

The Otay Water District will hold a Public Hearing on Residential Water and Sewer Rates

This notice contains important information about residential water and sewer rates. We are notifying all property owners and tenants within the Otay Water District's service area of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

The Otay Water District is a revenue neutral public agency that provides water and sewer service to your community. Revenue neutral means that your bill reflects only those charges sufficient to support your water and sewer service. Each end user pays a fair share of the cost of water acquisition, delivery, construction, operation, and maintenance of the public water system and facilities. They also only pay a fair share of the cost of sewer collection and treatment, construction, operation and maintenance of the public sewer system and facilities.

The State of California is experiencing supply shortages and the region faces probable water supply reductions over the next few months and years. The Otay Water District adopted a drought response conservation program in June 2008 establishing drought levels 1 through 4 that correspond to declared water shortage levels. The District has declared a Level 1 and may declare Level 2 in the coming year. The District also adopted a tiered rate structure for all customers to motivate conservation.

In addition to supply shortages, the economy is having an impact on the costs of providing service to our customers. To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesalers.

The District is proposing to adopt a five-year schedule of water rate increases to be implemented beginning on September 1, 2009, and periodically thereafter through January 1, 2014. Under the proposed rate schedule, the average customer's water service rates will increase by an amount sufficient to cover cost increases related to providing water service, but not to exceed 10% per year. In addition, if approved, the action would authorize timely and necessary periodic changes of rates and charges to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the Metropolitan Water Dis-

trict of Southern California (MWD), the San Diego County Water Authority (CWA). Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30 day prior written notice, but would not be subject to additional hearings or protests.

The increase proposed to take effect on September 1, 2009 would pass-through the increases from MWD, CWA and the City of San Diego. MWD and CWA indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January, 2011, and annual rate increases in each subsequent year. The 19.9% increase on September 1, 2009 is needed to cover these pass-through costs and the higher cost of supplying water.

An analysis of the District's costs and revenues indicates that an average 7.2% rate increase for sewer service is also needed effective January 1, 2010. This 7.2% rate increase is due to the higher cost of meeting new statewide waste discharge requirements.

The District is also proposing to adopt a five-year schedule of sewer rate increases to be implemented beginning on January 1, 2010, and each January thereafter to and including January 1, 2014. The Board of Directors will consider an action to authorize pass-through rate increases to recover the higher cost of sewer collection and treatment from the City of San Diego and the County of San Diego.

If approved, the action would authorize timely and necessary periodic changes to the District's rates and charges to offset the cost of sewer treatment the District incurs on your behalf. The proposed action would

Continued page 2

About the Otay Water District

The Otay Water District is a water, recycled water, and sewer service agency. The District was established in 1956 as a California special district by the State Legislature under the provisions of the Municipal Water District Act of 1911. The District purchases water from the Metropolitan Water District of Southern California and the San Diego County Water Authority.

The District also owns and operates a wastewater collection and recycling system providing public sewer service to 15,200 customers through sewer connections to homes and businesses within the Jamacha drainage basin.



The Otay Water District provides water service to San Diego's East County and South Bay.

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authorize these pass-through rate increases over a five-year period beginning January 1, 2009 through January 1, 2014.

The five-year schedule of rates and charges would allow the District to implement increases up to 10% per year through January 1, 2014 to operate and maintain the public sewer system and provide quality customer service.

The Otay Water District prides itself on being one of the lowest cost water providers in San Diego County. We will do everything possible to lessen the impact of higher costs on customers while still providing quality service, ensuring reliability, and maintaining the financial health of the public water system.

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30

p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Proposed Water Rates in Detail

If the proposed rate increase is approved, for a typical single-family residential customer, as of September 1, 2009, the water portion of your bill will increase by \$9.73.

Your bill will vary based on meter size, water consumption, and geographic location.

	MWD/CWA Fixed Charge ¹		Monthly System Charge ¹		Water Rate ²		Energy Charge ³		Water Charge by Improvement District ⁴		Total	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
15 Units (typical)	\$7.02	\$9.77	\$13.83	\$14.58	\$28.70	\$34.70	\$2.06	\$2.24	\$0.93	\$0.98	\$52.54	\$62.27

Current Single Family Consumption Blocks	Proposed Single Family Consumption Blocks	Existing Rates	Proposed Rates ²	Meter Size	Current			Proposed ¹		
					System MWD/ Fee ¹	CWA ¹	Total	System MWD/ Fee ¹	CWA ¹	Total
Conservation Tier ⁷	Conservation Tier ⁷	\$1.12	\$1.35	0.75"	\$13.83	\$7.02	\$20.85	\$14.58	\$9.77	\$24.35
6 10	6 10	\$1.74	\$2.10	1"	\$17.56	\$11.71	\$29.27	\$18.52	\$16.28	\$34.80
11 26	11 22	\$2.26	\$2.73	1.5"	\$26.90	\$23.41	\$50.31	\$28.37	\$32.61	\$60.98
27+	23+	\$3.48	\$4.21	2"	\$38.10	\$37.46	\$75.56	\$40.18	\$52.15	\$92.33

Tier	Percentage Adjustments to Calculate Drought Rates ⁶			
	Stage 1	Stage 2	Stage 3	Stage 4
1	0.0%	0.0%	0.0%	0.0%
2	0.0%	0.0%	0.0%	0.0%
3	0.0%	5%	10%	15%
4	0.0%	30%	60%	90%

Telephone Contact Charge	
Current	Proposed
\$10.00	\$0.00

Proposed Water Rates - The following table shows the proposed 19.9% rate increase effective September 1, 2009, and the anticipated future 10% annual increases thereafter which do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the years below may differ.

Meter Size	System Fees ¹				
	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
.75"	\$14.58	\$16.04	\$17.64	\$19.40	\$21.34
1"	\$18.52	\$20.37	\$22.41	\$24.65	\$27.12
1.5"	\$28.37	\$31.21	\$34.33	\$37.76	\$41.54
2"	\$40.18	\$44.20	\$48.62	\$53.48	\$58.83

Proposed New Water Rates in Detail (cont.)

Other Charges	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
Energy Charges ³	\$0.037	\$0.038	\$0.042	\$0.046	\$0.051	\$0.056
Improvement District ⁴ No. 3	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.21
Improvement District ⁴ No. 10	\$0.25	\$0.26	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁴	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08	\$0.08
Fire Service ⁵	\$28.55	\$30.11	\$33.12	\$36.43	\$40.07	\$44.08
Meter Activation Charge ⁸	Fewer than 4=\$25.00 More than 4=\$45.00	All occurrences \$35.00	\$38.50	\$42.35	\$46.59	\$51.25

Proposed Sewer Rates in Detail

If the proposed rates are approved, as of January 1, 2010, the monthly sewer service charge for a typical single-family residential customer will be calculated as follows:

$$\text{Usage Fee Rate} \times \text{Winter Average}^9 + \text{a Monthly Base Fee}$$

Usage Fee Rate

Current	Proposed
\$1.47	\$1.56

Monthly Base Fee

	Current	Proposed
.75"	\$10.20	\$10.80
1.00"	\$14.90	\$15.75

Notes:

Sewer Debt - A Sewer debt service charge of \$54 is collected on each customer's property tax bill for sewer debt. It is anticipated that the debt will be paid in full by 2012.

Typical Bill Calculation - A typical bill would be based on 19.6 units of water consumption (a unit of consumption equals 748 gallons of water). This amount is reduced by 15% recognizing that not all water flows to the public sewer system. The winter average would be 16.7 units (19.6 units x .85). New customers that do not have prior winter consumption history will be assigned this winter average. A typical or new customer using a .75" meter would have their 2010 bill calculated as follows: (16.7 units * \$1.56) + \$10.80 = \$36.85.

