

ORIGINATING SECTION: Administration

CONTACT: Osborn Solitei

AGENDA DATE: November 16, 2022

SUBJECT: Wholesale Water Rate Study and Proposed Treated Water Rates for Calendar Years 2023, 2024, 2025 and 2026

SUMMARY:

- The proposed action is in support of Zone 7's Mission and Strategic Plan. Specifically,
 - Goal A – Provide customers with a reliable water supply and infrastructure.
 - Goal G – Operate the Agency in a fiscally responsible manner.
 - Strategic Plan Initiative No. 24 – Continue to effectively manage financial resources.
- In carrying out these fiscal responsibilities, Staff has contracted with Raftelis to conduct a Wholesale Water Rate Study to set rates for calendar years (CYs) 2023, 2024, 2025 and 2026 to ensure treated water rates keep pace with the increasing costs to provide safe, reliable water. There is a separate process for determining untreated water rates.
- Treated Water are the primary source of funding for Fund 100 – Water Enterprise Operations and (Fund 100) and Fund 120 - Water Enterprise Renewal & Replacement and System-Wide Improvements (Fund 120).
- The Board shall revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024.
- Staff, in conjunction with Raftelis, developed various financial plan scenarios. These financial plan scenarios were presented to the Board on September 7, September 21, and October 19. On October 19, the Board did not reach consensus on the rates and directed staff to return in November with Scenarios 4 (5% rate revenue adjustment) and 5 (7.5% rate revenue adjustment) plus an additional scenario (5.5% rate revenue adjustment) for proposed adoption. These three scenarios are described in the following Discussion section.
- Based on the information provided in the previous Board meetings, scenarios (4 and 4B) are not anticipated to generate sufficient revenue to repay reserve funds used to fund the Stoneridge Well PFAS project and fund the deferred capital improvement projects over the four-year rate period. Potential funding of some or all of these items will be considered by the Board in future budgets. Additional information about the proposed projects deferrals is included in Attachment B.

DISCUSSION:

Rate Scenarios

- **Scenario 4 – Chain of Lakes PFAS Project – SRF Loan Funding:**

This scenario includes rate revenue adjustments of **5%** for the next four years (Calendar Year 2023 through 2026). This scenario will include funding for:

- ✓ Continued participation in water supply reliability projects (Los Vaqueros Expansion and Delta Conveyance Project).
- ✓ Annual debt service and O&M for the Chain of Lakes Well PFAS Project.
- ✓ \$2.6M in capital funding for the Stoneridge PFAS project plus annual O&M. The remaining capital costs will be funded from project deferrals and reserves and **will not** be replenished through water rates.
- ✓ Fund 100 is below target reserve levels by \$1.2M the end of the four-year rate cycle and Fund 120 is \$0.2M below the minimum reserve level.

- This scenario has been updated since it was first presented in September. It reflects the updated FY 2022-23 beginning unaudited fund balance for Fund 100, updated FY 2022-23 capital funding (adjusted for inflation) and reserve requirement corrections.

- Proposed volume-based rates, fixed charge recovery and total fixed charges by Retailer and Direct Customer under Scenario 4 are shown in the table below.

Scenario 4 - Chain of Lakes PFAS Project – SRF Loan Funding				
Calendar Year	2023	2024	2025	2026
Volume-based Rate (per CCF)	\$2.26	\$2.32	\$2.40	\$2.42
Fixed Charge Recovery	45%	45%	45%	45%
Retailers	\$26,936,006	\$29,088,422	\$30,991,125	\$32,345,922
Direct Customers	\$262,259	\$261,878	\$288,163	\$314,365
Total Fixed Charges	\$27,198,265	\$29,350,300	\$31,279,288	\$32,660,287

- **Scenario 4B: 5.5% Rate Revenue Adjustments**

This scenario includes revenue adjustments of **5.5%** for the next four years (Calendar Year 2023 through 2026). This scenario will include funding for:

- ✓ Continued participation in water supply reliability projects (Los Vaqueros Expansion and Delta Conveyance Project).
- ✓ Annual debt service and O&M for the Chain of Lakes Well PFAS Project.
- ✓ \$2.9M (\$0.725K annually) in capital funding for the Stoneridge PFAS project plus annual O&M. The remaining capital costs will be funded from project deferrals and reserves and **will not** be replenished through water rates.
- ✓ **Achieving** full funding of Fund 100 reserves at target levels by the end of the four-year rate cycle and Fund 120 at the minimum level.

- Proposed volume-based rates, fixed charge recovery and total fixed charges by Retailer and Direct Customer under Scenario 4B are shown in the table below.

Scenario 4B				
Calendar Year	2023	2024	2025	2026
Volume-based Rate (per CCF)	\$2.27	\$2.34	\$2.44	\$2.47
Fixed Charge Recovery	45%	45%	45%	45%
Retailers	\$27,131,280	\$29,438,577	\$31,512,875	\$32,966,450
Direct Customers	\$264,160	\$265,030	\$293,014	\$320,396
Total Fixed Charges	\$27,395,440	\$29,703,607	\$31,805,889	\$33,286,846

- Scenario 5: Stoneridge PFAS Project – Reserve Replenishment.**

This scenario includes revenue adjustments of **7.5%** for the next four years (Calendar Year 2023 through 2026). This scenario will include funding for:

- ✓ Continued participation in water supply reliability projects (Los Vaqueros Expansion and Delta Conveyance Project).
- ✓ Annual debt service and O&M for the Chain of Lakes Well PFAS Project.
- ✓ \$16.3M in capital funding for the Stoneridge PFAS project plus annual O&M.
- ✓ **Achieving** full funding of Fund 100 reserves at target level by the end of the four-year rate cycle and Fund 120 above the minimum level. Note that Fund 120 does not have a maximum reserve level.

- Proposed volume-based rates, fixed charge recovery and total fixed charges by Retailer and Direct Customer under Scenario 5 are shown in the table below.

Scenario 5 – Stoneridge PFAS Project – Reserve Replenishment				
Calendar Year	2023	2024	2025	2026
Volume-based Rate (per CCF)	\$2.34	\$2.46	\$2.61	\$2.66
Fixed Charge Recovery	45%	45%	45%	45%
Retailers	\$27,918,729	\$30,866,258	\$33,664,729	\$35,538,263
Direct Customers	\$271,827	\$277,883	\$313,023	\$345,391
Total Fixed Charges	\$28,190,556	\$31,144,141	\$33,977,752	\$35,883,654

- If adopted, the CY 2023 rates will take effect February 1, 2023. Rates for CY 2024 – 2026 will take effect on January 1 of that year.

The wholesale water rates study process includes the following outreach and meetings:

Retailer Kick Off Meeting	August 11
Postcard mailed to 102,000 residents and businesses	August 12
Retailer Meeting on Financial Plan Scenarios	August 25
Water Supply Evaluation Workshop	August 31
Board Workshop (Rates Discussion)	September 7
Regular Board Meeting (Rates Discussion)	September 21
Regular Board Meeting (Rates Discussion)	October 19
Regular Board Meeting (Rates Adoption)	November 16

The wholesale water rates study analyzes various financial plan scenarios to determine the rate impacts of certain policy decisions, including the following programs and projects already approved the Board. These projects and programs were discussed in the Water Supply Evaluation and PFAS Financial Overview presentation provided to the Board on August 31, 2022.

1. Los Vaqueros Reservoir Expansion Project

The Board has approved several resolutions approving continued participation in the LVE project. The most recent resolution is No. 21-81, approving the Multi-Party Agreement Amendment No. 3 in the amount of \$0.9M. Funding of \$2.1M for future amendments are included in the Adopted Budget and \$0.8M for JPA Administrative expenses during the construction phase are included water rate Scenario 4 – Continued Participation in Water Supply Reliability Projects. The rates do not include debt payments or O&M costs for this project.

2. Delta Conveyance Project

The Board has approved several resolutions approving continued participation in the Delta Conveyance Project. The most recent resolution is No. 22-30, funding continued participation in the environmental planning process in the amount of \$4.75M through CY 2024. Continued participation at the same level is included rate Scenario 4 – Continued Participation in Water Supply Reliability Projects. The rates do not include debt payments or O&M costs for this project.

3. Chain of Lakes Well PFAS Treatment Facility Project

The Board approved Resolution No. 21-84 authorizing staff to pursue a Drinking Water State Revolving Fund (SRF) loan for the project. Estimated debt service of \$1.4M and O&M of \$2M annually is included in water rates Scenario 4 - Chain of Lakes PFAS Treatment Facility Project SRF Loan. More details on the loan are included in Attachment A – Draft Wholesale Water Rate Study.

4. Stoneridge Well PFAS Facility Project

October 19, 2022, the Board approved Resolution No. 22-86 awarding a design-build construction contract for this project. Capital costs of \$16.3M and O&M of \$0.5M annually are included in water rate Scenario – 5 Stoneridge PFAS Project – Reserve Replenishment.

Other Treated Water Rates

As part of the rate setting process the Board also adopts the Recharge Fee, In-Lieu Water Rate and Temporary Treated Rate. These rates are described in the following sections.

Recharge Fee:

The annual rate schedule includes a recharge fee for retailer pumping beyond their respective independent/groundwater pumping quota. The Recharge Fee applies only when Retailers exceed their respective groundwater pumping quota (GPQ). When Retailers pump beyond their GPQ, they are accessing Zone 7’s water supply. The recharge fee includes the- entire cost of Zone 7’s water system (i.e., treated water rate) less the costs of chemicals and power, which are not incurred by Zone 7 in the process of recharging the basin. Historically, this fee has been rarely used and then only for small quantities since Retailers generally do not exceed their independent quota. The fee has been applied once in the past five years. The current rate for CY 2022 is \$1,471 per AF. The proposed rates for CY 2023-2026 under the three scenarios are shown in the table below:

Scenario 4 - Chain of Lakes PFAS Project – SRF Loan Funding				
Calendar Year	2023 Proposed	2024 Proposed	2025 Proposed	2026 Proposed
Recharge Fee per AF	\$1,702	\$1,638	\$1,654	\$1,714

Scenario 4B – 5.5%				
Calendar Year	2023 Proposed	2024 Proposed	2025 Proposed	2026 Proposed
Recharge Fee per AF	\$1,702	\$1,638	\$1,654	\$1,714

Scenario 5 – Stoneridge PFAS Project – Reserve Replenishment				
Calendar Year	2023 Proposed	2024 Proposed	2025 Proposed	2026 Proposed
Recharge Fee per AF	\$1,732	\$1,666	\$1,679	\$1,747

In-Lieu Water Rate:

In the event staff concludes that surplus surface water is available and that it would be cost-effective to offer it to retailers at a reduced rate to achieve groundwater management objectives, in-lieu treated water could be offered. In-lieu water is treated water that the Retailers can purchase from Zone 7 instead of pumping their respective GPQ. This rate was established in 1993 to encourage artificial recharge when surplus surface water is available. The current rate for CY 2022 is \$103 per AF. The rate is based on the projected power and chemical costs at the Del Valle and Patterson Pass Water Treatment plants and is proposed at \$120 per AF for CY 2023-2026.

