



Notice of Public Hearing

August 15, 2012

6:00pm

Questions:

Please call Padre Dam
Customer Service at
619-258-4600.

Padre Dam Municipal Water District will conduct a public hearing on August 15, 2012 at 6:00pm in the Boardroom of its Customer Service Center at 9300 Fanita Parkway, Santee, California, to consider the adoption of increases to its water and sewer rates and charges. The proposed rates and charges would be implemented between 2012 and 2016, and are set forth on the following pages. Rate and charge adjustments being considered for 2012 would apply to services provided beginning November 1, 2012, and will appear on customer bills beginning January 1, 2013.

Padre Dam is in the planning process to transition from bi-monthly billing to monthly billing to help customers better budget for their water and sewer bill. As part of that transition, the water allocations, water systems charge, and sewer base fee are shown as a monthly amount. To determine a bi-monthly amount simply double the rates set forth in the respective tables throughout this document. When the District moves to monthly billing, rate and charge adjustments will apply to services provided beginning November 1, and will appear on customer bills beginning December 1.

Reasons for Proposed Increases

As described in this notice, the proposed water and sewer rate and charge increases are necessary in order for Padre Dam to recover increases in the costs of providing water and sewer service.

Reduced Water Sales

Padre Dam experienced a 34% reduction in water sales over the last five years. The fixed costs to operate and maintain the water system remain the same regardless of water sales. Over 80% of customers have expressed they do not plan to increase their water use in the future. Currently Padre Dam's variable rates cannot cover our fixed costs.

Aging Infrastructure

Aging infrastructure is a serious concern. Water and sewer pipelines are not permanent structures. As materials age and technology advances, pipes and transmission systems must be replaced and maintained to ensure reliable service. Padre Dam has nearly one billion dollars of infrastructure in the ground to maintain. Like an automobile, as infrastructure parts get older, maintenance, repairs and replacement costs increase.

Increasing Construction, Energy Costs and Regulations

The cost to maintain and improve water and sewer infrastructure increases with time as the cost of materials increase, the cost of energy increases, and progressively stringent regulations are put in place. For example, Padre Dam's West Victoria Reservoir, holding 2.6 million gallons, cost \$76,530 to build in 1962. Today that same reservoir costs more than \$4.4 million just to replace the roof and pump station. It takes a lot of electricity to pump, treat and deliver water. Rising costs for energy directly affect the cost of delivering water to you. Increasingly stringent water quality and environmental regulations have created stress on water costs. For example, in 1974 only 22 water contaminants required testing versus over 90 today.

Capital Improvement Program

Padre Dam's Capital Improvement Program (CIP) identifies, prioritizes and schedules all water and sewer infrastructure replacement and improvement projects needed over the next 10-20 years to maintain safe and reliable water and sewer service for our customers. Padre Dam's objective when setting rates is to generate \$8 million per year for the replacement of aging infrastructure.

Cost Control at Padre Dam

Padre Dam practices an everyday commitment to working efficiently and reducing costs in every way possible while continuing our dedication to superior customer service and infrastructure investment. We believe rate increases can only be justified if we are doing our part and continuously looking for operational efficiencies. Over the last five years, Padre Dam has faced a 34% loss in water sales which has reduced gross revenues by \$28 million compared to budget. We attribute this to extraordinary conservation and the poor economy. In response to lower water sales, Padre Dam took steps to "right size" our organization for the "new normal" of reduced water sales. Highlights of cost-savings steps we have implemented over the last year include:

- 19% workforce reduction (26 positions)
- Reduced retirement and pension benefits, saving approximately \$750,000 annually
- Reduced medical benefits
- Reduced overall starting salaries by 10%
- \$12.6 million in capital improvement deferrals
- \$1.2 million in operating expense reductions

In addition to the most recent savings, Padre Dam has implemented numerous cost-cutting measures that have reduced overall operational expenses by \$13 million since 2006. One of the goals in the new Five-Year Business Plan and Budget is to continue to look for operating efficiencies. We believe technology will play a significant role in managing our workflow, improving data access and increasing operating efficiencies. Organizational restructuring will continue to be evaluated at every opportunity.

