

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

**Utility Name:** San Jose Water Company **Date Mailed to Service List:** 08/01/19  
**District:** N/A  
**CPUC Utility #:** U-168-W **Protest Deadline (20<sup>th</sup> Day):** 8/20/19  
**Advice Letter #:** 534 **Review Deadline (30<sup>th</sup> Day):** 8/30/19  
**Tier**     1     2     3     Compliance **Requested Effective Date:** 10/01/19  
**Authorization** D.19-06-010 **Rate Impact:** \$1,224,842.43  
**Description:** Request authorization to implement 36 month surcharge to amortize Hydro Generation Research, Development and Demonstration Memorandum Account as authorized in D.19-06-010.

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

<b>Utility Contact:</b> John Tang	<b>Utility Contact:</b> Ann Lindahl
<b>Phone:</b> 408-279-7933	<b>Phone:</b> 408-279-7979
<b>Email:</b> john.tang@sjwater.com	<b>Email:</b> ann.lindahl@sjwater.com

**DWA Contact:** Tariff Unit  
**Phone:** (415) 703-1133  
**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>

[ ] APPROVED [ ] WITHDRAWN [ ] REJECTED

**Signature:** \_\_\_\_\_ **Comments:** \_\_\_\_\_  
**Date:** \_\_\_\_\_ \_\_\_\_\_



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

August 1, 2019

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

Advice Letter No. 534

To Whom It May Concern:

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

<u>Cal. P.U.C Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling Cal. P.U.C. Sheet No.</u>
1975-W	Schedule No. 1 General Metered Service (Continued)	1962-W
1976-W	Schedule No. 1B General Metered Service with Automatic Fire Sprinkler System (Continued)	1963-W
1977-W	Schedule No. 1C General Metered Service Mountain District (Continued)	1964-W
1978-W	Schedule 4 Private Fire Service (Continued)	1965-W
1979-W	Schedule RW Raw Water Metered Service (Continued)	1966-W
Deleted	Schedule No. RCW Recycled Water Metered Service (Continued)	1967-W
1980-W	Table of Contents	1974-W

Purpose

With this advice letter, SJWC seeks authorization to recover its September 30, 2016 Hydro Generation Research, Development and Demonstration Memorandum Account over a three year period as authorized in Decision No. (D.) 19-06-010 (Attachment A) issued on June 19, 2019. These tariffs are submitted pursuant to General Order No. 96-B and pursuant to authorization by the California Public Utilities Commission (Commission) in D.19-06-010.

This advice letter is submitted as a Tier III Advice Letter and the accompanying updated tariffs reflect the requirements in Ordering Paragraph 2 of D.19-06-010, which states that:

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*“2. San Jose Water Company shall submit a Tier 3 Advice Letter to recover its September 30, 2016 Hydro Generation Research, Development and Demonstration Memorandum Account balance over a three-year period. As part of that Advice Letter, its Chief Executive Officer shall certify that the September 30, 2016 balance is true and correct. San Jose Water Company shall subsequently close that memorandum account. “*

The Hydro Generation Research, Development and Demonstration Memorandum Account balance of \$1,243,363 represented project costs as of September 30, 2017 as presented in A.18-01-004. The account balance included some project costs that were incurred as of September 30, 2016 but billed after that date. D.19-06-010 specially excludes any project costs included after September 30, 2016 in the memorandum account tracking. The table below lists the expense by major category excluded from this advice letter request:

<b>Major Category</b>	<b>Amount</b>	<b>Date of Invoice</b>
Contracted Labor	-\$4,238.37	Nov, 2016
Construction Overhead	-\$127.15	Nov, 2016
Capitalized Interest	-\$18,830.31	Oct-Dec, 2016
<b>Total Adjustment</b>	<b>-\$23,195.83</b>	

As of result of these exclusions the Memorandum Account balance as of September 30, 2016 was \$1,220,161.75. Consideration for appropriate franchise taxes and uncollectables results in a total request for recovery of \$1,224,842.43 via a 36-month surcharge of \$0.00888 per ccf (Attachment B). For a typical residential customer with a 3/4-inch meter using 11 ccf per month, the bill will increase by approximately \$0.10.

Attachment C provides the requested certification of the balance in the memorandum account as of September 30, 2016.

Additionally, this advice letter revises the tariff sheets to remove references to the expired special condition authorized in Advice Letter 530 as a one time surcredit.

