

OTAY WATER DISTRICT AND
OTAY SERVICE CORPORATION

SPECIAL MEETING OF THE BOARD OF DIRECTORS
DISTRICT BOARDROOM

2554 SWEETWATER SPRINGS BOULEVARD
SPRING VALLEY, CALIFORNIA

MONDAY
March 18, 2013
3:30 P.M.

AGENDA

1. ROLL CALL
2. PLEDGE OF ALLEGIANCE
3. APPROVAL OF AGENDA
4. PUBLIC PARTICIPATION – OPPORTUNITY FOR MEMBERS OF THE PUBLIC TO SPEAK TO THE BOARD ON ANY SUBJECT MATTER WITHIN THE BOARD'S JURISDICTION BUT NOT AN ITEM ON TODAY'S AGENDA

WORKSHOP

5. DISCUSSION OF RATE STUDY FINDINGS AND A REQUEST TO DIRECT STAFF TO INCORPORATE THE FINDINGS OF THE STUDY INTO THE FISCAL YEAR 2014 RATE MODEL AND BUDGET (BEACHEM/BELL)
6. ADJOURNMENT

the 218 process, numerous smaller changes that have been identified are held over for the next 218 process. The cost of service study is the opportunity to revisit the various issues identified and to perform a fresh look at the customer equity.

Staff is requesting that the Board direct them to include the proposed rate structure changes so that they can be included in the FY 2014 rate model and proposed budget. After these changes are incorporated into the FY 2014 rate model and budget, staff will bring forward the proposed budget for adoption. With the proposed budget there will be proposed rates and "phase-in" options to be included in the Proposition 218 notices. Only after the Proposition 218 hearing may the Board approve the new rates.

For the water cost of service study the following changes are being presented for Board direction:

1. Change water meter equivalencies to use the current AWWA hydraulic capacity factors for water customers. In 2010, the District updated its Capacity and Annexation Fees using the AWWA hydraulic capacity factors. Many agencies also use these industry standard capacity factors. This study recommends the use of these same factors in the application of system fees and MWD/CWA Fixed Fees. The use of consistent factors ensures that the fixed costs are allocated to customers based on this same factor.
2. Reset the break points for the tiers for customer types by meter size to adjust for current consumption patterns. This will ensure that all customer classes have consistent usage quantities in each tier. Due to changes in consumption by customers, the study findings conclude that the break point for Commercial/Public 10" meters and Landscape/Agriculture/Construction ¾" to 1" meters be increased to match the correct percentage of units flowing through each tier. At the same time, the study finds that the break point for Landscape/Agriculture/Construction 3" to 6" meters be lowered to match these same percentages.

For recycled customers, the proposal is to decrease the break points for the ¾" to 1", 1 ½" to 2" and 6" and greater, while the break point for the 3" to 4" need to be increased slightly to match consumption percentages in the tiers.

3. The finding in the areas for the classes of residential attached, mixed use master meter/irrigation and commercial/irrigation customers warranted no change to the existing rate structure.
4. The energy charge methodology was examined and it was

determined that no change is recommended to the current method of charging customers for energy.

5. Propose the creation of a Recycled Commercial Rate for future customers. Today the District has approximately 700 recycled irrigation customers. The District anticipates up to four new recycled water customers that would be for commercial purposes. This rate is proposed to be set at 85% of the potable commercial rate, in accordance with the agreement with CWA for recycled credits. Implementing this change now will avoid a costly 218 notice and hearing at the time a new customer begins recycled water usage.
6. Updated the fire service fee to ensure equity among customers. Today the District charges a monthly fire service fee of \$34.57 regardless of connection size. The cost associated with the maintenance, repair and replacement of this infrastructure was determined to be \$21.14 for the 3" service size or less, and \$28.41 for the 4" or larger service size.

For the sewer cost of service study the following changes are being considered:

1. Eliminate the Assigned Service Unit (ASU) calculation for commercial accounts. This would include the creation of a system fee by water meter size and using the annual average water consumption for the usage charge.
2. Adjust commercial sewer strengths to current industry standards.
3. Ensure water meter equivalencies used for sewer base fees are consistent with AWWA water meter equivalencies. (See No. 1 above.)
4. For multi-residential, charge the system fee on meter size instead of the current $\frac{3}{4}$ " system fee per dwelling unit.
5. Make the monthly base fee for Single-Family Residential (SFR) the same for both $\frac{3}{4}$ " and 1" meters).
6. Eliminate the special formulas for schools and churches and move to an industry standard charge similar to commercial accounts.

In addition to the changes being proposed in the water and sewer cost of service study, staff will be requesting the Board to consider an additional change. Since this change requires a Proposition 218 hearing it will be presented with the study findings. The change is

to detach and attach Improvement Districts (ID) ID 25 to ID 20 and ID 19 to ID 22. The fees are identical for customers in the IDs being combined and would allow the District to eliminate two IDs that are no longer needed. This change would improve the efficiency of the accounting and administration currently required for these IDs.

Staff is bringing forward findings of the rate study and requesting the Board to incorporate these changes into the FY 2014 rate model. In May of 2013, staff will request the Board to approve the budget and to move forward with the Proposition 218 process. Only after the Proposition 218 hearing is completed can the Board approve the rates and rate structure changes.

FISCAL IMPACT: _____

The recommendations in this study may change the water and sewer charges for individual customer types, but the overall change is financially neutral.

STRATEGIC GOAL:

The District ensures its continued financial health through sound policies and procedures.

LEGAL IMPACT: _____

None.

Attachments:

- A) Presentation

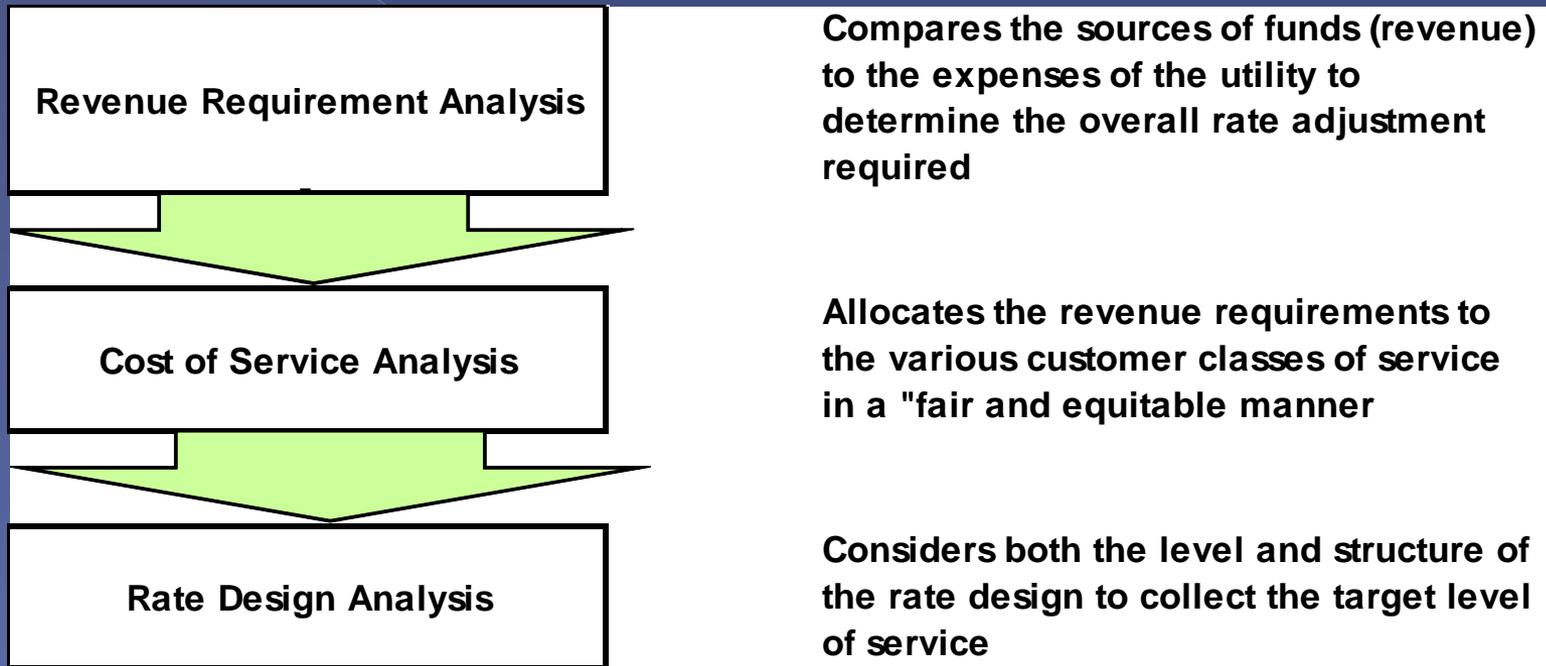
Water and Sewer Rate Study Workshop

March 18, 2013

Introduction & Purpose

- Reexamine the rate structure every 3 to 5 years
 - > Economic Factors, Price Increases (elasticity), Environmental Changes and Regulatory Changes
- Purpose
 - > Maintain equity between customer classes based on Cost of Service
 - > Financial stability (fixed vs. variable charges)
 - > Encourage conservation
 - Tiered rate structure for water
 - Strength and flow rate structure for sewer

