City of Palo Alto (ID # 5814)

City Council Staff Report

Report Type: Action Items **Meeting Date: 6/8/2015**

Summary Title: Resolution Increasing Water Rates by 8%

Title: PUBLIC HEARING: Staff Recommendation that the City Council Adopt a Resolution Amending Rate Schedules W-1 (General Residential Water Service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service) to Increase Average Water Rates by 8 Percent

From: City Manager

Lead Department: Utilities

Recommendation

Staff requests Council adopt a resolution (Attachment B) Amending Rate Schedules W-1 (General Residential Water Service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service) to increase average water rates by 8%.

Executive Summary

On April 7, 2015 the Finance Committee unanimously recommended approval of a 12% water rate increase. Subsequently, the California Court of Appeal published a decision providing additional guidance on constitutionally compliant water rate design. Staff asked Raftelis Financial Consultants, Inc. (RFC) to review the City's water rate methodology and structure to ensure that each continued to equitably recover the City's costs to provide water service. RFC examined and validated both the City's methodology and rate structure, and recommended minor adjustments be made to the rates. The attached revised rate schedules incorporate those adjustments.

In April, as required by the California Constitution, the City provided the public with notice of the originally proposed water rate increase prior to the June 8 public hearing at which Council will consider the rates. Increasing water rates by the 12% recommended by the Finance Committee, while also adjusting the residential tiers as recommended by the City's consultant, would result in the Tier 1 residential rate exceeding the amount published in the public notices

sent in April. The Council may adopt rates equal to or lower than those in the published notice, but not higher.

As a result, the revised rate schedules include an 8% water rate increase, rather than the 12% increase the Finance Committee recommended in April. Since an 8% rate increase is insufficient to recover costs, staff will return with a proposal for an additional 4% increase to become effective September 1, 2015. This second increase will require a separate, additional 45 day advance notification to customers prior to Council consideration.

Background

In the FY 2016 Water Utility Financial Plan staff projected the need for a 12% rate increase on July 1, 2015 and 8% rate increases each year through FY 2019. The primary driver for these increases is an increase in wholesale water rates. On April 7, 2015 the Finance Committee unanimously recommended approval of the FY 2016 Financial Plan and rate schedules to implement the 12% rate increase (Staff Report 5591). Staff mailed notices of the rate increase to all water utility customers, as required by Article XIIID of the California Constitution (added by Proposition 218 in 1996).

In addition to requiring mailed notices of rate increases, Article XIII of the California Constitution also requires that water rates reflect the cost to serve customers. Since the City commissioned the 2012 water rate cost of service study, several California courts have issued published decisions providing additional guidance on constitutionally compliant water rate design. In light of this new jurisprudence and California's ongoing drought, staff asked Raftelis Financial Consultants, Inc. (RFC) to review the City's water rate methodology and structure to ensure that each continued to equitably recover the City's costs to provide water service.

Discussion

The City's current rates are based on the 2012 Palo Alto Water Cost of Service & Rate Study by RFC (Staff Report 2676). In designing the City's water rate structure and the rate increase proposed for July 2015, the City has adhered to the overriding principle that all rates must be based on the cost to serve customers.

After additional review, RFC concluded that the City's rate setting methodology equitably reflected the cost to serve customers. Costs are allocated according to the cost of maintaining the distribution system capacity to serve each customer's usage pattern. A certain amount of distribution capacity is required to serve year-round baseload customer consumption. Additional capacity is required to serve summer peak customer consumption, and the remaining capacity is required to provide emergency fire service during peak flow periods. Most of the cost of operating, maintaining, and replacing capacity associated with summer peak flows is allocated to customers whose usage patterns create the need for that capacity. Those customers are primarily residents with summer irrigation use, whose consumption falls into the second residential rate tier (rate schedule W-1, tier 2), as well as non-residential irrigation customers (rate schedule W-7). Customers with consumption in the first residential rate tier

(rate schedule W-1, tier 1) and other non-residential use (rate schedule W-4) do not contribute as much to the summer peak, and are therefore allocated less of the cost of operating and maintaining that additional capacity, though they are still allocated some of those costs.

