

NewGen Strategies & Solutions

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FINAL REPORT

CANAL WATER COST OF SERVICE & RATE STUDY

MAY 20, 2024



Prepared for:
Coachella Valley Water District
75515 Hovley Lane East
Palm Desert, CA 92211

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Study Background

NewGen Strategies and Solutions, LLC (NewGen) has completed a cost-of-service study for the Coachella Valley Water District's (CVWD or District) Canal Fund. The purpose of the study was twofold. First, NewGen was tasked with evaluating the cost basis for CVWD's Fiscal Year (FY) 2024 Canal Rates. Second, NewGen was tasked to provide a four-year financial forecast, cost of service analysis, and rate recommendations for Canal Rates for FY 2025 through FY2028.

Validation of Canal Rate Structure and FY 2024 Rates

Based on our review of a report conducted by NBS in response to a legal challenge to CVWD's Canal rates, and applying our own professional experience and judgment, as well as industry standards, NewGen has concluded that both CVWD's Irrigation Water Commodity Charge (IWCC) and the Water Supply Surcharge (WSSC) are appropriate and comply with principles of cost-based rates and relevant laws, including our professional understanding of the requirements of California's Propositions 218 and 26. The NBS report correctly identifies the cost of service principles justifying the distinction between Class 1 and Class 2 Canal customers based on the differences in their demands on the District's services — agricultural demand is flat, urban demand is growing significantly — making it reasonable to assign the cost of new supplies to the customers whose use makes them necessary. In addition, NewGen's analysis of CVWD's FY 2024 budget, both the FY 2024 IWCC and WSSC are cost-justified. Given significant subsidies from non-rate revenues, no canal customer pays the cost of being served under either the FY 2024 Canal rates or the rates NewGen recommends here.

Study Objectives and Guiding Principles

The objectives of the cost-of-service study were as follows:

- Evaluate adequacy of the projected revenues under existing rates with anticipated revenue requirements to comply with law, District policy, and to fund the District's services.
- Develop a four-year financial plan for CVWD's Canal Fund incorporating both O&M and planned CIP costs.
- Propose Canal rates and surcharges for four years in accordance with American Water Works Association (AWWA) guidelines; California Constitution, Articles XIII, C and D (Propositions 218 and 26); and, all applicable laws.

Financial Forecast

The financial forecast is driven by the objective to have revenues meet annual revenue requirements in each forecasted year. In any year in which that is not the case, the District may use fund balance (i.e., reserves) to meet the annual revenue requirement of the Fund. However, the Canal Fund should be managed to satisfy CVWD's designated reserves policies at the end of each forecasted year. If the forecast results in any year in which the Canal Fund balance violates any of CVWD's reserve policies, then CVWD



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must develop a plan to bring the Fund into compliance with all reserve policies within five years. Table E-1 presents a summary of the financial forecast with the proposed rate adjustments. No revenue increases are necessary to maintain the Canal fund balance above the Board’s policy minimum in FY 2025 through FY 2028. One-time curtailment revenues are funds paid to the District by the federal government to induce it to curtail use of scarce Colorado River supplies while a longer-term solution for the Colorado River basin is negotiated. NewGen does not recommend the immediate use of these large one-time revenues to distort ratemaking by drastically reducing the cost of Canal water. Doing so will encourage inefficient use of the District’s services and encourage rate shock when rates return to more normal, lower levels of subsidy after the one-time moneys are spent. Therefore, NewGen recommends the incremental use of curtailment revenues to smooth Canal rate increases in FY 2025 through FY 2028 which results in the retention of more than \$15 million in curtailment revenues at the end of the study forecast.

Table E-1
Canal Water Fund Financial Forecast – Recommended Rates (millions)

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Operating Expenses	\$39.39	\$42.07	\$45.03	\$46.92	\$48.77
Existing Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
New Debt Service	\$0.00	\$0.56	\$0.95	\$1.45	\$1.85
PAYGO Capital Projects	\$1.92	\$1.50	\$1.63	\$4.25	\$4.68
Total Revenue Requirements	\$41.31	\$44.13	\$47.61	\$52.62	\$55.30
Less:					
Capital Project Reimbursement	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.04)
Non-Rate Revenues	(\$22.20)	(\$22.15)	(\$22.34)	(\$22.61)	(\$22.98)
Use of One-Time Curtailment Revenues	\$0.00	(\$3.85)	(\$5.27)	(\$7.69)	(\$9.47)
Net Revenue Requirement	\$19.08	\$18.09	\$19.97	\$22.29	\$22.82
Rate and Surcharge Revenue	\$16.83	\$18.96	\$21.25	\$23.47	\$23.71
<u>Reserve Contributions / Transfers</u>					
Cash Flow Surplus / (Deficit)	(\$2.25)	\$0.86	\$1.28	\$1.18	\$0.89
Contribution from Property Tax	\$1.56	\$0.00	\$0.00	\$0.00	\$0.00
Reserved Curtailment	\$14.00	\$10.15	\$1.73	(\$7.69)	(\$9.47)
Reserved for Legal Liability ¹	(\$2.56)	\$0.00	\$0.00	\$0.00	\$0.00
Total Reserve Contributions / Transfers	\$10.75	\$11.01	\$3.01	(\$6.50)	(\$8.57)
<u>Projected Reserves</u>					
Beginning Fund Balance	\$46.13	\$56.88	\$67.89	\$70.90	\$64.40
Change in Fund Balance	\$10.75	\$11.01	\$3.01	(\$6.50)	(\$8.57)
Ending Fund Balance	\$56.88	\$67.89	\$70.90	\$64.40	\$55.82
Designated Reserves Target	\$36.78	\$39.07	\$41.22	\$43.13	\$44.95
Over / (Under) Designated Reserves	\$20.10	\$28.82	\$29.68	\$21.27	\$10.87

(1) Legal Liability as of 3/21/24

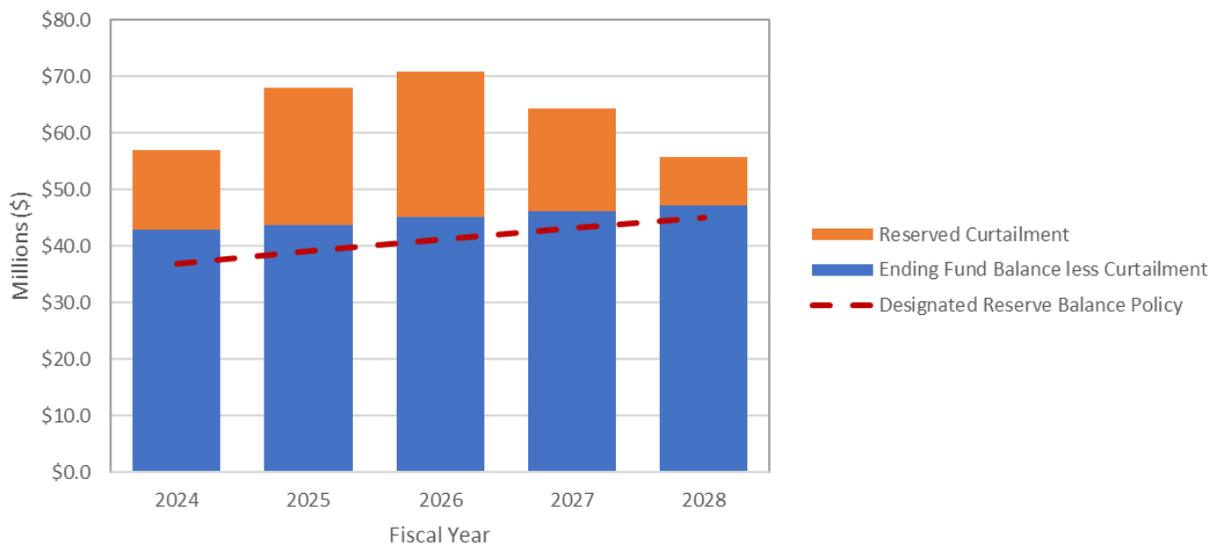
Recommended Canal Rates

The following table shows the proposed rates for the District’s Canal customers, which will generate sufficient revenues to maintain a fund balance above the District’s policy minimum level given the cost forecasts developed during the study and available subsidies from non-rate revenues.

**Table E-2
Canal Water Fund Recommended Rates**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
<u>Volumetric Rates per Acre Foot</u>					
Irrigation Water Commodity Charge (IWCC)	\$34.32	\$34.32	\$34.32	\$34.32	\$34.32
Water Supply Surcharge (WSSC)	\$67.80	\$67.80	\$67.80	\$67.80	\$67.80
Construction Water Commodity Charge (CWCC)	\$51.33	\$86.40	\$86.90	\$87.43	\$87.97
<u>Gate Charges per Order</u>					
Scheduled	\$23.53	\$33.93	\$35.46	\$37.06	\$38.73
Unscheduled	\$47.07	\$67.85	\$70.91	\$74.11	\$77.46
<u>Surcharges</u>					
Quagga Surcharge	\$3.63	\$7.63	\$7.94	\$8.26	\$8.59
Outside Improvement District 1 Surcharge (Monthly per Acre)	\$4.17	\$4.63	\$4.77	\$4.92	\$5.06

**Figure E-1
Projected Canal Water Fund Balance Under Recommended Rates**



Section 1

EVALUATION OF CVWD'S FY 2024 CANAL STRUCTURE AND RATES

NewGen's evaluation of CVWD's Canal Fund involved two items related to the validation (or not) of CVWD's Canal rates. First, NewGen was tasked with evaluating the justification for accounting for costs and assessing distinct fees between the various Canal Customers. Second, if the distinction between the customer classes is valid, then NewGen was tasked with validating (again, or not) the specific fees charged to Canal customers in FY 2024 relative to the requirements of California law, namely that they do not exceed the cost of service.

CVWD Canal Water Rate Structure

The District's Canal water rate structure includes several volumetric and fixed rates and surcharges designed to appropriately recover costs from each class of Canal water user. The two volumetric rates are the Irrigation Water Commodity Charge (IWCC) and the Water Supply Surcharge (WSSC). The IWCC is a consumptive charge per acre-ft (AF) charged to all retail customers who can utilize the Canal system; that is, have not disclaimed rights to take canal water or demonstrated inability to do so. The WSSC is a consumptive charge per AF consumed charged to all retail customers who utilize the Canal system for non-agricultural activities (i.e., Class 2 customers). This is a key distinction of customer class based on the service characteristics of these two types of customers — agricultural customers whose demand is flat or slightly declining as land is converted to urban uses and urban customers whose demand is growing significantly.

Prior to the implementation of FY 2023 rates, the District's Canal rate structure was challenged legally¹. In response to that challenge, NBS, a firm with expertise in utility rate setting, provided analysis, opinions, and conclusions regarding the lawsuit noted above, specifically the canal water rates set for Fiscal Year 2017 based in Coachella Valley Water District's (CVWD) 2015 Rate Study Report². In their report (NBS Report), NBS determined the District's Canal water rate structure, particularly the distinction between Class 1 and Class 2 customers is appropriate based on industry-standard cost-of-service principles³. NBS determined that the District's canal rate structure is appropriate, although it may not be the only methodology that complies with industry standards.

NewGen has reviewed the NBS report. Based on the information detailed in the NBS report, NewGen agrees that the Canal rate structure, specifically the application of the IWCC and WSSC, reflects an appropriate cost-based distinction between Canal user classes that is fair, reasonable, and consistent with industry standards.⁴ Therefore, we do not recommend changing the District's canal rate structure as a part of this study.

In addition to the NBS report, the District engaged ERA Economics, LLC, to analyze the likely economic impacts of increasing the Canal water rate charged to agricultural water users in the CVWD service area,

¹ Roberts v. Coachella Valley Water District, Riverside Superior Court, Case No. RIC1904943

² 2015 Canal Rate Study Report, Coachella Valley Water District, MWH (Hawksley Consulting, a subsidiary of MWH Global), February 23, 2016

³ NBS' Analysis of Roberts v. Coachella Valley Water District, April 21, 2022

⁴ NBS Report at pp. 4-5, and at p. 7

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and by consequence lowering rates for urban users, and to offer any economic opinions of the alternative rate structure proposed by the plaintiffs in *Roberts v. Coachella Valley Water District*. In short, ERA concluded that the present value (2022 dollars) of losses in net return to be in excess of \$170 million and losses in gross farm production to be in excess of \$50 million⁵. While ERA’s conclusion has no impact on NewGen’s determination of the reasonableness of CVWD’s Canal rates, nor on our judgments regarding the cost of service analysis, we believe it provides important context for the broader economic impact of deviating from CVWD’s Canal rate structure. That is to say, it provides policy justification for the District Board’s decision, should it make it, to retain the current Canal rate structure rather than eliminate the distinction between Classes 1 and 2.

Validation of FY 2024 Canal Rates

NewGen assessed the validity of the FY 2024 Canal rates based on CVWD’s FY 2024 adopted budget. While this report details NewGen’s financial analysis and the cost basis of the Canal rates, the following table summarizes NewGen’s results relative to the FY 2024 IWCC and WSSC. As can be seen, rates are below service cost due to subsidies from taxes and other non-rate revenues of the District. For a detailed calculation of the costs and usage applicable to each of the FY 2024 IWCC and WSSC, please refer to Appendix B.

Table 1-1
Summary of FY 2024 Canal Rates Cost of Service

	IWCC	WSSC
FY 2024 Adopted Rate	\$34.32	\$67.80
NewGen Cost of Service Rate	\$35.71	\$68.74
Difference (Adopted – COS)	(\$1.39)	(\$0.94)

NewGen determined that the adopted FY 2024 Canal rates are below the justified cost of service for both the IWCC and WSSC. The following sections of this report detail NewGen’s recommended Canal rates given the forecasted expenses of the Canal Fund and CVWD’s minimum fund balance (i.e., reserves) policies.