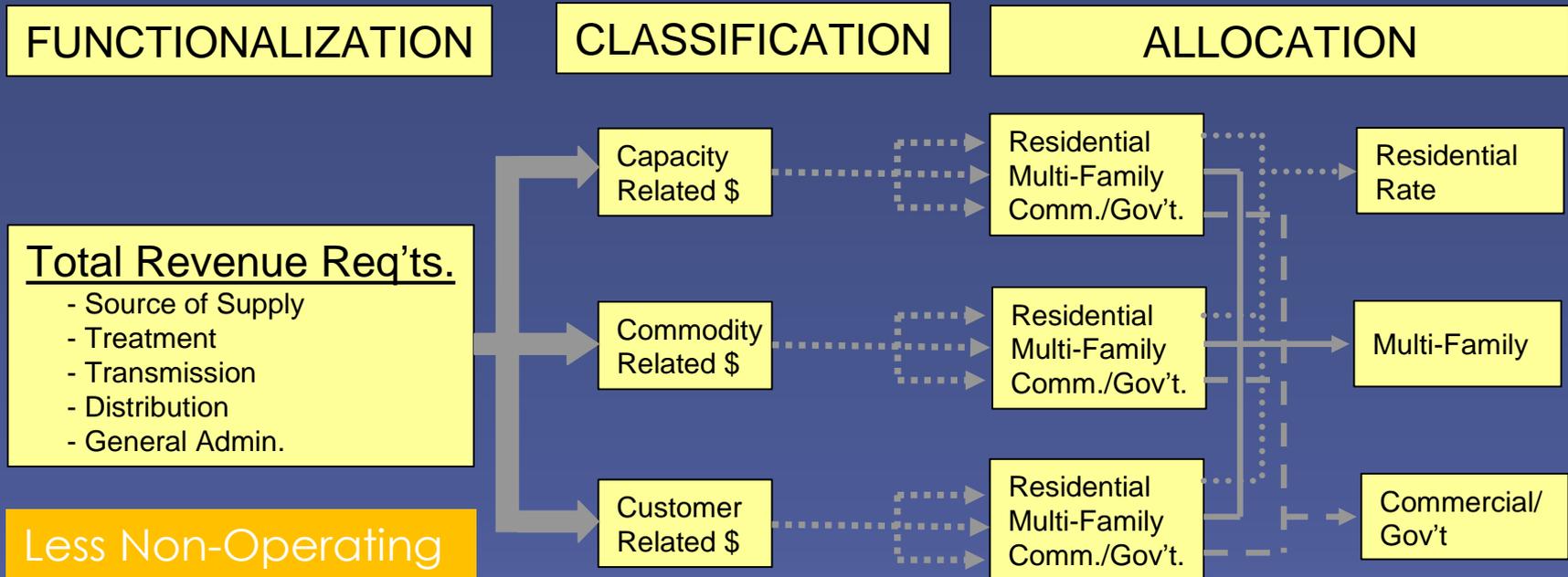
Overview of Rate Study Analysis



Establishing a Revenue Requirement

+ Operations and Maintenance
+ Transfer Payments
+ Capital Projects Based on Rates
= Total Revenue Requirement
- Miscellaneous Revenues
= Net Revenue Requirement from Rates

Cost of Service



Customer Related Costs – Billing, collections, meter maintenance, any costs that exists due to adding a customer

Commodity Related Costs – Purchased water, power, and employee costs to provide potable water to customers

Capacity Related Costs – Fixed costs such as debt service, MWD fixed charges, and actuarial pension obligations

Water Rate Study Findings

Potable Meter Count

Customer Type	3/4"	1"	1 1/2"	2"	3"	4"	6"	8"	10"	Total
Single-Family Residential	43,701	794	15	4						44,514
Multi-Residential (18,523 Dwelling Units)	43	186	245	223	34	62	6	3		802
Commercial/Publically Owned	326	364	289	387	31	27	9		5	1,438
Landscaping & Agricultural	104	260	384	466	5	7	2		1	1,229
Temporary Construction	7	10	6	2		82				107
Total	44,181	1,614	939	1,082	70	178	17	3	6	48,090

No Recommended Changes

- Residential Attached
 - > Continue to bill under Single-Family Residential rate structure
- Mixed Use Multi-Residential and Commercial
 - > Continue to bill under current structure
- Energy Charges

Energy Charges

- Findings:

- > Energy charges are allocated to pressure zones based on 100 feet of lift
- > Assignment of zones and rate per lift are accurately assigned

Recommended Changes

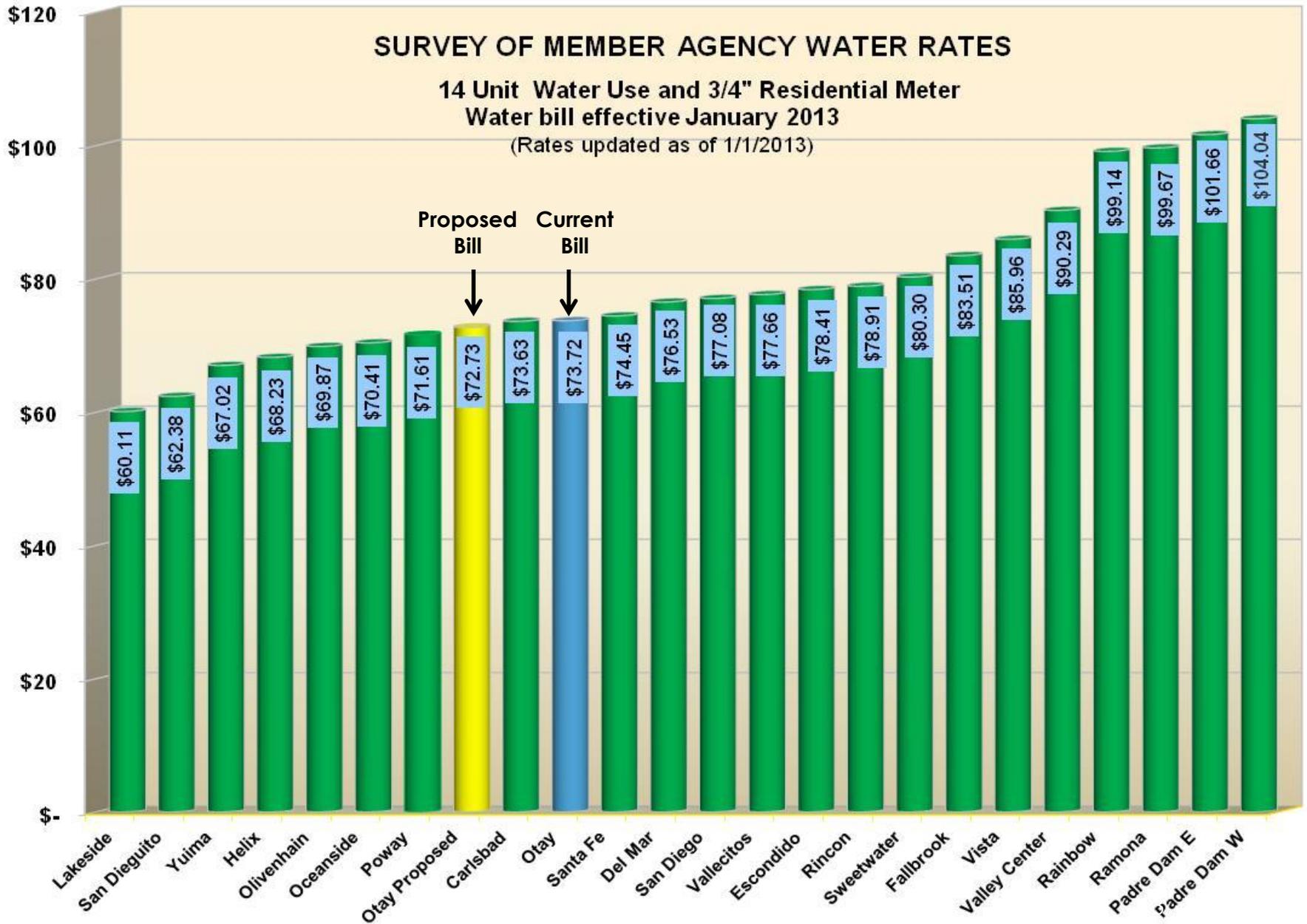
- ◉ Meter Equivalencies
- ◉ Adjust Tiers and Break Points
- ◉ Create Recycled Commercial Rate
- ◉ Update Fire Service Fee

Water Meter Equivalencies

- Ensures Compliance with:
 - > AWWA hydraulic capacity factors (industry standards)
 - > Current capacity fee hydraulic factors
 - > Equitable payment for maintenance of system capacity

Meter Size	Current Meter Equivalency	AWWA Meter Equivalency	Current System Fee	Recommended System Fee	Change	Current MWD/CWA Fee	Recommended MWD/CWA Fee	Change
5/8"	1.0	1.0	\$16.74	\$16.19	-\$0.55	\$13.28	\$12.84	-\$0.44
3/4"	1.0	1.5	\$16.74	\$16.19	-\$0.55	\$13.28	\$12.84	-\$0.44
1"	1.3	2.5	\$21.26	\$22.87	\$1.61	\$22.12	\$23.80	\$1.68
1 1/2"	1.9	5.0	\$32.57	\$39.58	\$7.01	\$44.31	\$53.84	\$9.53
2"	2.8	8.0	\$46.13	\$59.62	\$13.49	\$70.85	\$91.57	\$20.72
3"	4.9	16.0	\$82.29	\$113.08	\$30.79	\$141.71	\$194.74	\$53.03
4"	7.3	25.0	\$122.99	\$173.22	\$50.23	\$221.43	\$311.87	\$90.44
6"	14.1	50.0	\$236.02	\$340.29	\$104.27	\$442.80	\$638.41	\$195.61
8"	22.2	80.0	\$371.64	\$540.76	\$169.12	\$708.53	\$1,030.95	\$322.42
10"	31.7	115.0	\$529.88	\$774.64	\$244.76	\$1,015.06	\$1,483.94	\$468.88

