

SUBJECT INDEX

	Page
I. Factual Background	1
A. History, Geography and Engineering	2
B. Challenges	2
II. Regulatory Context.....	4
A. Prior Regulatory History.....	4
B. Regulatory Requirements	5
III. Proposed Upgrades.....	5
IV. Proposed Cost Approval and Recovery Procedure.....	9
V. Proposed Schedule	11
VI. Compliance with Further Rules Pertaining to Applications	12
A. Identity of Applicant	12
B. Notices	12
C. Categorization, Issues, and Need for Hearings.....	13
D. Articles of Incorporation	13
E. CEQA Exemption.....	13
VII. Required Documentation and Other Exhibits.....	15
VIII. Conclusion and Request for Relief	16

**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 Commission)
Approval of Cost Recovery for Upgrading)
the Montevina Water Treatment Plant.)
_____)

Application 10-09-____
(Filed September __, 2010)

**APPLICATION OF SAN JOSE WATER COMPANY
FOR APPROVAL OF COST RECOVERY FOR
UPGRADING THE MONTEVINA WATER TREATMENT PLANT**

Pursuant to Ordering Paragraph 8 of Decision ("D.") 09-11-032, dated November 20, 2009, of the California Public Utilities Commission ("Commission") and in accordance with Article 2 and Rule 3.1 of the Commission's Rules of Practice and Procedure ("Rules"), San Jose Water Company ("SJWC" or the "Company") hereby submits this application ("Application") seeking approval of project costs and recovery for upgrading its Montevina Water Treatment Plant ("Montevina WTP" or "Montevina").

This Application is supported by the concurrently served Prepared Testimony of Monique VanderMarck addressing engineering and design aspects of the Montevina upgrade project (Exhibit SJWC-1) and the Prepared Testimony of Palle Jensen addressing cost recovery and ratemaking aspects of the upgrade project (Exhibit SJWC-2).

I. Factual Background

Founded in 1866, SJWC has been operating as a water utility for nearly 150 years. In the course of its public utility operations, SJWC has developed an extensive water production, treatment, storage, and distribution system. Due to the age of its water system and increasingly stringent water quality compliance requirements, SJWC must take

appropriate action to ensure that its facilities remain sufficient for SJWC to continue providing safe and reliable water service to its more than 230,000 customers in Santa Clara County.

A. History, Geography and Engineering

SJWC owns and operates the Montevina WTP, located adjacent to Highway 17, in Santa Clara, California. The 30 MGD¹ capacity plant treats surface water from local watersheds in the Santa Cruz Mountains, including Los Gatos Creek and its tributaries. Constructed in 1969 and commissioned in 1970, the Montevina WTP has been producing water for delivery into SJWC's distribution system for more than 40 years, using a direct media filtration process with chlorine disinfection.

The Montevina WTP is one of SJWC's main sources of surface water supply.² It is the primary source of supply for the Town of Los Gatos and surrounding communities. Without Montevina, water service to these elevated areas would depend on booster pumping capacity insufficient to meet peak summer demands. At high production levels, Montevina WTP can delivering water to customers in more distant parts of SJWC's service area, reducing dependence on more expensive imported supplies. Because of Montevina's location high in the service area but below much of the watershed, most water flows into and out of Montevina WTP by gravity, making it a very efficient source of supply.

B. Challenges

While a number of improvements have been implemented over the years, the basic treatment process at the Montevina WTP is essentially the same today as it was upon the plant's commissioning over 40 years ago. Treatment at Montevina lacks essential modern features, including, but not limited to, capacity to process turbid stream flows during storm events, disinfection procedures, dissolved organics removal, disinfection byproduct

¹ "MGD" means million gallons per day.

² D.09-11-032, at 51 (Finding of Fact 19) ("Most of SJWC's surface water comes from the Montevina Station.")

("DBP") removal, and taste and odor removal. To date, improvements and modifications of any significance have been made only to peripheral facilities. Montevina is aging and many of the plant's components are at or beyond the end of their useful lives.

During the winter and spring seasons, when source water in the local watershed is plentiful due to rainfall, the Montevina WTP is challenged by rapid changes in turbidity that occur during and after storms.³ Treatment flow rate must be reduced when turbidity in the plant influent exceeds 8 to 12 NTU.⁴ When source water turbidity exceeds 15 NTU, the Montevina WTP must be shut down entirely,⁵ resulting in diversion of filtered water to an off-specification basin. Consequently, production at Montevina is limited to 1,243 acre feet per year in an average rain year.⁶ Over the past four decades, and especially in recent years due to the more restrictive standards, thousands of acre feet of surface water have been lost and have not been put to beneficial use in SJWC's service area. Aside from the inability to use economical water quantities, this reduction in surface water production has the potential effect of reducing SJWC's water rights to these sources of supply.⁷

In addition to the plant's limitations with respect to maximizing SJWC's low-cost water resource, treatment at the Montevina WTP presents serious water quality challenges under new regulations promulgated by the Department of Public Health ("DPH") and the U.S. Environmental Protection Agency ("EPA"). The scope, nature and impact of these new regulatory pressures are described more fully in Section II.B below.

³ For example, SJWC was cited by the California Department of Public Health in January and February of 2008 for exceeding state water quality standards at the Montevina Station. D.09-11-032, at 23, 51 (Finding of Fact 20).

⁴ "NTU" means nephelometric turbidity units.

⁵ As of January 2008, under the Interim Enhanced Surface Water Treatment Rule ("IESWTR"), the Montevina WTP is limited to treating raw water at 15 NTU or lower.

⁶ D.09-11-032, 23.

⁷ *Id.* at 23-24.

II. Regulatory Context

A. Prior Regulatory History

In its recent general rate case ("GRC"), Application ("A.") 09-01-009, SJWC submitted a capital budget request for upgrading the Montevina WTP. Needed project costs cited in A.09-01-009 included: (1) \$206,000 in 2009 to fund a facilities plan study; and (2) \$4,562,000 for environmental, pilot testing, and detailed design and specifications development in 2010.

The Commission addressed the issue of upgrades to the Montevina WTP in its D.09-11-032. The Commission stated that SJWC had "substantiated a need to plan for a Montevina Station upgrade project to maintain water quality to maintain, if not increase, local senior water rights and supply through surface water treatment,"⁸ concluding that SJWC's proposed \$209,000 expenditure for the facilities plan should be approved.⁹ The Commission reasoned, however, that "[w]ith the Montevina Station project being at an early stage of planning," the remaining project costs should not be approved until completion of the facilities plan and selection of a specific project design.¹⁰

The Commission ordered that SJWC "shall file a separate application outside of its general rate case proceeding seeking approval of project costs and recovery for upgrading its Montevina Station to maintain water quality and to increase its capacity to treat surface water."¹¹ Accordingly, SJWC has prepared and submitted the present Application, which presents the analysis and findings of the now-completed facilities plan, details the elements and planned implementation of SJWC's chosen technology to be employed in the Montevina upgrade, subject to relevant permits and approvals, and requests Commission approval of estimated upgrade project costs and of a plan for recovery of such costs in rates.

⁸ D.09-11-032, at 24.

⁹ *Id.* at 25, 54 (Conclusion of Law 14).

¹⁰ *Id.* at 25, 54 (Conclusion of Law 15).

¹¹ *Id.* at 59 Ordering Paragraph 8); see also, *id.* at 25, 54-55 (Conclusion of Law 16).

