

# NRWS Rate Workshop 2

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**December 4, 2025**

# Introduction

# — Agenda

- Workshop 1 Recap
- Refinements since Workshop 1
- Rate Calculations and Draft Proposed Rates
- Next Steps
- Discussion

# Workshop 1 Recap

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Study Drivers and Goals

## Develop a rate structure for the long-term sustainability of the NRWS.

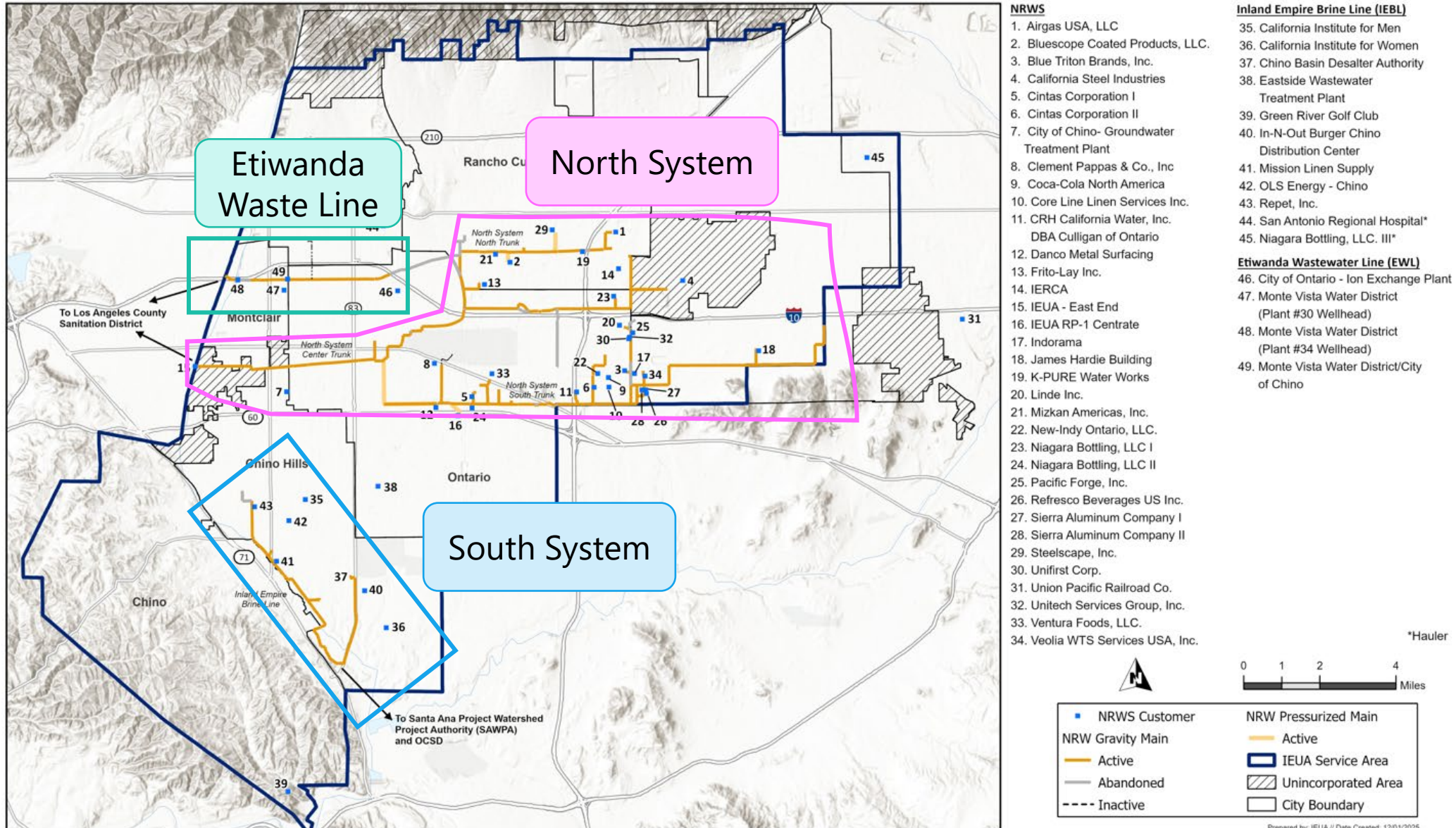
### Study Drivers

- Cost allocation between systems needs to be updated
- Revenues are volatile due to rate structure
  - » Disconnect between fixed costs and rate structure
- Costs continue to increase