⁵ Expert Report of Richard Howitt, Director, ERA Economics LLC, April 22, 2022

Section 2

STUDY BACKGROUND AND SCOPE

Study Background

The District's Canal water system provides water to approximately 1,200 customers including agricultural, golf courses, lakes, and other groundwater users. The water supplied to Canal customers is imported from the Colorado River via the Coachella Canal, a branch of the All-American Canal. Based on the Colorado River Quantification Settlement Agreement (QSA), the District receives an annual base allocation of 301,000 acre-feet (AF) and can secure additional water through a transfer agreement with the Imperial Irrigation District (IID). Canal water deliveries in FY 2024 are expected to total approximately 300,500 AF. Deliveries are expected to increase over the rate study period and beyond as the District continues to make efforts to promote usage of Canal water in lieu of groundwater pumping to maintain the sustainability of the groundwater basin and to further increase groundwater recharge through the addition of another recharge facility in the West Whitewater Area of Benefit. Two of the most significant single users of Canal water are the District's East Whitewater and West Whitewater Replenishment systems that use Canal water for groundwater replenishment at the District's Palm Desert and Thomas E. Levy Replenishment Facilities. The District's Domestic Water system subsequently pumps that groundwater for municipal use, for which it is allocated a share of replenishment costs proportionate to its use of the supplies created by that service.

Study Approach and Goals

To develop user rates, NewGen conducted an in-depth study of the Canal fund's revenue needs, customer usage characteristics, capital improvement program (CIP), and additional future drivers of service costs and revenues. This Study documents the methodology and assumptions used to develop the financial plan and cost of service analysis and summarizes the proposed rates and surcharges.

The overall goals of the Study were focused on developing a financial plan and proposed rate structure that meets the District's financial, operational, and capital needs in a manner that equitably distributes costs and maintains the affordability of Canal water. Specific goals included:

- Set rates such that operating cash flows (revenues less operating expenses) would remain positive for all fiscal years. This goal intends to avoid the creation of a structural operating deficit within the utility. This goal also includes providing sufficient cash flows to cover all debt service coverage (DSC) requirements in the future without creating an ongoing deficit.
- Set rates such that the Canal fund reserves can be maintained at or above the Board's policy minimum level while providing funding for necessary capital projects.
- If necessary, utilize unrestricted reserves (the amount above the reserve policy target) to fund capital projects in order to minimize rate increases.
- Analyze the cost base, customer information, rate classes, and rate structure to ensure that costs are being appropriately recovered from the District's customer base and that rates are defensible.

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- To ensure recommended rates are fair, reasonable, consistent with industry standards and allocate costs as required by law, including Proposition 218 and 26.

The projections and forecasts of this analysis are based on predictions of future events that New Gen considers reasonable considering its professional expertise and currently available information. Should the proposed revenue increases be delayed or postponed; or cost escalation, operating expenditures, or capital needs exceed forecasted levels prior to FY 2028; or if revenues do not materialize as projected; the District might be required to begin a new rate adoption process to increase rates above currently projected levels.

Section 3

CANAL WATER SYSTEM REVENUE REQUIREMENTS

This section of the report details the data and assumptions relied upon to develop a four-year revenue requirement forecast for CVWD's Canal Fund.

Test Year Revenue Requirements

There are two cost categories that comprise the District's Canal Fund annual revenue requirement: Operating and Maintenance (O&M) costs and Capital Costs (i.e., non-operating costs). Capital costs include debt service and pay-as-you-go (PAYGO) funded capital improvements. NewGen used CVWD's FY 2024 Canal Fund Budget Model as the basis for the study's forecasts. NewGen made one major assumption regarding the Canal Fund that drives the results of the cost of service analysis. CVWD has entered into an agreement with the United States Bureau of Reclamation (USBR) to participate in the Lower Colorado Conservation and Efficiency Program to reduce the District's consumptive use of Colorado River water up to 35,000 Acre Feet per year for a three-year term, 2023 through 2025, for a potential total savings of up to 105,000 AF. This curtailment is estimated to generate \$42 million in one-time (i.e., non-recurring) funds for discretionary use by the District. The District Board has recorded these revenues in the Canal Fund. NewGen's study allocates these funds to Canal Fund reserves to be used in forecasted years for the purposes of reducing the need to increase Canal rates, both the IWCC and WSSC. The detailed forecast follows in this section of this report. However, the District does not wish, nor does NewGen recommend, that these funds immediately be used to reduce Canal rates. Doing so would encourage inefficient uses of limited water supplies, undermine the goal of the curtailment effort by making more difficult permanent reductions in use of Colorado River water, and invite rate shock when the lapse of these short-term monies causes rates to return to earlier levels. Instead, NewGen recommends that the District apply a portion of the curtailment revenues in each of the next several years to stabilize Canal rate increases and retain the remainder of the curtailment revenues for future uses beyond the study forecast, which may be for further rate stabilization.

NewGen developed a forecasted FY 2025 Test Year and forecasted Canal Fund costs through FY 2028 using reasonable estimates of cost increases for operating and capital expenditures and anticipated changes in non-rate revenues based on the FY 2024 Canal Fund budget. NewGen applied a portion of FY 2025 curtailment revenues to offset the FY 2025 Test Year costs on Canal ratepayers.

Designated Reserve Policies

The CVWD Board has approved several financial policies that apply to the Canal Fund. This study is predicated on maintaining compliance with these policies, which are as follows:

- **Operating Reserve:** 25% of annual operating expenses, less depreciation and capital outlay
- **Rate Stabilization Reserve:** 10% of annual rate revenues or operating expenses less the larger of depreciation and capital outlay

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- **Capital Reserve:** Minimum of 25% of the average five-year, forward-looking, annual PAYGO CIP spending
- **Emergency Reserve:** 1.0% of net book value of assets
- **Motor Pool Reserve:** 5-year average of vehicle replacement costs
- **Debt Service Reserve:** One year of annual debt service

CVWD’s policy is to maintain the reserves in these minimum amounts within the Canal Fund. In any year in which the reserve goals are not met, then policy dictates that a five-year plan be developed to bring the fund back into compliance with each reserve policy. Table 3-1 shows the forecasted designated reserve necessary to satisfy all the designated reserve policies.

Table 3-1
Canal Water Fund Designated Reserves Policy Forecast (in millions)

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Operating	\$9.70	\$10.36	\$11.09	\$11.56	\$12.01
Rate Stabilization	\$3.93	\$4.20	\$4.50	\$4.69	\$4.87
Capital	\$2.10	\$2.11	\$2.11	\$2.12	\$2.12
Emergency	\$20.58	\$21.30	\$22.04	\$22.81	\$23.61
Vehicle Replacement	\$0.47	\$0.54	\$0.53	\$0.51	\$0.49
Debt Service	\$0.00	\$0.56	\$0.95	\$1.45	\$1.85
Total Designated Fund Balance Policy	\$36.78	\$39.07	\$41.22	\$43.13	\$44.95
<i>% Change</i>		6.2%	5.5%	4.6%	4.2%

The District’s minimum fund balance policy is a key driver of the financial plan detailed in this report. Rates and fees are set to cover the operating, debt service, and capital needs of the system, as well as to maintain reserves at least at the level of the fund balance policies summarized above. If at any time projected rates would not sustain the minimum policy balance in the next fiscal year, rates must be increased to achieve the minimum policy balance within five years.

Purchased Water

Based on the QSA, the District receives an allocation of water from the Colorado River, for agricultural usage, at no additional cost over what the District spent in decades past to construct, and continues to spend to maintain, the Coachella Canal and related infrastructure. The base allocation is 301,000 acre-feet per year (AFY) and the 1988 conservation agreement set the additional no-cost allocation to 20,000 AFY. Under the QSA, further purchases of Colorado River water are made via transfer agreements with IID with annual quantities dictated by the QSA. These supplemental supplies have a significant cost to the District.

IID transfers are broken into two categories, Transfer A and Transfer B. Transfer A is for 50,000 AFY at an expected cost of \$106.51 per AF in FY 2024. Transfer B is set at 43,000 AF for FY 2024 and will ramp up to its final level of 53,000 AFY by FY 2026. The rate for Transfer B water is currently \$266.30 per AF. Transfer rates are subject to annual increases to cover increases in IID’s operating and capital costs. This analysis assumes a 3.0% annual escalation for the transfer rates based on historical cost increases.

Canal Water System Revenue Requirements

Because the transfer amounts are set by the QSA and transfer agreements, the District is essentially locked into purchasing the agreed volumes each year. Furthermore, deviating from the agreement, or the inability to put the full allocation to beneficial use, could impact the District’s ability to obtain Colorado River supplies in future negotiations. As such, the District has very limited control over the water purchase costs that must be supported in the Canal Fund. Table 3-2 shows the forecasted amount and cost of each category of water purchase.

**Table 3-2
Canal Water Purchases and Costs Forecast (millions)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
<u>No-Cost Water</u>					
Base Allocation – No Cost (AF)	301,000	301,000	301,000	301,000	301,000
1988 Conservation Agreement – No Cost (AF)	20,000	20,000	20,000	20,000	20,000
<u>IID Transfer A</u>					
Annual Transfer (AF)	50,000	50,000	50,000	50,000	50,000
Unit Cost (\$/AF)	\$106.51	\$109.71	\$113.00	\$116.39	\$119.88
IID Transfer A Water Cost (millions)	\$5.33	\$5.49	\$5.65	\$5.82	\$5.99
<u>IID Transfer B</u>					
Annual Transfer (AF)	43,000	48,000	53,000	53,000	53,000
Unit Cost (\$/AF)	\$266.30	\$274.29	\$282.52	\$290.99	\$299.72
IID Transfer B Water Cost (millions)	\$11.45	\$13.17	\$14.97	\$15.42	\$15.89
Total Colorado River Water Purchase Costs	\$16.78	\$18.65	\$20.62	\$21.24	\$21.88

The District maintains agreements with the Metropolitan Water District of Southern California (MWD) in which it is reimbursed for a portion of the costs associated with IID Transfer B. Up to 20,000 AFY of Transfer B is reimbursed at approximately 60 percent of the IID transfer rate and an additional 30,000 AFY is reimbursed at approximately 34 percent of the transfer rate. Table 3-3 shows the projected MWD reimbursements as well as the net purchased water costs to the Canal Fund for FY 2024 through FY 2028. The analysis also includes a 3.0% annual escalator for the Metropolitan reimbursement rates.

**Table 3-3
MWD Reimbursements and Net Water Purchase Cost Forecast (millions)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
<u>MWD Reimbursement B1</u>					
AF Applicable	20,000	20,000	20,000	20,000	20,000
Unit Reimbursement Rate (\$/AF)	(\$159.77)	(\$164.56)	(\$169.50)	(\$174.58)	(\$179.82)
MWD B1 Reimbursement (millions)	(\$3.20)	(\$3.29)	(\$3.39)	(\$3.49)	(\$3.60)
<u>MWD Reimbursement B2</u>					
AF Applicable	23,000	28,000	30,000	30,000	30,000
Unit Reimbursement Rate (\$/AF)	(\$90.54)	(\$93.26)	(\$96.05)	(\$98.94)	(\$101.90)
MWD B2 Reimbursement (millions)	(\$2.08)	(\$2.61)	(\$2.88)	(\$2.97)	(\$3.06)
Total MWD Reimbursements	(\$5.28)	(\$5.90)	(\$6.27)	(\$6.46)	(\$6.65)
Total Colorado River Water Purchase Costs	\$16.78	\$18.65	\$20.62	\$21.24	\$21.88
Net Water Purchase Costs	\$11.50	\$12.75	\$14.35	\$14.78	\$15.23

Other Operating Expenses

The system’s other operating expenses are those costs the District incurs for day-to-day canal operations such as employee salaries and benefits, fuel, chemicals, and power. Other costs in the operating budget include indirect costs from the District’s other cost centers such as administration, human resources, and business technology.

The District’s FY 2024 operating budget served as the basis for forecasting future operating expenses for the Canal Fund. Future years were forecasted using the escalation factors that the District typically includes in its internal budget modelling for the Canal Fund, which NewGen finds to be reasonable and appropriate. The escalation factors are described in Table 3-4. Water purchase costs are calculated directly based on projected purchases, rates, and reimbursements as shown in Table 3-2 and Table 3-3, and therefore overall operating cost increases vary from year to year.

**Table 3-4
O&M Cost Escalation Factors**

	Annual Escalation
Labor (Salaries and Benefits)	4.50%
Supplies and Services	4.50%
Utilities	8.00%

Table 3-5 shows the forecasted operating costs of the Canal Fund for FY 2024 through FY 2028.

**Table 3-5
Canal Fund Operating and Maintenance Expenses Forecast (in millions)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Salaries & Benefits	\$13.54	\$14.35	\$15.04	\$15.81	\$16.49
Supplies & Services	\$12.88	\$13.40	\$13.94	\$14.49	\$15.07
Utilities	\$1.41	\$1.52	\$1.65	\$1.78	\$1.92
Water Purchases	\$11.50	\$12.75	\$14.35	\$14.78	\$15.23
Capital Outlay	\$0.05	\$0.05	\$0.06	\$0.06	\$0.06
Total O&M Expenses	\$39.39	\$42.07	\$45.03	\$46.92	\$48.77
<i>% Change</i>		6.8%	7.0%	4.2%	3.9%

Existing Debt Obligations

As of the FY 2024 budget, the District’s Canal Fund has no existing debt obligations that are currently payable. The District has obligations to USBR for lateral repairs and the mid-canal reservoir project, but the debt service does not begin until later years, as discussed later in this report.

Capital Improvement Plan

The District continually identifies necessary capital projects and develops prioritization and scheduling to implement those projects. For the study, the District provided to NewGen a five-year CIP with approximately \$65.1 million in identified projects for FY 2024 through FY 2028, along with \$4.2 million in general district projects for which the Canal Fund will bear its proportion and \$2.3 million in motor pool capital purchases, also allocated to the Canal Fund in part.

Table 3-6 summarizes the projects included in the District’s current Canal Fund CIP.

