

# 2024 Water Rates: Policy Direction

DSRSD Board of Directors Meeting  
September 19, 2023



**Dublin San Ramon  
Services District**


*Water, wastewater, recycled water*

# Overview

- » Background
- » Current Rate Structure
- » Policy Discussion
  - Zone 7 wholesale cost
  - Fixed & Variable Cost Ratio
  - 2024 Retail Rate Adjustment
- » Next steps



# DSRSD Water Rates



## Policy

<b>Policy No.:</b> P400-16-1	<b>Type of Policy:</b> Finance
<b>Policy Title:</b> Rate Policies and Guidelines	
<b>Policy Description:</b> Provides guidance and consistency in decision-making for developing and adopting rates.	
<b>Approval Date:</b> 6/7/2016	<b>Last Review Date:</b> 2016
<b>Approval Resolution No.:</b> 35-16	<b>Next Review Date:</b> 2020
<b>Rescinded Resolution No.:</b> 38-12	<b>Rescinded Resolution Date:</b> 8/21/2012

It is the policy of the Board of Directors of Dublin San Ramon Services District:


To ensure that rates are developed using a generally-accepted methodology, to provide financial stability, to achieve rate stability, to ensure public well-being and safety and with consideration of the rate impact as outlined in the following guidelines.


The Rate Policies and Guidelines are attached hereto and made a part hereof as if written in full in this policy. The following rate policies and guidelines have been developed to provide guidance and consistency in decision-making for the District's management team. These policies and guidelines will assist the District in achieving financial and rate stability from year-to-year for the water and wastewater Enterprises. The proposed policies and guidelines should be reviewed periodically to determine if they are still relevant and appropriate. The policies framework is shown below.

## Adopted Operating Budget

fiscal years ending

# 2024 and 2025







# Dublin San Ramon Services District

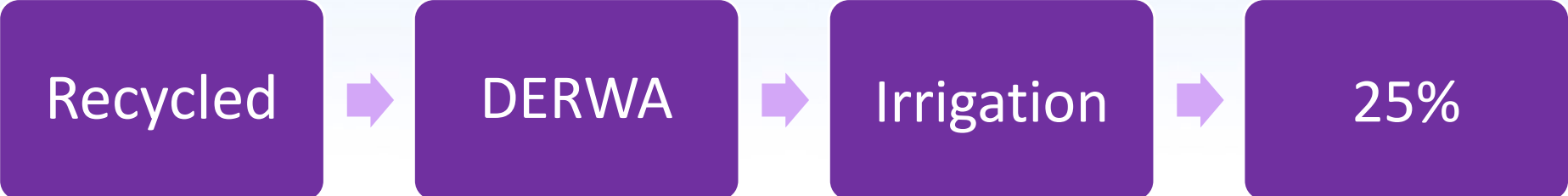
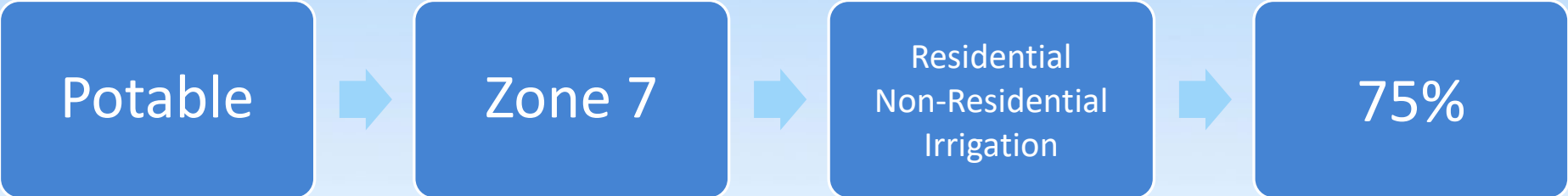
## Comprehensive Water Cost of Service Study

