

San José Municipal Water System

Update to Drinking Water Rates

Frequently Asked Questions



Environmental Services

Why are the quantity charges changing from the way they are now?

The City has recalibrated rates and charges to reflect the current costs of providing water service to different service areas. The quantity rates reflect the difference in the cost of wholesale water available to each service area, meaning quantity rates will increase in some service areas/zones and decrease in other areas.

What is included in the quantity charge?

Each quantity charge includes some costs that are applied to all customers regardless of service area, such as costs for distribution system operation, transmission and distribution facilities, capital improvement, and pumping. Each quantity charge also includes the cost of the water that the City buys from different wholesale water suppliers to provide to customers.

How are the proposed rates different than what they are now?

The proposed rate structure is different in three main ways:

- There are different quantity charges for each service area
- Residential tiered rates are eliminated
- The quantity charge is the same regardless of use type (in other words, the residential use rate is the same as the commercial use rate)

Why are there different quantity charges for different service areas?

Different service areas are supplied water from different wholesale water supplies, which vary in cost depending on the wholesaler. These wholesale water costs are passed through to customers in the service area that receive that water. The three service areas are not connected to each other, so supplies cannot be shared.

- **North San José/Alviso** customers receive water supplied from San Francisco's Hetch Hetchy system. San Francisco has nearly completed a \$4.8 billion, multi-year capital program to upgrade its regional and local water systems, making the supply system more secure and seismically sound. An increase in North San José/Alviso customer rates reflects a catch-up to the recent increases in San Francisco's wholesale rates associated with its large capital program.
- **Evergreen/Edenvale** customers receive Santa Clara Valley Water District's treated water and groundwater. The Water District is just beginning a large-scale capital program to upgrade its aging infrastructure, similar to what San Francisco has recently done. Water District wholesale rates are scheduled to increase over the next 10 years to pay for this upgrade.
- **Coyote Valley** is supplied by groundwater pumped from the south county area. Groundwater pumped from the south county is less expensive than groundwater pumped from the north county, and can only be used in that service area as the service areas are not connected.

What is included in the meter charge?

Meter charges are charged to recover the fixed costs associated with operating the water utility, and include a base fee per account and a fee based on the size of the meter. Base fees applied to each account include costs associated with customer service, billing, meter reading and maintenance, and distribution system facility maintenance.

Why are the meter charges increasing?

All meter charges are increasing to reflect that a greater percentage of the City's costs are fixed than had previously been estimated, and to ensure cost recovery. Charges for large meters are further increasing because the City has used updated information on the hydraulic capacity and cost of serving those meters.

Why does the City buy wholesale water from San Francisco if it costs more?

San Francisco water is of an exceptionally high quality, and is now increasingly secure and seismically sound because they are just finishing construction on a \$4.8 billion multi-year capital program to upgrade their system. San Francisco wholesale rates are projected to remain flat or only slightly increase for the next several years. The Santa Clara Valley Water District provides treated water to other areas of San José and the county, and is just beginning a large-scale capital program to upgrade their aging infrastructure. Over time, the difference between Water District and San Francisco wholesale rates will be smaller, so rates for the North San José/Alviso and Evergreen/Edenvale areas will be more similar or potentially the same. Even with the changing rates, the average bill for North San José/Alviso customers is among the lowest of other Bay Area cities whose customers also receive water from San Francisco.

Is cheaper water available to be used in North San José/Alviso?

The only other potential potable wholesale water supplies are Santa Clara Valley District treated water and groundwater. Treated water is not currently available because the nearest Water District treated water supply pipeline to North San José/Alviso is in Milpitas, several miles from the southeastern border of the North San José area. Some groundwater is available in the North San José/Alviso area, but ability to use groundwater is currently limited and groundwater is currently only used as backup supply.