

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



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In the Matter of the Application of SAN JOSE WATER COMPANY (U 168 W) for an Order Authorizing it to increase the Water Rate Assistance Program funding surcharge and to institute an annual surcharge adjustment mechanism.

Application 13-06-008
(Filed June 6, 2013)

**JOINT MOTION OF THE
DIVISION OF RATEPAYER ADVOCATES
AND SAN JOSE WATER COMPANY
FOR ADOPTION OF SETTLEMENT AGREEMENT**

**THE DIVISION OF RATEPAYER
ADVOCATES**

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August 30, 2013

**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 the Water Rate Assistance Program funding surcharge and to institute an annual surcharge adjustment mechanism.

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DIVISION OF RATEPAYER ADVOCATES
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FOR ADOPTION OF SETTLEMENT AGREEMENT**

In accordance with Rule 12.1 *et seq.* of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), the Division of Ratepayer Advocates (“DRA”) and San Jose Water Company, Applicant in the above-captioned proceeding (“SJWC”), respectfully submit their Joint Motion for adoption of a Settlement Agreement, which is intended to resolve all outstanding issues in this proceeding and to define the terms for increasing the funding surcharge that SJWC collects for its Water Rate Assistance Program (“WRAP”). The Settlement Agreement is presented as Attachment A to this Joint Motion.

I. FACTUAL AND PROCEDURAL BACKGROUND

SJWC’s WRAP provides assistance to SJWC’s low-income customers through a discount on the total bill. Recently, the number of customers enrolled in WRAP has greatly increased, requiring SJWC to request an increase in the WRAP surcharge to balance the discrepancy between WRAP subsidies and revenues, which has resulted in under-collection in the WRAP balancing account.

A. The History and Present Status of SJWC's Water Rate Assistance Program

SJWC's WRAP has been in place since November of 2005. Authorized in Decision ("D.") 04-08-054, the WRAP provides a 15% discount on the total bill for low-income customers eligible for the program. The program is funded by a flat monthly surcharge applied to the bills of all non-WRAP participants. Between November 2005 and November 2012 participation in the program steadily increased from approximately 2,300 customers to approximately 8,000 customers, mainly due to SJWC's outreach efforts and due to the economic impacts of the 2008 financial crisis. In December 2012, SJWC began sharing low-income customer information with Pacific Gas and Electric Company ("PG&E"). The automatic enrollment of matched customers increased the number of WRAP participants from approximately 8,000 customers to more than 24,000 customers as of April 2013.

SJWC's WRAP is currently funded by a surcharge of \$0.20 per customer per month, applied to the bills of all non-WRAP customers. By the design of the program, the revenue from this surcharge should offset the subsidies provided to all WRAP customers. However, while WRAP participation levels have seen significant increases, the surcharge funding the program has not been adjusted since September of 2009. The current surcharge level of \$0.20 as established in September of 2009 was based on the number of WRAP customers, approximately 5,000, at that time. With approximately 24,400 customers as of April 2013, WRAP participation has increased by nearly 400% since the current surcharge was implemented. This discrepancy between WRAP subsidies and revenues has caused the associated WRAP balancing account to be consistently under-collected. This under-collection has substantially increased since data sharing with PG&E has pushed WRAP enrollment past the 24,000 customer mark.

B. The Course of the Present Application.

SJWC filed the present application on June 6, 2013, with service of supporting direct testimony.¹ In its application, SJWC requested, in order to bring WRAP revenues in balance with expenses and to provide a mechanism to avoid large under-collections and over-collections in the future, that the Commission authorize the following changes to the WRAP:

- Increase the WRAP surcharge from \$0.20 to \$1.15 per non-WRAP customer per month; and
- Implement a mechanism to allow an annual adjustment, via a Tier 1 Advice Letter, to the WRAP surcharge to reflect changes in program enrollment and rates.

DRA filed a protest on July 15, 2013, identifying issues to address in this proceeding, including, but not limited to, verification of one-time data sharing program implementation expenses, verification that ongoing operational costs are not already included in rates, and verification of accounting procedures to track low-income customers and WRAP's incremental costs. DRA and SJWC filed a Joint Prehearing Conference Statement on August 7, 2013, which noted that SJWC and DRA had held negotiations, had resolved the issues identified in DRA's Protest, and had agreed on the terms of a settlement.

A prehearing conference was held on August 12, 2013. The Scoping Memo and Ruling of the Assigned Commissioner ("Scoping Memo"), issued August 23, 2013, identified the parties (SJWC and DRA) and confirmed the adopted schedule and that evidentiary hearings are not necessary. The Scoping Memo also defined the proceeding issues as including: whether the proposed surcharge increase from \$0.20 to \$1.15 per non-WRAP

¹ Exhibits SJWC-1 and SJWC-2 (Owens/SJWC).

customer per month is reasonable and should be approved; whether the creation of an annual program surcharge adjustment mechanism is reasonable and should be approved; verification of one-time data sharing program implementation expenses; verification that ongoing operational costs are not currently included in customer rates; and, verification of accounting procedures to track the number of low-income customers and the program's incremental costs.

