

PUBLIC RATE Hearing  
for 2023-2025 Rates

November 21, 2022





# Introductions

Randy Marx

Board President

Mike McRae

Vice President

Misha Sarkovich

Director

Chris Petersen

Director

Vacant

Director

Tom R. Gray

General Manager



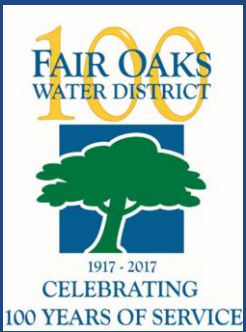
# Bottom Line

The FOWD Board and Management are recommending the following rate increases:

10% in 2023

10% in 2024

5% in 2025



# About this Public Rate Hearing

This is a formal process

Presentation on  
information learned &  
response

Discussion on information  
& concerns

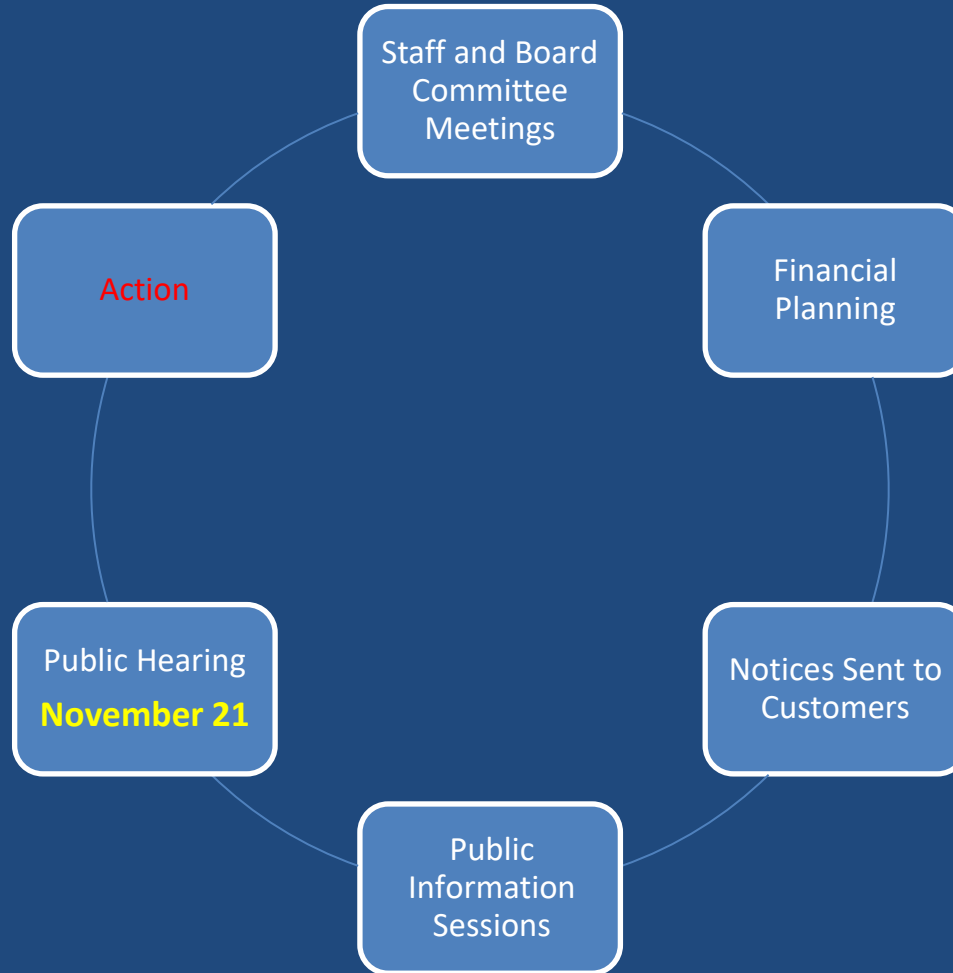
Public testimony with 3-  
minute limit per speaker



