



April 8, 2022

Ms. Nicole Sandkulla
 CEO/General Manager
 Bay Area Water Supply & Conservation Agency
 155 Bovet Road, Suite 650
 San Mateo, CA 94402

Re: Fiscal Year 2022-23 Wholesale Water Rates Notice

Dear Ms. Sandkulla,

The San Francisco Public Utilities Commission (SFPUC) has determined that the **Fiscal Year 2022-23 Wholesale Water Rates will be \$4.75 per CCF**, representing a \$0.65 per CCF or 15.9% increase from the current rate for treated wholesale water effective July 1, 2022. As required by WSA Section 6.03.A, the SFPUC has scheduled a public hearing to consider the adoption of the wholesale water rate, as follows:

May 10, 2022, 1:30 PM
 San Francisco City Hall
 1 Dr. Carlton B. Goodlett Place, Room 400
 San Francisco, CA 94102

Over the past five years, there were no wholesale rate changes – as the SFPUC optimized for rate stability and the spending down of the balancing account. As of June 30, 2021, there is \$87 million in the balancing account that is owed to wholesale customers, of which SFPUC plans to fully repay the wholesale customers by the end of Fiscal Year 2022-23. To most accurately forecast the Fiscal Year 2021-22 year-end balancing account, the Fiscal Year 2022-23 rate was calculated based on actual Fiscal Year 2021-22 sales data through February of this year.

Since the Wholesale Customer Annual Meeting on February 17, 2022, several factors outside of our control have changed, presenting further financial challenges to the Water Enterprise. The rising interest rate environment has eliminated debt service savings that SFPUC planned to realize for Fiscal Year 2022-23 and beyond. Additionally, worsening drought conditions and further calls for conservation in the state are projected to lower revenues in the next two years as customers rise to the call for conservation. Finally, the SFPUC faces growing costs in this upcoming fiscal year, particularly debt service on previously issued bonds.

London N. Breed
 Mayor

Anson Moran
 President

Newsha Ajami
 Vice President

Sophie Maxwell
 Commissioner

Tim Paulson
 Commissioner

Dennis J. Herrera
 General Manager

Services of the San Francisco Public Utilities Commission

OUR MISSION: To provide our customers with high-quality, efficient and reliable water, power and sewer services in a manner that values environmental and community interests and sustains the resources entrusted to our care.



The SFPUC is required to generate sufficient revenues to pay operations and maintenance expenditures and debt service, and to meet SFPUC debt service coverage ratio policy minimums. While the financial picture has worsened for FY 2022-23, the SFPUC has maintained the projected wholesale rate increase of 15.9% presented at the Wholesale Customer Annual Meeting, and will continue to use various financial measures, including the spend down of the wholesale balancing account, to stabilize required rate increases.

Untreated Wholesale Water Rate Discount Factor

The Fiscal Year 2022-23 Untreated Wholesale Water Rate Discount will be \$0.43 per CCF, an increase of \$0.07 from the current rate, effective July 1, 2022. The discount factor is equal to the Harry Tracy Water Treatment Plant total projected cost. The discount is calculated by dividing the relevant cost by total wholesale water deliveries. The increase is primarily driven by lower wholesale volumes, which results in the excluded costs being divided by a lower number.

Fiscal Year 2022-23 Billing

As in prior years, the following charges, unrelated to the Wholesale Revenue Requirement, will be effective July 1, 2022:

- **BAWSCA Bond Surcharge:** The monthly bills include the February 2013 prepayment of the Pre-2009 Assets surcharge for the repayment of BAWSCA issued bonds. The amounts of the surcharge are proportionate to water consumption and have been adjusted accordingly. The SFPUC bills and collects the surcharge on behalf of BAWSCA and remits these amounts to the trustee.
- **Late Fees:** As part of the response to the current pandemic, the SFPUC waived late fees on past due balances through July 1, 2023. After this time, late payment penalties as specified in Schedule W-44 will once again be in effect. The SFPUC encourages Wholesale customers to sign up for electronic billing and payment services to make timely payments and to avoid late fees. Please sign up with our SFPUC BillPay service at myaccount-water.sfpuc.org to receive and pay your bills online. If you have any questions, please contact customer assistance at (415) 551-3000.

