

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



January 6, 2020

John Tang
Vice President of Regulatory Affairs
San Jose Water Company
110 West Taylor Street
San Jose, CA 95110-2131

Dear Mr. Tang,

Enclosed is a rejected copy of the San Jose Water Company's Advice Letter No. 532, together with the tariff schedules listed therein.

Resolution W-5210 was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 19, 2019. San Jose Water Company's request in Advice Letter No. 532 to recover the balance in its Water Conservation Memorandum Account for the period January 1, 2018 through December 31, 2018 is denied.

As a reminder, rejected tariff sheets shall be retained in the utility's file of cancelled and superseded sheets, and sheet numbers and Advice Letter numbers of rejected filings shall not be reused.

Please contact Jim Boothe at 415-703-1748, if you have any questions.

Thank you,

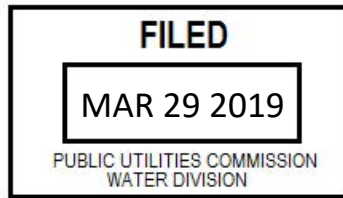
/s/ROBIN BRYANT

Robin Bryant
Water & Sewer Advisory Branch
Water Division

Enclosures



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



March 29, 2019

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

Advice Letter No. 532

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:

| Cal. P.U.C Sheet No. | Title of Sheet | Cancelling Cal. P.U.C. Sheet No. |
|----------------------|---|----------------------------------|
| 1971-W | Schedule No. 1 General Metered Service (Continued) | 1962-W |
| 1972-W | Schedule No. 1B General Metered Service w/Automatic Fire Sprinkler System (Continued) | 1963-W |
| 1973-W | Schedule No. 1C General Metered Service Mountain District (Continued) | |
| 1974-W | Schedule No. RW Raw Water Metered Service (Continued) | 1966-W |
| 1975-W | Table of Contents | 1970-W |

Purpose

This Advice Letter (AL) requests the authorization of the California Public Utilities Commission (Commission) for SJWC to recover the \$9,020,356 balance accumulated in the Water Conservation Memorandum Account (WCMA) during the period January 1, 2018 through December 31, 2018.

Pursuant to the Commission’s Standard Practice U-27-W, recovery of the accumulated balance is requested via a 12-month quantity based surcharge of \$0.1960 per ccf on all potable water usage as the balance is greater than 2% but less than 5% of SJWC’s current annual authorized revenue requirement of \$376,180,000. This advice letter is designated as a Tier 3 Advice Letter. These tariffs are submitted pursuant to General Order No. 96-B – Water Industry Rule 7.3.3(7).

Background

With California facing water shortfalls in the driest year in recorded state history, Governor Edmund G. Brown Jr. proclaimed a State of Emergency on January 17, 2014, and directed state

officials to take all necessary actions to prepare for these drought conditions. In response to the Governor's direction, on February 27, 2014, the Commission issued Resolution (Res.) W-4976. In this Resolution, the Commission approved Drought Procedures for Water Conservation, Rationing and Service Connection Moratoria (Drought Procedures) and required that all Class A and B water utilities that had an existing Tariff Rule 14.1 activate the Rule within 30 days of the Resolution effective date. The Drought Rules, in addition to providing steps to be taken when a utility suffers from a water shortage, provided that a utility without a full revenue decoupling Water Revenue Adjustment Mechanism request to add a memorandum account to track lost revenue associated with reduced sales as a result of activating Rule 14.1. SJWC's Rule 14.1 became effective March 31, 2014, via AL 456, and responded to both the Governor's declaration as well as a water use reduction target of 20% of 2013 usage established by our local wholesale water supplier, the Santa Clara Valley Water District (SCVWD).

With Rule 14.1 in place, SJWC pursued an aggressive conservation campaign. Actions taken include providing direct mailings to customers outlining the Rule 14.1 conservation measures in effect and the State Water Resources Control Board's Emergency Regulation to Control Water Use during Droughts, many of which remain in effect today. Additionally, SJWC has increased face-to-face conservation outreach by meeting directly with home owner associations, neighborhood associations, trade associations, etc. SJWC has also increased leak repair activity to reduce unaccounted for water.

