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November 22, 2010

Mr. Doug Monn, Director of Public Works
City of Paso Robles
1000 Spring Street.
Paso Robles, California 93446

Subject: Supplemental Report Section – 2010 Uniform Water Rate Study
K/J 0883005_10

Dear Mr. Monn:

In accordance with your request, Kennedy/Jenks Consultants is submitting this Supplemental Report Section to the January 25, 2010, "2010 Uniform Water Rate Study" to the City of Paso Robles (City). By way of process, we have submitted this supplemental section as a digital ".pdf" file for the City's distribution as appropriate. The purpose of this supplemental documentation is to support the City's notification and adoption of the proposed water rates.

As you are aware, on January 25, 2010, Kennedy/Jenks Consultants prepared and submitted its "2010 Uniform Water Rate Study Final Report". This report documented the water rate and revenue requirements of the City's Water Fund and proposed new water rates be adopted over the course of the next five years. The new water rates were scheduled to be effective as on January 1, 2011. Given current conditions, a revised initial effective date of January 1, 2012 is now proposed.

It is important to note that the only change to our January 25, 2010 Final Report is the proposed effective date of new water rates. As such, these rates are based on our prior report, as well as the costs and demand projections developed at that time. While it is recognized that some of these conditions may have changes, it is believed by all parties that the prior analysis and recommendations provide an appropriate financial plan for implementation at this time. The revised implementation schedule and proposed water rates are provided in the following tables.

REVISED WATER RATE IMPLEMENTATION SCHEDULE

PROPOSED UNIFORM WATER USAGE RATES

User Class	Jan 1, 2012	Jan 1, 2013	Jan 1, 2014	Jan 1, 2015	Jan 1, 2016
<u>All Customers</u>	<u>Usage Charge \$/HCF</u>				
All Water Usage	\$2.50	\$3.20	\$3.70	\$4.10	\$4.40

Effective Date is January 1 of each year noted.

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PROPOSED RATES AND PROJECTED CHANGES IN NEW ACCOUNTS

<u>Description</u>	<u>FY 2010-11</u>	<u>FY 2011-12</u>	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>	<u>FY 2015-16</u>
Proposed Base Level Fixed Rate (\$/Account/Month)	\$18.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Proposed Average Usage Unit Rate (\$/HCF)	\$1.32	\$2.50	\$3.20	\$3.70	\$4.10	\$4.40
Connection Fee	\$14,870	\$17,750	\$20,620	\$23,500	\$23,500	\$23,500
<u>Growth Based Changes in Accounts</u>						
Increase in Number of Accounts/Year	19	19	39	58	78	117
Increase in Number of Equivalent Mtrs/Yr.	25	25	50	75	100	150

Notes: Effective date of initial unit rate increase is January 1, 2012.

Assumes the fixed charge is eliminated in January 2012 and a uniform water usage rate structure becomes effective thereafter.

It has been a pleasure working with you and the other members of the Rate Study Team on this interesting project and look forward to working with you in the future. Please contact us if you have any questions or need additional information.

Very truly yours,

KENNEDY/JENKS CONSULTANTS



Roger Null, V.P.
 Project Manager