Final Report / May 24, 2019



# DSRSD Water Services





## Fiscal Year 2024 Cost Increases

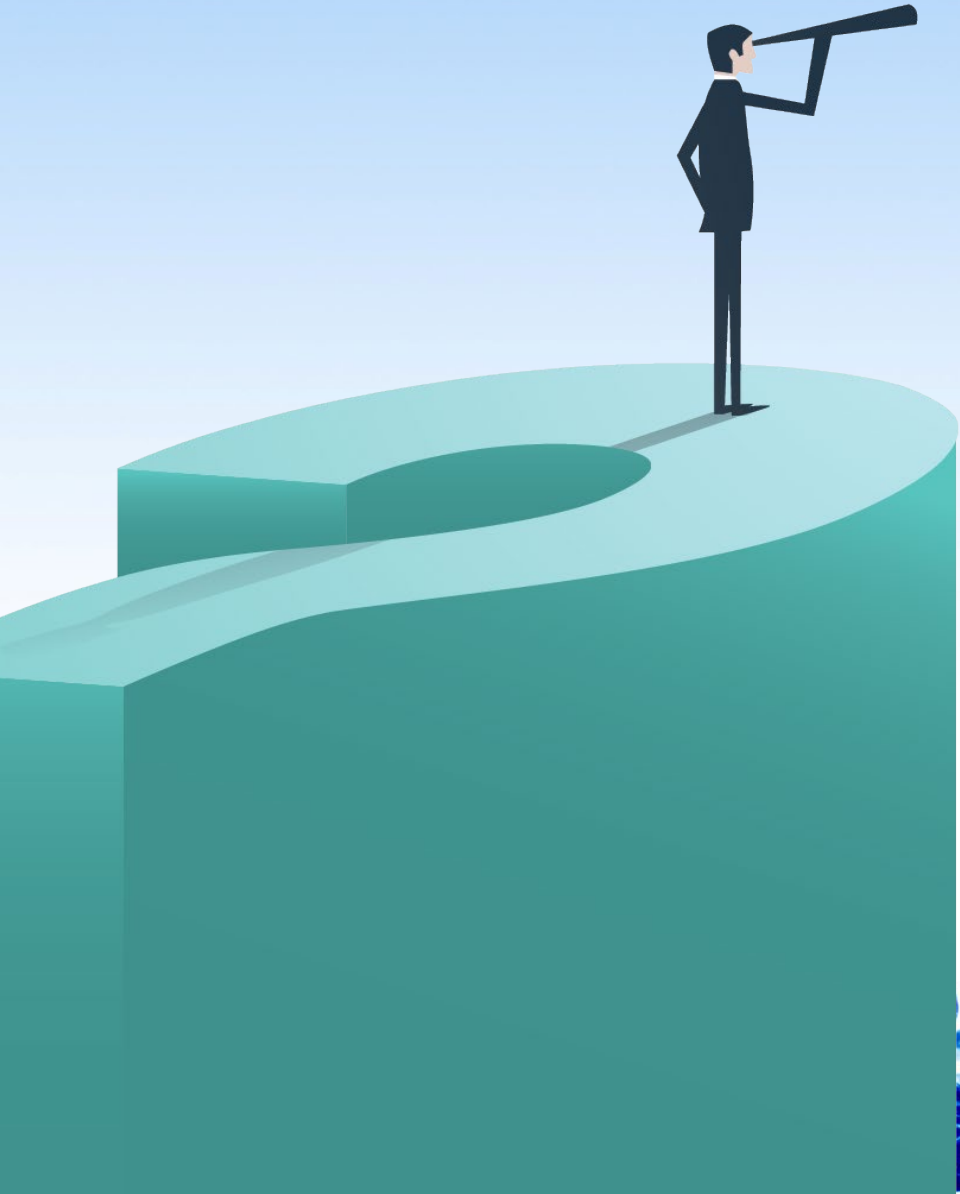
- » **DERWA Contribution to JPA – \$900,000**
- » **Energy – \$400,000**
- » **Subsurface Repair – \$400,000**
- » **2 New FTE – \$300,000**