On June 15, 2015, SJWC implemented Schedule 14.1 and Rule 14.1 as directed by the Commission and approved in ALs 472/472A. Further, SJWC immediately activated Stage 3 – Critical Water Reduction of that Rule in order to meet a 30% water use reduction goal established by the SCVWD. Stage 3 consists of 11 different water use restrictions including but not limited to a two day per week irrigation schedule and all current State restrictions. The Schedule includes monthly drought allocations and drought surcharges for residential customers and dedicated landscape services who do not meet the allocations. All drought surcharges collected have been tracked in SJWC's WCMA to offset lost revenues as allowed in the approved Schedule 14.1 – Special Condition 6. In conjunction with implementing Schedule 14.1, SJWC also reached out to our Commercial and Municipal customer base offering free water audits, presentations and tabling events to educate their staff as well as customized conservation analysis of their business.

In light of improved water supply conditions in 2016, the State Water Resources Control Board removed its mandated conservation targets for urban water suppliers and the SCVWD reduced its water use reduction goal from 30% to 20% on July 1, 2016. SJWC sought and received approval from the Commission to update the drought allocations to match the SCVWD's new water use reduction goal under Schedule 14.1 effective July 1, 2016, via AL 491.

Effective February 1, 2017, SJWC received approval from the Commission to suspend the drought allocations and surcharges under Schedule 14.1 via AL 505.

SJWC's conservation response and the efforts of our customers have produced exemplary results as summarized below when compared to the 2013 baseline year and surpassed the Governor's mandated reduction of 20% for the company and nearly achieved the SCVWD's 30% water use reduction target. The SCVWD continues to request a water use reduction target of 20% of 2013 usage from all of its retailers, while the State Water Resource Control Board has made several water use restrictions mandatory.

- 2014 – 14% reduction (from March 31 through December 31)
- 2015 – 28% reduction
- 2016 – 29% reduction
- 2017 – 20% reduction
- 2018 – 22% reduction

Regulatory filings for the recovery of unrecovered fixed costs resulting from the drought included the following.

AL 477, effective December 9, 2015, authorized recovery of the undercollected \$4,258,794 balance in the Mandatory Conservation Revenue Adjustment Memorandum Account (MCRAMA) for the period March 31 through December 31, 2014, in accordance with Res. W-5071. In addition, AL 477 used the WCMA methodology previously authorized for water utilities in Decision (D.) 90-08-055 and D.91-10-042 for calculating revenues as directed in Res. W-5071.

AL 486, effective April 26, 2016, authorized the recovery of the undercollected \$7,667,713 WCMA balance for the period of January 1 through December 31, 2015, as provided in Res. W-5095. Additionally, as discussed above, the unrecovered fixed costs tracked in the WCMA was offset by drought surcharges collected for the same period as authorized in SJWC's Schedule 14.1 – Special Condition 6.

AL 508A/B, effective January 1, 2017, authorized the re-implementation of the 2014 MCRAMA and 2015 WCMA surcharges which expired with significant undercollections remaining as authorized in ALs 477 and 486 due to the successful conservation efforts.

The 2016 and 2017 WCMA balances were resolved in SJWC's 2018 General Rate Case. Unrecovered fixed costs tracked in the WCMA in 2016 and 2017 were offset by drought surcharges collected in the same period and netted against other memorandum accounts as provided in D.18-11-025.

WCMA Under-collection

The unrecovered fixed cost recovery requested in this advice letter is calculated based on the WCMA methodology approved by the Commission in Res. W-5071 on December 3, 2015. WCMA calculations are provided in Attachment A.

As detailed in Attachment A, the total lost revenue of \$8,935,385, which includes the required 20 basis point adjustment in SJWC's ROE. Inclusion of interest at the 90-day commercial rate provides a total WCMA under-collection of \$9,020,356, which results in a surcharge of \$0.1960 per ccf to be applied to all potable and raw water usage for a 12-month period or until recovered. Recovery of the accumulated balance of the memorandum account is being requested in accordance with Commission procedures as the balance has exceeded 2% of authorized revenue for the prior calendar year. The memorandum account surcharge will result in an increase of \$2.19 per month, or approximately 2.26% for a customer with a 3/4-inch meter using 11 ccf per month (Attachment B). SJWC earned its authorized Rate of Return for the WCMA period requested for recovery in this filing (Attachment C).

