



SAN JOSE WATER

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

December 19, 2022

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

Advice Letter No. 588

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>
2234-W	Schedule UF Surcharge to Fund Public Utilities Commission Reimbursement Fee	2090-W
2235-W	Table of Contents	2231-W

Purpose

These tariffs are submitted pursuant to General Orders Nos. (GO) 96-B – Water Industry Rule 7.3.1(3) and pursuant to the authority established by the California Public Utilities Commission (Commission) in Resolution (Res.) M-4866, approved on December 15, 2022. (Attachment A). This advice letter is designated a Tier I Advice Letter in compliance with GO 96-B.

Currently, the reimbursement fee is 1.43% for water utilities. The reimbursement fee for water utilities as adopted by Resolution M-4866 has been decreased to 0.8% and the tariff sheets submitted with this filing reflect this adjustment. The fee increase will become effective with bills dated January 1, 2023, and thereafter.

Effective Date

January 1, 2023

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 by electronic mail and must be received by the Water Division by January 9, 2023, which is within 20 days of the date this advice letter is filed. The electronic address for delivering a protest is:

Tariff Unit, Water Division
California Public Utilities Commission,
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 electronic mail to us, addressed to:

Regulatory Affairs
San Jose Water Company
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. Public notice is not required.

In compliance with Paragraph 4.3 of General Order 96-B, a copy of this advice letter has been emailed to all interested and affected parties as detailed in Attachment B. Hard copies are not being provided due to the pandemic.

SJWC currently has Advice Letters 585A and 586 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

Schedule No. UF

SURCHARGE TO FUND
PUBLIC UTILITIES COMMISSION
REIMBURSEMENT FEE

APPLICABILITY

This surcharge applies to all water bills rendered under all tariff rate schedules authorized by the Commission, with the exception of resale rate schedules where the customer is a public utility.

TERRITORY

This schedule is applicable within the entire territory served by the utility.

RATES*

A 0.8% surcharge shall be added to all customer bills. (D)

*In 1983, the Legislature established a Public Utilities Commission Reimbursement Fee to be paid by utilities to fund their regulation by the Commission (Public Utilities (PU) Code Sections 401-443). The surcharge to recover the cost of that fee is ordered by the Commission under authority granted by PU Code Section 433.

(To be inserted by utility)

Issued by

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

Advice No. 588

JOHN TANG

Date Filed

Vice President,

Effective

Dec. No. M-4866

Regulatory Affairs

Resolution No.

TITLE

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates, rules and regulations affecting the rates and service of the Utility, together with information relating thereto:

Subject Matter of Sheet	C.P.U.C. Sheet No.
Title	1495-W
Table of Contents	2235-W, 2161-W and 2174-W (C)
Preliminary Statement	919-W, 1303-W, 2032-W, 2212-W, 2213-W, 2035-W, 2058-W, 2037-W 2214-W, 2040-W, 2041-W, 2215-W, 2087-W, 2125-W, 2155-W 2216-W, 2217-W
Service Area Map Locator	1266-W
Service Area Map Locator, Index	2101-W
Map of Areas with Special Pressure and FireFlow Conditions	2116-W
Index to Map of Areas With Special Pressure and FireFlow Conditions	1079-W, 2117-W 1082-W, 1087-W and 1404-W
Rate Schedules:	
Schedule No. 1, General Metered Service	2225-W, 2176-W and 2219-W
Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System	2226-W, 1741-W, 2183-W, 2201-W, 2220-W 2227-W, 1952-W, 1884-W and 2184-W, 2221W
Schedule No. 1C, General Metered Service Mountain District	2228-W and 2187-W
Schedule No. 4, Private Fire Service	1118-W and 1094-W
Schedule No. 9C, Construction and Other Temporary Metered Service	152-W
Schedule No. 10R, Service to Employees	2131-W, 2132-W, 2133-W
Schedule No. 14.1 Water Shortage Contingency Plan with Staged Mandatory Reductions and Drought Surcharges	2134-W, 2149-W, 2136-W, 2137-W 2138-W, 2139-W, 2146-W
Schedule No. RW, Raw Water Metered Service	2229-W, 2203, 2222-W, 2230-W, 2223-W
Schedule No. RCW, Recycled Water Metered Service	
Schedule No. UF, Surcharge to Fund Public Utilities Commission, Reimbursement Fee	2234W (C)
Schedule No. WRAP, Water Rate Assistance Program	2170-W and 2056-W
List of Contracts and Deviations	2092-W and 2103-W
Rules:	
No. 1 - Definitions	2064-W and 2065-W
No. 2 - Description of Service	525-W
No. 3 - Application for Service	2143-W, 2144-W
No. 4 - Contracts	352-W
No. 5 - Special Information Required on Forms	2066-W, 2067-W and 2068-W-W
No. 6 - Establishment and Re-establishment of Credit	354-W
No. 7 - Deposits	355-W and 356-W
No. 8 - Notices	2069-W, 2070-W and 2017-W
No. 9 - Rendering and Payment of Bills	2188-W, 2189-W and 2190-W

