PROPOSITION 218 AND COST OF SERVICE STUDY UPDATE AND PROPOSED RATES FOR 2021-2025

PUBLIC WORKSHOP
April 20, 2020

Presented by: Jim Abercrombie, General Manager,
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PRESENTATION SUMMARY

- Overview of public meetings
- EID services
- Overview of needed asset replacement projects
- Infrastructure funding
- Cost of Service Rate Study Update (COS)
  - COS – Water/Wastewater Rate Model Overview
  - Financial Plans and Future Debt Requirements
  - Revenue Requirements and Balance of Funds
- Questions/discussion

BACKGROUND/OVERVIEW

- August 26, 2019 – Overview of Cost of Service principles and cost allocation factors
- September 23, 2019 – Capital Improvement Plan (CIP) Workshop 2020-2024
- October 15, 2019 – CIP adoption
- October 15, 2019 – COS and Financial Plan
  - Board directed staff to complete COS Update
- November 12, 2019 – Budget Workshop
- November 12, 2019 – COS Workshop and Guiding Principles (included discussion of 50/50 base/volumetric rate design)

BACKGROUND/OVERVIEW

- December 9, 2019 – Budget and Financial Plan adopted (included 5% rate revenue forecast increase for 2020 for water and recycled water)
- February 10, 2020 – Preliminary COS Update presented and Board authorized issuance of Prop. 218 notice including 50/50 cost allocation
- March 4, 2020 – COS Workshop and Open House in Cameron Park
- April 20, 2020 – COS Virtual Workshop
- April 27, 2020 – Public Hearing to consider adoption of COS and proposed rates

