



THE CITY OF SAN DIEGO

Notice of Public Hearing

The San Diego City Council will hold a public hearing to consider proposed adjustments in water and sewer rates including a monthly credit for Single Family Residential sewer customers.

Interested parties are invited to attend. Read inside to learn more.

October 8, 2007
2:00 pm

City Administration Building
202 "C" Street, 12th Floor
Council Chambers
San Diego, CA

THE PROPOSED SEWER RATE REVERSAL AND CREDIT

On May 18, 2007, the Superior Court for the County of San Diego approved the settlement of a class action lawsuit affecting sewer rates for the City of San Diego. The lawsuit alleged that the City had overcharged Single Family Residential customers – while undercharging other customers – for sewer service until rates were revised in October of 2004.

The settlement approved by the Court requires the City to reimburse Single Family Residential customers a total of \$40 million (less attorney's fees of \$5 million and other costs*) over the next four years.

To satisfy the terms of the settlement, the City must temporarily adjust rates for all City sewer customers. But, the City also intends to **REVERSE THE PROPOSED RATE INCREASE AND OFFER AN ADDITIONAL MONTHLY CREDIT** to “eligible” Single Family Residential Customers (Nearly all Single Family Residential customers are considered “eligible” under the terms of the settlement. See the [◇]footnote below for more information.). These proposed adjustments are in addition to the existing rate structure approved by the Mayor and City Council in February 2007. The City proposes to take the following actions to satisfy the terms of the settlement:

For “eligible” City Single Family Residential Sewer Customers only[◇]:

- The City proposes to REDUCE sewer service charges by:
FIRST, REVERSING the two 3.05% rate increases applicable to all City sewer customers, and
SECOND, DISTRIBUTING a share of the settlement in the form of a **MONTHLY CREDIT** (currently estimated to be \$3.25 per month to each “eligible” Single Family Residential account). The actual amount of the credit may vary slightly, depending on total number of accounts in the City.

For all City Sewer Customers:

- The City proposes to increase existing sewer rates by 3.05% starting November 1, 2007.
- The City also proposes to increase existing sewer rates again by another 3.05% starting May 1, 2008.

These proposed rate adjustments are calculated to raise \$40 million in revenue over the next four years as required in the settlement agreement approved by the Court. All funds raised through the proposed rate adjustments will go towards reducing sewer service charges for “eligible” Single Family Residential customers and for meeting the other terms of the Court settlement as described above.

After the \$40 million settlement amount has been raised and distributed, the rate reversal and monthly credit for Single Family Residential customers will stop and the two 3.05% rate increases for all City sewer customers will end. This is expected to happen on or about October 30, 2011.

A Quick Way to Determine Your NEW Sewer Rate:

If you are an “eligible” Single Family Residential customer add the sewer base fee and service charge amounts listed on your combined water and sewer billing notice. SUBTRACT \$3.25 to estimate your new sewer charges.

For all other rate payers (that are not “eligible” Single Family Residential customers): add the sewer base fee and service charge amounts listed on your combined water and sewer billing notice and multiply that amount by 1.0305 to get an estimate of what your new sewer rate will be starting in November 2007.

All City sewer customers can find more detailed information about the proposed rate adjustment on the City's website at www.sandiego.gov/mwwd or by calling (619) 515-3500.

EXAMPLES of the Monthly Sewer Service Charges Being Proposed:

The table at the top of the next page provides EXAMPLES of how typical customers will be affected by the proposed sewer rate adjustments. **Actual billing will vary with usage.** The second step in the proposed new rates (beginning in May 2008) will have similar impacts on customers. These examples are for monthly billing. The City will shift to billing once every two months in April 2008.

* A sum of \$20,000 derived from the settlement will also be allotted to a non-profit organization that will provide the City and its customers with an evaluation of future sewer and water rate-setting activities. An additional sum of about \$30,000 derived from the settlement will be paid to former City sewer customers who filed a claim for reimbursement of the overcharges described in the settlement.

◇ “Eligible” Single Family Residential customers are those who received sewer service to their property in the ten year period prior to October 1, 2004. More than 97% of current City sewer service customers are considered “eligible” under the terms of the settlement. Those Single Family Residential customers who began sewer accounts after that date will not receive a rate reversal and a credit against sewer service charges.