DRA and SJWC engaged in good faith settlement negotiations regarding these issues. SJWC provided documentation verifying to DRA's satisfaction that the one-time data sharing program implementation costs are properly recorded in SJWC's Data Sharing Cost Tracking Memorandum Account and not in the WRAP balancing account, that ongoing operational costs are not fully included in customer rates, and that SJWC's accounting procedures for tracking the number of low-income customers and the program's incremental costs are adequate. The terms of the resulting Settlement Agreement are summarized in Section III of this Joint Motion below and the Settlement Agreement is provided as Attachment A to this Joint Motion.

III. THE SETTLEMENT TERMS AND CONDITIONS

SJWC proposed an increase in its WRAP surcharge to balance its WRAP subsidy allowances with its revenues in light of the significant increase in customer participation in the WRAP since the Commission issued SJWC's last surcharge increase in 2009. SJWC's requested surcharge of \$1.15 is based on the number of WRAP customers, the average bill for a WRAP customer, and WRAP expenses.

DRA closely examined SJWC's accounting for WRAP expenses and DRA agrees that SJWC's request for an increase in the WRAP surcharge from \$0.20 to \$1.15 per non-WRAP customer per month is appropriate. The parties addressed DRA's concerns regarding

the verification of ongoing program expenses by agreeing that SJWC would institute a program to audit and verify, on an ongoing basis, the eligibility of WRAP customers who are not a “hard match” with PG&E’s CARE program, meaning that their names and addresses do not match those of any individual enrolled in CARE. DRA, however, was critical of SJWC’s request that the Commission authorize a mechanism to allow an annual adjustment to the WRAP surcharge. The adopted terms of settlement satisfy DRA’s concern by eliminating this request.

Specifically, the parties agree to the following terms:

- The WRAP surcharge shall be increased from \$0.20 to \$1.15, implemented by a Tier 1 advice letter filing, in order to address the existing discrepancy between WRAP subsidies and revenues, which has resulted in under-collection in the WRAP balancing account.
- SJWC shall not implement a mechanism to provide for an annual adjustment to the WRAP surcharge to reflect changes in program enrollment and rates.
- SJWC shall establish a program to audit and verify, on an ongoing basis, the eligibility of its WRAP customers who are not a “hard match” with any individual enrolled in PG&E’s CARE program, based on comparison of surnames and addresses. SJWC will report on the findings of this process in its next General Rate Case, scheduled to be filed in January of 2016.

IV. THE SETTLEMENT AGREEMENT MEETS THE COMMISSION’S CRITERIA FOR APPROVAL OF SETTLEMENTS.

Pursuant to Rule 12.1(d), the Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. The Settlement Agreement proposed in this proceeding meets all those criteria.

A. The Settlement Is Reasonable in Light of the Whole Record.

The Commission has a well-established policy favoring settlements of disputes that are fair and reasonable in light of the whole record. This policy reduces the expense of litigation, conserves scarce Commission resources, and allows parties to “reduce the risk that litigation will produce unacceptable results.”² The Commission has held that the Parties’ evaluation should carry material weight in the Commission’s review of a settlement.³

In this case, the proposed Settlement is reasonable in light of the whole record because it reflects the Parties’ recognition of the significant benefits of the WRAP and the fact that this program has drastically expanded since the Commission last authorized an amount for the WRAP surcharge. The prepared testimony of SJWC witness Owens, provided as Attachment B to this Joint Motion, documents the history of the WRAP, the rapid increase in the number of WRAP customers since the implementation of data sharing with PG&E, and the appropriateness of a \$1.15 monthly surcharge to cover the revenue effect of the WRAP surcharge. The audit and verification program provided for in the proposed Settlement satisfies DRA’s concern that the expenses associated with WRAP be warranted.

B. The Settlement Agreement Is Consistent With the Law.

The Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement. The issues resolved in the Settlement are within the scope of the proceeding. The Parties have entered into the

² D.11-06-023, *In the Matter of the Application of Golden State Water Company on Behalf of its Bear Valley Electric Service Division (U913E), for Approval of RPS Contract with BioEnergy Solutions, LLC, and for Authority to Recover the Costs of the Contract in Rates*, 2011 Cal. PUC LEXIS 330, *17-18.

³ D.00-09-034, *Order Instituting Investigation into the operations and practices of the Southern California Gas Company, concerning the accuracy of information supplied to the Commission in connection with its Montebello Gas Storage Facility*, 2000 Cal. PUC LEXIS 694, *29, 31.

Settlement Agreement voluntarily and upon review and advice by their respective legal counsel and technical staff. The Commission's approval and adoption of the Settlement will not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding, nor as any statement of precedent or policy of any kind for any purpose in any current or future proceedings. Finally, the Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of the proposed Settlement, either Party to the Settlement Agreement has the right to withdraw. The Parties therefore believe the Settlement is fully consistent with the law.

C. The Settlement Agreement Is in the Public Interest.

Compared to a complete evidentiary hearing on all issues, the Settlement achieves a significant savings in time, resources, and expense for both DRA and SJWC and for the Commission as well. As required by the Commission's Rules, the Parties properly noticed a settlement conference, which was held on August 15, 2013. As noted earlier in this Joint Motion, the Parties engaged in settlement negotiations, culminating in a successful outcome. The Parties fully considered the facts and the law relevant to this case, and reached reasonable compromises on the issues. An evidentiary hearing and briefing on all issues could have resulted in a different result but not necessarily a better one for ratepayers, the utility, or the public at large.