# Board Direction

## » Policy Issues

- » Zone 7 wholesale cost
- » Fixed & Variable Cost Ratio
- » 2024 Retail Rate Adjustment

## » Rate Policies and Guidelines Policy



# DSRSD Retail Rates

## » Fixed service charge

- Based on meter size

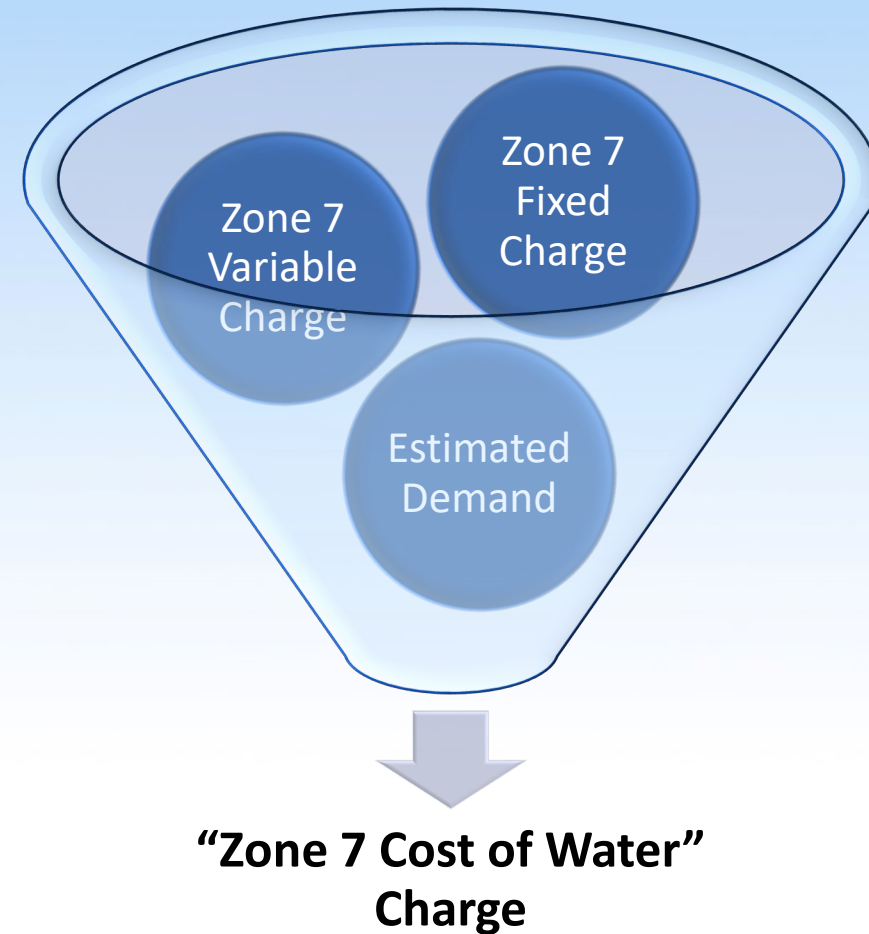
## » Variable service charge

- Per hundred cubic feet (CCF)
  - + Residential
  - + Non-residential
  - + Potable irrigation
  - + Recycled water
  - + Power charge (*certain elevations*)



# Zone 7 Wholesale Rate

- 2023 Fixed Charge: \$8.4 million
- Future Zone 7 adjustments passed through (Gov. Code 53756)







California Aqueduct

## Policy #1: Zone 7 Wholesale Rate

- Fixed charge is 45% of Zone 7's revenue
- Blending presents risk when demand deviates from projections
  - No water shortage condition rate for “Zone 7 Cost of Water”
- Variable charge is favorable for low water users



# Residential Consumption Demographics

	Bi-Monthly Consumption (CCF)	Percent of Total Accounts
Low	0-10	24%
Medium	11-25	58%
High	26-30+	17%



