

MEMORANDUM

05 June 2013

To: Michael G. Colantuono, Colantuono & Levin, P.C.

From: Grant Hoag, P.E.

Subject: Montecito Water District Projected Rate Structure Update

The objective of this memo is to provide a rate schedule of customer service charges for fiscal years (FY) 2013-14 through FY 2017-18. This memo combines the rate-based revenue requirements of the District's five-year Financial Plan dated 26 January 2013 with the recommended rate structure of the Cost of Service Analysis (COSA) memo dated 5 June 2013, which incorporates the Agricultural SWP Reliability Level of 13%, as recommended in the Water Supply Shortage Allocation (WSSA) memo dated 1 May 2013.

This memo provides a five-year projection of customer unit rates using both the existing and the recommended rate structures. Both structures generate the same level of rate-based revenues for all projected years. As provided in the COSA memo, the recommended rate structure includes adjustments to customer charges to (1) improve the proportionality of the charges with the District's costs of serving each customer class, to (2) enhance the District's revenue stability and conservation awareness with minor adjustments to the meter charges and the residential tiered rates, and to (3) implement recommended policy updates regarding the level of water service reliability to the Agricultural customers during declared water shortages.

This memo is organized into three tables. The first provides the projected rates using the existing rate structure. The second tabulates the projected rates using the recommended rate structure. The final table lists the difference in typical customer bills for current 2013 and the updated 2014 bills under both the existing and recommended rate structures.

Recommended Rate-based Revenue Increases

The District's five-year Financial Plan was approved by the District Board on 25 February 2013; the annual rate-based revenue increases of Alternative 2 were selected as the preferred schedule. These approved increases to total rate-based revenues are 16.3% in FY 2013-14 (effective in July 2013), followed by 7.4% increases in each of the next four fiscal years FY 2014-15 through FY 2017-18.

Existing Rate Structure Projection of Unit Rates

Resolution No. 2047 established water rates and service charges that went into effect October 1, 2008. Table 1 lists the current and projected unit rates under the existing structure. This existing schedule is not the recommended billing alternative, but will generate the required revenues identified in the Financial Plan using uniformly increased unit rates.

