

NRWS Rate Workshop 3

March 31, 2026

Introduction

— Agenda

- Study Recap
- Refinements since Workshop 2
- Rate Calculations and Draft Proposed Rates
- Pass-through increases
- Next Steps
- Discussion

Study Recap

Study Drivers and Goals

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

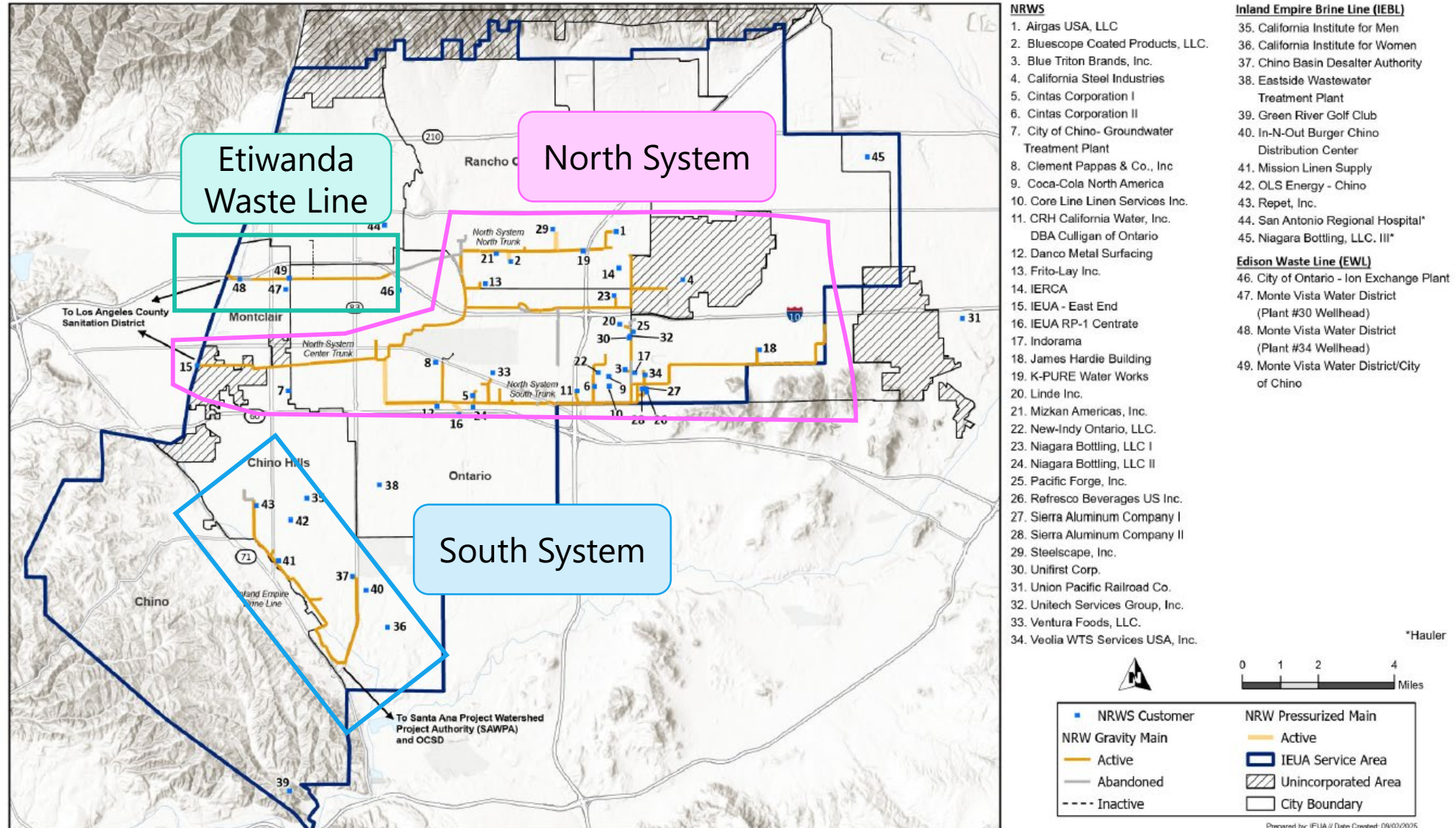
Study Drivers

- 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

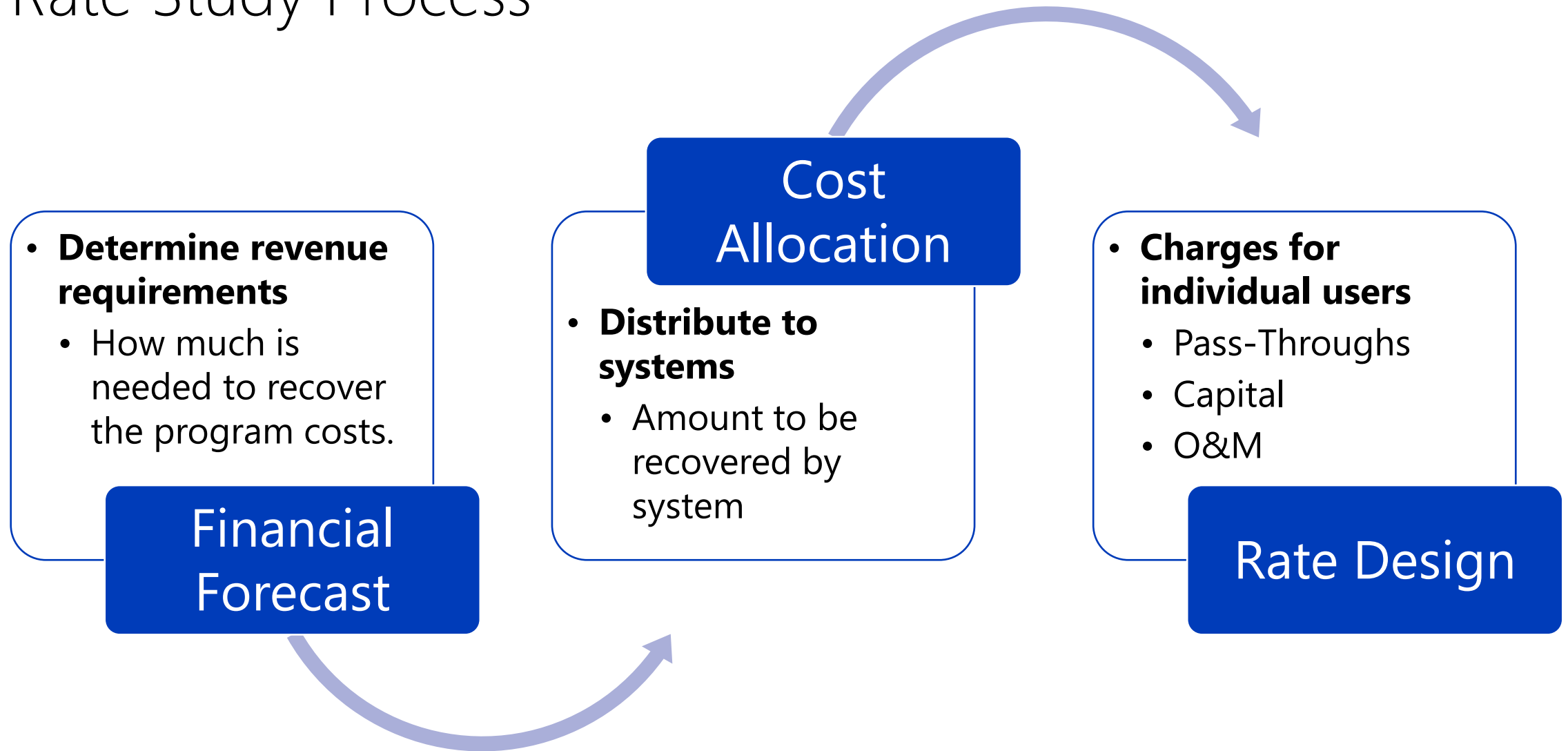
Study Goals

- 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

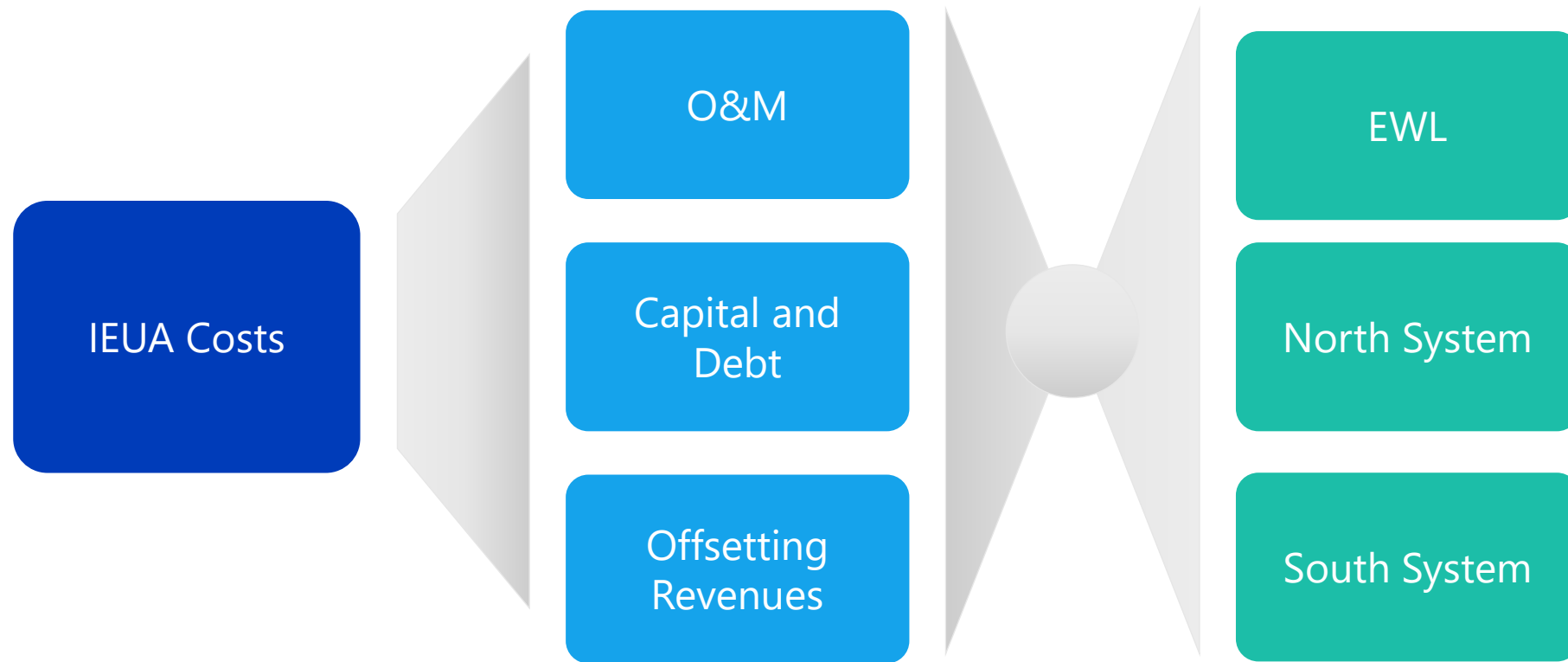


