

Assembly Select Committee on Regional Approaches to Addressing the State's Water Crisis



Panel 1- Best Practices in Conservation **Progressive Approach to Tiered Rates and Water Report Cards: The Allocation-based Rate Structure**

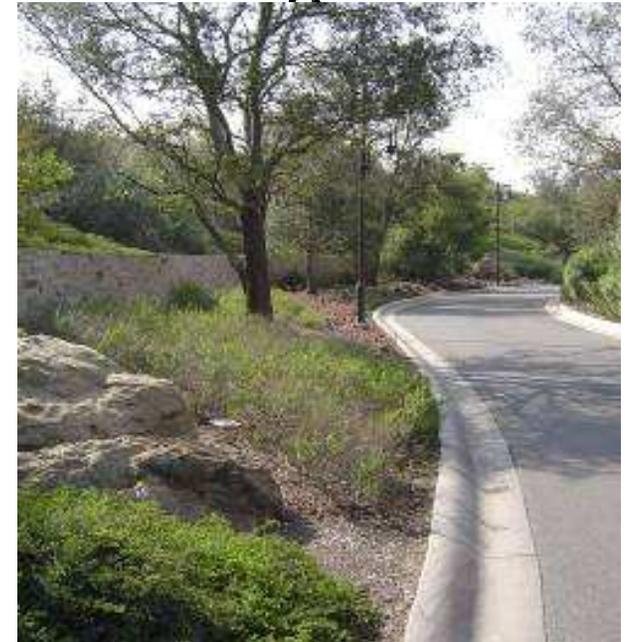
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Topics for Today's Discussion

Best Practices in Conservation: The Allocation-Based Rate Structure

- What is an Allocation-based Rate structure?
- How does it “fund” water use efficiency?
 - Landscape
 - Residential
 - Commercial/Industrial
- Performance of Rate Structure





What is an Allocation-Based Rate Structure?

- **Allocates Water:** based upon land use-specific indoor uses and landscaping needs
- **Encourages Use Patterns:** within allocation through a sharply tiered pricing system
 - economic incentive for efficient use
 - communicates value of water over-use
- **Fair Premise:** those over-use pay more, those who use *what they need*, pay much less





What is an Allocation-based Rate Structure? (cont'd)

- **Provides Funding:**

- Water conservation programs and customer incentives
- Conversions to recycled water
- Urban runoff source control



- **Identifies Over-use customers:** water bill functions as “report card”
- **Stabilizes Revenues:** with fixed charge - “sales neutral”





Example Residential Allocation



**Single Family
Detached
House (4 occupants)**

+

Outdoor Allocation:

- Irrigated area (GIS mapping)
- Seasonal needs (Eto)
- Warm season turf
- 71% irrigation efficiency

+

Variances:

- Pool
- Additional occupants
- Medical needs
- Others (livestock, etc.)



Allocation-Based Rate Structure

TIER	BREAK POINT (% of Allocation)		RATE	
Low Volume	0 - 40%		\$0.91	} 100% of water needed for indoor/outdoor uses
Base	41-100%	Base rate	\$1.15	
Inefficient	101-150%	2x base	\$2.33	
Excessive	151-200%	4x base	\$4.65	
Wasteful	201+%	8x base	\$9.30	

- Typical Residential Fixed Charge = **\$7.75/month (3/4" meter)**
- Typical Residential Commodity Bill = **\$13.74/month (15 ccf)**
\$23.56/month – typical
- **Same Typical Customer Using 2x Water Needed = \$ 75.92/month**



Allocation Based Rates – Funding Provided

- Residential Customers in “Over-allocation” Tiers:

“Inefficient”	=	14% (<i>most of 14% only slightly in this Tier</i>)
“Excessive”	=	3%
“Wasteful”	=	2%
		<hr/>
		19%

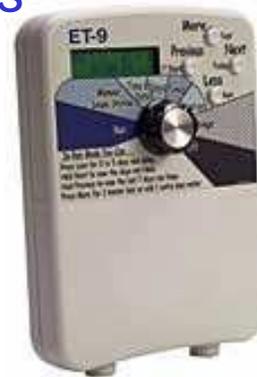
- Revenue Collected from Over-allocation Tiers is “Reinvested” in Conservation Programs
- Residential Over-allocation Revenue Generated = \$2.50 million
- Reinvestment of Revenue:
 - “Low Volume” Discount Incentive = \$1,000,000
 - Water Conservation Programs/Rebates = \$700,000
 - Recycled Water Conversions/Urban Runoff Programs = \$800,000



Rate Structure Funds Water Efficiency

Landscape Programs:

- Landscape Water Management Report Card
- “Fall Campaign” (Postcard reminders)
- Residential Education / Workshops
- *Protector del Agua* / Landscape Certification Program
- Account Managers



Key Focus Areas

- Weather Based Irrigation Controllers
- “California Friendly” Landscaping
- Irrigation System Efficiency





