PROPOSED DECISION

Agenda ID #14835 (Rev. 1)
Ratesetting
6/9/2016 Item 3

Decision **PROPOSED DECISION OF ALJ TSEN** (Mailed 4/22/2016)

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 $34,928,000 or 12.22% in 2016, by $9,954,000 or 3.11% in 2017, and by $17,567,000 or 5.36% in 2018.	Application 15-01-002 (Filed January 5, 2015)

DECISION APPROVING TWO PARTIAL SETTLEMENTS, RESOLVING DISPUTED ISSUES AND ADOPTING REVENUE REQUIREMENTS FOR SAN JOSE WATER COMPANY

(See Attachment A for a list of Appearances)

Table of Contents

Title **Page**

DECISION APPROVING TWO PARTIAL SETTLEMENTS, -
RESOLVING DISPUTED ISSUES AND ADOPTING REVENUE REQUIREMENTS
FOR SAN JOSE WATER COMPANY 1
Summary 2
1. Procedural History 2
2. Settlement Agreements ~~4~~3
2.1. Standards of Review for Settlement Agreements ~~4~~3
2.1.1. General Standard of Review ~~4~~3
2.1.2. Commission Rules on Settlements 4
2.2. Settled Issues 5
2.2.1. July 24, 2015 Settlement Agreement 5
2.2.1.1. Utility Plant Additions 6
2.2.1.1.1. Source of Supply – Sites for Replacement Wells 6
2.2.1.1.2. Reservoirs and Tanks – Contingency Factor ~~7~~6
2.2.1.1.3. Pump Stations and Equipment ~~7~~6
2.2.1.1.4. Distribution System ~~8~~7
2.2.1.1.5. Equipment 9
2.2.1.1.6. Vehicles ~~10~~9
2.2.1.2. Balancing and Memorandum Accounts 9
2.2.1.3. Undisputed Items 10
2.2.2. August 13, 2015 Supplemental Settlement Agreement ~~10~~11
2.2.3. Discussion and Conclusion ~~11~~12
3. Disputed Issues between SJWC and ORA 13
3.1. Revenue Decoupling – Water Revenue Adjustment Mechanism (WRAM)/ Modified Cost Balancing Account (MCBA) 13
3.2. WRAM-Related Conservation Programs ~~15~~16
3.3. Payroll Expenses 18
3.3.1. Escalation Factors and Methodology 18
3.3.2. New Positions 20
3.3.3. Temporary and Part -Time Positions 21
3.3.4. Bonuses for Officers and Managers 22
3.3.5. Overtime Expense 24
3.4. Regulatory Expense ~~25~~24
3.5. Corporate Expense 26

Table of Contents
(Cont'd)

Title **Page**

3.6. Payroll Taxes ~~27~~26
3.7. Memorandum Accounts to Record Prior Years' Tax Credits 28
3.8. Health Care Cost Balancing Account 32
4. Disputed Issues between SJWC and The Mutuals 34
4.1. Elimination of the Mountain District and the Tariff Schedule 1C 35
4.2. Equalizing Rates of Return ~~37~~36
4.3. Expanded Water Conservation ~~38~~37
4.4. Water Ratepayer Assistance Program (WRAP) Discounts 38
5. Pending Motions 38
6. Comments on Proposed Decision ~~39~~38
7. Assignment of Proceeding 39
Findings of Fact 39
Conclusions of Law 42
ORDER 43

ATTACHMENT A: List of Appearances
ATTACHMENT B: The July 24, 2015, Settlement Agreement
ATTACHMENT C: The August 13, 2015, Supplemental Settlement
ATTACHMENT D: Table A – Summary of Earnings and Rate of Return
Table B – Income Tax Calculation
Table C – Authorized Construction Budget
Table D – Authorized Ratebase
Table E – Authorized Customer and Sales Forecast
Table F – Miscellaneous Adopted Quantities
Table G – Authorized Rates
Table H – Authorized Rates
Table I – Authorized Rates
Table J – Authorized Rates
Table K – Authorized Rates
Table L – Residential Customer Bill Comparison

DECISION APPROVING TWO PARTIAL SETTLEMENTS, RESOLVING DISPUTED ISSUES AND ADOPTING REVENUE REQUIREMENTS FOR SAN JOSE WATER COMPANY

Summary

This decision authorizes revenue requirements for San Jose Water Company for the years 2016, 2017 and 2018. The table below lists the revenue requirement, the monthly percentage increase and dollar increase for the average customer's bill covered by this decision for the test year beginning on January 1, 2016. Based on the adopted revenue requirements, the average residential customer will see its bill increase by $~~7.04~~6.79 each month, which represents an ~~8.3~~8.2 percent increase.

Test Year	Adopted Revenue Requirement	Percent Increase	Monthly Bill Increase by %	Monthly Bill Increase by $
2016	$~~317,166,500~~317,275,000	~~8.56~~8.60%	~~8.3~~8.2%	$~~7.04~~6.79

This decision adopts two separate partial settlements between San Jose Water Company and the Office of Ratepayer Advocates on a variety of issues. This decision also resolves the remaining issues in dispute between the parties for Test Year 2016 and Escalation Years 2017 and 2018. Application 15-01-002 is closed.

1. Procedural History

On January 5, 2015, San Jose Water Company (SJWC) filed Application (A.) 15-01-002 (the "Application") requesting authority to increase its revenue requirements by $34,928,000 or 12.22 percent in 2016, $9,954,000 or 3.11 percent in 2017, and by $17,567,000 or 5.36 percent in 2018. SJWC is a Class A water company subject to the jurisdiction of this Commission and the current requirements of Decision (D.) 07-05-065, which adopted a revised Rate Case Plan for Class A water utilities (Rate Case Plan). The Office of Ratepayer Advocates (ORA) filed its protest to the Application on February 2, 2015. Six mutual water companies consisting of Big Redwood Park Mutual Water Co.,

Brush & Old Well Road Mutual Water Co., Mountain Summit Mutual Water Co., Oakmont Mutual Water Co., Ridge Mutual Water Co. and Ville Del Monte Mutual Water Co. taking service from SJWC in its Mountain District (The Mutuals) were authorized to late file a protest on March 5, 2015.

The assigned Administrative Law Judge (ALJ) conducted a prehearing conference on February 27, 2015, and a public participation hearing was held in San Jose on March 24, 2015.

ORA and The Mutuals served testimony on April 23, 2015, SJWC served rebuttal testimony to both ORA and The Mutuals on May 7, 2015.

On June 2, 2015, the assigned ALJ issued an email ruling requiring updated testimonies from the parties to reflect compliance with the governor's Executive Order B-29-15 and the Commission's Resolution W-5041 mandating a 25 percent water usage ~~reductions~~reduction from 2013 levels. SJWC addressed the issue in testimony responding to ORA's April 1, 2015, data request.

Evidentiary hearings on the disputed issues were held on June 15 through 17, 2015. SJWC, ORA and The Mutuals filed timely opening and reply briefs. The original Settlement Agreement was filed on July 24, 2015 and the Supplemental Settlement Agreement was filed on August 13, 2015, and the proceeding was submitted for decision.

2. Settlement Agreements

2.1. Standards of Review for Settlement Agreements

2.1.1. General Standard of Review

SJWC, as the applicant, bears the burden of proof to show that the regulatory relief it requests is just and reasonable and the related ratemaking mechanisms are fair.

2.1.2. Commission Rules on Settlements

The Commission's Rules of Practice and Procedure (Rules) specifically address the requirements for adoption of proposed settlements in Rule 12.1

Proposal of Settlements, and subject to certain limitations in Rule 12.5 *Adoption Binding, Not Precedential.*[1]

Rule 12.1(a) states:

> Parties may, by written motion any time after the first prehearing conference and within 30 days after the last day of hearing, propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding. Settlements need not be joined by all parties; however, settlements in applications must be signed by the applicant….
>
> When a settlement pertains to a proceeding under a Rate Case Plan or other proceeding in which a comparison exhibit would ordinarily be filed, the motion must be supported by a comparison exhibit indicating the impact of the settlement in relation to the utility's application and, if the participating staff supports the settlement, in relation to the issues staff contested, or would have contested, in a hearing.

Rule 12.1(d) provides that:

> 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.

Rule 12.5 limits the future applicability of a settlement:

> Commission adoption of a settlement is binding on all parties to the proceeding in which the settlement is proposed. Unless the Commission expressly provides otherwise, such adoption does not constitute approval of, or precedent regarding, any principle or issue in the proceeding or in any future proceeding.

2.2. Settled Issues

The majority of the revenue requirement elements requested in the General Rate Case (GRC) application of San Jose Water Company were either uncontested or presented to the Commission for adoption in two separate partial settlement agreements between SJWC and ORA. The settling parties filed the Settlement and the Supplemental Settlement on July 24, 2015 and August 13, 2015 respectively. Although The Mutuals participated in the formally noticed settlement conference held on May 26, 2015, they

[1] http://docs.cpuc.ca.gov/published/RULES_PRAC_PROC_/105138-11.htm#P623_143939.

were not parties to the settlement. The Mutuals did not file a protest to either of the settlements as filed.

2.2.1. July 24, 2015 Settlement Agreement

The settled issues contained in the July 24, 2015, agreement are:

- Utility Plant Additions~~;~~
  - Source of Supply – Sites for Replacement Wells
  - Reservoirs and Tanks – Contingency Factor~~;~~
  - Pump Stations and Equipment~~;~~
  - Distribution System~~;~~
    - Recycled Water Mains~~;~~
    - City, County and State~~;~~
    - Meters~~;~~
    - Replacement of Services Greater than 2”~~;~~
    - Pressure Monitors~~;~~
    - Hydrants~~;~~
    - Advanced Metering Infrastructure~~; and~~
  - Vehicles~~.~~
- Balancing and Memorandum Accounts:
  - Research, Development and Demonstrations Memorandum Account and Intervenor Compensation Memorandum Account~~; and~~
  - Updated Preliminary Statement for Pension Expense Balancing Account~~;~~
  - Mandatory Conservation Revenue Adjustment Memorandum Account.

2.2.1.1. Utility Plant Additions

SJWC requested $335,540,800 for capital investments for 2015-2017 in 15 categories. In its Report and Recommendations on SJWC’s Results of Operations, ORA agreed to SJWC’s proposal in some categories and recommended reductions and disallowances in others. ORA initially recommended that the Commission reduce

SJWC's capital investments for 2015-2017 to $312,428,200, but after negotiations the parties agreed to 2015--2017 capital investment of $313,836,700.

2.2.1.1.1. Source of Supply – Sites for Replacement Wells

ORA recommended a disallowance of $6,528,600 for purchase of property for replacement wells. ORA based the recommendation in part on cost overruns in past similar projects, and notes that any land purchase should be preceded by evaluation of the existing well sites to determine whether a replacement well can be installed. In the Settlement, SJWC agrees to defer this project to the next GRC but parties agree that SJWC would purchase a new well site if it becomes necessary and request to recover the cost of the land in the next rate case subject to review.

2.2.1.1.2. Reservoirs and Tanks – Contingency Factor

SJWC requested $20,245,300 for various replacement and improvement at its Almaden Valley Reservoir, Belgatos Station Basin, and Cox Station #2. ORA does not dispute the need for these projects but recommended lower estimated ~~projects~~project costs based on a lower contingency factor to arrive at $18,731,839. The parties agreed to ORA's position because SJWC has sufficient experience with similar projects to justify a lower contingency factor.

2.2.1.1.3. Pump Stations and Equipment

ORA agreed with SJWC on the need for improvement projects at the Franciscan Station pumps and Miguelito Station pumps totaling $3,669,700 but recommended that the projects be continued as Tier 2 Advice Letter projects with an estimated total budget cap of $3,669,700. ORA reserves the right to review the advice letter to be filed upon project completion for reasonable and prudent costs. In the event that final ~~projects~~project costs are greater than the advice letter budget cap, SJWC reserves the right to seek recovery of the overage in a subsequent GRC.

SJWC requested $5,336,000 to fund the replacement of a motor control center and add a second booster pump at the Harwood Court Station, replacement of line shaft

pumping equipment and submersible pumping equipment in 2015-2017. ORA recommended a reduction to $4,376,200 for these projects by estimating budgets based on inflation -adjusted historical spendings on these projects. The parties settled on a budget of $4,737,400. This settlement was arrived at through SJWC's acknowledgement that budgets should be in line with historical levels and ORA's acknowledgement that rising material costs necessitate a higher budget level.

2.2.1.1.4. Distribution System

Recycled Water Mains

SJWC requested $17,025,400 for various recycled water pipeline installations using industry standard escalation factors. ORA did not object to the need for these projects but recommended lower estimated project costs based on the use of escalation factors as provided in the Energy Cost of Service (ECOS) and Natural Gas ~~Branches~~Branche's monthly memos. The parties agreed to adopt ORA's position and the settlement requests authorization of $16,486,967 for the recycled water pipeline installations.

City, County and State

SJWC requested $1,263,100 in 2015-2017 for City, County, and State project -related facility relocations. ORA recommended a reduction to $1,020,055 based on the five-year inflation adjusted average. The parties settled on $1,141,600 to account for increased governmental infrastructure investments while staying in line with historical averages.

Pressure Monitors

SJWC requested $1,097,100 for the purchase and installation of pressure monitors throughout SJWC's service area. ORA does not oppose the need for these projects but recommends the program be delayed for one year based on the current progress of the project. SJWC agreed to delay the project for one year and remove the 2015 budgeted portion of the overall project to arrive at $742,800.

Services

SJWC requested $63,100 for replacement of 2" and larger services. ORA recommended that services 2" and larger be captured within the overall service replacement budget. The parties agreed to ORA's position and this specific budget item was eliminated.

Meters

SJWC requested authorization for $1,114,200 in 2015 for the replacement of obsolete Sensus ~~Meters~~meters. ORA did not object to the need for the project but recommends that 17 of the meters proposed for replacement be removed since these meters do not meet the replacement criterion. The parties agreed to adopt SJWC's proposed budget since the work to replace the meters has been completed and ORA has not challenged the reasonableness of the completed work's costs.

Hydrants

SJWC requested $947,400 for replacement of hydrants and ORA recommended a budget of $936,900 based on inflation -adjusted historical average spending on this budget item from 2010 through 2014. The parties agreed to ~~adopted~~adopte ORA's recommendation.

2.2.1.1.5. Equipment

SJWC proposed full scale implementation of Advanced Metering Infrastructure (AMI) throughout the service area, which consisted of a capital component of $8,710,000 and an expense component of $3,511,800. ORA recommended that instead of authorizing a full -scale implementation SJWC should conduct a study to quantify the net benefits of AMI. ORA recommended that SJWC should file a Tier 2 Advice Letter requesting pilot study funding. The parties agreed to a capital component of $225,000 ($100,000 is offset by grant funding from the Santa Clara Valley Water District) and $225,000 expense component to perform a pilot study. Upon completion of the pilot study and if the results of the study justify, ~~SWJC~~SJWC can file a separate Application seeking approval for full AMI implementation.

2.2.1.1.6. Vehicles

SJWC requested a total three-year budget of $5,473,500 for the replacement of vehicles that meet SJWC's vehicle replacement criteria, or that will meet the criteria by end of 2017. Based on the Commission's vehicle replacement policy, ORA's recommendation used a mileage threshold of 120,000 miles or a service life of eight years to determine the number of vehicles that should be replaced. ORA recommended a three-year budget of $4,972,880. The parties agreed to a three-year replacement budget of $5,223,200 to account both for the specialized nature of water utility vehicles and the Commission's policy.

2.2.1.2. Balancing and Memorandum Accounts

In testimony, ORA recommended removal of an $878,024 Mandatory Conservation Rate Adjustment Memorandum Account (MCRAMA) balance from the 2012 balancing account that had subsequently been recovered. SJWC notes in its rebuttal testimony that the MCRAMA balance had been removed from the 2013 Balancing Account after recovery of the $878,024 balance and the parties agree in settlement that the MCRAMA balance was appropriately accounted for in SJWC's calculations.

ORA recommended in testimony that SJWC should update its preliminary statement to remove the Research, Development and Demonstration Memorandum Account and the Intervenor Compensation Memorandum Account. The parties agreed to keep the accounts open to track future expenses. The parties further agreed that the Pension Expense Balancing Account should be updated to reference the most current applicable GRC decision.

2.2.1.3. Undisputed Items

SJWC and ORA also agreed to a number of SJWC proposals which include a program enabling customers to pay their water bills using a credit card and the establishment of a Ground Water Regulation Legal Expense Memorandum Account.[2]

[2] *See* Settlement Agreement #11 and Exhibit COM-01 at 10.

A substantial number of SJWC customers have requested the option of paying for their water bills using a credit card. In order to satisfy this request without burdening other customers, SJWC proposed to charge a $1.75 fee per transaction to a third-party vendor.[3] ORA recognizes the need for more payment options and notes that the third-party fee under SJWC's proposal is less than service fees being charged by nearly all other Class A water companies.[4]

In its Application, SJWC proposed to establish a Groundwater Regulation Legal Expense Memorandum Account to track expenses associated with new regulations on California ground water resources.[5] The memorandum account will track legal and regulatory expenses related to evaluating the character of SJWC's water rights. ORA recommended approval of this request.[6]

2.2.2. August 13, 2015 Supplemental Settlement Agreement

The settled issue in the August 13, 2015 Supplemental Settlement Agreement is the labor expenses related to Non-Tariffed Products and Services (NTP&S). The settlement results in a reduction to many of the values shown in Tables 1, 2, and 3 of the July 24, 2015, comparison exhibit, therefore, a revised comparison exhibit, reflecting the reductions, is included with the August 13, ~~2015,~~2015 supplemental agreement.

Contemporaneous with the current GRC proceeding, SJWC sought rehearing of D.14-08-006, the Commission decision that resolved SJWC's Test Year 2013 GRC, A.12-01-003. On March 27, 2015, the Commission issued D.15-03-048, which granted limited rehearing on the treatment of labor expense related to NTP&S.

SJWC and ORA ultimately resolved the issue of NTP&S related labor expense in both proceedings by agreeing to ORA's proposed disallowance while not agreeing to a methodology for allocating such costs. SJWC and ORA filed the Supplemental

[3] *See* SJWC-01, ch. 17 (Jensen).
[4] *See* O-01, ch. 12 (Merida).
[5] The California Legislature adopted legislation in 2014 establishing a new regulatory regime for its groundwater resources, including provisions for the establishment of reginal and local groundwater sustainability agencies ("GSAs").
[6] *See* Settlement Agreement #11 and Exhibit COM-01 at 10.

Settlement Agreement concurrently in this GRC and the re-opened Test Year 2013 GRC. The Settling Parties agree that the annual amount of $442,400 represents a reasonable estimate of the amount of incremental NTP&S labor that should be credited to Test Year 2016 Total Payroll Expense forecasts. The settlement is not considered precedential and both SJWC and ORA maintain the right to recommend alternative estimating methodologies in future GRCs.

2.2.3. Discussion and Conclusion

Based upon the record of this proceeding, we find the parties complied with Rule 12.1(a) by making the appropriate filings and noticing settlement conferences. The settlements are contained in Attachments B and C to this decision. The settlements also include as an appendix, a comparison exhibit listing the various elements of revenue requirement of the original, updated and final positions of the settling parties for the various accounting categories. The comparison exhibit specifies the status of each contested issue as having been resolved or remaining in dispute. The comparison exhibit also outlines the disposition of uncontested issues, stating that either ORA accepted ~~SWJC~~SJWC's position as presented in its Report on the Result of Operations or ~~SWJC~~SJWC accepted ORA's position as presented in its Report.

