

FORESTHILL PUBLIC UTILITY DISTRICT

AGENDA

Special Meeting of FORESTHILL PUBLIC UTILITY DISTRICT BOARD OF DIRECTORS

Pursuant to the Governor's Executive Order N-08-21 the meeting will be held via teleconference.

www.foresthillpud.com

Thursday	July 29, 2021	7:00 P.M.
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Join Zoom Meeting <https://zoom.us/j/99011083715>

Meeting ID: 990 1108 3715

Dial by your location: 669 900 6833 or 408 638 0968

Find your local number: <https://zoom.us/u/aZ5ZYtg7N>

A. CALL TO ORDER:

B. ROLL CALL:

- _____ President Mark Bell
- _____ Vice President Patty Wade
- _____ Director Jane Stahler
- _____ Director Robert Palmeri
- _____ Director Tyler Hunter

C. PUBLIC COMMENT: All items on the agenda will be open for public comment before or during consideration of an item and before final action is taken. Speakers are requested to restrict comments to the item as it appears on the agenda and stay within a three minute time limit. The President has the discretion of limiting the total discussion time for an item.

D. ACTION ITEMS:

1. **Presentation:** In accordance with the Ordinance 19-01 Procedure for Ratepayer Objections to Proposed Water Rates, District staff will present a summary of findings and written responses to timely submitted ratepayer objections for consideration by the Board of Directors
2. **Overview of the Proposition 218 Protest Hearing Process**
3. **Open the Proposition 218 Hearing:** Proposed Water Rate Increases to Commence on August 15, 2021 (Fiscal Year 2021-2022) and on or about each July 1 thereafter through Fiscal Year 2025-26.
4. **Presentation:** District Staff will present a brief overview of the District's compliance with Proposition 218 procedural requirements.

5. **Presentation:** HF&H Consultants will present a summary of the cost of service study's findings which support the proposed revenue decrease and rate structure adjustments, the basis upon which the rates have been calculated, and how the collected rates will be expended.
6. **Open Public Comment:**
 - This is the time for the Board to hear from the public. We welcome and encourage your comments as the Board takes them into consideration in our deliberations
 - Speakers are limited to a maximum of three minutes
 - The Board may not respond to, discuss, or engage in any type of dialog regarding any public comment, however the President may direct questions to staff for a later response or future consideration by the Board
 - Appropriate and respectful language and behavior is vital to the functioning of a public meeting. We ask Board, staff, and members of the public to speak courteously and respectfully. Therefore, the Board prohibits disruptive behavior
7. **Close the public hearing:** All protests must be submitted in writing prior to the close of the public comment. The office at 24540 Main Street will be open to submit written protests
8. **Consideration and Tabulation of the Protests**
9. **District Board to Announce Result of Protest Tabulation and Consider Adoption of the Following Resolutions:**
 - a. District staff presents protest results
 - b. Consider Resolution 2021-06 Ratification of Protest Tabulation
 - c. Consider Resolution 2021-07 Adopting and Implementing Proposed Rates Effective August 15, 2021, Contingent Upon Result of Protest Tabulation

E. ADJOURNMENT:

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the General Manager at (530)367-2511. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements to ensure accessibility to this meeting

In accordance with Government Code Section 54954.2(a) this notice and agenda were posted in the District's front window at the Foresthill Public Utility District office, 24540 Main Street, Foresthill, CA 95631 on or before 4:30 p.m., July 26, 2021.

Henry N. White, Board Clerk & Ex-Officio Secretary

Foresthill Public Utility District Ordinance 19-01 Staff Review and Response To Ratepayer Objections

INTRODUCTION

On November 18, 2019, the Foresthill Public Utility District (“District”) Board of Directors (“Board”) adopted Ordinance 19-01, establishing a procedure for ratepayers to file written objections to any new water service rates proposed by the District and for the District to evaluate and respond to the merits of any objections before its Board decides whether to approve proposed new rates. The objection procedure seeks to avoid a scenario where the District adopts new rates, and a ratepayer later files a lawsuit challenging the lawfulness of the rates for reasons never presented to the District’s Board before its decision whether to approve the new rates.

The proposed ordinance was included in the agenda packet for the District’s November 18, 2019 public Board meeting and was publicly discussed during the meeting before the Board voted to adopt the ordinance. The District then published Ordinance 19-01 in the Auburn Journal newspaper and posted it at the District’s office, the Foresthill Post Office, and the Foresthill Library. A copy of Ordinance 19-01 also was posted on the District’s website at www.foresthillpud.com, and hard copies of the ordinance have been publicly available during business hours at the District’s office, located at 24540 Main Street, Foresthill, CA 95631. The Ordinance 19-01 objection procedure took effect on December 18, 2019.

Pursuant to Ordinance 19-01, the District mailed to its ratepayers on June 8, 2021 a notice describing enactment of Ordinance 19-01, explaining the purpose of the objection procedure, and describing how to timely file an objection with the District (“Objection Notice”). To fulfill the purposes of Ordinance 19-01, objections were required (1) to state the specific grounds for any concern with a proposed water rate and (2) to include a desired resolution or outcome, if any. To ensure objections were submitted by actual District ratepayers, an objection was required to include the ratepayer’s name, phone number, street address, and e-mail address (if applicable) and preferred method of communication. The District provided an objection template including prompts for all required information (above), posted the template on the District website (www.foresthillpud.com), and made hard copies of the template available for pickup at the District Office. The District’s Objection Notice called for any objections to be submitted and received on or by July 5, 2021, which the District later extended to July 12, 2021.

The District received three objections on or by July 12, 2021, and they are provided as Attachment A to this report. District staff reviewed all objections to evaluate and respond to their merits. The District numbered each objection (1 through 3) and assigned a code number to each issue raised by each objection. In cases where the same issue has been raised by more than one objection, this cross-cutting issue is assigned the same code number in every objection raising it. Below are the District’s responses to the issues raised in the objections.

Submittal of an objection pursuant to District Ordinance 19-01 does not count as submittal of a Protest under California’s Proposition 218 procedure for changing rates. Proposition 218 was passed by voters in 1996 and amended the California Constitution by adding Article XIII D. Section 6 of Article XIII D establishes procedural requirements and substantive limits on any

increase in a local government agency's property-related fees, including water service rates. With respect to procedural requirements, Article XIII D, section 2 states: "The agency shall conduct a public hearing upon the proposed fee or charge no less than 45 days after mailing the notice of the proposed fee or charge to the record owners of each identified parcel upon which the fee or charge is proposed for imposition. At the public hearing, the agency shall consider all protests against the proposed fee or charge. If written protests against the proposed fee or charge are presented by a majority of owners of the identified parcels, the agency shall not impose the fee or charge." The District mailed notice on June 10, 2021 of the proposed new rates that would be considered for Board adoption at a public hearing scheduled for 7 p.m. on July 29, 2021 ("Proposition 218 Protest Notice"). The Prop. 218 Protest Notice explains that to oppose the proposed new water service rates pursuant to Proposition 218's protest procedure, one must submit a written protest to the District before the close of the public hearing on July 29, 2021. Objections submitted pursuant to Ordinance 19-01 do not count as Proposition 218 protests, and Proposition 218 protests do not count as objections for purposes of Ordinance 19-01.

Overview of Proposition 218 Legal Principles:

Article XIID, section 6 of the California Constitution provides that water service rates or other property-related fees must comply with certain substantive requirements:

- Revenues derived from the fee must not exceed the funds required to provide the property-related service;
- Revenues derived from the fee shall not be used for any purpose other than that for which the fee or charge was imposed;
- The amount of a fee imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel;
- The fee may not be imposed for a service, unless the service is actually used by, or immediately available to, the owner of the property subject to the fee;
- No fee may be imposed for general governmental services including, but not limited to, police, fire, ambulance, or library services, where the service is available to the public at large in substantially the same manner as it is to property owners.

RESPONSE TO OBJECTIONS

I. Response to Objection #1

1.1. Description of objection: "I should not pay more to cover the loss of revenue from the 1" 2" 4" & dual [sic] service customers"

District response: Objection noted. To clarify the statement above, ratepayers with a 5/8", 1", 1 1/2", and 2" service size should see a service charge decrease if the proposed rates are adopted. Ratepayers with a 3/4", 4", 6" and 8" should see a service charge increase if the proposed rates are adopted. More information about the current and proposed service charges can be found in Figure ES-2 in the 2021 Water Rate Study: https://www.foresthillpud.com/pdf_files/Foresthill-PUD-FInal-Report-26May2021.pdf.

1.2. Description of Desired Resolution or Outcome: "Keep the rates as they are"

District response: Objection noted.

II. Response to Objection #2

- 2.1. **“I have read that most rates will drop the first year however you fail to say what they will be in the following years to come. I think this is a bait and switch tactic.”**

District response: Objection noted.

The District’s Proposition 218 Protest Notice and Water Rate Study both describe the same rates proposed for each year within the five-year period, 2021-2025. The five-year ratemaking proposal is described on page 2 of the District’s Proposition 218 Protest Notice and in Figure ES-2 at page 3 of the Water Rate Study. If the five-year ratemaking proposal were approved by the District’s Board of Directors, the District could not raise rates above those described in its Proposition 218 Protest Notice and Water Rate Study, unless it completed a new ratemaking proceeding pursuant to Proposition 218.. Under the rates proposed for the next five years, the District’s Board would have discretion to implement rates lower than proposed in the Proposition 218 Protest Notice and Water Rate Study, but the annual change in rates under the current five-year proposal would go into effect automatically, unless the Board affirmatively decided to exercise its discretion to reduce rates.

- 2.2. **“You say that our homeowners fire insurance will rise if we don't have quality water. I don't blame you for using this tactic, after all, it worked for the Foresthill Fire District quite [sic] well. And by the way, how did that work out? I know many, many people that still lost their homeowners fire insurance and was forced to the state fair pay insurance program. Now we suffer with high fire insurance and high fire taxes. I completely object for using insurance for higher water rates.”**

District response: The District is sympathetic to the difficulty of keeping up with rising costs of living. As the District’s ongoing costs to operate and maintain its water system and comply with increasing state and federal regulatory mandates continue to rise, the District finds it necessary to update its rates to fund a budget ensuring it can continue to deliver safe and reliable drinking water to its ratepayers, based on the actual costs of providing that service. The District plans to proactively seek other sources of funding outside of ratepayer-generated fees, like a recent grant awarded to the District by Placer County Water Agency. The proposed rates would actually result in a decrease in overall revenue in the upcoming five year period.

- 2.3. **“Myself, like so many other folks that live on the Divide, are retired living on a fixed income. Has PUD every considered the average income of Foresthill residence? [sic] Even the everyday workers are probably under the average income level for California.”**

District response: As explained in Section III of the Rate Study, the proposed rates will result in a decrease in service rates for many ratepayers.

- 2.4. **“But concidering [sic] averages, Foresthill has the highest water rates anywhere in Northern CA.. [sic] I have researched the surrounding areas and found that PUD is around 45% higher than anyone else. I have water bills**

from other folks to provide it but in respect for their privacy, I do not want to expose them. However, I will show them in a private one on one meeting.”

District response: Rates vary among public water service providers for many reasons. A ratepayer might assume that the District’s water service rates should be similar to rates charged by any other nearby Sierra Nevada foothills district. But each public water service provider has its own, unique infrastructure system to develop or obtain water, to treat the water for drinking, to store the water and maintain necessary system pressure, and to deliver treated water to customer connections for end use. The District develops its own water supply from Sugar Pine Reservoir, delivers raw reservoir water through a long pipeline to the District’s own drinking water treatment plant, stores treated water in its own storage tanks, and delivers treated water to customers through the District’s own distribution system pipes, pressure reducers, etc. The age of existing infrastructure, miles of pipeline to be maintained, and the cost of developing (i.e., operating an on-stream dam and reservoir) or otherwise obtaining a water supply logically differs from one public water service provider to another. Economies of scale can affect the cost per customer as public water service providers with a large population are able to spread their fixed costs over a larger customer base. The new rates proposed by the District are based solely on the District’s costs to provide water service to the District’s customers.

2.5. “Also, some of them have ¾ inch meters. By the way, why does a ¾ inch meter warrant a higher water rate? The meter determines how much water is used.”

District response: Proposition 218 requires that rates be set so that no customer/parcel pays more than its proportional share of costs for service. The District operates so that it is ready, willing and able to meet peak water demand for all customer meters of all sizes. A ¾” meter provides for a higher average and peak water demand equating to a higher level of service (i.e. water use capacity) than the smaller 5/8” meter. The proposed rates include a higher monthly fixed service charge component for larger meters to account for the higher level of service they provide.

2.6. “The big sign at Sugarpine [sic] says the lake was built for the people of Foresthill. I wonder if that is still true.”

District response: Objection noted.

2.7. “Do I have an answer? I am not a water expert, but what about putting things up for a vote? You want higher rates, have a special election or wait for the next election. You want to sell water? Put it up for a vote.”

District response: Water service rate increases are governed by Proposition 218. No property-related fee or charge may be extended, imposed, or increased by a special district without first complying with the provisions of Proposition 218 (California Constitution Article XIII D, section 6). Water service fees and charges are property-related fees. Property-related fees are subject to Proposition 218’s substantive limitations and procedural requirements. Proposition 218’s procedural requirements include notification, a protest hearing, and absent a majority protest, the ability to adopt the proposed rates.

2.8. “I have talked to so many folks here and none of them are on board with what you are asking for. Some even think that you are corrupt.”

District response: Objection noted. District staff disagree with the above characterization of the District.

III. Response to Objection #3

3.1. “Change results in exorbitant and we believe unintended rate increase for our high school. The exorbitant increase is rooted in our system design that included an 8-inch service. The 8-inch service is required to support fire suppression in addition to domestic/irrigation and does not represent our operational demand”

District response: As explained in the Rate Study, the proposed 2021 rates would result in an overall reduction in revenue. But the proposed re-structuring of rates would result in some ratepayers paying more while others pay less – all as a result of more closely tying rates to customer water use amounts and their peaking demands, based on service meter size, on District related infrastructure and operations. As shown in the District’s Rate Study, the proposed new rate structure accurately apportions the cost of service to all users based on their water system demands (see Section IV of the Rate Study). Under the proposed rate structure, existing service costs are being rebalanced among the customer classes and according to the level of water demand that different customers create.

Proposition 218 requires that rates be set so that no customer/parcel pays more than its proportional share of costs for service. The District operates so that it is ready, willing and able to meet peak water demand for all customer meters of all sizes. An 8” meter provides for a higher peak water demand equating to a higher level of District service (i.e. water use capacity) than the smaller meter sizes. District infrastructure must be ready, willing and able to meet the peak demand of that 8” connection, even if the peak connection is not utilized at all times. As a result, the costs of being ready willing and able to meet demand from an 8” connection are fairly apportioned under the proposed new rates.

Proposition 218 imposes substantive limitations on water rates and charges, requiring, among other things, that revenue derived from the fee must not exceed the District’s costs to provide water to ratepayers, and the amount of a fee imposed must not exceed the proportional cost of serving a customer/parcel. The proposed water rates described in the Rate Study are not excessive because they were developed in accordance with those principles. The District receives the bulk of its revenue from approximately 2,000 ratepayers and, unlike some other water districts, does not receive very much revenue from county ad valorem property taxes.

Attachment A

Objections to Proposed Rates

Objection #1

JUL 07 2021
Foresthill PUD

**WRITTEN OBJECTION TO PROPOSED WATER RATE CHANGE BY
FORESTHILL PUBLIC UTILITY DISTRICT**

This objection is submitted in accordance with the District's administrative remedies procedure established by Ordinance 19-01.

Name of Ratepayer Submitting Objection: Robert Middleton

Phone Number: _____

Email Address: _____

Preferred Method of Communication: _____

Street Address Associated With Account: 

Describe/Explain Objection: I SHOULD NOT PAY MORE
TO COVER THE LOSS OF REVENUE FROM THE
1" 2" 4" & DUAL SERVICE CUSTOMERS

Describe/Explain Desired Resolution or Outcome: KEEP THE RATES
AS THEY ARE

Objections must be submitted in accordance with Ordinance 19-01 and the Exhaustion Notice Letter sent to parcel owners or customers of record on or about June 3, 2021.

You can attach additional pages if necessary. Once submitted, this form will become a public document.

All objections must be in writing and received at the District's offices by the close of business on July 12, 2021.

