

**NOTICE OF PUBLIC HEARING CONCERNING
PROPOSED CHANGES TO THE RATES FOR
THE CITY OF CORONA POTABLE WATER AND RECLAIMED WATER SERVICE CHARGES**

October 18, 2019

DWP Customer
ADDRESS
CITY, STATE ZIP

NOTICE IS HEREBY PROVIDED that the City Council of the City of Corona (City) will be holding a public hearing on **December 4, 2019, at 6:30 p.m., or as soon thereafter as the matter may be heard, in the City Council Chambers of City Hall located at 400 South Vicentia Avenue, Corona, California**, to consider adopting changes to the rates for the City's water and reclaimed water service charges that it provides within the City. The reasons for the proposed changes and the maximum rates proposed to be adopted are described below and included in Attachment A of this notice.

WHY ARE THE RATE CHANGES NEEDED?

The City's water utility relies mainly on the revenue derived from water and reclaimed water service customers to fund its ongoing operations and maintenance of the respective systems. The Department of Water and Power (Department) is committed to providing the highest quality and reliable water service 24 hours a day at the lowest possible rates for our customers. The Department's last potable water rate change was in 2014 and the last reclaimed water rate change was in 2013. Over the last several years, the Department has worked to manage operational costs and minimize increases in labor and benefit costs. Despite these efforts, there are operational and maintenance costs that continue to increase, especially in the areas of electricity, chemical treatment, materials, and labor related costs.

The Department engaged Raftelis Financial Consultants, Inc. (Raftelis), to perform an independent rate study to evaluate the infrastructure needs, programs, and operations and maintenance costs of the City's potable and reclaimed water systems and the rates necessary to recover the costs of providing for those services for the next five years. Based on this evaluation, it has been determined that increases in the rates of the City's potable and reclaimed water service charges are necessary to enable the City to:

- recover current and projected costs of operations and maintenance, and capital infrastructure improvements needed to repair and update the City's aging water and reclaimed water systems;
- maintain the operational and financial stability of the utility;
- comply with State mandated regulatory requirements;
- meet and comply with annual debt service requirements;
- avoid operational deficits and further depletion of reserves; and
- provide an equitable allocation of the costs of providing service among the various customer classes.

Additional rate increases are also necessary to address the impact of the multi-year statewide drought on water revenues. On April 1, 2015, Governor Jerry Brown instituted California's first-ever statewide mandatory water use reductions (Executive Order B-29-15), mandating the implementation of several conservation measures. On November 15, 2015, Governor Brown extended those conservation measures until October 31, 2016. Under drought regulations established by the State Water Resources Control Board (SWRCB) pursuant to the Executive Order, the City was ordered to reduce its water consumption by 28%. Recognizing persistent yet less severe drought conditions throughout California, on May 18, 2016, the SWRCB adopted an emergency water conservation regulation that replaces the February 2016 emergency regulation. The May 2016 regulation that was in effect from June 2016 through January 2017 required locally developed conservation standards based upon each agency's specific circumstances. It replaced the prior percentage reduction-based water conservation standard with a localized "stress test" approach. Based on the City's local conditions, the City has continued to implement conservation measures in response to the continuing drought conditions.

Over the last several years, the City has experienced declines in water demand resulting from the drought and state-mandated water use reductions, and therefore reductions in water revenues. Although the Department purchases and produces less water when water use declines, resulting in savings of water supply costs, a substantial portion of the Department's costs related to distribution, maintenance, and customer services, among others, remain fixed, meaning the costs remain the same regardless of how much water is used by customers. While experiencing declines in water demand and revenues, the City has exercised fiscal discipline by using reserves and managing operating costs to avoid significant increases in the rates for its water service charges. Raftelis studied the effects of the reduction in water use, and also developed rates for Temporary Revenue Stability Charges to ensure that there are stable revenues to fund utility obligations going forward in the event that water use decreases during the current or future water shortages that may occur.

The proposed increases to the rates for the potable and reclaimed water service charges and the new Temporary Revenue Stability Charges will allow the City to provide safe, reliable drinking water to its customers. Absent critical rate increases and the proposed Temporary Revenue Stability Charges, the City would experience budget shortfalls for each year of the five-year forecast performed by Raftelis in the rate study.

