



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

December 30, 2021

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

Advice Letter No. 573

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>
2154-W	Preliminary Statement (Continued)	2141-W
2155-W	Preliminary Statement (Continued)	
2156-W	Table of Contents	2153-W

With this advice letter, SJWC requests authorization to establish a 2021 GRC Interim Rate Memorandum Account pursuant to the Ruling issued on December 17, 2021.

These tariffs are submitted pursuant to General Orders (GO) No. 96-B Water Industry Rules 7.3.1(3). This advice letter is designated as a Tier I Advice Letter.

Background

On October 29, 2021, SJWC filed a motion for interim rate relief in General Rate Case Application (A.) 21- 01-003. On December 17, the assigned Administrative Law judge issued a ruling that:

1. In accordance with Public Utilities Code Section 455.2, San Jose Water Company is authorized to file with the Commission, by Tier 1 Advice Letter, a tariff implementing interim rates for its service territories and establishing a memorandum account to track the difference between the interim rates and final rates adopted by the Commission in this proceeding.
2. The interim rates may increase by an amount equal to the rate of inflation as compared to the existing rates.
3. The interim rates shall be effective no sooner than January 1, 2021.
4. The interim rates shall be subject to refund and shall be adjusted upward or downward to the interim rate effective date, consistent with the final rates adopted by the Commission.

SJWC seeks to establish a 2021 GRC Interim Rate Memorandum Account pursuant to the Ruling (Attachment A). This Memorandum Account will be used to track the difference between the interim rates and the final rates adopted by the Commission in A.21-01-003.

Request

SJWC seeks to establish a 2021 GRC Interim Rate Memorandum Account pursuant to the Ruling. This Memorandum Account will be used to track the difference between the interim rates and the final rates adopted by the Commission in A-21-01-003. With this AL filing, SJWC proposes to forego the allowed CPI-U increase and to set the interim rates equal to present rates in order to avoid customer confusion and short-term bill changes. Since current rates will remain unchanged, there is no need for revised rate tariff sheets.

Interim True-Up Calculation

The 2021 GRC Interim Rates Memorandum Account includes the following entries for every month between January 1, 2021 until the final decision is received for A.21-01-003:

1. Revenues based on current rates
2. Revenues based on authorized rates
3. Total net 2021 GRC Interim Rates Memorandum Account balance = (1) – (2)
4. A positive (+) balance in the memorandum account reflects a utility over collection to be refunded, while a negative balance reflects a utility under collection to be recovered in rates.

The 2021 GRC Interim Rates Memorandum Account includes accrual of interest on a monthly basis at a rate equal to one-twelfth of the 90-Day Non-financial Commercial Paper Interest Rate applied to the average of the beginning-of-month and the end-of-month balances

Effective Date

SJWC requests that the updated tariff sheets become effective January 1, 2022.

Protests and Responses

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

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding;
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require re-litigating a prior order of the Commission).

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue
San Francisco, CA 94102
water_division@cpuc.ca.gov

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

Regulatory Affairs
San Jose Water Company
110 West Taylor Street
San Jose, California 95196
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 B.

SJWC currently has AL's 571 and 572 pending before the Commission. This filing will not cause the withdrawal of service nor conflict with other schedules or rules.

Very truly yours,

/s/ JOHN TANG
Vice President of Regulatory Affairs

Enclosures

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 573

ATTACHMENT A

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 573

ATTACHMENT B

Index of Work papers

Attachment A **ALJ Ruling**

Attachment B **Service List**



FILED
12/17/21
09:20 AM

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 \$51,585,000 or 13.35% in 2022, by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024.

Application 21-01-003

**ADMINISTRATIVE LAW JUDGE'S RULING GRANTING REQUEST BY
SAN JOSE WATER FOR INTERIM RATES**

Summary

Pursuant to Public Utilities (Pub. Util.) Code § 455.2, this ruling grants the interim rate relief for the above-captioned proceeding as requested by San Jose Water Company (SJWC). This ruling also grants SJWC's request for authorization to track in a memorandum account the difference between the authorized interim rates and final rates for subsequent recovery or refund, consistent with the final rates adopted by the Commission in the pending general rate case.

1. Background

On January 4, 2021, SJWC filed an Application for an order authorizing rate increases for the water service it provides by \$51,585,000 or 13.35% in 2022,

by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024 (Application). The proposed test year begins January 1, 2022.