Enclosures

Per WSA Section 6.03.A, supporting documents are required if there is a rate increase. We are attaching the following:

- Attachment N-1: Balancing Account/Rate Setting Calculation: A table showing the change in the Wholesale Revenue Requirement and how the wholesale rate was calculated
- Attachment N-3: Schedule of Projected Water Sales, Wholesale Revenue Requirements and Wholesale Rates: A schedule showing

projected Wholesale Customer water sales and rates for the proposed rate year and the following four fiscal years

- FY 2022-23 Calculation of Untreated Water Discount Factor
- Schedule W-25: Wholesale Use with Long-Term Contract - Proposed Fiscal Year 2022-23 Wholesale Customer water rates
- Fiscal Year 2022-23 BAWSCA Bond Surcharge letter and schedule showing the bond surcharge for each member agency

If you have any questions, please contact me at 415-487-5227 or efranks@sfgwater.org

Sincerely,



Erin Franks
Rates Administrator

Enclosures

cc: Dennis Herrera, SFPUC, General Manager
Ronald Flynn, SFPUC, Chief of Staff
Steve Ritchie, SFPUC, Water Enterprise Assistant General Manager
Charles Perl, SFPUC, Deputy CFO
Kristina Alagar Cordero, SFPUC, Director of Financial Planning
Alison Kastama, SFPUC, BAWSCA Liaison
Catherine Malina, SF City Attorney
Christina Tang, BAWSCA, Finance Manager

Balancing Account / Rate-Setting Calculation
Reference Section 6.03.A.3
Fiscal Year 2022-23

Schedule N-1

	FY 2020-21	FY 2021-22	FY 2022-23
1. Actual Changes to Balancing Account for FY 2020-21			
A. Balancing Account as of June 30, 2020 (unaudited)	\$ (63,393,776)		
B. Interest on Balancing Account and Coverage Reserve	\$ (1,139,197)		
C. Wholesale Revenues for Fiscal Year	\$ (275,113,885)		
D. Wholesale Revenue Requirement for Fiscal Year	\$ 245,743,192		
E. Net Change in Wholesale Revenue Coverage	\$ 2,431,211		
F. Settlement Credits or Other Adjustments	\$ 4,382,469		
G Balancing Account as of June 30, 2021 (unaudited)	\$ (87,089,986)		
2. Projected Changes to Balancing Account for FY 2021-22			
A. Balancing Account as of June 30, 2021		\$ (87,089,986)	
B. Interest on Balancing Account and Coverage Reserve		\$ (617,562)	
C. Wholesale Revenues for Fiscal Year		\$ (246,152,161)	
D. Wholesale Revenue Requirement for Fiscal Year		\$ 286,998,565	
E. Settlement Credits or Other Adjustments		\$ -	
F. Balancing Account as of June 30, 2022		\$ (46,861,144)	
G. Net Change in Wholesale Revenue Coverage		\$ 2,278,271	
H. Total Revenue Deficiency or (Surplus)		\$ (44,582,873)	
3. Projected Changes to Balancing Account for FY 2022-23			
A. Balancing Account as of June 30, 2022			\$ (44,582,873)
B. Interest on Balancing Account and Coverage Reserve			\$ (446,246)
C. Wholesale Revenues for Fiscal Year			\$ (267,871,466)
D. Wholesale Revenue Requirement for Fiscal Year			\$ 302,588,214
E. Settlement Credits or Other Adjustments			\$ -
F. Balancing Account as of June 30, 2023			\$ (10,312,372)
G. Net Change in Wholesale Revenue Coverage			\$ 14,151,740
H. Total Revenue Deficiency or (Surplus)			\$ 3,839,368

Schedule of Projected Water Sales, Wholesale Revenue Requirements, and Wholesale Rates

