



## STAFF REPORT

### TOWN COUNCIL MEETING OF JULY 9, 2013

To: Town Council

From: Town Manager

Subject: Presentation by Placer County Water Agency (PCWA) Regarding Proposed Rate Increases for Zone 1 Water Customers

Date: August 27, 2012

#### **RECOMMENDATION:**

No action by the Town Council is requested. This item is Receive and File.

#### **DISCUSSION:**

On August 8, 2013, the Placer County Water Agency (PCWA) will consider approving rate increases to its Zone 1 water rates. PCWA's Zone 1 serves an area including the cities of Auburn, Loomis, Rocklin, Lincoln and many unincorporated communities in Placer County. PCWA has stated that the proposed rate increases are necessary to offset increases proposed by Pacific Gas and Electric Company on the cost of wholesale water. PCWA is currently paying PG&E \$200,000 per year for Zone 1 water. This cost will increase to \$3,000,000 in 2014 and again to \$4,000,000 in 2015. The proposed rate increases are 9.1 % in 2014 and 3.7% in 2015 with annual increases at CPI from that point on. There are approximately 36,000 customers, including the Town of Loomis, who will be impacted by this increase.

Attached is information distributed by PCWA regarding the proposed rate increases. PCWA representatives will be making a presentation to the Council on the subject and will be available for questions. Representatives from PG&E have also been invited to participate.

#### **CEQA :**

The proposed presentation is exempt from CEQA.

#### **FINANCIAL IMPLICATIONS:**

There is a potential in a significant increase in water utility costs to the Town beginning in 2014.

Attachments: Power Point Presentation



PLACER COUNTY WATER AGENCY

144 Ferguson Road

530.823.4860

Phone

530.823.4960 fax

P.O. Box 6570

Auburn, CA 95604

## NEWS RELEASE

May 20, 2013

**Contact:**

**David A. Breninger or Einar Maisch**

**(530) 823-4850**

**Or: Dave Carter**

**(530) 265-NEWS**

**FOR IMMEDIATE RELEASE:**

### **PCWA to Consider First Zone 1 Water Rate Adjustment in Five Years**

**AUBURN** – On Thursday (May 16) Placer County Water Agency staff presented the Board of Directors with recommendations for an adjustment to its Zone 1 water rates. This adjustment would be spread over 2 years beginning January 2014. The Board set a public hearing for August 8 to consider the proposed new rates. This would be the first rate adjustment considered by the Board in 5 years.

PCWA's Zone 1 serves a vast area including the cities of Auburn, Loomis, Rocklin, Lincoln, a portion of Roseville, and many unincorporated communities in western Placer County.

The primary need for the proposed water rate adjustment is an increase in the wholesale price PCWA pays for Zone 1 water. PCWA purchases water from Pacific Gas and Electric Company. The price has been unchanged since 1968.

The increase in wholesale water price resulted from several months of negotiations between PCWA and PG&E on a successor to the 45-year old Zone 1 water contract. A new contract approved by the Board on April 29 extends the contract and updates the pricing. It covers PCWA's purchase of up to 100,400 acre-feet of PG&E water per year for Zone 1 from the Yuba-Bear river watershed. Most of this water is conveyed through PG&E's lengthy Bear River and Wise Canals to PCWA.

"PCWA has paid the same wholesale price for PG&E water for 45 years. PG&E's costs have increased, and especially as they have implemented improvements to their conveyance system," said PCWA's Director of Strategic Affairs Einar Maisch. "The new wholesale pricing is more reflective of PG&E's costs of service today and is expected to go toward PG&E infrastructure improvements to increase the reliability of water delivery to Zone 1."

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"PCWA is currently paying PG&E about \$200,000 per year for Zone 1 water. The amount will rise to \$3 million in 2014 and to \$4 million in 2015. Future increases will be based on an inflationary factor," said Maisch.

PCWA General Manager David Breninger said, "The new PG&E contract covers water supplies that have historically been used by the people of Placer County for upwards of 150 years and is essential for the future of our County. We are doing everything we can to ensure continuance of a high quality, affordable and reliable water supply for our customers."