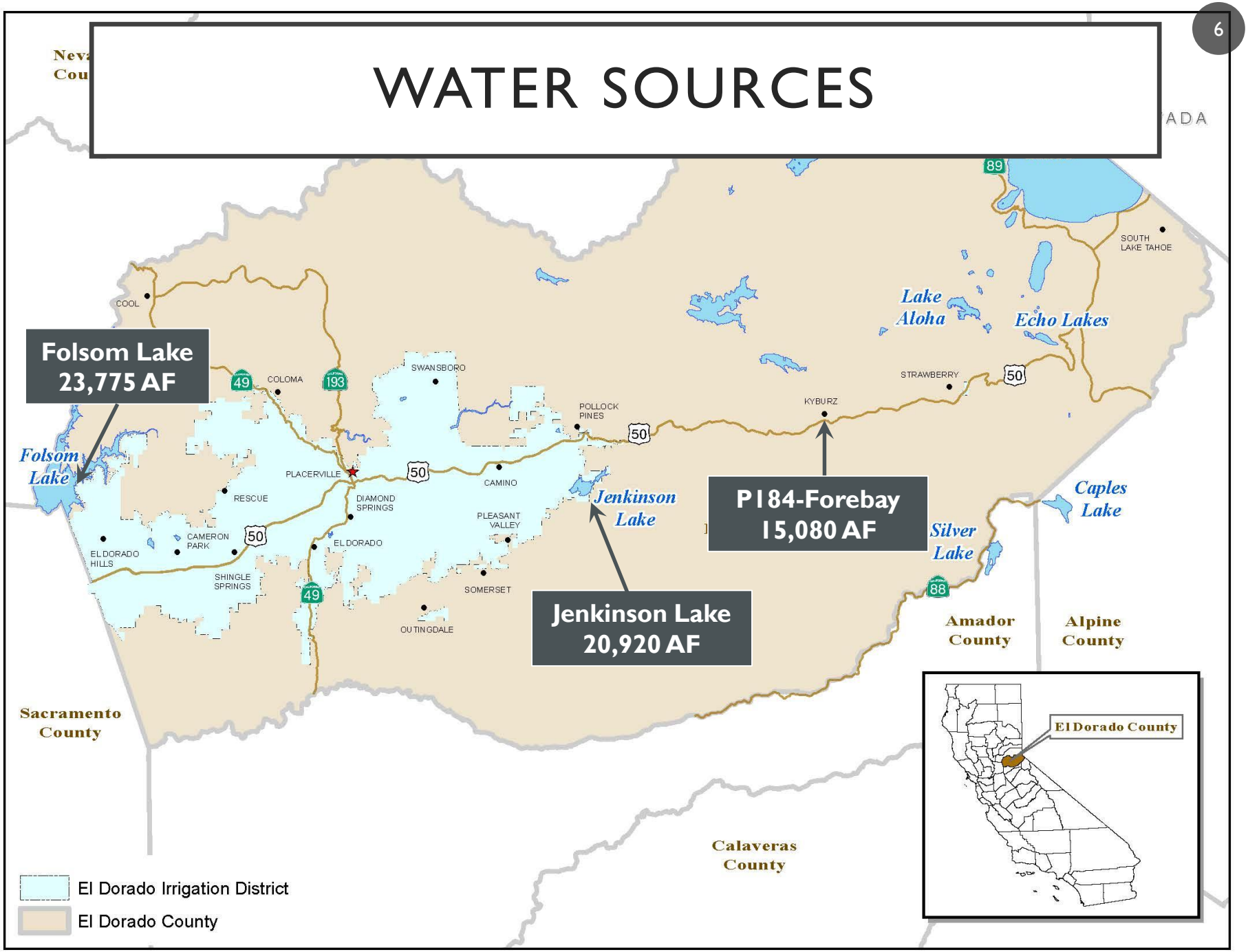
WATER FUND

- The water fund is comprised of
  - Water
  - Hydroelectric
  - Recreation

WASTEWATER FUND

- The wastewater fund is comprised of
  - Wastewater collection, treatment and disposal
  - Recycled water

WATER SOURCES



WATER

The reliable delivery of high-quality water is a complex task that requires constant vigilance, millions of dollars invested in state-of-the-art treatment plants and equipment to meet regulatory requirements, and highly trained, professional employees.

- 5 treatment facilities
- 1,105 miles of pipelines
- 36 storage tanks
- 38 pumping stations
- 42,051 services
- 220 square miles
- 500’ to 4,000’ elevation

A flume carries water from the high country to reservoirs and treatment plants.

HYDROELECTRIC

Project 184 transferred to EID in 1999. With the transfer came 15,080 acre-feet of water rights and EID has secured an additional 17,000 acre-feet of water rights from the project.

Water supply project with ancillary power generation reduces overall cost to provide drinking water.

- 5 lakes/reservoirs—Lake Aloha, Echo Lake, Silver Lake, Caples Lake, Forebay Reservoir
- 22.3 mile canal/flume system
- 21-megawatt powerhouse
- Generates average of $8 million in revenue per year
  - Revenue will be reduced in future years

RECREATION

EID's recreation sites rank among the most popular destinations in El Dorado County serving over 600,000 guests each year. Recreation sites include Sly Park as well as EID facilities at Silver Lake, Oyster Creek, Caples Lake, Echo Lake and Forebay Reservoir.

Recreation services are part of the water fund since it is a Federal Energy Regulatory Commission (FERC) requirement to provide these services at our drinking water reservoirs.

Hazel Creek meadow at Sly Park Recreation Area

WASTEWATER COLLECTION AND TREATMENT

We are working to upgrade and improve our wastewater conveyance system in areas where aging infrastructure is at issue. EID is undertaking a replacement program for several lift station facilities and continuing several improvements to the treatment and collection system.

- 4 treatment facilities
- 697-mile collection system
- 60 lift stations
- 23,683 services

El Dorado Hills wastewater treatment plant (EDHWWTP)

RECYCLED WATER

EID delivers about 3,500 acre-feet of recycled water annually or 1.1 billion gallons. The recycled program is an efficient way to dispose of treated wastewater effluent. Most of the infrastructure funded/constructed by Serrano.

- 2 treatment facilities
- 93-miles of recycled pipelines
- 5 storage tanks
- 5 pumping stations
- 5,543 services

El Dorado Irrigation District

2020-2024 CAPITAL IMPROVEMENT PLAN

	2020 PLANNED	2021 PLANNED	2022 PLANNED	2023 PLANNED	2024 PLANNED	FIVE-YEAR PLAN TOTAL
FERC	$5,721,762	$743,195	$464,671	$381,191	$392,682	$7,703,501
Water	$22,342,500	$25,813,750	$15,303,750	$14,023,750	$27,360,750	$104,844,500
Wastewater	$8,701,493	$6,195,000	$6,085,000	$4,855,000	$8,530,000	$34,366,493
Recycled Water	$175,000	$100,000	$550,000	$550,000	$550,000	$1,925,000
Hydroelectric	$19,615,000	$11,295,000	$4,310,000	$8,395,000	$6,460,000	$50,075,000
Recreation	$150,000	$150,000	$100,000	$200,000	$100,000	$700,000
General District	$2,600,000	$2,351,000	$1,997,000	$1,620,000	$1,290,000	$9,858,000
TOTAL	**$59,305,755**	**$46,647,945**	**$28,810,421**	**$30,024,941**	**$44,683,432**	**$209,472,494**

