

Exhibit A
Resolution No. B-1413

The District undertook a proposed change in its rate structure to fund the 50-year R&R (Replacement and Rehabilitation) Program. The District's rate model includes assumptions to minimize any future large increases to District customers. The basic assumptions used in costing the R&R program are: there are 185 miles of pipe that cost approximately \$1M a mile to replace over a period of 50 years. These assumptions arrive at \$3.7M of pipe to be replaced each year.

The cost will be funded approximately 50 percent from debt and 50 percent from rates. The model assumes an annual 3 percent inflation escalator of the R&R construction costs. At a minimum, these escalated costs will be included in the District's annual R&R fixed fee. The rate model will be reviewed annually to assure the projected rates can be maintained.

The rate funding will need to be certain, so a fixed charge based on meter size was established to fund the R&R program. This R&R fixed charge is equitably allocated based on meter service equivalent (MSE), per American Water Works Association (AWWA) standards. The R&R fixed fee will fund approximately 50 percent of the program, plus associated debt payment and taxes.

The current base charge includes a portion to fund R&R. The proposed R&R fixed charge will now include all R&R program funding coming from rates; therefore, the base charge was reduced and will continue to help fund remaining capital items and existing debt payments.