



NOTICE OF PUBLIC HEARING PROPOSED CHANGES IN WATER, WASTEWATER, AND RECYCLED WATER RATES AND FEES

The City of Escondido (City) will conduct a public hearing on Wednesday, October 18, 2023, at 5 p.m. at 201 North Broadway, Escondido, California, in the City Council Chambers to consider the adoption of changes in water rates, wastewater rates, and recycled water rates. The Council will also consider all written protests to these changes. Further details about the protest process can be found at the end of this notice.

At the hearing, annual water and wastewater revenue increases will be proposed. Proposed water revenue increases will be 8.5% on January 1, 2024, followed by four annual increases of 9% on July 1 of each year from 2024 through 2027. Proposed wastewater revenue increases and recycled water revenue increases will be 9% on January 1, 2024, followed by three annual increases of 7% on July 1 of each year from 2024 through 2026, and 5% on July 1, 2027. Additionally, changes in the methods for calculating rates will be proposed to better align rates with the cost to provide service to various customer classes in accordance with California Proposition 218. Rates presented here are the maximum revenue rates the City Council can consider. The City Council can also choose to have revenue rates become effective at a later date.

La Ciudad de Escondido llevará a cabo una audiencia pública el miércoles 18 de octubre de 2023 a las 5 p.m., en 201 North Broadway, Escondido, California, en la Sala del Concejo Municipal para considerar la adopción de cambios en las tarifas de agua, de aguas residuales y de agua reciclada. El Concejo también considerará todas las protestas escritas en estos cambios. Se pueden encontrar más detalles sobre el proceso de protesta al final de este aviso.

Durante la audiencia, se propondrán aumentos anuales en los ingresos para el agua y aguas residuales. Los aumentos propuestos en los ingresos para agua serán del 8.5 % el 1 de enero de 2024, seguidos por cuatro aumentos anuales del 9% el 1 de julio de cada año desde 2024 hasta 2027. Aumentos propuestos en los ingresos para aguas residuales y aumentos en los ingresos para agua reciclada serán del 9 % el 1 de enero de 2024, seguido de tres aumentos anuales del 7 % el 1 de julio de cada año desde 2024 hasta 2026, y del 5 % el 1 de julio de 2027. Además, se propondrán cambios en los métodos para calcular las tarifas para alinear mejor las tarifas con el costo de proporcionar servicio a varias clases de clientes de acuerdo con la Proposición 218 de California. Las tarifas presentadas aquí son las tarifas máximas de ingresos que el Concejo Municipal puede considerar. El Concejo Municipal también puede optar para que las tasas de ingresos entren en vigencia en una fecha posterior.

Este aviso está disponible en español. Si desea una copia completa en español la puede encontrar haciendo clic en el código QR en esta pagina o puede llamar al 760-839-4662.

Background and General Information

The City periodically evaluates its water, wastewater, and recycled water rates to ensure that its revenues are sufficient to honor its commitment to long-term planning and appropriate infrastructure investment. This evaluation considers many factors that impact the cost of providing water and wastewater services. Among these factors are: the cost of imported water; requirements to maintain sufficient revenue to cover the City's water and wastewater debt service costs; the cost of operations, including employee and materials costs; the cost of future projects to maintain service reliability; and the cost of planned infrastructure maintenance and replacement. The City's Rate Study is the product of this evaluation, and it guides the setting of specific rates for each customer class.

The proposed changes to **water rates** in this notice apply to all customers who receive potable and recycled water service from the City of Escondido. *These proposed water rate changes will not impact customers who receive potable or recycled water service from the Rincon del Diablo Municipal Water District.* The proposed changes to **wastewater rates** in this notice apply to all customers served by the City of Escondido's municipal wastewater system.

Rate Increases – A Means to Increase Revenue

The terms “Rate Increase” and “Revenue Increase” are used throughout this notice. While these terms may seem interchangeable, they are different in that many possible rate increase scenarios will generate the same revenue increase. For example, to achieve a *revenue* increase of 9.0%, the City Council could choose to increase all *rates* by 9.0%. However, the same revenue increase could be achieved by increasing fixed monthly charges by less than 9.0% and increasing variable volumetric charges (based on the amount of water delivered to the customer) by more than 9.0%. Any increase in rates must be consistent with the cost-of-service principles of Proposition 218.