Temporary Treated:

The need for temporary services stems from the inability of customers to obtain water in the outlying areas of the valley. The use of these services is limited. The proposed Temporary Treated Water rate is equivalent to the treated water volume-based rate plus the weighted fixed charge. The current rate for CY 2022 is \$ 1,725 per AF. The proposed rates for CY 2023-2026 under the three scenarios are shown in the table below:

Scenario 4 - Chain of Lakes PFAS Project – SRF Loan Funding				
Calendar Year	2023 Proposed	2024 Proposed	2025 Proposed	2026 Proposed
Temporary Treated Water per AF	\$1,790	\$1,838	\$1,904	\$1,917

Scenario 4B				
Calendar Year	2023 Proposed	2024 Proposed	2025 Proposed	2026 Proposed
Temporary Treated Water per AF	\$1,799	\$1,856	\$1,934	\$1,956

Scenario 5 – Stoneridge PFAS Project – Reserve Replenishment				
Calendar Year	2023 Proposed	2024 Proposed	2025 Proposed	2026 Proposed
Temporary Treated Water per AF	\$1,851	\$1,947	\$2,065	\$2,108

FUNDING:

Treated Water Sales revenue accrues to Fund 100 – Water Enterprise Operations and, through capital funding transfers, to Fund 120 – Renewal, Replacement and System-Wide Improvements.

RECOMMENDED ACTION:

Adopt one of the attached Resolutions.

ATTACHMENTS:

- Scenario 4 Proforma and Rates
- Scenario 4B Proforma and Rates
- Scenario 5 Proforma and Rates
- Resolutions (3)
- Attachment A - Draft Wholesale Water Rate Study, October 2022
- Attachment B – Deferred Projects Details

Scenario 4: Chain of Lakes PFAS Project – SRF Loan Funding Proforma and Rates

Line	Pro Forma (\$millions)	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenues				
2	Existing Rate Revenues	\$55.3	\$57.0	\$58.4	\$58.8
3	Additional Rate Revenues*	\$1.4	\$4.3	\$7.6	\$11.0
4	Miscellaneous Revenues	\$1.6	\$1.6	\$1.6	\$1.6
5	Subtotal - Revenues	\$58.3	\$62.9	\$67.6	\$71.4
6					
7	Baseline Expenses				
8	O&M Expenses	\$45.0	\$43.8	\$42.1	\$43.9
9	Debt Service	\$3.1	\$3.1	\$3.1	\$3.1
10	Capital Funding ¹	\$15.7	\$16.3	\$17.0	\$17.7
11	Subtotal - Baseline Expenses	\$63.8	\$63.2	\$62.2	\$64.7
12					
13	Additional Expenses				
14	O&M Expenses	\$0.0	\$0.0	\$2.9	\$4.8
15	Debt Service	\$0.0	\$0.5	\$1.4	\$1.4
16	Capital Funding	\$2.6	\$0.0	\$0.0	\$0.0
17	Subtotal - Additional Expenses	\$2.6	\$0.5	\$4.3	\$6.2
18					
19	Add/(Subtract) from Reserves	(\$8.1)	(\$0.8)	\$1.1	\$0.5
20	Fund 100 Ending Balance	\$24.2	\$23.4	\$24.6	\$25.0
21	Fund 100 Target Balance	\$23.3	\$23.7	\$24.7	\$26.2
22	Above/(Below) Target	\$0.9	(\$0.3)	(\$0.2)	(\$1.2)
23					
24	*Rate Revenue Adjustment	5.0%	5.0%	5.0%	5.0%
25					
26	Fund 120				
27	Beginning Balance	\$25.7	\$15.1	\$16.7	\$24.7
28	Capital Funding	\$18.3	\$16.3	\$17.0	\$17.7
29	Bond Proceeds	\$0.0	\$12.0	\$12.0	\$0.0
30	Capital Expenses ²	(\$29.1)	(\$26.9)	(\$21.2)	(\$27.5)
31	Interest	\$0.1	\$0.2	\$0.2	\$0.2
32	Ending Balance	\$15.1	\$16.7	\$24.7	\$15.1
33	Minimum Balance	\$14.9	\$9.2	\$27.5	\$15.3

¹Capital Funding adjusted for inflation (similar to Scenario 5).

²Capital Expenses include the Chain of Lakes PFAS debt financed project.

Rates and Impacts	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Fixed/Volume-Based Charges					
Total Fixed Charges (\$/year)	\$25,716,708	\$27,198,265	\$29,350,300	\$31,279,288	\$32,660,287
Volume-Based Charge (\$/ccf)	\$2.06	\$2.26	\$2.32	\$2.40	\$2.42
Customer Impacts					
Blended Volume Charge (\$/ccf)	\$3.82	\$4.11	\$4.22	\$4.37	\$4.40
Monthly Usage (ccf)	10	10	10	10	10
Blended Monthly Charge	\$38.20	\$41.10	\$42.20	\$43.70	\$44.00
Difference (\$)		\$2.90	\$1.10	\$1.50	\$0.30

Scenario 4B – 5.5%
Proforma and Rates

Line	Pro Forma (\$millions)	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenues				
2	Existing Rate Revenues	\$55.3	\$57.0	\$58.4	\$58.8
3	Additional Rate Revenues*	\$1.5	\$4.8	\$8.4	\$12.1
4	Miscellaneous Revenues	\$1.6	\$1.6	\$1.6	\$1.7
5	Subtotal - Revenues	\$58.4	\$63.4	\$68.4	\$72.6
6					
7	Baseline Expenses				
8	O&M Expenses	\$45.0	\$43.8	\$42.1	\$43.9
9	Debt Service	\$3.1	\$3.1	\$3.1	\$3.1
10	Capital Funding ¹	\$15.7	\$16.3	\$17.0	\$17.7
11	Subtotal - Baseline Expenses	\$63.8	\$63.2	\$62.2	\$64.7
12					
13	Additional Expenses				
14	O&M Expenses	\$0.0	\$0.0	\$2.9	\$4.8
15	Debt Service	\$0.0	\$0.5	\$1.4	\$1.4
16	Capital Funding ²	\$0.7	\$0.7	\$0.7	\$0.7
17	Subtotal - Additional Expenses	\$0.7	\$1.2	\$5.0	\$6.9
18					
19	Add/(Subtract) from Reserves	(\$6.1)	(\$1.0)	\$1.2	\$1.0
20	Fund 100 Ending Balance	\$26.2	\$25.2	\$26.4	\$27.3
21	Fund 100 Target Balance	\$23.3	\$23.8	\$24.8	\$26.3
22	Above/(Below) Target	\$2.9	\$1.4	\$1.6	\$1.0
23					
24	*Rate Revenue Adjustment	5.5%	5.5%	5.5%	5.5%
25					
26	Fund 120				
27	Beginning Balance	\$25.7	\$13.2	\$15.5	\$24.3
28	Capital Funding ³	\$16.4	\$17.1	\$17.7	\$18.4
29	Bond Proceeds	\$0.0	\$12.0	\$12.0	\$0.0
30	Capital Expenses ⁴	(\$29.1)	(\$26.9)	(\$21.2)	(\$27.5)
31	Interest	\$0.1	\$0.1	\$0.2	\$0.2
32	Ending Balance	\$13.2	\$15.5	\$24.3	\$15.4
33	Minimum Balance	\$14.9	\$9.2	\$27.5	\$15.3

¹Capital Funding adjusted for inflation (similar to Scenario 5).

²Additional Capital Funding of \$725K/year bring Fund 120 to target level.

³Includes Additional Capital funding of \$725K/per year.

⁴Capital Expenses include the Chain of Lakes PFAS debt financed project.

Rates and Impacts	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Fixed/Volume-Based Charges					
Total Fixed Charges (\$/year)	\$25,716,708	\$27,395,440	\$29,703,607	\$31,805,889	\$33,286,846
Volume-Based Charge (\$/ccf)	\$2.06	\$2.27	\$2.34	\$2.44	\$2.47
Customer Impacts					
Blended Volume Charge (\$/ccf)	\$3.82	\$4.13	\$4.26	\$4.44	\$4.49
Monthly Usage (ccf)	10	10	10	10	10
Blended Monthly Charge	\$38.20	\$41.30	\$42.60	\$44.40	\$44.90
Difference (\$)		\$3.10	\$1.30	\$1.80	\$0.50

**Scenario 5: Stoneridge PFAS Project – Reserve Replenishment
Proforma and Rates**

Line	Pro Forma (\$millions)	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenues				
2	Existing Rate Revenues	\$55.3	\$57.0	\$58.4	\$58.8
3	Additional Rate Revenues*	\$2.1	\$6.6	\$11.6	\$17.0
4	Miscellaneous Revenues	\$1.6	\$1.6	\$1.6	\$1.7
5	Subtotal - Revenues	\$59.0	\$65.2	\$71.6	\$77.5
6					
7	Baseline Expenses				
8	O&M Expenses	\$45.0	\$43.8	\$42.1	\$43.9
9	Debt Service	\$3.1	\$3.1	\$3.1	\$3.1
10	Capital Funding ¹	\$15.7	\$16.3	\$17.0	\$17.7
11	Subtotal - Baseline Expenses	\$63.8	\$63.2	\$62.2	\$64.7
12					
13	Additional Expenses				
14	O&M Expenses	\$0.0	\$0.0	\$2.9	\$4.8
15	Debt Service	\$0.0	\$0.5	\$1.4	\$1.4
16	Capital Funding	\$2.6	\$3.4	\$3.4	\$3.4
17	Subtotal - Additional Expenses	\$2.6	\$3.9	\$7.7	\$9.6
18					
19	Add/(Subtract) from Reserves	(\$7.4)	(\$1.9)	\$1.7	\$3.2
20	Fund 100 Ending Balance	\$24.9	\$23.0	\$24.7	\$27.8
21	Fund 100 Target Balance	\$23.4	\$23.9	\$25.1	\$26.7
22	Above/(Below) Target	\$1.5	(\$0.9)	(\$0.3)	\$1.1
23					
24	*Rate Revenue Adjustment	7.5%	7.5%	7.5%	7.5%
25					
26	Fund 120				
27	Beginning Balance	\$25.7	\$15.1	\$20.1	\$31.6
28	Capital Funding	\$18.3	\$19.8	\$20.4	\$21.1
29	Bond Proceeds	\$0.0	\$12.0	\$12.0	\$0.0
30	Capital Expenses ²	(\$29.1)	(\$26.9)	(\$21.2)	(\$27.5)
31	Interest	\$0.1	\$0.2	\$0.3	\$0.3
32	Ending Balance	\$15.1	\$20.1	\$31.6	\$25.5
33	Minimum Balance	\$14.9	\$9.2	\$27.5	\$15.3

¹Capital Funding adjusted for inflation.

