



CUPERTINO

City Hall
10300 Torre Avenue
Cupertino, CA 95014-3255
PH: (408) 777-3354
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PUBLIC WORKS DEPARTMENT

January 6, 2017

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This letter provides information on a proposed increase in rates for water service fees of up to **3.83% effective March 3, 2017 (retroactive to January 1, 2017)**. The enclosed notice and fee schedule are also posted online at www.cupertino.org/waterrates. You are receiving this packet because you are an individual responsible for paying water bills and/or a record owner of a property with a metered connection to the Cupertino Municipal Water System with service provided by San Jose Water Company; you may receive multiple copies, as a packet is sent for each service address.

The City Council of the City of Cupertino will hold a public hearing on the proposed increase in rates for water service fees on:

Tuesday, February 21, 2017 at 6:45 p.m.
Cupertino Community Hall Council Chambers
10300 Torre Ave.
Cupertino, CA 95014

If you wish to oppose or comment on the proposed rate increase for water service fees for consideration by the City Council, you may attend the City Council meeting and provide input during the public hearing when the item is called. You may also submit *written* comments in opposition or support to the Office of the City Clerk in the form of a letter, fax, or e-mail. **Written comments must be received by 6:30 p.m. on February 21, 2017** to be considered.

Mail(or hand-deliver) to	Fax to	Phone to	E-mail to
Water Rate Service Fee Increase City of Cupertino – Office of the City Clerk 10300 Torre Avenue Cupertino, CA 95014	(408) 777-3333 Subject line: Water Rate Service Fee Increase	Public Works Department (408) 777-3354	WaterRates@cupertino.org By 6:30 p.m. on 2/21/17



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NOTICE OF PUBLIC HEARING: PROPOSED WATER RATE SERVICE FEE INCREASE

At the Council meeting on February 21, 2017, at 6:45 p.m. or as soon thereafter as may be heard, the Cupertino City Council will conduct a public hearing regarding proposed increase in rates of water service fees of up to 3.83% proposed to be effective on March 3, 2017, and is retroactive to January 1, 2017. The water service fee for the period of January 1 through March 2, 2017, will be recovered via surcharge on water bills received after March 3, 2017. This surcharge is equivalent to a 3.83% increase had it been implemented January 1, 2017.

These rates and charges are administered by San Jose Water Company as the lessee of the system. Rates apply to residential, commercial, institutional, and industrial customers. Answers to frequently asked questions and a history of prior water rate increases may be viewed at www.cupertino/waterrates.

Reason for the Proposed Rate Increase for Water Service Fees

The Cupertino Municipal Water System purchases, treats, and delivers an average of 2.9 million gallons of potable water per day to residences and businesses. The system includes pipelines, pump stations, fire hydrants, storage tanks, wells, and water meters as well as facilities and processes required to comply with all state and federal drinking water standards. Water rate service fee are set at a level to generate enough revenue to cover the costs of operating and maintaining this system.

San Jose Water Company (SJWC) is a Class A water company subject to the jurisdiction of the State of California Public Utilities Commission (CPUC). As the Lessee of a City of Cupertino (City) owned water system, SJWC is also subject to the provisions contained within the Agreement for Lease of Real Property (Water System) between the City and SJWC. Per this agreement, the City's approval of rates shall not be unreasonably withheld. In determining reasonableness, the City shall consider all relevant information, including the CPUC approved rates. Pass through rate adjustments for changes in wholesale costs – such as changes due to increases or decreases in water and power (as well as certain unanticipated changes in volumes) are allowed to be automatically passed through without prior City approval, so long as it is done in a manner substantially similar to that permitted by the CPUC.

