



PALMDALE WATER DISTRICT
A CENTURY OF SERVICE



Water Rate Study

Palmdale Water District

ROBERT D. NIEHAUS, INC.

NOVEMBER 4, 2024

Agenda

- **Schedule of Events**
- **Study Drivers/Benefits**
- **Present Financial Plan**
- **Present Changes to Rate Structure**
- **Proposed Rates**
- **Rate Impacts**



Schedule of Events

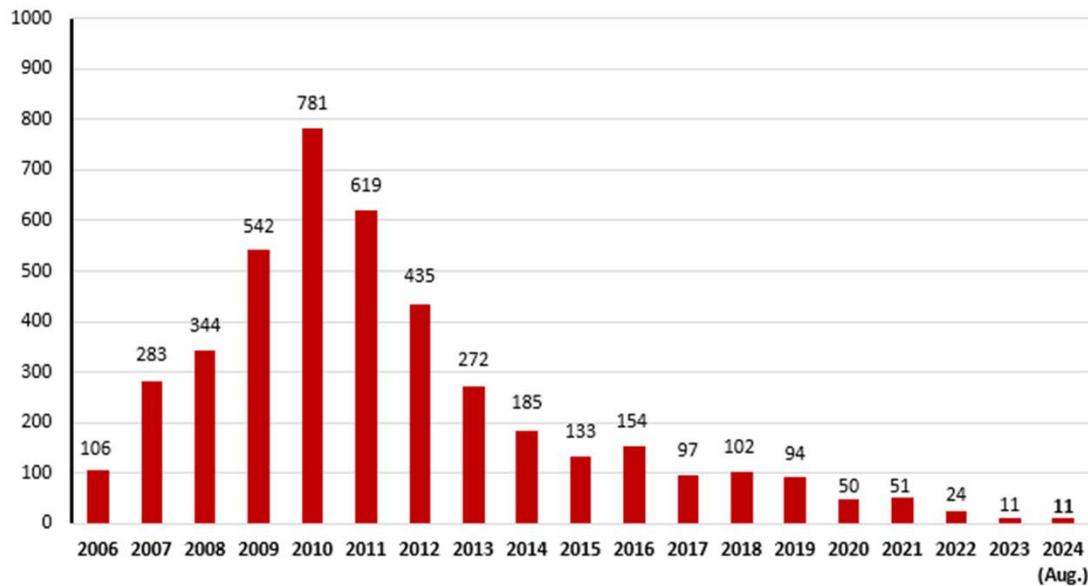
- District staff issued the Request for Proposals (RFP) for the 2024 Rate Study on February 29, 2024.
- Proposals were due on March 25, 2024, at 5:00 p.m.
- Management conducted reviews of the submitted proposals and rated based on criteria established in the RFP.
- Contract was awarded to Robert D. Niehaus, Inc. (RDN) at the board meeting held April 22, 2024.
- First review of data was presented to the Board on August 12, 2024.
- Due Diligence review was presented to the Finance Committee on August 20, 2024.
- Start of the Proposition 218 process was opened at the Special Meeting of the Board on September 16, 2024.
- Public notices were mailed on September 17 to property owners within the District's service area.
- Remote Workshop for Ratepayers was held on October 7 (Review of Rate Study)
- On-site Workshop for Ratepayers was held on October 23 (Reasoning of Rate Study)
- November 4 – Rate Hearing

Study Drivers/Benefits



Investment in the water system

PWD Mainline Leak History



- Since moving to budget-based billing in 2010, annual revenues are stable and predictable.
- PWD invests in capital projects instead of reactive maintenance and repair as part of the rates.
- A portion of revenue is allocated to fund capital investment as either cash expenditures or debt service funding.
- Debt funding supports the development of more capital projects through levelized annual payments over a longer term instead of being shouldered strictly by current customers.