²Capital Expenses include the Chain of Lakes PFAS debt financed project

Rates and Impacts	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
Fixed/Volume-Based Charges					
Total Fixed Charges (\$/year)	\$25,716,708	\$28,190,556	\$31,144,141	\$33,977,752	\$35,883,654
Volume-Based Charge (\$/ccf)	\$2.06	\$2.34	\$2.46	\$2.61	\$2.66
Customer Impacts					
Blended Volume Charge (\$/ccf)	\$3.82	\$4.25	\$4.47	\$4.75	\$4.84
Monthly Usage (ccf)	10	10	10	10	10
Blended Monthly Charge	\$38.20	\$42.50	\$44.70	\$47.50	\$48.40
Difference (\$)		\$4.30	\$2.20	\$2.80	\$0.90

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

SCENARIO 4 – 5%

**Adoption of the Treated Water Service Rates for
Calendar Years 2023, 2024, 2025, and 2026**

WHEREAS the Agency engaged an independent water rate consultant, Raftelis, to prepare a Treated Water Rates Study to identify the cost of providing wholesale treated water service and to recommend treated water rates for Calendar Years (CY) 2023, 2024, 2025, and 2026.

WHEREAS the study recommends increasing fixed charge revenue recovery from 42.5% in CY 2022 to 45% by CY 2023.

WHEREAS, in FY 2022-23, additional funding of \$2,600,000 for the Stoneridge Well PFAS Facility project is required from the Reserve for Economic Uncertainties (Fund 100 – Water Enterprise Operations).

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District to adopt the following treated water rate schedules for Calendar Years 2023, 2024, 2025, and 2026.

FIRST, a volume-based water delivery charge, per the table below for all metered water delivered to each customer per month per 100 cubic feet (CCF) for CY 2023, CY 2024, CY 2025, and CY 2026.

Calendar Year	2023	2024	2025	2026
Volume-based Rate per CCF	\$2.26	\$2.32	\$2.40	\$2.42

SECOND, increasing fixed charge revenue recovery from 42.5% in CY 2022 to 45% by CY 2023.

Calendar Year	2023	2024	2025	2026
Fixed Revenue Recovery	45%	45%	45%	45%

THIRD, a fixed charge of \$26,936,006 for Retailers and \$262,259 for Direct Customers for CY 2023 per the tables below. Actual Fixed Charge monthly billing will be 1/12 of the annual amount.

Fixed Charge per Retailer	CY 2023
City of Pleasanton	\$9,042,325
Dublin San Ramon Services District	\$8,383,739
California Water Service Company	\$4,736,981
City of Livermore	\$4,772,961
Total Retailer Fixed Charge	\$26,936,006

Fixed Charge per Direct Customer	CY 2023
Lawrence Livermore Lab	\$141,593
L.A.R.P.D.	\$2,132
Veterans Hospital	\$83,742
Wente Brothers	\$22,884
State of California DWR	\$-
East Bay Regional Park District	\$11,908
Total Direct Customer Fixed Charge	\$262,259

FOURTH, fixed charges per the table below for CY 2024, CY 2025, and CY 2026. The Total Fixed Charges for these years shall not be changed without Board approval, however the actual allocation among Retailers and Direct Customers may change based on updated two-year rolling average of proportional use. Actual Fixed Charge monthly billing will be 1/12 of the annual amount.

Calendar Year	2024	2025	2026
Total Retailer Fixed Charges	\$29,088,422	\$30,991,125	\$32,345,922
Total Direct Customer Fixed Charge	\$261,878	\$288,163	\$314,365
Total Fixed Charges	\$29,350,300	\$31,279,288	\$32,660,287

FIFTH, authorize the General Manager to the reallocate the CY 2024, CY 2025 and CY 2026 Fixed Charge per Retailer and Direct Customer based on updated two-year rolling average of proportional use, to be determined at the end of FY 2022-23 for the CY 2024 charges, FY 2023-24 for the CY 2025 charges and FY 2024-25 for the CY 2026 charges.

SIXTH, authorize the following additional capital funding transfer from Fund 100 – Water Enterprise Operations to Fund 120 – Water Enterprise Renewal/Replacement & System-Wide Improvements.

Fiscal Year	2022-23
Amount	\$2,600,000

BE IT FURTHER RESOLVED by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District that the following rate schedule for Recharge, Temporary Treated Water and In-Lieu services be adopted:

FIRST, for Recharge services a recharge fee per the table below for CY 2023, CY 2024, CY 2025, and CY 2026, which is the unit cost of replenishment water to achieve full cost of recovery when it is necessary to replenish the main groundwater basin when water is pumped in excess of a retailers Groundwater Pumping Quota or Independent Quota.

Calendar Year	2023	2024	2025	2026
Recharge Fee per AF	\$1,702	\$1,638	\$1,654	\$1,714

SECOND, the Temporary Treated Water service rate is equivalent to the treated water volume-based charge plus the weighted fixed charge. The rates for CY 2023, CY 2024, CY 2025, and CY 2026 are per the table below:

Calendar Year	2023	2024	2025	2026
Temporary Treated Water per AF	\$1,790	\$1,838	\$1,904	\$1,917

THIRD, for Temporary Treated Water service an initial service establishment charge \$182 per turnout for CY 2023, \$188 for CY 2024, \$193 for CY 2025 and \$199 for CY 2026 for each new direct connection to the Zone system; and a monthly meter service charge of \$21.00 per turnout for CY 2023, CY 2024, CY 2025, and CY 2026; and

FOURTH, for In-Lieu water services, a water rate of \$120 per AF for CY 2023, CY 2024, CY 2025 and CY 2026, and authorize the General Manager to offer to any treated water contractor who takes delivery of treated water from Zone 7 in lieu of pumping groundwater per their Groundwater Pumping Quota should appropriate circumstances be identified; and Zone 7 may offer this rate to its treated water contractors who have a Groundwater Pumping Quota (GPQ) (including well pumping capacity) if sufficient surface water is available and if it is deemed financially and operationally prudent; and, In-Lieu quantities will be limited to each contractor’s GPQ plus any accumulated carry-over.

BE IT FURTHER RESOLVED that said water rate schedules for all treated water service as adopted herein shall be effective on February 1, 2023, and shall end on the next effective date for such water rates as adopted by the Board. Rates for CY 2024 – 2026 will take effect on January 1 of that year.

BE IT FURTHER RESOLVED that the Board shall revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024.

BE IT FURTHER RESOLVED that the General Manager of Zone 7 of the Alameda County Flood Control and Water Conservation District is hereby authorized to continue to enter into, renew, modify, and otherwise administer all Temporary Treated Water service agreements in accordance with said rate schedules adopted herein and as may be modified from time to time.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on November 16, 2022.

By: _____
President, Board of Directors

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

SCENARIO 4B – 5.5%

**Adoption of the Treated Water Service Rates for
Calendar Years 2023, 2024, 2025, and 2026**

WHEREAS the Agency engaged an independent water rate consultant, Raftelis, to prepare a Treated Water Rates Study to identify the cost of providing wholesale treated water service and to recommend treated water rates for Calendar Years (CY) 2023, 2024, 2025, and 2026.

WHEREAS the study recommends increasing fixed charge revenue recovery from 42.5% in CY 2022 to 45% by CY 2023.

WHEREAS, in FY 2022-23, additional funding of \$2,900,000 for the Stoneridge Well PFAS Facility project is required.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District to adopt the following treated water rate schedules for Calendar Years 2023, 2024, 2025, and 2026.

FIRST, a volume-based water delivery charge, per the table below for all metered water delivered to each customer per month per 100 cubic feet (CCF) for CY 2023, CY 2024, CY 2025, and CY 2026.

Calendar Year	2023	2024	2025	2026
Volume-based Rate per CCF	\$2.27	\$2.34	\$2.44	\$2.47

SECOND, increasing fixed charge revenue recovery from 42.5% in CY 2022 to 45% by CY 2023.

Calendar Year	2023	2024	2025	2026
Fixed Revenue Recovery	45%	45%	45%	45%

THIRD, a fixed charge of \$27,131,280 for Retailers and \$264,160 for Direct Customers for CY 2023 per the tables below. Actual Fixed Charge monthly billing will be 1/12 of the annual amount.

Fixed Charge per Retailer	CY 2023
City of Pleasanton	\$9,107,878
Dublin San Ramon Services District	\$8,444,518
California Water Service Company	\$4,771,322
City of Livermore	\$4,807,562
Total Retailer Fixed Charge	\$27,131,280

Fixed Charge per Direct Customer	CY 2023
Lawrence Livermore Lab	\$142,620
L.A.R.P.D.	\$2,147
Veterans Hospital	\$84,349
Wente Brothers	\$23,050
State of California DWR	\$-
East Bay Regional Park District	\$11,994
Total Direct Customer Fixed Charge	\$264,160

FOURTH, fixed charges per the table below for CY 2024, CY 2025, and CY 2026. The Total Fixed Charges for these years shall not be changed without Board approval, however the actual allocation among Retailers and Direct Customers may change based on updated two-year rolling average of proportional use. Actual Fixed Charge monthly billing will be 1/12 of the annual amount.

Calendar Year	2024	2025	2026
Total Retailer Fixed Charges	\$29,438,577	\$31,512,875	\$32,966,450
Total Direct Customer Fixed Charge	\$265,030	\$293,014	\$320,396
Total Fixed Charges	\$29,703,607	\$31,805,889	\$33,286,846

FIFTH, authorize the General Manager to the reallocate the CY 2024, CY 2025 and CY 2026 Fixed Charge per Retailer and Direct Customer based on updated two-year rolling average of proportional use, to be determined at the end of FY 2022-23 for the CY 2024 charges, FY 2023-24 for the CY 2025 charges and FY 2024-25 for the CY 2026 charges.

SIXTH, authorize the following additional capital funding transfer from Fund 100 – Water Enterprise Operations to Fund 120 – Water Enterprise Renewal/Replacement & System-Wide Improvements.

Fiscal Year	2022-23	2023-24	2023-24	2025-26
Amount	\$725,000	\$725,000	\$725,000	\$725,000

BE IT FURTHER RESOLVED by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District that the following rate schedule for Recharge, Temporary Treated Water and In-Lieu services be adopted:

FIRST, for Recharge services a recharge fee per the table below for CY 2023, CY 2024, CY 2025, and CY 2026, which is the unit cost of replenishment water to achieve full cost of recovery when it is necessary to replenish the main groundwater basin when water is pumped in excess of a retailers Groundwater Pumping Quota or Independent Quota.

