

## Board Approves Rate Reimbursement Credit to Refund \$3.6 Million to Customers

OMWD buys 100% of our untreated water supplies from San Diego County Water Authority to meet our customers' potable water demand. SDCWA, in turn, purchases a substantial portion of its water supplies from Metropolitan Water District of Southern California to meet the San Diego region's potable water demand.

In 2021, OMWD received two wholesale water refund payments totaling approximately \$3.6 million. The refund payments resulted from lawsuits filed by SDCWA between 2010 and 2018, challenging the legality of certain Metropolitan water rates and charges and seeking payment for legal damages and interest. As one of SDCWA's 24 member agencies, OMWD received our share of SDCWA's lawsuit settlement for overpayments on untreated purchased water costs between 2011 and 2017.

**Concerned about increasing costs, OMWD's board unanimously voted at its November 17, 2021 meeting to create a Rate Reimbursement Credit to refund customers the \$3.6 million as a credit on their monthly water bills. Beginning with March 2022 billing statements, customers will see a credit of 6.9 cents per unit of potable water billed.**

## Board to Consider 4.27% Revenue Adjustment on 2022 Water Rates and Charges

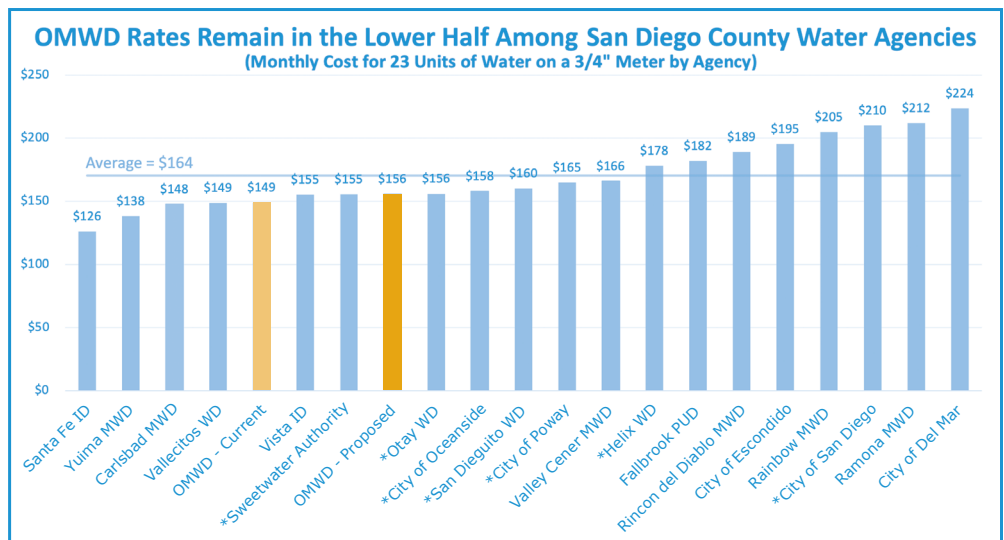
OMWD works to maintain water rates that are fair and equitable to all customers and in compliance with state law. These rates must also adequately fund operations, maintenance, and capital needs to allow us to continue providing you with safe, reliable water supplies at the twist of the tap.

Our largest expense is the cost of purchased water, which continues to increase every year. To address increasing costs, OMWD's 2019 Water Cost of Service Study Report proposed gradual annual increases to water rates through mid-2024. The report is available online at [www.olivenhain.com/rates](http://www.olivenhain.com/rates).

At its February 16, 2022 meeting, OMWD's board will consider passing through water wholesaler cost increases on water purchases and annual inflation adjustments to OMWD's commodity rates and fixed monthly charges. Despite an 8.38% increase in overall purchased water wholesale costs, OMWD is proposing a 4.27% revenue adjustment in 2022, less than the 5% projected in the report. If approved by the board, OMWD's customers will see changes to water rates and charges and the new Rate Reimbursement Credit beginning March 1, 2022.

### How Will This Affect My Water Bill?

A "unit" of water is 748 gallons. A typical OMWD customer's water bill includes a commodity charge for each unit of water used, as well as two fixed monthly charges: the OMWD System Access Charge and the SDCWA Infrastructure Access Charge. Residential water rates are based on a four-tiered structure designed to encourage water conservation.



**Note:** \* Signifies the proposed rates for 2022. Rates for other agencies were last updated in November 2021 and are based on proposed or approved rates for 2022. Any subsequent increases are not reflected above.



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Municipal Water District in the  
interest of an informed public.

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Alfred Smith, Esq.

## BOARD MEETING DATES

Please visit our website at  
[www.olivenhain.com](http://www.olivenhain.com) for dates.