Effective Date

SJWC requests this advice letter become effective on October 1, 2019. Public notice is not required as notice was completed at the time of SJWC’s General Rate Case proceeding A.18-01-004. Attachment D provides proof of noticing.

The present rates of the SJWC became effective on January 1, 2019, by Advice Letter No. 528A. SJWC has Advice Letter 532 suspended and pending before the Commission.

Protests and Responses

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

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

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- (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, 3<sup>rd</sup> floor  
California Public Utilities Commission,  
505 Van Ness Avenue  
San Francisco, CA 94102  
water\_division@cpuc.ca.gov

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

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

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

Very truly yours,

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

Attachments

## **Index of Workpapers**

<b>Attachment A</b>	<b>D.19-06-010</b>
<b>Attachment B</b>	<b>Surcharge Calculations</b>
<b>Attachment C</b>	<b>Memorandum Account Balance Certification</b>
<b>Attachment D</b>	<b>Affidavit of Giving Notice by Mail A.18-01-004</b>
<b>Attachment E</b>	<b>Service List</b>

**SAN JOSE WATER COMPANY**

**ADVICE LETTER NO. 534**

**ATTACHMENT A**

Decision 19-06-010 June 13, 2019

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

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

Application 18-01-004

**DECISION RESOLVING REMAINING ISSUES IN SAN JOSE WATER COMPANY'S GENERAL RATE CASE**

**Summary**

We deny San Jose Water Company's (SJW) request to replace its "Monterey"-style Water Revenue Adjustment Mechanism (WRAM) with a full revenue decoupling WRAM associated with a Modified Cost Balancing Account and a Sales Reconciliation Mechanism. We grant SJW's request to amortize the balance of its Hydro Generation Research, Development and Demonstration Memorandum Account (Memorandum Account) over a three-year period. However, SJW shall limit its recovery of its costs in the Memorandum Account to the balance as of September 30, 2016 and shall file a Tier 3 Advice Letter to recover such cost as a surcharge over a three-year period. The proceeding is closed.

## **1. Background**

San Jose Water Company (SJW) filed Application (A.) 18-01-004 on January 4, 2018, proposing increased rates for Test Year 2019 and Escalation Years 2020 and 2021, and to make investments and accounting changes as specified therein.

SJW, the Commission's Office of Public Advocates (Cal Advocates) and Water Rate Advocates for Transparency, Equity, and Sustainability (WRATES) participated in a formally noticed settlement conference on June 12, 2018. The settling parties continued with discussions and resolved certain issues in advance of the evidentiary hearings, which were held July 9 and 11, 2018 at the Commission's hearing rooms in San Francisco. Over the course of these communications, the settling parties ultimately resolved certain issues of concern to Cal Advocates, which were reduced to writing in the form of the proposed Settlement Agreement between Cal Advocates and SJW. Although WRATES did not join in the settlement, it did not oppose it. That proposed settlement agreement was adopted by the Commission in Decision (D.) 18-11-025.

The remaining contested matters are among Cal Advocates, SJW and WRATES: (1) SJW's request for a Water Revenue Adjustment Mechanism (WRAM) with the associated Modified Cost Balancing Account; (2) Sales Reconciliation Mechanism; and (3) disposition of the Hydro Generation Research, Development and Demonstration Memorandum Account.



**1.1. Water Revenue Adjustment Mechanism with the Associated Modified Cost Balancing Account**

SJW seeks to implement a WRAM and Modified Cost Balancing Account (MCBA) to promote the development and implementation of more innovative and aggressive water conservation programs<sup>1</sup> and to recover its fixed costs. The requested WRAM/MCBA is similar to the WRAM/MCBA that the Commission has approved for other Class A Water Utilities.<sup>2</sup> Cal Advocates opposes SJW's request to change from its Monterey-style WRAM to a full WRAM/MCBA. Cal Advocates' opposition is supported by WRATES.

**WRAM/MCBA Background**

The purpose of a full WRAM is to promote conservation by removing a disincentive for utilities to adopt aggressive conservation programs by decoupling the link between sales and revenue collection.<sup>3</sup> SJW currently has a Monterey-style WRAM that records the difference between the revenue generated by metered water sales via its tiered rate structure and the revenue it would have received with a single uniform rate. It does not decouple the link between sales and revenues. Therefore, if actual sales are below forecasted levels, revenues and earnings will be less than authorized and SJW will be at risk of not recovering its fixed costs. Lower actual sales may result from voluntary or mandatory conservation measures.

