



Notice of Residential Water Rate Increase

Otay Water District
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Spring Valley, CA 91978
619-670-2777

www.otaywater.gov

NOTICE OF INCREASED WATER RATES AND CHARGES EFFECTIVE ON WATER USAGE BEGINNING IN JANUARY 2011

Dear Customer,

An overall rate increase of 10.9% was approved by the Otay Water District's (the "District") Board of Directors as part of the annual budget adoption process completed in May, 2010. For a typical residential water customer using 15 units of water per month, your residential water bill will increase by \$5.63. The new water rates and charges will apply to water billed beginning February 1, 2011 and, depending on your billing cycle, may apply to water usage as early as the beginning of January, 2011. **This letter serves as a 30-day notice of rate increases.**

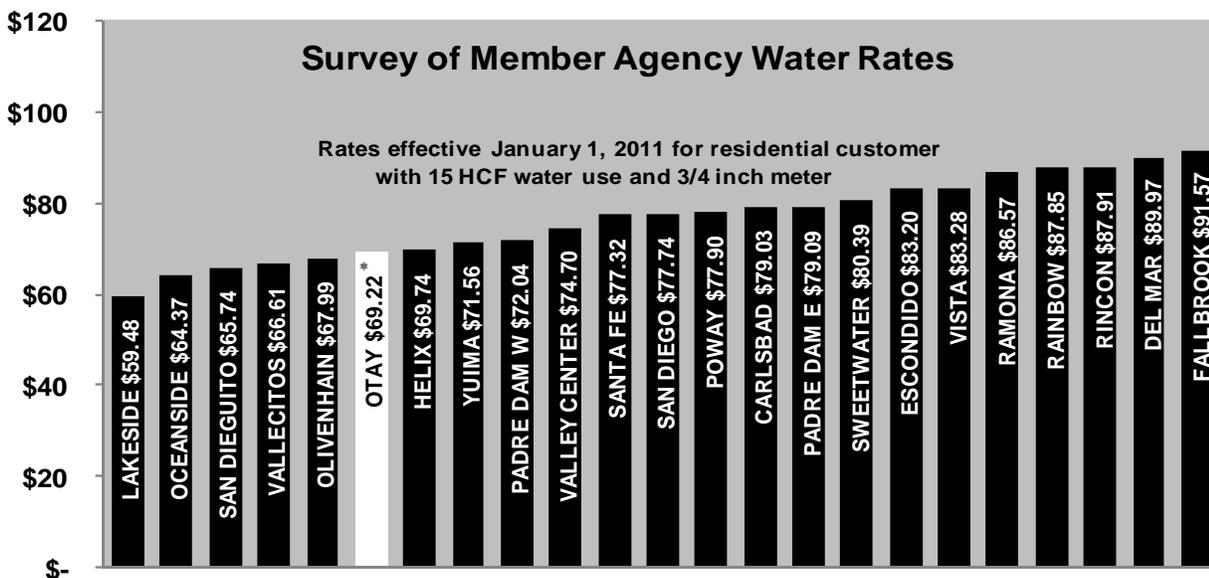
The District is a revenue neutral public agency. To continue providing reliable, high-quality water services, the District must implement rate increases and must pass-through to its customers higher costs imposed by water wholesalers, the Metropolitan Water District of Southern California (MWD), San Diego County Water Authority (CWA), and the City of San Diego.

On August 24, 2009, the District adopted a five-year schedule of rates in compliance with applicable provisions of law. The rate increases herein noticed reflect a District rate increase of 3.8% and pass-through increase of 7.1%. Both increases are within the limits contemplated in the five-year schedule of rates.

Water wholesalers are raising their water rates to obtain new and more reliable supplies of water. Potential supplies include seawater desalination, more reliable emergency resources, canal lining projects, and agricultural to urban water transfers. In addition, rate increases cover the cost of acquiring imported water from the Colorado River and Northern California.

For its part, the District has worked diligently to reduce internal costs, including reducing the number of full-time employees and corresponding salaries and benefits, and instituted efficiency programs, such as automated meter reading and online bill pay services, to minimize the impact of higher water costs from wholesalers. The chart below shows how the District's water rates compare to other agencies in San Diego County.

Customers who are interested in learning ways in which they can reduce their water usage to minimize the effects of this increase can visit the District's Conservation page at www.otaywater.gov. Additionally, the Water Conservation Garden located in Rancho San Diego is free to the public and offers various conservation exhibits and classes. For information about the Garden, please visit www.thegarden.org. For more information, please visit www.otaywater.gov or contact us via email at info@otaywater.gov.



* Otay's rate includes debt and availability charges that are collected on the property tax bill.

Typical Bill at 15 HCF² (or Units) per Month

For a typical single-family residential customer, your bill will increase by \$5.63. Your bill will vary based on meter size, water consumption, and geographic location.

	MWD/CWA ¹	System Fee ¹	Water Rate ²	Energy Charge ⁴	Water Charge by Improvement District ⁵	Total
Current	\$9.77	\$14.58	\$34.65	\$2.24	\$0.85	\$62.09
New	\$11.82	\$14.58	\$38.10	\$2.34	\$0.88	\$67.72
					Increase in monthly water bill	\$5.63

New Rates and Fees

Single Family Consumption Blocks (Units or HCF) ²	Current	New
Conservation Tier³	\$1.35	\$1.49
6 - 10	\$2.10	\$2.31
11 - 22	\$2.73	\$3.00
23 +	\$4.21	\$4.63

	Current			New		
Meter Size	System Fee	MWD/CWA	Total	System Fee	MWD/CWA	Total
3/4"	\$14.58	\$9.77	\$24.35	\$14.58	\$11.82	\$26.40
1"	\$18.52	\$16.28	\$34.80	\$18.52	\$19.69	\$38.21
1 1/2"	\$28.37	\$32.61	\$60.98	\$28.37	\$39.44	\$67.81
2"	\$40.18	\$52.15	\$92.33	\$40.18	\$63.07	\$103.25

	Current	New
Energy Charges⁴	\$0.038	\$0.044
Improvement District⁵ No. 3	\$0.18	\$0.19
Improvement District⁵ No. 10	\$0.26	\$0.27
La Presa⁵	\$0.07	\$0.08

Footnotes

1. These fees are based on the meter size. The MWD/CWA fee is increasing to reflect the full pass-through of this cost by the District's water suppliers.
2. This cost varies based on water usage and can be calculated using the consumption block tables. One unit of consumption equals 748 gallons or HCF (hundred cubic feet).
3. The Conservation Tier discount applies toward the first five units when overall consumption is ten units or less.
4. The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This is charged proportionately for every foot of elevation over 450 feet. This increase is necessary due to increased power costs to the District.
5. This charge is a per unit charge and your bill will vary based on water consumption. Improvement district charges do not apply to the first five units of water per month.

This information reflects only changes to rates. For a comprehensive listing of rates, please see the Otay Water District's Code of Ordinance at www.otaywater.gov.