

Public Hearing
June 24, 2021

*Water, Recycled and
Wastewater Rate Study*



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Executive Summary

The Elsinore Valley Municipal Water District (District) periodically reviews its utilities to determine if adjustments are required to continue meeting its operational costs, system improvements, and adequate reserve funding based on the adopted reserve policies. The last water cost of service study in 2019 (2019 Report) set rates for Fiscal Years (FY) 2020 through FY 2021. The District delayed variable rate increases on July 1, 2020, to provide relief to customers during the COVID-19 pandemic through April 1, 2021. Wastewater rates have not increased since FY 2019.

The District hired IB Consulting to conduct a financial plan update and set rates for FY 2022 through FY 2025 (Rate Setting Period). The 2019 Report established current rates for FY 2021 by taking the cost of service rates derived for FY 2020 and increasing those rates by the revenue increase for FY 2021, equal to 3.8%. The COVID-19 pandemic impacted usage patterns in FY 2020 and FY 2021 due to “stay-at-home” orders and temporary shut-downs of businesses and schools. Using either FY 2020 or FY 2021 water usage patterns to update the cost of service analysis does not represent a “normal” year. Therefore, the proposed rates maintain the cost of service analysis within the 2019 Report to prevent inadvertently reallocating costs based on temporary and irregular usage patterns in FY 2020 and FY 2021.

The proposed financial plan identifies the revenue requirements over the Rate Setting Period and increases current FY 2021 rates proportionately. With proposed rates maintaining the cost of service analysis from the 2019 Report, Exhibit A incorporates the 2019 Report for reference. A comprehensive cost of service analysis is recommended in the next rate-setting period to determine how usage patterns have normalized post-COVID-19.

Updating a utility’s long-term financial plan and updating rates is a prudent business practice to ensure the utility can fully fund its revenue needs over the next four fiscal years and beyond. As part of reviewing and updating utility rates, the first step is to conduct a thorough review of the financial health of each utility. The potable water utility includes two separate service areas, Elsinore Division and Temescal Division. Wastewater and recycled water are independent enterprises.

Elsinore Division

Based on the 10-year financial plan for the Elsinore Division, revenues from existing rates sufficiently cover operating expenses for FY 2022 through FY 2024, with a slight operating deficit occurring in FY 2025. Besides operating expenses, the Elsinore Division’s capital replacement averages approximately \$10.4M annually throughout the Rate Setting Period. Annual revenues will not be sufficient to fund necessary system improvements at existing rates, and reserves would draw down to cover the remaining capital replacement. This use of reserves would cause the Elsinore Division to not meet minimum reserve requirements, and revenue adjustments are needed to maintain revenue sufficiency.

The Elsinore Division’s water rate structure includes a monthly fixed charge and budget-based commodity rates. Residential customers are on a four-tiered rate structure with budget-based allotments for indoor use, outdoor use, and two inefficient tiers over the total water budget. Irrigation customers are on a three-tiered rate structure with budget-based allotments as a function of outdoor use. Commercial and Institutional customers have a uniform rate, and Inter-Agency includes a three-tiered rate structure. Lastly, the Elsinore Division has dedicated fire line fixed charges and pumping rates that vary by zones.

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The proposed rates maintain the same rate structure that exists today. The recommended rate increases are equivalent to the recommended revenue adjustments applied across the board to all rates. The proposed Elsinore Division rates within this Report include four years of adjustments for FY 2022 through FY 2025, equal to 5.5%, 5.5%, 4.5%, and 4.5%, respectively. The first adjustment will occur on January 1, 2022, with all remaining adjustments occurring on July 1 (2nd adjustment is six months after the 1st adjustment). With the proposed rates, the utility will generate positive net income above operating, fully fund its capital replacement and meet the minimum operating and rate stabilization reserve target by FY 2023¹. Recommended rates have been incorporated into a notice and mailed to each customer as part of the Proposition 218 noticing requirements. The District will hold a Public Hearing on June 24, 2021, on the proposed rates identified in Table 1 through Table 4. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Table 1: Elsinore Division Proposed Monthly Fixed Charges

Fixed Charges (\$/Month)					
Revenue Adjustmte	N/A	5.5%	5.5%	4.5%	4.5%
Meter Size	Existing	FY 2022	FY 2023	FY 2024	FY 2025
	[A]	[B] = A x 1.055	[C] = B x 1.055	[D] = C x 1.045	[E] = D x 1.045
3/4"	\$28.70	\$30.28	\$31.95	\$33.39	\$34.90
1"	\$47.83	\$50.47	\$53.25	\$55.65	\$58.16
1 1/2"	\$95.67	\$100.94	\$106.50	\$111.30	\$116.31
2"	\$153.07	\$161.49	\$170.38	\$178.05	\$186.07
3"	\$306.14	\$322.98	\$340.75	\$356.09	\$372.12
4"	\$478.35	\$504.66	\$532.42	\$556.38	\$581.42
6"	\$956.69	\$1,009.31	\$1,064.83	\$1,112.75	\$1,162.83
8"	\$1,530.70	\$1,614.89	\$1,703.71	\$1,780.38	\$1,860.50
10"	\$4,018.10	\$4,239.10	\$4,472.26	\$4,673.52	\$4,883.83
12"	\$5,070.46	\$5,349.34	\$5,643.56	\$5,897.53	\$6,162.92

¹ The Proposed financial plan assumes water usage does not fall below 22,299 acre feet of water sales based on historical usage, and future expenses do not exceed the projected costs identified herein.

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Table 2: Elsinore Division Proposed Variable Rates

Commodity Rates (\$/HCF)					
Revenue Adjustment	N/A	5.5%	5.5%	4.5%	4.5%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Customer Class	[A]	[B] = A x 1.055%	[C] = B x 1.055%	[D] = C x 1.045%	[E] = D x 1.045%
Residential					
Tier 1	\$2.43	\$2.57	\$2.72	\$2.85	\$2.98
Tier 2	\$3.20	\$3.38	\$3.57	\$3.74	\$3.91
Tier 3	\$5.77	\$6.09	\$6.43	\$6.72	\$7.03
Tier 4	\$7.52	\$7.94	\$8.38	\$8.76	\$9.16
Irrigation					
Tier 1	\$3.18	\$3.36	\$3.55	\$3.71	\$3.88
Tier 2	\$6.12	\$6.46	\$6.82	\$7.13	\$7.46
Tier 3	\$8.58	\$9.06	\$9.56	\$10.00	\$10.45
Commercial	\$3.13	\$3.31	\$3.50	\$3.66	\$3.83
Institutional	\$3.13	\$3.31	\$3.50	\$3.66	\$3.83
Inter-Agency Wholesale					
Tier 1	\$2.65	\$2.80	\$2.96	\$3.10	\$3.24
Tier 2	\$4.74	\$5.01	\$5.29	\$5.53	\$5.78
Tier 3	\$6.78	\$7.16	\$7.56	\$7.91	\$8.27

Table 3: Elsinore Division Proposed Dedicated Fire Line Rates

Dedicated Fire Line Charges (\$/Month)					
Revenue Adjustment	N/A	5.5%	5.5%	4.5%	4.5%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Connection Size	[A]	[B] = A x 1.055%	[C] = B x 1.055%	[D] = C x 1.045%	[E] = D x 1.045%
2"	\$2.66	\$2.81	\$2.97	\$3.11	\$3.25
3"	\$4.11	\$4.34	\$4.58	\$4.79	\$5.01
4"	\$9.26	\$9.77	\$10.31	\$10.78	\$11.27
6"	\$26.87	\$28.35	\$29.91	\$31.26	\$32.67
8"	\$57.28	\$60.44	\$63.77	\$66.64	\$69.64
10"	\$102.99	\$108.66	\$114.64	\$119.80	\$125.20
12"	\$166.35	\$175.50	\$185.16	\$193.50	\$202.21

Table 4: Elsinore Division Proposed Power Rates

Pumping Rates (\$/HCF)					
Revenue Adjustment	N/A	5.5%	5.5%	4.5%	4.5%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Zone	[A]	[B] = A x 1.055%	[C] = B x 1.055%	[D] = C x 1.045%	[E] = D x 1.045%
Zone 1	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16
Zone 2	\$0.29	\$0.31	\$0.33	\$0.35	\$0.37
Zone 3	\$1.52	\$1.61	\$1.70	\$1.78	\$1.87

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Temescal Division

Based on the 10-year financial plan for the Temescal Division, revenues from existing rates sufficiently cover operating expenses for FY 2022 and FY 2023; however, starting in FY 2024, an annual 20-year repayment of \$300k commences. The repayment is for a General Fund loan used for well replacement and rehabilitation. Besides operating expenses, the Temescal Division’s annual capital replacement ranges from \$250k to \$400k through the Rate Setting Period. Annual revenues will not be sufficient to fund operating expenses once the General Fund repayment begins, and reserves would draw down to cover the operating deficit and capital replacement. Revenue adjustments are needed to meet revenue requirements, including minimum reserve requirements.

The Temescal Division’s water rate structure includes a monthly fixed charge and budget-based commodity rates. The recommended Temescal Division revenue adjustments for FY 2022 through FY 2025 equal 11% for each of the four years. The rate structure is similar to the Elsinore Division, with fixed charges and pumping rates equivalent to the Elsinore Division. Temescal Division variable rates recover the remaining revenue needs after accounting for the revenues generated by the fixed charges and pumping rates. As a result, the variable rate increases for the Rate Setting Period equal 15.72%, 15.59%, 15.79%, and 15.22%, respectively. The first adjustment will occur on January 1, 2022, with all remaining adjustments occurring on July 1 (2nd adjustment is six months after the 1st adjustment). With the proposed rates, the utility will generate positive net income above operating, fully fund its current capital replacement needs and meet the minimum operating and rate stabilization reserve through the Rate Setting Period². Recommended rates have been incorporated into a notice and mailed to each customer as part of the Proposition 218 noticing requirements. The District will hold a Public Hearing on June 24, 2021, on the proposed rates identified in Table 5 through Table 7. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Table 5: Temescal Division Proposed Monthly Fixed Charges

Fixed Charges (\$/Month)						
Meter Size	Existing	FY 2022	FY 2023	FY 2024	FY 2025	
3/4"	\$28.70	\$30.28	\$31.95	\$33.39	\$34.90	
1"	\$47.83	\$50.47	\$53.25	\$55.65	\$58.16	
1 1/2"	\$95.67	\$100.94	\$106.50	\$111.30	\$116.31	
2"	\$153.07	\$161.49	\$170.38	\$178.05	\$186.07	
3"	\$306.14	\$322.98	\$340.75	\$356.09	\$372.12	
4"	\$478.35	\$504.66	\$532.42	\$556.38	\$581.42	
6"	\$956.69	\$1,009.31	\$1,064.83	\$1,112.75	\$1,162.83	
8"	\$1,530.70	\$1,614.89	\$1,703.71	\$1,780.38	\$1,860.50	
10"	\$4,018.10	\$4,239.10	\$4,472.26	\$4,673.52	\$4,883.83	
12"	\$5,070.46	\$5,349.34	\$5,643.56	\$5,897.53	\$6,162.92	

² The Proposed financial plan assumes water usage does not fall below 384 acre feet of water sales based on historical usage, and future expenses do not exceed the projected costs identified herein.

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Table 6: Temescal Division Proposed Variable Rates

Commodity Rate (\$/HCF)					
Rate Adjustments		15.72%	15.59%	15.79%	15.22%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
	[A]	[B] = A x 1.1572	[C] = B x 1.1559	[D] = C x 1.1579	[E] = D x 1.1522
Residential					
Tier 1	\$1.19	\$1.38	\$1.60	\$1.86	\$2.15
Tier 2	\$2.36	\$2.74	\$3.17	\$3.68	\$4.25
Tier 3	\$3.45	\$4.00	\$4.63	\$5.37	\$6.19
Tier 4	\$9.03	\$10.45	\$12.08	\$13.99	\$16.12
Irrigation					
Tier 1	\$2.07	\$2.40	\$2.78	\$3.22	\$3.72
Tier 2	\$3.86	\$4.47	\$5.17	\$5.99	\$6.91
Tier 3	\$9.92	\$11.48	\$13.28	\$15.38	\$17.73
Commercial	\$2.00	\$2.32	\$2.69	\$3.12	\$3.60

Table 7: Temescal Division Proposed Power Rates

Power Rates (\$/HCF)					
Zone	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Zone 1	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16
Zone 2	\$0.29	\$0.31	\$0.33	\$0.35	\$0.37
Zone 3	\$1.52	\$1.61	\$1.70	\$1.78	\$1.87

Recycled Water

Based on the 10-year financial plan for the recycled water enterprise, revenues from existing rates sufficiently cover operating expenses through the Rate Setting Period. However, operating net income is not enough to fully fund capital replacement and maintain minimum reserves requirements. At existing rates, reserves would draw down to cover the planned capital replacement for the recycled water system. Therefore, revenue adjustments are needed to fund capital replacement while meeting minimum reserve requirements.

The recycled water rate structure includes a monthly fixed charge and budget-based commodity rates. The recommended recycled water revenue adjustments for FY 2022 through FY 2025 equal 5%, 4%, 3.5%, and 3.5%, respectively. The rate structure is similar to the Elsinore Division, with fixed charges and pumping rates equivalent to the Elsinore Division. Recycled water variable rates recover the remaining revenue needs after accounting for the revenues generated by the fixed charges and pumping rates. As a result, the variable rate increases for the Rate Setting Period equal 4.74%, 3.60%, 1.48%, and 4.67%, respectively. This first adjustment will occur on January 1, 2022, with all remaining adjustments occurring on July 1 (2nd adjustment is six months after the 1st adjustment). With the proposed rates, the utility will generate sufficient positive net income above operating to fully fund its capital replacement and meet the minimum operating and rate

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stabilization reserves through the Rate Setting Period³. Recommended rates have been incorporated into a notice and mailed to each customer as part of the Proposition 218 noticing requirements. The District will hold a Public Hearing on June 24, 2021, on the proposed rates identified in Table 8 through Table 10. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Table 8: Recycled Water Proposed Monthly Fixed Charges

Fixed Charges (\$/Month)					
Meter Size	Existing	FY 2022	FY 2023	FY 2024	FY 2025
3/4"	\$28.70	\$30.28	\$31.95	\$33.39	\$34.90
1"	\$47.83	\$50.47	\$53.25	\$55.65	\$58.16
1 1/2"	\$95.67	\$100.94	\$106.50	\$111.30	\$116.31
2"	\$153.07	\$161.49	\$170.38	\$178.05	\$186.07
3"	\$306.14	\$322.98	\$340.75	\$356.09	\$372.12
4"	\$478.35	\$504.66	\$532.42	\$556.38	\$581.42
6"	\$956.69	\$1,009.31	\$1,064.83	\$1,112.75	\$1,162.83
8"	\$1,530.70	\$1,614.89	\$1,703.71	\$1,780.38	\$1,860.50
10"	\$4,018.10	\$4,239.10	\$4,472.26	\$4,673.52	\$4,883.83
12"	\$5,070.46	\$5,349.34	\$5,643.56	\$5,897.53	\$6,162.92

Table 9: Recycled Water Proposed Variable Rates

Commodity Rates (\$/HCF)					
Revenue Adjustments	Existing	FY 2022	FY 2023	FY 2024	FY 2025
		4.74%	3.60%	1.48%	4.67%
Customer Class	[A]	[B] = A x 1.0474	[C] = B x 1.0360	[D] = C x 1.048	[E] = D x 1.0467
Recycled					
Tier 1	\$2.44	\$2.56	\$2.66	\$2.70	\$2.83
Tier 2	\$4.22	\$4.42	\$4.58	\$4.65	\$4.87
Tier 3	\$5.40	\$5.66	\$5.87	\$5.96	\$6.24

Table 10: Recycled Water Proposed Power Rates

Power Rates (\$/HCF)					
Zone	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Zone 1	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16
Zone 2	\$0.29	\$0.31	\$0.33	\$0.35	\$0.37
Zone 3	\$1.52	\$1.61	\$1.70	\$1.78	\$1.87

³ The Proposed financial plan assumes water usage does not fall below 1,193 acre feet of recycled water sales based on historical usage, and future expenses do not exceed the projected costs identified herein.

Wastewater Utility

Based on the 10-year financial plan for the wastewater enterprise, revenues from existing rates sufficiently cover operating expenses through the Rate Setting Period. Reserves have built up over the past several years and will be drawn down to help fund debt service payments on the upgrades/rehabilitation project of the Regional wastewater treatment plant. The starting rate stabilization reserve balance for FY 2021 was approximately \$8.8M and will help offset the treatment plant repair and replacement project. Proposed revenue adjustments over the Rate Setting Period, equal to 4%, 4%, 4.25%, and 4.25%, respectively, will maintain healthy reserve balances throughout the Rate Setting Period.

Wastewater rates include a monthly fixed charge to all accounts, including each residential unit. Residential wastewater variable rates are connected to each customer's indoor water budget allotment, based on indoor water efficiency standards of 55 gallons per capita per day (gpcd) times the number of people per household (PPH). As residential customers request changes to their indoor Tier 1 water allotment to account for the number of people living at their residence, wastewater charges change accordingly. Non-Residential variable rates are based on water usage and vary based on commercial use. Non-residential variable rates differ based on the expected strength concentrations of influent, measured by Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS).

Like the water enterprises, the rate structure is not changing and strength concentrations, as reported by the State Water Resource Board, remain the same for each customer class. Non-Residential flows from the previous study represent a typical year not influenced by the COVID-19 pandemic. Therefore, increasing current rates by the proposed revenue adjustments maintain the last cost of service analysis. This first adjustment will occur on January 1, 2022, with all remaining adjustments occurring on July 1 (2nd adjustment is six months after the 1st adjustment). Furthermore, Canyon Lake customers pay a monthly surcharge to cover their share of debt service on the 2008B Certificates of Participation (COPs). The surcharge is not proposed to increase and will continue until the 2008B COPs, or any subsequent bonds issued due to refunding the 2008B COPs, are fully retired. With the proposed rates, the utility will generate sufficient positive net income above operating expenses to fully fund its capital replacement and meet the minimum operating and rate stabilization reserves through the Rate Setting Period. Recommended rates have been incorporated into a notice and mailed to each customer as part of the Proposition 218 noticing requirements. The District will hold a Public Hearing on June 24, 2021, on the proposed rates identified in Table 11 and Table 12. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

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Table 11: Wastewater Proposed Monthly Fixed Charges

Fixed Charge (\$/Month)						
Revenue Adjustment	N/A	4.00%	4.00%	4.25%	4.25%	
	Existing	FY 2022	FY 2023	FY 2024	FY 2025	
Customer Class	[A]	[B] = A x 1.04%	[C] = B x 1.04%	[D] = C x 1.0425%	[E] = D x 1.0425%	
Residential	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88	
Multifamily	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88	
Commercial II	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88	
Commercial III	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88	
Commercial IV	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88	
Institutional	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88	
Schools	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88	

Table 12: Wastewater Proposed Variable Rates

Variable Rates						
Revenue Adjustment	N/A	4.00%	4.00%	4.25%	4.25%	
	Existing	FY 2022	FY 2023	FY 2024	FY 2025	
Customer Class	[A]	[B] = A x 1.04%	[C] = B x 1.04%	[D] = C x 1.0425%	[E] = D x 1.0425%	
\$/PPH						
Residential	\$6.93	\$7.21	\$7.50	\$7.82	\$8.16	
Multifamily	\$6.93	\$7.21	\$7.50	\$7.82	\$8.16	
\$/HCF						
Commercial II	\$4.15	\$4.32	\$4.50	\$4.70	\$4.90	
Commercial III	\$5.00	\$5.20	\$5.41	\$5.64	\$5.88	
Commercial IV	\$9.29	\$9.67	\$10.06	\$10.49	\$10.94	
Institutional	\$3.76	\$3.92	\$4.08	\$4.26	\$4.45	
Schools	\$3.76	\$3.92	\$4.08	\$4.26	\$4.45	

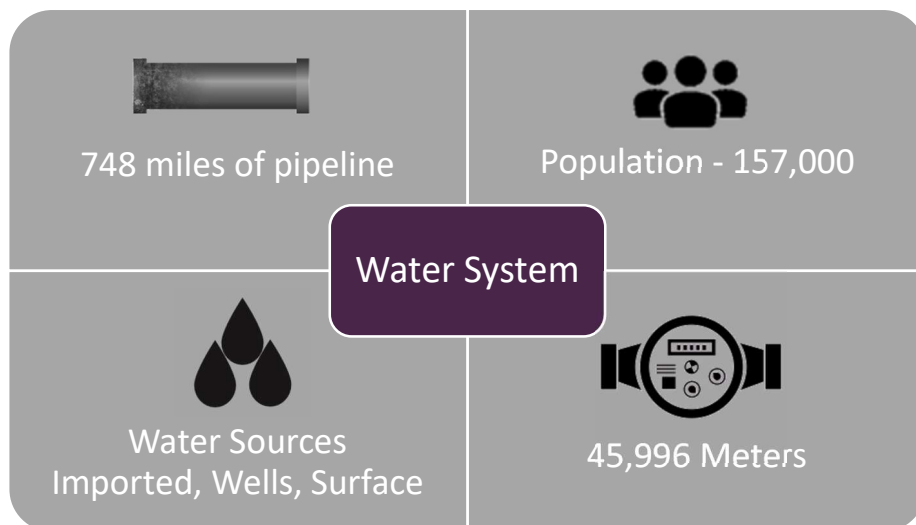
Water Utility

Water System

Elsinore Valley Municipal Water District (District) provides potable water to two main water service areas — the Elsinore Division and the Temescal Division. The District boundary spans approximately 97-square miles and serves a population of 157,000 people through about 46,000 connections (45,257 in the Elsinore Division and 739 in the Temescal Division). The District’s service area includes Lake Elsinore, Canyon Lake, Murrieta, Wildomar, and the unincorporated communities of The Farm, Lakeland Village, Cleveland Ridge, Rancho Capistrano, El Cariso Village, Horsethief Canyon, Sedco, and Temescal Canyon.

As a sub-member agency of the Metropolitan Water District of Southern California (MWD) via Western Municipal Water District (WMWD), the District relies on imported water for approximately 65% of its potable water supply, with the remaining demand met by local surface water and groundwater.

Figure 1: Elsinore Valley MWD Water System



Elsinore Division Water Financial Plan Overview

Accounts

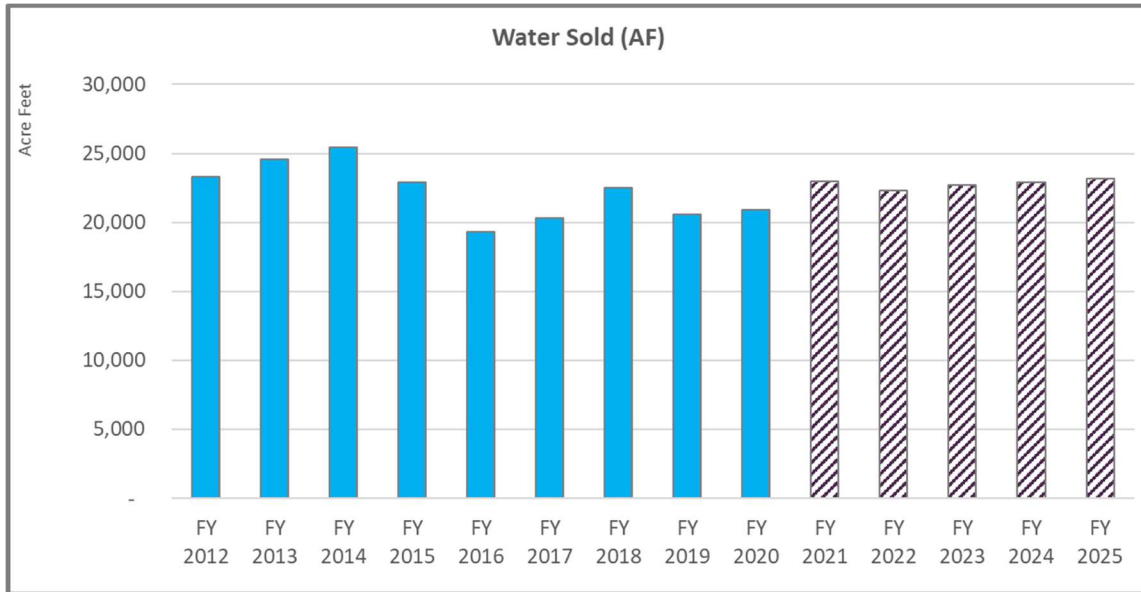
For FY 2022, the District is projecting a total of 45,709 active accounts, within the Elsinore Division, as summarized in Table 13.

