

Alameda County Water District

Financial Workshop

Presenters

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Workshop Overview

Presentation Purpose

- Receive Board feedback and direction regarding:
 - Reinstatement of formal collections activities, including use of the property tax roll
 - Use of the property tax roll to collect service charges
 - Fixed/variable revenue recovery

A third financial workshop is scheduled for October 28, and will be held if necessary following today's discussion

Workshop Overview

Presentation Agenda

- Recap guidance provided at the August workshop
- Provide a detailed approach to resuming collections activities with use of the property tax roll
- Provide a financial analysis on using the property tax roll to collect service charges for non-residential accounts
- Provide additional stage rate scenarios
- Review data and policy considerations related to fixed/variable revenue recovery

Alameda County Water District

Review August Workshop

Review of August Workshop

At the August 26 workshop, the Board requested that today's topics return for continued evaluation. The Board also expressed the following for this rates process:

- Maintain a uniform rate structure
- Reinstate water shortage emergency stage rates
- Adopt an updated cost-of-service study
- Make the financial plan adjustments to the adopted budget as presented, which includes:
 - Updating the financial plan for actual FY 2020/21 results
 - Updating billed demand projections based on currently observed conservation
 - Updating water purchase costs based on expected availability from the District's various sources of supply

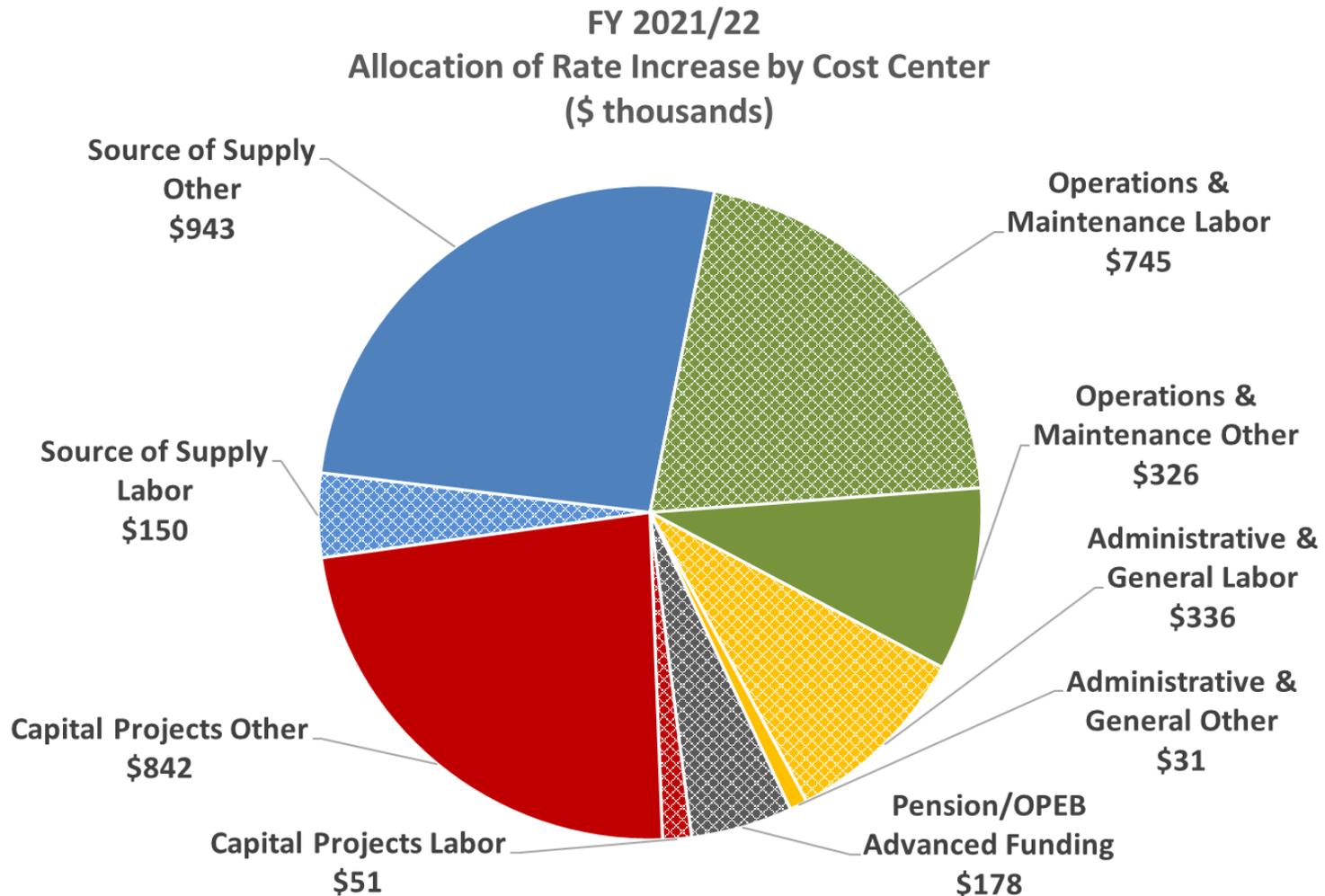
Financial Planning Model Assumptions

- Maintain the following key assumptions:
 - 3% rate increase effective March 1, 2022 and each year thereafter
 - Maintain current Capital Improvement Program
 - Pension/OPEB funding at 6.5% discount rate (level \$) and full funding by 2032
 - \$19.5 million in State Revolving Fund (SRF) loan for Advanced Metering Infrastructure (AMI) Program
 - Billed demand at 35.0 MGD for FY 2021/22 and FY 2022/23
 - Watershed Preservation and Protection (N3 Ranch) budget of \$5 million plus \$1 million in annual operations & maintenance (O&M) expense (alternatives presented at the August workshop remain possible outcomes as well)
- Add one assumption: \$15M for PFAS treatment split between FYE 26 and 27

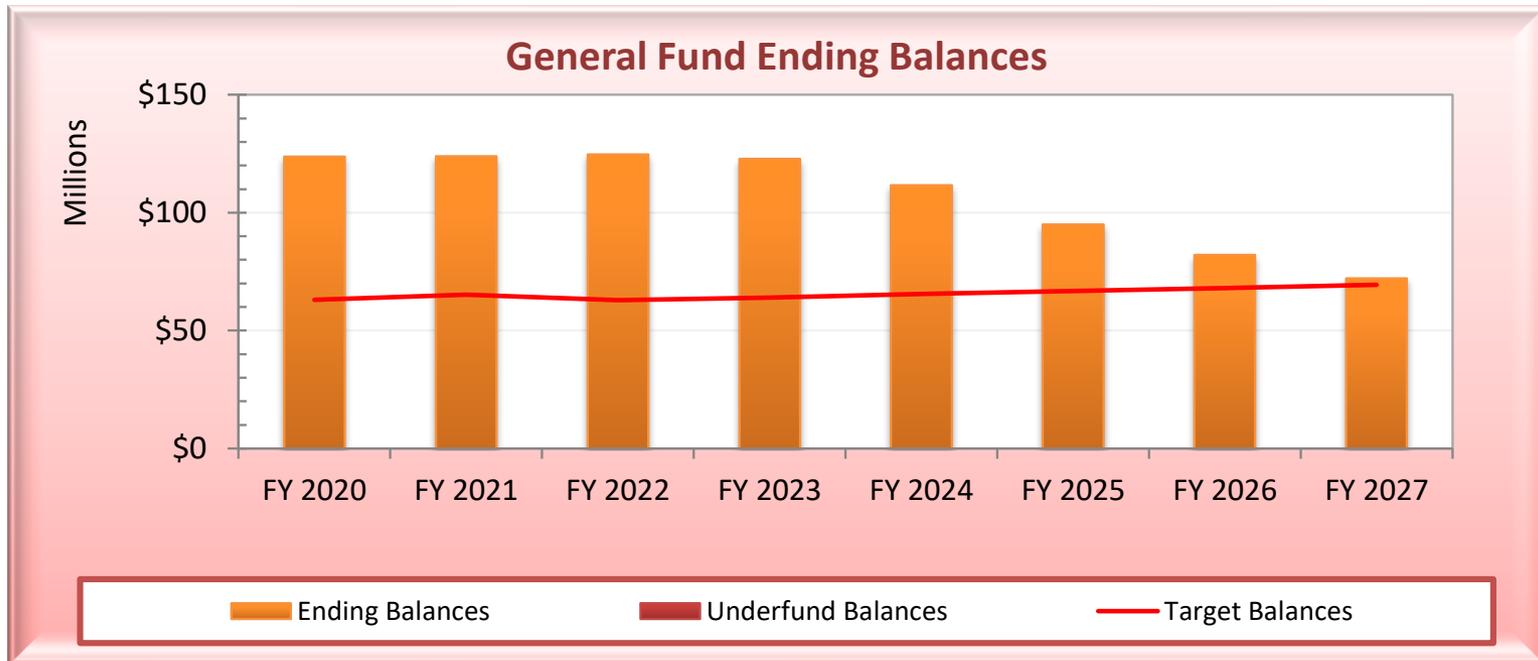
Where is the Money Going?