Typical Single-Family Bill



Re-examine Tiers

- Ensure they match current consumption levels
- Ensure consistency among customer classes
- Retain tiers for commercial classes
 - > This allows the District to easily implement drought rates if necessary

New Break Points for Potable Tiers

Current Break Points

Commercial and Publically Owned (<10" Meter)			
Consumption Block		Consumption (HCF)	% of Consumption
0	173	863,600	57%
174	831	322,900	21%
832+		336,600	22%
Total		1,523,100	100%

Landscaping, Agricultural and Construction 3/4" to 1"			
Consumption Block		Consumption (HCF)	% of Consumption
0	49	108,300	52%
50	132	51,700	25%
133+		49,400	24%
Total		209,400	100%

Landscaping, Agricultural and Construction 3 to 6"			
Consumption Block		Consumption (HCF)	% of Consumption
0	1044	56,100	66%
1045	8067	29,400	34%
8068+		-	0%
Total		85,500	100%

Recommended Break Points

Commercial and Publically Owned (<10" Meter)			
Consumption Block		Consumption (HCF)	% of Consumption
0	185	855,678	56%
186	1,400	408,952	27%
1,401+		258,740	17%
Total		1,523,100	100%

Landscaping, Agricultural and Construction 3/4" to 1"			
Consumption Block		Consumption (HCF)	% of Consumption
0	54	119,170	57%
55	199	57,564	27%
200+		32,666	16%
Total		209,400	100%

Landscaping, Agricultural and Construction 3 to 6"			
Consumption Block		Consumption (HCF)	% of Consumption
0	550	50,949	57%
551	1,200	21,204	27%
1,201+		13,355	16%
Total		85,500	100%

New Break Points for Recycled Tiers

Current Break Point

Recycled 3/4" to 1"			
Consumption Block		Consumption (HCF)	% of Consumption
0	42	32,600	64%
43	97	13,600	26%
98+		5,200	10%
Total		51,400	100%

Recycled 1 1/2" to 2"			
Consumption Block		Consumption (HCF)	% of Consumption
0	168	675,300	55%
169	402	335,200	27%
403+		226,400	18%
Total		1,236,900	100%

Recycled 3" to 4"			
Consumption Block		Consumption (HCF)	% of Consumption
0	403	41,500	43%
404	820	23,300	24%
821+		31,000	32%
Total		95,800	100%

Recycled > 6"			
Consumption Block		Consumption (HCF)	% of Consumption
0	7,916	205,800	64%
7,917	16,357	85,000	27%
16,358+		28,800	9%
Total		319,600	100%

Recommended Break Point

Recycled 3/4" to 1"			
Consumption Block		Consumption (HCF)	% of Consumption
0	32	28,877	56%
33	75	13,801	27%
76+		8,723	17%
Total		51,400	100%

Recycled 1 1/2" to 2"			
Consumption Block		Consumption (HCF)	% of Consumption
0	130	703,920	57%
131	325	340,024	27%
326+		192,956	16%
Total		1,236,900	100%

Recycled 3" to 4"			
Consumption Block		Consumption (HCF)	% of Consumption
0	440	54,606	57%
441	1,050	25,866	27%
1,051+		15,328	16%
Total		95,800	100%

Recycled > 6"			
Consumption Block		Consumption (HCF)	% of Consumption
0	4,000	182,172	57%
4,001	10,000	86,292	27%
10,001+		51,136	16%
Total		319,600	100%

Adding a Recycled Commercial Rate Structure

- Anticipation of new commercial customers
 - > Power plant – 6" meter
 - > East Mesa Detention facility – 2" meter
 - conversion of irrigation, laundry, and toilet flushing
 - > Quarry operators - in planning stage, meter size unknown
 - > CCA, a private prison – 4" meter
- Ensures compliance with CWA Recycled Credits Agreement
- Encourages use of recycled water
- Ensures equity between user classes
 - > Peaking factor for indoor use is much lower than peaking factor for irrigation

Recycled Commercial Rate

Commercial Recycled Rates (<10" Meter)					
Consumption Block		Consumption (HCF)	Percent of Consumption	Cum. Rate Differential	Recommended Rate @ 85%
0	173	863,600	57%	0.0%	\$ 2.38
174	831	322,900	21%	3.0%	\$ 2.45
832+		336,600	22%	4.0%	\$ 2.47
Total		1,523,100	100.0%		

Commercial Recycled Rates (>10" meter)					
Consumption Block		Consumption (HCF)	Percent of Consumption	Cum. Rate Differential	Recommended Rate @ 85%
0	7,426	179,900	57%	0.0%	\$ 2.38
7,427	14,616	86,400	27%	3.0%	\$ 2.45
14,617+		51,500	16%	4.0%	\$ 2.47
Total		317,800	100.0%		

Established rates at 85% of commercial rates per contract with CWA. No history on break points, therefore, using commercial breakpoints until they can be established with consumption history.

System-Wide Fire Capacity

Fire demands incorporated into the entire water system capacity serving all customers

Will govern pipe size, sometimes storage capacity

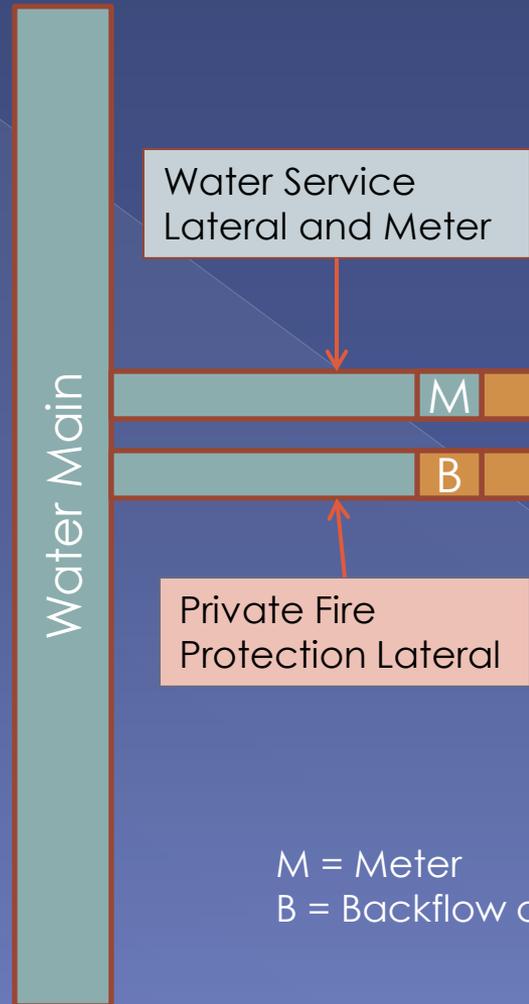


Distribution Systems

- Fire demands normally govern pipe size
 - > Single-Family Residential fire demand 1,500 gallons per minute (gpm)
 - > Multi-Family 2,500 gpm
 - > Schools/Hospitals/Mixed Used 5,000 gpm

Private Fire Protection

Ensures individual customers benefiting from the private fire protection pays for the maintenance, repair, and replacement of the system.



M = Meter
B = Backflow device

 Customer Owned
 District Owned

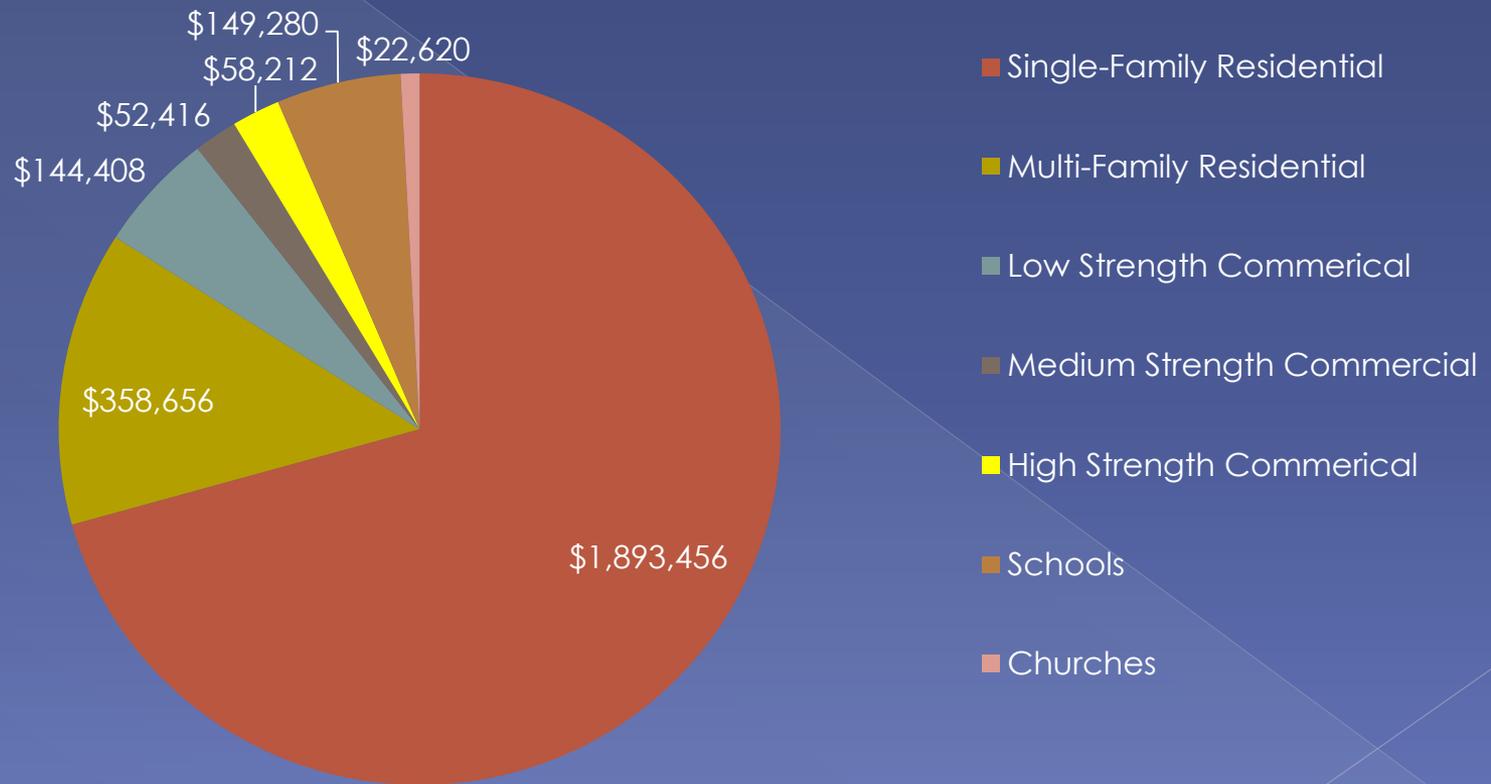
Calculation of Private Fire Protection Fee

