Water Rate Study

Western Hills Water District

Diablo Grande Community · Stanislaus County, California

Proposed Rates · Fiscal Years 2027 – 2031

Kier & Wright Civil Engineers & Surveyors

July 18, 2026

BACKGROUND · HOW WE GOT HERE

Why the community's water bills climbed

1

A master developer led Diablo Grande

For years, the community's development was carried by a master developer who backstopped a large share of the District's water-system costs.

2

Residents were shielded from the true cost

While that support lasted, bills did not reflect what it actually cost to supply, treat, and deliver water to the community.

3

That support fell away – and costs shifted

When the developer's involvement ended, those costs landed back on the community, and water bills rose sharply to cover them.

4

This study resets rates to real cost

A new long-term water supply agreement sharply lowers that cost – and the proposed rates pass those savings back to customers.

THE BOTTOM LINE

Lower bills for every customer

$200 lower

base rate

Savings hold at every level of water use

FIXED MONTHLY CHARGE (1-INCH METER)

~~$568.51~~ → **$367.97**

ANNUAL PURCHASED WATER COST

~~$1.47M~~ → **$0.30M**

WHY THIS STUDY WAS COMPLETED

Rates must match the cost of service

Proposition 218

California law: rates may recover only the cost of service, allocated in proportion to each customer's use of the system.

A major cost change

A new long-term water supply agreement significantly changed what it costs to serve customers.

A five-year plan

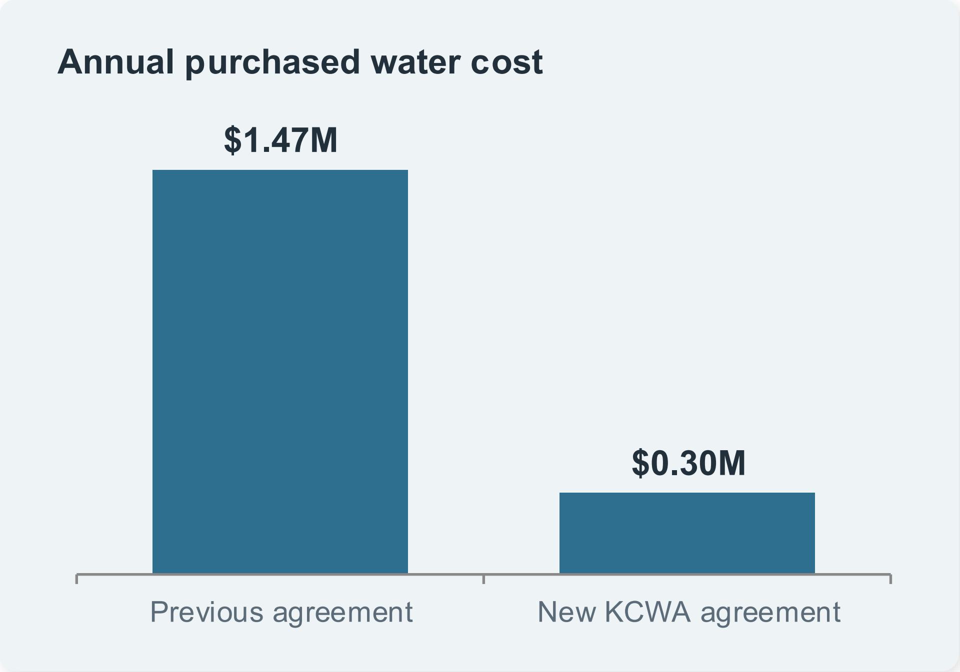
The study sets rates for FY2027–FY2031 so revenues stay aligned with costs without annual rate actions.

WHAT CHANGED SINCE THE LAST STUDY

A new supply agreement cut the largest cost

- The District buys all of its water through the Kern County Water Agency (State Water Project).
- Purchased water was the single largest operating expense.
- A new agreement locks in a far lower annual supply cost.

≈ $1.17M **in savings** per year



WHY RATES ARE DECREASING

Lower costs flow directly into lower rates

New supply agreement

Long-term KCWA contract

→

Lower cost of service

≈ $1.17M less per year

→

Lower revenue requirement

Rates recover only actual costs

→

Lower customer bills

≈ $200/month lower base rate

Under Proposition 218, the District cannot charge more than it costs to provide service – so when costs fall, rates must follow.

HOW THE RATES WERE DEVELOPED

A cost-of-service approach

1

Project annual costs

Five-year budget for operations, maintenance, and reserves.