Table 13: Accounts by Meter Size

Meter Size	Accounts
3/4"	42,440
1"	2,047
1 1/2"	384
2"	729
3"	40
4"	51
6"	10
8"	6
10"	2
Total	45,709

In 2013 the State issued mandatory conservation requirements to combat the effects of the prolonged drought on California’s water supplies. District customers responded by significantly reducing their water consumption. Since the elimination of the mandatory conservation, sales have rebounded but not to the levels of pre-drought usage. Customers have made permanent changes to reduce their consumption and continue to use water more efficiently through budget-based rates. Figure 2 shows both historical water sales and projected water sales in acre-feet. FY 2022 water sales include projected account growth and factors in reducing total sales from the previous year. FY 2020 and FY 2021 were impacted by changes in usage patterns from COVID-19, with businesses shut down during specific periods and more people at home during the stay-at-home orders.

Figure 2: Water Sales



As previously mentioned, the existing rate structure consists of a monthly fixed meter charge, a budget-based rate structure, and pumping rates by zone. The current and proposed rate structure consists of a 4-tiered budget-based rate structure for residential customers, a 3-tiered budget-based rate structure for irrigation customers, uniform rates for non-residential customers, and traditional tiers for Inter-Agency. A budget-based rate structure accounts for the unique water needs of each customer while encouraging water efficiency. Budget-based tiered allotments define the purpose of each tier and the criteria used to derive each account’s water budget. Irrigation accounts do not receive an indoor budget and include an outdoor water budget based on the account’s irrigable area. Commercial and Institutional are structured as uniform rates because the water needs between various non-residential land uses can vary substantially. **The proposed rate structure maintains the same rate structure that exists today.** Table 14 summarizes the water budget allocations.

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 14: Water Budget Allocations

Account Type	Water Budgets Allotments	Water Budget Formulas	Variance (V)	Drought Factor (DF)
Residential	Tier 1 = IWB	$\frac{\text{Household Size} \times 55 \text{ gpcd} \times \text{Units} \times \text{Billing Days}}{748.05}$	IWB+VF	-
	Tier 2 = OWB	$\frac{\text{Irrigable SF Area} \times \text{ET}_0 \times \text{ETAF} \times 0.623 \text{ gallons}}{748.05}$	OWB+VF	(OWB+VF) x DF
	Tier 3 = 30% of OWB	OWB x 0.3	N/A	(OWB x 0.3) x DF
	Tier 4 = N/A	All usage over Tier 3 Allotment	N/A	N/A
Irrigation	Tier 1 = OWB	$\frac{\text{Irrigable SF Area} \times \text{ET}_0 \times \text{ETAF} \times 0.623 \text{ gallons}}{748.05}$	OWB+VF	(OWB+VF) x DF
	Tier 2 = 30% of OWB	OWB x 0.3	N/A	(OWB x 0.3) x DF
	Tier 3 = N/A	All usage over Tier 2 Allotment	N/A	N/A

Legend:

Household Size: Number of persons per household. The District’s policy is to provide adequate water for health and safety needs and minimize customer complaints and requests for variances. As such the default values for a residential household is 4 persons per Single-Family Residential dwelling and 3 person per Multi-Family Residential dwelling. Customers may file a variance request to adjust Household Size.

gpcd: Gallons per Capita per Day.

Units: Residential dwelling units connected to the account.

Billing Days: Number of days between meter reads.

Irrigable SF Area: The irrigable area in square feet served by each account’s meter(s).

ET₀: Evapotranspiration is the sum of evaporation of water from the soil surface plus transpiration (water loss) from the plant/crop itself. ET₀ is the amount of water use by well-irrigated, mowed grass.

ETAF: Evapotranspiration Adjustment Factor is a percentage of ET₀ based on the amount of water needed for turf during a given month.

VF: Variance Factor provides additional Water Budget to either IWB or OWB based on unique circumstances, which must be approved by the District. Indoor variances may include, but not limited to, additional persons per household, medical needs, and livestock. Outdoor variances may include, but not limited to pool, adjustment to ETAF based on type of crop.

DF: Drought Factor reduces Water Budgets during drought conditions. Default percentage is set to 100% during non-drought periods.

0.623: Conversion factor to determine volume in cubic feet of one inch of rain over one square foot. (1 inch = 0.0833 ft ➡ 0.0833x1ftx1ft = 0.0833ft³ ➡ 0.083 ft³ x 7.48 gallons / ft³ = 0.623 gallons)

Existing monthly fixed charges are identified in Table 15, followed by variable rates in Table 16. Table 17 and Table 18 identify dedicated fire line charges and pumping rates by zone, respectively. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 15: FY 2021 Elsinore Division Monthly Fixed Charges

Existing	
Fixed Charges	(\$/Month)
3/4"	\$28.70
1"	\$47.83
1 1/2"	\$95.67
2"	\$153.07
3"	\$306.14
4"	\$478.35
6"	\$956.69
8"	\$1,530.70
10"	\$4,018.10
12"	\$5,070.46

Table 16: FY 2021 Elsinore Division Variable Rates

Existing	
Customer Class	(\$/HCF)
Residential	
Tier 1	\$2.43
Tier 2	\$3.20
Tier 3	\$5.77
Tier 4	\$7.52
Irrigation	
Tier 1	\$3.18
Tier 2	\$6.12
Tier 3	\$8.58
Commercial	\$3.13
Institutional	\$3.13
Inter-Agency Wholesale	
Tier 1	\$2.65
Tier 2	\$4.74
Tier 3	\$6.78

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 17: FY 2021 Elsinore Division Monthly Dedicated Fire Line Charges

Existing	
Connection Size	(\$/Month)
2"	\$2.66
3"	\$4.11
4"	\$9.26
6"	\$26.87
8"	\$57.28
10"	\$102.99
12"	\$166.35

Table 18: FY 2021 Elsinore Division Pumping Rates

Existing	
Power Zones	(\$/HCF)
Zones	
Zone 1	\$0.12
Zone 2	\$0.29
Zone 3	\$1.52

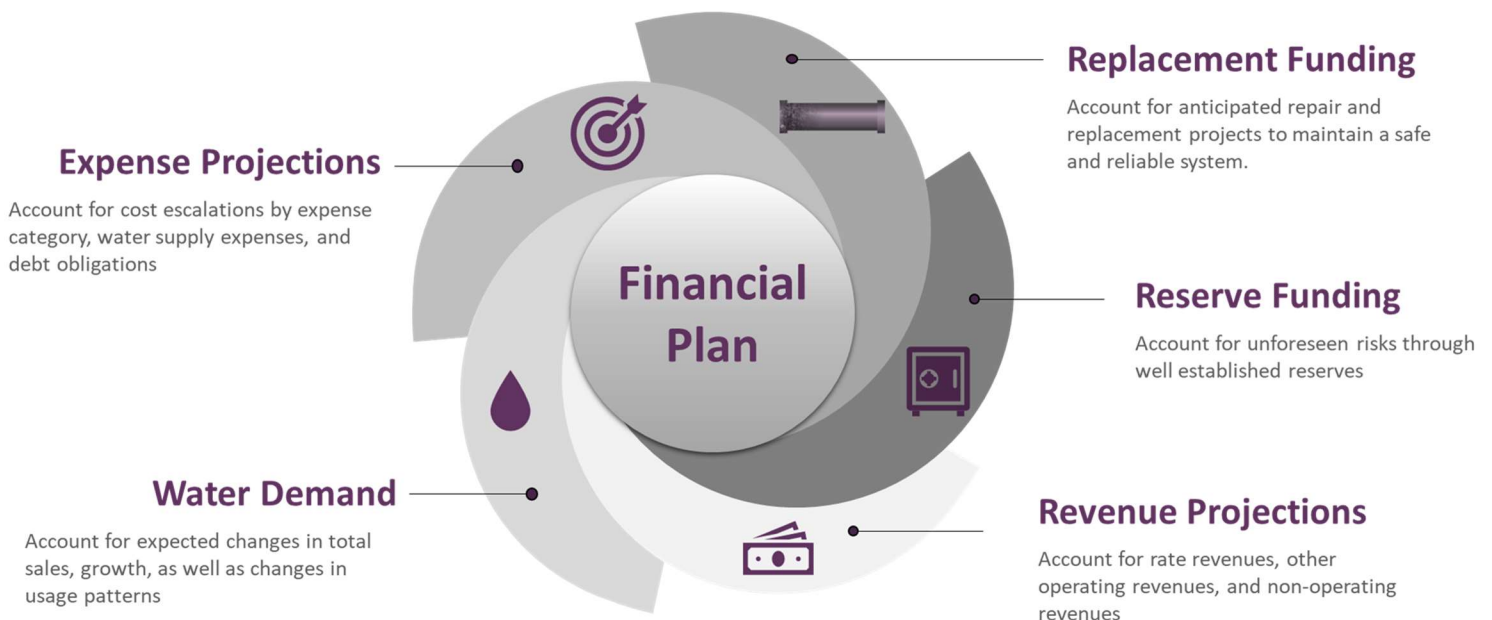
Financial Planning

Financial planning incorporates numerous considerations, including projecting revenues and forecasting expected costs using various inflationary adjustments. Utilities also need to account for changes in water demand driven by variations in weather, water availability, state mandates, growth, and economic factors. In addition, replacement funding, reserves, and debt compliance all influence the revenues needed in future years. Therefore, a comprehensive financial plan reviews the following:

- 1) Historical water sales and consumption patterns to determine an appropriate level of usage for projecting future water use.
- 2) Operational costs may change over the planning period due to inflation and any new expenditures incurred to meet strategic goals, state mandates, or changes in operations.
- 3) Multi-year system improvement needs are scheduled based on priority. This review also considers available funding sources to complete projects such as pay-as-you-go (PAYGO), grants, loans, and debt financing.
- 4) Reserve funding to meet adopted reserve policies. The goal is to generate adequate cash on hand to mitigate financial risks related to operating cash flow needs, unexpected increases in expenses, shortages in system reinvestment, and mitigating potential system failures.

Figure 3 illustrates the key elements when developing a long-term financial plan.

Figure 3: Financial Plan Key Elements



Financial Planning Assumptions

Developing a long-term financial plan requires an understanding of the utility’s financial position by evaluating existing revenue streams, ongoing expenses, how those expenses will change over time, existing debt requirements, and reserve policies. Certain assumptions are required for projecting revenues, expenses, and expected ending fund balances. The biennial FY 2022 and FY 2023 budget was used as the baseline for non-rate revenues and expenses. **Table 19** identifies assumptions used for forecasting non-rate revenues and the number of meters over the Rate Setting Period based on discussions with staff and expected growth. **Table 20** identifies water usage assumptions through the Rate Setting Period based on historical usage while accounting for growth.

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 21 identifies assumptions used for forecasting expenses over the Rate Setting Period based on discussions with staff and their review of historical trends and anticipated increases to Benefits, Utilities, Salaries, and Water Purchases. Capital Construction and General Costs inflation factors are based on the Engineer’s News Record and Consumer Price Index to reflect trends in construction and services, respectively.

Table 19: Elsinore Division Assumptions for Forecasting Revenues - Meters

Key Assumptions	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Escalation				
Non-Rate Revenues	Budget	Budget	0.0%	0.0%
Reserve Interest	Budget	Budget	1.0%	1.0%
Account Growth	1.0%	1.0%	1.0%	1.0%
Customer Accounts	FY 2022	FY 2023	FY 2024	FY 2025
<u>Meter Size</u>				
3/4"	42,440	42,864	43,293	43,726
1"	2,047	2,067	2,088	2,109
1 1/2"	384	388	392	396
2"	729	736	743	750
3"	40	40	40	40
4"	51	52	53	54
6"	10	10	10	10
8"	6	6	6	6
10"	2	2	2	2
12"	0	0	0	0
Total Elsinore Meters	45,709	46,165	46,627	47,093
Private Fire Lines	FY 2022	FY 2023	FY 2024	FY 2025
<u>Connection Size</u>				
2"	2	2	2	2
3"	1	1	1	1
4"	120	120	120	120
6"	174	174	174	174
8"	131	131	131	131
10"	57	57	57	57
12"	3	3	3	3
Total Line Size Meters	488	488	488	488

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 20: Elsinore Division Assumptions for Forecasting Revenues – Water Usage

Consumption by Customer Class (HCF)	FY 2022	FY 2023	FY 2024	FY 2025
Residential				
Tier 1	4,410,231	4,498,435	4,543,419	4,588,853
Tier 2	2,585,157	2,636,860	2,663,229	2,689,861
Tier 3	221,192	223,404	225,638	227,894
Tier 4	363,212	366,844	370,512	374,217
Subtotal Residential Consumption	7,579,792	7,725,543	7,802,798	7,880,825
Irrigation				
Tier 1	1,055,843	1,066,401	1,077,065	1,087,836
Tier 2	138,133	139,515	140,910	142,319
Tier 3	173,564	175,299	177,052	178,823
Subtotal Irrigation Consumption	1,367,540	1,381,215	1,395,027	1,408,978
Commercial	489,559	494,455	499,400	504,394
Institutional	47,380	48,328	48,811	49,299
Inter-Agency Wholesale				
Tier 1	107,299	108,372	109,456	110,551
Tier 2	21,023	21,233	21,445	21,659
Tier 3	7,954	8,033	8,113	8,194
Subtotal Inter-Agency Wholesale Consumption	136,276	137,638	139,014	140,404
Construction	92,989	93,919	94,858	95,807
Total Consumption	9,713,537	9,881,098	9,979,908	10,079,707
Power Zone Usage (HCF)	FY 2022	FY 2023	FY 2024	FY 2025
Zone 1	2,187,237	2,224,967	2,247,216	2,269,688
Zone 2	7,498,822	7,628,179	7,704,460	7,781,505
Zone 3	27,475	27,949	28,228	28,510
Total Power Usage	9,713,534	9,881,095	9,979,904	10,079,703

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 21: Assumptions for Forecasting Expense Requirements

Key Assumptions	Notes:	FY 2022	FY 2023	FY 2024	FY 2025
Expenditure Escalation					
Benefits		Budget	Budget	5.0%	5.0%
Capital Construction	ENR 20-City 20-Yr Avg	Budget	Budget	3.2%	3.2%
Utilities		Budget	Budget	0.0%	0.0%
General Costs	CPI - LA 5-Yr Avg	Budget	Budget	2.7%	2.7%
Salaries		Budget	Budget	3.0%	3.0%
Water Purchases		Budget	Budget	4.8%	3.4%
Water Loss					
% of total production		5.0%	5.0%	5.0%	5.0%

Current Financial Position

Revenues

Revenues generated by existing rates (Table 15 through Table 18) are calculated using the account data and water usage forecast identified in Table 19 and Table 20. Table 22 shows the calculated rate revenues through the Rate Setting Period. The detailed calculations are also within the rate model on file with the District. Table 23 summarizes calculated rate revenues and other non-rate revenues available through the Rate Setting Period with future projections rounded to the nearest thousands.

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 22: Elsinore Division Calculated Rate Revenues

Fixed Revenues	FY 2022	FY 2023	FY 2024	FY 2025
Fixed Revenues				
Monthly Fixed Meter Charge	\$18,332,281	\$18,512,976	\$18,695,967	\$18,880,335
Fire Service Lateral Charge	\$236,030	\$236,030	\$236,030	\$236,030
Total District O&M Fixed Revenue	\$18,568,311	\$18,749,006	\$18,931,997	\$19,116,366
Variable Revenues	FY 2022	FY 2023	FY 2024	FY 2025
Elsinore				
Residential				
Tier 1	\$10,716,861	\$10,931,197	\$11,040,508	\$11,150,913
Tier 2	\$8,272,501	\$8,437,952	\$8,522,333	\$8,607,555
Tier 3	\$1,276,281	\$1,289,041	\$1,301,931	\$1,314,948
Tier 4	\$2,731,354	\$2,758,667	\$2,786,250	\$2,814,112
Elsinore Variable Revenue	\$22,996,997	\$23,416,857	\$23,651,022	\$23,887,528
Irrigation				
Tier 1	\$3,357,580	\$3,391,155	\$3,425,067	\$3,459,318
Tier 2	\$845,377	\$853,832	\$862,369	\$870,992
Tier 3	\$1,489,177	\$1,504,065	\$1,519,106	\$1,534,301
Irrigation Variable Revenue	\$5,692,134	\$5,749,052	\$5,806,542	\$5,864,612
Commercial	\$1,532,321	\$1,547,644	\$1,563,122	\$1,578,753
Institutional	\$148,301	\$151,267	\$152,778	\$154,306
Inter-Agency Wholesale				
Tier 1	\$284,342	\$287,186	\$290,058	\$292,960
Tier 2	\$99,649	\$100,644	\$101,649	\$102,664
Tier 3	\$53,928	\$54,464	\$55,006	\$55,555
Inter-Agency Wholesale Variable Revenue	\$437,919	\$442,294	\$446,714	\$451,179
Construction	\$510,509	\$515,615	\$520,770	\$525,980
Total Variable Rate Revenue	\$31,318,181	\$31,822,729	\$32,140,949	\$32,462,359
Power Zone Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Elsinore				
Zone 1	\$262,468	\$266,996	\$269,666	\$272,363
Zone 2	\$2,174,658	\$2,212,172	\$2,234,293	\$2,256,636
Zone 3	\$41,762	\$42,482	\$42,907	\$43,335
Elsinore Power Commodity Revenue	\$2,478,889	\$2,521,650	\$2,546,866	\$2,572,334
Total Rate Revenue	\$52,365,381	\$53,093,386	\$53,619,812	\$54,151,059

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 23: Elsinore Division Projected Revenues

Revenue Summary	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue				
Monthly Fixed Revenue	\$18,568,000	\$18,749,000	\$18,932,000	\$19,116,000
Commodity Revenue	\$31,318,000	\$31,823,000	\$32,141,000	\$32,462,000
Power Revenue	\$2,479,000	\$2,522,000	\$2,547,000	\$2,572,000
Subtotal Rate Revenue	\$52,365,000	\$53,094,000	\$53,620,000	\$54,150,000
Other Revenues				
Low Income Credit - Cell site Leases	-\$460,000	-\$470,000	-\$470,000	-\$470,000
Accrued Water Revenues	\$0	\$0	\$0	\$0
Service Revenues	\$1,076,000	\$1,556,000	\$1,556,000	\$1,556,000
Non-Operating Revenues	\$853,000	\$773,000	\$773,000	\$773,000
Subtotal Other Revenues	\$1,469,000	\$1,859,000	\$1,859,000	\$1,859,000
Total Revenues	\$53,834,000	\$54,953,000	\$55,479,000	\$56,009,000

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Expenses

The biennial FY 2022 and FY 2023 budget was used as the baseline expenses of the utility and adjusted in subsequent years based on the escalation factors shown in Table 21. Table 24 provides projected Operational & Maintenance (O&M) costs through FY 2025. Each expense category includes detailed line items discussed with staff to determine the appropriate escalation factor for forecasting how costs will increase over time. “Other Transfers Out” include transfers to recycled water enterprise as a supplemental water source to avoid imported water costs.

Table 24: Elsinore Division Projected O&M Expenses

Expenses	FY 2022	FY 2023	FY 2024	FY 2025
O&M Expenses				
Purchased Water Expenses	\$21,654,000	\$22,970,000	\$24,293,000	\$25,348,000
Reservoirs Expenses	\$718,000	\$732,000	\$756,000	\$780,000
Wells Expenses	\$3,137,000	\$3,073,000	\$3,140,000	\$3,209,000
Pumping and Booster Stations Expenses	\$3,967,000	\$4,121,000	\$4,234,000	\$4,386,000
Canyon Lake Water Treatment Plant Expenses	\$738,000	\$751,000	\$774,000	\$797,000
Transmission and Distribution Expenses	\$3,900,000	\$3,968,000	\$4,100,000	\$4,237,000
Meter Reading	\$53,000	\$56,000	\$58,000	\$60,000
Meter Testing & Replacement Expenses	\$1,101,000	\$1,129,000	\$1,167,000	\$1,206,000
New Meter Installation Expenses	\$318,000	\$319,000	\$328,000	\$337,000
Laboratory Expenses	\$0	\$0	\$5,000	\$11,000
Billable to Outside Sources Expenses	\$77,000	\$80,000	\$82,000	\$84,000
Water Conservation Expenses	\$412,000	\$452,000	\$466,000	\$480,000
Back Basin Water Treatment Plant Expenses	\$465,000	\$482,000	\$498,000	\$515,000
Division Administrative Expenses (Allocated)	\$13,932,000	\$14,381,000	\$14,801,000	\$15,235,000
Subtotal O&M Expenses	\$50,472,000	\$52,514,000	\$54,702,000	\$56,685,000
Other Expenses				
Non-Operating Expenses	\$79,000	\$59,000	\$61,000	\$63,000
Subtotal Other Expenses	\$79,000	\$59,000	\$61,000	\$63,000
Total Expenses	\$50,551,000	\$52,573,000	\$54,763,000	\$56,748,000
Transfers	FY 2022	FY 2023	FY 2024	FY 2025
Direct Reserve Transfers				
Transfers In/(Out) From/(To) Reserves	\$411,670	\$0	\$0	\$0
Transfers In/(Out) From/(To) Operating Reserve	(\$507,603)	(\$408,107)	(\$437,697)	(\$396,600)
Subtotal Direct Reserve Transfers	(\$95,933)	(\$408,107)	(\$437,697)	(\$396,600)
Transfers In/(Out)				
Transfers In	\$5,278,251	\$4,120,000	\$3,177,000	\$1,754,000
Transfer Out To AMI Loan Phase 3	(\$138,920)	(\$138,920)	(\$138,920)	(\$138,920)
Transfer Out To Revenue Bond	(\$157,639)	(\$157,879)	(\$158,124)	(\$158,359)
Transfer Out To Elsinore Water Replacement Fund	(\$9,390,387)	(\$10,015,387)	(\$10,690,387)	(\$11,390,387)
Other Transfers Out	(\$521,716)	(\$521,716)	(\$521,716)	(\$521,716)
Subtotal Transfers In/(Out)	(\$4,930,411)	(\$6,713,902)	(\$8,332,147)	(\$10,455,381)
Net Transfers	(\$5,026,345)	(\$7,122,008)	(\$8,769,843)	(\$10,851,981)

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Reserves

Figure 4: Utility Reserves



Established reserves include Operating Reserve, Replacement Reserve, Rate Stabilization Reserve, and a few Restricted Reserves. These robust reserves help mitigate risks to the utility by ensuring sufficient cash is on hand for daily operations and to fund annual system improvements. In addition, these reserves help smooth rates and mitigate rate spikes due to emergencies or above-average system costs. The most recent adopted reserve policies identify the function of each reserve, and Table 25 summarizes the minimum reserve requirements and the ideal funding targets of each reserve.