Board will be acting on proposed rates  
tonight



# The Rate Making Process





# Past FOWD Rates

## Historic FOWD Rate Adjustments At A Glance

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
0%	0%	0%	0%	0%	0%	3%	0%	0%	0%	0%	0%	10%	0%	0%	0%	0%

*“FOWD has a history of only asking customers for rate increases when we must have them.”*



# Current FOWD Rates

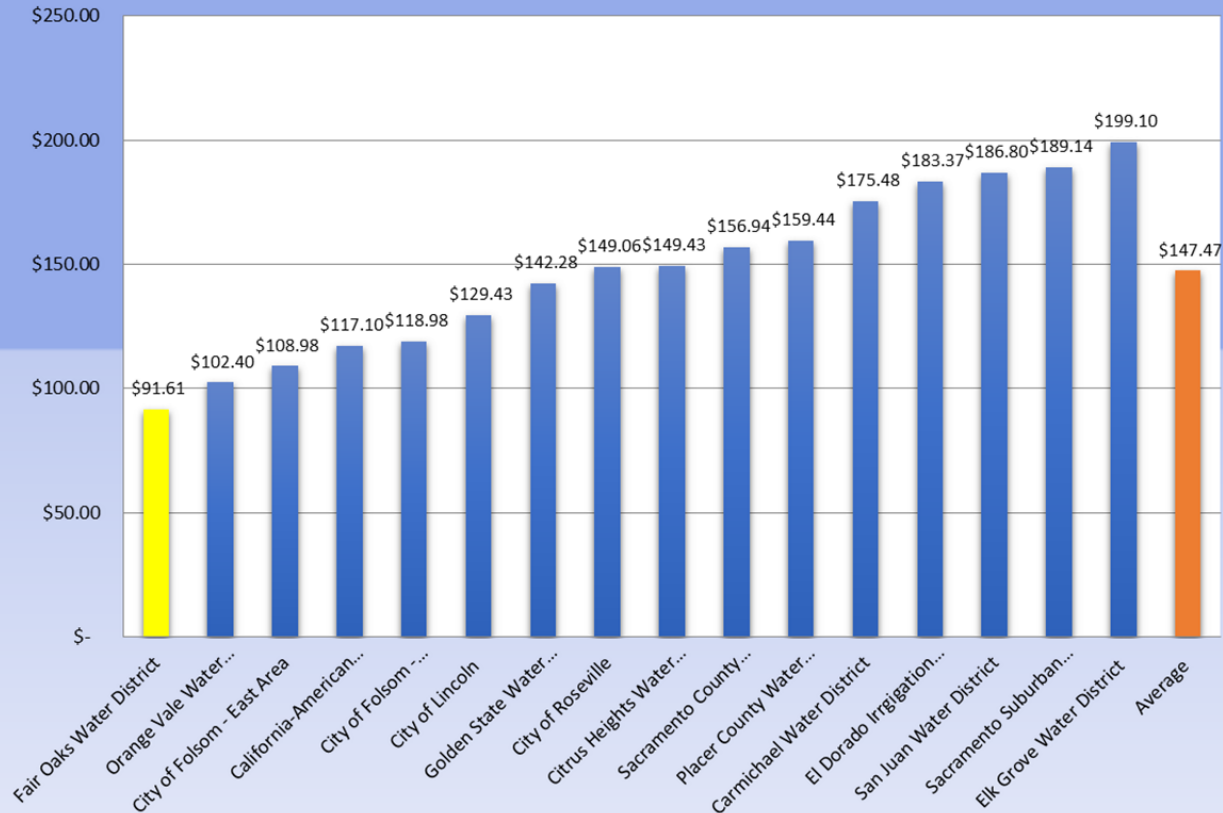
**61% Lower** than the  
Sacramento Region Average

**117% Lower** than the  
Sacramento Region High



# Current FOWD Rates

**2022 Bi-monthly Metered  
 Charges for 1-inch Services  
 Based on 40 CCF for 2 Months Period**





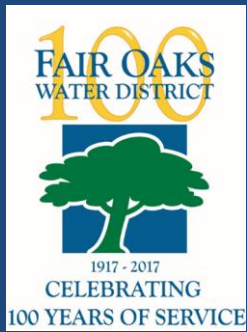


# Why are rates changing? Inflation

The FOWD **INCREASED RATES 13%** from 2006 to 2022.

