

Public Utilities Department

# Water Rate Adjustments and Water Cost of Service Study (COSS)

May 24, 2023

Budget and Government Efficiency Committee,  
Item #3

Juan Guerreiro, Director

Lisa Celaya, Executive Assistant Director

Chris Ojeda, Assistant Deputy Director



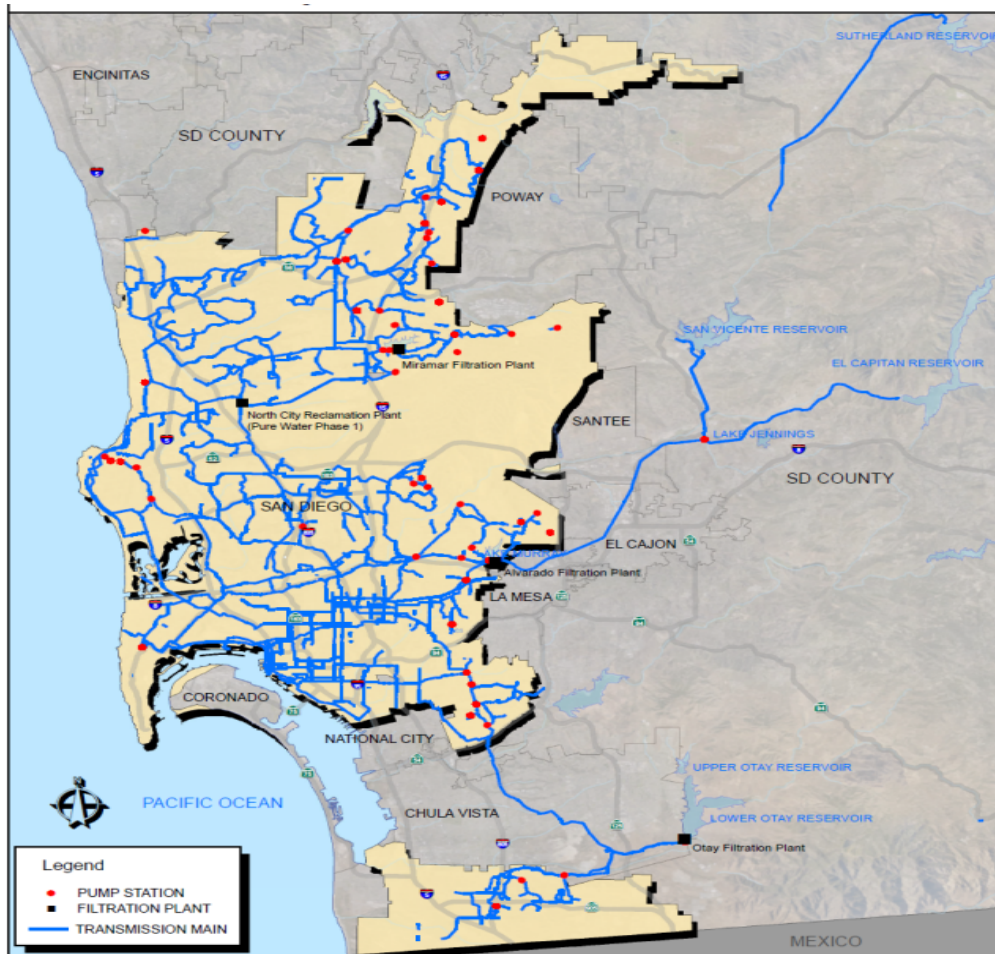
# Requested Actions

- ❖ For consideration to full Council:
  - ❖ Set the public hearing date (September 12)
    - ❖ Rate adjustments will be considered and voted on at the hearing
  - ❖ Authority to notice in accordance with Proposition 218
  
- ❖ Public Utilities future outreach
  - ❖ Several public workshops to receive input and feedback on proposed water rate adjustments prior to set hearing date

