



110 W. Taylor Street
San Jose, CA 95110-2131

December 14, 2018

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Advice Letter No. 530

To Whom It May Concern:

San Jose Water Company (U-168-W) (SJWC) hereby transmits for filing the following changes in tariff schedules applicable to its service area and which are attached hereto:

<u>Cal. P.U.C Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling Cal. P.U.C. Sheet No.</u>
1962-W	Schedule No. 1 General Metered Service (Continued)	1948-W
1963-W	Schedule No. 1B General Metered Service with Automatic Fire Sprinkler System (Continued)	1950-W
1964-W	Schedule No. 1C General Metered Service Mountain District (Continued)	1953-W
1965-W	Schedule 4 Private Fire Service (Continued)	1621-W
1966-W	Schedule RW Raw Water Metered Service (Continued)	1956-W
1967-W	Schedule No. RCW Recycled Water Metered Service (Continued)	New
1968-W	Table of Contents	1961-W

Purpose

With this advice letter, SJWC seeks authorization to refund the prorated portion of service charge rate changes for the period of June 2011 through December 2016 as established in Decision No. (D.) 18-11-025 (Attachment A) issued on December 4, 2018. These tariffs are submitted pursuant to General Order No. 96-B and pursuant to authorization by the California Public Utilities Commission (Commission) in D.18-11-025.

This advice letter is submitted as a Tier II Advice Letter and the accompanying updated tariffs reflect the requirements in Paragraph II.C of Attachment A in D.18-11-025, which states that:

CALIFORNIA PUBLIC UTILITIES COMMISSION

December 14, 2018

Page 2

“The parties agree that the Commission should direct SJWC to file a Tier 2 advice letter following adoption of a final decision in this proceeding requesting authorization to issue refunds related to bills issued over the period from June 1, 2011 through December 31, 2016, using the refund calculation method set forth in Advice Letter 510.

SJWC warrants that the amounts calculated in this refund proposal will represent the results of its best efforts to include a total of all portions of service charges assessed since June 1, 2011 through December 31, 2016 that should be refunded per the refund calculation methodology originally proposed in AL 510.”

The total amount proposed in AL 510 covering the period of January 1, 2014, through December 31, 2016, was \$1,794,439. Using the same methodology as used for AL 510, the additional amount covering the period of June 1, 2011, through December 31, 2013, is \$225,781 bringing the total amount of the refund to \$2,020,220 as follows:

Year	Amount
2012	225,781
2014	697,183
2015	215,057
2016	882,199
Total Refund	\$2,020,220

Please note that there were no rate changes that affected the service charge from June through December 2011 or in 2013 because of the delay in adoption of a general rate case decision for Test Year 2013 (D.14-08-006). As a result of this request, a residential customer with a 3/4-inch meter will receive a one-time surcredit of \$6.36. All other customers will receive a one-time credit in accordance with their meter size. Surcharge refund calculation workpapers are provided in Attachment B, certain portions of which are submitted under a confidential declaration because they contain customer account information.

Effective Date

SJWC requests this advice letter become effective on January 13, 2019. Customer notice is not required as this advice letter does not request higher rates or charges or more restrictive terms or conditions of service than are currently in effect.

The present rates of the SJWC became effective on August 25, 2018, by Advice Letter No. 524. SJWC has Advice Letters 528 and 529 pending before the Commission.

Protests and Responses

Anyone may respond to or protest this advice letter. A response does not oppose the filing but presents information that may prove useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds may include the following:

- (1) The utility did not properly serve or give notice of the advice letter;

CALIFORNIA PUBLIC UTILITIES COMMISSION

December 14, 2018

Page 3

- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding;
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission).

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue
San Francisco, CA 94102
water_division@cpuc.ca.gov

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest by mail to us, addressed to:

Regulatory Affairs
San Jose Water Company
110 West Taylor Street
San Jose, California 95110
Fax 408.279.7934
regulatoryaffairs@sjwater.com.

The advice letter process does not provide for any responses, protests or comments, except for the utility's reply, after the 20-day comment period. In compliance with Paragraph 4.3 of General Order 96-B, a copy of this advice letter has been mailed to all interested and affected parties as detailed in Attachment C.

Very truly yours,

/S/ JOHN TANG
JOHN TANG
Vice President of Regulatory Affairs

Attachments

Index of Workpapers

Attachment A	D.18-11-025
Attachment B	Surcredit Calculations
Attachment C	Service List

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 530

ATTACHMENT A

Decision 18-11-025 November 29, 2018

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN JOSE WATER COMPANY (U168W) for an Order authorizing it to increase rates charged for water service by \$34,288,100 or 9.76% in 2019, by \$14,231,800 or 3.70% in 2020, and by \$20,581,700 or 5.17% in 2021.

Application 18-01-004

DECISION APPROVING SETTLEMENT AGREEMENT

Summary

We approve the settlement agreement (Settlement Agreement) between San Jose Water Company (SJWC) and the Commission's Office of Public Advocates¹ (together, Settling Parties). A copy of the Settlement Agreement is attached as Attachment A to this decision. The proceeding remains open to resolve the remaining issues.

Background

SJWC filed Application 18-01-004 (the Application) on January 4, 2018, proposing increased rates for Test Year 2019 and Escalation Years 2020 and 2021, and to make investments and accounting changes as specified therein. In

¹ Senate Bill 854 (Stats. 2018, ch. 51) amended Pub. Util. Code Section 309.5(a) so that the Office of Ratepayer Advocates is now named the Public Advocate's Office of the Public Utilities Commission. We will refer to this party as Cal Advocates.

support of its Application, SJWC provided its Report on the Results of Operations, its Capital Budget Project Justifications, and supporting workpapers and studies.

Water Rate Advocates for Transparency, Equity, and Sustainability (WRATES) filed a timely response to the Application on February 7, 2018. Cal Advocates filed a timely protest to the Application on February 9, 2018. SJWC replied to the response and protest on February 20, 2018. A prehearing conference was held on April 19, 2018, and a public participation hearing was held in San Jose on May 30, 2018. The City of San Jose (City) filed a motion for party status on April 16, 2018, which was granted at the prehearing conference on April 19, 2018.

Following extensive discovery, WRATES and Cal Advocates served testimony on May 21, 2018 and May 23, 2018, respectively. Cal Advocates' testimony challenged many aspects of SJWC's revenue and expense estimates and project proposals for the Test Year and the GRC cycle, but also accepted many of SJWC's estimates and proposals as reasonable. WRATES also presented their own critique and proposals on a select number of issues. SJWC served rebuttal testimony responding to both WRATES and Cal Advocates on June 8, 2018.

A public participation hearing was held on May 30, 2018, in San Jose, California. Speakers at the hearing included residential customers, representatives from the Silicon Valley Leadership Group, and elected officials. Topics of discussion included SJWC's proposed rate increase, service charges, SJWC's rate of return, subsidized rates for low-income residential customers, the proposed merger between SJWC and Connecticut Water Service Company, and a formal complaint filed against SJWC regarding billing practices. During the

hearing Administrative Law Judge Bemserfer explained that the issue of the proposed merger between SJWC and Connecticut Water Service Company was being addressed through a separate Commission proceeding.

SJWC, Cal Advocates and WRATES participated in a formally noticed settlement conference on June 12, 2018. The Settling Parties continued with discussions and resolved certain issues in advance of the evidentiary hearings, which were held July 9 and 11, 2018 at the Commission's hearing rooms in San Francisco. Over the course of these communications, the Settling Parties ultimately resolved certain issues of concern to Cal Advocates, which were reduced to writing in the form of the proposed Settlement Agreement. Cal Advocates, SJWC and WRATES were unable to settle issues of concern to WRATES. Thus, the Settlement Agreement is not presented as an all-party settlement. On September 13, 2018 we adopted an Order Instituting Investigation ((OII) into SJWC's billing practices from 1987 to the present.

Major Features of the Settlement Agreement

The proposed Settlement Agreement resolves almost all contested issues in this proceeding between Cal Advocates and SJWC. The remaining contested matters are among Cal Advocates, SJWC and WRATES: (1) SJWC's request for a Water Revenue Adjustment Mechanism with the associated Modified Cost Balancing Account and Sales Reconciliation Mechanism; and (2) the disposition of the Pressure-Reducing Valve Modernization and Energy Recovery Memorandum Account.

The Settlement Agreement describes each settled issue in detail, provides a statement of the respective positions of SJWC and Cal Advocates, describes the difference between SJWC's rebuttal position and Cal Advocates' position, indicates how the issue was resolved, and lists references to the testimony,

evidence, and exhibits of witnesses addressing the issue. A detailed comparison exhibit also is provided, as an appendix to the Settlement Agreement. The comparison exhibit shows the various elements of revenue requirement based on the original, updated, and final positions of the Settling Parties, showing the differences between the final positions of the Settling Parties for the various accounting categories and indicating the status of each contested issue either as having been settled or as remaining unresolved. The comparison exhibit also displays the disposition of various uncontested issues, where Cal Advocates accepted the position of SJWC as presented in its Report on the Results of Operations, subject to updates in the workpapers, or where SJWC accepted Cal Advocates’ position as presented in its Report.

The following table describes the main feature of the settlement, namely, the agreed-upon rate increases that SJWC will be allowed to implement in the calendar years 2019, 2020, and 2021:

Calendar Year	Dollar Amount/Percent Rate Increase Requested by SJWC	Dollar Amount/Percent Rate Increase Proposed by ORA	Dollar Amount/Percent Rate Increase Adopted in Settlement
2019	\$34,288,100 /9.76%	\$4,461,120/1.21%	\$16,378,000/4.55%
2020	\$14,231,800/3.70%	\$8,688,940/2.34%	\$12,066,000/3.20%
2021	\$20,581,700/5.17%	\$8,273,600/2.20%	\$11,713,000/3.01%

On September 10, 2018, comments on the settlement motion were received from WRATES and the City of San Jose.

In its comments on the settlement motion, WRATES stated that although it chose not to join in the settlement, it did not oppose it. With regard to that portion of the settlement dealing with a prorated refund to SJWC customers (Item II-C of the Settlement Agreement), WRATES stated “WRATES reluctantly

accepts the settlement reached between and [ORA] and SJWC....Our reluctance is solely because this portion of a resolution for ratepayers has been delayed already for over 19 months, since it was first discovered in January, 2017.”

