Crescenta Valley Water District

Community Questions Regarding Proposed Water Rates and Charges

June 2015

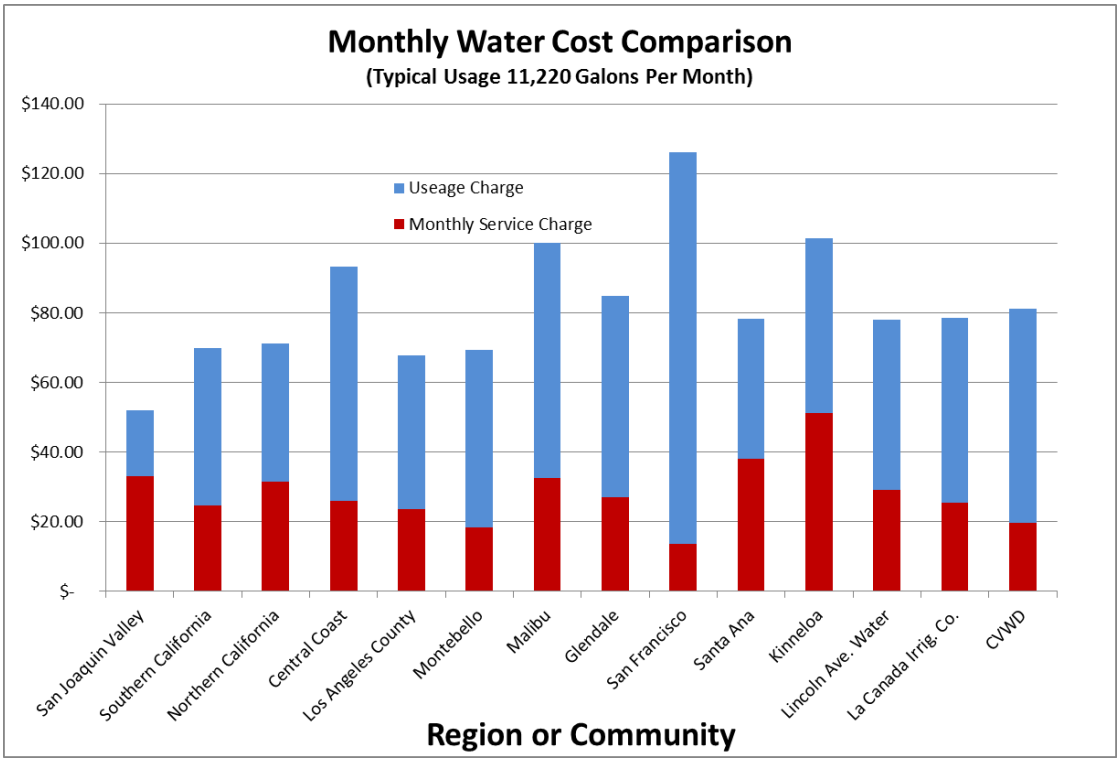
How have the water rates changed in the past 10 years? How much has the cost of imported water increased compared with CVWD's water rate increases historically?

The table below is the 10 year history of the CVWD Water Commodity Rate and Water Service Charge. The imported water, purchased from Foothill Municipal Water District (FMWD), includes both fixed and variable charges. The FMWD effective unit rate is calculated by dividing the total FMWD annual charges (including capital, capacity and other fixed charges) by the quantity of water purchased.

Year	Fiscal Year	CVWD		CVWD		FMWD	
		Water Commodity Rate	Percent Increase from previous Year	Water Service Charge (3/4" Meter)	Percent Increase from previous Year	Foothill MWD Effective Unit Rate	Percent Increase from previous Year
1	15-16	$6.10	8.2%	$19.58	8.2%	$5.25	18.0%
2	14-15	$5.64	5.8%	$18.09	4.4%	$4.45	11.0%
3	13-14	$5.33	5.5%	$17.32	6.9%	$4.01	-7.4%
4	12-13	$5.05	3.1%	$16.20	3.2%	$4.33	1.4%
5	11-12	$4.90	8.2%	$15.70	8.3%	$4.27	-2.7%
6	10-11	$4.53	8.4%	$14.50	16.6%	$4.39	14.3%
7	09-10	$4.18	2.0%	$12.44	2.0%	$3.84	40.7%
8	08-09	$4.10	5.1%	$12.20	5.2%	$2.73	11.4%
9	07-08	$3.90	5.4%	$11.60	5.5%	$2.45	8.9%
10	06-07	$3.70	4.2%	$11.00	22.2%	$2.25	-0.1%
Average Annual Increase (10-yr.)			5.6%		8.2%		9.5%
	California Average Annual Water Cost Increase 2003 to 2015 7%						

How do CVWD's water rates compare with other water purveyors in California?