B. Regulatory Requirements

General Order ("GO") 103-A, adopted September 10, 2009, requires that each water utility comply with all applicable drinking water regulations promulgated by the Department of Public Health ("DPH") in the delivery of reliable, high quality service to its customers at reasonable cost.¹² Over the past four decades, state and federal drinking water regulations have changed considerably and in ways the Montevina WTP was not originally designed to address.

Recent changes in water quality standards have made compliance with applicable standards at Montevina WTP more difficult, with the potential for compliance issues to become acute in the near future. Effective January 2008, new standards on individual filter effluent turbidity were imposed as part of the Interim Enhanced Surface Water Treatment Rule ("IESWTR"), resulting in frequent plant shutdowns at Montevina due to the limitations of the direct filtration process. Effective April 2012, the updated Stage 2 Disinfectants and Disinfection Byproducts Rule ("DBP2") will impose additional compliance monitoring requirements for DBPs,¹³ including, especially, requirements to establish new and additional water sample points. SJWC's proposed upgrades to the Montevina WTP are planned to provide better DBP control and result in consistent testing of DPBs below compliance levels at all sample locations.

III. Proposed Upgrades

In 1998, SJWC completed a Master Plan for the Montevina WTP, which recognized the need for future upgrades, but recommended against committing to an improvement plan before new state and federal water quality regulations, then in draft form, were fully understood. Once DPH and the U.S. EPA had promulgated the relevant

¹² G.O. 103-A, at 9.

¹³ The two groups of DBPs are trihalomethanes (TTHM) and haloacetic acids (HAA5).

regulations in final form, SJWC initiated the Montevina WTP Facilities Plan Project (the "Facilities Plan Project") to evaluate and select the best long-term direction for capital improvements at Montevina.

The Facilities Plan Project, conducted by Kennedy/Jenks Consultants ("Kennedy/Jenks") in collaboration with SJWC staff, evaluated source water quality, existing facilities and potential improvement alternatives. This study process produced the Montevina Water Treatment Plant Facilities Plan (the "Facilities Plan"). The Facilities Plan is associated with this Application as Attachment A to the separately served Testimony of Monique VanderMarck, P.E.

Finalized in July 2010, the Facilities Plan sets forth various recommendations for facilities improvements designed to accomplish the following objectives: (1) update and/or replace aging facilities with advanced treatment technology; (2) provide cost effective treatment to reduce organics, DBPs, and tastes and odors; (3) reliably meet current and anticipated state and federal drinking water standards; (4) provide up to 30 MGD of water production capacity utilizing available water sources when source water turbidity exceeds 15 NTU; (5) maximize annual production from SJWC's low-cost water source; (6) maintain SJWC's water rights; and (7) maintain at least 10 MGD of plant production during construction to meet critical customer demand.¹⁴

The Facilities Plan evaluated three alternative treatment process approaches to achieve the various project objectives: (1) membrane filtration systems,¹⁵ in which a new membrane filtration system would replace the existing granular media filtration system downstream of coagulation/flocculation basins; (2) ballasted flocculation, in which a ballasted flocculation pretreatment system would replace the existing flocculation process downstream

¹⁴ Facilities Plan, Executive Summary ("ES"), at I. A more detailed state of project objectives is presented in the Facilities Plan's Executive Summary, at III-IV.

¹⁵ Three different types of membrane filtration systems were evaluated: (1) pressurized ceramic; (2) pressurized PVDF (polyvinylidene fluoride); and (3) submerged PVDF (referred to collectively as "membrane filtration alternatives" or "membrane filtration systems").

of the existing flash mixer and upstream of existing media filters; and (3) high-rate clarifier pretreatment, in which the current coagulation/flocculation process would be replaced with a high-rate clarification pretreatment process along with improvements to existing media filters. These alternatives were considered because each could treat high turbidity source water and provide enhanced DBP control to meet current and anticipated water quality requirements.¹⁶

Of the three treatment processes, the membrane filtration systems alternative was selected as the recommended choice of technology, in consideration of both cost and non-cost factors, subject to confirmation through environmental clearance, permitting and approvals. In addition to cost savings, employing a membrane technology provides at least the following benefits: (1) consistent filtration even during spikes in source water turbidity and water quality variations; (2) much needed replacement of out-dated 40-year old granular media filtration; (3) greater operational flexibility to deal with different source water conditions in summer and winter periods; and (4) greater production from the Montevina WTP during construction.¹⁷

The high-rate clarifier alternative was eliminated because it does not provide performance or cost savings benefits compared to the other two alternatives, nor does it meet SJWC's requirement to maintain at least 10 MGD of water production at the site during construction. Because this alternative would have a higher cost and be less flexible and more disruptive to construct than the membrane and ballasted flocculation alternatives, the high-rate clarifier alternative was not considered further.¹⁸

¹⁶ Facilities Plan, at ES-IV.

¹⁷ *Id.* at ES-V.

¹⁸ *Id.* at 5-21.

Three membrane filtration alternatives along with the ballasted flocculation alternative were subject to more detailed consideration. Based on this analysis, the membrane filtration alternatives were found to be superior in a comparison of both cost¹⁹ and non-cost factors,²⁰ and so the ballasted flocculation alternative was eliminated.

In order to verify the conceptual design criteria, performance, and cost basis for the membrane filtration recommendation, Kennedy/Jenks conducted a pilot test of three types of membrane filtration systems. Operated over a three and a half month period,²¹ the pilot treatment plant was assembled to simulate the Montevina WTP in terms of source water and pretreatment process. The pilot test confirmed that all three membrane technologies evaluated were capable of meeting the operational, performance and water quality objectives of the Montevina WTP project.²²

Because the pilot test indicated that all three membrane technologies evaluated could meet SJWC's objectives for the Montevina WTP, the Facilities Plan does not dictate the choice between types of membrane technologies. In order to try to maximize cost savings, the Facilities Plan recommends that the specific membrane technology be selected during the pre-design phase on the basis of an evaluated competitive bid of the various technologies.²³ The choice of membrane technology will be made in compliance with environmental clearance, permitting, and approvals by other agencies as needed.

¹⁹ The membrane alternatives has the lowest 30-year life cycle present worth cost, calculated based on using construction and operating costs in 2010 dollars and applying certain additional factors (e.g. operating costs inflated at 3.5% per year). Facilities Plan, at 7-32 and 7-33.

²⁰ The membrane alternatives has an advantage over the ballasted flocculation alternative with respect to treatment performance because the filtered water quality from the membranes is independent of the source water turbidity and chemistry. Facilities Plan, at 7-33. The membrane alternatives also offer advantages in terms of operational flexibility, constructability within site limitations, and operation during the construction period. *Id.* at 7-34 to 7-36.

²¹ From February 22, 2010 through May 28, 2010. Facilities Plan, at 6-9.

²² *Id.* at ES-V. A more detailed presentation of the pilot study is provided in the Facilities Plan, Section 6.

²³ *Id.* at 7-36.

