

City of Corona

*400 S. Vicentia Ave.
Corona, CA 92882*

Study Session Meeting Final Agenda

Wednesday, July 3, 2024

Council Chambers 3:00 PM



**CITY COUNCIL/SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF
CORONA/CORONA PUBLIC FINANCING AUTHORITY/CORONA UTILITY
AUTHORITY/CORONA HOUSING AUTHORITY MEETING**

**Tom Richins, Mayor
Jim Steiner, Vice Mayor
Jacque Casillas, Council Member
Tony Daddario, Council Member
Wes Speake, Council Member**

The Study Session meeting of July 3, 2024, will be conducted in person. Members may attend in person or remotely. To participate remotely, please use the following link:

<https://coronaca-gov.zoom.us/j/85836149773>

PLEDGE OF ALLEGIANCE

CONVENE OPEN SESSION

COMMUNICATIONS FROM THE PUBLIC

AGENDA ITEMS

1. **REPORT - [UTILITY RATE STUDY UPDATE - COST OF SERVICE & RATE DESIGN](#)**

That the City Council provides direction on which sewer/water rate option to proceed with and confirms the proposed rate structures for recycled water and electric rates.

ADJOURNMENT

Agendas for all regular City meetings are posted at least 72 hours prior to the meeting in the entryway at City Hall. The meeting is being conducted in person as well as via teleconference. For members of the public wishing to submit written comments, please email comments to the City Clerk at CityClerk@CoronaCa.gov prior to the respective meeting and your comments will be made part of the official record of proceedings.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the ADA Coordinator at (951) 736-2266. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.



Staff Report

File #: 24-0512

REQUEST FOR CITY COUNCIL ACTION

DATE: 07/03/2024

TO: Honorable Mayor and City Council Members

FROM: Utilities Department

SUBJECT:
UTILITY RATE STUDY UPDATE - COST OF SERVICE & RATE DESIGN

RECOMMENDED ACTION:

That the City Council provides direction on which sewer/water rate option to proceed with and confirms the proposed rate structures for recycled water and electric rates.

ANALYSIS:

The city’s hired utility rate consultant, RDN, will present proposed rate changes for sewer, water, reclaimed water, and electricity to the city council, as shown below. The options provided are proposed, not adopted, nor finalized. Based on the feedback received from the City Council, final rates will be presented at a future City Council meeting.

Sewer Rates

Option 1: Operations and Maintenance and Debt Service (No Capital Investment)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	5.0%	4.0%	3.0%	3.0%	3.0%

	Current Residential	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Fixed	\$45.60	\$43.40	\$45.13	\$46.49	\$47.88	\$49.32
Variable - non- residential only	N/A	\$5.25	\$5.46	\$5.62	\$5.79	\$5.97
Residential Impact (Per Month)		-\$2.20	\$1.73	\$1.36	\$1.39	\$1.44

Option 2: Operations and Maintenance and Debt Service, w/ Capital Investment (Recommended)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	10.0%	10.0%	10.0%	10.0%	10.0%
Proposed Debt Issuance		\$45,000,000			

	Current Residential	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Fixed	\$45.60	\$45.46	\$50.01	\$55.01	\$60.51	\$66.56
Variable - non- residential only	N/A	\$5.50	\$6.05	\$6.66	\$7.32	\$8.05
Residential Impact (Per Month)		-\$0.14	\$4.55	\$5.00	\$5.50	\$6.05

Water Rates

Option 1: Operations and Maintenance and Debt Service (No Capital Investment)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	7.0%	5.0%	4.0%	4.0%	4.0%

Proposed Fixed Rates

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
5/8"	\$27.09	\$31.30	\$32.86	\$34.18	\$35.55	\$36.97
3/4"	\$36.46	\$40.81	\$42.85	\$44.57	\$46.35	\$48.20
1"	\$55.18	\$59.83	\$62.82	\$65.34	\$67.95	\$70.67
1 1/2"	\$101.98	\$107.39	\$112.76	\$117.27	\$121.96	\$126.84
2"	\$158.13	\$164.45	\$172.68	\$179.58	\$186.77	\$194.24
3"	\$335.95	\$345.16	\$362.42	\$376.92	\$391.99	\$407.67
4"	\$598.02	\$611.47	\$642.04	\$667.72	\$694.43	\$722.21
6"	\$1,505.89	\$1,534.03	\$1,610.74	\$1,675.17	\$1,742.17	\$1,811.86
8"	\$2,629.02	\$2,675.35	\$2,809.12	\$2,921.49	\$3,038.34	\$3,159.88
10"	\$3,939.33	\$4,006.89	\$4,207.23	\$4,375.52	\$4,550.54	\$4,732.57
Private Fire						
5/8"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
3/4"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
1"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
1 1/2"	\$8.60	\$13.09	\$13.74	\$14.29	\$14.87	\$15.46
2"	\$9.74	\$14.64	\$15.37	\$15.98	\$16.62	\$17.29
3"	\$10.81	\$17.30	\$18.17	\$18.90	\$19.65	\$20.44
4"	\$16.76	\$26.88	\$28.22	\$29.35	\$30.52	\$31.74
6"	\$32.74	\$43.39	\$45.56	\$47.38	\$49.28	\$51.25
8"	\$60.29	\$68.23	\$71.64	\$74.50	\$77.48	\$80.58
10"	\$101.72	\$102.65	\$107.78	\$112.09	\$116.58	\$121.24

Proposed Variable Rates

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tier 1	1.93	\$1.92	\$2.02	\$2.10	\$2.18	\$2.27
Tier 2	2.77	\$3.25	\$3.41	\$3.54	\$3.69	\$3.83
Tier 3	5.48	\$4.30	\$4.51	\$4.69	\$4.88	\$5.08

Tier 4	9.12	\$5.12	\$5.38	\$5.59	\$5.82	\$6.05
Tier 5	13.59					

Option 2: Operations and Maintenance and Debt Service, w/ Capital Investment (Recommended)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	9.0%	9.0%	9.0%	9.0%	9.0%
Proposed Debt Issuance		\$50,000,000			

Proposed Fixed Rates

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
5/8"	\$27.09	\$31.88	\$34.75	\$37.88	\$41.29	\$45.01
3/4"	\$36.46	\$41.57	\$45.32	\$49.39	\$53.84	\$58.68
1"	\$55.18	\$60.95	\$66.44	\$72.42	\$78.93	\$86.04
1 1/2"	\$101.98	\$109.39	\$119.24	\$129.97	\$141.67	\$154.42
2"	\$158.13	\$167.53	\$182.60	\$199.04	\$216.95	\$236.48
3"	\$335.95	\$351.61	\$383.26	\$417.75	\$455.35	\$496.33
4"	\$598.02	\$622.90	\$678.96	\$740.07	\$806.67	\$879.27
6"	\$1,505.89	\$1,562.71	\$1,703.35	\$1,856.65	\$2,023.75	\$2,205.89
8"	\$2,629.02	\$2,725.36	\$2,970.64	\$3,238.00	\$3,529.42	\$3,847.07
10"	\$3,939.33	\$4,081.79	\$4,449.15	\$4,849.57	\$5,286.03	\$5,761.77
Private Fire						
5/8"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
3/4"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
1"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
1 1/2"	\$8.60	\$13.33	\$14.53	\$15.84	\$17.27	\$18.82
2"	\$9.74	\$14.91	\$16.25	\$17.71	\$19.31	\$21.05
3"	\$10.81	\$17.63	\$19.21	\$20.94	\$22.83	\$24.88
4"	\$16.76	\$27.38	\$29.84	\$32.53	\$35.46	\$38.65
6"	\$32.74	\$44.20	\$48.18	\$52.51	\$57.24	\$62.39
8"	\$60.29	\$69.50	\$75.76	\$82.57	\$90.01	\$98.11
10"	\$101.72	\$104.57	\$113.98	\$124.24	\$135.42	\$147.61

Proposed Variable Rates

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tier 1	\$1.93	\$1.96	\$2.13	\$2.32	\$2.53	\$2.76
Tier 2	\$2.77	\$3.31	\$3.60	\$3.93	\$4.28	\$4.67
Tier 3	\$5.48	\$4.38	\$4.77	\$5.20	\$5.67	\$6.18
Tier 4	\$9.12	\$5.22	\$5.69	\$6.20	\$6.76	\$7.36
Tier 5	\$13.59					

Reclaimed Water Rates

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	4.0%	4.0%	4.0%	4.0%	4.0%
Proposed Interfund Loan	\$8,000,000	\$5,000,000			

Proposed Fixed Rates

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
5/8"	\$23.52	\$26.64	\$27.70	\$28.81	\$29.96	\$31.16
3/4"	\$30.81	\$35.95	\$37.38	\$38.88	\$40.43	\$42.05
1"	\$45.39	\$54.57	\$56.75	\$59.02	\$61.38	\$63.84
1 1/2"	\$81.84	\$101.12	\$105.16	\$109.37	\$113.75	\$118.30
2"	\$125.59	\$156.98	\$163.26	\$169.79	\$176.58	\$183.65
3"	\$264.13	\$333.88	\$347.24	\$361.13	\$375.57	\$390.60
4"	\$468.28	\$594.58	\$618.36	\$643.10	\$668.82	\$695.57
6"	\$1,175.53	\$1,497.70	\$1,557.61	\$1,619.91	\$1,684.71	\$1,752.10
8"	\$2,050.48	\$2,614.96	\$2,719.56	\$2,828.34	\$2,941.48	\$3,059.14
10"	\$3,071.25	\$3,918.44	\$4,075.17	\$4,238.18	\$4,407.71	\$4,584.02

Proposed Variable Rates

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tier 1	\$2.14	\$2.37	\$2.46	\$2.56	\$2.66	\$2.77
Tier 2	\$3.21	\$2.60	\$2.71	\$2.82	\$2.93	\$3.05
Tier 3	\$4.27					
Tier 4	\$6.41					

