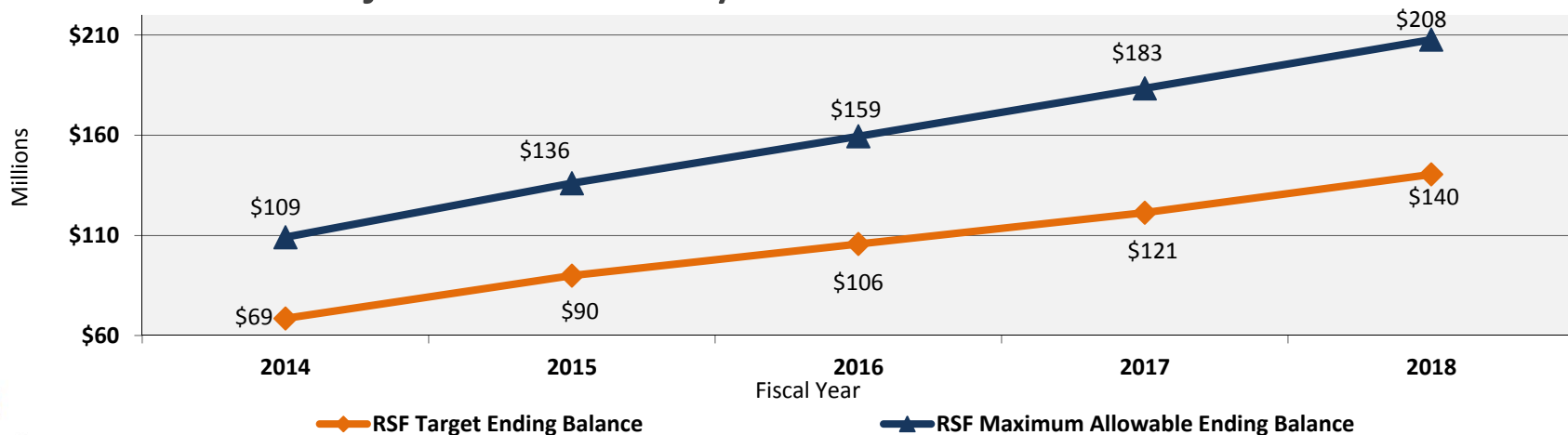
CY 2015 Carlsbad Desalination Costs

- Excellent progress on the project
- Expected production date moved up to Fall 2015
 - Estimated delivery of 16K AF in CY 2015
- Financial impact of early production
 - Net increase of \$22M in costs
- Rates and charges impacted
 - Supply
 - Transportation
 - IAC



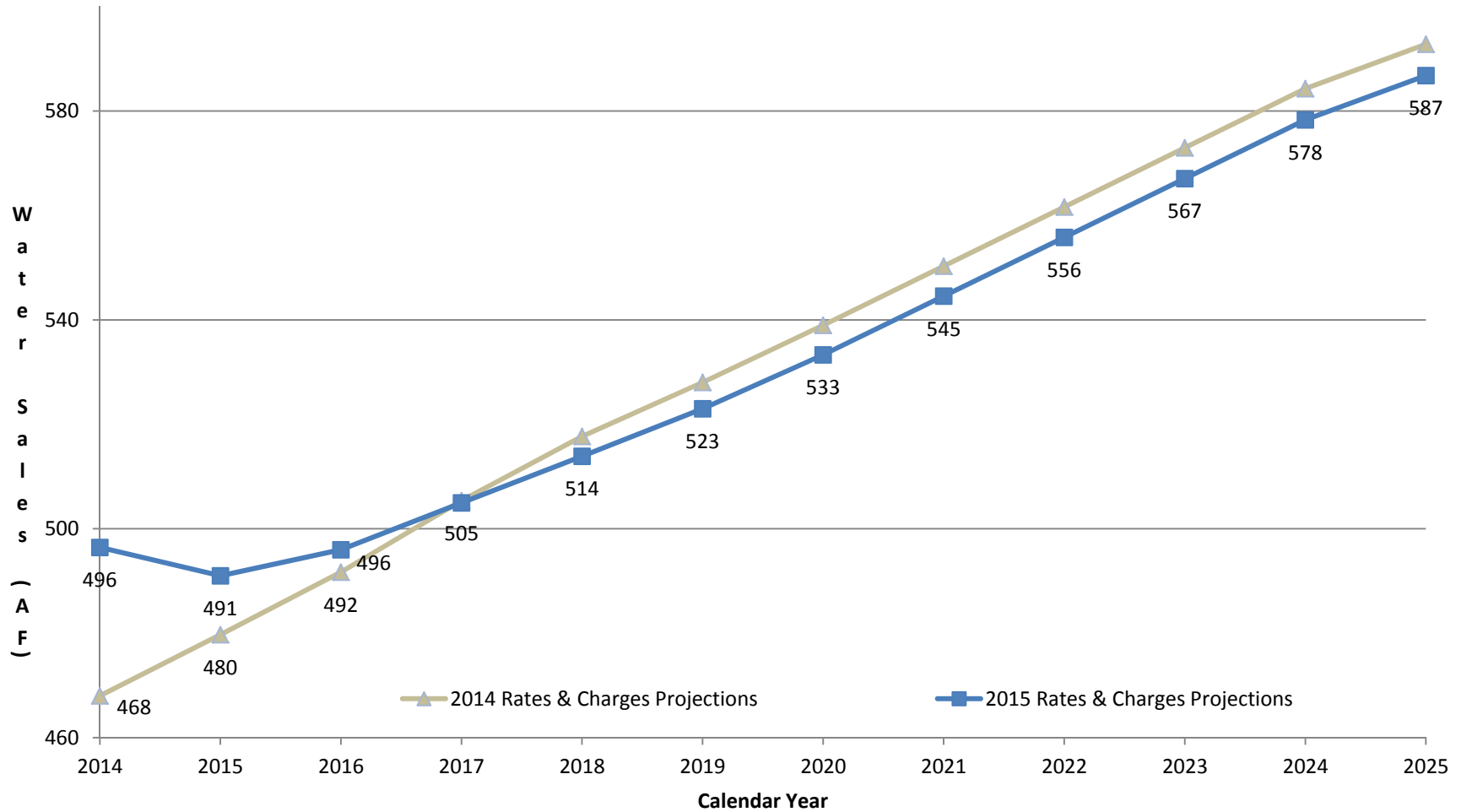
Meeting Rate and Charge Objectives/Goals

