

**COACHELLA VALLEY WATER DISTRICT
NOTICE OF PUBLIC HEARING
REGARDING PROPOSED ADJUSTMENTS AND INCREASES TO RATES FOR
CANAL WATER SERVICE CHARGES**

NOTICE IS HEREBY GIVEN that the Coachella Valley Water District (the “District”) will conduct a public hearing on **April 27, 2021 at 8:00 a.m.**, or as soon thereafter as practicable, in the Board Chambers of the District offices, located at 75515 Hovley Lane East, Palm Desert, CA 92211, to consider adopting adjustments to and increases in the rates of its canal waterservice charges. District buildings are currently closed to the public. Individuals wishing to address the Board may provide written comments in advance of the meeting via mail to: Coachella Valley Water District, Attn.: Sylvia Bermudez, Clerk of the Board PO Box 1058, Coachella, CA 92236 or via email to SBermudez@cvwd.org. You may provide public comment during the meeting via telephone or pursuant to the Districts online meeting platform. For information on how to provide public comment at the meeting, please refer to the April 27, 2021 agenda. The agenda is posted at least 72-hours in advance of the meeting and can be found on the District’s website at www.cvwd.org/151/Board-Agendas. You may also contact the Clerk of the Board at (760) 398-2651 or via email at SBermudez@cvwd.org for additional information.

Reasons for the Proposed Water Rate Increases. The District operates the Coachella Canal, a 123-mile aqueduct that conveys Colorado River water (“canal water”) to more than 1,000 accounts from the All-American Canal to the Coachella Valley. The District is committed to providing the highest quality canal water services at the lowest possible rates for our customers. While the District continually strives for cost reductions and better utilization of the assets it holds, it also needs to keep pace with inflation, increasing operations and maintenance costs, and other cost increases, many of which it cannot control. To evaluate those costs, the District engaged an independent consultant to evaluate the District’s financial plan and revenue requirements for the ensuing five years. Based on that analysis and Cost of Service Study Report, the District has determined to adjust the rate structure and increase the rates for the canal water service charges to enable it to: recover current and projected increases in the costs of operating the canal water system, including operations and maintenance, including, capital infrastructure improvements, drain and lateral replacements (e.g., gate and pumping infrastructure), energy cost increases, personnel costs, supplies and services, equipment, and quagga mussel mitigation and regulation, costs to comply with State and Federal mandated regulatory requirements, all while avoiding operational deficits and depletion of reserves and continuing to operate the utility in a financially prudent manner.

Basis upon Which the Water Rates are Calculated. The proposed rate structure for the canal water service charges has two customer classes—Class 1 and Class 2—and is comprised of three components—a Gate Charge, a Volumetric Charge, and an Outside of Improvement District 1 Surcharge. Class 1 customers consist of all canal water customers who use canal water for commercial agricultural activities—i.e., customers who use canal water for the purpose of producing an agricultural commodity for commercial purposes, including growing crops and raising animals for the commercial production and/or sale of food, fiber, fuel and other products. Class 2 customers consist of all other canal water customers—i.e., customers who use canal water for: groundwater replenishment, including the District’s Replenishment Funds; drinking water production; landscape irrigation; recreation; and other activities, including, but not limited to, golf courses, and hunting clubs.

Gate Charge. The Gate Charge is a fixed charge designed to recover the District’s costs for the Zanjeros to open, set and monitor irrigation gates that allow Canal water to flow to irrigated properties. The Gate Charge is imposed for each scheduled gate order (i.e., a District visit to open, close, or otherwise modify a gate position) and each unscheduled gate order requested by a property owner or customer.

Volumetric Charge. The Volumetric Charge is a variable charge that is comprised of three components imposed on a dollar per acre foot (“AF”) basis, although not all three components are imposed on all customers. The three components are: (1) a Commodity Charge; (2) a Water Supply Surcharge; and (3) a Quagga Mussel Mitigation Surcharge. Each of these components is described on page 2.

(1) Commodity Charge. The Commodity Charge is designed to recover costs for basic canal water service, such as operation costs, customer billings and collections, pumping costs, and water supply costs.

