



**Moulton Niguel Water**  
*Leading the Way in Service*

## **NOTICE OF PUBLIC HEARING**

### **Concerning Proposed Rate Increases for Moulton Niguel Water District Water, Recycled Water, and Wastewater Service Fees**

NOTICE IS HEREBY GIVEN THAT the Board of Directors of the Moulton Niguel Water District (the “District”) will conduct a public hearing on **February 11, 2015, at 6 p.m.** in the Boardroom of the District Headquarters at 27500 La Paz Road, Laguna Niguel, CA 92677, to consider adopting increases in the rates for its water, recycled water, and wastewater service fees.

#### **REASONS FOR THE PROPOSED RATE INCREASES**

The District is dedicated to providing reliable water and wastewater services cost-effectively while protecting the water resources and the public health of our community. While the District continually strives for cost reductions and better utilization of the public’s assets entrusted to us, we still must align rates with the increasing costs to deliver services, including, among others, the cost to purchase water and comply with regulations governing the treatment of water and wastewater, the disposal of wastewater, and the maintenance of vital infrastructure. The cost to purchase water and ensure a reliable infrastructure equates to approximately 60% of the District’s annual costs. These costs are expected to continue to rise into the future.

The District purchases water from the Metropolitan Water District of Southern California (“MWD”) through the Municipal Water District of Orange County (“MWDOC”), a wholesaler for the region. 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 of imported water the District purchases from MWD through MWDOC and the availability of water supplies.

The water that the District purchases from MWD through MWDOC is treated to drinking water (“potable water”) standards at the Deimer Treatment Plant. In addition, the District will purchase untreated water from MWD through MWDOC which will be treated to potable water at the Baker Treatment Plant, which is currently under construction, and will increase local reliability by meeting approximately 20% of the District’s water supply by 2017.

Based on internal projections and those from our suppliers, the District anticipates that there will be future increases in the costs of operating and maintaining the water system, recycled water system, and wastewater system. The proposed water, recycled water, and wastewater rate increases are necessary to enable the District to: (1) meet current and projected increases in the costs of operating and maintaining the water, recycled water, and wastewater systems; (2) construct capital infrastructure improvements needed to repair, replace and update the District’s aging water, recycled water, and wastewater systems; (3) maintain the operational and financial stability of the utilities; (4) avoid operational deficits and exhausting reserves; and (5) comply with regulatory requirements. As described below, the rates are being proposed to be adjusted and gradually increased annually for a three-year period.

#### **PROPOSED WATER AND RECYCLED WATER RATE INCREASES**

The rate structure for water service fees has five customer classes: residential and multi-family, commercial, irrigation, and recycled. The rate structure is comprised of two components: (1) a fixed monthly service charge (the “Service Charge”); and (2) a variable volumetric water consumption charge (the “Volumetric Charge”). The rates for the fixed monthly Service Charge are established on the basis of the size of the water meter serving a property and are calculated to recover a significant portion of the District’s fixed costs, such as water facility repairs and replacements, meter reading, billing, and customer service. The

rates for the variable Volumetric Charge are based on the number of units of water delivered to a property and consist of five tiers which results in higher rates as the level of water consumption increases (one unit of water equals one hundred cubic feet (“HCF”), or 748 gallons). As described below, each customer is allocated a reasonable amount of water based on that customer’s particular needs. This allocation is referred to as a “water budget.”

**Residential and multi-family customers** are given an indoor and an outdoor water budget based on individual calculations. Indoor water budgets are calculated using three factors: (1) 60 gallons of water per person per day; (2) the number of people in the household; and (3) the number of days in the billing cycle. Their outdoor water budgets are calculated using three factors: (1) the amount of irrigated area per parcel; (2) actual daily plant water loss (“evapotranspiration”); and (3) a “plant factor” of 0.70 that reflects the water needs of specific types of plants that are native to the District’s service area and guidelines provided by State law. All water used by a residential or multi-family customer within his or her calculated indoor and outdoor water budget is billed at the Tier 1 and Tier 2 rates set forth in the tables below.

**Commercial customers’** water budgets are calculated based on a three-year rolling average of each customer’s monthly water use. All water used by a commercial customer within its calculated water budget is billed at the Tier 1 rates set forth in the tables below.