The Settlement Agreement is mutually beneficial to both SJWC and its ratepayers. Approval of the settlement terms will enable SJWC to resolve the chronic under-collection in its WRAP balancing account by balancing WRAP revenues and subsidies. The WRAP assists SJWC's low-income customers, an end that the Commission has emphasized as being in the

public interest.⁴ Also, the audit program will help ensure that WRAP funds are used to benefit only those customers who require and are eligible for the benefit of the program. Because the Settlement Agreement provides for funding for a program that is designed to benefit low-income customers while ensuring that WRAP benefits are justified, it strongly advances the public interest.

V. CONCLUSION

DRA and SJWC jointly sponsor this Joint Motion and the accompanying Settlement Agreement as reasonable, consistent with the law, and in the public interest. For the reasons stated herein, the Parties respectfully request that the Commission approve the Settlement Agreement, increasing SJWC's WRAP surcharge, as expeditiously as possible.

Respectfully submitted,

THE DIVISION OF RATEPAYER
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August 30, 2013

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Attorneys for SAN JOSE WATER COMPANY

⁴ D.04-08-054, *Opinion on San Jose Water Company's General Rate Case Request for Test Years 2004 and 2005*, 28 (finding that the settlement terms that established SJWC's low-income customer program were reasonable and that the settlement was in the public interest).

ATTACHMENT A

ATTACHMENT A

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 the Water Rate
Assistance Program funding surcharge and to
institute an annual surcharge adjustment
mechanism.

Application 13-06-008
(Filed June 6, 2013)

SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES AND SAN JOSE WATER COMPANY

I. INTRODUCTION

1. Pursuant to Article 12 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), the Division of Ratepayer Advocates (“DRA”) and San Jose Water Company (“SJWC”), referred to together as “the Parties,” have agreed on the terms of this Settlement Agreement which they now submit for review, consideration, and approval by Administrative Law Judge Kelly A. Hymes and the Commission. This Settlement Agreement resolves all outstanding issues in this proceeding.

2. This Settlement Agreement is the product of a process of direct negotiation between the Parties. Consistent with Rule 12.1(b), notice of the August 15, 2013 settlement conference was provided to all parties to the proceeding on August 7, 2013, in the Joint Prehearing Conference Statement. The Settlement Agreement is presented as an all-party settlement.

3. Specific terms resolving issues presented in this proceeding are set forth in Section III below.

II. FACTUAL AND PROCEDURAL BACKGROUND

1. SJWC's WRAP has been in place since November of 2005. Authorized in Decision ("D.") 04-08-054, the WRAP provides a 15% discount on the total bill for low-income customers eligible for the program. The program is funded by a flat monthly surcharge applied to the bills of all non-WRAP participants. Between November 2005 and November 2012 participation in the program steadily increased from approximately 2,300 customers to approximately 8,000 customers, mainly due to SJWC's outreach efforts and due to the economic impacts of the 2008 financial crisis. In December 2012, SJWC began sharing low-income customer information with Pacific Gas and Electric Company ("PG&E"). The automatic enrollment of matched customers increased the number of WRAP participants from approximately 8,000 customers to approximately 24,200 customers. Since that time, WRAP participation increased to approximately 24,400 customers as of April 2013.

2. SJWC's WRAP is currently funded by a surcharge of \$0.20 per customer per month, applied to the bills of all non-WRAP customers. By the design of the program, the revenue from this surcharge should offset the subsidies provided to all WRAP customers.

However, while WRAP participation levels have seen significant increases the surcharge funding the program has not been adjusted since September of 2009. The current surcharge level of \$0.20 as established in September of 2009 was based on the number of WRAP customers, approximately 5,000, at that time. With approximately 24,400 customers as of April 2013, WRAP participation has increased by nearly 400% since the current surcharge was implemented. This discrepancy between WRAP subsidies and revenues has caused the associated WRAP balancing account to be consistently under-collected. This under-collection has substantially increased since data sharing with PG&E has pushed WRAP enrollment past the 24,000 customer mark.

3. SJWC filed the present application on June 6, 2013, with service of supporting direct testimony. In its application, SJWC requested, in order to bring WRAP revenues in balance with expenses and to provide a mechanism to avoid large under-collections and over-collections in the future, that the Commission authorize the following changes to the WRAP: increase the WRAP surcharge from \$0.20 to \$1.15 per non-WRAP customer per month; and, implement a mechanism to allow an annual adjustment, via a Tier 1 Advice Letter, to the WRAP surcharge solely to reflect changes in program enrollment and rates.

4. DRA filed a protest on July 15, 2013, identifying issues to address in this proceeding, including, but not limited to, verification of one-time data sharing program implementation expenses, verification that ongoing operational costs are not already included in rates, and verification of accounting procedures to track low-income customers and WRAP's incremental costs. DRA and SJWC filed a Joint Prehearing Conference Statement on August 7, 2013, which noted that SJWC and DRA had held negotiations, had

resolved the issues identified in DRA's Protest, and had agreed on the terms of a settlement.

