



Proposed Calendar Year 2019 Rates and Charges

Administrative and Finance Committee
June 28, 2018

Lisa Marie Harris, Director of Finance/Treasurer

CY 2019 Rate and Charge Drivers

▶ **Water Sales Forecast**

- Slight reduction in sales from CY 2018 of ~4,000 AF based on interim demand forecast

▶ **Ramp-up of QSA deliveries**

- From 130 TAF in 2018 to 160 TAF in 2019

▶ **MWD Rates and litigation**

- No assumptions made on MWD rates outside of Appeals Court decision
- Net savings of ~\$15M in CY 2019 otherwise charged to QSA supplies negated a 7.5% increase in Water Authority QSA melded supply costs

▶ **Utilization of the Rate Stabilization Fund**

- \$18.4M draw in 2019, providing ~\$49 per acre-foot of rate relief



MWD's Adopted Rates and Charges

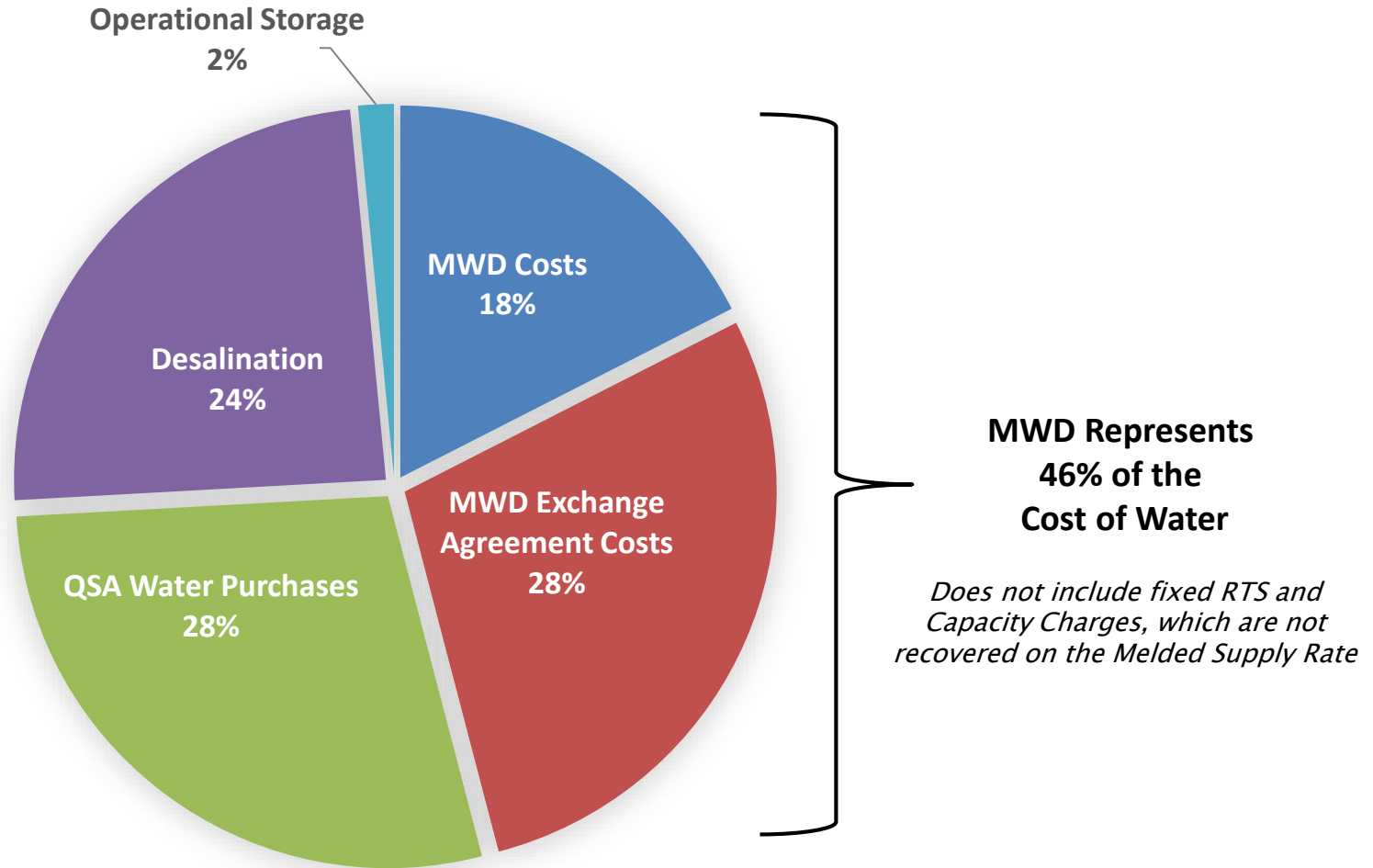
Adopted MWD	CY 2018	CY 2019	% Change
Tier 1 Supply (\$/AF)	\$209	\$209	0.0%
System Access	\$299	\$326	9.0%
Water Stewardship (MWD Supplies)	\$55	\$69	25.5%
Water Stewardship (IID/Canal Supplies)	\$55	\$0	(100)%
System Power	\$132	\$127	(3.8)%
Treatment	\$320	\$319	(0.3)%
Tier 1 Full Service Untreated	\$695	\$731	5.2%
Tier 1 Full Service Treated	\$1,015	\$1,050	3.4%
Readiness-to-Serve (\$M)	\$140	\$133	(5.0)%
Capacity Charge (\$/cfs)	\$8,700	\$8,600	(1.1)%