# Executive Summary/Background

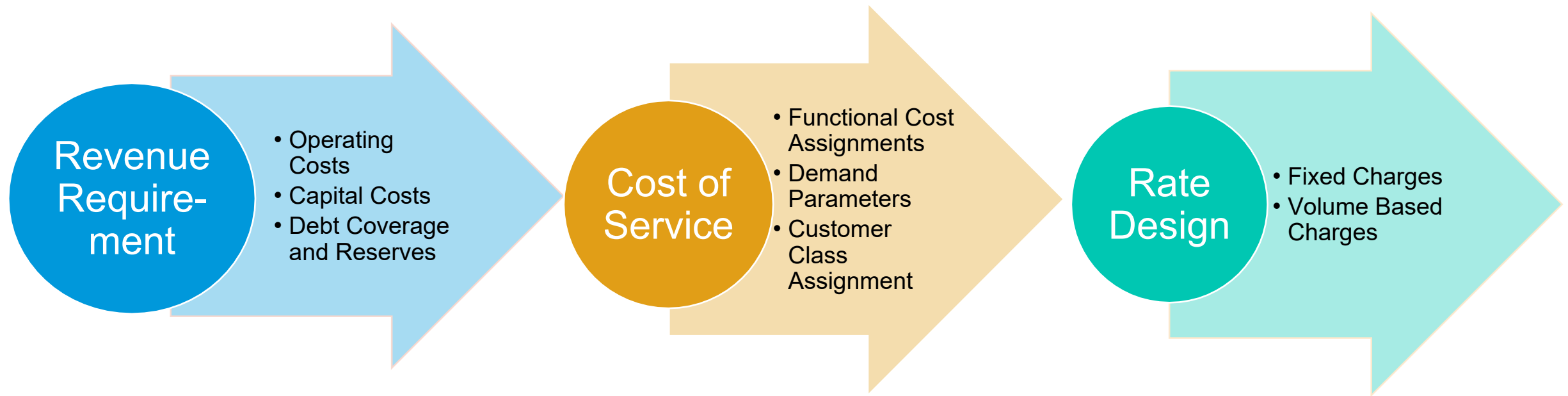
- ❖ November 10, 2022 Public Utilities released the Water Cost of Service (COS) Study in conjunction with the PUD Five Year Financial Outlook
- ❖ Study proposed rate adjustments governed by Proposition 218, which requires that the cost of service not exceed the government cost to provide the service
- ❖ Costs were last studied in FY 2015 and last full rate increase was FY 2020
  - ❖ One-time revenues provided flexibility to delay rate adjustments
- ❖ Working with IBA since December on Review