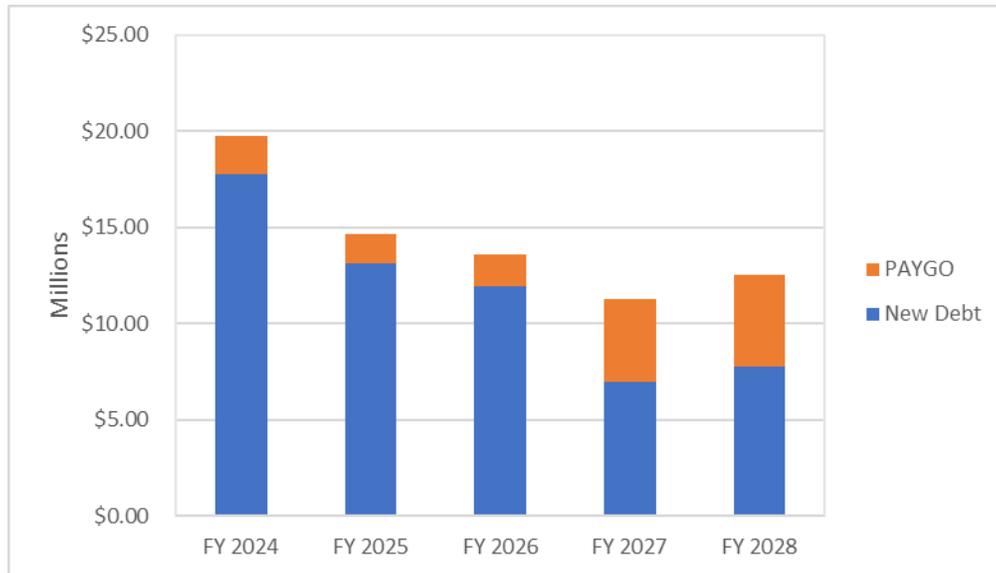
**Table 3-6
Canal Fund Capital Improvement Plan Summary (in millions)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Canal Projects	\$7.53	\$-	\$-	\$-	\$-
Drainage Projects	\$-	\$-	\$0.05	\$2.98	\$3.82
Irrigation Laterals	\$10.86	\$13.13	\$11.92	\$6.96	\$7.80
Total Canal Fund Projects	\$18.39	\$13.13	\$11.97	\$9.94	\$11.62
General District Projects	\$1.24	\$0.94	\$1.01	\$0.71	\$0.30
Motor Pool Contribution	\$0.08	\$0.56	\$0.57	\$0.56	\$0.56
Total Capital Improvement Projects	\$19.71	\$14.63	\$13.55	\$11.21	\$12.48

Section 3

A majority of the District’s planned CIP projects will be funded by the issuance of new debt. Of the \$71.58 million in planned spending (i.e., the sum of the figures in the bottom line of Table 3-6), 80.5%, or \$57.6 million will be paid for with proceeds from new debt. Figure 3-1 shows the District’s planned annual CIP spending included in this study.

Figure 3-1 – Four-Year Capital Plan Summary by Funding Source



New Debt Service Projections

The following table shows the new debt service payments included in the study forecast. The District secured two loans from USBR to fund irrigation lateral repairs and the mid-canal reservoir project. Debt service is calculated on anticipated draws based on expected project timing and is assumed to be paid over a 30-year term at 1.8% interest.

**Table 3-7
New Canal Fund Debt Service Payments (in millions)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
New Debt Service	\$-	\$0.56	\$0.95	\$1.45	\$1.85

Miscellaneous Non-Rate Revenues

The District accounts for certain Canal Water Fund revenues in addition to the various rates and surcharges charged to canal customers. To determine the annual revenue needs of the canal system, these non-rate revenues are accounted for in the revenue requirement. There are six non-rate revenues that the District chooses to use to offset Canal Fund costs, and they are as follows:

Canal Water System Revenue Requirements

- Property taxes are the largest source of non-rate and surcharge revenues for the Canal fund. Property taxes are projected at approximately \$13.8 million for FY 2024 and are expected to increase to \$15.5 million by FY 2028.
- Annual investment income is expected to increase slightly over the projected period.
- Intergovernmental Revenues from year to year, beginning around \$6.5 million in FY 2024 and ultimately decreasing to less than \$4.0 million in FY 2028.
- One-time curtailment revenues are due to CVWD’s voluntary, compensated curtailment efforts to keep water in Lake Mead. CVWD is being paid \$400 per AF from USBR for up to 35,000 AF per calendar year for FY 2025 through FY 2028.
- The District’s Irrigation Water Availability Assessment (IWAA) is used to recover costs associated with maintaining the Canal system from users with low or no usage or those without Canal service but who can connect to the system. NewGen saw no need to recalculate the IWAA as a part of this study or to recommend that the IWAA not continue in its current form, generating about \$2.0 million per year in net revenues.
- Capital Project Reimbursements are capital projects funded by other parties, which are paid to CVWD at project completion.

The following Table 3-8 shows the revenues that are credited to the Canal Fund but are not dependent on the rates charged to the systems users.

**Table 3-8
Non-Rate Revenues (in millions)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Allocated Property Tax Revenue	\$12.40	\$14.41	\$14.85	\$15.29	\$15.74
Investment Income	\$1.28	\$1.14	\$1.36	\$1.42	\$1.29
Intergovernmental Revenues	\$6.52	\$4.62	\$4.16	\$3.93	\$3.97
Use of Curtailment Revenues	\$0.00	\$3.83	\$5.25	\$7.66	\$9.44
IWAA	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Capital Project Reimbursement	\$0.04	\$0.04	\$0.04	\$0.04	\$0.04
Total Non-Rate Revenues	\$22.23	\$26.04	\$27.64	\$30.33	\$32.48

To be clear, Table 3-8 reflects only the use of curtailment revenues in each year to offset Canal revenue requirements. The District will be receiving curtailment revenues in excess of what is needed to maintain stable rates in the years of the forecast period and will therefore be able to retain those funds in reserve for future years, as shown in Table 3-9.

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**Table 3-9
Curtailment Revenue Flow of Funds**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Beginning Curtailment Offsets Available	\$7.00	\$21.00	\$31.15	\$32.87	\$25.19
Curtailment Payment	\$14.00	\$14.00	\$7.00	\$-	\$-
Curtailment Offsets Available	\$21.00	\$35.00	\$38.15	\$32.87	\$25.19
Use of Curtailment Offset to Offset Canal	\$-	\$3.85	\$5.27	\$7.69	\$9.47
Remainder Allocated to Fund Balance	\$21.00	\$31.15	\$32.87	\$25.19	\$15.72

It is forecasted that after using \$26.2 million to offset Canal Fund revenue requirements over the forecast period, approximately \$15.8 million in curtailment payments will still be available for use in future years beyond the forecast period.

Revenue Requirement Projection

Based on the operating, debt service, and capital expense data and the methodologies and assumptions detailed above, NewGen developed a net revenue requirement forecast for the District’s Canal Water system, shown in Table 3-10. Because of the significant subsidies by non-rate revenues detailed in Tables 3-8 and 3-9, these rates are well below service cost for all Canal customers.

**Table 3-10
Canal Fund Net Revenue Requirement Forecast (in millions)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Operating Expenses	\$39.39	\$42.07	\$45.03	\$46.92	\$48.77
Existing Debt Service	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
New Debt Service	\$0.00	\$0.56	\$0.95	\$1.45	\$1.85
PAYGO Capital Projects (1)	\$1.92	\$1.50	\$1.63	\$4.25	\$4.68
Total Revenue Requirements	\$41.31	\$44.13	\$47.61	\$52.62	\$55.30
Less:					
Capital Project Reimbursement	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.04)	(\$0.04)
Other Non-Rate Revenues	(\$22.20)	(\$26.00)	(\$27.61)	(\$30.30)	(\$32.45)
Net Revenue Requirement	\$19.08	\$18.09	\$19.97	\$22.29	\$22.82

(1) Summary of CIP projects in Appendix.

The net revenue requirement is the basis upon which this report calculates all rates and fees for the District’s Canal rates and surcharges. Although the net revenue requirement varies from year to year, the financial plan developed during the study takes a long-term perspective to maintain stable rates and sufficient reserves. It does not reduce existing rates to reflect one-time curtailment revenues for the reasons noted above.

Section 4

CUSTOMERS AND CONSUMPTION

This section details the various Canal rates and surcharges levied by the District on Canal customers and the forecasted demand for Canal water services.

Irrigation Water Commodity Charge

The Irrigation Water Commodity Charge (IWCC) is a consumptive charge per acre-foot (AF) charged to all retail customers who utilize the Canal system. The IWCC recovers the cost of providing basic service to each customer including operation and maintenance of the Canal system, capital investment and replacement, customer service, and the cost of administering and managing the Canal system. The current IWCC is \$34.32 per AF.

Water Supply Surcharge

The Water Supply Surcharge (WSSC) is a consumptive charge per AF charged to all retail customers who utilize the Canal system for non-agricultural activities. The WSSC recovers the cost of purchasing Colorado River Water via the Imperial Irrigation District (IID) based on transfer agreements that the District has established in accordance with the Quantification Settlement Agreement (QSA). The current WSSC is \$67.80 per AF. As noted above, NewGen's shares NBS's professional opinion that is appropriate to assign QSA supplies to the Class 2 customers whose rapidly growing water demand made those expensive marginal supplies necessary.

Gate Charges

Gate Charges recovers costs incurred for the District's zanjeros to open, set, and monitor irrigation gates that allow Canal water to flow to irrigated properties. Scheduled gate visits are those that occur in line with a zanjero's normal route. Unscheduled gate visits occur when customers call to turn on, turn off, or adjust their irrigation gate outside of normally scheduled gate visits. The current charge for scheduled gate visits is \$23.53 per occurrence and the current charge for unscheduled gate visits is \$47.07 per occurrence.

Quagga Surcharge

The Quagga surcharge is a consumptive charge per AF that is charged to all users of Canal water. The charge is intended to recover the costs of the District's quagga mussel mitigation activities. The current Quagga surcharge is \$3.63 per AF.

Outside Improvement District 1 Surcharge

Most of the District's Canal Class 1 water customers are located within Improvement District 1 (ID1) and are thus pay ID1 property taxes which help to support the Canal program. The Outside ID1 Surcharge is

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used to collect a proportional amount of revenue from Canal users that are located outside of ID1 and thus not subject to ID 1 property taxes. The current Outside ID1 surcharge is a monthly charge of \$4.17 per acre.

Construction Water Commodity Charge

The Construction Water Commodity Charge (CWCC) is a consumptive charge, per AF, charged to customers who use Canal water via temporary connections on construction sites. Along with the costs recovered by the IWCC, the CWCC recovers costs specific to the construction service program which include meter installation, reading, and removal, meter maintenance, and meter purchases. The current CWCC is \$51.33 per AF.

Other Contract Rates

In addition to the retail rates and surcharges discussed above, the District serves Canal water to certain users under contractual agreements that set specific rates. In general, contract rates were established to promote the use of Canal water in lieu of groundwater pumping to help preserve the District's groundwater basins. Those contracts are legally binding on the District and its cost to satisfy them is a cost of service that can be recovered from rates charged to others.

The Oasis project aims to connect customers who previously pumped groundwater from the East Whitewater Replenishment Area to the Canal system to relieve pressure on the basin. Oasis customers are under contract to use canal water in lieu of pumping and will pay a contract rate that includes the IWCC, the Quagga Surcharge, and an Oasis Surcharge that is set by the contract based on the expected Oasis operating and capital costs. Oasis customers located outside of ID1 will also be subject to the Outside ID1 Surcharge. Debt service associated with the construction of the Oasis project will be held within the East Whitewater Replenishment fund and a portion of the discretionary property taxes previously allocated to the Canal Fund has been reallocated to the East Whitewater Replenishment Fund to pay the associated annual debt service.

The Oasis Surcharge was developed by District staff based on the estimated operating and capital costs for the Oasis system and the expected Oasis usage. The costs of providing service to Oasis customers will include staff costs for operations and maintenance, utilities, maintenance materials, and administration, along with the ongoing replacement cost of pumps and valves. In order to provide rate stability to the Oasis customers, the Oasis Surcharge of \$59.26 was determined by a District analysis that divided the average cost of \$1.6 million per year by the average usage of 27,000 AFY.

This analysis does not address the specific rate structures set for those customers as they have been previously established by the contractual agreements. However, the revenue associated with contract sales are incorporated into the financial projections as they offset costs that would otherwise need to be recovered through the other rates.

Customer Applicability

The District categorizes Canal customers based on how they use canal water, and each type of customer pays specific rates. Table 4-1 shows the rate components paid by each type of Canal customer as well as the total volumetric rate per AF.

**Table 4-1
Customer Class Rate Applicability**

Customer Type	Description	Rate Components	Current Total Rate
Class 1	All Canal water customers using the Colorado River for commercial agricultural irrigation	IWCC + Quagga Surcharge (plus Gate Charges)	\$34.32/AF + \$3.63/AF = \$37.95 per AF
Class 2	All other Canal customers using the River supply for water production, landscape irrigation, etc.	IWCC + WSSC + Quagga Surcharge (plus Gate Charges)	\$34.32/AF + \$67.80/AF + \$3.63/AF = \$105.75 per AF
Construction	A service for construction site purposes	IWCC + Construction Surcharge + WSSC + Quagga Surcharge (plus Gate Charges)	\$34.32/AF + \$17.01/AF + \$67.80/AF + \$3.63/AF = \$122.76 per AF
Oasis	Contract rate for customers to be served by the Oasis project	IWCC + Oasis Surcharge + Quagga Surcharge	\$34.32/AF + \$59.26/AF + \$3.63/AF = \$97.21 per AF

Canal Water System Consumption Forecast

The District estimates that it will supply about 290,500 acre feet of canal water to customers in FY 2024, with the amount increasing each year thereafter. Table 4-2 shows the estimated canal water consumption by customer class over the forecast period.

**Table 4-2
Canal Water Sales Estimates (in Acre Feet)**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Class 1	240,000	240,000	240,000	240,000	240,000
Class 2	50,000	50,000	67,500	85,000	85,000
Construction	500	500	500	500	500
Oasis	10,000	16,500	21,000	23,500	23,500
Total Acre Feet	290,500	290,500	308,000	325,500	325,500
% Change		0.0%	6.0%	5.7%	0.0%

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Projected demands by Class 2 is reduced in the initial years because the District intends to achieve the curtailed use of Colorado River supplies in this class. In addition to the Acre Feet of canal water sold, the following table shows the study's forecasted number of gate visits and acres subject to the Outside ID 1 surcharge.