Water Rate Structure

Padre Dam's water rates are structured to proportionately allocate the cost of providing water service among customer classes and each service area. The rate structure for Padre Dam's water service fees is comprised of four components: (1) a commodity charge (water rate), which is determined on the basis of the amount of water served to a parcel of property in hundreds of cubic feet (HCF); (2) a fixed monthly service charge (water systems charge) established on the basis of the meter size on the parcel of property receiving water service; (3) a San Diego County Water Authority Infrastructure Access Charge (IAC Charge), which is imposed on the district by SDCWA for all water meters and is passed through to our customers; and (4) an energy charge (pumping charge), which is based on the amount of energy required to pump water to identified pump zones within Padre Dam's service area. Pump zones are based on the elevation levels water is required to be pumped for delivery.

There are three water customer classes - single family, multi-family and non-residential. Within the single-family customer class Padre Dam is proposing five categories based on property size (RS1-RS5). Within the multi-family (MF) class Padre Dam is proposing one category to cover multi-family dwellings (apartments), mobile home parks, and condominiums/townhomes. Within the non-residential customer class there are further categories of customers - commercial/government (includes hotels and rest homes), potable irrigation, recycled irrigation, agriculture, construction, flushing and fire service. The rates for single family and multi-family customers are the same in each tier. The rates for non-residential customers are proposed to be uniform rates for each category and do not have tiers. The rates in the non-residential categories are based on the cost of service determined for each category.

Water Allocation and Rates

Residential customers (single and multi-family) receive an allocation of water based on their property size, purchased capacity, and the average historical water use of all similar customers. Each residential customer is allocated a reasonable amount of water for efficient indoor and outdoor water use based on certain factors pertaining to their property. The residential rate structure for the commodity charge has four tiers. Allocations within the first tier are meant to cover indoor water use. A customer's allocation in Tiers 2, 3 and 4 will vary each month, based on historical weather and water use data, to provide a higher allocation during the warmer months of the year, when irrigation needs are highest. The cost of providing water service is allocated to, and recovered from, all tiers.

Padre Dam proposes simplifying non-residential (commercial and irrigation) water rates by eliminating tiers and charging a uniform rate for water use. Commercial customer water use ranges widely by type of business. Charging a uniform rate provides the most equitable means to charge for cost of service. The uniform rate was determined based on the amount needed to cover and not exceed the cost of providing water service to each customer class. The recycled water (recycled irrigation) rate is based on 90% of the potable irrigation rate.

Fixed Monthly Systems Charge

Monthly service charges are based on the size of a customer's water meter. Padre Dam's systems charge is used to help recover fixed operating and infrastructure costs. Fixed costs account for 58% of the District's total water operating costs. Only 43% of these costs are recovered through the systems charge. The remaining 57% are recovered through water rates, which leaves cost recovery susceptible to decreases in customer water use. The increase to this portion of your bill is to help Padre Dam recover fixed costs which do not decrease with a reduction in water use.

The Value of Your Water

As a Padre Dam customer, you are getting more than just high quality tap water. You are getting reliable service that includes ongoing maintenance, sophisticated water quality testing, and highly trained personnel. Your tap water costs approximately a penny per gallon – a true bargain considering the energy and expertise it takes to treat and deliver safe and reliable water to your home. Customer water rates are used not only to purchase water but also to maintain and replace Padre Dam's infrastructure and ensure continued water reliability.

All water infrastructure has a finite life span. Water pipelines are not permanent structures and as materials age and technology advances, those pipes and transmission systems must be maintained and replaced to ensure reliable water service.

Many local water agencies have reservoirs and/or potable water treatment plants that serve as additional water sources and help minimize costs. However, Padre Dam's potable water supply is 100% imported and travels over 600 miles from the Delta in Northern California and the Colorado River to Padre Dam's service area. We continue to research and develop ways to diversify our water sources into the future.

