



# 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.

**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.

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

- 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 stay 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 on their use.

### How are Allocations Determined?

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

- Allocations are based on the default number of residents in the home, the type of home (detached home, attached home or apartment), landscape area (LA) and actual daily weather and the amount of water your plants need to stay healthy (referred to as evapotranspiration or ET).
- Grass (turf) 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 its outdoor allocations to provide sufficient water to meet the demands of your **drought tolerant landscaping irrigated with drip or a high efficiency irrigation system**.
- Your water allocation will 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 Water Allocations

The formula for the indoor part of your allocation remains unchanged at **50 gallons** per person per day (gpd), as indicated in the table below. As mentioned above, there are proposed changes to the outdoor allocation. Variances are available to make adjustments to the allocations for more people living in the home, medical needs, additional landscape area or other special circumstances. Variance forms are available on-line at IRWD's website [www.irwd.com](http://www.irwd.com).

Type of Residence	Number of Residents Allocated (Default)	Landscape Area (Default)	Allocation Indoor	Allocation Outdoor Change to Drought Tolerant Plants	Total Allocation
Attached Home (Condo)	3	435 sq. feet	# Residents x 50 gpd	ET x LA x 0.6	Indoor x days in bill period + Outdoor
Apartment	2	N/A	# Residents x 50 gpd	N/A	
Single Family Residence	4	1,300 sq. feet	# Residents x 50 gpd	ET x LA x 0.6	Indoor x days in bill period + Outdoor

*\*Outdoor allocation is multiplied by 36.3 to convert to ccf. ET is for the days in the bill period.*

### Proposed Changes to Average Monthly Water Allocation

The table below shows average monthly customer allocations, based on a 30-day bill period for current and proposed allocations. IRWD always rounds up allocations to the nearest whole ccf. There is no change to the allocation for apartments.

Type of Residence	Indoor Allocation ccf	Average Outdoor Allocation ccf	Total Average Monthly Allocation ccf
Attached Home (Condo) - Current	6	2	8
Attached Home (Condo) - Proposed	6	1	7
Apartment - Current	4	n/a	4
Apartment - Proposed	4	n/a	4
Single Family Residence - Current	8	4	12
Single Family Residence - Proposed	8	3	11

An "Allocation-Based Conservation Rate Calculator" is also available on the IRWD website [www.irwd.com](http://www.irwd.com) to show how staying within your allocation or exceeding it will affect your monthly bill. Provide your account number from a recent bill and you can see how your bill will be

recalculated using the new rates, allocations and tiers, and any variances you have on your account. Customers who use water wisely and stay within their allocation will be rewarded with some of the lowest rates in Orange County.

### Proposed Changes to Billing Tiers

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

- A proposed reduction in the number of tiers from 5 to 4 tiers. This is based on the cost of service for each tier.
- The percentage of allocation in these over-allocation tiers is proposed to be reduced as shown in the table on July 1, 2015.
- 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. The Low Volume tier is based on indoor use at a basic level of 30 gallons per person per day. The Base tier includes an additional indoor allocation of 20 gallons per person (total of 50) and the outdoor allocation.
- Usage greater than 100% of allocation would fall into the Inefficient and Wasteful tiers. For residential customers with outdoor use, the Base tier is proposed to be based on drought tolerant plant irrigation amounts and the Inefficient tier is proposed to be based on warm-season turf with an efficient irrigation system. Additional use is considered to fall into the Wasteful tier.
- For multi-family customers with no outdoor use, the Inefficient tier is based on indoor leaks. Additional use then falls into the Wasteful tier.
- Separate from, and in addition to, the rate increase proposed for the respective tiers as described above, the proposed changes to the allocations and adjustments to the tiers will increase the cost of any water usage that falls within a higher tier.

Proposed Changes in Inefficient, Excessive and Wasteful Tiers			
	All Residential	Residential with Outdoor	Residential Multi-Family No Outdoor
Tier	FY 2014-15	FY 2015-16	FY 2015-16
Low Volume	0 -40 %	0 - 40%	0 - 60%
Base Rate	41 -100%	41-100%	61-100%
Inefficient	101-130%	101-130%	101-120%
Excessive	131-160	N/A	N/A
Wasteful	161+	131+	121+

### Proposed Monthly Water and Sewer Fixed Service Rates

The fixed monthly water service charge is proposed to decrease \$0.20 from \$10.50 to \$10.30 for the average size residential water meter. Residential customers that remain in the low volume tier for most of the year will have a larger percentage of their bill made up of the fixed charge. The baseline fixed charge is calculated on the meter's maximum flow capacity and the demand on the system. Customers that remain in the low volume tier for 9 of 12 months will receive a \$2.00 leaseback credit.