(Continued)

(To be inserted by	Issued by	(To be inserted by Cal. P.U.C.)
utility) Advice No. 588	JOHN TANG	Date Filed 12/19/2022
Dec. No. M-4866	Vice President,	Effective
	Regulatory Affairs	Resolution No.

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 588

ATTACHMENT A

Date of Issuance
December 16, 2022

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ADMINISTRATIVE SERVICES DIVISION

RESOLUTION M-4866
December 15, 2022

R E S O L U T I O N

Resolution M-4866. Adopts Public Utilities Commission Utilities Reimbursement Account User Fees, effective January 1, 2023.

SUMMARY

This Resolution adopts Public Utilities Commission Utilities Reimbursement Account (PUCURA), Fund 0462, user fees as follows:

Electric Corporations	0.0013	\$/kwh
Gas Corporations	0.003	\$/therm
Heat Corporations	0.005	\$/thousands lbs. steam
Water System Corporations	0.008 (0.8 percent)	x Revenue
Sewer System Corporations	0.008 (0.8 percent)	x Revenue
Telecommunication Corporations	0.0075 (0.75 percent)	x Revenue

BACKGROUND

The California Public Utilities Commission (CPUC or Commission) uses Public Utilities Code as the basis for its methodology to annually assess user fees for energy, water, sewer, and telecommunication utilities.

Public Utilities Code Section 431:

- (a) The commission shall annually determine a fee to be paid by every electrical, gas, telephone, telegraph, water, sewer system, and heat corporation and every other public utility providing service directly to customers or subscribers and subject to the jurisdiction of the commission other than a railroad, except as otherwise provided in Article 2 (commencing with Section 421)
- (b) The annual fee shall be established to produce a total amount equal to that amount established in the authorized commission budget for the same year, including adjustments for increases in employee compensation, other increases appropriated by the Legislature, and an appropriate reserve to regulate public utilities less the amount to be paid from special accounts or funds pursuant to

Section 402, reimbursements, federal funds, and any other revenues, and the amount of unencumbered funds from the preceding year.

(c) This article shall not apply to any electrical cooperative as defined in Chapter 5 (commencing with Section 2776) of Part 2.

(d) On and after January 1, 1985, this article shall apply to radiotelephone utilities as defined in Section 4902 as those provisions read on December 31, 1984.

(e) This section shall become operative on January 1, 2020.

Public Utilities Code Section 432:

The commission shall establish the fee pursuant to Section 431 with the approval of the Department of Finance and in accordance with all of the following:

(a) In its annual budget request, the commission shall specify both of the following:

(1) The amount of its budget to be financed by the fee.

(2) The dollar allocation of the amount of its budget shall be financed by the fee by each class of public utility subject to the fee. The fee allocation among classes of public utilities shall reflect expenditures by the commission on regulatory and other authorized activities affecting each respective class, and shall bear the same ratio that the commission's workload for each class of public utility subject to the fee bears to the commission's total workload for all public utilities subject to the fee.

