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MUNICIPAL WATER DISTRICT
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Water Supply and Water Rate Update

As you probably know from the daily news, the imported water supply picture in Southern California is not good. Eight years of drought along the Colorado River have seriously affected Southern California's major source of imported water and increased our reliance on more expensive water from the State Water Project's California Aqueduct.

At the same time that our dependence on it has increased, the State Water Project has been seriously affected by environmental lawsuits that have dramatically reduced the flow of water to Southern California. The California Aqueduct was completely shut down for nearly two weeks in June to protect the Delta Smelt, and major reductions in flow are expected to continue throughout the summer as a result of this and other environmental issues.

Because of these dual shortages, the Metropolitan Water District has notified its customers to prepare for at least a 30% reduction in surplus water sales under the Interim Agricultural Water Program (IAWP), effective January 1, 2008. We expect at least 60 to 90 days official advance notice of the exact amount of the mandatory cut-back and how it will be administered. This should give both the agencies and water users much more time to plan for it than we all had last time in 1991.

MWD's 30% reduction will affect Yuima's agricultural customers much less severely than most growers in the North County because Yuima produces about half of its water from local sources that are not affected by MWD policies. Because of our local water, the actual cutback for local growers should be closer to 15% -- and we believe that the effect on our growers can be reduced even more through voluntary scheduling of irrigation to reduce peak flow demands on the system.

Even as water shortages loom, the cost of imported water is going up. Both the Metropolitan Water District and the San Diego County Water Authority are increasing their wholesale imported water prices in order to cover higher operating costs, to finance new facilities to store more water during wet years and to develop new sources of supply. The County Water Authority's new wholesale water rates to Yuima and other member agencies are increasing by 11.8% during the next budget cycle alone, driven by a very ambitious but necessary capital billion-dollar capital expenditure program to increase local emergency storage and to secure new sources of supply.

The cost of local water is also going up, driven by increased energy costs (electricity prices have risen 11.15% during the past year alone) as well as new federal and state regulations.

Faced with increases in the cost of both imported and local water, Yuima's Board of Directors has had no choice to increase both agricultural and domestic water rates, effective July 1, 2007; the new rates are summarized in the accompanying Rate Notice.

Even after these rate increases, Yuima will continue to deliver water to its ratepayers at the lowest actual average cost of any public agency in the North County. Please be assured that Yuima's constant goals are to assure an adequate supply of water that meets all standards of quality and reliability, delivered at the lowest possible water rates consistent with our fiduciary responsibilities.

Sincerely,

Linden A. Burzell, Ph.D.
General Manager

YUIMA MUNICIPAL WATER DISTRICT

NOTICE

Your Board of Directors has adopted the following schedule of rates applicable to all water delivered during each billing month to property within IMPROVEMENT DISTRICT "A" effective July 1, 2007. The increase includes a direct pass-through of increases in the cost of imported water, increases from SDG&E, as well as operating cost increases.

WATER RATE

AGRICULTURAL WATER RATE

Per acre foot	\$506.19	* plus appropriate pump zone charge
Per 100 cu ft.	\$1.16205	

DOMESTIC WATER RATE

Per acre foot	\$557.67	* plus appropriate pump zone charge
Per 100 cu ft.	\$1.28023	

PUMP ZONE CHARGE *

(Zone 1)	Per acre foot	\$59.50	
	Per 100 cu. ft.	\$0.13659	Lift =267'
(Zone 2)	Per acre foot	\$133.46	
	Per 100 cu. ft.	\$0.30638	Lift =599'
(Zone 3)	Per acre foot	\$226.14	
	Per 100 cu. ft.	\$0.51914	Lift =1015'
(Zone 4)	Per acre foot	\$286.52	
	Per 100 cu. ft.	\$0.65776	Lift =1286'

* Represents power costs to pump water to various zones

MULTIPLE SERVICE Additional Unit Charge \$35.00/mo.

MONTHLY METER CHARGES

<u>Meter Size</u>	<u>Charge/Month</u>
5/8 inch	\$ 19.86
1 inch	31.77
1 ¼ & 1 ½ inch	59.56
2 inch	103.25
3 inch	190.61
4 inch	325.62
5 inch	460.64
6 inch	590.65
8 inch	1032.46

Water Equivalent Table

7.48 Gallons	=	1 cubic foot
43,560 cubic feet	=	1 acre foot
325,829 Gallons	=	1 acre foot