



Cost of Service & Rate Design Presentation

Finance & Administration Committee Meeting

12/21/2020



Agenda

- Project Calendar Overview
- Cost of Service Summary
- Introduction to Rate Design work
- Customer Impact Review
- Communication Plan
- Questions and Answers

Project Calendar

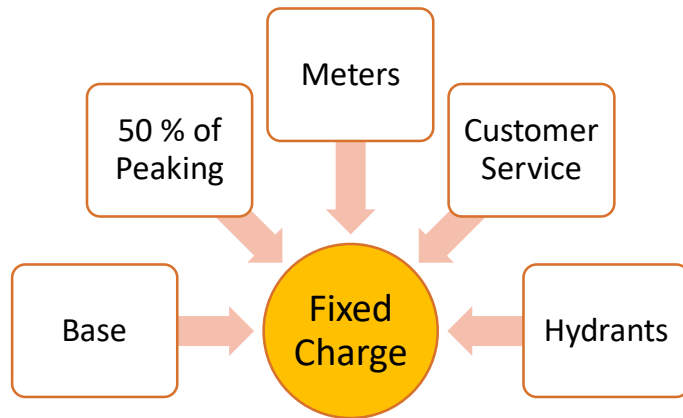


	F&A Committee	Board	Other
Rate Design & Customer Impact 1.0	12/21/2020	X	
Rate Design & Customer Impact 2.0	1/11/2021	2/2/2021	
Proposition 218 Notice Approval	3/1/2020	3/16/2020	
Proposition 218 Mailed			3/31/2020
Board Rates Workshop		4/6/2021	
Ratepayer Advocate Report Published			4/16/2021
Outreach Rates Presentation 1			4/6-5/11
Outreach Rates Presentation 2			4/6-5/11
Outreach Rates Presentation 3			4/6-5/11
Public Hearing		5/18/2021	
Rates Effective			7/1/2021

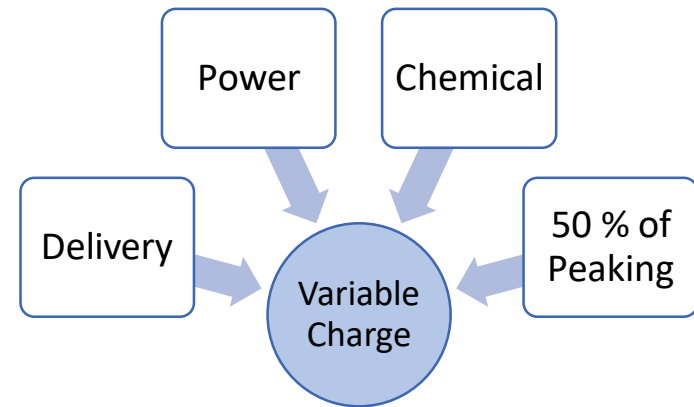
Cost Allocation to Fixed vs. Variable Charge Components



- Test Year: FY 2025-26



- Costs associated with Meters, Peaking, Base, and Hydrants are divided by equivalent meter counts
- Costs associated with Customer Service are divided by number of bills



- All variable costs are divided by the total usage



Cost of Service Analysis Highlights

- What will it cost to continue to provide quality water service throughout Santa Clarita Valley over the next five years?
 - What are the major cost drivers?
 - Are costs in general rising?
- How will revenue grow to meet the rise in costs?
 - Sales forecast
 - Service area growth
 - Generating additional revenue
- Maintaining financial resiliency



Operating & Maintenance Cost Drivers

Description	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26
Total O&M Expenses	\$79,739,226	\$82,954,509	\$85,494,414	\$88,858,882	\$91,105,085
PFAS	\$3,756,167	\$3,891,596	\$4,032,027	\$4,219,230	\$4,415,125
O&M excluding PFAS	\$75,983,059	\$79,062,913	\$81,462,387	\$84,639,652	\$86,689,960
PFAS % of O&M Expenses	4.71%	4.69%	4.72%	4.75%	4.85%



Factors Influencing Revenues

		Sales Forecast in ccf						
Annual Growth		0.29%	0.30%	0.30%	1.30%	1.30%	1.30%	
		FY 2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
ccf		25,797,211	25,872,750	25,949,271	26,026,787	26,365,135	26,707,882	27,055,084

		Meter Growth						
		1.40%	1.40%	1.41%	1.42%	1.42%	1.43%	
		FY 2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Meters		73,767	74,798	75,848	76,919	78,008	79,118	80,248

Raise revenue through a rate case

		5.0%					
		FY 2020-21	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26
Water Sales - Existing		\$ 74,288,710	\$ 74,695,463	\$ 75,111,690	\$ 75,538,110	\$ 76,507,520	\$ 77,494,302
	Year 1 - 5 %		\$ 3,734,773	\$ 3,755,585	\$ 3,776,905	\$ 3,825,376	\$ 3,874,715
	Year 2 - 5 %			\$ 3,943,364	\$ 3,965,751	\$ 4,016,645	\$ 4,068,451
	Year 3 - 5 %				\$ 4,164,038	\$ 4,217,477	\$ 4,271,873
	Year 4 - 5 %					\$ 4,428,351	\$ 4,485,467
	Year 5 - 5 %						\$ 4,709,740



