

LASSEN COUNTY WATERWORKS DISTRICT #1

2026 Sewer Rate Study

Final Report

July 15, 2026

LASSEN COUNTY WATERWORKS DISTRICT NO. 1 2026 SEWER RATE STUDY

FINAL REPORT

Prepared for:

Lassen County Waterworks District No. 1
301 Bridge Street
Bieber, CA 96009

Prepared by:

ROBERT D. NIEHAUS, INC.
140 East Carrillo Street
Santa Barbara, CA 93101
(805) 962-0611

RDN Project Number 387.05

July 15, 2026



Kody Smith
General Manager
Lassen County Waterworks District No. 1
301 Bridge St
Bieber, CA 96009

Subject: 2026 Sewer Rate Study

Dear Mr. Smith,

Robert D. Niehaus, Inc. is pleased to provide this Financial Planning, Revenue Requirements, Cost of Service, and Rate Setting Analysis report to the Lassen County Waterworks District No. 1 for its Sewer services. This rate study includes a financial plan to determine the revenue requirements for the next five years and a comprehensive review of the District's current rates based on the cost of service principles. This report outlines the approach, methodology, findings, and recommendations of the study. Each of the components of this study has enhanced the equitability of the rates we propose.

The proposed rates were developed utilizing the District's customer usage data, billing records, accounting, operating and management records, and capital plans. Based on the District-provided data, key assumptions were made for the study using appropriate resources and our econometric and financial expertise. We are confident that the rates proposed in this report are cost-based and are fully compliant with Proposition 218 and other legal requirements.

It has been an absolute pleasure and honor to work with your District. We thank you and all additional staff who helped complete this report.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert D. Niehaus".

Robert D. Niehaus, Ph.D.

Managing Director/Principal Economist - RDN

A handwritten signature in black ink that reads "Anthony Elowsky".

Anthony Elowsky M.A.

Project Manager - RDN

TABLE OF CONTENTS

TABLE OF CONTENTS i

LIST OF TABLES.....iii

LIST OF FIGURESiii

EXECUTIVE SUMMARY5

 1.1 Background.....5

 1.2 Purpose of Study6

 1.3 Rate Recommendations and Proposed Rates.....7

METHODOLOGY.....10

 2.1 General Methodology 10

 2.2 Legal Considerations..... 10

 2.3 Key Assumptions 11

 Escalation Factors 12

 Customer Growth..... 13

 Reserve Policy 13

FINANCIAL PLAN15

 Revenues 15

 Operating and Maintenance (O&M) Expense 15

 Other Obligations 16

 Capital Improvement Projects..... 16

 Debt Service and Coverage Ratios..... 16

 Reserves 16

 Financial Plan 17

 Revenue Requirements 19

COST OF SERVICE ANALYSIS.....21

 Functionalization of Costs 21

 Allocation to Units 24

RATE DESIGN30

 Fixed Monthly Service Charges..... 30

 Sewer Rates 31

 Rate Impacts..... 31

 Rate Comparison 32

CONCLUSION34

4.1	Summary of Recommendations and Financial Results	34
-----	--	----

LIST OF TABLES

Table 1. Current Sewer Fixed Charges	7
Table 2. Proposed Customer Classes FY 2027 to FY 2031	8
Table 3. Proposed Revenue Adjustments FY 2027 to FY 2031	8
Table 4. Proposed Fixed Sewer Rates FY 2027 to FY 2031.....	9
Table 5. Expense Escalation Factors.....	13
Table 6. Annual Sewer Customer Counts, FY 2026 to FY 2031	13
Table 7. Sewer Reserve Policies and FY 2027 target.....	14
Table 8. Sewer System Revenue Forecast, FY 2026 to FY 2031	15
Table 9. Sewer System O&M Expense Forecast, FY 2026 to FY 2031	15
Table 10. Rate Study Sewer CIP Expenses by Expense Type, FY 2027 to FY 2031	16
Table 11. Sewer Reserve Target, FY 2026 to FY 2031	16
Table 12. Status Quo Financial Pro Forma for Lassen County Waterworks District Sewer System, FY 2026 to FY 2031	18
Table 13. Proposed Financial Pro Forma for Lassen County Waterworks District Sewer System, FY 2026 to FY 2031	19
Table 14. Revenue Requirements for Lassen County Waterworks District Sewer Utility, FY 2026.....	20
Table 15. Percent of O&M Functional Categories Allocated	23
Table 16. Percent of O&M Functional Categories Allocated to Cost Components	23
Table 17. Total Expense of Operating Functional Categories Allocated to Cost Components	23
Table 18. Percent of Non-Operating Functional Categories Allocated	24
Table 19. Percent of Non-Operating Functional Categories Allocated to Cost Components.....	24
Table 20. Revenue Requirement Cost Allocation by Cost Component	24
Table 21. Total Plant Sewer Flows	25
Table 22. Sewer Strength by Customer Class.....	26
Table 23. Strength Contribution by Customer Class	26
Table 24. Cost of Service Units of Service.....	27
Table 25. Cost of Service Unit Cost	27
Table 26. Cost of Service Allocated to Customer Class.....	28
Table 27. Fixed Rate Allocation	30
Table 28. Fixed Monthly Sewer Rate Calculation	30
Table 29. Proposed Sewer Rates FY 2027 to FY 2031	31
Table 30. Current Versus Proposed Rates (FY 2027) for all Customer Classes	32
Table 31. Proposed Sewer Rates Based on the Proposed Revenue Adjustment.....	36

LIST OF FIGURES

Figure 1. Lassen County Waterworks District Boundary.....	6
Figure 2. Sewer Rate Study Process	10
Figure 3. Sewer Cash Balances and Reserve Target With Current Rates, FY 2026 to FY 2031	17
Figure 4. A Typical Flow for Cost of Service Analysis Process.....	21
Figure 5. Annual Cost of Service Allocation by Customer Connection	29
Figure 6. Comparison of Residential Rates with Surrounding Districts	33

Figure 7. Rate Study Sewer Status Quo Financial Plan	34
Figure 7. Ending Sewer Cash Balances with No Revenue Adjustment.....	35
Figure 8. Recommended Sewer Revenue Adjustment	36
Figure 9. Rate Study Adjusted Sewer Financial Plan	37
Figure 10. Recommended Ending Sewer Cash Balances with Revenue Adjustment.....	38

EXECUTIVE SUMMARY

1.1 Background

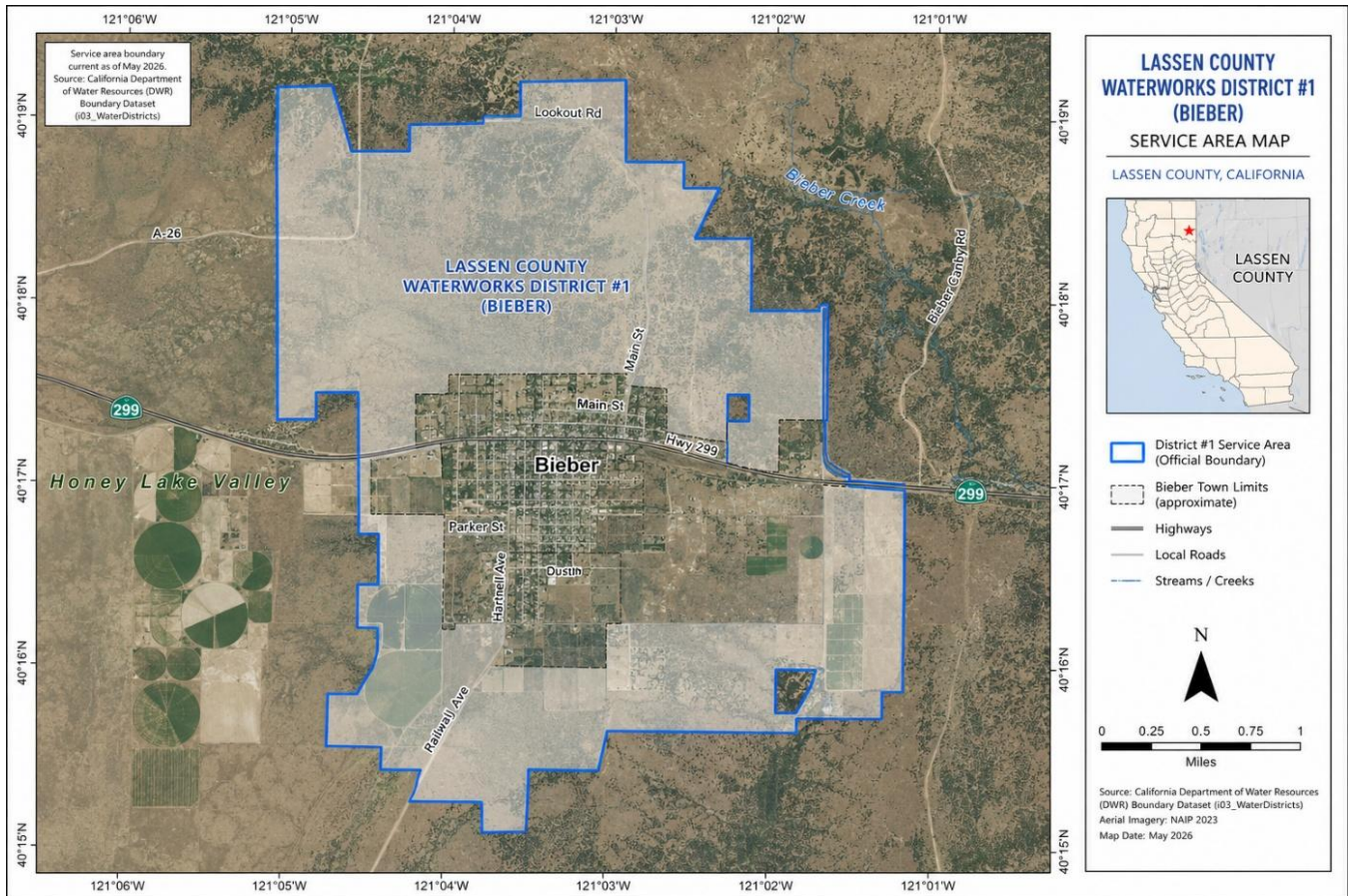
The Lassen County Waterworks District No. 1 (LCWD) was established in 1932 and provides water storage, distribution and reclamation, and sewage disposal services to the community of Bieber. The community of Bieber sits along the Pit River at an elevation of 4,124 feet, approximately 55 miles northwest of Susanville, and is served by State Highway 299. The District boundary is largely coterminous with the developed portion of Bieber.