	Up to 3"	4" or More	Total
Admin Cost	\$669.31	\$22,692.97	\$23,362.28
Depreciation	\$2,911.18	\$156,989.63	\$159,900.81
Valve Exercise		\$4,510.27	\$4,510.27
Service Lateral Repairs	\$1,499.85	\$50,851.95	\$52,351.80
Service Lateral Maintenance	\$247.03	\$8,375.58	\$8,622.61
Total Cost of Fire Service	\$5,327.37	\$243,420.40	\$248,747.77
Number of Customers	21	712	733
Month Cost per Fire Service	\$21.14	\$28.49	
Proposed Annual Revenue	\$5,327.28	\$243,418.56	\$248,745.84
Current Annual Revenue	\$34.57	\$34.57	\$304,077.72
Change in Revenue			-\$55,331.88

Sewer Rate Study Findings

Current Sewer Revenue by Customer Type

Current Sewer Revenue by Customer Type



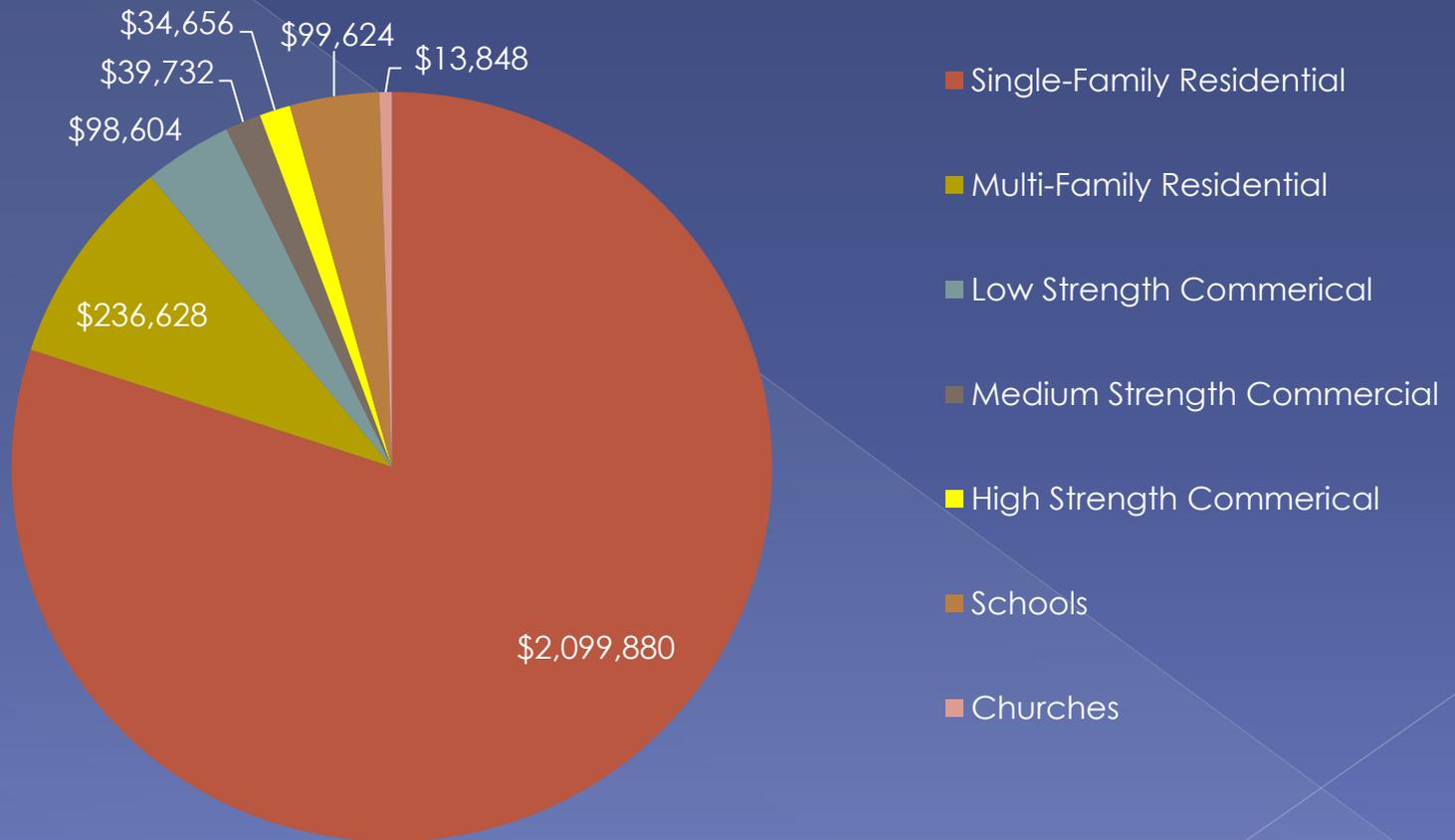
Sewer Rate Structure

Recommended Changes

- All customer types - adjust monthly fixed fees based on meter equivalency to match AWWA
- Single-Family Residential - make both ¾" and 1" monthly fixed fee the same
- Multi-Residential – charge system fee based on meter size
- Commercial – eliminate ASU calculation
- Commercial – update strength factors to State Water Resources Control Board (SWRCB) standard
- Churches and Schools – change methodology to match commercial customers

