

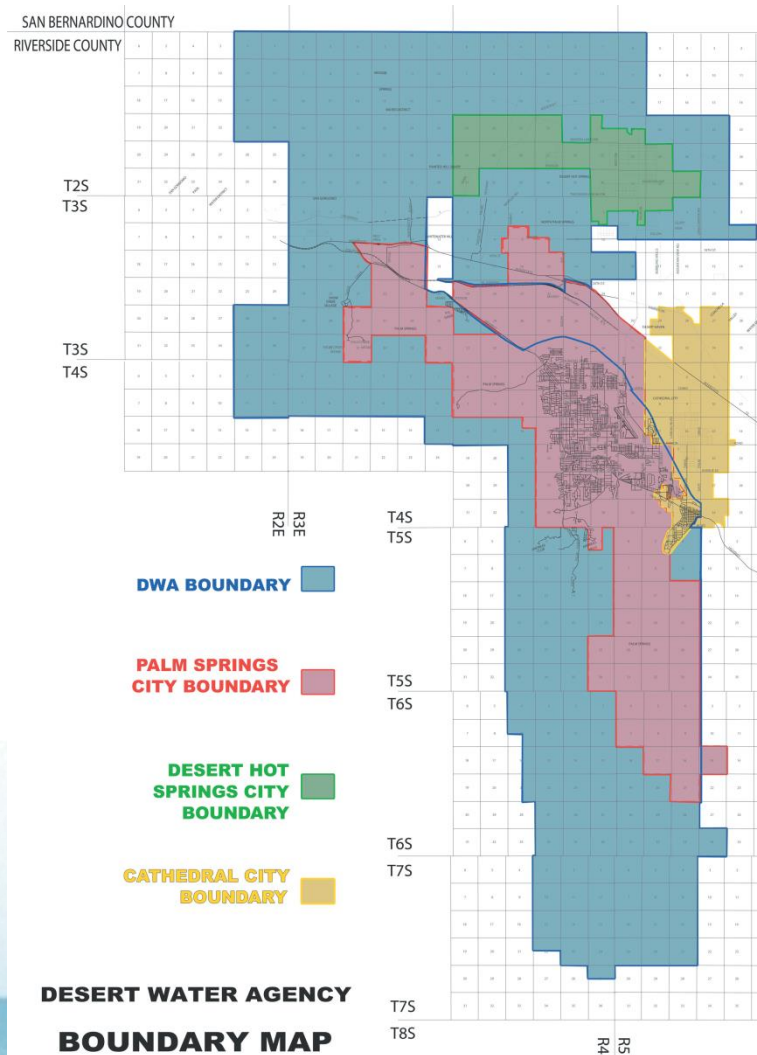
DESERT WATER



**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

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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

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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

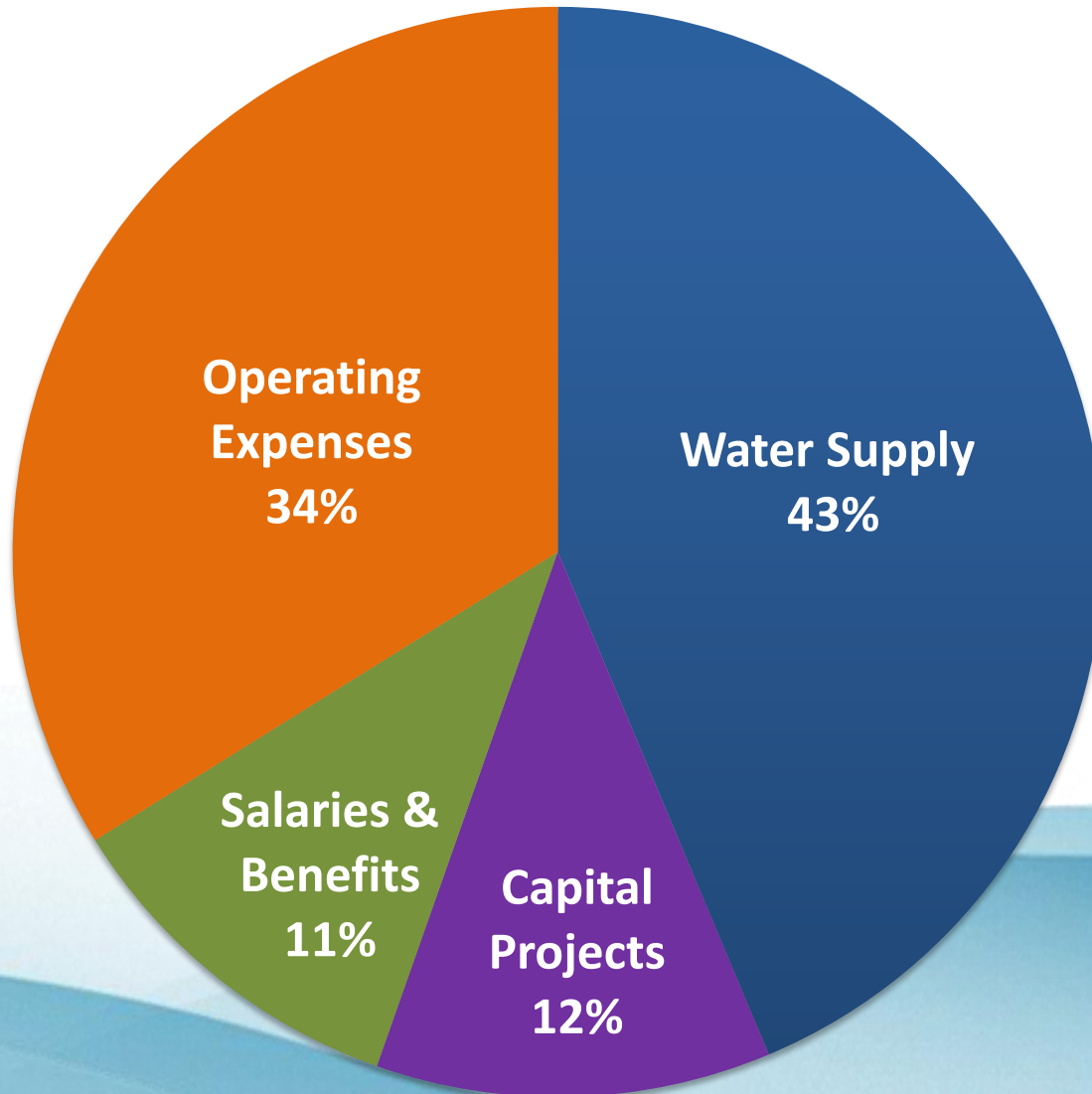
Analysis:

*DWA not charging
enough to cover
costs*

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DWA COSTS



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



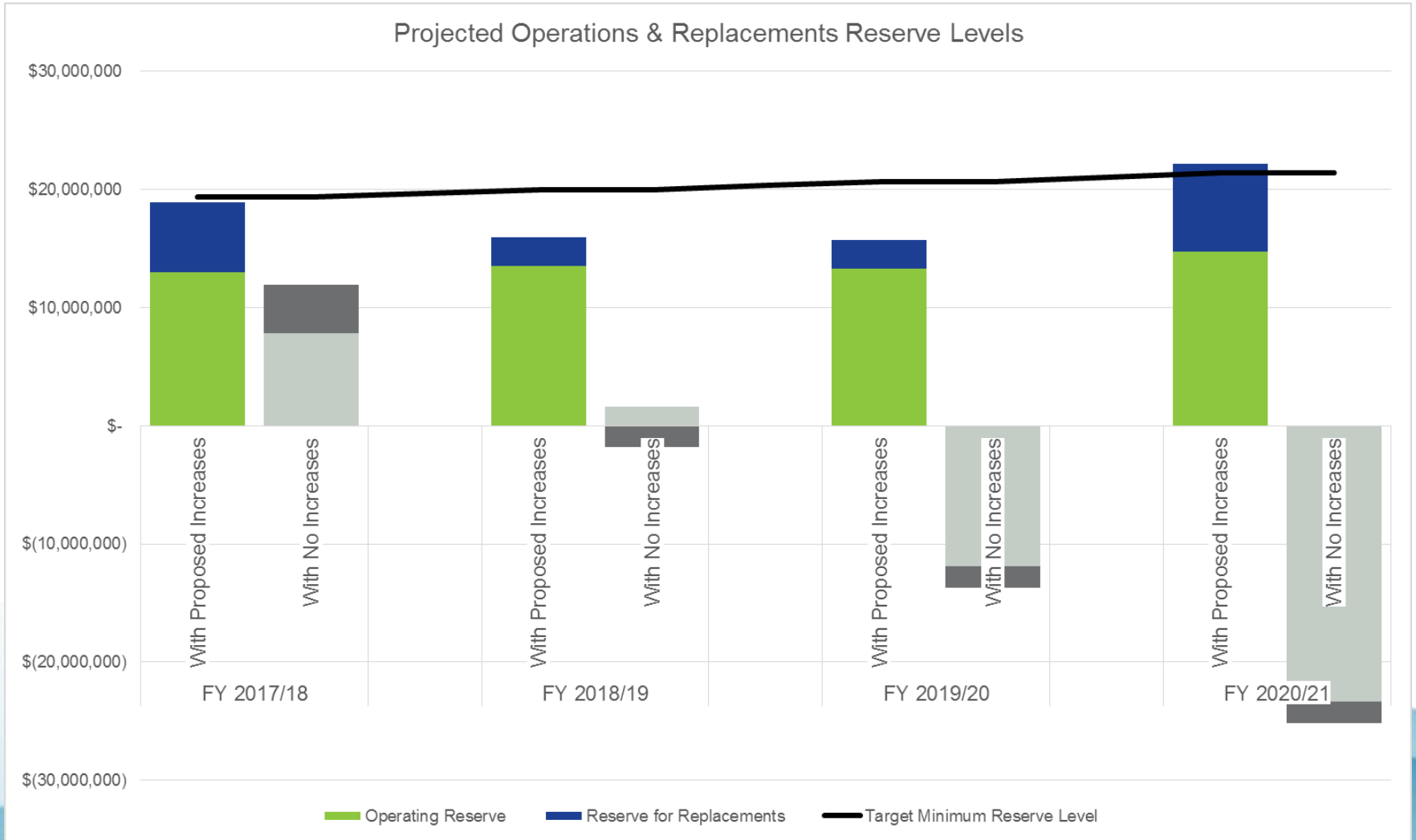
OTHER COSTS CUT

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
	<hr/>
	\$21.5M+ and growing