Projected Financial results of 5% revenue growth

	FY2021-22	FY2022-23	FY2023-24	FY2024-25	FY2025-26
Proposed Revenue Growth	5.00%	5.00%	5.00%	5.00%	5.00%
Operating Revenues	\$ 95,186,528	\$ 99,804,951	\$ 104,681,793	\$ 110,479,041	\$ 116,639,544
Non-Operating Revenues	28,719,693	25,079,329	20,340,200	21,232,992	22,028,136
Operating Revenues	\$ 123,906,221	\$ 124,884,280	\$ 125,021,993	\$ 131,712,033	\$ 138,667,680
O&M Expenses	\$ (79,739,226)	\$ (82,954,509)	\$ (85,494,414)	\$ (88,858,882)	\$ (91,105,085)
Debt Service (non Legacy Debt)	\$ (8,780,376)	\$ (8,189,430)	\$ (9,884,387)	\$ (9,841,624)	\$ (11,283,908)
Legacy Debt	\$ (11,193,412)	\$ (11,314,719)	\$ (12,079,497)	\$ (12,210,643)	\$ (12,340,625)
Capital Pay-Go	\$ 24,193,206	\$ 22,425,621	\$ 17,563,695	\$ 20,800,885	\$ 23,938,063

Build to desired annual pay-go of \$25,000,000 per year
 Maintain adequate cash reserves to maintain a credit rating of AA-
 Recover new recurring operational cost of PFAS



Rate Transition

The major task of this rate case is to transition the existing 3 retail customer rate plans into a single rate plan for all customers.

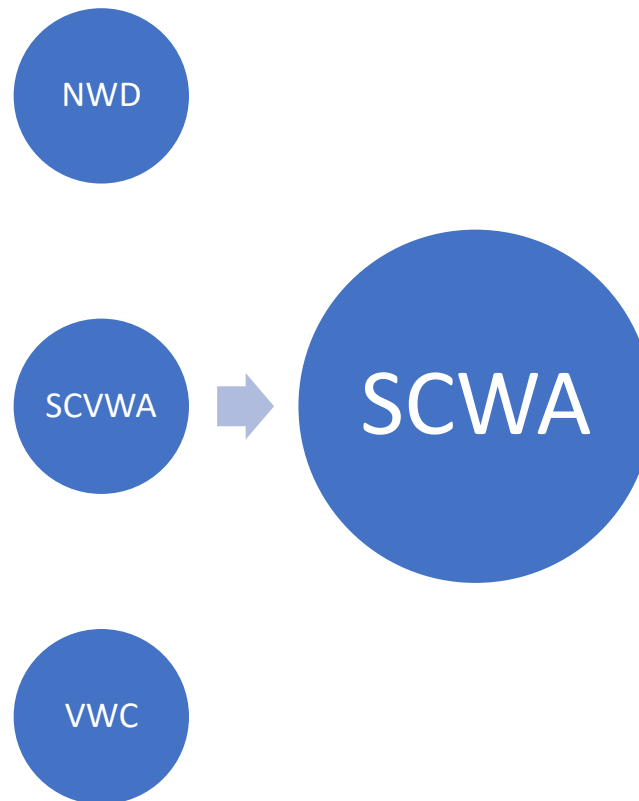
Rate Plan Development: The situation

Currently, each of the three retail divisions have their own unique rate tables.

Existing rates were developed pre-merger.

There has been no rate action taken by the SCVWA to date.

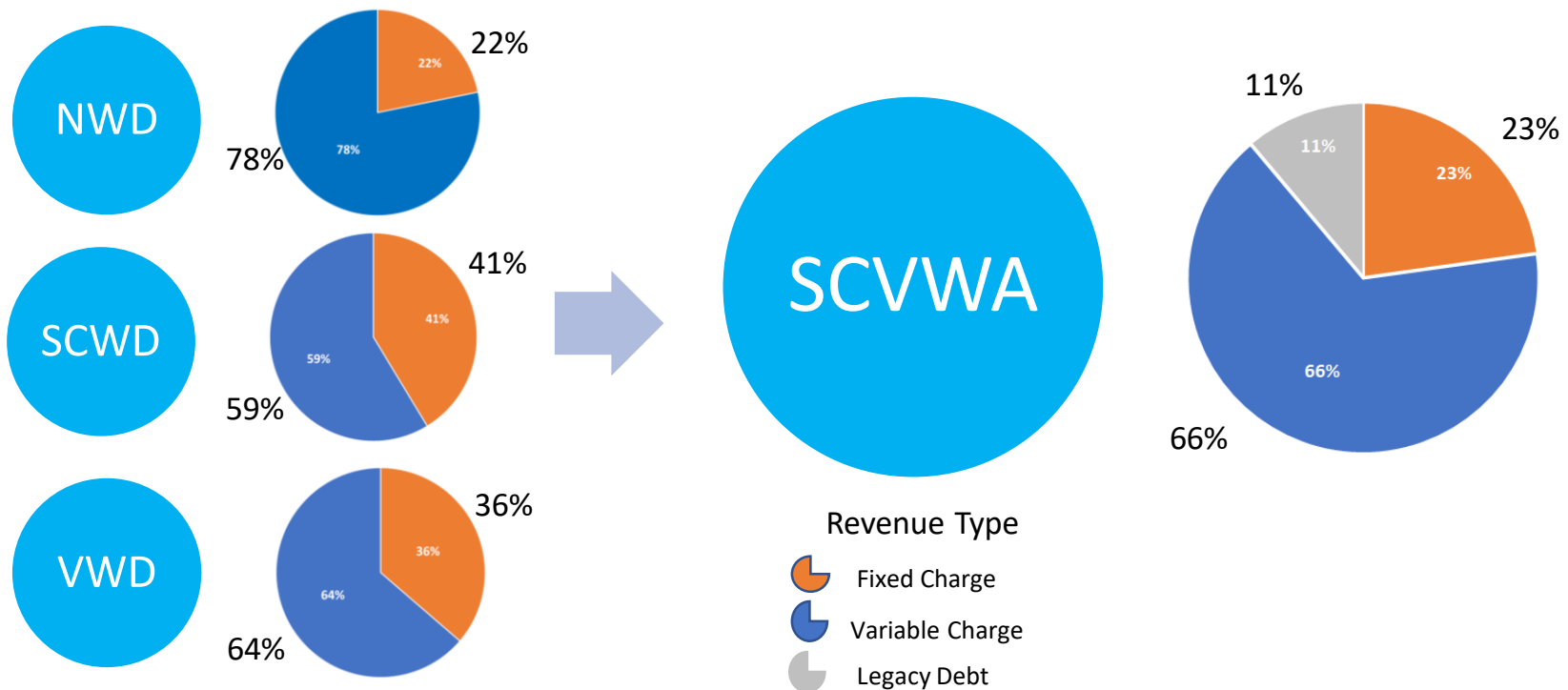
The last rate action at any of the divisions was at VWC where the VWC Board implemented a three-year rate plan that ran through FY2019.