On February 10, 2021, the Public Advocates Office (Cal Advocates) filed a protest to the Application. On the same day, SJWC requested a two-week extension to file its 45-day update pursuant to the Commission's Rate Case Plan (RCP) for Class A water utilities as detailed in Decision (D.) 07-05-062 (Request). On February 11, 2021, the Administrative Law Judge (ALJ) granted the request and directed SJWC to file and serve the 45-day update by March 4, 2021.

A prehearing conference (PHC) was held on March 5, 2021, and Water Rate Advocates for Transparency, Equity and Sustainability (WRATES) was granted party status and the opportunity to file a response to the Application by March 12, 2021. WRATES timely filed its protest.

The Assigned Commissioner's Scoping Memo and Ruling, issued on April 5, 2021 (Scoping Memo), directed the parties to serve and file the opening briefs by no later than 30 days after the last day of evidentiary hearing. The Scoping Memo also noted that the evidentiary hearings are targeted to be held in the third week of July 2021 and the proposed decision is targeted to be issued 90 days after the close of record.

On June 7, 2021, the ALJ granted an unopposed motion, filed by WRATES, for an extension to file and serve the Intervenor Direct Testimony by June 1, 2021, and the Reply Testimony by June 15, 2021, and revised the proceeding schedule accordingly.

On July 12, 2021, the ALJ issued an E-Mail Ruling Suspending the Evidentiary Hearing and Setting Two Status Conferences (STCs) on July 27, 2021, and August 4, 2021. During the July 27, 2021 STC, WRATES for the first time

informed the ALJ of its intention to introduce an additional witness. On August 6, 2021, WRATES, as directed by the ALJ at the July 27, 2021 STC, filed and served on the service list WRATES' Motion for Approval to Augment its Witness List and Provide New Testimony (WRATES Motion). On September 27, 2021, the ALJ granted WRATES Motion and amended the proceeding schedule, directing the Motion for Interim Rates to be filed by November 4, 2021, and the proposed decision to be targeted for the middle of the second quarter of 2022.

On October 29, 2021, SJWC timely filed its request for interim rate relief (Request). No comments or response to SJWC's Request was filed. SJWC's Request seeks authorization to set interim rates at the levels of present rates "to minimize customer confusion from the upward or downward adjustment as necessary consistent with the final rates adopted by the Commission" and to establish a memorandum account to track any difference between the interim rates and the final rates by a Tier 1 advice letter.

2. SJWC Met the Requirements for Authorization to Set Interim Rates

The criteria for granting interim rate relief are set forth in Pub. Util. Code § 455.2 and D.07-05-062. As discussed in detail below, SJWC met the requirements for authorization to set interim rates.

2.1. Requirements of Pub. Util. Code § 455.2

Pub. Util. Code § 455.2(b) provides for interim rate relief when the Commission is unable to issue its final decision on the general rate case application of a water corporation with greater than 10,000 service connections in a manner ensuring the Commission's decision becomes effective on the first day of the test year in the application. The applicant may file a tariff

implementing interim rates be effective on the first day of the first test year in the general rate case application that may be increased by an amount equal to the rate of inflation as compared to existing rates.¹ These interim rates shall be subject to refund and shall be adjusted upward or downward back to the interim rate effective date, consistent with the final rates adopted by the commission.²

SJWC's Request sets the interim rates at levels of present rates which does not increase by an amount greater than the rate of inflation. SJWC proposes the interim rates to be effective on the January 1, 2022, the first day of the first test year in the general rate case application and subject to refund and adjustments upward or downward, consistent with the final rates adopted by the Commission. Therefore, the Request meets the requirements of Pub. Util. Code § 455.2.

2.2. Requirements of D.07-05-062

D.07-05-062 was issued on May 24, 2007, and adopted several changes to the RCP for Class A water utilities. As it relates to interim rate relief requests, D.07-05-052 set forth the following requirements in addition to those set forth in § 455.2:

1. The utility must file a motion for interim rate relief on or before the date for filing its opening brief, unless a different date is designated by the Presiding Officer;
2. The motion shall address the degree, if any, that the utility was responsible for delay during the proceeding;
3. The utility demonstrate that it has made a substantial showing in its application supporting a rate increase at least equal to the rate of inflation; and

¹ Pub. Util. Code § 455.2(b)

² *Ibid.*

4. The motion shall request the establishment of a memorandum account to track the difference between the interim rates and the final rates.

The Commission must determine whether interim relief is in the public interest and consider whether the delay in completing the general rate case proceeding is “due to action by the water corporation.” If the delay was due to action by the water corporation, the resulting ruling must (a) specify the utility’s actions that caused the delay and (b) include a proposed effective date for interim or final rates.

