

Marina Coast Water District  
Staff Report

Agenda Item: 10-B

Meeting Date: November 8, 2011

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Reviewed By: Jim Heitzman

Subject: Update on Monthly Water Meter Charge for Upsized Meters Due to Fire Protection Sprinkler Systems

Summary: This is an update to the Staff Report given to the Board in June of this year. Previous analysis on the current water rates found that while the current rate structure for 1" residential meters is justifiable; a special rate for residents who have 1" water meters because of building requirement for fire sprinklers, could be warranted. From further review, it appears that there is a significant trend with other water agencies towards accommodation of fire sprinklers with residential customers without the magnitude of additional monthly cost as seen in the District. Creation of a special rate category for residents with water meters sized for required fire sprinkler systems would bring the District's rate structure in line with this trend. Bartle Wells, the rate consultant to the District, now recommends consideration of this new rate class either in conjunction with a new rate study or by separate action in the future.

Recap the June Staff Report: There have been ratepayer complaints over the last few years from ratepayers who have residential 1" water service. Their complaints are derived from the difference between the monthly fixed rate of a 3/4" standard size residential water meter and that of a 1" residential water meter. The monthly fixed rate for a residential 5/8" or 3/4" meter in central Marina is currently \$18.85 while the fixed cost for a 1" meter is \$47.09. 1" meter residential ratepayers have either asked for the reason as to the large fixed rate difference, or if they could get a smaller meter. These ratepayers note that there is no difference between their consumption of water and that of their neighbors with smaller meters.

Of the residential ratepayers whom have 1" rates who have made inquiries regarding the rate structure, all have 1" meters because of installed fire protection sprinkler systems. In the City of Marina, the City of Marina Fire Department requires adequate water flow rates to operate fire protection sprinkler system required for all new single family residential units. The increased flow rate typically triggers an upsize to the needed water meter diameter, commonly from 3/4" to 1". It is unknown as to how many of the District's 1" residential ratepayers have 1" meters solely due to fire sprinklers requirements but it is suspected to be the majority of such sized meters are solely for this reason.

The current rate structure, based on potential flowrate demand, was recommended by the firm Bartle Wells in a rate study performed for the District. In 2008, Bartle Wells, in a memo to the District defended the practice of charging for potential fire flowrate. It cited the AWWA's Principals of Water Rates, Fees, and Charges which states that the most common method for charging for private fire service is to base the charge on the size of the customer's connection. Bartle Wells claimed that fix rates based on a "capacity to serve" are the norm.

The June Board meeting staff report indicated that while the District's 1" meter fixed rate is defensible, it can be questioned if the magnitude of the rate difference between ¾" and 1" meters is fair for the specific case of residential meter which are up-sized solely for the installation of fire sprinklers. Staff indicated that there is a current trend with other water agencies with regards to this issue and would further review and bring this back for the Board's consideration.

Staff has reviewed other water agency rates to investigate how residents with fire sprinkler system are impacted by their water rates. The findings are:

- The previous finding that the large majority of water agencies do not have special monthly fixed rates for 1" residential customers with fire sprinkler systems can be misleading. There are circumstances present in other jurisdictions which do not make the special rate case needed. Local agencies which do offer special rates, Cal Am and Alco, offer substantial discounts with a special rate for such customers.
- The practice of having fire sprinkler systems piped through the domestic 1" water meter is not a standard. In many jurisdictions, the fire system is routed separately. As such, the residential customer in these jurisdictions uses and is billed through the standard ¾" meter. Many water agencies in these jurisdictions charge a nominal monthly fee for the fire system connection. In the District's current rate structure, un-metered fire connections are not charged.
- The fixed rate structure (as well as the consumption rate schedule) is widely varied throughout the state. The largest, Department of Water and Power in Los Angeles, does not even have one. Most do not have the same large rate difference between the monthly fixed ¾" and 1" rates, as the District. Some have no rate difference. Few other agencies surveyed has such a large rate difference between the ¾" and 1" meter rates as the District maintains, without a special rate case for fire sprinklers.

Bartle Wells now recommends the creation of a special rate for residents with 1" water meter, which would otherwise have a ¾" water meter without the fire sprinkler service. Bartle Wells recommends that this special rate be approximately 20% above the ¾" rate. If the District were to follow this recommendation, there would be a small fiscal impact to the District revenues. There are only 181 single family residential 1" meters out of 4,360 total single family meters in the District. If all 181 meters were to have fixed rate reductions from approximately \$47.09 to \$22.62 a month, the current annual impact on the District would be a loss of about \$53,200 in revenues.