

Purissima Hills Water District

February 2012

Dear Customer/Record Property Owner:

The Board of Directors of the Purissima Hills Water District (District) will consider proposed increases to the Water Rate Unit Charge. **The Board will vote on the proposed increases after a public hearing scheduled for April 11, 2012, at 6:30 p.m.** The new water unit rates will become effective with the first billing cycle commencing after April 11, 2012, and will replace the current rates which have been in place for residential and institutional customers since March 10, 2010.

The purpose of this notice is to meet our obligation under State Proposition 218 to notify you of the proposed rate increases, to explain the potential impact of the changes on your water bill, and to explain why we need to increase our water unit rates.

Background The District purchases all of its water supply from the San Francisco Public Utilities Commission (SFPUC). The SFPUC is spending \$4.3 billion dollars to seismically improve the Hetch Hetchy regional water system. Now that construction has started for most of the projects, the wholesale water rate is expected to dramatically increase over the next five years. The 28 agencies that purchase water from the SFPUC are responsible for paying for two-thirds of these costs through the wholesale water rate.

1. Water Rate Unit Charge

In March 2010, when the District last increased its water unit rates, the SFPUC was charging \$1.65 per unit with projections of \$2.14 per unit effective July 1, 2011. However, the SFPUC actually increased its wholesale rate to \$2.63 per unit in July 2011, creating a short-term budget shortfall for the District. The rates proposed below are required to maintain existing service levels while correcting the budget shortfall. The current and proposed water unit rate increases are as follows:

For Residential Customers

Tier	Units of Water Consumed	Current Water Rate	Proposed Water Rate with Increase
1	1 through 10	\$2.70 per unit	\$3.21 per unit
2	11 through 30	\$4.15 per unit	\$4.66 per unit
3	31 through 60	\$5.60 per unit	\$6.11 per unit
4	61 through 100	\$7.05 per unit	\$7.56 per unit
5	101 through 200	\$8.50 per unit	\$9.01 per unit
6	Over 200	\$9.95 per unit	\$9.95 per unit

For Institutional Customers

Current Water Rate	Proposed New Water Rate
\$4.85 per unit	\$5.36 per unit

How Will the Increased Water Unit Rates Impact You? Customer bills will increase by varying amounts depending on the amount of water consumed. The following table illustrates proposed water rate unit charges for various residential customer usages.

Billed Units	Total Bill Based on Existing Rate Schedule *	Total Bill Based on Proposed Rate Schedule *	Amount of Increase
10 units	\$42.00	\$47.10	\$5.10
30 units	\$125.00	\$140.30	\$15.30
60 units	\$293.00	\$323.60	\$30.60
100 units	\$575.00	\$626.00	\$51.00
200 units	\$1,425.00	\$1,527.00	\$102.00
300 units	\$2,420.00	\$2,522.00	\$102.00

* Includes a ¾-inch meter readiness-to-serve charge of \$15.00

2. Pass-through Rate Increases

In order to keep up with the costs of wholesale water and inflation, the District proposes annual rate increases for the next five years by passing through any increases in the wholesale cost of water and increases in the Consumer Price Index, effective with meter readings beginning in October 2012, 2013, 2014, 2015, and 2016. In order to accomplish this pass-through, the District will freeze all maintenance, administration, and operational expenses not related to the direct cost of water. If the District determines that an additional water rate adjustment is necessary during this five-year period to cover the costs of providing water service, the District will prepare a rate study and hold a public hearing pursuant to Proposition 218.

A. Pass-through of Wholesale Water Rate Increases Imposed by the SFPUC

Pursuant to Government Code section 53756 and in addition to the water rate increases proposed above, the District will pass through any increases in wholesale charges for water to District customers for a five-year period following the adoption of these rate increases. Any increases will be applied pursuant to the methodology set forth below. The District will provide all customers written notice of the pass-through increases based on wholesale water rate increases not less than 30 days before the effective date of the adjustment.

