

Average (Medium) Use Customer: 8.5 HCF/ month (1 HCF = 748 gallons so Average (Medium) Use Customers use 6,358 gallons per month). The City bills on a bi-monthly basis and the Average (Medium) Use Customer uses 17 HCF per bimonthly billing period. This Average (Medium) Use Customer has a 5/8" water meter, which is typical of Single Family Homes in Milpitas.

Average (Medium) Use Customer's Current Bill (Existing charge rates)

= Fixed Meter	+	Amount of 1st	x	1 st Tier Volumetric	+	Amount of 2 nd	x	2 nd Tier Volumetric		
Bi Monthly Charge		Tier Water Used		Charge		Tier Water Used		Charge		Current Bill
= \$27.36		+ (10 HCF)		x (\$2.62)		+ (7 HCF)		x (\$3.48)		= \$77.92

Average (Medium) Use Customer's March 2016 Bill (Step 1 implemented)

= Fixed Meter	+	Amount of	x	(Volumetric	+	Capital			
Bi Monthly Charge		Water Used		Charge		Surcharge)			March 2016 Bill
= \$18.00		+ (17 HCF)		x (\$4.75		+ \$0.00)		=	\$98.75

Average (Medium) Use Customer's July 2016 Bill (Step 2 implemented)

= Fixed Meter	+	Amount of	x	(Volumetric	+	Capital			
Bi Monthly Charge		Water Used		Charge		Surcharge)			July 2016 Bill
= \$19.44		+ (17 HCF)		x (\$5.13		+ \$1.30)		=	\$128.75

High Use Customer: 15HCF/ month (1 HCF = 748 gallons so High Use Customers use 11,220 gallons per month). The City bills on a bi-monthly basis and the High Use Customer uses 30 HCF per bimonthly billing period. This Average (Medium) Use Customer has a 5/8" water meter, which is typical of Single Family Homes in Milpitas.

High Use Customer's Current Bill (Existing charge rates)

= Fixed Meter	+	Amount of 1st	x	1 st Tier Vol.	+	Amount of 2 nd	x	2 nd Tier Vol.	+	Amount of 3 rd	x	3 rd Tier Vol.		
Bi Monthly Charge		Tier Water Used		Charge		Tier Water Used		Charge		Tier Water Used		Charge		Current Bill
= \$27.36		+ (10 HCF)		x (\$2.62)		+ (10 HCF)		x (\$3.48)		+ (10 HCF)		x (\$4.69)		= \$107.90

High Use Customer's March 2016 Bill (Step 1 implemented)

= Fixed Meter	+	Amount of	x	(Volumetric	+	Capital			
Bi Monthly Charge		Water Used		Charge		Surcharge)			March 2016 Bill
= \$18.00		+ (30 HCF)		x (\$4.75		+ \$0.00)		=	\$160.50

High Use Customer's July 2016 Bill (Step 2 implemented)

= Fixed Meter	+	Amount of	x	(Volumetric	+	Capital			
Bi Monthly Charge		Water Used		Charge		Surcharge)			July 2016 Bill
= \$19.44		+ (30 HCF)		x (\$5.13		+ \$1.30)		=	\$212.34

2. Why aren't we keeping the tiered rates so that customers who use less, pay less?

The City is committed to providing high quality, reliable water service at the lowest possible rates for our customers. It is critically important that the City continually invest in the assets it holds and keep pace with inflation and other cost increases. Each year the City evaluates its infrastructure needs, programs, and operations and maintenance costs for the ensuing fiscal year. This year the City hired an independent rate

consultant, Bartle Wells Associates, to determine how best to recover these projected costs over a two-year period. Based on the recommendation of Bartle Wells, and the analysis contained in the new rate study the City has determined that it is appropriate to change the structure of its rates. The proposed changes to the rate structure will result in more stable revenues to the City, which will be beneficial as the City moves forward with its large capital improvement program. The draft rate Study was submitted to Council as an attachment on the October 6, 2015 Council Meeting. The final report will be submitted to Council on December 15, 2015.