Proposed Water Systems Charges (Effective November 1) Per Month

Meter	2012	2013	2014	2015	2016	CURRENT IAC Charges	Current Pumping Charges Per Hundred Cubic Feet of Water
							Zone Rate
5/8"	\$25.85	\$27.10	\$28.40	\$29.75	\$31.15	\$2.60	Western \$0.1703
3/4"	\$25.85	\$27.10	\$28.40	\$29.75	\$31.15	\$2.60	Zone 1 \$0.2314
1"	\$37.35	\$39.10	\$40.95	\$42.90	\$44.95	\$4.17	Zone 2 \$0.4632
1.5"	\$55.35	\$58.00	\$60.75	\$63.65	\$66.65	\$7.82	Zone 3 \$0.8220
2"	\$78.80	\$82.55	\$86.45	\$90.55	\$94.85	\$13.57	Zone 4 \$0.9866
3"	\$144.00	\$150.85	\$158.00	\$165.50	\$173.35	\$25.05	Zone 5 \$1.2231
4"	\$217.90	\$228.25	\$239.10	\$250.45	\$262.35	\$42.79	
6"	\$424.70	\$444.85	\$466.00	\$488.15	\$511.35	\$78.28	
8"	\$511.85	\$536.15	\$561.60	\$588.30	\$616.25	\$135.68	
10"	\$682.45	\$714.85	\$748.80	\$784.35	\$821.60	\$203.52	

Proposed Residential Water Rates

Proposed Water Allocations (Effective November 1)

In Hundred Cubic Feet Per Month (1 HCF = 748 gallons)

The allocations shown below are for the proposed new single-family classes (RS1-RS5) and multi-family class (MF). Single-family classes are determined by property size and purchased EDUs listed in the chart below and allocations are determined by historical water use of similar property sizes.

Tier	RS1 (.01-.50 acres)	RS2 (.51 -2.00 acres)	RS3 (2.01+ acres)	RS4 (1.5 EDUs)	RS5 (2.0 EDUs)	MF (Per EDU)
1	0-9	0-9	0-9	0-13	0-18	0-7
2	10-27	10-33	10-38	14-37	19-55	8-22
3	28-36	34-43	39-49	38-51	56-73	23-30
4	37+	44+	50+	52+	74+	30+

Irrigation Adjustment

Residential customer allocations in all tiers, except tier 1, will change throughout the year for outdoor water use. Based on historical water use data, the table below shows what percentage of your allocation you will receive each month. The purpose of the adjustment is to allow more water use at lower water rates during the warmer months of the year. The adjustment does not change your total allocation of water for the year.

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
71%	59%	70%	85%	112%	126%	140%	141%	124%	110%	86%	75%
Warmer Months											

Proposed Water Rates (Effective November 1)

Per Hundred Cubic Feet of Water

Tier	2012	2013	2014	2015	2016
1	\$4.75	\$4.98	\$5.22	\$5.47	\$5.73
2	\$5.27	\$5.52	\$5.78	\$6.05	\$6.34
3	\$6.00	\$6.29	\$6.59	\$6.90	\$7.23
4	\$6.55	\$6.86	\$7.19	\$7.53	\$7.89
ESA Credit*	\$0.56	\$0.56	\$0.57	\$0.57	\$0.58

*Eastern Service Area (ESA) customers previously approved a ballot measure to pay a portion of their water bill on their property tax bill. As long as Padre Dam continues to receive property tax revenues, ESA customers will see the credit shown above for each unit of water used. If the state takes such property tax revenues in the future, ESA customers will no longer receive the tax revenue credit.

Average Customer Bill**

Based on current average monthly water use by class

Meter	RS1	RS2	RS3	RS4	RS5
Average Use	11 HCF	15 HCF	21 HCF	24 HCF	27 HCF
Systems Charge	\$25.85	\$25.85	\$25.85	\$25.85	\$25.85
IAC Charge	\$2.60	\$2.60	\$2.60	\$2.60	\$2.60
Tier 1 Water	\$42.75	\$42.75	\$42.75	\$61.75	\$85.50
Tier 2 Water	\$10.54	\$31.62	\$63.24	\$57.97	\$47.43
Monthly	\$81.74	\$102.82	\$134.44	\$148.17	\$161.38

**Numbers shown in this section do not include pumping charges, sewer charges or the ESA credit.

Padre Dam's online Bill Calculator will calculate your current water bill and what your proposed future water bill for 2013 will be. Go to www.padredam.org and click on Bill Calculator on the left side of the page. You will need your account number and address to log-in.