(2) Water Supply Surcharge. The District is a signatory to the 2003 Quantification Settlement Agreement (“QSA”), which had the goal of conserving Colorado River water supplies, stabilizing District water supplies, and reducing California’s demand on the Colorado River. The District cosigned the QSA with the Metropolitan Water District of Southern California (“MWD”), Imperial Irrigation District (“IID”) and San Diego County Water Authority. The QSA quantifies the Colorado River water allocations of California’s agricultural water contractors for 75 years and provides for the transfer of water between agencies. Under the QSA, the District has a base allocation of 330,000 AF per year. In accordance with the QSA, CVWD entered into water transfer agreements with MWD and IID that increase the District’s Colorado River supplies up to 459,000 AF in 2026. The District’s costs of purchasing water for canal water service customers consist entirely of the cost of the QSA water purchase agreement which is a “take or pay” agreement (meaning that the District pays for the predetermined quantity of water whether it uses the water or not). The Water Supply Surcharge funds the cost of QSA water purchases (less offsetting non-rate revenues) and will be collected only from Class 2 customers and persons who purchase canal water for construction purposes via a construction meter. Class 1 customers are designated as having an historical priority access to the District’s Colorado River water rights (300,000 AF per year). Since Class 1 canal water customers currently use less than 300,000 AF per year, those customers are not responsible for any QSA water purchase costs. In the event that Class 1 canal water customers begin to consume canal water at a rate that exceeds 300,000 AF per year, they will pay an equitable portion of the QSA water purchase costs and pay the Water Supply Service Charge.

(3) Quagga Mussel Mitigation Surcharge. Quagga mussels have infested the Colorado River Aqueduct by way of Lake Havasu. There is no known way to eradicate the quagga mussels, only methods that, when used elsewhere, have helped control them. At present, the District has successfully prevented quagga mussels from invading the Coachella Canal. The Quagga Mussel Surcharge is designed to recover the District’s costs of monitoring and preventing their arrival in the Coachella Canal, while developing ways to combat infestation.

Outside of Improvement District 1 Surcharge. The District receives an allocation of the general ad valorem property tax revenue collected by the county within Improvement District 1 (“ID-1”). The ad valorem property tax revenue is used, in part, to defray the costs of providing canal water services to canal water service customers located in ID-1. The District does not receive any allocation of ad valorem property tax revenues collected from properties located outside of ID-1. The Outside of ID-1 Surcharge will be imposed only on customers located outside of the boundaries of ID-1 and is designed to recover costs incurred by the District to serve these customers but whose costs are not otherwise defrayed by the ad valorem property tax revenues paid by ID-1 customers. The Outside of ID-1 Surcharge is a fixed charged based on property acreage and is calculated by dividing the ID-1 property tax revenue in a given year by the total acres within ID-1 receiving canal water service. The Outside of Improvement District 1 Surcharge will be adjusted annually by the projected change in the ID-1 property tax revenue.

Proposed Water Rates. The District is proposing to adopt rates for its canal water service charges for five years. If approved, the monthly rates will be effective for canal water services provided on and after July 1, 2021 and will be increased each July 1 thereafter as set forth in the tables on pages 3 and 4. The rates that may be implemented are the maximum rates that may be imposed by the District in each of those years. Prior to implementing the rates, however, the Board of Directors will review its projected costs for each year to determine if the full amount of any rate increases is necessary.

RATES FOR CANAL WATER SERVICE CHARGES EFFECTIVE JULY 1, 2021

Volumetric Charge (\$/AF)

<u>Customer Class</u>	<u>Commodity Charge</u>	<u>Water Supply Surcharge</u>	<u>Quagga Mussel Mitigation Surcharge</u>
Class 1	\$34.32	\$0.00	\$3.18
Class 2	\$34.32	\$67.80	\$3.18
<u>Gate Order</u>		<u>Gate Charge (\$/Read)</u>	
Scheduled		\$19.80	
Unscheduled		\$39.60	
Outside of Improvement District 1 Surcharge (\$/Acre):		\$3.92	

RATES FOR CANAL WATER SERVICE CHARGES EFFECTIVE JULY 1, 2022

Volumetric Charge (\$/AF)

<u>Customer Class</u>	<u>Commodity Charge</u>	<u>Water Supply Surcharge</u>	<u>Quagga Mussel Mitigation Surcharge</u>
Class 1	\$35.21	\$0.00	\$3.63
Class 2	\$35.21	\$69.56	\$3.63
<u>Gate Order</u>		<u>Gate Charge (\$/Read)</u>	
Scheduled		\$23.53	
Unscheduled		\$47.07	
Outside of Improvement District 1 Surcharge (\$/Acre):		\$4.17	

RATES FOR CANAL WATER SERVICE CHARGES EFFECTIVE JULY 1, 2023

Volumetric Charge

<u>Customer Class</u>	<u>Commodity Charge</u>	<u>Water Supply Surcharge</u>	<u>Quagga Mussel Mitigation Surcharge</u>
Class 1	\$36.13	\$0.00	\$4.15
Class 2	\$36.13	\$71.37	\$4.15
<u>Gate Order</u>		<u>Gate Charge (\$/Read)</u>	
Scheduled		\$27.97	
Unscheduled		\$55.95	
Outside of Improvement District 1 Surcharge (\$/Acre):		\$4.43	

