



Rancho California Water District

Serving the areas of Temecula & Murrieta since 1965

NOTICE:

January 2015

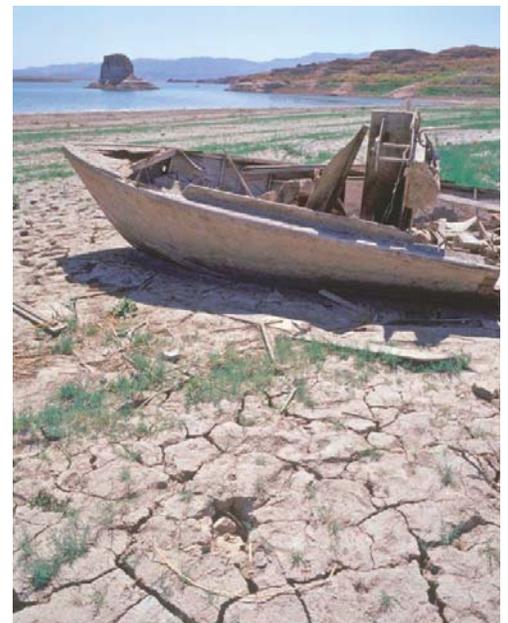
Changes to Water Shortage Contingency Plan

Public Hearing

The Board of Directors of the Rancho California Water District (RCWD/District) is proposing to adopt amendments to its Water Shortage Contingency Plan (the Plan). If adopted, the amendments will authorize RCWD to implement changes to the method used for calculating the rates for its water service fees when there are specific water shortages. As described below, because these amendments to the Plan may result in some customers paying more for water service, RCWD will be holding a public hearing on March 12, 2015 at 8:30 a.m., at 42135 Winchester Road, Temecula, CA to consider the adoption of the revised Plan.

Reasons for the Changes

RCWD purchases its water from the Metropolitan Water District of Southern California (MWD) through Eastern Municipal Water District (EMWD) and Western Municipal Water District (WMWD). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and Northern California via the California Aqueduct. On January 17, 2014 and April 25, 2014, Governor Jerry Brown issued drought state of emergency declarations in response to record-low water levels in California's rivers and reservoirs, as well as an abnormally low snowpack. The drought has impacted the cost and availability of imported water the District purchases. For the first time ever in the history of the State Water Project (which provides up to one-third of RCWD's supply in some years), there was no water available to be allocated to users of this important water source. Locally, we have also had three consecutive dry years, each with less rainfall than the previous. Over time, this has impacted our local water reserves. Most of the state, including our area, is designated as being in an extreme or exceptional drought condition at this time.



In response to the Governor's emergency declaration and as California's record drought continues, the State Water Resources Control Board (SWRCB) ordered, through an Emergency Regulation, all water utilities to activate their emergency water supply plans and adopt mandatory outdoor water conservation restrictions for their customers. Pursuant to State law, the District is required to adopt a water shortage contingency plan to address specific "stages" of action to be undertaken in response to water supply shortages.

A water shortage contingency plan generally will include within each stage specified levels of reduction in the use of water that are appropriate for a water agency's service area. RCWD's Plan establishes five water shortage stages and mandates during each stage specific water use efficiency practices to reduce unreasonable and wasteful water use and preserve the District's water supplies. In response to the SWRCB order, in August 2014, the District activated Stage 3 of its Plan, which requires mandatory reductions in outdoor irrigation and water use within its service area.

The proposed changes to the Plan retain five shortage stages in the existing Water Shortage Contingency Plan, but also provide for adjustments in customers' assigned water budgets during specified stages. (For more information on how this will impact water budgets, please see "Proposed Customer Impacts - Residential, Multi-Family, and Landscape"). The District is not proposing to change the rates for its water service fees; however, the adjustments made to customers' water budgets in different stages may affect their overall water bill during those stages. RCWD's existing rate structure and rates are described below.