IV. Proposed Cost Approval and Recovery Procedure

The Facilities Plan estimates construction costs as totaling between \$47.3 million and \$63.7 million for the three membrane filtration alternatives and the ballasted flocculation alternative. Adding consideration of operating costs, with present worth estimates of annual power costs and other operating costs over a 30-year term, the 30-year life cycle "present worth" of the project was calculated to range from \$62.5 million to \$79.0 million for the four alternatives.²⁴ Starting from the \$47.3 million estimated construction cost of the pressure membrane filtration process alternative, the Facilities Plan adds cost escalation, permitting, design and administrative costs, a contingency allowance, and SJWC engineering and construction overhead, to calculate a total project implementation cost of \$73.7 million.²⁵

As set forth in the Commission's D.09-11-032, SJWC's current rate case cycle is 2010-2012. SJWC expects to expend the Montevina upgrade costs over the course of five years commencing in 2011, with most of the investments to be made during SJWC's next general rate case cycle (2013-2015).²⁶ The distribution of these capital costs and the associated increases in revenue requirement²⁷ are estimated to be as follows:

	Estimated Investment	Estimated Increase in Revenue Requirement
2011	\$2,500,000	\$489,848
2012	\$9,500,000	\$1,861,422
2013	\$39,300,000	\$7,700,411
2014	\$18,100,000	\$3,546,500
2015	\$4,300,000	\$842,539

²⁴ *Id.* at 7-28 to 7-32.

²⁵ *Id.* at 8-9. This amount does not include present value calculations of project operating costs.

²⁶ *Id.* at 8-10.

²⁷ These numbers are preliminary, in part because they are calculated at SJWC's current (2009) rate of return. See, Exhibit SJWC-2 (Jensen), at 2.

SJWC requests that the Commission, pursuant to this Application, approve these estimates of upgrade costs as reasonable estimates for planning purposes. SJWC further requests that the Commission authorize the addition to SJWC's rate base of upgrade investments up to the estimated amounts of \$2.5 million in 2011 and \$9.5 million in 2012, with corresponding increases in revenue requirement to be allowed in rates pursuant to the present Application. The appropriate rate adjustments would be implemented by advice letters effective January 1, 2012 and January 1, 2013, respectively.

In addition, SJWC requests that the Commission, pursuant to this Application, provide that Montevina upgrade investments during 2013, 2014, and 2015, presently estimated as \$39.3 million, \$18.1 million, and \$4.3 million, be included in the calculation of revenue requirements in SJWC's next GRC, to be filed in January 2012. Inclusion of the last three project years in the next GRC cycle will allow for Commission review and a true-up in rates for actual capital investments in the event project costs differ from current projections.²⁸

SJWC plans to pursue all available opportunities to obtain low-interest loans, tax-exempt funding, and public grants available to investor-owned water utilities to assist in funding the Montevina upgrades. In August 2010, the Company filed a "Pre-Application for Funding" with DPH, Division of Drinking Water and Environmental Management for \$73.7 million in low-interest loans. The status and timeline of this low-interest funding is unclear at this time. If SJWC is able to secure any such grants, the funds invested from such sources will be treated as Contributions in Aid of Construction to the extent consistent with the Commission's rules.²⁹

²⁸ *Id.* at 3.

²⁹ *Id.* at 4.

V. Proposed Schedule

Pursuant to Rule 2.1(c), SJWC requests that the Commission establish a schedule for this proceeding that will facilitate its resolution without unnecessary delay. SJWC is hopeful that this Application will not be opposed. If a protest is filed, SJWC expects that the factual issues, if any, will be limited in number and easily addressed without need for an evidentiary hearing, and that it will be feasible to address and resolve any legal issues promptly.

Accordingly, SJWC proposes the following alternative procedural schedules, depending on whether protests are filed and whether evidentiary hearings must be held:

September 30, 2010	Application filed
October 4, 2010	Application noted on Commission's Daily Calendar
November 3, 2010	Protests due
January 20, 2010	Final decision issued (<i>absent protests</i>)
<i>If protests are filed:</i>	
November 15, 2010	Reply to protests due
November 18, 2010	Prehearing Conference
December 2, 2010	Assigned Commissioner's Scoping Memo issued
December 23, 2010	Comments due on issues posed by scoping memo
January 11, 2010	Reply comments due on scoping memo issues
March 16, 2010	Proposed decision issued for comment
April 5, 2010	Comments due on proposed decision
April 11, 2010	Reply comments due on proposed decision
April 21, 2010	Final decision issued (<i>after protests</i>)
<i>If evidentiary hearings are required:</i>	
December 23, 2010	Intervenors' testimony served

January 11, 2010	Applicant's rebuttal testimony served
January 18, 2011	Evidentiary hearing begins
February 16, 2011	Opening briefs due
March 2, 2011	Reply briefs due
May 10, 2011	Proposed decision issued for comment
May 30, 2011	Comments due on proposed decision
June 6, 2011	Reply comments due on proposed decision
June 9, 2011	Final decision issued (<i>after hearing</i>)

VI. Compliance with Further Rules Pertaining to Applications

A. Identity of Applicant

Pursuant to Rule 2.1(a), SJWC states that its name is San Jose Water Company and that it is a California corporation providing water utility services to customers in Santa Clara County, California. SJWC's principal place of business is 110 West Taylor Street, San Jose, California 95110.

B. Notices

Correspondence or communications regarding this application should be addressed to the following persons:

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C. Categorization, Issues, and Need for Hearings

Pursuant to Rule 2.1(c), SJWC proposes that this proceeding be categorized as "ratesetting." As explained above, SJWC believes that, absent significant protest, evidentiary hearings are not required.

The primary issues to be considered in this proceeding are the following:

- o The extent to which the Commission should act at this time to approve recovery in rates of SJWC's costs for upgrading the Montevina WTP,
- o What procedures for implementing such rate adjustments the Commission should approve,
- o What amounts of revenue increases the Commission should authorize, and
- o When and in what amounts SJWC's rates should be changed.

D. Articles of Incorporation.

Pursuant to Rule 2.2, SJWC states that it is a corporation organized and existing under the laws of the State of California. A copy of Applicant's Restated Articles of Incorporation, dated April 18, 1991, and certified by the California Secretary of State, has previously been filed with the Commission in A.92-02-050, and is incorporated herein by this reference.

E. CEQA Exemption

In accordance with Rule 2.4(c), SJWC states that the action by the Commission requested by the present Application is statutorily exempt from the procedural requirements of the California Environmental Quality Act of 1970 ("CEQA"), California Public Resources Code Section 21000 *et seq.* Specifically, CEQA does not apply to the "establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, or other charges by

public agencies which the public agency finds are for the purpose of . . . obtaining funds for capital projects necessary to maintain service within existing service areas."³⁰

By D.09-11-032, the Commission directed SJWC to file an application "seeking approval of project costs and recovery" for upgrading the Montevina WTP.³¹ By this Application, SJWC has complied with that direction. This Application is a request to modify SJWC's rates for the purpose of recovering SJWC's estimated future investment in upgrading the Montevina WTP, which is a capital project necessary for SJWC to maintain service within its existing water utility service area. Accordingly, this Application falls squarely within the exemption from CEQA's procedural requirements created by Public Resources Code Section 21080(b)(8)(D).