At the hearing on October 18th, Utilities Department staff will present proposals to the City Council for five rate increases to take effect starting in 2024. If the City Council approves any increases, the specific rate increases will be determined at the hearing. Staff will present several options to the City Council concerning the rate increases. At its discretion, the City Council may choose to enact increases that are smaller or larger than those recommended by staff. The City Council may also choose to enact no increase at all. **In no case will the City Council enact rates that are greater than those detailed in the tables on the following pages.**

One Department, Two Financial Funds - The Water and Wastewater Funds

Services provided by the City are funded by money collected from ratepayers for those services. **The Escondido Utilities Department (Water and Wastewater) receives no funding from property and sales taxes.** Under California law, money collected from wastewater ratepayers may be used only to fund wastewater services, and money collected from water ratepayers may be used only to fund water services. Transfer of money between these funds is prohibited except as payment for services provided (for instance, potable water service at a wastewater treatment facility or as part of a loan that will be repaid over time with interest). Likewise, Utility Fund money may not be used to fund General Fund activities except as payment for services provided. Most City of Escondido Utility customers receive both water and wastewater services from the City and therefore have separate line items on their bills for those services. However, some customers receive only water service from the City (for example, those who use septic systems), and some customers receive only wastewater service from the City (for example, those who receive their water service from the Rincon del Diablo Municipal Water District). For these reasons, it is important to consider *separate* rate increases and their benefits and impacts for each Fund.

Water Rates

The City increased water rates annually between 2017 and 2021; no increases were enacted in 2022 or 2023. Rate increases in years 2017 through 2021 raised revenues by 5.5% each year. Past rate increases were necessary in large part to ensure that the Water Fund had sufficient revenue to honor its debt service obligations, to fund its Capital Improvement Program, and to pay for large increases in the cost of imported water. **For 2024 through 2027, the following revenue increases will be proposed for the Water Fund: 8.5% on January 1, 2024, followed by four annual increases of 9% on July 1 of each year from 2024 through 2027.** More information concerning the reasoning behind these increases can be found on page 4 under *Reasons for Proposed Rate Increases*.

Wastewater Rates

The City increased wastewater rates annually between 2017 and 2021; no increases were enacted in 2022 or 2023. Rate increases in years 2017 through 2021 raised revenues by 5.5% each year. Past rate increases were necessary primarily to ensure that the Wastewater Fund had sufficient revenue to honor its debt service obligations, to fund its Capital Improvement Program, and to cover anticipated increases in chemical and sludge hauling costs. **For 2024 through 2027, the following revenue increases will be proposed for the Wastewater Fund: 9% on January 1, 2024, followed by three annual increases of 7% on July 1 of each year from 2024 through 2026, and 5% on July 1, 2027.** More information concerning the reasoning behind these increases can be found on page 4 under *Reasons for Proposed Rate Increases*.

Recycled Water Rates

Currently, recycled water volume rates are approximately 51% of the lowest potable water rates charged to Single Family Residential customers. More than a decade ago, the Utilities Department embarked on an ambitious Recycled Water and Potable Reuse Program and is currently constructing and expanding the recycled water distribution system to the eastern area of Escondido. Projected sales of recycled water will increase significantly as the recycled water system connects new customers, with most new recycled water deliveries going to commercial agricultural customers. There are two distinct Recycled Water rates: one supply meant for industrial uses and general irrigation, and another for irrigation of agricultural land. The supply for agricultural irrigation is under development and should be available by Spring 2024. The cost of service for the agricultural irrigation supply is driven by two main factors: (1) the need for a new, reliable, local water supply; and (2) the need to discharge less treated wastewater from the City's wastewater treatment plant to the ocean due to capacity constraints in the treated wastewater outfall. Thus, the cost of the expansion could be borne by two sets of ratepayers: the new recycled water customers and the wastewater customers. Wastewater ratepayers will benefit from the recycled water expansion because the expansion will allow these ratepayers to avoid the cost of expanding capacity in the City's outfall pipeline. The cost of this expansion is projected to be more than \$1 billion, not including environmental mitigation costs, and will not generate any future revenue. In contrast, the recycled water expansion is projected to cost about \$280 million to construct (with the current construction phases costing more than \$100 million) and it will generate revenue via recycled water sales and decrease the need for imported water.

