

Public Utilities Department

Water Rate Adjustments Informational Meetings

July 26, Aug. 22 & Sept. 12, 2023

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Meeting Purpose

- ❖ Provide Information
 - What your water rates pay for
 - The cost to provide clean, reliable drinking water citywide
 - Proposed future water rates
- ❖ Outline Next Steps
- ❖ Answer Your Questions

Water Rate Adjustments
Informational Meetings

*You're
Invited!*



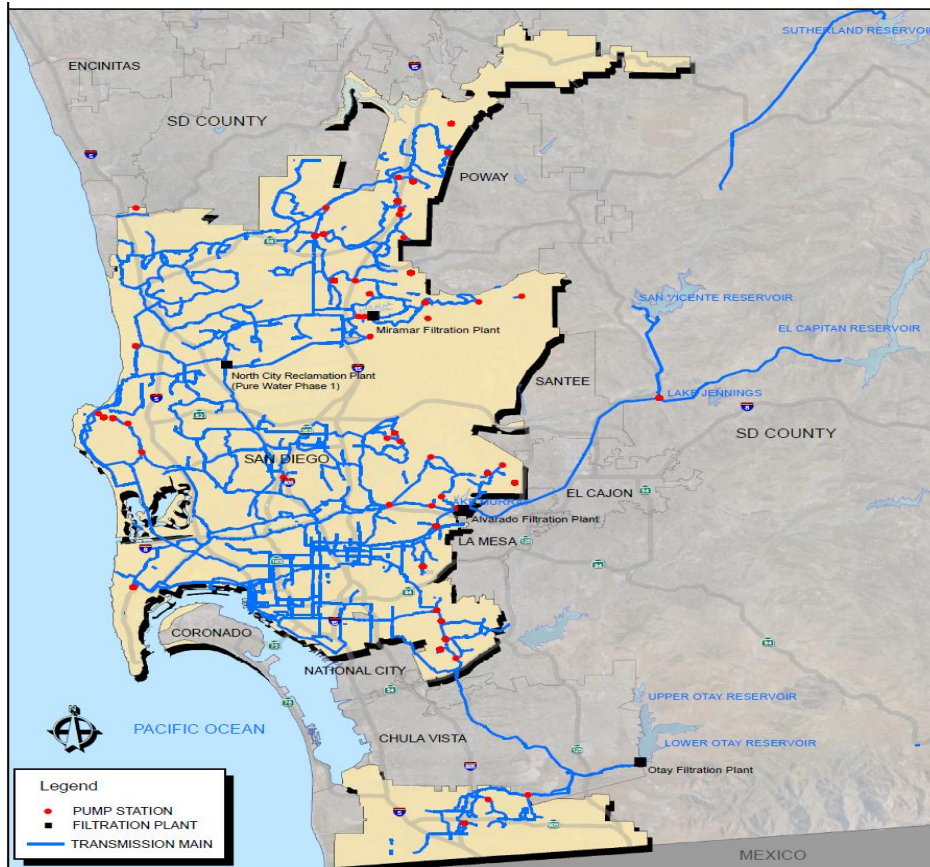
Ground Rules

- ❖ Please hold your questions until after the presentation.
- ❖ One speaker at a time via the audience microphone.
- ❖ Be respectful and refrain from criticizing other speakers.
- ❖ Stay on topic and focus on new questions.
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- ❖ Everyone gets to ask their questions.

Background

- ❖ By law, rates cannot exceed the cost to provide service.
- ❖ Rates must pay for capital improvements.
- ❖ Water service is entirely ratepayer funded; we receive no tax money.
- ❖ The last rate study was in 2015.
- ❖ The last water rate increase was in 2020.

Delivering clean, reliable drinking water



- ❖ 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 purchased from San Diego County Water Authority and imported into the City



What Do Water Rates Pay For?

Water Base Fee:

Fixed charges that pay for the infrastructure, processes, and services that are required to keep the water system operating no matter how much water is used. This is also referred to as the Meter Base Fee.

Water Used:

Charges based on the actual water used in a billing period. This is also referred to as the Commodity Charge.