Investment in the water system

■ Annual Capital Expenditures (Audited)

- | | |
|------------------------------------|--------------------------|
| ◦ CY2020 - \$7,019,603 in process | \$1,270,726 completed |
| ◦ CY2021 - \$3,024,929 in process | \$19,857,130 completed * |
| ◦ CY2022 - \$10,867,275 in process | \$3,818,646 completed |
| ◦ CY2023 - \$8,987,262 in process | \$8,735,735 completed # |

Completed pipeline replacement projects between 2014 and 2023
\$16,132,321 (24 Projects)

System rehabilitation projects between 2014 and 2023
\$1,562,152 (11 Projects)

* Completion of the Littlerock Dam Grade Control Structure that was financed through 2018 WRB.

Projects include ones that were paid through debt financing from the 2021 WRB.



PLANNING FOR THE FUTURE

- Prolonged droughts
- Weather whiplash
- Less reliable imported water supplies

...underscore the need to develop locally controlled water sources.



US & WORLD // CALIFORNIA

California reservoir levels could drop much more than expected in the future, report finds

By Kurtis Alexander, Reporter
July 31, 2024



Newsweek

News | California | Water

California Imposes Permanent Water Restrictions on Cities and Towns

Published Jul 05, 2024 at 4:59 AM EDT | Updated Jul 05, 2024 at 11:31 AM EDT



WATER

California agrees to long-term cuts of Colorado River water

BY RACHEL BECKER
MARCH 6, 2024



Pure Water Antelope Valley



Advanced Water Purification Facility



4.5 Million Gallons



14,500 Homes

Project Benefits



**Creates Additional Local
Water Supplies**



**Decreases Dependency on
Imported Water**