**Table 4-3
Gate Visits and Outside ID 1 Acres Forecast**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
<u>Gate Visits</u>					
Scheduled	48,000	48,000	48,000	48,000	48,000
Unscheduled	5,300	5,300	5,300	5,300	5,300
Canal Service Acres Outside ID 1	3,042	3,042	3,042	3,042	3,042

The projection for Outside ID 1 revenue did not consider any potential increase from additional customers from the Oasis water sales that will start in FY 2024. This is because it is unclear how many of the new Oasis customers will be outside ID 1, or what their acreage will be as the basis for applying the rate. Based on the relative amount of revenue generated from this surcharge, any deviation from this forecast will not alter the overall recommendations of this study.

The tables above serve as the basis for the rate calculations in the following sections. Any changes in the demand for the various Canal services will materially change the rates necessary to meet forecasted costs.

Section 5

COST OF SERVICE ANALYSIS

California Constitution - Article XIII C and Article D, Section 6 (Propositions 218 & 26)

Proposition 218, the applicable portion of which is set out in the California Constitution as Article XIII D, was enacted in 1996 to ensure that public agency utility service rates, fees, and charges are reasonable and proportional to the cost of providing the applicable services. The principal requirements for application of such rates, fees, and charges, as they relate to public water service, are as follows:

1. A property-related rate/fee/charge imposed by a public agency on a parcel shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the rate/fee/charge shall not be used for any purpose other than that for which it was imposed.
3. The amount of the rate/fee/charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. Services must be immediately available to rate payors; standby charges (i.e., the IWAA) must be approved as or granted legacy status as assessments.
5. Rate proceeds may not fund general government services, like police and fire services.

2010's Proposition 26 adopted similar, but less demanding, requirements for government service charges not subject to Proposition 218, like the groundwater augmentation charges at issue in *City of San Buenaventura v. United Water Conservation District* (2017) 3 Cal.5th 1191. Such a charge must be "for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product." (California Constitution, article XIII C, section 1(e).) In addition, the ratemaking agency "bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity." (California Constitution, article XIII C, section 1(e) (final paragraph).) Although the District takes the position that its Canal charges are subject to Proposition 26 and, therefore, not Proposition 218, it complies with both measures in the interest of a transparent relationship with those it serves.

The American Water Works Association's (AWWA) M1 Manual, Principles of Water Rates, Fees, and Charges, 7th edition (M1 Manual) states that water rates and charges should be recovered from types of customers in proportion to the cost of serving those customers. Propositions 218 and 26 require that water rates/fees/charges must be "reasonable, meaning that the rate-setting methodology must be sound and that there must be a nexus between the costs and the rates charged. NewGen's cost of service process follows industry-standard rate-setting methodologies set forth by the M1 Manual, adhering to

Proposition 218 requirements by developing rates that do not exceed the proportionate cost of providing the corresponding services. And, as Proposition 218 requires more of a rate maker than Proposition 26, compliance with the earlier measure is also compliance with the later one.

Cost of Service Process

NewGen's approach distributes the annual cost of providing Canal water service among the District's customer types commensurate with their service characteristics. The cost-of-service analysis involves the following tasks:

1. **Categorize** costs. Costs are grouped into appropriate categories of system cost. These categories include Salaries & Benefits, Supplies & Services, Utilities, Water Purchases, and Capital Outlay.
2. **Allocate** grouped costs to cost causative components of the District's service. Cost causation components of Canal water service include Gate Visits, Customer, Base, and Supply costs.
3. **Distribute** costs allocated to cost causation components, using unit costs, to customer types in proportion to their use of the system, based on service characteristics, both fixed (e.g., customer billing) and variable (e.g., water demand).

In this manner, NewGen's study develops rates that reflect the proportional demand on the District's system by classes of customers.

To accommodate the unique nature of the District's Canal Fund, the cost of service allocation conducted in this model is rooted in the Base-Extra Capacity method as defined by the AWWA M-1 Manual, which reflects industry standards and have been reviewed in many California appellate decisions involving water rates. This method is traditionally used to allocate costs based on the demands different customers place on a system. This study, however, applies the concept to the Canal system which is structured slightly differently from most water distributors. Therefore, remaining consistent with prior studies done for the Canal system, NewGen is conducting the allocation based on processes specific to the Canal Fund – Gate Visit Costs, Supply Costs, Customer Costs, and Base Demand Costs. A domestic water retailer would make rates using different, more elaborate cost causative components.

1. **Gate Visit Costs** – Includes all costs associated with performing gate visits, such as labor and administrative costs.
2. **Supply Costs** – Includes all water purchase costs.
3. **Customer Costs** – Includes costs incurred by serving the customer. Examples would include billing and communication costs.
4. **Base Demand Costs** – This category represents the costs of transporting water through the Canal system, regardless of the source of the water. Therefore, these costs apply to all Canal water customers.

Test Year Revenue Requirement

The District's forecasted FY 2025 Test Year net revenue requirement is the basis for the cost-of-service rate calculations detailed in this section. The total Test Year revenue requirement in FY 2025 is about \$44.13 million including operating and capital costs. However, not all these costs are included in the cost categorization. Debt Service and PAYGO are not categorized as they are allocated entirely to Base Demand Costs. Also note that this total does not include costs related to operating and maintenance costs for the District's quagga mussel mitigation activities, which are tracked independently and used to calculate the

Quagga surcharge. Quagga costs are all considered Base costs because they are operational in nature and benefit all Canal customers. If Quagga mussels were allowed to choke the Canals, then no one would get canal water. Table 5-1 shows which expenses are included in the cost categorization.

**Table 5-1
Net Revenue Requirement Forecast**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Total Revenue Requirement	\$41.31	\$44.13	\$47.61	\$52.62	\$55.30
Less: Existing Debt Service	\$-	\$-	\$-	\$-	\$-
Less: New Debt Service	\$-	(\$0.56)	(\$0.95)	(\$1.45)	(\$1.85)
Less: PAYGO Capital Projects	(\$1.92)	(\$1.50)	(\$1.63)	(\$4.25)	(\$4.68)
Net Revenue Requirement	\$39.39	\$42.07	\$45.03	\$46.92	\$48.77
Add: Capitalized Labor	\$0.59	\$0.42	\$0.39	\$0.32	\$0.37
Expenses Inclusive of Capitalized Labor	\$39.98	\$42.49	\$45.42	\$47.24	\$49.13

For cost allocation purposes, it is appropriate to include labor costs even if those costs will be capitalized (i.e., included within the cost of capital improvements). Therefore, the basis for the cost of service allocations is the Net Revenue Requirement plus capitalized labor.

Cost Categorization

NewGen reviewed the cost categorization methodology from the District’s previous Canal Water rate study and determined that it was reasonable and therefore employs it here. Further, based on discussions with CVWD staff, NewGen concluded that the Canal system’s operation is not fundamentally different from the time of the previous study, i.e., 2021. Therefore, NewGen allocated FY 2025 Test Year forecasted operating expenses into each of the above cost categories based on the methodology of the previous study. The results of this grouping are shown in Table 5-2.

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**Table 5-2
FY 2025 Test Year Revenue Requirement by Cost Category**

Cost Category	Salaries & Benefits	Supplies & Services	Utilities	Water Purchases	Capital Outlay	Total
Administration	\$0.96	\$2.74	\$0.01	\$12.75	\$0.03	\$16.48
Human Resources	\$0.23	\$0.69	\$-	\$-	\$-	\$0.93
Communications	\$0.47	\$0.16	\$-	\$-	\$-	\$0.63
Business Technology	\$0.69	\$1.07	\$0.02	\$-	\$-	\$1.78
Finance	\$0.83	\$0.63	\$-	\$-	\$-	\$1.47
Engineering	\$1.71	\$0.31	\$0.01	\$-	\$-	\$2.03
Environmental Services	\$0.33	\$1.55	\$-	\$-	\$-	\$1.88
Distribution System	\$3.01	\$3.97	\$1.11	\$-	\$-	\$8.08
Electrical/Electronics	\$1.01	\$0.41	\$0.02	\$-	\$-	\$1.44
Drainage	\$0.48	\$0.49	\$-	\$-	\$-	\$0.97
Other F & M	\$0.64	\$0.74	\$0.29	\$-	\$0.02	\$1.69
Zanjeros - Admin	\$0.87	\$0.04	\$0.07	\$-	\$-	\$0.98
Zanjeros	\$2.18	\$0.39	\$-	\$-	\$-	\$2.57
Service	\$0.52	\$0.20	\$-	\$-	\$0.01	\$0.73
Operations	\$0.84	\$0.01	\$-	\$-	\$-	\$0.84
Total	\$14.77	\$13.40	\$1.52	\$12.75	\$0.05	\$42.49

Cost Allocation

Each budget model grouping will also have a cost allocation, which forms the basis for the allocation to the rate components. These rate components are the foundation of the individual rates, with each component corresponding to individual or multiple rate components. For this analysis, the cost-causative components are:

- Gate Visits
- Customer
- Base Demand
- Supply

The costs are then allocated to the cost-causative components using a series of allocation factors. Like the cost-categorization process, NewGen reviewed the cost-allocation methodology from the District's previous Canal Water rate study and determined that it was reasonable and therefore relies on it here. Table 5-3 shows the allocation factors and what percentage of costs are allocated among the cost-causative components.

**Table 5-3
Allocation Basis**

Allocation Basis	Gate Visits	Customer	Base	Supply	Notes
Zanjeros	56.0%		44.0%		Based on % of Zanjero's time spent on gate visits
Zanjeros Admin	56.0%		44.0%		Based on % of Zanjero's time spent on gate visits
Base			100.0%		Base component only
Customer		100.0%			Customer component only
Supply				100.0%	Applies to water purchase costs
Admin. Supplies and Services		65.6%	34.4%		All American Canal O&M to Base, remaining to Customer

When applied to the line items and revenue requirement components of the Canal Fund's forecasted FY 2025 Test Year costs, the result is the allocation shown in Table 5-4, Table 5-5, and Table 5-6.

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**Table 5-4
FY 2025 Test Year Allocated Total Revenue Requirements**

	Allocation Factor	Gate Visits	Customer	Base	Supply	Total
Administration						
Salaries & Benefits	Customer	\$-	\$0.96	\$-	\$-	\$0.96
Supplies & Services	Admin	\$-	\$1.79	\$0.94	\$-	\$2.74
Utilities	Customer	\$-	\$0.01	\$-	\$-	\$0.01
Water Purchases	Supply	\$-	\$-	\$-	\$12.75	\$12.75
Capital Outlay	Customer	\$-	\$0.03	\$-	\$-	\$0.03
Human Resources - All Expenses	Base	\$-	\$-	\$0.93	\$-	\$0.93
Communications - All Expenses	Customer	\$-	\$0.63	\$-	\$-	\$0.63
Business Technology - All Expenses	Base	\$-	\$-	\$1.78	\$-	\$1.78
Finance - All Expenses	Base	\$-	\$-	\$1.47	\$-	\$1.47
Engineering - All Expenses	Base	\$-	\$-	\$2.03	\$-	\$2.03
Environmental Services - All Expenses	Base	\$-	\$-	\$1.88	\$-	\$1.88
Facilities and Maintenance - Distribution System	Base	\$-	\$-	\$8.08	\$-	\$8.08
Facilities and Maintenance - Electrical/Electronics	Base	\$-	\$-	\$1.44	\$-	\$1.44
Facilities and Maintenance - Drainage	Base	\$-	\$-	\$0.97	\$-	\$0.97
Facilities and Maintenance - Others	Base	\$-	\$-	\$1.69	\$-	\$1.69
Zanjeros - Admin - All Expenses	Zanjeros Admin	\$0.55	\$-	\$0.43	\$-	\$0.98
Zanjeros - All Expenses	Zanjeros	\$1.44	\$-	\$1.13	\$-	\$2.57
Service - All Expenses	Customer	\$-	\$0.73	\$-	\$-	\$0.73
Operations - All Expenses	Base	\$-	\$-	\$0.84	\$-	\$0.84
Total Operating Expenses		\$1.99	\$4.15	\$23.61	\$12.75	\$42.49
Debt	Base	\$-	\$-	\$0.56	\$-	\$0.56
CIP Projects (Inc. Motor Pool and General District)	Base	\$-	\$-	\$1.50	\$-	\$1.50
Total Revenue Requirements		\$1.99	\$4.15	\$25.67	\$12.75	\$44.55

The rate revenue offsets shown in Table 5-5 are all allocated to offset the Base cost component.

**Table 5-5
FY 2025 Test Year Allocated Rate Revenue Offsets**

	Gate Visits	Customer	Base	Supply	Total
Contributions in Aid of Construction	\$-	\$-	\$0.09	\$-	\$0.09
Oasis Surcharge	\$-	\$-	\$0.88	\$-	\$0.88
Quagga Surcharge	\$-	\$-	\$2.21	\$-	\$2.21
Total Revenue Offsets	\$-	\$-	\$3.19	\$-	\$3.19

The following non-rate revenues are allocated as offsets to revenue requirements as shown in Table 5-6.

For the purposes of allocating non-rate revenues, all revenues except Investment Income and Intergovernmental Revenues are allocated to Base costs. Investment Income and Intergovernmental Revenues are allocated proportionally to Customer and Base according to the cost allocation between those categories.

Property Taxes, Outside ID1 Surcharges, and Curtailment revenues are discretionary non-rate revenues and are therefore allocated to cost categories based on the policy discretion of CVWD’s Board. The primary goal of allocating each of these revenues is rate stability, avoiding rate shock and allowing both the District and its customers predictability to allow financial planning. These revenues are allocated on whatever basis each year maintains the most stable rate forecast. The table below shows the FY 2025 allocation that allows CVWD to maintain both the IWCC and WSCC at no increase from FY 2024 rates.

