

Item 8-3
2009/10 Rates & Charges

Business and Finance Committee
April 13, 2009

Important Factors

- Water sales at 1.9 MAF
- Budget expenditures \$70M lower than 08/09
- PAYGO at \$36.7M
- Delta Surcharge of \$69/AF to reflect impact of pumping restrictions
- Timing of the rate increase: Sept. 1, 2009 or Jan. 1, 2010

Rate Options

- **Option 1: 33.9% increase on Jan. 1, 2010**
 - Reserve withdrawals \$118M
 - Revenue Bond Coverage of 1.4
 - Projected 2011 increase of 5.5% on Jan.1, 2011
- **Option 2: 19.7% increase on Sept. 1, 2009**
 - Reserve withdrawals \$88M
 - Revenue Bond Coverage of 1.5
 - Projected 2011 increase of 21.5% on Jan.1, 2011

Rates and Charges

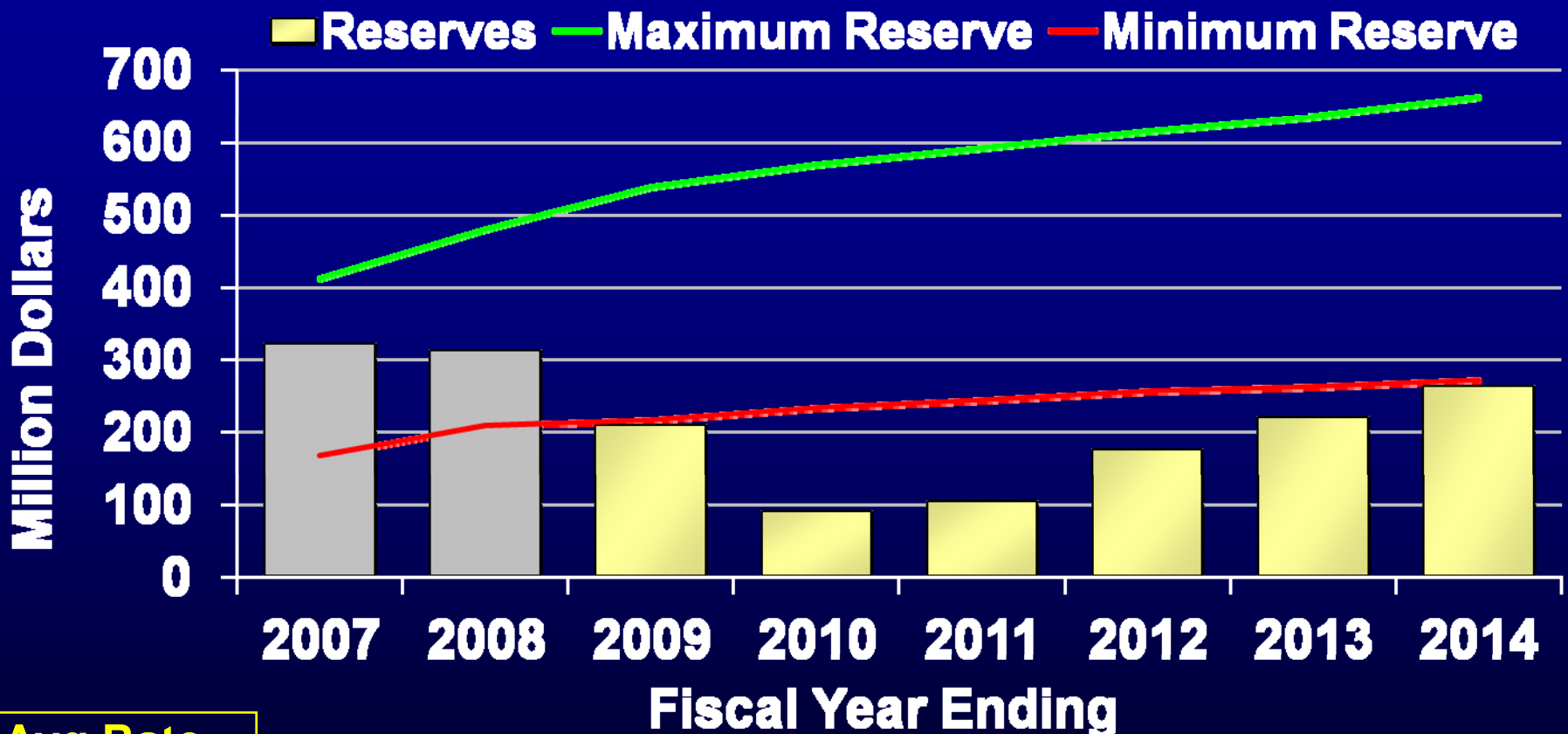
		Option 1	Option 2
	Current Rates	Jan. 1, 2010	Sept.1, 2009
Tier 1 Supply Rate (\$/AF)	\$109	\$147	\$101
Delta Supply Surcharge (\$/AF)	\$0	\$69	\$69
Tier 2 Supply Rate (\$/AF)	\$250	\$324	\$280*
Water Supply Surcharge (\$/AF)	\$25	\$0	\$0
System Access Rate (\$/AF)	\$143	\$171	\$154
Water Stewardship Rate (\$/AF)	\$25	\$44	\$41
System Power Rate (\$/AF)	\$110	\$126	\$119
Treatment Surcharge (\$/AF)	\$167	\$228	\$217
Readiness-to-Serve Charge (\$M)	\$92	\$120	\$114*
Capacity Charge (\$/cfs)	\$6,800	\$7,600	\$7,200*
* Effective January 1, 2010			