The "project" presented by this Application is not a request for authorization to construct and operate an upgraded Montevina WTP. SJWC does not normally apply to the Commission for such authorization with respect to its capital projects, but instead provides the Commission descriptions and plans for such projects in an overall capital budget that SJWC submits as part of the showing routinely submitted in support of its triennial GRC. This practice is entirely consistent with the Rate Case Plan for Class A Water Utilities.³²

It may be noted that the CEQA Guidelines provide that "[r]ate increases to fund capital projects for the expansion of a system remain subject to CEQA."³³ SJWC, however, has no plan to expand its "system." The upgraded Montevina WTP will provide increased production of low-cost water to serve customers within SJWC's existing service area. The upgraded Montevina plant will occupy the same premises as are occupied by the Montevina WTP today. While the improvements envisioned by the Facilities Plan would substantially increase the water treatment capacity of the Montevina plant, they will not result in an expansion of SJWC's water distribution system or of SJWC's service area. The

³⁰ Cal. Pub. Res. Code §21080(b)(8)(D).

³¹ D.09-11-032, at 59 (Ordering Paragraph 8).

³² See, D.07-09-062, App. A, at A-26 to A-27.

³³ Cal. Admin. Code, Title 14 (CEQA Guidelines), §15273(b).

CEQA exemption provided by Public Resources Code Section 21080(b)(8)(D) clearly applies to this Application.

As SJWC continues to pursue the Montevina upgrades and the design and engineering of the Montevina upgrades have been more specifically defined for purposes of environmental clearance and permitting, SJWC will apply to the appropriate agencies, including DPH, for such authorizations as may be required to construct and operate the upgraded plant. SJWC will fully comply with all CEQA requirements that may apply in connection with such authorization procedures.

VII. Required Documentation and other Exhibits

Certain documentation required by the Commission’s Rule 3.2(a) is attached to this Application as Exhibits A through D, which are identified below. Also listed below are the testimonies of witnesses supporting this Application, identified as Exhibits SJWC-1 through SJWC-6, which will be served, but not filed, along with the Application.

EXHIBIT NUMBER	EXHIBIT	REFERENCE
A	Balance Sheet and Income Statement	Rule 3.2(a)(1)
B	Statement of Presently Effective Rates	Rule 3.2(a)(2)
C	Statement of Proposed Rates	Rule 3.2(a)(3)
D	Summary of Earnings	Rule 3.2(a)(5)
SJWC-1	Testimony of Monique VanderMarck	
SJWC-2	Testimony of Palle Jensen	
SJWC-3	Testimony of Douglas B. Henderson	
SJWC-4	Testimony of Todd Reynolds	
SJWC-5	Qualifications of Monique VanderMarck	
SJWC-6	Qualifications of Palle Jensen	

VIII. Conclusion and Request for Relief

SJWC respectfully requests that the Commission, pursuant to this Application, grant the following relief:

- Approve the estimates of upgrade costs set forth in the Facilities Plan as reasonable estimates for planning purposes.
- Authorize the addition to SJWC's rate base of upgrade investments up to the estimated amounts of \$2.5 million in 2011 and \$9.5 million in 2012, with corresponding increases in revenue requirement to be allowed in rates. The appropriate rate adjustments would be implemented by advice letters effective January 1, 2012 and January 1, 2013, respectively.
- Provide that Montevina upgrade investments during 2013, 2014, and 2015, presently estimated as \$39.3 million, \$18.1 million, and \$4.3 million, be included in the calculation of revenue requirements in SJWC's next GRC, to be filed in January 2012, subject to revision of such estimates and a review of the reasonableness of SJWC's conduct and expenditures on the upgrade project in the context of that GRC.

It is critically important that the Montevina WTP upgrades be constructed without undue delay in order for SJWC to comply with evolving water quality requirements, preserve the Company's water rights, and, consistent with the objectives of the Commission's Water Action Plan, make best use of a low-cost water resource.

Recognizing the magnitude and importance of this undertaking, the Commission has required SJWC to submit the present Application for approval of project costs and cost recovery for the Montevina WTP upgrades. The Commission's approval of this Application will allow SJWC to proceed with other permitting and environmental clearances and, upon compliance with such requirements, to implement the planned upgrades on the timeline

required to meet new water quality standards, subject to the Commission's subsequent reasonableness review of SJWC's investments in this project.

Based on the facts presented and the reasons stated above, SJWC respectfully requests that the Commission approve this Application for Commission for approval of project costs and cost recovery for upgrading the Montevina Water Treatment Plant and grant the specific requests for relief stated above.

Respectfully submitted,

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COMPANY

SAN JOSE WATER COMPANY

By: 
Palle Jensen

Vice-President for Regulatory Affairs
110 West Taylor Street
San Jose, CA 95010

September 30, 2010

VERIFICATION

I, Palle Jensen, serve as Vice President of Regulatory Affairs, San Jose Water Company, and I am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

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

Executed on September 30, 2010, at San Jose, California.



Palle Jensen

EXHIBIT A

Income Statement and Balance Sheet

SAN JOSE WATER COMPANY
STATEMENT OF INCOME
For the Periods Ended June 2010

	Current Month	Change	Year to Date	Change	12 Months to Date	Change
Operating revenue:	19,738,509	41,833	87,249,815	(3,028,939)	196,832,591	(3,311,846)
Operating expense:						
Operations:						
Purchased water	4,303,876	(2,297)	15,816,572	(3,222,718)	39,274,799	(5,378,987)
Power	677,056	(5,280)	2,428,488	49,136	6,052,803	(410,019)
Groundwater extraction	2,986,433	(455,816)	11,198,119	(3,318,834)	28,128,528	(5,918,086)
Admin and general	2,270,888	(283,726)	11,597,499	156,541	23,117,685	886,489
Other	1,462,914	15,303	8,015,683	282,772	16,179,705	302,436
Total operations	11,701,167	(731,817)	49,056,361	(6,053,102)	112,753,521	(10,518,166)
Maintenance	1,064,405	(104,006)	5,762,238	(35,423)	12,497,056	156,615
Taxes, other than income	647,653	92,439	3,532,775	213,047	6,963,040	279,156
Depreciation & amortization	2,093,484	216,960	12,576,908	1,318,495	23,835,783	1,919,467
Income taxes	1,330,000	217,000	4,338,000	549,596	12,147,298	1,970,894
Total operating expense	16,836,709	(309,424)	75,266,281	(4,007,388)	168,196,698	(6,192,034)
Operating income	2,901,800	351,258	11,983,534	978,449	28,635,894	2,880,188
Other (expense) income:						
Other income	302,362	76,623	1,549,853	272,904	3,205,590	345,787
Sale of non-utility property	0	0	464,693	464,693	464,693	(1,634,997)
Interest on LTD	(1,196,318)	(62,820)	(6,793,604)	(508,786)	(13,577,298)	(1,567,104)
Other interest	(49,665)	(44,042)	(185,517)	(115,844)	(238,403)	4,350
Amort of debt issuance cost	(16,521)	(1,353)	(93,688)	(3,361)	(187,067)	(6,886)
Miscellaneous deductions	(11,906)	14,392	(102,928)	(7,593)	(145,778)	34,785
Net income	1,929,752	334,059	6,822,343	1,080,462	18,157,630	56,122
Dividends to SJW Corp.	0	0	3,000,000	(1,500,000)	6,100,000	(1,400,000)
Invested in the business	1,929,752	334,059	3,822,343	2,580,462	12,057,630	1,456,122
Earnings per share						
- San Jose Water Company	.10	.02	.37	.06	.98	0.00
- Consolidated	.10	.02	.37	.06	.98	0.00
Weighted average common shares, consolidated	18,528,554		18,523,794		18,510,083	