Rate Study Process



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

— Refinements to analysis inputs and costs since Workshop 2

Updated Financial Information

- Latest Ten-Year Capital Improvement Plan with Expected Funding Sources
- Latest Budget Projections
- Refined Staffing Costs
 - » *Impact: Slight change to cost allocation between areas*

North System

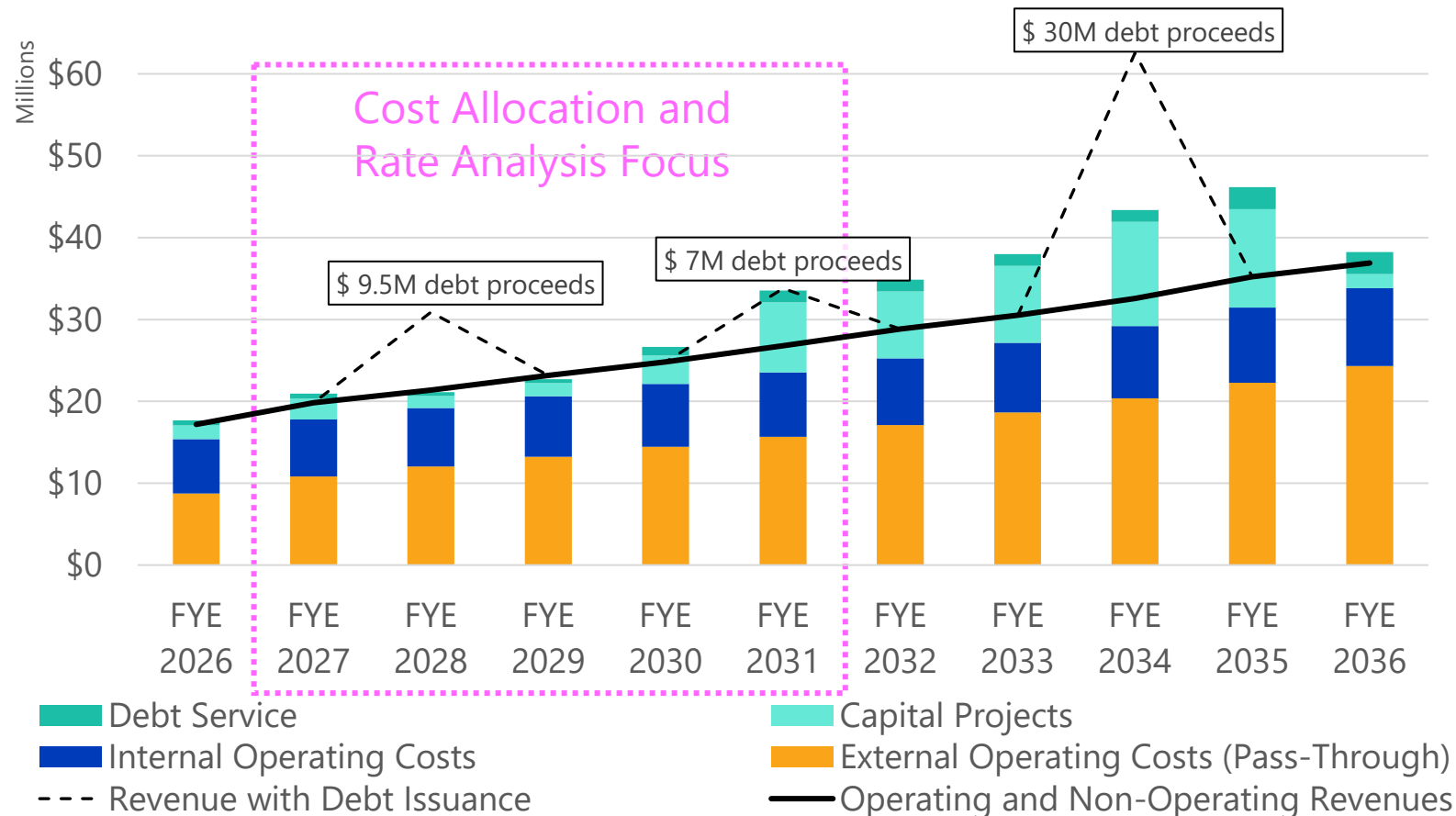
- Updated calculations to reflect final NRWSCUs for FY 2026/27
 - » *Impact: Increase in rates since → fixed costs spread over less units*