As reflected in their reports, testimony and briefs, SJWC and ORA began this GRC proceeding with different positions on various issues. The parties had access to reports, testimony, minimum data requirements, and data request responses, and have been in discussions on the issues involved. The Settlement Agreement and Supplemental Settlement Agreement represent a compromise between the parties after arm's -length negotiations. We find that SJWC and ORA have considered the facts and law relevant to this case and reached reasonable compromises on most of the issues raised in SJWC's Application. We find the Settlement Agreement and Supplemental Settlement Agreement to balance various interests affected in this proceeding, reflects appropriate compromises of the parties' litigation positions and, as modified, is reasonable.

We are not aware of any statutory provisions or prior Commission decisions that would be contravened or compromised by the two partial settlements. The Settlements will result in reasonable rates for SJWC's customers that reflect the cost of providing safe and reliable water service. As such, we find the proposed settlement to be consistent with the law.

The Commission has issued numerous decisions endorsing settlements if they are fair and reasonable in light of the whole record. Adoptions of reasonable settlements serve the public interest by reducing the expense of litigation, conserving Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results.

We conclude, pursuant to Rule 12.1(d) that the settlement is reasonable in light of the whole record, consistent with the law and in the public interest.

3. Disputed Issues between SJWC and ORA

3.1. Revenue Decoupling – Water Revenue Adjustment Mechanism (WRAM)/ Modified Cost Balancing Account (MCBA)

SJWC currently has a Monterey-Style WRAM that records the difference between the revenue generated by metered water sales via its tiered rate structure and the revenue it would have received with a single uniform rate.

SJWC seeks to implement a revenue decoupling mechanism similar to the WRAM and MCBA that the Commission has approved for four other Class- A water utilities.[27] SJWC states that decoupling of revenue recovery from water sales will benefit the company, ratepayers and conservation efforts by removing the incentive to promote water sales.

SJWC's expert testified that the WRAM will ensure recovery of the portion of SJWC's fixed costs that are recovered through the quantity charge as well as certain variable costs not included in the MCBA. The MCBA will recover actual costs for

[27] D.08-02-036 adopted WRAM/MCBA for Cal Water and Park, D.08-08-030 adopted WRAM/MCBA for Golden State Water Company, D.10-12-029 adopted WRAM/MCBA for Valencia Water Company, and D.12-09-004 adopted WRAM/MCBA for Apple Valley Ranchos Water Company.

purchased water, groundwater extraction fees and purchased power. SJWC states that the two programs will accomplish revenue decoupling and replace SJWC's current incremental costs supply offset accounts.[38]

SJWC's acknowledges that the Commission has approved fully decoupled WRAMs for four other Class A water companies as part of settlement agreements in other proceedings and they are often not considered precedential. SJWC argues that since the settlements were adopted as part of a focused investigation regarding water conservation policy, they should be considered as precedential policy.[49]

ORA objects to SJWC's request for full decoupling since the Commission-authorized WRAM pilot projects for other Class A water companies are still under evaluation. ORA states that a permanent change in revenue accounting on the basis of a drought is not justified since the drought is not permanent.[510] ORA also asserts that full decoupling is not required to promote conservation since SJWC's conservation efforts during the drought have been effective without full decoupling and in spite of customer growth. ORA states that SJWC's effective and ongoing conservation efforts are proof that SJWC's desire for decoupling is more about revenue protection than conservation.

ORA posits that SJWC's existing Monterey-Style WRAM, Incremental Cost Balancing Account, Mandatory Conservation Revenue Adjustment Memorandum Account (MCRAMA) and Water Conservation Memorandum Account (WCMA) protect SJWC's financial interest in providing safe and reliable service, while ensuring SJWC and its customers are proportionally affected.[611] ORA states that these mechanisms ensure that when conservation rates are implemented neither party suffers nor benefits from the rates.

[38] Ex. SJWC-1, Ch. 19 at 5-7.
[49] Ex. SJWC-1, Ch. 19 at 15-16.
[510] Ex. O-1 at 3-18:3-8.
[611] The MCRAMA tracks the revenue impact due to mandatory conservation. The WCMA tracks the additional administrative costs and operating costs from mandatory conservation not otherwise recoverable through an existing mechanism or rates authorized by the Commission.

The Commission does not adopt SJWC's requested change from a Monterey-Style WRAM to fully decoupled WRAM at this time. SJWC, in its comments to the proposed decision, argues that its current rate structure incentivizes the company to maximize water sales.[12] We disagree with this assertion. While a Monterey-Style WRAM does not compensate on a tiered rate basis, it does compensate SJWC on the basis of a single quantity rate. SJWC's current water conservation success demonstrates that full revenue decoupling is not necessary to promote water conservation and SJWC has not adequately established another basis for the change requested.

Of the companies that currently have WRAM/MCBA, one has had no review due to scant data, one review resulted in the adoption of another pilot mechanism which requires future review, one review was inconclusive on the important question of excessive undercollections and one awaits a final decision on all questions of the WRAM/MCBA effectiveness.

Finally, ~~Decision (~~D.~~)~~14-10-047 ordered a Phase II in Rulemaking (R.) 11-11-008 to analyze and propose action on issues regarding affordability and rate design, including but not limited to conservation rate design such as tiered rate structures and accounting mechanisms such as the WRAM. Pursuant to the Third Amended Scoping Memo, dated April 30, 2015, Phase II is now scheduled to close by October 30, 2016. In light of this, any changes to SJWC's existing mechanisms are premature.

For these reasons, we do not alter SJWC's Monterey-style WRAM at this time.

3.2. WRAM-Related Conservation Programs

SJWC seeks to include additional conservation programs along with the requested WRAM/MCBA programs. SJWC forecasts $1,536,100 in WRAM Related Conservation Plan expenses for 2016. SJWC's WRAM related conservation programs and their costs for 2016, 2017 and 2018 are:

- Waterfluence Landscape Budget Program ($0)~~;~~
- Home Water Use Reports ($1,967,499)~~;~~

[12] *See* SJWC Comments to proposed decision at 3.

- Ultra-High Efficiency Toilet, Showerhead, and Aerator Direct Install Program ($1,920,000);
- Commercial Industrial and Institutional (CII) Survey Program ($375,000);
- School Education Program ($318,000); and,
- Landscape Education Program ($27,300).

SJWC states that while its customers have achieved significant reductions in gallons per capita per day water use, meeting the 30 percent reduction SJWC has asked of its customers will require that SJWC make as many programs as possible available to its customers. SJWC also states that additional conservation programs are needed to fill gaps in its existing conservation programs. SJWC witness Pink's testimony summarized the benefit-to-cost ratios for four of the six proposed programs. The summary resulted in a positive ratio for each program, meaning that the discounted cost of water saved per acre-foot is significantly lower than for any other source of water supply.[7][13]

ORA recognizes the success of the current conservation programs and their results and recommends that the existing budget be continued. ORA notes that ongoing conservation programs include low-flow shower heads and faucet aerators, public education and participation in programs offered by the Santa Clara Valley Water District (SCVWD) and that these programs are funded indirectly through pump taxes paid by SJWC ratepayers to SCVWD. However, ORA recommends against specific additional funding for the requested new programs. ORA asserts that any new conservation programs should be addressed through SJWC's existing conservation budget.[8][14]

ORA notes that SJWC received funding for three years of the School Water Education Program in the last GRC, but has only spent six months' worth of the funding so far. ORA claims that SJWC's statement that it will discontinue the program unless it is again funded in rates[9][15] is proof of SJWC's lack of commitment to the program.

[7][13] Exhibit (Ex.) SJWC-1, Ch. 18 at 32-33.
[8][14] ORA does recommend expanding SJWC's recycled water program which amounts to a 1887 percent increase in total conservation spending.
[9][15] Reporter's Transcript (RT) at 311:6-11.

Since most of the programs SJWC requests additional funding for are programs already provided through SCVWD, we decline to approve additional funding for them here. The CII program is not currently funded, but as this is similar to a program SCVWD discontinued in 2012, we decline to adopt funding for it here.

Although SJWC used only six months' worth of the School Water Education Program funding, the late release of the decision in that GRC may have more to do with it than SJWC's lack of commitment to the program,[~~10~~16] as asserted by ORA. We find that programs educating the next generation of ratepayers about the importance of water conservation useful and therefore reasonably included in rates. Since SJWC was granted three years funding for the program in the last GRC and had spent only six months' worth by the time the current application was filed, we will ~~continue to fund the program, but for only an additional 18 months. Since SJWC still has funding left over from the last GRC, eighteen more months of funding should take it to the next GRC. Therefore, we approve additional conservation spending of $159,300 for the School Water Education Program. To ensure timely utilization of both the past unspent dollars and the prospective authorized dollars, we order both the past unspent funds and the additional authorized spendings be booked to~~ fund the program as requested but require it be tracked in a one-way balancing account.[17]

3.3. Payroll Expenses

3.3.1. Escalation Factors and Methodology

SJWC requested $42,504,336 in payroll expenses, decreased to $42,495,890 in its 45-day update. SJWC asserts that its payroll expense forecast is based on the existing number of positions at the time of filing this application (358 which includes 3 positions not currently included in rates) and their known salaries at the time. For the 2016 calculation, SJWC used an estimate of the 2015 payroll expense and applied the 3 percent contract agreement increase for union members and a 5 percent increase for

[~~10~~16] Ex. SJWC-10, Chapter (Ch.) 6 at 3-4.
[17] SJWC requested $318,000 for the School Education Program.

administrative employees to bring them closer to the market average.[11][18] The 5 percent figure for administrative employees and officer compensation is based on SJWC's calculated 2.8 percent inflationary factor, plus a market adjustment of 2.2 percent. SJWC then used the Commission-published ECOS labor factors for escalation years 2017 and 2018.

ORA calculated 2015 payroll expense using 2014 actual data escalated by 3 percent for union employees (as per contract) and the most recent ECOS labor factor of 1.6% for administrative employees and officers. For the 2016, 2017 and 2018 payroll expense, ORA escalates the union employees' salaries by the union contract amount of 3 percent and the administrative employees and officers by the ECOS escalators.[12][19] ORA argues that its methodology uses actual payroll expense data as the baseline and then applies the union contract increases and the ECOS escalation factors for administrative employees and officers for 2015 and each year thereafter for the three-year GRC cycle.

ORA points out that SJWC used the ECOS figures to escalate years 2017 and 2018, but for Test Year 2016 opted to use 5 percent, the SJWC-calculated combination of inflation factor and market adjustment rather than the ECOS figure of -0.7 percent. SJWC's rationale for not using the 2016 ECOS escalation factor is that it is an anomaly. ORA argues that a uniform source for the escalation factors is preferable to picking and choosing among various sources.

We adopt a combination of the SJWC and ORA positions on methodology. We believe that ORA's method of using the 2014 actual payroll expense data is a preferable starting point than estimating 2015 payroll and escalating from there. We agree with SJWC and ORA that the union contract figures be adopted as the escalation factors for union employees' payroll. However, for the administrative employees' and officers' payroll escalation factors, we impute an escalation factor of 2.2 percent for 2016 and use

[11][18] Ex. SJWC-1, Ch. 5 at 3.
[12][19] Ex. O-1, at 3-4 and 3-5.

the current ECOS escalation factors for 2015, 2017 and 2018 respectively.[~~13~~20] We agree with SJWC that the 2016 ECOS figure of -0.7 percent is an anomaly, but decline to adopt SJWC's 2016 escalation factor of 5 percent. Although it is a nice round figure, we find that imputing an escalation factor based on the average of non-anomalous ECOS years 2015, 2017 and 2018 is a more reasonable basis for determining the escalation factor for 2016. The average of 2015 (1.6 percent), 2017 (2.3 percent) and 2018 (2.7 percent), ECOS escalation factors is 2.2 percent. Therefore, the escalation factors used to determine administrative employees' and officers' salaries are 1.6 percent for 2015 and 2.2 percent for 2016. For escalation years 2017 and 2018, the actual ECOS ~~escalations~~escalation factors in effect at the time of the filings will be used.

3.3.2. New Positions

SJWC seeks approval and funding for 33 new positions for a total cost of $3,218,300. SJWC provided explanations of the need for the additional positions including but not limited to three in the Customer Service Department, four in the Distributions Systems Department, seven in the Engineering Department, four in Operations, and six in the Water Quality Department. SJWC asserts that the need for the additional employees is based on increased regulatory obligations, improved customer service and increasing infrastructure replacement.

ORA states that SJWC's request for 33 new positions represents a 9.21 percent increase in staffing when the customer growth rate is only 0.29 percent. ORA asserts that SJWC's request results in an increase of 30 times the average historical customer growth rate at a time when customers are facing increased rates due to mandatory water conservation.[~~14~~21] ORA also points out that as of March 31, 2015, SJWC had 15 vacant positions and that several of the vacant positions are very similar to the new positions requested by SJWC. For instance, vacant positions include a Distribution Systems

[~~13~~20] The ECOS factors are derived from the IHS Global Insight U.S. Economic Outlook, which is updated monthly. Parties' testimony was inconsistent as they used various escalation factors based on different publication dates, but the numbers used here are based on the parties' agreed upon use of the February 2015 ECOS inflation factors.

[~~14~~21] Ex~~.~~, O-1, at 3-7 and 3-8.

Laborer, and Assistant Civil Engineer and a Water Treatment Plant Operator, yet SJWC requests approval for a Distributions Systems Worker, and Assistant Civil Engineer and a Water Treatment Supervisor. On this basis, ORA recommends the Commission approve five new positions, one for the customer growth rate, three positions that were filled during the last GRC and one for the Information Governance Initiative capital project.[~~15~~22]

We find SJWC's request for 33 new positions unreasonable in light of the fact that new positions are being sought for classifications currently included in payroll expense, but vacant. Based on SJWC's testimony, there has been an abnormal number of retirements, and as vacancies come up and are filled, other positions open lower in the "food chain" and the ultimate openings for external hires are likely to be at entry level positions.[~~16~~23] With the number of fully funded vacancies, retirements at the higher pay rates, and the probability of positions being filled at entry-level salaries, SJWC has the discretion to reallocate resources and make personnel changes within the current payroll expense.

For these reasons, the Commission approves six new positions of the 33 requested by SJWC. We approve one position on the basis of customer growth rate. We approve the three positions SJWC has already filled, although SJWC should not take this as a sign that if they fill positions not included in payroll expense they will automatically be approved in the next GRC. We find that three new positions are within reason. We approve one position to improve technology in Customer Service as it will enhance customer access to information and communication with the company. Finally, we approve a Records Manager for the Information Governance Initiative, a capital project supported by ORA.

3.3.3. Temporary and Part -Time Positions

SJWC includes $288,870 in its payroll expense for part-time and temporary labor. SJWC claims that temporary labor is included in union contracts, provides needed additional help during peak summer months, is cheaper to employ and helps when regular

[~~15~~22] Ex. O-1, at 3-8.
[~~16~~23] RT 318:22-387:8, 393:11-394:21, 408:4-409:10.

employees are on extended absences. SJWC employs 24 to 26 college students each summer and 2 part-time Customer Service Representatives to maintain service levels to customers.[17][24] SJWC states that the use of temporary and part-time employees is so crucial to the continued efficient operations of the company that is has continued to employ this labor even though recovery of the cost was disallowed in the last GRC.

ORA argues that recovery for the use of temporary and part-time employees was disallowed in the previous rate case because they do not provide continuous benefit to ratepayers and therefore should also be denied recovery here. ORA states that the costs are speculative and if SJWC does not use the labor, it results in a windfall to the company at ratepayer expense.[18][25]

We disallow recovery for temporary and part-time positions because the need is uncertain and therefore does not provide a continuous benefit to ratepayers. We acknowledge that there may be times when temporary or part-time employees are necessary and to the extent that they provide cover for vacant, fully funded positions, additional ratepayer funding is unnecessary. SJWC also has the discretion to allocate existing payroll to cover the expense of temporary or part-time coverage for vacations or extended absences.[26]

3.3.4. Bonuses for Officers and Managers

SJWC maintains a short-term incentive (~~SIT~~STI) plan and a long-term incentive (LTI) plan that provides annual cash awards to reward officers' and managers' superior performance and to reinforce SJWC's short and long-term strategic goals and objectives. ~~Approximately~~ 38 managers and officers out of a total of 358 employees are eligible for the STI, and a very limited number of field supervisors and administrative employees are given the opportunity to earn modest bonuses. SJWC asserts that the STI brings total compensation for administrative staff to 92 percent of comparable companies and

[17][24] Ex. SJWC-10 at 4-6.
[18][25] Ex. O-1 at 3-5.
[26] For example, at the time of the application, SJWC had 15 fully funded and vacant positions.

agencies and provides an incentive to greater effort and benefit to customers.[19][27] Approximately 70% of the requested STI funds are allocated to 11 C-Suite officers.[28]

SJWC described the purpose of the LTI as designed to improve the Company's long-term performance and to address concerns of shareholder advocacy groups that a significant portion of officer compensation for publicly traded companies should be based on incentives and aligned with shareholder interests. SJWC described the LTI as part of total compensation that is compared to the compensation of officers of other companies. The LTI requires that certain conditions are met by the officers, including service time period requirements, and that they are critical to retaining valuable personnel.[20][29]

SJWC explained the importance of the LTI as a reallocation of payroll expense between cash compensation and long-term incentives. SJWC asserts that it benefits ratepayers because without it, cash compensation would need to be increased by 10 percent -30 percent to be at market.[21][30]

ORA asserts that SJWC's witness admitted that the company's LTI plan is designed to address concerns of shareholders and that a large portion of officer compensation is based on incentives that align with shareholder interests.[22][31] ORA states that because the incentives align with shareholder interests, ratepayers should not be asked to fund the bonus program.

ORA also asserts that unused bonuses would be a ratepayer-funded windfall to the company. In response, SJWC claims that it has typically paid more than 100 percent of its STI targets and so there should be no concern over a potential windfall.[23][32]

The Commission does not adopt SJWC's proposed officer bonus amounts in payroll expenses. We agree with ORA that ratepayers should not be required to fund additional payroll expenses for incentives that are available align with shareholder interests. We declined todid not adopt the ECOS escalation figure of (-0.7) percent for

[19][27] Ex. SJWC-1, Ch. 5 at 1-2.
[28] Ex. O-4-C
[20][29] *Id*SJWC-1, Ch. 5 at 2.
[21][30] *Id*. at 3.
[22][31] RT 397:14-28.
[23][32] Ex. SJWC-10 at 4-3 to 4-4.

2015 and have instead increased total payroll expense by 2.2 percent with additional increases in the escalation years. These increases afford SJWC the option to determine the size of salary increases and bonuses for individual employees based on their performance.

3.3.5. Overtime Expense

SJWC calculated overtime expense based on a non-inflation adjusted three-year average using years 2012 - 2014. ORA recommends using a non-inflation adjusted five-year average that will reduce the abnormally high overtime years such as 2013.

We adopt SJWC's three-year non-inflation adjusted average using 2012 - 2014. The three-year average provides a sufficiently normalizing effect on the high overtime in 2013.

3.4. Regulatory Expense

SJWC seeks regulatory expense of $1 million for the current GRC cycle using a three-year cycle to estimate, resulting in $341,000 for Test Year 2016 and including one Cost of Capital proceeding, at least one formal application coming out of this GRC and miscellaneous other activities not related to a formal proceeding. SJWC states that the regulatory landscape has become more complicated, contentious and costly with GRCs and other proceedings taking longer than outlined in the scoping memo and requiring additional outside services such as legal, consulting, noticing and printing. SJWC cited safety and security issues, drought response and increased participation by intervenors as other reasons for increased regulatory expenses.

ORA objects to SJWC's estimate on the grounds that it is based on the assumption of a fully litigated rate case. ORA cites SJWC's last GRC which was fully litigated, yet the total regulatory expense for the last three-year rate case cycle was only $570,000, which does not justify the requested regulatory expense of $1 million.

