

Water Rates 101

Low – Income Oversight Board

Water Division

December 12, 2024



**California Public
Utilities Commission**

Water Bill Sample

How are these rates calculated?

SJW SAN JOSE WATER 1

110 W. Taylor St. | Contact Us: 8:00 AM - 5:00 PM, Monday - Friday
 San Jose, CA 95110-2131 | (408) 279-7900
 www.sjwater.com

Account Number	Bill Date	Page
1234560000-1	03/17/20XX	1 of 2
Amount Due	Payment Due By	
\$	04/07/20XX	2

BILLING INFORMATION

Customer Name: JOHN SMITH

Service Address: 123 Main St. 3

Billing Period: 01/23/XX - 03/14/XX

Rate Code / Service Size: RES_T_B 3/4 Inch

Meter Reading	Previous	Current	Total CCF (748 Gal/CCF)
	352	379	27

INFORMATION & ANNOUNCEMENTS

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CONSUMPTION HISTORY

	Units (CCF)	Gallons	Days	Gal/Day
Current	27	20196	61	331
Last Year	15	11220	59	190

CURRENT CHARGES

Service Charge	\$
Quantity Charges	
0 - 12 CCF	\$
12+ - 24 CCF	\$
24+ CCF	\$
Safe Drinking Wtr Ln 2006-B	\$
Safe Drinking Wtr Ln 2008-B	\$
2022 Interim Surcharge	\$
2023 M-WRAM Surcharge	\$
CAP - Customer Assist Prog Credit	\$
PUC Surcharge 0.8%	\$
City Utility Users Tax 5%	\$
Current Charges	\$
Previous Balance	\$
Payments Received	\$
Total Due	\$

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Please return this portion with your payment. ▾

SJW SAN JOSE WATER 7

110 W. Taylor St. | San Jose, CA 95110-2131 | (408) 279-7900

Bill Date: 03/17/20XX
 Account Number: 1234560000-1
 Service Address: 123 Main St
 Payment Due By: 04/07/20XX
 Total Due: \$
 Amount Enclosed: \$

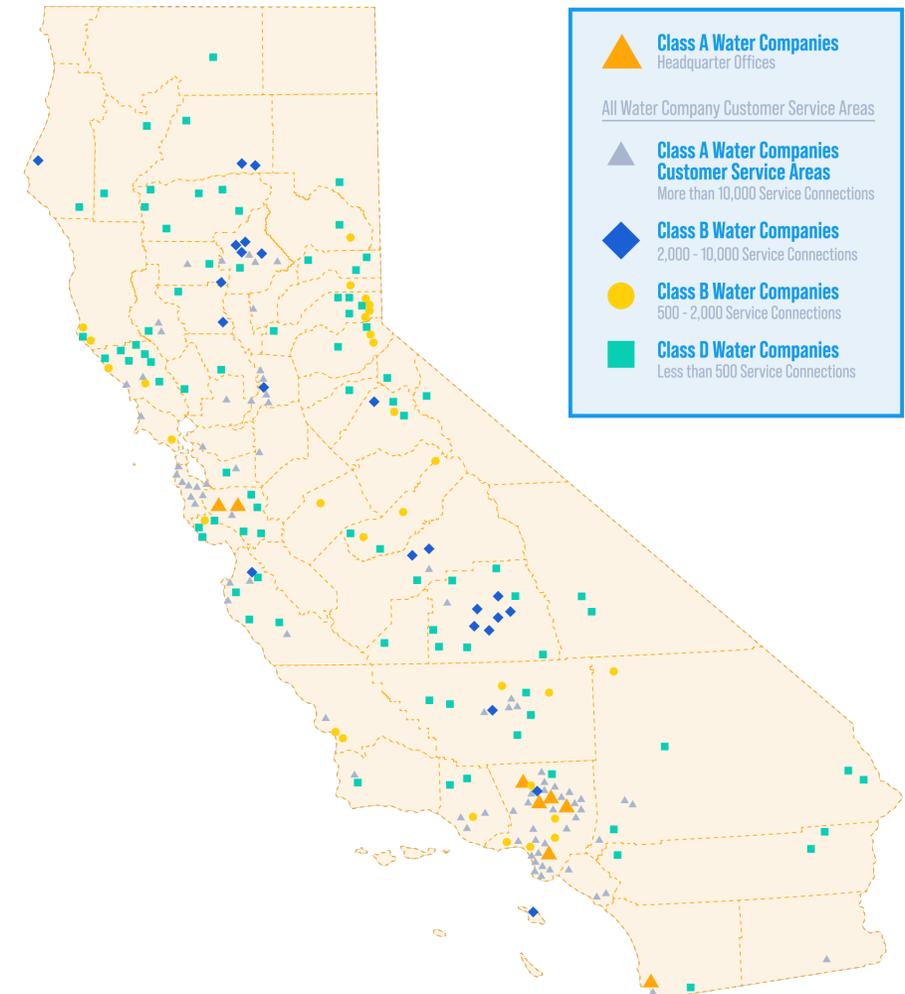
JOHN SMITH
 123 MAIN ST
 SAN JOSE CA 95113-1327

