



Notice of Public Hearing on Proposed Water Rate Increases

Dear Property Owner or Customer,

Mid-Peninsula Water District (MPWD) is a community-owned and governed public agency that provides water service to Belmont, San Carlos, and surrounding areas in San Mateo County. This notice is being sent to inform you that MPWD is proposing to increase water rates over the next five (5) years and adopt Water Shortage Emergency Rates designed to recover costs of providing service during periods of drought and reduced water sales. MPWD will hold a public hearing on the proposed rates as follows:

Date: Thursday, June 25, 2015
Time: 6:30PM
Place: Mid-Peninsula Water District
3 Dairy Lane
Belmont, CA 94002

MPWD relies primarily on revenues from water service charges to fund its costs of providing water 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 Utilities Commission (SFPUC), and fund necessary capital investments to keep the water system in good operating condition.

WHY ARE WATER RATE INCREASES NEEDED?

The proposed rate adjustments are needed to pay for increasing costs of water supply purchased from the SFPUC, fund MPWD capital improvement needs, and keep rates aligned with the cost of providing service. Key factors driving the need for water rate increases include:

- **Pay for Wholesale Water Rates Increases** – MPWD relies on imported water from the SFPUC for 100% of its supply. The SFPUC is in the process of completing a \$4.8 billion capital program of seismic upgrades and reliability enhancements to the aging Hetch-Hetchy regional water system. To help fund these capital upgrades, the SFPUC has doubled its wholesale water rates over the past five (5) years and is planning to increase wholesale rates by an additional 61% over the next five (5) years, including a proposed 28% increase effective July 1, 2015.
- **Address MPWD Infrastructure Deficiencies and Replace Aging Water Distribution Pipelines** – Approximately 60% of the MPWD's water pipelines are over 50 years old and approaching the end of their useful lives. Some are undersized for current fire flow requirements. The majority of the water pipeline system lacks seismic restraints. Additional revenues are needed to address existing system deficiencies, improve fire flow and service reliability, and adequately fund a long-term capital improvement program to replace aging and substandard water distribution pipelines with seismically resilient facilities.

WHAT IS THE MPWD DOING TO KEEP COSTS DOWN?

MPWD has implemented a number of cost-cutting measures over the years and remains committed to providing high-quality water service as cost-efficiently as possible. Operating expenses, including personnel costs, have increased very little over the past few years as a result of continued budget reductions, cost-containment, and financial controls. It is the MPWD's policy that operating cost savings are reinvested back into the system through capital infrastructure replacement, rehabilitation, or improvement.

PROPOSED WATER RATES

MPWD is proposing to phase in a series of water rate increases over the next five (5) years as shown in the table below. A larger rate increase is needed the first year (effective July 1, 2015) due to SFPUC's proposed 28% wholesale water rate increase planned for July 1, 2015. MPWD water service charges include two components: 1) Fixed Monthly Charges based on meter size, plus 2) Water Consumption Charges based on metered water use. Water Consumption Charges for single family residences are billed according to a 4-tiered rate structure based on the MPWD's cost-of-service analysis, including water cost recovery calculations attributable to each tier, with water first billed in Tier 1 and subsequently billed in higher tiers as water use increases. Water Consumption Charges for all other customers are billed according to a 2-tiered rate structure. Water Consumption Charges are billed per hundred cubic feet (hcf), with 1 hcf equal to approximately 748 gallons of water.

Proposed Water Rates						
Current Rates	Effective on water bills sent on or after:					
	July 1 2015	July 1 2016	July 1 2017	July 1 2018	July 1 2019	
FIXED MONTHLY CHARGES						
<i>Fixed monthly charge based on meter size</i>						
<u>Meter Size</u>						
5/8-inch	\$18.43	\$22.00	\$24.00	\$26.00	\$28.00	\$30.00
1-inch	27.65	33.00	36.00	39.00	42.00	45.00
1 1/2-inch	46.08	55.00	60.00	65.00	70.00	75.00
2-inch	73.73	88.00	96.00	104.00	112.00	120.00
3-inch	110.59	132.00	144.00	156.00	168.00	180.00
4-inch	184.31	220.00	240.00	260.00	280.00	300.00
6-inch	460.79	550.00	600.00	650.00	700.00	750.00
WATER CONSUMPTION CHARGES						
<i>Billed based on monthly metered water use (\$/hcf)*</i>						
Single Family Residential Customers						
<u>Water Usage Billed in Tier</u>						
Tier 1	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf	0 - 2 hcf
Tier 2	3 - 10 hcf	3 - 9 hcf	3 - 8 hcf	3 - 8 hcf	3 - 8 hcf	3 - 8 hcf
Tier 3	11 - 25 hcf	10 - 22 hcf	9 - 20 hcf	9 - 20 hcf	9 - 20 hcf	9 - 20 hcf
Tier 4	Over 25 hcf	Over 22 hcf	Over 20 hcf	Over 20 hcf	Over 20 hcf	Over 20 hcf
<u>Water Consumption Charge per Tier</u>						
Tier 1	\$4.20	\$5.00	\$5.30	\$5.60	\$5.90	\$6.25
Tier 2	6.46	7.50	7.90	8.30	8.65	9.00
Tier 3	7.75	9.00	9.50	10.00	10.50	11.00
Tier 4	9.04	10.50	11.10	11.70	12.35	13.00
All Other Customers						
Tier 1	0 - 5 hcf	\$5.81	\$7.00	\$7.25	\$7.50	\$7.75
Tier 2	Over 5 hcf	6.78	8.00	8.35	8.70	9.10

* 1 hcf = one hundred cubic feet or approximately 748 gallons.

