

# Wholesale Water Rate Discussion



**SCV**  

---

**WATER**

# Agenda

- Background
- Approach taken
- Results of the cost analysis
- Proposed wholesale rate design
- Next Steps

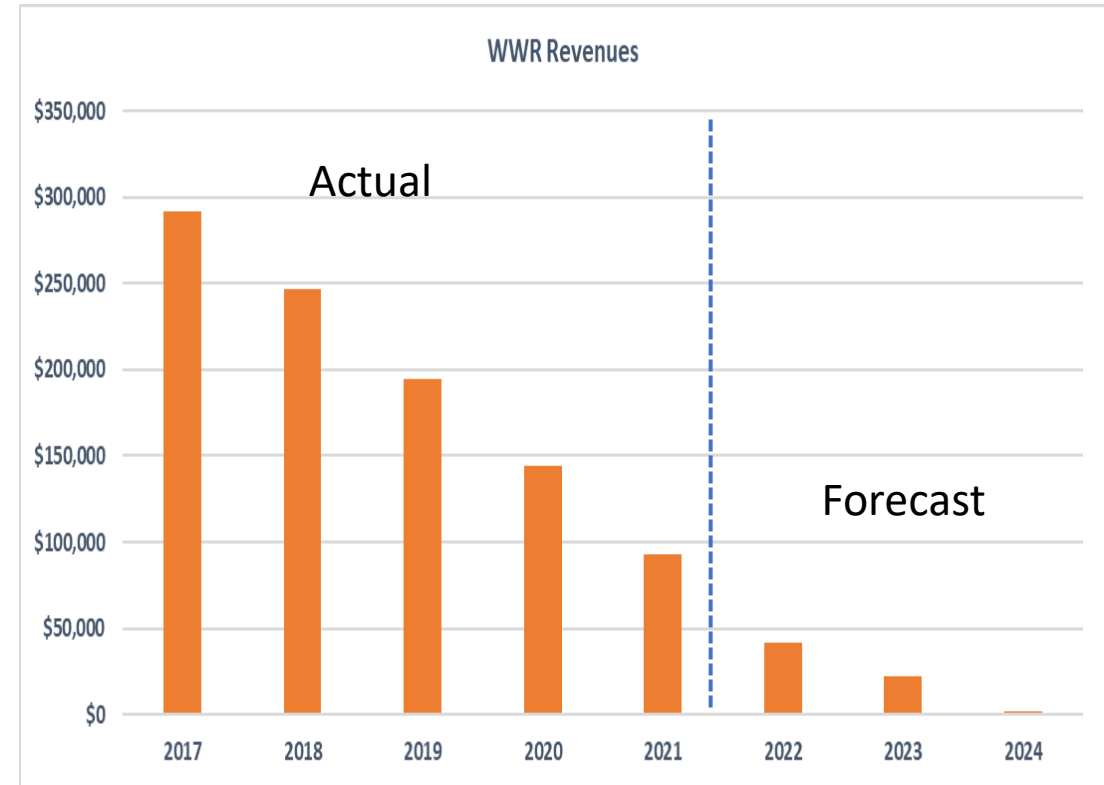
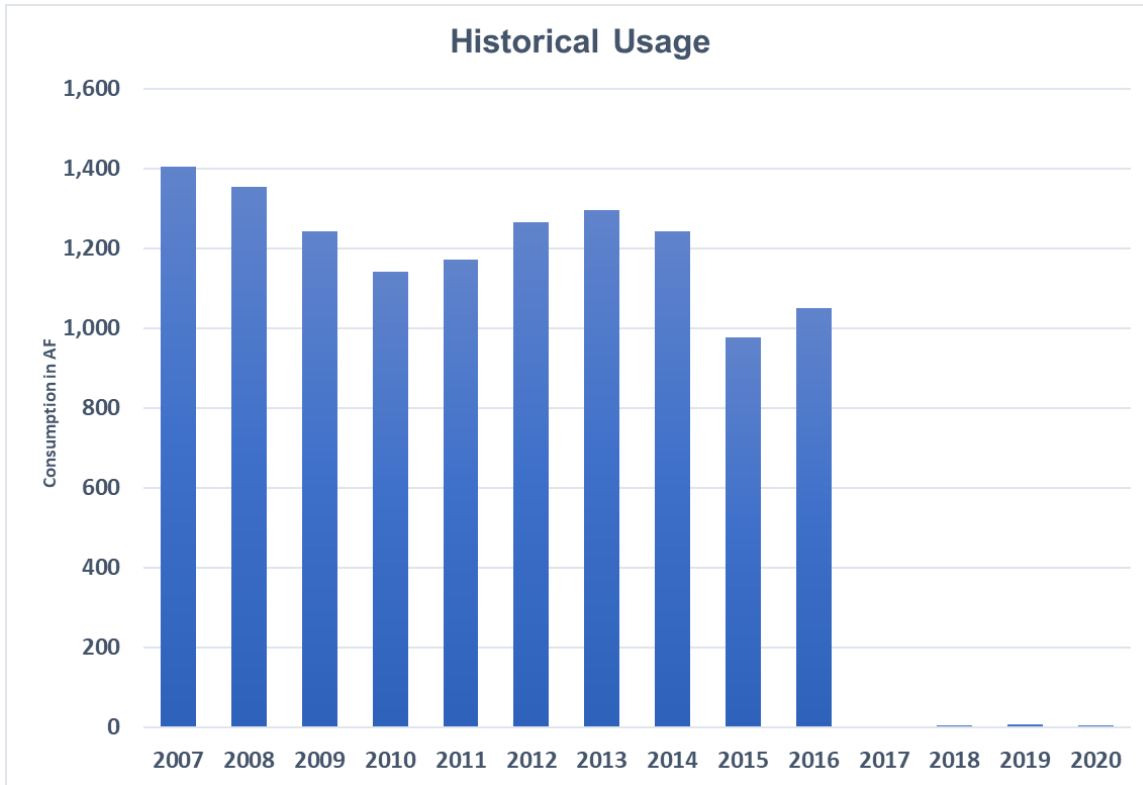
# Background