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

RESERVES

Projected Operations & Replacements Reserve Levels



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

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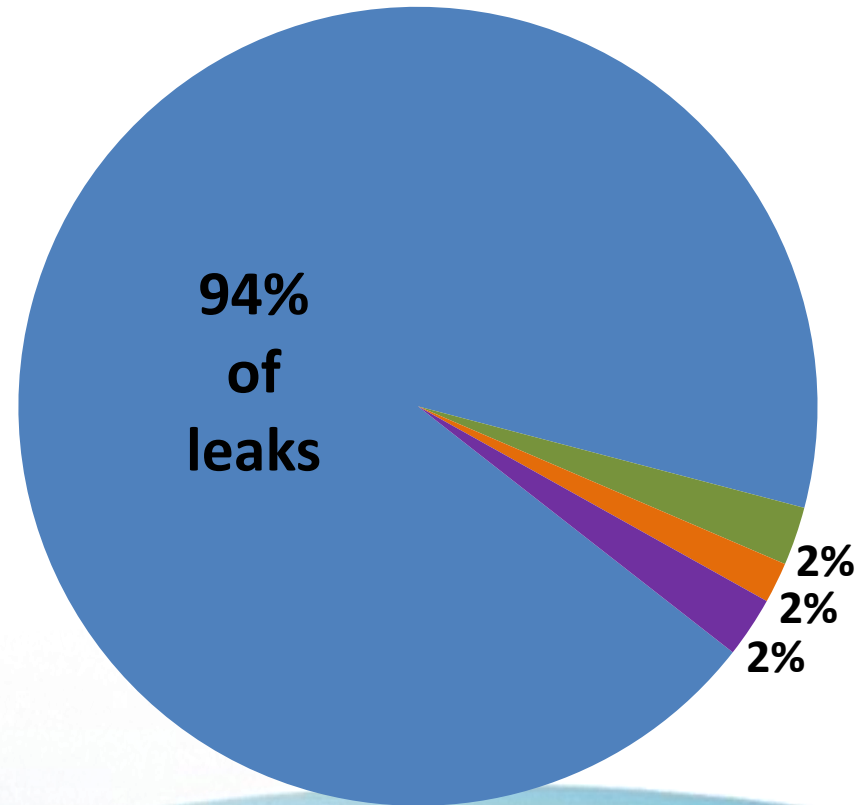
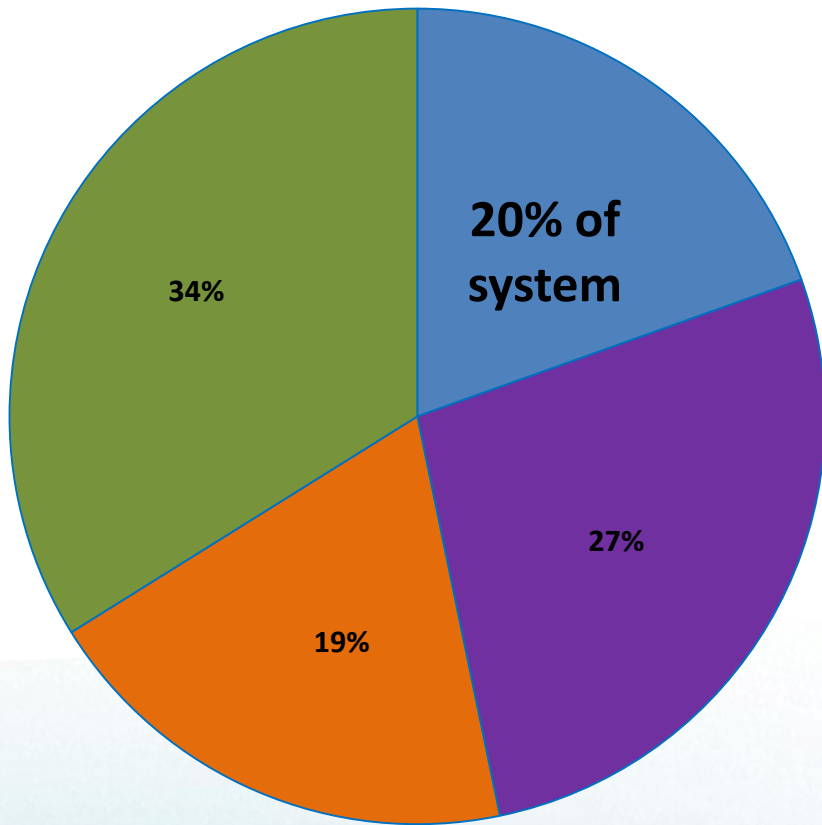


LEAKY PIPELINES

20% of DWA's pipelines are more than 55 years old and in need of repair or replacement.



