



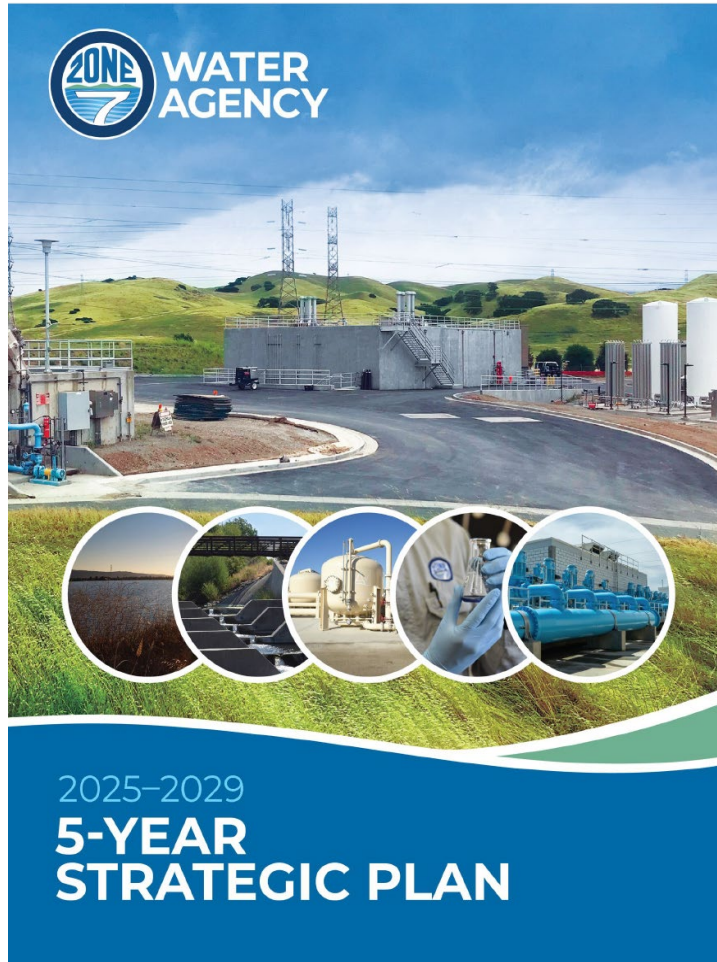
**WATER
AGENCY**

Untreated Water Rate Study and Preliminary Untreated Water Rates

Calendar Years 2027-2030

September 24, 2026

Strategic Plan Goals and Initiatives



GOAL H

Fiscal Responsibility

Operate the Agency in a fiscally responsible manner.