SAN JOSE WATER COMPANY

BALANCE SHEET

June 30, 2010 and 2009

	2010	2009
ASSETS		
Utility plant:		
Land	8,447,321	8,447,321
Depreciable plant & equip	884,603,809	823,523,983
Construction in progress	23,423,558	14,174,965
Intangible assets	1,040,137	1,040,137
	<hr/>	<hr/>
	917,514,825	847,186,406
Less: Accum depreciation	294,237,922	272,303,289
Accum amortization	389,442	373,104
Net utility plant	622,887,461	574,510,013
	<hr/>	<hr/>
Utility plant held for future use	272,345	272,345
Nonutility property	232,812	236,285
Current assets:		
Cash and cash equivalents	2,651,277	3,535,375
Restricted cash and cash equiv	27,732,665	0
Accounts receivable:		
Customers	13,142,601	13,879,527
Other	310,175	332,638
Accrued utility revenue	16,309,000	16,410,000
Intercompany notes	38,950,166	27,381,000
Mat'l & supplies - ave cost	615,083	538,324
Prepaid expenses	1,283,688	1,463,575
	<hr/>	<hr/>
Total current assets	100,994,655	63,540,440
Other assets:		
Cupertino lease, net	5,009,643	4,893,597
Debt issuance costs	3,571,816	2,975,597
Regulatory asset	78,274,039	73,518,161
Miscellaneous	396,418	601,574
	<hr/>	<hr/>
Total other assets	87,251,916	81,988,930
	<hr/>	<hr/>
	811,639,190	720,548,014

SAN JOSE WATER COMPANY

BALANCE SHEET

June 30, 2010 and 2009

	2010	2009
CAPITALIZATION & LIABILITIES		
Capitalization:		
Common shareholder's equity:		
Common stock, \$6.25 par value per share	6	6
Additional paid-in capital	30,701,657	29,460,831
Retained earnings	172,245,003	160,286,762
Common shareholder's equity	202,946,666	189,747,599
Long term debt	252,530,603	202,661,959
Total capitalization	455,477,269	392,409,558
Current liabilities:		
Intercompany notes payable	321,000	750,000
Line of credit	11,850,000	3,000,000
Groundwater extraction	2,987,202	3,444,839
Purchased water	4,608,766	4,667,700
Purchased power	913,046	1,299,950
Accounts payable	14,839,424	9,307,037
Accrued interest	4,892,635	4,746,213
Accrued general taxes	320,294	329,183
Income taxes payable	5,372,606	(1,321,268)
Postretirement benefits	535,683	439,642
Current portion of LTD	88,001	85,846
Other current liabilities	6,403,230	6,292,289
Total current liabilities	53,131,887	33,041,430
Deferred income taxes	70,722,921	66,801,629
Unamortized invest tax credit	1,584,600	1,644,600
Postretirement benefits	49,892,041	44,174,707
Other noncurrent liabilities	5,316,910	5,238,848
Advances for construction	67,384,816	71,687,853
Contr in aid of construction	107,012,087	104,315,204
Deferred revenue	1,116,658	1,234,186
	<u>811,639,190</u>	<u>720,548,014</u>
CAPITALIZATION RATIOS		
	%	%
Common Equity	44.56	48.35
Long term debt	55.44	51.65
Total capitalization	<u>100.00</u>	<u>100.00</u>

EXHIBIT B

Statement of Presently Effective Rates

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate Per 100 cu. ft. (Ccf):

Residential Customers with 5/8 x 3/4-inch, 3/4-inch or 1-inch meter

For Total Monthly Usage from 0 to 13 Ccf.	\$2.440	(1)
For Total Monthly Usage over 13 Ccf.	\$2.684	|

Residential Customers with 1 1/2-inch or 2-inch meter

For Total Monthly Usage from 0 to 26 Ccf.	\$2.440	|
For Total Monthly Usage over 26 Ccf.	\$2.684	(1)

All Other Customers

For all water delivered, per 100 cu. ft.	\$2.5223	(1)
--	----------	-----

Service Charges: Per Meter Per Month

All Customers:

For 5/8 x 3/4-inch meter	\$ 16.31	(1)
For 3/4-inch meter	16.31	|
For 1-inch meter	27.18	|
For 1-1/2-inch meter	54.37	|
For 2-inch meter	86.99	|
For 3-inch meter	163.11	|
For 4-inch meter	271.84	|
For 6-inch meter	543.69	|
For 8-inch meter	869.90	|
For 10-inch meter	1250.48	(1)

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

(Continued)

(To be inserted by utility)

Issued by

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Advice No. 409

PALLE JENSEN

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Dec. No. D.09-11-032

Vice President,
Regulatory Affairs

Effective JAN - 1 2010

Resolution No. _____

TITLE

Schedule No. 1

GENERAL METERED SERVICE

(Continued)

- | | |
|--|-----------------|
| 6. To amortize the over-collection in the Balancing Account, a surcredit of \$0.0278 per 100 cu.ft. is to be calculated based on the Quantity Rate shown for a 12-month period beginning with the effective date of this tariff. | (N)

(N) |
| 7. To amortize to balance in the Water Quality Expense Memorandum Account, a one-time surcharge of \$0.41 per customer is to be added to the water bill beginning with the effective date of this tariff. | (N)

(N) |
| 8. To amortize SJWC's customers share of the gain on sale of the Main Office approved by the CPUC in D.08-10-018, a surcredit of \$0.0250 per 100 cu. ft. is to be calculated on the Quantity rate charged for a 12-month period beginning with the effective date of this tariff. | (L)

(L) |

(To be inserted by utility)

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Regulatory Affairs

Date Filed DEC 11 2009

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TITLE

Resolution No. _____

Schedule No. 1B

GENERAL METERED SERVICE WITH
AUTOMATIC FIRE SPRINKLER SYSTEM

APPLICABILITY

Applicable to all detached single family structures whose automatic fire sprinkler system is served through the meter providing residential water service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate Per 100 cu. ft. (Ccf):

Residential Customers with 5/8 x 3/4-inch, 3/4-inch or 1-inch meter

For Total Monthly Usage from 0 to 13 Ccf.	\$2.440	(1)
For Total Monthly Usage over 13 Ccf.	\$2.684	|

Residential Customers with 1 1/2-inch or 2-inch meter

For Total Monthly Usage from 0 to 26 Ccf.	\$2.440	|
For Total Monthly Usage over 26 Ccf.	\$2.684	(1)

All Other Customers

For all water delivered, per 100 cu. ft.	\$2.5223	(1)
--	----------	-----

Service Charges:

Per Meter Per Month

All Customers:

For 5/8 x 3/4-inch meter	\$ 16.31	(1)
For 3/4-inch meter	16.31	|
For 1-inch meter	27.18	|
For 1-1/2-inch meter	54.37	|
For 2-inch meter	86.99	(1)

Upsize Charges:

For 1/4-inch meter upsize	\$ 1.39
or 1/2-inch meter upsize	2.77
For 3/4-inch meter upsize	4.16
For 1-inch meter upsize	5.55

(Continued)

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Dec. No. D.09-11-032

TITLE

Resolution No. _____

Schedule No. 1B

GENERAL METERED SERVICE WITH
Automatic Fire Sprinkler System (Continued)

