

IWVWD Rate Increases – The True Cost of Water

Tom Mulvihill GM Column

Every three years, the Indian Wells Valley Water District hires an independent consultant to conduct a Cost of Service Study to ensure water rates and fees cover projected costs. Their proposal includes both revisions to the amount of water allocated among the seven usage tiers and revisions to the rates. It is designed to have different impacts on different kinds of water use. For example, Tier 1 is an allocation of water for the indoor needs of two people. The cost of this tier is user friendly and won't increase significantly from 2011 through 2013. Tier 2 is similarly based on the indoor domestic use for a family of five. Tier 3 is based on the amount of water needed each month for 6,300 square feet of low water use landscape (aka Xeriscape). Additional water usage for lawns, pools, and ponds falls into the last four tiers where the rate per tier increases more significantly. Simply put, the higher the tier, the higher the cost of water. In this way, high usage is charged for the cost of new sources of supply and conservation programs.

The proposed March 1, 2010 rate increase is designed to cover rising operating costs, capital costs, and payments on debt obligations including those related to new mandates for arsenic removal. During the coming ten years, the District will spend \$31 million for capital improvements including \$13 million to pay for required arsenic removal facilities. The annual operating cost for arsenic removal has been estimated to be \$500,000. Recently, the Indian Wells Valley Water District secured a Certificate of Participation (aka bond) totaling \$20 million. The Water District borrowed this money in order to finance arsenic removal facilities and to create new water production reserve capacity. This will ensure the District can continue to serve its customers including new customers from projected increases in personnel at China Lake and resulting support jobs.

In the second year, effective February 1, 2011, the rate proposal would also include increases for new water supply and conservation programs, which are needed because of high water consumption in the valley. These increases will not affect those low water users who fall into the first three tiers. As already stated, the first three tiers are an allocation of water at lower rates for indoor domestic use and water efficient landscape. Currently, the District has but a single source of supply, the local ground water aquifer which it shares with the other water pumpers. The local aquifer is a limited resource and recharge is less than current pumping. The generated cash flow from this adjustment will be dedicated solely to finance new water sources and also supplement water conservation programs. It will not be available for any other purpose.

Not all customers will be affected the same. To see how these proposed changes may affect you, a bill calculator has been provided on the District's web site: www.iwvwd.com. When using the bill calculator refer to your water bill for your meter size and usage.

The IWVWD Board of Directors is holding a public hearing on Monday, February 8, 2010, at 7 PM, at the Water District to discuss, consider, and vote on these proposed water rates as well as other fee increases. Members of the public may voice their opinions and be heard. A public notice of the hearing which also discloses the new rates, fees and charges was mailed to all customers and all property owners within the District on December 23. The notice also included examples of rate impacts.