FOREBAY DAM REMEDIATION
$26 MILLION

FLUMES

Flumes deliver 1/3 of our water supply

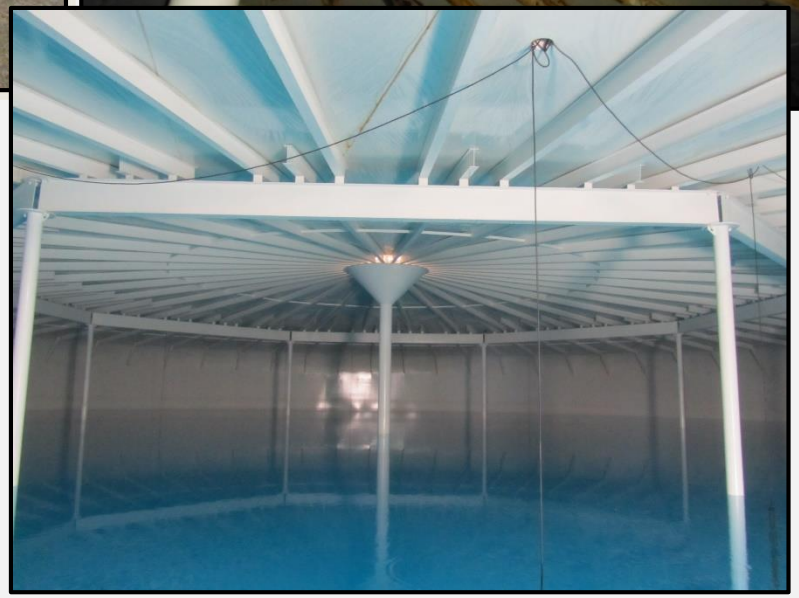
2020
Flume 38-39/40 replacement
$11 Million

