



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 of operation and maintenance. 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 tier. 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 requires IRWD to pay penalties to the State or other additional costs for not achieving its targeted reduction.

First and Second Rate Steps for Potable Water – Non Agricultural Landscape:

Increases are proposed for all tiers. The Low Volume rate will increase by \$0.23 per ccf 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. Proposed rates for the Inefficient and Wasteful tiers are \$3.92 and \$14.53 per ccf, respectively and are based on the cost of imported water, other treatment costs and programs to encourage conservation. A step increase of \$5.38 per ccf is proposed for the Inefficient and Wasteful tiers if required reductions are not met. The potential step increase would occur October 1, 2015, or later, but only if necessary.

Rate Increase for Non-potable and Recycled Water – Non Agricultural Landscape:

Increases are proposed for the Low Volume and Base rates. The Low Volume rate will increase by \$0.29 which is the recycled systems lowest cost source of water. The Base rate will increase by \$0.18 per ccf. For FY 2015-16 the Inefficient and Wasteful tiers are decreasing. No second step is included for recycled water because the restrictions are related to potable water.

FY 2015-16 Proposed Potable Non-Agricultural Landscape Commodity Rates

Tier	FY 2014-15	FY 2015-16
Low Volume	\$0.88 per ccf	\$1.11 per ccf*
Base Rate	\$1.34 per ccf	\$1.62 per ccf
Inefficient	\$3.91 per ccf	\$3.92 per ccf \$9.30 per ccf (step 2)**
Excessive	\$6.22 per ccf	NA
Wasteful	\$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 will only occur if demands for water exceed budget, and the District incurs penalties levied by the State or other related costs

FY 2015-16 Proposed Non-potable and Recycled Non-Agricultural Landscape Commodity Rates

Tier	FY 2014-15	FY 2015-16
Low Volume	\$0.79 per ccf	\$1.08 per ccf*
Base Rate	\$1.19 per ccf	\$1.37 per ccf
Inefficient	\$2.56 per ccf	\$1.52 per ccf
Excessive	\$5.17 per ccf	NA
Wasteful	\$11.47 per ccf	\$5.79 per ccf

A ccf equals one hundred cubic feet and is the standard billing unit. One ccf = 748 gallons of water.

Agricultural Commodity Rates

FY 2015-16 Agricultural Potable Water Commodity Rates		
Tier	FY 2014-15	FY 2015-16
Base Rate	\$ 1.62	\$ 1.96
FY 2015-16 Proposed Agricultural Non-Potable Water Commodity Rates		
Non-Potable	\$ 1.21	\$ 1.50
SAC Water	\$ 1.66	\$ 1.72
* A ccf equals one hundred cubic feet and is the standard billing unit. One ccf = 748 gallons of water.		

Why are these Changes Necessary?

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

- Significantly higher operating and maintenance expenses associated with higher pass through expenses from other agencies and additional facilities coming on line (28%);
- Significant increase in electricity costs for pumping and treating water (5% increase);
- Pass through 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
- Pass through 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.

- 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 IRWD having to purchase 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 proportional use.

Proposed Changes to Potable Water Landscape Allocations

- Allocations are based on the amount of water your plants need to stay healthy (referred to as evapotranspiration or ET).
- Grass is typically 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 and an irrigation efficiency of 0.71, resulting in an ET Adjustment Factor (ETAF) of 0.91. 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 and provide for sufficient water to meet the demands of **drought tolerant landscaping irrigated with drip or an irrigation system of similar efficiency, resulting in an ETAF of 0.6.**
- Customers with functional turf, such as a sport field, which cannot be served with recycled water may contact IRWD to request a variance. If at IRWD's discretion a variance is granted, the allocation will be based on warm-season turf and an ETAF of 0.91.
- Your 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.

Recycled Water Landscape Allocations

- Allocations are based on the amount of water your plants need to stay healthy (referred to as evapotranspiration or ET).
- Turf grass is typically the highest water-using plant in a landscape. Since the state mandated reductions do not apply to recycled water, IRWD's outdoor water use allocation formula for recycled water remains unchanged and is based on the relative amount of water needed for warm-season turf and an irrigation efficiency of 0.71, resulting in an ET Adjustment Factor (ETAF) of 0.91.
- Your 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 Billing Tiers for Potable Water

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

- The proposed tiers are reduced from 5 to 4. This permits a better pricing signal for each tier, based on the cost to provide service to each tier. The proposed changes of the percentage of allocation in the Wasteful tier will increase the cost for any water usage that falls within those tiers as a result of the change to the basic allocation and tier adjustments.
- 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. Changes between the Low Volume and Base rate are due to the reduction in allocation for outdoor use. Usage greater than 100% of allocation is not considered reasonable use, and would fall into the Inefficient and Wasteful tiers.
- The proposed allocation for the Low Volume tier is based on native plants, the Base tier is based on drought tolerant plants, the Inefficient tier is based on warm season turf and the Wasteful tier is for usage exceeding the water requirements of warm season turf.
- Separate from, and in addition to, the rate increase proposed for the respective tiers as described above, the proposed changes to the allocation and adjustments to the tiers (Inefficient and Wasteful), will increase the cost of any water usage that falls within a higher tier.