Table 25: Reserve Requirements and Targets

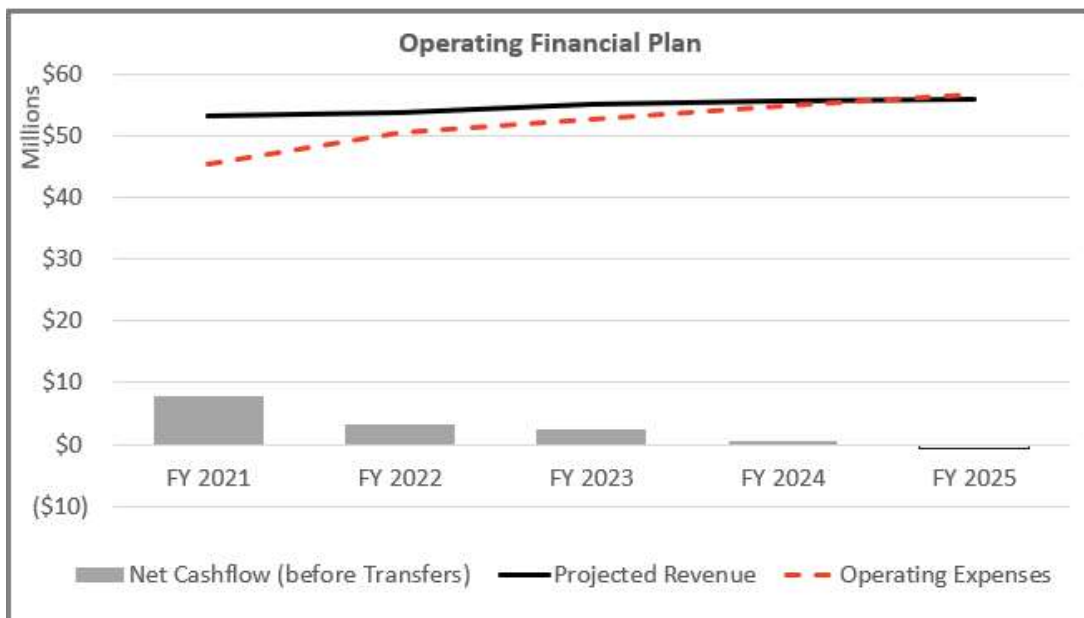
Reserve	Minimum Requirement	Reserve Target
Operating	20% of operating costs	20% of operating costs
Replacement	N/A	100% of annual depreciation
Rate Stabilization	15% of operating costs	15% - 30% of operating costs
Restricted Reserves		
Power	10% of electric costs	10% of electric costs
Turf Replacement	N/A	N/A
Conservation	N/A	N/A

The total reserve balances as of July 1, 2021, are projected to equal approximately \$17.4M.

Financial Outlook at Existing Rates

Calculating revenue using existing rates and projecting expenses helps determine the current financial health of the utility. Revenue from existing rates is sufficient to fund O&M through FY 2024, but expenses exceed existing revenue by FY 2025. Furthermore, capital replacement is increasing each year to continue adequate system reinvestment over the Rate Setting Period, which will generate additional pressure to raise rates. Net operating income can fund a portion of system replacement funding, resulting in reserves covering the remaining amounts. Figure 5 illustrates the operating position of the utility, with O&M expenses shown with the dashed red trendline and total revenues at existing rates displayed by the horizontal black trendline. The bars represent the amount of net operating income available for capital replacement and reserve funding.

Figure 5: Current Operating Financial Position



Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Figure 6 identifies the capital replacement from FY 2021 through FY 2025 and exceeds a total of \$50M in system reinvestment. Figure 7 reflects the projected ending balances of reserves after funding operating expenses and capital replacement. By FY 2025, funding would not be available for ongoing system improvements at existing rates.

Figure 6: Elsinore Division Capital Replacement Plan

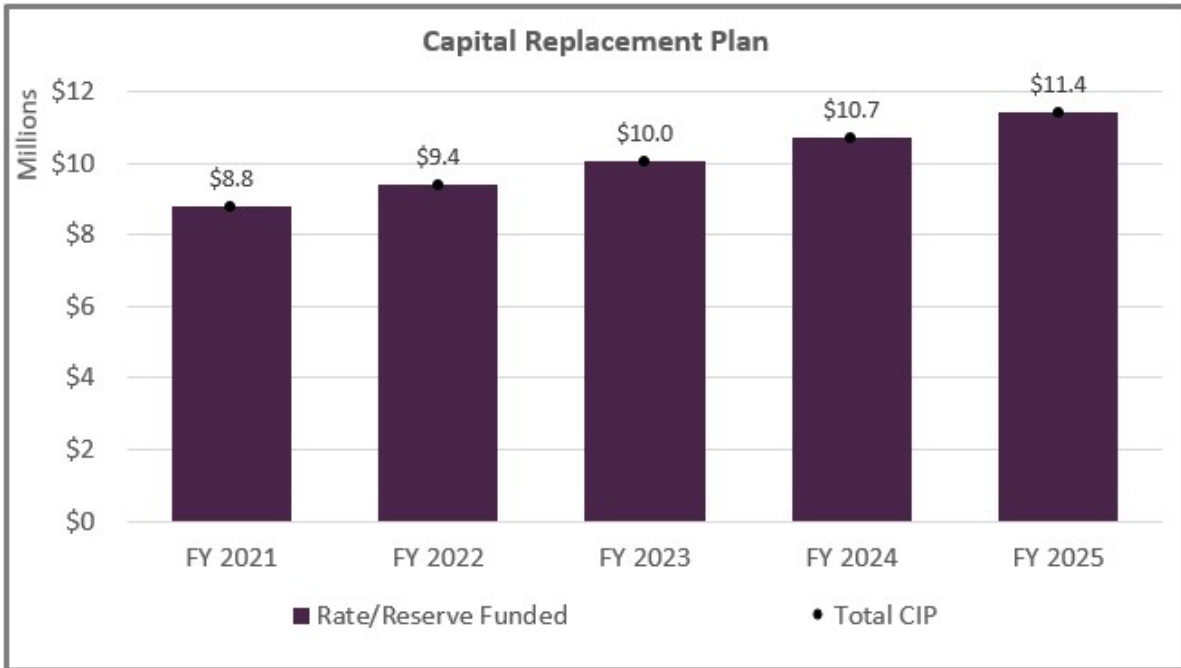
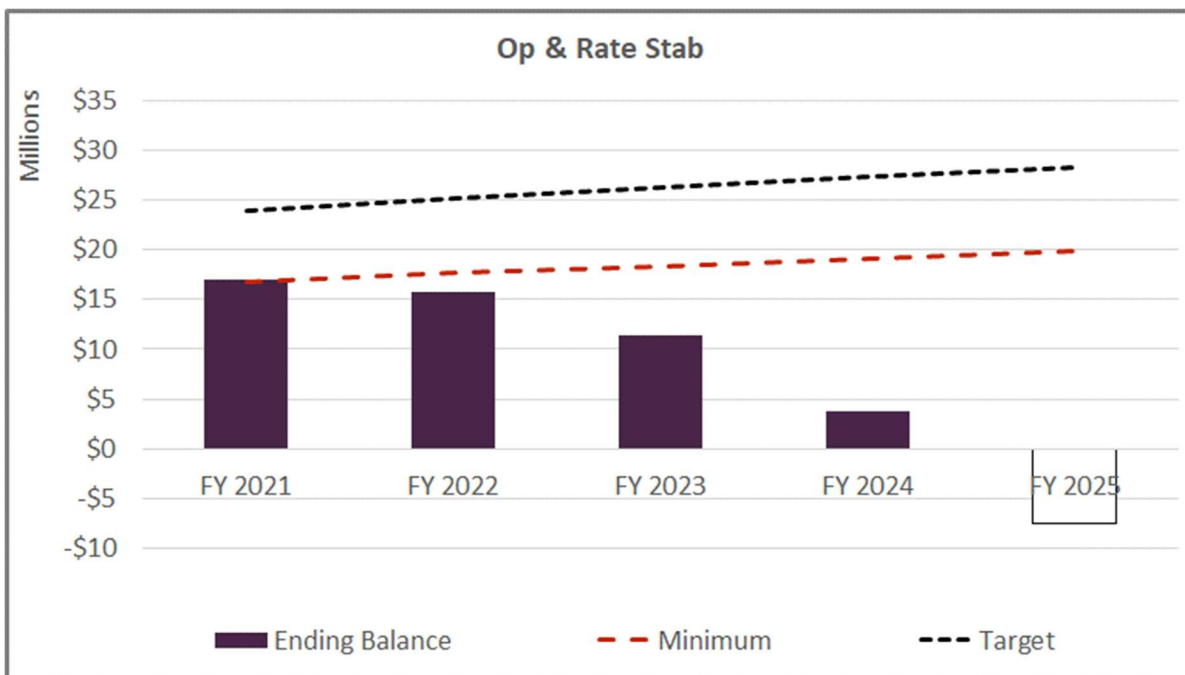


Figure 7: Projected Ending Operating and Rate Stabilization Reserves



Elsinore Division Proposed Financial Plan

A proposed financial plan can be developed from the financial outlook at existing rates to fund the multi-year revenue requirements. Based on funding capital replacement over the Rate Setting Period and ensuring reserves meet minimum targets, the Elsinore Division requires revenue adjustments equal to 5.5%, 5.5%, 4.5%, and 4.5% for FY 2022 through FY 2025, respectively. Table 26 forecasts projected revenues and expenses over the Rate Setting Period, with revenue adjustments through FY 2025. Table 27 takes net operating from Table 26 and identifies net cash after direct transfers.

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Table 26: Elsinore Division Proposed Financial Plan

Revenue	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue					
Monthly Fixed Revenue	\$18,380,583	\$18,568,000	\$18,749,000	\$18,932,000	\$19,116,000
Commodity Revenue	\$30,904,172	\$31,318,000	\$31,823,000	\$32,141,000	\$32,462,000
Power Revenue	\$2,587,478	\$2,479,000	\$2,522,000	\$2,547,000	\$2,572,000
Total Rate Revenue	\$51,872,233	\$52,365,000	\$53,094,000	\$53,620,000	\$54,150,000
Additional Revenue (from Dashboard - revenue adjustments):					
Fiscal Year	Revenue Adjustment	Effective Month			
FY 2022	5.5%	January	\$1,440,000	\$2,920,000	\$2,949,000
FY 2023	5.5%	July		\$3,081,000	\$3,111,000
FY 2024	4.5%	July			\$2,686,000
FY 2025	4.5%	July			\$2,834,000
Total Additional Revenue	\$0	\$1,440,000	\$6,001,000	\$8,746,000	\$11,666,000
Projected Rate Revenue	\$51,872,233	\$53,805,000	\$59,095,000	\$62,366,000	\$65,816,000
Other Revenues					
Low Income Credit - Cell site Leases	\$0	(\$460,000)	(\$470,000)	(\$470,000)	(\$470,000)
Service Revenues	\$977,467	\$1,076,000	\$1,556,000	\$1,556,000	\$1,556,000
Non-Operating Revenues	\$355,760	\$853,000	\$773,000	\$773,000	\$773,000
Subtotal Other Revenues	\$1,333,227	\$1,469,000	\$1,859,000	\$1,859,000	\$1,859,000
Total Revenues	\$53,205,460	\$55,274,000	\$60,954,000	\$64,225,000	\$67,675,000
Expenses	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
O&M Expenses					
Purchased Water Expenses	\$20,142,900	\$21,654,000	\$22,970,000	\$24,293,000	\$25,348,000
Reservoirs Expenses	\$594,211	\$718,000	\$732,000	\$756,000	\$780,000
Wells Expenses	\$2,632,899	\$3,137,000	\$3,073,000	\$3,140,000	\$3,209,000
Pumping and Booster Stations Expenses	\$2,947,678	\$3,967,000	\$4,121,000	\$4,234,000	\$4,386,000
Canyon Lake Water Treatment Plant Expenses	\$243,764	\$738,000	\$751,000	\$774,000	\$797,000
Transmission and Distribution Expenses	\$3,483,979	\$3,900,000	\$3,968,000	\$4,100,000	\$4,237,000
Meter Reading	\$62,679	\$53,000	\$56,000	\$58,000	\$60,000
Meter Testing & Replacement Expenses	\$1,469,236	\$1,101,000	\$1,129,000	\$1,167,000	\$1,206,000
New Meter Installation Expenses	\$392,959	\$318,000	\$319,000	\$328,000	\$337,000
Laboratory Expenses	\$0	\$0	\$0	\$5,000	\$11,000
Billable to Outside Sources Expenses	\$75,970	\$77,000	\$80,000	\$82,000	\$84,000
Water Conservation Expenses	\$193,892	\$412,000	\$452,000	\$466,000	\$480,000
Back Basin Water Treatment Plant Expenses	\$632,054	\$465,000	\$482,000	\$498,000	\$515,000
Division Administrative Expenses (Allocated)	\$12,323,954	\$13,932,000	\$14,381,000	\$14,801,000	\$15,235,000
Subtotal O&M Expenses	\$45,196,176	\$50,472,000	\$52,514,000	\$54,702,000	\$56,685,000
Other Expenses					
Non-Operating Expenses	\$82,939	\$79,000	\$59,000	\$61,000	\$63,000
Subtotal Other Expenses	\$82,939	\$79,000	\$59,000	\$61,000	\$63,000
Total Expenses	\$45,279,115	\$50,551,000	\$52,573,000	\$54,763,000	\$56,748,000
Net Operating	\$7,926,345	\$4,723,000	\$8,381,000	\$9,462,000	\$10,927,000

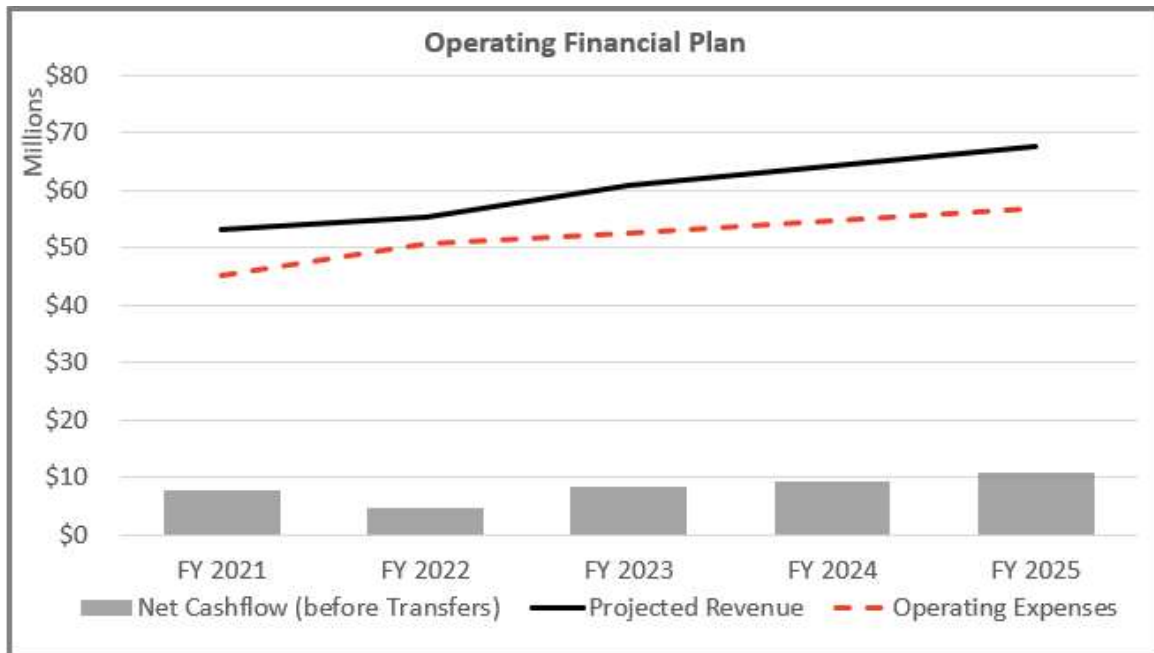
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Table 27: Elsinore Division Direct Transfers

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Net Operating	\$7,926,345	\$4,723,000	\$8,381,000	\$9,462,000	\$10,927,000
Transfers					
Direct Reserve Transfers					
Transfers In/(Out) From/(To) Reserves	\$193,892	\$411,670	\$0	\$0	\$0
Transfers In/(Out) From/(To) Operating Reserve	(\$347,040)	(\$507,603)	(\$408,107)	(\$437,697)	(\$396,600)
Subtotal Direct Reserve Transfers	\$886,490	(\$95,933)	(\$408,107)	(\$437,697)	(\$396,600)
Transfers In/(Out)					
Transfers In	\$3,300,000	\$5,278,251	\$4,120,000	\$3,177,000	\$1,754,000
Transfer Out To AMI Loan Phase 3	(\$138,920)	(\$138,920)	(\$138,920)	(\$138,920)	(\$138,920)
Transfer Out To Revenue Bond	(\$157,420)	(\$157,639)	(\$157,879)	(\$158,124)	(\$158,359)
Transfer Out To Elsinore Water Replacement Fund	(\$8,765,387)	(\$9,390,387)	(\$10,015,387)	(\$10,690,387)	(\$11,390,387)
Other Transfers Out	(\$1,003,015)	(\$521,716)	(\$521,716)	(\$521,716)	(\$521,716)
Subtotal Transfers In/(Out)	(\$6,764,741)	(\$4,930,411)	(\$6,713,902)	(\$8,332,147)	(\$10,455,381)
Net Transfers	(\$5,878,251)	(\$5,026,345)	(\$7,122,008)	(\$8,769,843)	(\$10,851,981)
Net Cash	\$2,048,094	(\$303,345)	\$1,258,992	\$692,157	\$75,019

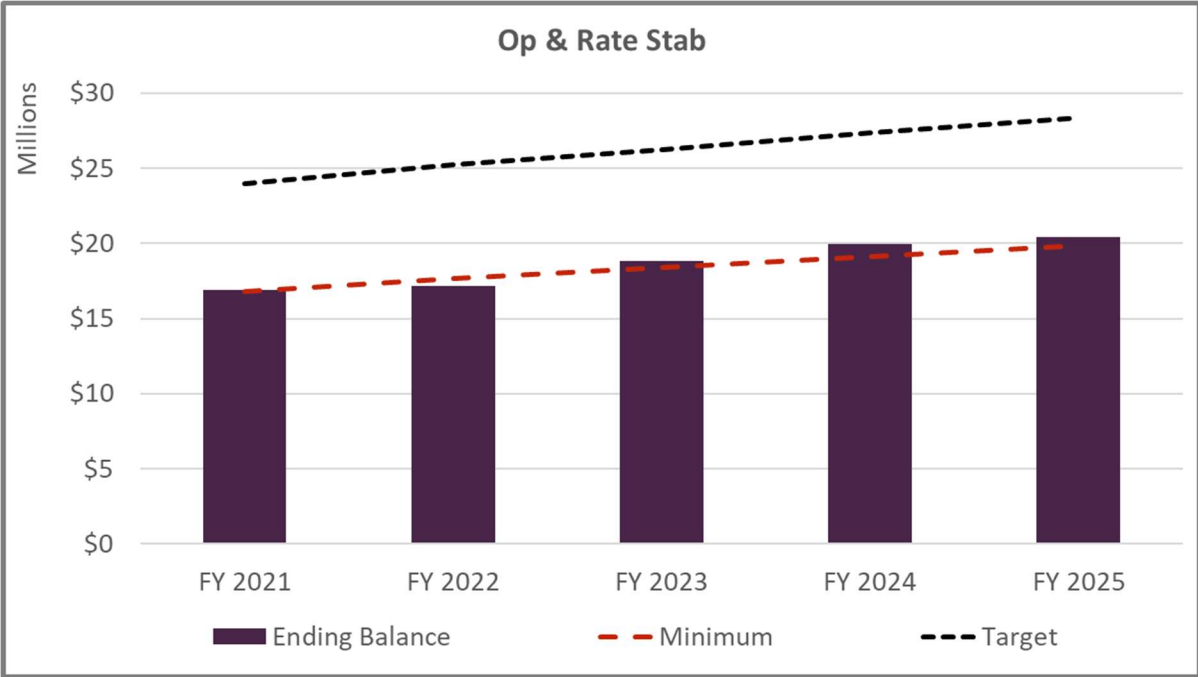
Figure 8 identifies the operating position based on the proposed financial plan, and Figure 9 projects ending operating and rate stabilization reserve balances after funding capital replacement.

Figure 8: Elsinore Division Proposed Operating Position



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Figure 9: Elsinore Division Proposed Ending Operating and Rate Stabilization Reserves



Cost of Providing Service – Elsinore Division

As previously mentioned, the most recent cost of service analysis occurred in 2019, and Exhibit A includes the 2019 Report for reference. The 2019 study does not have any short-term impacts from the COVID-19 pandemic and is considered a standard year of customer usage patterns. The updated financial plan and revenue requirements over the Rate Setting Period incorporate expected growth and changes in total water sales.

Revenue Requirements

With FY 2022 as the first year of the proposed rate schedule, revenue requirements for FY 2022 through FY 2025 are determined. Revenue requirements include O&M expenses, debt service, available offsets from non-rate revenues, annual net income, and any mid-year adjustments if rates are effective after the start of the fiscal year. For FY 2022, proposed rates will not go into effect until January 1, 2022. Therefore, to calculate rates for FY 2022, the FY 2022 revenue requirement must annualize the proposed revenue adjustment, as shown under the line item entitled – “Adjustment for Mid-Year Increase.”

Funding the capital replacement plan and replenishing reserves to meet or exceed the minimum reserve requirement is achieved over the Rate Setting Period. The proposed revenue adjustments and corresponding rates accumulate the necessary revenue over the Rate Setting Period to fund the scheduled capital replacement and comply with minimum operating and rate stabilization reserve requirements. The results of the financial plan analysis are summarized in Table 28 and represent the revenue required from rates over the Rate Setting Period.

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Table 28: Elsinore Division Revenue Requirements

	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Requirements				
O&M Expenses				
Purchased Water Expenses	\$21,654,000	\$22,970,000	\$24,293,000	\$25,348,000
Reservoirs Expenses	\$718,000	\$732,000	\$756,000	\$780,000
Wells Expenses	\$3,137,000	\$3,073,000	\$3,140,000	\$3,209,000
Pumping and Booster Stations Expenses	\$3,967,000	\$4,121,000	\$4,234,000	\$4,386,000
Canyon Lake Water Treatment Plant Expenses	\$738,000	\$751,000	\$774,000	\$797,000
Transmission and Distribution Expenses	\$3,900,000	\$3,968,000	\$4,100,000	\$4,237,000
Meter Reading	\$53,000	\$56,000	\$58,000	\$60,000
Meter Testing & Replacement Expenses	\$1,101,000	\$1,129,000	\$1,167,000	\$1,206,000
New Meter Installation Expenses	\$318,000	\$319,000	\$328,000	\$337,000
Laboratory Expenses	\$0	\$0	\$5,000	\$11,000
Billable to Outside Sources Expenses	\$77,000	\$80,000	\$82,000	\$84,000
Water Conservation Expenses	\$412,000	\$452,000	\$466,000	\$480,000
Back Basin Water Treatment Plant Expenses	\$465,000	\$482,000	\$498,000	\$515,000
Division Administrative Expenses (Allocated)	\$13,932,000	\$14,381,000	\$14,801,000	\$15,235,000
Total O&M Expenses	\$50,472,000	\$52,514,000	\$54,702,000	\$56,685,000
Other Expenses				
Non-Operating Expenses	\$79,000	\$59,000	\$61,000	\$63,000
Total Other Expenses	\$79,000	\$59,000	\$61,000	\$63,000
Other Expenses				
Direct Transfers	\$95,933	\$408,107	\$437,697	\$396,600
Other Transfers	\$4,930,411	\$6,713,902	\$8,332,147	\$10,455,381
Total Other Expenses	\$5,026,345	\$7,122,008	\$8,769,843	\$10,851,981
Revenue Offsets				
Low Income Credit - Cell site Leases	\$460,000	\$470,000	\$470,000	\$470,000
Accrued Water Revenues	\$0	\$0	\$0	\$0
Service Revenues	(\$1,076,000)	(\$1,556,000)	(\$1,556,000)	(\$1,556,000)
Non-Operating Revenues	(\$853,000)	(\$773,000)	(\$773,000)	(\$773,000)
Total Revenue Offsets	(\$1,469,000)	(\$1,859,000)	(\$1,859,000)	(\$1,859,000)
Adjustments				
Reserve Funding	(\$303,345)	\$1,258,992	\$692,157	\$75,019
Adjustment for Mid-Year Increase	\$1,440,000	\$0	\$0	\$0
Total Adjustments	\$1,136,655	\$1,258,992	\$692,157	\$75,019
Revenue Required from Rates	\$55,245,000	\$59,095,000	\$62,366,000	\$65,816,000

Cost-Based Rates – Elsinore Division

Proposed Monthly Fixed Charges

The proposed monthly fixed charges for FY 2022 through FY 2025 are in Table 29 and Table 30. Based on the proposed financial plan (Table 26) and corresponding revenue adjustments of 5.5%, 5.5%, 4.5%, and 4.5%, the previous year's rates are increased by each fiscal year's revenue adjustment. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Table 29: Elsinore Division Proposed Monthly Fixed Charges

Fixed Rates (\$/Month)					
Revenue Adjustmte	N/A	5.5%	5.5%	4.5%	4.5%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Meter Size	[A]	[B] = A x 1.055	[C] = B x 1.055	[D] = C x 1.045	[E] = D x 1.045
3/4"	\$28.70	\$30.28	\$31.95	\$33.39	\$34.90
1"	\$47.83	\$50.47	\$53.25	\$55.65	\$58.16
1 1/2"	\$95.67	\$100.94	\$106.50	\$111.30	\$116.31
2"	\$153.07	\$161.49	\$170.38	\$178.05	\$186.07
3"	\$306.14	\$322.98	\$340.75	\$356.09	\$372.12
4"	\$478.35	\$504.66	\$532.42	\$556.38	\$581.42
6"	\$956.69	\$1,009.31	\$1,064.83	\$1,112.75	\$1,162.83
8"	\$1,530.70	\$1,614.89	\$1,703.71	\$1,780.38	\$1,860.50
10"	\$4,018.10	\$4,239.10	\$4,472.26	\$4,673.52	\$4,883.83
12"	\$5,070.46	\$5,349.34	\$5,643.56	\$5,897.53	\$6,162.92

Table 30: Elsinore Division Dedicated Fire Line Charges

Dedicated Fire Line Charges (\$/Month)					
Revenue Adjustmte	N/A	5.5%	5.5%	4.5%	4.5%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Connection Size	[A]	[B] = A x 1.055	[C] = B x 1.055	[D] = C x 1.045	[E] = D x 1.045
2"	\$2.66	\$2.81	\$2.97	\$3.11	\$3.25
3"	\$4.11	\$4.34	\$4.58	\$4.79	\$5.01
4"	\$9.26	\$9.77	\$10.31	\$10.78	\$11.27
6"	\$26.87	\$28.35	\$29.91	\$31.26	\$32.67
8"	\$57.28	\$60.44	\$63.77	\$66.64	\$69.64
10"	\$102.99	\$108.66	\$114.64	\$119.80	\$125.20
12"	\$166.35	\$175.50	\$185.16	\$193.50	\$202.21

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Proposed Variable Rates

The proposed variable rates for FY 2022 through FY 2025 are in Table 31 and Table 32. Based on the proposed financial plan (Table 26) and corresponding revenue adjustments of 5.5%, 5.5%, 4.5%, and 4.5%, the previous year's rates are increased by each fiscal year's revenue adjustment.