**Table 5-6
FY 2025 Test Year Allocated Non-Rate Revenue Offsets**

	Gate Visits	Customer	Base	Supply	Total
Property Taxes	\$-	\$2.53	\$2.53	\$9.36	\$14.41
Investment Income	\$-	\$0.18	\$0.95	\$-	\$1.14
Intergovernmental Revenues	\$-	\$0.75	\$3.87	\$-	\$4.62
Curtailment Revenues	\$-	\$0.62	\$3.21	\$-	\$3.83
IWAA	\$-	\$-	\$2.00	\$-	\$2.00
Property Taxes	\$-	\$-	\$0.04	\$-	\$0.04
Total Non-Rate Revenues	\$-	\$4.08	\$12.60	\$9.36	\$26.04

When revenue offsets are considered, the resulting net revenue requirement is shown in Table 5-7.

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**Table 5-7
FY 2025 Test Year Allocated Net Revenue Requirement**

	Gate Visits	Customer	Base	Supply	Total
Total Revenue Requirements	\$1.99	\$4.15	\$25.67	\$12.75	\$44.55
Other Revenue Offsets	\$-	\$-	(\$3.19)	\$-	(\$3.19)
Non-Rate Revenue	\$-	(\$4.08)	(\$12.60)	(\$9.36)	(\$26.04)
Total Allocated Revenue Requirement	\$1.99	\$0.07	\$9.88	\$3.39	\$15.33

Table 5-8 shows the forecasted Net Revenue Requirement using the same allocation process described above for all fiscal years. Due to subsidies from non-rate revenues, the Net Revenue Requirement to be funded by rates is well below the reasonable cost of service Proposition 218 allows the District to recover from rates.

**Table 5-8
Forecasted Net Revenue Requirement**

	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Gate Visits	\$1,988,104	\$2,077,734	\$2,171,457	\$2,269,466
Customer	\$79,942	\$90,257	\$1,081,648	\$1,069,126
Base	\$9,872,859	\$10,463,143	\$10,072,353	\$10,084,874
Supply	\$3,390,000	\$4,576,500	\$5,763,000	\$5,763,000
Net Revenue Requirement	\$15,330,905	\$17,207,634	\$19,088,457	\$19,186,466

Section 6 RATE DESIGN AND FINANCIAL PLAN

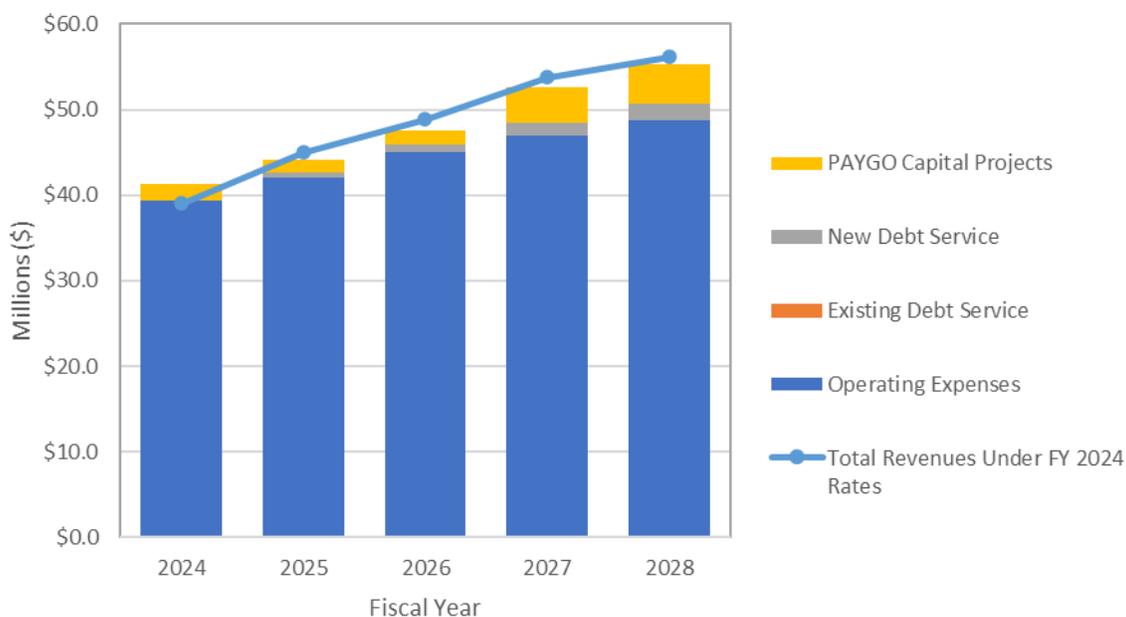
Financial Projections Under Current Rates

NewGen developed cash flow and cash balance projections assuming the revenue requirements detailed in this report and that the District does not change any Canal water rates or fees. This establishes a baseline projection to which the recommended rate alternative can be compared. To project revenues under the current water rates and fees, NewGen forecasted revenue for each rate and fee charged by the District in FY 2024.

Cash Flow and Fund Balance Projections Under FY 2024 Canal Water Rates

The expenses shown in the following charts include the projected operating, existing debt (of which there is currently none), new debt, and cash funded capital projects discussed in this report. The projected revenues assume that the District does not increase any Canal rates and adjusts surcharges in line with increased associated revenue requirement in any fiscal year. The additional increases in revenues are due to an increase in projected sales. The projected revenues and expenses are shown in Figure 6-1.

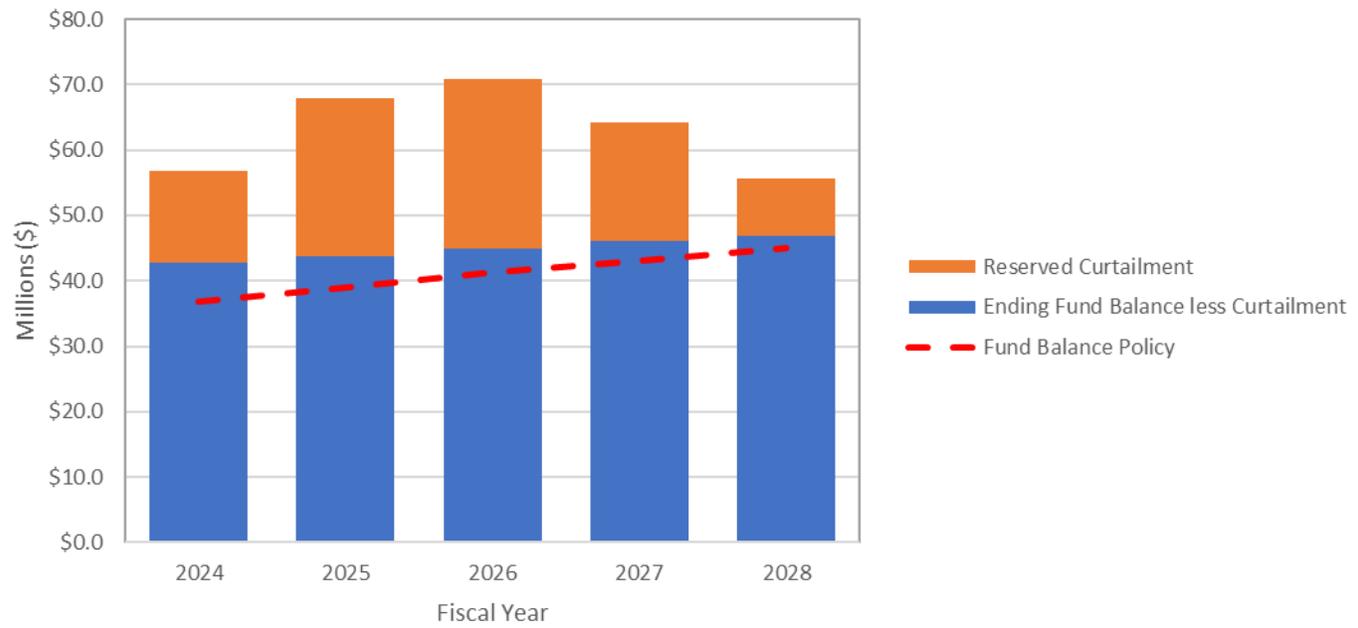
Figure 6-1 –
Canal Water Fund Expenses vs. Revenues Under Current FY 2024 Rates



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Figure 6-2 shows the forecasted Canal Fund (i.e., reserves) balance under the scenario that the District does not change any water rates or fees.

**Figure 6-2 –
Projected Canal Water Fund Balance Under Current FY 2024 Rates**



Although the above chart indicates that Canal rates can remain at FY 2024 levels and the District can maintain a Canal Fund balance above the minimum designated reserve balance policy, Canal rate and surcharge increases may be necessary in years beyond the study period if changes in costs or estimated Canal water demand that are not known at this time cause the need for rate increases within the forecast period.

Recommended Rates

In order to remain consistent with NewGen’s Cost of Service analysis, NewGen recommends the following changes to some of the District’s Canal water rates and surcharges. Some of the District’s Canal rates can remain unchanged based on NewGen’s analysis.

Irrigation Water Consumption Charge

The IWCC recovers the cost of providing a basic level of service to the District’s Canal customers. It is paid by Class 1, Class 2, Construction, and Oasis contract customers. The IWCC recovers system costs that are accounted for in the cost-causative components Customer and Base. These two cost categories apply to all canal users, so it is appropriate to include them in the IWCC. The current IWCC is a volumetric rate per AF charged to each Canal customer based on Canal water usage. In FY 2024, Calculated IWCC is slightly higher than current rates; however, future years are kept constant to the current rate because discretionary revenues are applied to achieve that result.

**Table 6-1
IWCC Calculation**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Customer Revenue Requirement	\$2,716,165	\$2,597,030	\$2,615,018	\$2,644,201	\$2,633,988
Base Revenue Requirement	\$11,979,050	\$12,389,947	\$12,987,905	\$14,760,012	\$14,779,459
Less: Allocated OS ID1 Surcharge	(\$53,248)	(\$59,155)	(\$59,335)	(\$73,444)	(\$71,435)
Less: Allocated Property Taxes	(\$4,287,500)	(\$4,975,022)	(\$4,990,187)	(\$6,176,769)	(\$6,188,012)
Total Revenue Requirement	\$10,354,466	\$9,952,800	\$10,553,400	\$11,154,000	\$11,154,001
Applicable Usage (AF)	290,000	290,000	307,500	325,000	325,000
Calculated IWCC (\$/AF)	\$35.71	\$34.32	\$34.32	\$34.32	\$34.32

Table 6-2 shows the proposed IWCC for FY 2025 through FY 2028.

**Table 6-2
Recommended IWCC Rates**

	Adopted FY 2024 Rate	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Change in Rate		0.0%	0.0%	0.0%	0.0%
Recommended IWCC (\$/AF)	\$34.32	\$34.32	\$34.32	\$34.32	\$34.32

Water Supply Surcharge

The WSSC is a volumetric charge per AF that recovers the cost of purchases of Colorado River water via the IID transfer agreements under the QSA, which are largely outside of the District’s control. To provide rate relief and smoothing, Supply revenue requirements are offset by a share of property taxes and Outside ID1 Surcharge revenues. Similarly, FY 2024 shows a higher calculated WSCC rate and then returns to the previous rate because discretionary revenues are applied to achieve that desired result.

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**Table 6-3
WSSC Revenue Requirements and Offsets**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Supply Surcharge Revenue Requirement	\$11,498,580	\$12,748,701	\$14,351,643	\$14,782,192	\$15,225,658
Less: Allocated OS ID1 Surcharge	(\$98,890)	(\$109,971)	(\$114,864)	(\$105,981)	(\$107,991)
Less: Allocated Property Taxes	(\$7,962,500)	(\$9,248,731)	(\$9,660,279)	(\$8,913,211)	(\$9,354,667)
Total WSSC Revenue Requirement	\$3,437,190	\$3,390,000	\$4,576,500	\$5,763,000	\$5,763,000
Applicable Usage (AF)	\$50,000	\$50,000	\$67,500	\$85,000	\$85,000
Revenue Collected Through Supply	\$68.74	\$67.80	\$67.80	\$67.80	\$67.80

Table 6-4 shows the proposed WSSC rates for FY 2025 through FY 2028.

**Table 6-4
Recommended WSSC Rates**

	Adopted FY 2024 Rate	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Increase		0.0%	0.0%	0.0%	0.0%
Recommended WSSC (\$/AF)	\$67.80	\$67.80	\$67.80	\$67.80	\$67.80

Gate Charges

Gate Charges are assessed to users based on the number of visits that each user requires, with a specific charge for scheduled and unscheduled visits. The previous cost of service analysis found that the current gate charges were not sufficient to recover the full cost of the District's gate visits. The proposed rates were designed in 2021 to phase-in an increase of the Gate Visit charges to full cost recovery beginning FY 2024. The District concludes that allowing customers to feel the full force of these costs will discourage waste.

Table 6-5 shows the determination of the Gate Charges rate revenue requirements (the amount of revenue to be collected via the Gate Charges) for FY 2024 through FY 2026. Beginning in FY 2024, the costs of performing gate visits will be fully supported by Gate Charge revenues and offsetting revenues will no longer be made available. After FY 2024, the proposed Gate Charges are increased commensurately to projected gate reading costs to maintain full cost recovery.

**Table 6-5
Gate Charges Revenue Requirements and Offsets**

	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Gate Visits Revenue Requirement	\$1,988,104	\$2,077,734	\$2,171,457	\$2,269,466
Less: Allocated Taxes and Surcharges	\$-	\$-	\$-	\$-
Revenue Generated by Gate Charges	\$1,988,104	\$2,077,734	\$2,171,457	\$2,269,466

Gate Charges are determined based on the rate revenue requirements from Table 6-5 and the expected number of scheduled and unscheduled gate visits shown in Table 6-6. The calculation of Gate Charges for FY 2025 through FY 2028 is shown in Table 6-7.

