



# Yucaipa Valley Water District

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October 16, 2018

Attention: Board of Directors  
San Gorgonio Pass Water Agency  
1210 Beaumont Avenue  
Beaumont, California 92223

**Subject: Suggestions for the Review, Study, and Evaluation of a Proposed Imported Water Rate Adjustment by the San Gorgonio Pass Water Agency**

Dear Members of the Board of Directors:

On September 13, 2018, the Board of Directors of the San Gorgonio Pass Water Agency conducted a workshop to review an imported water rate model by David Taussig & Associates. The proposed imported water rate model identified six preliminary scenarios that indicated an imported water rate change from \$309/acre foot to a minimum of \$417/acre foot to a maximum of \$689/acre foot. The specific scenarios are provided below.

<u>Model Run</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Constant rate, 100% of Nickel water on capacity fee	464	464	464
Constant rate, 50% of Nickel water on capacity fee	537	537	537
Constant rate, 0% of Nickel water on capacity fee	610	610	610
Gradually increasing rate, 100% of Nickel water on capacity fee	417	467	523
Gradually increasing rate, 50% of Nickel water on capacity fee	483	541	606
Gradually increasing rate, 0% of Nickel water on capacity fee	549	615	689

The current imported water rate charged by the San Gorgonio Pass Water Agency results in a unit cost of \$0.66 per 1,000 gallons for customers in our Calimesa service area. Based on a typical monthly water consumption of 22,000 gallons per month, this rate results in a monthly charge of \$14.52. Implementation of one of the six proposed scenarios will increase the monthly imported water rate component of our service fee to customers in Calimesa by 35% to 97% in 2019. As shown below, three of the proposed scenarios will continue to increase imported water rates by 12% per year in 2020 and 2021.

Directors and Officers

CHRISTOPHER MANN  
Division 1

BRUCE GRANLUND  
Division 2

JAY BOGH  
Division 3

LONNI GRANLUND  
Division 4

THOMAS SHALHOUB  
Division 5

JOSEPH B. ZOBA  
General Manager  
and Secretary

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Existing SGPWA Pass Through Rate = \$0.664/kgal	\$/kgal	\$/kgal	\$/kgal
<b>Constant Rate, 100% of Nickel Water on Capacity Fee</b>	<b>\$0.997</b>	<b>\$0.997</b>	<b>\$0.997</b>
Constant Rate, 50% of Nickel Water on Capacity Fee	\$1.154	\$1.154	\$1.154
<b>Constant Rate, 0% of Nickel Water on Capacity Fee</b>	<b>\$1.310</b>	<b>\$1.310</b>	<b>\$1.310</b>
Increasing Rate @ 12%, 100% of Nickel Water on Capacity Fee	\$0.896	\$1.004	\$1.124
<b>Increasing Rate @ 12%, 50% of Nickel Water on Capacity Fee</b>	<b>\$1.038</b>	<b>\$1.163</b>	<b>\$1.302</b>
Increasing Rate @ 12%, 0% of Nickel Water on Capacity Fee	\$1.180	\$1.322	\$1.481






To properly evaluate the proposed and future cost of imported water to the region, and to determine if we will continue to purchase imported water from the San Gorgonio Pass Water Agency, the Board of Directors of the Yucaipa Valley Water District respectfully requests your consideration of the following suggestions:

- The imported water rate spreadsheet prepared by David Taussig & Associates should be expanded to include actual data from calendar years 2012, 2013, 2014, 2015, and 2016 to illustrate the trends in prior revenues and expenses.
- The imported water rate spreadsheet prepared by David Taussig & Associates should be extended to include estimated revenues and expenses for calendar years 2022, 2023, 2024, and 2025.
- Based on the attached calculation of cost for the Nickel Water Purchase between the San Gorgonio Pass Water Agency and the Antelope Valley - East Kern Water Agency, future revenues of the San Gorgonio Pass Water Agency need to be sufficient to fund the approximately \$58 million obligation created by this Agreement. The San Gorgonio Pass Water Agency Board of Directors should consider shifting the new financial obligation beyond the term of the Agreement to reduce the immediate impact of this cost on imported water rates. This concept would require an extension of the imported water rate spreadsheet through 2046 to show the impact on imported water rates when the initial term of the Nickel Water Purchase Agreement concludes.