RFC examined and validated both the City's methodology and rate structure, and recommended three adjustments be made to ensure continued equitable collection of the City's costs to serve each customer class:

- First, RFC recommended updating the peaking factors for each customer group to reflect more recent (FY 2014) data. This resulted in a small shift in peaking costs away from the irrigation customer class.
- Second, RFC recommended that more peaking costs should be allocated to the Tier 1 residential rate based on its review of the most recent usage records available. When RFC analyzed Tier 1 annual consumption, they found that Tier 1 users contributed a small amount to the summer peak, and therefore the City should allocate a small portion of the peaking capacity to Tier 1.
- Third, RFC updated the model to more clearly show how peaking costs were allocated among customer classes and residential tiers based on supply, baseload delivery, and peak capacity components. These divisions were present in the original study, but not as clearly shown.

RFC's findings are detailed in a memo (Attachment A). Staff recommends incorporating RFC's recommended cost of service-based adjustments into the July 1, 2015 rate change.

As noted earlier, the City must provide notice to its customers before it adopts any rate changes. This is commonly referred to as a Prop 218 notice. The City may subsequently adopt rates lower those shown in the notice, but not higher. In April, prior to reviewing the cost of service methodology, the City provided notice of a rate increase of up to 12%. The proposed consumption charges included in the Prop 218 notice are shown in Column B of Table 1, below. To incorporate the recommended adjustment to the rate structure while still achieving a 12% increase in revenue, the City must increase the Tier 1 residential rate slightly and decrease the Tier 2 rate from the rates shown in the Prop 218 notice. This results in the Tier 1 residential rate exceeding the rate published in the notices, as shown in column C of Table 1. 8% is the maximum the Council may increase rates consistent with the cost of service methodology while keeping all rates within the limits published in the notice. As shown in Column D, an 8% increase (with the adjustments to the rate structure) results in a Tier 1 residential rate exactly equal to the Prop 218 notice, and all other rate schedules lower than the notice.

Table 1: Summary of Existing and Proposed Rates

Rate Class	Water Rates (A) Existing Rates	(B) 12% Increase in Prop 218 Notice (without new cost of service alignment)	(C) 12% Increase with new cost of service alignment	(D) **Recommended**: 8% Increase with new cost of service alignment
W-1 Res. (Tier 1)	4.99	**5.70**	**5.93**	**5.70**
W-1 Res. (Tier 2)	7.58	8.38	8.38	8.08
W-4 (Non-residential)	6.15	6.97	6.92	6.66
W-7 (Non-res Irrigation)	7.52	8.46	8.29	7.99

Staff recommends adopting an 8% increase effective July 1, 2015. An 8% increase will not adequately recover the water utility's costs to provide service, so staff will return with a proposal for an additional 4% increase to become effective September 1, 2015.

The City's water rates are comprised of a commodity charge, based on a user's consumption, and a monthly service charge. Tables 2 through 4 show the proposed rates and the percentage change in each rate component. While an 8% overall increase is proposed, individual rate components will change by different amounts. Most rate components are increasing by 8% to 9%, but because some additional peaking costs are being allocated to the first residential tier, the percentage increase for the first tier is higher than the increase for the second tier.

Table 2: Water Commodity Charges (Current and Proposed)

	Current Rates (7/1/13)	Proposed Rates (7/1/15)	Change $/CCF	Change %
W-1 (Residential) Volumetric Rates ($/CCF)				
Tier 1 Rates	4.99	5.70	$0.71	14%
Tier 2 Rates	7.58	8.08	$0.50	7%
W-2 (Construction) Volumetric Rates ($/CCF)				
Uniform Rate	6.15	6.66	$0.51	8%
W-4 (Commercial) Volumetric Rates ($/CCF)				
Uniform Rate	6.15	6.66	$0.51	8%
W-7 (Irrigation) Volumetric Rates ($/CCF)				
Uniform Rate	7.52	7.99	$0.47	6%

Table 3: Current and Proposed Monthly Water Service Charge

Meter Size	Monthly Service Charge ($/month based on meter size)		Change	
	Current (7/1/13)	Proposed (7/1/15)	$/mo	%
5/8”	14.67	15.54	0.87	6%
3/4”	19.51	20.88	1.37	7%
1”	29.18	31.58	2.40	8%
1 ½”	53.37	58.32	4.95	9%
2”	82.39	90.40	8.01	10%
3”	174.29	192.01	17.72	10%
4”	309.72	341.74	32.02	10%
6”	633.80	700.04	66.24	10%
8”	1,165.86	1,288.28	122.42	11%
10”	1,843.02	2,036.96	193.94	11%
12”	2,423.45	2,678.68	255.23	11%

