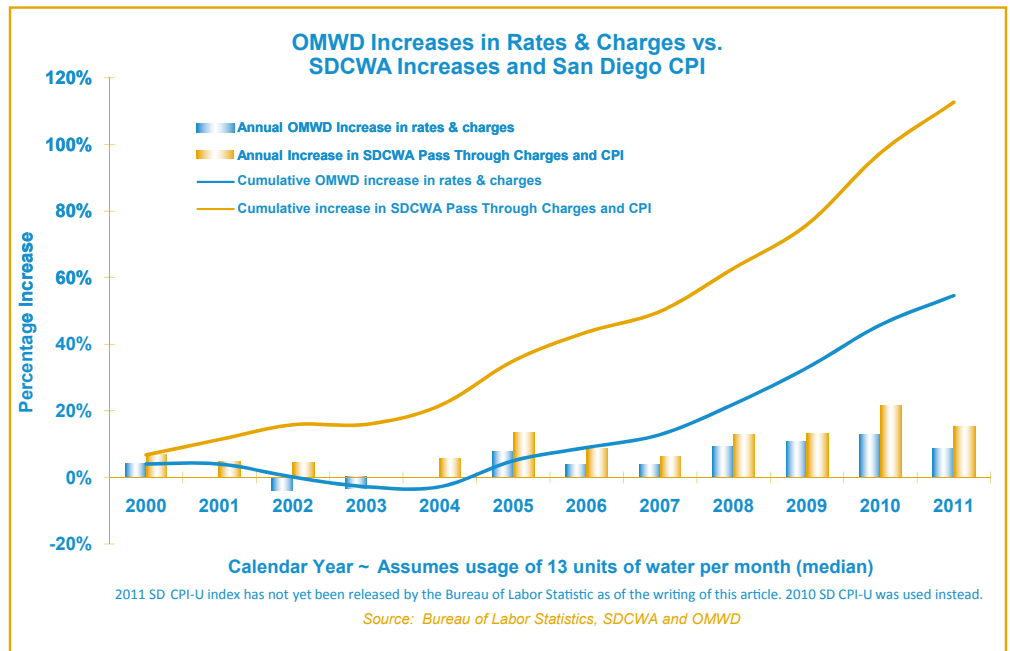


Facing a 12% increase in wholesale water costs from its supplier in Fiscal Year 2012, OMWD controls its own internal costs and proposes a 7.5% rate increase effective April 1, 2012

The San Diego County Water Authority (SDCWA), which is Olivenhain Municipal Water District's wholesale supplier, has increased its wholesale water costs to OMWD by 12% effective January 1, 2012. According to SDCWA, half of the increase is attributed to higher costs to purchase and deliver imported water from Metropolitan Water District of Southern California. The other half of the increase was attributed to increased financing costs for SDCWA's \$3.8 billion Capital Improvement Program. SDCWA has stated that it has mitigated cost increases to OMWD and its 23 other member agencies by decreasing its budget by 16%, or \$1.69 billion.



SDCWA's Board of Directors approved this rate hike with the understanding that member agencies would face an average rate increase of 7.7%; however, actual increases to each member agency vary by the amount of water purchased. For OMWD, the 7.7% average increase translated into a 12% increase in its purchased wholesale water cost for fiscal year 2011-2012. SDCWA has charged OMWD the increased wholesale prices since January 1 of this year.

SDCWA also raised its Infrastructure Access Charge (IAC), which is a monthly charge assessed by SDCWA on all water meters, by approximately 5%. The purpose of this charge is to cover a portion of SDCWA's debt service costs associated with the construction of county-wide water infrastructure projects such as the San Vicente Dam Raise. OMWD collects the SDCWA-IAC monthly charge, shown separately on OMWD customer water bills, on behalf of SDCWA.

OMWD mitigates cost increases passed on to its customers

OMWD's staff will propose a 7.5% increase to its water

commodity rates and monthly system access charges for consideration by the Board of Directors on March 14 at their 4:00 p.m. board meeting. The proposed 7.5% increase includes the pass-through of the 12% wholesale water cost increases from SDCWA that became effective January 1, and a small increase for an annual inflationary adjustment to pay for future increases in OMWD's capital improvement project costs.

