

December 1, 2011 – Cost of Service Study Update

The Indian Wells Valley Water District recently received customer inquiries regarding the history and purpose of the water bill rate structure, the expected results of the current Cost of Service Study Update, and the potential impacts of that study on monthly water bills. These are great questions, and here are some answers.

Since the 1990's, the Indian Wells Valley Water District has utilized a conservation billing structure that includes a flat monthly charge and a seven-tiered usage rate structure in which water becomes more costly as more water is used. This structure was put into place to promote conservation due to the decline of water levels in our aquifer. Years later, the State's conservation bill SBx7, commonly referred to as 20x2020, was approved, which requires average water consumption to be reduced by 20% per capita by the year 2020 compared to a 10-year base period. Before this senate bill, the District had already been actively assisting customers reduce their water consumption through conservation literature, workshops, water audits, landscape consultations, and the distribution of water-saving devices. Two years ago both the City of Ridgecrest and the Water District enacted Water Efficient Landscape Ordinances to promote water efficient landscape and irrigation practices, and to prevent water waste. However, all these efforts alone would not be enough for the District to meet the 20x2020 requirements.

In response to both State requirements and the necessity to save the Valley's water supply, the District's 2009-2010 Cost of Service Study reviewed various rate options designed to encourage conservation. The results were higher rates for water use in Tier 4 through Tier 7. The Tier 7 rate approximates the cost to replace the potable water supply. For this, the cost to treat brackish water was used. Tiers 1 through 3 provide an allocation of water for indoor domestic use for five persons plus 6,000 sq. feet of water efficient landscape and had little if any changes to these usage rates. The new rates were approved after mailing a Proposition 218 notice to each customer that outlined the effects of the rate increases. The Board of Directors also held two community outreach workshops and a public hearing. To further prepare each customer for rate changes that took effect February 2011, the District published articles in its newsletter and local newspapers, posted a bill calculator on its website and mailed each customer a Sample Bill last September, which showed a customer what their September 2011 bill would look like based on their water usage in September 2010.

These conservation rates, along with the new mandatory watering practices and education have resulted in the overwhelming response of the District's customers in reducing their water use. But now, water revenues are less than projected leaving an unbalanced budget. The District has undertaken several steps to address the short term issues affecting its finances including reducing its workforce by about 25 percent, postponing some capital improvement projects, such as mainline replacements, and reducing its expenditures in administration, operations, and maintenance. Over the long-term, the District's existing network of wells, pipe, boosters, arsenic treatment and storage facilities will require regular maintenance to keep leakage to a minimum and help protect your water supply from interruption and contamination. Therefore, the District is conducting a Cost of Service Study Update to review its revenue requirements compared to current rates and charges to ensure present and future operating and capital improvement costs

are adequately covered. The rates must also include the added costs of operating and maintaining the two recently constructed state-mandated arsenic treatment plants. Due to the Community's unprecedented conservation effect, the flat monthly Ready To Serve charges must be examined to ensure they cover a sufficient amount of its fixed costs.

On December 5th at 7:00 pm the Board will conduct a workshop to discuss these issues, its concerns, preliminary findings, and the general direction of the rate study. This and all these Board Meetings are open to the public. At the Regular Board Meeting on December 12, recommendations will be presented to the Board for further discussion. At the January Board meeting the Board will review the recommendations one more time before Proposition 218 notices are mailed out to every customer and property owner in the District. These notices will outline the proposed changes. Sometime in late February, the Board will hold a special meeting for the rate hearing. Changes to the District's fixed monthly charges and any changes to usage rates should be effective in March.

Water conservation preserves our most precious resource, and yet it is still sold at cost. While water is becoming more expensive, conserved water costs far less than the alternatives. We appreciate your efforts so far and encourage you to continue your water wise ways.

Dec 1, 2011