

FYE 2026 Draft Capacity Charge Update

**March 24, 2025
Finance**

Agenda

- Introduction to Capacity Charges
 - What are the charges?
 - Who pays these charges?
 - At what frequency do we assess the capacity charges?
- Capacity Charge Study
 - Regulations on Capacity Charges
 - Methodology and Rate Components
 - Proposed Draft Rates and Rate Survey
 - Key Decision Points
- Communications and Timeline



Introduction to Capacity Charges

*Capacity Charges are **one-time** assessments on new or upsized properties.*

Designed to recover the costs borne by existing rate payers to build excess capacity in our system in anticipation of future growth.

Who pays Capacity Charges?

- Developers:
For commercial and residential projects
- Homeowners:
When remodeling or adding units

How frequent are charges assessed?

- Capacity charges are one-time charges
- Most charges are assessed alongside permit applications.

How much revenue do we collect from Capacity Charges?

- In FYE 2024:
 - 46 commercial permits
 - 372 residential permits
- \$3.1 million in revenue
- Charges increase annually

Last Evaluation of Capacity Charges was in 2018

Capacity Charge Exemptions

Accessory Dwelling Units

- Per Senate Bill 1069 / Planning Code Section 65852.2, if a single ADU is added to a single-family home, Capacity Charges will be waived.

Legalizations

- Per Ordinance 43-14 / Planning Code Section 207.3, existing plumbing fixtures in illegally-constructed dwelling units will be considered as existing and count toward the prior use credit.

Dedicated Meter Types

- Dedicated fire, irrigation, and construction meters are not subject to capacity fees. However, combination fire/standard meters are subject to capacity fees.

Please note that the City has implemented a program to incentivize the creation of new housing (Prop H) but it does not waive the capacity charges

Current Capacity Charges

Water Capacity Charge Schedule FYE 2025

Meter Size	Charges
5/8 in	\$2,266
3/4 in	\$3,400
1 in	\$5,666
1-1/2 in	\$11,328
2 in	\$18,129
3 in	\$36,255
4 in	\$56,650
6 in	\$113,302
8 in	\$181,281
10 in	\$283,251
12 in	\$487,193
16 in	\$849,758

Key Points

- Charged on a meter size basis
- Meter size reflects the customer's potential demand on the system
- Automatic annual escalation using ENR's Construction Cost Index
- Customers increasing their meter pay only marginal difference from old to new meter size.

Current Capacity Charges

SIC Groups 2-5

Meter Size	SIC Group 2	SIC Group 3	SIC Group 4	SIC Group 5
5/8 in	\$4,856	\$5,699	\$5,948	\$5,868
3/4 in	\$7,284	\$8,549	\$8,922	\$8,802
1 in	\$12,140	\$14,248	\$14,870	\$14,670
1-1/2 in	\$24,278	\$28,495	\$29,740	\$29,341
2 in	\$38,845	\$45,589	\$47,583	\$46,946
3 in	\$77,693	\$91,178	\$95,171	\$93,891
4 in	\$121,397	\$142,465	\$148,704	\$146,704
6 in	\$242,793	\$284,933	\$297,406	\$293,411
8 in	\$388,471	\$455,891	\$475,851	\$469,459
10 in	\$606,986	\$712,330	\$743,518	\$733,528
12 in	\$1,044,016	\$1,225,205	\$1,278,851	\$1,261,667
16 in	\$1,820,956	\$2,136,989	\$2,230,552	\$2,200,586

Wastewater Capacity Charges FYE 2025

- Use the same charge structure as water
- Has differentiation across SIC groups to reflect loading in wastewater

