

Innovative Agricultural Rate Structure



***WATER RATE WORKSHOP for
CALIFORNIA WATER AGENCIES and BOARDS***

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Overall Goals of New Variable Rate Schedule

- Prop 218 compliance
- Rate stabilization with hydrologic uncertainty
- Infrastructure and operational sustainability
- Recognize and encourage conjunctive use



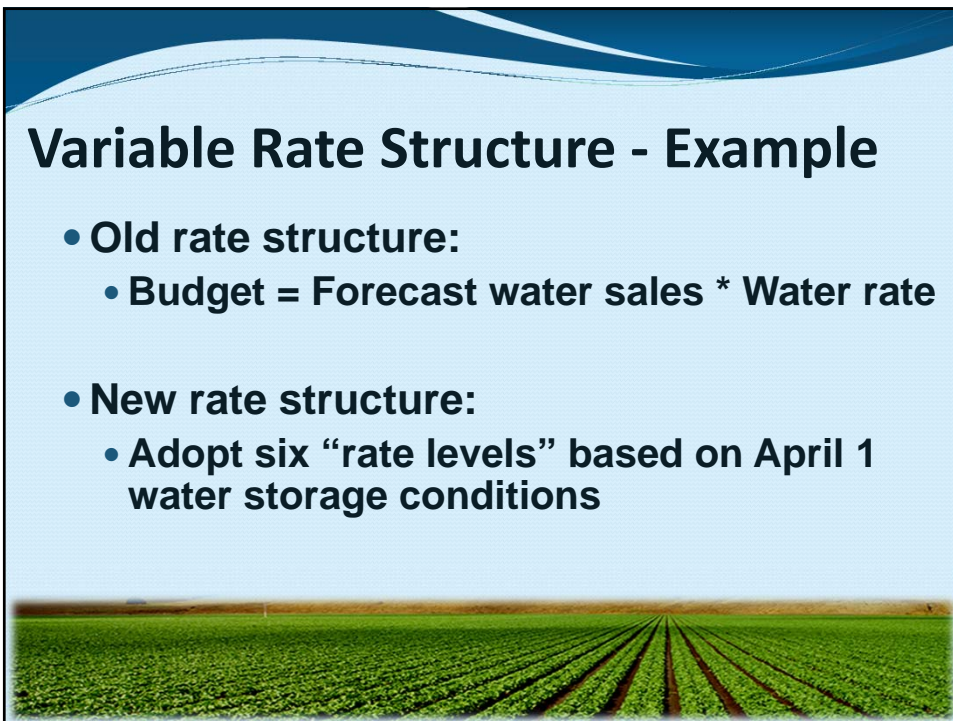
Budget Background

- Operating, Capital Improvement & Reserve Budgets
- Main Revenue Drivers: Water Sales, Hydroelectric & Property Tax



Variable Rate Structure - Example

- Old rate structure:
 - Budget = Forecast water sales * Water rate
- New rate structure:
 - Adopt six “rate levels” based on April 1 water storage conditions




2012 YCFCWCD Agricultural Water Allocation and Rates Worksheet											
CASE	Total Storage (acre-feet)		Remainder left in Storage (acre-feet)		Forecast Delivery Losses	Projected Water Sales (acre-feet)		Water Allocation (af/acre)		Rate \$	Projected Revenue \$(millions)
1	40,000	to 90,000	20,000	to 20,000	45%	11,000	to 38,500	0.16	to 0.55	\$40.00	\$0.44 to \$1.54
2	90,001	to 140,000	20,000	to 20,000	40%	42,001	to 72,000	0.60	to 1.03	\$35.00	\$1.47 to \$2.52
3	140,001	to 190,000	20,000	to 20,000	35%	78,001	to 110,500	1.11	to 1.58	\$30.00	\$2.34 to \$3.32
4	190,001	to 250,000	20,000	to 20,000	30%	119,001	to 161,000	1.70	to 2.30	\$24.00	\$2.86 to \$3.86
5	250,001	to 310,000	20,000	to 80,000	25%	172,501	to 172,501	No Allocation	No Allocation	\$22.00	\$3.80 to \$3.80
6	310,001	to 450,000	80,000	to 220,000	25%	172,501	to 172,501	No Allocation	No Allocation	\$20.00	\$3.45 to \$3.45
Actual	164,000		20,000		35%	93,600		1.34		\$30.00	\$2.81