# Water Infrastructure

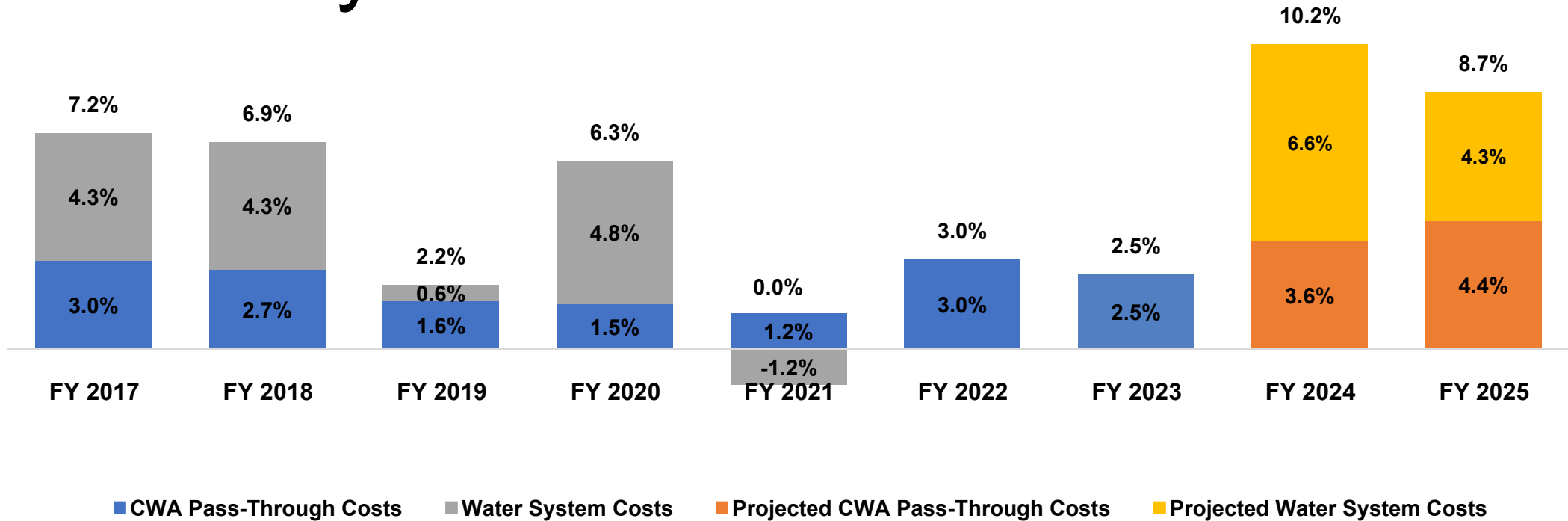


- ❖ Service area of 404 square miles for 1.4 million people
- ❖ 3,300 miles of pipelines, 136 pressure zones, 49 pump stations, nine reservoirs, three treatment plants
- ❖ 85-90% of water imported into the City

# Cost of Service Process



# Rate History



❖ Two-year rate increases proposed

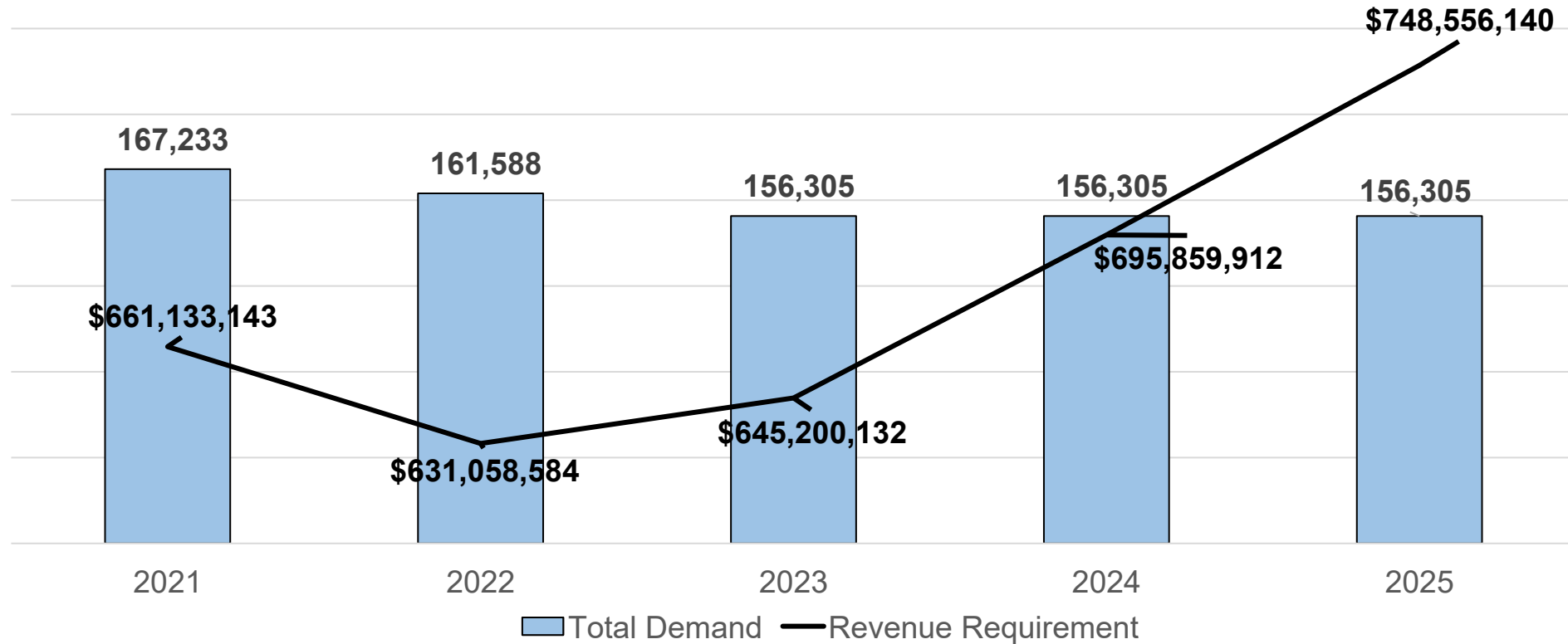
❖ Effective date of December 1, 2023 and January 1, 2025