SIC Groups 6-8

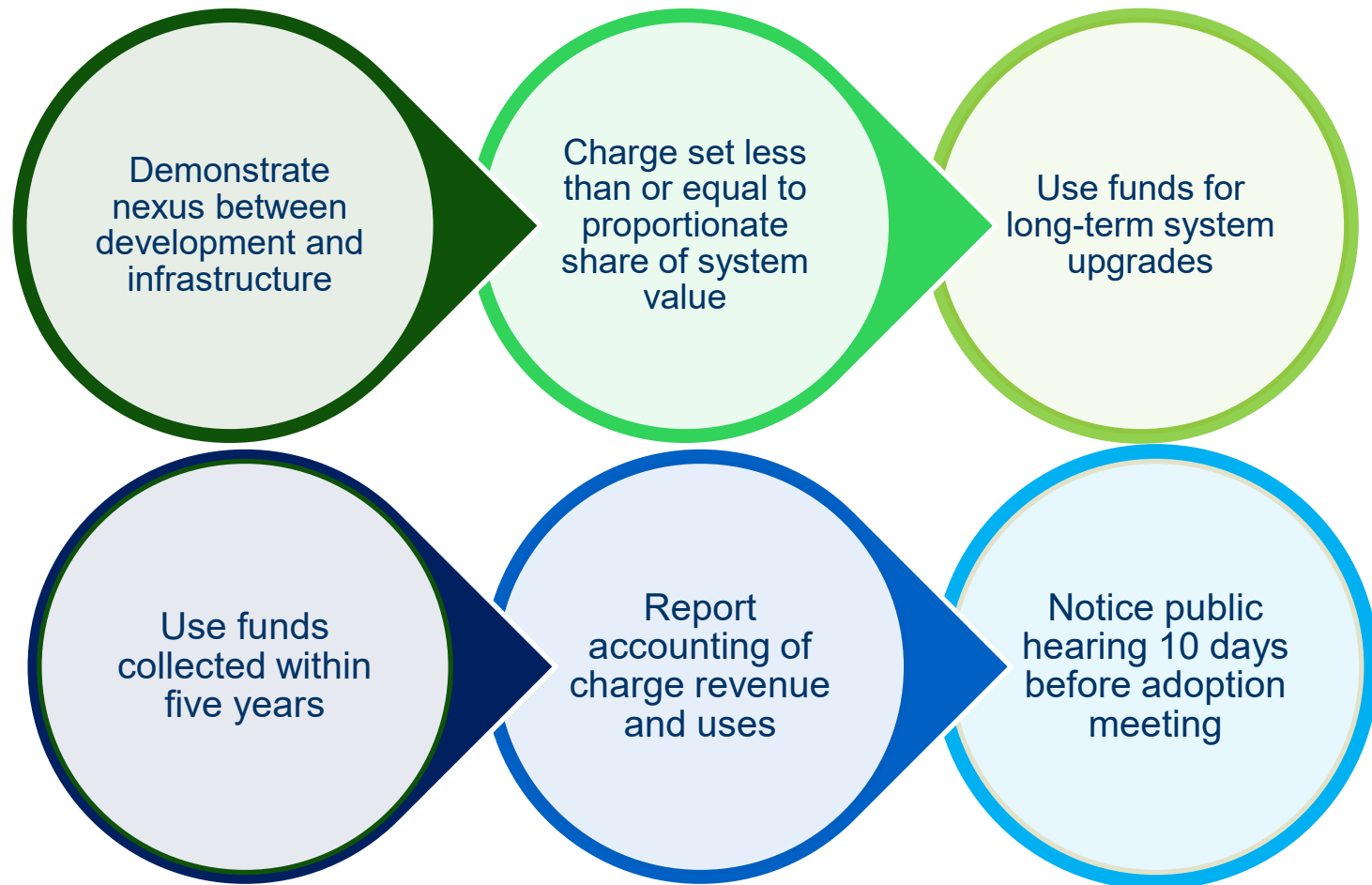
Meter Size	SIC Group 6	SIC Group 7	SIC Group 8
5/8 in	\$5,619	\$6,658	\$6,898
3/4 in	\$8,426	\$9,985	\$10,346
1 in	\$14,045	\$16,643	\$17,244
1-1/2 in	\$28,087	\$33,284	\$34,490
2 in	\$44,944	\$53,252	\$55,183
3 in	\$89,884	\$106,505	\$110,365
4 in	\$140,443	\$166,414	\$172,448
6 in	\$280,887	\$332,830	\$344,895
8 in	\$449,419	\$532,526	\$551,833
10 in	\$702,216	\$832,073	\$862,237
12 in	\$1,207,810	\$1,431,167	\$1,483,049
16 in	\$2,106,648	\$2,496,222	\$2,586,712

