

Draft Report



Truckee Donner Public Utility District

2025 Water Rate Study
September 2025





September 9, 2025

Mr. Brian Wright
General Manager
Truckee Donner Public Utility District
11570 Donner Pass Road
Truckee, CA 96161

Subject: Comprehensive Water Rate Study Draft Report

Dear Mr. Wright:

HDR Engineering, Inc. (HDR) is pleased to present to the Truckee Donner Public Utility District (District) the draft report for the 2025 comprehensive water rate study. The District's comprehensive water rate study was developed to provide cost-based and proportional rates based on the District's specific system and customer characteristics. This was accomplished by developing a revenue requirement, cost of service, and proposed rates that generate sufficient revenue to prudently fund the operating and capital needs of the District.

This report outlines the overall approach used to achieve these objectives, along with our findings, conclusions, and recommendations. This report was developed utilizing the District's accounting, operating, and customer billing records. HDR has relied on this information to develop our analyses that form our findings, conclusions, and recommendations. The study is a continuation of the use of generally accepted methodologies (i.e., AWWA) established in the District's 2020 comprehensive water rate study completed by HDR. This report was developed and documented to provide cost-based, proportional, and defensible rates, compliant with the requirements of Proposition 218, as it is currently understood.

We appreciate the assistance provided by the District's management and staff in the development of this study. More importantly, HDR appreciates the opportunity to provide these technical and professional services to the District.

Sincerely yours,
HDR Engineering, Inc.

A handwritten signature in black ink, appearing to read 'Shawn Koorn'.

Shawn Koorn
Associate Vice President



Table of Contents

EXECUTIVE SUMMARY	1
INTRODUCTION	1
OVERVIEW OF THE RATE STUDY PROCESS	1
KEY WATER RATE STUDY RESULTS	2
SUMMARY OF THE WATER REVENUE REQUIREMENT ANALYSIS	2
SUMMARY OF THE WATER COST OF SERVICE ANALYSIS	5
SUMMARY OF THE PRESENT AND PROPOSED WATER RATE DESIGNS	6
WATER RATE STUDY RECOMMENDATIONS	9
SUMMARY OF THE WATER RATE STUDY	9
1 INTRODUCTION AND OVERVIEW	10
1.1 INTRODUCTION	10
1.2 GOALS AND OBJECTIVES.....	10
1.3 OVERVIEW OF THE RATE STUDY PROCESS	11
1.4 ORGANIZATION OF THE STUDY.....	11
2 OVERVIEW OF WATER RATE SETTING PRINCIPLES.....	12
2.1 INTRODUCTION	12
2.2 GENERALLY ACCEPTED RATE SETTING PRINCIPLES.....	12
2.3 DETERMINING THE REVENUE REQUIREMENT	12
2.4 ANALYZING COST OF SERVICE.....	13
2.5 DESIGNING WATER RATES.....	14
3 DEVELOPMENT OF THE REVENUE REQUIREMENT.....	15
3.1 INTRODUCTION	15
3.2 DETERMINING THE REVENUE REQUIREMENT	15
3.3 ESTABLISHING A TIME FRAME AND APPROACH	15
3.4 PROJECTING RATE AND OTHER MISCELLANEOUS REVENUES.....	16
3.5 PROJECTING OPERATION AND MAINTENANCE EXPENSES	17
3.6 PROJECTING CAPITAL FUNDING NEEDS AND TRANSFER PAYMENTS.....	17
3.7 PROJECTION OF DEBT SERVICE	19
3.8 TRANSFERS.....	20
3.9 SUMMARY OF THE REVENUE REQUIREMENT	20
3.10 RESERVE LEVELS	21
3.11 DEBT SERVICE COVERAGE RATIOS.....	21
3.12 CONSULTANT’S CONCLUSIONS	22
4 DEVELOPMENT OF THE COST OF SERVICE ANALYSIS.....	23
4.1 INTRODUCTION	23
4.2 OBJECTIVES OF A COST OF SERVICE STUDY	23



4.3	DETERMINING THE CUSTOMER CLASSES OF SERVICE	24
4.4	GENERAL COST OF SERVICE PROCEDURES	24
4.5	FUNCTIONALIZATION AND ALLOCATION OF PLANT IN SERVICE.....	27
4.6	FUNCTIONALIZATION AND ALLOCATION OF OPERATING EXPENSES.....	29
4.7	MAJOR ASSUMPTIONS OF THE COST OF SERVICE ANALYSIS	29
4.8	DEVELOPMENT OF COST-BASED WATER RATES.....	30
4.9	DETERMINATION OF SIZING AND NUMBER OF TIERS	31
4.10	DEVELOPMENT OF THE UNIT COSTS FOR RATE DESIGNS.....	32
4.11	SUMMARY RESULTS OF THE COST OF SERVICE ANALYSIS	37
4.12	CONSULTANT’S CONCLUSIONS AND RECOMMENDATIONS.....	37
5	DEVELOPMENT OF THE PROPOSED RATE DESIGN.....	38
5.1	INTRODUCTION	38
5.2	RATE DESIGN CRITERIA AND CONSIDERATIONS	38
5.3	OVERVIEW OF THE PROPOSED RATE STRUCTURES.....	39
5.4	SUMMARY OF THE PRESENT AND PROPOSED WATER RATES	39
5.5	SUMMARY OF THE PROPOSED RATE REVENUES	41
5.6	WATER RATE STUDY RECOMMENDATIONS.....	42
5.7	SUMMARY OF THE WATER RATE STUDY	42

TECHNICAL APPENDIX A – WATER TECHNICAL ANALYSIS

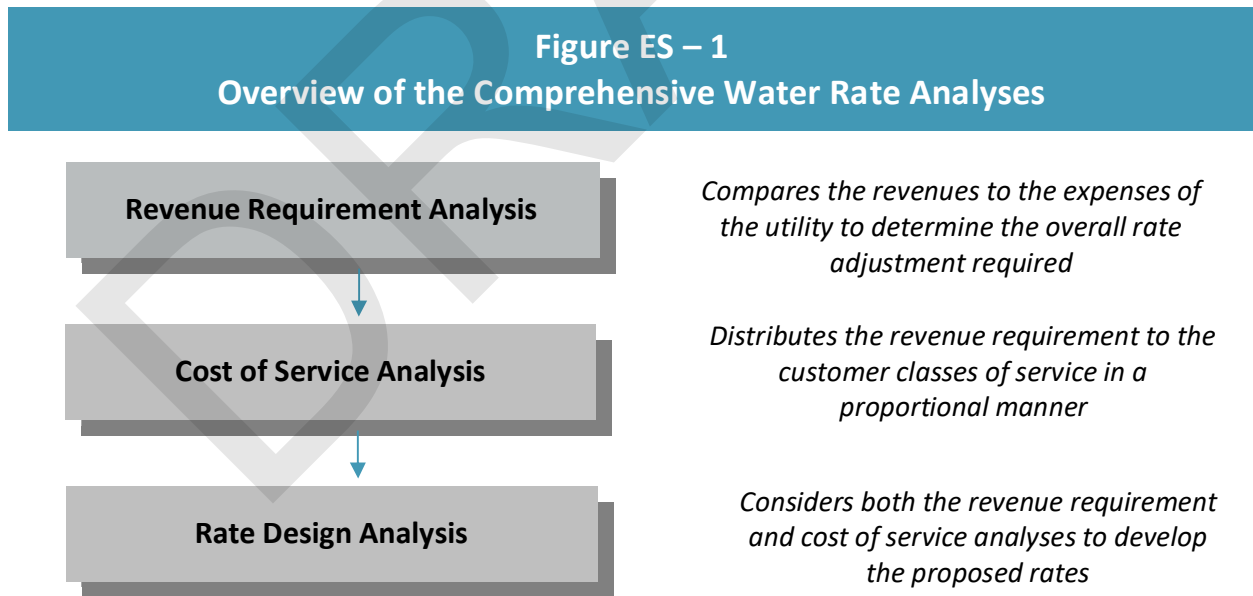
Introduction

HDR Engineering, Inc. (HDR) was retained by the Truckee Donner Public Utility District (District) to conduct a comprehensive water rate study (Study). The objective of the rate study was to review the District’s operating and capital costs to develop proposed cost-based and proportional rates for the District’s water customers. This study determined the adequacy of the existing water rates and provided the framework and cost basis for proposed future adjustments. The District has historically used comprehensive water rate studies to establish their rates and this study is a continuation of that past practice.

The District owns and operates a water supply, treatment, transmission, and distribution system. The determination of the total costs associated with providing these water services to the District’s customers has been developed based on the District’s accounting, operating, customer billing records, and other relevant system and cost information.

Overview of the Rate Study Process

A comprehensive water rate study uses three interrelated analyses to address the cost-basis and proportionality of a utility’s rates. These three analyses are a revenue requirement analysis, a cost of service analysis, and a rate design analysis. These three analyses are illustrated below in Figure ES – 1.



The above framework for reviewing and evaluating the District’s water rates was utilized in the development of the Study.

Key Water Rate Study Results

The water rate study was developed to establish cost based and proportional rates sufficient to meet the District's operating and capital costs. The water rate analysis resulted in the following findings, conclusions, and recommendations.

- A revenue requirement analysis was developed for the projected time period of FY 2026 through FY 2035
- The District's FY 2025 and preliminary FY 2026 budgets were used as the starting point of the analysis
- Operation and maintenance expenses are projected to increase at inflationary levels based on District current and future projections
- The revenue requirement analysis resulted in proposed water rate revenue adjustments to increase rate revenues sufficiently to support water operating and capital needs over the projected time period
- A cost of service analysis was developed to review the proportionality of the existing rates and proportionally distribute the revenue requirement to the customer classes (e.g., rate schedules)
- The results of the cost of service analysis provide cost based and proportional average unit costs (i.e., cost basis), which were used to establish the proposed rates
- The Study has developed proposed rates for FY 2026 – FY 2030 by customer class of service (e.g., rate schedule)

Summary of the Water Revenue Requirement Analysis

The revenue requirement analysis is the first analytical step in the development of the water rate study. This analysis determines the adequacy of the existing water rates. From this analysis, a determination can be made as to the overall level of rate revenue adjustments needed to provide adequate and prudent funding for both operating and capital needs.

For the Study, the revenue requirement was developed for a projected time period (FY 2026 – FY 2035) with a rate setting period identified as FY 2026 through FY 2030. Reviewing a multi-year time frame is recommended in that it allows the utility to better anticipate future financial requirements and allow the District to begin planning for these impacts sooner, thereby minimizing short-term rate impacts and overall long-term rates.

The revenue requirement analysis was developed using a cash basis approach. The cash basis approach is the typical approach used by public/municipal utilities to establish the revenue requirement. Using the cash basis approach, annual O&M expenses, transfer payments or taxes, annual debt service, and capital projects funded through rate revenues are summed to equal the total revenue requirement. The primary financial inputs in the development of the District's revenue requirement analysis were the District's FY 2025 budget, preliminary FY 2026 budget, FY 2024 billed customer and consumption data, and the District's recently developed water system capital improvement plan.

Once the operating and maintenance (O&M) expenses have been projected over the time period based on annual inflationary indices, the next step is to develop the funding plan for capital improvement projects (CIP). The proper and adequate funding of capital projects is important to help minimize rates over time. A general financial guideline states that, at a minimum, a utility should fund an amount equal to or greater than annual depreciation expense through rates for capital projects. The most recently available depreciation figure for the District’s water utility was for FY 2023 of approximately \$4.8 million. Currently, the District is projected to fund an amount greater than annual depreciation expense over the projected time period. The level of rate funded capital developed in the capital funding analysis ranges from \$5.0 million to \$7.6 million, increasing in future years to reflect renewal and replacement funding needs. It is assumed that – in addition to the rate funded capital improvements – the District will need to utilize other funding sources in order to fully fund the CIP, identified for this Study as reserve funds and facility fees, to fund the identified capital improvements. Provided below in Table ES – 1 is a summary of the capital funding analysis, including the assumed funding sources, for the five-year rate setting period.

Table ES – 1						
Summary of the Capital Funding Analysis(\$000)						
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Total Capital Projects	\$4,289	\$9,440	\$8,809	\$8,669	\$8,606	\$9,147
Plus: Funds Held in Reserve for Future Projects	1,343	0	0	0	0	0
Less: Debt Issues	0	0	0	0	0	0
<i>Less: Other Funding</i>	632	2,440	1,559	1,319	1,156	1,597
Total Rate Funded Capital	\$5,000	\$7,000	\$7,250	\$7,350	\$7,450	\$7,550

As can be seen, the difference between the annual capital improvement needs and rate funded capital is being funded through other funding sources, which was identified by District staff to include available reserves and annual facility fee revenues. Note, no additional long-term borrowing has been assumed to fund the District’s capital plan. The District’s capital plan reflects the capital projects needed to maintain the existing system and repair or replace deteriorating infrastructure as well as projects related to growth or redundancy as outlined in the recently completed water system plan. The details of the capital funding plan can be found in the Technical Appendix in Exhibit 3.

The revenue requirement analysis for the District’s customers was developed to determine the rate projections based on the specific costs of the District’s water utility. Provided below in Table ES – 2 is a summary of the revenue requirement analysis developed for the District’s water utility. A more detailed discussion and analysis of the revenue requirement can be found in Section 3 of this report as well as in the Technical Appendix in Exhibit 2.

Table ES – 2
Summary of the Revenue Requirement Analysis (\$000)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues						
Rate Revenues	\$20,068	\$20,170	\$20,246	\$20,322	\$20,399	\$20,477
Misc. Revenues	680	683	654	639	621	627
Total Revenues	\$20,748	\$20,853	\$20,900	\$20,961	\$21,020	\$21,104
Expenses						
O & M	\$13,723	\$14,366	\$14,931	\$15,518	\$16,127	\$16,761
Rate Funded Capital	5,000	7,000	7,250	7,350	7,450	7,550
Annual Net Debt Service	1,532	1,526	1,530	2,490	2,481	2,486
Transfers/Reserve Funding	493	(728)	(94)	(171)	805	1,884
Total Expenses	\$20,748	\$22,164	\$23,617	\$25,187	\$26,864	\$28,682
Bal./ (Def.) of Funds	\$0	(\$1,311)	(\$2,717)	(\$4,226)	(\$5,844)	(\$7,578)
Bal. as a % of Rate Rev.	0.0%	-6.5%	-13.4%	-20.8%	-28.6%	-37.0%
Proposed Rate Rev Adjust.	0.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Add'l Rev. from Rate Adj.	\$0	\$1,311	\$2,717	\$4,226	\$5,844	\$7,578
Total Bal./ (Def.) of Funds	\$0	\$0	\$0	\$0	\$0	\$0

As can be seen, the revenue requirement analysis has summed O&M, rate funded capital, net debt service, and transfers/reserve funding. The total revenue requirement (i.e., expenses) are then compared to the total revenue sources of the water utility. From this comparison, a balance (+) or deficiency (-) of funds in each year can be determined. This balance or deficiency of funds in each year is then compared to the present rate revenues to determine the level of rate adjustment necessary to meet the revenue requirement in a particular year. It is important to note, the “Bal. / (Def.) of Funds” row is cumulative. That is to say, any adjustments in the initial years will reduce the deficiency in later years. Over this projected time period, the total deficiency of rate revenue is approximately 37.0%. To meet the overall revenue needs of the five-year rate period, annual rate adjustments of 6.5% in FY 2026 through FY 2030 are proposed.

The above rate revenue adjustments, on a cumulative basis, meet the overall deficiency of 37.0% over the five-year period reviewed. Based on the revenue requirement analysis developed herein, HDR has concluded that the District will need to adjust the level of water rate revenues as noted above to maintain cost-based rates. HDR has reached this conclusion for the following reasons:

- Rate adjustments are necessary to fully fund the District’s capital improvement plan
- Rate adjustments are necessary to fund annual O&M expenses, including past and future inflationary increases in annual O&M expenses
- The proposed rate adjustments maintain the District’s financial health (i.e., financial policies) and provide long-term, sustainable funding levels

- Prior to the implementation of the fifth and final proposed rate adjustment in FY 2030, the District should complete a review/update of the water rates

In reaching this conclusion, HDR would recommend that the District adopt the proposed rate revenue adjustments through FY 2030 to provide sufficient funding for the annual operating expenses and capital improvement program. A more detailed discussion of the development of the revenue requirement analysis is provided in Section 3 of this report.

Summary of the Water Cost of Service Analysis

While the revenue requirement developed the cost-basis for the proposed rates, the cost of service analysis determines the proportional distribution of the revenue requirement to the identified customer classes of service (i.e., residential, commercial, and pump zone charges). The objective of the cost of service analysis is to determine the proportional manner in which to collect the revenue requirement from each customer class of service (e.g., rate schedule).

In summary form, the cost of service analysis began by functionalizing the revenue requirement for the District’s water utility. The functionalized revenue requirement was then allocated to the appropriate cost component(s) based on the District’s specific system and customer characteristics. The individual allocation totals were then proportionally distributed to each of the customer classes of service based on the appropriate distribution factors. The distributed expenses for each customer class were then aggregated to determine each customer class’s total revenue responsibility. Table ES – 3 provides a summary of the cost of service analysis for test year FY 2026.

Table ES – 3 Summary of the FY 2026 Cost of Service Analysis (\$000)				
Class of Service	Present Revenues (FY 2026)	Distributed Costs	\$ Difference	% Difference
Residential	\$17,240	\$18,387	(\$1,147)	6.7%
Commercial	1,964	2,068	(104)	5.3%
Pump Zones	<u>966</u>	<u>1,026</u>	<u>(60)</u>	<u>6.2%</u>
Total	\$20,170	\$21,481	(\$1,311)	6.5%

The cost of service analysis distributes the proportional share of the revenue requirement to each customer class based on their respective demands on the system and the facilities required to provide service. The results of the analysis indicate minor cost differences exist between the customer classes of service. It is important to understand that a cost of service analysis is based on a projection of customer consumption data based on recent consumption history and can vary from study to study given the specific assumptions and characteristics at the time of the study. These variations can be further impacted by pandemics, droughts, and changing weather. As a result, it is important to review the cost of service results continuously to maintain cost based and proportional rates.

Given the requirements of Proposition 218, the cost of service results must be implemented in order to achieve cost based and proportional rates. This is accomplished through the development of the cost of service analysis, and specifically, the development of average unit costs (e.g., \$ / customer or \$ / 1,000 gallons). The average unit costs provide the cost-basis for the development of the District’s proposed rates. Provided below in Table ES – 4 is a summary of the unit costs derived in the cost of service analysis that will be used to develop the proposed rates for the identified customer classes of service.

Table ES – 4 Summary of the Average Unit Costs			
	Average	Residential	Commercial
Fixed Meter Costs	\$108.50	System Average	System Average
Tier 1 Commodity Use ¹		\$1.75	N/A
Tier 2 Commodity Use ¹		\$2.37	N/A
All Consumption		N/A	\$1.92

[1] Tier 1 is 0 - 8,000 gallons and Tier 2 is consumption over 8,000 gallons

Section 4 of this report provides a detailed discussion of the cost of service analysis conducted for the District’s water utility and the development of the average unit costs. The technical analysis is provided in the Technical Appendix in Exhibits 7 through 16.

Summary of the Present and Proposed Water Rate Designs

The final step of the comprehensive rate study process is the design of the proposed water rates to collect the required level of revenue, based on the results of the revenue requirement and cost of service analyses. The revenue requirement analysis provided a set of recommendations related to the level of annual rate adjustments, or the level of total revenues necessary to provide sufficient funding and the cost-basis. The cost of service analysis resulted in recommendations as to how the revenue is proportionally collected from each customer class of service. The unit costs developed as a part of the cost of service analysis are used as the proposed rates in the first year of the rate design.

The District’s proposed water rates have been developed with the intent of meeting the legal requirements of California Constitution Article XIII D, Section 6 (Article XIII D), also known as Proposition 218. A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionally distributed to the various customer classes of service. HDR would point out that there is no single methodology for proportionally distributing costs to the identified customer groups. The American Water Works Association (AWWA) M1 Manual clearly delineates various methodologies which may be used to establish cost-based rates. As Article XIII D does not prescribe a particular methodology for establishing rates, HDR developed the District’s proposed water rates based on the AWWA M1 manual methodology and the District’s specific system and customer characteristics to meet the requirements of Article

XIII D in order to provide an administrative record of the steps taken to establish the District's water rates. HDR is of the opinion that the proposed rates comply with the legal requirements of Article XIII D. HDR reaches this conclusion based on the following:

- **The revenue derived from water rates does not exceed the funds required to provide the property related service (i.e., water service).** The proposed rates are designed to collect the overall revenue requirement of the District's water utility as outlined in this Study.
- **The revenues derived from water rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the District's water rates are used exclusively to operate and maintain the District's water system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** This study has focused exclusively on the issue of proportional assignment of costs to the customer classes of service through the development of the cost of service analysis. The proposed rates have appropriately grouped customers into customer classes of service (residential, commercial, and pump zones) that reflect the consumption patterns and system requirements of each customer class of service. The grouping of customers and rates into these classes of service creates the cost basis and proportionality expected under Article XIII D by having differing rates by customer class of service which reflect both the level of revenue to be collected by the utility, but also the manner in which these costs are incurred and proportionally assigned to customer classes of service based on their proportional impacts and burdens on the District's water system and water resources.

Given the requirements to develop rates based on cost of service principles, the unit costs in Table ES – 4 were used to design the proposed water rates for the District's customer classes of service. The District currently has established customer classes of service that were reviewed and discussed with District staff in the development of the study. The customer classes of service and corresponding rate schedules reflect the various customer types served by the District.

All customers (residential and commercial) are charged a fixed monthly meter charge, which varies by meter size to reflect the demands (costs) that each meter size places on the system. As a point of reference, the monthly meter charge is the same by meter size for all customers regardless of customer type. The residential consumption charge is an increasing block two-tier rate structure. The block sizes are based on the typical customer consumption patterns and provides 8,000 gallons per month (billing period) in the first tier. This level of usage, based on the District's customer specific data, provides ample consumption in the winter period, or when outside watering needs are minimal. All consumption over the first tier is charged at a higher rate (increasing block structure) to reflect the cost of providing service at higher levels of consumption and capacity demands. For commercial customers, the consumption charge is a uniform charge for all water consumption. The use of a uniform rate structure for commercial customers is a common industry approach given the wide variations of types of commercial customers and their total monthly usage patterns. Even with these variations, the overall customer characteristics are similar within the commercial customer class. Finally, the District assesses pump zone charges to reflect the costs associated with pumping water into higher (elevation) pressure zones. The analysis is based on the average cost of pumping and maintenance in total, which is then applied

to each pump zone, or the number of zones that water must be pumped through to reach the pressure zone providing service. The pump zone charges are applied to all customers in the applicable pump zones, regardless of customer class.

Provided in Table ES – 5 is a summary of the current and proposed water rates over the five-year rate setting period.

Table ES – 5 Summary of the Current and Proposed Water Rates						
	Current Rate	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Residential						
Fixed Charge \$/Month						
5/8" x 3/4"	\$103.03	\$108.50	\$115.55	\$123.06	\$131.06	\$139.58
3/4"	103.03	108.50	115.55	123.06	131.06	139.58
1"	122.89	129.41	137.82	146.78	156.32	166.48
Commodity Charge \$/1,000 gal.						
0 - 8,000 gal (block 1)	\$1.34	\$1.75	\$1.86	\$1.98	\$2.11	\$2.25
8,000 + gal (block 2)	1.91	2.37	2.53	2.69	2.86	3.05
Commercial						
Fixed Charge \$/Month						
5/8" x 3/4"	\$103.03	\$108.50	\$115.55	\$123.06	\$131.06	\$139.58
3/4"	103.03	108.50	115.55	123.06	131.06	139.58
1"	122.89	129.41	137.82	146.78	156.32	166.48
1-1/2"	172.75	181.92	193.75	206.34	219.75	234.04
2"	237.50	250.11	266.37	283.68	302.12	321.76
3"	397.58	418.68	445.90	474.88	505.75	538.62
4"	568.87	599.06	638.00	679.47	723.64	770.67
6"	853.30	898.60	957.00	1,019.21	1,085.46	1,156.01
8"	1,066.62	1,123.23	1,196.24	1,274.00	1,356.81	1,445.00
Commodity Charge - \$/1,000 gal.	\$1.86	\$1.92	\$2.04	\$2.17	\$2.31	\$2.46
Pump Zone Charges						
Zone 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zone 2	1.03	1.09	1.16	1.24	1.32	1.41
Zone 3	2.04	2.16	2.30	2.45	2.61	2.78
Zone 4	3.06	3.24	3.45	3.67	3.91	4.16
Zone 5	4.08	4.32	4.60	4.90	5.22	5.56
Zone 6	5.10	5.40	5.75	6.12	6.52	6.94
Zone 7	6.12	6.48	6.90	7.35	7.83	8.34

As can be seen, the proposed rates have been adjusted to reflect the overall revenue needs of the water utility based on the revenue requirement and cost of service analyses. It is important to note that the rates have been adjusted by customer class based on the average unit costs from the cost of service analysis in the first year (FY 2026) of the proposed rate adjustments.

Section 5 of this report provides a detailed discussion of the current and proposed water rates along with a component by component summary of the proposed water rates for FY 2026 – FY 2030.

Water Rate Study Recommendations

Based on the results of the water rate study, HDR recommends the following:

- Rate revenue adjustments are necessary to prudently fund operating expenses and necessary capital investment in renewal and replacement of the water system
- Water rates should be adjusted by 6.5% in FY 2026 through FY 2030
- The proposed rates are based on the results of the cost of service analysis and the proportional distribution of costs to each customer class of service
- Prior to the implementation of the fifth and final proposed rate adjustment, the District should complete a review of the water rates to maintain cost-based and proportional rates

Summary of the Water Rate Study

This completes the summary of the development of the comprehensive rate study for the District's water utility. The focus of this study has been the prudent and adequate funding of the water utility operating and capital needs as well as the development of proportional and cost based proposed rates for a five-year period. The results of the Study were presented to the District Board for input and direction at two public meetings. A full and complete discussion of the development of the District's comprehensive water rate study can be found in the following sections of this report.