Per its Proposition 218 notice to customers in 2009, OMWD may impose annual inflationary adjustments to its rates and charges by an amount not to exceed the greater of San Diego's Consumer Price Index-Urban (CPI-U) or 5%. OMWD's staff has proposed to pass through a 1.5% inflationary adjustment, which is included in the 7.5% total rate increase. As shown in the graph above, OMWD rate increases over the last ten years have been well below the wholesale water pass-through increases and San Diego CPI-U increases.

Rising capital expenditures and debt service costs to finance OMWD's capital improvement projects have been offset by reductions in OMWD's pension and



Municipal Water District
 1966 Olivenhain Road
 Encinitas, CA 92024
 (760) 753-6466
olivenhain.com

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BOARD MEETING DATES

Please visit our website at
olivenhain.com for dates.

MISSION STATEMENT

Olivenhain Municipal Water District is a multi-functioning public agency that is dedicated and committed to serving present and future customers in a service-oriented manner by:

Water

Providing safe, reliable, high-quality drinking water while exceeding all regulatory requirements in a cost-effective and environmentally responsive manner.

Recycled Water

Providing recycled water and wastewater treatment in the most cost-effective and environmentally responsive method.

Parks

Safely operating the Elfin Forest Recreational Reserve and providing all users with a unique recreational, educational, and environmental experience.

Emergency Management

Complying with policies and procedures that adhere to local, state, and federal guidelines for national security and disaster preparedness.

Sustainable Operations

Pursuing alternative and/or renewable resources with the most sustainable, efficient, and cost-effective approach.

Rate Increase... *continued from front page*

post-employment benefits costs, and by securing a low-interest loan from the California Department of Public Health (please see back page for more information on this loan).

What does this mean to me?

If approved, the 7.5% increase will be effective with your April 1 water bill. All of the potential rate increases discussed above were contained in the notification sent to OMWD customers under Proposition 218 procedures in July 2009.

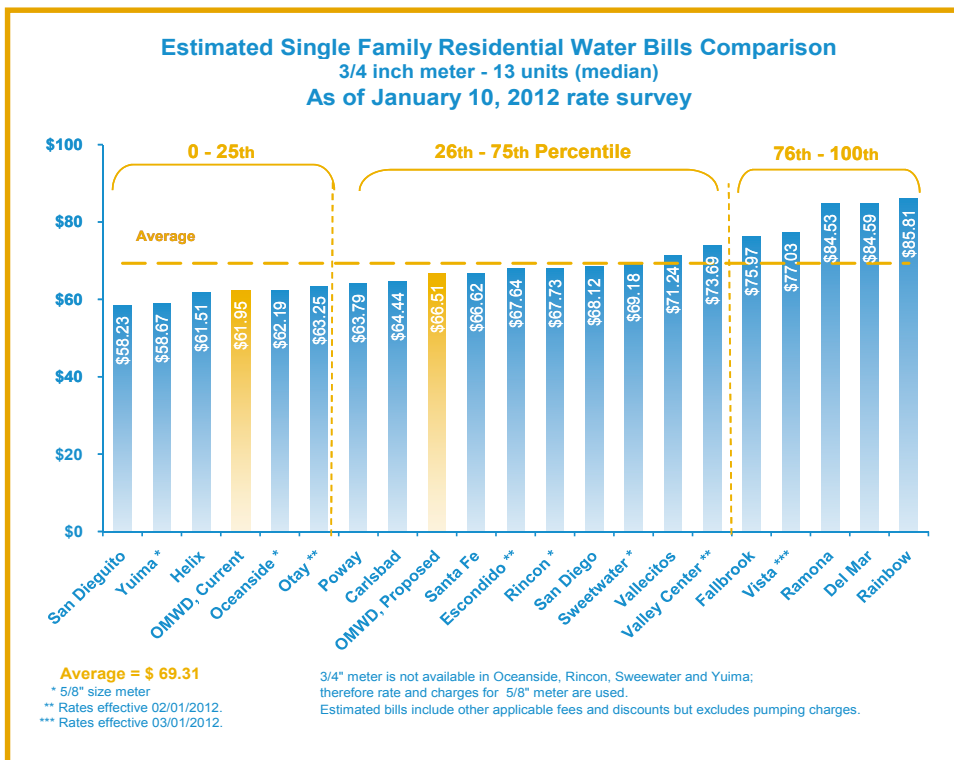
Please refer to the table on page 3 to see proposed rates and charges to be implemented on April 1, 2012. **The typical customer will see an increase of \$4.56 on their monthly water bill.**

What is OMWD doing to control costs?