The fixed sewer rate is proposed to increase ranging from \$15.40-20.50 to \$18.55-\$24.05 per month. The tiered sewer service charge for residential customers was based on a 12 month average potable usage and this is proposed to change for FY 2015-16. The average will now be based on the 3 lowest months potable usage from the prior calendar year. In this way, those customers that conserve will pay less for sewer service. Using the 12 month average, 75% of our residential customers were in the top tier (\$20.50). This proposed change in the method of identifying average potable water usage used to establish sewer use would move over 40% of our residential customers to the lower tiers, providing an additional benefit to those conserving water. The total cost of all water and sewer rate increases would be an average of \$4.58 per month for a residential customer staying within allocation and using the typical 5/8 x 3/4 inch meter.

Included in the proposed monthly water service charges to the average residential customer are \$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
<b>Residential - homes, condo, apartments</b>		
5/8 x 3/4"	\$10.50/meter	\$10.30/meter
3/4" disc meter	\$15.55/meter	\$15.45/meter
1" disc meter	\$18.00/meter	\$25.75/meter
1 1/2" disc meter	\$38.05/meter	\$51.50/meter
2" disc meter	\$58.30/meter	\$82.40/meter
2" turbo meter	\$110.25/meter	\$108.15/meter
<b>Residential master meter (shared) - apartments and condominiums 5/8 x 3/4" mtr</b>	<b>\$10.50/meter</b>	<b>\$10.30/meter</b>

For meters one-inch and larger, there is a graduated schedule of charges on a per-meter basis, ranging from \$25.75 per month for a 1-inch meter to \$108.15 for 2" turbo meter. The current amount for your meter size appears on your bill.

### Proposed Changes for Sewer Service Charges

The sewer service fixed monthly charge for the operation and maintenance of the sewer system is proposed to change from being calculated based on a 12 month average to a calculation based on the 3 lowest months of potable water usage a 12 month period, providing a greater benefit to those conserving water.

	Current Rates	From 12 to 3 month Avg.	Proposed Rates
Sewer service charge			
Average water usage exceeds 10 ccf's per month	\$20.50/month	\$22.10/month	\$24.05/month
Average water usage falls between 5 and 10 ccf's	\$18.45/month	\$19.90/month	\$21.85/month
Average water usage falls below 5 ccf's	\$15.40/month	\$16.60/month	\$18.55/month
Collection Service Charge (based on flows)	\$0.725/ccf		\$0.785/ccf

### 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
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

### Sample Bills

Below are two examples, using the proposed Step 1 rate increase, of how water efficiency can lower your bill and save you money. Each of these examples for single family customers takes the actual water use per month determined by the meter reading and then applies it using the proposed tier rate percentage allocations (see page 3). To see how your bill would change, use the rate calculator on the IRWD website [www.irwd.com](http://www.irwd.com).

<b>Bill # 1 – The Inefficient Customer</b>				
<b>Dates of Service</b>		<b>Meter Reading</b>		<b>Units Used</b>
<b>7/10/15</b>	<b>8/09/15</b>	<b>1255</b>	<b>1281</b>	<b>26 CCF</b>
USAGE – LOW VOLUME	5	\$ 1.11		\$ 5.55
USAGE – BASE RATE	6	\$ 1.62		\$ 9.72
USAGE – INEFFICIENT	8	\$ 3.92		\$31.36
USAGE –WASTEFUL	7	\$14.53		\$101.71
WATER SERVICE CHARGE				\$10.30
SEWER SERVICE CHARGE				\$24.05
YOUR ALLOCATION FOR THIS BILL		11 CCF		
BILL CALCULATION BASED ON		.03 ACRES		
TO AVOID LATE CHARGE PAY BEFORE		9/07/15		\$182.69

<b>Bill # 2 – The Efficient Customer</b>				
<b>Dates of Service</b>		<b>Meter Reading</b>		<b>Units Used</b>
<b>7/10/15</b>	<b>8/09/15</b>	<b>1255</b>	<b>1266</b>	<b>11 CCF</b>
USAGE – LOW VOLUME	5	\$1.11		\$ 5.55
USAGE – BASE RATE	6	\$ 1.62		\$ 9.72
WATER SERVICE CHARGE				\$10.30
SEWER SERVICE CHARGE				\$21.85
YOUR ALLOCATION FOR THIS BILL		11 CCF		
BILL CALCULATION BASED ON		.03 ACRES		
TO AVOID LATE CHARGE PAY BEFORE		9/07/15		\$47.42

For a residential customer using 11 ccf of water, the total proposed rates will translate into an increase of \$4.58 per month.

## **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 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](http://www.irwd.com). If you have any additional questions, please contact IRWD Customer Service at (949) 453-5300.