RATES FOR CANAL WATER SERVICE CHARGES EFFECTIVE JULY 1, 2024

Volumetric Charge (\$/AF)

<u>Customer Class</u>	<u>Commodity Charge</u>	<u>Water Supply Surcharge</u>	<u>Quagga Mussel Mitigation Surcharge</u>
Class 1	\$37.07	\$0.00	\$4.22
Class 2	\$37.07	\$73.23	\$4.22
<u>Gate Order</u>		<u>Gate Charge (\$/Read)</u>	
Scheduled		\$29.60	
Unscheduled		\$59.20	
Outside of Improvement District 1 Surcharge (\$/Acre):		\$4.52	

RATES FOR CANAL WATER SERVICE CHARGES EFFECTIVE JULY 1, 2025

Volumetric Charge (\$/AF)

<u>Customer Class</u>	<u>Commodity Charge</u>	<u>Water Supply Surcharge</u>	<u>Quagga Mussel Mitigation Surcharge</u>
Class 1	\$38.03	\$0.00	\$4.31
Class 2	\$38.03	\$75.13	\$4.31

<u>Gate Order</u>	<u>Gate Charge (\$/Read)</u>
Scheduled	\$31.36
Unscheduled	\$62.71

Outside of Improvement District 1 Surcharge (\$/Acre): \$4.62

Public Hearing and Written Protests. Any record owner of a parcel upon which the canal water service charges are proposed to be imposed and any tenant directly liable for the payment of canal water service charges (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed adjustments and increases in the District's rates to the canal water service charges; however, only one protest will be counted per identified parcel. If your name does not appear as the record owner of a parcel on the last equalized secured property tax assessment roll for the county, then you must submit with your written protest written evidence that you are the current record owner of the parcel. Any protest must: (1) be in writing; (2) state that the identified property owner or tenant is opposed to the proposed canal water service charge rate adjustments and increases; (3) provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and (4) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail to the District, Attention: Clerk of the Board, P.O. Box 1058, Coachella CA, 92236. District offices are closed to the public. In lieu of submitting protests in person, protests may be submitted via email to the Clerk of the Board at SBermudez@cvwd.org. Any protest submitted via email must include an image of the protestor's signature to be valid. All protests must be submitted to and received by the District **prior** to the close of the public input portion of the Public Hearing on April 27, 2021.

The Board of Directors will accept and consider all written protests and will hear and consider all oral comments to the proposed rate increases at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. You may provide public comment during the meeting via telephone or pursuant to the District's online meeting platform. For information on how to provide public comment at the meeting, please refer to the April 27, 2021 agenda. The agenda is posted at least 72-hours in advance of the meeting and can be found on the District's website at www.cvwd.org/151/Board-Agendas. You may also contact the Clerk of the Board at (760) 398-2651 or via email at SBermudez@cvwd.org for additional information.

Upon the conclusion of the Public Hearing, the Board of Directors will consider adoption of the proposed rate increases. If written protests against the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, the Board of Directors will be authorized to adopt the rate increases. Details regarding the proposed water service fees are available at the District offices (location noted above) or on the District's website at www.cvwd.org.

Protest Form (to be used only if you wish to protest the proposed rate increases)

I, _____ am the property owner of record or the customer of
(please print)

record for the property located at _____
(service address, account number, or Assessor's Parcel Number)

I oppose to the proposed canal water rate adjustments and increases.

Signature _____ Date _____

If you use this form as your written protest, please print and sign your name in ink, and mail the form in a stamped envelope to: Clerk of the Board, Coachella Valley Water District, P.O. Box 1058, Coachella, CA 92236. If mailed, please provide sufficient time for the District to receive your written protest prior to the close of the Public Hearing to be held on April 27, 2021, at 8:00 AM, in the Board Chambers of the District offices located at 75515 Hovley Lane East, Palm Desert, CA 92211. Any written protest received by the District after the close of the Public Hearing will not be tabulated.

District offices are closed to the public. In lieu of submitting protests in person, protests may be submitted via email to the Clerk of the Board at SBermudez@cvwd.org. Any protest submitted via email must include an image of the protestor's signature to be valid. All protests must be submitted to and received by the District **prior** to the close of the public input portion of the Public Hearing.

Si necesita una copia de este documento en Español por favor contáctenos al la dirección arriba mencionada.