

**NORTH EDWARDS WATER DISTRICT
NOTICE OF PUBLIC HEARING TO CONSIDER PROPOSED WATER RATE INCREASE**

Public Hearing

In accordance with the California Constitution, the North Edwards Water District's Board of Directors will hold a public hearing on Tuesday, May 16, 2023 at 5:00 p.m., at the District's office located at 13525 Fran Street, North Edwards, California 93523, 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 5:00 p.m. on Monday, May 8, 2023.

Why a Water Rate Increase is Needed

Background – The District provides water service to approximately 600 residents through 248 service connections through its water supply and distribution system. Many of the District's distribution and supply facilities 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 and the District recently installed a connection with the Antelope Valley-East Kern Water Agency ("AVEK") to supply imported water, which will result in improved water quality for the District's residents by avoiding the production of groundwater with high arsenic levels. Those increased operating costs include increased labor and monitoring and testing costs. 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 water 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 purchased water supplies, 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 on the District's website at www.newd.myruralwater.com. That report 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 \$25,000 per year and address capital improvement needs. The analysis concluded that without this proposed rate increase, the District would continue deplete its reserves and would eventually 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 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 significant, it is necessary to make up for many years of inadequate rate adjustments.

How will the proposed increase affect my water bill?

The proposed increases will commence in the first billing after July 1, 2023. 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. Currently, the District charges a meter charge that is determined by the size of the customer's meter and includes a specified quantity of water in that meter charge, with water used in excess of that specified quantity charged at \$1.40 per 100 cubic foot (748 gallons) billing unit. For example, for 5/8-inch meter, the meter charge is \$50.00 per month and includes the use of 11 billing units. Water used in excess of 11 billing units is charged at \$1.40 per billing unit.

The District is proposing to shift to a meter charge that covers the District's fixed charges and then all water use is billed at the proposed rate of \$2.13 per billing unit. Table 1 attached to this notice shows the proposed meter charges and commodity rates for the next five years, through the 2027 Fiscal Year. To compare the proposed rates and charges to the current structure, for a customer with a 5/8-inch meter and 16 billing units of use, that customer would pay the \$50.00 meter charge, plus a total of \$7.00 (\$1.40 x 5 additional billing units) for the customer's use over 11 billing units, for a total water bill of \$57.00. Under the proposed rate structure, the customer would pay a meter charge of \$43.34, and then the customer's use of 16 billing units is billed at \$2.13 per billing unit (totaling \$34.08 for the water commodity use), for a total water bill of \$77.42. For the subsequent four years, rates and charges will increase by 30 percent, 25 percent, 11 percent and 10 percent, respectively.

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) increases in AVEK's imported water rates; 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.

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:

North Edwards Water District
Attn: Administrator
13525 Fran Street
North Edwards, CA 93523

Written protests may also be delivered in person to the North Edwards Water District, Administrator, 13525 Fran Street, North Edwards California 93523, 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.

Table 1. Current Rates

Fixed Charge		
Meter Size	Fixed Rate	Allocated Water (hcf)
5/8-in	\$50.00	11
3/4-in	\$56.50	13
1-in	\$69.00	18
1 1/2-in	\$82.50	21
2-in	\$112.50	36
Variable Charge		
Per hcf		\$1.40

Proposed Rates

The recommendations outlined below are based on four different approaches to reserve funding and capital planning. To allow the District to best accomplish its goals, RDN designed the financial plan which will be described in this report. **Table 2** shows the proposed revenue adjustments and resulting cumulative rate increases.

Table 2. Proposed Revenue Adjustments FY 2022-23 to FY 2026-27

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenue Adjustment	30.0%	30.0%	25.0%	11.0%	10.0%
Cumulative Revenue Increase	130.0%	169.0%	211.3%	234.5%	257.9%

Table 3 shows the proposed fixed and variable rates under the revenue adjustment schedule.

Table 3. Proposed Rates Under Revenue Adjustment Schedule

Fixed Charge					
Meter Size	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
5/8-in	\$43.34	\$56.35	\$70.44	\$78.19	\$86.01
3/4-in	\$62.06	\$80.68	\$100.85	\$111.94	\$123.13
1-in	\$99.52	\$129.38	\$161.73	\$179.52	\$197.47
1 1/2-in	\$193.16	\$251.11	\$313.89	\$348.42	\$383.26
2-in	\$305.52	\$397.18	\$496.48	\$551.09	\$606.20
Variable Charge					
Per hcf	\$2.13	\$2.77	\$3.46	\$3.84	\$4.22

Figure 2 shows the water fund balance under the proposed financial plan through the 10-year planning period.