A secondary need for the proposed water rate adjustment is to fund other general operating costs for Zone 1.

"The proposed new water rates will help improve the safety and reliability of both the wholesale and retail water conveyance systems that Zone 1 customers depend upon for delivery of their water supply," said Breninger.

The recommended Zone 1 water rate adjustments, proposed to be spread over 2 years, will cover both the increase in PG&E's wholesale price of water and increased operating costs of PCWA. Examples: In 2014 the average winter residential treated water bill would increase by \$4.15 per month. The average summer residential bill would increase by \$5.85 per month. In 2015 there will be an additional \$1.78 per month in the winter and \$2.50 per month in the summer.

"The impact of the new rates by 2015 for a typical Zone 1 residential customer is estimated to be around 25 cents per day and more for those who use more water," said Breninger.

"Basically, for the typical residential treated water customer, this equates to an increase of 9.1 percent in 2014 and 3.7 percent in 2015. Untreated water customers should see about the same percentage increase in their water bills," said Breninger.

Putting this in perspective, Breninger said, "The Agency hasn't increased rates since 2009, but it is now necessary to do so over the next 2 years. Thus, when viewed over a 6 year period from 2010 to 2015 the amount would equate to a little over 2 percent per year."

"And, going forward," he added, "it is also recommended to index the water rates to adjust annually subject to a Consumer Price Index beginning in 2015 through 2018."

The public hearing to consider the proposed rate adjustments will be August 8, 2013, at 2 p.m. at the PCWA Business Center. Notices of the hearing with information on the proposed new water rates will be mailed to all affected Zone 1 property owners and customers. PCWA follows the Proposition 218 notification and hearing process.

General information on PCWA board meetings may be obtained through the Clerk to the Board at (530) 823-4850 or (800) 464-0030. PCWA information is also posted at [www.pcwa.net](http://www.pcwa.net).



PLACER COUNTY WATER AGENCY  
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BUSINESS CENTER      PHONE  
144 Ferguson Road      530.823.4860  
MAIL      530.823.4960 - fax  
P.O. Box 6570      WWW.PCWA.NET  
Auburn, CA 95604

## Notice of Public Hearing to Consider Changes in Zone 1 Water Rates and Charges

June 7, 2013

The Placer County Water Agency (PCWA) Board has set a public hearing for August 8, 2013, to consider proposed new rates and charges for water delivery and service in Zone 1. This would be the first rate adjustment considered by the Agency in five years.

The need for the proposed water rate adjustment is primarily due to an increase of \$3.8 million in the wholesale price PCWA pays for water from Pacific Gas and Electric Company (PG&E). In addition, since 2009 PCWA's general annual operating costs have increased by \$1 million.

PCWA purchases up to 100,400 acre-feet of water per year from PG&E which is delivered through their Drum Spaulding system off the Yuba and Bear rivers under a 1968 contract that expired on April 30, 2013. In 1968, when PG&E withdrew from the retail water business and sold its existing distribution systems to PCWA, it agreed to provide water at low wholesale rates until the contract expired. PG&E's costs to improve and maintain their conveyance system have increased over the years however, the price has remained unchanged since 1968. A new water supply contract between PG&E and PCWA approved on April 29, 2013, provides for continued water delivery and updated water pricing.

The new wholesale pricing is more reflective of the cost of service today and the additional wholesale water payment is expected to go largely toward PG&E infrastructure improvements. Overall the proposed new rates will help improve the safety and reliability of the water conveyance systems that PCWA customers depend upon.

### **Proposal:**

PCWA proposes to increase its rates and charges for delivery of treated and untreated water over a two-year period to provide needed funding for these increased costs. Service to treated and untreated water customers is proposed to increase by an average<sup>1</sup> of 9.1% in 2014 and 3.7% in 2015. In addition, the rates and charges will be subject to an annual inflation adjustment beginning 2015.

