



May 20, 2011

Notice of Public Hearing for Proposed Change to a Water Budget Rate Structure to be Held at Murrieta City Hall

Dear Western Municipal Water District customer,

Every Western Municipal Water District customer – residential, commercial and irrigation – has unique water needs. That's why the District is considering changing our billing rate structure so it's based on meeting each customer's specific water needs with individualized water budgets. The change would also price water based on the true costs related with our various sources, which means that commercial and irrigation water customers who use water efficiently would see **lower annual water bills** as a result. Those who waste water would pay more for their waste, which would give them the incentive to do their part to help meet our region's water supply challenges. The intent is to encourage efficient use and reduce water waste.

Public Hearing for Proposed Water Rate Structure

July 6, 2011

6:30 p.m.

**Murrieta City Hall
1 Town Square
Murrieta**

The Western Board of Directors will consider the proposal to change the rate structure at a public hearing on **July 6, 2011 at 6:30 p.m. at Murrieta City Hall**. Prior to the hearing, Western has established many ways for customers to learn about the new rate structure, ask questions and provide input. We invite you to learn about this proposal and ways to offer your comments, so they can be considered before any decision is made by the Board. If approved, the proposed rate structure would be applicable for services provided in October and billed on or after November 1, 2011.

On the pages that follow, we outline reasons why the change is being proposed, how it may benefit you and what this may mean for your water bill.

Proposed Change to a Water Budget Rate Structure

Western is proposing a change from the current rate structure to a Water Budget Rate Structure. This new structure would encourage efficient water use by providing each customer with a personalized water budget designed to meet their specific indoor and outdoor water needs. Western's goal is efficient water use among our customers, NOT to generate any additional revenue. We are ready to work with you to help you remain within your personalized water budget and receive the lowest possible bill. Efficient water use among our customers would result in no additional revenue to Western.

IMPORTANT

Customers who use water efficiently would see lower annual water bills as a result of Water Budget Rates.

Most customers' water use is expected to remain within their water budget and they would be billed at the lowest rates as a result, which would lead to **lower water bills** for the same amount of water used under the current rate structure. Customers who exceed their water budget by wasting water would be billed at higher rates for the amount of water they use above their water budget.

The proposed change in rate structure would also more evenly share the true cost of purchasing water between our residential, commercial and irrigation customers, resulting in **lower rates** and further leading to **lower water bills**

for commercial and irrigation customers in our Murrieta retail zone.

Should Western's Board of Directors approve the proposed change in rate structure, commercial water budgets would be calculated based on a three-year average of each commercial customer's monthly use. If your business also has a dedicated landscape irrigation water meter, an irrigation water budget would be calculated based on your amount of landscaping and real-time localized weather data, among other factors. Landscape irrigation water budgets would vary from month to month based upon the weather.

In addition, the proposed rate structure Western is considering includes simple steps to **adjust the water budget** established for your business, should there be a legitimate need for more water.

Revenues generated from customers using water in excess of their water budget would be used to fund programs designed to increase efficiency and reduce water waste, and to acquire water necessary to meet this excessive demand. Customers who are already efficient would not bear any of the costs for these programs.

What the Water Budget Rate Structure Means for Customers

The impact of the proposed change on each commercial or irrigation customer would vary based upon their actual water use and the customized water budget for their property. Most customers' water use is expected to remain within their water budget and they would see **lower water bills** as a result. Customers who exceed their budgets would be billed at higher rates for the water used above their budget. On average, commercial and irrigation customers whose use remains within their water budget would see a **decrease in their monthly water cost of between 11 percent and 20 percent**, based on the amount of water their operations require. (Please see page four for more details.)

Why Change Rate Structures?

Western's retail customers have made it clear they feel that efficient water users shouldn't have to cover the cost of acquiring water supplies necessary to serve customers who use water inefficiently. Under the current rate structure, the added cost of wasted water is spread to all customers in the form of higher rates. Under the proposed rate structure, only customers who waste water would pay these costs. Such a concept was supported by nearly 83 percent of Western customers in a recent telephone survey. Water Budget Rates have also proven to be a more fair approach to water rates for the many Southern California and Riverside County water agencies that have adopted a similar Water Budget Rate Structure.