The WRAM used by other Class A Water Utilities ensures recovery of the portion of a utility's fixed costs that are recovered through the quantity charge as

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<sup>1</sup> SJW-5, Ch. 19 at. 1.

<sup>2</sup> See for example, D.08-02-036, D.08-06-030, and D.10-12-029.

<sup>3</sup> Cal Advocates 1 at 26.

well as certain variable costs not included in the MCBA. The MCBA recovers actual cost for purchased water, groundwater extraction fees and purchased power.

**WRAM/MCBA Discussion**

Cal Advocates opposes SJW's WRAM/MCBA request because SJW's customers have met its state-mandated requirement to reduce potable urban water consumption from 2013 levels, established under Executive Order B-2915 without the need for a full WRAM.<sup>4</sup>

Cal Advocates further opposes SJW's WRAM/MCBA request because the Commission has yet to make definitive findings as to the effectiveness of WRAMs in promoting water conservation and because problems related to higher than expected WRAM balances persist, two reasons the Commission rejected SJW's request for a full WRAM in its 2016 General Rate Case (GRC).<sup>5</sup>

SJW's success in using a Monterey-style WRAM demonstrates that it does not need a full WRAM to achieve its water conservation goals. Although parties did not address the different financial risks of a Monterey-style WRAM and a full WRAM on a utility's return on equity, it is an issue that should be addressed in future WRAM requests. We conclude that SJW should continue using its Monterey-style WRAM pending definitive Commission findings as to the effectiveness of different types of WRAMs in promoting water conservation.

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<sup>4</sup> Cal Advocates 1 at 25-28.

<sup>5</sup> *Id.* at 28-32.

## **1.2. Sales Reconciliation Mechanism**

SJW seeks to implement a Sales Reconciliation Mechanism (SRM) to adjust its annual sales forecast between rate cases when actual sales diverge from projected sales by more than five (5) percent. Specifically, SJW proposes that such a divergence for the past year would trigger the SRM; once the SRM is triggered, SJW would then adjust the estimated annual sales forecast during the remainder of the GRC cycle by 50 percent of the difference between the preceding year's actual sales and the GRC adopted forecast. Such changes would be incorporated in rates through the annual escalation year filings.<sup>6</sup> Cal Advocates opposes the adoption of SJW's proposed SRM. WRATES supports Cal Advocates' position against establishing an SRM.

### **SRM Discussion**

SJW cites two Commission Decisions in support of its requested SRM. First, D.14-08-11 in which the Commission found that a SRM was in the public interest "as it would limit revenue disparity that is tracked by the WRAM by changing rates, as opposed to applying surcharges and surcredits after the fact, when a disparity between adopted and actual sales will contribute to the WRAM balance at the end of the year." Secondly, D.16-12-026 recognized that the implementation of SRM adjustments will provide timely cost information to water customers.<sup>7</sup>

The principal reason for authorizing SRM requests is to address increasing WRAM balances.<sup>8</sup> Cal Advocates' opposition to the SRM is based in part on the

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<sup>6</sup> SJW Application Exhibit E, Ch. 19 at 14.

<sup>7</sup> SJW-5, Ch. 19 at 14.

<sup>8</sup> Resolution W-5153 at 5.

Commission's recent rejection of SJW's Resolution W-5153 advice letter request to implement the SRM; and in part on the fact that SJW has not demonstrated that adopting an SRM will lead to a decrease in its current WRAM balance. Further, the implementation of another single-issue-dependent rate change mechanism harms the Commission's ability to issue comprehensive decisions.<sup>9</sup>

We concur with Cal Advocates that the SRM is not appropriate for SJW. SJW should be required to delineate the change in its financial risk and impact on its authorized return on equity as part of any future SRM request.

### **1.3. Hydro Generation Research, Development and Demonstration Memorandum Account**

SJW seeks authority to capitalize into rate base its Hydro Generation Research, Development and Demonstration Memorandum Account balance of \$1,243,363 as of September 30, 2017 and to subsequently close that Memorandum Account.<sup>10</sup> Alternatively, in rebuttal testimony, SJW seeks authority to recover its project costs as an expense by amortizing the balance over the three-year rate case period (\$414,454 per year).<sup>11</sup>

#### **Project Background**

SJW established its Hydro Generation Research, Development and Demonstration Memorandum Account to track costs associated with a Research, Development and Demonstration (RD&D) electrical regenerative flow control valve project, pursuant to Resolution W-4854, dated December 2, 2010. The project's purpose was to evaluate new, untested technologies on a small scale to

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<sup>9</sup> Cal Advocates-1 at 32.

