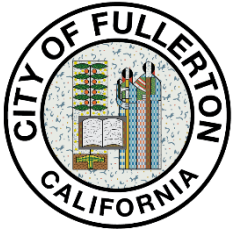


2025 Water Rate Study Report Study Session

City Council

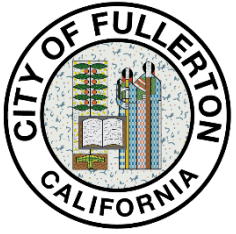
November 18th, 2025





Agenda

- 1) Introduction
- 2) Background
- 3) Rate Setting Process
- 4) Financial Planning
- 5) Cost of Service & Rate Design
- 6) INRAC Comments
- 7) Discussion/Questions



Introduction – Fullerton Water Enterprise

22.3 square mile service area

144,000 customers

32,144 service connections/meters

4 main pressure zones

12 sub-zones

41 Water Division personnel

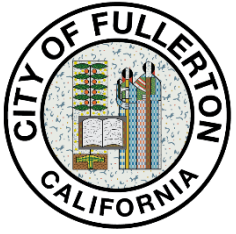
15 reservoirs (67.5-million-gallon capacity)

14 booster pump stations

8 active groundwater wells

7 import water connections

430 miles of pipelines

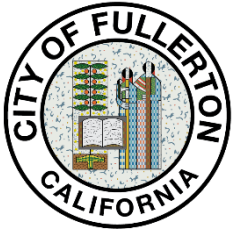


2025 Water Rate Study Background

- 2019 Rate Study Summary:
 - Simplified customer classes
 - Directly linked water supply costs to volumetric rates and tiers
 - Developed formula-based approach to water supply cost pass-through adjustments

Rate Plan	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
2019 Rate Study Plan	15.0%	14.0%	11.0%	5.0%	4.0%
5/8" & 3/4" Fixed Charge	\$26.07	\$29.72	\$32.99	\$34.64	\$36.02
Tier 1 rate up to 12.8 KGALs	\$2.28	\$2.60	\$2.96	\$3.26	\$3.58
Average SF Res Bill at 8.6 KGALs	\$45.68	\$52.08	\$58.45	\$62.68	\$66.81

- Since 2019 Rate Study:
 - Completed Master Plan & Asset Management Plan



The Rate Setting Process

How
Much?

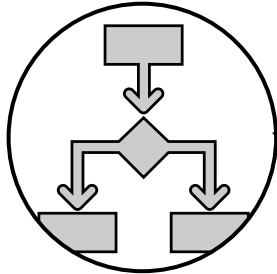


Revenue Sufficiency

- Policies & targets
- System investment needs and funding
- Sustainable operations

Financial
Plan

From
Whom?

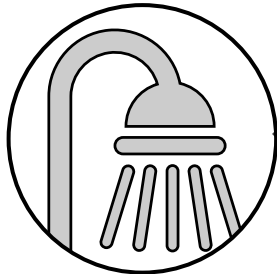


Defensible Allocation Methods

- Industry accepted approaches
- Inter and intra class equity
- Correct and appropriate units of service

Cost of
Service

How to
Collect?



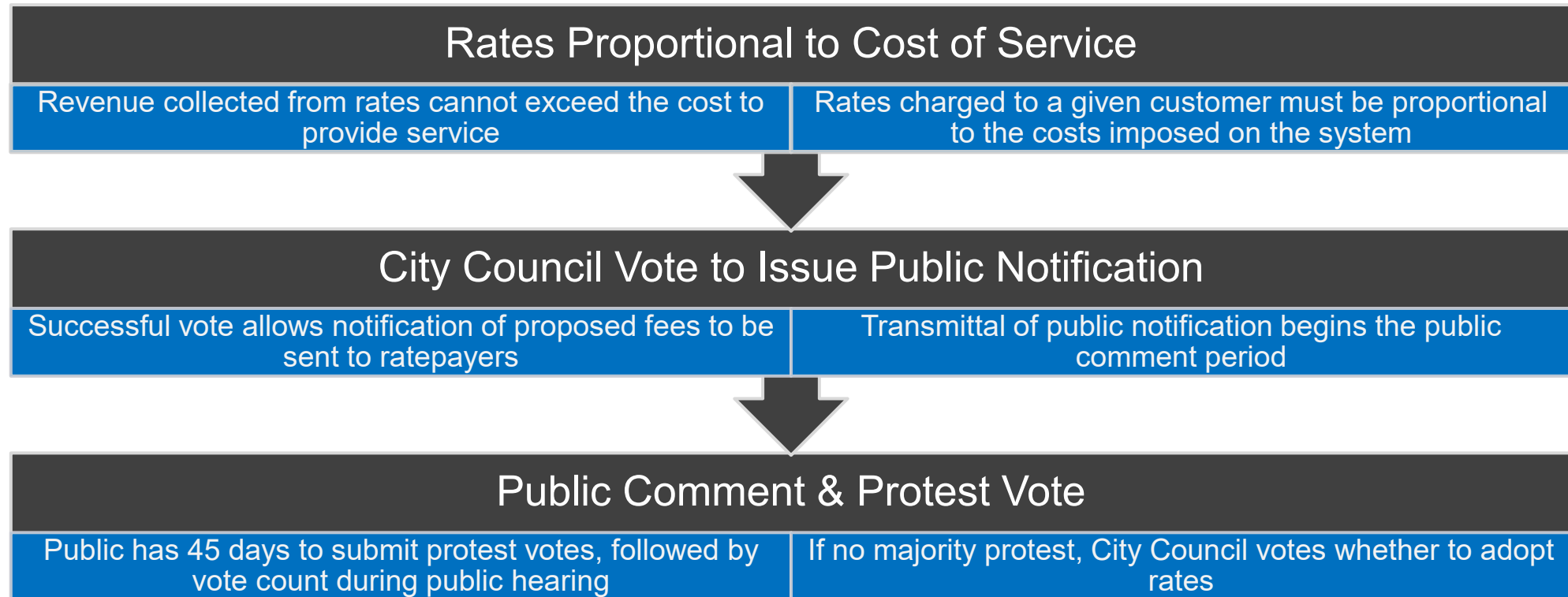
Equitable & Sustainable Rates

- Balance affordability and financial objectives
- Revenue stability
- Following Proposition 218 guidance