# Policy #1: Zone 7 Wholesale Rate – Option 1

**Goal: Minimize the risk of the increasing Zone 7 fixed cost percentage**

- 1. Collect a portion (30%) of the Zone 7 fixed charge as a separate Zone 7 fixed charge*

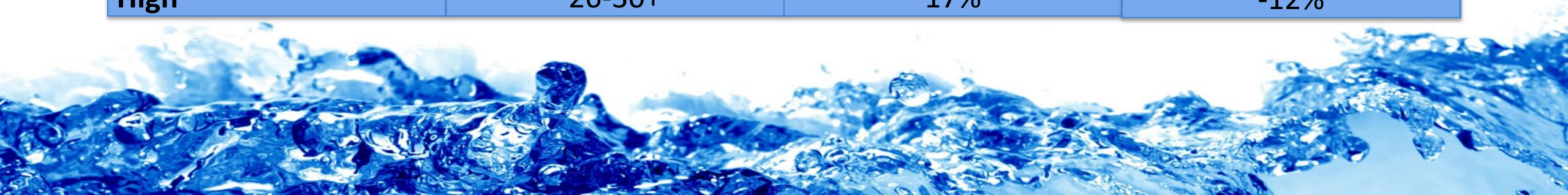
Consumption Band	Bi-Monthly Consumption (CCF)	Percent of Total Accounts	Estimated Total Bill Impact
Low	0-10	24%	9%
Medium	11-25	58%	-3%
High	26-30+	17%	-6%

# Policy #1: Zone 7 Wholesale Rate – Option 2

**Goal: Minimize the risk of the increasing Zone 7 fixed cost percentage**

*2. Collect 100% of the Zone 7 fixed charge as a separate Zone 7 fixed charge*

Consumption Band	Bi-Monthly Consumption (CCF)	Percent of Total Accounts	Estimated Total Bill Impact
Low	0-10	24%	17%
Medium	11-25	58%	-6%
High	26-30+	17%	-12%



# Policy #1: Zone 7 Wholesale Rate - Option 3a

**Goal: Minimize the risk of the increasing Zone 7 fixed cost percentage**

*3a. Continue current practice of blending Zone 7 fixed and variable charges as a separate Zone 7 cost of water charge (status quo)*

Consumption Band	Bi-Monthly Consumption (CCF)	Percent of Total Accounts	Estimated Total Bill Impact
Low	0-10	24%	0%
Medium	11-25	58%	0%
High	26-30+	17%	0%

# Policy #1: Zone 7 Wholesale Rate – Option 3b

**Goal: Minimize the risk of the increasing Zone 7 fixed cost percentage**

*3b. Blend Zone 7 wholesale water costs into the DSRSD retail rate*

## **Benefits**

- No-net impact on customer's bill
- Addresses financial risk with water shortage condition rates
- Provides control for future Zone 7 wholesale rate increases
- Minimizes impacts to low water users

## **Considerations**

- Increased District revenue requirement
- Potential for increased protests
- Significant change from DSRSD policy



# Policy #1: Zone 7 Wholesale Rate – Staff Recommendation

**Goal: Minimize the risk of the increasing Zone 7 fixed cost percentage**

*Option 1 – Collect a portion (30%) of the Zone 7 fixed charge as a separate Zone 7 fixed charge*

*Option 2 - Collect 100% of the Zone 7 fixed charge as a separate Zone 7 fixed charge*

*Option 3a – Continue blending the Zone 7 fixed and variable charge as a separate variable “Zone 7 cost of water charge”*

*Option 3b – Blend Zone 7 wholesale water costs into DSRSD retail rate*



# Policy #2: Fixed vs. Variable Cost Ratio for DSRSD Retail Water Rates

- » 20% rate revenue is fixed
- » 80% rate revenue is variable
- » Best Management Practice is 30%/70% fixed/variable