South System and EWL

- Refined rate smoothing

Financial Forecast

- 3 to 5 year focus for rate planning and smoothing
- Long-term outlook for financial sustainability



Cost Recovery Components

Internal Capital Charges

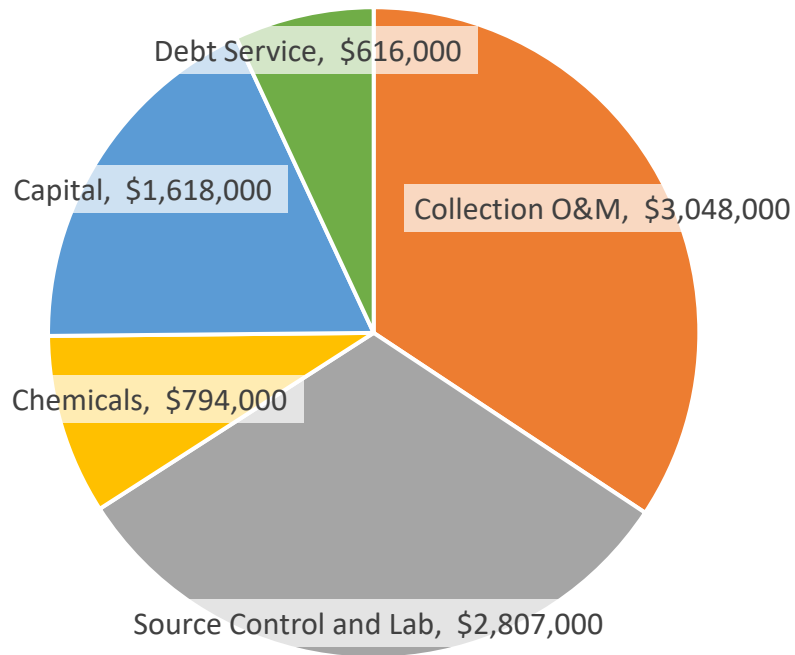
Internal O&M Rates

Pass-Throughs from LACSD or SAWPA

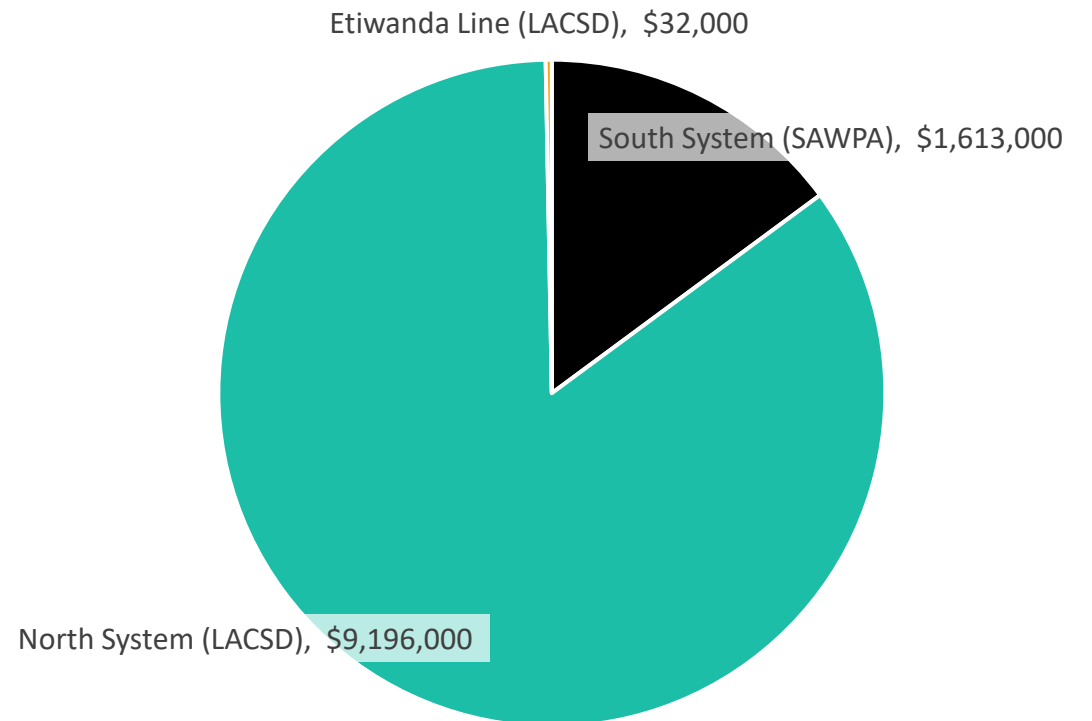
FY 2026/27 Costs – Revised for Workshop 3

Total \$19.8M

Internal Costs: \$9.00M



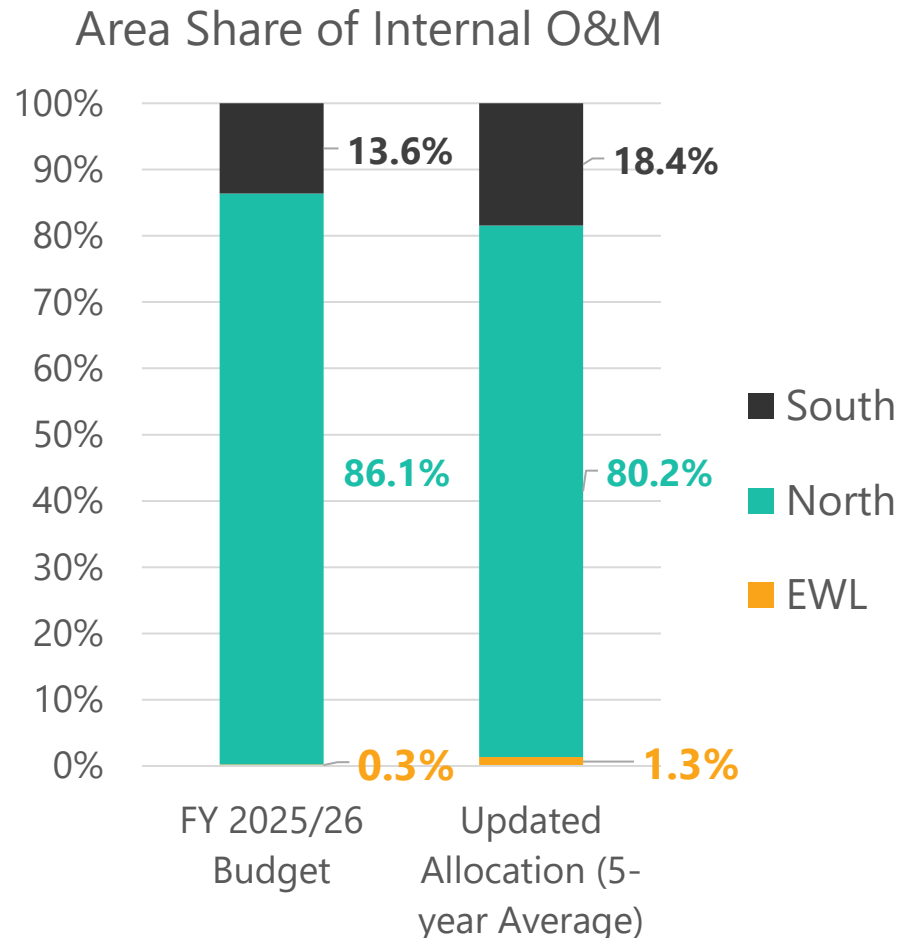
External Costs: \$10.84M



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 current rate structure
 - » 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 share of applicable systemwide projects

Annual CIP Cost Recovery	2027	2028	2029
North	\$1,546,000	\$1,693,400	\$1,853,900
South	\$211,500	\$217,800	\$224,400
EWL	\$20,700	\$22,600	\$24,600

Note: Costs rounded for presentation purposes.