- Rate increase dollars are needed to meet overall cost of service.
- The District reviews its budget by cost center and by cost element. Allocating the \$3.6 million rate increase by cost element is as follows:
 - Employee Compensation: \$1.4 million
 - Capital Projects: \$0.9 million
 - Water Purchases: \$0.8 million
 - Operations & maintenance: \$0.5 million
 - Total: \$3.6 million
- Debt service and developer-reimbursed projects are excluded.

Where is the Money Going?



General Fund Ending Balances



- Includes \$15 million for PFAS treatment over two fiscal years 2025/26 and 2026/27
- Low balance of \$72.2 million in FY 2026/27 (\$2.8 million above reserve target)

Collections

Resuming Collections

Collections and Delinquencies

Disconnections in 2019:

- Disconnections – 593 (459 Customers)
 - Residential – 559 (436 Customers)
 - Non-Residential – 34 (23 Customers)

Past Due Balances/Accounts:

- 78% of past due balances due to residential customers
- 80% of past due accounts due to residential customers

Past Due Accounts/Balances over \$600 as of July 2021:

- Number of Active Past Due – 646
 - Residential – 547
 - Non-Residential – 99
- Total Past Due Balances for These Customers – \$870,660
 - Residential – \$671,250
 - Non-Residential - \$199,410

Workflow Comparison

Current Process:

- Board Approved Collection and Residential Water Service Termination Policy
- Established process and timelines
- Provides process for appeals and disputes
- Results in disconnection for non-payment

Property Tax Process:

- Assesses delinquencies on active accounts to Property Tax Roll on annual basis.
- Require property owners to be customer of record
- Will need to establish process and timelines for notices
- Does not result in disconnection for non-payment

Workflow Comparison

Number of Days from Bill Issuance Date:

Current Process:

- Late Fee Assessed – Day 28
- Final Notice Mailed – Day 67
- 48 Hour Door Tag Issued – Day 74
- Courtesy Phone Call – Day 80
- Service Disconnected – Day 81
- Funds Received – Starting Day 82

Property Tax Process:

- Late Fee Assessed – Day 28
- Secondary Notice Mailed – Day 75
- Door Tag Issued – Day 90
- Property Tax Assignment – between Day 81 to 445 (depends on bill date)
- Funds Received – Between Day 280 to 764 (depends on bill date)

Workflow Comparison

Items of Consideration:

Current Process:

- Process and timelines would not start until funds from State Arrearages Program is received
- All account types would resume collections timelines at the same time

Property Tax Process:

- Pre-referral process would start after funds are received from State Arrearages Program
- Process for owner-occupied locations can start earlier
- Provide additional time for property owners to assume responsibility of account

Advantages and Disadvantages

Current Process:

Advantages:

- Allows flexibility
- Funds received up to 90 days after bill date

Disadvantages:

- Service disconnection
- May not fully collect funds

Property Tax Process:

Advantages:

- Fully collect funds
- No service disconnections

Disadvantages:

- Lose flexibility on payment plans
- Funds received up to 25 months after bill date
- Does not capture accounts closed during the year
- Could be used as interest-free loan

Collections Options

| | Current Process | Property Tax – Owner Occupied Residential | Property Tax – All |
|-------------------------------|-----------------|---|--------------------|
| Service Disconnection | ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ |
| Flexibility | ✓ ✓ ✓ | ✓ ✓ | ✓ ✓ |
| Funds Fully Collected | ✓ ✓ | ✓ ✓ ✓ | ✓ ✓ ✓ |
| Timeliness of Collections | ✓ ✓ ✓ | ✓ | ✓ |
| Administrative Considerations | ✓ ✓ ✓ | ✓ ✓ | ✓ ✓ |
| Beneficiary Pays | ✓ ✓ ✓ | ✓ ✓ ✓ | ✓ |

Recommendation

Resume established Collections & Residential Water Termination Policy:

- All accounts would follow established policy with bills issued in January.

OR

Collect past due on Property Tax Bill:

- Owner-occupied residential balances starting July

In any scenario, reinstate pre-disconnect collections processes effective in the new calendar year (once State arrearages funding is provided)

Alameda County Water District

Service Charge Billing on Property Tax Roll: Non-Residential Properties

Financial Analysis

Recap of general financial considerations:

- District may not participate in the Teeter Plan. Participation required a one-time irrevocable decision from decades prior
 - District will receive a share of late penalties as applicable
- Property is repossessed by county once five years past-due on tax bills. Sale proceeds are used for tax/fee obligations first
 - Property owners cannot make partial property tax payments
- Administrative fees charged by the county are 1.7% unless other amount specified by statute
 - Fees to collect service charges are capped at the greater of 1% or \$5/account
- County has never declined to collect a fee if duly authorized by the relevant authority

Financial Analysis

Collecting non-residential service charges

- 7,274 accounts
- Total service charge collections in FY 2020/21: \$6.6 million
- Bad debt for non-residential customers is less than 0.1%
 - Compares favorably to the system-wide total of 0.14%
- 5,501 payments totaling \$3.1 million were made by credit card by non-residential customers in 2020 (about 10% of total payment amount)

Financial Analysis

Costs

- Administrative fee to county: \$66K (1% - that is about \$9/account)
- Consultant costs: \$10K

Financial Improvements

- *Collections: \$4K
- Payment processing fees: \$7K

Net cost of \$65K

*double counts with collecting delinquencies on the tax roll

Financial Analysis

Financial effect of billing the service charge on the property tax roll – All Accounts:

- Costs
 - Administrative fee to county: \$430K (\$5/account)
 - Consultant costs: \$20K
- Financial Improvements
 - *Collections: \$41K
 - Payment processing fees: \$138K (based on current experience – 35% of payments with a credit card)
 - Revenue from vacant accounts: \$10K
- Net Result: Cost of \$261K

*double counts with collecting delinquencies on the tax roll

Additional Considerations

- Non-residential properties that do not receive a tax bill would need to be billed under our current system (about 300 government-owned properties)
- Process would need to be developed for new connections
- Revenues would be disbursed by the County to ACWD primarily in January and May in accordance with property tax collections
- If the tax roll is used for any purpose, staff would engage a consultant and do a 'dress rehearsal' to 1) learn the process and perform needed data clean-up, and 2) document and prepare billing system changes
- Consider revisions to rate increase effective dates (would not be able to implement mid-year adjustments on property tax roll)
- Not all homeowners utilize an escrow account
- 2/3 majority vote required for implementation

Additional Considerations

Property Tax Delinquency Data

- Per county staff, about 15% of properties pay their tax late
- Within the District's service area, about two properties are sold by the county at auction each year due to tax delinquency (28 over the last 17 years). Why so few:
 - Property owners are able to get current within five years, or
 - Property owners sell their property once they realize they likely won't be able to get current

Property Tax Delinquency Fees

- 10% of installment amount for first installment (average residential installment payment is estimated to be about \$4,400)
- \$10 + 10% of installment amount for second installment
- \$15 + 1.5% monthly interest after July 1

Additional Considerations

District Delinquency Fees and Data

- \$5 late fee: applied a week past the due date (~18% of bills)
- \$20 door tag fee: applied 53 days past the due date (~0.6% of bills)
- \$20 disconnect fee (~0.1% of bills)
- \$46 reconnect fee

