



Frequently Asked Questions

Cost of Service Study

1. Why are rates being changed?

- The District is obligated to collect revenue sufficient to cover the cost of operating and maintaining the water and wastewater systems that Calaveras County communities depend on. These revenues enable the District to protect public health and safety and reliably convey and treat both water and wastewater.
- CCWD developed a five-year financial plan. The plan shows a significant shortfall between existing revenues and projected costs. The proposed rates close that gap and provide sufficient funds to cover the District's costs over the next five years. The proposed rates are also necessary to maintain the District's eligibility for millions in state grants and low-interest loans that will be crucial for the District to pay for costly upgrades to water and wastewater facilities.
- After accounting for operational and staff cost saving measures, the study determined that a rate change is necessary primarily due to the following reasons:
 - Cover the costs of rising inflation, such as construction supplies, equipment, and chemicals required for treatment plants.
 - The District's electricity rates have more than doubled over the last two years and those costs will continue to increase.
 - CCWD's property insurance costs have increased significantly, largely due to wildfire risk.
 - Construction costs for repairing and replacing critical, aging infrastructure have increased dramatically over the last three years.
 - Meet reserve targets and debt service requirements.

2. What is being done to reduce expenses?

- Restructured retiree health benefits
- Reduced debt service costs
- Utilization of in-house crews for construction projects, such as water service line replacements.
- New technology that improves operational efficiency, such as the AMI meter project.
- Operational cost-saving efforts are a daily endeavor. The Purchasing Agent works to secure the best prices for all purchases.
- CCWD also continues to aggressively pursue grants to offset increasing operations and infrastructure costs. Since 2011, CCWD has completed \$14.9

million in grant-funded projects. The District is currently implementing over \$33.9 million in grant-funded projects and has applications pending for another \$14.2 million. Grant programs are competitive and never a sure thing, but CCWD is committed to continuing its successful grant efforts.

3. Is the tiered water rate structure changing?
 - Yes. The tiered rate structure for residential customers will reduce from four tiers to a three-tiered rate structure reflecting water usage characteristics throughout the year (Tier 1 = winter average [15 hcf], Tier 2 = summer average [30 hcf], and Tier 3 = greater than Tier 2).

4. Hasn't CCWD raised rates recently?
 - Yes, but costs have increased faster than rates. CCWD's 2018-2023 rate schedule included small annual rate increases for both water and wastewater. Water rate increases were less than 2% each year. Those rate increases came after two years of no rate increases (2016-2017). CCWD has worked extremely hard to control costs over that period of time, but over the last three years cost increases beyond CCWD's control have far exceeded the small annual rate increases. Accordingly, CCWD needs to raise additional rate revenue over the next five years to maintain safe and reliable water and wastewater services.
 - Just using the Bureau of Labor Statistics inflation rate, which is much lower than CCWD's actual cost increases, the 2018 base rate of \$112.28, adjusted for inflation, would be \$135.95 in 2023, which is very close to the base rate in the first year of the proposed rate increase.

5. Will the rate increases help address aging infrastructure?
 - Yes. CCWD must continue to address its aging infrastructure and increased rates are necessary for that effort. The cost of running infrastructure to failure is always greater than planned replacement (emergency repair is generally 3-9 times more expensive than planned replacement). The District developed a detailed Capital Improvement Plan (CIP) through FY 2028 that continues system reinvestments that outpace the annual depreciation of capital assets and totals approximately \$55.3M for water and \$35.8M for sewer over the next five years. The District's actual CIP needs are significantly greater than this, but the CIP was reduced to minimize the impact on rates to the extent possible. The District plans to fund these capital projects, and more, through grants, capacity fee receipts, debt proceeds, capital reserves, and rate revenue.

6. With \$60 million in reserves, why do you need to raise rates?
 - Nearly half of CCWD's current "reserves" are infrastructure loan proceeds that will be expended over the next two years on ongoing critical projects, such as Copper Cove water system improvements, Jenny Lind Tank A to Tank B

transmission line replacement, Copper Cove lift station improvements, and Arnold Wastewater Treatment Plant upgrades.

- Of the remaining reserves, the majority are restricted for infrastructure projects in specific service areas. Those reserve funds will help implement CIP projects, but they cannot be used to fund day-to-day operations.
- Established reserve funds include operating, capital replacement, capital expansion, rate stabilization, water rights/FERC relicensing, and emergency. These reserves help mitigate risks to the utility by ensuring sufficient funds are on hand for daily operations and funding for annual system improvements. In addition, these reserves help smooth rates and mitigate rate spikes due to emergencies or above-average system costs. Additionally, capital expansion funds, which are funded by new connections fees, are restricted to funding both expansion related projects and improvements to existing infrastructure in the service areas in which they were collected.