The Gate Charges are calculated using the following calculation steps:

1. The number of equivalent visits is determined by multiplying the number of scheduled or unscheduled gate visits, respectively, by a weighting factor, then summing the products of those multiplications. The weighting factors for scheduled and unscheduled visits are 1.0 and 2.0, respectively. These factors reflect that an unscheduled visit typically requires approximately twice the time to complete as a scheduled visit since District personnel need to visit customers outside of their normal route or working hours and reach a perhaps remote site by an inefficient route.
 - For example, in FY 2024 the District projects 48,000 scheduled and 5,300 unscheduled gate visits. The number of equivalent visits is equal to $48,000 \times 1.0 + 5,300 \times 2.0 = 58,600$.
2. The gate-charges rate-revenue requirements are then divided by the number of equivalent visits to determine the charge per equivalent visit (shown in Table 6-5).
3. Gate Charges for scheduled and unscheduled visits are calculated by multiplying the charge per equivalent visit by their respective weighting factor.

These estimates assume current gate visit demand remains flat through the study period. If the end of subsidies of this service cause gate visits to fall, as the District hopes, revenue will fall, too, and these tables will overstate revenues and cost recovery. The District will apply reserves and discretionary revenues to cover any shortfall – which it deems appropriate to achieve its goal of more efficient use of its staff’s time.

**Table 6-6
Estimated Gate Visits**

	Weighting	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Scheduled Gate Visits	1.0	48,000	48,000	48,000	48,000	48,000
Unscheduled Gate Visits	2.0	5,300	5,300	5,300	5,300	5,300
Equivalent (Weighted) Gate Visits		58,600	58,600	58,600	58,600	58,600

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Table 6-7 shows the recommended cost-based Gate Charges.

**Table 6-7
Recommended Gate Charges**

	Adopted FY 2024 Rate	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Gate Visits Revenue Requirement		\$1,988,104	\$2,077,734	\$2,171,457	\$2,269,466
Equivalent (Weighted) Gate Visits		58,600	58,600	58,600	58,600
Charge per Equivalent Gate Visit		\$33.93	\$35.46	\$37.06	\$38.73
Recommended Gate Visit Charge					
Scheduled Gate Visits	\$23.53	\$33.93	\$35.46	\$37.06	\$38.73
Unscheduled Gate Visits	\$47.07	\$67.85	\$70.91	\$74.11	\$77.46

Quagga Surcharge

The District tracks operating and maintenance costs for its quagga mussel mitigation activities which primarily include staff and chemical expenses. Within the District’s budget and subsequently the cost-of-service analysis, the quagga-related costs are included in the functional groups that are allocated to the Base component. The separation of the Quagga Surcharge is meant to provide greater transparency in the District’s Costs and rates.

Because the Quagga Surcharge is collected in a manner identical to the IWCC, the use of non-rate revenues offsets during the phase-in period is not necessary to maintain cost of service-based rates. Beginning in 2024, the proposed Quagga Surcharge is calculated to collect the projected quagga mitigation cost. The Quagga Surcharge is calculated by dividing the projected quagga mitigation costs by the total Class 1, Class 2, and Construction sales, inclusive of Type C contract sales. For the purposes of forecasting a smooth and predictable Quagga Surcharge, applicable AF of demand has been averaged over the projection period. This calculation is shown for FY 2024 though FY 2028 in Table 6-8.

**Table 6-8
Recommended Quagga Surcharges**

	Adopted FY 2024 Rate	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Quagga Operating and Maintenance Costs		\$2,384,166	\$2,479,533	\$2,578,714	\$2,681,863
Class 1 and 2, Type C, Construction Usage (AF)		312,375	312,375	312,375	312,375
Recommended Quagga Surcharge	\$3.63	\$7.63	\$7.94	\$8.26	\$8.59

Construction Water Commodity Charge

The District’s construction meter program is in place to provide a means for construction sites to connect to the canal via temporary connection and use water for construction related activities such as dust suppression. The costs associated with providing construction water service are tracked separately but are all within the functional groups that are allocated to the Base component. Over the past several years, the District has averaged 3 temporary construction meters and budgeted annual sales of approximately 500 AF.

The District provided NewGen an estimate of the annual costs related to providing construction meter service which include capital equipment cost to purchase meters, staff costs for annual meter maintenance, and staff costs to install, read, and remove meters. The total costs of construction service activities for FY 2025 is estimated to be \$2,418 and is projected to increase to \$2,662 by FY 2028 based on cost escalation. There are four cost components to the Construction Surcharge:

- Annualized Meter Cost: Three meters, \$1,500 per meter with a 10-year useful life (\$450 per year)
- Annualized Meter Maintenance: Three meters, 26 - 30 hours of labor per year per meter (\$1,283 per year)
- Annual Installation and Removal: Three meters, once per year per meter (\$782 per year)
- Weekly Meter Reading: Two hours of Zanjero labor per week (\$4,765 per year)

Table 6-9 summarizes the calculation of the Construction Water Commodity Charge.

**Table 6-9
Recommended Construction Water Commodity Charge**

	Adopted FY 2024	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Annualized Construction Program Costs					
Annualized Meter Cost (\$/yr.)		\$450	\$468	\$487	\$506
Annual Meter Maintenance (\$/yr.)		\$1,283	\$1,334	\$1,388	\$1,443
Installation and Removal (\$/yr.)		\$782	\$782	\$782	\$782
Weekly Meter Reading (\$/yr.)		\$4,765	\$4,956	\$5,154	\$5,360
Total Construction Meter Program (\$/yr.)		\$7,280	\$7,540	\$7,811	\$8,092
Total Applicable Sales (AF) ⁶		400	400	400	400
Construction Surcharge (\$/AF)	\$17.01	\$18.20	\$18.85	\$19.53	\$20.23

The Construction Water Commodity Charge is set to recover the costs specific to construction users as well as the basic service costs that are collected through the IWCC. Thus, the Construction Water

⁶ NewGen used a slightly lower than budgeted level of Construction water sales to calculate a cost based CWCC because of the highly variable and unreliable nature of Construction water sales.

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Commodity Charge is calculated by determining an incremental unit cost for construction service and adding it to the proposed IWCC.

Outside ID1 Surcharge

As noted previously, the District’s canal water customers that are located within ID1 are subject to ID1 property taxes which help to support the Canal program. The Outside ID1 Surcharge is used to collect a proportional amount of revenue from Canal users located outside of ID1 and thus not subject the ID1 property taxes.

The Outside ID1 surcharge is calculated by dividing the projected amount of ID1 property tax revenues by the total number of acres that receive canal service that are within ID1. Based on the analysis, the Outside ID1 surcharge needs to be increased in order to maintain proportionality between those users inside and outside of ID1. Beginning in FY 2025, the proposed surcharges will increase by approximately 25.3% and 3.0% per year each year after to keep pace with expected property tax collections.

Table 6-10 shows the calculation of the proposed Outside ID1 Surcharge for FY 2025 through FY 2028.

**Table 6-10
Recommended Outside ID1 Surcharge**

	Adopted FY 2024 Rate	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Applicable ID1 Property Taxes		\$3,347,761	\$3,448,194	\$3,551,640	\$3,658,189
Total Acres with Canal Service		63,250	63,250	63,250	63,250
Canal Service Acres Outside ID1		3,042	3,042	3,042	3,042
ID1 Acres with Canal Service		60,208	60,208	60,208	60,208
ID1 Tax Revenues per Acre		\$55.60	\$57.27	\$58.99	\$60.76
Outside ID1 Surcharge (\$/Acre, Monthly)	\$4.17	\$4.63	\$4.77	\$4.92	\$5.06

Table 6-11 shows a summary of the study’s recommended rates.

**Table 6-11
Summary of Recommended Rates**

	Adopted FY 2024 Rates	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Irrigation Water Consumption Charge (IWCC) (\$/AF)	\$34.32	\$34.32	\$34.32	\$34.32	\$34.32
Water Supply Surcharge (WSSC) (\$/AF)	\$67.80	\$67.80	\$67.80	\$67.80	\$67.80
Quagga Surcharge (\$/AF)	\$3.63	\$7.63	\$7.94	\$8.26	\$8.59
Construction Surcharge (\$/AF)	\$17.01	\$18.20	\$18.85	\$19.53	\$20.23
Scheduled Gate Visits (per visit)	\$23.53	\$33.93	\$35.46	\$37.06	\$38.73
Unscheduled Gate Visits (per visit)	\$47.07	\$67.85	\$70.91	\$74.11	\$77.46
Outside ID1 Surcharge (\$/Acre, Monthly)	\$4.17	\$4.63	\$4.77	\$4.92	\$5.06

Canal Fund Cash Flow and Fund Balance Under Recommended Rates

Figure 6-3 shows the forecasted expenses and revenues assuming the District adopts the recommended rates and surcharges detailed in this report. Note that because NewGen is not recommending rate increases in the main sources of Canal revenue, i.e., the IWCC and WSSC, the forecasted revenues under FY 2024 rates and Recommended rates are nearly identical. Again, discretionary revenues are applied to achieve this desired result. Note that the revenue from FY 2024 rates and Projected Rates are nearly identical due to the recommendation that the IWCC and WSSC, which represent a vast majority of Canal Fund revenue, do not change over the projection period.

Figure 6-3 – Canal Water Expenses vs. Revenues at Recommended Rates

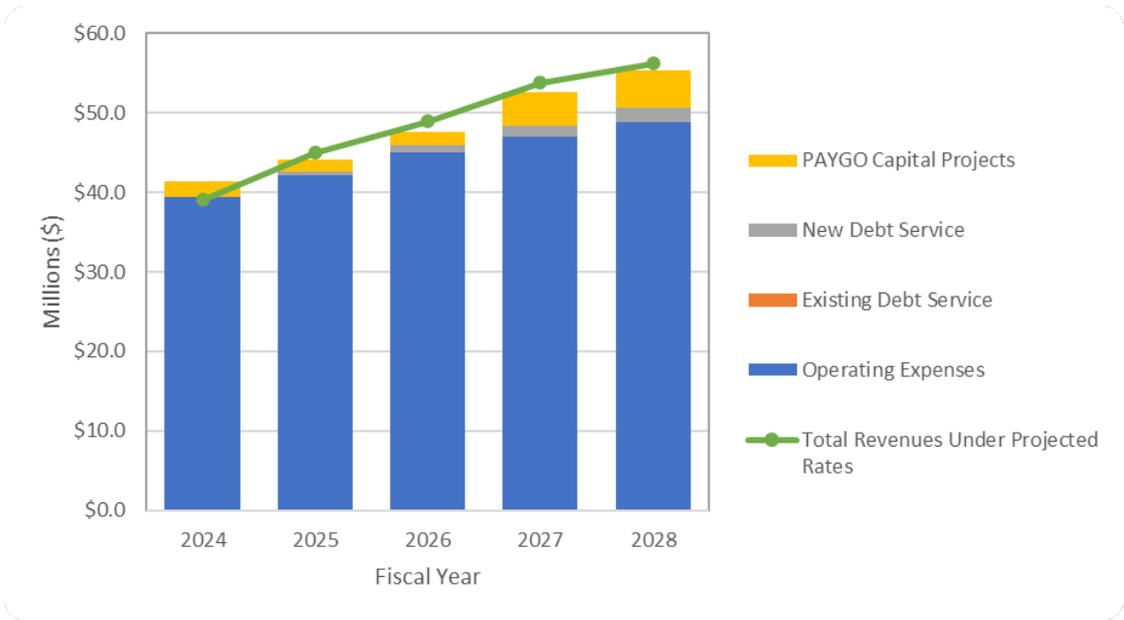
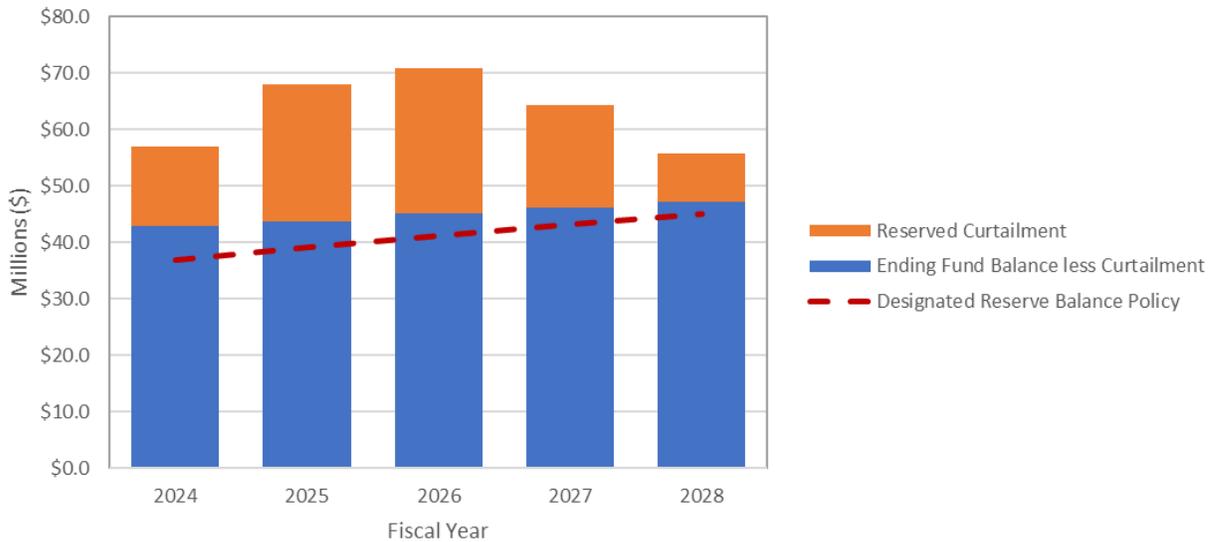


Figure 6-4 – Canal Water Fund Balance Projection at Recommended Rates



Curtailment Impacts

We have made clear several times that the recommended IWCC and WSSC detailed in this report rely on the use of curtailment revenues to offset revenue requirements for both the IWCC and WSSC to keep both rates at their FY 2024 levels for the study period. It is important to note the impact of this choice by demonstrating the study’s forecasts in the absence of curtailment revenues. For the purposes of this subsection, all revenue requirement, demand, and cost of service calculations remain identical to the previous sections of this report. The only change is the removal of curtailment revenues and the recalculation of the IWCC and WSSC to maintain the forecasted Canal Fund reserve balance as shown in Figure 6-4.

