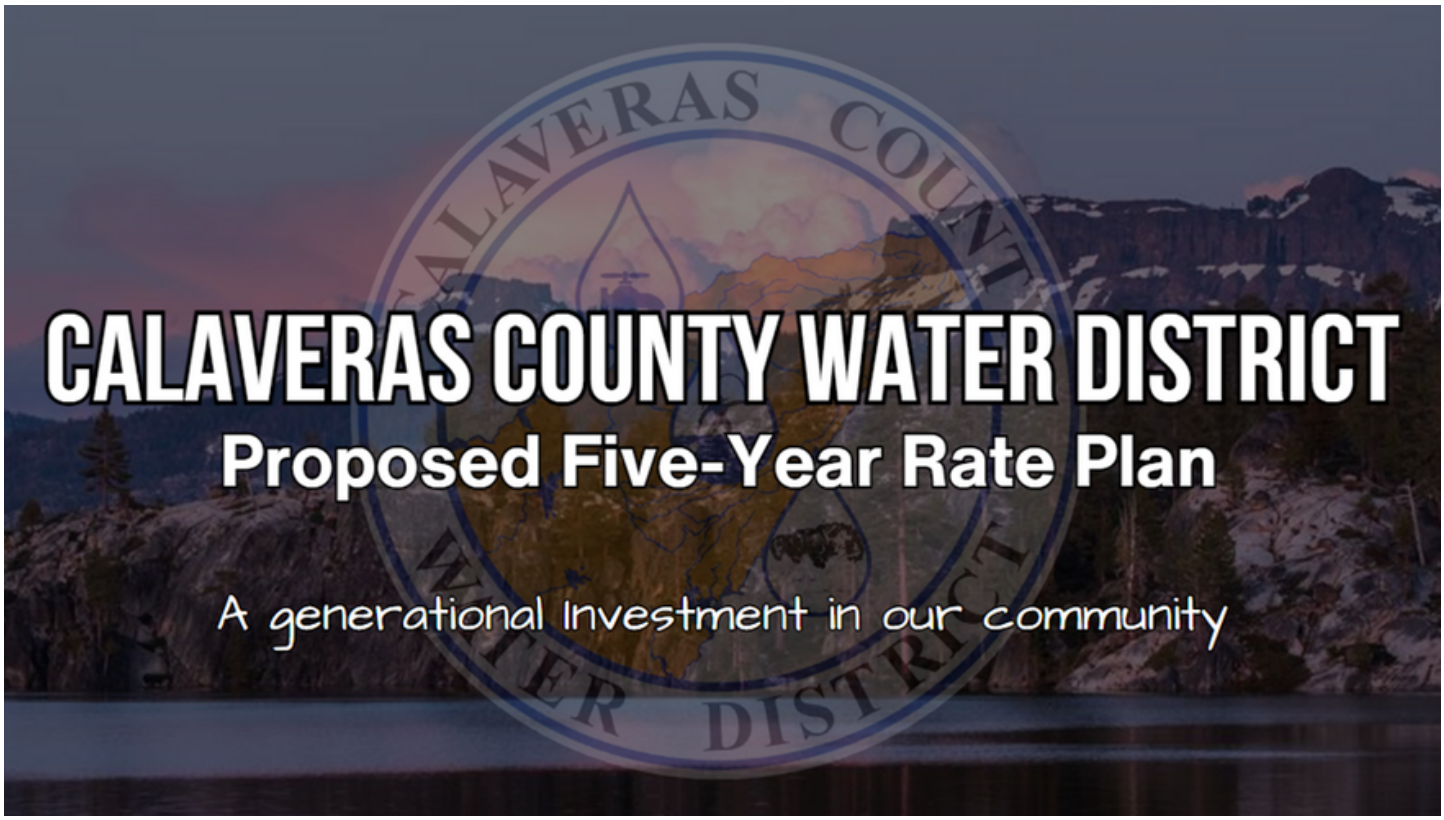
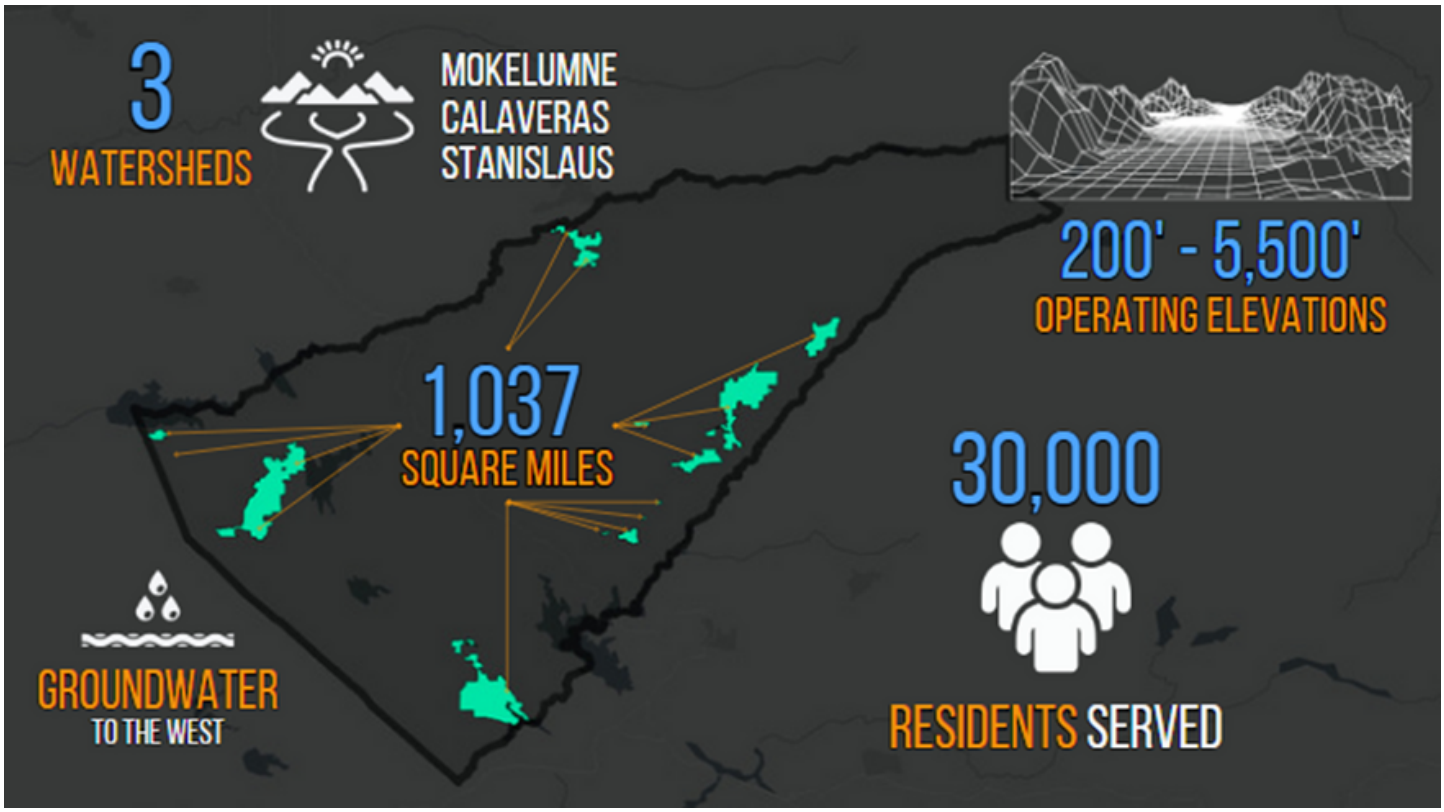


CCWD is committed to engaging with the public during its 2023 rate-setting process. CCWD understands this rate change will be difficult for all customers, especially those on fixed incomes. CCWD's employees are also ratepayers, Calaveras residents, and locals who are dedicated to ensuring reliable and compliant water and wastewater services to CCWD's customers.

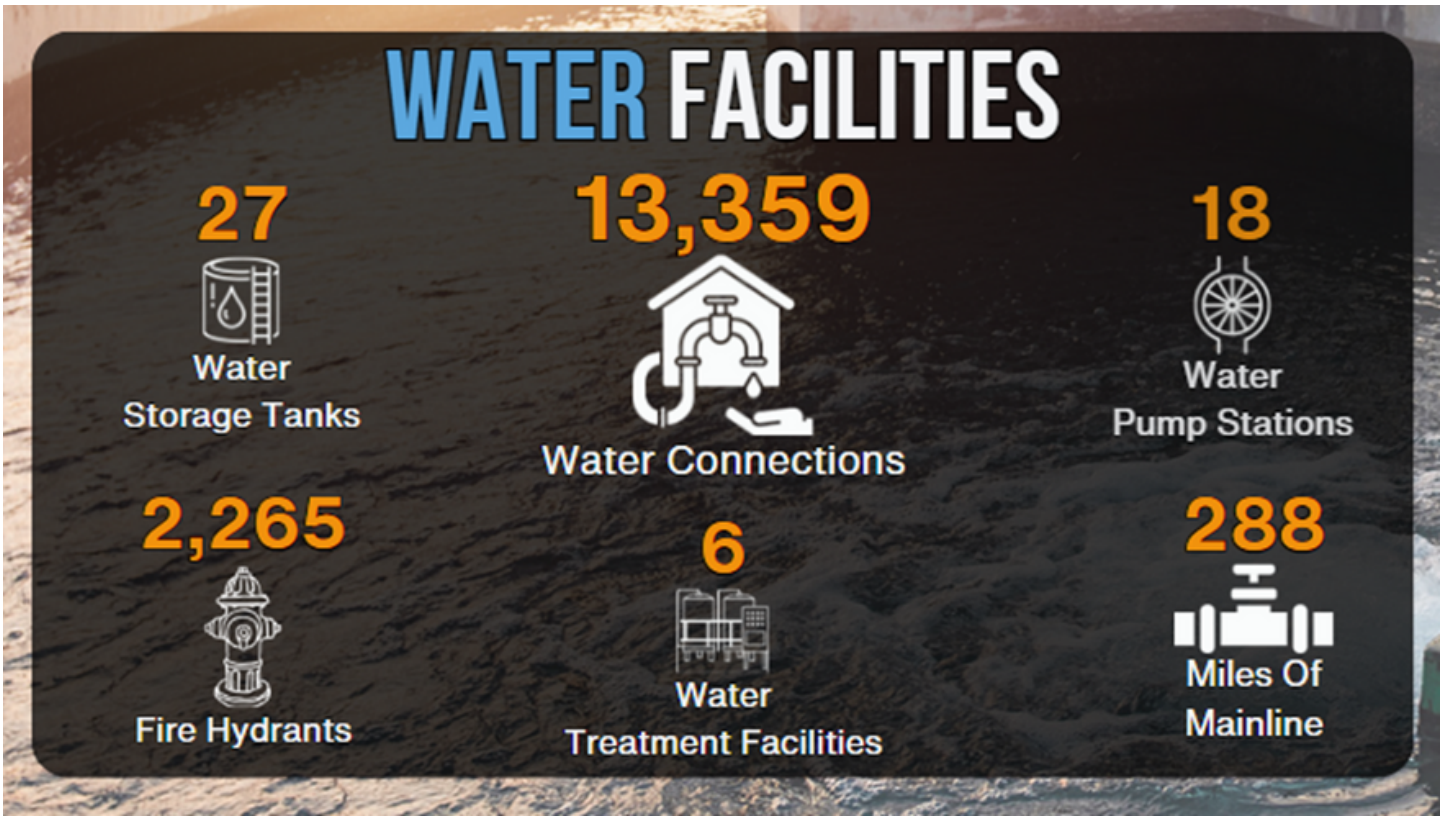
This document provides slides from our town hall presentations regarding the cost increases we've endured, cost savings and supplemental revenue efforts, and the critical infrastructure projects that are driving the rate increases. CCWD is producing a separate document with the remaining slides from the presentation regarding the Prop 218 process, the financial planning process that CCWD went through, and details about the proposed rates. This represents roughly the second half of the slides we shared at the town halls.

The bottom line from these slides is that CCWD had only small rate increases in recent years, but we experienced significant cost increases that exceed even the high rate of inflation that we all experienced as consumers. The cost of infrastructure construction projects has been particularly impactful.

CCWD worked hard over these last few years to absorb the cost increases and reduce expenses, but there are significant cost increases beyond our control that are forcing the proposed rate increase. We reduced costs as much as possible without sacrificing operational integrity and we included the most critical projects in our five-year Capital Improvement Plan (CIP). We cut the original CIP down from the $200 million in critical infrastructure projects, to the $92 million that is funded in this plan. There is simply no way to cut our way out of the financial situation we're in without costly failures – we need to make a significant investment in our water and wastewater infrastructure to ensure that we can continue to serve our customers today and in the future.



CCWD is responsible for water and wastewater service areas spread throughout the county, highlighted above in green, from 200 feet in elevation to over 5,500 feet. CCWD also has County-wide water resources planning jurisdiction. Calaveras County contains three major watersheds - the Mokelumne, Calaveras, and Stanislaus Rivers – and CCWD has important water rights in all three. Our water rights supply CCWD's complex water services provided to around 30,000 people in Calaveras County. Given this large and impactful footprint, CCWD always looks to manage its water resources carefully and sustainably to the benefit of its customers and Calaveras County for current and future use.



CCWD maintains six separate and complex water systems with many geographical challenges. Several of our water treatment and distribution systems are rated relatively high on the state mandated classification scales, which reflects the complexity of our infrastructure and the high skill level that is required for operations. The classifications are based on the system complexity and the treatment process involved. The higher rated systems, like CCWD's, dictate higher qualification requirements and expertise among our field staff.

Most all CCWD facilities are continuously monitored with remote equipment to alert staff of emergencies. Staff deploy from various departments to resolve problems. Often there are multiple issues in the field happening at the same time with multiple different departments working to solve them. It is not uncommon to see electricians and treatment operators working after-hours to resolve a complicated plant problem while construction and distribution crews are working to repair leaks.

CCWD has a vast and unique network of wastewater systems. We operate several decentralized systems across all areas of Calaveras County, each with unique treatment processes and challenges. In addition to the many systems, the District must also rely on a network of energy Intensive pump stations to safely transport the wastewater to the treatment facility. The combination of conventional and unconventional wastewater systems is extremely costly, both in staffing, treatment processes and regulatory compliance. It is very challenging to spread those high costs over such a small customer base that CCWD serves in our rural communities.