Additionally, western Riverside County is a semi-arid region, and we must rely on expensive and increasingly unreliable sources of imported water to supplement our limited local water supplies. The proposed rate structure would provide customers with a tool to help them better understand what an efficient level of water use is given their specific situations, so that all customers can take part in helping to efficiently manage our limited water resources.

How You Can Participate in the Process

Western's Board of Directors wants you to have the information you need to consider this proposal, and wants to hear your comments before any decision is made. Here are four easy ways you can participate in the process:

- **Submit a Comment or Question:** Customers with comments or questions can contact the District at 951.571.7104 or rates@wmwd.com. We are here to answer your questions. The Directors will consider the comments received before they make a decision.
- **Attend a Workshop:** Western will host a series of customer workshops throughout our retail service area in the coming weeks. The proposed rate structure will be reviewed and customers can ask questions and submit comments. Workshop details will be announced shortly.

Important Things to Remember About Water Budget Rates

- **They're fair.** Every customer would get a customized water budget designed to meet their specific needs. Customers who are efficient would no longer subsidize those who aren't.
- **They're flexible.** Adjustments can be made to make your water budget fit your circumstances.
- **They're not final.** You can comment and have your questions answered before a decision is made to go forward.

- **Attend the Public Hearing:** The Board will formally consider the proposed Water Budget Rate Structure in a public hearing on July 6, 2011 at 6:30 p.m. at Murrieta City Hall, 1 Town Square, Murrieta. This hearing will include a public comment period when members of the public can provide comments, express support or concerns, and submit written protests (see below).
- **Submit a Written Protest:** Any tenant directly responsible for the payment of water service fees or property owner within the Western retail service area may file a written protest against the proposed rate structure with the District by submitting in person or sending a letter to 14205 Meridian Parkway, Riverside, CA, 92518, attention: General Manager. A valid protest letter must include your name, the address at which service is received from Western, a statement of protest against the proposed rate structure and your original signature. E-mail or other electronic protests are not valid and cannot be accepted as official protests. Protest letters received will be tabulated and presented to the Board following the public hearing on the proposed rate structure. Any Western retail customer or property owner within the Western retail service area may appear at the hearing to make comments regarding the proposed rate structure. By law, written protests may only be submitted by property owners or a tenant directly responsible for the payment of water service. To be valid, protest letters must be received prior to the conclusion of the public hearing. Only one protest per property will be counted. The Board will be prohibited from considering the proposed rate structure if written protests are filed by a majority of tenants directly responsible for the payment of water service fees and property owners within the retail service area. If that does not occur, the Board will consider the issue and make a decision based on the merits of the proposal.

We remain committed to keeping your rates as low as possible while providing the reliable service you expect. Please see the charts, information and Frequently Asked Questions on the following pages for additional details. If you have any questions, please contact us at 951.571.7104 or rates@wmwd.com.

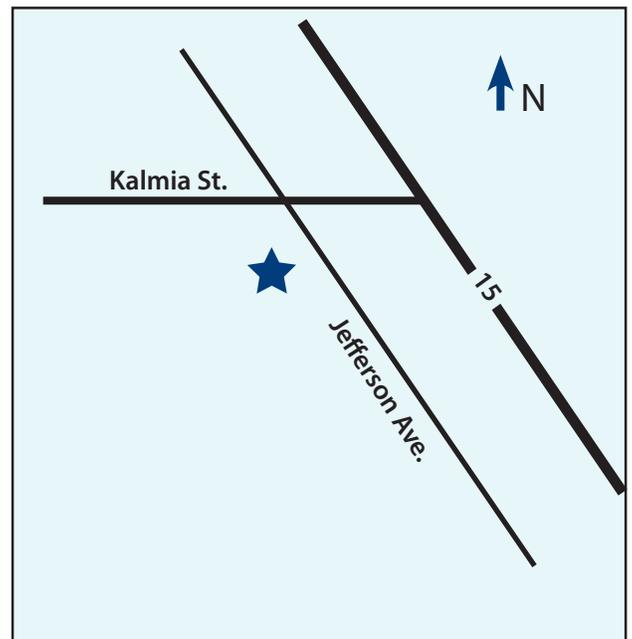
Sincerely,
WESTERN MUNICIPAL WATER DISTRICT



John Rossi
General Manager

Visit wmwd.com for more information on Water Budget Rates.