1 Introduction and Overview

1.1 Introduction

HDR Engineering, Inc. (HDR) was retained by the Truckee Donner Public Utility District (District) to conduct a comprehensive water rate study (Study). The objective of a comprehensive water rate study is to develop cost-based and proportional water rates which are in compliance with the requirements of Proposition 218. This is accomplished by first reviewing and analyzing the District's water operating and capital costs and then developing a projection of the overall revenue requirement of the District's water utility. Then, the District's revenue requirement is proportionally distributed to the District's customer classes of service (e.g., residential, commercial, pump zones). The findings and conclusions from the cost distribution process are then used to develop the District's proposed water rates, which are reflective of how the District's costs are incurred. The end result of the comprehensive rate study process is cost-based and proportional water rates that reflect the District's specific costs and customer characteristics.

The District owns and operates a water system which is comprised of water supply, treatment, transmission, and distribution facilities. The determination of the total costs associated with providing these water services to the District's customers has been developed based on the District's accounting, operating, customer billing records, and other relevant system and cost information.

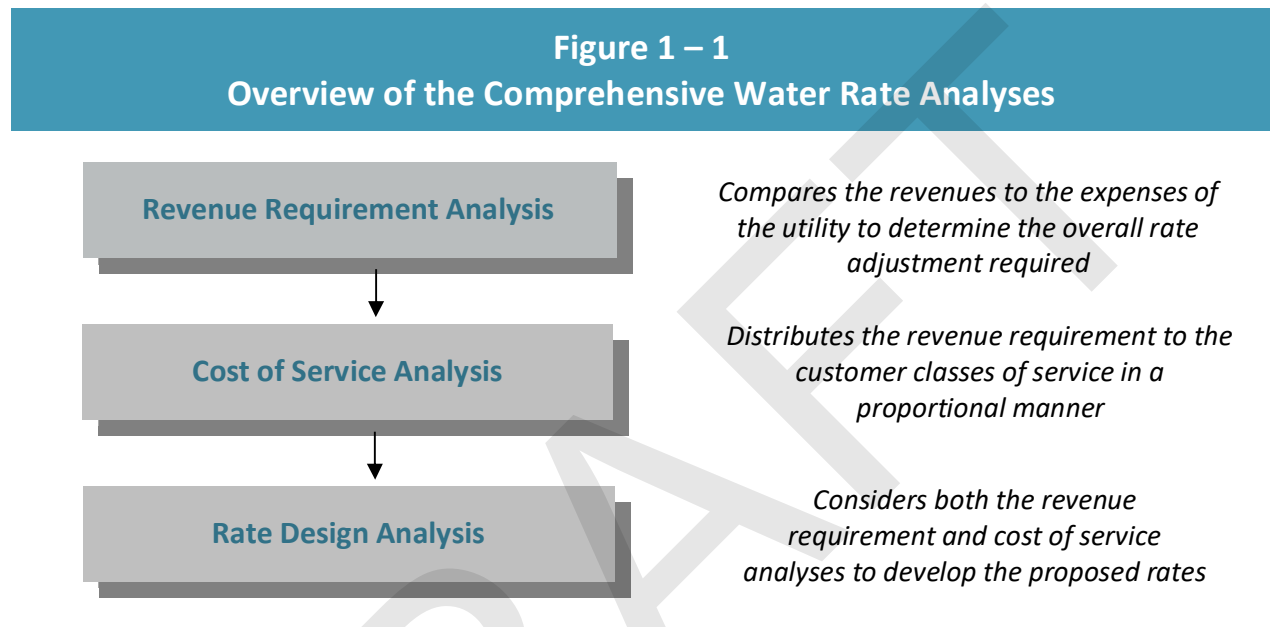
1.2 Goals and Objectives

The District had a number of key objectives in developing the water rate study. These key objectives provided a framework for the policy decisions contained within the rate study. These key objectives were as follows:

- Develop the study in a manner that is consistent with the principles and methodologies established by the American Water Works Association (AWWA), M1 Manual, Principles of Water Rates, Fees, and Charges
- Review the District's rates utilizing generally accepted rate making methodologies to determine the adequacy and proportionality of the utility rates, while recognizing and acknowledging the specific and unique characteristics of the District's system
- Meet the District's financial planning criteria as it relates to legally required debt service coverage ratios, adequate funding of capital infrastructure, and maintaining adequate and prudent reserve levels
- Develop a final proposed rate transition plan which adequately supports the utility's funding requirements while attempting to minimize overall impacts to rates
- Provide proposed rates to meet the requirements of Article XIII D

1.3 Overview of the Rate Study Process

The rates a utility charges must be set at a level where a utility’s operating and capital expenses are met with the revenues received from customers. This is an important point, as failure to achieve this objective may lead to insufficient funds to maintain system integrity. To evaluate the adequacy of the existing rates, a comprehensive rate study is often performed. A comprehensive water rate study consists of three interrelated analyses. Figure 1 – 1 below provides an overview of these analyses.



The above framework was utilized for reviewing and evaluating the rates for the District’s water utility.

1.4 Organization of the Study

This report is organized in a sequential manner that first provides an overview of utility rate setting principles, followed by sections that detail the specific steps used to review and develop the District’s proposed water rates. The following sections comprise the District’s water rate study report:

- **Section 2** – Overview of Water Rate Setting Principles
- **Section 3** – Development of the Revenue Requirement
- **Section 4** – Development of the Cost of Service Analysis
- **Section 5** – Development of the Proposed Rate Designs

A Technical Appendix is attached at the end of this report, which provides the technical analyses that were undertaken in the preparation of the District’s comprehensive water rate study.

2 Overview of Water Rate Setting Principles

2.1 Introduction

This section of the report provides background information on the water rate setting process, including descriptions of generally accepted principles as outlined in the American Water Works Association M1 Manual (AWWA M1), types of utilities, as well as methods of determining the revenue requirement, cost of service analysis, and rate design to support the requirements of Proposition 218. This information is useful for gaining a better understanding of the details presented in Sections 3 through 5 of this report.

2.2 Generally Accepted Rate Setting Principles

As a practical matter, all utilities should consider setting their rates around some generally accepted or global principles and guidelines. Utility rates should be:

- Cost-based, proportional, and set at a level that meets the utility's full revenue requirement
- Easy to understand and administer
- Designed to conform to generally accepted rate setting techniques
- Stable in their ability to provide adequate revenues for meeting the utility's financial, operating, and regulatory requirements
- Established at a level that is stable from year-to-year from a customer's perspective

2.3 Determining the Revenue Requirement

Most public utilities use the cash basis¹ methodology or approach for establishing the revenue requirement and ultimately, their rates. The cash basis methodology is well documented in rate setting literature. The methodology conforms to most public utility budgetary requirements and additionally, the calculation is easy to understand. A public utility totals its cash expenditures for a period of time to determine the required revenues. The revenue requirement for a public utility is usually comprised of the following costs or expenses:

- **Total Operating Expenses:** This includes a utility's operation and maintenance (O&M) expenses, plus any applicable taxes or transfer payments. Operation and maintenance expenses include the labor, benefits, materials, electricity, chemicals, supplies, etc., needed to keep the utility functioning.
- **Total Capital Expenses:** Capital expenses are calculated by adding debt service payments (principal and interest) to capital improvement projects financed with rate revenues. In lieu of including capital improvement projects financed with rate revenues, a utility sometimes includes depreciation expense or annual renewal and replacement costs to stabilize the annual revenue requirement.

¹ "Cash basis" as used in the context of rate setting is not the same as the terminology used for accounting purposes and recognition of revenues and expenses. As used for rate setting, "cash basis" simply refers to the specific cost components to be included within the revenue requirement analysis.

Under the cash basis approach, the sum of the total O&M expenses plus the total capital expenses equals the utility’s revenue requirement during the selected period of time (historical or projected).

Note that the two portions of the capital expense component (debt service and capital improvement projects financed from rates) are necessary under the cash basis approach as utilities generally cannot finance all of their capital facilities with long-term debt. At the same time, it is often difficult to pay for all capital projects (capital expenditures) on a “pay-as-you-go” basis given that large capital expenditures may have a significant rate impact on a utility, even when financed with long-term debt. Many utilities have found that a combination of pay-as-you-go funding and long-term financing will often lead to the minimization of rate increases (impacts) over time.

As noted, public utilities typically use the cash basis methodology or approach to establish the study technical analyses. An exception occurs if a public utility provides service to a wholesale or large contract customer. In this situation, a public utility could use the utility basis approach (see Table 2 – 1) to earn a reasonable return on the investment needed to serve the wholesale or large contract customer.

Table 2 – 1 Cash Versus Utility Basis Comparison			
Cash Basis		Utility Basis (Accrual)	
+	O&M Expenses	+	O&M Expenses
+	Taxes/Transfer Payments	+	Taxes/Transfer Payments
+	Capital Improv. Funded From Rates (≥ Depreciation Expense)	+	Depreciation Expense
+	<u>Debt Service (Principal + Interest)</u>	+	<u>Return on Investment</u>
=	Total Revenue Requirement	=	Total Revenue Requirement

The District’s study developed herein has used the cash basis approach to establish the District’s Study. This aspect of the Study is discussed in more detail in Section 3 of this report.

2.4 Analyzing Cost of Service

After the total revenue requirement is determined, it is allocated to the appropriate cost component(s) and then proportionally distributed to the users (customer classes) of the service. This process, developed through a cost of service analysis, reflects the cost relationships for producing and delivering water services to the utility’s customers. A cost of service analysis is composed of three analytical steps:

1. Costs are **functionalized** or grouped into specific cost categories related to providing service (e.g., supply, treatment, transmission, distribution, pumping). This step is largely accomplished by the utility’s accounting system.

2. The functionalized costs are then **allocated** to specific cost components. Allocation refers to the arrangement of the functionalized data to the appropriate cost component(s). For example, a water utility's costs are typically allocated as commodity (average demand), capacity (peak demand), customer, or fire protection related.
3. Once the costs are allocated to the appropriate cost component(s), each cost component is then proportionally **distributed** to each identified customer class of service (residential, commercial, etc.). The distribution is based on each customer class's proportional contribution to the cost component (i.e., benefits received from and burdens placed on the system and its resources). For example, customer-related costs are proportionally distributed to each class of service based on the total number of customers in that class of service, relative to all other classes of service. Once the total costs (i.e., the total revenue requirement) are proportionally distributed, the revenues from each customer class of service required to achieve cost-based rates can be determined.

A cost of service analysis was developed for the District's water utility as a part of this study. This aspect of the study is discussed in more detail in Section 4 of this report.

2.5 Designing Water Rates

Rates that meet the utility's cost-based and proportional objectives are designed based on the results and findings from both the revenue requirement and cost of service analyses. Using the cost information from these two analyses results in rates that are strictly cost-based and proportional. The average unit costs (i.e., cost-based rates) from the cost of service do not consider, or take into account, other non-cost based goals and objectives (e.g., conservation, economic development, ability to pay, revenue stability). In designing the final proposed rates, these goals and objectives may be taken into consideration. However, the proposed rates must take into consideration each customer class's proportional share of costs distributed through the cost of service analysis to meet the requirements of establishing the proposed rates. The development of the District's proposed water rate designs is discussed in more detail in Section 5.

3 Development of the Revenue Requirement

3.1 Introduction

The development of the revenue requirement analysis is the first analytical step in the three-step comprehensive rate study process. This section of the report discusses the development of the District’s water revenue requirement. The District’s revenue requirement analysis was developed using the District’s revenue, expense, and customer data.

The revenue requirement analysis developed herein determines the adequacy and cost-basis of the District’s overall water rates at current rate levels. From this analysis, a determination can be made as to the overall level of rate revenue adjustments needed to provide adequate and prudent funding for both current and projected operating and capital expenses. HDR developed an independent analysis based on information provided by the District.

3.2 Determining the Revenue Requirement

In developing the District’s water revenue requirement, the water utility must financially “stand on its own” and be properly funded. That is, no transfers from other District funds occur to subsidize the District’s water utility. As a result, the revenue requirement analysis, as developed herein, assumes the full and proper funding needed to operate and maintain the District’s water system on a financially sound and prudent basis.

“In developing the District’s water revenue requirement, the water utility must financially “stand on its own” and be properly funded.”

3.3 Establishing a Time Frame and Approach

The first step in calculating the revenue requirement for the District’s water utility is to establish a time period or time frame for the revenue requirement analysis. For the Study, the revenue requirement was developed for a 10-year time period (FY 2026 – FY 2035). The starting point of the analysis was the FY 2025 and preliminary FY 2026 budgets, which were projected through FY 2035. While revenues and expenses were projected for a ten-year period, the focus for rate setting purposes was the immediate five-year period of FY 2026 – FY 2030. Reviewing a multi-year time period is recommended to identify major financial impacts that may be on the horizon. By anticipating future financial requirements sooner, the District can begin planning for these changes, thereby minimizing short-term rate impacts and likely overall long-term rate levels.

The second step in determining the revenue requirement was to determine the basis of accumulating costs. For the District’s revenue requirement analysis, a cash basis approach was utilized. As noted in Section 2, the cash basis methodology is the most common approach used by public/municipal utilities to establish the technical analysis. This is also the approach that the District has used in prior water rate studies. Table 3 – 1 provides a summary of the cash basis approach and details the cost components used to develop the District’s water revenue requirement.

Table 3 – 1 Overview of the District’s “Cash Basis” Revenue Requirement

+	Water Operation and Maintenance Expenses
+	Rate Funded Capital
+	Debt Service (Principal + Interest) – Existing and Future
±	<u>Change in Working Capital</u>
=	Total Water Revenue Requirement
–	<u>Miscellaneous Revenues</u>
=	Net Revenue Requirement <i>(Balance Required from Water Rate Revenues)</i>

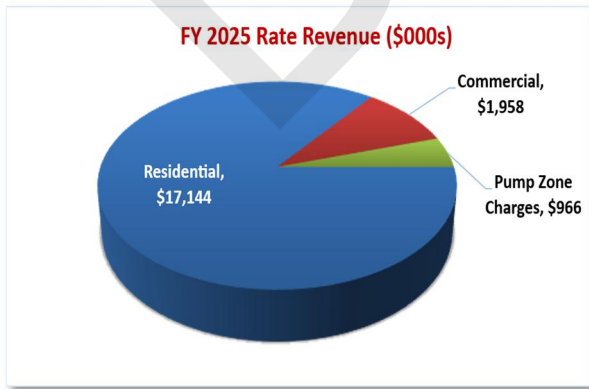
Given a time period around which to develop the revenue requirement and a method to accumulate the costs, the focus shifts to the development and projection of the District’s revenues and expenses.

The primary financial inputs in the development of the revenue requirement were the District’s FY 2025 and preliminary FY 2026 budgets, recent billed customer and consumption data, and the recently developed water capital improvement plan.

3.4 Projecting Rate and Other Miscellaneous Revenues

Once the method and time period for developing the revenue requirement is established, the next step is to develop a projection of the water rate revenues at present rate levels. In general, this process involves developing projected billing units (i.e., meter size, billed consumption) for each customer class or rate schedule (i.e., residential and commercial). The billing units for each customer class were then multiplied by the current adopted water rates. This method of independently calculating revenues links the projected revenues used within the analysis to the projected billing units. It also helps to confirm that the billing units used within the Study are reasonable for purposes of projecting future revenues, proportionally distributing costs, and establishing the proposed rates.

The District currently has separate rate schedules for its residential and commercial customers. All customers have a fixed charge by service meter size and a variable consumption charge. The



consumption charge for residential customers is a two-tier increasing block rate structure. The commercial consumption charge is a uniform rate. In addition, customers may be charged a pump zone charge which reflects the cost of pumping water to higher pressure zones. The majority of the District’s water rate revenue is derived from the residential customer class. In total, the District is projected to receive approximately \$20.1 million in rate revenue in FY 2025. The rate study has assumed a conservative average level of customer growth

of 0.6% / year for the review period. By FY 2030, the rate revenues, given assumed growth and assuming no rate adjustments, are projected to be approximately \$20.5 million.

In addition to the rate revenues described above, the District also receives miscellaneous water revenues. These are revenues related to interest earnings, other miscellaneous revenues, standby revenues, and rents. In total, the District is projected to receive approximately \$680,000 in miscellaneous revenues in FY 2025. This amount of miscellaneous revenues is expected to decrease to approximately \$627,000 by FY 2030 due to reserve fund usage and declining standby revenues, leading to a decrease in interest income. Generally, all other miscellaneous revenues are flat over the Study time period.

On a combined basis, taking into account the water rate revenues and miscellaneous revenues, the District's water utility has total projected revenues of approximately \$20.7 million in FY 2025, which is projected to increase to approximately \$21.1 million by FY 2030.

3.5 Projecting Operation and Maintenance Expenses

Operation and maintenance (O&M) expenses are incurred by the District to provide water service (supply, treatment, transmission, and distribution), including the daily operation and maintenance of the existing infrastructure. The District provided detailed budgeted O&M expenses and projections of known O&M changes as a part of the Study. Using the FY 2025 and FY 2026 O&M budgets, O&M expenses were projected over the review period using projected escalation factors. The escalation factors were developed based on assumed annual inflation and recent experiences of the District as well as the general economy. The total O&M expenses for the District are approximately \$13.7 million based on the FY 2025 budget. Over the planning horizon, the total O&M expenses for the District are projected to increase to approximately \$16.8 million by FY 2030 based on estimated annual inflationary impacts of approximately 4.0%.

3.6 Projecting Capital Funding Needs and Transfer Payments

A key component in the development of the water revenue requirement is properly and adequately funding capital improvement needs for the water system. One of the major issues facing utilities is the amount of renewal and replacement (R&R) capital improvement needs. In addition, utilities often face funding pressure from growth/expansion-related improvements and meeting unfunded regulatory requirements and mandates. The proper and adequate funding of capital projects is an important issue for all water utilities and is not just a local issue or concern of the District.

In general, there are three types of capital projects that a utility may need to fund. These include the following:

- **Renewal and Replacement** - Renewal and replacement projects are projects required for maintaining the existing facilities and system that is in place today. As the existing plant or pipelines become worn out, obsolete, etc., the utility should be making continuous (annual) investments to maintain the integrity of the facilities.
- **Growth / Capacity Expansion** - A utility may need to make capital investments to add or expand the capacity of the facilities needed to accommodate future capacity needs (customers).

- **Regulatory-Related** - The last type of capital project may be a function of a regulatory requirement in which the Federal or State government mandates the need for an improvement to the system to meet a regulatory standard. These regulatory-related projects are often unfunded mandates.

Understanding these different types of capital projects is important because it aids in explaining why capital improvement costs are increasing and driving necessary revenue adjustments. In addition, the way in which projects are funded may vary by the type of capital project. For example, renewal and replacement projects should be paid for via rates and funded on a “pay-as-you-go” basis. In contrast to this, growth or capacity expansion projects may be funded through the collection of development or water connection fees (i.e., growth-related charges) in which new development pays a proportional share of the cost of the facilities necessary to serve their respective development (impact). Finally, regulatory projects may be funded by a variety of different means, which may include rates, long-term debt, grants, etc.

While the above discussion appears to precisely divide capital projects into three clearly defined categories, the reality of working with specific capital projects may be more complex. For example, a pump may be replaced, but while being replaced, it is up-sized to accommodate greater capacity to serve increasing demands or new development. There are many projects that share these “joint” characteristics.

For purposes of developing the capital projects funding plan, the District provided the water system capital improvement plan (CIP), which provided a listing of capital projects that address deficiencies and improvements to the water system as outlined in the recent planning study. A review and discussion of the capital funding needs was held with District staff to review and develop a rate transition plan to adequately fund annual capital improvement needs.

Provided below in Table 3 – 2 is a summary of the capital funding plan based on discussion with District staff and identified in the water capital improvement plan. As noted, the focus of the District’s Study was on the five-year period of FY 2026 – FY 2030 for rate setting purposes. The capital plan detail shown in Table 3 – 2 has been simplified for summary purposes. Exhibit 3 in the Technical Appendix details the individual capital projects and identified funding sources through FY 2035.

Table 3 – 2						
Summary of the Capital Funding Plan (\$000)						
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Total Capital Projects	\$4,289	\$9,440	\$8,809	\$8,669	\$8,606	\$9,147
Plus: Funds Held in Reserve for Future Projects	1,343	0	0	0	0	0
Less: Debt Issues	0	0	0	0	0	0
<i>Less: Other Funding</i>	632	2,440	1,559	1,319	1,156	1,597
Total Rate Funded Capital	\$5,000	\$7,000	\$7,250	\$7,350	\$7,450	\$7,550



As can be seen in Table 3 – 2, the overall level of capital improvements varies from year-to-year to meet the overall capital replacement needs as outlined in the capital improvement plan. The capital improvements are primarily related to renewal and replacement needs. While the total amount required to fund projects may vary from year-to-year, the rate study has provided a consistent annual funding source for capital improvements (i.e., rate revenues). In this case, rates will annually fund \$5.0 - \$7.6 million (as highlighted in Table 3 – 2). To fund the remaining capital needs, available reserves and facility fee revenues will be utilized.

A desirable and recommended minimum funding target for rate funded capital is an amount equal to or greater than annual depreciation expense. The

“A desirable and recommended minimum funding target for rate funded capital is an amount equal to or greater than annual depreciation expense.”

District’s annual depreciation expense in FY 2023 was approximately \$4.8 million. This financial plan will move the District to funding approximately 1.5 times current depreciation expense. It is important to note and understand that annual depreciation expense is not the same as replacement cost. Thus, funding an amount which exceeds annual depreciation expense is both prudent and appropriate. In developing this financial plan, HDR and the District have attempted to minimize rate impacts

while providing adequate funding for the planned capital improvement projects of the District’s water utility.

3.7 Projection of Debt Service

The District currently has two outstanding long-term debt issuances, the Pipeline COP and 2022 Water COP. The debt service payments associated with the Pipeline COP are incurred throughout the rate setting period and are funded, in part, through annual rate revenues, facility fees, and assessment revenues. In total, these issues have an annual debt service payment of approximately \$2.0 million in FY 2025. As noted, facility fees and assessment revenues are used to fund portions of the existing debt, which reduces the impact to rates. Net debt service in FY 2025 is \$1.5 million, increasing to \$2.5 million by FY 2030 with the addition of debt service for a new utility building, which is estimated to have an annual debt service payment of approximately \$960,000 starting in FY 2028. As shown in Table 3 – 2, no additional (new) long term debt is planned by the District to fund the water capital improvement plan.

As a point of reference, HDR is not providing municipal advice as it relates to bonds, terms, or structures of debt issuances. Rather, this rate study has identified projections of future funding needs and utilized conservative assumptions for financial modeling/planning purposes based on discussions with District staff.

3.8 Transfers

The final component of the revenue requirement is transfers in or out of the water operating fund. The transfers in include the facility fees and assessment revenues used to offset annual debt service payments. The transfers out consist of the annual transfer to the vehicle reserve and transfer of funds to the operating reserve to maintain prudent ending reserve fund balances for the water utility. Note, the transfers out are water related revenues and are held in reserves to fund water related expenses and are not used to fund other District costs.

3.9 Summary of the Revenue Requirement

Given the above projections of the revenue and expense components, a summary of the District’s water revenue requirement analysis can be developed. In developing the revenue requirement analysis, attention was given to the financial planning considerations of the District. In particular, emphasis was placed on minimizing rates while adequately funding annual O&M expenses and capital improvement needs throughout the review period. Presented below in Table 3 – 3 is a summary of the District’s water revenue requirement based on projected expenses and current rates. Detailed exhibits of this analysis can be found in the Technical Appendix in Exhibits 1 – 6.

Table 3 – 3
Summary of the Revenue Requirement Analysis (\$000)

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues						
Rate Revenues	\$20,068	\$20,170	\$20,246	\$20,322	\$20,399	\$20,477
Misc. Revenues	680	683	654	639	621	627
Total Revenues	\$20,748	\$20,853	\$20,900	\$20,961	\$21,020	\$21,104
Expenses						
O & M	\$13,723	\$14,366	\$14,931	\$15,518	\$16,127	\$16,761
Rate Funded Capital	5,000	7,000	7,250	7,350	7,450	7,550
Annual Net Debt Service	1,532	1,526	1,530	2,490	2,481	2,486
Transfers/Reserve Funding	493	(728)	(94)	(171)	805	1,884
Total Expenses	\$20,748	\$22,164	\$23,617	\$25,187	\$26,864	\$28,682
Bal./(Def.) of Funds	\$0	(\$1,311)	(\$2,717)	(\$4,226)	(\$5,844)	(\$7,578)
Bal. as a % of Rate Rev.	0.0%	-6.5%	-13.4%	-20.8%	-28.6%	-37.0%
Proposed Rate Rev Adjust.	0.0%	6.5%	6.5%	6.5%	6.5%	6.5%
Add'l Rev. from Rate Adj.	\$0	\$1,311	\$2,717	\$4,226	\$5,844	\$7,578
Total Bal./(Def.) of Funds	\$0	\$0	\$0	\$0	\$0	\$0

As can be seen, the revenue requirement has summed the O&M, rate funded capital, net debt service, and transfer/reserve funding. The total revenue requirement (i.e., expenses) are then compared to the total revenues, which include the rate revenues - at present rate levels - and other miscellaneous revenues. From this comparison, a balance or deficiency of funds in each year can be determined. This balance or deficiency of funds is then compared to the rate

revenues to determine the level of rate adjustment needed to meet the revenue requirement. It is important to note that the “Bal. / (Def.) of Funds” row is cumulative. That is, rate adjustments in the initial years will reduce the deficiency in later years.