ORA states that using an average based on a five-year cycle is more reasonable as it evens out variations. Based on a five-year inflation adjusted average, ORA recommends Test Year 2016 expenses of $185,000. SJWC states that a five-year cycle

eliminates one GRC year, the most expensive year in a three-year cycle. SJWC demonstrated that using ORA's forecast method, applied to a six-year cycle that captures the expenses of two general rates cases, and with the same inflation factors resulted in Test Year 2016 expenses of $216,000.

We find neither SJWC's nor ORA's estimates reasonable. SJWC's estimate, using a three-year cycle that included the cost of a fully litigated GRC and estimating upward from that point, overestimates expenses.

ORA's estimate is based on a five-year average that included only one GRC and therefore underestimates expenses. We agree with SJWC that there may be some increased regulatory expense due to safety concerns, however, drought response should be adequately addressed in the existing memorandum accounts. We see no added expense due to increased intervenor involvement. The same parties are involved in this proceeding as were involved in the previous GRC. We also agree that SJWC will likely have a Cost of Capital proceeding in the next three-year cycle and expenses for that should be anticipated and included. With these considerations in mind, we adopt Test Year 2016 regulatory expense of $216,000 based on ORA's method as modified using a six-year base period.

3.5. Corporate Expense

SJWC based its $908,000 estimate of corporate expenses for Test Year 2016, on the actual 2014 costs, adjusted for weighted composite and customer growth factors. SJWC explains that corporate expenses encompass SEC filings, investor relations, shareholder meetings, fees related to stocks and bonds and director's fees and expenses.[~~24~~33]

ORA objects to SJWC's calculations because 2014 is the highest corporate expense period over the last five years. SJWC states that using the most recent and highest recorded amount most accurately reflects the current level of these expenditures and the upward trend in these expenses.[~~25~~34] ORA recommends using a five-year inflation

[~~24~~33] Ex. SJWC-10 at 2-5.
[~~25~~34] Ex. SJWC-10 at 2-6.

adjusted average which results in $790,000 of corporate expense for Test Year 2016. ORA's rationale is that because corporate expense is an expense category where costs fluctuate from year to year, it is more reasonable to use the five-year average.

We agree that there may be fluctuations in this expense category and therefore it is more reasonable to use a five-year average. On that basis, we adopt the ORA figure of $790,000 for Test Year 2016 corporate expenses.

3.6. Payroll Taxes

The largest expense for payroll taxes is the Federal Insurance Contributions Act (FICA) taxes. There are two components of FICA taxes; FICA Social Security (6.2 percent of gross earnings with maximum taxable earnings of $106,800) and FICA Medicare Tax (1.4 percent of gross earnings without a cap). The FICA tax rates have been steady since 2003, with the FICA Social Security maximum taxable earnings increasing gradually every year. The combined FICA tax rates for Social Security (6.2 percent) and Medicare (1.45 percent) have remained constant at 7.65 percent.

SJWC estimated its FICA taxes for 2016 as $3,000,300 using a three-year historical average of 7 percent and applying it to the total payroll expense. The result was 9.6 percent, and it was applied to SJWC's payroll, which had capitalized labor deducted.[~~26~~35]

ORA objects to SJWC's calculations, stating that the 9.60 percent ratio is much higher than the maximum FICA rate of 7.65 percent. ORA believes the cause of this discrepancy is that SJWC did not reduce its estimate by the amount of capitalized FICA, which is supposed to be 24.17 percent. ORA states that SJWC capitalizes 24.17 percent of its State Unemployment Insurance and Federal Unemployment Insurance taxes and should reduce its FICA estimate by the same at amount.[~~27~~36]

SJWC responded by stating that the capitalized portion of FICA was already accounted for in SJWC's workpapers and so ORA's recommendation would amount to removing the capitalized portion twice. ORA stated that if SJWC agreed that 24.17

[~~26~~35] Ex. SJWC-2, Workpapers at 10-2 and 10-7.
[~~27~~36] ~~EX~~Ex. O-1 at 6-2 and 6-3.

percent of FICA tax should be capitalized, ORA would be willing to add $589,000 to plant additions to compensate for the loss of overhead.[28][37]

SJWC recommends that the Commission adopt its forecasting methodology. However, if the Commission adopts ORA's methodology, the capitalized portion of payroll removed from total payroll taxes should be added back into Administrative Expenses Transferred, to avoid double removal and thereby should be included in Plant Additions.

SJWC's original methodology resulted in ratepayers paying FICA taxes in excess of the 7.65 percent cap and is unreasonable. We adopt ORA's methodology since it complies with the maximum total FICA tax rates. Therefore, 24.17 percent of the FICA tax should be capitalized and the capitalized portion should be added to plant additions.

3.7. Memorandum Accounts to Record Prior Years' Tax Credits

On August 14, 2013, the Treasury Department (Treasury) and the Internal Revenue Service issued the final Tangible Property Regulation (TPR), T.D.~~9689.~~ 9689 The final regulation considers the dichotomy between the Internal Revenue Code ~~Sec~~Section 263(a) which requires capitalization of amounts paid to acquire, produce or improve tangible property and Internal Revenue Code ~~Sec~~Section 162 which allows deductions for all ordinary and necessary expenses paid or incurred during a taxable year in carrying on any trade or business, including costs of certain supplies, repairs, and maintenance. The final TPR regulations attempt to provide a framework for distinguishing capital expenditure from supplies, repairs, maintenance, and other deductible business expenses.

The TPR allows a catch-up deduction referred to as the Section 481(a) adjustment resulting from the retroactive application of the regulation to prior years as well as annual repair deductions for future years. Based on witness testimony, SJWC will have filed its 2014 taxes in September of 2015 which includes catch-up deductions going back to 2006.[29][38]

[28][37] RT 416:24-417:8.
[29][38] RT 291:11- 296:16.

A taxpayer engaged in a trade or business within a designated Enterprise Zone (EZ) can take an Enterprise Zone Sales and Use EZ credit for sales or use tax paid or incurred in connection with the purchase of qualified property. The existing credit was repealed on January 1, 2014. SJWC filed refund claims for years 2008 – 2012 to claim the EZ credit and received $880,000 in credit in 2014.

ORA asserts that the savings impact of the TPR for 2013 and prior years ($4.8 million), 2014 ($1.1 million) and 2015 ($1.3 million),[30][39] were not reflected in SJWC's last GRC. ORA also claims that SJWC's EZ credit refund of $880,000 was not reflected in the last rate case and should be passed on to ratepayers depending on the result of SJWC's pending audit.

ORA proposes two tax memorandum accounts to account for changes in tax law in the TPR and the EZ credit to track refunds and return them to ratepayers. ORA claims that in this GRC, where revisions in tax law have significantly changed the situation between the utility and the ratepayers, a memorandum account is not only permitted but should be established to ensure ratepayers benefit from the changes. ORA argues that the memorandum account treatment is appropriate here because the change in the tax rules were of an exceptional nature that:

- Are not under the utilities control;
- Could not have been reasonably foreseen in the utility's last GRC;
- Will occur before the utility's next GRC;
- Are of a substantial nature such that the amount of money involved is worth the effort of processing a memo account; and
- Have ratepayer benefits.[31][40]

ORA argues that all of the elements of memorandum account treatment are present here. The tax laws are not under the control of the utility and could not have been foreseen in SJWC's last rate case. SJWC will file its taxes before its next rate case and the amount of the money is substantial; a $14.4 million change in federal taxes due and a

[30][39] Ex~~.~~, O-1 at 5-5.
[31][40] Standard Practice U-27-W at 6, paragraph 27.

$4.8 million change in state taxes due. The memorandum accounts would benefit ratepayers by allowing the benefits of tax refunds to flow through to ratepayers. ORA further asserts that the TPR adjustments for earlier years affects not only present income taxes, but also the future income taxes that ratepayers must pay.

SJWC claims that the TPR was released in August 2013, after the record was closed in the last GRC and that is why the refunds were not included in that case. SJWC claims that the memorandum accounts to track refunds requested by ORA amount to retroactive ratemaking and should be rejected by the Commission. SJWC also claims that the appropriate tax treatment according to the TPR is included in this rate case filing. SJWC claims that the use of a memorandum accounts permits the Commission to preserve expenses or revenues for future consideration of their impact on rates, but only to the extent that those expenses or revenues are incurred or accrued after the memorandum account has been authorized and established.

SJWC cites multiple cases in which it was decided that memorandum accounts can serve the interests of a public utility in recovering costs not previously recognized in rates, but only to the extent that those costs or revenues are incurred or accrued after the memorandum account has been authorized and established.[32][41]

We decline to adopt the memorandum accounts based on the changes in the TPR and EZ credit due to timing issues related to the establishment of the memorandum accounts. On the surface the memorandum account criteria appears to fit for the tax revisions that took place in August 2013:

- The costs, or in this case refunds, based on new tax regulations were not under SJWC's control;
- The refunds could not have been reasonably foreseen in the utility's last GRC;
- The refunds occurred before the utility's next GRC;
- The costs are of a substantial nature such that the amount of money involved is worth the effort of processing a memo account; and
- The refunds have ratepayer benefits.

[32][41] RT 301:21 – 302:20.

Memorandum accounts are typically established through the GRC process, to track for recovery or refund unforeseen costs occurring during the subsequent three-year rate case cycle. This rule is not absolute, the Commission may order utilities to set up memorandum accounts during the three-year cycle if we become aware of circumstances necessitating its establishment. In order to avoid retroactive ratemaking, the timeline for establishment of the memorandum account is essential.

In the case at hand, the establishment of memorandum accounts is sought to track refunds that have already been received by SJWC.

The past years' tax expenses were based on reasonable estimates of costs approved in the GRCs at that time. In order to track refunds of those taxes and provide them to ratepayers, a memorandum account would have had to be established before SJWC files its taxes and receives refunds~~.~~. For these ~~reason~~reasons, we do not approve the establishment of memorandum accounts to track tax refunds of the TPR and EZ credits.

Furthermore, the TPR credit has been accounted for prospectively through lump sum reductions in the rate base in 2014 and going forward.[42] Customers of SJWC will benefit from these tax changes through lowered revenue requirements both in this GRC and in the future.

In its Comments to the proposed Decision, ORA attempts to analogize this proceeding to the Southern California Edison's (SCE) GRC. This is factually inaccurate. In that proceeding, SCE also benefited from the TPR regulation but failed to reduce its rate base through deferred federal tax. In D.15-11-021, we required a reduction in rate base based on the net present value of the future additional taxes customers would have to pay. Since SJWC has already reduced its rate base voluntarily, we do not order additional reductions. We note here that changes in tax law that occur between a utility's GRCs should receive appropriate regulatory treatment. When utilities experience or anticipate large and unexpected increases in costs, they will typically request authority from the Commission to establish a memorandum account or raise rates. Utilities should be under

[42] *See* SJWC-01, ch. 13 and rate base workpapers tab 13-12.

the same obligation to notify the Commission when it experiences or anticipate a large reduction in its revenue requirements due to tax changes. It would be appropriate for us to issue a uniform procedure to be adopted by the regulated utilities in dealing with unanticipated tax changes. Such procedure cannot be issued in this proceeding and should be subject to stakeholder input and public comments.

3.8. Health Care Cost Balancing Account

SJWC requests authorization for a Health Care Cost Balancing Account to recover or refund premium changes for both medical and dental plans based on the uncertainty of the impacts of the Affordable Care Act (ACA). SJWC cites the similar memorandum or balancing accounts authorized by the Commission for other companies based on the same rationale it is using.[~~33~~43]

SJWC states that it has experienced dramatic year-to-year fluctuations in medical and dental premiums and expects the fluctuations to continue in light of the passage of the ACA.[~~34~~44] SJWC also states that the balancing account is necessary because in the future the Internal Revenue Service may tax these benefits, increasing the employer and employee payroll tax liability.

ORA asks the Commission to reject SJWC's request for a Health Care Balancing Account. ORA states that the ACA was enacted in 2010 and is currently 91 percent implemented and therefore, the program and its impacts are known and SJWC can make adjustments to lessen any further impacts. ORA's suggested adjustments are reducing the high cost plans known as "Cadillac Plans" to avoid the Tax on High-Cost Insurance Plans. ORA also suggests that SJWC pass excess medical costs through to its employees or compensate employees in lieu of health care coverage.[~~35~~45]

ORA uses information provided by SJWC in its application to illustrate that medical premium rates have been trending lower since the initial increases that occurred

[~~33~~43] Ex. SJWC-1, Ch.5 at 29-30.
[~~34~~44] Ex. SJWC-10 at 8.
[~~35~~45] Ex. O-1 at 12-3.

in the early years of the ACA. And except for 2015, dental premium rates have been low with the average premium increase for the last six years being 0.92 percent.[36][46]

ORA also states that the Commission-authorized memorandum or balancing accounts for the other Class- A water companies were enacted based on a different set of circumstances than currently exists for SJWC. ORA points out that the existing balancing or memo accounts were approved when only half of the provisions of the ACA were implemented and therefore some uncertainty regarding costs existed, or were part of a settlement and limited to one rate case cycle, with review in the next GRC.[37][47]

We do not approve SJWC's request for a Health Care Cost Balancing Account. SJWC's own information illustrates that the wild fluctuations in premiums are over. We also believe that approving the establishment of a balancing account removes the incentive for SJWC to control health care benefit costs. The circumstances under which we approved health care cost balancing accounts in the past do not exist for SJWC. Therefore, approving a Health Care Cost Balancing Account in this proceeding is not reasonable.

4. Disputed Issues between SJWC and The Mutuals

In 2006, SJWC acquired the Redwood Estates Mutual Water Company which became SJWC's Mountain District. The Mountain District is located in the Santa Cruz Mountains south of SJWC's service territory and at the time of acquisition was supplied by SJWC's Montevina pipeline which had a pumping capacity of 320 gallons per minute. This supplied the Mountain District customers with 250 gallons per day. SJWC filed Tariff 1C for the Mountain District which had certain differences in rates and terms of service than Schedule 1, which was applicable to other service areas. Initially Schedule 1C applied to 374 residential customers formerly served by Redwood Estates Mutual Water Company as well as eight mutual water companies which in turn served 456 other residential customers. By 2010, all six of The Mutuals involved here had been added and

[36][46] *Id* at 12-4 to 12-6.
[37][47] Ex. O-1 at 12-7 to 12-8.

SJWC was serving 386 residential customers and nine total mutual water companies in the Mountain District.

4.1. Elimination of the Mountain District and the Tariff Schedule 1C

The Mutuals propose to eliminate Tariff Schedule 1C and the Mountain district, claiming it is merely a pressure zone of SJWC, that there is no difference in cost to provide service, therefore, no justification for the rate differences and that the Mountain District provides excess revenue to SJWC.[38][48]

SJWC responds that the distinctive use-limiting characteristics of the Mountain District's Tariff Schedule 1C have enabled SJWC to provide reliable service to the Mountain District customers without multi-million dollar investments in enhanced pumping facilities. SJWC explains that there is a limitation to the amount of water that can be supplied to the Mountain District. That amount is currently 500 gallons per day per customer. SJWC claims that elimination of the usage limit is not feasible. The capacity of the four primary pump stations is adequate to serve customer demand while maintaining an appropriate safety margin or peaking factor, but an equipment malfunction or significantly increased usage by most Mountain District customers on a particular day could cause an unavoidable interruption. Similarly, unrepaired leaks in The Mutuals' distribution systems could lead to unavoidable service interruptions if usage limits were not in place. The limits also provide an incentive for The Mutuals to properly maintain their systems and to repair leaks promptly.[39][49] The Schedule 1C $7 per hundred cubic foot ~~over-use~~overuse charge coupled with the service interruptibility condition serve as an incentive to customers to be mindful of usage and are necessary to ensure adequate water supply.

The Mutuals claim that SJWC's statements are inconsistent. SJWC's witness stated that the "capacity is adequate" and "we have not had to interrupt anybody's service to date."[40][50] The Mutuals assert that those statements are proof that the usage limitation

[38][48] Ex. M-1 at 15.
[39][49] Ex. SJWC-11 at 2-2 to 2-3.
[40][50] RT 160:16-19 and 161:8-19.

and the interruptibility provision are unnecessary. SJWC responds that those statements actually prove that the usage limitation and the interruptibility provision are doing what they are supposed to do and should be maintained. SJWC believes that absent the current usage limits, ~~over-use~~overuse fee and service interruptibility, demand in the Mountain District would exceed capacity.

We do not adopt ~~the~~The Mutuals' recommendation to eliminate the Mountain District or Tariff Schedule 1C. The current tariff provisions were part of a Commission-approved settlement agreement between SJWC and seven mutual water companies in its 2009 GRC. The Mutuals have not provided sufficient support for their position that Tariff Schedule 1C, with its 500 gallon per day per customer usage limit, ~~over-use~~overuse fee, and interruptibility provision is not required to maintain adequate supply to the Mountain District customers. Conversely, SJWC has proved that the usage limits included in Tariff Schedule 1C are operating as intended and are necessary for SJWC to continue to provide adequate supply to the Mountain District without requiring a large capital investment to enhance pumping facilities.

4.2. Equalizing Rates of Return

The Mutuals propose significant adjustments to equalize the rate of return from all service and customer classes so that all classes deliver similar if not identical rates of return to SJWC.[~~41~~51] This would be accomplished by recovering fixed costs via service charges and variable charges by quantity charges and then allocating rate of return to each based on their ratio to total costs.

The Mutuals claim that SJWC has a -6.48 percent rate of return on service to the 90 percent of its customers in the residential class.[~~42~~52] Under cross~~-~~-examination by ORA's counsel, ~~the~~The Mutuals witness calculated that residential customers use about 58 percent of SJWC's water production but provide about 62 percent of SJWC's revenues.[~~43~~53]

[~~41~~51] Ex. M-1 at 16 and 28.
[~~42~~52] *Id* at 32-33.
[~~43~~53] RT 282:2 – 283:22.

SJWC concedes that some customer classes pay more than others, but states that it is because they use more water on a per connection basis and have a higher capacity requirement as evidenced by the larger meter sizes.[44][54] SJWC explained that it uses just one calculation of rate of return and it is based on the rate base for the entire system, cost of service for the entire system and revenues for the entire system, applying a methodology that has been reviewed and approved by the Commission in numerous GRC proceedings.[45][55] SJWC contends that there is no added benefit, but substantial costs associated with determining rate base, cost of service and revenues as applied to individual customer classes.

We decline to adopt ~~the~~The Mutuals' rate design for equalizing rates of return among customer classes. We are not convinced it is necessary and even if we were, ~~the~~The Mutuals' proposal assumes that equalized rates of return are the single most important factor involved in rate design. The Mutuals' proposal ignores the myriad other considerations that go into developing rate design.

4.3. Expanded Water Conservation

SJWC's requested Water Conservation programs were discussed and resolved in Section 3.2.

4.4. Water Ratepayer Assistance Program (WRAP) Discounts

The Mutuals recommend that WRAP discounts be changed to qualify beneficiaries based on living status – specifically by giving higher residential discounts to households of three or more.

SJWC agrees with this proposal as WRAP eligibility is based in part on living status, with income qualification guidelines tied to the number of people in the household. ~~SWJC~~SJWC also noted that the WRAP discount is based on the total bill, which is in part based on the number of people in the household, thus providing larger discounts to households with more people.

[44][54] Ex. SJWC-11 at 1-11.
[45][55] *Id.* at 1-12.

5. Pending Motions

On August 4, 2015, SJWC filed a motion to strike portions of the Reply Brief filed by The Mutuals. The motion sought to strike portions of pages 3 through 7 and page 12 of ~~the~~The Mutuals' reply brief on ~~schedule~~Schedule 1C and the The Mutuals' proposed rate design. The Mutuals did not file a response.