<sup>10</sup> Exhibit SJW-5, Ch. 17 at 17-5.

<sup>11</sup> Exhibit SJW-2 at 45.

determine whether replacing existing mechanical Pressure-Reducing Valves (PRVs) with modern electrical regenerative Flow Control Valves would result in a significant increase in efficiency.<sup>12</sup> Pursuant to that Resolution, SJW would work in collaboration with the Commission's Division of Water and Audits Staff to finalize project site details, develop project scope and select a single engineering and design firm. All costs accumulated in this project would be recoverable through a Tier 3 Advice letter filing, subject to prudent administration of the RD&D project.<sup>13</sup>

At the commencement of the project Zeropex, a Norwegian company, was the only known supplier making equipment suitable for PRV modernization. In collaboration with Commission staff, SJW selected a Hostetter site for the project. However, the site proved unsuitable. There was insufficient space in existing below ground vaults to install the Zeropex equipment. Additional equipment and new operating safeguards were also required to bring the project into compliance with the electrical code. The concept of using the existing vaults was abandoned at the end of August 2011 and alternative large vault options were considered.<sup>14</sup>

When the required equipment was laid out with the necessary piping and the existing PRVs, a vault design was arrived at that was much larger than desired but was electrical code compliant and workable from the design, construction, and operation and maintenance standpoints. Bids from qualified contractors were substantially above budget. In addition to project construction

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<sup>12</sup> Resolution W-4854 at 1.

<sup>13</sup> *Id.* at 18.

<sup>14</sup> A.18-01-004, Exhibit F, Ch 173 at 7.

costs, multiple underground utilities in the immediate vicinity of the project would have to be relocated at SJW's expense. Faced with the multiple construction and operation problems uncovered during the RD&D process, SJW concluded that the project was not economically viable and cancelled it.

The Commission in Resolution W-4854 encouraged utilities to test new technologies on a small scale to evaluate whether implementing them on a large scale would be beneficial and feasible. The Commission does not require utilities that undertake RD&D projects like SJW's valve replacement program to guarantee the projects will be successful. In this particular case, SJW was authorized to recover the costs of its RD&D project from its ratepayers, subject to prudent administration of the project.<sup>15</sup>

**Prudent Administration Issue**

WRATES opposes SJW's request for recovery of costs accumulated in the memorandum account on the basis that SJW imprudently administered the project.<sup>16</sup> The basis of WRATES' imprudent administration contention is that SJW:

- a. Selected the only know supplier making the PRV equipment.
- b. Took a lead role without any prior RD&D experience.
- c. Failed to seek RD&D tax credits.
- d. Failed to conduct adequate preliminary research.
- e. Acted below a standard of prudent administration by actions of other Class A Water Utilities.
- f. Failed to act when it realized the project wasn't feasible.

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<sup>15</sup> Resolution W-4854 at 14 and 18.

<sup>16</sup> WRATES Opening Brief at 10.

g. Delayed closure of the project.

However, none of these contentions substantiates that SJW imprudently administered its project. SJW logically selected, with the support of Commission Staff, the only known supplier making the PVR equipment. Absent any specific actions undertaken by SJW, the taking of a lead role without prior RD&D experience does not per se constitute imprudent administration. RD&D tax credits were only available if project construction began before the end of 2010 and the new equipment was placed into service by January 1, 2014.<sup>17</sup> Since the project was to evaluate untested technologies in an unknown environment, it is unrealistic to expect “adequate” preliminary research. WRATES’ comparison of this project with other utilities’ RD&D projects is misplaced. By their nature, such projects are *sui generis* and it is impossible to know how another utility would have administered this project. What we know is that each step taken by SJW in evaluating the new equipment was necessary before an informed judgment about the feasibility and affordability of the project could be made. We conclude that SJW prudently administered its electrical regenerative flow control valve project.