Flume replacement with concrete canal

2020-2021
Folsom Lake Intake
Improvements
$42 Million

Intake delivers 1/3 of our water supply

STORAGE TANK PROGRAM



$9 Million over 5 years

WATER LINE REPLACEMENT

$38 Million over 5 years

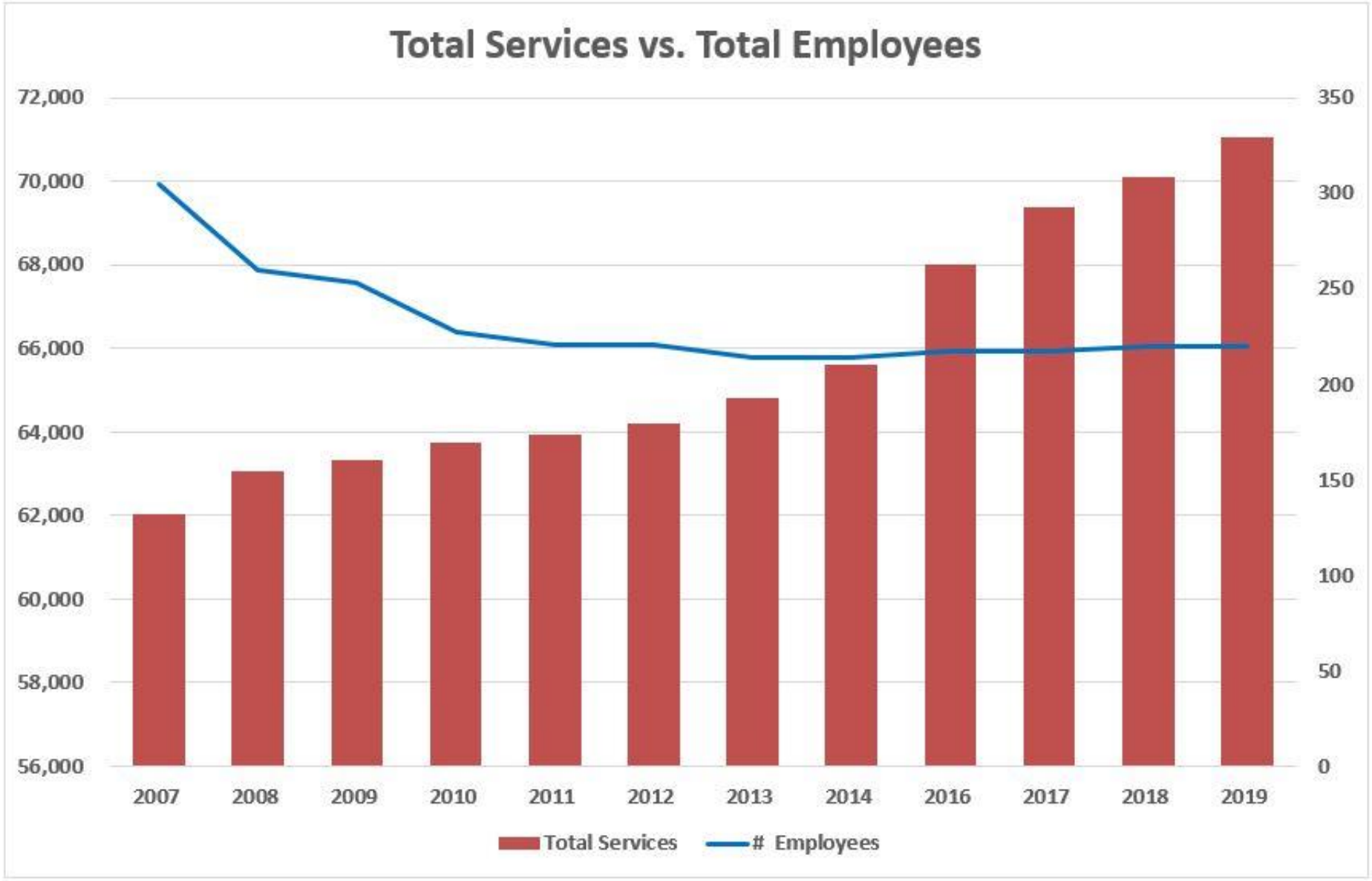
WASTEWATER SYSTEM UPGRADES

Sewer lift station upgrades
$3.7 Million over 5 years

EDHWWTP
Odor Control
$900,000

INFRASTRUCTURE FUNDING

- Financial plan for 2020-2024
- Large long-lived projects funded through bonds
  - June/July 2020 plan for $60-75 million sale
  - June/July 2020 plan to refinance callable portions of existing debt between $80-100 million
  - Current interest rates are at or near historic lows
- Smaller projects of $5-10 million paid for through rates
- If rates approved financing activities will proceed


Total Services vs. Total Employees
72,000
70,000
68,000
66,000
64,000
62,000
60,000
58,000
56,000
350
300
250
200
150
100
50
0
2007
2008
2009
2010
2011
2012
2013
2014
2016
2017
2018
2019
Total Services
Employees


Year End Outstanding Debt
(millions)
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00
$392.18
$379.60
$362.23
$336.50
$323.50
$280.00
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019

COST OF SERVICE RATE MODELS OVERVIEW

- Inputs-CIP plan, number of connections by type, production, treatment and consumption data, etc.
- Revenue requirements – financial plan
- Cost allocations
- Rate design – 50/50 base charge/volumetric
- COS recalibrated rate recovery between rate classes
- Proposed rates

2020-2025 FINANCIAL PLAN-WATER
(IN MILLIONS)

	2020	2021	2022	2023	2024	2025
Revenue from rates	33.0	34.8	36.7	38.7	40.8	43.0
Other non-rate revenue						
Property Tax	9.3	9.5	9.7	9.9	10.1	10.3
Hydro electric	8.0	7.0	6.0	6.0	6.0	6.0
Misc	4.8	4.6	3.5	3.5	3.5	3.5
Total other non-rate revenue	22.1	21.1	19.2	19.4	19.6	19.8
Total Revenue	55.1	55.9	55.9	58.1	60.4	62.8
Operating expenses	35.7	37.0	37.9	39.0	40.2	41.0
Debt service	17.7	17.8	15.1	15.1	14.9	20.4
Total revenue requirements	53.4	54.8	53.0	54.1	55.1	61.4