The District serves a residential population as well as commercial, institutional, and special-use customers, including schools, churches, the local CAL FIRE station, the fire department, a medical clinic, and a logging operation. Based on current customer service assignments, the District maintains approximately 134 active sewer service connections, the majority of which (117) are residential.

The wastewater collection system has five lift stations and one back-up generator. Domestic sewage is discharged into two facultative treatment ponds of a combined 3.05 acres. Wastewater from the ponds is discharged into two shallow evaporation ponds of a combined 8.33 acres. The ponds are located 2,000 feet south of Bieber.

Figure 1 presents the limits of the Lassen County Waterworks District.

Figure 1. Lassen County Waterworks District Boundary



1.2 Purpose of Study

The purpose of this analysis is to conduct a rate study which evaluates the District's current utility rates and financial data and propose new rates for its Sewer services, if necessary, to meet the District's financial and strategic goals.

The primary objectives of this Study include:

- Projecting revenues and expenses for a ten-year study period
- Proposing five-year revenue adjustments to fund the District's projected financial needs
- Proposing rates that aim to minimize the impact on customers
- Producing an administrative record which effectively summarizes all findings
- Supporting the District through the Proposition 218 process

1.3 Rate Recommendations and Proposed Rates

Sewer

- Adjusting rates annually by the recommended revenue adjustments of 13.0 percent per year
- Simplifying rates by grouping customers by their impact on the sewer system
- Evaluating the cost to provide service based on sewer flow and sewer strength

Current Sewer Rates

Sewer service charges are structured as flat monthly fixed charges that vary by customer class. Residential sewer customers currently pay a fixed monthly charge of \$30.52, while non-residential classes are assigned higher fixed charges reflecting the relative cost of service and anticipated wastewater strength or volume associated with that customer type. Unlike the District's water rates, none of the District's current sewer schedules include a variable, usage-based charge component. The current sewer rates are displayed in **Table 1**.

Table 1. Current Sewer Fixed Charges

Current Rates	
S1-Residential	\$30.52
S2-Commercial	\$58.28
S3-Commercial	\$158.40
S4-Commercial	\$119.05
S5-Commercial	\$49.66
S6-Cal Fire	\$102.05
S7-Church	\$24.60
S8-Del Logging	\$61.96
S9-Fire Dept	\$30.06
S10-Memorial Building	\$184.50
S11-Nursery Water	\$31.90
S12-Harbert Oil	\$27.50
S13-Road Dept	\$31.44
S14-School	\$160.10

Proposed Sewer Rates

The recommended sewer rates include a revenue adjustment schedule designed to mitigate operating cost increases, fund capital improvements and facility maintenance, and contribute to the District's reserves. RDN, working with District staff, determined that an annual increase of 13.0 percent through the study period is necessary to achieve healthy sewer fund balances while still maintaining sufficient operating funds. Additionally, to simplify the rate structure, RDN recommends the following changes to the District's billing scheme shown in **Table 2**. The proposed customer classes are based on the cost of service analysis results and reflect the similar impact the reclassified customers have on the sewer system.

Table 2. Proposed Customer Classes FY 2027 to FY 2031¹

Customer Classes		
Current	Reclassification	Proposed
S1-Residential*	No Change	S1-Residential
S2-Commercial	No Change	S2-Commercial
S3-Commercial	S2-Commercial	S3-Commercial
S4-Commercial	S3-Commercial	S4-Commercial
S5-Commercial	S4-Commercial	S5-Cal Fire
S6-Cal Fire	S5-Cal Fire	S6-Church
S7-Church	S6-Church	S7-Del Logging
S8-Del Logging	S7-Del Logging	S8-Memorial Building
S9-Fire Dept	S2-Commercial	S9-Harbert Oil
S10-Memorial Building	S8-Memorial Building	S10-Road Dept
S11-Nursery Water	S2-Commercial	S11-School
S12-Harbert Oil	S9-Harbert Oil	
S13-Road Dept	S10-Road Dept	
S14-School	S11-School	

The proposed revenue adjustments, the proposed rates, and the proposed consolidated customer classes for FY 2027 – FY 2031 are shown in **Table 3** and **Table 4**, respectively.

Table 3. Proposed Revenue Adjustments FY 2027 to FY 2031

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Proposed Revenue Adjustment	13.0%	13.0%	13.0%	13.0%	13.0%

¹ The bill records used to evaluate the cost of service (2025) include eight active commercial customers which are billed the residential rate. To improve customer equity, commercial customers in the residential category were moved to the commercial customer class which best reflects their service requirements. Six S1 customers, who had less than 6,000 gallons of average monthly water use, were moved to S2, two S1 customers, whose water use was greater than 6,000 gallons per month on average, were moved to S4.

Table 4. Proposed Fixed Sewer Rates FY 2027 to FY 2031

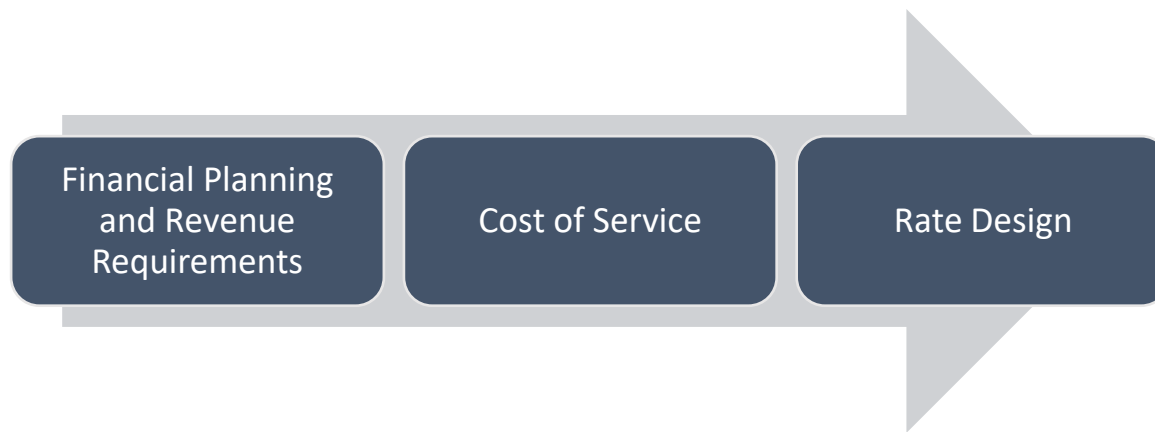
Fixed Charges					
Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
S1-Residential	\$36.53	\$41.28	\$46.64	\$52.71	\$59.56
S2-Commercial	\$12.41	\$14.02	\$15.85	\$17.91	\$20.23
S3-Commercial	\$49.22	\$55.62	\$62.85	\$71.02	\$80.25
S4-Commercial	\$111.80	\$126.33	\$142.75	\$161.31	\$182.28
S5-Cal Fire	\$31.20	\$35.26	\$39.85	\$45.03	\$50.88
S6-Church	\$96.45	\$108.99	\$123.16	\$139.17	\$157.27
S7-Del Logging	\$261.13	\$295.07	\$333.43	\$376.78	\$425.76
S8-Memorial Building	\$216.81	\$245.00	\$276.85	\$312.84	\$353.51
S9-Harbert Oil	\$66.51	\$75.16	\$84.93	\$95.97	\$108.45
S10-Road Department	\$76.87	\$86.87	\$98.16	\$110.92	\$125.34
S11-School	\$56.01	\$63.29	\$71.51	\$80.81	\$91.32

METHODOLOGY

2.1 General Methodology

The Sewer rates were developed using principles set forth by the American Water Works Association (AWWA) and the Water Environment Federation (WEF). RDN rate-making practices incorporate methods described in the WEF Financing and Charges for Sewer Systems² wherever possible. **Figure 2** presents the steps taken to develop the District's proposed rates.

Figure 2. Sewer Rate Study Process



- **Financial Planning and Revenue Requirements:** develop a ten-year financial plan based on the projected revenues and annual costs which include operating, debt service, and capital expenses. The District's target reserve level should also be considered as part of the financial planning. Based on the financial planning, revenue requirements are determined for each year of the study period.
- **Cost of Service:** evaluate the customer classifications and allocate costs based on their service requirements.
- **Rate Design:** design rates to equitably recover the rate-revenue requirements from each customer.

2.2 Legal Considerations

This section describes the legal framework considered in the development of the recommended rates to ensure that the calculated cost of service rates provide a fair and equitable allocation of costs to each customer class.

California Constitution-Article XIII C (Proposition 26)

² Financing and Charges for Sewer Systems, WEF Manual of Practice Number 27, Water Environment Federation

California voters approved Proposition 26 on November 2, 2010. Proposition 26 amended Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” with listed exceptions. By means of these exceptions, Article XIII C classifies several types of charges that are not taxes, such as charges for specific services or benefits, regulatory charges and penalties. This includes property-related fees and charges, such as Sewer service charges under exception (2) listed below.