Transportation

- 7.4% ↑ on MWD supply
- 6.8% ↓ on QSA Supply



MWD Remains the Largest Share of Water Cost



Proposed CY 2019 Rates and Charges

Water Authority Rates and Charges	CY 2017 Previous	CY 2018 Current	CY 2019 Proposed	% Increase
<i>Variable Rates</i>				
Melded Supply Rate (\$/AF)	855	894	909	1.7%
Melded Treatment Rate (\$/AF)	290	300	276	-8.0%
Transportation Rate (\$/AF)	110	115	120	4.3%
Untreated TSAWR ¹ (\$/AF)	666	695	731	5.2%
Treated TSAWR ¹ (\$/AF)	956	995	1007	1.2%
<i>Fixed Charges</i>				
Customer Service Charge (\$ Millions)	26.4	26.4	25.6	-3.0%
Storage Charge (\$ Millions)	65.0	65.0	65.0	0.0%
Supply Reliability Charge (\$ Millions)	24.8	28.6	30.2	5.6%
<i>Other Rates and Charges</i>				
Infrastructure Access Charge (\$/ME) ²	2.87	3.01	3.01	0.0%
Standby Availability Charge (\$) ³	10	10	10	0.0%
System Capacity Charge (\$/ME) ²	5,029	5,099	5,267	3.3%
Treatment Capacity Charge (\$/ME) ²	128	141	146	3.3%
Annexation Application Fee (Per Application) (\$) ⁴	3,000	10,340	10,681	3.3%