Table 4: Current and Proposed Monthly Fire Service Charges

Meter Size	Monthly Fire Service Charge ($/month based on meter size)		Change	
	Current (7/1/13)	Proposed (7/1/15)	$/mo	%
2”	3.03	3.38	0.35	12%
4”	18.78	20.94	2.16	12%
6”	54.55	60.82	6.27	11%
8”	116.24	129.61	13.37	12%
10”	209.03	233.09	24.06	12%
12”	337.65	376.51	38.86	12%

Bill Impact of Proposed Rate Changes

Table 5 shows the impact of the proposed July 1, 2015 rate changes on the median residential bill. This comparison assumes that customers do not reduce their consumption. Historically, however, customers have looked for ways to conserve after their bills have increased, so not all customers will experience the same bill increase. The average increase is roughly 8%, but residential customers with low bills will see higher increases due to the allocation of peaking costs to the first tier discussed earlier.

Table 5: Impact of Proposed Water Rate Changes on Residential Bills

Usage (CCF/month)	Bill under Existing Rates	Bill under Proposed Rates	Change	
			$/mo.	%
4	34.63	38.34	3.71	11%
(Winter median) 7	52.19	57.82	5.63	11%
(Annual median) 9	67.35	73.98	6.63	10%
(Summer median) 14	105.25	114.38	9.13	9%
25	188.63	203.26	14.63	8%

Table 6 shows the impact of the proposed July 1, 2015 rate changes on various representative commercial customer bills. As with residents, this comparison assumes that customers do not decrease consumption.

Table 6: Impact of Proposed Water Rate Changes on Commercial Bills

Usage (CCF/month)	Bill under Current Rates	Bill under Proposed Rates	Change	
			$/mo.	%
Commercial (W-4) (5/8" meters)				
(Annual median) 12	88.47	95.46	6.99	8%
(Annual average) 64	408.27	441.78	33.51	8%
Irrigation (W-7) (1 ½" meters)				
(Winter median) 9	121	130	9	8%
(Summer median) 37	332	354	22	7%
(Winter average) 56	474	506	32	7%
(Summer average) 199	1,550	1,648	98	6%

Timeline

If Council adopts the attached rate schedules, they will become effective July 1, 2015. Staff will return to the Utilities Advisory Commission and the Finance Committee for recommendations for an additional 4% increase in June. At the same time, drought rates will be proposed for consideration. If the Finance Committee recommends approval, staff will mail notification of the additional proposed rate increase and potential drought rates to customers as required by Proposition 218. The rate schedules will then go to the City Council for adoption in August, at which time a public hearing will be held. All residents and other interested persons may submit written or oral testimony at the hearing, and may also submit written protests to any or all of the proposed rate increases. Council may adopt the proposed rates unless written protests are filed by a majority of the affected customers. The rate increase would become effective September 1, 2015. Any drought rates, if approved, would be imposed by Council when required.

Resource Impact
Normal year sales revenues for the Water Utility are projected to increase by roughly 8% ($3 million) as a result of these rate increases. A second 4% increase (if approved by Council at a later date) would increase normal year sales revenue by another $1.5 million. If this second rate increase is not adopted it will result in a decrease in reserves by $1.5 million, resulting in higher rate increases in future years. As discussed above, staff anticipates taking this 4% increase to the UAC and Finance Committee in June, issuing a Prop 218 notice in July, and taking rates to Council for adoption in August, which will result in an September 1, 2015 effective date. If the June Finance meeting is canceled, it may delay the 4% increase to November 1, 2015 or later, resulting in $400,000-500,000 in lost revenue for the water utility.

Actual revenue will be lower in the short term because sales volumes are expected to be lower due to drought restrictions. The entire revenue increase will be offset by an increase in wholesale water supply costs, as discussed in the FY 2016 Water Utility Financial Plan.

The Fiscal Year 2016 Proposed revenue budget for the water fund was developed in March and early April and assumed a 12% rate increase. Based on the changes described in this report, staff now recommends an 8% rate increase and plans to bring forth a 4% rate increase in fall. Due to these various factors which impact the Fiscal Year 2016 Water Fund revenue budget, staff expects to bring forth adjustments to the budget for City Council consideration as part of the Fiscal Year 2016 Midyear budget review report.

Policy Implications
The proposed rate adjustments are intended to ensure the City's water rates conform to the requirements of the California Constitution.