Multi-Residential - The total sewer bill for multiple residential customers is calculated just like a residential customer with the exception that the base fee is multiplied by the number of dwelling units, and the Winter Average, after being reduced by 15%, has no maximum. Multi-Residential accounts are charged \$54 per dwelling unit for sewer debt.

Maximum Usage - The winter average for single-family residential customers will be capped at 30 units from 2010 to 2014. Applying the formula above, the maximum bill for a customer using a .75" meter in 2010 will be \$57.60. The maximum bill for a 1.00" meter in 2010 will be \$62.55.

Sewer Schedule of Rates - The following table shows the proposed 7.2% rate increase effective January 1, 2010, and the anticipated future 10% annual increases thereafter which do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the years below may differ.

	Monthly Base Fee					
	Current	Proposed January 1, 2010	Year 2	Year 3	Year 4	Year 5
.75"	\$10.20	\$10.80	\$11.88	\$13.07	\$14.38	\$15.81
1.00"	\$14.90	\$15.75	\$17.33	\$19.06	\$20.97	\$23.07

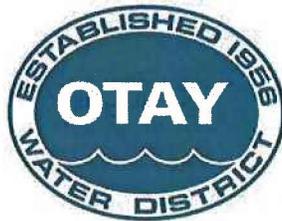
Current	Usage Fee Rate				
	Proposed January 1, 2010	Year 2	Year 3	Year 4	Year 5
\$1.47	\$1.56	\$1.72	\$1.89	\$2.08	\$2.28

Footnotes:

- These fees are based on the meter size. The MWD/CWA fee is increasing to reflect the full pass-through of this cost from the district's water suppliers.
- This cost varies based on water usage and can be calculated using the consumption block tables.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power cost to the district.
- 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 and will go into effect January 1, 2010.
- The Fire Service fee is a flat fee regardless of meter size.
- The District is proposing to adopt Drought Rates which are based on the drought level declared by the District's Board of directors. The applicable Drought Rate would be equal to the base rate plus an additional amount as

- defined by the percentages in the above table. For example, in a Level 2, water sold in the highest tier would be charged at 130% of the base Tier 4 rate. These Drought Rates will be implemented at the discretion of the Board of Directors up to the amounts calculated by using the above table. This rate structure is intended to have the least effect on low water users. The Drought Rate percentage are applicable through fiscal year 2014.
- The Conservation Tier discount applies toward the first five units when overall consumption is ten units or less.
- This fee is charged to restore service for an account that has been interrupted due to non-payment.
- Winter Average - On January 1, 2008, the Otay Water District established a winter-based consumption charge for residential sewer customers. The rate structure was phased-in over a three-year period. This is the third year of the phase-in period. The Winter Average is computed by adding the units of water used during the winter period of January through April and dividing by four.

Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978
www.otaywater.gov
619-670-2777



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**Please be advised the Otay Water District will hold a
Public Hearing on Residential Water and Sewer Rates:**

_____ day, August __, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978



The Otay Water District will hold a Public Hearing on Residential Water Rates

This notice contains important information about residential water rates. We are notifying all property owners and tenants within the Otay Water District's service area of a public hearing to consider of proposed pass-through charges and a five-year schedule of rate increases. This notice is provided in compliance with Article XIIIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

Background

The Otay Water District is a revenue neutral public agency that provides water service to your community. Revenue neutral means that your water bill reflects only those charges sufficient to support your water service. Each end user pays a fair share of the cost of water acquisition, delivery, construction, operation, and maintenance of the public water system and facilities.

The State of California is experiencing supply shortages and the region faces probable water supply reductions over the next few months and years. The Otay Water District adopted a drought response conservation program in June 2008 establishing drought levels 1 through 4 that correspond to declared water shortage levels. The District has declared a Level 1 and may declare Level 2 in the coming year. The District also adopted a tiered rate structure for all customers to motivate conservation.

In addition to supply shortages, the economy is having an impact on the costs of providing service to our customers. To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesalers.

Proposed Rate Structure and Schedule of Rates

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action would authorize timely and necessary periodic changes of rates and charges to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority (CWA), and the City of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30 day prior written notice, but would not be subject to additional hearings or protests.

The increase proposed to take effect on September 1, 2009, would pass-through the increases from MWD, CWA, and the City of San Diego. MWD and CWA indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January 2011, and annual rate increases in each subsequent year. The 19.9% increase on September 1, 2009 is needed to cover these pass-through costs and the higher cost of supplying water.

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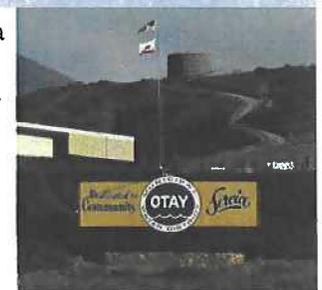
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About the Otay Water District

The Otay Water District is a water, recycled water, and sewer service agency. The District was established in 1956 as a California special district by the State Legislature under the provisions of the Municipal Water District Act of 1911.

The District purchases imported water from the Metropolitan Water District of Southern California through the San Diego County Water Authority, and provides water service to approximately 191,500 customers within 125.5 square miles of southeastern San Diego County.

Communities served by the Otay Water District include Spring Valley, La Presa, Rancho San Diego, Jamul, and segments of southwest and eastern Chula Vista, and east Otay Mesa along the international border with Mexico.



The Otay Water District provides water service to San Diego's East County and South Bay.

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the lowest cost water providers in San Diego County. We will do everything possible to lessen the impact of higher water costs on customers while still providing quality service, ensuring water reliability, and maintaining the financial health of the public water system.

Hearing and Protest

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
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Spring Valley, CA 91978

Conserve and Save!

The Otay Water District wants to help you save water and money. Since most residential and commercial water is used outdoors, households and business customers should focus on cutting back their outdoor water use and ensure they use water as efficiently as possible. Visit the Otay Water District's Conservation page at www.otaywater.gov for information on water wise gardening, available incentive programs, and useful tips to tune-up your irrigation system. If you are interested in reducing the size of your thirsty lawn, take a class at the Water Conservation Garden in Rancho San Diego or visit, www.thegarden.org



Also check your showerheads, faucets, and toilets for leaks and fix them if necessary.

For more information on other water saving options, visit our webpage at www.otaywater.gov and click on "Conservation."

Water Shortages Continue

Customers Asked to do their Part to Be Good Stewards of Water Resources

Despite late spring rains, the California Department of Water Resource's final survey for 2009 shows the Sierra Nevada mountains receiving just 66 percent of a normal year's precipitation to date. Pumping restrictions in the Sacramento-San Joaquin Bay Delta also remain in place and continue to reduce water supplies for 25 million Californians.

Water shortages resulting from the lack of precipitation and the pumping restrictions are continuing to drive-up the cost of water for millions of consumers across the state.

To meet customer demand, wholesalers are purchasing water from farmers in agricultural areas of the state, exhausting reserves, and developing other more expensive sources of supply. These water purchases on the spot market are much

more costly than our traditional supplies. As a result, the higher prices wholesalers are paying are passed-on to consumers in the form of higher water rates.

As another consequence of the ongoing supply reductions, MWD and CWA have each issued water supply alerts for their service areas. The Otay Water District may declare Level 2 - Drought Alert for its service area in the coming year.

In California, water is the lifeblood of our economy. Hundreds of thousands of jobs – your neighbors, your family, and people you know – depend on a reliable water supply.

Since the early 1990s, water agencies across San Diego County have been working to enhance the reliability of drinking water supplies

through both short and long-term projects including wells, desalination, canal lining projects, and water transfers.