Table 31: Elsinore Division Proposed Variable Rates

Commodity Rates (\$/HCF)						
Revenue Adjustmte	N/A	5.5%	5.5%	4.5%	4.5%	
	Existing	FY 2022	FY 2023	FY 2024	FY 2025	
Customer Class	[A]	[B] = A x 1.055	[C] = B x 1.055	[D] = C x 1.045	[E] = D x 1.045	
Residential						
Tier 1	\$2.43	\$2.57	\$2.72	\$2.85	\$2.98	
Tier 2	\$3.20	\$3.38	\$3.57	\$3.74	\$3.91	
Tier 3	\$5.77	\$6.09	\$6.43	\$6.72	\$7.03	
Tier 4	\$7.52	\$7.94	\$8.38	\$8.76	\$9.16	
Irrigation						
Tier 1	\$3.18	\$3.36	\$3.55	\$3.71	\$3.88	
Tier 2	\$6.12	\$6.46	\$6.82	\$7.13	\$7.46	
Tier 3	\$8.58	\$9.06	\$9.56	\$10.00	\$10.45	
Commercial	\$3.13	\$3.31	\$3.50	\$3.66	\$3.83	
Institutional	\$3.13	\$3.31	\$3.50	\$3.66	\$3.83	
Inter-Agency Wholesale						
Tier 1	\$2.65	\$2.80	\$2.96	\$3.10	\$3.24	
Tier 2	\$4.74	\$5.01	\$5.29	\$5.53	\$5.78	
Tier 3	\$6.78	\$7.16	\$7.56	\$7.91	\$8.27	

Table 32: Elsinore Division Proposed Pumping Rates by Zone

Pumping Rates (\$/HCF)						
Revenue Adjustmte	N/A	5.5%	5.5%	4.5%	4.5%	
	Existing	FY 2022	FY 2023	FY 2024	FY 2025	
Zone	[A]	[B] = A x 1.055	[C] = B x 1.055	[D] = C x 1.045	[E] = D x 1.045	
Zone 1	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16	
Zone 2	\$0.29	\$0.31	\$0.33	\$0.35	\$0.37	
Zone 3	\$1.52	\$1.61	\$1.70	\$1.78	\$1.87	

Temescal Division Water Financial Plan Overview

Accounts

For FY 2022, the District is projecting 739 active accounts within the Temescal Division, as summarized in Table 33.

Table 33: Temescal Division Accounts by Meter Size

Meter Size	Accounts
3/4"	667
1"	34
1 1/2"	10
2"	25
3"	3
Total	739

As previously mentioned, the existing rate structure consists of a monthly fixed meter charge, a budget-based rate structure, and pumping rates by zone. The current and proposed rate structure consists of a 4-tiered budget-based rate structure for residential customers and a 3-tiered budget-based rate structure for irrigation customers⁴. A budget-based rate structure accounts for the unique water needs of each customer while encouraging water efficiency. Commercial and Institutional are structured as uniform rates because the water needs between various non-residential land uses can vary substantially. **The proposed rate structure maintains the same rate structure that exists today.** Table 14 in the prior section summarizes the water budget allocations by customer class.

Existing monthly fixed charges are identified in Table 34, followed by variable rates in Table 35 and pumping rates in Table 36.

⁴ Irrigation accounts do not receive an indoor budget

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 34: FY 2021 Temescal Division Monthly Fixed Charges

Existing	
Fixed Charges	(\$/Month)
3/4"	\$28.70
1"	\$47.83
1 1/2"	\$95.67
2"	\$153.07
3"	\$306.14
4"	\$478.35
6"	\$956.69
8"	\$1,530.70
10"	\$4,018.10
12"	\$5,070.46

Table 35: FY 2021 Temescal Division Variable Rates

Existing	
Customer Class	(\$/HCF)
Residential	
Tier 1	\$1.19
Tier 2	\$2.36
Tier 3	\$3.45
Tier 4	\$9.03
Irrigation	
Tier 1	\$2.07
Tier 2	\$3.86
Tier 3	\$9.92
Commercial	\$2.00

Table 36: FY 2021 Temescal Division Pumping Rates

Existing	
Power Zones	(\$/HCF)
Zones	
Zone 1	\$0.12
Zone 2	\$0.29
Zone 3	\$1.52

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Financial Planning Assumptions

Developing a long-term financial plan requires an understanding of the utility’s financial position by evaluating existing revenue streams, ongoing expenses, how those expenses will change over time, existing debt requirements, replacement funding and reserve policies. Certain assumptions are required for projecting revenues, expenses, and expected ending fund balances. Table 37 identifies assumptions used for forecasting revenues and number of meters over the Rate Setting Period based on discussions with staff, which assumes no growth within the Temescal Division.

Table 38 identifies water usage assumptions through the Rate Setting Period based on discussions with staff regarding historical usage. Table 39 identifies assumptions used for forecasting expenses over the Rate Setting Period based on discussions with staff and their review of historical trends and anticipated increases to Benefits, Treatment, Utilities, Salaries, and Water Purchases. Capital Construction and General Costs inflation factors are based on the Engineer’s News Record and Consumer Price Index to reflect trends in construction and services, respectively.

Table 37: Temescal Division Assumptions for Forecasting Revenues - Meters

Key Assumptions	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Escalation				
Non-Rate Revenues	Budget	Budget	0.0%	0.0%
Reserve Interest	Budget	Budget	1.0%	1.0%
Account Growth	0.0%	0.0%	0.0%	0.0%
Customer Accounts	FY 2022	FY 2023	FY 2024	FY 2025
<u>Meter Size</u>				
3/4"	667	667	667	667
1"	34	34	34	34
1 1/2"	10	10	10	10
2"	25	25	25	25
3"	3	3	3	3
Total Temescal Meters	739	739	739	739

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 38: Temescal Division Assumptions for Forecasting Revenues – Water Usage

Consumption by Customer Class (HCF)	FY 2022	FY 2023	FY 2024	FY 2025
Residential				
Tier 1	65,250	65,250	65,250	65,250
Tier 2	47,834	47,834	47,834	47,834
Tier 3	4,022	4,022	4,022	4,022
Tier 4	6,609	6,609	6,609	6,609
Subtotal Residential Consumption	123,715	123,715	123,715	123,715
Irrigation				
Tier 1	12,733	12,733	12,733	12,733
Tier 2	2,001	2,001	2,001	2,001
Tier 3	2,528	2,528	2,528	2,528
Subtotal Irrigation Consumption	17,262	17,262	17,262	17,262
Commercial	26,373	26,373	26,373	26,373
Total Consumption	167,350	167,350	167,350	167,350
Power Zone Usage (HCF)	FY 2022	FY 2023	FY 2024	FY 2025
Temescal				
Zone 1	167,350	167,350	167,350	167,350
Zone 2	0	0	0	0
Zone 3	0	0	0	0
Total Power Usage	167,350	167,350	167,350	167,350

Table 39: Temescal Division Assumptions for Forecasting Expense Requirements

Key Assumptions	Notes:	FY 2022	FY 2023	FY 2024	FY 2025
Expenditure Escalation					
Benefits		Budget	Budget	5.0%	5.0%
Capital Construction	ENR 20-City 20-Yr Avg	Budget	Budget	3.2%	3.2%
Utilities		Budget	Budget	0.0%	0.0%
General Costs	CPI - LA 5-Yr Avg	Budget	Budget	2.7%	2.7%
Salaries		Budget	Budget	3.0%	3.0%
Water Purchases		Budget	Budget	4.8%	3.4%

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Current Financial Position

Revenues

Revenues generated by existing rates (Table 34 through Table 36) are calculated using the account data and water usage forecast identified in Table 37 and Table 38. Table 40 shows the calculated rate revenues through the Rate Setting Period. The detailed calculations are also within the rate model on file with the District. Table 41 summarizes calculated rate revenues and other non-rate revenues available through the Rate Setting Period with future projections rounded to the nearest thousands.

Table 40: Temescal Division Calculated Rate Revenues

Fixed Revenues	FY 2022	FY 2023	FY 2024	FY 2025
Monthly Fixed Meter Charge				
Temescal	\$317,652	\$317,652	\$317,652	\$317,652
Total District O&M Fixed Revenue	\$317,652	\$317,652	\$317,652	\$317,652
Variable Revenues	FY 2022	FY 2023	FY 2024	FY 2025
Residential				
Tier 1	\$77,648	\$77,648	\$77,648	\$77,648
Tier 2	\$112,888	\$112,888	\$112,888	\$112,888
Tier 3	\$13,876	\$13,876	\$13,876	\$13,876
Tier 4	\$59,679	\$59,679	\$59,679	\$59,679
Temescal Variable Revenue	\$264,091	\$264,091	\$264,091	\$264,091
Irrigation				
Tier 1	\$26,357	\$26,357	\$26,357	\$26,357
Tier 2	\$7,724	\$7,724	\$7,724	\$7,724
Tier 3	\$25,078	\$25,078	\$25,078	\$25,078
Irrigation Variable Revenue	\$59,159	\$59,159	\$59,159	\$59,159
Commercial	\$52,746	\$52,746	\$52,746	\$52,746
Total Variable Rate Revenue	\$375,996	\$375,996	\$375,996	\$375,996
Power Zone Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Temescal				
Zone 1	\$20,082	\$20,082	\$20,082	\$20,082
Zone 2	\$0	\$0	\$0	\$0
Zone 3	\$0	\$0	\$0	\$0
Temescal Power Commodity Revenue	\$20,082	\$20,082	\$20,082	\$20,082
Total Rate Revenue	\$713,730	\$713,730	\$713,730	\$713,730

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 41: Temescal Division Projected Revenues

Revenue Summary	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue				
Monthly Fixed Revenue	\$318,000	\$318,000	\$318,000	\$318,000
Commodity Revenue	\$376,000	\$376,000	\$376,000	\$376,000
Power Revenue	\$20,000	\$20,000	\$20,000	\$20,000
Subtotal Rate Revenue	\$714,000	\$714,000	\$714,000	\$714,000
Other Revenues				
Other Water Sales Revenues	\$182,000	\$191,000	\$202,000	\$211,000
Service Revenues	\$10,000	\$15,000	\$15,000	\$15,000
Non-Operating Revenues	\$56,000	\$49,000	\$49,000	\$49,000
Subtotal Other Revenues	\$248,000	\$255,000	\$266,000	\$275,000
Total Revenues	\$962,000	\$969,000	\$980,000	\$989,000

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Expenses

The biennial FY 2022 and FY 2023 budget was used as the baseline expenses of the utility and adjusted in subsequent years based on the escalation factors shown in Table 39. Table 42 provides projected O&M costs through FY 2025. Each expense category includes detailed line-item expenditures discussed with staff to determine the appropriate escalation factor for forecasting how costs will increase over time.

Table 42: Temescal Division Projected O&M Expenses

Expenses	FY 2022	FY 2023	FY 2024	FY 2025
O&M Expenses				
Reservoirs Expenses	\$38,000	\$39,000	\$40,000	\$41,000
Wells Expenses	\$323,000	\$336,000	\$340,000	\$344,000
Pumping and Booster Stations Expenses	\$40,000	\$42,000	\$49,000	\$57,000
Transmission and Distribution Expenses	\$98,000	\$100,000	\$103,000	\$107,000
Meter Reading	\$10,000	\$11,000	\$11,000	\$12,000
Meter Testing & Replacement Expenses	\$78,000	\$82,000	\$85,000	\$88,000
Water Conservation Expenses	\$8,000	\$8,000	\$8,000	\$8,000
Division Administrative Expenses (Allocated)	\$243,000	\$254,000	\$261,000	\$268,000
Subtotal O&M Expenses	\$838,000	\$872,000	\$897,000	\$925,000
Other Expenses				
Non-Operating Expenses	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal Other Expenses	\$1,000	\$1,000	\$1,000	\$1,000
Debt Service				
Existing Debt	\$0	\$0	\$300,000	\$300,000
Subtotal Debt Service	\$0	\$0	\$300,000	\$300,000
Total Expenses	\$839,000	\$873,000	\$1,198,000	\$1,226,000
Transfers				
Direct Reserve Transfers				
Transfers In/(Out) From/(To) Operating Reserve	(\$15,417)	(\$6,441)	(\$5,345)	(\$5,600)
Subtotal Direct Reserve Transfers	(\$15,417)	(\$6,441)	(\$5,345)	(\$5,600)
Transfers In/(Out)				
Transfers In	\$175,000	\$125,000	\$100,000	\$80,000
Transfer Out To Temescal Water Replacement Fund	(\$400,000)	(\$400,000)	(\$250,000)	(\$250,000)
Subtotal Transfers In/(Out)	(\$225,000)	(\$275,000)	(\$150,000)	(\$170,000)
Net Transfers	(\$240,417)	(\$281,441)	(\$155,345)	(\$175,600)

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Reserves

Established reserves include Operating Reserve, Replacement Reserve, Rate Stabilization Reserve, and a few Restricted Reserves. These robust reserves help mitigate risks to the utility by ensuring sufficient cash is on hand for daily operations and to fund annual system improvements. In addition, these reserves help smooth rates and mitigate rate spikes due to emergencies or above-average system costs. The most recent adopted reserve policies identify the function of each reserve and Table 43 summarizes the minimum reserve requirements and the ideal funding targets of each reserve.

Table 43: Temescal Division Reserve Requirements and Targets

Reserve	Minimum Requirement	Reserve Target
Operating	20% of operating costs	20% of operating costs
Replacement	N/A	100% of annual depreciation
Rate Stabilization	15% of operating costs	15% - 30% of operating costs
Restricted Reserves		
Turf Replacement	N/A	N/A
Conservation	N/A	N/A

Total reserve balances as of July 1, 2021 are projected to equal approximately \$581k.

Financial Outlook at Existing Rates

Calculating revenue using existing rates and projecting expenses helps determine the current financial health of the utility. Revenues from existing rates sufficiently cover operating expenses for FY 2022 and FY 2023; however, starting in FY 2024, an annual 20-year repayment of \$300k commences. The repayment is for a General Fund loan used for well replacement and rehabilitation. Furthermore, Temescal's annual capital replacement ranges between \$250k to \$400k during the Rate Setting Period. Collectively, the General Fund repayment and annual capital replacement generate additional pressure to raise rates. Net operating income can fund a portion of system replacement funding, resulting in reserves covering the remaining capital replacement. Figure 10 illustrates the operating position of the utility, with O&M expenses shown with the dashed red trendline and total revenues at existing rates displayed by the horizontal black trendline. The bars represent the amount of net operating income available for capital replacement and reserve funding.

Figure 10: Temescal Division Current Operating Financial Position

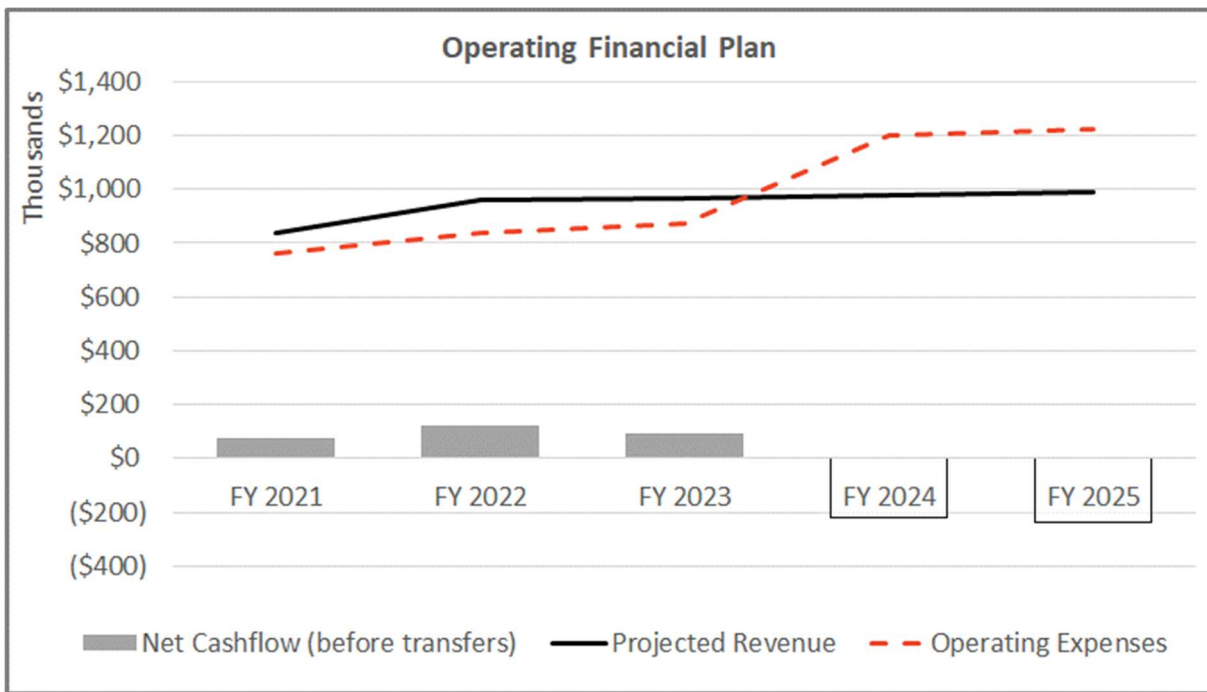


Figure 11 identifies the capital replacement plan through the Rate Setting Period. Figure 12 reflects the projected ending balances of operating and rate stabilization reserves after funding operating expenses and capital replacement is. By FY 2024, funding would not be available for ongoing system improvements at existing rates.

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Figure 11: Temescal Division Capital Replacement Plan

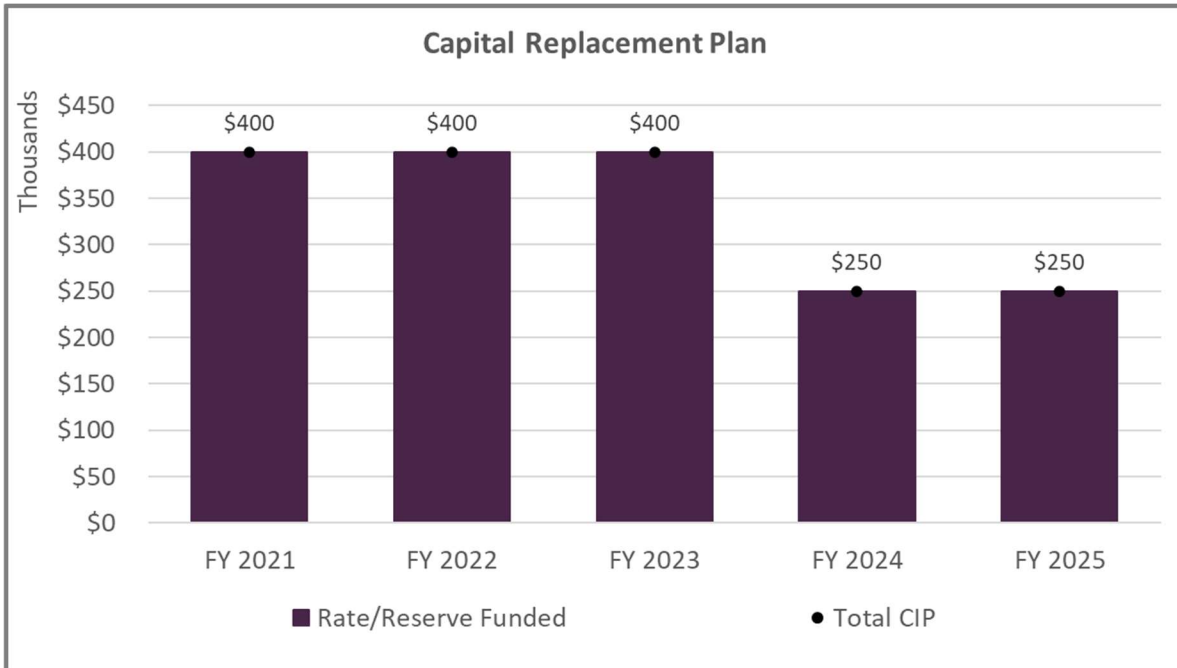
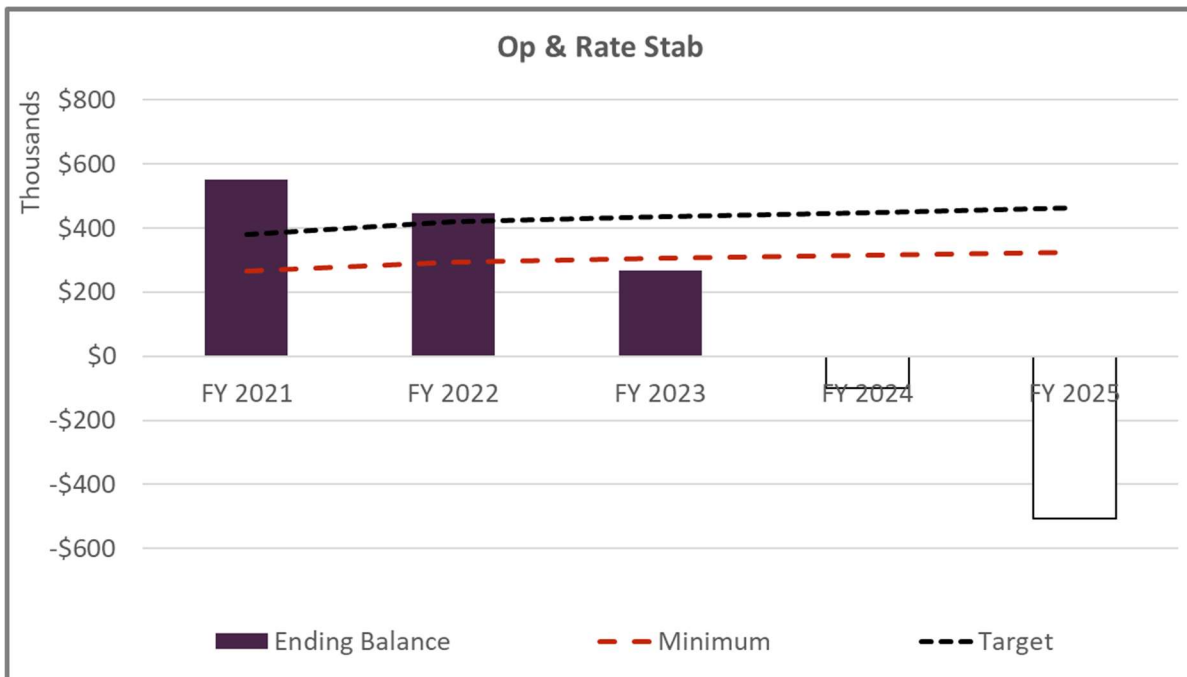


Figure 12: Temescal Division Projected Ending Reserves at Existing Rates



Temescal Division Proposed Financial Plan

From the financial outlook at existing rates, a proposed financial plan can be developed to adequately fund the multi-year revenue requirements. Based on funding capital replacement over the Rate Setting Period and ensuring reserves meet minimum targets, the Temescal Division requires revenue adjustments equal to 11% for each year of the Rate Setting Period. [Table 44](#) forecasts projected revenues and expenses over the Rate Setting Period, with revenue adjustments through FY 2025. [Table 45](#) takes net operating from [Table 44](#) and identifies net cash after direct transfers.

