

RESOLUTION NO. 3208

**RESOLUTION OF THE BOARD OF DIRECTORS
OF THE CASTAIC LAKE WATER AGENCY ESTABLISHING
THE SANTA CLARITA WATER DIVISION
RETAIL WATER RATES FOR CALENDAR YEARS 2018, 2019 AND 2020**

WHEREAS, pursuant to Water Code Appendix Section 103-24, the Board of Directors of the Castaic Lake Water Agency (CLWA), through its Santa Clarita Water Division (SCWD), has the authority to establish retail water rates at a level that will pay for the operating expenses of SCWD and the provision of water services; and

WHEREAS, the SCWD is committed to providing the highest quality water services at the lowest possible rates for its customers. To meet this commitment, SCWD undertook an evaluation of its operations and maintenance costs and capital infrastructure improvements needed to provide safe and reliable drinking water for the ensuing three calendar years; and

WHEREAS, based on this evaluation, it has been determined that rate increases are necessary to recover SCWD's costs of providing water service, which include increased costs of purchased water, materials and supplies, power and labor; and

WHEREAS, on or about September 27, 2017, SCWD made available for review at SCWD's administrative office the complete Cost of Service Study and Financial Plan by Raftelis Financial Consultants, Inc. titled "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report" that provides evidentiary support for the rate increases and related statements set out in this Resolution; and

WHEREAS, SCWD retail water service charges are comprised of three components: (1) a fixed Monthly Meter Service Charge, determined on the basis of the size of the meter serving the property (in inches); (2) a variable Commodity Charge, determined on the basis of the number of metered units of water delivered (with each unit equal to one hundred cubic feet (CCF), or 748 gallons); and (3) a Private Fire Service Protection Charge, determined on the basis of the diameter of the fireline serving the property (in inches); and

WHEREAS, the Monthly Meter Service Charge is designed to recover a significant portion of SCWD's fixed costs for (a) certain operations and maintenance costs (b) meter reading (c) billings (d) collections and (e) accounting costs. The commodity charge is designed to recover a portion of SCWD's fixed costs and its variable costs for (f) purchased water and (g) energy costs for delivering water; and

WHEREAS, SCWD's Commodity Charge is a uniform volumetric rate structure for all classes of customers. SCWD has three distinct customer classes: Single Family Residential, Irrigation (customers with dedicated irrigation meters), and All Other Customers (multi-family residential, institutional, commercial, and industrial customers); and

WHEREAS, the Private Fire Service Protection Charge is imposed only on properties that, as a condition of extending or initiating water service, are required to install a private fire suppression system, or have requested the delivery of water for the purpose of private fire service protection. This Private Fire Service Protection Charge is for private fire service protection only; and

WHEREAS, SCWD purchases a portion of its water from CLWA, which in turn obtains water from two sources – imported water from the Sacramento-San Joaquin Delta (Delta) and local groundwater. The rates for Commodity Charges include CLWA approved wholesale water rate increases for SCWD purchases through calendar year 2018; and

WHEREAS, SCWD has determined to automatically pass through any increases in the wholesale cost of water purchased from CLWA for calendar years 2019 and 2020 (CLWA Pass-Through Adjustment), provided that (1) any CLWA Pass-Through Adjustment shall not exceed ten percent per year in 2019 and 2020, (2) in no event shall such rates be increased by more than the cost of providing water service, and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any CLWA Pass-Through Adjustment; and

WHEREAS, SCWD purchase power from Southern California Edison (SCE), and has estimated a five percent annual increase for SCE imposed power costs for calendar years 2018 through 2020 which are included in the Commodity Charges described above; and

WHEREAS, to ensure there is sufficient revenue to provide water service, SCWD has determined to automatically pass through to customers any future incremental increases in the costs for power imposed by SCE that are greater than the five percent projected in the "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report" (Power Pass-Through Adjustment) at any time during the three year period commencing January 1, 2018 and ending on December 31, 2020, provided that (1) any Power Pass-Through Adjustment shall not exceed five percent per year in 2018, 2019 and 2020, (2) in no event shall such rates be increased by more than the cost of providing water service, and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any Power Pass-Through Adjustment; and