(b) The commission may establish different and distinct methods of assessing fees for each class of public utility, if the revenues collected are consistent with paragraph (2) of subdivision (a), except that the commission shall establish a uniform charge per kilowatt hour for sales in kilowatt hours for the class of electrical corporations and a uniform charge per therm for sales in therms for the class of gas corporations.

(c) Within each class of public utility subject to the fee, the commission shall allocate among the members of the class the amount of its budget to be financed by the fee using the following methods:

(1) For electrical corporations, the ratio that each corporation's sales in kilowatt hours bears to the total sales in kilowatt hours for the class.

(2) For gas corporations, the ratio that each corporation's sales in therms bears to the total sales in therms for the class.

(3) For telephone and telegraph corporations, the ratio that each corporation's gross intrastate revenues bears to the total gross intrastate revenues for the class. If the commission determines that there is a need for consultants or advisory services to assist in determining the reasonableness of capital expenditures for a telephone corporation, the commission may adjust the fees within the class so that the expenses for the consultants and advisory services are fully allocated to that telephone corporation.

- (4) For water and sewer system corporations, the ratio that each corporation’s gross intrastate revenues bears to the total gross intrastate revenues for the class.
- (5) For all other public utilities, an appropriate measurement methodology determined by the commission.
- (d) Every public utility belonging to more than one class shall be subject to the fee for each class of which it is a member.
- (e) For every public utility with annual gross intrastate revenues of seven hundred fifty thousand dollars (\$750,000) or less, the commission shall annually establish uniform fees to be paid by each such public utility, if the revenues collected thereby are consistent with paragraph (2) of subdivision (a) and subdivision (c).

DISCUSSION

Revenue and Expenditure Analysis

The Governor’s Budget structures PUCURA’s authorized expenditures by Program and Subprogram, as shown below in Table 1. Subtasks, the most granular level of detail by utility class (electricity, gas, sewer, steam), are not displayed in the Governor’s Budget but tracked internally by the CPUC.

Table 1: Governor’s budget structure, PUCURA

Program	Subprogram	Subtask (Utility Class)
Regulation of Utilities (6680)	Energy (6680055)	Electric Corporations Gas Corporations Steam Corporations
	Water (6680064)	Water Corporations Sewer Corporations
	Communications (6680073)	Telephone and Telegraph Corporations Video Franchise

In addition to the CPUC’s budgeted expenditures from PUCURA, the fund supports expenditures of the Public Advocate’s Office (PUBADV) within the CPUC, the Office of Energy Infrastructure Safety (Org 3355), the Energy Resources Conservation and Development Commission (Org 3360), the Air Resources Board (Org 3900), the Office of Environmental Health and Hazard Assessment (Org 3980), and statewide fund assessments.

Table 2 shows PUCURA’s 2022-23 current level expenditures and 2022-23 Fund Assessments, distributed by Utility Class per Table 1.

Table 2. PUCURA Expenditures

Utility Class	CPUC Estimated Expenditures ¹	PUBADV Estimated Expenditures ²	Other Departments Estimated Expenditures ³	Total Estimated Expenditures 2022-23
Electric	\$126,925,000	\$33,205,000	\$31,607,000	\$191,737,000
Gas	28,360,000	7,419,000	6,834,000	42,613,000
Steam	3,000	1,000	1,000	5,000
Water	17,154,000	3,593,000	-	20,747,000
Sewer	261,000	55,000	-	316,000
Telco.	41,220,000	9,136,000	-	50,356,000
Total	\$213,923,000	\$53,409,000	\$38,442,000	\$305,774,000

Table 3 shows comparison between 2022-23 estimated user fee revenue at current rates and 2022-23 total estimated expenditures, distributed by Utility Class per Table 1. Assuming no changes are made, the estimated user fee revenue at current rates are not aligned to match the estimated level of expenditures by utility class and maintain the necessary minimum fund reserve balance.