The ALJ set the date for filing of the Motion for Interim Rates to occur by November 4, 2021, in the ruling issued on September 27, 2021. By filing the Request on October 29, 2021, SJWC timely filed the Request.

The Request detailed the delay of the proceeding primarily from the ALJ granting the WRATES Motion for Extension, filed on June 1, 2021, and WRATES Motion, filed on August 6, 2021, resulting in a substantial delay in the evidentiary hearing and amending the proceeding schedule. The amended proceeding schedule targeted the issuance of the proposed decision for the middle of the second quarter of 2022, well after the first day of the test year. Although SJWC requested an extension of two weeks to file the 45-day update, the two weeks delay did not substantially alter the proceeding schedule, which was not set at the time. The delays in the proceeding were primarily due to the motions filed by WRATES and other minor deviations. SJWC has adhered to the schedule set forth in the Scoping Memo and has not substantially caused any delays in this proceeding.

The first day of the test year for SJWC’s Application is January 1, 2022. SJWC made a detailed showing in its Application and associated testimony in support of its requested rate increases. SJWC has supported its request with rate

tables, workpapers, and expert testimony. Therefore, SJWC made a substantial showing in its application supporting a rate increase at least equal to the rate of inflation.

As to whether the requested interim rate relief is in the public interest, the Commission recognizes past rulings and decisions concluding that utilities should not be financially harmed or ratepayers allowed to gain from deferred rate increases caused by delays in processing general rate cases.

SJWC met the criteria for interim rate relief set forth in Pub. Util. Code § 455.2 and D.07-05-062, and no party has protested SJWC's Request. For the reasons set forth above, the request for interim rate relief is granted.

IT IS RULED that:

1. In accordance with Public Utilities Code Section 455.2, San Jose Water Company is authorized to file with the Commission, by Tier 1 Advice Letter, a tariff implementing interim rates for its service territories and establishing a memorandum account to track the difference between the interim rates and final rates adopted by the Commission in this proceeding.
2. The interim rates may increase by an amount equal to the rate of inflation as compared to the existing rates.
3. The interim rates shall be effective no sooner than January 1, 2021.

SAN JOSE WATER COMPANY (U-168-W)

ADVICE LETTER 573 SERVICE LIST

Big Redwood Park Water	waldburford@gmail.com;
Brush & Old Well Mutual Water Company	BOWMWC@brushroad.com;
Cal Water	cwsrates@calwater.com;
City of Campbell	publicworks@cityofcampbell.com;
City of Cupertino City Attorney	cityattorney@cupertino.org;
City of Cupertino Director of Public Works	rogerl@cupertino.org;
City of Milpitas	tndah@ci.milpitas.ca.gov ;
City of Milpitas	CityManagerOffice@ci.milpitas.ca.gov;
City of Monte Sereno	steve@cityofmontesereno.org;
City of Monte Sereno	bmekechuk@cityofmontesereno.org;
City of Santa Clara	water@santaclaraca.gov;
City of San Jose	jeffrey.provenzano@sanjoseca.gov;
City of Saratoga	jcherbone@saratoga.ca.us;
County of Santa Clara	county.counsel@cco.sccgov.org;
DB Davis	dbdavis@rockwellcollins.com;
Dept. of Water Resources, Safe Drinking Water Office	sdwo@water.ca.gov;
Valley Water	dtaylor@valleywater.org;
Gillette Mutual Water Company	gapowerz@gmail.com;
Gillette Mutual Water Company	goldiey@pacbell.net;
Gillette Mutual Water Company	keyoung@pacbell.net;
Great Oaks Water	jroeder@greatoakswater.com;
Great Oaks Water	tguster@greatoakswater.com;
Cal Water	jpolanco@calwater.com;
James Hunter	j88hunter882@gmail.com;
City of Cupertino	KirstenS@cupertino.org;
Public Advocates Office	mukunda.dawadi@cpuc.ca.gov;
Public Advocates Office	PublicAdvocatesWater@cpuc.ca.gov;
Mountain Springs Mutual Water Co.	Lorenroy@icloud.com;
Mt. Summit Mutual Water Company	wshoefler@comcast.net;
Oakmount Mutual Water Company	gortiz12@comcast.net;
Patrick Kearns MD	pjk3@comcast.net;
Raineri Mutual Water Company	info@rainerimutual.org;
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Rishi Kumar	rkumar@saratoga.ca.us;
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Valley Water	afulcher@valleywater.org;
Valley Water	abaker@valleywater.org ;
Saratoga Heights Mutual Water Company	sjw@shmwc.org kcarlson@swwc.com;
SouthWest Water Company	stagecoachroadMWC@gmail.com;
Stagecoach Mutual Water Company	RJonesPE@aol.com;
Summit West	board@summitwest.org;
Summit West	ppw@losgatosca.gov;
Town of Los Gatos Dir. of Public Works	rita_benton@ymail.com;
WRATES	jenniferlaforce@gmail.com;
Villa Del Monte	

