

AGENDA ITEM NO. 6.i.

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To:	Matthew J. Fertal	From:	William E. Murray
Dept:	City Manager	Dept:	Public Works
Subject:	REVIEW OF PASS-THROUGH ADJUSTMENT FOR WHOLESALE WATER COST INCREASES	Date:	November 12, 2013

OBJECTIVE

To request that the City Council review the automatic pass-through adjustment for increased wholesale water charges, effective January 1, 2014, imposed by the Metropolitan Water District of Southern California (MET), the Municipal Water District of Orange County (MWDOC) and Orange County Water District (OCWD).

BACKGROUND

The City's Water Enterprise Fund pays commodity charges to the MET/MWDOC for its imported water supply. The City also pays a replenishment assessment (RA) to the Orange County Water District (OCWD) for its groundwater supply.

Increases in commodity charges by wholesale suppliers for purchased water are passed on to the water customers so that the City can maintain its water infrastructure system, to provide water, and ensure that the Water Enterprise Fund remains solvent.

In February 2012, in compliance with Government Code Section 53756 and Proposition 218, the City Council adopted Ordinance No. 2809 providing for automatic adjustments for increases and decreases in purchased water costs, subject to review by the City Council. In accordance with Ordinance No. 2809, the data documenting the basis of the calculation of the pass-through rate adjustments is available to the public for review in the City Clerk's office and Staff will provide at least thirty (30) days advance notice of the adjustments to all customers.

DISCUSSION

MET/MWDOC has approved an approximate 5% wholesale water rate increase to be effective during FY 2013/2014. A Basin Production Percentage (BPP) is established annually by OCWD for member agency's total potable water demand that can be produced from the basin without subjecting that member agency to additional fees. OCWD has increased the BPP from 68% in FY 2012/2013 to 70% in FY 2013/2014. OCWD also approved an increase in the RA from \$266/AF in FY 2012/2013 to \$276/AF in FY 2013/2014. As a result, the City's automatic pass-through of its water commodity adjustment charge (WCAC) will adjust to reflect the increase in these water costs. The last adjustment to the WCAC, a charge per water billing unit (100 cubic feet), was in 2011.

Based on the calculations for the WCAC adjustment in FY 2013/2014, the water rates will increase by \$0.06 per billing unit. The increase does not exceed the actual total cost increase to the City. This will result in the Water Commodity Adjustment Charge component

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of the current water rate schedule increasing from \$0.53 per one hundred cubic feet ("HCF") of water (748 gallons) used to \$0.59 per HCF. None of the other rate components will be increased. Under this adjustment, the average residential customer's water bill will increase by approximately \$0.90 per month (assuming a 5/8 x 3/4-inch meter and 15 HCF of water use), or \$1.80 per every bi-monthly bill. The increased Water Commodity Adjustment Charge will go into effect on January 1, 2014.

FINANCIAL IMPACT

There is no impact to the General Fund. The WCAC pass-through adjustment will allow for the Water Enterprise Fund to continue meeting its financial obligations and carry out its capital improvement and replacement programs.

RECOMMENDATION

It is recommended that the City Council:

- Receive and file this report regarding the automatic pass-through adjustment to the Water Commodity Adjustment Charges to be effective January 1, 2014.



WILLIAM E. MURRAY, P.E.
Public Works Director/City Engineer



By: Katie Victoria
Administrative Analyst

Attachment: Current and Projected Water Commodity Costs FY 2012/2013 – FY 2013/2014

Recommended for Approval



Matthew Fertal
City Manager

**Current and Projected Water Commodity Costs
FY 2012/2013 – FY 2013/2014**

	Rate Increase by Agency Charge (%)	Dollar Increase (\$)	City Rate Increase Required to Pass Through Rate Increase From Agencies
MET/MWDOC Imported Water Charge	5%	\$1,190,984.75	\$0.09
OCWD Pumped Water (Well #28)	2%	(\$824,892.00)	-\$0.08
OCWD RA: Pumped Water	4%	\$501,200.00	\$0.02
MET/MWDOC Readiness to Serve / Capacity Charge	54%	\$253,904.00	\$0.02
MET/MWDOC Connection Charge	16%	\$43,150.40	\$0.01
Total Increase Required to Recover Costs from Agencies		\$1,164,347.15	\$0.06