

## Frequently Asked Questions 2018 General Rate Case Decision

**Question:** What are the new rates authorized by the California Public Utilities Commission (Commission)?

**Answer:** As required by law, San Jose Water filed an application with the Commission in January 2018 for new rates in 2019, 2020, and 2021. After a thorough and comprehensive review spanning 14 months, the Commission issued its final decision on November 29, 2018, and authorized a total rate increase that averages 4.55 percent starting January 1, 2019. The 2020 and 2021 increases will be determined based on changes to the consumer price index from the preceding year.

**Q:** What was the process for reviewing the application?

**A:** The Commission’s thorough and comprehensive process included:

- Extensive review and analysis by subject matter experts of our almost 11,000 pages of documentation;
- Response to testimony from those experts including the California Office of Public Advocates;
- Broad notification to customers and other stakeholders;
- Evidentiary hearings and filings of legal briefs; and
- A public participation hearing held in San Jose on May 30 to gather customer input.

**Q:** What else does the decision authorize?

**A:** The decision allows San Jose Water to recover up to 40 percent of its revenue through the monthly service charge thereby reducing the revenue collected through the volumetric water quantity charge. This supports rate stabilization and reduces rate uncertainty for customers if usage declines below Commission projections. For a typical residential customer with a 3/4-inch meter, the monthly service and quantity charges will change as follows:

	<b>Current</b>	<b>1/1/2019</b>
Monthly Service Charge	\$25.28	\$39.50
Volume Charge (per unit)		
0-3 units	\$4.25	\$3.20
4-18 units	\$4.73	\$4.80
Greater than 18 units	\$5.20	\$6.40

The decision also authorizes San Jose Water to collect about \$27 million in balances from existing balancing and memorandum accounts, including the remaining balances resulting from drought-related water conservation revenue shortfall and conservation surcharge accounts. This balance will be collected via surcharges that will be spread over the next three years.

Lastly, it authorizes San Jose Water to invest \$320 million to upgrade the water system in 2018-2020.

**Q:** How will the Commission's decision impact my water bill?

**A:** The 2019 rate increase will become effective on January 1, 2019. For the typical residential customer with a 3/4-inch meter using 11 units of water, the monthly bill will increase by approximately 5.12 percent or \$4.32. This equates to an increase of approximately 14 cents per day.

Water service will remain at less than a penny a gallon making it one of the lowest cost utility bills – a true bargain considering the resources and expertise it takes to treat and deliver safe and reliable water to your tap 24 hours a day, 365 days a year. For most households, you can cook, clean, and do laundry for about \$3 a day. When compared to other products we use every day (milk \$4/gallon, gasoline \$3/gasoline, bottled water \$12/gallon, coffee \$16/gallon), tap water remains one of the best deals around.

**Q:** How can San Jose Water help customers manage their water bills?

**A:** We offer a comprehensive water conservation program to help customers use water more efficiently. We have informational brochures and offer free water checkups to all customers. If you choose, a conservation inspector will visit your home and check for leaks, evaluate indoor and outdoor usage, and make recommendations on ways to use water more efficiently. Additionally, San Jose Water offers a Water Rate Assistance Program (WRAP) for qualified low income customers. The WRAP provides a 15 percent discount on the total water bill to customers who qualify. For more information, click [here](#).

**Q:** How will customers be notified of the increases?

**A:** A bill message will be included with the first bill subsequent to the increase.

**Q:** Will San Jose Water seek additional rate increases?

**A:** San Jose Water is required by law to file an application once every three years for the following three year period. Our next filing will occur in January 2021 and cover the years 2022 through 2024.

**Q:** Why are these increases necessary?

**A:** San Jose Water has been providing water service since 1866. Much of the water system was constructed more than 50 years ago and has reached the end of its useful life. In order to protect public health and safety and to deliver safe and reliable water service, the company must continue to replace water system components rather than waiting until failure occurs.

The new rates reflect escalating operating costs and significant water system replacement costs for mains, tanks, and wells that allow the company to continue to provide safe and reliable water service. Key projects being undertaken in 2019 include:

- Replacing approximately 24 miles of water mains to maintain reliable service;

- Constructing two new 24 million gallon reservoirs in the Town of Los Gatos to serve West Valley communities customers; and,
- Upgrading the dam at Lake Ranch Reservoir to improve flows, drainage and employee safety.

Safe and reliable water service is essential for maintaining public health, firefighting capability, and economic prosperity, all things that contribute to the quality of life we enjoy.

**Q:** Can't San Jose Water reduce costs instead of raising rates?

**A:** SJWC works hard to provide the highest quality water service at the lowest possible cost. Water utility costs are escalating rapidly due to increased investments needed to replace mains, tanks and wells, to comply with more stringent water quality regulations, and to pay for higher water supply costs. Over the last 10 years, we have invested approximately \$1 billion to ensure a safe and reliable water system. A growing population, increasing demand and costs for water supply, and an aging water system are challenges facing all water utilities.

**Q:** How have costs increased compared to past years?

**A:** Water system replacement costs have more than doubled in the past 5 years. Staffing costs to deal with new financial reporting and water quality regulations have risen almost 50 percent in the past 5 years. Wholesale water rates have increased approximately 10 percent per year over the last ten years.

**Q:** What has San Jose Water done to keep rates low?

**A:** San Jose Water has an excellent track record of operating an efficient utility. Over the last five years, our operating costs (including operations, maintenance, purchased power, and administrative expenses), as a percentage of overall costs, have decreased. The number of customers served per employee has remained relatively stable over the last 20 years. The company's non-revenue water (volume not billed as a result of leaks, theft, firefighting, and water quality activities) of less than 7 percent remains one of the industry's lowest.

**Q:** Where does my dollar go?

**A:** About half of every dollar received from customers goes to cover costs that are beyond the control of San Jose Water in the form of taxes and water supply costs. Other major cost drivers are shown below.

**Water Supply Costs (38 cents)** - include costs from the Santa Clara Valley Water District for both the purchase of treated water and the charge to extract groundwater from the underground aquifer.

**Operating Costs (22 cents)** - include operations, maintenance, purchased power and administrative expenses.

**System Improvements (21 cents)** - include capital improvement costs associated with our water distribution system, depreciation and amortization.

**Taxes and Fees (11 cents)** include federal, state and local taxes.

**Cost of Capital (8 cents)** - is the interest paid on the debt and the return paid on the equity required to finance water system improvements.

**Q:** Why do I have to pay more for using less water?

**A:** The water utility industry is the most capital intensive utility industry. It is very expensive to install new or replace old water mains, build new tanks, and drill new wells, and therefore, San Jose Water, as well as other water utilities have a high level of fixed costs. Unfortunately, during times when water sales are declining due to conservation efforts, fixed costs will still have to be recovered to maintain safe and reliable water service. For more information on the relationship between rates and conservation, click [here](#).

**Q:** What are the monthly service charge increases for larger meters?

**A:** See Below

Monthly Service Charge		
Meter Size	Present Rates	2019 Rates
5/8 x 3/4-inch	\$25.28	\$39.50
3/4-inch	\$25.28	\$39.50
1-inch	\$42.10	\$65.83
1 1/2-inch	\$84.24	\$131.67
2-inch	\$134.81	\$210.67
3-inch	\$252.73	\$395.00
4-inch	\$421.22	\$658.33
6-inch	\$842.52	\$1,316.67
8-inch	\$1,348.05	\$2,106.67
10-inch	\$1,937.85	\$3,028.33