The goals of SCVWA's first rate case has the following objectives:

1. Transition the three retail rates to a single rate over a 5-year period.
2. The single rate table at the end of the transition period will adequately fund the needs of the SCVWA.
3. Use the 5-year transition period to minimize customer impact.
4. Enable an increase in rate revenues to recover the new and recurring costs of PFAS

Rate Plan Development: The situation



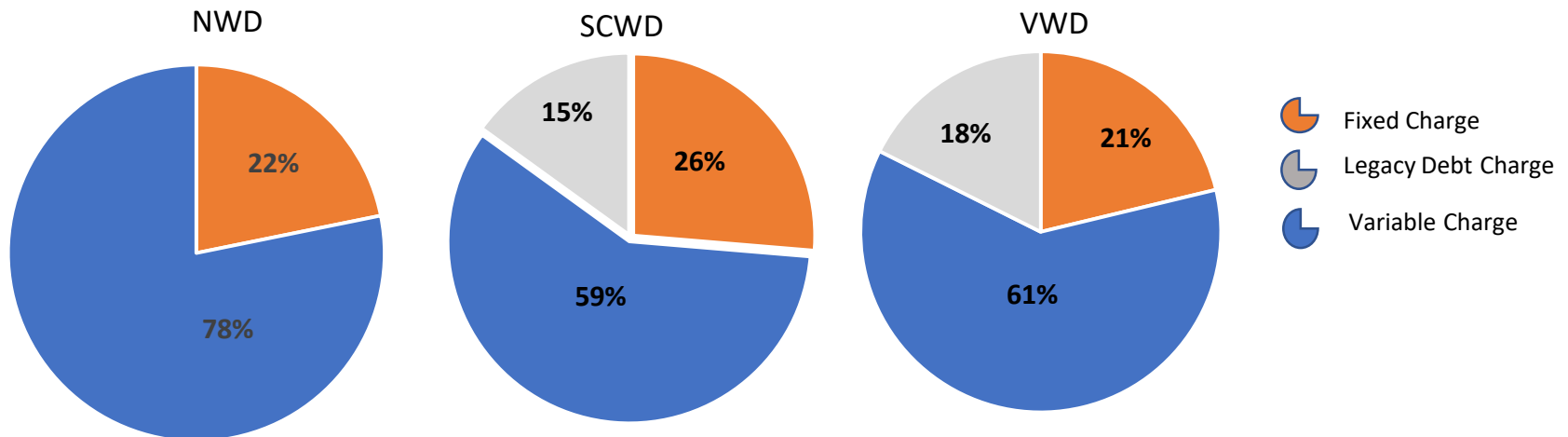
Existing rates with the call out of Legacy Debt

3/4" Current Rates			
	NWD	SCWD	VWD
Variable Charge	\$2.85	\$1.99	\$1.89
Fixed Charge	\$16.14	\$32.28	\$25.22