7. Why have CCWD's electricity costs more than doubled over the last two years?

- Like all public agencies in Calaveras County, CCWD receives the vast majority of its electricity through the Calaveras Public Power Authority (CPPA). Through agreements with the Bureau of Reclamation and PG&E, CPPA delivers power from New Melones to local agencies at a discounted rate. Due to increases in PG&E's distribution charges, the CPPA rate increased from less than 10 cents/KWhr in 2021 to 20 cents/KWhr this year. CCWD is CPPA's largest customer by far, with total power consumption over 11,000 GWhrs per year. As a result, CCWD's total annual power cost has increased from \$976,625 in 2021 to \$2,033,658 in 2023. CPPA's rates are still significantly lower than PG&E's commercial rates, but this still had a big impact on CCWD.

8. What is CCWD doing about the increased cost of electricity?

- CCWD can't change the fact that we have a lot of energy-intensive infrastructure throughout the County. We are, however, pursuing ways to decrease our electrical load where possible. We are also revisiting the possible financial benefits of on-site generation, such as solar. In the past, on-site solar generation did not make financial sense for CCWD because of the low cost of CPPA power. That equation is changing, so we are investigating new opportunities to offset power costs.
- CCWD is also excited about the Blue Mountain Energy Company's biomass power plant that is scheduled to start construction this year on CCWD property in West Point. CCWD will not only be able to power its West Point Wastewater Treatment Plant at a lower cost for electricity, but we will see additional cost savings by re-routing biosolids from multiple wastewater treatment plants to be used as fuel for the new powerplant. CCWD currently pays about \$80k/year to ship biosolids to a landfill. The project is primarily designed to generate revenue for fuel thinning in the surrounding forest, which will decrease the risk of severe

wildfire and improve watershed health, but it will also decrease operational costs for CCWD and generate revenue for CCWD in the form of lease payments. There are many other benefits from this project that we look forward to sharing with the community.

9. Are CCWD’s salaries and benefits too high?

- CCWD develops its compensation packages based on the industry standard for like agencies. The District does compensation studies to ensure it does not overpay, but it is also important to remain competitive to recruit and retain the highly skilled workforce that CCWD depends on. CCWD staff have an excellent track record for safety, protecting public health, and maintaining reliable services. That’s only possible because CCWD offers fair compensation for its dedicated employees.
- The share of CCWD’s budget dedicated to salaries and benefits has actually decreased over the last five years.

	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Budget
Salary/Benefits	10,706,896	10,722,169	10,521,633	10,293,749	11,013,599	12,691,352
Operating Budget	16,775,691	17,259,534	18,542,212	18,650,966	20,683,933	23,472,372
Percent of Budget	63.8%	62.1%	56.7%	55.2%	53.2%	54.1%

10. Does CCWD have too many employees?

- CCWD is actually lean for the size and complexity of its operations. With six separate water systems, 13 separate wastewater systems, two FERC-licensed hydropower projects, and County-wide water resources planning jurisdiction, CCWD staff have a wide range of expertise. CCWD currently has 74 full-time employees, which is actually down from its peak of 78 employees in 2008. CCWD constantly strives to be as efficient as possible and only adds new positions when absolutely necessary.

11. Is financial assistance available for low-income customers?

- Yes, but for now it is very limited. CCWD is legally prohibited from using rate revenues to subsidize customers based on income status. We do offer a Customer Assistance Program that is funded with non-rate revenue, but funding is limited for such programs.
- State and Federal agencies have been working on developing programs to provide relief for low-income customers and to address what has become known

as the “affordability crisis” since many utilities are forced to implement large rate increases. So far, only the Low-Income Household Water Assistance Program (LIHWAP) is available, and it only offers one-time assistance for past due debt.

- CCWD is advocating at the state and federal levels for infrastructure funding to help mitigate pressure on rates, as well as for direct assistance for low-income customers. We expect more assistance will be available over the course of this five-year rate schedule and we will keep our customers informed as new sources of funding become available.

12. Does CCWD understand the financial hardship rate increases can create for customers?

- Yes, we do. CCWD staff and directors are members of the communities we serve and, in many cases, are CCWD ratepayers. We have worked hard to control costs and find creative ways to fund infrastructure projects and we will continue that pursuit.
- Unfortunately, water districts have very little flexibility when it comes to rate structure and funding sources. We are also in an industry where failure is not an option. We don’t take rate increases lightly, but we must deliver on our obligation to provide safe and reliable services to our communities. The cost of failure would be greater.