Based on the revenue requirement analysis developed for the District’s water utility, HDR has concluded that the overall level of rate revenues will need to be adjusted over the next five years (FY 2026 – FY 2030) to maintain prudent funding of capital improvement needs and fund annual O&M expenses. As a part of the analysis, a rate transition plan has been developed. As can be seen above in Table 3 – 3, the proposed annual rate adjustments (blue shaded line) have been developed to adjust rates over the five-year period and meet the operating and capital needs of the District’s water utility.

3.10 Reserve Levels

Another key element of determining the financial health and sustainability of the District’s water utility is a review of the level of available reserves after the proposed rate adjustments. Utilities generally have different reserves, each with a different and specific purpose. Typically, a utility will maintain an operating reserve, capital reserve, connection (growth) fee reserve and in some cases, an emergency or rate stabilization reserve. Each of these funds can have a different minimum ending balance that if reached or falls below, is a signal that the District should review the revenue sources associated with each fund. The minimum ending balances will vary depending on the purpose or objective of the fund and the expected revenue sources.

For the District, there are several different reserve funds. These are the operating cash fund, operating reserve fund, capital improvement reserve, vehicle reserve fund, deferred liability reserve, facility fee reserve, connection fee reserve, and debt service reserve. Each of these funds were reviewed during the development of the rate study with the focus on the operating cash fund given that this reserve is the primary funding source for operating and capital needs. The target minimum balance for this fund is 180 days of O&M expenses. Over the course of the rate setting period, the operating cash fund balance decreases and remains below the target minimum levels.

3.11 Debt Service Coverage Ratios

When long-term debt is issued, specifically for municipal revenue bonds, the District enters into a contractual (legal) agreement that require a specific level of revenue to be generated each year in excess of O&M expenses and annual debt service payments. As noted previously, the District has two outstanding debt issuances. Generally, the financial markets require a minimum coverage ratio of 1.25 times. In other words, the revenue available for debt service after O&M expenses is at least 1.25 times the amount of the annual debt service payment.

Given this required minimum, utilities often target for financial planning purposes a coverage ratio greater than the required minimum. Typically, this may be 1.30 times to 1.50 times to account for potential fluctuations in revenues and expenses. Provided below in Table 3 – 4 is a summary of the debt service coverage ratios for the District’s water utility before and after the proposed rate adjustments shown in Table 3 – 3.

Table 3 – 4
Summary of the Debt Service Coverage Ratios

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Before Rate Revenues Adjustment	3.53	3.27	3.00	1.85	1.66	1.48
After Rate Revenue Adjustment	3.53	3.93	4.37	3.28	3.65	4.05

As can be seen in Table 3 – 4, the District is meeting the minimum target debt service coverage ratios and maintains a strong financial position with the proposed rate revenue adjustments.

3.12 Consultant’s Conclusions

The revenue requirement developed for the District’s water utility has indicated the need for annual rate revenue increases to adequately fund the District’s water utility operating and capital needs. To meet the overall revenue needs during the five-year rate setting period, annual rate adjustments of 6.5% in FY 2026 through FY 2030 are recommended.

The above rate adjustments, on a cumulative basis, meet the overall revenue needs to support the projected O&M expenses and capital funding needs over the five-year rate setting period. Based on the revenue requirement analysis as developed in this Study, HDR has concluded that the District will need to adjust the level of water rate revenues as noted above to maintain cost-based rates. HDR has reached this conclusion for the following reasons:

- Rate adjustments are necessary to fully fund the District’s capital improvement plan
- Rate adjustments are necessary to fund annual O&M expenses, including past and future inflationary increases in annual O&M expenses
- The proposed rate adjustments maintain the District’s financial health (i.e., financial policies) and provide long-term, sustainable funding levels
- Prior to the implementation of the fifth and final proposed rate adjustment in FY 2030, the District should complete a review/update of the water rates

In reaching these conclusions, HDR would recommend that the District adopt the proposed annual rate adjustments through FY 2030 to provide sufficient funding for the annual operating expenses and capital improvement program.

4 Development of the Cost of Service Analysis

4.1 Introduction

In the previous section, the revenue requirement analysis focused on the total revenues and expenses required to adequately fund the District's water utility. This section of the report will provide an overview of the development of the District's water utility cost of service analysis, which is the second analytical step of the comprehensive water rate study.

A cost of service analysis determines the proportional distribution of the total revenue requirement to the customer classes of service (e.g., residential, commercial, pump zone charges). The previously developed revenue requirement for FY 2026 was utilized in the development of the District's cost of service analysis.

4.2 Objectives of a Cost of Service Study

There are two primary objectives in conducting a cost of service analysis:

- Proportionally distribute the District's water revenue requirement to the customer classes of service, and
- Derive average unit costs (i.e., cost-based rates) for subsequent rate designs

The objectives of a cost of service analysis are different from determining a revenue requirement. As noted in the previous section, a revenue requirement analysis determines the utility's overall financial needs, while a cost of service analysis determines the proportional manner in which to collect the calculated revenue requirement.

The results of the cost of service analysis determine the average unit costs, which are used in the development of the final step of the rate study process, the design of proposed rates. The cost of service analysis provides a per unit cost of water consumption based on each customer class's proportional share of costs. Additionally, the cost of service also proportionally assigns customer-related costs and converts them to a per equivalent meter cost.

As noted above, the cost of service is designed to proportionally distribute costs. For example, a water utility incurs costs related to meeting average day, peak day, fire protection, and customer-related cost components. As such, a water utility must build sufficient capacity² to meet peak capacity needs. Therefore, those customers contributing to those peak demands on the system should pay their proportional share of the costs to provide the capacity in the system. The unit costs provide the relationship between these components, which are then used to set cost-based rates.

² System capacity is the system's ability to supply water to all delivery points at the time when demanded. Coincident peaking factors are calculated for each customer class at the time of greatest system demand. The time of greatest demand is known as peak demand. Both the operating costs and capital asset related costs incurred to accommodate the peak demands are generally distributed to each customer class based on the class's contribution to the particular peak use event.

4.3 Determining the Customer Classes of Service

The first step in a cost of service analysis is to determine the customer classes of service. Based on discussions with District staff, review of the customer data, and previous studies, the classes of service used within the District's cost of service analysis were:

- Residential
- Commercial
- Pump Zones

In determining classes of service for cost of service purposes, the objective is to group customers together into similar or homogeneous groups based on similar facility requirements and/or demand characteristics. Pump zones are separated out to provide a method to distribute the specific costs associated with providing water at different (i.e., higher) pressure zones to residential and commercial customers in those zones.

4.4 General Cost of Service Procedures

A cost of service analysis utilizes a three-step approach to review costs. These steps take the form of functionalization, allocation, and distribution. Provided below is a detailed discussion of the cost of service analysis conducted for the District and the specific steps taken within the analysis. The approach used for the District's Study conforms to generally accepted and industry standard cost of service methodologies, which are outlined in the AWWA M1 Manual and the District's specific system and customer characteristics.

4.4.1 Functionalization of Costs

The first analytical step in the cost of service analysis is called *functionalization*. Functionalization is the arrangement of expense and plant asset (e.g., wells, pipes, pumps) data by major operating function (e.g., supply, treatment, transmission, storage, distribution). Within the Study, there was a limited amount of functionalization of the cost data required since this was largely accomplished within the District's system of accounts.

4.4.2 Allocation of Costs

The second analytical task performed in a water cost of service analysis is the allocation of the costs. The allocation of the costs included within the revenue requirement examines why and how each cost was incurred or what type of need is being met by incurring those expenses. The following cost allocators were used to develop the cost of service analysis:

- **Commodity-Related Costs:** Commodity costs are those costs which tend to vary with the total quantity of water consumed by a customer. Commodity costs are those incurred under average load (demand) conditions and are generally specified for a period of time such as a month or a year. Chemicals or utilities (electricity) are examples of commodity-related costs as these costs tend to vary based on the total volume (amount) of water consumed.
- **Capacity-Related Costs:** Capacity costs are those which vary with peak demand, or the maximum rates of flow to customers. System capacity is required when there are large

demands for water placed on the system (e.g., summer lawn watering). For water utilities, capacity-related costs are generally related to the sizing of facilities needed to meet a customer's maximum water demand at any point in time. For example, portions of distribution storage reservoirs and distribution mains (pipes) must be adequately sized to meet peak demand requirements (capacity).

- **Customer Related Costs:** Customer costs are those costs which vary with the number of customers on the water system. They do not vary with system output or consumption levels. These costs are also sometimes referred to as “readiness to serve” or “availability” costs. Customer costs may also sometimes be further allocated as either *actual* or *weighted*. Actual customer costs vary proportionally, from customer to customer, with the addition or deletion of a customer, regardless of the size of the customer. An example of an actual customer cost is postage for mailing bills. This cost does not vary from customer to customer, regardless of the size or consumption characteristics of the customer. In contrast, a weighted customer cost reflects a disproportionate cost, from customer to customer, with the addition or deletion of a customer. Examples of weighted customer costs are items such as meter maintenance expenses, where a larger meter requires a significantly more expensive meter than a smaller meter.
- **Fire Protection Related Costs:** Fire protection costs are those costs related to the public fire protection functions. Usually, such costs are those related to public fire hydrants and the oversizing of mains and distribution storage reservoirs for fire protection purposes.
- **Revenue Related Costs:** Some costs associated with the utility may vary with the amount of revenue received by the utility. An example of a revenue related cost would be a utility tax, which is based on the gross utility revenue.

Water Cost of Service Analysis Terminology

Functionalization – The arrangement of the cost data by functional category (e.g., source of supply, treatment, etc.).

Allocation – The assignment of functionalized costs to cost components (e.g., commodity, capacity, customer, and fire protection related).

Distribution – Distributing the allocated costs to each class of service based on each class's proportional contribution to that specific cost component.

Commodity Costs – Costs that are classified as commodity-related vary with the total consumptive use of water (e.g., chemical use at a treatment plant).

Capacity Costs – Costs allocated as capacity-related reflect the peak demands placed on the system by each customer class. Facilities are designed and sized around meeting these peak demands.

Fire Protection Costs – Costs that are related to fire protection services (e.g., hydrants, oversizing of storage and distribution mains).

Customer Costs – Costs allocated as customer-related vary with the number of customers on the system (e.g., metering and customer billing costs).

4.4.3 Development of Distribution Factors

Once the allocation process is complete, the allocated costs are proportionally distributed to each customer class of service. The District's allocated revenue requirement is distributed to the previously identified customer groups using the following distribution factors:

- **Commodity Distribution Factor:** As noted previously, commodity-related costs vary with total water consumption. Therefore, the commodity distribution factor was based on the projected total metered water consumption, plus water losses, for each class of service for the projected test period based on recent annual metered water consumption data for each customer class of service.
- **Capacity Distribution Factor:** The capacity distribution factor was developed based on the estimated contribution to the water system peak demand use of each customer class. Peak demand use by customer class of service was estimated by developing peak demand factors for each tier for residential customers and total consumption for commercial customers. In this particular case, the peaking factor was developed based on a review of the average month to peak month usage of each residential tier and commercial consumption. Given an estimated peak demand factor, the peak day contribution for each tier of residential customers and the commercial class of service was developed.
- **Customer Distribution Factor:** Customer costs vary with the number of customers on the system. Two basic types of customer distribution factors were identified, actual and weighted. The distribution factors for actual customers were based on the projection of the number of customers for each customer class as developed within the revenue requirement. The weighted customer distribution factors are also broken down further into two factors which attempt to reflect the disproportionate costs associated with serving different types of customers. The first weighted customer distribution factor is for customer service and accounting. This weighted customer distribution factor takes into account any differences in providing customer service and billing to different customer classes. In the District's Study, the customer service and accounting distribution factor was held constant based on the total number of actual customer accounts. The second weighted customer distribution factor is for meters and services. This factor reflects the different costs associated with providing service to larger sized meters based on the number of equivalent meters for each customer class of service.
- **Public Fire Protection Distribution Factor:** The development of the distribution factor for public fire protection expenses involved an analysis of each class of service and their corresponding fire flow requirements. This distribution factor took into account each class's gallon per minute (gpm) fire flow requirements in the event of a fire, along with the duration of the required flow (e.g., 1,000 gpm for 120 minutes). The fire flow rates used within the public fire protection distribution factor were based on industry standards and fire flow estimates for the District. The minimum fire flow requirements are then multiplied by the number of customers in each class of service and the assumed duration of the fire to determine each class's prorated fire flow requirements.

- **Revenue Related Distribution Factor:** The revenue related distribution factor was developed from the projected rate revenues for FY 2026 for each customer class of service. These same revenues were used within the revenue requirement analysis discussed previously.

As mentioned before, in a cost of service analysis, the customer classes represent a group of similar or homogenous customers such as residential or commercial customers. For this analysis, however, additional cost detail was needed when distributing the costs. This meant that the commodity and capacity distribution factors had the classes further broken down given that the residential customer class has two tiers and commercial has a single tier for the development of the cost basis for the rates (i.e., cost basis under Proposition 218). Further discussion related to the distribution of costs is discussed in more detail in the rate design analysis provided in Section 5 of this report.

4.5 Functionalization and Allocation of Plant in Service

As noted, the first steps of the cost of service analysis is the functionalization and allocation of plant in service. In performing the functionalization of plant in service, HDR utilized the District's historical plant (asset) records. Once the plant assets were functionalized, the analysis shifted to the allocation of the assets. The allocation process included reviewing each group of assets and determining which cost allocators the assets were related to. For example, the District's assets were allocated as: commodity-related, capacity-related, customer-related, revenue-related, public fire protection-related, or a direct assignment. Provided below is a summary of the allocation process for the District's plant in service. The following approach is based on generally accepted cost of service methodologies as described in the American Water Works Association (AWWA) M1 Manual, Principles of Water Rates, Fees and Charges and the District's specific system characteristics.

Source of Supply

Source of supply was allocated on the basis of the relationship between average day (commodity) and peak day (capacity). Based on the operation of the system, the source of supply assets were 49% commodity-related and 51% capacity-related. This allocation reflects the District's system specific peak demand (capacity needs) in relation to the system's average day demands (commodity needs).

Water Treatment

Water treatment was allocated in the same manner as source of supply, 49% commodity and 51% capacity. Treatment is generally considered an extension or component of supply. This allocation reflects the operation of the treatment facilities meeting average and peak demand needs on the system.

Land and Buildings

Land and buildings were allocated the same as supply and water treatment, 49% commodity and 51% capacity. This reflects the operation and purpose of a water system, which provides average and peak demands.

Storage

Storage reservoirs are typically operated to meet at least two types of needs –peak demands and fire protection. The total storage capacity of the District’s reservoirs was examined, and consideration was given to the capacity required for fire protection under a fire event scenario. This amount of capacity, in relation to the total storage capacity, is considered fire protection related. The remaining balance of storage capacity is considered to be in place to meet peak demands. This resulted in 94% of the storage reservoir costs being assigned to peak day capacity and the remaining 6% to be assigned to the public fire protection component.

Transmission & Distribution

Transmission and distribution lines (mains) are typically assumed to serve three functions. First, a distribution system must be in place to meet a customer’s minimum use requirements for water. This portion of the distribution main plant investment is considered to be a function of the number of customers served. This can be allocated as a customer related cost or as the number of equivalent meters on the system. Next, a portion of the distribution system mains is considered to be a function of meeting peak capacity requirements on the system. Distribution mains must be sized to adequately meet the maximum (peak) flows demanded by customers. This portion of the distribution main plant investment is considered capacity-related and is based on the proportion of mains sized to meet these peak demands. Finally, even with the sizing of mains to meet peak demands, distribution mains must also be sized for public fire flow requirements. In other words, on the day with the peak demand on the system, there must still be sufficient over-sizing of mains to meet this additional fire flow requirement. This final portion of over-sizing for distribution plant investment is allocated as public fire protection related. Based on an analysis of the District’s distribution mains, the assignment of the distribution mains was determined to be 33% capacity-related, 62% weighted customer meters and services-related, and 5% fire protection related.

Additionally, pumping equipment was allocated 100% to pump zones. These assets provide the District with the ability to pump water to the different pressure zones within the District’s system.

Meters and Valves

This category includes services, meters, GIS equipment, etc. These assets have been allocated as 100% weighted customer meters and services. Also included in this category are fire hydrants, which have been allocated as 100% public fire protection related.

General Plant

General plant is proportionally allocated as all other assets as outlined in the above categories. The exception to this is laboratory equipment. Laboratory equipment is allocated as 100% commodity related given the purpose is the testing of water and does not vary based on the amount of water produced or sold.

Table 4 – 1 provides a summary of the basic functionalization and allocation of the District’s major water system infrastructure. A more detailed exhibit of the District’s functionalization and allocation of plant investment can be found in the Technical Appendix in Exhibit 11.

Table 4 – 1
Summary of the Allocation of Water Utility Plant in Service

Plant Component	Commodity	Capacity		Customer			Revenue Related	Fire Protection	Direct Assignment	Pump Zones
		CAP-1	CAP-2	Actual Customer	Weighted Customer	Weighted Meters & Svcs				
Source of Supply	49%	51%	0%	0%	0%	0%	0%	0%	0%	0%
Water Treatment	49%	51%	0%	0%	0%	0%	0%	0%	0%	0%
Land and Buildings	49%	51%	0%	0%	0%	0%	0%	0%	0%	0%
Storage	0%	94%	0%	0%	0%	0%	0%	6%	0%	0%
Transmission/Distribution	0%	31%	0%	0%	0%	58%	0%	5%	0%	6%
Meters and Valves	0%	0%	0%	0%	0%	88%	0%	12%	0%	0%
General Plant	5%	28%	0%	0%	0%	58%	0%	7%	0%	3%

4.6 Functionalization and Allocation of Operating Expenses

As noted in the AWWA M1 Manual, operating expenses (revenue requirement) are generally functionalized and allocated in a manner similar to the corresponding plant account. For example, the maintenance of distribution mains is allocated in the same manner (allocation percentages) as the plant account for distribution mains. This approach to the allocation of the District’s water utility revenue requirement was used for this analysis.

For the District’s water rate study, the revenue requirement for FY 2026 was functionalized, allocated, and distributed. As noted in Section 3, the District utilized a cash basis revenue requirement, which was comprised of operation and maintenance expenses, rate funded capital, net debt service, and reserve funding. A more detailed review of the functionalization and allocation of the revenue requirement can be found in the Technical Appendix in Exhibits 12 – 16.

4.7 Major Assumptions of the Cost of Service Analysis

A number of key assumptions were used within the District’s water rate study. Below is a brief discussion of the major assumptions used:

- The test period used for the water cost of service analysis was FY 2026. The revenue and expense data was previously developed within the revenue requirement analysis
- A cash basis methodology was utilized, which conforms to generally accepted water cost of service approaches and methodologies
- The allocation of plant in service was developed based on generally accepted cost allocation techniques. Furthermore, it was developed using the District’s water utility specific data and characteristics

- Consumption by class of service and pricing tier were developed for each class of service from historical usage information provided by the District
- Peak demand capacity distribution factors were estimated based on each customer group's average to peak month relationship

4.8 Development of Cost-Based Water Rates

The cost-basis and proportionality of the proposed rates are of paramount importance when developing the Study. Given this, the District's proposed water rates have been developed to meet the requirements of California Constitution Article XIII D, Section 6 (Article XIII D). A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionally distributed to the identified customer classes of service. HDR would point out that there is no single prescribed methodology for proportionally assigning costs to the various customer groups. The American Water Works Association (AWWA) M1 Manual clearly delineates various methodologies which may be used to establish cost-based rates. In addition, Article XIII D does not prescribe a particular methodology for establishing cost-based rates. Consequently, HDR developed the District's proposed water rates based on the methodologies provided in the AWWA M1 Manual to meet the requirements of Article XIII D and to provide an administrative record of the steps taken to establish the District's water rates.

HDR is of the opinion that the proposed rates comply with the legal requirements of Article XIII D. HDR reaches this conclusion based on the following:

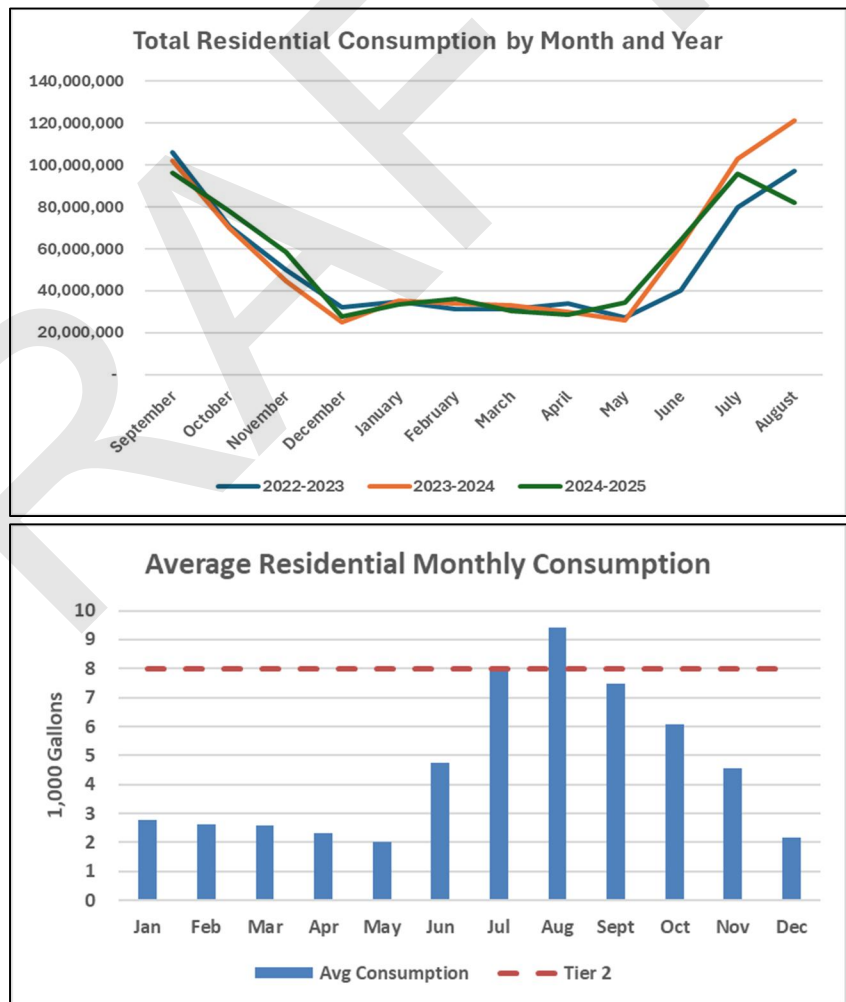
- **The revenue derived from water rates does not exceed the funds required to provide the property related service (i.e., water service).** The proposed rates are designed to collect the overall revenue requirement of the District's water utility as outlined in this Study.
- **The revenues derived from water rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the District's water rates are used exclusively to operate and maintain the District's water system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** This Study has focused almost exclusively on the issue of proportional assignment of costs to customer classes of service through the development of the cost of service analysis. The proposed rates have appropriately grouped customers into customer classes of service (residential, commercial, pump zones) that reflect the varying consumption patterns and system requirements of each customer class of service. The grouping of customers and rates into these classes of service creates the cost basis and proportionality expected under Article XIII D by having differing rates by customer class of service which reflect both the level of revenue to be collected by the utility, but also the manner in which these costs are incurred and proportionally assigned to the customer classes of service based on their proportional impacts and burdens on the District's water system.

The current rate structure includes a fixed charge that is the same for all customers dependent on meter size as well as a consumption (usage) charge. The consumption charge structure for residential customers is a two-tier increasing block rate structure and the commercial consumption charge is a uniform rate. Given the prior discussion on the requirements of setting rates under Proposition 218, the development of the District’s cost of service analysis and subsequent average unit costs (i.e., cost-based rate components) provides the basis for the development of the proposed water rates for the District.

As a part of this Study, HDR developed the cost of service and water rate design discussion to clearly demonstrate and support the proposed water rates and tiered pricing. The following discussion provides a more detailed analysis of the costing techniques and methodologies used to support the District’s proposed rate design.

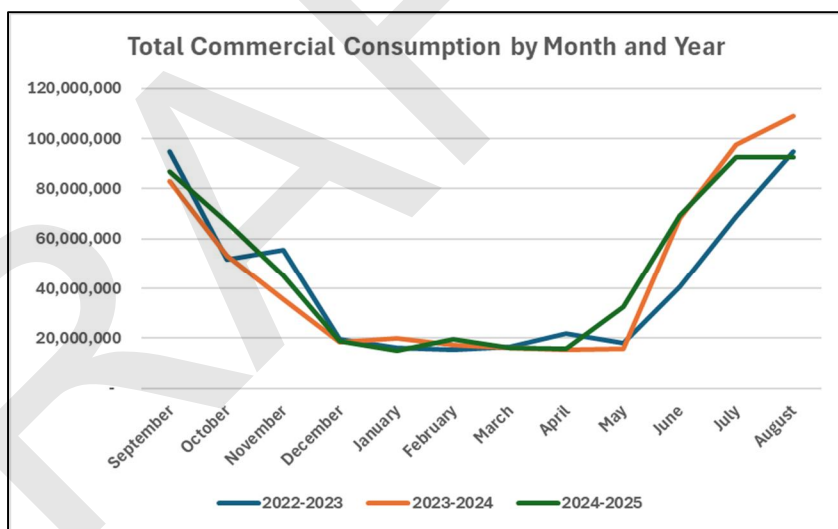
4.9 Determination of Sizing and Number of Tiers

The District’s residential rate structure is currently a two-tier consumption charge. As part of the Study, recent consumption data was reviewed to evaluate if adjustments to the size or number of tiers should be recommended. After reviewing the consumption data, it was determined that the current tier sizes are appropriate given the District’s historical residential consumption data. As shown in the chart, the District’s residential consumption data was analyzed for three separate years in order to evaluate if the consumption characteristics of the residential customer class had changed. As can be seen in the chart, the consumption characteristics of the District’s residential customer class have remained relatively consistent over the three-year period reviewed.



