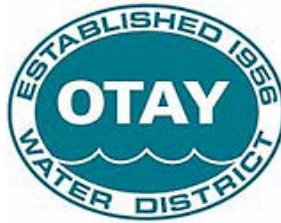


Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978
www.otaywater.gov
619-670-2777



PRSR STD
US POSTAGE
PAID
PERMIT No. 2
SAN DIEGO, CA

Dedicated to community service.



**Please be advised the Otay Water District will be holding
a Public Hearing on Residential Water and Sewer Rates:**

**Monday, December 15, 2008
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978**

Important Notice to Residential Water and Sewer Customers



This notice contains important information about water and sewer rates. The Otay Water District provides service to your community. All property owners and tenants within the district's service area are being notified of proposed rate increases.

The district is a revenue neutral public agency, meaning that only those charges sufficient to support your service are billed to you. Each end user pays a fair share of the cost of water acquisition and delivery, as well as the construction, operation and maintenance of the public water facilities.

An analysis of the district's costs and revenues indicates an average 12.4% rate increase for water is needed effective on January 1, 2009. Approximately 80% of the rate increase is due to higher water costs from our wholesale suppliers, the San Diego County Water Authority (CWA) and the Metropolitan Water District of Southern California (MWD), with the remaining 20% due to other cost increases and adjustments. The analysis also indicates a 4.6% rate increase for sewer is needed. The increase is due to the higher cost for sewage treatment, energy, labor, and materials.

If adopted, the new rate structure

would help maintain the high level of service customers receive, the integrity of the public water systems, and a balanced budget.

If you oppose these actions, you may attend the public hearing on Monday December 15, 2008, at 3:30 p.m. and deliver your written protest. You may also mail your written protest, which shall include your name and the address of the affected property.

To be considered, your protest must be received prior to the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of the proposed rates. Mail written objections to:



The Otay Water District was established in 1956 to provide water service to the San Diego's East County and South Bay.



About the Otay Water District

The Otay Water District is a public water, sewer, and recycled water service agency: more specifically, a California special district authorized in 1956 by the State Legislature under the provisions of the Municipal Water District Act of 1911. The district provides water service to approximately 191,500 customers within 125.5 square miles of southeastern San Diego County, including the communities of Spring Valley, La Presa, Rancho San Diego, Jamul, eastern Chula Vista, and Otay Mesa along the international border with Mexico.

The district also owns and operates a wastewater collection and recycling system, providing public sewer service to 15,200 sewer customers through 4,630 accounts to homes and businesses within

the Jamacha drainage basin, and delivering an annual daily average of 2.5 million gallons per day of recycled water to irrigation customers.

Winter Averaging - On January 1, 2008, the district established a winter-based consumption charge for residential sewer customers. This rate structure is revenue neutral, encourages water conservation, and brings more equity to sewer customers.

Because Winter Averaging can impact high water use customers, it is being phased-in over a three year period. This is the second year of the phase-in period.

Customers able to reduce their water use, will reduce a future year's sewer charges.

Proposed New Water and Sewer Rates in Detail

If approved, for a typical single-family residential customer, as of January 1, 2009, the water portion of your bill will increase by \$5.08. Your bill will vary based on meter size, water consumption, and geographic location.

	MWD/CWA Fixed Charge ¹		Monthly System Charge ¹		Water Rate ²		Energy Charge ³		Water Charge by Improvement District ⁴		Total	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
15 Units (typical)	\$3.85	\$7.02	\$12.30	\$13.83	\$28.55	\$28.70	\$1.86	\$2.06	\$0.95	\$0.98	\$47.51	\$52.59

Meter Size	Current			Proposed			Fire Service ⁵	
	System Fee	MWD/CWA	Total	System Fee ¹	MWD/CWA ¹	Total	Existing	Proposed
0.75"	\$12.30	\$3.85	\$16.15	\$13.83	\$7.02	\$20.85	\$25.40	\$28.55
1"	\$19.80	\$6.15	\$25.95	\$17.56	\$11.71	\$29.27	Energy Charges ³	
1.5"	\$38.95	\$11.60	\$50.55	\$26.90	\$23.41	\$50.31	Current	Proposed
2"	\$64.95	\$20.05	\$85.00	\$38.10	\$37.46	\$75.56		

Current Single Family Consumption Blocks		Current Attached Residential Consumption Blocks		Existing Rates	Proposed Single & Attached Residential Consumption Blocks		Proposed Rates	Improvement District Charges ⁴		
Conservation Tier ⁶				\$1.12	Conservation Tier ⁶		\$1.12	District No.	Current	Proposed
6	10	0	4	\$1.85	6	10	\$1.74			
11	35	5	15	\$2.01	11	26	\$2.26	3	\$0.16	\$0.17
36+		16+		\$2.94	27+		\$3.48	10	\$0.24	\$0.25

Over Capacity Fees ⁷		
Category	Current	Proposed
Category I	\$0.04	-
Category II	\$0.06	-

Occupancy Unit Charge ⁸	
Current	Proposed
\$3.85	-

	Drought Rates ⁹			
	Stage 1	Stage 2	Stage 3	Stage 4
Tier 1	\$1.12	\$1.12	\$1.12	\$1.12
Tier 2	\$1.74	\$1.74	\$1.74	\$1.74
Tier 3	\$2.26	\$2.37	\$2.49	\$2.60
Tier 4	\$3.48	\$4.52	\$5.57	\$6.61

Sewer	Base Fee		Usage Fee		Total	
	Current	Proposed	Current	Proposed	Current	Proposed
Typical Bill	\$9.75	\$10.20	\$23.50	\$24.59	\$33.25	\$34.79

Proposed Sewer Rate:

The monthly charge for a typical single-family residential customer will be calculated as follows: \$1.47 x Winter Average* + a Fixed Service Charge (based on water meter size)

Meter Size	Current	Proposed
.75"	\$ 9.75	\$10.20
1.00"	\$14.25	\$14.90

A \$54.00 per ASU assessment is collected on a customer's property tax bill for sewer debt. One ASU is equal to the demand placed on the system by a residential unit. It is anticipated that the loan will be paid in full by 2012.