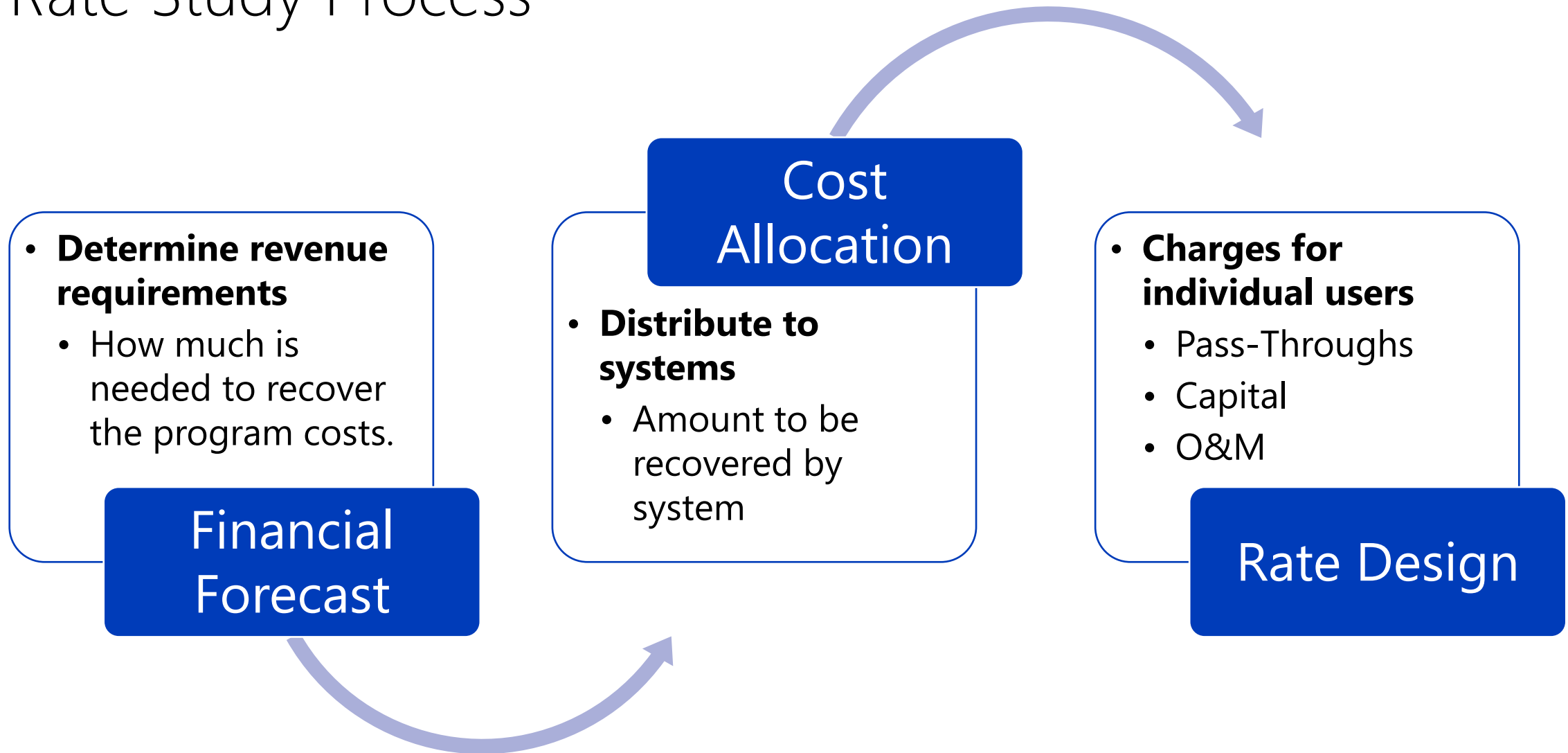
### Study Goals

- Comprehensive review of the rate structure and cost allocations
- Stabilize revenues and reduce volatility
- Long term look at revenue requirements and rates