❖ Maximum authority of rate increases proposed

❖ Historically, actual rates are less



# Water Sales and Revenue Requirements



# Revenue Requirement - Capital



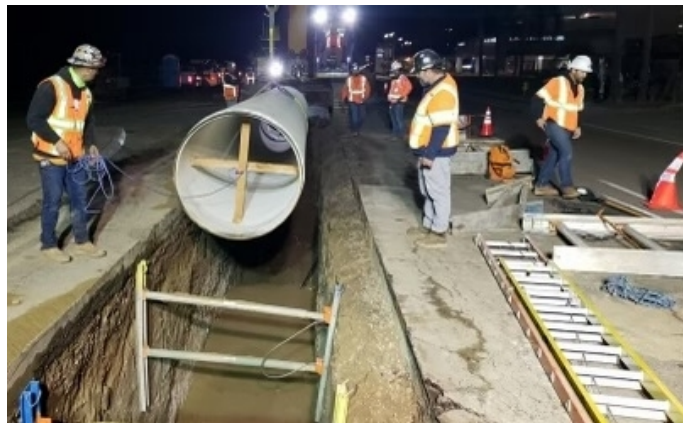
Tierrasanta Pump station



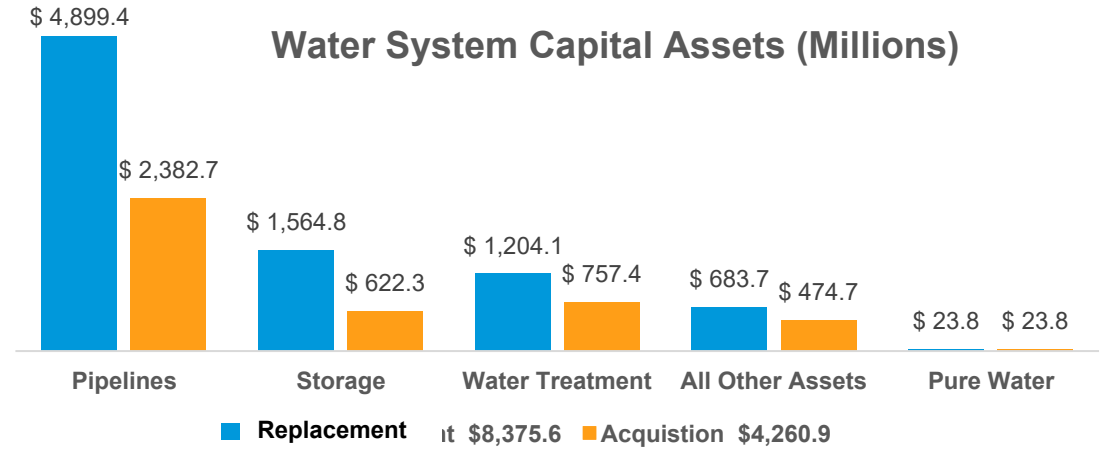
Otay 2nd Pipeline



