PROPOSED RATES & CHARGES

November 2016
ABOUT DWA

- Groundwater management
- Drinking water
- Recycled water
- Sewer service
- Conservation incentives
DID YOU KNOW?

• Not-for-profit, public water agency
• Publicly elected Board of Directors
• Serves ~105,000 people drinking water
• Water meets all water quality standards
• Palm Springs, part of Cathedral City
• 325-square-mile service area
• One of 29 State Water Contractors
HYDROPOWER

- Commissioned in 1980s
- 1.7 MW
- Two facilities
- Power sold to SCE
- Takes advantage of imported water
- Negotiated new tariff to earn an additional $1.5M over next 20 years
SOLAR ENERGY

• Built in 2005/11
• Just over 1 MW
  ▪ Recycled water plant
  ▪ Headquarters
• 4500 panels
• 250+ homes
• Drought-proof source
• DWA got $1.9M in incentives
RECYCLED WATER

- Eight locations
- Used for landscape
- Offsets potable use
- Solar powered
- Saves energy from pumping
- Recycles almost all
- Improves water quality
UNIT RATE

Less than $0.002 per gallon.

$1.57 buys about:

• 5,667 bottles of water
• 60 five-minute showers
• 125 dishwasher loads
• 25 large laundry loads
• 36 minutes of flowing garden hose
• 1/20 of a pool fill

1 billing unit = 1 hundred cubic feet = 748.05 gallons = $1.57
WATER SERVICE CHARGE

- Depends on size of meter
- Currently $10.75 for most DWA customers
- Access to around the clock water service
- Fire protection, health and safety
- Helps covers costs like:
  - Meter itself
  - Meter reading
  - System maintenance
COST OF SERVICE STUDY

Analysis:

*DWA not charging enough to cover costs*
DWA Costs

Water Supply 43%

Capital Projects 12%

Salaries & Benefits 11%

Operating Expenses 34%
ENERGY COSTS CUT

• Demand bid program saved $712,000 since ‘09
  • Turn off pumps @ high use times
  • Paid for non-use
• SCE incentives
  • Solar ($1.9M)
  • Well retrofits ($117k)
• Strategic use
  • Efficient wells
**OTHER COSTS CUT**

Energy costs  $3.5M

2016 bond refinance  $5M over life of bond

2007 employee medical cuts  $5M to date

Pension restructuring  $3M to date

’12-present grants  $5M

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$21.5M+ and growing

+ Proactive maintenance of infrastructure
+ Lean team (low ratio of employees to customers)
+ Conscious of spending ratepayer dollars
WHY NOW?

• Last rate increase in July 2014, approved back in 2010
• Leaky pipes
• Drought conditions
• Regulations
WHY NOT BUDGET BASED RATES?

• Extensive setup needs
• New hires required
• Potential legal hurdles
• Drive costs up further
WHY THE INCREASE?

- Dated infrastructure in need of replacement
- Increasing cost of imported water
- High fixed costs
- Sustainability
LEAKY PIPELINES

20% of DWA’s pipelines are more than 55 years old and in need of repair or replacement.
OLDER PIPES: SOURCE OF LEAKS

- 34% Unlined Steel
- 27% Asbestos-Cement
- 19% Ductile Iron
- 20% CML/CMC Steel

94% of leaks are due to older pipes.

Legend:
- Unlined Steel
- Asbestos-Cement
- Ductile Iron
- CML/CMC Steel
LEAK OCCURRENCE

Number of pipeline leaks repaired per year

- 2010
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016 so far
IMPORTED WATER CHARGES

DWA share of Delta Charges (one part of SWP cost)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>2016</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>2017</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>2018</td>
<td>$4,000,000</td>
</tr>
</tbody>
</table>
HIGH FIXED COSTS

• Drought dropped volume of water served
• Same pipelines, reservoirs, equipment, etc. to maintain
FINANCIAL EXPERTS

• NBS
• Independent analysis
• Specializes in water rates
PROCESS

- Cost-of-service study
- Board study session
- Proposition 218 notice mailed
- Community outreach
- Public hearing
- Board evaluation
- Rates go into effect
- First bills
## Proposed Monthly Water Service Charge