To develop forecasted IWCC and WSSC rates in this scenario, NewGen applied annual discretionary Outside ID1 and Property Tax revenue in an amount necessary to preserve the IWCC at the FY 2024 level as long as possible for the benefit of all Canal customers. Any excess discretionary revenue (if available) is then applied to offset the WSSC. The following tables represent the cost based IWCC and WSSC forecasts using this approach.

Table 6-12 shows the IWCC forecast without curtailment revenues to offset revenue requirements. The offsetting discretionary revenues in FY 2025, FY 2026, and FY 2027 represent 62%, 70%, and 91% of available revenues, respectively. In FY 2028, 100% of discretionary revenues are assigned to the IWCC.

**Table 6-12
IWCC Calculation – No Curtailment Revenues**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
Customer Revenue Requirement	\$2,716,165	\$3,220,535	\$3,452,190	\$3,745,916	\$3,964,702
Base Revenue Requirement	\$11,979,050	\$15,621,084	\$17,420,878	\$21,343,736	\$22,916,355
Less: Allocated OS ID1 Surcharge	(\$51,678)	(\$117,570)	(\$136,496)	(\$184,324)	(\$179,425)
Less: Allocated Property Taxes	(\$4,690,737)	(\$8,771,249)	(\$10,183,172)	(\$13,751,328)	(\$15,542,679)
Total Revenue Requirement	\$9,952,800	\$9,952,800	\$10,553,400	\$11,154,000	\$11,158,952
Applicable Usage (AF)	290,000	290,000	307,500	325,000	325,000
Calculated IWCC (\$/AF)	\$34.32	\$34.32	\$34.32	\$34.32	\$34.34

Table 6-13 shows the WSSC forecast without curtailment revenues to offset revenue requirements. The offsetting discretionary revenues in FY 2025, FY 2026, and FY 2027 represent 33%, 22%, and 4% of available revenues, respectively.⁷ In FY 2028, there is no discretionary revenue available to offset the WSSC because of the stated policy goal in this example to keep the IWCC as low as possible for the benefit of all Canal customers.

**Table 6-13
WSSC Calculation – No Curtailment Revenues**

	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
WSSC Revenue Requirement	\$11,498,580	\$12,748,701	\$14,351,643	\$14,782,192	\$15,225,658
Less: Allocated OS ID1 Surcharge	(\$93,962)	(\$64,676)	(\$36,120)	(\$6,880)	\$-
Less: Allocated Property Taxes	(\$7,565,761)	(\$5,439,383)	(\$3,037,793)	(\$578,642)	\$-
Total Revenue Requirement	\$3,838,857	\$7,244,642	\$11,277,729	\$14,196,671	\$15,225,658
Applicable Usage (AF)	50,000	50,000	67,500	85,000	85,000
Calculated WSSC (\$/AF)	\$76.78	\$144.89	\$167.08	\$167.02	\$179.13

The revenues generated by the IWCC and WSSC in this scenario would entirely account for the lack of curtailment revenues described previously in this report. That is, assuming no other changes except excluding curtailment revenues to offset the IWCC and WSSC, the rates shown in Table 6-12 and 6-13 are necessary to generate an identical Canal Fund reserve forecast as shown in Figure 6-4.

⁷ Note that the FY 2026 and FY 2027 discretionary revenue allocations do not total to 100%. This is due to less than 100% of discretionary revenues being needed in FY 2026 and FY2027 to keep both the IWCC and WSSC at zero increase from the FY 2025 rates shown in this scenario. The remaining 10% and 5% of discretionary revenue would be allocated to fund balance (reserves) for use in future years.

Appendix A Forecasted CIP Costs

Project	Funding	FY 2024 Budget	FY 2025 Test Year	FY 2026 Forecast	FY 2027 Forecast	FY 2028 Forecast
L-4 Pump Station Relocation Phase 2	Cash	\$0.60				
Mid-Canal Storage Project	Bond	\$6.93				
Avenue 62 Drain Pipeline Replacement Project	Cash			\$0.05	\$2.98	\$3.82
Irrigation Lateral 123.45-1.3-2.2 and Lateral 123.45-1.3-2.8 Division Box Replacement	Bond	\$2.48				
Irrigation Lateral 123.45-1.3 Division Box Replacement	Bond		\$2.80			
Irrigation Lateral 119.64-7.5 Replacement Project - Phase 1	Bond		\$0.15	\$3.56		
Irrigation Lateral 119.64-7.5 Replacement Project - Phase 2	Bond	\$4.88				
Irrigation Lateral 123.45-1.3-2.2 Replacement Project - Phase 2	Bond	\$3.38				
Irrigation Lateral 101.3 Replacement Project	Bond	\$0.06	\$5.98			
Irrigation Lateral 102.3 Replacement Project	Bond				\$0.06	\$3.00
Irrigation Lateral 123.45-1.3-2.8 Replacement Project	Bond	\$0.06	\$3.90	\$3.90		
Irrigation Lateral 123.45-1.3-3.2 RT Replacement Project	Bond			\$0.06	\$2.30	\$2.30
Irrigation Lateral 99.8-0.51-3.0 Replacement Project	Bond		\$0.29	\$4.40	\$4.40	
Irrigation Lateral 119.64-4.6 Replacement Project - Phase 1	Bond				\$0.20	\$2.50
General District	Cash	\$1.24	\$0.94	\$1.01	\$0.71	\$0.30
Motor Pool	Cash	\$0.08	\$0.56	\$0.57	\$0.56	\$0.56
Total Planned Spending (millions)		\$19.71	\$14.63	\$13.55	\$11.21	\$12.48

Appendix B Functionalization

FY 2024

FY 2024 Revenue Requirement by Cost Category

Cost Category	Salaries & Benefits	Supplies & Services	Utilities	Water Purchases	Capital Outlay	Total
Administration	\$0.92	\$2.63	\$0.01	\$11.50	\$0.03	\$15.08
Human Resources	\$0.22	\$0.67	\$-	\$-	\$-	\$0.89
Communications	\$0.45	\$0.15	\$-	\$-	\$-	\$0.60
Business Technology	\$0.66	\$1.03	\$0.02	\$-	\$-	\$1.71
Finance	\$0.80	\$0.61	\$-	\$-	\$-	\$1.41
Engineering	\$1.64	\$0.29	\$0.01	\$-	\$-	\$1.94
Environmental Services	\$0.31	\$1.49	\$-	\$-	\$-	\$1.81
Distribution System	\$2.88	\$3.81	\$1.02	\$-	\$-	\$7.72
Electrical/Electronics	\$0.97	\$0.39	\$0.02	\$-	\$-	\$1.37
Drainage	\$0.46	\$0.47	\$-	\$-	\$-	\$0.93
Other F & M	\$0.62	\$0.71	\$0.27	\$-	\$0.01	\$1.61
Zanjeros - Admin	\$0.84	\$0.04	\$0.06	\$-	\$-	\$0.94
Zanjeros	\$2.09	\$0.37	\$-	\$-	\$-	\$2.46
Service	\$0.50	\$0.20	\$-	\$-	\$0.01	\$0.70
Operations	\$0.80	\$0.01	\$-	\$-	\$-	\$0.81
Total	\$14.13	\$12.88	\$1.41	\$11.50	\$0.05	\$39.98

Appendix B

FY 2024 Allocated Total Revenue Requirements

	Allocation Factor	Gate Visits	Customer	Base	Supply	Total
Administration						
Salaries & Benefits	Customer	\$-	\$0.92	\$-	\$-	\$0.92
Supplies & Services	Admin	\$-	\$1.73	\$0.91	\$-	\$2.63
Utilities	Customer	\$-	\$0.01	\$-	\$-	\$0.01
Water Purchases	Supply	\$-	\$-	\$-	\$11.50	\$11.50
Capital Outlay	Customer	\$-	\$0.03	\$-	\$-	\$0.03
Human Resources - All Expenses	Base	\$-	\$-	\$0.89	\$-	\$0.89
Communications - All Expenses	Customer	\$-	\$0.60	\$-	\$-	\$0.60
Business Technology - All Expenses	Base	\$-	\$-	\$1.71	\$-	\$1.71
Finance - All Expenses	Base	\$-	\$-	\$1.41	\$-	\$1.41
Engineering - All Expenses	Base	\$-	\$-	\$1.94	\$-	\$1.94
Environmental Services - All Expenses	Base	\$-	\$-	\$1.81	\$-	\$1.81
Facilities and Maintenance - Distribution System	Base	\$-	\$-	\$7.72	\$-	\$7.72
Facilities and Maintenance - Electrical/Electronics	Base	\$-	\$-	\$1.37	\$-	\$1.37
Facilities and Maintenance - Drainage	Base	\$-	\$-	\$0.93	\$-	\$0.93
Facilities and Maintenance - Others	Base	\$-	\$-	\$1.61	\$-	\$1.61
Zanjeros - Admin - All Expenses	Zanjeros Admin	\$0.53	\$-	\$0.41	\$-	\$0.94
Zanjeros - All Expenses	Zanjeros	\$1.38	\$-	\$1.08	\$-	\$2.46
Service - All Expenses	Customer	\$-	\$0.70	\$-	\$-	\$0.70
Operations - All Expenses	Base	\$-	\$-	\$0.81	\$-	\$0.81
Total Operating Expenses		\$1.90	\$3.98	\$22.59	\$11.50	\$39.98
Debt	Base	\$-	\$-	\$-	\$-	\$0.00
CIP Projects (Inc. Motor Pool and General District)	Base	\$-	\$-	\$1.92	\$-	\$1.92
Total Revenue Requirements		\$1.90	\$3.98	\$24.51	\$11.50	\$41.90

FY 2024 Allocated Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Contributions in Aid of Construction	\$-	\$-	\$0.08	\$-	\$0.08
Oasis Surcharge	\$-	\$-	\$0.63	\$-	\$0.63
Quagga Surcharge	\$-	\$-	\$3.27	\$-	\$3.27
Total Revenue Offsets	\$-	\$-	\$3.97	\$-	\$3.97

FY 2024 Allocated Non-Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Property Taxes	\$-	\$2.17	\$2.17	\$8.06	\$12.40
Investment Income	\$-	\$0.21	\$1.07	\$-	\$1.28
Intergovernmental Revenues	\$-	\$1.06	\$5.46	\$-	\$6.52
Curtailment Revenues	\$-	\$-	\$-	\$-	\$0.00
IWAA	\$-	\$-	\$2.00	\$-	\$2.00
Capital Project Reimbursement	\$-	\$-	\$0.04	\$-	\$0.04
Total Non-Rate Revenues	\$-	\$3.44	\$10.73	\$8.06	\$22.23

FY 2024 Allocated Net Revenue Requirement

	Gate Visits	Customer	Base	Supply	Total
Total Revenue Requirements	\$1.90	\$3.98	\$24.51	\$11.50	\$41.90
Other Revenue Offsets	\$-	\$-	(\$3.97)	\$-	(\$3.97)
Non-Rate Revenue	\$-	(\$3.44)	(\$10.73)	(\$8.06)	(\$22.23)
Total Allocated Revenue Requirement	\$1.90	\$0.55	\$9.81	\$3.44	\$15.69

FY 2026

FY 2026 Revenue Requirement by Cost Category

Cost Category	Salaries & Benefits	Supplies & Services	Utilities	Water Purchases	Capital Outlay	Total
Administration	\$1.01	\$2.85	\$0.01	\$14.35	\$0.03	\$18.24
Human Resources	\$0.24	\$0.72	\$-	\$-	\$-	\$0.97
Communications	\$0.49	\$0.17	\$-	\$-	\$-	\$0.66
Business Technology	\$0.72	\$1.12	\$0.02	\$-	\$-	\$1.86
Finance	\$0.87	\$0.66	\$-	\$-	\$-	\$1.53
Engineering	\$1.79	\$0.32	\$0.01	\$-	\$-	\$2.12
Environmental Services	\$0.34	\$1.61	\$-	\$-	\$-	\$1.96
Distribution System	\$3.14	\$4.13	\$1.19	\$-	\$-	\$8.46
Electrical/Electronics	\$1.05	\$0.42	\$0.02	\$-	\$-	\$1.50
Drainage	\$0.50	\$0.51	\$-	\$-	\$-	\$1.02
Other F & M	\$0.67	\$0.77	\$0.31	\$-	\$0.02	\$1.77
Zanjeros - Admin	\$0.91	\$0.04	\$0.07	\$-	\$-	\$1.03
Zanjeros	\$2.28	\$0.40	\$-	\$-	\$-	\$2.68
Service	\$0.54	\$0.21	\$-	\$-	\$0.01	\$0.76
Operations	\$0.87	\$0.01	\$-	\$-	\$-	\$0.88
Total	\$15.43	\$13.94	\$1.65	\$14.35	\$0.06	\$45.42

FY 2026 Allocated Total Revenue Requirements

	Allocation Factor	Gate Visits	Customer	Base	Supply	Total
Administration						
Salaries & Benefits	Customer	\$-	\$1.01	\$-	\$-	\$1.01
Supplies & Services	Admin	\$-	\$1.87	\$0.98	\$-	\$2.85
Utilities	Customer	\$-	\$0.01	\$-	\$-	\$0.01
Water Purchases	Supply	\$-	\$-	\$-	\$14.35	\$14.35
Capital Outlay	Customer	\$-	\$0.03	\$-	\$-	\$0.03
Human Resources - All Expenses	Base	\$-	\$-	\$0.97	\$-	\$0.97
Communications - All Expenses	Customer	\$-	\$0.66	\$-	\$-	\$0.66
Business Technology - All Expenses	Base	\$-	\$-	\$1.86	\$-	\$1.86
Finance - All Expenses	Base	\$-	\$-	\$1.53	\$-	\$1.53
Engineering - All Expenses	Base	\$-	\$-	\$2.12	\$-	\$2.12
Environmental Services - All Expenses	Base	\$-	\$-	\$1.96	\$-	\$1.96
Facilities and Maintenance - Distribution System	Base	\$-	\$-	\$8.46	\$-	\$8.46
Facilities and Maintenance - Electrical/Electronics	Base	\$-	\$-	\$1.50	\$-	\$1.50
Facilities and Maintenance - Drainage	Base	\$-	\$-	\$1.02	\$-	\$1.02
Facilities and Maintenance - Others	Base	\$-	\$-	\$1.77	\$-	\$1.77
Zanjeros - Admin - All Expenses	Zanjeros Admin	\$0.58	\$-	\$0.45	\$-	\$1.03
Zanjeros - All Expenses	Zanjeros	\$1.50	\$-	\$1.18	\$-	\$2.68
Service - All Expenses	Customer	\$-	\$0.76	\$-	\$-	\$0.76
Operations - All Expenses	Base	\$-	\$-	\$0.88	\$-	\$0.88
Total Operating Expenses		\$2.08	\$4.33	\$24.67	\$14.35	\$45.42
Debt	Base	\$-	\$-	\$0.95	\$-	\$0.95
CIP Projects (Inc. Motor Pool and General District)	Base	\$-	\$-	\$1.63	\$-	\$1.63
Total Revenue Requirements		\$2.08	\$4.33	\$27.25	\$14.35	\$48.00

