



## **Water Rate Adjustment FAQ**

### **Why is the Maywood Mutual Water Company #1 (Company) considering a water rate increase?**

A water rate increase is needed to keep up with the cost of providing safe drinking water to shareholders. Over the past few years, revenues have not covered expenses and the Company has drawn upon reserves to pay its bills. The Company engaged an outside consultant to determine the cost of providing service and to fairly calculate rates for shareholders.

### **What costs are recovered in the rates?**

Rates paid by shareholders are the main source of revenue used to pay the operating expenses of the water system. Expenses include the purchase of water from the Water Replenishment District, electricity to pump the water to shareholders, chemicals and filters to treat the water, customer service, and staff wages and benefits. In addition, the Company is paying down a zero-interest loan from the State Water Board that was used to fund past improvements to the water system. Most components of the system are many years old. As the Company's infrastructure ages, costs to repair and maintain pumps and pipelines will increase.

Many costs such as administration, customer service, and infrastructure expenses are fixed costs that are spread over the Company's small customer base of only about 1,200 connections. Some other local mutual water companies have similar costs but serve a larger number of connections and can achieve economies of scale.

### **How can I learn more about the proposed rate increase and how can I get involved?**

The consultant hired by the Company developed a Rate Study Report that can be accessed by The report provides detailed background information about the Company's cost of providing service and how rates were calculated based on industry best practices. The Maywood Mutual Water Company's Board of Directors reviewed the consultant's report and proposes to phase-in recommended rate adjustments over two years to mitigate impacts on shareholders. After the first two years, future rate adjustments are will be based on the Consumer Price Index rate of inflation or a 4% increase, whichever is greater.

### **What happens if rates are not increased?**

If rates are not increased, the Company will operate at a loss and continue to draw down its reserves until available funds are depleted. If this occurs, the Company will default on its debt, be unable to fund operating costs, and will be unable to provide reliable drinking water to shareholders. The Company would potentially face a takeover by the State or a merger with another water purveyor such as a for-profit water company. The Maywood Mutual Water Company #1 is a not-for-profit entity and local for-profit utilities charge higher rates than those proposed by Maywood Mutual #1.