**Irrigation water customers’** water budgets are calculated using three factors: (1) the amount of irrigated area per parcel; (2) evapotranspiration; and (3) a plant factor of 0.70, except high foot traffic public space areas with a plant factor of 1.0. All water used by an irrigation customer within his or her calculated outdoor water budget is billed at the Tier 1 rates set forth in the tables below.

**Recycled water customers’** water budgets are calculated using three factors: (1) the amount of irrigated area per parcel; (2) evapotranspiration; and (3) a plant factor of 0.80 (due to the public benefit of recycled water), except for high foot traffic public space areas with a plant factor of 1.0. All water used by a recycled water customer within his or her calculated outdoor water budget is billed at the Tier 1 rates set forth in the tables below.

Customers whose potable water or recycled water use remains within their water budgets are billed at the lowest tier or tiers (Tiers 1 and 2 for residential customers, and Tier 1 for all other customers). Customers who exceed their water budgets by inefficiently using water or recycled water are billed at the rates in the higher tiers for the amount of water or recycled water they use in excess of their water budgets. These rates include a portion of the District’s fixed costs and are calculated on the basis of the cost of providing water, purchasing water from MWD through MWDOC, treating the water, and managing the District’s water resources. Together, the components of the District’s water service fees are structured to proportionately allocate the cost of providing water service among each of the customer classes.

In addition to the water service charges described above, the District also imposes a fixed monthly fire protection charge on certain properties as a condition of extending or initiating water service (1) by the installation of a private fire suppression systems, and (2) upon the request of the customer or property owner for the delivery of water to the property for the purpose of fire service protection. The rates for the monthly fire protection charges are established on the basis of the size of the meter through which water is delivered and is calculated to recover the cost of providing water to such properties for private fire service protection. The proposed rates and effective dates are set forth in the tables below.

TIER WIDTHS EFFECTIVE APRIL 1, 2015		
Tier	Residential, Multi-Family	Commercial, Irrigation and Recycled
Tier 2	Outdoor Water Budget	101% to 125% of Water Budget
Tier 4	126% to 150% of Total Water Budget	Over 151% of Water Budget

\*Total water budget is equal to the indoor water budget plus outdoor water budget for residential and multi-family customers, the outdoor water budget for potable irrigation and recycled customers, and three-year monthly average for commercial customers.

**RATES EFFECTIVE APRIL 1, 2015**

RATES FOR VOLUMETRIC CHARGES EFFECTIVE APRIL 1, 2015 (\$/HCF)			
Tier	Residential, Multi-Family	Commercial, Irrigation	Recycled
Tier 2	\$1.61	\$2.49	\$1.66
Tier 4	\$4.25	\$9.04	\$8.21

RATES FOR MONTHLY SERVICE CHARGES EFFECTIVE APRIL 1, 2015 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial	Irrigation	Recycled	Fire Protection
3/4"	\$10.79	\$6.64	\$5.93	\$16.88	\$16.88	\$3.58
1 1/2"	\$35.97	\$22.13	\$19.77	\$56.27	\$56.27	\$11.94
2 1/2"						\$30.45
4"	\$215.80	\$132.80	\$118.60	\$337.60	\$337.60	\$71.65
8"	\$647.40	\$398.40	\$355.80	\$1,012.80	\$1,012.80	\$214.95

**RATES EFFECTIVE JANUARY 1, 2016**

RATES FOR VOLUMETRIC CHARGES EFFECTIVE JANUARY 1, 2016 (\$/HCF)			
Tier	Residential, Multi-Family	Commercial, Irrigation	Recycled
Tier 2	\$1.70	\$2.62	\$1.74
Tier 4	\$4.38	\$9.17	\$8.29

RATES FOR MONTHLY SERVICE CHARGES EFFECTIVE JANUARY 1, 2016 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial	Irrigation	Recycled	Fire Protection
3/4"	\$11.39	\$7.01	\$6.26	\$17.83	\$17.83	\$3.78
1 1/2"	\$37.98	\$23.37	\$20.88	\$59.42	\$59.42	\$12.61
2 1/2"						\$32.16
4"	\$227.88	\$140.24	\$125.24	\$356.51	\$356.51	\$75.66
8"	\$683.65	\$420.71	\$375.72	\$1,069.52	\$1,069.52	\$226.99