- Smooth and predictable rates
 - Mitigating the CY 2016 rate impact of desalination
 - First full year of desalination costs
 - Facing potential supply challenges and demand uncertainty (Success of conservation efforts)
- Meeting Rate Stabilization Fund (RSF) target
 - RSF target increases significantly as revenues become more subject to volatility



Water Sales Forecast

Water Sales Forecast



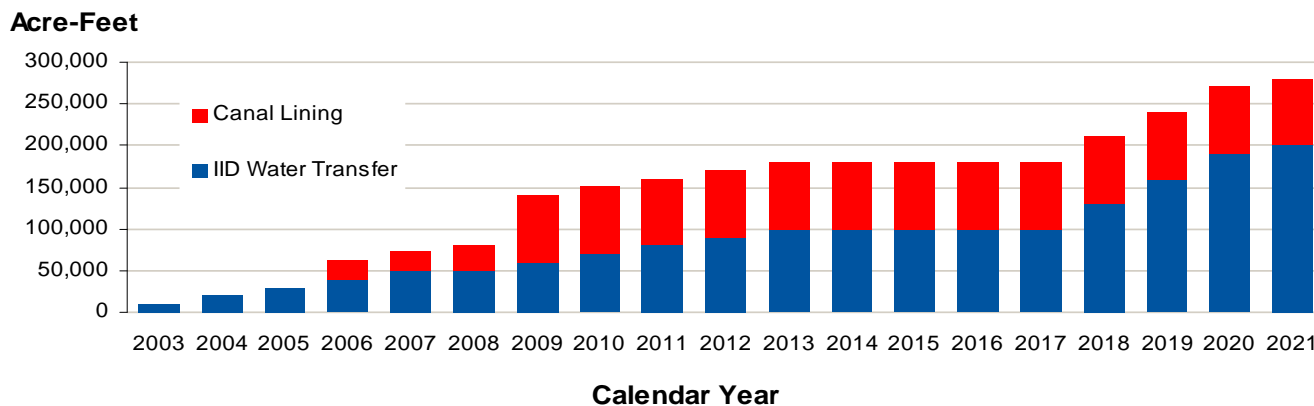
Quantification Settlement Agreement

- Colorado River QSA Supplies
 - Imperial Irrigation District transfer
 - 200,000 AF/year for 45 to 75 years
 - Canal-lining projects
 - 80,000 AF/year for 110 years
- Key to supply diversification strategy
 - Provide 180,000 acre-feet in 2015
- By 2021, 34% of region's supply