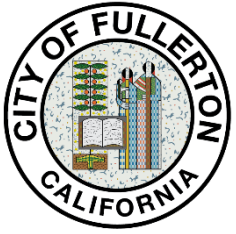
Rate
Design



Prop 218 Overview



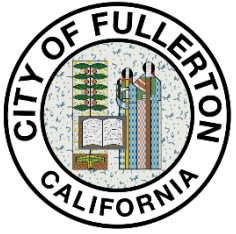
**Eliminates ability to set rates based on affordability, conservation and other policy objectives.
Every analysis must be based on data, cost-causation and proportionality.**



Recent Prop 218 Developments

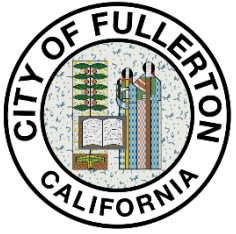
Increased Scrutiny on Tiered Rates:

- Coziahr v Otay Water District
 - Challenged the use of assumed peaking factors by customer class
 - Challenged the recovery of capacity-related costs in tiers
 - Emphasized focus on cost-based differences in rates for each tier
 - Pushed the need for data to inform factors and cost allocations



Financial Planning





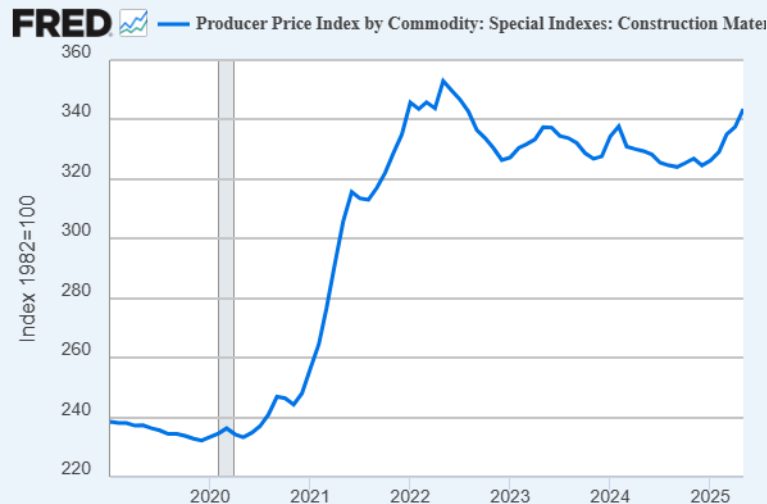
Revenue Requirements: Rate Increase Drivers

- **Cost Increases**

- Inflation increased capital & operating costs (see below)
 - *California Construction Cost Index increased by 44% from Jan. 1, 2021*
- Estimating approximately a 27% increase in water purchase costs from in 2024 to 2027

Construction Materials:

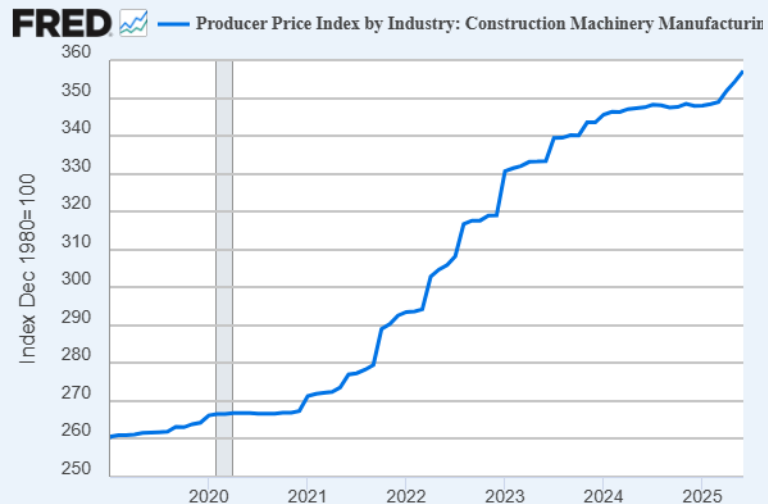
Increased over 45%



Source: U.S. Bureau of Labor Statistics via FRED®

Construction Machinery:

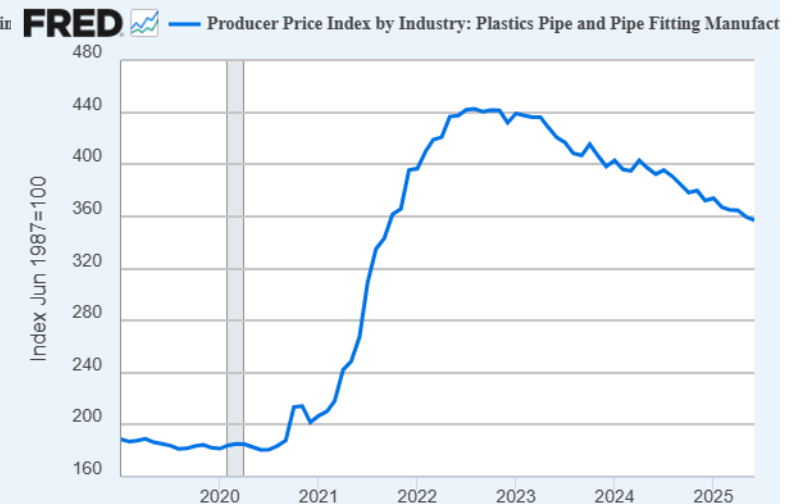
Increased over 36%



Source: U.S. Bureau of Labor Statistics via FRED®

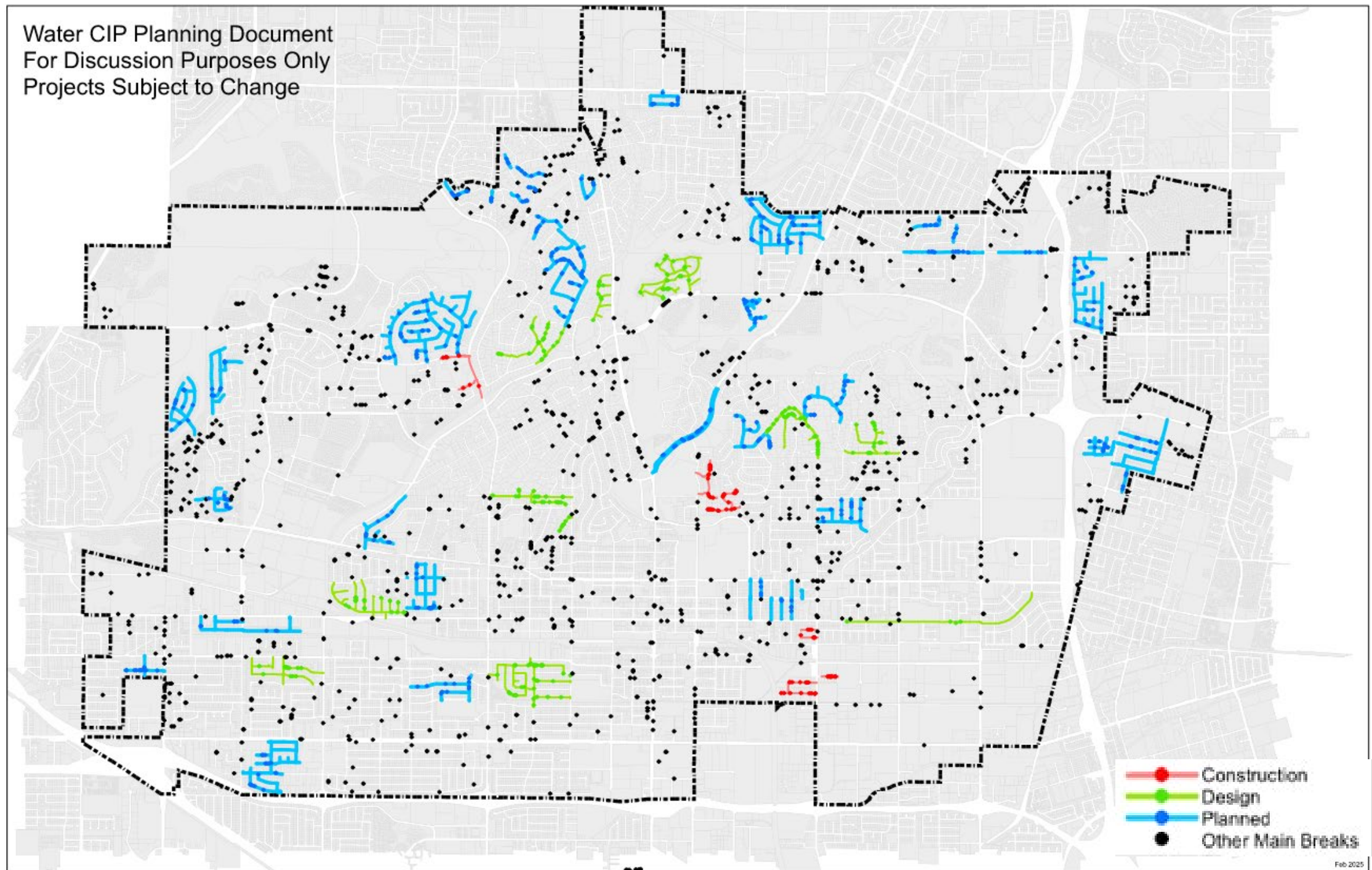
Water Pipes & Fittings:

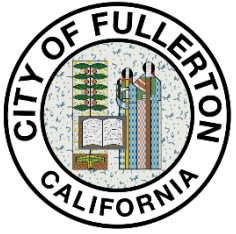
Peaked at 140% increase, now up 96%



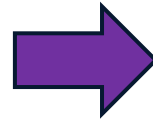
Source: U.S. Bureau of Labor Statistics via FRED®

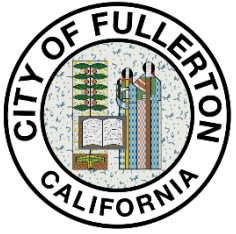
Water CIP Planning Document
For Discussion Purposes Only
Projects Subject to Change





Addressing a Range of Infrastructure Needs

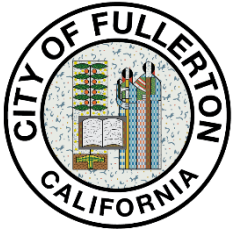




Financial Planning

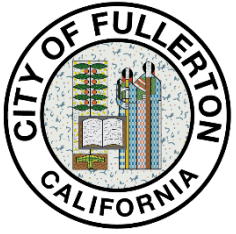
Where do we go from here?





Pipe Replacement Ramp Up Scenario – Recommended Action

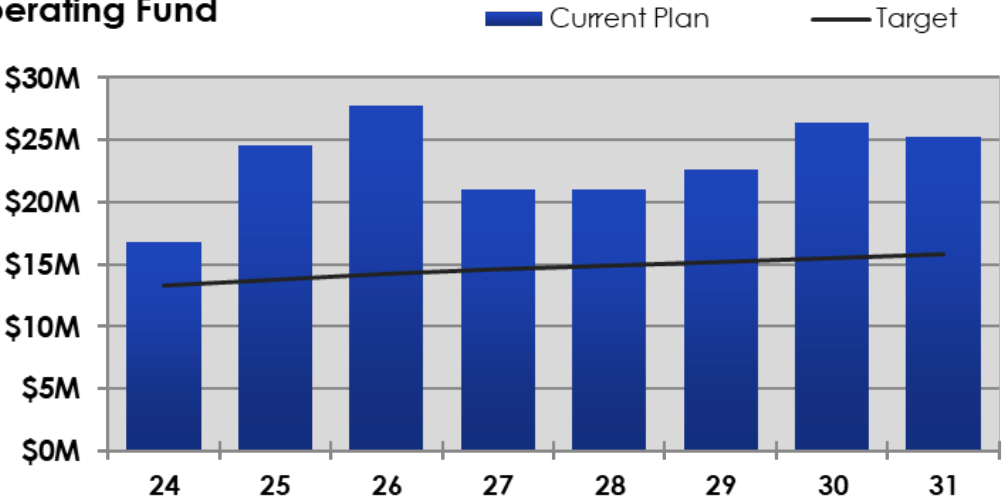
- **Ramping up to 7 miles of pipe replacement per year by 2030**
 - Assumes 3 miles of pipe replacement in FY26 and FY27, 5 miles in FY28, 6 miles in FY29, and 7 miles each year after.
 - Distributes key non-pipe projects over the five- and ten-year CIP
 - Still Includes \$2.5 million per year in AMI implementation funding



