

CCSD Rate Increases

Part 3: The Economics of Conservation

When less water is sold, rates need to increase to meet the fixed costs of the water and wastewater systems.

Conservation is a good thing; it kept Cambria from running out of water in the recent epic drought. It is still necessary. But it comes with a cost: higher water rates on a per-unit basis.

Frustrating as it may be, there is no getting around the economics of our water and wastewater systems. Most of the costs of these systems are fixed. That is, the expenses remain the same no matter how much water is used. This is certainly true of the capital needs described in the first article in this series. It's also largely true of operating costs. Water and sewer systems are 24/7 operations that need to be staffed and maintained accordingly. Also, all the water consumed by Cambrians (other than water from the SWF) comes from our own wells and costs relatively little to pump. Unlike a community that buys water from outside sources such as the State Water Project, we save almost nothing by using less.

Most of the costs for the SWF are fixed as well. The CCSD pays \$659,000 each year (until 2034) to pay off the bank loan that financed most of the SWF's construction. There are also ongoing maintenance and regulatory reporting costs that must be covered whether or not the SWF is running. When the SWF is running, its operating costs do correspond to the amount of water produced, since most of the costs come from disposal of the brine left over in the production process. But it is expected that, on average, the added cost of running the system will be only about 14% of the overall SWF costs in a given year.

Water use dropped during the drought and remains much lower than before. It is not likely to return to earlier levels.

During the recent multi-year drought, Cambria's water consumption dropped sharply, with reductions of more than 40% below pre-drought levels. Since the drought's end in 2017, Cambrians' water consumption has increased somewhat, but it is nowhere close to where it was earlier. In the latest fiscal year (ending June 30, 2018), consumption was about 30% below the average level before the first drought year, 2014.

There are good reasons to believe that the lower levels of consumption are permanent, and that rates need to be adjusted accordingly. Cambrians have learned habits of water conservation – things as simple as taking shorter showers or being more careful about outdoor watering -- that they have no reason to break. Many Cambrians have installed permanent water-storage infrastructure such as tanks to catch rainwater. The rate increases approved in 2014 (for the Emergency Water Supply project, now the SWF) and in 2016 encouraged conservation by

making water more expensive. Water-saving toilets, faucets, showerheads and washers are being installed to replace older models.

Unfortunately, a reduction in water use does not reduce capital needs.

Pumps, valves, meters, electrical controls and other equipment still have to run as they did before, and they still need to be replaced and upgraded periodically. Aging pipes will continue to develop leaks even if less drinking water or sewage is flowing through them. Major upgrades will be needed in coming years for water and sewer systems that are now over 40 years old.

For a community like Cambria, with limited water supplies and slow growth (if any) in its future, there is no painless way to pay for all these current and future needs. Given our need to conserve water and to maintain our water and wastewater infrastructure, this community's challenge is to raise funds in a way that rewards conservation, brings in adequate revenue and does not put an undue burden on water users of limited means.