Schedule N-3

Reference Section 6.03.A.3

Fiscal Year 2022-23

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Water Enterprise						
Operations & Maintenance Expenses						
Source of Supply	\$ 17,789,221	\$ 18,273,114	\$ 18,593,691	\$ 19,432,883	\$ 21,101,621	\$ 21,712,498
Pumping	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Treatment	\$ 35,859,193	\$ 36,834,618	\$ 37,480,831	\$ 39,172,459	\$ 42,536,271	\$ 43,767,666
Transmission & Distribution	\$ 19,973,195	\$ 20,516,496	\$ 20,876,430	\$ 21,818,649	\$ 23,692,257	\$ 24,378,131
Customer Services	\$ 243,983	\$ 250,619	\$ 255,016	\$ 266,526	\$ 289,413	\$ 297,791
Total Operations & Maintenance Expenses	\$ 73,865,591	\$ 75,874,848	\$ 77,205,968	\$ 80,690,517	\$ 87,619,563	\$ 90,156,086
Administrative & General Expenses						
Countywide Cost Allocation Plan (COWCAP)	\$ 1,454,767	\$ 1,494,338	\$ 1,520,554	\$ 1,589,182	\$ 1,725,648	\$ 1,775,604
SFPUC Bureaus	\$ 17,230,525	\$ 17,699,222	\$ 18,009,730	\$ 18,822,566	\$ 20,438,895	\$ 21,030,587
Compliance Audit	\$ 108,405	\$ 111,354	\$ 113,307	\$ 118,421	\$ 128,590	\$ 132,313
Other Administrative & General	\$ 8,313,398	\$ 8,539,535	\$ 8,689,349	\$ 9,081,527	\$ 9,861,375	\$ 10,146,854
Total Administrative & General Expenses	\$ 27,107,095	\$ 27,844,449	\$ 28,332,941	\$ 29,611,696	\$ 32,154,508	\$ 33,085,358
Property Taxes	\$ 1,582,139	\$ 1,625,175	\$ 1,653,687	\$ 1,728,323	\$ 1,876,737	\$ 1,931,067
Capital Cost Recovery						
Pre-2009 Assets (K-1 to K-4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pre-2009 Assets (K-5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service on New Assets	\$ 159,474,548	\$ 168,034,980	\$ 167,208,108	\$ 169,878,841	\$ 175,167,792	\$ 174,682,616
Revenue Credit for BABs Subsidy	\$ (14,203,277)	\$ (13,559,130)	\$ (13,119,799)	\$ (13,060,270)	\$ (12,972,112)	\$ (12,650,242)
Revenue Funded Capital	\$ 13,553,940	\$ 16,452,500	\$ 16,255,000	\$ 16,547,500	\$ 16,835,000	\$ 16,857,500
Total Capital Cost Recovery	\$ 158,825,211	\$ 170,928,351	\$ 170,343,309	\$ 173,366,071	\$ 179,030,681	\$ 178,889,874
Hetch Hetchy Water & Power						
Operations & Maintenance Expenses	\$ 21,897,738	\$ 22,493,390	\$ 22,888,006	\$ 23,921,014	\$ 25,975,156	\$ 26,727,118
Administrative & General Expenses						
Countywide Cost Allocation Plan (COWCAP)	\$ 346,990	\$ 356,429	\$ 362,682	\$ 379,051	\$ 411,600	\$ 423,516
SFPUC Bureaus	\$ 3,623,344	\$ 3,721,905	\$ 3,787,200	\$ 3,958,129	\$ 4,298,021	\$ 4,422,445
Other Administrative & General	\$ 4,164,223	\$ 4,277,496	\$ 4,352,539	\$ 4,548,983	\$ 4,939,613	\$ 5,082,611
Total Administrative & General Expenses	\$ 8,134,557	\$ 8,355,829	\$ 8,502,421	\$ 8,886,162	\$ 9,649,234	\$ 9,928,572

Schedule of Projected Water Sales, Wholesale Revenue Requirements, and Wholesale Rates

