

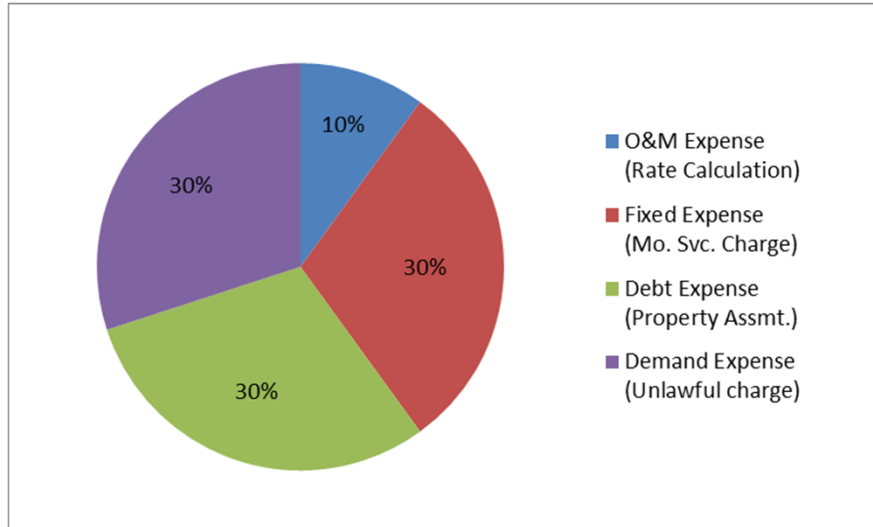
WA-9 Flat Rate Proposal Approach

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Key Elements

- Increase Utility Users Tax (UUT) 1-2%
- Tax deductible property assessment
- Ag Water Subsidy/Business Retention Subsidy
- Eliminate GFT
- Implement Flat Rates and lower meter charges for each water system

COSA - 2018 Rates Include



BILLING EXAMPLE COMPARISON 2018 WA-1 POTABLE RATES vs. PROPOSED FLAT RATE FOR POTABLE WATER IRRIGATOR

	15 CCF	30 CCF	60 CCF	Total
• ¼ Meter				
• T1	9 ccf X \$1.16 = \$10.44	9 ccf X \$1.16 = \$10.44	9 ccf X \$1.16 = \$10.44	
• SFR				
• T2	6 ccf X \$1.45 = \$11.00	21 ccf X \$1.45 = \$30.45	26 ccf X \$1.45 = \$37.70	
• T3	n/a	n/a	25 ccf X \$3.26 = \$81.50	
• Mo. Svc Charge	\$15.80	\$15.80	\$15.80	
• Totals	\$37.24	\$56.69	\$145.54 = \$239.42	

Same billings under WA-9 Flat Rate (Without Debt Expense or GFT)

	15 CCF	30 CCF	60 CCF	Total
• ¼ Meter				
• 15 ccf X \$0.61 = \$9.15		30 ccf X \$0.61 = \$18.30	60 ccf X \$0.61 = \$36.60	
• Mo. Svc Charge	\$36.91	\$36.91	\$36.91	
• Totals	\$46.06	\$55.21	\$73.51 = \$174.78	
			Difference \$ 64.64*	

*The \$64.64 difference is the fictitious Demand costs included in the 2018 tiered rates. (equivalent to \$0.29 per CCF)

Rate Sheet Review

SCHEDULE WA-9 Rate (v2.1)

Riverside Water Irrigator

POLICY:

To provide abundant and reliable water for beneficial use at the lowest rates possible to benefit the community of customers served.

APPLICABILITY:

These rates apply to three types of irrigator customers defined by the type of water service they receive, either: (1) non-potable water service from The Gage Canal Company; (2) non-potable reclaimed water service; or (3) potable water service. All existing customers will be re-assigned to at least one of these three irrigator types.

See Appendix A for a detailed explanation of each of these three types of irrigator customers.

TERRITORY: Within the RPU Service Area.

RATES:

A. Gage Canal Non-Potable Water Irrigator Service (9-1)

<u>Quantity Rates</u>	<u>per (CCF)</u>
All 100 cubic feet (CCF) per month	\$0.34*

* Requires: a change to The Gage Canal Company annual Water Tax assessment, conversion to metered potable water service, use of the AWSubsidy and implementation of a monthly meter fee. Otherwise this is the existing rate for Gage service less the GFT.

B. Non-potable Reclaimed Water Irrigator Service (9-2)

<u>Quantity Rates</u>	<u>per (CCF)</u>
All 100 cubic feet (CCF) per month	\$1.39**

** Current WA-10 rate, minus General Fund Transfer.

C. Potable Water Irrigator Service (9-3)Quantity Ratesper (CCF)

All 100 cubic feet (CCF) per month

\$0.61***

*** Requires an AW Subsidy (see Special Condition #1). This is the stated cost of water delivered throughout the infrastructure less the GFT and Debt service. It will be approximately \$0.37 per CCF with fixed expenses removed.