Simplified Residential Classes

Padre Dam is proposing to decrease the number of single-family service types from seven classifications to five. A cost of service analysis was completed and determined the impact on customers was minimal because water allocations (shown on the left) were recalculated to adjust for the new classifications. For example, in RS1 more water has been added to Tier 2 to accommodate larger property sizes now in RS1.

Padre Dam is proposing to decrease the number of multi-family service types from three classifications to one. A cost of service analysis determined the impact on customers was minimal. Allocations were calculated on 83% of the RS1 allocation. This is consistent with industry standards.

The proposed new residential classes are shown below.

CURRENT	PROPOSED
RS1	RS1
RS2	RS1
RS3	RS1
RS4	RS2
RS5	RS3
RS6	RS4
RS7	RS5
MHP	MF
MDW	MF
CON	MF

Simplified Water Rate Tiers

Padre Dam is proposing to decrease the number of residential water rate tiers from five to four. A cost of service analysis determined the reduction to four tiers would have minimal impact on customers. The current tiers 2 and 3 were combined to create increased allocations in Tier 2. The decrease in tiers will help to simplify our billing structure and make it easier for customers to understand.

Proposed Non-Residential Water Rates

Proposed Non-Residential Water Rates (Effective November 1) Per Hundred Cubic Feet of Water/Per Month

The proposed rates shown below are for the proposed non-residential customer categories listed in the chart.

Tier	2012	2013	2014	2015	2016
Commercial/Government	\$4.99	\$5.23	\$5.48	\$5.74	\$6.01
Potable Irrigation	\$5.29	\$5.54	\$5.80	\$6.08	\$6.37
Recycled Irrigation	\$4.76	\$4.99	\$5.22	\$5.47	\$5.73
Agriculture*	\$4.89	\$5.12	\$5.36	\$5.61	\$5.88
Construction Potable	\$12.00	\$12.57	\$13.17	\$13.79	\$14.45
Construction Recycled	\$9.49	\$9.94	\$10.41	\$10.90	\$11.42
Flushing	\$6.00	\$6.29	\$6.58	\$6.90	\$7.22
ESA Credit**	\$0.56	\$0.56	\$0.57	\$0.57	\$0.58

*Agriculture customers (ag) are subject to reductions as outlined in the agricultural program applicable to the property. The Ag rate shown does not include any discount provided for agricultural programs. Ag with a residence on the property will be charged at residential tiered rates for the first 26 HCF units per residence, per property. Ag also pays a special \$30 per month service charge to cover the cost of providing service.

Proposed Fire Service Charges/Per Month (Effective November 1)

Fire service charges are a flat fee charged to customers who require a water service line separate from their residential or commercial service to support a fire suppression system on their property. The proposed charges are set to recover the cost of providing this service.

Service Line	2012	2013	2014	2015	2016
1" Line	\$17.60	\$18.44	\$19.32	\$20.24	\$21.20
Larger than 1"	\$30.25	\$31.69	\$33.20	\$34.78	\$36.43

**Eastern Service Area (ESA) customers previously approved a ballot measure to pay a portion of their water bill on their property tax bill. As long as Padre Dam continues to receive property tax revenues, ESA customers will see the credit shown above for each unit of water used. If the state takes such property tax revenues in the future, ESA customers will no longer receive the tax revenue credit.

Water and Sewer Pass-Through Increases

The rates put forth in this notice do not include any increases to rates from water wholesalers, energy providers or wastewater imposed on Padre Dam by other agencies. Future pass-through rate information is not available at this time. However, Padre Dam approved pass-through rate increases for July 2012 through June 2017 to allow:

- 1) any future increases to any existing charges and rates imposed on Padre Dam by the San Diego County Water Authority;
- 2) any increases in energy rates imposed on Padre Dam by energy providers for the pumping of water;
- 3) any increase in the cost to treat and dispose of Padre Dam's wastewater by the City of San Diego;
- 4) any reduction in the allocation of ad valorem taxes by the State of California pursuant to Proposition 1A, which was approved by voters in 2004 with the intent of protecting the property tax revenues of local governments. Under Proposition 1A, the State of California is allowed to borrow local government property taxes on the condition that they be paid back within three years. This would impact all water customers rates.