Aviso importante: Si necesitas esta notificación en Español, por favor llame Western a 951.571.7100.



MURRIETA CITY HALL
1 Town Square, Murrieta, CA 92562

WATER RATES

There are three parts to the water rates charged to Western's retail customers: A System Charge covers ongoing maintenance and replacement of the District's infrastructure, a Pumping Charge covers the energy costs of pumping water to your neighborhood, and a Consumption Charge covers the cost of the water you use. The System Charge and Pumping Charge would not change under the proposed rate structure. The Consumption Charge is proposed to change, and is determined by the amount of water served to the property and the costs associated with our various water sources, including local groundwater and imported water sources. Water consumption is measured in billing units, where one billing unit is equal to 748 gallons of water.

PROPOSED MURRIETA WATER BUDGET CONSUMPTION CHARGES (per billing unit)

| Tier | Supply & Delivery Cost | Efficiency Program Funding | Total Proposed Rate | Current Rate |
|-----------------------------|------------------------|----------------------------|---------------------|--------------|
| 1: Conservation Use | \$1.87 | \$0.00 | \$1.87 | \$2.15 |
| 2: Efficient Use | \$2.66 | \$0.00 | \$2.66 | \$2.73 |
| 3: Inefficient Use | \$3.38 | \$0.44 | \$3.82 | \$3.30 |
| 4: Excessive Use | \$3.38 | \$0.88 | \$4.26 | - |
| 5: Unsustainable Use | \$3.38 | \$1.76 | \$5.14 | - |

Water Budgets in Detail

The proposed rate structure for the Consumption Charge has five tiers. Customers who stay within their water budgets (Tier 1 and Tier 2) would pay the lowest rates; they would not pay the rates associated with Tiers 3, 4 or 5.

Water Budget:

Tier 1 – Conservation Use: Based on 90 percent of average past use of that month over the past three years for commercial mixed-use accounts, and based on 40 percent of efficient outdoor water needs for dedicated irrigation accounts.

Tier 2 – Efficient Use: Based on the remaining 10 percent of average past use of that month over the past three years for commercial mixed-use accounts, or the remaining 60 percent of efficient outdoor water needs for dedicated irrigation accounts.

Water Waste:

Tier 3 – Inefficient Use: Based on exceeding your total water budget by up to 25%.

Tier 4 – Excessive Use: Based on exceeding your total water budget by between 25% and 50%.

Tier 5 – Unsustainable Use: Based on exceeding your total water budget by more than 50%.

Water Budgets and Water Bills

The proposed rate structure would lead to an average reduction in water costs of between 11 percent and 20 percent for commercial and irrigation customers whose use remains within their water budgets.

Example 1 – Mixed-Use Account: If a commercial customer with no landscape water use or both landscape and business water use on a single water meter has a May water budget of 48 billing units based on their three-year monthly average, 43 units (90 percent) would be charged at the proposed Tier 1 rate of \$1.87 and five units (10 percent) would be charged at the proposed Tier 2 rate of \$2.66, resulting in a total cost of \$94. Under the current rate structure, the same customer using 48 units of water would be charged \$114. If implemented, the proposed Water Budget Rate Structure would result in a reduction in this customer's monthly water cost of \$20, or approximately 18 percent.

Example 2 – Dedicated Irrigation Account: If a commercial customer with a dedicated irrigation water service account has a May water budget of 123 billing units, 49 units (40 percent) would be charged at the proposed Tier 1 rate of \$1.87 and 74 units (60 percent) would be charged at the proposed Tier 2 rate of \$2.66, resulting in a total cost of \$288. Under the current rate structure, the same customer using 123 units of water would be charged \$360. If implemented, the proposed Water Budget Rate Structure would result in a reduction in this customer's monthly water cost of \$72, or 20 percent.