## MISSION STATEMENT

Olivenhain Municipal Water District is  
a multi-functioning public agency that  
is dedicated and committed to serving  
present and future customers in a  
service-oriented manner by:

### Water

Providing safe, reliable, high-quality  
drinking water while exceeding  
all regulatory requirements in a  
cost-effective and environmentally  
responsive manner.

### Recycled Water

Providing recycled water and  
wastewater treatment in the most  
cost-effective and environmentally  
responsive method.

### Parks

Safely operating the Elfin Forest  
Recreational Reserve and providing all  
users with a unique recreational,  
educational, and environmental  
experience.

### Emergency Management

Complying with policies and  
procedures that adhere to local, state,  
and federal guidelines for national  
security and disaster preparedness.

### Sustainable Operations

Pursuing alternative and/or renewable  
resources with the most sustainable,  
efficient, and cost-effective approach.

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## Impact on Average Customer's Monthly Bill

- The average residential customer using 23 units will see an increase of approximately \$6.80 after the Rate Reimbursement Credit.
- A residential customer who uses 6 units will see an estimated increase of \$2.55 after the Rate Reimbursement Credit.



**If the proposed rate adjustments are approved, OMWD's average residential customer will continue to pay less than the average water bill in the county for the same amount of water used.**

The proposed pass-through increases and adjustments include:

- An 8.38% increase to the cost of wholesale water that OMWD purchases, which became effective January 1, 2022
- A 1.7% inflationary increase in the costs of operating and maintaining our water system and capital facilities, based on year-over-year percent change in the San Diego County Consumer Price Index for All Urban Consumers (CPI)
- A 6.53% increase in SDCWA's Infrastructure Access Charge to pass through the remaining amount of SDCWA's 2021 IAC increase. OMWD could only pass through 9% of SDCWA's 15.8% IAC increase in 2021, as that is the maximum annual increase allowed in the pass-through ordinance adopted by OMWD's board
- A 6.9 cent Rate Reimbursement Credit per unit of potable water billed, beginning with March 1, 2022 water consumption.

The Rate Reimbursement Credit will help offset the proposed pass-through increases to commodity rates and fixed monthly charges (shown for 2022 in the tables on page 3).

Comments about the proposed rate adjustments may be submitted via email to [skaufmann@olivenhain.com](mailto:skaufmann@olivenhain.com). Additionally, the board will consider all public comments made at the February 16 board meeting. Please use "Rate Comment" as the subject line in any correspondence.



WE ARE  
HERE

| Current Commodity Charge Effective April 1, 2021 ( 1 unit=748 gallons ) <sup>(1)</sup> |                                                                                                                        |                                           |                                           |                                           |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
|                                                                                        | NON-SHORTAGE                                                                                                           | WATER SUPPLY SHORTAGE RATES               |                                           |                                           |
| Customer Type                                                                          | (Base) Rates                                                                                                           | 10% Demand Reduction Rates <sup>(2)</sup> | 20% Demand Reduction Rates <sup>(2)</sup> | 30% Demand Reduction Rates <sup>(2)</sup> |
| <b>Domestic</b>                                                                        |                                                                                                                        |                                           |                                           |                                           |
| 0-6 Units                                                                              | \$3.39                                                                                                                 | \$3.62                                    | \$3.89                                    | \$4.24                                    |
| 7-23 Units                                                                             | \$5.02                                                                                                                 | \$5.25                                    | \$5.52                                    | \$5.87                                    |
| 23-80 Units                                                                            | \$5.63                                                                                                                 | \$5.86                                    | \$6.13                                    | \$6.48                                    |
| Over 80 Units                                                                          | \$6.74                                                                                                                 | \$6.97                                    | \$7.24                                    | \$7.59                                    |
| <b>Agricultural<sup>(3)</sup></b>                                                      | \$5.55                                                                                                                 | \$5.78                                    | \$6.05                                    | \$6.40                                    |
| Combined Agricultural/<br>Domestic                                                     | First 23 units per month: Follow Domestic Rate Structure. Over 23 units per month: Follow Agricultural Rate Structure. |                                           |                                           |                                           |
| <b>Commercial</b>                                                                      | \$4.71                                                                                                                 | \$4.94                                    | \$5.21                                    | \$5.56                                    |
| <b>Irrigation<sup>(4)</sup></b>                                                        |                                                                                                                        |                                           |                                           |                                           |
| Tier 1                                                                                 | \$5.33                                                                                                                 | \$5.56                                    | \$5.83                                    | \$6.18                                    |
| Tier 2                                                                                 | \$5.71                                                                                                                 | \$5.94                                    | \$6.21                                    | \$6.56                                    |
| Construction                                                                           | \$6.81                                                                                                                 | \$7.04                                    | \$7.31                                    | \$7.66                                    |
| Recycled                                                                               | \$3.65                                                                                                                 | Shortage rates do not apply               |                                           |                                           |