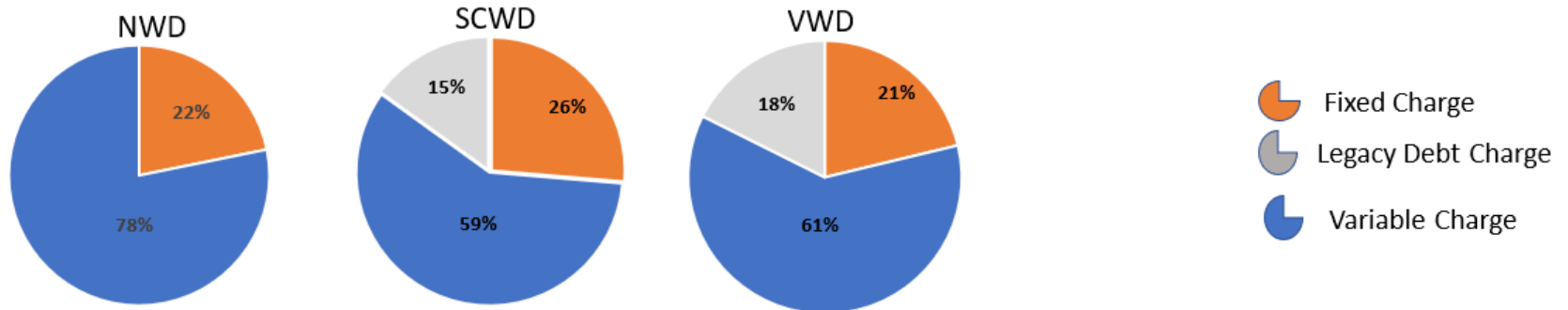
3/4" Current Rates			
	NWD	SCWD	VWD
Variable Charge	\$2.85	\$1.99	\$1.89
Fixed Charge	\$16.14	\$22.08	\$14.19
Legacy Debt	\$0.00	\$10.20	\$11.03

Note: Variable Charge is per unit of water used (ccf)

Note: NWD had no Legacy debt as of 6/30/2020



Legacy Debt



Legacy Debt is debt entered into by the retail agencies prior to the merger. Legacy debt service is an obligation of the former retail agencies that are now division's in SCV Water.

VWD Legacy Debt

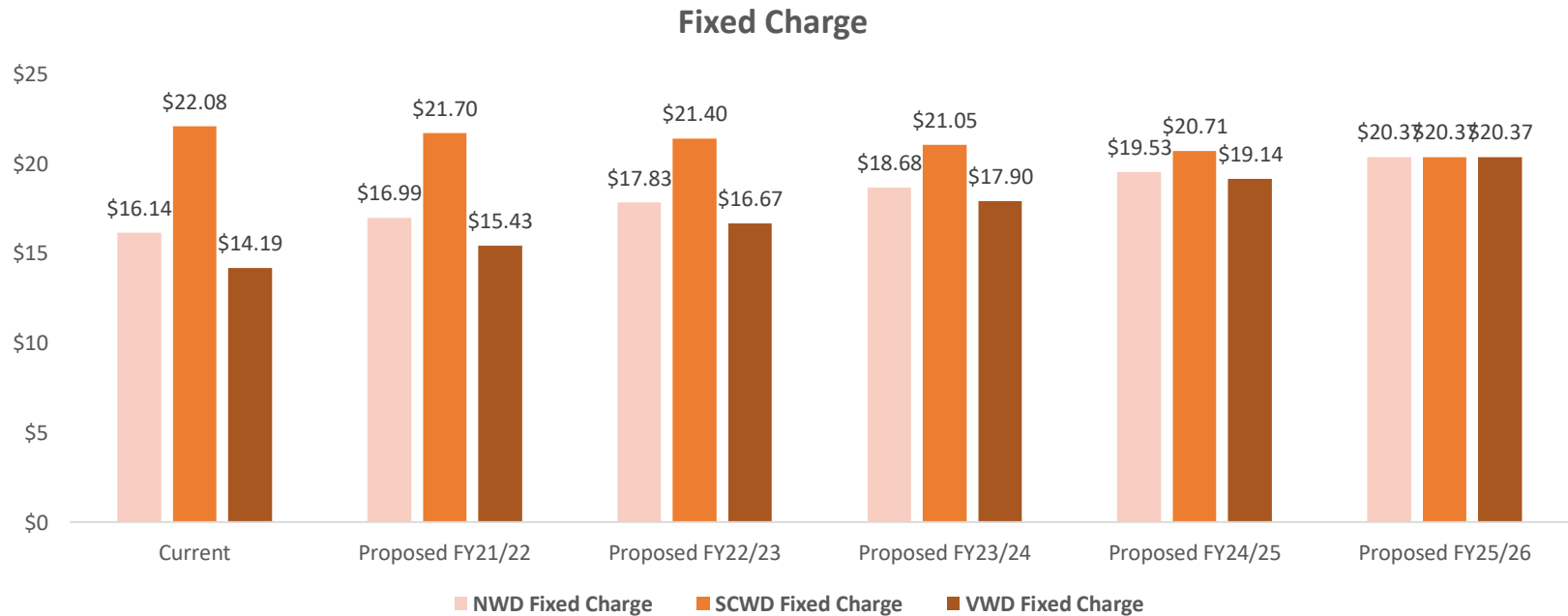
Valencia 2018A bonds. Issued to pay off two senior secured notes with Modern Woodmen that were secured by all of VWD's assets. Principal balance on 6/30/20 was \$26.7 million.

VWD Acquisition loan. In 2018 an intercompany loan was established to reimburse the regional division for the purchase of Valencia Water Company stock. Principal balance on 6/30/20 was \$66.7 million.