Specific Water Rate Issues and Pass-Through Costs

Volumetric (Water Use) Rate Increases for Imported Water

Historically, the City purchases about 75% of its water from the San Diego County Water Authority (SDCWA). The SDCWA purchases much of its water supply from the Metropolitan Water District (MWD). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and Northern California via the California Aqueduct. Despite heavier than usual rains in early 2023, rainfall has been well below average for over a decade. Projects meant -to further secure our water supply – for instance through additional storage, more recycling, and local supply development – will be beneficial in the long term, but will also apply upward pressure on water rates.

Metropolitan Water District – Readiness-to-Serve Charge (RTS)

The MWD Readiness-to-Serve charge decreased in 2021, and increased in 2022 and 2023. This charge includes a "Delta Surcharge" to cover costs to obtain water lost to environmental restrictions on the Sacramento River Delta. Since 2009, the City of Escondido has passed through changes in the Readiness-to-Serve charge. At the rate hearing, the City Council will consider extending this pass-through for an additional five years, making increases to this charge possible through 2028. Annual changes are effective July 1 of each year.

San Diego County Water Authority (SDCWA) Fixed Charges

The SDCWA fixed charges consist of the following: MWD capacity, supply reliability, customer service, emergency storage and infrastructure access charge. Since 2009, the City of Escondido has passed through increases in all of these charges. At the rate hearing, the Council will consider pass-through of the charges for an additional 5 years, making increases to these charges possible through 2028. The pass-through charges are applied to each account based on meter size. Annual changes are effective January 1 of each year.

Increased Cost of Water Purchases from the SDCWA

Staff will propose a pass-through rate increase to cover the higher cost of imported water. Over the last five years, imported water costs have risen from \$909 per acre-foot to \$1,085 per acre-foot (one acre-foot is approximately 326 kgal). Utilities staff will propose that any future SDCWA imported water rate increases will be passed-through to customers automatically when the new SDCWA rate takes effect and with at least a 30-day public notice. This new, proposed automatic pass-through increase would be effective for a five-year period, at which time it would end unless renewed by the City Council. The SDCWA may increase both fixed costs (for instance, the Infrastructure Access Charge and supply charges, which are based on a per meter charge) and volumetric charges. Staff will recommend continuation of the policy to pass-through increases in all fixed charges, and staff will recommend pass-through of increases in

volumetric rates charged by the SDCWA. The exact amount of future pass-through of rate increases for charges is not known because these rates must be determined after future SDCWA rate increases take effect.

Reasons for Proposed Rate Increases

Many factors drive Utility rate increases. The proposed rate increases over the next five years will provide necessary funds to:

WATER FUND

- Increase the volume of imported water purchased from wholesale suppliers (more gallons imported due to fluctuating local supply);
- Continue building Capital Improvement Program (CIP) reserves to fund future water reservoir replacement, water line replacement, and water treatment plant rehabilitation projects;
- Construct a new dam at Lake Wohlford to replace the existing dam;
- Construct a treated water connection to the Rincon del Diablo Municipal Water District system, enabling Escondido to diversify its water supply sources;
- Continue the repair and replacement program for at-risk water mains throughout the City;
- Cover increasing costs of chemicals, replacement equipment, and materials used for treating potable water.

WASTEWATER FUND

- Continue building CIP reserves to fund sewer lift station replacement, Hale Avenue Recovery Facility (HARRF) tertiary system and digester replacement, and Membrane Filtration Reverse Osmosis (MFRO) system pipeline extension projects;
- Construct additional treatment processes at the HARRF, including new secondary treatment capacity, disinfection treatment, sludge digester replacement, and on-site water storage expansion;
- Construct recycled water pump station improvements and recycled water distribution expansion projects, including several miles of additional distribution mains;
- Continue the repair and replacement program for at-risk wastewater collection pipelines; replace pipelines to address capacity issues identified in the Wastewater Master Plan; and replace aging laboratory and plant equipment;
- Cover increasing costs of chemicals, replacement equipment, and materials used for treating and conveying wastewater.

These activities and investments are designed to increase the reliability of water and wastewater services, meet and exceed public health standards and goals, address new regulations, and further improve financial health.

