

September 5, 2017 Public Hearing to Consider an up to 3.83% Increase in Water Rates affecting Customers of the City owned Water System leased to San Jose Water Company (SJWC)

Frequently Asked Questions / Responses

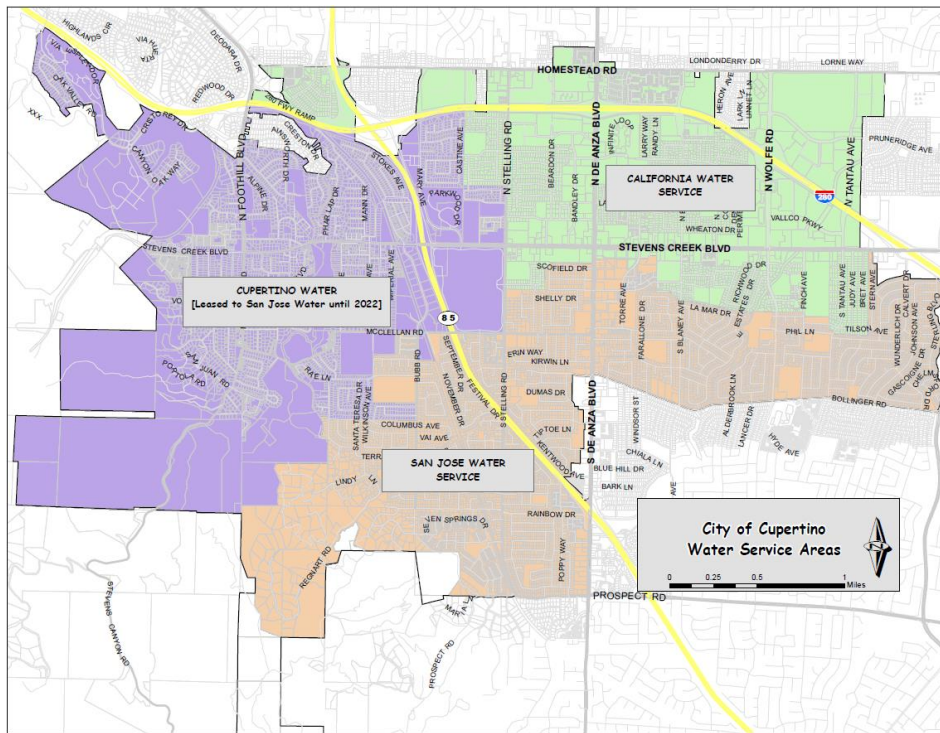
Q: What is the City Council considering at the September 5th public hearing?

In the City of Cupertino, there are three water service areas as shown on the map below. One area (shown in orange) is served by a water system owned and operated by San Jose Water Company (SJWC), one area (shown in green) is served by a water system owned and operated by California Water Service Company, and one area (shown in blue) is served by a water system that is owned by the City of Cupertino but is leased for operations to SJWC.

SJWC's water rates change annually as a result of increased operational costs and increased cost of wholesale water. The water rates for SJWC's privately owned system in Cupertino are regulated by the California Public Utilities Commission (CPUC). SJWC, as required by law, filed an application with the CPUC in January 2015 for new rates to be effective January 1 of 2016, 2017, and 2018. The CPUC's professional staff (accountants, engineers and attorneys) and the Office of Ratepayer Advocates thoroughly reviewed SJWC's proposed increase and made recommendations to the Administrative Law Judge presiding over the application. The CPUC also considered a significant amount of evidence submitted in support of this rate increase, held public hearings and issued its final decision on June 9, 2016 (D16-06-004). This decision can be viewed at <http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=163202231>. The CPUC's D16-06-004 approved an increase of 8.6% in the water rates for all customers served by SJWC's water system (shown in orange). The City held a public hearing with regard to a corresponding increase to the area shown in blue on September 6, 2016 and authorized an increase for that area retroactive to January 1, 2016.

The CPUC's D16-06-004 also approved SJWC increases in water rates for 2017 and 2018. Subsequently, SJWC filed Advice Letter No. 498 with the CPUC requesting an increase of 3.83% for 2017, instead of the previously requested 3.11%, due to increased costs. CPUC authorization of Advice Letter No. 498 can be viewed at www.cupertino.org/waterrates-Attachment-2.

SJWC has requested that the City approve an identical rate increase on customers of the water system owned by the City (shown in blue). At its meeting of February 21, 2017, the Cupertino City Council held a public hearing to determine whether a parallel rate increase to those rates reviewed and authorized by the CPUC should apply to the areas within the City served by the leased system. The item was continued by the Cupertino City Council to allow SJWC the opportunity to submit detailed cost/revenue information. As such, a public hearing on this issue will take place during the September 5, 2017 City Council meeting that begins at 6:45 p.m. at Cupertino Community Hall, 10350 Torre Avenue.



Answers to frequently asked questions are provided below.

Q: How does SJWC increase rates in the leased area?

A: As described above, the City owns the water system in the blue area shown on the map and leases the service, operations and maintenance to SJWC. Under the Lease Agreement, SJWC imposes rates on the customers in the leased area, some of which are subject to City approval, which cannot be unreasonably withheld.

