

Staff Report

for the regular meeting of the Board of Directors on August 26, 2020

TO: Board of Directors

FROM: Greg Jones, Interim General Manager
Marvin Davis, MBA, CPA, Finance Manager/Treasurer

DATE: August 19, 2020

SUBJECT: Water Rates Committee Recommendation

FINANCE

RECOMMENDATION:

Receive a rate-setting recommendation as set forth by the Water Rates Committee and provide further direction as necessary.

BACKGROUND:

At the April 24, 2019 Board meeting, the Board adopted Resolution 2019-06, receiving the 2019 Water Cost of Service (“COS”) report. During the meeting, the General Manager was directed to develop another, more detailed COS study that includes specific cost allocations between raw and treated water customers.

As a result of this request, staff, along with consultant Bartle Wells Associates, presented the first phase of a COS report at a Board workshop held on February 26, 2020. On March 11, 2020, the Board received and filed this first phase COS report. Also, at this meeting, the Board formed the ad hoc Water Rates Committee (the “WRC”) to develop further phases of a COS study and, eventually, new proposed water rates based upon the reports.

It is important to remember that the COS report filed on March 11 identifies the cost to maintain water delivery infrastructure based on an assessment of various NID water system zone costs. It is not a full “cost of service” study that would then be used as the sole justification for a Proposition 218 rate-setting event. It is thus called the first phase COS study because it identifies the system operating costs associated with raw water vs. treated water systems, but it does not adequately allocate administrative costs to the District’s overall cost to run, operate, and manage its raw and treated water systems.

The WRC was tasked to work on a new, defensible Proposition 218 rate package, with the starting point being the 2020 first phase COS report. The WRC met on June 30 and determined it required specific direction from the full Board on a number of budgetary assumptions and considerations.

On July 7, 2020, the WRC sought direction from the Board to direct staff and the Water Rates Committee to continue with the development of a potential Proposition 218 rate package for future consideration. At this meeting, the Board gave direction to the WRC to determine:

- An allocation basis used to allocate costs among the District's customer base – Zone / # Accounts / Hybrid
- How much cost to recover in the District's base rate and how much to recover in the District's commodity rates
- An acceptable level of Hydroelectric revenues to subsidize water operating costs
- An acceptable level, if any, of property taxes used to service debt

The WRC continued to meet on July 16, July 28, and with an anticipated meeting on August 24, 2020, to finalize its recommendation.

Strategic Goal

The implementation of the appropriate rate structure achieves Goal Number 1 of the District's Strategic Plan by demonstrating proactive management of our financial resources.

BUDGETARY IMPACT:

To be discussed