

# Notice of Public Hearing on Proposed Water Rates

## Purpose of this Notice

The City of Azusa's water utility (also known as Azusa Light & Water, hereinafter "ALW" or "water utility") will conduct a public hearing on **Monday, October 23, 2023, at 6:30 p.m.**, in the ALW First Floor Conference Room, located at 729 N. Azusa Avenue, Azusa, CA 91702, to consider adopting new water rates. The new rates, if adopted, will become effective for all utility bills rendered on and after November 1, 2023, and each July 1 thereafter.

ALW has retained an independent rate consultant to conduct a comprehensive cost of service analysis and rate study ("Study"). The Study shows that new water rates are necessary to ensure the water utility's financial integrity and future sustainability. The proposed water rates will result in an average 15% increase in revenue for Fiscal Year 2024, 9% in FY 2025, and 4% annually thereafter through FY 2028. Water rates and tier pricing will be updated based on the capacity of meter sizes and the cost/availability of water sources to ALW (i.e., cost of service). The cost-of-service rates will increase by \$7.38/month for an average/typical residential customer (¾-inch meters using 13.5 units of water per month). For an average/typical commercial water customer with a 2-inch meter using 108 units of water per month, the projected bill impact of the new cost-based rates will be an increase of \$52.45 per month.

## Your Dollars at Work / Keeping Water Affordable

The water system is critical to public health. ALW is committed to providing customers with safe, reliable, affordable drinking water. The system requires ongoing maintenance and upgrades. Many parts of the water system are nearly 100 years old. ALW needs to continue to maintain and upgrade the aging system to prevent breaks, meet regulatory, health, and safety requirements, improve seismic safety, and adapt as the climate changes. Your dollars pay for essential services and projects that protect public health by providing safe potable water. ALW provides water based on the cost of service and is not in the business of earning profits.

To mitigate costs for our customers, ALW has recently looked to alternative funding opportunities to support critical water infrastructure improvement projects. ALW successfully secured grant funding totaling \$5.5 Million to offset infrastructure improvement project costs, reducing the financial impact on our customers. Additionally, in the last two years, ALW secured Disaster Relief reimbursement funds of \$350,000 to enhance public health and safety programs, water supply, water quality, water awareness, water conservation, and community engagement.

## Your Water Rates Pay For

- True Cost of Providing Service
- 24/7 Operations
- Routine Maintenance and Emergency Repairs
- Maintain Water System Infrastructure Such As Pumps, Pipes, Meters, Reservoirs, Wells, Fire Hydrants, Valves, and Equipment
- Water Treatment Plant Operations and Improvements
- Conveyance and Treatment
- Environmental Monitoring

## Reasons for the Proposed Rate Adjustments

ALW is committed to providing its customers with the highest quality services at the lowest possible rates. To meet this commitment, ALW evaluated its infrastructure, programs, operations, and maintenance costs. Based on this evaluation, it is determined that rate adjustments are necessary to cover operations and maintenance costs, capital infrastructure improvements to replace the aging water system, and maintain the operational and financial stability of the utility. The water utility's operating budget comprises mainly fixed costs (i.e., costs that cannot be avoided). Over the last few years, significant reductions in water sales and higher expenses have resulted in revenues that are not sufficient to meet financial operating requirements.

Furthermore, to continue to provide safe, reliable water, ALW has established a strategic plan to replace critical aging infrastructure and develop additional water resources. The updated rates will fund the following critical capital improvement projects:

- Aspan Well Rehabilitation and Treatment project will revitalize an inactive well within Azusa. The new groundwater treatment plant will enhance local water supplies and improve water quality in the aquifer. The project will aid drought resiliency by supplying 2.5 million gallons daily.
- South Reservoir replacement project is a new 4 million gallon storage tank that will allow ALW to accumulate water throughout the wet season and meet the needs during the dry season.
- Pipeline replacement program will replace aging and leaking pipelines to reduce consistent water losses and continue to provide reliable and safe water.

## How Water Rates Are Designed

The water utility hired Utility Financial Solutions LLC, an independent rate consultant, to conduct a water cost of service analysis and rate study to evaluate ALW’s rates.