PROPOSED WATER RATES AND THE BASIS UPON WHICH THEY ARE CALCULATED

Potable and Reclaimed Water Customer Classes. The Department provides both potable (i.e., drinking) water and reclaimed (i.e., non-drinking water) water services. The rate structure for the Department's water service fees has four customer classes: (1) Residential, which includes single-family and multi-family residential customers; (2) Non-Residential, which includes customers with dedicated irrigation meters for landscaping, and commercial, industrial, and governmental customers; (3) Reclaimed Water customers; and (4) Fire Protection customers, which include customers who are required as a condition of extending or initiating water service to install a private fire suppression system on their property, or where the customer or property owner has requested the delivery of water to the property for the purpose of fire service protection. All customers are billed on a monthly basis, but there are different rates applicable to each customer class. The components of the rates applicable to each customer class are described in more detail below.

Components for Potable and Reclaimed Water Rates. The rate structure for potable water customers and reclaimed water customers includes the following components: (1) a fixed Readiness-to-Serve Charge (RTS Charge) that is imposed on Residential, Non-Residential, and Reclaimed water customers; (2) a variable volumetric Potable Water Commodity Charge that is imposed on potable water Residential and Non-Residential customers; and (3) a variable volumetric Reclaimed Water Commodity Charge that is imposed on Reclaimed Water customers.

The rates for the fixed monthly RTS Charge are established on the basis of the size of the water meter (in inches) serving a property and are calculated to recover a significant portion of the Department's fixed costs, such as meter reading, billing, and customer service. The rates for the variable Potable Water Commodity Charge and Reclaimed Water Commodity Charge are based on the number of units of water delivered to a property, with one unit of water equal to one hundred cubic feet (CCF), or 748 gallons. Each Residential, Non-Residential, and Reclaimed Water customer is allocated an amount of water based on that customer's particular needs. This allocation is referred to as a "Water Budget." As described below, the rate structures for the Potable Water Commodity Charges and Reclaimed Water Commodity Charges are different for each customer class.

Potable Water Commodity Charges - Residential Customers. Residential customers are given both an Indoor and an Outdoor Water Budget. Indoor Water Budgets under the proposed rates are calculated using four factors: (1) efficient indoor water use per person per day, which is proposed to be reduced from 60 gallons per person per day to 55 gallons per person per day to reflect State indoor water use efficiency goals; (2) the number of people in the household; (3) the number of days in the billing cycle; and (4) the number of dwelling units served by a water meter (e.g., a single-family residence is one dwelling unit). The rate structure assumes a default size of 4 persons per single-family household and 2 persons per multi-family household. Customers who have more persons residing in their household may request a change in the size of their Indoor Water Budget by submitting a variance form to the City and providing appropriate supporting information.

Residential customers' Outdoor Water Budgets under the proposed rates are calculated using 3 factors: (1) the amount of irrigated area in square feet per parcel; (2) actual daily plant water loss (evapotranspiration); and (3) an evapotranspiration area factor (ETAF) that is proposed to be reduced from 114% to 80% to reflect the water needs of specific types of plant mixes and irrigation efficiency as established in recently revised State Water Efficient Landscape and irrigation guidelines. The rate structure for the Potable Water Commodity Charge consists of five tiers for residential customers. All water used by residential customers within their assigned Indoor and Outdoor Water Budgets will be billed at the Tier 1 (Indoor Water Budget) and Tier 2 (Outdoor Water Budget) rates, respectively. Water used in excess of a Residential customer's assigned total water budget (Indoor Water Budget + Outdoor Water Budget) will be billed at progressively higher rates—Tier 3 (Inefficient Use), Tier 4 (Excessive Use), and Tier 5 (Wasteful Use)—depending on the number of units of water delivered. The proposed maximum rates for the Potable Water Commodity Charges for residential customers are set forth in Attachment A. The rates in each tier are tied to increased costs of providing water service attributable to higher consumption.

Potable Water Commodity Charges - Non-Residential Customers. Due to the varying consumption needs among commercial, industrial, and governmental customers within the Non-residential customer class, the Water Budgets for these customers are based on a rolling three-year average of the customer's water use. The City will calculate individual allocations based on each customer's historical use. The Water Budget rate structure and individualized allocations recognize that the needs of these customers may vary dramatically depending on the type of business or activity occurring at the property. For example, a car wash and an office building may contain the same number of employees, lot size or even building footprint, but their water needs are quite different. The City will evaluate and grant requests to increase Water Budgets on a case-by-case basis to accommodate economic growth and/or other changes that may impact a customer's water needs. The rate structure for the Potable Water Commodity Charge consists of four tiers for non-residential accounts. All water used by a customer within its assigned Water Budget is billed at the Tier 1 rates. Water used in excess of a customer's assigned Water Budget will be billed at progressively higher rates—Tier 2 (Inefficient Use), Tier 3 (Excessive Use), and Tier 4 (Wasteful Use)—depending on the number of units of water delivered. The proposed maximum rates for the Potable Water Commodity Charges for non-residential customers are set forth in Attachment A. The rates in each tier are tied to increased costs of providing water service attributable to higher consumption.