Schedule N-3

Reference Section 6.03.A.3

Fiscal Year 2022-23

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Property Taxes	\$ 208,557	\$ 214,231	\$ 217,989	\$ 227,827	\$ 247,391	\$ 254,553
Capital Cost Recovery						
Pre-2009 Assets (K-1 to K-4)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Pre-2009 Assets (K-5)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service on New Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Funded Capital	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Capital Cost Recovery	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wholesale Revenue Requirement	\$ 286,998,565	\$ 302,588,214	\$ 304,312,964	\$ 313,382,199	\$ 331,070,256	\$ 335,330,885
Balancing Account as of June 30 (Beginning of Year)	\$ (87,089,986)	\$ (44,582,873)	\$ 3,839,368	\$ 12,058,757	\$ 9,115,621	\$ 3,446,599
Balancing Account Deferral	\$ 44,582,873	\$ (3,839,368)	\$ (12,058,757)	\$ (9,115,621)	\$ (3,446,599)	\$ 2,562,368
Interest on Balancing Account and Coverage Reserve	\$ (617,562)	\$ (446,246)	\$ (215,621)	\$ (209,561)	\$ (226,713)	\$ (269,426)
Settlement Credits and Other Adjustments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wholesale Debt Service Coverage Reserve	\$ 2,278,271	\$ 14,151,740	\$ (135,640)	\$ 1,110,517	\$ 4,636,444	\$ 78,583
Wholesale Revenues Before Rate Change						
Volumetric Charges	\$ (241,838,161)	\$ (227,491,708)	\$ (263,673,236)	\$ (312,912,291)	\$ (336,835,009)	\$ (336,835,009)
Excess Use Charges / Minimum Purchase	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Service Charges	\$ (4,314,000)	\$ (4,314,000)	\$ (4,314,000)	\$ (4,314,000)	\$ (4,314,000)	\$ (4,314,000)
Total Wholesale Deficiency or (Credit)	\$ (0)	\$ 36,065,759	\$ 27,755,078	\$ -	\$ -	\$ -
<i>Wholesale Deficiency or (Credit) as a Percent of Volumetric Charges</i>	0.0%	15.9%	10.5%	0.0%	0.0%	0.0%
Projected Water Sales (MGD)	120.9 MGD	113.7 MGD	113.4 MGD	122.1 MGD	131.5 MGD	131.5 MGD
Projected Water Sales (CCF)	58,984,917	55,485,782	55,510,155	59,602,341	64,159,049	64,159,049
Wholesale Deficiency or Credit (\$/CCF)	\$0.00	\$0.65	\$0.50	\$0.00	\$0.00	\$0.00
Wholesale Rate (\$/CCF)	\$4.10	\$4.75	\$5.25	\$5.25	\$5.25	\$5.25
Projected Service Charge Revenues	\$ 4,314,000	\$ 4,314,000	\$ 4,314,000	\$ 4,314,000	\$ 4,314,000	\$ 4,314,000
Projected Volume Charge Revenues	\$ 241,838,161	\$ 263,557,466	\$ 291,428,314	\$ 312,912,291	\$ 336,835,009	\$ 336,835,009
Total Wholesale Revenues After Rate Change	\$ 246,152,161	\$ 267,871,466	\$ 295,742,314	\$ 317,226,291	\$ 341,149,009	\$ 341,149,009

**Calculation of Untreated Water Discount Rate for Coastside County Water District
Rate-Setting for Fiscal Year 2022-23**

Wholesale Share of HTWTP Expenses to be Removed

Operations & Maintenance	\$	11,120,823
Cash Funded Capital	\$	-
Debt Service	\$	12,917,533
Total HTWTP Expense to be Removed	\$	24,038,355

Total Wholesale Water Consumption (CCF) 55,485,782

Untreated Water Rate Discount (\$/CCF)	\$	0.43
Untreated Water Rate Discount (\$/acre foot)	\$	187.31

Impact on Wholesale and Retail Customers

Untreated Water Rate Discount (\$/CCF)	\$	(0.43)
Projected Coastside County Water District Annual Consumption (CCF)		512,085
Net Impact of Untreated Water Rate Discount	\$	(220,197)

	Wholesale	Retail
Proportional Annual Use	65.81%	34.19%
Allocation of Untreated Water Rate Discount	\$ (144,911)	\$ (75,285)
Projected Annual Treated Water Usage (CCF)	54,973,697	26,358,149
Average Wholesale Rate Impact (\$/CCF)	\$ (0.0026)	\$ (0.0029)