7/8/21

Objection #2

FORESTHILL PUBLIC UTILITY DISTRICT

24540 MAIN STREET

FORESTHILL, CA. 95631

RECEIVED
JUL 08 2021
FORESTHILL PUD

TO WHOM IT MAY CONCERN: I, Wade H. Webb, am writing this letter in OBJECTION to the new water rates. I have read that most rates will drop the first year however you fail to say what they will be in the following years to come. I think this is a bait and switch tactic. You say that our homeowners fire insurance will rise if we don't have quality water. I don't blame you for using this tactic, after all, it worked for the Foresthill Fire District quite well. And by the way, how did that work out? I know many, many people that still lost their homeowners fire insurance and was forced to the state fair pay insurance program. Now we suffer with high fire insurance and high fire taxes. I completely object for using insurance for higher water rates. Myself, like so many other folks that live on the Divide, are retired living on a fixed income. Has PUD ever considered the average income of Foresthill residence? Even the everyday workers are probably under the average income level for California. But considering averages, Foresthill has the highest water rates anywhere in Northern Ca.. I have researched the surrounding areas and found that PUD is around 45% higher than anyone else. I have water bills from other folks to prove it but in respect for their privacy, I do not want to expose them. However, I will show them in a private one on one meeting. Also, some of them have 3/4 inch meters. And by the way, why does a 3/4 inch meter warrant a higher water rate? The meter determines how much water was used. The big sign at Sugarpine says the lake was built for the people of Foresthill. I wonder if that is still true. Do I have an answer? I am not a water expert, but what about putting things up for a vote? You want higher rates, have a special election or wait for the next election. You want to sell water? Put it up for a vote. I have talked to so many folks here and none of them are on board with what you are asking for. Some even think that you are corrupt.

Wade H. Webb

[Redacted]

Foresthill, Ca. 95631

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

RECEIVED

Objection #3

JUL 09 2021

**WRITTEN OBJECTION TO PROPOSED WATER RATE CHANGE BY
FORESTHILL PUBLIC UTILITY DISTRICT**

FORESTHILL PUD
H 7/9/21

This objection is submitted in accordance with the District's administrative remedies procedure established by Ordinance 19-01.

Name of Ratepayer Submitting Objection: Placer Union High School District

Phone Number: [REDACTED]

Email Address: [REDACTED]

Preferred Method of Communication: No Preference

Street Address Associated With Account: _____

[REDACTED]

Describe/Explain Objection: _____

Change results in exorbitant and we believe unintended rate increase for our high school.

The exorbitant increase is rooted in our system design that included an 8-inch service.

The 8-inch service is required to support fire suppression in addition to domestic/irrigation and does not represent our operational demand

Describe/Explain Desired Resolution or Outcome: _____

Continue to work with FHPUD staff to develop an equitable solution based on our actual operational demand.

Objections must be submitted in accordance with Ordinance 19-01 and the Exhaustion Notice Letter sent to parcel owners or customers of record on or about June 3, 2021.

You can attach additional pages if necessary. Once submitted, this form will become a public document.

All objections must be in writing and received at the District's offices by the close of business on July 12, 2021.

Submitted by Mr. Jeff Patton - PUHSD Director of Maintenance, Operations & Facilities

[Handwritten Signature]
7/9/21

FORESTHILL PUBLIC UTILITY DISTRICT
Staff Report For District Board Of Directors Meeting On July 29, 2021

Agenda Item: D2

Date: July 29, 2021

Subject: Consideration and Approval of Proposed Revenue Decrease and Rate Structure Adjustments Pending Public Hearing and Proposition 218 Process

From: Hank White, General Manager

Recommended Action: Hold protest hearing on water service rate increase, certify results of protest, adopt Resolution No. 2021-06 Ratification of Protest Tabulation and, absent a majority protest, adopt Resolution No. 2021-07 Adopting and Implementing Proposed Rates Effective August 15, 2021, Through Fiscal Year 2025-26

Issue Statement and Background

Foresthill Public Utility District ("District") provides potable water service to the community of Foresthill, located in Placer County. Currently Foresthill serves just over 2,000 residential and non-residential metered accounts across an approximate service area of 13,000 acres. The District operates Sugar Pine Reservoir, a water treatment plant and distribution system with over 30 miles of piping.

To ensure that rates collected for growing operating expenses and projected on-going maintenance, capital costs and depreciation related to water service, a water rate study was prepared for fiscal years 2021-22 through 2025-26 ("Rate Study"). The rates proposed in the Rate Study would ensure the District's ability to continue providing safe and reliable potable water service to each customer based on the actual cost of providing this service and the cost of anticipated ongoing maintenance and capital costs. That Rate Study analyzed and calculated water rates necessary over the next five years to ensure viability of the District's water service infrastructure system and the District's ability to continue providing safe and reliable water service to all customers.

On June 2, 2021, the District Board of Directors ("Board") considered the proposed water service rates described in the Rate Study at a public meeting. At that meeting, the District's Board directed District staff to initiate the Proposition 218 process, to confirm a date and time for a Proposition 218 public protest hearing, and to mail a notice to property owners and customers of record in accordance with proposition 218 ("Proposition 218 Protest Notice"). On June 10, 2021, District staff mailed the Proposition 218 Protest Notice to parcel owners and customers of record to notify them of the Proposition 218 Protest Hearing scheduled for 7 p.m. on July 29, 2021. The Proposition 218 Protest Notices were mailed 49 days in advance of the July 29, 2021 protest hearing, which provides more than the 45-day notice required by Proposition 218.

On November 18, 2019, the District Board adopted Ordinance 19-01, establishing a procedure for ratepayers to file written objections to any new water service rates proposed by the District and for the District to evaluate and respond to the merits of any objections before its Board decides whether to

approve proposed new rates. The objection procedure seeks to avoid a scenario where the District adopts new rates, and a ratepayer later files a lawsuit challenging the lawfulness of the rates for reasons never presented to the District's Board before its decision whether to approve the new rates.

The proposed ordinance was included in the agenda packet for the District's November 18, 2019 public Board meeting and was publicly discussed during the meeting before the Board voted to adopt the ordinance. The District then published Ordinance 19-01 in the Auburn Journal newspaper and posted it at the District's office, the Foresthill Post Office, and the Foresthill Library. A copy of Ordinance 19-01 also was posted on the District's website at www.foresthillpud.com, and hard copies of the ordinance have been publicly available during business hours at the District's office, located at 24540 Main Street, Foresthill, CA 95631. The Ordinance 19-01 objection procedure took effect on December 18, 2019.

Pursuant to Ordinance 19-01, the District mailed to its ratepayers on June 8, 2021 a notice describing enactment of Ordinance 19-01, explaining the purpose of the objection procedure, and describing how to timely file an objection with the District ("Objection Notice"). To fulfill the purposes of Ordinance 19-01, objections were required (1) to state the specific grounds for any concern with a proposed water rate and (2) to include a desired resolution or outcome, if any. To ensure objections were submitted by actual District ratepayers, an objection was required to include the ratepayer's name, phone number, street address, and e-mail address (if applicable) and preferred method of communication. The District provided an objection template including prompts for all required information (above), posted the template on the District website (www.foresthillpud.com), and made hard copies of the template available for pickup at the District Office. The District's Objection Notice called for any objections to be submitted and received on or by July 12, 2021.

The District received 3 objections on or by July 12, 2021. District staff reviewed all objections to evaluate and respond to their merits. The District numbered each objection (1 through 3) and assigned a code number to each issue raised by each objection. In cases where the same issue has been raised by more than one objection, this cross-cutting issue was assigned the same code number in every objection raising it. On July 29, 2021, District staff presented the objections and written responses to all objection issues during a public Board meeting.

To further enhance ratepayer engagement with the District on the proposed water service rates, the District hosted public information sessions at noticed public Board meetings held on May 24, 2021 and June 2, 2021. At each public information session, the District's staff and ratemaking consultant, HF&H, used a slide presentation to explain the proposed rates and their basis. The District Board, the District staff and the District's ratemaking solicited and responded to public questions about the Rate Study and the proposed rates.

There are 2,034 service connections that serve the property owners and customers of record subject to these rates and charges within the District boundaries. As required by California law, only one protest per parcel will be counted. Once the protests are counted, District staff recommends that the District Board adopt Resolution 2021-06, titled "Ratifying Results of the Proposition 218 Protest Hearing On July 29, 2021 Regarding Proposed Water Service Rates," which will state how many protests were received by the District and whether a majority protest was reached.

Pursuant to Proposition 218, if a majority of the property owners of record and customers of record subject to these proposed rates and charges (50% + 1, or 1,018) protest, then the proposed water rate increase may not proceed. If a majority protest is not reached, the Board may consider adopting Resolution No. 2021 07 to enact the water rates described in the Proposition 218 Protest Notice.

If there are insufficient protests and Resolution No. 2021-07 is adopted, the increased rates will be commenced on August 15, 2021 (Fiscal Year 2021-2022) and on or about each July thereafter through Fiscal Year 2025-2026.

Proposed Rates (from Proposition 218 Protest Notice)

Table 1. Proposed Service Charge (by service size):

Service Size	Current (\$/month)	Proposed (\$/month; All Customer Classes)				
		Aug. 2021	Jul-22	Jul-23	Jul-24	Jul-25
5/8"	\$90.54	\$70.81	\$71.52	\$72.95	\$74.41	\$75.90
3/4"	\$90.54	\$91.20	\$92.11	\$93.95	\$95.83	\$97.75
1"	\$163.87	\$131.98	\$133.30	\$135.97	\$138.69	\$141.46
1 1/2"	\$328.68	\$264.51	\$267.16	\$272.50	\$277.95	\$283.51
2"	\$643.17	\$427.63	\$431.91	\$440.55	\$449.36	\$458.35
4"	\$1,581.35	\$1,854.88	\$1,873.43	\$1,910.90	\$1,949.12	\$1,988.10
6"	\$1,581.35	\$3,587.97	\$3,623.85	\$3,696.33	\$3,770.26	\$3,845.67
8"	\$1,581.35	\$7,156.09	\$7,227.65	\$7,372.20	\$7,519.64	\$7,670.03

Table 2. Proposed Consumption Charge (tGal = thousand gallons):

Consumption Charge	Current (\$/tGal/month)		Proposed (\$/tGal/month; All Customers)				
			Sep-21	Jul-22	Jul-23	Jul-24	Jul-25
All customers	Credit	(\$0.42)	\$1.96	\$1.98	\$2.02	\$2.06	\$2.10
	Overage	\$1.55					

Protest Hearing Process

The following is the suggested process for this agenda item:

1. Open the public Proposition 218 Hearing
2. Presentation: District Staff will present a brief overview of the District's compliance with Proposition 218 procedural requirements.
3. Presentation: HF&H Consultants will present a summary of the cost of service study's findings which support the proposed rate increase, including the amount of the increase, the basis upon which the rates have been calculated, and how the collected rates will be expended.

4. Open Public Comment: Note: protests may be accepted at any point prior to the close of public comment. Once public comment is closed, no further protests will be accepted, even if the meeting is adjourned to another date.
 - a) Note: This is the time for any member of the public to address the Board of Directors on any matter *on the agenda*. Comments shall be limited to *three minutes per person*, or such other time limit as may be imposed by the Board President.
5. Close the public hearing: All protests must be submitted prior to the close of the public comment period.
6. Consideration and Tabulation of the Protests
 - a) At this time, District staff and tabulations team will count all timely received, written protests and will determine whether each protest includes all information required to ensure that each protest is submitted by a Bonafide parcel owner or customer of record within the District and to ensure that only one protest per parcel is counted.
7. District Board To Announce Result of Protest Tabulation and Consider Adoption of the Following Resolutions:
 - a) *Option 1*: Majority Protest. If there is a majority protest, the Board will take no action at this time and refer the proposed rate increase back to staff for further direction at a future Board meeting. Consider adoption of Resolution No. 2021-06 Ratification of Protest Tabulation.
 - b) *Option 2*: No Majority Protest. Consider adoption of Resolution No. 2021-06 Ratification of Protest Tabulation and Resolution 2021-07 Adopting and Implementing Proposed Rates Effective August 15, 2021.

Financial and/or Policy implications:

If adopted, this Resolution will provide adequate revenues to fund anticipated operating and maintenance expenses associated with the District's water service infrastructure, including Sugar Pine Reservoir, water treatment plant and pipelines, and to fund ongoing provision of safe and reliable potable water service to all District customers.

Attachments

Draft Resolution No. 2021-06

Draft Resolution No. 2021-07

Proposition 218 Protest Notice

**RESOLUTION NO. 2021-06
OF THE BOARD OF DIRECTORS OF
FORESTHILL PUBLIC UTILITY DISTRICT
RATIFYING RESULTS OF THE PROPOSITION 218 PROTEST HEARING ON JULY
29, 2021 REGARDING PROPOSED WATER SERVICE RATES**

WHEREAS, the Foresthill Public Utility District (District) owns and operates a public water system.

WHEREAS, State law requires that certain changes to water service rates occur in accordance with procedures outlined in Article XIII D, Section 6, of the California Constitution, commonly referred to as "Proposition 218."

WHEREAS, a water service Rate study has been prepared which recommends the adoption of the rates, fees and charges specified in Exhibit A to this Resolution, which Exhibit is included herein as if set forth in full; and

WHEREAS, the District seeks to update its rates to fund operations, maintenance, repairs, debt obligation and a reserve fund.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Foresthill Public Utility District does hereby find and approve as follows:

SECTION 1. The District Board finds and declares as follows:

A. In compliance with Article XIII D, Section 6, of the California Constitution, Proposition 218 notices were mailed to property owners of record and customers of record within the District's service area on June 10, 2021 (49 days prior to the Public Hearing), which complies with Proposition 218's minimum 45-day notice requirements; and

B. The District Board of Directors held a public protest hearing on July 29, 2021, to consider the results of the protest proceedings conducted in accordance with California Constitution Article XIII D, section 6; and

C. After receiving and considering documentary and oral testimony, the District Board declared the public hearing closed and considered whether written protests were received from property owners or customers of record representing a majority of owners of the identified parcels; and

SECTION 2. The General Manager has counted **xx protests** and since there are 2,034 connections in the District, the Board has determined that there is not a majority protest.

APPROVED, PASSED AND ADOPTED by the Board of Directors of the Foresthill Public Utility District on July 29, 2021, by the following vote:

- AYES
- NOES
- ABSENT
- ABSTAIN

Mark Bell, President, Board of Directors
Foresthill Public Utility District

ATTEST:

Hank White, Clerk, Board of Directors
Foresthill Public Utility District

DRAFT

**RESOLUTION NO. 2021-07
OF THE BOARD OF DIRECTORS
OF FORESTHILL PUBLIC UTILITY DISTRICT
ESTABLISHING INCREASED WATER SERVICE RATES CONTINGENT
UPON THE OUTCOME OF THE ORDINANCE 19-01 OBJECTION PROCEEDING
AND PROPOSITION 218 PROTEST HEARING**

WHEREAS, the Foresthill Public Utility District (District) owns and operates a public water system.

WHEREAS, State law requires that certain changes to water service rates occur in accordance with procedures outlined in Article XIII D, Section 6, of the California Constitution, commonly referred to as "Proposition 218."

WHEREAS, a Water Rate Study has been prepared that recommends the adoption of the rates, fees and charges specified in Exhibit A to this Resolution, which Exhibit is incorporated herein as if set forth in full; and

WHEREAS, the District seeks to update its rates to fund operations, maintenance, repairs, debt obligation and a reserve fund.

WHEREAS, in compliance with District Ordinance 19-01, the District mailed to property owners of record and bill-paying responsible tenants of parcels within the District's service area on June 8, 2021 (51 days prior to the Public Hearing) a Notice of Ordinance 19-01 Establishing a Procedure for Ratepayer Objections to Proposed Water Rates and explaining the difference between Ordinance 19-01 objections and Proposition 218 protests; and

WHEREAS, District staff prepared written responses to all ratepayer objections submitted pursuant to Ordinance 19-01 for consideration by the District's Board of Directors prior to making any ratemaking decision; and

WHEREAS, in compliance with Article XIII D, Section 6, of the California Constitution, Proposition 218 notices were mailed to property owners of record and bill-paying responsible tenants of parcels within the District's service area on June 10, 2021 (49 days prior to the Public Hearing), which complies with Proposition 218's minimum 45-day notice requirements; and

WHEREAS, the amount of the proposed water service rates will not exceed the proportionate cost of the service attributable to each parcel upon which they are proposed for imposition; and

WHEREAS, the District Board of Directors held a public protest hearing on July 29, 2021, to consider the results of the protest proceedings conducted in accordance with California Constitution Article XIII D, section 6; and

WHEREAS, the General Manager has counted the protests and the Board has determined that there is not a majority protest.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Foresthill

Public Utility District does hereby find and approve as follows:

SECTION 1. Recitals. The foregoing recitals are true and correct.