5. A prehearing conference was held on August 12, 2013. The Scoping Memo and Ruling of the Assigned Commissioner ("Scoping Memo"), issued August 23, 2013, identified the parties (SJWC and DRA), and confirmed the adopted schedule and that evidentiary hearings are not necessary. The Scoping Memo also defined the proceeding issues as including: whether the proposed surcharge increase from \$0.20 to \$1.15 per non-WRAP customer per month is reasonable and should be approved; whether creation of an annual program surcharge adjustment mechanism is reasonable and should be approved; verification of one-time data sharing program implementation expenses; verification that ongoing operational costs are not currently included in customer rates; and, verification of accounting procedures to track the number of low-income customers and the program's incremental costs.

6. DRA and SJWC engaged in good faith settlement negotiations. That effort included provision by SJWC of documentation verifying to DRA's satisfaction that the one-time data sharing program implementation costs are properly recorded in SJWC's Data Sharing Cost Tracking Memorandum Account and not in the WRAP balancing account, that ongoing operational costs are not fully included in customer rates, and that SJWC's accounting procedures for tracking the number of low-income customers and the program's incremental costs are adequate. The settlement negotiations resulted in agreement on the terms of this Settlement Agreement.

NOW, THEREFORE, in consideration of the foregoing recitation of facts and events, and on the basis of the information presented in SJWC's Application and the testimony of expert witnesses for both SJWC and DRA, SJWC and DRA hereby agree to the following terms of settlement:

III. TERMS OF SETTLEMENT

A. **WRAP Surcharge.** The WRAP surcharge shall be increased from \$0.20 to \$1.15, by a Tier 1 advice letter filing, in order to address the existing discrepancy between WRAP subsidies and revenues, which has resulted in under-collection in the WARP balancing account.

B. **Elimination of the Annual Adjustment Mechanism.** SJWC shall not implement a mechanism to provide for an annual adjustment to the WRAP surcharge to reflect changes in program enrollment and rates.

C. **Audit and Verification Program.** SJWC shall establish a program to audit and verify, on an ongoing basis, the eligibility of its WRAP customers who are not a "hard match" with any individual enrolled in PG&E's CARE program, based on comparison of surnames and addresses. SJWC will report on the findings of this process in its next General Rate Case, scheduled to be filed in January of 2016.

IV. MISCELLANEOUS PROVISIONS

1. The signatories to this Settlement Agreement personally and independently verify that all elements of this Settlement Agreement are correct, complete, and internally consistent, to the best of their knowledge and belief.

2. Entering into this Settlement Agreement 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. The Commission shall have jurisdiction over this Settlement Agreement. The Parties agree that no legal action may be brought by SJWC or DRA in any state or federal court, or any other forum, against any individual signatory representing the interests of any of the Parties, or any attorneys representing any of the Parties involving any matter related to this Settlement Agreement.

4. The Parties acknowledge that the terms of this Settlement Agreement were reached after consideration of all positions advanced in prior submissions as well as during settlement negotiations. This Settlement Agreement embodies compromises of the Parties' positions.

5. This Settlement Agreement sets forth the entire understanding and agreement between the Parties, and may not be modified or terminated except by written assent of both Parties.

6. The Parties agree that no signatory to this Settlement Agreement, nor any officer or employee of SJWC or DRA, assumes any personal liability as a result of this Settlement Agreement. The rights and remedies of the Parties with respect to the Settlement Agreement are limited to those available before the Commission.

7. The Parties agree to support the Settlement Agreement and to use their best efforts to secure Commission approval of the Settlement Agreement in its entirety and without modification.

8. The Parties agree that if the Commission adopts a Decision with respect to the Settlement Agreement that fails to approve the Settlement Agreement in its entirety, the Parties shall be released from their obligation to support the Settlement Agreement.

9. This Settlement shall be governed by the laws of the State of California as to all matters, including, but not limited to matters of validity, construction, effect, performance and remedies.

V. EXECUTION

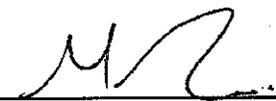
1. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

2. By signing below, each signatory for a Party represents and warrants that he or she is authorized to execute this Settlement Agreement on such Party's behalf and thereby bind such Party to the terms of the Settlement Agreement.

3. This Settlement Agreement shall become binding and effective as of the date it has been fully executed by both of the Parties.

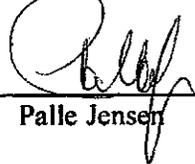
Respectfully submitted,

DIVISION OF RATEPAYER ADVOCATES

By: 
Matthew Marcus

Its: Assistant Director

SAN JOSE WATER COMPANY

By: 
Palle Jensen

Its: Senior Vice President,
Regulatory Affairs

August 29, 2013

ATTACHMENT B

San Jose Water Company

Application No. 03-05-035

Exhibit SJWC-1

Witness Stephen Wesley Owens

Date May 24, 2013

TESTIMONY OF STEPHEN WESLEY OWENS
REGARDING
MODIFICATION TO SAN JOSE WATER COMPANY'S
WATER RATE ASSISTANCE PROGRAM (WRAP)

TESTIMONY OF STEPHEN WESLEY OWENS
REGARDING
MODIFICATION TO SAN JOSE WATER COMPANY'S
WATER RATE ASSISTANCE PROGRAM

A. Introduction

1. San Jose Water Company's (SJWC) Water Rate Assistance Program (WRAP) was originally implemented in November of 2005 in compliance with Commission Decision (D.) 04-08-054. The WRAP allowed for a a 15% discount on the total bill for the low-income customers who were eligible for the program. At the time of implementation the WRAP was funded through a monthly surcharge of \$0.41 per connection charged to all non-WRAP participants. At the time of the WRAP implementation, and in accordance with the adopted settlement with the Office of Ratepayer Advocates (ORA), SJWC opened a WRAP balancing account to which all revenue and expenses associated with the program have subsequently been booked for later recovery or refund.

