

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



FILED

06-05-12
04:59 PM

In the Matter of the Application of SAN JOSE WATER COMPANY (U 168 W) for an Order authorizing it to increase rates charged for water service by \$47,394,000 or 21.51% in 2013; by \$12,963,000 or 4.87% in 2014; and by \$34,797,000 or 12.59% in 2015.

Application 12-01-003
(Filed January 3, 2012)

**JOINT MOTION OF
THE SIX MUTUAL WATER COMPANIES
AND SAN JOSE WATER COMPANY
FOR APPROVAL OF SETTLEMENT AGREEMENT**

Bob Burke
Director & Secretary
Brush & Old Well Mutual Water Company
Regulatory Liaison for the Six Mutuals

21103 Old Well Road
Los Gatos, CA 95033
Tel.: (408) 353-3573
E-mail: rburkeii@prodigy.net

NOSSAMAN LLP
Martin A. Mattes
Mari L. Lane
50 California Street, 34th Floor
San Francisco, CA 94111-4799
Tel : (415) 398-3600
Fax: (415) 398-2438
E-mail: mmattes@nossaman.com

Attorneys for SAN JOSE WATER COMPANY

June 5, 2012

**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 an Order authorizing it to increase rates charged for water service by \$47,394,000 or 21.51% in 2013; by \$12,963,000 or 4.87% in 2014; and by \$34,797,000 or 12.59% in 2015.

Application 12-01-003
(Filed January 3, 2012)

**JOINT MOTION OF THE SIX MUTUAL WATER COMPANIES
AND SAN JOSE WATER COMPANY
FOR APPROVAL OF SETTLEMENT AGREEMENT**

In accordance with Rule 12.1 of the Commission’s Rules of Practice and Procedure (“Rules”), San Jose Water Company (“SJWC”) and the Six Mutual Water Companies (the “Mutuals”)¹ (together, “the Settling Parties”) hereby respectfully request that the California Public Utilities Commission (“Commission”) approve the Joint Settlement of the Six Mutual Water Companies and San Jose Water Company Addressing Mountain District Rate Design (the “Settlement Agreement”), accompanying this Motion as Appendix A.² The Settlement Agreement was entered into and executed by the Settling Parties on or before the date of this filing, for the purpose of resolving all issues raised by the Mutuals concerning SJWC’s pending general rate case (“GRC”) application, including especially SJWC’s rate design for the

¹ The six mutual water companies that entered appearances and participated jointly in the above-captioned proceeding are: Big Redwood Park Mutual Water Company, Brush & Old Well Mutual Water Company, Mountain Summit Mutual Water Company, Oakmont Mutual Water Company, Ridge Mutual Water Company, and Villa Del Monte Mutual Water Company.

² The representative of the Mutuals has authorized counsel for SJWC to file this Joint Motion on behalf of both of the Settling Parties.

Mountain District as specified in Schedule No. 1C, General Metered Service – Mountain District. Consistent with Rule 12.1, this Motion is submitted after the prehearing conference, held on February 13, 2012, and sooner than 30 days after the conclusion of evidentiary hearings.

Although the Settlement Agreement is not an all-party settlement, the only other party to this proceeding, the Division of Ratepayer Advocates (“DRA”), actively participated in the settlement process and does not oppose its terms.

A. Factual and Procedural Background

SJWC filed the present Application on January 3, 2012, proposing increased rates for Test Year 2013 and subsequent escalation years and related relief. In that context, SJWC proposed to maintain the existing rate design for the customers of SJWC taking water service in SJWC’s Mountain District, including the Mutuels. The rate design for SJWC’s Mountain District had last been reviewed and modified in Decision 09-11-032, adopted November 20, 2009, in SJWC’s last GRC, A.09-01-009.

At the prehearing conference convened by ALJ Wilson on February 13, 2012, the Commission granted the Mutuels’ motion for party status and for leave to late file a protest to the Application. The parties broadly stated their positions, addressed procedural issues, and discussed the scope of the proceeding.

On April 30, 2012, DRA and the Mutuels submitted testimony raising and addressing issues relating to SJWC’s rate design and proposed rates for the Mountain District. In particular, the Mutuels were concerned about what they understood to be differences in the imposition of meter charges and quantity rates on mutual water companies in the Mountain District as compared to other customers served by SJWC.