In its comments on the settlement motion, the City objected to the lack of information in the settlement document regarding the impact of the proposed settlement on water rates for SJWC customers. Table 1 at page 4, *supra*, supplies the requested information. In addition, we direct SJWC to prepare illustrative rates broken out by meter size for years 2019 through 2021, based on the dollar amounts proposed in the settlement as well as a comparison of present rates. The filing should provide the same customer impact information contained in SJWC Exhibit D.

Requirements for Accepting Settlement

The Agreement addresses all but two contested issues in this proceeding. Rule 12.1(d) requires that to approve a proposed settlement we must find it to be “reasonable in light of the whole record, consistent with law, and in the public interest.” As to the settled issues, the Settlement Agreement meets those requirements. Pending adjudication of the remaining issues, this proceeding will remain open.

Cal Advocates conducted comprehensive discovery with respect to the issues raised by the Application, to which SJWC provided prompt and complete responses. These materials, in conjunction with the showing presented in SJWC’s Application, provided the basis for substantive negotiation of issues of concern to the Settling Parties. The Settling Parties met and discussed the contested issues in good faith, negotiated in defense of their respective positions, and considered proposals to resolve the issues. This process led to a series of compromises and agreements on the terms of the Settlement Agreement.

The resulting settlement reflects carefully developed, well-supported, and appropriate compromises of the positions of the Settling Parties. As we discuss in more detail below, we find that the Settlement Agreement meets the requirements of Rule 12.1(d), is reasonable in light of the whole record, consistent with law, and in the public interest.

A. The Settlement Agreement is Reasonable in Light of the Whole Record

The Settlement Agreement is reasonable in light of the whole record. It is supported by the Application and testimony of the Settling Parties. Following discovery and settlement negotiations, the Settling Parties reached a reasonable compromise on each of the issues in contention. The settlement negotiations were accomplished at arms' length over the course of several days and there was no collusion.

B. The Settlement Agreement Does Not Contravene Any Rules or Laws

There is no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement Agreement. The issues resolved in the Settlement Agreement are within the scope of the proceeding and produce rates within a range of reasonableness.

C. The Settlement Agreement is in the Public Interest

The Commission has explained that a settlement which "commands broad support among participants fairly reflective of the affected interests" and "does not contain terms which contravene statutory provisions or prior Commission decisions" well serves the public interest. *Re San Diego Gas & Elec.*, D.92-12-019, 46 CPUC 2d 538, 552.

Together, the Settling Parties fairly represent the affected interests: Applicant provides water service to customers in its California service territory.

Cal Advocates is statutorily mandated to represent all ratepayers in California, including SJWC's ratepayers. The primary public interest affected by this proceeding is the delivery of safe and reliable water service at reasonable rates. The terms of the Settlement Agreement as described above advance this interest because they fairly balance the Applicant's opportunity to earn a reasonable rate of return against the needs of consumers for reasonable rates and safe, reliable water service. In addition, Commission approval of the Settlement Agreement will provide speedy resolution of contested issues, avoid unnecessary litigation expense, and conserve Commission resources. As the Commission has stated, "[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation." Re PG&E, D.88-12-083, 30 CPUC 2d 189, 221. Finally, we note that although two issues remain unsettled among Cal Advocates, WRATES and SJWC, neither WRATES nor the City opposes adoption of the Settlement Agreement.

Comments on Proposed Decision

The proposed decision of Administrative Law Judge Bemserderfer in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on November 5, 2018 by WRATES and Joint Comments were filed on the same date by SJWC and Cal Advocates.

The Proposed Decision removed two unsettled matters from the Settlement Agreement, directed the parties to submit additional briefing on those matters, and approved the Settlement Agreement as thus amended. In their Joint Comments, SJWC and Cal Advocates urge the Commission to approve the settlement in its original form. In support of this recommendation, the Joint

Comments point out that the unsettled issues were previously addressed in briefs so that further briefing is unnecessary and that approval of the Settlement Agreement in its original form will not close the proceeding but leave it open for the parties to litigate the unresolved issues. They further point out that the Settlement Agreement provides a vehicle for quickly repaying to ratepayers certain overcharges collected by SJWC during the period June 1, 2011 to December 31, 2016, repayments that would be indefinitely delayed if resolution of the overbilling issue for that period were made part of the Commission's current investigation of SJWC's billing practices, as the Proposed Decision recommends.

The Joint Comments also correct an inadvertent omission of an unopposed proposal from Cal Advocates from the settlement tables prepared by the settling parties and an inadvertent omission of Cal Advocates from the list of parties litigating the remaining unsettled issues.

In its Comment, WRATES notes that it has already briefed the unresolved issues. It also objects to the failure of the Settlement Agreement to include a requirement that SJWC develop an asset management plan as recommended by WRATES and to address alleged inadequacies in SJWC's public notices regarding the proposed rate increases.

After reviewing the above comments, we conclude that the proposed decision should be modified in the manner proposed by SJWC and Cal Advocates in their Joint Comments and the inadvertent errors noted above should be corrected. We reject the proposal of WRATES that we order SJWC to develop an asset management plan and we find that SJWC has fully complied with the Commission's notice requirements. Finally, we agree with SJWC and Cal Advocates that the Settlement Agreement should be approved in its entirety,

including Section II-C, in order to provide immediate relief to SJWC's customers related to the issue of bill proration. However, we make clear that approval of the Settlement Agreement in no way precludes the Commission from taking further action, or resolves or disposes of issues on the record in the pending investigation (I.) 18-09-003. To implement these conclusions, conforming changes have been made to the title and text, including the ordering paragraphs, of the proposed decision, and the rate schedules therein have been corrected to include the previously omitted material in the settlement tables.

Assignment of Proceeding

Carla J. Peterman is the assigned Commissioner and Karl J. Bemesderfer is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. The Settlement Agreement is the product of good-faith, arms' length negotiation between Parties reflecting all of the affected interests.
2. Each of the financial terms of the Settlement Agreement is the result of good faith compromise.
3. On September 13, 2018, the Commission opened an Order Instituting Investigation into San Jose Water Company's billing practices from 1987 to the present.

Conclusions of Law

1. The Settlement Agreement is reasonable in light of the record as a whole.
2. The Settlement Agreement does not violate any laws or prior Commission decisions.
3. The Settlement Agreement taken as a whole is in the public interest.
4. The Settlement Agreement meets the criteria for approval of settlements in Rule 12(1)(d).
5. The Settlement Agreement should be approved.

6. The Settlement Agreement does not resolve or dispose of issues subject to resolutions in I.18-09-003.

7. This proceeding should remain open to resolve remaining issues.

O R D E R

IT IS ORDERED that:

1. The Settlement Agreement between San Jose Water Company and the Office of Public Advocates dated as of August 10, 2018 is approved.

2. The new rates for customers of San Jose Water Company shall become effective January 1, 2019.

3. No later than two weeks from today, San Jose Water Company must file illustrative rates based on the outcomes in this decision consistent with the information provided in SJWC Exhibit D.

4. Application 18-01-004 remains open.

5. This order is effective today.

Dated November 29, 2018, at San Francisco, California.

MICHAEL PICKER

President

CARLA J. PETERMAN

LIANE M. RANDOLPH

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

Commissioners

ATTACHMENT A



FILED
08/10/18
04:59 PM

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SAN JOSE WATER COMPANY (U 168 W) for an Order authorizing it to increase rates charged for water service by \$34,288,100 or 9.76% in 2019, by \$14,231,800 or 3.70% in 2020, and by \$20,581,700 or 5.17% in 2021.

A.18-01-004
(Filed January 4, 2018)

**PARTIAL SETTLEMENT AGREEMENT BETWEEN THE OFFICE OF
RATEPAYER ADVOCATES AND SAN JOSE WATER COMPANY ON ISSUES
PRESENTED IN THE GENERAL RATE CASE APPLICATION**

August 10, 2018

Table of Contents

I.	GENERAL PROVISIONS	1
II.	TOPICS RESOLVED BY SETTLEMENT AGREEMENT	3
A.	Taxes	3
1.	California Corporate Franchise Tax (CCFT)	3
2.	Unprotected Tax Reserve	4
3.	Asset Retirement Obligation	4
B.	Non-Tariffed Products and Services (NTP&S)	5
C.	Proration Refund	5
D.	Purchased Water, Purchased Recycled Water, Purchased Power and Pump Tax	6
E.	Operations and Maintenance (O&M) Expenses	7
1.	Labor Generally	7
2.	Officer Compensation	8
3.	Additional Positions	8
4.	Temporary Labor	9
5.	Overtime	10
6.	Information Services O&M Expenses	11
7.	Conservation – Commercial, Industrial and Institutional (CII) Survey	11
F.	Administrative and General (A&G) Expenses	12
1.	Medical Expenses	12
2.	Dental Expenses	13
3.	Uninsured Damages	14
4.	Outside Legal and Outside Services	14
5.	Information Systems A&G Expenses	15
G.	Balancing and Memorandum Accounts	16
1.	Healthcare Cost Balancing Account	16
2.	Pension Expense Balancing Account	17
3.	Water Rate Adjustment Mechanism Balancing Account	17
4.	Intervenor Compensation Balancing Account	18
5.	Mandatory Conservation Memorandum Account	18
6.	Fluoride Implementation Cost Memorandum Account	19
7.	2018 Tax Accounting Memorandum Account	20
H.	Plant	20
I.	Proposed Merger	21
III.	CONCLUSION	21

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of SAN JOSE WATER COMPANY (U 168 W) for an Order authorizing it to increase rates charged for water service by \$34,288,100 or 9.76% in 2019, by \$14,231,800 or 3.70% in 2020, and by \$20,581,700 or 5.17% in 2021.

A.18-01-004
(Filed January 4, 2018)

**PARTIAL SETTLEMENT AGREEMENT BETWEEN THE OFFICE OF
RATEPAYER ADVOCATES AND SAN JOSE WATER COMPANY ON ISSUES
PRESENTED IN THE GENERAL RATE CASE APPLICATION**

I. GENERAL PROVISIONS

A. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), the Office of Ratepayer Advocates (ORA) and San Jose Water Company (SJWC), referred to together as “the Settling Parties,” have agreed on the terms of this Settlement Agreement, which they now submit for review, consideration, and approval by Administrative Law Judge Karl Bemederfer and the Commission. This Settlement Agreement addresses most of the differences on contested issues presented by the testimony and exhibits submitted into evidence by SJWC and ORA, respectively.