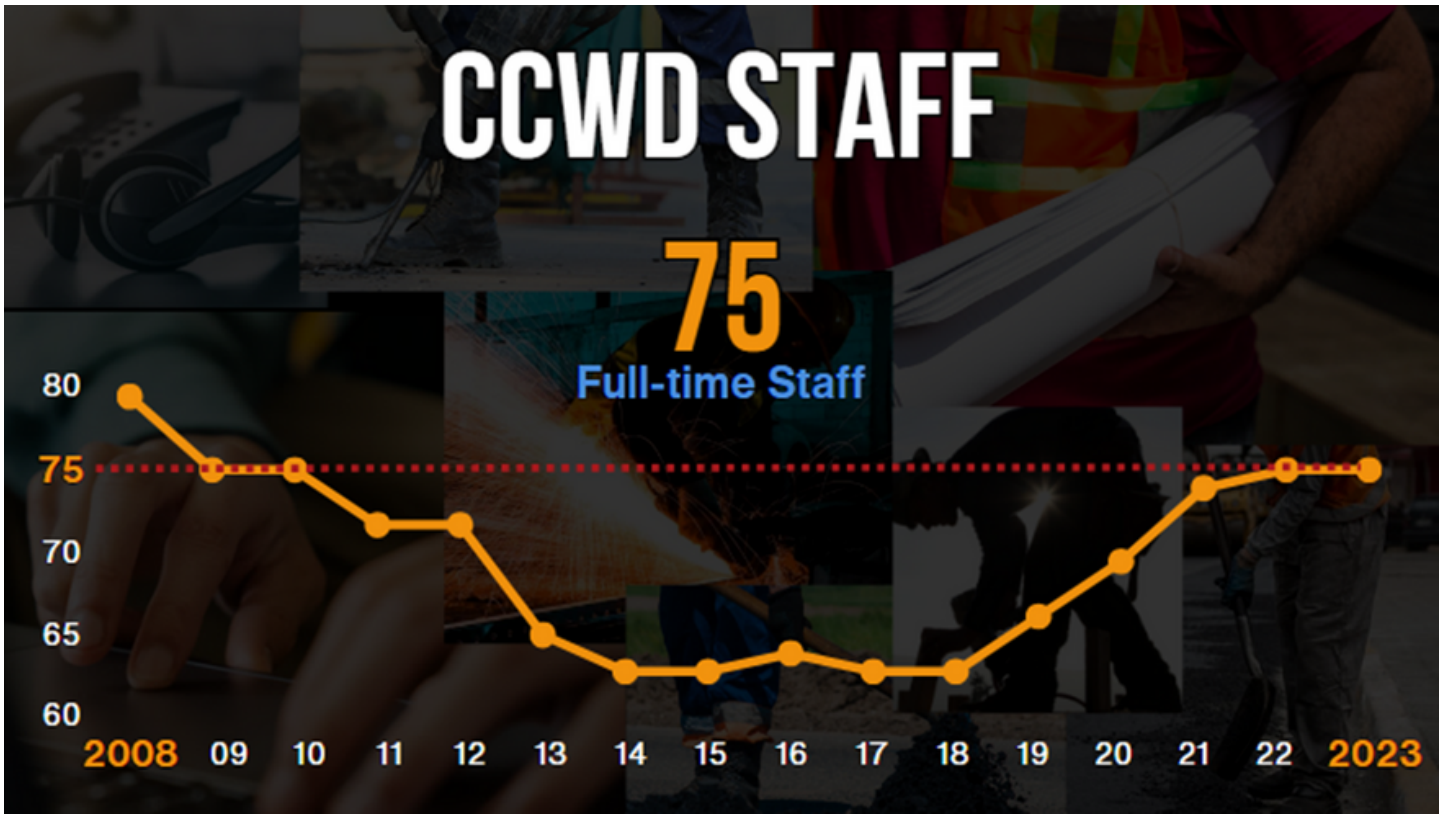
CCWD not only has extensive water and wastewater infrastructure, but it also has other critical assets necessary to keep facilities operating effectively.

The District's three-person mechanical crew spends considerable time inspecting and maintaining 69 generators throughout Calaveras County. These generators are located at treatment plants, treated water pump stations, and sewer lift stations to ensure their continued operation during power failures. The district has many water storage tanks that only receive water from pumps. That means generators are critical to their ability to provide customers with water during extended power outages. If they don't operate effectively when called upon, the tanks can go empty, which could deprive the community of water for consumption and fire protection.

CCWD's wastewater collections systems include 45 lift stations, many of which could overflow directly into nearby structures or surface water (creeks, lakes, etc.), if not for CCWD's dedicated workforce who maintain and repair these critical pieces of infrastructure.

Not only are generators and lift stations critical infrastructure, but so are the district's trucks and heavy equipment. Should any of the District's infrastructure experience an issue, CCWD must respond immediately, and our crews need the right trucks and equipment to do their jobs safely and effectively.

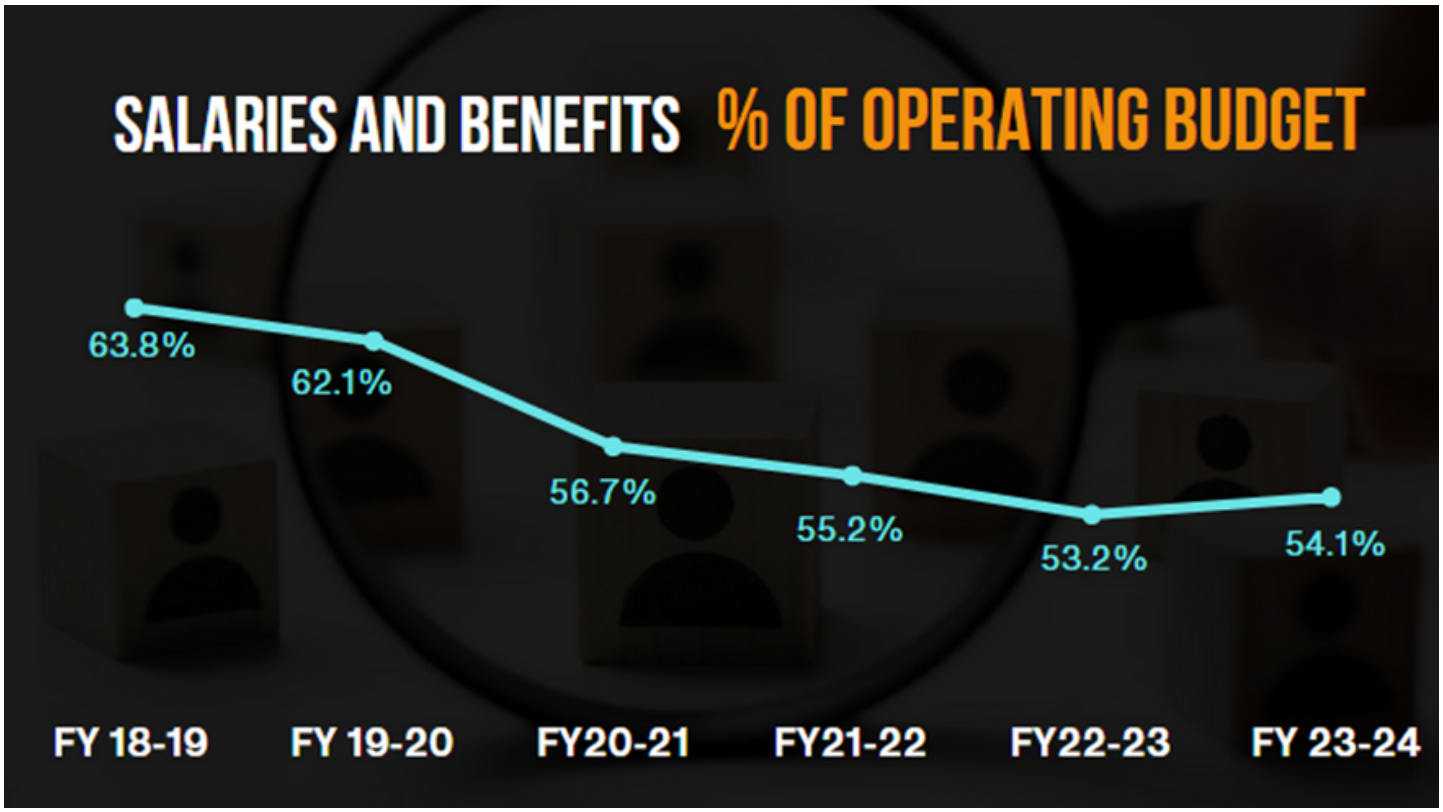
CCWD also owns two hydro-electric projects.



CCWD currently employes 75 full-time employees, which is a lower staffing level than 2008. The District has remained lean in staffing through constant cost management, despite additions to duties across multiple departments including:

- 632 additional water connections
- 395 additional wastewater connections
- Annexing the Wallace water and wastewater systems
- Adding the Fly-In-Acres water distribution system
- Management of a new Groundwater Sustainability Agency
- Increased regulatory requirements and reporting requirements.
- Increase in annual construction projects that our engineering and operations departments deliver.
- Significant increases in the number of natural disasters and public health emergencies that we adapt and respond to.

CCWD is larger and more complex now than in 2008 and we're getting the job done with fewer people.

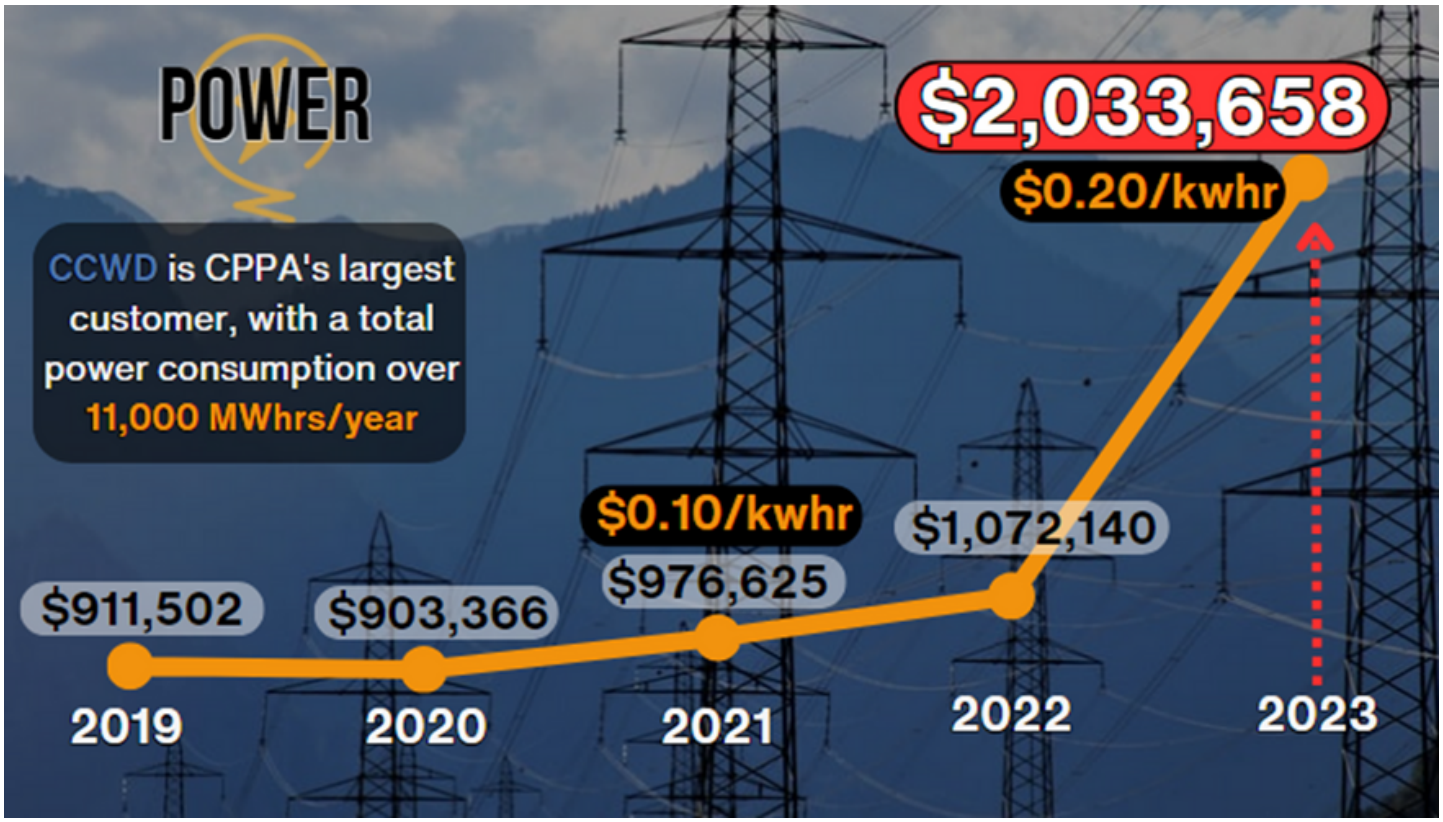


The Board of Directors and staff work diligently to evaluate the operational needs of the District. Through several compensation evaluations and successful contract negotiations, the District has managed to lower our percentage of salaries and benefits in the operating budget by nearly 10% over the past 5 years. Some of this decrease is also attributable to cost increases in many other budget categories. We budgeted for a slight overall increase in the current year, but we expect the actual expenditure amount will be similar to FY 22-23.