**RATES EFFECTIVE JANUARY 1, 2017**

RATES FOR VOLUMETRIC CHARGES EFFECTIVE JANUARY 1, 2017 (\$/HCF)			
Tier	Residential, Multi-Family	Commercial, Irrigation	Recycled
Tier 2	\$1.78	\$2.73	\$1.81
Tier 4	\$4.49	\$9.28	\$8.36

RATES FOR MONTHLY SERVICE CHARGES EFFECTIVE JANUARY 1, 2017 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial	Irrigation	Recycled	Fire Protection
3/4"	\$11.91	\$7.33	\$6.55	\$18.65	\$18.65	\$3.95
1 1/2"	\$39.73	\$24.45	\$21.84	\$62.15	\$62.15	\$13.19
2 1/2"						\$33.64
4"	\$238.36	\$146.69	\$131.00	\$372.91	\$372.91	\$79.14
8"	\$715.10	\$440.06	\$393.00	\$1,118.72	\$1,118.72	\$237.43

For water used for construction purposes, where a temporary water meter is provided by the District, the District is proposing the following rate increases:

RATES FOR WATER CONSTRUCTION METERS AND CONSTRUCTION WATER			
	Effective April 1, 2015	Effective January 1, 2016	Effective January 1, 2017
<b>Volumetric Charge (\$/HCF)</b>			
Recycled Water	\$2.38	\$2.51	\$2.63

### WATER SHORTAGES AND IMPACTS TO WATER RATES

The State of California is currently experiencing a record-setting drought. Pursuant to State law, the District is required to adopt a Water Shortage Contingency Plan (the “Plan”) to address specific “stages” of action to be undertaken in response to water supply shortages. A 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. Recognizing that water is our most vital resource, the District’s Plan proposes 5 water shortage stages (each a “Stage”) and mandates during each Stage specific water conservation practices to reduce unreasonable and wasteful water use and preserve the District’s water supplies.

On July 15, 2014, the State Water Resources Control Board implemented regulations requiring water utilities to implement restriction on outdoor irrigation. Moulton Niguel Water District was one of two agencies in the State to have an Alternate Plan for Demand Reductions approved. In order to maintain the District’s exemption from implementing mandatory restrictions and maximize supplies while maintaining choice in how individuals use water, the District proposes a Water Shortage Contingency Plan to make adjustments to customers’ calculated water budgets during specified stages. During Stages 2-5, any customer who uses water in excess of his or her calculated water budget shall be in violation of the Plan’s rules and regulations and shall pay an administrative penalty (“Conservation Penalty”) for each HCF, or portion thereof, of water used in excess of a customer’s water budget. If approved, the Conservation Penalty shall be in addition to the Volumetric Charge the District collects for the potable water or recycled water delivered. The water demand reductions for each of the Stages, the water budget adjustments, and the Conservation Penalties effective April 1, 2015 that may be imposed are described below. The implementation of any stage of the Plan is dependent on Board action, contemplating the District’s water supply conditions and demand expectations.

**Stage 1** — Efforts in Stage 1 are focused on a voluntary reduction. No restrictions on water use will be implemented and no adjustments will be made to customers’ assigned water budgets.

**Stage 2** — During Stage 2, all water customers, both potable and recycled, using water in excess of their assigned water budgets shall be in violation of the Water Shortage Contingency Plan rules and regulations. Any water used in excess of their water budgets will be subject to the Conservation Penalty of \$7.43 per HCF for potable water customers and \$7.04 per HCF for recycled water customers.

**Stage 3** — During Stage 3, residential, multi-family and irrigation customers using potable water will have their outdoor water budgets reduced to 60% of their calculated outdoor water budget to meet reduced water supplies. All recycled water customers will have their outdoor water budgets reduced to 90% of their calculated water budget due to reduced recycled water supplies from indoor water use reductions. Customers using water in excess of their recalculated water budgets shall be in violation of the Water Shortage Contingency Plan rules and regulations. Any water used in excess of their recalculated water budgets will be subject to a Conservation Penalty of \$7.43 per HCF for potable water customers and \$7.04 per HCF for recycled water customers.

**Stage 4** — During Stage 4, residential, multi-family and irrigation customers using potable water will have their outdoor water budgets reduced to 30% of their calculated outdoor water budget to meet reduced water supplies. All recycled water customers will have their outdoor water budgets reduced to 80% of their calculated water budget due to reduced recycled water supplies from indoor water use reductions. Any water used in excess of their recalculated water budgets will be subject to a Conservation Penalty of \$7.43 per HCF for potable water customers and \$7.04 per HCF for recycled water customers.