Per Public Utilities Code section 431(a), water companies and sewer companies are recognized as two separate class of utilities. CPUC has determined that separate rates must be established by utility class to maintain equity in the user fees collected for regulation of water systems and sewer systems. For this resolution, the Commission will maintain the same rates for water systems and sewer systems with an intent to calculate separate rates for each utility class in future resolutions.

¹ From the 2022-23 Enacted Governor's Budget; estimated expenditures include fund assessments allocated by utility class.

² From the 2022-23 Enacted Governor's Budget; PUBADV (Fund 3089) estimated expenditures includes fund assessments allocated by utility class.

³ From the 2022-23 Enacted Governor's Budget; estimated expenditures for other departments.

Table 3. PUCURA User Fees and Expenditures Projected for 2022-23 (No Fee Change)

Utility Class	Estimated User Fee Revenue 2022-23 (a) ⁴	Total Estimated Expenditures 2022-23 (b)	Estimated Revenues Less Estimated Expenditures (a-b)
Electric	\$206,172,000	\$191,737,000	\$14,435,000
Gas	59,914,000	42,613,000	17,301,000
Heat (Steam)	30,000	5,000	25,000
Water	27,814,000	20,747,000	7,067,000
Sewer	46,000	316,000	(270,000)
Telephone	28,831,000	50,356,000	(21,525,000)
Total	\$322,807,000	\$305,774,000	\$17,033,000

Fund Reserve Analysis

The CPUC's fund reserve policy for PUCURA requires a fund reserve of 25 percent of expenditures. At the expected level of expenditures and projected revenues, FY 2022-23 overall estimated fund reserve is sufficient to meet the minimum requirement. However, when distributed by utility class, a couple utilities classes do not meet the 25 percent fund reserve requirement.

Fee Change Analysis

Based on the analysis the CPUC has completed on revenues to expenditures and fund reserve requirements by utility class, the CPUC proposes the below necessary rate adjustments.

⁴ Amounts in Column (a) represent the estimated user fee revenues using user fee rates from the PUCURA Resolution M-4841.

Table 4. User Fee Rates Comparison, Current vs Proposed

Utility Class	Current User Fee Rates	Proposed User Fee Rates	Base	Difference	percent Change
Electric	0.00130	0.0013	\$/ kwh	0	0 percent
Gas	0.00577	0.003	\$/therm	-0.00277	-48.01 percent
Steam	0.05535	0.005	\$/thousands lbs. steam	-0.05035	-90.97 percent
Water	0.01430	0.008	x Revenue	-0.0063	-44.06 percent
Sewer	0.01430	0.008	x Revenue	-0.0063	-44.06 percent
Telco	0.00519	0.0075	x Revenue	0.00231	44.51 percent

COMMENTS AND RESPONSES ON DRAFT RESOLUTION

The Draft Resolution was mailed or emailed to all affected regulated entities on November 10, 2022 in accordance with Public Utilities Code section 311(g)(1).

On November 30, 2022, California-American Water Company sent a comment via email asking the Commission to revise the Draft Resolution M-4866 to create a combined Water and Sewer System user fee consistent with the CPUC's historical practice.

California American Water Company's comment states that the resolution separates the rates for sewer systems and water systems, contrary to historical practice, which significantly increases the rates applicable to the sewer systems. California American Water Company argues that the Water Division investigates water and sewer system service quality issues, analyzes, and processes utility rate change requests and is responsible for ensuring California investor-owned water utilities deliver clean, safe, and reliable water and sewer service to their customers at reasonable rates. California American Water Company asserts that Water and Sewer Systems have been considered one industry by CPUC and have been regulated as such; therefore, there should be a singular user fee that is applicable to both water and sewer systems.

CPUC recognizes California American Water Company's argument that Water and Sewer Systems are regulated by the Water Division as a combined industry and the proposed change to separate the rates for water systems and sewer systems is contrary to historical practice. However, per Public Utilities Code section 431(a), water companies and sewer companies are recognized as two separate class of utilities. A majority of the water companies and sewer companies are separate entities which do not have combined water and sewer systems. As such, CPUC has determined that separate rates must be

established by utility class to maintain equity in the user fees collected for regulation of water systems and sewer systems.