Board to Consider Timing of Highest Water Waste Tiers

The Western Board of Directors will consider three proposed options for the phased timing of Water Budget Rates for residential and commercial water customers. The Board will consider:

- Implementing Tiers 1 through 5 on October 1, 2011
- Implementing Tiers 1 through 4 on October 1, 2011, and Tier 5 on October 1, 2012
- Implementing Tiers 1 through 4 on October 1, 2011, and Tier 5 on April 2, 2013.

Taking into account the notice requirements of California state law, following the public hearing, the Board will be limited to the following options: (1) taking no action to adopt the rate proposal, or (2) adopting the new rate structure with one of the three proposed options set forth above. Due to the requirements of California state law, the Board is not authorized to adopt a rate amount, structure or phasing other than one specifically set forth in this notice.

Previously Approved Pass-Through Increases

In addition to the Water Budget Rate Structure set forth in this notice, and pursuant to authorizations previously adopted by the Board of Directors, Western may pass through at a later date (1) additional increases in water charges imposed by our regional wholesale water supplier, the Metropolitan Water District of Southern California, or increases from other public agencies, (2) increases in energy charges imposed by utilities, and (3) increases from operations and maintenance costs. Further information can be found in Resolution 2665 that was approved by Western's Board on May 19, 2010. Western will provide written notice to our customers at least 30 days prior to implementing any such increase, including documentation supporting the increased amounts.

How are Water Budgets Determined?

COMMERCIAL WATER BUDGETS

There are two types of commercial water budgets: **Mixed-use accounts** for customers with no landscape water use or business water use and landscape water use on the same meter, and **dedicated irrigation accounts** for customers who only use water for landscape irrigation.

Mixed-Use Accounts

Water budgets for mixed-use accounts would be calculated based on a three-year averaging of their past use for each month. For new mixed-use commercial customers, a monthly average would be calculated from the first full year's water use.

Dedicated Irrigation Accounts

Water budgets for dedicated irrigation accounts would be calculated using three factors:

- Daily localized weather
- Irrigated area
- Landscape factor

Localized Weather Data (Evapotranspiration or ET)

The amount of water that is lost each day from landscaping due to evaporation and plant transpiration is known as evapotranspiration (ET), and it varies daily due to factors such as wind, humidity and temperature. Western would measure ET each day using a system that calculates precise weather data for more than 200 distinct microclimate zones within our retail service area. ET values change with the weather, so the water budget for landscapes would be higher in hot weather and lower in cool weather.

Irrigated Area

The irrigated area is the amount of landscaped area on your property that receives regular watering. County Assessor parcel data, the District's Geographic Information System (GIS) and, in some cases, physical site measurements would be used to determine the irrigated acreage of your landscape.

Landscape Factor

The landscape factor measures the specific amount of irrigation water required by your landscape. Water services installed in the District's retail service area on or before December 31, 2011 would be given a landscape factor of 0.8, which should be sufficient if your landscaping is mostly grass with a mix of shrubs or flowers. Water services installed on or after January 1, 2012 would be given a landscape factor of 0.7 because new construction is required to use the latest water-efficient irrigation systems. Landscape sites that qualify under the 2010 State Model Landscape Ordinance as a "special landscape" would be given a landscape factor of 1.0. It is the account holder's responsibility to notify the District if a site qualifies for "special landscape" considerations. The special landscape factor would be applied at the sole discretion of the District.

Dedicated Irrigation Water Budget Formula

(Irrigated acreage) x (ET) x (Landscape factor) x (.62 [conversion from inches to gallons of water])

Example:

- 43,560 square feet of irrigated acreage, ET for May 2010 of 5.72 inches
- $43,560 \times 5.72 \times 0.8 \times .62 = 123,585$ gallons of water = 165 billing units
(1 billing unit = 748 gallons)

Water Budget Adjustments

If the rate proposal is approved, a simple process would be available for customers to adjust their water budget should their situation differ from our assumptions.