Sample Bill Calculation for a Typical Single Family Home

Effective July 1, 2015, the monthly bill for a typical single family home with a standard 5/8-inch water meter using 8 hcf of water per month (approximately 200 gallons per day) would be calculated as follows:

Fixed Monthly Charge	Water Consumption Charges			Total Monthly Bill
<u>5/8" Meter</u>	<u>First 2 hcf x \$5.00</u>	<u>Next 6 hcf x \$7.50</u>	<u>Subtotal</u>	<u>\$22.00 + \$55.00</u>
\$22.00	\$10.00	\$45.00	\$55.00	\$77.00

The proposed rates assume that the SFPUC will increase its wholesale water rates on July 1 each year from the current level of \$2.93 per hcf to \$3.75 per hcf in 2015, \$3.78 per hcf in 2016, \$3.79 per hcf in 2017, \$4.31 per hcf in 2018, and \$4.72 per hcf in 2019. Pursuant to California Government Code 53756, the MPWD is proposing to pass-through any additional increases in SFPUC wholesale water rates above these projected SFPUC rates. Future pass-throughs will be implemented by increasing the MPWD’s proposed Water Consumption Charges by exact amount of the increase in cents per hcf in excess of the assumed SFPUC wholesale rates.

For example, if the SFPUC raises its wholesale water rate to \$4.51 per hcf on July 1, 2018, the MPWD would be authorized to increase its Water Consumption Charges by an additional \$0.20 per hcf on or after July 1, 2018. Prior to initiating a pass-through for SFPUC wholesale rates, the MPWD will send notification to all customers at least 30 days prior to implementation.

NEW STATE DROUGHT REGULATIONS AND 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 Resources Control Board (SWRCB) to implement mandatory water conservation regulations to reduce water usage by 25% statewide. To achieve these savings, the SWRCB is expediting emergency regulations to set water conservation 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. Based on the State’s draft proposal, the MPWD would be required to reduce water demand by 20% from demand in calendar year 2013. *Thanks to MPWD customer conservation efforts, the MPWD is already more than half-way toward meeting the State’s proposed 20% cutback target for MPWD.*

In order to help MPWD recover its costs of service and remain financially stable during periods of emergency water shortages and reduced water sales, MPWD is proposing to authorize the implementation of Water Shortage Emergency Rates. These emergency rates would be implemented in response to escalating drought conditions and water supply shortages, or in response to additional State-mandated cutbacks in water use in excess of 20%, and would replace MPWD’s regular Water Consumption Charges. Water Shortage Emergency Rates may be implemented upon declaration of a water shortage emergency pursuant to Water Code Section 350 and/or Water Code Section 31026. Prior to initiating Water Shortage Emergency Rates, MPWD will send notification to all customers at least 30 days prior to implementation.

The proposed Water Shortage Emergency Rates may be implemented by authorization of MPWD’s Board of Directors up to the maximum levels shown on the table below, which correspond with a 50% cutback in water demand from usage in 2013. *No changes are proposed to Single Family Residential Tier 1 for the Water Shortage Emergency Rates.*

Proposed Maximum Water Shortage Emergency Rates					
Maximum rates effective on or after:					
	July 1 2015	July 1 2016	July 1 2017	July 1 2018	July 1 2019
WATER SHORTAGE EMERGENCY RATES (CONSUMPTION CHARGES)					
<i>Billed based on monthly metered water use (\$/hcf)*</i>					
<u>Single Family Residential Rate Tiers</u>					
Tier 1	\$5.00	\$5.30	\$5.60	\$5.90	\$6.25
Tier 2	9.90	10.57	11.15	11.72	12.14
Tier 3	11.88	12.71	13.43	14.23	14.83
Tier 4	13.86	14.85	15.72	16.74	17.53
<u>All Other Rate Tiers</u>					
Tier 1	\$9.24	\$9.70	\$10.07	\$10.50	\$10.79
Tier 2	10.56	11.17	11.69	12.33	12.81

* 1 hcf = one hundred cubic feet or approximately 748 gallons.

Based on same levels of water use per tier as shown in Proposed Water Rates table.

WHAT CAN CUSTOMERS DO TO MINIMIZE THE IMPACT OF RATE INCREASES?

To minimize the impact of the proposed rate increases, customers are encouraged to continue conserving and to further reduce indoor and outdoor water use where possible. As a member of the Bay Area Water Supply and Conservation Agency, the MPWD offers rebates for 1) high-efficiency toilets, 2) high-efficiency washing machines, 3) rain barrels, and 4) transitioning turf lawns to drought tolerant landscaping. For more information on any of these rebate programs or other water conservation opportunities, please visit the MPWD website at www.midpeninsulawater.org or contact the MPWD at (650) 591-8941.

HOW TO SUBMIT A WRITTEN PROTEST

Property owners and customers may file written protests against the proposed rate increases. Pursuant to California law, protests must be submitted in writing and must 1) identify the affected property or properties, such as by address, Assessor's Parcel Number, or customer account number, 2) include the name and signature of the customer or property owner submitting the protest, and 3) indicate opposition to the proposed water rate increases. Protests submitted by e-mail, facsimile or other electronic means will not be accepted. One written protest counted per parcel. The proposed rates cannot be adopted if written protests are received from a majority of affected parcels. Written protests can be mailed to: Mid-Peninsula Water District, Post Office Box 129, Belmont, CA 94002, or can be submitted to the MPWD at its headquarters located at 3 Dairy Lane in Belmont. All written protests must be submitted prior to the close of the Public Hearing on June 25, 2015.

If Everyone Saves a Little, We All Save a Lot!



The California drought is hard,
but using water efficiently is easy!
Discover how MPWD can help you:

- ✓ WATER SAVING TIPS
- ✓ WATER CONSERVATION KITS
- ✓ VALUABLE REBATE PROGRAMS



www.MidPeninsulaWater.org

Safe, quality water with friendly, professional service