# Non-Reclaimable Wastewater System and Customers

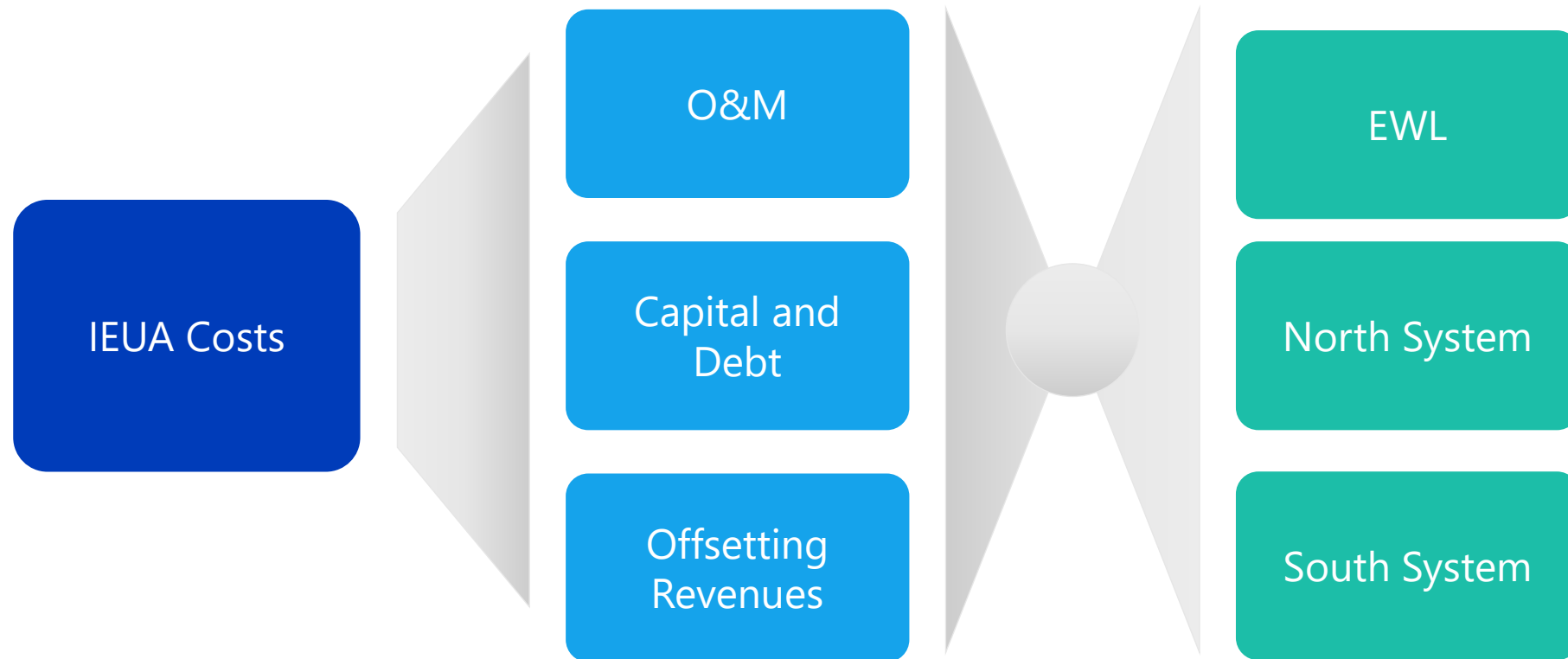


# Rate Study Process



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Cost Allocation Update

IEUA internal costs and offsetting revenues are allocated to each system based on why and how they are incurred.