What Each Dollar Pays For: FY 2024 Budget


(operating costs, excluding debt)


San Diego County
Water Authority
Water Purchases
\$286.9M
59%

Storage,
Treatment,
Transmission
& Distribution
\$96.3M
20%

Billing,
Meters &
Services
\$44M
9%

Indirect
& Other
\$40.8M
8%

 Pure Water
San Diego
\$18M
4%

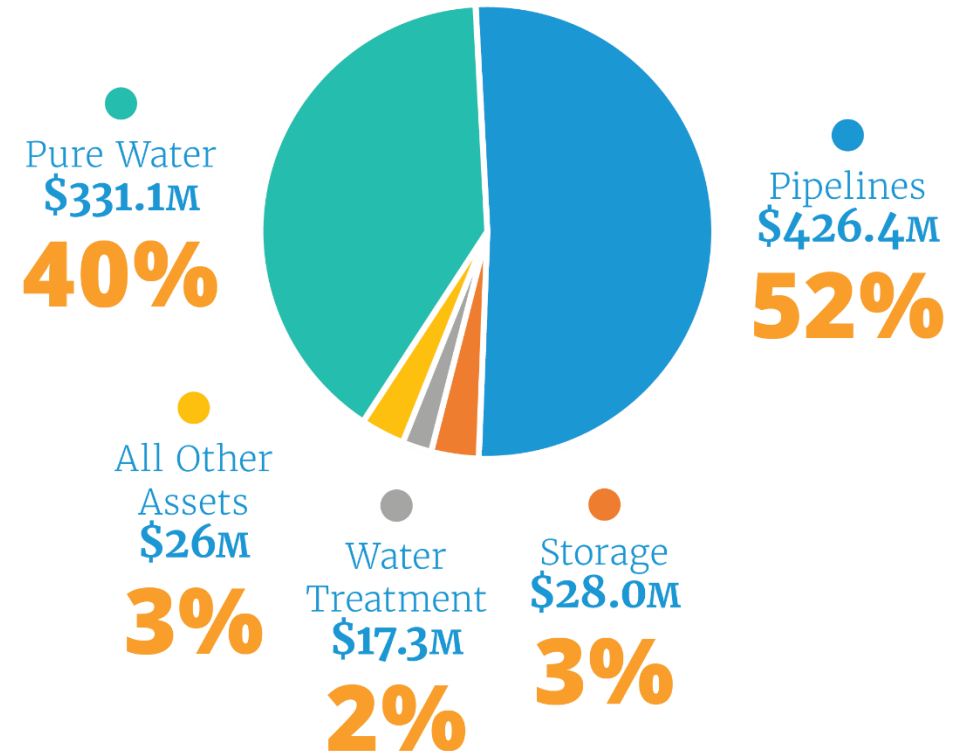


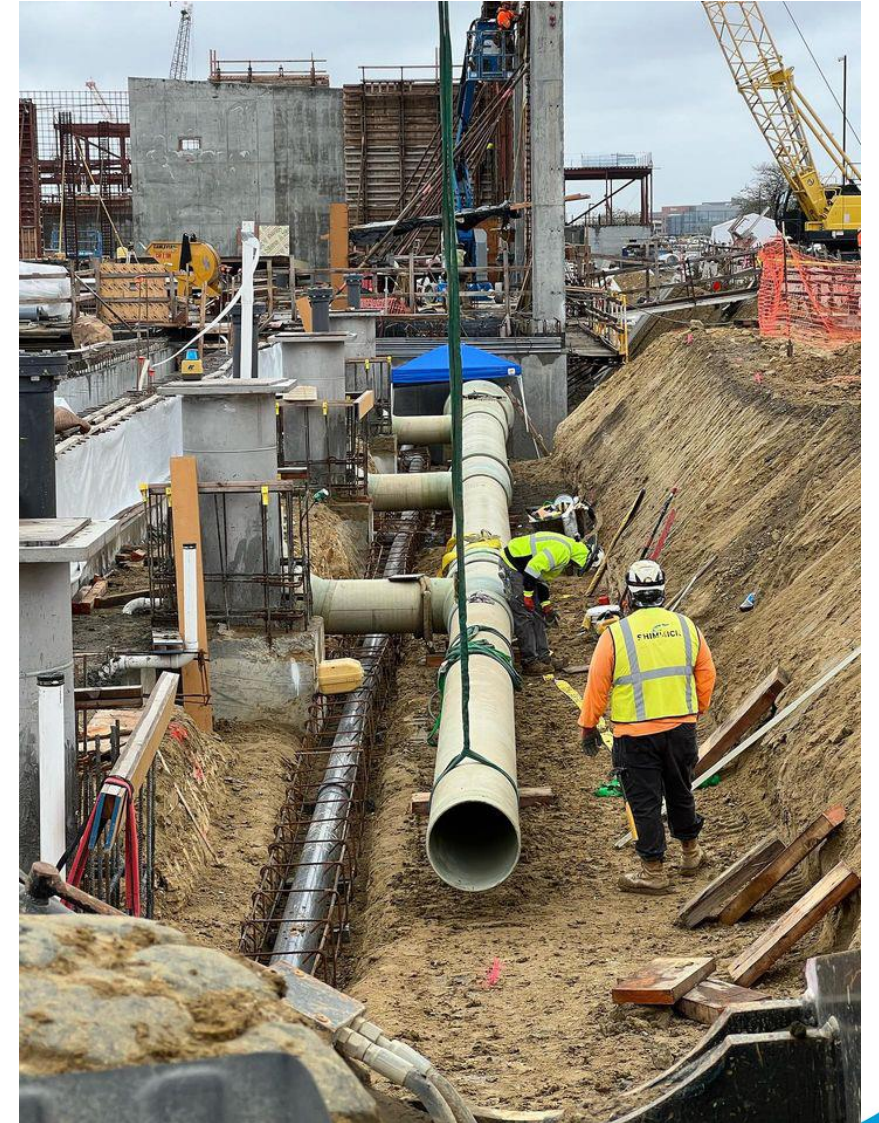
Rates Must Pay for Capital Improvements

Rehabilitation, Replacement & New Infrastructure

- ❖ Pipelines
- ❖ Pump Stations
- ❖ Flow Control
