

Pass-Through: Because a significant portion of the City's water rates are heavily influenced by costs assessed against the City by outside agencies, the City Council directed the review of a potential pass-through charge to account for these agency's unanticipated future increases or decreases.

Government Code Section 53756 authorizes agencies to adopt a schedule of fees or charges authorizing automatic adjustments that pass-through increases in wholesale charges for water and adjustments for inflation for a period of five (5) years. The amount of automatic adjustments (Pass-Through Charges) to account for changes in wholesale water costs will be based directly on the incremental difference in costs that the City will incur from these other agencies as a result of increases or decreases in the amount such agencies charge the City. Any such adjustments will only be made to the extent such increases or decreases are not already reflected in the schedule of charges then in effect. Data documenting the amount of the increase or decrease in water commodity costs and the basis for all adjustment calculations will be made available to the public upon request at the time of any automatic adjustment. The pass-through cost applies only to the commodity component of the water used and will be assessed on all hcf's used by a customer. A notice of at least 30 days will be provided to customers before any such adjustments will take effect. The formula for which the automatic pass-through charge is calculated is as follows:

Pass-Through Formula

$\text{Pass-through charge} = \frac{[(\text{Revised Supply Cost}) * (\text{Revised Water Supplied}) - (\text{Plan Supply Cost}) * (\text{Planned Water Supplied})]}{\text{Revised Water Supplied}}$

Note: No pass-through charge for calendar year (cy) 2017

See below for description of variables used in this formula

Variables Used in the Pass-Through Charge Formula

Revised Supply Cost = cost of water based on provided water purveyor rates, basin pumping percentage for the current year, and electricity costs

Revised Water Supplied = water consumption for current year

Plan Supply Cost = estimated cost of water based on provided water purveyor rates, basin pumping percentage at the time of the rate study, and electricity costs

Planned Water Supplied = estimated water demand at the time of the rate study