SCHEDULE W-25: Wholesale Use with Long-Term Contract

For service to municipalities, water districts and others who, under long-term contracts, purchase water for resale:

First: A Monthly Service Charge base on the type and size of the meter:

Meter Size	Disc/Compound Meters	Crest Meters	Magnetic Meters	Turbine Meters
5/8 in.	\$11	-	-	-
3/4 in.	\$18	-	-	-
1 in.	\$30	-	-	-
1 1/2 in.	\$43	-	-	-
2 in.	\$79	-	-	-
3 in.	\$158	-	-	-
4 in.	\$318	\$353	-	\$577
6 in.	\$476	\$685	-	\$1,256
8 in.	\$635	\$1,335	\$2,265	\$1,875
10 in.	\$793	\$1,732	-	\$3,391
12 in.	\$953	\$1,840	\$5,159	-
16 in.	\$1,270	\$5,628	-	\$7,215
18 in.	-	\$6,133	-	-
20 in.	-	\$6,349	-	-

The service charge for a battery of meters installed on one service in lieu of one meter or for a special type of meter, shall be based on the size of single or multiple standard type meters of equivalent capacity.

Second: A charge for water delivered based on one-month's meter readings:

\$2,069.10 per acre-foot **or** **\$4.75 per 100 cu. ft.**

Third: An Untreated Wholesale Water Rate Discount Factor for Wholesale Customers receiving untreated water, based on one-month's meter readings:

(\$187.31) per acre-foot **or** **(\$0.43) per 100 cu. ft.**



March 22, 2022

Ms. Erin Franks, Rate Administrator
San Francisco Public Utilities Commission
525 Golden Gate Avenue, 4th Floor
San Francisco, CA 94102

Subject: BAWSCA FY 2022-23 Bond Surcharge Schedule

Dear Erin:

Pursuant to Section 3.01 (a) of the Prepayment and Collection Agreement between the Bay Area Water Supply and Conservation Agency (BAWSCA) and the City and County of San Francisco (San Francisco), dated January 1, 2013 (Agreement), BAWSCA shall deliver a written schedule to San Francisco at least 45 days prior to the beginning of each fiscal year showing the amount of the surcharge that BAWSCA seeks to impose for such fiscal year.

Table 1 includes BAWSCA's FY2022-23 annual and monthly bond surcharge for each member agency that was adopted by the BAWSCA Board on March 17, 2022. Pursuant to Section 3.02 (a) of the Agreement, San Francisco shall include the identified monthly surcharge in the first wholesale water bill for the largest amount delivered to BAWSCA's member agencies each month, effective July 1, 2022.

As a heads up, BAWSCA expects to notify the SFPUC for a revised FY 2022-23 monthly surcharge schedule, as shown in Table 2, after BAWSCA's settlement of the 2023A refunding bonds in January 2023. Assuming the settlement is completed on January 5, 2023, the monthly surcharges in Table 1 would be collected through the February 2023 billings and the reduced monthly surcharges would apply to the March – June 2023 billings, as shown in Table 2. The Agreement allows BAWSCA to revise bond surcharges as of the first day of the calendar month which is at least 45 days after notice of such reduction is provided by BAWSCA to SFPUC. If such notice is not provided to the SFPUC, the monthly surcharges stated in Table 1 will remain in effect.

If you have any questions about the billing of BAWSCA's surcharges, please contact me at (650) 421-3448.

Sincerely,

A handwritten signature in cursive script that reads "Christina Tang".

