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Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kerrie Romanow

SUBJECT: SEE BELOW

DATE: April 18, 2013

Approved

Date

4/18/13

INFORMATION

SUBJECT: REPORT ON RATE NOTICING PROCESS FOR MUNICIPAL WATER SYSTEM RATE CHANGES BEGINNING 2013-2014

In April 2013, staff from the Environmental Services Department will mail public notices to customers in the Municipal Water System service areas, advising them of a proposed rate increase for potable water, including information on how to submit a protest to the increase (see attached).

Issuing rate increase notices in spring 2013 is required to provide sufficient time for a 45-day protest period for notice recipients and allow the City to adopt actual rate changes in June 2013 for 2013-2014, if they are approved by Council. Details on the rate increase proposal are discussed below. This noticing process requires the City to prepare and mail nearly 26,000 individual notices. Given the time sensitivity of this process and the magnitude of the noticing effort, the production planning process is currently underway.

It is important to note that the rate increase in the attached draft notice reflects the maximum increase. As part of the 2013-2014 Proposed Operating Budget, staff will make every effort to bring forward an actual rate increase for Council consideration that will be lower than the noticed rate increase. Noticing for the maximum increase provides flexibility as staff reviews the various factors which impact rate revenue requirements, including potential budget proposals and changes in cost for personal and non-personal services related to the Municipal Water System.

The San José Municipal Water System provides drinking water to Evergreen, Edenvale, Coyote Valley, and North San José. Mailing the notices will enable Council to conduct a public hearing on June 11, 2013, on a rate increase to Municipal Water System charges as recommended by staff. The notice sets forth a maximum Municipal Water System rate increase of up to 9.0% for 2013-2014. If approved by Council, the new rates would become effective July 1, 2013.

INFORMATIONAL MEMORANDUM

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Subject: Noticing Process for Municipal Water System Rate Changes Beginning 2013-2014

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Municipal Water System charges were last increased in 2012-2013. The primary drivers for the 2013-2014 rate increase are to fund a projected increase in the cost of wholesale water from the Santa Clara Valley Water District and the San Francisco Public Utilities Commission, and to fund investments in the water utility to ensure that it remains in reliable condition.

/s/

KERRIE ROMANOW

Director, Environmental Services

For more information, please contact Linda Charfauros, Administrative Officer, at (408) 535-8553.

Attachment – Draft notice for Municipal Water System Rates

**NOTICE OF PUBLIC HEARING:
PROPOSED POTABLE WATER RATE INCREASE**

On June 11, 2013, at 1:30 p.m. or as soon thereafter as the matter may be heard, the San José City Council is scheduled to conduct a public hearing on a proposed increase to San Jose Municipal Water System potable water rates. These charges are paid to the City by residential, commercial, institutional, and industrial customers.

At the hearing, the Environmental Services Department will be proposing a rate increase of up to 9.0% for fiscal year 2013-14 (July 1, 2013 to June 30, 2014).

Reason for the Proposed Increase

The San Jose Municipal Water System purchases, treats, and delivers an average of 20 million gallons of drinking water per day to residences and businesses in the service areas of Alviso, North San José, Evergreen, Edenvale, and Coyote Valley. The system includes pipelines, pump stations, fire hydrants, storage reservoirs, wells, and water meters as well as facilities and processes required to comply with all state and federal drinking water standards. Water rates are set at a level to generate enough revenue to cover the costs of operating and maintaining this system. The primary reasons for this proposed rate change are to fund a projected increase in the cost of wholesale water that the San Jose Municipal Water System purchases from the Santa Clara Valley Water District and San Francisco Public Utilities Commission, and to fund investments in the water utility to ensure that it remains in reliable condition.

Deadline to Submit Written Protests: June 11, 2013

If you wish to file a protest of the proposed increase to the water rates, you must follow these rules for your protest to be included in the official tally presented to the City Council:

- Protests must be in writing and received by the City prior to the close of the public hearing on June 11, 2013.
- ***You must indicate your name and the address(es)*** of the property(ies) you own or rent that are subject to the proposed rate adjustment.
- Submit ***written*** protests to the Office of the City Clerk in the form of a letter, fax, or e-mail as shown below:

Mail (or hand-deliver)	Fax	E-mail
San Jose Municipal Water System Rate Increase City of San José – Office of the City Clerk 200 E. Santa Clara St., 2 nd Fl. Wing San José, CA 95113-1905	(408) 292-6207 San Jose Municipal Water System Rate Increase	WaterRateProtest@sanjoseca.gov