- Annual cost recovery is smoothed to reduce rate volatility
 - » North System – Smoothed based on 10-year needs
 - Modified ramp-up to mitigate impact from decrease in NRWSCUs
 - » South System – Set based on annual increases at $\approx 3\%$
 - » EWL – Smoothed based on 10-year needs

Impact of Updates Since Workshop 2 – Overall Decrease

- Decrease in Agency (IEUA) O&M based on updated budget projections
- Increase in capital due to updated TYCIP and funding plan

	FYE 2027	FYE 2028	FYE 2029
All Systems Agency O&M (Costs Net of Offsetting Revenues)			
<i>Workshop 2</i>	\$6,906,100	\$6,806,600	\$7,337,700
Revised for Workshop 3	\$5,978,900	\$6,254,300	\$6,485,500
Difference	(\$927,200)	(\$552,300)	(\$852,200)
All Systems Capital Cost Recovery			
<i>Workshop 2</i>	\$1,770,800	\$1,825,800	\$1,882,200
Revised for Workshop 3	\$1,778,200	\$1,933,800	\$2,102,900
Difference	\$7,400	\$108,000	\$220,700
All Systems Combined			
Combined Costs	\$7,757,100	\$8,188,100	\$8,588,400
Difference	(\$919,800)	(\$444,300)	(\$631,500)

Note: Costs rounded for presentation purposes.

Agency O&M Decrease

- Updated staff costs allocation
- Higher interest earnings

Capital Cost Recovery Increase

- TYCIP \$61.7M up from \$59.0M
 - » Manhole R&R, pipe replacements, Edison Waste Line Abandonment
 - » Most increases are for the North System

Impact of Updates Since Workshop 2 – Overall Decrease

North System			
	FYE 2027	FYE 2028	FYE 2029
	North System Agency O&M		
<i>Workshop 2</i>	\$5,442,200	\$5,329,200	\$5,715,200
Revised for Workshop 3	\$4,793,600	\$5,018,700	\$5,209,000
Difference	(\$648,600)	(\$310,500)	(\$506,200)
	North System Capital Cost Recovery		
<i>Workshop 2</i>	\$1,540,100	\$1,586,900	\$1,633,800
Revised for Workshop 3	\$1,546,000	\$1,693,400	\$1,853,900
Difference	\$5,900	\$106,500	\$220,100
	FYE 2027	FYE 2028	FYE 2029
Combined Costs	\$6,339,600	\$6,712,100	\$7,062,900
Difference	(\$642,700)	(\$204,000)	(\$286,100)

Note: Costs rounded for presentation purposes.

Agency O&M

- Rates are still higher than previously shown due to decrease in NRWSCUs
- Decrease in O&M costs to recover lessens the rate impact of decreased NRWSCUs

Agency Capital

- Higher capital rates to recover increase costs
- Rates further impacted by decrease in NRWSCUs

Impact of Updates Since Workshop 2 – Overall Decrease

South System			
	FYE 2027	FYE 2028	FYE 2029
South System Agency O&M			
Workshop 2	\$1,355,700	\$1,365,000	\$1,500,300
Revised for Workshop 3	\$1,101,800	\$1,146,900	\$1,184,500
Difference	(\$253,900)	(\$218,100)	(\$315,800)
South System Capital Cost Recovery			
Workshop 2	\$211,300	\$217,700	\$224,200
Revised for Workshop 3	\$211,500	\$217,800	\$224,400
Difference	\$200	\$100	\$200
	FYE 2027	FYE 2028	FYE 2029
Combined Costs	\$1,313,300	\$1,364,700	\$1,408,900
Difference	(\$253,700)	(\$218,000)	(\$315,600)

Note: Costs rounded for presentation purposes.

Agency O&M

- Decrease in amount to recover
- Rates lower than those presented in workshop 2

Agency Capital

- Capital costs are approximately the same
- Slight change in capital rates

Impact of Updates Since Workshop 2 – Overall Decrease

EWL System			
	FYE 2027	FYE 2028	FYE 2029
	EWL System Agency O&M		
<i>Workshop 2</i>	\$108,200	\$112,400	\$122,200
Revised for Workshop 3	\$83,500	\$88,700	\$92,000
Difference	(\$24,700)	(\$23,700)	(\$30,200)
	EWL System Capital Cost Recovery		
<i>Workshop 2</i>	\$19,400	\$21,200	\$24,200
Revised for Workshop 3	\$20,700	\$22,600	\$24,600
Difference	\$1,300	\$1,400	\$400
	FYE 2027	FYE 2028	FYE 2029
Combined Costs	\$104,200	\$111,300	\$116,600
Difference	(\$23,400)	(\$22,300)	(\$29,800)

Note: Costs rounded for presentation purposes.

Agency O&M

- Decrease in amount to recover
- Rates lower than those presented in workshop 2

Agency Capital

- Capital costs are approximately the same
- Slight change in capital rates

| Rate Calculations and Draft Proposed Rates

Rate Smoothing

- Current draft rates include 3-year smoothing (where applicable)
 - » Use of approximately \$275,000 of reserves to support smoothing
- Also exploring other options that would need approval from Management and the Board
 - » 5-year smoothing with additional use of reserves
 - » Additional spend down of reserves for capital projects

North System O&M Rate Calculations

	FYE 2027	FYE 2028	FYE 2029
North System Agency O&M	\$4,793,600	\$5,018,700	\$5,209,000
Costs To Be Recovered through O&M Charge	\$4,446,600	\$4,276,500	\$4,065,600
Less: Reserves Applied for Smoothing	(\$6,800)	(\$20,900)	\$0
O&M Charge Amount to Recover with Smoothing	\$4,439,800	\$4,255,600	\$4,065,600
NRWSCUs	11,059	11,059	11,059
Draft Monthly O&M Rate per NRWSCU	\$33.46	\$32.07	\$30.64
Costs To Be Recovered through Standby Charge	\$347,000	\$742,200	\$1,143,400
3-Yr Rolling Average NRWSCUs	11,059	11,059	11,059
Draft Monthly Rate per 3-Yr Rolling Average NRWSCU	\$2.61	\$5.59	\$8.62

Note: Costs rounded for presentation purposes.

Standby Charge: Phased-in over 3 years.

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

North System CIP Standby Rate Calculation

	FYE 2027	FYE 2028	FYE 2029
North System Capital Costs to Recover	\$1,546,000	\$1,693,400	\$1,853,900
3-Yr Rolling Average NRWSCUs	11,059	11,059	11,059
Draft Monthly Rate per 3-Yr Rolling Average NRWSCU	\$11.65	\$12.76	\$13.97

Note: Costs rounded for presentation purposes.