B. Specific issues that the Settling Parties agree to resolve through this Settlement Agreement are set forth in Section II below. For each issue, Section II describes the positions of the Settling Parties and the resolution provided by the Settlement Agreement and provides references to the evidence of record relevant to each settled issue.

C. Because this Settlement Agreement represents a compromise of the Settling Parties’ positions with respect to each issue addressed herein, the Settling Parties have agreed upon the resolution of each issue addressed in the Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by either

Party regarding any fact or matter of law that may have been in dispute in this proceeding. Furthermore, consistent with Rule 12.5 of the Commission's Rules, the Settling Parties intend that the approval of this Settlement Agreement by the Commission should not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding with respect to any issue addressed in the Settlement Agreement.

D. The Settling Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that Settling Parties are agreeing to the Settlement Agreement as a whole rather than agreeing to specific elements of the Settlement Agreement.

E. This Settlement Agreement is the product of a process of direct negotiation between the Settling Parties. The other parties to this proceeding, the City of San Jose and WRATES, participated in the settlement process, but are not parties to the Settlement Agreement. Accordingly, the Settlement Agreement is not presented as an all-party settlement.

F. The Settling Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of his or her execution of this document. All rights and remedies of the Settling Parties are limited to those available before the Commission.

G. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

H. This Settlement Agreement constitutes and represents the entire agreement between the Settling Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Settling Parties with respect to the subject matter set forth herein.

I. This Settlement Agreement resolves all outstanding and still contested issues in this proceeding between SJWC and ORA except for the following:

1. Water Revenue Adjustment Mechanism and Sales Reconciliation Mechanism

2. Hydrogeneration R&D, Research, Development and Demonstration Memorandum Account (Pressure-Reducing Valve Modernization and Energy Recovery Memorandum Account)

J. Many elements of SJWC’s application and accompanying materials were not challenged by ORA in its reports and so do not present contested issues. Similarly, the positions presented by ORA in its reports on a number of issues were accepted by SJWC and so also do not present contested issues. This Settlement Agreement generally does not address such matters except in the Comparison Exhibit, described below.

K. The disposition of all uncontested issues is presented, along with the disposition of topics resolved by this Settlement Agreement and the positions of the parties on the remaining contested issues, in the Comparison Exhibit, which is attached to this Settlement Agreement as Exhibit COM-01. The Comparison Exhibit displays, in a series of tables, the evolution of the positions of SJWC and ORA from their initial showings, through rebuttal testimony and settlement negotiations, to their current positions, with respect to each of the line items of SJWC’s results of operations.

II. TOPICS RESOLVED BY SETTLEMENT AGREEMENT

A. Taxes

1. California Corporate Franchise Tax (CCFT)

SJWC originally provided an estimated 2019 CCFT deduction of \$5,279,328. In its update, SJWC used its estimated prior year (2018) CCFT amount of \$3,922,215 to calculate its 2019 CCFT deduction. In its report, ORA recommended using the adopted 2018 CCFT of \$6,180,671.52 to calculate the 2019 CCFT deduction. Since the date of ORA’s report, SJWC’s adopted 2018 CCFT has been updated to \$4,360,857. The parties agree for the purpose of settlement to use the updated 2018 adopted figure as shown in Advice Letter No. 522A.

SJWC	SJWC Update	ORA	Settlement
\$5,279,328	\$3,922,215	\$6,180,671.52	\$4,360,857.5

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 10-1; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-10A; ORA-6, Office of Ratepayer Advocates Report and Recommendations on Taxes and Rate Base, pp. 9-10; SJW-9, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on Taxes and Rate Base, p. 2; San Jose Water Company Advice Letter No. 522A (Supplement to Advice Letter No. 522), June 7, 2018.

2. Unprotected Tax Reserve

ORA recommended refunding the unprotected excess tax reserve over the current GRC period. SJWC's proposed refund of the unprotected excess tax reserve takes into account the nature and time period of the transactions and activities that caused the deferred tax. The parties agree that the excess tax reserve should be refunded over periods that reflect the period of accumulation and reversal of the deferred.

REFERENCES: ORA-6, Office of Ratepayer Advocates Report and Recommendations on Taxes and Rate Base, pp. 15-20; SJW-9, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on Taxes and Rate Base, pp. 2-5.

3. Asset Retirement Obligation

The parties agree that SJWC's method of recovering estimated asset retirement costs in current rates is consistent with SJWC's previous practice. Asset retirement obligation is calculated separately and is not included in the calculation of depreciation expense/reserve. For the purposes of this settlement, the cost of utility plant retired, including retirement costs (less salvage), will be charged to accumulated depreciation and no gain or loss will be recognized.

REFERENCES: ORA-6, Office of Ratepayer Advocates Report and Recommendations on Taxes and Rate Base, pp. 21-23; SJW-9, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on Taxes and Rate Base, pp. 4-5.

B. Non-Tariffed Products and Services (NTP&S)

ORA suggests that SJWC’s contract service provided by Homeserve should be classified as a “passive” non-tariffed product and service, and therefore that ratepayers’ share of the revenues from the contract should be 30%. For the purpose of settlement, the parties agree that the contract should be designated as “passive” and adopt ORA’s forecast of NTP&S revenues.

SJWC	ORA	Settlement
\$835,884	\$1,031,052	\$1,031,052

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 8-7; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-8; ORA-3, Office of Ratepayer Advocates Report and Recommendations on Non-Tariffed Products and Services (NTP&S) (Confidential Version), pp. 4-5; ORA-3C, Office of Ratepayer Advocates Report and Recommendations on Non-Tariffed Products and Services (NTP&S) (Public Version), pp. 4-5; SJW-3, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on Non-Tariffed Products and Services, pp. 1-2.

C. Proration Refund

At issue is the appropriate period for customer refunds related to SJWC’s alleged failure, prior to January 1, 2017, to “prorate” service charges when readiness to serve charge rate changes occurred during a billing cycle. ORA did not object to the method SJWC used in Advice Letter 510 (filed June 6, 2017) to calculate the proposed refunds related to bills issued from January 1, 2014 to December 31, 2016. As SJWC explained in rebuttal testimony, it would likely not be able to calculate refunds for bills prior to June 2011, when it transitioned to its current billing system. The parties agree that the Commission should direct SJWC to file a Tier 2 advice letter following adoption of a final decision in this proceeding requesting authorization to issue refunds related to bills issued over the period from June 1, 2011 through December 31,

2016, using the refund calculation method set forth in Advice Letter 510.

SJWC warrants that the amounts calculated in this refund proposal will represent the results of its best efforts to include a total of all portions of service charges assessed since June 1, 2011 through December 31, 2016 that should be refunded per the refund calculation methodology originally proposed in AL 510.

REFERENCES: ORA-1, Office of Ratepayer Advocates Report and Recommendations on Revenues and Rate Design, Revenue Decoupling, and Refunds Related to Violations of P.U. Code Section 532, pp. 36-46; SJW-4, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on Revenues and Rate Design, Revenue Decoupling, and Refunds, pp. 7-11.

D. Purchased Water, Purchased Recycled Water, Purchased Power and Pump Tax

SJWC has balancing accounts for these four categories, where variances are tracked for recovery via surcharge. In its application, it did not project increases for these categories. ORA expressed concern that not including projected increases in these categories would hinder transparency. The parties agree to adopt ORA's test year 2019 estimates for these categories.

Additionally, SJWC currently files advice letters on or about June 1 of each year requesting authorization to increase the revenue requirement resulting from the changes in wholesale water rates (purchased water) and groundwater extraction fees (pump tax) charged by the Santa Clara Valley Water District to its retailers annually on July 1. The revenue is recovered via surcharges and thus by the end of each rate case cycle, there will be six surcharges on the bills (two for each year – one for purchased water and one for groundwater extraction fees). These charges are noticed in the newspaper and on the bills. During the rate case proceeding, these six surcharges are then rolled into base rates and the cycle continues with another six surcharges for the following rate case period. ORA proposed including the July 1, 2018, wholesale water rate increase for the period of January 1 through June 30, 2019, as well as a

projected wholesale water rate increase for the period of July 1 through December 31, 2019. However, no additional escalation is proposed for escalation years 2020 and 2021. For settlement purposes the parties agree to adopt ORA's proposal, and then allow SJWC to implement the wholesale water offsets for 2020 and 2021 via offset advice letters as authorized by Public Utilities Code Section 792.5 and GO 96-B Water Industry Rules 7.3.1(7) and 8.4. Until such time as new unit rates are adopted by the Commission, the calculation of offsets will utilize the unit rates adopted in this settlement as follows: Purchased Power at \$0.21849 per kWh; Purchased Water at \$4,433.54 per million gallons; Pump Taxes at \$4,108.12 per million gallons; and Purchased Water Recycled at \$4,623.05 per million gallons. The settlement amounts for these categories of costs shown in the following table reflect the aforementioned unit rates.

	SJWC	ORA	Settlement
Purchased Water	\$86,825,113	\$98,375,860	\$98,375,860
Purchased Power	\$8,268,100	\$8,771,600	\$8,771,600
Pump Tax	\$43,406,385	\$49,658,956	\$49,658,956
Purchased Recycled Water	\$2,706,752	\$3,810,621	\$3,810,621

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 8-2; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-8; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC's General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 3-6; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 1-2.

E. Operations and Maintenance (O&M) Expenses

1. Labor Generally

For the purposes of settlement, SJWC and ORA agree that actual labor needs for

the three years addressed in this proceeding (2019-2021) may vary from any forecast adopted by the Commission and that any variance between adopted amounts and those that actually occur would not demonstrate imprudence or unreasonableness.

2. Officer Compensation

A portion of SJWC’s total compensation for its executive officers and other officers consists of at-risk compensation composed of short-term incentives and long-term incentives. Following the last general rate case, SJWC revised its short-term incentive compensation targets to be entirely dependent on customer and operational metrics. ORA excluded all at-risk compensation for officers. As part of the settlement, the parties agree to use ORA’s estimate for SJWC officer compensation.

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, Chapter 5, Chapter 22; ORA-4C, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Confidential Version), pp. 8-9; SJW-2C, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Confidential Version), pp.15-20.

3. Additional Positions

SJWC requested 23 new positions. ORA recommends that the Commission not fund this request. For the purpose of settlement, the parties agree not to include any costs associated with the new positions in revenue requirements. The total for these positions for 2019 is shown below.

