



Modifications to the Penalty Surcharge Multiplier and Appeals Process

February 11, 2016
Public Works Commission



Today's Objective

- Commission Recommendation for Penalty Surcharge Adjustments for February 16th Council Study Session
 - Multiplier Adjustment
 - Appeal Process Criteria



Background

- Council requested a review of the penalty surcharge
 - Address Multi-Family and Commercial concerns
- Met with Conservation Sub-Committee
 1. Reviewed both multiplier assumptions, recent consumption data and appeals process
 2. Developed options for Commission consideration
- Commission Recommendation to City Council on February 16th



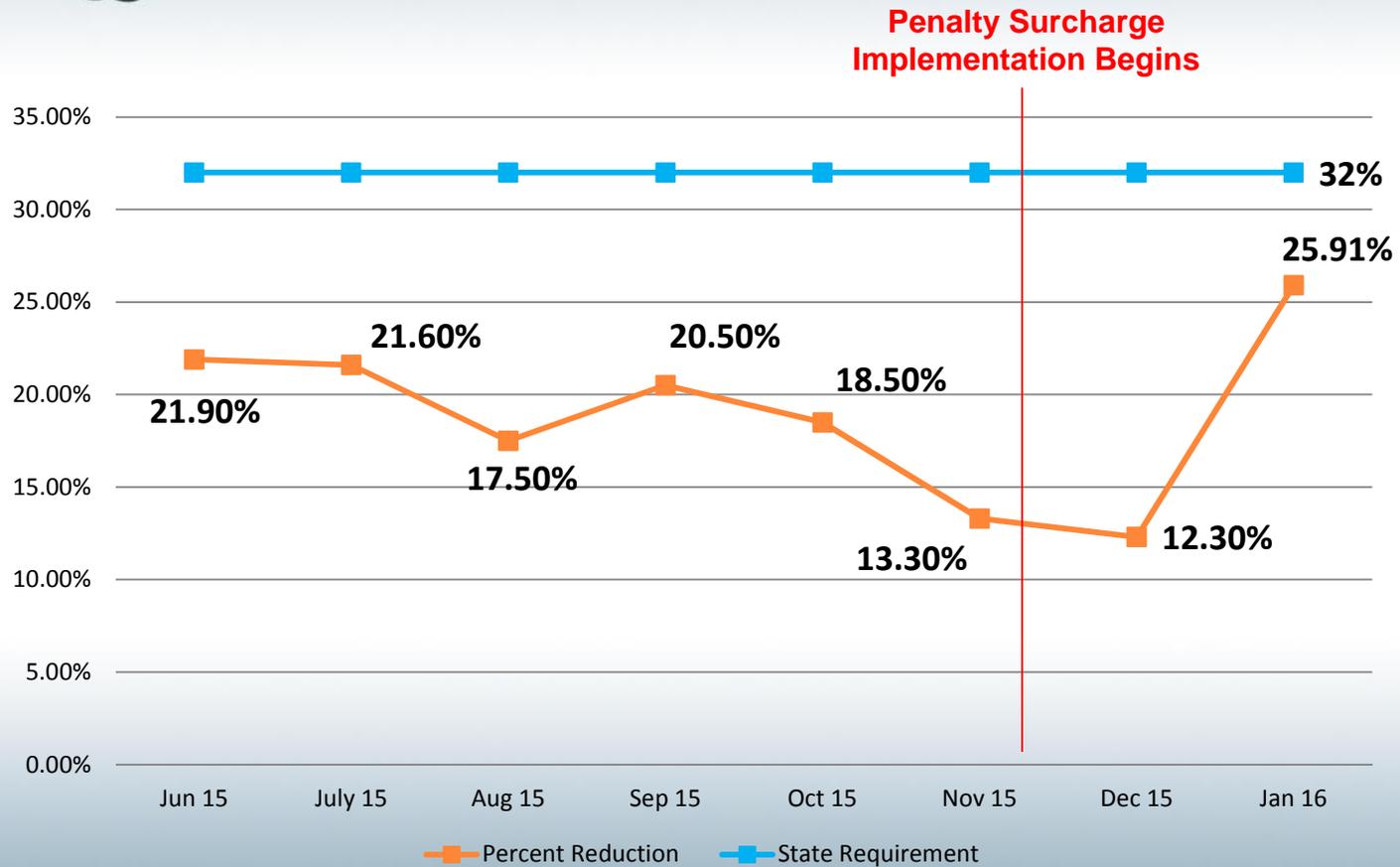
Surcharge Multipliers

- The following adjustments are proposed.
 1. Future risk costs adjusted based on actuals vs projections
 2. Metropolitan Water District (MWD) Tier 2 costs adjusted
 3. Customer non-compliance estimates

| Less than 30% Conservation | | | Less than 12% Conservation | | |
|---|--------------------------|--------------------------|---|---|---|
| For excess usage above 70% baseline, the penalty-only multiplier is: | | | For excess usage above the 88% baseline, the penalty-only multiplier is: | | |
| Current | Proposed | | Current | Proposed | |
| | With 5% | Without 5% | | With 5% | Without 5% |
| 0.59 times the base rate | 0.25 times the base rate | 0.27 times the base rate | Additional 3.08 (Cumulative 3.67 times the Base Rate) | Additional 1.60 (Cumulative 1.85 times the Base Rate) | Additional 1.68 (Cumulative 1.95 times the Base Rate) |

