

### **Why is AWA proposing higher rates for water and wastewater service?**

Amador County's aging water and wastewater systems are breaking down more and more. Reacting to outages now takes so much time for our small staff that we cannot keep up with preventative maintenance. We have no financial reserves. We are at a point that, if we don't address the age and condition of our system, we will not be able to provide drinking water or wastewater service reliably.

- Water agencies should do comprehensive rate studies every 3-5 years and adjust rates as needed to meet community needs. AWA's last rate adjustment was in 2017. AWA started this rate study in August, 2020. The Board discussed the rate study as it was being developed in 13 public meetings and workshops.
- We charge the actual cost of providing our service. We are not allowed to make a profit. And if we charge less, we have to reduce our level of service.
- The proposed rate increases represent an investment in water and wastewater systems that are essential to Amador County quality of life, and for the future of the community – our children and grandchildren.

### **Who determines the amount of the rate change?**

Proposed rates were developed by outside utility rate experts through a Cost of Service Analysis and Rate Study, working with the Agency, to fairly and equitably break down the costs of providing service to each type of customer. The study findings assist the AWA Board of Directors in responsibly adjusting rates that support the financial health of the agency and avoid any customer group paying more than their fair share.

### **When will the new rates go into effect?**

The proposed rates are being considered now by the AWA Board of Directors. A public hearing is scheduled for July 27, at which time the Board will make a decision about rates for its retail customers. If approved, the new rates would take effect on September 1, 2021. The Board will be considering proposed increases to wholesale water rates in August.

### **How will the new rates affect my utility bill?**

In early June, AWA retail customers were mailed a Notice of Public Hearing on Proposed Increased Rates and Charges for Water and Wastewater Services, which is available on the AWA website. It includes a detailed table of proposed new water and wastewater rates over a 5-year period. Another table shows anticipated typical bill impacts year by year over the 5-year period for "typical" residential bills. These examples were calculated for each of our service regions as monthly bills for residences using 8 billing units.

Current residential water bills—total cost—come out to about a penny/gallon. After five years, it will be a little under 2 cents/gallon. Please call the AWA office at 209-223-3018 and a customer service representative can help you estimate how the rate adjustment will affect your utility bills.

**Why are the proposed rate increases highest the first year?**

AWA plans to secure low-cost loans to spread out the cost of critical construction projects over a period of time (just like most of us pay for cars and homes). In order to get the loans, AWA needs to be able to show that there is enough revenue to repay the loans. Right now, we can't get a loan approved.

**What are the new rates intended to accomplish for AWA customers?**

AWA recently completed a Water Master Plan Study that spent more than a year looking at our entire system. The full report is on our website. The study found an unusually high number of deficiencies, many of which need urgent attention. The study identified 98 projects that are necessary to correct deficiencies, and because of the high total cost, it spread the projects over a 20-year program.

- The study also calculated what we should be planning to spend on regular rehabilitation or replacement of parts of our system. We estimate that 80% of our existing system is older than its original expected usable life.
- The study recommended a way to prioritize projects, which our Board adopted. It put the highest priority on projects that are needed to comply with drinking water regulations and to insure reliable service to existing customers. Projects that largely benefit planned growth are a lower priority and will be addressed later.
- The proposed rates are based on a 5-year financial plan that aims to put the Agency in a position of financial health so that after five years, we can carry on with the rest of the Master Plan Study projects without further dramatic rate adjustments.
- The highest priority projects are planned for the next 5 years, and the cost of those projects is the main driver for the proposed rate increases. The first group of projects includes improvements for existing customers in every part of our service area.

**Why are the proposed rates different for customers in different areas?**

All AWA customers pay the same service charge for the same type of service, and the same cost per gallon of water used. Bill amounts vary in different areas or neighborhoods because each of AWA's various water and wastewater systems are paying off historic loans remaining from improvement projects in the past.

### **What is AWA doing to hold down costs to customers?**

AWA Board of Directors has made major changes to address past criticisms, including a new management team at lower cost. Our staff is much smaller than it was 10 years ago. We've worked hard to meet a high standard of service with lean staffing levels.

- Recent construction and repair projects have been funded by state and federal grants and loans. We are ramping up our pursuit of grants, and we hope to obtain more grant funding. But we cannot depend on grants. If we do get grants, or if the projects cost less than our estimates, it could allow the Board to approve lower rate increases in the later years in the plan than are projected.

### **Does AWA pay profits to stockholders?**

As a public agency—not a utilities company—we make no profit. We rely on our rate revenue for almost everything we do. We are required by law to collect no more and no less than we need to serve the community.

### **Why are Amador County utility costs higher than some other agencies?**

We serve 24,000 people spread over 568 square miles. We are required to meet the same service standards as city agencies, but we are much more spread out. That means the cost of providing water to each customer is higher. It is difficult to compare our rates to most other agencies.

- We were created to provide quality service to the entire county. Over time, we've absorbed numerous systems that were built and operated by entities too small to remain viable. A very large proportion of our system is quite old and was often poorly maintained before we assumed responsibility for it.

### **I'm not an AWA water customer – will my water bills go up?**

Five districts buy wholesale water from AWA for their customers: Drytown, Jackson, Pine Grove Community Service District, Mace Meadows and Plymouth. These wholesale customers make their own decisions about how or when to pass on AWA rate increases to their customers in their bills, so we can't predict bill impacts for individuals they serve.

- The five wholesale customers will see a higher first-year increase than AWA retail customers. This is because our updated Cost of Service Study found that wholesale customers should be bearing more of the Agency's total costs than they have been in the past.