WHEREAS, the total cost of serving each customer is determined by distributing the fixed Monthly Meter Service Charge component and the variable Commodity Charge component (as adjusted for any CLWA Pass-Through Adjustments and Power Pass-Through Adjustments as authorized herein), amongst all accounts based upon the respective service requirements and demands of the individual customer classes, plus the Private Fire Service Protection Charge component for private fire protection, if applicable. Together, the three components of the water service charges are designed to proportionately allocate the cost of providing water service among the customer classes; and

WHEREAS, California Constitution Article XIII D, Section 6 (Article XIII D) requires that prior to imposing any increase of the rates of its water service charges, SCWD shall provide written notice (Notice) (attached hereto as Exhibit A) by mail of (1) the proposed increases to such rates of water service charges to the record owner of each parcel upon which the water service charges are proposed for imposition and any tenant directly liable for payment of the water service charges, (2) the amount of the rates for the water service charges proposed to be imposed on each parcel, (3) the basis upon which the rates of the water service charges were calculated, (4) the reason for the new or increased rates of the water service charges and (5) the date, time and location of a public hearing (the "Hearing") on the proposed rates of the water service charges; and

WHEREAS, pursuant to Article XIII D such Notice is required to be provided to the affected property owners and any tenant directly liable for the payment of the water service charges not less than forty-five days prior to the Hearing on the proposed water service charges; and

WHEREAS, on October 3, 2017, SCWD mailed Notice of the proposed rate increase and attached hereto as Exhibit B is proof of mailing such Notice; and

WHEREAS, there are 31,067 identified parcels that receive water service from SCWD, of which a majority would be 15,534; and

WHEREAS, the Hearing was held on this day, November 20, 2017; and

WHEREAS, at the Hearing the CLWA Board heard and considered all oral testimony, written materials and written protests concerning the establishment and imposition of the proposed rate increases for the water service charges, entered such written protests into the record of such Hearing, and at the close of the Hearing SCWD did not receive written protests against the establishment and imposition of the proposed rate increases for water service from a majority of the affected property owners and tenants directly liable for the payment of water service charges; and

WHEREAS, as explained in the Notice and the "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report," revenue collected from the water service charges will be used to pay for water service actually provided to the property identified in the Notice and not will not be used for general governmental purposes; and

WHEREAS, the revenues from water service charges will not and do not exceed the amount required to provide such water service; and

WHEREAS, the revenues collected from water service charges have been and will be used only to pay for the water services for which they were collected; and

WHEREAS, the water service charges are not standby charges, but are imposed for water immediately available to the property subject to the imposition of the fees.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE CASTAIC LAKE WATER AGENCY RESOLVES AND ORDERS AS FOLLOWS:

1. The foregoing Recitals are all true and correct and are made findings of this CLWA Board of Directors (Board).
2. Based upon substantial evidence presented to the Board in the form of the "Santa Clarita Water Division Retail Water Rate Cost of Service Study Report," the Board finds that the water rates adopted in this Resolution do not exceed the reasonable cost of providing the service and will be sufficient to fund the Santa Clarita Water Division's (1) operating expenses, including employee wage rates and fringe benefits, (2) purchasing or leasing of supplies, equipment and materials, (3) financial reserve needs and requirements and (4) capital projects necessary to maintain service within SCWD's existing service area.
3. The Board hereby finds that the administration, operation, maintenance, and improvements of the SCWD water system (System), which are to be funded by the water service charges set forth herein, are necessary to maintain service within SCWD's existing service area. The Board further finds that the administration, operation, maintenance and improvements of the System, to be funded by the water service charges set forth herein, will not expand the System. The Board further finds that such

water service charges are necessary and reasonable to fund the administration, operation, maintenance, and improvements of the System. Based on these findings, the Board hereby determines that this Resolution is exempt from the requirements of CEQA pursuant to California Public Resources Code Section 21080(b)(8) and State CEQA Guidelines Section 15273(a).

