

# NOTICE OF PUBLIC HEARING AND RATE ADJUSTMENTS



**August 20, 2018**  
**6:00 p.m.**



**505 Garrett Avenue**  
**Chula Vista, California 91910**

**The Governing Board of Sweetwater Authority (Authority)** will conduct a public hearing on **August 20, 2018 at 6:00 p.m.**, in the Board Room of the Authority's administrative office, located at **505 Garrett Avenue, Chula Vista, California 91910**, to consider adjusting the rates for its water service charges. The proposed rates are described in this notice.

Any property owner of a parcel upon which the water service charges are pro-

posed for imposition or any tenant directly liable for the payment of water service charges (i.e., a water customer who is not a property owner) may submit a written protest to the proposed adjustments to the rates of the Authority's water service charges described in this notice; however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is opposed to the proposed rate adjustments; (2) provide the location of the identified parcel (by street address or assessor's parcel number); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail or in person to the Board Secretary at Sweetwater Authority, 505 Garrett Avenue, Chula Vista, California 91910, or at the public hearing, so long as they are received prior to the close of the public hearing. Any protest submitted via e-mail or other electronic means will not be accepted.

The Governing Board will accept and consider all written protests and hear and consider all oral comments to the proposed rate adjustments at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the public hearing, the Governing Board will consider adoption of the proposed changes to the rates for water service charges as described herein. If written protests against the proposed rates, as outlined above, are not presented by a majority of the property owners or tenants of the identified parcels subject to the water service charges, the Governing Board will be authorized to adopt the rate adjustments to the water service charges. If approved, the Governing Board will be able to increase rates for a five-year period commencing January 1, 2020, through December 31, 2024, to account for inflation and wholesale cost increases.

## REASONS FOR THE RATE ADJUSTMENTS

The Authority provides water service to its customers, and continually strives to maximize cost reductions and better utilization of its assets. The Authority must also be fiscally responsible to ensure financial stability in the years to come. To this end, the Authority engaged an independent consultant to perform a cost of service analysis and rate study for its water service charges. Based on the rate study, the Authority anticipates that rate adjustments to the water service charges are necessary to:

- Recover current and projected costs of operations and maintenance, and capital infrastructure improvements needed to repair and update the Authority's aging water system
- Recover the costs of imported wholesale water and prepare for periods of reduced local water supply
- Maintain operational and financial stability

- Comply with state mandated regulatory requirements
- Meet and comply with annual debt service requirements
- Avoid operational deficits and depletion of reserves

The Authority gets its water primarily through locally developed sources of supply, including local surface water and groundwater. The Authority also purchases water from the San Diego County Water Authority (SDCWA). The amount of water that the Authority must purchase from SDCWA varies from year to year, and depends on the condition and availability of local supply. During wet years, local supply may be sufficient to fully meet all of the Authority's needs. In dry years, however, the Authority will have to purchase significantly more water from SDCWA. Water purchased from SDCWA is more expensive than local water supply.

As a result, the proposed rate structure for the water service charges includes a surcharge equal to the additional cost per unit to purchase water from SDCWA. This charge is necessary to pay for the cost of purchasing SDCWA water during periods of reduced local supply, and to build a rate stabilization reserve to be used to offset future increases in times of reduced local supply.

**A copy of the rate study and cost of service analysis providing justification for the proposed rates for water service charges is on the Authority's website and on file at the Authority's Administrative Office. You may also call Customer Service to request a copy.**



**619-420-1413**  
**www.sweetwater.org**

# HOW RATES ARE CALCULATED

The Authority's water service charges are billed on a bi-monthly basis. The proposed rate structure for the water service charges has four customer classes: (1) Single-Family Residential; (2) Multi-Family Residential, which includes apartments, condominiums, and mobile homes; (3) Commercial, which includes industrial and institutional; and (4) Public Agency. The proposed rate structure for each customer class is comprised of two components: (1) a Readiness-to-Serve Charge and (2) a Commodity Charge, which includes the Authority's Commodity Charge and the SDCWA Wholesale Water Purchase Charge. Customers with a separate fire service lateral will also have a private fire service charge. In addition, the Authority pays certain charges to the Metropolitan Water District of Southern California (MWD) and SDCWA, which are directly passed through to customers as separate charges, all as described in further detail below.