Improves Water Resiliency



**Replenishes Groundwater
Basin**



Ensures Water Quality



**Helps Address Climate
Change**



**Provides Water to Fuel
Economic Growth**



Creates Local Jobs



Project Timeline



Demonstration
Facility construction:
Summer 2024 –
Spring 2025



Demonstration
Facility tours and
operations begin
Winter 2025



Full Scale Facility
Planning and Design:
Fall 2024 – Summer
2027

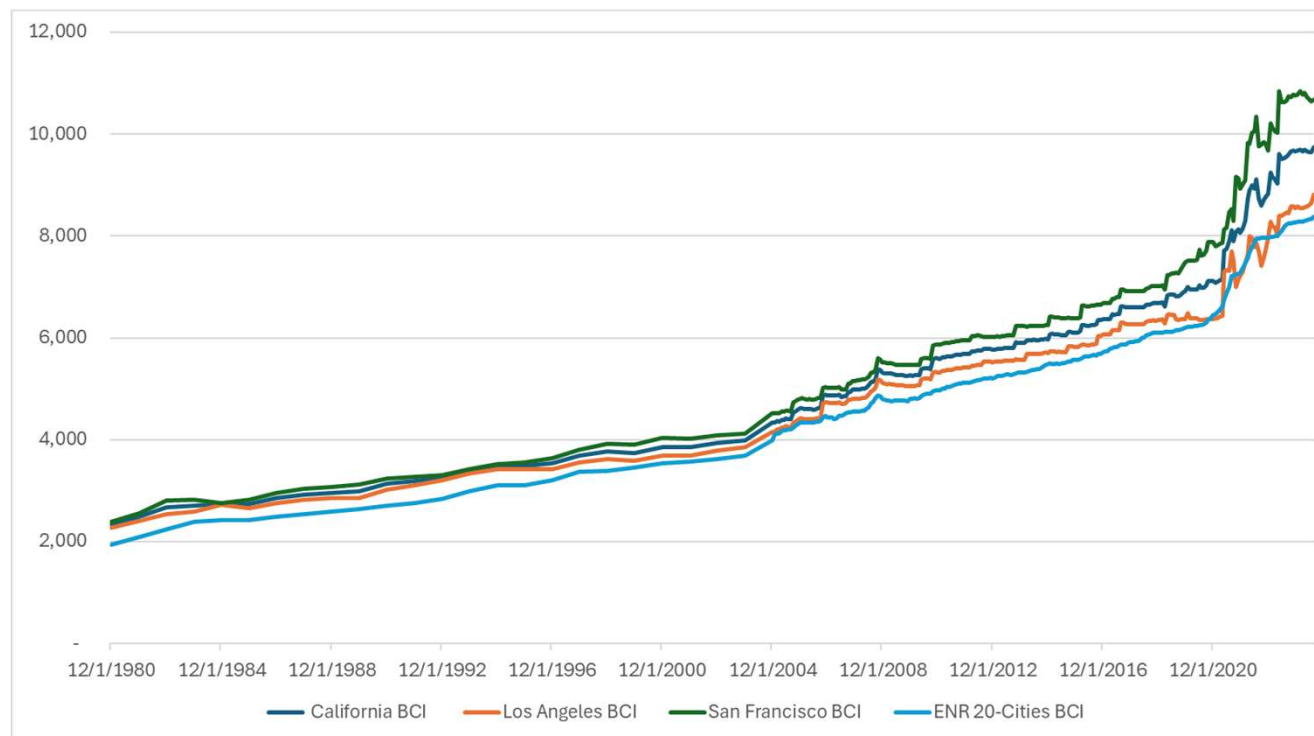


Full Scale Facility
Construction: Spring
2027 – Spring 2029

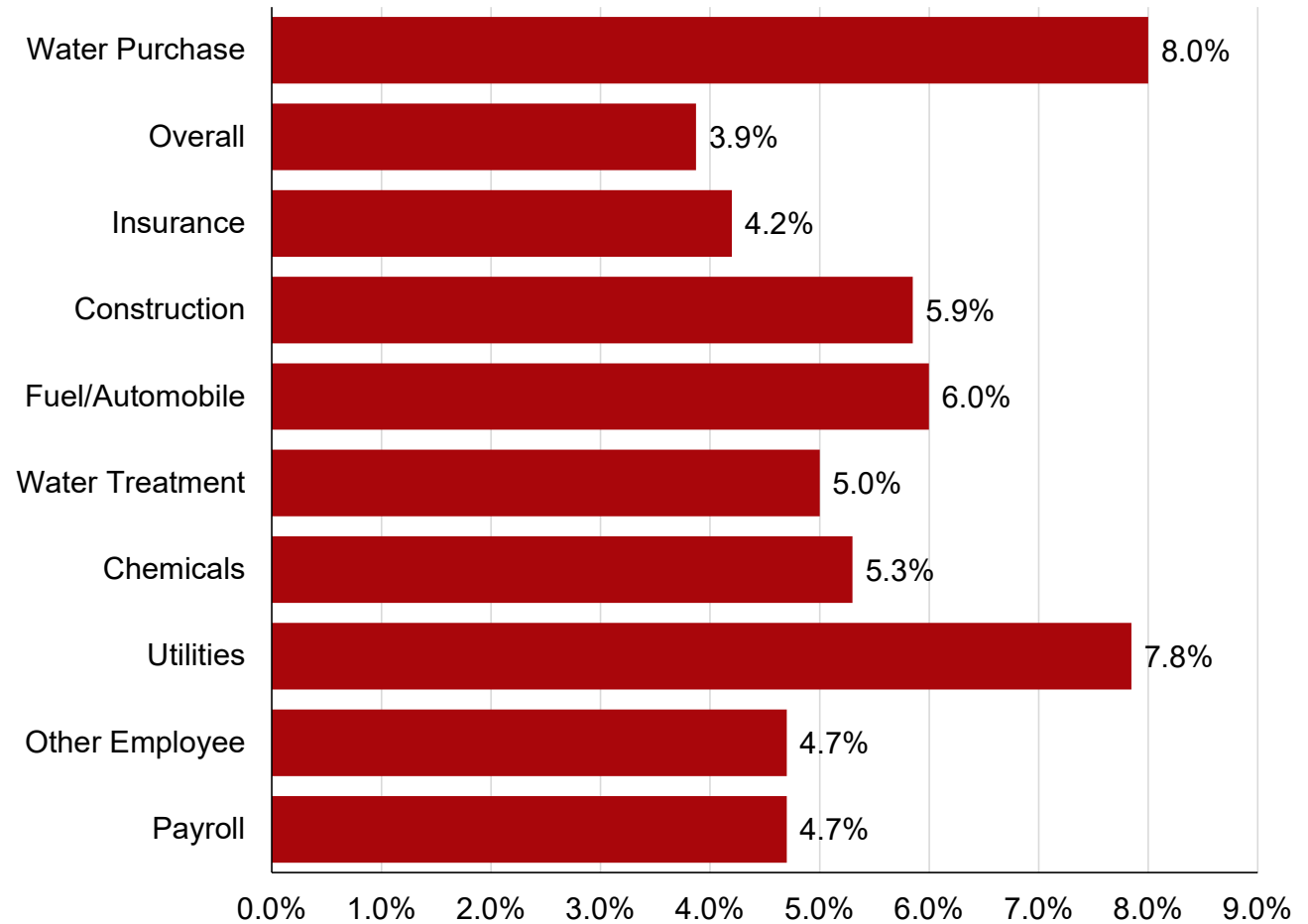


Full Scale Facility
Start up: Summer
2029

Construction Inflation Index



Operating Inflation



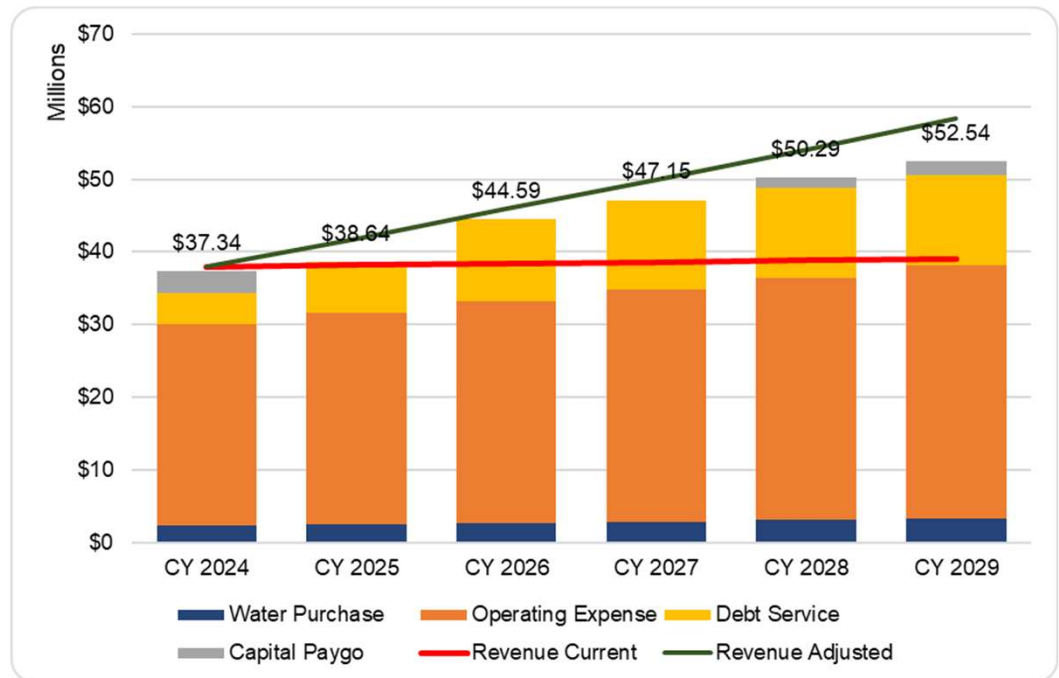
Financial Plan



Water Financial Plan

Necessary Revenue Adjustments– Financial plan includes:

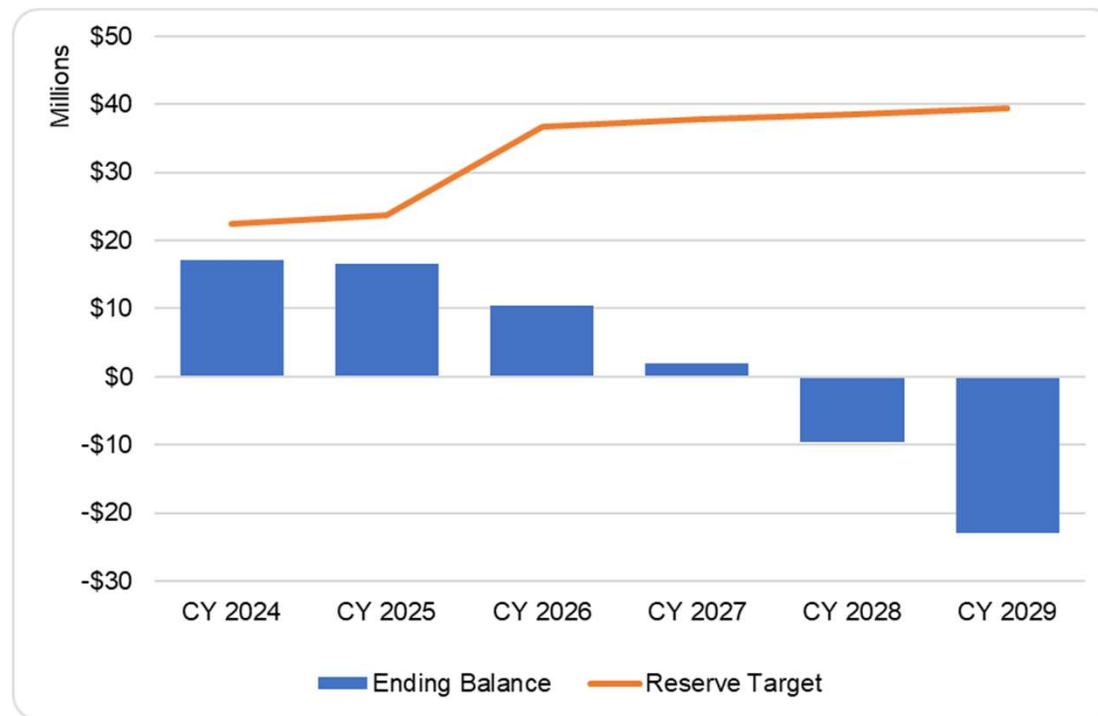
- Funding increasing operating costs
- Covering current and proposed debt service
- Executing necessary capital improvements
- Maintaining healthy reserves



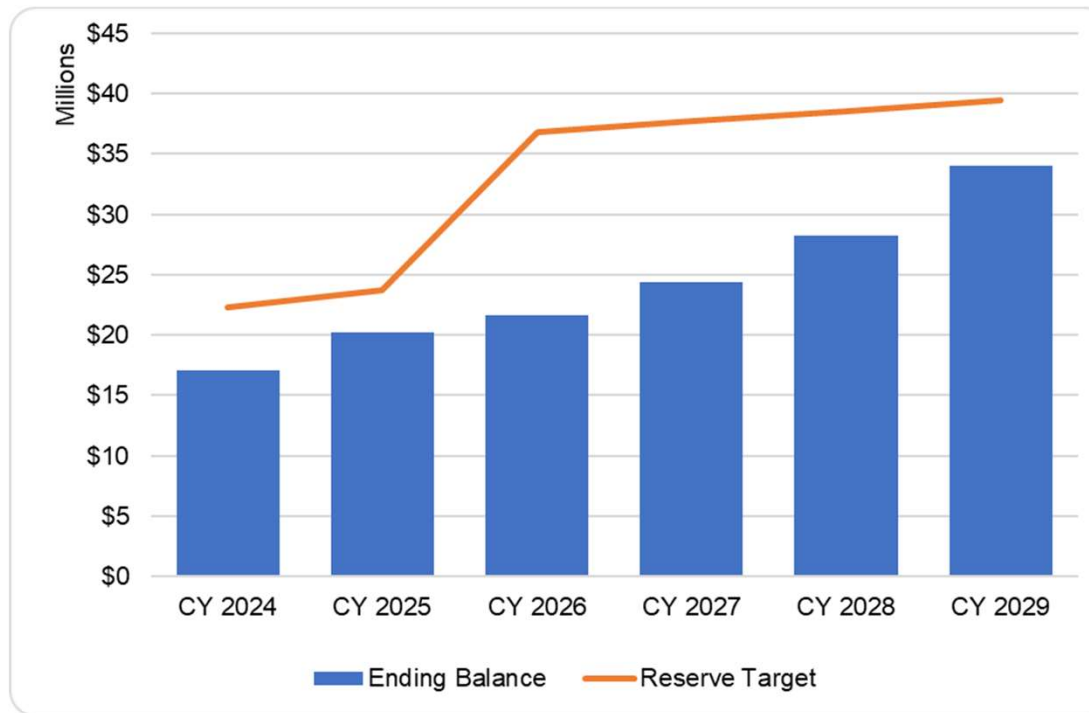
	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Revenue Adjustment	11.0%	11.0%	9.0%	9.0%	8.0%