SJWC has proposed to impose the same up to 3.83% increase in rates on its customers in the leased area that it has been authorized by the CPUC to impose on its customers in SJWC’s privately owned system shown in the orange area.

The City is responding to this request and will consider all information provided at the September 5, 2017 public hearing.

Q: Will SJWC increase rates in other areas of the City?

A: Yes, SJWC has already increased customer water rates in its service area (shown above in orange) effective January 1, 2017, as authorized by the CPUC. SJWC wants to implement a matching increase on the customers in the leased area (shown above in blue.).

Q: What justification has been provided to support an increase in rates?

A: SJWC identified various operational cost increases as the basis for their requested increases. The application SJWC filed with the CPUC requesting a general rate increase may be reviewed at:

http://sjwater.s3.amazonaws.com/files/documents/2015_GRC_Application.PDF

The CPUC Decision authorizing the 3.11% proposed increase in water rates for 2016 may be found at:

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M163/K202/163202231.pdf>

The CPUC authorization of Advice Letter No. 498 that proposed to increase water rates in 2017 by 3.83% (instead of 3.11%) can be viewed at www.cupertino.org/waterrates-Attachment-2.

Other supporting information, including links to FAQ's may be found at:

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

The City has not received additional information. Customers may call San Jose Water at 408-279-7900, visit www.sjwater.com.

Q: How will the 3.83% increase in water rates impact my water bill?

A: If approved as proposed, the 3.83% increase will cause the monthly average residential customers bill to increase approximately \$3.70. The notice you received in the mail provides examples of current and proposed rates to the average customer. Specific questions can be directed to San Jose Water at 408-279-7900 or visit www.sjwater.com.

Q: Will there be additional water rate changes in 2017?

A: Some additional increase is likely. An additional "pass through" or "offset surcharge" increase of approximately 4% became effective in July 2017 due to an increase in wholesale water rates from the Santa Clara Valley Water District. Under the Lease Agreement, SJWC can impose these rates on the customers in the leased area without having to obtain City approval. Other proposed increases that are not considered a "pass through" or "offset surcharge", and as authorized by the CPUC, will be considered by the City at a future posted public hearing meeting. Based on the SJWC rate applications pending before the CPUC demonstrating increases in operational costs, the City anticipates that SJWC will seek additional rate adjustments in 2017 and 2018.

Q: What is a "pass through" or "offset surcharge" change in water rates?

A: A pass through or offset surcharge change in water rates is due to a change in cost of wholesale water or power. Per the agreement between the City and SJWC, pass through changes do not require City authorization and may be implemented in a manner substantially similar to that permitted by the CPUC, provided the City is notified.

Q: How do the proposed rates (less utility tax, pass through and offset surcharges) compare to those of California Water Service Company (CWSC)?

A: In the example below, a resident using 15 hundred cubic feet (HCF) of water per month can calculate a SJWC water bill as compared to a CWSC water bill using the following example and tables:

Monthly Usage: 15 HCF

Meter Size: 3/4-inch

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

CWSC Current Rate: $\$26.82 + (10\text{HCF} \times \$4.4004) + (5\text{HCF} \times \$4.6813) = \$94.23^*$

**Does not include taxes and/or surcharges*

MONTHLY METER CHARGE		
Meter Size	Proposed Charges for SJWC	Current Charges for CWSC
SJWC 3/4-inch	\$25.02	-
CWSC 3/4-inch	-	\$26.82

MONTHLY WATER CHARGE (not including utility tax, pass through / offset surcharge)	
	2017
SJWC Tier	Proposed Charges per HCF for SJWC
SJWC Tier 1: 0 to 3 HCF	\$4.2210
SJWC Tier 2: 3+ to 18 HCF	\$4.6900
CWSC Tier	Current Charges per HCF for CWSC
CWSC Tier 1: 1 to 10 HCF	\$4.4004
CWSC Tier 2: 11 to 27 HCF	\$4.6813

More detailed CWSC information is available at <https://www.calwater.com/rates/rates-and-tariffs/las/> and/or at [https://www.calwater.com/docs/rates/rates_tariffs/las/20170101-Residential Metered Service LAS.pdf](https://www.calwater.com/docs/rates/rates_tariffs/las/20170101-Residential_Metered_Service_LAS.pdf).

Q: How much will my actual bill (including utility tax, pass through and offset surcharge) go up as a result of the proposed rates?

A: For the average customer using 15 HCF, the proposed increase will add 3.83% to your bill. A separate and additional wholesale water rate pass through increase of 4% became effective July 1, 2017. Together these increases sum nearly 8%.

Q: What do I do if I cannot afford this increase?

A: SJWC offers programs to assist customers. For more information, visit SJWC website at: https://www.sjwater.com/for_your_business/business_customer_care/business_rates_regulations/business_water_rate_assistance_program_wrap

Q: Where can I find more information?

A: Visit <https://www.sjwater.com/news/topic/2016-water-rates-frequently-asked-questions>