The Settling Parties participated in a formally noticed settlement conference on May 24, 2012, and continued with discussions and the exchange of draft settlement documents through June 1, 2012. Over the course of these communications, the Settling Parties resolved all the issues of concern to the Mutuals, which were reduced to writing in the form of this Settlement Agreement and the attached proposal for revisions to Tariff Schedule 1C.

B. Summary of the Proposed Settlement Agreement

The proposed Settlement Agreement resolves all issues contested by the Mutuals in this proceeding. This resolution strictly concerns rate design issues and will therefore not affect SJWC's revenue requirement, which remains subject to consideration in evidentiary hearings beginning June 4, 2012. As set forth in the Settlement Agreement, the contested components of SJWC's Mountain District's rate design resolved by the Settlement Agreement relate to: (1) service charges; (2) quantity rates; (3) the daily usage allocation and the related Overuse Rate; and (4) the Elevation Charge. Section 2.5 of this Settlement describes the Settling Parties' agreement with respect to the implementation of the rate design proposed by this Settlement Agreement. The terms of the agreed upon rate design, still applying current rates, also are set forth in the revised tariff sheets (the relevant portion of Schedule 1C appended to the Settlement Agreement as Attachment A). The rate elements reflected in the revised tariff sheets will eventually be replaced by the rates the Commission approves in this proceeding.

The Settlement Agreement describes the resolution of each settled issue and provides references to the testimony and exhibits of witnesses for the Settling Parties addressing the particular issue.

C. The Settlement is Reasonable and in the Public Interest.

Rule 12.1(d) of the Commission's Rules requires a settlement be "reasonable in light of the whole record, consistent with law, and in the public interest" in order to receive Commission approval. The proposed Settlement Agreement meets this threshold requirement. DRA and the Mutuals conducted comprehensive discovery with respect to the issues relevant to rate design for SJWC's Mountain District. SJWC responded to these various requests for discovery in the lead up to settlement negotiations. The Settling Parties met and discussed the contested issues in good faith, negotiated in defense of their respective positions, considered proposals to resolve the issues, and came to agreement on the terms of the Settlement Agreement as a compromise between the positions stated in testimony by SJWC and the Mutuals.

The Settling Parties believe that the thorough process described above has resulted in a settlement that reflects careful analysis and evaluation of the Application and an appropriate compromise of the Settling Parties' positions. Accordingly, the Settling Parties respectfully submit that the proposed Settlement Agreement, as Rule 12.1(d) requires, is reasonable in light of the whole record, consistent with law, and in the public interest.

D. The Settling Parties Have Complied with the Requirements of Rule 12.1(B).

Commission Rule 12.1(b) requires parties to convene at least one settlement conference, with notice and opportunity to all parties to participate, for the purpose of discussing settlements in the proceeding. Such notice is required to be provided at least seven (7) days before a settlement is signed. On May 14, 2012, counsel for DRA notified all parties on the service list in this proceeding of the time and place for a settlement conference, which was convened in a conference room at the Commission on the morning of May 24, 2012. Representatives of all parties attended and participated in the settlement conference. On the

date of this filing, the Settling Parties completed the execution of the Settlement Agreement, in compliance with the rules for notice and opportunity for participation set forth above.

E. Evidentiary Hearings Are Not Required.

There are no disputed issues of material fact related to the Settlement Agreement and, although it is not an all-party settlement, DRA does not oppose its terms. Therefore, the Settling Parties respectfully request that the Commission approve the Settlement Agreement without evidentiary hearings on these issues and expeditiously approve its terms.

F. Request For Relief.

As demonstrated above, the Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest. Therefore, the Mutuels and SJWC respectfully request that the Commission approve and adopt the Settlement Agreement, as attached hereto, without modification, by its decision in this proceeding.