Table 1
Current and Projected Rates with Existing Structure

Description	Effective through FY 12-13	Forecast						
		FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18		
		Rate increases Recommended in Financial Plan						
Service Charge Adjustment (\$/monthly)		16.3%	7.4%	7.4%	7.4%	7.4%		
3/4" meter	\$30.95	\$35.99	\$38.66	\$41.52	\$44.59	\$47.89		
1 - inch	\$51.60	\$60.01	\$64.45	\$69.22	\$74.34	\$79.84		
1 1/2 - inch	\$92.86	\$108.00	\$115.99	\$124.57	\$133.79	\$143.69		
2 - inch	\$165.08	\$191.99	\$206.20	\$221.45	\$237.84	\$255.44		
3 - inch	\$371.43	\$431.97	\$463.94	\$498.27	\$535.14	\$574.74		
4 - inch	\$619.05	\$719.96	\$773.23	\$830.45	\$891.90	\$957.91		
6 - inch	\$1,031.75	\$1,199.93	\$1,288.72	\$1,384.08	\$1,486.51	\$1,596.51		
Commodity Charges (\$/HCF)		Block Shift Points (HCF per mo.)		Rate increases Recommended in Financial Plan				
		Single Family	Multi-Family	16.3%	7.4%	7.4%	7.4%	7.4%
Residential Charges								
Single Family Average Rate	\$4.34			\$4.80	\$5.16	\$5.54	\$5.95	\$6.39
Multi-Family Average Rate	\$4.23			\$4.92	\$5.28	\$5.67	\$6.09	\$6.54
Tier 1 (SFR & MFR)	\$3.90	0-25 HCF	0-9 HCF/DU	\$4.54	\$4.87	\$5.23	\$5.62	\$6.03
Tier 2 (SFR & MFR)	\$4.15	26-60 HCF	10-30 HCF/DU	\$4.83	\$5.18	\$5.57	\$5.98	\$6.42
Tier 3 (SFR & MFR)	\$4.90	61-120 HCF	31+ HCF/DU	\$5.70	\$6.12	\$6.57	\$7.06	\$7.58
Tier 4 (SFR Only)	\$5.90	121+ HCF	na	\$6.86	\$7.37	\$7.91	\$8.50	\$9.13
Commercial Average Rate	\$4.62			\$5.38	\$5.78	\$6.20	\$6.66	\$7.15
Tier 1	\$4.25	3 Yr Avg Month Base Allotment		\$4.94	\$5.31	\$5.70	\$6.12	\$6.58
Tier 2	\$5.90	Over Base Allotment		\$6.86	\$7.37	\$7.91	\$8.50	\$9.13
Institutional Average Rate	\$3.95			\$4.59	\$4.93	\$5.30	\$5.69	\$6.11
Tier 1	\$3.90	3 Yr Avg Month Base Allotment		\$4.54	\$4.87	\$5.23	\$5.62	\$6.03
Tier 2	\$4.25	Over Base Allotment		\$4.94	\$5.31	\$5.70	\$6.12	\$6.58
Agricultural Average Rate	\$1.92			\$2.23	\$2.39	\$2.57	\$2.76	\$2.97
Tier 1	\$1.76	Ag 1 (≤ 870 HCF/Acre/Year)		\$2.05	\$2.20	\$2.36	\$2.54	\$2.72
Tier 2	\$3.90	Ag 2 (>870 HCF/Acre/Year)		\$4.54	\$4.87	\$5.23	\$5.62	\$6.03
Domestic	\$3.90	First 20 Hcf/mo-DU		\$4.54	\$4.87	\$5.23	\$5.62	\$6.03
Non-potable Water Service	\$1.40	Agreement (80% of Ag tier 1)		\$1.63	\$1.75	\$1.88	\$2.02	\$2.17
Capital Cost Recovery Fee	\$12,482			\$14,065	\$14,346	\$14,633	\$14,926	\$15,224
New Connection Charge (3/4" meter)				\$2,235	\$2,280	\$2,325	\$2,372	\$2,419
ENRCCI Escalation (%/yr)	2%			2%	2%	2%	2%	2%

Source: Montecito Water District Schedule of Charges effective 7-1-2011. HCF = Hundred Cubic Feet; These unit rates are based on uniform increases to existing rates only.

Recommended Rate Structure Projection of Unit Rates

Based on the recommended rate structure of the COSA memo, which incorporates the 13% SWP Reliability Level recommended in the WSSA, Table 2 shows the current and projected unit rates that will generate the required Financial Plan revenues.

