

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 31, 2023

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

Dear Mr. Tang,

The Water Division of the California Public Utilities Commission has approved San Jose Water Company's Advice Letter No. 598, filed on June 30, 2023, regarding WCCM Preliminary Statement & Notification that WCCM has Triggered.

Enclosed are copies of the following revised tariff sheets, effective July 31, 2023, for the utility's files:

P.U.C. Sheet	
No.	Title of Sheet
2263-W	Preliminary Statement (Continued), DD. Water Cost of Capital Adjustment Mechanism (WCCM)
2264-W	Table of Contents

Please contact Eustace Ednacot at ERE@cpuc.ca.gov or 415-703-1492, if you have any questions.

Thank you.

Enclosures

PRELIMINARY STATEMENT
(Continued)

DD. Water Cost of Capital Adjustment Mechanism (WCCM)

1. **Purpose**

The purpose of the Water Cost of Capital Adjustment Mechanism (WCCM) is to provide an automatic adjustment, up or down, to San Jose Water Company's (SJWC) adopted return on Decision 23-06-025, for rates implemented in 2023 after a final decision is adopted, and for rates implemented in 2024, only if there is a positive or negative difference of more than 100 basis points between a benchmark and the average of Moody's utility bond rates for a given 12-month period.

2. **Applicability**

The WCCM is applicable to all rate schedules.

3. **Procedure**

SJWC shall maintain the WCCM as follows:

- a. SJWC's initial benchmark is equal to the average interest rate of Moody's Aa Utility Bond Index if it has an AA or A credit-rating or higher, or Moody's Baa Utility Bond Index if SJWC has a BBB+ credit-rating or lower, for the period October 1, 2020 to September 30, 2021.
- b. If the "deadband" (the range of change in interest rates that may occur without automatically triggering a change in the return on equity) of 100 basis points is exceeded, SJWC's return on equity will be adjusted by one-half of the difference between the benchmark and the October 1 to September 30 average.
- c. In any year where the 12-month October through September average of the Moody's Utility Bond Index rates triggers an automatic return on equity adjustment, that average becomes the new benchmark.
- d. For rates implemented in 2023 after a final decision is adopted in D.23-06-025, the initial benchmark shall be compared to the average interest rate of Moody's Aa Utility Bond Index if it has an AA or A credit-rating or higher, or Moody's Baa Utility Bond Index if SJWC has a BBB+ credit-rating or lower, for the period October 1, 2021 to September 30, 2022.
- e. For rates implemented in 2023 after a final decision is adopted in D.23-06-025, if the 100 basis point deadband is exceeded, SJWC will submit a Tier 2 advice letter that updates return on equity and related rate adjustments to become effective for the rest of 2023. The advice letter would also update long-term debt and preferred stock costs to reflect actual embedded costs in that year and forecasted interest rates for variable long-term debt and new long-term debt and preferred stock scheduled to be issued.
- f. For rates implemented in 2024, if the 100 basis point deadband is exceeded, SJWC will submit a Tier 2 advice letter by October 15, 2023 that updates return on equity and related rate adjustments to become effective on January 1, 2024. The advice letter would also update long-term debt and preferred stock costs to reflect actual August month-end embedded costs in that year and forecasted interest rates for variable long-term debt and new long-term debt and preferred stock scheduled to be issued.
- g. SJWC's capital structure, as adopted in D.23-06-025 shall not be adjusted
- h. If the WCCM is triggered, workpapers outlining the calculations relating to the change in return on equity, long-term debt costs, and preferred stock costs are required to accompany the advice letter.

4. **Effective Date**

The WCCM shall be effective for rates implemented in 2023 after D.23-06-025 and for rates implemented in 2024, unless modified by order of the Commission.

(To be inserted by utility)

Issued by

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

Advice No. 598

JOHN TANG

Date Filed 06/30/2023

Vice President,

Effective 07/31/2023

Dec. No. _____

Regulatory Affairs

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	2264-W, 2161-W and 2251-W (C)
Preliminary Statement	919-W, 1303-W, 2032-W, 2212-W, 2213-W, 2035-W, 2058-W, 2037-W, 2214-W, 2040-W, 2041-W, 2215-W, 2087-W, 2244-W, 2155-W, 2216-W, 2217-W, 2237-W, 2252-W, 2263-W (C)
Service Area Map Locator	1266-W
Service Area Map Locator, Index	2101-W
Map of Areas with Special Pressure and FireFlow Conditions	2116-W
Index to Map of Areas With Special Pressure and FireFlow Conditions	1079-W, 2117-W 1082-W, 1087-W and 1404-W
Rate Schedules:	
Schedule No. 1, General Metered Service	2254-W, 2255-W and 2238-W
Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System	2256-W, 1741-W, 2183-W, 2239-W 2257-W, 1952-W, 1884-W and 2184-W, 2240-W
Schedule No. 1C, General Metered Service Mountain District	2228-W and 2187-W
Schedule No. 4, Private Fire Service	1118-W and 1094-W
Schedule No. 9C, Construction and Other Temporary Metered Service	152-W 2131-W, 2132-W, 2133-W
Schedule No. 10R, Service to Employees	2134-W, 2149-W, 2136-W, 2137-W
Schedule No. 14.1 Water Shortage Contingency Plan with Staged Mandatory Reductions and Drought Surcharges	2138-W, 2139-W, 2146-W 2258-W, 2259-W, 2241-W, 2230-W, 2242-W
Schedule No. RW, Raw Water Metered Service	2234-W
Schedule No. RCW, Recycled Water Metered Service	
Schedule No. UF, Surcharge to Fund Public Utilities Commission, Reimbursement Fee	2248-W and 2056-W
Schedule No. CAP, Customer Assistance Program	
List of Contracts and Deviations	2246-W and 2261-W
Rules:	
No. 1 - Definitions	2064-W and 2065-W
No. 2 - Description of Service	525-W
No. 3 - Application for Service	2143-W, 2144-W
No. 4 - Contracts	352-W
No. 5 - Special Information Required on Forms	2066-W, 2067-W and 2068-W-W
No. 6 - Establishment and Re-establishment of Credit	354-W
No. 7 - Deposits	355-W and 356-W
No. 8 - Notices	2069-W, 2070-W and 2017-W
No. 9 - Rendering and Payment of Bills	2188-W, 2189-W and 2190-W

(Continued)

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