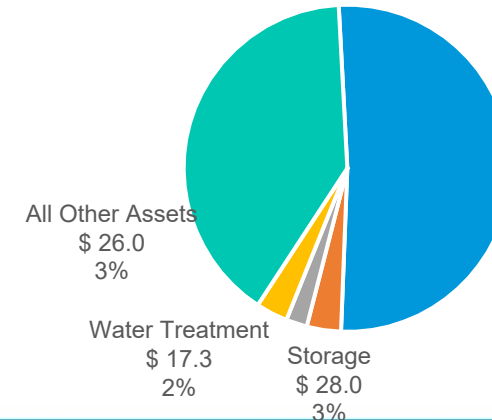
Pure Water Facility



Pure Water Pipeline



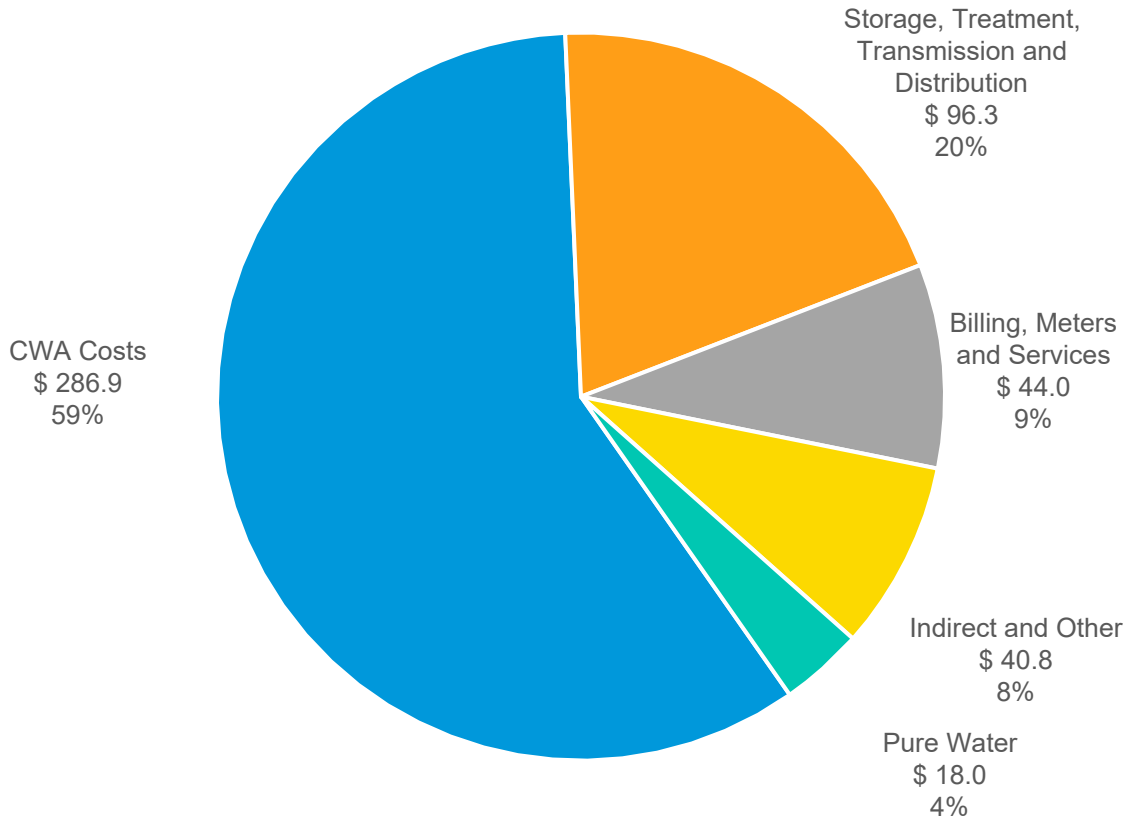
### COS Study CIP Expenditures (Millions)



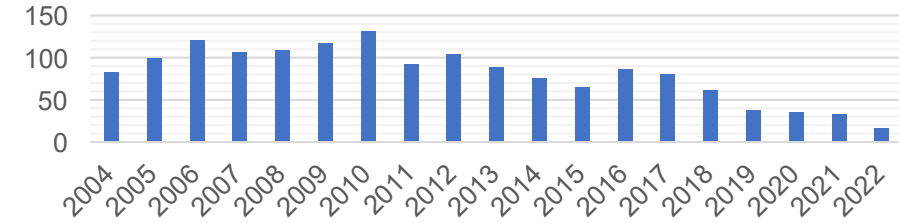


# FY 2024 Operating Budget

Water System Operating Costs, Excluding Debt (Millions)

