

**NOTICE OF PUBLIC HEARING:
PROPOSED WATER RATE SERVICE FEE INCREASE**

NOTICE IS HEREBY GIVEN that at the Council meeting on September 6, 2016, at 6:45 p.m. the Cupertino City Council will conduct a public hearing regarding 2016 proposed increase in rates for water service fees of 8.6%.

The proposed increase in rates for water service fees of 8.6% for 2016 becomes effective September 15, 2016, and is retroactive to January 1, 2016. The water service fee for the period of January 1 through September 14, 2016, will be recovered via surcharge on water bills received after September 15, 2016. This surcharge is equivalent to an 8.6% increase had it been implemented January 1, 2016.

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.

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 potablewater 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. The proposed water rate service fee increases are needed to cover the increasing costs of operation.

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 increases – such as changes due to increases or decreases in water and power (as well as certain unanticipated changes in volumes) are allowed to be 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 the June 9, 2016 CPUC Final Decision to grant SJWC a 8.6% increase in rates for 2016. The CPUC proceeding number for this Final Decision is A1501002. The CPUC Final Decision can be viewed at <http://docs.cpuc.ca.gov/DecisionsSearchForm.aspx>.

Deadline to Submit Written Comments: 6:30 p.m. September 6, 2016

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 on Tuesday, September 6th at 6:45 p.m., during the public hearing when the item is called. You may also submit *written* opposition or comments to the Office of the City Clerk in the form of a letter, fax, or e-mail. The deadline to submit written comments for consideration at the meeting is 6:30 p.m. on September 6, 2016.

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 9/6/16

Billing Impacts

The retroactive surcharge amount for the time period of January 1, 2016 to September 14, 2016 will be \$0.1832 per hundred cubic feet (HCF).

The proposed potable water rates and charges are shown on Tables 1, 2, and 3. If the City Council approves the proposed increase, the impact to your bill can be calculated using the proposed rates as shown in the examples below:

Sample Water Bill Calculations Comparing Current and Proposed Rates

Water Bill Amount (without utility tax) = Meter Charge + (Quantity x Rate per HCF)
All quantity based charges include offset surcharges for increases to water production charges.

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 total bill using two of the tiered rates:

Monthly Usage: 15 HCF

Meter Size: 3/4-inch

Current Rate: \$21.21 + (3HCF x \$3.8683) + (12HCF x \$4.2272) = \$83.54

Proposed Rate: \$23.98 + (3HCF x \$4.0581) + (12HCF x \$4.5090) = \$90.26

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

Monthly Usage: 100 HCF

Meter Size: 2-inch

Current Rate: \$113.19 + (100 HCF x \$4.2272) = \$535.91

Proposed Rate: \$127.87 + (100 HCF x \$4.5090) = \$578.77

HCF = hundred cubic feet; 1 HCF = 748 gallons

Table 1: All Customers Monthly Meter Charge

MONTHLY METER CHARGE (based on meter size)		
Meter Size	2015-16 Current Charges	2016-17 Proposed Charges
5/8-inch	\$21.21	\$23.98
3/4-inch	\$21.21	\$23.98
1-inch	\$35.39	\$39.94
1.5-inch	\$70.75	\$79.91
2-inch	\$113.19	\$127.87
3-inch	\$212.22	\$239.75
4-inch	\$356.39	\$399.58
6-inch	\$707.40	\$799.15
8-inch	\$1131.81	\$1278.65
10-inch	\$1627.00	\$1838.07

Table 2: Residential Monthly Quantity Charge

Including an example of a monthly water bill per zone based on a 3/4-inch meter¹ and usage of 15 HCF.

Tier	Current Charges per HCF	Proposed Charges per HCF
Tier 1: 0 to 3 HCF	\$3.8683	\$4.0581
Tier 2: 3+ to 18 HCF	\$4.2272	\$4.5090
Tier 3: >18 HCF	\$4.5861	\$4.9599
Example Monthly Water Bill	\$83.54	\$90.26

Table 3: Non-Residential Monthly Quantity Charge

	2015-16 Current Charges per HCF	2016-17 Proposed Charges per HCF
	\$4.2272	\$4.5090

¹Meter Charge and Quantity Charge are included in all example bill amounts.

Any questions please contact the City of Cupertino Public Works Department at Phone: (408) 777-3354, Fax: (408) 777-3333. Council meets at 6:45 p.m., Community Hall Council Chamber, 10350 Torre Avenue, Cupertino, California. Interested parties are invited to attend and be heard. If you wish to challenge the action of the City Council in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this notice, or in written correspondence delivered to the City of Cupertino at, or prior to, the public hearing.

CITY OF CUPERTINO

/GRACE SCHMIDT/

CITY CLERK

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