emwd SPECIAL NOTICE • MAY 2023

EMWD Efforts Minimize Rate Increases Amid Record Inflation

One of EMWD's main priorities is to maintain the financial stability and responsible stewardship of ratepayer funds. We continue to deliver high-quality, safe and reliable water, wastewater and recycled water services throughout our 558 square mile service area to nearly one million customers today, and into the future.

EMWD recently conducted a Cost of Service Study to ensure that its rate structure adequately reflects the costs of providing essential water and wastewater services. The study showed that unprecedented inflation has increased costs significantly for EMWD operations and supplies such as energy and chemicals. Maintaining our extensive network of pipelines, equipment, treatment facilities, and storage facilities requires a significant amount of energy as well as chemicals to ensure reliable and safe services. The cost of our imported water supplies, which represents about 50 percent of our overall water supply, has also increased.

In addition, EMWD must continuously invest in facilities and equipment to keep water, wastewater and recycled water systems operating efficiently, with minimal emergencies such as water pipeline breaks or sewer spills. To reduce costs for ratepayers, EMWD aggressively seeks grant funding opportunities and has secured millions of dollars just in the past year. EMWD also invests in sustainability projects such as solar energy and battery storage to lower EMWD's overall energy costs.

EMWD is continually committed to balancing its strong financial position and operational efficiencies with critical facility investments over an appropriate period of time. This is achieved by establishing reserve funds, financing plans, and using rate revenue to achieve the lowest rates possible for customers. Thanks to this proactive financial strategy, EMWD will utilize reserve funds over the next two years to help offset the highest inflationary costs we've seen in nearly 40 years.

YOU'RE INVITED TO ATTEND OUR

FRUITVALE RESIDENTIAL RATES PUBLIC HEARING

Date: June 21, 2023
Time: 9:00 a.m.

Location: Eastern Municipal Water District Board Room
2270 Trumble Road, Perris, CA 92570

The Board of Directors of Eastern Municipal Water District (EMWD) will conduct a public hearing to consider changes to the water and sewer rate structures and rates set forth herein. Any customers or property owners may appear at the hearing to make comments regarding the proposed changes. To file an opposition, property owners and tenants of real property who are directly liable to pay water and/or sewer bills may submit a written protest against the proposed water rate increases, the proposed sewer rate increases, or both. Written protests may be mailed or delivered in-person to Eastern Municipal Water District, Attention: 2024-2025 Proposed Rates, PO Box 8300, Perris, CA 92572-8300. Protests must include: your name, parcel number and/or service address, and your signature. All written protests must be received prior to the conclusion of the public hearing. Challenges to Board adopted rates are subject to a 120-day statute of limitations.

More information about the proposed changes is available in this document and online at **www.emwd.org/ProposedRates**.

Aviso de audiencia pública para considerar las tarifas de agua y alcantarilla basado en el costo de servicio.

Proposed Water Service Rates

Water Consumption Rates per billing unit (BU)*	Current	Proposed	
		Effective 1/1/2024	Effective 1/1/2025
Areas served: *Parts of the San Jacinto Valley.*			
Tier 1	$1.17	**$1.28**	**$1.41**
Tier 2	$3.22	**$3.53**	**$3.87**
Tier 3: Excessive	$6.22	**$6.73**	**$7.11**
Tier 4: Wasteful	$12.73	**$12.95**	**$13.72**

Daily Service Charge based on Meter Size	Current	Proposed	
		Effective 1/1/2024	Effective 1/1/2025
5/8 inch	$0.50	**$0.56**	**$0.60**
3/4 inch	$0.50	**$0.56**	**$0.60**
1 inch	$0.68	**$0.75**	**$0.80**

Water Supply Reliability Capital Projects Daily Charge based on Meter Size	Current	Proposed	
		Effective 1/1/2024	Effective 1/1/2025
5/8 inch	$0.1783	**$0.200**	**$0.214**
3/4 inch	$0.1783	**$0.200**	**$0.214**
1 inch	$0.273	**$0.306**	**$0.328**

**1 BU = 748 gallons.*

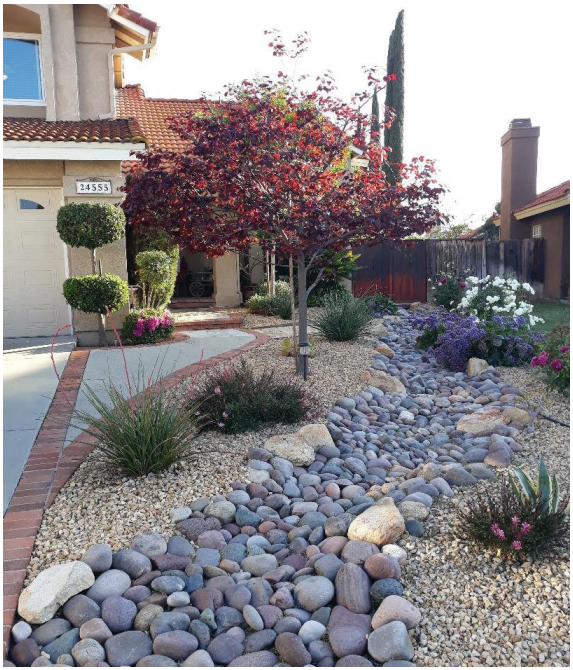
EMWD treats and delivers water via two water filtration plants, three desalination plants and nearly 2,600 miles of pipelines. Your water is continuously tested to make sure it meets or exceeds all standards.