Electric Rates

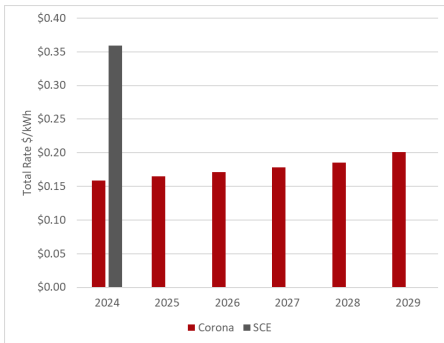
Residential

Rate Adjustment

	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$15.90	Single Family: \$0.88 Multi-Family: \$0.67	Single Family: \$15.90 Multi-Family: \$15.76
Energy, \$/kWh	\$0.1273		
Tier 1 Baseline		\$0.11808	\$0.10100
Tier 2 101-130% Baseline		\$0.13741	\$0.11100
Tier 3 131-200% Baseline		\$0.22696	\$0.21000
Tier 4 over 200% Baseline		\$0.32337	
Public Benefits Charge \$/kWh			\$0.00378

Estimated Bill Impact Per Month

Customer	Current Bill	Proposed Bill	\$ Change
Example Solar Customer with 0 kWh	\$0.88	\$15.90	\$15.02
Average Monthly Summer Bill	\$62.44	\$53.08	-\$9.36
Average Monthly Winter Bill	\$54.48	\$61.23	\$6.75



Small Commercial (GS-1)

Rate Adjustment

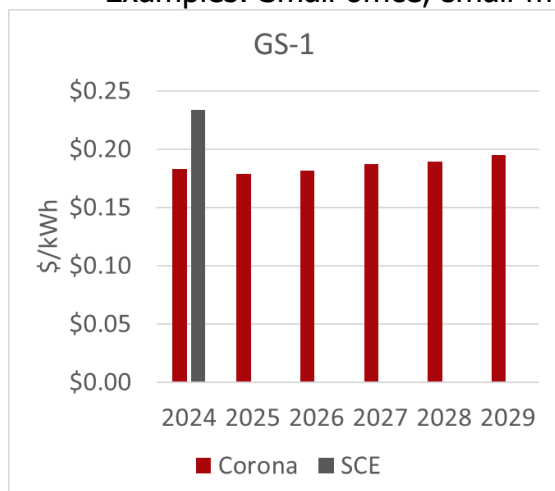
	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$20.97	Single Phase: \$12.99 Three Phase: \$3.16	Single Phase: \$20.97 Three Phase: \$3.16
Demand, \$/kW	\$27.82		
Energy, \$/kWh	\$0.058		
Summer		\$0.17280	\$0.15500
Winter		\$0.16872	\$0.15500
Public Benefits Charge, \$/kWh			\$0.00378
Total Variable Rate			\$0.15878

Estimated Bill Impact

Customer	Current Bill	Proposed Bill	\$ Change
1,100 kWh Summer	\$203.10	\$191.53	-\$11.57
700 kWh Winter	\$131.14	\$129.53	-\$1.60
Dental Office 400 kWh Winter	\$80.51	\$83.03	\$2.52

Construction Retailer 3,280 kWh Summer	\$579.81	\$529.43	-\$50.35
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- Summer June-Sept and Winter Oct-May
 - Examples: Small office, small-medium retail, restaurant



Medium Commercial (GS-2)

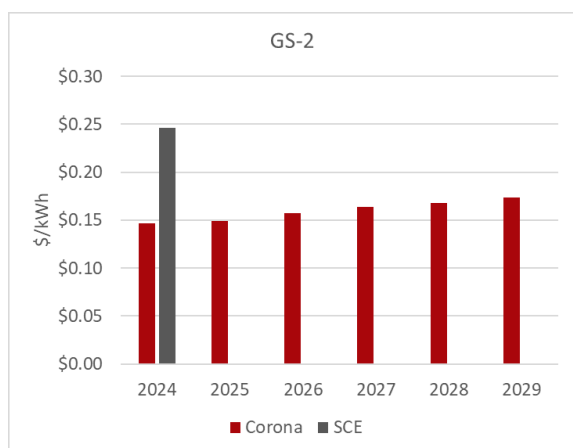
Proposed Rate Adjustment

	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$35.13	\$71.50	\$35.13
Demand, \$/kW			
Power Supply	\$8.27	Summer Peak: \$20.67	Peak: \$8.27
Distribution	\$15.74	Facilities: \$7.35	Facilities: \$15.74
Energy, \$/kWh	\$0.057		
Summer		\$0.09648	\$0.05905
Winter		\$0.08738	\$0.05905
Public Benefits Charge			\$0.00378
Total Variable Rate			\$0.06283

Bill Impacts

	kWh	kW	Current	FY 2025	Difference
Summer					
Medium/Large Retail	10,510	35.3	\$1,930.56	\$1,479.08	-\$451.48
Hotel	58,800	197.6	\$10,800.83	\$8,274.94	-\$2,525.89
Bank	6,700	23.7	\$1,261.46	\$970.36	-\$291.10
Winter					
Medium/Large Retail	7,100	23.9	\$795.75	\$999.19	\$203.43
Hotel	54,000	181.5	\$6,052.19	\$7,599.44	\$1,547.25
Bank	4,800	18.4	\$554.91	\$728.92	\$174.01

- Examples: Old Navy, TGI Fridays, Starbucks, Target



Large Commercial (TOU-GS-3)

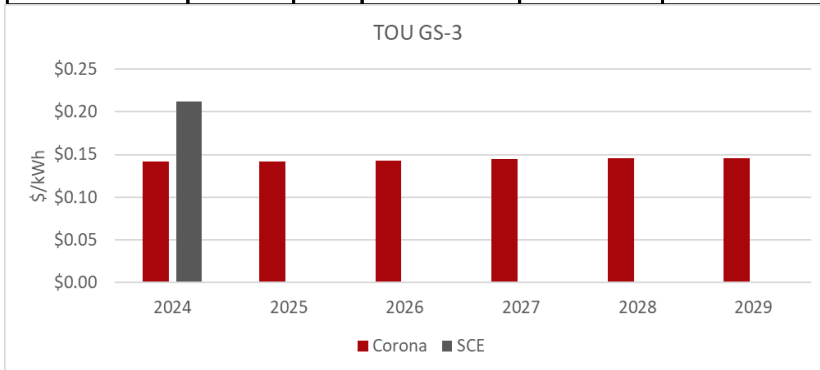
Proposed Rate Adjustment

	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$49.30	\$277.25	\$49.30
Demand, \$/kW			
Power Supply	\$8.29	Summer Peak: \$18.16 Summer Mid-Peak: \$6.23	Peak: \$8.29
Distribution	\$17.51	Facilities: \$7.62	Facilities: \$17.51
Energy, \$/kWh	\$0.057		
Summer On-Peak		\$0.13561	\$0.09620

Summer Mid-Peak		\$0.11027	\$0.07280
Summer Off-Peak		\$0.07706	\$0.05200
Winter Mid-Peak		\$0.11282	\$0.07986
Winter Off-Peak		\$0.08052	\$0.05200
Public Benefits Charge, \$/kWh			\$0.00378

Bill Impacts

Customer A	kWh	kW	Current	FY 2025	Difference
Summer	58,953	181	\$12,126.56	\$9,165.12	-\$2,961.44
Winter	41,967	96	\$4,998.16	\$5,392.00	\$393.84



Industrial (TOU-8)

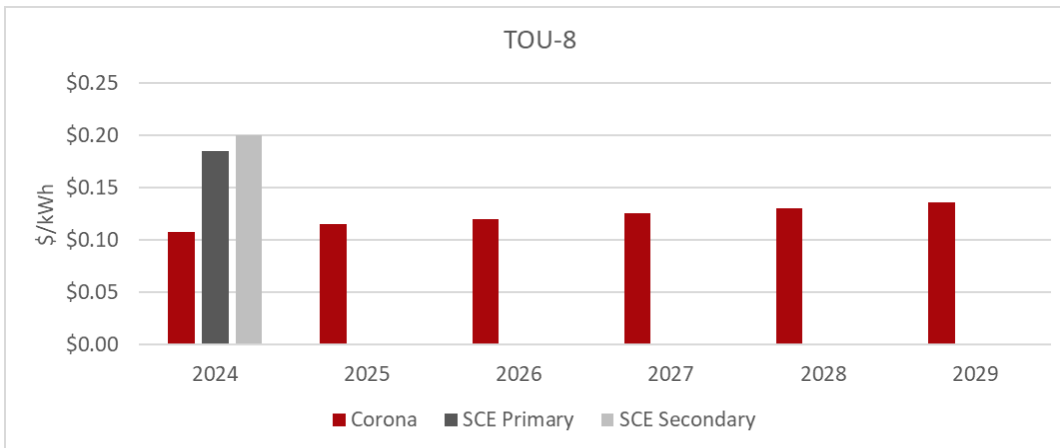
Proposed Rate Adjustment

	COSA Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$76.97	\$346	\$76.97
Demand, \$/kW			

Power Supply	\$8.31	Summer Peak: \$16.91 Summer Mid-Peak: \$5.71	Peak: \$8.31
Distribution	\$15.06	Facilities: \$8.31	Facilities: \$15.06
Energy, \$/kWh	\$0.056		
Summer On-Peak		\$0.12675	\$0.09630
Summer Mid-Peak		\$0.10299	\$0.07319
Summer Off-Peak		\$0.07184	\$0.05200
Winter Mid-Peak		\$0.10538	\$0.07986
Winter Off-Peak		\$0.07509	\$0.05200
Public Benefits Charge, \$/kWh			\$0.00378

Bill Impacts

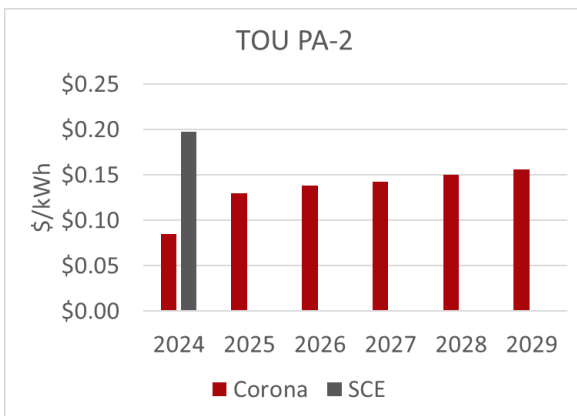
Customer B	kWh	kW	Current	FY 2025	Difference
Summer	101,087	343	\$19,889.12	\$15,154.10	-\$4,735.02
Winter	91,675	225	\$9,986.80	\$11,265.28	\$1,278.48