Compare to property taxes: 15% of property owners pay a 10% fee (about \$440 given the estimated average installment amount) – ACWD would receive a proportional share of late fees and interest

Alameda County Water District

Board Workshop

September 23, 2021



Stage Rates



Stage Rates

- Water Shortage Emergency Stage Rates (Stage Rates) are implemented during water shortage emergencies
 - District's Water Shortage Contingency Plan identifies six stages
- Include service disruptions from drought, water shortage emergencies, or water supply interruptions from natural disasters
- Consistent with the 2020 Urban Water Management Plan
- Requires Board adoption & 30-day customer notice prior to implementation

Stage Rate Stages – Updated Stages

| Water Shortage Emergency Stage | Stage 0 | Stage 1 | Stage 2a | Stage 2 | Stage 3a | Stage 3 | Stage 4 | Stage 5 | Stage 6 |
|-----------------------------------|------------|------------|-------------|------------|-------------|------------|------------|------------|---------------|
| Reduction in Water Demand | 0% | 10% | 15% | 20% | 25% | 30% | 40% | 50% | Up to 60%* |
| Projected Water Sales (AF) | 38,730 | 34,857 | 32,920 | 30,984 | 29,047 | 27,111 | 23,238 | 19,365 | 16,654 |

*57% based on Urban Water Management Plan Table 10-1

- Stages 2a and 3a have been included to account for possible state water reduction mandates
 - › Possible mandates assumed at 15% and 25% water conservation targets

Proposed Cost of Service Stage Rates

Inside Rate

| Water Shortage Emergency Stage | Stage 0 | Stage 1 | Stage 2a | Stage 2 | Stage 3a | Stage 3 | Stage 4 | Stage 5 | Stage 6 |
|---|------------|------------|-------------|------------|-------------|------------|------------|------------|---------------|
| Reduction in Water Demand | 0% | 10% | 15% | 20% | 25% | 30% | 40% | 50% | Up to 60%* |
| Cost of Service Rates (\$/HCF) | | | | | | | | | |
| Unit Stage Rate | \$0.000 | \$0.496 | \$0.787 | \$1.115 | \$1.486 | \$1.920 | \$3.000 | \$4.443 | \$5.852 |
| Commodity Rate (Inside) | \$4.596 | \$4.596 | \$4.596 | \$4.596 | \$4.596 | \$4.596 | \$4.596 | \$4.596 | \$4.596 |
| Total Commodity Rate (Inside) | \$4.596 | \$5.092 | \$5.383 | \$5.711 | \$6.082 | \$6.516 | \$7.596 | \$9.039 | \$10.448 |

*57% based on Urban Water Management Plan Table 10-1

Proposed Cost of Service Stage Rates

Outside Rate

| Water Shortage Emergency Stage | Stage 0 | Stage 1 | Stage 2a | Stage 2 | Stage 3a | Stage 3 | Stage 4 | Stage 5 | Stage 6 |
|---|------------|------------|-------------|------------|-------------|------------|------------|------------|---------------|
| Reduction in Water Demand | 0% | 10% | 15% | 20% | 25% | 30% | 40% | 50% | Up to 60%* |
| Cost of Service Rates (\$/HCF) | | | | | | | | | |
| Unit Stage Rate | \$0.000 | \$0.496 | \$0.787 | \$1.115 | \$1.486 | \$1.920 | \$3.000 | \$4.443 | \$5.852 |
| Commodity Rate (Outside) | \$5.240 | \$5.240 | \$5.240 | \$5.240 | \$5.240 | \$5.240 | \$5.240 | \$5.240 | \$5.240 |
| Total Commodity Rate (Outside) | \$5.240 | \$5.736 | \$6.027 | \$6.355 | \$6.726 | \$7.160 | \$8.240 | \$9.683 | \$11.092 |

*57% based on Urban Water Management Plan Table 10-1

Concern:

Is there a cross-subsidy occurring
between customer classes?



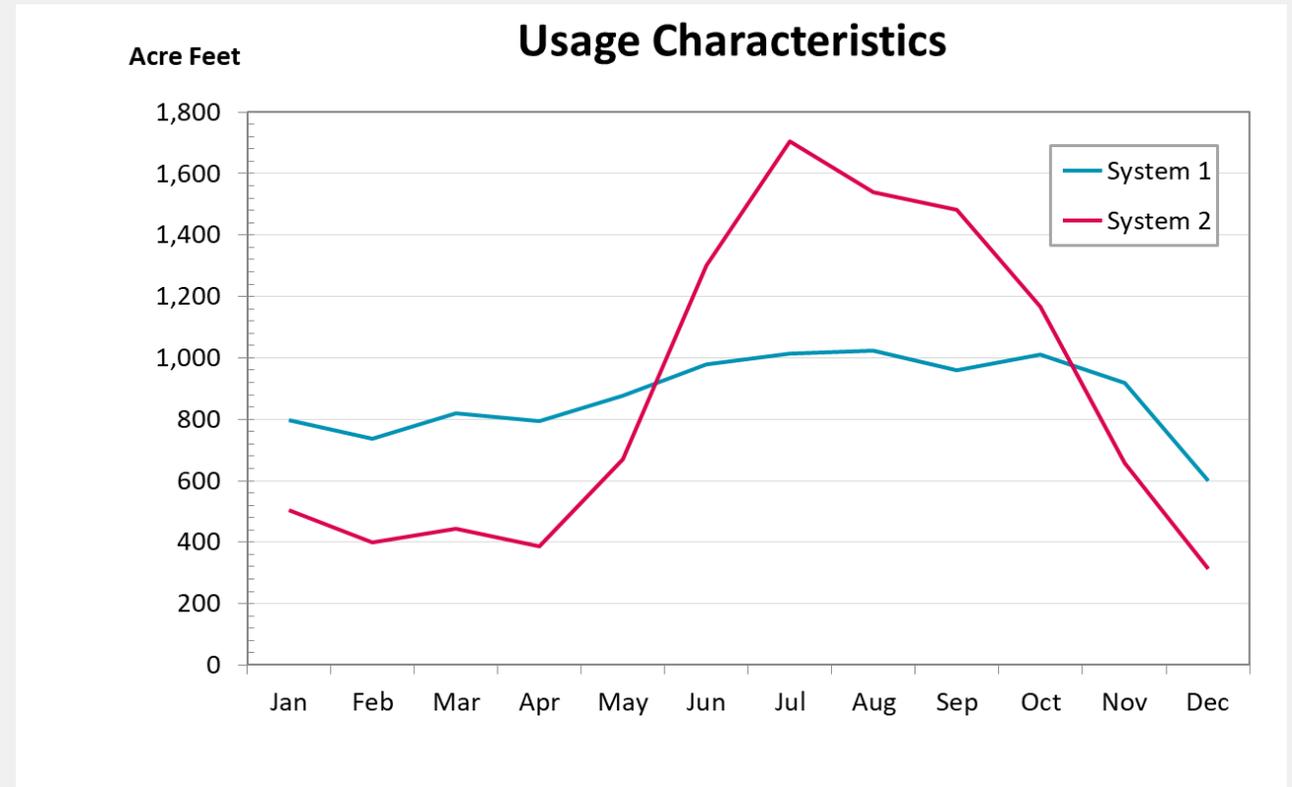
Differentiating costs between customer classes

- Our analysis examined customer class water use patterns to determine the impact on the proposed commodity rate

