



Irvine Ranch Water District Notice of Proposed Water and Sewer Rate Change

Irvine Ranch Water District (IRWD) is a public agency that provides water and sewer service. Our rates are based on the actual cost to provide water and sewer service to our customers, and are based on the expenses included in IRWD's budget. The basis for the proposed rates is detailed in the Cost of Service Study, which is available at IRWD.com/services/proposed-rates. The IRWD Board of Directors adopted a two-year budget on April 26, 2021. **The proposed rates, if adopted, will be effective January 24, 2022, and implemented beginning February 1, 2022. As proposed, they are expected to increase the average residential bill by 8.9%.** The increase is due primarily to uncontrollable pass-through cost increases from regional agencies that supply water, regional sewage, or energy services to IRWD, as well as increases in costs associated with continuing to provide the current high level of water and sewer service our customers expect. See below for how the rates are calculated.

A critical IRWD objective is to keep costs, and therefore rates, as low as possible for our customers. Even with the proposed increase, when compared with other agencies providing similar services in Orange County, IRWD's rates are consistently among the lowest.

First rate increase since July 2019

Rates have not been increased in 2½ years. In recognition of financial challenges facing customers during the first 20 months of the COVID-19 pandemic, the IRWD Board of Directors suspended a previously approved rate increase that was to become effective on July 1, 2020, and deferred a rate increase for costs associated with the new two-year budget approved in April 2021.

Understanding basic components of your residential water bill

Your water bill has two basic components: variable water usage charges and service charges.

- **Variable water usage charges:** Variable costs — for water you use both inside and outside your home each month. These charges are based on the cost of local and imported water, and other costs of providing service that vary based on usage.
- **Service charges:** Fixed costs — to recover the fixed expenses of operating and maintaining IRWD's infrastructure. There are separate service charges for water and sewer service. These monthly fixed costs fluctuate depending on the number of days in a billing cycle.

For customers who live at higher elevations, a pumping surcharge is added to the variable water usage charge to cover pumping costs to serve higher elevations.

Variable water usage charge

Each residence is assigned a monthly water usage budget. How much you pay for each 100 cubic feet (CCF) of water depends on whether you stay within your water budget. IRWD allocates its lowest-cost water for usage within the monthly water budget. Higher-cost water is used to meet demands of customers who use water above their budgets. For example, groundwater from local wells is the least expensive, while imported water from out of state or Northern California costs the most.

Rates are broken into four tiers. Each tier is assigned a rate based on the actual cost of serving customers within each tier. Cost of service includes both the cost of water based on the source of water and other variable costs as detailed below. The Low Volume and Base rate tiers are for water used within each customer's budget, which is sourced primarily from lower-cost groundwater and reduces the need to import expensive water. The majority of imported water costs are allocated to the Inefficient and Wasteful tiers. Expenses for districtwide water-efficiency programs (districtwide conservation programs) that educate customers on ways to conserve water and assist customers with conservation are not included in the Low Volume rate since customers who remain in this tier do not need this assistance, but those expenses are included in the higher tiers. Additional costs associated with targeted conservation programs, urban runoff treatment, and water banking are paid only by customers with usage in the Inefficient and Wasteful tiers because their higher usage: (i) requires individualized conservation assistance, (ii) leads to urban runoff that requires costly treatment, and (iii) requires greater water reserves through water banking to provide reliable water supplies during a drought or other water shortage. Costs are allocated among those two tiers based on their share of costs to run these programs. IRWD would not need these programs if all customers remained within their individual water budgets.

Proposed variable water rates per CCF* beginning February 1, 2022

Service	Low Volume tier	Base tier	Inefficient tier	Wasteful tier
Total water source cost	\$1.53	\$2.34	\$3.29	\$3.29
Districtwide conservation programs		\$0.08	\$0.08	\$0.08
Conservation programs targeted to over-budget customers, urban runoff costs and water banking costs			\$1.78	\$11.27
Total cost per CCF per tier proposed beginning February 2022	\$1.53	\$2.42	\$5.15	\$14.64
Current rates	\$1.47	\$2.00	\$4.86	\$13.63
Change	\$0.06	\$0.42	\$0.29	\$1.01

* 1 CCF = 748 gallons



Irvine Ranch Water District Notice of Proposed Water and Sewer Rate Change

Why did the cost of water service increase?