# Refinements to Draft Analysis

# — Minor refinements to analysis inputs and costs since Workshop 1

## **North System**

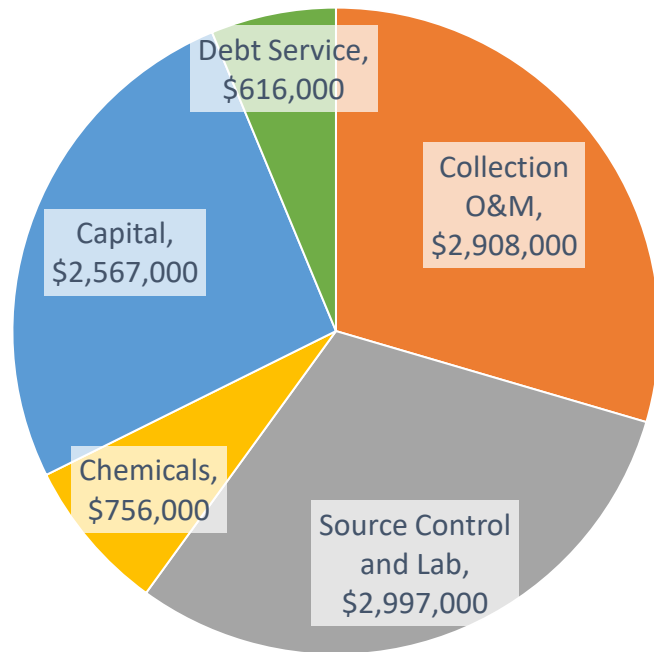
- Updated flows and NRWSCUs for North System based on known changes from dischargers
  - » Impact: Slight change to cost allocation

## **South System**

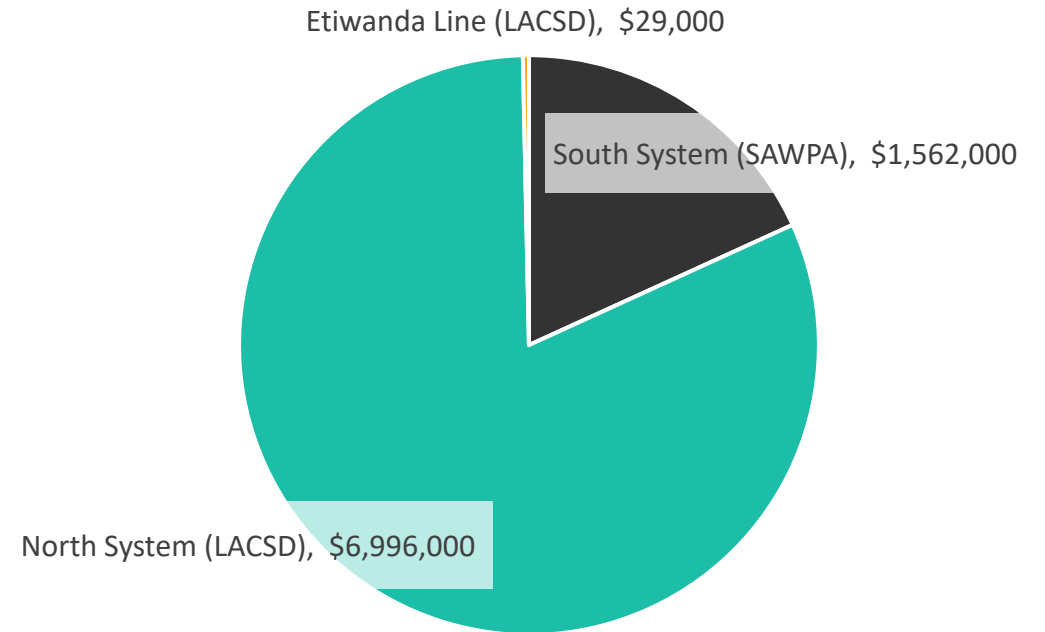
- Adjusted smoothing of CIP cost recovery to begin with FYE 2027
  - » Decrease in annual CIP costs

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Current Annual Costs  
Total \$18.4M (FY 2025/26)