## Readiness-to-Serve Charge (Table A)

The proposed Readiness-to-Serve Charge is a fixed charge that recovers a portion of the Authority's fixed costs in providing water service. The rates for the Readiness-to-Serve Charge are the same for all customer classes, and are determined based on the size of the meter serving the property.

The proposed rates for the Readiness-to-Serve Charge are set forth in Table A at the end of this notice, and are proposed to take effect on January 1, 2019. To keep up with rising costs due to inflation, the Authority is proposing to authorize the Governing Board to increase the rates for the Readiness-to-Serve Charge for a five-year period commencing January 1, 2020, and on each January 1 thereafter through and including January 1, 2024, in an amount equal to the twelve-month change in the US Bureau of Labor Statistics Consumer Price Index for the San Diego Area as of June 30 of the preceding year; provided, however, (1) any increase to the rates for the Readiness-to-Serve Charge may not exceed 10 percent per year; (2) in no event will the rates be increased in any year by more than the cost of providing the respective water service; and (3) the Authority shall provide all customers at least 30 days' written notice prior to implementing any such increase.

## Commodity Charge (Table B)

The Authority is proposing two commodity charge components: (1) the Authority's Commodity Charge, which covers the cost of supplying, treating and distributing water from any of the Authority's sources, including imported water, and (2) the SDCWA Wholesale Water Purchase Charge, which includes the SDCWA Municipal and Industrial Untreated Supply Rate, Transportation Rate, and Treatment Rate, and covers the cost of purchasing and importing water from SDCWA when necessary. The SDCWA Wholesale Water Purchase Charge also recovers revenue to fund the Authority's rate stabilization fund, which will be used exclusively to offset impacts of reduced local water supply on rates. Once the Authority has met its rate stabilization fund target, the SDCWA Wholesale Water Purchase Charge will only be imposed to cover the cost of imported water the Authority must purchase from SDCWA, and the Governing Board of the Authority may apply funds in the revenue stabilization fund to offset such charge. The Authority's Commodity Charge and the SDCWA Wholesale Water Purchase Charge are collectively referred to as the Commodity Charges.

For Single-Family Residential customers, the Commodity Charge is a variable water usage charge and consists of four tiers which impose higher rates per one hundred cubic feet (HCF) of water usage as the level of water consumption increases. (One hundred cubic feet is equal to 748 gallons of water.) The rates within each tier are designed to proportionately allocate the incrementally higher costs of providing service to those whose water usage creates greater demands and burdens on the Authority's water system and water

resources and therefore generates additional costs to the Authority for providing water service. The incremental costs incurred by the Authority to meet this additional demand include: sizing, operating and maintaining the water system; developing additional water supplies; and funding water conservation programs.

For the Multi-Family Residential, Commercial, and Public Agency customer classes, the Commodity Charge is a distinct uniform rate per HCF of water usage, because of similarities in usage and demand characteristics for such customers.

The proposed rates for the Commodity Charges are set forth in Table B at the end of this notice, and are proposed to take effect on January 1, 2019. To keep up with rising costs due to inflation, the Authority is proposing to authorize the Governing Board to increase the rates for the Authority's Commodity Charge for a five-year period commencing January 1, 2020, and on each January 1 thereafter through and including January 1, 2024, in an amount equal to the twelve-month change in the Consumer Price Index for the San Diego Area as of June 30 of the preceding year.

To keep up with wholesale increases by SDCWA in the cost of purchasing water, the Authority is also proposing to authorize the Governing Board to increase the SDCWA Wholesale Water Purchase Charge, commencing January 1, 2020, and at any time thereafter through and including December 31, 2024, to pass through any cost increases by SDCWA.

These amounts are the maximum authorized rate for the Commodity Charges in each respective year, but the Governing Board may impose the Commodity Charges at a lower rate. However, (1) any increase to the rates for the Commodity Charges may not exceed 10 percent per year; (2) in no event will the rates be increased in any year by more than the cost of providing the respective water service; and (3) the Authority shall provide all customers at least 30 days' written notice prior to implementing any such increase.