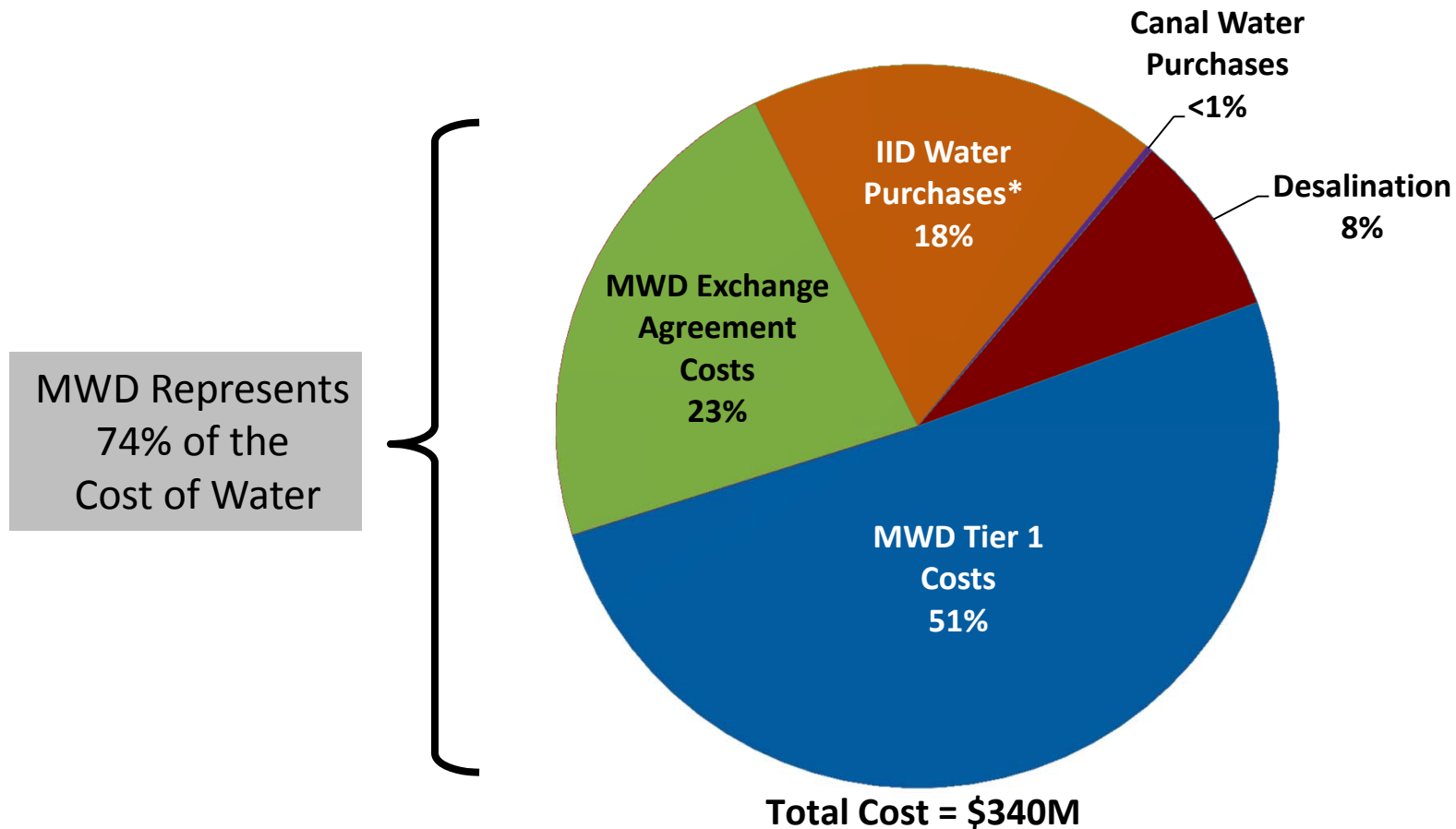


Lining the Coachella Canal

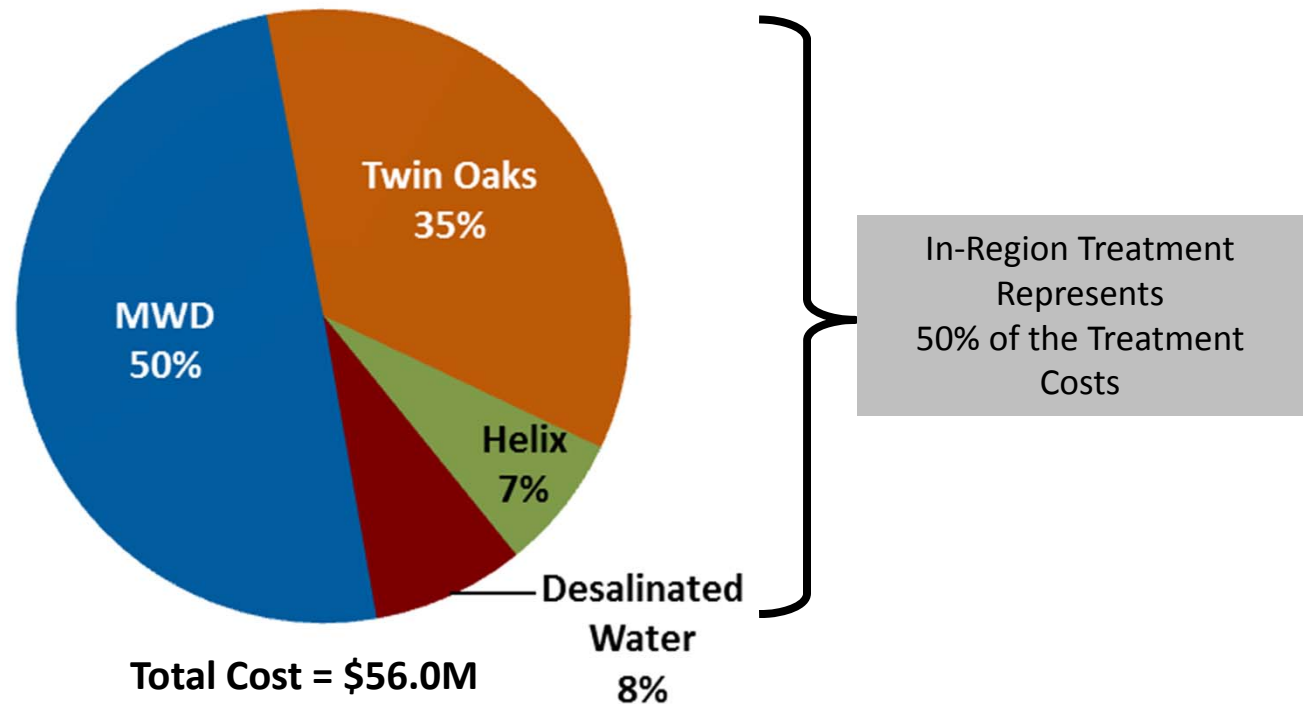
IID and Canal Lining Deliveries 2003-2021



MWD Remains the Largest Share of Water Cost



Water Authority's Treatment Costs



- MWD treatment costs increase by 14.8% while Water Authority costs decreased by approximately 8%

Board Requested Options

Options for setting the Melded Supply Rate

- Option 1: Permanent Special Agricultural Water Rate (SAWR) per Board policy – Program starts 1/1/2015
 - Only Storage discount continued
- Option 2A: Transitional Special Agricultural Water Rate (TSAWR) is extended through CY 2015
 - Full cost recovery through increased rates
- Option 2B: TSAWR is extended through CY 2015
 - RSF support reduced by \$7.1M in CY 2015
 - Maintains the same rates as Option #1