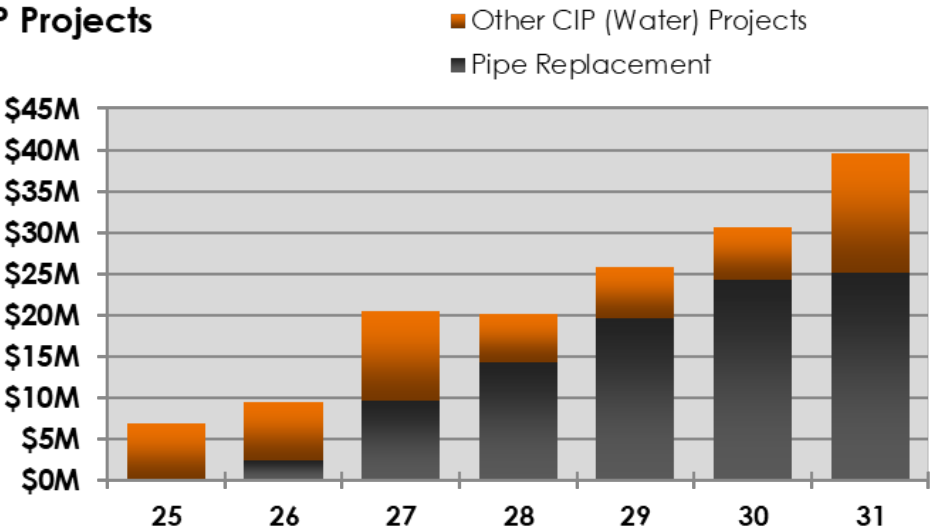
Recommended Action

Fiscal Year	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30
Rate Increase Date	4/1/25	4/1/26	4/1/27	4/1/28	4/1/29	4/1/30
Rate Increase*		5.0%	12.0%	12.0%	12.0%	7.0%
Miles of Pipe Replaced	3	3	5.0	6.0	7.0	7.0

Operating Fund



CIP Projects

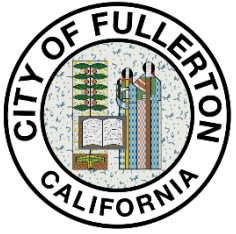


*Rate plan does not include pass-thru rate increases



Financial Planning *Consequences of inaction*

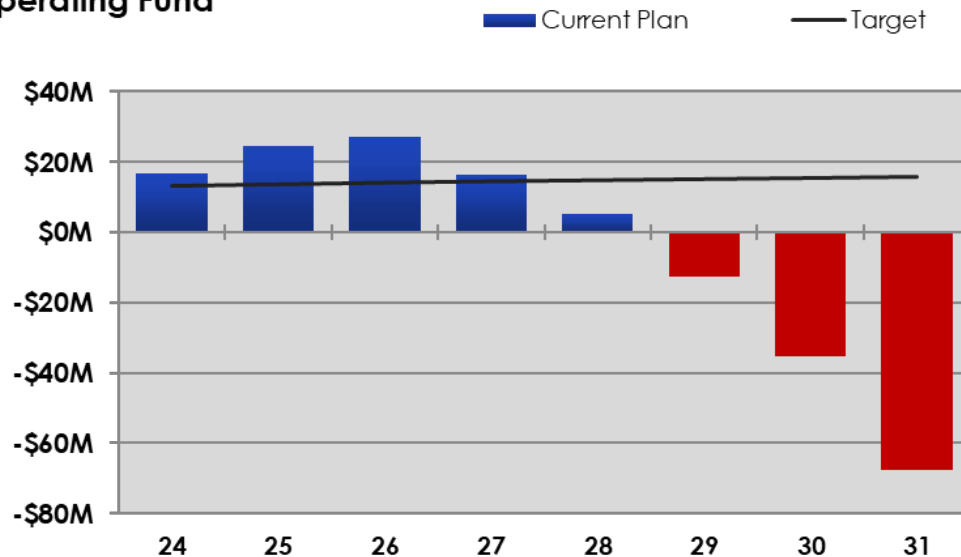




0% Rate Increase Scenario

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Increase	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Operating Fund



***Fund balances quickly go negative with scheduled improvements required by master plan**



Water Main Break Impacts

- Over 50% of pipelines are older than 50 years old (past the expected useful life)
- One of the highest rates of water main breaks in Orange County
- Repair of failed pipes is significantly more expensive than “proactive” replacing of aging pipes
- Water main break costs averaging \$6,000 per event, with the largest breakage events costing up to approximately \$150,000
- Water main breaks disrupt service to all customers
 - *Repair shutdowns can affect over 1,000 customers for 5 - 8 hours*
 - *Unsettling to residential customers*
 - *Economic impact on businesses*