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| Proposed Commodity Charge Effective March 1, 2022 ( 1 unit=748 gallons ) |                                                                                                                        |                                           |                                           |                                           |
|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------|
|                                                                          | NON-SHORTAGE                                                                                                           | WATER SUPPLY SHORTAGE RATES               |                                           |                                           |
| Customer Type                                                            | (Base) Rates                                                                                                           | 10% Demand Reduction Rates <sup>(2)</sup> | 20% Demand Reduction Rates <sup>(2)</sup> | 30% Demand Reduction Rates <sup>(2)</sup> |
| <b>Domestic</b>                                                          |                                                                                                                        |                                           |                                           |                                           |
| 0-6 Units                                                                | \$3.68                                                                                                                 | \$3.91                                    | \$4.18                                    | \$4.53                                    |
| 7-23 Units                                                               | \$5.34                                                                                                                 | \$5.57                                    | \$5.84                                    | \$6.19                                    |
| 23-80 Units                                                              | \$5.96                                                                                                                 | \$6.19                                    | \$6.46                                    | \$6.81                                    |
| Over 80 Units                                                            | \$7.09                                                                                                                 | \$7.32                                    | \$7.59                                    | \$7.94                                    |
| <b>Agricultural<sup>(3)</sup></b>                                        | \$5.88                                                                                                                 | \$6.11                                    | \$6.38                                    | \$6.73                                    |
| Combined Agricultural/<br>Domestic                                       | First 23 units per month: Follow Domestic Rate Structure. Over 23 units per month: Follow Agricultural Rate Structure. |                                           |                                           |                                           |
| <b>Commercial</b>                                                        | \$5.02                                                                                                                 | \$5.25                                    | \$5.52                                    | \$5.87                                    |
| <b>Irrigation<sup>(4)</sup></b>                                          |                                                                                                                        |                                           |                                           |                                           |
| Tier 1                                                                   | \$5.65                                                                                                                 | \$5.88                                    | \$6.15                                    | \$6.50                                    |
| Tier 2                                                                   | \$6.04                                                                                                                 | \$6.27                                    | \$6.54                                    | \$6.89                                    |
| Construction <sup>(6)</sup>                                              | \$7.16                                                                                                                 | \$7.39                                    | \$7.66                                    | \$8.01                                    |
| Recycled <sup>(6)</sup>                                                  | \$3.79                                                                                                                 | Shortage rates do not apply               |                                           |                                           |

| Current and Proposed OMWD System Access Charge (SAC) <sup>(1)(5)</sup> |            |                                  |
|------------------------------------------------------------------------|------------|----------------------------------|
| Meter Size                                                             | Current    | Proposed Effective March 1, 2022 |
| 5/8"                                                                   | \$30.16    | \$30.90                          |
| 3/4"(*)                                                                | \$39.44    | \$40.41                          |
| 1"                                                                     | \$67.27    | \$68.93                          |
| 1-1/2"                                                                 | \$104.37   | \$106.94                         |
| 2"                                                                     | \$163.13   | \$167.16                         |
| 2-1/2"                                                                 | \$296.10   | \$303.41                         |
| 3"                                                                     | \$323.93   | \$331.93                         |
| 4"                                                                     | \$537.30   | \$550.57                         |
| 6"                                                                     | \$1,121.74 | \$1,149.45                       |
| 8"                                                                     | \$2,018.50 | \$2,068.36                       |

| Irrigation Unit Allotments (No Changes are Proposed)                   |                  |                  |
|------------------------------------------------------------------------|------------------|------------------|
| Tier 1 Allotment: Based upon water use by meter size <sup>(1)(4)</sup> |                  |                  |
| Meter Size                                                             | Winter (Dec-May) | Summer (Jun-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              | 3,500            |
| 6"                                                                     | 3,100            | 11,800           |
| 8"                                                                     | 5,600            | 21,300           |

**Notes to the tables above:** \* Typical residential meter size

- (1) The Current Commodity Charge, OMWD System Access Charge, and Irrigation Unit Allotments were approved and adopted by OMWD's Board of Directors. These rates and charges are currently used to calculate OMWD's monthly water bill.
- (2) Demand Reduction Rates would only be implemented by General Manager or board action under the terms of OMWD's Water Shortage Contingency Plan. Such action is generally triggered by SDCWA's and/or Metropolitan's declaration of a specific level of water shortage.
- (3) The Agricultural water rate is available only to those who meet the program criteria. Visit [www.olivenhain.com/ag](http://www.olivenhain.com/ag) for details.
- (4) For irrigation, all monthly water usage in excess of the Tier 1 allotment shown in the table is charged at Irrigation Tier 2 rate.
- (5) OMWD's System Access Charge is designed to cover a portion of the fixed costs of OMWD's operation. These costs include maintenance of meters and water infrastructure, debt service, depreciation, and customer service costs for meter reading and billing.
- (6) The Rate Reimbursement Credit does not apply to construction or recycled water usage.