SECTION 2. District Ordinance 19-01 Compliance. The District has complied with the procedural and substantive requirements of its Ordinance 19-01 by considering all written objections submitted pursuant to the ordinance and by considering District staff's written responses to such objections.

SECTION 3. Proposition 218 Compliance. The District has complied with the procedural requirements and substantive limitations of Article XIII D, and based upon the Exhibit A Water Rate Study, all protests properly submitted to the District, and all public comments made at Proposition 218 Protest Hearing, the water service rates proposed in the Rate Study comply with Article XIII D, section 6, subsections (b)(1) through (5).

SECTION 4. Levy of Charges. Subject to the contingency provided in Section 5 below, the Board of Directors hereby approves and adopts, pursuant to the California Public Utilities Code section 16461 et. seq., the increased water service rates attached hereto as Exhibit A, effective with the first billing cycle after August 15, 2021, and each July 1st thereafter through Fiscal Year 2025-2026.

SECTION 5. CEQA Exemption. The Board of Directors hereby finds that the levy of the proposed water service rates as supported by a water rate study (which is incorporated herein by reference) is exempt from California Environmental Quality Act ("CEQA") review under Public Resources Code section 21080(b)(8) and CEQA Guidelines section 15273, because the proposed water service rates are necessary and reasonable to fund the ongoing administration, operation, maintenance, and improvements of the District's water system, are necessary to maintain service within the District's existing service area, and will not result in expansion of the system. The Board of Directors further finds that the action entails the creation of a government funding mechanism that is exempt from CEQA as not being a "project" pursuant to CEQA guidelines section 15378. The Board of Directors authorizes the General Manager to file a notice of exemption with the County Clerk to that effect.

SECTION 6. General Authorization. The General Manager is hereby authorized and directed, for and in the name of and on behalf of the District, to execute and deliver any and all documents, to do any and all things and take any and all actions that may be necessary or advisable, in his discretion, in order to effect the purposes of this Resolution. All actions heretofore taken by officers, employees, and agents of the District that are in conformity with the purposes and intent of this Resolution are hereby approved, confirmed, and ratified.

SECTION 7. Effective Date. This Resolution shall only take effect in the event that it is determined, as a result of the July 29, 2021 protest hearing, that there is not a majority of property owners receiving water service within the District protesting the increases in rates described in Exhibit A and as set forth in Article XIII D, section 6.

APPROVED, PASSED AND ADOPTED by the Board of Directors of the
Foresthill Public Utility District on July 29, 2021, by the following vote:

AYES	_____
NOES	_____
ABSENT	_____
ABSTAIN	_____

Mark Bell, President, Board of Directors
Foresthill Public Utility District

ATTEST:

Hank White, Clerk, Board of Directors
Foresthill Public Utility District



FORESTHILL PUBLIC UTILITY DISTRICT

Water Rate Study

May 26, 2021
Final Report



FORESTHILL PUBLIC UTILITY DISTRICT

2450 Main Street
Foresthill, CA 95631



WATER RATE STUDY

May 26, 2021
Final Report

HF&H CONSULTANTS, LLC

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HF&H CONSULTANTS, LLC
Managing Tomorrow's Resources Today

Robert D. Hilton, Emeritus
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Marva M. Sheehan, CPA
Robert C. Hilton, CMC

May 26, 2021

Mr. Hank White
General Manager
Foresthill Public Utility District
24540 Main Street
Foresthill, CA 95631

Subject: Water Rate Cost-of-Service Study -Draft Report

Dear Mr. White:

HF&H is pleased to submit this cost-of-service report to the Foresthill Public Utility District. The rates proposed in this report reflect the current and projected cost of providing service for the next five years, FY 2021-22 through FY 2025-26. We greatly appreciate your assistance in developing the cost-of-service analysis.

Very truly yours,

HF&H CONSULTANTS, LLC

Rick Simonson, Senior Vice President
Gabe Sasser, Senior Associate

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- Tab 1B. Summary
- Tab 2. Revenue Requirements (FY 2021-22 through FY 2025-26)
- Tab 3. Revenue Changes
- Tab 4. Reserves Summary and Fund Balance
- Tab 5. Capital Improvement Projects
- Tab 6. Debt Service
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- Tab 8. Load Factors Calculations
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GLOSSARY

AWWA – American Water Works Association.

CCF – Hundred cubic feet (see HCF below).

CIP - Capital Improvement Program.

COS - Cost of Service.

EDU – Equivalent Dwelling Unit.

EMU – Equivalent Meter Unit.

FY - Fiscal Year.

FYE – Fiscal Year Ending.

O&M - Operating and Maintenance, in reference to the costs of running facilities.

PAYGo - Pay-As-You-Go, in reference to funding capital improvements from cash rather than from borrowed sources such as bonds or loans.

R&R – Repair and Replacement.

Service Charges – Fixed charges paid per account regardless of the amount of water used. The charge is proportionate to the capacity of the customer’s service.

tGal – Thousand gallons

ACKNOWLEDGEMENTS

District Board of Directors

Mark Bell, President

Patty Wade, Vice President

Robert Palmeri, Director

Jane Stahler, Director

District Staff

Hank White, General Manager

Addie Poulos, Administrative Assistant

Roger Carroll, Finance Manager

HF&H Consultants, LLC

Rick Simonson, C.M.C., Vice President

Gabe Sasser, Senior Associate

Geoffrey Michalczyk, Senior Associate

LIMITATIONS

This document was prepared solely for the Foresthill Public Utility District in accordance with the contract between the District and HF&H and is not intended for use by any other party for any other purpose. In preparing this study, we relied on information from the District, which we consider accurate and reliable.

Rounding differences caused by stored values in electronic models may exist.

This document represents our understanding of relevant laws, regulations, and court decisions but should not be relied upon as legal advice. Questions concerning the interpretation of legal authorities referenced in this document should be referred to a qualified attorney.

I. EXECUTIVE SUMMARY

OVERVIEW

HF&H Consultants, LLC (HF&H) was retained by Foresthill Public Utility District (District) to conduct a cost of service (COS) analysis and water rate study. The District engaged HF&H to evaluate their current rate structure and update their water rates for a five-year period from FY 2021-22 through FY 2025-26. This section summarizes the findings and recommendations in this report.

In preparing this water rate study, expenses, revenues, and reserves were projected for a five-year planning period through FY 2025-26. The rates derived in this five-year period will be used for setting rates under Art. XIID, Sec. 6 of the State Constitution.¹

The following findings and recommendations were made, which result in the proposed water rate structure and subsequent rates. It is expected that the first rate increase will be effective August 15, 2021 with future rate increases effective each July 1 over the following four-year period, beginning July 1, 2022.

FINDINGS & RECOMMENDATIONS

In preparing this water rate study, the following findings were made.

1. **Operating and Maintenance costs.** Operating and Maintenance (O&M) expenses (labor, utilities, maintenance, regulatory compliance, etc.) are based on the District's Board-adopted FY 2021-22 operating budget which is projected to increase by an average of 2.9% per year through the five-year planning period. The detailed annual O&M expenses are shown in detail in Table 2 of the rate model included in the Appendix.
2. **Capital costs.** The District prepared a Capital Improvement Plan (CIP) through FY 2025-26 (in 2021 dollars) driven by a focus on improvements to distribution and transmission assets. The District plans to spend \$6.4 million over the next five fiscal years, an average of \$1.28 million per year.

The District plans to fund these projects through a combination of connection fees from new customers, grants, the sale of surplus water, and water rate revenue. The proposed water rates resulting from this rate study include funding an average of approximately \$428,000 per year in capital projects, the remaining costs will

¹ This law was enacted by Proposition 218 in 1996. The law contains procedural and substantive requirements that apply to property-related fees and charges such as water rates. The law exempts connection charges, which instead are governed by Section 66000 of the Government Code.

be funded through connection fees, grants, and/or surplus water sales. If the connection fee, grant, and surplus water sales revenue received in any given year are not sufficient to complete the budgeted project(s), the project(s) will be deferred.

3. **Revenue from existing rates.** Annual revenue generated from existing rates is sufficient to cover the District’s budgeted FY 2021-22 operating and capital expenses described above. As a result, overall revenue generated from customer water rates can be reduced by 12% in FY 2021-22. Because the rate adjustments are proposed to go into effect in mid-August, the actual decrease in rate revenue for FY 2021-22 will be 10%, as revenues during the first two months of the fiscal year (July and August) will be at current rates.

It should be noted that the ability to adopt new rates which will generate 10% less revenue in FY 2021-22 (saving rate payers money), is a direct result of the District’s decision to commit to fund a substantial amount of capital projects by aggressively pursuing grant funding and through revenues generated by selling surplus water. Had the needed capital projects been assumed to be solely funded with water rate revenue from rate payers, the rate revenues would have needed to increase.

The proposed rates discussed in this report reflect such a reduction in total revenue; however, the rate structure changes also being recommended (discussed in Section IV), which better aligns the rates with the cost-of-service and meets the District’s rate setting objectives, will result in some customer bills decreasing less than the 12%, or increasing, while other customer bills will decrease greater than 12%. The rate structure change will take effect with the mid-August 2021 rate adjustments, no further rate structure changes are proposed to be made through the end of the five-year planning period. As such, the annual percentage changes in rates (effective each July 1 of each subsequent year), as shown in **Figure ES-1**, will be applied across-the-board to all then-current water rates.

Figure ES-1. Changes in Annual Rate Revenue

Fiscal Year	Rate Adjustments	Date of Rate Adjustment	Revenue After Rate Adjustments	Change in Revenue
Current Revenue at Current Rates			\$2,868,017	
FY 2021-22	various	Aug. 2021	\$2,583,212	-10%
FY 2022-23	1%	July 2022	\$2,553,039	-1%
FY 2023-24	2%	July 2023	\$2,606,114	2%
FY 2024-25	2%	July 2024	\$2,660,293	2%
FY 2025-26	2%	July 2025	\$2,715,598	2%

4. **Fixed Service Charge revisions.** While most of the District’s current service charges are proportional to the design capacity of the meter size used, there are a

few exceptions. Currently, meters sized 5/8" and 3/4" are charged the same, and the same is true for all meter sizes exceeding 2". The proposed charges would be graduated in proportion to the capacity of the service (i.e., meter-size).

A comparison of proposed and existing service charge rates is provided in **Figure ES-2**. The rate adjustment percentage increases shown in **Figure ES-1**, have been applied to calculate rates for the next five fiscal years. Monthly bills are the sum of both the fixed service charges and consumption charges multiplied according to usage (discussed in Item #5).

Figure ES-2. Current and Proposed Service Charges (\$/month)

Service Size	Current (\$/month)	Proposed (\$/mo; All Customer Classes)				
		Aug. 2021	Jul. 2022	Jul. 2023	Jul. 2024	Jul. 2025
5/8"	\$90.54	\$70.81	\$71.52	\$72.95	\$74.41	\$75.90
3/4"	\$90.54	\$91.20	\$92.11	\$93.95	\$95.83	\$97.75
1"	\$163.87	\$131.98	\$133.30	\$135.97	\$138.69	\$141.46
1 1/2"	\$328.68	\$264.51	\$267.16	\$272.50	\$277.95	\$283.51
2"	\$643.17	\$427.63	\$431.91	\$440.55	\$449.36	\$458.35
4"	\$1,581.35	\$1,854.88	\$1,873.43	\$1,910.90	\$1,949.12	\$1,988.10
6"	\$1,581.35	\$3,587.97	\$3,623.85	\$3,696.33	\$3,770.26	\$3,845.67
8"	\$1,581.35	\$7,156.09	\$7,227.65	\$7,372.20	\$7,519.64	\$7,670.03

- Consumption charge revisions.** The District currently provides a monthly allotment to all customers based on meter size or number of dwelling units. Customers are billed based on two uniform consumption charge rates, known as "overage" and "credit", in relation to their actual usage versus their monthly allotment. Under the ratemaking proposal, the District would bill all customers on a uniform consumption charge rate and discontinue minimum monthly allotments. All customers will pay based on the first gallon of usage. **Figure ES-3** summarizes the current and proposed consumption charge rates. Percentage increases shown in **Figure ES-1**, have been applied to calculate rates for the next five fiscal years.

Monthly bills are the sum of both the service charge rate (Item #4 above) and the consumption charge rate multiplied by a customer's respective water use during the month.

Figure ES-3. Current and Proposed Consumption Charge Rates

Consumption Charge	Current (\$/tGal/month)	Proposed (\$/tGal/month; All Customers)				
		Aug-21	Jul-22	Jul-23	Jul-24	Jul-25
All customers	Credit (\$0.42)	\$1.96	\$1.98	\$2.02	\$2.06	\$2.10
	Overage \$1.55					

- Reserve fund targets.** Rates are set to generate a constant level of revenue to maintain reserves at adequate levels. At the same time that revenue from rates is added

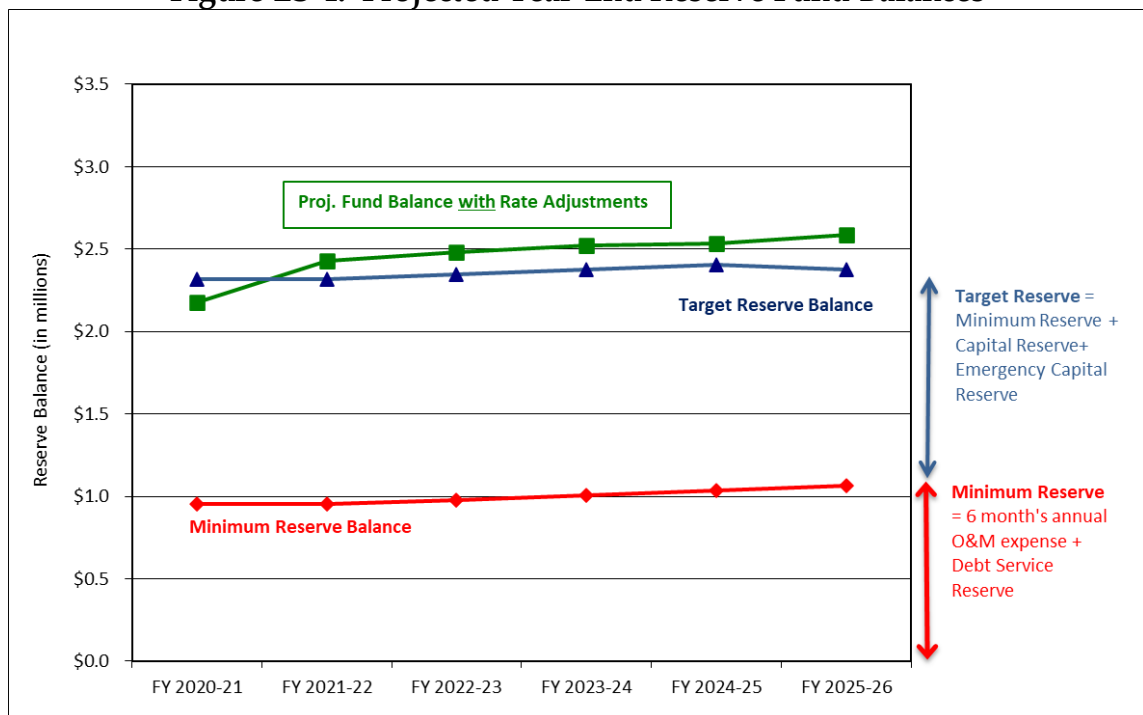
to reserves, reserves are drawn down to fund capital projects whose costs vary from year to year. In effect, reserves are used to buffer rates from varying levels of capital expenditures and unforeseen variances in operating expenditures. To determine what constitutes adequate reserve amounts for rate making purposes, we determine separate operating and capital reserve targets.

The operating reserve provides working capital for monthly O&M expenses. We agree with the District’s current policy requiring an operating reserve of six months of O&M expenses. This is adequate to cover potential cash flow lags between when the District incurs expenses and when it receives revenue from monthly billings. Furthermore, the operating reserve will accommodate uneven expense and revenues throughout the year.

