Structural Changes

A rate study was conducted by Bartle Wells Associates, an independent consulting firm. That study concluded that the proposed rates will provide enough funds for the District to recover the cost of operations, maintenance, administration and ongoing capital needs. All rates, fees and charges are calculated based on the cost to provide services.

The rate study also makes revenue neutral changes to the current rate structure as follows:

- The addition of an "essential usage" tier for each customer class to further reward conservation.
- A new cost allocation methodology which more accurately represents district costs being recovered by revenues based on peak system demand and conservation program costs.
- A 55% fixed 45% variable cost recovery from water rates which will balance revenue stability with conservation incentives.
- Standardize 1" and below meter charges for all customer classes to reflect standardized water flows.
- Establish water budgets for Commercial-Industrial customers based on a 3-month rolling 3 year average of historical usage instead of the current 1-month 3 year average.
- Calculate and charge water quality fee based on five year running averages of actual costs.
- Calculate and charge elevation booster surcharge fee based on five year running averages of actual costs.
- Implementation of a drought surcharge on all non-essential usage based on mandatory cutbacks.
- Rates will provide funds to meet the District's cash reserve target of $16 million by 2024.

Palmdale Water District