The proposed rate increase for water service fees is needed for increased costs of operation and is in response to a December 19, 2016 CPUC authorization to grant SJWC a 3.83% increase in rates for 2017. The supporting document links of the proposed change in rates for water service fees are as follows:

Application of San Jose Water Company for Authority to Increase Rates for Water Service to the CPUC - http://sjwater.s3.amazonaws.com/files/documents/2015_GRC_Application.PDF

CPUC Decision 16-06-004 regarding Revenue Requirements for San Jose Water Company – <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M163/K202/163202231.pdf>

San Jose Water Company request for 3.83% increase to CPUC – www.cupertino.org/waterrates-Attachment-1

December 19, 2016 CPUC Authorization of 3.83% to San Jose Water Company - www.cupertino.org/waterrates-Attachment-2

Billing Impacts

The proposed increase of 3.83% to potable water rates and charges are shown on Tables 1, 2, and 3 below. If the City Council approves the proposed increase, the impact to your bill can be calculated using the proposed meter rates and quantity charges as shown in the sample calculations below. Utility tax and offset surcharges¹ are not included in the sample calculations and your actual bill will be different. Specific questions can be directed to San Jose Water by calling 408-279- 7900 or visiting www.sjwater.com.

Sample Water Bill Calculations Comparing Current and Proposed Rates

Water Bill Amount (without utility tax and/or offset surcharge) = Meter Charge + (Quantity x Rate per HCF)

Residential Example (using Tables 1 and 2):

Residential charges use a three-tiered rate structure, with a higher rate applying as water use exceeds tier breakpoints of 3 HCF and 18 HCF. In the example below, a resident using 15 HCF will need to calculate the sample bill using two of the tiered rates:

Monthly Usage: 15 HCF

Meter Size: 3/4-inch

Current Rate: $\$23.98 + (3 \text{ HCF} \times \$4.0581) + (12 \text{ HCF} \times \$4.5090) = \$90.26$

Proposed Rate: $\$25.02 + (3 \text{ HCF} \times \$4.2210) + (12 \text{ HCF} \times \$4.6900) = \$93.96$

Non-Residential Example (using Tables 1 and 3):

Monthly Usage: 100 HCF

Meter Size: 2-inch

Current Rate: $\$127.87 + (100 \text{ HCF} \times \$4.5090) = \$578.77$

Proposed Rate: $\$133.41 + (100 \text{ HCF} \times \$4.6900) = \$602.41$

HCF = hundred cubic feet; 1 HCF = 748 gallons

¹Offset surcharge (due to increase in wholesale water costs) is currently \$.4229 per HCF consumed

Table 1: All Customers Monthly Meter Charge

MONTHLY METER CHARGE (based on meter size)		
Meter Size	Current Charges	Proposed Charges
5/8-inch	\$23.98	\$25.02
3/4-inch	\$23.98	\$25.02
1-inch	\$39.94	\$41.66
1.5-inch	\$79.91	\$83.36
2-inch	\$127.87	\$133.41
3-inch	\$239.75	\$250.12
4-inch	\$399.58	\$416.87
6-inch	\$799.15	\$833.73
8-inch	\$1278.65	\$1333.98
10-inch	\$1838.07	\$1917.62

Table 2: Residential Monthly Quantity Charge (does not include offset surcharge of \$.4229 per HCF)

Tier	Current Charges per HCF	Proposed Charges per HCF
Tier 1: 0 to 3 HCF	\$4.0581	\$4.2210
Tier 2: 3+ to 18 HCF	\$4.5090	\$4.6900
Tier 3: >18 HCF	\$4.9599	\$5.1590
Example Monthly Water Bill	\$90.26	\$93.96

Table 3: Non-Residential Monthly Quantity Charge (including water production offset surcharge)

	2016-17 Current Charges per HCF	2017-18 Proposed Charges per HCF
Quantity Rates	\$4.5090	\$4.6900

ADDITIONAL INFORMATION

Additional information about the rate increase, including Frequently Asked Questions (FAQs), the Lease Agreement between the City and San Jose Water Company, and Water Service Area Maps can be found online at <http://www.cupertino.org/waterrates>. Other supporting information from SJWC, including links to FAQ's may be found at:

https://www.sjwater.com/for_your_home/home_customer_care/rates_regulations/general_rate_information