The main reasons for the change include uncontrollable cost increases to IRWD attributed to:

- Pass-through charges (5.7% increase) from Orange County Water District (OCWD) for pumping local groundwater, which is still the lowest-cost water.
- Pass-through charges from Metropolitan Water District of Southern California (MWD) for imported water purchased through the regional wholesaler, the Municipal Water District of Orange County (MWDOC) (4.6% increase).
- Pass-through charges from Southern California Edison (SCE) for electricity used in IRWD service operations (10% increase).
- Increases in costs associated with continuing to provide the current high level of water service our customers expect, including costs associated with repairs and maintenance related to maintaining the existing infrastructure (11.8% increase).

In recognition of financial challenges facing customers during the first 20 months of the COVID-19 pandemic, the IRWD Board of Directors suspended a previously approved rate increase that was to become effective on July 1, 2020, and deferred a rate increase for costs associated with the adoption of the new two-year budget in April 2021. IRWD is now increasing rates based on its current cost of providing water service.

Summary of proposed residential variable water rates beginning February 1, 2022

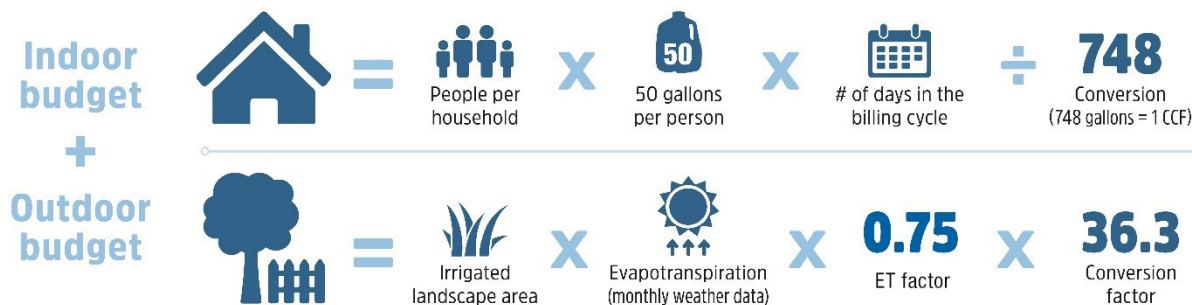
Tier	Percentage use of monthly water budget for residential customers	Current rates per CCF	Proposed rates per CCF beginning February 1, 2022
Low Volume	0-40%	\$1.47	\$1.53
Base Rate	41-100%	\$2.00	\$2.42
Inefficient	101-140%	\$4.86	\$5.15
Wasteful	141%+	\$13.63	\$14.64

How your water budget is calculated

Your monthly household water usage budget is the sum of your **indoor + outdoor water budgets**. Together they represent an efficient volume of water to meet your individualized water needs.

- **Indoor water budget:** 50 gallons per person per day (divided by 748, to convert gallons to CCF). For single-family homes, we assume a default of four people per household. For condominiums, we assume three people per household, and for apartments we assume two people per unit. If your household is larger, you may apply for a variance to increase your water budget.
- **Outdoor water budget:** is calculated for your property using actual data from local weather stations. We multiply your irrigated landscape area (in acres) x evapotranspiration x 0.75 ET factor x 36.3 conversion factor to convert acre inches of water to CCF.

- ✓ **CCF** is the basic measurement of water use. One CCF equals 100 cubic feet of water — about 748 gallons.
- ✓ **Evapotranspiration or ET** is a measure of actual daily plant water loss.
- ✓ **ET factor** accounts for the fact that at least 40% of your landscape should be drought-tolerant and provides 20% additional water to account for inefficiency in your irrigation system.



Monthly water budgets and rate calculator available on IRWD.com

For more information about the rate tiers, the types of usage that determine the monthly water budget, how the monthly water budget is calculated, and to use the IRWD budget-based-rate calculator, please visit the IRWD website at IRWD.com/services/proposed-rates. The calculator shows how staying within your monthly water budget or exceeding it will affect your monthly bill.