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

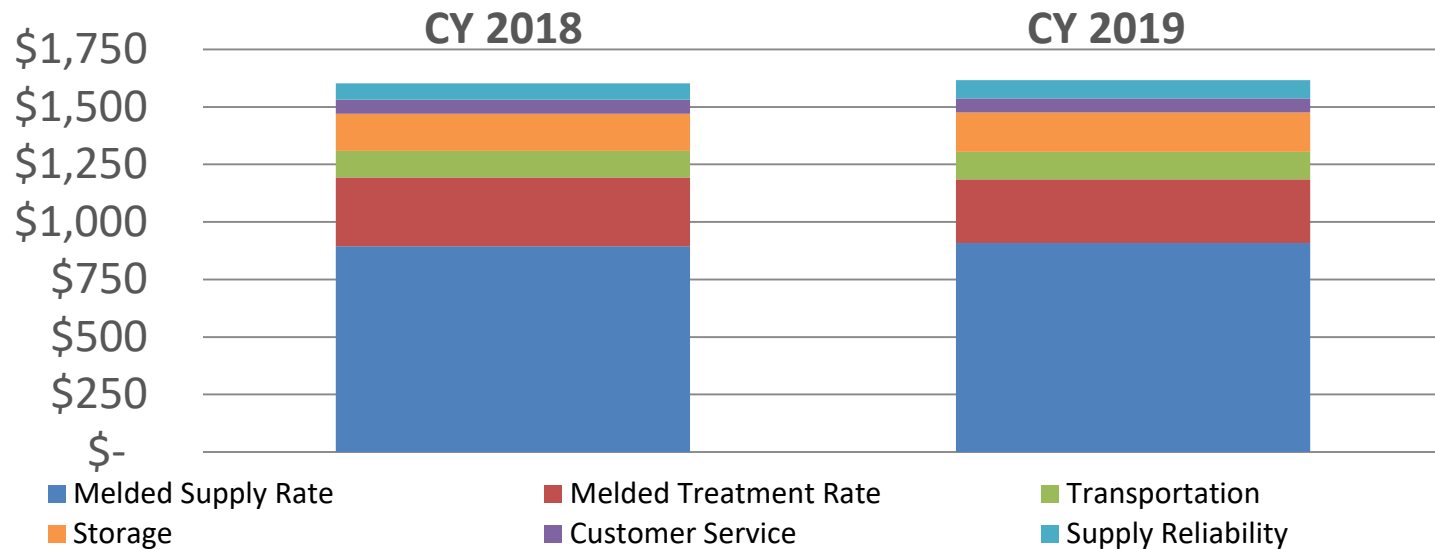
² ME means meter equivalent as defined in the resolution establishing the Infrastructure Access Charge.

³ Per parcel or acre, whichever is greater

⁴ New fee is effective July 1, 2018.



Proposed CY 2019 Total Cost of Water Breakdown



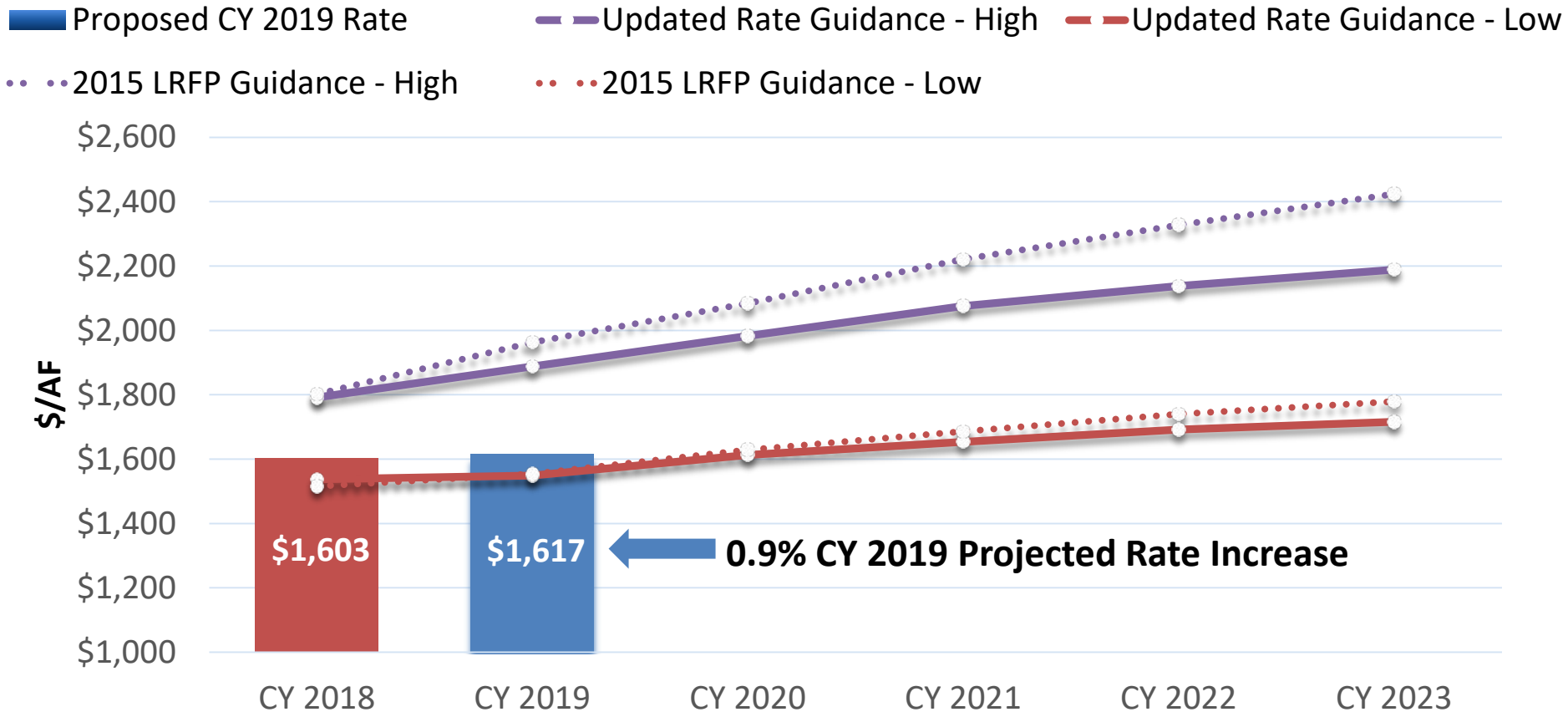
Rates and Charges (\$/AF)	CY 2018 Rates	Proposed CY 2019 Rates	Proposed Adjustment	Percent Change
Merged Supply Rate	\$894	\$909	\$15	1.7%
Merged Treatment Rate	300	276	(24)	-8.0%
Transportation	115	120	5	4.3%
Storage**	162	171	9	5.6%
Customer Service**	61	61	-	0.0%
Supply Reliability**	71	80	9	12.7%
Treated Water Cost	\$1,603	\$1,617	\$14	0.9%
Untreated Water Cost	\$1,303	\$1,341	\$38	2.9%