Consumer Price Index **INFLATION INCREASED 49%** from  
2006 to 2021.

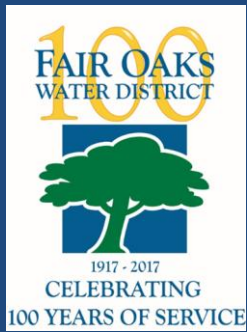
2022 is estimated to end with another **INFLATION  
INCREASE of over 8%**



# Why are rates changing?

## SJWD Rate Increases

An acre foot of water purchased by the FOWD from the SJWD **cost \$95.05 in 2006**. An acre foot of water purchased by the FOWD from the SJWD **cost \$307.08 in 2021**.



# Why are rates changing? SJWD Rate Increases

- Cost of Surface Water Purchased from SJWD **INCREASED 323%** from 2006 to 2021.

*“Please remember that the FOWD only increased rates 13% from 2006 to 2021.”*



# FOWD Purchased Water Cost

2006 Actual  
Annual Cost  
= \$1,062,504

2021 Actual  
Annual Cost  
= \$2,041,404

2006-2021 =  
\$978,900 Annual  
Increased Cost

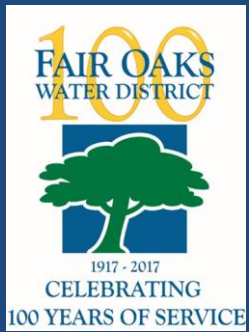


# FOWD Customer Revenue

2006 Actual Annual  
Operating Revenue  
from Customer  
Rates = \$7,932,226

2021 Actual Annual  
Operating Revenue  
from Customer  
Rates = \$9,118,409

2006-2021 =  
\$1,186,183 Annual  
Increase in Revenue  
from Customers



# FOWD Rate Fact

Essentially 100% of FOWD increased revenue from customer rates from 2006 to 2021 has been paid to the San Juan Water District due to increased surface water cost – FOWD has absorbed all other cost increases for fifteen years.



# Why are rates changing?

## Primary Reason

### Aging Transmission Mains

*The FOWD has two transmission mains that range in pipe diameter from 18 inch to 30 inch and that have a combined length of approximately 9 miles. In July of 2021 FOWD worked with an outside consultant to complete a Transmission Main Replacement Report.*



# Why are rates changing?

## Primary Reason

### Aging Transmission Mains

- *The south transmission main delivers surface water from the Fair Oaks 40 Transmission Pipeline and was **installed in the 1930s mostly through private property.***
- *This main has been scheduled for replacement in multiple phases between 2024 to 2034 at an estimated cost of \$15,800,000.*



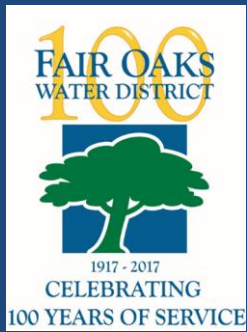


# Why are rates changing?

## Primary Reason

### Aging Transmission Mains

- *The north transmission main delivers surface water from the Cooperative Transmission Pipeline and was **installed in the 1950s** along public right-of-way.*
- *This main has been scheduled for replacement in multiple phases between 2034 to 2044 at an estimated cost of \$17,000,000.*



# FOWD Financial Performance

Entering 2023 the FOWD has:

- ✓ Zero Existing Debt
- ✓ Zero Debt Payment
- ✓ Cash Reserve of \$8,500,000
- ✓ 40% of Water Sales Revenue Invested Into Capital Over the Past 20 Years



