Delta Diablo
A CALIFORNIA SPECIAL DISTRICT

Board of Directors Finance Committee Meeting

4:30 PM, Tuesday, September 15, 2026

Plant Operations Center Conference Room
2500 Pittsburg-Antioch Highway, Antioch, CA 94509

Presentations will be made available at www.deltadiablo.org/board-meetings approximately one hour prior to the start of the Finance Committee meeting. A copy of the presentations will also be available for inspection at the meeting and at the District Administration Building, which is located at 2500 Pittsburg-Antioch Highway, Antioch, California. Disclosable public records related to an open session item on a regular meeting agenda and distributed by the District to a majority of the Board of Directors less than 72 hours prior to that meeting will be made available for public inspection on the District website at www.deltadiablo.org and at the District Administration Building during normal business hours.

The District will provide reasonable accommodations for individuals with disabilities who plan to participate in Board (or committee) meetings by contacting the Secretary to the Board at least 24 hours prior to the scheduled meeting at (925) 756-1927.

AGENDA

A. PUBLIC COMMENTS

B. REVIEW PROPOSED ADJUSTMENTS TO RECYCLED WATER SERVICE CHARGES (Anika Lyons)

C. ADJOURNMENT

MEMORANDUM

DATE: September 15, 2026

TO: Jelani Killings, Chair, Finance Committee

THROUGH: Brian Thomas, Deputy General Manager BAT

FROM: Anika Lyons, Finance Manager
Nitish Sharma, Business Services Director

SUBJECT: REVIEW PROPOSED ADJUSTMENTS TO RECYCLED WATER SERVICE CHARGES

Recommendation

Review and comment on proposed adjustments to Recycled Water Service Charges (RWSCs).

Background Information

RWSC adjustments ensure recovery of costs to produce recycled water (RW) at the District's Recycled Water Facility (RWF) and distribute this valuable resource to customers. The Board last approved RWSCs in December 2025. RWSC adjustments are necessary to address continued increases in chemical and utility costs resulting from market price escalation, inflation, and treatment demands. Chemical and utility costs are projected to rise by approximately 7% in FY26/27, primarily driven by increases in sodium hypochlorite and aluminum sulfate unit pricing and the rising cost of natural gas. These cost pressures, combined with reduced recycled water consumption, have significantly impacted forecasted operating expenses and revenues. Accordingly, the approved FY26/27 budget amounts have been revised to reflect current costs and revenue assumptions in the RWSC financial model to sustain reliable operations and ensure ongoing regulatory compliance. The following background information is relevant to this analysis:

- In FY25/26, 6.0 million gallons per day (MGD) of RW was produced from 13.0 MGD of influent flow at the District's Wastewater Treatment Plant (WWTP).
- Approximately 93% of RW produced by the District is used for industrial cooling tower purposes by Calpine Corporation (Calpine) at its Delta Energy Center (DEC) and Los Medanos Energy Center (LMEC) facilities.
- Approximately 7% of RW produced by the District is used for irrigation purposes (City of Antioch golf course, parks, medians; City of Pittsburg parks, medians; Pittsburg Unified School District; Mt. Diablo Resource Recovery Park; and Caltrans).
- The District's RWF was funded by Calpine and placed into service in June 2001. The District utilizes voluntary user service agreements with each RW customer that provide Calpine with the first right to RW and "interruptible" service to all other customers. These agreements require RWSCs to be set by the Board.

In developing the financial analysis for RWSC revenue needs, staff incorporated the following guiding principles:

- Critical review of RW operating budget costs by major category to accurately identify cost drivers and potential cost-savings opportunities
- Effective prioritization of RW projects within the District's 5-year Capital Improvement Program (CIP) to address critical infrastructure needs consistent with the RW Master Plan
- Utilize a 5-year financial plan (with a 10-year outlook) to forecast projected annual operating and capital costs, and develop associated RWSC revenue needs
- Maintain a minimum reserve balance of 40 percent of annual budgeted operating expenses in the Recycled Water Operations & Maintenance (O&M) Fund

Analysis

Staff developed an RWSC financial model that incorporates cash flow projections for current and future fiscal years with RWSC revenue needs based on the costs of providing RW service to customers. The proposed RWSCs include costs identified in the District's FY25/26-FY26/27 Biennial Budget and 5-year CIP, which were adopted by the Board on June 26, 2025. The following key assumptions were incorporated into the financial model to identify revenue needs and associated proposed RWSCs:

- <u>RW Operating Budget</u>: The RW operating budget for FY26/27 is $4.9 million, which accounts for known and projected increases in costs in this fiscal year. Annual cost escalation factors (e.g., utilities, 5%; chemicals, 3%; salaries, 3.5%; benefits, 3.5%) were used to forecast O&M expenditures beyond FY26/27.
- <u>RW Capital Budget</u>: A total of $4.32 million is estimated for capital project expenditures in the preliminary 5-year CIP, including $3.95 million for the RW Capital Asset Replacement (RW CAR) Fund and $0.37 million for the RW Capital Asset (RW CA) Fund. Capital project expenditures for Years 6 through 10 in the RWSC financial model are based on the RW Master Plan and historic capital expenditures.
- <u>Fixed and Variable-rate Components</u>: All RW customers pay the same variable-rate RWSC component per unit based on consumption to recover RW CAR, chemical, and utility costs. In addition, each RW customer pays its allocable share of fixed costs, including labor, office expenses, outside services, repairs and maintenance, and distribution system O&M costs. Calpine is responsible for paying RW CA project costs per its agreement with the District. Capital assets are categorically funded in this manner because RWF capital funding requirements do not typically change with the addition of other customers.
- <u>Recycled Water Demand</u>: The RWSC financial model considers historical RW consumption by customers and planned operational activities by customers to inform the projected RW demands for the current and future fiscal years. These demand projections significantly impact estimated revenue generated by variable rates. RW consumption was relatively stable through FY22/23, with minimal fluctuations between fiscal years. Beginning in FY24/25, Calpine's RW usage declined significantly due to extended outages, resulting in consumption approximately 22% below historical averages. The FY25/26 rates assumed that Calpine's usage would return to previous levels; however, actual FY25/26 usage remained below the RWSC financial model projection. As a result, RW revenues were approximately 20% below the costs of providing recycled water in FY25/26. Calpine has also indicated that its facility is expected to be offline for an extended duration in Spring 2027. Accordingly, the RWSC financial model incorporates revised RW usage assumptions for FY26/27 to reflect the anticipated outage as illustrated in Table 1 below. Because Calpine represents the largest RW consumption, changes in their usage significantly impact variable-rate revenue projections. Staff also reduced Calpine's recycled water consumption beyond FY26/27 to account for recent consumption trends noted above.

Table 1: RW Consumption Data (Tgal)				
Customers	Projected Usage FY25/26	Actual Usage FY25/26	Projected Usage FY26/27	Projected Usage FY27/28
Industrial Users	2,177,791	1,862,848	1,920,000	2,078,736
Irrigation Users	151,898	146,791	146,791	146,791
Total Consumption (Tgal)	2,329,689	2,009,639	2,066,791	2,225,527

- Calpine Firm Capacity Surcharge and Revenue Stability Surcharge: As part of its fixed-cost component, Calpine also pays a Firm Capacity Surcharge and a Revenue Stability Surcharge. The Firm Capacity Surcharge includes certain costs allocated based on the Calpine receiving "firm" capacity, while irrigation customers receive interruptible service. The District continues to implement the Revenue Stability Surcharge, which was established in FY11/12 to stabilize revenue after Calpine experienced a decline in consumption from historical levels. The Revenue Stability Surcharge ($20,000-$35,000 per month) and annual RW consumption (4,516-8,103 acre-feet [AF]) by Calpine has varied significantly since this surcharge was implemented. Staff is proposing to maintain the surcharge at $35,000 per month to ensure cost recovery.
- City of Antioch RW Project Surcharge: In FY12/13, an additional surcharge was established for the city of Antioch to cover its $1.1 million share of the Antioch Recycled Water Project costs that exceeded the city's $5 million cap for the low-interest State Revolving Fund (SRF) loan secured by the District. The city of Antioch is paying the District for its share of SRF loan principal and interest for the $5 million cap amount annually when the SRF loan payments are due. Based on the city of Antioch owning and being able to sell extra capacity in its distribution system, the remaining amount of the city of Antioch's project costs is being repaid to the District over a 20-year period at 4.25% interest through a monthly rate surcharge of $6,825.65.

Proposed RWSC Adjustments: The RWSC financial analysis indicates total annual revenues need to increase by ~8% (+$193k estimated for FY26/27) to recover the District's costs associated with RW production and distribution and equates to an annualized revenue increase of approximately $345,000. Because the proposed RWSCs would become effective mid-year, the additional, prorated revenue for FY26/27 is $193,000. An 8% revenue increase is necessary to ensure the District's minimum RW O&M Fund reserve requirements are met in future fiscal years. The revenue increase is greater than previously estimated because actual FY25/26 revenue was lower than projected in the prior financial modeling due to lower than anticipated RW consumption. For FY26/27, approximately $960,000 of the RW O&M Fund balance is being utilized to offset the shortfall between operating revenues and operating expenses, which reduces the amount of additional revenue that would need to be recovered through increased RWSCs.

The proposed RWSCs would collect an estimated $2,741,599 (61%) from variable costs and $1,730,460 (39%) from fixed charges (exclusive of the special project-related surcharge for Antioch). The proposed variable-rate component is expected to increase by approximately 17% primarily due to lower projected consumption, a $115K increase in chemical costs, and a $47K increase in utility costs for FY26/27. The annual fixed revenue need decreased slightly by $65k, primarily due to the allocation of the projected FY26/27 deficit to the fixed rate component. As shown on the FY26/27 RWSC Revenue Estimates (Attachment 1), revenue projections with current and proposed RWSCs are $4,439,201 and $4,472,059, respectively, and are based on actual RW consumption in FY25/26 for all customers except for Calpine, which is reduced to incorporate planned plant outages in FY26/27.