Article XIII C’s definition of “tax” lists the following exceptions: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

California Constitution-Article XIII D, Section 6 (Proposition 218)

In November 1996, California voters passed Proposition 218, the “Right to Vote on Taxes Act.” This constitutional amendment protects taxpayers by limiting the methods by which local governments can create or increase taxes, fees and charges without taxpayer consent. California courts have ruled that fees associated with providing Sewer services are “property-related” and thus under governed by Proposition 218. The principal requirements to ensure that Sewer service charges comply with Proposition 218 are as follows: (1) revenues derived from the fee or charge shall not exceed the funds required to provide the property related service; (2) revenues derived by the fee or charge shall not be used for any other purpose other than that for which the charge was imposed; and (3) the amount of the fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.

2.3 Key Assumptions

A test year, Fiscal Year (FY) 2026, was selected for which costs are to be analyzed and rates to be established for this study. The financial plan was built for the next ten years, including the five-year study

period of FY 2027 through FY 2031 with a detailed revenue adjustment plan. The cost of service rates are adjusted each year by the determined revenue adjustments based on the financial plan. The District's fiscal year starts on July 1 and ends on Jun 30.

Escalation Factors

The financial plan was built based on an assumption in the projected escalation of revenues and expenses associated with both operations and maintenance (O&M) and capital improvement projects (CIPs). Bureau of Labor Statistics (BLS) Los Angeles-Long Beach-Anaheim Consumer Price Index (CPI), Federal Reserve Bank of St. Louis (FRED) Economic Research Division, Quarterly Census of Employment and Wages (QCEW), and Engineering News Record (ENR) Building Cost Index (BCI). Escalation factors used in this study are shown in **Table 5**.

The Overall escalation factor is derived solely from the All-Items series of the BLS California Class B/C City CPI. The All-Items series represents a broad measure of the average change in prices over time for a wide array of goods and services. The market basket includes categories such as food and beverage, housing, apparel, transportation, medical, and other goods and services.

The Utilities escalation factor is derived from the five-year averages of fuels, utilities and energy series of the BLS California Class B/C City CPI. RDN takes a weighted average of the energy, fuels, and utilities data sets to form a combined Utilities inflation factor. Utility inflation typically fluctuates more rapidly than most indices, so a short-term average used to project earlier years; whereas, a 20-year average was used for outer year projections.

The Payroll escalation factor is derived from QCEW data on the average weekly wage for employees in the Water, Sewage and Other Systems industry group.

The Fuels and Automobile escalation factor is derived from the Private transportation, Fuels and utilities, and Motor fuel series of the BLS California Class B/C City CPI. RDN takes a weighted average of the Private transportation, Fuels and utilities, and Motor fuel data sets to form a combined Fuels and Automobile inflation factor.

The Construction escalation factor is derived using ENR's BCI for the selected geography. ENR publishes a building cost index for Los Angeles, San Francisco, California, and the National level. RDN analyzed all four indices and, in coordination with staff, ultimately selected the index which best represents the building cost environment in the District's service area, the California BCI.

The Equipment escalation factor is derived from the Durables, Private transportation, and Services series of the BLS California Class B/C City, and Services data sets to form a combined Equipment inflation factor.

Table 5. Expense Escalation Factors

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Payroll	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Other Employee	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Utilities	4.09%	4.09%	4.09%	4.09%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%
Fuel/Automobile	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Construction	3.89%	3.89%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%	3.77%
Equipment	1.49%	1.49%	1.49%	1.49%	1.49%	1.49%	1.49%	1.49%	1.49%	1.49%
Overall	3.28%	3.28%	3.28%	3.28%	3.28%	3.28%	3.28%	3.28%	3.28%	3.28%

Customer Growth

Customer growth projections were developed based on an analysis of historical billing records, long-term growth trends, and input from District staff. Based on this evaluation, no growth in customer accounts is projected during the study period. **Table 6** shows the projected number of billing units from each customer class/type during the rate setting period.

Table 6. Annual Sewer Customer Counts, FY 2026 to FY 2031³

Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
S1-Residential	117	117	117	117	117	117
S2-Commercial	1	1	1	1	1	1
S3-Commercial	1	1	1	1	1	1
S4-Commercial	1	1	1	1	1	1
S5-Commercial	2	2	2	2	2	2
S6-Cal Fire	2	2	2	2	2	2
S7-Church	2	2	2	2	2	2
S8-Del Logging	1	1	1	1	1	1
S9-Fire Department	1	1	1	1	1	1
S10-Memorial Building	1	1	1	1	1	1
S11-Nursery Water	1	1	1	1	1	1
S12-Harb Oil	1	1	1	1	1	1
S13-Road Dept	1	1	1	1	1	1
S14-School	2	2	2	2	2	2
Total	134	134	134	134	134	134

Reserve Policy

The District does not currently maintain a formal reserve policy. For purposes of this study, a reserve target was established to support the financial stability and sustainability of the Sewer Fund. The recommended reserve target includes an Operating Reserve equal to six months of operating expenses and a Capital Reserve equal to one year of planned capital expenditures. Key upcoming projects include a sewer main replacement, equipment trailer, equipment truck, and pond clearing. Based on FY 2027

³ Current customer count derived from active customer service assignments list

financial assumptions, the recommended reserve target is \$64,171. **Table 7** presents the FY 2027 reserve targets for the Sewer Utility.

Table 7. Sewer Reserve Policies and FY 2027 target

Reserve	Policy	FY 2027 Target
Operating Reserve	6 Months O&M Expenses	\$34,171
Capital Reserve	12 Months of Capital Expenditures	\$30,000
Total		\$64,171

FINANCIAL PLAN

RDN built a 10-year financial model for the Lassen County Waterworks District No. 1's sewer system to meet the system's long-term financial goals. The detailed rate analysis was performed for the first five years.

Revenues

RDN conducted a revenue analysis using the current sewer rates. The District currently collects fixed revenues from all customers. Fixed revenue forecasts are based on the customer growth assumptions described in the Methodology Section.

The revenue analysis also includes other operating revenues which include Oth-ChgsFor Curr Serv and Miscellaneous revenue. These revenues are used to offset the revenue requirements that need to be recovered from customers' rates. This projection was created under the status quo rates and does not include proposed revenue adjustments. The system's total revenue for the study period is estimated to be \$77,577 annually under the current rates. **Table 8** shows the projected sewer system revenues by category for the study period (FY 2026 – FY 2031) without any revenue adjustments. Projections are based on customer growth projections as well as other operating and non-operating revenue estimates provided by District staff.

Table 8. Sewer System Revenue Forecast, FY 2026 to FY 2031

Revenue Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Revenue	\$59,372	\$59,372	\$59,372	\$59,372	\$59,372	\$59,372
Other Operating Revenue	\$18,216	\$18,216	\$18,216	\$18,216	\$18,216	\$18,216
Total Revenue	\$77,588	\$77,588	\$77,588	\$77,588	\$77,588	\$77,588

Operating and Maintenance (O&M) Expense

The itemized O&M expenses were carefully reviewed by the District and forecast for the study period using escalation factors discussed in the Key Assumptions section. **Table 9** shows the District's projected O&M expenses for the sewer utility during the study period. O&M Expenses are expected to increase by 6.2 percent on average annually.

Table 9. Sewer System O&M Expense Forecast, FY 2026 to FY 2031

Expense Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Sewer Operating Expenses	\$11,418	\$11,821	\$12,237	\$12,669	\$13,115	\$13,563
Sewer Share of Admin O&M	\$52,935	\$56,521	\$60,413	\$64,637	\$69,228	\$74,216
Total Operating Expense	\$64,353	\$68,341	\$72,651	\$77,306	\$82,343	\$87,779

Other Obligations

Other obligations included in the financial plan are capital improvement projects funded by PAYGO (Pay As You Go), and reserve contributions made from rates.

Capital Improvement Projects

The District plans to spend an average of \$30,000 a year on sewer capital expenditures during the rate setting period to ensure sufficient replacements. Capital expenditures will be fully funded by rate revenue and reserves each year of the study period. **Table 10** shows the District's scheduled capital improvement projects for the next five years.

Table 10. Rate Study Sewer CIP Expenses by Expense Type, FY 2027 to FY 2031

CIP Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Funded	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Total CIP	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000

Debt Service and Coverage Ratios

The sewer utility currently has no outstanding debt obligations and no plans to issue debt during the study period.

