



WATER BUDGET BASED RATES: *LESSONS LEARNED*

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General Manager

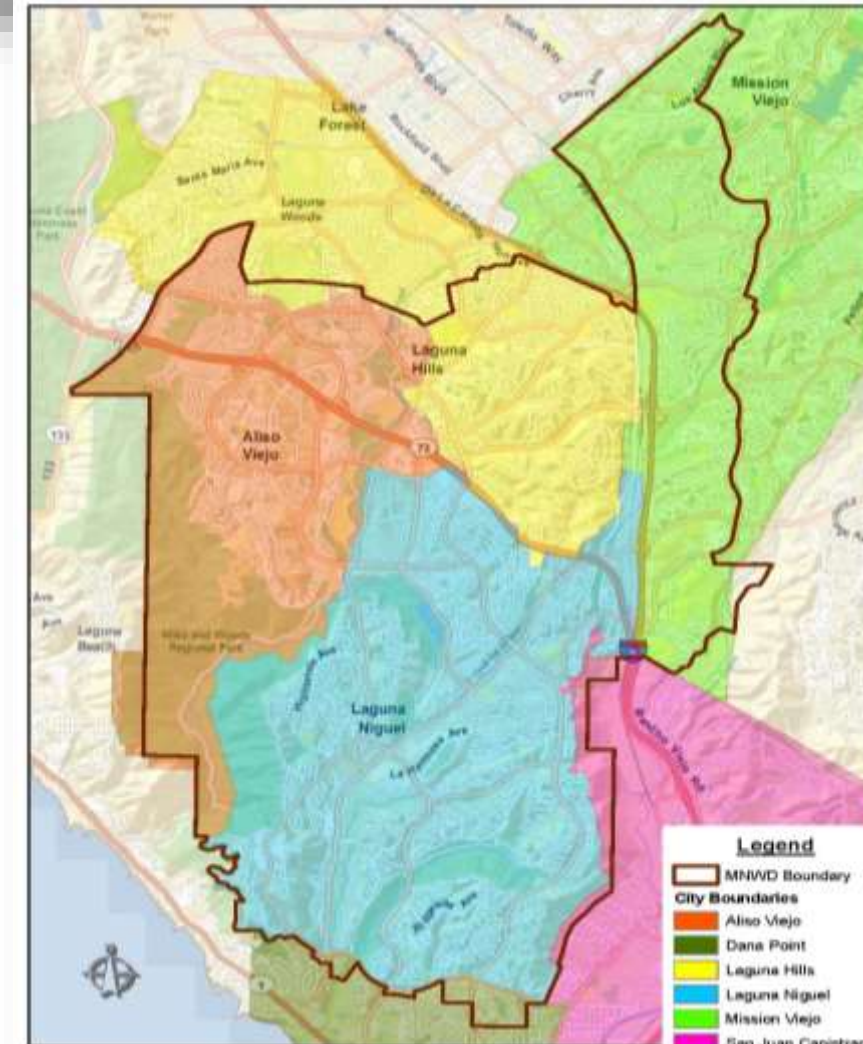
Moulton Niguel Water District

September 30, 2015

ABOUT MNWD

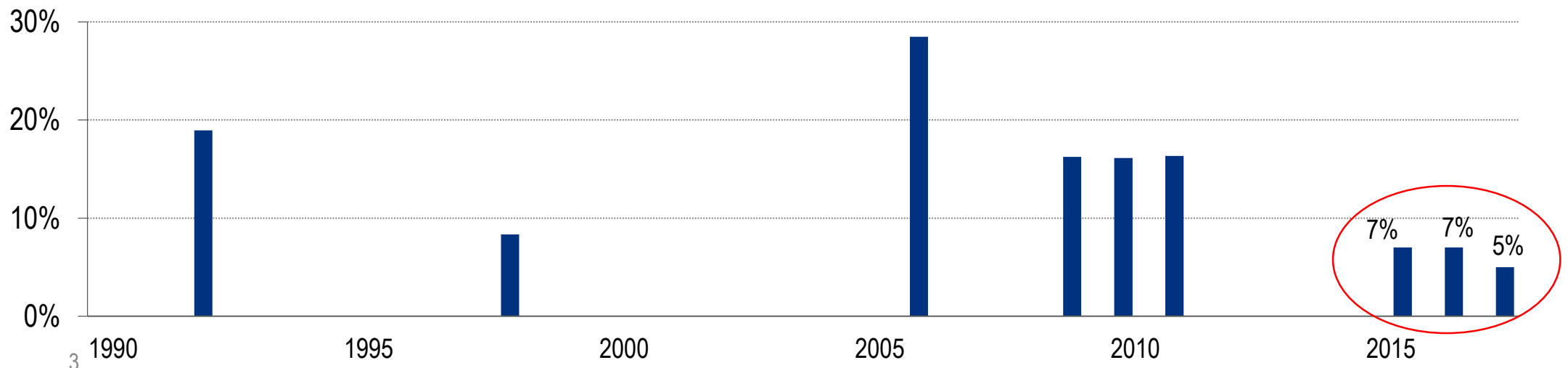


- Water, recycled water & sewer service
- 170,000 people in South Orange County
- 100% dependent on imported water for potable demand
 - Recycled Water \approx 25% Total Demand
- Annual budget: \$126 M
- Key revenues
 - Rates
 - Property tax