Calendar Year	2023	2024	2025	2026
Recharge Fee per AF	\$1,702	\$1,638	\$1,654	\$1,714

SECOND, the Temporary Treated Water service rate is equivalent to the treated water volume-based charge plus the weighted fixed charge. The rates for CY 2023, CY 2024, CY 2025, and CY 2026 are per the table below:

Calendar Year	2023	2024	2025	2026
Temporary Treated Water per AF	\$1,799	\$1,856	\$1,934	\$1,956

THIRD, for Temporary Treated Water service an initial service establishment charge \$182 per turnout for CY 2023, \$188 for CY 2024, \$193 for CY 2025 and \$199 for CY 2026 for each new direct connection to the Zone system; and a monthly meter service charge of \$21.00 per turnout for CY 2023, CY 2024, CY 2025, and CY 2026; and

FOURTH, for In-Lieu water services, a water rate of \$120 per AF for CY 2023, CY 2024, CY 2025 and CY 2026, and authorize the General Manager to offer to any treated water contractor who takes delivery of treated water from Zone 7 in lieu of pumping groundwater per their Groundwater Pumping Quota should appropriate circumstances be identified; and Zone 7 may offer this rate to its treated water contractors who have a Groundwater Pumping Quota (GPQ) (including well pumping capacity) if sufficient surface water is available and if it is deemed financially and operationally prudent; and, In-Lieu quantities will be limited to each contractor’s GPQ plus any accumulated carry-over.

BE IT FURTHER RESOLVED that said water rate schedules for all treated water service as adopted herein shall be effective on February 1, 2023, and shall end on the next effective date for such water rates as adopted by the Board. Rates for CY 2024 – 2026 will take effect on January 1 of that year.

BE IT FURTHER RESOLVED that the Board shall revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024.

BE IT FURTHER RESOLVED that the General Manager of Zone 7 of the Alameda County Flood Control and Water Conservation District is hereby authorized to continue to enter into, renew, modify, and otherwise administer all Temporary Treated Water service agreements in

accordance with said rate schedules adopted herein and as may be modified from time to time.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on November 16, 2022.

By: _____
President, Board of Directors

ZONE 7
ALAMEDA COUNTY FLOOD CONTROL AND WATER CONSERVATION DISTRICT

BOARD OF DIRECTORS

RESOLUTION NO.

INTRODUCED BY
SECONDED BY

SCENARIO 5 – 7.5%

**Adoption of the Treated Water Service Rates for
Calendar Years 2023, 2024, 2025, and 2026**

WHEREAS the Agency engaged an independent water rate consultant, Raftelis, to prepare a Treated Water Rates Study to identify the cost of providing wholesale treated water service and to recommend treated water rates for Calendar Years (CY) 2023, 2024, 2025, and 2026.

WHEREAS the study recommends increasing fixed charge revenue recovery from 42.5% in CY 2022 to 45% by CY 2023.

WHEREAS, in FY 2022-23, additional funding of \$2,600,000 for the Stoneridge Well PFAS Facility project is required from the Reserve for Economic Uncertainties (Fund 100 – Water Enterprise Operations). Additional transfers of \$3,425,000 from Fund 100 – Water Enterprise Operations are required in FY 2023-24, 2024-25, 2025-26 and FY 2026-27 to replenish reserves used in Fund 120 – Water Enterprise Renewal/Replacement & System-Wide Improvements to fund the project.

NOW, THEREFORE BE IT RESOLVED by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District to adopt the following treated water rate schedules for Calendar Years 2023, 2024, 2025, and 2026.

FIRST, a volume-based water delivery charge, per the table below for all metered water delivered to each customer per month per 100 cubic feet (CCF) for CY 2023, CY 2024, CY 2025, and CY 2026.

Calendar Year	2023	2024	2025	2026
Volume-based Rate per CCF	\$2.34	\$2.46	\$2.61	\$2.66

SECOND, increasing fixed charge revenue recovery from 42.5% in CY 2022 to 45% by CY 2023.

Calendar Year	2023	2024	2025	2026
Fixed Revenue Recovery	45%	45%	45%	45%

THIRD, a fixed charge of \$27,918,729 for Retailers and \$271,827 for Direct Customers for CY 2023 per the tables below. Actual Fixed Charge monthly billing will be 1/12 of the annual amount.

Fixed Charge per Retailer	CY 2023
City of Pleasanton	\$9,372,222
Dublin San Ramon Services District	\$8,689,609
California Water Service Company	\$4,909,803
City of Livermore	\$4,947,095
Total Retailer Fixed Charge	\$27,918,729

Fixed Charge per Direct Customer	CY 2023
Lawrence Livermore Lab	\$146,759
L.A.R.P.D.	\$2,209
Veterans Hospital	\$86,797
Wente Brothers	\$23,720
State of California DWR	\$-
East Bay Regional Park District	\$12,342
Total Direct Customer Fixed Charge	\$271,827

FOURTH, fixed charges per the table below for CY 2024, CY 2025, and CY 2026. The Total Fixed Charges for these years shall not be changed without Board approval, however the actual allocation among Retailers and Direct Customers may change based on updated two-year rolling average of proportional use. Actual Fixed Charge monthly billing will be 1/12 of the annual amount.

Calendar Year	2024	2025	2026
Total Retailer Fixed Charges	\$30,866,258	\$33,664,729	\$35,538,263
Total Direct Customer Fixed Charge	\$277,883	\$313,023	\$345,391
Total Fixed Charges	\$31,144,141	\$33,977,752	\$35,883,654

FIFTH, authorize the General Manager to the reallocate the CY 2024, CY 2025 and CY 2026 Fixed Charge per Retailer and Direct Customer based on updated two-year rolling average of proportional use, to be determined at the end of FY 2022-23 for the CY 2024 charges, FY 2023-24 for the CY 2025 charges and FY 2024-25 for the CY 2026 charges.

SIXTH, authorize the following additional capital funding transfers from Fund 100 – Water Enterprise Operations to Fund 120 – Water Enterprise Renewal/Replacement & System-Wide Improvements.

Fiscal Year	2022-23	2023-24	2023-24	2025-26	2026-27
Amount	\$2,600,000	\$3,425,000	\$3,425,000	\$3,425,000	\$3,425,000

BE IT FURTHER RESOLVED by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District that the following rate schedule for Recharge, Temporary Treated Water and In-Lieu services be adopted:

FIRST, for Recharge services a recharge fee per the table below for CY 2023, CY 2024, CY 2025, and CY 2026, which is the unit cost of replenishment water to achieve full cost of recovery when it is necessary to replenish the main groundwater basin when water is pumped in excess of a retailers Groundwater Pumping Quota or Independent Quota.

Calendar Year	2023	2024	2025	2026
Recharge Fee per AF	\$1,732	\$1,666	\$1,679	\$1,747

SECOND, the Temporary Treated Water service rate is equivalent to the treated water volume-based charge plus the weighted fixed charge. The rates for CY 2023, CY 2024, CY 2025, and CY 2026 are per the table below:

Calendar Year	2023	2024	2025	2026
Temporary Treated Water per AF	\$1,851	\$1,947	\$2,065	\$2,108

THIRD, for Temporary Treated Water service an initial service establishment charge \$182 per turnout for CY 2023, \$188 for CY 2024, \$193 for CY 2025 and \$199 for CY 2026 for each new direct connection to the Zone system; and a monthly meter service charge of \$21.00 per turnout for CY 2023, CY 2024, CY 2025, and CY 2026; and

FOURTH, for In-Lieu water services, a water rate of \$120 per AF for CY 2023, CY 2024, CY 2025 and CY 2026, and authorize the General Manager to offer to any treated water contractor who takes delivery of treated water from Zone 7 in lieu of pumping groundwater per their Groundwater Pumping Quota should appropriate circumstances be identified; and Zone 7 may offer this rate to its treated water contractors who have a Groundwater Pumping Quota (GPQ) (including well pumping capacity) if sufficient surface water is available and if it is deemed financially and operationally prudent; and, In-Lieu quantities will be limited to each contractor’s GPQ plus any accumulated carry-over.

BE IT FURTHER RESOLVED that said water rate schedules for all treated water service as adopted herein shall be effective on February 1, 2023, and shall end on the next effective date for such water rates as adopted by the Board. Rates for CY 2024 – 2026 will take effect on January 1 of that year.

BE IT FURTHER RESOLVED that the Board shall revisit the rate schedule for calendar years 2025 and 2026, through a public process, with any changed rates adopted by November 2024.

BE IT FURTHER RESOLVED that the General Manager of Zone 7 of the Alameda County Flood Control and Water Conservation District is hereby authorized to continue to enter into, renew, modify, and otherwise administer all Temporary Treated Water service agreements in accordance with said rate schedules adopted herein and as may be modified from time to time.

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSENT:

ABSTAIN:

I certify that the foregoing is a correct copy of a Resolution adopted by the Board of Directors of Zone 7 of the Alameda County Flood Control and Water Conservation District on November 16, 2022.

By: _____
President, Board of Directors

Attachment A

ZONE 7
WATER AGENCY
Wholesale Water Rate Study

Draft Report / October 2022



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1 Executive Summary

Agency Background

The Zone 7 Water Agency (Agency) was established in 1957 to provide untreated water to support agriculture and treated wholesale water to the Livermore-Amador Valley area. In 1961, the Agency contracted for State Water Project (SWP) water deliveries through the South Bay Aqueduct.

The Agency's water resources include imported water from the SWP, local groundwater storage, surface water captured in the Del Valle Reservoir, and offsite groundwater banking in Kern County. The majority of the Agency's water demand is met by imported water from the SWP.

The Agency provides treated water service through its four retail water suppliers (retailers) – the City of Pleasanton, Dublin San Ramon Services District, California Water Service Company, and the City of Livermore – to a population of over 266,000 people. The Agency also provides treated water service to six direct customers – Lawrence Livermore Lab, Livermore Area Recreation and Park District (LARPD), Veterans Hospital, Wentz Brothers Vineyard, the State of California Department of Water Resources (California DWR), and the East Bay Regional Park District.

Study Background

In 2022, the Agency engaged Raffelis to conduct a Treated Water Rate Study, which involved analyzing various financial plan scenarios and developing wholesale treated water rates. The financial plan portion of the study involves fiscal years (FYs) 2023 through 2026. FY 2023 is the year starting July 1, 2022 and ending June 30, 2023.

The major objectives of the study include the following:

- Ensure financial sufficiency of the treated water enterprise to meet operations and maintenance (O&M) costs, fund capital projects, and sustain sufficient reserve balances
- Develop a four-year treated water rate structure for calendar years (CYs) 2023 through 2026
- Design treated water rates that maintain revenue stability, minimize customer impacts to the extent possible, and maintain fairness and equitability of rates

Current Rates

Table 1-1 shows the Agency's current treated water rates, which consist of a fixed charge for each customer (based on a two-year rolling average allocation of historical water usage) and a uniform volume-based charge for all customers based on hundred cubic feet (ccf) of water usage.