Pumping and Agriculture

Proposed Rate Adjustment

	COSA Unit Costs	Current Rates	January 2025 Proposed	July 2025 Proposed	January 2026 Proposed
Fixed Charge, \$/month	\$19.14	\$63.25	\$19.14	\$19.14	\$20.86
Demand, \$/kW					
Power Supply	\$12.54	Summer Peak: \$10.85	Peak: \$6.00	Peak: \$12.00	Peak: \$12.98
Distribution	\$19.53	Facilities: \$3.85	Facilities: \$8.00	Facilities: \$10.00	Facilities: \$21.55
Energy, \$/kWh	\$0.057				
Summer On-Peak		\$0.13064	\$0.10361	\$0.10361	\$0.09444
Summer Mid-Peak		\$0.10929	\$0.07874	\$0.07874	\$0.07178
Summer Off-Peak		\$0.05226	\$0.05595	\$0.05595	\$0.05100
Winter Mid-Peak		\$0.12255	\$0.08592	\$0.08592	\$0.07832
Winter Off-Peak		\$0.05226	\$0.05595	\$0.05595	\$0.05100
Public Benefits Charge \$/kWh			\$0.00378	\$0.00378	\$0.00405

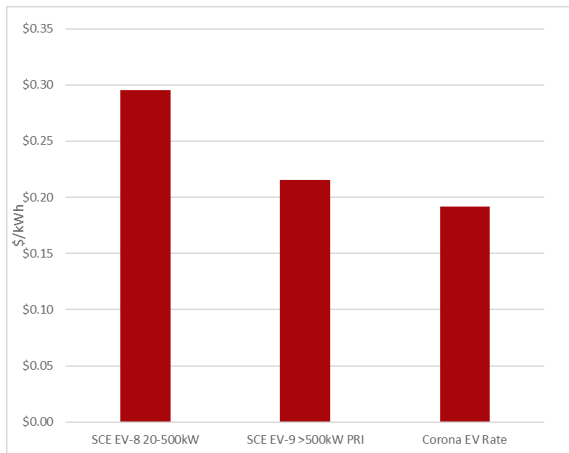


Lighting Areas (AL-2, LS-3, TC-1) Proposed Rate Adjustments

	Current Rates	Proposed FY 2025
Outdoor Area Lighting (AL-2)		
Energy Charge, \$/kWh	\$0.08224	\$0.12056
Customer Charge, \$/month	\$7.00	\$10.26
Street Lighting (LS-3)		
Energy Charge, \$/kWh	\$0.08224	\$0.12056
Customer Charge, \$/month	\$7.00	\$10.26
Series Service, \$/month	\$548.03	\$803.41
Traffic Control (TC-1)		
Energy Charge, \$/kWh	\$0.11407	\$0.16723
Customer Charge, \$/day	\$0.312	\$0.4574
Three Phase, \$/day	\$0.104	\$0.1525
Rate Adjustment		46.6%

Proposed Commercial Electric Vehicle Rate

	Proposed
Fixed Charge, \$/month	\$76.97
Demand, \$/kW	\$15.06
Energy, \$/kWh	
On-Peak 4-9pm	\$0.19710
Off-Peak All Other Hours	\$0.06570
Public Benefits Charge \$/kWh	\$0.00378



Attachments:

1. Exhibit 1: Staff Presentation
2. Exhibit 2: Cost of Service Analysis and Rate Structure Options Presentation



Utilities Rate Study – Follow Up

Katie Hockett

Assistant Director of Utilities

Agenda

- Cost Saving Measures – Estimated Savings
- Income -Eligible Assistance Programs
- “Conservation as a California Way of Life” Regulations
- Rate Structure Options – provide rate structures for Options 1 and 2

Cost Saving Measures

	Savings (Recurring)	Savings (One Time)
Processing mailed payments inhouse	\$12,000	
Installing surgebuster valves – eliminates Cla-Val maintenance	\$60,645	
Optimizing chemical dosage to improve efficiency <ul style="list-style-type: none"> • Sodium hypochlorite • Carbon Dioxide • Polymer 	<ul style="list-style-type: none"> • \$61,000 • \$110,000 • \$5,000 	
Convert Ion Exchange resin to regenerable GAC	\$121,176	
Rehab SDO backwash tank vs. replacing tank		\$2.8 million
Execute long-term power purchase agreements for wind and solar	\$6.5+ million	
Refunded Corona Utility Authority water revenue bond		\$1.7 million
Bid labor compliance for grant funded project		\$129,000
Aggressively negotiate pricing with vendors, ex: Hach pricing	\$67,000	
Installed biosolids truck scale to reduce minimum tonnage charges	\$26,574	
Total	\$6.96 million/year	\$4.63 million

Income -Eligible Assistance Programs

- City of Corona Utilities Lifeline Program – 20% discount on fixed charges for water and sewer for eligible customers
- Low Income Home Energy Assistance Program (LIHEAP)
- United Way 211 www.211.org
- St Edwards Catholic Church will offer assistance when funds are available

“Conservation as a California Way of Life” Regulations

- **AB1668/SB606 – directed DWR/SWRCB to adopt regulations**
- **Indoor Water Standard (SB1157)**
 - 1/1/2025 – 47 gallons per person per day
 - 1/1/2030 – 42 gallons per person per day
- **Outdoor Residential Standard**
 - Through June 30, 2035, landscape efficiency factor of 0.80
 - Continues to decrease after 2035

Policy Objectives

Water /Reclaimed	Sewer	Electric
<ol style="list-style-type: none">1. Infrastructure Resiliency2. Enhancing Customer Understanding3. Maintaining Revenue Stability to Ensure Financial Sufficiency	<ol style="list-style-type: none">1. Maintaining Revenue Stability to Ensure Financial Sufficiency2. Infrastructure Resiliency3. Enhancing Customer Understanding	<ol style="list-style-type: none">1. Fixed costs for Solar Users to be Connected to the Grid2. Infrastructure Resiliency3. Rate that Smooths out the Electrical Demand Curve

Rate Structure Options

- **Water**

- Option 1 – O&M and Debt Service Only (No Capital Investment)
- Option 2 – O&M/Debt Service/Minimal Capital Investment

- **Sewer**

- Option 1 – O&M and Debt Service Only (No Capital Investment)
- Option 2 – O&M/Debt Service/Minimal Capital Investment

- **Reclaimed Water**

- **Greenfield Electric**

Thank you





**Water Resources
Economics**

PROMOTING THE VALUE AND PRICE OF
WATER SERVICE

Utility Rate Study

City of Corona



EES Consulting

a GDS Associates Company

CITY COUNCIL RATE DISCUSSION

JULY 3, 2024

Objective of Today's Workshop

- The Ask
- Schedule
- Rate Study Process
- Policy Objective
- Review Sewer Rates / Impacts
- Review Water Rates / Impacts
- Review Reclaimed Water Rates / Impacts
- Review Electric Rates / Impacts

The Ask

- That Council provide direction on which water/sewer rate option to proceed with; and
- Confirm the proposed rate structures for recycled water and electric rates

Schedule

- ~~Council Workshop 1 (policy objectives) – May 1, 2024~~
- ~~Council Workshop 2 (financial plan presentation) – June 5, 2024~~
- Council Workshop 3 (rate structure options) – July 3, 2024
- Council Workshop 4 (recommendations) – August 7, 2024
- Council Meeting Authorize Notice and Receive Report – October 2, 2024
- Rate Hearing – November 20, 2024
- Second Reading – December 4, 2024
- Rate Implementation – January 1, 2025

Rate Study Steps

There are three steps in conducting a rate study:

- 1) Financial Plan

- Determines how much revenue is needed to cover operating cost, capital improvements and meet reserve targets / coverage ratio requirements

- 2) Cost of Service (COS/COSA)

- Understand the cost of providing water and wastewater service and developing unit cost components.
 - For instance, how much does it cost to issue a bill?

- 3) Rate Calculation

- Based on the unit cost components, develop the actual rates for the next 5 years for City Council consideration.

Policy Objectives

Water	Sewer	Electric
<ol style="list-style-type: none">1. Infrastructure Resiliency2. Enhancing Customer Understanding3. Maintaining Revenue Stability to Ensure Financial Sufficiency	<ol style="list-style-type: none">1. Maintaining Revenue Stability to Ensure Financial Sufficiency2. Infrastructure Resiliency3. Enhancing Customer Understanding	<ol style="list-style-type: none">1. Fixed costs for Solar Users to be Connected to the Grid2. Infrastructure Resiliency3. Rate that Smooths out the Electrical Demand Curve

Prop 218 Background

- **Through a series of court cases, water and wastewater service is considered a property related service and falls under Prop 218**
- **Additional court cases have provided additional burden to water and wastewater agencies**
 - There needs to be nexus between the cost of providing service and rates
 - Proper documentation is required to explain this nexus
- **Each rate needs to be proportional to the level of service**
 - We can not have one customer subsidize another customer even if there is a social-economic rationality
 - One customer class cannot pay more than their fair share of cost of service

Summary of June 5th City Council Meeting

- Present two scenarios for future rate development
 - Option 1 – Funds only operating and debt service
 - Option 2 – Funds operating, debt service and future capital improvement needs (Recommended)

Current Sewer Rates

Monthly Charge (fixed charge only)