The goal in establishing tier sizes for residential customers is to establish the first block at a typical or average level of usage. In reviewing the residential customer monthly consumption data, it was determined that the current tiers reasonably reflected those targeted consumption levels. Provided in the chart is the average consumption by month for the District’s residential customers based on FY 2024 consumption data. As can be seen, the current block sizes correspond to customers’ average monthly use up to the summer average use (tier one) and the additional use in the summer period (tier two). As a result of this review, HDR recommends that the District maintain the two-tier consumption charge for residential customers.

The current rate structure for the District’s commercial customers is a uniform rate structure. A tiered rate structure is typically not recommended for commercial customers as total consumption levels for commercial customers can vary significantly and greater use is not necessarily indicative of wasteful use. For that reason, establishing a tiered rate structure for commercial customers is difficult, unless the rate structure tier sizes are individually established for each individual commercial customer. An individually tailored rate structure is a complex and administratively difficult rate structure and is not suggested or recommended for the District. While consumption levels for commercial customers can vary significantly, the overall customer characteristics (peak use characteristics, timing of consumption, etc.) are similar. As part of the Study, HDR reviewed the District’s commercial consumption data for the same review period as the residential customer class. As shown in the chart, similar to the residential customers, the commercial consumption characteristics have also remained relatively consistent over the time



period reviewed. For these reasons, HDR recommends that the District maintain their uniform rate structure for their commercial customers.

After the number and sizing of the tiers have been identified, the pricing of the tiers is the next analytical step.

4.10 Development of the Unit Costs for Rate Designs

To begin the assignment of costs related to specific tiers, the results of the cost of service analysis are utilized. The cost of service analysis allocates the revenue requirement to the appropriate cost components of average demand (commodity), peak demand (capacity), and customer (actual and weighted). Provided in Table 4 – 2 is a summary of the allocation of the FY 2026 revenue requirement from the cost of service analysis.

Table 4 – 2
Summary of the Allocation of the FY 2026 Revenue Requirement (\$000)

	Total	Commodity	Capacity	Customer	Revenue Related	Fire Protection	Direct Assignment	Pump Zones
Net Revenue Requirement	\$21,481	\$1,268	\$767	\$18,241	\$0	\$179	\$0	\$1,026

There is approximately \$21.5 million in total costs, the total net revenue requirement for FY 2026, which is allocated between the cost components. The total allocated to each cost component (e.g., commodity, capacity) is proportionally distributed to the customer classes of service to calculate the monthly fixed meter charge and consumption charge levels. To provide the cost-basis for the tiered pricing, the allocated costs are further distributed between the rate structure components based on the appropriate distribution factors. Provided below is a discussion of the approach used to distribute the revenue requirement to the various customer classes of service and rate components.

4.10.1 Commodity Distribution Factor

The commodity distribution factor is based on the average annual use for each of the customer classes of service, and if applicable, by tier. For the development of the pricing of the proposed rates, the following customer classes were used:

- Residential – Tier 1
- Residential – Tier 2
- Commercial
- Pump Zones

To develop the commodity distribution factor for each customer class, the usage for each class was divided by the total usage of the system. This produces the percentage of the system that each class is responsible for and therefore, each class’s proportional contribution to commodity related costs. After the responsibility of the commodity related costs have been identified, the total commodity related costs can be distributed to each customer class and tier based on the previously calculated distribution factors. The final step in developing the unit costs is to divide the costs for each customer class and tier by the total amount of consumption used in determining each class’s proportional share of the commodity related costs. This calculation provides the value on a \$ per 1,000 gallon basis, which becomes a component of the proposed consumption rate. Provided in Table 4 – 3 is a summary of the commodity distribution factor and unit cost development.

Table 4 – 3
Summary of the Commodity Distribution Factors

Reference Calculation	A	B	C	D D = C / A
	FY 2026 Consumption (1,000 gal)	% of Total	Distributed Commodity Costs	Unit Cost (\$ /1,000 gal)
Residential				
Tier 1	446,593	43.00%	\$545,287	\$1.22
Tier 2	<u>259,657</u>	<u>25.00%</u>	<u>317,039</u>	<u>1.22</u>
Single Family Total	706,250	68.00%	\$862,327	\$1.22
Commercial				
	<u>332,468</u>	<u>32.00%</u>	<u>\$405,941</u>	<u>\$1.22</u>
Total	1,038,718	100.00%	\$1,268,268	\$1.22

As can be seen, the development of the commodity distribution factor is fairly straightforward. As an example, tier 1 consumption of the residential class of service represents 43.0% of the total consumption on the system. As a result, 43.0% of the commodity related costs (\$1,268,268 in total) are distributed to tier 1 of the residential customers, which is \$545,287. The total costs in Column C are taken from Table 4 – 2. This approach is then used for each of the customer classes of service for each rate component. Next, to develop the unit costs, the dollars in column C are divided by the consumption in column A. This results in the cost-based commodity component of the proposed rates for each customer class.

4.10.2 Capacity Distribution Factor

The capacity distribution factor utilizes the same customer classes as in the development of the commodity distribution factor. Whereas commodity costs are related to the total volume of water used by each class of service and tier, capacity is related to how each tier or class consumes water. Customers use water in different ways and at different times, thus creating different usage patterns, which results in different peak demands. These usage patterns drive how the District must size the system to meet the demands of customers, regardless of when they occur. To determine the distribution by tier or class, peak demand factors need to be developed for each customer class of service and tier. The peak demand factors for a class of service are estimated due to a lack of specific metered data related to peak demands for each customer class and tier.

The method used to estimate customer class and tier peak demand factors is to review the average monthly volume of water consumed and compare it to the maximum monthly usage of water (i.e., relationship of average month to peak month). By dividing the maximum month by the average month, a reasonable surrogate for the peak factor is determined. This factor provides the difference between the average demand and peak demand in each tier or class. For example, if a customer used 10.0 CCF per month on average and in the peak month 15.0 CCF was used, the peak factor would be 1.50 (15.0 / 10.0 = 1.50). In this example, the peak factor is stating that the

maximum demand in a month is 1.50 times higher than the average demand per month. Using this same calculation for each customer class and tier, the capacity distribution factors can be developed. Shown below in Table 4 – 4 is a summary of the capacity distribution factors for each customer class and tier.

Table 4 – 4 Summary of the Capacity Distribution Factors							
Reference Calculation	A	B	C C = A * B	D	E	F	G G = E / F
	Average Demand (MGD)	Peak Factors	Peak Demand (MGD)	% of Total	Distributed Capacity Costs	FY 2026 Consumption (1,000 gal)	Unit Cost (\$/1,000 gallons)
Residential							
Tier 1	1.53	1.47	2.25	30.8%	\$236,407	446,593	\$0.53
Tier 2	<u>0.89</u>	<u>3.21</u>	<u>2.85</u>	<u>39.0%</u>	<u>299,295</u>	<u>259,657</u>	<u>1.15</u>
Residential Total	2.42	2.11	5.10	69.8%	\$535,701	706,250	\$0.76
Commercial							
	<u>1.14</u>	<u>1.94</u>	<u>2.21</u>	<u>30.2%</u>	<u>\$231,698</u>	<u>332,468</u>	<u>\$0.70</u>
Total	3.56	2.06	7.31	100.0%	\$767,399	1,038,718	\$0.74

Table 4 – 4 above shows the development of the capacity distribution factors. Similar to that of the commodity cost distribution to the residential tiers and commercial class of service, the capacity-related costs are distributed in the same proportional manner. For example, 30.8% of the capacity costs are distributed to tier 1 residential customers based on the relationship of the tier 1 residential peak demand to the total system peak demand, which results in the distribution to residential tier 1 of \$236,407. The distributed costs are then divided through by the FY 2026 consumption to develop the unit costs for each tier or class (e.g., \$236,407 ÷ 446,593 1,000 gallons = \$0.53/1,000 gallons), which becomes the capacity component of the proposed rates for FY 2026.

Combining the commodity and capacity unit costs results in the basis of the tiered and uniform rates. The summary of this calculation is provided in Table 4 – 5 where the costs from Table 4 – 3 column D and Table 4 – 4 column G are summed to calculate the cost-based and proportional consumption charges for the residential tiers and commercial uniform rate.

**Table 4 – 5
Summary of the Tier / Season Cost Basis**

Reference	A	B	C	D
	Commodity Costs (\$/1,000 gal)	Capacity Costs (\$/1,000 gal)	Other Costs (\$/1,000 gal)	Total Unit Cost (\$/1,000 gal)
Residential				
Tier 1	\$1.22	\$0.53	\$0.00	\$1.75
Tier 2	<u>\$1.22</u>	<u>\$1.15</u>	<u>\$0.00</u>	<u>\$2.37</u>
Total Residential	\$1.22	\$0.76	\$0.00	\$1.98
Commercial				
Total	<u>\$1.22</u>	<u>\$0.70</u>	<u>\$0.00</u>	<u>\$1.92</u>
	\$1.22	\$0.74	\$0.00	\$1.96

The results shown in Table 4 – 5 above are the basis for the District’s consumption pricing for the proposed residential tiers and commercial uniform rate. The analysis and costs shown above have been developed to comply with the recent legal decisions related to developing cost-based water rates.

The final unit cost development is for the customer related costs, which are used to establish the monthly fixed meter charge which varies by meter size. An exercise similar to the consumption components calculation was completed and as a result, the total customer related costs plus fire protection related costs were divided by the number of equivalent meters on the system. An equivalent meter uses the capacity ratio of a 1-inch meter to the larger meter sizes to determine the pricing for each meter size. In this way, the meter charge reflects the proportion of fixed costs on the system based on the capacity demands the customer can place on the system given the size of the meter. Provided in Table 4 – 6 is a summary of the fixed meter charge unit cost development.

**Table 4 - 6
Summary of the Fixed Meter Charge Cost Basis**

Components	Units
Total Customer Costs	\$18,419,546
# of Equiv. Meters	14,147
Unit Cost (\$ / equivalent meter)	\$108.50 (3/4" Meter)

4.11 Summary Results of the Cost of Service Analysis

In summary form, the cost of service analysis began by functionalizing the District’s revenue requirement. The functionalized revenue requirement was then allocated to the appropriate cost component(s). The individual allocated totals were then distributed proportionally to the customer classes of service based on the appropriate distribution factors. The distributed expenses for each customer class were then aggregated to determine each customer class’s overall revenue responsibility (i.e., cost to provide service). Provided below in Table 4 – 7 is the summarized results of the District’s water cost of service analysis.

Table 4 – 7 Summary of the FY 2026 Cost of Service Analysis (\$000)				
Class of Service	Present Revenues (FY 2026)	Distributed Costs	\$ Difference	% Difference
Residential	\$17,240	\$18,387	(\$1,147)	6.7%
Commercial	1,964	2,068	(104)	5.3%
Pump Zones	<u>966</u>	<u>1,026</u>	<u>(60)</u>	<u>6.2%</u>
Total	\$20,170	\$21,481	(\$1,311)	6.5%

The results of the cost of service analysis indicate that minor cost differences exist between the customer classes of service. It is important to understand that a cost of service analysis is based on one year’s O&M expense data and projected customer usage information. The cost to serve customers is a dynamic function and a cost of service analysis can be impacted by a number of variables such as budget structure changes, or a change in consumption characteristics due to weather, or changes in how the District incurs costs. Given this, the results of the cost of service analysis may change from year to year. As the District continues to monitor water rates and cost of service results through future studies, future cost of service adjustments will likely be necessary to reflect system and customer characteristics at that time. More details regarding the development of the cost of service analysis for the District's water utility can be found in the Technical Appendix in Exhibits 7 - 16.

4.12 Consultant’s Conclusions and Recommendations

The cost of service analysis proportionally distributed the revenue requirement to each customer class and rate structure component based on their respective benefits received from and burdens placed on the water system (proportional distribution) based on the service requirements. While minor cost differences exist, the overall distribution of costs appears to be reasonable and reflects the impacts each customer class of service places on the system. Given the requirements and limitations imposed by Article XIII D, Section 6, the results of the cost of service will be used to establish the proposed rate designs for each of the District’s water customer classes of service. More specifically, the unit costs derived from the cost of service analysis are utilized as the basis for the rate design for each customer class, which will be discussed in more detail in Section 5.

5 Development of the Proposed Rate Design

5.1 Introduction

The final step of the District's water rate study is the design of rates to collect the target levels of revenues, based on the results of both the revenue requirement and cost of service analyses. In reviewing the District's water rates, consideration was given to the level of the rates as well as the structure of the rates. The level of the rates reflects the amount of revenue that should be collected while the structure of the rates is how it is collected (charged) from customers.

The overall revenue level for the District was established in the revenue requirement analysis (Section 3) while the proportional distribution of costs to the various customer classes was developed in the cost of service analysis (Section 4). These two analyses provide the basis for the overall revenue needs of the District's water utility as well as the revenue levels to be collected from each class of service based on cost causation and the unit costs for each rate component.

5.2 Rate Design Criteria and Considerations

Prudent rate administration dictates that several criteria must be considered when setting utility rates. Some of these rate design criteria are listed below:

- Rates which are easy to understand from the customer's perspective
- Rates which are easy for the District to administer
- Consideration of the customer's ability to pay
- Continuity over time of the rate making philosophy
- Policy considerations (encourage efficient use, economic development, etc.)
- Provide revenue stability from month to month and year to year
- Promote efficient allocation of the resource
- Proportional and non-discriminatory (cost-based)
- Legally defensible

It is important that the District provide its water customers with a proper and accurate price signal as to what their consumption and demand requirements are costing. This goal may be approached through rate level and structure. When developing the proposed rate designs, all the above listed criteria may be taken into consideration. However, it should be noted that it is difficult - if not impossible - to design a rate that meets all the goals and objectives listed above. A good example of this is that it may be difficult to design a rate that takes into consideration the customer's ability to pay while at the same time being cost-based. In designing rates, there are always trade-offs between these various goals and objectives. A key element in the development of the District's Study is meeting the requirements imposed by Proposition 218 while reflecting the District's goals and objectives. This is accomplished through the review of customer and system characteristics, District rate design goals and objectives, and designing the proposed rates based on the average unit costs as developed in the cost of service analysis.

5.3 Overview of the Proposed Rate Structures

In discussion with District staff, it was determined that the current residential and commercial rate structures would be maintained. At this time, these rate structures reflect the District’s rate design goals and objectives, one notably being the revenue stability of the current rate structure. Given the demographics and seasonality of the District’s customers and service area, the fixed and variable level of revenue was maintained as described and developed in the cost of service analysis (Section 4).

5.4 Summary of the Present and Proposed Water Rates

The proposed rates for the District’s water utility were designed to meet the total system revenue needs discussed in Section 3 and the cost of service results – including unit cost development - provided in Section 4. The proposed water rates have been developed for each customer class of service based on the development of the pricing through the cost of service analysis.

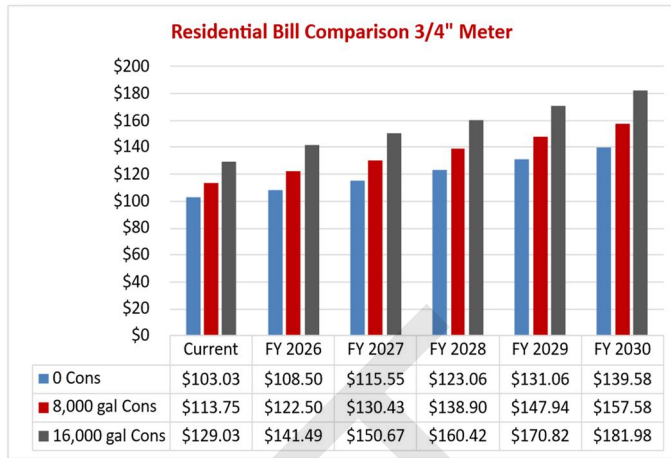
5.4.1 Review of the Present and Proposed Residential Water Rates

The District’s proposed residential rates maintain the current rate structure. This structure consists of a monthly fixed charge by meter size and a two-tier increasing block consumption charge. Provided below in Table 5 – 1 is a summary of the present and proposed rates for the District’s residential water customers.

Table 5 – 1 Summary of the Monthly Residential Water Rates						
Rate Component	Present Rate	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Fixed Charge	<i>\$/Month</i>					
5/8" x 3/4"	\$103.03	\$108.50	\$115.55	\$123.06	\$131.06	\$139.58
3/4"	103.03	108.50	115.55	123.06	131.06	139.58
1"	122.89	129.41	137.82	146.78	156.32	166.48
Commodity Charge - <i>\$/1,000 gal.</i>						
0 - 8,000 gal (block 1)	\$1.34	\$1.75	\$1.86	\$1.98	\$2.11	\$2.25
8,000 + gal (block 2)	1.91	2.37	2.53	2.69	2.86	3.05

The proposed rates in Table 5 – 1 show that the fixed meter charges are based on the results of the unit costs as developed in the cost of service and summarized in Table 4 – 6. The subsequent meter sizes are adjusted by the AWWA 1” meter equivalencies. The AWWA meter equivalencies reflect the relationship between larger meter size capacity and the fixed costs associated with providing that level of capacity. Also shown in Table 5 – 1 are the proposed tiered commodity

charges (i.e., consumption rates) for FY 2026, which is taken directly from column D in Table 4 – 5. The proposed rates for FY 2027 through FY 2030 are adjusted “across the board” by the overall revenue requirement results to collect the target level of revenues. This approach to establishing the fixed meter charges and tiered commodity charges meet the cost based and proportional requirements of Proposition 218. If implemented, rate adjustments after FY 2030 would again need to be supported by a comprehensive water rate study that would provide the cost-basis for any proposed rates.



5.4.2 Review of the Present and Proposed Commercial Water Rates

Similar to the residential rate structure, the commercial monthly fixed charge varies by meter size, but the consumption charge is a uniform rate. As mentioned previously, a uniform rate is a generally accepted rate structure for commercial customers given the differences in usage characteristics within the customer class. Based on the results of the cost of service analysis and the resulting unit costs, the proposed rates for the commercial customer class were developed. Table 5 – 2 provides a summary of the present and proposed commercial water rates.

Table 5 – 2 Summary of the Monthly Commercial Water Rates						
Rate Components	Present Rate	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Fixed Charge	\$/Month					
5/8" x 3/4"	\$103.03	\$108.50	\$115.55	\$123.06	\$131.06	\$139.58
3/4"	103.03	108.50	115.55	123.06	131.06	139.58
1"	122.89	129.41	137.82	146.78	156.32	166.48
1-1/2"	172.75	181.92	193.75	206.34	219.75	234.04
2"	237.50	250.11	266.37	283.68	302.12	321.76
3"	397.58	418.68	445.90	474.88	505.75	538.62
4"	568.87	599.06	638.00	679.47	723.64	770.67
6"	853.30	898.60	957.00	1,019.21	1,085.46	1,156.01
8"	1,066.62	1,123.23	1,196.24	1,274.00	1,356.81	1,445.00
Commodity Charge \$/1,000 gal	\$1.86	\$1.92	\$2.04	\$2.17	\$2.31	\$2.46

As noted, the commercial fixed meter charges and commodity charges (i.e., consumption rates) are based on the unit costs developed in the cost of service analysis. These unit costs are shown

in Tables 4 – 5 and 4 – 6. Similar to the residential rates, the commercial rates for FY 2026 were based on the cost of service analysis results and the adjustments for FY 2027 through FY 2030 reflect the adjustments as developed in the revenue requirement analysis.

5.4.3 Review of the Present and Proposed Pump Zone Rates

The pump zone rates are based on the costs associated with pumping water to higher pressure zones to provide service. The pump zone rates are in addition to the proposed residential and commercial rates for customers in each zone. The pump zone rates are based on the costs distributed in the cost of service analysis and total pumped consumption to calculate the average pumping cost. Provided in Table 5 – 3 is a summary of the present and proposed pump zone rates.

Table 5 – 3 Summary of the Pump Zone Rates						
Rate Component	Present Rate	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
\$/ 1,000 gal						
Zone 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zone 2	1.03	1.09	1.16	1.24	1.32	1.41
Zone 3	2.04	2.16	2.30	2.45	2.61	2.78
Zone 4	3.06	3.24	3.45	3.67	3.91	4.16
Zone 5	4.08	4.32	4.60	4.90	5.22	5.56
Zone 6	5.10	5.40	5.75	6.12	6.52	6.94
Zone 7	6.12	6.48	6.90	7.35	7.83	8.34

5.5 Summary of the Proposed Rate Revenues

The rates for each customer class of service meet the results of the revenue requirement and cost of service analyses. Provided in Table 5 – 4 is a summary of the revenue targets based on the revenue requirement and cost of service analyses for the FY 2026 proposed rate adjustments.

Table 5 – 4 Comparison of the FY 2026 Proposed Revenues and Distributed Costs (\$000's)					
Class of Service	Present Revenues	Cost of Service Adjustment	Target Revenues	Proposed Revenues	\$ Difference
Residential	\$17,144	\$18,387	\$18,387	\$18,400	\$13
Commercial	1,958	2,068	2,068	2,055	(13)
Pump Zone	<u>966</u>	<u>1,026</u>	<u>1,026</u>	<u>1,023</u>	<u>(3)</u>
Water System Total	\$20,068	\$21,481	\$21,481	\$21,477	(\$4)

The above table is provided to further demonstrate that the District's rates are cost-based and proportional and meet the requirements of Proposition 218. As can be seen, the proposed revenues closely reflect the proportional distribution of costs to the customer classes of service. A more detailed analysis of the projection of the proposed revenues and rate designs are included within the Technical Appendix of this report.

5.6 Water Rate Study Recommendations

Based on the results of the District's water rate study, HDR recommends the following:

- Rate revenues for the District's water utility should be adjusted annually in FY 2026 through FY 2030
- The proposed rates should be implemented to reflect each customer class's proportional distribution of costs as outlined in the cost of service analysis
- The rates are proposed to be implemented and effective each year on January 1
- Prior to the implementation of the fifth and final proposed rate adjustment, the District should complete a review of the water rates

5.7 Summary of the Water Rate Study

This completes the analysis for the Truckee Donner Public Utility District's water utility. This Study has provided a comprehensive review and development of proposed water rates for the District. Adoption of the proposed water rates will allow the District to meet their current and projected water system financial obligations for the time period reviewed based on the assumed customer growth, capital improvement plan, and projected increases in operating expenses. Should these assumptions change, the proposed rate adjustments may also need to be revised to reflect current conditions.



