

WEST VALLEY COUNTY WATER DISTRICT
NOTICE OF PUBLIC HEARING TO CONSIDER PROPOSED WATER RATE INCREASE

Public Hearing

In accordance with the California Constitution, the West Valley County Water District's Board of Directors will hold a public hearing on Tuesday, May 9, 2023 at 7:00 p.m., at the District's office located at 25315 Ideal Avenue, Lancaster, California 93536, to consider proposed increases in the District's water rates and meter charges that are applicable to all properties situated within the District's established service area that receive water service from the District. Additional details concerning these water rate adjustments are set forth below. In addition, the District will hold a workshop at the above-referenced office to review the proposed adjustments. That workshop will be held at the District office at 7:00 p.m. on Tuesday, May 2nd, 2023.

Why a Water Rate Increase is Needed

Background – The District provides water service to approximately 230 service connections through its water supply and distribution system. Many of the District's distribution facilities, as well as several of its groundwater wells, were constructed many years ago, and are now well beyond their useful lives. The District will be engaging in planning efforts in the coming years to address its aging infrastructure.

Notwithstanding its infrastructure needs, the proposed water rate and meter charge increases being considered are intended to meet the District's increased operational costs, as discussed in more detail below.

Current Rates and Operations – The District's operations and maintenance expenses continue to rise, including with the recent addition of groundwater charges on water the District produces from the Antelope Valley Groundwater Basin. Those increased costs include power costs (electricity has gone up over 14 % in the last two years and is scheduled to increase more significantly in the coming years); labor costs have increased; and costs for monitoring and testing have increased due to increased regulations imposed by the Lahontan Regional Water Quality Control Board and the State Water Resources Control Board's Division of Drinking Water. In addition, the recent drought has resulted in decreased water sales, which has hindered the District's ability to meet its increasing costs with the resulting reduced revenues. These factors have resulted in the District generating revenues that are insufficient to meet its expenses. The District does not have accumulated reserves at a level where it can sustain such continual losses on even a short-term basis and those reserves have dwindled to a point where the District would not be able to compensate for any type of catastrophic event, such as a significant main line break.

Basis of Proposed Water Rate Increase

State law requires collection of revenues to cover the cost of providing water service. Such costs include cost of power (electricity & gas), groundwater replenishment assessments, insurance, management, construction, chemical and water treatment, equipment, personnel, supplies, capital improvements (infrastructure replacement) and regulatory requirements. As discussed above, the District has not been generating sufficient revenue to cover those costs, which has led to deferral of necessary capital improvements and using reserve monies the District has maintained in the event of a catastrophic event. The District has engaged an independent financial consultant to review the District's costs of service and prepare recommendations for rate adjustments to allow the District to meet its expenses while also generating monies to rebuild the District's reserves to prudent levels over the coming years. The financial analyst's report is available at the District office, and is incorporated into this notice by this reference. That analysis reviewed the District's revenue requirements and examined various rate adjustment scenarios that would provide revenues needed to meet the District increasing operational costs, including costs to fund future water purchases, while also providing funds to replenish the District's reserves at an estimated \$52,000 per year and address capital improvement needs. The analysis concluded that without this proposed rate increase, the District would continue deplete its reserves within the next year and would leave itself unable to address necessary capital improvements without taking on debt. This scenario would place a greater burden on the District's aging infrastructure and make more likely a possible serious water main or production well failure that would in turn make the District's water system less reliable, while also resulting in unanticipated emergency repair costs

that are typically far more expensive than costs that are incurred where projects are properly planned. Moreover, delaying necessary capital improvements to future years will likely result in increased costs when those projects are eventually undertaken in the future. While the proposed rate increase is drastic (especially in the first year), it is necessary to make up for many years of inadequate rate adjustments.

How will the proposed increase affect my water bill?

Currently, your water bill, for a typical residential customer with only one meter, consists of a commodity rate (which essentially covers the cost of water used) and a monthly meter charge. The proposed increases will, commencing in the first billing after July 1, 2023, increase the meter charge by \$39.77, to \$80.11 per month, for the first year, with subsequent annual increases of 10%, 8%, 8% and 8% over the following four years, respectively. Table 1 attached to this notice shows those meter charges over the 5-year rate period, along with the commodity rates for water, which will increase as the District moves to a three-tier structure of rates. Figure 1 to this notice shows the anticipated total rate impact based upon customer usage at various levels.

The following is an example of how your water bill will be calculated under the adjusted rates and charges for a typical 1” meter for a monthly billing period with a usage of 20 HCF billing units (1 HCF billing unit = 100 cubic feet, 100 cubic feet = 748 gallons). You would start with the meter charge of \$80.11 for a 1” meter. With respect to the commodity charge, the first seven billing units are billed at \$2.32 per billing unit, which totals \$16.24. The next 13 billing units are billed at the Tier 2 rate of \$5.92 per billing unit, which totals \$76.96. Totaling the meter charge and commodity charges equates to \$173.31. By comparison, that same usage under the current two-tier rate structure would total \$121.84. The rate study explains the calculation of the tiered water rate amounts, along with the rationale used to determine the width of those tiers.

Proposed Water Rate Charges

The proposed increases are detailed in Table 1, below. The proposed rates for the years 2023 to 2028 include estimates of: (i) increased power costs; and (ii) increases in the Consumer Price Index CPI-U for Los Angeles-Riverside-Orange County. In the event those estimates of future costs are determined by the District to not cover the actual costs the District incurs for those expenses, then pursuant to Government Code Section 53756 with at least 30 days’ notice to its customers, the District may subsequently increase its rates to pass-through any increases in those expenses that are not otherwise covered in the previously approved rate schedule. In addition, the District proposes to charge out-of-District customers at the Tier 3 commodity rate.

Public Comments and Protests

If you oppose the proposed rate and charge increases, your protest **must** be submitted to the District’s Administrator **in writing** prior to the closing of the public hearing on the proposed rate adjustments. Any protest must contain a description of the property owned sufficient to identify the property (for example, the property’s street address or Assessor’s Parcel Number) and must include the signature of the owner of the property or District customer at that property. If you own more than one parcel, you may file a single protest, but it must identify each parcel you own. Only one protest will be counted for any one parcel. Written protests may be mailed to:

West Valley County Water District
Attn: Administrator
25315 Ideal Avenue
Lancaster, CA 93536

Written protests may also be delivered in person to the West Valley County Water District, Administrator, 25315 Ideal Avenue, Lancaster, CA 93536, at any time prior to the public hearing. E-mailed protests or protests made orally or by telephone will not be accepted. California law prohibits the District from implementing the proposed rate adjustments if a majority of the affected property owners file written protests opposing those adjustments before the end of the public hearing.