



Irvine Ranch Water District Notice of Proposed Water and Sewer Rate Change

Background

Irvine Ranch Water District (IRWD) is a government agency that provides water and sewer services based on the actual cost of operation and maintenance. Each year, the IRWD Board of Directors adopts an annual operating budget that goes into effect on July 1. Part of that process is setting water and sewer rates. One of IRWD's critical business objectives is to keep costs, and therefore rates, as low as possible for all our customers. When compared with other agencies providing similar services in Orange County, IRWD's rates are consistently among the lowest in the county.

On April 1, 2015 the Governor issued an Executive Order to direct the State Water Resources Control Board (SWRCB) to impose restrictions to achieve an aggregate statewide 25% reduction in potable urban water use. The Executive Order stipulates a statewide 25% reduction in water use as compared to 2013. The SWRCB has proposed draft regulations which place IRWD at a 16% required reduction and IRWD has incorporated this into its rates below.

Rate Structure Changes Proposed

On July 1, 2015, IRWD is proposing to make several changes to the rates and charges on your bill. The first step of a water commodity charge increase and other proposed changes to the rates and charges, allocations and tiers will become effective for all bills sent starting on July 1, 2015.

Proposed Commodity Rates

Commodity charges are based on the volume of water used. For Fiscal Year (FY) 2015-16, IRWD is proposing a two-step commodity rate increase. As shown in the table of proposed rates, the rates are proposed to increase for the Base Rate and Wasteful tiers. A second step increase is proposed for the Wasteful tier, to be applied if customer demands for water in this tier exceed the SWRCB required reductions or for other cost related increases.

First and Second Rate Steps for Potable Water:

Increases are proposed for the Base and Wasteful tiers. The Base allocation is based on business needs and any usage exceeding the allocation is considered wasteful. The base rate will increase by \$0.28 per ccf (one hundred cubic feet of water, or 748 gallons) and this is the melded cost of available sources. The Wasteful tier will increase by \$1.93 and it is based on the cost of imported water, other treatment costs and programs to encourage conservation. A step increase of \$5.38 per ccf is proposed for the wasteful tier if budgeted targets are not met. The potential step increase would occur October 1, 2015, or later but only if necessary.

FY 2015-16 Proposed Potable Commodity Rates		
Tier	FY 2014-15	FY 2015-16
Base Rate	\$1.34 per ccf	\$1.62 per ccf
Inefficient	\$3.91 per ccf	NA
Excessive	\$6.22 per ccf	NA
Wasteful	\$12.60 per ccf	\$14.53 per ccf \$19.92 per ccf (step 2)**
* A ccf equals one hundred cubic feet and is the standard billing unit. One ccf = 748 gallons of water. ** This increase will only occur if demands for water exceed the required reduction, and the District incurs penalties levied by the State or other related costs.		

Proposed Recycled Water and Recycled Water Loan Commodity Rates:

FY 2015-16 Recycled Commodity Rates		
Tier	FY 2014-15	FY 2015-16
Base Rate	\$0.80 per ccf	\$0.97 per ccf
Inefficient	\$2.35 per ccf	NA
Excessive	\$3.73 per ccf	NA
Wasteful	\$7.56 per ccf	\$5.79 per ccf
A ccf equals one hundred cubic feet and is the standard billing unit. One ccf = 748 gallons of water.		

FY 2015-16 Recycled Water Loan Commodity Rates		
Tier	FY 2014-15	FY 2015-16
Base Rate	\$1.34 per ccf	\$1.62 per ccf
Inefficient	\$3.91 per ccf	NA
Excessive	\$6.22 per ccf	NA
Wasteful	\$12.60 per ccf	\$14.53 per ccf \$19.92 per ccf (step 2)**
* A ccf equals one hundred cubic feet and is the standard billing unit. One ccf = 748 gallons of water. ** This increase will only occur if demands for water exceed the required reduction, and the District incurs penalties levied by the State or other related costs.		

Why are these Changes Necessary?

The main reasons for the change are due to uncontrollable cost increases from:

- Significantly higher operating and maintenance expenses associated with higher pass through expenses from other agencies and additional facilities coming on line (28%)
- Significantly higher electricity costs for pumping and treating water (5% increase);
- Charges from the Metropolitan Water District of Southern California (MWD) for imported water purchases through our regional wholesaler the Municipal Water District of Orange County (MWDOC), the most expensive source of water supply (2% increase); and
- Charges from the Orange County Water District (OCWD) for pumping local groundwater (10% increase.).