Water Systems and Costs

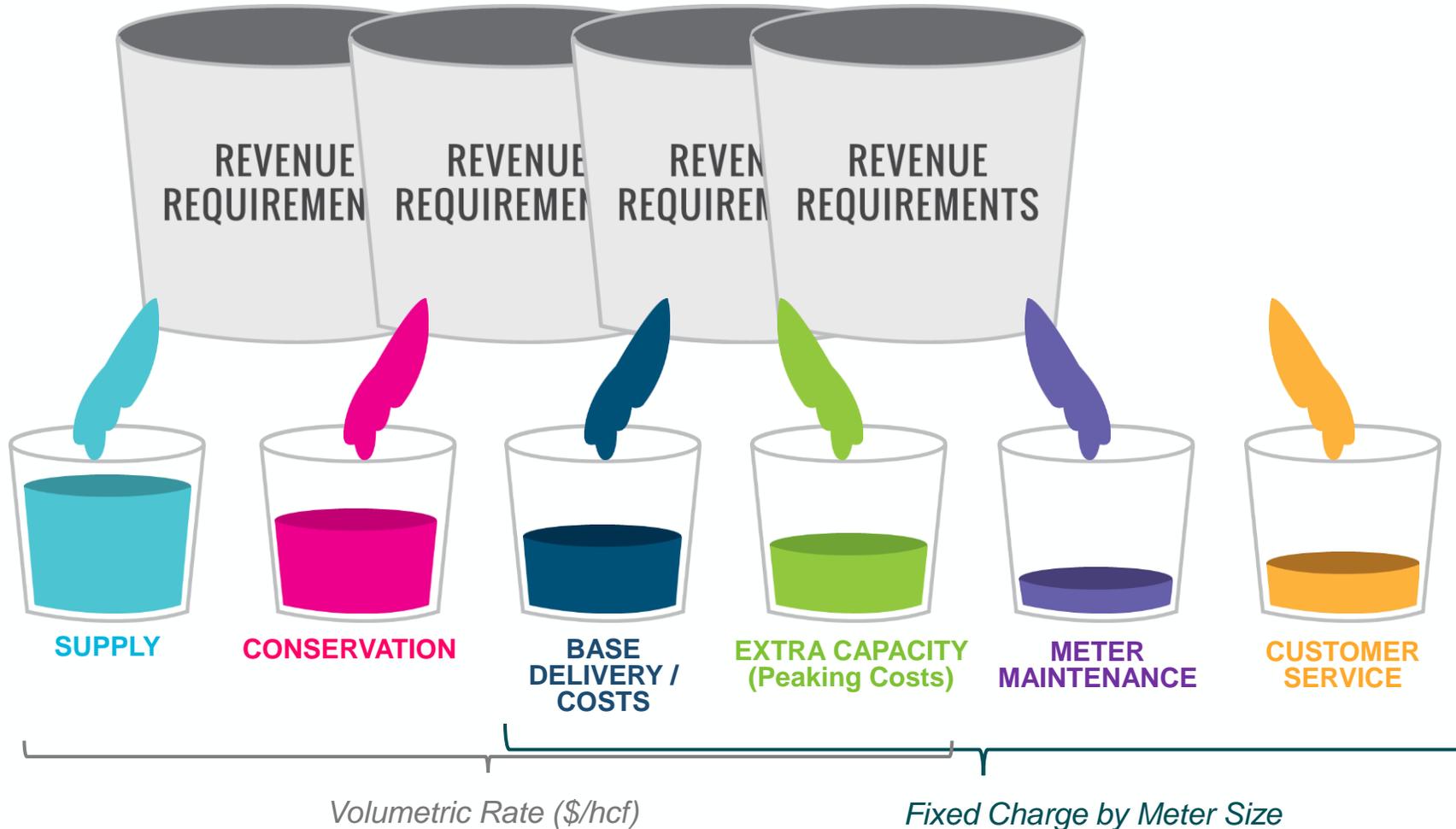
Both water systems shown on the right have an annual demand of approximately 10,500 AF per year

Which system costs more to operate, repair, or replace?



Cost of Service

Allocation to Cost Components



Distribute Costs to Customer Classes



SUPPLY
Use



DELIVERY COSTS
Use: Same for All
Classes



CONSERVATION
Distributed to
High Vol Users



**EXTRA CAPACITY
(PEAKING)**
Peaking Factors or
Meter Cap Ratios



**METER
MAINTENANCE**
Meter Size



**CUSTOMER
SERVICE**
of Cust Bills



Distribute Costs to Each Class

CUSTOMER CLASSES
Cost to Serve Each Class
(Single Family, Multi-family, Commercial etc.)

Peaking Cost Allocation

- Peaking cost is allocated primarily by meter size, to reflect the instantaneous capacity of the meter size
- A small fraction of the peaking cost is allocated to the commodity rate
 - › This is to maintain the current level of fixed and variable revenues

Volumetric Charge Calculation

No Revenue Adjustment

| Customer Class | Water Supply | Base Delivery | Peaking | Revenue Offset | Calculated Water Rate |
|-------------------|--------------|---------------|----------|----------------|-----------------------|
| Inside Customers | \$2.989 | \$2.122 | \$0.1253 | -\$0.64 | \$4.596 |
| Outside Customers | \$2.989 | \$2.122 | \$0.1253 | \$0.00 | \$5.240 |

- Revenue offsets include the 1% Tax Allocation and State Water Contract Tax
- Volumetric charge is based on a \$/CCF (hundred cubic feet)
- 1 CCF is equal to 748 gallons

Customer Categories

- Users categorized into two rate classes
 1. Residential
 2. Non-residential
- Residential Customer class examined two ways
 - Single Family Residential (SFR) only
 - SFR and Multi-Family Residential (MFR)
- All other water users are considered Non-residential

Peaking Analysis

Residential (Single Family Only)

- The peaking rate component is \$0.1253/HCF
- The difference in rates by creating customer classes result in less than a one cent difference

| Customer Class | Average Monthly Use | Max Monthly Usage | Peaking Factor | Variance from System Peak | \$ Peaking Rate Component |
|------------------------|---------------------|-------------------|----------------|---------------------------|---------------------------|
| Residential (SFR Only) | 619,798 | 884,173 | 1.43 | 0.05 | \$0.1299 |
| All Others Non-Res | 741,545 | 988,489 | 1.33 | -0.04 | \$0.1214 |
| Total | 1,361,343 | 1,872,662 | 1.38 | | |

Peaking Analysis

Residential (Single Family and Multi Family)

- The peaking rate component is \$0.1253/HCF
- The difference in rates by creating customer classes result in a one to two cent difference

| Customer Class | Average Monthly Use | Max Monthly Usage | Peaking Factor | Variance from System Peak | \$ Peaking Rate Component |
|---------------------------|---------------------|-------------------|----------------|---------------------------|---------------------------|
| Residential (SFR and MFR) | 881,399 | 1,119,173 | 1.27 | -0.11 | \$0.1157 |
| All Others Non-Res | 479,944 | 753,489 | 1.57 | 0.19 | \$0.1430 |
| Total | 1,361,343 | 1,872,662 | 1.38 | | |

Peaking Analysis – Discussion

- Peaking on the commodity changes by less than one cent, and up to two cents, based on inclusion/exclusion of Multi-Family in the Residential rate class
- Based on the existing methodology neither Residential or Non-Residential users are subsidizing the other
 - › Peaking patterns are not significantly different enough to have a material effect on rates

Q&A



Thank you!

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Alameda County Water District

Fixed/Variable Revenue Recovery

Rate-Setting Policy Objectives

- **Common Policy Objectives**

- This was reviewed by the Board previously at the July 26, 2018 Financial Workshop

| Conservation | Funding Mechanism | Affordability / Customer Control | Equity and Allocation Methodologies | Administration |
|--|--|--|--|--|
| <ul style="list-style-type: none"> • Reducing total annual demand • Reducing water waste • Reducing peak demand • Reducing outdoor water usage | <ul style="list-style-type: none"> • Enhancing revenue stability • Ensuring financial sufficiency • Providing funding mechanisms for alternative water supply, conservation program | <ul style="list-style-type: none"> • Minimizing customer impacts • Maintaining low average customer bills • Crafting rates that provide affordable water for essential uses | <ul style="list-style-type: none"> • Allocating water supply equitably • Providing a drought management tool • Allocating capital costs equitably • Complying with government regulations and guidelines | <ul style="list-style-type: none"> • Allowing cost effective administration • Allowing easy implementation • Enhancing customer understanding |

From *Water and Wastewater Finance and Pricing: The Changing Landscape, 4th Edition*