The costs do not go away if investments are not made and actions are not taken

CR HAWK

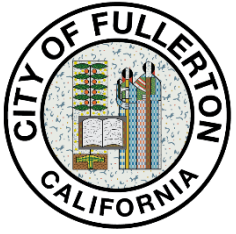


CURRENTS

Palm Springs ☀️ 96° ktlA 75° 10:08A



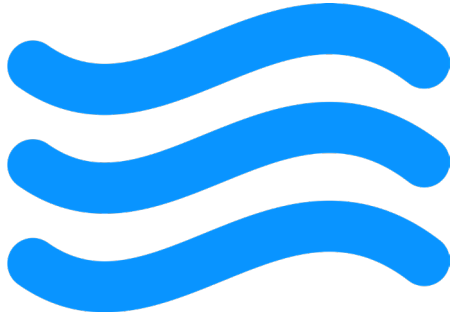
September 7, 2025



Cost of Service & Rate Design



Rate Structure Cost Allocation Categories



Commodity Costs

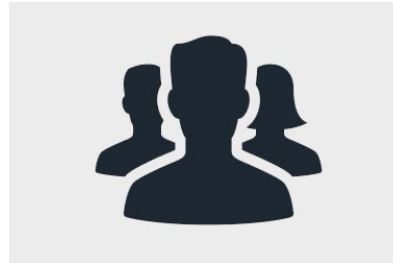
Driven by the volume of water sold

- Water Purchases
- Pumping Electricity
- Conservation Program



Water Usage Charge

\$31.6 million
60%



Account Costs

Driven by the cost of managing accounts

- Administration
- Billing
- Account management



Fixed Account Charge

\$1.5 million
3%



Utility Costs

Driven by the size of the utility infrastructure

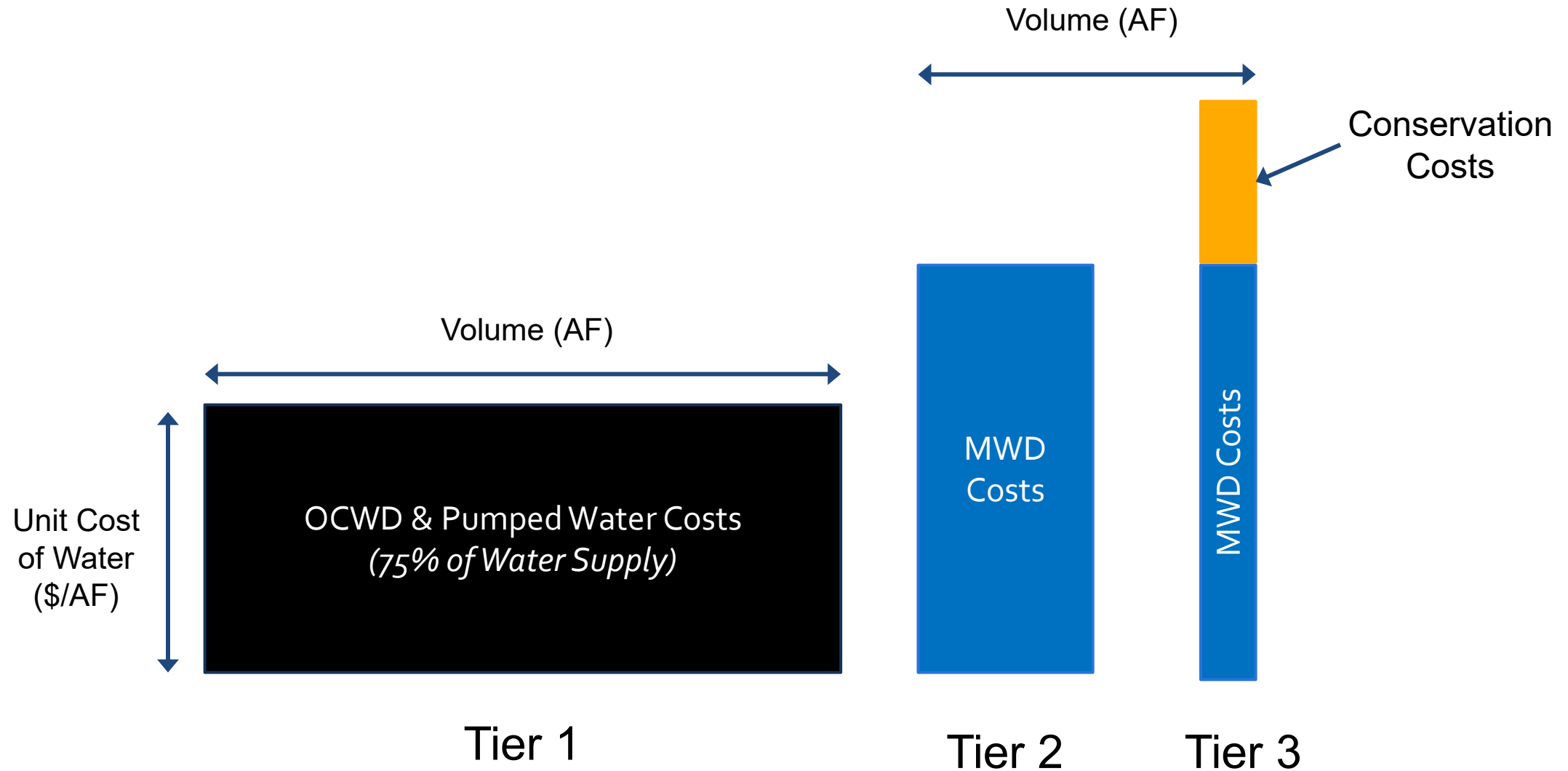
- Operations
- Maintenance
- Capital



Fixed Utility Charge

\$19.9 million
37%

Current Tiered Water Usage Rates



Current and Proposed Single Family Water Usage Rates

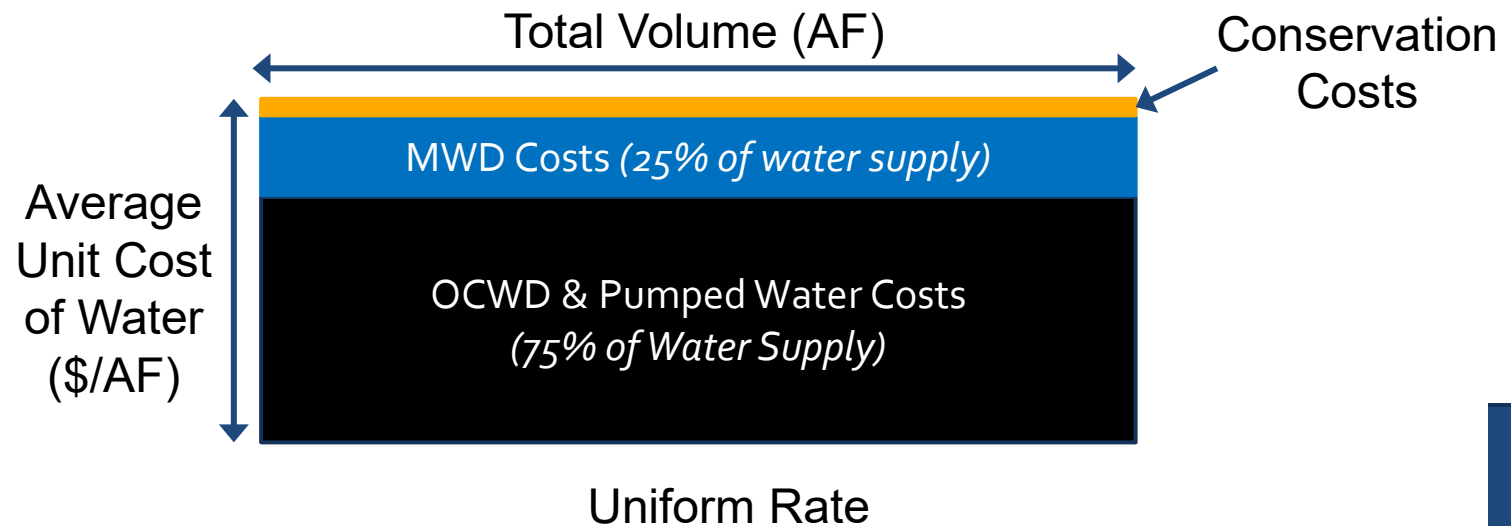
Current (2026) Tiered Residential Volumetric Rates			
Tier	Rate (per TGAL)	Single Family Monthly Allocation	Multi-Family Monthly Allocation
1	\$3.58	12,800 gal.	5,100 gal.
2	\$6.90	20,200 gal.	6,700 gal.
3	\$7.42	All Add. Usage	