Your water service is billed through water consumption rates, daily service charges, and a Water Supply Reliability Capital Projects Charge (WCP).

In March 2017, the EMWD Board of Directors directed staff to implement a transition plan for the Fruitvale area to bring water consumption rates in line with the cost of service, with the following considerations: avoid sudden rate spikes; phase-in the rate adjustments over time and avoid any significant increases; keep the annual increase for water consumption below 10 percent for the representative ratepayer. The proposed water consumption rates are part of a seven-year phased approach that began in 2018.

Due to increases in treatment and operational costs, specifically energy and chemical prices, that significantly exceeded the average inflationary rate, EMWD is proposing an increase in total water services, including capital charges, of 10.1 percent effective January 1, 2024 and 8.8 percent effective January 1, 2025.

Proposed Water Budget Adjustment Addresses State Efficiency Standards



Your water budget is personalized to your home and family. It provides you with the amount of water that a water efficient household needs according to efficiency standards set by state law - based on the number of people in the home, the size of your irrigated landscape and actual weather data.

Currently, that equates to 55 gallons per person per day and a Conservation Factor* of up to 80 percent of the evapotranspiration rate for your irrigated area. Beginning January 1, 2024, the state standard will be reduced to 47 gallons per person per day.

Your water budget is broken down into billing units (BU), where one BU equals 748 gallons of water, or 100 cubic feet.

Water budgets can vary month-to-month depending on the length of the billing period and the weather. You are only charged for the amount of water you actually use.

Newer Landscapes Require Greater Water Efficiency

Water usage for landscapes are calculated based on the area which needs to be irrigated and the evapotranspiration rate for turf grass, which is the amount of water it needs to survive. A conservation factor is applied to the calculation based on the date a home was built and the State mandated conservation guidelines that were in place before and after that home's construction. Newer homes have more efficient irrigation systems and are subject to stricter State-mandated conservation guidelines. See page 4 for how to calculate your specific water budget.

Homes are assigned a conservation factor as follows:

Allotments for homes connected before December 31, 2010, are at 80 percent

Homes connected between January 1, 2011, to May 31, 2015, are at 70 percent

Homes connected on or after June 1, 2015, are at 50 percent

**The Conservation Factor (CF) is based on a landscape's water use efficiency. Newer homes are designed with less grass and more low-water landscaping, along with more efficient irrigation systems and therefore have a lower CF. When the CF decreases, so does the percentage of the evapotranspiration rate -- the varying amount of irrigation needed to keep plants alive, based on climate.*

Calculating Your Water Budget

EMWD uses the following formulas to determine household-specific, monthly water budgets, which cover efficient water use. Customers who stay within their water budgets pay the lowest cost for water.

HOUSEHOLD SIZE CALCULATION

BU = Household Size X GPCD X Days ÷ 748 gallons

LANDSCAPE IRRIGATION CALCULATION

BU = ET X CF X DF X LA X 0.62 X 0.001337

BU = *Billing Units allocated for your household/landscape irrigation needs (1 BU = 100 cubic feet)*

Household size = *Number of persons per household*

GPCD = *Gallons per capita (for each person) per day*

Days = *Days in the billing cycle*

ET = *Sum of observed evapotranspiration (ET) values for the billing period in inches*

CF = *Conservation Factor (varies by account)*

DF = *Drought Factor (currently 1.0)*

LA = *Landscape Area in square feet (sq. ft.)*

0.62 = *Conversion Factor to convert inches per sq. ft. into gallons per sq. ft.*

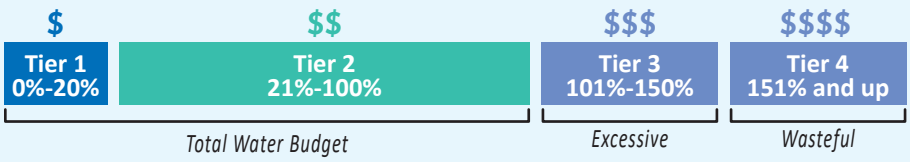
0.001337 = *Conversion Factor to convert gallons into billing units*

How Rates Work with Water Budgets

EMWD's water rate structure aligns with the cost of providing specific water supply sources including groundwater, groundwater desalination, and imported supplies. We also take into account the cost to maintain the entire system that provides customers with safe, clean, reliable water.