Any pass through increase to the rates described in this notice shall not exceed 20% per provider per year, and any ad valorem pass-through shall not exceed 8% per year. In no event shall such rates be increased by more than the cost of providing water or sewer service. Pass through increases are necessary in order to maintain the safety and reliability of the District's water and sewer systems and avoid deficits and depletion of financial reserves.

Protesting the Proposed Water and Sewer Increases

Any property owner or tenant responsible for paying the Padre Dam bill may submit a written protest to the proposed rate adjustments. Written protests must: 1) state which proposed rate or fee adjustment the property owner or tenant opposes; and 2) include the property owner/tenant name, address, parcel number or Padre Dam account number, and signature. Any written protest, whether mailed or delivered in person, must be submitted prior to the close of the public comment portion of the public hearing. Notices may be mailed to: **Board Secretary, P.O. Box 719003, Santee, CA 92072-9003**. Only one protest will be counted per parcel. Protests submitted electronically will not be counted. If written protests are not submitted by a majority of property owners/tenants, the Board will be authorized to adopt the proposed rate adjustments.

The Board of Directors will hear and consider all written and oral protests to the proposed changes to the rate structure and rate increases at the Public Hearing. Oral comments will not qualify as formal protests unless a written protest is also included. At the conclusion of the public hearing the Board will consider adoption of the new rate structure and rate increases.

Proposed Sewer Rates

Sewer Rate Structure

Padre Dam's sewer rate structure is designed to fairly allocate the costs of sewer collection and treatment among our sewer customers. The District recently evaluated other sewer billing alternatives with the help of a rate consultant, HDR, and determined that the District's current method is the most equitable solution for customers.

Padre Dam's sewer rates are structured to proportionately allocate the cost of providing service among its customer classes. The rate structure for Padre Dam's sewer service fees is comprised of two components: (1) a commodity charge (sewer rate), which is determined on the basis of the amount of water returned to the sewer (flow) and the strength rate of the wastewater determined by customer class; and (2) a fixed service charge (base fee) established on the basis of the customer class and category.

There are three sewer customer classes - single-family, multi-family and commercial. Within the multi-family class there are further categories of customers - multi-family dwellings (apartments)/mobile home parks, condominiums/townhomes. Within the commercial class there are six concentration levels based on the type of business. Padre Dam uses the State of California guidelines as the basis for commercial sewer concentration levels.

Single-family residential sewer charges are evaluated each calendar year in January based on the lowest consecutive 60-day water consumption period for the account from the previous calendar year. This is the best means of determining a single-family residential customer's wastewater flow. A new customer fee is charged to single-family residential customers that have not established a full-year of water-use history in their current place of residence. The rates for single-family and multi-family are the same. However, the monthly base fees vary between class based on determined cost of service for each class. The rates for commercial are based on wastewater concentration levels determined by type of business.

Single-Family Residential Customers (Effective November 1)

Base fee is per month/Sewer Rate based per HCF

Meter	2012	2013	2014	2015	2016
Monthly Base Fee	\$27.60	\$28.05	\$28.50	\$28.95	\$29.40
New Customer Fee	\$51.89	\$52.69	\$53.49	\$54.29	\$55.16
Sewer Rate	\$3.47	\$3.52	\$3.57	\$3.62	\$3.68

Multi-Family Residential Customers (Effective November 1)

Base fee is per month per EDU/Sewer Rate based per HCF

Meter	2012	2013	2014	2015	2016
Townhouse/Condo Base Fee	\$22.90	\$23.25	\$23.60	\$23.95	\$24.30
Apartments & MHP Base Fee	\$18.80	\$19.10	\$19.40	\$19.70	\$20.00
Sewer Rate	\$3.47	\$3.52	\$3.57	\$3.62	\$3.68

Commercial Customers (Effective November 1)