2. Since the original WRAP implementation, the monthly surcharge has been adjusted, with Commission authorization, from \$0.41 to \$0.10 per customer per month in November of 2006 and then to \$0.20 per customer per month in September of 2009. The monthly WRAP surcharge has remained at \$0.20 since that time. However, since 2009 the number of WRAP participating customers has increased dramatically from approximately 5,000 participants to approximately 24,400 participants, with no offsetting increase to the \$0.20 surcharge. Due to this increased participation without an offsetting increase to the program funding surcharge, the WRAP balancing account is increasingly under-collected.

3. In response to the growth in participation in WRAP, SJWC seeks to adjust the WRAP funding surcharge to \$1.15 per connection per month for all non-WRAP participants. Further, in order to avoid future unscheduled adjustments brought about by increases and decreases in WRAP participation, SJWC seeks to implement an annual surcharge adjustment. These proposals are outlined in the testimony below.

B. WRAP History

4. SJWC's WRAP was originally implemented pursuant to a settlement adopted between SJWC and the Office of Ratepayer Advocates (since renamed to the Division of Ratepayer Advocates, or DRA) in D.04-08-054 - Opinion on San Jose Water Company's General Rate Case Request for Test Years 2004 and 2005. The adopted settlement provided for: 1) A 15% discount on the total bill for eligible WRAP customers; 2) Automatic enrollment for customers enrolled in PG&E's CARE low-income rate assistance program; 3) Extension of eligibility to customers not enrolled in PG&E's CARE program, but who are otherwise eligible; 4) Extension of eligibility to customers in mobile home parks behind master meters; 5) Establishment of a WRAP balancing account to which all revenue and expenses associated with the program would be booked for later recovery or refund; and 6) A \$0.41 per connection per month surcharge to fund the program. The WRAP was implemented in November of 2005 via Advice Letter.

5. The monthly surcharge of \$0.41 per connection was based on an estimate of 16,500 participants. This was an estimate of the total number of customers who may have qualified for the program and was based on 2000 census data and information provided by PG&E. One year after the initial WRAP implementation, and despite SJWC's outreach efforts, only 2,300 customers were enrolled in the program. Therefore, in November of 2006 SJWC received CPUC authorization to reduce the surcharge being collected from non-qualifying customers from \$0.41 per month to \$0.10 per customer per month.

6. By July of 2009 the number of WRAP participants had increased to nearly 5,000 customers. In response to this increase, and with CPUC approval, SJWC adjusted the surcharge from \$0.10 to \$0.20 per customer per month. The WRAP surcharge has remained at \$0.20 since that time.

C. Increase in WRAP Participation

7. As of January 1, 2010 there were approximately 6,300 participants in the WRAP program. Since that time program participation has grown by approximately 300% and, as of April 2013, there are approximately 24,400 WRAP participants. This increase is due in part to the ongoing effects of the 2008 Financial Crisis and SJWC's ongoing outreach

efforts. However, the primary driver behind the dramatic increase is the implementation of low-income customer information sharing efforts with PG&E.

8. Decision (D.) 11-05-020, Decision Adopting Guidelines for Sharing of Low-Income Customer Information, was adopted by the CPUC on May 5, 2011. This Decision directed Class A and B regulated water utilities with low-income assistance programs to develop a data sharing program with regulated energy utilities in which the utilities share Customer Data of those customers enrolled in low-income assistance programs. Regulated water utilities were directed to match data received from regulated energy utilities to effectively ascertain customer eligibility for enrollment in low-income assistance programs. Any customers whose surname and address were successfully matched and were identified as eligible for the low-income program were automatically enrolled in the program. These customers were provided with "opt-out" letters, notifying the customers of their automatic enrollment in the low-income program, and providing them an opportunity to opt-out of the program.

9. Upon the Commission's adoption of D.11-05-020, SJWC began working with PG&E to implement low-income customer data sharing. PG&E is the sole Commission-regulated energy utility for SJWC's service area. Data sharing with PG&E was fully implemented by the end of 2012. SJWC received information for approximately 86,400 PG&E CARE customers within SJWC's service area. Of these, approximately 21,400 were matches to SJWC customers. Based on the information provided in the data sharing process with PG&E, SJWC automatically enrolled approximately 16,200 newly identified customers into the WRAP. This automatic enrollment brought about an almost immediate 200% increase in WRAP participants, from approximately 8,000 participants pre-data sharing to approximately 24,200 post-data sharing participants.

10. WRAP enrollment has increased steadily since data sharing was implemented, and, as noted above, enrollment stands at approximately 24,400 as of April 2013. SJWC anticipates that enrollment will continue to increase in the near future as bi-ennial data sharing and SJWC's outreach efforts continue.