SPECIAL CONDITIONS

1. Any service to a residential customer who requires a larger meter because of fire flow requirement to a fire sprinkler system will be billed (i) a meter service charge, for the appropriate meter size determined based on the normal water use of the customer excluding the fire flow requirement; and (ii) an upsize charge, determined by the difference between the actual Meter size required including the fire flow requirement and the appropriate meter size required without the fire flow requirement; and (iii) the quantity rate based on the quantity of water used.
2. For the purpose of fire protection under this schedule, the utility will supply only such water at such pressure as may be available from time to time as a result of its operation of the system. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. Acceptance of service under this tariff is acknowledgment of notice of the provisions of Section 774 of the Public Utilities Code.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)
4. To fund the Water Rate Assistance Program (WRAP) for residential low-income households, a surcharge of \$0.20 per month will be added to the bill. (L)
5. To fund the repayment of a Safe Drinking Water State Revolving Fund loan, pursuant to D.03-07-013 dated July 10, 2003, a monthly surcharge will be added to the bill as follows: (L)

Surcharge:	Year 1-10	Year 11-20	
	Per Meter Per Month		
For 5/8 x 3/4-inch meter	\$ 0.04	\$0.04	|
For 3/4-inch meter	0.04	0.04	|
For 1-inch meter	0.07	0.05	|
For 1-1/2-inch meter	0.15	0.11	|
For 2-inch meter	0.23	0.18	|
For 3-inch meter	0.42	0.35	|
For 4-inch meter	0.69	0.60	|
For 6-inch meter	1.37	1.23	|
For 8-inch meter	2.19	1.99	
For 10-inch meter	3.15	2.86	(L)

(D)

(Continued)

(To be inserted by utility)

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Dec. No. D.09-11-032

Regulatory Affairs

Resolution No. _____

TITLE

Schedule No. 1B

GENERAL METERED SERVICE WITH
AUTOMATIC FIRE SPRINKLER SYSTEM
(Continued)

- | | | | | |
|----|---|---------------------|------------|-----|
| 6. | To fund the repayment of a Safe Drinking Water State Revolving Fund loan, pursuant to D.05-01-048 dated January 27, 2005, a monthly surcharge will be added to the bill as follows: | | | (L) |
| | | | | |
| | | | | |
| | | | | |
| | Surcharge: | Year 1-10 | Year 11-20 | \| |
| | | Per Meter Per Month |  | \| |
| | For 5/8 x 3/4-inch meter | \$0.02 | \$0.02 | |
| | For 3/4-inch meter | 0.02 | 0.02 | \| |
| | For 1-inch meter | 0.04 | 0.02 | \| |
| | For 1-1/2-inch meter | 0.08 | 0.06 | \| |
| | For 2-inch meter | 0.13 | 0.09 | \| |
| | For 3-inch meter | 0.23 | 0.18 | \| |
| | For 4-inch meter | 0.38 | 0.32 | \| |
| | For 6-inch meter | 0.74 | 0.67 | \| |
| | For 8-inch meter | 1.19 | 1.08 | \| |
| | For 10-inch meter | 1.71 | 1.55 | (L) |
| 7. | To amortize the over-collection in the Balancing Account, a surcredit of \$0.0278 per 100 cu.ft. is to be calculated based on the Quantity Rate shown for a 12-month period beginning with the effective date of this tariff. | | | (N) |
| | | | | |
| | | | | (N) |
| 8. | To amortize to balance in the Water Quality Expense Memorandum Account, a one-time surcharge of \$0.41 per customer is to be added to the water bill beginning with the effective date of this tariff. | | | (N) |
| | | | | |
| | | | | (N) |
| 9. | To amortize SJWC's customers share of the gain on sale of the Main Office approved by the CPUC in D.08-10-018, a surcredit of \$0.0250 per 100 cu. ft. is to be calculated on the Quantity rate charged for a 12-month period beginning with the effective date of this tariff. | | | (L) |
| | | | | |
| | | | | (L) |

(To be inserted by utility)

Issued by

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

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PALLE JENSEN
Vice President,
Regulatory Affairs

Date Filed DEC 11 2009

Effective JAN 1 2010

Dec. No. D.09-11-032

Resolution No. _____

TITLE

Schedule No. 1C

GENERAL METERED SERVICE
Mountain District

APPLICABILITY

Applicable to general metered water service.

TERRITORY

Portions of Los Gatos and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate Per 100 cu. ft. (Ccf) (D)

Overuse Rates beyond 500 gallons per day limit

For Total Monthly Usage from 0 to 13 Ccf.	\$2.440	(N)
For Total Monthly Usage from 14 to 20 Ccf.	\$2.684	I
For Total Monthly Usage over 20 Ccf.	\$7.000	(N)

Service Charges: Per Meter Per Month (N)

For 3/4-inch meter	\$ 16.31	I
For 1-inch meter	\$ 27.18	I
For 1-1/2-inch meter	\$ 54.37	I
For 2-inch meter	\$ 86.99	I
For 3-inch meter	\$ 163.11	I
For 4-inch meter	\$ 271.84	I
For 6-inch meter	\$ 543.69	I
For 8-inch meter	\$ 869.90	I
For 10-inch meter	\$1250.48	(N)

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. Customers who receive water deliveries for agricultural purposes under this schedule, and who present evidence to the utility that such deliveries qualify for the lower pump tax rates levied by the Santa Clara Valley Water District for agricultural water, shall receive a credit of \$1.1559 per 100 cubic feet on each water bill for the quantities of water used during the period covered by that bill.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

(Continued)

(To be inserted by utility)

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PALLE JENSEN

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Regulatory Affairs

Resolution No. _____

TITLE

Schedule No. 1C

GENERAL METERED SERVICE
Mountain District
(Continued)

- 3. To fund the Water Rate Assistance Program (WRAP) for residential low-income households, a surcharge of \$0.20 per month will be added to the bill.
- 4. An Elevation Charge of \$0.7632 per Ccf. is to be added to the Quantity Rate. (N)
- 5. It is the Company's intent to provide service to all its customers to the full extent of its capacity to serve, except that in the event that there is a substantial risk to the Company's ability to maintain service to customers in the Mountain District, the Company, at its sole discretion, may temporarily interrupt or reduce service to such customers.

Such interruption or reduction of service may occur when (1) customer consumption, or (2) significant electrical, mechanical or supply issues challenge the Company's ability to meet demand for service. Should service be interrupted, the Company shall give timely priority to remedies that are within its control to alleviate the need for the interruption of service.

The Company will inform customers of planned improvements to its facilities serving the Mountain District through its annual system status report to Redwood Estates Services Association.

