
Purissima Hills Water District

Notice of Public Hearing on Proposed Water Rate Increases

Dear Property Owner or Customer,

The Purissima Hills Water District is a community-owned and governed public agency that provides water service to roughly two-thirds of Los Altos Hills. This notice is being sent to inform you that the District is proposing to increase water rates over the next three years and adopt Water Shortage Emergency Rates designed to support financial stability during periods of drought and reduced water sales. If adopted, the proposed rates would become effective on all bills sent on or after July 1, 2015, and would replace the District's current rates which have been in effect since 2012. The District will hold a public hearing on the proposed rates as follows:

Date: June 10, 2015
Time: 6:30 p.m.
Place: Purissima Hills Water District
26375 Fremont Road
Los Altos Hills, CA 94022

The District relies primarily on revenues from water service charges to fund the costs of providing service. As such, water rates must be set at levels adequate to fund the costs of operating and maintaining the water system, pay for wholesale water supplied by the San Francisco Public Utility Commission (SFPUC), and fund necessary capital improvements to keep the water system in good operating condition.

Why Are Rate Increases Needed?

The proposed rate adjustments are needed to pay for increased costs of water supply purchased from the SFPUC and to keep rates aligned with the cost of providing service. The District relies on imported water from the SFPUC for 100% of the community's water supply. The SFPUC is in the process of completing a \$4.8 billion program of seismic upgrades and reliability enhancements to the aging Hetch-Hetchy regional water system. To help fund these upgrades, the SFPUC has doubled its wholesale water rates over the past 5 years and is planning to raise wholesale rates by an additional 28% starting July 1, 2015. Additional wholesale rate increases are anticipated in future years, although the project is over two-thirds complete.

What is the District Doing to Keep Costs Down?

The District remains committed to providing high-quality water service as cost-efficiently as possible. The District maintains a small staff compared to other water agencies and has implemented a number of cost-cutting measures in recent years that have enabled the District to defer rate increases for the past three years despite significant increases in wholesale water rates, and increases by most other retail water providers. These cost cutting measures include reducing operating costs, and partnering with the Los Altos Hills County Fire District on capital projects.

How do the District's Rates Compare with Other Agencies?

The District's water rates are currently in the lower range compared with other regional water agencies. With the proposed increases, the District's rates are projected to remain low compared to other regional agencies.

What Can Customers Do to Minimize the Impact of Rate Increases?

To minimize the impact of the proposed rate increases, customers are encouraged avoid wasting water and to reduce indoor and outdoor water use where possible. The District has deployed advanced metering technology which can help customers identify leaks. The District also offers rebates on water-saving devices and resources to help customers assess and improve their indoor and outdoor water use efficiency.

Because landscape irrigation accounts for a major use of water, cutbacks in landscape irrigation offer the greatest opportunity to save. Watering efficiently, selecting low water-use plants, and reducing the amount of turf in your landscape are all steps that can help reduce consumption. For more information on any of these opportunities, please visit our website at www.purissimawater.org or call the District's Conservation Specialist at (650) 948-1217.

Proposed Water Rates

Water rates include two components: 1) Fixed Monthly Readiness-to-Serve Charges billed based on meter size, and 2) Water Consumption Charges billed based on each customer's metered water use. The District is proposing to phase in a series of increases to its Water Consumption Charges over the next three years as shown on the table below. A larger rate increase is needed the first year due to SFPUC's proposed 28% wholesale water rate increase projected for July 1, 2015. Current projections call for smaller increases in the two subsequent years, both for SFPUC and PHWD rates. *No increases are proposed to the District's Fixed Monthly Readiness-to-Serve Charges, which have remained unchanged since December 2007.*

PROPOSED WATER RATES					
		Proposed Rates Effective on or After			
		Current Rates	July 1 2015	July 1 2016	July 1 2017
MONTHLY READINESS-TO-SERVE CHARGES					
Fixed monthly charges billed based on meter size.					
<u>Meter Size</u>					
3/4-inch		\$15.00	\$15.00	\$15.00	\$15.00
1-inch		24.50	24.50	24.50	24.50
1-1/2-inch		34.00	34.00	34.00	34.00
2-inch		49.00	49.00	49.00	49.00
3-inch		60.50	60.50	60.50	60.50
4-inch		112.00	112.00	112.00	112.00
WATER CONSUMPTION CHARGES					
Billed per hundred cubic feet of metered water use (\$/ccf); 1 ccf = approximately 748 gallons					
Residential Customers					
<u>Tier*</u>	<u>Monthly Use in Tier</u>				
Tier 1	1-10 ccf	\$3.21	\$4.64	\$4.67	\$4.70
Tier 2	11-30 ccf	4.66	5.38	5.80	6.21
Tier 3	31-60 ccf	6.11	7.06	7.61	8.15
Tier 4	61-100 ccf	7.56	8.74	9.41	10.08
Tier 5	Over 100 ccf	9.01	10.42	11.22	12.02
Institutional Customers					
Applies to all water use (\$/ccf)		\$5.36	\$6.45	\$6.82	\$7.25

* Residential tiers currently include a Tier 6 for water use over 200 ccf per month; this tier is proposed to be merged into Tier 5 starting July 1, 2015.