SJWC	ORA	Settlement
\$2,419,000	\$0	\$0

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, pp. 5-3 to 5-37; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-8; ORA-4C, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Confidential Version), pp. 6-7; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 6-7; SJW-2C, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Confidential Version), pp. 4-13; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 4-13.

4. Temporary Labor

SJWC proposed \$228,870 in 2018 temporary and part-time labor that was escalated by 4% to arrive at a 2019 test year forecast of \$238,024. ORA recommended that SJWC’s forecast of temporary and part-time labor not be funded because these amounts were not funded in SJWC’s previous GRC and SJWC continues to claim and utilize excess capacity of existing employees for non-tariffed products and services. In rebuttal testimony, SJWC indicated that it does not employ permanent part-time employees and that temporary labor includes funding 25 part-time positions for college students during the summer. For the purposes of settlement, SJWC and ORA agree that SJWC’s proposed funding for these 25 part time positions for college students should continue.

SJWC	ORA	Settlement
\$238,024	\$0	\$238,024

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, pp. 2-3 to 2-4; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-8; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), p. 10; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 13-14.

5. Overtime

ORA recommends that the Commission reject SJWC’s forecast of overtime for 2019 (\$1,835,000) because some SJWC employees perform work for affiliates and non-tariffed services. SJWC noted that overtime primarily occurs in times of emergency or is scheduled for weekends or after hours in order to address issues in a way that does not inconvenience customers. For the purpose of settlement, the parties agree to accept SJWC’s forecast minus 2.5% to represent overtime related to employees who perform work related to non-tariffed products and services.

SJWC	ORA	Settlement
\$1,835,000	\$0	\$1,789,125

REFERENCES: REFERENCES: SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-8; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 7-8; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), p. 13.

6. Information Services O&M Expenses

ORA characterized SJWC's O&M expenses for information systems as non-recurring, and thus removed certain expenses from its ratemaking forecast. SJWC had indicated in its workpapers that IT-related expenses are considered recurring. These include the following expenses:

Operations Security Expense
 SCADA Cybersecurity Audit
 SCADA Spread Spectrum Replacement
 Customer Service Security Database Encryption
 CC&B Cloud Hosting Fee
 CC&B Cloud Hosting Training/Design
 Meter Reading Software Subscription Increase
 Conservation Audit Software Hosting Fee

The parties therefore agree to include these expenses for ratemaking purposes.

	SJWC	ORA	Settlement
2018	\$545,800	\$0	\$545,800
2019	\$422,300	\$0	\$422,300

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, pp. 8-3 to 8-4; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-8; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC's General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 10-11; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 21-25.

7. Conservation – Commercial, Industrial and Institutional (CII) Survey

The estimated cost of this program is \$150,000. ORA recommended that expenses for this program be allocated as \$50,000 for 2018 and \$33,333 in each year of the three-year rate case cycle. Upon review, SJWC discovered that in its workpapers it had mistakenly included

\$50,000 for the CII program in 2018; this amount should have been assigned to 2019 since the program will not commence until 2019. Based on the correction of this error, the parties agree that the program expenses should be \$50,000 in each year of the three-year rate case cycle 2019-2021.

	SJWC	ORA	Settlement
2018	\$50,000	\$50,000	\$0
2019	\$50,000	\$33,333	\$50,000
2020	\$50,000	\$33,333	\$50,000
2021	\$50,000	\$33,333	\$50,000

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, pp. 18-17 to 18-20; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-8; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), p. 12; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 26-27.

F. Administrative and General (A&G) Expenses

1. Medical Expenses

The parties’ estimates differed in part due to the portion of the medical expenses associated with the proposed new positions. The expenses associated with these proposed positions have been removed for the purpose of settlement.

SJWC projected a 5% annual increase in medical expenses for 2019. ORA recommended a 0.82% increase in medical expenses for 2019. In rebuttal testimony, SJWC revised its requested rate of premium increase to 3%. The parties agree to adopt ORA’s proposal

for ratemaking purposes.

SJWC	ORA	Settlement
\$6,435,200	\$4,883,300	\$4,883,300

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 5-38; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-9; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 19-20; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 28-29.

2. Dental Expenses

The parties’ estimates differed in part due to the portion of the dental expenses associated with the proposed new positions. The expenses associated with these proposed positions have been removed for the purpose of settlement.

SJWC	ORA	Settlement
\$591,900	\$561,400	\$561,400

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, pp. 5-38 to 5-39; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-9; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), p. 20; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and

Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), p. 29.

3. Uninsured Damages

SJWC forecasted \$2,050,000 for uninsured injuries and damages expenses for 2019. ORA recommended a 2019 expense of \$169,250, based on a five-year average. SJWC's expenses for this category have increased from \$69,000 in 2012 to \$336,000 in 2016. In rebuttal testimony, SJWC revised its forecast for this category to \$336,000. For the purpose of settlement, the parties have agreed to \$252,625.

SJWC	ORA	SJWC Rebuttal	Settlement
\$2,050,000	\$169,250	\$336,000	\$252,625

REFERENCES: SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-9; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC's General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 17-18; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), p. 30.

4. Outside Legal and Outside Services

SJWC has experienced significant increase in consumer advocate group activity and involvement in response to rate increases and policy changes, which it does not expect to decrease during the rate case period. SJWC therefore used 2017-recorded expenses as the basis for its transition year 2018 and test year 2019 expenses. SJWC forecasted \$1,283,000 for outside legal services and \$3,397,000 in other outside services expenses for test year 2019. ORA used a five-year inflation adjusted average and forecasted \$607,000 for outside legal services and \$2,464,000 for other outside services for test year 2019. The parties agree to adopt ORA's estimate for ratemaking purposes.

	SJWC	ORA	Settlement
Outside Legal	\$1,283,000	\$607,000	\$607,000
Outside Services	\$3,397,000	\$2,464,000	\$2,464,000

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 9-2; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-9; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 21-22; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), p. 31.

5. Information Systems A&G Expenses

ORA characterized SJWC’s A&G expenses for information systems as non-recurring, and thus removed certain expenses from its forecast. SJWC had indicated in its workpapers that IT-related expenses are considered recurring. These include the following expenses:

- GIS Spatial Adjustments
- General System Cybersecurity Audit
- Cloud Based Asset Management System Consulting
- Communications/Social Media Contract Work
- Cybersecurity and Windows 10 Training
- Software License Fees – Cloud Only
- Software Cybersecurity
- Software Licenses Fees – Cloud Software Mango Intranet
- Software Licenses Fees – Tax, Geoanalytics
- Asset Management Systems Training
- Additional Systems Training of IT Staff
- Additional Internet Connections
- Website Web Services
- Hosting Fees Cloud Based Services
- Software Support Maintenance – Cloud Based System

The parties therefore agree to include these expenses for ratemaking purposes.

	SJWC	ORA	Settlement
2019	\$933,000	\$0	\$933,000

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 9-2; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-9; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 23-24; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 32-39.

G. Balancing and Memorandum Accounts

1. Healthcare Cost Balancing Account

SJWC requested authorization for a new Healthcare Cost Balancing Account. ORA recommends that the Commission reject this request. This issue is currently also being litigated in other Class A water utility GRCs, including A.16-07-002. The parties agree that the Commission’s decision in A.16-07-002 on the issue of a healthcare cost balancing account should also apply to SJWC.

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 14-1; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 34-35; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 28-29.

2. Pension Expense Balancing Account

ORA expressed concern that SJWC may have understated the overcollection in this account with respect to 2015 pension expenses included in rates. SJWC has shown that the 2015 escalation calculation submitted with its Advice Letter No. 467 was corrected by the Commission's Division of Water & Audits such that pension expense was not escalated to make it consistent with the procedures outlined in the Commission's Rate Case Plan. This was subsequently reflected in the revised AL 467A which implemented the 2015 escalation rates for SJWC. For the purpose of settlement, the parties agree that the Commission should not make any changes to SJWC's Pension Expense Balancing Account balances.

SJWC	ORA	Settlement
\$3,814,511	\$3,989,089	\$3,814,511

REFERENCES: SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-17; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC's General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), p. 28; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 40-41.

3. Water Rate Adjustment Mechanism Balancing Account

ORA expressed concern that SJWC may have over-recovered the balance in this account by \$351,137 because such amount was authorized for recovery in the prior GRC. SJWC clarified that its current balances already reflect this prior recovery. For the purpose of settlement, the parties agree that no adjustment to this balancing account is necessary.

SJWC	ORA	Settlement
\$4,763,421	\$4,382,284	\$4,763,421

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E –

Report on Results of Operations, p. 17-2; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-17; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 29-30; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 41-42.

4. Intervenor Compensation Balancing Account

ORA recommends that SJWC be authorized to recover the balance in this account, but recommend that it then be closed. SJWC explained that it is regularly required to pay intervenor compensation in Commission proceedings, including multi-party proceedings where its share may be minimal (see D.18-05-038). In the interest of efficiency and for the purpose of settlement, the parties agree that this balancing account should remain open.

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 17-2; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-17; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), pp. 30-31; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), p. 42.

5. Mandatory Conservation Memorandum Account

SJWC requested recovery of \$1,856,829 recorded in this account. ORA recommend that the Commission deny this request since SJWC did not use all of the conservation funds authorized in the last GRC. However, \$603,160 of the balance was booked to the memorandum account during a period (2014-2015) when SJWC’s actual conservation

expense exceeded the amount authorized in rates. For the purpose of settlement, the parties agree that the Commission should allow recovery of this \$603,130.

SJWC	ORA	Settlement
\$1,856,829	\$0	\$603,130

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 17-3; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-17; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), p. 32; SJW-2, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on O&M Expenses, A&G Expenses, and Balancing and Memo Accounts (Public Version), pp. 42-43.

6. Fluoride Implementation Cost Memorandum Account

SJWC requested authorization to establish this account due to the uncertain nature of the timing and expenses associated with potential implementation of fluoridation. ORA recommends that the Commission reject this request due to third party efforts to raise funds to cover costs for fluoridation. For the purpose of settlement, SJWC withdraws its request for this account. SJWC may, however, file an advice letter for a memorandum account to track operations and maintenance expenses once third party funding for such expenses runs out.

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, p. 17-3; ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC’s General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), p. 35.