Proposed Sewer Revenue by Customer Type

Proposed Sewer Revenue by Customer Type



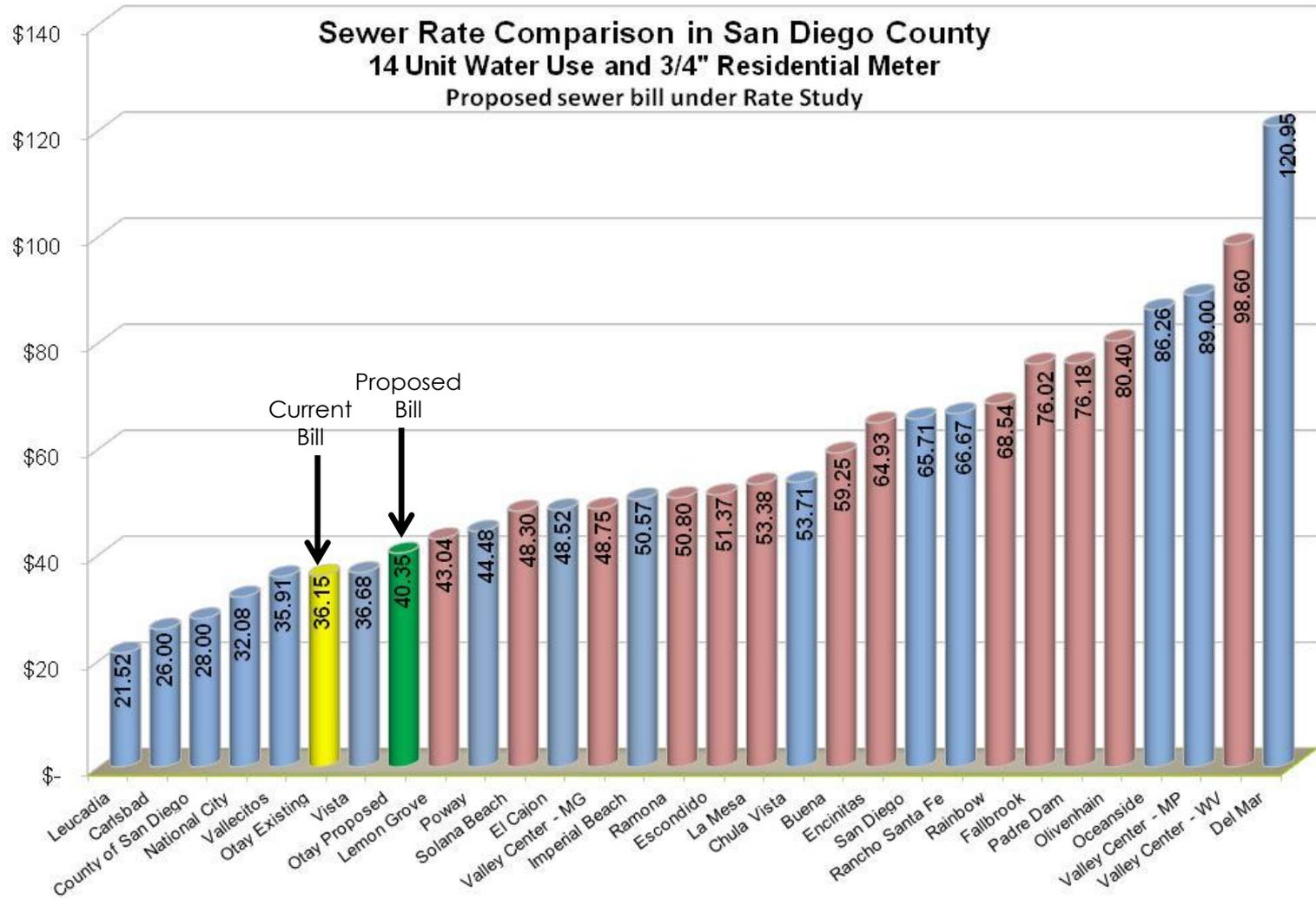
Meter Count

	Residential	3/4"	1"	1 1/2"	2"	3"	4"	6"	10"	Total
Single-Family	4,511									4,511
Multi-Family (1,360 dwelling units)					39	5	6			50
Commercial										
Schools					4	1			1	6
Churches		1	1		2					4
Low Strength		16	4	12	11			1		44
Medium Strength		4		4	5	0				13
High Strength		1		4	2					7
Total	4,511	22	5	20	63	6	6	1	1	4,636

Single-Family

- Based on Cost of Service for this set of customers
 - > Maintain the “low” strength per SWRCB
 - > Maintain 85% of winter average for flow (January through April)
 - > Maintain cap of 30 units
 - > Make monthly base fee for $\frac{3}{4}$ ” and 1” single-family accounts the same
- Typical monthly bill increase of \$4.20 or 11.6% due mainly to a more equitable allocation between customer classes
- Option of a “phase-in” of the increase in the system fee, so first year the increase in the monthly bill would be \$2.97 or 8.2%

Typical Single-Family Bill



Single-Family Monthly Bill

			FY2013 Current			FY2013 Based on Updated COS			Difference	
	Average Winter Consumption after 85% (HCF)	# of Customers	Base Charge	Consumption Charge	Total Charge	Base Charge	Consumption Charge	Total Charge	Dollars	%
	1	38	\$ 13.30	\$ 1.92	\$ 15.22	\$ 14.53	\$ 2.17	\$ 16.69	\$ 1.47	9.7%
	2	89	\$ 13.30	\$ 3.84	\$ 17.14	\$ 14.53	\$ 4.33	\$ 18.86	\$ 1.72	10.0%
	3	148	\$ 13.30	\$ 5.76	\$ 19.06	\$ 14.53	\$ 6.50	\$ 21.02	\$ 1.96	10.3%
	4	168	\$ 13.30	\$ 7.68	\$ 20.98	\$ 14.53	\$ 8.66	\$ 23.19	\$ 2.21	10.5%
	5	201	\$ 13.30	\$ 9.60	\$ 22.90	\$ 14.53	\$ 10.83	\$ 25.36	\$ 2.46	10.7%
	6	239	\$ 13.30	\$ 11.52	\$ 24.82	\$ 14.53	\$ 12.99	\$ 27.52	\$ 2.70	10.9%
	7	280	\$ 13.30	\$ 13.44	\$ 26.74	\$ 14.53	\$ 15.16	\$ 29.69	\$ 2.95	11.0%
	8	278	\$ 13.30	\$ 15.36	\$ 28.66	\$ 14.53	\$ 17.33	\$ 31.85	\$ 3.19	11.1%
	9	288	\$ 13.30	\$ 17.28	\$ 30.58	\$ 14.53	\$ 19.49	\$ 34.02	\$ 3.44	11.2%
	10	255	\$ 13.30	\$ 19.20	\$ 32.50	\$ 14.53	\$ 21.66	\$ 36.18	\$ 3.68	11.3%
	11	230	\$ 13.30	\$ 21.12	\$ 34.42	\$ 14.53	\$ 23.82	\$ 38.35	\$ 3.93	11.4%
	12	249	\$ 13.30	\$ 23.04	\$ 36.34	\$ 14.53	\$ 25.99	\$ 40.52	\$ 4.18	11.5%
	13	190	\$ 13.30	\$ 24.96	\$ 38.26	\$ 14.53	\$ 28.15	\$ 42.68	\$ 4.42	11.6%
	14	180	\$ 13.30	\$ 26.88	\$ 40.18	\$ 14.53	\$ 30.32	\$ 44.85	\$ 4.67	11.6%
	15	205	\$ 13.30	\$ 28.80	\$ 42.10	\$ 14.53	\$ 32.49	\$ 47.01	\$ 4.91	11.7%
	16	166	\$ 13.30	\$ 30.72	\$ 44.02	\$ 14.53	\$ 34.65	\$ 49.18	\$ 5.16	11.7%
	17	120	\$ 13.30	\$ 32.64	\$ 45.94	\$ 14.53	\$ 36.82	\$ 51.35	\$ 5.41	11.8%
	18	135	\$ 13.30	\$ 34.56	\$ 47.86	\$ 14.53	\$ 38.98	\$ 53.51	\$ 5.65	11.8%
	19	130	\$ 13.30	\$ 36.48	\$ 49.78	\$ 14.53	\$ 41.15	\$ 55.68	\$ 5.90	11.8%
	20	103	\$ 13.30	\$ 38.40	\$ 51.70	\$ 14.53	\$ 43.32	\$ 57.84	\$ 6.14	11.9%
	21	86	\$ 13.30	\$ 40.32	\$ 53.62	\$ 14.53	\$ 45.48	\$ 60.01	\$ 6.39	11.9%
	22	80	\$ 13.30	\$ 42.24	\$ 55.54	\$ 14.53	\$ 47.65	\$ 62.17	\$ 6.63	11.9%
	23	66	\$ 13.30	\$ 44.16	\$ 57.46	\$ 14.53	\$ 49.81	\$ 64.34	\$ 6.88	12.0%
	24	53	\$ 13.30	\$ 46.08	\$ 59.38	\$ 14.53	\$ 51.98	\$ 66.51	\$ 7.13	12.0%
	25	54	\$ 13.30	\$ 48.00	\$ 61.30	\$ 14.53	\$ 54.14	\$ 68.67	\$ 7.37	12.0%
	26	42	\$ 13.30	\$ 49.92	\$ 63.22	\$ 14.53	\$ 56.31	\$ 70.84	\$ 7.62	12.0%
	27	37	\$ 13.30	\$ 51.84	\$ 65.14	\$ 14.53	\$ 58.48	\$ 73.00	\$ 7.86	12.1%
	28	43	\$ 13.30	\$ 53.76	\$ 67.06	\$ 14.53	\$ 60.64	\$ 75.17	\$ 8.11	12.1%
	29	26	\$ 13.30	\$ 55.68	\$ 68.98	\$ 14.53	\$ 62.81	\$ 77.33	\$ 8.35	12.1%
Cap	30	293	\$ 13.30	\$ 57.60	\$ 70.90	\$ 14.53	\$ 64.97	\$ 79.50	\$ 8.60	12.1%
	0	39		\$ -			\$ -			
Total		4511								

Note: The actual average monthly bill increase is \$3.81 or 10.9% because this chart does not reflect the reduction due to 1" meter system fee being combined with the 3/4" system fee.

Multi-Residential

- Based on Cost of Service for this set of customers
 - > Maintain the “low” strength per SWRCB
 - > Maintain 85% of winter average for flow (January through April)
 - > Charge system fee based on meter size instead of number of dwelling units

