

MEMO TO: GENE MANCEBO, GENERAL MANAGER
FROM: BOB REED
SUBJECT: ALTERNATIVE TO REDUCE PROPOSED WATER RATES
DATE: AUGUST 13, 2012



Introduction

At the July 26, 2012 Board of Directors meeting, I presented an updated system-wide water rate proposal. The rate update reflected current (near final) estimates of special tax revenues to be derived from the planned AWS Community Facilities District (CFD) to be applied to debt service related to the Amador Transmission Pipeline. As you know, lower than expected special tax revenue estimates resulted in increases to the proposed AWS debt service charges included in the system-wide water rates. Since that time, concerns about the magnitude of the water rate proposal have surfaced.

The adoption and implementation of new system-wide water rates are of great importance to the Agency, with numerous benefits accruing to both the Agency and its customers. To help avoid any loss of support for the proposed system-wide water rates and working with Agency staff, an alternative rate proposal has been developed for the Agency Board's consideration.

Alternative Water Rate Proposal

The AWS CFD is intended to provide a supplemental source of revenue to help pay for debt service related to the Amador Transmission Pipeline (ATP). Another source of revenue for this purpose is AWS participation fee revenue. Current AWS participation fees include three components - a system buy-in component, an ATP component, and a water treatment component. The ATP component, representing 17 percent of the retail participation fee, is intended to provide revenue to be applied to debt service on the ATP. Current water rate calculations apply 17 percent of the estimated \$240,000 in annual AWS participation fee revenue (\$41,000) towards the annual debt service obligation.

The FY 12-13 AWS budget includes \$310,000 in anticipated AWS participation fee revenue. Most of this amount stems from an agreement with JTS Castle Oaks to pay participation fees on a certain number of units of development. A small number of other units of development is also included in this estimate (though much less than historical levels). In addition, the system buy-in component of the AWS participation fee represents about 42 percent of the retail participation fee. As a reimbursement of past costs, revenue from the system buy-in component can be used for any capital facility cost that benefits the AWS service area facilities, including paying debt service on the ATP. About 41 percent of the current AWS participation fee is related to the water treatment component.

The agreement with JTS Castle Oaks includes a reduction in the water treatment component of the AWS participation fee. The resulting fee is comprised 63.5 percent for the buy-in component, 24 percent for the ATP component, and 12.5 percent for the water treatment

component. Considering anticipated AWS participation fee revenue from both JTS Castle Oaks and other development, if anticipated revenue from both the ATP and buy-in components are applied to the ATP debt service, the \$41,000 included in the current rate analysis would increase by \$209,000 to a total of \$250,000.

This additional \$209,000 exceeds the revenue reduction resulting from the revised special tax estimate for the AWS CFD, thereby bringing the alternative proposed system-wide water rates below the amounts included in draft recommendations from my March 2012 draft report.

Exhibit 1 presents the alternative system-wide water rate schedule related to the suggested application of AWS participation fee revenue towards debt service. **Exhibit 2** summarizes how typical single family customers would be affected by the proposed water rates (relative to the current water rates). The change proposed herein only affects the AWS service area.

I welcome the opportunity to discuss the alternative rate proposal with the Board of Directors, and to, at the same time, discuss the potential impacts of proposed water rates on a broad range of customers.

**Exhibit 2
 Amador Water Agency
 Summary of Typical Single Family Bill Impacts Due to Proposed System-Wide Water Rates**

	Amador Water System Service Area	CAWP-Retail Service Area				
		CAWP CFD Not Approved by Voters (1)	CAWP CFD Approved by Voters (2)	Lake Camanche Service Area	La Mel Heights Service Area	
Median Use -->	7	7	7	7	7	CCF
Current Bill Amount	\$ 38.36	\$ 48.31	\$ 48.31	\$ 31.87	\$ 51.55	
Bill With Proposed Rates						
Usage Charge	\$ 13.44	\$ 13.44	\$ 13.44	\$ 13.44	\$ 13.44	
Pumping Surcharge		\$ 5.53				
Service Charge	\$ 12.55	\$ 12.55	\$ 12.55	\$ 12.55	\$ 12.55	
Debt Service Charge	\$ 12.51	\$ 32.47	\$ 12.39	\$ 4.93	\$ 31.20	
Total Proposed Bill	\$ 38.50	\$ 63.99	\$ 38.38	\$ 30.92	\$ 57.19	
Change	\$ 0.14	\$ 15.68	\$ (9.93)	\$ (0.95)	\$ 5.64	
% Change	0.4%	32.5%	-20.6%	-3.0%	10.9%	

Notes:

- (1) Includes pumping surcharge and debt service charge associated with pump station upgrades and pipeline replacement.
- (2) Includes reduced debt service charge, and excludes pumping surcharge to reflect operation with GSL.