Environmental Review
The Council's adoption of the proposed rate adjustments is categorically exempt from the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8). (adoption of rates to meet operating expenses, purchase supplies, meet reserve needs and obtain capital improvement funds), thus, no environmental review is required.

Attachments:

- Attachment A: May 20, 2015 Memo from Raftelis Financial Consultants titled "Proposed Water Rates" (DOCX)
- Attachment B: Resolution Amending Rate Schedules W-1, W-2, W-3, W-4, and W-7 (PDF)
- Attachment C: Rate Schedules W-1, W-2, W-3, W-4, and W-7 (PDF)

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ATTACHMENT A

Raftelis Financial Consultants

Memorandum

TO: Jon Abendschein, Senior Resource Planner

FROM: Sudhir Pardiwala/Hannah Phan

DATE: May 20, 2015

SUBJECT: Proposed Water Rates

The City of Palo Alto (City) engaged Raftelis Financial Consultants, Inc. (RFC) to review the cost of service methodology and water rate structure described in our 2012 rate study[1] to ensure its continued compliance with Proposition 218. This memo summarizes the methodology and development of the proposed water rate methodology and tiered rate structure.

Proposed Water Rates

The following subsections detail the methodology and calculation related to the proposed water rates for fiscal year (FY) 2016.

Cost of Service Analysis Adjustments

At the City' request, RFC reviewed the cost of service analysis methodology used in its 2012 rate study, to ensure its continued compliance with Proposition 218's substantive requirements for water rates. The methodology and rate structure described in the 2012 cost of service study remains fundamentally sound. Upon review, we have refined our analysis and recommend that the following adjustments be made to ensure that the rates proposed continue to equitably recover the City's costs of providing water service:

1. RFC updated the customer class peaking factors using FY 2014 data. Peaking costs are one of the elements used to differentiate rates amongst different classes of customers. Different customers impose different demands on the system, and the portion of the costs related to peaking are applied proportionally to the peaking factors. As discussed below, peaking factors for the customer classes have shifted since the last study, and the new peaking factors should be reflected in the proposed rates.
2. RFC analyzed the usage characteristics for residential Tiers 1 and 2 usage in order to update the peaking-related costs to be allocated to each tier. The boundary between Tier 1 and Tier 2 use, 6 CCF, represents the median winter monthly usage for residential customers (winter is consider January through March). Analyzing winter usage is a common way to calculate indoor, year-

[1] Palo Alto Water Cost of Service and Rate Study Report dated March 2012

round, base load use. Usage above this level typically is related to irrigation. As a result, the 2012 cost of service study did not allocate any peaking factors to Tier 1, because the customers with usage solely in that tier were presumed not to have a usage peak. Upon further study, RFC has determined that Tier 1 customers do have a small peaking factor that occurs as a result of their slightly higher summer use. As a result, RFC recommends refining the 2012 cost of service analysis to allocate a small share of peaking factor costs to Tier 1. This change will more equitably recover system design and operational costs associated with Tier 1 customers' peak demands upon the system.

3. RFC adjusted the model to more clearly delineate the difference between base (delivery), peaking, and the cost of purchased water from San Francisco Public Utilities Commission (SFPUC). While this does not necessarily affect the cost allocation between customer classes, it does more clearly show the costs being allocated among customer classes and residential tiers.

The adjustments were made to the model used to calculate the City's existing rates, which has been updated to reflect FY 2016 budget requirements.

Adjustment 1: Peaking Factors for Customer Classes

Table 1 shows the peaking factors by customer class, based on the maximum month factors calculated from each customer class' water usage in FY 2014, compared to the peaking factors used in the 2012 study. These were calculated using the same methodology as in the 2012 cost of service study. The primary differentiator of rates amongst different customer classes is based on the demand that they put on the system. This demand is expressed in terms of the maximum day and maximum hour factors. These are the demands expressed as a ratio of the maximum demand to the average demand for each customer class. For example, if the maximum demand for a customer class were 10,000 CCF per day, and the average annual demand were 5,000 CCF per day, the peaking ratio would be 2.0.

Residential customers generally have higher peaking factors than commercial customers, and irrigation customers have the highest peaking factors. The max day factor for each customer class is based on the maximum month demands. The ratio of the max hour and max day for the whole system is used to estimate the max hour factor for each customer class. Since usage in the Construction – W2 class is intermittent and varies based on the construction activity in the City, customers in the Construction – W2 class are considered to be the same as the Commercial – W4 class for the purpose of calculating variable charges. These two classes are differentiated only in the fact that temporary hydrant meters are used for construction customers, while commercial customers have permanent services.