Board Ranked Policy Objectives

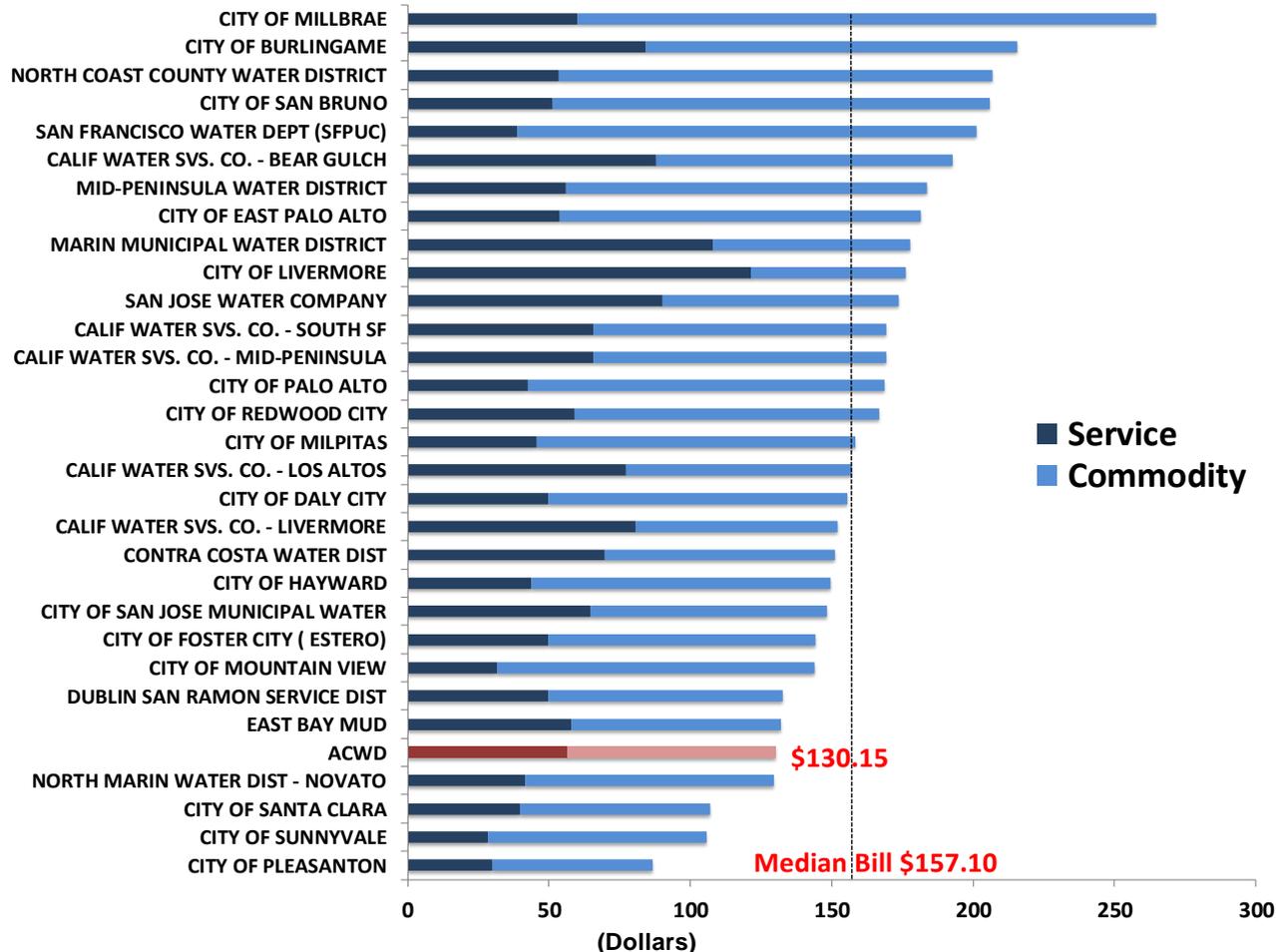
- What are our policy objectives?
 - Rate-setting policy objectives as reviewed by the Board previously at the July 26, 2018 Financial Workshop
 - This was the Board’s prior input and direction to staff
 - How does this relate to how the District might approach applying a revenue increase this time

| Policy Objectives | Akbari | Gunther | Huang | Sethy | Weed | Total |
|-------------------------------------|--------|---------|-------|-------|------|-----------|
| Equity and Allocation Methodologies | 5 | 4 | 4 | 4 | 4 | 21 |
| Funding Mechanism | 3 | 3 | 3 | 5 | 5 | 19 |
| Affordability / Customer Control | 4 | 5 | 5 | 1 | 3 | 18 |
| Conservation | 2 | 2 | 2 | 3 | 1 | 10 |
| Administration | 1 | 1 | 1 | 2 | 2 | 7 |

Median Bill Comparison

2021 MEDIAN WATER BILL COMPARISON*

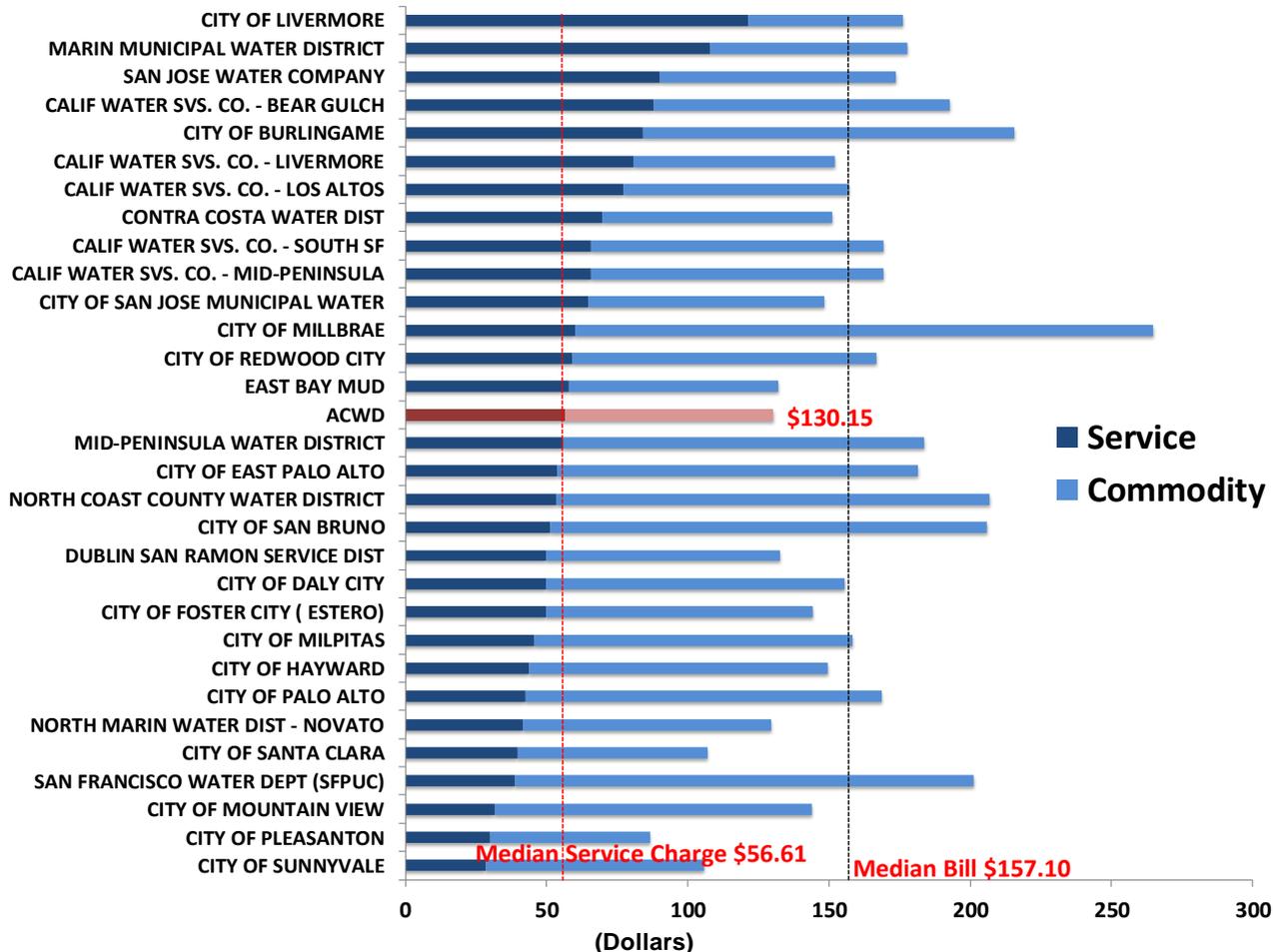
Based on 16 HCF (200 gallons per day) Consumption Bimonthly and a 5/8 or 3/4 inch meter