SIC Groups 9-11

Meter Size	SIC Group 9	SIC Group 10	SIC Group 11
5/8 in	\$7,154	\$7,686	\$14,323
3/4 in	\$10,732	\$11,529	\$21,485
1 in	\$17,886	\$19,215	\$35,808
1-1/2 in	\$35,773	\$38,434	\$71,614
2 in	\$57,238	\$61,495	\$114,583
3 in	\$114,477	\$122,990	\$229,163
4 in	\$178,870	\$192,169	\$358,069
6 in	\$357,743	\$384,339	\$716,138
8 in	\$572,387	\$614,939	\$1,145,821
10 in	\$894,352	\$960,842	\$1,790,348
12 in	\$1,538,286	\$1,652,650	\$3,079,397
16 in	\$2,683,059	\$2,882,525	\$5,371,042

Regulations on Capacity Charges

When updating capacity charges, the Mitigation Fee Act – AB 1600 – requires utilities to:



Updating the Capacity Charges

Why are we updating the fees?

- Ensures rate payer equity amongst new customers and previous customers who have helped fund the system over time.
- The last rate study occurred in 2018.
 - Charges have been annually updated by the ENR's Construction Cost Index

Calculation Methodology:

$$\frac{\text{Value of System (\$)}}{\text{System Capacity (ERUs)}} = \text{Capacity Charge} \left(\frac{\$}{\text{ERU}} \right)$$



Goals, Constraints, and Proposal for FYE 2026

Goals

- Enhance Equity in Water Capacity Charge
 - Reflect recent investments in the system
 - Recognize changes in usage behavior, especially in new construction

Constraints

- Concentration of Sewage Flows
- Updated effluent concentrations are pending the completion of a recent study.

Proposal

- Proceed with updates for Water Capacity Charges
- Update Wastewater as part of our next rate study
 - Continue to escalate wastewater using CCI

Asset Valuation

**Existing System Valuation Calculated using Replacement Cost
New Less Depreciation (RCNLD) Methodology:**

$$RCNLD = [Original\ Cost - Accumulated\ Depreciation] * CCI$$

Assets Included in Valuation

- Includes Water Assets and Water's share of HHWP Joint Assets
- Costs categorized as Upcountry or Downcountry

Excluded Assets

- Non-PUC Assets
- Power Assets
- Assets paid by grants or the general fund
- Donated Assets
- Wholesale share of regional assets

Water System Valuation

Physical Assets	Total System Capacity
Gross Plan in Service	\$ 6,463,908,699
Construction Work in Progress	\$ 499,206,004
Capital Improvement Costs	\$ -
Total Capital Assets	\$ 6,963,114,703
Less Debt Liabilities	
Principle Credit	\$ (2,393,344,624)
Grants	\$ -
Total	\$ (2,393,344,624)
Plus Cash Assets	
Operating Funds	\$ 175,985,636
Plus Cash in Capital Projects Fund	\$ 177,317,564
Less Wholesale Share of Revenue Fund	\$ (44,241,141)
Less Wholesale Balancing Account	\$ -
Total Cash Assets	\$ 309,062,059
Net System Value	\$ 4,878,832,138

- *Debt and Cash reflect retail share only*
- *Debt and Cash are allocated to Upcountry and Downcountry proportionate to the asset values*

Existing Water Capacity

Water System Capacity

Calculation of System Capacity expressed as EDU's

Total System Capacity (MGD)	310.0
Contractual Obligation to Wholesale Customers (MGD)	184.0
Remaining Capacity for Retail Customers (MGD)	126.0
Demand per EDU (Gallons per Day)	111.3
Available System Capacity (EDU's)	1,131,872

Goal is to translate the capacity of the water and sewer system into terms of equivalent residential units (ERUs) that may be served by the existing system

DRAFT Water Capacity Charge

Physical Assets	Total System Capacity
Gross Plan in Service	\$ 6,463,908,699
Construction Work in Progress	\$ 499,206,004
Capital Improvement Costs	\$ -
Total Capital Assets	\$ 6,963,114,703
Less Debt Liabilities	
Principle Credit	\$ (2,393,344,624)
Grants	\$ -
Total	\$ (2,393,344,624)
Plus Cash Assets	
Plus Deposits with Fiscal Agent	\$ 175,985,636
Plus Cash in Capital Projects Fund	\$ 177,317,564
Plus Unrestricted Reserves	\$ (44,241,141)
Less Wholesale Balancing Account	\$ -
Total Cash Assets	\$ 309,062,059
Net System Value	\$ 4,878,832,138
System Capacity in EDUs	1,131,872
Unit Cost (\$/EDU)	\$ 4,310