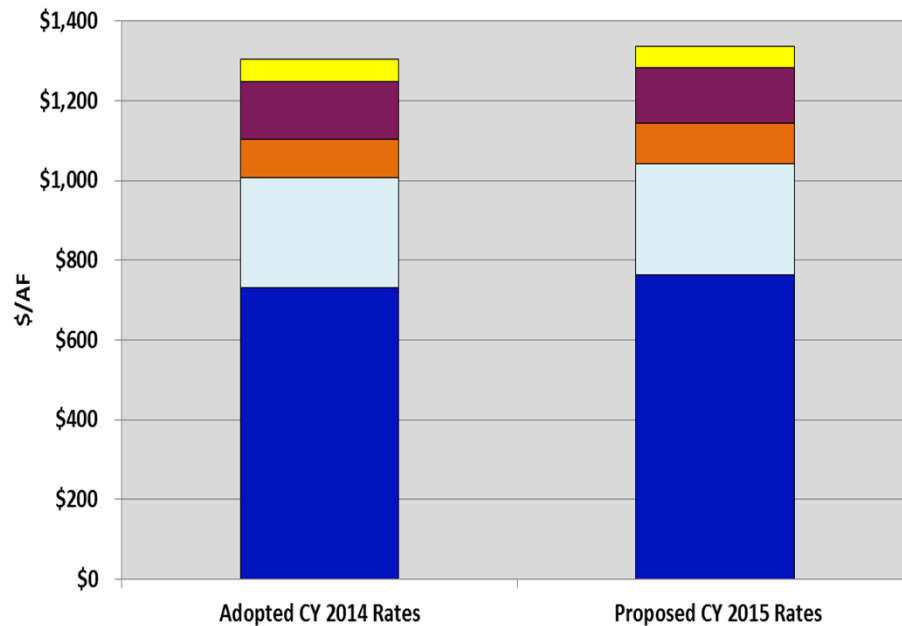
Melded Supply Rate Calculation






Calendar Year 2015	Option #1	Option #2A	Option #2B
Acre-Foot Sales (A/F) (000's)			
MWD Tier I	296.5	258.1	258.1
IID	100.0	100.0	100.0
Canal Water Delivery Costs	80.2	80.2	80.2
Carlsbad Desalination Production	16.3	16.3	16.3
TOTAL A/F SALES	493.0	454.6	454.6
Water Purchase Cost (in Millions)			
MWD Tier 1 Water Purchases	\$172.6	\$150.2	\$150.2
QSA Exchange with MWD Costs	76.4	76.4	76.4
IID Water Purchases	62.4	62.4	62.4
Canal Water Purchases	1.0	1.0	1.0
Desalinated Water Supply Costs	28.1	28.1	28.1
Subtotal Water Purchases	\$340.5	\$318.1	\$318.1
Additional Costs (in Millions)			
Supply Revenue Requirement	\$27.3	\$24.3	\$20.2
IID Socioeconomic	3.1	3.1	3.1
QSA Environmental	5.3	5.3	5.3
Groundwater Storage	0.5	0.5	0.5
Subtotal Other Costs	\$36.2	\$33.2	\$29.1
TOTAL SUPPLY COST	\$376.7	\$351.3	\$347.2
A/F RATE (Total Supply Cost /Total A/F Sales)	\$764	\$773	\$764

Proposed Rates & Charges

Water Authority Rates and Charges	CY 2013 Previous	CY 2014 Current	CY 2015 Proposed	% Change
Variable Rates				
Melded Supply Rate (\$/AF)	\$714	\$732	\$764 or \$773 ¹	4.4% or 5.6%
Melded Treatment Rate (\$/AF)	\$256	\$274	\$278	1.5%
Transportation Rate (\$/AF)	\$93	\$97	\$101	4.1%
Fixed Charges				
Storage Charge (millions)	\$60.2	\$63.2	\$63.2	0%
Customer Service Charge (millions)	\$26.4	\$26.4	\$26.4	0%
Other Rates and Charges				
Untreated Special Agricultural Water Rate (\$/AF)	\$593	\$593	NA ²	NA
Treated Special Agricultural Water Rate (\$/AF)	\$849	\$867	NA ²	NA
IAC	\$2.65/ME ³	\$2.68/ME	\$2.76/ME	3.0%
Standby Availability Charge ⁴ per parcel or acre, whichever is greater	\$10	\$10	\$10	0%
System Capacity Charge	\$4,326/ME	\$4,681/ME	\$4,681/ME	0%
Treatment Capacity Charge	\$166/ME	\$119/ME	\$119/ME	0%
¹ The rates shown correspond to the Board's requested rate options ² Per Board Policy, Special Agricultural Water Rate end December 31, 2014 ³ ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge ⁴ Fiscal year charge				

Proposed CY 2015 “All-in” M&I Water Rate Breakdown



Rates and Charges (\$/AF)	Adopted CY 2014 Rates	Proposed CY 2015 Rates	Proposed CY 2015 Change in Rate	Percent Change
 Merged Supply Rate	\$732	\$764 or \$773	\$32 or \$41	4.4% or 5.6%
 Merged Treatment Rate	274	278	4	1.5%
 Transportation	97	101	4	4.1%
 Storage*	144	140	-4	-2.8%
 Customer Service*	56	54	-2	-3.6%
Total Cost of Treated Water	\$1,303	\$1,337 or \$1,346	\$34 or \$43	2.6% or 3.3%
Total Cost of Untreated Water	\$1,029	\$1,059 or \$1,068	\$30 or \$39	2.9% or 3.8%

