



THE CITY OF SAN DIEGO



Presentation to the Natural Resources & Culture Committee

# Water Budget Based Billing

## Results of Phase I Consultant Report

Presenters:

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# Timeline

- April 2011 - Staff presented the results of the Water Budget Based Billing Pilot Study to NR&C.
- June 2011 – RFP was issued, Red Oak Consultant was hired in Feb 2012.
- May 2012 - Red Oak presented its review of the City’s pilot study to NR&C and IROC.
- June 2013 – Staff presented the Phase I report to IROC.



# Phase 1 Report

- Evaluate applicability of water budget based billing to all customer classes.
- Identify hurdles to implementation.
- Identify water conservation programs that will complement water budget based billing.





# Phase I Result Highlights

Red Oak made these findings:

1. Recommended methodologies to develop budgets:
  - Single Family – # of people per household, irrigated landscape area and weather conditions.
  - Irrigation – irrigated landscape area and weather conditions.
  - Commercial and Multi-Family – average historical consumption at the site.
2. The billing system must be able to handle all proposed methodologies and calculations. Enhancements required.



## Phase I Result Highlights, continued

3. Customers should be billed on a monthly basis to provide timely feedback on consumption. Requires modification of billing system and dedication of significant staff resources.
4. The variance process is an important part of accurate water budget development. Dedication of significant staff resources required.
5. Water budgets can provide a useful drought management tool to achieve targeted usage reductions when necessary.





## Phase I Result Highlights, continued

6. The City's existing water conservation programs should be enhanced to provide additional support to customers wishing to reduce consumption in order to meet their budgets. Suggestions include:
  - Offer additional incentive programs.
  - Increase customer support to those participating in turf removal and irrigation enhancement programs.



# Other Considerations

- Perceived equity / Perceived inequity.
- Touts greater revenue stability for utility, but requires accuracy in water budgets.
- False to assume water budgets will result in smaller water bills for customers.
- Offers an alternative to sewer bill methodology.
- Makes water less affordable.
- A great majority of customers would already meet a water budget.



# Cost Estimates (water budgets for all customer classes)

- Estimated at \$5.7 million in one-time expenditures and \$3.6 million in annual costs to implement water budgets for all customer classes.
- Largest expenses are:
  - Billing System Enhancements: \$754,000 (one-time).
  - Migration to monthly billing (currently 95% of all accounts are billed bi-monthly): \$2.4 million (annual).
  - Variance program: \$3.6 million (one-time) / \$1 million (annual).



# Cost Estimates (Irrigation only)

- Estimated at \$871,000 in one-time expenditures and \$88,000 in annual costs to implement water budgets for irrigation customer class.
- Largest expenses are:
  - Billing system enhancements: \$513,000 (one-time).
  - Initial development of water budgets: \$257,000 (one-time).



# Requested Action

- Complete a modified Phase II study scope, to model potential water budget rate structures for the Irrigation customer class.
- Benefits of the recommendation:
  - Minimal cost and complexity to implement.
  - Significant water use for small proportion of accounts (11% of water use, 2% of all accounts).
  - Allows for implementation of tiered rate structure for irrigation, with those exceeding water budgets paying a higher rate.



# IROC Review

- At the June 24, 2013 presentation IROC:
  - Passed motion to support staff recommendation.
  - Passed additional motion recommending against rate modeling or implementation of water budgets for Single-Family Residential customer class.



## Next Steps (after today's decision)

- Phase II - rate modeling for Irrigation accounts (estimating 4-6 months).
- Decision Point at conclusion of Phase II – policy decision on whether to implement water budget for Irrigation accounts.
- Phase III - implementation of water budgets for Irrigation accounts (estimating 16 months).



# Questions?

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