Technical Appendix A – Water Technical Analysis

DRAFT

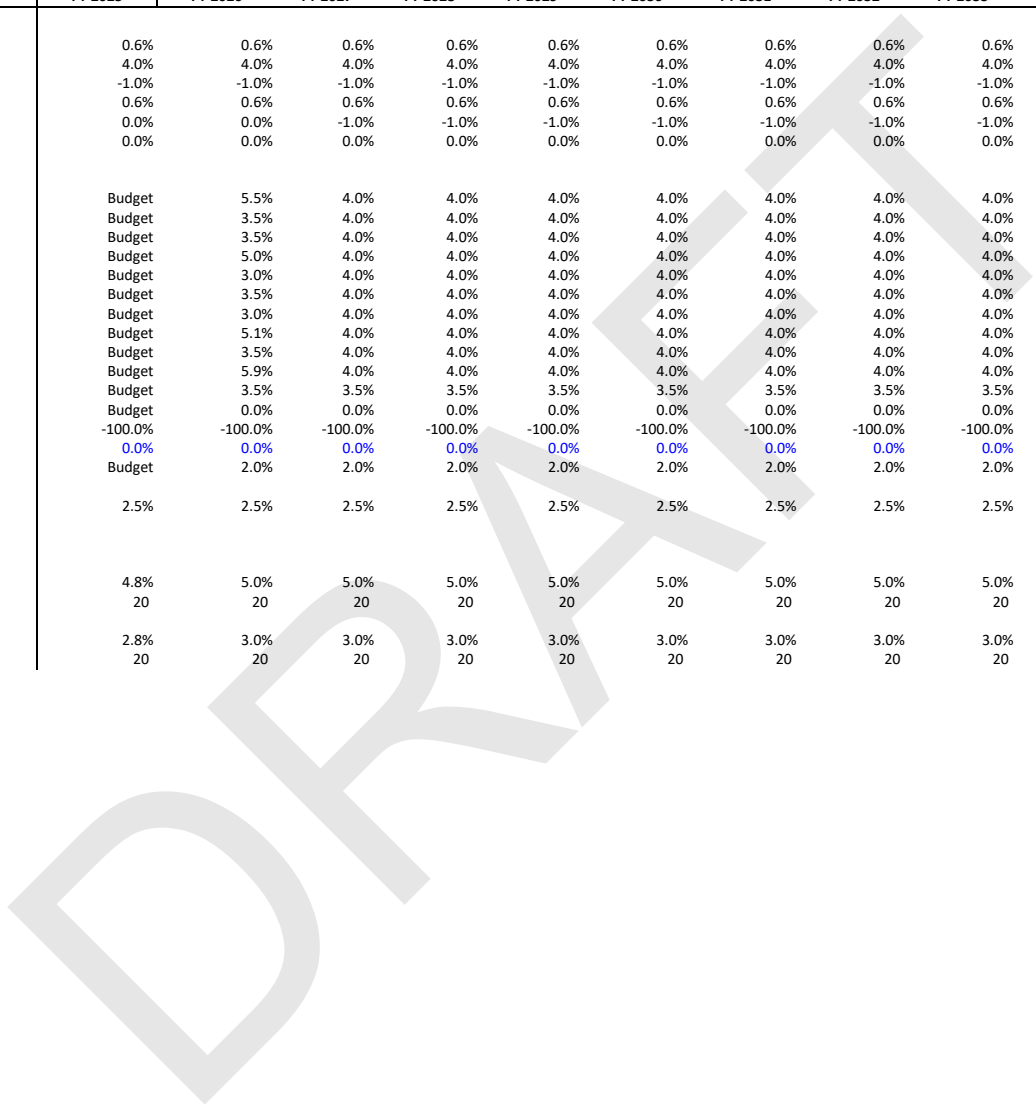
**Truckee Donner PUD
Water Utility
Revenue Requirement Summary**

(Values in \$1,000s)

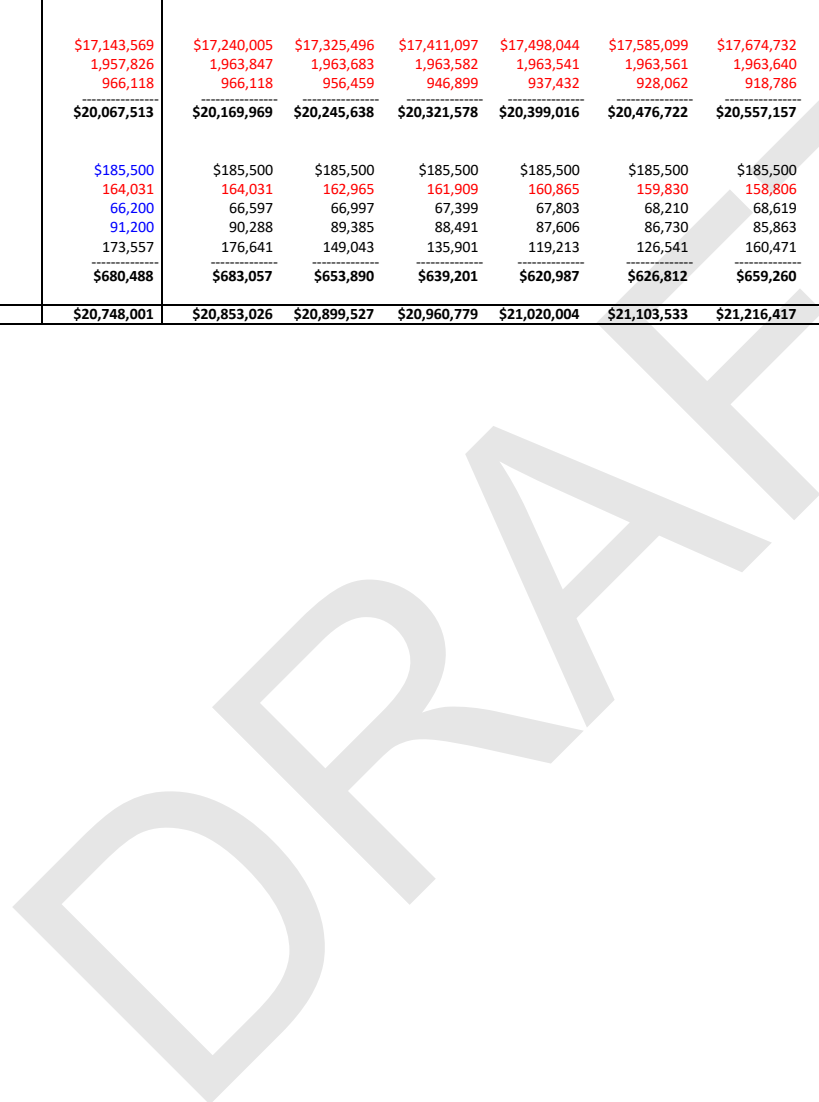
	Budget	Projected									
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Revenue											
Rate Revenue at Current Rates	\$20,068	\$20,170	\$20,246	\$20,322	\$20,399	\$20,477	\$20,557	\$20,638	\$20,720	\$20,802	\$20,886
Miscellaneous Revenue	680	683	654	639	621	627	659	697	723	772	828
Total Revenue	\$20,748	\$20,853	\$20,900	\$20,961	\$21,020	\$21,104	\$21,216	\$21,335	\$21,443	\$21,574	\$21,714
Expenditures											
Board of Directors	\$274	\$282	\$293	\$305	\$317	\$330	\$343	\$357	\$371	\$386	\$401
General Manager	1,761	1,840	1,913	1,990	2,069	2,152	2,238	2,328	2,421	2,518	2,619
Administrative Services	1,796	1,882	1,957	2,035	2,117	2,201	2,289	2,381	2,476	2,575	2,678
Conservation	153	161	168	174	181	189	196	204	212	221	230
Water Operations	8,060	8,443	8,771	9,111	9,465	9,832	10,214	10,610	11,022	11,450	11,895
IT/GIS	1,072	1,115	1,160	1,206	1,255	1,305	1,357	1,411	1,468	1,526	1,587
Interdepartmental Rent	608	643	669	696	723	752	782	814	846	880	915
Additional Expenditures	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	\$13,723	\$14,366	\$14,931	\$15,518	\$16,127	\$16,761	\$17,420	\$18,105	\$18,817	\$19,557	\$20,325
Rate Funded Capital	\$5,000	\$7,000	\$7,250	\$7,350	\$7,450	\$7,550	\$7,800	\$8,050	\$8,300	\$8,550	\$8,800
Net Debt Service	\$1,532	\$1,526	\$1,530	\$2,490	\$2,481	\$2,486	\$2,489	\$2,486	\$2,490	\$2,485	\$1,911
Transfers	\$327	\$376	\$432	\$497	\$512	\$527	\$543	\$559	\$576	\$593	\$611
Total Revenue Requirement	\$20,582	\$23,268	\$24,143	\$25,854	\$26,571	\$27,324	\$28,252	\$29,200	\$30,183	\$31,185	\$31,648
Balance/(Deficiency) of Funds	\$166	(\$2,415)	(\$3,243)	(\$4,893)	(\$5,551)	(\$6,221)	(\$7,036)	(\$7,865)	(\$8,740)	(\$9,611)	(\$9,934)
Rate Adj. as a % of Rate Rev	-0.8%	12.0%	16.0%	24.1%	27.2%	30.4%	34.2%	38.1%	42.2%	46.2%	47.6%
Proposed Rate Adjustment	0.0%	6.5%	6.5%	6.5%	6.5%	6.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Rate Revenue After Adjustment	\$20,068	\$21,481	\$22,963	\$24,547	\$26,243	\$28,055	\$29,151	\$30,290	\$31,475	\$32,706	\$33,987
Debt Service Coverage Ratio											
Before Rate Adjustment	3.53	3.27	3.00	1.85	1.66	1.48	1.29	1.10	0.89	0.69	0.63
After Rate Adjustment	3.53	3.93	4.37	3.28	3.65	4.05	4.20	4.38	4.53	4.73	6.53
Average Monthly Residential Bill											
\$ Change Per Month	\$109.73	\$116.86	\$124.46	\$132.55	\$141.16	\$150.34	\$155.60	\$161.05	\$166.68	\$172.52	\$178.56
Cumulative \$ Change per Month		7.13	7.60	8.09	8.62	9.18	5.26	5.45	5.64	5.83	6.04
		7.13	14.73	22.82	31.43	40.61	45.87	51.32	56.95	62.79	68.83
Ending Reserve Balance	\$15,667	\$12,853	\$11,573	\$10,485	\$10,560	\$11,299	\$13,458	\$15,577	\$18,863	\$22,326	\$27,571
Low Interest Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Funding Available for Capital	\$4,289	\$9,440	\$8,809	\$8,669	\$8,606	\$9,147	\$8,220	\$8,795	\$8,146	\$8,539	\$7,984

Truckee Donner PUD
 Water Utility
 Revenue Requirement
 Exhibit 1 - Escalation Factors

	Budget	Projected										Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Revenues												
Customer Growth	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Consumer Price Index	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Standby Fees	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Misc. Revenue	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Consumption Growth	0.0%	0.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%	-1.0%
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenses												
Salaries & Benefits	Budget	5.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Repairs & Maintenance	Budget	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Worker's Compensation	Budget	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
OPEB	Budget	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Materials & Supplies	Budget	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Equipment	Budget	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Miscellaneous	Budget	3.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Operations & Maintenance	Budget	5.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Professional Services	Budget	3.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Rent	Budget	5.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Purchased Power	Budget	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Flat	Budget	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
One-time	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%
Flat	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Capital O&M	Budget	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Investment Interest	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
New Long-Term Debt Assumptions												
Revenue Bond												
Rate	4.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Term	20	20	20	20	20	20	20	20	20	20	20	20
Low Interest Loan												
Rate	2.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Term	20	20	20	20	20	20	20	20	20	20	20	20



	Budget	Projected										Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Revenues												
Rate Revenues												
Residential	\$17,143,569	\$17,240,005	\$17,325,496	\$17,411,097	\$17,498,044	\$17,585,099	\$17,674,732	\$17,764,470	\$17,855,547	\$17,946,728	\$18,039,247	Calc'd in Cust Data Tab
Commercial	1,957,826	1,963,847	1,963,683	1,963,582	1,963,541	1,963,561	1,963,640	1,963,779	1,963,978	1,964,234	1,964,548	Calc'd in Cust Data Tab
Pump Zone Charges	966,118	966,118	956,459	946,899	937,432	928,062	918,786	909,606	900,510	891,510	882,595	Calc'd in Cust Data Tab
Total Rate Revenues	\$20,067,513	\$20,169,969	\$20,245,638	\$20,321,578	\$20,399,016	\$20,476,722	\$20,557,157	\$20,637,855	\$20,720,035	\$20,802,472	\$20,886,390	
Other Revenues												
Misc Operating Revenue	\$185,500	\$185,500	\$185,500	\$185,500	\$185,500	\$185,500	\$185,500	\$185,500	\$185,500	\$185,500	\$185,500	As Flat
Non-Potable	164,031	164,031	162,965	161,909	160,865	159,830	158,806	157,792	156,788	155,794	154,811	Calc'd in Cust Data Tab
Misc Rents	66,200	66,597	66,997	67,399	67,803	68,210	68,619	69,031	69,445	69,862	70,281	As Misc. Revenue
Standby Revenue	91,200	90,288	89,385	88,491	87,606	86,730	85,863	85,004	84,154	83,313	82,480	As Standby Fees
Interest Income	173,557	176,641	149,043	135,901	119,213	126,541	160,471	199,421	227,065	277,428	334,743	
Total Other Revenues	\$680,488	\$683,057	\$653,890	\$639,201	\$620,987	\$626,812	\$659,260	\$696,748	\$722,952	\$771,897	\$827,815	
Total Revenues	\$20,748,001	\$20,853,026	\$20,899,527	\$20,960,779	\$21,020,004	\$21,103,533	\$21,216,417	\$21,334,604	\$21,442,987	\$21,574,370	\$21,714,204	



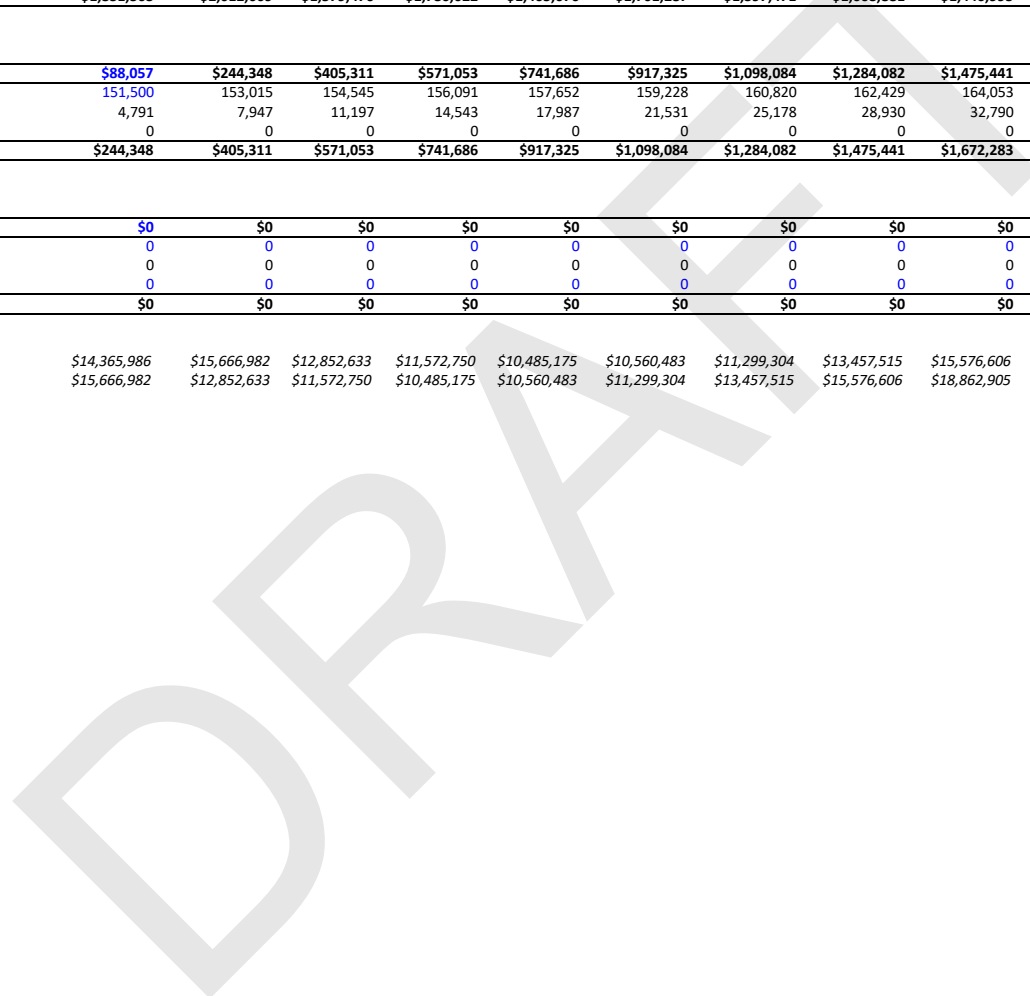
	Budget	Projected										Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Expenses												
Board of Directors	\$273,673	\$281,883	\$293,159	\$304,885	\$317,080	\$329,763	\$342,954	\$356,672	\$370,939	\$385,777	\$401,208	As Miscellaneous
General Manager												
Admin & Ops General Exp	\$746,916	\$787,996	\$819,516	\$852,297	\$886,389	\$921,844	\$958,718	\$997,067	\$1,036,949	\$1,078,427	\$1,121,565	As Salaries & Benefits
Public Information	151,842	160,193	166,601	173,265	180,196	187,404	194,900	202,696	210,803	219,236	228,005	As Salaries & Benefits
Legislature & Regulations	86,231	90,974	94,613	98,397	102,333	106,426	110,683	115,111	119,715	124,504	129,484	As Salaries & Benefits
Office Supplies & Expenses	105,050	108,202	112,530	117,031	121,712	126,580	131,644	136,909	142,386	148,081	154,004	As Materials & Supplies
Outside Service Employed	167,580	173,445	180,383	187,598	195,102	202,906	211,023	219,464	228,242	237,372	246,867	As Professional Services
Injuries & Damages	424,179	436,904	454,381	472,556	491,458	511,116	531,561	552,823	574,936	597,934	621,851	As Miscellaneous
General Advertising	79,645	82,034	85,316	88,728	92,277	95,969	99,807	103,800	107,952	112,270	116,760	As Miscellaneous
Misc General Expense	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
Total General Manager	\$1,761,443	\$1,839,749	\$1,913,339	\$1,989,872	\$2,069,467	\$2,152,246	\$2,238,336	\$2,327,869	\$2,420,984	\$2,517,823	\$2,618,536	
Administrative Services												
Customer Accounts Supervision	\$179,053	\$188,901	\$196,457	\$204,315	\$212,488	\$220,987	\$229,827	\$239,020	\$248,581	\$258,524	\$268,865	As Salaries & Benefits
Meter Reading Expenses	1,133	1,195	1,243	1,293	1,345	1,398	1,454	1,512	1,573	1,636	1,701	As Salaries & Benefits
Customer Records & Collections	622,857	657,114	683,399	710,735	739,164	768,731	799,480	831,459	864,717	899,306	935,278	As Salaries & Benefits
Cust Rec&Coll Meter Reader	0	0	0	0	0	0	0	0	0	0	0	As Salaries & Benefits
Provision for Bad Debts	7,725	7,957	8,275	8,606	8,950	9,308	9,681	10,068	10,471	10,889	11,325	As Miscellaneous
Admin and General Expenses	593,672	623,356	648,290	674,221	701,190	729,238	758,407	788,744	820,293	853,105	887,229	As OPEB
Office Supplies & Expenses	90,482	93,196	96,924	100,801	104,833	109,027	113,388	117,923	122,640	127,546	132,648	As Materials & Supplies
Outside Services Employed	42,661	44,154	45,920	47,757	49,667	51,654	53,720	55,869	58,104	60,428	62,845	As Professional Services
Insurance Expense	226,375	233,166	242,493	252,193	262,280	272,772	283,682	295,030	306,831	319,104	331,868	As Miscellaneous
Injuries & Damages	31,708	32,659	33,966	35,324	36,737	38,207	39,735	41,324	42,977	44,696	46,484	As Miscellaneous
Total Administrative Services	\$1,795,666	\$1,881,699	\$1,956,967	\$2,035,245	\$2,116,655	\$2,201,321	\$2,289,374	\$2,380,949	\$2,476,187	\$2,575,235	\$2,678,244	
Conservation												
Water Conservation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	As Salaries & Benefits
PBD: Residential	90,934	95,935	99,773	103,764	107,914	112,231	116,720	121,389	126,244	131,294	136,546	As Salaries & Benefits
PBC: Commercial	46,442	48,996	50,956	52,994	55,114	57,319	59,612	61,996	64,476	67,055	69,737	As Salaries & Benefits
PBC: Education & Outreach	7,416	7,824	8,137	8,462	8,801	9,153	9,519	9,900	10,296	10,708	11,136	As Salaries & Benefits
Admin & Ops General	2,954	3,116	3,241	3,371	3,506	3,646	3,792	3,943	4,101	4,265	4,436	As Salaries & Benefits
Office Supplies & Expenses	4,924	5,072	5,275	5,486	5,705	5,933	6,171	6,417	6,674	6,941	7,219	As Materials & Supplies
IT/GIS	0	0	0	0	0	0	0	0	0	0	0	As Salaries & Benefits
Injuries & Damages	304	313	326	339	352	366	381	396	412	429	446	As Miscellaneous
General Advertising	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
Misc General Expense	0	0	0	0	0	0	0	0	0	0	0	As Miscellaneous
Total Conservation	\$152,974	\$161,257	\$167,707	\$174,415	\$181,392	\$188,648	\$196,194	\$204,041	\$212,203	\$220,691	\$229,519	

	Budget	Projected										Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Water Operations												
Ops Supervision & Engineering	\$675,405	\$712,552	\$741,054	\$770,697	\$801,524	\$833,585	\$866,929	\$901,606	\$937,670	\$975,177	\$1,014,184	As Salaries & Benefits
Construction Engineering	0	0	0	0	0	0	0	0	0	0	0	As Salaries & Benefits
Facilities Operations	1,799,877	1,898,870	1,974,825	2,053,818	2,135,971	2,221,410	2,310,266	2,402,677	2,498,784	2,598,735	2,702,684	As Salaries & Benefits
Power Supply	1,954,542	2,022,951	2,093,754	2,167,036	2,242,882	2,321,383	2,402,631	2,486,723	2,573,759	2,663,840	2,757,075	As Purchased Power
Distribution Operations	2,321,358	2,449,033	2,546,994	2,648,874	2,754,829	2,865,022	2,979,623	3,098,808	3,222,760	3,351,670	3,485,737	As Salaries & Benefits
Meters/Services Operations	475,809	501,978	522,058	542,940	564,658	587,244	610,734	635,163	660,569	686,992	714,472	As Salaries & Benefits
Misc. General Expense	712,809	734,193	763,561	794,103	825,868	858,902	893,258	928,989	966,148	1,004,794	1,044,986	As Miscellaneous
Injuries & Damages	120,096	123,699	128,647	133,793	139,144	144,710	150,499	156,519	162,779	169,290	176,062	As Miscellaneous
Total Water Operations	\$8,059,896	\$8,443,277	\$8,770,893	\$9,111,260	\$9,464,875	\$9,832,256	\$10,213,939	\$10,610,484	\$11,022,469	\$11,450,499	\$11,895,200	
IT/GIS												
Engineering/SCADA Ops	\$174,458	\$184,053	\$191,415	\$199,072	\$207,035	\$215,316	\$223,929	\$232,886	\$242,201	\$251,889	\$261,965	As Salaries & Benefits
Misc General Expense	121,673	128,365	133,500	138,840	144,393	150,169	156,176	162,423	168,920	175,676	182,703	As Salaries & Benefits
Meter Reading	55,613	57,281	59,573	61,956	64,434	67,011	69,692	72,479	75,378	78,394	81,529	As Miscellaneous
Customer Records	135,593	143,051	148,773	154,724	160,912	167,349	174,043	181,005	188,245	195,775	203,606	As Salaries & Benefits
Administrative & General IT Ops	515,612	531,080	552,324	574,417	597,393	621,289	646,140	671,986	698,866	726,820	755,893	As Miscellaneous
Office Supplies & Expenses	20,765	21,388	22,243	23,133	24,059	25,021	26,022	27,063	28,145	29,271	30,442	As Materials & Supplies
Outside Services Employed	25,750	26,651	27,717	28,826	29,979	31,178	32,425	33,722	35,071	36,474	37,933	As Professional Services
Injuries & Damages	22,784	23,468	24,406	25,382	26,398	27,454	28,552	29,694	30,882	32,117	33,402	As Miscellaneous
Total IT/GIS	\$1,072,248	\$1,115,337	\$1,159,951	\$1,206,349	\$1,254,603	\$1,304,787	\$1,356,978	\$1,411,257	\$1,467,708	\$1,526,416	\$1,587,473	
Interdepartmental Rent	\$607,500	\$643,090	\$668,814	\$695,566	\$723,389	\$752,324	\$782,417	\$813,714	\$846,262	\$880,113	\$915,317	As Rent
Total Expenses	\$13,723,400	\$14,366,292	\$14,930,829	\$15,517,593	\$16,127,462	\$16,761,346	\$17,420,193	\$18,104,987	\$18,816,753	\$19,556,554	\$20,325,497	
Additional Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Operations & Maintenance Expense	\$13,723,400	\$14,366,292	\$14,930,829	\$15,517,593	\$16,127,462	\$16,761,346	\$17,420,193	\$18,104,987	\$18,816,753	\$19,556,554	\$20,325,497	
Rate Funded Capital	\$5,000,000	\$7,000,000	\$7,250,000	\$7,350,000	\$7,450,000	\$7,550,000	\$7,800,000	\$8,050,000	\$8,300,000	\$8,550,000	\$8,800,000	FY 2023 Dep. Exp. = \$4,826,705
		4.7%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	3.9%	
		40.0%	3.6%	1.4%	1.4%	1.3%	3.3%	3.2%	3.1%	3.0%	2.9%	
Debt Service												
Pipeline COP Rates	\$576,529	\$573,196	\$575,581	\$574,322	\$570,555	\$575,893	\$574,705	\$573,333	\$575,711	\$574,484	\$0	Financial Plan
Pipeline COP FF	360,884	359,005	359,806	358,474	360,101	359,147	359,524	357,313	359,424	359,309	306,800	Financial Plan
Pipeline COP Assmt	97,925	99,736	97,150	99,142	100,444	97,360	98,421	100,104	101,490	97,207	0	Financial Plan
2022 Water COP	955,250	952,500	954,250	955,250	950,500	950,250	954,250	952,250	954,500	950,750	951,250	
Utility Building Debt	0	0	0	960,000	960,000	960,000	960,000	960,000	960,000	960,000	960,000	
New Low Interest Loan	0	0	0	0	0	0	0	0	0	0	0	Calculated @ 2.98% for 20 yrs
New Revenue Bond	0	0	0	0	0	0	0	0	0	0	0	Calculated @ 4.98% for 20 yrs
Total Debt Service	\$1,990,588	\$1,984,437	\$1,986,787	\$2,947,188	\$2,941,600	\$2,942,650	\$2,946,900	\$2,943,000	\$2,951,125	\$2,941,750	\$2,218,050	
		-0.3%	0.1%	48.3%	-0.2%	0.0%	0.1%	-0.1%	0.3%	-0.3%	-24.6%	
Less Debt Service Transfers												
Transfer in from DLAD Surcharge for 2006 COP debt pmt	\$97,925	\$99,736	\$97,150	\$99,142	\$100,444	\$97,360	\$98,421	\$100,104	\$101,490	\$97,207	\$0	
Transfer in from FF Reserve	360,884	359,005	359,806	358,474	360,101	359,147	359,524	357,313	359,424	359,309	306,800	
Total Debt Service Transfers	\$458,809	\$458,741	\$456,956	\$457,616	\$460,545	\$456,507	\$457,945	\$457,417	\$460,914	\$456,516	\$306,800	
Net Debt Service	\$1,531,779	\$1,525,696	\$1,529,831	\$2,489,572	\$2,481,055	\$2,486,143	\$2,488,955	\$2,485,583	\$2,490,211	\$2,485,234	\$1,911,250	

