

SAN GORGONIO PASS WATER AGENCY

WATER RATE UPDATE DISCUSSION

Finance and Budget Committee Meeting

April 23, 2026



**Water Resources
Economics**

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



Introductions

- Water Resources Economics Project Team:
 - Sanjay Gaur, Project Manager
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Agenda

- Overview of rate update process
- Recap of Feb. 24th presentation to retailers
- Discussion & next steps

SGPWA Water Rate Update Process

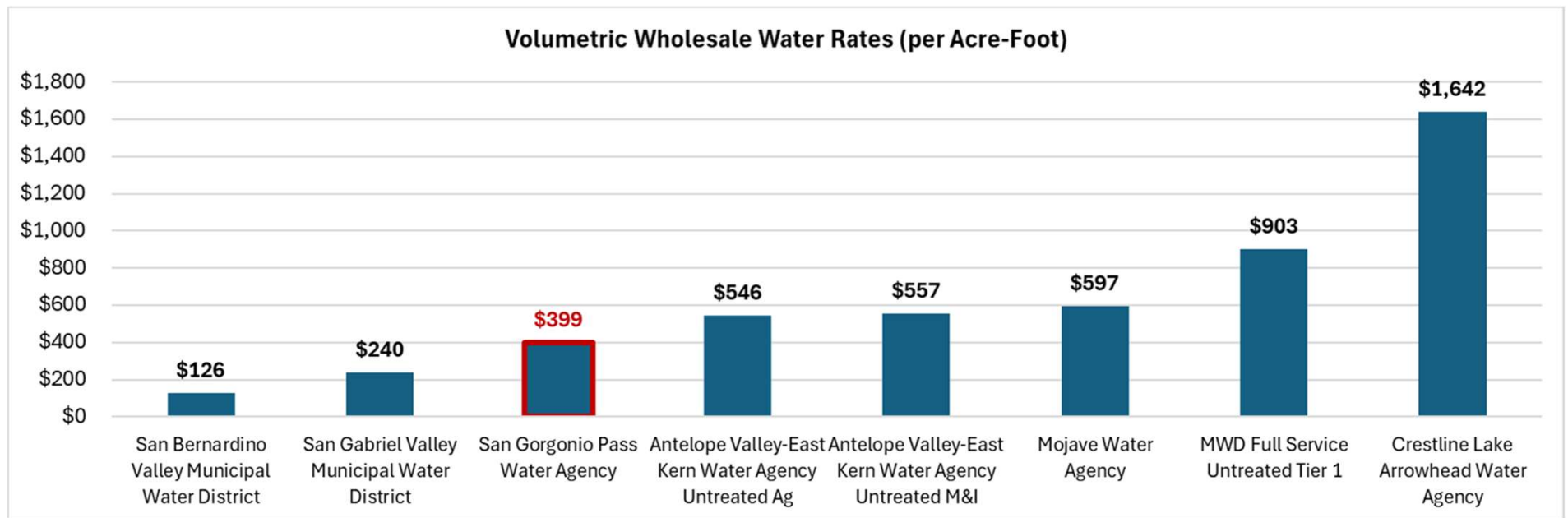
- Solicit upfront input from retail agencies (Feb. 24, 2026)
- Solicit upfront input from SGPWA Finance & Budget Committee (**TODAY**)
- Develop a financial model to project long-term revenues and expenses
- Evaluate SGPWA's existing revenue/cost structure
- Determine which costs should be recovered by wholesale water rates
- Develop updated wholesale water rates