The rate structure for ALW’s water service is comprised of two components: (1) a fixed service charge (the “Meter Charge”); and (2) a variable water commodity charge (the “Commodity Charge”). Both charges are assessed by customer class as determined by a customer’s service size (i.e., meter size).

The Meter Charge is a fixed charge established based on the size of the water meter (in inches) serving a property. It is calculated to recover a portion of the water utility’s annual fixed costs of providing water services, such as utilities, equipment, materials, billing, collections, customer service, meter reading, meter maintenance, and infrastructure maintenance. Similar to the water utility’s current rate structure, the proposed Commodity Charges consist of tiers that impose higher rates per unit of water as the level of consumption increases, with one unit equal to one hundred cubic feet (“HCF” or “CCF”) or 748 gallons of water. The two components of the rates are designed to recover water service costs among the various customer classes proportionately.

## Proposed Water Rates

ALW is proposing water rate increases over the next five years and adopting a Commodity Drought Rate Schedule. Proposed rates will go into effect with bills rendered on and after November 1, 2023, and each July 1 thereafter.

The purpose of the Commodity Drought Rate Schedule is based on projected water sales levels at 5% to 20% below 2016 levels (henceforth “Baseline Sales”) to ensure that the water utility collects sufficient revenues to cover its expenses during periods of lower water sales. ALW proposes a four-phase Commodity Drought Rate Schedule consisting of different Commodity Charges depending on the Drought Phase declared by the ALW. If ALW determines additional levels of conservation are needed at 5, 10, 15, or 20 percent below Baseline Sales, ALW may declare the corresponding Drought Phase, and Commodity Charges will be adjusted accordingly.

The following two Rate Tables set forth proposed: 1) monthly Meter Charges by meter size; 2) tiered usage breakpoints and tiered monthly Commodity Charges by meter size; and 3) tiered monthly Commodity Drought Rate Schedules (when applicable) to be effective and operative for all utility bills rendered on and after November 1, 2023, and each July 1 thereafter:

**Rate Table 1 - Proposed Rate Schedule**

Meter Size	Current	Proposed November 1, 2023	Proposed July 1, 2024	Proposed July 1, 2025	Proposed July 1, 2026	Proposed July 1, 2027
<b>Standard Meters</b>						
3/4"	\$ 15.75	\$ 18.25	\$ 18.60	\$ 19.00	\$ 19.40	\$ 19.80
1"	\$ 25.71	\$ 30.00	\$ 30.60	\$ 31.20	\$ 31.80	\$ 32.40
1 1/2"	\$ 50.53	\$ 62.00	\$ 63.20	\$ 64.50	\$ 65.80	\$ 67.10
2"	\$ 80.32	\$ 93.00	\$ 94.90	\$ 96.80	\$ 98.70	\$ 100.70
3"	\$ 159.75	\$ 185.00	\$ 186.90	\$ 188.80	\$ 190.70	\$ 192.60
4"	\$ 249.12	\$ 290.00	\$ 295.80	\$ 301.70	\$ 307.70	\$ 313.90
6"	\$ 497.35	\$ 575.00	\$ 580.80	\$ 586.60	\$ 592.50	\$ 598.40
8"	\$ 795.22	\$ 925.00	\$ 934.30	\$ 943.60	\$ 953.00	\$ 962.50
10"	\$ 2,086.02	\$ 2,425.00	\$ 2,449.30	\$ 2,473.80	\$ 2,498.50	\$ 2,523.50
12" Special Zone	\$ 3,049.00	\$ 3,536.84	\$ 3,572.20	\$ 3,607.90	\$ 3,644.00	\$ 3,680.40
Lifeline Rate	\$ 13.55	\$ 16.05	\$ 16.40	\$ 16.70	\$ 17.00	\$ 17.30
<b>Fire Service Meters</b>						
1" Fire Service	\$ 4.27	\$ 5.00	\$ 5.10	\$ 5.20	\$ 5.30	\$ 5.40
2" Fire Service	\$ 11.70	\$ 13.60	\$ 13.90	\$ 14.20	\$ 14.50	\$ 14.80
3" Fire Service	\$ 24.55	\$ 28.50	\$ 29.10	\$ 29.70	\$ 30.30	\$ 30.90
4" Fire Service	\$ 48.21	\$ 56.00	\$ 57.10	\$ 58.20	\$ 59.40	\$ 60.60
6" Fire Service	\$ 109.05	\$ 127.00	\$ 129.50	\$ 132.10	\$ 134.70	\$ 137.40
8" Fire Service	\$ 190.17	\$ 220.00	\$ 231.00	\$ 242.60	\$ 254.70	\$ 267.40
10" Fire Service	\$ 298.33	\$ 350.00	\$ 367.50	\$ 385.90	\$ 405.20	\$ 425.50
12" Fire Service	\$ 404.45	\$ 475.00	\$ 498.80	\$ 523.70	\$ 549.90	\$ 577.40
<b>Change from Previous</b>		15.0%	9.0%	4.0%	4.0%	4.0%

