



Wastewater  
Treatment



TRANSFORMING  
WASTEWATER  
TO RESOURCES



Recycled  
Water



Energy  
Production



Biosolids  
Reuse

# Proposed Recycled Water Service Charge Adjustments

Finance Committee Meeting  
August 24, 2023

# Background

## *Transforming Wastewater to Resources*



- District provides recycled water treatment and distribution services via its Recycled Water Facility (RWF)
  - In FY23/24, 7.0 million gallons per day (MGD) produced or 49% of 14.2 MGD of WWTP influent flow
  - **90-95% provided for industrial purposes** (Calpine, two large power plants—Delta Energy Center, Los Medanos Energy Center)
  - **5-10% for irrigation purposes** (City of Antioch golf course/parks/medians, City of Pittsburg parks/medians, PUSD, MDRR, Caltrans)
- District utilizes voluntary user service agreements
  - **Calpine has first right to RW; service to other customers is “interruptible”**
  - Agreements require RWSCs to be set by Board (last approved in July 2019)

# Key Drivers for Adjustments to Recycled Water Service Charges



- In June 2023, Board adopted FY23/24 Budget and approved 5-year CIP
  - RW Op. Budget: FY23/24 - \$3.85M; FY24/25 (forecast) - \$3.98M
    - Substantial **increases in chemicals and utilities costs** over last two years due to distribution issues and inflationary pressure
    - Chemicals: FY23/24 Budget = \$1.41M compared to actual expenditures of \$0.66M in FY21/22 (+\$0.75M or 118% increase)
    - Utilities: FY23/24 Budget = \$0.66M compared to actual expenditures of \$0.61M in FY21/22 (+\$50k or 8.1% increase)
  - RW Projects in 5-year CIP: \$1.7M RW Capital Asset; \$4.6M RW Capital Asset Replacement
- RWSC adjustment is **necessary to cover District costs**

# Key RWSC Financial Modeling Assumptions



- Rate model includes actual FY23/24 and FY24/25 budget amounts (10-year planning horizon)
- Utilized escalation factors for expenditures beyond FY24/25 budget projections
  - Utilities, 5%; Chemicals, 8%; Capital construction, 5%; Salaries, 3.2%; Benefits, 6%

- Revenue projection based on FY22/23 RW consumption

	FY18/19	FY19/20	FY20/21	FY21/22	FY22/23
Total RW Consumption (Tgal)	2,242,456	2,202,426	2,497,571	2,735,013	2,505,702

Tgal = 1,000 gal

- Variable-rate (RW CAR, chemicals/utilities) component expected to increase by 13.8%
- Fixed cost (labor, office expenses, outside services, repairs and maintenance, and distribution system O&M) increases for Calpine, decreases for others

# RWSCs Incorporate Customer Specific Surcharges

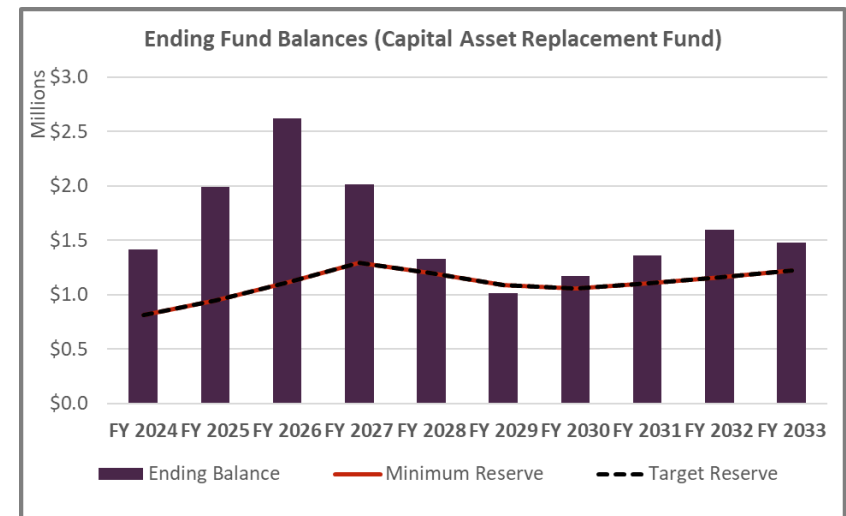
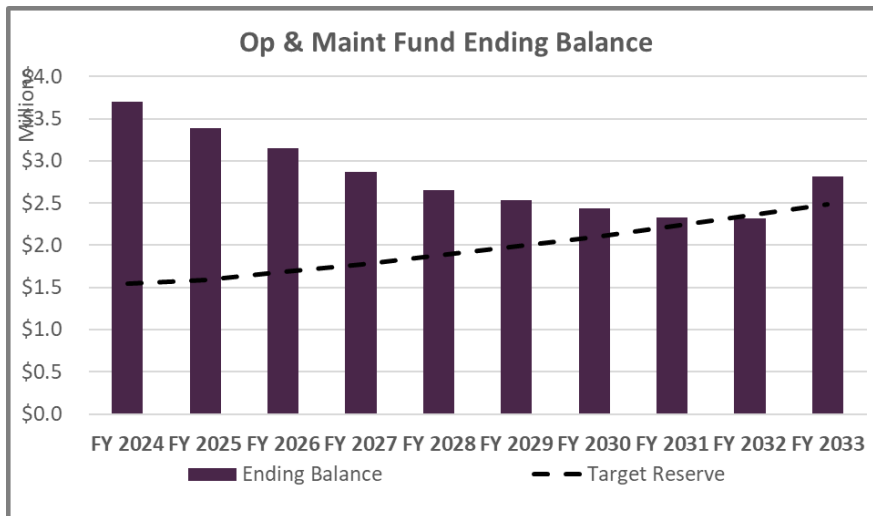