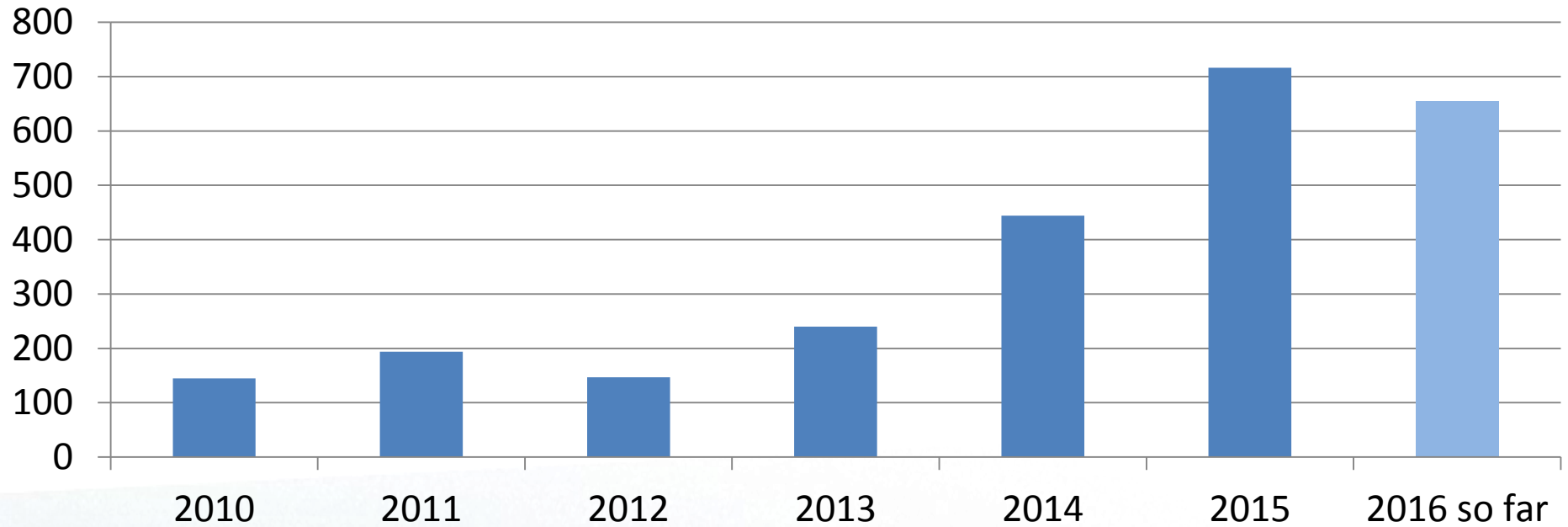
OLDER PIPES: SOURCE OF LEAKS



- Unlined Steel
- Asbestos-Cement
- Ductile Iron
- CML/CMC Steel

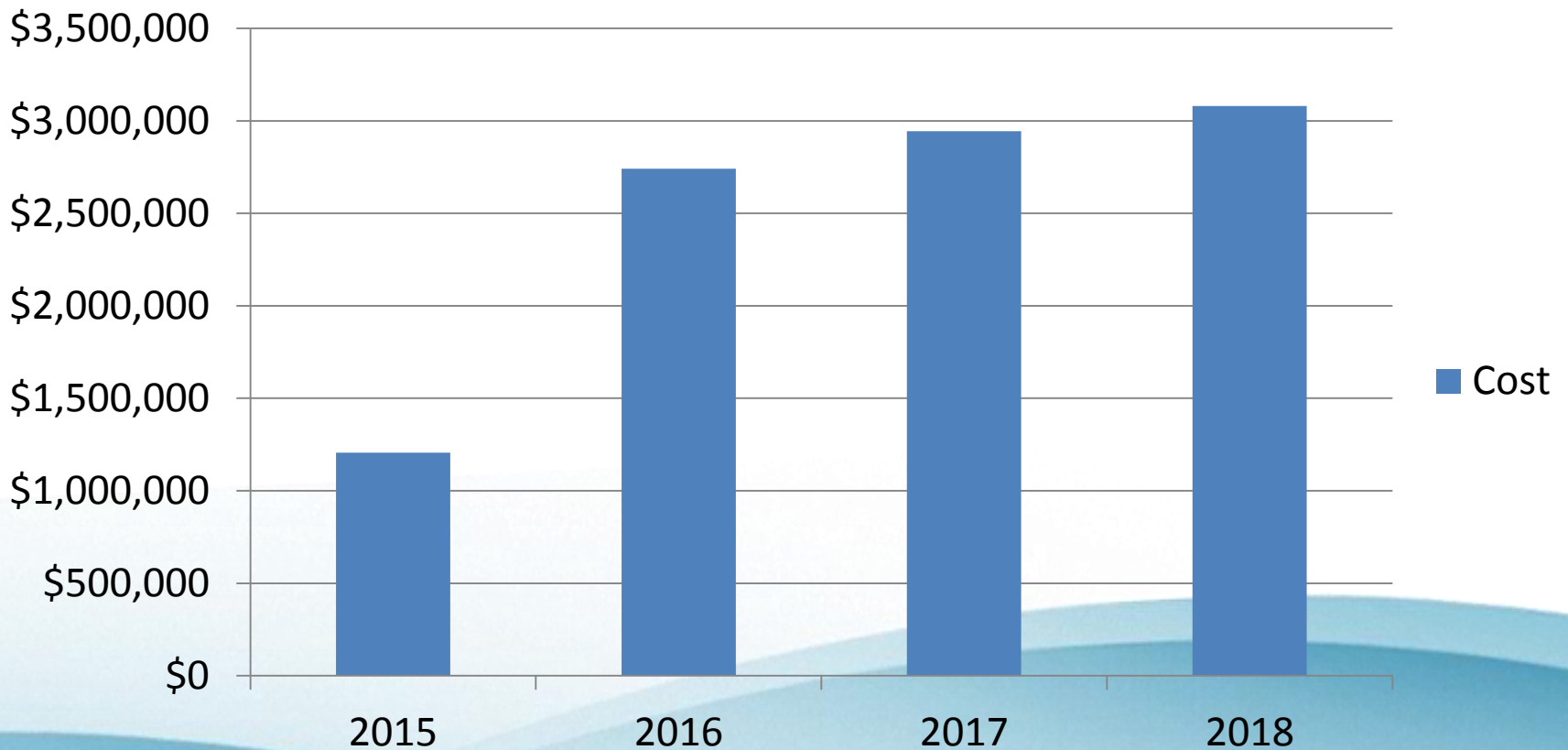
LEAK OCCURRENCE

Number of pipeline leaks repaired per year



IMPORTED WATER CHARGES

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



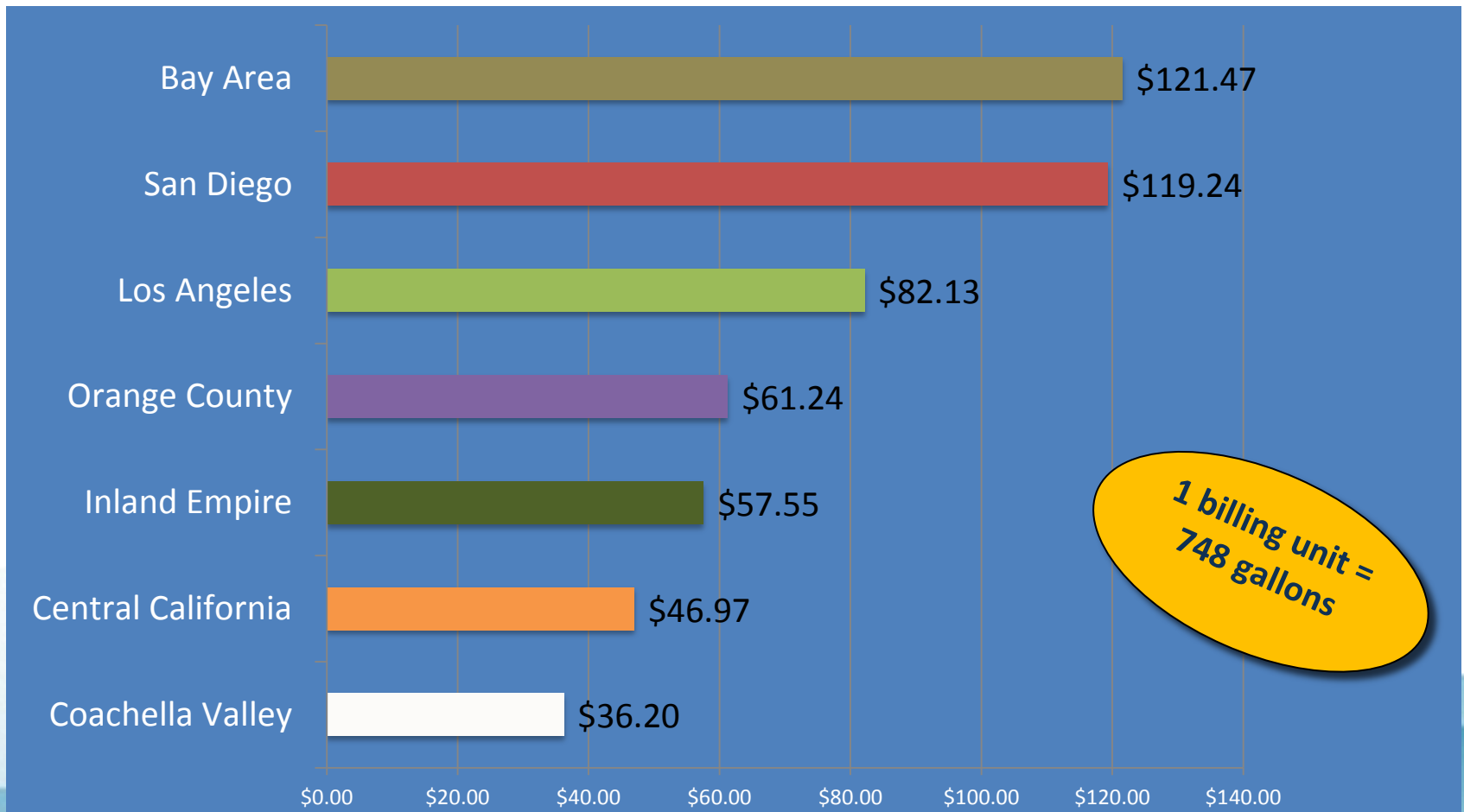
HIGH FIXED COSTS

- Drought dropped volume of water served
- Same pipelines, reservoirs, equipment, etc. to maintain

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HOW WE STACK UP



Average bills compared

FINANCIAL EXPERTS

- NBS
- Independent analysis
- Specializes in water rates

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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