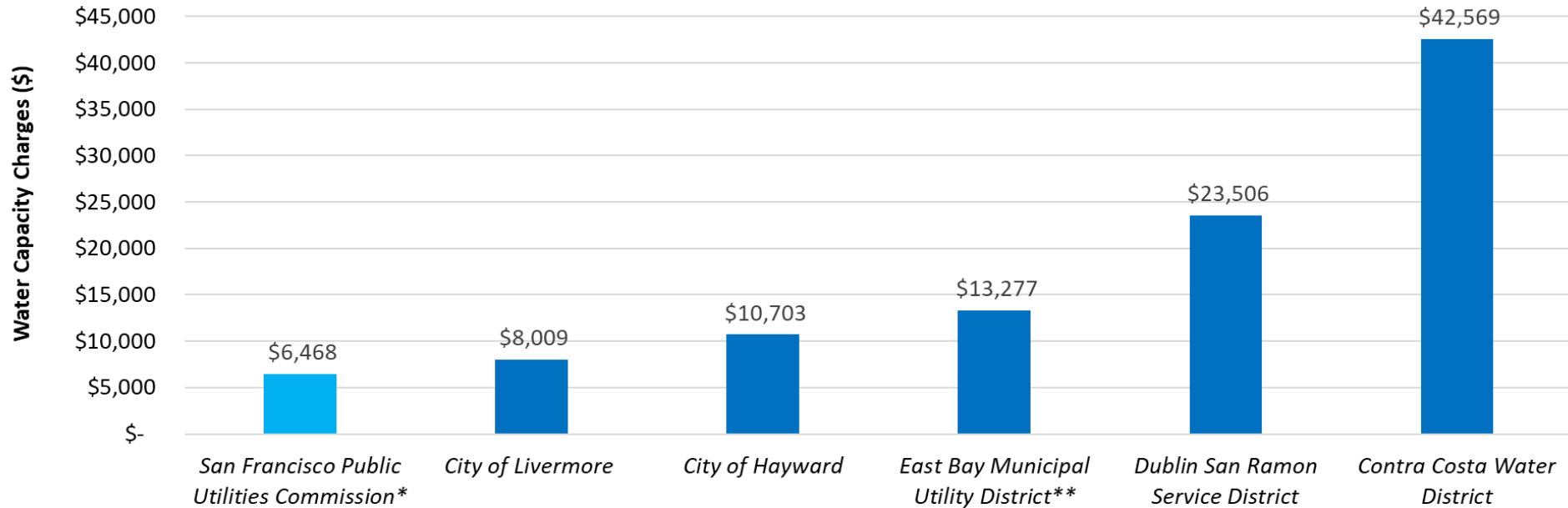
DRAFT Water Capacity Charge

Meter Size	DRAFT 2026			Meter
	Charge	Current Charge	Change %	Equivalence Ratio
5/8	\$ 4,310	\$ 2,266	90%	1.00
3/4	\$ 6,468	\$ 3,400	90%	1.50
1	\$ 10,778	\$ 5,666	90%	2.50
1 1/2	\$ 21,548	\$ 11,328	90%	5.00
2	\$ 34,485	\$ 18,129	90%	8.00
3	\$ 68,965	\$ 36,255	90%	16.00
4	\$ 107,760	\$ 56,650	90%	25.00
6	\$ 215,524	\$ 113,302	90%	50.00
8	\$ 344,835	\$ 181,281	90%	80.00
10	\$ 538,803	\$ 283,251	90%	125.00
12	\$ 926,744	\$ 487,193	90%	215.00
16	\$ 1,616,419	\$ 849,758	90%	375.00

Capacity Charge schedule for successive meter sizes is established based on meter capacity

Rate Survey: Water Capacity Charges

Survey of Single Family Capacity Charges for Customers with 3/4" Meters



* Proposed Draft SFPUC Capacity Charge

** East Bay Municipal Utility District charges capacity rates by geographical location. EBMUD reflects rates for Principal Region 1.

Project Schedule