**Rate Table 2 - Proposed Monthly Commodity Charges**

Meter Size	Tier	Current		Proposed November 1, 2023	Proposed July 1, 2024	Proposed July 1, 2025	Proposed July 1, 2026	Proposed July 1, 2027
		Breakeven (in ccf)	Rates					
3/4"	1	0-4	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	5-15	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 15	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
1"	1	0-7	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	8-25	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 25	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
1 1/2"	1	0-15	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	16-50	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 50	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
2"	1	0-23	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	24-80	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 80	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
3"	1	0-47	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	48-159	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 159	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
4"	1	0-73	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	74-249	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 249	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
6"	1	0-145	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	146-498	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 498	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
8"	1	0-233	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	234-797	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 797	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
10"	1	0-610	\$ 1.14	\$ 1.96	\$ 2.20	\$ 2.30	\$ 2.41	\$ 2.53
	2	611-2,092	\$ 1.86	\$ 2.91	\$ 3.26	\$ 3.42	\$ 3.58	\$ 3.75
	3	> 2,092	\$ 2.34	\$ 3.32	\$ 3.73	\$ 3.91	\$ 4.09	\$ 4.29
12"		Uniform	\$ 2.20	\$ 3.14	\$ 3.53	\$ 3.69	\$ 3.87	\$ 4.05
Golf Course		Uniform	\$ 1.85	\$ 3.10	\$ 3.48	\$ 3.64	\$ 3.82	\$ 4.00
RWCAF	All Commodity		\$ 0.62	-	-	-	-	-

**Rate Table 3 - Proposed Commodity Drought Rate Schedule**

Commodity Charges	Tier	Proposed November 1, 2023	Proposed July 1, 2024	Proposed July 1, 2025	Proposed July 1, 2026	Proposed July 1, 2027
Drought Phase I Level of Conservation -5% from Baseline	1	\$ 2.05	\$ 2.29	\$ 2.40	\$ 2.51	\$ 2.62
	2	\$ 3.06	\$ 3.42	\$ 3.58	\$ 3.74	\$ 3.91
	3	\$ 3.52	\$ 3.92	\$ 4.10	\$ 4.29	\$ 4.49
	Golf Course	\$ 3.26	\$ 3.64	\$ 3.80	\$ 3.98	\$ 4.17
Drought Phase II Level of Conservation -10% from Baseline	1	\$ 2.11	\$ 2.35	\$ 2.46	\$ 2.57	\$ 2.68
	2	\$ 3.16	\$ 3.51	\$ 3.67	\$ 3.84	\$ 4.01
	3	\$ 3.64	\$ 4.05	\$ 4.23	\$ 4.42	\$ 4.61
	Golf Course	\$ 3.35	\$ 3.73	\$ 3.90	\$ 4.08	\$ 4.26
Drought Phase III Level of Conservation -15% from Baseline	1	\$ 2.18	\$ 2.42	\$ 2.52	\$ 2.63	\$ 2.75
	2	\$ 3.26	\$ 3.62	\$ 3.78	\$ 3.94	\$ 4.12
	3	\$ 3.77	\$ 4.18	\$ 4.36	\$ 4.55	\$ 4.75
	Golf Course	\$ 3.46	\$ 3.84	\$ 4.01	\$ 4.18	\$ 4.37
Drought Phase IV Level of Conservation -20% from Baseline	1	\$ 2.25	\$ 2.49	\$ 2.60	\$ 2.71	\$ 2.82
	2	\$ 3.39	\$ 3.74	\$ 3.90	\$ 4.07	\$ 4.24
	3	\$ 3.93	\$ 4.33	\$ 4.51	\$ 4.70	\$ 4.90
	Golf Course	\$ 3.58	\$ 3.96	\$ 4.13	\$ 4.30	\$ 4.49