Meter size	Current	Proposed Jan. 1, 2017	Proposed Jul. 1, 2017	Proposed Jul. 1, 2018	Proposed Jul. 1, 2019	Proposed Jul. 1, 2020
5/8" - 3/4"	\$10.75	\$14.41	\$18.12	\$22.48	\$27.60	\$33.53
1"	\$13.25	\$14.41	\$18.12	\$22.48	\$27.60	\$33.53
1 1/2"	\$19.75	\$27.52	\$34.59	\$42.92	\$52.70	\$64.02
2"	\$27.75	\$43.24	\$54.35	\$67.44	\$82.82	\$100.61
3"	\$34.00	\$85.18	\$107.06	\$132.85	\$163.14	\$198.18
4"	\$73.00	\$132.35	\$166.36	\$206.43	\$253.50	\$307.94
6"	\$185.50	\$263.40	\$331.08	\$410.82	\$504.50	\$612.85
8"	\$330.75	\$420.66	\$528.74	\$656.08	\$805.69	\$978.73

COST/REVENUE TRANSITION

Actual costs	Cost/Revenue type	Current Revenues	Proposed Jan. 1, 2017	Proposed Jul. 1, 2017	Proposed Jul. 1, 2018	Proposed Jul. 1, 2019	Proposed Jul. 1, 2020
63%	Fixed %	17%	21%	23%	26%	28%	30%
37%	Variable %	83%	79%	77%	74%	72%	70%

PROPOSED RATES (per hcf)

1 HCF = 100 cubic feet = 748 gallons

Rate type	Current	Proposed Jan. 1, 2017	Proposed Jul. 1, 2017	Proposed Jul. 1, 2018	Proposed Jul. 1, 2019	Proposed Jul. 1, 2020
Domestic water (per 100 cubic feet)	\$1.57	\$1.57	\$1.72	\$1.89	\$2.08	\$2.28
Sanitation (sewer) flat rate imposed by Desert Water Agency**	\$5.00	\$5.36	\$5.55	\$5.74	\$5.94	\$6.15

** Does not apply to any DWA customers in Palm Springs

PROPOSED ZONE PUMPING CHARGES (per hcf)

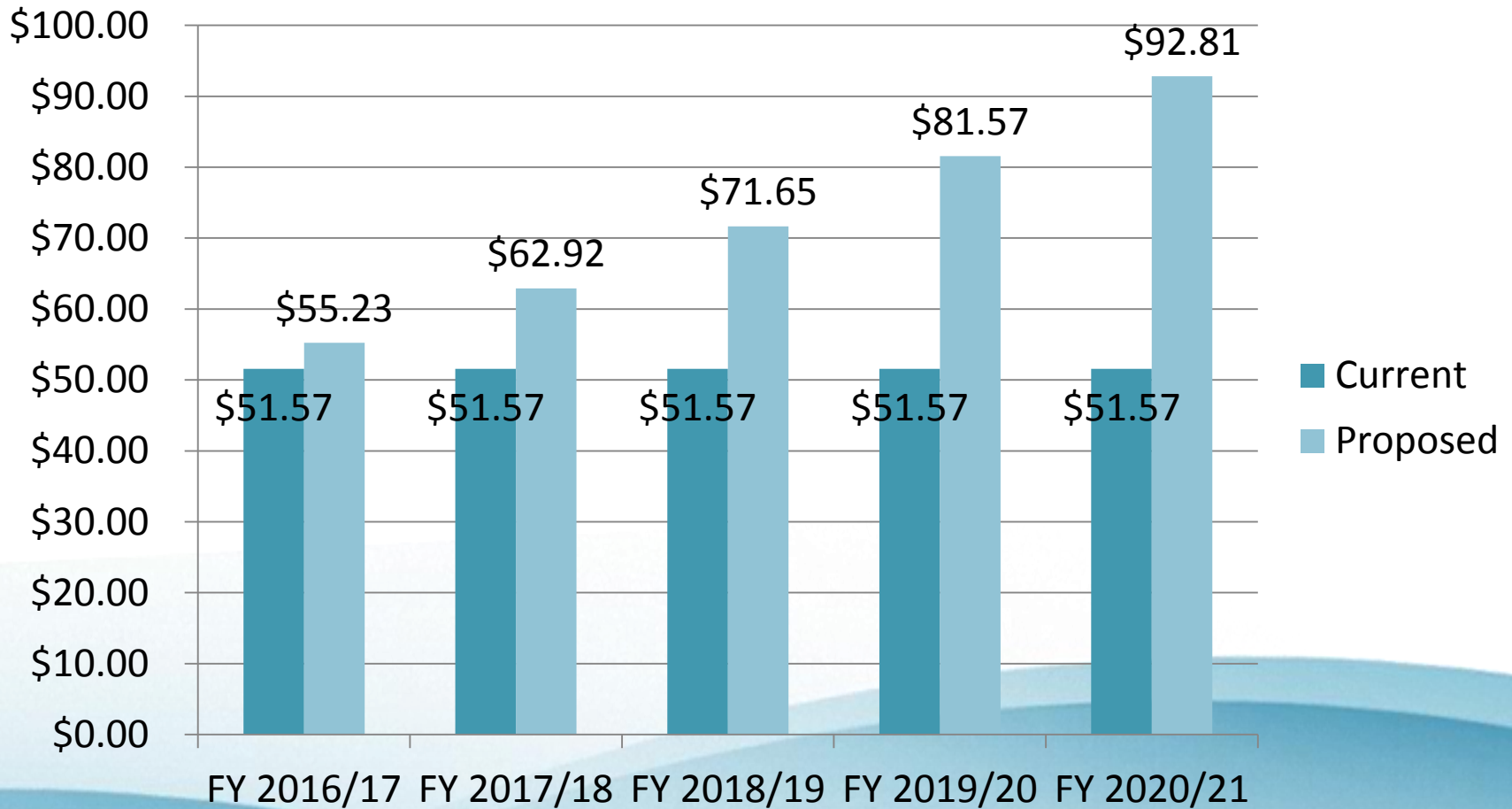
ZONE	Current	Proposed Jan. 1, 2017	Proposed Jul. 1, 2017	Proposed Jul. 1, 2018	Proposed Jul. 1, 2019	Proposed Jul. 1, 2020
A: Acanto, Andreas Hills, Janis Tuscany, Palm Oasis, Terrace	\$0.13	\$0.16	up to \$0.18	up to \$0.21	up to \$0.24	up to \$0.28
B: Lower Southridge, Vista Miller	\$0.19	\$0.22	up to \$0.24	up to \$0.26	up to \$0.28	up to \$0.31
C: Upper Southridge	\$0.46	\$0.53	up to \$0.56	up to \$0.58	up to \$0.61	up to \$0.64
D: Tramway	\$1.95	\$2.30	up to \$2.43	up to \$2.56	up to \$2.70	up to \$2.85