Proposed CY 2015 Rate and Charge Summary

Rates and Charges (\$/AF)	Adopted CY 2014 Rates	Proposed CY 2015 Rates	Proposed CY 2015 Change in Rate	Percent Change
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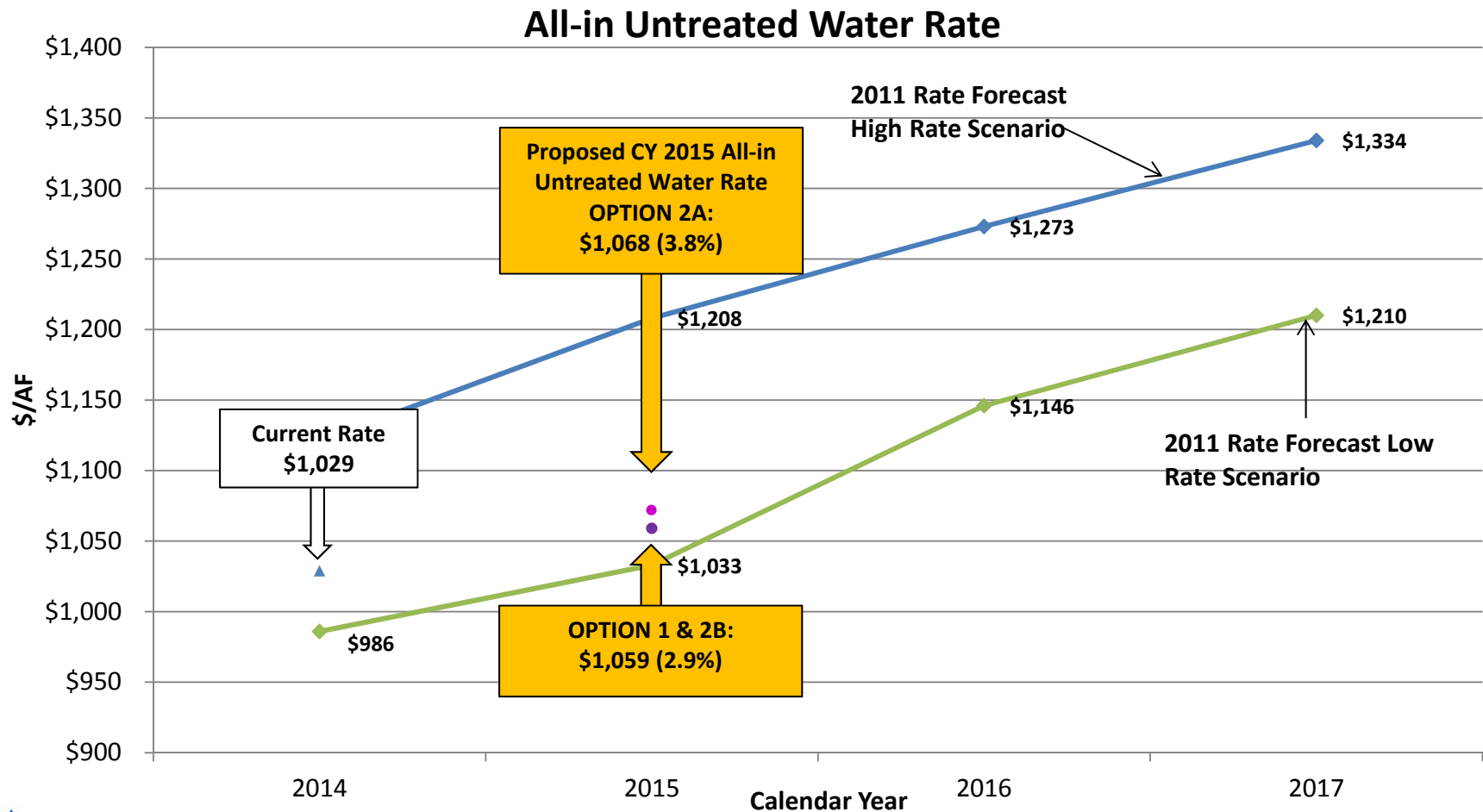
¹Fixed charges converted to \$/AF using sales forecast and may not foot due to rounding

Rates and Charges	Adopted CY 2014 Rates	Proposed CY 2015 Rates	Proposed CY 2015 Change in Rate	Percent Change
IAC	\$2.68/ME/Month	\$2.76/ME/Month	\$0.08	3.0%
Standby Availability ²	\$10/acre or parcel less than 1 acre	\$10/acre or parcel less than 1 acre	\$0	0%
MWD Capacity Charge ³	\$8,268,900	\$10,738,140	\$2,469,240	29.9%
MWD Readiness-to-Serve ^{2,3}	\$24,498,074	\$25,043,402	\$545,328	2.2%