Water Fund Balance (Status Quo)



Water Fund Balance (Proposed)



	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Revenue Adjustment	11.0%	11.0%	9.0%	9.0%	8.0%



Rates and Impacts

Current Rates

Service Charge

Meter Size	Monthly Service Charge 2024
5/8" – 1"	\$ 54.43
1-1/2"	\$ 134.37
2"	\$ 204.21
3"	\$ 367.16
4"	\$ 600.07
6"	\$ 1,181.81
8"	\$ 1,880.17
10"	\$ 2,695.17
Fixed Fire Line	\$ 192.47

Commodity Rates (\$/ccf*)

Tiers	CY 2024
Essential Use Tier 1	\$ 1.08
Efficient Use Tier 2	\$ 1.98
Tier 3	\$ 2.54
Tier 4	\$ 4.23
Tier 5	\$ 6.23



Proposed Rate Refinements

- **Reduce Indoor Allocation**
 - Indoor allocation for residential customers reduced from 55 gpcd to 50 gpcd to address ongoing reduction in State water budget regulations
- **Remove Tier 5**
 - To simplify rates, tier 5 has been removed and tier 3 will include use up to 50 percent higher than the budget and tier 4 will include all additional use
- **Update Drought Surcharge**
 - Drought surcharge will only apply to use in tier 3 and tier 4 instead of all tiers in times of drought reduction mandates
- **Develop Meter Rate for 12" Meters**
 - Meter rates for 12" meter will reflect the extra costs to provide service for those meters



Proposed Fixed Rates

	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Revenue Adjustment	11.0%	11.0%	9.0%	9.0%	8.0%

Customer Class	Meter Size	Current Rate	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
All Customers	5/8" - 1"	\$54.43	\$60.75	\$67.43	\$73.50	\$80.12	\$86.53
	1 1/2"	\$134.37	\$150.26	\$166.79	\$181.80	\$198.16	\$214.01
	2"	\$204.21	\$229.94	\$255.24	\$278.21	\$303.25	\$327.51
	3"	\$367.16	\$415.87	\$461.61	\$503.16	\$548.44	\$592.32
	4"	\$600.07	\$681.61	\$756.59	\$824.68	\$898.90	\$970.81
	6"	\$1,181.81	\$1,345.37	\$1,493.36	\$1,627.76	\$1,774.26	\$1,916.20
	8"	\$1,880.17	\$2,142.20	\$2,377.84	\$2,591.84	\$2,825.11	\$3,051.12
	10"	\$2,695.17	\$3,072.09	\$3,410.02	\$3,716.93	\$4,051.45	\$4,375.57
	12"	-	\$4,240.64	\$4,707.11	\$5,130.75	\$5,592.52	\$6,039.92
Fire Service	All Meters	\$192.47	\$95.57	\$106.09	\$115.64	\$126.04	\$136.13

Proposed Variable Rates

	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Revenue Adjustment	11.0%	11.0%	9.0%	9.0%	8.0%

Customer Class	Current	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Tier 1	\$1.08	\$1.31	\$1.45	\$1.58	\$1.73	\$1.87
Tier 2	\$1.98	\$2.64	\$2.93	\$3.19	\$3.48	\$3.76
Tier 3	\$2.54	\$3.96	\$4.40	\$4.79	\$5.22	\$5.64
Tier 4	\$4.23	\$4.98	\$5.53	\$6.03	\$6.57	\$7.09
Tier 5	\$6.23	-	-	-	-	-

