

## NOTICE OF PUBLIC HEARING FOR RECYCLED WATER CUSTOMERS

This notice contains important information about recycled water rates. We are notifying all recycled water customers, within the Otay Water District's service area, of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page and at the end of this notice.

The Otay Water District is a revenue neutral public agency that provides water service to your community. Revenue neutral means that your bill reflects only those charges sufficient to support your recycled water service. Each end user pays a fair share of the cost of recycled water production, acquisition, delivery, construction, operation, and maintenance of the public recycled water system and facilities.

To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesaler.

The District is proposing to adopt a five-year schedule of proposed water rate increases to be implemented beginning on September 1, 2009, and periodically thereafter through June 30, 2014. Under the proposed schedule, the average customer's water service rates would increase by an amount sufficient to cover cost increases related to operation and maintenance, but not to exceed 10% per year. The increases under the schedule would cover cost increases in power, labor and benefits, materials, maintenance, administrative expenses, and other operational costs of providing water services, including amounts required to meet bond covenants and maintain adequate reserves and rate stability.

In addition, the action would authorize periodic rate changes, over the same five-year period, to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the San Diego

County Water Authority (CWA), the Metropolitan Water District of Southern California (MWD), and the City of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to a 30-day prior written notice, but would not be subject to additional hearings or protests.

The first water rate increase, in the average amount of 19.9%, is proposed to take effect on September 1, 2009. This increase would pass-through the increases recently implemented by CWA and MWD and would also allow the District to cover other recent increases in operational costs, as described above. CWA and MWD indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January 2011 and subsequent years.

The Otay Water District prides itself on being one of the lowest cost service providers in San Diego County. We will do everything possible to lessen the impact of higher recycled water costs on customers while still providing quality service, ensuring water reliability, and maintaining the financial health of the recycled water system.

If you oppose these actions, you may attend the public hearing on Monday, August 24, 2009 at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary  
Otay Water District  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978

# Proposed Recycled Water Rates in Detail

## Proposed Schedule of Water Rates -

The following tables show the proposed 19.9% rate increase effective September 1, 2009, and the anticipated 10% annual increases thereafter, which do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the future years below may differ.

Water Usage Fee <sup>1</sup> - Recycled (.75" to 1.0" inch meter) <sup>1</sup>							
Current Consumption Blocks (units) <sup>1</sup>	Proposed Consumption Blocks (units) <sup>1</sup> September 1, 2009	Current Rates	Proposed Rates September 1, 2009	Year 1	Year 2	Year 3	Year 4
0-45	0-42	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
46-136	43-97	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
137+	98+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

Water Usage Fee <sup>1</sup> - Recycled (1.5" to 2.0" inch meter)							
Current Consumption Blocks (units) <sup>1</sup>	Proposed Consumption Blocks (units) <sup>1</sup> September 1, 2009	Current Rates	Proposed Rates September 1, 2009	Year 1	Year 2	Year 3	Year 4
0-159	0-168	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
160-465	169-402	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
466+	403+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

Water Usage Fee <sup>1</sup> - Recycled (3" & 4" inch meter)							
Current Consumption Blocks (units) <sup>1</sup>	Proposed Consumption Blocks (units) <sup>1</sup> September 1, 2009	Current Rates	Proposed Rates September 1, 2009	Year 1	Year 2	Year 3	Year 4
0 - 400	0-403	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
401-1,005	404-820	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
1,006+	821+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

Water Usage Fee <sup>1</sup> - Recycled (> 6" inch meter)							
Current Consumption Blocks (units) <sup>1</sup>	Proposed Consumption Blocks (units) <sup>1</sup> September 1, 2009	Current Rates	Proposed Rates September 1, 2009	Year 1	Year 2	Year 3	Year 4
0-7,955	0-7,916	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
7,956- 17,550	7,917-16,357	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
17,551+	16,358+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

# Proposed Recycled Water Rates Continued

Monthly System Fees <sup>2</sup>						
Meter Size	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
3/4"	\$13.83	\$14.58	\$16.04	\$17.64	\$19.40	\$21.34
1"	\$17.56	\$18.52	\$20.37	\$22.41	\$24.65	\$27.12
1 1/2"	\$26.90	\$28.37	\$31.21	\$34.33	\$37.76	\$41.54
2"	\$38.10	\$40.18	\$44.20	\$48.62	\$53.48	\$58.83
3"	\$67.98	\$71.68	\$78.85	\$86.74	\$95.41	\$104.95
4"	\$101.59	\$107.13	\$117.84	\$129.62	\$142.58	\$156.84
6"	\$194.96	\$205.59	\$226.15	\$248.77	\$273.65	\$301.02
8"	\$307.00	\$323.73	\$356.10	\$391.71	\$430.88	\$473.97
10"	\$437.71	\$461.57	\$507.73	\$558.50	\$614.35	\$675.79

Other Charges	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
Energy Charges <sup>3</sup>	\$0.037	\$0.038	\$0.042	\$0.046	\$0.051	\$0.056
Government Rate <sup>4</sup>	\$0.28	\$0.29	\$0.32	\$0.35	\$0.39	\$0.43
Meter Activation Charge <sup>5</sup>	(<4= \$25.00, >4=\$45.00)	All Occurrences \$35.00	\$38.50	\$42.35	\$46.59	\$51.25

Telephone Contact Charge	
Current	Proposed
\$10.00	\$0.00

Percentage Adjustments to Calculate Drought Rates <sup>6</sup>				
Tier	Level 1	Level 2	Level 3	Level 4
1	0%	0%	0%	0%
2	0%	5%	10%	15%
3	0%	30%	60%	90%

## Footnotes:

- Recycled water rates are based on meter size and the number of recycled water units used each month. A unit of recycled water equals 748 gallons.
- These fees are based on meter size and reflect the fixed cost impact on the system.
- The Energy Charge represents the cost of energy required to pump each unit of recycled water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power costs to the District.
- This per unit additional charge to governmental customers is needed in lieu of tax revenues to equalize their contributions to the overall cost.
- This fee is charged to restore service for an account that has been interrupted due to non-payment.
- The District previously adopted Drought Rates based on the drought level declared by the District's Board of Directors. The applicable Drought Rate would be equal to the base rate plus an additional amount as defined by the percentages in the above table. For example, in a Level 2, water sold under Tier 3 would be charged at 130% of the base rate. These Drought Rates will be implemented based on a declared conservation level up to the amounts calculated by using the table above. This rate structure is intended to have the least effect on low water users. The Drought Rate percentages are applicable through fiscal year 2014.



**Otay Water District**  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978-2004  
[www.otaywater.gov](http://www.otaywater.gov)  
(619) 670-2222

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## **Notice of Public Hearing on Recycled Water Rates**

**Monday, August 24, 2009  
3:30 p.m. in the Board Meeting Room  
2554 Sweetwater Springs Blvd.  
Spring Valley, CA 91978**