2020-2025 Financial Plan-Wastewater

(in millions)

	2020	2021	2022	2023	2024	2025
Revenue from rates	24.3	24.7	25.1	25.6	26.2	27.2
Other non-rate revenue						
Property Tax	3.1	3.2	3.2	3.3	3.4	3.4
Misc	2.4	1.5	1.4	1.4	1.4	1.4
Total other non-rate revenue	5.5	4.7	4.6	4.7	4.8	4.8
Total Revenue	29.8	29.4	29.7	30.3	31.0	32.0
Operating expenses	18.9	19.7	20.4	21.0	21.7	22.1
Debt service	10.9	8.9	7.0	7.0	7.0	6.8
Total revenue requirements	29.8	28.6	27.4	28.0	28.7	28.9

RATE CALCULATOR

Estimate Proposed 2021 Rates

Dual Plumbed (Water, Sewer, and Recycled Water)

Water and/or Sewer Only

IMPACT TO BI-MONTHLY
LOW WATER USER

	2021	%	2022	%	2023	%	2024	%	2025	%	Average
W	**$2.67**	3.3%	**$4.12**	5.0%	**$4.33**	5.0%	**$4.55**	5.0%	**$4.77**	5.0%	**4.7%**
WW	**-$6.76**	-5.8%	**$0.00**	0.0%	**$1.10**	1.0%	**$1.11**	1.0%	**$3.36**	3.0%	**-0.2%**
W & WW	**-$4.09**	-2.0%	**$4.12**	2.1%	**$5.43**	2.8%	**$5.66**	2.8%	**$8.13**	3.9%	**1.9%**
W, WW & RW	**-$2.50**	-1.2%	**$4.52**	2.3%	**$5.86**	2.9%	**$6.10**	2.9%	**$8.60**	4.0%	**2.2%**

W = Water
WW = Wastewater
RW = Recycled Water

IMPACT TO BI-MONTHLY
AVERAGE WATER USER

	2021	%	2022	%	2023	%	2024	%	2025	%	Average
W	**$8.63**	7.5%	**$6.17**	5.0%	**$6.47**	5.0%	**$6.80**	5.0%	**$7.15**	5.0%	**5.5%**
WW	**-$6.79**	-4.8%	**$0.00**	0.0%	**$1.35**	1.0%	**$1.35**	1.0%	**$4.11**	3.0%	**0.0%**
W & WW	**$1.84**	0.7%	**$6.17**	2.4%	**$7.82**	3.0%	**$8.15**	3.0%	**$11.26**	4.0%	**2.6%**
W, WW & RW	**$7.42**	2.7%	**$7.30**	2.6%	**$9.00**	3.1%	**$9.40**	3.2%	**$12.56**	4.1%	**3.1%**