SCWD Legacy Debt

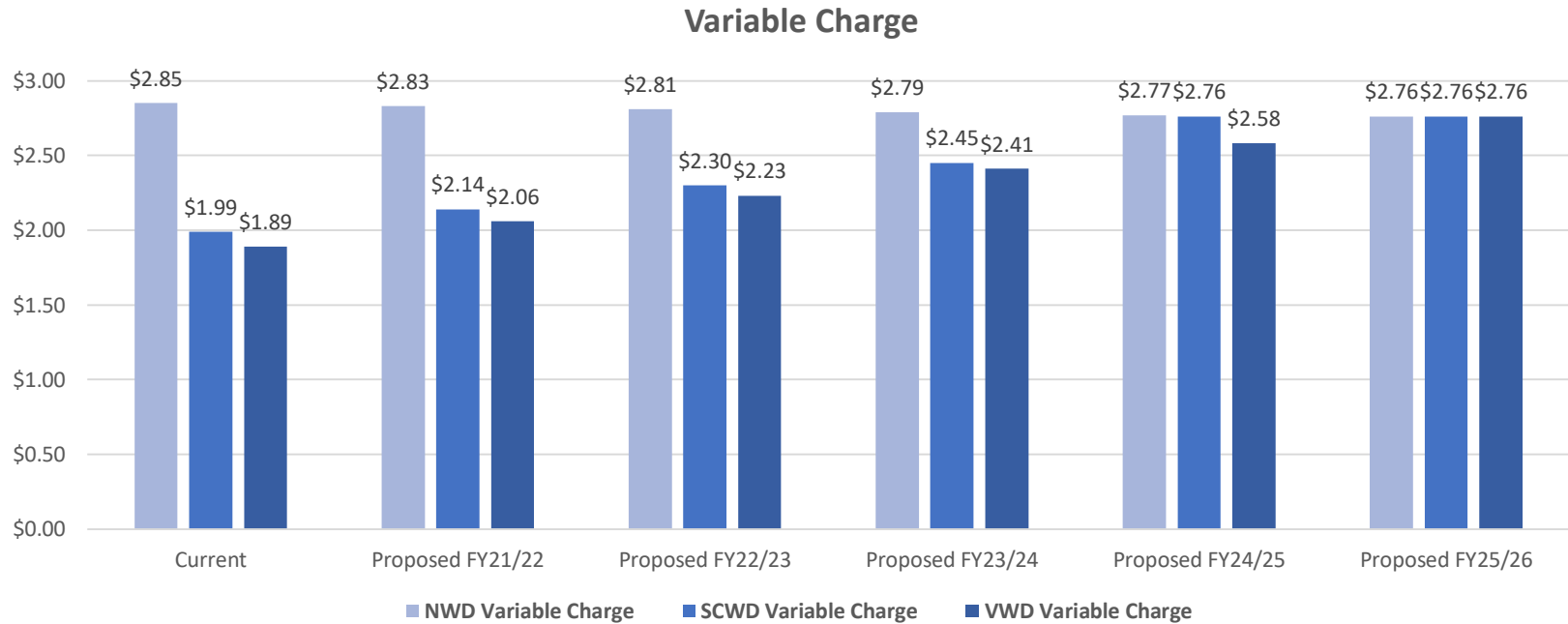
Originally two financings; the first for acquisition of its Administration building and water infrastructure, the second to reimburse regional division for acquisition costs. Both were refinanced into one debt in 2017 (*2017A bond issue*) and most recently refinanced in the *FY2020* refinancing project. Principal balance on 6/30/20 was \$48.5 million.