SJWC states that portions of The Mutuals reply brief presents assertions of fact based on information outside the evidentiary record, accuses one SJWC witness of misleading the Commission without foundation, breaches the confidentiality of prior settlement negotiations, and presents a new argument that is not responsive to claims in SJWC or ORA's opening briefs.

We deny SJWC's motion to strike portions of The Mutuals' reply brief as moot. Our decision today considers only information within the evidentiary record and accords appropriate weight to the parties' assertions.

6. Comments on Proposed Decision

The proposed decision of Judge S. Pat Tsen in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed ~~on _____,~~by SJWC and ORA on May 16, 2016 and reply comments were filed on ~~_____ by _____~~May 23, 2016.

Relevant comments and reply comments have been addressed within this decision, where appropriate.

7. Assignment of Proceeding

Liane M. Randolph is the assigned Commissioner and S. Pat Tsen is the assigned judge in this proceeding.

Findings of Fact

1. SJWC filed A.15-01-002 on January 5, 2015, requesting an increase of $34,928,000 or 12.22 percent in 2016, $9,954,000 or 3.11 percent in 2017, and $17,567,000 or 5.36 percent in 2018, over currently authorized rates.

2. On February 2, 2015, ORA filed a protest to SJWC's application.

3. On March 5, 2015, The Mutuals filed a protest to SJWC's application.

4. On July 24, 2015, SJWC and ORA filed a motion to adopt a partial settlement agreement on various issues.

5. On August 13, 2015, SJWC and ORA filed a motion to adopt a supplemental partial settlement agreement on NTP&S.

6. The July 24, 2015 and August 13, 2015 partial settlement agreements resolve most of the contested issues between SJWC and ORA and requests adoption of uncontested issues between the parties.

7. The Mutuals is not a party to the July 24, 2015 and August 13, 2015 partial settlement agreements but it participated in the settlement negotiations and did not file a protest to the proposed settlements.

8. The July 24, 2015 and August 13, 2015 partial settlement agreements represent a reasonable compromise of SJWC and ORA's litigation positions and are supported by the record of the proceeding.

9. The July 24, 2015 and August 13, 2015 partial settlement agreements do not contravene any statutory provisions or prior Commission Decisions.

10. The July 24, 2015 and August 13, 2015 partial settlement agreements, if adopted, will reduce litigation expenses, conserve Commission resources, and provide SJWC customers with safe and clean water at reasonable rates.

11. SJWC seeks Commission approval to implement a WRAM and MCBA decoupling mechanism that would decouple revenue recovery from water sales, similar to what the Commission has approved for other Class- A water utilities.

12. SJWC operates with a Monterey -Style WRAM, and its water conservation programs have met or exceeded the state's conservation mandates.

13. The Santa Clara Valley Water District provides funding to SJWC for the Waterfluence Landscape Budget program, Home Water Use Reports, Ultra-high Efficiency Toilet, Showerhead and Aerator Direct Install Program, Commercial Industrial and Institutional Survey Program and the Landscape Education Program.

14. Of the three-year funding it received in the last GRC, SJWC has spent only six months' worth of funding on the School Education Program.

15. ~~$159,000, along with the unspent funds authorized in the last GRC, should be sufficient~~SJWC requested $318,000 to continue the School Education Program in this rate cycle. A School Education Conservation Program one-way balancing account protects ratepayers and ensures refund of unspent funds.

16. Union contracts dictate annual pay increases for union employees.

17. ECOS labor factor is a reasonable figure to be used in determining non-union employee payroll expense escalations.

18. SJWC has provided sufficient justification for six new positions, including one reflecting customer growth, three filled during the last rate case cycle, one in the Customer Service Department for improved technology, and one Records Manager for the Information Governance Initiative, a capital project, ~~is~~as reasonable.

19. Temporary and part -time employees, to the extent they are filling in for vacant and authorized positions, can be funded through Commission -authorized payroll spending.

20. Granting bonuses ~~for~~to officers and managers for their activities that align with shareholder interests do not provide a continuous benefit to ratepayers.

21. Overtime expenses should be normalized by using a three-year average.

22. Regulatory expenses should be determined using a six-year average to account for all types of regulatory filings.

23. Test Year 2016 Corporate Expenses should be determined using an average of the last five years.

24. SJWC estimated its FICA tax at 9.6 percent ratio to SJWC's total payroll expense for 2016.

25. FICA tax rates have not exceeded 7.65 percent since 2003.

26. SJWC reduced its State Unemployment Insurance and Federal Uninsured Insurance estimate by 24.17 percent to account for capitalization. The same reduction should be made to SJWC's FICA estimates.

27. Establishing memorandum accounts to track future refunds of taxes paid in past GRCs is retroactive ratemaking.

28. The wild fluctuations in premiums due to implementation of the Affordable Care Act have subsided.

29. A Health Care Cost Balancing Account removes the incentive for companies to control health care benefit costs.

30. The circumstances under which we approved Health Care Cost Balancing Accounts in the past do not exist here.

31. The Mountain District is appropriately placed under Tariff Schedule 1C to accommodate capacity and pumping limitations to customers in that district.

32. Rate design considers many variables in addition to rate of return from classes of customers.

33. SJWC's service area is in compliance with all pertinent state and federal water quality standards.

Conclusions of Law

1. Rule 12.1(d) provides that 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.

2. The July 23, 2015 Settlement Agreement and August 13, 2015 Supplemental Settlement are reasonable in light of the whole record, consistent with the law, and in the public interest.

3. SJWC's application should be granted to the extent provided in the following order.

4. SJWC should be authorized to file, by Tier 1 Advice Letter, revised tariff schedules, and concurrently cancel its present schedule for such service. This filing should be subject to approval by the Commission's Division of Water and Audits. The effective date of the revised schedules should be five days after filing.

5. The surcharge to true-up the interim rates should comply with Standard Practice U-27-W.

6. SJWC should be granted an additional $~~159,300~~318,000 for the School Water Education Program, to be booked into a one -way balancing account ~~with the unspent funds authorized in the last GRC~~.

7. Payroll expense for union employees should be increased 3 percent annually based on union contracts.

8. The 2015 payroll expense for non-union employees should be estimated using 2014 payroll expense data and increasing it by the ECOS labor factor of 1.6 percent.

9. The 2016 payroll expense for non-union employees should be estimated using 2.2 percent as an escalation factor.

10. The 2017 and 2018 payroll expense for non-union employees should be escalated using ECOS labor factor for those years.

11. SJWC should be authorized to add six new employees.

12. Overtime expense should be calculated using a three-year average to normalize high overtime years.

13. Regulatory expense should be $216,000 for Test Year 2016 and $600,000 for the three-year rate case cycle.

14. Corporate Expenses of $790,000 should be authorized for Test Year 2016.

15. SJWC's FICA tax estimate should be reduced by 24.17 percent and $589,000 should be added to utility plant additions to compensate for the loss of overhead.

O R D E R

IT IS ORDERED that:

1. San Jose Water Company is authorized to increase rates by amounts designed to increase revenue by $25,021,500 or 8.56 percent in Test Year 2016.

2. The joint motion of San Jose Water Company and the Office of Ratepayer Advocates to approve the July 24, 2015, Settlement Agreement is granted.

3. San Jose Water Company is authorized to implement a credit card payment program.

4. San Jose Water Company is authorized to establish a Ground Water Regulation Legal Expense Memorandum Account.

5. ~~3.~~ The joint motion of San Jose Water Company and the Office of Ratepayer Advocates to approve the August 13, 2015, Supplemental Settlement Agreement is granted.

6. ~~4.~~ San Jose Water Company ~~is~~ shall file a Tier 1 Advice Letter for a surcharge to true-up the difference between interim rates for the period January 1, 2016 to the implementation date of the tariffs included in this order. The surcharge must comply with Standard Practice U-27-W. This calculation will be based on the 2016 tariff schedules attached to this decision that would have been implemented under the present rate design. The difference between the interim and final rates based on the revenue requirement shall be recovered over the balance of the rate case cycle.

7. ~~5.~~ San Jose Water Company shall file by Tier 1 Advice Letter the revised tariff schedules for 2016 attached to this decision and to concurrently cancel its present schedules for such service. This filing shall be subject to approval by the Commission's Division of Water and Audits. The effective date of the revised schedule shall be no earlier than five days after the effective date of this decision, and shall apply only to service rendered on or after the effective date.

8. ~~6.~~ For escalation years 2017 and 2018, San Jose Water Company shall file Tier 2 Advice Letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules. The filing shall include rate procedures set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class~~-~~ A Water Utilities and shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than January 1, 2017 and January 1, 2018, respectively, and shall apply to service rendered on and after their effective dates. The proposed revisions to revenue requirements and rates shall be reviewed by the Commission's Division of Water and Audits. The Division of Water and Audits shall inform the Commission if it finds that the revised rates do not conform to the Rate Case Plan, this order, or other Commission decisions, and if so, reject the filing.

9. ~~7.~~ San Jose Water Company will compute its payroll expenses for union employees for Test Year 2016 and Escalation Years 2017 and 2018 by using 2014 figures and escalating by 3 percent annually.

10. ~~8.~~ San Jose Water Company will use Energy Cost of Service escalation factors to compute payroll expenses for its non-union employees.

11. ~~9.~~ San Jose Water Company is authorized $~~159,300~~318,000 for its School Education Program to be booked to a one -way balancing account~~ along with unspent funds authorized in the last General Rate Case~~.

12. ~~10.~~ San Jose Water Company is authorized to fund six new positions as specified in Section 4.3.2 of this decision.

13. ~~11.~~ San Jose Water Company is authorized an aggregate regulatory expense budget of $600,000, with $216,000 authorized for Test Year 2016.

14. ~~12.~~ San Jose Water Company is authorized a Test Year 2016 corporate expense budget of $790,000.

15. ~~13.~~ San Jose Water Company must reduce its Federal Insurance Contributions Act taxes estimate by 24.17 percent. San Jose Water Company is authorized to add $589,000 to its utility plant additions to compensate for the loss of overhead.

16. ~~14.~~ Application 15-01-002 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

LIST OF APPEARANCES

Applicants:

Palle Jensen, Senior Vice President, Regulatory Affairs
((415)-279-7970, palle_jensen@sjwater.com), and
Stephen (Wes) Owens, ((408) 279-7970, wes_owens@sjwater.com).
For: San Jose Water Company
110 West Taylor Street
San Jose, CA 95110

Martin A. Mattes, ((415) 398-3600, mmattes@nossaman.com)
Nossaman, Gunther, Knox & Elliott, LLP
50 California Street, 34th Floor
San Francisco, CA 94111-4799

Interested Parties:

Bob Burke, Regulatory Liaisons
((408)896-7896, bpbburkeat@gmail.com)
The Mutual Water Company
420 Alberto Way, Unit 49
Los Gatos, CA 95032
For: The Mutual Water Companies:
Big Redwood Park Mutual Water Co.,
Brush & Old Well Road Mutual Water Company,
Mountain Summit Mutual Water Company,
Oakmont Mutual Water Company,
Ridge Mutual Water Company, and
Ville Del Monte Mutual Water Company.

State Service

Division of Ratepayer Advocates:
Chris Ungson, Representative,
((415) 703-2574, Chris.Ungson@cpuc.ca.gov)
Alison Brown, Attorney at Law, Legal Division RM 4107
((415) 416-0739, aly@cpuc.ca.gov)
John Reynolds, Attorney at Law, Executive Division RM 5133
((415) 703-1642 mpg@cpuc.ca.go)

For: Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

(END OF ATTACHMENT A)

ATTACHMENT B

The July 24, 2015, Settlement Agreement

APPENDIX 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 rates charged for water service by $34,928,000 or 12.22% in 2016; by $9,954,000 or 3.11% in 2017, and by $17,567,000 or 5.36% in 2018.	Application 15-01-002 (Filed January 5, 2015)

SETTLEMENT AGREEMENT BETWEEN THE OFFICE OF RATEPAYER ADVOCATES AND SAN JOSE WATER COMPANY ON ISSUES PRESENTED IN GENERAL RATE CASE APPLICATION

TABLE OF CONTENTS

Page

I. GENERAL PROVISIONS 1

II. TOPICS RESOLVED BY SETTLEMENT AGREEMENT .....

A. Utility Plant Additions

1. Source of Supply – Sites for Replacement Wells

2. Reservoirs and Tanks – Contingency Factor

3. Pump Stations and Equipment

4. Distribution System

a. Recycled Water Mains

b. Meters

c. Advanced Metering Infrastructure

5. Vehicles

B. Balancing and Memorandum Accounts

III. CONCLUSION

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 $34,928,000 or 12.22% in 2016; by $9,954,000 or 3.11% in 2017, and by $17,567,000 or 5.36% in 2018.	Application 15-01-002 (Filed January 5, 2015)

SETTLEMENT AGREEMENT BETWEEN THE OFFICE OF RATEPAYER ADVOCATES AND SAN JOSE WATER COMPANY ON ISSUES PRESENTED IN THE PRESENT GENERAL RATE CASE

I. GENERAL PROVISIONS

1. Pursuant to Article 12 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), the Office of Ratepayer Advocates ("ORA") and San Jose Water Company ("SJWC"), referred to together as "the Settling Parties," have agreed on the terms of this Settlement Agreement, which they now submit for review, consideration, and approval by Administrative Law Judge S. Pat Tsen and the Commission. This Settlement Agreement addresses most of the differences on contested issues presented by the testimony and exhibits submitted into evidence by SJWC and ORA, respectively.

2. Specific issues that the Settling Parties agree to resolve through this Settlement Agreement are set forth in Section II below. For each issue, Section II describes the positions of the Settling Parties, the difference between SJWC's rebuttal position and ORA's position, and the resolution provided by the Settlement Agreement, and also provides references to the evidence of record relevant to each settled issue.

3. Because this Settlement Agreement represents a compromise of the Settling Parties' positions with respect to each issue addressed herein, the Settling Parties have agreed upon the resolution of each issue addressed in the Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by either Party regarding any fact or matter of law that may have been in dispute in this proceeding. Furthermore, consistent with Rule 12.5 of the Commission's Rules, the Settling Parties intend that the approval of this Settlement Agreement by the Commission should not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding with respect to any issue addressed in the Settlement Agreement.

4. The Settling Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that Settling Parties are agreeing to the Settlement Agreement as a whole rather than agreeing to specific elements of the Settlement Agreement.

5. This Settlement Agreement is the product of a process of direct negotiation between the Settling Parties. The only other party to this proceeding, a collection of six mutual water companies,[1] participated in the settlement process but is not a party to the Settlement Agreement. Accordingly, the Settlement Agreement is not presented as an all-party settlement.

6. The Settling Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of his or her execution of this document. All rights and remedies of the Settling Parties are limited to those available before the Commission.

7. 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.

8. This Settlement Agreement constitutes and represents the entire agreement between the Settling Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Settling Parties with respect to the subject matter set forth herein.

9. This Settlement Agreement resolves all outstanding and still contested issues in this proceeding between SJWC and ORA except for the following:

a. Revenue decoupling – WRAM/MCBA;
b. WRAM-related Conservation Programs;
c. Regulatory Commission Expense;
d. Corporate Expense;
e. Payroll Expense Related to Non-Tariffed Products and Services;
f. Other Payroll/Labor Expense;
g. Payroll Taxes – Capitalized Portion of FICA Tax;
h. Tax Memorandum Accounts; and
i. Health Care Balancing Account.

[1] The six mutual water companies are Big Redwood Park Mutual Water Company, Brush & Old Well Mutual Water Co., Mountain Summit Mutual Water Co., Oakmont Mutual Water Co., Ridge Mutual Water Co., and Villa Del Monte Mutual Water Co.

10. Many elements of SJWC's proposed Results of Operations and Capital Investment Plan presented in testimony accompanying its Application were not challenged by ORA in its Results of Operations Report and so do not present contested issues. Similarly, the positions presented by ORA in its Results of Operations Report on a number of issues were accepted by SJWC and so also do not present contested issues. This Settlement Agreement does not address such matters except as noted in Paragraph 11, below.

11. The disposition of all uncontested issues is presented, along with the disposition of topics resolved by this Settlement Agreement and the positions of the parties on the remaining contested issues, in the Comparison Exhibit, which is attached to this Settlement Agreement as Exhibit COM-01. The Comparison Exhibit displays, in a series of tables, the evolution of the positions of SJWC and ORA from their initial showings, through rebuttal testimony and settlement negotiations, to their current positions, with respect to each of the line items of SJWC's Results of Operations. For issues that remain contested, the relevant line items show the amounts in dollars and percentages by which SJWC's estimate exceeds that of ORA. In many instances, the line item itself is not contested but different amounts are shown for the current positions of SJWC and ORA, due to different allocations of Total Labor Expense or different Total Revenue estimates (resulting from contested issues).

II. TOPICS RESOLVED BY SETTLEMENT AGREEMENT

The Settlement Agreement resolves issues relating to SJWC's proposals for capital additions in years 2015, 2016, and 2017, and SJWC's proposals regarding balancing accounts and memorandum accounts.

A. UTILITY PLANT ADDITIONS

Capital investment forecasts and settlement amounts for 2015-2017 are as shown in Table 1 below, followed by descriptions, by line item, of the positions of the Settling Parties and the resolution of contested plant categories. The annual amounts and the 3-year budget totals are the amounts agreed upon by ORA and SJWC. Specific issues and their resolution are described in the sections below.

TABLE 1
($1,000)

Item No.	Plant Category	2015-2017 Capital Budget Before Settlement			2015	2016	2017	2015-2017
		SJWC	ORA	Diff.	Settlement	Settlement	Settlement	Settlement
1	Land	$31.6	$31.6	$0	$10.2	$10.5	$10.9	$31.6
2	Source of Supply	$29,451.7	$22,923.1	$6,528.6	$8,469.1	$8,748.1	$5,705.9	$22,923.1
3	Water Treatment	$5,633.5	$5,633.5	$0	$876.8	$2,253.2	$2,503.5	$5,633.5
4	Reservoir and Tanks	$46,827.3	$45,313.8	$1,513.5	$20,108.3	$13,179.4	$12,026.2	$45,313.8
5	Pump Stations and Equipment	$30,893.7	$26,285.6	$4,608.1	$5,741.8	$9,475.0	$11,408.6	$26,625.4
6	Distribution System-New/Recycled Mains	$19,759.0	$19,220.6	$538.4	$2,733.6	$5,505.3	$10,981.7	$19,220.6
7	Distribution System-Service Transfers	$20.4	$20.4	$0	$20.4	$0	$0	$20.4
8	Distribution System-City, County and State	$1,775.5	$1,532.5	$243.0	$720.4	$540.5	$393.1	$1,654.0
9	Distribution System-Replacement Mains	$112,798.6	$112,798.6	$0	$38,174.1	$38,760.0	$35,864.5	$112,798.6
10	Distribution System-Main Extensions	$9,787.7	$9,433.4	$354.3	$3,344.3	$2,850.7	$3,238.4	$9,433.4
11	Distribution System-Services	$33,442.8	$33,379.7	$63.1	$10,781.4	$11,104.8	$11,493.5	$33,379.7
12	Distribution System-Meters	$11,659.0	$11,616.6	$42.4	$4,219.0	$3,347.1	$4,092.9	$11,659.0
13	Distribution System-Hydrants	$1,042.1	$1,031.5	$10.6	$333.2	$343.2	$355.2	$1,031.5
14	Equipment	$22,921.3	$14,211.3	$8,710.0	$5,371.9	$5,320.7	$3,643.7	$14,336.3
15	Structures and Non-Specifics	$9,496.6	$8,996.0	$500.6	$3,576.6	$3,551.1	$2,118.6	$9,246.3
	Total	$335,540.80	$312,428.20	$23,112.60	$104,481.00	$104,989.50	$103,836.70	$313,836.70

1. Source of Supply – Sites for Replacement Wells

ISSUE: As part of its Well Replacement Program SJWC requested authorization of $6,528,600 in budget year 2017 for the purchase of property for replacement wells (Project SJW012440). SJWC argued this expenditure is necessary due to the lack of room for future well installations at existing groundwater stations. ORA recommended disallowance of the capital expenditures based in part on cost over-runs from the prior GRC for similar projects. ORA further noted that for future land purchases, the existing well sites should be evaluated first to determine whether a replacement well can be installed. In Rebuttal SJWC noted that the project from the last GRC was a two year project that did not in fact have a cost overrun and that existing well sites are thoroughly evaluated, as noted in the submitted "San Jose Water Company 2014 Well Study".