Current SGPWA Wholesale Water Rates

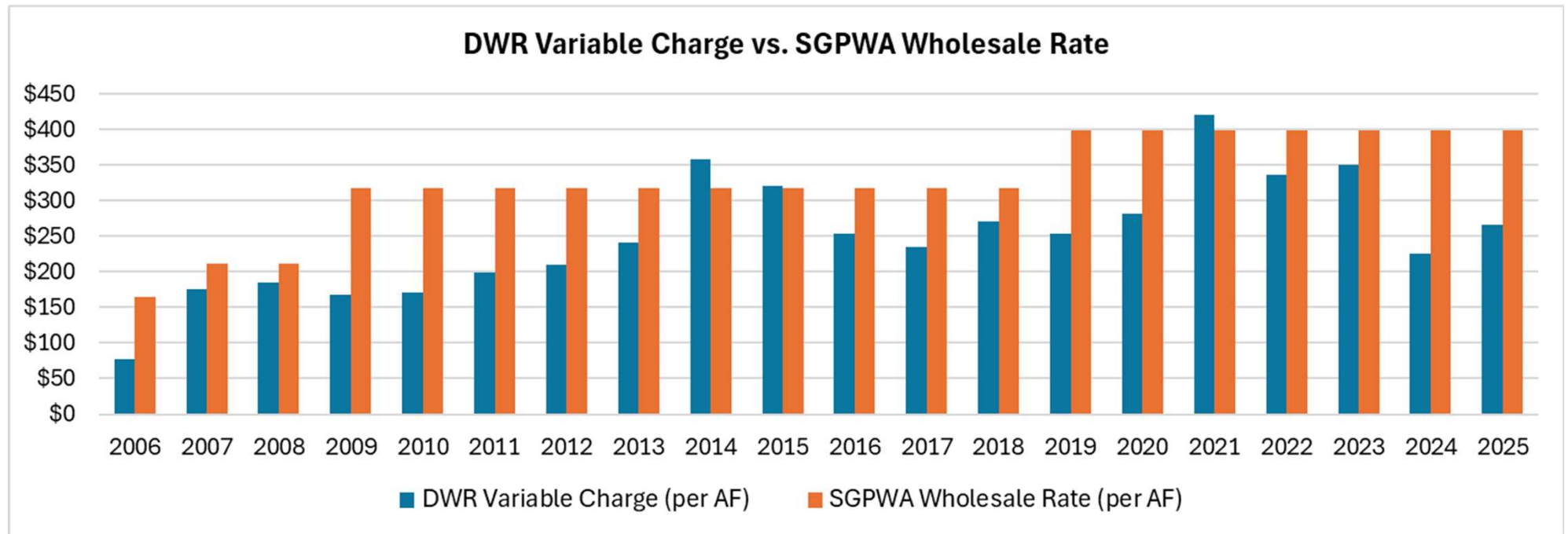
- Per Rules & Regulations: SGPWA may “establish and charge rates for delivery of water sufficient to cover the Agency’s variable costs for delivery of water, internal Agency costs, and other amounts as determined by the Board which are reasonably related to the cost of delivery”

Comparison to Other State Water Contractors

- East Branch Wholesalers & MWD (as of FY 2024/25):



Current SGPWA Wholesale Water Rates (cont.)



Notes:

-DWR variable charges are for power and transmission

-SGPWA wholesale rates prior to 2019 are for Beaumont-Cherry Valley Water District; since 2019 all retailers pay the same rate

What Costs Should Wholesale Water Rates Recover?

- Costs that should be recovered by rates:
 - Electrical costs to transport water (~\$270/AF but highly volatile)
 - Costs directly associated with recharging water
 - Chemical costs
 - Pond maintenance
 - Indirect costs
 - Administration
 - Overhead costs
- Other costs that could potentially be recovered by rates:
 - Water supply costs
 - Nickel agreement (~\$1,500/AF)
 - Yuba accord
 - City of Ventura long-term lease
 - Water market purchases
 - Future local projects

Nickel Water Agreement

- 2017 agreement to purchase 1,700 AFY of supplemental water from AVEK
- Motivated by retail agency concerns about dry year supply shortages
- Expensive: about \$1,500/AF
- Nickel water costs are not covered by the current water rate or other specified revenue sources

City of Ventura Agreement

- 2022 agreement to lease 10,000 AFY of Ventura's Table A for 20 years
- SGPWA pays for Ventura's SWP Statement of Charges
 - ~\$2 million per year
 - Expected to increase over time

Water Sales Revenues vs. Supply Costs

Description	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	5-Year Total
Water Sales Revenue	\$3,371,063	\$738,498	\$5,153,069	\$6,431,501	\$11,156,426	\$26,850,557
Costs						
DWR Variable	\$2,394,305	\$1,100,234	\$4,632,720	\$6,067,665	\$4,451,081	\$18,646,005
Yuba Water	\$82,661	\$194,894	\$67,293	\$0	\$0	\$344,848
Nickel Water	\$2,128,881	\$2,307,187	\$2,232,253	\$2,554,997	\$2,535,386	\$11,758,704
Ventura Lease	\$1,499,648	\$1,429,041	\$1,423,188	\$2,181,804	\$1,951,205	\$8,484,886
Total	\$6,105,495	\$5,031,356	\$8,355,454	\$10,804,466	\$8,937,672	\$39,234,443
Gain/loss	(\$2,734,432)	(\$4,292,858)	(\$3,202,385)	(\$4,372,965)	\$2,218,754	(\$12,383,886)

Policy Objectives

- Challenge: Volatile electricity costs are a large part of the water rate
- Policy objectives: What is the most important factor we should consider?
 - Feed back from Retailers:
 - High Priority:
 - Rate stability
 - Predictability
 - Lower Priority:
 - Lowest rate possible

Additional Considerations

- Future financial impacts:
 - Delta Conveyance Project – funded by Debt Service
 - Sites Reservoir – potentially funded by Debt Service
 - Backbone pipeline – General Fund
 - Other future activities – General Fund

- Challenge: Significant amount of SGPWA funds are restricted

Next Steps

- Receive feedback today
- Begin water rate update technical analysis
- Continue to engage with retailers & SGPWA Board



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