Fixed Charge %

Financial  
Stability

Impacts to  
Low Usage  
Customers

Fixed Charge %

# Policy #2: Fixed vs. Variable Cost Ratio for DSRSD Retail Water Rates

**Goal: Balance revenue stability and impacts to low usage customers**

*1. Reallocate the District's fixed and variable charges to 30%/70%*

Consumption Band	Bi-Monthly Consumption (CCF)	Percent of Total Accounts	Estimated Total Bill Impact
Low	0-10	24%	<b>11%</b>
Medium	11-25	58%	<b>1%</b>
High	26-30+	17%	<b>-1%</b>

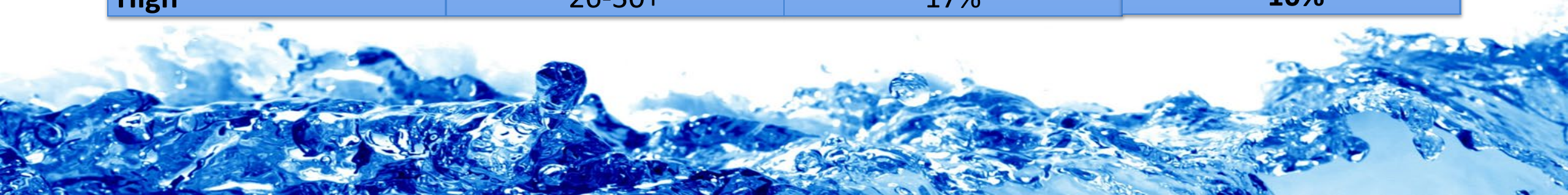


# Policy #2: Fixed vs. Variable Cost Ratio for DSRSD Retail Water Rates

**Goal: Balance revenue stability and impacts to low usage customers**

*2. Reallocate the District's fixed and variable charges to 30%/70% in addition to separating Zone 7's fixed and variable charges*

Consumption Band	Bi-Monthly Consumption (CCF)	Percent of Total Accounts	Estimated Total Bill Impact
Low	0-10	24%	<b>28%</b>
Medium	11-25	58%	<b>-5%</b>
High	26-30+	17%	<b>-10%</b>



# Policy #2: Fixed vs. Variable Cost Ratio for DSRSD Retail Water Rates

**Goal: Balance revenue stability and impacts to low usage customers**

*3. Continue the District's current fixed and variable charges allocation of 20%/80% (status quo)*



# Policy #2: Fixed vs. Variable Cost Ratio

## Staff Recommendation A

**Goal: Minimize the risk of the increasing Zone 7 fixed cost percentage**

*Option 1 – Reallocate the Districts fixed/variable charges to 30%/70%*

*Option 2 – Option 1 + Collect 100% of the Zone 7 fixed charge as a separate Zone 7 fixed charge*

*Option 3 – Continue the District's current fixed and variable charges allocation of 20%/80% (status quo)*



# Policy #2: Fixed vs. Variable Cost Ratio

## Staff Recommendation B

**Goal: Minimize the risk of the increasing Zone 7 fixed cost percentage**

*Option 1 – Reallocate the Districts fixed/variable charges to 30%/70%*

*Option 2 – Option 1 + Collect 100% of the Zone 7 fixed charge as a separate Zone 7 fixed charge*

*Option 3 – Continue the District's current fixed and variable charges allocation of 20%/80% (status quo)*



# Policy #3: 2024 Retail Rate Adjustment

**Goal: Balance reflecting current cost of service requirements and communication of impacts to customers**

*Option 1 - Forego a rate adjustment on January 1, 2024 and make new rates effective March 1, 2024*

*Option 2 - Implement a rate adjustment on January 1, 2024 and make new rates effective July 1, 2024*



# Next Steps

- » Revised Rate Policy and Guidelines Policy (October)
- » 2024 Water Cost of Service Study
- » Preliminary rates (November)
- » Public hearing to adopt rates (January)







**Questions?**