#### **Cost Recovery Issue**

Cal Advocates opposes SJW’s request to capitalize the project costs into rate base because it was a failed project, as acknowledged by SJW’s own consultant, and it would be unreasonable to include such costs in customer rates while providing SJW shareholders with a return on the same failed project.<sup>18</sup>

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<sup>17</sup> Resolution W4854 at 7.

<sup>18</sup> Cal Advocates Opening Brief at 1415.

Cal Advocates also opposes SJW's alternative request to recover the existing balance of project costs in rates over the three year rate case period.<sup>19</sup>

We take official notice of the Uniform System of Accounts for Class A Water Utilities (USOA) to consider the appropriate treatment of the project costs. For the project to be capitalized as utility plant in service, the USOA requires that project to be useful in providing utility operations. In this case, the project was abandoned. Therefore, we cannot find that it resulted in a useful asset for utility operations and we concur with Cal Advocates that the Hydro Generation Research, Development and Demonstration Memorandum Account balance should not be transferred to rate base.

The USOA also gives direction on the treatment of abandoned project costs. Account 142 - Preliminary Survey and Investigation Charges -- provides for abandoned projects, such as the project before us, to be charged to Miscellaneous Income Deductions or Miscellaneous Deductions to Surplus, *unless otherwise authorized or directed by the Commission*. In this instance, the Commission directed in Resolution W-4854 that SJW should be authorized to recover its project cost, subject to its prudent administration of the project. Having found that SJW prudently administered its project and in compliance with Ordering Paragraph 2 of the Resolution, SJW should be authorized to recover reasonable costs in its Memorandum Account as an operating expense.

SJW's contractor, retained for the project, issued a September 2016 report that provided "third-party verification" that SJW's project was unsuccessful and

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<sup>19</sup> *Id.* The existing balance already includes returns allowed to accumulate on project costs as they were incurred.



should be abandoned.<sup>20</sup> The record in this proceeding does not identify what the Hydro Generation Research, Development and Demonstration Memorandum Account balance was as of September 30, 2016. The \$1,243,363 project cost SJW seeks to recover is the balance as of September 30, 2017, a year after its own contractor concluded that the project should be abandoned. Although SJW should have submitted a Tier 3 Advice Letter for recovery of its project costs shortly after September 30, 2016, it is still entitled to recover its reasonable project costs. Costs accumulated into the memorandum account after September 2016 are not reasonable and should not be recovered. SJW shall submit a Tier 3 Advice Letter to recover its September 30, 2016 accumulated project costs over a three-year time period. As part of that Advice Letter filing, SJW's shall identify the balance in its memorandum account as of September 30, 2016,<sup>21</sup> by major category and its Chief Executive Officer shall certify that the September 30, 2016 accounting is true and correct.

## **2. Comments on Proposed Decision**

The proposed decision of ALJ Bemesderfer was mailed to the parties on May 13, 2019. Comments were received from SJW on June 3, 2019 and reply comments were received from Cal Advocates on June 10, 2019.

SJW's comments regarding its WRAM repeated arguments formerly made and were accorded no additional weight. Its request to shorten the period of amortization for its Hydro Generation Research, Development and Generation Memorandum Account from the three-year period approved in the Proposed

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<sup>20</sup> SJW2 at 45.

<sup>21</sup> Refer to Application Exhibit F, WP 173.

Decision to a one-year period repeats arguments rejected in the Proposed Decision and is denied.

### **3. Assignment of Proceeding**

Liane Randolph is the assigned Commissioner and Karl J. Bemederfer is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. The purpose of the WRAM is to promote conservation by removing a disincentive for utilities to adopt aggressive conservation programs by decoupling the link between sales and revenue collection.
2. SJW operates with a Monterey-style WRAM, and its water conservation programs have met or exceeded the state's conservation mandates.
3. The Commission has yet to make definitive findings as to the effectiveness of WRAMs in achieving conservation.
4. The principal reason for authorizing SRM requests is to address increasing WRAM balances.
5. Official notice is taken of the Uniform System of Accounts for Class A Water Utilities (USOA).
6. The USOA requires a project to be useful in providing utility operations to be capitalized as utility plant in service.
7. USOA allows abandoned project costs to be recovered as directed by the Commission.
8. SJW established its Hydro Generation Research, Development and Demonstration Memorandum Account to track costs associated with a RD&D of its electrical regenerative flow control valve project, pursuant to Resolution W-4854.