Proposed Drought Surcharge

	CY 2025	CY 2026	CY 2027	CY 2028	CY 2029
Revenue Adjustment	11.0%	11.0%	9.0%	9.0%	8.0%

Drought Stage	Current(1)	CY 2025 (2)	CY 2026	CY 2027	CY 2028	CY 2029
Stage 1 (20%)	\$0.45	\$2.12	\$2.36	\$2.57	\$2.80	\$3.02
Stage 2 (30%)	\$0.69	\$3.09	\$3.43	\$3.74	\$4.07	\$4.40
Stage 3 (40%)	\$1.00	\$3.48	\$3.86	\$4.21	\$4.59	\$4.96

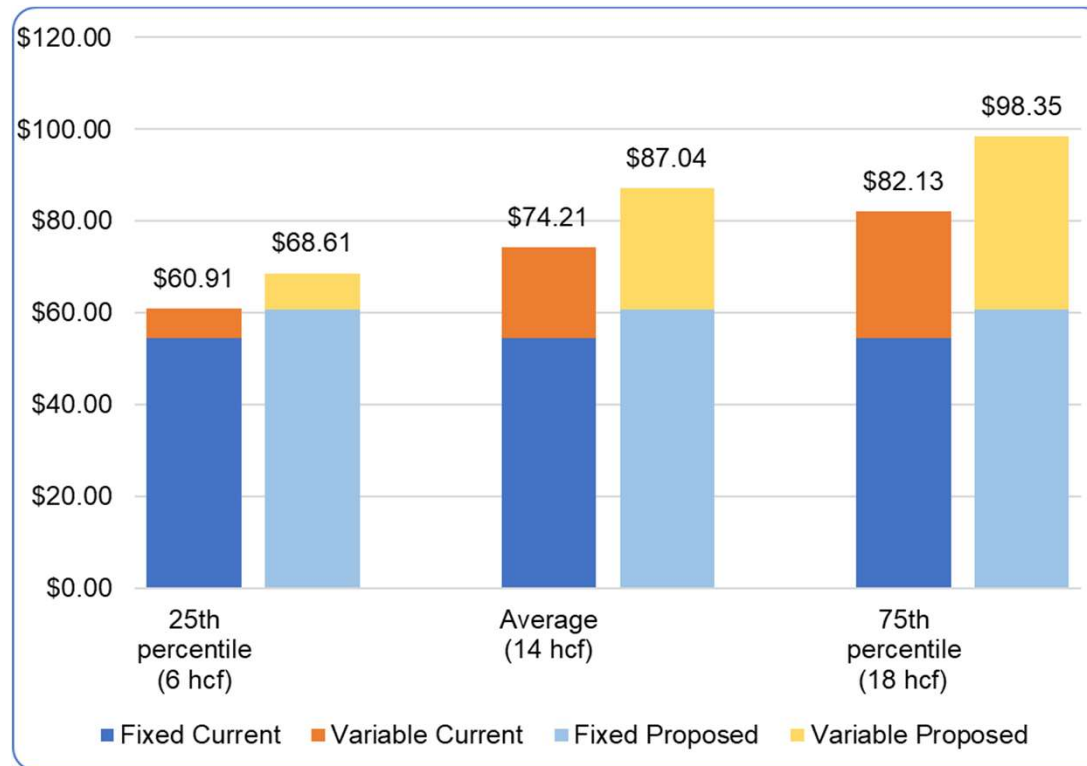
(1) Current drought surcharges are applied to all water use

(2) Proposed drought surcharges are only applied to tier 3 and tier 4 use

Single Family Residential Customer Impacts

Rate Inputs:

- 3/4" meter
- 4 Occupants
- 2,798 sqft Irrigable Area
- 5.77 Average ET
- 0.7 Landscape Factor