Irvine Ranch Water District Notice of Proposed Water and Sewer Rate Change

Pumping surcharges

A pumping surcharge will be added to the variable water usage charge for customers who reside at higher elevations and cause IRWD to incur additional pumping costs to supply their water. The surcharge is based on the actual prevailing energy costs and varies depending upon the elevation of the area served. If you live in an area affected by a pumping surcharge, the charge is itemized on your monthly bill. Please visit the IRWD website at IRWD.com/services/proposed-rates to see charges by area.

Proposed changes to pumping surcharges		
Component	Current rates (rates vary by pumping surcharge area)	Proposed rates beginning February 1, 2022 (rates vary by pumping surcharge area)
Pumping surcharges by area	\$0.25 to \$0.68/CCF	\$0.33 to \$0.79/CCF

Fixed water and sewer service charges

In addition to the water usage charges that you control based on the amount of water you use, your bill contains fixed charges for water service and sewer service. Fixed water service charges are based on the size of your water meter providing water flow to your property. These charges are assessed whether or not you use water that month and may increase or decrease based on the number of days in the billing period. Monthly service charges are fixed charges that cover IRWD's cost of operations, maintenance, and infrastructure, and do not change based on the amount of a customer's monthly water or sewer use. Monthly service charges are based on a 30-day calendar month, so billing cycles that are longer or shorter than 30 days are billed based on the proportional number of days. The fixed charge includes an amount set aside for the future inevitable repair and replacement of infrastructure such as pipes, pumping stations, and treatment facilities. This way, IRWD can avoid significant one-time rate spikes when the repairs and replacements are made. These charges are not used to pay for facilities that extend service to new development.

Water fixed service charges

The fixed monthly water service charges for the average residential customer are used to pay for operations and maintenance costs, including inevitable water infrastructure enhancements and replacements. The charge is based on the size of your meter.

Proposed water service fixed monthly charges for system operation and maintenance		
Residential meter size homes, condos, apartments	Current meter rates	Proposed rates beginning February 1, 2022
5/8" x 3/4" Disc	\$10.35	\$10.75
3/4" Disc	\$15.55	\$16.15
1" Disc	\$25.90	\$26.90
1½" Disc	\$51.75	\$64.50
1½" Single Jet	\$51.75	\$53.75
2" Disc or Single Jet	\$82.80	\$86.00
2" Turbo	\$108.70	\$134.40
3" Turbo	\$248.40	\$349.40
4" Turbo	\$517.50	\$671.90
6" Turbo	\$1,035.05	\$1,343.75
8" Turbo	\$1,811.35	\$2,526.25
6" Turbo Omni F-2	\$1,447.50	\$1,075.00
8" Turbo Omni F-2	\$2,574.15	\$2,526.25
Residential master meter (shared) apartments and condominiums 5/8" x 3/4" meter	\$10.35	\$10.75

The current amount for your meter size appears on your bill. Customers who remain in the Low Volume tier for most of the year will have a larger percentage of their bill made up of the fixed charge. Customers who remain in the Low Volume tier for nine out of 12 months of the prior calendar year will receive a \$2.00 credit per month, which will be itemized on each bill. New customers do not receive this credit unless they have been with the District for a full calendar year.

Sewer fixed service charges

Fixed monthly sewer service charges are used to pay for operations and maintenance costs associated with providing sewer service, including inevitable sewer infrastructure enhancements and replacements of infrastructure such as pipes, pumping stations, and treatment facilities. Each customer's use of IRWD sewer service derives from the customer's use of potable water from IRWD, so each customer is billed in one of three tiers, based on the customer's three months with the lowest potable water usage from the prior calendar year. Until IRWD has a new customer's full calendar year of usage history, the customer is billed at the middle tier rate.