CIP Charge: Standby 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 standby charges based on capacity units rather than the 50% admin/O&M charge ← **Phased In**
- Capital Charges smoothed to $\approx 3\%$ per year escalation
- Trucked waste charges retain the current rate structure

South System O&M Rates Calculations

	FYE 2027	FYE 2028	FYE 2029
South System Agency O&M	\$1,101,810	\$1,146,950	\$1,184,470
Costs to be Recovered from Truckers	\$469,520	\$469,520	\$469,520
Costs to be Recovered From Dischargers	\$632,290	\$677,430	\$714,950
Less: Reserves Applied for Rate Smoothing	(\$119,620)	(\$63,620)	\$0
O&M Charge Amount to Recover with Smoothing	\$512,670	\$613,810	\$714,950
South System Capacity Units	80.72	80.72	80.72
Draft Proposed Monthly Charge with Phase-In	\$529.27	\$633.68	\$738.10

Note: Costs rounded for presentation purposes.

Smoothed over 3 years to smooth impacts

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

South System CIP Standby Rate Calculation

	FYE 2027	FYE 2028	FYE 2029
South System Capital Costs to Recover	\$211,500	\$217,800	\$224,400
South System Capacity Units	190.11	190.11	190.11
Draft Monthly Rate per Capacity Unit	\$92.70	\$95.48	\$98.35

Note: Costs rounded for presentation purposes.

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

CIP charge is evaluated based on total capacity units (including IEUA RP-1) 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 standby charges based on capacity units rather than the 50% admin/O&M charge ← **Phased In**
- Capital Charges smoothed by amortizing project costs

EWL System O&M Rates Calculations

	FYE 2027	FYE 2028	FYE 2029
EWL System Agency O&M	\$83,490	\$88,670	\$91,970
Less: Reserves Applied for Rate Smoothing	(\$42,200)	(\$22,050)	\$0
O&M Charge Amount to Recover with Smoothing	\$41,290	\$66,620	\$91,970
EWL Capacity Units	16	16	16
Draft Proposed Monthly Charge with Phase-In	\$215.04	\$347.02	\$478.99

Note: Costs rounded for presentation purposes.

Smoothed over 3 years to smooth impacts

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

EWL CIP Standby Rate Calculation

	FYE 2027	FYE 2028	FYE 2029
EWL System Capital Costs to Recover	\$20,700	\$22,600	\$24,600
EWL System Capacity Units	16	16	16
Draft Monthly Rate per Capacity Unit	\$107.89	\$117.60	\$128.18

Note: Costs rounded for presentation purposes.

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

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
North				
O&M Per NRWSCU	\$34.49	\$33.46	\$32.07	\$30.64
Standby O&M per 3-year Rolling Average NRWSCU	n/a	\$2.61	\$5.59	\$8.62
Standby Capital per 3-year Rolling Average NRWSCU	\$9.62	\$11.65	\$12.76	\$13.97
South				
Agency O&M and Admin Charge	50% of Pass-Throughs	n/a	n/a	n/a
Standby Agency O&M per CU	n/a	\$529.27	\$633.68	\$738.10
Standby Agency Capital per CU	\$90.00	\$92.70	\$95.48	\$98.35
EWL				
Standby Agency O&M per CU	50% of Pass-Throughs	n/a	n/a	n/a
Standby Agency O&M per CU	n/a	\$215.04	\$347.02	\$478.99
Standby Agency Capital per CU	\$90.00	\$107.89	\$117.60	\$128.18

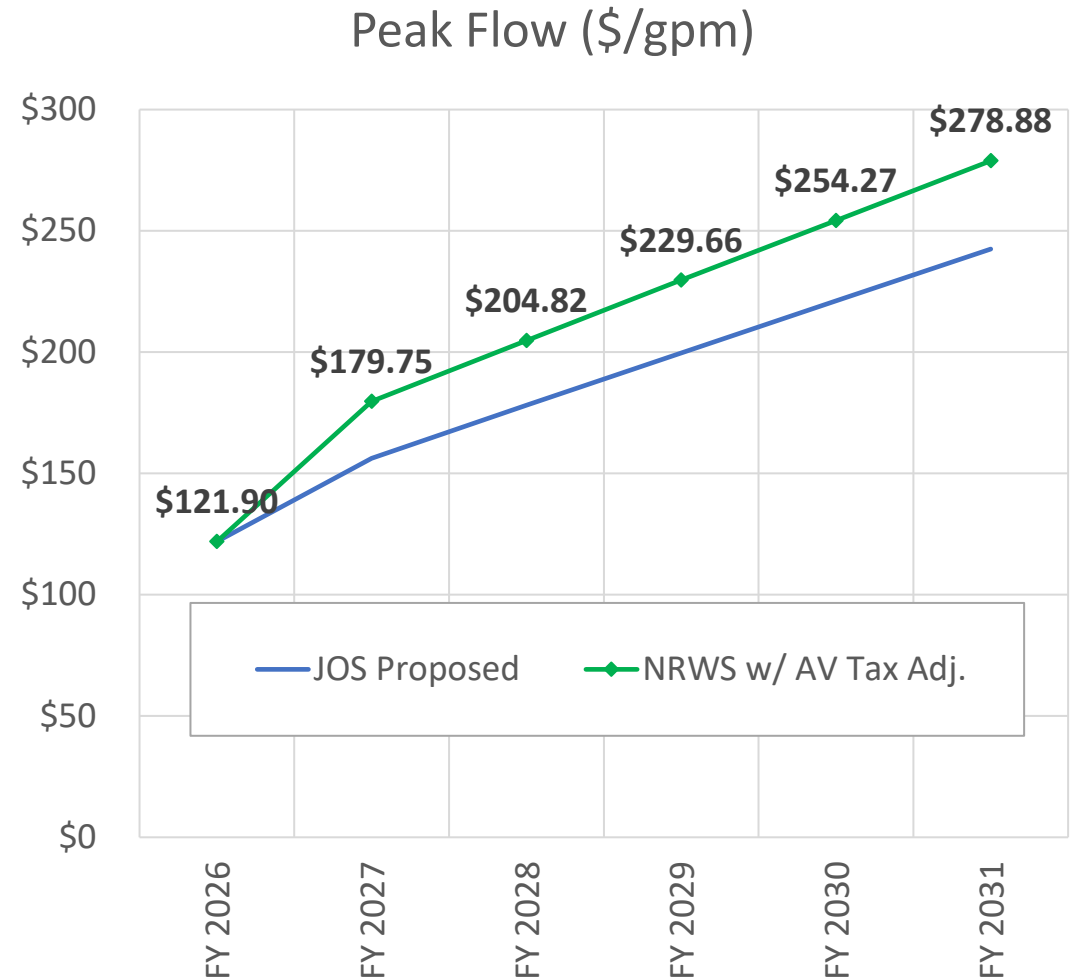
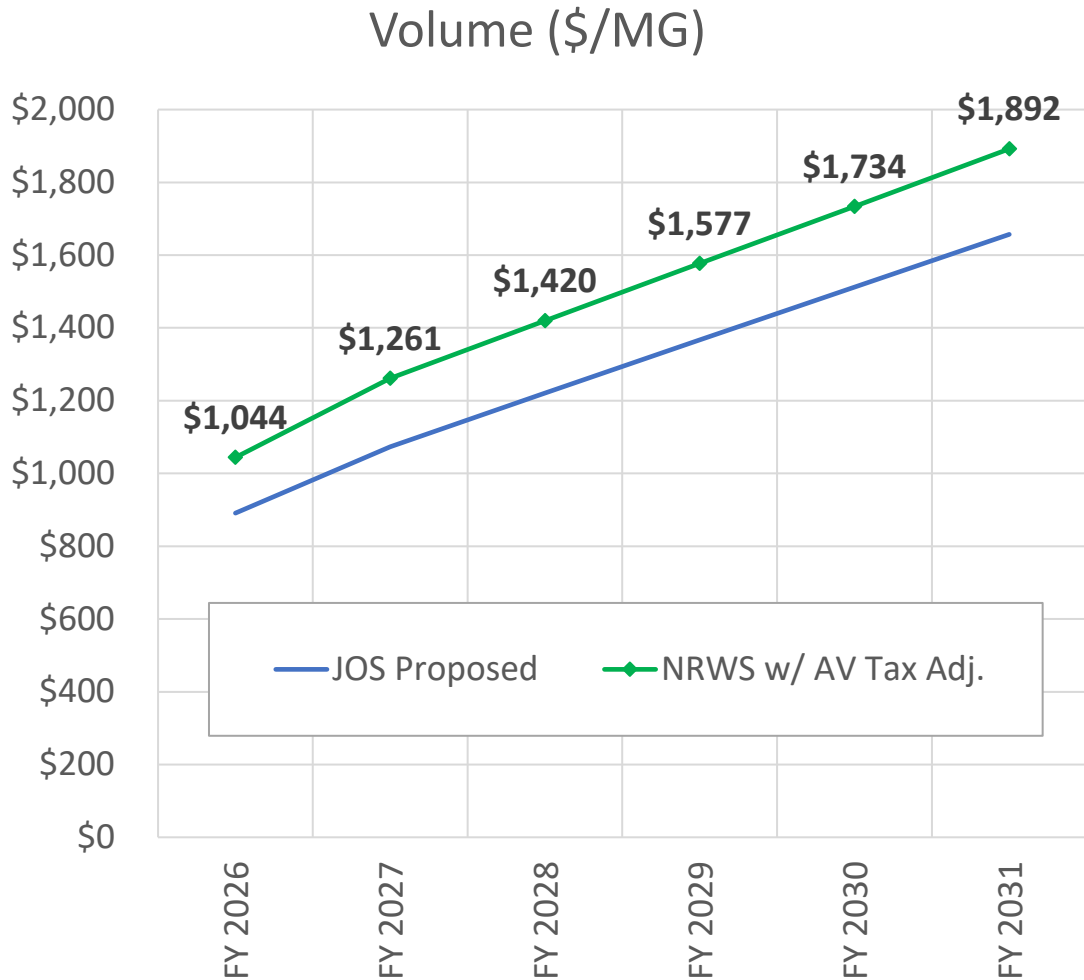
Pass-Through Rates