Monthly Service Charge (Applicable to 9-1, 9-2 and 9-3)

Meter Size	Per Meter, Per Month				
	2018	2019	2020	2021	2022
5/8 and 3/4-inch*	\$36.91				\$40.49
1-inch*	46.19				49.77
1-1/2-inch*	69.19				72.77
2-inch*	96.91				100.49
3-inch*	161.62				165.20
4-inch*	254.06				257.64
6-inch*	531.21				534.79
8-inch*	854.51				858.09
10-inch*	1316.39				1319.97
12-inch*	1870.70				1874.28

* Meter charges with fixed costs removed from variable rate and added to these monthly service charges.

DEFINITIONS:

1. "Irrigator" is the sole class of customer(s) served with water. Riverside properties were all originally served with appropriated water for irrigation over 100 years ago. The original designation of "purpose of use" for all of our appropriated water carries forward to today. The land first received canal water for irrigation and the water and its intended water use are fixed to the land in perpetuity.

2. Customers under RATES A (9-1) hold shares in The Gage Canal Company. Properties under this rate must have a meter installed. Agricultural customers who don't own Gage shares can rent them from the City. (see Special Condition #5 below)
3. Customers under RATES B (9-2) are customers who receive metered non-potable recycled water from the City's "purple pipe" system. It is intended to be used only for landscape irrigation or non-potable water sales to other agencies.
4. Customers under RATES C (9-3) are customers who receive potable water from the City's potable distribution system. It is intended to serve water for irrigation and incidental domestic uses to all properties regardless of zoning.

SPECIAL CONDITIONS:

1. A ballot measure to increase the Utility Users Tax by 1-2% must be adopted to fund the AW Subsidy with tax revenue. The AWS will buy down the potable water service rate to equal that of the Gage Canal non-potable water delivery rate.
2. The General Fund Transfer (GFT) is to be eliminated and be replaced with new UUTax revenue.
3. All customers will be billed a monthly service charge proportional to the meter size for the water service being provided. (This charge will initially include all fixed costs and debt expense until a tax-deductible assessment is approved to recover the Debt expense for each of the three water systems.)
4. Energy cost adjustments are eliminated and the 50% surcharge on water customers outside of the city limits is eliminated. (These revenues are to be recovered by a recalculation of the true fixed costs into the meter charge and true variable costs into the Irrigation rate of each of the water supply systems.)
5. **OPTIONAL—We can collapse three water delivery systems into two.** All Gage Canal customers receiving non-potable Canal Water will be converted to metered Potable Water service, rather than gravity fed canal service. These new Potable water customers would be eligible for the AWSubsidy down to the Gage rate. (RPU would then take all Gage water and put it into the Potable system at Linden). Land owners (potentially anywhere in the city, who do not own Canal Co. shares) who desire to receive water for agricultural purposes can "rent" Gage Canal shares from the City at the cost of \$1.00 per year and receive AWSubsidized Potable Water anywhere in the city. This means the Gage Canal would cease to be a water delivery system beyond UCR and not need rate schedules, meter charges or cost accounting as all the water would go into Linden Reservoir for potable use. Also the Gage Canal Co. would not be required to manage the gravity feed canal.

6. A ballot measure must be approved for a property assessment to recover the respective debt expense specific to each of the three different water service systems. *(The property assessment must recover all existing Debt exp. and may include most of the fixed expense of each service type. This then maintains the meter fee at the current 2018 levels.)* Tax exempt government agency customers will receive "San Marcos Assessments" to pay the equivalent property assessment.
7. Monthly meter fee schedules need to be developed for each respective water service delivery system to establish the required fixed costs recovery for the respective delivery infrastructure system. *(This is required because some of the fixed costs have been included in the consumption rate(s) and may only be recovered via the mo. Meter charge or the property assessment. I recommend recovering 90% of fixed costs via the property assessment to keep the residential meter charges at current levels.)*
8. Water Conservation Surcharge: The rates and charges above are subject to a surcharge (Water Conservation Surcharge) as adopted via City Council Resolution No. 22675 on April 22, 2014 and such surcharge as in effect from time to time. The Water Conservation Surcharge will be applied to the Customer's total water usage charge including without limitation the quantity rates, customer and minimum charge for the applicable billing period.