RESOLUTION: SJWC agrees to defer this project to the next GRC. However, Parties agree that it is reasonable to expect that SJWC would purchase new property for a well replacement project regardless of approval if it proved to be necessary. If SJWC finds that purchasing land is necessary, then the company can purchase land for a well site and request to recover the cost of the land in the next rate case to be reviewed for prudency. SJWC shall demonstrate that all possible options were considered before purchasing additional land for well sites, including providing cost benefit analysis of comparing the cost of purchasing new land and installing a well with well rehab and/or installing treatment at existing sites.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Land for Well Replacement	$6,528,600	$6,528,600	$0	$6,528,600	$0

REFERENCES: Exhibit SJW-03 (Lambing), p. 24-27; Exhibit SJW-10, Chapter 7 (Tuttle), p. 7-1 to 7-3; Exhibit ORA-1, Chapter 4 (Menda), p. 4-6 to 4-10.

2. Reservoirs and Tanks – Contingency Factor

ISSUE: SJWC requested authorization for $6,926,400 (split between budget years 2015 and 2016) for replacement of the roof and overflow structure and additional miscellaneous improvements related to the concrete drains and the altitude valve at the Almaden Valley Reservoir (Project SJW013091 and SJW012383). Additionally, SJWC requested authorization for $8,782,100 (split between budget years 2016 and

2017) to replace the column, roof, and liner at the Belgatos Station Basin (Projects SJW013080 and SJW012862). Finally, SJWC requested authorization for $4,536,800 (split between budget years 2015 and 2016) to replace the columns, roof, overflow structure, and concrete sealant of the basin at Cox Station #2 (Projects SJW013088 and SJW012861). ORA did not object to the need for these projects, but recommended lower estimated project costs based on lower contingency factors and sales tax rates. Specifically, ORA recommended budgets of $6,400,448 for the Almaden Valley Reservoir Project, $8,139,926 for the Belgatos Station project, and $4,191,465 for the Cost Station #2 project. In Rebuttal Testimony SJWC argued that the 30% contingency factor used in cost estimating was appropriate for the design level of the projects.

RESOLUTION: SJWC agree to ORA's position. The Parties agree to ORA's position because SJWC does have sufficient experience with similar projects to justify a lower contingency factor.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Almaden Valley Sta. (2016-2017)	$6,926,400	$6,926,400	$6,400,448	$525,952	$6,400,448
Belgatos Sta. (2016-2017)	$8,782,100	$8,782,100	$8,139,926	$642,174	$8,139,926
Cox Sta. #2 (2016-2017)	$4,536,800	$4,536,800	$4,191,465	$345,335	$4,191,465

REFERENCES: Exhibit SJW-03 (Lambing), p. 114-122 and 209-215; Exhibit SJW-10, Chapter 3 (Lambing), p. 3-2 to 3-3; Exhibit ORA-1, Chapter 4 (Menda), p. 4-12 to 4-13.

3. Pump Stations and Equipment

a. Franciscan Station Pumps

ISSUE: SJWC requested authorization for $149,000 in 2015 (Project SJW012309) and $1,381,700 in 2016 (Project SJW012310) to fund the replacement and relocation of two boosters and one motor control center at the Franciscan Station. This project will address low suction pressure problems and eliminate the potential for contamination infiltration. The project will also enable the boosters to operate under high demand and low tank and reservoir level scenarios, thus preventing pressure zones from becoming deficient in available fire capacity or from violating GO 103-A system capacity standards. Furthermore, this alternative addresses concerns posed

by the age of the existing booster pumps and their high risk of potential failure within the next few years. Finally, Motor Control Center (MCC) reliability and worker safety will be enhanced to meet SJWC's latest safety standards. ORA does not oppose the need for the project, but recommends the project continue as an advice letter project with an estimated budget cap of $1,530,700. By allowing advice letter treatment, the final cost of the project can be reviewed for all reasonable and prudent costs once the project is completed.

RESOLUTION: Parties agree to advice letter treatment (Tier II) for the Franciscan Station Pumps project with an advice letter budget cap of $1,530,700. All project costs, including, but not limited to, contract costs, materials, company labor, consulting fees, company overhead, taxes, insurance, permitting fees, and capitalized interest may be included in the advice letter filing. The advice letter will be filed only upon project completion. ORA reserves the right to review the advice letter filing for all reasonable and prudent costs. In the event that final project costs are greater than the advice letter budget cap SJWC reserves the right to seek recovery of the overage in a subsequent general rate case.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Franciscan Station Pump (2015-2016)	$1,530,700	Advice Letter	Advice Letter	N/A	Advice Letter

REFERENCES: Exhibit SJW-03 (Lambing), p. 137-144; Exhibit ORA-1, Chapter 4 (Menda), p. 4-18 to 4-19.

b. Miguelito Station Pumps

ISSUE: SJWC requested authorization for $207,400 in 2016 (Project SJW012347) and $1,931,600 in 2017 (Project SJW012348) to fund the replacement of booster pumps, motors, and motor control centers at the Miguelito Station. This project will increase operational flexibility, reliability, and efficiency. The project will bring the motor control center up to modern standards, improve system reliability, provide ease of maintenance, enhance worker safety, and reduce arc flash hazard, while allowing for flexibility to expand in the future. ORA does not oppose the need for the project, but recommends the project continue as an advice letter project with an estimated budget cap of $2,139,000. By allowing advice letter treatment, the final cost of the project can be reviewed for all reasonable and prudent costs once the project is completed.

RESOLUTION: Parties agree to advice letter treatment (Tier II) for the Miguelito Station Pumps project with an advice letter budget cap of $2,139,000. All project costs, including, but not limited to, contract costs, materials, company labor, consulting fees, company overhead, taxes, insurance, permitting fees, and

capitalized interest may be included in the advice letter filing. The advice letter will be filed only upon project completion. ORA reserves the right to review the advice letter filing for all reasonable and prudent costs. In the event that final project costs are greater than the advice letter budget cap SJWC reserves the right to seek recovery of the overage in a subsequent general rate case.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Miguelito Station Pump (2016-2017)	$2,139,000	Advice Letter	Advice Letter	N/A	Advice Letter

REFERENCES: Exhibit SJW-03 (Lambing), p. 239-248; Exhibit ORA-1, Chapter 4 (Menda), p. 4-21 to 4-22.

c. Harwood Court Station Pump

ISSUE: SJWC requested authorization for $1,104,400 in 2016 (Project SJW012311) to fund the replacement of a motor control center and to add a second booster pump at the Harwood Court Station. This project will increase operational reliability and flexibility, help mitigate the existing capacity deficit, increase water supply reliability, increase asset life, and improve worker safety. The project will also provide for increased fire protection capability, and minimal disruption of water service to customers. ORA does not oppose the need for the project, but recommends a total construction budget of $877,400. ORA's recommendation is based on the project budget submitted in SJWC's previous rate case, escalated to 2016 dollars.

RESOLUTION: Parties agree to ORA's recommended budget of $877,400. If project costs. exceed the budgeted amount, SJWC reserves the right to seek recovery of the overage in a subsequent general rate case.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Harwood Ct. Station (2016)	$1,104,400	$877,400	$877,400	$0	$877,400

REFERENCES: Exhibit SJW-03 (Lambing), p. 224-228; Exhibit ORA-1, Chapter 4 (Menda), p. 4-22 to 4-23.

d. Line Shaft Pumping Equipment Replacement

ISSUE: SJWC requested authorization for line shaft pumping equipment replacement expenditures of $683,400 in 2015 (Project SJW10457), $703,900 in 2016 (Project SJW010465), and $728,500 in 2017 (Project SJW10211). These projects cover maintenance and replacement of horizontal and vertical electric motors and pumping unit assemblies, including pump casings or bowls, column assemblies, discharge heads, and shaft segments. ORA did not oppose the need for the project, but adjusted the annual budgets based on the company's historical spending. ORA estimated annual budget amounts based on inflation adjusted historical average spending on this budget item from 2010 through 2014. Based on this methodology ORA recommended annual budgets of $595,904, $613,781, and $635,263 for 2015, 2016, and 2017, respectively. In Rebuttal Testimony SJWC argued that ORA's methodology does not account for cost increases for materials used in these projects that are increasing faster than standard inflationary factors.

RESOLUTION: Parties agree to Line Shaft Pumping Equipment replacement budgets of $623,400 in 2015, $642,100 in 2016, and $664,500 in 2017. This settlement was arrived at through SJWC's acknowledgement that the budgets should be in line with historical levels and ORA's acknowledgement that rising material costs necessitate a higher budget level.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Line Shaft Pumping Equipment Replacement (2015-2017	$2,115,800	$2,115,800	$1,844,948	$270,852	$1,930,000

REFERENCES: Exhibit SJW-03 (Lambing), p. 31-33; Exhibit SJW-10, Chapter 3 (Lambing), p. 3-3 to 3-4; Exhibit ORA-1, Chapter 4 (Menda), p. 4-24 to 4-25.

e. Submersible Pumping Equipment Replacement

ISSUE: SJWC requested authorization for Submersible Pumping Equipment replacement expenditures of $683,400 in 2015 (Project SJW10163), $703,900 in 2016 (Project SJW010452), and $728,500 in 2017 (Project SJW10468). These projects cover ongoing maintenance and replacement of submersible electric motors, pump bowl assemblies, power cables, column assemblies, discharge elbows, , and wiring for wells and booster pumps. ORA did not oppose the need for the project, but adjusted the annual budgets based on the company's historical spending. ORA estimated annual budget amounts based on inflation adjusted historical average

spending on this budget item from 2010 through 2014. Based on this methodology ORA recommended annual budgets of $564,181, $550,207, and $569,464 for 2015, 2016, and 2017, respectively. In Rebuttal Testimony SJWC argued that ORA's methodology does not account for cost increases for materials used in these projects that are increasing faster than standard inflationary factors.

RESOLUTION: Parties agree to Submersible Pumping Equipment replacement budgets of $623,400 in 2015, $642,100 in 2016, and $664,500 in 2017. This settlement was arrived at through SJWC's acknowledgement that the budgets should be in line with historical levels and ORA's acknowledgement that rising material costs necessitate a higher budget level.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Submersible Pumping Equipment Replacement (2015-2017	$2,115,800	$2,115,800	$1,653,852	$461,948	$1,930,000

REFERENCES: Exhibit SJW-03 (Lambing), p. 34-36; Exhibit SJW-10, Chapter 3 (Lambing), p. 3-3 to 3-4; Exhibit ORA-1, Chapter 4 (Menda), p. 4-26 to 4-28.

4. Distribution System

a. Recycled Water Mains

ISSUE: SJWC requested authorization of $4,164,000 for recycled water pipeline installation of recycled water Alignment A (Project SJW01933). Alignment A is a 21,700 foot long recycled water pipeline that will be installed in 2016 and which will allow distribution of up to 274 acre-ft per year of recycled water. Additionally, SJWC requested authorization of $1,522,300 for recycled water pipeline installation of recycled water Alignment R (Project SJW012934). Alignment R is a 7,100 foot long recycled water pipeline that will be installed in 2016 and which will allow distribution of up to 265 acre-ft per year of recycled water. Finally, SJWC requested authorization of $11,339,100 for recycled water pipeline installation of recycled water Alignment D (Project SJW012935). Alignment D is a 27,400 foot long recycled water pipeline that will be installed in 2017 and which will allow distribution of up to 477 acre-ft per year of recycled water. ORA did not object to the need for these projects, but recommended lower estimated project costs based on different escalation factors. Specifically, ORA recommends the use of escalation factors as provided in the Energy Cost of Service and Natural Gas Branches (ECOS) monthly memos. Based on the use of the ECOS escalation factors ORA recommended construction

budgets of $4,011,220 for Alignment A, $1,494,037 for Alignment R, and $10,981,710 for Alignment D. In Rebuttal Testimony SJWC argued that the original cost estimates were based on industry standard escalation factors and that these estimates should be approved.

RESOLUTION: Parties agree to adopt ORA's position. In this instance the ECOS escalation factors provide an appropriate escalation of costs.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Recycled Water Alignment A	$4,164,000	$4,164,000	$4,011,220	$152,780	$4,011,220
Recycled Water Alignment R	$1,522,300	$1,522,300	$1,494,037	$28,263	$1,494,037
Recycled Water Alignment D	$11,339,100	$11,339,100	$10,981,710	$357,390	$10,981,710

REFERENCES: Exhibit SJW-02, Chapter 20 (Hoang); Exhibit SJW-03 (Lambing), p. 264-305 and 360-409; Exhibit SJW-10, Chapter 7 (Tuttle), p. 7-3 to 7-5; Exhibit ORA-1, Chapter 4 (Menda), p. 4-28 to 4-32.

b. City, County, and State

ISSUE: SJWC requested authorization of $408,000 in 2015 (Project SJW012332), $420,200 in 2016 (Project SJW10278), and $434,900 in 2017 (Project SJW10283) for City, County, and State project related facility relocations. Specifically, these annual budgets provide funding for facility relocations or improvements of SJWC facilities performed in conjunction with Department of Public Works and Department of Transportation projects undertaken by the city, county and state agencies per franchise agreements. ORA does not oppose the need for these projects, but recommends a budget amount based on the 5-year inflation adjusted average. Based on this methodology ORA recommends budget amounts of $329,470 in 2015, $339,354 in 2016, and $351,231 in 2017. In Rebuttal Testimony SJWC argued that local governmental agencies are increasing their infrastructure improvement and replacement expenditures to offset lower infrastructure investment levels from the post-2008 economic crisis.

RESOLUTION: Parties agree to adopt budgets of $368,700 in 2015, $379,800 in 2016, and $393,100 in 2017. This settlement was arrived at through parties' acknowledgement that the budgets should be in line with historical levels.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
City, County, and State Facilities (2015-2017)	$1,263,100	$1,263,100	$1,020,055	$243,045	$1,141,600

REFERENCES: Exhibit SJW-02 (Jensen), WP 11-7, WP 11-8, and WP 11-9; Exhibit SJW-10, Chapter 3 (Lambing), p. 3-4 to 3-5; Exhibit ORA-1, Chapter 4 (Menda), p. 4-32 to 4-34.

c. Pressure Monitors

ISSUE: SJWC requested authorization for $354,300 in 2015 (Project SJW012826), $365,000 in 2016 (Project SJW012827), and $377,800 in 2017 (Project SJW012828) for the purchase and installation of pressure monitors throughout SJWC's service area. This program will provide SJWC more representative data than is currently possible with existing Supervisory Control and Data Acquisition (SCADA) data, pressure model, and field surveys. ORA does not oppose the need for these projects, but recommends the program be delayed for one year based on the current progress of the project.

RESOLUTION: Parties agree to delay the project for one year and remove the 2015 budgeted portion of the overall project (Project SJW012826). The 2016 (Project SJW012827) and 2017 (Project SJW012828) components will remain in place.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Pressure Monitors (2015-2017)	$1,097,100	$742,800	$742,800	$0	$742,800

REFERENCES: Exhibit SJW-03 (Lambing), p. 48 - 53; Exhibit ORA-1, Chapter 4 (Menda), p. 4-38 to 4-39.

d. Services (2" and larger)

ISSUE: SJWC requested authorization for $20,400 in 2015 (Project SJW10304), $21,000 in 2016 (Project SJW10191), and $21,700 in 2017 (Project SJW012828) for the purchase and installation of new and replacement 2" and larger services. ORA recommends that services 2" and larger be captured within the overall service replacement budget, and that these specific 2" and larger budget items be eliminated.

RESOLUTION: Parties agree to remove the 2" and larger service installations and replacements and to capture these costs within the overall service replacement budget.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Services – 2" and larger (2015-2017)	$63,100	$0	$0	$0	$0

REFERENCES: Exhibit SJW-02 (Jensen), WP 11-7, WP 11-8, and WP 11-9; Exhibit ORA-1, Chapter 4 (Menda), p. 4-39 to 4-42.

e. Meters

ISSUE: SJWC requested authorization for $1,114,200 in budget year 2015 for the replacement of obsolete Sensus meters (Project SJW012608). ORA does not object to the need for the project, but recommends that 17 of the meters proposed for replacement be removed from the project budget. ORA argues that these specific meters do not meet the replacement criterion. Based on the removal of these 17 meters ORA recommends a budget of $1,071,780. In Rebuttal Testimony SJWC argued that the meters are not being removed because they do, or do not, meet the standard replacement criterion, but rather because the meter manufacturer, Sensus Technologies, is discontinuing the product. This includes phasing out the availability of replacement parts. Further, SJWC noted that all of the meters in the program, including the 17 specified in ORA's report, had been replaced.

RESOLUTION: Parties agree to adopt SJWC's position since the work has already been completed and ORA has not challenged the reasonableness of the completed work's costs.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Sensus Meter Replacement (2015)	$1,114,200	$1,114,200	$1,071,780	$42,420	$1,114,200

REFERENCES: Exhibit SJW-03 (Lambing), p. 45-47; Exhibit SJW-10, Chapter 3 (Lambing), p. 3-4 to 3-6; Exhibit ORA-1, Chapter 4 (Menda), p. 4-42 to 4-45.

f. Hydrants

ISSUE: SJWC is requesting $306,000, $315,200, and $326,200 in 2015-2017, respectively to replace hydrants within the City of San Jose (SJW10225, SJW10280, and SJW012483 for 2015-2017, respectively) and outside the City of San Jose (SJW10273, SJW10192, and SJW012483 for 2015-2017, respectively). ORA did not oppose the need for the projects, but adjusted the annual budgets based on the company's historical spending. ORA estimated annual budget amounts based on inflation adjusted historical average spending on this budget item from 2010 through 2014. Based on this methodology ORA recommended annual budgets of $302,600, $311,700, and $322,600 for 2015, 2016, and 2017, respectively.

RESOLUTION: Parties agree to ORA's recommended budgets.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Hydrants (2015-2017)	$947,400	$936,900	$936,900	$0	$936,900

REFERENCES: Exhibit SJW-02 (Jensen), WP 11-7, WP 11-8, and WP 11-9; Exhibit ORA-1, Chapter 4 (Menda), p. 4-45 to 4-46.

5. Equipment - Advanced Metering Infrastructure

ISSUE: SJWC proposed full scale implementation of Advanced Metering Infrastructure (AMI) throughout the service area. SJWC's proposal consisted of both a capital component and an expense component. The capital component of $510,000 in 2016, $5,799,000 in 2017, and $2,401,000 in 2018 and the expense component was $1,156,700 in 2016, $1,186,400 in 2017, and $1,168,700 in 2018. ORA recommended that instead of authorizing a full-scale implementation SJWC should conduct a study to quantify the net benefits of AMI. ORA recommended that

SJWC should file a Tier II Advice Letter requesting pilot study funding prior to receiving any Commission approval for pilot study funding.