All residential customers are billed at the "Tier 1" rate for the first 20 percent of their monthly water budget as that is the proportional amount of local, lowest-cost supplies available. The remaining portion of the water budget is billed at the "Tier 2 Rate" which makes up the full budgeted supply amount. Tier 3 and 4 rates cover any usage in excess of the total water budget and are based on the increased costs necessary to secure additional water supplies, as well as storage, pumping and water use eficiency programs.

INDIVIDUALIZED WATER BUDGET & TIER ALIGNMENT



Total Water Budget = 55 gallons per person per day* and a Conservation Factor up to 0.8

**As of January 1, 2024, the State mandated amount will be 47 gallons per person per day*

EMWD Drought Stages

EMWD adopted its Water Shortage Contingency Plan (WSCP) to regulate the delivery and consumption of water during water shortages. The higher stages of the WSCP are designed to encourage customers to reduce water use by temporarily reducing customer water budgets in varying stages, depending on the severity of the shortage. EMWD's Board of Directors has the authority to initiate or terminate water shortage contingency measures described in the WSCP, and takes such actions as needed in public meetings. While California's water supplies have recovered after record snow and rain this winter, Colorado River supplies, which EMWD also relies on, are still at risk. EMWD continuously monitors water supply conditions and responds as needed. Thank you, EMWD customers, for staying WaterWise today and tomorrow.

Stage 1: Supply Watch

Voluntary reduction of water use of up to 10 percent.

Stage 2: Supply Alert

Voluntary reduction of water use of up to 25 percent.

Stage 3: Mandatory Waste Reduction

Enforced through changes to the water budget-based tiered rates as follows:

Stage 3a: No variances or adjustments allowed for filling swimming pools, establishing landscape, or leaks not repaired within 48 hours;

Stage 3b: Tier 3 *(Excessive use)* budgets reduced by 50 percent;

Stage 3c: Tier 3 budgets eliminated.

Stages 4 and 5: Mandatory Outdoor and Indoor Reductions

Reduces customers' water budgets by varying amounts, depending on the severity of the shortage. As described on page 3, under normal conditions, customers who stay within budget are charged at the lowest rates in tiers 1 and 2. In stages 4 and 5, budgets are reduced, which would cause a customer going over budget to be charged at a Tier 4 rate.

Proposed Sewer Service Rates

EMWD collects and treats an average of 49 million gallons of wastewater (sewer) every day at its four operating regional water reclamation facilities. Sewer service areas were originally defined by the geographic area surrounding the plant serving that area, and rates were set based on the costs to serve that area. Today, all of EMWD's facilities are interconnected, which allows staff to shift flows as necessary for optimal efficiency and reliability. As a result, EMWD is proposing to transition to a universal blended, or "postage stamp" sewer rate over the next seven years.

Sewer rates are calculated using a baseline Daily Service Charge and Block Factors based on the number of people living in the house. Residential customers on water budgets are assigned to one of four sewer blocks, determined by the number of people per household according to the chart on this page. Larger households have a higher block factor based on the assumption that they have higher sewer flows because they do more laundry and dishes, take more showers, etc. and, as a result, are charged a higher sewer rate.

The proposed sewer block factors better reflect the current proportional demands on EMWD's system based on updated customer data. The proposed rates shown on the next page address the increased cost of treatment and operations, specifically energy, chemicals and waste hauling costs that significantly exceeded the average inflationary rate, as well as investments in necessary facility maintenance projects.

The total proposed increases range from 2 to 7 percent effective January 1, 2024, and another 2 to 7 percent effective January 1, 2025. EMWD is using reserve funds to minimize the cost impacts, leaving the proposed increases below the annual average inflation rate, also known as the Consumer Price Index (CPI), which was 8.7 percent for EMWD's service area in 2022.

SEWER BLOCK FACTORS

Block	People per Household	Current	Proposed Effective 1/1/24	Proposed Effective 1/1/25
1	1-2	60%	65%	No change
2	3-4	100%	100%	
3	5-6	125%	135%	
4	7 or more	170%	170%	

Each block is designed around a specific household size to be more representative of the amount of wastewater contributed to the sewer system.