When service is interrupted, the Company agrees to promptly notify the interrupted customer's designated representative (one per mutual water company). Such notification shall be provided by telephone or by a reasonable alternative method specified by the customer and acceptable to the Company. It is the customer's responsibility to provide the Company, in writing, the name and contact information for its designated representative, to update that information, in writing when appropriate, and to ensure that any designated representative shall maintain an active answering system and e-mail address capable of receiving and recording service interruption information.
- 6. Each of the seven Mutual Water Companies served by San Jose Water Company in the Mountain District shall be charged one Service Charge, based on a 3/4-inch meter, per customer individually served by the Mutual Water Company. San Jose Water Company shall provide each of the Mutual Water Companies one usage allocation per customer, individually served by the mutual as described under Quantity Rates per Ccf. above. Thus, each Mutual Water Company will be charged at the first tier Quantity Rate for usage up to 13 Ccf times the number of Service Charges it pays (Usage Amount A), will be charged at the second tier Quantity Rate for usage in excess of Usage Amount A and up to 20 Ccf times the number of Service Charges it pays (Usage Amount B), and will be charged at the third tier Quantity Rate for usage in excess of Usage Amount B. (N)
- 7. To fund the repayment of a Safe Drinking Water State Revolving Fund loan, pursuant to D.03-07-013 dated July 10, 2003, a monthly surcharge will be added to the bill as follows: (L)

(Continued)

(To be inserted by utility)

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Regulatory Affairs

Resolution No. _____

TITLE

Schedule No. 1C

GENERAL METERED SERVICE
Mountain District
(Continued)

Surcharge:	Year 1-10	Year 11-20	
	Per Meter Per Month		
For 5/8 x 3/4-inch meter	\$0.04	\$0.04	|
For 3/4-inch meter	0.04	0.04	|
For 1-inch meter	0.07	0.05	|
For 1-1/2-inch meter	0.15	0.11	|
For 2-inch meter	0.23	0.18	|
For 3-inch meter	0.42	0.35	|
For 4-inch meter	0.69	0.60	|
For 6-inch meter	1.37	1.23	|
For 8-inch meter	2.19	1.99	|
For 10-inch meter	3.15	2.86	(L)

8. To fund the repayment of a Safe Drinking Water State Revolving Fund loan, pursuant to D.05-01-048 dated January 27, 2005, a monthly surcharge will be added to the bill as follows: (L)

Surcharge:	Year 1-10	Year 11-20	
	Per Meter Per Month		
For 5/8 x 3/4-inch meter	\$0.02	\$0.02	|
For 3/4-inch meter	0.02	0.02	|
For 1-inch meter	0.04	0.02	|
For 1-1/2-inch meter	0.08	0.06	|
For 2-inch meter	0.13	0.09	|
For 3-inch meter	0.23	0.18	|
For 4-inch meter	0.38	0.32	|
For 6-inch meter	0.74	0.67	|
For 8-inch meter	1.19	1.08	|
For 10-inch meter	1.71	1.55	(L)

9. To amortize the over-collection in the Balancing Account, a surcredit of \$0.0278 per 100 cu.ft is to be calculated based on the Quantity Rate shown for a 12-month period beginning with the effective date of this tariff. (N)

10. To amortize to balance in the Water Quality Expense Memorandum Account, a one-time surcharge of \$0.41 per customer is to be added to the water bill beginning with the effective date of this tariff. (N)

11. To amortize SJWC's customers share of the gain on sale of the Main Office approved by the CPUC in D.08-10-018, a surcredit of \$0.0250 per 100 cu. ft. is to be calculated on the Quantity rate charged for a 12-month period beginning with the effective date of this tariff. (L)

(To be inserted by utility)

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Dec. No. D.09-11-032

Regulatory Affairs

Resolution No. _____

TITLE

Schedule No. RW

RAW WATER SERVICE

APPLICABILITY

Applicable to raw water metered service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate:			
Per 100 cu. ft.	.....	\$2.2927	(I)
Service Charges:		Per Meter Per Month	
For 5/8 x 3/4-inch meter	.....	\$ 16.31	(I)
For 3/4-inch meter	.....	16.31	|
For 1-inch meter	.....	27.18	|
For 1-1/2-inch meter	.....	54.37	|
For 2-inch meter	.....	86.99	|
For 3-inch meter	.....	163.11	|
For 4-inch meter	.....	271.84	|
For 6-inch meter	.....	543.69	|
For 8-inch meter	.....	869.90	|
For 10-inch meter	.....	1250.48	(I)

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The customer is responsible for notice of and compliance with all local, state, and federal rules and regulations that apply from time to time to the use of raw water, as defined in San Jose Water Company's Rule 1.
2. The customer must provide and/or contribute all facilities needed to transport the water from its source to the customer's point of service in accordance with the utility's Rule 15.

(Continued)

(To be inserted by utility)

Issued by

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

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PALLE JENSEN
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Date Filed DEC 11 2006
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 Resolution No. _____

Dec. No. D.09-11-032

TITLE

Schedule No. RW

RAW WATER METERED SERVICE
(Continued)

- 3. The utility will supply at the point of connection only such raw water at such pressures as may be available from time to time from the Santa Clara Valley Water District. The customer shall indemnify the utility and save it harmless from any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss, damage or injury resulting from service under this schedule.
- 4. As a condition for service under this schedule, all customers are required to comply with all San Jose Water Company's tariffs, except for those identified in the Commission's General Order 103 regarding supply of water not intended or claimed to be potable.
- 5. Customers who receive water deliveries for agricultural purposes under this schedule, and who present evidence to the utility that such deliveries qualify for the lower pump tax rates levied by the Santa Clara Valley Water District for agricultural water, shall receive a refund of \$0.451 cents per 100 cubic feet for the quantities of water used. In accordance with Santa Clara Valley Water District procedures customers will be refunded every six months. (D)
- 6. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)
- 7. To amortize the over-collection in the Balancing Account, a surcredit of \$0.0278 per 100 cu.ft. is to be calculated based on the Quantity Rate shown for a 12-month period beginning with the effective date of this tariff. (N)
|
(N)
- 8. To amortize to balance in the Water Quality Expense Memorandum Account, a one-time surcharge of \$0.41 per customer is to be added to the water bill beginning with the effective date of this tariff. (N)
|
(N)
- 9. To amortize SJWC's customers share of the gain on sale of the Main Office approved by the CPUC in D.08-10-018, a surcredit of \$0.0250 per 100 cu. ft. is to be calculated on the Quantity rate charged for a 12-month period beginning with the effective date of this tariff. (L)
|
|
(L)

(To be inserted by utility)

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Vice President,
Regulatory Affairs

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Resolution No. _____

TITLE

EXHIBIT C

**Statement of Proposed Rates
(Draft Public Notice)**

PUBLIC NOTICE

NOTIFICATION OF APPLICATION BY SAN JOSE WATER COMPANY FOR A RATE INCREASE AND REQUEST FOR PUBLIC COMMENTS IN APPLICATION NO. 10-09-XXX

The California Public Utilities Commission (CPUC) is seeking public comments on Application 10-09-XXX filed by the San Jose Water Company (SJWC). As noted below, the application is requesting to increase rates for water service to fund improvements to SJWC's Montevina Water Treatment Plant in 2011, 2012, 2013, 2014 and 2015. As part of its decision-making process, the CPUC is interested in hearing from SJWC's customers by sending your comments on any portion of the company's operation including proposed rates, service quality or any other issues that may be of concern to you.

The purpose of this notice is to inform SJWC's customers of the filing of the Application and to give instructions on how to provide input in the review process.

The Application

In compliance with Commission Decision 09-11-032, SJWC is requesting the CPUC's approval of upgrades to SJWC's 40-year old Montevina Water Treatment Plant (MWTP). MWTP treats surface water from the local watershed by direct media filtration and chlorine disinfection. Over the past 40 years, State and Federal drinking water regulations have changed significantly in areas that MWTP was not designed to address. MWTP has aging infrastructure and many of its components are out-dated and at the end of their useful lives, and the concrete structures do not meet current structural and seismic requirements. The total project cost is \$73.7 million over 5 years, with the project commencing in 2011.

To fund the MWTP upgrades, SJWC's Application is requesting revenue increases of \$489,848 or 0.22% in 2011, \$1,861,422 or 0.85% in 2012, and \$7,700,411 or 3.50% in 2013, \$3,546,500 or 1.61% in 2014 and \$842,539 or 0.38% in 2015.