Table 1-1: Current Treated Water Rates

Line	Treated Water Rates	Current 2022
1	Annual Fixed Charge	
2	City of Pleasanton	\$7,785,058
3	Dublin San Ramon Services District	\$7,289,631
4	California Water Service Company	\$5,799,857
5	City of Livermore	\$4,356,809
6	Lawrence Livermore Lab	\$405,826
7	L.A.R.P.D.	\$1,102
8	Veterans Hospital	\$62,156
9	Wente Brothers	\$5,278
10	State of California DWR	\$24
11	East Bay Regional Park District	\$10,964
12	Total Fixed Charge	\$25,716,705
13		
14	Volume-Based Charge (\$/ccf)	
15	All Customers	\$2.06

Reserve Policy

The Agency has a current reserve policy for Fund 100 – Water Enterprise Operations (Fund 100) that includes minimum, target, and maximum reserve levels. Fund 100 has three reserves: Operating Reserve, Emergency Reserve, and Reserve for Economic Uncertainties. The Operating Reserve mitigates against cash flow risks and unanticipated O&M expenses. The Emergency Reserve helps protect the Agency from asset failures, emergencies, and catastrophic events. The Reserve for Economic Uncertainties is prudent to maintain a high bond rating and to protect the Agency from the effects of fluctuations in water usage and the cost of imported water to which the Agency is vulnerable, and other unforeseen events such as a natural disaster, water shortage emergency, or other unanticipated adverse situations.

The current reserve policy in effect is as follows:

Operating Reserve (Fund 100)

- Minimum: 60 days of O&M expenses
- Target: 90 days of O&M expenses
- Maximum: 120 days of O&M expenses

Emergency Reserve (Fund 100)

- Minimum: 2 percent of capital assets
- Target: 2.5 percent of capital assets
- Maximum: 3 percent of capital assets

Reserve for Economic Uncertainties (Fund 100)

- Minimum: 10 percent of volume-based water sales revenue
- Target: 15 percent of volume-based water sales revenue
- Maximum: 20 percent of volume-based water sales revenue

Capital Reserve (Fund 120)

- Target: 100 percent of PAYGO CIP for following year

Financial Plan Results

As part of the Treated Water Rate Study, Raftelis worked with Agency staff to analyze various financial plan scenarios to determine the rate impacts of certain policy decisions. Based on direction provided by the Agency’s Board of Directors, the financial plan scenario presented in this report includes additional water reliability project funding for the Los Vaqueros Expansion (LVE) and the Delta Conveyance project. Additionally, the Agency will plan to fund the Chain of Lakes Well PFAS Project using State Revolving Fund (SRF) Loans, with a \$12 million drawdown in FY 2024 and FY 2025 (total of \$24 million). The Agency will also fund through water rates, capital improvement projects in Fund 120 – Renewal, Replacement and System-Wide Improvements (Fund 120) over four years, from FY 2024 to FY 2027 and replenish reserves that are depleted due to funding the \$16.3 million Stoneridge PFAS pay-as-you-go project in FY 2023.

Based on the financial plan scenario described above, the Agency needs the revenue adjustments shown in **Table 1-2** to fund O&M expenses, capital projects, and debt service, and maintain adequate reserve balances in Funds 100 and 120.

Table 1-2: Proposed Revenue Adjustments (Scenario 5)

Line	Year	Month Effective	Rate Revenue Adjustment
1	CY 2023	January	7.5%
2	CY 2024	January	7.5%
3	CY 2025	January	7.5%
4	CY 2026	January	7.5%

Proposed Rates

The proposed rates developed in this study incorporate the updated financial plan results, while maintaining a similar treated water rate structure as the Agency’s current rates. **Table 1-3** shows the current and proposed treated water rates. The annual fixed charge is allocated based on a rolling two-year average of historical water use by customer, and the volume-based charge is a uniform rate charged by ccf of water usage. The annual fixed charge by customer for CY 2024 and beyond will be calculated annually based on an updated rolling two-year average of historical water.

Table 1-3: Proposed Treated Water Rates

Line	Treated Water Rates	Current CY 2022	Proposed CY 2023	Proposed CY 2024	Proposed CY 2025	Proposed CY 2026
1	Annual Fixed Charge					
2	City of Pleasanton	\$7,785,058	\$9,372,222			
3	Dublin San Ramon Services District	\$7,289,631	\$8,689,609			
4	California Water Service Company	\$5,799,857	\$4,909,803			
5	City of Livermore	\$4,356,809	\$4,947,095			
6	Lawrence Livermore Lab	\$405,826	\$146,759			
7	L.A.R.P.D.	\$1,102	\$2,209			
8	Veterans Hospital	\$62,156	\$86,797			
9	Wente Brothers	\$5,278	\$23,720			
10	State of California DWR	\$24	\$0			
11	East Bay Regional Park District	\$10,964	\$12,342			
12	Total Fixed Charge	\$25,716,705	\$28,190,556	\$31,144,141	\$33,977,752	\$35,883,654
13						
14	Volume-Based Charge (\$/ccf)					
15	All Customers	\$2.06	\$2.34	\$2.46	\$2.61	\$2.66

2 Financial Plan

Financial Plan Scenarios

As part of the Treated Water Rate Study, Raftelis worked closely with Agency staff to analyze various financial plan scenarios to determine the rate impacts of certain policy decisions. The Agency evaluated the impacts of six different scenarios, which include:

Scenario 1: Baseline (Status Quo)

- No additional revenue adjustments
- Water supply reliability costs (Los Vaqueros Expansion (LVE) and Delta Conveyance) are based on the approved FY 2022-2024 Budget
- Stoneridge PFAS Project is funded in FY 2023 using \$2.6 million from Fund 100 (capital funding) and approximately \$13.7 million from Fund 120 reserves and deferred projects.
- Reserves fall below target in FY 2023-24

Scenario 2: Meets Reserve Targets

- Incorporates all of Scenario 1
- Meets reserve targets by FY 2026

Scenario 3: Additional Water Supply Reliability Projects

- Incorporates all of Scenario 2
- Funds continued participation in LVE and Delta Conveyance at \$2.8 million per year starting in FY 2025. Does not include debt payments or O&M for these projects.

Scenario 4: Chain of Lakes PFAS Project – SRF Loan Funding

- Incorporates Scenario 3
- \$25.8 million total project cost - \$24 million in SRF loan funding in FY 2024 and FY 2025
- \$1.4 million annual debt service and \$2 million O&M for the project

Scenario 5: Stoneridge PFAS Project – Reserve Replenishment

- Incorporates Scenario 4
- Replenishing reserves used in Fund 120 to fund deferred projects

Scenario 6: Continued Water Conservation

- Incorporates Scenario 5
- Reduced water sales assumptions to 33,000 acre-feet (AF) per year

Based on direction provided the Board of Directors, the resulting treated water rates shown in this report reflect financial plan Scenario 5.

Key Assumptions

Table 2-1 shows the revenue and expense escalation factors and proposed debt terms used in the study. These assumptions were developed based on industry trends, the Consumer Price Index (CPI), the Construction Cost Index (CCI), and guidance from Agency staff.

Table 2-1: Key Assumptions

Line	Key Assumptions	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenue Escalation Factors				
2	Miscellaneous Revenues	0%	0%	0%	0%
3	Reserve Interest Rate	1%	1%	1%	1%
4					
5	Expense Escalation Factors				
6	General	5%	5%	4%	4%
7	Salary	3%	3%	4%	4%
8	Benefits	3%	3%	4%	4%
9	Utilities	5%	5%	5%	5%
10	Supplies	3%	3%	4%	4%
11	Capital	5%	4%	3%	3%
12	Energy	5%	5%	5%	5%
13					
14	Proposed Debt Terms				
15	Interest Rate	4%	4%	4%	4%
16	Term (Years)	30	30	30	30
17	Issuance Cost	0%	0%	0%	0%

Current Rates

Table 2-2 shows the Agency’s current treated water rates, which includes a fixed charge by customer (based on a two-year rolling average allocation of historical water usage) and a uniform volume-based charge based on ccf of water usage.

Table 2-2: Current Treated Water Rates

Line	Treated Water Rates	Current 2022
1	Annual Fixed Charge	
2	City of Pleasanton	\$7,785,058
3	Dublin San Ramon Services District	\$7,289,631
4	California Water Service Company	\$5,799,857
5	City of Livermore	\$4,356,809
6	Lawrence Livermore Lab	\$405,826
7	L.A.R.P.D.	\$1,102
8	Veterans Hospital	\$62,156
9	Wente Brothers	\$5,278
10	State of California DWR	\$24
11	East Bay Regional Park District	\$10,964
12	Total Fixed Charge	\$25,716,705
13		
14	Volume-Based Charge (\$/ccf)	
15	All Customers	\$2.06

Projected Water Demand

Table 2-3 shows the projected water demand by customer. The water demand projections were developed based on forecasts provided by each customer and the Agency’s forecast of overall water demand. Projected usage in FY 2023 is lower due to drought, but the Agency expects a modest increase in subsequent years to reflect “new normal” demand.

Table 2-3: Projected Water Demand

Line	Customer	FY 2023	FY 2024	FY 2025	FY 2026
1	City of Pleasanton	4,794,067	5,205,198	5,445,653	5,500,757
2	Dublin San Ramon Services District	4,415,980	4,771,307	5,005,044	5,077,354
3	California Water Service Company	2,488,711	2,443,364	2,541,726	2,574,832
4	City of Livermore	2,515,231	2,637,861	2,723,153	2,731,430
5	Lawrence Livermore Lab	68,859	62,487	74,923	84,942
6	L.A.R.P.D.	1,106	1,206	1,241	1,241
7	Veterans Hospital	43,169	48,247	49,658	49,658
8	Wente Brothers	11,908	12,866	13,242	13,242
9	State of California DWR	0	0	0	0
10	East Bay Regional Park District	6,147	6,835	7,035	7,035
11	Total Usage (ccf)	14,345,179	15,189,372	15,861,677	16,040,491
12	<i>Total Usage (AF)</i>	<i>32,932</i>	<i>34,870</i>	<i>36,413</i>	<i>36,824</i>

Projected Revenues and Expenses

The projected revenues and expenses used in the study are based on the Agency’s adopted FY 2022-2024 Budget and escalated in future years using the factors in **Table 2-1**. This report details financial plan Scenario 5, which includes additional water supply reliability projects, funding the Chain of Lakes Well PFAS Project, and the Stoneridge Well PFAS Project.

Debt Service

Table 2-4 shows the annual debt service payments for the Agency’s existing and proposed debt. The proposed debt issuance includes an SRF Loan of \$24 million to fund the Chain of Lakes Well PFAS Project.

Table 2-4: Existing and Proposed Debt Service

Line	Debt Service	FY 2023	FY 2024	FY 2025	FY 2026
1	Existing Debt				
2	LVWFA 2018 Series A	\$3,123,838	\$3,126,088	\$3,125,838	\$3,123,088
3	Total Existing Debt	\$3,123,838	\$3,126,088	\$3,125,838	\$3,123,088
4					
5	Proposed Debt				
6	Chain of Lakes PFAS Project SRF Loan	\$0	\$480,000	\$1,415,681	\$1,415,681
7	Total Proposed Debt	\$0	\$480,000	\$1,415,681	\$1,415,681
8					
9	Total Debt Service	\$3,123,838	\$3,606,088	\$4,541,518	\$4,538,768

Capital Project Funding

Table 2-5 shows the Agency’s capital project funding plan. The cash funded projects are funded via a mix of the capital funding from Fund 100 and reserves from Fund 120. Debt funded projects include the Chain of Lakes Well PFAS Project, which will be funded by an SRF Loan.

