

Water Shortage Causes Rate Structure Review

The drought of the past three years has caused water companies throughout the state to re-examine their rate structures to determine if they are designed in a way to encourage water use efficiency as well as continuing to be fair and equitable for each size and type of property.



Lake Oroville, February 2009, Looking north along the North Fork of the Feather River

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AUTOMATIC PAYMENT PLAN AVAILABLE

Take advantage of our automatic payment plan and be assured that your account is always paid on time even if you are on vacation. You will still receive a monthly statement to keep track of your water usage and know the amount that will be debited from your bank account later in the month. Call 626-797-6295 today to request an application.

KID Board of Directors Approves 2010 Budget

The Board of Directors approved the 2010 budget at its meeting on October 20, 2009 after holding a public hearing on the proposed 2010 water rates needed to support the budget. The budget summary can be viewed on the District's web site at <http://www.kinneloairrigationdistrict.info>.

The budget process started in July with the selection of a committee to review the budgets and financial results for past years and to consider the operational and capital improvement needs of the district in 2010 and beyond. The committee worked with the General Manager to develop a draft budget which was presented to the Board in August for further discussion and refinement. The Board then set a date for a public hearing on the proposed rates and voted for final approval.

The budget projects net revenues of \$265,900 which will be used to fund capital improvement and planned maintenance projects. The approved 2010 rates are as follows:

Monthly Service Charge: \$49.00 (\$1.611 per day)
Commodity Charge: \$ 2.75 per CCF (748 gal.)

The **service charge** covers a portion of the fixed and general expenses of the District and to maintain the infrastructure needed to bring the water to your property. This fixed service charge is billed on a daily basis for the number of days between meter readings. The **commodity charge** is for the amount of water provided and used in the billing period and includes variable expenses such as the electricity used to pump the water.

Because the KID has had sufficient local groundwater rights to serve its customers over its 57-year history, its rate structure has not needed to include the cost of purchasing imported water or increased pumping rights.

Water Shortage Impacts the KID

The 2010 budget represents a turning point for the District: In order to assure adequate supply, we have budgeted for the purchase of 100 acre-feet of additional pumping rights in our local groundwater basin if available or for the purchase of imported water if available. This action is needed because of reduced water levels in our groundwater basin and drought-related reduction in production from our water tunnels and credit for the capture of canyon water for percolation into the groundwater basin. This purchase is not being done because our customers are using more water. In fact our customers have reduced their consumption by 14% over the past two years through voluntary conservation measures.



Eaton Canyon Falls

The Trend Toward Tiered Rates

The need to encourage water efficiency in this era of water shortages and the need to cover the increased cost of imported water has led to increased implementation of a tiered rate structure in which the commodity rate per unit increases with the usage in two to six steps.

However in order to be fair to all customers the breakpoints for each tier must be set to reflect the size and usage of the property as well as the number of people in the household. This requires that the water company analyze each property to determine these factors in order to set the individual breakpoints on an equitable basis. Needless to say, this is a very expensive process and an administrative nightmare to implement.

The Current KID Approach

The Board considered various rate structures for 2010 but determined that the cost of implementing a tiered structure exceeded the benefits. Furthermore, the current structure has been successful in encouraging water use efficiency at all levels of usage for all sizes of properties and households. In addition, all District customers pay a fair share of the fixed and variable expenses of the District without a subsidy to a particular class of customer. After considering all these factors the Board decided to retain the current structure with an increase in both components to reflect current and projected fixed and variable costs and to provide adequate funds for capital improvements and planned maintenance projects scheduled for 2010.

The Future KID Approach

The Board will be continuously monitoring the current rate structure to see how it affects water usage and revenues as well as studying other approaches that might be used in the future. The budgeting and rate setting process for 2011 will start in July. You are invited to provide written comments and/or join in the discussion of these and other issues at the meetings of the Board of Directors which are held at 7:30 p.m. on the third Tuesday of the month at the District office at 1999 Kinclair Drive, Pasadena, California 91107.

Your questions and comments are welcome. You can e-mail us at newsletter@kinneloirrigationdistrict.info or include a note with your payment.