

TWENTYNINE PALMS WATER DISTRICT 2025 WATER RATE STUDY

Board Meeting – November 19, 2025



**Water Resources
Economics**

**Promoting the Value
and Price of Water Service**



Introductions

- Water Resources Economics Project Team:
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 - Charles Diamond, Project Manager
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 - Grace Hunzicker, Project Analyst
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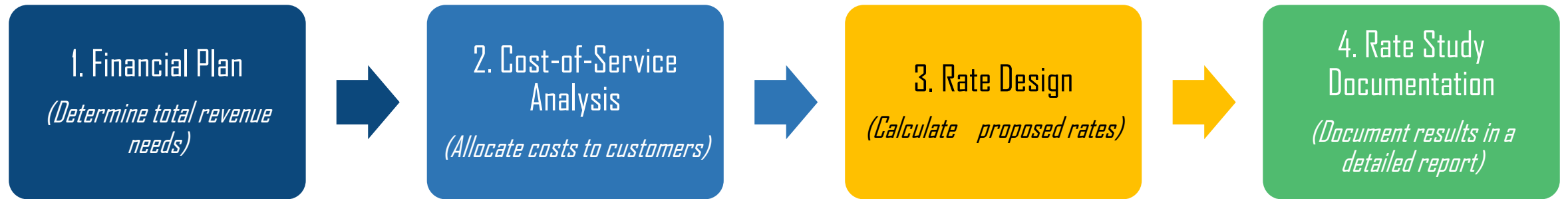


Agenda

- Rate study overview
- Schedule
- Preliminary rate scenarios
- Discussion & next steps



Rate Study Overview



Proposition 218

(Article XIII C and XIII D of California Constitution)

- Applies to property-related fees for service including retail water rates
- Water rate implications:
 - Rates must be proportional to and may not exceed the cost of providing water service
 - One customer class (residential, commercial, etc.) may not subsidize another
 - Water agencies typically conduct a “cost-of-service analysis” about every 5 years to ensure a sufficient nexus between rates and costs
- Procedural requirements:
 - Rates must be adopted at a public hearing
 - All customers must be mailed a public hearing notice no fewer than 45 days beforehand
 - Rates cannot be adopted if a majority of customers submit a formal protest

Rate Study Goal

- Currently adopted five-year rate schedule:
 - Spans FY 2020/21 - FY 2024/25
 - Final annual rate adjustment went into effect in Jan. 2025
 - Included 10% annual increases
- 2025 Water Rate Study:
 - Goal: Develop a proposed five-year rate schedule for FY 2025/26 - FY 2029/30 that:
 - Meets Prop 218 legal requirements
 - Meets the District's funding needs
 - Is consistent with industry standards established by AWWA



Schedule

- *Today: Present preliminary rate scenarios*
- Dec. 17, 2025: Board to receive rate study report
- Dec. 23, 2025: Deadline to mail out public hearing notices
- Feb. 25, 2026: Public hearing to adopt proposed rates
- Mar. 1, 2026: New rates effective