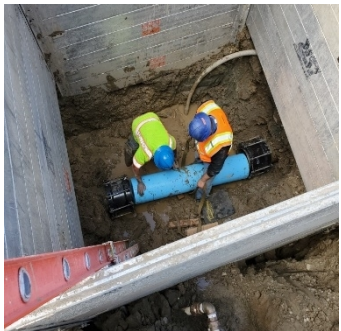


Water Main Breaks



- ❖ 1 water main break per 100 mi.
- ❖ Better than industry standards
- ❖ 566,239 acre feet of storage
- ❖ 378 million gallons treated daily
- ❖ Over 270,000 customer accounts

# Water Operations



- ❖ Water Purchases
  - ❖ Driven by SDCWA rate adjustments
- ❖ Facility Maintenance and Resiliency
  - ❖ Reservoirs and Dams
  - ❖ Pipelines
- ❖ Water Quality and Testing
  - ❖ Zero water quality violations
  - ❖ Addressing all regulatory requirements
- ❖ Customer Service
  - ❖ Focused on improvements
  - ❖ New technology

# Independent Review (IBA/Stantec)

## Stantec's Findings

- ❖ The COS to be consistent with industry standards
- ❖ The financial plan and revenue requirements tracked with historical trends
- ❖ Focused recommendations on the cost of service analysis and rate design portions of COS

## Stantec's Recommendations

- ❖ Peaking Assumptions
- ❖ Fixed Costs
- ❖ More information on Public Fire Assumptions
- ❖ Use AMI Data in the Future for Peak evaluations



# Customer Rate Adjustments

## Water Commodity Rates

Customer Class	Current Charge	Dec 1, 2023	Jan 1, 2025
Single Family Residential			
Tier 1 (\$/HCF)	\$5.55	\$6.40	\$6.95
Tier 2 (\$/HCF)	\$6.22	\$7.24	\$7.87
Tier 3 (\$/HCF)	\$8.88	\$9.12	\$9.91
Tier 4 (\$/HCF)	\$12.49		
Multi-Family Residential (\$/HCF)	\$6.72	\$7.52	\$8.17
Commercial/Industrial/Outside City (\$/HCF)	\$6.55	\$7.33	\$7.97
Irrigation (\$/HCF)	\$7.45	\$8.62	\$9.37
Temporary Construction (\$/HCF)	\$7.57	\$8.26	\$8.98

## Meter Monthly Service Charge

Meter Size	Current Charge	Dec 1, 2023	Jan 1, 2025
5/8", 3/4"	\$27.77	\$25.15	\$27.33
1"	\$36.77	\$40.66	\$44.19
1.5"	\$57.37	\$79.44	\$86.32
2"	\$83.11	\$125.97	\$136.89
3"	\$143.59	\$288.83	\$313.87
4"	\$229.83	\$482.71	\$524.56
6"	\$443.47	\$1,118.64	\$1,215.63
8"	\$700.86	\$1,715.80	\$1,864.57
10"	\$1,002.01	\$3,259.10	\$3,541.69
12"	\$1,859.13	\$4,112.18	\$4,468.74
16"	\$3,232.34	\$6,051.01	\$6,575.68