## Private Fire Service Charge (Table C)

The Authority imposes the Private Fire Service Charge on certain properties that have a private fire protection lateral. The payment of the charge is a condition of providing water service upon the request of the customer or property owner for delivery of water to the property for the purpose of fire protection service. The Private Fire Service Charge is a bi-monthly fixed charge, and is determined by the size of the separate private fire protection lateral serving the property. The proposed rates for the Private Fire Service Charge are set forth in Table C at the end of this notice, and are proposed to take effect on January 1, 2019.

To keep up with rising costs due to inflation, the Authority is proposing to authorize the Governing Board to increase the rates for the Private Fire Service Charge for a five-year period commencing January 1, 2020, and on each January 1 thereafter through and including January 1, 2024, in an amount equal to the twelve-month change in the Consumer Price Index for the San Diego Area as of June 30 of the preceding year; provided, however, (1) any increase to the rates for the Private Fire Service Charge may not exceed 10 percent per year; (2) in no event will the rates be increased in any year by more than the cost of providing the respective water service; and (3) the Authority shall provide all customers at least 30 days' written notice prior to implementing any such increase.

## SDCWA/MWD Pass-Through (Table A & D) Charges and Increases

The Authority indirectly purchases wholesale water from MWD through SDCWA. Regardless of how much water is purchased from SDCWA, SDCWA imposes on the Authority: (1) an Infrastructure Access Charge (IAC); (2) a Customer Service Charge (CSC); (3) an Emergency Storage Charge (ESC); and (4) a Supply Reliability Charge (SRC and, together with the IAC, CSC, ESC, and SRC, the SDCWA Pass-Throughs). The IAC is a fixed charge that is deter-

mined based on meter size, and is imposed on the Authority as an additional source of revenue to SDCWA to provide better coverage for SDCWA's projected fixed costs. The CSC is imposed on the Authority as an allocation of SDCWA's customer service related costs. The ESC is imposed on the Authority as an allocation of SDCWA's costs for its emergency and carryover water storage program to provide sufficient water to the region in the event of an emergency. The SRC is imposed on the Authority as an allocation of SDCWA's cost to maintain reliable water supplies. These latter three charges are determined on the basis of a multi-year average of the amount of water purchased by the Authority from SDCWA.

MWD imposes on the Authority: (1) a Readiness-to-Serve charge (MWD-RTS) and (2) a Capacity Charge (MWD-CC and, together with the MWD-RTS, the MWD Pass-Throughs). The MWD-RTS is imposed on the Authority as an allocation of MWD's cost to provide peak capacity within the MWD's distribution system. The MWD-CC is imposed on the Authority as an allocation of MWD's costs associated with standby and peak conveyance capacity and system emergency storage capacity. These MWD charges are determined on the basis of multi-year averages of the amount of water purchased by the Authority from SDCWA.

Effective January 1, 2019, the Authority proposes to pass-through the SDCWA IAC to customers based on meter size, as set forth in Table A at the end of this notice. The remaining SDCWA Pass-

Throughs, and the MWD Pass-Throughs, are proposed to be passed-through to customers effective January 1, 2019 per HCF of water used, in the amounts set forth in Table D at the end of this notice. The Authority anticipates that MWD and SDCWA will increase the MWD Pass-Throughs and the SDCWA Pass-Throughs in the future, and the Authority is proposing to authorize automatic pass-throughs of any future increases to customers. If approved, the Governing Board may implement any increase to the MWD Pass-Throughs and SDCWA Pass-Throughs for the five-year period commencing January 1, 2020, through and including December 31, 2024, provided, however, that (1) any increase in the rates of the MWD Pass-Throughs or SDCWA Pass-Throughs described above shall not exceed 10 percent per year; (2) in no event shall the rates be increased by more than the cost of providing water service; and (3) the Authority shall provide all customers at least 30 days' written notice prior to implementing any MWD or CWA Pass-Through adjustment.