The capital reserve provides liquidity to fund construction for projects that are funded on a PAYGo basis (as opposed to those that are funded from debt). With adequate capital reserves, the District is able to pay contractors without encroaching on the operating reserves. For purposes of this study, we recommend a target capital reserve balance equal to the District’s average annual water-rate funded capital expenditures. In addition, we recommend maintaining an additional \$600,000 in the District’s capital reserve for emergency capital repair purchases.

- Reserve fund balance.** With the recommended rate changes in **Figures ES-2 and ES-3**, the District’s reserve fund balance (solid green line) will meet or exceed the District’s reserve target throughout the five-year financial planning period.

Figure ES-4. Projected Year-End Reserve Fund Balances



8. **Water Rate Implementation.** This report documents the rates proposed for adoption by the District, as shown in **Figures ES-2** and **ES-3**, above. In accordance with Proposition 218, the District may adopt the rates for the five-year financial planning period once all property owners have been notified of the proposed rates and the public protest hearing has been conducted, no earlier than 45 days after the mailing of the notices.

The proposed rate plan would maintain adequate reserves for cash flow and emergency purposes. Actual revenues and expenses may differ from the projections included in the five-year financial model (included in **Appendix**), which is the basis for these proposed rate increases. Each year, as part of the annual budget process, the District would confirm the need for the next incremental rate change. The District can implement a lower rate increase, if supported by the financial forecast, without conducting the Proposition 218 protest process.

II. INTRODUCTION

BACKGROUND

The District provides treated water services to the community of Foresthill, located in Placer County. Currently the District serves just over 2,000 residential and non-residential metered accounts across an approximate service area of 13,000 acres. The District owns and operates its own plant which treats all raw water captured by the Sugar Pine Reservoir. The District assumed ownership of Sugar Pine Reservoir in 2003.

The previous rate study occurred in 2014 and covers FY 2014-15 through FY 2018-19. This study also included a cost-of-service analysis. In the past, the District was in a precarious financial position and structured their rates to mitigate this risk.

STUDY PURPOSE

The purpose of this study is to conduct a cost-of-service analysis that will determine rates that proportionally recover the cost of providing Foresthill's water service. Toward that end, the cost-of-service analysis determines how much revenue should be generated by each component of the rate structure so that rate payers within each customer category are charged for their proportionate share of the cost of providing service on a parcel basis. The cost-of-service analysis has been tailored specifically to the District's customer classes and the rate structures that are appropriate for each category. Rate re-structuring was pursued while ensuring the District would maintain adequate reserves to support continued operations and capital infrastructure repair and replacements.

STUDY PROCESS

A comprehensive rate study comprises three steps. Revenue requirement projections determine how much revenue is needed from rates. Cost-of-service analysis determines how much of the revenue should come from fixed and variable charges. Rate design determines the structure of the fixed service charges and the variable consumption charges for each customer category. The study process also considered recommendations made by the Community Advisory Committee.

The cost-of-service analysis considers industry practices described by the American Water Works Association.² At the outset of the analysis, the types of customer classes were reviewed, as were the types of rate structures that are appropriate to the District's customer categories. Customer meter records, water usage data, and District policies were also reviewed to hone our analysis.

² *Principles of Water Rates, Fees, and Charges*. American Water Works Association Manual M1, 7th Edition.

REPORT ORGANIZATION

The report contains six sections:

1. **Executive Summary** – Summarizes our findings and recommendations.
2. **Introduction** – Provides context for the study.
3. **Revenue Requirements** – Documents the annual revenue requirements and increases in rate revenue for the five-year planning period from FY 2021-22 through FY 2025-26.
4. **Cost-of-Service Analysis** – Documents the allocation of costs to be recovered by the fixed service charge and the consumption charges.
5. **Rate Design** – Documents the derivation of the rates.
6. **Customer Bill Impacts** - Provides a comparison by meter size and usage of current and proposed rates, assuming monthly usage.

In addition to the report sections, you may refer to these additional sections for guidance:

- A. **Table of Contents**
- B. **Glossary**
- C. **Appendix** - Contains a copy of the rate model.

III. REVENUE REQUIREMENTS

To determine whether additional rate revenue is required, projected operating and capital expenses are compared with projected revenue from current rates. Annual surpluses or deficits are then applied to the reserve funds. Rates are then adjusted so that the expenses are covered, and reserve targets are met.

A spreadsheet model was developed to derive revenue requirements for FY 2021-22 through FY 2025-26. The revenue requirements represent the costs that must be covered by revenue from rates and other sources. The District’s Board-approved operating and capital budget for FY 2021-22 served as the starting point for projecting the District’s expenses and revenues.

The derivation of future rates builds on the trend analysis described later in this report. In setting future rates, expenses, revenues, and reserve balances are forecasted. This projection reflects the District’s rate-making objectives. The financial planning model that was developed to make these projections reflects the current understanding of the District’s circumstances, discussed in the following sections.

REVENUE REQUIREMENT ASSUMPTIONS AND PROJECTIONS

Expense projections combined with contributions to reserves become the revenue requirements. The District’s Board-approved operating budget was relied on for the FY 2021-22 expenses in the first year of the financial-planning period. Working with District staff, inflationary factors were developed based on recent historical results. The assumptions shown in **Figure III-1** were used to project the District’s revenue requirements through FY 2025-26.

Figure III-1. Projection Assumptions

	Budget		Projected		
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
a Annual EMU Growth Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Annual Additional EMUs	0	0	0	0	0
Total EMUs End of Year	2,585	2,585	2,585	2,585	2,585
b General Inflation	Budget	2.00%	2.00%	2.00%	2.00%
c Salaries & Wages	Budget	3.00%	3.00%	3.00%	3.00%
d Benefits	Budget	4.50%	4.50%	4.50%	4.50%
e Construction Cost Inflation	Budget	3.31%	3.31%	3.31%	3.31%
f Interest on Fund Balance	1.50%	1.50%	1.50%	1.50%	1.50%
g Bad debt as a % of rate revenue	0.0%	0.0%	0.0%	0.0%	0.0%
h Annual connection fee revenues	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000
i Utilities	Budgeted	3.0%	3.0%	3.0%	3.0%

Labor and Operations Expenses

These cost categories include direct salaries and benefits, materials and services, contract services, and overhead. These expenses are projected to increase an average of 2.9% per year

during the projection period. Details of budgeted and projected expenses are provided on Table 2 of the rate model included in the Appendix.

Debt Service

The District has annual debt service of approximately \$340,000. Approximately half of the annual debt service was incurred to acquire the Sugar Pine Reservoir, to improve the District’s water reliability. The other portion of the debt service is a result of funding system improvements and investments in improving fire flow to better serve the public. The annual debt service payments are partially offset by assessment revenues. Projections of the District’s net debt service payments, to be funded through water rates, are summarized in **Figure III-2**.

Figure III-2. Debt Service (Water Rate Funded)

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Assessment District No. 2 Debt Service					
2017 Water Revenue Bond	\$86,814	\$86,723	\$86,772	\$86,752	\$86,876
2017 Limited Obligation Refunding Bond	\$82,738	\$82,869	\$82,947	\$82,006	\$81,946
Assessment District Revenue	(\$82,239)	(\$82,239)	(\$82,239)	(\$82,239)	(\$82,239)
District Enterprise Fund					
2014 Water Loan Agreement - Sugar Pine Reservoir	\$168,583	\$171,333	\$173,383	\$169,852	\$111,981
Net Debt Service Funded with Water Rates	\$255,896	\$258,686	\$260,863	\$256,371	\$198,563

The District does not plan on issuing additional debt to fund capital improvement projects during the five-year planning period.

Capital Improvements

Rates need to generate enough revenue to cover annual operating and capital repair and replacement expenses. However, rates are not set to exactly match cash expenditures because cash expenditures can fluctuate and the District may receive funds from other sources (e.g., grants, surplus water sales). Reserves are used to cover the difference so that rate increases are smooth and gradual. In order to maintain adequate reserves to help modulate rates, the revenue requirements include contributions to reserves. The contributions to reserves represent additional revenue from water rates that is needed to maintain adequate operating and capital reserves.

The District’s current level of reserves has enabled it to pay down its existing debt service and pursue capital improvements without additional debt funding. The District intends to continue paying for capital infrastructure projects on a Pay-As-You-Go (PAYGo) basis (using water rate revenue, grants, connection fees, and surplus water sales revenue), rather than incurring additional debt.

Facilities the District has constructed to provide water service will depreciate and eventually need to be replaced. The District has conducted periodic facility condition assessments to prioritize and address long-term capital projects via its Capital Improvement Program (CIP).

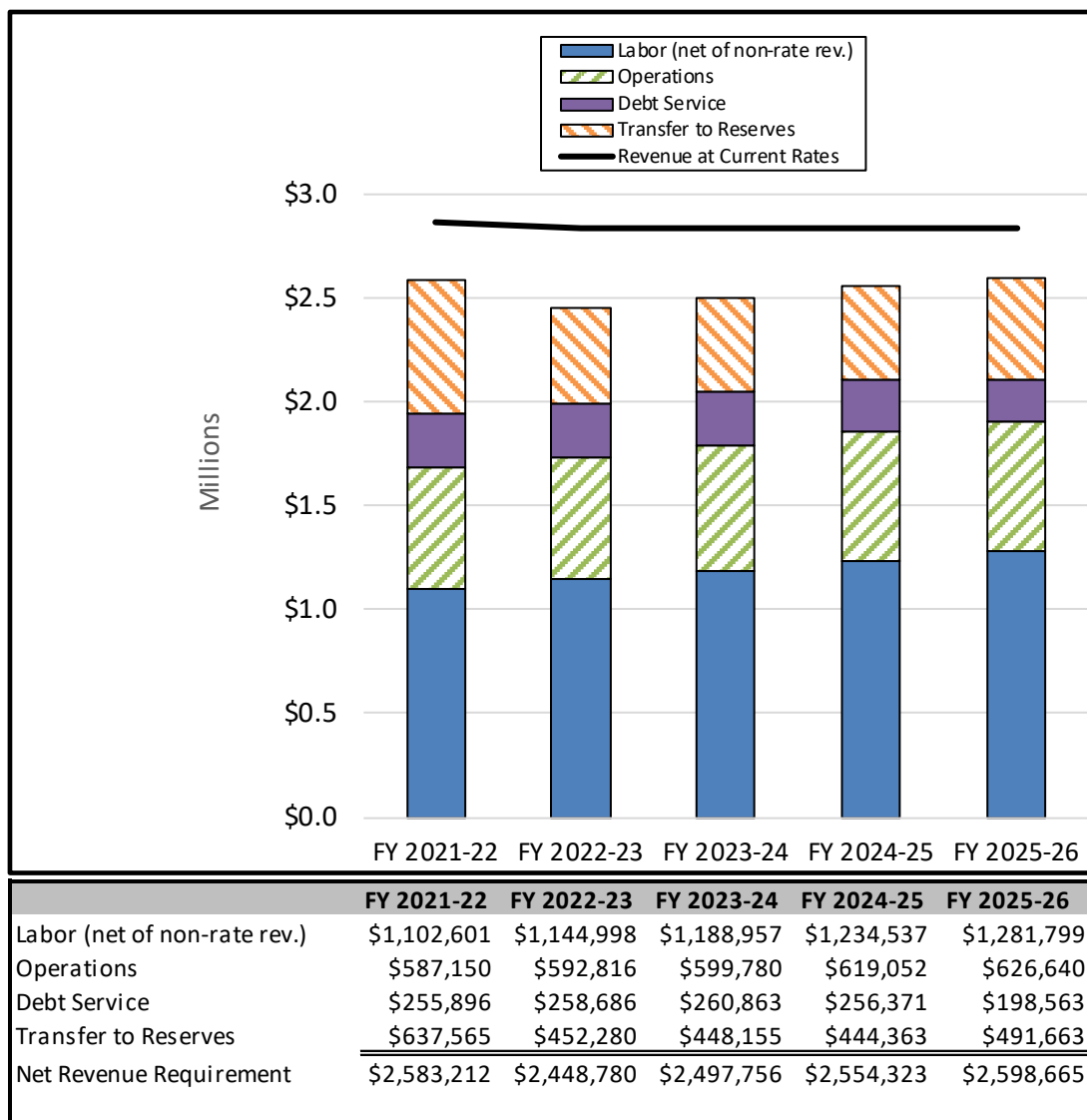
Based on these condition assessments and District capital outlay plans, the revenue requirement projections show approximately \$6.4 million in capital projects over the next 5 years are necessary, as shown in Figure III-3. The projections include an annual inflationary adjustment of 3.3% based on the average annual increase in the Construction Cost Index published by Engineering News-Record over the past ten years. The District plans to fund these projects through a combination of grants, the sale of surplus water, and water rate revenue. The proposed water rates from this rate study include funding an average of \$427,385 per year in capital projects, the remaining project costs will be funded through grants or surplus water sales. If the grant or surplus water sales revenue received in any given year are not sufficient to complete the budgeted project, the project will be deferred.

Figure III-3. Projected Capital Improvement Plan

Project Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total Project Cost
Sugar Pine Dam & Reservoir						
Water Right Permit Extension	\$85,000					\$85,000
Piezometers	\$100,000					\$100,000
Deformation Survey and monuments		\$50,000				\$50,000
Regulatory Expenses						
Cost of Service Study	\$45,000					\$45,000
Treatment Plant						
Auxiliary Generators	\$100,000		\$100,000			\$200,000
Scaffold system for filters	\$20,000					\$20,000
Control Panel Rehabilitation		\$100,000				\$100,000
SCADA/GIS		\$100,000				\$100,000
Lime system rehabilitation	\$60,000					\$60,000
Rehabilitate storage tank			\$500,000			\$500,000
Asphalt sealing (51,000 sq-ft)	\$30,000					\$30,000
** Eq/Inventory building		\$100,000	\$100,000			\$200,000
TL 2300 Turbidity Meter	\$5,000					\$5,000
Transmission & Distribution						
Ditch Witch Vacuum Trailer		\$120,000				\$120,000
Auxiliary Storage Tank					\$1,000,000	\$1,000,000
Sierra View Lane Pipe Replacement	\$1,000,000	\$1,000,000				\$2,000,000
Remaining Pipes (Distribution)				\$800,000		\$800,000
Pressure Relief Stations QTY 36	\$90,000	\$50,000	\$40,000	\$40,000	\$40,000	\$260,000
Sample stations	\$5,000					\$5,000
Administration						
Computers & Software	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$20,000
Billing Software	\$10,000					\$10,000
Facilities/Repairs (Paint & back office)	\$15,000	\$5,000	\$5,000	\$5,000	\$5,000	\$35,000
Equipment/Vehicles						
Vehicle Fleet (7)	\$60,000		\$60,000		\$60,000	\$180,000
Backhoe	\$150,000					\$150,000
Project Costs	\$1,779,000	\$1,529,000	\$809,000	\$849,000	\$1,109,000	\$6,075,000
Inflation Adjustment (3.3% annually)	100.0%	103.3%	106.7%	110.3%	113.9%	
Escalated Total Project Costs	\$1,779,000	\$1,579,634	\$863,469	\$936,171	\$1,263,363	\$6,421,637
Less: Non-Water Rate Funding Sources						
Connection Fees	(\$21,000)	(\$21,000)	(\$21,000)	(\$21,000)	(\$21,000)	(\$105,000)
Grants or Surplus Water Sales	(\$1,358,000)	(\$1,145,388)	(\$415,537)	(\$474,101)	(\$786,686)	(\$4,179,712)
Total Capital Funded with Water Rate Revenue	\$400,000	\$413,246	\$426,932	\$441,070	\$455,677	\$2,136,925
<i>Average Annual Capital Spending Funded through Water Rates</i>						\$427,385

The application of the assumptions in **Figure III-1** and inclusion of the capital expenses, to be funded with water rate revenue described above, comprise the revenue requirements shown in **Figure III-4**.

Figure III-4. Net Revenue Requirement Projections



Revenue from Current Rates

As shown in **Figure III-4**, revenue from current rates is projected to be greater than the annual projected revenue requirements during the five-year planning period. As a result, overall revenue generated from customer water rates can be reduced by 12% in FY 2021-22. The proposed rates discussed in this report reflect such a reduction in total revenue; however, the rate structure changes also being recommended (discussed in **Section V**), will result in some customer bills decreasing less than the 12%, or increasing, while other customer bills will decrease greater than 12%.

It should be noted, the revenue at current rates reflects a sustained reduction in water demand of 20% in FY 2022-23, as a result of current drought conditions and potential changes in water demand, as some customers will experience bill increases as a result of the rate restructure.

RESERVE FUNDS

Rates are set to generate sufficient revenue to cover annual expenses. In addition, rates are set to maintain adequate reserves.