3. Why do rates need to be increased?

The proposed rate is designed to recover: a 10% increase in operational costs to cover the drought response program; costs of consultant support to maintain utility services and capital management tasks; and costs of additional permanent engineering and operations staff necessary for scheduled valve exercising and replacements, pipeline repairs, water system maintenance and flushing, inspection, and capital management. In addition, the City is faced with significant increases in the cost of the water it purchases from its wholesale water providers – San Francisco Public Utilities Commission (SFPUC) and Santa Clara Valley Water District (SCVWD). SFPUC increased the rate of its wholesale water by 28% and SCVWD increase the rate of its wholesale water by 20%. The rate increases will also fund an additional \$22 million of important capital projects, including replacement of aging infrastructure, construction of seismic improvements to increase water reliability, and expansion of our recycled water distribution system to reduce demand on the City's limited potable (i.e., drinking) water supplies. These capital projects will be added to the City's \$20 million approved Capital Improvement Plan that will now total \$42 million.

4. How do City of Milpitas rates compare with other cities?

Milpitas currently has one of the lowest rates for average residential water service charges in the South Bay. The proposed rates would place Milpitas in the upper middle of other South Bay cities and water retailers.

5. What are the City's costs? Is it making a profit on the rate increase?

The City does not make a profit from rate increases. Total water system operating costs in FY 2015/2016 are estimated to be \$21.7 million, with approximately 30% of operating costs (not including capital costs) attributed to fixed costs and 70% attributed to variable costs such as water purchased from SFPUC. If left unchanged, the current rates will be insufficient to cover the cost to provide water services to our customers.

6. What about recycled water? Can we use it to cut water costs?

Recycled water use helps to conserve potable water. Recycled water may reduce water costs in that less potable water is used for landscape and industrial purposes. SCVWD is researching the feasibility of using recycled water to recharge groundwater as a means of providing a more reliable water supply.

7. Why raise rates when we're going to have an El Niño winter?

Lots of rain won't change the increased wholesaler water cost increases. Experts have advised that **multiple years** with higher than average rainfall are needed to replenish water supplies in California. Additionally, the rates are required to fund improvements to the City's aging infrastructure. A \$20 million capital improvement project, with an added \$22 million of critical projects that must be completed right away, including pipeline relocations, valve and system replacements, and a way for the City to expand its water supply portfolio (such as improving groundwater pumps) are necessary to ensure that the City has the ability to provide safe and reliable water. These costs will be incurred, regardless of whether an El Niño occurs this winter.

8. Why is it always residents that have to conserve water?

Total residential water in the City is greater than total business/industrial water use. Thirty-five percent of water residents' use is in the bathroom. We can take shorter showers and look for leaky pipes and toilets, but these aren't uses we want to give up entirely. Approximately fifty percent of residential water use is for outdoor irrigation. Use of water for outdoor irrigation (landscape), particular during droughts and other water shortages, is considered to be the least essential use of water and the most flexible way to reduce consumption, for both residents and businesses.

9. What are businesses doing to save water?

Businesses in Milpitas that aren't using recycled water for landscaping have cut down drastically on outside watering. Maintenance managers look for ways to reduce water use by retrofitting faucets and toilets. Even processes that require water for rinsing a product have been reevaluated to save potable water and reduce costs. However, businesses—such as restaurants and cafes—still need water for food preparation and basic health and safety.

10. What is the percentage of water reduction we need to achieve and how are we doing?

On June 16, 2015, the Milpitas City Council called upon residents and business to reduce water use by 30%. While the State of California was only requiring the City to achieve a 12% water savings, the City Council adopted the 30% reduction goal as part of a regional effort to save water.

Since the City Council adopted its water conservation program in June, Milpitas residents and business have achieved a cumulative water savings of 22% from June through October, with a 32% savings in the month of August.

This water conservation effort meets the State of California requirement and demonstrates we can achieve our 30% reduction goal. Everyone needs to continue to work hard to save water by reducing irrigation, changing out old appliances, modifying existing appliances, and practicing water saving habits like shorter showers. SCVWD reports that since the beginning of the year, the County has saved 27%, just short of the local 30% goal.

For more information, visit the City of Milpitas Drought Website (<http://savewatermilpitas.org>) or call 408-586-2666.

11. When can we have a senior rate discount?

Unfortunately, under Proposition 218 requirements, the City may not fund a senior rate or low income rate from its water service charges. Rather, such a discount is only possible if the discount is funded from other sources, such as the City's General Fund. Any money redirected from the General Fund would result in somewhere reduction in funding for other City services such as police and fire services, or libraries and park services. A discount or subsidy is not a sustainable alternative for the City.