Christina Tang
Finance Manager

Attachments:

Table 1. BAWSCA FY 2022-23 Bond Surcharges Effective July 1, 2022

Table 2. Revised BAWSCA FY 2022-23 Bond Surcharges Effective March 1, 2023

cc: Charles Perl, SFPUC
Kristina Cordero, SFPUC
Nicole Sandkulla, BAWSCA
Allison Schutte, BAWSCA Legal Counsel

Attachments

Table 1. BAWSCA FY 2022-23 Bond Surcharges Effective July 1, 2022

Agency	Annual Bond Surcharge	Monthly Bond Surcharge	Agency	Annual Bond Surcharge	Monthly Bond Surcharge
Alameda County WD	\$1,962,564	\$163,547	Mid Pen WD	\$461,616	\$38,468
Brisbane Water	\$73,668	\$6,139	Millbrae	\$295,272	\$24,606
Burlingame	\$522,816	\$43,568	Milpitas	\$949,680	\$79,140
Coastside County WD	\$307,044	\$25,587	Mountain View	\$1,455,288	\$121,274
CWS - Bear Gulch	\$2,497,308	\$208,109	North Coast WD	\$500,688	\$41,724
CWS - Mid Peninsula	\$2,369,496	\$197,458	Palo Alto	\$1,726,200	\$143,850
CWS - South SF	\$756,756	\$63,063	Purissima Hills WD	\$382,824	\$31,902
Daly City	\$610,404	\$50,867	Redwood City	\$1,537,836	\$128,153
East Palo Alto WD	\$256,368	\$21,364	San Bruno	\$181,500	\$15,125
Estero Municipal ID	\$779,532	\$64,961	San Jose (North)	\$687,600	\$57,300
Guadalupe Valley	\$20,256	\$1,688	Santa Clara	\$571,392	\$47,616
Hayward	\$2,561,736	\$213,478	Stanford University	\$212,628	\$17,719
Hillsborough	\$538,608	\$44,884	Sunnyvale	\$1,825,332	\$152,111
Menlo Park	\$519,240	\$43,270	Westborough WD	\$130,620	\$10,885
Total				\$24,694,272	\$2,057,856

Table 2. Revised BAWSCA FY 2022-23 Bond Surcharges Effective March 1, 2023*

Agency	Monthly Surcharge Jul 2022 - Feb 2023	Monthly Surcharge Mar 2023 - Jun 2023	Adjusted Annual Surcharge	Agency	Monthly Surcharge Jul 2022 - Feb 2023	Monthly Surcharge Mar 2023 - Jun 2023	Adjusted Annual Surcharge
Alameda County WD	\$163,547	\$119,254	\$1,785,392	Mid Pen WD	\$38,468	\$26,312	\$412,992
Brisbane Water	\$6,139	\$4,179	\$65,828	Millbrae	\$24,606	\$15,954	\$260,664
Burlingame	\$43,568	\$28,157	\$461,172	Milpitas	\$79,140	\$54,141	\$849,684
Coastside County WD	\$25,587	\$18,772	\$279,784	Mountain View	\$121,274	\$84,440	\$1,307,952
CWS - Bear Gulch	\$208,109	\$152,516	\$2,274,936	North Coast WD	\$41,724	\$29,595	\$452,172
CWS - Mid Peninsula	\$197,458	\$136,762	\$2,126,712	Palo Alto	\$143,850	\$98,156	\$1,543,424
CWS - South SF	\$63,063	\$41,635	\$671,044	Purissima Hills WD	\$31,902	\$23,001	\$347,220
Daly City	\$50,867	\$34,058	\$543,168	Redwood City	\$128,153	\$88,239	\$1,378,180
East Palo Alto WD	\$21,364	\$14,269	\$227,988	San Bruno	\$15,125	\$10,659	\$163,636
Estero Municipal ID	\$64,961	\$44,899	\$699,284	San Jose (North)	\$57,300	\$37,700	\$609,200
Guadalupe Valley	\$1,688	\$755	\$16,524	Santa Clara	\$47,616	\$32,758	\$511,960
Hayward	\$213,478	\$145,701	\$2,290,628	Stanford University	\$17,719	\$11,418	\$187,424
Hillsborough	\$44,884	\$32,225	\$487,972	Sunnyvale	\$152,111	\$106,803	\$1,644,100
Menlo Park	\$43,270	\$29,529	\$464,276	Westborough WD	\$10,885	\$7,232	\$116,008
Total					\$2,057,856	\$1,429,119	\$22,179,324

* Subject to the settlement of the 2023A Bonds on January 5, 2023 and notification thereof by BAWSCA to SFPUC