

Preparing for Drought

Integrated Planning & Rate Design

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Moulton Niguel Water District

February 25, 2015



Moulton Niguel Water
Leading the Way in Service

About the District

- Full service utility
- Serve \approx 170,000 in South Orange County
- 100% potable water from MWD (\approx 29,000 AFY)
- RW meets \approx 25% total water demand (\approx 8,000 AFY)



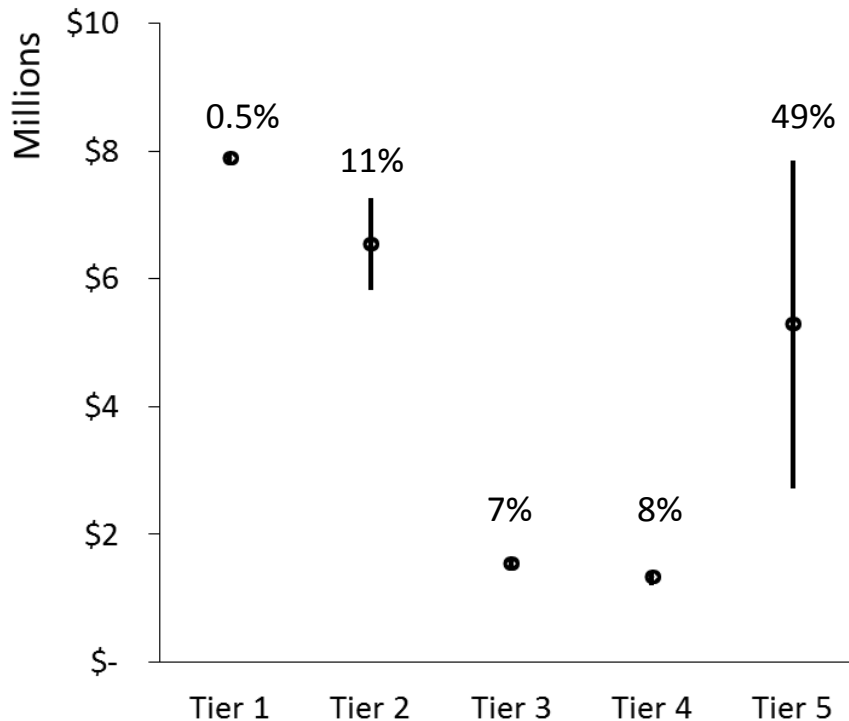
Drought & Potential Impacts

- 3 Dry Years
- Current Year
 - Average Rain
 - Snowfall \approx 25% of Average
- Wholesale Drought Rates

Wholesale Drought Charge	Price
In-Allocation (Tier 1 MWDOC)	\$923.5 / AF
100% to 115% of Allocation	\$2,403.5 / AF
Over 115% of Allocation	\$3,883.5 / AF

How to Mitigate Risk?