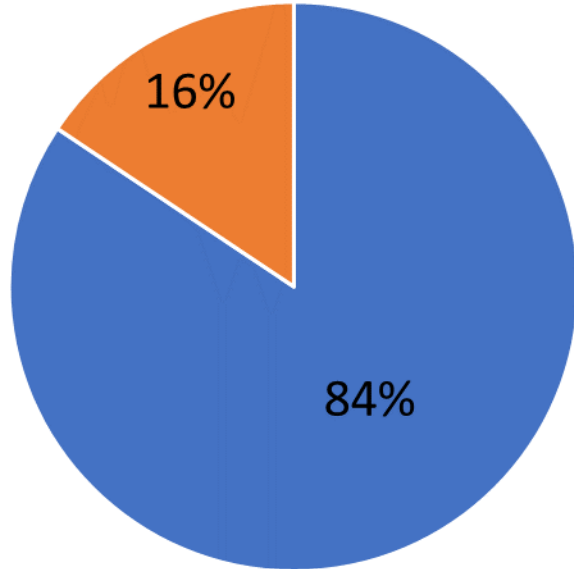
310	Inside Standard Wastewater -Residential -Mobile Home Parks - per space	\$45.60
320	Motels & Hotels (per unit)	\$7.59
320	Motels & Hotels (per living unit)	\$45.60
340	Restaurants, supermarkets, mortuaries and bakeries - meter 1" or smaller	\$163.28
341	Restaurants, supermarkets, mortuaries and bakeries - meter greater than 1"	\$266.34
350	Laundries	\$24.20
360	Inside Commercial 5/8" or City park restroom	\$45.60
361	Inside Commercial 3/4"	\$72.02
362	Inside Commercial 1"	\$103.48
363	Inside Commercial 1 1/2"	\$186.06
364	Inside Commercial 2"	\$291.55
365	Inside Commercial 3"	\$537.41
366	Inside Commercial 4"	\$875.43
367	Inside Commercial 6"	\$1,753.50
368	Inside Commercial 8"	\$2,820.52

Last Sewer Rate Study

- Last study prepared in 2007
 - Revenue adjustment recommendations not implemented
 - 23% in FY 2008
 - 11% in FY 2009
 - Recommended City tie water use to sewer accounts to allow for more equitable billing
 - Recommended City include business type information to sewer accounts

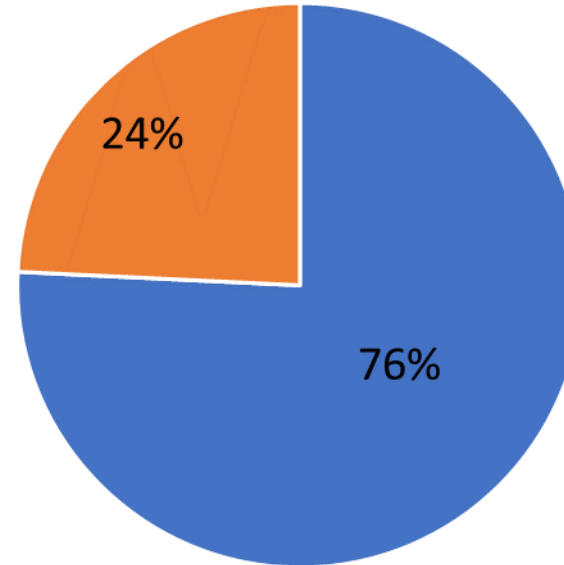
Sewer Flow (by class)

Estimated based on current rates (hcf)



■ Residential ■ Non-Residential

Cost of Service Data (hcf)



■ Residential ■ Non-Residential

	Current (hcf)*	Cost of Service Data (hcf)
Residential	5,342,088	4,796,475
Non-Residential	988,854	1,534,467

*hcf=hundred cubic feet (748 gallons)

Sewer Rate Components

- Fixed charges
 - Customer service
 - Admin
 - 8 hundred cubic feet (hcf) of flow (winter average water use)

- Variable charges
 - Pumping
 - Treatment and Disposal
 - Admin
 - Sewer Facilities

Sewer Rate Refinements

- Fixed charge for all customers
 - ~~Fixed charges based on customer class and meter size~~
 - Fixed charge is the same for all customers
 - Fixed charge includes 8 hundred cubic feet allowance per month
- Variable Charge for all non-residential customers
 - Variable charge for all water use beyond 8 hcf in one month (per hcf)
- Include a variance process for non-residential customers
 - Some customers may not flush all indoor water use
 - Cooling towers
 - Water bottling

Sewer Option 1 O&M and debt service

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	5.0%	4.0%	3.0%	3.0%	3.0%

	Current Residential	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Fixed	\$45.60	\$43.40	\$45.13	\$46.49	\$47.88	\$49.32
Variable – non- residential only	N/A	\$5.25	\$5.46	\$5.62	\$5.79	\$5.97

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential Impact (Per Month)		-\$2.20	\$1.73	\$1.36	\$1.39	\$1.44

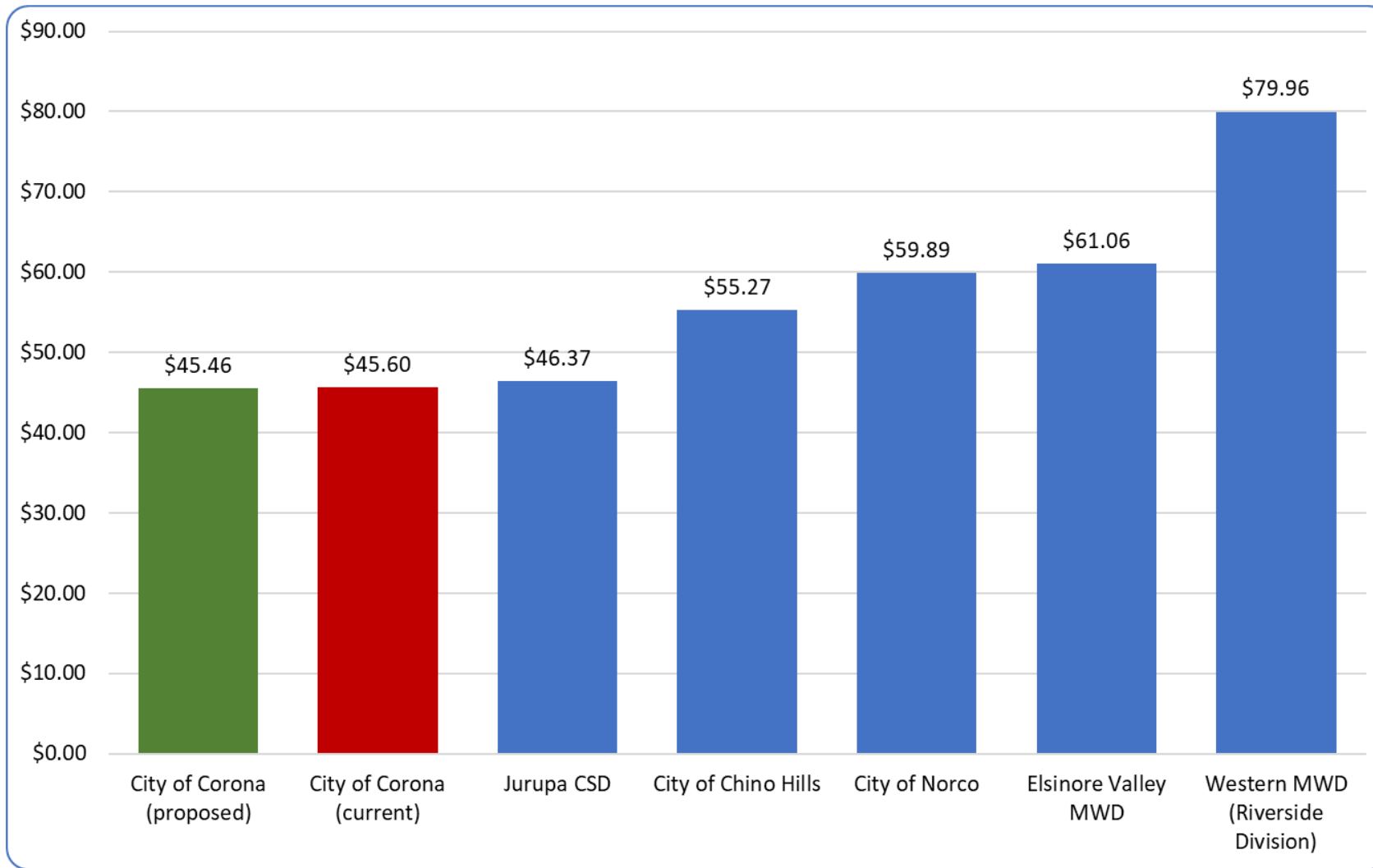
Sewer Option 2 Funding CIP (Recommended)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	10.0%	10.0%	10.0%	10.0%	10.0%
Proposed Debt Issuance		\$45,000,000			

	Current Residential	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Fixed	\$45.60	\$45.46	\$50.01	\$55.01	\$60.51	\$66.56
Variable – non- residential only	N/A	\$5.50	\$6.05	\$6.66	\$7.32	\$8.05

	Current	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Residential Impact (Per Month)		-\$0.14	\$4.55	\$5.00	\$5.50	\$6.05

Sewer Rate Comparison Survey



Single Family Residential
Meter Size = ¾"
Household = 4
Irrigable = 4,000 ft
July Rates
13 hcf

Summary of Sewer Rate Changes

Option 1 – O&M and Debt Service Only

- Residential rate decreases -\$2.20 per month in FY 25
- Pros
 - Increases customer equity
 - Reduction in rates for residential customers
- Cons
 - Does not follow City Council goal of infrastructure resiliency
 - Does not fund critical capital projects
 - May impact financial sufficiency goal
 - Will lead to higher costs and rate increases
 - More impact on commercial customers

Option 2 (Includes Capital Investment) (Recommended)

- Residential rate decreases -\$.14 per month in FY 25
- Pros
 - Follows City Council goals of infrastructure resiliency
 - Funds operating and needed capital projects
 - Increases customer equity
 - Reduction in rates for residential customers
- Cons
 - Less of a decrease for residential customers
 - More impact on commercial customers

Water Rate Discussion

Current Water Rates

Fixed Rates Readiness to Serve

5/8"	\$27.09
3/4"	\$36.46
1"	\$55.18
1 1/2"	\$101.98
2"	\$158.13
3"	\$335.95
4"	\$598.02
6"	\$1,505.89
8"	\$2,629.02
10"	\$3,939.33

Variable Rates Residential Budgets

Indoor Budget	\$1.93	Efficient indoor water use
Outdoor Budget	\$2.77	Efficient outdoor water use
Inefficient Use	\$5.48	1% to 50% over Water Budget
Excessive Use	\$9.12	51% to 100% over Water Budget
Unsustainable Use	\$13.59	More than 100% over Water Budget

Variable Rates Commercial Budgets

Water Budget	\$2.77	Efficient water use
Inefficient Use	\$5.48	1% to 50% over Water Budget
Excessive Use	\$9.12	51% to 100% over Water Budget
Unsustainable Use	\$13.59	More than 100% over Water Budget