Operating Reserve

The District's reserve policy states that the minimum operating reserve balance will equal six months' annual O&M expense plus the debt service reserve. It is essential to not drop below this minimum balance to ensure adequate cash flow is available to the District throughout the year. Maintaining the minimum balance for the operations reserve is recommended as the highest priority for the District.

Debt Service Reserve

The purpose of a debt service reserve is to provide funding to avoid defaulting on any existing loans if the District failed to make a loan payment. We recommend maintaining a full year's loan repayment. As such, the District's target debt service reserve is between \$280,802 and \$338,135 depending on the specific fiscal year.

Capital Reserve

Just as working capital is needed to pay on-going O&M expenses, working capital is also needed to fund construction of water rate-funded (i.e., as opposed to debt-funded, grant-funded, etc.) capital projects. For purposes of this study, we recommend a Capital Reserve target equal to the average annual water-rate-funded capital expenses (\$427,000).³

Emergency Reserve

Should a District asset unexpectedly fail, this reserve will provide funding toward replacement or repair. In light of the District's decision to assume a significant amount of funding for capital projects will need to come from connection fees, grants, and/or revenue from the sale of surplus water, all of which are not guaranteed to materialize, we recommend maintaining an additional reserve amount for emergency repair and replacement purposes. As such, the reserve balance target includes an emergency reserve amount of \$600,000 (in addition to the operating, debt, and capital reserve targets discussed above), which is equal to 2% of the book value of the District's existing assets.

REVENUE CHANGES

The required revenue changes are determined by comparing the revenue from existing rates with the revenue requirements. Rate revenue is then adjusted to reduce or eliminate deficits

3

or surpluses, provide adequate debt coverage, and maintain reserves. As shown in **Figure III-4**, annual revenue generated from existing rates is sufficient to cover the District’s budgeted FY 2021-22 operating and capital expenses described above. As a result, overall revenue generated from customer water rates can be reduced by 12% in FY 2021-22. Because the rate adjustments are proposed to go into effect in mid-August, the actual decrease in rate revenue for FY 2021-22 will be 10%, as revenues during the first two months of the fiscal year (July and August) will be at current rates.

Figure III-5 summarizes the proposed annual rate changes and resulting changes in revenue generated. In FY 2021-22, the percentage rate increase varies among customers, because of rate structure modifications. In subsequent years, the rate adjustments are applied across the board to all rates.

Figure III-5. Projected Revenue Increases

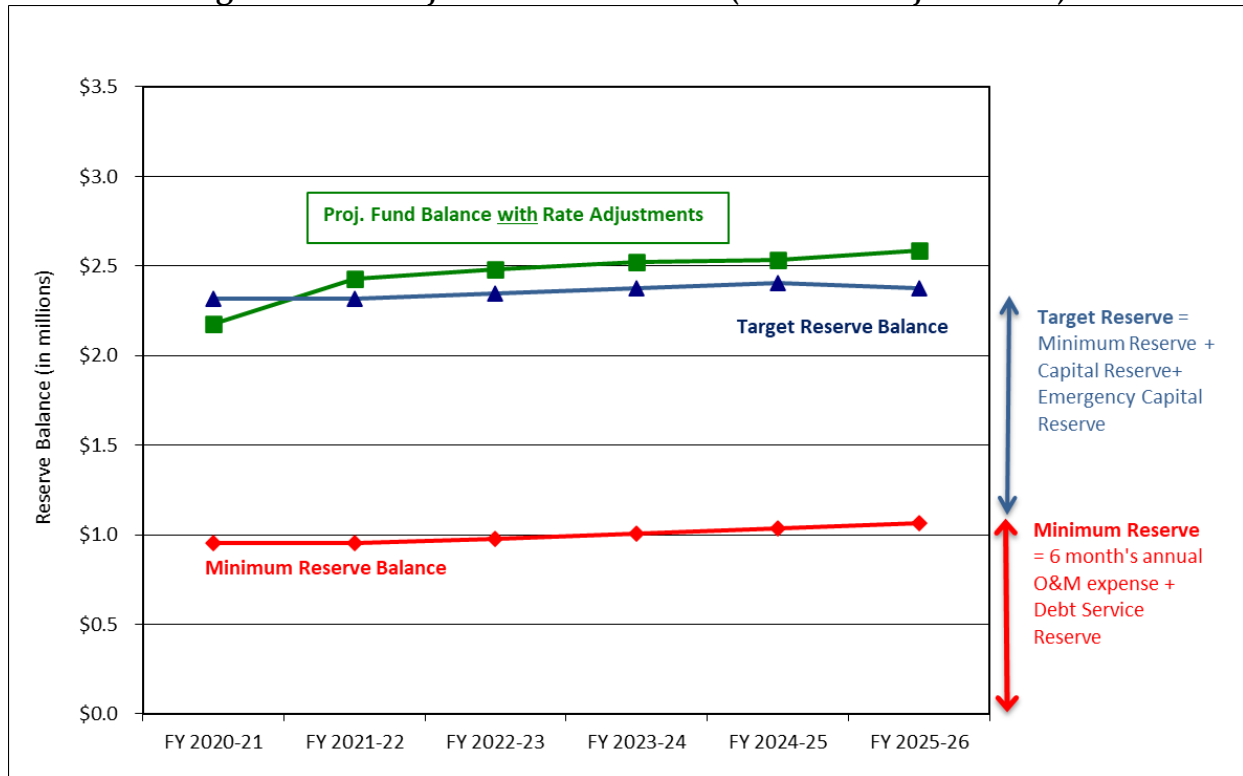
Fiscal Year	Rate Adjustments	Date of Rate Adjustment	Revenue After Rate Adjustments	Change in Revenue
Current Revenue at Current Rates			\$2,868,017	
FY 2021-22	various	Aug. 2021	\$2,583,212	-10%
FY 2022-23	1%	July 2022	\$2,553,039	-1%
FY 2023-24	2%	July 2023	\$2,606,114	2%
FY 2024-25	2%	July 2024	\$2,660,293	2%
FY 2025-26	2%	July 2025	\$2,715,598	2%

RESERVE FUND BALANCE

Figure III-6 shows (solid green line) the annual fluctuations in the fund balance that are caused by the differences between the revenue requirement and revenue from rates with the rate increases; the dashed green line is the projected fund balance without the rate adjustments. The revenue and rate adjustments in **Figure III-5** were derived to maintain the fund balance at or slightly above the target reserve. Maintaining a fund balance near the target reserve, will ensure the District has adequate cash flow for operations and reserves to pay for planned capital improvements and unplanned emergencies.

Figure III-6 contains two target lines. First, the Minimum Reserve balance (red line) is equal to six month’s annual O&M expense plus the debt service reserve. It is essential to not drop below this minimum balance to ensure adequate cash flow is available to the District throughout the year. Second, the Target Reserve (blue line) is the sum of the Capital Reserve and Emergency Reserve added to the Minimum Reserve balance.

Figure III-6. Projected Fund Balance (after rate adjustments)



IV. COST OF SERVICE ANALYSIS

GENERAL APPROACH

The revenue requirement analysis establishes how much revenue is required from rates. The next step in the analysis is determining the cost of service. Cost-of-service analysis (COS) is used to derive rates that proportionally allocate the cost of service. This study uses the base/extra capacity method to allocate the cost of service to the fixed (service charge) and variable (consumption charge) rate components. The District has historically charged water customers the combination of a fixed service charge and a variable consumption charge based on metered water use in relation to a minimum monthly water allotment. This chapter explains the derivation of the revised service charge and consumption rates that will proportionally generate sufficient revenue to cover the operating and capital costs of the District, as well as maintain a reasonable reserve balance.

Analytical Procedure

The cost-of-service analysis in this study involved a series of steps that allow for reasonable cost allocations. Costs are first classified according to the associated function. Functions provide the level of service required by customers. The cost of functions can be allocated in proportion to the service provided.

1. **Service function cost classification** – Revenue requirements need to be converted into service function cost categories, which conversion is needed for allocating costs that will be used for calculating rates.
2. **Demand service function allocation percentages** – Base and extra capacity allocation factors are needed to apportion costs related to the demand service functions and to customer categories.
3. **Service function allocations** – Costs from Step 1 are allocated to the demand and customer service functions from Step 2.

The steps constitute the cost-of-service analysis, which converts the revenue requirement for FY 2021-22 of \$2,583,263 (as shown in **Exhibit III-4**) into service charge rates and consumption charge rates.

Service Function Cost Classification

After determining a utility's revenue requirements, the COS analysis begins by aligning the budget items with the associated function. For example, some cost items are related to functions that support the ability to meet base and peak water demands while other costs are incurred to provide customer service. In other words, "function" refers to the type of operational activity or capital cost needed to provide service. Organizing the budget by functions correlates budget items with the rate (fixed service charges or consumption charges) that will fund the cost.

The service functions for each cost category determine how the capital and O&M costs are allocated. The service functions fall into two categories:

- **Demand service function** - functions related to delivering water to customers at varying levels of demand. These costs will be recovered from the consumption rates.
- **Customer service function** - functions related to customer service and “reserved” capacity. These costs will be recovered from the service charge rates.

The cost of these service functions is derived from the District’s Board-approved FY 2021-22 budget. **Figure IV-1** shows the classification of the budgeted operating and capital expenses and non-operating revenues by service function, organizing them into O&M, Capital, Debt Service, and Non-Operating Revenue categories. The proposed rates are designed to generate 80% of revenue from the service charge and 20% of revenue from the consumption charge.

Figure IV-1. FY 2021-22 Revenue Requirement by Service Function

Cost Categories	Consumption Charge	Service Charge	FY 2021-22 Revenue Requirement
O&M Expenses by Function			
Source of Supply	\$27,908	\$33,768	\$61,676
Pumping	\$18,498	\$22,381	\$40,879
Treatment	\$104,106	\$125,964	\$230,070
Distribution	\$186,253	\$225,360	\$411,613
Customer Service	\$0	\$484,029	\$484,029
Regulatory Compliance	\$0	\$350,600	\$350,600
Management and Administration	\$0	\$324,884	\$324,884
Total O&M Expenses	\$336,765	\$1,566,986	\$1,903,751
Total Capital Expenses (Debt Service)	\$0	\$87,313	\$87,313
Sugar Pine Debt Service	\$0	\$168,583	\$168,583
Capital Expenses (PayGo) by Function			
Source of Supply	\$4,987	\$6,035	\$11,022
Pumping	\$0	\$0	\$0
Treatment	\$45,144	\$54,623	\$99,767
Distribution	\$130,975	\$158,475	\$289,451
Customer Service	\$0	\$25,122	\$25,122
Regulatory	\$0	\$2,024	\$2,024
Total Capital Expenses	\$181,106	\$246,278	\$427,385
Net Non-Operating Revenue (Rev)/Exp	\$0	(\$3,820)	(\$3,820)
Total Revenue Requirement	\$517,871	\$2,065,341	\$2,583,212
% of Total	20%	80%	

V. RATE DESIGN

GENERAL

The proposed rate design simplifies the District’s rate structure in accordance with rate setting objectives of the District staff, board, and citizens advisory committee. In summary, the proposed rates:

1. Eliminate the various allotments of water included in the fixed service charges, which varied by meter size and essentially provided more water to customers with larger meters, who put more demands on the system.
2. Replaces the per-unit charge for multi-unit customer classes (e.g., mobile homes, apartments) with a fixed service charge based on their meter size, which is consistent with all other customers.
3. Reduces the amount of revenue generated by the fixed service charges (from 95% to 80%) and increases the amount of revenue generated by the consumption charges (from 5% to 20%). With this revised proportionality that increases the weight given to variable charges, customers would have more control over their monthly bill. Customers who reduce their water use will reduce their variable cost compared to customers who increase their water use.

FIXED SERVICE CHARGE RATE DESIGN

Service charge rates are fixed rates charged per account that are billed each billing period to recover the cost of the customer service function. The service charge rates are graduated in proportion to the capacity of the service connection serving a property. Service charge rates are independent of customer categories (e.g., single-family residents, multi-unit complexes, commercial businesses, schools) because the maximum potential demand capacity of a service connection varies by meter size. As such, the proposed fixed service charges would vary for all customers based on the size of the service connection serving the property. Service charges cover the cost to provide customer service for each connection (e.g. meter reading, billing, etc.) and the cost of overall water system capacity needed to meet maximum potential demand from each meter size, regardless of the number of dwelling units served by the meter.

The cost-of-service analysis determined how much of the revenue requirement would be collection from the fixed service charges (\$2,065,341, as shown in **Figure IV-1**). The function has two components – customer accounts and customer capacity – each of which is itemized in the cost-of-service analysis in **Figure V-1**. Costs attributable to customer accounts are allocated to customers in proportion to the number of accounts. Costs attributable to water system capacity needed to meet a customer’s demand are allocated in proportion to meter size and are described in terms of Equivalent Meter Units (EMUs), which are discussed on the next page.

Figure V-1 derives the unit costs for the customer accounts and customer capacity cost components. Each account is allocated \$19.84 for the customer account cost component. That amount represents the costs the District incurs to maintain an account regardless of the capacity of the service. Each account is also allocated a total of \$50.97 per EMU ((\$37.60 + \$5.43 + \$7.94)). That amount represents a portion of the cost of providing distribution system capacity for each account, and increases based on the capacity of the meter.

Figure V-1. Service Charge Unit Costs

FY 2021-22 Service Charge Expenses	Service Charge Components				Total Service Charge
	Base Component		Sugar Pine Reservoir	Repair & Replacement	
	Accounts	Capacity	Debt Service	Component	
O&M Expenses	\$484,029	\$1,082,957			\$1,566,986
Total Capital Expenses (Debt Service)		\$87,313			\$87,313
Sugar Pine Reservoir (Debt Service)			\$168,583		\$168,583
Total Capital Expenses				\$246,278	\$246,278
Non-Operating Revenue	\$0	(\$3,820)			(\$3,820)
Total FY 2019-20	\$484,029	\$1,166,451	\$168,583	\$246,278	\$2,065,341
% of Component	23%	56%	8%	12%	100%
Units of Service	2,033	2,585	2,585	2,585	
	Accounts	EMUs	EMUs	EMUs	
Monthly Cost					
per Account	\$19.84				
per EMU		\$37.60	\$5.43	\$7.94	

Capacity costs associated with the distribution system are apportioned among the connections in proportion to the capacity associated with each connection. Accounts are converted to EMUs to apportion the customer capacity cost component. An EMU represents the number of 5/8-inch meters to which a larger meter is equivalent. For example, a 1-inch meter provides 2.20 times as much capacity as a 5/8-inch meter. The capacity multipliers are based on the manufacturer’s nominal capacity of the District’s meters. There are 2,585 total EMUs. In effect, the 2,033 services of various sizes have the equivalent capacity as 2,585 5/8-inch meters.

Figure V-2. Service Charge Units of Service

Service Size	# of Accounts	Meter Ratings (gpm)	Capacity Multiplier*	EMUs
	a	b	c = b ÷ 25	a * c
5/8"	1,371	25	1.00	1,371
3/4"	583	35	1.40	816
1"	17	55	2.20	37
1-1/2"	4	120	4.80	19
2"	10	200	8.00	80
4"	4	900	36.00	144
6"	1	1,750	70.00	70
8"	0	3,500	140.00	0
Dual 3/4"	8	35	1.40	11
Dual Service	29	25	1.00	29
Triple Service	3	25	1.00	3
Triple Service T3	3	35	1.40	4
Total Accounts	2,033		Total EMUs	2,585

* Capacity multiplier assumes 5/8" meter = 1 EMU = 25 gals/min

Monthly service charge components for capacity, Sugar Pine Dam Reservoir debt service and Repair and Replacement (R&R) funding with their capacity components are shown in **Figures V-3, V-4, and V-5**, respectively.

The account component of \$19.84, which all customers pay, has been combined with the base capacity component (product of \$37.60/EMU and capacity multiplier) as one base charge in **Figure V-3**.