### **Reason and Basis for the Increase:**

PCWA is currently paying PG&E about \$200,000 per year for the 100,400 acre-feet of water for PCWA's Zone 1 system. Under the new contract the amount will rise to \$3 million in 2014 and to \$4 million in 2015 and will increase annually thereafter through 2018 based on an inflationary factor. PCWA Zone 1 includes the cities of Auburn, Loomis, Rocklin, Lincoln, a portion of Roseville, and surrounding unincorporated communities in western Placer County. Nearly all of the water PCWA delivers to its treated and untreated water customers in Zone 1 comes from PG&E.

Separate from the increased cost of purchased water, PCWA's general annual operating costs have increased approximately \$1 million since the last time PCWA increased water rates on January 1, 2009. These costs were lower than the general increase in inflation over the same period due to efficiencies and a partial freeze in PCWA wages and benefits. The increase in operating cost was absorbed into PCWA's budget through a reduction in renewal and replacement projects. The proposed rate adjustment will restore funding for these projects going forward.

The total recommended Zone 1 water rate adjustment of \$4.8 million, which will be spread over two years, is needed to cover both the increase in the wholesale price of water and operating costs.

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<sup>1</sup> The actual amount of the increase will depend upon the size of your meter and the amount of water used.

Due to anticipated continuing cost of service increases in purchased water, and the cost of goods, services and labor used for general operations, the Agency is proposing to include an inflation adjustment factor in years 2015, 2016, 2017 and 2018.

**Notice of Public Hearing:**

**On August 8, 2013, 2:00 p.m., at the Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California, the Placer County Water Agency Board of Directors will hold a public hearing to consider increasing rates and charges for the delivery of water to customers in Zone 1 effective no sooner than January 1, 2014.**

**Zone 1 – Treated Water: Current and Proposed Monthly Rates and Charges**

The following are the current and proposed monthly rates and charges for residential treated water commencing on January 1 of 2014 and 2015.

**Fixed Charge for Metered Treated Water Service:**

Current and Proposed Monthly Adjustments

Meter Size	2013 Current Charge	2014 Proposed Charge	2015 Proposed Charge
5/8 - Inch	\$14.20	\$15.80	\$16.50
3/4 - Inch	\$20.09	\$22.36	\$23.34
1 -Inch	\$27.49	\$30.60	\$31.94
1-1/2 - Inch	\$44.28	\$49.28	\$51.45
2-Inch	\$77.28	\$86.01	\$89.80
3-Inch	\$143.48	\$159.69	\$166.72
4-Inch	\$200.06	\$222.67	\$232.46
6-Inch	\$401.62	\$447.00	\$466.67
8-Inch	\$688.66	\$766.48	\$800.20
12-Inch	\$1,076.03	\$1,197.62	\$1,250.32
16-Inch	\$1,548.20	\$1,723.15	\$1,798.97
18-Inch	\$1,784.28	\$1,985.90	\$2,073.28

**Multiple Dwelling Unit Fixed Charge**

Current and Proposed Monthly Adjustments

2013 Current Charge	2014 Proposed Charge	2015 Proposed Charge
\$10.76	\$11.98	\$12.51

**Renewal & Replacement Charge For Metered Treated Water Service :**

**Current and Proposed Monthly Adjustments**

Meter Size	2013 Current Charge	2014 Proposed Charge	2015 Proposed Charge
5/8 - Inch	\$13.00	\$14.75	\$15.50
3/4 - Inch	\$19.50	\$22.13	\$23.26
1 -Inch	\$32.50	\$36.89	\$38.77
1-1/2 - Inch	\$65.00	\$73.78	\$77.54
2-Inch	\$104.00	\$118.04	\$124.06
3-Inch	\$208.00	\$236.08	\$248.12
4-Inch	\$325.00	\$368.88	\$387.69
6-Inch	\$650.00	\$737.75	\$775.38
8-Inch	\$3,120.00	\$3,541.20	\$3,721.80