Allocation-Based Conservation Rate Structure

Since 1991, IRWD customer bills have been calculated using an allocation-based conservation rate structure that uses property-specific water allocations and tiered pricing to provide customers with an economic incentive to encourage efficient water use.

- Each customer receives a basic allocation of water that allows for a reasonable amount of water for the customer's needs.
- Water bills are calculated based upon how much water is used and whether customers stayed within their allocation.
- If a customer uses more water than their allocation, the water used that month is billed at increasingly higher tiers based on the cost of service.
- Costs associated with the purchase of additional imported water (the most expensive type of water for IRWD), urban runoff programs, water banking and water conservation programs are allocated to the tiers based in their proportional use.
- As a result of the allocation-based rate structure, IRWD is regarded as a statewide leader in water efficiency.

How are Allocations Determined?

IRWD's water use allocations take into consideration both indoor and outdoor water use.

- Allocations are based on an indoor and outdoor (as applicable) component. The indoor component is based on the specific reasonable water use needs of the business.
- Grass is the highest water-using plant in a landscape. Previously, IRWD's outdoor water use allocation formula was based on the relative amount of water needed for warm-season turf. In an effort to encourage stronger conservation due to the fourth straight year of drought and in order to meet the state mandated water reductions, IRWD is proposing to change the outdoor allocation component to provide for sufficient water to meet the demands of your **drought tolerant landscaping irrigated with drip or a high efficiency irrigation system**.
- Your allocation can change with the weather throughout the year. When the weather is hotter or windier, your allocation goes up automatically. When it's cooler or rains, your allocation decreases automatically. Your allocation is printed on your monthly bill.

Proposed Changes to Billing Tiers

For FY 2015-16, IRWD is also proposing the following changes to the tiers:

- The proposed tiers are reduced from 4 to 2. This is based on the cost of service and a better pricing signal for each tier. District staff has and will continue to work with each customer to personalize their allocation.
- Water usage in each tier is determined as a percentage of allocation. Customers with reasonable use should be able to stay within 100% of allocation
- Usage greater than 100% of allocation is not considered reasonable use, and would fall into the Wasteful tier.

Proposed Reduction in Tiers		
Tier	FY 2014-15	FY 2015-16
Base Rate	0-100%	0-100%
Inefficient	101-110%	NA
Excessive	111-120%	NA
Wasteful	121+	101+

Proposed Monthly Water and Sewer Service Rates

The fixed monthly water service charge is proposed to decrease \$0.20 from \$10.50 to \$10.30 for a 5/8 by 3/4" meter. Proposed changes for other meter sizes are shown in the table below.

Included in the proposed monthly water fixed service charge for the 5/8 x 3/4" meter is \$2.15 per month for water infrastructure enhancements and replacements, and \$8.05 per month for sewer infrastructure enhancements and replacements. IRWD includes this funding source for capital enhancements and replacements as part of its long-term planning approach. By planning for the future and setting aside funds now to pay for the inevitable repair and the replacement of infrastructure such as pipes, pumping stations and treatment facilities, the District can avoid significant one-time increases to its customer rates and charges in the future. These funds are not used to pay for facilities that extend service to new development.

Proposed Changes for Water Service Charges

fixed monthly charge based on meter size for the operation and maintenance of the water system

Component	Current Rates	Proposed Rates
5/8" x 3/4" disc	\$10.50/meter	\$10.30/meter
3/4" disc	\$15.55/meter	\$15.45/meter
1" disc	\$26.25/meter	\$25.75/meter
1 1/2" disc	\$52.50/meter	\$51.50/meter
2" disc	\$84.00/meter	\$82.40/meter
3" compound	\$168.00/meter	\$164.80/meter
4" compound	\$315.00/meter	\$309.00/meter
6" compound	\$525.00/meter	\$515.00/meter
8" compound	\$1,010.65/meter	\$991.40/meter
10" compound	\$1,155.00/meter	\$1,133.00/meter
14" compound	\$1,837.50/meter	\$1,802.50/meter
2" turbo	\$110.25/meter	\$108.15/meter
3" turbo	\$252.00/meter	\$247.20/meter
4" turbo	\$525.00/meter	\$515.00/meter
6" turbo	\$1,050.00/meter	\$1,030.00/meter
8" turbo	\$1,837.50/meter	\$1,802.50/meter
10" turbo	\$2,205.00/meter	\$2,163.00/meter
2" magnetic	\$163.30/meter	\$160.20/meter
4" magnetic	\$652.60/meter	\$640.15/meter
6" magnetic	\$1,468.45/meter	\$1,440.45/meter
8" magnetic	\$2,611.35/meter	\$2,561.60/meter
6" propeller	\$708.75/meter	\$695.25/meter
8" propeller	\$945.00/meter	\$927.00/meter
10" propeller	\$1,260.00/meter	\$1,236.00/meter
12" or 14" propeller	\$1,771.90/meter	\$1,738.15/meter
16", 18" or 20" propeller	\$2,992.50/meter	\$2,935.50/meter