Methodology The SFPUC adjusts its wholesale water rate annually on July 1. The District will calculate the pass-through increase amounts annually and implement the pass-through wholesale rate increase to District customers beginning with the October meter readings each year. The methodology for calculating the pass-through increases will be as follows:

For every tier of water consumption (both residential and commercial, excluding tier 6 of the residential rates), the District will pass through the per unit wholesale increase to each unit of water sold to District customers. No wholesale rate increase will be passed through to tier 6 of the residential rates. The District will eliminate tier 6 entirely once the tier 5 rate increases to match or exceed the tier 6 rate. The District and its customers have achieved significant conservation goals through the tiered rate structure and tier 6 will be phased out as it is no longer needed.

EXAMPLE: If the SFPUC increases the wholesale rate by \$.47 per unit, the District will add \$.47 to each unit of water sold to its customers. If such an increase were applied to the District's existing water rates, the tiers would be as follows:

Tier	Units of Water Consumed	Existing Water Rates	Water Rates with \$.47 Wholesale Increase Pass-through
1	1 through 10	\$3.21 per unit	\$3.68 per unit
2	11 through 30	\$4.66 per unit	\$5.13 per unit
3	31 through 60	\$6.11 per unit	\$6.58 per unit
4	61 through 100	\$7.56 per unit	\$8.03 per unit
5	101 through 200	\$9.01 per unit	\$9.48 per unit
6	Over 200	\$9.95 per unit	\$9.95 per unit

B. Pass-through of Costs of Inflation

Pursuant to Government Code section 53756 and in addition to the water rate increases proposed above, the District will pass through any increased costs attributable to inflation to District customers for a five-year period following the adoption of these rate increases. The amount of the increase (if any) will be measured by the San Francisco-Oakland-San Jose Consumer Price Index (all urban consumers, all items) (CPI). The District will calculate the pass-through CPI increase using the June to June comparison of the then-current year and the immediately preceding year. The District will implement the pass-through CPI increase to District customers beginning with the District's October meter reading by increasing each tier by the same percentage as the CPI increase. The District will provide all customers with written notice of the pass-through increases based on inflation not less than 30 days before the effective date of the adjustment.

3. What Can You Do to Reduce the Impact of the Rate Increase on Your Water Bill?

If you want to minimize the impact of the increased water rate unit charge on your water bill, you should begin now to take steps to reduce your water use. Because landscape irrigation is a major use of water in the summer, your landscape offers the greatest opportunity to save. Watering efficiently, selecting low water-use plants, and reducing the amount of turf in your landscape are all steps you can take to reduce your consumption this summer. For more conservation ideas, please visit our website at www.purissimawater.org or call the District's Conservation Specialist at (650) 948-1217.

4. Why Do We Need a Rate Increase?

The District must cover its costs to continue providing high quality water to our customers. As a public agency, the District may not collect more revenue than is necessary to cover its costs to provide water services. Our costs have increased, specifically:

- The District has not raised rates for the past two years despite cost increases.
- The SFPUC, which provides the District with 100% of its water, increased the wholesale water rate by 38.4% on July 1, 2011.
- Due to variations in customer demand, rate projections are uncertain for July 1, 2012. In November 2011, the SFPUC officially stated that its wholesale rates will increase from \$3.08 to \$3.44 per unit. The SFPUC has subsequently revised their projections to \$2.89 per unit based on lack of rainfall in December and January 2012.
- Based on this uncertainty, the District proposes to pass through the SFPUC rate increase for only the cost of water.

The Board of Directors will consider the increased water unit rate charges proposal at a public hearing scheduled for April 11, 2012, at 6:30 p.m., at the Purissima Hills Water District Office. You have the right to protest the proposed increased rates. You must submit your protest in writing, even if you plan to attend the public hearing. Your written protest must be received prior to the close of the April 11, 2012, public hearing. Written protests must include your service address or account number. E-mail protests will not be accepted.

Send written protest to:

**Purissima Hills Water District
Water Rate Increase Protest
26375 Fremont Road
Los Altos Hills CA 94022**