Median Bill Comparison

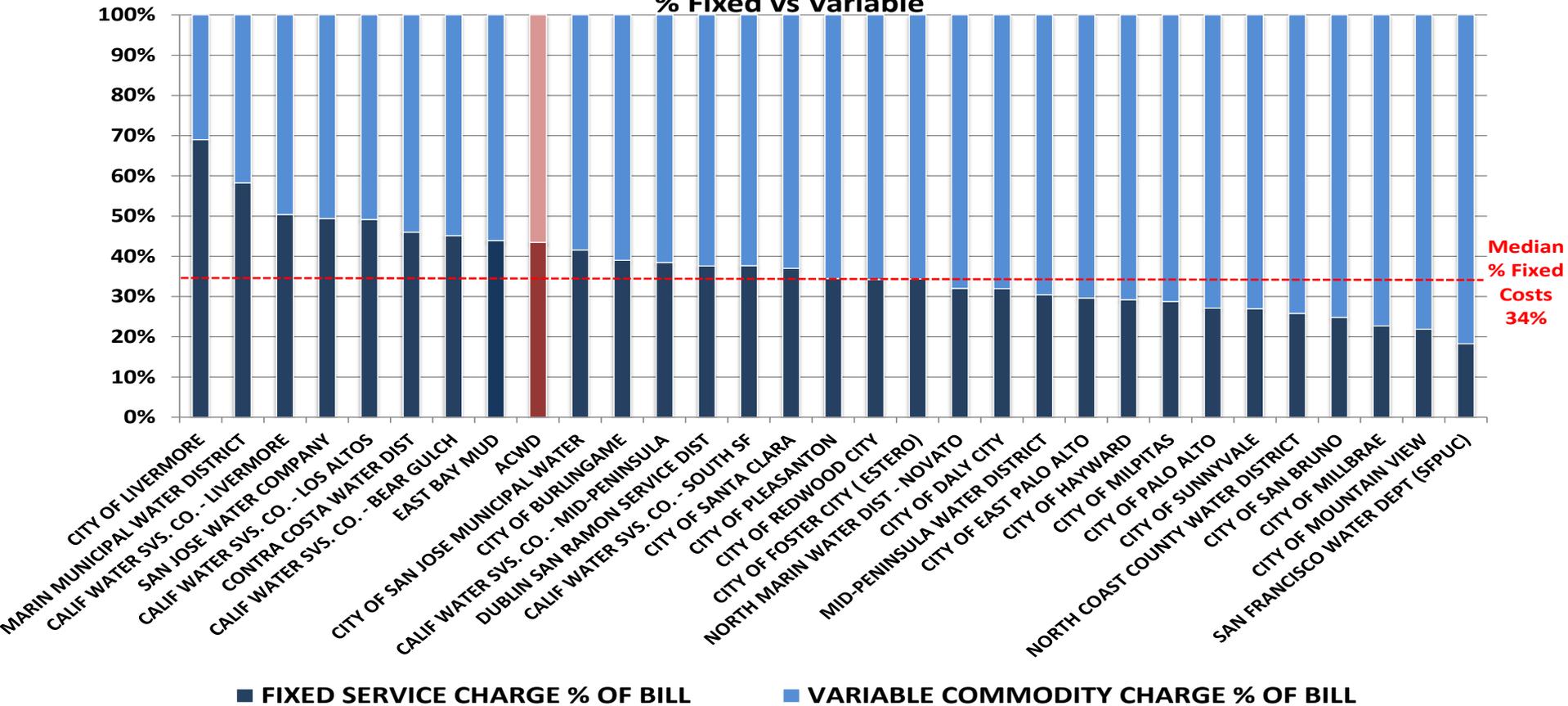
2021 MEDIAN WATER BILL COMPARISON*

Based on 16 HCF (200 gallons per day) Consumption Bimonthly and a 5/8 or 3/4 inch meter



Bill Comparison

Bi-monthly Water Bill 3/4" Meter at 16 HCF % Fixed vs Variable



Comparison based on July 7, 2021 data.

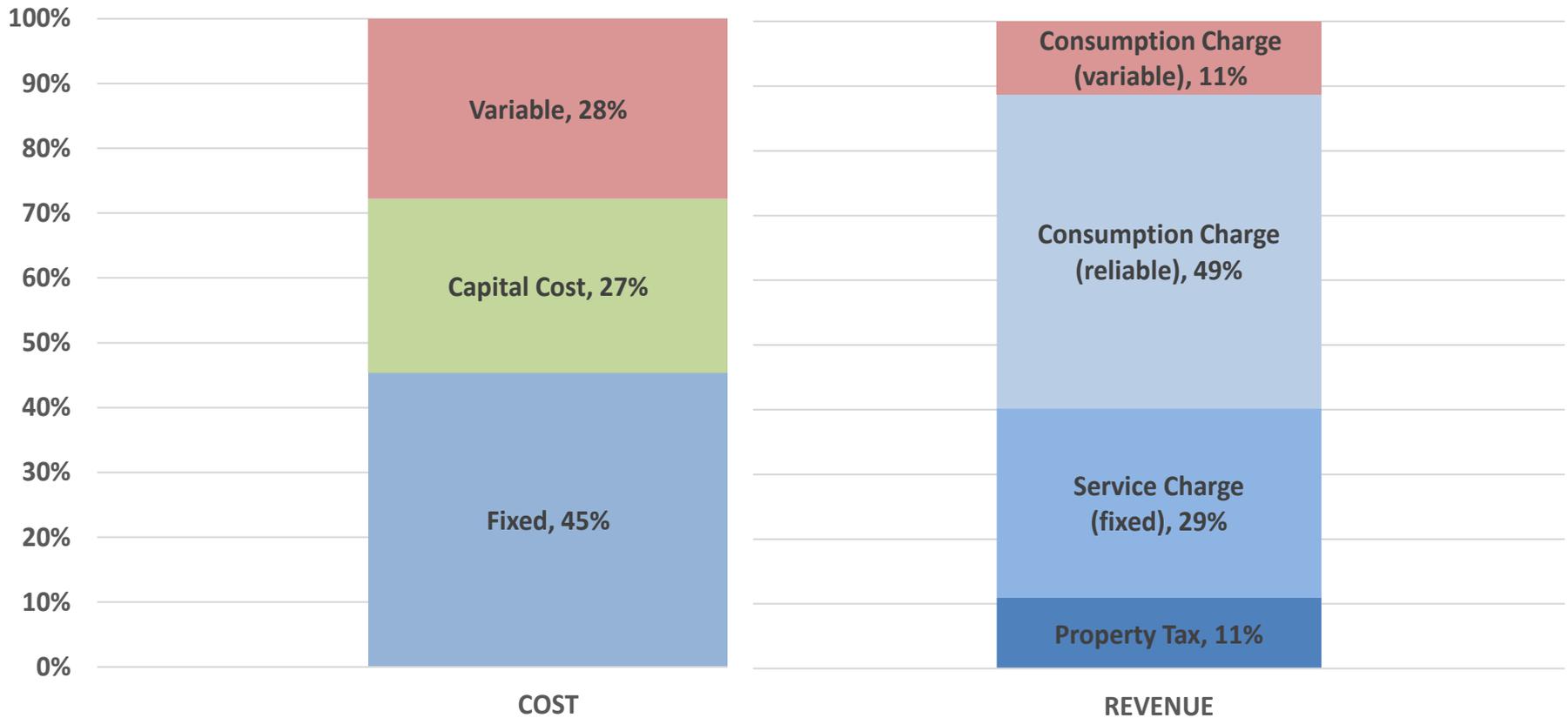


Ultrasonic Meters Registration

- The AMI project may impact revenue in two ways – 1) Increased registration due to low flow accuracy of Ultrasonic Meters, and 2) Increased registration due to replacement of old positive displacement meters
- Static Meter Research Project by Johnson Controls shows ultrasonic meters register flows ranging from -1.41% less to 3.09% additional consumption
 - Depends on each customer's consumption patterns
 - Further study required to evaluate differences among manufacturers, influence of leaks, decline in accuracy over time, etc.
- Coastside County Water District reported 5% to 8% additional registration from ultrasonic meters
 - Ultrasonic in-line with Positive Displacement, installed at 5 to 6 meter locations, short duration, informal approach, and no report available
- Financial planning model assumes 3% increase in metered consumption systemwide, but individual customer experience will vary
- Staff can present a higher increase in metered consumption but would strongly caution against assuming a higher increase in financial planning
- Only 4% of customers already have an ultrasonic meter; will have much better data for the next rates process once most meters are replaced