Initiative 21

Continue to effectively manage financial resources for the Agency

2026 Untreated Recap and Look Ahead

**July 28,
2026**

- Meeting with Untreated Working Group

**Sept. 1,
2026**

- Finance Committee Meeting – Reconciliation Update

**Sept. 24,
2026**

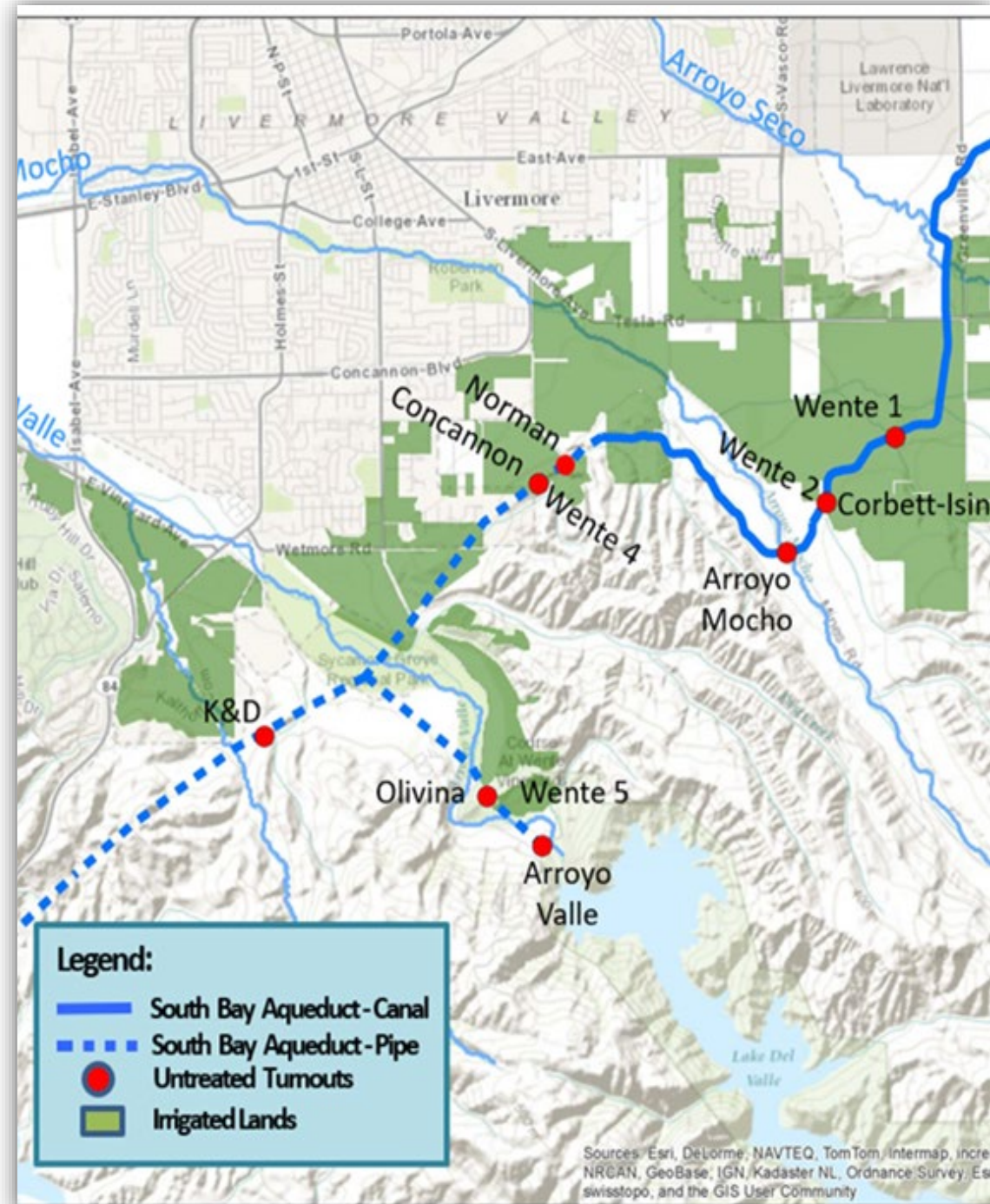
- Finance Committee Meeting – Preliminary Untreated Rates Presentation

**Oct. 21,
2026**

- Board Meeting – Formal Adoption of Untreated Rates

Untreated Water Program Current Methodology

- Rates set annually based on estimated cost of service and deliveries
- Differences between projected and actual costs addressed through annual reconciliation process