**Quantity Tier Rates :**

**Current and Proposed Metered Residential Treated Water Quantity Tier Rates**

Commodity in Cubic Feet	Billing Units	2013 Current Rate	2014 Proposed Rate	2015 Proposed Rate
First 400 CF	4	\$1.25	\$1.33	\$1.37
Next 600 CF	6	\$1.35	\$1.44	\$1.48
Next 1,000 CF	10	\$1.44	\$1.53	\$1.57
Next 2,000 CF	20	\$1.55	\$1.65	\$1.69
Next 1,800 CF	18	\$1.65	\$1.75	\$1.80
Next 1,900 CF	19	\$1.92	\$2.04	\$2.10
Over 7,700 CF	77	\$2.16	\$2.30	\$2.36

**Inflation Adjustment**

PCWA is proposing to add future inflation adjustments to the Fixed Charge, the Renewal and Replacement Charge, the Capital Facilities Charge and all quantity tiers for both treated and untreated water. These inflationary increases in the cost of service will be for a 12-month period, as measured by the U.S. Department of Labor, Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers (CPI-U) West All Items (Series Id: CUUR0400SA0) for June through May of each respective year. The annual inflation increase will be limited to the lower of the actual cost of service increase, or the CPI-U increase, but not less than zero. Notice of any adjustment pursuant to the annual inflation increase will be provided to customers not less than 30 days before the effective date of the adjustment through a bill notice or other mailing by the Agency. These future inflationary rate adjustments would become effective on January 1<sup>st</sup> of 2015, 2016, 2017 and 2018.

### How to Protest the Proposed New Rates

The property owner of record or tenant of any parcel subject to these rates and charges can protest against these proposed rates and charges by submitting a written protest that may be mailed to Placer County Water Agency P.O. Box 6570, Auburn, California 95604 or hand-delivered to the Clerk to the Board, Placer County Water Agency, 144 Ferguson Road, Auburn, California. PCWA will receive written protests at or before the time set for the public hearing, which is August 8, 2013, 2:00 p.m., at the Placer County Water Agency Business Center, 144 Ferguson Road, Auburn, California.

The written protest must include the property owner's or customer of record's printed name and signature, a description of the parcel(s) in which they have an ownership interest or bill paying responsibility. A street address and/or assessor's parcel number are sufficient descriptions. If the party signing the protest is not shown as the parcel owner as per the last equalized assessment roll of Placer County, or, in PCWA's records as the responsible ratepayer, the protest must contain, or be accompanied by, written evidence that such party is the owner or responsible ratepayer.

### Additional Information

Additional information, including answers to frequently asked questions and information on all of the proposed changes in rates for treated and untreated water customers, is available upon request or on the Agency's web site, [www.pcwa.net](http://www.pcwa.net).

If you have any questions regarding this notice, please call the Agency's Customer Services Department, Monday through Friday, between the hours of 9:00 a.m. and 5:00 p.m. at (530) 823-4850 or (800) 464-0030.

Sincerely,

Placer County Water Agency

C. Sprunck  
Clerk, Board of Directors

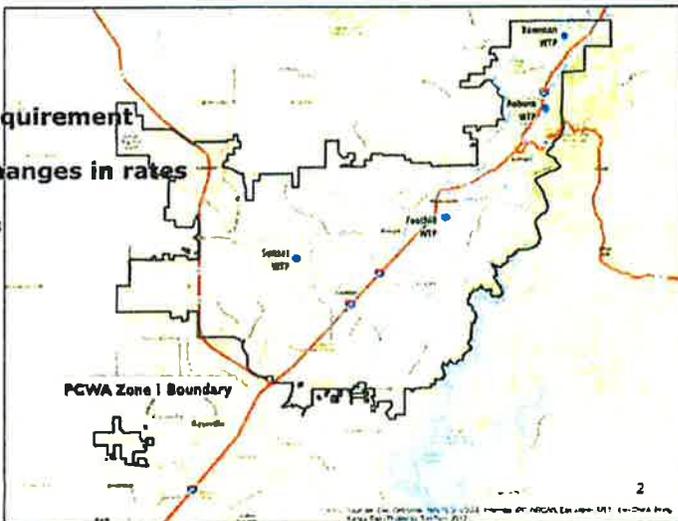


# PCWA Zone 1 Proposed Revenue Adjustment

June 12, 2013

## PCWA Zone 1

- Zone 1 only
- Revenue Requirement
- Proposed changes in rates
- The Process
- Next Steps