Respectfully submitted on behalf of the Mutuels and SJWC,

Bob Burke
Director & Secretary
Brush & Old Well Mutual Water Company
Regulatory Liaison for the Six Mutuels

21103 Old Well Road
Los Gatos, CA 95033
Tel.: (408) 353-3573
E-mail: rburkeii@prodigy.net

NOSSAMAN LLP

By /S/ MARTIN A. MATTES
Martin A. Mattes
Mari L. Lane

50 California Street, 34th Floor
San Francisco, CA 94111-4799
Tel : (415) 398-3600
Fax: (415) 398-2438
E-mail: mmattes@nossaman.com

Attorneys for SAN JOSE WATER COMPANY

June 5, 2012

APPENDIX A

**JOINT SETTLEMENT AGREEMENT
OF THE SIX MUTUAL WATER COMPANIES
AND SAN JOSE WATER COMPANY
ADDRESSING MOUNTAIN DISTRICT RATE DESIGN**

**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 an Order
authorizing it to increase rates charged for water
service by \$47,394,000 or 21.51% in 2013; by
\$12,963,000 or 4.87% in 2014; and by
\$34,797,000 or 12.59% in 2015.

Application 12-01-003
(Filed January 3, 2012)

**JOINT SETTLEMENT AGREEMENT
OF THE SIX MUTUAL WATER COMPANIES
AND SAN JOSE WATER COMPANY
ADDRESSING MOUNTAIN DISTRICT RATE DESIGN**

JOINT SETTLEMENT AGREEMENT

1.0 INTRODUCTION

- 1.1 This Settlement is entered into as of the date listed below, by and among San Jose Water Company (“SJWC”) and the Six Mutual Water Companies (“Mutuals”)¹ (together, the “Settling Parties”). This Settlement resolves all of the issues raised by the Mutuals concerning SJWC’s pending general rate case (“GRC”) application, including especially SJWC’s rate design for the Mountain District as specified in Schedule No. 1C, General Metered Service – Mountain District.
- 1.2 On January 3, 2012, SJWC filed Application 12-01-003, seeking authorization to increase its rates and charges for water service throughout its service territory. This application proposed to maintain the existing rate design for the customers of SJWC taking water service in SJWC’s Mountain District. That rate design had last been reviewed and modified in Decision 09-11-032, adopted November 20, 2009, in SJWC’s last GRC, A.09-01-009.
- 1.3 On April 30, 2012, the Division of Ratepayer Advocates (“DRA”) of the Public Utilities Commission of the State of California (“Commission”) and the Mutuals submitted testimony raising and addressing issues relating to SJWC’s rate design and proposed rates for the Mountain District. In particular, the Mutuals were concerned about what they understood to be differences in the imposition of meter charges and quantity rates on mutual water companies in the Mountain District as compared to other customers served by SJWC.
- 1.4 In the course of a settlement conference held May 24, 2012, and in the days since that conference, the Settling Parties resolved all the issues of concern to the Mutuals in the manner set forth in greater detail below. This resolution strictly concerns rate design

¹ The six mutual water companies that entered appearances and participated jointly in the above-captioned proceeding are: Big Redwood Park Mutual Water Company, Brush & Old Well Mutual

Footnote continued on next page

issues and will therefore not affect SJWC's revenue requirement. Section 2.3 through 2.5 of this Settlement provides a comparison of SJWC's current rates in effect at the time of SJWC's filing and the agreed upon rate design (these tables do not reflect any surcharges and/or surcredits in effect from time to time). The terms of the agreed upon rate design, still applying current rates, also are set forth in the revised tariff sheets appended to this Settlement Agreement as Attachment A. The rate elements reflected in the revised tariff sheets will eventually be replaced by the rates approved by the Commission in this proceeding.

- 1.5 This Settlement resolves all issues contested by the Mutuels in this proceeding and provides benefits to SJWC customers. The Settling Parties believe that this Settlement, together with the materials presented on the formal record in this proceeding, provide the Commission with a sufficient basis for finding that the Settlement is reasonable, fair, and in the public interest.

2.0 RATE DESIGN FOR THE MOUNTAIN DISTRICT

A. Service Charges

- 2.1 The service charges placed in effect for service in the Mountain District will be the same service charges that are in effect for all SJWC's remaining customers and are as reflected on SJWC's Schedule 1, General Metered Service. The Mutuels agree that SJWC will hereafter charge one service charge to each of its customers that is a mutual water company based on the size of the meter by which the mutual water company is served.