The Water Budgets for customers with dedicated irrigation meters within the Non-Residential customer class are calculated using three factors: (1) the amount of irrigated area per parcel; (2) evapotranspiration; and (3) an ETAF plant factor that is proposed to be reduced from 114% to 80%. The rate structure for the Potable Water Commodity Charge for these customers consists of four tiers. All water used within a customer's assigned Water Budget will be billed at the Tier 1 rates. Water used in excess of a customer's assigned water budget will be billed at progressively higher rates—Tier 2 (Inefficient Use), Tier 3 (Excessive Use), and Tier 4 (Wasteful Use)—depending on the number of units of water delivered. The proposed maximum rates for the Potable Water Commodity Charges for customers with dedicated irrigation meters are set forth in Attachment A. The rates in each tier are tied to increased costs of providing water service attributable to higher consumption.

Reclaimed Water Commodity Charges. Reclaimed Water customers' Water Budgets under the proposed rates are calculated using three factors: (1) the amount of irrigated area per parcel; (2) evapotranspiration; and (3) an ETAF plant factor that is proposed to be reduced from 114% to 80%. The rate structure for the Reclaimed Water Commodity Charge consists of four tiers. All reclaimed water used by a Reclaimed Water customer within his or her assigned Water Budget is billed at the Tier 1 rates. Reclaimed water used in excess of a Reclaimed Water customer's assigned Water Budget will be billed at progressively higher rates—Tier 2 (Inefficient Use), Tier 3 (Excessive Use), and Tier 4 (Wasteful Use)—depending on the number of units of reclaimed water delivered. The proposed maximum rates for the Reclaimed Water Commodity Charges are set forth in Attachment A. The rates in each tier are tied to increased costs of providing water service attributable to higher consumption.

Fire Protection Customers. The rate structure for the Fire Protection customers is comprised of two components: (1) a variable Fire Protection Commodity Charge that is determined on the basis of the number of units of water delivered to a Fire Protection customer; and (2) a fixed Fireline Charge that is determined on the basis of the size of the fireline (in inches) through which water is delivered. The rates are calculated to recover the cost of providing water to such

properties for private fire protection services. The proposed maximum rates that may be imposed are set forth in Attachment A.

Temporary Revenue Stability Charges. As a result of state-mandated potable water use cutbacks and other existing conservation regulations, and in anticipation of future conservation regulations that may be imposed on the City, the Department is experiencing and may experience in the future lower water sales, and, therefore, less water revenue. Although the Department purchases and produces less water when water use declines, resulting in savings of water supply costs, a substantial portion of the Department's costs related to distribution, maintenance and customer services, among others, remain fixed, meaning the costs remain the same regardless of how much water is used by customers. To help mitigate future losses in revenue from reduced sales, the City is proposing to authorize the implementation of Temporary Revenue Stability Charges (TRSC) during declared water shortage stages or state mandated reductions in the level of potable water usage. Water shortage stages are declared in accordance with the City's water conservation ordinance, set forth in Chapter 13.26 of the City's Municipal Code.

The City will implement the TRSC as necessary, depending on the level of potable water use cutbacks required, to ensure that the Department recovers sufficient revenues to meet its expenses. If implemented, the TRSC will be imposed on each unit (CCF) of water delivered during a billing period. The maximum rates of the TRSC that may be implemented by the City during various levels of mandatory reductions in water usage are set forth in Attachment A. The TRSC will be implemented and/or rescinded in conjunction with the degree of declared shortage as described in Chapter 13.26 of the Municipal Code, beginning in Stage 3. The City is currently in a Stage 2 water shortage. For more information about the City's water conservation ordinance, water shortage stages, and water conservation program, please go to the City's website at www.CoronaCA.gov/DWP.

PUBLIC HEARING AND PROTESTS

Any record owner of a parcel upon which the potable or reclaimed water service charges are proposed to be imposed and any tenant directly liable for the payment of potable or reclaimed water service charges (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate increases to the Department's water service charges; however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is opposed to the proposed potable water or reclaimed water rate increases; (2) provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted to the City Clerk by mail to P.O. Box 940, Corona, CA 92878-0940, or in person at 400 South Vicentia Avenue, Corona, California, or at the public hearing (date, time, and location noted above). All written protests must be received prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate on the outside of any envelope mailed to the City Attn: Rate Hearing.