Water Consumption Charges for residential customers are billed according to a tiered rate structure with water first billed in Tier 1 and subsequently billed in higher tiers as water use increases in any given month. *As proposed, the Tier 1 rate for each residential customer's first 10 units of water will be set at the basic minimum cost of providing water; this includes the costs of purchasing water from SFPUC, and pumping water.*

Institutional customers pay a uniform rate for all water use set at the average rate projected for residential customers to ensure equity between customer classes. Water Consumption Charges are billed per hundred cubic feet (ccf), with 1 ccf equal to approximately 748 gallons of water.

The proposed rates assume that the SFPUC will increase its wholesale water rates from the current level of \$2.93 per ccf to \$3.79 on July 1, 2017. Pursuant to California Government Code 53756, the District is proposing to pass-through any additional increases in SFPUC wholesale water rates above \$3.79 per ccf. Future pass-throughs will be implemented by increasing the District’s proposed Water Consumption Charges shown in the prior table by the exact amount of the increase in cents per ccf in the SFPUC wholesale water rates in excess of \$3.79 per ccf. Increases or decreases in BAWSCA financing charges and PG&E rates would not be passed through to District customers.

For example, if the SFPUC raises its wholesale water rate to \$4.00 per ccf on July 1, 2017, the District would be authorized to increase its Water Consumption Charges by \$0.21 per ccf from the rates the District proposes to charge beginning on July 1, 2017. The District will conduct a vote of the Board to authorize any pass-throughs of SFPUC wholesale rate increases, which would be implemented no earlier than 30 days after Board authorization. Conversely, if the SFPUC does not increase the wholesale rate above the assumed \$3.79, the District would be limited to the amount of the increase designated in the prior table and no pass-through would occur.

New State Drought Regulations & Water Shortage Emergency Rates

California is experiencing one of the most serious droughts on record. On April 1, 2015 the Governor issued an Executive Order directing the State Water Board to implement mandatory requirements to reduce water use by 25 percent statewide. To achieve these reductions, the State Water Board is proposing to set emergency water use reduction targets for communities around the State. Agencies that fail to achieve the required reductions could be subject to penalties of up to \$10,000 per day.

To enable the District to recover its costs of service and remain financially stable during periods of emergency water shortages and reduced water sales, the District is proposing to authorize the implementation of Water Shortage Emergency Rates, upon the declaration of a Water Shortage Emergency by the District pursuant to Water Code section 350 and/or Water Code section 31026. These emergency rates may be implemented by vote of the Board in conjunction with other restrictions imposed on the use of water by District customers, and in response to escalating drought conditions and water supply shortages, or State-mandated cutbacks in District water use. If implemented, these rates would go into effect not less than 30 days after the declaration of a Water Shortage Emergency, and would remain in effect until the termination of the Water Shortage Emergency. Pursuant to California law, Water Shortage Emergency Rates will not exceed the District’s cost of service. Proposed maximum Water Shortage Emergency Rates for each year are shown on the table below.

PROPOSED MAXIMUM WATER SHORTAGE EMERGENCY RATES				
Proposed Maximum Rates Effective on or After				
		July 1 2015	July 1 2016	July 1 2017
WATER SHORTAGE EMERGENCY RATES (CONSUMPTION CHARGES)				
Billed per hundred cubic feet of metered water use (\$/ccf); 1 ccf = approximately 748 gallons				
Residential Customers				
<u>Tier</u>	<u>Monthly Use in Tier</u>			
Tier 1	1-10 ccf	\$4.64	\$4.67	\$4.70
Tier 2	11-30 ccf	6.12	6.67	7.21
Tier 3	31-60 ccf	8.03	8.75	9.46
Tier 4	61-100 ccf	9.94	10.81	11.70
Tier 5	Over 100 ccf	11.85	12.89	13.95
Institutional Customers				
Applies to all water use (\$/ccf)		\$7.33	\$7.84	\$8.42

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How to Submit a Written Protest

Property owners and customers may file written protests against the proposed rate increases. Protests must be submitted in writing and must a) identify the affected property or properties, such as by address, Assessor's Parcel Number, or customer account number, b) include the name and signature of the customer or property owner submitting the protest and c) indicate opposition to the proposed water rate increases. Protests submitted by e-mail, facsimile or other electronic means will not be accepted. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels with one written protest counted per parcel. Written protests can be mailed or delivered to: Purissima Hills Water District, 26375 Fremont Road, Los Altos Hills, CA 94022. All written protests must be submitted prior to the close of the Public Hearing on June 10, 2015.

For additional information, please contact the District at (650) 948-1217