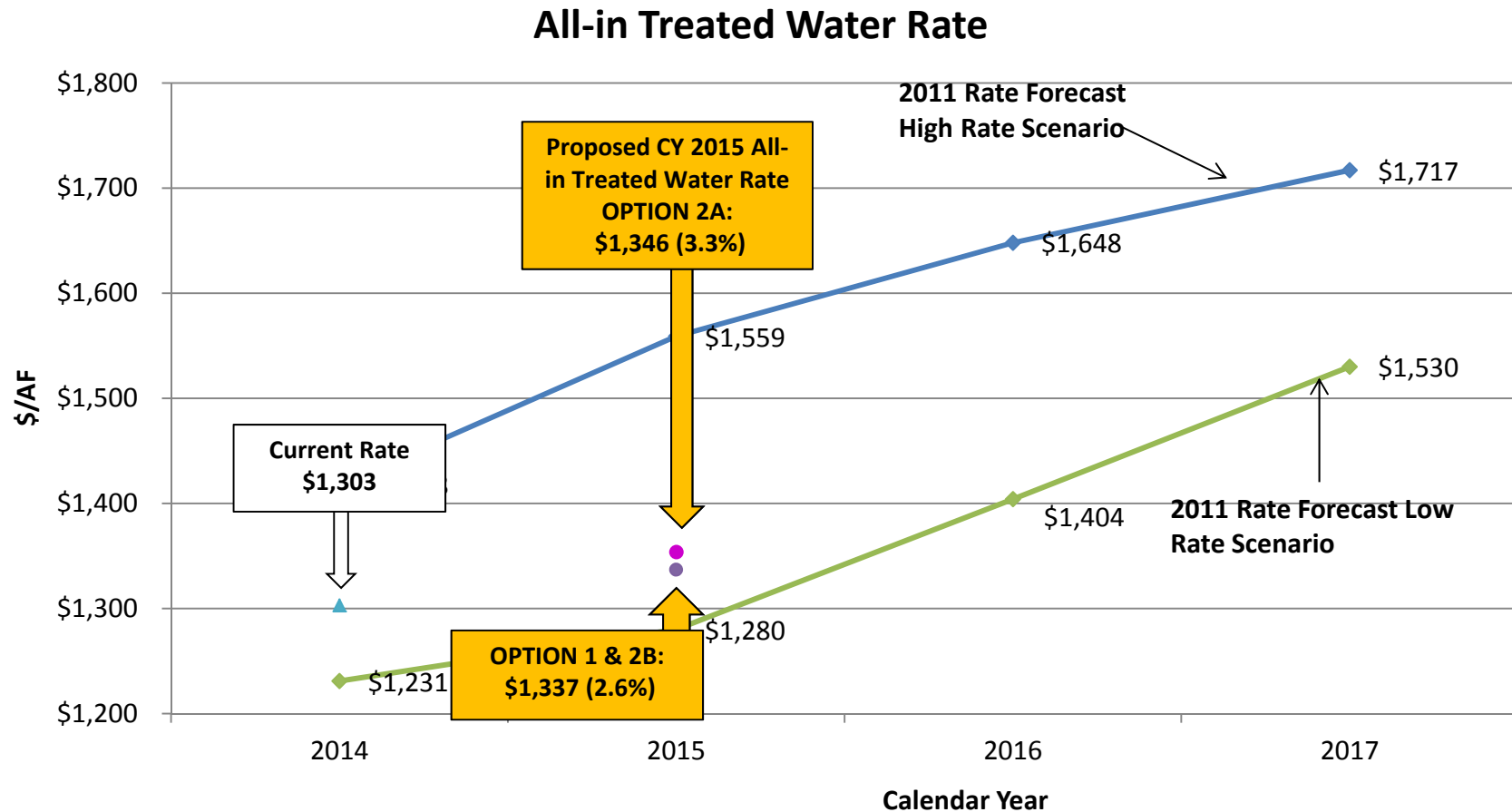
²Fiscal Year Charge

³Adopted by the MWD Board on April 8, 2014

Proposed All-in Untreated Water Rate



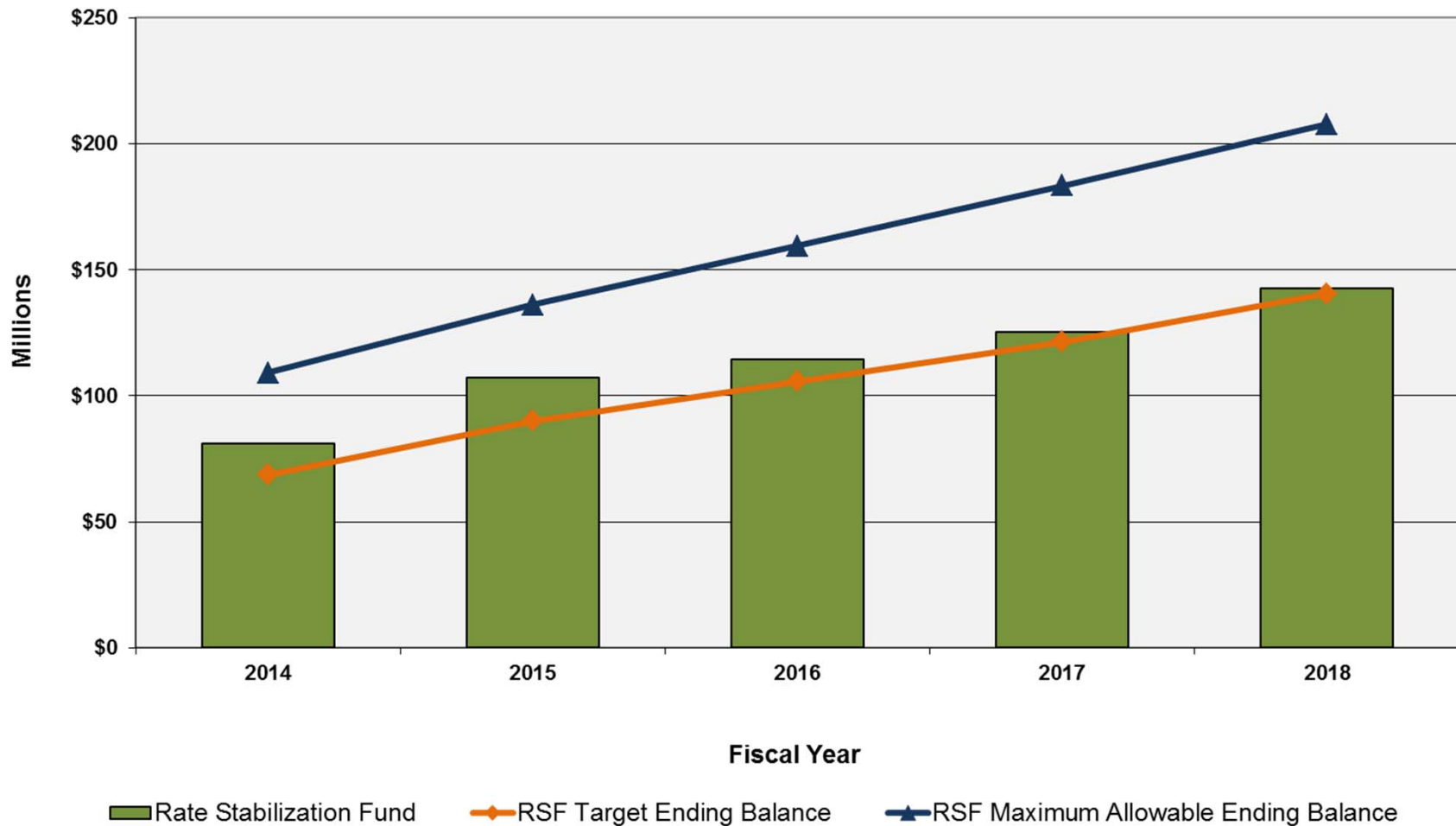