Area Served (Full Service)	Current Daily Service Charge (DSC) per Equivalent Dwelling Unit (EDU)	Proposed DSC per EDU as of 1/1/2024	Proposed DSC per EDU as of 1/1/2025	Block Number	Current Monthly Bill *(based on DSC x 365/12)*	Proposed Monthly Bill dated 1/1/2024 or after *(based on DSC x 365/12)*	Proposed Monthly Bill dated 1/1/2025 or after *(based on DSC x 365/12)*
Includes areas in and around Hemet, San Jacinto, and Winchester	$1.00	**$1.07**	**$1.15**	1	$18.25	**$21.00**	**$22.60**
				2	$30.42	**$32.30**	**$34.77**
				3	$38.02	**$43.61**	**$46.93**
				4	$51.71	**$54.91**	**$59.10**
Includes areas in and around Moreno Valley	$1.02	**$1.09**	**$1.17**	1	$18.62	**$21.39**	**$22.95**
				2	$31.03	**$32.88**	**$35.31**
				3	$38.78	**$44.39**	**$47.67**
				4	$52.74	**$55.90**	**$60.03**
Includes areas in and around the City of Menifee (Sun City)	$1.04	**$1.11**	**$1.19**	1	$18.98	**$21.81**	**$23.41**
				2	$31.63	**$33.55**	**$36.01**
				3	$39.54	**$45.29**	**$48.62**
				4	$53.78	**$57.03**	**$61.22**
Includes areas in and around Temecula, Murrieta, and French Valley	$1.17	**$1.21**	**$1.26**	1	$21.35	**$23.80**	**$24.75**
				2	$35.59	**$36.62**	**$38.08**
				3	$44.48	**$49.44**	**$51.41**
				4	$60.50	**$62.26**	**$64.74**
Includes areas in and around Perris, Romoland, Homeland, and northern portions of Menifee	$1.36	**$1.37**	**$1.40**	1	$24.82	**$27.07**	**$27.50**
				2	$41.37	**$41.64**	**$42.31**
				3	$51.71	**$56.21**	**$57.12**
				4	$70.32	**$70.79**	**$71.93**
Canyon Lake[+]	$1.90	$1.99	$2.07	n/a	$57.79[+]	$60.29[+]	$62.87[+]

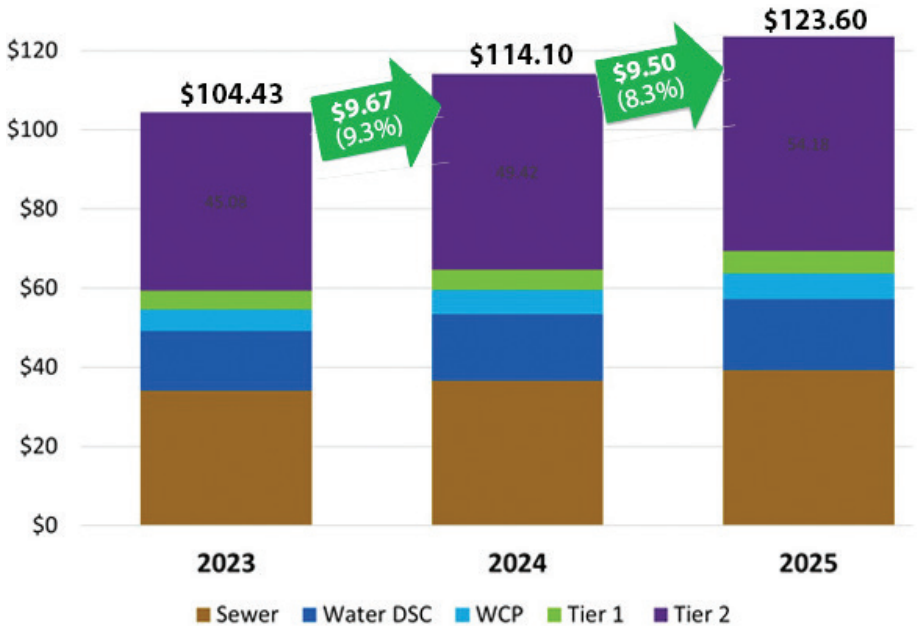
Sewer System Capital Projects Daily Charge *per Equivalent Dwelling Unit*	**Current**	**Proposed Effective 1/1/24**	**Proposed Effective 1/1/25**
Average Monthly Charge	$0.11967	**$0.141**	**$0.149**
	$3.64	**$4.29**	**$4.53**

[+]EMWD bills customers in this area for sewer service rendered through Elsinore Valley Municipal Water District (EVMWD), at the rate established by EVMWD, and is subject to further adjustments by EVMWD.

Typical Water and Sewer Bill Impacts

The chart to the right illustrates a typical residential water and sewer bill with a 3-4 person household using 18 billing units and staying within their water budget.

Customers can calculate their bill under the proposed changes using EMWD's online Bill Estimator tool at emwd.org/BillEstimator



How EMWD Rates Compare

One of EMWD's critical business objectives is to keep costs, and therefore rates, as low as possible for all customers. When compared with other agencies providing similar services in the surrounding area, EMWD's rates continue to be among the lowest.

The chart to the right represents EMWD's 2024 proposed rates for a typical customer, compared to current rates for other inland water agencies.