Public notice of the offset rate adjustment is being completed by separate direct mailing to all customers (Attachment D) in compliance with GO 96B General Rule 4.2 and Water Industry Rule 3.1. This direct mailing is anticipated to begin on or about March 29, 2019, in order to provide sufficient time for responses or protests to be received within the 20-day protest period and for the required minimum 30-day notice prior to the requested effective date of July 1, 2019. Proof of mailing will be submitted to the Commission when the notification has been completed.

Effective Date

SJWC requests the proposed surcharge become effective July 1, 2019.

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;
- (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, CA 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 E.

SJWC currently has Advice Letter 531 pending before the Commission.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

Very truly yours,

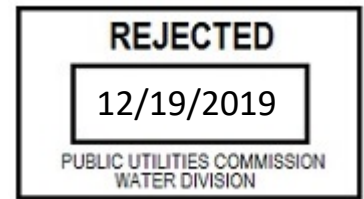
A handwritten signature in black ink, appearing to read 'John Tang', with a large, sweeping flourish at the end.

JOHN TANG
Vice President of Regulatory Affairs

Enclosure

Schedule No. 1

GENERAL METERED SERVICE
 (Continued)



- 6. To amortize the under-collection in Balancing Accounts, a surcharge of \$0.2961 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.
- 7. To amortize the under-collection of the Memorandum Accounts, a surcharge of \$0.2954 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.
- 8. To refund prorated service charge rate changes for the period of June 1, 2011, through December 31, 2016, a one-time surcredit will be added to the bill as follows:

| | Surcredit: |
|--------------------------------|------------|
| For 5/8 x 3/4-inch meter | \$6.36 |
| For 3/4-inch meter | 6.36 |
| For 1-inch meter | 10.59 |
| For 1-1/2-inch meter | 21.17 |
| For 2-inch meter | 33.89 |
| For 3-inch meter | 63.55 |
| For 4-inch meter | 105.91 |
| For 6-inch meter | 211.83 |
| For 8-inch meter | 338.93 |
| For 10-inch meter | 487.21 |

- 9. To amortize the under-collection in the 2018 WCMA, a surcharge of \$0.1960 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 532. (N)
1
(N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice No. 532

JOHN TANG

Date Filed _____

Vice President,

Effective _____

Dec. No. _____

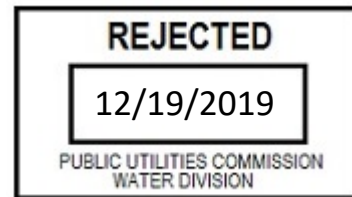
Regulatory Affairs

Resolution No. _____

TITLE

Schedule No. 1B

GENERAL METERED SERVICE WITH
AUTOMATIC FIRE SPRINKLER SYSTEM
(Continued)



- 7. To amortize the under-collection in Balancing Accounts, a surcharge of \$0.2961 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.
- 8. To amortize the under-collection of the Memorandum Accounts, a surcharge of \$0.2954 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.
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| For 5/8 x 3/4-inch meter | \$6.36 |
| For 3/4-inch meter | 6.36 |
| For 1-inch meter | 10.59 |
| For 1-1/2-inch meter | 21.17 |
| For 2-inch meter | 33.89 |
| For 3-inch meter | 63.55 |

- 10. To amortize the under-collection in the 2018 WCMA, a surcharge of \$0.1960 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 532. (N)
I
(N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice No. 532

JOHN TANG

Date Filed _____

Vice President,

Effective _____

Dec. No. _____

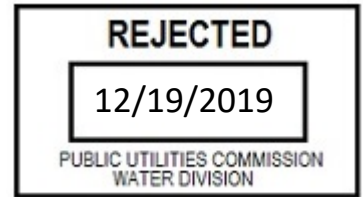
Regulatory Affairs

Resolution No. _____

TITLE

Schedule No. 1C

GENERAL METERED SERVICE
Mountain District
(Continued)



- 12. To amortize the under-collection in the 2018 WCMA, a surcharge of \$0.1960 per 100 cu.ft (N)
is to be added to the Quantity rate shown for a 12 month period or until collected beginning with I
the effective date of Advice Letter 532. (N)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice No. 532

JOHN TANG

Date Filed _____

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Effective _____

Dec. No. _____

Regulatory Affairs

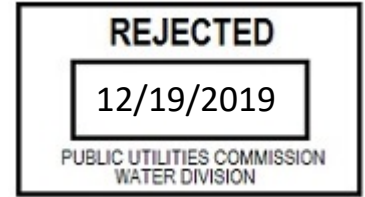
Resolution No. _____

TITLE

Schedule No. RW

RAW WATER METERED SERVICE

(Continued)