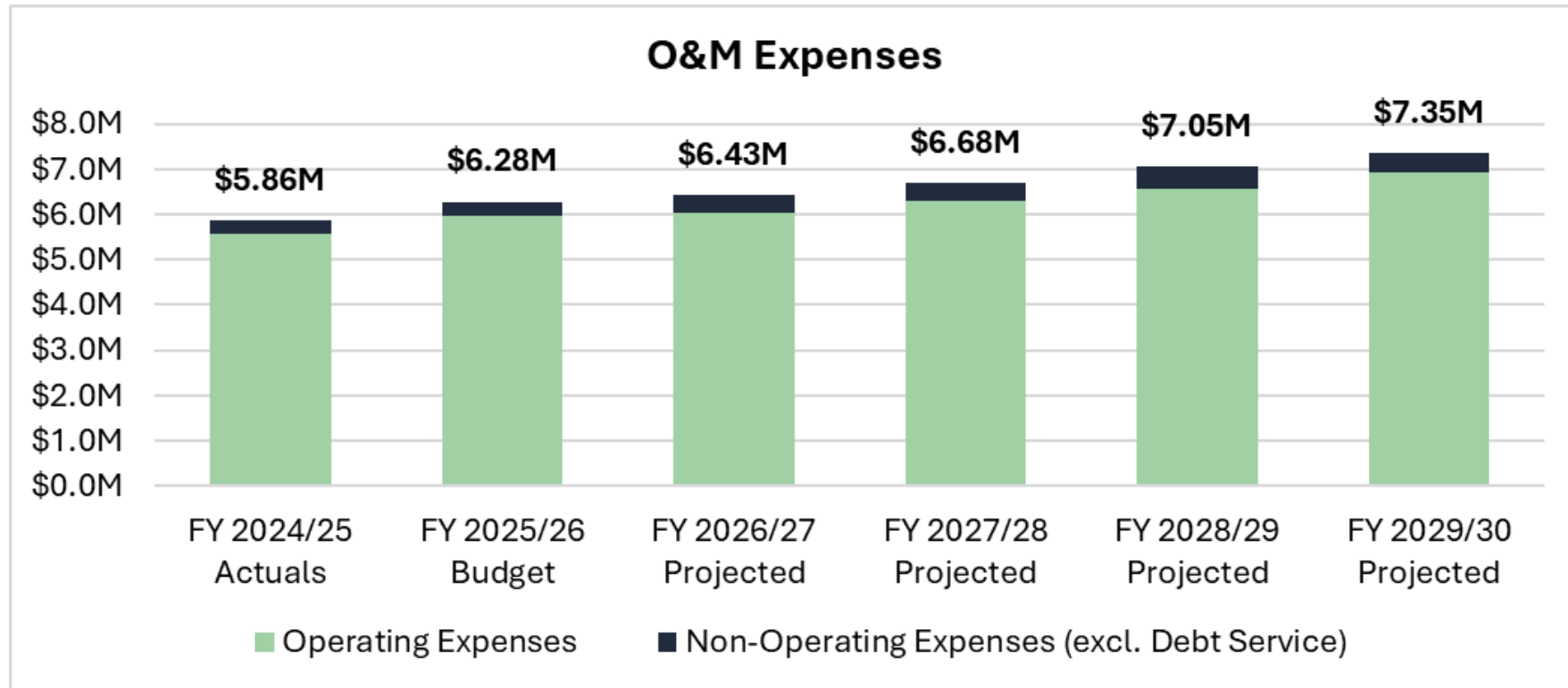
Preliminary Financial Plan Scenarios



**Water Resources
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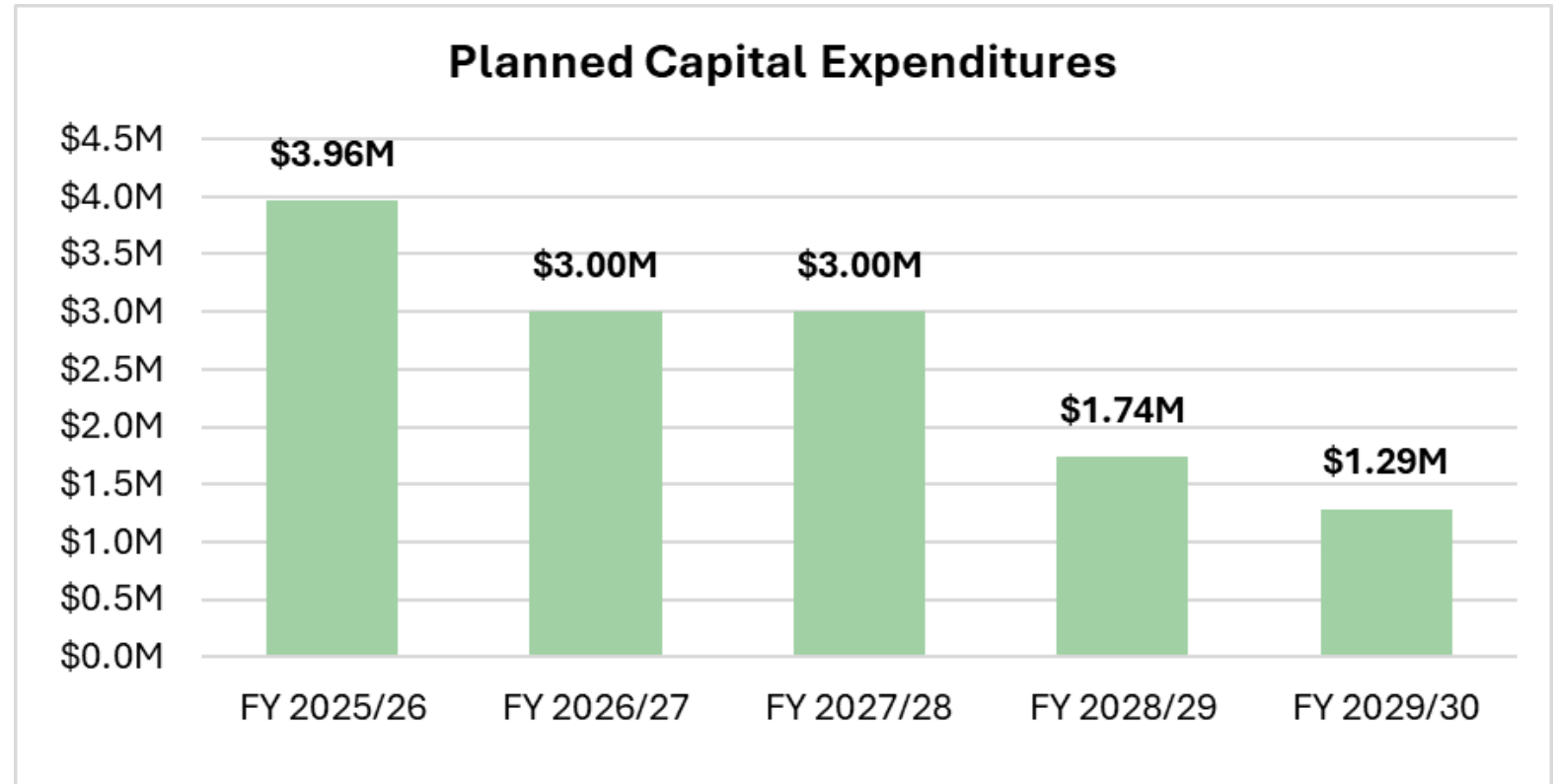
Key Financial Plan Assumptions: O&M Expenses

- O&M expenses projected to increase 4% per year on average:



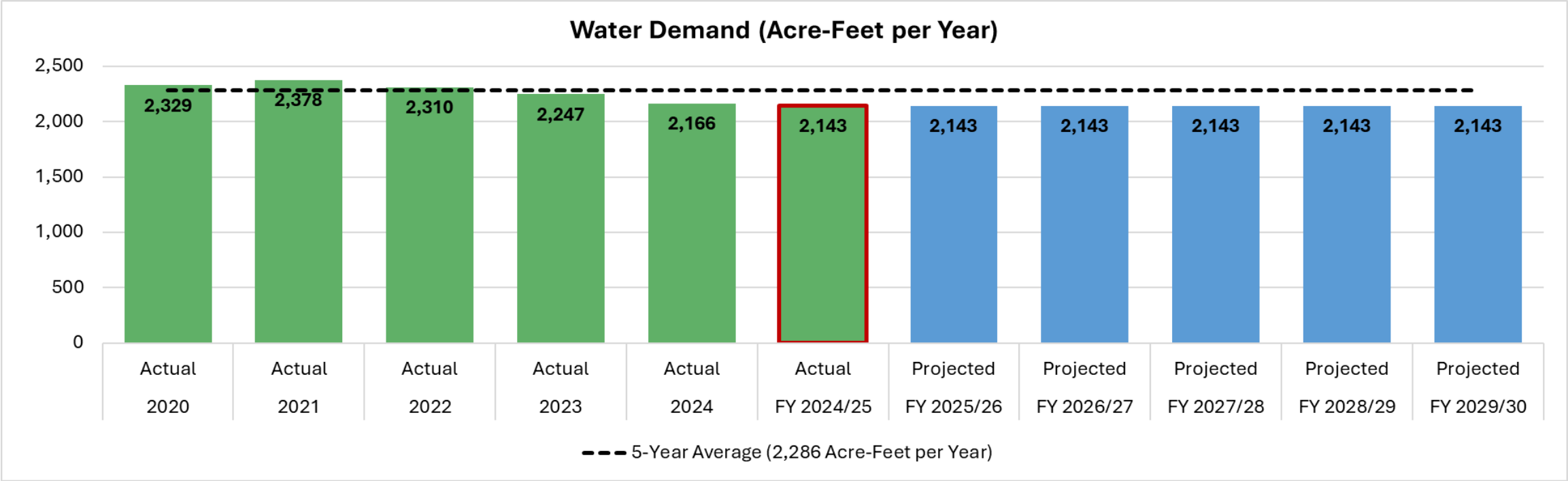
Key Financial Plan Assumptions: Capital Expenditures

- Capital expenditures:
 - 5-year total: \$13.0M
 - Annual average: \$2.6M
 - 100% cash funded
- Includes:
 - Water reservoir at treatment plant: \$3.4M
 - New well: \$2.2M



Key Financial Plan Assumptions: Water Demand

- Five-year water demand projected to remain constant at FY 2024/25 levels (about 6% below 5-year historical average)



Current Cash Reserve Policy

Reserve	Target Basis	FY 2025/26 Target
Operating Reserve	180 days of operating expenses	\$2,936,200
Capital Reserve	6% of depreciable capital assets*	\$3,541,400
Total		\$6,477,600

**Depreciable capital assets is equal to the value of current assets plus current year CIP*

Proposed Changes to Reserve Policy

Reserve Policy	Current	Proposed Scenario 1	Proposed Scenario 2
Operating Reserve Target	180 days of operating expenses	Same as current	Same as current
Capital Reserve Target	6% of depreciable capital assets	<i>Annual average of 5-Year CIP</i>	<i>Annual average of 5-Year CIP</i>
Emergency Reserve Target	N/A	N/A	<i>Estimated cost of unexpected well failure</i>

