

PUBLIC HEARING

Any property owner or any tenant directly responsible for the payment of water service fees may submit a written protest to the proposed water rate increases and Pass Through Increases, provided, however, only one protest will be counted per identified parcel. To be used in determining whether there is a majority protest as set forth below, each protest must: (1) be in writing; (2) state whether the protest is submitted in opposition to the water rate increases, and/or Pass Through Increases; (3) provide the location of the identified parcel (by assessor's parcel number or service address); and (4) include the name and signature of the person submitting the written protest. Written protests may be submitted by mail to: Olivenhain Municipal Water District at 1966 Olivenhain Road, Encinitas, CA 92024. Written protests may also be submitted in person at the District's office, or at the public hearing (see date, time and location above). All written protests must be received prior to the conclusion of the public input portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a formal written protest. Please identify on the front of the envelope for any protest, whether mailed or submitted in person, that the enclosed letter is for the Public Hearing on the Proposed Rate Increases and Pass Through Increases.

The Board of Directors will consider all written protests timely submitted and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as the written protests to be used in determining whether there is a majority protest. At the conclusion of the public hearing, the Board of Directors will determine whether to adopt the proposed water rate increases and Pass Through Increases described in this notice. If, after the close of the public hearing, written protests against the proposed rate increases and Pass Through Increases as outlined above are not presented by a majority of the owners of record and tenants directly responsible for the payment of water service fees for the identified parcels upon which the increases are proposed to be imposed, the Board of Directors will be authorized to impose the rate increases and Pass Through Increases.

If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact Olivenhain Municipal Water District at 760-753-6466. A copy of the District's 2014 Potable Water and Recycled Water Cost of Service Study Report is available for review at www.olivenhain.com

OLIVENHAIN
Municipal Water District
A Public Agency
1966 Olivenhain Road • Encinitas, CA 92024
www.olivenhain.com



NOTICE OF PUBLIC HEARING

Concerning Proposed Rate Increases
for Olivenhain Municipal Water
District Water Service Fees

**February 11, 2015
at 5:30 p.m.**

**Boardroom of the
District Headquarters**

1966 Olivenhain Road
Encinitas, California 92024

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NOTICE OF PUBLIC HEARING

Concerning Proposed Rate Increases for Olivenhain Municipal Water District Water Service Fees

NOTICE IS HEREBY GIVEN THAT the Board of Directors of Olivenhain Municipal Water District (the “District”) will conduct a public hearing on February 11, 2015, at 5:30 p.m. in the Boardroom of the District Headquarters at 1966 Olivenhain Road, Encinitas, California 92024, to consider adopting increases in the rates for its water service fees effective April 1, 2015 and an ordinance that would authorize the District to pass through increased costs in Purchased Wholesale Water, increases to the District’s Cost of Operations and Maintenance and Capital Facilities, and any reduction in the allocation of *ad valorem* property tax revenues by the State of California (“*Ad Valorem Pass Through*”) pursuant to Proposition 1A.

Over the past five years (2009-2014) since the District last adjusted its water rates and charges, these rates and charges have been subject to, and reflect, an adjustment to pass through charges by the District’s wholesaler supplier, the San Diego County Water Authority, and an annual inflationary adjustment in the San Diego Consumer Price Index, All Items, 1982-1984=100 for All Urban Consumers (“CPI-U”) determined by the United States Department of Labor Statistics annually for the previous calendar year.

REASONS FOR THE PROPOSED RATE INCREASES

The District is dedicated to providing safe, reliable, high-quality drinking water while exceeding all regulatory requirements in a cost-effective and environmentally responsive manner. While the District continually strives for cost reductions and efficient utilization of the assets it holds, it also needs to keep pace with inflation and other

increases in costs, including, among others, the cost to purchase water and to comply with regulations.

The District purchases its water from the San Diego County Water Authority (“SDCWA”). SDCWA in turn purchases a substantial portion of its water supplies from the Metropolitan Water District of Southern California (“MWD”). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and Northern California via the California Aqueduct.