Fixed Charge Transition 3/4" meter connection



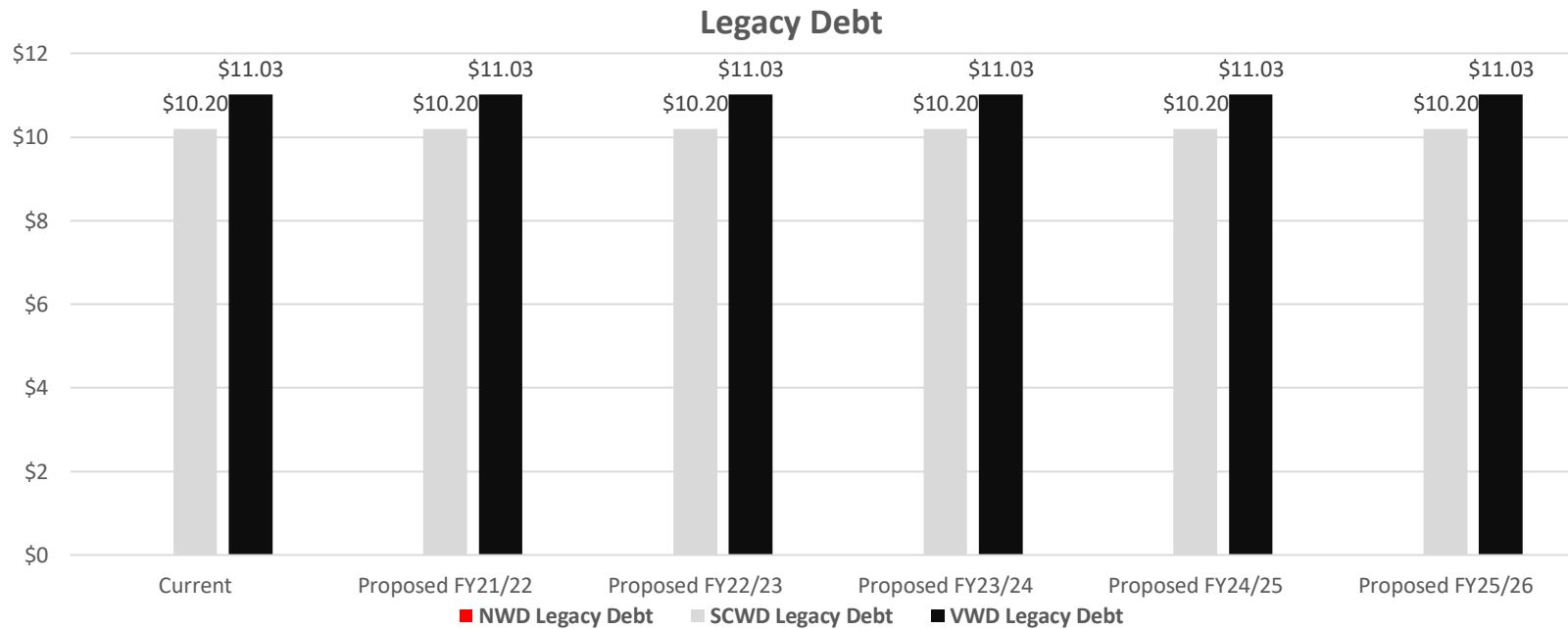


Variable charge transition (per unit)





Legacy Debt annual amounts by Division: 3/4" meter connection





Existing rates will transition to a single, common rate at the end of the rate plan

3/4" Current Rates			
	NWD	SCWD	VWD
Variable Charge	\$2.85	\$1.99	\$1.89
Fixed Charge	\$16.14	\$22.08	\$14.19
Legacy Debt	\$0.00	\$10.20	\$11.03

3/4" Proposed Rates FY25/26			
	NWD	SCWD	VWD
Variable Charge	\$2.76	\$2.76	\$2.76
Fixed Charge	\$20.37	\$20.37	\$20.37
Legacy Debt	\$0.00	\$10.20	\$11.03

Note: Variable Charge is per unit of water used (ccf)



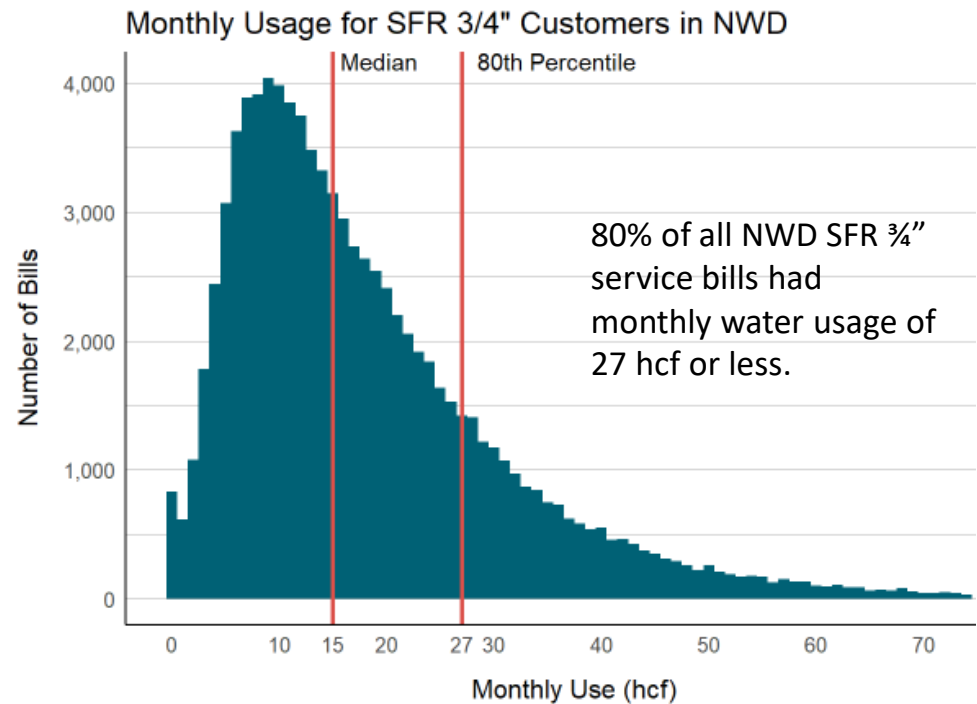
How much water do our customers use?

A review of customer usage to understand scale of customers impacted by the rate plan.

NWD: SFR 3/4" service consumption

Table 1: NWD SFR 3/4" Usage Distribution

Group	Percentage
<= 5 hcf	10.9%
6 - 10 hcf	21.6%
11 - 15 hcf	19.5%
16 - 20 hcf	14.8%
21 - 25 hcf	10.7%
26 - 30 hcf	7.5%
31 - 35 hcf	5.0%
> 35 hcf	10.0%





Year 1 Bill Impact – SFR ¾” Median Usage Newhall Water Division

NWD Current Monthly Bill	
Fix Charge	
3/4" Meter	\$ 16.14
Monthly Usage	15 ccf
Variable Charge	\$ 2.85
Legacy Debt	\$ -
Total Water Bill	\$ 58.95

NWD FY21/22 Monthly Bill	
Fix Charge	
3/4" Meter	\$ 16.99 ↑
Monthly Usage	15 ccf
Variable Charge	\$ 2.83 ↓
Legacy Debt	\$ -
Total Water Bill	\$ 59.44 ↑