Figure V-3. Proposed Base Service Charge Rates – FY 2021-22

Service Size	Account Component (\$/mo.)	Capacity Component			Total Base Charge (\$/mo.)
		\$/EMU	Capacity Multiplier	Total	
	a	b	c	d = b * c	e = a + d
5/8"	\$19.84	\$37.60	1.00	\$37.60	\$57.44
3/4"	\$19.84	\$37.60	1.40	\$52.64	\$72.48
1"	\$19.84	\$37.60	2.20	\$82.72	\$102.56
1 1/2"	\$19.84	\$37.60	4.80	\$180.48	\$200.32
2"	\$19.84	\$37.60	8.00	\$300.80	\$320.64
4"	\$19.84	\$37.60	36.00	\$1,353.61	\$1,373.45
6"	\$19.84	\$37.60	70.00	\$2,632.02	\$2,651.86
8"	\$19.84	\$37.60	140.00	\$5,264.04	\$5,283.88

Figure V-4. Proposed Sugar Pine Debt Service Charge Rates – FY 2021-22

Service Size	Account Component (\$/mo.)	Capacity Component			Total Sugar Pine Charge (\$/mo.)
		\$/EMU	Capacity Multiplier	Total	
	a	b	c	d = b * c	e = a + d
5/8"	\$0.00	\$5.43	1.00	\$5.43	\$5.43
3/4"	\$0.00	\$5.43	1.40	\$7.61	\$7.61
1"	\$0.00	\$5.43	2.20	\$11.96	\$11.96
1 1/2"	\$0.00	\$5.43	4.80	\$26.08	\$26.08
2"	\$0.00	\$5.43	8.00	\$43.47	\$43.47
4"	\$0.00	\$5.43	36.00	\$195.63	\$195.63
6"	\$0.00	\$5.43	70.00	\$380.40	\$380.40
8"	\$0.00	\$5.43	140.00	\$760.79	\$760.79

Figure V-5. Proposed R&R Capacity Service Charge Rates – FY 2021-22

Service Size	Account Component (\$/mo.)	Capacity Component			Total R&R Charge (\$/mo.)
		\$/EMU	Capacity Multiplier	Total	
	a	b	c	d = b * c	e = a + d
5/8"	\$0.00	\$7.94	1.00	\$7.94	\$7.94
3/4"	\$0.00	\$7.94	1.40	\$11.11	\$11.11
1"	\$0.00	\$7.94	2.20	\$17.47	\$17.47
1 1/2"	\$0.00	\$7.94	4.80	\$38.11	\$38.11
2"	\$0.00	\$7.94	8.00	\$63.51	\$63.51
4"	\$0.00	\$7.94	36.00	\$285.79	\$285.79
6"	\$0.00	\$7.94	70.00	\$555.71	\$555.71
8"	\$0.00	\$7.94	140.00	\$1,111.42	\$1,111.42

Figure V-6 combines the preceding Figures V-3, V-4, and V-5, which is the total recommended service charge rates for FY 2021-22.

Figure V-6. Proposed Monthly Service Charge Rates - FY 2021-22

Service Size	Base Component	Sugar Pine Component	Repair & Replacement Component	Total Service Chg (\$/mo.)
5/8"	\$57.44	\$5.43	\$7.94	\$70.81
3/4"	\$72.48	\$7.61	\$11.11	\$91.20
1"	\$102.56	\$11.96	\$17.47	\$131.98
1 1/2"	\$200.32	\$26.08	\$38.11	\$264.51
2"	\$320.64	\$43.47	\$63.51	\$427.63
4"	\$1,373.45	\$195.63	\$285.79	\$1,854.88
6"	\$2,651.86	\$380.40	\$555.71	\$3,587.97
8"	\$5,283.88	\$760.79	\$1,111.42	\$7,156.09

Figure V-7 compares the proposed with the current service charge rates. As shown in **Figure V-7**, larger meters (6" and 8") will see a significant increase. There are currently three meters over 4 inches, the High School (8"), Divide School (6"), and a multi-unit complex (6"). At any time, any customer may re-evaluate their needed meter size, based on their current water needs, and replace their meter with the appropriate size.

Figure V-7. Comparison of Monthly Service Charge Rates – FY 2021-22

Service Size	Current (\$/month)	Proposed (\$/month)	Difference (\$/month)
5/8"	\$90.54	\$70.81	(\$19.73)
3/4"	\$90.54	\$91.20	\$0.66
1"	\$163.87	\$131.98	(\$31.89)
1 1/2"	\$328.68	\$264.51	(\$64.17)
2"	\$643.17	\$427.63	(\$215.54)
4"	\$1,581.35	\$1,854.88	\$273.53
6"	\$1,581.35	\$3,587.97	\$2,006.62
8"	\$1,581.35	\$7,156.09	\$5,574.74
Dual Service			
5/8"	\$179.05	\$70.81	(\$108.24)
3/4"	\$179.05	\$91.20	(\$87.85)
Triple Service			
5/8"	\$267.56	\$70.81	(\$196.75)
3/4"	\$267.56	\$91.20	(\$176.36)
Multi-Unit	\$90.54+\$88.51 per additional DU	varies based on meter size only	varies based on meter size

Figure V-8 shows the proposed Service Charge rates. Dual service, triple service and other multi-unit customers would be billed based on meter size, and not on the number of dwelling units within the multi-unit complex. That more closely aligns the charges paid by multi-unit customers to the maximum demands they can place on the District water system based on their service connection size, with larger sizes representing more ability to instantaneously demand more water and related distribution system capacity smaller service connections.

Figure V-8. Proposed Monthly Service Charge Rates

Service Size	Current (\$/month)	Proposed (\$/mo; All Customer Classes)				
		Sept. 2021	Jul. 2022	Jul. 2023	Jul. 2024	Jul. 2025
5/8"	\$90.54	\$70.81	\$71.52	\$72.95	\$74.41	\$75.90
3/4"	\$90.54	\$91.20	\$92.11	\$93.95	\$95.83	\$97.75
1"	\$163.87	\$131.98	\$133.30	\$135.97	\$138.69	\$141.46
1 1/2"	\$328.68	\$264.51	\$267.16	\$272.50	\$277.95	\$283.51
2"	\$643.17	\$427.63	\$431.91	\$440.55	\$449.36	\$458.35
4"	\$1,581.35	\$1,854.88	\$1,873.43	\$1,910.90	\$1,949.12	\$1,988.10
6"	\$1,581.35	\$3,587.97	\$3,623.85	\$3,696.33	\$3,770.26	\$3,845.67
8"	\$1,581.35	\$7,156.09	\$7,227.65	\$7,372.20	\$7,519.64	\$7,670.03

CONSUMPTION CHARGE DESIGN

The proposed rate structure would remove the monthly water allotment and credit system for using less water than allotted. The proposed rate structure would simplify rates and give customers more control over their monthly bill in response to the customer’s increased or decreased water use. As with the district’s existing consumption charges the proposed rate structure would have a uniform consumption rate value (i.e. no tiers) that applies to all customers and customer types.

The uniform rate in **Figure V-9** is derived by dividing the total revenue to be derived by the consumptions charges for FY 2021-22 (\$517,871, as shown in **Figure IV-1**) by the projected water demand in FY 2021-22. Water demand for FY 2021-22 was projected based on calendar year 2019 actual demand, as more recent 2020 demand patterns have been affected by COVID-19.

Figure V-9. Calculation of Consumption Charge (FY 2021-22)

Revenue needed from Consumption Charges	\$517,871
Projected Demand (tGal)	264,695
Uniform Consumption Charge per tGal	\$1.96

Consumption Charge Rate Summary

Figure V-10 shows the current and proposed consumption charge rates.

Figure V-10. Proposed Consumption Charge Rates

Customer Class	Current (\$/tGal/month above or below allotment)	Proposed (\$/tGal/month)				
		Sept. 2021	Jul. 2022	Jul. 2023	Jul. 2024	Jul. 2025
All customers	Credit (\$0.42) Overage \$1.55	\$1.96	\$1.98	\$2.02	\$2.06	\$2.10

VI. SAMPLE CUSTOMER BILL IMPACTS

In the previous section, the consumption and service charge structures were compared for the current and proposed rates. A further understanding of the differences between the two structures can be gained by comparing bills based on both rate structures.

BILL COMPARISON

Bills Under Proposed Rates

Under the recommended structure, customers pay the sum of the service charge corresponding to the capacity of their service plus a consumption charge for water use during the billing period. **Figure VI-1** provides sample impacts. The bill impacts shown in **Figure VI-1** assume various size meters based on the most-common meter size for the given customer type. Actual bill impacts will vary depending on meter size and actual water use during the month. Customers’ bills vary during the year, which means that a customer may have a low demand at one time of the year and pay less, and a higher demand at another time and pay more.

Figure VI-1. Sample Customer Bills as of August 2021

<u>Monthly Bill Impacts</u>	<u>Usage</u>		<u>Current Bill</u>	<u>Proposed</u>	<u>Change (\$)</u>
	<u>DUs</u>	<u>(tGal/mo)</u>			
<u>Residential (5/8")</u>					
Low Use (50% of average)		5.0	\$88.44	\$80.61	(\$7.83)
Average Use		10.0	\$90.12	\$90.41	\$0.29
High Use (2x average)		20	\$102.94	\$110.01	\$7.07
Avg. Dual Service Customer	2	14.0	\$176.53	\$98.25	(\$78.28)
Avg. Triple Service Customer	3	26.0	\$265.88	\$121.77	(\$144.11)
<u>Non-Residential</u>					
1" Meter - Multi-Unit	36	40.3	\$3,198.52	\$210.97	(\$2,987.55)
1" Meter - Multi-Unit	14	101.0	\$1,272.79	\$329.94	(\$942.85)
2" Meter - Multi-Unit	12	35.6	\$1,068.70	\$497.41	(\$571.29)
4" Meter - Multi-Unit	78	468.9	\$7,079.15	\$2,773.92	(\$4,305.22)
4" Meter - Multi-Unit	34	231.3	\$3,093.72	\$2,308.23	(\$785.49)
6" Meter & 1 1/2" Meter - Multi-Unit	114	568.5	\$10,300.14	\$4,966.74	(\$5,333.40)
Low Use Non-Residential Customer (3/4")		28.5	\$119.22	\$147.06	\$27.85
Avg. Non-Residential Customer (3/4")		57.0	\$163.39	\$202.92	\$39.53
High Use Non-Residential Customer (3/4")		114.0	\$251.74	\$314.64	\$62.90
1" Meter		17.0	\$163.45	\$165.30	\$1.85
2" Meter		32.0	\$631.41	\$490.35	(\$141.06)

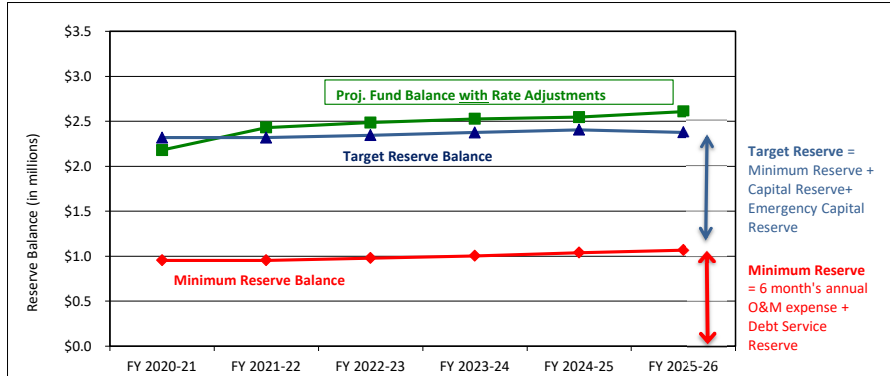


Appendix. Water Rate Model

	A	B	C	D	E	F	G	H	I
1	Foresthill PUD								
2	Water Rate Study								
3	Table 1A - Assumptions								
4									
5									
6	Inflation Factor Assumptions used for projections:								
7		Budget	Projected						
8		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Notes		
9	a	Annual EMU Growth Rate	0.08%	0.08%	0.08%	0.08%	0.08%	Estimate; To Tables 3, 4, 7	
10		Annual Additional EMUs	2	2	2	2	2	To Table 7; Provided by District	
11		Total EMUs End of Year	2,585	2,587	2,589	2,591	2,593	2,595	Data provided by District, from Table 7
12	b	General Inflation	Budget	2.00%	2.00%	2.00%	2.00%	2.00%	Estimate
13	c	Salaries & Wages	Budget	3.00%	3.00%	3.00%	3.00%	3.00%	Estimate
14	d	Benefits	Budget	4.50%	4.50%	4.50%	4.50%	4.50%	Estimate
15	e	Construction Cost Inflation	Budget	3.31%	3.31%	3.31%	3.31%	3.31%	ENR SF 10-Year Average annual change
16	f	Interest on Fund Balance	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	Estimate; To Table 4
17	g	Bad debt as a % of rate revenue	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	To Table 3; per District bad debt is recovered.
18	h	Annual connection fee revenues	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	To Table 4; per District
19	i	Utilities	Budgeted	3.0%	3.0%	3.0%	3.0%	3.0%	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U
1		Foresthill PUD																			
2		Water Rate Study																			
3		Table 1B - Summary																			
4																					
5																					
6																					
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		Budget		Projected		
		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
	<i>Eff. Date of Rate Adjustments</i>	8/15/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025
1	Annualized Change in Revenue	-12.0%	1.0%	2.0%	2.0%	2.0%
2	<i>Cumulative</i>	-12.0%	-11.1%	-9.3%	-7.5%	-5.7%
3	Reduction in water consumption for sensitivity analysis	0.0%	-20.0%	0.0%	0.0%	0.0%
4		100.0%	80.0%	80.0%	80.0%	80.0%



Service Size	Current (\$/month)	Proposed (\$/mo; All Customer Classes)				
		Aug. 2021	Jul. 2022	Jul. 2023	Jul. 2024	Jul. 2025
	% change	various	1.0%	2.0%	2.0%	2.0%
5/8"	\$90.54	\$70.81	\$71.52	\$72.95	\$74.41	\$75.90
3/4"	\$90.54	\$91.20	\$92.11	\$93.95	\$95.83	\$97.75
1"	\$163.87	\$131.98	\$133.30	\$135.97	\$138.69	\$141.46
1 1/2"	\$328.68	\$264.51	\$267.16	\$272.50	\$277.95	\$283.51
2"	\$643.17	\$427.63	\$431.91	\$440.55	\$449.36	\$458.35
4"	\$1,581.35	\$1,854.88	\$1,873.43	\$1,910.90	\$1,949.12	\$1,988.10
6"	\$1,581.35	\$3,587.97	\$3,623.85	\$3,696.33	\$3,770.26	\$3,845.67
8"	\$1,581.35	\$7,156.09	\$7,227.65	\$7,372.20	\$7,519.64	\$7,670.03

Customer Class	Current (\$/tGal/month above or below allotment)	Proposed (\$/tGal/month)				
		Aug. 2021	Jul. 2022	Jul. 2023	Jul. 2024	Jul. 2025
	% change	various	1.0%	2.0%	2.0%	2.0%
All customers	Credit Overage (\$0.42) \$1.55	\$1.96	\$1.98	\$2.02	\$2.06	\$2.10

	B	C	D	E	F	G	H	I
1	Foresthill PUD							
2	Water Rate Study							
3	Table 2 - Revenue Requirements							
4		Inflation	Budgeted	Projected				
5		Factor	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Notes
6	Operating Expenses							
7	Source of Supply							
8	Salaries	c	\$34,150	\$35,175	\$36,230	\$37,317	\$38,436	
9	Taxes	c	\$2,612	\$2,690	\$2,771	\$2,854	\$2,940	
10	Benefits	d	\$14,914	\$15,585	\$16,286	\$17,019	\$17,785	
11	Maintenance	b	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	
12	Vehicle Expense	b	\$0	\$0	\$0	\$0	\$0	
13	Contracted Services	b	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	
14	Resource Development	b	\$0	\$0	\$0	\$0	\$0	
15	Power	i	\$5,000	\$4,120	\$4,244	\$4,371	\$4,502	
16	Other	b	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	
17								
18								
19	Pumping							
20	Salaries	c	\$16,045	\$16,526	\$17,022	\$17,533	\$18,059	
21	Taxes	c	\$1,227	\$1,264	\$1,302	\$1,341	\$1,381	
22	Benefits	d	\$7,007	\$7,322	\$7,652	\$7,996	\$8,356	
23	Materials & Supplies	b	\$100	\$102	\$104	\$106	\$108	
24	Equipment Expense	b	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	
25	Power	i	\$10,000	\$8,240	\$8,487	\$8,742	\$9,004	
26	Propane	i	\$5,000	\$4,120	\$4,244	\$4,371	\$4,502	
27	Other	b	\$500	\$510	\$520	\$531	\$541	
28								
29								
30	Treatment							
31	Salaries	c	\$112,389	\$115,761	\$119,233	\$122,810	\$126,495	
32	Taxes	c	\$8,598	\$8,856	\$9,122	\$9,395	\$9,677	
33	Benefits	d	\$49,083	\$51,292	\$53,600	\$56,012	\$58,532	
34	Operating Supplies	b	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	
35	Chemicals	b	\$25,000	\$20,400	\$20,808	\$21,224	\$21,649	
36	Vehicle Expense	b	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	
37	Equipment Maintenance	b	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	
38	Contracted Services	b	\$0	\$0	\$0	\$0	\$0	
39	Resource Development	b	\$0	\$0	\$0	\$0	\$0	
40	Power	i	\$18,000	\$14,832	\$15,277	\$15,735	\$16,207	
41	Propane	i	\$2,000	\$1,648	\$1,697	\$1,748	\$1,801	
42	Other	b	\$0	\$0	\$0	\$0	\$0	
43	Uniforms	b	\$3,000	\$3,060	\$3,121	\$3,184	\$3,247	
44								
45								
46	Distribution							
47	Salaries	c	\$225,273	\$232,031	\$238,992	\$246,162	\$253,547	
48	Taxes	c	\$17,233	\$17,750	\$18,282	\$18,831	\$19,396	
49	Benefits	d	\$98,382	\$102,809	\$107,436	\$112,270	\$117,322	
50	Operating Supplies	b	\$40,000	\$40,800	\$41,616	\$42,448	\$43,297	
51	Uniforms	b	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	