References: Testimony of Bob Burke (Six Mutuels), pp. 10-11; Rebuttal Testimony of Palle Jensen (SJWC) to Direct Testimony of Six Mutuels, pp. 1-2 to 1-7.

Water Company, Mountain Summit Mutual Water Company, Oakmont Mutual Water Company, Ridge Mutual Water Company, and Villa Del Monte Mutual Water Company.

B. Quantity Rates

- 2.2 The Settling Parties agree that mutual water companies that are SJWC customers in the Mountain District shall be charged the Quantity Rates applicable to non-residential customers (“All Other Customers”) as specified in Tariff Schedule No. 1C for General Metered Service in the Mountain District, but subject to Special Condition 6 in that Schedule as noted in Section 2.3, below.

References: Testimony of Bob Burke (Six Mutuals), pp. 10-11; Rebuttal Testimony of Palle Jensen (SJWC) to Direct Testimony of Six Mutuals, pp. 1-2 to 1-7.

C. Daily Usage Allocation (Restriction)

- 2.3 Due to supply constraints that continue to affect SJWC’s provision of water service to the Mountain District and in consideration of the Interruptible Service Clause that remains included, as Special Condition 5, in SJWC’s tariff for the Mountain District, there is need to maintain the current use restriction of 500 gallons per day, or 15,000 gallons per month, which is roughly equivalent to 20 Ccf (14,960 gallons) per month, for each water service. This use restriction is implemented by means of an Overuse Rate of \$7.00 per Ccf, which generally applies to each customer’s monthly usage exceeding 20 Ccf. The Settling Parties agree that each SJWC customer in the Mountain District that is a mutual water company shall be entitled to a single quantity rate usage allocation per customer individually served by the mutual water company. Accordingly, the Overuse Rate will apply to a mutual water company’s monthly use of SJWC service above that volume, which is calculated as the number of customers individually served by the mutual water company multiplied by 20 Ccf.

References: Testimony of Bob Burke (Six Mutuals), pp. 10-11; Rebuttal Testimony of Palle Jensen (SJWC) to Direct Testimony of Six Mutuals, pp. 1-2 to 1-7.

D. Elevation Charge

- 2.4 The Elevation Charge specified in Special Condition 4 of Tariff Schedule No. 1C will be eliminated.

References: Testimony of Bob Burke (Six Mutuals), pp. 13-14; Rebuttal Testimony of Palle Jensen (SJWC) to Direct Testimony of Six Mutuals, pp. 1-8 to 1-9.

E. Implementation of the Settlement Rate Design

- 2.5 The rate design to which the Settling Parties have agreed is reflected in the revised sample Schedule 1C for General Metered Service in the Mountain District, which is appended to this Settlement Agreement as Attachment A. Except as noted in Paragraphs 2.1, 2.2, 2.3 and 2.4, above, the provisions of Schedule 1C will not be changed. The Settling Parties agree that the rates and charges set forth in Attachment A should be modified proportionately from the amounts stated therein in order to achieve the revenue requirement determined in accordance with the Commission's decision in this proceeding, except for the Overuse Rate, which the Settling Parties agree should be \$7.00 per Ccf. Revised rates are scheduled to become effective January 1, 2013, pending a timely Decision in this proceeding.
- 2.6 Barring a dramatic change to operating conditions for serving the Mountain District, or an unforeseen CPUC direction or order that SJWC should modify the Mountain District rate design, it is unlikely that SJWC would propose a revised rate design for the Mountain District only. Any structural rate design change applicable to the Schedule 1 – General Metered tariff most likely would apply to Schedule 1C as well, but this would probably not affect the settlement terms regarding Mountain District service charges or Mountain District elevation charges.

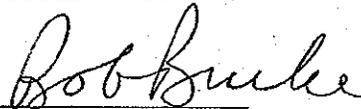
3.0 MISCELLANEOUS PROVISIONS

- 3.1 The signatories to this Joint Settlement personally and independently verify that all elements, including the attached tables are correct, complete, and internally consistent, to the best of their knowledge and ability.
- 3.2 Entering into this Settlement or approval of this Settlement by the Commission shall not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.