- ❖ Pure Water: increase local water supply and reduce reliance on imported water

COS Study CIP Expenditures







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3,300 miles of pipelines



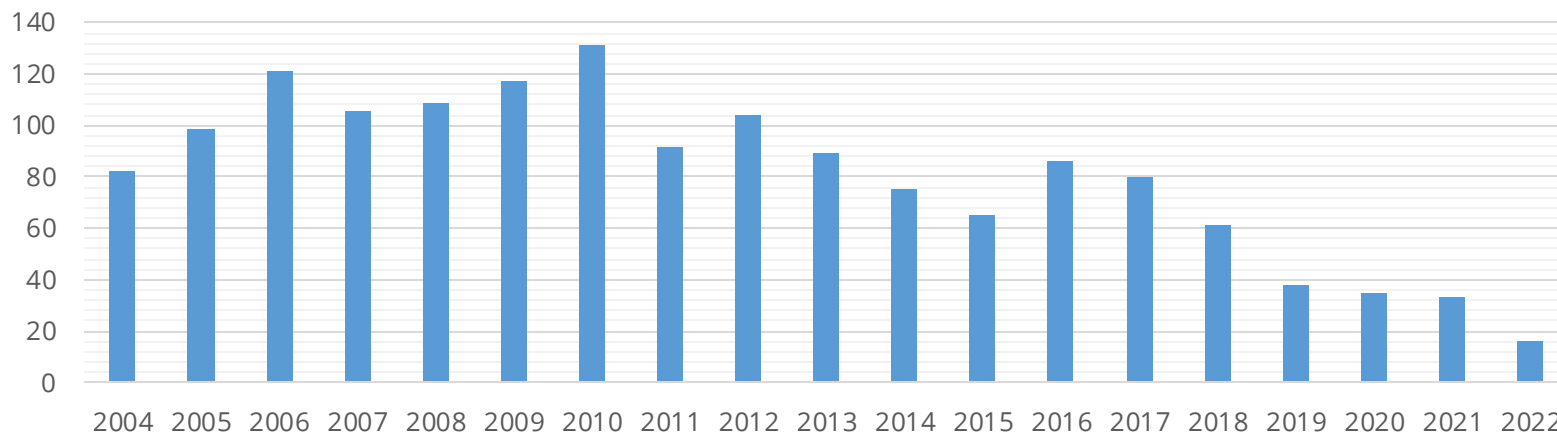
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Rates Must Pay for Operations

- ❖ Imported Water Purchase
- ❖ 566,239 acre feet of water storage
- ❖ Water Treatment
 - 378 million gallons treated daily
- ❖ Billing/Administration
 - Over 270,000 customer accounts
- ❖ Unexpected Repairs
 - 1 water main break per 100 mi.
 - Better than industry standards