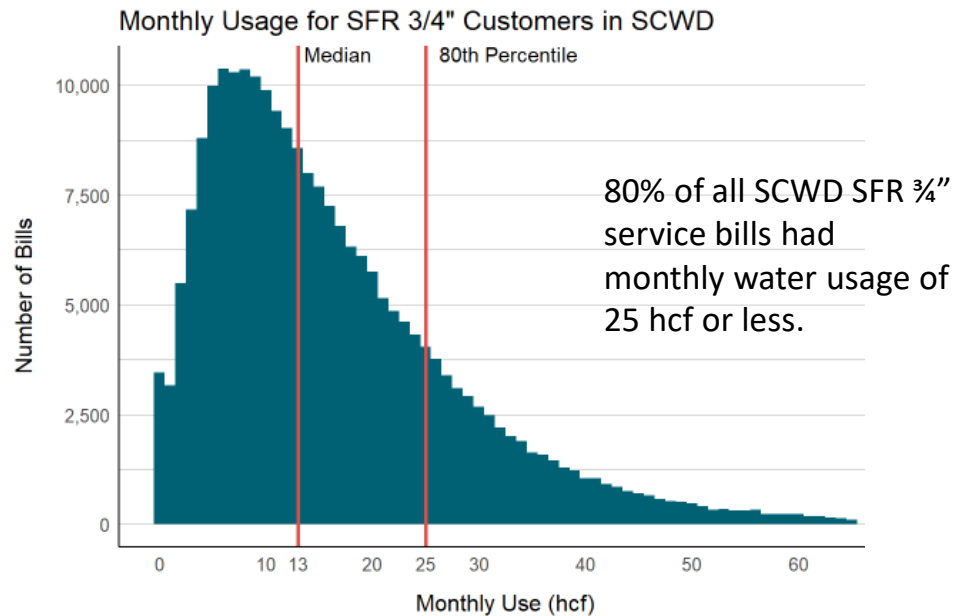
\$0.49 Increase (0.83%)

SCWD: SFR 3/4" service consumption



Table 3: SCWD SFR 3/4" Usage Distribution




Group	Percentage
<= 5 hcf	16.5%
6 - 10 hcf	22.2%
11 - 15 hcf	18.5%
16 - 20 hcf	14.0%
21 - 25 hcf	10.0%
26 - 30 hcf	6.9%
31 - 35 hcf	4.4%
> 35 hcf	7.5%



Year 1 Bill Impact – SFR ¾” Median Usage

Santa Clarita Water Division

SCWD Current Monthly Bill	
Fix Charge	
¾" Meter	\$ 32.28
Monthly Usage	13 ccf
Variable Charge	\$ 1.99
Legacy Debt	\$ -
Total Water Bill	\$ 58.15

SCWD FY21/22 Monthly Bill	
Fix Charge	
¾" Meter	\$ 21.74 
Monthly Usage	13 ccf
Variable Charge	\$ 2.14 
Legacy Debt	\$ 10.20
Total Water Bill	\$ 59.76 

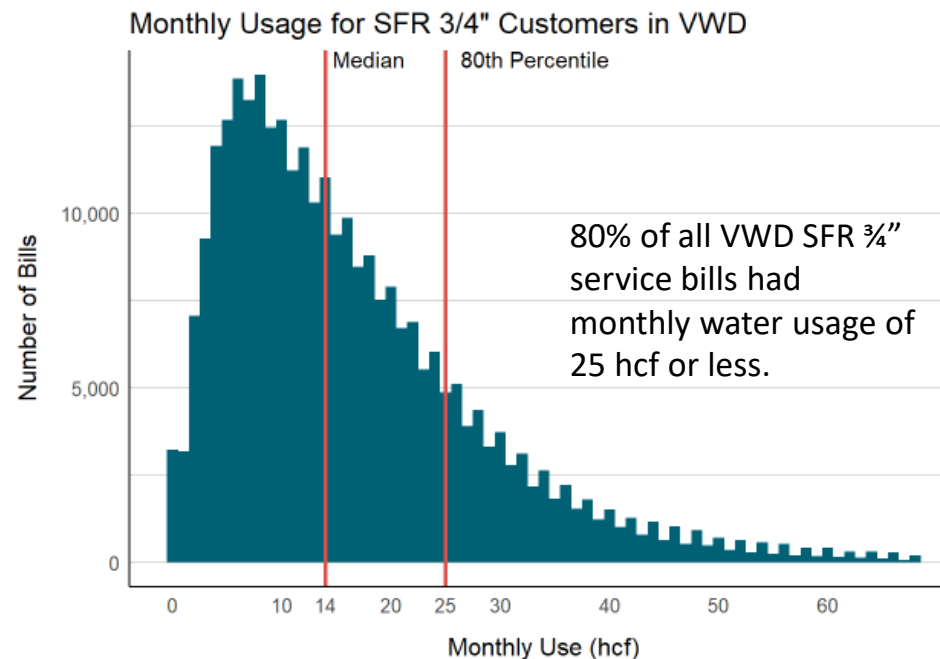
\$1.61 Increase (2.77%)

VWD: SFR ¾" service consumption



Table 2: VWD SFR ¾" Usage Distribution

Group	Percentage
<= 5 hcf	16.0%
6 - 10 hcf	22.4%
11 - 15 hcf	18.2%
16 - 20 hcf	14.4%
21 - 25 hcf	10.2%
26 - 30 hcf	6.9%
31 - 35 hcf	4.2%
> 35 hcf	7.5%





Year 1 Bill Impact – SFR ¾” Median Usage Valencia Water Division

VWD Current Monthly Bill	
Fix Charge	
¾" Meter	\$ 25.22
Monthly Usage	14 ccf
Variable Charge	\$ 1.89
Legacy Debt	\$ -
Total Water Bill	\$ 51.61

VWD FY21/22 Monthly Bill		
<i>Fix Charge</i>		
¾" Meter	\$ 15.43	↓
Monthly Usage	14 ccf	
Variable Charge	\$ 2.06	↑
Legacy Debt	\$ 11.03	
Total Water Bill	\$ 55.30	↑

\$3.69 Increase (7.15%)



Usage of all customers

How would the “average use” customer be impacted?