Current Rate Structure and Rates

The rate structure for RCWD's monthly water service fees has three customer classes - (I) domestic, multi-family, and landscape customers; (II) commercial, industrial, and institutional customers; and (III) agricultural customers. The monthly service fees are comprised of three components - (a) a monthly water service charge; (b) an energy charge; and (c) a commodity charge. Together, the three components are structured to proportionately recover the cost of providing water service among the various customer classes. The components of the rate structure and the basis upon which they are calculated are described below.



(a) Monthly Water Service Charge

The Monthly Water Service Charge is a fixed charge determined on the basis of the meter size serving a parcel or property receiving water service. This charge is structured to recover a portion of RCWD's fixed costs.

(b) Energy Charge

The Energy Charge is based on the cost of energy required to pump water within certain identified pump zones of RCWD's retail water service area. (Please refer to your water bill for your identified pump zone.)

(c) Commodity Charge

The Commodity Charge is determined on the basis of the amount of water served to a parcel of property in hundred cubic feet (HCF) or acre-feet (AF) and consists of tiers which impose higher rates as the level of consumption increases. This charge is structured to recover a portion of RCWD's fixed costs and the cost of purchased water, and to encourage efficient use of water. Each customer is allocated a reasonable amount of water for efficient indoor and outdoor water use based on that customer's particular needs. This allocation is referred to as a "water budget." Customers whose water use remains within their water budget are billed at the lowest tiers. Customers who exceed their water budget by inefficiently using water, are billed at the rates in the higher tiers for the amount of water they use above their water budget.

RANCHO DIVISION
POTABLE WATER RATES
 (Per HCF)

	2014-2015 RATES		
	Standard	Pre 03 Annex	Post 03 Annex
Domestic, Multifamily, Landscape			
Tier I	\$0.630	\$2.124	\$2.422
Tier II	1.380	2.124	2.422
Tier III	2.660	2.660	2.660
Tier IV	5.850	5.850	5.850
Commercial, Industrial & Other	2014-2015 RATES		
	Standard	Pre 03 Annex	Post 03 Annex
Tier I	\$1.133	\$2.124	\$2.422
Tier II	1.739	2.730	3.028
Agricultural Agricultural-Domestic	2014-2015 RATES		
Tier I	\$1.125		
Tier II	1.731		

SANTA ROSA DIVISION
POTABLE WATER RATES
 (Per HCF)

	2014-2015 RATES		
	Standard	Pre 03 Annex	Post 03 Annex
Domestic, Multifamily, Landscape			
Tier I	\$1.120	\$2.124	\$2.422
Tier II	1.860	2.124	2.422
Tier III	2.660	2.660	2.660
Tier IV	5.850	5.850	5.850
Commercial, Industrial & Other	2014-2015 RATES		
	Standard	Pre 03 Annex	Post 03 Annex
Tier I	\$1.515	\$2.124	\$2.422
Tier II	2.121	2.730	3.028
Agricultural Agricultural-Domestic	2014-2015 RATES		
Tier I	\$1.513		
Tier II	2.119		

Proposed Changes to RCWD Water Shortage Contingency Plan

RCWD has two primary rate structures which reflect the differing nature of our customers. The proposed changes to the Plan therefore detail how various stages would impact customers in each rate structure. While rate structures are different, the principle behind each is consistent and the stage impacts reflect this. The table below highlights the difference between the rate structures.

