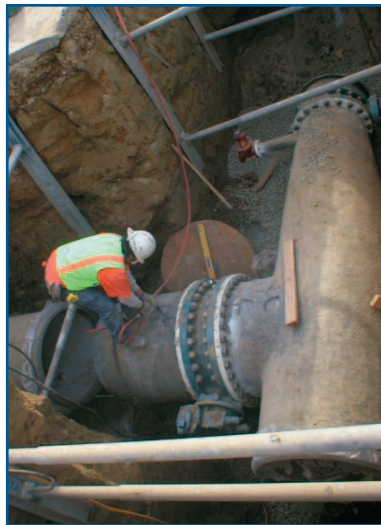


Why Did My Bill Change So Dramatically?

After many months of discussion at numerous public meetings, the Sacramento Suburban Water District (SSWD) Board of Directors approved a rate restructuring and revenue increase in March 2004, which took effect with the May 2004 billing. The rate restructuring was designed to simplify the bills. The revenue increase is to balance the District income with expenses. Several bill inserts in 2004 provided explanations to these two simultaneous events. However, the District would like to provide additional explanation and clarification in this newsletter.



RESTRUCTURING OF RATES

SSWD was formed through the consolidation of Arcade and Northridge Water Districts in 2002. The predecessor water districts had very different rate structures. The process of becoming one unified district includes blending two rate structures into one. The restructuring will be phased in over three years (from 2004-2006). Part of the restructuring is a change in terms on your water bill.

REVENUE INCREASE

The Board of Directors would prefer not to raise rates. But to provide our customers with safe, reliable water supplies and enhanced fire flow protection, revenues needed to be raised. Deferred maintenance also played a part in the revenue increase.

Reliable Water Supplies

The District produces the majority of its water from groundwater (water pumped

from wells). When more water is removed from the groundwater basin than is replenished by Mother Nature, this is called overdrafting. Without additional water supplies, local groundwater basins would become depleted, resulting in the decline of the water table and a potential decline in water quality. The District cannot rely solely on groundwater.

To prevent excessive demand on groundwater resources and still meet customer needs, the District is expanding its water sources by using surface water. This entails transforming from a groundwater system to conjunctive use.

Conjunctive use means utilizing both surface water and groundwater for water supplies. The District must invest in the construction of infrastructure (water treatment capacity and pipelines) for the delivery of required surface water supplies. By having diverse and multiple sources of water, our customers will continue to receive the quality of water on which they rely.

The District is currently purchasing surface water from Placer County Water Agency, treated through San Juan Water District, for use in the north service area of SSWD.

During normal and wet years, this surface water accounts for approximately 65% of the water for the District's north service area or 35% of the overall water supply for the District. Since 1998 by utilizing

continued on page 2



Thank You
To Our
Customers

See page 3

SSWD

Board of Directors

Byron M. Buck
President, Division 4

David J. Githens
Vice President, Division 1

Steven L. Eggert
Division 5

Neil W. Schild
Division 2

Ken R. Decio
Division 3

Change . . .

continued from page 1

surface water, our groundwater table has stabilized, thus curbing the overdraft and preserving water quality. The District recently signed an agreement with the City of Sacramento to purchase 20 million gallons of treated surface water per day from the American River beginning in 2006. This water will flow in the south service area, and further increase long term water supply reliability.

Deferred Maintenance

Replacement of existing, aging water main infrastructure (e.g. services, pipelines, valves, hydrants) and the rehabilitation of existing wells are areas which were historically deferred and not properly maintained. Now SSWD is in the position of trying to catch up maintenance and rehabilitation that should have occurred over the past 20+ years. This increased number of capital improvement projects in addition to SSWD's normal replacement, maintenance and rehabilitation schedule, significantly increases the revenues needed. You could compare this to not replacing the roof on your house or not changing the oil in your vehicle for many, many years.

To rectify this situation of overdue maintenance, the Board adopted a Capital Improvement Plan (CIP) which includes 30 project categories planned over the next 15 years at a cost of nearly \$110 million dollars. Be assured that SSWD seeks out and implements efficient and cost saving measures to help keep costs minimal. Value for every dollar is as important to the District as it is to you.

Enhanced Fire Flow Protection

Improving the quantity and reliability of fire protection from District facilities is an additional benefit with the CIP. When existing, aging water main infrastructure is replaced, not only are there fewer repairs, but fire flows through District fire hydrants are enhanced. Two goals are accomplished for the price of one.

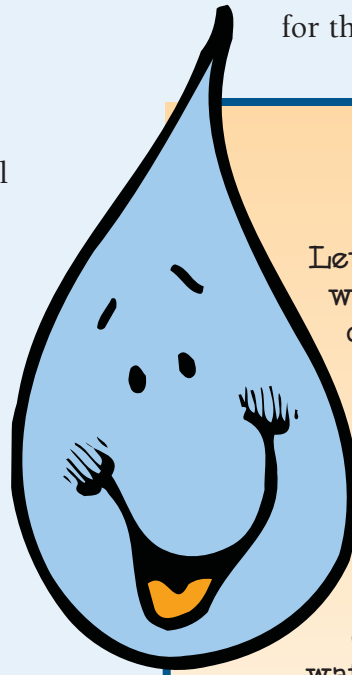
Supplemental Reasons

In addition to the above, SSWD, like most other local water purveyors, is a participant in the Water Forum Agreement. This agreement provides guidelines to protect the lower American River through conservation measures. Through this

agreement, SSWD is obligated to many conservation measures such as installing water meters, performing annual water evaluations and developing water conservation incentive programs. These new programs increase District costs.