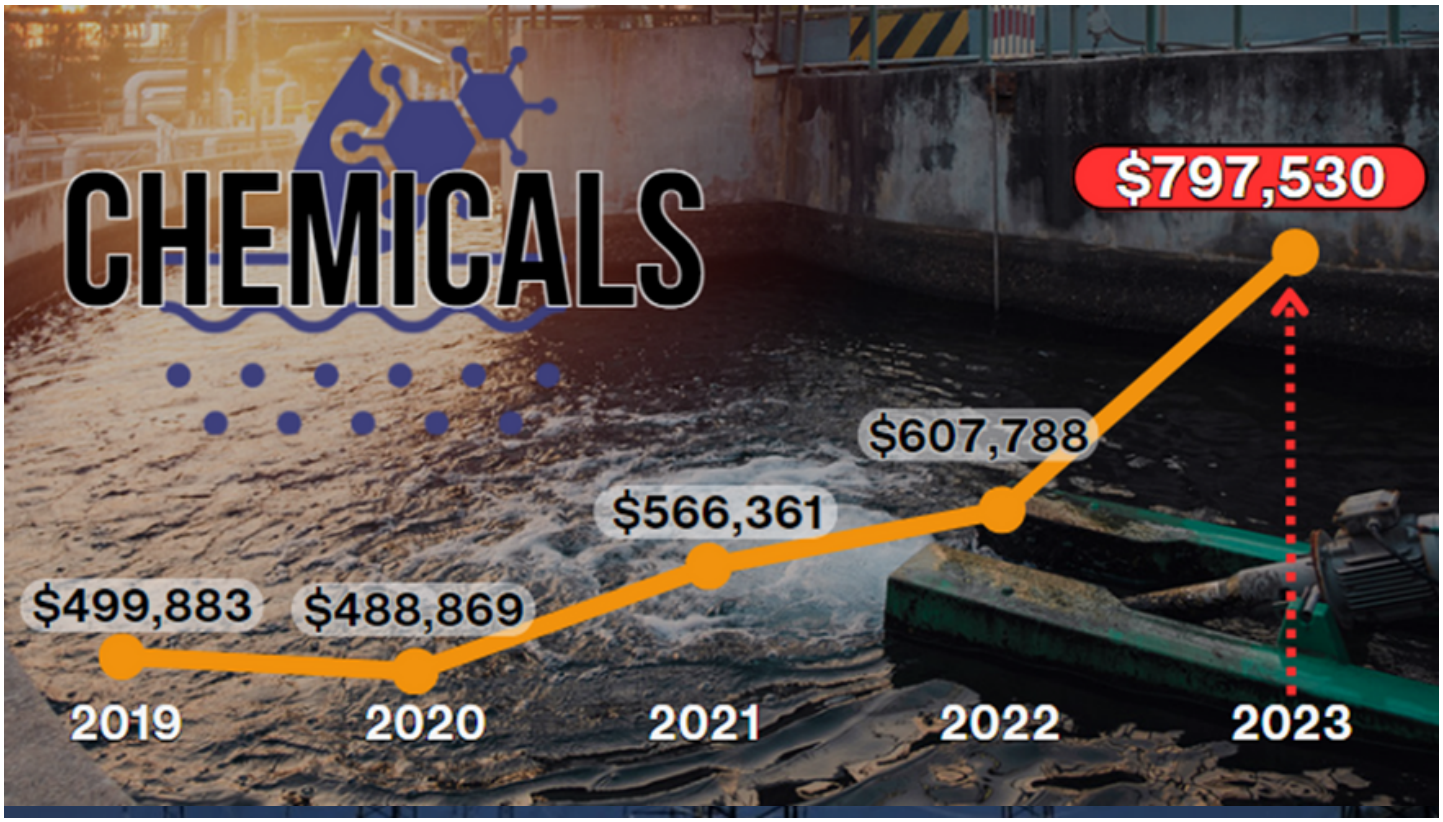
CCWD's previous labor contracts were set to expire in June 2020. Because of the financial uncertainty created by the COVID pandemic, CCWD employees agreed to extend the labor contracts for one year with no increase in Cost-of-Living Allowances (COLA). The following year in 2021, CCWD negotiated five-year labor contracts that saved the District significant costs by restructuring retiree health benefits. The COLA increases in the current contracts are as follows:

	SEIU Staff:	**Management and Confidential Unit:**
FY 21/22:	4.0%	3.5%
FY 22/23:	2.5%	3.0%
FY 23/24:	3.0%	3.0%
FY 24/25:	2.5%	2.0%
FY 25/26:	2.0%	2.0%

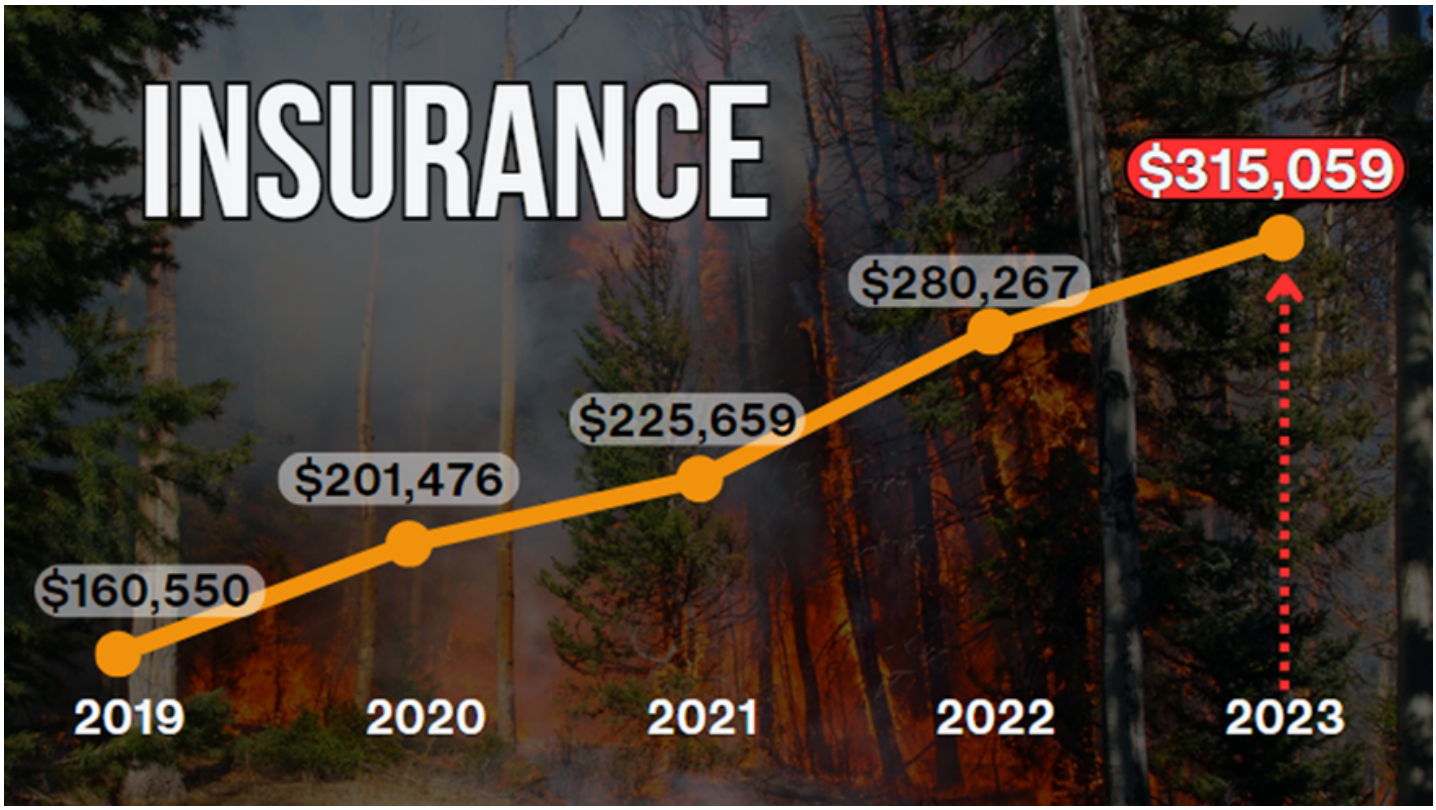
The General Manager's salary is set by a publicly approved contract. The salary range for the General Manager position has not been updated since 2017. Increases received by the current General Manager have been between 1% to 3% with no pre-approved future increases.



CCWD operates 6 water treatment plants, 13 wastewater treatment facilities, along with several other facilities. Our water distribution systems require 18 pump stations, and our wastewater collection systems utilize 45 lift stations to move water and wastewater throughout Calaveras County. Operating this extensive network of infrastructure 24/7 in diverse mountainous topography is extremely energy intensive. CCWD is always looking for ways to improve our pumping efficiencies by staying current on the latest technologies. However, much of our pumping and power requirements are dictated by the natural topography we operate in. CCWD’s power costs amount to 9.3% of the operating budget .



Decreased industrial production capabilities and increased raw materials costs have driven up the cost of chemicals necessary for water and wastewater treatment plant operations. Staff have worked to use less expensive chemicals where applicable, stockpiled cheaper chemicals to ensure cost-effective pricing, and routinely adjust the chemical dosing rates so that cost-savings are optimized. Chemical costs currently account for about 3% of CCWD's operating budget.

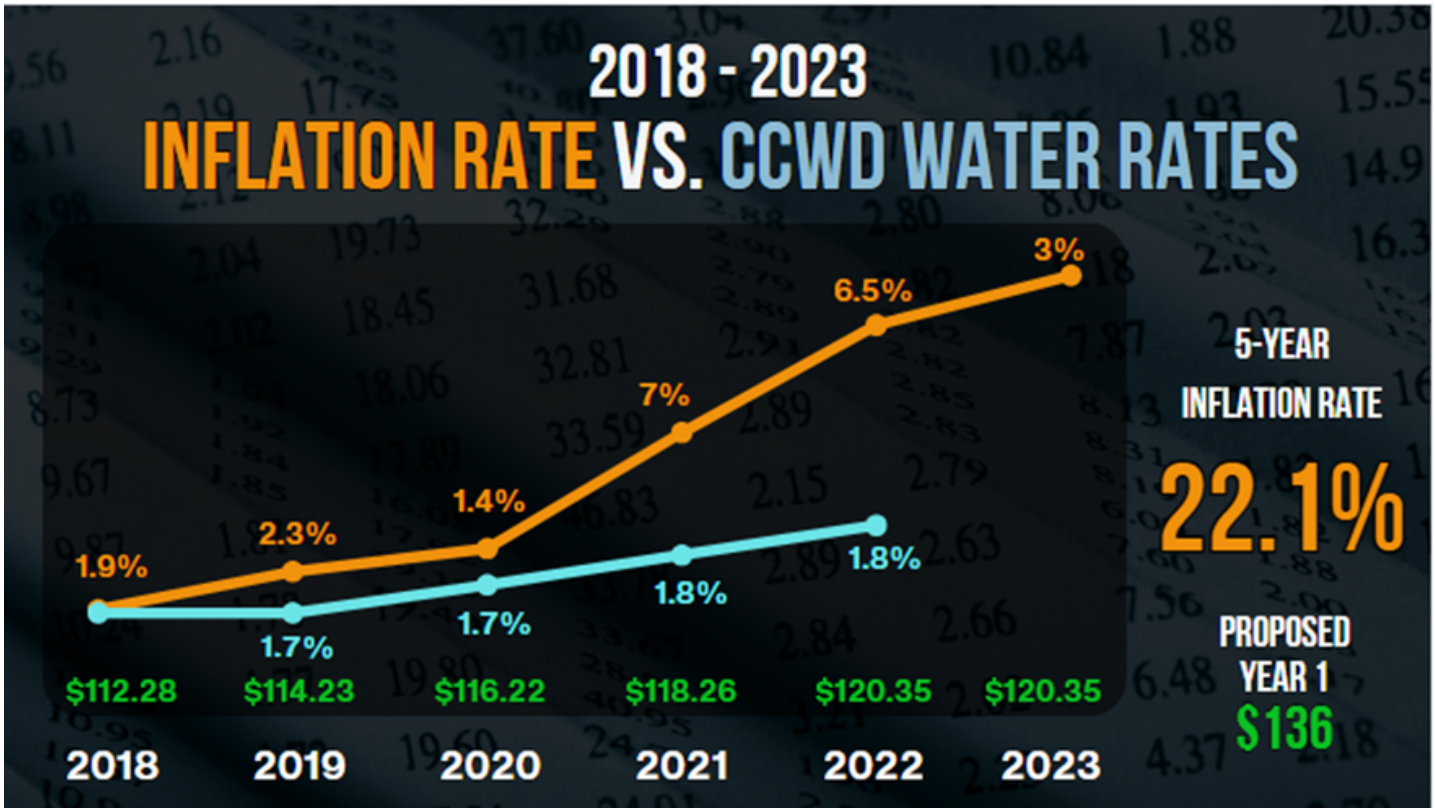


Much like homeowners have experienced increases in property insurance, the District is also subject to those increases. The District has approximately $269 million of infrastructure that it must insure. Recent large fires in California, most notably the Caldor fire, are the major drivers for our increased insurance rates.

Additionally, cyber security has become a concern for businesses and now requires a separate policy. Not only is an insurance policy necessary, additional safeguards and processes must also be implemented on the District's network to ensure the safety of customer and employee information as well as our infrastructure system (SCADA).

It should be no surprise that regulatory requirements are getting increasingly greater and more burdensome for water suppliers across California. With each drought, wildfire, or other emergency, state legislators are requiring more reporting, documenting, planning, and information to prove that there are adequate supplies and emergency preparedness efforts taking place. As an “Urban Water Supplier” CCWD is subject to these increasing regulations and must budget accordingly for the staff time and consultant work needed to comply with these requirements.

CCWD’s current FY 2023/2024 budget includes over $1.4M to comply with necessary regulations dealing with water rights use reporting, groundwater management efforts, dam safety (significant increases post-Oroville disaster), etc. CCWD expects the Water Use Efficiency (WUE) guidelines to start being implemented, which will also require more customer outreach, restrictions, and analyses. Some of these costs are required for grant eligibility purposes, in order to allow CCWD to obtain grant funding to offset its capital improvement costs. Taken together, complying with these regulations is around 6.3% of CCWD’s annual operating budget, and has been steadily increasing over time.



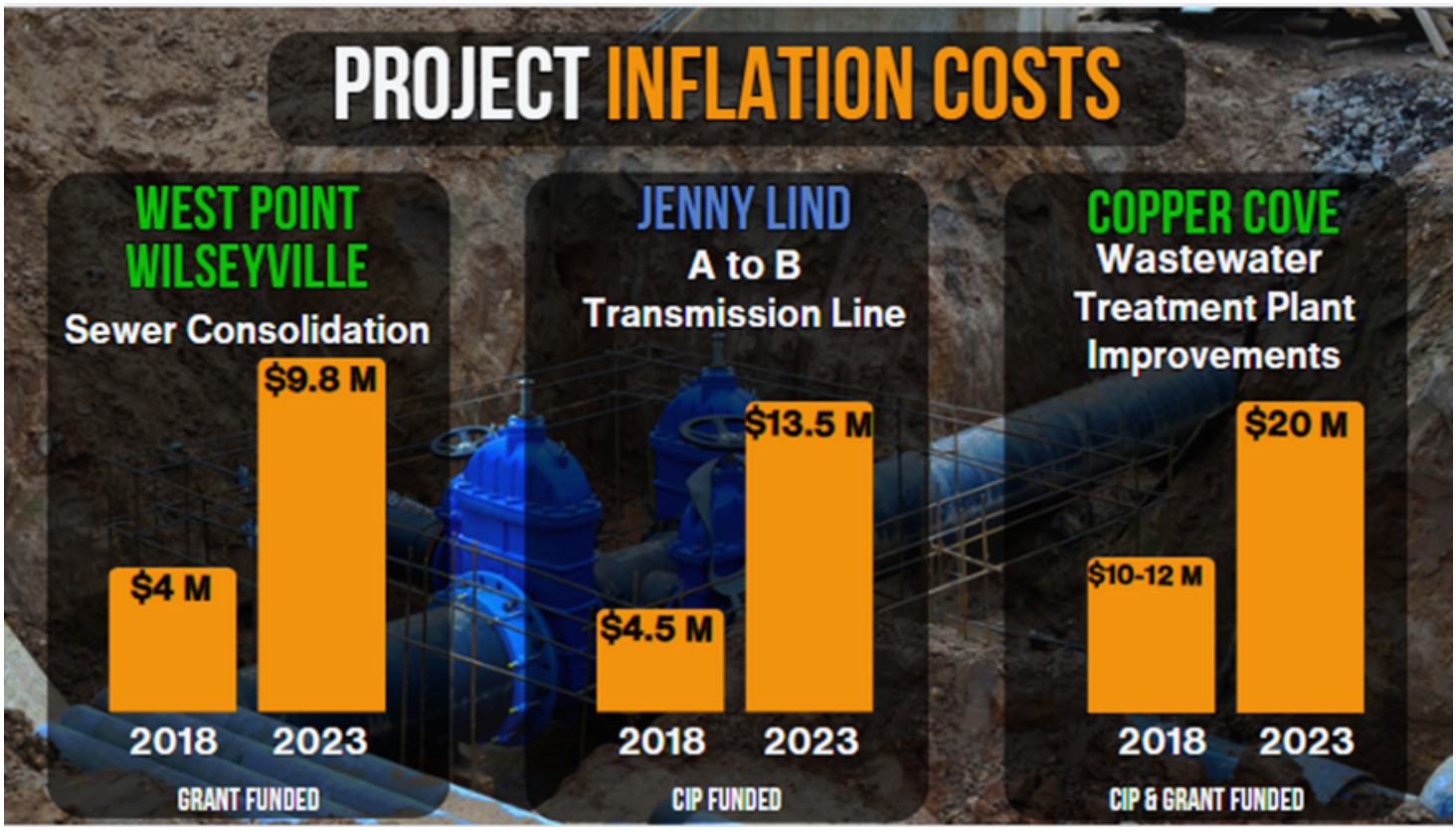
This graph shows that our residential water base rates have not been keeping up with inflation. For example, when the 2018 residential water base rate of $112.28 is recalculated to account for the increase in inflation, the adjusted base rate is $135.95. CCWD's proposed year one residential water base rate is approximately $136, which demonstrates that the year one increase merely makes up for the unprecedented rises in inflation seen since 2020, although it doesn't account for other CCWD cost increases, especially when it comes to construction costs.