Reserves

The District must maintain an appropriate reserve balance to ensure day-to-day operations will continue during emergencies and guarantee the future stability of the system. The District's financial goal is to build an appropriate level of cash reserves for the reserve fund included in the financial plan of this Study. The reserve target for the sewer utility is described below:

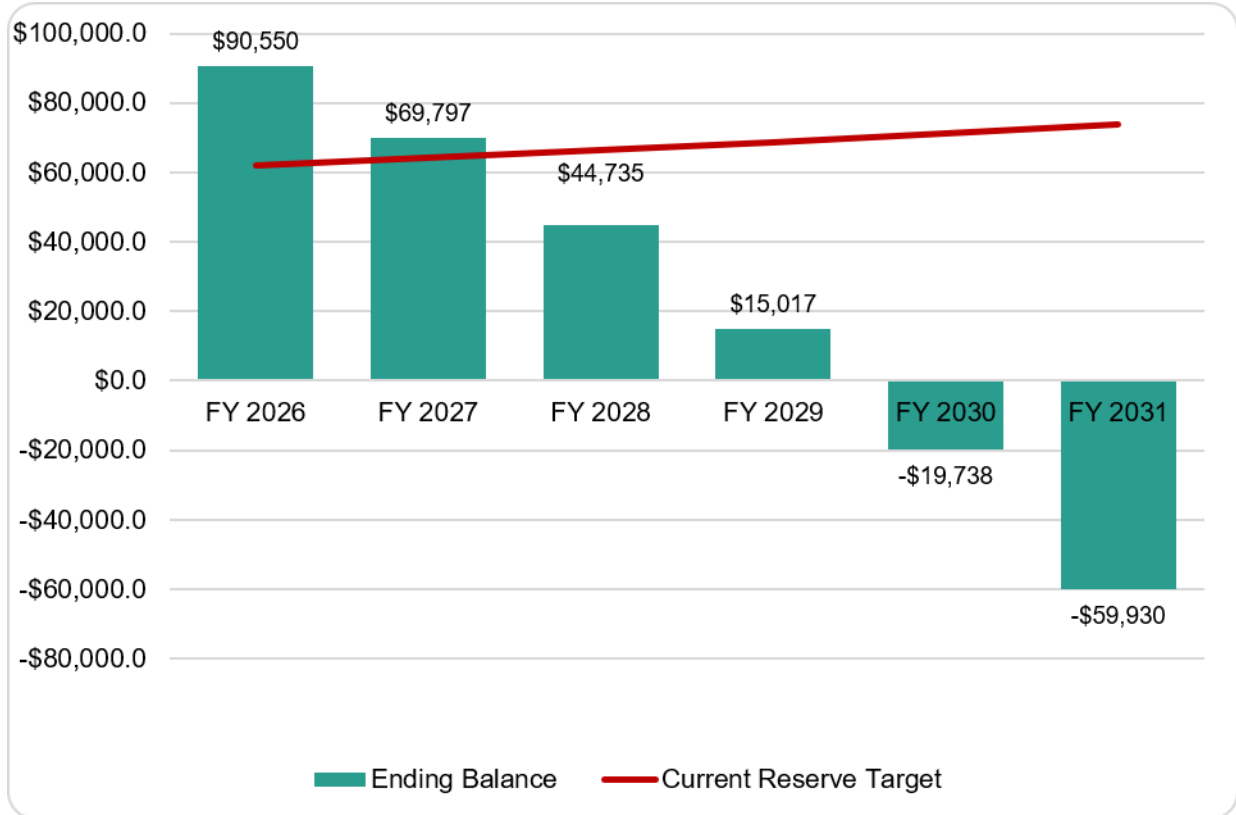
- **Sewer Operating Reserve:** six months of operating expenses
- **Sewer Capital Reserve:** 10 percent of cost to improve water system over next 10 years

The total reserve target at the end of the study period reaches \$73,890. **Table 11** shows the District's reserve targets for FY 2026 through FY 2031 based on the proposed reserve policy. **Figure 3** displays the resulting cash balances versus the reserve target under the current rates. Reserve targets based on reserve policy shown in **Table 7** and operating and capital totals shown in **Tables 9** and **10**, respectively.

Table 11. Sewer Reserve Target, FY 2026 to FY 2031

Reserve Fund	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Sewer Operating Reserve	\$32,176	\$34,171	\$36,325	\$38,653	\$41,172	\$43,890
Sewer Capital Reserve	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Total Reserve Target	\$62,176	\$64,171	\$66,325	\$68,653	\$71,172	\$73,890

Figure 3. Sewer Cash Balances and Reserve Target With Current Rates, FY 2026 to FY 2031



Financial Plan

Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for day-to-day operations and make appropriate contributions to reserves. Under the new financial plan, the District has a projected ending cash balance of \$90,539 in FY 2026. However, under current rates and projected expenditures, the District's ending cash balance is forecasted to become negative beginning in FY 2030. **Table 12** shows the status quo sewer pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section.

**Table 12. Status Quo Financial Pro Forma for Lassen County Waterworks District Sewer System,
FY 2026 to FY 2031**

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash Position Opening Balance	\$ 107,315	\$ 90,550	\$ 69,797	\$ 44,735	\$ 15,017	\$ (19,738)
Revenues						
Sewer Rate Revenue	\$ 59,372	\$ 59,372	\$ 59,372	\$ 59,372	\$ 59,372	\$ 59,372
Adjusted Sewer Rate Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Operating Revenue	\$ 18,216	\$ 18,216	\$ 18,216	\$ 18,216	\$ 18,216	\$ 18,216
Non-Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Tax Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 77,588	\$ 77,588	\$ 77,588	\$ 77,588	\$ 77,588	\$ 77,588
Total Operating Expenses	\$ 64,353	\$ 68,341	\$ 72,651	\$ 77,306	\$ 82,343	\$ 87,779
Net Operating Revenue	\$13,235	\$9,247	\$4,937	\$282	-\$4,755	\$ (10,191)
Current Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proposed Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenues Before CIP	\$ 13,235	\$ 9,247	\$ 4,937	\$ 282	\$ (4,755)	\$ (10,191)
Capital Expenditure	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt New	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Net Income	\$ (16,765)	\$ (20,753)	\$ (25,063)	\$ (29,718)	\$ (34,755)	\$ (40,191)
Ending Balance	\$ 90,550	\$ 69,797	\$ 44,735	\$ 15,017	\$ (19,738)	\$ (59,930)
Current Reserve Target	\$62,176	\$64,171	\$66,325	\$68,653	\$71,172	\$73,890

Table 13 shows the proposed sewer pro forma for the study period with the recommended revenue adjustments per year. The first revenue adjustment will occur in January 2027 with all remaining revenue adjustments occurring in July, the beginning of the Fiscal Year.

Table 13. Proposed Financial Pro Forma for Lassen County Waterworks District Sewer System, FY 2026 to FY 2031

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash Position Opening Balance	\$ 107,315	\$ 90,550	\$ 73,656	\$ 65,034	\$ 61,612	\$ 64,289
Revenues						
Sewer Rate Revenue	\$ 59,372	\$ 59,372	\$ 59,372	\$ 59,372	\$ 59,372	\$ 59,372
Adjusted Sewer Rate Revenue	\$ -	\$ 3,859	\$ 16,440	\$ 26,296	\$ 37,433	\$ 50,017
Other Operating Revenue	\$ 18,216	\$ 18,216	\$ 18,216	\$ 18,216	\$ 18,216	\$ 18,216
Non-Operating Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property Tax Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	\$ 77,588	\$ 81,447	\$ 94,028	\$ 103,884	\$ 115,021	\$ 127,605
Total Operating Expenses	\$ 64,353	\$ 68,341	\$ 72,651	\$ 77,306	\$ 82,343	\$ 87,779
Net Operating Revenue	\$ 13,235	\$ 13,106	\$ 21,378	\$ 26,578	\$ 32,677	\$ 39,826
Current Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proposed Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Revenues Before CIP	\$ 13,235	\$ 13,106	\$ 21,378	\$ 26,578	\$ 32,677	\$ 39,826
Capital Expenditure	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Debt Proceeds Proposed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Proceeds New	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000
Net Income	\$ (16,765)	\$ (16,894)	\$ (8,622)	\$ (3,422)	\$ 2,677	\$ 9,826
Ending Balance	\$ 90,550	\$ 73,656	\$ 65,034	\$ 61,612	\$ 64,289	\$ 74,115
Reserve Target	\$62,176	\$64,171	\$66,325	\$68,653	\$71,172	\$73,890

Revenue Requirements

Table 14 displays the sewer utility's revenue requirements for FY 2026. The total expense for each year is offset by other operating revenues and non-operating revenues to compute of the net revenue requirements that need to be recovered from customers' rates. RDN proposes annual revenue adjustments of 13.0 percent FY 2027 through FY 2031 to reach the financial goals set by the District.

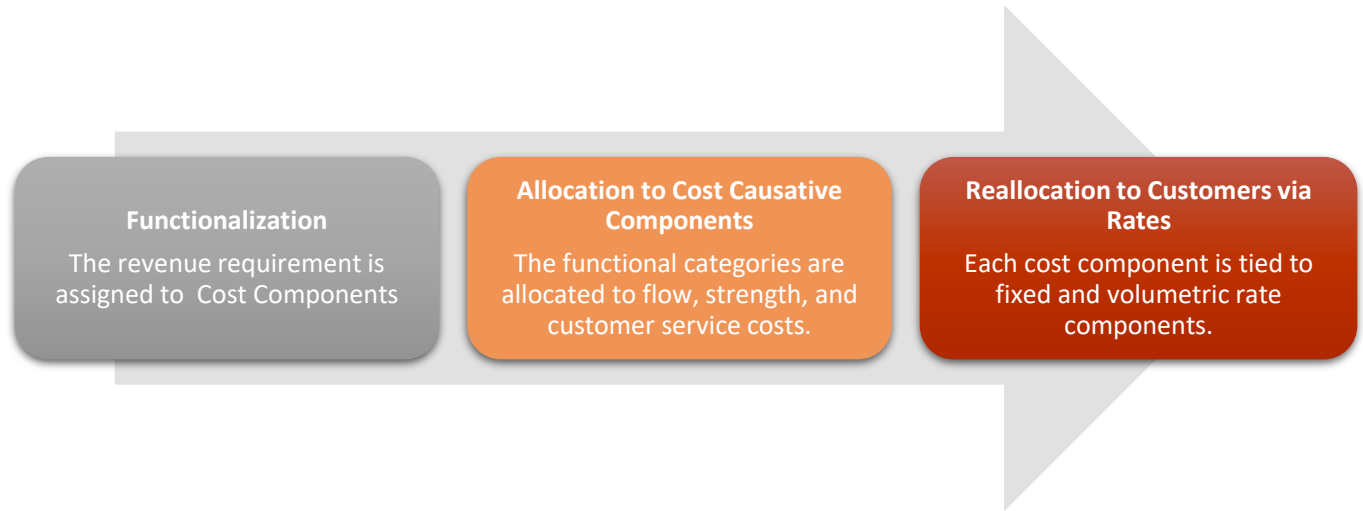
Table 14. Revenue Requirements for Lassen County Waterworks District Sewer Utility, FY 2026

Revenue Requirement	FY 2026
Operating Expense	\$64,353
Rate Funded CIP	\$30,000
Other Operating Revenue	(\$18,216)
Non-Operating Revenue	\$0
Property Tax Revenue	\$0
Investment Revenue	\$0
Net Balance From Operations	-\$16,765
Rate Revenue Requirement	\$59,372

COST OF SERVICE ANALYSIS

The sewer system's COS analysis utilizes a three-step approach to allocate costs proportionally among different customers and classes. These steps include 1) functionalization of costs, 2) cost classification, and 3) cost allocation to customers. Provided below is a detailed discussion of the sewer COS analysis conducted for the District, and the specific steps taken for the analysis.