PROPOSED DROUGHT SURCHARGE (per hcf)

Use reduction required**	Proposed Jan. 1, 2017	Proposed Jul. 1, 2017	Proposed Jul. 1, 2018	Proposed Jul. 1, 2019	Proposed Jul. 1, 2020
10%	\$0.09	\$0.10	\$0.12	\$0.14	\$0.16
20%	\$0.21	\$0.22	\$0.28	\$0.32	\$0.37
30%	\$0.36	\$0.38	\$0.48	\$0.55	\$0.63
40%	\$0.56	\$0.59	\$0.74	\$0.85	\$0.98
50%	\$0.85	\$0.88	\$1.11	\$1.28	\$1.46
60%	\$1.27	\$1.31	\$1.66	\$1.92	\$2.20

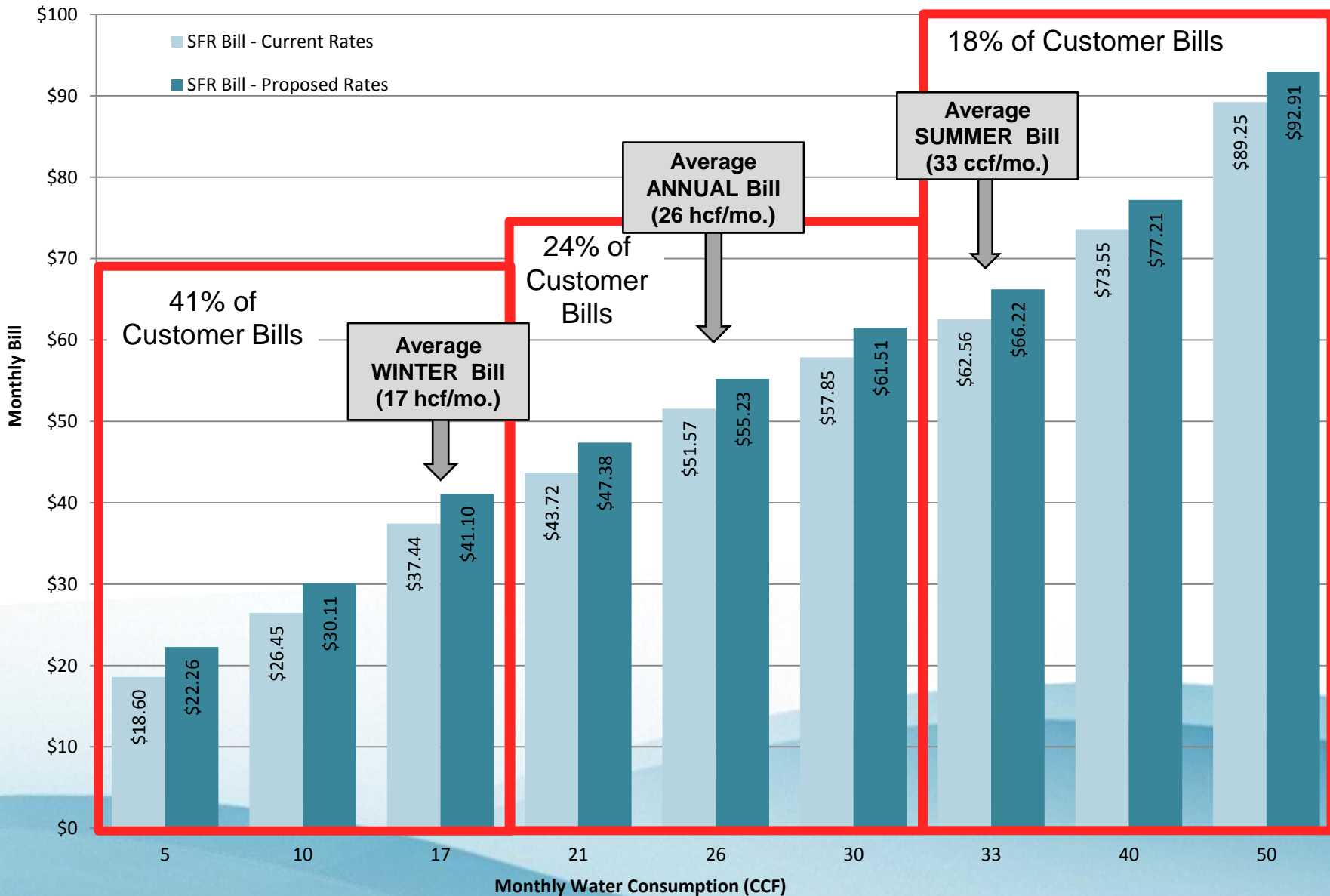
Reduction required is compared to DWA **total use from April 2015 to March 2016.