Due to the continuing pumping restrictions limiting local imports, supply reductions, and the cost of developing alternative supplies, higher prices for water remain in our future.

Since 60% of all residential and commercial water is used outdoors, households and business customers should focus on cutting back their outdoor water use and ensure they use water as efficiently as possible. By irrigating landscapes less frequently and more efficiently, we can save water, save money, and ensure the health of our local economy.

When we all do small things to save water, it adds up to a lot.

Proposed New Water Rates in Detail

If the proposed rate increase is approved, for a typical single-family residential customer, as of September 1, 2009, your bill will increase by \$9.73. Your bill will vary based on meter size, water consumption, and geographic location.

	MWD/CWA Fixed Charge ¹		Monthly System Charge ¹		Water Rate ²		Energy Charge ³		Water Charge by Improvement District ⁴		Total	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
15 Units (typical)	\$7.02	\$9.77	\$13.83	\$14.58	\$28.70	\$34.70	\$2.06	\$2.24	\$0.93	\$0.98	\$52.54	\$62.27

Current Single Family Consumption Blocks		Proposed Single Family Consumption Blocks		Existing Rates	Proposed Rates ²	Meter Size	Current			Proposed ¹		
							System Fee ¹	MWD/CWA ¹	Total	System Fee ¹	MWD/CWA ¹	Total
Conservation Tier ⁵		Conservation Tier ⁵		\$1.12	\$1.35	0.75"	\$13.83	\$7.02	\$20.85	\$14.58	\$9.77	\$24.35
6	10	6	10	\$1.74	\$2.10	1"	\$17.56	\$11.71	\$29.27	\$18.52	\$16.28	\$34.80
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Tier	Percentage Adjustments to Calculate Drought Rates ⁶			
	Stage 1	Stage 2	Stage 3	Stage 4
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Telephone Contact Charge	
Current	Proposed
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- 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. These rates were previously approved and are included as an informational item and will increase on January 1, 2010.
- The Conservation Tier discount applies toward the first five units when overall consumption is ten units or less.
- The District previously adopted Drought Rates based on the drought level declared by the District's Board of directors. The applicable Drought Rate would be equal to the base rate plus an additional amount as defined by the percentages in the above table. For example, in a Level 2, water sold under Tier 4 would be charged at 130% of the base rate. These Drought Rates will be implemented based on a declared conservation level up to the amounts calculated by using the table above. This rate structure is intended to have the least effect on low water users. The Drought Rate percentages are applicable through fiscal year 2014.
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If approved, the action would authorize timely and necessary periodic changes to the District's rates and charges to offset the cost of sewer treatment the Dis-

trict incurs on your behalf. The proposed action would authorize these pass-through rate increases over a five-year period beginning January 1, 2010 through January 1, 2014.

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Hearing and Protest

Cont. from page 1

mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

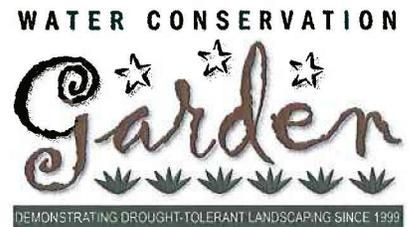
Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Cut Outdoor Water Use *The Key to Saving Water and Money*

Since most residential and commercial water is used outdoors, households and business customers should focus on cutting back their outdoor water use and ensure they use water as efficiently as possible.

Visit the Otay Water District's Conservation page at www.otaywater.gov for information on water wise gardening, available incentive programs, and useful tips to tune-up your irrigation system. Also check out the "Watering Calculator" on



our website and learn to apply the right amount of water needed for your garden.

If you are interested in reducing the size of your thirsty lawn, take a class at the Water Conservation Garden in Rancho San Diego.

Proposed New Sewer Rates in Detail

Proposed Sewer Rates:

If the proposed rates are approved, as of January 1, 2010, the monthly sewer service charge for a typical single-family residential customer will be calculated as follows:

$$\text{Usage Fee Rate} \times \text{Winter Average}^1 + \text{a Monthly Base Fee}$$

2010 Usage Fee Rate		Monthly Base Fee	
Current	Proposed January 1, 2010	Current	Proposed
\$1.47	\$1.56	.75"	\$10.20
		1.00"	\$14.90
			\$10.80
			\$15.75

The following table shows the proposed 7.2% rate increase effective January 1, 2010, and the anticipated future 10% annual increases thereafter which do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the years below may differ.

Monthly Base Fee						
	Current	Proposed	Year 2	Year 3	Year 4	Year 5
.75"	\$10.20	\$10.80	\$11.88	\$13.07	\$14.38	\$15.81
1.00"	\$14.90	\$15.75	\$17.33	\$19.06	\$20.97	\$23.07

Usage Fee Rate					
Current	Proposed	Year 2	Year 3	Year 4	Year 5
\$1.47	\$1.56	\$1.72	\$1.89	\$2.08	\$2.28

Notes:

Sewer Debt - A Sewer debt service charge of \$54 is collected on each customer's property tax bill for sewer debt. It is anticipated that the debt will be paid in full by 2012.

Typical Bill Calculation - A typical bill would be based on 19.6 units of water consumption (a unit of consumption equals 748 gallons of water). This amount is reduced by 15% recognizing that not all water flows to the public sewer system. The winter average would be 16.7 units (19.6 units x .85). New customers that do not have prior winter consumption history will be assigned this winter average. A typical or new customer using a .75" meter would have their 2010 bill calculated as follows: (16.7 units * \$1.56) + \$10.80 = \$36.85.

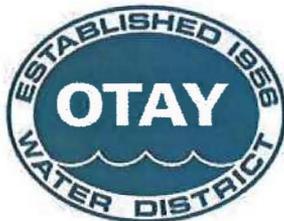
Multi-Residential - The total sewer bill for multiple residential customers is calculated just like a residential customer with the exception that the base fee is multiplied by the number of dwelling units, and the Winter Average, after being reduced by 15%, has no maximum. Multi-Residential accounts are charged \$54 per dwelling unit for sewer debt.

Maximum Usage - The winter average for single-family residential customers will be capped at 30 units from 2010 to 2014. Applying the formula above, the maximum bill for a customer using a .75" meter in 2010 will be \$57.60. The maximum bill for a 1.00" meter in 2010 will be \$62.55.

Footnote -

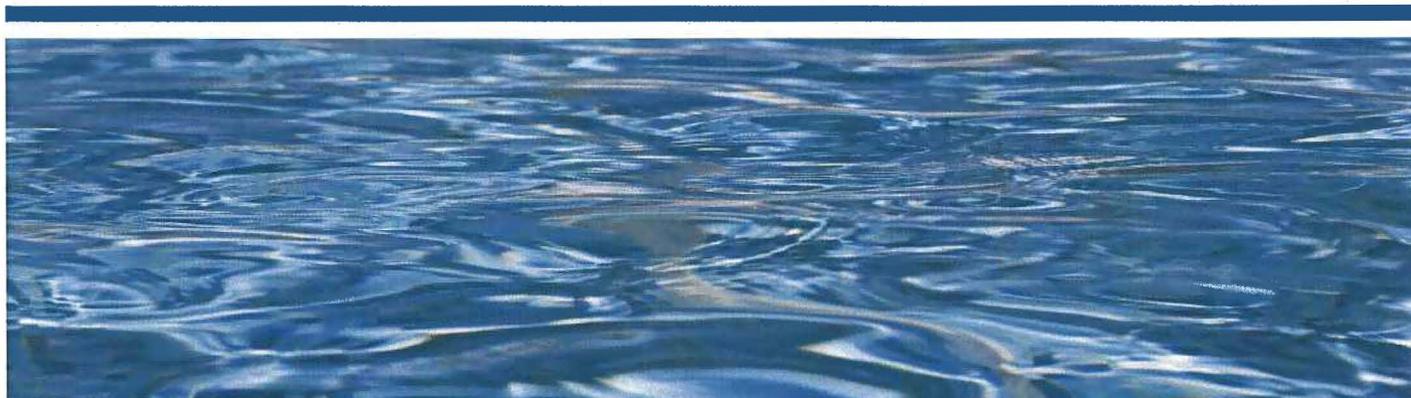
1. Winter Average - On January 1, 2008, the Otay Water District established a winter-based consumption charge for residential sewer customers. The rate structure was phased-in over a three-year period. This is the third year of the phase-in period. The Winter Average is computed by adding the units of water used during the winter period of January through April and dividing by four.

Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978
www.otaywater.gov
619-670-2777



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**Please be advised the Otay Water District will hold a
Public Hearing on Residential Sewer Rates on:**

_____ day, August __, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

NOTICE OF PUBLIC HEARING FOR COMMERCIAL AND PUBLIC WATER CUSTOMERS

This notice contains important information about Landscape, Agricultural and Construction water rates. We are notifying all customers within the Otay Water District's service area of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

The Otay Water District is a revenue neutral public agency that provides water service to your community. Revenue neutral means that your water bill reflects only those charges sufficient to support your water service. Each end user pays a fair share of the cost of water acquisition, delivery, construction, operation, and maintenance of the public water system and facilities.

The State of California is experiencing supply shortages and the region faces probable water supply reductions over the next few months and years. The Otay Water District adopted a drought response conservation program in June 2008 establishing drought levels 1 through 4 that correspond to declared water shortage levels. The District has declared a Level 1 and may declare Level 2 in the coming year. The District also adopted a tiered rate structure for all customers to motivate conservation.

In addition to supply shortages, the economy is having an impact on the costs of providing service to our customers. To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesalers.

The District is proposing to adopt a five-year schedule of rate increases to be implemented beginning on September 1, 2009 and periodically thereafter through January 1, 2014. Under the proposed rate schedule, the average customer's water service rates will increase by an amount sufficient to cover cost increases related to providing water service, but not to exceed 10% per year. In addition, if approved, the action would authorize timely and necessary periodic

changes of rates and charges to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority (CWA), and the City of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30-day prior written notice, but would not be subject to additional hearings or protests.

The increase proposed to take effect on September 1, 2009 would pass-through the increases from MWD, CWA, and the City of San Diego. MWD and CWA indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January 2011, and annual rate increases in each subsequent year. The 19.9% increase on September 1, 2009 is needed to cover these pass-through costs and the higher cost of supplying water.

The Otay Water District prides itself on being one of the lowest cost water providers in San Diego County. We will do everything possible to lessen the impact of higher water costs on customers while still providing quality service, ensuring water reliability, and maintaining the financial health of the public water system.

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Proposed Commercial and Public Water Rates in Detail

Proposed Water Rates -

The following table shows the proposed 19.9% rate increase effective September 1, 2009, and the anticipated future 10% annual increases thereafter which do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the years below may differ.

Water Usage Fee ¹ - Public and Commercial (< 10" inch meter)							
Tiers Current	Proposed Tiers September 1, 2009	Current Rates	Proposed Rates September 1, 2009	Year 2	Year 3	Year 4	Year 5
0 - 101	0 - 173	\$1.84	\$2.22	\$2.45	\$2.70	\$2.97	\$3.27
102 - 720	174 - 831	\$1.88	\$2.27	\$2.50	\$2.75	\$3.03	\$3.33
721+	Over 832	\$1.91	\$2.31	\$2.54	\$2.79	\$3.07	\$3.38

Water Usage Fee ¹ - Public and Commercial (> 10" inch meter)							
Tiers Current	Proposed Tiers September 1, 2009	Current Rates	Proposed Rates September 1, 2009	Year 2	Year 3	Year 4	Year 5
0 - 7965	0 - 7426	\$1.84	\$2.22	\$2.45	\$2.70	\$2.97	\$3.27
7,966 - 21,761	7,427 - 14,616	\$1.88	\$2.27	\$2.50	\$2.75	\$3.03	\$3.33
21,762+	14,617+	\$1.91	\$2.31	\$2.54	\$2.79	\$3.07	\$3.38

Meter Size	Current			Proposed		
	System Fee ²	MWD/CWA ²	Total	System Fee ²	MWD/CWA ²	Total
3/4"	\$13.83	\$7.02	\$20.85	\$14.58	\$9.77	\$24.35
1"	\$17.56	\$11.71	\$29.27	\$18.52	\$16.28	\$34.80
1 1/2"	\$26.90	\$23.41	\$50.31	\$28.37	\$32.61	\$60.98
2"	\$38.10	\$37.46	\$75.56	\$40.18	\$52.15	\$92.33
3"	\$67.98	\$74.92	\$142.90	\$71.68	\$104.30	\$175.98
4"	\$101.59	\$117.07	\$218.66	\$107.13	\$162.98	\$270.11
6"	\$194.96	\$234.14	\$429.10	\$205.59	\$325.92	\$531.51
8"	\$307.00	\$374.62	\$681.62	\$323.73	\$521.51	\$845.24
10"	\$437.71	\$538.52	\$976.23	\$461.57	\$749.61	\$1,211.18

Proposed Commercial and Public Water Rates Continued

Other Charges	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
Fire Service ³	\$28.55	\$30.11	\$33.12	\$36.43	\$40.07	\$44.08
Energy Charges ⁴	\$0.037	\$0.038	\$0.042	\$0.046	\$0.051	\$0.056
Government Rate ⁵	\$0.280	\$0.290	\$0.320	\$0.350	\$0.390	\$0.430
Improvement District ⁶ No. 3	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.21
Improvement District ⁶ No. 10	\$0.25	\$0.26	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁶	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08	\$0.08
Meter Activation Charge ⁷	Fewer than 4=\$25.00 More than 4=\$45.00	All occurrences \$35.00	\$38.50	\$42.35	\$46.59	\$51.25

Percentage Adjustments to Calculate Drought Rates ⁸				
Tier	Level 1	Level 2	Level 3	Level 4
1	0.00%	0.00%	0.00%	0.00%
2	0.00%	5%	10%	15%
3	0.00%	30%	60%	90%

Telephone Contact Charge	
Current	Proposed
\$10.00	\$0.00

System Fees ²						
Meter Size	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
3/4"	\$13.83	\$14.58	\$16.04	\$17.64	\$19.40	\$21.34
1"	\$17.56	\$18.52	\$20.37	\$22.41	\$24.65	\$27.12
1 1/2"	\$26.90	\$28.37	\$31.21	\$34.33	\$37.76	\$41.54
2"	\$38.10	\$40.18	\$44.20	\$48.62	\$53.48	\$58.83
3"	\$67.98	\$71.68	\$78.85	\$86.74	\$95.41	\$104.95
4"	\$101.59	\$107.13	\$117.84	\$129.62	\$142.58	\$156.84
6"	\$194.96	\$205.59	\$226.15	\$248.77	\$273.65	\$301.02
8"	\$307.00	\$323.73	\$356.10	\$391.71	\$430.88	\$473.97
10"	\$437.71	\$461.57	\$507.73	\$558.50	\$614.35	\$675.79

Footnotes:

1. This cost varies based on water usage and can be calculated using the consumption block tables.
2. These Fixed Charges 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.
3. The Fire Service fee is a flat fee regardless of meter size.
4. The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to the increased power cost to the District.
5. This per unit additional charge to governmental customers is needed in lieu of tax revenues to equalize their contribution to overall cost.
6. This charge is a per unit charge and your bill will vary based on water consumption. These rates were previously approved and are included as an informational item and will go into effect January 1, 2010.
7. This fee is charged to restore service for an account that has been interrupted due to non-payment.
8. The District previously adopted Drought Rates based on the drought level declared by the District's Board of directors. The applicable Drought Rate would be equal to the base rate plus an additional amount as defined by the percentages in the above table. For example, in a Level 2, water sold under Tier 3 would be charged at 130% of the base rate. These Drought Rates will be implemented based on a declared conservation level up to the amounts calculated by using the table above. This rate structure is intended to have the least effect on low water users. The Drought Rate percentages are applicable through fiscal year 2014.