**Utility User’s Tax**

The City of Azusa previously adopted Ordinance No. 2003-1a (“Ordinance”), ratifying, approving, validating, and continuing the City’s Utility User’s Tax (“UUT”). The Ordinance was approved by the City’s voters on March 4, 2003. The UUT reimburses the City’s general fund for costs incurred on behalf of the water utility. The UUT rate is 4% of charges for water for residential customers, and 8% for commercial and industrial customers, as the term “charges” is defined in the Ordinance.

**How to Calculate New Monthly Water Charges**

The water utility has service sizes ranging from ¾-inch to 12-inches. To calculate your monthly water charges, you must first determine your water service/meter size. Meter sizes can be found on your ALW bill as shown in the red square below:

Service Address :				WATER / CCF				
Rate	Meter Number	Size	Service Period	Service Period Days	Previous Read	Current Read	Total Usage	
1002		3/4"	06/15/2023 - 07/17/2023	32	312	322	13	

Once you find your meter size:

- A. Determine your monthly Meter Charge by locating your meter size in Rate Table 1 (for example, a ¾-inch Monthly Meter Charge will be \$18.25.

- B. Calculate your monthly Commodity Charges by locating the Usage Charge Per CCF in Rate Table 2:
- Estimate your monthly water consumption in CCF or look at previous bills for estimates.
  - Apply tiered rates from Rate Table 2 according to your water consumption. For example, a ¾-inch meter with 14 CCF of monthly consumption would be assessed with the following Commodity Charges:

¾" Meter (14 CCF consumption)	Commodity Charges	Consumption	Total Commodity Charges
Tier 1 (0-4 CCF)	\$1.96	4 CCF	\$7.84
Tier 2 (5-15 CCF)	\$2.91	10 CCF	\$29.10
Tier 3 (>15 CCF)	\$3.32	-	-
<b>Total</b>		<b>14 CCF</b>	<b>\$36.94</b>

- Add the Meter and Commodity Charges to get the total monthly water charges (\$18.25 Meter Charge + \$36.94 Commodity Charges = \$55.19 in monthly water costs).

## Bill Comparison

Over 85 percent of ALW's customers have a ¾-inch or 2-inch meter. Below are comparisons of current versus proposed monthly water charges given different consumption levels for customers with a ¾-inch and 2-inch meter. Current water charges include the replacement water cost adjustment factor (RWCAF), and the proposed rate schedule has accounted for that.



## Public Hearing and Written Protests

Any owner of record of a parcel upon which the water fees are proposed to be imposed and any tenant directly liable for the payment of water fees (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate increases to the ALW's water fees; however, only one protest will be counted per identified parcel.

Any written protest must:

- State that the identified property owner or tenant is opposed to the proposed water service fee rate increases;
- Provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and
- Include the name and signature of the property owner or tenant submitting the protest.

Written protests may be submitted by mail or in person to the City of Azusa's Office of the City Clerk at 213 E. Foothill Boulevard, Azusa, CA 91702, or at the Public Hearing, so long as they are received prior to the close of the public input portion of the Public Hearing. Please include your service address(es) or parcel number(s), name, and contact telephone number in your written protest. Any protest submitted via e-mail or by electronic means will not be accepted as a valid written protest.

ALW's Utility Board will accept and consider all written protests and will hear and consider all oral comments to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, ALW's Utility Board will consider adopting the proposed rate increases. If written protests against the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, ALW's Utility Board will be authorized to adopt the rate increases.

Please note that there is a 120 day statute of limitations to challenge the water fees described herein. The 120 days will commence on the effective date of the resolution adopting the water fees.

Details regarding the proposed water rates are available at the Office of the City Clerk, by calling Azusa Light & Water at (626) 812-5225, or on the City of Azusa's website at [www.ci.azusa.ca.us](http://www.ci.azusa.ca.us)