Engineering News Record (ENR) is a publication that produces and provides information to the engineering and construction industries. ENR publishes indexes for the cost of construction nationwide. The ENR Construction Cost Index (CCI) has been issued since 1908. The CCI index is widely used throughout the United States construction industry as a benchmark for measuring inflation. Historical data and details for ENR's CCI can be found at ENR.com/economics.

Shown above is the Construction Cost Index (CCI) history since 2018. The index for 2023 is an estimate based on the first six months of 2023 (available data at the time). The indexes use local prices for portland cement, 2 X 4 lumber, national average price for structural steel, union wages for laborers.

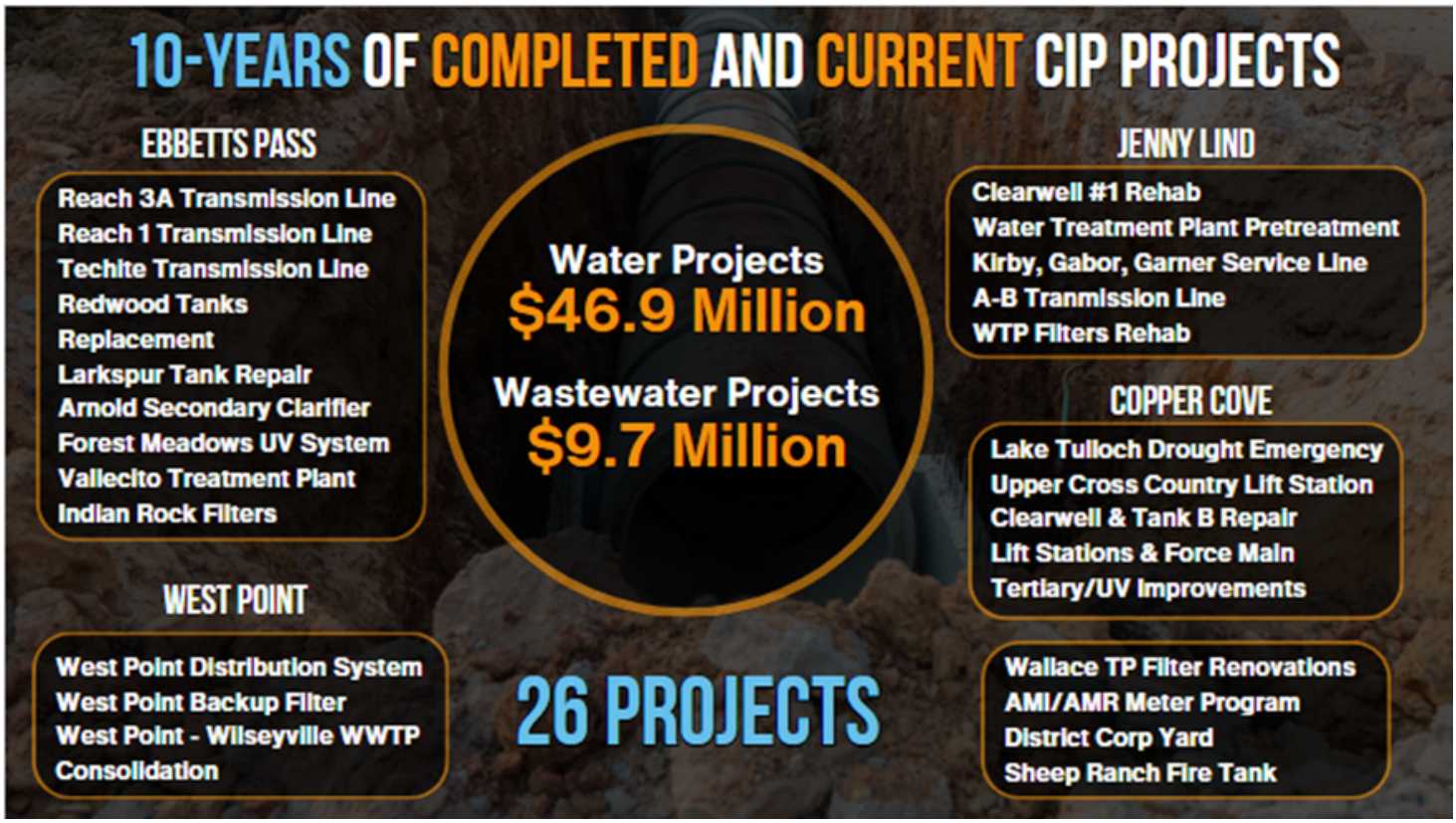
Please note the CCI and ENR are separate cost indices from the Bureau of Labor Statistics CPI.

[1] Atlanta, GA, Baltimore, MD, Birmingham, AL, Boston, MA, Chicago, IL, Cincinnati, OH, Cleveland, OH, Dallas, TX, Denver, CO, Detroit, MI, Kansas City, MO, Los Angeles, CA, Minneapolis, MN, New Orleans, LA, New York, NY, Philadelphia, PA, Pittsburgh, PA, San Francisco, CA, Seattle, WA, and St. Louis, MO



The slide shows the actual construction bid for West Point/Wilseyville Sewer Consolidation Project, and the latest engineering cost estimate [1] for Jenny Lind A to B Transmission Line Project and Copper Cove Wastewater Treatment Plant Improvements Project versus the original engineering cost estimate in 2018.

[1] Estimated in 2023 using 90% design documentation

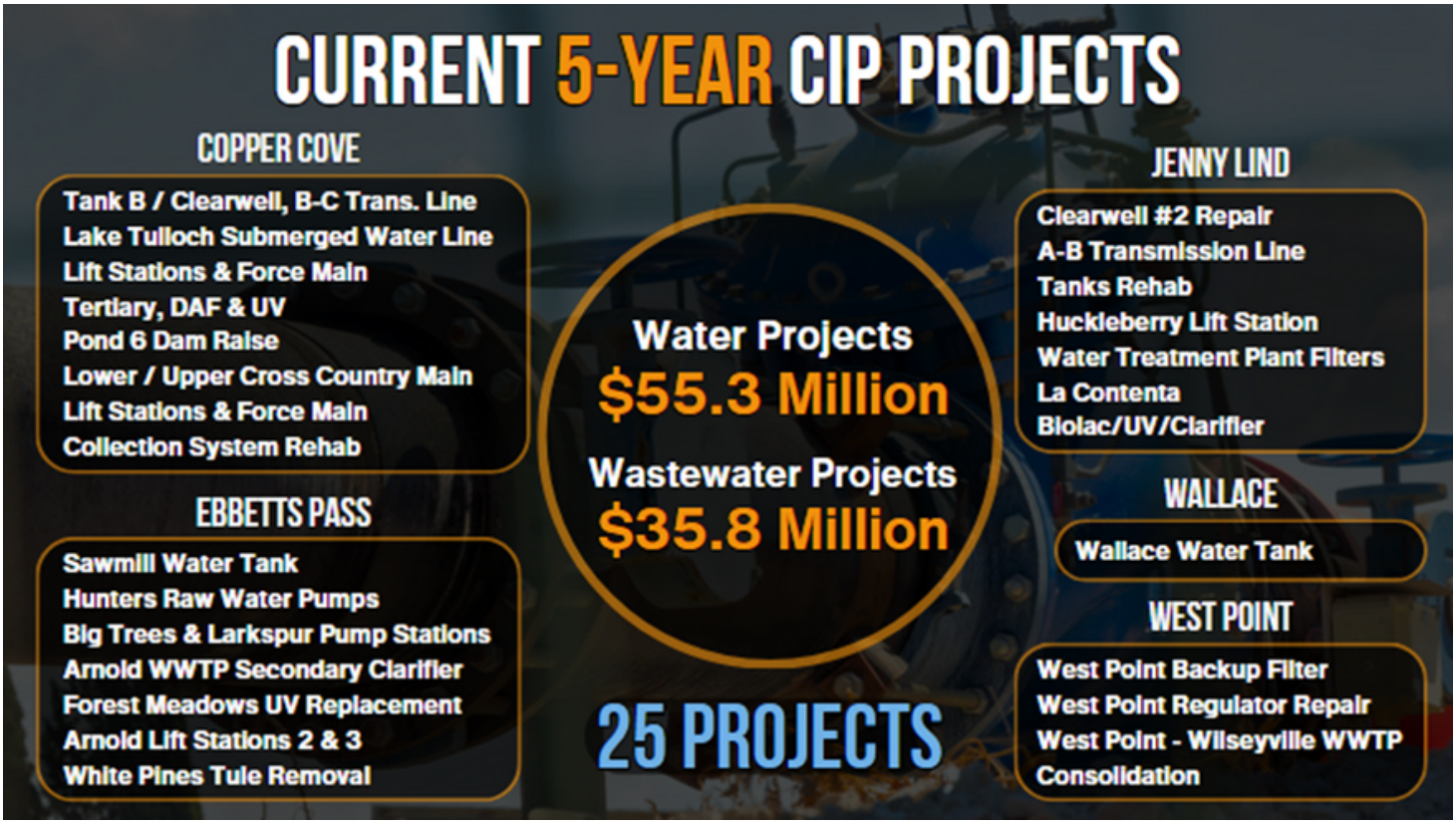


Thanks in part to the 2013 rate increase that was dedicated to infrastructure funding, CCWD has been extremely active in the past decade with Capital Improvement Program (CIP) projects.

HIGHLIGHTS INCLUDE:

- **Reach 3A transmission line replacement** through the community of Arnold. This project had been on the CIP list for far too long as it is a main artery to the entire community. The failures became too frequent and the consequences on several occasions were a complete disruption of service to the entire town and neighboring water agencies.
- The **Redwood Tank Replacement Project** is a crucial component of leak mitigation and hardening our infrastructure against the constant threat of wildfire.
- CCWD has replaced significant portions of the **West Point water distribution system** and is nearly complete with a project to add a second filter to the treatment plant.
- CCWD has **rehabilitated the filters at the Jenny Lind water treatment plant** and is in the process of **replacing the problematic service lines in Rancho Calaveras** that have long been a source of frustration.
- **Copper Cove's** extensive network of **wastewater lift stations**, which borders a crucial drinking water supply source, has seen several projects completed to ensure the community remains served with safe and reliable drinking water.

Some of these projects are still in progress so they appear in the CIP for the next five years as well.



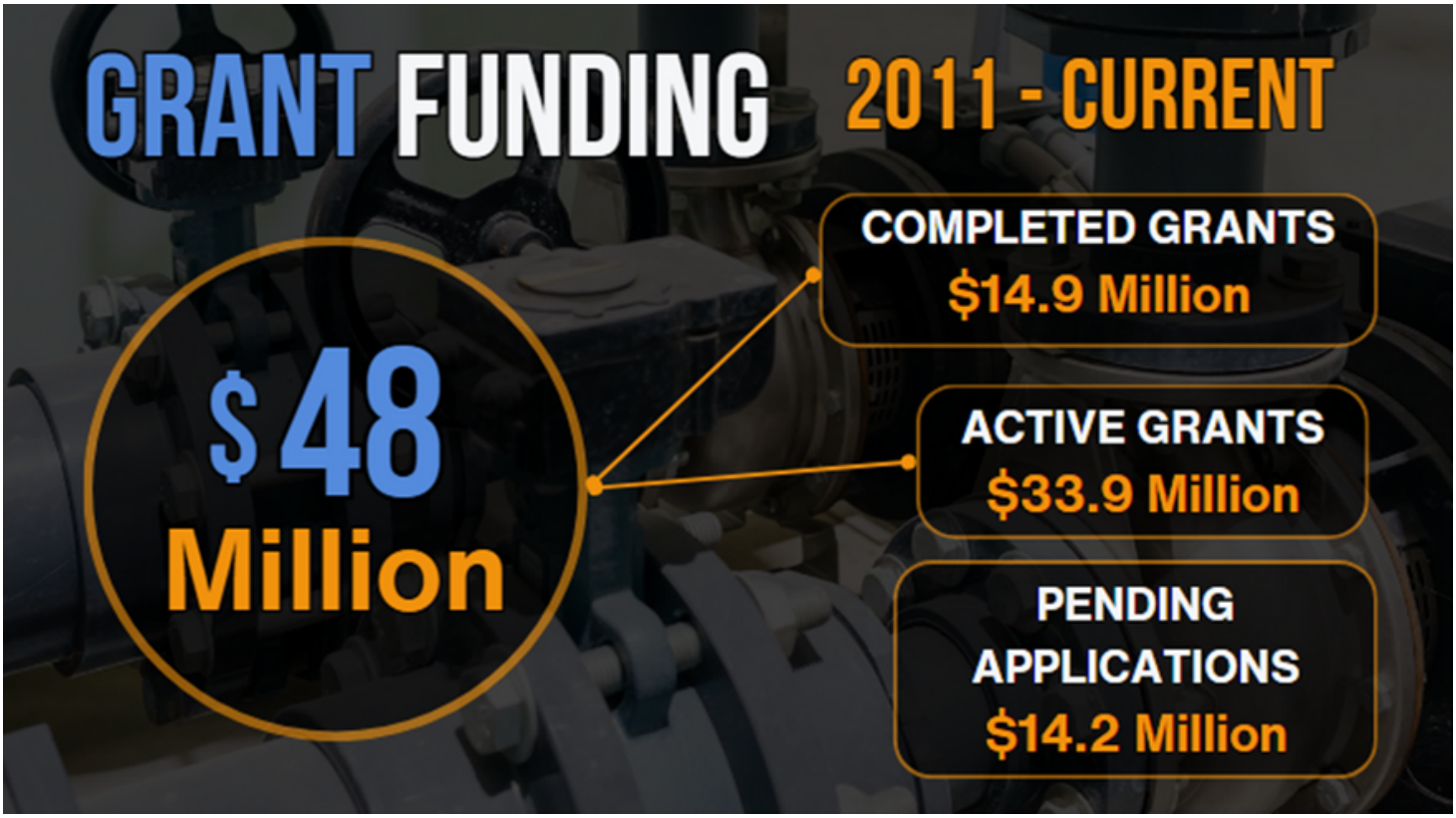
CCWD's commitment to replacing or repairing our aging infrastructure is always top priority. The CIP program and funding is crucial to replace, rehabilitate and maintain safe reliable water and wastewater systems for the health and prosperity of our community now and into the future.