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096
www.otaywater.gov
(619) 670-2777

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San Diego CA



Notice of Public Hearing on Commercial and Public Agency Water Rates

_____ day, August __, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

NOTICE OF PUBLIC HEARING FOR LANDSCAPE, AGRICULTURAL, AND CONSTRUCTION WATER CUSTOMERS

This notice contains important information about Landscape, Agricultural and Construction water rates. We are notifying all customers within the Otay Water District's service area of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

The Otay Water District is a revenue neutral public agency that provides water service to your community. Revenue neutral means that your water bill reflects only those charges sufficient to support your water service. Each end user pays a fair share of the cost of water acquisition, delivery, construction, operation, and maintenance of the public water system and facilities.

The State of California is experiencing supply shortages and the region faces probable water supply reductions over the next few months and years. The Otay Water District adopted a drought response conservation program in June 2008 establishing drought levels 1 through 4 that correspond to declared water shortage levels. The District has declared a Level 1 and may declare Level 2 in the coming year. The District also adopted a tiered rate structure for all customers to motivate conservation.

In addition to supply shortages, the economy is having an impact on the costs of providing service to our customers. To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesalers.

The District is proposing to adopt a five-year schedule of rate increases to be implemented beginning on September 1, 2009 and periodically thereafter through January 1, 2014. Under the proposed rate schedule, the average customer's water service rates will increase by an amount sufficient to cover cost increases related to providing water service, but not to exceed 10% per year. In addition, if approved, the action would authorize timely and necessary periodic

changes of rates and charges to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority (CWA), and the City of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30-day prior written notice, but would not be subject to additional hearings or protests.

The increase proposed to take effect on September 1, 2009 would pass-through the increases from MWD, CWA, and the City of San Diego. MWD and CWA indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January 2011, and annual rate increases in each subsequent year. The 19.9% increase on September 1, 2009, is needed to cover these pass-through costs and the higher cost of supplying water.

The Otay Water District prides itself on being one of the lowest cost water providers in San Diego County. We will do everything possible to lessen the impact of higher water costs on customers while still providing quality service, ensuring water reliability, and maintaining the financial health of the public water system.

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Proposed Landscape, Agricultural, and Construction Water Rates in Detail

Proposed Water Rates -

The following tables show the proposed 19.9% rate increase effective September 1, 2009, and the anticipated future 10% annual increases thereafter which do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the years below may differ.

Water Usage Fee ¹ -Landscape, Agricultural, and Construction Water Customers (.75" to 1" meter)							
Current	Current	Proposed September 1, 2009	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
0 - 47	\$2.50	0 - 49	\$3.02	\$3.32	\$3.65	\$4.02	\$4.42
48 - 164	\$2.55	50 - 132	\$3.08	\$3.39	\$3.73	\$4.10	\$4.51
165+	\$2.60	133+	\$3.14	\$3.46	\$3.81	\$4.19	\$4.61

Water Usage Fee ¹ -Landscape, Agricultural, and Construction Water Customers (.1.5" to 2" meter)							
Current	Current	Proposed September 1, 2009	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
0 - 136	\$2.50	0 to 144	\$3.02	\$3.32	\$3.65	\$4.02	\$4.42
137 - 415	\$2.55	145 - 355	\$3.08	\$3.39	\$3.73	\$4.10	\$4.51
416+	\$2.60	356+	\$3.14	\$3.46	\$3.81	\$4.19	\$4.61

Water Usage Fee ¹ -Landscape, Agricultural, and Construction Water Customers (3" + meter)							
Current	Current	Proposed September 1, 2009	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
0 - 651	\$2.50	0 to 1,044	\$3.02	\$3.32	\$3.65	\$4.02	\$4.42
652 - 4,064	\$2.55	1,045 - 8,067	\$3.08	\$3.39	\$3.73	\$4.10	\$4.51
4065+	\$2.60	8,068+	\$3.14	\$3.46	\$3.81	\$4.19	\$4.61

Meter Size	Current			Proposed September 1, 2009		
	System Fee ²	MWD/ CWA ²	Total	System Fee ²	MWD/ CWA ²	Total
3/4"	\$13.83	\$7.02	\$20.85	\$14.58	\$9.77	\$24.35
1"	\$17.56	\$11.71	\$29.27	\$18.52	\$16.28	\$34.80
1 1/2"	\$26.90	\$23.41	\$50.31	\$28.37	\$32.61	\$60.98
2"	\$38.10	\$37.46	\$75.56	\$40.18	\$52.15	\$92.33
3"	\$67.98	\$74.92	\$142.90	\$71.68	\$104.30	\$175.98
4"	\$101.59	\$117.07	\$218.66	\$107.13	\$162.98	\$270.11
6"	\$194.96	\$234.14	\$429.10	\$205.59	\$325.92	\$531.51
8"	\$307.00	\$374.62	\$681.62	\$323.73	\$521.51	\$845.24
10"	\$437.71	\$538.52	\$976.23	\$461.57	\$749.61	\$1,211.18

Proposed Landscape, Agricultural, and Construction Water Rates in Detail

Other Charges	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
Fire Service ³	\$28.55	\$30.11	\$33.12	\$36.43	\$40.07	\$44.08
Energy Charges ⁴	\$0.037	\$0.038	\$0.042	\$0.046	\$0.051	\$0.056
Government Rate ⁵	\$0.280	\$0.290	\$0.320	\$0.350	\$0.390	\$0.430
Improvement District ⁶ No. 3	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.21
Improvement District ⁶ No. 10	\$0.25	\$0.26	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁶	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08	\$0.08
Meter Activation Charge ⁸	Fewer than 4 = \$25.00 More than 4 = \$45.00	All occurrences \$35.00	\$38.50	\$42.35	\$46.59	\$51.25

Percentage Adjustments to Calculate Drought Rates ⁷				
Tier	Level 1	Level 2	Level 3	Level 4
1	0.00%	0.00%	0.00%	0.00%
2	0.00%	5%	10%	15%
3	0.00%	30%	60%	90%

Telephone Contact Charge	
Current	Proposed
\$10.00	\$0.00

System Fees ²						
Meter Size	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
3/4"	\$13.83	\$14.58	\$16.04	\$17.64	\$19.40	\$21.34
1"	\$17.56	\$18.52	\$20.37	\$22.41	\$24.65	\$27.12
1 1/2"	\$26.90	\$28.37	\$31.21	\$34.33	\$37.76	\$41.54
2"	\$38.10	\$40.18	\$44.20	\$48.62	\$53.48	\$58.83
3"	\$67.98	\$71.68	\$78.85	\$86.74	\$95.41	\$104.95
4"	\$101.59	\$107.13	\$117.84	\$129.62	\$142.58	\$156.84
6"	\$194.96	\$205.59	\$226.15	\$248.77	\$273.65	\$301.02
8"	\$307.00	\$323.73	\$356.10	\$391.71	\$430.88	\$473.97
10"	\$437.71	\$461.57	\$507.73	\$558.50	\$614.35	\$675.79

Footnotes:

- This rate is a per unit charge. Customers using temporary meters pay two times this rate.
- These Fixed Charges 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.
- The Fire Service fee is a flat fee regardless of meter size.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power costs to the district.
- This per unit additional charge to governmental customers is needed in lieu of tax revenues to equalize their contribution to overall cost.
- This charge is a per unit charge and your bill will vary based on water consumption. These rates were previously approved and are included as an informational item and will go into effect January 1, 2010.
- The District previously adopted Drought Rates based on the drought level declared by the District's Board of directors. The applicable Drought Rate would be equal to the base rate plus an additional amount as defined by the percentages in the above table. For example, in a Level 2, water sold under Tier 3 would be charged at 130% of the base rate. These Drought Rates will be implemented based on a declared conservation level up to the amounts calculated by using the table above. This rate structure is intended to have the least effect on low water users. The Drought Rate percentages are applicable through fiscal year 2014.
- This fee is charged to restore service for an account that has been interrupted due to non-payment.