Internal Costs: \$9.84M



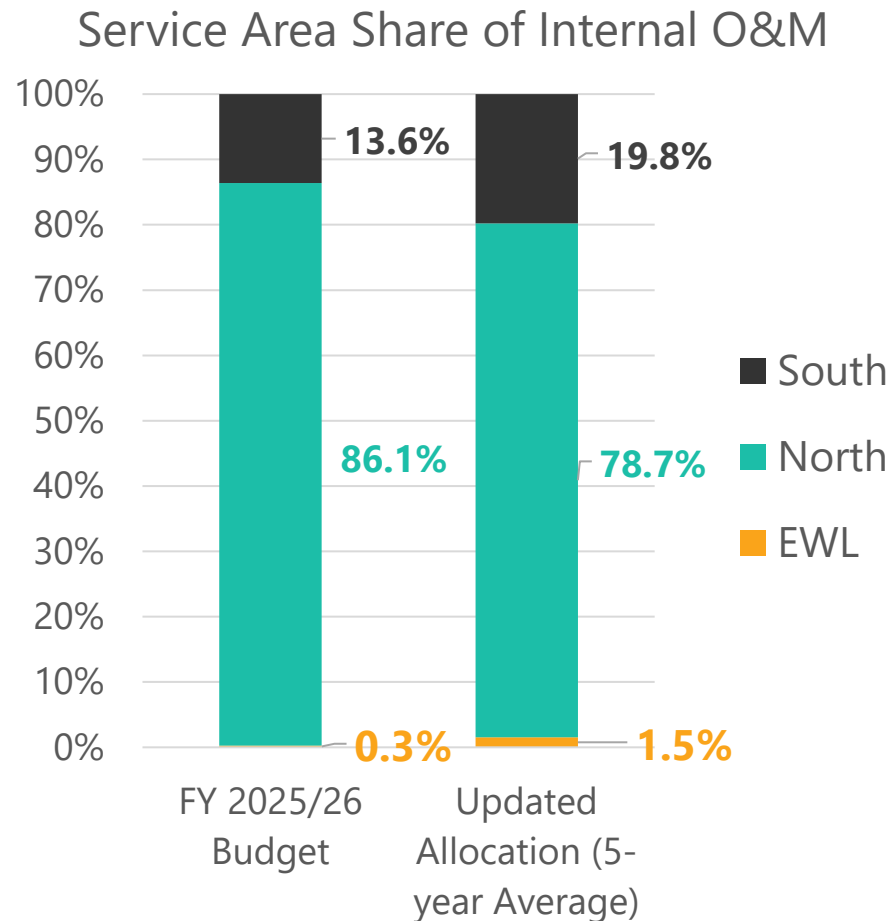
External Costs: \$8.59M



Note: Collection O&M and Source Control categories include proportional share of overhead and administrative costs.

# Internal O&M Cost Allocation Results

The updated allocation will result in cost shifting between the service areas.



- Compared to Budget
  - » EWL and South shares increase
  - » North share decreases
- Drivers
  - » Fixed costs allocated
    - Current EWL and South O&M/Admin Costs are Variable
    - Costs tied to IEUA activities rather than a 50% of pass-throughs
  - » Updated allocation reflects IEUA's physical system and actual O&M costs

# Capital Cost Allocation

Based on specific costs and projects identified for each service area plus a share of Agencywide CIP.

Annual CIP Cost Recovery	2027	2028	2029
North	\$1,540,100	\$1,586,900	\$1,633,800
South	\$211,300	\$217,700	\$224,200
EWL	\$19,400	\$21,200	\$24,200

- Annual cost recovery is smoothed to avoid rate volatility
  - » North System – Smoothed based on 10-year needs with  $\approx 3\%$  annual increase in revenue recovered starting in 2028
  - » South System – Set based on annual increases at  $\approx 3\%$
  - » EWL – Project cost for condition assessment minus capital revenues recovered since 2010 amortized over 15 years

# | Rate Calculations and Draft Proposed Rates

# Capacity Unit Determination

- Capacity unit assumptions are system specific

## North System

- Consider **Flow** and **Loading**
- Use equation to determine NRWSCUs

$$NRWSCU = \left(0.6513 \times \frac{Flow_{gpd}}{260}\right) + \left(0.1325 \times \frac{COD_{ppd}}{1.22}\right) + \left(0.2162 \times \frac{TSS_{ppd}}{0.59}\right)$$

## EWL and South Systems

- Consider **Flow Only**
- Each capacity unit is equivalent to 15 gpm peak potential flow

## North System Rates

### Updating internal charge structure to reduce volatility.

- Standby Charges based on 3-year rolling average of actual CU usage
  - » Standby O&M Charges ← **Phased In**
  - » CIP (Capital) Charges ← **Smoothed**
- Updated O&M Rates per CU to reflect updated cost projections and allocations

**Standby Charges** will set the total amount of costs to be recovered each year by the standby charge.

If the total number of 3-year rolling average NRWSCUs changes, the unit charge will be recalculated for full cost recovery.