Tier	FY 2014-15	FY 2015-16
Low Volume	0 -40 %	0 - 60%
Base Rate	41 -100%	61-100%
Inefficient	101-130%	101-160%
Excessive	131-161	N/A
Wasteful	161+	161+

Proposed Changes to Billing Tiers for Recycled Water

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

- The proposed tiers are reduced from 5 to 4. This permits a better pricing signal for each tier, based on the cost to provide service to each tier. The proposed changes of the percentage of allocation will increase the cost for any water usage that falls within those tiers as a result of the change to the basic allocation and tier adjustments.
- 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. Usage greater than 100% of allocation is not considered reasonable use, and would fall into the Inefficient and Wasteful tiers. The proposed allocation for the Low Volume tier is based on native plants, the Base tier is based on warm season turf, the Inefficient tier is based on cool season turf and the Wasteful tier is for usage exceeding the water requirements of cool season turf.
- Separate from, and in addition to, the rate increase proposed for the respective tiers as described above, the proposed changes to the allocation and adjustments to the tiers (Inefficient and Wasteful), will increase the cost of any water usage that falls within a higher tier.

Tier	FY 2014-15	FY 2015-16
Low Volume	0 -40 %	0 -40 %
Base Rate	41 -100%	41 -100%
Inefficient	101-130%	101-130%
Excessive	131-161	N/A
Wasteful	161+	131+

Proposed Changes to Allocations and Billing Tiers

An "Allocation-Based Conservation Rate Calculator" is also available on the IRWD website 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 Monthly Water Service Rates

The fixed monthly water service charge is proposed to decrease \$0.20 from \$10.50 to \$10.30 for a 5/8 x 3/4" meter. Additionally, customers that remain in the Low Volume tier for most of the year have a larger percentage of their bill made up of the fixed charge. The baseline rate is calculated on the meter's maximum flow capacity and thus demand on the system. With a lease back, an agency can recognize that a Low Volume user is not fully using their reserved capacity, and therefore, it is reasonable to provide a credit to users who are underutilizing that flow and effectively "leasing it back" to the system for other users. This prevents the District from having to upsize infrastructure as quickly as capacity is exhausted. Customers that remain in the low volume tier for 9 of 12 months will receive a \$2.00 leaseback credit.

Included in the proposed monthly water fixed service charge to a 5/8 x 3/4" meter is \$2.15 per month for water 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
5/8" x 3/4" disc	\$10.50/meter	\$10.30/meter
3/4" disc	\$15.55/meter	\$15.45/meter
1" disc	\$26.25/meter	\$25.75/meter
1 1/2" disc	\$52.50/meter	\$51.50/meter
2" disc	\$84.00/meter	\$82.40/meter
3" compound	\$168.00/meter	\$164.80/meter
4" compound	\$315.00/meter	\$309.00/meter
6" compound	\$525.00/meter	\$515.00/meter
8" compound	\$1,010.65/meter	\$991.40/meter
10" compound	\$1,155.00/meter	\$1,133.00/meter
14" compound	\$1,837.50/meter	\$1,802.50/meter
2" turbo	\$110.25/meter	\$108.15/meter
3" turbo	\$252.00/meter	\$247.20/meter
4" turbo	\$525.00/meter	\$515.00/meter
6" turbo	\$1,050.00/meter	\$1,030.00/meter
8" turbo	\$1,837.50/meter	\$1,802.50/meter
10" turbo	\$2,205.00/meter	\$2,163.00/meter
2" magnetic	\$163.30/meter	\$160.15/meter
4" magnetic	\$652.60/meter	\$640.15/meter
6" magnetic	\$1,468.45/meter	\$1,440.45/meter
8" magnetic	\$2,611.35/meter	\$2,561.60/meter
6" propeller	\$708.75/meter	\$695.25/meter
8" propeller	\$945.00/meter	\$927.00/meter
10" propeller	\$1,260.00/meter	\$1,236.00/meter
12" or 14" propeller	\$1,771.90/meter	\$1,738.15/meter
16", 18" or 20" propeller	\$2,992.50/meter	\$2,935.50/meter

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

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 (MWD OC), the replenishment charges paid by IRWD to 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, MWD OC, 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 . If you have any additional questions, please contact IRWD Customer Service at (949) 453-5300.