**Stage 5** — During Stage 5, all residential and multi-family customers will have their indoor water budgets reduced from 60 gallons per capita per day to 40 gallons per capita per day. All commercial customers using potable water in excess of their calculated water budgets, all residential and multi-family customers using potable water in excess of their recalculated indoor water budgets, and all irrigation customers using potable water shall be in violation of the Water Shortage Contingency Plan. There shall be no use of potable water for outdoor irrigation within the District's service area. All recycled water customers will have their outdoor water budget reduced to 70% of their calculated water budget due to reduced recycled water supplies from indoor water use reductions. All recycled water customers using recycled water in excess of their recalculated recycled water budget shall be in violation of the Water Shortage Contingency Plan rules and regulations. Any customer who uses water in excess of his or her recalculated or assigned water budget will be subject to the following Conservation Penalty: \$7.63 per HCF for residential and multi-family customers; \$7.43 per HCF for commercial customers; \$9.04 per HCF for irrigation customers using potable water; and \$7.04 per HCF for recycled water customers.

## **WATER PASS THROUGH ADJUSTMENTS**

The District anticipates that MWDOC will increase the rates of wholesale water that it sells and delivers to the District and may impose other charges on the District related to its wholesale water service. In developing its rates, the District included projected increases in these costs as part of its Long-Range Financial Plan. To ensure that there are sufficient revenues to provide water services to our customers, the District is also proposing to annually pass through to our customers any increases in the rates for wholesale water and any other charges that MWDOC imposes on the District that are greater than those projected in the District's Long-Range Financial Plan (each a "MWDOC Pass Through Adjustment"). Any MWDOC Pass Through Adjustment will only impact the rates of the Volumetric Charges for residential, multi-family, commercial and irrigation customers set forth in the tables above. If approved, the Board of Directors may implement any MWDOC Pass Through Adjustment for the five-year period commencing January 1, 2016, through and including January 1, 2020. Provided, however, that (1) any increase in the rates described above as a result of any MWDOC Pass Through Adjustment shall not exceed 10% per year; and (2) in no event shall such rates be increased by more than the cost of providing water service.

## **WASTEWATER RATES INCREASES**

The District is a member agency of the South Orange County Wastewater Authority ("SOCWA"), a joint powers authority comprised of ten governmental agencies. SOCWA operates four regional treatment plants and two ocean outfalls. The District contracts with SOCWA to treat and discharge the District's wastewater.

The rates for the District's monthly wastewater service charges are structured to meet the District's costs to operate and maintain its wastewater collection system, and to pay SOCWA for treating, and disposing of its wastewater. The rate structure consists of three customer classes: residential, multi-family, and commercial. Within the commercial customer class there are four subclasses of customers. The subclasses are classified based on the type of commercial activity and the constituents that they discharge into the wastewater system. Typical users within the four subclasses generally include the following:

**Commercial Class 1** — banks, car washes, churches, department and retail stores, laundromats, professional offices, schools, and colleges

**Commercial Class 2** — beauty and barber shops, hospitals, convalescent facilities, repair shops, service stations, and veterinarian hospitals

**Commercial Class 3** — hotels with dining facilities, markets with garbage disposals, mortuaries, and fast-food restaurants

**Commercial Class 4** — restaurants, automobile steam-cleaning facilities, and bakeries

The proposed rates for the wastewater service fees consist of a fixed monthly charge determined on the basis of the size of the meter serving a property. Residential customers, however, are charged only one rate (the equivalent of a one inch meter).

The proposed rates and effective dates for the wastewater service fees are set forth in the tables below.