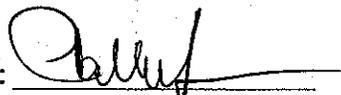
- 3.3 The Commission shall have jurisdiction over this Settlement. The Settling Parties agree that no legal action may be brought by SJWC or the Mutuals in any state or federal court or any other forum against any individual signatory representing the interests of any of the Settling Parties or any attorneys representing any of the Settling Parties involving any matter related to this Settlement.
- 3.4 The Settling Parties acknowledge that the positions expressed in this Settlement were reached after consideration of all positions advanced in testimony as well as during discovery and settlement negotiations. This Settlement embodies compromises of the Settling Parties' positions. This Settlement sets forth the entire understanding and agreement among the Settling Parties and may not be modified or terminated except through written assent by all Settling Parties.
- 3.5 Each individual executing this Settlement on behalf of any entity hereby warrants that he or she is authorized to execute this Settlement on behalf of said entity. The Settling Parties agree that no signatory to this Settlement, nor any officer, employee, or member of the Mutuals or SJWC, assumes any personal liability as a result of this Settlement.

Dated: June 4, 2012

SIX MUTUAL WATER COMPANIES

By: 
Bob Burke
Director & Secretary
Brush & Old Well Mutual Water Co. &
Regulatory Liaison, The Six Mutuals
21103 Old Well Rd.
Los Gatos, CA 95033

SAN JOSE WATER COMPANY

By: 
Palle Jensen
Senior Vice President,
Regulatory Affairs
San Jose Water Company
110 West Taylor Street.
San Jose, CA 95110

ATTACHMENT A

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)

Overuse Rates beyond 500 gallons per day limit (20 Ccf per month)

Residential Customers

For Total Monthly Usage from 0 to 13 Ccf.	\$2.6329
For Total Monthly Usage from 14 to 20 Ccf.	\$2.8953
For Total Monthly Usage over 20 Ccf.	\$7.0000

All Other Customers (subject to Special Condition 6 below)

For Total Monthly Usage from 0 to 20 Ccf	\$2.7221
For Total Monthly Usage over 20 Ccf.	\$7.0000

Service Charges:

Per Meter Per Month

For 3/4-inch meter	\$ 17.86
For 1-inch meter	\$ 29.75
For 1-1/2-inch meter	\$ 59.51
For 2-inch meter	\$ 95.22
For 3-inch meter	\$ 178.56
For 4-inch meter	\$ 297.62
For 6-inch meter	\$ 595.24
For 8-inch meter	\$ 952.40
For 10-inch meter	\$1369.08

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

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

Advice No. 434-B

PALLE JENSEN

Date Filed _____

Dec. No. D.09-11-032

Vice President,
Regulatory Affairs

Effective _____

Resolution No. _____

TITLE

Schedule No. 1C

GENERAL METERED SERVICE
Mountain District
(Continued)

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.
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. [Not used.]
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.

(To be inserted by utility)

Issued by

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

Advice No. 434-B

PALLE JENSEN

Date Filed _____

Dec. No. D.09-11-032

Vice President,
Regulatory Affairs

Effective _____

Resolution No. _____

TITLE

Schedule No. 1C

GENERAL METERED SERVICE
Mountain District
(Continued)

6. Each of the Mutual Water Companies served by San Jose Water Company in the Mountain District shall be charged one Service Charge, based on the Mutual's meter size. San Jose Water Company shall provide each of the Mutual Water Companies one single quantity rate usage allocation per customer individually served by the Mutual Water Company, as described under Quantity Rates per Ccf. above. Thus, each Mutual Water Company will be charged at the Single Quantity rate for usage up to 20 Ccf times the number of customers the Mutual Water Company individually serves, and will be charged at the Overuse Rate for usage in excess of 20 Ccf times the number of customers the Mutual Water Company individually serves.
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:

[TARIFF CONTINUES]

(To be inserted by utility)

Issued by

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

Advice No. 434-B

PALLE JENSEN

Date Filed _____

Dec. No. D.09-11-032

Vice President,
Regulatory Affairs

Effective _____

Resolution No. _____

TITLE