Proposed All-in Treated Water Rate



Financial Performance Metrics

Option 1

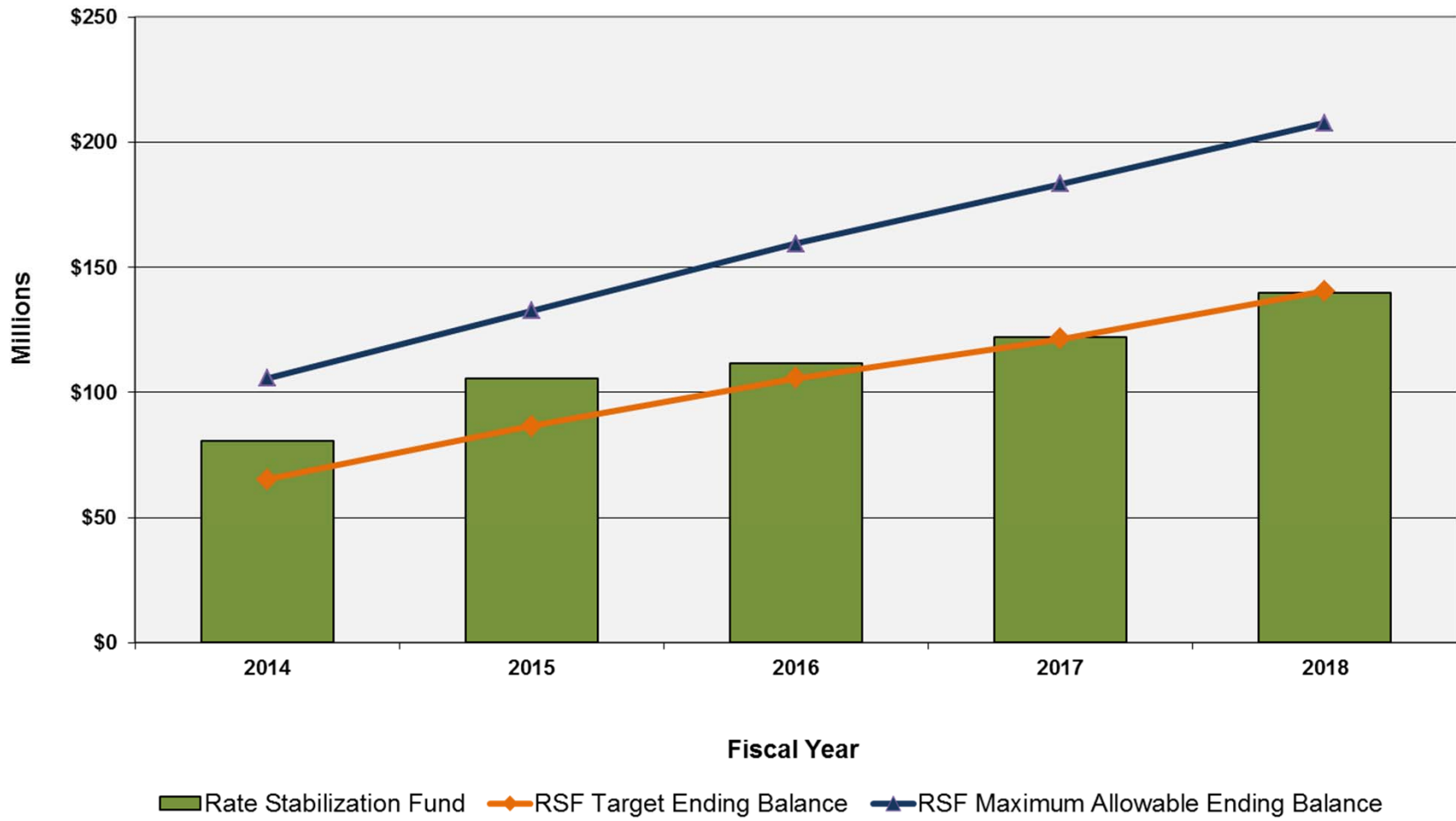
Current Board Policy - RSF Fund Balance Requirements