Table 2-5: Capital Project Funding

Line	Capital Project Funding	FY 2023	FY 2024	FY 2025	FY 2026
1	Cash Funded Projects				
2	Buildings & Grounds	\$46,000	\$46,000	\$46,000	\$46,000
3	Groundwater Basin Management	\$200,000	\$200,000	\$0	\$70,000
4	Program Management	\$890,000	\$1,150,000	\$860,000	\$900,000
5	Regulatory Compliance Monitoring	\$160,000	\$165,000	\$170,000	\$180,000
6	Transmission & Distribution	\$4,048,000	\$5,078,000	\$940,000	\$1,730,000
7	Water Treatment Facilities	\$1,300,000	\$3,010,000	\$3,987,520	\$12,669,968
8	Wells	\$22,390,000	\$4,900,000	\$2,800,000	\$9,710,000
9	Water Supply & Conveyance	\$33,000	\$303,000	\$390,000	\$2,180,000
10	Total Cash Funded Projects	\$29,067,000	\$14,852,000	\$9,193,520	\$27,485,968
11					
12	Debt Funded Projects				
13	Chain of Lakes PFAS Project	\$0	\$12,000,000	\$12,000,000	\$0
14	Total Debt Funded Projects	\$0	\$12,000,000	\$12,000,000	\$0
15					
16	Total Capital Projects	\$29,067,000	\$26,852,000	\$21,193,520	\$27,485,968

Reserve Policy

The Agency has a current reserve policy for Fund 100 (Operating Fund) that includes minimum, target, and maximum reserve levels. Fund 100 has three reserves: Operating Reserve, Emergency Reserve, and Reserve for Economic Uncertainties. Fund 120 includes the Capital Reserve and Debt Rate Stabilization Reserve. Per the Reserve Policy, funds on deposit in the Debt Service Rate Stabilization Reserve shall not be considered in connection with the calculation of Fund 120 reserve levels.

Financial Plan Without Rate Revenue Adjustments

Table 2-6 shows the Agency’s financial plan without additional rate revenue adjustments to meet financial targets. Revenues and expenses are based on the Agency’s adopted FY 2022-2024 Budget and escalated in future years based on the factors in **Table 2-1**. Debt service is from **Table 2-4**. Agency staff provided the capital funding amount (Line 14), which includes additional funding of \$3.4 million from FY 2024 to FY 2027 to replenish Fund 120 reserves after funding the Stoneridge Well PFAS Project. Debt coverage (Line 18) is calculated by dividing revenues (Line 6) less expenses (Line 9) by debt service (Lines 10-11). Without revenue adjustments, the Agency will still meet debt coverage in each year. However, Fund 100 will be depleted by FY 2026.

Table 2-6: Financial Plan Without Rate Revenue Adjustments

Line	Financial Plan	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenue				
2	Rate Revenues	\$55,267,776	\$57,006,814	\$58,391,763	\$58,760,119
3	Additional Revenue	\$0	\$0	\$0	\$0
4	Investment Earnings	\$406,909	\$367,218	\$322,643	\$237,403
5	Other Revenue	\$1,202,000	\$1,202,000	\$1,202,000	\$1,202,000
6	Total Revenue	\$56,876,685	\$58,576,032	\$59,916,406	\$60,199,522
7					
8	Expenses				
9	O&M Expenses	\$44,994,000	\$43,754,344	\$44,960,025	\$48,699,768
10	Existing Debt Service	\$3,123,838	\$3,126,088	\$3,125,838	\$3,123,088
11	Proposed Debt Service	\$0	\$0	\$0	\$0
12	Total Expenses	\$48,117,838	\$46,880,432	\$48,085,863	\$51,822,856
13					
14	Total Capital Funding	\$15,704,426	\$16,332,603	\$16,985,907	\$17,665,343
15					
16	Net Cash Flow	(\$6,945,578)	(\$4,637,002)	(\$5,155,364)	(\$9,288,677)
17					
18	Debt Coverage	380%	474%	478%	368%
19	Target Coverage	125%	125%	125%	125%
20					
21	Fund 100 Ending Balance	\$25,393,422	\$20,756,419	\$15,601,055	\$6,312,378
22	Target Balance	\$23,184,078	\$23,368,975	\$24,110,610	\$25,331,691
23					
24	Fund 120¹				
25	Beginning Balance	\$25,717,000	\$12,456,426	\$2,011,368	(\$2,195,164)
26	Capital Revenues and Funding	\$15,706,426	\$16,334,603	\$16,987,907	\$17,667,343
27	Bond Proceeds	\$0	\$0	\$0	\$0
28	Capital Expenses	(\$29,067,000)	(\$26,852,000)	(\$21,193,520)	(\$27,485,968)
29	Interest	\$100,000	\$72,339	(\$919)	(\$71,402)
30	Ending Balance	\$12,456,426	\$2,011,368	(\$2,195,164)	(\$12,085,190)
31	Target Balance	\$14,852,000	\$9,193,520	\$27,485,968	\$15,340,000

¹Does not include the Debt Rate Stabilization Reserve balance of \$6.3M.

Figure 2-1 shows the projected Fund 100 ending balances based on the results in **Table 2-6** and the Agency's existing reserve policy targets. The Agency is expected to fall below its minimum reserves starting in FY 2025. **Figure 2-2** shows the projected Fund 120 ending balances. The Agency is expected to fully deplete its reserves starting in FY 2025 with no additional transfers from Fund 100 to replenish Fund 120.

Figure 2-1: Projected Fund 100 Ending Balances Without Rate Revenue Adjustments

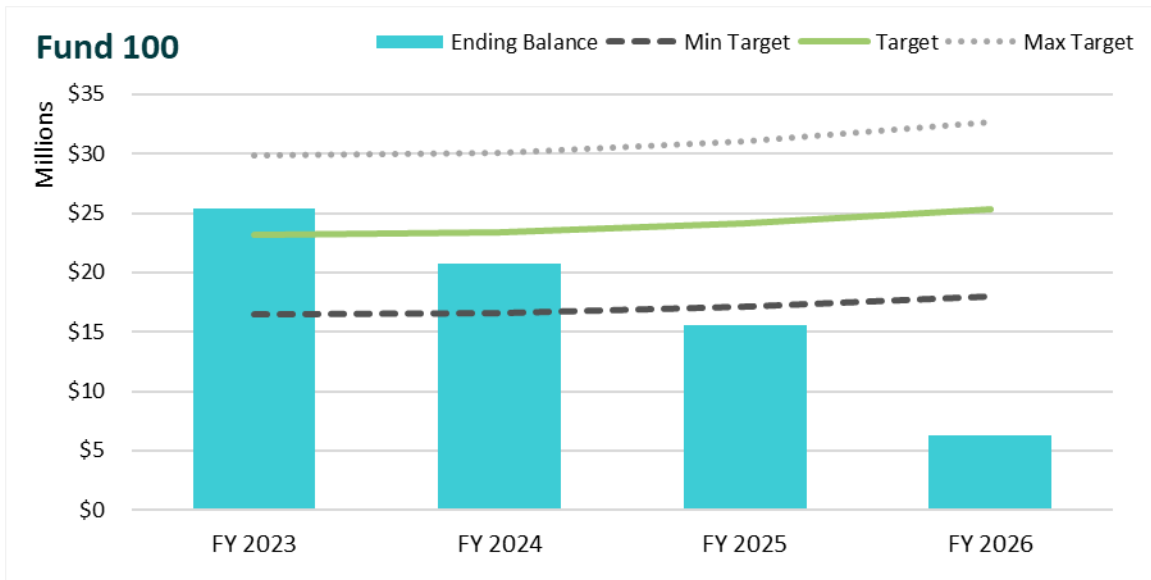
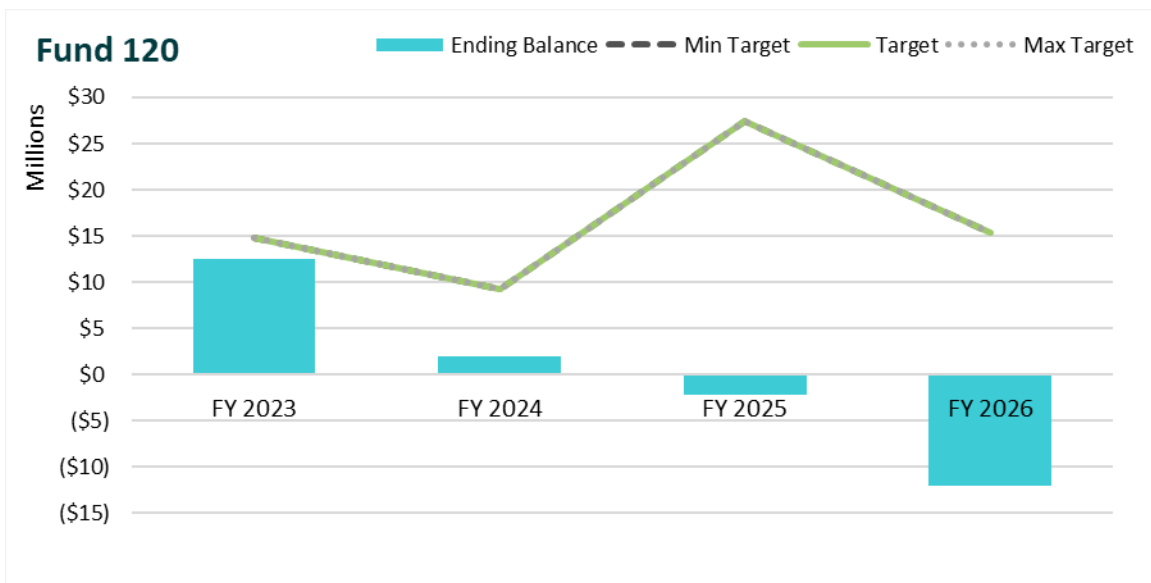


Figure 2-2: Projected Fund 120 Ending Balances Without Rate Revenue Adjustments



Proposed Financial Plan

The Agency requires additional rate revenues to meet its financial targets. **Table 2-7** shows the proposed revenue adjustments to fund O&M expenses, capital projects, debt service, and reserve balances. Each revenue adjustment is effective in January of each year.

Table 2-7: Proposed Rate Revenue Adjustments (Scenario 5)

Line	Year	Month Effective	Revenue Adjustment
1	CY 2023	January	7.5%
2	CY 2024	January	7.5%
3	CY 2025	January	7.5%
4	CY 2026	January	7.5%

Table 2-8 shows the proposed financial plan after applying the revenue adjustments in **Table 2-7**. The Agency will continue to meet its debt coverage requirement (Line 18) and is expected to meet its Fund 100 target balance by the end of FY 2026 (Line 21).