Challenges with Current Methodology



Reactionary and Volatile

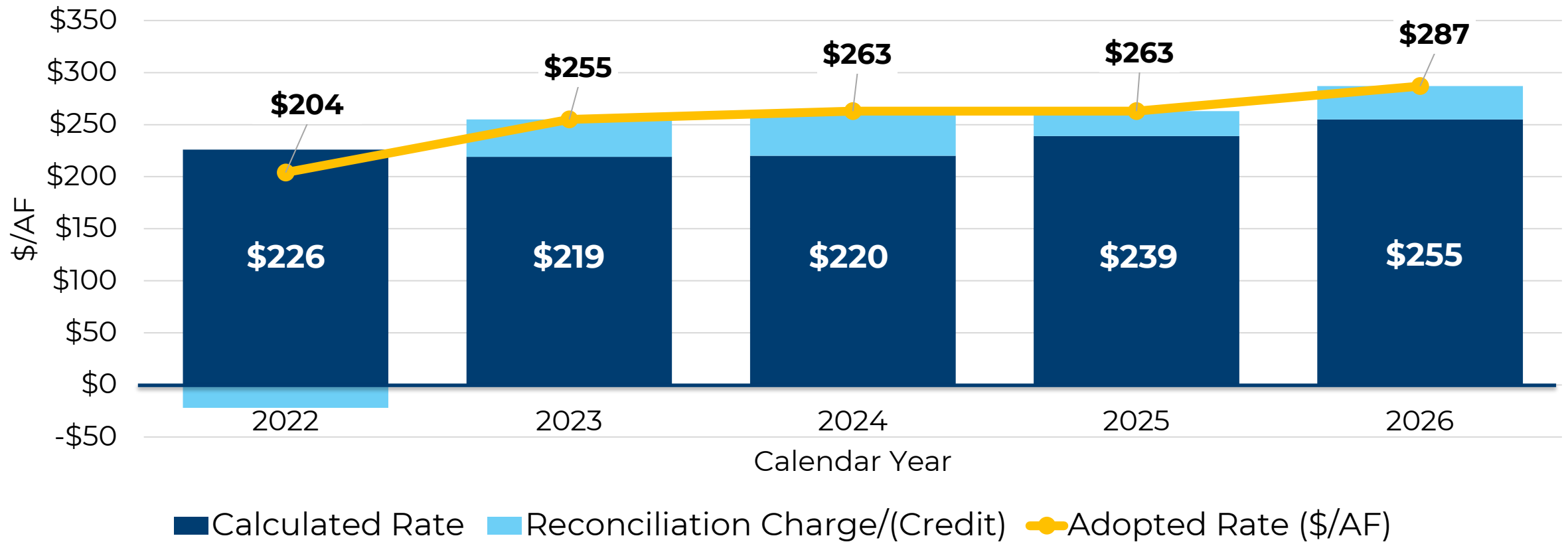
- Limitations to manage significant fluctuations in water supply costs year to year.