RESOLUTION: SJWC and ORA agree that SJWC should perform a pilot study prior to full scale AMI implementation. The pilot study will include two components, a capital component and a expense component. The capital component will consist of $225,000 in 2016 for high resolution meters and AMI technology. This capital component will be offset by grant funding of $100,000 provided by the Santa Clara Valley Water District, thus the amount to be included in utility plant in service is $125,000. The expense component will consist of $250,000 amortized over the 3-year GRC cycle ($83,333 per year in each of the years 2016-2018). This $250,000 will be used to hire an independent consultant to develop the structure for the pilot, the methodology and data collection necessary for measuring and verifying the net benefits resulting from the pilot, the methodology for estimating the net benefits of full implementation, and the criteria that should be used to determine whether full implementation is financially prudent. Upon completion of the pilot study parameters SJWC and ORA staff will meet to discuss the planned pilot study, at which time ORA will provide input and recommendations regarding the planned study. Subsequent to this meeting, SJWC will file a Tier 1 Information Only Advice Letter outlining the parameters of the pilot study. Upon completion of the pilot study, and if results of the study justify, SJWC can file a separate Application seeking CPUC approval for full AMI implementation. A study prepared by the independent consultant would be included in any such Application.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
AMI Capital (2015-2017)	$8,710,000	$8,710,000	$0	$8,710,000	$125,000
AMI Expense (2016-2018)	$3,511,800	$3,511,800	$0	$3,511,800	$225,000

REFERENCES: Exhibit SJW-03 (Lambing), p. 64-86; Exhibit SJW-10, Chapter 1 (Day), p. 1-1 to 1-5; Exhibit ORA-1, Chapter 4 (Menda), p. 4-47 to 4-51.

6. Vehicles

ISSUE: SJWC is requesting a total 3-year budget of $5,473,500 for the replacement of vehicles that meet SJWC's vehicle replacement criteria, or that will meet the criteria by the end of 2017. Consistent with the Commission's vehicle replacement policy, ORA's analysis used a mileage threshold of 120,000 miles or a service life threshold of eight years to determine the number of vehicles that should be replaced. Based on this analysis ORA recommends a 3-year replacement budget of $4,972,880. In Rebuttal Testimony SJWC argued that the utility's fleet is specialized

for water utility operations, and cannot be characterized by generic standards related to normal wear and tear, fuel economy, service intervals and how the vehicles are utilized.

RESOLUTION: Parties agree to a 3-year replacement budget of $5,223,200 with $1,165,300 in 2015, $2,168,900 in 2016, and $1,889,000 in 2017. Parties agree that the proposed budgets are in line with the ORA's policy and the useful life of specialized vehicles.

Issue	SJWC Direct	SJWC Rebuttal	ORA Report	Difference	Settlement
Vehicle Replacement (2015-2017)	$5,473,500	$5,473,500	$4,972,880	$500,620	$5,223,200

REFERENCES: Exhibit SJW-03 (Lambing), p. 37-42; Exhibit SJW-10, Chapter 3 (Lambing), p. 3-6 to 3-8; Exhibit ORA-1, Chapter 4 (Menda), p. 4-52 to 4-53.

B. BALANCING AND MEMORANDUM ACCOUNTS

a. Balancing and Memorandum Account Disbursement

ISSUE: In Testimony ORA recommended removal of an $878,024 Mandatory Conservation Rate Adjustment Memorandum Account (MCRAMA) balance from the 2012 Balancing Account that had subsequently been recovered. ORA reduced their estimated Balancing Account surcharge rate to reflect the removal of the MCRAMA balance. In Rebuttal Testimony SJWC noted that the MCRAMA balance had been removed from the 2013 Balancing Account after recovery of the $878,024 balance was completed. Thus, when all Balancing Accounts are combined, the MCRAMA balance had been removed.

RESOLUTION: Parties agree that the MCRAMA balance was appropriately accounted for in SJWC's calculations and that SJWC's proposed Balancing Account and Memorandum Account recovery calculations should be adopted.

REFERENCES: Exhibit SJW-01, Chapter 17 (Jensen), p. 17-2 to 17-3; Exhibit SJW-10, Chapter 2 (Jensen), p. 2-9 to 2-11; Exhibit ORA-1, Chapter 10 (Keowen).

b. Preliminary Statement Update

ISSUE: In Testimony ORA recommended that SJWC should update its preliminary statement to, among other items, remove the Research, Development and Demonstration Memorandum Account and the Intervenor Compensation

Memorandum Account. In Rebuttal Testimony SJWC argued that both accounts were still necessary to track future expenses. SJWC further argued that SJWC's Pension Expense Balancing Account should be updated to reference the most current applicable General Rate Case Decision.

RESOLUTION: Parties agree that the Research Development and Demonstration Memorandum Account and the Intervenor Compensation Memorandum Account will stay open and that SJWC's Pension Expense Balancing Account should be updated to reference the most current applicable General Rate Case Decision. The continuing status of these accounts will be reviewed in SJWC's next GRC.

REFERENCES: Exhibit SJW-01, Chapter 17 (Jensen), p. 17-2 to 17-3; Exhibit SJW-10, Chapter 2 (Jensen), p. 2-9 to 2-11; Exhibit ORA-1, Chapter 10 (Keowen).

III. CONCLUSION

The Parties mutually believe that, based on the terms and conditions stated above, this Settlement is reasonable in light of the whole record, is consistent with the law, and is in the public interest.

Respectfully submitted,

OFFICE OF RATEPAYER ADVOCATES

By: _____

Joseph P. Como – Acting Director

OFFICE OF RATEPAYER ADVOCATES
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
E-mail: joc@cpuc.ca.gov

Dated: July 24, 2015

SAN JOSE WATER COMPANY

By: _____

Palle Jensen – Senior Vice President of Regulatory Affairs

SAN JOSE WATER COMPANY
110 West Taylor Street
San Jose, CA 95110
E-mail: palle_jensen@sjwater.com

Dated: July 24, 2015

SAN JOSE WATER COMPANY
(U-168-W)

GENERAL RATE CASE
A.15-01-002

EXHIBIT COM-01

JOINT COMPARISON EXHIBIT
OF SAN JOSE WATER COMPANY
AND THE OFFICE OF RATEPAYER ADVOCATES IN
GENERAL RATE CASE APPLICATION 15-01-002

Exhibit COM-01

JOINT COMPARISON EXHIBIT OF SAN JOSE WATER COMPANY AND THE OFFICE OF RATEPAYER ADVOCATES IN GENERAL RATE CASE APPLICATION 15-01-002

The San Jose Water Company (SJWC) and the Office of Ratepayer Advocates (ORA) have prepared this Joint Comparison Exhibit as a reference for comparing both Parties original positions as stated in testimony and current (final) positions based on the proposed settlement. The Exhibit includes comparisons of Parties' positions on:

- **Table 1:** Test Year 2016 Summary of Earnings at Present and Proposed Rates
- **Table 2:** Test Year 2016 Operating Revenues at Present and Proposed Rates
- **Table 3:** Test Year 2016 Operating and Administrative Expenses
- **Table 4:** Test Year 2016 Taxes at Proposed Rates
- **Table 5A-5C:** Utility Plant in Service – Budget Years 2015-2017
- **Table 6:** Test Years 2016 and 2017 Ratebase
- **Table 7:** Test Year 2016 Customer Forecasts and Sales Estimates
- **Table 8:** Non-Revenue Requirement Issues

The column ORA Testimony reflects ORA's position as provided in Exhibit O-1: Report on the Results of Operations. The column ORA Final reflects ORA's position with the settlement items included. The column SJWC Application reflects the SJWC position as submitted in exhibits accompanying the initial A.15-01-002 filing on January 5, 2015. The column SJWC Update reflects the revised estimates as provided in the 45-Day Update filing on February 19, 2015. And the column SJWC Final reflects SJWC's position with all agreed upon and settled items between ORA and SJWC incorporated.

The column "Current Status" includes notes that designate the contested or resolved status of each line item. Notes are as follows:

a. ORA accepted SJWC's position/estimate as stated in Exhibits SJWC -1 and/or SJWC-2.
b. SJWC accepted ORA's position/estimate as stated in Exhibit O-01.
c. Parties agree on positions/estimating methodology for the line item - differences are due to allocation of differing estimates of Total Labor Expense.
d. Parties agree on positions/estimating methodology for the line item - differences are due to the effect of differing estimates of Total Revenue at Proposed Rates.
e. Issue settled as specified in Joint Settlement Agreement.
f. Issue remains contested and was addressed in evidentiary hearing.

The column "Reference" provides locations in the various Exhibits where Parties have presented arguments on the individual items/issues. The reference nomenclature is Exhibit,Chapter,Page,Section. For example "O-01,CH02,P02, §C2.a" refers to ORA Exhibit O-01, Chapter 2, page 2, Section C.2.a.

DETAILED JOINT COMPARISON EXHIBIT
TABLE 1:
TEST YEAR 2016 SUMMARY OF EARNINGS AT PRESENT AND PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	**Summary of Earnings at Present Rates**							
2	Operating Revenue	$274,948	$292,146	$0	0.0%	$292,146	$286,513	$286,146
3								
4	Operating & Maintenance Expense	$141,830	$159,283	$6,024	3.8%	$165,307	$159,183	$158,588
5	Administrative & General Expense	$26,479	$26,476	$2,740	10.3%	$29,216	$29,278	$29,282
6	Taxes Other Than Income	$10,713	$10,757	$1,221	11.4%	$11,978	$11,974	$11,854
7	Depreciation & Amortization	$41,986	$41,986	$0	0.0%	$41,986	$41,986	$41,571
8	Income Taxes	$14,695	$14,455	($4,083)	-28.2%	$10,372	$10,475	$12,236
9	Total Operating Expenses	$235,703	$252,957	$5,903	2.3%	$258,859	$252,896	$253,531
10								
11	Net Operating Revenue	$39,245	$39,189	($5,903)	-15.1%	$33,287	$33,616	$32,615
12								
13	Depreciated Rate Base	$656,558	$657,921	$1,070	0.2%	$658,991	$664,755	$658,370
14	Rate of Return	5.98%	5.96%	-1%	-15.2%	5.05%	5.06%	4.95%
15								
16	**Summary of Earnings at Proposed Rates**							
17	Operating Revenue	$298,416	$315,885	$10,103	3.2%	$325,988	$320,544	$321,073
18								
19	Operating & Maintenance Expense	$141,830	$159,283	$6,024	3.8%	$165,307	$159,183	$158,588
20	Administrative & General Expense	$26,479	$26,476	$2,740	10.3%	$29,216	$29,278	$29,282
21	Taxes Other Than Income	$10,769	$10,814	$1,245	11.5%	$12,059	$12,056	$11,936
22	Depreciation & Amortization	$41,986	$41,986	$0	0.0%	$41,986	$41,986	$41,571
23	Income Taxes	$24,220	$24,090	$17	0.1%	$24,107	$24,288	$26,434
24	Total Operating Expenses	$245,284	$262,649	$10,027	3.8%	$272,675	$266,790	$267,811
25								
26	Net Operating Revenue	$53,132	$53,237	$76	0.1%	$53,313	$53,754	$53,262
27								
28	Depreciated Rate Base	$656,558	$657,921	$1,070	0.2%	$658,991	$664,755	$658,370
29	Rate of Return	8.09%	8.09%	0%	0.0%	8.09%	8.09%	8.09%

*"Current" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

DETAILED JOINT COMPARISON EXHIBIT
TABLE 2:
TEST YEAR 2016 OPERATING REVENUES AT PRESENT AND PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	**Oper. Revenues at Present Rates**							
2	Residential	$168,740	$178,826	$0	0.0%	$178,826	$176,816	$176,618
3	Business	$84,572	$90,593	$0	0.0%	$90,593	$87,064	$86,903
4	Industrial Revenue	$980	$1,050	$0	0.0%	$1,050	$984	$984
5	Public Authorities	$12,166	$13,045	$0	0.0%	$13,045	$13,053	$13,073
6	Resale	$1,286	$1,397	$0	0.0%	$1,397	$1,559	$1,559
7	Other	$818	$849		0.0%	$849	$651	$651
8	Raw Water	$53	$53	$0	0.0%	$53	$53	$53
9	Recycled Water	$2,477	$2,477	$0	0.0%	$2,477	$2,477	$2,470
10								
11	Private Fire Service	$3,164	$3,164	$0	0.0%	$3,164	$3,164	$3,184
12								
13	Subtotal	$274,256	$291,454	$0	0.0%	$291,454	$285,821	$285,495
14								
15	Misc. & Deferred Revenue	$692	$692	$0	0.0%	$692	$692	$652
16								
17	**Total Revenues at Present Rates**	$274,948	$292,146	$0	0.0%	$292,146	$286,513	$286,146
18								
19	**Oper. Revenues at Proposed Rates**							
20	Residential	$183,537	$193,693	$6,465	3.3%	$200,158	$198,901	$199,138
21	Business	$91,403	$97,454	$2,922	3.0%	$100,376	$96,501	$96,700
22	Industrial Revenue	$1,059	$1,129	$34	3.0%	$1,163	$1,091	$1,095
23	Public Authorities	$13,141	$14,024	$416	3.0%	$14,440	$14,434	$14,518
24	Resale	$1,378	$1,490	$38	2.6%	$1,528	$1,691	$1,702
25	Other	$900	$931	$38	4.1%	$969	$762	$760
26	Raw Water	$62	$67	$2	2.6%	$69	$63	$64
27	Recycled Water	$2,810	$2,984	$79	2.6%	$3,063	$2,869	$2,872
28								
29	Private Fire Service	$3,434	$3,421	$109	3.2%	$3,530	$3,540	$3,573
30								
31	Subtotal	$297,724	$315,193	$10,103	3.2%	$325,296	$319,852	$320,422
32								
33	Misc. & Deferred Revenue	$692	$692	$0	0.0%	$692	$692	$652
34								
35	**Total Revenues at Proposed Rates**	$298,416	$315,885	$10,103	3.2%	$325,988	$320,544	$321,073

*"Current" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

DETAILED JOINT COMPARISON EXHIBIT
TABLE 3:
TEST YEAR 2016 OPERATING AND ADMINISTRATIVE EXPENSES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	**Operating & Maintenance Expenses**										
2	Purchased Water Potable	$59,787	$70,163	$0	0.0%	$70,163	$59,787	$59,787	a	O-01,CH02,P02,§C2.a	SJW-01,CH03,P02,§D
3	Purchased Water Recycled	$1,262	$1,262	$0	0.0%	$1,262	$1,262	$1,259	a	O-01,CH02,P04,§C2.b	SJW-01,CH03,P02,§D
4	Other Source of Supply	$1,064	$1,066	$128	12.0%	$1,194	$1,232	$1,250	c	O-01,CH02,P05,§C2.c	SJW-01,CH08,P01,§B
5	Purchased Power	$8,915	$8,915	$0	0.0%	$8,915	$9,454	$9,230	a	O-01,CH02,P06,§C2.d	SJW-01,CH08,P01,§B
6	Pump Taxes	$35,406	$42,373	$0	0.0%	$42,373	$40,947	$40,819	a	O-01,CH02,P06,§C2.e	SJW-01,CH03,P02,§D
7	Other Pumping Expenses	$3,318	$3,326	$479	14.4%	$3,805	$3,914	$3,568	c	O-01,CH02,P07,§C2.f	SJW-01,CH08,P01,§B
8	Chemical & Filtering Material	$459	$459	$0	0.0%	$459	$459	$460	a	O-01,CH02,P07,§.C2.g	SJW-01,CH08,P01,§B
9	Other Water Treatment	$2,921	$2,921	$440	15.1%	$3,361	$3,376	$3,438	c	O-01,CH02,P08,§C2.h	SJW-01,CH08,P01,§B
10	Transmission & Distribution	$3,656	$3,658	$696	19.0%	$4,354	$4,386	$4,398	c	O-01,CH02,P09,§C2.i	SJW-01,CH08,P01,§B
11	Customer Accounts - Uncollectibles	$452	$478	$16	3.3%	$494	$485	$499	d	O-01,CH02,P10,§C2.j.i	SJW-01,CH08,P01,§B
12	Customer Accounts - Labor	$4,189	$4,189	$961	22.9%	$5,150	$5,150	$5,486	c	O-01,CH02,P10,§C2.j.ii	SJW-01,CH08,P01,§B
13	Customer Accounts - Transportation	$95	$95	$7	7.4%	$102	$103	$84	c	O-01,CH02,P10,§C2.j.iiii	SJW-01,CH08,P01,§B
14	Customer Accounts - Postage	$523	$523	$0	0.0%	$523	$533	$529	a	O-01,CH02,P11,§C2.j.iv	SJW-01,CH08,P01,§B
15	Customer Accounts - Purchased Services	$2,261	$2,281	$0	0.0%	$2,281	$2,586	$3,241	c	O-01,CH02,P11,§C2.j.v	SJW-01,CH08,P01,§B
16	Conservation - Base Program	$129	$129	$0	0.0%	$129	$132	$138	a	O-01,CH02,P11,§C2.j.vi.1	SJW-01,CH18,P05,§D
17	Conservation - WRAM Related	$0	$0	$1,536	100.0%	$1,536	$1,536	$1,536	f	O-01,CH02,P12,§C2.j.vi.2	SJW-01,CH18,P14,§E; SJW-10,CH06
18	Conservation - Recycled Retrofits	$2,375	$2,375	$0	0.0%	$2,375	$6,146	$6,146	b	O-01,CH02,P15,§C2.j.vi.3	SJW-01,CH20
19	Customer Accounts - Other	$169	$169	$0	0.0%	$169	$172	$32	a	O-01,CH02,P17,§C2.j.vii	SJW-01,CH08,P01,§B
20	Non-Tariffed Service Adjustment	($760)	($760)	$0	0.0%	($760)	($674)	($649)	b	O-01,CH02,P17,§C2.j.vii	SJW-01,CH08,P05,§D
21	Maintenance Source of Supply	$180	$182	$5	2.7%	$187	$208	$159	c	O-01,CH02,P18,§C3.a	SJW-01,CH08,P01,§B
22	Maintenance Pumping	$1,248	$1,254	$128	10.2%	$1,382	$1,476	$1,563	c	O-01,CH02,P18,§C3.b	SJW-01,CH08,P01,§B
23	Maintenance Water Treatment Plant	$659	$659	$11	1.7%	$670	$672	$701	c	O-01,CH02,P18,§C3.c	SJW-01,CH08,P01,§B
24	Maintenance Transmission & Distribution	$13,530	$13,574	$1,617	11.9%	$15,191	$15,848	$14,922	c	O-01,CH02,P19,§C3.d	SJW-01,CH08,P01,§B
25	Maintenance Expense Adjustments	($8)	($8)	$0	0.0%	($8)	($8)	($8)	a	O-01,CH02,P20,§C3.e	SJW-01,CH08,P01,§B
26	**Subtotal O&M Expenses**	$141,830	$159,283	$6,024	3.8%	$165,307	$159,183	$158,588			
27											
28	**Administrative & General (A&G) Expenses**										
29	A&G Salaries	$7,623	$7,623	$1,749	22.9%	$9,372	$9,372	$9,283	c	O-01,CH02,P20,§C4.a	SJW-01,CH09
30	A&G Office Supplies	$1,995	$1,995	$12	0.6%	$2,006	$2,042	$2,038	c	O-01,CH02,P20,§C4.b	SJW-01,CH09
31	A&G Property Insurance	$233	$234	$0	0.0%	$234	$234	$225	a	O-01,CH02,P24,§C4.c	SJW-01,CH09
32	A&G Injuries & Damages Insurance	$2,025	$2,022	$225	11.1%	$2,247	$2,258	$2,326	d	O-01,CH02,P25,§C4.d	SJW-01,CH09
33	A&G Pensions, Benefits, & PBOP	$16,134	$16,134	$488	3.0%	$16,621	$16,698	$16,877	c	O-01,CH02,P26,§C4.e	SJW-01,CH09
34	A&G Regulatory Commission	$186	$186	$156	84.2%	$342	$341	$341	f	O-01,CH02,P28,§C4.f	SJW-01,CH09; SJW-10,CH02,P03
35	A&G Outside Services	$3,112	$3,112	$0	0.0%	$3,112	$3,161	$3,367	a	O-01,CH02,P29,§C4.g	SJW-01,CH09
36	A&G Dues & Memberships	$427	$427	$0	0.0%	$427	$467	$496	b	O-01,CH02,P30,§C4.h	SJW-01,CH09
37	A&G Corporate Expenses	$790	$790	$101	12.8%	$891	$908	$819	f	O-01,CH02,P30,§C4.i	SJW-01,CH09; SJW-10,CH02,P05
38	A&G Rents	$498	$498	$0	0.0%	$498	$508	$508	a	O-01,CH02,P31,§C4.j	SJW-01,CH09
39	A&G Maintenance	$918	$918	$9	1.0%	$927	$944	$938	c	N/A	SJW-01,CH09
40	A&G Transferred Expenses	($7,462)	($7,462)	$0	0.0%	($7,462)	($7,654)	($7,937)	a	N/A	SJW-01,CH09
41	**Subtotal A&G Expenses**	$26,479	$26,476	$2,740	10.3%	$29,216	$29,278	$29,282			
42											
43	**Allocated Expenses**										
44	Total Labor Expense	$34,565	$34,565	$7,930	22.9%	$42,496	$42,496	$42,504	f	O-01,CH03	SJW-01,CH05; SJW-10,CH04,P02; SJW-10,CH02,P05
45	Transportation Expense	$3,607	$3,607	$268	7.4%	$3,876	$3,896	$3,762	c	O-01,CH02,P31,§C5.b	SJW-01,CH08,P01,§B
46	Purchased Services	$10,507	$10,591	$0	0.0%	$10,591	$11,830	$11,975	e	O-01,CH02,P33,§C5.c	SJW-01,CH08,P01,§B; SJW-10,CH01