*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.

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

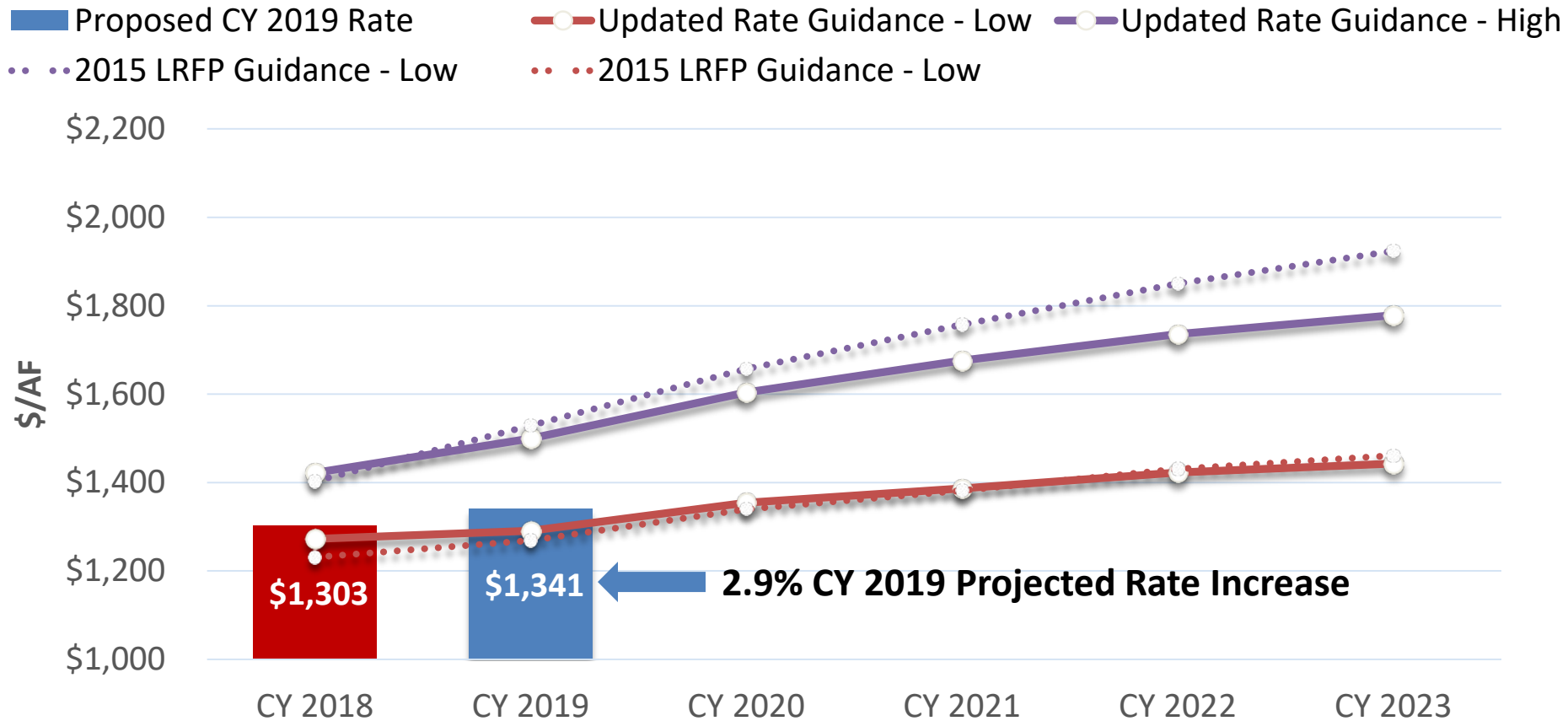


Proposed Treated Water Costs*



*Updated Rate Guidance reflects current MWD Rate Case outcome

Proposed Untreated Water Costs*



*Updated Rate Guidance reflects current MWD Rate Case outcome

MWD vs. QSA Melded Supply (\$/AF)

	CY 2018	CY 2019	CY 2020
All-in MWD Rate			
MWD Untreated Tier 1 Rate	\$ 209	\$ 209	\$ 208
Transportation	486	522	547
Readiness-to-Serve Charge	166	202	272
Capacity Charge	60	63	85
Total	\$ 921	\$ 996	\$ 1,112

QSA Melded Supply Rate			
QSA Supply	\$ 446	\$ 474	\$ 508
MWD Exchange	431	453	482
Total	\$ 877	\$ 927	\$ 990

Difference: *(\$44)* *(\$68)* *(\$121)*



2018 QSA Melded Supply Calculation

	Rate		Supply		Total QSA Supply		Melded QSA Rate
IID Conserved Water	\$ 661	x	130,000	÷	208,700	=	\$ 412
Canal Operation & Maintenance	\$ 14	x	78,700	÷	208,700	=	\$ 5
Canal Debt Service	\$ 76	x	78,700	÷	208,700	=	\$ 29
Total							\$ 446