## Revenue Requirement

- Increase in PG&E wholesale water cost (first since 1968)
  - \$3.8 Million
- Increase in PCWA operating costs (since last increase in 2009)
  - \$1.0 Million
- Total revenue requirement:
  - \$4.8 Million/year
    - \$4.5 M treated water
    - \$0.3 M irrigation water
  - Spread over 2 years - Jan 2014 & Jan 2015
  - Inflation adjustment – Jan 2015, 2016, 2017 & 2018



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## Proposed Revenue Distribution

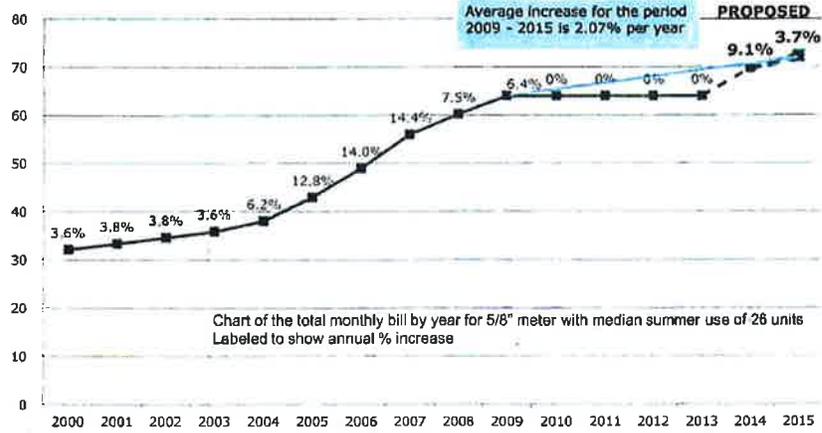
	Current Annual Revenue	Monthly Rate			Proposed % Increase 2014	Proposed % Increase 2015	\$ Change
		Current	Proposed 2014	Proposed 2015*			
<b>Treated Water</b>							
Fixed Charge	\$7,500,000	\$14.20	\$15.80	\$16.50	11.3%	4.4%	\$1,215,000
Renewal & Replacement Charge	8,500,000	\$13.00	\$14.75	\$15.50	13.5%	5.1%	1,632,000
Commodity	<u>17,800,000</u>	**	**	**	6.3%	2.8%	1,652,677
	\$33,800,000				<b>9.1%</b>	<b>3.7%</b>	\$4,499,677
<b>Raw Water</b>							
Capital Facilities Charge	240,000	\$6.87	\$7.78	\$8.19	13.2%	5.3%	46,080
Commodity	<u>2,000,000</u>	**	**	**	8.7%	3.6%	252,123
	\$2,240,000				<b>9.1%</b>	<b>3.7%</b>	\$298,203
<b>Total</b>	<b>\$36,040,000</b>				<b>9.1%</b>	<b>3.7%</b>	<b>\$4,797,880</b>



\* 2015 rates would also be subject to adjustment for CPI  
 \*\* Commodity charge based upon tier use

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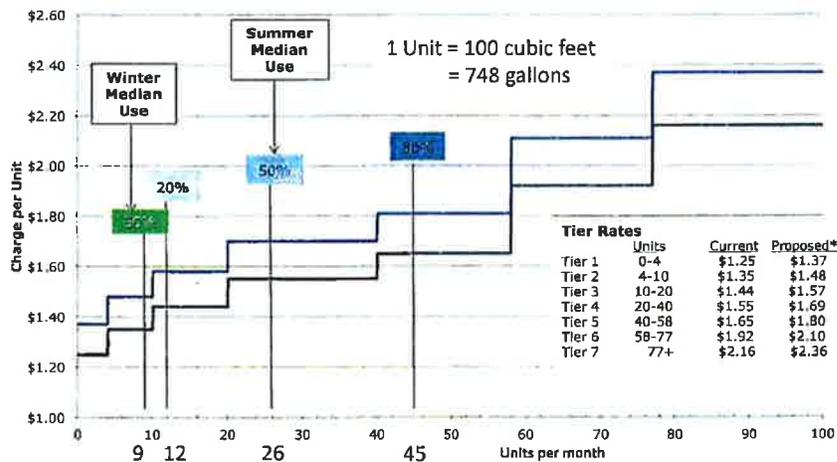
## Zone 1 Historical Water Rate Increases



