

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. 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 each of the tiers. A second step increase is proposed for the Inefficient and Wasteful tiers, to be applied if customer demands for water in these tiers exceed the SWRCB required reductions as it would require IRWD to pay penalties or incur other costs for not achieving its targeted water use reduction.

FY 2015-16 Proposed Commodity Rates		FY 2014-15		FY 2015-16	
Tier	Low Volume	Base Rate	Inefficient	Excessive	Wasteful
	\$0.88 per ccf	\$1.34 per ccf	\$3.91 per ccf	\$6.22 per ccf	\$12.60 per ccf
	\$1.11* per ccf	\$1.62 per ccf	\$3.92 per ccf	NA	\$14.53 per ccf
			\$9.30 per ccf (step 2)**		\$19.92 per ccf (step 2)**

* Low Volume rate reflects the lowest cost source of water and rewards those customers using the least amount of water, thereby reducing the need for IRWD to purchase more expensive supplies. A ccf equals one hundred cubic feet and is the standard billing unit. One ccf = 748 gallons of water.
 ** This increase may occur if demands for water exceed budget, and the District incurs penalties levied by the State or other related costs.

First and Second Rate Steps: Increases are proposed for the low volume and base rates. The Low Volume rate will increase by \$0.23 which is based on the District's lowest cost source of water. The Base rate will increase by \$0.28 per ccf, based on the melded cost of all remaining water sources. A second step increase is proposed for the Inefficient and Wasteful tiers if required reductions are not met. An increase of \$5.38 per ccf to the Inefficient tier is proposed to occur October 1, 2015 or later. The \$5.38 increase would change the Inefficient tier rate from \$3.92 to \$9.30 per ccf, and the Wasteful tier rate from \$14.53 to \$19.92 per ccf. The potential second step increase for these tiers may occur October 1, 2015, or later.

Why are these Changes Necessary?

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

- Significantly higher operating and maintenance expenses associated with higher pass through expenses from other agencies and with additional facilities coming on line (28%);
- Pass through rate increase in 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.