RAG Meeting #2 Notes Summary: June 24, 2025

The RAG met to finalize elements of its working charter, revisit pricing objectives, and begin exploring rate structure alternatives. The group also discussed key considerations from past rate efforts and outlined next steps for analysis.

Charter Review

- The facilitation of meetings will be led by Raftelis
- A Spokesperson role was suggested for Board presentations, but the group did not reach agreement on this.
- Consensus was defined as the point at which the will of the group is unmistakably clear, even to those most opposed.
- Charter will be updated and routed for review with the expectation of adoption at the next RAG meeting in July.

Meeting #1 Recap

Residential Usage Review

- The group reviewed single-unit residential water use characteristics to support rate structure development

Pricing Objectives

Required Objectives:

- Ensure revenue sufficiency
- Maintain defensibility (legal, technical, and administrative)
- Support cost recovery between customer classes

Prioritized Objectives:

- Support essential water use pricing
- Consider customer bill impact
- Ensure cost recovery within a customer class
- Ensure cost recovery between new and existing customers

Potential Additions:

- Customer Understanding:
  - Many customers reportedly find current water bills and rate structure difficult to understand
  - Interest in breaking out capital charges from base charges to better communicate rate components
  - Simpler billing models (e.g., base + uniform volumetric charge) were cited as effective for user comprehension
- Ease of Administration:
  - Current processes for updating irrigation rates (manual adjustments twice a year) were identified as areas for potential streamlining

Discussion Topics

- Billing Period Accuracy:
    - Questions were asked about meter reading timelines impact on customers
    - While meter reading dates are available, analyzing usage across extended periods requires data from smart meters, which are not available for all customers
- Minimum Charge and Subsidy Concerns:
    - The group discussed whether low-use customers may be subsidizing higher-use customers under current structure
    - Suggestion included modeling how bills under the minimum charge compare to those under alternative structures without a minimum
    - Emphasis was placed on balancing fairness between those who use large volumes and those who use very little

Next Meeting Goals (Meeting #3)

- Review residential rate structure scenarios
- Review commercial and irrigation usage data
- Review the operations revenue requirement (“Test Year Operations”)
- Revisit indirect overhead cost allocations

Rate Alternatives and Modeling Ideas

- Tiered Structures:
    - Model with tiers set at 0-3k gal, 3-10k gal, 10-20k gal, and 20+k gal tiers, with and without minimum charges, and smoothed pricing ratios
    - Explore 0-4k gal, 4-14k gal, and 14+k gal tiers, with no minimums and smoothed ratios
- Uniform Rate Options:
    - Modified uniform (e.g., first 3,000 gallons included in base, then one rate for all additional usage)
    - Full uniform structure without a minimum charge
- Other Considerations:
    - Evaluate whether to include a volume allowance in the base rate
    - Assess whether to maintain a tiered pricing or move toward a flatter structure
    - Explore methodologies to smooth pricing ratios between usage tiers
    - Compare scenarios with and without a minimum volume included in base charge to understand impacts across user types

Action Items

- Begin modeling requested rates structure scenarios, providing summary to the RAG of results for single-unit residential in advance of meeting #3
- Develop a framework for evaluating and communicating pricing ratios
- Create an educational video explaining commercial, irrigation, and multifamily rate classifications to watch in advance of meeting #3 to allow time for group discussion