4. The Board has evaluated and hereby approves the rates for water service charges, including the CLWA Pass-Through Adjustment and the Power Pass-Through Adjustment, all as set forth in Exhibit C hereto and by this reference incorporated herein and made an operative part of this Resolution. The rates for the water service charges shall be effective as of January 1, 2018, and each January 1 thereafter through and including January 1, 2020.
5. The Board hereby authorizes SCWD staff to take any and all actions necessary to implement the CLWA Pass-Through Adjustment or Power Pass-Through Adjustment to the rates for the Commodity Charge component of the water service charges then currently in effect, provided, however, that:
 - (a) any increase to the Commodity Charge due to a CLWA Pass-Through Adjustment may only occur in calendar years 2019 and 2020.
 - (b) any increase to the Commodity Charge due to a CLWA Pass-Through Adjustment may not exceed ten percent per calendar year.
 - (c) any increase to the Commodity Charge as a result of a Power Pass-Through Adjustment may occur at any time during the three year period commencing January 1, 2018 and ending on December 31, 2020.
 - (d) any increase to the Commodity charge as a result of a Power Pass-Through Adjustment may not exceed five percent per calendar year.
 - (e) prior to implementing any future increases in the Commodity Charge component of the water service charges as a result of the CLWA Pass-Through Adjustment or the Power Pass-Through Adjustment, written notice shall be provided to all customers not less than 30 days prior to the effective date of such increase.
6. SCWD staff is hereby directed to take any and all steps necessary to implement such rates, including but not limited to filing a notice of exemption and paying any applicable fees.
7. SCWD staff is hereby directed to provide the Budget and Rates Committee with an update on the upcoming proposed rate increase in October of each year within this rate cycle, which will include information on financial performance and rate setting assumptions.
8. This Resolution shall be effective as of the date of adoption. The increased rates for the water service charges set forth herein shall become effective as authorized herein.
9. All resolutions or administrative actions by the Board, or parts thereof that are inconsistent with any provision of this Resolution, are hereby superseded only to the extent of such inconsistency.
10. If any section, subsection, subdivision, sentence, clause, or phrase in this Resolution or any part thereof is for any reason held to be unconstitutional, invalid or ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Resolution or any part thereof. The Board hereby

declares that it would have adopted each section irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses or phrases be declared unconstitutional, invalid or ineffective. If the water rates established by this Resolution are declared invalid or otherwise set aside by any court of competent jurisdiction, the water rates in effect prior to the effective date of this Resolution shall be deemed by this Resolution to be restored, revived and brought to full force and effect.


President

I, the undersigned, hereby certify: That I am the duly appointed and acting Secretary of the Castaic Lake Water Agency, and that at a special meeting of the Board of Directors of said Agency held on November 20, 2017, the foregoing Resolution No. 3208 was duly and regularly adopted by said Board, and that said resolution has not been rescinded or amended since the date of its adoption, and that it is now in full force and effect.

DATED: November 20, 2017


Secretary



EXHIBIT A
NOTICE OF PUBLIC HEARING
PROPOSED ADJUSTMENTS TO AND INCREASES IN THE RATES
FOR RETAIL WATER SERVICE CHARGES
Santa Clarita Water Division of the Castaic Lake Water Agency

The Board of Directors of the Castaic Lake Water Agency (CLWA) will be holding a public hearing on **November 20, 2017, at 6:15 p.m.** in its Boardroom at the Rio Vista Treatment Plant, located at **27234 Bouquet Canyon Road, Santa Clarita, California**, to consider the adoption of adjustments to and increases in the rates of the retail water service charges for its Santa Clarita Water Division (SCWD).

WHY ARE RATE INCREASES NEEDED?