# Three-year Rolling Average NRWSCU's Phase-In

- Phased-in to provide smooth transition to standby charges

<b>3 Year Rolling Average Phase-in Example – Example User</b>				
<b>Calendar Year</b>	<b>CY 2025</b>	<b>CY 2026</b>	<b>CY 2027</b>	
Actual NRWSCU's	10	8	12	
<b>Fiscal Year Ending</b>	<b>FYE 2027</b>	<b>FYE 2028</b>	<b>FYE 2029</b>	<b>FYE 2030 Onward</b>
	<b>10.0</b>	<b>9.0</b>	<b>10.0</b>	
<b>Average NRWSCU's for Billing</b>	Equal to CY 2025	2-year average of CY 2025 and CY 2026	3-year average of CY 2025, CY 2026, & CY 2027	Average of 3 most recent calendar years

# North System O&M Rate Calculations

	<b>FYE 2027</b>	<b>FYE 2028</b>	<b>FYE 2029</b>
<b>North System Agency O&amp;M</b>	<b>\$5,442,200</b>	<b>\$5,329,200</b>	<b>\$5,715,200</b>
Costs To Be Recovered through O&M Charge	\$5,014,900	\$4,389,400	\$4,217,100
NRWSCUs (Assumed Allocations)	13,016	13,016	13,016
<b>Draft Monthly Rate per NRWSCU</b>	<b>\$32.11</b>	<b>\$28.10</b>	<b>\$27.00</b>
Costs To Be Recovered through Standby Charge	\$427,300	\$939,800	\$1,498,100
3-Yr Rolling Average NRWSCUs	13,016	13,016	13,016
<b>Draft Monthly Rate per 3-Yr Rolling Average NRWSCU</b>	<b>\$2.74</b>	<b>\$6.02</b>	<b>\$9.59</b>



**Standby Charge:** Phased-in over 3 years.

Inflationary increases after that time to keep pace with collection system O&M costs.

# North System CIP (Capital) Rate Calculation

	FYE 2027	FYE 2028	FYE 2029
<b>North System Capital Costs to Recover</b>	<b>\$1,540,100</b>	<b>\$1,586,900</b>	<b>\$1,633,800</b>
3-Yr Rolling Average Assumed NRWSCUs	13,016	13,016	13,016
<b>Draft Monthly Rate per 3-Yr Rolling Average NRWSCU</b>	<b>\$9.86</b>	<b>\$10.16</b>	<b>\$10.46</b>

**CIP Charge:** Fixed charge based on 3-year rolling average NRWSCUs

Annual capital costs to be recovered are net of debt proceeds and other revenues and smoothed over 10 years

## South System Rates

### Updating internal charge structure to reduce volatility.

- Updating O&M charges to be fixed charges based on capacity units rather than the 50% admin/O&M charge ← **Phased In**
- CIP (Capital) charges smoothed to  $\approx 3\%$  per year escalation
- Trucked waste charges retain the current rate structure

# South System O&M Rates Calculations

	<b>FYE 2027</b>	<b>FYE 2028</b>	<b>FYE 2029</b>
<b>South System Agency O&amp;M</b>	<b>\$1,355,700</b>	<b>\$1,365,000</b>	<b>\$1,500,300</b>
Costs to be Recovered from Truckers	\$469,500	\$469,500	\$469,500
<b>Costs to be Recovered From Dischargers</b>	<b>\$886,100</b>	<b>\$895,500</b>	<b>\$1,030,800</b>
South System Capacity Units for O&M	80.72	80.72	80.72
Calculated Monthly Charge per Capacity Unit	\$915	\$925	\$1,064
<b>Draft Proposed Monthly Charge with Phase-In</b>	<b>\$400</b>	<b>\$700</b>	<b>\$1,000</b>
<i>Reserves Applied for Rate Smoothing</i>	<i>\$498,700</i>	<i>\$217,500</i>	<i>\$62,200</i>



Phased-in over 3 years to smooth impacts

Inflationary increases after that time to keep pace with O&M costs.