As shown on the Proposed FY26/27 RWSCs (Attachment 2), the current variable rate is $370 per AF, and the proposed variable rate is $432 per AF (+$62 per AF) based on decreased projected usage and planned increases for chemicals and utilities. The fixed charges per AF for all users have slightly decreased. As shown in Table 2 below, by spreading all charges allocated to the cities over projected consumption, the total cost per AF is $570 for FY26/27 (excluding project-related surcharges) compared to current RWSCs of $565 per AF. This represents a marginal increase of $5 per AF (1%). The proposed RWSCs, excluding the city of Antioch surcharge, are well under the estimated cost of water from Contra Costa Water District (CCWD), which is estimated to be $1,004 per AF for raw water and $3,433 per AF for treated water per CCWD's current rates. Staff reviewed the proposed RWSCs with key RW customers at a special RW Technical Advisory Committee (TAC) meeting on September 8, 2026.

Table 2: RWSCs per Acre Foot (AF)

Customers	Current	Proposed	% Change
Industrial Users	$626	$713	+14%
Irrigation Users (excluding City of Antioch surcharge)	$565	$570	+1%

Following a recommendation by the Finance Committee, staff will request the Board to set a public hearing for October 14, 2026, at the September 23, 2026 Board Meeting. Following the public hearing, the Board will consider adopting an ordinance adjusting RWSCs. If the Board approves RWSC adjustments, the updated RWSCs would be implemented on RW customer monthly invoices for services beginning in December 2026.

Financial Impact

If approved by the Board on October 14, 2026, the proposed RWSCs would generate sufficient revenue to cover the District's RW production and distribution costs, which were incorporated into the FY25/26-FY26/27 Biennial Budget approved by the Board in June 2025. RWSCs would remain well below the potable and raw water costs from local agencies.

Attachments

1. FY26/27 RWSC Revenue Estimates
2. Proposed FY26/27 RWSCs

FY26/27 Recycled Water Service Charge Revenue Estimates

	Current RWSCs	FY26/27 Proposed RWSCs	Difference
RW Usage per acre-foot (AF) - Calpine	6,683	5,892	(792)
RW Usage per AF - All Other Customers	467	451	(15)
Total Customer Usage	**7,150**	**6,343**	**(807)**
Fixed Revenue w/o Antioch Surcharge			
Calpine	$ 1,709,157	$ 1,645,632	$ (63,525)
Antioch	46,854	46,812	(42)
Pittsburg	20,994	19,944	(1,050)
All Other Customers	18,796	18,072	(724)
Total Fixed Revenue w/o Antioch Surcharge	**$ 1,795,801**	**$ 1,730,460**	**$ (65,341)**
Variable Revenue			
Calpine	$ 2,471,048	$ 2,546,880	$ 75,832
All Other Customers	172,352	194,719	22,367
Total Variable Revenue	**$ 2,643,400**	**$ 2,741,599**	**$ 98,199**
Total Revenue			
Calpine	$ 4,180,205	$ 4,192,512	$ 12,307
All Other Customers	258,996	279,547	20,551
Total Revenue	**$ 4,439,201**	**$ 4,472,059**	**$ 32,858**
Estimated Revenue Need	**-**	**$ 4,471,857**	**-**
Est Gross Revenue less Revenue Need	**-**	**$ 202**	**-**

Proposed FY26/27 Recycled Water Service Charges

	Current Rates	FY26/27 Proposed Rates	%Change
Variable Rate per Acre-Foot (AF)			
Recycled Water Facility O&M	$ 315	$ 389	24%
RW Capital Asset Replacement	$ 55	$ 43	-22%
Total Variable Rate per AF	$ 370	$ 432	17%
Fixed Monthly Charges			
Calpine:			
O&M Calpine	$ 106,582	$ 101,288	-5%
Firm Capacity Surcharge	$ 848	$ 848	0%
Revenue Stability Surcharge	$ 35,000	$ 35,000	0%
Total Calpine Monthly Fixed Charges	**$ 142,430**	**$ 137,136**	-4%
City of Antioch:			
O&M Antioch	$ 3,904	$ 3,901	0%
Antioch Project Surcharge	$ 6,826	$ 6,826	0%
Total City of Antioch Monthly Fixed Charges	**$ 10,730**	**$ 10,727**	0%
City of Pittsburg:			
O&M Pittsburg	$ 1,749	$ 1,662	-5%
Total City of Pittsburg Monthly Fixed Charges	**$ 1,749**	**$ 1,662**	-5%
Other Users:			
MDRRP	$ 385	$ 393	2%
PUSD	$ 1,060	$ 1,019	-4%
Caltrans	$ 122	$ 94	-23%
Total Other Users' Monthly Fixed Charges	**$ 1,567**	**$ 1,506**	-4%
Assumed Annual Consumption (AF)			
Calpine	6,683	5,892	-12%
Antioch	258	268	4%
Pittsburg	108	91	-16%
MDRRP	26	23	-12%
PUSD	69	66	-4%
Caltrans	6	3	-50%
Total Usage (AF)	**7,150**	**6,343**	-11%