On January 17, 2014, Governor Jerry Brown issued a drought state of emergency declaration in response to record-low water levels in California’s rivers and reservoirs as well as an abnormally low snowpack. The drought has impacted the cost of imported water the District purchases from SDCWA and the availability of local water supplies. Beginning January 1, 2015, SDCWA will be increasing the cost of wholesale water that it delivers to the District.

In addition to increases in the costs of wholesale water, the District anticipates that there will be future increases in the costs of operating and maintaining the water system. Revenues collected from rates and charges are used to cover the cost of purchased water from SDCWA and costs to operate and maintain the water system and to provide ongoing repairs, replacements, and upgrades to the water system.

As described below, the District is also proposing to adjust rates annually for a five-year period for any increases in such costs.

CURRENT AND PROPOSED WATER RATE INCREASES

The District’s rate structure for monthly water service fees is comprised of three components: (1) a SDCWA Infrastructure Access Charge (“SDCWA IAC”), which is a fixed monthly charge established by SDCWA on the basis of the meter size of the parcel of property receiving water service; (2) an Olivenhain Municipal Water District System Access Charge (“OMWD SAC”), which also is a fixed monthly charge established on the basis of the meter size of the parcel of property receiving water service; and (3) a Commodity Charge, which is determined on the basis of the amount of water served to a parcel of property in units of water (one unit of water is equivalent to approximately 748 gallons of water).

The SDCWA IAC is imposed by SDCWA on the District for the purpose of recovering certain SDCWA infrastructure costs. The IAC is a fixed charge that is established on the basis of the size of the customer’s meter and is imposed on the District by SDCWA and passed through to our customers.

The OMWD SAC is calculated on the basis of recovering certain fixed costs of the District to operate, maintain, and deliver water to its customers. These costs include, among others, meter reading, billings and collections, customer service, water facilities repairs and maintenance, meter reading, and certain other costs imposed on the District by SDCWA.

The Commodity Charge is a variable charge and generally consists of tiers which impose higher rates per unit of water as the level of consumption increases. The rates for the variable Commodity Charge are based on the number of units of water delivered to a property. These rates are calculated on the basis of the cost of providing water and infrastructure, purchasing water from SDCWA, and managing the District’s water resources.

The rates for all three components of the District’s water service fees are structured in such a way as to proportionately allocate the costs of providing water to each customer class and to deter waste, encourage efficiency, and manage the District’s water resources.

The current and proposed rate increases are described in the tables to the right. If approved, the proposed rate increases will be effective on and after April 1, 2015.

In addition to the water service charges described to the right, the District also imposes a fixed monthly fire meter service fee on certain properties as a condition of extending or initiating water service by (1) the installation of a private fire suppression system, and (2) upon the request of the consumer or property owner for the delivery of water to the property for the purpose of fire service protection. The rates for the monthly fire meter service fees are established on the basis of the size of the meter through which water is delivered and is calculated to recover the cost of facilities required to deliver water to such properties for private fire service protection. The current and proposed rates are set forth in the table below.

Current and Proposed OMWD System Access Charge (SAC)			
Meter Size	Current (a)	Change	Proposed (Effective 4/1/15)
5/8”	\$23.38	\$0.73	\$24.11
3/4”	\$30.76	\$1.21	\$31.97
1”	\$52.82	\$2.76	\$55.58
1-1/2”	\$82.18	\$4.87	\$87.05
2”	\$128.70	\$8.18	\$136.88
2-1/2”	\$184.72	\$64.93	\$249.65
3”	\$256.00	\$17.25	\$273.25
4”	\$424.90	\$29.31	\$454.21
6”	\$887.59	\$62.28	\$949.87
8”	\$1,597.56	\$112.85	\$1,710.41