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096
www.otaywater.gov
(619) 670-2777

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**Notice of Public Hearing on Landscape,
Agricultural and Construction Water Rates**

_____ day, August __, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

NOTICE OF PUBLIC HEARING FOR RECYCLED WATER CUSTOMERS

This notice contains important information about recycled water rates. We are notifying all recycled water customers within the Otay Water District's service area of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

Background

The Otay Water District is a revenue neutral public agency that provides water service to your community. Revenue neutral means that your bill reflects only those charges sufficient to support your recycled water service. Each end user pays a fair share of the cost of recycled water production, acquisition, delivery, construction, operation, and maintenance of the public recycled water system and facilities.

To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesaler.

Proposed Rate Structure and Schedule of Rates

The District is proposing to adopt a five-year schedule of rate increases to be implemented beginning on September 1, 2009, and periodically thereafter through June 30, 2014. Under the proposed rate schedule, the average customer's water service rates will increase by an amount sufficient to cover cost increases related to providing recycled water service, but not to exceed 10% per year. In addition, if approved, the action would authorize timely and necessary periodic changes of rates and

charges to pass-through increased or decreased charges implemented by the City of San Diego, the Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority (CWA). Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30-day prior written notice, but would not be subject to additional hearings or protests.

The increase proposed to take effect on September 1, 2009 would pass-through the increases from the City of San Diego, MWD or CWA. The 19.9% increase on September 1, 2009 is needed to cover these pass-through costs and the higher costs of supplying water.

The Otay Water District prides itself on being one of the lowest cost service providers in San Diego County. We will do everything possible to lessen the impact of higher recycled water costs on customers while still providing quality service, ensuring water reliability, and maintaining the financial health of the recycled water system.

Hearing and Protest

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions. Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Proposed Recycled Water Rates in Detail

Proposed Water Rates -

The following tables show the proposed 19.9% rate increase effective September 1, 2009, and the anticipated future 10% annual increases thereafter which do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the years below may differ.

Water Usage Fee ¹ - Recycled (.75" to 1.0" inch meter) ¹							
Tiers Current	Tiers Proposed September 1, 2009	Current	Proposed September 1, 2009	Year 1	Year 2	Year 3	Year 4
0-45	0-42	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
46-136	43-97	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
137+	98+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

Water Usage Fee ¹ - Recycled (1.5" to 2.0" inch meter)							
Tiers Current	Tiers Proposed September 1, 2009	Current	Proposed September 1, 2009	Year 1	Year 2	Year 3	Year 4
0-159	0-168	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
160-465	169-402	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
466+	403+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

Water Usage Fee ¹ - Recycled (3" & 4" inch meter)							
Tiers Current	Tiers Proposed September 1, 2009	Current	Proposed September 1, 2009	Year 1	Year 2	Year 3	Year 4
0 - 400	0-403	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
401-1,005	404-820	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
1,006+	821+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

Water Usage Fee ¹ - Recycled (>6" inch meter)							
Tiers Current	Tiers Proposed September 1, 2009	Current	Proposed September 1, 2009	Year 1	Year 2	Year 3	Year 4
0-7,955	0-7,916	\$2.13	\$2.58	\$2.83	\$3.11	\$3.42	\$3.76
7,956-17,550	7,917-16,357	\$2.17	\$2.62	\$2.89	\$3.18	\$3.50	\$3.85
17,551+	16,358+	\$2.21	\$2.67	\$2.94	\$3.23	\$3.55	\$3.91

Proposed Recycled Water Rates Continued

System Fees ²						
Meter Size	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
3/4"	\$13.83	\$14.58	\$16.04	\$17.64	\$19.40	\$21.34
1"	\$17.56	\$18.52	\$20.37	\$22.41	\$24.65	\$27.12
1 1/2"	\$26.90	\$28.37	\$31.21	\$34.33	\$37.76	\$41.54
2"	\$38.10	\$40.18	\$44.20	\$48.62	\$53.48	\$58.83
3"	\$67.98	\$71.68	\$78.85	\$86.74	\$95.41	\$104.95
4"	\$101.59	\$107.13	\$117.84	\$129.62	\$142.58	\$156.84
6"	\$194.96	\$205.59	\$226.15	\$248.77	\$273.65	\$301.02
8"	\$307.00	\$323.73	\$356.10	\$391.71	\$430.88	\$473.97
10"	\$437.71	\$461.57	\$507.73	\$558.50	\$614.35	\$675.79

Percentage Adjustments to Calculate Drought Rates ⁵				
Tier	Level 1	Level 2	Level 3	Level 4
1	0.00%	0.00%	0.00%	0.00%
2	0.00%	5%	10%	15%
3	0.00%	30%	60%	90%

Telephone Contact Charge	
Current	Proposed
\$10.00	\$0.00

Other Charges	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
Energy Charges ³	\$0.037	\$0.038	\$0.042	\$0.046	\$0.051	\$0.056
Government Rate ⁴	\$0.28	\$0.29	\$0.32	\$0.35	\$0.39	\$0.43
Meter Activation Charge ⁶	(<4 = \$25.00, >4 = \$45.00)	All Occurrences \$35.00	\$38.50	\$42.35	\$46.59	\$51.25

Footnotes:

1. Recycled water rates are based on meter size and the number of recycled water units used each month. A unit of recycled water equals 748 gallons.
2. These fees are based on meter size and reflect the fixed cost impact on the system.
3. The Energy Charge represents the cost of energy required to pump each unit of recycled water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power costs to the district.
4. This per unit additional charge to governmental customers is needed in lieu of tax revenues to equalize their contributions to the overall cost.
5. The District previously adopted Drought Rates

based on the drought level declared by the District's Board of directors. The applicable Drought Rate would be equal to the base rate plus an additional amount as defined by the percentages in the above table. For example, in a Level 2, water sold under Tier 3 would be charged at 130% of the base rate. These Drought Rates will be implemented based on a declared conservation level up to the amounts calculated by using the table above. This rate structure is intended to have the least effect on low water users. The Drought Rate percentages are applicable through fiscal year 2014.

6. This fee is charged to restore service for an account that has been interrupted due to non-payment.



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096
www.otaywater.gov
(619) 670-2777

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Notice of Public Hearing on Recycled Water Rates

_____ day, August __, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978



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Notice of Public Hearing on Commercial Sewer Rates

_____ day, August __, 2009
 3:30 p.m. in the Board Meeting Room
 2554 Sweetwater Springs Blvd.
 Spring Valley, CA 91978

This notice contains important information about commercial sewer rates. The Otay Water District provides sewer service to your community. We are notifying all commercial sewer customers within the Otay Water District's service area of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

The Otay Water District is a revenue neutral pub-

lic agency. Your bill reflects only those charges sufficient to support your sewer service. In addition, each end user pays a fair share of the cost of sewer collection and treatment, construction, operation and maintenance of the public sewer system and facilities.