Proposed Rate Increases

To better align rates with the cost to provide service to various customer classes in accordance with California Proposition 218, all proposed rates effective on January 1, 2024 include a cost of service adjustment. The rates in the following tables represent the *maximum* rate increase options to be presented to the City Council for its consideration. The Council may – at its discretion – develop other options for water and wastewater rates at the hearing. In no case will rates be adopted that are greater than the proposed rates shown in the following pages.

In addition to the proposed rates listed on the following pages, the automatic pass-through adjustments described above will be applied if approved by Council. If the SDCWA increases the rate it charges for water imports to Escondido, the additional pass-through charge would further increase the rates above the rates approved by the City Council. Pass-through charges, if necessary, will be applied pursuant to Gov. Code Sec. 53756, and customers would be notified at least 30 days before any pass-through rate increases would take effect.

Proposed Volumetric Rates for Potable Water (rate per 1,000 gallons)

| | <i>Current Tier</i> | <i>Proposed</i> | Current Rate | January 1, 2024 | July 1, 2024 | July 1, 2025 | July 1, 2026 | July 1, 2027 |
|--|---------------------|-----------------|--------------|-----------------|--------------|--------------|--------------|--------------|
| | <i>1,000 gal</i> | | | | | | | |
| Single Family Residential | | | | | | | | |
| Tier 1 | 0 – 7 | 0 – 7 | \$7.61 | \$9.03 | \$9.85 | \$10.74 | \$11.71 | \$12.77 |
| Tier 2 | 7 – 15 | 7 – 14 | \$9.87 | \$9.76 | \$10.64 | \$11.60 | \$12.65 | \$13.79 |
| Tier 3 | 15 + | >14 | \$11.22 | \$10.40 | \$11.34 | \$12.37 | \$13.49 | \$14.71 |
| Residential/Agricultural Use | | | | | | | | |
| Tier 1 | 0 – 7 | 0 – 7 | \$7.44 | \$9.03 | \$9.85 | \$10.74 | \$11.71 | \$12.77 |
| Tier 2 | 7 + | >7 | \$10.11 | \$9.92 | \$10.82 | \$11.80 | \$12.87 | \$14.03 |
| Multi-Family Residential | | | | | | | | |
| Tier 1 | 0 – 5 | 0 – 5 | \$7.52 | \$9.22 | \$10.05 | \$10.96 | \$11.95 | \$13.03 |
| Tier 2 | 5 – 7 | >5 | \$9.48 | \$9.78 | \$10.67 | \$11.64 | \$12.69 | \$13.84 |
| Tier 3 | 7 + | Eliminated | \$10.50 | -- | -- | -- | -- | -- |
| Commercial, Industrial & School | | | \$9.24 | \$9.47 | \$10.33 | \$11.26 | \$12.28 | \$13.39 |
| Irrigation & Landscape Maintenance District (LMD) | | | \$9.73 | \$9.85 | \$10.74 | \$11.71 | \$12.77 | \$13.92 |
| SD Zoo Safari Park | | | \$10.00 | \$9.48 | \$10.34 | \$11.28 | \$12.30 | \$13.41 |
| Special Unfiltered | | | \$8.18 | \$8.25 | \$9.00 | \$9.81 | \$10.70 | \$11.67 |
| Agricultural Use (PSAWR) Tier 1 | | 0 -17 | \$5.58 | \$7.58 | \$8.27 | \$9.02 | \$9.84 | \$10.73 |
| Agricultural Use (PSAWR) Tier 2 | | > 17 | \$5.58 | \$6.87 | \$7.49 | \$8.17 | \$8.91 | \$9.72 |