Current and Proposed OMWD Fire Meter Charge Rates (\$/Meter Size)			
Meter Size	Current	Change	Proposed (Effective 4/1/15)
5/8”	\$1.50	\$2.09	\$3.59
3/4”	\$1.50	\$2.09	\$3.59
1”	\$2.50	\$1.73	\$4.23
1-1/2”	\$3.50	\$1.59	\$5.09
2”	\$6.00	\$0.45	\$6.45
2-1/2”	N/A	N/A	\$9.52
3”	\$10.00	\$0.17	\$10.17
4”	\$16.00	\$(0.90)	\$15.10
6”	\$34.00	\$(5.40)	\$28.60
8”	\$70.00	\$(20.67)	\$49.33

PASS THROUGH INCREASES

To avoid operational deficits, depletion of reserves, an inability to address infrastructure and water quality improvements, and to continue to provide a safe, reliable water supply, the District is also proposing to pass through to its customers: (1) any increases in the rates of the IAC imposed on the District by SDCWA (an "IAC Pass Through"); (2) any future charges and any rate increases to any other existing charges, including imported water charges, that are imposed on the District by SDCWA (a "SDCWA Pass Through"); (3) future increases in the costs of operating and maintaining the water system, including capital facilities (an "Inflationary Pass Through"); and (4) any reduction in the allocation of *ad valorem* property tax revenues by the State of California ("Ad Valorem Pass Through") pursuant to Proposition 1A. Proposition 1A was approved by the voters in November 2004, with the intent of protecting the property tax revenues of local governments. Under Proposition 1A, the State of California is allowed to borrow local government property taxes on

the condition that they will be paid back within 3 years. The foregoing are collectively referred to in this notice as "Pass Through Increases."

Any IAC Pass Through will only impact the rates of the IAC. Any SDCWA Pass Through, Any Inflationary Pass Through, and any *Ad Valorem* Pass Through will impact the rates of the Meter Charge, Commodity Charge, and the Fire Meter Service Charge. If approved by the Board of Directors, the District may annually implement the Pass Through Increases for a five-year period commencing April 1, 2015, through December 31, 2019, provided, however, that (1) any increase to the rates described above as a result of any IAC Pass Through, SDCWA Pass Through, Energy Pass Through, Inflationary Pass Through, or *Ad Valorem* Pass Through increase shall not exceed 15% per year; and (2) in no event shall such rates be increased by more than the cost of providing water service.

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Current Commodity Charge (1 unit=748 gallons) (a)					
Customer Type	NON-SHORTAGE	WATER SUPPLY SHORTAGE RATES			
	Base Rates	Watch/Level 1	Alert/Level 2	Critical /Level 3	Emergency /Level 4
Domestic					
0-6 Units	\$2.32	\$2.32	\$2.54	\$2.79	\$3.12
7-43 Units	\$3.55	\$3.71	\$4.45	\$5.51	\$5.87
Over 43 Units	\$4.14	\$4.75	\$5.80	\$6.84	\$7.25
Agricultural see note (d)	\$3.54	\$3.70	\$4.44	\$5.50	\$5.85
Combined Agricultural/ Domestic	First 26 units per month: Follow Domestic Rate Structure. Over 26 units per month: Follow Agricultural Rate Structure.				
Commercial/Irrigation					
"B" Base	\$3.70	\$3.90	\$4.65	\$5.75	\$6.13
"C" Over Base	\$4.32	\$4.97	\$6.05	\$7.13	\$7.57
Construction	\$4.81	\$5.52	\$6.73	\$7.94	\$8.41
Recycled	\$3.03	Shortage rates do not apply.			