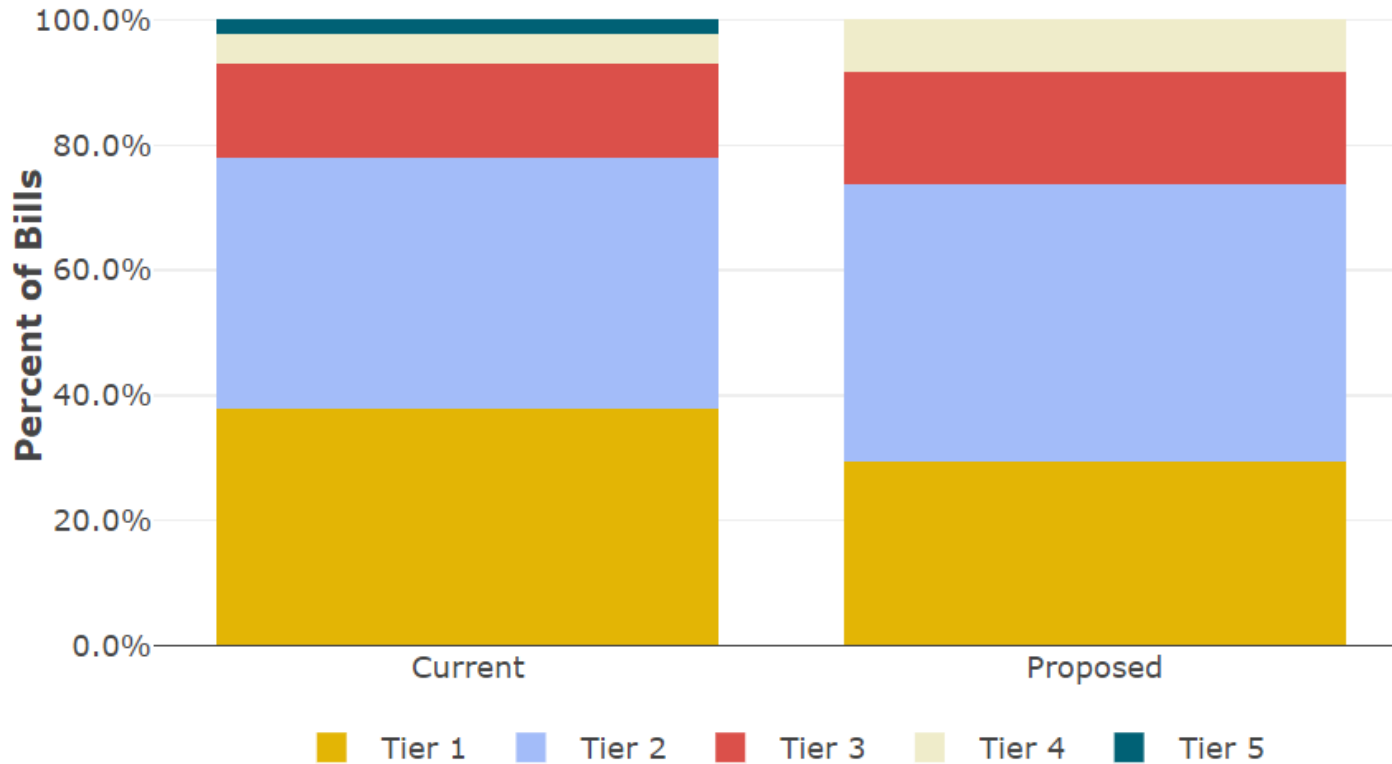
Current Water Budget Methodology Refinements

- Indoor
 - Residential
 - ~~55~~ **47** gallons per capita per day (State is mandating reduction of indoor water use in 2025 - CA Water Code § 10609.4)
 - 4 persons per household (Single family) 2 persons per household (Multi-family)
 - Commercial
 - Rolling 3-year average

- Outdoor
 - Irrigated area
 - Daily ET reading
 - 0.8 plant factor

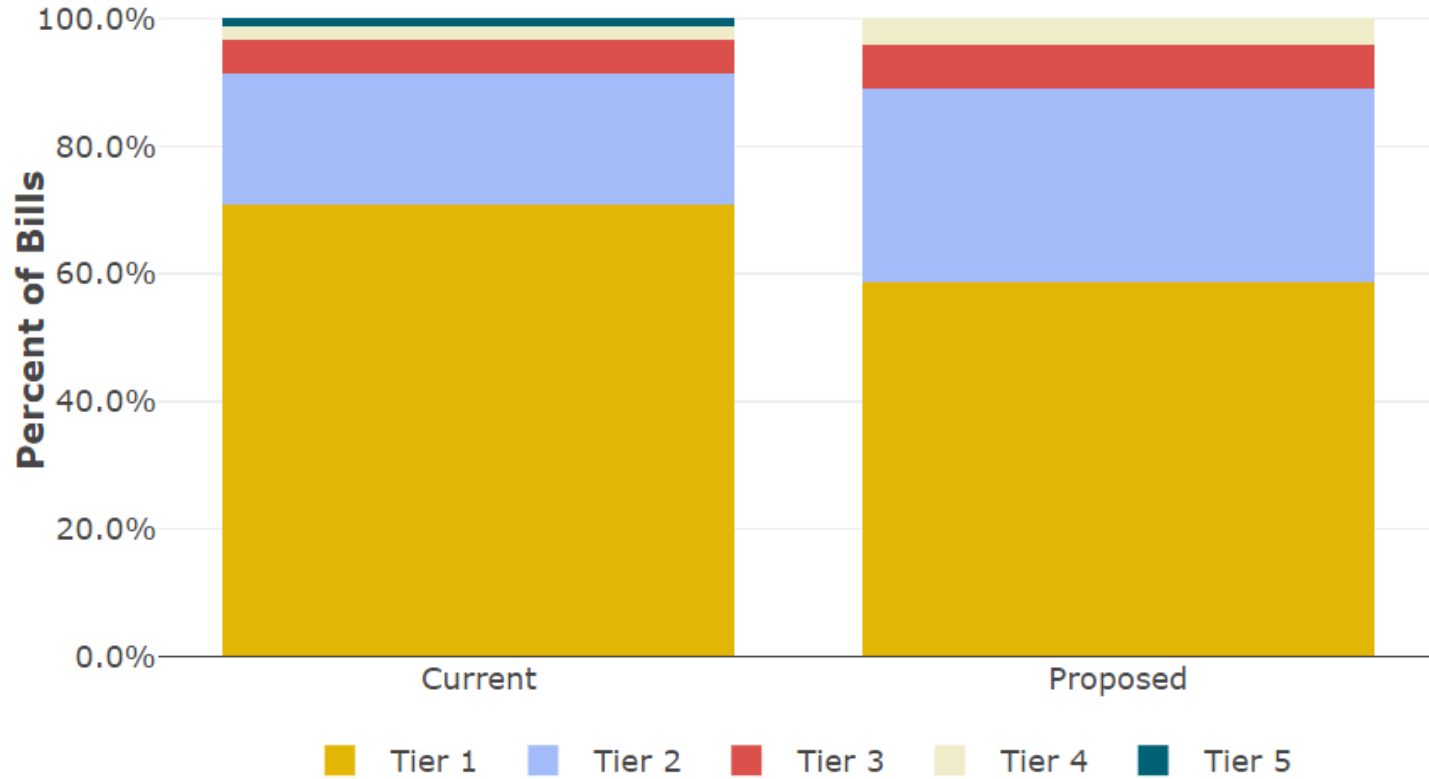
- Excess
 - ~~3~~ **2** tiers blocks of 50%
 - Residential 5 tiers to 4 tiers
 - Commercial 4 tiers to 3 tiers

Tier Use Single Family Residential



	Current		Proposed	
	# of Bills	% of Bills	# of Bills	% of Bills
Tier 1	166,373	37.7%	130,122	29.5%
Tier 2	176,858	40.1%	194,515	44.1%
Tier 3	67,362	15.3%	79,921	18.1%
Tier 4	20,383	4.6%	36,433	8.3%
Tier 5	10,017	2.3%	NA	NA

Tier Use Multi-Family Residential



	Current		Proposed	
	# of Bills	% of Bills	# of Bills	% of Bills
Tier 1	31,936	70.9%	26,495	58.8%
Tier 2	9,219	20.5%	13,570	30.1%
Tier 3	2,385	5.3%	3,185	7.1%
Tier 4	987	2.2%	1801	4.0%
Tier 5	524	1.2%	NA	NA

Rate Calculation

Tier	Non-Blended Supply	Base	Peaking	Conservation	Revenue Offset*
Tier 1	Groundwater	X	X		X
Tier 2	Groundwater /Imported water	X	X		X
Tier 3	Imported water	X	X	X	
Tier 4	Imported water	X	X	X	

*Revenue offsets are made up of interest income

Proposed Rates – Option 1 – O&M and Debt Service

Fixed (per month)

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
5/8"	\$27.09	\$31.30	\$32.86	\$34.18	\$35.55	\$36.97
3/4"	\$36.46	\$40.81	\$42.85	\$44.57	\$46.35	\$48.20
1"	\$55.18	\$59.83	\$62.82	\$65.34	\$67.95	\$70.67
1 1/2"	\$101.98	\$107.39	\$112.76	\$117.27	\$121.96	\$126.84
2"	\$158.13	\$164.45	\$172.68	\$179.58	\$186.77	\$194.24
3"	\$335.95	\$345.16	\$362.42	\$376.92	\$391.99	\$407.67
4"	\$598.02	\$611.47	\$642.04	\$667.72	\$694.43	\$722.21
6"	\$1,505.89	\$1,534.03	\$1,610.74	\$1,675.17	\$1,742.17	\$1,811.86
8"	\$2,629.02	\$2,675.35	\$2,809.12	\$2,921.49	\$3,038.34	\$3,159.88
10"	\$3,939.33	\$4,006.89	\$4,207.23	\$4,375.52	\$4,550.54	\$4,732.57
Private Fire						
5/8"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
3/4"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
1"	\$8.60	\$12.41	\$13.03	\$13.55	\$14.09	\$14.66
1 1/2"	\$8.60	\$13.09	\$13.74	\$14.29	\$14.87	\$15.46
2"	\$9.74	\$14.64	\$15.37	\$15.98	\$16.62	\$17.29
3"	\$10.81	\$17.30	\$18.17	\$18.90	\$19.65	\$20.44
4"	\$16.76	\$26.88	\$28.22	\$29.35	\$30.52	\$31.74
6"	\$32.74	\$43.39	\$45.56	\$47.38	\$49.28	\$51.25
8"	\$60.29	\$68.23	\$71.64	\$74.50	\$77.48	\$80.58
10"	\$101.72	\$102.65	\$107.78	\$112.09	\$116.58	\$121.24