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Table 44: Temescal Division Proposed Financial Plan

Revenue	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue					
Monthly Fixed Revenue	\$312,263	\$318,000	\$318,000	\$318,000	\$318,000
Commodity Revenue	\$377,167	\$376,000	\$376,000	\$376,000	\$376,000
Power Revenue	\$19,602	\$20,000	\$20,000	\$20,000	\$20,000
Total Rate Revenue	\$709,032	\$714,000	\$714,000	\$714,000	\$714,000
Additional Revenue (from Dashboard - revenue adjustments):					
Fiscal Year	Revenue Adjustment	Effective Month			
FY 2022	11.0%	January	\$39,000	\$79,000	\$79,000
FY 2023	11.0%	July		\$87,000	\$87,000
FY 2024	11.0%	July		\$97,000	\$97,000
FY 2025	11.0%	July			\$107,000
Total Additional Revenue	\$0	\$39,000	\$166,000	\$263,000	\$370,000
Projected Water Sales Revenue	\$709,032	\$753,000	\$880,000	\$977,000	\$1,084,000
Other Revenues					
Other Water Sales Revenues	\$115,300	\$182,000	\$191,000	\$202,000	\$211,000
Service Revenues	\$3,250	\$10,000	\$15,000	\$15,000	\$15,000
Non-Operating Revenues	\$12,089	\$56,000	\$49,000	\$49,000	\$49,000
Subtotal Other Revenues	\$130,639	\$248,000	\$255,000	\$266,000	\$275,000
Total Revenues	\$839,671	\$1,001,000	\$1,135,000	\$1,243,000	\$1,359,000
Expenses					
O&M Expenses					
Reservoirs Expenses	\$36,608	\$38,000	\$39,000	\$40,000	\$41,000
Wells Expenses	\$284,185	\$323,000	\$336,000	\$340,000	\$344,000
Pumping and Booster Stations Expenses	\$36,675	\$40,000	\$42,000	\$49,000	\$57,000
Transmission and Distribution Expenses	\$146,677	\$98,000	\$100,000	\$103,000	\$107,000
Meter Reading	\$3,276	\$10,000	\$11,000	\$11,000	\$12,000
Meter Testing & Replacement Expenses	\$19,256	\$78,000	\$82,000	\$85,000	\$88,000
Water Conservation Expenses	\$7,850	\$8,000	\$8,000	\$8,000	\$8,000
Division Administrative Expenses (Allocated)	\$197,444	\$243,000	\$254,000	\$261,000	\$268,000
Subtotal O&M Expenses	\$760,988	\$838,000	\$872,000	\$897,000	\$925,000
Other Expenses					
Non-Operating Expenses	\$874	\$1,000	\$1,000	\$1,000	\$1,000
Subtotal Other Expenses	\$874	\$1,000	\$1,000	\$1,000	\$1,000
Debt Service					
Existing Debt	\$0	\$0	\$0	\$300,000	\$300,000
Subtotal Debt Service	\$0	\$0	\$0	\$300,000	\$300,000
Total Expenses	\$761,862	\$839,000	\$873,000	\$1,198,000	\$1,226,000
Net Operating	\$77,809	\$162,000	\$262,000	\$45,000	\$133,000

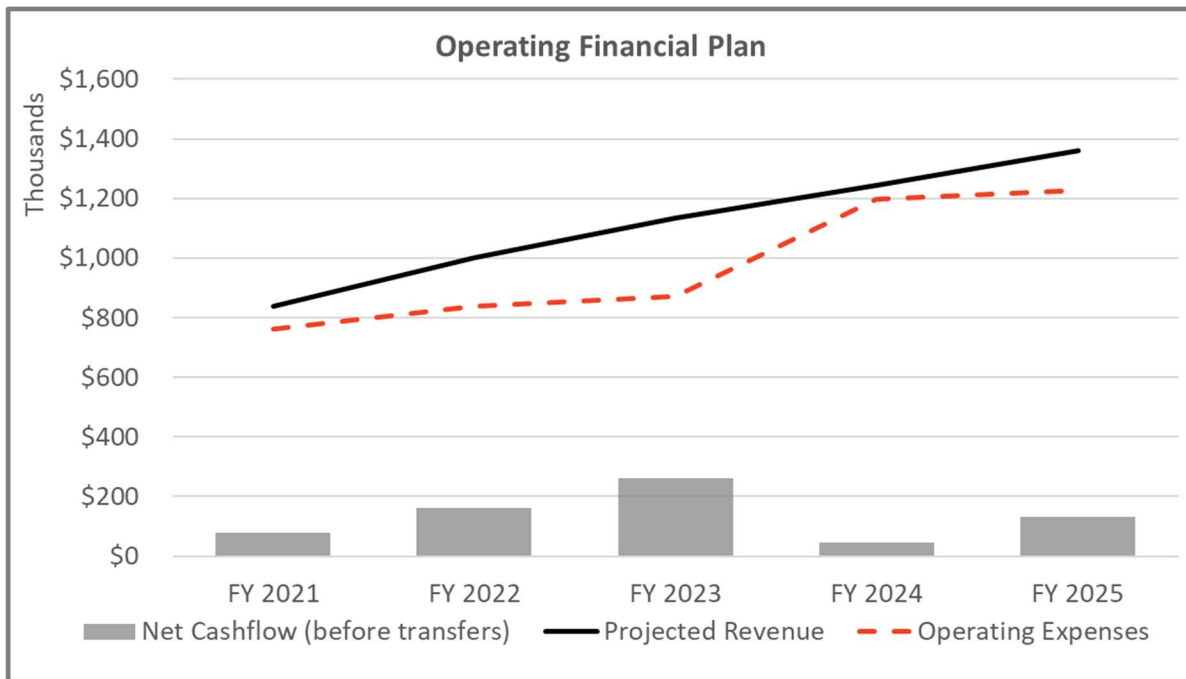
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Table 45: Temescal Division Direct Transfers

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Net Operating	\$77,809	\$162,000	\$262,000	\$45,000	\$133,000
Transfers	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Direct Reserve Transfers					
Transfers In/(Out) From/(To) Operating Reserve	\$46,806	(\$15,417)	(\$6,441)	(\$5,345)	(\$5,600)
Subtotal Direct Reserve Transfers	\$46,806	(\$15,417)	(\$6,441)	(\$5,345)	(\$5,600)
Transfers In/(Out)					
Transfers In	\$264,385	\$175,000	\$125,000	\$100,000	\$80,000
Transfer Out To Temescal Water Replacement Fund	(\$400,000)	(\$400,000)	(\$400,000)	(\$250,000)	(\$250,000)
Subtotal Transfers In/(Out)	(\$135,615)	(\$225,000)	(\$275,000)	(\$150,000)	(\$170,000)
Net Transfers	(\$88,809)	(\$240,417)	(\$281,441)	(\$155,345)	(\$175,600)
Net Cash	(\$11,000)	(\$78,417)	(\$19,441)	(\$110,345)	(\$42,600)

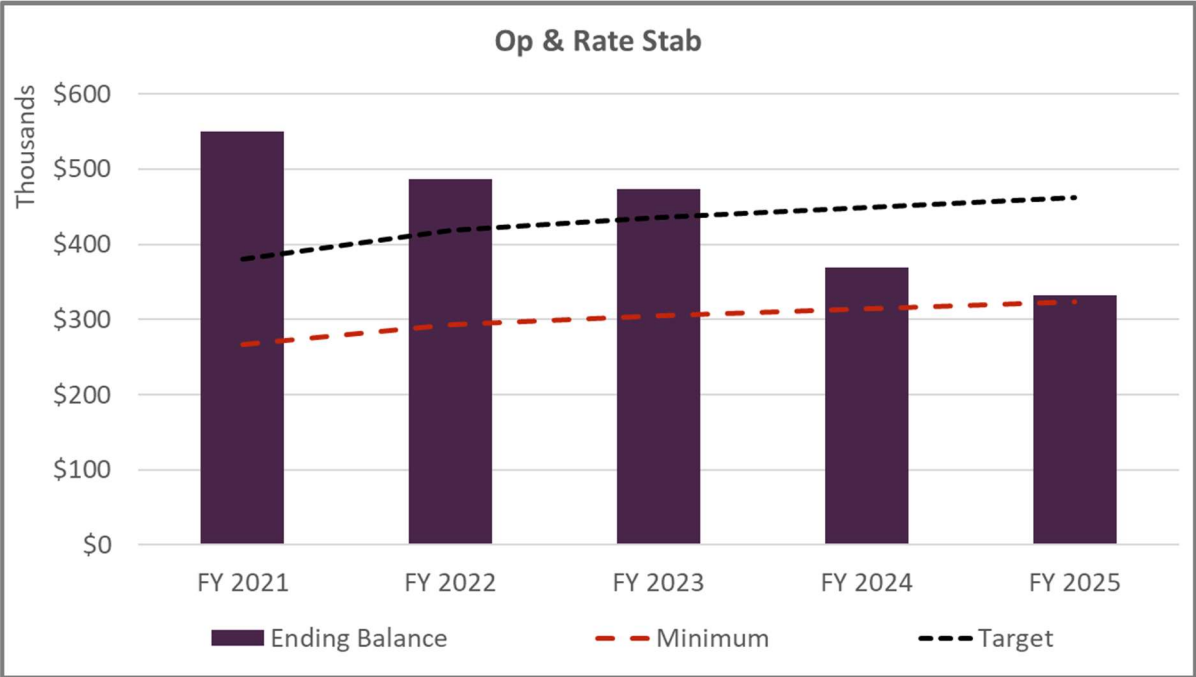
Figure 13 identifies the operating position based on the proposed financial plan, and Figure 14 shows projected ending operating and rate stabilization reserve balances after funding capital replacement.

Figure 13: Temescal Division Proposed Operating Position



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Figure 14: Temescal Division Proposed Ending Operating and Rate Stabilization Reserves



Cost of Providing Service – Temescal Division

Cost Components of Current Rate Structure

As previously mentioned, the most recent cost of service analysis occurred in 2019, and Exhibit A includes the 2019 Report for reference. The 2019 study does not have any short-term impacts from the COVID-19 pandemic and is considered a standard year of customer usage patterns. The updated financial plan and revenue requirements over the Rate Setting Period incorporates changes in total water sales.

Revenue Requirements

With FY 2022 as the first year of the proposed rate schedule, revenue requirements are determined for FY 2022 through FY 2025. Revenue requirements include O&M expenses, debt service, available offsets from non-rate revenues, annual net income, and any mid-year adjustments if rates are effective after the start of the fiscal year. For FY 2022, proposed rates will not go into effect until January 1, 2022. Therefore, to calculate rates for FY 2022, the FY 2022 revenue requirement must annualize the proposed revenue adjustment, as shown under the line item entitled – “Adjustment for Mid-Year Increase.”

Funding the capital replacement plan and replenishing reserves to meet or exceed the minimum reserve requirement is achieved over the Rate Setting Period. The proposed revenue adjustments and corresponding rates accumulate the necessary revenue over the Rate Setting Period to fund the scheduled capital replacement and comply with minimum operating and rate stabilization reserve targets. The results of the financial plan analysis are summarized in Table 46 and represent the revenue required from rates over the Rate Setting Period.

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Table 46: Temescal Division Revenue Requirements

	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Requirements	Total	Total	Total	Total
O&M Expenses				
Reservoirs Expenses	\$38,000	\$39,000	\$40,000	\$41,000
Wells Expenses	\$323,000	\$336,000	\$340,000	\$344,000
Pumping and Booster Stations Expenses	\$40,000	\$42,000	\$49,000	\$57,000
Transmission and Distribution Expenses	\$98,000	\$100,000	\$103,000	\$107,000
Meter Reading	\$10,000	\$11,000	\$11,000	\$12,000
Meter Testing & Replacement Expenses	\$78,000	\$82,000	\$85,000	\$88,000
Water Conservation Expenses	\$8,000	\$8,000	\$8,000	\$8,000
Division Administrative Expenses (Allocated)	\$243,000	\$254,000	\$261,000	\$268,000
Total O&M Expenses	\$838,000	\$872,000	\$897,000	\$925,000
Other Expenses				
Non-Operating Expenses	\$1,000	\$1,000	\$1,000	\$1,000
Total Other Expenses	\$1,000	\$1,000	\$1,000	\$1,000
Debt Service				
Existing Debt	\$0	\$0	\$300,000	\$300,000
Total Debt Service	\$0	\$0	\$300,000	\$300,000
Other Expenses				
Direct Transfers	\$15,417	\$6,441	\$5,345	\$5,600
Other Transfers	\$225,000	\$275,000	\$150,000	\$170,000
Total Other Expenses	\$240,417	\$281,441	\$155,345	\$175,600
Revenue Offsets				
Other Water Sales Revenues	(\$182,000)	(\$191,000)	(\$202,000)	(\$211,000)
Service Revenues	(\$10,000)	(\$15,000)	(\$15,000)	(\$15,000)
Non-Operating Revenues	(\$56,000)	(\$49,000)	(\$49,000)	(\$49,000)
Total Revenue Offsets	(\$248,000)	(\$255,000)	(\$266,000)	(\$275,000)
Adjustments				
Reserve Funding	(\$78,417)	(\$19,441)	(\$110,345)	(\$42,600)
Adjustment for Mid-Year Increase	\$39,000	\$0	\$0	\$0
Total Adjustments	(\$39,417)	(\$19,441)	(\$110,345)	(\$42,600)
Revenue Required from Rates	\$792,000	\$880,000	\$977,000	\$1,084,000

Cost-Based Rates – Temescal Division

Proposed Monthly Fixed Charges

All water-related customers are charged the same monthly fixed charge across the entire District because fixed costs of the District do not vary based on location or type of water service. Therefore, Temescal Division fixed charges are the same as the Elsinore Division and are summarized in Table 47. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Table 47: Temescal Division Proposed Monthly Fixed Charges

Fixed Charges (\$/Month)					
Meter Size	Existing	FY 2022	FY 2023	FY 2024	FY 2025
3/4"	\$28.70	\$30.28	\$31.95	\$33.39	\$34.90
1"	\$47.83	\$50.47	\$53.25	\$55.65	\$58.16
1 1/2"	\$95.67	\$100.94	\$106.50	\$111.30	\$116.31
2"	\$153.07	\$161.49	\$170.38	\$178.05	\$186.07
3"	\$306.14	\$322.98	\$340.75	\$356.09	\$372.12
4"	\$478.35	\$504.66	\$532.42	\$556.38	\$581.42
6"	\$956.69	\$1,009.31	\$1,064.83	\$1,112.75	\$1,162.83
8"	\$1,530.70	\$1,614.89	\$1,703.71	\$1,780.38	\$1,860.50
10"	\$4,018.10	\$4,239.10	\$4,472.26	\$4,673.52	\$4,883.83
12"	\$5,070.46	\$5,349.34	\$5,643.56	\$5,897.53	\$6,162.92

Proposed Pumping Rates

All customers are charged the same pumping charges across the entire District because pumping rates are based on costs incurred to pump water to higher elevations. It costs the same amount to move one unit of water in one division versus another. Therefore, pumping charges for the Temescal Division is the same as the Elsinore Division and are summarized in Table 48.

Table 48: Temescal Division Proposed Pumping Rates by Zone

Power Rates (\$/HCF)					
Zone	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Zone 1	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16
Zone 2	\$0.29	\$0.31	\$0.33	\$0.35	\$0.37
Zone 3	\$1.52	\$1.61	\$1.70	\$1.78	\$1.87

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Proposed Variable Rates

The proposed variable rates for FY 2022 through FY 2025 recover the remaining revenue needs after the total revenue requirements in Table 46 are reduced by the amount of revenue generated from proposed fixed charges and proposed pumping rates. Table 49 takes the revenue requirements from Table 46 and determines the cost recovery required from variable rates by subtracting fixed revenues and pumping revenues. Table 50 takes the variable revenue requirement calculated in Table 49 and determines the percent increase in variable rates by comparing it to the previous fiscal year's variable revenue equal to \$375,996 (variable revenue derived in Table 40). Table 51 increases variable rates by the percentages identified in Table 50 for the Rate Setting Period.

Table 49: Temescal Division Variable Rate Revenue Requirement

Projected Fixed Revenue	FY 2022	FY 2023	FY 2024	FY 2025
3/4"	\$242,361	\$255,728	\$267,254	\$279,340
1"	\$20,592	\$21,726	\$22,705	\$23,729
1 1/2"	\$12,113	\$12,780	\$13,356	\$13,957
2"	\$48,447	\$51,114	\$53,415	\$55,821
3"	\$11,627	\$12,267	\$12,819	\$13,396
Projected Revenue	\$335,140	\$353,615	\$369,549	\$386,243
Projected Pumping Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Zone 1	\$21,756	\$23,429	\$25,103	\$26,776
Zone 2	\$0	\$0	\$0	\$0
Zone 3	\$0	\$0	\$0	\$0
Projected Revenue	\$21,756	\$23,429	\$25,103	\$26,776
Variable Rate Revenue Requirement	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Required from Rates (Table 46)	\$792,000	\$880,000	\$977,000	\$1,084,000
Less Fixed Revenue	(\$335,140)	(\$353,615)	(\$369,549)	(\$386,243)
Less Pumping Revenue	(\$21,756)	(\$23,429)	(\$25,103)	(\$26,776)
Revenue Required from Variable Rates	\$435,105	\$502,956	\$582,349	\$670,981

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Table 50: Temescal Division Variable Rate Adjustments

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Variable Revenue Requirement	\$375,996	\$435,105	\$502,956	\$582,349	\$670,981
Variable Rate Adjustments	N/A	15.72%	15.59%	15.79%	15.22%

Table 51: Temescal Division Proposed Variable Rates

Commodity Rate (\$/HCF)					
Rate Adjustments		15.72%	15.59%	15.79%	15.22%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
	[A]	[B] = A x 1.1572	[C] = B x 1.1559	[D] = C x 1.1579	[E] = D x 1.1522
Residential					
Tier 1	\$1.19	\$1.38	\$1.60	\$1.86	\$2.15
Tier 2	\$2.36	\$2.74	\$3.17	\$3.68	\$4.25
Tier 3	\$3.45	\$4.00	\$4.63	\$5.37	\$6.19
Tier 4	\$9.03	\$10.45	\$12.08	\$13.99	\$16.12
Irrigation					
Tier 1	\$2.07	\$2.40	\$2.78	\$3.22	\$3.72
Tier 2	\$3.86	\$4.47	\$5.17	\$5.99	\$6.91
Tier 3	\$9.92	\$11.48	\$13.28	\$15.38	\$17.73
Commercial	\$2.00	\$2.32	\$2.69	\$3.12	\$3.60

Recycled Water Financial Plan Overview

Accounts

For FY 2022, the District is projecting 133 active accounts for recycled water, as summarized in Table 52.

Table 52: Recycled Water Accounts by Meter Size

Meter Size	Accounts
3/4"	3
1"	14
1 1/2"	25
2"	79
3"	4
4"	7
6"	1
Total	133

As previously mentioned, the existing rate structure consists of a monthly fixed meter charge, a budget-based rate structure, and pumping charges that vary by zone. The current and proposed rate structure consists of a 3-tiered budget-based rate structure for recycled customers⁵. A budget-based rate structure accounts for the unique water needs of each customer while encouraging water efficiency. **The proposed rate structure maintains the same rate structure that exists today.** Table 14 in the prior section summarizes the water budget allocations by customer class.

Existing monthly fixed charges are identified in Table 53, followed by variable rates in Table 54 and pumping rates in Table 55. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

⁵ Recycled accounts do not receive an indoor budget

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Table 53: FY 2021 Recycled Water Monthly Fixed Charges

Existing	
Meter Size	(\$/Month)
Recycled	
3/4"	\$28.70
1"	\$47.83
1 1/2"	\$95.67
2"	\$153.07
3"	\$306.14
4"	\$478.35
6"	\$956.69
8"	\$1,530.70
10"	\$4,018.10
12"	\$5,070.46
Contract Customers	
3/4"	\$14.35
1"	\$23.92
1 1/2"	\$47.84
2"	\$76.54
3"	\$153.07
4"	\$239.18
6"	\$478.35
8"	\$765.35
10"	\$2,009.05
12"	\$2,535.23

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Table 54: FY 2021 Recycled Water Variable Rates

Existing	
Customer Class	(\$/HCF)
Recycled	
Tier 1	\$2.44
Tier 2	\$4.22
Tier 3	\$5.40
Contract Customers	
Tier 1	\$1.22
Tier 2	\$2.11
Tier 3	\$2.70

Table 55: FY 2021 Recycled Water Pumping Rates

Existing	
Customer Class	(\$/HCF)
Recycled	
Zone 1	\$0.12
Zone 2	\$0.29
Zone 3	\$1.52
Contract Customers	
Zone 1	\$0.06
Zone 2	\$0.15
Zone 3	\$0.76

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Financial Planning Assumptions

Developing a long-term financial plan requires an understanding of the utility’s financial position by evaluating existing revenue streams, ongoing expenses, how those expenses will change over time, existing debt requirements, replacement funding and reserve policies. Certain assumptions are required for projecting revenues, expenses, and expected ending fund balances. Table 56 identifies assumptions used for forecasting revenues and the number of meters over the Rate Setting Period based on discussions with staff, which assumes no growth in recycled customers. Table 57 identifies water usage assumptions through the Rate Setting Period based on discussions with staff regarding historical usage. Table 58 identifies assumptions used for forecasting expenses over the Rate Setting Period based on discussions with staff and their review of historical trends and anticipated increases to Benefits, Treatment, Utilities, Salaries, Water Purchases. Capital Construction and General Costs inflation factors are based on the Engineer’s News Record and Consumer Price Index to reflect trends in construction and services, respectively.