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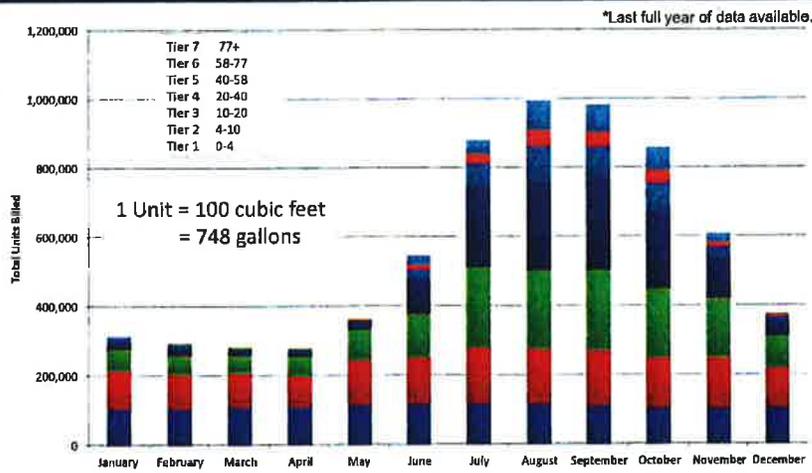
## Current & Proposed 2015 Residential Commodity Rate Tiers

\* 2015 rates would be subject to adjustment for CPI



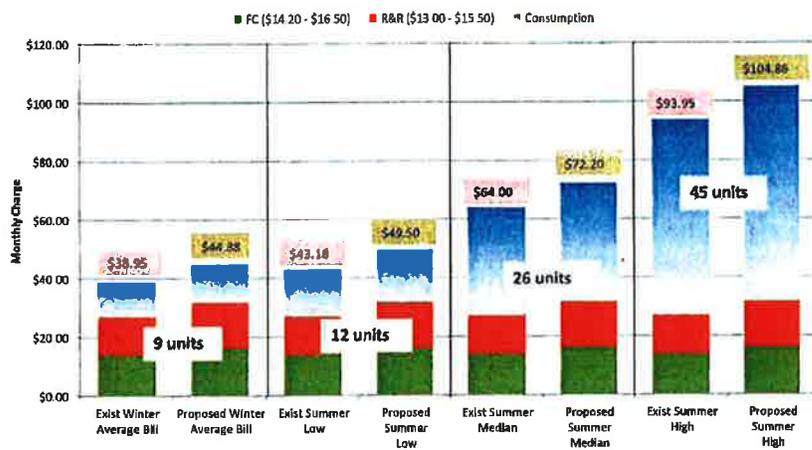
The median winter residential use is 9 units per month. During the peak summer period, 20% of residential customers use less than 12 units, 50% use less than 26 units and 80% use less than 45 units per month.

### Chart shows the total number of billed units each month and in each tier for 2012\*



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### Comparison of Monthly Charges – Treated Water 2009 and 2015\*



\* 2015 rates would be subject to adjustment for CPI

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## Current & Proposed 2015\* Rate Changes

<b>Increase in Typical Monthly Treated Water Residential Charges</b>					
	Fixed Charge	R&R Charge	Commodity *	Total / month	Total / day
Median winter customer increase	\$2.30	\$2.50	\$1.13	\$5.93	\$0.20
20% Summer customer increase	\$2.30	\$2.50	\$1.54	\$6.34	\$0.21
Median Customer - summer increase	\$2.30	\$2.50	\$3.56	\$8.36	\$0.28
80% Summer customer increase	\$2.30	\$2.50	\$6.46	\$11.26	\$0.38



\* 2015 rates would be subject to adjustment for CPI

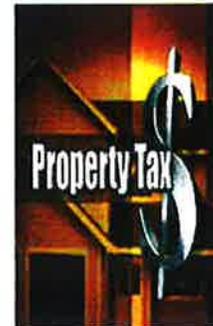
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## Other Local Agency Treated Water Rates – Comparison

Some local water purveyors have the ability to supplement their water system operations with property tax revenue.