Proposed Monthly Charge – Water Availability Service

| Meter Size | Current Rate | January 1, 2024 | July 1, 2024 | July 1, 2025 | July 1, 2026 | July 1, 2027 |
|----------------|--------------|-----------------|--------------|--------------|--------------|--------------|
| 5/8" and 3/4" | \$47.34 | \$52.53 | \$57.26 | \$62.42 | \$68.04 | \$74.17 |
| 1" | \$74.37 | \$77.72 | \$84.72 | \$92.35 | \$100.67 | \$109.74 |
| 1 1/2" | \$140.86 | \$140.67 | \$153.34 | \$167.15 | \$182.20 | \$198.60 |
| 2" | \$224.05 | \$253.98 | \$276.84 | \$301.76 | \$328.92 | \$358.53 |
| 3" | \$472.22 | \$562.43 | \$613.05 | \$668.23 | \$728.38 | \$793.94 |
| 4" | \$839.41 | \$959.01 | \$1,045.33 | \$1,139.41 | \$1,241.96 | \$1,353.74 |
| 6" | \$1,818.72 | \$2,029.17 | \$2,211.80 | \$2,410.87 | \$2,627.85 | \$2,864.36 |
| 8" | \$3,116.54 | \$3,539.97 | \$3,858.57 | \$4,205.85 | \$4,584.38 | \$4,996.98 |
| 3/4" x 3" | \$502.37 | \$562.43 | \$613.05 | \$668.23 | \$728.38 | \$793.94 |
| 1" x 4" | \$875.60 | \$959.01 | \$1,045.33 | \$1,139.41 | \$1,241.96 | \$1,353.74 |
| 1 1/2" x 6" | \$1,907.51 | \$2,029.17 | \$2,211.80 | \$2,410.87 | \$2,627.85 | \$2,864.36 |
| 3/4" x 3" x 6" | \$1,920.95 | \$2,029.17 | \$2,211.80 | \$2,410.87 | \$2,627.85 | \$2,864.36 |
| 1" x 4" x 8" | \$3,257.13 | \$3,539.97 | \$3,858.57 | \$4,205.85 | \$4,584.38 | \$4,996.98 |
| 2" x 6" | \$1,913.42 | \$2,029.17 | \$2,211.80 | \$2,410.87 | \$2,627.85 | \$2,864.36 |
| 2" x 8" | \$3,231.81 | \$3,539.97 | \$3,858.57 | \$4,205.85 | \$4,584.38 | \$4,996.98 |
| Detector Check | \$67.01 | \$47.61 | \$51.90 | \$56.58 | \$61.68 | \$67.24 |

Proposed Monthly Wastewater Rates – Residential

| Customer Class | Unit | Current Rate | January 1, 2024 | July 1, 2024 | July 1, 2025 | July 1, 2026 | July 1, 2027 |
|-----------------------------|-------------------|-----------------|-----------------|--------------|--------------|--------------|--------------|
| FIXED MONTHLY (ALL CLASSES) | \$/month per unit | \$25.90 (fixed) | \$6.73 | \$7.21 | \$7.72 | \$8.27 | \$8.69 |
| Single Family Residential | \$/1,000 gallon | \$5.14 | \$8.95 | \$9.58 | \$10.26 | \$10.98 | \$11.53 |
| Multi-Family Dwelling | \$/1,000 gallon | \$4.20 | \$8.95 | \$9.58 | \$10.26 | \$10.98 | \$11.53 |
| Mobile Homes | \$/1,000 gallon | \$2.58 | \$8.95 | \$9.58 | \$10.26 | \$10.98 | \$11.53 |

Proposed Monthly Wastewater Rates – Commercial / Industrial

The proposed commercial and industrial charges have been modified to include a fixed charge and a variable charge based on water consumption and on the flow volume of the sewage they generate. The parameters used to set the dividing line between Low, Medium, and High are based on historical data and commercial user strength characteristics. Low strength is considered normal strength of discharge, and High strength has a high strength discharge. Medium strength is the middle point of the two. The following table shows the customer class strength levels: Low, Medium, and High.

| Customer Class | Unit | Current Rate | Proposed Category | January 1, 2024 | July 1, 2024 | July 1, 2025 | July 1, 2026 | July 1, 2027 |
|--|-------------------|--|-------------------|-----------------|--------------|--------------|--------------|--------------|
| FIXED MONTHLY (ALL CLASSES) | \$/month per unit | \$25.90 | | \$6.73 | \$7.21 | \$7.72 | \$8.27 | \$8.69 |
| Carwash Hotel/Motel without Dining Repair Shop/Service Station Laundromat Hospital All Other Commercial | \$/1,000 gallon | \$7.58 \$9.04 \$7.96 \$8.11 \$8.71 \$9.21 | Low | \$7.55 | \$8.08 | \$8.65 | \$9.26 | \$9.73 |
| Hotel/Motel with Dining Commercial Laundry Industrial | \$/1,000 gallon | \$13.08 \$9.22 \$12.31 | Medium | \$13.24 | \$14.17 | \$15.17 | \$16.24 | \$17.06 |
| Grocery Store with Meat Dept. Restaurant | \$/1,000 gallon | \$15.24 \$15.04 | High | \$18.92 | \$20.25 | \$21.67 | \$23.19 | \$24.35 |
| Discharges to Brine Line | \$/1,000 gallon | \$0.85 | | \$0.85 | \$0.85 | \$0.85 | \$0.85 | \$0.85 |