Table 56: Recycled Water Assumptions for Forecasting Revenues – Meters

Key Assumptions	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Escalation				
Non-Rate Revenues	Budget	Budget	0.0%	0.0%
Reserve Interest	Budget	Budget	1.0%	1.0%
Account Growth	0%	0%	0%	0%
Customer Accounts	FY 2022	FY 2023	FY 2024	FY 2025
Recycled				
<u>Meter Size</u>				
3/4"	3	3	3	3
1"	14	14	14	14
1 1/2"	17	17	17	17
2"	64	64	64	64
3"	4	4	4	4
4"	7	7	7	7
6"	1	1	1	1
Subtotal Recycled Meters	110	110	110	110
Contract Customers				
<u>Meter Size</u>				
1 1/2"	8	8	8	8
2"	15	15	15	15
Subtotal of Contract Customers	23	23	23	23

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Table 57: Recycled Water Assumptions for Forecasting Revenues – Water Usage

Consumption by Customer Class (HCF)	FY 2022	FY 2023	FY 2024	FY 2025
Recycled				
Tier 1	401,022	401,022	401,022	401,022
Tier 2	28,948	28,948	28,948	28,948
Tier 3	28,122	28,122	28,122	28,122
Subtotal Recycled Consumption	458,092	458,092	458,092	458,092
Contract Customers				
Tier 1	40,496	40,496	40,496	40,496
Tier 2	8,333	8,333	8,333	8,333
Tier 3	12,603	12,603	12,603	12,603
Subtotal Contract Customers	61,432	61,432	61,432	61,432
Total Consumption	519,524	519,524	519,524	519,524
Power Zone Usage (HCF)	FY 2022	FY 2023	FY 2024	FY 2025
Recycled				
Zone 1	217,017	217,017	217,017	217,017
Zone 2	241,075	241,075	241,075	241,075
Zone 3	0	0	0	0
Subtotal Recycled Power Usage	458,092	458,092	458,092	458,092
Contract Customers				
Zone 1	0	0	0	0
Zone 2	61,432	61,432	61,432	61,432
Zone 3	0	0	0	0
Subtotal Contract Customers Power Usage	61,432	61,432	61,432	61,432
Total Power Usage	519,524	519,524	519,524	519,524

Table 58: Recycled Water Assumptions for Forecasting Expense Requirements

Key Assumptions	Notes:	FY 2022	FY 2023	FY 2024	FY 2025
Expenditure Escalation					
Benefits		Budget	Budget	5.0%	5.0%
Treatment		Budget	Budget	5.0%	5.0%
Capital Construction	ENR 20-City 20-Yr Avg	Budget	Budget	3.2%	3.2%
Utilities		Budget	Budget	0.0%	0.0%
General Costs	CPI - LA 5-Yr Avg	Budget	Budget	2.7%	2.7%
Non-Inflated		Budget	Budget	0.0%	0.0%
Salaries		Budget	Budget	3.0%	3.0%
Water Purchases		Budget	Budget	4.8%	3.4%

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Current Financial Position

Revenues

Revenues generated by existing rates (Table 53 through Table 55) are calculated using the account data and water usage forecast identified in Table 56 and Table 57. Table 59 shows the calculated rate revenues through the Rate Setting Period. The detailed calculations are also within the rate model on file with the District. Table 60 summarizes calculated rate revenues and other non-rate revenues available through the Rate Setting Period with future projections rounded to the nearest thousands.

Table 59: Recycled Water Calculated Rate Revenues

Fixed Revenues	FY 2022	FY 2023	FY 2024	FY 2025
Monthly Fixed Meter Charge				
Recycled	\$212,499	\$212,499	\$212,499	\$212,499
Contract Customers	\$18,368	\$18,368	\$33,676	\$36,737
Total District O&M Fixed Revenue	\$230,868	\$230,868	\$246,175	\$249,236
Variable Revenues	FY 2022	FY 2023	FY 2024	FY 2025
Recycled				
Tier 1	\$978,494	\$978,494	\$978,494	\$978,494
Tier 2	\$122,161	\$122,161	\$122,161	\$122,161
Tier 3	\$151,859	\$151,859	\$151,859	\$151,859
Recycled Variable Revenue	\$1,252,513	\$1,252,513	\$1,252,513	\$1,252,513
Contract Customers				
Tier 1	\$49,405	\$49,405	\$90,576	\$98,810
Tier 2	\$17,583	\$17,583	\$32,235	\$35,165
Tier 3	\$34,028	\$34,028	\$62,385	\$68,056
Contract Customers Variable Revenue	\$101,016	\$101,016	\$185,196	\$202,032
Total Variable Rate Revenue	\$1,353,529	\$1,353,529	\$1,437,709	\$1,454,545
Power Zone Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Recycled				
Zone 1	\$26,042	\$26,042	\$26,042	\$26,042
Zone 2	\$69,912	\$69,912	\$69,912	\$69,912
Zone 3	\$0	\$0	\$0	\$0
Recycled Power Revenue	\$95,954	\$95,954	\$95,954	\$95,954
Contract Customers				
Zone 1	\$0	\$0	\$0	\$0
Zone 2	\$8,908	\$8,908	\$16,331	\$17,815
Zone 3	\$0	\$0	\$0	\$0
Contract Customers Power Revenue	\$8,908	\$8,908	\$16,331	\$17,815
Total Power Revenue	\$104,861	\$104,861	\$112,284	\$113,769
Total Rate Revenue	\$1,689,258	\$1,689,258	\$1,796,168	\$1,817,550

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 60: Recycled Water Projected Revenues

Revenue Summary	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue				
Monthly Fixed Revenue	\$231,000	\$231,000	\$246,000	\$249,000
Commodity Revenue	\$1,354,000	\$1,354,000	\$1,438,000	\$1,455,000
Power Revenue	\$105,000	\$105,000	\$112,000	\$114,000
Subtotal Rate Revenue	\$1,690,000	\$1,690,000	\$1,796,000	\$1,818,000
Other Revenues				
Non-Operating Revenues	\$18,000	\$16,000	\$16,000	\$16,000
Subtotal Other Revenues	\$18,000	\$16,000	\$16,000	\$16,000
Total Revenues	\$1,708,000	\$1,706,000	\$1,812,000	\$1,834,000

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Expenses

The biennial FY 2022 and FY 2023 budget was used as the baseline expenses of the utility and adjusted in subsequent years based on the escalation factors shown in Table 58. Table 61 provides projected O&M costs through FY 2025. Each expense category includes detailed line items discussed with staff to determine the appropriate escalation factor for forecasting how costs will increase over time. “Other Transfers Out” include debt expenses related to the Santa Rosa Regional Resources Authority (SRRRA JPA), which generates recycled water, and pumping revenues to the Elsinore Division to pay a pro rata share of power expenses.

Table 61: Recycled Water Division Projected O&M Expenses

Expenses	FY 2022	FY 2023	FY 2024	FY 2025	
O&M Expenses					
Purchased Water Expenses	\$87,000	\$89,000	\$93,000	\$96,000	
Reservoirs Expenses	\$12,000	\$12,000	\$13,000	\$13,000	
Pumping and Booster Stations Expenses	\$74,000	\$76,000	\$79,000	\$82,000	
Transmission and Distribution Expenses	\$151,000	\$158,000	\$163,000	\$169,000	
Railroad Canyon Treatment Plant Expenses	\$104,000	\$108,000	\$111,000	\$114,000	
Horsethief Treatment Plant Expenses	\$122,000	\$128,000	\$131,000	\$135,000	
RCWD Constructural Service Expenses	\$428,000	\$437,000	\$449,000	\$461,000	
Other Division Admin Expenses	\$511,000	\$534,000	\$550,000	\$567,000	
Subtotal O&M Expenses	\$1,489,000	\$1,542,000	\$1,589,000	\$1,637,000	
Transfers					
	Source	FY 2022	FY 2023	FY 2024	FY 2025
Direct Reserve Transfers					
Transfers In/(Out) From/(To) Operating Reserve		(\$12,375)	(\$10,100)	(\$9,552)	(\$9,600)
Subtotal Direct Reserve Transfers		(\$12,375)	(\$10,100)	(\$9,552)	(\$9,600)
Transfers In/(Out)					
Transfers In		\$77,126	\$77,126	\$38,000	\$0
Transfer Out To Recycled Water Replacement		(\$203,000)	(\$233,000)	(\$263,000)	(\$293,000)
Other Transfers Out		(\$174,845)	(\$196,492)	(\$203,466)	(\$204,458)
Subtotal Transfers In/(Out)		(\$300,719)	(\$352,366)	(\$428,466)	(\$497,458)
Net Transfers		(\$313,094)	(\$362,466)	(\$438,018)	(\$507,058)

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Reserves

Established reserves include Operating Reserve, Replacement Reserve, and Rate Stabilization Reserve. These robust reserves help mitigate risks to the utility by ensuring sufficient cash is on hand for daily operations and fund capital replacement. In addition, these reserves help smooth rates and mitigate rate spikes due to emergencies or above-average system costs. The most recent adopted reserve policies identify the function of each reserve and Table 62 summarizes the minimum reserve requirements and the ideal funding targets of each reserve.

Table 62: Recycled Water Reserve Requirements and Targets

Reserve	Minimum Requirement	Reserve Target
Operating	20% of operating costs	20% of operating costs
Replacement	N/A	100% of annual depreciation
Rate Stabilization	15% of operating costs	15% - 30% of operating costs

The total reserve balances as of July 1, 2021, are projected to equal approximately \$644k.

Financial Outlook at Existing Rates

Calculating revenue using existing rates and projecting expenses helps determine the current financial health of the utility. Revenues from existing rates sufficiently cover operating expenses from FY 2022 through FY 2025; however, capital replacement increases each year and ranges from \$203k to \$293k, as shown in Table 61 – Transfer Out to Recycled Water Replacement. Capital replacement over the Rate Setting Period generates pressure to raise rates. Net operating income can fund a portion of capital replacement, resulting in reserves covering the remaining amounts. Figure 15 illustrates the operating position of the utility, with O&M expenses shown with the dashed red trendline and total revenues at existing rates displayed by the horizontal black trendline. The bars represent the amount of net operating income available for capital replacement and reserve funding

Figure 15: Recycled Water Current Operating Financial Position

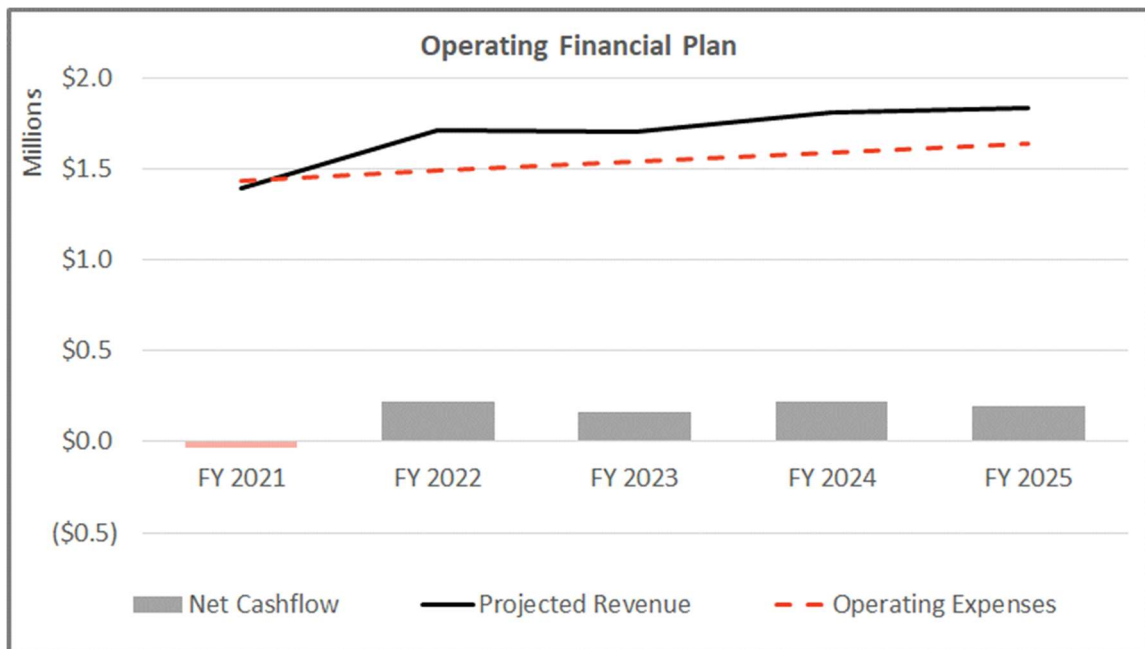


Figure 16 identifies the capital replacement plan through the Rate Setting Period. Figure 17 reflects the projected ending balances of operating and rate stabilization reserves after funding operating expenses and capital replacement. By FY 2025, reserves are depleted, and funding would not be available for ongoing capital replacement at the existing rates.

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Figure 16: Recycled Water Capital Replacement Plan

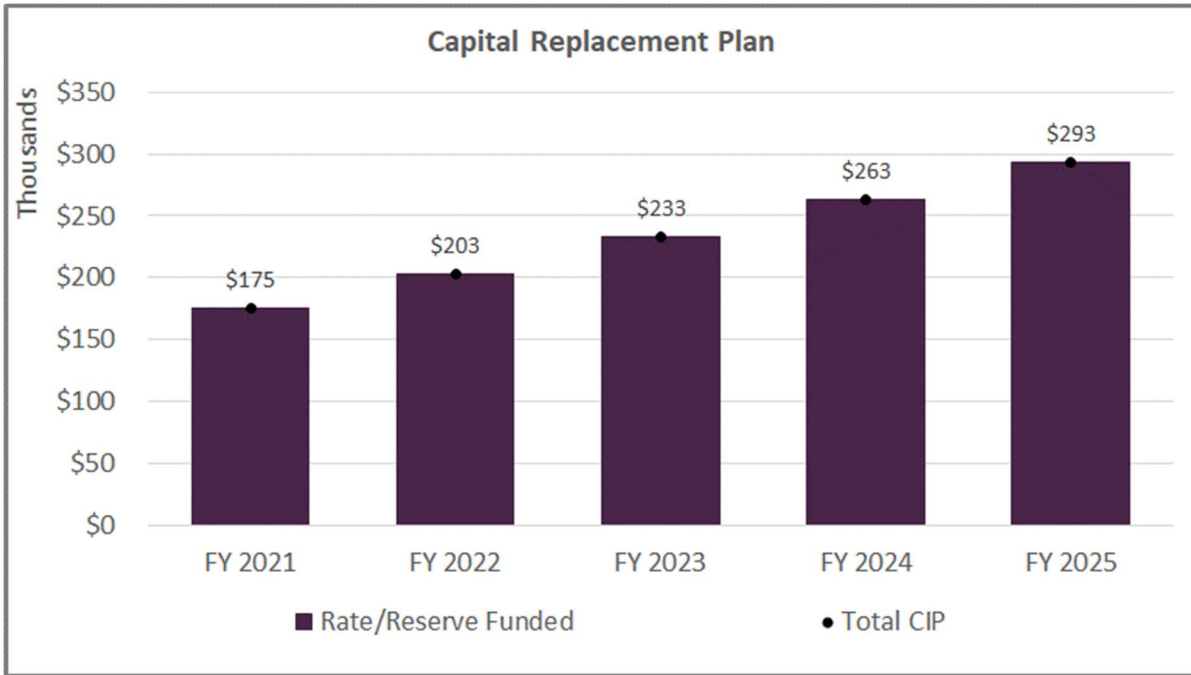
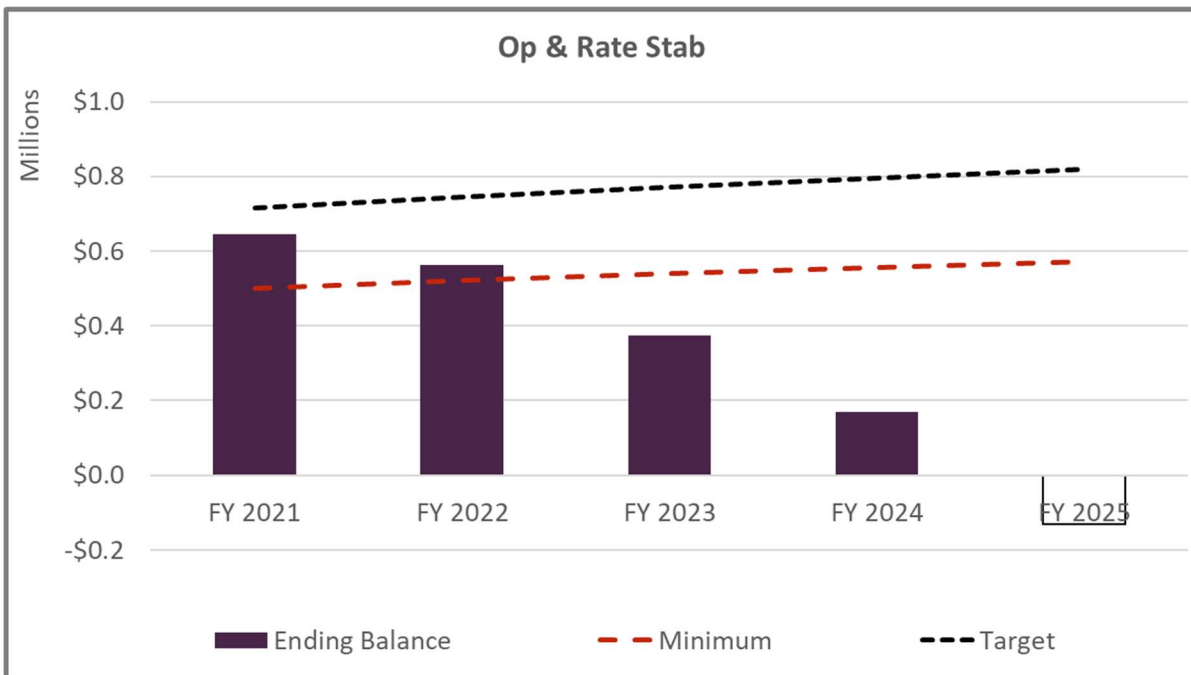


Figure 17: Recycled Water Ending Reserves at Existing Rates



Recycled Water Proposed Financial Plan

From the financial outlook at existing rates, a proposed financial plan can be developed to adequately fund the multi-year revenue requirements. Based on funding the capital replacement plan over the Rate Setting Period and ensuring reserves meet minimum targets, recycled water requires revenue adjustments equal to 5.5%, 4.0%, 3.5%, and 3.5% for FY 2022 through FY 2025, respectively. Table 63 forecasts projected revenues and expenses over the Rate Setting Period, with revenue adjustments through FY 2025. Table 64 takes net operating from Table 63 and identifies net cash after direct transfers.

Table 63: Recycled Water Proposed Financial Plan

Revenue	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue					
Monthly Fixed Revenue	\$0	\$231,000	\$231,000	\$246,000	\$249,000
Commodity Revenue	\$1,388,576	\$1,354,000	\$1,354,000	\$1,438,000	\$1,455,000
Power Revenue	\$0	\$105,000	\$105,000	\$112,000	\$114,000
Total Rate Revenue	\$1,388,576	\$1,690,000	\$1,690,000	\$1,796,000	\$1,818,000
Additional Revenue (from Dashboard - revenue adjustments):					
Fiscal Year	Revenue Adjustment	Effective Month			
FY 2022	5.0%	January	\$42,000	\$85,000	\$91,000
FY 2023	4.0%	July		\$71,000	\$76,000
FY 2024	3.5%	July		\$69,000	\$69,000
FY 2025	3.5%	July			\$72,000
Total Additional Revenue	\$0	\$42,000	\$156,000	\$234,000	\$308,000
Projected Water Sales Revenue	\$1,388,576	\$1,732,000	\$1,846,000	\$2,030,000	\$2,126,000
Other Revenues					
Accrued Water Revenues	\$0	\$0	\$0	\$0	\$0
Non-Operating Revenues	\$6,180	\$18,000	\$16,000	\$16,000	\$16,000
Subtotal Other Revenues	\$6,180	\$18,000	\$16,000	\$16,000	\$16,000
Total Revenues	\$1,394,756	\$1,750,000	\$1,862,000	\$2,046,000	\$2,142,000
Expenses					
O&M Expenses					
Purchased Water Expenses	\$105,000	\$87,000	\$89,000	\$93,000	\$96,000
Reservoirs Expenses	\$18,042	\$12,000	\$12,000	\$13,000	\$13,000
Pumping and Booster Stations Expenses	\$38,670	\$74,000	\$76,000	\$79,000	\$82,000
Transmission and Distribution Expenses	\$194,958	\$151,000	\$158,000	\$163,000	\$169,000
Railroad Canyon Treatment Plant Expenses	\$115,834	\$104,000	\$108,000	\$111,000	\$114,000
Horsethief Treatment Plant Expenses	\$86,675	\$122,000	\$128,000	\$131,000	\$135,000
RCWD Constructrual Service Expenses	\$408,488	\$428,000	\$437,000	\$449,000	\$461,000
Other Division Admin Expenses	\$461,199	\$511,000	\$534,000	\$550,000	\$567,000
Subtotal O&M Expenses	\$1,428,866	\$1,489,000	\$1,542,000	\$1,589,000	\$1,637,000
Total Expenses	\$1,428,866	\$1,489,000	\$1,542,000	\$1,589,000	\$1,637,000
Net Operating	(\$34,110)	\$261,000	\$320,000	\$457,000	\$505,000

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Table 64: Recycled Water Direct Transfers

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	
Net Operating	(\$34,110)	\$261,000	\$320,000	\$457,000	\$505,000	
Transfers	Source	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Direct Reserve Transfers						
Transfers In/(Out) From/(To) Operating Reserve		(\$13,524)	(\$12,375)	(\$10,100)	(\$9,552)	(\$9,600)
Subtotal Direct Reserve Transfers		(\$13,524)	(\$12,375)	(\$10,100)	(\$9,552)	(\$9,600)
Transfers In/(Out)						
Transfers In		\$378,425	\$77,126	\$77,126	\$38,000	\$0
Transfer Out To Recycled Water Replacement		(\$175,000)	(\$203,000)	(\$233,000)	(\$263,000)	(\$293,000)
Other Transfers Out		(\$224,213)	(\$174,845)	(\$196,492)	(\$203,466)	(\$204,458)
Subtotal Transfers In/(Out)		(\$20,788)	(\$300,719)	(\$352,366)	(\$428,466)	(\$497,458)
Net Transfers		(\$34,312)	(\$313,094)	(\$362,466)	(\$438,018)	(\$507,058)
Net Cash		(\$68,422)	(\$52,094)	(\$42,466)	\$18,982	(\$2,058)

Figure 18 identifies the operating position based on the proposed financial plan, and Figure 19 projected ending operating and rate stabilization reserve balances after funding capital replacement.