For example:

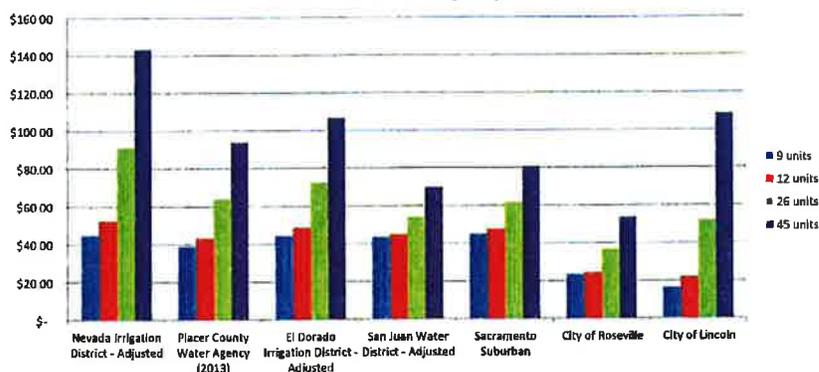
- Nevada Irrigation District - \$26 million 2011 operating expense is supplemented with \$9.9 million or 39% property taxes revenue.
- El Dorado Irrigation District and San Juan Water District also receive property tax revenue into their water fund.
- PCWA does not have a property tax revenue component in the water fund.
- For comparability water rates were normalized in the following slide.



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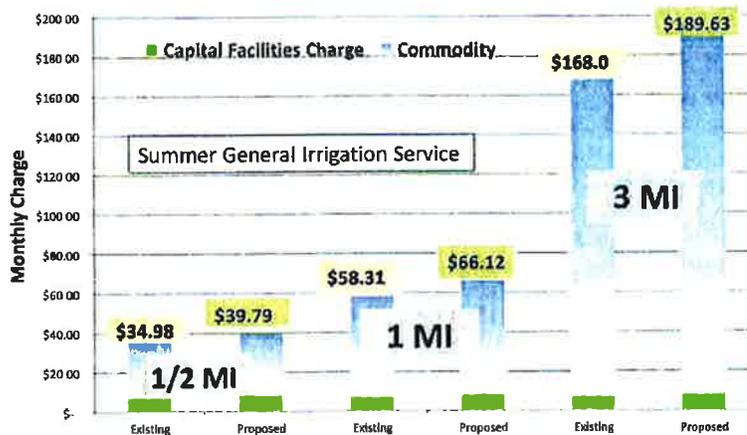
## Other Local Agency Treated Water Rates - Comparison

Residential Rate Comparison  
Normalized for Property Taxes



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## Comparison of Monthly Charges - Untreated Water 2009 and 2015\*(by Miner's Inch - MI)



\*2015 rates would be subject to adjustment for CPI



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## Proposed Inflation Adjustment

- Proposal to add an annual future inflation adjustment – Consumer Price Index (CPI-U)
- Broad based measure of inflation
- Tends to smooth individual commodity price fluctuations
- Western region to provide a broad base, thus smoothing regional variations
- Annual increase limited to CPI-U or actual cost of service
- Starting January 1, 2015