Proposed (2027) Tiered Single Family Residential Volumetric Rate Scenarios					
Recommended Scenario			INRAC Requested		
3-tier Rates (\$ per TGAL)	SF - Monthly Allocation	MF - Monthly Allocation	2-tier Rates (\$ per TGAL)	SF - Monthly Allocation	MF - Monthly Allocation
\$3.80	11,900 gal.	5,000 gal.	\$3.83	11,900 gal.	5,000 gal.
\$6.99	17,800 gal.	7,800 gal.			
\$7.52	All Add. Usage		\$7.01	All Add. Usage	

Current and Proposed Water Usage Rates

All Non-Residential Volumetric Rates	
Current Rate (\$ per TGAL)	Proposed Rate (\$ per TGAL)
\$4.45	\$4.62

***Non-Residential rates
reflected weighted average of
tiered rates**





Fixed Charges: Account Charge vs Meter Equivalencies

Account Costs: Fixed charge across all accounts

Utility Costs: Fixed charge that scales with meter size

- *Meter equivalency schedule represents share of capacity in the system*
- *Fixed charges recover costs associated with distribution system and other infrastructure costs*

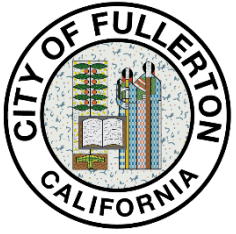
Meter Size	Capacity (GPM)	Meter Equivalency Schedule ⁽¹⁾
5/8" & 3/4"	30	1.00
1"	50	1.67
1 1/2"	100	3.33
2"	160	5.33
3"	320	10.67
4"	500	16.67
6"	1,000	33.33
8"	1,600	53.33
10"	2,400	80.00
12"	3,375	112.50

(1) Source: Table B-1, Appendix B, AWWA M1 Manual, 7th Ed.



Current and Proposed Fixed Charges

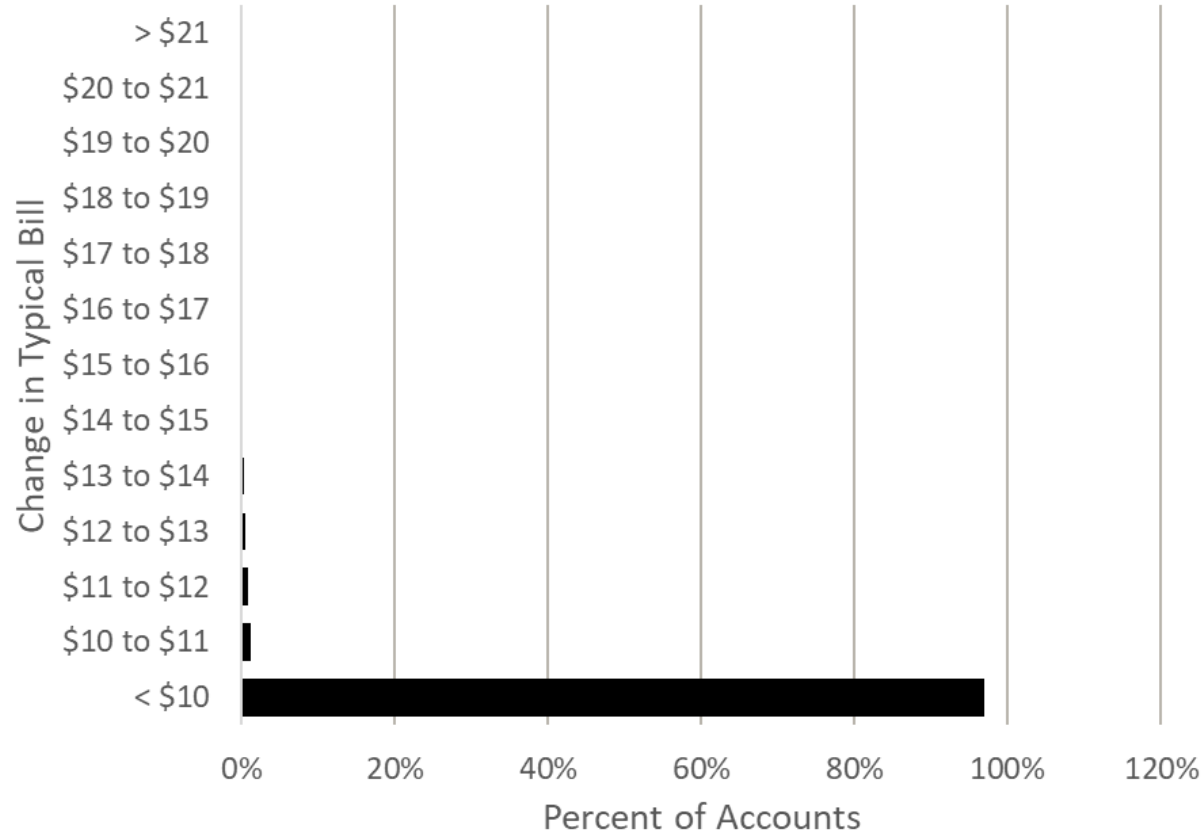
	Current	Proposed FY 2027
Meter Size	Monthly Rate	Monthly Rate
5/8" & 3/4"	\$36.02	\$36.65
1"	\$57.07	\$58.35
1 1/2"	\$109.70	\$112.59
2"	\$172.84	\$177.68
3"	\$341.24	\$351.25
4"	\$530.67	\$546.53
6"	\$1,056.90	\$1,088.95
8"	\$1,688.36	\$1,739.86
10"	\$2,530.31	\$2,607.73
12"	\$3,556.45	\$3,665.45



Residential Monthly Water Bill Impacts

April 1, 2026

Single Family Residential Bill Impacts



Example Residential Bill Forecast

Single Family Residential Monthly Bills	Current	Scenario	Proposed				
Year	FY 26		4/1/26	4/1/27	4/1/28	4/1/29	4/1/30
Low Volume - 4.6 TGAL/month, 5/8" meter	\$52.64	Recommended	\$54.13	\$60.65	\$67.91	\$76.05	\$81.36
		INRAC	\$54.27	\$60.78	\$68.05	\$76.24	\$81.59
Average Volume – 9.3 TGAL/month, 5/8" meter	\$69.25	Recommended	\$71.99	\$80.67	\$90.33	\$101.15	\$108.19
		INRAC	\$72.27	\$80.95	\$90.61	\$101.52	\$108.66
High Volume – 18.6 TGAL/month, 5/8" meter	\$121.62	Recommended	\$128.70	\$144.21	\$161.49	\$180.83	\$193.46
		INRAC	\$129.19	\$144.70	\$161.98	\$181.51	\$194.25

Note: Does not include future pass-through rate increases from source of supply costs.