Rate Structure Funds Water Efficiency

Residential Programs:

- Over-Allocation Account Service
- Free Residential Surveys
- Residential Education / Workshops
- Financial Incentives:
 - High Efficiency Toilets
 - High Efficiency Clothes Washers
 - Weather-based/smart controllers





Rate Structure Funds Water Efficiency

Commercial, Industrial, Institutional (CII):

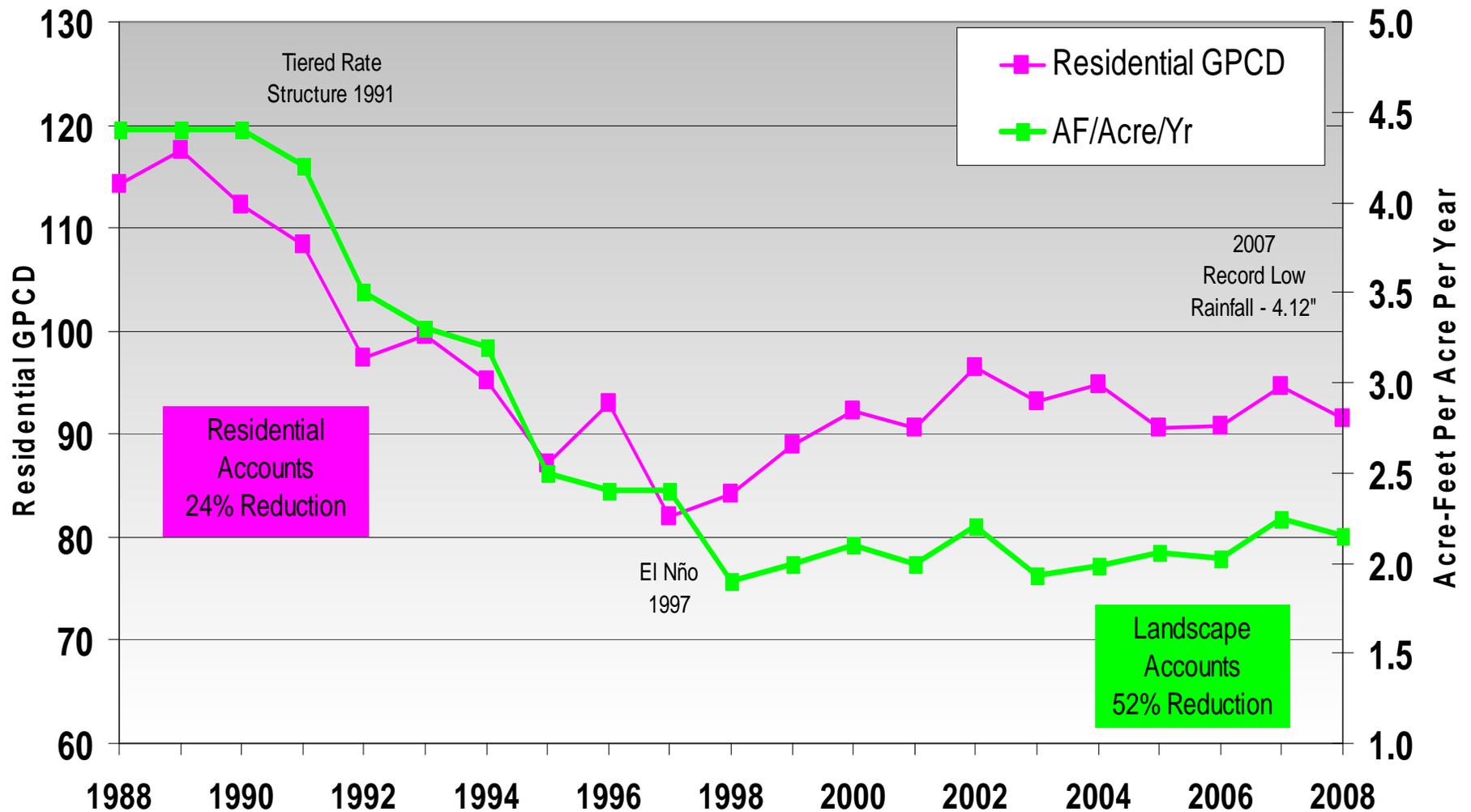
- Free site surveys – targeted at over-allocation use
- Financial Incentives:
 - High efficiency toilets and urinals
 - Cooling tower conductivity controllers
 - Industrial process improvements
 - Recycled water conversion grants





Conservation Program and Rate Structure Results

IRWD Residential and Landscape Water Usage





Summary

Allocation-based Rate Structure:

- Foundational tool for water use efficiency
- Communicates value of water – rewards appropriate water use
- Identifies over-use customers for assistance
- Funds critical conservation programs
- Provides revenue stability for water retailer
- Has high degree of customer acceptance - fair
- Provides exceptional results