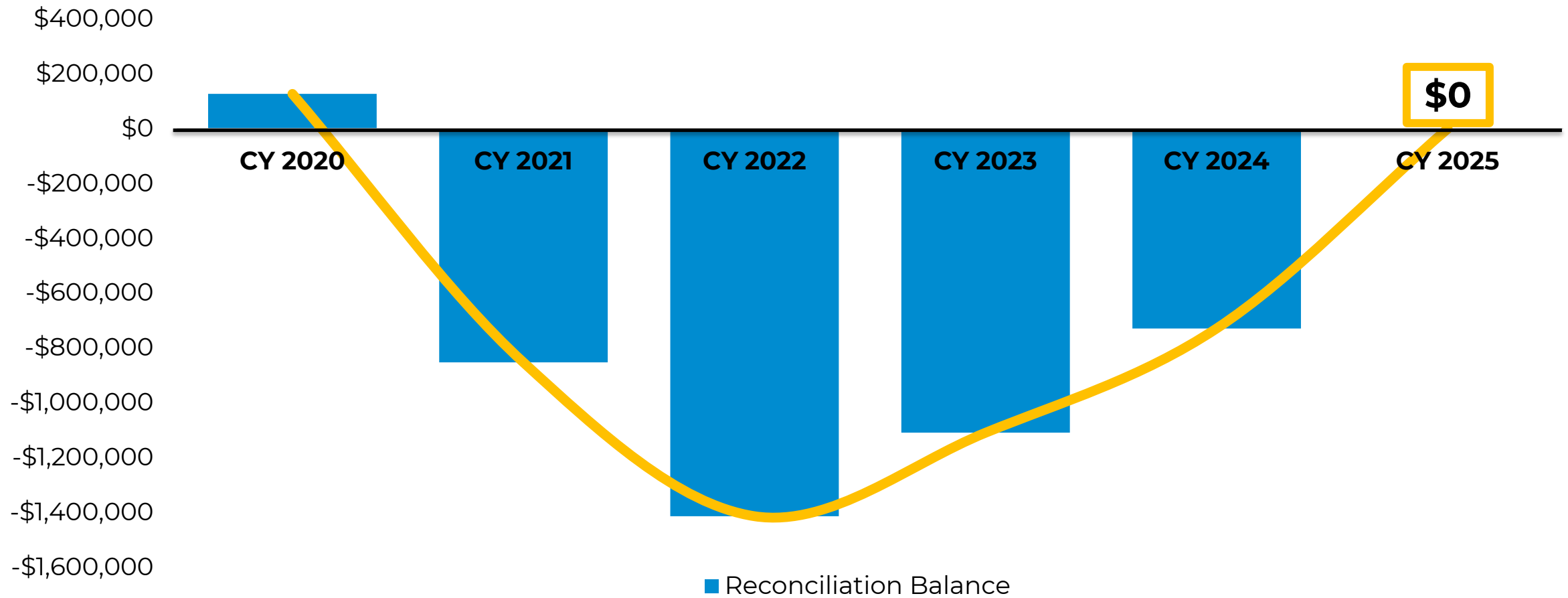
Timing Mismatch

- Costs incurred versus costs recovered

Historical Untreated Water Rates



Annual Reconciliation Balances





2026 Untreated Water Rate Study



Untreated Water Rate Study Objectives

1. **Evaluate alternative methodologies** for establishing untreated water rates
2. **Design and determine untreated water rates** that maintain revenue stability and service reliability, minimize customer impacts to the extent possible, and maintain fairness and equitability of rates
3. **Ensure financial sufficiency** for the untreated water program

Evaluation of Alternative Methodologies



Fixed and Variable Rate Structure – Adds complexity, does not address main issue



Interruptible and Non-Interruptible Rates – Adds complexity and limited practical benefit



Water Supply Cost Surcharge – Adds complexity and potential equity concerns



Multi-Year Rates and Rate Stabilization Reserve – Rate predictability and future financial sufficiency for Untreated Water Program