Proposed Monthly Wastewater Rates – Strength Based/Calculated

| Customer Class Based | Unit | Current Cost Per Unit | January 1, 2024 | July 1, 2024 | July 1, 2025 | July 1, 2026 | July 1, 2027 |
|---------------------------------|---------------|-----------------------|-----------------|--------------|--------------|--------------|--------------|
| High Strength Use | \$/1,000 gal. | \$6.90 | \$22.47 | \$24.05 | \$25.74 | \$27.55 | \$28.93 |
| BOD - Biochemical oxygen demand | \$/lb. | \$0.67 | \$1.16 | \$1.24 | \$1.33 | \$1.43 | \$1.51 |
| TSS - Total suspended solids | \$/lb. | \$0.63 | \$1.16 | \$1.25 | \$1.34 | \$1.44 | \$1.52 |

Proposed Monthly Wastewater Rates – Schools / Churches

| Customer Class | Unit | Current Cost Per Unit | January 1, 2024 | July 1, 2024 | July 1, 2025 | July 1, 2026 | July 1, 2027 |
|---------------------|-------------------|-----------------------|-----------------|--------------|--------------|--------------|--------------|
| Senior High Schools | per student/year | \$35.89 | \$26.28 | \$28.20 | \$30.24 | \$32.40 | \$34.08 |
| Elementary & Middle | per student/year | \$23.92 | \$13.20 | \$14.16 | \$15.24 | \$16.32 | \$17.16 |
| Churches | per 100 seats/mo. | \$49.84 | \$35.00 | \$38.00 | \$41.00 | \$44.00 | \$47.00 |

Proposed Volumetric Rates for Recycled Water

The recycled water monthly service charge is the same as the potable water monthly service charge. The volumetric rates below reflect the maximum rates the City Council may approve at the hearing.

| | Current Rate | January 1, 2024 | July 1, 2024 | July 1, 2025 | July 1, 2026 | July 1, 2027 |
|---|--------------|-----------------|--------------|--------------|--------------|--------------|
| Recycled Water Volumetric Rate (\$/1,000 gal) | \$3.85 | \$5.91 | \$6.30 | \$6.71 | \$7.14 | \$7.43 |

How to Protest the Proposed Rates and Charges

The City of Escondido will conduct a public hearing on **Wednesday, October 18, 2023, at 5 p.m.** at 201 North Broadway, Escondido, California 92025, in the City Council Chambers to consider the adoption of changes in water, wastewater, and recycled water rates, and to consider all written protests. Members of the public are welcome to attend and speak at the Public Hearing. Oral comments at the Public Hearing will not qualify as written protests.

Written protests may be submitted in person or by mail to the City of Escondido, Office of the City Clerk, 201 North Broadway, Escondido, CA 92025, **before 5:30 p.m. on Tuesday, October 17, 2023, or may be submitted in person before the public hearing on October 18, 2023.** All written protests must include 1) the printed full name and original signature of the owner or tenant submitting the protest; 2) the street address and/or Assessor Parcel Number of the parcel; and 3) state the specific rates being protested.

Only one written protest is allowed per identified parcel. Protests submitted by e-mail, facsimile, or other electronic means do not qualify and will not be accepted.

At the time of the public hearing, the City Council will receive a final tabulation of all written protests received by the City Clerk. The Council will then carefully consider the public input. The City Council may approve rate increases and future pass-through adjustments unless a majority of customers file written protests. Pursuant to Government Code Section 53759, there is a 120-day statute of limitations for any judicial action or proceeding challenging any new, increased, or extended water or wastewater fee or charge.



City of Escondido
201 North Broadway
Escondido, CA 92025

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**IMPORTANT INFORMATION ENCLOSED
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