Table 1
Revised Peaking Factors by Customer Class

Customer Specific Peaking Factors	2012 Max Day (MD)	2012 Max Hour (MH)	2014 Max Day (MD)	2014 Max Hour (MH)
Residential - W1	1.49	2.34	1.45	2.27
Master MFR/Commercial - W4	1.30	2.04	1.27	1.99
Irrigation - W7	2.25	3.53	1.81	2.84
Construction - W2	1.30	2.04	1.27	1.99

Customer Specific Peaking Factors	2012 MD Normalized	2012 MH Normalized	2014 MD Normalized	2014 MH Normalized
Residential - W1	2.00	3.14	2.00	3.14
Master MFR/Commercial - W4	1.75	2.75	1.75	2.75
Irrigation - W7	3.00	4.71	2.50	3.92
Construction - W2	1.75	2.75	1.75	2.75

The change to the peaking factors by customer class shifts the capacity or peaking-related costs among the customer classes, to equitably reflect their demands on the system and recover the City's cost of providing service. The peaking factors for the W-4 customer class has remained the same (when normalized).[2] The peaking factor for the W-1 customer class as a whole has also remained the same, though the peaking factors for the residential tiers have been adjusted as discussed below. The W-7 customer class peaking factor has changed.

Adjustment 2: Peaking Factors for Residential Rate Tiers

In order to equitably allocate the peaking related costs to residential Tiers 1 and 2, RFC analyzed the water usage per month per account for FY 2014. Since the maximum month usage for residential customers occurs in August, the August usage in each tier was compared with the average usage in each tier to determine the relative peaking factor for each tier. Table 2 shows the calculation of the peaking factor for each tier, representing the amount of extra capacity needed on the system to serve customers in that tier. The peaking factor for Tier 1 is 1.06 (i.e., the peak is 1.06 times the average or 6 percent above the average Tier 1 usage.) Similarly, the peak for Tier 2 is 69 percent above the average for Tier 2 usage. The delivery cost, or average cost of providing service, is recovered from the average component, and the peak cost recovered from the peak component. Based on the analysis, Tier 2 requires approximately 12 times (0.69/0.06) more peaking capacity than Tier 1. Conversely, in the 2012 study, no peaking cost was allocated to Tier 1, thus putting 100 percent of the peaking costs on Tier 2.

[2] Normalization is done so that W-1 equals 2.0. This normalization is performed to make it easier to see differences between customer class peaking factors and how those peaking factors change over time. Using the normalized peaking factors results in the same cost allocation as would result if the non-normalized peaking factors were used.

Table 2
Peaking Factors for Tiers 1 and 2

Peaking Factor Analysis for W1 Customers	Max Month Usage	Bills in Tier	Usage per Bill	Average Usage	Peaking Factor
Tier 1 - 0-6 CCF	73,173	13,124	5.58	5.27	1.06
Tier 2 - over 6 CCF	154,329	11,739	13.15	7.78	1.69

Adjustment 3: Presentation of Underlying Rate Components

These changes discussed above result in the calculated rates shown in Table 3 for FY 2016, assuming a 12 percent revenue increase. Each rate has three components: supply rate, delivery rate, and peaking rate. The supply rate represents the cost of purchased water from the SFPUC, which is applied to all customer classes and tiers equally since the City only has one source of water. Note that the supply rate component includes the fixed meter costs (about 2 percent of total costs) and losses (about 8 percent of purchased water). The delivery rate represents the City's fixed costs of operating the water system to serve year-round base load consumption, excluding any peaking related costs. This component is also applied to all customer classes and tiers equally. The peaking rate represents the capacity related costs of the system necessary to serve peak load, and it differs per customer class and tier based on the calculated peaking factors for each customer class and tier, as shown in Tables 1 and 2. Table 4 shows the existing rates and how they underlying rate components were previously displayed.