WASTEWATER SERVICE RATES EFFECTIVE APRIL 1, 2015 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial 1	Commercial 2	Commercial 3	Commercial 4
3/4"	\$22.68	\$24.72	\$17.87	\$38.07	\$78.32	\$84.49
1 1/2"	\$22.68	\$75.90	\$53.05	\$120.39	\$254.54	\$275.11
3"	\$22.68	\$258.72	\$178.75	\$414.46	\$884.04	\$956.06
6"	\$22.68	\$916.83	\$631.22	\$1,473.04	\$3,150.05	\$3,407.27
10"	\$22.68	\$2,123.37	\$1,460.74	\$3,413.76	\$7,304.41	\$7,901.16

WASTEWATER SERVICE RATES EFFECTIVE JANUARY 1, 2016 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial 1	Commercial 2	Commercial 3	Commercial 4
3/4"	\$24.83	\$27.07	\$19.56	\$41.69	\$85.76	\$92.52
1 1/2"	\$24.83	\$83.11	\$58.09	\$131.83	\$278.72	\$301.25
3"	\$24.83	\$283.30	\$195.73	\$453.84	\$968.02	\$1,046.88
6"	\$24.83	\$1,003.93	\$691.18	\$1,612.98	\$3,449.31	\$3,730.96
10"	\$24.83	\$2,325.09	\$1,599.51	\$3,738.07	\$7,998.33	\$8,651.77

WASTEWATER SERVICE RATES EFFECTIVE JANUARY 1, 2017 (\$/METER SIZE)						
Meter Size	Residential	Multi-Family	Commercial 1	Commercial 2	Commercial 3	Commercial 4
3/4"	\$26.22	\$28.58	\$20.66	\$44.02	\$90.56	\$97.70
1 1/2"	\$26.22	\$87.76	\$61.35	\$139.21	\$294.33	\$318.12
3"	\$26.22	\$299.17	\$206.69	\$479.25	\$1,022.23	\$1,105.51
6"	\$26.22	\$1,060.15	\$729.89	\$1,703.30	\$3,642.47	\$3,939.89
10"	\$26.22	\$2,455.30	\$1,689.08	\$3,947.40	\$8,446.24	\$9,136.27



## WASTEWATER PASS THROUGH ADJUSTMENTS

The District anticipates that SOCWA will increase the rates of wholesale wastewater treatment and disposal service fees that it imposes on the District. In developing its rates, the District included projected increases in these costs as part of its Long-Range Financial Plan. To ensure that there are sufficient revenues to provide wastewater services to our customers, the District is also proposing to annually pass through to our customers any increases in the rates in wholesale wastewater and any other charges that SOCWA imposes on the District that are greater than those projected in its Long-Range Financial Plan (each a "SOCWA Pass Through Adjustment"). If approved, the Board of Directors may implement any SOCWA Pass Through Adjustment for the five-year period commencing January 1, 2016, through and including January 1, 2020. Provided, however, that (1) any increase in the rates described above as a result of any Pass Through Adjustment shall not exceed 10% per year; and (2) in no event shall such rates be increased by more than the cost of providing wastewater service.

## PUBLIC HEARING

Any record owner of a parcel upon which the fees are proposed, or any tenant directly responsible for the payment of water service fees (i.e., a customer of record), may submit a written protest to the proposed rate increases to the District's water, recycled water, and wastewater service fees; provided, however, only one protest will be counted per identified parcel. Each protest must: (1) be in writing; (2) state whether the protest is submitted in opposition to the rate increases to the water, recycled water, wastewater service fees, or the MWDOC, or SOCWA Pass Through Adjustments (collectively the "Pass Through Adjustments"); (3) provide the location of the identified parcel (by assessor's parcel number or service address); and (4) include the name and signature of the person submitting the written protest. Written protests may be submitted by mail to Moulton Niguel Water District's office at 27500 La Paz Road, Laguna Niguel, CA 92677. Written protests may also be submitted in person at the District's office or at the public hearing (see date, time and location above). All written protests must be received prior to the conclusion of the public input portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a formal written protest. Please identify on the front of the envelope for any protest, whether mailed or submitted in person, that the enclosed letter is for the Public Hearing on Proposed Rate Increases.

The Board of Directors will consider all written protests timely submitted and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. At the conclusion of the public hearing, the Board of Directors will determine whether to adopt increases up to the proposed rate increases and Pass Through Adjustments described in this notice.

If, after the close of the public hearing, written protests against the proposed rate increases and Pass Through Adjustments as outlined above are not presented by a majority of the record owners and customers of record of the identified parcels upon which they are proposed to be imposed, the Board of Directors will be authorized to impose the rate increases up to the proposed increases and Pass Through Adjustments.

If you have any questions regarding the information provided in this notice, or the rates applicable to your property, please contact Matt Collings, Assistant General Manager, at (949) 448-4032 or [mcollings@mnwd.com](mailto:mcollings@mnwd.com).