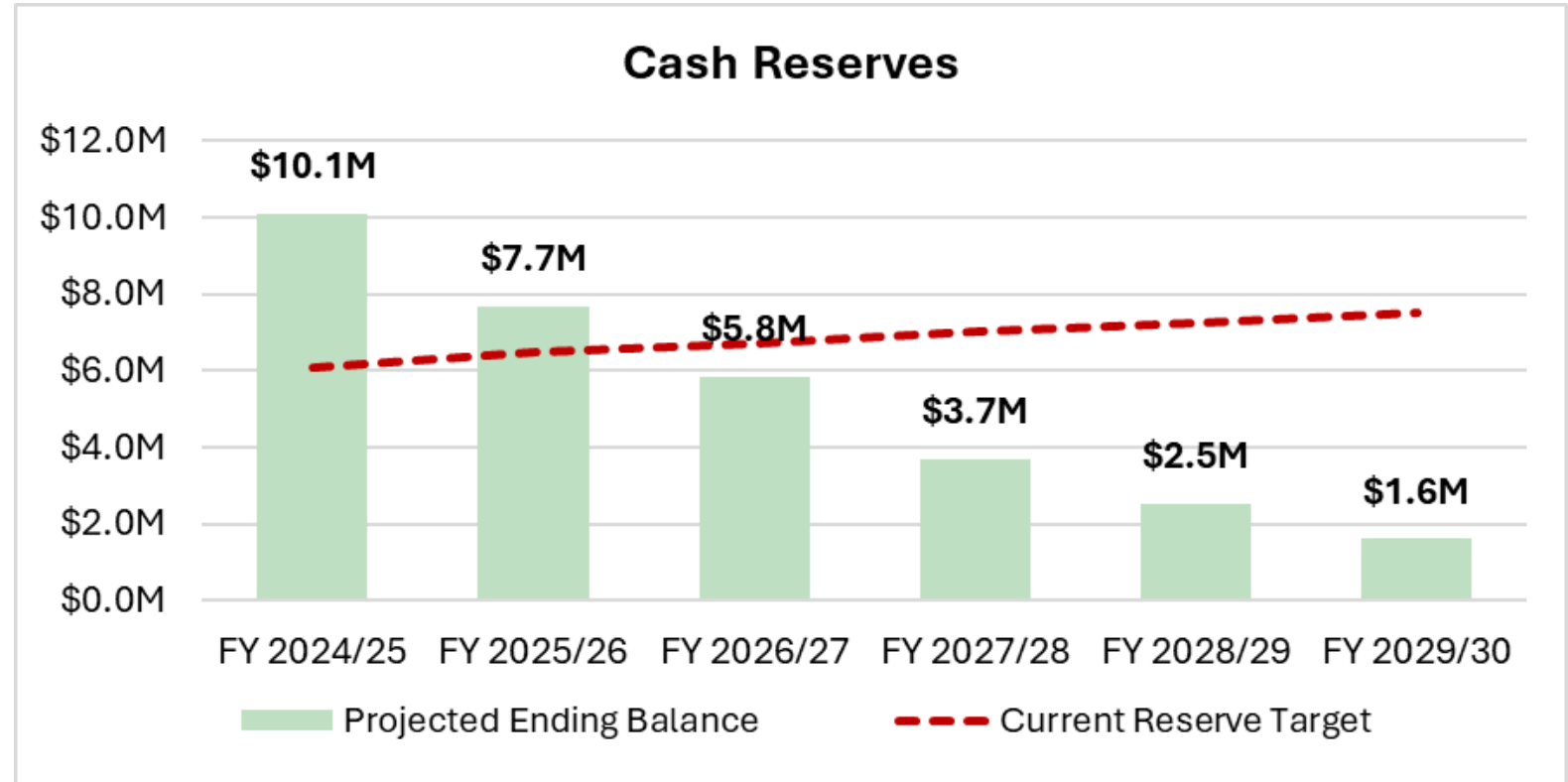


Proposed Changes to Reserve Policy (cont.)

FY 2025/26 Reserve Targets	Current	Proposed Scenario 1	Proposed Scenario 2
Operating Reserve Target	\$2,936,200	\$2,936,200	\$2,936,200
Capital Reserve Target	\$3,541,400	<i>\$2,595,400</i>	<i>\$2,595,400</i>
Emergency Reserve Target	N/A	N/A	<i>\$2,000,000</i>
Total	\$6,477,600	\$5,531,600	\$7,531,600

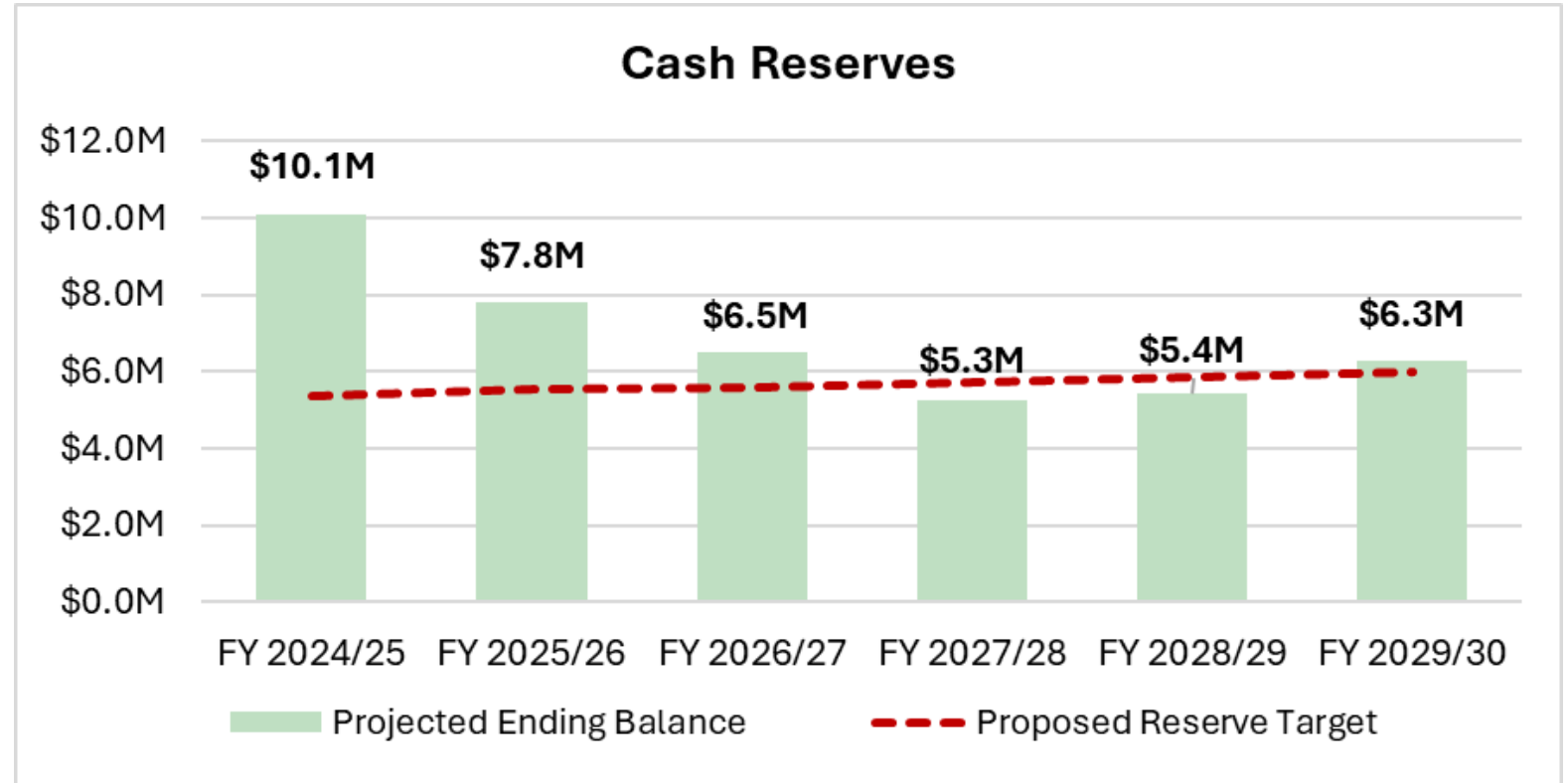
Status Quo Financial Plan (NO REVENUE ADJUSTMENTS)