Water Budget	Residential, Multi-Family and Dedicated Landscape Accounts	Agricultural, Commercial, Industrial, and Institutional Accounts
Efficient Water Use	Tier 1 (Indoor Use) Tier 2 (Outdoor Use)	Tier 1
Inefficient and Wasteful Use	Tier 3 and Tier 4	Tier 2

Stage 1: Water Supply Watch

The water use efficiency measures in Stage 1 are best management practices and remain in effect at all times, including during other stages as they are implemented. The water use efficiency measures encourage customers to continue to use water efficiently, maximize recycled water use, practice sensible voluntary water conservation, and take advantage of the District's water use efficiency incentive programs. Permanent prohibitions of water waste are continually in effect during all stages of water shortage, in addition to the specific stage requirements. These prohibitions include: no washing down hard surfaces; repair leaks; irrigate only between 6 p.m. and 9 a.m., with noted exceptions; adjust irrigation timers and systems for changing weather and to avoid runoff; use automatic shut-off valves on hoses; operate fountains only with recirculating water; install low-flow devices; new landscape should be California Friendly and non-functional turf is not recommended. In Stages 3b-5c, the customers' water budgets will be adjusted to encourage reduction in water use, as well as ensure that RCWD continues to recover all of its costs of water service. The reductions in the customers' water budgets are described in the table on the following page.

Water Shortage Stage	Description	
	Residential, Multi-Family, & Dedicated Landscape	Agricultural & Commercial, Industrial and Institutional
2: Water Supply Alert	Increased outreach to achieve voluntary reduction of up to 20%	
3: Water Supply Warning - Mandatory Water Waste Reduction	<p>Mandatory outdoor water use reduction and elimination of excessive or wasteful outdoor water use, recommend install of “smart” timer, Allocation Surcharge/monetary assessments/fines for non-compliance imposed for flagrant or repeat violations, continue permanent prohibitions of water waste, and suspend rolling budgets. In Stage 3, the District reduces the Tier 3 (inefficient) budget for Residential, Multi-Family, and Dedicated Landscape customers.</p> <p>3a: Eliminates variances or adjustments for certain activities 3b: Tier 3 budgets decreased by 50% 3c: Tier 3 budgets decreased by 100%</p>	
4: Extreme Water Supply Warning - Mandatory Outdoor Water Reduction	<p>Mandatory outdoor water use reduction, recommend install of “smart” timer, Allocation Surcharge/monetary assessments/fines for non-compliance imposed. Actions from Stages 1 through 3 continue. In Stage 4a, no new meters, except for health and safety, unless water demand is offset to a net zero increase. In Stage 4, the District reduces the Tier 2 efficient use budget for Residential, Multi-Family, and Dedicated Landscape customers and reduces the Tier 1 efficient use budgets for Agriculture and Commercial, Industrial and Institutional accounts as noted below.</p>	
	4a: Tier 2 budgets decreased by 10-49% 4b: Tier 2 budgets decreased by 50-99% 4c: Tier 2 budgets decreased by 100%	4a: Tier 1 budgets decreased by 10% 4b: Tier 1 budgets decreased by 20% 4c: Tier 1 budgets decreased by 45%
5: Water Supply Emergency - Mandatory Indoor/Outdoor Water Reductions	<p>Mandatory outdoor and indoor water use reduction. NO irrigation of lawns, landscapes or gardens, NO washing vehicles at home, NO filling swimming pools, NO replacement water for lakes/ponds, turn off all decorative fountains, Allocation Surcharge/monetary assessments/fines for non-compliance imposed. All prohibitions of water waste continue. Variances for health and safety only. In Stage 5, no new meters allowed, except for health and safety. In Stage 5, the District further reduces the Tier 1 efficient use budgets for all customers.</p>	
	5a: Tier 1 budgets decreased by 10% 5b: Tier 1 budgets decreased by 30% 5c: Tier 1 budgets decreased by 50%	5a: Tier 1 budgets decreased by 55% 5b: Tier 1 budgets decreased by 60% 5c: Tier 1 budgets decreased by 70%