2

Split fixed vs. variable

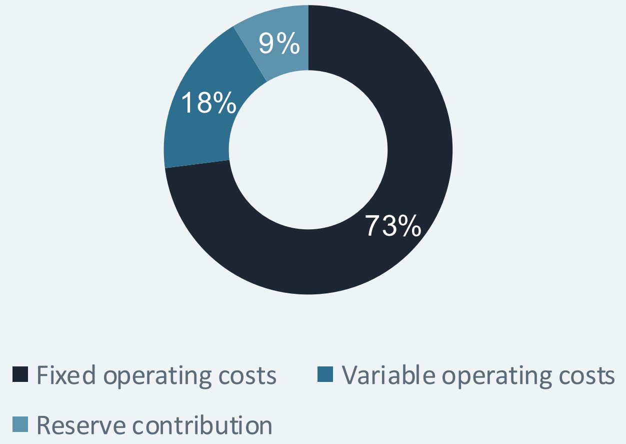
Costs incurred regardless of use vs. costs that rise with water produced.

3

Set the two rate components

Fixed costs → monthly service charge. Variable costs → uniform usage rate.

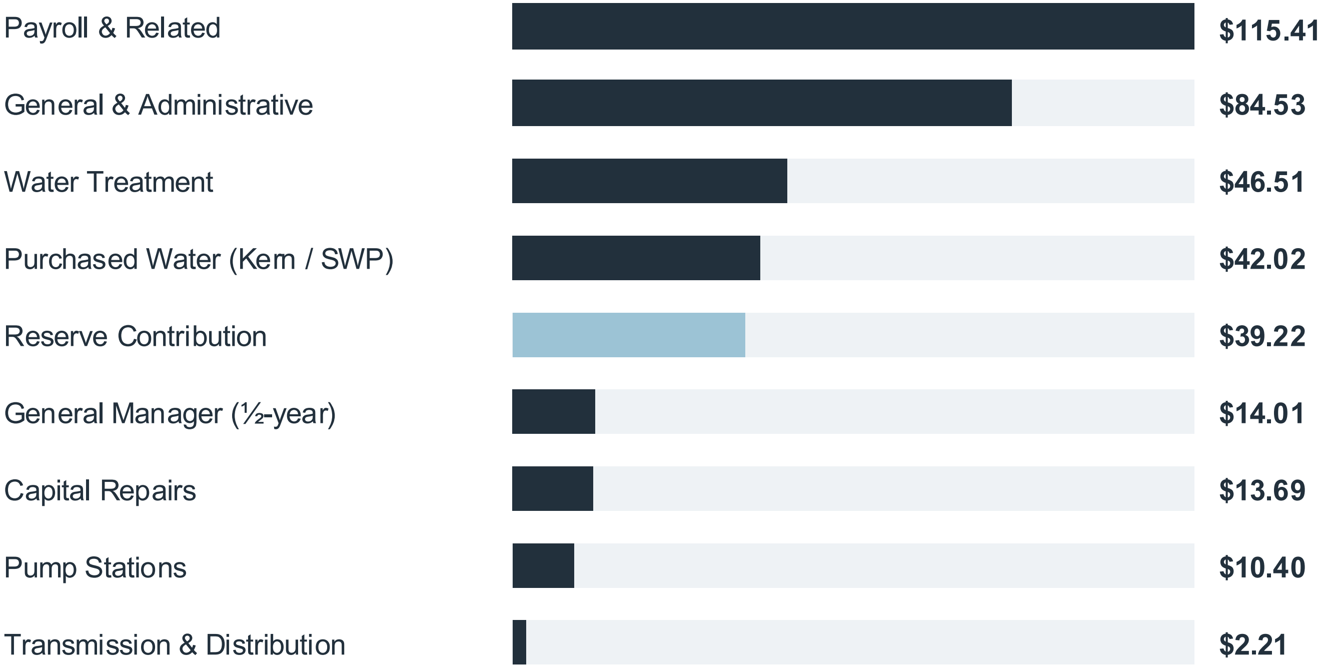
FY2027 revenue requirement · $3.21M



Most of the District's costs are fixed – they don't change with how much water is used.

YOUR MONTHLY FIXED CHARGE

Where your fixed charge goes each month



TOTAL FIXED CHARGE

$367.97/mo

The fixed charge covers costs to keep the system staffed, supplied, and ready year-round. Water you actually use is billed separately at $10.29 per 1,000 gallons.

