

May 20, 2011



Notice of Public Hearing for Proposed Change to a Water Budget Rate Structure

Dear Western Municipal Water District customer,

Every Western Municipal Water District customer has unique water needs. Typically, more water is necessary for large home properties than condos, and businesses use water in differing ways. 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. Many customers use water efficiently, and 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 water use and reduce water waste.

Public Hearing for Proposed Water Rate Structure

July 13, 2011

6:30 p.m.

**Western Municipal
Water District
14205 Meridian Pkwy.
Riverside**

The Western Board of Directors will consider the proposal to change the rate structure at a public hearing on **July 13, 2011 at 6:30 p.m.** 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, you can read about why the structure 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.

Should Western's Board of Directors approve the proposed change in rate structure, residential customers' water budgets would be calculated based on each customer's amount of landscaping, real-time localized weather data and an assumption of the number of residents in each home, among other factors. Residential water budgets would

vary from month to month based upon the weather. In addition, there would be **simple steps for you to adjust the water budget** established for your home 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 rate structure on each residential 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, residential customers whose use remains within their water budget would see a **decrease in their water cost of between \$9 and \$15 per year**, based on the size of their yard and number of people in their household. (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 flat 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.
- **Attend the Public Hearing:** The Board will formally consider the proposed Water Budget Rate Structure in a public hearing on July 13, 2011 at 6:30 p.m. at District Headquarters, 14205 Meridian Parkway, Riverside. 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 next page).

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.

- 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.



WESTERN MUNICIPAL WATER DISTRICT
14205 Meridian Parkway, Riverside, CA 92518

WATER RATES

There are four 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, a Reliability Charge covers the cost of projects designed to increase local water reliability, and a Consumption Charge covers the cost of the water you use. The System, Pumping and Reliability Charges 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 water imported from Northern California. Water consumption is measured in billing units, where one billing unit is equal to 748 gallons of water.

PROPOSED RIVERSIDE WATER BUDGET CONSUMPTION CHARGES (per billing unit)

Tier	Supply & Delivery Cost	Efficiency Program Funding	Total Proposed Rate	Current Rate
1: Efficient Indoor Use	\$1.77	\$0.00	\$1.77	\$1.87
2: Efficient Outdoor Use	\$1.87	\$0.00	\$1.87	\$1.87
3: Inefficient Use	\$2.11	\$0.30	\$2.41	\$1.87
4: Excessive Use	\$3.18	\$0.60	\$3.78	\$1.87
5: Unsustainable Use	\$3.18	\$1.49	\$4.67	\$1.87

Water Budgets in Detail

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

Water Budget:

Tier 1 – Efficient Indoor Use: Based on the efficient indoor water needs of your household.

Tier 2 – Efficient Outdoor Use: Based on the efficient outdoor water needs of your property.

Water Waste:

Tier 3 – Inefficient Use: Based on exceeding your total water budget (Tier 1 and Tier 2) 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 annual water bills of between \$9 and \$15 for customers whose use remains within their water budgets.

Example 1: A customer with a property of 0.18 acres with three persons living in the home and a landscaped area of 2,744 square feet would receive monthly water budgets totaling 185 billing units (138,380 gallons) over the course of a year. At the current water rate, this customer would pay approximately \$347 over the year for 185 units of water. Under the proposed Water Budget Rate Structure, the same household using 185 units of water would pay \$338 over the year – a reduction of \$9.

Example 2: A customer with a property of 0.5 acres with four persons living in the home and a landscaped area of 6,535 square feet would receive monthly water budgets totaling 348 billing units of water (260,304 gallons) over the course of a year. At the current water rate, this customer would pay approximately \$650 over the year for 348 units of water. Under the proposed Water Budget Rate Structure, the same household using 348 units of water would pay \$638 over the year – a reduction of \$12.

Example 3: A customer with a property of 1.25 acres with five persons living in the home and a landscaped area of 18,513 square feet would receive monthly water budgets totaling 796 billing units of water (595,408 gallons) over the course of a year. At the current water rate, this customer would pay approximately \$1,488 over the year for 796 units of water. Under the proposed Water Budget Rate Structure, the same household using 796 units of water would pay \$1,473 over the year – a reduction of \$15.

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?

RESIDENTIAL WATER BUDGETS

There are two components to residential water budgets: the indoor budget (Tier 1) and the outdoor budget (Tier 2).

Indoor Water Budget

The indoor budget is calculated using three factors:

- The average amount of water an efficient person uses each day
- The number of people in the household
- The number of days in the billing cycle

Average Amount of Water Used

National and state studies show that, on average, a typical person uses less than 60 gallons of water each day indoors. This amount includes all indoor water use, such as showers and washing clothes, and is based on the use of common water-efficient devices, including low-flow toilets and shower heads. Based on this data and a review of our customers' historical water use, the District is proposing an indoor water budget of 60 gallons per person per day.

People per Household

The most recent census data show there is an average of approximately three people per household in Western's service area, so each single-family home would receive a default water budget for three people. Condominiums and apartments would receive a default budget for two people per dwelling unit.