# FOWD Financial Performance

From 2006 to 2021 FOWD absorbed increased annual operational costs of over \$2.2M ... our costs to operate increased 46% while FOWD raised customer rates 13% ... *we believe we have performed well on our ratepayer's behalf ... but now must pass on costs that we have no control over.*

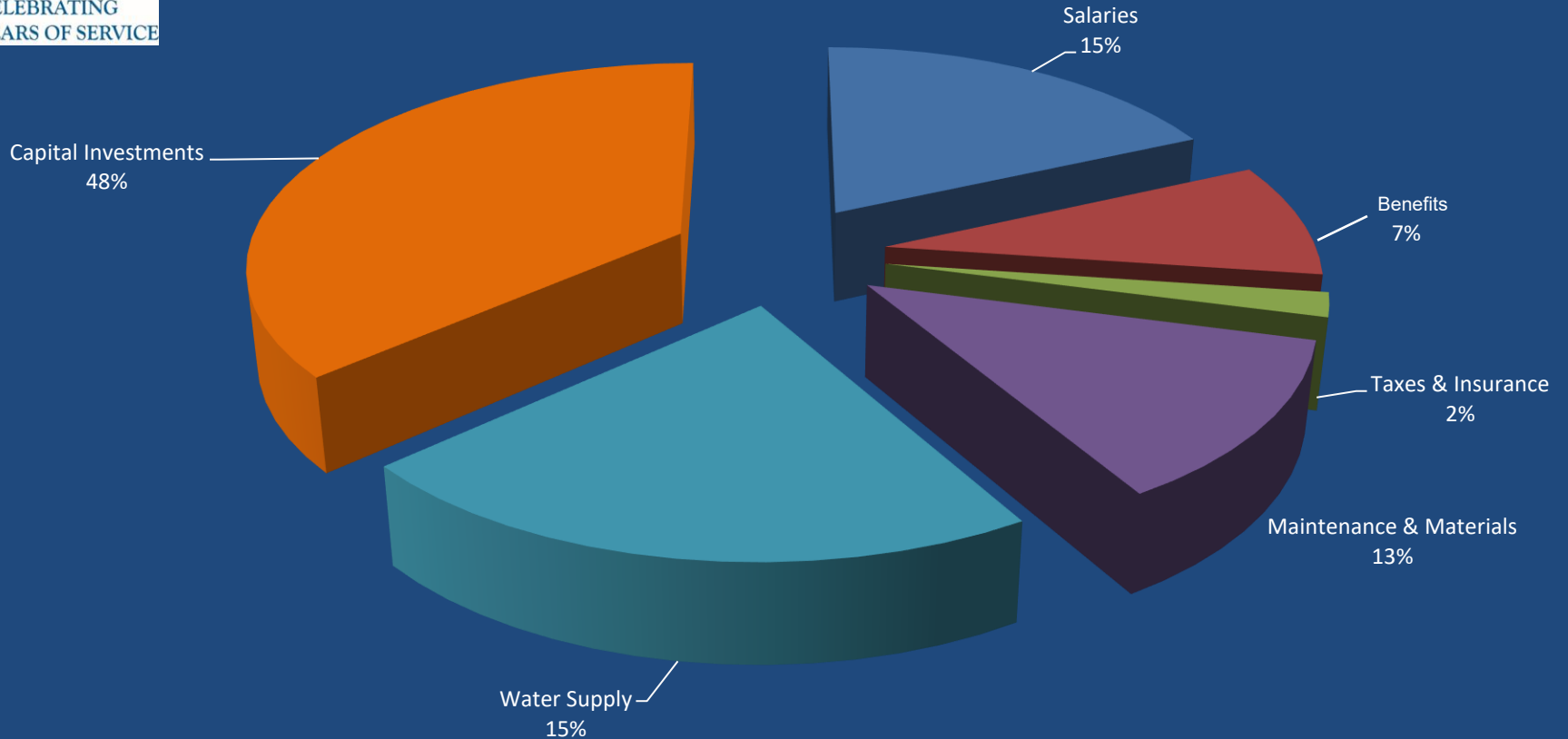


# Where Your Money is Spent 2023

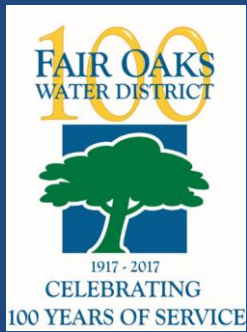
Item	Dollars
Cash Reserve Entering 2023	\$8,500,000
Revenue Total w/ 10% Rate Increase	\$10,800,000
Operating Cost (Includes Water Purchase)	(\$8,300,000)
Capital Investment	(\$8,200,000)
Estimated 2023 Year End Cash	\$2,800,000
<b>2023 Capital Project List</b>	
Annual Routine Capital Cost	\$1,300,000
Corp Yard Project	\$300,000
Skyway Well	\$1,500,000
New York Well	\$3,000,000
New York Water Main Replacement	\$2,100,000



# Where Your Money is Spent



## 2023 Proposed Expenses



# Bottom Line for Most Customers

Under the proposed FOWD rate structure, a typical homeowner having a 1" meter and using 500 gallons of water per day, **will have a water bill increase of** an estimated \$9.16 per 60-day billing cycle, or **15.27¢ per day in 2023.**



# Current & Proposed Rates

## Fair Oaks Water District

### Metered Service Charges and Commodity Rates <sup>(1)</sup>

Bi-Monthly Fixed Service Charges				
Meter Size (Inch)	Actual 2022	10% Proposed 2023	10% Proposed 2024	5% Proposed 2025
1	\$ 71.61	\$ 78.77	\$ 86.65	\$ 90.98
1.5	131.24	144.36	158.80	166.74
2	202.71	222.98	245.28	257.54