The current five-year CIP project list includes some of our most critical and vulnerable infrastructure, many of which are past their useful life timelines.

After these projects are completed, there are a plethora of projects that still need to be completed that are just as critical and require upgrades and/or replacement. The complete list adds up to about $200 million, but CCWD is aggressively seeking other sources of funds for those projects.

Responding to infrastructure failures or issues is always more expensive than investing money into maintenance, rehabilitation, and replacements. Given CCWD's expansive footprint and diverse water and wastewater service areas, it is not always possible to be as proactive in these measures as desired due to staffing and other resource constraints.

The CIP for the contemplated rate increase does improve several critical facilities and should help CCWD fend off some of its more vulnerable and expensive infrastructure issues. But for CCWD, as with all utility services, the work does not stop with only the projects in the CIP list. CCWD's objective is not to defer all these projects, but to secure other sources of funding to implement the highest priority projects. We generally have a very good, and improving, track record for minimizing interruptions in water and wastewater service. We want that trend to continue by funding critical infrastructure projects.



Grant programs are extremely competitive and small communities often go head-to-head with their larger, regional neighbors for access to critical funds. Calaveras County is home to several disadvantage communities which often allows CCWD to apply for specific grants for these designated communities. CCWD is always pursuing funding opportunities to improve the water and wastewater infrastructure in the most cost-effective way for our customers.

As part of the grant application process CCWD must prove that it can operate and maintain the grant funded project. This includes having adequate revenues for maintenance of the project throughout its expected life cycle. If we can't prove that our rates are adequate to fund our operations and maintenance, we will lose out on other sources of funding for critical infrastructure projects.

Also, State and Federal agencies generally do not provide grant funds up front, they reimburse the local agencies for project costs at specific milestones. It can take as long as one to three months after the district pays its contractors to see reimbursements. It is important for CCWD to have sufficient cash in the bank to float these expenses, instead of taking out costly "bridge" loans.

Because of the competitive nature of securing grant funding, it is never guaranteed and not financially responsible to assume such funding sources when preparing a rate plan, financial plan, or budget until the funds are secured.

The next couple slides include some examples of CCWD's constant expense reduction efforts.

Vehicles - CCWD implemented a vehicle lease-to-own program in 2019. Up to that point, CCWD averaged the purchase of 1.55 (31 trucks/20years) vehicle per year over the previous 20 years with only 7 trucks purchased between '08 and '16. The average age of CCWD's fleet was old and getting older, which leads to safety and reliability concerns and higher maintenance costs. Since 2019 CCWD lease-to-own program has resulted in the purchase of 28 vehicles in a very cost-effective program. This program allows the district to improve the reliability, fuel economy, safety, and efficiency of the fleet while spreading the purchase expense out over a five-year period. It also frees our mechanics from having to fix unreliable service trucks and thereby improves our service to our customers, our emergency response time, and bolsters our ability to ensure public health and safety. The above slide illustrates the expense in year 1 (2019) of the lease-to-own program, when the District received 10 service trucks to replace the oldest trucks in the fleet for less than the cost of purchasing one new service truck outright.

Cost Control – In 2019 the district reclassified a position to create a Purchasing Agent (PA). This change provided a control-point for purchases, facilitated the optimization of cost-effective purchases through competitive pricing negotiation, allowed CCWD to stock commonly used items, create material uniformity, improved the delivery of material (particularly in emergencies), and facilitated the creation of centralized receiving and inventory. Since the establishment of the PA, materials and supplies has experienced an average reduction greater than 20% in the budgeted expenditure amount, while material costs have increased an average of 60%.

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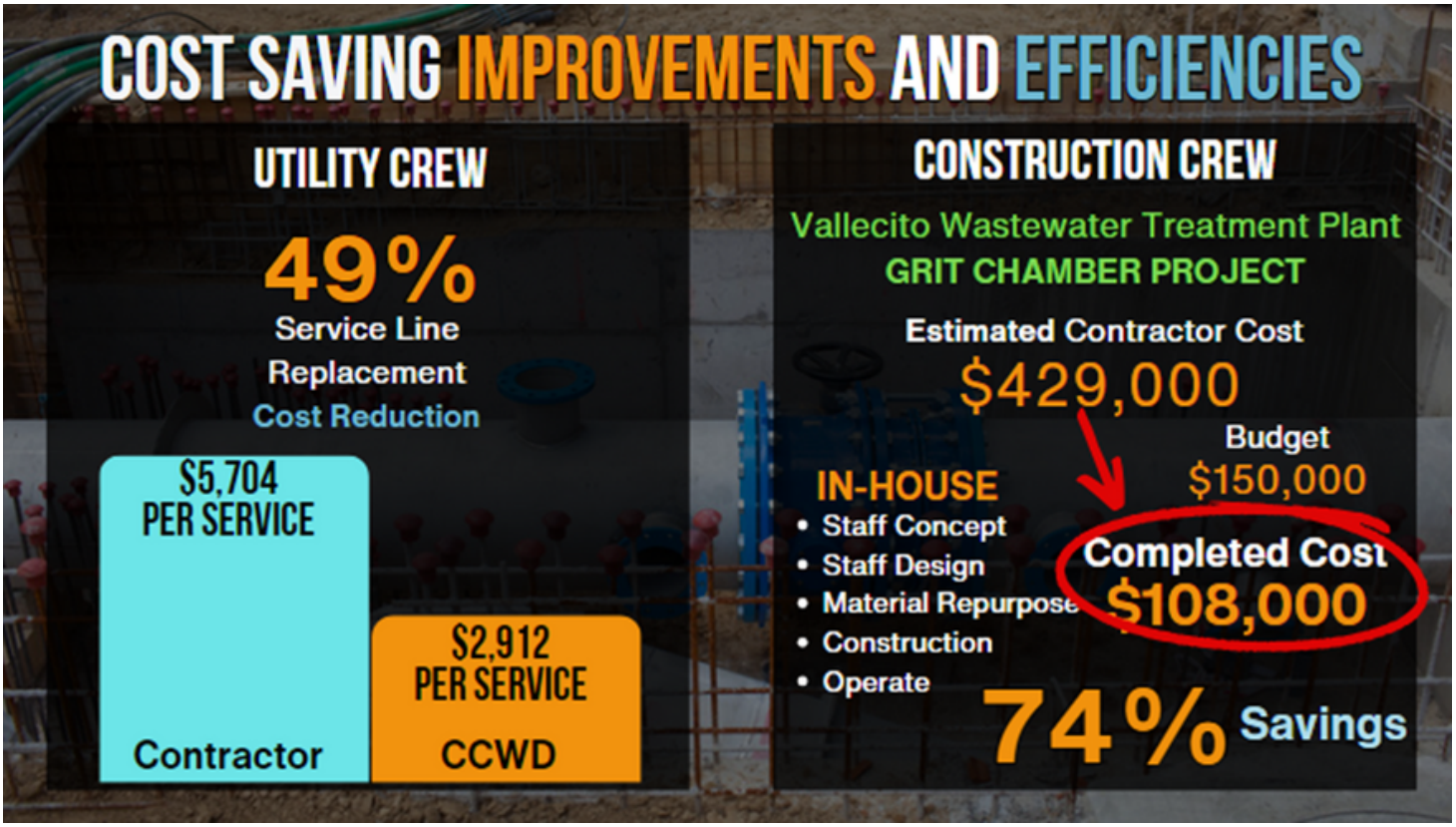
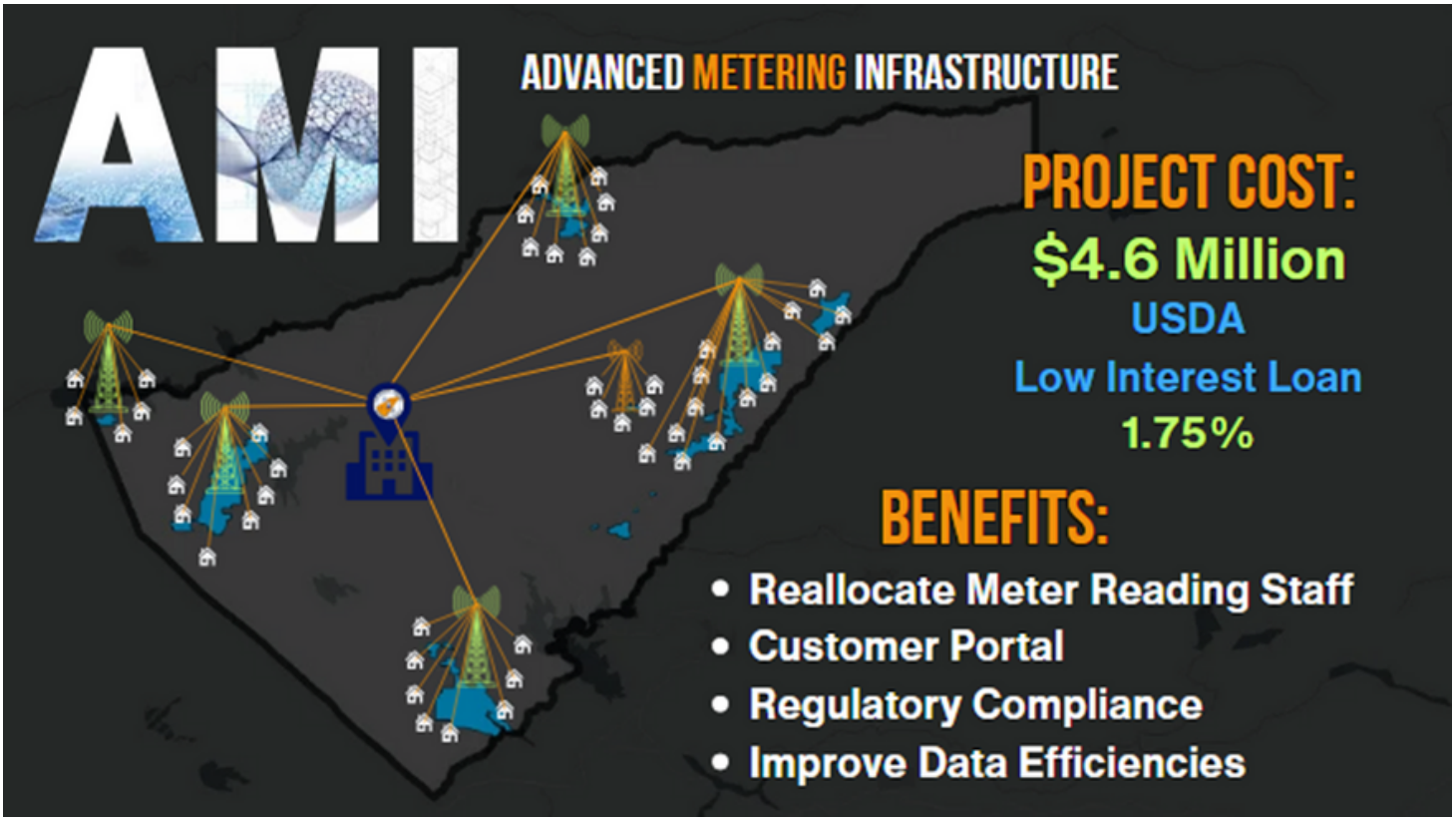
Other Examples of Cost Savings efforts:

- Restructured employee retiree health benefits, saving the district hundreds of thousands each year.
- Utilization of Vallecito Camp Cal-FIRE Crews for grubbing and brushing efforts District-wide.
- District Mechanics rebuilt the existing Wallace generator for $2,000, which if purchased brand new would cost $7,000, saving the District $5,000.
- District Mechanics swap service bodies from old trucks to new trucks when applicable to save money.



In 2020 the District awarded a construction contract to replace 102 service laterals along the streets of Kirby, Gabor, and Garner in Rancho Calaveras, at a cost of $581,883, or $5,704 per lateral. After review of the project CCWD identified that future work efforts such as this project could be completed with an in-house District crew at a cheaper cost and expeditiously. The estimate per service lateral for the same project with an in-house crew came in at $2,912 per service which is 49% cheaper than the constructed cost for the project.