Fiscal Year	Effective Month	Revenue Adjustment
FY 2025/26	Mar. 2026	0%
FY 2026/27	Jan. 2027	0%
FY 2027/28	Jan. 2028	0%
FY 2028/29	Jan. 2029	0%
FY 2029/30	Jan. 2030	0%



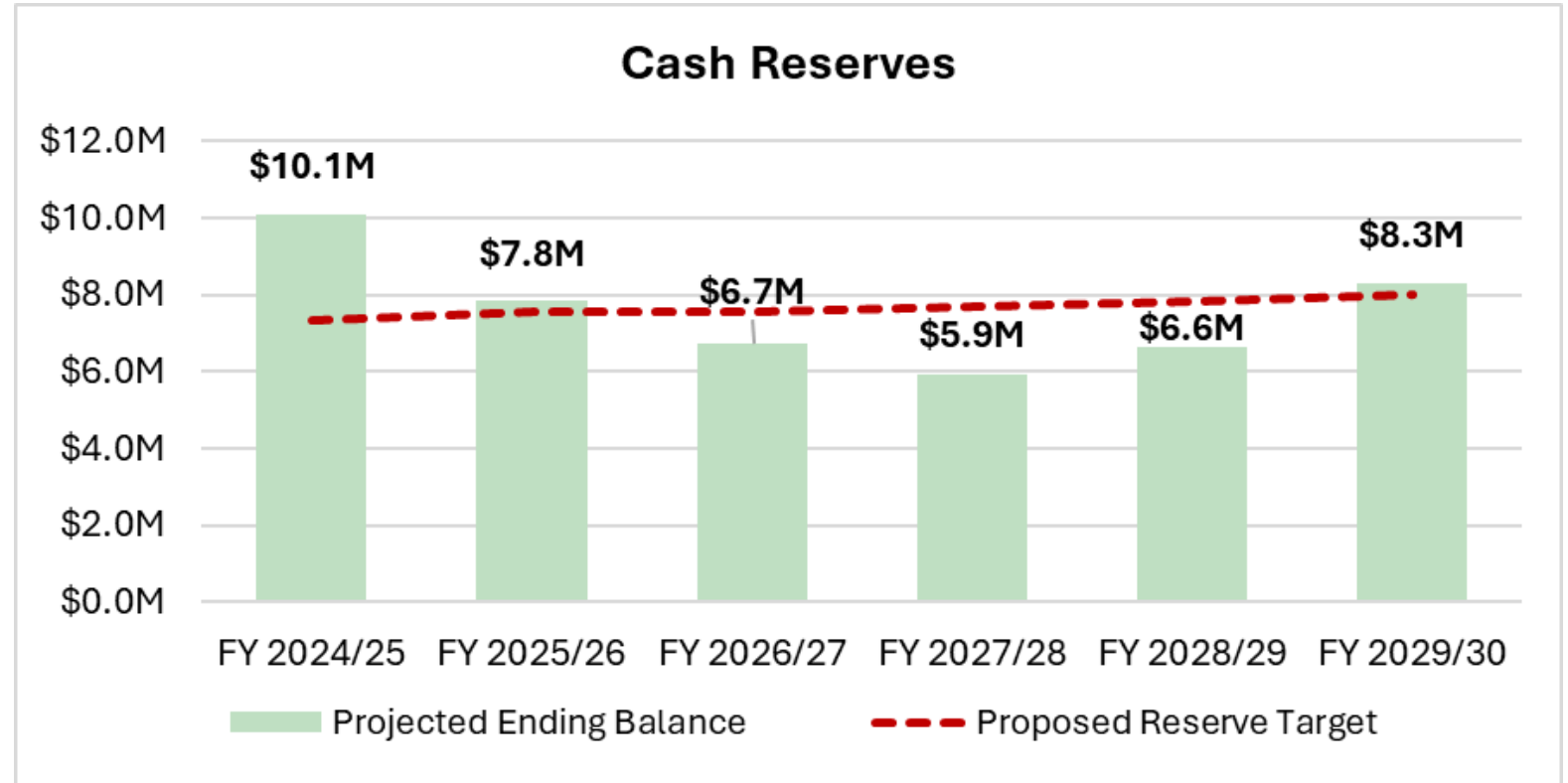
Financial Plan Scenario 1 (5% Revenue Adjustments)

Fiscal Year	Effective Month	Revenue Adjustment
FY 2025/26	Mar. 2026	5%
FY 2026/27	Jan. 2027	5%
FY 2027/28	Jan. 2028	5%
FY 2028/29	Jan. 2029	5%
FY 2029/30	Jan. 2030	5%



Financial Plan Scenario 2 (7% Revenue Adjustments)

Fiscal Year	Effective Month	Revenue Adjustment
FY 2025/26	Mar. 2026	7%
FY 2026/27	Jan. 2027	7%
FY 2027/28	Jan. 2028	7%
FY 2028/29	Jan. 2029	7%
FY 2029/30	Jan. 2030	7%



Summary of Proposed Financial Plan Scenarios

Fiscal Year	Scenario 1 Reserve Target	Scenario 2 Reserve Target	Scenario 1 Revenue Adjustment	Scenario 2 Revenue Adjustment
FY 2025/26	\$5,531,600	\$7,531,600	5%	7%
FY 2026/27	\$5,567,100	\$7,567,100	5%	7%
FY 2027/28	\$5,706,800	\$7,706,800	5%	7%
FY 2028/29	\$5,835,700	\$7,835,700	5%	7%
FY 2029/30	\$6,008,000	\$8,008,000	5%	7%