CPUC recognizes that utilities with combined water and sewer systems may not have been given appropriate time to update practices or billing systems in advance of this proposed change from past practice. In order to give sufficient time, the CPUC will maintain the same rates for water and sewer utilities for this resolution, with an intent to change to two separate rates in future resolutions.

THEREFORE IT IS ORDERED THAT:

1. Effective January 1, 2023, the current PUCURA user fees shall be revised as follows:

Electric Corporations	0.0013	\$/kwh
Gas Corporations	0.003	\$/therm
Heat Corporations	0.005	\$/thousands lbs. steam
Water System Corporations	0.008 (0.8 percent)	x Revenue
Sewer System Corporations	0.008 (0.8 percent)	x Revenue
Telephone and Telegraph Corporations	0.0075 (0.75 percent)	x Revenue

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 15, 2022; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

Rachel Peterson
Executive Director

ALICE REYNOLDS
President
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE HOUCK
JOHN R.D. REYNOLDS
Commissioners

APPENDIX A
0462 Public Utilities Commission Utilities Reimbursement Account
Fund Condition Statement with current rates

	FY 2021-22	FY 2022-23
BEGINNING BALANCE	\$113,336,000	\$202,276,000
Prior Year Adjustments	13,676,000	-
Adjusted Beginning Balance	127,012,000	202,276,000
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS		
Revenues:		
Quarterly Public Utilities Commission Fees	363,423,000	308,482,000
Other Regulatory Fees	3,558,000	1,500,000
Other Regulatory Licenses and Permits	2,000	-
Document Sales	59,000	-
Misc. Services to the Public	-	-
Escheat of Unclaimed Checks, Warrants, Bonds and Coupons	520,000	350,000
Income from Surplus Money Investments	8,000	5,000
Miscellaneous Revenue	10,000	5,000
Transfers:		
Revenue Transfer to Ratepayer Advocate Account (3089) per Item 8660-011-0462, Various Budget Acts	(48,028,000)	(53,409,000)
Operating Transfers from Coronavirus Relief Fund 8505 per EO E20/21-250 CS 11.90	2,351,000	
Transfer to General Fund per EO E 21/22-276, Sec. 20825.1	(5,394,000)	
Revenue Transfer from Propane Safety Inspection and Enforcement Program Trust Fund (0051) to Public Utilities Commission Utilities Reimbursement Account (0462) per Public Utilities code Section 4458	100,000	
Total Revenues, Transfers, and Other Adjustments	316,609,000	256,933,000
Total Resources	443,621,000	459,200,000
EXPENDITURES AND EXPENDITURE ADJUSTMENTS		
Expenditures:		
Public Utilities Commission State Operations	175,462,000	201,268,000
Office of Energy Infrastructure Safety (State Ops)	48,661,000	37,006,000
3360 Energy Resources Conservation and Development Commission (State Operations)	3,069,000	1,020,000
3900 Air Resources Board	118,000	203,000
3980 Office of Environmental Health & Hazard Assessment	198,000	213,000
Supplemental Pension Payments	3,314,000	3,314,000
Statewide General Admin Expense (Pro Rata)	10,532,000	9,341,000
Total Expenditures and Expenditure Adjustments	241,354,000	252,365,000
FUND BALANCE	\$202,267,000	\$206,835,000

The projected Fund Condition Statement is based on estimated used fees revenue based on the rates proposed in this Resolution.

The projected Fund Condition Statement will not match to the 2023-24 Governor's Budget as the updated revenue projections are not reflected in the 2023-24 Governor's Budget.

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 588

ATTACHMENT B

SAN JOSE WATER COMPANY (U-168-W)

ADVICE LETTER 588 SERVICE LIST

Big Redwood Park Water	waldoburford@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	smachida@ci.milpitas.ca.gov;
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City of Saratoga	jcherbone@saratoga.ca.us;
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DB Davis	dbdavis@rockwellcollins.com;
Dept. of Water Resources, Safe Drinking Water Office	sdwo@water.ca.gov;
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