W = Water
WW = Wastewater
RW = Recycled Water

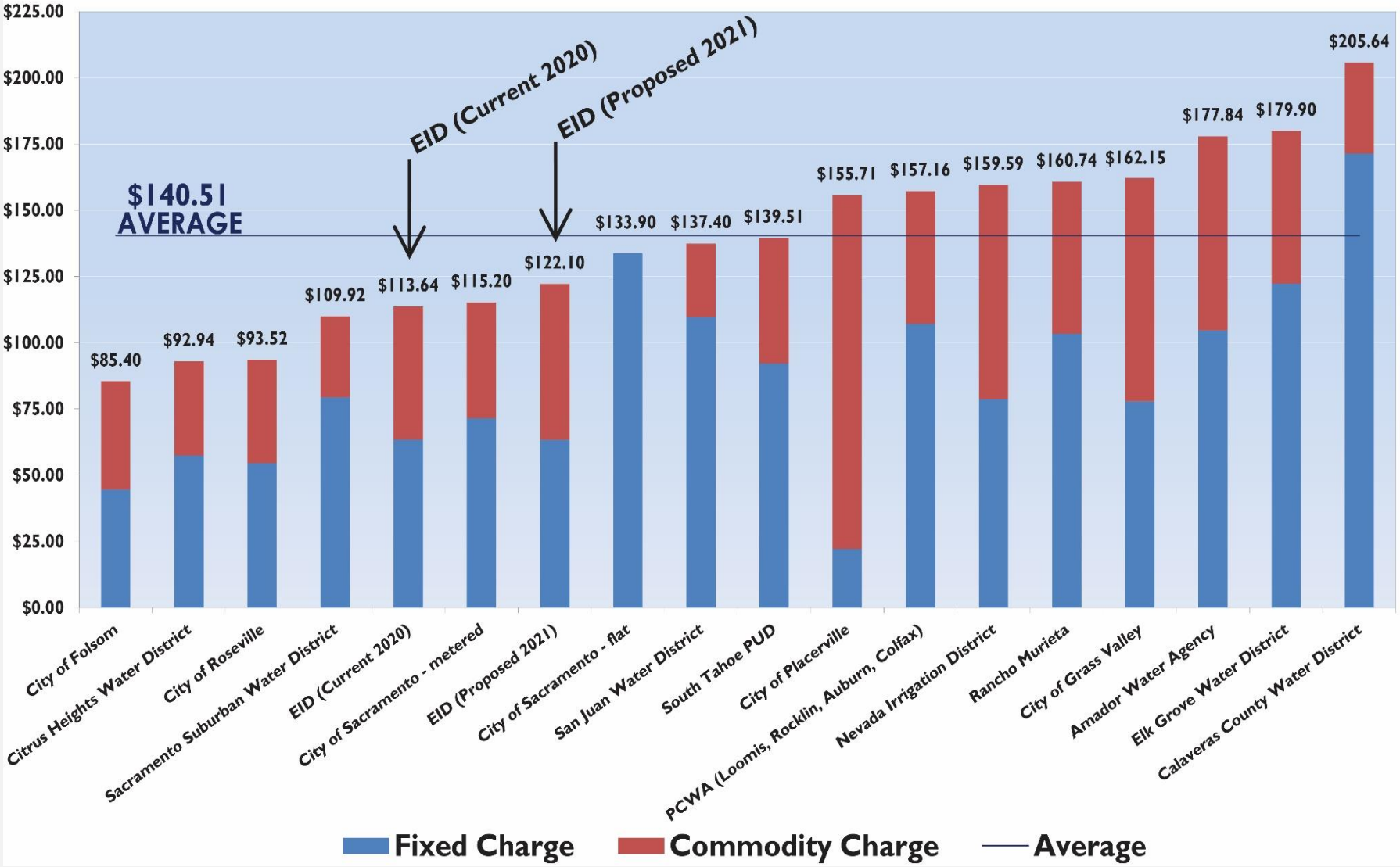
IMPACT TO BI-MONTHLY
HIGH WATER USER

	2021	%	2022	%	2023	%	2024	%	2025	%	Average
W	$25.10	11.9%	$11.81	5.0%	$12.40	5.0%	$13.02	5.0%	$13.69	5.0%	6.4%
WW	-$6.87	-3.5%	$0.00	1.0%	$1.91	1.0%	$1.94	1.0%	$5.84	3.0%	0.5%
W & WW	$18.23	4.5%	$11.81	2.8%	$14.31	3.3%	$14.96	3.3%	$19.53	4.2%	3.6%
W, WW & RW	$37.17	8.0%	$15.48	3.1%	$18.16	3.5%	$19.01	3.6%	$23.76	4.3%	4.5%