Rates and Charges

	Effective	Option 1	Option 2
	Jan. 1, 2009	Jan.1, 2010	Sept.1, 2009
Full Service Untreated Volumetric Cost (\$/AF)			
Tier 1	\$412	\$557	\$484
Tier 2	\$528	\$665	\$594
Replenishment Water Rate Untreated (\$/AF)	\$294	\$439	\$366
Interim Agricultural Water Program Untreated (\$/AF)	\$322	\$489	\$394
Full Service Treated Volumetric Cost (\$/AF)			
Tier 1	\$579	\$785	\$701
Tier 2	\$695	\$893	\$811
Treated Replenishment Water Rate (\$/AF)	\$436	\$642	\$558
Interim Agricultural Water Program Treated (\$/AF)	\$465	\$699	\$587

Forecast of Reserves

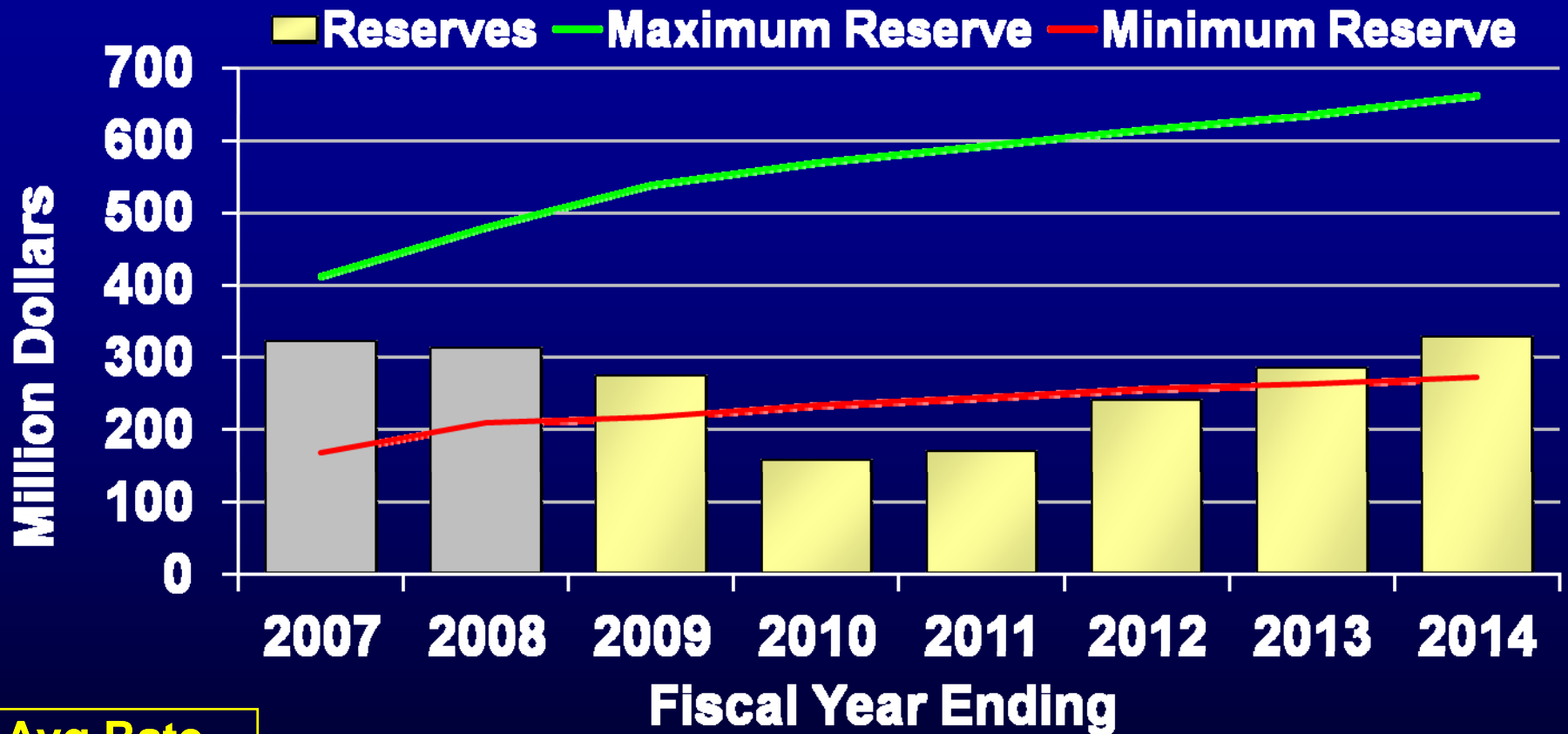
Option 1 – January Rates



Avg Rate Increase	2007	2008	2009	2010	2011	2012	2013	2014
Avg Rate Increase	3.4%	5.8%	14.3%	33.9%	5.5%	TBD	TBD	TBD
PAYGO, \$M	95	45	95	37	95	125	125	150
Rev. Bond Cvg	2.2	1.8	1.5	1.4	1.9	2.1	2.0	2.0

