



RAINBOW WATER RATE STRUCTURE

What Makes My Water Bill So High?

We get this question a lot: "My friend in Temecula (or San Diego, or any other urban area) has a water bill that is lower than mine. Why are RMWD's fixed water fees higher than theirs?" It is a valid question for which there is no simple answer. Here are some of the reasons our rate structure is different than other areas:

We Are A Large Rural District

RMWD is over 80 square miles with fewer than 7800 service connections. Taken another way, we have fewer than 100 accounts per square mile. Our neighbor to the North, Rancho Water is about 156 square miles with over 40,000 accounts, or 256 per square mile. Every place where we serve water we need to have pipelines, tanks, valves, pump stations, etc. in order to get the water to you. The cost to maintain those assets are similar between the two agencies, but Rancho Water can split their costs among 2.5 times as many customers as we can. We work hard to keep your costs low, so while Rancho Water's fixed charge for a $\frac{3}{4}$ residential meter varies between \$21.22 and \$40.58, RMWD's is only \$24.40 per month. While it may seem high to you, the reality is that we are striving to keep these fees as low as possible.

Our Costs Include San Diego County Water Authority (SDCWA) Charges

RMWD pays fixed fees to SDCWA that use the 3-10 year rolling average of our consumption to set the fees. These costs are for the use of the SDCWA pipeline network, treatment plants, and emergency storage facilities. We pass through these fixed charges to our customers as a separate line item in our bills. Other than for our large agricultural customers who qualify for a special rate from SDCWA, the fixed charges from SDCWA are larger than the fixed charges from RMWD in every rate class. Over time, as our water purchases from SDCWA decline, the fixed charges should go down. With that said, SDCWA may increase or alter its calculation methodology so we cannot promise that these fees will go down.

What Are We Doing About It?

First, this fall we will be performing a comprehensive Cost of Service study to analyze our costs and ensure that fees are set at the appropriate level based on a customer's use of the system. Every customer owns a share of the entire water system and we try to base our fees on how much of an impact their use has on our systems. We think everyone could agree that it makes sense that larger users should pay higher fixed fees and smaller users lower fixed fees. We are working on some creative ways to help apportion costs more equitably. We encourage anyone who is interested to attend our Budget and Finance Committee meetings where these topics will be discussed over the next several months.

Second, we are working on developing some local water supplies in order to reduce our dependence on expensive imported water. With the wholesale costs of water more than doubling over the last ten years, sources of water which were previously uneconomical are now becoming feasible. We are actively working on designs for a brackish desalination plant to take advantage of water rights that we have in the Pala and Bonsall groundwater basins. Early projections show that an investment in this source could deliver water that is cheaper than imported water. We still have more studying to do, but this would help lower our overall cost of water and, once we roll off some demands from SDCWA, help lower our fixed fees from SDCWA over time.



Finally, our long-term planning is to beneficially reuse the water we collect in our wastewater systems, either as non-potable recycled water or as part of another reuse project. Technologies to recapture water (that now goes out to Oceanside and then to the ocean) are advancing rapidly and while it is still a few years away, there are options for us to get about 15% of our water supply from a potable reuse application. Regulations are still being developed so we have to bide our time, but potable reuse, together with brackish desalination, could deliver a significant amount of our water supply from reliable, lower cost local sources.

Future Needs

RMWD is nearing our 65th year of serving water to our ratepayers. During this long period, about 325 miles of pipelines have been constructed in every nook and cranny of our rural area. Pipelines are generally designed to last between 50 and 70 years. We have a challenge coming up in that our original pipelines are nearly at the 70-year mark and about 50% of our pipelines are nearly 50 years old. We work hard every day to find ways to extend the lifespan of these pipelines, but the vast majority of them are steel pipelines and sometimes get corrosion at joints and other fittings. When you see our crews fixing a leak, it is virtually always one of these connections that has failed.

We are in the process of a comprehensive Condition Assessment study to support our Asset Management program. We have over 100,000 assets in our system, including pipes, valves, pumps, hydrants, and everything else it takes to deliver water to your property. With most of those facilities starting to reach the end of their design lifetimes, we are identifying ways to extend the life of the facilities or, if that is not possible, the most cost effective way to replace them.

There is no way around the fact that this process will not be easy or cheap. Over the next few decades we will need to replace or rehabilitate hundreds of miles of pipeline to maintain a level of service that is acceptable. Failure to act will only result in more leaks which are very expensive to repair. Leaks cause property damage, destroy roads, create excessive overtime for our crews, and create very inconvenient outages for our customers.

Over the next six months or so we will be discussing this process at our Engineering Services Committee meetings and we encourage anyone who has an interest to participate. We need to identify the most cost effective strategies to handle the problem and identify the funding mechanisms to get the job done. While there may be a small amount of grant funding available, unfortunately most of the money will need to come from water rates. There are ways to reduce the rate impact, such as low cost bonds that are paid over time, but at the end of the day there will be a rate impact.

This information is being provided to our customers early in the process to make sure that you are aware of the challenges we all face together and to encourage you to participate in the process of finding a solution. Our volunteer committees bring great ideas to the Board and staff at RMWD all the time so we encourage any of our customers with great ideas to bring them to the table for consideration.

Please feel free to contact us if you have any additional questions or are interested in serving as a volunteer on one of our committees or go to our website at <https://www.rainbowmwd.com/meetings> to find out when the next board or committee meeting is scheduled.

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