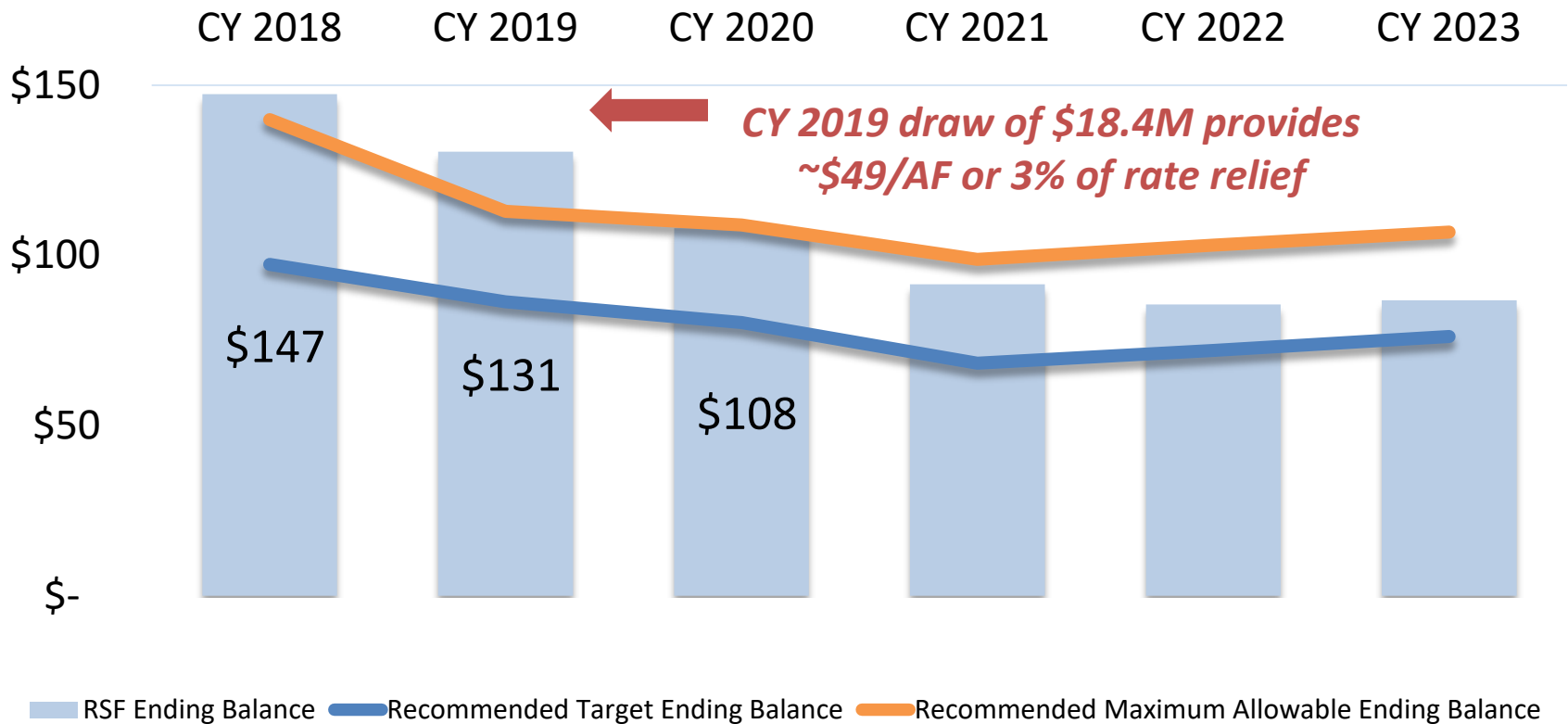
Recommended Policy Change to Rate Stabilization Fund

- ▶ Recommendation is driven by improvements in Water Use Efficiency
- ▶ Methodology being revised to reflect current demands
- ▶ A 47% decline in per capita water use from 1990 to 2017
- ▶ Increasingly efficient water use practices throughout the region
- ▶ As water use efficiency increases, region is less susceptible to significant demand reduction due to wet weather
- ▶ Future wet/dry scenarios will be considered in the development of the 2020 UWMP
- ▶ Existing 25% reduction level cut to 20% for '19 & '20 and 15% thereafter



Forecasted Rate Stabilization Fund w/ Board Approved Policy Change (\$M)