Example:

Customer Type	Sewer Flow**	Oct. 2007 Billing	Nov. 2007 Billing	Nov. 2007 Billing with Rate Reversal	Monthly Credit	Nov. 2007 Net Billing
Single Family Residential (Eligible)	9 hcf	\$38.32	\$39.51	\$38.32	\$3.25	\$35.07
Single Family Residential (Not Eligible)	9 hcf	\$38.32	\$39.51	\$39.51	N/A	\$39.51
Multi-Family Residential	28 hcf	\$125.43	\$129.17	\$129.17	N/A	\$129.17

Commercial Accounts	Sewer Usage	Oct. 2007 Billing	Nov. 2007 Billing	TSS*** (PPM)	COD*** (PPM)
	750 hcf	\$3,324.63	\$3,426.03	300	600

** Sewer flow is calculated as a percentage of the amount of water used. For Single Family Residents, that calculation is based on data collected during winter months, the time of lowest water use in San Diego. All others customers are based on a percentage of monthly water usage.

*** There are three components of the cost of wastewater service: amount of flow, amount of Total Suspended Solids (TSS) and amount of organic material, known as Chemical Oxygen Demand (COD). For residential customers, the City estimates an average value for TSS and COD based on industry standards and includes costs for treating those components within the fee shown on the wastewater bill. For smaller industrial customers, values and treatment costs for TSS and COD are based on industry average and vary based on the type of business. For larger industrial customers, the City directly measures TSS and COD and appropriately bills those customers for treatment costs.

PROPOSED WATER SERVICE RATES AND CHARGES

Why the City MUST Propose New Water Rates:

On June 28, 2007 the San Diego County Water Authority (CWA) voted to increase the rates it charges for imported water beginning on January 1, 2008. This rate increase applies to all county water agencies, including the City. Because local water supplies are very limited, the City must buy in excess of 90% of the water it supplies to its customers from the CWA.

The CWA's increase was not included in the series of water rate increases approved by the Mayor and City Council in February of this year because the cost increase was not known at the time. Because the City must recover the costs for water purchases, it must "pass through" these increased charges to its customers.

The CWA increases are based on the costs for the infrastructure, operation and maintenance of CWA's water supply system. The CWA's increases also reflect the cost it pays to purchase water from the region's largest water wholesaler, the Metropolitan Water District of Southern California. The CWA has approved increases to both its fixed

infrastructure access charge and its commodity charge, which is based upon the amount of water purchased.

Proposed Fee Increases:

There are two parts to water rates charged by the City of San Diego - the Base Fee and the Commodity Fee. The Base Fee is levied to recover the fixed charges associated with the operation and maintenance of the water system and the charges paid by the City to access the CWA water supply infrastructure. The Commodity Fee is levied to recover the variable costs based on the amount of water used by water system customers.

PROPOSED RATE ADJUSTMENTS FOR CWA PASS THROUGH BASE FEE INCREASES:

The table on the next page illustrates how the proposed water rate increase will affect the **base fee** for water system customers.

AN IMPORTANT NOTE:

Over 90 percent of Single Family Residential customers have meter sizes less than 1 inch. That means that the vast majority of Single Family Residential customers will see their base fee rise by 14 cents per month. If you need assistance to determine your meter size, please call the City's Water Department Customer Service Division at (619) 515-3500.

BASE FEES Meter Size:	Current	January 1, 2008 (with CWA Pass Through)	Total Increase	Most SFR Customers
Less than 1 Inch	\$15.18	\$15.32	\$0.14	
1 Inch	\$22.17	\$22.41	\$0.24	
1 1/2 Inch	\$38.13	\$38.59	\$0.46	
2 Inch	\$58.09	\$58.83	\$0.74	
3 Inch	\$104.98	\$106.38	\$1.40	
4 Inch	\$171.83	\$174.17	\$2.34	
6 Inch	\$337.46	\$342.12	\$4.66	
8 Inch	\$537.01	\$544.47	\$7.46	
10 Inch	\$770.49	\$781.23	\$10.74	
12 Inch	\$1,435.00	\$1,455.06	\$20.06	
16 Inch	\$2,499.62	\$2,534.62	\$35.00	

PROPOSED RATE ADJUSTMENTS FOR CWA COMMODITY INCREASE:

In addition to an increase in fixed charges, the CWA “pass through” costs proposed by the City will also raise commodity fees by 9 cents for each hundred cubic feet (hcf) of water used by all customers – residential, commercial and industrial users alike. A hundred cubic feet of water equals approximately 748 gallons. The typical Single Family Residential customer uses 14 hcf (or 10,472 gallons) each month. All examples are for monthly billing. The City will shift to billing once every two months in April 2008. *This means the proposed CWA pass through costs will add \$1.40 per month to water bills for typical Single Family Residential customers using 14 hcf of water per month.*

Example:

**EFFECT OF PROPOSED WATER FEE AND RATE INCREASES:
Typical Single Family Residential Monthly Bill (14 HCF)**

Residential	Current	January 1, 2008 (with CWA Pass Through)	Amount of Increase
Base Fee (3/4 Inch)	\$15.18	\$15.32	\$0.14
1-7 HCF*	\$15.83	\$16.46	\$0.63
8-14 HCF*	\$17.23	\$17.86	\$0.63
TOTAL	\$48.24	\$49.64	\$1.40

NOTE: To help promote conservation, the City uses a tiered billing structure that increases the costs for water used by residential customers. The first tier rate applies to water usage up to 7 hcf per month. The second, higher, tier rate applies to all water used over 7 hcf and up to 14 hcf per month (the amount used by a typical Single Family Residential customer). The third, highest, tier rate applies to all water used in excess of 14 hcf per month.

More information about the proposed CWA pass through costs and water rates is available at www.sandiego.gov/water or by calling (619) 515-3500.

**IMPACT OF COMBINED RATE
ADJUSTMENTS AND INCREASES:**

The sewer and water rate adjustments being proposed are in addition to the rate increases approved by the Mayor and City Council in February of this year.

The proposed rate adjustments have been coordinated with the previous rate increase in order to minimize their cumulative impact. That impact will affect water and sewer bills for all customers over the next four years.

Examples of projected bills for typical residential and commercial customers can be found at www.sandiego.gov/mwwd and www.sandiego.gov/water.

You can protest the proposed rate adjustments

You can use the coupon below if you want to register your protest against either of the proposed rate adjustments. You can also choose to write a letter to the City or appear at the public hearing listed on the front cover of this notice to submit your written protest.

How Can I Participate?

Interested parties can comment on the proposed rates. California law prohibits the City from implementing the new rates if a majority of the affected property owners file written protests opposing the rates before the end of the public hearing.

Written protests must be submitted to the City Clerk, Mail Station No. 2P, City Administration Building, 202 "C" Street, San Diego, CA 92101, before the end of the public hearing which is scheduled for 2:00 pm, October 8, 2007. Each protest must identify the affected property (by assessor's parcel number or street address) and include the signature of a record property owner or utility customer.

Email protests will not be accepted. Although oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest, the Mayor and City Council welcome input from the community during the public hearing.



USE THIS FORM TO PROTEST THE PROPOSED WATER AND SEWER RATE ADJUSTMENTS

I _____
[PRINT YOUR FULL NAME] PLEASE CHECK ONE OR BOTH CIRCLES
protest the City of San Diego's proposed increases to: water rates sewer rates

Property Address: _____ Signature: _____

If you wish to use this form as your protest, please fill out and mail in a stamped envelope to:
City Clerk, City Administration Building
202 C Street, MS 2P, San Diego, CA 92101

This material is available in alternative formats upon request to accommodate persons with disabilities or non-English speakers. To order information in an alternative format, or to arrange for a sign language or oral interpreter at the October 8th hearing, please call the Clerk's office on or before October 1st at (619) 533-4000 (voice) or (619) 236-7012 (TTY).

Quick Facts About the Proposal

Sewer costs would come DOWN for Most Single Family Customers

The vast majority of Single Family Residential Customers will save about \$3.25 per month off their sewer bill for the next four years as a result of recently settled litigation regarding sewer rates charged by the City.

Water costs would go UP

The San Diego County Water Authority has raised the rates it charges for water purchased by the City. The new water rate being proposed to pay these increased charges would add about \$1.40 per month to the bill of typical Single Family Residential customers.

Conservation cuts costs

The average San Diego household can save at least \$1.90 per month on water charges by accepting the "20 Gallon Challenge" recently issued by the San Diego County Water Authority. More information about the challenge can be found at www.sdcwa.org. Additional information and water conservation tips from the City can be found at www.sandiego.gov/water/conservation/index.shtml

Notice of Public Hearing Information Inside

THE CITY OF SAN DIEGO
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San Diego, California 92101
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