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Investor-Owned Water Utilities (Water IOUs)

- **CPUC regulates 88 Water IOUs**
 - Serve 15% of California
 - Over 6 million people
 - Divided into 4 Classes
 - **Class A** (>10,000 connections): **9**
 - **Class B** (2,000 – 10,000 connections): **3**
 - **Class C** (500 – 2,000 connections): **18**
 - **Class D** (<500 connections): **58**



General Rate Case (GRC)

- Develop utility's annual **Revenue Requirement**
 - Ensure utility can provide to customers safe and reliable service at just and reasonable rates
- **Large Water (Class A)**
 - Formal GRC proceeding
 - Rate Case Plan D.07-05-062
 - 3-year GRC cycle
 - Authorized by CPUC Decision
- **Small Water (Class B, C, & D)**
 - Informal GRC
 - Standard Practice U-03-SM & U-09-SM
 - No required cycle but utilities are encouraged to file periodically
 - Authorized by CPUC Resolution

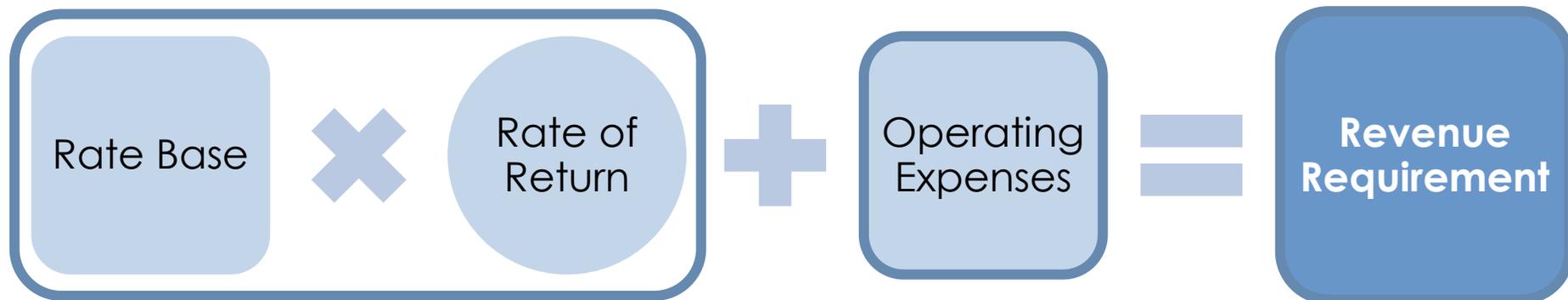
Revenue Requirement

- **Rate Base**

- Capital projects/infrastructure improvements
 - E.g. pipe replacements, treatment plants, storage tanks
- Utility allowed to earn a return on investment through separate Cost of Capital proceeding

- **Operating Expenses**

- Costs to operate and maintain the water system
 - E.g. supply costs, labor, materials
- No return on expenses



Rate Design

- Flat rate
 - Based on number of customers only
 - Does not measure water usage

$$\frac{\text{Revenue Requirement}}{\text{No. of Customers}} = \$ \text{ Flat Rate}$$

- **Metered rate**
 - Based on number of customers, meter size, and water usage
 - Encourages conservation
 - Divided into fixed service charge and variable quantity charges
 - **Service charge** depends on meter size
 - **Quantity charge** depends on water usage

Rate Design

- **Metered rate (continued)**
 - Further divided into customer class
 - E.g. residential, commercial, recycle
 - **Tiered quantity charges**
 - Higher rates for higher usage
 - Applied to all Class A residential customers

CURRENT CHARGES	
Service Charge	\$
Quantity Charges	
0 - 12 CCF	\$
12+ - 24 CCF	\$
24+ CCF	\$

Summary

General Rate Case

- Formal & Informal

Revenue Requirement

- Rate Base & Operating Expenses

Rate Design

- Flat & Metered

Water Rates

- Just & Reasonable