*"Current" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

DETAILED JOINT COMPARISON EXHIBIT
TABLE 4:
TEST YEAR 2016 TAXES AT PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	TAXES										
2	Taxes Other Than Income										
3	Ad Valorem Taxes	$8,138	$8,141	$0	0.0%	$8,141	$8,151	$7,986	a	O-01,CH06,P01,§C1	SJW-01,CH10,P01,§B
4	Business License Fees	$33	$33	$0	0.0%	$33	$33	$33	a	O-01,CH06,P03,§C3	SJW-01,CH10,P01,§B
5	Payroll Taxes	$1,885	$1,885	$1,221	64.8%	$3,106	$3,106	$3,166	f	O-01,CH06,P02,§C2	SJW-01,CH10,P01,§B; SJW-10,CH02,P08
6	Franchise Fees	$714	$755	$24	3.2%	$780	$767	$751	d	O-01,CH06,P04,§C4	SJW-01,CH10,P01,§B
7	Subtotal Taxes Other Than Income	$10,769	$10,814	$1,245	11.5%	$12,059	$12,056	$11,936			
8											
9	Depreciation and Amortization	$41,986	$41,986	$0	0.0%	$41,986	$41,986	$41,571	a	O-01,CH07,P03,§C2	SJW-01,CH12
10											
11	Income Taxes									O-01,CH05	SJW-01,CH10,P02,§C
12	Total Deductions	$199,933	$217,498	$10,061	4.6%	$227,559	$221,671	$220,268			
13											
14	CCFT Depreciation for Taxes	($39,781)	($40,114)	$0	0.0%	($40,114)	($40,114)	($43,346)	a		
15	Tax Deduction on Repairs & Maintenanc	($22,613)	($22,613)	$0	0.0%	($22,613)	($22,613)	$0	a		
16	Deferred Revenue (Net of Tax)	$43	$43	$0	0.0%	$43	$43	$39	a		
17	Taxable Income Incl Def Revenue	$35,644	$35,216	$42	0.1%	$35,258	$35,702	$57,050			
18	California State Tax @ 8.84%	$3,151	$3,113	$4	0.1%	$3,117	$3,156	$5,043			
19											
20	FIT Depreciation for Taxes	($33,318)	($33,524)	$0	0.0%	($33,524)	($33,524)	($32,868)	a		
21	CCFT Deduction	($3,151)	($3,113)	($4)	0.1%	($3,117)	($3,156)	($5,043)			
22	Domestic Production Activities Deductio	($1,338)	($1,338)	$0	0.0%	($1,338)	($1,338)	($1,338)	a		
23	Taxable Income	$60,188	$59,925	$38	0.1%	$59,963	$60,367	$61,108			
24	Federal Income Tax @ 35%	$21,066	$20,974	$13	0.1%	$20,987	$21,129	$21,388			
25	Tax on CIAC and Advances	$3	$3	$0	0.0%	$3	$3	$3	a		
26	Subtotal Income Taxes	$24,220	$24,090	$17	0.1%	$24,107	$24,288	$26,434			

*"Current" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

DETAILED JOINT COMPARISON EXHIBIT
TABLE 5A:
UTILITY PLANT IN SERVICE - BUDGET YEAR 2015

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	UTILITY PLANT										
2	2015 Plant - CONTESTED[1]										
3	SJW013088 - Reservoirs & Tanks (Cox Sta. Basin #2)	$283	$283	$0	0.0%	$283	$306	$306	e	O-01,CH04,P13,§C4.c	SJW-03,P114; SJW-10,CH03,P02
4	SJW013091 - Reservoirs & Tanks (Almaden Valley Sta. Reservoir)	$170	$170	$0	0.0%	$170	$184	$184	e	O-01,CH04,P12,§C4.a	SJW-03,P122; SJW-10,CH03,P02
5	SJW012309 - Pumps (Franciscan Sta.)[2]	$0	$0	$0	0.0%	$0	$149	$149	e	O-01,CH04,P18,§C5.a	SJW-03,P137
6	SJW010163 - Pumps (Submersible Equip.)	$534	$623	$0	0.0%	$623	$683	$683	e	O-01,CH04,P26,§C5.i	SJW-03,P34; SJW-10,CH03,P03
7	SJW010457 - Pumps (Line Sharft Equip.)	$596	$623	$0	0.0%	$623	$683	$683	e	O-01,CH04,P24,§C5.h	SJW-03,P31; SJW-10,CH03,P03
8	SJW012332 - Distribution (City, County, State)	$329	$369	$0	0.0%	$369	$408	$408	e	O-01,CH04,P32,§C6.c	SJW-02,WP11-7; SJW-10,CH03,P04
9	SJW012826 - Distribution (Pressure Monitors)	$0	$0	$0	0.0%	$0	$354	$354	e	O-01,CH04,P38,§C6.e.ii	SJW-03,P48
10	SJW10304 - Distribution (Services >2")	$0	$0	$0	0.0%	$0	$20	$20	e	O-01,CH04,P39,§C6.f	SJW-02,WP11-7
11	SJW012608 - Distribution (Meter Replacement)	$1,072	$1,114	$0	0.0%	$1,114	$1,114	$1,114	e	O-01,CH04,P42,§C6.g	SJW-03,P45; SJW-10,CH03,P05
12	SJW10225 - Distribution (Hydrants in San Jose)	$202	$202	$0	0.0%	$202	$204	$204	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-7
13	SJW10273 - Distribution (Hydrants outside San Jose)	$101	$101	$0	0.0%	$101	$102	$102	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-7
14	SJW12811 - Equipment (Automated Metering Infrastructure)	$0	$125	$0	0.0%	$125	$510	$510	e	O-01,CH04,P47,§C7.a	SJW-03,P64; SJW-10,CH01
15	2015 New Plant - CONTESTED Subtotal	$3,286	$3,610	$0	0.0%	$3,610	$4,718	$4,718			
16	2015 New Plant - UNCONTESTED	$100,871	$100,871	$0	0.0%	$100,871	$100,871	$100,871			
17	2015 Total UPIS	$104,158	$104,481	$0	0.0%	$104,481	$105,590	$105,590			

[1]Numbers provided are project index numbers
[2]Parties agreed to Advice Letter (Tier II) treatment

DETAILED JOINT COMPARISON EXHIBIT
TABLE 5B:
UTILITY PLANT IN SERVICE - BUDGET YEAR 2016

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	2016 Plant - CONTESTED[1]										
2	SJW012383 - Reservoirs & Tanks (Almaden Valley Sta. Reservoir)	$6,231	$6,231	$0	0.0%	$6,231	$6,743	$6,743	e	O-01,CH04,P12,§C4.a	SJW-03,P122; SJW-10,CH03,P02
3	SJW012861 - Reservoirs & Tanks (Cox Sta. Basin #2)	$3,909	$3,909	$0	0.0%	$3,909	$4,231	$4,231	e	O-01,CH04,P13,§C4.c	SJW-03,P114; SJW-10,CH03,P02
4	SJW013080 - Reservoirs & Tanks (Belgatos Sta. Basin #1)	$224	$224	$0	0.0%	$224	$242	$242	e	O-01,CH04,P12,§C4.b	SJW-03,P209; SJW-10,CH03,P02
5	SJW012310 - Pumps (Franciscan Sta.)[2]	$0	$0	$0	0.0%	$0	$1,382	$1,382	e	O-01,CH04,P18,§C5.a	SJW-03,P137
6	SJW012311 - Pumps (Harwood Ct. Sta.)	$877	$877	$0	0.0%	$877	$1,104	$1,104	e	O-01,CH04,P22,§C5.e	SJW-03,P224
7	SJW012347 - Pumps (Miguelito Sta.)[2]	$0	$0	$0	0.0%	$0	$207	$207	e	O-01,CH04,P21,§C5.d	SJW-03,P239
8	SJW010452 - Pumps (Submersible Equip.)	$550	$642	$0	0.0%	$642	$704	$704	e	O-01,CH04,P26,§C5.i	SJW-03,P34; SJW-10,CH03,P03
9	SJW010465 - Pumps (Line Sharft Equip.)	$635	$642	$0	0.0%	$642	$704	$704	e	O-01,CH04,P24,§C5.h	SJW-03,P31; SJW-10,CH03,P03
10	SJW012933 - Distribution (Recycled Align. A)	$4,011	$4,011	$0	0.0%	$4,011	$4,164	$4,164	e	O-01,CH04,P30,§C6.a.i	SJW-03,P264; SJW-10,CH07,P03
11	SJW012934 - Distribution (Recycled Align. R)	$1,494	$1,494	$0	0.0%	$1,494	$1,522	$1,522	e	O-01,CH04,P31,§C6.a.ii	SJW-03,P285; SJW-10,CH07,P03
12	SJW10278 - Distribution (City, County, State)	$339	$380	$0	0.0%	$380	$420	$420	e	O-01,CH04,P32,§C6.c	SJW-02,WP11-8; SJW-10,CH03,P04
13	SJW10191 - Distribution (Services >2")	$0	$0	$0	0.0%	$0	$21	$21	e	O-01,CH04,P39,§C6.f	SJW-02,WP11-8
14	SJW10192 - Distribution (Hydrants in San Jose)	$104	$104	$0	0.0%	$104	$105	$105	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-8
15	SJW10280 - Distribution (Hydrants outside San Jose)	$208	$208	$0	0.0%	$208	$210	$210	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-8
16	SJW12812 - Equipment (Automated Metering Infrastructure)	$0	$0	$0	0.0%	$0	$5,799	$5,799	e	O-01,CH04,P47,§C7.a	SJW-03,P64; SJW-10,CH01
17	SJW012627 - Non-Specifics (Fleet Vehicles)	$2,068	$2,169	$0	0.0%	$2,169	$2,270	$2,270	e	O-01,CH04,P52,§C8.a	SJW-03,P37; SJW-10,CH03,P06
18	2016 New Plant - CONTESTED Subtotal	$20,650	$18,514	$0	0.0%	$18,514	$21,549	$21,549			
19	2016 New Plant - UNCONTESTED	$84,099	$86,475	$0	0.0%	$86,475	$92,378	$92,378			
20	2016 Total UPIS	$104,749	$104,989	$0	0.0%	$104,989	$113,927	$113,927			

[1]Numbers provided are project index numbers
[2]Parties agreed to Advice Letter (Tier II) treatment

DETAILED JOINT COMPARISON EXHIBIT
TABLE 5C:
UTILITY PLANT IN SERVICE - BUDGET YEAR 2017

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1											
2	2017 New Plant - CONTESTED[1]										
3	SJW012440 - Source of Supply: Well Site Purchase	$0	$0	$0	0.0%	$0	$6,529	$6,529	e	O-01,CH04,P06,§C2	SJW-03,P24; SJW-10,CH07,P01
4	SJW012862 - Reservoirs & Tanks (Belgatos Sta. Basin #1)	$7,916	$7,916	$0	0.0%	$7,916	$8,541	$8,541	e	O-01,CH04,P12,§C4.b	SJW-03,P209; SJW-10,CH03,P02
5	SJW012348 - Pumps (Miguelito Sta.)[2]	$0	$0	$0	0.0%	$0	$1,932	$1,932	e	O-01,CH04,P21,§C5.d	SJW-03,P239
6	SJW10211 - Pumps (Line Shaft Equip.)	$635	$665	$0	0.0%	$665	$729	$729	e	O-01,CH04,P24,§C5.h	SJW-03,P31; SJW-10,CH03,P03
7	SJW010468 - Pumps (Submersible Equip.)	$569	$665	$0	0.0%	$665	$729	$729	e	O-01,CH04,P26,§C5.i	SJW-03,P34; SJW-10,CH03,P03
8	SJW012935 - Distribution (Recycled Align. D)	$10,982	$10,982	$0	0.0%	$10,982	$11,339	$11,339	e	O-01,CH04,P31,§C6.a.iii	SJW-03,P264; SJW-10,CH07,P03
9	SJW10283 - Distribution (City, County, State)	$351	$393	$0	0.0%	$393	$435	$435	e	O-01,CH04,P32,§C6.c	SJW-02,WP11-9; SJW-10,CH03,P04
10	SJW10210 - Distribution (Services >2")	$0	$0	$0	0.0%	$0	$22	$22	e	O-01,CH04,P39,§C6.f	SJW-02,WP11-9
11	SJW012482 - Distribution (Hydrants in San Jose)	$215	$215	$0	0.0%	$215	$218	$218	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-9
12	SJW012483 - Distribution (Hydrants outside San Jose)	$108	$108	$0	0.0%	$108	$109	$109	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-9
13	SJW012813 - Equipment (Automated Metering Infrastructure)	$0	$0	$0	0.0%	$0	$2,401	$2,401	e	O-01,CH04,P47,§C7.a	SJW-03,P64; SJW-10,CH01
14	SJW012628 - Non-Specifics (Fleet Vehicles)	$1,740	$1,889	$0	0.0%	$1,889	$2,038	$2,038	e	O-01,CH04,P52,§C8.a	SJW-03,P37; SJW-10,CH03,P06
15	2017 New Plant - CONTESTED Subtotal	$22,516	$22,831	$0	0.0%	$22,831	$35,019	$35,019			
16	2017 New Plant - UNCONTESTED	$81,005	$81,005	$0	0.0%	$81,005	$81,005	$81,005			
17	2017 Total UPIS	$103,521	$103,837	$0	0.0%	$103,837	$116,024	$116,024			

[1]Numbers provided are project index numbers
[2]Parties agreed to Advice Letter (Tier II) treatment

DETAILED JOINT COMPARISON EXHIBIT
TABLE 6:
TEST YEARS 2016 AND 2017 RATEBASE

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	2016 RATEBASE										
2	Utility Plant	$1,441,242	$1,441,692	$0	0.0%	$1,441,692	$1,447,407	$1,432,326	e	O-01,CH04	
3	Adjustments to Plant	($184,092)	($184,092)	$0	0.0%	($184,092)	($184,092)	($177,901)	a	O-01,CH07,P04,§C3	
4	Working Capital	$17,363	$18,282	$1,070	5.9%	$19,352	$19,402	$19,009	d	O-01,CH07,P01,§C1	
5	Tax Deferrals	($149,477)	($149,484)	$0	0.0%	($149,484)	($149,484)	($143,062)	a	O-01,CH07	
6	Rate Base, Taxed Contributions	$4,826	$4,826	$0	0.0%	$4,826	$4,826	$4,622	a	O-01,CH07,P05,§C4	
7	Rate Base, Taxed Advances	$2,800	$2,800	$0	0.0%	$2,800	$2,800	$2,700	a	O-01,CH07,P05,§C4	
8	Depreciation Reserve	$476,104	$476,104	$0	0.0%	$476,104	$476,104	$479,324	a	O-01,CH07,P03,§C2	
9	2016 Weighted Avg Ratebase	$656,559	$657,921	$1,070	0.2%	$658,991	$664,755	$658,370			
10											
11	2017 RATEBASE										SJW-01,CH13
12	Utility Plant	$1,544,345	$1,545,077	$0	0.0%	$1,545,077	$1,561,491	$1,546,415	e	O-01,CH04	
13	Adjustments to Plant	($184,668)	($184,668)	$0	0.0%	($184,668)	($184,668)	($177,388)	a	O-01,CH07,P04,§C3	
14	Working Capital	$18,217	$19,121	$1,113	5.8%	$20,234	$19,572	$19,242	d	O-01,CH07,P01,§C1	
15	Tax Deferrals	($155,076)	($155,104)	$0	0.0%	($155,104)	($155,104)	($148,244)	a	O-01,CH07	
16	Rate Base, Taxed Contributions	$4,855	$4,855	$0	0.0%	$4,855	$4,855	$4,616	a	O-01,CH07,P05,§C4	
17	Rate Base, Taxed Advances	$2,699	$2,699	$0	0.0%	$2,699	$2,699	$2,601	a	O-01,CH07,P05,§C4	
18	Depreciation Reserve	$517,898	$517,898	$0	0.0%	$517,898	$518,136	$521,468	a	O-01,CH07,P03,§C2	
19	2017 Weighted Avg Ratebase	$712,476	$714,083	$1,113	0.2%	$715,196	$730,710	$725,775			

DETAILED JOING COMPARISON EXHIBIT
TABLE 7:
TEST YEAR 2016 CUSTOMER FORECASTS AND SALES ESTIMATES

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	Metered Services										
2	Residential	199,416	199,416	0	0.0%	199,416	199,416	199,191	a	O-01,CH01,P03,§C1	SJW-01,CH07,P01,§B
3	Business	20,332	20,332	0	0.0%	20,332	20,332	20,293	a		
4	Industrial	53	53	0	0.0%	53	53	53	a		
5	Public Authority	1,293	1,293	0	0.0%	1,293	1,293	1,307	a		
6	Resale	32	32	0	0.0%	32	32	32	a		
7	Other	212	212	0	0.0%	212	188	188	b		
8	**Total Potable Metered Services**	**221,338**	**221,338**	0	0.0%	**221,338**	**221,314**	**221,064**			
9											
10	Raw Water	4	4	0	0.0%	4	4	4	a		
11	Recycled Water	178	178	0	0.0%	178	178	178	a		
12	**Total Non-Potable Metered Services**	**221,520**	**221,520**	0	0.0%	**221,520**	**221,496**	**221,246**			
13											
14	Private Fire Service	3,709	3,709	0	0.0%	3,709	3,709	3,735	a		
15	**Total Active Services**	**225,229**	**225,229**	0	0.0%	**225,229**	**225,205**	**224,981**			
16											
17	Average Sales per Customer (ccf/connection/yr)									O-01,CH01,P05,§C2	SJW-01,CH06; SJW-12
18	Residential	147	147	0	0.0%	147	157	157	b		
19	Business	861	861	0	0.0%	861	893	893	b		
20											
21	Total Sales Per Customer Class (Kccf)										
22	Residential	29,234	29,234	0	0.0%	29,234	31,328	31,293	b		
23	Business	17,451	17,451	0	0.0%	17,451	18,097	18,063	b		
24	Industrial	203	203	0	0.0%	203	204	204	b		
25	Public Authority	2,547	2,547	0	0.0%	2,547	2,777	2,777	b		
26	Resale	322	322	0	0.0%	322	393	393	b		
27	Other	90	90	0	0.0%	90	60	60	b		
28	**Total Potable Metered Sales**	**49,847**	**49,847**	0	0.0%	**49,847**	**52,859**	**52,790**			
29											
30	Raw Water	14	14	0	0.0%	14	14	14	a		
31	Recycled Water	870	870	0	0.0%	870	870	867	a		
32	**Total Sales**	**50,731**	**50,731**	0	0.0%	**50,731**	**53,743**	**53,671**			
33											
34	Source of Supply (Kccf)										
35	Groundwater	20,645	20,645	0	0.0%	20,645	23,877	23,802	a	N/A	SJW-01,CH03,P02,§D
36	Purchased Water	30,747	30,747	0	0.0%	30,747	30,747	30,747	a		
37	Surface Water	2,085	2,085	0	0.0%	2,085	2,085	2,085	a		