The City Council will accept and consider all written protests and will hear and consider all oral comments to the proposed rate increases at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the public hearing, the City Council will consider adoption of the proposed rate increases as described in this notice. If written protests against the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, the City Council will be authorized to adopt the rate increases, and implement the TRSC as described in this notice. All water service charges are collected on a monthly basis.

The proposed maximum rates and effective dates are presented in Attachment A to this notice and posted on our website (www.CoronaCA.gov/DWP). The documents supporting the rate changes, including the rate study prepared by Raftelis, and the Fiscal Year 2019 budget, are available for review at the City Clerk's office, located at 400 South Vicentia Avenue, Corona, California, between 8:00 a.m. and 5:00 p.m., Monday through Friday.

The City can assist you with answering any questions regarding the information in this notice or about how the proposed rates will affect your water bill. If you have questions, would like help calculating the impact of the proposed rate changes on your water bill, or need additional information, please contact the City of Corona Department of Water and Power at (951) 736-2321 or e-mail CustomerCare@CoronaCA.gov. This document, the rate study prepared by Raftelis, and other information regarding the Department can also be found on the website at www.CoronaCA.gov/DWP.

**Attachment A
Comparison of Current and Proposed Monthly Rates and Water Service Charges**



Potable Water Budget Tier Modifications: Residential Customers

Water Budget Factors	Current	Proposed
Gallons per capita per day (GPCD)	60	55
Evapotranspiration Area Factor (ETAF)	114%	80%
Inefficient Use Definition	1%-20% over water budget	1%-50% over water budget
Excessive Use	21-40% over water budget	51-100% over water budget
Wasteful Use	Greater than 40% over water budget	Greater than 100% over water budget

Potable and Reclaimed Water Budget Tier Modifications: Non-Residential and Reclaimed Water Customers

Water Budget Factors	Current	Proposed
Evapotranspiration Area Factor (ETAF)	114%	80%
Inefficient Use Definition	1%-20% over water budget	1%-50% over water budget
Excessive Use	21-40% over water budget	51-100% over water budget
Wasteful Use	Greater than 40% over water budget	Greater than 100% over water budget

Current and Proposed Rates for Potable Water Commodity Charges (\$/CCF): Residential Customers

Tier	Tier Width Definition	Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
1	Water use up to efficient indoor water budget	\$2.10	\$1.57	\$1.65	\$1.74	\$1.83	\$1.93
2	Water use up to efficient outdoor water budget	\$2.33	\$2.26	\$2.38	\$2.50	\$2.63	\$2.77
3	Water use 1%-50% over water budget (Indoor+Outdoor)	\$3.17	\$4.49	\$4.72	\$4.96	\$5.21	\$5.48
4	Water use 51%-100% over water budget (Indoor+Outdoor)	\$6.35	\$7.48	\$7.86	\$8.26	\$8.68	\$9.12
5	Water use greater than 100% over water budget (Indoor+Outdoor)	\$11.64	\$11.17	\$11.73	\$12.32	\$12.94	\$13.59

Current and Proposed Rates for Potable Water Commodity Charges (\$/CCF): Non-Residential Customers

Tier	Definition	Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
1	Water use up to efficient water budget	\$2.33	\$2.26	\$2.38	\$2.50	\$2.63	\$2.77
2	Water use 1%-50% over water budget	\$3.17	\$4.49	\$4.72	\$4.96	\$5.21	\$5.48
3	Water use 51%-100% over water budget	\$6.35	\$7.48	\$7.86	\$8.26	\$8.68	\$9.12
4	Water use greater than 100% over water budget	\$11.64	\$11.17	\$11.73	\$12.32	\$12.94	\$13.59

Current and Proposed Rates for Potable Water Commodity Charges (\$/CCF): Non-Residential Customers with Dedicated Irrigation Meters

Tier	Definition	Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
1	Water use up to efficient outdoor water budget	\$2.33	\$2.26	\$2.38	\$2.50	\$2.63	\$2.77
2	Water use 1%-50% over water budget (Indoor+Outdoor)	\$3.17	\$4.49	\$4.72	\$4.96	\$5.21	\$5.48
3	Water use 51%-100% over water budget (Indoor+Outdoor)	\$6.35	\$7.48	\$7.86	\$8.26	\$8.68	\$9.12
4	Water use greater than 100% over water budget (Indoor+Outdoor)	\$11.64	\$11.17	\$11.73	\$12.32	\$12.94	\$13.59

Current and Proposed Rates for Potable Water Monthly Readiness-to-Serve Charges (\$/Meter Size in Inches): Residential and Non-Residential

