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January 16, 2015

PROPOSITION 218 NOTICE OF PUBLIC HEARING

PROPOSED INCREASES TO RATES FOR WATER SERVICES

NOTICE IS HEREBY GIVEN that the Lake Hemet Municipal Water District (the "District") will conduct a **Public Hearing** at its District Headquarters, 26385 Fairview Avenue, Hemet, on **Thursday, March 19, 2015, 5:30 p.m.**, as part of its Regularly Scheduled monthly Board meeting, for the purpose of discussing and possibly adopting the following:

- (i) An increase in potable and non-potable water usage rates for domestic, residential, commercial and irrigation customers as shown in the Table I below.
- (ii) An increase in the water service charge (by meter size) to domestic, residential, commercial, and irrigation customers as shown in the Table II below.
- (iii) To allow any future wholesale rate increases imposed by Eastern Municipal Water District and Metropolitan Water District which are imposed on the District to be passed through to District customers, subject to the provisions of Government Code Section 53756.
- (iv) To allow the District to impose inflationary water usage rate increases based on the CPI-U for the Los Angeles-Riverside-Orange County areas on an annual basis at a rate not to exceed three percent (3%) per year. Any such increase would be subject to the provisions of Government Code Section 53756.
- (v) To allow the District to impose conservation-based rates when emergency measures are required to temporarily reduce water use in the event available supplies cannot meet demands as shown in Table III below. Future Board action will be needed to implement these conservation rates, subject to the provisions of Government Code Section 53756.

The District is faced with increased costs for importing water for groundwater recharge into and for pumping water out of its groundwater basins. An estimated \$4,400,000 is needed annually in increased revenue to cover these rising costs. These costs consist of passing through increased imported wholesale water rates imposed by Eastern Municipal Water District and Metropolitan Water District as well as payments per the Soboba settlement and the Groundwater Management Agreement with the surrounding cities and water agencies in the aggregate amount of \$3,000,000; \$400,000 in increased annual energy costs; and \$1,000,000 for the restoration of the reserve fund. The needed revenue is allocated to potable and non-potable customers based on the percentage of groundwater pumped annually by District customers (75% and 25%, respectively). Of the \$4,400,000, approximately \$2,270,000 are fixed costs independent of the amount of water sold. These costs are allocated to the service charge portion of the bill as shown in Table II below. The remaining \$2,130,000 is allocated to water consumption by the District customers as shown in Table I below.

TABLE I - Monthly Usage Rates

POTABLE

PHASE	TIER	1	2	3	4	5
CURRENT	WATER USAGE (HCF)	0 to 7	7 to 13	13 to 25	25 to 38	> 38
	RATE (\$/HCF)	\$2.183	\$2.214	\$2.269	\$2.365	\$2.548
PROPOSED	INCREASE (\$/HCF)	\$0.110	\$0.160	\$0.330	\$0.500	\$0.770
	RATE (\$/HCF)	\$2.29	\$2.37	\$2.60	\$2.87	\$3.32

NOTES:

1. HCF means hundred cubic feet which is approximately 748 gallons.
2. Commercial customers will be charged the same rates as above. The tier volumes will be increased by a multiplier to account for the increased usage of some commercial customers. The multiplier will be the ratio of the customer's usage from the past year compared to a typical residential customer's usage of 18 HCF/month (Equivalent Dwelling Unit) multiplier. The multiplier will be a minimum of 1 and a maximum of 10.
3. The Usage rates shown above are the sum of the commodity, imported water, capital improvement surcharges.
4. Lift charges will continue to be in addition to the above and remain unchanged.
5. Rates are rounded and will be applied to the nearest \$0.01.
6. Monthly water bills are charged whole water billing units (HCF).

NON-POTABLE

RATE		IR1	IR2	IR3	504AG	505AG
CURRENT	WATER USAGE (AF)	\$395.74	\$400.81	\$468.29	\$584.31	\$93.81
PROPOSED	INCREASE (\$/AF)	\$114.00	\$114.00	\$114.00	\$114.00	\$0
	TOTAL	\$510	\$515	\$582	\$698	\$94

NOTES: 1. Rates rounded to and applied to the nearest \$1.