- Existing wholesale rate was adopted in January 2017
- District 36 has not taken water in amounts expected
- The existing fixed charge is not recovering a fair amount for the Agency maintaining the readiness to serve
- Post merger, we created a new financial model for rates since the retail divisions have been integrated
- Today's presentation will show how this could be resolved

# Assumptions

- Key assumptions used:
  - The readiness to serve volume used: 1250
    - **Based on pre 2017 Ten-year Historical Usage Average**
  - Capacity Base: 6600 Gallons per Minute
    - **Based on Turnout Capacity**

# Historical Usage and Revenues



# Approach taken

- Agency staff recently updated its cost-of-service analysis and unified its retail water rates.
- Using the same cost analysis, a wholesale rate comprised of a fixed charge and volumetric charge has been developed
- Costs that were bucketed into functions, and when applicable to wholesale service, were included in the analysis.

# Results of the cost analysis: Variable Charge

Function	Variable Cost Per ccf
Source of Supply	\$0.28
Purchase Power	\$0.02
Water Quality & Treatment	\$0.05
Water Resources	\$0.13
<b>Total</b>	<b>\$0.48</b>

**Variable Cost per AF = Variable Cost per ccf X 435.599 = \$0.48 x 435.599=\$205.88 AF**

## **Variable Costs include:**

- Source of Supply (Buena Vista/ Rosedale Rio Bravo (BV/RRB) Supply, Banking Programs)
- Purchase Power - Treatment Plant
- Water Quality & Treatment – Treatment Chemicals
- Water Resources (Public Outreach & Communication, Water Efficiency and Conservation)

# Results of the cost analysis: Fixed Costs

Function	Fixed Cost
Water Quality & Treatment	\$48,923
Customer Accounts	\$30
Administrative and General	\$150,131
Water Resources	\$86,914
Water Treatment-Structures & Plant	\$3,634
Transmission & Distribution -Transmission Mains	\$2,706
<b>Total</b>	<b>\$292,338</b>

## Fixed Costs include:

- Water Quality and Treatment (Salaries & Benefits, Lab, Testing, Regulatory Fees, Professional Services)
- Customer Accounts (Salaries & Benefits, Billing)
- Administrative and General (Salaries & Benefits, Insurance, Legal Services)
- Water Resources (Salaries & Benefits, Water Acquisition Costs, Water Shortage Contingency Plan)
- Water Treatment - CIP (Structures and Plant)
- Transmission & Distribution-Transmission Mains - CIP



# Proposed Wholesale Rate

- Variable charge of \$205.88 per acre foot
- Monthly fixed charge ( $\$292,338 \div 12$ ) \$24,362 per month
- With no consumption, expected WWD 36 Revenues will be \$292,388
- Expected total revenue based on the 1250 AF usage will be \$549,688