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>5/8&quot; - 3/4&quot;</td>
<td>$10.75</td>
<td>$14.41</td>
<td>$18.12</td>
<td>$22.48</td>
<td>$27.60</td>
<td>$33.53</td>
</tr>
<tr>
<td>1&quot;</td>
<td>$13.25</td>
<td>$14.41</td>
<td>$18.12</td>
<td>$22.48</td>
<td>$27.60</td>
<td>$33.53</td>
</tr>
<tr>
<td>1 1/2&quot;</td>
<td>$19.75</td>
<td>$27.52</td>
<td>$34.59</td>
<td>$42.92</td>
<td>$52.70</td>
<td>$64.02</td>
</tr>
<tr>
<td>2&quot;</td>
<td>$27.75</td>
<td>$43.24</td>
<td>$54.35</td>
<td>$67.44</td>
<td>$82.82</td>
<td>$100.61</td>
</tr>
<tr>
<td>3&quot;</td>
<td>$34.00</td>
<td>$85.18</td>
<td>$107.06</td>
<td>$132.85</td>
<td>$163.14</td>
<td>$198.18</td>
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<tr>
<td>4&quot;</td>
<td>$73.00</td>
<td>$132.35</td>
<td>$166.36</td>
<td>$206.43</td>
<td>$253.50</td>
<td>$307.94</td>
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<tr>
<td>6&quot;</td>
<td>$185.50</td>
<td>$263.40</td>
<td>$331.08</td>
<td>$410.82</td>
<td>$504.50</td>
<td>$612.85</td>
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<tr>
<td>8&quot;</td>
<td>$330.75</td>
<td>$420.66</td>
<td>$528.74</td>
<td>$656.08</td>
<td>$805.69</td>
<td>$978.73</td>
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</tbody>
</table>
## Cost/Revenue Transition

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>63%</td>
<td>Fixed %</td>
<td>17%</td>
<td>21%</td>
<td>23%</td>
<td>26%</td>
<td>28%</td>
<td>30%</td>
</tr>
<tr>
<td>37%</td>
<td>Variable %</td>
<td>83%</td>
<td>79%</td>
<td>77%</td>
<td>74%</td>
<td>72%</td>
<td>70%</td>
</tr>
</tbody>
</table>
## Proposed Rates (per hcf)

1 HCF = 100 cubic feet = 748 gallons

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Domestic water (per 100 cubic feet)</td>
<td>$1.57</td>
<td>$1.57</td>
<td>$1.72</td>
<td>$1.89</td>
<td>$2.08</td>
<td>$2.28</td>
</tr>
<tr>
<td>Sanitation (sewer) flat rate imposed by Desert Water Agency**</td>
<td>$5.00</td>
<td>$5.36</td>
<td>$5.55</td>
<td>$5.74</td>
<td>$5.94</td>
<td>$6.15</td>
</tr>
</tbody>
</table>

** Does not apply to any DWA customers in Palm Springs
## Proposed Zone Pumping Charges (per hcf)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>A: Acanto, Andreas Hills, Janis Tuscany, Palm Oasis, Terrace</td>
<td>$0.13</td>
<td>$0.16</td>
<td>up to $0.18</td>
<td>up to $0.21</td>
<td>up to $0.24</td>
<td>up to $0.28</td>
</tr>
<tr>
<td>B: Lower Southridge, Vista Miller</td>
<td>$0.19</td>
<td>$0.22</td>
<td>up to $0.24</td>
<td>up to $0.26</td>
<td>up to $0.28</td>
<td>up to $0.31</td>
</tr>
<tr>
<td>C: Upper Southridge</td>
<td>$0.46</td>
<td>$0.53</td>
<td>up to $0.56</td>
<td>up to $0.58</td>
<td>up to $0.61</td>
<td>up to $0.64</td>
</tr>
<tr>
<td>D: Tramway</td>
<td>$1.95</td>
<td>$2.30</td>
<td>up to $2.43</td>
<td>up to $2.56</td>
<td>up to $2.70</td>
<td>up to $2.85</td>
</tr>
</tbody>
</table>
**Proposed Drought Surcharge (per hcf)**