Table 3
Proposed FY 2016 Commodity Rate

Customer Class	Tier (ccf)	Supply Rate ($/ccf)	Delivery Rate ($/ccf)	Peaking Rate ($/ccf)	Rate ($/ccf)
Residential - W1					
Tier 1	6	$4.61	$1.10	$0.22	$5.93
Tier 2	over 6	$4.61	$1.10	$2.67	$8.38
Average Rate					$7.36
Master MFR/Commercial - W4		$4.61	$1.10	$1.21	$6.92
Irrigation - W7		$4.61	$1.10	$2.58	$8.29
Construction - W2		$4.61	$1.10	$1.21	$6.92

Table 4
Existing Commodity Rate Components

Customer Class	Tier (ccf)	Supply Rate ($/ccf)	Delivery Rate ($/ccf)	Peaking Rate ($/ccf)	Rate ($/ccf)
Residential - W1					
Tier 1	6	$3.41	$1.58	$0.00	$4.99
Tier 2	over 6	$3.41	$1.58	$2.59	$7.58
Average Rate					$6.41
Master MFR/Commercial - W4		$3.41	$1.58	$1.16	$6.15
Irrigation - W7		$3.41	$1.58	$2.53	$7.52
Construction - W2		$3.41	$1.58	$1.16	$6.15

The proposed rates are shown in Table 5 for both an 8 percent and a 12 percent revenue increase. The monthly meter service charge includes customer service, metering, and billing charges as well as the costs associated with the service connection and a portion of the distribution system capacity. Fire service meter charges include costs associated with maintaining system capacity to serve firefighting flows for private fire meters.

Table 5
Proposed FY 2016 Water Rates

General Monthly Meter Service Charge

Meter Size	Existing Rates	Updated COS Rates (8.2%)	Updated COS Rates (12.1%)
5/8"	$14.67	$15.54	$16.03
3/4"	$19.51	$20.88	$21.50
1"	$29.18	$31.58	$32.45
1 1/2"	$53.37	$58.32	$59.83
2"	$82.39	$90.40	$92.67
3"	$174.29	$192.01	$196.70
4"	$309.72	$341.74	$350.00
6"	$633.80	$700.04	$716.82
8"	$1,165.86	$1,288.28	$1,319.07
10"	$1,843.02	$2,036.96	$2,085.57
12"	$2,423.45	$2,678.68	$2,742.56

Monthly Fire Meter Service Charge

Meter Size	Existing Rates	Updated COS Rates (8.2%)	Updated COS Rates (12.1%)
2"	$3.03	$3.38	$3.43
4"	$18.78	$20.94	$21.22
6"	$54.55	$60.82	$61.63
8"	$116.24	$129.61	$131.34
10"	$209.03	$233.09	$236.20
12"	$337.65	$376.51	$381.52

Commodity Rate ($/ccf)

		Existing Rates	Updated COS Rates (8.2%)	Updated COS Rates (12.1%)
Residential - W1				
Tier 1	0 - 6 ccf	$4.99	$5.70	$5.93
Tier 2	over 6 ccf	$7.58	$8.08	$8.38
Master MFR/Commercial - W4		$6.15	$6.66	$6.92
Irrigation - W7		$7.52	$7.99	$8.29
Construction - W2		$6.15	$6.66	$6.92

* NOT YET APPROVED *

Resolution No. _____

Resolution of the Council of the City of Palo Alto Adopting a Water Rate Increase and Amending Rate Schedules W-1 (General Residential Water Service), W-2 (Water Service from Fire Hydrants), W-3 (Fire Service Connections), W-4 (Residential Master-Metered and General Non-Residential Water Service), and W-7 (Non-Residential Irrigation Water Service)

R E C I T A L S

A. Pursuant to Chapter 12.20.010 of the Palo Alto Municipal Code, the Council of the City of Palo Alto may by resolution adopt rules and regulations governing utility services, fees and charges.

B. Pursuant to Article XIIID Sec. 6 of the California Constitution, on _____, 2015, the City of Palo Alto held a public hearing to consider all protests against the proposed water rate amendments.

C. The total number of written protests presented by the close of the public hearing was less than fifty percent (50%) of the total number of customers and property owners subject to the proposed water rate amendments.

The Council of the City of Palo Alto RESOLVES, as follows:

SECTION 1. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-1 (General Residential Water Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-1, as amended, shall become effective July 1, 2015.

SECTION 2. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-2 (Water Service from Fire Hydrants) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-2, as amended, shall become effective July 1, 2015.

SECTION 3. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-3 (Fire Service Connections) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-3, as amended, shall become effective July 1, 2015.

SECTION 4. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-4 (Residential Master-Metered and General Non-Residential Water Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-4, as amended, shall become effective July 1, 2015.