Appendix B

FY 2026 Allocated Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Contributions in Aid of Construction	\$-	\$-	\$0.06	\$-	\$0.06
Oasis Surcharge	\$-	\$-	\$0.88	\$-	\$0.88
Quagga Surcharge	\$-	\$-	\$2.21	\$-	\$2.21
Total Revenue Offsets	\$-	\$-	\$3.15	\$-	\$3.15

FY 2026 Allocated Non-Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Property Taxes	\$-	\$2.54	\$2.54	\$9.78	\$14.85
Investment Income	\$-	\$0.22	\$1.14	\$-	\$1.36
Intergovernmental Revenues	\$-	\$0.66	\$3.50	\$-	\$4.16
Curtailment Revenues	\$-	\$0.83	\$4.41	\$-	\$5.25
IWAA	\$-	\$-	\$2.00	\$-	\$2.00
Capital Project Reimbursement	\$-	\$-	\$0.04	\$-	\$0.04
Total Non-Rate Revenues	\$-	\$4.25	\$13.62	\$9.78	\$27.64

FY 2026 Allocated Net Revenue Requirement

	Gate Visits	Customer	Base	Supply	Total
Total Revenue Requirements	\$2.08	\$4.33	\$27.25	\$14.35	\$48.00
Other Revenue Offsets	\$-	\$-	(\$3.15)	\$-	(\$3.15)
Non-Rate Revenue	\$-	(\$4.25)	(\$13.62)	(\$9.78)	(\$27.64)
Total Allocated Revenue Requirement	\$2.08	\$0.08	\$10.47	\$4.58	\$17.21

FY 2027

FY 2027 Revenue Requirement by Cost Category

Cost Category	Salaries & Benefits	Supplies & Services	Utilities	Water Purchases	Capital Outlay	Total
Administration	\$1.05	\$2.96	\$0.01	\$14.78	\$0.03	\$18.83
Human Resources	\$0.25	\$0.75	\$-	\$-	\$-	\$1.00
Communications	\$0.51	\$0.17	\$-	\$-	\$-	\$0.68
Business Technology	\$0.75	\$1.16	\$0.02	\$-	\$-	\$1.94
Finance	\$0.91	\$0.69	\$-	\$-	\$-	\$1.59
Engineering	\$1.87	\$0.33	\$0.01	\$-	\$-	\$2.21
Environmental Services	\$0.36	\$1.68	\$-	\$-	\$-	\$2.04
Distribution System	\$3.29	\$4.29	\$1.29	\$-	\$-	\$8.87
Electrical/Electronics	\$1.10	\$0.44	\$0.02	\$-	\$-	\$1.56
Drainage	\$0.53	\$0.53	\$-	\$-	\$-	\$1.06
Other F & M	\$0.70	\$0.80	\$0.34	\$-	\$0.02	\$1.86
Zanjeros - Admin	\$0.95	\$0.04	\$0.08	\$-	\$-	\$1.08
Zanjeros	\$2.38	\$0.42	\$-	\$-	\$-	\$2.80
Service	\$0.57	\$0.22	\$-	\$-	\$0.01	\$0.80
Operations	\$0.91	\$0.01	\$-	\$-	\$-	\$0.92
Total	\$16.13	\$14.49	\$1.78	\$14.78	\$0.06	\$47.24

Appendix B

FY 2027 Allocated Total Revenue Requirements

	Allocation Factor	Gate Visits	Customer	Base	Supply	Total
Administration						
Salaries & Benefits	Customer	\$-	\$1.05	\$-	\$-	\$1.05
Supplies & Services	Admin	\$-	\$1.94	\$1.02	\$-	\$2.96
Utilities	Customer	\$-	\$0.01	\$-	\$-	\$0.01
Water Purchases	Supply	\$-	\$0.00	\$-	\$14.78	\$14.78
Capital Outlay	Customer	\$-	\$0.03	\$-	\$-	\$0.03
Human Resources - All Expenses	Base	\$-	\$-	\$1.00	\$-	\$1.00
Communications - All Expenses	Customer	\$-	\$0.68	\$-	\$-	\$0.68
Business Technology - All Expenses	Base	\$-	\$-	\$1.94	\$-	\$1.94
Finance - All Expenses	Base	\$-	\$-	\$1.59	\$-	\$1.59
Engineering - All Expenses	Base	\$-	\$-	\$2.21	\$-	\$2.21
Environmental Services - All Expenses	Base	\$-	\$-	\$2.04	\$-	\$2.04
Facilities and Maintenance - Distribution System	Base	\$-	\$-	\$8.87	\$-	\$8.87
Facilities and Maintenance - Electrical/Electronics	Base	\$-	\$-	\$1.56	\$-	\$1.56
Facilities and Maintenance - Drainage	Base	\$-	\$-	\$1.06	\$-	\$1.06
Facilities and Maintenance - Others	Base	\$-	\$-	\$1.86	\$-	\$1.86
Zanjeros - Admin - All Expenses	Zanjeros Admin	\$0.60	\$-	\$0.47	\$-	\$1.08
Zanjeros - All Expenses	Zanjeros	\$1.57	\$-	\$1.23	\$-	\$2.80
Service - All Expenses	Customer	\$-	\$0.80	\$-	\$-	\$0.80
Operations - All Expenses	Base	\$-	\$-	\$0.92	\$-	\$0.92
Total Operating Expenses		\$2.17	\$4.51	\$25.77	\$14.78	\$47.24
Debt	Base	\$-	\$-	\$1.45	\$-	\$1.45
CIP Projects (Inc. Motor Pool and General District)	Base	\$-	\$-	\$4.25	\$-	\$4.25
Total Revenue Requirements		\$2.17	\$4.51	\$31.48	\$14.78	\$52.94

FY 2027 Allocated Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Contributions in Aid of Construction	\$-	\$-	\$0.06	\$-	\$0.06
Oasis Surcharge	\$-	\$-	\$1.02	\$-	\$1.02
Quagga Surcharge	\$-	\$-	\$2.44	\$-	\$2.44
Total Revenue Offsets	\$-	\$-	\$3.52	\$-	\$3.52

FY 2027 Allocated Non-Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Property Taxes	\$-	\$1.57	\$4.70	\$9.02	\$15.29
Investment Income	\$-	\$0.20	\$1.22	\$-	\$1.42
Intergovernmental Revenues	\$-	\$0.56	\$3.36	\$-	\$3.93
Curtailment Revenues	\$-	\$1.10	\$6.56	\$-	\$7.66
IWAA	\$-	\$-	\$2.00	\$-	\$2.00
Capital Project Reimbursement	\$-	\$-	\$0.04	\$-	\$0.04
Total Non-Rate Revenues	\$-	\$3.43	\$17.88	\$9.02	\$30.33

Appendix B

FY 2027 Allocated Net Revenue Requirement

	Gate Visits	Customer	Base	Supply	Total
Total Revenue Requirements	\$2.17	\$4.51	\$31.48	\$14.78	\$52.94
Other Revenue Offsets	\$-	\$-	(\$3.52)	\$-	(\$3.52)
Non-Rate Revenue	\$-	(\$3.43)	(\$17.88)	(\$9.02)	(\$30.33)
Total Allocated Revenue Requirement	\$2.17	\$1.08	\$10.07	\$5.76	\$19.09

FY 2028

FY 2028 Revenue Requirement by Cost Category

Cost Category	Salaries & Benefits	Supplies & Services	Utilities	Water Purchases	Capital Outlay	Total
Administration	\$1.10	\$3.08	\$0.01	\$15.23	\$0.03	\$19.44
Human Resources	\$0.26	\$0.78	\$-	\$-	\$-	\$1.05
Communications	\$0.53	\$0.18	\$-	\$-	\$-	\$0.71
Business Technology	\$0.79	\$1.21	\$0.02	\$-	\$-	\$2.02
Finance	\$0.95	\$0.71	\$-	\$-	\$-	\$1.66
Engineering	\$1.95	\$0.34	\$0.01	\$-	\$-	\$2.31
Environmental Services	\$0.37	\$1.75	\$-	\$-	\$-	\$2.12
Distribution System	\$3.43	\$4.46	\$1.39	\$-	\$-	\$9.29
Electrical/Electronics	\$1.15	\$0.46	\$0.02	\$-	\$-	\$1.63
Drainage	\$0.55	\$0.55	\$-	\$-	\$-	\$1.10
Other F & M	\$0.73	\$0.83	\$0.36	\$-	\$0.02	\$1.95
Zanjeros - Admin	\$1.00	\$0.04	\$0.09	\$-	\$-	\$1.13
Zanjeros	\$2.49	\$0.44	\$-	\$-	\$-	\$2.92
Service	\$0.59	\$0.23	\$-	\$-	\$0.01	\$0.83
Operations	\$0.95	\$0.01	\$-	\$-	\$- \$0.00	\$0.96

FY 2028 Revenue Requirement by Cost Category

Cost Category	Salaries & Benefits	Supplies & Services	Utilities	Water Purchases	Capital Outlay	Total
Total	\$16.85	\$15.07	\$1.92	\$15.23	\$0.06	\$49.13

Appendix B

FY 2028 Allocated Total Revenue Requirements

	Allocation Factor	Gate Visits	Customer	Base	Supply	Total
Administration						
Salaries & Benefits	Customer	\$-	\$1.10	\$-	\$-	\$1.10
Supplies & Services	Admin	\$-	\$2.02	\$1.06	\$-	\$3.08
Utilities	Customer	\$-	\$0.01	\$-	\$-	\$0.01
Water Purchases	Supply	\$-	\$-	\$-	\$15.23	\$15.23
Capital Outlay	Customer	\$-	\$0.03	\$-	\$-	\$0.03
Human Resources - All Expenses	Base	\$-	\$-	\$1.05	\$-	\$1.05
Communications - All Expenses	Customer	\$-	\$0.71	\$-	\$-	\$0.71
Business Technology - All Expenses	Base	\$-	\$-	\$2.02	\$-	\$2.02
Finance - All Expenses	Base	\$-	\$-	\$1.66	\$-	\$1.66
Engineering - All Expenses	Base	\$-	\$-	\$2.31	\$-	\$2.31
Environmental Services - All Expenses	Base	\$-	\$-	\$2.12	\$-	\$2.12
Facilities and Maintenance - Distribution System	Base	\$-	\$-	\$9.29	\$-	\$9.29
Facilities and Maintenance - Electrical/Electronics	Base	\$-	\$-	\$1.63	\$-	\$1.63
Facilities and Maintenance - Drainage	Base	\$-	\$-	\$1.10	\$-	\$1.10
Facilities and Maintenance - Others	Base	\$-	\$-	\$1.95	\$-	\$1.95
Zanjeros - Admin - All Expenses	Zanjeros Admin	\$0.63	\$-	\$0.50	\$-	\$1.13
Zanjeros - All Expenses	Zanjeros	\$1.64	\$-	\$1.29	\$-	\$2.92
Service - All Expenses	Customer	\$-	\$0.83	\$-	\$-	\$0.83
Operations - All Expenses	Base	\$-	\$-	\$0.96	\$-	\$0.96
Total Operating Expenses		\$2.27	\$4.70	\$26.94	\$15.23	\$49.13
Debt	Base	\$-	\$-	\$1.85	\$-	\$1.85
CIP Projects (Inc. Motor Pool and General District)	Base	\$-	\$-	\$4.68	\$-	\$4.68
Total Revenue Requirements		\$2.27	\$4.70	\$33.47	\$15.23	\$55.67

FY 2028 Allocated Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Contributions in Aid of Construction	\$-	\$-	\$0.06	\$-	\$0.06
Oasis Surcharge	\$-	\$-	\$1.12	\$-	\$1.12
Quagga Surcharge	\$-	\$-	\$2.82	\$-	\$2.82
Total Revenue Offsets	\$-	\$-	\$4.00	\$-	\$4.00

FY 2028 Allocated Non-Rate Revenue Offsets

	Gate Visits	Customer	Base	Supply	Total
Property Taxes	\$-	\$1.57	\$4.71	\$9.46	\$15.74
Investment Income	\$-	\$0.18	\$1.11	\$-	\$1.29
Intergovernmental Revenues	\$-	\$0.56	\$3.41	\$-	\$3.97
Curtailment Revenues	\$-	\$1.33	\$8.12	\$-	\$9.44
IWAA	\$-	\$-	\$2.00	\$-	\$2.00
Capital Project Reimbursement	\$-	\$-	\$0.04	\$-	\$0.04
Total Non-Rate Revenues	\$-	\$3.64	\$19.38	\$9.46	\$32.48

FY 2028 Allocated Net Revenue Requirement

	Gate Visits	Customer	Base	Supply	Total
Total Revenue Requirements	\$2.27	\$4.70	\$33.47	\$15.23	\$55.67
Other Revenue Offsets	\$-	\$-	(\$4.00)	\$-	(\$4.00)
Non-Rate Revenue	\$-	(\$3.64)	(\$19.38)	(\$9.46)	(\$32.48)
Total Allocated Revenue Requirement	\$2.27	\$1.07	\$10.09	\$5.76	\$19.19



THANK YOU!



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