

PARA INFORMACIÓN EN ESTE AVISO EN ESPAÑOL, POR FAVOR LLAME 408.279.7900

NOTIFICATION OF PROPOSED RATE INCREASE BY SAN JOSE WATER COMPANY (APPLICATION NO. 09-05-001)

On May 1, 2009, San Jose Water Company (SJWC) filed Application A.09-05-001 with the California Public Utilities Commission (CPUC) requesting authority to increase its authorized Cost of Capital (COC) for the period from January 1, 2010 through December 31, 2012. If approved by the CPUC, SJWC's revenues would increase by \$5,118,000 or about 2.50%.

Cost of Capital is a financial term defining how much a corporation is allowed in rates as a return on its invested capital. In this proceeding the CPUC will determine SJWC's reasonable costs of long-term debt and common stock that are part of the authorized Cost of Capital. The authorized COC will then be applied to the capital investment authorized for SJWC.

The purpose of this notice is to inform customers of the filing of A.09-05-001 and to provide instructions on how to provide input in the process.

SUMMARY OF KEY REASONS FOR SJWC'S REQUEST

- SJWC believes approval of this request is necessary for it to attract capital to meet its obligations to serve its customers safely and efficiently.
- SJWC's proposal will assist it in maintaining an investment-grade rating thereby reducing the overall financing costs and contribute to SJWC's ability to provide high quality, reliable water service at reasonable rates.
- SJWC's authorized COC determines the investment return for shareholders of SJWC.

SJWC's REQUEST

If SJWC's proposal is adopted, a typical residential metered customer with a 3/4" meter using 15 CCF of water per month would see a monthly water bill increase of \$1.36 or 2.76% from \$49.30 at present rates (May 2009) to \$50.66 in 2010. For a typical residential metered customer in the Mountain District with a 3/4" meter using 15 CCF of water per month would see a monthly water bill increase of \$4.99 or 3.69% from \$135.25 at present rates (May 2009) to \$140.24 in 2010. Your actual monthly water bill may vary from the amount listed above due to surcredits or surcharges in effect from time to time.

EVIDENTIARY HEARINGS

The CPUC may hold Evidentiary Hearings (EH) on this matter. At the EH formal parties of record that provide testimony are subject to

cross examination before an Administrative Law Judge (ALJ). These hearings are open to the public to attend and listen, but only those who are formal parties of record can participate. If an EH is scheduled, it would be to analyze the need for the proposed rate increase and the allocation of any approved increases among different classes of customers. The Division of Ratepayer Advocates (DRA) consisting of engineers, accountants, economists and attorneys will independently evaluate the proposal and present their analysis and recommendations for the CPUC at the EH. Once hearings are complete, the ALJ will consider all of the evidence presented and release a draft decision. The CPUC may approve the proposed requests for SJWC, approve a draft decision offered by the ALJ, or may approve an alternate decision filed by a CPUC Commissioner. The final decision may differ from SJWC's original request.

THE CPUC PROCESS

Written public comment by SJWC customers is very much desired by the CPUC and may be sent to the CPUC's Public Advisor's Office (PAO). The PAO will assist members of the public who want to participate in CPUC proceedings. If you wish to participate or comment on this application, please contact the Public Advisor's Office, 505 Van Ness Avenue, San Francisco, CA 94102, or by e-mail at public_advisor@cpuc.ca.gov. When sending an e-mail or writing a letter, please reference "A.09-05-001, the Cost of Capital application." To contact the PAO, please call 866.849.8390, toll free, or 415.703.2074 for comments or questions.

Public comments will become part of the formal public comment correspondence file for this proceeding. All e-mails and letters are circulated to the assigned Commissioner, ALJ, and CPUC staff reviewing this application.

ADDITIONAL INFORMATION

Additional information regarding the Cost of Capital application may be obtained from SJWC. A copy of the application may be inspected at the business office located at 110 West Taylor Street, San Jose, CA 95110. You can also call 408.279.7900 for more information. The application is also posted on the company's website at www.sjwater.com.

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