An analysis of the District's costs and revenues indicates that an average 7.2% rate increase for sewer service is needed effective January 1, 2010. This 7.2% rate increase is due to the higher cost of meeting new statewide waste discharge requirements.

Proposed Rate Structure and Schedule of Rates

The District is proposing to adopt a five-year

NOTICE OF PUBLIC HEARING FOR COMMERCIAL SEWER CUSTOMERS

schedule of rate increases to be implemented beginning on January 1, 2010, and periodically thereafter through January 1, 2014. In addition, the Board of Directors will also consider an action to authorize pass-through rate increases for customers to recover the higher cost of sewer collection and treatment from the City of San Diego and the County of San Diego.

If approved, the action would authorize timely and necessary periodic changes to the District's rates and charges to offset the cost of sewer treatment the District incurs on your behalf. The proposed action would authorize these pass-through rate increases over a five-year period beginning January 1, 2010 through January 1, 2014.

The five-year schedule of rates and charges would allow the District to implement increases up to 10% per year through January 1, 2014 to operate and maintain the public sewer system and provide quality customer service.

Hearing and Protest

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Proposed Sewer Rates

The following table shows the proposed rate increase effective January 1, 2010, and anticipated future 10% increases thereafter which do not include the impact of

any pass-through increases. Therefore, actual rates in each of the years below may differ.

	Current	Proposed January 1, 2010	Year 2	Year 3	Year 4	Year 5
Rate per ASU	\$34.79	\$36.88	\$40.57	\$44.62	\$49.08	\$53.99

Calculating Non-Residential Sewer Rates

To meet State of California requirements, customers must pay their fair share of sewer costs. The Otay Water District is required to determine sewer rates in accordance with the State's Revenue Program Guidelines. The formula takes into consideration the cost associated with daily flow, chemical oxygen demand (COD) and the removal of suspended solids (SS). The COD and SS determine whether the strength factor is high, medium, or low, consistent with the State Water Resources Control Board guidelines.

Monthly bills are calculated based on Assigned Service Units (ASU). One ASU is equal to the demand placed on the system by a residential unit. ASUs are calculated by multiplying the daily flow by the strength factor.

Daily Flow x Strength Factor = Assigned Service Unit

Strength Factors

1.0	Churches
1.0	Low Strength Commercial
1.238	Medium Strength Commercial
2.203	High Strength Commercial

The sewer bill is then calculated by multiplying the ASUs by the rate per ASU. This charge is increasing by \$2.09 per ASU from \$34.79 to \$36.88. If approved, the proposed rate increase will become effective January 1, 2010.

A \$54 per ASU assessment is collected on the property tax bill for sewer debt. The state sewer loan will be paid in full by 2012.



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096
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Notice of Public Hearing on Water and Sewer Rates

_____ day, August __, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

This notice contains important information about residential water and sewer rates. We are notifying all property owners and tenants within the Otay Water District's service area of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIIIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

Background

The Otay Water District is a revenue neutral public agency that provides water and sewer service to your community. Revenue neutral means that customer

bills reflects only those charges sufficient to support their water and sewer service. Each end user pays a fair share of the cost of water acquisition, delivery, construction, operation, and maintenance of the public water system and facilities. They also only pay a fair share of the cost of sewer collection and treatment, construction, operation and maintenance of the public sewer system and facilities.

The State of California is experiencing supply shortages and the region faces probable water supply reductions over the next few months and years. The Otay Water District adopted a drought response conservation program in June 2008 establishing drought levels 1 through 4 that correspond to declared water shortage levels. The District has declared a Level 1 and may declare Level 2 in the coming year. The District also adopted a tiered rate structure for all customers to mo-

NOTICE OF PUBLIC HEARING FOR PROPERTY OWNERS

tivate conservation.

In addition to supply shortages, the economy is having an impact on the costs of providing service to our customers. To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesalers.

Proposed Rate Structure and Schedule of Rates

The District is proposing to adopt a five-year schedule of rate increases to be implemented beginning on September 1, 2009, and periodically thereafter through January 1, 2014. Under the proposed rate schedule, the average customer's water service rates will increase by an amount sufficient to cover cost increases related to providing water service, but not to exceed 10% per year. In addition, if approved, the action would authorize timely and necessary periodic changes of rates and charges to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority (CWA), and the City of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30-day prior written notice, but would not be subject to additional hearings or protests.

The increase proposed to take effect on September 1, 2009, would pass-through the increases from MWD, CWA and the City of San Diego. MWD and CWA indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January, 2011, and annual rate increases in each subsequent year. The 19.9% increase on September 1, 2009 is needed to cover these pass-through costs and the higher cost of supplying water.

The District is also proposing to adopt a five-year schedule of sewer rate increases to be implemented beginning on January 1, 2010, and periodically thereafter through January 1, 2014. The Board of Directors will consider an action to authorize pass-through rate increases for customers to re-

cover the higher cost of sewer collection and treatment from the City of San Diego and the County of San Diego.

An analysis of the District's costs and revenues indicates that an average 7.2% rate increase for sewer service is also needed effective January 1, 2010. This rate increase is due to the higher cost of meeting new statewide waste discharge requirements.

If approved, the action would authorize timely and necessary periodic changes to the District's rates and charges to offset the cost of sewer treatment the District incurs on its customers' behalf. The proposed action would authorize these pass-through rate increases over a five-year period beginning January 1, 2010 through January 1, 2014.

The five-year schedule of rates and charges would allow the District to implement increases up to 10% per year through January 1, 2014, to operate and maintain the public sewer system and provide quality customer service.

The Otay Water District prides itself on being one of the lowest cost water providers in San Diego County. We will do everything possible to lessen the impact of higher costs on customers while still providing quality service, ensuring reliability, and maintaining the financial health of the public water system.

Hearing and Protest

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

About the Otay Water District -

The Otay Water District is a water, recycled water, and sewer service agency. The District was established in 1956 as a California special district by the State Legislature under the provisions of the Municipal Water District Act of 1911. Its ordinances, policies, taxes, and rates for service are set by five directors, elected by voters in their respective divisions to serve staggered four-year terms.

The Board of Directors meets in open public session on

the first Wednesday of each month at 3:30 p.m. at the District headquarters building. The public is welcome to attend these meetings.

The district provides water service to customers within 125.5 square miles of southeastern San Diego County, California. Its facilities serve the water, recycled water, and sewer needs of approximately 192,000 people living in the communities of Spring Valley, La Presa, Rancho San Diego, Jamul, eastern Chula Vista, and Otay Mesa along the international border with Mexico.

NOTICE OF PUBLIC HEARING FOR MASTER METERED WATER CUSTOMERS

This notice contains important information about residential water rates. We are notifying all property owners and tenants within the Otay Water District's service area of a public hearing to consider pass-through charges and a five-year schedule of proposed rate increases. This notice is provided in compliance with Article XIID of the California State Constitution and the Proposition 218 Omnibus Implementation Act (collectively, Proposition 218). Information concerning the Public Hearing is on the front page, and at the end, of this notice.

The Otay Water District is a revenue neutral public agency that provides water service to your community. Revenue neutral means that your water bill reflects only those charges sufficient to support your water service. Each end user pays a fair share of the cost of water acquisition, delivery, construction, operation, and maintenance of the public water system and facilities.