Proposed Customer Impacts - Residential, Multi-Family, and Landscape

What do tiered water budgets represent? Each Residential, Multi-Family, and Dedicated Landscape customer receives a calculated water budget based on individual factors. For example, the number of residents and the size of the irrigated landscape area in relation to daily weather needs. Tier 1 water budgets are designed to provide enough water for efficient indoor water use. Tier 2 water budgets provide the appropriate amount of water for outdoor water use. Together, these represent the total efficient water budget. The Tier 3 water budget equals 50% of the combined Tier 1 and Tier 2 water budget and is considered an inefficient use of water. Tier 4 is considered wasteful use. In order to illustrate the impact on a monthly water bill if the District moves into Stage 3b or Stage 4b, total monthly bill impacts were calculated and compared for a typical domestic customer to their Stage 1 water bill. In Stage 3b, the Tier 3 water budget would be reduced by 50%; this means a customer that uses more than their Tier 3 water budget would be subject to Tier 4 rates sooner. However, customers that stay within their

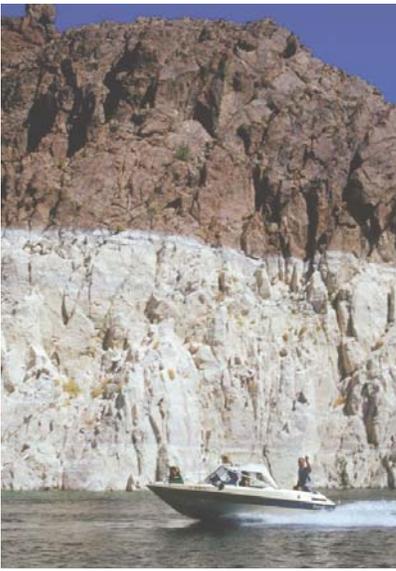
efficient water budgets (Tier 1 and Tier 2) would not see an impact from Stage 3b as these budgets are not yet reduced. Under Stage 4b, the inefficient water budget is completely eliminated and a reduction of up to 50% of the outdoor water budget would also occur. Therefore, customers would have to reduce their outdoor water use by 50% or pay the Tier 4 water rates for any use above their new, adjusted outdoor budget. Customers who reduce their outdoor water use by 50%, would not incur Tier 4 water rates. The example below shows the potential cost if a customer does not reduce their water use.

Residential, Multi-Family, and Landscape Example	Rate	Stage 1		Stage 3b		Stage 4b	
		Water Use	Bill	Water Use	Bill	Water Use	Bill
Monthly Service Charge	\$19.060		\$19.06		\$19.06		\$19.06
Energy Charge	\$0.036	25	\$0.90	25	\$0.90	25	\$0.90
Water Charge:							
Tier 1	\$0.630	10	\$6.30	10	\$6.30	10	\$6.30
Tier 2	\$1.380	15	\$20.70	15	\$20.70	8	\$11.04
Tier 3	\$2.660						
Tier 4	\$5.850					7	\$40.95
Total Bill			\$46.96		\$46.96		\$78.25

Public Hearing Protests

Any property owner or tenant directly responsible for the payment of water service fees may submit a written protest to changes to the Water Shortage Contingency Plan which affects water budgets; provided, however, only one protest will be counted per identified parcel. Any written protest must: 1) state the identified property owner or tenant is in opposition to the proposed Water Shortage Contingency Plan changes; 2) provide the location of the identified parcel (by assessor's parcel number or street address); and 3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail or in person to the District Secretary at 42135 Winchester Rd., Temecula, CA 92590, or at the Public Hearing to be held on March 12, 2015, provided they are received prior to the close of the Public Hearing, which will occur when public testimony on the proposed Water Shortage Contingency Plan is concluded.

Any protest submitted via e-mail or other electronic means will not be accepted. Please identify on the front of the envelope for any protest, whether mailed or submitted in person, Attn: Public Hearing on Water Shortage Contingency Plan Changes. The RCWD Board of Directors will hear and consider all written and oral protests to the proposed Water Shortage Contingency Plan changes at the Public Hearing. Oral Comments at the Public Hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the Public Hearing, the Board of Directors will consider adoption of an ordinance authorizing the Water Shortage Contingency Plan changes as described herein.



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