Water Main Breaks



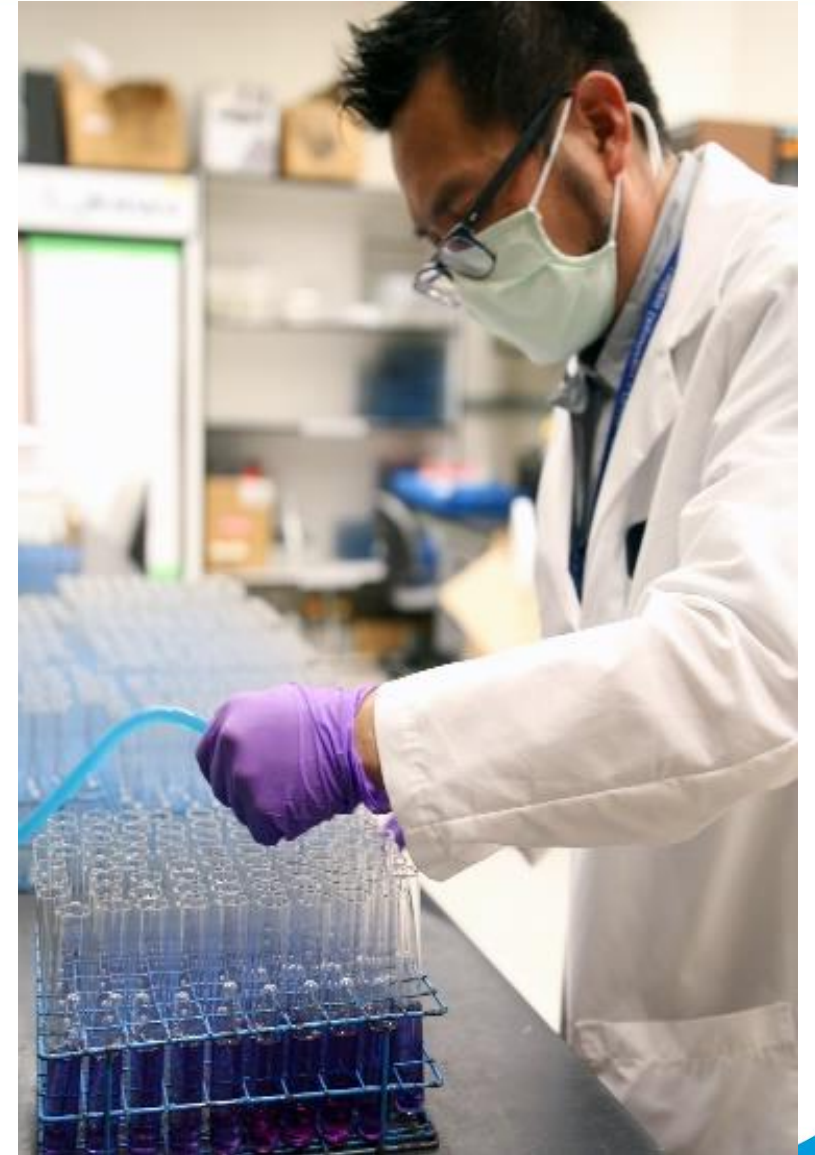
Water Operations

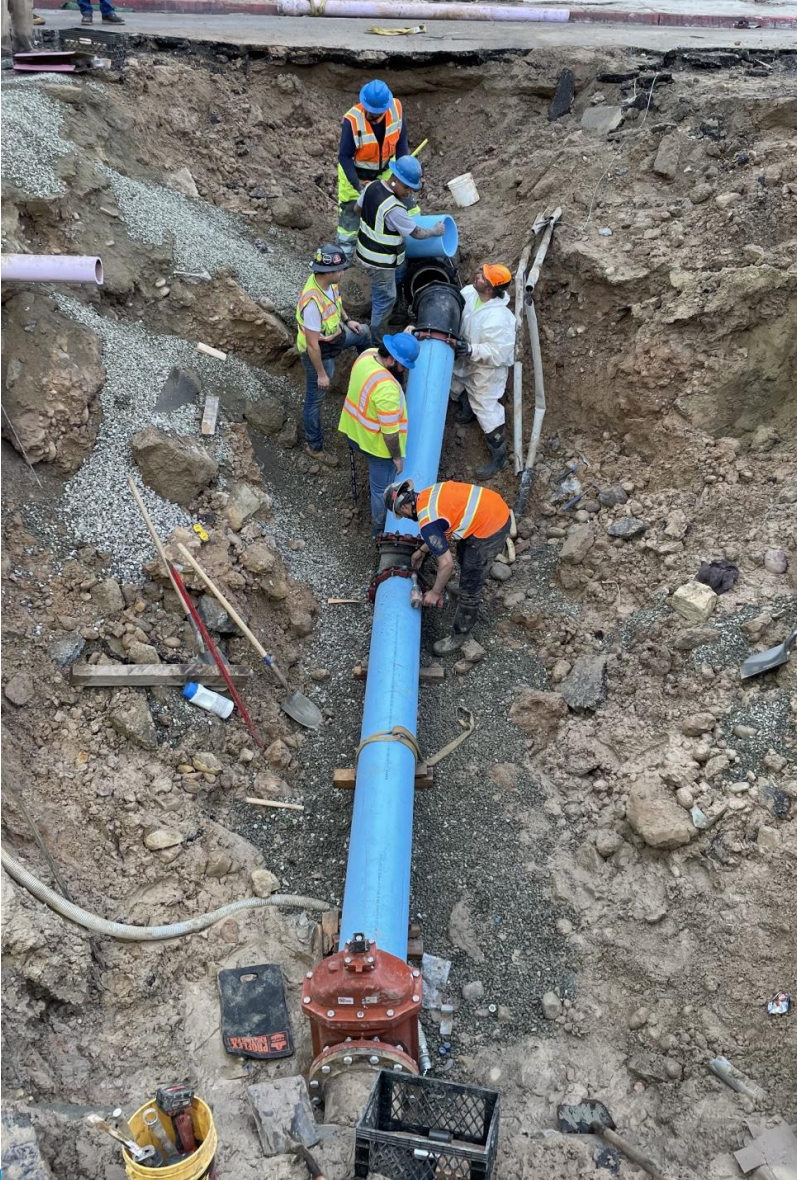


- ❖ Water Purchases
 - Driven by SDCWA rate adjustments
- ❖ Facility Maintenance & Resiliency
 - Reservoirs and Dams
 - Pipelines
- ❖ Water Quality and Testing
 - Zero water quality violations
 - Addressing all regulatory requirements
- ❖ Customer Service
 - Proactive outreach to customers
 - New customer self-service portal



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Examples of Increasing Costs