Revenue Volatility by Tier

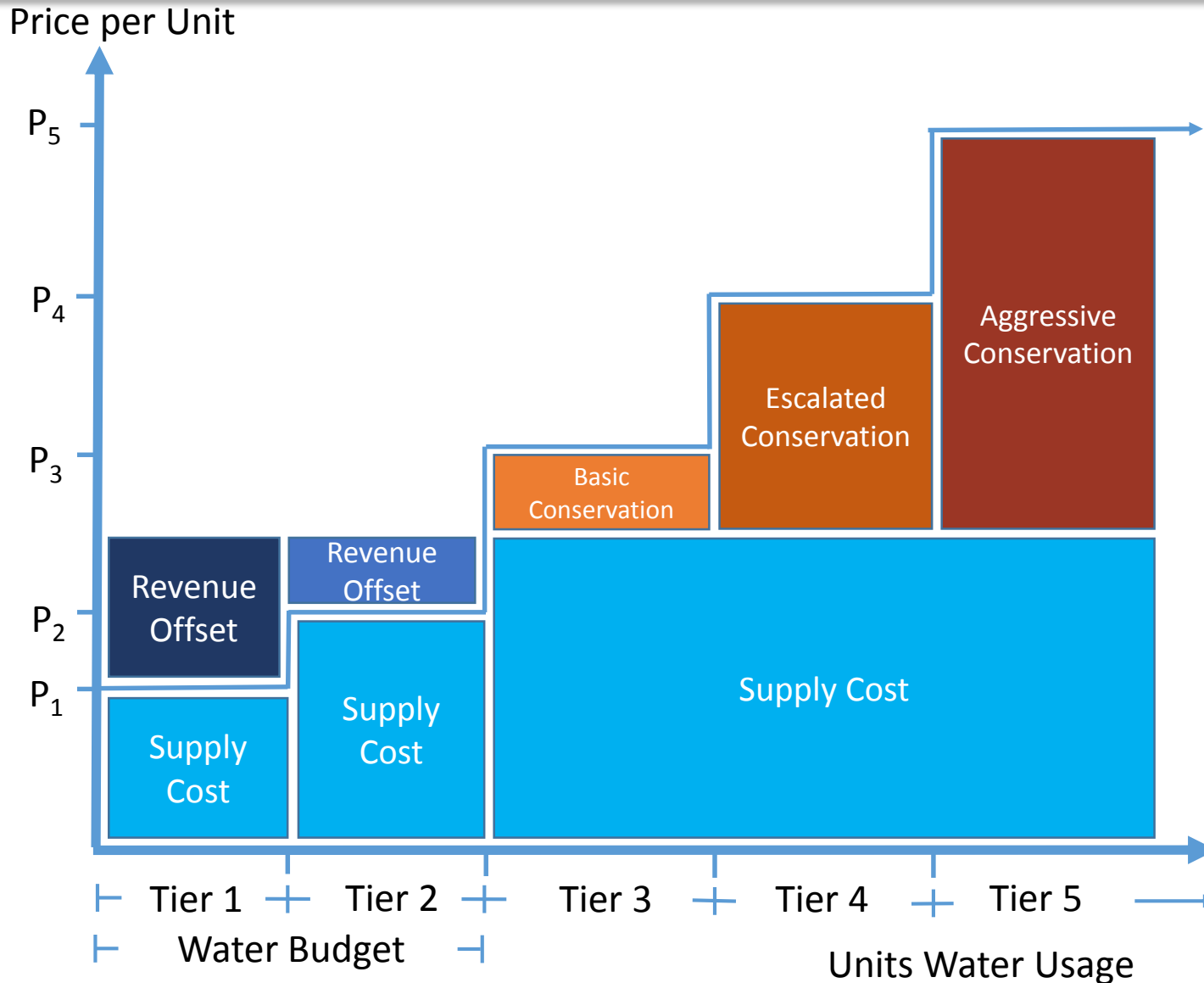


- Lower Tier 1 from 65 to 60 GPCD
- Tier 2 with Rate Stabilization Reserve
- Tier 3, 4, & 5 set at price of water