Figure 4. A Typical Flow for Cost of Service Analysis Process



Functionalization of Costs

To allocate the cost of service among the different customer classes, costs first must be allocated to the appropriate sewer parameters. The following sections describe the allocation of the operating costs of service to the appropriate parameters of the sewer system.

The total cost of sewer service is analyzed by system function in order to equitably distribute costs of service to the various classes of customers. For this analysis, sewer utility costs of service are developed consistent with the guidelines for allocating costs detailed in the Water Environment Federation (WEF) Manual of Practice No. 27, Financing and Charges for Sewer Systems.

A COS analysis distributes the revenue requirements (costs) to each customer class. After determining the revenue requirements, the next step is to functionalize the O&M costs based on the District's O&M classification:

- **Flow** – costs related to conveying wastewater volume

- **BOD⁴** – costs associated with the treatment of organic material in the wastewater (Biochemical Oxygen Demand)
- **TSS⁵** – costs related to removing suspended solids from the wastewater (Total Suspended Solids)
- **Customer** – costs related to billing and customer service
- **Administrative & General** – overhead costs related to management, planning, and administrative functions

The functionalization of costs allows us to better allocate the functionalized costs to the cost causation components. The cost causation components used in this study include:

- **Flow-Related costs** - are those costs that are dependent upon the amount of sewer flow. An example of flow-related costs would be utility costs associated with operating sewer pumps.
- **Strength-Related costs** - are those costs that are dependent upon the amount of effluent strength. This component is further broken down into Biochemical Oxygen Demand (BOD) and Total Suspended Solids (TSS). An example of strength-related costs would be chemical costs associated with treating sewage or the need to clean sewer pipes due to buildup.
- **Service-Related Costs** - are those costs that do not change with respect to the amount of sewer flow generated (in gallons) or the strength of the effluent (the amount of organic compounds or suspended solids in sewerage). An example of fixed costs would be administrative costs.

Once this process was completed, and the customer classes were identified, the unit cost of these classified costs were calculated and further allocated to different customer classes using the unit of services specific to the class. **Table 15** through **Table 17** show the steps taken to functionalize and allocate the District's operating costs to each customer class.

⁴ Biochemical oxygen demand (BOD) is a chemical procedure for determining the amount of dissolved oxygen needed by aerobic biological organisms in a body of water to break down organic material present in a given water sample at certain temperature over a specific time period. It is not a precise quantitative test, although it is widely used as an indication of the organic quality of water. It is most commonly expressed in milligrams of oxygen consumed per liter of water sample during 5 days of incubation at 20 °C and is often used as a robust surrogate of the degree of organic pollution of water.

⁵ A quantitative measure of the residual minerals dissolved in water that remains after evaporation of a solution. Total Suspended Solids is usually expressed in milligrams per liter.

Table 15. Percent of O&M Functional Categories Allocated⁶

O&M Expense		
O&M Category	Allocation	Percentage
Sewer Flow	\$9,588	15.0%
BOD	\$4,862	7.6%
TSS	\$4,862	7.6%
Customer	\$1,226	1.9%
Admin and General	\$43,558	68.0%
Total O&M	\$64,095	100.0%

Table 16. Percent of O&M Functional Categories Allocated to Cost Components

O&M Expense					
Category	Allocation	Flow	BOD	TSS	Customer
Sewer Flow	\$9,588	100.0%	0.0%	0.0%	0.0%
BOD	\$4,862	0.0%	100.0%	0.0%	0.0%
TSS	\$4,862	0.0%	0.0%	100.0%	0.0%
Customer	\$1,226	0.0%	0.0%	0.0%	100.0%
Admin and General	\$43,558	46.7%	23.7%	23.7%	6.0%

Table 17. Total Expense of Operating Functional Categories Allocated to Cost Components

O&M Expense					
Category	Allocation	Flow	BOD	TSS	Customer
Sewer Flow	\$9,588	\$9,588	\$0	\$0	\$0
BOD	\$4,862	\$0	\$4,862	\$0	\$0
TSS	\$4,862	\$0	\$0	\$4,862	\$0
Customer	\$1,226	\$0	\$0	\$0	\$1,226
Admin and General	\$43,558	\$20,335	\$10,311	\$10,311	\$2,601
Total Allocation		46.7%	23.7%	23.7%	6.0%

Table 18 and **Table 19** show the steps taken to functionalize and allocate the District's non-operating (CIP) costs to each customer class. Total asset values are used to functionalize non-operating costs as they reflect the overall investment into system assets and do not fluctuate year over year as capital expenditures may.

⁶ RDN developed individual cost allocations for each budget item and system asset based on the standard categories shown

Table 18. Percent of Non-Operating Functional Categories Allocated⁷

Non-Operating Expense		
Category	Allocation	Percentage
Sewer Flow	\$580,000	90.6%
BOD	\$30,000	4.7%
TSS	\$30,000	4.7%
Customer	\$0	0.0%
Admin and General	\$0	0.0%
Total Assets	\$640,000	100.0%

Table 19. Percent of Non-Operating Functional Categories Allocated to Cost Components

O&M Expense					
Category	Allocation	Flow	BOD	TSS	Customer Service
Sewer Flow	\$580,000	100.0%	0.0%	0.0%	0.0%
BOD	\$30,000	0.0%	100.0%	0.0%	0.0%
TSS	\$30,000	0.0%	0.0%	100.0%	0.0%
Customer	\$0	0.0%	0.0%	0.0%	100.0%
Admin and General	\$0	90.6%	4.7%	4.7%	0.0%
Total Allocation		90.6%	4.7%	4.7%	0.0%

Table 20 displays the functionalized O&M costs and non-operating costs allocated to cost causative components for the sewer system. Operating allocations are based on the actual projected test year expense and the total for each cost component reflect the percentages in **Table 17**. Non-Operating allocations are based on the actual projected test year capital expenditures and the total for each cost component reflect the percentages in **Table 19**. Other operating revenue and net balance adjustments are allocated based on the total expenses allocated to each category.

Table 20. Revenue Requirement Cost Allocation by Cost Component

Category	Total	Flow	BOD	TSS	Customer Service
O&M Revenue Requirements	\$64,353	\$30,043	\$15,234	\$15,234	\$3,843
Non-Operating Revenue Requirements	\$30,000	\$27,188	\$1,406	\$1,406	\$0
Other Operating Revenue	(\$18,216)	(\$11,049)	(\$3,213)	(\$3,213)	(\$742)
Non-Operating Revenue	\$0	\$0	\$0	\$0	\$0
Net Balance From Operations	(\$16,765)	(\$10,169)	(\$2,957)	(\$2,957)	(\$683)
Rate Revenue Requirement	\$59,372	\$36,012	\$10,471	\$10,471	\$2,418

Allocation to Units

In developing equitable rate structures, revenue requirements are allocated to customers commensurate with customer demand and services rendered. An overall number of units was determined for each cost

⁷ RDN developed individual cost allocations for each budget item and system asset based on the standard categories shown

component (**Table 24**). RDN first completed a sewer mass balance-based flow to the treatment plant to determine flows for each customer class. Customer sewer flows were derived from actual water use data using customer-type-specific estimated proportions of water entering the sewer system (RTS, return to sewer). These proportions reflect differences in water use patterns among customer classes. While some non-residential customers have minimal outdoor or other non-sewer water, others have a greater proportion of water use that does not enter the sewer system. **Table 21** shows the total annual sewer flow for each customer class based on actual water use and the return to sewer value used.

Table 21. Total Plant Sewer Flows⁸

Customer Class	Water Use	RTS	Sewer Flow
S1-Residential	7,895,401	50%	3,947,701
S2-Commercial	114,087	100%	114,087
S3-Commercial	52,488	100%	52,488
S4-Commercial	324,487	80%	259,590
S5-Cal Fire	96,919	80%	77,535
S6-Church	287,182	80%	229,746
S7-Del Logging	681,725	50%	340,863
S8-Memorial Building	211,332	60%	126,799
S9 Harbert Oil	85,161	100%	85,161
S10-Road Dept	1,975,445	5%	98,772
S11-School	140,027	100%	140,027
Total	11,864,254		5,472,768

As part of the Mass Balance analysis, wastewater strength ratios were also estimated to allocate costs for each customer class. **Table 22** shows the relative strength of sewer flow based on the types of customers within each customer class.

⁸ Return to sewer values were calculated based on input from District staff.

Table 22. Sewer Strength by Customer Class⁹

Customer Class	BOD	TSS
S1-Residential	250	250
S2-Commercial	180	280
S3-Commercial	310	120
S4-Commercial	1,000	600
S5-Cal Fire	130	80
S6-Church	150	150
S7-Del Logging	130	80
S8-Memorial Building	1,000	600
S9 Harbert Oil	130	80
S10-Road Dept	130	80
S11-School	130	100

Total proportional strength for each customer class was determined by multiplying the total customer class sewer flow by strength in milligrams per liter. This total was converted to pounds per year by customer class. **Table 23** shows the total annual strength contributions by customer class, and the District-wide BOD and TSS contributions.

