

A Message from **Steve Jordan**, President of the Board

Rate Increases Needed to Provide Funding for \$18M Upgrade and Replacement of Aging Infrastructure

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. The District remains committed to providing high-quality water service as cost-effectively as possible.

PHWD last approved a series of rate increases in 2015, with the largest increase in 2015, followed by wholesale cost-based increases in 2016 and 2017. As 2015 was in the middle of the multiyear drought, there was considerable uncertainty as to how our customers' usage would grow or shrink, so the rates put in place allowed PHWD to maintain our current system, make necessary repairs, and complete tank upgrades to improve seismic resilience and water quality.

The Board has concluded PHWD needs to act now to address the aging or seismically vulnerable pipelines, which requires a significant increase in capital spending. Thus, we undertook a rate study earlier this year and have concluded we need to increase water rates while maintaining our tiered rate structure that rewards conservation and efficient water use. Currently, PHWD's average water rates are the lowest of the major cities that use predominantly Hetch Hetchy water (agencies from Los Altos Hills / Palo Alto north to San Francisco) and comparable to Los Altos average rates. We expect that with the proposed rates under consideration, our rates will be similar to or slightly lower than most neighboring agencies' rates.

The District management has examined our pipeline renewal requirements and identified an estimated cost of about \$18 Million to replace the most critical over the next 10 years. The currently proposed rate increase raises \$5M of funds over the next 3 years to replace about 1.5 miles of critical pipelines that were built in the 1960s and are undersized, seismically at risk and/or technically obsolete today. These critical water mains will be appropriately sized to enhance fire flows, using the latest material technology: ductile iron with flexible field lock joints. In addition, we are in discussions with Los Altos Hills County Fire District (LAHCFD) to replace and upsize additional pipelines to achieve improved fire flow to hydrants. The combined program would likely stretch to 4 years at a cost of \$9M - \$10M and address about 3 miles of pipeline. LAHCFD would likely fund most of the incremental cost.

At present PHWD has about 20 miles of cast iron mains which are about 50 years old and increasingly likely to fail due to corrosion. Thus beyond the current funding horizon we expect to use the current rate increase to fund both the remaining (\$13M) of currently identified upgrades, as well as the remainder of the 20 miles of aged cast iron mains based on priorities we set every year that include leak experience, hydraulic modeling, and leak detection technology we hope to deploy. Our plan is to seek grants from Santa Clara Valley Water District to help fund the cost of deploying acoustic leak sensing technology for the aging cast iron mains.

You can learn more on our website about the Capital Improvement Program and the proposed rate increase:

<https://www.purissimawater.org>

**A public hearing on the rate increase will be held
October 10, 2018 6:30 p.m.
Los Altos Hills Town Hall Council Chambers**