SCWD is committed to providing the highest quality water services at the lowest possible rates for our customers. To meet this commitment, SCWD engaged an independent consultant to perform a cost of service and water rate study (Study) that (1) evaluates the infrastructure needs, programs, and operations and maintenance costs of SCWD water services; and (2) develops rates necessary to recover the costs for these services for the next three years. A cost of service and rate study demonstrates what it costs SCWD to provide water service and the appropriate rates to fairly and appropriately allocate the costs of providing water to our customers. The cost of providing water includes not only the water it purchases, but the infrastructure that treats and delivers the water, and its water conservation and efficiency and water demand management programs to ensure that there is safe and reliable water to meet the demands of all water customers twenty-four hours a day, seven days a week.

Based upon evaluation performed in the Study, it has been determined that adjustments to and increases in the rates of the SCWD's water service charges are necessary to enable it to:

- recover current and projected costs of operations and maintenance, and capital infrastructure improvements needed to repair and update SCWD's aging water system;
- maintain the operational and financial stability of the utility;
- comply with State mandated regulatory requirements;
- meet and comply with annual debt service requirements; and
- avoid operational deficits and depletion of reserves.

As described below, SCWD is proposing to adjust the method for calculating its water service charges for Single Family Residential customers. This adjustment will result in Single Family Residential customers no longer being subject to tiered water rates, rather they will be subject to the same uniform volumetric rate structure (i.e., constant unit price for all metered volumetric units of water) as all other customer classes. A substantial portion of SCWD's costs to operate and maintain the water system are fixed, meaning the costs remain the same regardless of how much water is used by customers. Over the last several years, SCWD has experienced declines in water demand resulting from the drought and state-mandated water use reductions, and therefore, reductions in water revenues. While experiencing these declines in water demand and revenues, SCWD has exercised fiscal discipline by utilizing reserves and managing operating costs to avoid significant increases in the rates for its water service charges. The rate consultant studied the effects of the reduction in water use and revenues, and developed rates that will ensure there are stable revenues and reserves to fund utility obligations going forward.

The proposed rate increases for the water service charges will allow SCWD to provide safe, reliable drinking water to its customers. Absent critical rate increases, SCWD would experience budget shortfalls for each year of the three-year forecast performed in the Study. As described in more detail below, the rate adjustments and increases are proposed to commence January 1, 2018, and each January 1 thereafter, through and including January 1, 2020. The Study supporting the financial plan and the proposed rates is available for review at SCWD's Administrative Offices located at 26521 Summit Circle in Santa Clarita on Monday through Thursday, 7:30 a.m. to 5:30 p.m., and alternating Fridays, 7:30 a.m. to 4:30 p.m., excluding holidays.

HOW ARE OUR WATER RATES CALCULATED?

SCWD has three distinct customer classes: Single-Family Residential (SFR), Irrigation (customers with dedicated irrigation meters), and All Other Customers (multi-family residential, institutional, commercial, and industrial customers). The rate structure for the SCWD retail water service charges is comprised of three components: (1) a fixed monthly Meter Service Charge, determined on the basis of the size of the meter serving the property (in inches); (2) a variable

Commodity Charge, determined on the basis the number of metered units of water delivered (with each unit equal to one hundred cubic feet (CCF), or 748 gallons); and (3) a Private Fire Service Protection Charge, determined on the basis of the diameter of the fireline serving the property (in inches).

The Meter Charge is designed to recover a significant portion of SCWD's fixed costs, including certain operations and maintenance costs, and meter reading, billings and collections, and accounting costs. The rates for the Meter Charge are the same for all customer classes depending on the size of the water meter serving a property.

The Commodity Charge is designed to recover a portion of SCWD's fixed costs and its variable costs of purchasing and delivering water. Currently for SFR customers, the Commodity Charge consists of three tiers that impose higher rates as the level of consumption increases. At this time, SCWD is transitioning from the SFR tiered rate structure to a uniform volumetric rate structure for all classes of customers.

The Private Fire Service Protection Charge is designed to recover the cost of providing water for private fire protection services and is imposed only on properties that, as a condition of extending or initiating water service, are required to install a private fire suppression system, or have requested the delivery of water for the purpose of private fire service protection.