9. SJW worked in collaboration with the Commission's Division of Water and Audits Staff.

10. Resolution W-4854 authorized SJW to recover the costs of its RD&D project from its ratepayers, subject to a prudent administration of the project.

11. SJW's contractor, retained for the project, issued a September 2016 report that SJW's project was unsuccessful and should be abandoned.

### **Conclusions of Law**

1. SJW should continue using its Monterey-style WRAM pending Commission findings as to the effectiveness of WRAM.

2. The SRM is not appropriate for SJW.

3. SJW should be required to delineate the change in its financial risk and impact on its authorized return on equity as part of any future WRAM and SRM request.

4. SJW prudently administered its electrical regenerative flow control valve project.

5. SJW should be authorized to recover the costs in its RD&D electrical regenerative flow control valve project Memorandum Account as of September 30, 2016 as an expense by amortizing the balance over a three-year period.

6. This proceeding should be closed.

## **O R D E R**

### **IT IS ORDERED** that:

1. San Jose Water Company shall continue using its Monterey-style Water Revenue Adjustment Mechanism.

2. San Jose Water Company shall submit a Tier 3 Advice Letter to recover its September 30, 2016 Hydro Generation Research, Development and Demonstration Memorandum Account balance over a three-year period. As part of that Advice Letter, its Chief Executive Officer shall certify that the September 30, 2016 balance is true and correct. San Jose Water Company shall subsequently close that memorandum account.

3. Application 18-01-004 is closed

This order is effective today.

Dated June 13, 2019, at Sacramento, California.

MICHAEL PICKER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

Commissioners

Commissioner Liane M. Randolph being necessarily absent did not participate.

**SAN JOSE WATER COMPANY**

**ADVICE LETTER NO. 534**

**ATTACHMENT B**



**SAN JOSE WATER COMPANY**

**ADVICE LETTER NO. 534**

**ATTACHMENT C**

**DECLARATION OF ERIC THORNBURG  
REGARDING THE HYDRO GENERATION RESEARCH, DEVELOPMENT AND  
DEMONSTRATION MEMORANDUM ACCOUNT BALANCE**

I, Eric Thornburg, declare and state:

1. I am Chief Executive Officer at San Jose Water Company.
2. I have reviewed and/or am familiar with the materials contained in Advice Letter 534.
3. I certify that the balance in the Hydro Generation Research, Development and Demonstration Memorandum Account on September 30, 2019, is \$1,224,842.43 including appropriate gross-up amounts.

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

Executed on August 1, 2019, at San Jose, California.

/S/ ERIC THORNBURG

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Eric Thornburg  
Chief Executive Officer,  
San Jose Water Company



**SAN JOSE WATER COMPANY**

**ADVICE LETTER NO. 534**

**ATTACHMENT D**



B. Silva

Monica D. Vasquez  
(Print Name)

Subscribed and sworn to before me  
this 4th day of April, 2018

By Bryan Alexander Pradas Silva  
See attachment

NOTARY PUBLIC  
in and for the County of Los Angeles State of California.

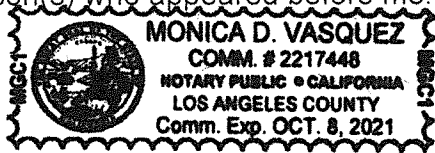


A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California  
County of Los Angeles

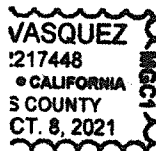
Subscribed and sworn to (or affirmed) before me on this 4th  
day of April, 2018, by Brian Alexander Predas Silva

proved to me on the basis of satisfactory evidence to be the  
person(s) who appeared before me.



(Seal)

Signature *Monica D. Vasquez*



PUBLIC NOTICE

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

SAN JOSE WATER COMPANY
NOTICE OF GENERAL RATE CASE
APPLICATION FILING
APPLICATION NO. A.18-01-004

On January 4, 2018, San Jose Water Company (SJWC) filed its General Rate Case (GRC) Application A.18-01-004, seeking authority from the California Public Utilities Commission (CPUC) to increase rates in 2019, 2020 and 2021. As part of its decision-making process, the CPUC is interested in hearing from you, and invites you to provide your comments on any aspect of the company's operations including proposed rates, service quality issues or any other matter related to the request that may be of concern to you.