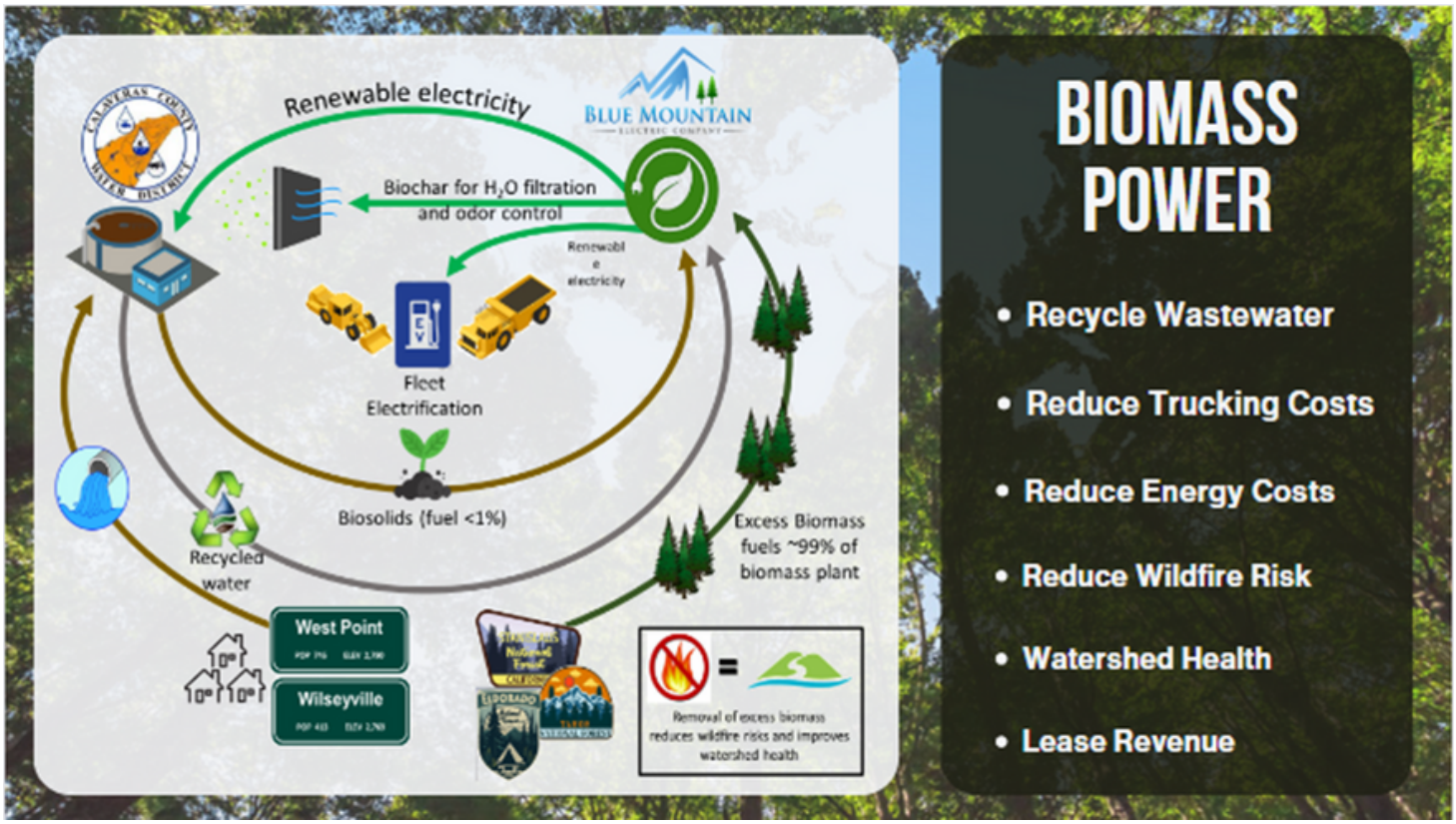
Another way the District works to stretch dollars and do more with less is to utilize the unique skills and experience of crew members. CCWD has field staff that have the expertise to complete complicated work efforts in-house. The Grit Chamber Project is a direct example of that fact. The installation of a grit chamber to protect the membrane filtration process of the Wastewater Plant was a concept derived from the Collections Crew and Treatment Operators and implemented by the Construction and Electrical Crews. The project material budget was set at $150K and was completed for $108K, coming in under budget. If put out to bid, this project would be 74% more expensive than the in-house effort.



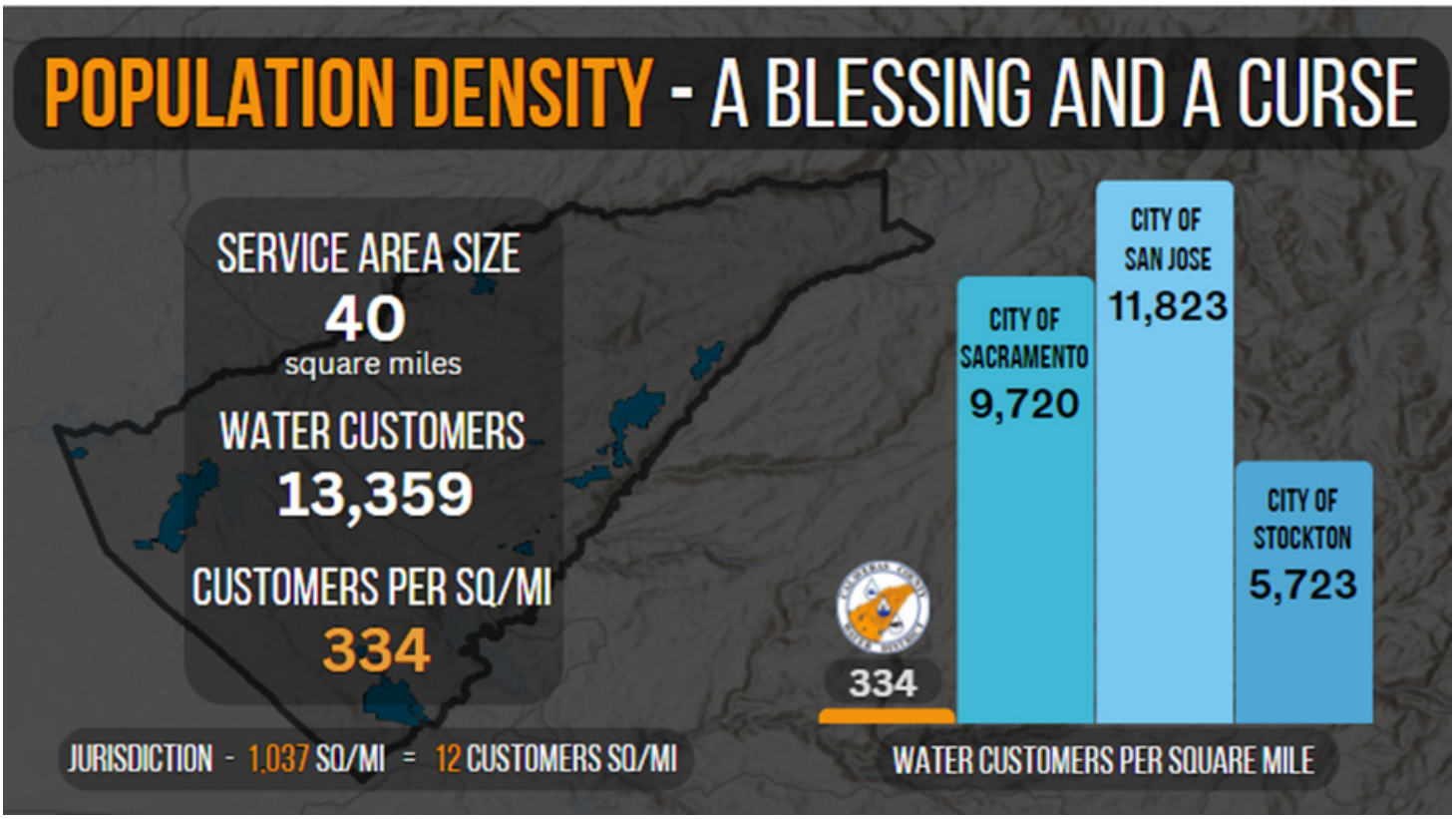
Advanced Metering Infrastructure (AMI) water meters foster improved water management for CCWD and empower customers with greater control over their usage and expenses, ultimately benefiting both parties financially

- Staff savings from significantly reduced meter reading efforts
- Accurate and consistent billing
- Operational efficiency and timelier response to system issues
- Data-driven decisions and actions to improve the water system
- Accurate usage data for regulatory compliance requirements
- Leak detection for customers and the District
- Budgeting and planning for infrastructure improvements and water production
- Conservation awareness for customers and the District

Ultimately, customers will be able to access their consumption data via an interactive customer portal. The portal will provide customers the ability to establish alerts specific to their account, including alerts for potential leaks, daily or monthly water consumption thresholds, and monetary billing thresholds, which they can choose to receive via email, text and/or voicemail message. The customer portal will be available soon!



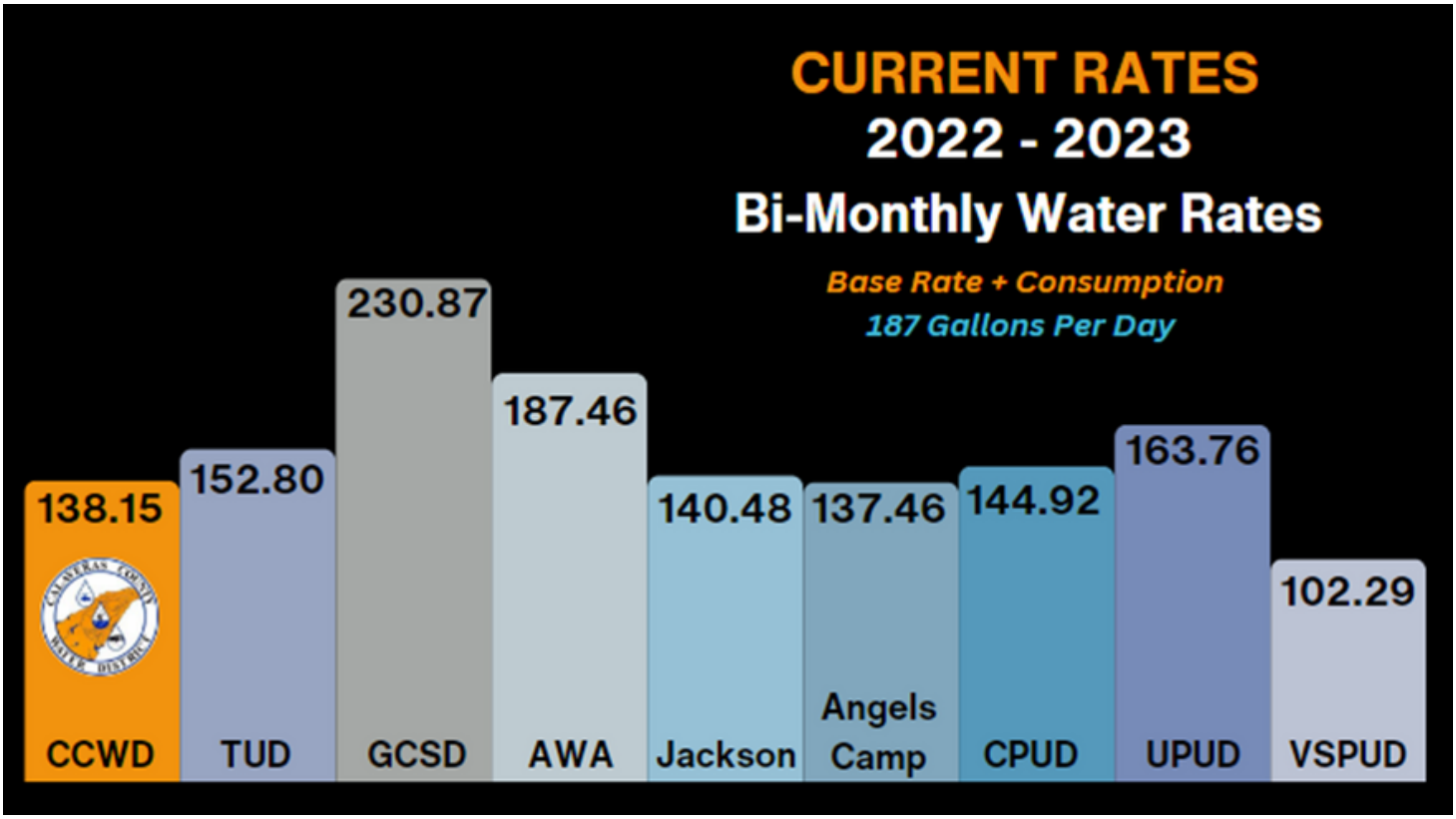
This is an exciting project for multiple reasons, but we include it in this presentation because it's an example of how CCWD is always working to reduce costs and generate new sources of revenue. This project will be paid for by the Blue Mountain Energy Company and will provide revenue to CCWD in the form of lease payments. It will also provide lower cost electricity for our West Point Wastewater Treatment Plant and reduce our trucking costs for biosolid materials.



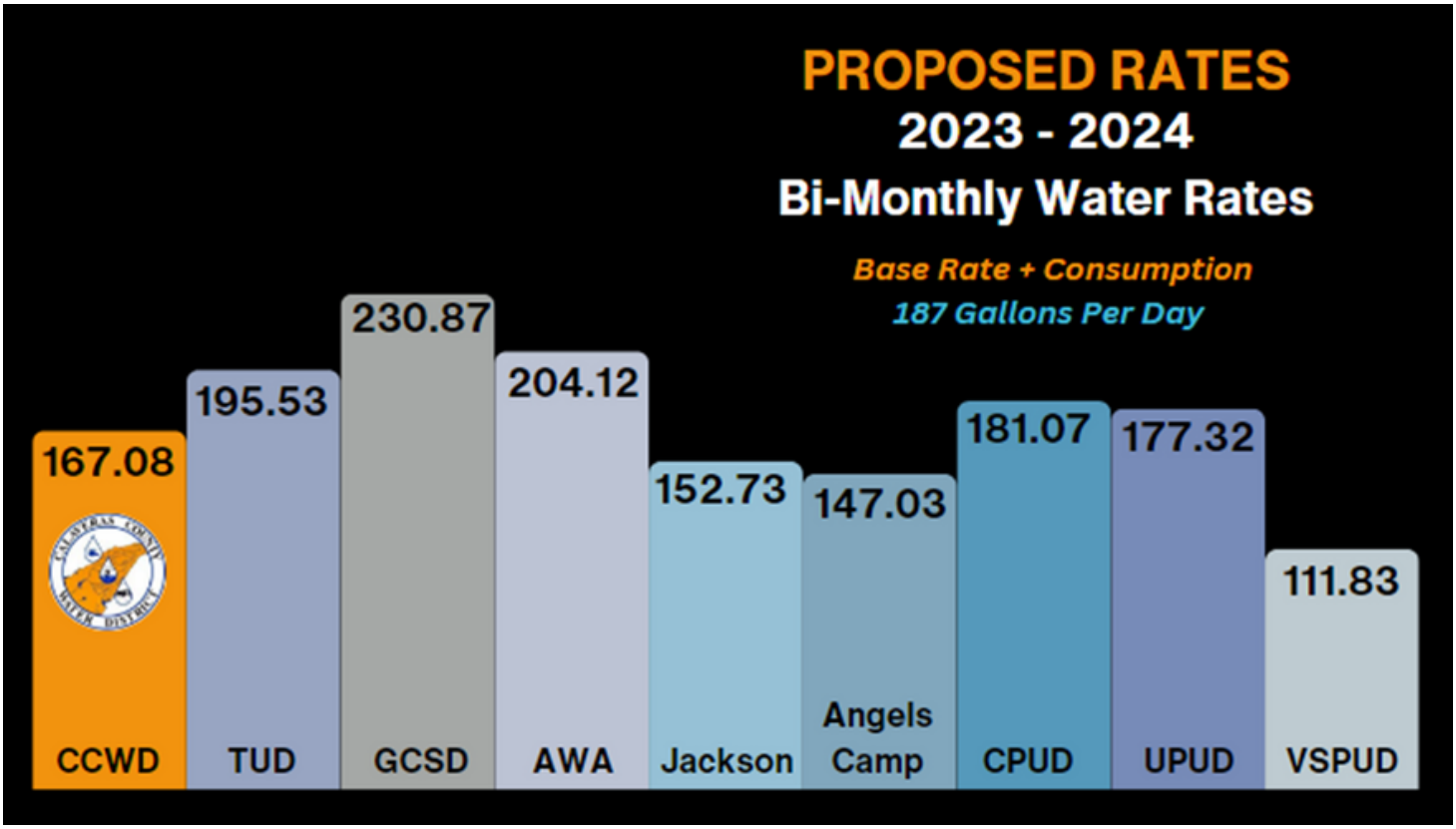
Calaveras County Water District has approximately 40 square miles of service area spread out over 1,037 square miles. Our 13,359 water and 5,446 wastewater connections present unique operational and financial challenges for funding due to the fragmented rural service areas with small numbers of customers per square mile. Urban water and wastewater systems financially benefit from consolidated service areas with a single centralized facility.