SECTION 5. Pursuant to Section 12.20.010 of the Palo Alto Municipal Code, Utility Rate Schedule W-7 (Non-Residential Irrigation Water Service) is hereby amended to read as attached and incorporated. Utility Rate Schedule W-7, as amended, shall become effective July 1, 2015.

SECTION 6. The Council finds that the revenue derived from the adoption of this resolution shall be used only for the purpose set forth in Article VII, Section 2, of the Charter of the City of Palo Alto.

SECTION 7. The Council finds that the fees and charges adopted by this resolution are charges imposed for a specific government service or product provided directly to the payor that are not provided to those not charged, and do not exceed the reasonable costs to the City of providing the service or product.

SECTION 8. The Council finds that the adoption of this resolution changing water rates to meet operating expenses, purchase supplies and materials, meet financial reserve needs and obtain funds for capital improvements necessary to maintain service is not subject to the California Environmental Quality Act (CEQA), pursuant to California Public Resources Code Sec. 21080(b)(8) and Title 14 of the California Code of Regulations Sec. 15273(a). After reviewing the staff report and all attachments presented to Council, the Council incorporates these documents herein and finds that sufficient evidence has been presented setting forth with specificity the basis for this claim of CEQA exemption.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

_____
City Clerk

_____
Mayor

APPROVED AS TO FORM:

APPROVED:

_____
Senior Deputy City Attorney

_____
City Manager

_____
Director of Utilities

_____
Director of Administrative Services

GENERAL RESIDENTIAL WATER SERVICE

UTILITY RATE SCHEDULE W-1

A. APPLICABILITY:

This schedule applies to all separately metered single family residential water services.

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides water services.

C. RATES:

Monthly Service Charge:	Per Meter Per Month
For 5/8-inch meter	$ ~~14.67~~15.54
For 3/4 inch meter	~~19.51~~20.88
For 1 inch meter	~~29.18~~31.58
For 1 1/2 inch meter	~~53.37~~58.32
For 2-inch meter	~~82.39~~90.40
For 3-inch meter	~~174.29~~192.01
For 4-inch meter	~~309.72~~341.74
For 6-inch meter	~~633.80~~700.04
For 8-inch meter	~~1,165.86~~1,288.28
For 10-inch meter	~~1,843.02~~2,036.96
For 12-inch meter	~~2,423.45~~2,678.68

Commodity Rate: (To be added to Service Charge and applicable to all pressure zones.)

Per Hundred Cubic Feet (ccf) Per Month	All Pressure Zones
Tier 1 usage	~~$4.99~~5.70
Tier 2 usage (All usage over 100% of Tier 1)	~~7.58~~8.08

Temporary unmetered service to residential subdivision developers, per connection $6.00

D. SPECIAL NOTES:

1. Calculation of Cost Components

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

2. Calculation of Usage Tiers

Tier 1 water usage shall be calculated and billed based upon a level of 0.2 ccf per day rounded to the nearest whole ccf, based on meter reading days of service. As an example, for a 30 day bill, the Tier 1 level would be 0 through 6 ccf. For further discussion of bill calculation and proration, refer to Rule and Regulation 11.

{End}

WATER SERVICE FROM FIRE HYDRANTS

UTILITY RATE SCHEDULE W-2

A. APPLICABILITY:

This schedule applies to all water taken from fire hydrants for construction, maintenance, and other uses in conformance with provisions of a Hydrant Meter Permit.

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides water services.

C. RATES:

1. Monthly Service Charge.

METER SIZE	
5/8 inch	50.00
3 inch	125.00

2. Commodity Rate: (per hundred cubic feet) ..... ~~$6.15~~6.66

D. SPECIAL NOTES:

1. Monthly charges shall include the applicable monthly service charge in addition to usage billed at the commodity rate.
2. Any applicant using a hydrant without obtaining a Hydrant Meter Permit or any permittee using a hydrant without a Hydrant Meter Permit shall pay a fee of $50.00 for each day of such use in addition to all other costs and fees provided in this schedule. A hydrant permit may be denied or revoked for failure to pay such fee.
3. A meter deposit of $750.00 may be charged any applicant for a Hydrant Meter Permit as a prerequisite to the issuance of a permit and meter(s). A charge of $50.00 per day will be added for delinquent return of hydrant meters. A fee will be charged for any meter returned with missing or damaged parts.
4. Any person or company using a fire hydrant improperly or without a permit, or who draws water from a hydrant without a meter installed and properly recording usage shall, in addition to all other applicable charges be subject to criminal prosecution pursuant to the Palo Alto Municipal Code.