Multi-Residential Monthly Bill

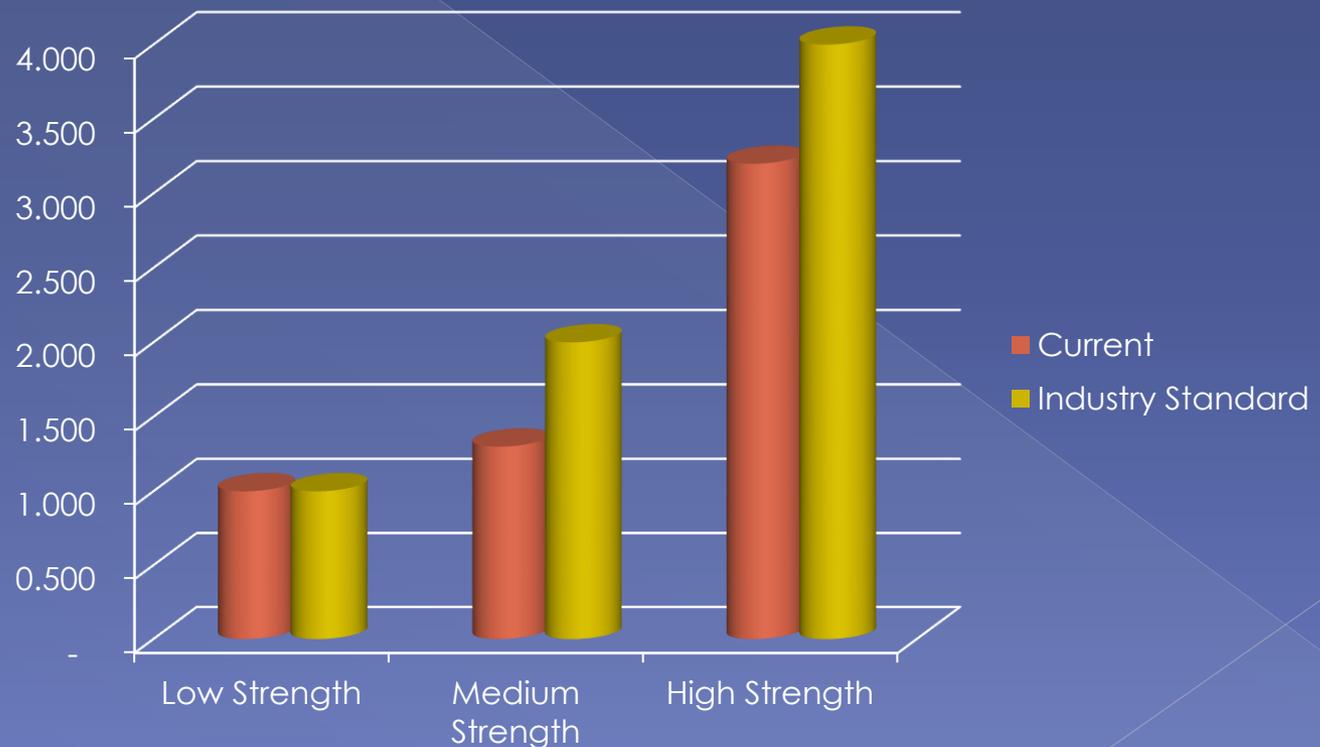
				CURRENT				PROPOSED			DIFFERENCE	
Count	Units	Meter Size	Monthly Water Average @85%	Fixed Charge per DU	Fixed Charge	Commodity Rate	Monthly Bill	Fixed Charge	Commodity Rate	Monthly Bill	Dollar	%
39	20	2	84.7	\$13.30	\$270.09	\$1.92	\$432.79	\$97.24	\$2.17	\$280.76	-\$152.03	-32.9%
5	78	3	357.6	\$13.30	\$1,037.40	\$1.92	\$1,724.04	\$176.23	\$2.17	\$950.76	-\$773.28	-46.2%
6	30	4	175.5	\$13.30	\$394.57	\$1.92	\$731.58	\$289.07	\$2.17	\$669.22	-\$62.36	-9.9%
50	1,360		6,146.1				\$29,888.44			\$19,718.91	\$ (10,169.53)	-34.02%

Commercial Accounts

- Update the commercial account methodology to current industry standards
 - > Eliminate the ASU calculation for commercial accounts (removing the floor for low water users)
 - > Create a system fee based on water meter size
 - > Maintain 85% of annual average water consumption for the usage charge
 - > Update sewer strength to State Water Resources Control Board factors

Sewer Strength Factors

	Current	Industry Standard
Low Strength	1.0	1.0
Medium Strength	1.3	2.0
High Strength	3.2	4.0



Low Strength Sewer Customers

Customer Name	Meter Size	Ave Annual Cons @ 85%	ASU	CURRENT		PROPOSED			DIFFERENCE	
				ASU Rate	Monthly Bill	Fixed Charge	Commodity Rate	Monthly Bill	Dollar	%
1 New Alternatives, Inc.	6.00	684.96	68.31	45.30	3,094.44	571.17	2.17	2,057.53	(1,036.91)	-33.5%
2 Premiere Golf Properties	1.00	289.77	34.00	45.30	1,540.20	35.18	2.17	663.99	(876.21)	-56.9%
3 Kaiser Foundation	2.00	167.17	20.64	45.30	934.99	97.24	2.17	459.99	(475.00)	-50.8%
4 24 Hour Fitness	2.00	211.72	21.12	45.30	956.74	97.24	2.17	556.67	(400.07)	-41.8%
5 State of California	2.00	186.58	18.61	45.30	843.03	97.24	2.17	502.11	(340.92)	-40.4%
6 Tesoro Refining & Marketing	1.50	109.15	13.48	45.30	610.64	63.39	2.17	300.25	(310.39)	-50.8%
7 Kindercare Learning	1.50	79.62	7.94	45.30	359.68	63.39	2.17	236.16	(123.52)	-34.3%
8 San Diego CA PM Group	2.00	88.83	8.86	45.30	401.36	97.24	2.17	289.99	(111.37)	-27.7%
9 Rancho SD Shopping Ctr	1.50	45.26	5.59	45.30	253.23	63.39	2.17	161.61	(91.62)	-36.2%
10 Children's World	1.50	59.85	5.97	45.30	270.44	63.39	2.17	193.27	(77.17)	-28.5%
11 Ram Centers LLC	1.00	42.71	4.26	45.30	192.98	35.18	2.17	127.87	(65.11)	-33.7%
12 Premiere Golf Properties	0.75	37.61	3.75	45.30	169.88	23.89	2.17	105.51	(64.37)	-37.9%
13 Singing Hills Animal Hospital	0.75	30.10	3.00	45.30	135.90	23.89	2.17	89.22	(46.68)	-34.3%
14 Southland Corp Store #13664	0.75	15.58	1.92	45.30	86.98	23.89	2.17	57.71	(29.27)	-33.6%
15 El Cajon Center, Inc.	1.50	25.93	3.20	45.30	144.96	63.39	2.17	119.65	(25.31)	-17.5%
16 Steele Canyon Golf Club	0.75	-	1.00	45.30	45.30	23.89	2.17	23.89	(21.41)	-47.3%
17 North Island Financial Credit Union	0.75	0.07	1.00	45.30	45.30	23.89	2.17	24.04	(21.26)	-46.9%
18 West FSB Citibank	1.00	23.80	2.37	45.30	107.36	35.18	2.17	86.83	(20.53)	-19.1%
19 Ella Davis	0.75	2.34	1.00	45.30	45.30	23.89	2.17	28.96	(16.34)	-36.1%
20 Poole Family Trust	0.75	3.33	1.00	45.30	45.30	23.89	2.17	31.11	(14.19)	-31.3%
21 Ranch HOA Hillsdale	0.75	16.29	1.62	45.30	73.39	23.89	2.17	59.24	(14.15)	-19.3%
22 Steele Canyon Golf	0.75	4.25	1.00	45.30	45.30	23.89	2.17	33.11	(12.19)	-26.9%
23 Ella Davis	0.75	5.03	1.00	45.30	45.30	23.89	2.17	34.80	(10.50)	-23.2%
24 Ranch HOA Hillsdale	0.75	6.45	1.00	45.30	45.30	23.89	2.17	37.88	(7.42)	-16.4%
25 San Diego County	1.50	29.54	2.95	45.30	133.64	63.39	2.17	127.49	(6.15)	-4.6%
26 Partners Data System	0.75	7.30	1.00	45.30	45.30	23.89	2.17	39.72	(5.58)	-12.3%
27 County of San Diego (Park)	1.50	28.48	2.84	45.30	128.65	63.39	2.17	125.18	(3.47)	-2.7%
28 RSD Hilton Head	1.50	28.40	2.83	45.30	128.20	63.39	2.17	125.03	(3.17)	-2.5%
29 Scripps Clinic	2.00	42.71	4.26	45.30	192.98	97.24	2.17	189.93	(3.05)	-1.6%
30 W. Village Singing Hills	0.75	8.57	1.00	45.30	45.30	23.89	2.17	42.49	(2.81)	-6.2%
31 7-eleven	1.00	11.05	1.36	45.30	61.61	35.18	2.17	59.16	(2.45)	-4.0%
32 Monarch Ridge	0.75	9.28	1.00	45.30	45.30	23.89	2.17	44.03	(1.27)	-2.8%
33 California Bank & Trust	0.75	10.77	1.07	45.30	48.47	23.89	2.17	47.25	(1.22)	-2.5%
34 Garden Water Conservation	1.00	6.23	1.00	45.30	45.30	35.18	2.17	48.71	3.41	7.5%
35 Rancho SD Shopping Ctr	2.00	37.47	3.74	45.30	169.42	97.24	2.17	178.55	9.13	5.4%
36 CA Truck School	1.50	3.12	1.00	45.30	45.30	63.39	2.17	70.15	24.85	54.9%
37 Blockbuster	1.50	6.80	1.00	45.30	45.30	63.39	2.17	78.15	32.85	72.5%
38 El Cajon Center, Inc.	1.50	8.43	1.04	45.30	47.11	63.39	2.17	81.68	34.57	73.4%
39 Probuild Holdings	1.50	8.71	1.00	45.30	45.30	63.39	2.17	82.30	37.00	81.7%
40 Ram Centers LLC	2.00	19.69	1.96	45.30	88.79	97.24	2.17	139.97	51.18	57.6%
41 Longs Drugs	2.00	19.41	1.94	45.30	87.88	97.24	2.17	139.36	51.48	58.6%
42 Avalon II California IV LP	2.00	0.28	1.00	45.30	45.30	97.24	2.17	97.85	52.55	116.0%
43 Avalon II California IV LP	2.00	0.92	1.00	45.30	45.30	97.24	2.17	99.24	53.94	119.1%
44 Ram Centers LLC	2.00	10.27	1.02	45.30	46.21	97.24	2.17	119.53	73.32	158.7%
		2,433.83	265.65		12,033.95	2,935.74		8,217.16	(3,816.79)	-31.7%