Variable

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tier 1	1.93	\$1.92	\$2.02	\$2.10	\$2.18	\$2.27
Tier 2	2.77	\$3.25	\$3.41	\$3.54	\$3.69	\$3.83
Tier 3	5.48	\$4.30	\$4.51	\$4.69	\$4.88	\$5.08
Tier 4	9.12	\$5.12	\$5.38	\$5.59	\$5.82	\$6.05
Tier 5	13.59					



	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	7.0%	5.0%	4.0%	4.0%	4.0%



Proposed Rates – Option 2 - O&M and Debt Service and CIP (Recommended)

Fixed (per month)

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
5/8"	\$27.09	\$31.88	\$34.75	\$37.88	\$41.29	\$45.01
3/4"	\$36.46	\$41.57	\$45.32	\$49.39	\$53.84	\$58.68
1"	\$55.18	\$60.95	\$66.44	\$72.42	\$78.93	\$86.04
1 1/2"	\$101.98	\$109.39	\$119.24	\$129.97	\$141.67	\$154.42
2"	\$158.13	\$167.53	\$182.60	\$199.04	\$216.95	\$236.48
3"	\$335.95	\$351.61	\$383.26	\$417.75	\$455.35	\$496.33
4"	\$598.02	\$622.90	\$678.96	\$740.07	\$806.67	\$879.27
6"	\$1,505.89	\$1,562.71	\$1,703.35	\$1,856.65	\$2,023.75	\$2,205.89
8"	\$2,629.02	\$2,725.36	\$2,970.64	\$3,238.00	\$3,529.42	\$3,847.07
10"	\$3,939.33	\$4,081.79	\$4,449.15	\$4,849.57	\$5,286.03	\$5,761.77
Private Fire						
5/8"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
3/4"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
1"	\$8.60	\$12.64	\$13.78	\$15.02	\$16.37	\$17.84
1 1/2"	\$8.60	\$13.33	\$14.53	\$15.84	\$17.27	\$18.82
2"	\$9.74	\$14.91	\$16.25	\$17.71	\$19.31	\$21.05
3"	\$10.81	\$17.63	\$19.21	\$20.94	\$22.83	\$24.88
4"	\$16.76	\$27.38	\$29.84	\$32.53	\$35.46	\$38.65
6"	\$32.74	\$44.20	\$48.18	\$52.51	\$57.24	\$62.39
8"	\$60.29	\$69.50	\$75.76	\$82.57	\$90.01	\$98.11
10"	\$101.72	\$104.57	\$113.98	\$124.24	\$135.42	\$147.61

Variable

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tier 1	\$1.93	\$1.96	\$2.13	\$2.32	\$2.53	\$2.76
Tier 2	\$2.77	\$3.31	\$3.60	\$3.93	\$4.28	\$4.67
Tier 3	\$5.48	\$4.38	\$4.77	\$5.20	\$5.67	\$6.18
Tier 4	\$9.12	\$5.22	\$5.69	\$6.20	\$6.76	\$7.36
Tier 5	\$13.59					

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	9.0%	9.0%	9.0%	9.0%	9.0%
Proposed Debt Issuance		\$50,000,000			



Average Single-Family Residential Water Rate Impact (¾” – 4,000 sqft – 13 hcf of use)

	Current Rate	Option 1	<i>Difference</i>
Fixed Rate	\$34.46	\$40.81	\$6.35
Variable Rates	\$30.35	\$31.87	\$1.52
Total Bill	\$64.81	\$72.68	\$7.87

	Current Rate	Option 2	<i>Difference</i>
Fixed Rate	\$34.46	\$41.57	\$7.11
Variable Rates	\$30.35	\$32.47	\$2.12
Total Bill	\$64.81	\$74.04	\$9.23

	Difference Between Option 1&2
Fixed Rate	\$0.60
Variable Rates	\$0.76
Total Bill	\$1.36

Summary of Water Rate Changes

Option 1 – O&M and Debt Service Only

Avg. residential rate increases \$7.87 per month in FY 25

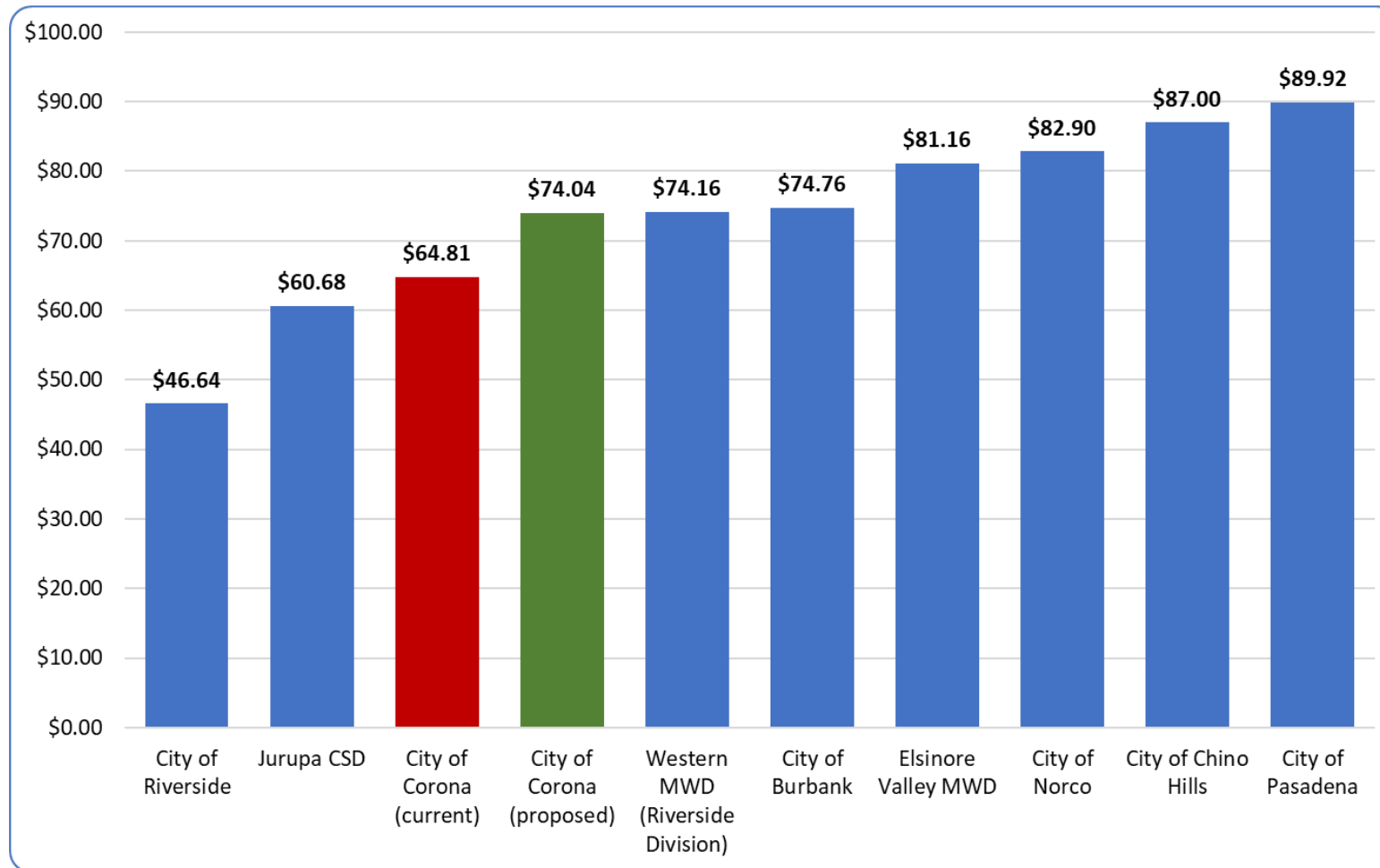
- Pros
 - Less of an increase per month
 - Reflects upcoming State water reduction mandates
 - Simpler to understand (less tiers)
- Cons
 - Does not follow City Council goal of infrastructure resiliency
 - Does not fund critical capital projects
 - Will lead to increased costs and higher rates
 - May impact financial sufficiency goal

Option 2 (Includes Capital Investment) (Recommended)

Avg. residential rate increases \$9.23 per month in FY 25

- Pros
 - Follows City Council goals of infrastructure resiliency
 - Funds operating and needed capital projects
 - Ensures revenue stability and financial sufficiency
 - Reflects upcoming State water reduction mandates
 - Simpler to understand (less tiers)
- Cons
 - More of an increase per month (\$1.36)

Water Rate Comparison Survey



Single Family Residential
 Meter Size = 3/4"
 Household = 4
 Irrigable = 4,000 ft
 July Rates/ET
 13 hcf

Reclaimed Water Rate Discussion

Current Reclaimed Rates

Fixed Rates Readiness to Serve

5/8"	\$23.52
3/4"	\$30.81
1"	\$45.39
1 1/2"	\$81.84
2"	\$125.59
3"	\$264.13
4"	\$468.28
6"	\$1,175.53
8"	\$2,050.48
10"	\$3,071.25

Variable Rates Reclaimed Budgets

Water Budget	\$2.14	Efficient Water Use
Inefficient Use	\$3.21	1% to 50% over Water Budget
Excessive Use	\$4.27	51% to 100% over Water Budget
Unsustainable Use	\$6.41	More than 100% over Water Budget

Reclaimed Water Rate Refinements

- Outdoor (Efficient)
 - Irrigated area
 - Daily ET reading
 - 0.8 plant factor

- Excess
 - ~~2~~ 3 1 tier block for all excess

Reclaimed Water Rate Calculation

Tier	Supply	Base	Peaking	Conservation	Revenue Offset
Tier 1	X	X	X		X
Tier 2	X	X	X	X	