RATE HISTORY

- Few rate increases in the past 30 years
 - Tiered Rates 1979-2011
- Water Budget Based Rates implemented in 2011
- Adopted new rates and lowered budgets in Feb. 11, 2015

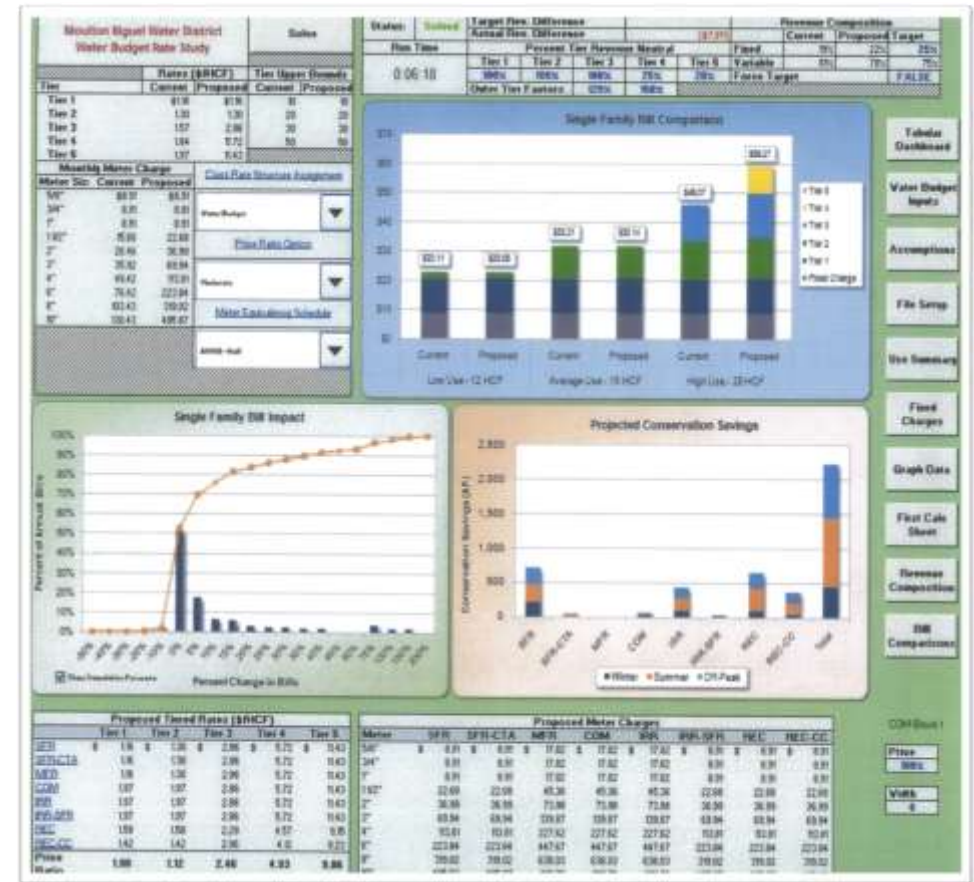


WHY WBBRS?

- 100% Imported water dependent (\$923.5 per AF)
 - Expensive alternative incremental supplies
- 2009 – 2010 Drought & Mandatory Restrictions
 - Issued ≈ 20,000 violation letters
 - Increased staffing needs
 - Impact to usage
 - Customer feedback
- **Need for Demand Management Tool that's long term & sustainable**

CHALLENGES IN RATE SETTING

- Public sentiment
- Legal cases
- Staff understanding
- Customer understanding
- Effective communication
- Time lapse in rate studies
- Internal resource constraints
- Political consideration



LESSONS LEARNED

- Fundamental approach
 - Expectation
 - Recon
 - First-hand research
 - Realistic assessment of resources
 - Cost of accuracy
 - Pragmatic – phases
 1. Irrigation: most usage per account=largest savings per \$ spent
 2. Single family
 3. Multi family
 4. Commercial

POLICY OBJECTIVES IN RATE SETTING

- Financial stability
- Analytical support
- Equity
- Customer considerations
- Legal compliance & defensibility
- Outreach & ongoing communication
- Affordability
- Water Use Efficiency

APPLYING LESSONS LEARNED

- Established trust
- Extensive planning going in
- Identified lesson points & potential vulnerabilities
- Assembled the right team
- Timing
- Financial considerations
- Legal guidance
- Getting mileage out of Cost of Service
- Expanded Prop. 218 notice & access
- Extensive outreach
- Plan, plan, plan for the public hearing

"The Cost of Service Report was long but actually very educational."