D. WRAP Surcharge

11. Although WRAP participation levels have dramatically increased, the surcharge funding the program has remained constant at \$0.20 per customer per month since September of 2009. SJWC tracks all expenses and revenues related to the program in a WRAP Balancing Account. The WRAP Balancing Account has historically been under-collected (*i.e.*, expenses are higher than program revenues collected) since the funding surcharge was set at \$0.20 per customer per month. Table 1 below provides the annual WRAP Balancing Account cumulative balance with interest since implementation of the \$0.20 per customer per month surcharge.

**TABLE 1:
 WRAP BALANCING ACCOUNT ANNUAL BALANCE SINCE IMPLEMENTATION
 OF \$0.20 PER CUSTOMER PER MONTH SURCHARGE**

| Year | WRAP Revenue w/ interest | WRAP Expenses w/ interest | Over-Collection or (Under-Collection) |
|----------------------|-----------------------------|------------------------------|--|
| 2009 (Oct – Dec) | \$132,657 | \$129,909 | \$2,748 |
| 2010 | \$527,041 | \$592,784 | (\$65,742) |
| 2011 | \$519,011 | \$690,030 | (\$171,019) |
| 2012 | \$511,417 | \$845,653 | (\$334,236) |
| 2013 (through April) | \$165,421 | \$709,898 | (\$544,476) |

It is apparent from **Table 1** that the \$0.20 surcharge was sufficient to fund the program in the immediate aftermath of the surcharge increase. However, as reflected in the table, the WRAP has become more seriously under-funded every year as program participation has increased.

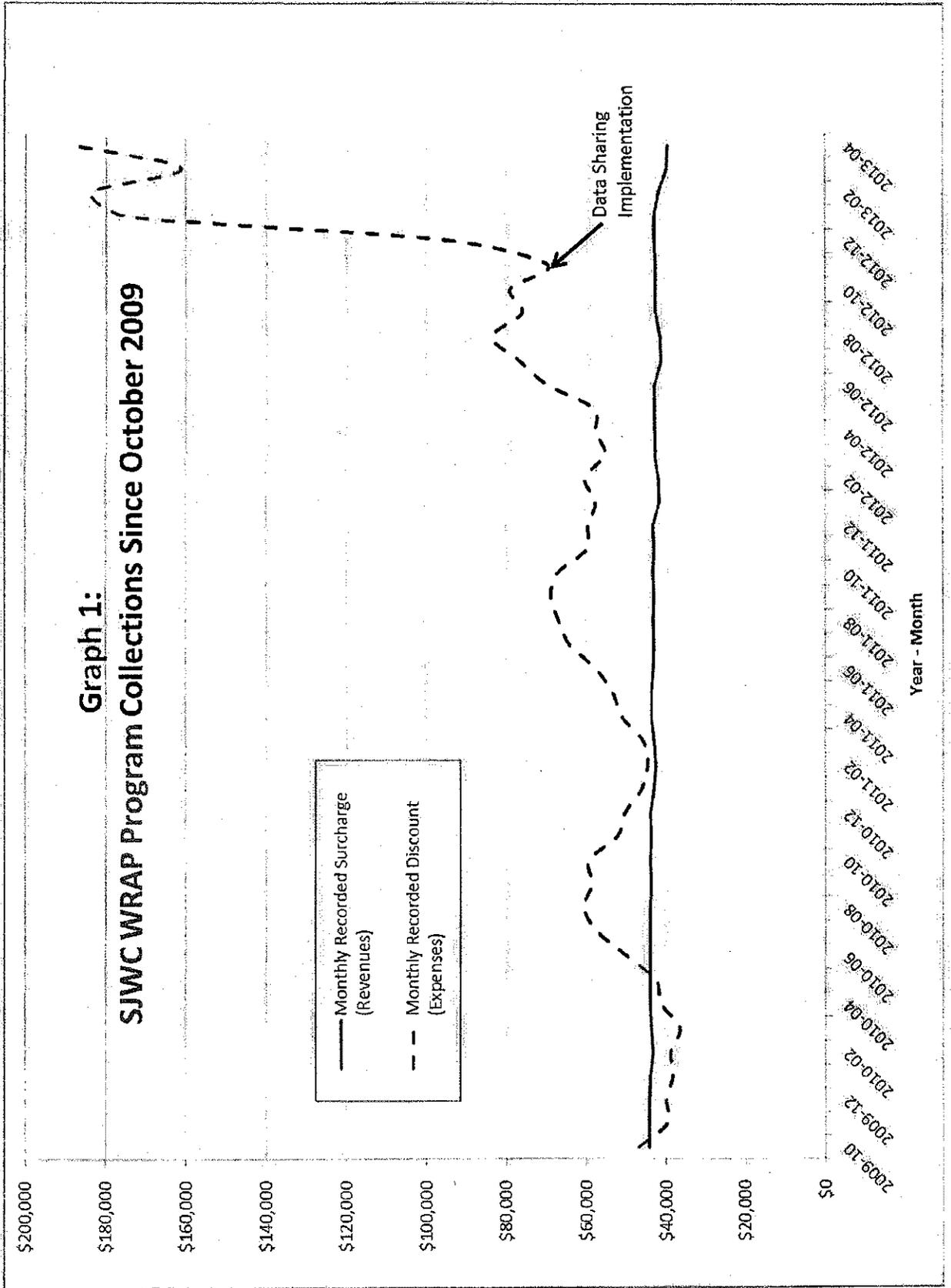
12. The discrepancy between WRAP funding revenues and the subsidies is further detailed in **Graphs 1 and 2** below. **Graph 1** is a graph of total monthly recorded surcharges (*i.e.*, revenues) and subsidies (*i.e.*, expenses) since implementation of the \$0.20 per customer per month surcharge. It is clear from this Graph that recorded subsidies were mostly lower than recorded surcharges for the first 7 to 8 months after the surcharge was changed. However, from June of 2010 on, the subsidies were consistently higher than the surcharges,

making the system under-funded. This under-funding was exacerbated over time as WRAP participation increased and then exploded with the implementation of data sharing in late 2012.

