

# WATER RATES

NAVIGATING A COMPLEX SYSTEM OF SUPPLY & DEMAND, REGULATION & CONSERVATION



Welcome to **Orange County's Water Wise Lifestyle**, an ongoing series to help you navigate the new normal of California's water resources. Various water districts will be offering important information and tips along with rebates and cost-saving incentives for homeowners and businesses.

It's

extremely difficult for Orange County cities and water districts to perfectly match the cost of providing water with the price of using water. This is even truer in light of current events: California's historic drought, recent legislation

regulating rate-setting, increasing conservation measures and the need to remain solvent while preparing for future water demands.

"It would make sense that the cost of providing water should be recovered through the prices customers pay to use water. But the cost of providing water varies," says Dr. Juliet Christian-Smith of the Pacific Institute, which coordinated the 2013 "Need to Know: Water Rates" study. "For example, water may be more expensive during a drought or if increased treatment is required. And the total number of customers and the amount of water that they use also varies from season to season and year to year."

Water rates in California are historically complex but are even more so now. While some of OC's water agencies have relied on tiered rate structures as a water resource management tool, now they must demonstrate compliance with complex and changing state regulations. The 4th District Court of Appeal recently struck down San Juan Capistrano's tiered rate structure, saying it violated voter-approved Proposition 218, which prohibits government agencies from charging more for a service than it costs to provide it.

Those costs don't just include the cost of buying or producing water, but also the cost of building the infrastructure to deliver it, as well as the staff to maintain it and plan for the future. Some of those costs, often the bulk of a water bill, do not change, no matter how much water is used.

Thus agencies across California are re-thinking tiered rate structures and considering other tools to set rates. Reduced water use during the drought - meaning lower revenues for districts - further complicated the issue. Understanding the way rates are set, why agencies need to raise them, and what will happen to rates in the future requires a dramatic shift in the way consumers use and think about water.

"People think water is simple because we make it look easy, but a water system is complicated and no two are alike," says Ric Collett, president of the Yorba Linda Water District board of

directors. "People need to start thinking about water as a service, because whether they run their sprinklers or not, we have a responsibility to make sure that safe drinking water is always there.

The Yorba Linda Water District's decision last fall to raise water rates was met with protest letters from 23 percent of the public, packed meetings and ultimately legal action by the Yorba Linda Taxpayers Association. Officials warn that more districts will face public outcry throughout the state as, inevitably, rates are raised.

In setting rates, water agencies must consider three areas of specific costs to meet consumer demand, explains Kelly J. Salt, a partner in San Diego-based Best Best & Krieger which specializes in utility rate setting and compliance. Those costs include:

**SOURCES OF SUPPLY:** What are the district's water sources, and what does it cost to purchase, produce, treat, deliver or supply? Local water captured and stored may cost significantly less than water purchased from a wholesale provider.

**SYSTEM CAPACITY:** What is the agency's ability to supply water to all consumers at the time it is demanded? Districts must design, construct, operate and maintain their facilities to deliver water at peak times.

**WATER CONSERVATION AND EFFICIENCY PROGRAMS:** What costs are driven by high water use? Districts have additional costs to develop water conservation and efficiency programs to encourage customers to reduce consumption.

"Each district has different costs, consumption patterns, sources of supply, infrastructure needs and geography," Salt notes, and must develop and analyze the costs of providing services based on both fixed and variable costs.

"Rate setting is a very spreadsheet-driven process, and it's a transparent process," says Lisa Ohlund, general manager of East Orange Water District, which serves a 10-square-mile area in the unincorporated areas of North Tustin, Orange Park Acres, and portions of Orange. "We're eager to show the work we've done on rates, how we came up with them, and discuss what is going on in the water industry. But most people don't want to look at spreadsheets." ■

Learn More about the Water Wise Lifestyle at the OC Register's Knowledge Café: [ocregister.com/sections/knowledge-café](http://ocregister.com/sections/knowledge-café)

## WATER PARTNER PROFILE: CITY OF TUSTIN

The original water system in the Tustin area was formed in 1887 by Willard Bros., who then sold the system to Tustin pioneer C. E. Utt in 1897 for \$7,500. At that time, the water system included one well, a steam-driven pump, a 10,000-gallon reservoir and a three-inch water main on Main Street. Utt hired his stepson, Walter Rawlings, in 1923 to run the family business, Tustin Water Works. Rawlings worked for the company for 50 years and his descendants sold the business to the city of Tustin in 1980.

The city has operated and maintained the water system since then. It currently serves a population of 67,700 in Tustin and most of incorporated North Tustin through 172 miles of pipes and 14,200 service connections. Water is pumped out of 14 wells and run through two treatment plants. The city maintains six reservoirs that store a total of 14 million gallons.

For more information, see [tustinca.org](http://tustinca.org)



## CALENDAR OF EVENTS

### FEBRUARY 17

Irvine Ranch Water District holds a RightScape Workshop on **DRIP IRRIGATION MADE EASY**. Learn how to convert your existing sprinkler system into drip irrigation. The workshop is from 6 to 8 p.m. at IRWD's Multi-Purpose Room, 15600 Sand Canyon Ave. For more info and to sign up visit [rightscapenow.com/events](http://rightscapenow.com/events)

### FEBRUARY 20

From 8 a.m. to 12 p.m., ETWD will host a rebate information booth at the Lake Forest Home Depot located at 23651 El Toro Road. Please join us to learn more about the **STATE DROUGHT REGULATIONS** and how you can help meet those regulations by saving water and money with rebates on rain barrels, toilets and additional water conserving devices. For more information, please call (949) 837-0660.

### FEBRUARY 24

Irvine Ranch Water district holds a RightScape Workshop on **SOIL, WATER AND PLANT RELATIONSHIPS**. Learn how to build up your soil, composting, plant development and proper watering. The workshop is from 6 to 8 p.m. at IRWD's Multi-Purpose Room, 15600 Sand Canyon Ave. For more info and to sign up visit [rightscapenow.com/events](http://rightscapenow.com/events)

### OC GARDEN FRIENDLY EVENTS:

Free events where you can learn about drought-tolerant landscape, efficient irrigation and how to save water and eliminate runoff.

March 5: 8 a.m. - 12 p.m.  
Home Depot - Santa Ana  
3500 MacArthur Blvd.

March 5: 8 a.m. - 12 p.m.  
Home Depot - Lake Forest  
20021 Lake Forest Dr.

March 12: 8 a.m. - 12 p.m.  
Home Depot - Mission Viejo  
27952 Hillcrest

March 19: 8 a.m. - 12 p.m.  
Home Depot - Anaheim Hills  
1095 N. Pullman St., Savi Ranch Ctr.

March 19: 8 a.m. - 12 p.m.  
Home Depot - Irvine  
6200 Irvine Blvd.

**Orange County's Water Wise Lifestyle** page is brought to you weekly by the family of OC water providers, including the cities of Brea, Buena Park, Fountain Valley, Garden Grove, Huntington Beach, La Habra, Newport Beach, Orange, San Clemente, Seal Beach and Tustin, and the East Orange County, El Toro, Irvine Ranch, Santa Margarita, Serrano, South Coast, Trabuco Canyon and Yorba Linda water districts. The Municipal Water District of OC and the OC Stormwater Program are also participating.