

SCHEDULE W-SRA

WATER SYSTEM RELIABILITY ADJUSTMENT

APPLICABILITY

Applicable to all areas served by the Utility and to all water rate schedule commodity charges.

PURPOSE

To provide for the automatic adjustment of the Utility's water rate schedule commodity charges per hundred cubic feet to recover projected capital costs, including rehabilitation and construction of water and reclaimed water system infrastructure, and related debt service payments for the Utility after adoption of the annual budget by the City Council.

CALCULATION OF WATER SYSTEM RELIABILITY ADJUSTMENT

Commencing July 1, 2009, the amount of the Water System Reliability Adjustment shall be calculated in accordance with the following formula.

The Formula is:
$$\frac{(a - b - c)}{e} + \frac{d}{e}$$

(expressed to the nearest \$0.001 per hundred cubic feet)

- (a) Expenditures for the Water Utility's Capital Improvement Program less those funded by developer contributions, as reflected in the annual budget adopted by the City Council
- (b) Bond funds available for Capital Expenditures
- (c) Funds available in the Water System Reliability Adjustment Balancing Account
- (d) Projected Water Utility debt service payments for the fiscal year
- (e) Projected water sales for the fiscal year

APPLICATION OF WATER SYSTEM RELIABILITY ADJUSTMENT

The Water System Reliability Adjustment shall be adjusted by the Utilities General Manager to reflect non-reimbursable capital infrastructure and debt service costs, including costs associated with reclaimed water infrastructure, as adopted by the City Council in the annual budget. The Water System Reliability Adjustment shall be limited to a maximum increase of 7.5¢ per hundred cubic feet of water consumed per 12-month period ("period"); there shall be no limit on decreases to the Water System Reliability Adjustment.

The Utility shall establish a designated Water System Reliability Adjustment Balancing Account to account for these collections and expenditures. The funds accounted for in the Balancing Account shall only be used to pay for the costs set forth in the formula above. In the event that the designated Balancing Account has any remaining funds at the end of the given period, the amount collected in the subsequent period shall be reduced by this balance as set forth in the formula above. The amount expended out of the Balancing Account for capital shall not exceed the amount collected by the Water System Reliability Adjustment in

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any 12-month period. The Balancing Account's balance, for the purpose of the calculation above, shall be determined as of the last day of the month prior to the adoption of the Utility's annual budget by the City Council.

WATER SYSTEM RELIABILITY ADJUSTMENT SUMMARY

The amount of the Water System Reliability Adjustment and the data elements required to calculate the amount for the two most recent changes shall be shown in this section.

Fiscal Year Effective Date	FY 2010/2011	FY 2011/2012
Budgeted Capital Expenditures Less Developer Contributions (a)	\$ 13,818,974	\$ 8,930,980
(Less bond funds available for capital expenditures) (b)	\$ (13,818,974)	\$ (8,930,980)
(Less funds available in Balancing Account) (c)	-	-
Total Cash Required for Capital Expenditures (a+b+c)	\$ -	\$ -
Projected Debt Service Payments (d)	\$ 5,215,778	\$ 6,409,186
Projected Water Sales (hcf) (e)	29,838,252	25,712,510
Total Capital Costs (a+b+c/e)	\$ -	\$ -
Debt Service Costs (d/e)	\$ 0.175	\$ 0.249
Gross Water System Reliability Adjustment	\$ 0.175	\$ 0.249
(Less amount over maximum 7.5¢ increase)	\$ (0.025)	\$ (0.024)
Water System Reliability Adjustment (\$/hcf)	\$ 0.150	\$ 0.225