	B	C	D	E	F	G	H	I
1	Foresthill PUD							
2	Water Rate Study							
3	Table 2 - Revenue Requirements							
4		Inflation	Budgeted	Projected				
5		Factor	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Notes
52	Vehicles Expense	b	\$12,000	\$12,240	\$12,485	\$12,734	\$12,989	
53	Equipment rentals/repairs	b	\$4,000	\$4,080	\$4,162	\$4,245	\$4,330	
54	General Shop Maintenance	b	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	
55	Contracted Services	b	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	
56	Resource Development	b	\$225	\$230	\$234	\$239	\$244	
57	Utilities	i	\$1,500	\$1,545	\$1,591	\$1,639	\$1,688	
58	Other	b	\$1,000	\$1,020	\$1,040	\$1,061	\$1,082	
59	Subtotal Distribution		\$411,613	\$424,745	\$438,323	\$452,364	\$466,885	
60								
61	Customer Service							
62	Salaries	c	\$282,199	\$290,665	\$299,385	\$308,366	\$317,617	
63	Taxes	c	\$21,588	\$22,236	\$22,903	\$23,590	\$24,297	
64	Benefits	d	\$123,242	\$128,788	\$134,583	\$140,640	\$146,968	
65	Office Supplies	b	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	
66	Equipment maintenance	b	\$2,000	\$2,040	\$2,081	\$2,122	\$2,165	
67	Computer Enhancement Service	b	\$15,000	\$15,300	\$15,606	\$15,918	\$16,236	
68	Contracted Services	b	\$20,000	\$20,400	\$20,808	\$21,224	\$21,649	
69	Telephone & Internet	i	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255	
70	Other	b	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	
71	Subtotal Customer Service		\$484,029	\$499,929	\$516,379	\$533,400	\$551,013	
72								
73	Regulatory Compliance							
74	Salaries	c	\$87,330	\$89,950	\$92,648	\$95,428	\$98,291	
75	Taxes	c	\$6,681	\$6,881	\$7,088	\$7,301	\$7,520	
76	Benefits	d	\$38,139	\$39,855	\$41,649	\$43,523	\$45,481	
77	Supplies	b	\$1,200	\$1,224	\$1,248	\$1,273	\$1,299	
78	Water Analysis	b	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	
79	Accounting and auditing	b	\$15,000	\$15,300	\$15,606	\$15,918	\$16,236	
80	Legal Services	b	\$60,000	\$61,200	\$62,424	\$63,672	\$64,946	
81	State Dam Inspection	b	\$70,000	\$71,400	\$72,828	\$74,285	\$75,770	
82	Restoration Fee - US Bureau of Reclamation	b	\$25,000	\$25,500	\$26,010	\$26,530	\$27,061	
83	State Dept of Public Health	b	\$13,500	\$13,770	\$14,045	\$14,326	\$14,613	
84	Other	b	\$5,250	\$5,355	\$5,462	\$5,571	\$5,683	
85	Placer county Hazmat permit	b	\$5,000	\$5,100	\$5,202	\$5,306	\$5,412	
86	Department of Transportation testing	b	\$500	\$510	\$520	\$531	\$541	
87	Water Rights and Storage fees	b	\$13,000	\$13,260	\$13,525	\$13,796	\$14,072	
88	Subtotal Regulatory Compliance		\$350,600	\$359,506	\$368,660	\$378,072	\$387,749	
89								
90	Management and Administration							
91	Salaries	c	\$98,141	\$101,085	\$104,118	\$107,241	\$110,459	
92	Taxes	c	\$7,508	\$7,733	\$7,965	\$8,204	\$8,450	
93	Benefits	d	\$42,860	\$44,789	\$46,804	\$48,910	\$51,111	
94	Retired Medical Insurance	d	\$15,000	\$15,675	\$16,380	\$17,117	\$17,888	
95	Materials and supplies	b	\$7,000	\$7,140	\$7,283	\$7,428	\$7,577	
96	Maintenance	b	\$10,000	\$10,200	\$10,404	\$10,612	\$10,824	
97	County Tax Collection System charge	b	\$2,600	\$2,652	\$2,705	\$2,759	\$2,814	

	B	C	D	E	F	G	H	I
1	Foresthill PUD							
2	Water Rate Study							
3	Table 2 - Revenue Requirements							
4		Inflation	Budgeted	Projected				
5		Factor	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Notes
98	Dues and Subscriptions	b	\$10,500	\$10,710	\$10,924	\$11,143	\$11,366	
99	Travel - Seminars/Workshops	b	\$1,500	\$1,530	\$1,561	\$1,592	\$1,624	
100	Board Stipends	b	\$0	\$0	\$0	\$0	\$0	
101	Pension liability	d	\$28,000	\$29,260	\$30,577	\$31,953	\$33,391	
102	Utilities	i	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628	
103	Other General Expense	b	\$5,500	\$5,610	\$5,722	\$5,837	\$5,953	
104	Election Expense		\$0	\$6,000	\$0	\$6,000	\$0	
105	Bank Analysis/other fees	b	\$6,000	\$6,120	\$6,242	\$6,367	\$6,495	
106	Liability and vehicle insurance	b	\$84,775	\$86,471	\$88,200	\$89,964	\$91,763	
107	Interest expense	f	\$500	\$508	\$515	\$523	\$531	
108	Subtotal Maintenance and Administration		\$324,884	\$340,632	\$344,705	\$361,114	\$365,873	
109								
110	Total Operating Expenses		\$1,903,751	\$1,954,674	\$2,008,515	\$2,076,342	\$2,134,226	To Tables 4 & 6
111				2.7%	2.8%	3.4%	2.8%	
112	Non-Rate (Revenue)/Expense							
113	Bad Debt Expense		\$0	\$0	\$0	\$0	\$0	
114	Meter Installation	b	(\$6,000)	(\$6,120)	(\$6,242)	(\$6,367)	(\$6,495)	
115	Property Tax Revenue	b	(\$112,000)	(\$114,240)	(\$116,525)	(\$118,855)	(\$121,232)	
116	Water Charges Penalties	b	(\$10,000)	(\$10,200)	(\$10,404)	(\$10,612)	(\$10,824)	
117	Service Charges and Reconnects	b	(\$15,000)	(\$15,300)	(\$15,606)	(\$15,918)	(\$16,236)	
118	Miscellaneous		(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	
119	Stub Out charges	b	\$0	\$0	\$0	\$0	\$0	
120	Total Non-Rate Revenue ^[1]		(\$193,000)	(\$195,860)	(\$198,777)	(\$201,753)	(\$204,788)	
121								
122	Net Operating Expenses		\$1,710,751	\$1,758,814	\$1,809,738	\$1,874,589	\$1,929,438	
123								
124	Debt Service Payments - (portion funded with water rates)							
125	Total Debt Service		\$255,896	\$258,686	\$260,863	\$256,371	\$198,563	From Table 6
126								
127	Subtotal before Transfers		\$1,966,647	\$2,017,500	\$2,070,601	\$2,130,960	\$2,128,001	
128				2.6%	2.6%	2.9%	-0.1%	
129	Transfers to/(from):							
130	Operating (General) Reserve		\$189,180	\$0	\$0	\$0	\$0	From Table 4
131	Capital Improvement Reserve		\$427,385	\$427,385	\$427,385	\$427,385	\$427,385	From Table 4
132	Emergency Capital Reserve		\$0	\$0	\$0	\$0	\$0	From Table 4
133	Debt Service Reserve		\$0	\$0	\$0	\$0	\$0	From Table 4
134	Total Transfers		\$616,565	\$427,385	\$427,385	\$427,385	\$427,385	
135								
136	Total Revenue Requirement		\$2,583,212	\$2,444,885	\$2,497,985	\$2,558,345	\$2,555,386	To Table 3
137	<i>Annual Change</i>			-5.4%	2.2%	2.4%	-0.1%	
138								
139	[1] Interest is included in the 4 - Reserves tab							

	A	B	C	D	E	F	G	H
1	Foresthill PUD							
2	Water Rate Study							
3	Table 3 - Changes in Rate Revenue							
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	A	B	C	D	E	F	G	H	I
1	Foresthill PUD								
2	Water Rate Study								
3	Table 4 - Reserve Funds								
4									
5									
6		inflation		Estimated	Projected				
7		factor	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Notes
8	Operating Reserve (includes "General Reserve", "General Fund - unrestricted", and "District 2")								
9				\$491,463	\$689,434	\$705,609	\$719,856	\$725,902	
10									
11									
12									
13									
14									
15									
16									
17									
18									
19	Capital Improvement Reserve (includes "Repair & Replacement Reserve")								
20				\$1,391,475	\$1,439,937	\$1,072,781	\$918,054	\$918,037	
21									
22									
23									
24									
25									
26									
27									
28									
29									
30									
31									
32									
33	Debt Service Reserve								
34				\$294,457	\$298,874	\$303,357	\$307,907	\$312,526	
35									
36									
37									
38									
39									
40									
41									
42									
43	Emergency Capital Reserve								
44				\$0	\$0	\$403,000	\$580,320	\$589,025	
45									
46									
47									
48									
49									
50									
51									
52									

	A	B	C	D	E	F	G	H	
1	Foresthill PUD								
2	Water Rate Study								
3	Table 5 - Capital Improvement Program								
4									
5									
6								Total	
7	Project Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Project Cost	Notes	
8	Sugar Pine Dam & Reservoir								
9	Water Right Permit Extension	\$85,000					\$85,000		
10	Piezometers	\$100,000					\$100,000		
11	Deformation Survey and monuments		\$50,000				\$50,000		
12	Regulatory Expenses								
13	Cost of Service Study	\$45,000					\$45,000		
14	Treatment Plant								
15	Auxiliary Generators	\$100,000		\$100,000			\$200,000		
16	Scaffold system for filters	\$20,000					\$20,000		
17	Control Panel Rehabilitation		\$100,000				\$100,000		
18	SCADA/GIS		\$100,000				\$100,000		
19	Lime system rehabilitation	\$60,000					\$60,000		
20	Rehabilitate storage tank			\$500,000			\$500,000	dependent upon selling water or grant funding	
21	Asphalt sealing (51,000 sq-ft)	\$30,000					\$30,000		
22	** Eq/Inventory building		\$100,000	\$100,000			\$200,000		
23	TL 2300 Turbidity Meter	\$5,000					\$5,000		
24	Transmission & Distribution								
25	Ditch Witch Vacuum Trailer		\$120,000				\$120,000		
26	Auxiliary Storage Tank					\$1,000,000	\$1,000,000	dependent upon selling water or grant funding	
27	Sierra View Lane Pipe Replacement	\$1,000,000	\$1,000,000				\$2,000,000	dependent upon selling water or grant funding	
28	Remaining Pipes (Distribution)				\$800,000		\$800,000		
29	Pressure Relief Stations QTY 36	\$90,000	\$50,000	\$40,000	\$40,000	\$40,000	\$260,000		
30	Sample stations	\$5,000					\$5,000		
31	Administration								
32	Computers & Software	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$20,000		
33	Billing Software	\$10,000					\$10,000		
34	Facilities/Repairs (Paint & back office)	\$15,000	\$5,000	\$5,000	\$5,000	\$5,000	\$35,000		
35	Equipment/Vehicles								
36	Vehicle Fleet (7)	\$60,000		\$60,000		\$60,000	\$180,000		
37	Backhoe	\$150,000					\$150,000		
38	Project Costs	\$1,779,000	\$1,529,000	\$809,000	\$849,000	\$1,109,000	\$6,075,000	To Table 4	
39	Inflation Adjustment (3.3% annually)	100.0%	103.3%	106.7%	110.3%	113.9%			
40	Escalated Total Project Costs	\$1,779,000	\$1,579,634	\$863,469	\$936,171	\$1,263,363	\$6,421,637		
41	Less: Non-Water Rate Funding Sources								
42	Connection Fees	(\$21,000)	(\$21,000)	(\$21,000)	(\$21,000)	(\$21,000)	(\$105,000)	From Table 1A	
43	Grants or Surplus Water Sales	(\$1,358,000)	(\$1,145,388)	(\$415,537)	(\$474,101)	(\$786,686)	(\$4,179,712)		
44	Total Capital Funded with Water Rate Revenue	\$400,000	\$413,246	\$426,932	\$441,070	\$455,677	\$2,136,925		
45	<i>Average Annual Capital Spending Funded through Water Rates</i>							\$427,385	

	A	B	C	D	E	F	G	H
1	Foresthill PUD							
2	Water Rate Study							
3	Table 6 - Debt Service & Coverage							
4								
5								
6			Budgeted		Projected			
7			FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Notes
8	Assessment District No. 2 Debt Service Fund							
9	2017 Water Revenue Bond		\$86,814	\$86,723	\$86,772	\$86,752	\$86,876	Source: Financial Statements FYE 2018 pg. 37
10	2017 Limited Obligation Refunding Bond		\$82,738	\$82,869	\$82,947	\$82,006	\$81,946	Source: Financial Statements FYE 2018 pg. 37
11								
12	District Enterprise Fund:							
13	2014 Water Loan Agreement - Sugar Pine Reservoir		\$168,583	\$171,333	\$173,383	\$169,852	\$111,981	Source: Financial Statements FYE 2018 pg. 37
14								
15	Total Debt Service		\$338,135	\$340,925	\$343,102	\$338,610	\$280,802	
16								
17	Less: Assessment District revenue		(\$82,239)	(\$82,239)	(\$82,239)	(\$82,239)	(\$82,239)	Source: FY 2019-20 CAFR
18								
19	Water Rate-Funded Debt Service		\$255,896	\$258,686	\$260,863	\$256,371	\$198,563	To Table 2
20								
21								
22	Debt Coverage Calculation							
23	Operating Revenue							
24	Rate revenue - Service Charge		\$2,583,212	\$2,553,039	\$2,606,114	\$2,660,293	\$2,715,598	From Table 3
25	Non-Operating Income		\$193,000	\$195,860	\$198,777	\$201,753	\$204,788	From Table 2
26	Interest income		\$34,285	\$33,573	\$29,982	\$29,049	\$29,520	From Table 4
27	Total Funds Available		\$2,810,497	\$2,782,472	\$2,834,873	\$2,891,095	\$2,949,906	To below
28								
29	Expenses							
30	O&M		\$1,903,751	\$1,954,674	\$2,008,515	\$2,076,342	\$2,134,226	From Table 2
31	Total Expenses		\$1,903,751	\$1,954,674	\$2,008,515	\$2,076,342	\$2,134,226	
32								
33	Net Operating Revenue		\$906,746	\$827,798	\$826,359	\$814,753	\$815,680	Revenue less O&M expenses
34								
35	Debt Service		\$338,135	\$340,925	\$343,102	\$338,610	\$280,802	From above
36	Debt Coverage Ratio (1.10 Min)		2.68	2.43	2.41	2.41	2.90	To Table 1B
37								

