

## Frequently Asked Questions (FAQ's) Regarding the Newly Approved Rate Structure

### Background Information

The Walnut Valley Water District (District) provides water service to more than 26,000 residential and business connections, serving a population of nearly 100,000 customers in all of the city of Diamond Bar, portions of the cities of Industry, Pomona, Walnut, and West Covina, and the easterly section of the unincorporated area of Rowland Heights.

Our local water supply is 100% dependent on water imported by the Metropolitan Water District of Southern California (MWD) and Three Valleys Municipal Water District (TVMWD) from the Colorado River and northern California. From these distant sources there are two major conveyance systems that bring water to District customers, the 242-mile long Colorado River Aqueduct and the State Water Project's (SWP) 444-mile long California Aqueduct. The Colorado River Aqueduct begins its journey at Lake Havasu on the California-Arizona border and ends at Lake Mathews near Riverside. Water from Northern California originates in the Sacramento-San Joaquin Delta and is transported to Silverwood Lake in Hesperia.



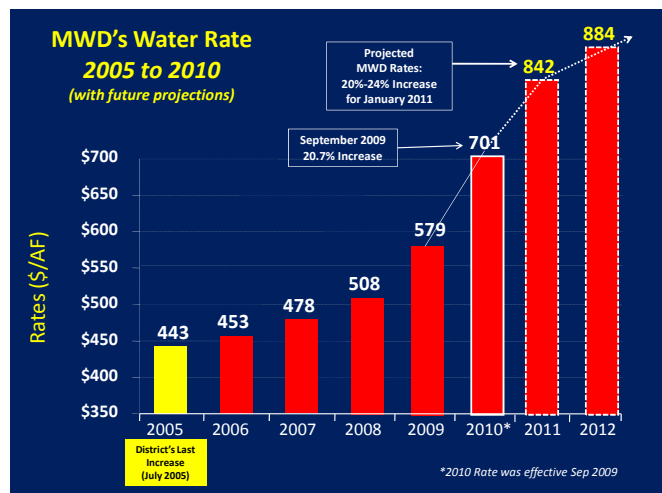
### Frequently Asked Questions

**Q: *Why was there a need for a new rate structure?***

**A:** Rate increases at MWD have a dramatic impact on the District's rates as we are 100% dependent on MWD's imported water. Since January of this year, MWD has raised their rates 37%! Since our last rate increase in July 2005, we have absorbed a 58% cumulative wholesale water rate increase. Further, MWD is projecting an additional increase of more than 20% effective January 2011:

**Q: *Why has MWD raised rates?***

**A:** According to MWD, purchased water costs have significantly increased due to dry conditions throughout California and a court imposed cutback in State Water Project (SWP) deliveries from the Sacramento-San Joaquin Delta. The reduced supplies have resulted in MWD having "lost" a substantial portion of its SWP water delivery allocation. In turn, those reduced supplies necessitate MWD having to acquire additional costly water transfers in 2009-10 and beyond. The reduced supplies have not only resulted in higher costs from MWD for the imported water the District must purchase, but also have reduced the District's available water supply by more than 10% starting July 1, 2009.



**Q: *Is the water rate set by the District or by the state?***

**A:** The District's publically elected Board of Directors has specific statutory authority to set water rates.

**Q: *How much does the District pay for an acre-foot of water?***

**A:** The anticipated MWD water rate for January 2011 is projected to be \$842 per acre foot. However, this represents only the District's cost to purchase water from the MWD, and does not include any of MWD or TVMWD fees charged over and above the cost of water, nor does it include any of the District's costs for transmission, distribution, or storage of the water for use by our customers.

Based on customer usage data, the average single family residential customer uses 24 units per month at a current cost of \$53.01 per month or \$636.12 per year. This includes the monthly meter charge. Based on the approved rates for 2009-10, this cost would increase to \$63.31 per month or \$759.72 annually for Pump Zone 1.

**Q: *When was the last time the District raised rates?***

**A:** The District has not raised rates since July 2005. Since the last rate increase (2005-2010), the District has absorbed a 58% increase in MWD/TVMWD wholesale water costs.

**Q: *What has the District done to control costs?***

**A:** To mitigate impacts on our customers, the District has reduced the number of full-time employees by 8% and has held departmental operating budgets "flat" when compared to the previous year's budget. Our current year estimated reductions total \$750,000.

**Q: *What is the \$750,000 savings mentioned in the notice and how is it arrived at?***

**A:** The \$750,000 in savings was achieved over time by reducing the number of full-time employees, specifically an eight percent reduction in the number of full-time employees. The \$750,000 number was taken from the savings of salaries and benefits of those unfilled positions.

**Q: *What factors does the new rate structure incorporate?***

**A:** The approved rate structure was designed to provide sufficient revenues to meet the operational costs of the District and to provide funding for the Capital Improvement and Asset Replacement programs.

**Q: *How was the rate study conducted?***

**A:** A detailed rate study was undertaken by an outside firm that specializes in rate studies and included a five-year look ahead at operating, capital improvements, and replacement programs in order to properly estimate revenue requirements to meet projected expenses. Rates for the years 2011 to 2014 will be subject to increase based upon the District's operational costs, as well as upon increases in the wholesale water costs the District incurs from MWD and Three Valleys Municipal Water District (TVMWD), Southern California Edison electrical rate increases for power used to pump and transmit the District's water supply, and increases in the Consumer Price Index CPI-U for Los Angeles-Riverside-Orange County.