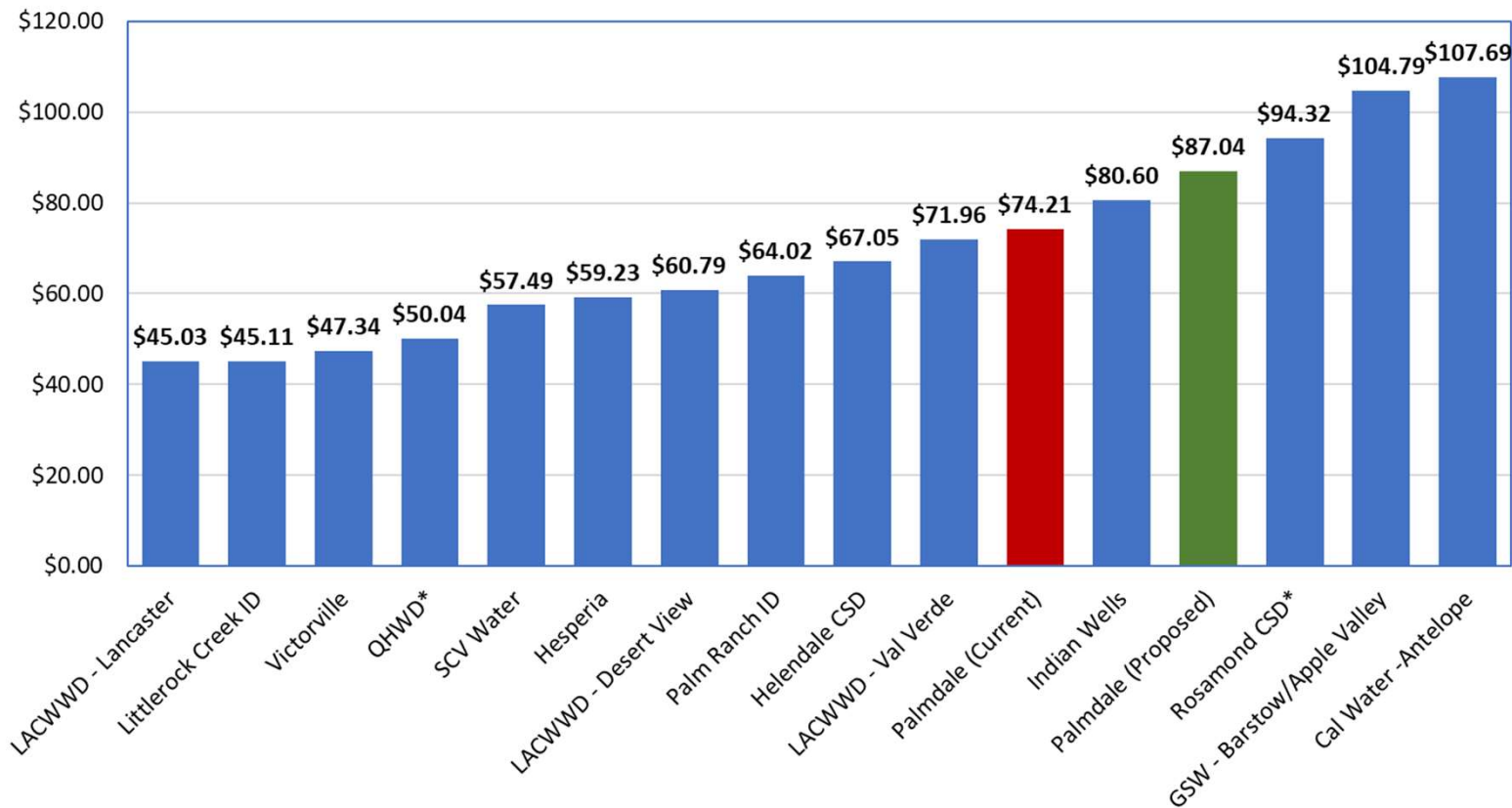
Dollar Change

25th percentile - \$7.70

Average - \$12.83

75th percentile - \$16.22

Rate Survey – July 1, 2024



Single Family Residential
14 hcf
¾" Meter
4 Persons
2,798 irrigated sqft
5.77 ET
Summer Rates where applicable

*Denotes agency with water budget-based rates



Questions?