TABLE II - Monthly Service Charge by Meter Size

POTABLE SERVICES

	METER SIZE					
	5/8" or 3/4"	1"	1½"	2"	3"	4"
CURRENT	\$18.225	\$22.111	\$31.745	\$43.330	\$74.314	\$109.130
PROPOSED INCREASE	\$12.16	\$12.16	\$12.16	\$12.16	\$12.16	\$12.16
PROPOSED TOTAL	\$30.39	\$34.27	\$43.91	\$55.49	\$86.47	\$121.29

NON-POTABLE SERVICES

	METER SIZE					
	≤ 4"	6"	8"	10"	12"	16"
CURRENT	\$0	\$0	\$0	\$0	\$0	\$0
PROPOSED	SAME AS POTABLE	\$273	\$485	\$758	\$1,092	\$1,941

TABLE III - Conservation Usage Rates

TIER	1	2	3	4	5
% INCREASE	0%	0%	150%	200%	500%
RATE	\$2.29	\$2.37	\$3.90	\$5.74	\$16.60

The percentage will be temporarily applied to the usage rate in effect at the time the conservation rate is triggered by future Board action if available water supplies cannot meet demands.

AVERAGE RESIDENTIAL WATER BILL

EXAMPLE:

LHMWD's average customer uses approximately 450 gallons of water each day throughout the year.

This amounts to 18 HCF (billing units) over a 1-month billing period. The average customer's bill would then be calculated as follows (excluding other applicable charges such as lift charges, sewer and trash collection charges, and/or other City services):

					<u>Current Rates</u>	<u>New Rates</u>	
Water Service Charge (residential Customer with a 3/4" meter)					\$18.225	\$30.39	
Water Commodity Based Charges							
Water Usage (Tier 1)	7	HCF	@	\$2.183	\$15.28	\$2.29	\$16.05
Water Usage (Tier 2)	6	HCF	@	\$2.214	\$13.28	\$2.37	\$14.24
Water Usage (Tier 3)	5	HCF	@	\$2.269	\$11.35	\$2.60	\$13.00
Water Usage (Tier 4)	no usage	HCF	@	\$2.365	\$0.00	\$2.87	\$0.00
Water Usage (Tier 5)	no usage	HCF	@	\$2.548	0.000	\$3.32	\$0.00
Subtotal	18				\$39.91		\$43.29
Total Charges (Service Charge + Commodity Charge)					\$58.14		\$73.68
Increase in Monthly Bill							\$15.54

Increase	26.7%
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If adopted, the proposed rates will become effective April 1, 2015.

Pursuant to Section 53756, an agency providing water, sewer or refuse collection can adopt a schedule of fees or charges authorizing automatic adjustments that pass through increases in wholesale charges for water or adjustments for inflation, if it complies with all of the following:

- a) The schedule of fees or charges is for a period not to exceed 5 years pursuant to 53755.
- b) The schedule of fees may include a schedule of adjustments, including a clearly defined formula for adjusting for inflation. An inflation adjustment to a fee or charge for a property-related service shall not exceed the cost of providing the service.
- c) The schedules of fees or charges for an agency that purchases wholesale water from a public agency may provide for automatic adjustments that pass through the adopted increases or decreases in the wholesale charges established by the other agency.
- d) Notice of any adjustment pursuant to the schedule shall be given pursuant to subdivision (a) of Section 53755 not less than 30 days before the effective date of the adjustment.

Any property owner or customer of record may submit a written protest for the proposed increases; provided, however, that only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or customer is in opposition to the proposed water rate increases and/or charges; (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 customer submitting the protest.

Written protests may be submitted by mail to the Secretary of the Board of Directors, P.O. Box 5039, Hemet, CA 92544-0039 or in person at 26385 Fairview Avenue, Hemet, California 92544; or at the public hearing, so long as they are received prior to the conclusion of the public hearing. 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 to the Secretary, that the enclosed letter is for the Public Hearing on the Proposed Increases to Water Rates and Charges.

The Lake Hemet Municipal Water District Board of Directors will hear and consider all written and oral protests to the proposed rates and charges at the Public Hearing. Upon conclusion of the Public Hearing, the Board of Directors will consider adoption of the proposed rates and charges. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. If written protests against the proposed rates and charges as outlined above are not presented by a majority of property owners or customers of the identified parcels upon which the rates and charges are proposed to be imposed on, the Board will be authorized to impose the rates and charges, including passing through any incremental increases in the rates for the purchase of imported wholesale water from Eastern Municipal Water District and Metropolitan Water District and inflationary increases based on CPI.

If you have any questions regarding the proposed increases or the process for submitting a protest, please call the District at (951) 658-3241.

Sincerely,



Thomas W. Wagoner
General Manager