PRELIMINARY STATEMENT
(Continued)

X. Water Conservation Memorandum Account (Continued)

4. Accounting Procedure
 - a. The following entries will be recorded monthly in the WCMA:
 1. Most recently adopted water sales revenue on the effective date of Advice Letter 564 adjusted for all subsequent rate increases.
 2. Actual water sale revenue collected adjusted for existing Revenue Adjustment Mechanism. The actual water sales revenue collected in the WCMA will be kept distinct from revenue Tracked by SJWC's existing Monterey-style WRAM.
 3. Most recently adopted variable expenses for purchased water, pump tax and power
 4. Actual recorded variable expenses
 5. Drought Surcharges and fees collected from Schedule 14.1
 6. Total net WCMA balance = (1 minus 2) minus (3 minus 4) minus 5
 7. A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under collection to be recovered in rates.
 - b. The Company will record the accumulated WCMA balance monthly, by adding its entry in Section a.5. above to the prior accumulated monthly balance.
 - c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.
 - d. Before seeking recovery of the WCMA balance, the balance shall be reduced by an amount equal to a 20-basis point reduction in the most recently adopted return on equity.
5. Disposition

If the accumulated balance for the WCMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the WCMA are subject to a reasonableness review. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.
6. Effective Date

The WCMA shall go into effect on the effective date of Advice Letter No. 564
7. Sunset Date

The WCMA will remain in effect until the Wholesaler declares the water shortage is over and the mandatory conservation mandates are ceased.

Y. 2021 GRC Interim Rates Memorandum Account

(N)

- 1 Purpose

The purpose of the 2021 GRC Interim Rates Memorandum Account is to track the difference between Interim rates and new rates to be adopted in a final decision in A.21-01-003
- 2 Applicability

The 2021 GRC Interim Rates Memorandum Account is applicable to all areas served.
- 3 Definitions
 - a. Revenues based on interim rates are revenues derived using interim rates authorized via AL 573 and any subsequent rates authorized until a final decision is issued in A.21-01-003.

(To be inserted by utility)

Issued by

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

Advice No. 573

JOHN TANG

Date Filed _____

Vice President,

Effective _____

Dec. No. _____

Regulatory Affairs

Resolution No. _____

TITLE

PRELIMINARY STATEMENT
(Continued)

Y. 2021 GRC Interim Rates Memorandum Account (Continued)

b. Revenues based on updated rates are revenues computed using final rates that will be determined in A.21-01-003.

4 Accounting Procedure

a. Beginning January 1, 2022 through the effective date of the decision for A.21-01-003, the following entries will be recorded monthly once a decision has been rendered in the 2021 GRC Interim Rates Memorandum Account.

- 1. Revenues based on interim rates.
- 2. Revenues based on updated rates.
- 3. Total net 2021 GRC Interim Rates Memorandum Account balance =(1) minus (2)
- 4. A positive (+) balance in the memorandum account reflects a utility over collection to be refunded, while a negative balance reflects a utility's under collection to be recovered in rates.

b. Once a decision has been rendered in A.21-01-003, the Company will record the accumulated balance monthly, by adding its entry in Section 4.a.3 above to the prior accumulated monthly balance.

c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90-day Non Financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning of month and the end of month balances.

5 Disposition

After the Commission adopts updated rates in A.21-01-003, the memorandum account will be adjusted to reflect the actual difference and disposed via an advice letter filing in a surcharge or surcredit.

(N)

(To be inserted by utility)

Issued by

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

Advice No. 573

JOHN TANG
Vice President,
Regulatory Affairs

Date Filed _____
Effective _____
Resolution No. _____

Dec. No.

TITLE

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(Continued)

(To be inserted by utility)

Issued by

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

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Date Filed _____

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Effective _____

Dec. No. _____

Regulatory Affairs

Resolution No. _____

TITLE