Preliminary Rate Scenarios



**Water Resources
Economics**

Current Rate Structure

- No proposed changes to current rate structure:
 - 1) Fixed meter service charges by meter size
 - 2) Commodity charges per unit of water delivered
 - 3) Commercial fire fixed charges (only applies to 120 dedicated private fire lines)

Current Rates	Effective Jan. 2025
Fixed Meter Service Charges (Monthly)	
5/8-inch	\$20.05
3/4-inch	\$20.05
1-inch Dual Service - Residential	\$20.05
1-inch	\$28.31
1.5-inch	\$48.94
2-inch	\$73.71
3-inch	\$152.12
4-inch	\$267.68
6-inch	\$544.19
2-inch Non-Potable	\$495.74
Commodity Charges	
Potable (per hundred cubic feet)	\$5.24
Non-Potable (per hundred cubic feet)	\$0.92
Utah Trail Pay Station (per gallon)	\$0.0121
Commercial Fire Fixed Service Charges (Monthly)	
2-inch	\$65.06
3-inch	\$91.37
4-inch	\$127.25
6-inch	\$246.84
8-inch	\$390.36
10-inch	\$1,060.10

Proposed Fixed Meter Service Charges: Scenario 1 (5%)

- Distributional impacts due to updated cost-of-service analysis & updated AML meter capacity:

Fixed Meter Service Charges (Monthly)	Number of Meters	Current Charge	Proposed FY 2025/26 Charge	Difference (\$)	Difference (%)
5/8-inch	6,988	\$20.05	\$20.36	<i>\$0.31</i>	<i>1.5%</i>
3/4-inch	83	\$20.05	\$20.36	<i>\$0.31</i>	<i>1.5%</i>
1-inch Dual Service - Residential	2	\$20.05	\$20.36	<i>\$0.31</i>	<i>1.5%</i>
1-inch	376	\$28.31	\$30.07	<i>\$1.77</i>	<i>6.2%</i>
1.5-inch	53	\$48.94	\$54.35	<i>\$5.41</i>	<i>11.1%</i>
2-inch	34	\$73.71	\$83.48	<i>\$9.78</i>	<i>13.3%</i>
3-inch	8	\$152.12	\$224.31	<i>\$72.20</i>	<i>47.5%</i>
4-inch	8	\$267.68	\$491.38	<i>\$223.71</i>	<i>83.6%</i>
6-inch	0	\$544.19	\$976.97	<i>\$432.78</i>	<i>79.5%</i>
8-inch	0	N/A	\$1,705.35	<i>N/A</i>	<i>N/A</i>
10-inch	0	N/A	\$2,676.52	<i>N/A</i>	<i>N/A</i>
2-inch Non-Potable	1	\$495.74	\$529.60	<i>\$33.87</i>	<i>6.8%</i>

Proposed Fixed Meter Service Charges: Scenario 2 (7%)

- Distributional impacts due to updated cost-of-service analysis & updated AML meter capacity:

Fixed Meter Service Charges (Monthly)	Number of Meters	Current Charge	Proposed FY 2025/26 Charge	Difference (\$)	Difference (%)
5/8-inch	6,988	\$20.05	\$20.72	\$0.67	3.3%
3/4-inch	83	\$20.05	\$20.72	\$0.67	3.3%
1-inch Dual Service - Residential	2	\$20.05	\$20.72	\$0.67	3.3%
1-inch	376	\$28.31	\$30.67	\$2.37	8.4%
1.5-inch	53	\$48.94	\$55.54	\$6.60	13.5%
2-inch	34	\$73.71	\$85.38	\$11.68	15.8%
3-inch	8	\$152.12	\$229.62	\$77.51	51.0%
4-inch	8	\$267.68	\$503.19	\$235.52	88.0%
6-inch	0	\$544.19	\$1,000.58	\$456.39	83.9%
8-inch	0	N/A	\$1,746.66	N/A	N/A
10-inch	0	N/A	\$2,741.44	N/A	N/A
2-inch Non-Potable	1	\$495.74	\$534.77	\$39.04	7.9%

Proposed Commodity Charges: Scenario 1 (5%)

- Distributional impacts due to updated cost-of-service :

Commodity Charges	Current Charge	Proposed FY 2025/26 Charge	Difference (\$)	Difference (%)
Potable (per hundred cubic feet)	\$5.24	\$5.69	<i>\$0.45</i>	<i>8.6%</i>
Non-Potable (per hundred cubic feet)	\$0.92	\$0.99	<i>\$0.07</i>	<i>7.6%</i>
Utah Trail Pay Station (per gallon)	\$0.0121	\$0.0130	<i>\$0.0009</i>	<i>7.4%</i>



Proposed Commodity Charges: Scenario 2 (7%)

- Distributional impacts due to updated cost-of-service :

Commodity Charges	Current Charge	Proposed FY 2025/26 Charge	Difference (\$)	Difference (%)
Potable (per hundred cubic feet)	\$5.24	\$5.80	<i>\$0.56</i>	<i>10.7%</i>
Non-Potable (per hundred cubic feet)	\$0.92	\$1.00	<i>\$0.08</i>	<i>8.7%</i>
Utah Trail Pay Station (per gallon)	\$0.0121	\$0.0133	<i>\$0.0012</i>	<i>9.9%</i>



Proposed Commercial Fire Fixed Service Charges: Scenario 1 (5%)

- Distributional impacts due to updated cost-of-service analysis & rate calculation methodology:

Commercial Fire Fixed Service Charges (Monthly)	Number of Connections	Current Charge	Proposed FY 2025/26 Charge	Difference (\$)	Difference (%)
2-inch	82	\$65.06	\$10.41	<i>(\$54.65)</i>	<i>-84.0%</i>
3-inch	4	\$91.37	\$19.20	<i>(\$72.17)</i>	<i>-79.0%</i>
4-inch	8	\$127.25	\$34.37	<i>(\$92.88)</i>	<i>-73.0%</i>
6-inch	17	\$246.84	\$88.82	<i>(\$158.02)</i>	<i>-64.0%</i>
8-inch	9	\$390.36	\$182.73	<i>(\$207.63)</i>	<i>-53.2%</i>
10-inch	0	\$1,060.10	\$323.98	<i>(\$736.12)</i>	<i>-69.4%</i>

Proposed Commercial Fire Fixed Service Charges: Scenario 2 (7%)

- Distributional impacts due to updated cost-of-service analysis & rate calculation methodology:

Commercial Fire Fixed Service Charges (Monthly)	Number of Connections	Current Charge	Proposed FY 2025/26 Charge	Difference (\$)	Difference (%)
2-inch	82	\$65.06	\$10.52	(\$54.54)	-83.8%
3-inch	4	\$91.37	\$19.51	(\$71.86)	-78.6%
4-inch	8	\$127.25	\$35.02	(\$92.23)	-72.5%
6-inch	17	\$246.84	\$90.68	(\$156.16)	-63.3%
8-inch	9	\$390.36	\$186.69	(\$203.67)	-52.2%
10-inch	0	\$1,060.10	\$331.11	(\$728.99)	-68.8%