13. Graph 2 is a graph with the same recorded surcharges and subsidies along with the cumulative under-collected balance (without interest).¹ This graph shows the nearly exponential increase in the cumulative under-collection of SJWC's WRAP. If the trend of increased WRAP participation continues, the program will only become even more seriously under-funded in the future.

¹The "Cumulative Under-Collection (without interest)" is the cumulative difference between revenues and expenses and is shown for informational purposes only. It is not the cumulative balance tracked in the WRAP Balancing Account. The cumulative balance in the Balancing Account is tracked on an annual basis and includes a Commission authorized interest carrying cost.

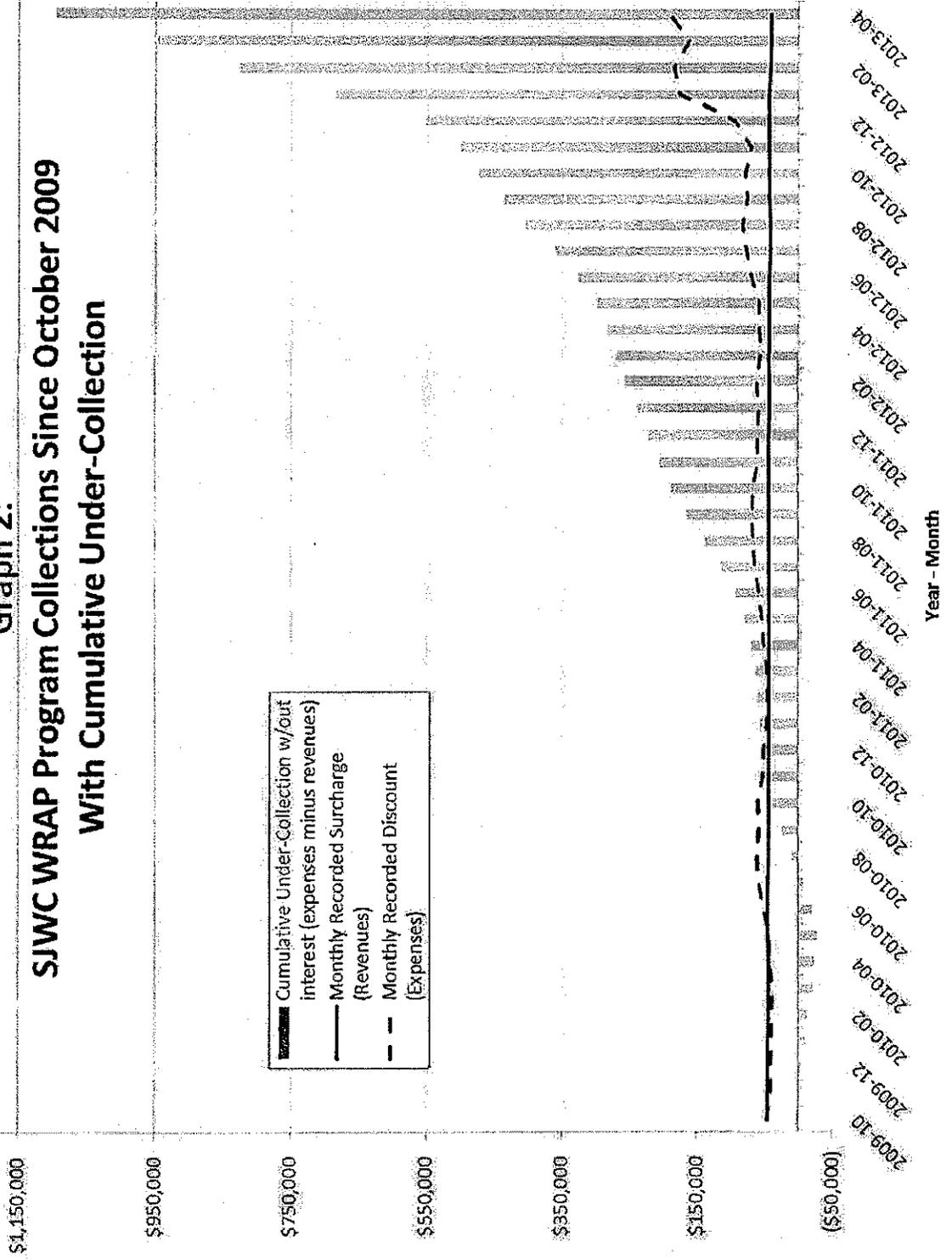
Graph 1:
SJWC WRAP Program Collections Since October 2009



Year - Month

Graph 2:
SJWC WRAP Program Collections Since October 2009
With Cumulative Under-Collection