Pass-Through Rates

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

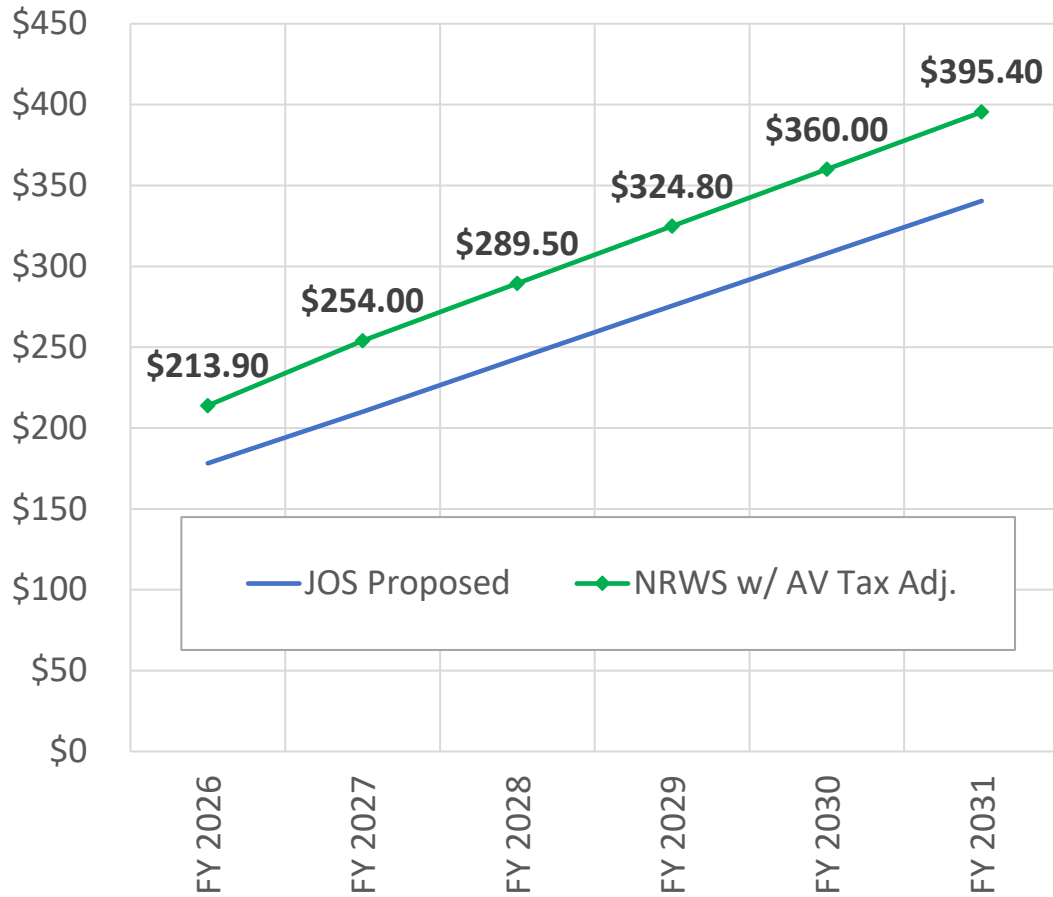
- LACSD provided notice of proposed rate increases in late January
 - » Increases vary by constituent (flow, peak flow, TSS, COD)
 - » Costs passed-through to NRWS customers by IEUA also include an adjustment determined by LACSD since they are outside of LACSD's service area and property tax jurisdiction
- The updated bill impacts provided include LACSD's proposed rates and estimated adjustment provided by LACSD