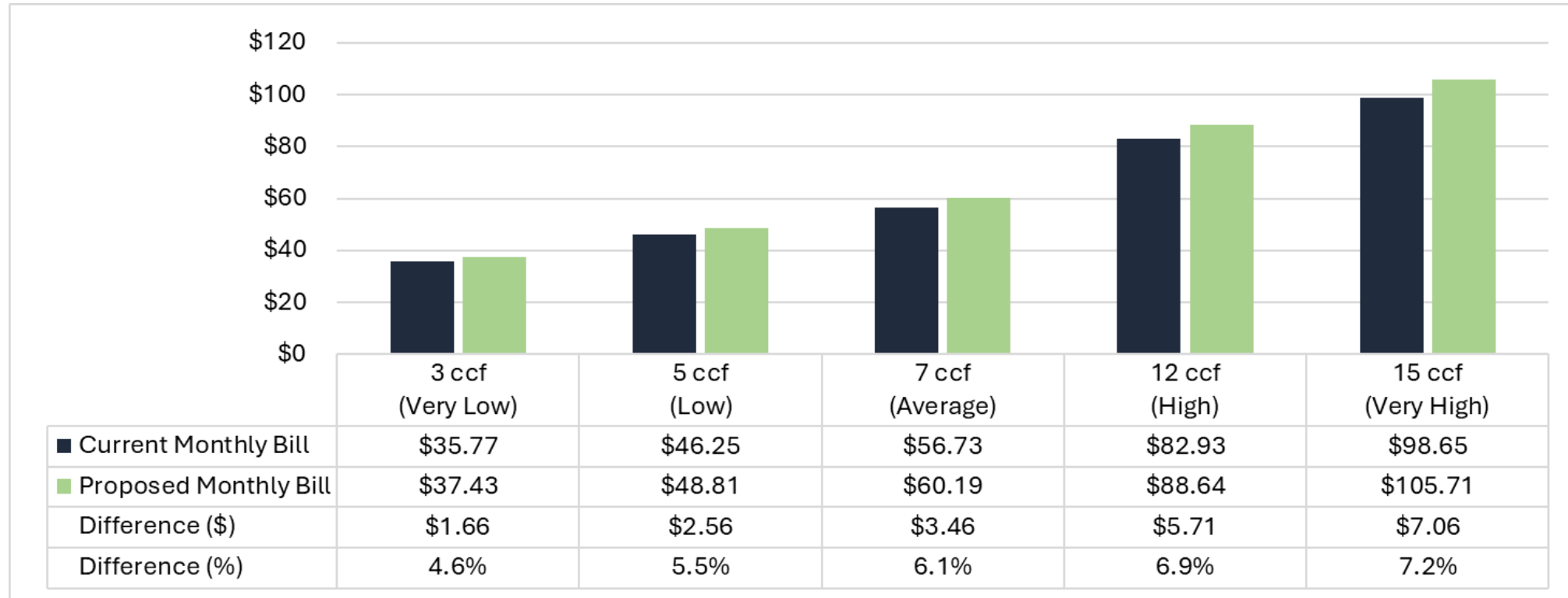
Proposed Five-Year Rate Schedule: Scenario 1 (5%)

Water Rates	Current	Proposed Mar. 2026	Proposed Jan. 2027	Proposed Jan. 2028	Proposed Jan. 2029	Proposed Jan. 2030
Fixed Meter Service Charges (Monthly)						
5/8-inch	\$20.05	\$20.36	\$21.38	\$22.45	\$23.58	\$24.76
3/4-inch	\$20.05	\$20.36	\$21.38	\$22.45	\$23.58	\$24.76
1-inch Dual Service - Residential	\$20.05	\$20.36	\$21.38	\$22.45	\$23.58	\$24.76
1-inch	\$28.31	\$30.07	\$31.58	\$33.16	\$34.82	\$36.57
1.5-inch	\$48.94	\$54.35	\$57.07	\$59.93	\$62.93	\$66.08
2-inch	\$73.71	\$83.48	\$87.66	\$92.05	\$96.66	\$101.50
3-inch	\$152.12	\$224.31	\$235.53	\$247.31	\$259.68	\$272.67
4-inch	\$267.68	\$491.38	\$515.95	\$541.75	\$568.84	\$597.29
6-inch	\$544.19	\$976.97	\$1,025.82	\$1,077.12	\$1,130.98	\$1,187.53
8-inch	N/A	\$1,705.35	\$1,790.62	\$1,880.16	\$1,974.17	\$2,072.88
10-inch	N/A	\$2,676.52	\$2,810.35	\$2,950.87	\$3,098.42	\$3,253.35
2-inch Non-Potable	\$495.74	\$529.60	\$556.08	\$583.89	\$613.09	\$643.75
Commodity Charges						
Potable (per hundred cubic feet)	\$5.24	\$5.69	\$5.98	\$6.28	\$6.60	\$6.93
Non-Potable (per hundred cubic feet)	\$0.92	\$0.99	\$1.04	\$1.10	\$1.16	\$1.22
Utah Trail Pay Station (per gallon)	\$0.0121	\$0.0130	\$0.0137	\$0.0144	\$0.0152	\$0.0160
Commercial Fire Fixed Service Charges (Monthly)						
2-inch	\$65.06	\$10.41	\$10.94	\$11.49	\$12.07	\$12.68
3-inch	\$91.37	\$19.20	\$20.16	\$21.17	\$22.23	\$23.35
4-inch	\$127.25	\$34.37	\$36.09	\$37.90	\$39.80	\$41.79
6-inch	\$246.84	\$88.82	\$93.27	\$97.94	\$102.84	\$107.99
8-inch	\$390.36	\$182.73	\$191.87	\$201.47	\$211.55	\$222.13
10-inch	\$1,060.10	\$323.98	\$340.18	\$357.19	\$375.05	\$393.81

Proposed Five-Year Rate Schedule: Scenario 2 (7%)