Water rates vary in different regions of California depending on local climate, availability of local groundwater and surface water, use of imported water, geography and terrain, energy costs, labor costs, property tax assessments and several other factors. The American Waterworks Association (AWWA) publishes a water rate survey for California and Nevada every two years. The latest publication date is 2013 (the 2015 report is not yet available). The chart below shows the monthly cost of water for a typical residential customer using 11,220 gallons of water per month. The left portion of the chart is the average monthly cost of water for the San Joaquin Valley, Southern California, Northern California Central Coast and Los Angeles County based on data in the 2013 report that is adjusted to 2015. The right portion of the chart shows monthly water cost for several individual communities including CVWD.



Kinneloa Irrigation District Serves Unincorporated area North of Pasadena
Lincoln Avenue Water Company Serves Western Altadena Area

Why does the meter charge increase?

The Meter Service Charge (A fixed monthly charge per connection based on the size of the meter) provides revenue to cover a portion of CVWD's operating and capital expenses for the water delivery system that do not vary (referred to as fixed expenses) with the amount of water that is delivered to customers. The revenue from CVWD's Meter Service Charge rate only covers 24% of the fixed expenses. The Meter Service Charge increase partially covers the increased cost of these expenses. Despite the name, the Meter Service Charge is not for water meter installation or meter maintenance costs.

Will the water rates go down if the drought ends?

The water rates are based on the cost of providing water service to customers. If the costs and expenses change the rates are adjusted, typically on an annual basis. Revenue from the water quantity charge is used for both variable costs (cost that varies with the quantity of water delivered) and fixed expenses. If the quantity of water delivered increases when the drought ends the additional revenue could partially offset increases in the overall system operations costs and expenses.

Will large lots get an adjustment to the Tier levels?

The current water rate structure and rules and regulations do not provide for adjustments for large lots. However, residential customers with large irrigated areas may apply for an additional

irrigation meter (installed at the customer's expense). Water delivered through the separate irrigation meter would be billed at the Irrigation Tier rates.

Why are reserves being used?

CVWD's water fund financial reserves include reserve funds for emergencies, operating capital and for rate stabilization. The purpose of the rate stabilization fund is to buffer rate increases due to the variability of costs and water demand. If reserves were not used, water rates would have to go up even more during times of drought. Only rate stabilization reserves are used in the proposed Fiscal Year 2015-2016 Budget.

Can capital improvements and maintenance projects be deferred?

Capital projects have been prioritized based on the infrastructure age and condition, risk of failure and criticality to water service reliability. Only the highest priority projects are included in the Fiscal Year 2015-2016 Budget. However the proposed capital project expenditure has been reduced 10% ($200,000). The reduced capital project expenditure represents 16% of the total water budget.

Why are there no tiers for commercial and multi-family?

Water service for multi-family residential properties is typically served through one service meter; individual units are not separately metered. The number of units in the multi-family properties and, consequently, water use can vary greatly. Similarly water use on commercial properties varies depending on the type of business. This diversity in baseline water use renders tiered water use thresholds impractical. In addition, multi-family residential and commercial water use is primarily indoors, as there is little landscaping around these properties, and consequently minimal opportunity to reduce excessive water use. Therefore multi-family residential and commercial properties are charged at our basic cost of service rate which is the same as tier 2 rates for a single family residence.

Why is the ratio of the fixed service charge vs. water rate charges high for low water use customers?

The Meter Service Charge (A fixed monthly charge per connection) provides revenue to cover a portion of operating and capital expenses for the water delivery system that do not vary (referred to as fixed expenses) with the amount of water that is delivered. Since the Meter Service Charge does not vary with the quantity of water used it can represent a higher proportion of the bill for low water use customers.

Why is the sewer charge not based on flow?

Metering of sewer flow at individual connections is not practical due to the cost of metering systems that can function with debris laden flow that is not under pressure. However, an alternative method of estimating sewer flow using wintertime water use can be used to create a sewer rate structure that includes a fixed and variable component. This type of rate structure will be evaluated under a Cost of Service Study which will completed by early 2016.

What is the definition of a large lot?

Since the current water rate structure and rules and regulations do not have provisions for adjustments for large lots, large lots are not defined.

What is your plan? (Context of Proposition 218)

Proposition 218 requires that public utility rates and charges be based on the cost of providing service. CVWD evaluates the cost of service annually with the preparation of the Fiscal Year Budget. Periodically, an independent consulting firm is hired to conduct a comprehensive review and evaluation of the overall rate structure and cost of service which is used for future budget and rate setting decisions. An updated cost of service evaluation for CVWD's water and sewer service will be completed by early 2016.