Cost and Revenue Structure

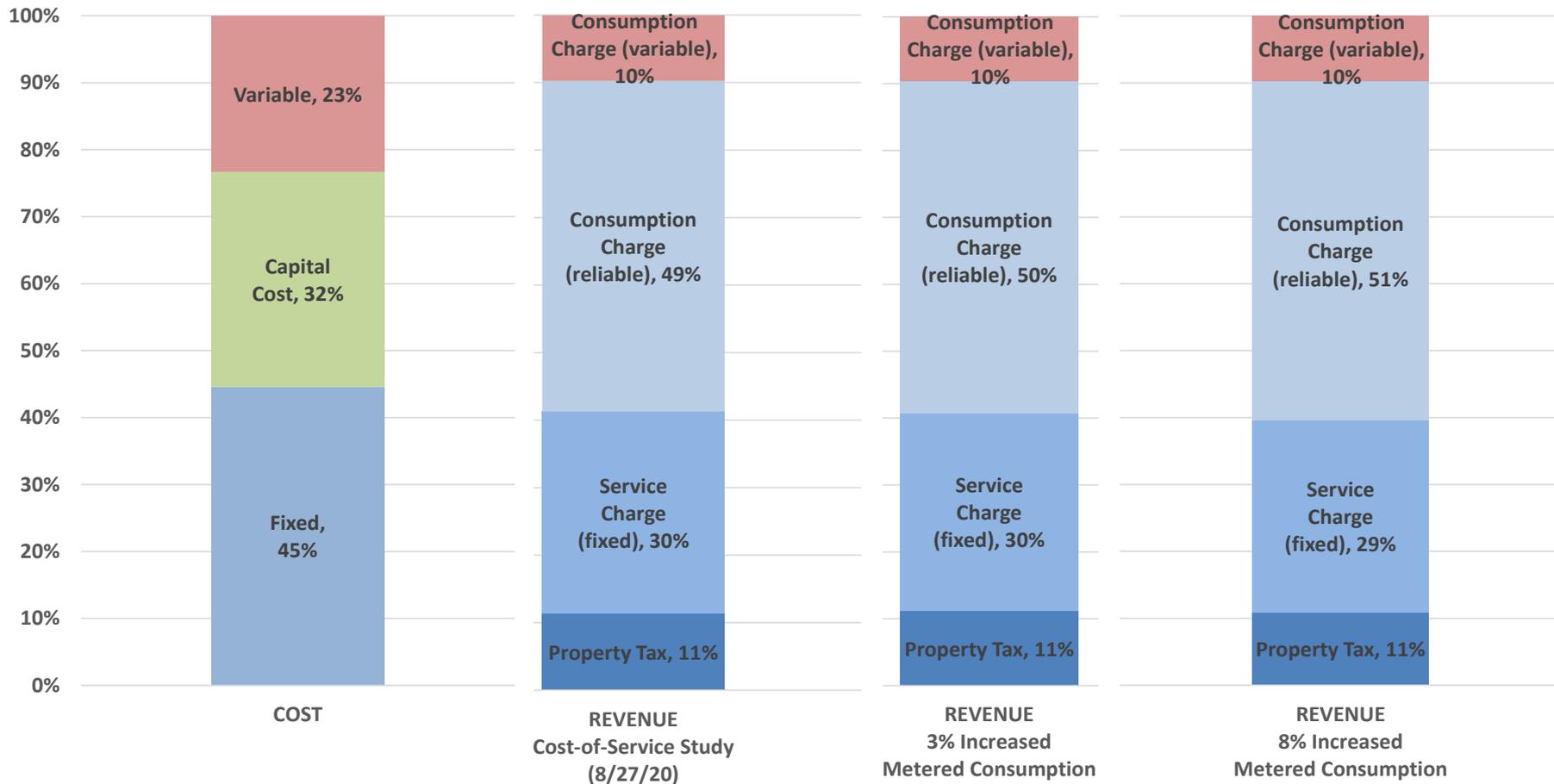
FY 2021/22



Cost and Revenue Structure

FY2023/24 Increased Metered Consumption

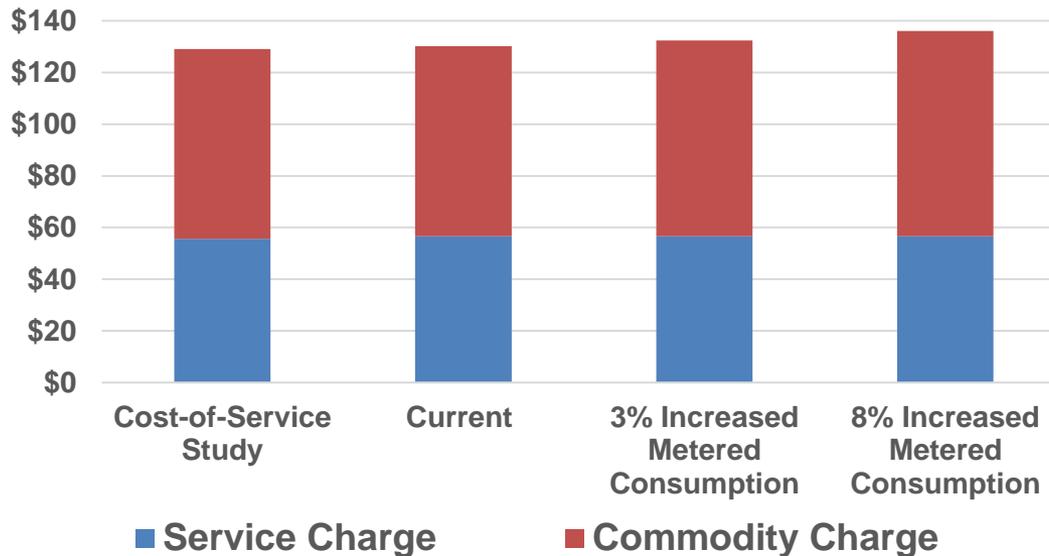
Cost-of-Service / 3% / 8%



Bill Impact as a Result of AMI

Typical residential customer with 3/4" meter and 16 HCF per billing period

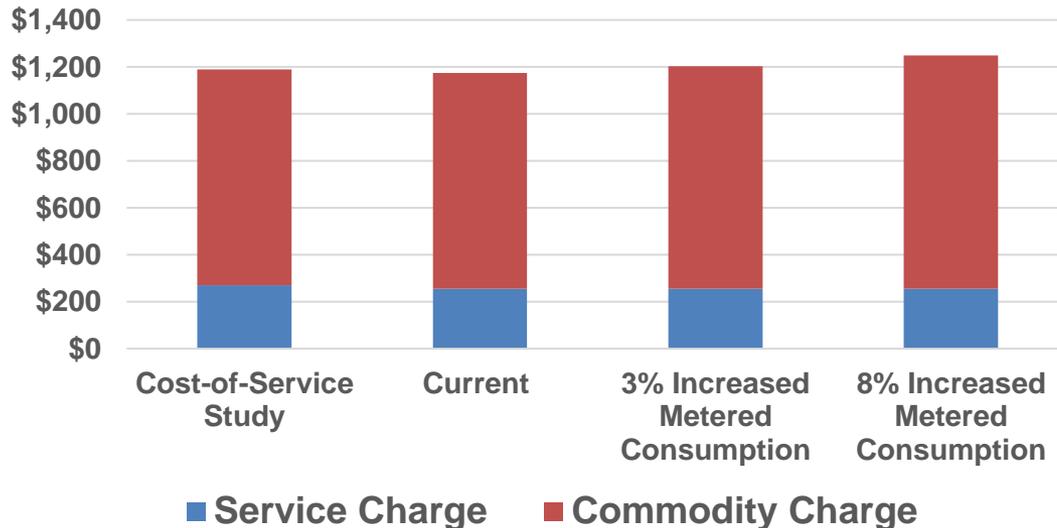
| Bill Amount | Service Charge | Commodity Charge | Average Bill | Bill Impact Compared to Current | % of Bill as Service Charge | % of Bill as Commodity Charge |
|----------------------------------|----------------|------------------|--------------|---------------------------------|-----------------------------|-------------------------------|
| Cost-of-Service Study | \$55.57 | \$73.54 | \$129.11 | | 43% | 57% |
| Current | \$56.61 | \$73.54 | \$130.15 | | 43% | 57% |
| 3% Increased Metered Consumption | \$56.61 | \$75.74 | \$132.35 | +1.7% | 43% | 57% |
| 8% Increased Metered Consumption | \$56.61 | \$79.42 | \$136.03 | +4.5% | 42% | 58% |



Bill Impact as a Result of AMI

Commercial customer with 2" meter and 200 HCF per billing period

| Bill Amount | Service Charge | Commodity Charge | Average Bill | Bill Impact Compared to Current | % of Bill as Service Charge | % of Bill as Commodity Charge |
|----------------------------------|----------------|------------------|--------------|---------------------------------|-----------------------------|-------------------------------|
| Cost-of-Service Study | \$270.98 | \$919.20 | \$1,190.18 | | 23% | 77% |
| Current | \$255.99 | \$919.20 | \$1,175.19 | | 22% | 78% |
| 3% Increased Metered Consumption | \$255.99 | \$946.78 | \$1,202.77 | +2.3% | 21% | 79% |
| 8% Increased Metered Consumption | \$255.99 | \$992.74 | \$1,248.73 | +6.3% | 21% | 79% |



Fixed/Variable Rate Scenarios

Bill impact for typical residential customer (3/4" meter and 16 HCF) and typical non-residential customer (1 1/2" meter and 125 HCF) evaluated based on the following fixed/variable revenue allocations:

1. 33.6% systemwide fixed charge revenue (baseline scenario)
2. 35.5% systemwide fixed charge revenue (outcome if 3% rate increase is focused on fixed service charges)
3. 32.6% system wide fixed charge revenue (outcome if 3% rate increase is focused on commodity charges)
4. 40% systemwide fixed charge revenue
5. 50% systemwide fixed charge revenue
6. 25% systemwide fixed charge revenue

Note: based on current rates (i.e. no revenue adjustment)

Fixed/Variable Rate Scenarios

Residential Bill Comparison (3/4" meter and 16 HCF)

| Fixed Charge Percentage | Fixed Charge | Commodity Rate | Commodity Charges | Total Bill | Change from Baseline |
|-------------------------|--------------|----------------|-------------------|------------|----------------------|
| 33.6% | \$ 55.57 | \$ 4.60 | \$ 73.54 | \$ 129.11 | \$ - |
| 35.5% | \$ 58.73 | \$ 4.46 | \$ 71.42 | \$ 130.15 | \$ 1.05 |
| 32.6% | \$ 53.96 | \$ 4.66 | \$ 74.62 | \$ 128.58 | \$ (0.52) |
| 40.0% | \$ 66.14 | \$ 4.15 | \$ 66.43 | \$ 132.57 | \$ 3.47 |
| 50.0% | \$ 82.60 | \$ 3.46 | \$ 55.36 | \$ 137.96 | \$ 8.85 |
| 25.0% | \$ 41.44 | \$ 5.19 | \$ 83.04 | \$ 124.48 | \$ (4.63) |

Fixed/Variable Rate Scenarios