The State of California is experiencing supply shortages and the region faces probable water supply reductions over the next few months and years. The Otay Water District adopted a drought response conservation program in June 2008 establishing drought levels 1 through 4 that correspond to declared water shortage levels. The District has declared a Level 1 and may declare Level 2 in the coming year. The District also adopted a tiered rate structure for all customers to motivate conservation.

In addition to supply shortages, the economy is having an impact on the costs of providing service to our customers. To continue delivering reliable, high-quality service, while maintaining a balanced budget and ensuring that costs are fairly shared by its customers, as required by law, the District must have the ability to implement certain rate increases and to pass-through cost increases imposed on the District by its wholesalers.

The District is proposing to adopt a five-year schedule of rate increases to be implemented beginning on September 1, 2009 and periodically thereafter through June 30, 2014. Under the proposed rate schedule, the average customer's water service rates will increase by an amount sufficient to cover cost increases related to providing water service, but not to exceed 10% per year. In addition, if approved, the action would authorize timely and necessary periodic

changes of rates and charges to pass-through increased or decreased charges implemented by the District's public agency wholesalers, such as the Metropolitan Water District of Southern California (MWD), the San Diego County Water Authority (CWA), and the City of San Diego. Any increases subsequently implemented by the District would not exceed the cost of providing the service and would be subject to 30 day prior written notice, but would not be subject to additional hearings or protests.

The increase proposed to take effect on September 1, 2009 would pass-through the increases from MWD and from the CWA. MWD and CWA indicate that they do not expect to implement additional increases during 2010. However, they do expect to implement increases in January 2011, and annual rate increases in each subsequent year. The 19.9% increase on September 1, 2009 is needed to cover these pass-through costs. The remainder of the proposed increase is due in large part to the fixed costs of providing water being spread over a reduced sales base.

The Otay Water District prides itself on being one of the lowest cost water providers in San Diego County. We will do everything possible to lessen the impact of higher water costs on customers while still providing quality service, ensuring water reliability, and maintaining the financial health of the public water system.

If you oppose these actions, you may attend the public hearing on _____ day, August __, 2009, at 3:30 p.m. to deliver your written protest. You may also mail your written protest, which must include your name and the address of the affected property. For the Board of Directors to consider your written protest, please deliver it before the close of the public hearing. Immediately following the hearing, the Board of Directors will consider adoption of these proposed actions.

Mail written objections to:

Board Secretary
Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978

Proposed Master Metered Water Rates in Detail

Proposed Water Rates -

The following tables show the anticipated water rates assuming a 10% annual increase, but do not include the impact of any wholesaler pass-through increases. Therefore, actual rates in each of the years below may differ.

Master Metered							
Consumption Block Current	Proposed Consumption Block ¹ September 1, 2009	Current Rates	Proposed Rates ² September 1, 2009	Year 2	Year 3	Year 4	Year 5
0 - 4	0 - 4	\$1.72	\$2.08	\$2.29	\$2.52	\$2.77	\$3.05
5 - 9	5 - 8	\$2.23	\$2.70	\$2.97	\$3.27	\$3.60	\$3.96
10+	9+	\$3.43	\$4.15	\$4.56	\$5.02	\$5.52	\$6.07

Meter Size	Current			Proposed		
	System Fee ⁴	MWD/CWA ⁴	Total	System Fee ⁴	MWD/CWA ⁴	Total
3/4"	\$13.83	\$7.02	\$20.85	\$14.58	\$9.77	\$24.35
1"	\$17.56	\$11.71	\$29.27	\$18.52	\$16.28	\$34.80
1 1/2"	\$26.90	\$23.41	\$50.31	\$28.37	\$32.61	\$60.98
2"	\$38.10	\$37.46	\$75.56	\$40.18	\$52.15	\$92.33
3"	\$67.98	\$74.92	\$142.90	\$71.68	\$104.30	\$175.98
4"	\$101.59	\$117.07	\$218.66	\$107.13	\$162.98	\$270.11
6"	\$194.96	\$234.14	\$429.10	\$205.59	\$325.92	\$531.51
8"	\$307.00	\$374.62	\$681.62	\$323.73	\$521.51	\$845.24
10"	\$437.71	\$538.52	\$976.23	\$461.57	\$749.61	\$1,211.18

Other Charges	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
Fire Service ³	\$28.55	\$30.11	\$33.12	\$36.43	\$40.07	\$44.08
Energy Charges ⁴	\$0.037	\$0.038	\$0.042	\$0.046	\$0.051	\$0.056
Improvement District ⁵ No. 3	\$0.17	\$0.18	\$0.19	\$0.20	\$0.21	\$0.21
Improvement District ⁵ No. 10	\$0.25	\$0.26	\$0.27	\$0.27	\$0.27	\$0.27
La Presa ⁵	\$0.07	\$0.07	\$0.08	\$0.08	\$0.08	\$0.08
Meter Activation Charge ⁶	Fewer than 4=\$25.00 More than 4=\$45.00	All occurrences \$35.00	\$38.50	\$42.35	\$46.59	\$51.25

Proposed Master Metered Water Rates Continued

System Fees ⁷						
Meter Size	Current	Proposed September 1, 2009	Year 2	Year 3	Year 4	Year 5
3/4"	\$13.83	\$14.58	\$16.04	\$17.64	\$19.40	\$21.34
1"	\$17.56	\$18.52	\$20.37	\$22.41	\$24.65	\$27.12
1 1/2"	\$26.90	\$28.37	\$31.21	\$34.33	\$37.76	\$41.54
2"	\$38.10	\$40.18	\$44.20	\$48.62	\$53.48	\$58.83
3"	\$67.98	\$71.68	\$78.85	\$86.74	\$95.41	\$104.95
4"	\$101.59	\$107.13	\$117.84	\$129.62	\$142.58	\$156.84
6"	\$194.96	\$205.59	\$226.15	\$248.77	\$273.65	\$301.02
8"	\$307.00	\$323.73	\$356.10	\$391.71	\$430.88	\$473.97
10"	\$437.71	\$461.57	\$507.73	\$558.50	\$614.35	\$675.79

Percentage Adjustments to Calculate Drought Rates ⁸				
Tier	Level 1	Level 2	Level 3	Level 4
1	0.00%	0.00%	0.00%	0.00%
2	0.00%	5%	10%	15%
3	0.00%	30%	60%	90%

Telephone Contact Charge	
Current	Proposed
\$10.00	\$0.00

Footnotes:

- Consumption is the water usage divided by the number of dwell units served.
- This charge is a per unit charge based on water consumption.
- The Fire Service fee is a flat fee regardless of meter size.
- The Energy Charge represents the cost of energy required to pump each unit of water 100 feet in elevation. This only applies to elevations above 450 feet. This increase is necessary due to increased power cost to the district.
- This charge is a per unit charge and your bill will vary based on water consumption. These rates were previously approved and are included as an informational item and will go into effect on January 1, 2010.
- This fee is charged to restore service for an account that has been interrupted due to non-payment.
- 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.
- The District previously adopted Drought Rates based on the drought level declared by the District's Board of directors. The applicable Drought Rate would be equal to the base rate plus an additional amount as defined by the percentages in the above table. For example, in a Level 2, water sold under Tier 4 would be charged at 130% of the base rate. These Drought Rates will be implemented based on a declared conservation level up to the amounts calculated by using the table above. This rate structure is intended to have the least effect on low water users. The Drought Rate percentages are applicable through fiscal year 2014.
-



Otay Water District
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978-2096
www.otaywater.gov
(619) 670-2777

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Notice of Public Hearing on Master Meter Water Rates

_____ day, August __, 2009
3:30 p.m. in the Board Meeting Room
2554 Sweetwater Springs Blvd.
Spring Valley, CA 91978