SSWD is not exempt from rising operational costs. Labor costs such as worker's compensation and insurance are continually rising. Additional funding is also required to pay for increasing costs of chemicals necessary to keep the water safe for consumption. The District's electric bill also continues to rise. These costs are a smaller portion of the overall need for additional revenues, but are required costs nonetheless.

It is SSWD's goal to provide a safe, reliable, potable water service to each and every customer in the District. To provide these services, costs are incurred to maintain the system and facilities and including construction of new facilities. Evaluation of various alternatives which benefit this District are constantly reviewed to provide our customers with high quality water. Please continue to read the monthly bill inserts and check our website at www.sswd.org for the latest activities and programs. 💧



Hey Kids!

Let's help mom and dad conserve water. How? It's easy. See you if you can unscramble the words in these sentences then tell your family what you have learned.

Less than 1% of all the water on earth is _____ (sefrh) water.

Check for leaks and save hundreds of _____ (sllong) of water a day.

You'll save water by taking a short _____ (howser).

Wash bikes and cars with a _____ (kuecbt) and a sponge instead of a running hose.

Ask your _____ (mfaiyl) to look for ways to save water.

Answers: Fresh, Gallons, Shower, Bucket, Family



Water Jargon

Every profession has specialized terms. Below are some water terms we think will help our customers understand the information presented.

Conjunctive Use – The use of surface water to offset groundwater usage thus decreasing overdrafting and further depletion of the groundwater basin.

Distribution System – Series of water pipelines connected together to form a network for the delivery of potable water for customer use and fire flow protection.

Fire Flow Protection – The ability to have a sufficient quantity of water available in the distribution system to be delivered through fire hydrants or private fire sprinkler systems.

Groundwater Basin – An underground body of water; also called an aquifer. SSWD pumps groundwater through wells from the groundwater basin.

Overdrafting – The pumping of water from a groundwater basin in excess of the supply flowing into the basin. This pumping may result in a depletion of the groundwater in the basin.

Potable Water – Water that meets all local, state and federal regulations. SSWD serves only potable water to customers.

Surface Water – Water found in natural lakes, streams, rivers, oceans or reservoirs behind dams. SSWD surface water is from lakes, streams, rivers and reservoirs.

Transmission Pipelines – Pipelines that transport treated water from its source (or raw water to a treatment plant) through a distribution system.

Thank You To Our Customers



SSWD would like to take this opportunity to thank our customers. This past year has seen many changes. We appreciate

- ❁ **Your support of the restructuring of the rates and revenue increases necessary this past year and over the next two years.**
- ❁ **Your understanding the merger of two different water districts will take time and considerable effort.**
- ❁ **Your patience as we implement new systems to better run the District.**
- ❁ **Your input via email, Board meetings, letters and comments on bills.**

SSWD looks forward to serving you in 2005.

Questions on Water Rates and Meters?

There are three community meetings scheduled for January 2005. The focus of these presentations is to provide information and an opportunity for customers to become informed about the recent rate restructuring and revenue increase. Below are the dates, times and locations of these meetings. Staff encourages your attendance to learn more about your water district.

Wednesday, January 12, 2005
at 6:00 p.m.
SSWD Administration Office
Board Rm
3701 Marconi Ave,
Sacramento

Tuesday, January 18, 2005
at 6:00 p.m.
North Highlands Recreation and
Park District Community Center-Rec Rm
6040 Watt Avenue,
North Highlands

Wednesday, January 26, 2005
at 6:00 p.m.
Howe Avenue Community Center
Board Rm
2201 Cottage Way,
Sacramento

SUPER BOWL FACT

Did you know...

In the U.S. more toilets are flushed at halftime of the Super Bowl than at any other time of the year. Replace your old bowl for a new “super bowl” toilet (1.6 gallons per flush or less) and receive up to \$125 in rebates. Log on to www.sswd.org for an application or call Customer Service at 916.972.7171 to learn more about the program.



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VISIT OUR WEBSITE AT: www.sswd.org

Rate Changes Take Effect Next Month

Phase II of Sacramento Suburban Water District's three year rate restructuring and revenue increase becomes effective February 1, 2005. Please attend one of the three community meetings in January (see “Questions on Water Rates and Meters?”) to learn more. Additionally, you can visit the District's web site at www.sswd.org for more information or contact our Customer Service Team at 916.972.7171 to learn how this change will affect your water bill. 💧

DM 0149

- Rate Changes Take Effect Next Month
- Community Outreach Meetings in January
- Why Did My Bill Change?

In This Issue:



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