W = Water
WW = Wastewater
RW = Recycled Water

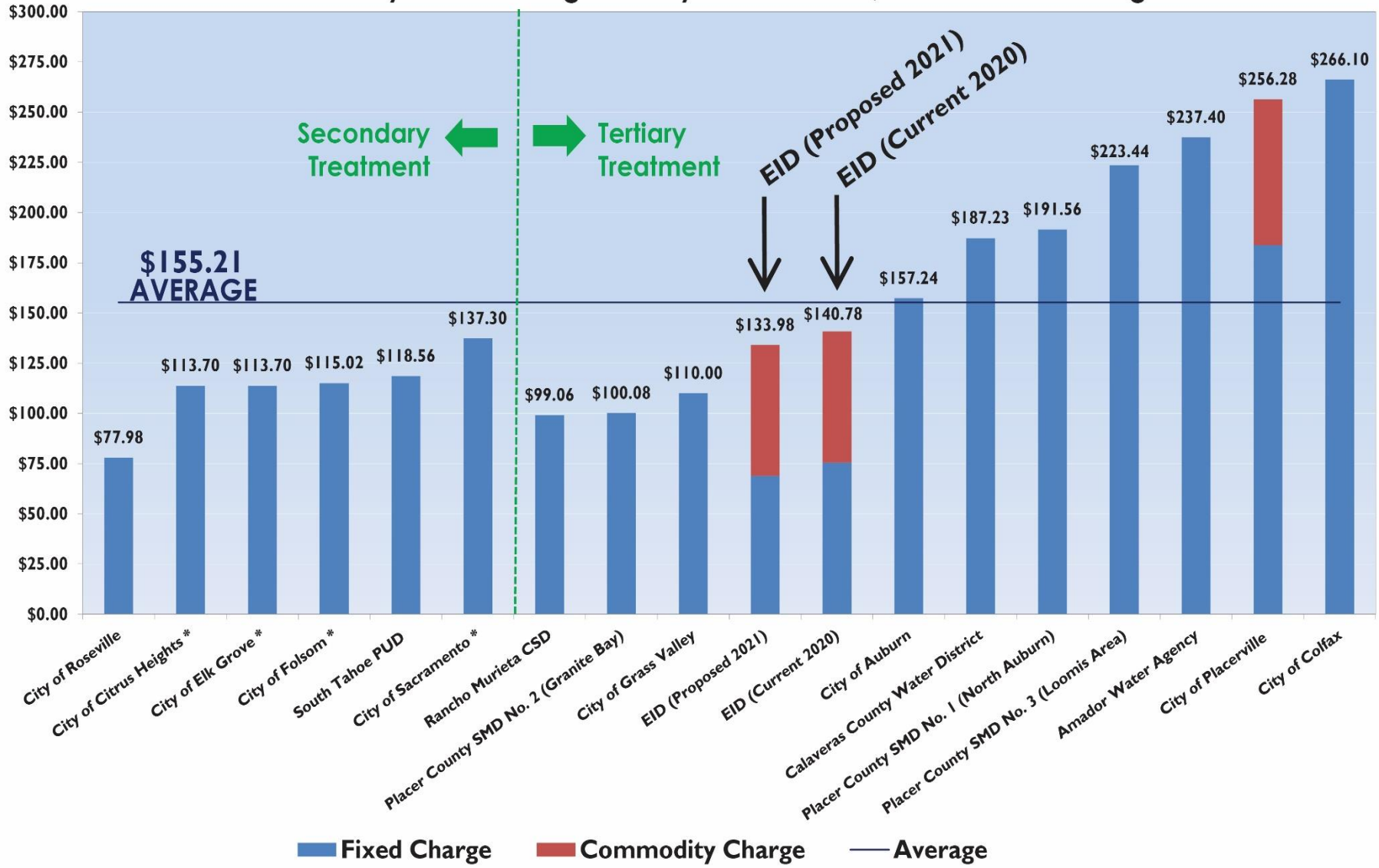
2020 Regional Water Bill Comparison

For Bimonthly Service - Single Family Residence: 3/4" Meter - 3,000 cf usage



2020 Regional Sewer Bill Comparison

For Bimonthly Service - Single Family Residence: 1,600 cf of winter usage



SUMMARY – WATER

- Overall revenue requirement increases 5% annually
- Hydroelectric revenue decreases $2-3 million
- Misc. line and cover surcharges decrease
- Direct expenses increase 3-4%
- Indirect expenses increase $500,000 over the next few years related to CalPERS
- Debt service payments increases from $17.7 to $20 million
- Majority of capital improvements = $150 million
- Pay-as-you-go projects increasing (pipe replacement)
- 5.5% average annual rate increase for medium water user

SUMMARY – WASTEWATER

- Overall revenue requirement increases for the next five years is 0%
- Direct expenses increase 3-4%
- Lift station replacement is paid by Facility Capacity Charges (FCC's) and pay-as-you-go projects
- 2.6% average annual rate increase for medium water and wastewater customers

SUMMARY

- COS Update recalibrated cost recovery between
  - Fixed and variable rates
  - Increase in number of customers
  - Increase in water usage patterns
- Modest rate increases phased in over time to help fund infrastructure replacement
- Proposed rates are the maximum the Board can implement over next 5 years

DISCUSSION