A typical SoCal Edison residential customer pays \$193 every month for energy.

Example Commercial Bill Forecast

Commercial Bi-monthly Bills	Current	Proposed				
Year	FY 26	4/1/26	4/1/27	4/1/28	4/1/29	4/1/30
Low Volume – 14.9 TGAL/month, 1“ meter	\$123.25	\$127.19	\$142.38	\$159.61	\$178.68	\$191.28
Medium Volume – 259 TGAL/month, 3“ meter	\$1,491	\$1,548	\$1,732	\$1,943	\$2,174	\$2,328
High Volume – 2,162 TGAL/month, 10“ meter	\$12,150	\$12,596	\$14,098	\$15,811	\$17,695	\$18,946

Note: Does not include future pass-through rate increases from source of supply costs.

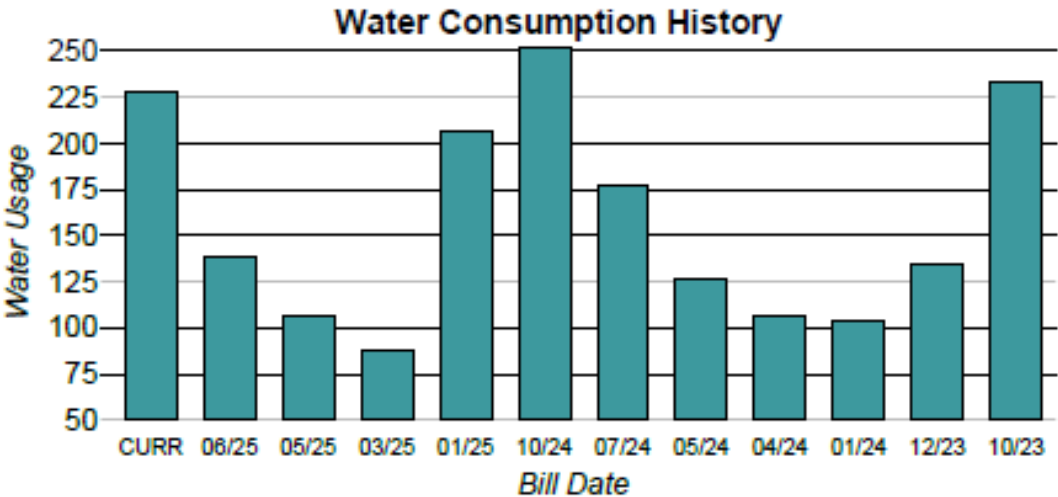
Example Bill – Recommended Action



City of Fullerton – Utility Services
303 W. Commonwealth Ave, Fullerton CA 92832
CUSTOMER SUPPORT: (714) 738-6890

CUSTOMER ID		CUSTOMER NAME		SERVICE LOCATION		ACCOUNT TYPE		PARCEL ID
[REDACTED]		BISE, STEPHEN		[REDACTED]		RESIDENTIAL		[REDACTED]
BILL NUMBER			BILLING DATE		DAYS OF SERVICE		BILL FREQUENCY	
[REDACTED]			08/28/2025		56		BI-MONTHLY	
METER NUMBER	READ CODE	PREVIOUS READ DATE	PREVIOUS READING	CURRENT READ DATE	CURRENT READING	USAGE	UOM	METER SIZE
[REDACTED]	ACTUAL READ	06/24/2025	9714	08/19/2025	9941	227	Hgal	5/8" METER

*A \$6 increase bi-monthly

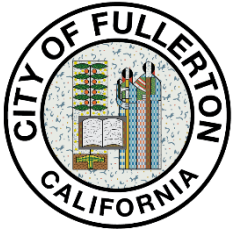


BILLING DETAILS & CHARGE SUMMARY		AMOUNT
Previous Balance		\$205.95
WATER USE - RESIDENTIAL PROP TIER 1 USE @ \$3.58/1K GAL		\$81.27
WATER FIXED - RESIDENTIAL PROPERTY		\$72.04
SEWER USAGE - RESIDENTIAL USAGE @ \$1.90/1K GALLONS		\$17.29
SEWER FIXED FEE		\$1.32
TRASH FEE - 1 PICKUP PER WEEK		\$55.76
SANITATION		\$23.38
Adjustments		\$0.00
Less Payments		-\$205.95
Deposit Refunded		\$0.00
Late Charges		\$0.00
Total Balance Due		\$251.06
AUTOPAY - DO NOT PAY		