Winter Average*

The maximum usage in the calculation of the usage fee will increase to 22 units (from 18 units last year, and will increase to 30 units in 2010). The winter period is December through March, and is calculated by adding the four months of the preceding winter usage together and dividing by four.

This average is then discounted by 15% recognizing that not all water flows to the public sewer system.

Footnotes:

- These fees are based on the meter size. The MWD/CWA fee is increasing to reflect the full pass-through of this cost from the district's water suppliers.
- This cost varies based on water usage and can be calculated using the consumption block tables. Please note, the proposed rate structure combines Single-Family and Residential Attached. Customers outside the Otay Water District or an Improvement District pay two times the water rate.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power cost to the district.
- This charge is a per unit charge and your bill will vary based on water consumption. Improvement District Charges do not apply to the first five units of water per month.
- The Fire Service fee is proposed to increase by 12.4%.
- The Conservation Tier discount applies toward the first five units when overall consumption is ten units or less.
- The Over Capacity Charge is proposed to be eliminated for all user groups with the implementation of tiers.
- The district is proposing to eliminate the Occupancy Unit Charge for residences with more than one dwelling unit.
- The district is proposing to adopt Drought Rates per unit up to the amount shown in this schedule. These Drought Rates will be implemented at the discretion of the board of directors in the event a drought stage is declared by the board. This rate structure is intended to be revenue neutral, and to have the least effect on conserving customers.

Governor Orders Immediate Action to Address Water Shortage

Supply Limitations Driving Higher Cost for Water and Mandatory Conservation

Following two straight years of below-average rainfall and very low snowmelt runoff, in June Governor Arnold Schwarzenegger proclaimed a statewide drought.

In addition to record low precipitation levels, he cited court ordered pumping restrictions on water deliveries from the State Water Project (SWP) that have reduced water supplies and lead to rapidly depleted water storage levels across much of the state.

The federal court-ordered restrictions were put in place to protect the Delta smelt, an endangered fish. These restrictions have been in place since December of 2007 and may continue long-term and additional restrictions have been ordered. In February, the state Fish and Game Commission ordered more pumping restrictions to protect another fish,

the Longfin smelt.

The drought and pumping restrictions have severely reduced the reliability of the water supply across much of California. State officials estimate these restrictions will reduce Southern California's water deliveries from the SWP by as much as 30 percent. Thus far, the restrictions have cut 465,000 acre-feet of water deliveries to SWP customers. This is enough water to meet the annual needs of more than 900,000 families.

The impact of these supply reductions is already being felt by thousands of growers and agricultural water users in San Diego. About 5,000 customers who subscribed to a discount water program -- as provided for under the terms of their contracts -- had those supplies cut 30 percent in January of this year. Growers responded by stumping trees and taking

cropland out of production to comply with restrictions.

The reduction in supply is beginning to impact the cost of water as wholesalers must pay more to acquire water to meet everyday demand. The San Diego region will experience higher water costs due to the need to supplement lost supply. The increased cost of water must be passed-on to all customers and is a primary factor driving higher water rates.

Equally important, supply reductions may cause shortages in 2009, resulting in no new construction or development projects, no annexations, and strict limits on all water used for irrigation and non-public health purposes. This will affect our quality-of-life, impact jobs, business expansion, and the economic health of the region.

About 34 percent of water used in San Diego County came from the State Water Project. The SWP conveys runoff from the Sierra snow pack in Northern California through the Sacramento River/San Joaquin River Delta to the Harvey O. Banks pumping plant, which pumps the water south to 25 million Californians in communities from the Bay Area to San Diego.

Otay Declares Level I Drought Watch

The Otay Water District has declared a Level I Drought Watch for its service area. All customers are strongly urged to voluntarily reduce their water use by 10 percent.

If the conservation goals are not met, a Level II Drought Alert could be declared. Under a Drought Alert, regulations would set mandatory residential and commercial water conservation measures such as limitations on outdoor irrigation.

Our best defense against mandatory water use restrictions is conservation. Your efforts to save water can make a difference by reduc-



ing the amount of water that must be purchased and the cost of that water.

Take the 20-Gallon Challenge

The San Diego County Water Authority, the region's primary water wholesaler, and its 24 member agencies are asking residents and businesses to increase voluntary water conservation immediately to help save water.

Saving 20 gallons a day is easier than you might think. Some simple changes can make a big difference in your water use.

Keep in mind that 60 percent of urban water use in San Diego is spent on landscape irrigation and other outdoor purposes, so make sure you think inside AND outside to maximize water savings.

Everyone can contribute to



the San Diego region's effort to increase conservation by 20 gallons per person per day.

Take the 20-Gallon Challenge by visiting www.20gallonchallenge.com. For water conservation tips, visit the Otay Water District website at www.otaywater.gov.