{End}

FIRE SERVICE CONNECTIONS

UTILITY RATE SCHEDULE W-3

A. APPLICABILITY:

This schedule applies to all public fire hydrants and private fire service connections.

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides water services.

C. RATES:

1. Monthly Service Charges

Public Fire Hydrant	$5.00
Private Fire Service:	
2-inch connection	~~$3.03~~3.38
4-inch connection	~~18.78~~20.94
6-inch connection	~~54.55~~60.82
8-inch connection	~~116.24~~129.61
10-inch connection	~~209.03~~233.09
12-inch connection	~~337.65~~376.51

2. Commodity (To be added to Service Charge unless water is used for fire extinguishing or testing purposes.)

	Per Hundred Cubic Feet
All water usage	$10.00

D. SPECIAL NOTES:

1. Service under this schedule may be discontinued if water is used for any purpose other than fire extinguishing or testing and repairing the fire extinguishing facilities. Using hydrants and fire services for other purposes is illegal and will be subject to the commodity charge as noted above, fines, and criminal prosecution pursuant to the Palo Alto Municipal Code.

2. For a combination water and fire service, the general water service schedule shall apply.

3. Utilities Rule and Regulation No. 21 provides additional information on Automatic Fire Services.

4. Repairs and testing of fire extinguishing facilities are not considered unauthorized use of water if records and documentation are supplied by the customer.

{End}

RESIDENTIAL MASTER-METERED AND GENERAL NON-RESIDENTIAL WATER SERVICE

UTILITY RATE SCHEDULE W-4

A. APPLICABILITY:

This schedule applies to non-residential water service in the City of Palo Alto and its distribution area. This schedule is also applicable to multi-family residential customers served through a master meter.

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides water services.

C. RATES:

Monthly Service Charge	Per Meter Per Month
For 5/8-inch meter	$ 15.54~~$ 14.67~~
For 3/4-inch meter	20.88~~19.51~~
For 1-inch meter	31.58~~29.18~~
For 1 ½-inch meter	58.32~~53.37~~
For 2-inch meter	90.40~~82.39~~
For 3-inch meter	192.01~~174.29~~
For 4-inch meter	341.74~~309.72~~
For 6-inch meter	700.04~~633.80~~
For 8-inch meter	1,288.28~~1,165.86~~
For 10-inch meter	2,036.96~~1,843.02~~
For 12-inch meter	2,678.68~~2,423.45~~

Commodity Rates: (to be added to Service Charge)

Per Hundred Cubic Feet (ccf) Per Month	All Pressure Zones
Per ccf	$ ~~6.15~~6.66

D. SPECIAL NOTES:

1. Calculation of Cost Components

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

{End}

NON-RESIDENTIAL IRRIGATION WATER SERVICE

UTILITY RATE SCHEDULE W-7

A. APPLICABILITY:

This schedule applies to non-residential water service supplying dedicated irrigation meters in the City of Palo Alto and its distribution area.

B. TERRITORY:

This schedule applies everywhere the City of Palo Alto provides water services.

C. RATES:

Monthly Service Charge	Per Meter Per Month
For 5/8-inch meter	$ 15.54~~14.67~~
For 3/4-inch meter	20.88~~19.51~~
For 1-inch meter	31.58~~29.18~~
For 1 1/2 inch meter	58.32~~53.37~~
For 2-inch meter	90.40~~82.39~~
For 3-inch meter	192.01~~174.29~~
For 4-inch meter	341.74~~309.72~~
For 6-inch meter	700.04~~633.80~~
For 8-inch meter	1,288.28~~1,165.86~~
For 10-inch meter	2,036.96~~1,843.02~~
For 12-inch meter	2,678.68~~2,423.45~~

Commodity Rates: (to be added to Service Charge)

Per Hundred Cubic Feet (ccf) Per Month	All Pressure Zones
Per ccf	$ ~~7.52~~8.08

D. SPECIAL NOTES:

1. Calculation of Cost Components

The actual bill amount is calculated based on the applicable rates in Section C above and adjusted for any applicable discounts, surcharges and/or taxes. On a customer's bill statement, the bill amount may be broken down into appropriate components as calculated under Section C.

{End}