Days in the Billing Cycle

This is the number of days that you are being billed for service. This information can be located on your water bill and comes from the actual dates your meter is read. It may differ from bill to bill, but will usually be between 28 and 31 days.

Indoor Budget Formula

$(60 \text{ gallons per day}) \times (\text{Number of people}) \times (\text{Number of days in the billing cycle})$

Example:

- 3 people in the household, 30-day billing cycle
- $60 \times 3 \times 30 = 5,400$ gallons of water = 7.2 billing units (1 billing unit = 748 gallons)

Outdoor Budget

The outdoor budget is calculated using three factors:

- Daily localized weather data
- Irrigated area
- Landscape factor

Localized Weather Data (Evapotranspiration or ET)

The amount of water that is lost each day from your 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. Pools and spas are also included in the irrigated acreage because they use approximately the same amount of water (due to evaporation and refilling) as a lawn does. County Assessor parcel data and the District's Geographic Information System (GIS) would be used to determine the default irrigated acreage for your home.

Landscape Factor

The landscape factor measures the specific amount of irrigation water required by each type of plant in your yard. The proposed rate structure is based on the assumption that your landscaped area is a mix of grass, trees, shrubs and groundcover, which combine for a landscape factor of 0.8. If your landscaping is mostly grass and you water it wisely, you can stay within your outdoor water budget. If your yard includes drought-tolerant landscaping and you water it wisely, you'll have an even easier time staying within your outdoor water budget. Customers requesting new water service from Western after January 1, 2012, would receive a landscape factor of 0.7.

Outdoor Water Budget Formula

$(\text{Irrigated acreage}) \times (\text{ET}) \times (\text{Landscape factor}) \times (.62$
[conversion from inches to gallons of water])

Example:

- 5,000 square feet of irrigated acreage, ET for May 2010 of 5.72 inches
- $5,000 \times 5.72 \times 0.8 \times .62 = 14,186$ gallons of water = 19 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 residential 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 \$9 and \$15 per year, based on the size of their yard and number of people in their household. (Please see page four for more details.) *The only customers who may see increased water bills are those whose use exceeds their water budgets*, 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 household or yard, 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 budget?

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. 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.

What's wrong with the current rate structure?

Western currently uses a flat rate structure where water costs the same price per gallon no matter how much you use. This rate structure no longer meets the financial or water-use needs of the District or our customers, and we have identified Water Budget Rates as a better alternative. The flat rate structure spreads the higher cost of wasted water to all customers, which actually penalizes the efficient users. The proposed rate structure charges those higher costs only to customers who are using that more expensive water. A flat rate also does not encourage efficient water use, whereas the proposed new rate structure would. The new structure would provide each customer with a personalized water budget to help them better understand what an efficient level of water use is, given their specific situation.

Would I receive the same water budget as my neighbors?

No. Every residential customer would receive a personalized water budget based upon the number of residents in their home, amount of landscaping and other factors.

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

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 13, 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 account for more residents in your home, more irrigated landscaping than we show, special medical equipment, horses and other specific situations.

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.

How do swimming pools fit into the water budget?

Pools lose about as much water to evaporation as a lawn of the same size uses, so pools are accounted for as irrigated landscape in a customer's water budget. Completely filling or refilling a pool for maintenance purposes, however, may push your use above your water budget and result in higher charges. Customers would be able to request an adjustment to their water budget if this occurs.

Would I be able to adjust my water budget if I have more people in my home than what my water budget anticipates?

Yes. We want to make sure every customer has a fair water budget that provides enough water to meet their actual needs, based on 60 gallons per permanent resident per day. If the number of people living in your home increases, please let us know, and we would adjust your water budget accordingly.

If I have temporary guests in my home, can I request an adjustment?

It is highly unlikely short-term guests would cause you to go over your budget because our proposed indoor water budget of 60 gallons per person per day is more than a typical individual needs.

How would the proposed rate structure affect customers with large lots?

Under the proposed rate structure, every customer would receive an individualized water budget to meet their specific needs. This means that no matter the size of your yard you should be able to remain within your water budget (Tiers 1 and 2) with common efficiency measures, and receive the water you need at the lowest available price.

What if I have horses or other pets?

The proposed adjustment policy would account for horses by providing 30 gallons per animal per day, which is based on veterinary studies. Large dogs typically do not consume enough water to necessitate an increased water budget, as studies have found dogs of all sizes and activity levels typically drink less than one gallon of water per day.

Would I be penalized with a smaller water budget because I've been efficient in the past?

No. Water budgets would be based on an efficient level of water use given your specific situation (lot size, weather, etc.), and would not take into consideration your prior use. Water-efficient customers would not be expected to further cut their water use. Please be assured, efficiency measures that are already part of your lifestyle would help you stay within your water budget, resulting in lower water bills.

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 four parts to water rates charged to Western's Riverside customers: a fixed System Charge, a Pumping Charge, a Reliability Charge and a Consumption Charge. The System, Pumping and Reliability 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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