## Fireline Monthly Service Charge

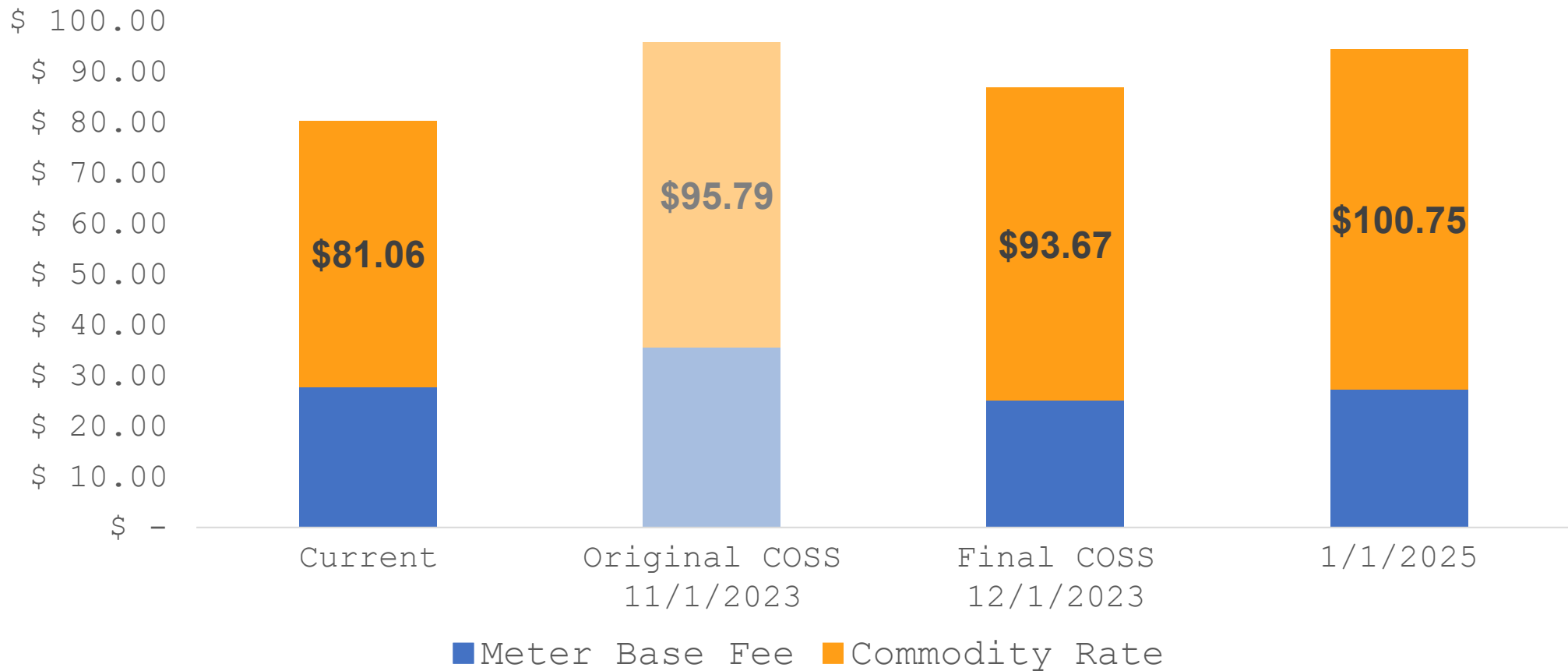
Meter Size	Current Charge	Dec 1, 2023	Jan 1, 2025
1"	\$4.13	\$2.32	\$2.52
1.5"	\$4.13	\$3.15	\$3.42
2"	\$6.40	\$4.59	\$4.99
3"	\$24.77	\$9.75	\$10.60
4"	\$31.67	\$18.64	\$20.26
6"	\$46.78	\$50.56	\$54.94
8"	\$66.07	\$105.63	\$114.79
10"	\$85.35	\$188.45	\$204.79
12"	\$101.85	\$303.25	\$329.54
16"	\$165.16	\$644.10	\$699.95
20"	\$205.64	\$1,156.81	\$1,257.11



# Customer Impacts

## Single Family Residential

Example average monthly bill, assumes 9 hundred cubic feet (HCF)

