

# City of Calistoga

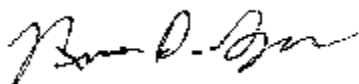
## Staff Report

**TO:** Honorable Mayor and City Council  
**FROM:** Dan Takasugi, Public Works Director/City Engineer  
**DATE:** December 6, 2011  
**SUBJECT:** Discussion and direction regarding City of Napa Treat-and-Wheel Water Rate Increase

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APPROVAL FOR FORWARDING:



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Richard D. Spitler, City Manager

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2 **ISSUE:** Discussion and direction regarding City of Napa Treat-and-Wheel Water Rate Increase.  
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4 **BACKGROUND/DISCUSSION:**  
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6 Calistoga has an agreement with the City of Napa to 'treat and wheel' water, which Calistoga  
7 purchases from Napa County Flood Control and Water Conservation District (FCWCD). Raw  
8 water from the North Bay Aqueduct (NBA) system is typically treated at Napa's Jamieson  
9 Canyon Water Treatment Plant. At certain times of the year, water from the City of Napa is  
10 treated and wheeled from their Lake Hennessey Water Treatment Plant. Water from the City of  
11 Napa is then conveyed to near Conn Creek at Silverado Trail, at which point a City of Calistoga  
12 pipeline conveys the treated water the remaining 12-miles to Calistoga, through 2 pumping  
13 stations.  
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15 From time to time, the City of Napa, as with Calistoga, conducts a study of water costs for  
16 different customer groups. In 2000, Napa hired water consultant Brown and Caldwell to  
17 complete a Report titled "Water Treatment and Delivery Rate Development for Water Delivered  
18 to Other Cities." This changed the means of calculating the treat & wheel rate to the cost of  
19 service methodology that included an equivalent meter component (fixed meter charge) and  
20 quantity rate based on usage. The schedule for treat & wheel water rates was established for  
21 2000/01 thru 2003/04.  
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23 The rates identified in the Brown and Caldwell 2000 Report, which were implemented in 2003-  
24 2004 as \$1.43 per unit, are currently in effect. The 2004 Cost Study included the capital  
25 component for the Jamieson Treatment Plant and calculated a rate of \$2.43, scheduled to  
26 increase with CPI. But as the Jamieson Treatment Plant was not yet constructed in 2004, the  
27 capital component was never implemented. This past year, the Jamieson Treatment Plant  
28 capital component was completed.

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Prop 218 requires that every customer class pay their fair share of the actual cost of service provided. Thus the City of Napa was required to update the treat & wheel rate charged to Calistoga, from the 2004 rate that has been in effect since that time.

Napa's most recent study was performed earlier this year to comply with Prop 218. The cost of service analysis used the AWWA M28 standard methodology, assigning value to the capital and Operation & Maintenance (O&M) components used for treat & wheel service. The current true cost for the service was calculated at \$2.69 for 2011/12 and scheduled increases through 2016/17 at \$3.40 per unit. It should also be noted that the City of Napa's water "unit" is 1000 gallons, versus Calistoga's water "unit" which is 748 gallons or 100 cubic feet.

After discussions with the City of Napa's Water Division, they have agreed to a rate implementation plan to more gradually phase in the rate increase. This "transition" rate plan will hold the current Treat and Wheel rate at \$1.43 per unit for Fiscal Years 2012/13 and 2013/14, then go up to \$2.00 per unit in 2014/15, then \$2.66 per unit in 2015/16, and \$3.40 per unit in 2016/17.

It should be noted that Calistoga obtains less than 50% of its water from the NBA source. The remainder is sourced from our own Kimball reservoir and treatment facility. And of the NBA sourced water, approximately 40% of the water cost is attributed to the City of Napa's treat & wheel rate. The other approximate 60% of NBA sourced water cost is attributed to the Napa County FCWCD's rates for raw water supply and administration. These proportions are variable and fluctuate for various reasons from year to year.

Calistoga's 2010 water rate study established a pass-through of any NBA water rate increases, per CMC 13.18.020(H). Staff anticipates applying this pass-through rate increase starting in July 2014.