Table 23. Strength Contribution by Customer Class

Customer Class	BOD	TSS
S1-Residential	823,629	823,629
S2-Commercial	17,138	26,659
S3-Commercial	13,579	5,256
S4-Commercial	216,638	129,983
S5-Cal Fire	8,412	5,177
S6-Church	28,760	28,760
S7-Del Logging	36,980	22,757
S8-Memorial Building	105,819	63,491
S9 Harbert Oil	9,239	5,686
S10-Road Dept	10,716	6,594
S11-School	15,192	11,686
Total	1,286,101	1,129,678

Table 24 shows the total functional units allocated to each customer class which is used as the unit to divide the total costs allocated to each sewer function.

⁹ California State Water Resource Control Board: *Policy for Implementing the State Revolving Fund for Construction of Wastewater Treatment Facilities - Appendix G, 1998*

Table 24. Cost of Service Units of Service

Customer Class	Flow	LBS/Year	LBS/Year	Customers
S1-Residential	3,947,701	823,629	823,629	109
S2-Commercial	114,087	17,138	26,659	10
S3-Commercial	52,488	13,579	5,256	1
S4-Commercial	259,590	216,638	129,983	4
S5-Cal Fire	77,535	8,412	5,177	2
S6-Church	229,746	28,760	28,760	2
S7-Del Logging	340,863	36,980	22,757	1
S8-Memorial Building	126,799	105,819	63,491	1
S9 Harbert Oil	85,161	9,239	5,686	1
S10-Road Dept	98,772	10,716	6,594	1
S11-School	140,027	15,192	11,686	2
Total	5,472,768	1,286,101	1,129,678	134

Costs allocated to each cost component were divided by the number of units to determine a unit cost (Table 25).

Table 25. Cost of Service Unit Cost

Customer Class	Total	Flow	BOD	TSS	Customers
Rate Revenue Requirement	\$59,372	\$36,012	\$10,471	\$10,471	\$2,418
Units		5,472,768	1,286,101	1,129,678	134
Unit Cost		\$0.0066	\$0.0081	\$0.0093	\$18.0459

The final step in the cost of service analysis is to allocate costs to each customer class. This is done by multiplying the unit cost for each function, as shown in Table 25, by the corresponding number of service units attributed to each customer class (Table 24). Table 26 presents the resulting cost allocations by customer class, which form the basis for the sewer rate calculations discussed in the next section.

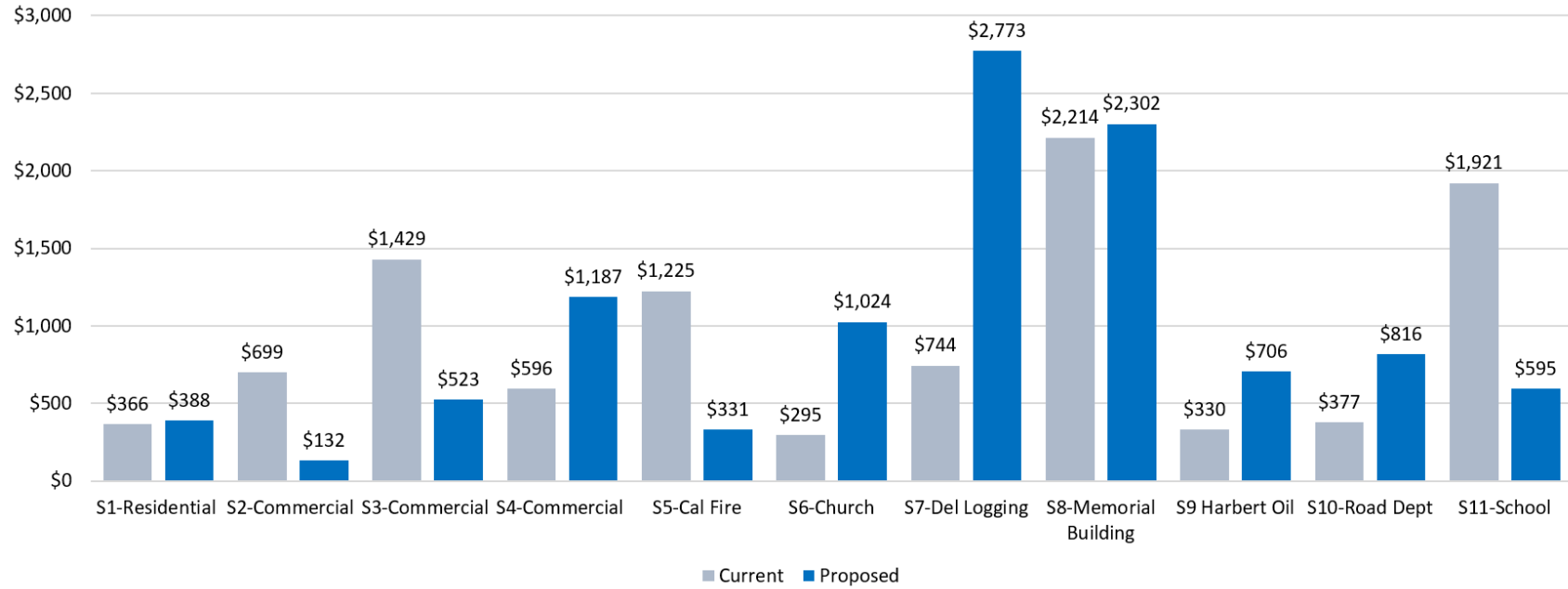
Table 26. Cost of Service Allocated to Customer Class¹⁰

Customer Class	Total	Flow	BOD	TSS	Customers
S1-Residential	\$42,284	\$25,977	\$6,706	\$7,634	\$1,967
S2-Commercial	\$1,318	\$751	\$140	\$247	\$180
S3-Commercial	\$523	\$345	\$111	\$49	\$18
S4-Commercial	\$4,749	\$1,708	\$1,764	\$1,205	\$72
S5-Cal Fire	\$663	\$510	\$68	\$48	\$36
S6-Church	\$2,049	\$1,512	\$234	\$267	\$36
S7-Del Logging	\$2,773	\$2,243	\$301	\$211	\$18
S8-Memorial Building	\$2,302	\$834	\$862	\$588	\$18
S9-Harbert Oil	\$706	\$560	\$75	\$53	\$18
S10-Road Department	\$816	\$650	\$87	\$61	\$18
S11-School	\$1,190	\$921	\$124	\$108	\$36

Figure 5 shows the annual cost of service allocation per customer connection based on the cost of service analysis versus the current annual charge.

¹⁰ The cost allocation includes the consolidated customer classification as described in the executive summary, which are based on similar system impacts

Figure 5. Annual Cost of Service Allocation by Customer Connection



RATE DESIGN

The proposed sewer rates consist of a fixed charge billed monthly based on customer class. The amount of cost allocated to each customer class is shown in **Table 27**.

Table 27. Fixed Rate Allocation

Customer Class	Total
S1-Residential	\$42,284
S2-Commercial	\$1,318
S3-Commercial	\$523
S4-Commercial	\$4,749
S5-Cal Fire	\$663
S6-Church	\$2,049
S7-Del Logging	\$2,773
S8-Memorial Building	\$2,302
S9-Harbert Oil	\$706
S10-Road Department	\$816
S11-School	\$1,190

Fixed Monthly Service Charges

Fixed monthly service charges are calculated by dividing the total costs by the number of customers within a customer class. This produces a unit cost that reflects the relative service requirements of each customer type. The resulting unit costs are converted into monthly amounts and applied to calculate the fixed service charge for each customer. **Table 28** shows the calculation used to derive the monthly fixed charge for each customer.

Table 28. Fixed Monthly Sewer Rate Calculation

Customer Class	Total Cost Allocation	# of Accounts	Months	Cost of Service Rate
S1-Residential	\$42,283.61 ÷	109	÷ 12 =	\$32.33
S2-Commercial	\$1,317.81 ÷	10	÷ 12 =	\$10.98
S3-Commercial	\$522.71 ÷	1	÷ 12 =	\$43.56
S4-Commercial	\$4,748.89 ÷	4	÷ 12 =	\$98.94
S5-Cal Fire	\$662.76 ÷	2	÷ 12 =	\$27.62
S6-Church	\$2,048.60 ÷	2	÷ 12 =	\$85.36
S7-Del Logging	\$2,773.03 ÷	1	÷ 12 =	\$231.09
S8-Memorial Building	\$2,302.43 ÷	1	÷ 12 =	\$191.87
S9-Harbert Oil	\$706.35 ÷	1	÷ 12 =	\$58.86
S10-Road Department	\$816.36 ÷	1	÷ 12 =	\$68.03
S11-School	\$1,189.51 ÷	2	÷ 12 =	\$49.56

Sewer Rates

The cost of service based rates will be escalated by the revenue adjustments determined in the financial plan (13 percent per year). The five-year rate schedule is shown in **Table 29**. The proposed FY 2027 rate implementation will occur in January of 2027. All other increases will occur in July, the beginning of the District's fiscal year.

Table 29. Proposed Sewer Rates FY 2027 to FY 2031

Customer Class	Fixed Charges				
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
S1-Residential	\$36.53	\$41.28	\$46.64	\$52.71	\$59.56
S2-Commercial	\$12.41	\$14.02	\$15.85	\$17.91	\$20.23
S3-Commercial	\$49.22	\$55.62	\$62.85	\$71.02	\$80.25
S4-Commercial	\$111.80	\$126.33	\$142.75	\$161.31	\$182.28
S5-Cal Fire	\$31.20	\$35.26	\$39.85	\$45.03	\$50.88
S6-Church	\$96.45	\$108.99	\$123.16	\$139.17	\$157.27
S7-Del Logging	\$261.13	\$295.07	\$333.43	\$376.78	\$425.76
S8-Memorial Building	\$216.81	\$245.00	\$276.85	\$312.84	\$353.51
S9-Harbert Oil	\$66.51	\$75.16	\$84.93	\$95.97	\$108.45
S10-Road Department	\$76.87	\$86.87	\$98.16	\$110.92	\$125.34
S11-School	\$56.01	\$63.29	\$71.51	\$80.81	\$91.32

Rate Impacts

Table 30 Shows the FY 2027 impact among all customer classes. Commercial customers that were previously located in the residential category will see a rate impact of either -\$18.11 or an impact of \$81.28 depending on if they were relocated to S2-Commercial or S4-Commercial.