Estimated LACSD Rates – North System

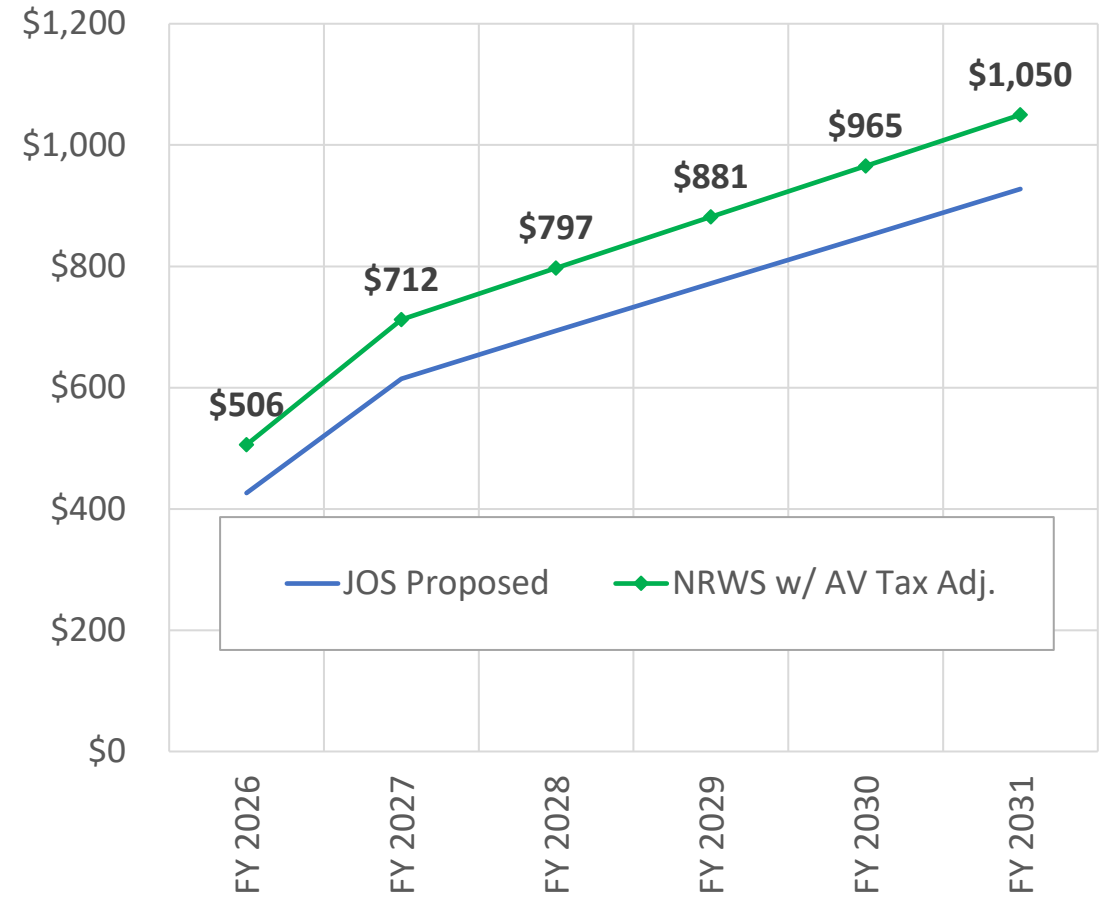


Estimated LACSD Rates – North System (continued)

COD (\$/1,000 lbs)

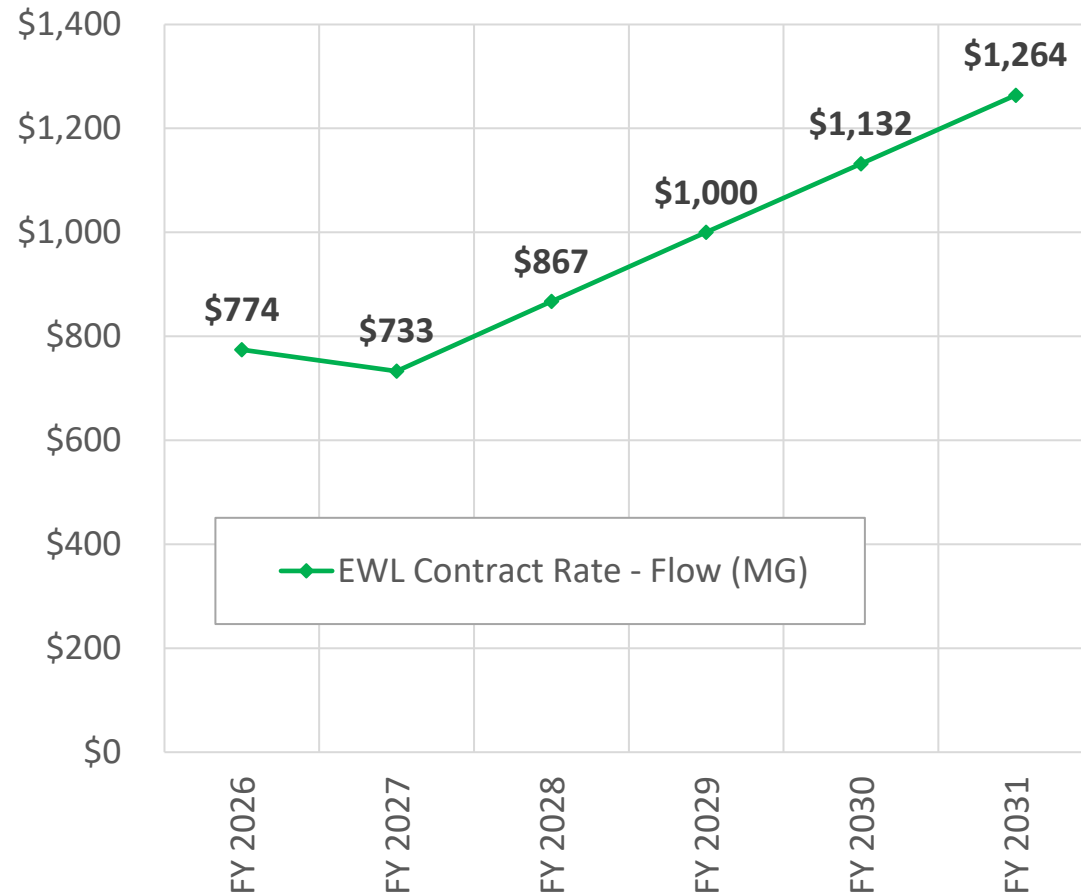


TSS (\$/1,000 lbs)

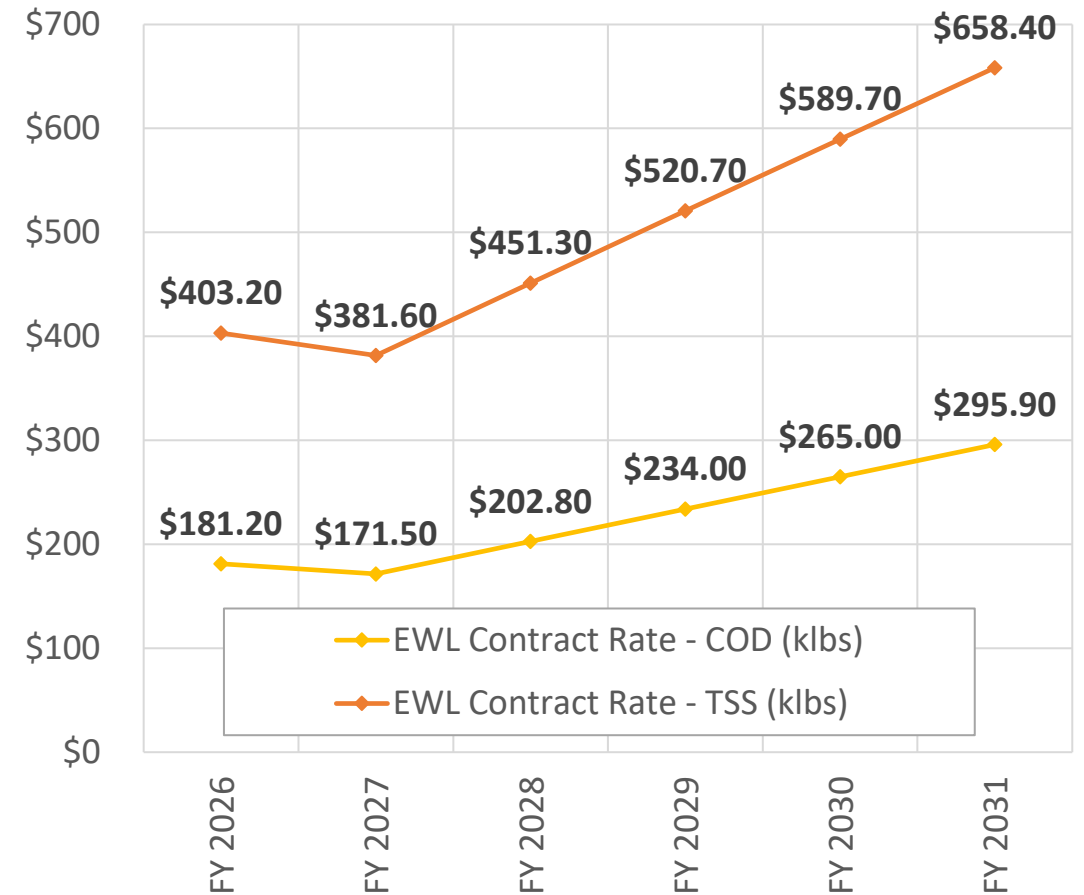


Estimated LACSD Rates – EWL System

EWL Volume (\$/MG)