Small and rural water and wastewater utilities, like CCWD, face several unique challenges particularly when it comes to managing capital costs. These smaller rural systems often lack the necessary funding available to larger urban agencies to meet the industry's growing operational requirements and regulatory demands, exacerbated by lower population density, and labor and resource shortages.

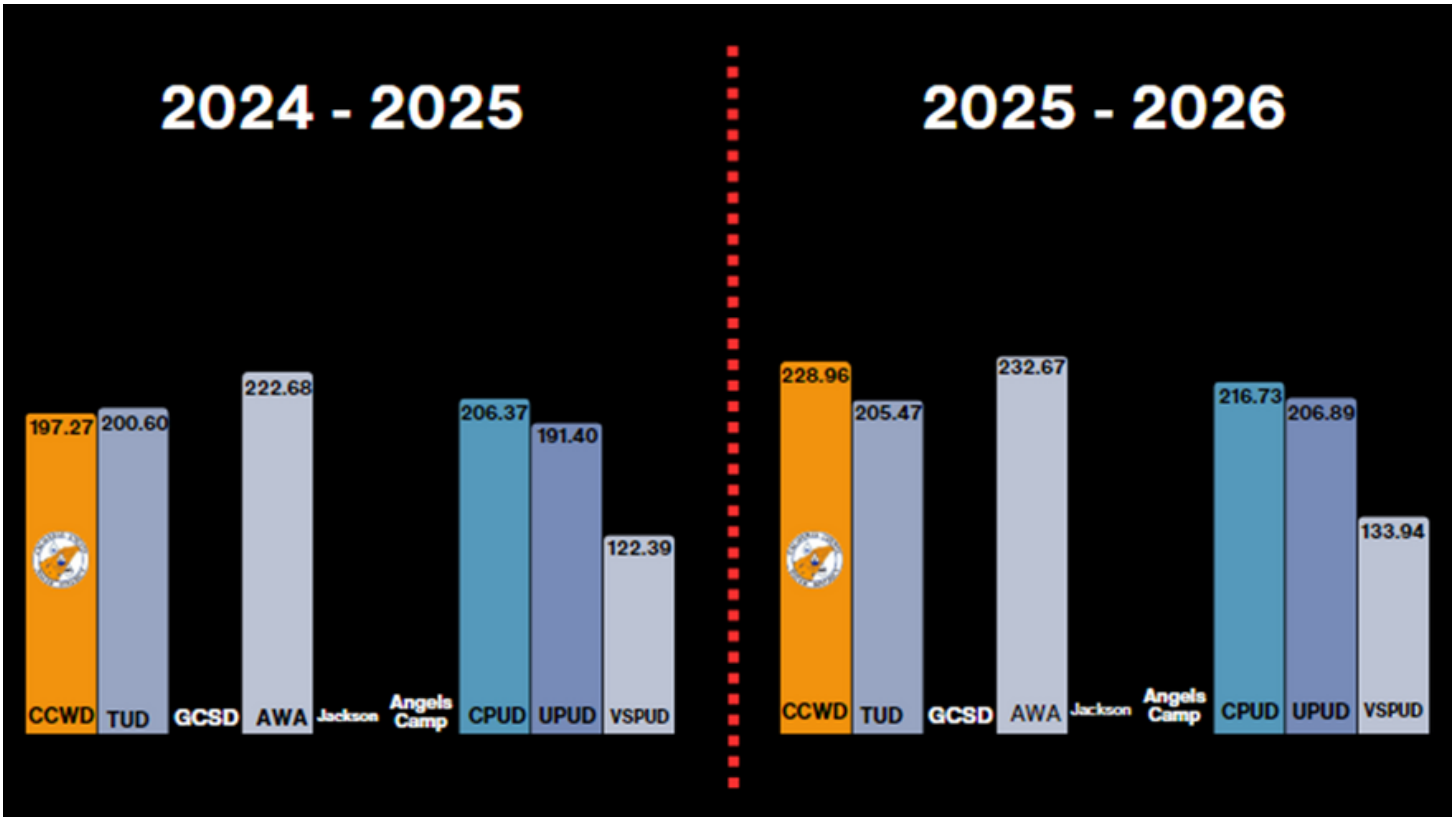
CCWD faces the same demands and requirements as large urban districts, such as aging infrastructure, customer expectations, drought and water scarcity, and federal and state water quality standards and regulations, all of which come as a cost to the agency. The impact on CCWD is substantial, mostly due to our substantially smaller customer base with which to spread the cost.

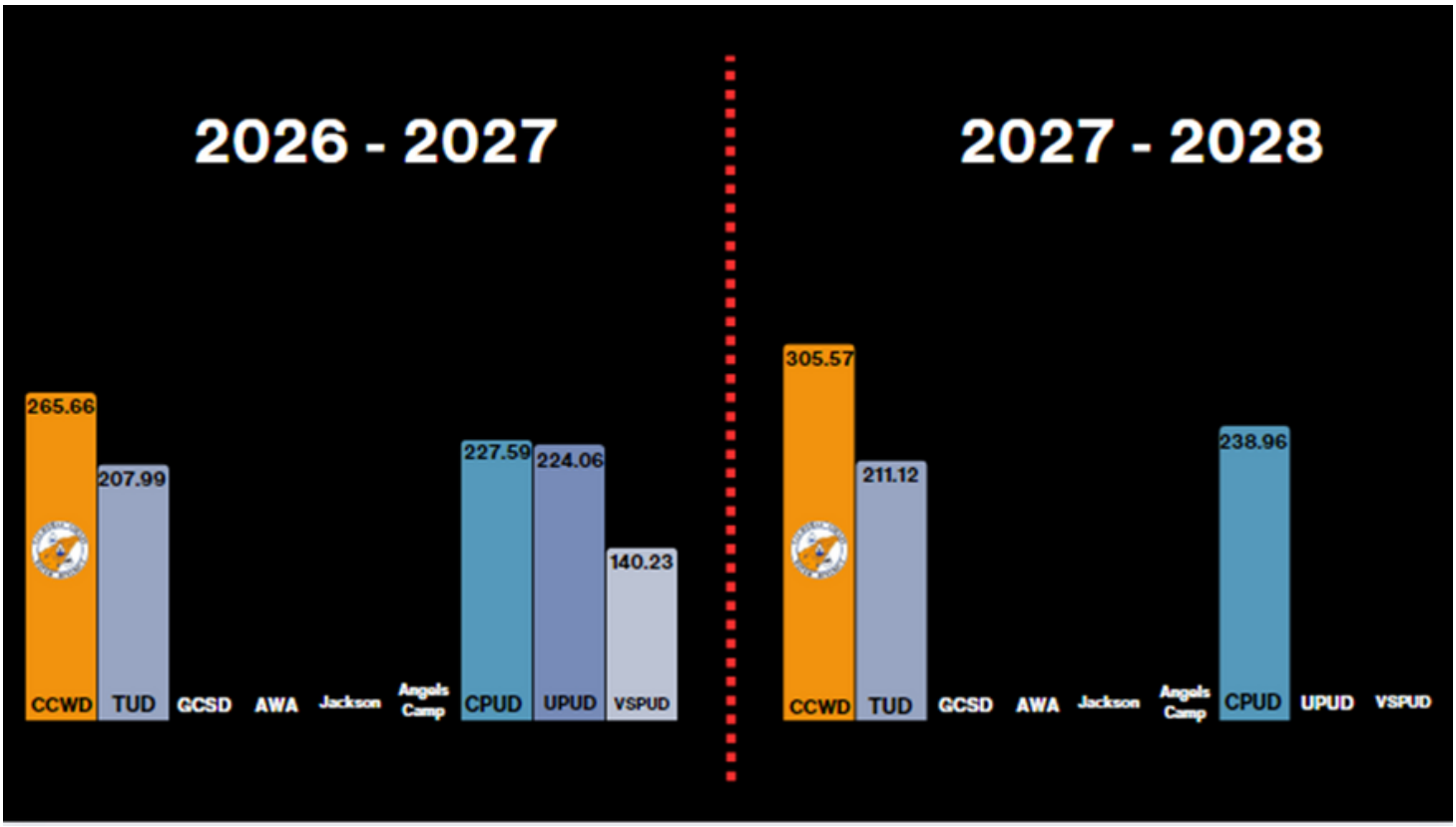


Current bi-monthly residential water base rates including consumption of 187 gallons per day, compared to our neighboring rural agencies. Several of these agencies have much simpler water systems compared to the complex and energy intensive systems that CCWD operates.

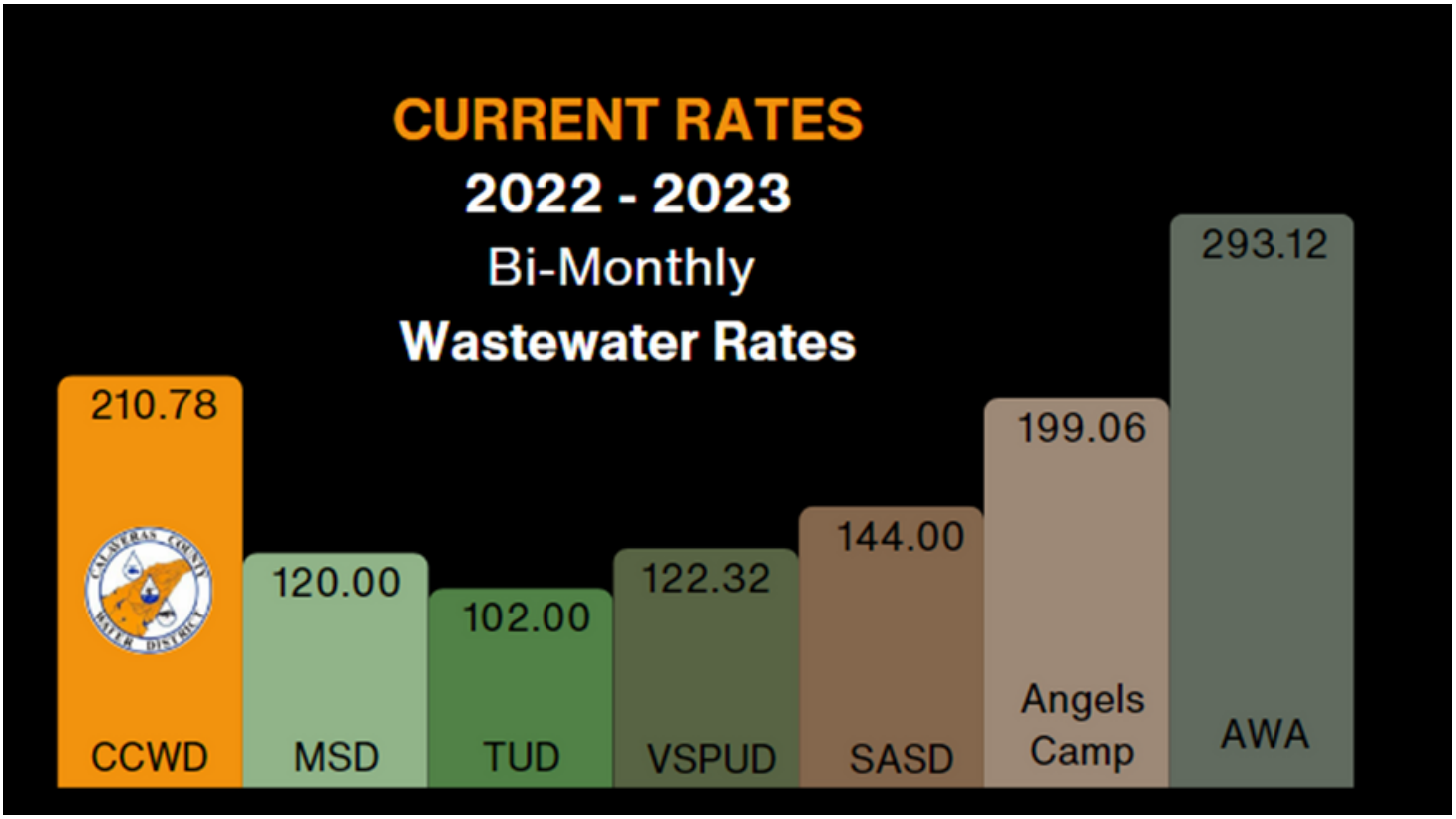


Proposed year one bi-monthly residential water base rates including consumption of 187 gallons per day, compared to our neighboring rural agencies.