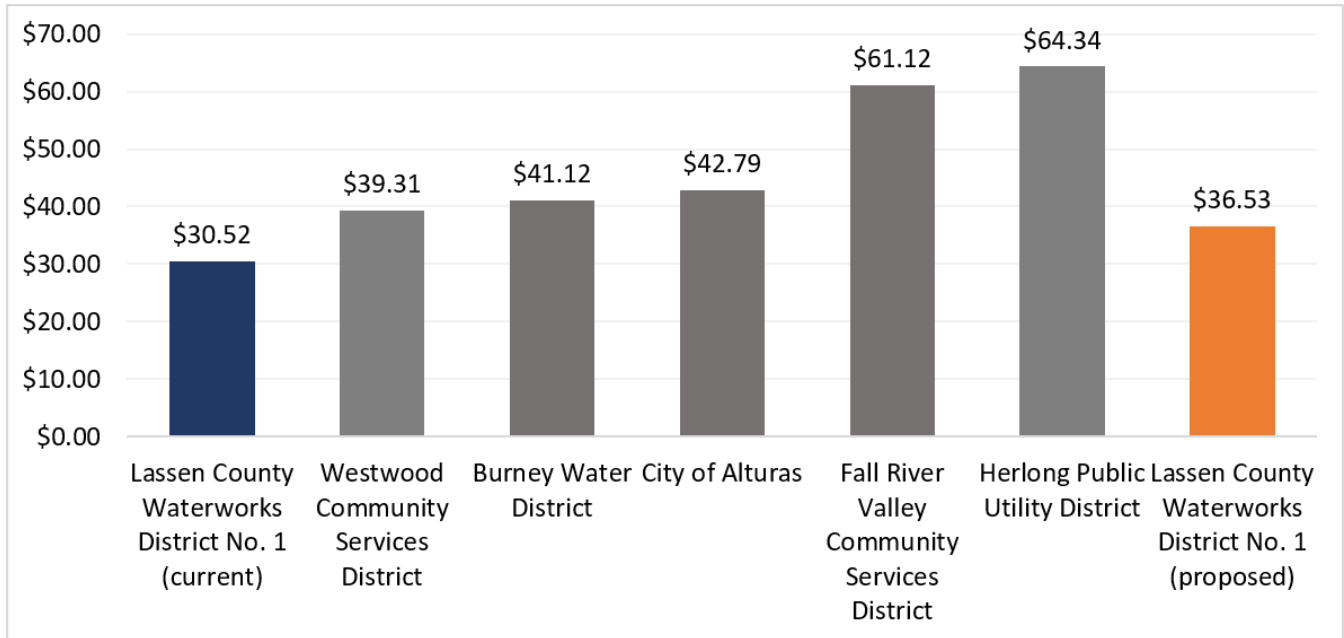
Table 30. Current Versus Proposed Rates (FY 2027) for all Customer Classes

Customer Class	Current Rates	Proposed Rates	Difference
S1-Residential	\$30.52	\$36.53	\$6.01
S2-Commercial	\$58.28	\$12.41	-\$45.87
S3-Commercial	\$158.40	\$12.41	-\$145.99
S4-Commercial	\$119.05	\$49.22	-\$69.83
S5-Commercial	\$49.66	\$111.80	\$62.14
S6-Cal Fire	\$102.05	\$31.20	-\$70.85
S7-Church	\$24.60	\$96.45	\$71.85
S8-Del Logging	\$61.96	\$261.13	\$199.17
S9-Fire Dept	\$30.06	\$12.41	-\$17.65
S10-Memorial Building	\$184.50	\$216.81	\$32.31
S11-Nursery Water	\$31.90	\$12.41	-\$19.49
S12-Harbert Oil	\$27.50	\$66.51	\$39.01
S13-Road Dept	\$31.44	\$76.87	\$45.43
S14-School	\$160.10	\$56.01	-\$104.09

Rate Comparison

There are significant differences in the rates and rate structures of sewer in the neighboring communities of Bieber. Some differences are because of administrative paradigms, which are unique to each agency. For example, investor-owned utilities are allowed to make a profit on their service, whereas municipal ones are not. Furthermore, customer rates can be affected by outside funding sources such as property taxes and transfers. Finally, the rate structure itself may influence which types of users pay a proportion of costs. **Figure 6** shows the projected sewer rates in July 2026 for residential customers. Additionally, to ensure equal comparison, all variables were controlled or when possible, i.e., lot size, meter size, and season. Also shown are the proposed rates for LCWD. Individual residential sewer rates range between \$39.31 and \$64.34. The new rates proposed by LCWD will fund O&M expenses, contribute to reserves, and allow CIP spending. Following is a list of the agencies compared in this study: Westwood Community Services District, Burney Water District, City of Alturas, Fall River Valley Community Services District, Herlong Public Utility District.

Figure 6. Comparison of Residential Rates with Surrounding Districts



CONCLUSION

4.1 Summary of Recommendations and Financial Results

Recommendations:

- Adjusting rates annually by the recommended revenue adjustments of 13.0 percent per year
- Simplifying rates by grouping customers by their impact on the sewer system
- Evaluating the cost to provide service based on sewer flow and sewer strength

The following figures summarize the recommendations of this report:

Figure 7 shows the status quo sewer financial plan used for this study.

Figure 7. Rate Study Sewer Status Quo Financial Plan

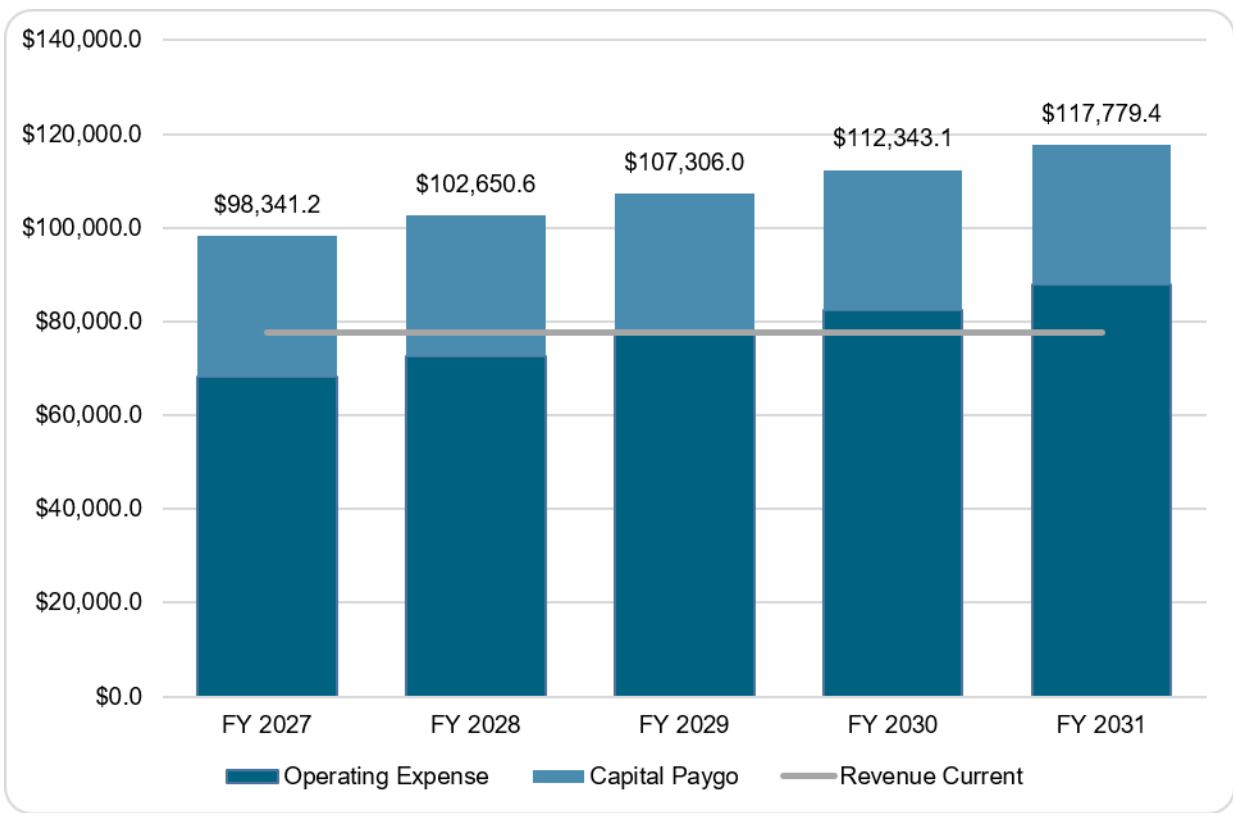


Figure 8 shows the District's sewer utility ending cash balances with no adjustments to the revenue requirements.