\$86.26

\$73.30

\$257.31

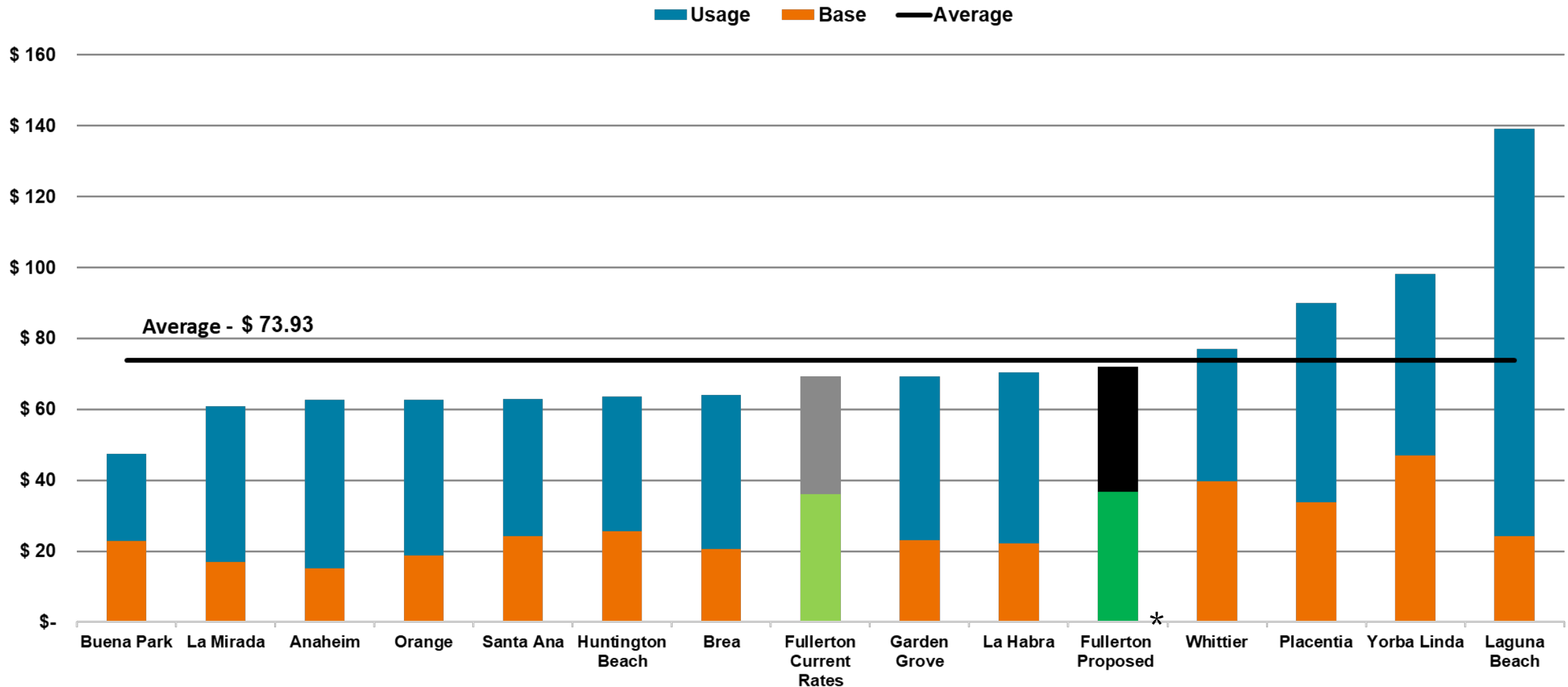


Bill Comparisons based on Recommended Action



Comparison of Local Monthly Water Bills

Recommended Rate Plan

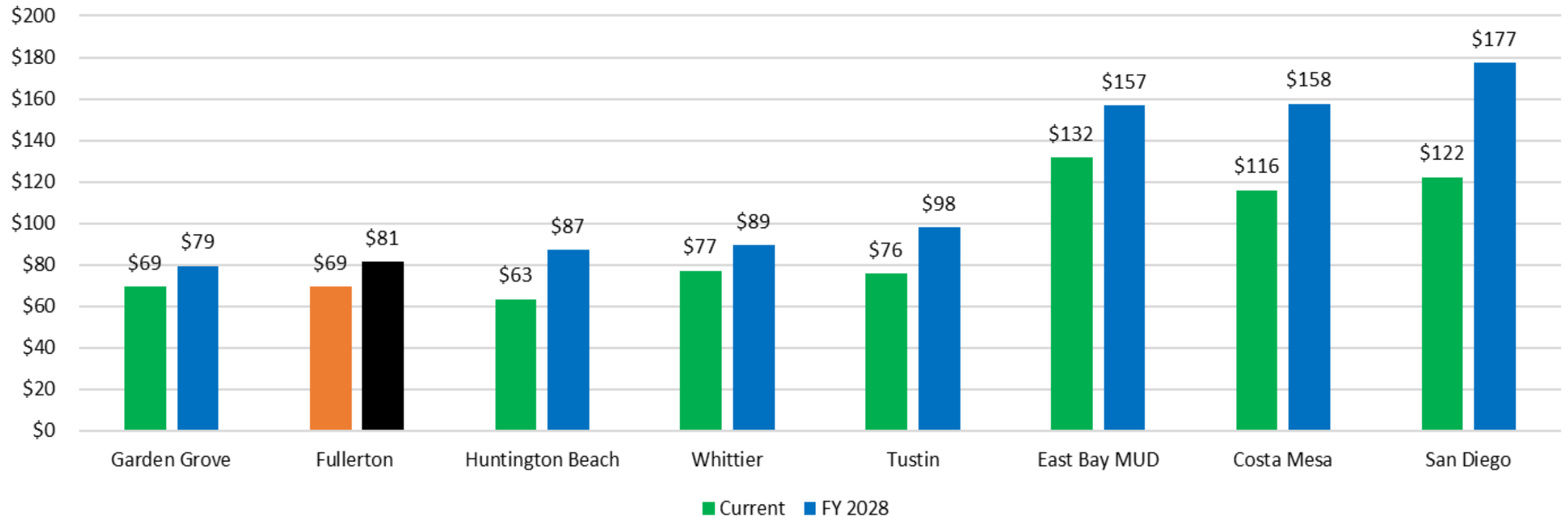


**Bills reflective of a Residential customer with a 5/8" meter consuming 9.3 tgals/month*

Residential Bill Comparison in FY 2028

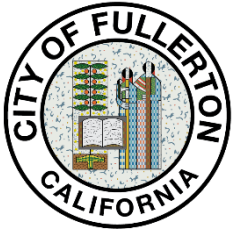
Recommended Rate Plan

Monthly Residential Water Base and Usage Rate Survey at 9.3 kgal



**Bills reflective of a Residential customer with a 5/8" meter consuming 9.3 tgals/month*

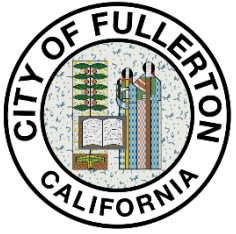
***All 2028 rate forecasts based on most current rate plans published by the utility*



Schedule

Proposed Schedule:

- July 21, 2025 – 1st INRAC Meeting Presentation
- August 18, 2025 – 2nd INRAC Meeting Presentation
- October 20, 2025 – 3rd INRAC Meeting Presentation
- November 18, 2025 – City Council Rate Study Session
- December 2, 2026 – City Council Meeting to Vote on Issuing Public Notifications
- February 3, 2026 – Public Hearing and City Council Vote to Adopt Rates
- April 1, 2026 – Implement New Water Rates



INRAC Comments

INRAC Representative:

Chair Greg Sebourn, PLS



INRAC Members:

Chair Greg Sebourn, PLS

Vice Chair Kari Thune

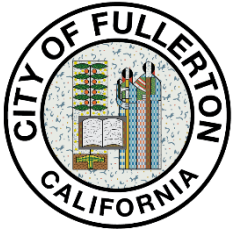
Benjamin Molina

Gregory Sarvas

Munish Bharadwaja

Mark Klingsberg

Chuck Sargeant



Discussion/Questions