3	393.32	432.65	475.92	499.72
4	607.87	668.66	735.53	772.31
6	1,203.22	1,323.54	1,455.89	1,528.68
8	1,919.30	2,111.23	2,322.35	2,438.47
10	2,990.76	3,289.84	3,618.82	3,799.76

	2022	2023	2024	2025
Commodity Rate per CCF <sup>(2)</sup>	\$ 0.50	\$ 0.55	\$ 0.61	\$ 0.64

#### Shared Metered Services:

User Category	2022	2023	2024	2025
Shared meter service(s) - multiple parcel community residential domestic <sup>(3)</sup>	\$71.61 per parcel + consumption <sup>(4)</sup>	\$78.77 per parcel + consumption <sup>(4)</sup>	\$86.65 per parcel + consumption <sup>(4)</sup>	\$90.98 per parcel + consumption <sup>(4)</sup>
Shared meter service(s) - multiple parcel offices commercial domestic	Meter service rate <sup>(5)</sup>	Meter service rate <sup>(5)</sup>	Meter service rate <sup>(5)</sup>	Meter service rate <sup>(5)</sup>

(1) Customers outside the District's service area will pay an additional 50% of the above water rates or as otherwise determined by Fair Oaks Water District.

(2) One CCF stands for 100 cubic feet. 100 cubic feet is equal to 748 gallons. The commodity rate is invoiced based upon CCFs used.

(3) Requires separation of common area and irrigation water systems with each irrigation water service billed based on meter size plus consumption.

(4) Consumption measured by a master meter with one responsible party in billing for the master meter.

(5) Each connection will be billed a fixed service charge based on meter size plus consumption with one responsible party in billing for the account.