Figure 8. Ending Sewer Cash Balances with No Revenue Adjustment

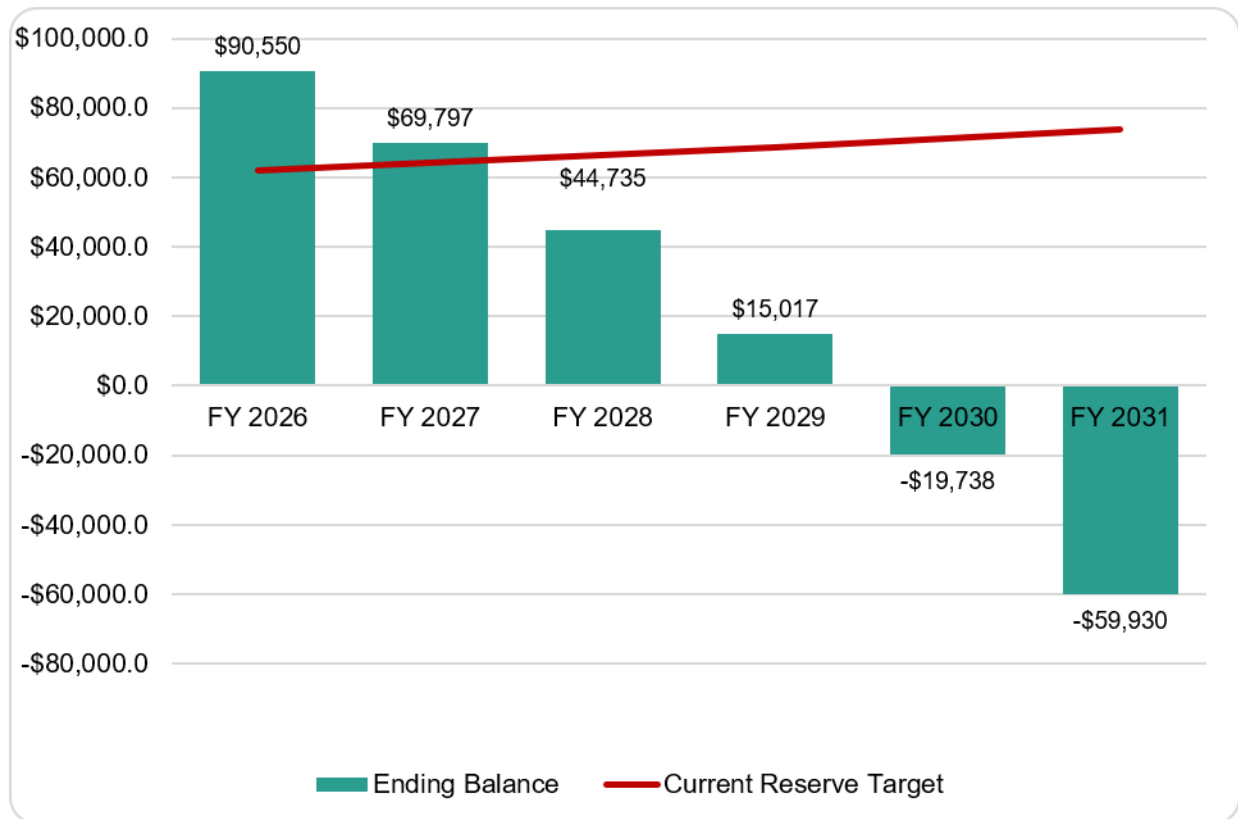


Figure 9 shows the recommended annual sewer revenue adjustments for each year of the rate setting period.

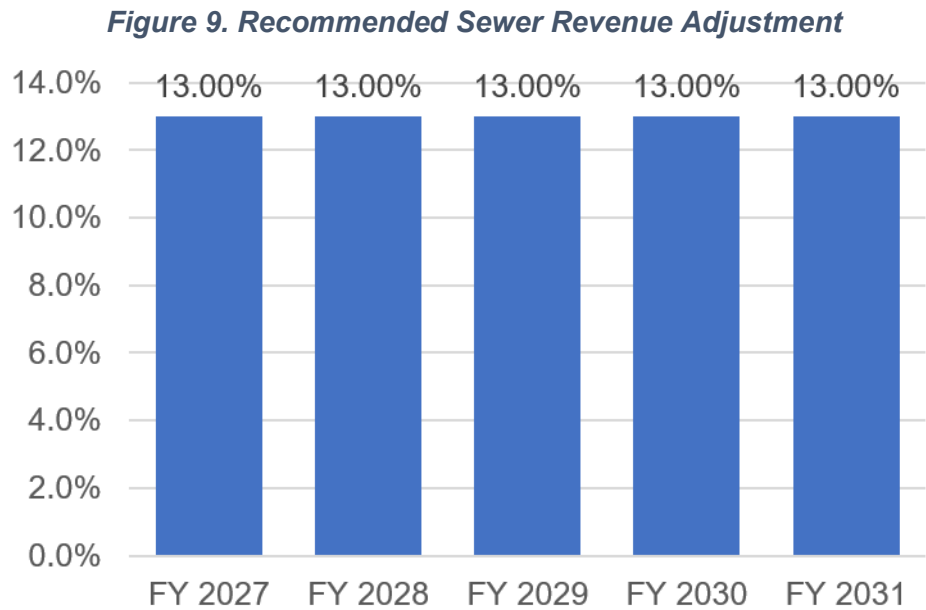


Table 31 shows the resulting Sewer rates based on the proposed revenue adjustments and cost of service analysis for each year of the rate setting period, respectively.

Table 31. Proposed Sewer Rates Based on the Proposed Revenue Adjustment

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Proposed Revenue Adjustment	13.0%	13.0%	13.0%	13.0%	13.0%
Fixed Charges					
Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
S1-Residential	\$36.53	\$41.28	\$46.64	\$52.71	\$59.56
S2-Commercial	\$12.41	\$14.02	\$15.85	\$17.91	\$20.23
S3-Commercial	\$49.22	\$55.62	\$62.85	\$71.02	\$80.25
S4-Commercial	\$111.80	\$126.33	\$142.75	\$161.31	\$182.28
S5-Cal Fire	\$31.20	\$35.26	\$39.85	\$45.03	\$50.88
S6-Church	\$96.45	\$108.99	\$123.16	\$139.17	\$157.27
S7-Del Logging	\$261.13	\$295.07	\$333.43	\$376.78	\$425.76
S8-Memorial Building	\$216.81	\$245.00	\$276.85	\$312.84	\$353.51
S9-Harbert Oil	\$66.51	\$75.16	\$84.93	\$95.97	\$108.45
S10-Road Department	\$76.87	\$86.87	\$98.16	\$110.92	\$125.34
S11-School	\$56.01	\$63.29	\$71.51	\$80.81	\$91.32

Figure 10 shows the proposed financial plan with revenue adjustments used for this study.

Figure 10. Rate Study Adjusted Sewer Financial Plan

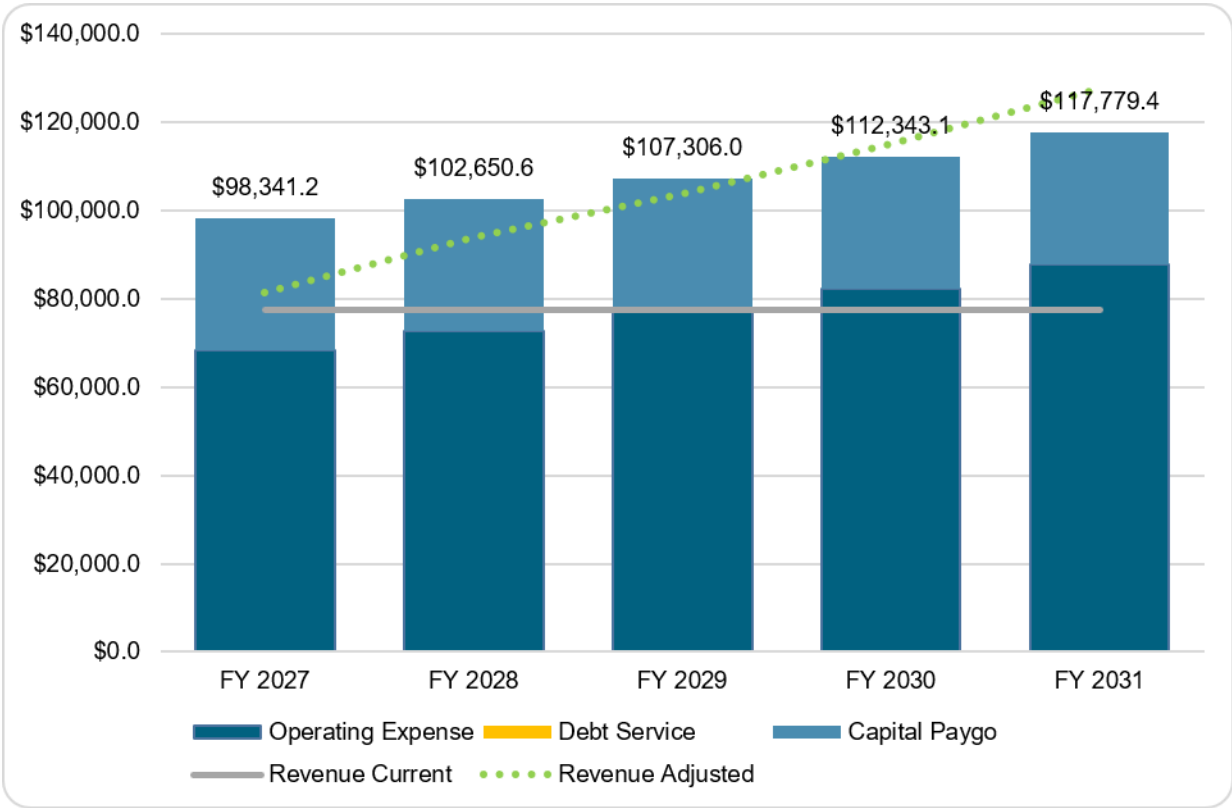


Figure 11 shows the District's ending cash balances after revenue and rate adjustments are made.