	Budget	Projected										Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Transfers												
In												
Transfer in from employee and overhead for sidefund debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Transfer in from Vehicle Reserve (on CIP Calculation)	0	0	0	0	0	0	0	0	0	0	0	
Transfer from Operating Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	
Out												
Debt Service Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Transfer to Vehicle Reserve	327,000	376,000	432,000	497,000	512,000	527,000	543,000	559,000	576,000	593,280	611,078	
Transfer to Operating Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	
Total Transfers	\$327,000	\$376,000	\$432,000	\$497,000	\$512,000	\$527,000	\$543,000	\$559,000	\$576,000	\$593,280	\$611,078	
Total Revenue Requirement	\$20,582,179	\$23,267,988	\$24,142,660	\$25,854,165	\$26,570,517	\$27,324,489	\$28,252,148	\$29,199,570	\$30,182,964	\$31,185,068	\$31,647,826	
Balance / (Deficiency) of Funds	\$165,822	13.0% (\$2,414,962)	3.8% (\$3,243,133)	7.1% (\$4,893,386)	2.8% (\$5,550,513)	2.8% (\$6,220,955)	3.4% (\$7,035,730)	3.4% (\$7,864,967)	3.4% (\$8,739,977)	3.3% (\$9,610,699)	1.5% (\$9,933,621)	
Cumulative Rate Adjust. as a % of Rate Rev	-0.8%	12.0%	16.0%	24.1%	27.2%	30.4%	34.2%	38.1%	42.2%	46.2%	47.6%	
Proposed Rate Adjustment	0.0%	6.5%	6.5%	6.5%	6.5%	6.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Add'l Rev from Proposed Adj.	\$0	\$1,311,048	\$2,717,471	\$4,225,865	\$5,843,632	\$7,578,162	\$8,593,708	\$9,651,728	\$10,754,518	\$11,903,299	\$13,100,636	
Net Bal/(Def) of Funds After Rate Adj.	\$165,822	(\$1,103,914)	(\$525,662)	(\$667,522)	\$293,119	\$1,357,206	\$1,557,977	\$1,786,762	\$2,014,542	\$2,292,600	\$3,167,015	
Additional Rate Increase Needed	-0.8%	5.5%	2.6%	3.3%	-1.4%	-6.6%	-7.6%	-8.7%	-9.7%	-11.0%	-15.2%	
Debt Service Coverage Ratio												
Before Rate Adjustment	3.53	3.27	3.00	1.85	1.66	1.48	1.29	1.10	0.89	0.69	0.63	
After Rate Adjustment	3.53	3.93	4.37	3.28	3.65	4.05	4.20	4.38	4.53	4.73	6.53	
Average Monthly Residential Bill (3/4" meter + 5,000 gal)												
\$ Change Per Month	\$109.73	\$116.86	\$124.46	\$132.55	\$141.16	\$150.34	\$155.60	\$161.05	\$166.68	\$172.52	\$178.56	
Cumulative \$ Change per Month		7.13	7.60	8.09	8.62	9.18	5.26	5.45	5.64	5.83	6.04	
		7.13	14.73	22.82	31.43	40.61	45.87	51.32	56.95	62.79	68.83	

	Budget	Projected										Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Cash Reserves												
Operating Cash Fund												
Beginning Balance	\$6,942,281	\$7,065,629	\$5,961,715	\$5,436,053	\$4,768,532	\$5,061,651	\$6,418,857	\$7,976,834	\$9,082,596	\$11,097,137	\$13,389,737	
Plus: Additions	165,822	0	0	0	293,119	1,357,206	1,557,977	1,786,762	2,014,542	2,292,600	3,167,015	
Less: Uses of Funds	(42,474)	(1,103,914)	(525,662)	(667,522)	0	0	0	(681,000)	0	0	0	
Ending Balance	\$7,065,629	\$5,961,715	\$5,436,053	\$4,768,532	\$5,061,651	\$6,418,857	\$7,976,834	\$9,082,596	\$11,097,137	\$13,389,737	\$16,556,752	
Target Balance (60 Days O&M + DS Payments)	\$4,246,489	\$4,346,019	\$4,441,170	\$5,498,025	\$5,592,690	\$5,697,940	\$5,810,493	\$5,919,162	\$6,044,290	\$6,156,526	\$5,559,228	
Or 180 Days of O&M	\$6,861,700	\$7,183,146	\$7,465,414	\$7,758,797	\$8,063,731	\$8,380,673	\$8,710,096	\$9,052,494	\$9,408,377	\$9,778,277	\$10,162,749	
Operating Reserve Fund												
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	0	
Less: Uses of Funds	0	0	0	0	0	0	0	0	0	0	0	
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Capital Improvement Reserve												
Beginning Balance	\$4,356,937	\$5,700,000	\$3,862,000	\$2,921,698	\$1,904,698	\$1,284,270	\$321,270	\$532,964	\$532,964	\$1,476,798	\$2,401,798	
Plus: Additions	1,343,063	0	0	0	0	0	211,694	0	943,834	925,000	1,519,019	
Plus: Loan Proceeds	0	0	0	0	0	0	0	0	0	0	0	
Plus: Bond Proceeds	0	0	0	0	0	0	0	0	0	0	0	
Less: Uses of Funds	0	(1,838,000)	(940,302)	(1,017,000)	(620,428)	(963,000)	0	0	0	0	0	
Ending Balance	\$5,700,000	\$3,862,000	\$2,921,698	\$1,904,698	\$1,284,270	\$321,270	\$532,964	\$532,964	\$1,476,798	\$2,401,798	\$3,920,817	
Target Balance: Average Annual Capital Improv.	\$8,266,059	\$8,489,000	\$8,718,000	\$8,953,000	\$9,195,000	\$9,443,000	\$9,698,000	\$9,960,000	\$10,229,000	\$10,505,000	\$10,789,000	
											2.7%/Yr. Growth	
Vehicle Reserve Fund												
Beginning Balance	\$728,607	\$475,000	\$254,149	\$699,872	\$912,347	\$1,452,834	\$1,372,891	\$1,871,511	\$2,414,178	\$2,759,094	\$2,486,921	
Plus: Additions	327,000	376,000	432,000	497,000	512,000	527,000	543,000	559,000	576,000	593,280	611,078	
Plus: Interest	9,314	4,983	13,723	17,889	28,487	26,919	36,696	47,337	54,100	48,763	61,960	
Less: Uses of Funds	(589,920)	(601,835)	0	(302,414)	0	(633,862)	(81,076)	(63,670)	(285,184)	(914,216)	0	
Ending Balance	\$475,000	\$254,149	\$699,872	\$912,347	\$1,452,834	\$1,372,891	\$1,871,511	\$2,414,178	\$2,759,094	\$2,486,921	\$3,159,960	
Target Balance: (?)												
Deferred Liability Reserve												
Beginning Balance	\$343,569	\$350,440	\$357,449	\$364,598	\$371,890	\$379,328	\$386,914	\$394,653	\$402,546	\$410,597	\$418,809	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	0	
Plus: Interest	6,871	7,009	7,149	7,292	7,438	7,587	7,738	7,893	8,051	8,212	8,376	
Less: Uses of Funds	0	0	0	0	0	0	0	0	0	0	0	
Ending Balance	\$350,440	\$357,449	\$364,598	\$371,890	\$379,328	\$386,914	\$394,653	\$402,546	\$410,597	\$418,809	\$427,185	

	Budget	Projected										Notes
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Facility Fee Reserve												
Beginning Balance	\$1,906,534	\$1,831,563	\$2,012,009	\$1,579,476	\$1,786,022	\$1,465,076	\$1,701,287	\$1,397,471	\$1,668,881	\$1,446,995	\$1,754,080	
Plus: Additions	250,000	500,000	515,000	530,000	546,000	562,000	579,000	596,000	614,000	632,000	651,000	
Plus: Interest	35,913	39,451	30,970	35,020	28,727	33,359	27,401	32,723	28,372	34,394	27,905	
Less: Uses of Funds	(360,884)	(359,005)	(978,504)	(358,474)	(895,673)	(359,147)	(910,218)	(357,313)	(864,258)	(359,309)	(1,009,819)	
Ending Balance	\$1,831,563	\$2,012,009	\$1,579,476	\$1,786,022	\$1,465,076	\$1,701,287	\$1,397,471	\$1,668,881	\$1,446,995	\$1,754,080	\$1,423,166	
Connection Fee Reserve												
Beginning Balance	\$88,057	\$244,348	\$405,311	\$571,053	\$741,686	\$917,325	\$1,098,084	\$1,284,082	\$1,475,441	\$1,672,283	\$1,874,736	
Plus: Additions	151,500	153,015	154,545	156,091	157,652	159,228	160,820	162,429	164,053	165,693	167,350	
Plus: Interest	4,791	7,947	11,197	14,543	17,987	21,531	25,178	28,930	32,790	36,760	40,842	
Less: Uses of Funds	0	0	0	0	0	0	0	0	0	0	0	
Ending Balance	\$244,348	\$405,311	\$571,053	\$741,686	\$917,325	\$1,098,084	\$1,284,082	\$1,475,441	\$1,672,283	\$1,874,736	\$2,082,928	
Debt Service Reserve (Restricted)												
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	0	
Plus: Interest	0	0	0	0	0	0	0	0	0	0	0	
Less: Uses of Funds	0	0	0	0	0	0	0	0	0	0	0	
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Reserve Funds												
Beginning	\$14,365,986	\$15,666,982	\$12,852,633	\$11,572,750	\$10,485,175	\$10,560,483	\$11,299,304	\$13,457,515	\$15,576,606	\$18,862,905	\$22,326,082	
Ending	\$15,666,982	\$12,852,633	\$11,572,750	\$10,485,175	\$10,560,483	\$11,299,304	\$13,457,515	\$15,576,606	\$18,862,905	\$22,326,082	\$27,570,809	



Truckee Donner PUD
Water Utility
Revenue Requirement
Exhibit 3 - Capital Improvement Plan

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	Notes
Annual CIP												
Pipeline Rehabilitation	\$0	\$2,324,750	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Tank Rehabilitation	0	813,756	454,082	426,542	0	1,305,790	0	0	1,122,298	0	0	
New Pump Station	0	0	0	0	0	0	0	0	0	0	0	
Pipeline Replacement	0	0	2,852,871	2,989,098	0	3,300,731	0	3,638,302	0	4,001,628	0	
New Well	0	0	1,237,396	0	0	0	0	0	1,009,668	0	0	
New Tank	0	0	0	0	0	0	0	0	0	0	0	
Well Rehabilitation	0	0	0	0	0	441,241	0	0	0	0	0	
Pump Station Replacement	0	4,669,219	3,439,365	2,410,942	2,430,337	2,437,065	1,726,337	2,973,306	4,824,428	2,513,450	0	
Tank Replacement	0	0	0	1,756,847	5,355,724	0	5,506,943	1,266,714	0	0	7,030,191	
Water SCADA	0	120,000	124,000	128,000	132,000	136,000	140,000	144,000	148,000	152,000	157,000	
Facilities	0	120,000	124,000	128,000	132,000	136,000	140,000	144,000	148,000	152,000	157,000	
Contingency	0	50,275	52,286	53,571	54,939	57,173	58,720	59,678	60,606	61,922	63,809	
Capital Improvement Plan Update	0	0	0	0	100,000	0	0	0	115,000	0	0	
Information Technology Projects	615,300	540,000	319,000	262,000	183,000	474,000	335,000	266,000	187,000	491,000	315,000	
Vehicle Reserves Expenditures	589,920	601,835	0	302,414	0	633,862	81,076	63,670	285,184	914,216	0	
Meter MTUs	0	200,000	206,000	212,000	218,000	225,000	232,000	239,000	246,000	253,000	261,000	
Additional Capital Projects	3,084,111	0	0	0	0	0	0	0	0	0	0	
Total Annual CIP	\$4,289,331	\$9,439,835	\$8,809,000	\$8,669,414	\$8,606,000	\$9,146,862	\$8,220,076	\$8,794,670	\$8,146,184	\$8,539,216	\$7,984,000	
Transfer to Capital Reserve	\$1,343,063	\$0	\$0	\$0	\$0	\$0	\$211,694	\$0	\$943,834	\$925,000	\$1,519,019	
Total Capital Improvement Projects	\$5,632,394	\$9,439,835	\$8,809,000	\$8,669,414	\$8,606,000	\$9,146,862	\$8,431,770	\$8,794,670	\$9,090,018	\$9,464,216	\$9,503,019	
Less: Outside Funding Sources												
Operating Cash Fund	\$42,474	\$0	\$0	\$0	\$0	\$0	\$0	\$681,000	\$0	\$0	\$0	
Operating Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	
Capital Improvement Reserve	0	1,838,000	940,302	1,017,000	620,428	963,000	0	0	0	0	0	
Connection Fees	0	0	0	0	0	0	0	0	0	0	0	
Vehicle Fund	589,920	601,835	0	302,414	0	633,862	81,076	63,670	285,184	914,216	0	
Facility Fee Reserve	0	0	618,698	0	535,572	0	550,694	0	504,834	0	703,019	
Assumed Debt Issuance / Proceeds	0	0	0	0	0	0	0	0	0	0	0	
Low Interest Loans	0	0	0	0	0	0	0	0	0	0	0	
Revenue Bonds	0	0	0	0	0	0	0	0	0	0	0	
Total Funding Sources	\$632,394	\$2,439,835	\$1,559,000	\$1,319,414	\$1,156,000	\$1,596,862	\$631,770	\$744,670	\$790,018	\$914,216	\$703,019	
Rate Funded Capital	\$5,000,000	\$7,000,000	\$7,250,000	\$7,350,000	\$7,450,000	\$7,550,000	\$7,800,000	\$8,050,000	\$8,300,000	\$8,550,000	\$8,800,000	

Truckee Donner PUD
 Water Utility
 Revenue Requirement
 Exhibit 4 - Debt Service

Payment Date	Fiscal Year	<i>Pipeline COP Rates</i>	<i>Pipeline COP FF</i>	<i>Pipeline COP Assmt</i>	<i>2022 Water COP</i>	<i>Utility Building Debt</i>	Total
		P&I	P&I	P&I	P&I		P&I
	2024	\$573,008	\$359,233	\$100,297	\$952,250	\$0	\$1,984,788
	2025	576,529	360,884	97,925	955,250	0	1,990,588
	2026	573,196	359,005	99,736	952,500	0	1,984,437
	2027	575,581	359,806	97,150	954,250	0	1,986,787
	2028	574,322	358,474	99,142	955,250	960,000	2,947,188
	2029	570,555	360,101	100,444	950,500	960,000	2,941,600
	2030	575,893	359,147	97,360	950,250	960,000	2,942,650
	2031	574,705	359,524	98,421	954,250	960,000	2,946,900
	2032	573,333	357,313	100,104	952,250	960,000	2,943,000
	2033	575,711	359,424	101,490	954,500	960,000	2,951,125
	2034	574,484	359,309	97,207	950,750	960,000	2,941,750
	2035		306,800		951,250	960,000	2,218,050
	2036				954,850	960,000	1,914,850
	2037				952,650	960,000	1,912,650
	2038				954,850	960,000	1,914,850
	2039				951,250	960,000	1,911,250
Total		\$6,317,317	\$4,259,020	\$1,089,276	\$15,246,850	\$11,520,000	\$38,432,463

Notes

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total	
Residential														
Meter Charge	<i>As of 1/1/2024</i>													
5/8" x 3/4"	\$96.29	12,012	12,011	12,011	12,011	12,014	12,014	12,018	12,016	12,017	12,019	12,022	12,022	12,016
3/4"	96.29	870	870	870	871	880	886	892	897	900	900	909	910	888
1"	114.85	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Number of Customers		12,882	12,881	12,881	12,882	12,894	12,900	12,910	12,913	12,917	12,919	12,931	12,932	12,904
Metered Residential by Zone (Number of Customer)														
Zone 1	4,117	4,117	4,117	4,118	4,125	4,127	4,129	4,127	4,130	4,130	4,131	4,132	4,125	4,125
Zone 2	2,705	2,704	2,704	2,702	2,706	2,707	2,709	2,709	2,711	2,709	2,716	2,716	2,708	2,708
Zone 3	1,802	1,802	1,802	1,802	1,803	1,804	1,806	1,808	1,808	1,808	1,811	1,811	1,806	1,806
Zone 4	2,479	2,479	2,479	2,479	2,481	2,481	2,483	2,487	2,487	2,487	2,489	2,489	2,483	2,483
Zone 5	1,419	1,419	1,419	1,419	1,419	1,421	1,421	1,422	1,422	1,422	1,422	1,422	1,421	1,421
Zone 6	199	199	199	199	199	199	199	199	199	199	199	199	199	199
Zone 7	165	165	165	165	165	165	166	166	166	166	166	166	166	166
Total Number of Customers By Zone		12,886	12,885	12,885	12,886	12,898	12,904	12,914	12,917	12,921	12,923	12,934	12,935	12,907
Total Monthly Charge	\$1,240,408	\$1,240,311	\$1,240,311	\$1,240,408	\$1,241,563	\$1,242,141	\$1,243,104	\$1,243,393	\$1,243,778	\$1,243,971	\$1,245,126	\$1,245,222	\$14,909,736	
Metered Consumption (\$/1,000 gal)														
0 - 8,000 gal (block 1)	\$1.26	31,283	28,722	27,799	29,750	22,052	44,662	54,798	52,336	43,483	41,594	44,638	25,475	446,593
8,000 + gal (block 2)	1.78	4,266	5,069	5,295	0	3,891	16,519	48,595	69,376	53,146	36,885	14,096	2,519	259,657
Total Consumption		35,549	33,791	33,094	29,750	25,943	61,181	103,393	121,712	96,629	78,478	58,734	27,994	706,250
Total Consumption Charge	\$47,010	\$45,213	\$44,452	\$37,484	\$34,712	\$85,678	\$155,545	\$189,433	\$149,388	\$118,063	\$81,336	\$36,583	\$1,024,897	
	\$56,758	\$53,046	\$50,947	\$41,533	\$40,498	\$64,560	\$135,277	\$176,827	\$147,938	\$105,448	\$56,621	\$44,253		
	\$2,560	\$9,143	\$3,644	\$552	\$9,946	(\$1,604)	\$28,303	\$56,445	\$56,659	\$33,561	\$4,874	\$7,664		
Additional Zone Charge (\$/1,000 gal)														
Zone 1	\$0.00	12,245	14,337	12,812	11,735	11,613	28,116	49,952	61,327	50,142	41,371	32,031	11,557	337,240
Zone 2	0.96	7,346	6,977	6,528	6,039	5,568	14,978	24,780	28,150	22,227	18,026	13,178	6,399	160,195
Zone 3	1.91	4,720	3,738	4,092	3,811	3,020	6,171	9,344	10,839	8,449	6,798	4,844	2,752	68,578
Zone 4	2.86	6,608	4,623	5,399	4,625	3,318	7,224	11,493	12,664	9,257	7,214	4,644	3,932	80,999
Zone 5	3.81	3,507	3,281	3,187	2,698	1,914	3,694	6,027	6,606	4,995	3,961	3,200	2,402	45,472
Zone 6	4.77	583	458	544	439	276	465	820	942	652	489	442	690	6,802
Zone 7	5.72	540	378	532	403	234	532	978	1,184	907	618	396	262	6,964
Total Zone Charge Volume		35,549	33,791	33,094	29,750	25,943	61,181	103,393	121,712	96,629	78,478	58,734	27,994	706,250
Residential Zone Surcharges	\$54,198	\$43,903	\$47,302	\$40,981	\$30,551	\$66,165	\$106,973	\$120,382	\$91,280	\$71,887	\$51,747	\$36,589	\$761,958	
Total Residential	\$1,341,616	\$1,329,427	\$1,332,066	\$1,318,873	\$1,306,827	\$1,393,984	\$1,505,622	\$1,553,207	\$1,484,446	\$1,433,920	\$1,378,208	\$1,318,394	\$16,696,591	

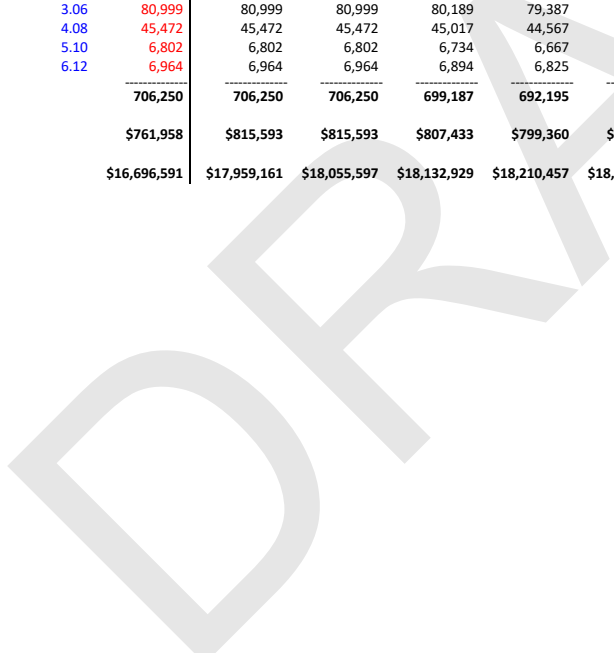
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total
Commercial													
Meter Charge	<i>As of 1/1/2024</i>												
5/8" x 3/4"	\$96.29	0	0	0	0	0	0	0	0	0	0	0	0
3/4"	96.29	371	371	371	371	372	374	373	374	373	373	373	372
1"	114.85	199	199	199	199	199	200	202	202	202	202	202	200
1 1/2"	161.45	94	94	94	94	94	94	94	94	94	94	94	94
2"	221.97	80	80	80	80	80	80	80	80	79	79	79	80
3"	371.57	8	8	8	8	8	8	8	8	8	8	8	8
4"	531.65	11	11	11	11	11	11	11	11	11	11	11	11
6"	797.48	4	4	4	4	4	4	4	4	4	4	4	4
8"	996.84	0	0	0	0	0	0	0	0	0	0	0	0
Total Number of Customers		767	767	767	767	768	771	772	772	771	771	771	769
Total Monthly Charge		\$103,523	\$103,523	\$103,523	\$103,523	\$103,620	\$103,927	\$104,060	\$103,935	\$103,838	\$103,838	\$103,838	\$1,244,673
Commercial Consumption													
\$/1,000 gal	\$1.74	19,697	17,330	16,044	15,365	15,728	32,576	43,841	53,707	42,470	33,346	23,764	18,600
Total Consumption		19,697	17,330	16,044	15,365	15,728	32,576	43,841	53,707	42,470	33,346	23,764	18,600
Water Consumption Charge		\$34,273	\$30,154	\$27,916	\$26,735	\$27,366	\$56,682	\$76,284	\$93,450	\$73,897	\$58,022	\$41,350	\$32,364
Additional Zone Charge (\$/1,000 gal)													
Zone 1	\$0.00	12,762	14,238	13,566	13,089	13,704	26,782	34,777	43,097	34,249	28,291	20,034	11,605
Zone 2	0.96	1,920	2,059	1,968	1,769	1,580	2,433	3,038	3,933	3,342	2,597	2,538	1,967
Zone 3	1.91	49	68	46	43	86	504	800	901	701	486	279	58
Zone 4	2.86	865	407	321	348	297	2,755	5,078	5,600	4,064	1,891	495	704
Zone 5	3.81	4,077	534	120	97	42	81	116	151	92	64	398	4,250
Zone 6	4.77	4	3	3	2	1	2	4	5	3	0	1	1
Zone 7	5.72	19	19	19	17	16	20	29	19	18	18	19	17
Total Zone Charge Volume		19,697	17,330	16,044	15,365	15,728	32,576	43,841	53,707	42,470	33,346	23,764	18,600
Commercial Zone Surcharges		\$20,075	\$5,432	\$3,478	\$3,255	\$2,794	\$11,605	\$19,593	\$22,223	\$16,641	\$9,177	\$6,017	\$20,300
Total Commercial		\$157,872	\$139,109	\$134,918	\$133,514	\$133,684	\$171,906	\$199,803	\$219,733	\$194,473	\$171,038	\$151,206	\$156,503

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Total
Golf Courses Non-Potable													
Meter Charge (\$/Month)	\$531.65	9	9	9	9	9	9	9	9	9	9	9	9
Total Number of Customers		9	9	9	9	9	9	9	9	9	9	9	9
Total Monthly Charge	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$4,785	\$57,418
Non-Potable Consumption (gal)													
Consumption (Jan - May)	\$0.432	22	24	23	25	24	0	0	0	0	0	0	118
Consumption (Jun - Dec)	0.432	0	0	0	0	35,343	53,670	55,360	44,392	33,330	21,177	18	243,290
Total Consumption		22	24	23	25	24	35,343	53,670	55,360	44,392	33,330	21,177	243,408
Water Consumption Charge	\$9	\$10	\$10	\$11	\$10	\$15,268	\$23,186	\$23,915	\$19,177	\$14,399	\$9,148	\$8	\$105,152
Total Golf Courses Non-Potable	\$4,794	\$4,795	\$4,795	\$4,796	\$4,795	\$20,053	\$27,970	\$28,700	\$23,962	\$19,184	\$13,933	\$4,793	\$162,570

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Truckee Donner PUD
 Customer Data Projection
 Revenue Requirement
 Exhibit 6 - Customer Data

