



NOTICE OF PUBLIC HEARING

In Connection with Proposed

CHANGES TO RATES, FEES, AND CHARGES FOR WATER SERVICE

This notice contains important information about water rates. Otay Water District (the "District") is notifying all property owners within the District's service area of a public hearing in connection with changes to rates, fees, and charges for water service. The District is a public agency that can provide water service to your property.

NOTICE IS HEREBY GIVEN that the Otay Water District (the "District") will hold a **Public Hearing on October 4, 2017, at 3:30 p.m. in the Board of Directors Meeting Room located at 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978**, to consider: (1) the adoption of rates, fees, and charges that apply to water billed beginning January 1, 2018; (2) the authorization, for a period of five years, for all future pass-through increases or decreases to cover changes to rates, fees, and charges from the District's water suppliers; and, (3) the authorization, for a period of five years, overall average increases to rates, fees, and charges, in addition to the pass-through increases, not to exceed 10 percent per year, for all costs other than pass-through costs. These rates, fees, and charges apply to property for which you are shown as the record owner or customer of record. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. The changes in the proposed rates, fees, and charges and the basis upon which they were determined is described in more detail as follows.

PROPOSED RATE CHANGES

As part of the annual budget review process, the District's Board of Directors typically proposes an overall rate increase to be implemented for January. This year the Board of Directors is proposing no overall rate increase on January 1, 2018.

Even though there is no proposed overall rate increase for January 1, 2018, the District is proposing changes to the rate structure, rates, fees, and charges based on a comprehensive cost of service study completed in April 2017. The study was conducted by an independent firm and proposes changes that reflect the District's estimated cost of providing water service. If adopted, the proposed changes to rates, fees, and charges would take effect for water **billed** on or after January 1, 2018, and may apply to water **used** as early as the beginning of December 2017.

The rate structure has two basic components: (1) fixed monthly charges and (2) variable monthly rates, fees, and charges, which are based on water consumption. The fixed fees and charges are calculated to recover the cost of operating and maintaining the public water system and are based on the customer class and size of the water meter serving the record owner or customer of record. Fixed charges include the Metropolitan Water District of Southern California (MWD) and San Diego County Water Authority (CWA) fee, and the District's System Charge. The variable rates, fees, and charges are consumption based and include, but are not limited to, supply, treatment, and transportation costs. Variable rates, fees, and charges generally impose greater charges as the level of consumption increases. Variable components of the bill include the Water Rate and Energy Charge. The fixed and variable components are calculated to recover the proportionate cost of providing the service attributable to each class of customer.

The District will also consider authorizing, for a period of five years, passing through to customers the increased or decreased costs imposed by the District's water suppliers including, but not

limited to MWD, CWA, and the City of San Diego. If adopted, the average customer's water rates, fees, and charges will be adjusted annually for all increased or decreased costs and charges from the District's wholesale water suppliers. The purpose of the hearing is to consider all written protests against the proposed rates, fees, and charges that, if approved, will be imposed on properties served by the District. Any changes to rates, fees, and charges subsequently imposed by the District will be subject to a 30-day prior written notice, but will not be subject to additional hearings or protests.

In addition to the wholesale pass-through costs, the District will consider authorizing, for a period of five years, average increases in rates, fees, and charges not to exceed 10 percent per year, for all costs related to labor, benefits, materials, energy, maintenance, administrative expenses, and other operational costs of providing water service including, but not limited to, amounts required to meet bond covenants and to maintain adequate reserves and rate stability.

WHY ARE YOU RECEIVING THIS NOTICE?

As the record owner of a property identified to be subject to the imposition of proposed rate, fee, or charge increases, you may submit a written protest against the proposed actions. Provided, however, if the identified property has more than one record owner, only one written protest for the property will be counted. Each protest must be in writing and include: (1) the specific rate, fee, and/or charge for which the protest is being submitted in opposition; (2) the location of the identified property (by assessor's parcel number or street address); and, (3) the original signature of the record owner submitting the protest. Protests submitted by email, facsimile, or other electronic means will not be accepted. Written protests may be submitted by mail to the Board Secretary, Otay Water District, 2554 Sweetwater Springs Blvd., Spring Valley, CA 91978, or in person at the public hearing, as long as they are received prior to the conclusion of the public hearing. **Please identify on the front of the envelope for any protest, whether mailed or submitted in person to the Board Secretary, that the enclosed letter is for the Public Hearing on the Proposed Rates, Fees, and Charges for Water Service.**

At the conclusion of the public hearing, the Board of Directors will consider adopting the proposed actions as described in this notice. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If, at the close of the public hearing, written protests against the proposed rate increase, fees, and charges are not presented by a majority of the record owners of the identified properties upon which they are to be imposed, the Board of Directors will be authorized to adopt the proposed actions. If adopted, the rates, fees, and charges will apply to water service billed on or after January 1, 2018 and may apply to water service used as early as the beginning of December 2017. **This letter serves as a 45-day notice of the hearing on the proposed rate changes, and as notice of the changes for water service billed on or after January 1, 2018, if adopted.**

This notice is being provided to you by the District pursuant to the California Constitution Article XIII D (known as "Proposition 218"). Under terms of Proposition 218, the District is required to notify the record owner of proposed changes to property-related rates, fees, and charges such as water service. This letter serves as notice that the District will hold a public hearing to consider changes to its current water rates, fees, and charges.