

November 27, 2019

Subject: Notice of Change in Water Commodity Delivery Charges

Dear Water Customer:

The City of Garden Grove values customer service first and foremost, and keeping our customers well-informed. The City is committed to providing over 33,000 customers with a reliable, high quality and cost efficient water service that protects public health, provides fire protection and creates opportunities for economic growth within the community.

In order to fully serve its customers, the City must purchase water on a wholesale basis from Metropolitan Water District of Southern California (MET), Municipal Water District of Orange County (MWDOC) and pay a replenishment assessment fee to Orange County Water District (OCWD). MET, MWDOC and OCWD have adopted their rate and fee adjustments for FY 2019-20.

In 2018, pursuant to Government Code section 53756, the Garden Grove City Council adopted an ordinance providing for automatic as needed adjustments to the water commodity adjustment charges over the subsequent five (5) years to reflect increases or decreases in wholesale water rates charged by MET, MWDOC, and/or OCWD. Without the ability to pass through such purchased water rate increases, the City may not be able to generate the funds required to maintain and operate the City's water system, repay bond indebtedness, and comply with regulations imposed by State and Federal agencies, because funds currently dedicated to these purposes will instead need to be used to pay for the higher water costs.

City water rates for metered service are broken down into three separate components: (1) a minimum service charge based on the customer's meter size; (2) a capital recovery charge based on the customer's meter size; and (3) a commodity delivery charge based on the amount of water used by the customer. It is the commodity delivery charge that is affected by increases or decreases in the purchased water rates paid by the City to MET/MWDOC and/or the replenishment assessment fee paid by the City to OCWD.

Based on the calculations for the water commodity delivery charge adjustment, the charge will increase by \$0.17 per billing unit in FY 2019-20. This will result in the Tier 1 of the commodity delivery charge to increase from \$2.94 per one hundred cubic feet ("HCF") of water (748 gallons) used to \$3.11 per HCF and the Tier 2 of the commodity delivery charge to increase from \$4.06 per HCF used to \$4.23 per HCF. Under this adjustment, the average residential customer's water bill will increase by approximately \$2.55 per month (assuming a 5/8 x 3/4-inch meter and 15 HCF of water use), or \$5.10 on each bi-monthly bill. Your water bill will increase more or less, depending upon how much water you use. The new rates will take effect on January 1, 2020.

The City deeply appreciates your understanding and support. If you have any questions regarding this notice, please call the Public Works Water Services Division at (714) 741-5395.