Medium Strength Sewer Customers

				CURRENT		PROPOSED			DIFFERENCE	
Customer Name	Meter Size	Avg Annual Cons @ 85%	ASU	ASU Rate	Monthly Bill	Fixed Charge	Commodity Rate	Monthly Bill	Dollar	%
1 Sycuan Resort	1.50	426.14	50.00	45.30	2,265.00	63.39	3.12	1,392.94	(872.06)	-38.5%
2 Tesoro Refining & Marketing	2.00	57.38	7.08	45.30	320.72	97.24	3.12	276.25	(44.47)	-13.9%
3 El Cajon Center, Inc.	1.50	41.72	5.15	45.30	233.30	63.39	3.12	193.56	(39.74)	-17.0%
4 Robert L. Payne	2.00	55.18	6.81	45.30	308.49	97.24	3.12	269.40	(39.09)	-12.7%
5 Aspen Gold LP	2.00	55.11	6.80	45.30	308.04	97.24	3.12	269.18	(38.86)	-12.6%
6 Gold Coast Holdings SD	0.75	0.28	1.00	45.30	45.30	23.89	3.12	24.77	(20.53)	-45.3%
7 Kelly Auto Works Inc	0.75	0.35	1.00	45.30	45.30	23.89	3.12	25.00	(20.30)	-44.8%
8 Kelly Auto Works Inc	0.75	0.35	1.00	45.30	45.30	23.89	3.12	25.00	(20.30)	-44.8%
9 Jamacha Junction, Inc	0.75	1.20	1.00	45.30	45.30	23.89	3.12	27.65	(17.65)	-39.0%
10 Kroeger Family Prop.	1.50	29.11	3.59	45.30	162.63	63.39	3.12	154.22	(8.41)	-5.2%
11 Rancho SD Shopping Ctr	2.00	60.56	6.04	45.30	273.61	97.24	3.12	286.20	12.59	4.6%
12 Aspen Gold LP	1.50	15.58	1.92	45.30	86.98	63.39	3.12	112.01	25.03	28.8%
13 Rancho SD Shopping Ctr	2.00	50.58	5.04	45.30	228.31	97.24	3.12	255.03	26.72	11.7%
		793.55	96.43		4,368.28	835.32	40.56	3,311.21	(1,057.07)	-24.2%

High Strength Sewer Customers

				CURRENT		PROPOSED			DIFFERENCE	
Customer Name	Meter Size	Avg Annual Cons @ 85%	ASU	ASU Rate	Monthly Bill	Fixed Charge	Commodity Rate	Monthly Bill	Dollar	%
1 Vons	2.00	198.33	43.58	45.30	1,974.17	97.24	4.97	1,082.96	(891.21)	-45.1%
2 Savanna Grill	1.50	73.31	16.11	45.30	729.78	63.39	4.97	427.75	(302.03)	-41.4%
3 Hot Cakes, Inc (IHOP)	1.50	60.85	13.37	45.30	605.66	63.39	4.97	365.79	(239.87)	-39.6%
4 Worldwide LLC	1.50	59.71	13.12	45.30	594.34	63.39	4.97	360.16	(234.18)	-39.4%
5 QSC Foods	1.50	48.52	10.66	45.30	482.90	63.39	4.97	304.54	(178.36)	-36.9%
6 Steele Canyon Golf Clubhouse	2.00	42.08	9.24	45.30	418.57	97.24	4.97	306.35	(112.22)	-26.8%
7 Michael Poole	0.75	3.33	1.00	45.30	45.30	23.89	4.97	40.44	(4.86)	-10.7%
Total - Commercial High		486.13			4,850.72	471.93		2,887.99	(1,962.73)	-40.5%

Schools and Churches

- Eliminate the special formulas for schools and churches based on attendance
- Use Industry Standard Method
 - > Uses commercial low strength as the formula
 - System fee based on meter size
 - 85% of average annual water usage times the usage rate
- Brings structure into current industry standard

Schools

				CURRENT		PROPOSED			DIFFERENCE	
Customer Name	Meter Size	Avg Annual Cons @ 85%	ASU	ASU Rate	Monthly Bill	Fixed Charge	Commodity Rate	Monthly Bill	Dollar	%
1 Valhalla High School	3.00	355.30	88.00	45.30	3,986.40	176.23	2.17	947.23	(3,039.17)	-76.2%
2 Cuyamaca College	10.00	2,176.00	147.35	45.30	6,674.96	1,304.64	2.17	6,026.56	(648.39)	-9.7%
3 Grossmont Union HS District	2.00	88.40	11.76	45.30	532.73	97.24	2.17	289.07	(243.66)	-45.7%
4 Grossmont Union HS District	2.00	79.90	10.70	45.30	484.71	97.24	2.17	270.62	(214.09)	-44.2%
5 Cajon Valley School District	2.00	82.45	7.98	45.30	361.49	97.24	2.17	276.16	(85.33)	-23.6%
6 Cajon Valley School District	2.00	181.90	8.82	45.30	399.36	97.24	2.17	491.96	92.60	23.2%
Total - Schools		2,963.95	274.61		12,439.65	1,869.83		8,301.60	(4,138.05)	-33.3%

Churches

				CURRENT		PROPOSED			DIFFERENCE		
Customer Name	Meter Size	Avg Annual Cons @ 85%	ASU	ASU Rate	Monthly Bill	Fixed Charge	Commodity Rate	Monthly Bill	Dollar	%	
1	St. Peters Chaldean Church	1.00	198.9	19.87	45.30	900.11	35.18	2.17	466.79	-433.32	-48.1%
2	Sisters Chaldean	2.00	186.15	18.56	45.30	840.77	97.24	2.17	501.19	-339.58	-40.4%
3	Foothills Methodist Church	0.75	22.1	2.19	45.30	99.21	23.89	2.17	71.85	-27.36	-27.6%
4	Church of St. Luke	2.00	7.65	1.00	45.30	45.30	97.24	2.17	113.84	68.54	151.3%
Total - Churches			414.80	41.62		1,885.39	253.55		1,153.67	(731.72)	-38.81%

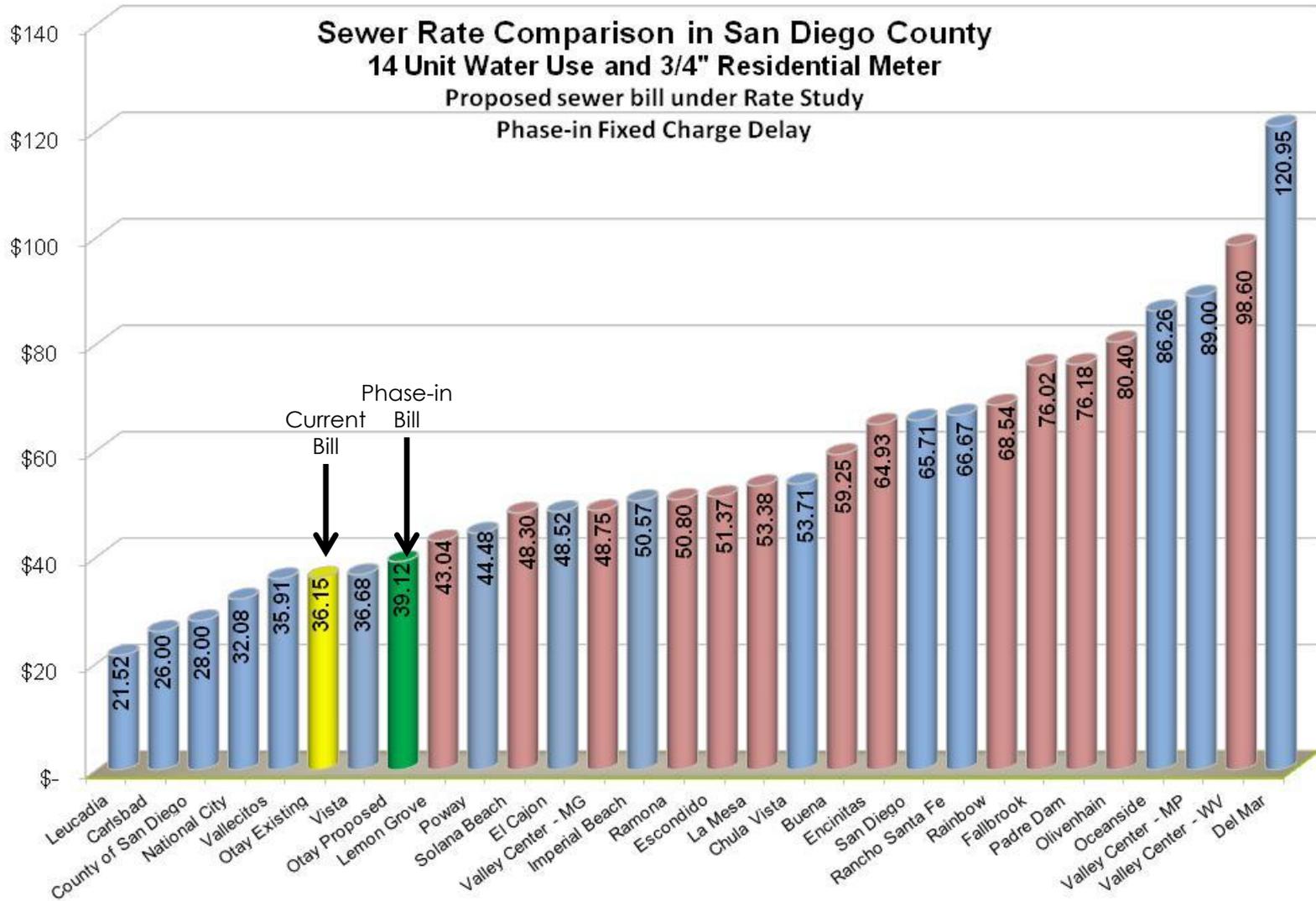
Rate Impacts of Rate Structure Changes by Customer Class