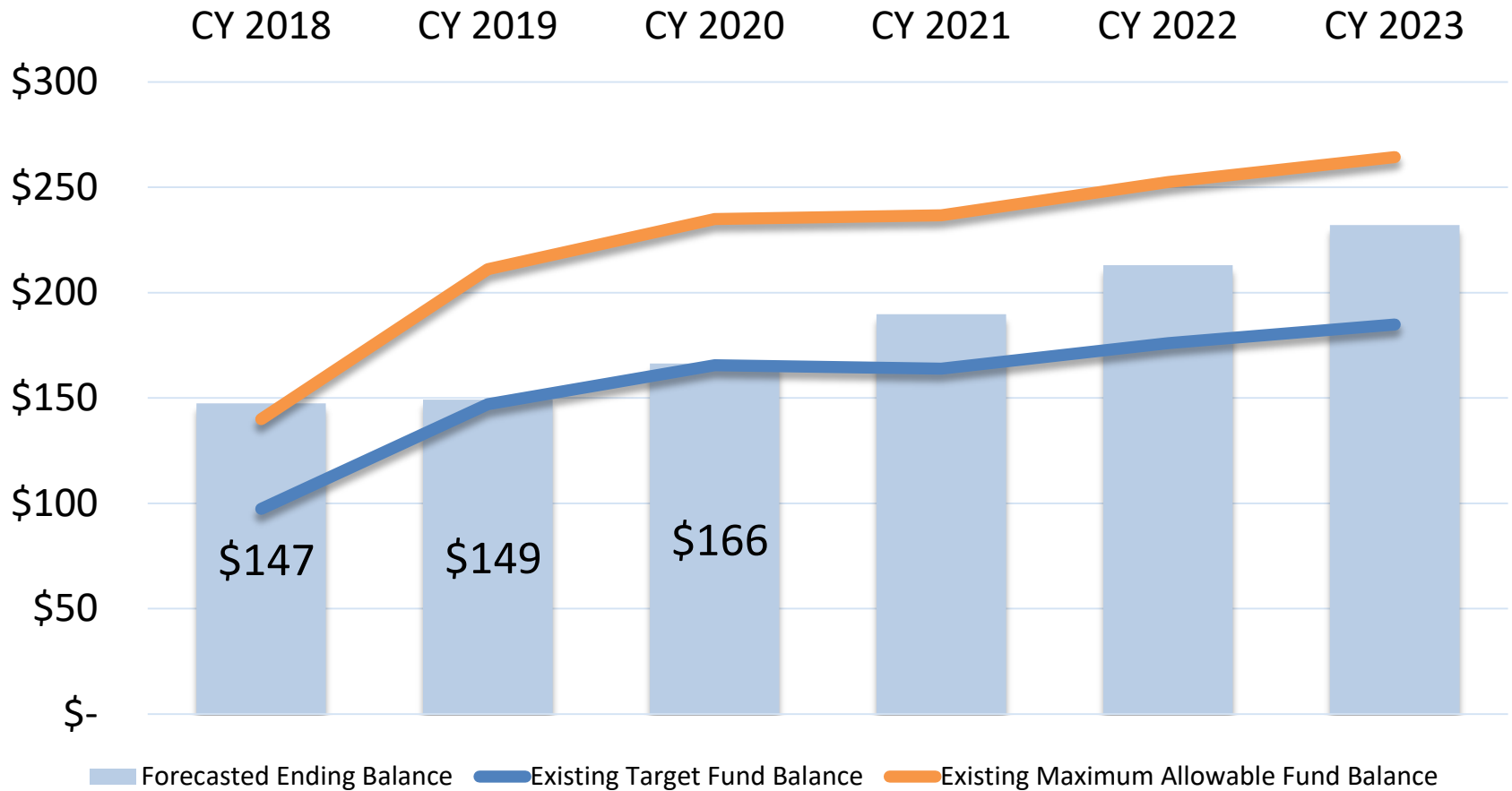
20% in CY 2019 & CY 2020, 15% thereafter
2.5 yrs Target / 3.5 yrs Max