- Board member

RATE STRUCTURE

- Water revenues: 65% - fixed; 35% - variable
- Wastewater: 100% fixed
- Recycled water: based on cost
- Unrestricted revenue
- Pass through wholesale cost increases above assumptions
- Integrated Water Shortage Contingency Plan

Residential	Rates
Tier 1	\$1.41
Tier 2	\$1.61
Tier 3	\$2.49
Tier 4	\$4.25
Tier 5	\$9.04

Component	
GPCD	60
Plant Factor	0.7

WATER SHORTAGE CONTINGENCY PLAN

- Approach
 - Adopted as an ordinance
 - Target over allocation customers first
 - Focus on outdoor usage reduction
 - Indoor usage reduction: public health
- Maximize conservation
- Penalty for violation
 - All customers accountable
- Ensure timely response to future water shortage events
 - No additional Prop 218
- Outreach for implementing stages

DROUGHT ACTIONS

20%

- Alternate plan approval by SWRCB
- Water Budget Based Rates
- Water Shortage Contingency Plan
- Customer communications
- Recycled Water Master Plan
- Partnership with cities
- Media



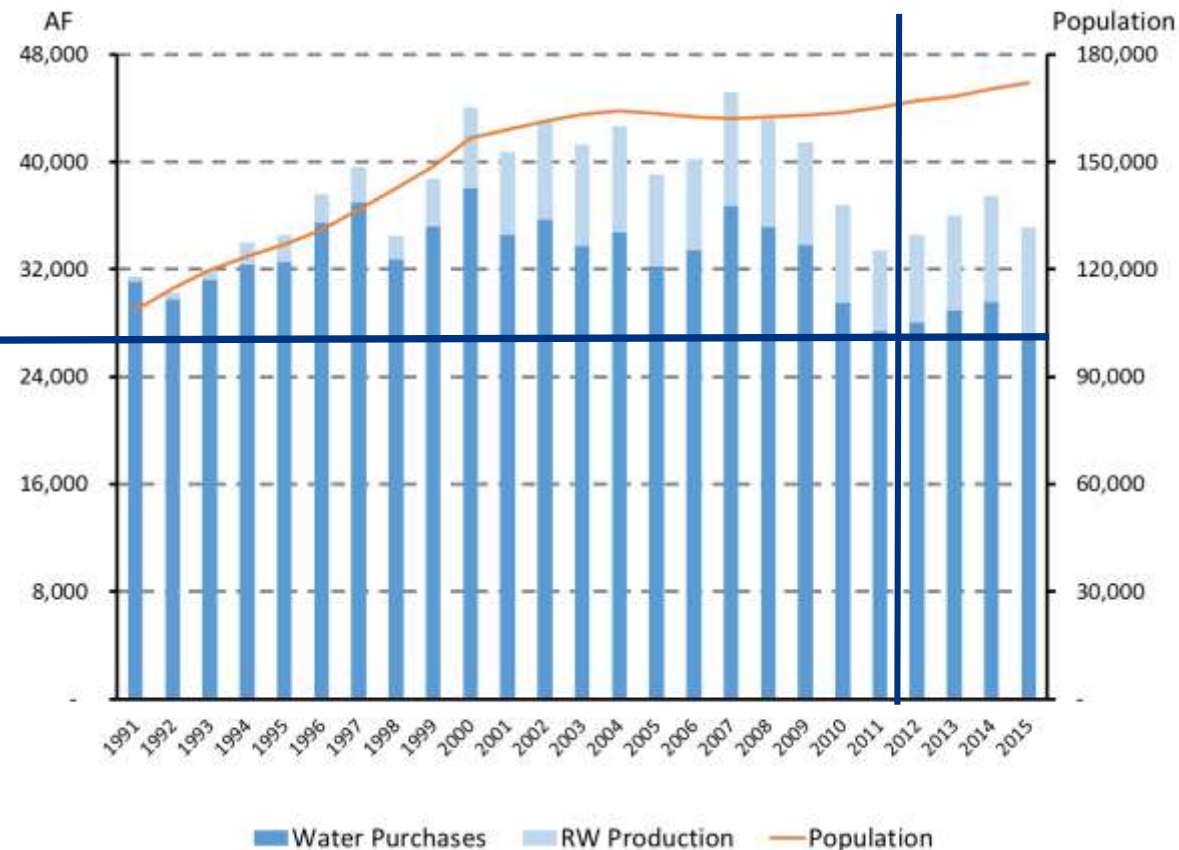
Water Shortage Contingency Plan Stage 2



DEMAND MANAGEMENT EFFORTS

Water Budget Rates Implemented

2015 = Lowest potable water use since 1990



25% Recycled Water

CURRENT RESULTS

- Exceeded targets for June, July & August
- Highest ever percentage of customers within their water budget
- Financially stable after greater than 20% reduction in demand
- Lowest overall water use since 1990
- Currently at approximately 50% of per capita water use in 1991
- Customer oriented cultural shift



MOVING FORWARD

- Demand Management as core function
- Integrated organizational water use efficiency ethic
- “Customer-focused” outreach campaign
- Broaden discussion about rates
- Regional collaboration & support
- Planning for the next rate study
- Statewide data collaborative