**Cost of
Imported
Water**

**+54% since
2016**

**Liquid
Oxygen
Price**

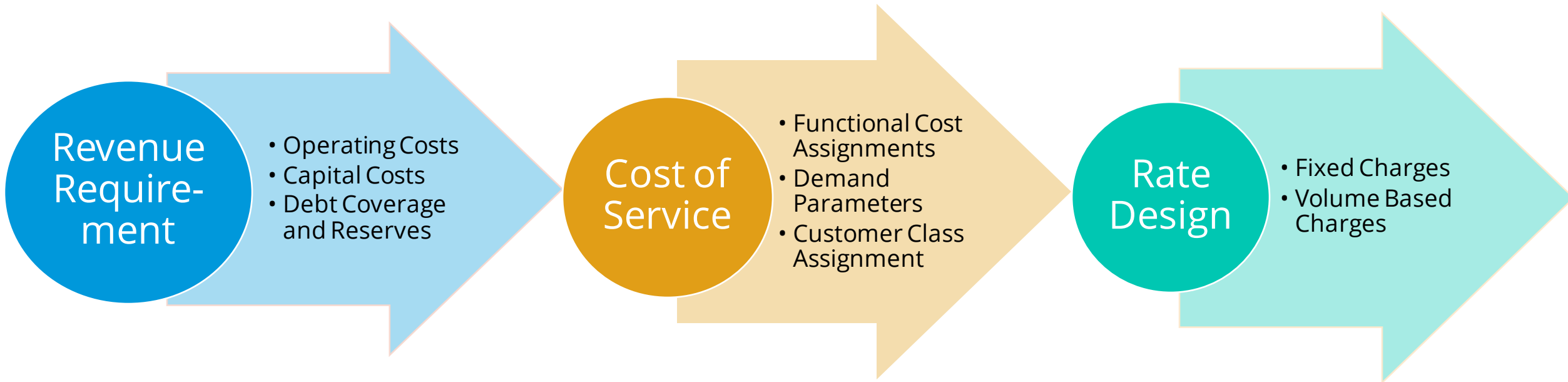
**+154% since
2018**

**(for water
treatment)**

**Meter Test
Equipment**

**+28% since
2019
contract**

Cost of Service Process *(Regulated by State Law)*



Stantec Conducted the Independent Cost of Service (COS) Water Rates Study

Stantec's Findings

- ❖ The cost of service is consistent with industry standards
- ❖ The financial plan and revenue requirements track with historical trends
- ❖ Focused recommendations on Cost of Service analysis and rate design portions

Stantec's Recommendations

- ❖ Peaking assumptions
- ❖ Fixed costs
- ❖ More information on public fire assumptions
- ❖ Use smart meter data in the future for peak evaluations



Proposed Two Year 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	n/a	n/a
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