The following tables summarize SJWC's forecasted rate changes associated with the proposed project by meter size:

Schedule 1 – General Metered Service and Schedule 1C - Mountain District

Meter Size	Monthly Service Charge Current Rates	Rates Proposed in SJWC's Application				
		2011 Rates	2012 Rates	2013 Rates	2014 Rates	2015 Rates
5/8 x 3/4-inch	\$16.31	\$16.38	\$16.65	\$17.78	\$18.30	\$18.42
3/4-inch	\$16.31	\$16.38	\$16.65	\$17.78	\$18.30	\$18.42

1-inch	\$27.18	\$27.30	\$27.76	\$29.64	\$30.51	\$30.72
1 1/2-inch	\$54.37	\$54.61	\$55.52	\$59.29	\$61.02	\$61.43
2-inch	\$86.99	\$87.37	\$88.83	\$94.86	\$97.64	\$98.30
3-inch	\$163.11	\$163.83	\$166.56	\$177.86	\$183.06	\$184.30
4-inch	\$271.84	\$273.04	\$277.59	\$296.42	\$305.09	\$307.15
6-inch	\$543.69	\$546.09	\$555.20	\$596.87	\$610.22	\$614.34
8-inch	\$869.90	\$873.73	\$888.30	\$948.57	\$976.33	\$982.92
10-inch	\$1,250.48	\$1,255.99	\$1,276.93	\$1,363.57	\$1,403.47	\$1,412.95

Quantity Charges (Per Ccf) Ccf)
Schedule 1- General Metered
Service

Residential Customers with a 5/8 x 3/4-
inch, 3/4-inch or 1-inch meter:

0 to 13 Ccf	\$2.440	\$2.444	\$2.459	\$2.520	\$2.549	\$2.555
Over 13 Ccf	\$2.684	\$2.688	\$2.704	\$2.772	\$2.803	\$2.810

Residential Customers with 1 1/2-inch
or 2-inch meter:

0 to 26 Ccf	\$2.440	\$2.444	\$2.459	\$2.520	\$2.549	\$2.555
Over 26 Ccf	\$2.684	\$2.688	\$2.704	\$2.772	\$2.803	\$2.810

All Other Customers:

All Usage	\$2.5223	\$2.5263	\$2.5416	\$2.6049	\$2.6341	\$2.6410
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Quantity Charges (Per Ccf)
Schedule 1C- General Metered
Service

0 to 13 Ccf	\$2.440	\$2.444	\$2.459	\$2.520	\$2.549	\$2.555
14 Ccf to 20 Ccf	\$2.684	\$2.688	\$2.704	\$2.772	\$2.803	\$2.810
Over 20 Ccf	\$7.000	\$7.000	\$7.000	\$7.000	\$7.000	\$7.000

Elevation Charge Per Ccf	\$0.7632	Unchanged	Unchanged	Unchanged	Unchanged	Unchanged
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For the typical customer with a 3/4-inch meter using 15 ccf (one ccf = 748 gallons) of water per month, the monthly water bill will increase by \$0.13 or 0.24% from \$54.14 at present rates to \$54.27 in 2011, by \$0.50 or 0.92% to \$54.77 in 2012, by \$2.08 or 3.8% to \$56.85 in 2013, by \$0.96 or 1.69% to \$57.81 in 2014, and by \$0.23 or 0.4% to \$58.04 in 2015. These bill amounts include 1.5% charge to fund the CPUC. The rates shown on your water bill may vary slightly from the existing rates shown above due to temporary surcredits or surcharges in effect from time to time.

A copy of SJWC's Application and further information may be obtained from the company's customer service office located at:

San Jose Water Company
110 West Taylor Street
San Jose, CA 95110
Telephone: 408.279.7900
www.sjwater.com

THE CPUC PROCESS

Evidentiary hearings may be held whereby formal parties of record will present their testimony and will be subject to cross-examination before the assigned Administrative Law Judge (ALJ). These evidentiary hearings are open to the public, but only formal parties to the proceeding may present evidence or cross-examine witnesses. If you wish to become a party and participate in the evidentiary hearings, please contact the CPUC's Public Advisor at the address shown below. Parties at these hearings may offer proposals to the Commission that differ from those requested by SJWC. After considering all proposals, testimony and evidence presented during the formal hearing process, the assigned ALJ will issue a proposed draft decision. When the CPUC issues a final decision on Application 10-09-XXX, it may adopt, amend or modify all or part of the ALJ's proposed decision as written. The CPUC's final decision may be different from SJWC's proposal.

PROTESTING THE APPLICATION

Protests to this application should be mailed to the CPUC's Public Advisor's Office. For assistance in filing a protest or otherwise participating in the proceeding, please contact the Public Advisor's Office at:

California Public Utilities Commission
Public Advisor's Office
505 Van Ness Avenue
San Francisco, CA 94102,
E-mail: public.advisor@cpuc.ca.gov

You may also call 866.849.8390 (toll free) or 415.703.2074. Please mention that you are writing about Application 10-09-XXX, and include your SJWC account number.

PUBLIC COMMENT

Written public comment may be sent to the Public Advisor's Office at the address shown above. These comments will become part of the formal correspondence file of the proceeding and will be circulated for review to the assigned ALJ, the assigned Commissioner and the appropriate CPUC staff. Comments will be collected on an ongoing basis until such time that the evidentiary hearings commence. Please send comments to the CPUC's Public Advisor's Office listed above. . Please refer to San Jose Water Company's Application No. 10-09-XXX in all of your communications.

EXHIBIT D

Summary of Earnings

SAN JOSE WATER COMPANY

(U-168-W)

**SUMMARY OF EARNINGS AND RATE OF RETURN
FOR THE TWELVE MONTHS ENDED JUNE 30, 2010**

(\$ Amounts in Thousands)

	Adopted Test Year 2010 <u>D.09-11-032</u>	<u>Recorded</u>
Operating Revenue:		
Operating Revenues	\$216,734	\$194,206
Other Water Revenues	\$2,913	\$2,626
Deferred Revenue on CIAC	\$521	\$214
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Total Metered Revenue	\$220,168	\$197,046
Operating Expense:		
Purchased Water	\$41,441	\$39,275
Pump Taxes	\$37,704	\$28,129
Purchased Power	\$7,677	\$6,053
Operations & Maintenance	\$30,022	\$27,923
Chemical	\$435	\$344
Administrative & General	\$20,994	\$23,118
Depreciation & Amortization	\$26,470	\$23,836
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Subtotal	\$164,743	\$148,678
Uncollectible	\$511	\$410
Taxes Other Than Income	\$6,837	\$6,963
Surcharge/credit Revenue Adjustments	\$0	(\$228)
Surcredit Revenue Adjustment Main Office	\$0	(\$1,090)
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Total Operating Expense Before Income Taxes	\$172,091	\$154,733
Operating Revenue Before Income Taxes	\$48,077	\$42,313
State Income Tax	\$3,115	\$2,757
Federal Income Tax	\$9,405	\$9,390
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Total Operating Expense	\$184,611	\$166,880
Net Operating Revenue	\$35,557	\$30,166
Weighted Average Rate Base	403,930	384,261
Earned Rate of Return	8.80%	7.85%
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Authorized Rate of Return	8.80%	
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