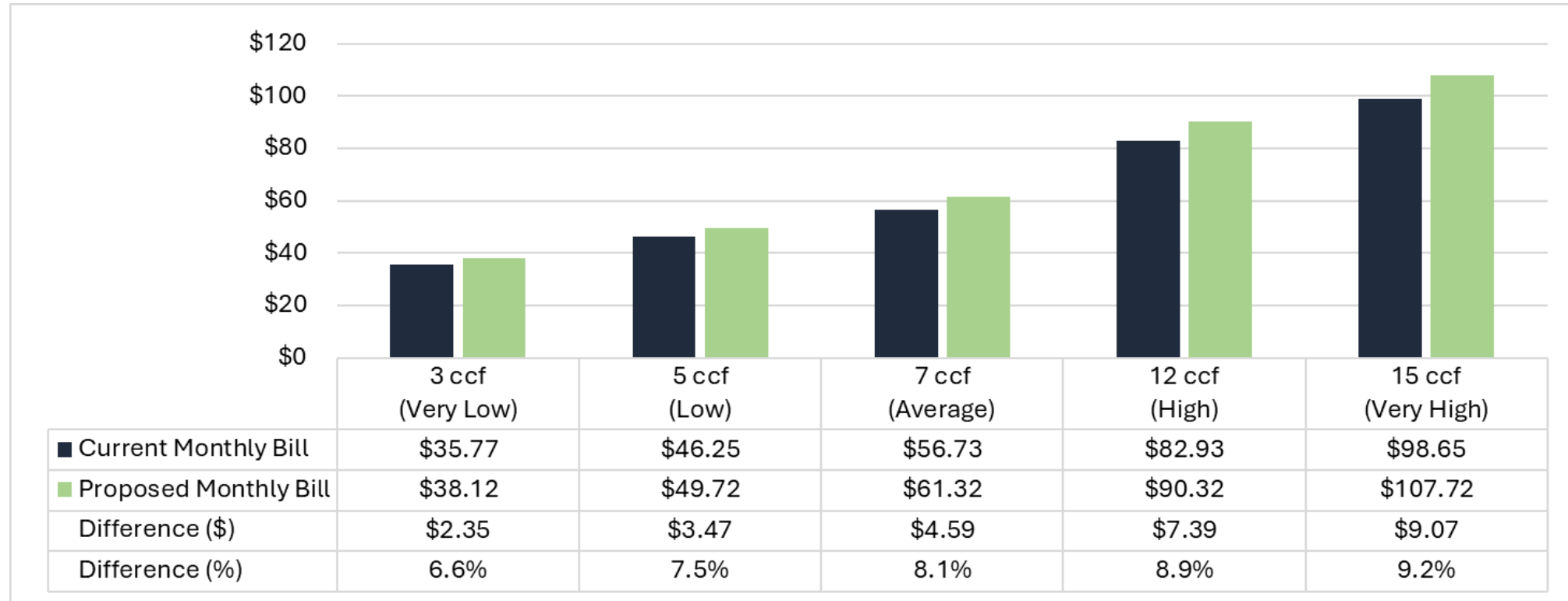
Water Rates	Current	Proposed Mar. 2026	Proposed Jan. 2027	Proposed Jan. 2028	Proposed Jan. 2029	Proposed Jan. 2030
Fixed Meter Service Charges (Monthly)						
5/8-inch	\$20.05	\$20.72	\$22.18	\$23.74	\$25.41	\$27.19
3/4-inch	\$20.05	\$20.72	\$22.18	\$23.74	\$25.41	\$27.19
1-inch Dual Service - Residential	\$20.05	\$20.72	\$22.18	\$23.74	\$25.41	\$27.19
1-inch	\$28.31	\$30.67	\$32.82	\$35.12	\$37.58	\$40.22
1.5-inch	\$48.94	\$55.54	\$59.43	\$63.60	\$68.06	\$72.83
2-inch	\$73.71	\$85.38	\$91.36	\$97.76	\$104.61	\$111.94
3-inch	\$152.12	\$229.62	\$245.70	\$262.90	\$281.31	\$301.01
4-inch	\$267.68	\$503.19	\$538.42	\$576.11	\$616.44	\$659.60
6-inch	\$544.19	\$1,000.58	\$1,070.63	\$1,145.58	\$1,225.78	\$1,311.59
8-inch	N/A	\$1,746.66	\$1,868.93	\$1,999.76	\$2,139.75	\$2,289.54
10-inch	N/A	\$2,741.44	\$2,933.35	\$3,138.69	\$3,358.40	\$3,593.49
2-inch Non-Potable	\$495.74	\$534.77	\$572.21	\$612.27	\$655.13	\$700.99
Commodity Charges						
Potable (per hundred cubic feet)	\$5.24	\$5.80	\$6.21	\$6.65	\$7.12	\$7.62
Non-Potable (per hundred cubic feet)	\$0.92	\$1.00	\$1.07	\$1.15	\$1.24	\$1.33
Utah Trail Pay Station (per gallon)	\$0.0121	\$0.0133	\$0.0143	\$0.0154	\$0.0165	\$0.0177
Commercial Fire Fixed Service Charges (Monthly)						
2-inch	\$65.06	\$10.52	\$11.26	\$12.05	\$12.90	\$13.81
3-inch	\$91.37	\$19.51	\$20.88	\$22.35	\$23.92	\$25.60
4-inch	\$127.25	\$35.02	\$37.48	\$40.11	\$42.92	\$45.93
6-inch	\$246.84	\$90.68	\$97.03	\$103.83	\$111.10	\$118.88
8-inch	\$390.36	\$186.69	\$199.76	\$213.75	\$228.72	\$244.74
10-inch	\$1,060.10	\$331.11	\$354.29	\$379.10	\$405.64	\$434.04

Single Family Residential Monthly Bill Impacts in FY 2025/26: Scenario 1 (5%)



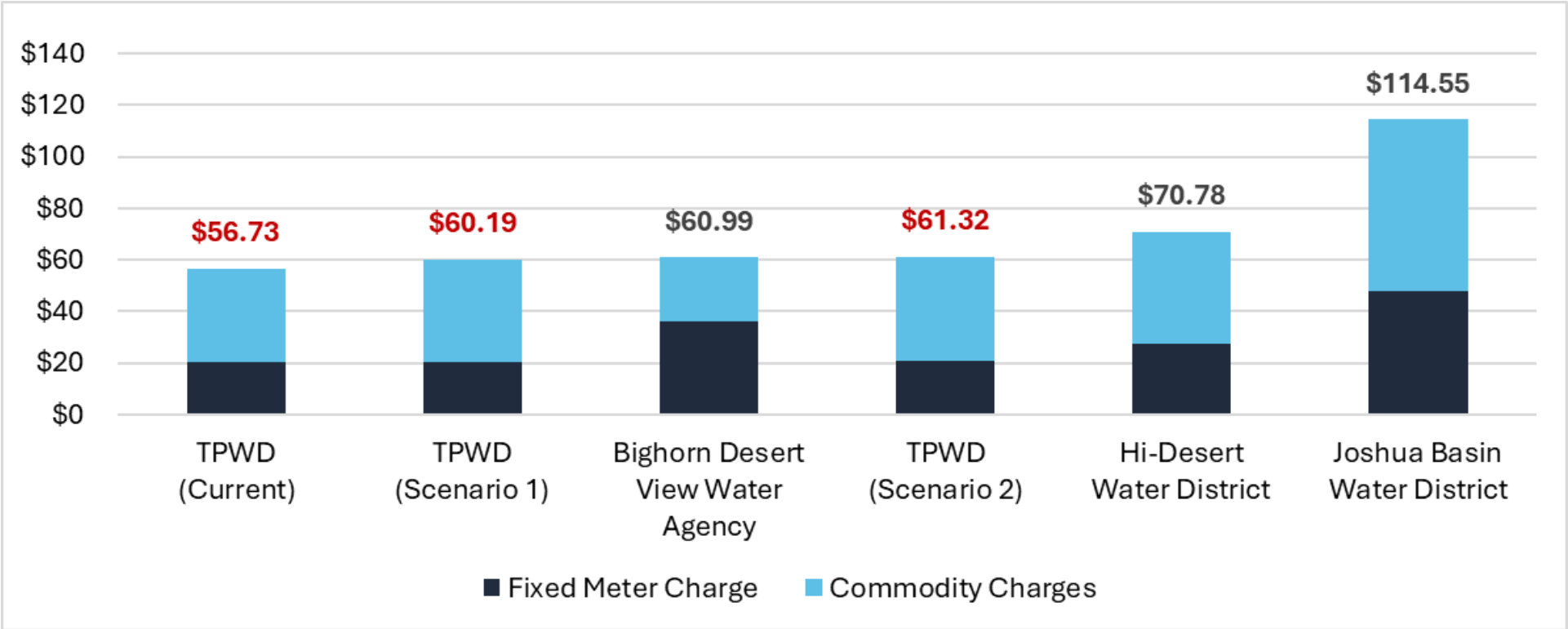
Note: ccf = one hundred cubic feet = 748 gallons; all bills are for a 5/8-inch meter