Proposed Reclaimed Water Rates

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Revenue Adjustment	4.0%	4.0%	4.0%	4.0%	4.0%
Proposed Interfund Loan	8,000,000	5,000,000			

Fixed

Meter Size	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
5/8"	\$23.52	\$26.64	\$27.70	\$28.81	\$29.96	\$31.16
3/4"	\$30.81	\$35.95	\$37.38	\$38.88	\$40.43	\$42.05
1"	\$45.39	\$54.57	\$56.75	\$59.02	\$61.38	\$63.84
1 1/2"	\$81.84	\$101.12	\$105.16	\$109.37	\$113.75	\$118.30
2"	\$125.59	\$156.98	\$163.26	\$169.79	\$176.58	\$183.65
3"	\$264.13	\$333.88	\$347.24	\$361.13	\$375.57	\$390.60
4"	\$468.28	\$594.58	\$618.36	\$643.10	\$668.82	\$695.57
6"	\$1,175.53	\$1,497.70	\$1,557.61	\$1,619.91	\$1,684.71	\$1,752.10
8"	\$2,050.48	\$2,614.96	\$2,719.56	\$2,828.34	\$2,941.48	\$3,059.14
10"	\$3,071.25	\$3,918.44	\$4,075.17	\$4,238.18	\$4,407.71	\$4,584.02

Variable

Tier	Current Rate	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tier 1	\$2.14	\$2.37	\$2.46	\$2.56	\$2.66	\$2.77
Tier 2	\$3.21	\$2.60	\$2.71	\$2.82	\$2.93	\$3.05
Tier 3	\$4.27					
Tier 4	\$6.41					

Average Reclaimed Water Rate Impact (1 1/2" average 40,000 sqft - 134 hcf of use)

	Current Rate	Proposed	<i>Difference</i>
Fixed Rate	\$81.84	\$101.12	\$19.28
Variable Rates	\$268.60	\$317.39	\$30.63
Total Bill	\$368.60	\$418.51	\$49.91

hcf=hundred
cubic feet (748
gallons)

Total Rate Impacts

Total impact Sewer/Water Rate Changes for Average Single Family Residential (¾” meter - 4,000 sqft irrigated area – 13 hcf)

	Current Rate	Option 1	Difference
Water Bill	\$64.81	\$72.68	\$7.87
Sewer Bill	\$45.60	\$43.40	-\$2.20
Total Bill	\$110.41	\$116.08	\$5.67

	Current Rate	Option 2	Difference
Water Bill	\$64.81	\$74.04	\$9.23
Sewer Bill	\$45.60	\$45.46	-\$0.14
Total Bill	\$110.41	\$119.50	\$9.09

	Difference Between Options 1 & 2
Water Bill	\$1.36
Sewer Bill	\$2.06
Total Bill	\$3.42

*hcf=hundred cubic feet (748 gallons)

Total impact Sewer/Water for Average Commercial (2" meter water budget = 101 hcf* - 53 hcf)

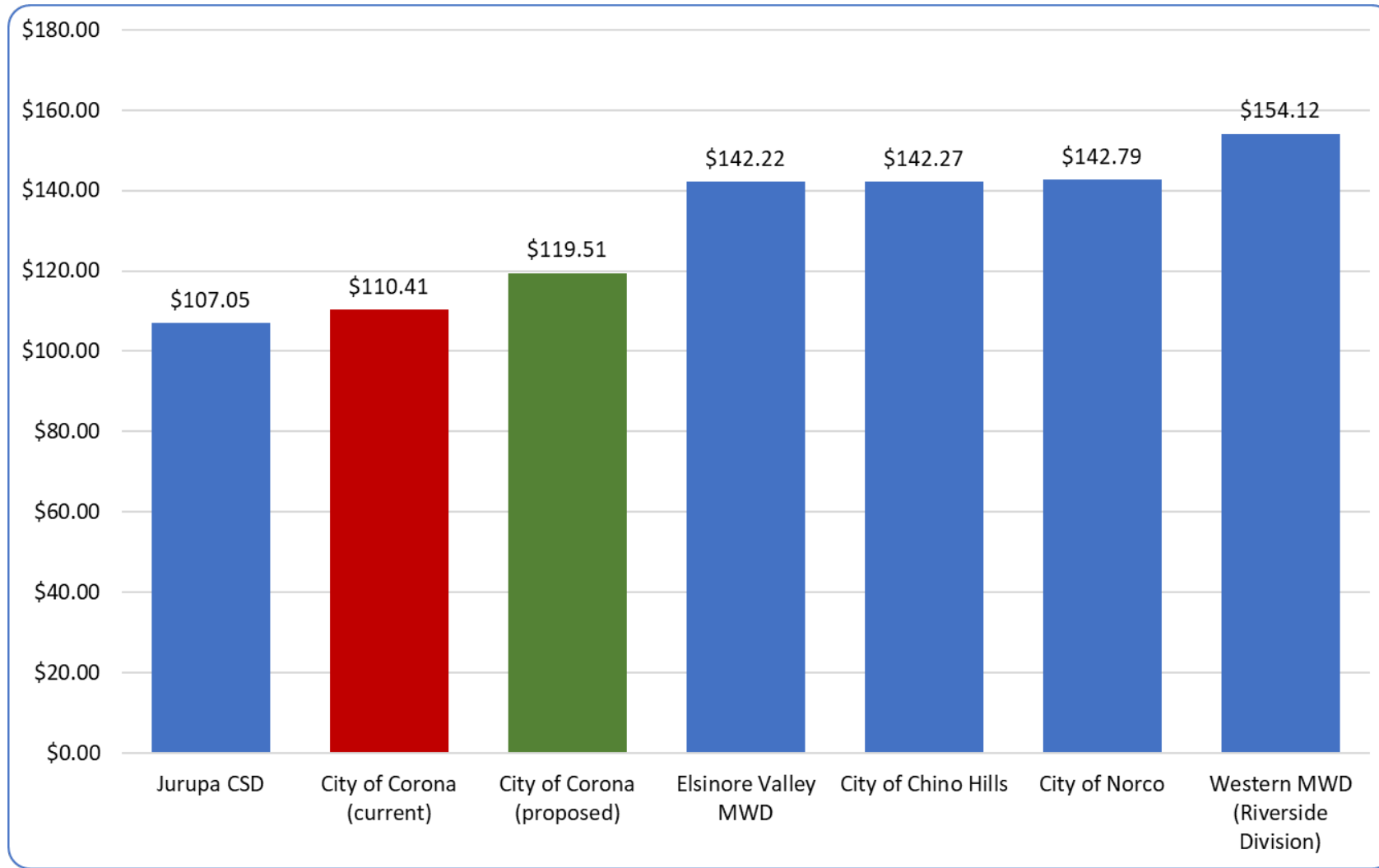
	Current Rate	Option 1	Difference
Water Bill	\$304.94	\$336.47	\$31.53
Sewer Bill	\$291.55	\$279.69	-\$11.86
Total Bill	\$596.49	\$616.16	\$19.67

	Current Rate	Option 2	Difference
Water Bill	\$304.94	\$74.04	\$37.82
Sewer Bill	\$291.55	\$293.01	\$1.46
Total Bill	\$596.49	\$635.77	\$39.28

	Difference Between Options 1 & 2
Water Bill	\$6.29
Sewer Bill	\$13.32
Total Bill	\$19.61

*hcf=hundred cubic feet (748 gallons)

Combined Rate Comparison Survey



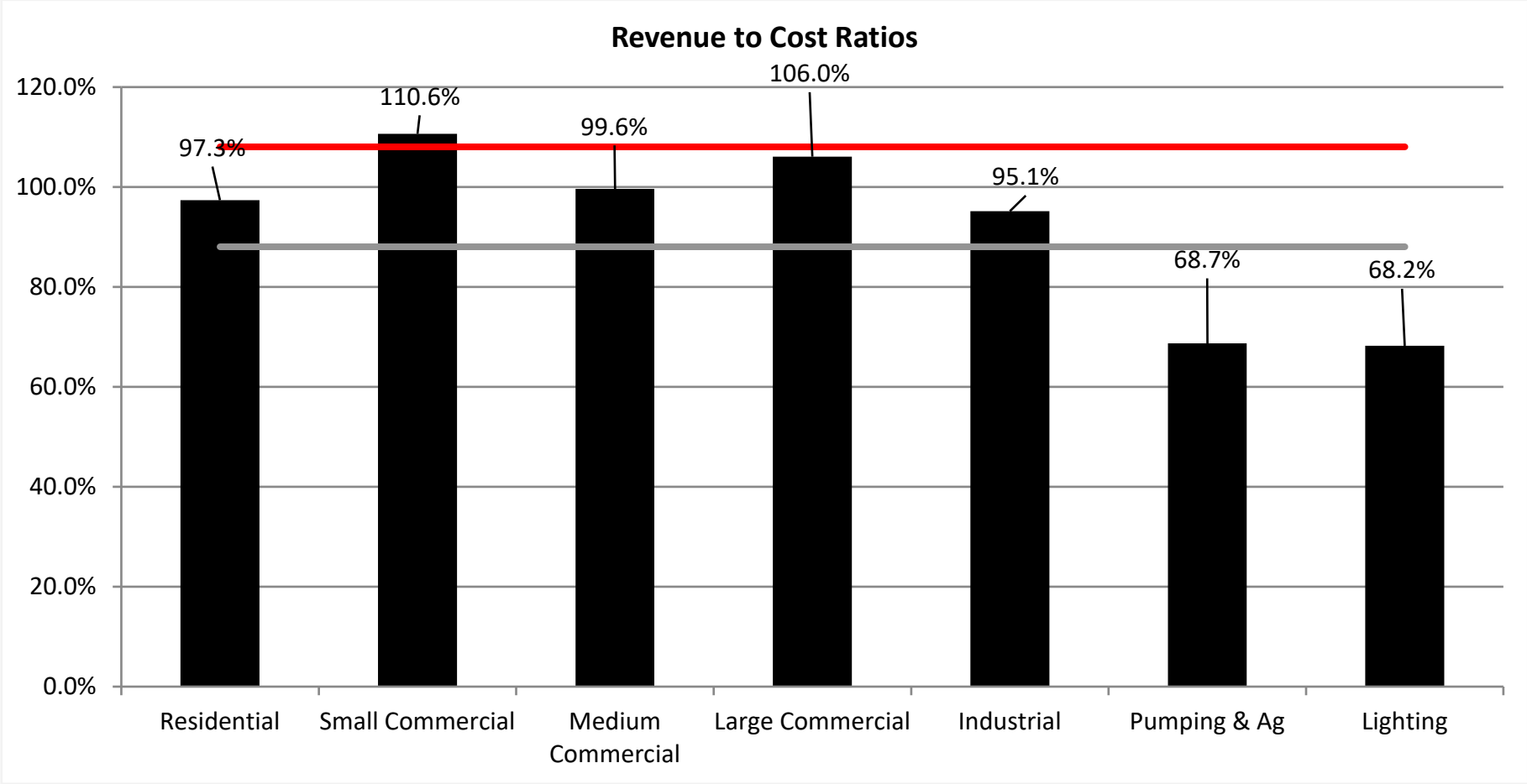
Single Family Residential
Meter Size = 3/4"
Household = 4
Irrigable = 4,000 ft
July Rates/ET
13 hcf