7. 2018 Tax Accounting Memorandum Account

ORA has suggested that SJWC should close this account as of January 1, 2019 and amortize any balance back to customers. SJWC recommended that the account be kept open until all the required accounting guidance related to the 2018 Federal Tax Law has been issued by the Internal Revenue Service (IRS). For the purpose of settlement, the parties agree that the account should be kept open until three months following a final decision in this proceeding if IRS guidance is issued before such time, or until such guidance has been issued, but no later than ten days following the date that SJWC makes its 2018 tax year filing with the IRS.

REFERENCES: ORA-4, Office of Ratepayer Advocates Report and Recommendations on SJWC's General Rate Case Requests Regarding Operation and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memo Accounts for Test Year 2019 (Public Version), p. 37; SJW-9, Rebuttal Testimony of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendations on Taxes and Rate Base, p. 4.

H. Plant

Parties agree that actual capital spending for the three years addressed in this proceeding (2019-2021) including the 2018 transition year may vary from any forecast adopted by the Commission and that any variance between adopted amounts and those that actually occur would not demonstrate imprudence or unreasonableness. The parties also agree that it is the utility's responsibility to manage the overall capital budget to assure safe and reliable service for customers.

For the purpose of settlement, the parties agree to the total budgets shown below for capital projects. The parties agree that this amount is justified based on the projects SJWC proposed in its application, as discussed in its direct and rebuttal testimony, as well as the concerns expressed by ORA in its report. The parties agree that the budgets provide a pool of funds for capital projects that is less than the amount originally requested by SJWC, but is comparable to the amount spent during its previous rate case cycle. Within this overall capital

budget, SJWC will have the flexibility to prioritize the capital projects in order to best serve its customers.

	SJWC	ORA	Settlement
2018	\$116,114,863	\$91,838,851	\$95,679,851
2019	\$135,095,200	\$98,001,165	\$101,726,165
2020	\$152,007,300	\$106,662,438	\$121,992,438
TOTAL	\$403,217,363	\$296,502,454	\$319,398,454

REFERENCES: SJW-5, San Jose Water Company Application Exhibit E – Report on Results of Operations, pp. 11-1 to 11-3; SJW-6C, San Jose Water Company Application Exhibit F – Workpapers (Confidential), Worksheet CH-11; SJW-7, San Jose Water Company Application Exhibit G – Capital Budget Project Justifications; ORA-5, Office of Ratepayer Advocates Report and Recommendations on Utility Plant in Service and Water Quality, pp. 1-147; SJW-10, Rebuttal of San Jose Water Company to the Office of Ratepayer Advocates Report and Recommendation on Utility Plant in Service and Water Quality, pp. 1-60.

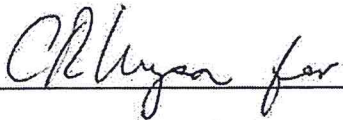
I. Proposed Merger

The parties agree that the issue of whether any ratemaking adjustments are warranted in light of the proposed merger between San Jose Water Group and Connecticut Water Service, Inc. should be considered in I.18-07-007.

III. CONCLUSION

The parties mutually believe that, based on the terms and conditions stated above, this Settlement Agreement is reasonable in light of the whole record, is consistent with the law, and is in the public interest.

Respectfully submitted,

By:  _____

Elizabeth Echols
Director

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
elizabeth.echols@cpuc.ca.gov
(415) 703-2381

August 8, 2018

By:  _____

John Tang
VP of Regulatory Affairs &
Government Relations

San Jose Water Company
110 West Taylor Street
San Jose, CA 95110
john.tang@sjwater.com
(408) 279-7933

August 8, 2018

REVISED DETAILED JOINT COMPARISON EXHIBIT

TABLE 1:

TEST YEAR 2019 SUMMARY OF EARNINGS AT PRESENT AND PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	\$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	Summary of Earnings at Present Rates							
2	Operating Revenue	\$367,283	\$360,681	\$0	0.0%	\$360,681	\$366,875	\$351,582
3								
4	Operating & Maintenance Expense	\$198,252	\$200,261	\$0	0.0%	\$200,261	\$184,875	\$184,721
5	Administrative & General Expense	\$32,039	\$33,185	\$0	0.0%	\$33,185	\$42,324	\$39,857
6	Taxes Other Than Income	\$13,913	\$14,065	\$0	0.0%	\$14,065	\$14,650	\$14,280
7	Depreciation & Amortization	\$51,756	\$52,963	\$0	0.0%	\$52,963	\$53,871	\$54,051
8	Income Taxes	\$9,345	\$6,445	\$0	0.0%	\$6,446	\$8,766	\$11,384
9	Total Operating Expenses	\$305,305	\$306,920	\$0	0.0%	\$306,920	\$304,486	\$304,293
10								
11	Net Operating Revenue	\$61,978	\$53,760	\$0	0.0%	\$53,761	\$62,389	\$47,289
12								
13	Depreciated Rate Base	\$848,894	\$853,441	\$0	0.0%	\$853,441	\$891,685	\$835,582
14	Rate of Return	7.30%	6.30%	0%	0.0%	6.30%	7.00%	5.66%
15								
16	Summary of Earnings at Proposed Rates							
17	Operating Revenue	\$370,147	\$377,059	\$0	0.0%	\$377,059	\$380,843	\$385,869
18								
19	Operating & Maintenance Expense	\$198,252	\$200,261	\$0	0.0%	\$200,261	\$184,875	\$184,721
20	Administrative & General Expense	\$32,039	\$33,185	\$0	0.0%	\$33,185	\$42,324	\$39,857
21	Taxes Other Than Income	\$13,920	\$14,106	\$0	0.0%	\$14,106	\$14,685	\$14,359
22	Depreciation & Amortization	\$51,756	\$52,963	\$0	0.0%	\$52,963	\$53,871	\$54,051
23	Income Taxes	\$10,197	\$11,342	\$0	0.0%	\$11,342	\$12,917	\$25,303
24	Total Operating Expenses	\$306,164	\$311,857	\$0	0.0%	\$311,857	\$308,673	\$318,292
25								
26	Net Operating Revenue	\$63,983	\$65,202	\$0	0.0%	\$65,202	\$72,170	\$67,577
27								
28	Depreciated Rate Base	\$848,894	\$853,441	\$0	0.0%	\$853,441	\$891,685	\$835,582
29	Rate of Return	7.54%	7.64%	0%	0.0%	7.64%	8.09%	8.09%

*"Final" positions for SJWC and ORA include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 518,522A and 523.

REVISED DETAILED JOINT COMPARISON EXHIBIT

TABLE 2:
TEST YEAR 2019 OPERATING REVENUES AT PRESENT AND PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	\$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	Oper. Revenues at Present Rates							
2	Residential	\$217,284	\$212,198	\$0	0.0%	\$212,198	\$217,284	\$207,751
3	Business	\$118,205	\$116,836	\$0	0.0%	\$116,836	\$118,205	\$113,889
4	Industrial Revenue	\$1,292	\$1,284	\$0	0.0%	\$1,284	\$919	\$891
5	Public Authorities	\$17,839	\$17,753	\$0	0.0%	\$17,753	\$17,839	\$16,999
6	Resale	\$1,069	\$1,066	\$0	0.0%	\$1,066	\$1,069	\$1,011
7	Other	\$969	\$1,032	\$0	0.0%	\$1,032	\$969	\$997
8	Raw Water	\$202	\$227	\$0	0.0%	\$227	\$167	\$322
9	Recycled Water	\$5,278	\$5,347	\$0	0.0%	\$5,347	\$5,278	\$5,053
10	Residential Fire Service Upsize	\$229	\$229	\$0	0.0%	\$229	\$229	\$220
11	Private Fire Service	\$3,830	\$3,623	\$0	0.0%	\$3,623	\$3,830	\$3,658
12								
13	Subtotal	\$366,197	\$359,595	\$0	0.0%	\$359,595	\$365,789	\$350,791
14								
15	Misc. & Deferred Revenue	\$1,086	\$1,086	\$0	0.0%	\$1,086	\$1,086	\$791
16								
17	Total Revenues at Present Rates	\$367,283	\$360,681	\$0	0.0%	\$360,681	\$366,875	\$351,582
18								
19	Oper. Revenues at Proposed Rates							
20	Residential	\$225,067	\$229,820	\$0	0.0%	\$229,820	\$228,361	\$234,357
21	Business	\$112,875	\$114,568	\$0	0.0%	\$114,568	\$119,241	\$118,951
22	Industrial Revenue	\$1,203	\$1,220	\$0	0.0%	\$1,220	\$940	\$939
23	Public Authorities	\$17,071	\$17,325	\$0	0.0%	\$17,325	\$18,047	\$17,711
24	Resale	\$941	\$952	\$0	0.0%	\$952	\$953	\$932
25	Other	\$1,361	\$1,393	\$0	0.0%	\$1,393	\$1,440	\$1,381
26	Raw Water	\$195	\$197	\$0	0.0%	\$197	\$178	\$313
27	Recycled Water	\$4,924	\$5,076	\$0	0.0%	\$5,076	\$5,172	\$5,106
28	Residential Fire Service Upsize	\$320	\$320	\$0	0.0%	\$320	\$320	\$307
29	Private Fire Service	\$5,104	\$5,102	\$0	0.0%	\$5,102	\$5,104	\$5,080
30								
31	Subtotal	\$369,061	\$375,974	\$0	0.0%	\$375,974	\$379,757	\$385,078
32								
33	Misc. & Deferred Revenue	\$1,086	\$1,086	\$0	0.0%	\$1,086	\$1,086	\$791
34								
35	Total Revenues at Proposed Rates	\$370,147	\$377,059	\$0	0.0%	\$377,059	\$380,843	\$385,869

*"Final" positions for SJWC and ORA include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 518,522A and 523.