■ Cumulative Under-Collection w/out
interest (expenses minus revenues)
— Monthly Recorded Surcharge
(Revenues)
- - Monthly Recorded Discount
(Expenses)



14. In order to attain a balance between WRAP revenues and expenses, and thus to keep the program funded on a pay as you go basis, SJWC proposes to increase the WRAP surcharge to \$1.15 per customer per month. This surcharge is calculated as shown below:

$$\text{WRAP Surcharge} = \frac{\# \text{ WRAP Customers} \times \text{Avg Bill} \times 15\% + \text{WRAP Expenses}}{\# \text{ of Non-WRAP Customers}}$$

In this equation the “# of WRAP Customers” and the “# of Non-WRAP Customers” are the number of customers in the program and total customers in SJWC’s service area as of April 2013. The “Average Bill” is the bill for the average residential customer using 15 ccf per month for rates effective as of April 2013. The “WRAP Expenses” are expenses related to running the program including preparation and translation of notification and application forms, which are estimated based on the three year average 2010 to 2012 for such expenses. The workpapers for the WRAP surcharge calculation are included in **Attachment 1** to this testimony.

E. Annual WRAP Surcharge Adjustment

15. Although SJWC anticipates that WRAP participation will increase in the near future, there is no way to accurately estimate participation levels through the end of 2013, let alone year-over-year changes in the future. Annual adjustments to the WRAP surcharge are necessary to mitigate both under-collections and over-collections brought about by increases and decreases in WRAP participation. On an annual basis SJWC will re-calculate the WRAP surcharge based on the number of participants in the program and the authorized rates in effect as of January 1st using the same methodology as proposed in Section D above. The updated surcharge will become effective on March 1st via a Tier 1 Advice Letter.

16. It should be noted that SJWC’s WRAP Balancing Account is used to track both under-collection and over-collection in the WRAP. Under-collection occurs when expenses exceed revenues, as is currently the case. An under-collection is typically collected from customers via a surcharge. Over-collections occur when revenues exceed expenses. An over-collection is typically refunded to customers via a sur-credit. Thus, even in years where the calculation methodology doesn’t accurately estimate the WRAP surcharge the balance

will be trued up via the WRAP Balancing Account. However, the proposed annual adjustment is necessary to eliminate both dramatic over-, and under-, collections.

F. Conclusion

17. SJWC's WRAP has been in place since November of 2005. Between November 2005 and November 2012 participation in the program steadily increased from approximately 2,300 customers to approximately 8,000 customers mainly due to SJWC's outreach efforts and due to the economic impacts of the 2008 financial crisis. In December 2012 SJWC began sharing low-income customer information with PG&E. The automatic enrollment of matched customers dramatically increased the number of WRAP participants almost instantaneously. Due solely to low-income data sharing WRAP participation increased by 200% from approximately 8,000 customers to approximately 24,200 customers. Since that time WRAP participation has continued a steady increase and program participation stands at approximately 24,400 customers as of April 2013.

18. Although WRAP participation has dramatically increased over the years, the funding mechanism for the program has remained relatively unchanged. Since September 2009 the funding surcharge has remained constant at \$0.20 per customer per month while program participation has increased by nearly 400% from 5,000 customers to 24,400 customers. This has led to the program being dramatically under-funded on a consistent basis. To put the program funding back into balance SJWC proposes to increase the funding surcharge to \$1.15 per non-WRAP customer per month. Further, in order to mitigate both under-collections and over-collections brought about by increases and decreases in WRAP participation SJWC proposes to implement annual adjustments to the WRAP surcharge. Under this proposal the WRAP surcharge would be calculated using the same methodology as proposed above and the updated surcharge would become effective on March 1st of each year via a Tier 1 Advice Letter.

San Jose Water Company

Application No. 03-05-035

Exhibit SJWC-2

Witness Stephen Wesley Owens

Date May 24, 2013

QUALIFICATIONS OF STEPHEN WESLEY OWENS

QUALIFICATIONS OF STEPHEN WESLEY OWENS

My name is Stephen Wesley Owens. My business address is 110 West Taylor Street, San Jose, California 95110.

I have been the Manager of Regulatory Affairs for San Jose Water Company (SJWC) since October of 2010. In my current position I am responsible for determining regulatory policies and developing regulatory strategies, directing and administering applications and filings with the California Public Utilities Commission (CPUC), and working with SJWC staff to ensure understanding of, and compliance with, CPUC rules and regulations.

Prior to my time at SJWC, I worked as a Utilities Engineer with the CPUC's Division of Ratepayer Advocates – Water Branch. In this role I participated in GRC proceedings as an expert witness on various issues including Utility Plant in Service, Depreciation, Ratebase, Rate Design, and Customer Sales and Forecasts. I served as both a witness and as a project manager on multiple proceedings. Additionally, I have prior professional experience as civil design consultant. I worked with public agencies and private entities on the design and construction of residential and commercial developments as well as utility infrastructure improvement projects.

I graduated from the University of California at Davis with a Bachelors of Science degree in Civil Engineering in June of 2003. I received a Master of Business Administration from the University of California at Davis Graduate School of Management in June of 2008. I am a licensed Professional Engineer as well as a certified D2 Water Distribution Operator and a certified T2 Water Treatment Operator in the State of California.

I have previously submitted testimony before the California Public Utilities Commission.