# Bottom Line for Most Customers

## How Much Do I Pay – Given Proposed Rates & 1” Meter & Typical Water Use

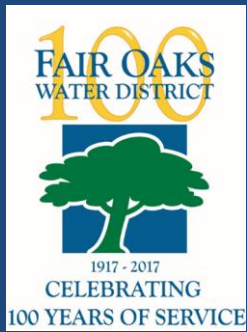
Bi-Monthly Usage		Bi-Monthly Rate			
CCF	Gallons	Current	2023	2024	2025
40	29,920	<b>\$91.61</b>	<b>\$100.77</b>	<b>\$111.05</b>	<b>\$116.58</b>
		Annual Rate			
		<b>\$549.66</b>	<b>\$604.62</b>	<b>\$666.30</b>	<b>\$699.48</b>





# Bottom Line

If all the proposed rate increases are approved – **In 2025, the average FOWD customer water bill will have increased \$150 per year compared to 2022.**



# Protest Letters

As part of the FOWD ratemaking process, all members of the public were provided information on how to submit a formal protest to the proposed FOWD rate increase. This information was sent to every FOWD customer via US Mail on October 5, 2022.



# Protest Letters

Total Protest Letters Received = 8

- ✓ Total letters received objecting to the proposed rate increase = 7
- ✓ Total letters commending FOWD leadership and supporting the rate increase = 1



# Protest Claim One

*Object to any rate increase – three letters.*



# Protest Claim Two

*Agree that the District needs a rate increase, but state that what is being requested is too much – three letters.*



# Protest Claim Three

*The FOWD must increase rates because we do not enforce the efficient use of water – one letter.*



# Customer Comments

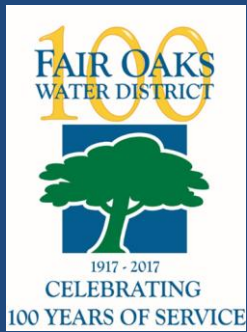
*Relative to the proposed rate increase - many comments through FOWD customer service that the FOWD has performed well over the years with excellent leadership.*



# Where Your Money is Spent 2024

Item	Dollars
Cash Reserve Entering 2024	\$2,800,000
Revenue Total w/ 10% Rate Increase	\$11,100,000
Operating Cost (Includes Water Purchase)	(\$8,700,000)
Capital Investment	(\$9,600,000)
Estimated 2024 Year End Cash	(\$4,400,000)
<b>2024 Capital Project List</b>	
Annual Routine Capital Cost	\$1,400,000
Transmission Main Replacement Phase 1	\$2,600,000
Corp Yard Project	\$5,100,000
Major Equipment	\$500,000

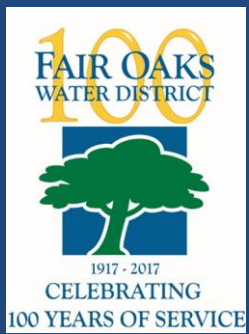




# Where Your Money is Spent 2024

Come 2024 the FOWD will be looking to make up the projected \$4.4M dollar deficit through:

- *Generating revenue from water transfers*
- *Generating revenue from grants*
- *Generating revenue from ASR partnerships*
- *Cost reductions in 2023*
- *Taking on limited-term debt*
- *No new rate increases beyond what has been proposed tonight*



# Additional Information

FOWD Financial Information is available on  
[www.fowd.com](http://www.fowd.com)

Contact FOWD:

- Email: [customerservice@fowd.com](mailto:customerservice@fowd.com)
- Phone: (916) 967-5723
- Fax: (916) 967-0153



# Additional Information on SJWD Wholesale Water Rates

- SJWD Wholesale Financial Plan is available at [www.sjwd.org](http://www.sjwd.org)
- SJWD office is located at 9935 Auburn Folsom Road in Granite Bay

Why are rates  
changing?  
Primary Reason

*Aging Transmission Mains*

FAIR OAKS  
WATER DISTRICT



1917 - 2017

CELEBRATING  
YEARS OF SERVICE

*Just as Every Drop of Water is Valuable,  
so is Every Ratepayer Dollar*



*The FOWD Board, Management, and Staff  
Thank You*