**Questions regarding the SDCWA Pass-Throughs should be directed to the Finance Department: San Diego County Water Authority - 4677 Overland Avenue, San Diego, CA 92123 or via telephone at (858) 522-6684.**

**For more information about regional water wholesale agencies, visit [www.sdcwa.org](http://www.sdcwa.org) and [www.mwdh2o.com](http://www.mwdh2o.com).**

## PROPOSED RATES

To estimate your water bill, please visit [www.sweetwater.org/billestimator](http://www.sweetwater.org/billestimator)

TABLE A: READINESS-TO-SERVE CHARGE AND SDCWA INFRASTRUCTURE ACCESS CHARGE

All Customer Classes Proposed Rates Effective 1/1/2019		
Meter Size (Inches)	Sweetwater Authority Rates for Bi-Monthly Fixed Charge	SDCWA Rates for Bi-Monthly Infrastructure Access Fixed Charge
5/8 <sup>(1)</sup>	\$18.73	\$6.02
1	\$27.88	\$9.64
1½	\$44.15	\$18.06
2	\$62.44	\$31.30
3	\$118.91	\$57.80
4	\$200.68	\$98.74
6	\$403.93	\$180.60
8	\$665.97	\$313.04
10	\$1,013.03	\$469.56

TABLE C: PRIVATE FIRE SERVICE CHARGE

Proposed Rates Effective 1/1/2019	
Lateral Size	Bi-Monthly Charge
1 inch	\$1.02
1½ inch	\$2.96
2 inch	\$6.31
3 inch	\$18.33
4 inch	\$39.06
6 inch	\$113.45
8 inch	\$241.77
10 inch	\$434.78
12 inch	\$702.30

TABLE B: COMMODITY CHARGES

Single-Family Residential Proposed Rates Effective 1/1/2019	Variable Rate for Bi-Monthly Sweetwater Authority Charge	Variable Rate for Bi-Monthly SDCWA Wholesale Water Purchase Charge
Tiers by Units of Water Served	\$/HCF <sup>(2)</sup>	\$/HCF
Tier 1 0 -10 HCF	\$3.72	\$1.05
Tier 2 11-16 HCF	\$4.43	\$1.25
Tier 3 17-27 HCF	\$4.56	\$1.28
Tier 4 28+ HCF	\$5.50	\$1.55
Proposed Rates For All Other Customers Effective 1/1/2019	Uniform Rate for Bi-Monthly Sweetwater Authority Charge	Uniform Rate for Bi-Monthly SDCWA Wholesale Water Purchase Charge
Customer Class	\$/HCF	\$/HCF
Multi-family Residential	\$5.10	\$1.43
Commercial	\$4.87	\$1.37
Public Agency	\$6.02	\$1.69
Construction	\$7.36	\$2.07

(1) Typical residential meter size

(2) HCF = one hundred cubic feet or 748 gallons of water

TABLE D: SDCWA AND MWD VOLUMETRIC PASS-THROUGH CHARGES

Uniform Rate for Bi-Monthly Pass Through Charge Proposed Rates Effective 1/1/2019	SDCWA Customer Service Charge	SDCWA Emergency Storage Charge	SDCWA Supply Reliability Charge	MWD Readiness To Serve Charge	MWD Capacity Charge
All Customer Classes	\$/HCF	\$/HCF	\$/HCF	\$/HCF	\$/HCF
	\$0.11	\$0.30	\$0.11	\$0.03	\$0.02



P.O. Box 2328  
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## COMMUNITY OPEN HOUSE

Drop in and learn about how Sweetwater Authority is working for your water



August 9, 2018  
 4 PM - 7 PM



Richard A. Reynolds  
 Groundwater Desalination Facility  
 3066 N. Second Avenue  
 Chula Vista, CA 91910

# SWEETWATER AUTHORITY IS WORKING FOR YOUR WATER!

*Water rates fund more than just water...*

**\$0.27**

Administration costs  
 (technology, public outreach,  
 safety and overhead)



**\$0.03**

Customer service



**\$0.13**

Infrastructure improvements and replacements



**\$0.25**

Purchase of additional water supplies



**\$0.17**

Water distribution system maintenance and repair



**\$0.15**

Water service (storage, treatment, and delivery of water)



**Important notice** to water users in the **Sweetwater Authority service area**

Large format version of this notice is available by calling (619) 420-1413

Sweetwater Authority aviso de audiencia pública

Para información en Español, o si desea obtener este informe con letra más grande llámenos al (619) 420-1413