User Group	No. of Accounts	Current Monthly Bill	Proposed Monthly Bill	Monthly Difference	Annual Difference	Percent
Single-Family	4,511	\$157,788	\$174,990	\$17,202	\$206,424	10.9%
Multi-Family (1,360 dwelling units)	50	\$29,888	\$19,719	-\$10,169	-\$122,028	-34.0%
Commercial						
Schools	6	\$12,440	\$8,302	-\$4,138	-\$49,656	-33.3%
Churches	4	\$1,885	\$1,154	-\$731	-\$8,772	-38.8%
Low Strength	44	\$12,034	\$8,217	-\$3,817	-\$45,804	-31.7%
Medium Strength	13	\$4,368	\$3,311	-\$1,057	-\$12,684	-24.2%
High Strength	7	\$4,851	\$2,888	-\$1,963	-\$23,556	-40.5%

Implementation Strategy

- Implement immediately or phase-in increase in fixed charge over 2 years
 - > Rate increase would be \$2.97 or 8.2% instead of \$4.20 or 11.6%
 - > The Proposition 218 notice would be more complex with a phase-in

Typical Single-Family Bill Phased In

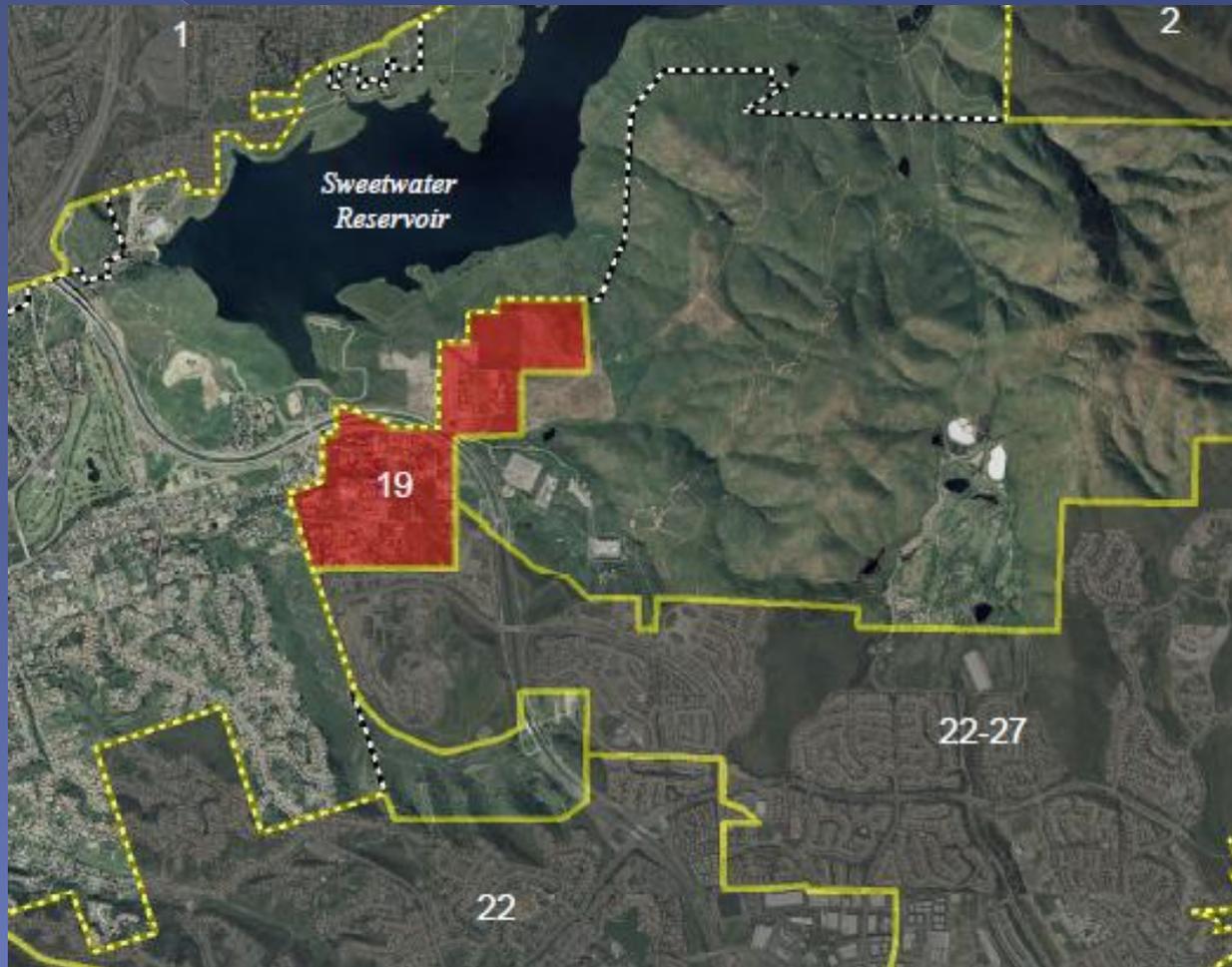


Other Changes

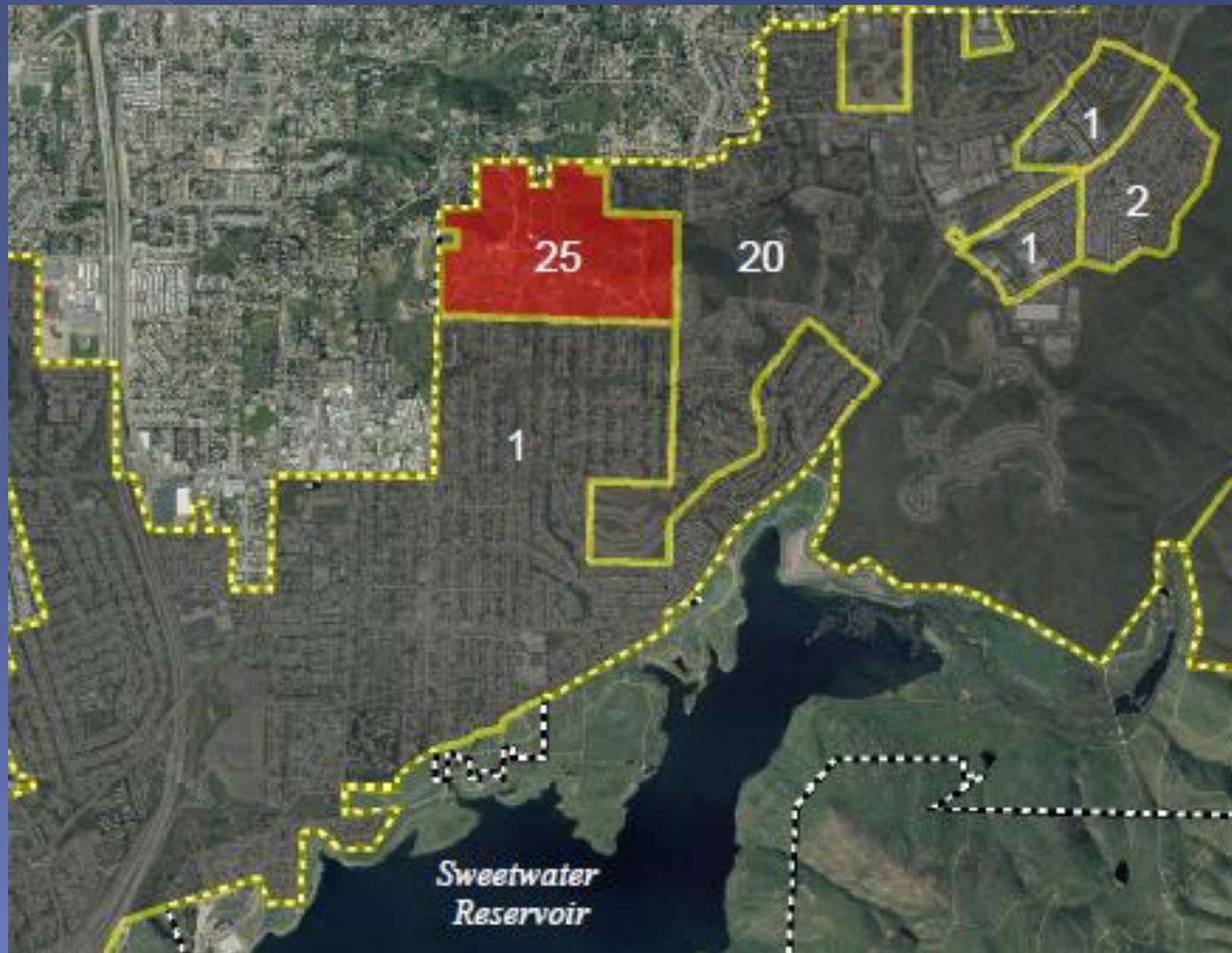
Consolidation of Improvement Districts

- Detach and attach Improvement District (ID) 25 to ID 20 and ID 19 to ID 22
 - > No purpose to retain these IDs
 - > The fees are identical for these customers
 - > This allows the District to eliminate two IDs
 - > Proposition 218 required to make this change

Improvement District 19



Improvement District 25



Questions