# South System CIP (Capital) Rate Calculation

	FYE 2027	FYE 2028	FYE 2029
<b>South System Capital Costs to Recover</b>	<b>\$211,300</b>	<b>\$217,700</b>	<b>\$224,200</b>
South System Capacity Units	190.11	190.11	190.11
<b>Draft Monthly Rate per Capacity Unit</b>	<b>\$92.64</b>	<b>\$95.41</b>	<b>\$98.27</b>

**CIP Charge:** Smoothed to have  $\approx$  3% per year increase

CIP charge is evaluated based on total capacity units (including IEUA) since IEUA owns capacity units and supports the south system CIP.

## EWL Rates

# Updating internal charge structure to reduce volatility.

- Updating O&M charges to be fixed charges based on capacity units rather than the 50% admin/O&M charge ← **Phased In**
- CIP (Capital) charges smoothed by amortizing project costs

# EWL System IEUA O&M Rate Calculations

	FYE 2027	FYE 2028	FYE 2029
<b>Costs to be Recovered From Dischargers</b>	<b>\$108,200</b>	<b>\$112,400</b>	<b>\$122,200</b>
South System Capacity Units for O&M	15	15	15
Calculated Monthly Charge per Capacity Unit	\$601	\$625	\$679
<b>Draft Proposed Monthly Charge with Phase-In</b>	<b>\$226</b>	<b>\$453</b>	<b>\$679</b>
<i>Reserves Applied for Rate Smoothing</i>	<b>\$67,600</b>	<b>\$30,900</b>	<b>\$0</b>



Phased-in over 3 years to smooth impacts

Inflationary increases after that time to keep pace with O&M costs.

# EWL CIP (Capital) Rate Calculation

	FYE 2027	FYE 2028	FYE 2029
<b>EWL System Capital Costs to Recover</b>	<b>\$19,400</b>	<b>\$21,200</b>	<b>\$24,200</b>
EWL System Capacity Units	15	15	15
<b>Draft Monthly Rate per Capacity Unit</b>	<b>\$107.83</b>	<b>\$117.54</b>	<b>\$134.66</b>

**CIP Charge:** Known project costs have been amortized to smooth rates.

The condition assessment may identify additional project needs which would drive further increases to the capital charge.

# Summary of Draft Proposed IEUA Rates

Monthly IEUA Charges	Current	FYE 2027	FYE 2028	FYE 2029
<b>North</b>				
IEUA O&M Per NRWSCU	\$34.49	\$32.11	\$28.10	\$27.00
IEUA O&M Standby per 3-year Rolling Average NRWSCU	n/a	\$2.74	\$6.02	\$9.59
IEUA CIP (Capital) per 3-year Rolling Average NRWSCU	\$9.62	\$9.86	\$10.16	\$10.46
<b>South</b>				
IEUA O&M and Admin Charge	50% of Pass-Throughs	n/a	n/a	n/a
IEUA O&M per CU	n/a	\$400.00	\$700.00	\$1,000.00
IEUA CIP (Capital) per CU	\$90.00	\$92.64	\$95.41	\$98.27
<b>EWL</b>				
IEUA O&M and Admin Charge	50% of Pass-Throughs	n/a	n/a	n/a
IEUA O&M per CU	n/a	\$226.00	\$453.00	\$679.00
IEUA CIP (Capital) per CU	\$90.00	\$107.83	\$117.54	\$134.66

# Pass-Through Rates

## Pass-Through Rates

Pass-through rates from LACSD (North and EWL) and SAWPA (South) will retain the current methodology.

- LACSD has not yet made their proposed rates public
  - » The provided bill impacts assumed 10% annual increases for illustrative purposes
  - » We will provide updated bill impact assessments once LACSD rates are available

# Next Steps

# Next Steps

- Receive feedback at Workshop 3 (End of February 2026)
- Refine analysis as needed
- Finalize rate proposal
- Present to IEUA Board

# Discussion and Q&A