



Western Municipal Water District
450 E. Alessandro Blvd.
Riverside, CA 92508
951.789.5000

Securing Your Water Supply

NOTICE OF PUBLIC HEARING CONCERNING PROPOSED RATE INCREASES TO WATER SERVICE FEES

NOTICE IS HEREBY GIVEN that the Board of Directors of the Western Municipal Water District of Riverside County ("Western") will conduct a **Public Hearing on May 19, 2010 at 6 p.m.**, in the Board Room at 450 E. Alessandro Blvd., Riverside, CA 92508, or as soon thereafter as the matter may be heard, to consider adopting increases in the current rates for its water service fees. The reasons for the proposed rate increases, the proposed rates applicable to your parcel, and public hearing are described below.

REASONS FOR PROPOSED WATER RATE INCREASES

Water supplies in California and the Colorado River have been significantly depleted and demands for imported water have been at or near all-time records. Additionally, recent Federal Biological Opinions affecting flow conditions and fish and wildlife in the Sacramento-San Joaquin Delta have restricted the export of water from this water supply source via the California Aqueduct. Western purchases water from the Metropolitan Water District of Southern California ("MWD") to provide reliable water service to its customers. MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and Northern California via the California Aqueduct. The reduction in water supplies and the restrictions on water exports have resulted, and will continue to result, in increases in the cost of the wholesale water that Western purchases from MWD. In addition to the increased costs of imported water supply, Western anticipates needing additional revenues to fund current and projected increases in: (1) the costs of operations and maintenance ("O&M") of the water system, including increases in the cost of energy required to pump water within Western's service area; and (2) ongoing repair, replacement, and upgrade costs for water system capital facilities.

PROPOSED WATER RATES

The proposed rate structure for Western's water service fees within your service area is comprised of three components: (1) a System Charge, which is a fixed daily charge established to pay for operations and maintenance of the water system, including repairs and replacements, and is determined on the basis of the size of the meter servicing the parcel of property receiving water service; (2) a Commodity Charge, which is a variable charge determined on the basis of the amount of water served to a parcel of property in hundreds of cubic feet ("HCF") and is comprised of two components: (a) the cost of water including related variable O&M costs (the "Water Charge"), and (b) the cost of developing water reliability within Western's water service area (the "Water Reliability Charge"); and (3) a Pumping Charge, which is determined on the basis of the amount of energy needed to pump water within certain identified power zones within Western's water service area. In order to avoid operational deficits, depletion of reserves, an inability to address infrastructure and water quality improvements, and to continue to provide a safe and reliable water supply, Western is proposing to pass through to its water service customers: (1) any future MWD charges and any rate increases to any existing MWD charges, including imported water charges, that are imposed on Western ("MWD Pass Throughs"); (2) increased costs of operations and maintenance, including capital facilities ("Inflationary Adjustments"); and (3) any increases in the cost of energy imposed on Western by energy providers ("Energy Pass Throughs"). Additionally, Western proposes to impose a new Water Reliability Charge as a component of its Commodity Charge. The proposed rate increases to the water service fees due to MWD Pass Throughs would impact the Water Charge component of its Commodity Charge. The Inflationary Adjustments would impact both the System Charge and the Water Charge, but excludes that portion of the Water Charge related to water purchased from MWD and other wholesale water providers. The Energy Pass Throughs would impact the Pumping Charge. The rate increases are calculated to recover the costs of Western providing water and to proportionately allocate those costs on a parcel basis among Western's service areas.

The Board of Directors will hold a public hearing to consider adopting a resolution that will authorize Western to increase the rates for the different components of its water service fees to address the financial impacts to Western's revenues described above. The specific rate increases applicable to your parcel and within your service area are described below.

Water Charge and MWD Pass Through Increases. First, the proposed resolution will authorize Western, effective May 20, 2010, to increase the Water Charge rates of the Commodity Charge as follows: (1) full service treated water will be increased from \$1.58/HCF to \$1.75/HCF; and (2) full service untreated water will be increased from \$1.340/HCF to \$1.488/HCF.

Second, the proposed resolution will also authorize Western to increase the Water Charge rates of the Commodity Charge due to any MWD Pass Throughs. Such increases will be authorized for a five-year period commencing January 1, 2011, through January 1, 2015; provided, however, that (1) any increase to the rates for the Commodity Charge component as a result of an MWD Pass Through shall not exceed 20% per year; and (2) in no event shall such rates be increased by more than the cost of providing water service.

Water Charge O&M Component and System Charge. Third, the proposed resolution will authorize Western to annually impose Inflationary Adjustments to both the O&M component of the Water Charge, if any, and the System Charge; provided, however, that (1) any increase to the rates for the O&M component of the Water Charge, or the System Charge as a result of an Inflationary Adjustment shall not exceed 9.5% per year; and (2) in no event shall such rates increase as a result of the Inflationary Adjustments by more than the cost of providing water service. Such rate increases may be imposed for a five-year period, commencing on January 1, 2011, and each January 1 thereafter through January 1, 2015. The District anticipates imposing an Inflationary Adjustment to the System Charge rates for full service treated and untreated water customers on January 1, 2011. Current System Charge rates are as follows (Chart 1):

Chart 1

CURRENT SYSTEM CHARGE RATES										
Meter Size	5/8" & 3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	12"
Daily Rates	\$0.614	\$0.993	\$1.985	\$2.458	\$2.978	\$3.450	\$3.923	\$4.443	\$4.915	\$5.435