Under SJWC's proposal, rates for each year would become effective on January 1 for that particular year. Rate increases for 2020 and 2021 are derived using an escalation procedure and inflation factors provided by the CPUC. The factors used to calculate rates in these years will be the most recent inflation forecast at that point in time. In its application, SJWC has requested to increase its rates by actual inflation without further notice to customers. This means that if inflation is greater or lower than that assumed in the application, rates for 2020 and 2021 may be higher or lower than shown in this notice, and no further notification would be required to adjust the rates accordingly.

CUSTOMER IMPACT

SJWC filed a GRC application requesting authority for an increase in revenues of \$34,288,000 or 9.76 percent in 2019, \$14,232,000 or 3.70 percent in 2020, and \$20,582,000 or 5.17 percent in 2021. SJWC also seeks authority for: (1) recovery of \$13,612,774 for its balancing account via a \$0.2973/ccf customer surcharge beginning January 1, 2019, until recovered and (2) recovery of \$7,112,350 for its memorandum account via a monthly surcharge to customers of \$0.1553/ccf beginning January 1, 2019, until recovered.

A balancing account tracks the incremental over and under collection of rates, surcharges, and other expenses for future recovery by the utility, such as purchased water and groundwater extraction charges. A memorandum account tracks specific expenses assigned for possible future recovery, such as water quality and conservation expenses.

If approved by the CPUC, the following tables provide a comparison of SJWC's requested rate increases for Schedule 1 and Schedule 1C Mountain Districts by meter size. The Mountain District is located in the hills above Los Gatos, CA.

After considering all proposals and all evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision, determining whether to adopt SJWC's request, modify it, or deny it. Any of the CPUC's Commissioners may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled Commission Voting Meeting.

STAY INFORMED

If you would like to follow this proceeding, or any other issue before the CPUC, you may use the CPUC's free subscription service. Sign up at: http://subscribecpuc.cpuc.ca.gov/.

If you have been given official party status, formal protests to this application must be filed with the CPUC's Docket Office no later than 30 days from the date the application first appears in the CPUC's Daily Calendar. Hard copies must be addressed to CPUC Docket Office, 505 Van Ness Ave., San Francisco, California 94102. If you wish to file electronically you can do so through the following link http://efile.cpuc.ca.gov/thin/cp.exe.

If you would like to learn how you can participate in the proceeding, or if you have informal comments or questions about the CPUC processes, you may access the CPUC's Public Advisor's webpage at www.cpuc.ca.gov/puc and click on "Public Advisor" from the CPUC Information Menu. You may also contact the Public Advisor as follows:

- Write: CPUC Public Advisor's Office, Room 2103
505 Van Ness Avenue
San Francisco, CA 94102
Email: public.advisor@cpuc.ca.gov
Phone: 1.866.849.8390 (toll-free) or 1.415.703.2074
1.866.836.7825 (toll-free) or TTY 1.415.703.5282

Please reference SJWC Application No. A.18-01-004 in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review for the assigned Judge, the Commissioners, and appropriate CPUC staff.



110 West Taylor Street • San Jose, CA 95110
408.279.7900 • www.sjwater.com • Se habla español

# Attachment A

## Schedule 1 and Schedule 1C– General Metered Service Rate Impact

Monthly Service Charge		Rates Proposed in SJWC's Application		
Meter Size	Present Rates	2019 Rates \$ (% increase)	2020 Rates \$ (% increase)	2021 Rates \$ (% increase)
5/8 x 3/4-inch	\$25.45	\$39.00 (53%)	\$42.40 (9%)	\$44.34 (5%)
3/4-inch	\$25.45	\$39.00 (53%)	\$42.40 (9%)	\$44.34 (5%)
1-inch	\$42.37	\$67.80 (60%)	\$70.66 (4%)	\$73.90 (5%)
1 1/2-inch	\$84.78	\$135.60 (60%)	\$141.33 (4%)	\$147.80 (5%)
2-inch	\$135.68	\$217.10 (60%)	\$226.12 (4%)	\$236.47 (5%)
3-inch	\$254.37	\$407.00 (60%)	\$423.98 (4%)	\$443.39 (5%)
4-inch	\$423.96	\$678.30 (60%)	\$706.63 (4%)	\$738.98 (5%)
6-inch	\$847.91	\$1,357.00 (60%)	\$1,413.26 (4%)	\$1,477.96 (5%)
8-inch	\$1,356.67	\$2,171.00 (60%)	\$2,261.22 (4%)	\$2,364.74 (5%)
10-inch	\$1,950.24	\$3,120.00 (60%)	\$3,250.51 (4%)	\$3,399.31 (5%)