Figure 18: Recycled Water Proposed Operating Position

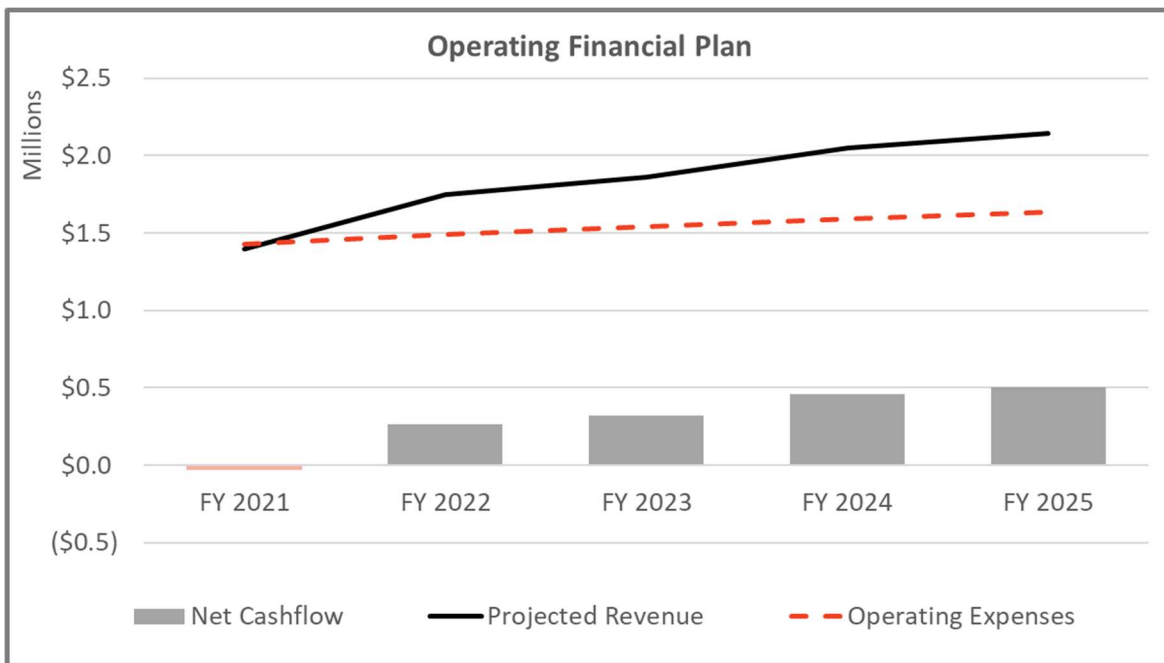
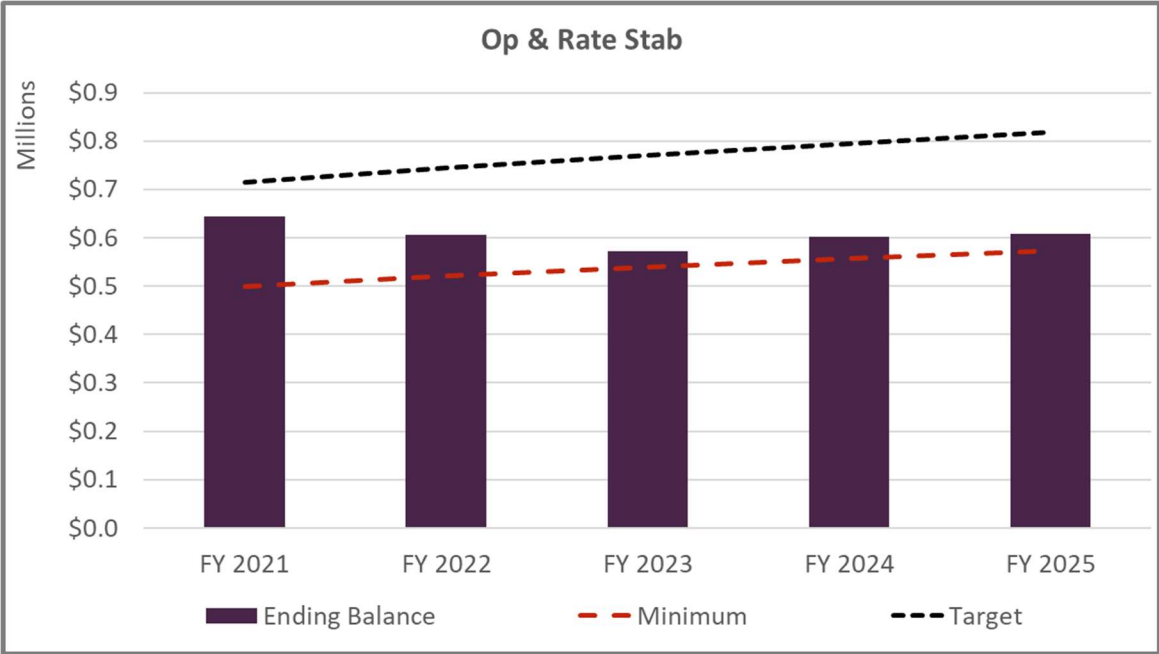


Figure 19: Recycled Water Proposed Ending Reserves



Cost of Providing Service – Recycled Water

As previously mentioned, the most recent cost of service analysis occurred in 2019, and Exhibit A includes the 2019 Report for reference. The 2019 study does not have any short-term impacts from the COVID-19 pandemic and is considered a standard year of customer usage patterns. The updated financial plan and revenue requirements over the Rate Setting Period incorporates changes in total recycled water sales.

Revenue Requirements

With FY 2022 as the first year of the proposed rate schedule, revenue requirements are determined for FY 2022 through FY 2025. Revenue requirements include O&M expenses, replacement funding, debt service, available offsets from non-rate revenues, annual net income, and any mid-year adjustments if rates are effective after the start of the fiscal year. For FY 2022, proposed rates will not go into effect until January 1, 2022. Therefore, to calculate rates for FY 2022, the FY 2022 revenue requirement must annualize the proposed revenue adjustment, as shown under the line item entitled – “Adjustment for Mid-Year Increase.”

Funding the capital replacement plan and replenishing reserves to meet or exceed the minimum reserve requirement is achieved over the Rate Setting Period. The proposed revenue adjustments and corresponding rates accumulate the necessary revenue over the Rate Setting Period to fund scheduled capital replacement and comply with minimum operating and rate stabilization reserve requirements. The results of the financial plan analysis are summarized in Table 65 and represent the revenue required from rates over the Rate Setting Period.

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Table 65: Recycled Water Revenue Requirements

	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Requirements	Total	Total	Total	Total
O&M Expenses				
Purchased Water Expenses	\$87,000	\$89,000	\$93,000	\$96,000
Reservoirs Expenses	\$12,000	\$12,000	\$13,000	\$13,000
Pumping and Booster Stations Expenses	\$74,000	\$76,000	\$79,000	\$82,000
Transmission and Distribution Expenses	\$151,000	\$158,000	\$163,000	\$169,000
Railroad Canyon Treatment Plant Expenses	\$104,000	\$108,000	\$111,000	\$114,000
Horsethief Treatment Plant Expenses	\$122,000	\$128,000	\$131,000	\$135,000
RCWD Constructural Service Expenses	\$428,000	\$437,000	\$449,000	\$461,000
Other Division Admin Expenses	\$511,000	\$534,000	\$550,000	\$567,000
Total O&M Expenses	\$1,489,000	\$1,542,000	\$1,589,000	\$1,637,000
Other Expenses				
Direct Transfers	\$12,375	\$10,100	\$9,552	\$9,600
Other Transfers	\$300,719	\$352,366	\$428,466	\$497,458
Total Other Expenses	\$313,094	\$362,466	\$438,018	\$507,058
Revenue Offsets				
Non-Operating Revenues	(\$18,000)	(\$16,000)	(\$16,000)	(\$16,000)
Total Revenue Offsets	(\$18,000)	(\$16,000)	(\$16,000)	(\$16,000)
Adjustments				
Reserve Funding	(\$52,094)	(\$42,466)	\$18,982	(\$2,058)
Adjustment for Mid-Year Increase	\$42,000	\$0	\$0	\$0
Total Adjustments	(\$10,094)	(\$42,466)	\$18,982	(\$2,058)
Revenue Required from Rates	\$1,774,000	\$1,846,000	\$2,030,000	\$2,126,000

Cost-Based Rates – Recycled Water

Proposed Monthly Fixed Charges

All water-related customers are charged the same monthly fixed charge across the entire District because fixed costs of the District do not vary based on location or type of water service. Therefore, recycled water fixed charges are the same as the Elsinore Division and are summarized in Table 66. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Table 66: Recycled Water Proposed Monthly Fixed Charges

Fixed Charges (\$/Month)					
Meter Size	Existing	FY 2022	FY 2023	FY 2024	FY 2025
3/4"	\$28.70	\$30.28	\$31.95	\$33.39	\$34.90
1"	\$47.83	\$50.47	\$53.25	\$55.65	\$58.16
1 1/2"	\$95.67	\$100.94	\$106.50	\$111.30	\$116.31
2"	\$153.07	\$161.49	\$170.38	\$178.05	\$186.07
3"	\$306.14	\$322.98	\$340.75	\$356.09	\$372.12
4"	\$478.35	\$504.66	\$532.42	\$556.38	\$581.42
6"	\$956.69	\$1,009.31	\$1,064.83	\$1,112.75	\$1,162.83
8"	\$1,530.70	\$1,614.89	\$1,703.71	\$1,780.38	\$1,860.50
10"	\$4,018.10	\$4,239.10	\$4,472.26	\$4,673.52	\$4,883.83
12"	\$5,070.46	\$5,349.34	\$5,643.56	\$5,897.53	\$6,162.92

Proposed Pumping Rates

All customers are charged the same pumping charges across the entire District because pumping rates are based on costs incurred to pump water to higher elevations. It costs the same amount to move one unit of water in one division versus another. Therefore, pumping charges for recycled water is the same as the Elsinore Division and are summarized in Table 67.

Table 67: Recycled Water Proposed Pumping Rates by Zone

Power Rates (\$/HCF)					
Zone	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Zone 1	\$0.12	\$0.13	\$0.14	\$0.15	\$0.16
Zone 2	\$0.29	\$0.31	\$0.33	\$0.35	\$0.37
Zone 3	\$1.52	\$1.61	\$1.70	\$1.78	\$1.87

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Proposed Variable Rates

The proposed variable rates for FY 2022 through FY 2025 recover the remaining revenue needs after the total revenue requirements in Table 65 are reduced by the amount of revenue generated by proposed fixed charges and proposed pumping rates. Table 68 takes the revenue requirements from Table 65 and determines the amount of cost recovery required from variable rates by subtracting fixed revenues and pumping revenues. Table 69 takes the variable revenue requirement calculated in Table 68 and determines the percent increase in variable rates by comparing it to the previous fiscal year's variable revenue equal to \$1,252,513 (variable revenue derived in Table 59). Table 70 increases variable rates by the percentages identified in Table 69 for the Rate Setting Period.

Table 68: Recycled Water Variable Rate Revenue Requirement

Projected Fixed Revenue	FY 2022	FY 2023	FY 2024	FY 2025
3/4"	\$1,090	\$1,150	\$1,202	\$1,256
1"	\$8,479	\$8,946	\$9,349	\$9,771
1 1/2"	\$25,437	\$26,838	\$33,390	\$34,893
2"	\$138,559	\$146,186	\$168,791	\$176,394
3"	\$15,503	\$16,356	\$17,092	\$17,862
4"	\$42,391	\$44,723	\$46,736	\$48,839
6"	\$12,112	\$12,778	\$13,353	\$13,954
Projected Revenue	\$243,571	\$256,977	\$289,914	\$302,970

Projected Pumping Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Zone 1	\$28,212	\$30,382	\$32,553	\$34,723
Zone 2	\$84,562	\$89,998	\$105,877	\$111,928
Zone 3	\$0	\$0	\$0	\$0
Projected Revenue	\$112,775	\$120,381	\$138,430	\$146,650

Variable Revenue Requirement	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Required from Rates (Table 65)	\$1,774,000	\$1,846,000	\$2,030,000	\$2,126,000
Less Fixed Revenue	(\$243,571)	(\$256,977)	(\$289,914)	(\$302,970)
Less Pumping Revenue	(\$112,775)	(\$120,381)	(\$138,430)	(\$146,650)
Less Recycled Contract Customer	(\$105,802)	(\$109,607)	(\$222,465)	(\$232,844)
Revenue Required from Variable Rates	\$1,311,852	\$1,359,035	\$1,379,191	\$1,443,536

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Table 69: Recycled Water Variable Rate Adjustments

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Variable Revenue Requirement	\$1,252,513	\$1,311,852	\$1,359,035	\$1,379,191	\$1,443,536
Variable Rate Adjustments	N/A	4.74%	3.60%	1.48%	4.67%

Table 70: Recycled Water Proposed Variable Rates

Commodity Rate Schedule (\$/HCF)					
Revenue Adjustments		4.74%	3.60%	1.48%	4.67%
Customer Class	Existing	FY 2022	FY 2023	FY 2024	FY 2025
	[A]	[B] = A x 1.0474	[C] = B x 1.0360	[D] = C x 1.048	[E] = D x 1.0467
Recycled					
Tier 1	\$2.44	\$2.56	\$2.66	\$2.70	\$2.83
Tier 2	\$4.22	\$4.42	\$4.58	\$4.65	\$4.87
Tier 3	\$5.40	\$5.66	\$5.87	\$5.96	\$6.24

Wastewater Financial Plan Overview

Accounts

For FY 2022, the District is projecting 42,329 active accounts/units for wastewater, as summarized in Table 71.

Table 71: Wastewater Accounts by Meter Size

Customer Class	Accounts / Units
Residential	36,036
Multifamily	5,416
Commercial II	491
Commercial III	95
Commercial IV	161
Institutional	93
Schools	37
Total	42,329

As previously mentioned, the existing wastewater rates include a monthly fixed charge to all accounts, including each residential unit, and variable rates. Residential wastewater variable rates are indirectly connected to each customer’s indoor water budget allotment, based on indoor water efficiency standards of 55 gallons per capita per day (gpcd) times the number of PPH. As residential customers request changes to their indoor Tier 1 water allotment based on reporting the number of people living at their residence, wastewater charges change accordingly. Non-residential customers are charged a variable rate based on water usage that varies based on commercial use. Non-residential variable rates differ based on the expected strength concentrations of influent, measured by Biological Oxygen Demand (BOD) and Total Suspended Solids (TSS). **The proposed rate structure maintains the same rate structure that exists today.**

Existing monthly fixed charges are identified in Table 72 and variable rates in Table 73. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Elsinore Valley MWD – Water, Recycled and Wastewater Rate Study

Table 72: FY 2021 Wastewater Monthly Fixed Charges

Existing	
Customer Class	(\$/Month)
Residential	\$20.29
Multifamily	\$20.29
Commercial II	\$20.29
Commercial III	\$20.29
Commercial IV	\$20.29
Institutional	\$20.29
Schools	\$20.29

Table 73: FY 2021 Wastewater Variable Rates

Existing	
Customer Class	Variable
\$/PPH	
Residential	\$6.93
Multifamily	\$6.93
\$/HCF	
Commercial II	\$4.15
Commercial III	\$5.00
Commercial IV	\$9.29
Institutional	\$3.76
Schools	\$3.76

Financial Planning Assumptions

Developing a long-term financial plan requires an understanding of the utility’s financial position by evaluating existing revenue streams, ongoing expenses, how those expenses will change over time, existing debt requirements, capital replacement and reserve policies. Certain assumptions are required for projecting revenues, expenses, and expected ending fund balances. Table 74 identifies assumptions used for forecasting revenues, including the number of accounts/units and PPH over the Rate Setting Period based on discussions with staff and expected growth. Table 75 identifies non-residential water usage assumptions through the Rate Setting Period based on discussions with staff regarding historical usage.

Table 76 identifies assumptions used for forecasting expenses over the Rate Setting Period based on discussions with staff and their review of historical trends and anticipated increases to Benefits, Utilities, Salaries, and Water Treatment. Capital Construction and General Costs inflation factors are based on the Engineer’s News Record and Consumer Price Index to reflect trends in construction and services, respectively.

Table 74: Wastewater Assumptions for Forecasting Revenues – Accounts/Units and PPH

Key Assumptions	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Escalation				
Non-Rate Revenues	Budget	Budget	0.0%	0.0%
Reserve Interest	Budget	Budget	1.0%	1.0%
Account Growth				
Residential	1.3%	1.3%	1.3%	1.3%
Canyon Lake	0.0%	0.0%	0.0%	0.0%
Total Accounts/Units	42,329	42,744	43,165	43,591
Total PPH	165,913	167,654	169,418	171,205

Table 75: Wastewater Assumptions for Forecasting Revenues – Water Usage

Non-Residential Usage/Flow (HCF)	FY 2022	FY 2023	FY 2024	FY 2025
Non-Residential Customer Classes				
Commercial II	153,714	153,714	153,714	153,714
Commercial III	66,192	66,192	66,192	66,192
Commercial IV	109,578	109,578	109,578	109,578
Institutional	23,822	23,822	23,822	23,822
Schools	41,635	41,635	41,635	41,635
Total Non-Residential Usage/Flow	394,941	394,941	394,941	394,941

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Table 76: Wastewater Assumptions for Forecasting Expense Requirements

Key Assumptions	Notes:	FY 2022	FY 2023	FY 2024	FY 2025
Expenditure Escalation					
Benefits		Budget	Budget	5.0%	5.0%
Capital Construction	<i>ENR 20-City 20-Yr Avg</i>	Budget	Budget	3.2%	3.2%
Utilities		Budget	Budget	5.0%	5.0%
General Costs	<i>CPI - LA 5-Yr Avg</i>	Budget	Budget	2.7%	2.7%
Salaries		Budget	Budget	3.0%	3.0%
Water Treatment		Budget	Budget	4.0%	4.0%

Current Financial Position

Revenues

Revenues generated by existing rates (Table 72 and Table 73) are calculated using the account data and water usage forecast identified in Table 74 and Table 75. Table 77 shows the calculated rate revenues through the Rate Setting Period. The detailed calculations can be found in the rate model on file with the District. Table 78 summarizes calculated rate revenues and other non-rate revenues available through the Rate Setting Period with future projections rounded to the nearest thousands. Non-operating revenues are used to offset rates and include standby charges, investment income, and Lake Elsinore replenishment revenue.

Table 77: Wastewater Calculated Rate Revenues

Monthly Fixed Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Fixed Charges	\$10,306,265	\$10,407,309	\$10,509,814	\$10,613,537
Domestic "Variable" Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Variable Revenue (PPH)	\$13,797,325	\$13,942,107	\$14,088,801	\$14,237,408
Non-Residential Variable Revenue	FY 2022	FY 2023	FY 2024	FY 2025
Commercial II	\$637,913	\$637,913	\$637,913	\$637,913
Commercial III	\$330,960	\$330,960	\$330,960	\$330,960
Commercial IV	\$1,017,980	\$1,017,980	\$1,017,980	\$1,017,980
Institutional	\$89,571	\$89,571	\$89,571	\$89,571
Schools	\$156,548	\$156,548	\$156,548	\$156,548
Total Non-Residential Variable Revenue	\$2,232,971	\$2,232,971	\$2,232,971	\$2,232,971
Total Rate Revenue	\$26,336,561	\$26,582,387	\$26,831,586	\$27,083,916

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Table 78: Wastewater Projected Revenues

Revenue Summary	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue				
Rate Revenues	\$26,337,000	\$26,582,000	\$26,832,000	\$27,084,000
Sewer Only On Tax Roll	\$7,000	\$7,000	\$7,000	\$7,000
Subtotal Rate Revenue	\$26,344,000	\$26,589,000	\$26,839,000	\$27,091,000
Other Revenues				
Canyon Lake Surcharge Revenues	\$610,000	\$610,000	\$610,000	\$610,000
Service Revenues	\$377,000	\$439,000	\$439,000	\$439,000
Non-Operating Revenues	\$1,751,000	\$1,689,000	\$1,689,000	\$1,689,000
Subtotal Other Revenues	\$2,738,000	\$2,738,000	\$2,738,000	\$2,738,000
Total Revenues	\$29,082,000	\$29,327,000	\$29,577,000	\$29,829,000

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Expenses

The biennial FY 2022 and FY 2023 budget was used as the baseline expenses of the wastewater utility and adjusted in subsequent years based on the escalation factors shown in Table 76. Table 79 provides projected O&M costs through FY 2025. Each expense category includes detailed line items discussed with staff to determine the appropriate escalation factor for forecasting how costs will increase over time. “Other Transfers Out” includes debt expenses related to the SRRRA JPA, which treats wastewater from Elsinore.

Table 79: Wastewater Projected O&M Expenses

Expenses	FY 2022	FY 2023	FY 2024	FY 2025
O&M Expenses				
Collection System Expenses	\$1,213,000	\$1,253,000	\$1,296,000	\$1,341,000
Sewage Lift Stations Expenses	\$2,047,000	\$2,110,000	\$2,185,000	\$2,262,000
Pre-Treatment Program Services	\$560,000	\$413,000	\$428,000	\$444,000
Regional Treatment Plant Expenses	\$4,994,000	\$5,136,000	\$5,325,000	\$5,795,000
Railroad Canyon Treatment Plant	\$1,153,000	\$1,211,000	\$1,256,000	\$1,303,000
Horsethief Treatment Plant	\$929,000	\$967,000	\$1,001,000	\$1,038,000
SRRRA Contractual Svc	\$1,158,000	\$1,158,000	\$1,189,000	\$1,221,000
Billable To Outside Sources Expenses	\$5,000	\$5,000	\$5,000	\$5,000
Division Administrative Expenses (Allocated)	\$6,824,000	\$7,077,000	\$7,282,000	\$7,492,000
Subtotal O&M Expenses	\$18,883,000	\$19,330,000	\$19,967,000	\$20,901,000
Other Expenses				
Non-Operating Expenses	\$328,000	\$328,000	\$336,000	\$346,000
Subtotal Other Expenses	\$328,000	\$328,000	\$336,000	\$346,000
Total Expenses	\$19,211,000	\$19,658,000	\$20,303,000	\$21,247,000
Transfers	FY 2022	FY 2023	FY 2024	FY 2025
Direct Reserve Transfers				
Transfers In/(Out) From/(To) Operating Reserve	(\$130,957)	(\$89,400)	(\$127,400)	(\$186,800)
Transfers In/(Out) From/(To) Capital Surcharge	(\$157,153)	(\$157,153)	(\$157,153)	(\$157,153)
Subtotal Direct Reserve Transfers	(\$288,110)	(\$246,553)	(\$284,553)	(\$343,953)
Transfers In/(Out)				
Transfers In	\$250,000	\$250,000	\$0	\$0
Transfer Out To State Revolving Loan Fund 226	(\$77,976)	(\$79,247)	\$0	\$0
Transfer Out to RWRf Upgrade Construction	(\$2,736,669)	(\$3,363,788)	(\$2,415,864)	(\$2,459,168)
Transfer Out to Diamond Reg Lift Station	(\$94,182)	(\$94,182)	(\$94,182)	(\$219,759)
Transfer Out To 2008B COP Fund # 249	(\$452,363)	(\$452,363)	(\$452,363)	(\$452,363)
Transfer Out To Replacement SRRRA	(\$250,000)	(\$250,000)	(\$257,500)	(\$265,225)
Transfer Out To Revenue Bond	(\$950,164)	(\$966,772)	(\$971,532)	(\$976,315)
Transfer Out To Sewer Replacement Fund	(\$7,053,000)	(\$7,503,000)	(\$8,053,000)	(\$8,603,000)
Other Transfers Out	(\$788,855)	(\$1,035,071)	(\$1,034,730)	(\$1,021,827)
Subtotal Transfers In/(Out)	(\$12,153,209)	(\$13,494,423)	(\$13,279,171)	(\$13,997,656)
Net Transfers	(\$12,441,319)	(\$13,740,976)	(\$13,563,725)	(\$14,341,609)

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Reserves

Established wastewater reserves include Operating Reserve, Rate Stabilization Reserve, and Replacement Reserve. These reserves help mitigate risks to the wastewater utility by ensuring sufficient cash is on hand for daily operations and fund capital replacement. In addition, these reserves help smooth rates and mitigate rate spikes due to emergencies or above-average system costs. The most recent adopted reserve policies identify the function of each reserve, and Table 80 summarizes the minimum reserve requirements and the ideal funding targets of each reserve.

Table 80: Wastewater Reserve Requirements and Targets

Reserve	Minimum Requirement	Reserve Target
Operating	20% of operating costs	20% of operating costs
Replacement	N/A	100% of annual depreciation
Rate Stabilization	15% of operating costs	15% - 30% of operating costs

The total reserve balances as of July 1, 2021 are projected to equal approximately \$14.9M.

Financial Outlook at Existing Rates

Calculating revenue using existing rates and projecting expenses helps determine the current financial health of the utility. Revenues from existing rates are sufficient to fund O&M through the Rate Setting Period. Reserves have built-up over the years and will be drawn down to fund the debt service payments on the upgrades/rehabilitation project of the Regional wastewater treatment plant. Capital replacement continues to increase over the years and ranges from \$7.0M in FY 2021 up to \$8.6M in FY 2025. Net operating income can fund a portion of capital replacement, resulting in reserves covering the remaining replacement costs. Figure 20 illustrates the operating position of the utility, with O&M expenses shown with the dashed red trendline and total revenues at existing rates displayed by the horizontal black trendline. The bars represent the amount of net operating income available for capital replacement and reserve funding.