Key Components and Assumptions

Long-Term Financial Plan



**Cost
Analysis**



**Rate
Determination**



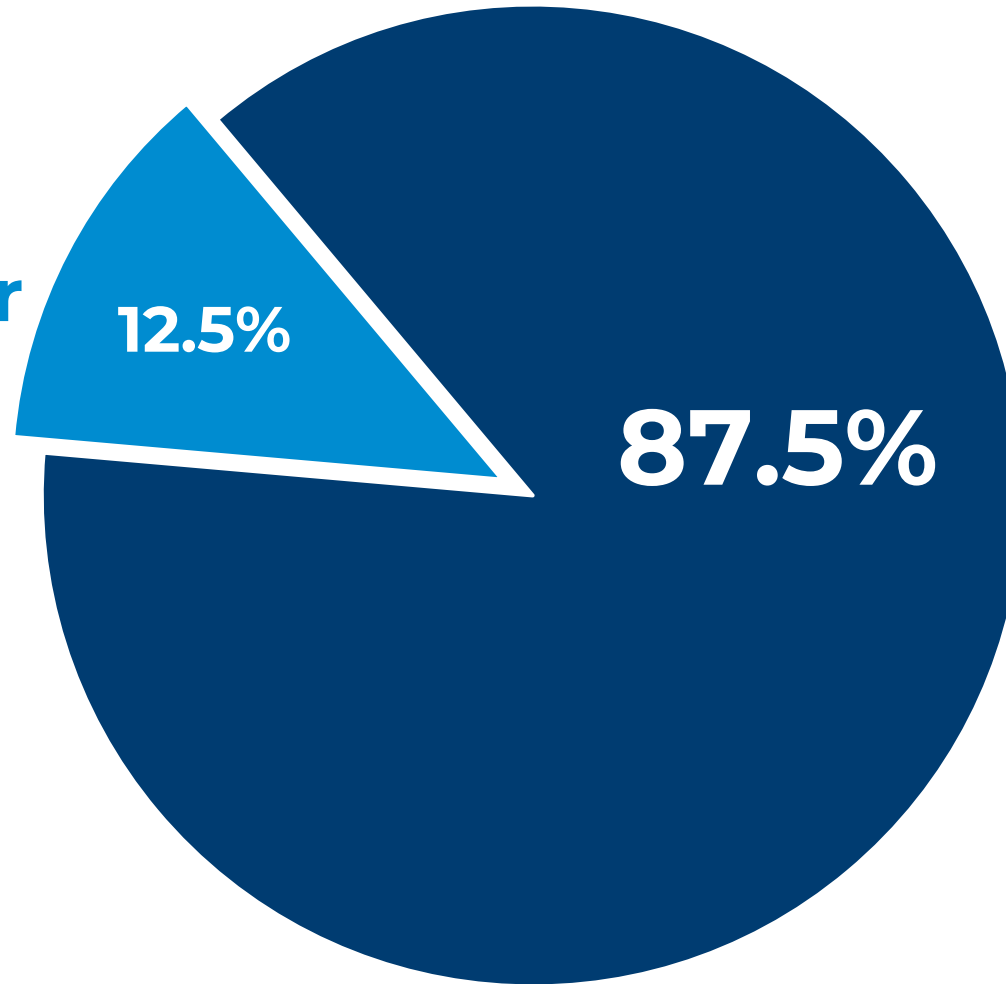
**Long-Term
Financial
Stability**

Key Components and Assumptions

Planned Deliveries and Cost Allocation

2027-2030

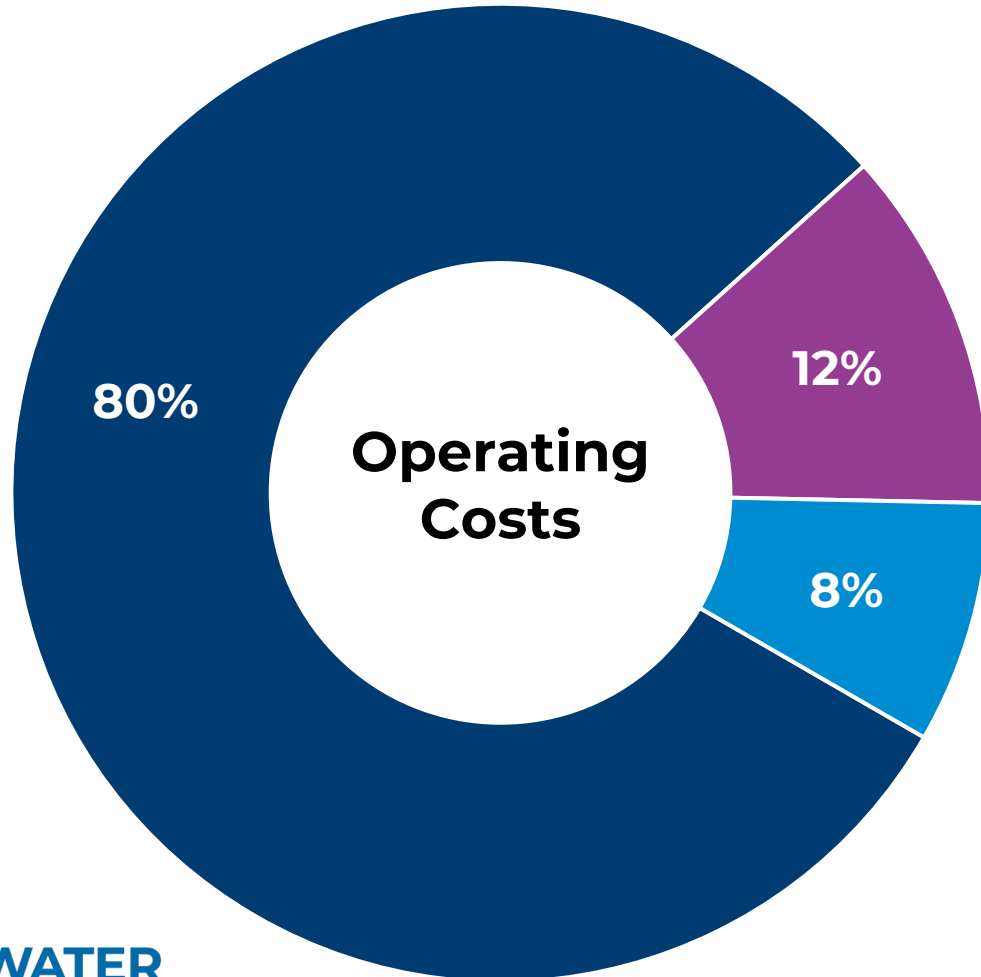
Untreated
5,000 AF/Year



Treated
35,000 AF/Year

Key Components and Assumptions

Operating Costs



Water Supply Costs

State Water Project
Water Transfers / Exchanges
Delta Conveyance
Banked Water Program
Sites Reservoir (New)