● = Average Annual Revenue 2011 to 2014 by Tier

| = Standard Deviation of Annual Revenue 2011 to 2014

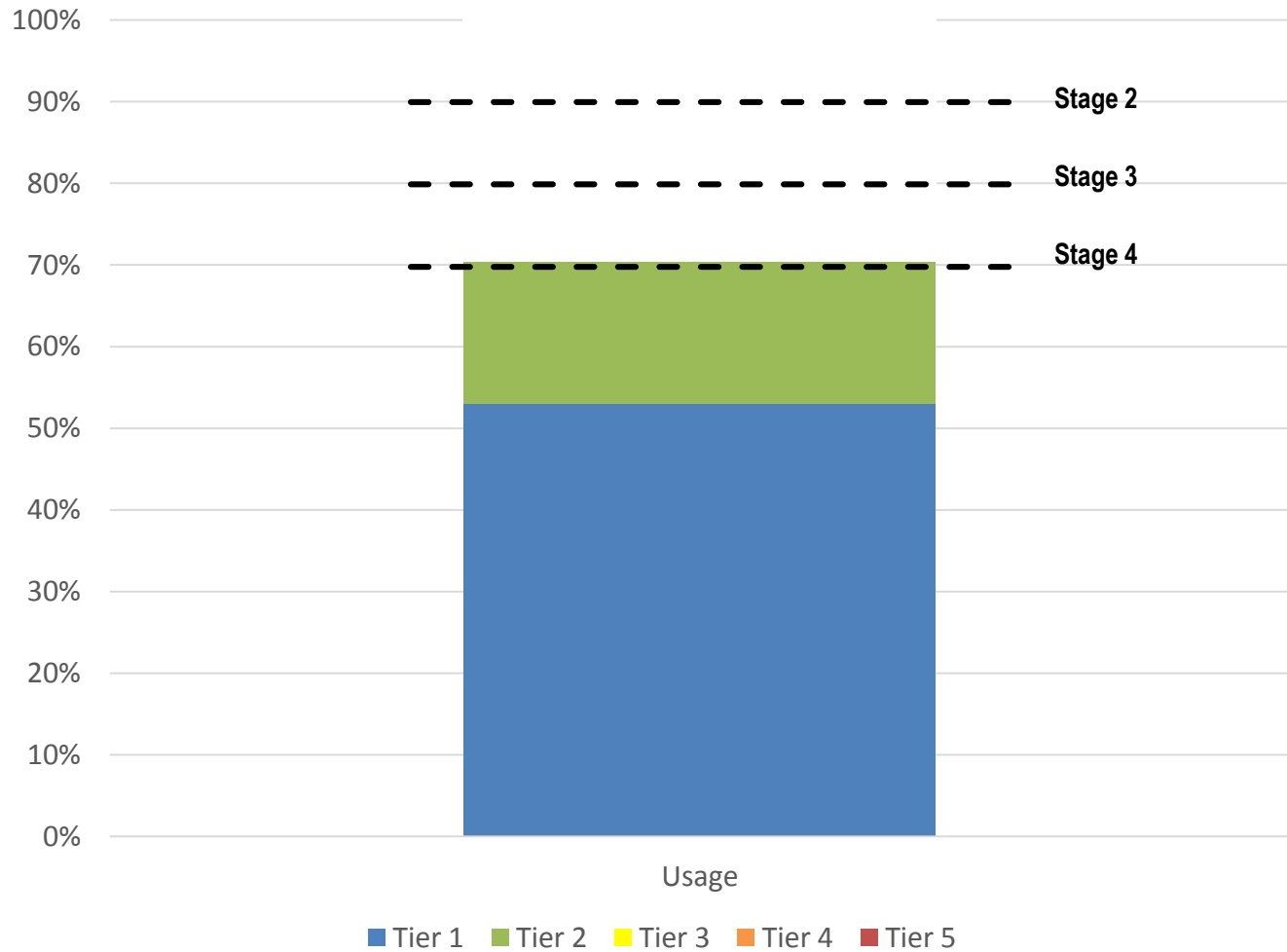
Rate Design



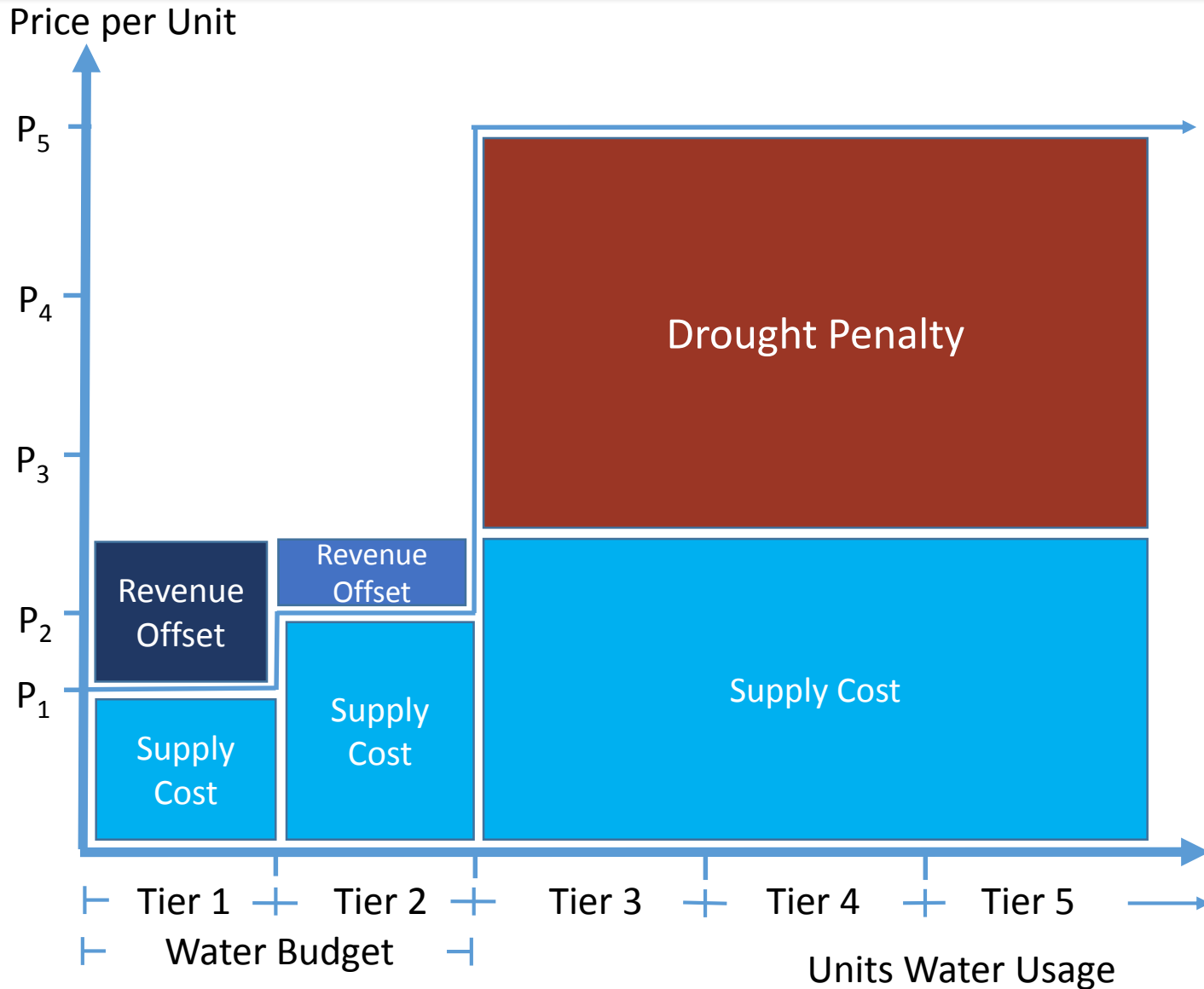
Drought Planning

- Historical Approach
 - 2009/2010 MWD Allocations
 - Hired Temporary Staff to Police Water
 - Issued ~ 20,000 letters and/or fines
- Drought Response Options
 - Marketing
 - Drought Rates
 - Mandatory Restrictions
 - Penalties

Average Usage by Tier



Penalty Rate Philosophy



Summary

- How to influence demand in drought?
 - Information
 - Incentives
- For MNWD, rate design & allocation penalties:
 - Mitigate financial risk
 - Inform to achieve targets through penalties
 - Meet legal test of Prop. 218 & 26