Forecast of Reserves

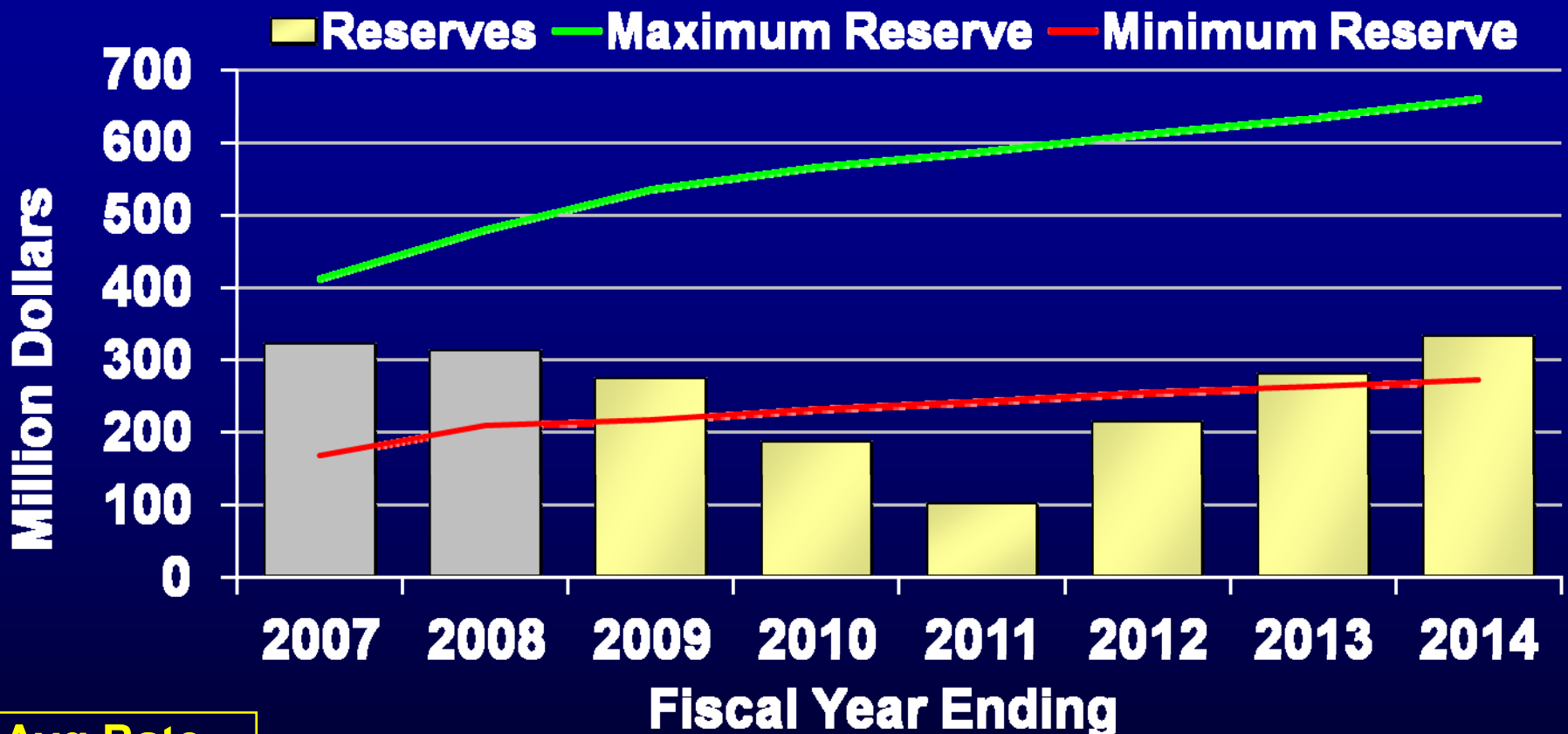
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PAYGO, \$M	95	45	30	37	95	125	125	150
Rev. Bond Cvg	2.2	1.8	1.5	1.4	1.9	2.1	2.0	2.0

Forecast of Reserves

Option 2 – Sep\Jan Rates



Avg Rate Increase	2007	2008	2009	2010	2011	2012	2013	2014
Avg Rate Increase	3.4%	5.8%	14.3%	19.7%	21.5%	TBD	TBD	TBD
PAYGO, \$M	95	45	30	37	95	125	125	150
Rev. Bond Cvg	2.2	1.8	1.5	1.5	1.6	2.2	2.1	2.0

Factors that could increase rates

- Hydrologic variability and lower water sales
- Bay-Delta solution
- Other Post Employment Benefits (OPEB)
- Hyatt-Thermalito
- Cost of power
- Water quality and cost of chemicals
- SWP infrastructure replacement
- MWD aging infrastructure
- Workforce planning and succession

Future Work

- **Implement 2009/10 rate increase**
 - **33.9% on January 1, 2010**
 - **19.7% on September 1, 2010**
- **Review of cost-of-service methodology**
 - **To be completed by end of 2009**
- **All rates to recover full cost-of-service with increase in 2011**
- **Evaluate opportunities for additional fixed charge revenues, including property taxes**

Options and Recommendation

■ Option #1

- Adopt CEQA determination and
- Approve water rates effective Jan.1, 2010;
- Adopt Resolutions to impose RTS and CC;
 - Fiscal impact: \$1.18B revenues, 33.9% average rate increase, \$118M reserve withdraws.

■ Option #2

- Adopt CEQA determination and
- Approve the water rates effective Sept.1, 2009;
- Adopt Resolutions to impose the RTS and CC;
 - Fiscal impact: \$1.22B revenues, 19.7% average rate increase, \$88M reserve withdraws.

■ Recommendation – Option #2