	As of 1/1/2024		As of 1/1/2025		Input	Projected										Notes
					FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	
Residential																
Meter Charge																
5/8" x 3/4"	\$96.29	\$103.03	12,016	12,088	12,161	12,234	12,307	12,381	12,455	12,530	12,605	12,681	12,757	12,834	As Customer Growth	
3/4"	96.29	103.03	888	893	898	903	908	913	918	924	930	936	942	948	As Customer Growth	
1"	114.85	122.89	0	0	0	0	0	0	0	0	0	0	0	0	As Customer Growth	
Total Residential Cust.			12,904	12,981	13,059	13,137	13,215	13,294	13,373	13,454	13,535	13,617	13,699	13,782		
Monthly Charge Revenue			\$14,909,736	\$16,049,189	\$16,145,625	\$16,242,061	\$16,338,497	\$16,436,170	\$16,533,842	\$16,633,987	\$16,734,133	\$16,835,514	\$16,936,896	\$17,039,514		
Metered Consumption (\$/1,000 gal)																
0 - 8,000 gal (block 1)	\$1.26	\$1.34	446,593	446,593	446,593	442,127	437,706	433,329	428,996	424,706	420,459	416,254	412,091	407,970	As Consumption Growth	
8,000 + gal (block 2)	1.78	1.91	259,657	259,657	259,657	257,060	254,489	251,944	249,425	246,931	244,462	242,017	239,597	237,201	As Consumption Growth	
Total Consumption			706,250	706,250	706,250	699,187	692,195	685,273	678,421	671,637	664,921	658,271	651,688	645,171		
Consumption Charge Revenue			\$1,024,897	\$1,094,379	\$1,094,379	\$1,083,435	\$1,072,600	\$1,061,874	\$1,051,256	\$1,040,744	\$1,030,337	\$1,020,033	\$1,009,832	\$999,734		
Additional Zone Charge (\$/1,000 gal)																
Zone 1	\$0.00	\$0.00	337,240	337,240	337,240	333,868	330,529	327,224	323,952	320,712	317,505	314,330	311,187	308,075	As Consumption Growth	
Zone 2	0.96	1.03	160,195	160,195	160,195	158,593	157,007	155,437	153,883	152,344	150,821	149,313	147,820	146,342	As Consumption Growth	
Zone 3	1.91	2.04	68,578	68,578	68,578	67,892	67,213	66,541	65,876	65,217	64,565	63,919	63,280	62,647	As Consumption Growth	
Zone 4	2.86	3.06	80,999	80,999	80,999	80,189	79,387	78,593	77,807	77,029	76,259	75,496	74,741	73,994	As Consumption Growth	
Zone 5	3.81	4.08	45,472	45,472	45,472	45,017	44,567	44,121	43,680	43,243	42,811	42,383	41,959	41,539	As Consumption Growth	
Zone 6	4.77	5.10	6,802	6,802	6,802	6,734	6,667	6,600	6,534	6,469	6,404	6,340	6,277	6,214	As Consumption Growth	
Zone 7	5.72	6.12	6,964	6,964	6,964	6,894	6,825	6,757	6,689	6,622	6,556	6,490	6,425	6,361	As Consumption Growth	
Total Zone Charge Volume			706,250	706,250	706,250	699,187	692,195	685,273	678,421	671,636	664,921	658,271	651,689	645,172		
Additional Zone Charge Revenue			\$761,958	\$815,593	\$815,593	\$807,433	\$799,360	\$791,365	\$783,450	\$775,616	\$767,863	\$760,180	\$752,580	\$745,054		
Total Residential Revenue			\$16,696,591	\$17,959,161	\$18,055,597	\$18,132,929	\$18,210,457	\$18,289,409	\$18,368,549	\$18,450,347	\$18,532,333	\$18,615,727	\$18,699,308	\$18,784,301		



	Input		Projected											Notes	
	As of 1/1/2024	As of 1/1/2025	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034		FY 2035
Commercial															
Meter Charge															
5/8" x 3/4"	\$96.29	\$103.03	0	0	0	0	0	0	0	0	0	0	0	0	As Customer Growth
3/4"	96.29	103.03	372	374	376	378	380	382	384	386	388	390	392	394	As Customer Growth
1"	114.85	122.89	200	202	203	204	205	206	207	208	209	210	211	212	As Customer Growth
1 1/2"	161.45	172.75	94	95	96	97	98	99	100	101	102	103	104	105	As Customer Growth
2"	221.97	237.50	80	80	80	80	80	80	80	80	80	80	80	80	As Customer Growth
3"	371.57	397.58	8	8	8	8	8	8	8	8	8	8	8	8	As Customer Growth
4"	531.65	568.87	11	11	11	11	11	11	11	11	11	11	11	11	As Customer Growth
6"	797.48	853.30	4	4	4	4	4	4	4	4	4	4	4	4	As Customer Growth
8"	996.84	1,066.62	0	0	0	0	0	0	0	0	0	0	0	0	As Customer Growth
Total Commercial Cust.			769	774	778	782	786	790	794	798	802	806	810	814	
Meter Charge Revenue			\$1,244,673	\$1,339,436	\$1,345,456	\$1,351,477	\$1,357,497	\$1,363,518	\$1,369,538	\$1,375,558	\$1,381,579	\$1,387,599	\$1,393,620	\$1,399,640	
Commercial Consumption															
\$/1,000 gal	\$1.74	\$1.86	332,468	332,468	332,468	329,143	325,852	322,593	319,367	316,173	313,011	309,881	306,782	303,714	As Consumption Growth
Total Consumption			332,468	332,468	332,468	329,143	325,852	322,593	319,367	316,173	313,011	309,881	306,782	303,714	
Consumption Charge Revenue			\$578,495	\$618,390	\$618,390	\$612,206	\$606,085	\$600,023	\$594,023	\$588,082	\$582,200	\$576,379	\$570,615	\$564,908	
Additional Zone Charge (\$/1,000 gal)															
Zone 1	\$0.00	\$0.00	266,193	266,193	266,193	263,531	260,896	258,287	255,704	253,147	250,616	248,110	245,629	243,173	As Consumption Growth
Zone 2	0.96	1.03	29,145	29,145	29,145	28,854	28,565	28,279	27,996	27,716	27,439	27,165	26,893	26,624	As Consumption Growth
Zone 3	1.91	2.04	4,022	4,022	4,022	3,982	3,942	3,903	3,864	3,825	3,787	3,749	3,712	3,675	As Consumption Growth
Zone 4	2.86	3.06	22,824	22,824	22,824	22,596	22,370	22,146	21,925	21,706	21,489	21,274	21,061	20,850	As Consumption Growth
Zone 5	3.81	4.08	10,024	10,024	10,024	9,924	9,825	9,727	9,630	9,534	9,439	9,345	9,252	9,159	As Consumption Growth
Zone 6	4.77	5.10	29	29	29	29	29	29	29	29	29	29	29	29	As Consumption Growth
Zone 7	5.72	6.12	231	231	231	229	227	225	223	221	219	217	215	213	As Consumption Growth
Total Zone Charge Volume			332,468	332,468	332,468	329,145	325,854	322,596	319,371	316,178	313,018	309,889	306,791	303,723	
Additional Zone Charge Revenue			\$140,591	\$150,525	\$150,525	\$149,026	\$147,539	\$146,067	\$144,612	\$143,170	\$141,743	\$140,330	\$138,931	\$137,541	
Total Commercial Revenue			\$1,963,759	\$2,108,352	\$2,114,372	\$2,112,709	\$2,111,121	\$2,109,608	\$2,108,173	\$2,106,810	\$2,105,522	\$2,104,308	\$2,103,165	\$2,102,089	

Truckee Donner PUD
 Customer Data Projection
 Revenue Requirement
 Exhibit 6 - Customer Data

	As of 1/1/2024	As of 1/1/2025	Input	Projected											Notes
			FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	
Golf Courses Non-Potable															
Meter Charge (\$/Month)	\$531.65	\$531.65	9	9	9	9	9	9	9	9	9	9	9	9	As Flat
Total Number of Customers			9	9	9	9	9	9	9	9	9	9	9	9	
Total Monthly Charge			\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	\$57,418	
Non-Potable Consumption (gal)															
Consumption (Jan - May)	\$0.432	\$0.438	118	118	118	117	116	115	114	113	112	111	110	109	As Consumption Growth
Consumption (Jun - Dec)	0.432	0.438	243,290	243,290	243,290	240,857	238,448	236,064	233,703	231,366	229,052	226,761	224,493	222,248	As Consumption Growth
Total Consumption			243,408	243,408	243,408	240,974	238,564	236,179	233,817	231,479	229,164	226,872	224,603	222,357	
Water Consumption Charge			\$105,152	\$106,613	\$106,613	\$105,547	\$104,491	\$103,446	\$102,412	\$101,388	\$100,374	\$99,370	\$98,376	\$97,392	
Total Golf Courses Non-Potable			\$162,570	\$164,031	\$164,031	\$162,965	\$161,909	\$160,865	\$159,830	\$158,806	\$157,792	\$156,788	\$155,794	\$154,811	

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Truckee Donner PUD
 Customer Data Projection
 Revenue Requirement
 Exhibit 6 - Customer Data

	As of 1/1/2024		As of 1/1/2025		Projected									Notes
	Input FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035		
Calculated Water Rate Revenue														
Meter Charge														
Residential	\$14,909,736	\$16,049,189	\$16,145,625	\$16,242,061	\$16,338,497	\$16,436,170	\$16,533,842	\$16,633,987	\$16,734,133	\$16,835,514	\$16,936,896	\$17,039,514		
Commercial	1,244,673	1,339,436	1,345,456	1,351,477	1,357,497	1,363,518	1,369,538	1,375,558	1,381,579	1,387,599	1,393,620	1,399,640		
Golf Courses Non-Potable	57,418	57,418	57,418	57,418	57,418	57,418	57,418	57,418	57,418	57,418	57,418	57,418		
	<u>\$16,211,828</u>	<u>\$17,446,043</u>	<u>\$17,548,500</u>	<u>\$17,650,956</u>	<u>\$17,753,413</u>	<u>\$17,857,106</u>	<u>\$17,960,798</u>	<u>\$18,066,964</u>	<u>\$18,173,130</u>	<u>\$18,280,531</u>	<u>\$18,387,933</u>	<u>\$18,496,572</u>		
Consumption Charge														
Residential	\$1,024,897	\$1,094,379	\$1,094,379	\$1,083,435	\$1,072,600	\$1,061,874	\$1,051,256	\$1,040,744	\$1,030,337	\$1,020,033	\$1,009,832	\$999,734		
Commercial	578,495	618,390	618,390	612,206	606,085	600,023	594,023	588,082	582,200	576,379	570,615	564,908		
Golf Courses Non-Potable	105,152	106,613	106,613	105,547	104,491	103,446	102,412	101,388	100,374	99,370	98,376	97,392		
	<u>\$1,708,544</u>	<u>\$1,819,383</u>	<u>\$1,819,383</u>	<u>\$1,801,187</u>	<u>\$1,783,176</u>	<u>\$1,765,343</u>	<u>\$1,747,691</u>	<u>\$1,730,214</u>	<u>\$1,712,912</u>	<u>\$1,695,781</u>	<u>\$1,678,823</u>	<u>\$1,662,034</u>		
Total Revenue Less Zone Charges														
Residential	\$15,934,633	\$17,143,569	\$17,240,005	\$17,325,496	\$17,411,097	\$17,498,044	\$17,585,099	\$17,674,732	\$17,764,470	\$17,855,547	\$17,946,728	\$18,039,247		
Commercial	1,823,168	1,957,826	1,963,847	1,963,683	1,963,582	1,963,541	1,963,561	1,963,640	1,963,779	1,963,978	1,964,234	1,964,548		
Golf Courses Non-Potable	162,570	164,031	164,031	162,965	161,909	160,865	159,830	158,806	157,792	156,788	155,794	154,811		
	<u>\$17,920,372</u>	<u>\$19,265,426</u>	<u>\$19,367,882</u>	<u>\$19,452,144</u>	<u>\$19,536,589</u>	<u>\$19,622,449</u>	<u>\$19,708,489</u>	<u>\$19,797,178</u>	<u>\$19,886,041</u>	<u>\$19,976,313</u>	<u>\$20,066,756</u>	<u>\$20,158,606</u>		
Total Zone Charge Revenue	\$902,549	\$966,118	\$966,118	\$956,459	\$946,899	\$937,432	\$928,062	\$918,786	\$909,606	\$900,510	\$891,510	\$882,595		
Total Revenue	\$18,822,921	\$20,231,544	\$20,334,000	\$20,408,602	\$20,483,487	\$20,559,881	\$20,636,552	\$20,715,963	\$20,795,647	\$20,876,823	\$20,958,267	\$21,041,200		



Truckee Donner PUD
 Water Utility
 Development of Distribution Factors
 Exhibit 7 - Commodity & Capacity

	Commodity				Capacity				Capacity - Equiv. Meters	
	Water (kgal)	25.0% Losses ^[1]	Water Flow (MGD)	% of Total	Peaking Factor ^[2]	Peak Day Use (MGD)	Average Daily Use (MGD)	% of Total	Equiv. Meters	% of Total
Residential										
Tier 1	446,593	111,648	1.53	43.0%	1.47	2.25	1.53	30.8%	13,059	92.3%
Tier 2	259,657	64,914	0.89	25.0%	3.21	2.85	0.89	39.0%	0.00	0.0%
Commercial	332,468	83,117	1.14	32.0%	1.94	2.21	1.14	30.2%	1,088	7.7%
Total	1,038,718	259,680	3.56	100.0%	2.06	7.31	3.56	100.0%	14,147	100.0%
		Actual Production ^[3]	3.79		Actual Peak ^[4]	7.31				
<i>Distribution Factor</i>				<i>(COM)</i>				<i>(CAP-1)</i>		<i>(CAP-2)</i>

Notes

- [1] Estimated
- [2] Ratio of average month to peak month
- [3] 2024 TDPUD Potable Production (W18 Excel Water Production.xlsx)
- [4] 2024 TDPUD Max Day Production (W19 Max Day Production.xlsx)

Truckee Donner PUD
 Water Utility
 Development of Distribution Factors
 Exhibit 8 - Customer

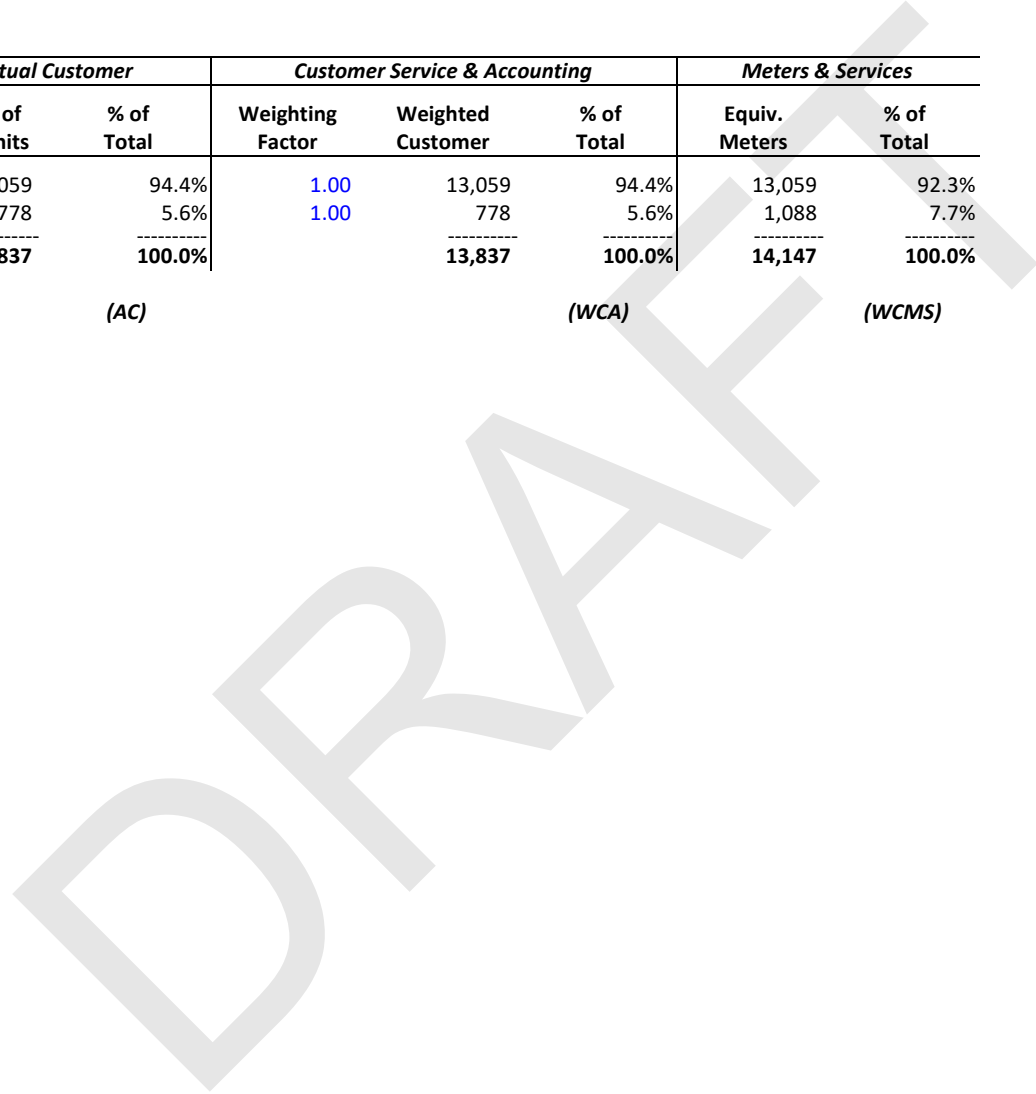
	<i>Actual Customer</i>		<i>Customer Service & Accounting</i>			<i>Meters & Services</i>	
	Number of Billing Units	% of Total	Weighting Factor	Weighted Customer	% of Total	Equiv. Meters	% of Total
Residential	13,059	94.4%	1.00	13,059	94.4%	13,059	92.3%
Commercial	778	5.6%	1.00	778	5.6%	1,088	7.7%
Total	13,837	100.0%		13,837	100.0%	14,147	100.0%

Distribution Factor

(AC)

(WCA)

(WCMS)



Truckee Donner PUD
 Water Utility
 Development of Distribution Factors
 Exhibit 9 - Fire Protection and Revenue Alloc

	<i>Fire Protection</i>					<i>Revenue Related</i>	
	Number of Accounts	Fire Prot. Requirmt's (gals/min) ^[1]	Duration (minutes) ^[1]	Total PFP Requirements (1,000 g/min)	% of Total	FY 2026 Revenue at Present Rates	% of Total
Residential	13,059	1,000	120	1,567,080	84.8%	\$17,240,005	89.8%
Commercial	778	2,000	180	280,080	15.2%	1,963,847	10.2%
	13,837			1,847,160	100.0%	\$19,203,852	100.0%
<i>Distribution Factor</i>					<i>(FP)</i>		<i>(RR)</i>
Notes							

[1] Based on industry standard fire protection requirements

Truckee Donner PUD
Water Utility
Development of Distribution Factors
Exhibit 10 - Distribution Main Analysis

<i>Distribution Storage</i>				<i>Distribution Main Analysis</i>			
	hrs	gpm	Total	Main Size	Length (ft) ^[2]	Installed Replcmt \$ ^[3]	Total
Fire Flow Requirements	3	2,000	720,000 (a)	0.75"-2"	12,251	\$529.17	\$6,483,104
Storage Capacity ^[1]			12,000,000 (b)	2.5"-3"	2,355	551.63	1,298,956
Public Fire Protection			6.0% (FP)	4"	40,712	564.87	22,997,038
(a) / (b) = FP %				6"	368,855	632.79	233,407,996
Capacity			94.0% (CAP)	8"	476,009	648.75	308,810,990
1 - FP% = CAP				10"	67,114	734.66	49,305,937
				12"	115,209	738.51	85,082,829
				14"	32,189	798.66	25,707,776
				16"	49,553	843.58	41,802,094
				18"	3,026	888.49	2,688,504
				20"	4,456	933.41	4,159,218
				24"	30,330	1,023.24	31,034,912
				30"	0	0.00	0
				36"	0	0.00	0
				42"	0	0.00	0
				2" - 12" Total	1,082,506		\$707,386,850 (e)
<i>Source of Supply</i>							
Capacity / Commodity				Customer %			
<i>Average Day</i>	3.56 (c)		49.0% (COM)	(f) Total @ 2" Equivalent Cost			
(c) / (d) = COM %				(f) / (e) = Cust.%			
<i>Peak Day</i>	7.31 (d)		51.0% (CAP)	Capacity			
1-((c) / (d)) = CAP %				(g) Cost for 2" - 6"			
				(h) 8" - 12" @ Equivalent 6" Cost			
				(g + h - f) / (e) = CAP%			
				Fire Protection			
				1 - CUST.% - CAP% = FP%			

Notes

- [1] - Provided by District
- [2] - W12 Pipe Inventory GIS Total - MC Edits 06-09-2020.xlsx
- [3] - Table 13 - 14 Page 20 of TDPUD Water Infrastructure CIP Development Final from Farr West Engineering

Plant	2024 Rplmt	Customer Related										Basis of Classification
		Commodity (COM)	Capacity (CAP-1)	Capacity - Equiv. Meters (CAP-2)	Actual Customer (AC)	Weighted for:		Revenue Related (RR)	Fire Protection (FP)	Direct Assign. (DA)	Pump Zones (PZ)	
						Customer Acct/Svcs (WCA)	Meters & Svcs (WCMS)					
Plant In Service												
Land and Buildings												
Land & Land Rights	\$609,266	\$298,540	\$310,726	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 49% (COM)/ 51% (CAP-1)
Intangible Assets Easment Land	600,592	294,290	306,302	0	0	0	0	0	0	0	0	0 49% (COM)/ 51% (CAP-1)
Land & Land Rights	7,631	3,739	3,892	0	0	0	0	0	0	0	0	0 49% (COM)/ 51% (CAP-1)
Structures & Improvements	5,033,795	2,466,559	2,567,235	0	0	0	0	0	0	0	0	0 49% (COM)/ 51% (CAP-1)
Total Land and Buildings	\$6,251,284	\$3,063,129	\$3,188,155	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Source of Supply												
Wells & Springs	\$6,078,865	\$2,978,644	\$3,100,221	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 49% (COM)/ 51% (CAP-1)
Total Source of Supply	\$6,078,865	\$2,978,644	\$3,100,221	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Water Treatment												
Water Treatment Equipment	\$611,120	\$299,449	\$311,671	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0 49% (COM)/ 51% (CAP-1)
Total Water Treatment	\$611,120	\$299,449	\$311,671	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Transmission & Distribution												
Pumping Equipment	\$4,680,453	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,680,453	100% (PZ)
Water Transmission & Distribution Lines	77,708,793	0	25,410,775	0	0	0	48,179,452	0	4,118,566	0	0	0 33% (CAP-1)/ 62% (WCMS)/ 5% (FP)
Total Transmission & Distribution	\$82,389,246	\$0	\$25,410,775	\$0	\$0	\$0	\$48,179,452	\$0	\$4,118,566	\$0	\$4,680,453	
Storage												
Reservoirs & Tanks	\$6,493,801	\$0	\$6,104,173	\$0	\$0	\$0	\$0	\$0	\$389,628	\$0	\$0	\$0 94% (CAP-1)/ 6% (FP)
Total Storage	\$6,493,801	\$0	\$6,104,173	\$0	\$0	\$0	\$0	\$0	\$389,628	\$0	\$0	
Meters, Valves and Misc.												
Water Services	\$15,514,718	\$0	\$0	\$0	\$0	\$0	\$15,514,718	\$0	\$0	\$0	\$0	\$0 100% (WCMS)
Water Meters	7,373,176	0	0	0	0	0	7,373,176	0	0	0	0	0 100% (WCMS)
Backflow Devices	1,476	0	0	0	0	0	1,476	0	0	0	0	0 100% (WCMS)
Tfr WO at YE	0	0	0	0	0	0	0	0	0	0	0	0 100% (WCMS)
Fire Hydrants	4,377,755	0	0	0	0	0	0	0	4,377,755	0	0	0 100% (FP)
Telemetry System	0	0	0	0	0	0	0	0	0	0	0	0 100% (WCMS)
Scada System Water	7,734,333	0	0	0	0	0	7,734,333	0	0	0	0	0 100% (WCMS)
GIS Mapping Hardware	32,967	0	0	0	0	0	32,967	0	0	0	0	0 100% (WCMS)
GIS Mapping Software	198,244	0	0	0	0	0	198,244	0	0	0	0	0 100% (WCMS)
GIS Mapping Data	410,993	0	0	0	0	0	410,993	0	0	0	0	0 100% (WCMS)
Hirshdale Deferred Plant Payments	57,876	0	0	0	0	0	57,876	0	0	0	0	0 100% (WCMS)
Total Meters, Valves and Misc.	\$35,701,538	\$0	\$0	\$0	\$0	\$0	\$31,323,782	\$0	\$4,377,755	\$0	\$0	