Frequently Asked Questions

Would my bill increase if the proposed rate structure is approved?

The vast majority of commercial and irrigation customers are expected to remain within their water budget and they would see a decrease in their water costs as a result of the proposed rate structure, on average between 11 percent and 20 percent, based on the amount of water their operations require. (Please see page four for more details.) *The only customers who may see increased water bills are those whose use exceeds their water budget, and the District would work closely with those customers to help them reduce their water use and lower their water costs.* The District currently has several programs to help customers become water-efficient and will continue to provide these water-wise incentives.

Why are the proposed rates for tiers three, four and five so much higher than the others?

Tiers three, four and five are priced higher because the cost of supplying water at these inefficient and unsustainable levels is significantly higher. *Only customers whose water use exceeds their water budgets would be charged the higher tiered rates.* Under the proposed rate structure, every customer would receive a customized water budget sufficient to meet their needs, which means that no matter the size of your business, you should be able to remain within your water budget and pay the lowest available price. Western hopes the higher pricing gets the attention of the small number of customers who are wasting water and sends a clear economic signal that wasted water is much costlier water. The District would work closely with those customers to help them reduce their water use and lower their water costs.

How would Western use the revenues generated from customers who exceed their water budgets?

Revenues generated from customers using water in excess of their water budgets would be used to develop programs to help all customers become more water-efficient and to acquire water necessary to meet this excessive demand. These efficiency program funds would not be used for employee compensation or benefits. The purpose of Water Budget Rates is to help all customers achieve efficient water use – NOT to generate additional revenue.

Would I receive the same water budget as other commercial or irrigation customers?

No. Every commercial customer would have a unique water budget based on a three-year average of their monthly water use. Each irrigation customer would have a unique water budget based on their amount of landscaping and local weather data.

How can I be certain the factors Western used to calculate my water budget are accurate?

Western has taken numerous steps to make sure your water budget is accurate, but we need your help to make sure we got it exactly right. If Western's Board of Directors approves the new structure on July 6, the District would work with customers to make any necessary adjustments to water budgets for those whose situations differ from our assumptions. We're committed to making sure everyone has a customized water budget that provides the water necessary to meet their efficient indoor and outdoor water needs.

What kind of adjustments would be available?

We would be able to adjust your water budget to accommodate any growth or changes to your business practices, or to account for more irrigated landscaping than we show.

How would the adjustment process work?

The process to adjust your water budget would be very simple. All you'd have to do is call the District or visit our website, wmwd.com, to provide some basic information, and we'd do the rest.

If my business expands, would I be penalized for being over my water budget?

No. The rate proposal has special provisions to adjust commercial and irrigation water budgets to allow for expanded operations requiring more water.

How can I set my sprinkler controller so I stay within my outdoor budget?

Western has developed a recommended seasonal irrigation schedule based on historical weather patterns and the proposed rate structure's water budgets. Visit wmwd.com for more information. Additionally, if you have a smart sprinkler controller that receives daily ET (evapotranspiration) readings, it should automatically adjust your irrigation patterns based on weather and keep you within your outdoor water budget. Western offers rebates for smart irrigation controllers; see our website for details on this and other water-efficiency programs.

What elements of my bill would change under the Water Budget Rates proposal?

There are three parts to water rates charged to Western's Murrieta customers: a fixed System Charge, a Pumping Charge (where applicable) and a Consumption Charge. The System and Pumping charges would not change under the Water Budget Rates proposal. The Consumption Charge would change, as outlined in the chart on page four. Additionally, Western's Board reviews sewer rates each summer, and will consider changes to that rate in August 2011.

Who should I contact if I still have questions?

If you have a question about Water Budget Rates that is not addressed in this document, please contact us at 951.571.7104 or rates@wmwd.com. We also encourage you to visit wmwd.com for more information on Water Budget Rates, including a comprehensive FAQ section that will be regularly updated based on questions we receive from our customers.



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