Current Policy

RSF Scenario Fund Balance and Target Impacts

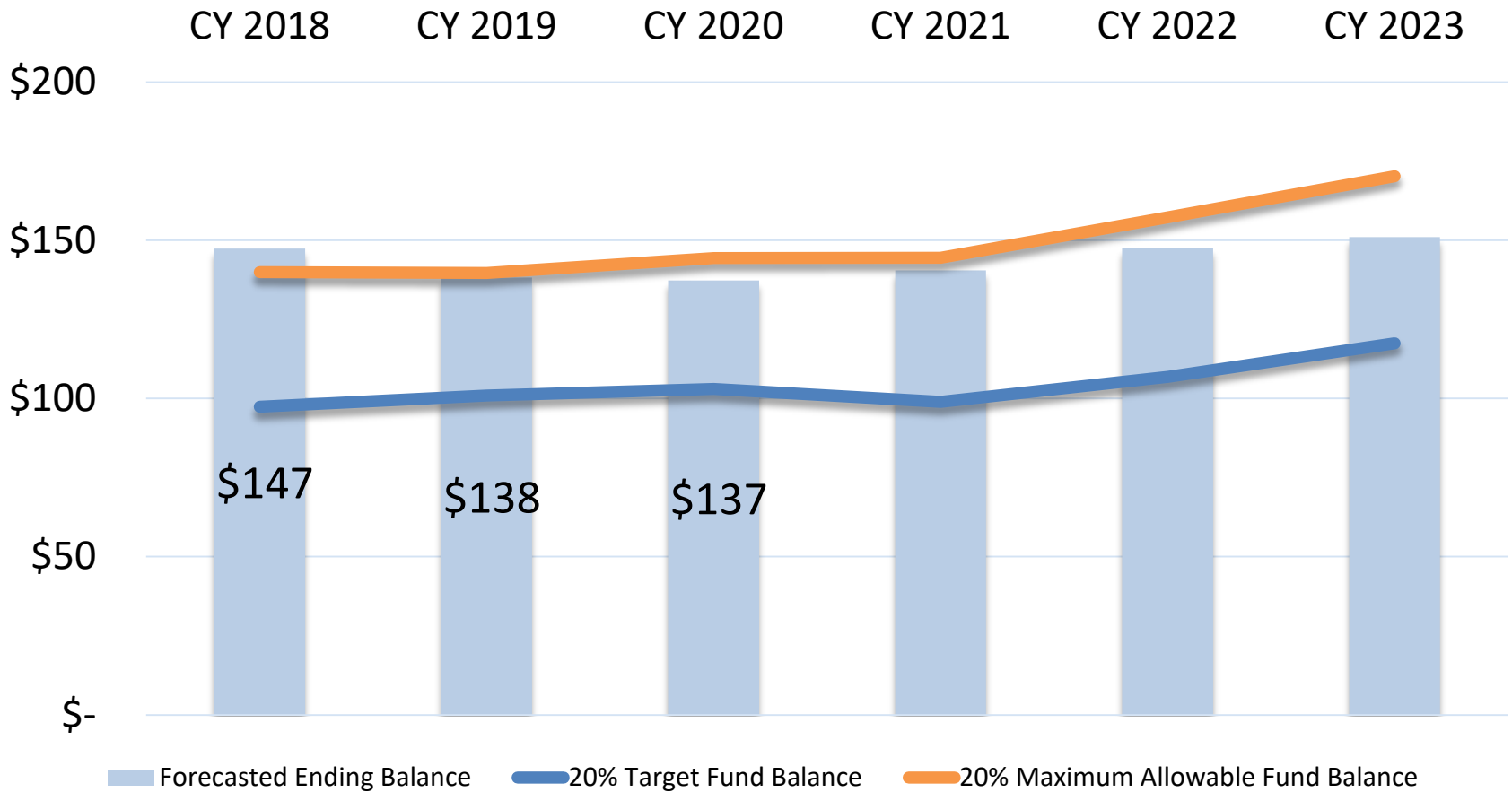
25% in All Years
2.5 yrs Target / 3.5 yrs Max



20% Alternative

RSF Scenario Fund Balance and Target Impacts

20% in All Years
2.5 yrs Target / 3.5 yrs Max



Today's Actions

- ▶ Adopt Ordinance No. 2018-__ 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 Ordinance No. 2018-__ an ordinance of the Board of Directors of the San Diego County Water Authority modifying the Rate Stabilization Fund (RSF) requirements.
- ▶ Adopt Resolution No. 2018-__ a resolution of the Board of Directors of the San Diego County Water Authority continuing the Standby Availability Charge.
- ▶ Adopt Ordinance No. 2018-__ 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.