## Schedule 1 and 1C – Per Ccf Rate Impact

Present Quantity Charges (Per Ccf) All Residential Customers:		Rates Proposed in SJWC's Application		
Usage	Present Rates*	2019 Rates \$ (% increase)	2020 Rates \$ (% increase)	2021 Rates \$ (% increase)
0 to 3 Ccf	\$4.96	\$3.34 (-33.1%)	\$3.38 (1.1%)	\$3.54 (4.8%)
3+ to 18 Ccf	\$5.43	\$5.01 (-7.7%)	\$5.06 (1.1%)	\$5.31 (4.8%)
Over 18 Ccf	\$5.91	\$6.68 (13.0%)	\$6.75 (1.1%)	\$7.07 (4.8%)
All Other Customers: (Business, Industrial, Public Authority, Resale)				
All Usage	\$5.43	\$5.01 (-7.7%)	\$5.06 (1.1%)	\$5.31 (4.8%)

\*Quantity Charge Present Rates include current Santa Clara Valley Water District expense offset surcharges

For the typical residential customer with a 3/4-inch meter using 11 ccf (one ccf = 748 gallons) of water per month, the monthly water bill will increase by \$5.40 or 6.36 percent from \$84.94 at present rates, to \$90.35 in 2019, by \$4.00 or 4.42 percent to \$94.34 in 2020, and by \$4.42 or 4.69 percent to \$98.76 in 2021. The rates shown on your water bill may vary from the rates shown above due to temporary credits or surcharges in effect.

## PRIMARY DRIVERS OF RATE INCREASE

SJWC has been providing safe and reliable water service for more 150 years and many of the facilities used for water service have reached the end of their lives. SJWC is proposing this rate increase due to escalating operating expenses related to water quality and safety requirements, as well as significant system infrastructure replacement requirements as the water system ages over the next several years. In order to maintain safe and reliable water service, infrastructure improvements such as water main and well replacements, enhancements to pumping stations and well fields, as well as water tank upgrades and replacements throughout SJWC's 140 square miles of service area are necessary.

## TO OBTAIN A COPY OF THE APPLICATION

A copy of SJWC's application and further information may be obtained from the company's customer service office, open Monday through Friday from 8:00 a.m. to 5:30 p.m., located at:

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

You may also review the application at the CPUC's Central Files Office at 505 Van Ness Avenue, San Francisco, CA 94102, between the hours of 8:00 a.m. to noon Monday through Friday.

## THE CPUC PROCESS

As a party of record, the Office of Ratepayer Advocates (ORA) will review this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with safety, reliability, and the state's environmental goals. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. Other parties of record will also participate in the CPUC's proceeding to consider this application. For more information about ORA, please call 415.703.1584, e-mail [ora@cpuc.ca.gov](mailto:ora@cpuc.ca.gov) or visit the Office of Ratepayer Advocate's website at <http://ora.ca.gov/default.aspx>.

This application will be assigned to an Administrative Law Judge (Judge) who will determine how to receive evidence and other related documents necessary for the CPUC to establish a record upon which to base its decision. Evidentiary hearings may be held where utilities, consumer advocacy groups, and other entities which have been given official status as "parties," will present their testimony and may be subject to cross-examination by other parties. These evidentiary hearings are open to the public, but only those who are parties may participate. The hearings and documents submitted in the proceeding, become part of the formal record that the Judge relies upon when writing a proposed decision to present to the Commissioners for their consideration.

**SAN JOSE WATER COMPANY**

**ADVICE LETTER NO. 534**

**ATTACHMENT E**

A copy of Advice Letter No. 534 has been sent to the following municipalities, water companies and interested parties:

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

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

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

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

City of Cupertino  
10300 Torre Avenue  
Cupertino, CA 95014

City of Monte Sereno  
Attn: Jessica Kahn, City Engineer  
18041 Saratoga-Los Gatos Road  
Monte Sereno, CA 95030

City of Campbell  
70 North First Street  
Campbell, CA 95008

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

WRATES  
Rita Benton  
18555 Ravenwood Drive  
Saratoga, CA 95070

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

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

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

James Hunter  
6475 Dwyer Street  
San Jose, CA 95120

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

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

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

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