Billing Impacts

The proposed potable water rates and charges are shown on Tables 1, 2, and 3. If the City Council adopts 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)

Residential Example (using Tables 1 and 2):

Residential charges use a four-tiered rate structure, with a higher rate applying as water use exceeds thresholds of 7 HCF increments. In the example below, a resident using 15 HCF will need to calculate the total bill using three of the tiered rates:

Monthly Usage: 15 HCF

Meter Size: 5/8-inch

Zone: 1

Current Rate: $\$10.436 + (7\text{HCF} \times \$2.377) + (7\text{HCF} \times \$2.736) + (1\text{HCF} \times \$3.014) = \$49.24$

Proposed Rate: $\$11.375 + (7\text{HCF} \times \$2.590) + (7\text{HCF} \times \$2.982) + (1\text{HCF} \times \$3.285) = \$53.66$

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

Monthly Usage: 100 HCF

Meter Size: 2-inch

Zone: 2

Current Rate: $\$57.156 + (100 \text{ HCF} \times \$2.829) = \$340.06$

Proposed Rate: $\$62.300 + (100 \text{ HCF} \times \$3.083) = \$370.60$

HCF = hundred cubic feet; 1 HCF = 748 gallons

Table 1: All Customers Monthly Meter Charge

MONTHLY METER CHARGE <i>(based on meter size)</i>		
Meter Size	2012-13 Current Charges	2013-14 Proposed Charges
5/8-inch	\$10.436	\$11.375
3/4-inch	\$10.656	\$11.615
1-inch	\$18.541	\$20.209
1.5-inch	\$37.084	\$40.421
2-inch	\$57.156	\$62.300
3-inch	\$108.144	\$117.877
4-inch	\$165.301	\$180.178
6-inch	\$216.289	\$235.755
8-inch	\$308.988	\$336.797
10-inch	\$386.252	\$421.015

Table 2: Residential Monthly Quantity Charge

Including an average monthly water bill per zone based on a 5/8-inch meter and usage of 15 HCF.

Zones*	2012-13 Current Charges per HCF	2013-14 Proposed Charges per HCF
Zone 1 - Elevation 0 to 275 feet - North San José, Alviso, Edenvale, Coyote Valley, and Evergreen		
Tier 1: 0 to 7 HCF	\$2.377	\$2.590
Tier 2: 7 to 14 HCF	\$2.736	\$2.982
Tier 3: 14 to 21 HCF	\$3.014	\$3.285
Tier 4: > 21 HCF	\$3.327	\$3.626
Zone 1 Average Monthly Water Bill	\$49.241	\$53.664
Zone 2 - Elevation 275 to 375 feet – Evergreen		
Tier 1: 0 to 7 HCF	\$2.504	\$2.729
Tier 2: 7 to 14 HCF	\$2.829	\$3.083
Tier 3: 14 to 21 HCF	\$3.153	\$3.436
Tier 4: > 21 HCF	\$3.455	\$3.765
Zone 2 Average Monthly Water Bill	\$50.920	\$55.495
Zone 3 & 4 - Elevation 375 to 630 feet – Evergreen		
Tier 1: 0 to 7 HCF	\$2.609	\$2.843
Tier 2: 7 to 14 HCF	\$2.945	\$3.210
Tier 3: 14 to 21 HCF	\$3.258	\$3.551
Tier 4: > 21 HCF	\$3.571	\$3.892
Zone 3 & 4 Average Monthly Water Bill	\$52.572	\$57.297
Zone 5 & 6 - Elevation 630 to 960 feet – Evergreen		
Tier 1: 0 to 7 HCF	\$2.748	\$2.995
Tier 2: 7 to 14 HCF	\$3.084	\$3.361
Tier 3: 14 to 21 HCF	\$3.397	\$3.702
Tier 4: > 21 HCF	\$3.663	\$3.992
Zone 5 & 6 Average Monthly Water Bill	\$54.657	\$59.569

Table 3: Non-Residential Monthly Quantity Charge

Zones*	2012-13 Current Charges Per HCF	2013-14 Proposed Charges per HCF
Zone 1 - Elevation 0 to 275 feet - North San José, Alviso, Edenvale, Coyote Valley, and Evergreen	\$2.736	\$2.982
Zone 2 - Elevation 275 to 375 feet – Evergreen	\$2.829	\$3.083
Zone 3 & 4 - Elevation 375 to 630 feet - Evergreen	\$2.945	\$3.210
Zone 5 & 6 - Elevation 630 to 960 feet – Evergreen	\$3.084	\$3.361

* The zone that indicates which charges apply to your water service is indicated at the top of the letter that is attached to this notice.