Water Service Costs

Agency staff time to manage
water supply portfolio

Overhead

Ongoing costs to run Agency

Key Components and Assumptions

Rate Stabilization Reserve

Four-year average of estimated
untreated rate revenue

Max
\$1.4M

Two-year average of most recent
drought deficit (CY 2021-2022)

Target
\$770K

60 days of current year operating costs
of the Untreated Water Program

Minimum
\$214K

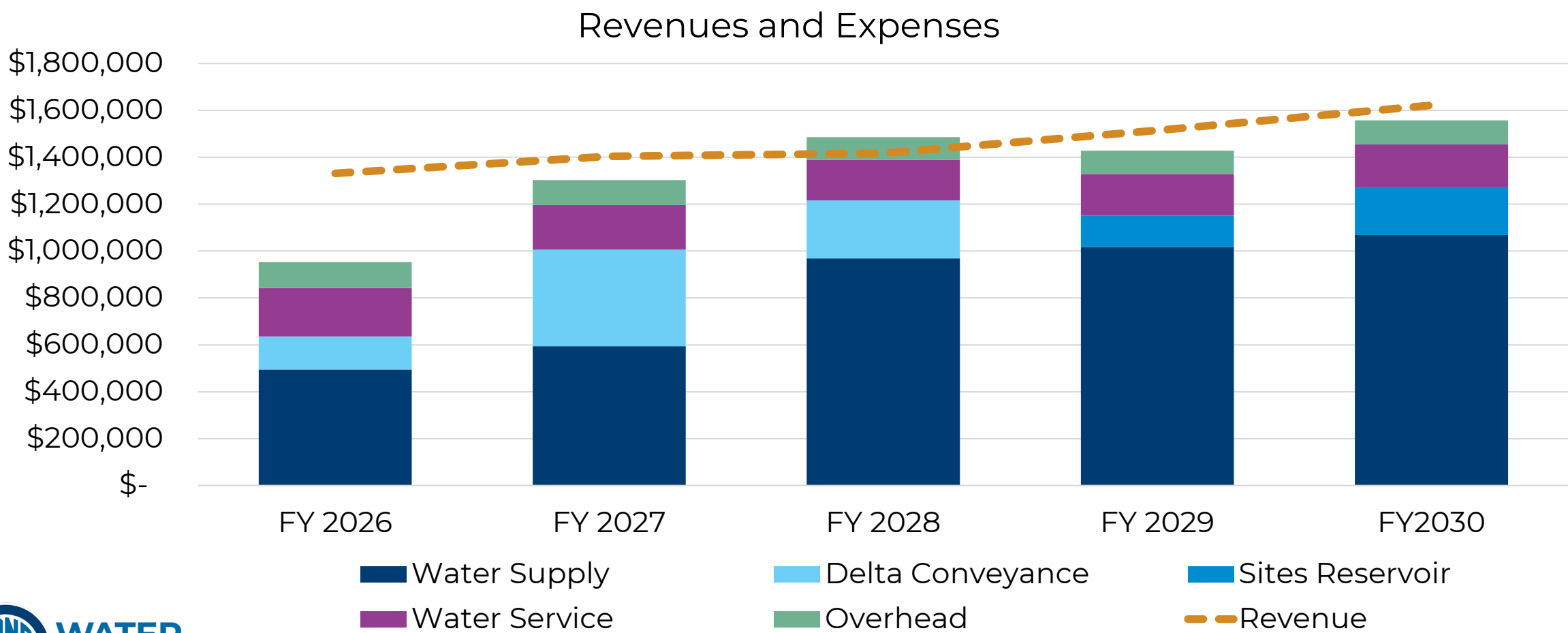
Preliminary Untreated Water Rates 2027-2030