The sewer service charge is proposed to increase from \$20.50 to \$24.05 per month. Additional charges based on the volume of water used and treated in excess of 10 ccf per month are shown in the table below.

Proposed Changes for Sewer Quantity and Industrial Waste Charges

fixed monthly charge based on meter size for the operation and maintenance of the sewer system

Component	Current Rates	Proposed Rates
Sewer Quantity Charge	\$2.35 per ccf of water used	\$2.56 per ccf of water used
Collection Quantity Charge	\$0.72 per ccf of water used	\$0.78 per ccf of water used
Industrial Waste Charge	\$0.115 per ccf	\$0.125 per ccf
Special Purpose Discharge Charge	NA	Up to \$1,347.15 per million gallons

Private Fire Line Service Fee, Hydrant Charges, Pumping Surcharges, Set-up and Reconnection Fees

A pumping surcharge is added to the commodity rate of those users who reside at higher elevations and cause the District to incur additional pumping costs to supply their water. The surcharge is based on prevailing energy costs and varies depending upon the elevation of the area served. If you live in an area affected by a pumping surcharge, it is itemized on your monthly bill.

Proposed Changes to Pumping Surcharges, Set-up and Reconnection Fees

Component	Current Rates	Proposed Rates
Private Fire Line Service Fee (per diameter in.)	\$13.60	\$13.60
Fire Hydrant Charge	\$23.70/month per hydrant	\$23.70/month per hydrant
Pumping Surcharges by Zone	\$0.16 to \$0.42/ccf	\$0.09 to \$0.47_/ccf
One-time Setup Fee for New Accounts	\$20.00	\$25.00
Fees for Reconnection to the System in the event of Shutoff	\$70.00 - \$95.00	\$70.00 - \$95.00

Automatic Pass-Through Adjustments

In calculating the proposed rate increases, IRWD has used its best available information on projected increases in the cost of imported water IRWD purchases from Metropolitan Water District of Southern California (MWD) through the Municipal Water District of Orange County (MWDOC), the replenishment charges paid by IRWD to Orange County Water District (OCWD) for pumping groundwater, and the cost for regional treatment of sewage paid by IRWD to the Orange County Sanitation District (OCSD). However, IRWD has no control over the amounts set by MWD, MWDOC, OCWD and OCSD (the "Regional Agencies"), and must pass those costs through to IRWD's customers. While not anticipated at this time, should any of the Regional Agencies adopt an additional increase (or decrease) in its charges ("Pass-Through Amount"), IRWD will automatically recalculate its rates to include the Pass-Through Amount. If this occurs, the automatic IRWD rate adjustment will not require a public hearing or any additional action by the IRWD Board of Directors. At least 30 days before the effective date of the adjustment, IRWD will provide its customers with the expected adjustment(s), which will generally be calculated as the total projected cost increase divided by the projected annual water consumption or annual total sewage flow as appropriate. This calculation will vary as necessary to reflect IRWD's different service areas and service classes.

Public Hearing

Any customers or property owners within the IRWD service area may file a written protest for the proposed rate increases with IRWD by sending a letter to IRWD, P.O. Box 5149, Irvine, CA 92616. A valid protest letter must include your name, the address at which you receive service from IRWD, a statement of protest and your original signature. Protest letters received by June 22 will be tabulated and presented to the Board of Directors at a public hearing regarding the rate increase to be held on June 22, 2015 at 5 p.m. in the IRWD Board Room, 15600 Sand Canyon Ave., Irvine, CA. Any customers or property owners may appear at the hearing to make comments regarding the proposed rates. Letters not mailed to meet the June 22 deadline, may be delivered in person at the hearing, and must be received prior to the conclusion of the June 22 public hearing.

Additional Information

For more information on IRWD's water efficiency programs, rebates and tips on how you can conserve, visit www.irwd.com. If you have any additional questions, please contact IRWD Customer Service at (949) 453-5300.