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30	Service Charge Expenses																																																																																					
31	O&M Expenses	\$484,029	\$1,082,957							\$1,566,986	From Table 9																																																																											
32	Total Capital Expenses (Debt Service)		\$87,313							\$87,313	From Table 9																																																																											
33	Sugar Pine Reservoir (Debt Service)			\$168,583						\$168,583	From Table 9																																																																											
34	Total Capital Expenses						\$246,278			\$246,278	From Table 9																																																																											
35	Non-Operating Revenue	\$0	(\$3,820)							(\$3,820)	From Table 9																																																																											
36	Total FY 2021-22	\$484,029	\$1,166,451	\$168,583	\$246,278					\$2,065,341																																																																												
37	% of Component	23%	56%	8%	12%					100%																																																																												
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93	R&R Component Calculation										
94			Account				Capacity Component			Total	
95	Service	Component									R&R Charge
96	Size	(\$/mo.)	\$/EMU	Capacity	Multiplier	Total					(\$/mo.)
97		a	b	c	d = b * c					e = a + d	
98	5/8"	\$0.00	\$7.94	1.00	\$7.94					\$7.94	
99	3/4"	\$0.00	\$7.94	1.40	\$11.11					\$11.11	
100	1"	\$0.00	\$7.94	2.20	\$17.47					\$17.47	
101	1 1/2"	\$0.00	\$7.94	4.80	\$38.11					\$38.11	
102	2"	\$0.00	\$7.94	8.00	\$63.51					\$63.51	
103	4"	\$0.00	\$7.94	36.00	\$285.79					\$285.79	
104	6"	\$0.00	\$7.94	70.00	\$555.71					\$555.71	
105	8"	\$0.00	\$7.94	140.00	\$1,111.42					\$1,111.42	
106											

	B	C	D	E	F	G	H	I	J	K	L
1		Foresthill PUD									
2		Water Rate Study									
3		Table 8 - Load Factors									
4											
5											
6		Billed Water Use in tGal (by Customer Category)									Notes
7											
8		Customer Category	CY 2019	% of Total	Non-Seasonal Demand	Seasonal Demand	Peak Period Demand	Peak Day Demand			
9		Residential	223,080	84%	123,261	99,819	90,595	985			
10		Non-Residential	41,615	16%	1,892	39,723	20,442	222			
11		Total	264,695	100%	125,153	139,543	111,037	1,207		Total Use to Tab 9	
12					47%	53%					
13		Source: Actual consumption data - CY 2019									
14		Non-seasonal Demand = Average of February and March Billed Usage Annualized									
15		Seasonal Demand = Total Demand minus Non-seasonal Demand									
16		Peak Period Demand = Average of July, August, and September Billed Usage									
17		Peak Day Demand = Peak Period Demand divided by 90 days									
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Notes

Total Use to Tab 9

	Levels of Demand				
	Base Day	Average Day	Maximum Day	Maximum Hour	Peak/Avg Day Ratio
Demand by Customer Category (tGal/Day)*					
Residential	338	611	1,389	2,083	1.61
Non-Residential	5	114	313	470	1.95
Total	343	725	1,702	2,553	1.66
Ratio of Flows to Average Day					
Residential	0.55	1.00	2.27	3.41	
Non-Residential	0.05	1.00	2.75	4.12	
Total	0.47	1.00	2.35	3.52	
Level of Service	343	725	1,702	2,553	
Base Day Demand	343	343	343	343	
Ratio of Level of Service to Base Day	1.00	2.11	4.96	7.45	Load Factors

2.35

*Base Day = Non-seasonal Demand ÷ 365 days

Average Day = CY 2019 Total ÷ 365

Maximum Day = Average Day * Ratio of Maximum Day Flow to Average Day

Maximum Hour = Maximum Day * 1.5

	Allocation Basis	Load Factors	Demand Service Levels				Totals
			Base Day	Average Day	Maximum Day	Maximum Hour	
	Base Day	1.00	1.00				1.00
	Allocation %		100%				100%
	Average Day	2.11	1.00	1.11			2.11
	Allocation %		47%	53%			100%
	Maximum Day	4.96	1.00	1.11	2.85		4.96
	Allocation %		20%	22%	57%		100%
	Maximum Hour	7.45	1.00	1.11	2.85	2.48	7.45
	Allocation %		13%	15%	38%	33%	100%

	B	C	D	E	F	G	H	I	J	K	L
1		Foresthill PUD									
2		Water Rate Study									
3		Table 8 - Load Factors									
4											
56											
57											
58											
59		Flow per Customer (tGal per month)			Base Day	Average Day	Maximum Day	Maximum Hour			
60		Residential									
61		tGal per day			338	611	1,389	2,083			
62		tGal per month			10,131	18,335	41,660				From "Demand by Customer Category (tGal/Day)" above
63		# of Dwelling Units			1,992	1,992	1,992				x 30 days
64		Average flow per DU (tGal/mo)			5	9	21	>21			tGal per month ÷ Monthly bills
65		Average gallons per day			167	300	700	>733			Average flow per bill x 1,000 ÷ 30 days
66											
67		Non-Residential									
68		tGal per day			5	114	313	470			
69		tGal per month			155	3,420	9,400				
70		# of Accounts			83	83	83				
71		Average flow per Account (tGal/mo)			2	41	113	>113			
72		Average gallons per day			67	1,367	3,767	>3433			
73											
74		Combined									
75		tGal per day			343	725	1,702	2,553			
76		tGal per month			10,287	21,756	51,060				
77		# of Dwelling Units/Accounts			2,374	2,374	2,374				
78		Average flow per DU (tGal/mo)			4	9	22	>22			
79		Average gallons per day			133	300	733	>667			
80											

	A	B	C	D	E	F	G	H	I	J
1		Foresthill PUD								
2		Water Rate Study								
3		Table 9 - Allocations								
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	A	B	C	D	E	F	G	H	I	J
1		Foresthill PUD								
2		Water Rate Study								
3		Table 9 - Allocations								
4										
51		Calculation of the Uniform Consumption Charge								
52		Revenue needed from Consumption Charge			\$517,871					
53		Projected Water Demand (tGal)			264,695					
54				\$ per tGal	\$1.96					
55										
56										
57		System-Wide Allocation Factors	Base	Average Day	Maximum Day	Maximum Hour	Customer Service			
58		System-wide								
59		Base	100.0%	0.0%	0.0%	0.0%	0.0%			
60		Average Day	49.2%	50.8%	0.0%	0.0%	0.0%			
61		Max Day	21.0%	21.7%	57.4%	0.0%	0.0%			
62		Max Hour	14.0%	14.4%	38.3%	33.3%	0.0%			
63		Max Hour Only	0.0%	0.0%	0.0%	100.0%	0.0%			
64		Exp Composite - Consumption Only	53.8%	11.7%	21.5%	13.0%	0.0%			
65		Exp Composite - Total	19.8%	4.3%	7.9%	4.8%	63.2%			
66		Service Charge	0.0%	0.0%	0.0%	0.0%	100.0%			
70										



NOTICE OF PUBLIC HEARING ON PROPOSED REVENUE DECREASE AND RATE STRUCTURE ADJUSTMENTS

This notice provides information about proposed changes to FPUD's water rates and charges and rate structure. The Board of Directors will hold a public hearing and consider public comments before voting on the proposed changes.

HEARING DATE: Thursday, July 29, 2021

TIME: 7:00 p.m.

HEARING: <https://zoom.us/j/99011083715>

Meeting ID: 990 1108 3715

Dial in: 669 900 6833 or 408 638 0968

Summary: Bill Decrease for Most Customers

More than half of all customers (those with average and low use) would see a decrease in their winter bill of about \$8 per month and no increase in summer bills in the first year.

All multi-unit customers would save money, including mobile home parks and apartment complexes.

We Cut Costs and Control Expenses

Cost control is a daily focus of the District; here are some examples that help us keep rates down:

\$1.89 million in benefits from outside water sales since 2015 — This pays for critical water system improvements without using funds from our customers.

We obtained \$1.3 million in grants in May 2021 and \$75,000 in grants last year — funding used to invest in critical water system upgrades and not billed to our customers.

Small staff — Our lean staff of seven are hard at work each day operating the dam, treatment plant, pipelines, pumps, fixing fire hydrants, answering questions, and more.

Long-term planning for cost savings and reliability — We invest about \$1 million each year to ensure that the water system is always reliable and provides the water you need.

Reducing revenue for the next five years — In addition, the District is proposing to reduce its budget for needed facility upgrades and replacements over the next five years and will seek grants and water sales to make up the difference.

Reasons for the Proposed RATE STRUCTURE Changes

The District periodically reviews its water rate structure to ensure that each class (residential and commercial) of customer continues to pay its fair and proportional share of costs. The cost for serving each class of customers varies over time because of changes in customer water use, state regulations, service costs, and other factors. The last approved rate structure was adopted in 2014.

Reasons for the Proposed RATE Changes

The rate changes are designed to provide the revenue needed to pay all costs of providing safe and reliable water service: operating Sugar Pine Reservoir and the treatment plant, quality testing, pipelines, fire hydrants, pumps, customer service, and more. The rates are based on the actual cost of providing service and anticipated costs for maintenance and for upgrading and replacing aging, worn, and outdated facilities.

Details of the Proposed Revenue Decrease and Rate Structure Changes

Examples of How the Proposed Rate Changes Will Affect Your Water Bill

To determine the amount of the proposed bill for individual properties, a rate calculator is available on the District's website. You can also contact the District office for help. Below are examples of bills in the first year.

Type of User	Water Use	Current Bill	Proposed Bill
Residential low use (50% of average) 5/8" connection	5,000 gallons per month	\$88.44	\$80.61
Residential average use 5/8" connection	10,000 gallons per month	\$90.54	\$90.41
Residential high use (2x average) 5/8" connection	20,000 gallons per month	\$106.04	\$110.01
Average dual service	14,000 gallons per month	\$176.52	\$98.25
Residential average use 3/4" connection	10,000 gallons / month	\$90.54	\$110.80

Proposed Monthly Fixed Service Charges

Service charges cover the cost to provide customer service for each meter (meter reading, billing) and the cost of water capacity based on the size of the meter.

MONTHLY FIXED SERVICE CHARGE FOR ALL CUSTOMER CLASSES						
Service Size	CURRENT Charge	PROPOSED Charges				
		Aug. 2021	July 2022	July 2023	July 2024	July 2025
5/8"	\$90.54	\$70.81	\$71.52	\$72.95	\$74.41	\$75.90
3/4"	\$90.54	\$91.20	\$92.11	\$93.95	\$95.83	\$97.75
1"	\$163.87	\$131.98	\$133.30	\$135.97	\$138.69	\$141.46
1 1/2"	\$328.68	\$264.51	\$267.16	\$272.50	\$277.95	\$283.51
2"	\$643.17	\$427.63	\$431.91	\$440.55	\$449.36	\$458.35
4"	\$1,581.35	\$1,854.88	\$1,873.43	\$1,910.90	\$1,949.12	\$1,988.10
6"	\$1,581.35	\$3,587.97	\$3,623.85	\$3,696.33	\$3,770.26	\$3,845.67
8"	\$1,581.35	\$7,156.09	\$7,227.65	\$7,372.20	\$7,519.64	\$7,670.03
Multi-Unit Properties	\$90.54 / month / dwelling unit for 1st unit + \$88.51 per additional unit	Multi-unit charge is proposed to be eliminated				

Over 65% of customers have a 5/8" service connection.

Only 20 service connections are 2" and above.

Proposed Consumption Charge

As requested by the Community Advisory Committee, the District proposes to simplify the consumption charge. Currently, the District provides credit for water use less than 10,000 gallons and an overage charge for use above 10,000 gallons. Also, Commercial customers paid based on a load factor. There is just one consumption charge for all customers in the proposed rates.

CONSUMPTION CHARGE FOR ALL CUSTOMERS (\$ PER 1000 GALLONS PER MONTH)					
CURRENT	PROPOSED Charges				
	Aug. 2021	July 2022	July 2023	July 2024	July 2025
Credit (\$0.42) for each 1,000 gallons used per month below 10,000 gallons.					
Overage charge (\$1.55) for each 1,000 gallons used over 10,000 per month.	\$1.96	\$1.98	\$2.02	\$2.06	\$2.10

The consumption charge of \$1.96 per 1,000 gallons is equal to 5 gallons per penny.

Community Advisory Committee Recommendations Impact the Rate Structure

In developing the proposed rate changes, the District followed the recommendations of the Community Advisory Committee that met in late 2019, studied the District's rates, and published seven key recommendations.

- 1) Eliminated the multi-unit charge** – The proposed rate structure eliminates the multi-unit charge so that all customers will pay the same fixed service charge based on the size of their service connection.
- 2) Use only one tier for consumption charge** – The proposed structure has only one tier; all customers will pay the same charge for water used due to the elimination of the mid-day load factors for commercial properties.
- 3) Eliminate or reduce higher costs for commercial accounts** – All commercial, multi-unit, and single-family residential customers will pay based on the same service connection size and consumption charge in the proposed structure.
- 4) Adjust the proportion of costs collected from the current 95% fixed and 5% variable to 80% fixed cost and 20% variable cost.** Customers can now lower their water bills more easily by using less water because a larger portion of their bill is based on metered water use.
- 5 – 7) 5. Eliminate or substantially reduce charges for inactive meters; 6. establish a low-income rate assistance program, and; 7. reduce "will serve" connection fees.** The Board will review these recommendations before the end of the year as they are not part of the rate structure.

Recognizing the Impact of COVID-19, FPUD Is Proposing to Reduce the Revenue It Collects from Customers

The District is proposing to decrease the revenue that it collects from customers for the next five years. Staff and the Board will seek to make up for the cuts by seeking grants and water sales to outside organizations (temporary water transfers). The District now maintains healthy emergency reserves in case there are emergency or unexpected financial needs.

More Details About the Proposed Rate Adjustments

The Proposed changes in rates are based on detailed engineering, financial and legal evaluations carried out with the help of recognized experts in water rates. The rates conform to California law requiring that each class of customers (residential and commercial) pay their proportionate share of the cost to serve them.

The maximum rates that may be imposed are shown in this document. Before implementing the rates, the Board of Directors may choose to implement the full amount or less but not more.

If approved, the new rates and rate structure changes will go into effect on August 15, 2021.

BOARD OF DIRECTORS:

Mark Bell, President | Patty Wade, Vice President | Jane Stahler, Director | Robert Palmeri, Director

GENERAL MANAGER:

Hank White



24540 Main Street.
Foresthill, CA 95631

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NOTICE OF PUBLIC HEARING ON PROPOSED REVENUE DECREASE AND CHANGES TO THE RATE STRUCTURE

Where to Learn More, Get Answers, and Make Comments

CONTACT US: Phone: (530) 367-2511 or email:
customerservice@foresthillpud.com.

VISIT OUR WEBSITE: www.foresthillpud.com

OTHER OPPORTUNITIES: The District is planning additional outreach on rates before the hearings. Contact the District or check the website for information.

PARTICIPATE IN VIRTUAL BOARD HEARINGS: The Board will review and consider adopting the rate increases and rate structure modifications on Thursday, July 29, 2021 at 7:00 p.m.

At the public hearing on July 29, 2021, Foresthill will hear and consider all public comments regarding the rates and charges (including oral comments), but only written protests submitted in accordance with the criteria above will be considered when determining whether a majority protest against the imposition of proposed rates and charges exists. One protest per parcel will be tabulated and if the total protests exceed fifty percent of the ratepayers then the water rate increase may not be adopted as proposed.

How to Oppose the Proposed Changes

If you oppose the proposed Foresthill water rate changes, your protest must be submitted in writing to the General Manager and indicate it is a protest to the Foresthill rates. Written protests may be mailed to the Foresthill Public Utility District P.O. Box 266, Foresthill, CA 95631, hand-delivered to the Foresthill Public Utility District at 24540 Main Street, Foresthill, CA 95631, or submitted during the public hearing on July 29, 2021. Mailed protests must be received by the district by the time and the date of the public hearing on July 29, 2021 to be considered. **All other written protests must be received prior to the close of the public comment portion of the public hearing on July 29, 2021.** In order to be valid, a protest must clearly bear (1) the date, (2) designation of parcel address or parcel number, (3) printed name of the person submitting the protest, and (4) original signature of the record owner or trustee, or authorized signatory of a corporation/partnership, or customer of record (person whose name is printed on the water bill) of the property identified on the protest. Protests not bearing the original signature shall not be counted. Protests which have been altered by someone other than the person who signed them shall not be counted. Protests can be withdrawn upon written notice of intent to do so submitted before the close of the public comment portion of the public hearing. In accordance with the California Constitution, only one protest will be counted per parcel. Protests will be disclosable public records once received by the District.