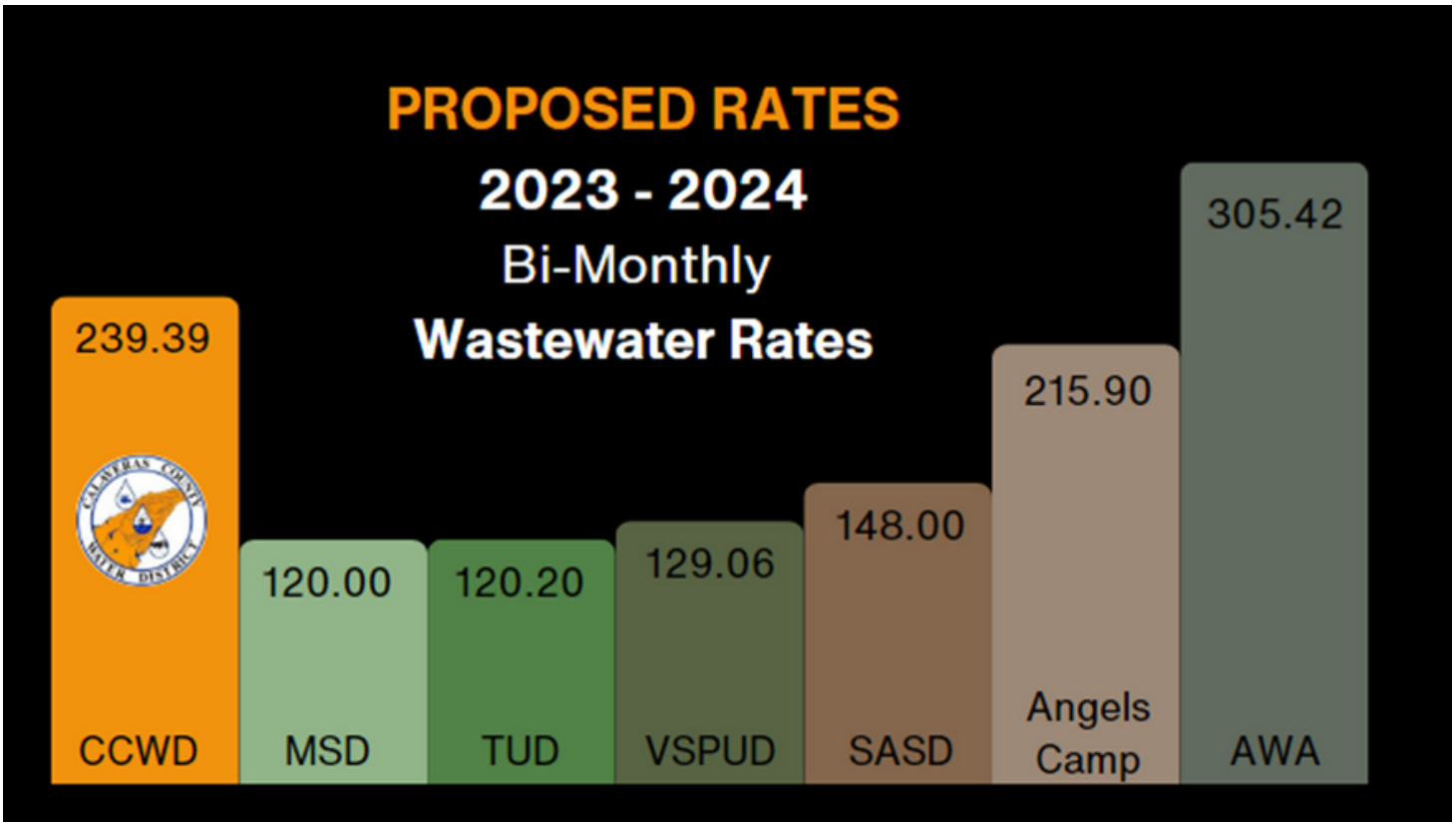




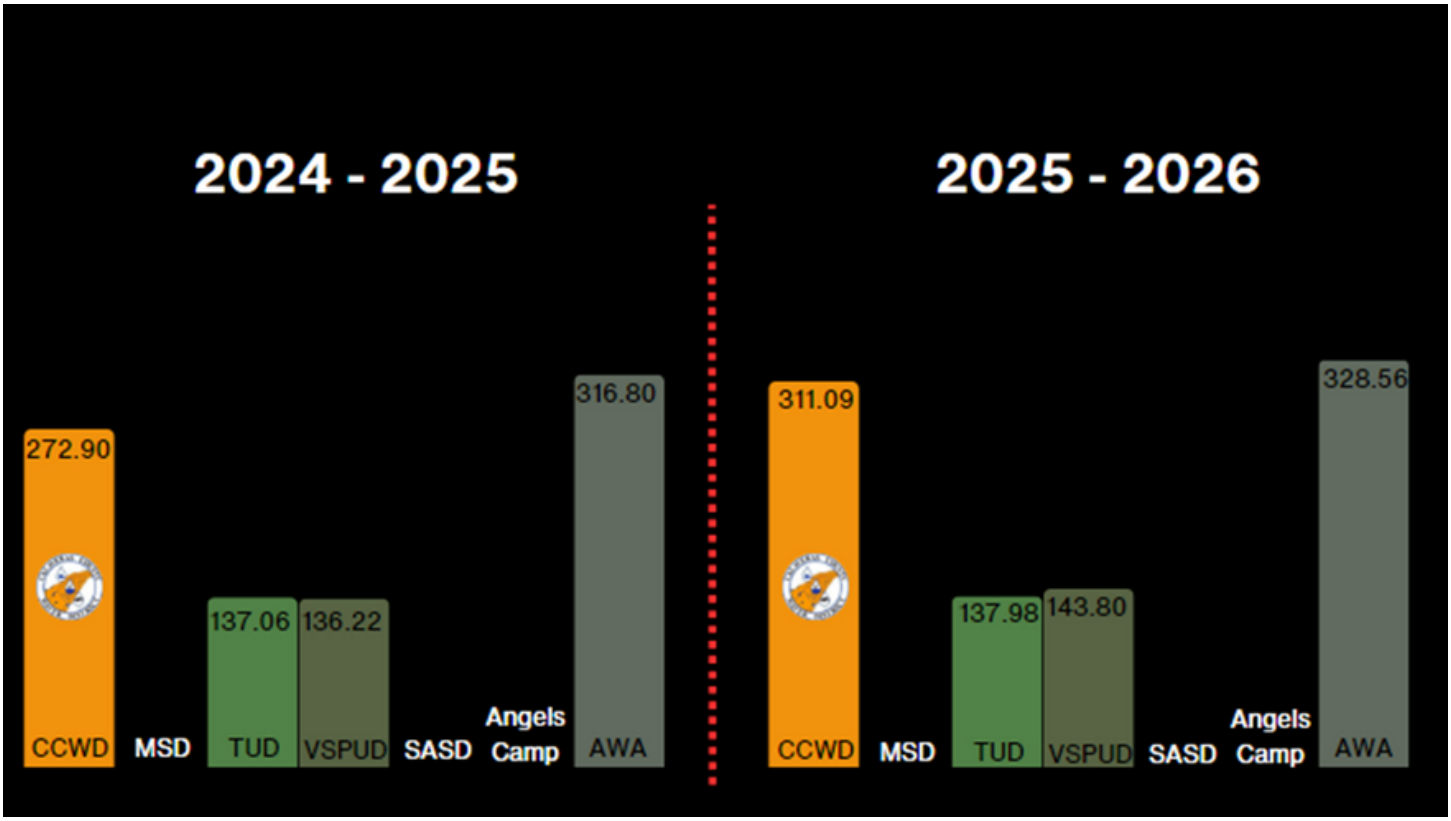
Bi- monthly residential water base rate comparisons including consumption of 187 gallons per day with our neighboring rural agencies for FY 2024 - FY 2028. Some of our neighboring agencies do not have a rate schedule for the same timeline as CCWD and will likely go through the Prop 218 process to restructure their rates during this period. Some of these agencies face the same challenges as CCWD so we don't expect to be an outlier in the later years of this rate schedule.

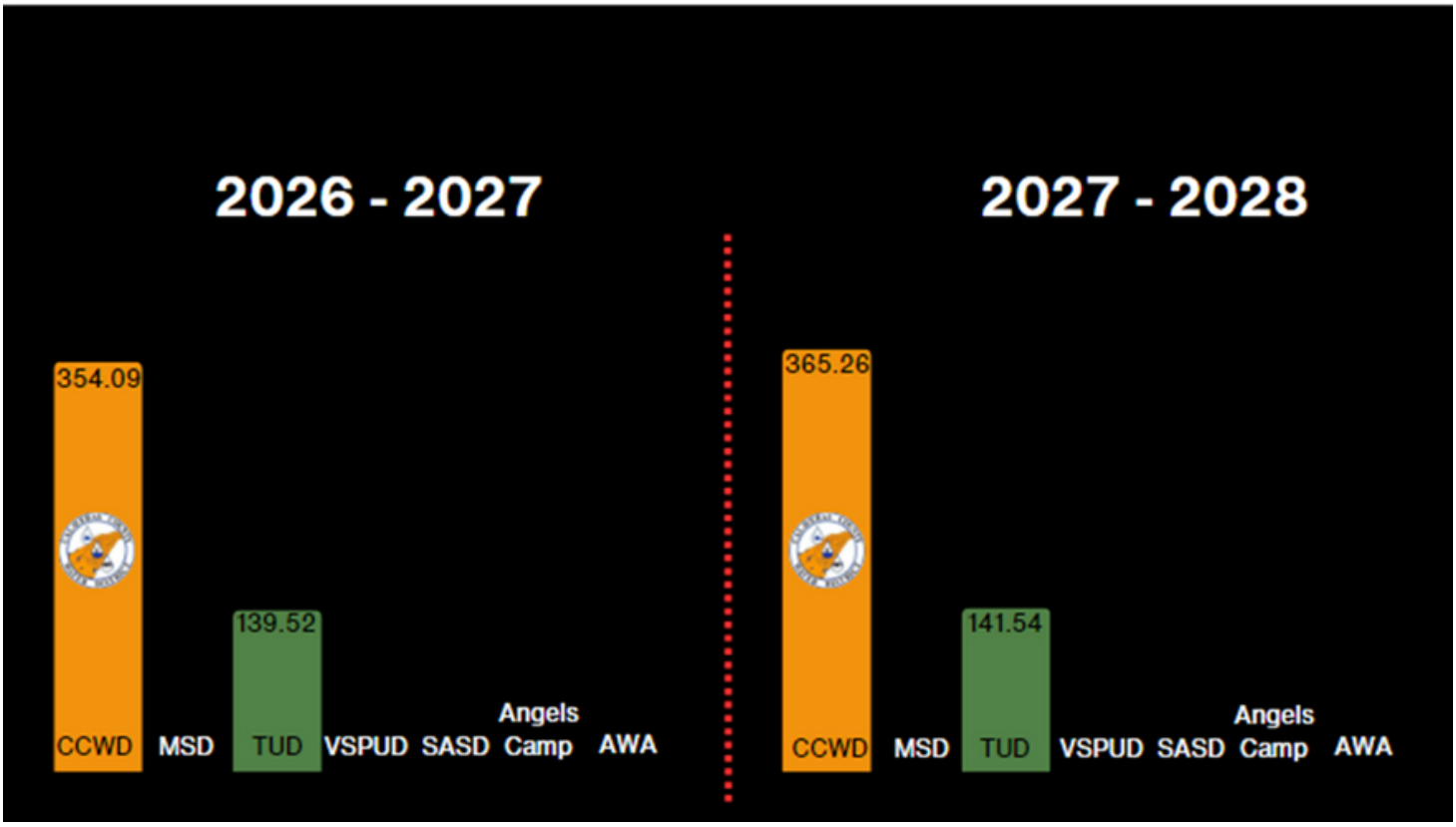


Current bi-monthly residential wastewater base rates compared to our neighboring rural agencies. Several of these agencies have much simpler wastewater systems compared to the complex and energy intensive systems that CCWD operates.

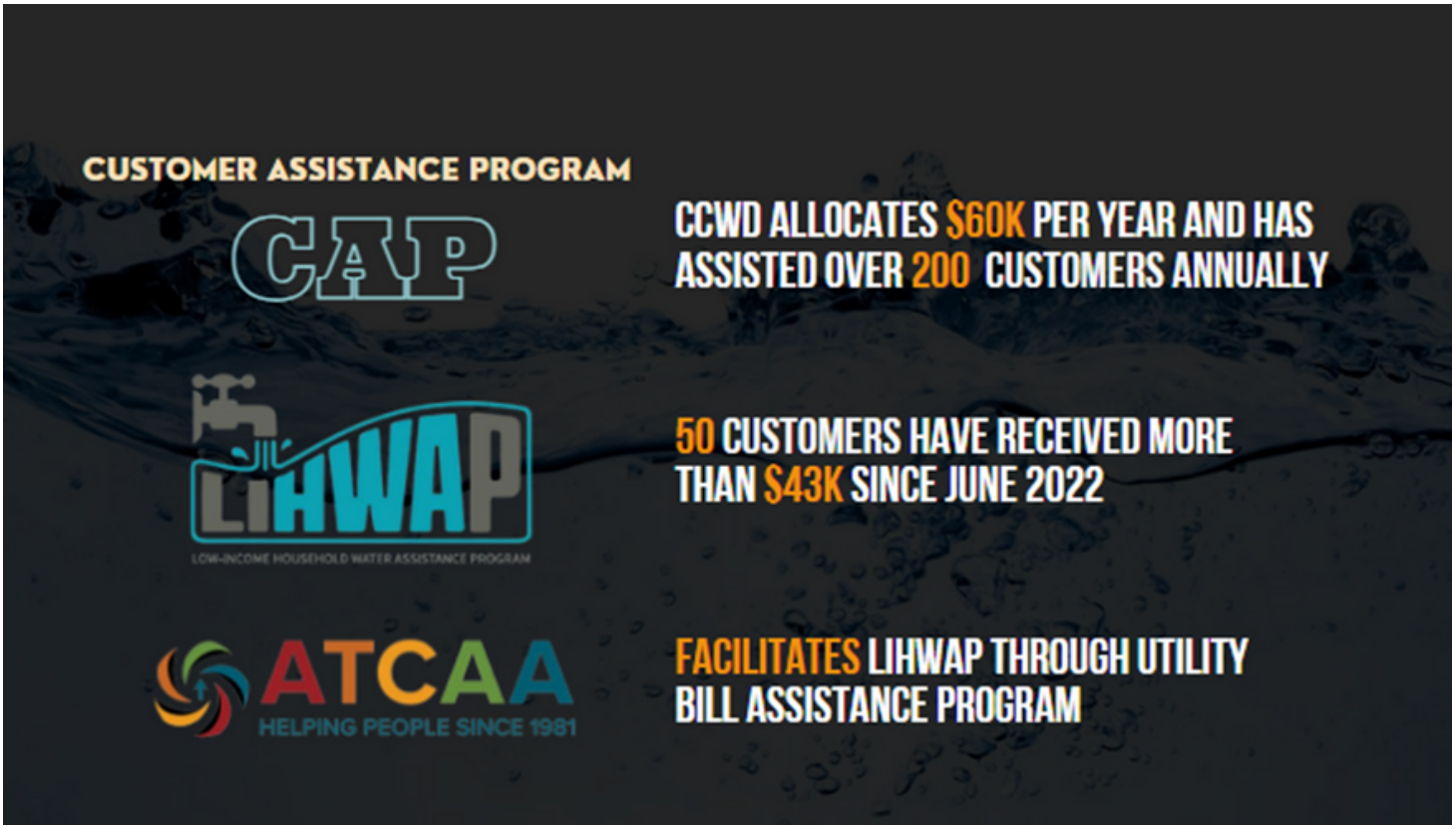


Proposed year one bi-monthly residential wastewater base rates compared to our neighboring rural agencies.





Bi-monthly residential wastewater base rate comparisons with our neighboring rural agencies for FY 2024 - FY 2028. As with the water rates, some of our neighboring agencies do not have a rate schedule for the same timeline as CCWD and will likely go through the Prop 218 process to restructure their rates during this period. Those agencies that face similar challenges to CCWD may end up with rates similar to ours in the later years of our rate schedule.



CCWD established its Customer Assistance Program in 2018 with a roll out in January 2019. The program is budgeted for $60,000 each fiscal year and can assist up to 200 residential water customers and 200 residential wastewater customers. The program requires renewal each year in April-May and if the program is full, a waitlist has been established for qualified accounts to potentially secure a spot at the renewal period each year. CCWD is always looking for ways to bolster this program but is legally limited in options as the program must be funded through non-rate revenues.

The Low-Income Household Water Assistance Program, or LIHWAP, is a federally funded, state run program that is facilitated in Calaveras County by the Amador Tuolumne Community Action Agency (ATCAA). The program provides one-time assistance to qualified customers based on income qualifications. The assistance applies to current or overdue residential water and wastewater bills, and monetary assistance could be in the hundreds or thousands of dollars. Customers who are interested in this program, which will continue through December 31, 2023, or until funding is exhausted, should contact ATCAA.

ATCAA helps facilitate other assistance programs as well, including housing, energy bill assistance, food, income tax, and family, parent, and youth support. Additional information for these programs can be received by calling ATCAA or visiting their website: https://www.atcaa.org/get-help