Together, the three rate components are designed to proportionately allocate the cost of providing water service on a parcel basis among the customer classes. If approved, all adjustments to and increases in the rates will be effective on January 1 for the years shown in the tables below.

WHOLESALE WATER PASS-THROUGH ADJUSTMENTS

SCWD purchases a portion of its water from CLWA. CLWA obtains its water from two sources—imported water from the Sacramento-San Joaquin Delta (the "Delta") via the over 400-mile California Aqueduct, and local groundwater. The proposed rates for the Commodity Charges include CLWA approved wholesale water rate increases for the water SCWD purchases through calendar year 2018. For calendar years 2019 and 2020, SCWD is proposing to automatically pass through to customers any future incremental increases in the costs for wholesale water that CLWA imposes upon SCWD (each a "CLWA Pass-Through Adjustment"). Provided, however, that: (1) any CLWA Pass-Through Adjustment shall not exceed ten percent per year in 2019 and 2020; (2) in no event shall such rates be increased by more than the cost of providing water service; and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any CLWA Pass-Through Adjustment. Any CLWA Pass-Through Adjustment will only impact the rates of the Commodity Charges in 2019 and 2020 set forth in the tables below.

POWER PASS-THROUGH ADJUSTMENTS

SCWD purchases power from Southern California Edison (SCE). For calendar years 2018, 2019 and 2020, SCWD has estimated a five percent annual increase for power costs. The proposed rates for the Commodity Charges include projected annual five percent increases in the cost of the power it purchases. To ensure that there are sufficient revenues to provide water services, SCWD is also proposing to automatically pass through to customers any future incremental increases in the costs for power that SCE imposes upon SCWD that are greater than the five percent projected in the Study. Any Power Pass-Through Adjustment will only impact the rates in the Commodity Charge set forth in the table below. If approved, SCWD may implement any SCE pass-through adjustment at any time during the three-year period commencing January 1, 2018 and ending on December 31, 2020. Provided, however that (1) any Power Pass-Through Adjustment shall not exceed five percent per year in 2018, 2019 and 2020; (2) in no event shall such rates be increased by more than the cost of providing water service; and (3) SCWD shall provide all customers at least 30 days' written notice prior to implementing any Power Pass-Through Adjustment.

CURRENT AND PROPOSED WATER RATES

The current and proposed maximum rates for SCWD's Meter Service Charge, Commodity Charge (exclusive of any CLWA Pass-Through Adjustments described above) and (exclusive of additional Power Pass-Through beyond the estimated five percent described above), Private Fire Service Protection Charge and the effective dates for the implementation of the rates are shown in the tables below. The amount paid for the Meter Service Charge and Private Fire Protection Service Charge are the same each month. The amount paid for the Commodity Charge varies each month depending on the number of units (CCF) of water each customer uses during the prior month.

Current and Proposed Fixed Meter Service Charges by Meter Size (\$ per Month)

Meter Size (inches)	Current 2017	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1, 2020
5/8 by 3/4	\$19.98	\$21.45	\$21.88	\$22.32
3/4	\$25.26	\$29.09	\$29.68	\$30.28
1	\$35.80	\$44.36	\$45.25	\$46.16
1 1/2	\$62.16	\$82.55	\$84.21	\$85.90
2	\$93.80	\$128.37	\$130.94	\$133.56
3	\$178.18	\$250.58	\$255.60	\$260.72
4	\$273.11	\$388.05	\$395.82	\$403.74
6	\$536.79	\$769.93	\$785.33	\$801.04
8	\$853.19	\$1,228.18	\$1,252.75	\$1,277.81

Current and Proposed Private Fire Service Protection Charges by Meter Size (\$ per Month)