Table 2-8: Proposed Financial Plan

Line	Financial Plan	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenue				
2	Rate Revenues	\$55,267,776	\$57,006,814	\$58,391,763	\$58,760,119
3	Additional Revenue	\$2,072,542	\$6,573,598	\$11,617,680	\$16,974,800
4	Investment Earnings	\$427,635	\$423,087	\$446,841	\$484,184
5	Other Revenue	\$1,202,000	\$1,202,000	\$1,202,000	\$1,202,000
6	Total Revenue	\$58,969,952	\$65,205,499	\$71,658,283	\$77,421,103
7					
8	Expenses				
9	O&M Expenses	\$44,994,000	\$43,754,344	\$44,960,025	\$48,699,768
10	Existing Debt Service	\$3,123,838	\$3,126,088	\$3,125,838	\$3,123,088
11	Proposed Debt Service	\$0	\$480,000	\$1,415,681	\$1,415,681
12	Total Expenses	\$48,117,838	\$47,360,432	\$49,501,544	\$53,238,537
13					
14	Total Capital Funding	\$18,304,426	\$19,757,603	\$20,410,907	\$21,090,343
15					
16	Net Cash Flow	(\$7,452,311)	(\$1,912,535)	\$1,745,832	\$3,092,223
17					
18	Debt Coverage	447%	595%	588%	633%
19	Target Coverage	125%	125%	125%	125%
20					
21	Fund 100 Ending Balance	\$24,886,689	\$22,974,153	\$24,719,985	\$27,812,208
22	Target Balance	\$23,355,063	\$23,911,297	\$25,069,069	\$26,732,112
23					
24	Fund 120¹				
25	Beginning Balance	\$25,717,000	\$15,056,426	\$20,140,011	\$31,618,189
26	Capital Revenues and Funding	\$18,306,426	\$19,759,603	\$20,412,907	\$21,092,343
27	Bond Proceeds	\$0	\$12,000,000	\$12,000,000	\$0
28	Capital Expenses	(\$29,067,000)	(\$26,852,000)	(\$21,193,520)	(\$27,485,968)
29	Interest	\$100,000	\$175,982	\$258,791	\$285,642
30	Ending Balance	\$15,056,426	\$20,140,011	\$31,618,189	\$25,510,207
31	Target Balance	\$14,852,000	\$9,193,520	\$27,485,968	\$15,340,000

¹Does not include the Debt Rate Stabilization Reserve balance of \$6.3M.

Figure 2-3 shows the projected Fund 100 ending balances based on the results in **Table 2-8** and the Agency's existing reserve policy targets. The Agency is expected to meet its Fund 100 targets by the end of FY 2026. **Figure 2-4** shows the projected Fund 120 ending balances; the Agency is expected to meet its reservet targets for all years of the study.

Figure 2-3: Proposed Fund 100 Ending Balances

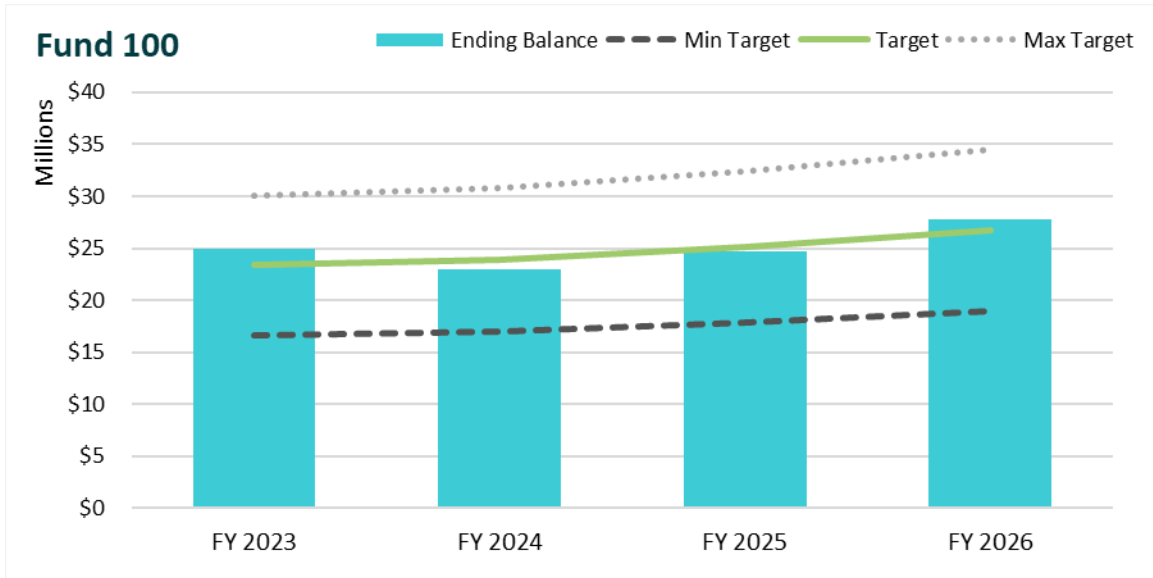
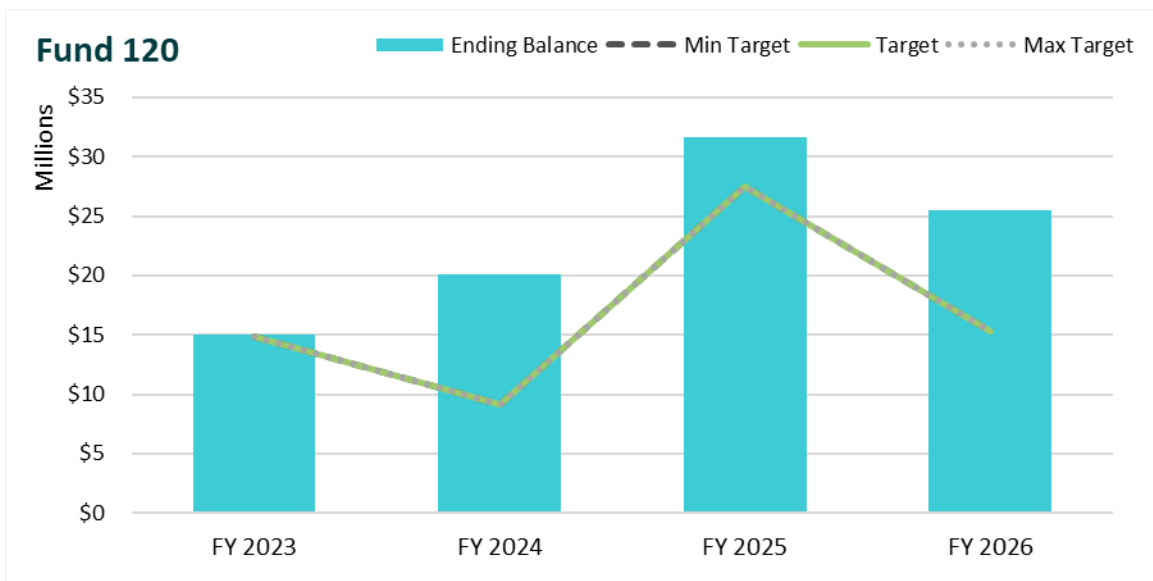


Figure 2-4: Proposed Fund 120 Ending Balances



3 Treated Water Rates

Revenue Requirement

Table 3-1 shows the total CY revenue requirement, which reflects the additional rate revenue adjustments based on the results of the financial plan. The percentage of fixed revenues will increase from 42.5% in CY 2022 to 45% starting in CY 2023.

Table 3-1: Treated Water Revenue Requirement

Line	Revenue Requirement	CY 2023	CY 2024	CY 2025	CY 2026
1	Fixed Charge	45%	45%	45%	45%
2	Volume-Based Charge	55%	55%	55%	55%
3					
4	Total Revenue Requirement	\$62,645,679	\$69,209,202	\$75,506,115	\$79,741,454
5	Fixed Charge	\$28,190,556	\$31,144,141	\$33,977,752	\$35,883,654
6	Volume-Based Charge	\$34,455,124	\$38,065,061	\$41,528,363	\$43,857,800

Units of Service

Table 3-2 show the CY units of service used to calculate the rates. The CY year units of service include the annual usage in ccf by customer and the two-year rolling average based on historical usage by customer, provided by Agency staff.

Table 3-2: Units of Service by Calendar Year

Line	Units of Service	CY 2023	CY 2024	CY 2025	CY 2026
1	Annual Usage (ccf)				
2	City of Pleasanton	4,999,632	5,325,426	5,473,205	5,655,830
3	Dublin San Ramon Services District	4,593,643	4,888,175	5,041,199	5,228,507
4	California Water Service Company	2,466,038	2,492,545	2,558,279	2,650,844
5	City of Livermore	2,576,546	2,680,507	2,727,292	2,805,373
6	Lawrence Livermore Lab	65,673	68,705	79,933	88,209
7	L.A.R.P.D.	1,156	1,224	1,241	1,274
8	Veterans Hospital	45,708	48,953	49,658	50,965
9	Wente Brothers	12,387	13,054	13,242	13,591
10	State of California DWR	0	0	0	0
11	East Bay Regional Park District	6,491	6,935	7,035	7,220
12	Total Annual Usage (ccf)	14,767,276	15,525,525	15,951,084	16,501,813
13					
14	2-Year Rolling Average (ccf)				
15	City of Pleasanton	4,896,962			
16	Dublin San Ramon Services District	4,540,298			
17	California Water Service Company	2,565,359			
18	City of Livermore	2,584,845			
19	Lawrence Livermore Lab	76,681			
20	L.A.R.P.D.	1,154			
21	Veterans Hospital	45,351			
22	Wente Brothers	12,394			
23	State of California DWR	0			
24	East Bay Regional Park District	6,449			
25	Total 2-Year Rolling Average (ccf)	14,729,493			

Proposed Rates

Table 3-3 shows the proposed treated water rate calculation. The proposed treated water rate structure includes a fixed charge and volume-based charge split of 45% to 55%, respectively. The revenue requirement shown in **Table 3-1** is divided by the units of service shown in **Table 3-2**. The annual fixed charge revenue requirement is allocated based on the two-year rolling average of historical water usage by customer. The volume-based charge revenue requirement is divided by the total annual usage for all customers in ccf. The annual fixed charge by customer for CY 2024 and beyond will be calculated annually based on an updated rolling two-year average of historical water.

Table 3-3: Proposed Treated Water Rates

Line	Treated Water Rate Calculation	CY 2023	CY 2024	CY 2025	CY 2026
1	Annual Fixed Charge				
2	City of Pleasanton	\$9,372,222			
3	Dublin San Ramon Services District	\$8,689,609			
4	California Water Service Company	\$4,909,803			
5	City of Livermore	\$4,947,095			
6	Lawrence Livermore Lab	\$146,759			
7	L.A.R.P.D.	\$2,209			
8	Veterans Hospital	\$86,797			
9	Wente Brothers	\$23,720			
10	State of California DWR	\$0			
11	East Bay Regional Park District	\$12,342			
12	Total Annual Fixed Charge	\$28,190,556	\$31,144,141	\$33,977,752	\$35,883,654
13					
14	Volume-Based Charge (\$/ccf)				
15	All Customers	\$2.34	\$2.46	\$2.61	\$2.66

Customer Impacts

Table 3-4 shows the approximated monthly customer impact of the resulting treated water rates for a customer using 10 ccf per month.