AVERAGE SINGLE-FAMILY HOME BILL (26 hcf, ¾" or 1" meter)



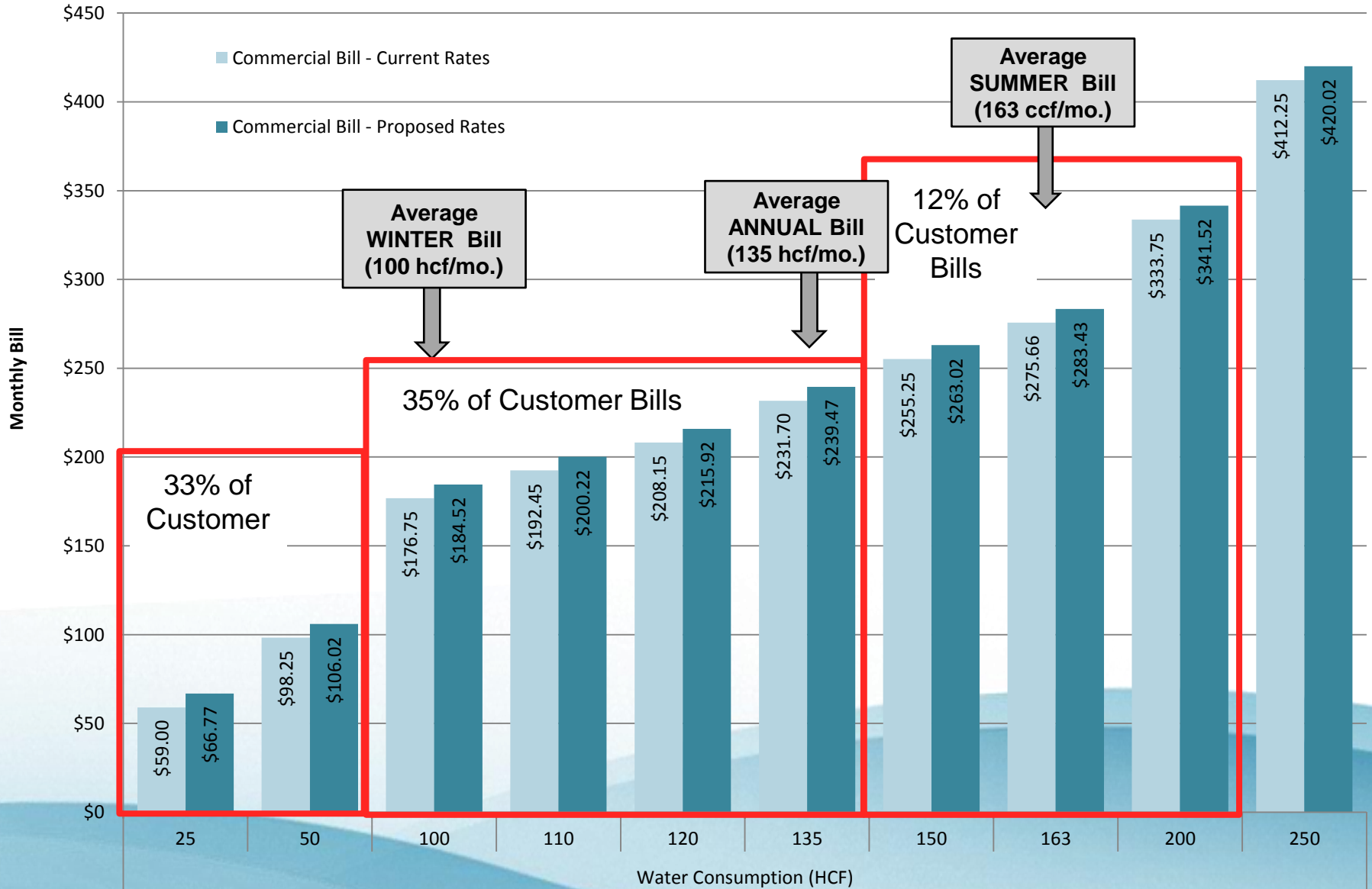
Residential Water Bill Comparison

Current vs. Proposed 2016/17 Rates (3/4 & 1" Meter)



Commercial Water Bill Comparison

Current vs. Proposed 2016/17 Rates (1.5" Meter)



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

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WHAT IF I CAN'T AFFORD IT?

- Customer Assistance Program
- United Way of the Desert community resources
- Call 760-323-2731

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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)

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QUESTIONS

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