Commercial Bill Comparison (1 1/2" meter and 125 HCF)

| Fixed Charge Percentage | Fixed Charge | Commodity Rate | Commodity Charges | Total Bill | Change from Baseline |
|-------------------------|--------------|----------------|-------------------|------------|----------------------|
| 33.6% | \$ 171.56 | \$ 4.60 | \$ 574.50 | \$ 746.06 | \$ - |
| 35.5% | \$ 182.08 | \$ 4.46 | \$ 558.00 | \$ 740.08 | \$ (5.98) |
| 32.6% | \$ 166.18 | \$ 4.66 | \$ 583.00 | \$ 749.18 | \$ 3.12 |
| 40.0% | \$ 206.75 | \$ 4.15 | \$ 519.00 | \$ 725.75 | \$ (20.31) |
| 50.0% | \$ 261.57 | \$ 3.46 | \$ 432.50 | \$ 694.07 | \$ (51.99) |
| 25.0% | \$ 124.52 | \$ 5.19 | \$ 648.75 | \$ 773.27 | \$ 27.21 |

Potential Rate Increase Approaches

- Status Quo financial scenario projects 3% annual rate increases
- Increases could be applied uniformly or focused on either the service or commodity charges
- An approach that is not uniform would require revisions to the cost-of-service analysis completed by Raftelis
- Baseline Cost-of-Service makes some adjustments for the typical customer (3/4” meter and 16 HCF):

| Bill Amount | Service | Commodity | Total |
|-----------------|---------|-----------|----------|
| Current | \$56.61 | \$ 73.54 | \$130.15 |
| Cost of Service | \$55.57 | \$ 73.54 | \$129.11 |

Potential Rate Increase Approaches

Typical residential customer impact resulting from potential options to implement a 3% revenue increase:

| | Bill Amount | | | Increase Percentage | | |
|--|-------------|-----------|----------|---------------------|-----------|-------|
| | Service | Commodity | Total | Service | Commodity | Total |
| Baseline ¹ | \$ 55.57 | \$ 73.54 | \$129.11 | N/A | N/A | N/A |
| <i>Potential Approaches for a 3% Revenue Adjustment²</i> | | | | | | |
| Uniform | \$ 57.24 | \$ 75.74 | \$132.98 | 3.0% | 3.0% | 3.0% |
| Service | \$ 60.47 | \$ 73.54 | \$134.00 | 8.8% | 0.0% | 3.8% |
| Commodity | \$ 55.57 | \$ 76.83 | \$132.40 | 0.0% | 4.5% | 2.6% |

1. Based on Cost-of-Service Analysis performed by Raftelis

2. Typical residential customer with 3/4" meter and 16 HCF per billing period

Potential Rate Increase Approaches

Typical commercial customer impact resulting from potential options to implement a 3% revenue increase:

| | Bill Amount | | | Increase Percentage | | |
|--|-------------|-----------|----------|---------------------|-----------|-------|
| | Service | Commodity | Total | Service | Commodity | Total |
| Baseline ¹ | \$171.56 | \$ 574.50 | \$746.06 | N/A | N/A | N/A |
| <i>Potential Approaches for a 3% Revenue Adjustment²</i> | | | | | | |
| Uniform | \$176.71 | \$ 591.74 | \$768.44 | 3.0% | 3.0% | 3.0% |
| Service | \$187.87 | \$ 574.50 | \$762.37 | 9.5% | 0.0% | 2.2% |
| Commodity | \$171.56 | \$ 600.24 | \$771.80 | 0.0% | 4.5% | 3.5% |

1. Based on Cost-of-Service Analysis performed by Raftelis

2. Typical commercial customer: 1 1/2" meter and 125 HCF per billing period

Conclusions

- Recap Board guidance
 - Approach to resuming collections
 - Use of property tax roll for service charges
 - Cost of Service scenarios
 - Fixed/Variable revenue recovery and approach to a 3% revenue adjustment

- Next Steps
 - Workshop scheduled October 28

Alameda County Water District

Questions?