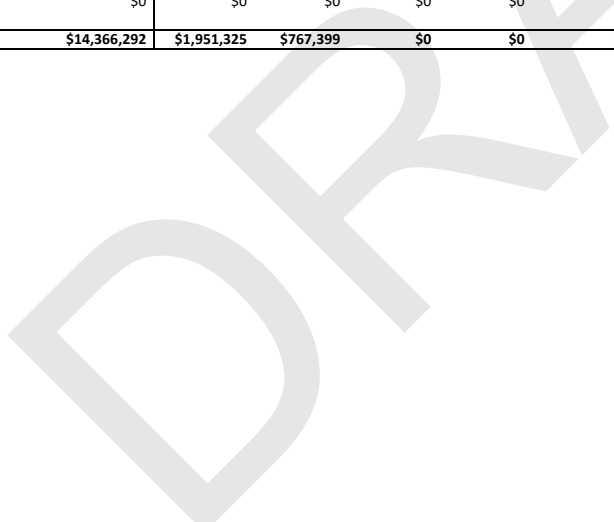
	Total Plant 2024 Rplmt	Customer Related										Basis of Classification
		Commodity (COM)	Capacity (CAP-1)	Capacity - Equiv. Meters (CAP-2)	Actual Customer (AC)	Weighted for:		Revenue Related (RR)	Fire Protection (FP)	Direct Assign. (DA)	Pump Zones (PZ)	
						Customer Acct/Svcs (WCA)	Meters & Svcs (WCMS)					
Plant Before General	\$137,525,854	\$6,341,222	\$38,114,996	\$0	\$0	\$0	\$79,503,234	\$0	\$8,885,949	\$0	\$4,680,453	
Percent Plant Before General	100.0%	4.6%	27.7%	0.0%	0.0%	0.0%	57.8%	0.0%	6.5%	0.0%	3.4%	
Percent Plant Before General w/o PZ DA	100.0%	4.8%	28.7%	0.0%	0.0%	0.0%	59.8%	0.0%	6.7%	0.0%	0.0%	
G&A Equipment												
Structures & Improvements Hq bld	\$868,050	\$41,435	\$249,054	\$0	\$0	\$0	\$519,497	\$0	\$58,063	\$0	\$0	as Plant Before General Plant - PZ
Office Furniture & Equipment E/W	22,927	1,094	6,578	0	0	0	13,721	0	1,534	0	0	as Plant Before General Plant - PZ
Transportation Equipment	2,825,255	134,860	810,601	0	0	0	1,690,814	0	188,980	0	0	as Plant Before General Plant - PZ
Tools, Shop & Garage Equipment	175,272	8,366	50,288	0	0	0	104,894	0	11,724	0	0	as Plant Before General Plant - PZ
Laboratory Equipment	9,862	9,862	0	0	0	0	0	0	0	0	0	100% (COM)
Water Power Operated Equipment	0	0	0	0	0	0	0	0	0	0	0	as Plant Before General Plant - PZ
Communication Equipment	794,669	37,933	228,001	0	0	0	475,581	0	53,155	0	0	as Plant Before General Plant - PZ
Misc Equipment	381,952	18,232	109,587	0	0	0	228,585	0	25,549	0	0	as Plant Before General Plant - PZ
Water Computer Equipment	100,199	4,783	28,748	0	0	0	59,966	0	6,702	0	0	as Plant Before General Plant - PZ
SCADA System E/W	219,946	10,499	63,105	0	0	0	131,630	0	14,712	0	0	as Plant Before General Plant - PZ
Intangible Asset Software E/W	147,568	7,044	42,339	0	0	0	88,314	0	9,871	0	0	as Plant Before General Plant - PZ
Elec Trans Equip E/W	150,773	7,197	43,259	0	0	0	90,232	0	10,085	0	0	as Plant Before General Plant - PZ
Tools Shop & Garage Equipment E/W	44,981	2,147	12,905	0	0	0	26,919	0	3,009	0	0	as Plant Before General Plant - PZ
Elec Comm Equip E/W	419,287	20,014	120,299	0	0	0	250,929	0	28,046	0	0	as Plant Before General Plant - PZ
Elec Misc Equip E/W	59,607	2,845	17,102	0	0	0	35,673	0	3,987	0	0	as Plant Before General Plant - PZ
Computer Equipment E/W	1,066,270	50,897	305,926	0	0	0	638,125	0	71,322	0	0	as Plant Before General Plant - PZ
Total G&A Equipment	\$7,286,618	\$357,210	\$2,087,792	\$0	\$0	\$0	\$4,354,879	\$0	\$486,738	\$0	\$0	
Total Plant	\$144,812,471	\$6,698,431	\$40,202,787	\$0	\$0	\$0	\$83,858,113	\$0	\$9,372,687	\$0	\$4,680,453	
Plus: Capital Works in Progress												
CWIP - Water	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	as Plant in Service
CWIP Year End Accrued Inventory	0	0	0	0	0	0	0	0	0	0	0	as Plant in Service
RWIP - Water	0	0	0	0	0	0	0	0	0	0	0	as Plant in Service
WO Tfr at YE	0	0	0	0	0	0	0	0	0	0	0	as Plant in Service
Total Plus: Capital Works in Progress	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Depreciation	\$74,416,913	\$3,442,221	\$20,659,597	\$0	\$0	\$0	\$43,093,401	\$0	\$4,816,481	\$0	\$2,405,213	as Plant in Service
Net Plant in Service	\$70,395,558	\$3,256,210	\$19,543,190	\$0	\$0	\$0	\$40,764,712	\$0	\$4,556,207	\$0	\$2,275,240	

Truckee Donner PUD
 Water Utility
 Functionalization and Allocation
 Exhibit 12 - Revenue Requirement

	Total Expenses FY 2026	Customer Related						Revenue Related (RR)	Fire Protection (FP)	Direct Assign. (DA)	Pump Zones (PZ)	Basis of Classification
		Commodity (COM)	Capacity (CAP-1)	Capacity - Equiv. Meters (CAP-2)	Actual Customer (AC)	Weighted for:						
						Customer Acct/Svcs (WCA)	Meters & Svcs (WCMS)					
Expenses												
Board of Directors	\$281,883	\$0	\$0	\$0	\$0	\$0	\$281,883	\$0	\$0	\$0	\$0	100% (WCMS)
General Manager												
Admin & Ops General Exp	\$787,996	\$0	\$0	\$0	\$0	\$0	\$787,996	\$0	\$0	\$0	\$0	100% (WCMS)
Public Information	160,193	0	0	0	0	0	160,193	0	0	0	0	100% (WCMS)
Legislature & Regulations	90,974	0	0	0	0	0	90,974	0	0	0	0	100% (WCMS)
Office Supplies & Expenses	108,202	0	0	0	0	0	108,202	0	0	0	0	100% (WCMS)
Outside Service Employed	173,445	0	0	0	0	0	173,445	0	0	0	0	100% (WCMS)
Injuries & Damages	436,904	0	0	0	0	0	436,904	0	0	0	0	100% (WCMS)
General Advertising	82,034	0	0	0	0	0	82,034	0	0	0	0	100% (WCMS)
Misc General Expense	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Total General Manager	\$1,839,749	\$0	\$0	\$0	\$0	\$0	\$1,839,749	\$0	\$0	\$0	\$0	
Administrative Services												
Customer Accounts Supervision	\$188,901	\$0	\$0	\$0	\$0	\$0	\$188,901	\$0	\$0	\$0	\$0	100% (WCMS)
Meter Reading Expenses	1,195	0	0	0	0	0	1,195	0	0	0	0	100% (WCMS)
Customer Records & Collections	657,114	0	0	0	0	0	657,114	0	0	0	0	100% (WCMS)
Cust Rec&Coll Meter Reader	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Provision for Bad Debts	7,957	0	0	0	0	0	7,957	0	0	0	0	100% (WCMS)
Admin and General Expenses	623,356	0	0	0	0	0	623,356	0	0	0	0	100% (WCMS)
Office Supplies & Expenses	93,196	0	0	0	0	0	93,196	0	0	0	0	100% (WCMS)
Outside Services Employed	44,154	0	0	0	0	0	44,154	0	0	0	0	100% (WCMS)
Insurance Expense	233,166	0	0	0	0	0	233,166	0	0	0	0	100% (WCMS)
Injuries & Damages	32,659	0	0	0	0	0	32,659	0	0	0	0	100% (WCMS)
Total Administrative Services	\$1,881,699	\$0	\$0	\$0	\$0	\$0	\$1,881,699	\$0	\$0	\$0	\$0	
Conservation												
Water Conservation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	100% (WCMS)
PBD: Residential	95,935	0	0	0	0	0	95,935	0	0	0	0	100% (WCMS)
PBC: Commercial	48,996	0	0	0	0	0	48,996	0	0	0	0	100% (WCMS)
PBC: Education & Outreach	7,824	0	0	0	0	0	7,824	0	0	0	0	100% (WCMS)
Admin & Ops General	3,116	0	0	0	0	0	3,116	0	0	0	0	100% (WCMS)
Office Supplies & Expenses	5,072	0	0	0	0	0	5,072	0	0	0	0	100% (WCMS)
IT/GIS	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Injuries & Damages	313	0	0	0	0	0	313	0	0	0	0	100% (WCMS)
General Advertising	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Misc General Expense	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Total Conservation	\$161,257	\$0	\$0	\$0	\$0	\$0	\$161,257	\$0	\$0	\$0	\$0	

Truckee Donner PUD
 Water Utility
 Functionalization and Allocation
 Exhibit 12 - Revenue Requirement

	Total Expenses FY 2026	Customer Related										Basis of Classification
		Commodity (COM)	Capacity (CAP-1)	Capacity - Equiv. Meters (CAP-2)	Actual Customer (AC)	Weighted for:		Revenue Related (RR)	Fire Protection (FP)	Direct Assign. (DA)	Pump Zones (PZ)	
						Customer Acct/Svcs (WCA)	Meters & Svcs (WCMS)					
Water Operations												
Ops Supervision & Engineering	\$712,552	\$0	\$0	\$0	\$0	\$0	\$712,552	\$0	\$0	\$0	\$0	100% (WCMS)
Construction Engineering	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Facilities Operations	1,898,870	90,640	544,809	0	0	0	1,136,406	0	127,014	0	0	as Plant Before General Plant - PZ
Power Supply	2,022,951	1,294,689	0	0	0	0	0	0	0	0	728,262	64% (COM)/ 36% (PZ)
Distribution Operations	2,449,033	565,996	222,590	0	0	0	1,311,012	0	51,893	0	297,542	As All Other Water Operations
Meters/Services Operations	501,978	0	0	0	0	0	501,978	0	0	0	0	as Meters
Misc. General Expense	734,193	0	0	0	0	0	734,193	0	0	0	0	100% (WCMS)
Injuries & Damages	123,699	0	0	0	0	0	123,699	0	0	0	0	100% (WCMS)
Total Water Operations	\$8,443,277	\$1,951,325	\$767,399	\$0	\$0	\$0	\$4,519,841	\$0	\$178,908	\$0	\$1,025,804	
IT/GIS												
Engineering/SCADA Ops	\$184,053	\$0	\$0	\$0	\$0	\$0	\$184,053	\$0	\$0	\$0	\$0	100% (WCMS)
Misc General Expense	128,365	0	0	0	0	0	128,365	0	0	0	0	100% (WCMS)
Meter Reading	57,281	0	0	0	0	0	57,281	0	0	0	0	100% (WCMS)
Customer Records	143,051	0	0	0	0	0	143,051	0	0	0	0	100% (WCMS)
Administrative & General IT Ops	531,080	0	0	0	0	0	531,080	0	0	0	0	100% (WCMS)
Office Supplies & Expenses	21,388	0	0	0	0	0	21,388	0	0	0	0	100% (WCMS)
Outside Services Employed	26,651	0	0	0	0	0	26,651	0	0	0	0	100% (WCMS)
Injuries & Damages	23,468	0	0	0	0	0	23,468	0	0	0	0	100% (WCMS)
Total IT/GIS	\$1,115,337	\$0	\$0	\$0	\$0	\$0	\$1,115,337	\$0	\$0	\$0	\$0	
Interdepartmental Rent	\$643,090	\$0	\$0	\$0	\$0	\$0	\$643,090	\$0	\$0	\$0	\$0	100% (WCMS)
Total Expenses	\$14,366,292	\$1,951,325	\$767,399	\$0	\$0	\$0	\$10,442,856	\$0	\$178,908	\$0	\$1,025,804	
Additional Expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	100% (WCMS)
Total Operations & Maintenance Expense	\$14,366,292	\$1,951,325	\$767,399	\$0	\$0	\$0	\$10,442,856	\$0	\$178,908	\$0	\$1,025,804	



Truckee Donner PUD
 Water Utility
 Functionalization and Allocation
 Exhibit 12 - Revenue Requirement

	Total Expenses FY 2026	Customer Related										Basis of Classification
		Commodity (COM)	Capacity (CAP-1)	Capacity - Equiv. Meters (CAP-2)	Actual Customer (AC)	Weighted for:		Revenue Related (RR)	Fire Protection (FP)	Direct Assign. (DA)	Pump Zones (PZ)	
						Customer Acct/Svcs (WCA)	Meters & Svcs (WCMS)					
Rate Funded Capital	\$7,000,000	\$0	\$0	\$0	\$0	\$0	\$7,000,000	\$0	\$0	\$0	\$0	100% (WCMS)
Debt Service												
Pipeline COP Rates	\$573,196	\$0	\$0	\$0	\$0	\$0	\$573,196	\$0	\$0	\$0	\$0	100% (WCMS)
Pipeline COP FF	359,005	0	0	0	0	0	359,005	0	0	0	0	100% (WCMS)
Pipeline COP Assmt	99,736	0	0	0	0	0	99,736	0	0	0	0	100% (WCMS)
2022 Water COP	952,500	0	0	0	0	0	952,500	0	0	0	0	100% (WCMS)
New Low Interest Loan	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
New Revenue Bond	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Total Debt Service	\$1,984,437	\$0	\$0	\$0	\$0	\$0	\$1,984,437	\$0	\$0	\$0	\$0	
<i>Less Debt Service Transfers</i>												
Transfer in from DLAD Surcharge for 2006 COP debt pmt	\$99,736	\$0	\$0	\$0	\$0	\$0	\$99,736	\$0	\$0	\$0	\$0	100% (WCMS)
Transfer in from FF Reserve	359,005	0	0	0	0	0	359,005	0	0	0	0	100% (WCMS)
Total Debt Service Transfers	\$458,741	\$0	\$0	\$0	\$0	\$0	\$458,741	\$0	\$0	\$0	\$0	
Net Debt Service	\$1,525,696	\$0	\$0	\$0	\$0	\$0	\$1,525,696	\$0	\$0	\$0	\$0	
Transfers												
In												
Transfer in from employee and overhead for sidefund debt	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	100% (WCMS)
Transfer in from Vehicle Reserve (on CIP Calculation)	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Transfer from Operating Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Out												
Debt Service Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	100% (WCMS)
Transfer to Vehicle Reserve	376,000	0	0	0	0	0	376,000	0	0	0	0	100% (WCMS)
Transfer to Operating Reserve Fund	0	0	0	0	0	0	0	0	0	0	0	100% (WCMS)
Transfer to Cash Reserves	(1,103,914)	0	0	0	0	0	(1,103,914)	0	0	0	0	100% (WCMS)
Total Transfers	(\$727,914)	\$0	\$0	\$0	\$0	\$0	(\$727,914)	\$0	\$0	\$0	\$0	
Total Revenue Requirement	\$22,164,074	\$1,951,325	\$767,399	\$0	\$0	\$0	\$18,240,639	\$0	\$178,908	\$0	\$1,025,804	
Less: Other Income												
Misc Operating Revenue	\$185,500	\$185,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	100% (COM)
Non-Potable	164,031	164,031	0	0	0	0	0	0	0	0	0	100% (COM)
Misc Rents	66,597	66,597	0	0	0	0	0	0	0	0	0	100% (COM)
Standby Revenue	90,288	90,288	0	0	0	0	0	0	0	0	0	100% (COM)
Interest Income	176,641	176,641	0	0	0	0	0	0	0	0	0	100% (COM)
Total Other Income	\$683,057	\$683,057	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Revenue Requirement	\$21,481,017	\$1,268,268	\$767,399	\$0	\$0	\$0	\$18,240,639	\$0	\$178,908	\$0	\$1,025,804	

Truckee Donner PUD
 Water Utility
 Cost of Service Summary
 Exhibit 13 - Distribution of Revenue Requirement - COM, CAP & DA

Allocation Components	FY 2026	Residential			Commercial	Pump Zones	Distribution Factor
		Tier 1	Tier 2				
Commodity	\$1,268,268	\$545,287	\$317,039	\$405,941		\$0 (COM)	
Capacity	\$767,399	\$236,407	\$299,295	\$231,698		\$0 (CAP-1)	
Direct Assignment	\$0	\$0	\$0	\$0		\$0 (DA)	
Total	\$2,035,667	\$781,694	\$616,334	\$637,639		\$0	

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Truckee Donner PUD
 Water Utility
 Cost of Service Summary
 Exhibit 14 - Distribution of Revenue Requirement - Cust. Fire, Rev.

Allocation Components	FY 2026	Residential	Commercial	Pump Zones	Distribution Factor
Customer Related					
Actual Customer	\$0	\$0	\$0	\$0 (AC)	
Customer Acct/Svcs	0	0	0	0 (WCA)	
Meters & Svcs	18,240,639	16,837,520	1,403,119	0 (WCMS)	
Total Customer Related	\$18,240,639	\$16,837,520	\$1,403,119	\$0	
Equiv. Meters	\$0	\$0	\$0	\$0 (CAP-2)	
Revenue Related	\$0	\$0	\$0	\$0 (RR)	
Fire Protection	\$178,908	\$151,780	\$27,127	\$0 (FP)	
Pump Zones	\$1,025,804	\$0	\$0	\$1,025,804	
Net Revenue Requirement	\$19,445,350	\$16,989,300	\$1,430,246	\$1,025,804	

Truckee Donner PUD
 Water Utility
 Cost of Service Summary
 Exhibit 15 - Summary of Cost Distribution

	FY 2026 Total	Residential	Commercial	Pump Zones	<i>Source</i>
Revenues at Present Rates	\$20,169,969	\$17,240,005	\$1,963,847	\$966,118	
Allocated Revenue Requirement	\$21,481,017	\$18,387,328	\$2,067,885	\$1,025,804	
Subtotal Balance/(Deficiency) of Funds	(\$1,311,048)	(\$1,147,323)	(\$104,038)	(\$59,686)	
% Change Over Present Rates	6.5%	6.7%	5.3%	6.2%	

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Truckee Donner PUD
Water Utility
Cost of Service Summary
Exhibit 16 - Average Unit Cost

	FY 2026 Total	Residential		Commercial
		Tier 1	Tier 2	
Commodity Costs - \$ / 1000 gal	\$1.22	\$1.22	\$1.22	\$1.22
Capacity Costs - \$ / 1000 gal	\$0.74	\$0.53	\$1.15	\$0.70
Direct Assign. Costs - \$ / 1000 gal	\$0.00	\$0.00	\$0.00	\$0.00
Total Distributed Costs - \$ / 1000 gal	\$1.96	\$1.75	\$2.37	\$1.92
Current Consumption Rates		\$1.34	\$1.91	\$1.86
Customer - \$ / Equiv. Mtrs / month	\$107.45	\$107.45		\$107.45
Fire Protection - \$ / Equiv. Mtrs / month	1.05	0.97		2.08
Total - \$ / Month	\$108.50	\$108.41		\$109.52
Current Fixed Charge (3/4")		\$103.03		\$103.03
Rate Rev \$ / 1000 gal	\$19.42	\$38.60		\$5.91
Allocated Rev Req \$ / 1000 gal	\$20.68	\$41.17		\$6.22
Basic Data				
Annualized Water Flows - CCF	1,038,718	446,593	259,657	332,468
No. of Customers	13,837	13,059		778
No. of Units	NA	NA	NA	NA
Equivalent Meters	14,147	13,059		1,088

**Truckee Donner PUD
Water Utility
Rate Design
Exhibit 17 - Summary of Rate Design**

	Present	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Residential						
5/8" x 3/4"	\$103.03	\$108.50	\$115.55	\$123.06	\$131.06	\$139.58
3/4"	103.03	108.50	115.55	123.06	131.06	139.58
1"	122.89	129.41	137.82	146.78	156.32	166.48
Commodity Charge						
0 - 8,000 gal (block 1)	\$1.34	\$1.75	\$1.86	\$1.98	\$2.11	\$2.25
8,000 + gal (block 2)	1.91	2.37	2.53	2.69	2.86	3.05
Commercial						
5/8" x 3/4"	\$103.03	\$108.50	\$115.55	\$123.06	\$131.06	\$139.58
3/4"	103.03	108.50	115.55	123.06	131.06	139.58
1"	122.89	129.41	137.82	146.78	156.32	166.48
1 1/2"	172.75	181.92	193.75	206.34	219.75	234.04
2"	237.50	250.11	266.37	283.68	302.12	321.76
3"	397.58	418.68	445.90	474.88	505.75	538.62
4"	568.87	599.06	638.00	679.47	723.64	770.67
6"	853.30	898.60	957.00	1,019.21	1,085.46	1,156.01
8"	1,066.62	1,123.23	1,196.24	1,274.00	1,356.81	1,445.00
Commodity Charge/ 1,000 gal	\$1.86	\$1.92	\$2.04	\$2.17	\$2.31	\$2.46
Pump Zone Charges						
Zone 1	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Zone 2	1.03	1.09	1.16	1.24	1.32	1.41
Zone 3	2.04	2.16	2.30	2.45	2.61	2.78
Zone 4	3.06	3.24	3.45	3.67	3.91	4.16
Zone 5	4.08	4.32	4.60	4.90	5.22	5.56
Zone 6	5.10	5.40	5.75	6.12	6.52	6.94
Zone 7	6.12	6.48	6.90	7.35	7.83	8.34

Truckee Donner PUD
Water Utility
Rate Design
Exhibit 18 - Residential Bill Comparison

Consumption (Gallons)	Current Rate	Proposed Rate	\$ Change	% Change
0	\$103.03	\$108.50	\$5.47	5.3%
5,000	109.73	117.25	7.52	6.9%
8,000	113.75	122.50	8.75	7.7%
10,000	117.57	127.25	9.68	8.2%
15,000	127.12	139.12	12.00	9.4%
20,000	136.67	150.98	14.31	10.5%
25,000	146.22	162.85	16.63	11.4%
30,000	155.77	174.72	18.95	12.2%
35,000	165.32	186.59	21.27	12.9%
40,000	174.87	198.46	23.59	13.5%
45,000	184.42	210.32	25.90	14.0%
50,000	193.97	222.19	28.22	14.5%

Meter Size	Current	Proposed
5/8" x 3/4"	\$103.03	\$108.50

Commodity Charge (\$/1,000 gal)		
0 - 8,000 gal	\$1.34	\$1.75
8,000 + gal	\$1.91	\$2.37

Truckee Donner PUD
Water Utility
Rate Design
Exhibit 19 - Commercial Bill Comparison

Consumption (Gallons)	Current Rate	Proposed Rate	\$ Change	% Change
3/4" Meter				
0	\$103.03	\$108.50	\$5.47	5.3%
20,000	140.23	146.86	6.63	4.7%
40,000	177.43	185.21	7.78	4.4%
60,000	214.63	223.57	8.94	4.2%
80,000	251.83	261.93	10.10	4.0%
100,000	289.03	300.29	11.26	3.9%
120,000	326.23	338.65	12.42	3.8%
140,000	363.43	377.00	13.57	3.7%
160,000	400.63	415.36	14.73	3.7%
1" Meter				
40,000	\$197.29	\$206.13	\$8.84	4.5%
60,000	234.49	244.49	10.00	4.3%
80,000	271.69	282.84	11.15	4.1%
120,000	346.09	359.56	13.47	3.9%
140,000	383.29	397.92	14.63	3.8%
160,000	420.49	436.28	15.79	3.8%
180,000	457.69	474.63	16.94	3.7%

Meter Size	Current	Proposed
5/8" x 3/4"	\$103.03	\$108.50
3/4"	103.03	108.50
1"	122.89	129.41
1 1/2"	172.75	181.92
2"	237.50	250.11
3"	397.58	418.68
4"	568.87	599.06
6"	853.30	898.60
8"	1,066.62	1,123.23
Commodity Charge		
All Consumption \$/1,000 gal	\$1.86	\$1.92

**Truckee Donner PUD
Water Utility
Rate Design
Exhibit 20 - Pump Zone Charge**

Zone	Current Rate	Proposed Rate	\$ Change	% Change
1	\$0.00	\$0.00	\$0.00	0.0%
2	1.03	1.09	0.06	5.8%
3	2.04	2.16	0.12	5.9%
4	3.06	3.24	0.18	5.9%
5	4.08	4.32	0.24	5.9%
6	5.10	5.40	0.30	5.9%
7	6.12	6.48	0.36	5.9%

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**Truckee Donner PUD
Water Utility
Rate Design
Exhibit 21 - Rate Revenue Projection**

	Present	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Residential						
Fixed	\$16,049,189	\$17,002,818	\$18,215,764	\$19,514,855	\$20,907,740	\$22,399,240
Consumption	1,094,379	1,396,925	1,472,718	1,551,233	1,634,884	1,725,987
Total	\$17,143,569	\$18,399,743	\$19,688,482	\$21,066,088	\$22,542,624	\$24,125,227
	94%	92%	93%	93%	93%	93%
FY 2026 COSA		\$18,387,328				
Commercial						
Fixed	\$1,339,436	\$1,416,881	\$1,515,717	\$1,621,422	\$1,734,472	\$1,855,383
Consumption	618,390	637,639	671,452	707,946	746,422	786,990
Total	\$1,957,826	\$2,054,520	\$2,187,168	\$2,329,368	\$2,480,894	\$2,642,373
	68%	69%	69%	70%	70%	70%
FY 2026 COSA		\$2,067,885				
Pump Zone						
Consumption	\$966,118	\$1,022,837	\$1,078,122	\$1,137,220	\$1,199,230	\$1,264,809
FY 2026 COSA		\$1,025,804				
System Total	\$20,067,513	\$21,477,100	\$22,953,772	\$24,532,676	\$26,222,748	\$28,032,409
System Target		\$21,481,017	\$22,963,108	\$24,547,443	\$26,242,648	\$28,054,883
\$ Difference		\$3,918	\$9,336	\$14,767	\$19,900	\$22,475
		0.02%	0.04%	0.06%	0.08%	0.08%
Fixed Rev	86.7%	85.8%	86.0%	86.2%	86.3%	86.5%
Variable Rev	13.3%	14.2%	14.0%	13.8%	13.7%	13.5%