Since most of San Diego's water must be transported from the Colorado River and Northern California, inherent pricing pressures in purchased wholesale water costs are inevitable, and SDCWA's water rates will continue to rise. Despite the higher cost of water from SDCWA, OMWD continues to provide water to its customers at a reasonable cost by controlling our costs. We continue to strive to do more with less without impacting the level of service to our ratepayers.

The chart below shows how the OMWD proposed rate increase compares to other agencies in the San Diego region that also purchase potable water from SDCWA.

Rate Increase... *continued on page 3*



**Rates Notice For Commodity Charges with SDCWA Pass Through Charges
Effective April 1, 2012 (\$/Units) (1 Unit = 748 Gallons)**

WE ARE HERE



WATER SUPPLY SHORTAGE (b)

Customer Type	NON-SHORTAGE (Base) Rates (a)		WATCH Level 1 Voluntary		ALERT Level 2 Mandatory		CRITICAL Level 3 Mandatory		EMERGENCY Level 4 Mandatory	
	Current	4/1/12	Current	4/1/12	Current	4/1/12	Current	4/1/12	Current	4/1/12
Residential										
0-6 Units	\$1.95	\$2.10	\$1.95	\$2.10	\$2.14	\$2.30	\$2.34	\$2.52	\$2.62	\$2.82
7-43 Units	\$2.99	\$3.21	\$3.13	\$3.36	\$3.74	\$4.02	\$4.63	\$4.98	\$4.93	\$5.30
Over 43 Units	\$3.48	\$3.74	\$4.00	\$4.30	\$4.87	\$5.24	\$5.75	\$6.18	\$6.09	\$6.55
Agricultural	\$2.98	\$3.20	\$3.12	\$3.35	\$3.73	\$4.01	\$4.62	\$4.97	\$4.91	\$5.28
IAWP Ag. Discount (c)	(\$0.26)	(\$0.23)	TO BE DETERMINED BY SDCWA/MWD							
IAWP Penalty Rate	\$2.99	discontinued								
Commercial/ Irrigation										
"B" Base	\$3.12	\$3.35	\$3.28	\$3.53	\$3.91	\$4.20	\$4.84	\$5.20	\$5.15	\$5.54
"C" Over Base	\$3.64	\$3.91	\$4.18	\$4.49	\$5.09	\$5.47	\$6.00	\$6.45	\$6.36	\$6.84
Construction	\$4.04	\$4.34	\$4.64	\$4.99	\$5.66	\$6.08	\$6.67	\$7.17	\$7.07	\$7.60
Recycled	\$2.55	\$2.74	SHORTAGE RATES NOT APPLICABLE							

**Rates Notice
For Fixed Monthly Charges with
SDCWA Pass Through Charges
Effective April 1, 2012**

Meter Size	OMWD SAC		SDCWA IAC	
	Current	4/1/12	Current	4/1/12
5/8"	\$19.65	\$21.12	\$2.49	\$2.60
3/4"	\$25.85	\$27.79	\$2.49	\$2.60
1"	\$44.38	\$47.71	\$4.73	\$4.94
1 1/2"	\$69.04	\$74.22	\$7.72	\$8.07
2"	\$108.13	\$116.24	\$12.45	\$13.01
2 1/2"	\$155.19	\$166.83	\$23.15	\$24.19
3"	\$215.08	\$231.21	\$25.39	\$26.53
4"	\$356.98	\$383.75	\$42.58	\$44.50
6"	\$745.69	\$801.62	\$89.63	\$93.66

**Important Notes to the
Rate Tables Above**

- (a) These non-shortage rates and charges are used to calculate OMWD monthly water bills when OMWD is not at a declared Level 1, 2, 3, or 4 shortage condition, and are used as the base to calculate the shortage rates for each level.
- (b) Shortage rates are subject to change each time OMWD adjusts the Non-Shortage Rates. The shortage rates are implemented by the General Manager or Board action as part of OMWD's water supply shortage conservation ordinance.
- (c) IAWP Agricultural Discount Rate is a discount rate offered by MWD and SDCWA for qualified agriculture water used under their Interim Agricultural Water Program (IAWP). Discount rates are subject to change by MWD and SDCWA at their discretion.

Rate Increase... *continued from page 2*

OMWD is dedicated to holding our operating costs down and doing everything possible to keep rates reasonable for our customers despite the continued wholesale rate increases from our supplier. Efforts include the pursuit of alternative funding sources such as grants

and low-interest loans for capital projects. Many of these capital projects will generate recycled and desalinated water locally, thereby reducing the impact to OMWD customers of future wholesale water rate increases.