Single Family Residential Monthly Bill Impacts in FY 2025/26: Scenario 2 (7%)



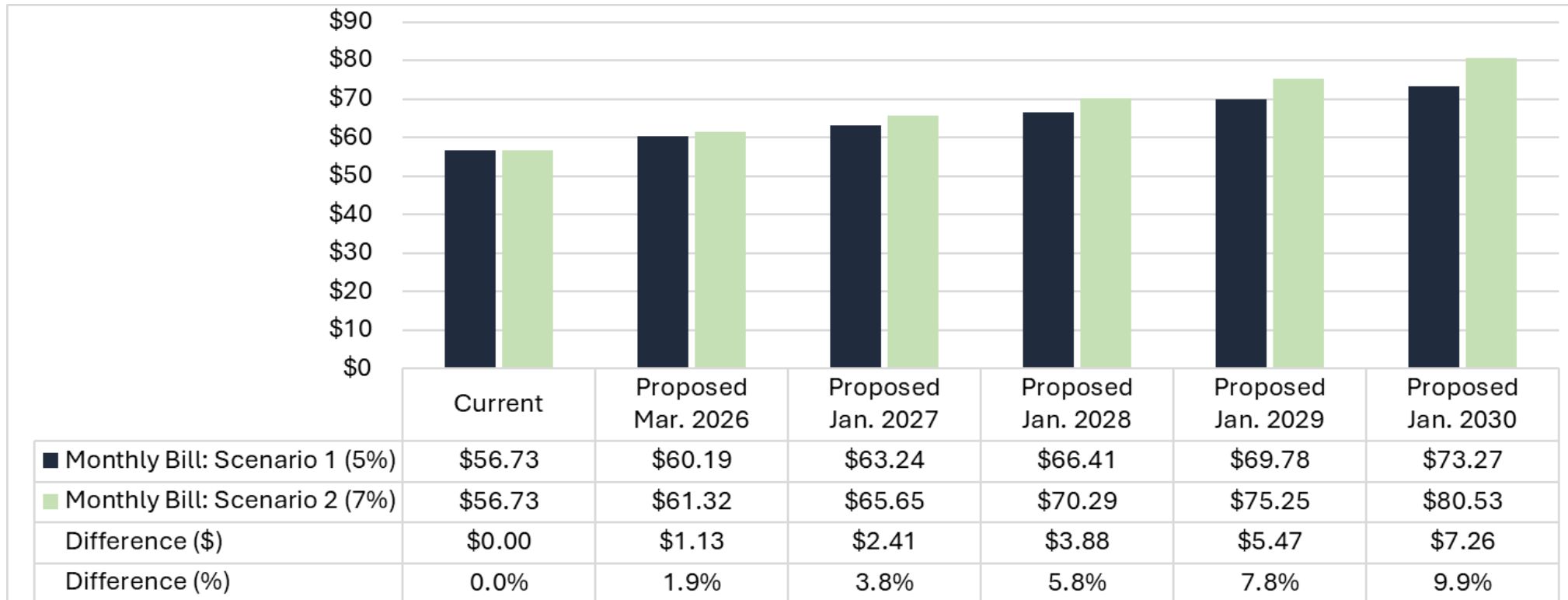
Note: ccf = one hundred cubic feet = 748 gallons; all bills are for a 5/8-inch meter

Single Family Residential Monthly Bill Comparison to Neighboring Agencies



Note: All bills based on smallest available meter size and 7 ccf of monthly water use; TPWD Scenario 1 & 2 bills based on proposed rates effective Mar. 2026.

Five-Year Single Family Residential Monthly Bill Comparison



Note: For an average single family residential customer with a 5/8-inch meter using 7 ccf per month

Next Steps

- Receive feedback today on preliminary rate scenarios
- WRE to draft a report to be received at Dec. 17th Board Meeting
- Set public hearing to adopt proposed rates on Feb. 25, 2026
- New rates implemented Mar. 1, 2026





**Water Resources
Economics**

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**Promoting the
Value and Price
of Water Service**



Back-up slides



**Water Resources
Economics**

Detailed O&M Expense Projections

Detailed O&M Expenses	FY 2024/25 Unaudited Actuals	FY 2025/26 Budget	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected
Source of Supply	\$471,670	\$543,600	\$603,100	\$635,800	\$670,400	\$707,100
Pumping	\$184,487	\$207,700	\$219,400	\$232,000	\$245,300	\$259,400
Transmission & Distribution	\$1,928,358	\$1,924,200	\$1,943,600	\$2,027,400	\$2,114,900	\$2,206,500
Treatment Wells	\$227,135	\$211,900	\$211,500	\$220,400	\$229,800	\$239,500
Treatment Facility	\$761,978	\$799,000	\$817,900	\$855,900	\$895,700	\$937,400
Customer Accounts	\$400,414	\$448,100	\$437,900	\$457,000	\$477,000	\$497,900
General & Administration	\$1,502,268	\$1,638,400	\$1,603,400	\$1,683,200	\$1,731,200	\$1,856,700
Payouts & Retiree Medical	\$87,550	\$155,600	\$162,900	\$170,500	\$178,400	\$186,700
Board of Directors	\$17,948	\$25,500	\$26,300	\$27,100	\$27,900	\$28,700
Non-Operating Expenses	\$274,994	\$326,100	\$402,900	\$375,200	\$477,500	\$432,200
Total	\$5,856,800	\$6,280,100	\$6,428,900	\$6,684,500	\$7,048,100	\$7,352,100
<i>% Change</i>	<i>4.3%</i>	<i>7.2%</i>	<i>2.4%</i>	<i>4.0%</i>	<i>5.4%</i>	<i>4.3%</i>



Inflationary Assumptions

- O&M expenses:
 - General: 3%
 - Vacation sick payout: 5%
 - Electricity: 6%
 - Fuel: 4%
 - Chemicals: 5%
 - Insurance: 5%
- Capital projects: 4%
- Miscellaneous revenues: 0%