- 7. To amortize the under-collection in Balancing Accounts, a surcharge of \$0.2961 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.
- 8. To amortize the under-collection of the Memorandum Accounts, a surcharge of \$0.2954 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.
- 9. To refund prorated service charge rate changes for the period of June 1, 2011, through December 31, 2016, a one-time surcredit will be added to the bill as follows:

| | | Surcredit: |
|-----|------------------------|------------|
| For | 3/4-inch meter | \$6.36 |
| For | 1-inch meter | 10.59 |
| For | 1-1/2-inch meter | 21.17 |
| For | 2-inch meter | 33.89 |
| For | 3-inch meter | 63.55 |
| For | 4-inch meter | 105.91 |
| For | 6-inch meter | 211.83 |
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I
(N)

(To be inserted by utility)

Issued by

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JOHN TANG

Date Filed _____

Dec. No. _____

Vice President,
Regulatory Affairs

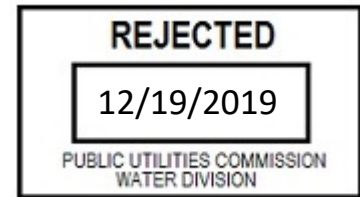
Effective _____

Resolution No. _____

TITLE

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates, rules and regulations affecting the rates and service of the Utility, together with information relating thereto:



| Subject Matter of Sheet | C.P.U.C. Sheet No. | |
|--|---|-----|
| Title | 1495-W | |
| Table of Contents | 1975-W, 1795-W, 848-W and 1906-W | (T) |
| Preliminary Statement | 919-W, 1303-W, 1699-W, 1700-W, 1702-W, 1420-W, 1889-W, 1427-W, 1469-W, 1492-W, 1508-W, 1542-W, 1799-W, 1818-W, 1933-W and 1934-W | |
| Service Area Map Locator | 1266-W | |
| Service Area Map Locator, Index | 1589-W | |
| Map of Areas With Special Pressure and Fire Flow Conditions | 1590-W | |
| Index to Map of Areas With Special Pressure and Fire Flow Conditions | 1079-W, 1591-W 1082-W, 1087-W and 1404-W | |
| Rate Schedules: | | |
| Schedule No. 1, General Metered Service | 1947-W, 1915-W and 1971-W | (C) |
| Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System | 1949-W, 1741-W, 1882-W and 1972-W | |
| Schedule No. 1C, General Metered Service Mountain District | 1951-W, 1952-W, 1884-W, 1964-W and 1973-W | (C) |
| Schedule No. 4, Private Fire Service | 1954-W and 1965-W | |
| Schedule No. 9C, Construction and Other Temporary Metered Service | 1118-W and 1094-W | |
| Schedule No. 10R, Service to Employees | 152-W | |
| Schedule No. 14.1 Water Shortage Contingency Plan With Staged Mandatory Reductions And Drought Surcharges | 1668-W, 1669-W, 1780-W, 1671-W, 1672-W, 1673-W, 1766-W, and 1820-W | |
| Schedule No. RW, Raw Water Metered Service | 1955-W, 1920-W and 1974-W | (C) |
| Schedule No. RCW, Recycled Water Metered Service | 1957-W, 1958-W and 1967-W | |
| Schedule No. UF, Surcharge to Fund Public Utilities Commission, Reimbursement Fee | 1969-W | |
| Schedule No. WRAP, Water Rate Assistance Program | 1904-W and 1211-W | |
| List of Contracts and Deviations | 1857-W | |
| Rules: | | |
| No. 1 - Definitions | 764-W and 976-W | |
| No. 2 - Description of Service | 525-W | |
| No. 3 - Application for Service | 351-W and 903-W | |
| No. 4 - Contracts | 352-W | |
| No. 5 - Special Information Required on Forms | 1936-W thru 1937-W | |
| No. 6 - Establishment and Re-establishment of Credit | 354-W | |
| No. 7 - Deposits | 355-W and 356-W | |
| No. 8 - Notices | 1054-W and 825-W | |
| No. 9 - Rendering and Payment of Bills | 996-W, 997-W and 1146-W | |

(Continued)

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice No. 532

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Vice President,

Effective _____

Dec. No. _____

Regulatory Affairs

Resolution No. _____

TITLE