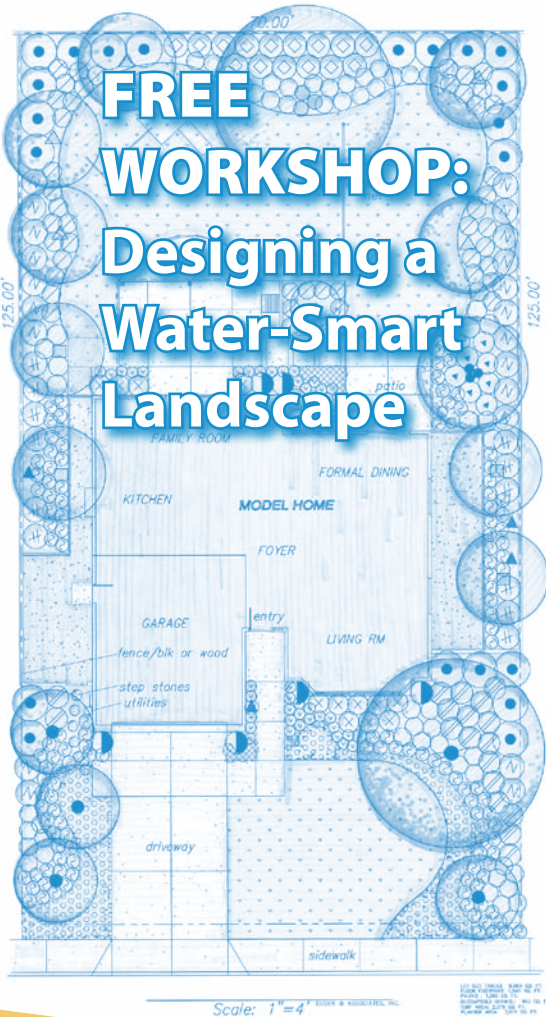
OMWD Upgrades Water Treatment Plant to Meet New Federal Standards

In 2006, the US Environmental Protection Agency imposed a new series of regulations for water treatment plants called the Long Term 2 Enhanced Surface Water Treatment Rule (LT2). To comply with this new rule, OMWD must upgrade the David C. McCollom Water Treatment Plant. Construction is underway on upgrades to the plant, and work will continue through late 2012.

These federally required upgrades to OMWD's water treatment plant do not come cheaply, so OMWD issued bonds in 2009 for the capital costs of these improvements. Meanwhile, OMWD has been aggressively seeking alternative sources of funding such as grants to reduce the impact of the project to its bottom line and its ratepayers. These efforts

recently paid off as the California Department of Public Health awarded OMWD with a low-interest, \$17,812,998 loan by which to finance a portion of the upgrades to the water treatment plant. This funding is expected to save OMWD ratepayers approximately \$5 million over the 20-year term of the loan compared to using traditional funding sources to pay for these upgrades.

OMWD's success in obtaining alternative funding allows your public dollars to go farther in the maintenance of your water infrastructure and our ability to continue to provide safe, reliable, high-quality drinking water while exceeding all regulatory requirements in a cost-effective and environmentally responsive manner.



On Saturday, March 3, OMWD is offering a free workshop to help customers ensure the efficient use of water outdoors. Get one step closer to enjoying the benefits of a water-smart landscape with year round color and reduced maintenance time! The March 3 workshop will be held from 9:00 a.m. to 12:00 p.m. at the Encinitas Community Center.

Steve Sherman, a landscape architect and certified landscape auditor who has been teaching water-wise landscape principles for more than 15 years, will show attendees ways to use less water in their landscape yet still enjoy a beautiful outdoor living area. Attendees will learn ideas for landscape design, great low-water-use plants, how much water to use, and tips for maintaining a healthy and water-efficient landscape.

Interested customers may register for this free workshop by 5:00 p.m. on Tuesday, February 27 at www.olivenhain.com/events.

OMWD to Partner With Home Depot in Offering Water-Smart Plants: 50% Off Sale

After joining us for our March 3 workshop, you will gain a better understanding of which plants are attractive and successful in our area. Visit the Encinitas Home Depot on Saturday, March 10, beginning at 9:00 a.m. to receive 50% off selected climate-appropriate plants. There will be vendor booths, giveaways, mini-gardening clinics and more! Visit www.olivenhain.com/events for more details.