- Recommend 7% annual rate adjustments

	Current Rate	CY 2027	CY 2028	CY 2029	CY 2030
Annual Rate Adjustment	-	7%	7%	7%	7%
Untreated Rate (\$/AF)	\$255	\$273	\$292	\$312	\$334
Untreated Rate w/ Reconciliation (\$/AF)	\$287	-	-	-	-

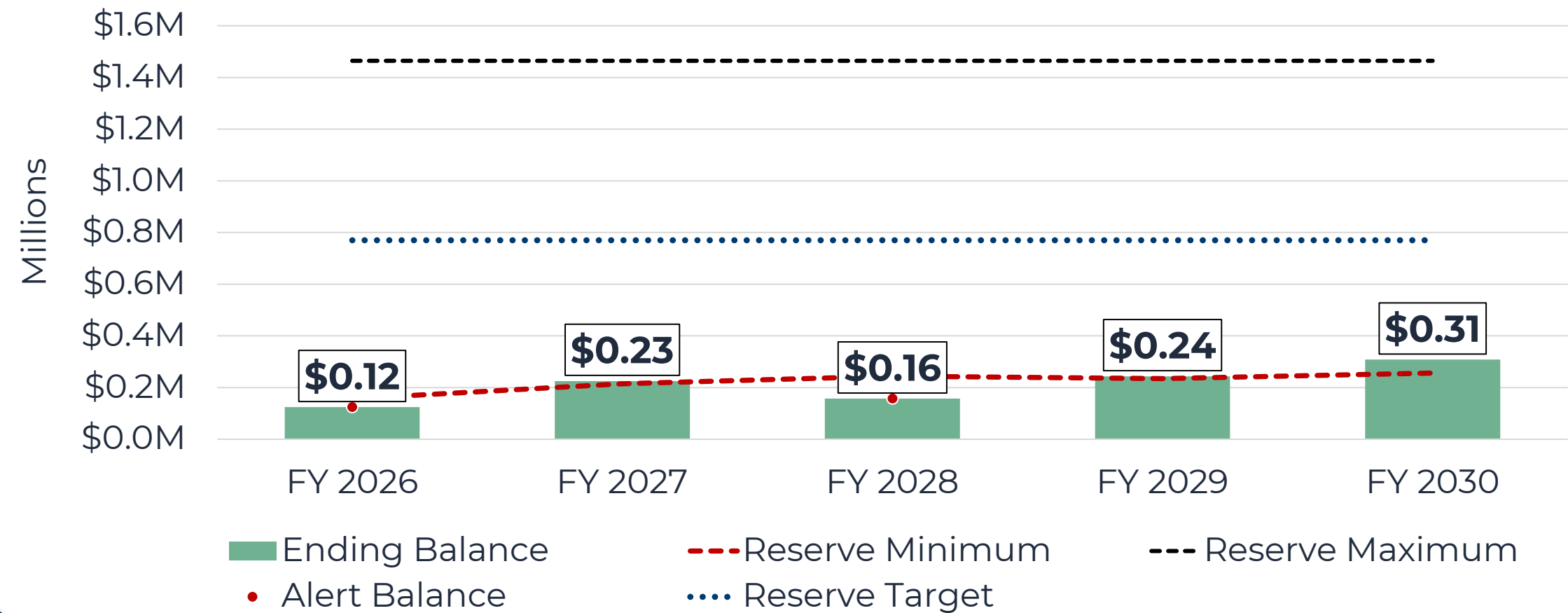
Cash Flow Projections

7% Rate Adjustments



2027-2030 Reserve Balance Projections

7% Rate Adjustments



2027 Preliminary Untreated Water Rate Status Quo

- Preliminary calendar year 2027 rate is \$273/AF
- Annual rate setting and annual reconciliation continue
- Calendar year 2027 Untreated Program begins with \$0 reconciliation balance
- Future rates unknown



Staff Recommendation/Next Steps

1. **Set untreated rates for calendar years 2027-2030**
2. **7% annual rate adjustments**
3. **Establish rate stabilization reserve** - initial contribution from unallocated water transfer sales revenue and projected FY 2026 cash flow savings

Next Steps

- Present Committee's recommendation at October 21, 2026 regular Board meeting for adoption



**WATER
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Discussion/Questions?