Base fee is per month

Meter	2012	2013	2014	2015	2016
Monthly Base Fee (per EDU)	\$27.60	\$28.05	\$28.50	\$28.95	\$29.40
Strength Rate					
Concentration Level 1	\$3.34	\$3.39	\$3.44	\$3.49	\$3.54
Concentration Level 2	\$3.50	\$3.55	\$3.60	\$3.66	\$3.72
Concentration Level 3	\$3.91	\$3.97	\$4.03	\$4.09	\$4.15
Concentration Level 4	\$4.95	\$5.03	\$5.11	\$5.19	\$5.27
Concentration Level 5	\$7.91	\$8.03	\$8.15	\$8.28	\$8.41
Concentration Level 6	\$8.08	\$8.20	\$8.33	\$8.46	\$8.59

Single Family Sewer Charge Formula

$$\begin{aligned} & \text{(Previous year's lowest 60-day bill} \\ & \text{period water units} \\ & \div \text{ number of billing days} \\ & \quad \times 60 \text{ days)} \\ & \times \text{ residential sewer rate} \\ & \quad + \text{ base fee} \\ & = \text{Total Sewer monthly bill} \end{aligned}$$

Multi-Family Sewer Charge Formula

$$\begin{aligned} & \text{(Water consumption units} \\ & \text{per billing cycle} \\ & \quad \times \text{ Return to Sewer \%)} \\ & \times \text{ residential sewer rate} \\ & + \text{(base fee} \times \text{ EDU per account)} \\ & = \text{Total Sewer monthly bill} \end{aligned}$$

Commercial Sewer Charge Formula

$$\begin{aligned} & \text{(Water consumption units} \\ & \text{per billing cycle} \\ & \quad \times \text{ Return to Sewer \%)} \\ & \quad \times \text{ Strength Rate} \\ & + \text{(base fee} \times \text{ EDU per account)} \\ & = \text{Total Sewer monthly bill} \end{aligned}$$



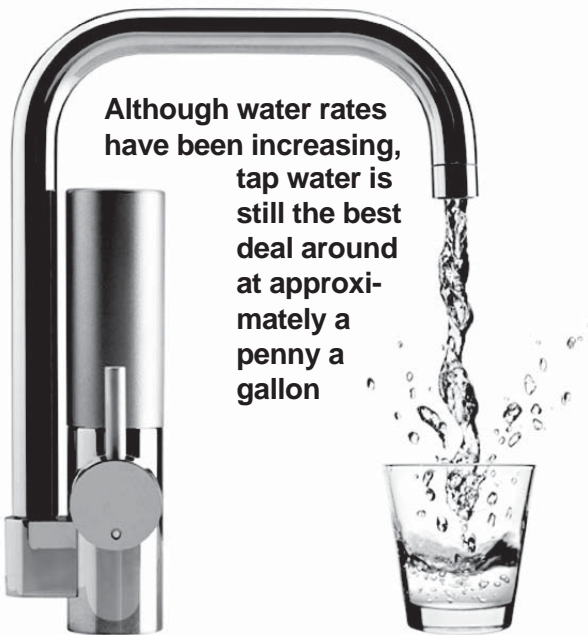
PADRE DAM
Municipal Water District

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Santee, CA 92072-9003

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**IMPORTANT: Notice of Public Hearing
Regarding 2012-2016 Water and Sewer
Rate and Fee Changes. PLEASE READ.**

**DID YOU KNOW?
Your Tap Water Is a True Bargain**



A Gallon Of:



\$11.35



\$3.49



\$16.00



\$4.00

Customer Workshops

Padre Dam will hold two evening sessions prior to the public hearing to answer customer questions about rates.

**6:00pm
Thursday, July 19**

Alpine Community Center
1830 Alpine Blvd
Alpine

**6:00pm
Thursday, July 26**

Padre Dam Boardroom
9300 Fanita Parkway
Santee

Online Bill Calculator

Padre Dam's online Bill Calculator will calculate your current water bill and what your proposed future water bill for 2013 will be. Go to www.padredam.org and click on Bill Calculator on the left side of the page. You will need your account number and address to log-in.