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>$0.09</td>
<td>$0.10</td>
<td>$0.12</td>
<td>$0.14</td>
<td>$0.16</td>
</tr>
<tr>
<td>20%</td>
<td>$0.21</td>
<td>$0.22</td>
<td>$0.28</td>
<td>$0.32</td>
<td>$0.37</td>
</tr>
<tr>
<td>30%</td>
<td>$0.36</td>
<td>$0.38</td>
<td>$0.48</td>
<td>$0.55</td>
<td>$0.63</td>
</tr>
<tr>
<td>40%</td>
<td>$0.56</td>
<td>$0.59</td>
<td>$0.74</td>
<td>$0.85</td>
<td>$0.98</td>
</tr>
<tr>
<td>50%</td>
<td>$0.85</td>
<td>$0.88</td>
<td>$1.11</td>
<td>$1.28</td>
<td>$1.46</td>
</tr>
<tr>
<td>60%</td>
<td>$1.27</td>
<td>$1.31</td>
<td>$1.66</td>
<td>$1.92</td>
<td>$2.20</td>
</tr>
</tbody>
</table>

**Reduction required is compared to DWA total use from April 2015 to March 2016.**
AVERAGE SINGLE-FAMILY HOME BILL (26 hcf, ¾” or 1” meter)

<table>
<thead>
<tr>
<th>Year</th>
<th>Current</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2016/17</td>
<td>$51.57</td>
<td>$51.57</td>
</tr>
<tr>
<td>FY 2017/18</td>
<td>$55.23</td>
<td>$62.92</td>
</tr>
<tr>
<td>FY 2018/19</td>
<td>$51.57</td>
<td>$71.65</td>
</tr>
<tr>
<td>FY 2019/20</td>
<td>$51.57</td>
<td>$81.57</td>
</tr>
<tr>
<td>FY 2020/21</td>
<td>$51.57</td>
<td>$92.81</td>
</tr>
</tbody>
</table>
Residential Water Bill Comparison
Current vs. Proposed 2016/17 Rates (3/4 & 1" Meter)

Average WINTER Bill (17 hcf/mo.)
- 41% of Customer Bills

Average ANNUAL Bill (26 hcf/mo.)
- 24% of Customer Bills

Average SUMMER Bill (33 ccf/mo.)
- 18% of Customer Bills

Monthly Bill

Monthly Water Consumption (CCF)

- $18.60
- $26.45
- $37.44
- $43.72
- $51.57
- $57.85
- $62.56
- $73.55
- $89.25

- $22.26
- $30.11
- $41.10
- $47.38
- $55.23
- $61.51
- $66.22
- $77.21
- $92.91

SFR Bill - Current Rates
SFR Bill - Proposed Rates
Commercial Water Bill Comparison
Current vs. Proposed 2016/17 Rates (1.5" Meter)

- **Average WINTER Bill (100 ccf/mo.)**
  - 33% of Customer Bills
- **Average ANNUAL Bill (135 ccf/mo.)**
  - 35% of Customer Bills
- **12% of Customer Bills**
  - Average SUMMER Bill (163 ccf/mo.)

### Monthly Bill
- **Commercial Bill - Current Rates**
- **Commercial Bill - Proposed Rates**
YOUR BILL

- Bill estimator available after meeting
CONSERVATION RESOURCES

• Turf buy back
• Smart irrigation controllers
• High-efficiency toilets
• Various DWA coupons (car wash, pool treatment, leak detection)
CUSTOMER ASSISTANCE

New program established and administered through United Way of the Desert (UWD).

• Once annual credit on bill
• Need-based, verified by UWD
• DWA employees & vendors fund

Call: 760-323-2731
HOW DO I PROTEST?

- Mail
- Drop off
- In person

In writing by the close of the public hearing on December 15
WHY SAVE WATER?

• Use less = pay less
• DWA and/or CA incentives
• Protect resource
• Future generations
WHAT IF I CAN’T AFFORD IT?

• Customer Assistance Program
• United Way of the Desert community resources
• Call 760-323-2731
WHAT'S NEXT?

• More public workshops
• Public hearing (Dec 15)
• If passed, new rates go into effect on January 1, 2017
• Bills with new rates would go out in February 2017
PUBLIC HEARING

Thursday, December 15 at 6:00 p.m.
Cielo Vista Charter School cafeteria
• Voice your views to Board
• Submit written protest (mail and drop off okay too)
QUESTIONS