Figure 20: Wastewater Current Operating Financial Position

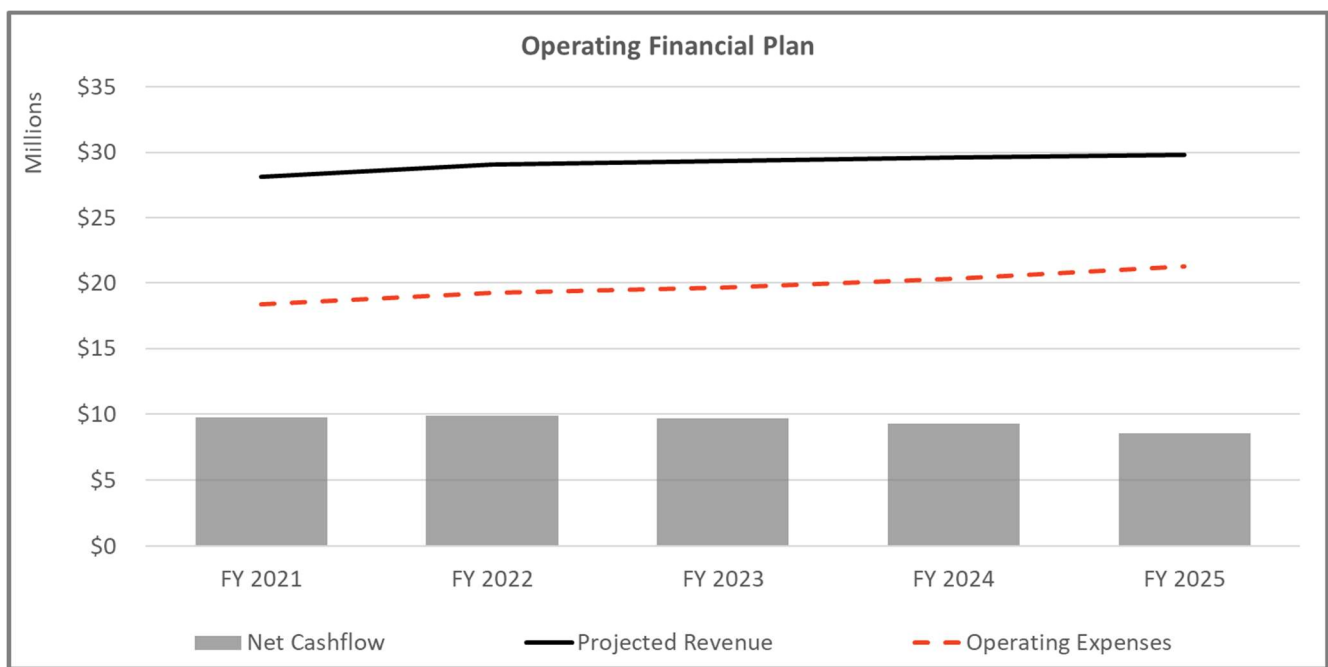


Figure 21 identifies the capital replacement plan through the Rate Setting Period. Figure 22 reflects the projected ending balances of operating and rate stabilization reserves after funding capital replacement. By FY 2025, funding would not be available for ongoing capital replacement at existing rates.

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Figure 21: Wastewater Capital Replacement Plan

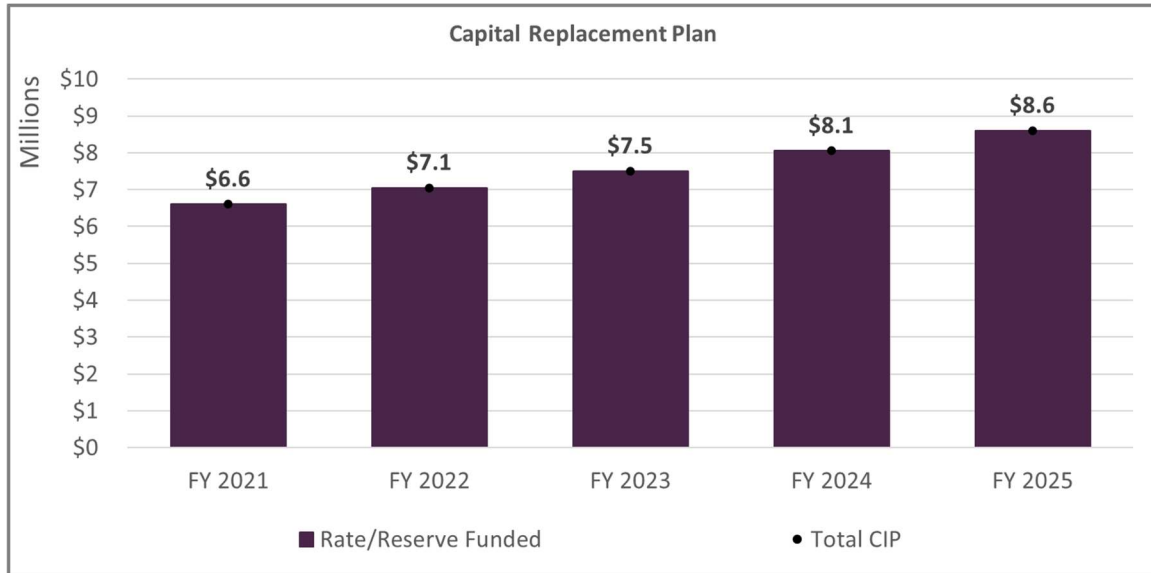
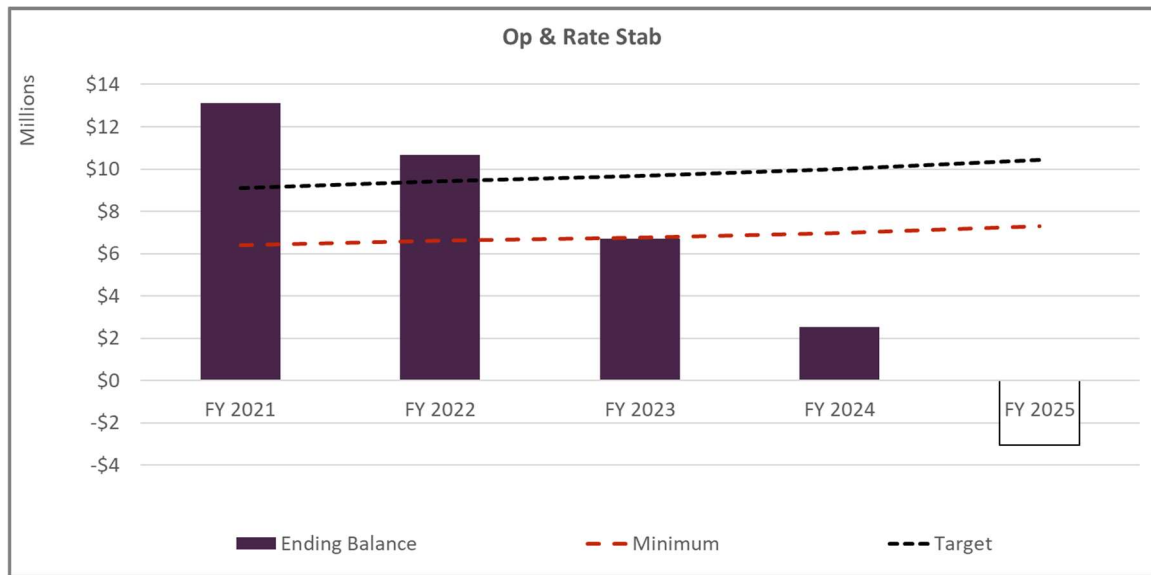


Figure 22: Wastewater Projected Ending Operating and Rate Stabilization Reserves



Wastewater Proposed Financial Plan

From the financial outlook at existing rates, a proposed financial plan can be developed to adequately fund the multi-year revenue requirements. Based on funding capital replacement and ensuring reserves meet minimum targets, wastewater requires revenue adjustments equal to 4.0%, 4.0%, 4.3%, and 4.3% for FY 2022 through FY 2025, respectively. Table 81 forecasts projected revenues and expenses over the Rate Setting Period, with revenue adjustments through FY 2025. Table 82 takes net operating from Table 81 and identifies net cash after direct transfers

Table 81: Wastewater Proposed Financial Plan

Revenue	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Rate Revenue					
Rate Revenues	\$26,618,533	\$26,337,000	\$26,582,000	\$26,832,000	\$27,084,000
Sewer Only On Tax Roll	\$7,009	\$7,000	\$7,000	\$7,000	\$7,000
Total Rate Revenue	\$26,625,542	\$26,344,000	\$26,589,000	\$26,839,000	\$27,091,000
Additional Revenue (from Dashboard - revenue adjustments):					
Fiscal Year	Revenue Adjustment	Effective Month			
FY 2022	4.0%	January	\$527,000	\$1,074,000	\$1,084,000
FY 2023	4.0%	July	\$1,106,000	\$1,117,000	\$1,127,000
FY 2024	4.3%	July		\$1,234,000	\$1,245,000
FY 2025	4.3%	July			\$1,298,000
Total Additional Revenue	\$0	\$527,000	\$2,170,000	\$3,425,000	\$4,754,000
Projected Water Sales Revenue	\$26,625,542	\$26,871,000	\$28,759,000	\$30,264,000	\$31,845,000
Other Revenues					
Canyon Lake Surcharge Revenues	\$0	\$610,000	\$610,000	\$610,000	\$610,000
Service Revenues	\$329,158	\$377,000	\$439,000	\$439,000	\$439,000
Non-Operating Revenues	\$1,184,761	\$1,751,000	\$1,689,000	\$1,689,000	\$1,689,000
Subtotal Other Revenues	\$1,513,919	\$2,738,000	\$2,738,000	\$2,738,000	\$2,738,000
Total Revenues	\$28,139,461	\$29,609,000	\$31,497,000	\$33,002,000	\$34,583,000
Expenses					
O&M Expenses					
Collection System Expenses	\$1,702,725	\$1,213,000	\$1,253,000	\$1,296,000	\$1,341,000
Sewage Lift Stations Expenses	\$1,464,157	\$2,047,000	\$2,110,000	\$2,185,000	\$2,262,000
Pre-Treatment Program Services	\$422,689	\$560,000	\$413,000	\$428,000	\$444,000
Regional Treatment Plant Expenses	\$4,863,224	\$4,994,000	\$5,136,000	\$5,325,000	\$5,795,000
Railroad Canyon Treatment Plant	\$1,037,493	\$1,153,000	\$1,211,000	\$1,256,000	\$1,303,000
Horse Thief Treatment Plant	\$776,197	\$929,000	\$967,000	\$1,001,000	\$1,038,000
SRRA Contractual Svc	\$1,148,738	\$1,158,000	\$1,158,000	\$1,189,000	\$1,221,000
Billable To Outside Sources Expenses	\$0	\$5,000	\$5,000	\$5,000	\$5,000
Division Administrative Expenses	\$6,580,205	\$6,824,000	\$7,077,000	\$7,282,000	\$7,492,000
Subtotal O&M Expenses	\$17,995,427	\$18,883,000	\$19,330,000	\$19,967,000	\$20,901,000
Other Expenses					
Non-Operating Expenses	\$354,370	\$328,000	\$328,000	\$336,000	\$346,000
Subtotal Other Expenses	\$354,370	\$328,000	\$328,000	\$336,000	\$346,000
Total Expenses	\$18,349,797	\$19,211,000	\$19,658,000	\$20,303,000	\$21,247,000
Net Operating	\$9,789,664	\$10,398,000	\$11,839,000	\$12,699,000	\$13,336,000

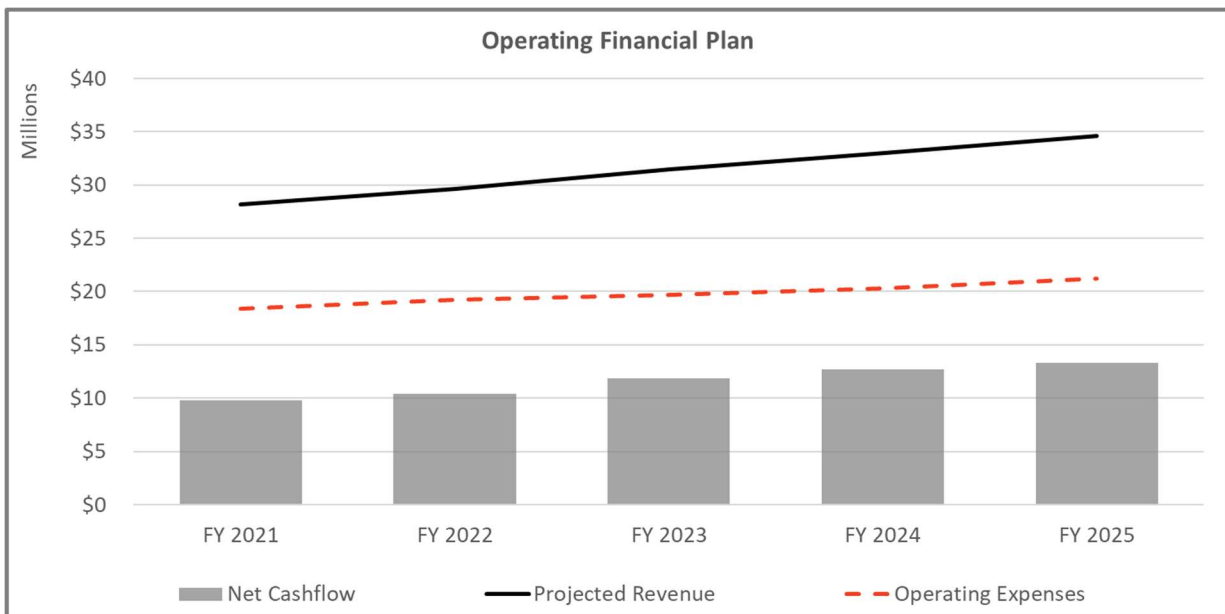
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Table 82: Wastewater Direct Transfers

	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Net Operating	\$9,789,664	\$10,398,000	\$11,839,000	\$12,699,000	\$13,336,000
Transfers	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Direct Reserve Transfers					
Transfers In/(Out) From/(To) Operating Reserve	(\$71,367)	(\$130,957)	(\$89,400)	(\$127,400)	(\$186,800)
Transfers In/(Out) From/(To) Capital Surcharge	(\$157,153)	(\$157,153)	(\$157,153)	(\$157,153)	(\$157,153)
Subtotal Direct Reserve Transfers	\$36,107	(\$288,110)	(\$246,553)	(\$284,553)	(\$343,953)
Transfers In/(Out)					
Transfers In	\$0	\$250,000	\$250,000	\$0	\$0
Transfer Out To State Revolving Loan Fund 226	(\$124,132)	(\$77,976)	(\$79,247)	\$0	\$0
Transfer Out to RWRf Upgrade Construction	\$0	(\$2,736,669)	(\$3,363,788)	(\$2,415,864)	(\$2,459,168)
Transfer Out to Diamond Reg Lift Station	\$0	(\$94,182)	(\$94,182)	(\$94,182)	(\$219,759)
Transfer Out To 2008B COP Fund # 249	(\$452,363)	(\$452,363)	(\$452,363)	(\$452,363)	(\$452,363)
Transfer Out To Replacement SRRRA	(\$300,000)	(\$250,000)	(\$250,000)	(\$257,500)	(\$265,225)
Transfer Out To Revenue Bond	(\$923,885)	(\$950,164)	(\$966,772)	(\$971,532)	(\$976,315)
Transfer Out To Sewer Replacement Fund	(\$6,603,080)	(\$7,053,000)	(\$7,503,000)	(\$8,053,000)	(\$8,603,000)
Other Transfers Out	(\$533,459)	(\$788,855)	(\$1,035,071)	(\$1,034,730)	(\$1,021,827)
Subtotal Transfers In/(Out)	(\$8,903,585)	(\$12,153,209)	(\$13,494,423)	(\$13,279,171)	(\$13,997,656)
Net Transfers	(\$8,867,478)	(\$12,441,319)	(\$13,740,976)	(\$13,563,725)	(\$14,341,609)
Net Cash	\$922,186	(\$2,043,319)	(\$1,901,976)	(\$864,725)	(\$1,005,609)

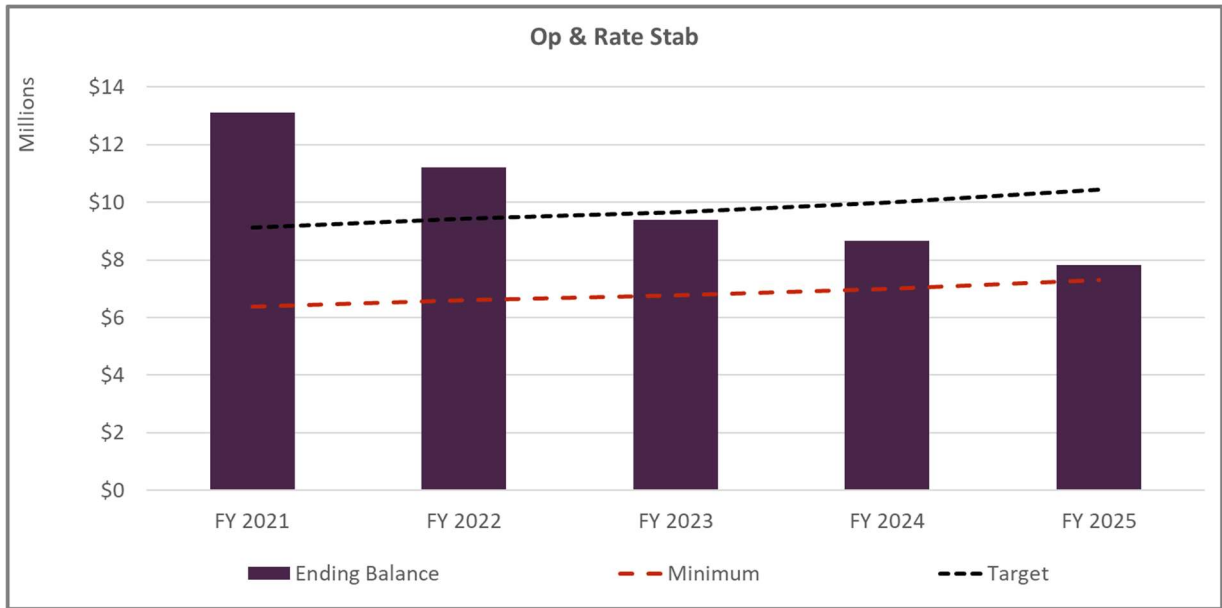
Figure 23 identifies the operating position based on the proposed financial plan, and Figure 24 shows the projected ending operating and rate stabilization reserve balances after funding capital replacement.

Figure 23: Wastewater Proposed Operating Position



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Figure 24: Wastewater Proposed Ending Operating and Rate Stabilization Reserve



Cost of Providing Service – Wastewater Utility

The wastewater utility rate structure is not changing, and the previous cost of service analysis set rates for FY 2018 through FY 2020. Exhibit B includes the 2017 Report for reference. An updated cost of service analysis should happen every five years. The previous study does not have any short-term impacts from the COVID-19 pandemic and is considered a standard year of Non-Residential customer flow patterns. The updated financial plan and revenue requirements over the Rate Setting Period incorporates account growth and changes in non-residential water usage.

Revenue Requirements

With FY 2022 as the first year of the proposed rate schedule, revenue requirements are determined for FY 2022 through FY 2025. Revenue requirements include O&M expenses, debt service, replacement funding, available offsets from non-rate revenues, annual net income, and any mid-year adjustments if rates are effective after the start of the fiscal year. For FY 2022, proposed rates will not go into effect until January 1, 2022. Therefore, to calculate rates for FY 2022, the FY 2022 revenue requirement must annualize the proposed revenue adjustment, as shown under the line item entitled – “Adjustment for Mid-Year Increase.”

Funding the capital replacement plan and maintaining operating and rate stabilization reserves above the minimum target are achieved over the Rate Setting Period. The results of the financial plan analysis are summarized in Table 83 and represent the revenue required from rates over the Rate Setting Period.

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Table 83: Wastewater Revenue Requirements

	FY 2022	FY 2023	FY 2024	FY 2025
Revenue Requirements	Total	Total	Total	Total
O&M Expenses				
Collection System Expenses	\$1,213,000	\$1,253,000	\$1,296,000	\$1,341,000
Sewage Lift Stations Expenses	\$2,047,000	\$2,110,000	\$2,185,000	\$2,262,000
Pre-Treatment Program Services	\$560,000	\$413,000	\$428,000	\$444,000
Regional Treatment Plant Expenses	\$4,994,000	\$5,136,000	\$5,325,000	\$5,795,000
Railroad Canyon Treatment Plant	\$1,153,000	\$1,211,000	\$1,256,000	\$1,303,000
Horsethief Treatment Plant	\$929,000	\$967,000	\$1,001,000	\$1,038,000
SRRRA Contractual Svc	\$1,158,000	\$1,158,000	\$1,189,000	\$1,221,000
Billable To Outside Sources Expenses	\$5,000	\$5,000	\$5,000	\$5,000
Division Administrative Expenses (Allocated)	\$6,824,000	\$7,077,000	\$7,282,000	\$7,492,000
Total O&M Expenses	\$18,883,000	\$19,330,000	\$19,967,000	\$20,901,000
Other Expenses				
Non-Operating Expenses	\$328,000	\$328,000	\$336,000	\$346,000
Total Other Expenses	\$328,000	\$328,000	\$336,000	\$346,000
Other Expenses				
Direct Transfers	\$288,110	\$246,553	\$284,553	\$343,953
Other Transfers	\$12,153,209	\$13,494,423	\$13,279,171	\$13,997,656
Total Other Expenses	\$12,441,319	\$13,740,976	\$13,563,725	\$14,341,609
Revenue Offsets				
Canyon Lake Surcharge Revenues	(\$610,000)	(\$610,000)	(\$610,000)	(\$610,000)
Service Revenues	(\$377,000)	(\$439,000)	(\$439,000)	(\$439,000)
Non-Operating Revenues	(\$1,751,000)	(\$1,689,000)	(\$1,689,000)	(\$1,689,000)
Total Revenue Offsets	(\$2,738,000)	(\$2,738,000)	(\$2,738,000)	(\$2,738,000)
Adjustments				
Reserve Funding	(\$2,043,319)	(\$1,901,976)	(\$864,725)	(\$1,005,609)
Adjustment for Mid-Year Increase	\$527,000	\$0	\$0	\$0
Total Adjustments	(\$1,516,319)	(\$1,901,976)	(\$864,725)	(\$1,005,609)
Revenue Required from Rates	\$27,398,000	\$28,759,000	\$30,264,000	\$31,845,000

Cost-Based Wastewater Rate Schedule

Proposed Monthly Charges

The proposed monthly fixed charges for FY 2022 through FY 2025 are shown in Table 84. Based on the proposed financial plan (Table 81) and corresponding revenue adjustments of 4.00%, 4.00%, 4.25%, and 4.25%, the previous year’s rates are increased by each fiscal year’s revenue adjustment. Fixed charges are based on a 30-day billing cycle and the actual charge is adjusted based on the number of days within the billing period.

Table 84: Wastewater Proposed Fixed Charges

Fixed Charge (\$/Month)					
Revenue Adjustment	N/A	4.00%	4.00%	4.25%	4.25%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Customer Class	[A]	[B] = A x 1.04%	[C] = B x 1.04%	[D] = C x 1.0425%	[E] = D x 1.0425%
Residential	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88
Multifamily	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88
Commercial II	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88
Commercial III	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88
Commercial IV	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88
Institutional	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88
Schools	\$20.29	\$21.11	\$21.96	\$22.90	\$23.88

Proposed Variable Rates

The proposed variable rates for FY 2022 through FY 2025 are shown in Table 85. Based on the proposed financial plan (Table 81) and corresponding revenue adjustments of 4.00%, 4.00%, 4.25%, and 4.25%, the previous year’s rates are increased by each fiscal year’s revenue adjustment.

Table 85: Wastewater Proposed Variable Rates

Variable Rates					
Revenue Adjustment	N/A	4.00%	4.00%	4.25%	4.25%
	Existing	FY 2022	FY 2023	FY 2024	FY 2025
Customer Class	[A]	[B] = A x 1.04%	[C] = B x 1.04%	[D] = C x 1.0425%	[E] = D x 1.0425%
\$/PPH					
Residential	\$6.93	\$7.21	\$7.50	\$7.82	\$8.16
Multifamily	\$6.93	\$7.21	\$7.50	\$7.82	\$8.16
\$/HCF					
Commercial II	\$4.15	\$4.32	\$4.50	\$4.70	\$4.90
Commercial III	\$5.00	\$5.20	\$5.41	\$5.64	\$5.88
Commercial IV	\$9.29	\$9.67	\$10.06	\$10.49	\$10.94
Institutional	\$3.76	\$3.92	\$4.08	\$4.26	\$4.45
Schools	\$3.76	\$3.92	\$4.08	\$4.26	\$4.45