Table 3-4: Monthly Customer Impacts

Line	Monthly Customer Impacts	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
1	Monthly Water Use (ccf)	10	10	10	10	10
2	Fixed Charge	\$17.60	\$19.10	\$20.10	\$21.40	\$21.80
3	Volume-Based Charge	\$20.60	\$23.40	\$24.60	\$26.10	\$26.60
4	Total Charge	\$38.20	\$42.50	\$44.70	\$47.50	\$48.40
5	Difference (\$)		\$4.30	\$2.20	\$2.80	\$0.90

Appendix

Appendix A: Scenario 5 - Stoneridge PFAS Project – Reserve Replenishment Proforma and Rates

Line	Pro Forma (\$millions)	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenues				
2	Existing Rate Revenues	\$55.3	\$57.0	\$58.4	\$58.8
3	Additional Rate Revenues*	\$2.1	\$6.6	\$11.6	\$17.0
4	Miscellaneous Revenues	\$1.6	\$1.6	\$1.6	\$1.7
5	Subtotal - Revenues	\$59.0	\$65.2	\$71.6	\$77.5
6					
7	Baseline Expenses				
8	O&M Expenses	\$45.0	\$43.8	\$42.1	\$43.9
9	Debt Service	\$3.1	\$3.1	\$3.1	\$3.1
10	Capital Funding	\$15.7	\$16.3	\$17.0	\$17.7
11	Subtotal - Baseline Expenses	\$63.8	\$63.2	\$62.2	\$64.7
12					
13	Additional Expenses				
14	O&M Expenses	\$0.0	\$0.0	\$2.9	\$4.8
15	Debt Service	\$0.0	\$0.5	\$1.4	\$1.4
16	Capital Funding	\$2.6	\$3.4	\$3.4	\$3.4
17	Subtotal - Additional Expenses	\$2.6	\$3.9	\$7.7	\$9.6
18					
19	Add/(Subtract) from Reserves	(\$7.4)	(\$1.9)	\$1.7	\$3.2
20	Fund 100 Ending Balance	\$24.9	\$23.0	\$24.7	\$27.8
21	Fund 100 Target Balance	\$23.4	\$23.9	\$25.1	\$26.7
22	Above/(Below) Target	\$1.5	(\$0.9)	(\$0.3)	\$1.1
23					
24	*Rate Revenue Adjustment	7.5%	7.5%	7.5%	7.5%
25					
26	Fund 120¹				
27	Beginning Balance	\$25.7	\$15.1	\$20.1	\$31.6
28	Capital Funding	\$18.3	\$19.8	\$20.4	\$21.1
29	Bond Proceeds	\$0.0	\$12.0	\$12.0	\$0.0
30	Capital Expenses	(\$29.1)	(\$26.9)	(\$21.2)	(\$27.5)
31	Interest and Other Revenue	\$0.1	\$0.2	\$0.3	\$0.3
32	Ending Balance	\$15.1	\$20.1	\$31.6	\$25.5
33	Target Balance	\$14.9	\$9.2	\$27.5	\$15.3

¹Does not include the Debt Rate Stabilization Reserve balance of \$6.3M.

Line	Rates and Impacts	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
1	Fixed/Variable Charges					
2	Total Fixed Charges (\$/year)	\$25,716,708	\$28,190,556	\$31,144,141	\$33,977,752	\$35,883,654
3	Volume-Based Charge (\$/ccf)	\$2.06	\$2.34	\$2.46	\$2.61	\$2.66
4						
5	Customer Impacts					
6	Blended Volume Charge (\$/ccf)	\$3.82	\$4.25	\$4.47	\$4.75	\$4.84
7	Monthly Usage (ccf)	10	10	10	10	10
8	Blended Monthly Charge	\$38.20	\$42.50	\$44.70	\$47.50	\$48.40
9	Difference (\$)		\$4.30	\$2.20	\$2.80	\$0.90
10						
11	Demand Projections (ccf/year)	14,691,709	14,767,276	15,525,525	15,951,084	16,501,813

**Appendix B: Scenario 6 – Continued Water Conservation
Proforma and Rates**

Line	Pro Forma (\$millions)	FY 2023	FY 2024	FY 2025	FY 2026
1	Revenues				
2	Existing Rate Revenues	\$55.3	\$55.3	\$55.3	\$55.3
3	Additional Rate Revenues*	\$2.6	\$8.1	\$14.2	\$20.8
4	Miscellaneous Revenues	\$1.6	\$1.6	\$1.6	\$1.7
5	Subtotal - Revenues	\$59.5	\$65.0	\$71.1	\$77.8
6					
7	Baseline Expenses				
8	O&M Expenses	\$45.0	\$43.8	\$42.1	\$43.9
9	Debt Service	\$3.1	\$3.1	\$3.1	\$3.1
10	Capital Funding	\$15.7	\$16.3	\$17.0	\$17.7
11	Subtotal - Baseline Expenses	\$63.8	\$63.2	\$62.2	\$64.7
12					
13	Additional Expenses				
14	O&M Expenses	\$0.0	\$0.0	\$2.9	\$4.8
15	Debt Service	\$0.0	\$0.5	\$1.4	\$1.4
16	Capital Funding	\$2.6	\$3.4	\$3.4	\$3.4
17	Subtotal - Additional Expenses	\$2.6	\$3.9	\$7.7	\$9.6
18					
19	Add/(Subtract) from Reserves	(\$6.9)	(\$2.1)	\$1.2	\$3.5
20	Fund 100 Ending Balance	\$25.5	\$23.5	\$24.7	\$28.2
21	Fund 100 Target Balance	\$23.4	\$23.8	\$24.8	\$26.5
22	Above/(Below) Target	\$2.1	(\$0.3)	(\$0.1)	\$1.6
23					
24	*Rate Revenue Adjustment	9.5%	9.5%	9.5%	9.5%
25					
26	Fund 120¹				
27	Beginning Balance	\$25.7	\$15.1	\$20.1	\$31.6
28	Capital Funding	\$18.3	\$19.8	\$20.4	\$21.1
29	Bond Proceeds	\$0.0	\$12.0	\$12.0	\$0.0
30	Capital Expenses	(\$29.1)	(\$26.9)	(\$21.2)	(\$27.5)
31	Interest and Other Revenue	\$0.1	\$0.2	\$0.3	\$0.3
32	Ending Balance	\$15.1	\$20.1	\$31.6	\$25.5
33	Target Balance	\$14.9	\$9.2	\$27.5	\$15.3

¹Does not include the Debt Rate Stabilization Reserve balance of \$6.3M.

Line	Rates and Impacts	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026
1	Fixed/Variable Charges					
2	Total Fixed Charges (\$/year)	\$25,716,708	\$28,558,269	\$31,271,305	\$34,242,079	\$37,519,575
3	Volume-Based Charge (\$/ccf)	\$2.06	\$2.43	\$2.66	\$2.92	\$2.93
4						
5	Customer Impacts					
6	Blended Volume Charge (\$/ccf)	\$3.81	\$4.42	\$4.84	\$5.31	\$5.33
7	Monthly Usage (ccf)	10	10	10	10	10
8	Blended Monthly Charge	\$38.10	\$44.20	\$48.40	\$53.10	\$53.30
9	Difference (\$)		\$6.10	\$4.20	\$4.70	\$0.20
10						
11	Demand Projections (ccf/year)	14,706,520	14,374,800	14,374,800	14,374,800	15,668,968

Attachment B – Deferred Projects Details and Justifications

In order to provide partial funding for the Stoneridge Well Treatment Facility project, staff recommends deferral of three capital projects totaling \$8.2M and the remainder would be funded from reserves. Staff has reviewed the budget and finds that portions of the DVWTP Coagulant System and Recovery System Pump Station Replacement, PPWTP Post Ozone Project and PPWTP Sludge Handling Rehabilitation Project can be deferred. Project details and justifications are below:

DVWTP Coagulant System and Recovery System Pump Station Replacement.

Deferring the portions of the project identified below makes available approximately \$3.5M in funding for the Stoneridge Well PFAS Treatment Facility Project.

- Replacement of the coagulant tanks and pumps that are more than 30 years old can be deferred based on staff's review of their condition. The remaining useful life is about four years.
- Replacement of the underdrains and pump station for the drying beds can be deferred as well. Staff has reviewed the condition and finds the remaining useful life is about two years.

Impacts of deferral: if the replacement of these systems is deferred beyond the remaining useful life (four years for coagulant system and two years for underdrain pumps and pump station), the systems become less reliable, increasing the chances of failure. Failure of the system may require the plant to be run at reduced capacity or may require plant shutdowns. Failure of the underdrain pump station also increases the chances of spills to the creek.

PPWTP Post Ozone Project. Deferring the portions of the project identified below makes available \$4.0M in funding for the Stoneridge Well PFAS Treatment Facility Project.

- Planned removal of the backwash tank and washwater pipe that are now obsolete can be deferred.
- The seismic retrofit of the 2-million-gallon (MG) clearwell can be deferred; if necessary, PPWTP can operate without the clearwell until it is repaired due to the redundancy provided by recent addition of the 5 MG clearwell.
- The HVAC replacement can be deferred based on its current condition.
- Corrosion repairs to clarifier 2 can be deferred based on a recent corrosion control analysis.

Impacts of deferral: Removal of the backwash tank and washwater pipe can be deferred further without significant consequences.

Seismic retrofit of the 2 MG clearwell should be combined with an anticipated project in the FY 2024-2025 CIP to repair the joints in the 2 MG clearwell. If the seismic retrofit of the roof is deferred further and is not combined with the joint repair project, implementing the project separately will cost more in staff time and consultant and public works construction contracting. It will also be more disruptive to water treatment plant operation. Additionally, if the roof fails during a seismic event, it may require complete replacement instead of repair.

Further deferring the HVAC system replacement increases the chance of failures which will increase repair and maintenance costs.

The corrosion repairs to clarifier #2 may be deferred further without anticipated operational consequences. Maintenance costs will increase until the corrosion repair work is completed.

PPWTP Sludge Handling Rehabilitation Project. Deferring the whole PPWTP Sludge Handling Rehabilitation Project makes available \$0.7M in funding for the Stoneridge Well PFAS Treatment Facility.

- Project consists of the rehabilitation of the six existing sludge drying beds at PPWTP to improve operational reliability. This project can be deferred due to the limited surface water allocation anticipated next year and experience gained operating both DVWTP and PPWTP with ozone treatment and a different primary coagulant, both of which result in less sludge production.

Impacts of deferral: Deferring the project further increases risk of failure of the sludge handling system, which could require running the plant at reduced capacity until the system is repaired.