- Calpine – Revenue Stability Surcharge
  - Established in FY11/12 to stabilize revenue associated with decline in consumption from Calpine (i.e., major plant disruptions)
  - No change proposed to current surcharge (\$30,000/month)
- Antioch RW Project Surcharge
  - Covers Antioch’s \$1.1M share of Antioch RW Project costs that exceeded \$5M SRF loan cap
  - Established in FY12/13 with a 20-year repayment period (~\$6,826/month)
- Pittsburg RW Distribution System Project Surcharge
  - Covers Pittsburg’s local share of grant funded pipeline project
  - **Ended in June 2023** after a 10-year repayment period

# RWSC Revenue Need



- District needs to increase total annual revenue by 7.5% (effective in October 2023) to cover District costs
  - Projecting similar increases in revenue requirements in subsequent years (7.5% for FY24/25 & FY25/26, 7.75% for following years)
- RWSCs include fixed + variable-rate components (48%/52%)
- Actual costs and revenues are highly dependent on usage



# Proposed RWSC Adjustments: Fixed and Variable Component



- Fixed-cost component is generally decreasing for users
  - Includes surcharges for Calpine, Antioch, and Pittsburg

	Existing (\$/month)	Proposed (\$/month)	Difference (\$)	Difference (%)
Calpine – DEC and LMEC	\$152,616	\$159,859	\$7,243	5%
City of Antioch (Parks, Medians, Golf Course)	\$12,453	\$10,057	(\$2,396)	-19%
City of Pittsburg (Parks, Medians)	\$7,382	\$1,684	(\$5,698)	-77%
Pittsburg USD	\$935	\$972	\$37	4%
MDRRP	\$358	\$344	(\$14)	-4%
Caltrans	\$266	\$116	(\$150)	-57%

- Variable-rate component is increasing by 13.8%
  - From \$0.75/Tgal to \$0.86/Tgal

# Proposed RWSC Adjustments: Total Revenue by Customer



	Existing Revenue	Proposed Revenue	Difference (\$)	Difference (%)
Calpine – DEC and LMEC	\$3,627,726	\$3,961,774	\$334,048	9.2%
City of Antioch* (Parks, Medians, Golf Course)	\$113,902	\$91,525	-\$22,377	-19.6%
City of Pittsburg (Parks, Medians)	\$72,136	\$47,436	-\$24,701	-34.2%
Pittsburg USD	\$25,878	\$28,339	\$2,461	9.5%
MDRRP	\$10,828	\$11,562	\$734	6.8%
Caltrans	\$4,155	\$2,484	-\$1,671	-40.2%

\*Excludes City of Antioch surcharge

- Actual costs and revenues are highly dependent on usage



# Recommended Actions/ Next Steps



- Provide comments and recommend Board consideration of proposed RWSC adjustments at Public Hearing on September 13, 2023, at 4:30 pm
- Board would conduct Public Hearing to consider adopting ordinance establishing adjustments to RWSCs
  - Notice of ordinance would be published as required
- If Board approves RWSC adjustments after Public Hearing, RWSCs would be implemented on customer invoices issued in November 2023