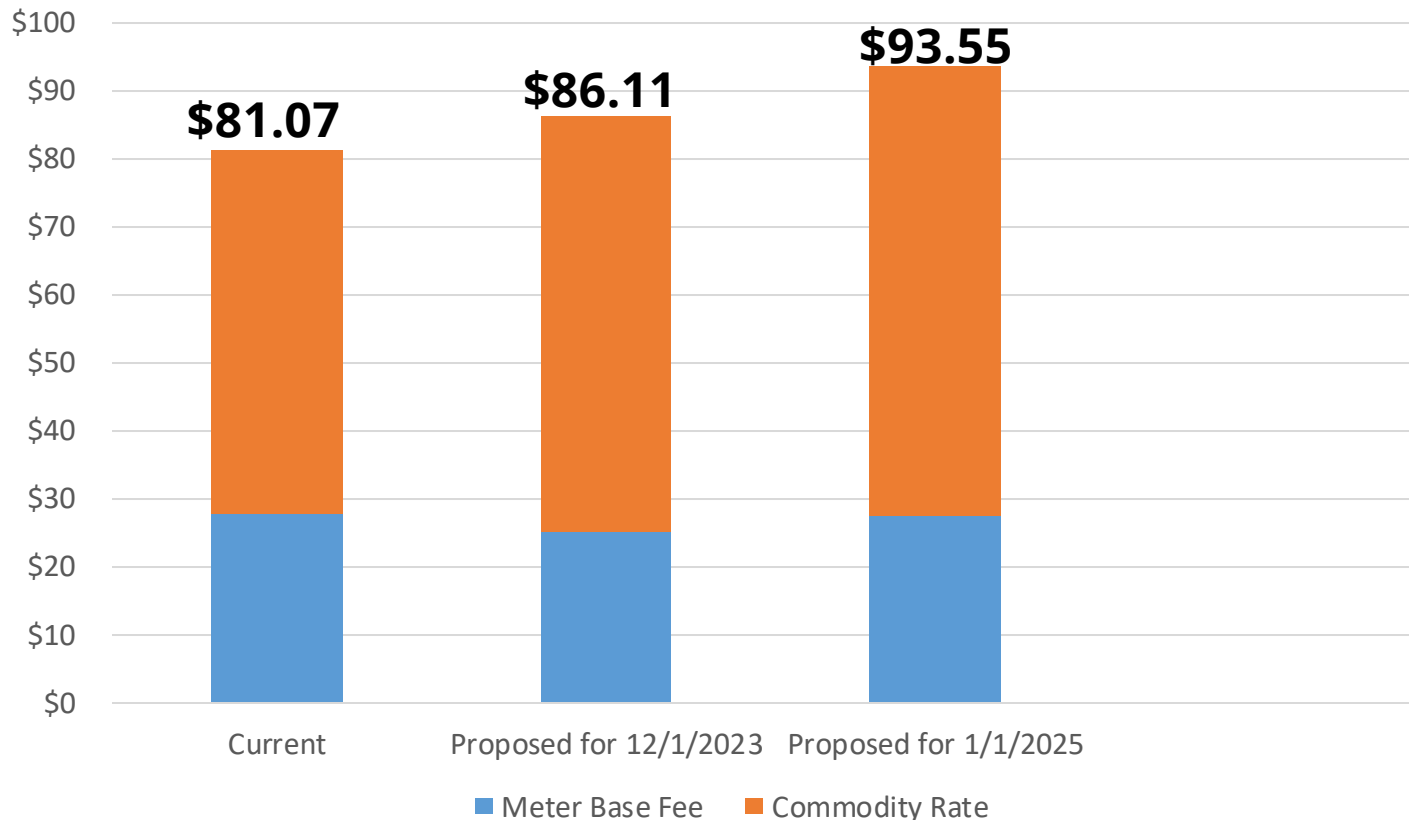
Meter Monthly Service Charge

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



Customer Impacts: Single Family Residential

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

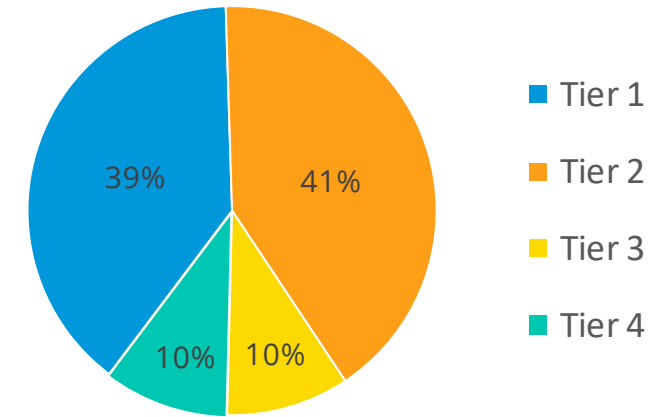


Single Family Residential Tiers

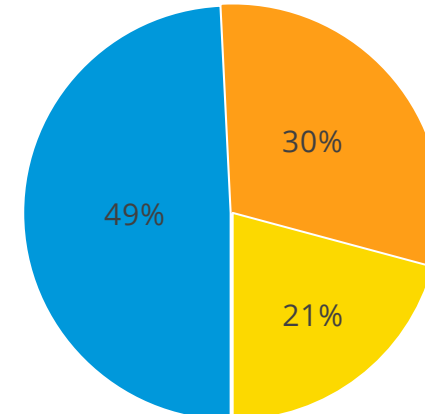
Water Usage by Tier – Hundred Cubic Feet (HCF)

	Existing Rate Structure Hundred Cubic Feet (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	