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At the February 16, 2022 meeting, OMWD's board will also consider implementing an increase to OMWD's fixed monthly fire service charge shown in the table below.

| Current and Proposed OMWD Fire Meter Charge (\$/Meter Size) <sup>(1)</sup> |         |                                                 |
|----------------------------------------------------------------------------|---------|-------------------------------------------------|
| Meter Size                                                                 | Current | Proposed Effective March 1, 2022 <sup>(2)</sup> |
| 5/8"                                                                       | \$5.06  | \$5.31                                          |
| 3/4"(*)                                                                    | \$5.06  | \$5.31                                          |
| 1"                                                                         | \$5.69  | \$5.97                                          |
| 1-1/2"                                                                     | \$6.52  | \$6.84                                          |
| 2"                                                                         | \$7.85  | \$8.24                                          |
| 2-1/2"                                                                     | \$10.85 | \$11.39                                         |
| 3"                                                                         | \$11.47 | \$12.04                                         |
| 4"                                                                         | \$16.29 | \$17.10                                         |
| 6"                                                                         | \$29.49 | \$30.96                                         |
| 8"                                                                         | \$49.73 | \$52.21                                         |

\* Typical residential meter size

- (1) OMWD's Fire Meter Charge is a fixed monthly service fee collected on certain properties as a condition of extending or initiating water service by (a) the installation of a private fire suppression system, and (b) upon request from an OMWD customer for the delivery of water to the property for the purpose of fire service protection.
- (2) Per our Proposition 218 notice to customers in 2019, OMWD may impose annual inflationary adjustments to our rates and charges by an amount not to exceed the greater of San Diego's CPI-U or 5%. Actual fee may be slightly lower than the Prop 218 notice so as to not exceed a 5% increase over the prior year.

| Current and Proposed SDCWA Infrastructure Access Charge (IAC) <sup>(1)</sup> |          |                                  |
|------------------------------------------------------------------------------|----------|----------------------------------|
| Meter Size                                                                   | Current  | Proposed Effective March 1, 2022 |
| 5/8"                                                                         | \$3.98   | \$4.24                           |
| 3/4"(*)                                                                      | \$3.98   | \$4.24                           |
| 1"                                                                           | \$7.58   | \$8.07                           |
| 1-1/2"                                                                       | \$12.37  | \$13.17                          |
| 2"                                                                           | \$19.94  | \$21.24                          |
| 2-1/2"                                                                       | \$37.10  | \$39.52                          |
| 3"                                                                           | \$40.70  | \$43.35                          |
| 4"                                                                           | \$68.22  | \$72.67                          |
| 6"                                                                           | \$143.61 | \$152.98                         |
| 8"                                                                           | \$259.31 | \$276.24                         |

\* Typical residential meter size

- (1) SDCWA's IAC is a pass-through monthly fixed charge imposed by SDCWA on all OMWD water meters and is designed to cover a portion of SDCWA's costs for constructing water supply, transportation, and storage projects over a 30-year forecast horizon to ensure SDCWA meets the projected water supply needs for the region. OMWD collects the monthly SDCWA IAC on OMWD's customers' water bills on SDCWA's behalf.

To address internal operation cost increases while keeping rates equitable, OMWD has implemented several cost-containment efforts such as pursuing funding opportunities from state and federal programs to offset operations and maintenance costs. We have also pushed back non-critical water infrastructure projects to future years to reduce near-term capital spending.

## How Customer Payments Collected From Water Rates and Charges Are Used

About half of an OMWD customer's water bill goes to SDCWA for untreated water costs and to our recycled water suppliers for recycled water costs. OMWD purchases recycled water from other public agency water suppliers to supplement our own recycled water supplies.

The remaining funds are used to cover the operations and maintenance costs of providing water services to all of our customers, such as maintaining, repairing, replacing, and updating aging water infrastructure.

For example, OMWD operates a water treatment plant and a water reclamation facility, and maintains over 29,000 water meters, 67 miles of recycled water pipelines, 85 miles of sewer pipelines, and 466 miles of drinking water pipelines.