Irvine Ranch Water District Notice of Proposed Water and Sewer Rate Change

Proposed changes to sewer service fixed monthly charges for system operation and maintenance

Usage	Current monthly rates	Proposed rates beginning February 1, 2022
Average water usage exceeds 10 CCFs per month	\$26.10	\$29.75
Average water usage falls between 5 and 10 CCFs	\$23.50	\$25.50
Average water usage falls below 5 CCFs	\$19.55	\$20.45

Private fireline service charges

Private firelines provide water to sprinkler systems for fire suppression within private improvements such as buildings and other structures. Water is supplied for private fire service through pipes and appurtenances on private property. These include all water-based fire protection systems, such as fire protection sprinklers and private fire hydrants that are not part of, but are connected to, the public water service. Costs are billed to the customers owning the private fire protection systems and are based upon the size of the fireline.

Proposed changes to monthly fireline service charges

Private fireline size	Current monthly rates	Proposed rates beginning February 1, 2022
1"	\$13.60	\$6.20
2"	\$27.20	\$8.45
3"	\$40.80	\$13.55
4"	\$54.40	\$22.45
6"	\$81.60	\$54.15
8"	\$108.80	\$108.90
10"	\$136.00	\$191.05
11"	\$149.60	\$245.15
12"	\$163.20	\$306.70

Other Charges

IRWD also charges for setting up new accounts for a property already connected to IRWD's service system and for reconnecting water service after it has been shut off.

Proposed changes to fees to set up a service account and reconnect service after a shut-off

Component	Current rates	Proposed rates beginning February 1, 2022
One-time setup fee for new accounts	\$25.00	\$25.00
Shut-off reconnection fees	\$70.00 - \$95.00	\$50.00 - \$95.00

Automatic pass-through adjustments and other surcharges

IRWD used its best available information to calculate proposed increases in the cost of imported water IRWD purchases from MWD through MWDOC, the replenishment charges paid to OCWD for pumping groundwater, the cost for regional treatment of sewage paid to the Orange County Sanitation District (OC San), and the cost of electricity charged by SCE. IRWD has no control over the charges set by regional agencies (MWD, MWDOC, OCWD, OC San, SCE, etc.) or penalties, taxes and fees assessed by the state, and must pass those costs through to IRWD customers. Should any of the regional agencies or the State of California adopt an additional increase (or decrease) in its charges, taxes, or fees ("pass-through amount"), IRWD may automatically recalculate its rates to include the pass-through amount. If this occurs, the automatic IRWD rate adjustment will not require a public hearing or any additional action by the IRWD Board of Directors. At least 30 days before the effective date of the adjustment, IRWD will provide its customers with notice of the expected adjustment(s), which will generally be calculated as the total projected cost increase divided by the projected annual water consumption or annual total sewage flow as appropriate. This calculation will vary as necessary to reflect IRWD's different service areas and service classes.

If the State Water Resources Control Board (State Board) imposes fines on IRWD because of a violation(s) of a State Board regulation adopted to prevent the waste or unreasonable use of water, or to promote water conservation, to the extent such violation(s) are due to consumption of water in excess of customers' water usage budgets, IRWD may levy a surcharge on the volume of water used of up to \$1.57 per hundred cubic feet. If IRWD is fined by the State Board, at least 30 days before implementing a surcharge, IRWD will provide its customers with notice of the surcharge amount(s), which will generally be calculated as the total projected fine divided by the total water use in the Inefficient and Wasteful tiers.



Water Shortage Contingency Plan (WSCP)

IRWD is required by the California Water Code Section 10632 to prepare and adopt a Water Shortage Contingency Plan (WSCP) as part of its Urban Water Management Plan. The WSCP, adopted by IRWD on June 28, 2021, includes plans to implement locally appropriate water shortage response actions for six standard water shortage levels. The following are the rates proposed as a potential response action for each water shortage level. These rates are based on the actual cost to provide service to our customers in times of water shortage. For a detailed explanation of the District’s water shortage responses, please refer to the District’s WSCP at bit.ly/wscp-2021. An overview of the supply shortage response actions considered for each level of water shortage can be found on Page 33, Table 3-3 of the WSCP. Achieving the WSCP reductions for each level will require a broad approach. The table below includes the target potable water use reduction for each level, the minimum potable water budget provided at each level, and the steps necessary to meet the water shortage at each level.