APPENDIX A

Water Rate General Information

The water supply for the community of Riverside was originally established (circa 1870) and expanded by two pioneer land developers who understood the necessity of an abundant, reliable, high quality supply of water to irrigate the lands they sold and for the general benefit of the new settlement called, Riverside. The original water rights they established to supply Riverside's needs in perpetuity are called Appropriative water rights. The total volume of these rights must be used completely each year and only used for their originally stated purpose (to irrigate the land). The original statement(s) of purpose for appropriating the waters of the Santa Anna River for beneficial use in the community of Riverside said,

"to supply the community with all the un-appropriated water of the Santa Ana River via canals, pipes and any other means of conveyance for Irrigation, domestic use and other uses that benefit the community."

Expanded Explanation of Applicability and Use

The current zoning of your parcel is irrelevant to customer class designation. This is peculiar to California law. Domestic use of some of the water delivered to your parcel is included in the broader meaning of "Irrigator". Originally, all lands in the community were served with irrigation water for citrus, other crops, animal husbandry and domestic uses incidental to the family farm of that time (domestic use includes landscape irrigation). The family farm was a form of manufacturing and commerce. This was the state of agriculture of that time. Agriculture is manufacturing by utilizing the natural resources of the land to produce a harvest. We appropriate the water for this purpose.

Modern zoning codes for residential, commercial or manufacturing are designations for managing the land use impacts upon the community and they are irrelevant to the "class" or use of the water resource.

In Riverside, thru the decades to today, we have only removed the citrus plantings and re-planted "housing" with the intent of producing wealth from the land by supplying water and raising a crop of families. Modern families still need irrigation water for landscaping, growing food, animals and other domestic uses of the land. In a broad sense, we only changed the crop and method of production. Therefore, Irrigator remains the only appropriate customer class served with water in Riverside.

Other land uses do not conflict with this definition of customer class. All such properties today still irrigate landscaping and all have some limited form of original incidental domestic water use (toilets, sinks, showers, food preparation, cooking, laundry ...). Therefore, this single class designation for rate setting purposes is appropriate, fair, reasonable, just, non-discriminatory and within Prop 218's rate setting requirements.

9-1 Gage Irrigator Customer

APPLICABILITY: Gage Canal water delivery is only for properties holding shares in the Gage Canal Co. The City is the largest share owner and largest voting bloc of the canal company giving the city managerial control of this system. The lands served by the canal are irrigated agricultural lands protected by Prop. R and/or Measure C. This can be expanded to Agricultural properties thru out the City by renting Gage shares and utilizing the AWSubsidy to buy down Potable Water rates to the established Gage rate.

The Gage Canal water delivery system is a separate and distinct level or type of water delivery service serving a small number of parcels within the green belt area of the city. By definition it

is its own water system and has its' own variable and fixed expenses. Currently, it is the least expensive water delivery system operating in the city. Capital investment in the system is recovered as a property assessment.

9-2 Recycled Water Irrigator Customer

APPLICABILITY: The Reclaimed Water Service is an Experimental new type of conservation water service for Riverside. It is intended to serve water only for landscape irrigation. Still in its infancy, it serves a very small number of properties. Some or all of this water may be sold for delivery to other water agencies. *(I recommend that all this water be sold to WMWD and supplemented with low quality well water from the Sol. Riverside Basin plus low quality Bunker Hill Basin excess supply.)*

The Reclaimed Water Service is a separate and distinct level or type of water delivery service serving a small number of parcels within the city. By definition it is its own water system serving landscape irrigators. This system has its' own infrastructure, variable and fixed expenses. Currently, it is the most expensive water delivery system operating in the city. Capital investment expense is recovered by property assessment or the "San Marcos Assessment" for government agencies or the export wholesale price.

9-3 Potable Water Irrigator Customer

APPLICABILITY: The Potable Water Service rate is available to all properties with City Potable Water pipes in the street contiguous to your property. It is intended to serve "Irrigators" with water for beneficial purposes in the potable Water Utility service area including some customers outside of the city. All customers of this system are "Potable Water-Irrigators" with incidental domestic uses included and, all customers pay the same price for the same service.

The Potable Water Service is a separate and distinct level or type of water delivery service serving 67,400 customers within the service area. By definition it is a water system with its' own Infrastructure, variable and fixed expenses. Capital investment expense for expanding service capacity is recovered by Developer fees and Property Assessment. Capital investment expense for capital replacement of the infrastructure of this system is recovered by Property Assessment and by a "San Marcos Assessment" for government agencies which are exempt from taxation.