- Incorporating the suggestions above, an updated imported water rate spreadsheet should be prepared and distributed in advance of the next imported water rate workshop.
- The Yucaipa Valley Water District will need to provide noticing of the proposed adjustment to our customers in compliance with Proposition 218. The San Geronio Pass Water Agency should consider conducting future workshop meetings and voting on the proposed imported water rate adjustment after notices have been provided to customers impacted by the proposed imported water rate adjustment. This schedule provides an opportunity for your staff to explain the proposed changes directly to the customers and property owners.
- The San Geronio Pass Water Agency should consider implementing the first increase in water rates six months after adoption of the proposed imported water rate(s) to allow retail water agencies sufficient time to implement new imported water rates.
- Each year, the San Geronio Pass Water Agency Board of Directors should conduct a review of the imported water rate spreadsheet to determine if yearly updates to the actual revenues/expenses and the five-year forecast will require an imported water rate adjustment in future years.
- In addition to annual financial reviews, the San Geronio Pass Water Agency Board of Directors should use the imported water rate spreadsheet to study the financial impact on imported water rates prior to executing future purchase agreements for additional water supplies.
- The San Geronio Pass Water Agency should consider setting a permanent wheeling rate based solely on the "State Water Project Delivery Costs" to allow your customers to secure additional sources of supplemental water for the region.

Thank you in advance for your consideration of the suggestions above.

Sincerely,

 Chris Mann Division 1	 Bruce Granlund Division 2	 Jay Bogh Division 3
 Lonni Granlund Division 4	 Thomas Shalhoub Division 5	

attachment

**San Geronio Pass Water Agency - Antelope Valley - East Kern Water Agency Agreement**  
**SGPWA Board Meeting - June 19, 2017**

Year	Escalation Factor Agreement		3.5% CPI		3.0%		Quantity of Water (AF)	Total Cost	Cost per Acre Foot
	Contract Year	Escalation Rate	Nickel-DMB Payment	Replenishment	Administrative	Fixed Cost per Acre Foot			
2017	1		716	300	5	1,021	247	2,255,600	1,288
2018	2		737	309	5	1,052	254	2,220,013	1,306
2019	3		760	318	5	1,083	262	2,286,358	1,345
2020	4		782	328	5	1,115	270	2,354,694	1,385
2021	5		806	338	5	1,149	278	2,425,080	1,427
2022	6		830	348	5	1,183	286	2,497,577	1,469
2023	7		855	358	5	1,218	295	2,572,250	1,513
2024	8		881	369	5	1,255	304	2,649,162	1,558
2025	9		907	380	5	1,292	313	2,728,382	1,605
2026	10		934	391	5	1,331	322	2,809,979	1,653
2027	11		962	403	5	1,370	332	2,894,023	1,702
2028	12		991	415	5	1,411	342	2,980,589	1,753
2029	13		1,021	428	5	1,454	352	3,069,751	1,806
2030	14		1,051	441	5	1,497	363	3,161,589	1,860
2031	15		1,083	454	5	1,542	374	3,256,181	1,915
2032	16		1,116	467	5	1,588	385	3,353,612	1,973
2033	17		1,149	481	5	1,635	396	3,453,935	2,032
2034	18		1,185	496	5	1,684	408	3,557,929	2,093
2035	19		1,219	511	5	1,735	421	3,666,794	2,155
2036	20		1,256	526	5	1,787	433	3,778,453	2,220
<b>Total Agreement Cost</b>								<b>57,863,381</b>	