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Proposed Commodity Charge Effective April 1, 2015 (1 unit=748 gallons)					
Customer Type	NON-SHORTAGE (b)	WATER SUPPLY SHORTAGE RATES (c)			
	Base Rates	Watch/Level 1	Alert/Level 2	Critical /Level 3	Emergency /Level 4
Domestic					
0-6 Units	\$2.25	\$2.25	\$2.36	\$2.48	\$2.70
7-25 units	\$3.74	\$3.93	\$4.11	\$4.68	\$5.42
25-80 Units	\$4.23	\$4.65	\$5.29	\$6.35	\$7.40
Over 80 units	\$4.73	\$5.44	\$5.91	\$7.10	\$9.46
Agricultural see note (d)	\$3.74	\$3.93	\$4.02	\$4.49	\$5.24
Combined Agricultural/ Domestic	First 26 units per month: Follow Domestic Rate Structure. Over 26 units per month: Follow Agricultural Rate Structure.				
Commercial	\$3.20	\$3.36	\$3.44	\$3.84	\$4.48
Irrigation					
Tier 1	\$3.43	\$3.60	\$3.77	\$4.29	\$4.97
Tier 2	\$4.24	\$4.88	\$5.30	\$6.36	\$8.48
Construction	\$5.72	\$6.58	\$7.15	\$8.58	\$11.44
Recycled	\$3.18	Shortage rates do not apply.			

Current Commercial/Irrigation Unit Allotments "B" Base Allotment / Based upon water use by meter size		
Meter Size	Winter (Dec-May)	Summer (June-Nov)
5/8"	12	22
3/4"	23	47
1"	78	140
1-1/2"	170	360
2"	240	550
3"	750	1600
4"	1475	5600

Please contact the District for allotments for larger meter sizes

Proposed Irrigation Unit Allotments Tier 1 Allotment / Based upon water use by meter size		
Meter Size	Winter (Dec-May)	Summer (June-Nov)
5/8"	10	15
3/4"	20	30
1"	35	50
1-1/2"	50	110
2"	100	200
3"	200	500
4"	600	3500

Current and Proposed SDCWA Infrastructure / Access Charge (IAC)			
Meter Size	Current	Change	Proposed (Effective 4/1/15)
5/8"	\$2.68	\$0.07	\$2.75
3/4"	\$2.68	\$0.07	\$2.75
1"	\$5.08	\$0.12	\$5.20
1-1/2"	\$8.31	\$0.19	\$8.50
2"	\$13.40	\$0.31	\$13.71
2-1/2"	\$24.94	\$0.57	\$25.51
3"	\$27.33	\$0.62	\$27.95
4"	\$45.82	\$1.04	\$46.86
6"	\$96.45	\$2.18	\$98.63
8"	\$174.04	\$3.92	\$177.96

IMPORTANT NOTES TO THE RATE TABLE

(a) Current Rates and Charges: Commodity Rates and Monthly Fixed Charges approved and adopted by the OMWD Board. These rates and charges are currently used to calculate OMWD monthly water bills.

(b) Proposed Non-Shortage Rate (Base): These are OMWD proposed rates and charges, without considering the water supply shortage such as drought. These rates are used the base to calculate the proposed drought rates for each level.

(c) Proposed Water Supply Shortage Rates/ Conservation Based Pricing: shown as percent increases from the Proposed Non-Shortage Rates. Water Supply Shortage Rates are subject to change each time OMWD adjusts the Proposed Non-Shortage Rates (Base), but percentages are expected to remain the same during the

drought period. In April, 2014, Governor Brown issued a second declaration to increase the state's responses to drought and directed the State Water Resources Control Board to adopt emergency regulations as needed to increase conservation. Following the Governor's order, San Diego County Water Authority's Board of Directors at its July 24, 2014 meeting declared a Level 2 Mandatory drought alert.

OMWD's Water Supply Shortage Rates would only be implemented by General Manager or OMWD board action under the terms of the District's Water Supply Shortage Condition Ordinance. Such action by OMWD is generally triggered by the San Diego County Water Authority's (SDCWA) and/or Metropolitan Water District of Southern California's (MWD) declaration of a specific level of drought.

(d) The agricultural water rate is available only to those who meet program criteria. Visit www.olivenhain.com/ag for details.