Table 2
Projected Rates Using the Cost of Service Analysis Recommendations

Description	Effective through FY 12-13	Unimplemented						
		Recommended COS Rates including Rate Restructuring						
		COS Rates	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	
		Rate Increases Recommended in Financial Plan						
Service Charge Adjustment (\$/monthly, with Rate Restructuring)			16.3%	7.4%	7.4%	7.4%	7.4%	
3/4" meter	\$30.95	\$35.07	\$40.79	\$43.80	\$47.05	\$50.53	\$54.27	
1 - inch	\$51.60	\$58.47	\$68.00	\$73.03	\$78.44	\$84.24	\$90.47	
1 1/2 - inch	\$92.86	\$105.22	\$122.37	\$131.43	\$141.15	\$151.60	\$162.82	
2 - inch	\$165.08	\$187.06	\$217.55	\$233.65	\$250.94	\$269.50	\$289.45	
3 - inch	\$371.43	\$420.88	\$489.48	\$525.70	\$564.60	\$606.39	\$651.26	
4 - inch	\$619.05	\$701.46	\$815.80	\$876.17	\$941.01	\$1,010.64	\$1,085.43	
6 - inch	\$1,031.75	\$1,169.10	\$1,359.67	\$1,460.28	\$1,568.35	\$1,684.40	\$1,809.05	
Commodity Charges (\$/HCF, with Rate Restructuring)		Rate Increases Recommended in Financial Plan						
		Inclining Block Tiered Rates		16.3%	7.4%	7.4%	7.4%	7.4%
Residential Charges		Rate Blocks Effective 1 Jul 13						
Single Family Average Rate	\$4.34	Single Family		\$4.26				
Multi-Family Average Rate	\$4.23	Multi-Family		\$3.93				
Tier 1 (SFR & MFR)	\$3.90	0	0	\$3.75	\$4.36	\$4.68	\$5.03	\$5.40
Tier 2 (SFR & MFR)	\$4.15	26	10	\$4.15	\$4.83	\$5.18	\$5.57	\$5.98
Tier 3 (SFR & MFR)	\$4.90	61	31	\$4.90	\$5.70	\$6.12	\$6.57	\$7.06
Tier 4 (SFR Only)	\$5.90	121	na	\$5.90	\$6.86	\$7.37	\$7.91	\$8.50
Commercial Rates		Average		\$4.22				
Tier 1	\$4.25	3 Yr Avg Month Base Allotment		\$4.15	\$4.83	\$5.18	\$5.57	\$5.98
Tier 2	\$5.90	Over Base Allotment		\$4.90	\$5.70	\$6.12	\$6.57	\$7.06
Institutional Rates				\$4.23				
Tier 1	\$3.90	3 Yr Avg Month Base Allotment		\$4.15	\$4.83	\$5.18	\$5.57	\$5.98
Tier 2	\$4.25	Over Base Allotment		\$4.90	\$5.70	\$6.12	\$6.57	\$7.06
Agricultural Rates				\$2.26				
Tier 1	\$1.76	Ag 1 (≤ 870 HCF/Acre/Year)		\$2.09	\$2.43	\$2.61	\$2.80	\$3.00
Tier 2	\$3.90	Ag 2 (>870 HCF/Acre/Year)		\$3.75	\$4.36	\$4.68	\$5.03	\$5.40
Domestic	\$3.90	First 20 Hcf/mo-DU		\$3.75	\$4.36	\$4.68	\$5.03	\$5.40
Non-potable Water Service	\$1.40	Agreement (80% of Ag tier 1)		\$1.67	\$1.94	\$2.08	\$2.24	\$2.40
Capital Cost Recovery Fee	\$12,482				\$14,203	\$14,629	\$15,068	\$15,520
New Connection Charge (3/4" meter)					\$2,257	\$2,324	\$2,394	\$2,466
ENRCCI Escalation (%/yr)	3%				3%	3%	3%	3%

Source: Montecito Water District Schedule of Charges effective 7-1-2011. HCF = Hundred Cubic Feet; Projected unit rates are based on uniform increases to the cost of service-based rates.

Bill Comparison

Based on the existing and recommended rate structures, Table 3 contrasts today's typical customer bills with the updated 2014 bills under the existing and recommended rate structures.

Table 3
Bill Comparison of Existing & Revised Rates

MWD Customer Bill	Existing Rate Structure (\$/mo)		Recommended COSA Rate Structure 2014 (\$/mo)
	Current Rates 2012	Projected Rates 2014	
Single Family on 3/4" Meter			
15 HCF/mo - Low Usage	\$89	\$104	\$100
19 HCF/mo - Typical Usage	\$105	\$122	\$118
33 HCF/mo - Avg Usage	\$162	\$188	\$183
100 HCF/mo - Very High Usage	\$470	\$546	\$542
Commercial (58 HCF/mo on 1")	\$298	\$347	\$340
Institution (195 HCF/mo on 2")	\$926	\$1,076	\$1,133
Agricultural (150 HCF/mo on 2" for 2 acre & farmhouse)	\$429	\$499	\$595

HCF: Hundred Cubic Feet; mo: Month