BUDGET SCENARIOS											
Case	Low End	High End	Case	Low End	High End	Case	Low End	High End	Case	Low End	High End
Case 1			Case 2			Case 3			Case 4		
Budget	\$4.35	\$4.35	Budget	\$4.35	\$4.35	Budget	\$4.35	\$4.35	Budget	\$4.35	\$4.35
- Water Sales (ag)	\$0.44	\$1.54	- Water Sales (ag)	\$1.47	\$2.52	- Water Sales (ag)	\$2.34	\$3.32	- Water Sales (ag)	\$3.45	\$3.45
- Water Sales (non-ag)	\$0.19	\$0.19	- Water Sales (non-ag)	\$0.19	\$0.19	- Water Sales (non-ag)	\$0.19	\$0.19	- Water Sales (non-ag)	\$0.19	\$0.19
- Hydroelectric	\$0.02	\$0.06	- Hydroelectric	\$0.15	\$0.25	- Hydroelectric	\$0.25	\$0.35	- Hydroelectric	\$0.45	\$0.45
- Property Tax	\$0.88	\$0.88	- Property Tax	\$0.88	\$0.88	- Property Tax	\$0.88	\$0.88	- Property Tax	\$0.88	\$0.88
- Water Availability	\$0.00	\$0.00	- Water Availability	\$0.00	\$0.00	- Water Availability	\$0.00	\$0.00	- Water Availability	\$0.00	\$0.00
- Reserves used	\$2.82	\$1.68	- Reserves used	\$1.66	\$0.51	- Reserves used	\$0.69	-\$0.39	- Reserves used	-\$0.62	-\$0.62
Balance	\$0.00	\$0.00	Balance	\$0.00	\$0.00	Balance	\$0.00	\$0.00	Balance	\$0.00	\$0.00
Remaining Reserves	-\$0.82	\$0.32	Remaining Reserves	\$0.34	\$1.49	Remaining Reserves	\$1.31	\$2.39	Remaining Reserves	\$2.62	\$2.62
Case 5			Case 6								
Budget	\$4.35	\$4.35	Budget	\$4.35	\$4.35						
- Water Sales (ag)	\$2.86	\$3.86	- Water Sales (ag)	\$3.80	\$3.80						
- Water Sales (non-ag)	\$0.19	\$0.19	- Water Sales (non-ag)	\$0.19	\$0.19						
- Hydroelectric	\$0.30	\$0.45	- Hydroelectric	\$0.45	\$0.45						
- Property Tax	\$0.88	\$0.88	- Property Tax	\$0.88	\$0.88						
- Water Availability	\$0.00	\$0.00	- Water Availability	\$0.00	\$0.00						
- Reserves used	\$0.12	-\$1.03	- Reserves used	-\$0.97	-\$0.97						
Balance	\$0.00	\$0.00	Balance	\$0.00	\$0.00						
Remaining Reserves	\$1.88	\$3.03	Remaining Reserves	\$2.97	\$2.97						

Advantages of Variable Rate Structure

- Provides ability to comply with Prop 218 requirements
- Sends economic signal to encourage conjunctive use
- Provides a planning tool for both the District and its water customers



“Selling” the new Variable Rate Structure

- **Starts with establishing overall credibility: day-to-day operational and financial responsibility**
- **Outreach at multiple levels: Individual customers, large and small group meetings**
- **Describe the system as part of their business infrastructure**



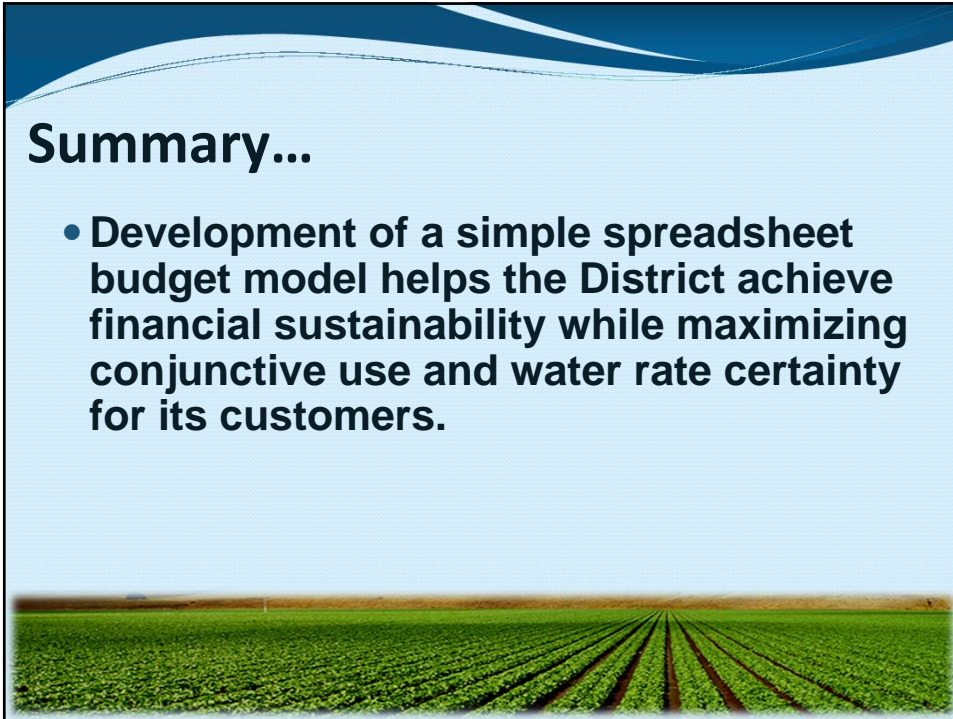
“Selling” the new Variable Rate Structure

- **Keep the process transparent: Provide the rate payers with the same tools that the District has**
- **Keep the formula as simple as possible: Limited cases, date certain for determination**



Summary...

- **Development of a simple spreadsheet budget model helps the District achieve financial sustainability while maximizing conjunctive use and water rate certainty for its customers.**



Thank You

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