THE PROPOSED RATES

A simpler, lower rate structure

TODAY

Fixed charge **$568.51 /mo**

Volumetric **3 tiers**

≈ $5.35 / $8.02 / $12.03 per 1,000 gal

PROPOSED · FY2027

Fixed charge **$367.97 /mo**

Volumetric **$10.29** per 1,000 gal

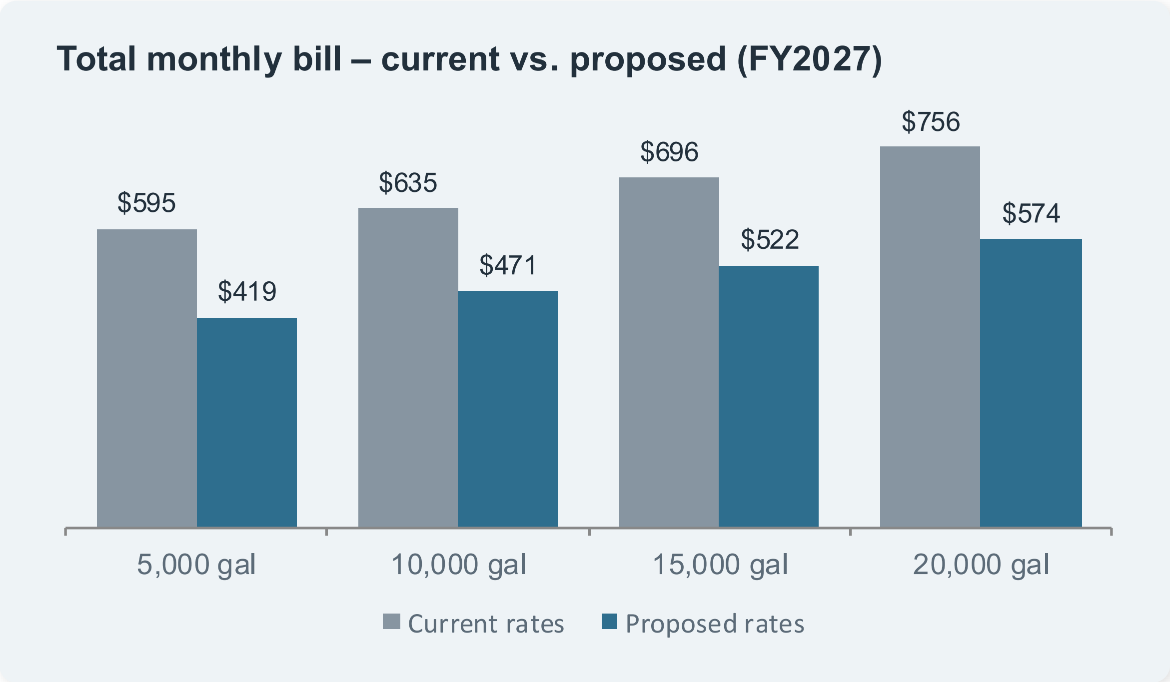
one uniform rate – every gallon costs the same

	FY2027	FY2028*	FY2029	FY2030	FY2031
Fixed charge ($/mo)	$367.97	$394.57	$408.78	$423.57	$438.94
Usage rate ($/1,000 gal)	$10.29	$10.70	$11.13	$11.58	$12.04
HOA irrigation rate ($/1,000 gal)	$8.91	$9.27	$9.64	$10.02	$10.42

**FY2027 includes a half-year General Manager allowance; FY2028 reflects a full year.*

WHAT IT MEANS FOR YOUR BILL

Every customer pays less



≈ $165 – $201

saved per month at typical use levels

No customer pays more

The lowered fixed charge offsets the uniform usage rate at every level of use.

WHY RESERVE CONTRIBUTIONS ARE INCLUDED

Reserves protect customers from rate spikes

Infrastructure failures

Parkway pipeline failure cost ≈ $600K

Drought-year water purchases

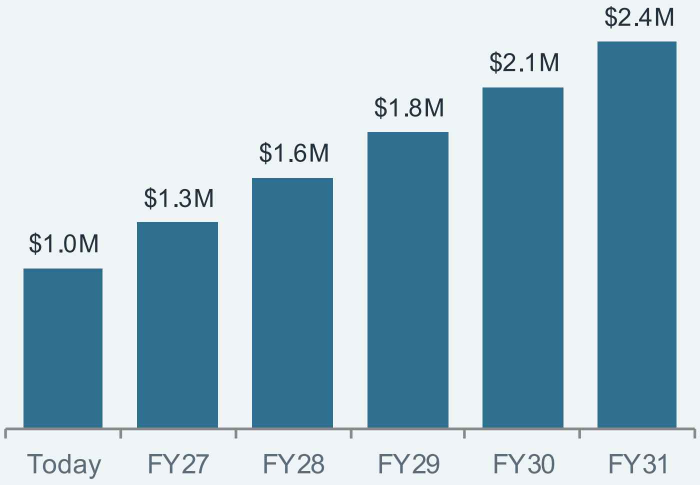
Open-market supply when SWP allocations fall short

Banked water repurchase

≈ 1,200 AF planned, est. $500 – 600K

$280K/yr ≈ $39.22 per account per month, built into the fixed charge

Reserve fund growth: ≈ $1.0M today → $2.4M target



WHAT HAPPENS NEXT

The path to adoption

1 · Mailed notice

To every property owner and customer, 45+ days before the hearing

2 · Public hearing

Board receives comments and counts written protests

3 · Adoption

Rates may be adopted unless a majority protest is received

4 · Rates take effect

New lower bills begin – targeted for September 2026 billing

WE'RE HERE TO HELP

Questions & Discussion

We're glad to walk through any part of the study — your bill, the new water supply agreement, reserves, or what happens next.