Financial Performance Metrics

Option 2A

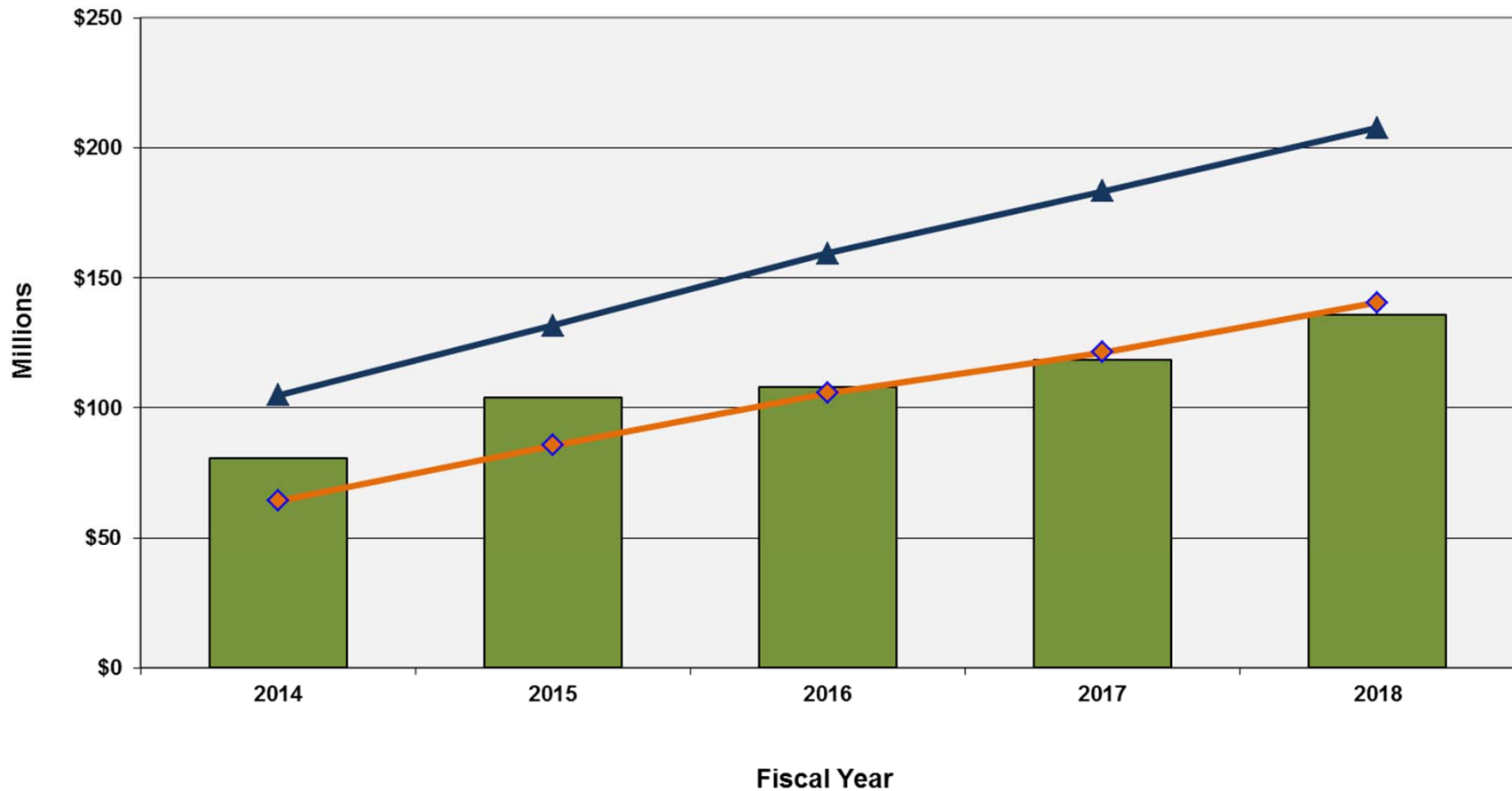
Current Board Policy - RSF Fund Balance Requirements



Financial Performance Metrics

Option 2B

Current Board Policy - RSF Fund Balance Requirements



■ Rate Stabilization Fund ◆ RSF Target Ending Balance ▲ RSF Maximum Allowable Ending Balance

Summary

- Key rate and charge drivers
 - Delivery of desalinated water – Fall 2015
 - Maintaining Board financial policies
- Rate and charge volatility mitigation
 - Very successful debt management
 - Improving sales environment and continued cost control measures
- Moderate increase in overall water rates and charges
 - Treated increase 2.6% or 3.3%
 - Untreated increase 2.9% or 3.8%
- Overall rate and charge increase will vary by member agency depending upon the fixed charge allocations

Rate and Charge Calendar

- May
 - Release Carollo's Phase II COS Report
 - Set the time and place for the public hearing
- June Board Meeting
 - Hold public hearing on rates and charges
 - Adopt CY 2015 rates and charges

Today's Action

- a) Provide direction regarding TSAWR for calendar year 2015 rates and charges
- b) Adopt Resolution Number 2014-__ setting the time and place for a public hearing on June 26, 2014, at 9:00 a.m., or as soon thereafter as may practicably be heard, during the Administrative and Finance Committee meeting, to receive comments regarding proposed rates and charges to be effective January 1, 2015.