Minimum potable water budgets at each level of water shortage

Water Shortage Contingency Plan level	Target reduction (Midpoint of the level)	Messaging and outreach	Outdoor potable water landscape plant assumption (Includes residential, dedicated irrigation, non-agricultural and CII outdoor)	ET factor	Indoor gallons per capita	2022 & 2023 projected water shortage (Assuming five consecutive years of drought)
Normal/ non-shortage water budget	0	Water efficiency programs and outreach	40% drought-tolerant plants	.75	50	No water shortage; 100% reliable
Level 1 0-10%	5% 2,500 AF	Expanded messaging and targeted outreach	40% drought-tolerant plants	.75	50	No water shortage; 100% reliable
Level 2 11-20%	15% 7,700 AF	Expanded messaging and targeted outreach	No turf; 100% drought-tolerant plants	.625	50	No water shortage; 100% reliable
Level 3 21-30%	25% 12,800 AF	Expanded messaging and targeted outreach	No turf; tree health affected; 75% native plants; 25% drought-tolerant plants	.35	40	No water shortage; 100% reliable
Level 4 31-40%	35% 18,000 AF	Expanded messaging and targeted outreach	No turf; tree health affected; 100% native plants only	.25	32.5	No water shortage; 100% reliable
Level 5 41-50%	45% 23,000 AF	Expanded messaging and targeted outreach	No landscape	0	30	No water shortage; 100% reliable
Level 6 51%+	55% 28,200 AF	Expanded messaging and targeted outreach	No landscape	0	Basic needs only; 20	No water shortage; 100% reliable

How a water shortage could affect rates

If IRWD experiences a water shortage, IRWD may be required to implement water shortage response actions that would include possible water rate increases due to changes in costs to provide customers with water during a shortage. The water rates at each water shortage level are shown in the



Irvine Ranch Water District Notice of Proposed Water and Sewer Rate Change

following table. The IRWD Board of Directors will consider adopting these rates concurrently with the water and sewer rates discussed above. The water shortage contingency rates would only be charged to potable customers depending on the level and duration of the water shortage as defined in the WSCP, and only when conditions declared by IRWD's Board are met. Customers will receive communication of when these conditions have been met and when the water shortage contingency rates are being charged.

Proposed water shortage contingency rates per CCF beginning February 1, 2022

Rate tiers	Level 1: up to 10% water shortage	Level 2: 11% to 20% water shortage	Level 3: 21% to 30% water shortage	Level 4: 31% to 40% water shortage	Level 5: 41% to 50% water shortage	Level 6: greater than 50% water shortage
Low Volume	\$1.53	\$1.53	\$1.53	\$1.55	\$1.57	\$1.60
Base Rate	\$2.43	\$2.46	\$2.50	\$2.53	\$2.57	\$2.62
Inefficient	\$5.45	\$5.86	\$6.34	\$6.91	\$7.40	\$7.71
Wasteful	\$15.77	\$17.11	\$18.74	\$19.90	\$21.21	\$21.86

For more information regarding how the monthly water budget is calculated for each of these rates, and to use a WSCP budget-based-rate calculator, visit IRWD.com/wscp-rates.

Public hearing

Any customer or property owner within the IRWD service area may file a written protest for the proposed rate increases with IRWD by sending a letter to IRWD, P.O. Box 5149, Irvine, CA 92616. A valid protest letter must include your name, the address at which you receive service from IRWD, a statement of protest, and your original signature. Protest letters received by January 24, 2022, will be tabulated and presented to the Board of Directors at a public hearing regarding the rate increase to be held on January 24, 2022, at 5 p.m. in the IRWD Board Room, 15600 Sand Canyon Ave., Irvine, California. Any customer or property owner may appear at the hearing to make comments regarding the proposed rates. Protest letters may be delivered in person and must be received prior to the conclusion of the January 24 public hearing.

Pursuant to Government Code Section 53759, there is a 120-day statute of limitations for any judicial action or proceeding challenging any new, increased, or extended water and sewer fee or charge.

Additional information

For more information about IRWD's water efficiency programs and rebates, plus tips on how you can use water more efficiently, visit IRWD.com. If you have questions, please contact IRWD Customer Service at **949-453-5300**.