**Q: *What is the Rate Stabilization Fund and how much is it?***

**A:** The Rate Stabilization Fund was established to offset costs incurred as a result of short term water supply reductions and to avoid a need to significantly raise rates in a given year due to short-term purchased water cost impacts from the Metropolitan Water District (MWD). In the current year (FY 2009-10), Rate Stabilization funds will be used to pay any penalties the District may incur under the MWD Water Supply Allocation Plan (i.e., water supply reduction). These penalties were originally estimated at \$1.8 million for fiscal year 2009-10.

In addition, in years of significant revenue shortfalls, Rate Stabilization funds can be used for various operating expenses to ensure compliance with the District's bond covenants. The use of funds transferred to or from the Rate Stabilization Reserve must be approved by the District's Board of Directors. The Rate Stabilization fund has a current balance as of December 31, 2009 of \$5,125,449.

**Q: What are the primary changes to the rate structure?**

**A:** In order to encourage conservation and to properly estimate revenue requirements to meet projected expenses, the District established a three-tiered water rate structure for all single-family residential customers. The term "tiered" refers to a "block-type" rate structure where the unit price of water changes with each of several preset consumption blocks for each billing period. As your usage increases, the unit price or rate for the block increases. This rate would apply to approximately 90% of our customers.

A pumping zone surcharge was also established and will be based on the energy and maintenance costs for pumping water to higher elevations. The District's pressure zones have been combined into three separate pumping zones. Pump Zone 1 comprises the portion of the system that is fed entirely by gravity and has no associated surcharge (approximately 51% of the District's metered services are located in Pump Zone 1). Pump Zones 2 and 3 will be charge based on the costs of delivering water to higher elevations in the District.

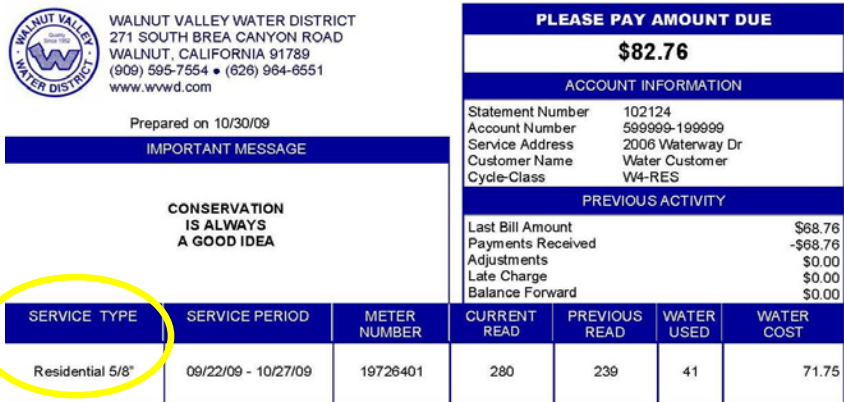
A map showing the boundaries of the three pumping zones is available on the District's website: [www.wvwd.com](http://www.wvwd.com)


**Q: How are the pumping zones determined and how are the rates set?**

**A:** Pump Zones for the new rate structure were established based on the District's pressure zones. Purchased water entering the District's system is delivered by gravity into Pump Zone 1 and is also distributed in that zone by gravity resulting in no pumping costs to the District. Water from Pump Zone 1 is pumped into Pump Zone 2 where it is distributed for use within the zone. Water from Pump Zone 2 is pumped into Pump Zone 3 for storage and distribution.

**Q: How can I identify what size meter I have?**

**A:** The size of the meter for an account is under the Service Type section on your water bill.



 WALNUT VALLEY WATER DISTRICT 271 SOUTH BREA CANYON ROAD WALNUT, CALIFORNIA 91789 (909) 595-7554 • (626) 964-8551 www.wvwd.com							
Prepared on 10/30/09							
IMPORTANT MESSAGE							
CONSERVATION IS ALWAYS A GOOD IDEA							
SERVICE TYPE	SERVICE PERIOD	METER NUMBER	CURRENT READ	PREVIOUS READ	WATER USED	WATER COST	
Residential 5/8"	09/22/09 - 10/27/09	19726401	280	239	41	71.75	
PLEASE PAY AMOUNT DUE							
<b>\$82.76</b>							
ACCOUNT INFORMATION							
Statement Number	102124						
Account Number	599999-199999						
Service Address	2006 Waterway Dr						
Customer Name	Water Customer						
Cycle-Class	W4-RES						
PREVIOUS ACTIVITY							
Last Bill Amount							\$68.76
Payments Received							-\$68.76
Adjustments							\$0.00
Late Charge							\$0.00
Balance Forward							\$0.00

**Q: When will I get my first bill with the new rate structure and base charges?**

**A:** The first water bills issued to our customers with the new rate structure will be after April 1, 2010.

**Q: *How can I find out more about the newly approved rate structure?***

**A:** Information on how the approved rates may affect your bill has been mailed to all of the District's customers. You may also call (909) 348-8219, Monday to Friday, 8:00 a.m. to 4:00 p.m., to talk with District staff, or email questions to [waterbill@wvwd.com](mailto:waterbill@wvwd.com).