Pumping Charge and Energy Pass Throughs. Fourth, the proposed resolution will authorize Western, effective May 20, 2010, to increase the rates for the Pumping Charge as follows (Chart 2):

Chart 2

PROPOSED TREATED WATER PUMPING CHARGE RATES (\$/HCF)		
Power Zone	Current	Effective May 20, 2010
1	\$0.091	\$0.096
2	\$0.136	\$0.143
3	\$0.125	\$0.131
4	\$0.306	\$0.321
5	\$0.533	\$0.560
6	\$0.590	\$0.620

PROPOSED UNTREATED WATER PUMPING CHARGE RATES (\$/HCF)		
Power Zone	Current	Effective May 20, 2010
1 & 2	\$0.077	\$0.082
3	\$0.106	\$0.111
4	\$0.260	\$0.273
5	\$0.453	\$0.476
6	\$0.502	\$0.527

Fifth, the proposed resolution will also authorize Western to increase the Pumping Charge rates due to any Energy Pass Throughs. Such increases may be imposed for a five-year period, commencing on January 1, 2011, and each

January 1 thereafter through January 1, 2015; provided, however, that: (1) any increase to the rates for the Pumping Charge component as a result of an Energy Pass Through may not exceed 12% per year; and (2) in no event shall such rates be increased by more than the energy cost of pumping water.

Water Reliability Charge (Chart 3). Sixth, the proposed resolution will authorize Western to impose, effective May 20, 2010, a Water Reliability Charge at a rate of \$.07/HCF and to annually increase such rate by \$.07 each January 1 thereafter through January 1, 2015. The proposed rates through January 1, 2015, for the Water Reliability Charge are set forth in the chart below. The Water Reliability Charge is a proactive approach to increasing system reliability and responsible water supply management. This charge will be an investment in the safety, security and viability of our regional water system with generated revenue dedicated to funding projects related to increasing water system capacity and improving the long-term sustainability of the water supply.

Chart 3

PROPOSED WATER RELIABILITY CHARGE RATES	
Effective Date	Proposed Charges (\$/HCF)
May 20, 2010	\$0.07
January 1, 2011	\$0.14
January 1, 2012	\$0.21
January 1, 2013	\$0.28
January 1, 2014	\$0.35
January 1, 2015	\$0.42

WESTERN PROGRAMS THAT CAN HELP SAVE WATER

Western offers numerous programs that can help customers save water and money. Outdoor landscaping is the largest component of typical residential water use and accounts for a significant portion of commercial water use. You can reduce water waste through water use efficiency devices such as high-efficiency toilets and smart irrigation controllers, many of which have rebates from the District. Any Western customer may also receive a free landscape irrigation system evaluation – call our Public Affairs Office at 951.776.4519. Our Water Wise Gardening for the Inland Empire interactive CD is also available online for easy access and downloads at wmwd.com.

PROPOSED WATER RATES WORKSHOP

A workshop to review the proposed water rates, provide further explanation of the water rate components and explain water saving solutions will be held Thursday, April 29 at 6 p.m. in Western Municipal Water District's Headquarters, 450 E. Alessandro Blvd., Riverside.

AVERAGE MONTHLY SAMPLE

An average single family residential customer in our Riverside Service Area in Power Zone 1 with a ¾" meter and using a monthly average of 35 units of water will see their bill increase by an average of \$8.57 per month.

	Based on Current Rates	Based on Proposed Rates	Difference
Commodity Charge			
Water Charge	\$ 55.30	\$ 61.25	\$ 5.95
Water Reliability Charge	\$ -	\$ 2.45	\$ 2.45
Pumping Charge	\$ 3.19	\$ 3.36	\$ 0.17
Fixed System Charge	\$ 18.69	\$ 18.69	\$ -
Total	\$ 77.18	\$ 85.75	\$ 8.57

PUBLIC HEARING AND PROTESTS

Any property owner or any tenant directly responsible for the payment of water service fees may submit a written protest to the proposed rate increases to Western's water service fees; provided, however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is in opposition to the proposed water rate increases; (2) provide the location of the identified parcel (by assessor's parcel number or street address); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail or in person to the Public Affairs Office at 450 E. Alessandro Blvd., Riverside, California 92508, or at the Public Hearing, May 19 at 6 pm, provided they are received prior to the close of the Public Hearing, which will occur when public testimony is concluded. Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Public Affairs Office, Attn: Public Hearing on Water Rate Increases. The Board of Directors will hear and consider all written and oral protests to the proposed rate increases for all of Western's service areas at the Public Hearing. Oral comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the close of the Public Hearing, the Board of Directors will consider adoption of a resolution authorizing the rate increases to Western's water service fees, including the rate increases for your service area as described herein. If written protests against the proposed rate increases as outlined above are not presented by a majority of property owners or customers of record of the identified parcels upon which the rates are proposed to be imposed, Western will be authorized to impose the rate increases, including the proposed rate increases for your service area as described herein. Prior to implementing any future MWD Pass Through, Inflationary Adjustment, or Energy Pass Through, however, Western must provide written notice of any such increase not less than 30 days prior to the effective date of the increase.

For further details regarding the bases and reasons for the proposed rate increases to Western's water service fees, or for any questions you may have regarding the proposed fees within your service area to be imposed on your parcel, please contact Western at 951.776.4519.