

December 17, 2019 Public Hearing to Consider Proposed Changes to Lease of the Cupertino Municipal Water System That Will Affect Customers' Water Rates

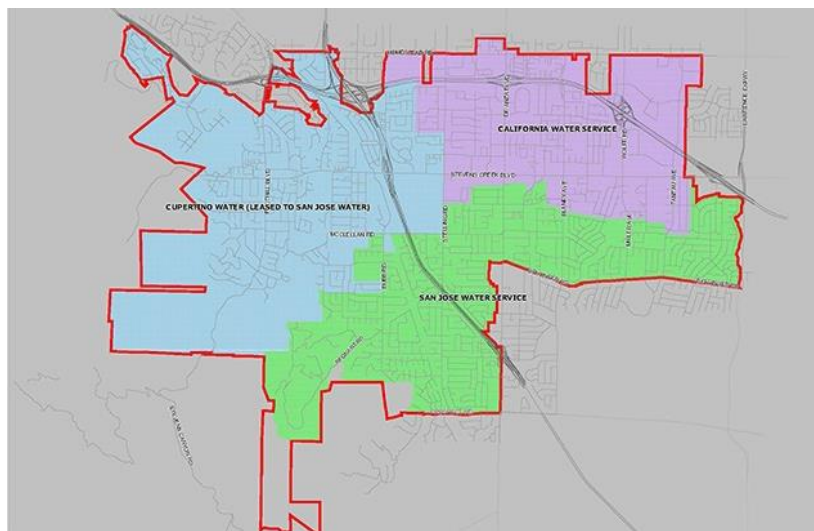
Frequently Asked Questions / Answers

In the City of Cupertino, there are three water service areas as shown on the map, below. One area (shown in green) is served by a water system owned and operated by San Jose Water (SJW), one area (shown in purple) is served by a water system owned and operated by California Water Service (CWS), 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 by SJW.

In October 1997, the City and SJW entered in to a 25-year lease agreement. Under the agreement SJW is responsible for operating and maintaining the system to industry standards. Further, City Council must determine any proposed rate increase to be "Reasonable" prior to implementation. In 2016, the City inspected the distribution system and notified SJW that additional capital improvements were needed to maintain the system to industry standards. As a result, on January 21, 2017, City Council chose to postpone the determination of reasonableness of any rate increase until such time the City and SJWC could negotiate a capital improvement plan (CIP).

The water rates for SJW's privately owned system in Cupertino are regulated by the California Public Utilities Commission (CPUC). SJW, as required by law, filed application with the CPUC for rate increases to be effective January 2017, 2018 and 2019. The CPUC considered a significant amount of evidence submitted in support of these rate increases, held public hearings, and ultimately approved the rate increases. As a result, customers served by the SJW owned system have been paying higher water rates than customers served by the City owned system since before January 2017.

Negotiations regarding the dollar amount of improvements to be completed within the Agreement term have recently been concluded and are incorporated into the amended Lease Agreement. The negotiated CIP expenditures will ensure that the City distribution system is maintained to the same standard as the SJW owned system throughout the duration of the lease. Therefore, the requirement for Council to consider the reasonableness of any further rate increase is proposed to be removed. Customers served by the City owned system will pay the same rates as customers served by the SJW owned system.



Answers to frequently asked questions are provided below.

Q: Has SJW increased rates in other areas of the City?

A: Yes, the CPUC approved increases in SJW's cost of service used to determine water rates for customers served by their water system in January of 2017 2018 and 2019 by 3.83%, 4.22% and 4.55% respectively. SJW wants to increase water rates for customers served by the City owned system equivalently.

Q: Where can I find information regarding SJW requests to the CPUC for rate requests for the years 2017, 2018 & 2019?

A: SJWC must file a general rate case filing with the CPUC every three years. Prior to rate case filing, SJW performs a thorough review of historic costs, planned system improvements and performs cost projections. This data is included in the rate case filing which is then reviewed by CPUC's Public Advocates Office who will make a recommendation. The CPUC holds a formal hearing prior to making a decision. Information related to SJW's latest rate case filing and CPUC decisions can be found at:

2017: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M163/K202/163202231.pdf>

2018: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M245/K834/245834283.PDF>

2019: <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M247/K299/247299472.pdf>.

Customers may call San Jose Water at 408-279-7900, visit www.sjwater.com and/or go to the SJW link below that includes information on Rates and Regulations <https://www.sjwater.com/customer-carehelp-information/rates-regulations>

Q: How will this impact my water bill?

A: If the proposed lease amendment is authorized by the City Council it is expected that SJWC will increase rates approximately 13.8% effective as soon as December 18, 2019. The rate increase will not be retroactive. 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 my water bill increase in 2020?

A: SJWC has an increase scheduled for 2020 that has been authorized by the CPUC that will be effective January 1, 2020. The amount of this increase is approximately 3%.

Q: How do the proposed rates compare to those of California Water Service (CWS)?

A: In the example below, a resident using 11 hundred cubic feet (HCF) of water per month can calculate a SJW water bill as compared to a CWS water bill using the following example and tables:

Monthly Usage: 11 HCF

Meter Size: 3/4-inch

SJW Proposed Rate: $\$39.57 + (3\text{HCF} \times \$3.2036) + (8 \text{ HCF} \times \$4.8059) = \$87.63$

CWS Current Rate: $\$27.80 + (10\text{HCF} \times \$5.4294) + (1 \text{ HCF} \times \$5.776) = \$87.87$

MONTHLY METER CHARGE		
Meter Size	2019 Charges	
SJW 3/4-inch	\$39.57	
CWS 3/4-inch	\$27.80	

MONTHLY WATER CHARGE	
SJW Tier	2019 Proposed Charges per HCF for SJWC
SJW Tier 1: 0 to 3 HCF	\$3.2036
SJW Tier 2: 3+ to 18 HCF	\$4.8059
CWS Tier	2019 Charges per HCF for CWSC
CWS Tier 1: 1 to 10 HCF	\$5.4294
CWS Tier 2: 11 to 27 HCF	\$5.7760

More detailed CWS 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/20190715-Residential Metered Service LAS.pdf](https://www.calwater.com/docs/rates/rates_tariffs/las/20190715-Residential_Metered_Service_LAS.pdf).

Q: How do the proposed rates compare with neighboring Cities?

A: The Cities of Palo Alto, Mountain View, Santa Clara and Milpitas have municipally owned water systems. The below table illustrates monthly water bill (service charge + quantity charge) for residential customers using 11 HCF of water per month and with a 3/4-inch water meter.

CITY	MONTHLY WATER CHARGE
Palo Alto	\$110.56
Mountain View	\$86.50
Santa Clara	\$87.01
Milpitas	\$88.13
Sunnyvale	\$73.92

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

A: SJW offers programs to assist customers. For more information, visit SJW 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/customer-carehelp-information/rates-regulations>