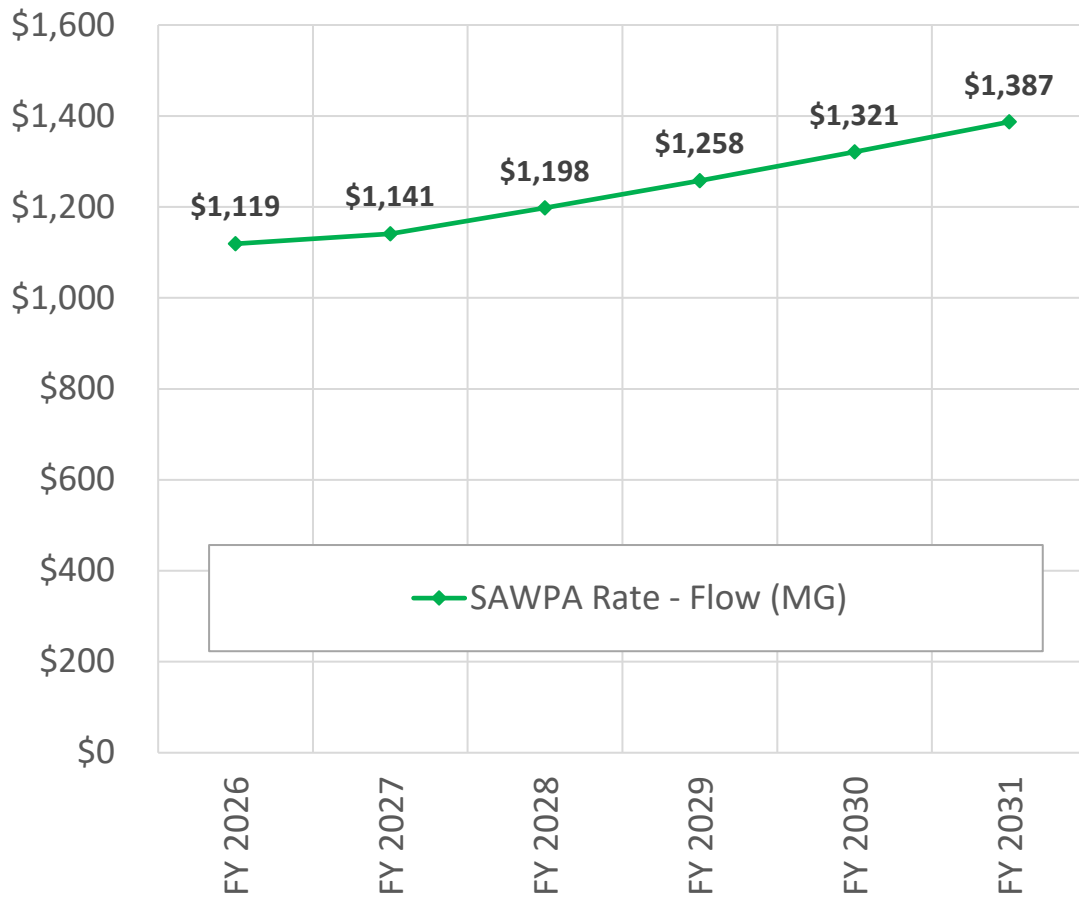
EWL COD and TSS (\$/1,000 lbs)



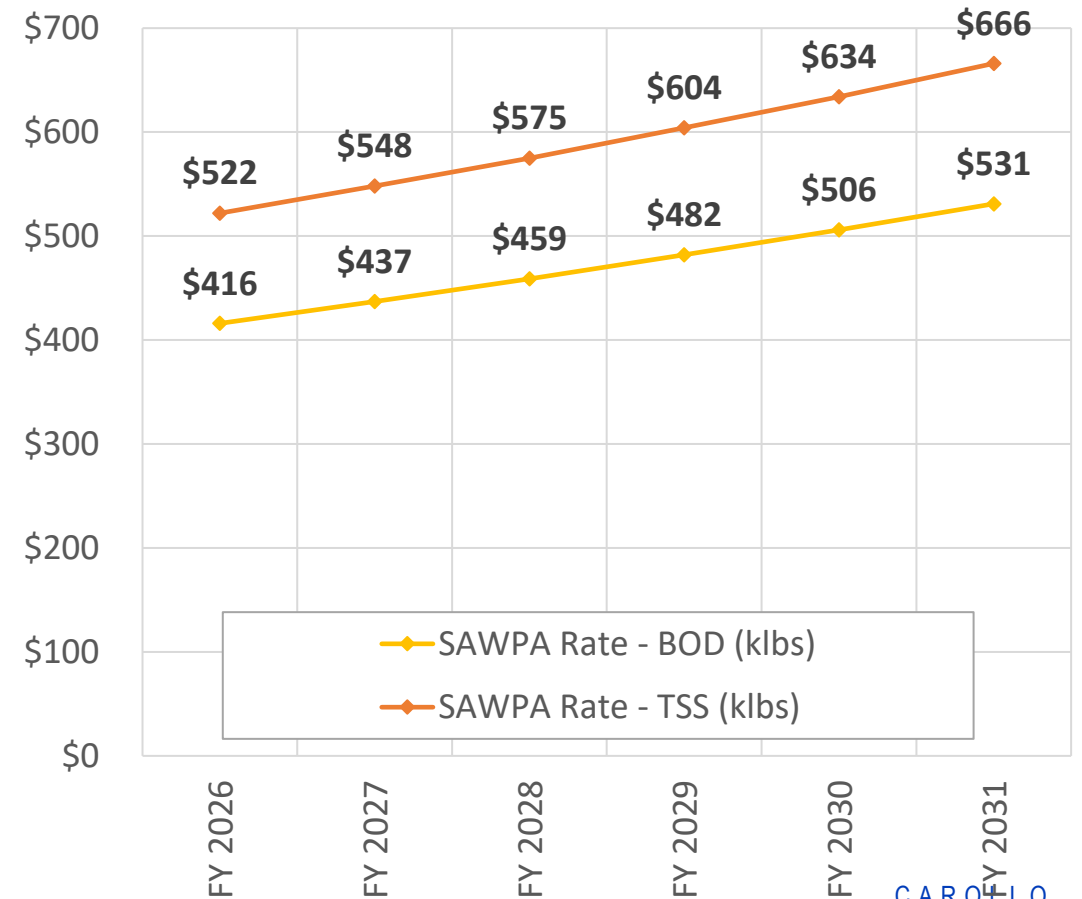
SAWPA Rates – South System

Adopted through FY 2027, projected at 5% thereafter

Volume (\$/MG)



SAWPA BOD and TSS (\$/1,000 lbs)



Next Steps

Next Steps

- Receive feedback
- Refine analysis as needed
- Finalize rate proposal
- Present to IEUA Board

Discussion and Q&A