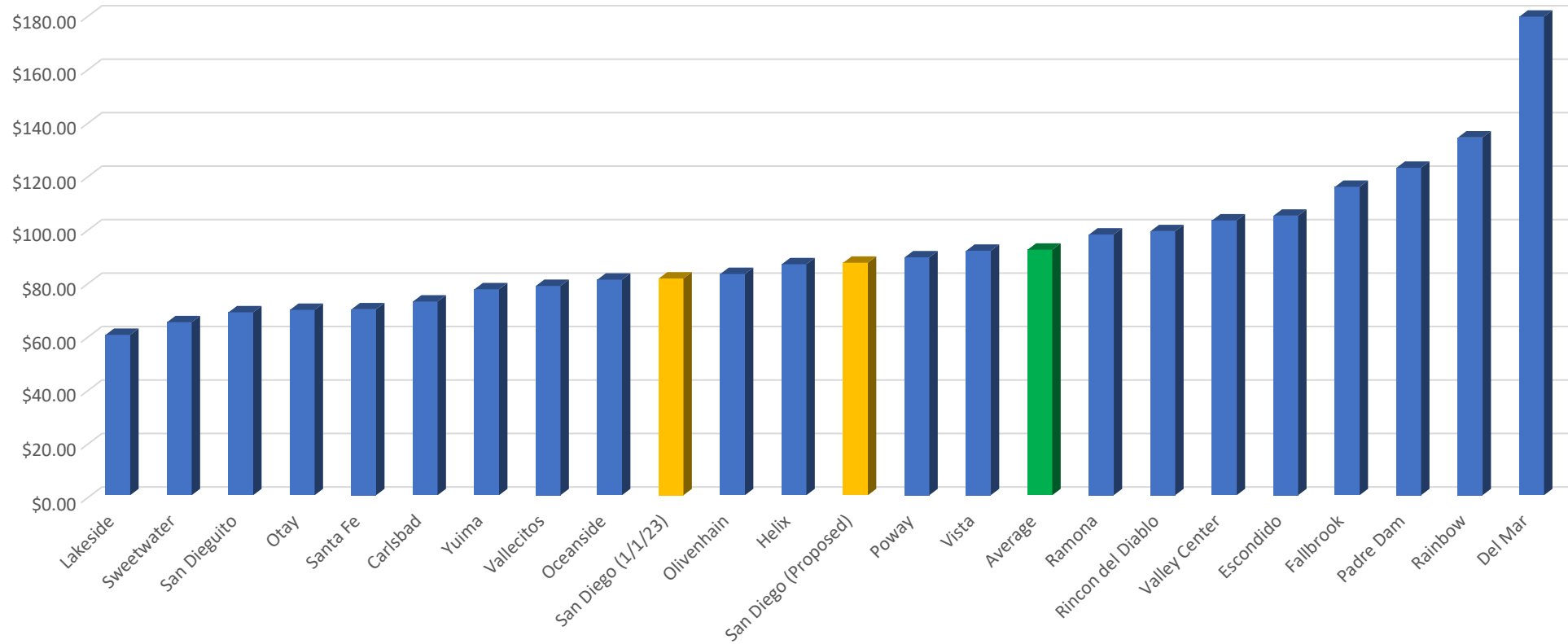




# Regional Comparison

## Water Rate Comparison with Regional Agencies

### Typical Monthly Bill (9 HCF 3/4" Meter)



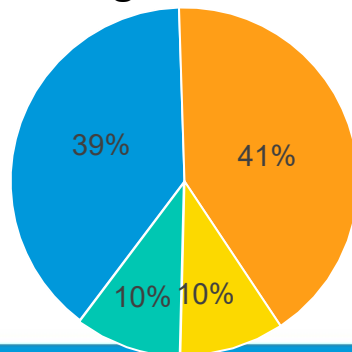


# Single Family Residential Tiers

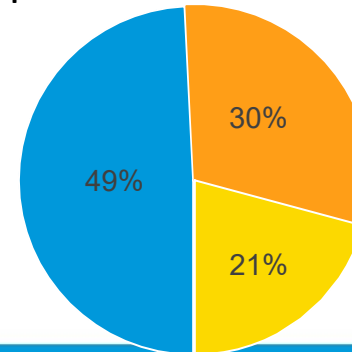
	Existing Rate Structure (HCF)	Proposed Rate Structure (HCF)	
Tier 1	0 to 4	0 to 5	State's recommended indoor water use efficiency standards
Tier 2	5 to 12	6 to 11	Average use during summer
Tier 3	13 to 18	Above 11	
Tier 4	Above 18	N/A	

## Water Usage by Tier (HCF)

Existing Rate Structure



Proposed Rate Structure



- Tier 1
- Tier 2
- Tier 3
- Tier 4

# Customer Assistance

- ❖ Low-Income Household Water Assistance Program (LIHWAP)
  - ❖ 572 customers benefitted for over \$750,000



California Department of  
Community Services & Development

- ❖ Help to Others San Diego (H2O SD)





# Next Steps and Outreach