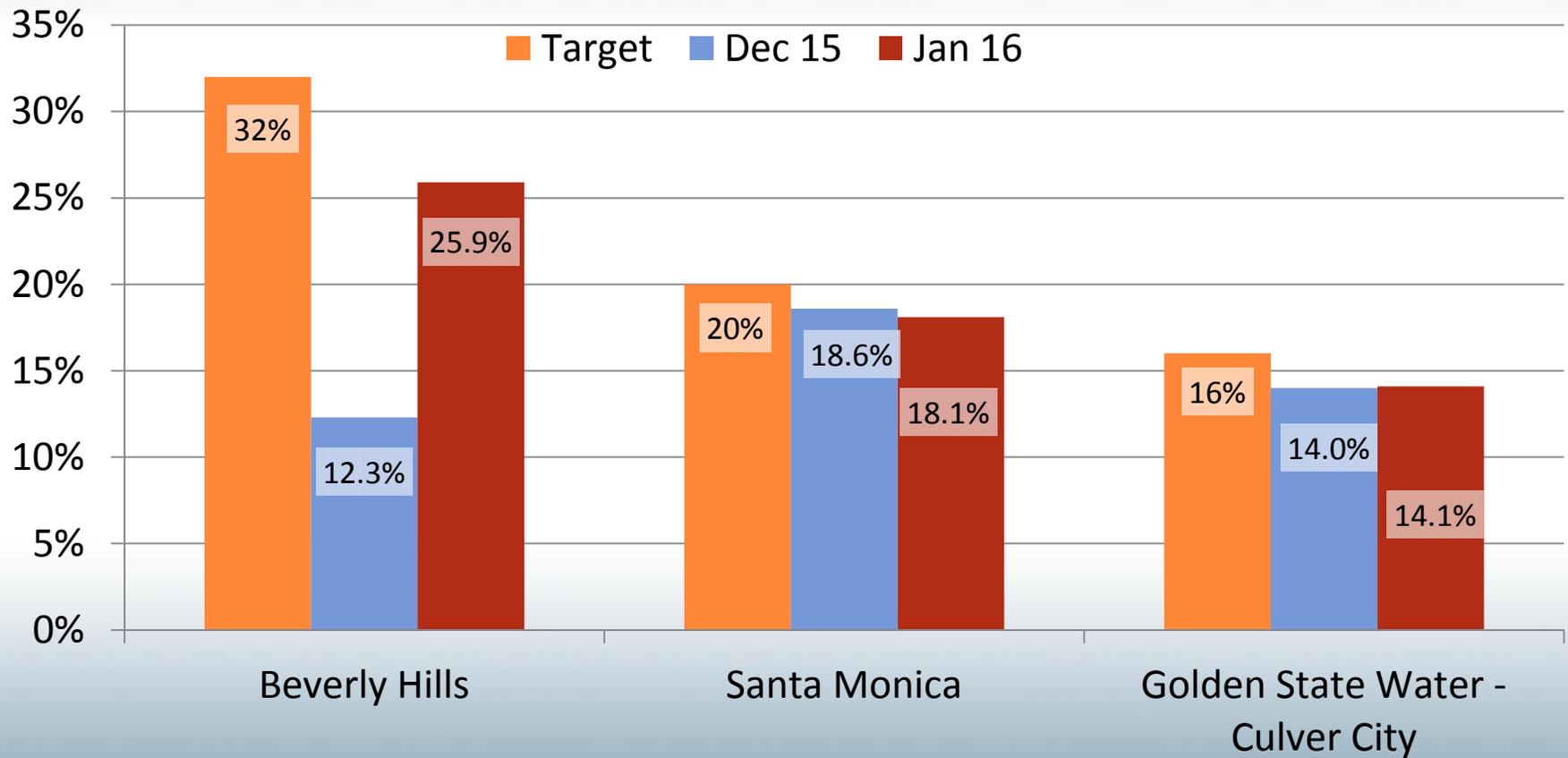


Penalty Surcharge Impact on Conservation





Regional Performance





Appeals Process Criteria

- Recognition of differing conservation potential across customer classes.
 - Multi Family/Commercial
 - Previous installation of water efficient fixtures
 - Percentage of landscape and pool on property
 - Property or lot size
- Sub-committee evaluated three options to address this issue



Implementation Strategy

| Methodology | Pros | Cons |
|---|--|--|
| 1. Establish blanket exemptions based on property characteristics | <ul style="list-style-type: none">• Most equitable of the three approaches | <ul style="list-style-type: none">• Customer service impact (prolonged implementation period)• May cast a “broader” net than intended |
| 2. Pre-condition would be included as part of Level 1 review | <ul style="list-style-type: none">• More feasible than Option #1• Can be integrated with existing appeals process | <ul style="list-style-type: none">• Customer initiates review by completing Level 1 appeal form |
| 3. Proactively identify customers that have already incorporated conservation policies/programs | <ul style="list-style-type: none">• Customer does not need to initiate request | <ul style="list-style-type: none">• Staff would pre-identify qualifying customers• May cast “too narrow” of a net than intended |



Sub Committee Proposal

- Proposes modification of multipliers
- Proposes implementing approach #2 for appeals process to handle multifamily and commercial customer considerations



Next Steps

- **Feb. 16, 2016 Study Session:** Revised multiplier framework recommendation
- **Feb. 16, 2016 Formal Session:** Resolution for penalty surcharge multiplier (effective March 1, 2016)
- **Mar. 1, 2016 Study Session:** Report on revised penalty surcharge appeals



Discussion