NWD Bill Impact

Meter Size	# of Customers	Median Monthly Usage	Monthly Billing	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	5 Year Total
				\$ Change	\$ Change	\$ Change	\$ Change	\$ Change	\$ Change
3/4-in	8,266	19	\$69.53	\$0.55	\$0.48	\$0.48	\$0.48	\$0.48	\$2.46
1-in	867	36	\$129.79	-\$2.34	\$0.54	\$0.54	\$0.54	\$0.54	-\$0.18
1 1/2-in	148	113	\$376.76	-\$9.86	\$0.03	\$0.03	\$0.03	\$0.03	-\$9.74
2-in	449	163	\$549.88	-\$18.35	\$0.28	\$0.28	\$0.28	\$0.28	-\$17.24
3-in	1	15	\$202.75	-\$34.07	\$6.07	\$6.07	\$6.07	\$6.07	-\$9.78
4-in	18	372	\$1,330.23	-\$65.40	\$3.07	\$3.07	\$3.07	\$3.07	-\$53.12
6-in	10	521	\$2,022.14	-\$131.84	\$10.34	\$10.34	\$10.34	\$10.34	-\$90.48
8-in	11	915	\$3,467.42	-\$215.07	\$14.79	\$14.79	\$14.79	\$14.79	-\$155.91
10-in	3	520	\$2,720.53	-\$298.94	\$36.89	\$36.89	\$36.89	\$36.89	-\$151.37



SCWD Bill Impact

Meter Size	#of Customers	Median Monthly Usage	Monthly Billing	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	5 Year Total
				\$ Change	\$ Change	\$ Change	\$ Change	\$ Change	\$ Change
5/8-in	5,458	16	\$54.73	\$3.47	\$2.23	\$2.23	\$2.23	\$2.23	\$12.41
3/4-in	20,033	18	\$68.69	\$2.46	\$2.46	\$2.46	\$2.46	\$2.46	\$12.30
1-in	5,514	30	\$106.28	\$7.69	\$4.12	\$4.12	\$4.12	\$4.12	\$24.17
1 1/2-in	783	81	\$247.90	\$18.99	\$11.54	\$11.54	\$11.54	\$11.54	\$65.17
2-in	1,278	164	\$460.80	\$35.90	\$23.76	\$23.76	\$23.76	\$23.76	\$130.93
3-in	52	148	\$555.30	\$27.22	\$20.10	\$20.10	\$20.10	\$20.10	\$107.61
4-in	107	268	\$937.04	\$75.40	\$36.82	\$36.82	\$36.82	\$36.82	\$222.66
6-in	27	654	\$2,103.05	\$169.33	\$91.83	\$91.83	\$91.83	\$91.83	\$536.64
8-in	9	1212	\$3,689.47	\$296.44	\$172.24	\$172.24	\$172.24	\$172.24	\$985.39



VWD Bill Impact

Meter Size	# of Customers	Median Monthly Usage	Monthly Billing	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	5 Year Total
				\$ Change	\$ Change	\$ Change	\$ Change	\$ Change	\$ Change
5/8-in	507	22	\$59.03	\$6.15	\$4.84	\$4.84	\$4.84	\$4.84	\$25.49
3/4-in	26,008	17	\$56.48	\$4.12	\$4.12	\$4.12	\$4.12	\$4.12	\$20.61
1-in	1,396	30	\$98.58	\$4.45	\$7.05	\$7.05	\$7.05	\$7.05	\$32.65
1 1/2-in	436	114	\$298.39	\$13.98	\$23.11	\$23.11	\$23.11	\$23.09	\$106.40
2-in	2,139	170	\$455.88	\$17.81	\$34.79	\$34.79	\$34.79	\$34.74	\$156.91
3-in	130	213	\$654.43	\$11.17	\$46.43	\$46.43	\$46.43	\$46.32	\$196.78
4-in	53	488	\$1,340.62	\$38.86	\$100.22	\$100.22	\$100.22	\$100.04	\$439.58
6-in	20	1492	\$3,653.19	\$163.19	\$289.84	\$289.84	\$289.84	\$289.47	\$1,322.18
8-in	11	1337	\$3,865.16	\$75.76	\$280.75	\$280.75	\$280.75	\$280.14	\$1,198.14



COMMUNICATIONS TIMELINE

● KEY MESSAGES/MESSAGE
DECK - NOW

● PUBLIC HEARING
NOTICE – 3/31

● RATES COMMUNICATION
TRAINING – 4/5

● COMMUNITY MEETING
FACILITATION – 4/26

● RESOURCES DEVELOPED:
• VIDEO
• COLLATERAL
• FAQs
• BILL ESTIMATOR



Discussion