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 3:
TEST YEAR 2019 OPERATING AND ADMINISTRATIVE EXPENSES

Line	Item	ORA Testimony	ORA Final*	\$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	Operating & Maintenance Expenses							
2	Purchased Water Potable	\$98,376	\$98,376	\$0	0.0%	\$98,376	\$86,825	\$86,825
3	Purchased Water Recycled	\$3,811	\$3,811	\$0	0.0%	\$3,811	\$2,707	\$2,680
4	Other Source of Supply	\$1,681	\$1,744	\$0	0.0%	\$1,744	\$1,849	\$2,164
5	Purchased Power	\$8,790	\$8,789	\$0	0.0%	\$8,789	\$8,268	\$8,132
6	Pump Taxes	\$49,667	\$49,659	\$0	0.0%	\$49,659	\$43,406	\$43,053
7	Other Pumping Expenses	\$3,408	\$3,595	\$0	0.0%	\$3,595	\$3,913	\$3,748
8	Chemical & Filtering Material	\$568	\$568	\$0	0.0%	\$568	\$568	\$568
9	Other Water Treatment	\$3,842	\$3,961	\$0	0.0%	\$3,961	\$4,274	\$4,477
10	Transmission & Distribution	\$3,905	\$4,069	\$0	0.0%	\$4,069	\$4,465	\$4,819
11	Customer Accounts - Uncollectibles	\$490	\$501	\$0	0.0%	\$501	\$504	\$541
12	Customer Accounts - Labor	\$4,707	\$4,931	\$0	0.0%	\$4,931	\$5,528	\$5,377
13	Customer Accounts - Transportation	\$58	\$59	\$0	0.0%	\$59	\$60	\$76
14	Customer Accounts - Postage	\$564	\$564	\$0	0.0%	\$564	\$564	\$575
15	Customer Accounts - Purchased Services	\$2,775	\$3,079	\$0	0.0%	\$3,080	\$3,196	\$3,114
16	Conservation - Base Program	\$962	\$962	\$0	0.0%	\$962	\$962	\$868
17	Conservation - CII Survey	\$33	\$50	\$0	0.0%	\$50	\$50	\$50
18	Conservation - Recycled Retrofits	\$400	\$400	\$0	0.0%	\$400	\$1,200	\$1,200
19	Customer Accounts - Other	\$130	\$130	\$0	0.0%	\$130	\$130	\$61
20	Non-Tariffed Service Adjustment	(\$1,031)	(\$1,031)	\$0	0.0%	(\$1,031)	(\$1,031)	(\$836)
21	Maintenance Source of Supply	\$111	\$121	\$0	0.0%	\$121	\$129	\$145
22	Maintenance Pumping	\$1,318	\$1,430	\$0	0.0%	\$1,430	\$1,530	\$1,642
23	Maintenance Water Treatment Plant	\$113	\$114	\$0	0.0%	\$114	\$117	\$129
24	Maintenance Transmission & Distribution	\$13,584	\$14,390	\$0	0.0%	\$14,390	\$15,490	\$15,322
25	Maintenance Expense Adjustments	(\$10)	(\$10)	\$0	0.0%	(\$10)	(\$10)	(\$8)
26	Subtotal O&M Expenses	\$198,252	\$200,261	\$0	0.0%	\$200,263	\$184,693	\$184,721
27								
28	Administrative & General (A&G) Expenses							
29	A&G Salaries	\$11,730	\$12,290	\$0	0.0%	\$12,290	\$13,778	\$12,563
30	A&G Office Supplies	\$2,493	\$2,668	\$0	0.0%	\$2,668	\$3,955	\$3,918
31	A&G Property Insurance	\$199	\$200	\$0	0.0%	\$200	\$204	\$245
32	A&G Injuries & Damages Insurance	\$1,874	\$2,031	\$0	0.0%	\$2,031	\$3,907	\$4,116
33	A&G Pensions, Benefits, & PBOP	\$17,066	\$17,066	\$0	0.0%	\$17,066	\$18,516	\$18,343
34	A&G Regulatory Commission	\$232	\$232	\$0	0.0%	\$232	\$342	\$342
35	A&G Outside Services	\$3,072	\$3,071	\$0	0.0%	\$3,071	\$5,259	\$4,680
36	A&G Dues & Memberships	\$596	\$596	\$0	0.0%	\$596	\$596	\$577
37	A&G Corporate Expenses	\$1,199	\$1,199	\$0	0.0%	\$1,199	\$1,199	\$966
38	A&G Rents	\$486	\$486	\$0	0.0%	\$486	\$486	\$508
39	A&G Maintenance	\$1,475	\$1,729	\$0	0.0%	\$1,729	\$2,465	\$1,935
40	A&G Transferred Expenses	(\$8,383)	(\$8,383)	\$0	0.0%	(\$8,383)	(\$8,383)	(\$8,335)
41	Subtotal A&G Expenses	\$32,039	\$33,185	\$0	0.0%	\$33,185	\$42,324	\$39,857
42								
43	Allocated Expenses							
44	Total Labor Expense	\$42,656	\$44,692	\$0	0.0%	\$44,692	\$44,692	\$50,134
45	Transportation Expense	\$4,685	\$4,721	\$0	0.0%	\$4,721	\$4,721	\$5,196
46	Purchased Services	\$9,867	\$10,848	\$0	0.0%	\$10,848	\$10,849	\$10,924

**Final" positions for SJWC and ORA include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 518,522A and 523.

REVISED DETAILED JOINT COMPARISON EXHIBIT

TABLE 4:

TEST YEAR 2019 TAXES AT PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	\$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	TAXES							
2	Taxes Other Than Income							
3	Ad Valorem Taxes	\$9,782	\$9,809	\$0	0.0%	\$9,809	\$9,997	\$9,734
4	Business License Fees	\$170	\$170	\$0	0.0%	\$170	\$173	\$171
5	Payroll Taxes	\$3,042	\$3,183	\$0	0.0%	\$3,183	\$3,563	\$3,559
6	Franchise Fees	\$926	\$944	\$0	0.0%	\$943	\$953	\$895
7	Subtotal Taxes Other Than Income	\$13,920	\$14,106	\$0	0.0%	\$14,106	\$14,685	\$14,359
8								
9	Depreciation and Amortization	\$51,756	\$52,963	\$0	0.0%	\$52,963	\$53,871	\$54,051
10								
11	Income Taxes							
12	Total Deductions	\$79,596	\$81,175	\$0	0.0%	\$81,174	\$83,242	\$82,770
13								
14	CCFT Depreciation for Taxes	(\$49,702)	(\$49,702)	\$0	0.0%	(\$49,702)	(\$49,702)	\$5,279
15	Section 162(m) Limitation	(\$458)	(\$458)	\$0	0.0%	(\$458)	(\$458)	(\$116)
16	Deferred Revenue (Net of Tax)			\$0				
17	Taxable Income Incl Def Revenue	\$41,825	\$45,343	\$0	0.0%	\$45,343	\$50,314	\$59,721
18	California State Tax @ 8.84%	\$3,697	\$4,008	\$0	0.0%	\$4,008	\$4,448	\$5,279
19								
20	FIT Depreciation for Taxes	(\$55,962)	(\$55,962)	\$0	0.0%	(\$55,962)	(\$55,962)	(\$56,097)
21	CCFT Deduction	(\$6,181)	(\$4,361)	\$0	0.0%	(\$4,361)	(\$3,922)	(\$5,279)
22	Taxable Income	\$40,489	\$45,827	\$0	0.0%	\$45,827	\$51,236	\$57,200
23	Federal Income Tax @ 21%	\$8,503	\$9,624	\$0	0.0%	\$9,624	\$10,760	\$20,020
24	Tax on CIAC and Advances	\$196	\$196	\$0	0.0%	\$196	\$196	\$3
25	Reversal of Excess Deferred Tax	(\$2,199)	(\$2,486)	\$0	0.0%	(\$2,485)	(\$2,485)	\$0
26	Subtotal Income Taxes	\$10,197	\$11,342	\$0	0.0%	\$11,342	\$15,403	\$25,303

*"Final" positions for SJWC and ORA include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 518,522A and 523.

REVISED DETAILED JOINT COMPARISON EXHIBIT
 TABLE 5A:
 UTILITY PLANT IN SERVICE - BUDGET YEAR 2018

Line	Item	ORA Testimony	ORA Final	\$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application
1	UTILITY PLANT							
2	2018 New Plant	\$91,839	\$95,680	\$0	0.0%	\$95,680	\$116,115	\$116,115
3	2018 Cost of Retiring -	\$2,933	\$2,933	\$0	0.0%	\$2,933	\$5,603	\$5,603
4	2018 Total Construction Budget	\$88,906	\$92,747	\$0	0.0%	\$92,747	\$110,512	\$110,512

REVISED DETAILED JOINT COMPARISON EXHIBIT
 TABLE 5B:
 UTILITY PLANT IN SERVICE - BUDGET YEAR 2019

Line	Item	ORA Testimony	ORA Final	\$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application
1	UTILITY PLANT							
2	2019 New Plant	\$98,001	\$101,726	\$0	0.0%	\$101,726	\$135,095	\$135,095
3	2019 Cost of Retiring -	\$6,834	\$6,834	\$0	0.0%	\$6,834	\$8,321	\$8,321
4	2019 Total Construction Budget	\$91,168	\$94,893	\$0	0.0%	\$94,893	\$126,774	\$126,774

REVISED DETAILED JOINT COMPARISON EXHIBIT
 TABLE 5C:
 UTILITY PLANT IN SERVICE - BUDGET YEAR 2020

Line	Item	ORA Testimony	ORA Final	\$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application
1	UTILITY PLANT							
2	2020 New Plant	\$106,662	\$121,992	\$0	0.0%	\$121,992	\$152,007	\$152,007
3	2020 Cost of Retiring -	\$6,710	\$6,710	\$0	0.0%	\$6,710	\$11,126	\$11,126
4	2020 Total Construction Budget	\$99,952	\$115,282	\$0	0.0%	\$115,282	\$140,882	\$140,882

REVISED DETAILED JOINT COMPARISON EXHIBIT

TABLE 6:

TEST YEARS 2019 AND 2020 RATEBASE

Line	Item	ORA Testimony	ORA Final	\$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application
1	2019 RATEBASE							
2	Utility Plant	\$1,754,251	\$1,760,114	\$0	0.0%	\$1,760,114	\$1,797,916	\$1,774,039
3	Adjustments to Plant	(\$203,698)	(\$203,698)	\$0	0.0%	(\$203,698)	(\$203,698)	(\$202,821)
4	Working Capital	\$25,180	\$25,248	(\$0)	0.0%	\$25,248	\$25,239	\$28,277
5	Tax Deferrals	(\$153,803)	(\$153,660)	\$0	0.0%	(\$153,660)	(\$153,660)	(\$175,232)
6	Rate Base, Taxed Contributions	\$7,640	\$7,547	\$0	0.0%	\$7,547	\$7,640	\$4,687
7	Rate Base, Taxed Advances	\$3,294	\$3,192	\$0	0.0%	\$3,192	\$3,294	\$2,911
8	Depreciation Reserve	\$583,970	\$585,301	\$0	0.0%	\$585,301	\$585,046	\$596,279
9	2016 Weighted Avg Ratebase	\$848,894	\$853,441	(\$0)	0.0%	\$853,441	\$891,685	\$835,582
10								
11	2020 RATEBASE							
12	Utility Plant	\$1,844,267	\$1,859,994	\$0	0.0%	\$1,859,994	\$1,928,493	\$1,903,954
13	Adjustments to Plant	(\$207,599)	(\$207,599)	\$0	0.0%	(\$207,599)	(\$207,599)	(\$206,597)
14	Working Capital	\$25,729	\$26,207	\$0	0.0%	\$26,207	\$25,559	\$33,829
15	Tax Deferrals	(\$151,787)	(\$151,357)	\$0	0.0%	(\$151,357)	(\$151,357)	(\$180,053)
16	Rate Base, Taxed Contributions	\$8,750	\$8,657	\$0	0.0%	\$8,657	\$8,750	\$4,372
17	Rate Base, Taxed Advances	\$3,401	\$3,298	\$0	0.0%	\$3,298	\$3,401	\$2,931
18	Depreciation Reserve	\$631,577	\$634,345	\$0	0.0%	\$634,345	\$635,152	\$648,217
19	2017 Weighted Avg Ratebase	\$891,183	\$904,855	\$0	0.0%	\$904,855	\$972,094	\$910,219

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 7:
TEST YEAR 2019 CUSTOMER FORECASTS AND SALES ESTIMATES

Line	Item	ORA Testimony	ORA Final	\$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application
1	Metered Services							
2	Residential	199,893	199,893	0	0.0%	199,893	199,893	199,173
3	Business	20,694	20,694	0	0.0%	20,694	20,694	20,721
4	Industrial	51	51	0	0.0%	51	51	51
5	Public Authority	1,287	1,287	0	0.0%	1,287	1,287	1,264
6	Resale	32	32	0	0.0%	32	32	32
7	Other	256	256	0	0.0%	256	256	255
8	Total Potable Metered Services	222,213	222,213	0	0.0%	222,213	222,213	221,496
9								
10	Raw Water	5	5	0	0.0%	5	5	5
11	Recycled Water - Piped	240	240	0	0.0%	240	240	233
12	Recycled Water - Former Well Users	8	8	0	0.0%	8	8	8
13	Total Non-Potable Metered Services	222,458	222,458	0	0.0%	222,458	222,458	221,734
14								
15	Private Fire Service	3,937	3,937	0	0.0%	3,937	3,937	3,917
16	Total Active Services	226,395	226,395	0	0.0%	226,395	226,395	225,651
17								
18	Average Sales per Customer (ccf/connection/yr)							
19	Residential	129	129	0	0.0%	129	129	129
20	Business	828	828	0	0.0%	828	828	828
21								
22	Total Sales Per Customer Class (Kccf)							
23	Residential	25,786	25,786	0	0.0%	25,786	25,786	25,693
24	Business	17,135	17,135	0	0.0%	17,135	17,135	17,157
25	Industrial	198	198	0	0.0%	198	132	132
26	Public Authority	2,624	2,624	0	0.0%	2,624	2,624	2,577
27	Resale	179	179	0	0.0%	179	179	175
28	Other	58	58	0	0.0%	58	58	58
29	Total Potable Metered Sales	45,980	45,980	0	0.0%	45,980	45,914	45,792
30								
31	Raw Water	41	41	0	0.0%	41	34	61
32	Recycled Water - Piped	739	739	0	0.0%	739	739	722
33	Recycled Water - Former Well Users	363	363			363	363	369
33	Total Sales	46,760	46,760	0	0.0%	46,760	46,687	46,575
34								
35	Source of Supply (Kccf)							
36	Groundwater	16,162	16,162	0	0.0%	16,162	16,091	15,960
37	Purchased Water	29,662	29,662	0	0.0%	29,662	29,662	29,662
38	Surface Water	3,555	3,555	0	0.0%	3,555	3,555	3,555

REVISED DETAILED JOINT COMPARISON EXHIBIT

TABLE 8:

NON-REVENUE REQUIREMENT ISSUES

Line	Item	ORA Testimony	ORA Final	SJWC Final	SJWC Application
1	Revenue Decoupling and Sales Update	Maintain Monterey-style WRAM	Maintain Monterey-style WRAM	Full WRAM/MCBA and Sales Reconciliation Mechanism	Full WRAM/MCBA and Sales Reconciliation Mechanism
2	Purchased Water, Purchased Recycled Water, Purchased Power and Pump Tax Recovery	Include the July 1, 2018, wholesale water rate increase for the period of January 1 through June 30, 2019, as well as a projected wholesale water rate increase for the period of July 1 through December 31, 2019. No additional escalation is proposed for escalation years 2020 and 2021.	Include the July 1, 2018, wholesale water rate increase for the period of January 1 through June 30, 2019, as well as a projected wholesale water rate increase for the period of July 1 through December 31, 2019. Allow SJWC to implement the wholesale water offsets for 2020 and 2021 via offset advice letters as authorized by Public Utilities Code Section 792.5 and GO 96-B Water Industry Rules 7.3.1(7) and 8.4.	Include the July 1, 2018, wholesale water rate increase for the period of January 1 through June 30, 2019, as well as a projected wholesale water rate increase for the period of July 1 through December 31, 2019. Allow SJWC to implement the wholesale water offsets for 2020 and 2021 via offset advice letters as authorized by Public Utilities Code Section 792.5 and GO 96-B Water Industry Rules 7.3.1(7) and 8.4.	SJWC currently files advice letters on or about June 1 of each year requesting authorization to increase the revenue requirement resulting from the changes in wholesale water rates (purchased water) and groundwater extraction fees (pump tax) charged by the Santa Clara Valley Water District to its retailers annually on July 1. The revenue is recovered via surcharges and thus by the end of each rate case cycle, there will be six surcharges on the bills (two for each year – one for purchased water and one for groundwater extraction fees). These charges are noticed in the newspaper and on the bills. During the rate case proceeding, these six surcharges are then rolled into base rates and the cycle continues with another six surcharges for the following rate case period.
3	Balancing Account Disposition	Authorize recovery of \$13,387,687 combined balance	Authorize recovery of \$13,612,774 combined balance	Authorize recovery of \$13,612,774 combined balance	Authorize recovery of \$13,612,774 combined balance
4	Healthcare Cost Balancing Account	Request for Healthcare Cost Balancing Account should be denied	CPUC decision in A.16-07-002 on this issue should apply to SJWC	CPUC decision in A.16-07-002 on this issue should apply to SJWC	Request authorization for a Healthcare Cost Balancing Account
5	Pension Expense Balancing Account balance	\$3,989,089	\$38,145,111	\$38,145,111	\$38,145,111

REVISED DETAILED JOINT COMPARISON EXHIBIT

TABLE 8:
NON-REVENUE REQUIREMENT ISSUES

6	Water Rate Adjustment Mechanism Balancing Account balance	\$4,382,284	\$4,763,421	\$4,763,421	\$4,763,421
7	Memorandum Account Disposition	Authorize recovery of \$4,891,291	Authorize recovery of \$5,854,611	Authorize recovery of \$5,854,611	Authorize recovery of \$7,112,350
8	Water Conservation Memorandum Account & Drought Surcharges	SJWC to refund 100% of all 2016 and 2017 drought surcharge and net the balances against the outstanding 2016 and 2017 WCMA balances. Total net under collected balance of the Drought Surcharges and WCMA is \$7,600,000	SJWC to refund 100% of all 2016 and 2017 drought surcharge and net the balances against the outstanding 2016 and 2017 WCMA balances. Total net under collected balance of the Drought Surcharges and WCMA is \$7,600,000	SJWC to refund 100% of all 2016 and 2017 drought surcharge and net the balances against the outstanding 2016 and 2017 WCMA balances. Total net under collected balance of the Drought Surcharges and WCMA is \$7,600,000	
9	16 GRC BA Surcharge Account Recovery	Recover \$1,284,237 in residual balances of surcharge revenue authorized in last GRC but not collected	Recover \$1,284,237 in residual balances of surcharge revenue authorized in last GRC but not collected	Recover \$1,284,237 in residual balances of surcharge revenue authorized in last GRC but not collected	Recover \$1,284,237 in residual balances of surcharge revenue authorized in last GRC but not collected
10	2013 Interim Rates Memorandum Account	Recover \$11,474,350 in residual balances from 2013 interim rates true-up memo account.	Recover \$11,474,350 in residual balances from 2013 interim rates true-up memo account.	Recover \$11,474,350 in residual balances from 2013 interim rates true-up memo account.	Recover \$11,474,350 in residual balances from 2013 interim rates true-up memo account.
11	Intervenor Compensation Balancing Account	Recover \$28,647 balance and close account	Recover \$28,647 balance and keep the account open	Recover \$28,647 balance and keep the account open	Recover \$28,647 balance and keep the account open
12	Calero Tank Memorandum Account	Recover \$363,345	Recover \$363,345	Recover \$363,345	Recover \$363,345
13	Mandatory Conservation Memorandum Account amount to be recovered	\$0	\$603,130	\$603,130	\$1,856,829
14	Drinking Water Fees Memorandum Account	Recover \$73,719	Recover \$73,719	Recover \$73,719	Recover \$73,719
15	Pressure-Reducing Valve Modernization and Energy Recovery Memorandum Account ("PRVMA")	Deny request to transfer to ratebase	Deny request to transfer to ratebase or to recover as expenses	Transfer \$1,243,362 to ratebase or amortize the balance over the three-year rate case period	Transfer \$1,243,362 to ratebase
16	Fluoride Implementation Cost Memorandum Account	Deny request for memo account	No memo account now, but SJWC may file an advice letter for a memo account to track operations and maintenance expenses once third party funding for such expenses runs out	No memo account now, but SJWC may file an advice letter for a memo account to track operations and maintenance expenses once third party funding for such expenses runs out	Request authorization for a memo account

A.18-01-004

Detailed Joint Comparison Exhibit of
San Jose Water Company and Office of Ratepayer Advocates
Submitted (fill in date)

REVISED DETAILED JOINT COMPARISON EXHIBIT

TABLE 8:

NON-REVENUE REQUIREMENT ISSUES

17	2018 Tax Memorandum Account	Close account as of January 1, 2019 and amortize any balance back to customers	Account should be kept open until three months following a final decision in this proceeding if IRS guidance is issued before such time, or until such guidance has been issued, but no later than ten days following the date that SJWC makes its 2018 tax year filing with the IRS	Account should be kept open until three months following a final decision in this proceeding if IRS guidance is issued before such time, or until such guidance has been issued, but no later than ten days following the date that SJWC makes its 2018 tax year filing with the IRS	Account be kept open until all the required accounting guidance related to the 2018 Federal Tax Law has been issued by the Internal Revenue Service (IRS)
----	-----------------------------	--	--	--	---

(End of Attachment A)

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 530

ATTACHMENT B

ADVICE LETTER 530
ATTACHMENT B
SERVICE CHARGE SURCREDIT

SURCHARGE CALCULATION

Revenue to be Refunded in Meter Charge Surcredit

\$2,020,220

Schedule No. 1. General Metered Service & 1B General Metered Service with Automatic Fire Sprinkler System:

Meter Size	2019 No. of Customers Authorized	No. of Billings	Meter Ratio (SP U-25)	Meter Ratio Equip	One Time Surcharge Surcredit (\$)	Amount of Total Service Charge Surcredit	AL 529 2019 Service Charge	Surcredit as a Percentage of Current Service Charge
5/8	886	886	1.5	1,329	\$6.36	\$5,635	\$39.50	16.1%
3/4	175,098	175,098	1.5	262,647	\$6.36	\$1,113,623	\$39.50	16.1%
1	35,079	35,079	2.5	87,698	\$10.59	\$371,487	\$65.83	16.1%
1 1/2	3,925	3,925	5	19,625	\$21.17	\$83,092	\$131.67	16.1%
2	5,026	5,026	8	40,208	\$33.89	\$170,331	\$210.67	16.1%
3	1,557	1,557	15	23,355	\$63.55	\$98,947	\$395.00	16.1%
4	421	421	25	10,525	\$105.91	\$44,588	\$658.33	16.1%
6	181	181	50	9,050	\$211.83	\$38,341	\$1,316.67	16.1%
8	33	33	80	2,640	\$338.93	\$11,185	\$2,106.67	16.1%
10	7	7	115	805	\$487.21	\$3,410	\$3,028.33	16.1%
	<u>222,213</u>	<u>222,213</u>		<u>457,882</u>		<u>\$1,940,639</u>		

Schedule No. RW. Raw Water Service:

3/4	0	0	1.5	0	\$6.36	\$0	\$39.50	16.1%
1	1	1	2.5	3	\$10.59	\$11	\$65.83	16.1%
1 1/2	1	1	5	5	\$21.17	\$21	\$131.67	16.1%
2	3	3	8	24	\$33.89	\$102	\$210.67	16.1%
3	0	0	15	0	\$63.55	\$0	\$395.00	16.1%
4	0	0	25	0	\$105.91	\$0	\$658.33	16.1%
6	0	0	50	0	\$211.83	\$0	\$1,316.67	16.1%
8	0	0	80	0	\$338.93	\$0	\$2,106.67	16.1%
10	0	0	115	0	\$487.21	\$0	\$3,028.33	16.1%
	<u>5</u>	<u>5</u>		<u>32</u>		<u>\$134</u>		

Schedule No. RCW. Recycled Water Service Piped:

3/4	0	0	1.5	0	\$6.36	\$0	\$39.50	16.1%
1	12	12	2.5	30	\$10.59	\$127	\$65.83	16.1%
1 1/2	16	16	5	80	\$21.17	\$339	\$131.67	16.1%
2	124	124	8	992	\$33.89	\$4,202	\$210.67	16.1%
3	61	61	15	915	\$63.55	\$3,877	\$395.00	16.1%
4	25	25	25	625	\$105.91	\$2,648	\$658.33	16.1%
6	0	0	50	0	\$211.83	\$0	\$1,316.67	16.1%
8	2	2	80	160	\$338.93	\$678	\$2,106.67	16.1%
10	0	0	115	0	\$487.21	\$0	\$3,028.33	16.1%
	<u>240</u>	<u>240</u>		<u>2,802</u>		<u>\$11,871</u>		

Schedule No. RCW. Recycled Water Service Well Users: (1)

2	1	1		16.1%	\$5.23	\$5	\$32.59	16.1%
3	1	1		16.1%	\$6.98	\$7	\$43.46	16.1%
4	2	2		16.1%	\$7.85	\$16	\$48.88	16.1%
6	1	1		16.1%	\$13.08	\$13	\$81.50	16.1%
8	2	2		16.1%	\$15.69	\$31	\$97.78	16.1%
10	1	1		16.1%	\$24.41	\$24	\$152.10	16.1%
	<u>8</u>	<u>8</u>				<u>\$96</u>		

Schedule No. 4. Private Fire Service: (1)

2	44	44		16.1%	\$6.42	\$282	\$40.00	16.1%
3	5	5		16.1%	\$8.03	\$40	\$50.00	16.1%
4	1,156	1,156		16.1%	\$11.24	\$12,988	\$70.00	16.1%
6	1,581	1,581		16.1%	\$17.66	\$27,913	\$110.00	16.1%
8	993	993		16.1%	\$22.47	\$22,313	\$140.00	16.1%
10	143	143		16.1%	\$28.89	\$4,131	\$180.00	16.1%
12	17	17		16.1%	\$35.31	\$600	\$220.00	16.1%
	<u>3,939</u>	<u>3,939</u>				<u>\$68,267</u>		

Total Meter Charge Surcredit for all Schedules

\$2,021,007

**DECLARATION OF JOHN B. TANG
REGARDING THE CONFIDENTIALITY OF CERTAIN DATA INCLUDED
IN WORKPAPERS ACCOMPANYING SAN JOSE WATER COMPANY'S
ADVICE LETTER 530**

I, John B. Tang, declare and state:

1. I am Vice President – Regulatory Affairs & Government Relations at San Jose Water Company. I am an officer of San Jose Water Company.

2. I have reviewed and/or am familiar with the materials contained in the Workpapers accompanying Advice Letter 530 of San Jose Water Company proposing customer refunds. These materials provide details on the refund calculations.

3. I have personal knowledge of the facts and representations of fact stated in this Declaration and, if called upon to testify, could and would do so competently, except such facts or representations as are stated to be based upon information and belief, and as to those matters, I believe them to be true.

4. Listed below are references to the information and data for which San Jose Water Company is seeking confidentiality protection and the basis for San Jose Water Company's confidentiality request.

Location of Confidential Information	Description of Information that is Confidential	Basis for Confidentiality Claim
Workpapers: 2012 Svc Chg Refund SJWC.xlsx 2014 Svc Chg Refund SJWC.xlsx 2015 Svc Chg Refund SJWC.xlsx 2016 Svc Chg Refund SJWC.xlsx	This workpapers contain personal information of San Jose Water Company customers, the disclosure of which would constitute an unwarranted invasion of personal privacy and compromise the security of the information. The public interest served by not disclosing the information in this document clearly outweighs the public interest served by disclosure of the information contained.	CONFIDENTIAL INFORMATION: Submitted under the protection of Govt. Code §§6254(c), 6254.16, 6255(a); and Pub. Util. Code §583

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on December 14, 2018, at San Jose, California.



John B. Tang

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 530

ATTACHMENT C

A copy of Advice Letter No. 530 has been sent to the following municipalities, water companies and interested parties:

City of San Jose
Municipal Water Dept.
Attn: Jeffrey Provenzano
3025 Tuers Road
San Jose, CA 95121

San Jose Mercury News
Attn: Paul Rogers
4 N. Second Street, Suite 800
San Jose, CA 95113

California Water Service Co.
Attn: Regulatory Affairs
1720 North First Street
San Jose, CA 95112

Town of Los Gatos
Attn: Director of Public Works
110 E. Main Street
Los Gatos, CA 95032

City of Cupertino
10300 Torre Avenue
Cupertino, CA 95014

City of Monte Sereno
Attn: Director of Public Works
18014 Saratoga-Los Gatos Road
Monte Sereno, CA 95030

City of Campbell
70 North First Street
Campbell, CA 95008

City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Great Oaks Water Company
P.O. Box 23490
San Jose, CA 95153

City of Milpitas
Attn: Utilities Engineering
455 East Calaveras Blvd.
Milpitas, CA 95035

Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

City of Saratoga
Attn: Director of Public Works
13777 Fruitvale Avenue
Saratoga, CA 95070

County of Santa Clara
70 W. Hedding Street
San Jose, CA 95110

Department of Water Resources
Safe Drinking Water Office, Room 804
1416 9TH Street
Sacramento, CA 95814

Mountain Springs Mutual Water Co.
17956 Greenwood Road
Los Gatos, CA 95033

Nina Hawk
Chief Operating Officer
Water Utility Enterprises
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

Bob Burke
Regulatory Liaison For The Six
Mutual Water Companies
420 Alberto Way, Unit 49
Los Gatos, Ca 95032

Gillette Mutual Water Company
21976 Gillette Drive
Los Gatos, CA 95033

Stagecoach Mutual Water Co
21825 Stagecoach Road
Los Gatos, CA 95033

Redwood Estates Services Association
PO Box 591
Redwood Estates, CA 95044-0591

Pat Kearns, MD
7 W Central Ave
Los Gatos, CA 95030

Big Redwood Park Water
& Improvement Assoc.
18522 Mt. View Avenue
Los Gatos, CA 95033

Saratoga City Council Member
Rishi Kumar
13777 Fruitvale Avenue
Saratoga, CA 95070

Villa Del Monte Mutual Water Company
P.O. Box 862
Los Gatos, CA 95031

WRATES
Rita Benton
18555 Ravenwood Drive
Saratoga, CA 95070

Ridge Mutual Water Company
22316 Citation Drive
Los Gatos, CA 95033

Saratoga Heights Mutual Water Company
P.O. Box 337
Saratoga, CA 95071

Summitt West Mutual Water Company
P.O. Box 974
Los Gatos, CA 95031

James Hunter
6475 Dwyer Street
San Jose, CA 95120

Oakmount Mutual Water Company
P.O. Box 31536
Stockton, CA 95213

Raineri Mutual Water Company
P.O. Box 11
Los Gatos, CA 95031

Brush & Old Well Mutual
Water Company
21105 Brush Road
Los Gatos, CA 95033

Mt. Summit Mutual Water Co
P.O. Box 3416
Saratoga, CA 95070