Meter Size	Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
5/8"	\$19.23	\$22.28	\$23.40	\$24.57	\$25.80	\$27.09
3/4"	\$25.23	\$33.98	\$35.69	\$37.48	\$39.36	\$41.33
1"	\$36.09	\$55.24	\$58.00	\$60.90	\$63.95	\$67.15
1 1/2"	\$62.90	\$159.49	\$167.47	\$175.85	\$184.65	\$193.89
2"	\$91.80	\$278.07	\$291.98	\$306.58	\$321.91	\$338.01
3"	\$156.91	\$339.98	\$356.99	\$374.84	\$393.59	\$413.27
4"	\$241.02	\$642.13	\$674.24	\$707.96	\$743.36	\$780.53
6"	\$442.64	\$1,525.63	\$1,601.91	\$1,682.01	\$1,766.12	\$1,854.43
8"	\$651.04	\$2,162.88	\$2,271.03	\$2,384.59	\$2,503.82	\$2,629.02
10"	\$651.04	\$3,240.88	\$3,402.93	\$3,573.08	\$3,751.74	\$3,939.33

Current and Proposed Rates for Fire Protection Commodity Charges (\$/CCF): Fire Protection Customers

Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
\$3.17	\$5.40	\$5.67	\$5.96	\$6.26	\$6.58

Current and Proposed Rates for Reclaimed Water Commodity Charges (\$/CCF): Reclaimed Water Customers

Tier	Definition	Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
1	Water use up to efficient water budget	\$1.51	\$1.65	\$1.79	\$1.94	\$2.03	\$2.14
2	Water use up to 1%-50% over water budget	\$2.27	\$2.47	\$2.70	\$2.91	\$3.06	\$3.21
3	Water use up to 51%-100% over water budget	\$3.02	\$3.29	\$3.59	\$3.88	\$4.07	\$4.27
4	Water use greater than 100% over water budget	\$4.53	\$4.94	\$5.38	\$5.81	\$6.10	\$6.41

Current and Proposed Rates for Reclaimed Water Monthly Readiness-to-Serve Charges (\$/Meter Size in Inches): Reclaimed Water Customers

Meter Size	Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
5/8"	\$18.90	\$18.12	\$19.75	\$21.33	\$22.40	\$23.52
3/4"	\$24.79	\$23.74	\$25.88	\$27.95	\$29.34	\$30.81
1"	\$35.46	\$34.97	\$38.12	\$41.17	\$43.23	\$45.39
1 1/2"	\$61.79	\$63.06	\$68.74	\$74.23	\$77.95	\$81.84
2"	\$90.18	\$96.77	\$105.48	\$113.92	\$119.61	\$125.59
3"	\$154.12	\$203.51	\$221.83	\$239.57	\$251.55	\$264.13
4"	\$236.76	\$360.81	\$393.28	\$424.75	\$445.98	\$468.28
6"	\$434.82	\$905.74	\$987.26	\$1,066.24	\$1,119.55	\$1,175.53
8"	\$639.52	\$1,579.89	\$1,722.08	\$1,859.85	\$1,952.84	\$2,050.48
10"	\$639.52	\$2,366.39	\$2,579.37	\$2,785.71	\$2,925.00	\$3,071.25

Current and Proposed Rates for Monthly Fireline Charges (\$/Fireline Size in Inches): Fire Protection Customers

Fireline Size	Current	Jan. 19, 2020	Jan. 1, 2021	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024
5/8"	\$16.25	\$7.06	\$7.42	\$7.80	\$8.19	\$8.60
3/4"	\$16.25	\$7.06	\$7.42	\$7.80	\$8.19	\$8.60
1"	\$16.25	\$7.06	\$7.42	\$7.80	\$8.19	\$8.60
1 1/2"	\$16.25	\$7.06	\$7.42	\$7.80	\$8.19	\$8.60
2"	\$16.25	\$7.99	\$8.40	\$8.82	\$9.27	\$9.74
2 1/2"	\$21.50	\$8.88	\$9.33	\$9.80	\$10.29	\$10.81
4"	\$42.75	\$13.78	\$14.47	\$15.20	\$15.96	\$16.76
6"	\$78.25	\$26.92	\$28.27	\$29.69	\$31.18	\$32.74
8"	\$115.25	\$49.58	\$52.06	\$54.67	\$57.41	\$60.29
10"	\$152.00	\$83.66	\$87.85	\$92.25	\$96.87	\$101.72

Proposed Rates for Temporary Revenue Stability Charges (TRSC) (\$/CCF)

Water Conservation Stages	Water Reduction Target	TRSC (\$/CCF)
Stage 1	0%	\$0.00
Stage 2	10-15%	\$0.00
Stage 3	16-20%	\$0.15
Stage 4	21-40%	\$0.45
Stage 5	>40%	\$0.84