Fireline size in Inches	Current 2017	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1, 2020
1"	\$2.84	\$2.95	\$3.01	\$3.08
2"	\$5.68	\$5.90	\$6.02	\$6.15
4"	\$11.36	\$11.79	\$12.03	\$12.28
6"	\$17.04	\$17.68	\$18.04	\$18.41
8"	\$22.72	\$23.57	\$24.05	\$24.54
10"	\$28.40	\$29.46	\$30.05	\$30.66
12"	\$34.08	\$35.35	\$36.06	\$36.79
14"	\$39.76	\$41.24	\$42.07	\$42.92
16"	\$45.44	\$47.13	\$48.08	\$49.05
18"	\$51.12	\$53.02	\$54.09	\$55.18
20"	\$56.80	\$58.91	\$60.09	\$61.30

Current 2017 Commodity Charges (\$ per CCF)

Customer Class	Current 2017
SFR	
Tier 1 (0-14 CCF)	\$1.8015
Tier 2 (15-49 CCF)	\$2.0094
Tier 3 (50 and > CCF)	\$2.6417
Landscape	\$2.6417
All Others	\$2.0094

Proposed Commodity Charges (\$ per CCF)

	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1, 2020
All Customers	\$1.91	\$1.95	\$1.99

WHAT DOES THIS MEAN TO ME?

The table below is provided as a reference for estimating your bill under the proposed rates, assuming an SFR customer has a ¾ inch water meter.

Sample Impact on Monthly Water Bills of Single-Family Residential Customers Based on Various Levels of Water Usage (in CCFs)

Monthly Bill (3/4-inch meter)	Current 2017	Proposed January 1, 2018	Proposed January 1, 2019	Proposed January 1, 2020
8 Ccf	\$39.67	\$44.37	\$45.28	\$46.20
18 Ccf	\$58.52	\$63.47	\$64.78	\$66.10
27 Ccf	\$76.60	\$80.66	\$82.33	\$84.01
40 Ccf	\$102.73	\$105.49	\$107.68	\$109.88

HOW DO I PROTEST THE PROPOSED RATE ADJUSTMENTS AND INCREASES?

Any record owner of a parcel upon which the water service charges are proposed for imposition and any tenant who is directly responsible for the payment of water service charges (i.e., a customer of record who is not a record owner) may submit a written protest to the proposed rates for SCWD's water service charges; provided, however, only one protest will be counted per identified parcel. Any written protest must: (1) state the identified record owner or tenant is in opposition to the proposed water service charges; (2) provide the location of the identified parcel (by street address or assessor's parcel number); and (3) include the name and signature of the record owner or tenant submitting the protest. Written protests may be submitted by mail to the Board Secretary at Santa Clarita Water Division, P.O. Box 903, Santa Clarita CA 91380-9003, or in person at 26521 Summit Circle in Santa Clarita, or at the public hearing to be held on November 20, 2017. All written protests must be received prior to the close of the public hearing, which will occur when public testimony on the proposed rates is concluded.

Any protest submitted via email or other electronic means will not be accepted. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the CLWA Secretary, Attn: Public Hearing on Water Rates. The CLWA Board of Directors will hear all oral testimony and consider all written protests to the proposed rate adjustments and 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, the Board of Directors will consider adoption of the rate adjustments and increases to SCWD's water service charges as described herein. If written protests against the proposed rate adjustments and increases are not presented by a majority of the record owners of the identified parcels upon which the rates are proposed to be imposed or any tenants directly liable for the payment of water service charges, the Board of Directors will be authorized to impose the rate adjustments and increases. If adopted, the rates will be in effect on the dates noted above.

If you have questions regarding this Notice, the public hearing, the proposed retail water rates or how the proposed rates will affect your water bill, please contact our Customer Service Department at (661) 259-2737 or visit our website at www.santaclaritawater.com. Efficient water use and avoidance of water waste will save our customers money and protect water resources. Moreover, in coordination with CLWA and other local water retailers (known collectively as the Family of Water Suppliers), it is SCWD's policy to encourage a permanent water use efficiency ethic. To learn more about how to efficiently use water and lower your water bill, please contact us at (661) 259-2737, or visit our website at www.santaclaritawater.com/your-water/rebates.