



110 W. Taylor Street  
San Jose, CA 95110-2131

September 22, 2016

David Brandt  
City Manager  
City of Cupertino  
10300 Torre Avenue  
Cupertino, CA 95014

**RE: Request for Water Rate Increase for Cupertino Municipal Water System**

Dear Mr. Brandt:

In accordance with the provisions in the Agreement for Lease of Real Property (Water System) between the City of Cupertino (City) and SJWC executed on October 1, 1997, I write to formally seek the City's approval to implement water rate increases to customers of the Water System in 2017.

The California Public Utilities Commission's (CPUC) Final Decision for SJWC's 2015 General Rate Case (GRC) Application granted rate increases for 2016-2018. Per the decision, SJWC will file an Advice Letter with the CPUC in late October or early November 2016 requesting the implementation of the GRC 2017 rate increase, as outlined by the CPUC:

*"For escalation years 2017 and 2018, San Jose Water Company shall file Tier 2 Advice Letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules. The filing shall include rate procedures set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities and shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than January 1, 2017 and January 1, 2018, respectively, and shall apply to service rendered on and after their effective dates. The proposed revisions to revenue requirements and rates shall be reviewed by the Commission's Division of Water and Audits."*

We anticipate the CPUC's approval in December 2016 with new rates effective January 1, 2017.

The 2017 rate increase is anticipated to be approximately 4.0%. For the average customer using 15 units per month, the monthly water bill will increase by approximately \$3.90 per month or \$0.13 per day.

Per your request, additional estimated increases in 2017 include:

- Hostetter Ratebase Offset (Q1 of 2017): 0.1% increase (approximately \$0.10 per month for average customer)
- Montevina Ratebase Offset (Q1 or Q2 of 2017): 2.0% increase (approximately \$2.00 per month for average customer)
- SCVWD Wholesale Water Rate Offset (July 2017): 8.0% increase (approximately \$8.20 per month for average customer)
- Franciscan Ratebase Offset (Q4 of 2017): 0.10% increase (approximately \$0.15 per month for average customer)
- Miguelito Ratebase Offset (Q4 of 2017): 0.15% increase (approximately \$0.20 per month for average customer)

Please note that the magnitude and timing of the above increases are only estimates.

We continue to appreciate the opportunity to provide safe, high quality and reliable water service to the City's residents and look forward to continuing our partnership.

If you have any questions, please do not hesitate to contact John Tang at 408-279-7933 or [john.tang@sjwater.com](mailto:john.tang@sjwater.com).

Sincerely,



Palle Jensen  
Senior Vice President of Regulatory Affairs

c: T. Borden, City of Cupertino  
R. Lee, City of Cupertino