Electric COSA

Customer Classes

Customer Class	Size	Example Customers	Number of Accounts
Residential	Any	Single family, Multifamily	1,323
Small Commercial (GS-1)	< 20 kW	Small Office, Small Retail, HOA, Bank	373
Medium Commercial (GS-2)	20-200 kW	Old Navy, Starbucks, TGI Fridays	160
Large Commercial (TOU GS-3)	200-500 kW	Big Box Stores (Kohls, Best Buy), Large Office Buildings	8
Industrial (TOU-8)	>500 kW	Manufacturing	10
Pumping and Agriculture	200-500 kW	City's Water Treatment Facilities	2
Lighting	N/A	Traffic and Streetlights, Parking Lighting	62

Electric COSA Results: FY2025



Electric Cost of Service Results: FY2025

- Rebalancing is recommended
- Separate Public Benefits Charge from base rates
- Increase Residential Fixed Charge
- Rate Design simplification
 - Residential tier reduction from 4 to 3 tiers
 - Convert seasonal kWh rates (GS1, GS2) to nonseasonal
 - Monthly demand charges in place of seasonal demand charges
- Develop Commercial EV Charging Rate

Rebalancing Proposal

	Total	Residential	Small Commercial GS-1	Medium Commercial GS-2	Large Commercial GS-3	Industrial TOU-8	Pumping & Agriculture PA	Lighting
FY 2025	4.0%	4.0%	-2.3%	1.6%	-2.9%	5.1%	57.9%*	46.6%
# of Customers	1,938	1,323	373	160	8	10	2	62

** Pumping and Agriculture change phased in over 18 months*

Residential Rate Adjustment

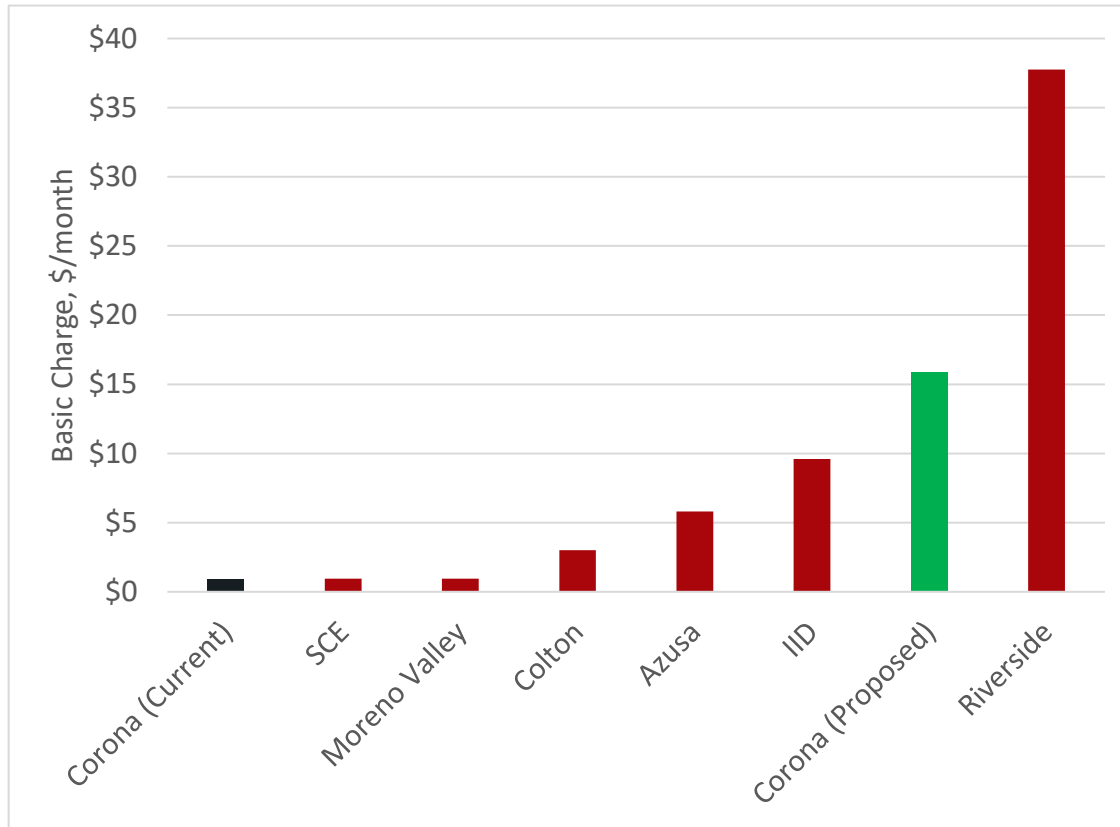
	Cost of Service Unit Costs	Current Rates	FY 2025 Proposed
Fixed Charge, \$/month	\$15.90	Single Family: \$0.88 Multi-Family: \$0.67	Single Family: \$15.90 Multi-Family: \$15.76
Energy, \$/kWh	\$0.1273		
Tier 1 Baseline		\$0.11808	\$0.10100
Tier 2 101-130% Baseline		\$0.13741	\$0.11100
Tier 3 131-200% Baseline		\$0.22696	\$0.21000
Tier 4 over 200% Baseline		\$0.32337	
Public Benefits Charge \$/kWh			\$0.00378

Lifeline Program

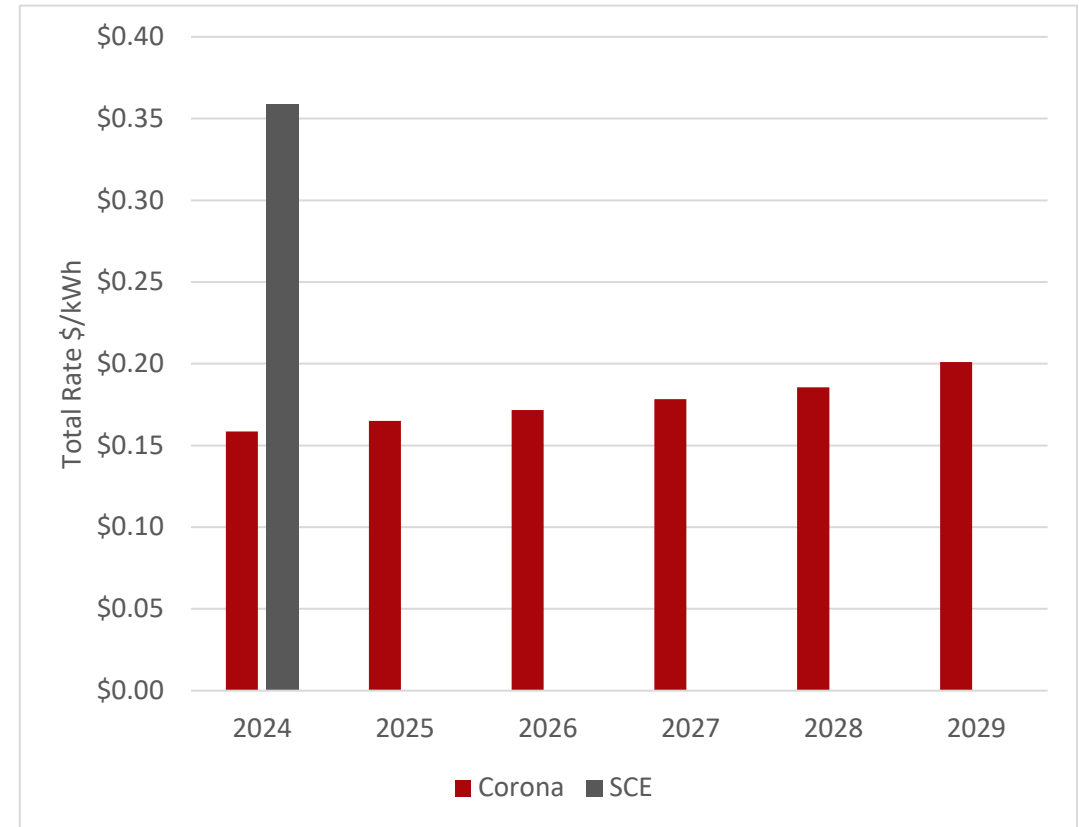
- Extend program to electric customers
- Waive Fixed charge
- Paid through Public Benefits Program
- Currently 37 electric customers participating in the water/sewer program
 - Monthly usage averages 530 kWh for this group of customers

Residential Fixed and SCE Comparison

Customer Charge Comparison, \$/Month



Total Rate Comparison with SCE, \$/kWh



Residential Bill Impact Per Month

Customer	Current Bill	Proposed Bill	\$ Change
Example Solar Customer with 0 kWh	\$0.88	\$15.90	\$15.02
Average Monthly Summer Bill	\$62.44	\$53.08	-\$9.36
Average Monthly Winter Bill	\$54.48	\$61.23	\$6.75

- Lifeline program will waive fixed charge for income qualified customers

The Ask...

- That Council provide direction on which water/sewer rate option to proceed with; and
- Confirm the proposed rate structures for reclaimed water and electric rates

Questions?