Existing Rate Structure



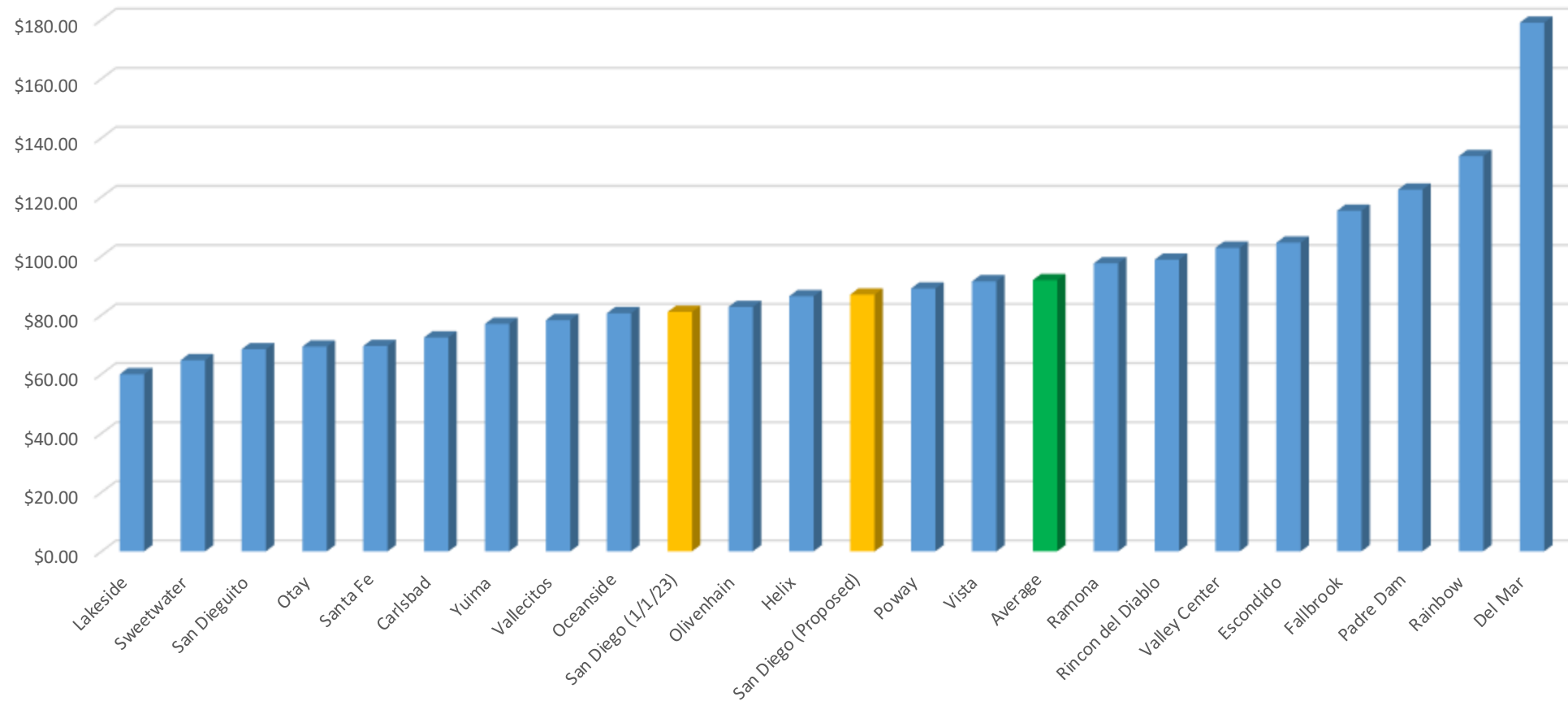
Proposed Rate Structure





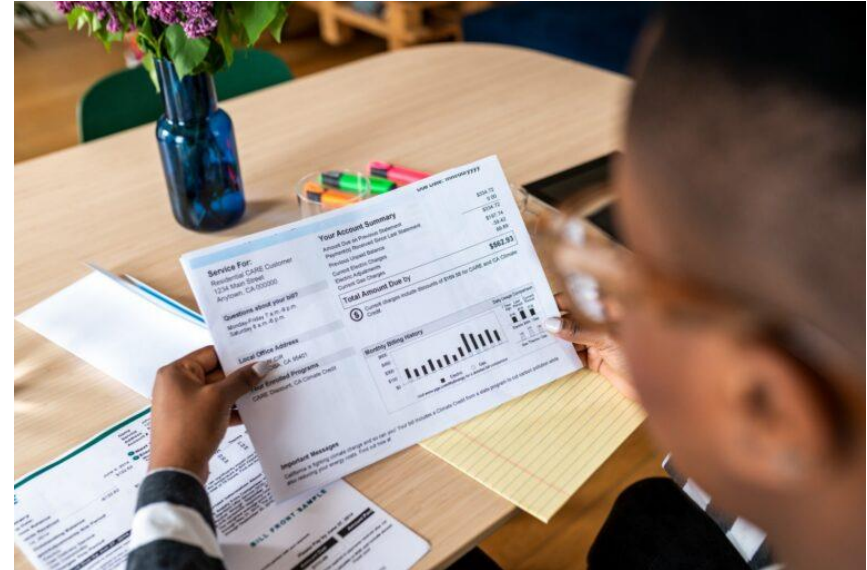
San Diego Rates Below Regional Average

Water Rate Comparison with Regional Agencies
Typical Monthly Bill (9 HCF 3/4" Meter)



Customer Assistance

- ❖ COVID Arrearage Program
 - Water: \$19.7m to 21,302 customers
 - Wastewater: \$8.1m to 18,495 customers
- ❖ Low-Income Household Water Assistance Program (LIHWAP)
 - 572 customers benefitted for over \$750,000



- ❖ State and Federal Advocacy
 - Utility relief programs exist for all other utilities except water and sewer



Water Rate Adjustment Process

Proposition 218 Notice to Customers

Community Informational Meetings

Council Consideration/Public Hearing – Sept. 19, 2023

Public Outreach Campaign on Increases (if approved)

Effective Date of Year One Increase – Dec. 1, 2023

Questions

- Everyone should have an opportunity to ask their question.
- If we don't know the answer, we can get back to you.
- These questions are not recorded or placed on the record.
- Remember our ground rules for today.

Ground Rules for Questions

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Thank you for joining us!

More information can be found at:
<https://www.sandiego.gov/rate-adjustments>