Important Proposal Guidelines and Requirements

In order to protect our water rights to appropriate the water for beneficial uses in our community, we must follow simple guidelines:

1. We must limit our customer classes to a single class called Irrigators to bolster the argument that we are using water for its intended purpose.
2. We must define the sole customer class of irrigator to include landscape irrigation and incidental domestic use.
3. We must re-set rates for the single class of irrigator. This recognizes that irrigation was the original use of water for all lands served then and served now. Today, all lands which receive water service, irrigates some landscaping as well as utilizes water for some variation of incidental domestic use. So, all customers of Riverside's Water Utility are deemed Irrigators with incidental domestic use (DWRs regulations define domestic use to include commercial activity like resorts, hotels, motels, campgrounds, restaurants and irrigation of lawn and gardens). The building code requires all commercial and industrial/manufacturing properties have sinks and toilets. Therefore, this is incidental domestic use of water for these non-residential properties. Domestic use is for purposes of sanitation, drinking, food prep., animals, sinks, toilets, bathing and irrigation of landscaping. The city zoning code is irrelevant to water service. Water service was defined, practiced and regulated prior to the creation of modern zoning codes.
4. We must limit wholesale water transactions including transfers to other water agencies to the city's Recycled Water only. This means, raw water and potable water shall only be sold to another water agency during a declared water supply emergency in their service district. We do not want to lose the appropriate water right for the 40,000 ac feet of surplus water we annually transport under contracts to other agencies. This is the water supply we need for future development. Other modern cities like Riverside have faced legal challenges to their appropriate water rights and lost their surplus water because they harvested the surplus and sold it to another agency. "They did not use the water for the original stated purpose of the appropriate right."
5. We must make conservation voluntary until we declare a Water Supply Emergency for Riverside.
6. The Cost of Service Analysis says, we conserved too much water and experienced a large decline in water retail revenues due to overpricing water rates. We need lower water rates to achieve greater revenue stability. In order to do that, all fixed costs must be

6. (cont'd) removed from the consumption rates and placed into the monthly meter service charge. Debt expense must be removed from the consumption rate and recovered via property assessment. This will require CC action. The property assessment can be successfully promoted to the voters by explaining the tax deduction benefit to them with water billings going down for all customers (the property assessment can combine Debt Exp and most of the Fixed exp. = maintains low mo. Meter charge). Lowering consumption rates will increase retail sales revenue and the property assessment and monthly service charges will stabilize total sales revenue for the water utility. Water use will increase to the benefit of the community. Higher more stable water revenues will result and we will see a re-greening of the city landscape- no more dead landscaping and property values will rise (a Win-Win for everyone).
7. The GFT (11.5%) must be removed from the consumption rate and recovered by an increase in the Utility Users Tax (UUT) of 1-2 %. I suggest an increase designed to prevent the General Fund from a loss of (the GFT) revenue plus additional new UUT revenue to pay for the AWS and the Business Retention rate subsidy (approx. \$700-900K). Ideally this should be revenue neutral for the water customers as rates will decrease a little and the UUT charge go up a little. The UUT increase on the water bill will not go up very much as it also applies to other utility services such as, electric billings. So, in general a small increase in UUT % will deliver greater tax revenues to the General Fund (above \$7m).
8. The Agricultural Water Subsidy is a budget policy driven program that the CC can exercise to use the (new) UUT revenues to buy down the higher Potable water rates to a level equivalent with the lowest cost Non-potable Gage Canal rate for land owners in the Green Belt under Prop R. This is a tax funded subsidy to support commercial agriculture in the city. The AWS should be available to all land owner/growers who meet specified requirements but may easily be expanded and should include greenbelt growers who currently have water contracts for low potable water rates where they formerly received low cost Gage Canal water. The concept and funding of the AW Subsidy can easily be expanded to include a Business Retention Subsidy.
9. Convert all Gage Canal non-potable customers to metered potable service. This can be accomplished as a water efficiency program. RPU can apply for grant funds to defray the capital cost.
10. Energy Cost Adjustments for pumping water shall be deleted from the schedule of rates and charges for all three water systems. All costs are either variable or fixed expenses.

10. (cont'd) The cost of pumping is a variable expense and all expenses for rate setting purposes are accounted for annually not seasonally. RPU has ample operating reserves.
11. The water GFT must be deleted from the City Charter. This can easily be accomplished by the charter review committee or a declaration from the city attorney (the revenue is replaced with increased UUT revenue).
12. The 50% surcharge for customers outside the city limits shall be eliminated by CC action. These customers will be voting as property owners to approve the water service property assessment to recover debt expense and fixed expense. The current surcharge revenue can be recovered in this manner.
13. The CC should pass an ordinance requiring all parcels of land within the City to have a water connection and meter installed. This is required for property owners to comply with existing city code requiring "all parcels in the city to be landscaped, irrigated, mowed, trimmed and weeded to present a clean healthy appearance." The water service would then be "immediately available" per Prop 218 and subject to monthly service charges and property assessment. (Increases utility revenue and beautifies the city and is an incentive to develop idle property).