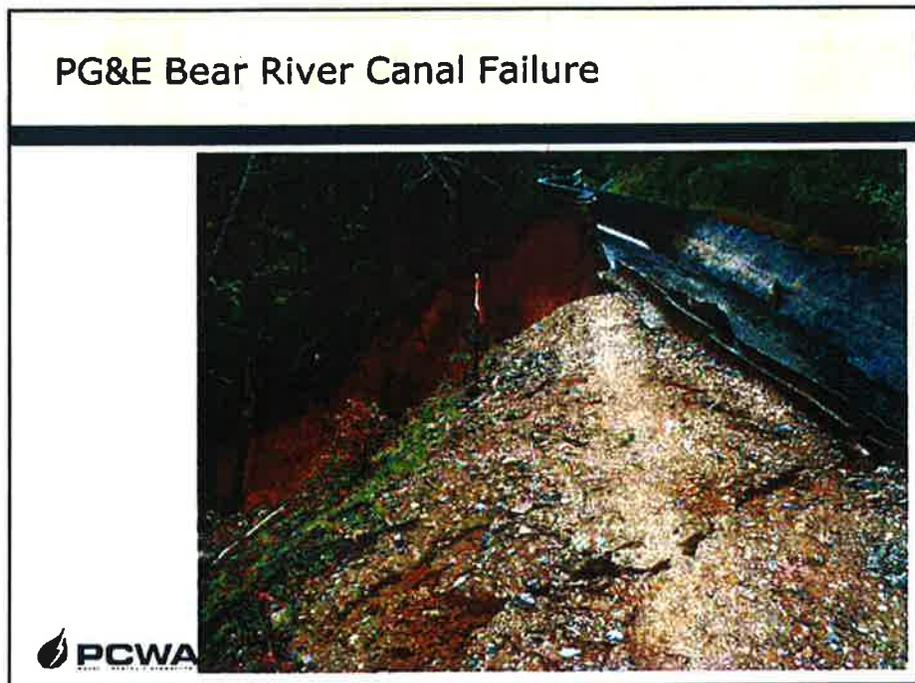
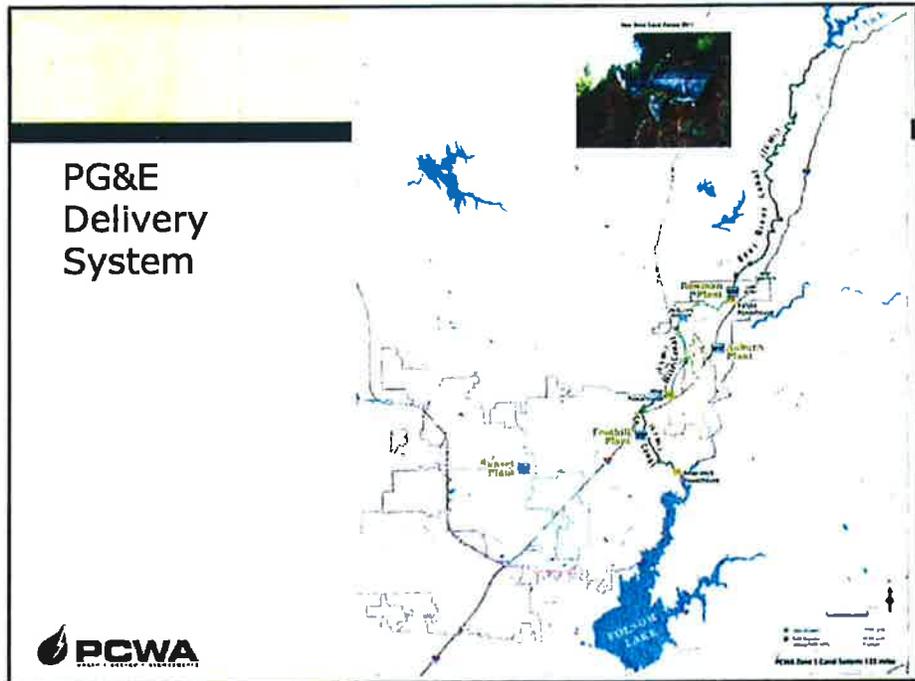
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## Proposition 218 Process

- Proposition 218 Implementing Statutes allow a rate schedule to include an Inflation Adjustment
- Proposition 218 Implementing Statutes allow a rate schedule for period not to exceed 5-years
- Public Hearing set on August 8, 2013 2:00 p.m.
- Procedural Requirements
  - Notification of hearing must be mailed out 45 days in advance
  - A majority written protest (50% +1) would prevent a fee from being imposed or increased



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## PG&E Bear River Canal Failure



## Canal Repair