DETAILED JOINT COMPARISON EXHIBIT
TABLE 8:
NON-REVENUE REQUIREMENT ISSUES

Line	Item	ORA Testimony	ORA Final	SJWC Final	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	Rate Design	Maintain current rate	Maintain current rate	Maintain current rate	Maintain current rate	a	O-01,CH01,P19,§C4	SJW-01,CH15
2	Revenue Decoupling	Maintain Monterey Style WRAM	Maintain Monterey Style WRAM	Full WRAM/MCBA	Full WRAM/MCBA	f	O-01,CH13	SJW-01,CH19; SJW-10,CH02,P10
3	Balancing and Memorandum Accounts						O-01,CH10	SJW-01,CH17,P02,§E/F; SJW-10,CH02,P09
4	Balancing Account Disposition	Authorize recovery of $3,872,936 balance via $0.07327/ccf surcharge for 12-month period	Authorize recovery of $4,751,775 balance via $0.0900/ccf surcharge for 12-month period	Authorize recovery of $4,751,775 balance via $0.0900/ccf surcharge for 12-month period	Authorize recovery of $4,751,775 balance via $0.0900/ccf surcharge for 12-month period	e		
5	Memorandum Account Disposition	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	a		
6	Preliminary Statement Update	Update Preliminary Statement to reflect all blancing and memorandum accounts, including closing Research, Development and Demonstration Memorandum Account and Intervenor Compensation Memorandum Account	Update Preliminary Statement to reflect all blancing and memorandum accounts including Pension Expense Balancing Account. Maintain Research, Development and Demonstration Memorandum Account and Intervenor Compensation Memorandum Account	Update Preliminary Statement to reflect all blancing and memorandum accounts including Pension Expense Balancing Account. Maintain Research, Development and Demonstration Memorandum Account and Intervenor Compensation Memorandum Account	N/A	e	O-01,CH10,P11,§C3	SJW-10,CH02,P09
7	Health Care Cost Balancing Account	Do Not Allow Health Care Cost Balancing Account	Do Not Allow Health Care Cost Balancing Account	Authorize Health Care Cost Balancing Account	Authorize Health Care Cost Balancing Account	f	O-01,CH12,P02,§C1	SJW-01,CH05,P29,§C; SJW-10,CH04,P08
8	Establish Groundwater Regulation Legal Expense Memorandum Account	Authorize requested memorandum account	Authorize requested memorandum account	Establish Groundwater Regulation Legal Expense Memorandum Account	Establish Groundwater Regulation Legal Expense Memorandum Account	a	O-01,CH12,P09,§C2	SJW-01,CH17,P03,§G
9	Update Water Ratepayer Assistance Program (WRAP) funding surcharge	Authorize WRAP funding surcharge to $1.45 per customer per month	Authorize WRAP funding surcharge to $1.45 per customer per month	Authorize WRAP funding surcharge to $1.45 per customer per month	Authorize WRAP funding surcharge to $1.45 per customer per month	a	O-01,CH12,P11,§C3	SJW-01,CH15,P04,§G
10	Implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	a	O-01,CH12,P12,§C4	SJW-01,CH17,P04,§K
11	Establish Tangible Property Regulation Tax Memorandum Account	Establish Memorandum Account	Establish Memorandum Account	Do not establish memorandum account	N/A	f	O-01,CH05,P03,§C3	SJW-10,CH05
12	Establish Enterprise Zone Sales and Use Credit Tax Memorandum Account	Establish Memorandum Account	Establish Memorandum Account	Do not establish memorandum account	N/A	f	O-01,CH05,P06,§C4	SJW-10,CH05

(END OF ATTACHMENT B)

ATTACHMENT C

The August 13, 2015, Supplemental Settlement

APPENDIX 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 rates charged for water service by $34,928,000 or 12.22% in 2016; by $9,954,000 or 3.11% in 2017, and by $17,567,000 or 5.36% in 2018.	Application 15-01-002 (Filed January 5, 2015)

SUPPLEMENTAL SETTLEMENT AGREEMENT BETWEEN THE OFFICE OF RATEPAYER ADVOCATES AND SAN JOSE WATER COMPANY REGARDING NTP&S-RELATED LABOR EXPENSE

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 $34,928,000 or 12.22% in 2016; by $9,954,000 or 3.11% in 2017, and by $17,567,000 or 5.36% in 2018.	Application 15-01-002 (Filed January 5, 2015)

SUPPLEMENTAL SETTLEMENT AGREEMENT BETWEEN THE OFFICE OF RATEPAYER ADVOCATES AND SAN JOSE WATER COMPANY REGARDING NTP&S-RELATED LABOR EXPENSE

I. GENERAL PROVISIONS

1. Pursuant to Article 12 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), the Office of Ratepayer Advocates ("ORA") and San Jose Water Company ("SJWC"), referred to together as "the Settling Parties," have agreed on the terms of this Supplemental Settlement Agreement, which they now submit for review, consideration, and approval by Administrative Law Judge S. Pat Tsen and the Commission. This Supplemental Settlement Agreement addresses a single issue – the appropriate ratemaking treatment of labor expense related to non-tariffed products and services ("NTP&S").

2. The specific issue that the Settling Parties agree to resolve through this Supplemental Settlement Agreement is fully addressed in Section II below. Section II describes the positions of the Settling Parties and the resolution provided by the Supplemental Settlement Agreement.

3. Because this Supplemental Settlement Agreement represents a compromise of the Settling Parties' positions with respect to the issue addressed herein, the Settling Parties have agreed upon the resolution of the issue addressed in the Supplemental Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by either Party regarding any fact or matter of law that may have been in dispute in this proceeding. Furthermore, consistent with Rule 12.5 of the Commission's Rules, the Settling Parties intend that the approval of this Supplemental Settlement Agreement by the Commission should not be construed as a precedent or statement of policy of any kind for or against any

Party in any current or future proceeding with respect to any issue addressed in the Supplemental Settlement Agreement.

4. The Settling Parties agree that this Supplemental Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Supplemental Settlement Agreement, each party has the right to withdraw. Furthermore, the Supplemental Settlement Agreement is being presented as an integrated package such that Settling Parties are agreeing to the Supplemental Settlement Agreement as a whole rather than agreeing to specific elements of such Agreement.

5. This Supplemental Settlement Agreement is the product of a process of direct negotiation between the Settling Parties. The only other party to this proceeding, a collection of six mutual water companies,[1] participated in the settlement process but is not a party to the Supplemental Settlement Agreement. Accordingly, the Supplemental Settlement Agreement is not presented as an all-party settlement.

6. The Settling Parties agree that no signatory to the Supplemental Settlement Agreement assumes any personal liability as a result of his or her execution of this document. All rights and remedies of the Settling Parties are limited to those available before the Commission.

7. This Supplemental 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.

8. This Supplemental Settlement Agreement constitutes and represents the entire agreement between the Settling Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Settling Parties with respect to the subject matter set forth herein.

---

[1] The six mutual water companies are Big Redwood Park Mutual Water Company, Brush & Old Well Rd Mutual Water Co., Mountain Summit Mutual Water Co., Oakmont Mutual Water Co., Ridge Mutual Water Co., and Villa Del Monte Mutual Water Co.

II. TOPIC RESOLVED BY SUPPLEMENTAL SETTLEMENT AGREEMENT: LABOR EXPENSE RELATED TO NON-TARIFFED PRODUCTS AND SERVICES

In D.15-03-048 the CPUC granted limited rehearing of D.14-08-006 to determine whether labor costs associated with providing NTP&S were related to excess or unused capacity or whether this labor is needed for regulated operations. On August 13, 2015, Parties to that rehearing filed a Joint Supplemental Settlement Agreement that included the following dispositive paragraph:

> *"Although Parties agree that, as stated in D.15-03-048, 'only incremental costs associated with NTP&S are allocated to shareholders', ORA and SJWC have been unable to agree on the methodology to calculate the incremental labor related to NTP&S activities. For the purposes of this settlement parties agree that the annual amount of $286,000 represents a reasonable estimate of the amount of incremental NTP&S labor that should be credited to Test Year 2013 Total Payroll expense forecasts. As this credit amount is consistent with ORA's original estimate, as originally adopted in D.14-08-006, no change to currently authorized revenue requirement is necessary. This settlement is not considered precedential and both SJWC and ORA maintain the right to recommend alternative estimating methodologies in future General Rate Cases."*

Similar issues related to the classification of labor related to the provision of non-tariffed products and services are also contentious items in the present general rate case proceeding, A.15-01-002. Although Parties agree that, as stated in D.15-03-048, "only incremental costs associated with NTP&S are allocated to shareholders", ORA and SJWC have been unable to agree on an appropriate methodology to calculate the incremental labor related to NTP&S activities. For the purposes of this settlement, parties agree that the annual amount of $442,400, which was ORA's proposed disallowance of NTP&S-related labor expense, represents a reasonable estimate of the amount of incremental NTP&S labor that should be credited to Test Year 2016 Total Payroll expense forecasts. This credit will result in reductions to many of the "SJWC Final" values as shown in Tables 1, 2, and 3 of the Detailed Joint Comparison Exhibit submitted as Exhibit COM-01 with the Settlement Agreement Between the Office of Ratepayer Advocates and San Jose Water Company on Issues Presented in General Rate Case Application (filed July 24, 2015). A Revised Exhibit COM-01 is included as an attachment to this Supplemental Settlement Agreement.

This settlement is not considered precedential and both SJWC and ORA maintain the right to recommend alternative estimating methodologies in future General Rate Cases.

III. CONCLUSION

The Parties mutually believe that, based on the terms and conditions stated above, this Supplemental Settlement Agreement is reasonable in light of the whole record, is consistent with the law, and is in the public interest.

OFFICE OF RATEPAYER ADVOCATES

By: _____

Joseph P. Como – Acting Director

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
E-mail: joc@cpuc.ca.gov

Dated: August 11, 2015

SAN JOSE WATER COMPANY

By: _____

James P. Lynch – Chief Financial Officer and Treasurer

110 West Taylor Street
San Jose, CA 95110
E-mail: james_lynch@sjwater.com

Dated: August 12, 2015

SAN JOSE WATER COMPANY
(U-168-W)

GENERAL RATE CASE
A.15-01-002

EXHIBIT COM-01 (REVISED)

JOINT COMPARISON EXHIBIT OF
SAN JOSE WATER COMPANY AND
THE OFFICE OF RATEPAYER ADVOCATES
IN GENERAL RATE CASE
APPLICATION 15-01-002

Exhibit COM-01 (Revised)

JOINT COMPARISON EXHIBIT OF SAN JOSE WATER COMPANY AND THE OFFICE OF RATEPAYER ADVOCATES IN GENERAL RATE CASE APPLICATION 15-01-002

The San Jose Water Company (SJWC) and the Office of Ratepayer Advocates (ORA) have prepared this Joint Comparison Exhibit as a reference for comparing both Parties original positions as stated in testimony and current (final) positions based on the proposed settlement. The Exhibit includes comparisons of Parties positions on:

- **Table 1:** Test Year 2016 Summary of Earnings at Present and Proposed Rates
- **Table 2:** Test Year 2016 Operating Revenues at Present and Proposed Rates
- **Table 3:** Test Year 2016 Operating and Administrative Expenses
- **Table 4:** Test Year 2016 Taxes at Proposed Rates
- **Table 5A-5C:** Utility Plant in Service – Budget Years 2015-2017
- **Table 6:** Test Years 2016 and 2017 Ratebase
- **Table 7:** Test Year 2016 Customer Forecasts and Sales Estimates
- **Table 8:** Non-Revenue Requirement Issues

The column ORA Testimony reflects ORA's position as provided in Exhibit O-1: Report on the Results of Operations. The column ORA Final reflects ORA's position with the settlement items included. The column SJWC Application reflects the SJWC position as submitted in exhibits accompanying the initial A.15-01-002 filing on January 5, 2015. The column SJWC Update reflects the revised estimates as provided in the 45-Day Update filing on February 19, 2015. And the column SJWC Final reflects SJWC's position with all agreed upon and settled items between ORA and SJWC incorporated.

The column "Current Status" includes notes that designate the contested or resolved status of each line item. Notes are as follows:

a. ORA accepted SJWC's position/estimate as stated in Exhibits SJWC -1 and/or SJWC-2.
b. SJWC accepted ORA's position/estimate as stated in Exhibit O-01.
c. Parties agree on positions/estimating methodology for the line item - differences are due to allocation of differing estimates of Total Labor Expense.
d. Parties agree on positions/estimating methodology for the line item - differences are due to the effect of differing estimates of Total Revenue at Proposed Rates.
e. Issue settled as specified in Joint Settlement Agreement.
f. Issue remains contested and was addressed in evidentiary hearing.

The column "Reference" provides locations in the various Exhibits where Parties have presented arguments on the individual items/issues. The reference nomenclature is Exhibit,Chapter,Page,Section. For example "O-01,CH02,P02, §C2.a" refers to ORA Exhibit O-01, Chapter 2, page 2, Section C.2.a.

The Revised Exhibit COM-1 reflects the supplemental settlement's effect on the "SJWC Final" number for Total Labor Expense (Table 3, Line 44) and the dollar and % differences between SJWC and ORA on the same line, as well as smaller effects on those same columns for line items including allocated labor expense.

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 1:
TEST YEAR 2016 SUMMARY OF EARNINGS AT PRESENT AND PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	**Summary of Earnings at Present Rates**							
2	Operating Revenue	$274,948	$292,146	$0	0.0%	$292,145	$286,513	$286,146
3								
4	Operating & Maintenance Expense	$141,830	$159,283	$5,748	3.6%	$165,031	$159,183	$158,588
5	Administrative & General Expense	$26,479	$26,476	$2,621	9.9%	$29,097	$29,278	$29,282
6	Taxes Other Than Income	$10,713	$10,757	$1,188	11.0%	$11,945	$11,974	$11,854
7	Depreciation & Amortization	$41,986	$41,986	$0	0.0%	$41,986	$41,986	$41,571
8	Income Taxes	$14,695	$14,455	($3,908)	-27.0%	$10,547	$10,475	$12,236
9	Total Operating Expenses	$235,703	$252,957	$5,649	2.2%	$258,606	$252,896	$253,531
10								
11	Net Operating Revenue	$39,245	$39,189	($5,650)	-14.4%	$33,539	$33,616	$32,615
12								
13	Depreciated Rate Base	$656,558	$657,921	$1,040	0.2%	$658,961	$664,755	$658,370
14	Rate of Return	5.98%	5.96%	-1%	-14.6%	5.09%	5.06%	4.95%
15								
16	**Summary of Earnings at Proposed Rates**							
17	Operating Revenue	$298,416	$315,885	$9,672	3.1%	$325,557	$320,544	$321,073
18								
19	Operating & Maintenance Expense	$141,830	$159,283	$5,748	3.6%	$165,031	$159,183	$158,588
20	Administrative & General Expense	$26,479	$26,476	$2,621	9.9%	$29,097	$29,278	$29,282
21	Taxes Other Than Income	$10,769	$10,814	$1,211	11.2%	$12,025	$12,056	$11,936
22	Depreciation & Amortization	$41,986	$41,986	$0	0.0%	$41,986	$41,986	$41,571
23	Income Taxes	$24,220	$24,090	$18	0.1%	$24,107	$24,288	$26,434
24	Total Operating Expenses	$245,284	$262,649	$9,598	3.7%	$272,247	$266,790	$267,811
25								
26	Net Operating Revenue	$53,132	$53,237	$74	0.1%	$53,311	$53,754	$53,262
27								
28	Depreciated Rate Base	$656,558	$657,921	$1,040	0.2%	$658,961	$664,755	$658,370
29	Rate of Return	8.09%	8.09%	0%	0.0%	8.09%	8.09%	8.09%

*"Final" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 2:
TEST YEAR 2016 OPERATING REVENUES AT PRESENT AND PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application
1	**Oper. Revenues at Present Rates**							
2	Residential	$168,740	$178,826	$0	0.0%	$178,826	$176,816	$176,618
3	Business	$84,572	$90,593	$0	0.0%	$90,593	$87,064	$86,903
4	Industrial Revenue	$980	$1,050	$0	0.0%	$1,050	$984	$984
5	Public Authorities	$12,166	$13,045	$0	0.0%	$13,045	$13,053	$13,073
6	Resale	$1,286	$1,397	$0	0.0%	$1,397	$1,559	$1,559
7	Other	$818	$849		0.0%	$849	$651	$651
8	Raw Water	$53	$53	$0	0.0%	$53	$53	$53
9	Recycled Water	$2,477	$2,477	$0	0.0%	$2,477	$2,477	$2,470
10								
11	Private Fire Service	$3,164	$3,164	$0	0.0%	$3,164	$3,164	$3,184
12								
13	Subtotal	$274,256	$291,454	$0	0.0%	$291,454	$285,821	$285,495
14								
15	Misc. & Deferred Revenue	$692	$692	($1)	-0.1%	$691	$692	$652
16								
17	**Total Revenues at Present Rates**	$274,948	$292,146	($1)	0.0%	$292,145	$286,513	$286,146
18								
19	**Oper. Revenues at Proposed Rates**							
20	Residential	$183,537	$193,693	$6,192	3.2%	$199,885	$198,901	$199,138
21	Business	$91,403	$97,454	$2,796	2.9%	$100,250	$96,501	$96,700
22	Industrial Revenue	$1,059	$1,129	$33	2.9%	$1,162	$1,091	$1,095
23	Public Authorities	$13,141	$14,024	$398	2.8%	$14,422	$14,434	$14,518
24	Resale	$1,378	$1,490	$36	2.4%	$1,526	$1,691	$1,702
25	Other	$900	$931	$36	3.9%	$967	$762	$760
26	Raw Water	$62	$67	$2	2.5%	$69	$63	$64
27	Recycled Water	$2,810	$2,984	$75	2.5%	$3,059	$2,869	$2,872
28								
29	Private Fire Service	$3,434	$3,421	$105	3.1%	$3,526	$3,540	$3,573
30								
31	Subtotal	$297,724	$315,193	$9,672	3.1%	$324,866	$319,852	$320,422
32								
33	Misc. & Deferred Revenue	$692	$692	($1)	-0.1%	$691	$692	$652
34								
35	**Total Revenues at Proposed Rates**	$298,416	$315,885	$9,672	3.1%	$325,557	$320,544	$321,073

*"Final" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 3:
TEST YEAR 2016 OPERATING AND ADMINISTRATIVE EXPENSES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	**Operating & Maintenance Expenses**										
2	Purchased Water Potable	$59,787	$70,163	$0	0.0%	$70,163	$59,787	$59,787	a	O-01,CH02,P02,§C2.a	SJW-01,CH03,P02,§D
3	Purchased Water Recycled	$1,262	$1,262	$0	0.0%	$1,262	$1,262	$1,259	a	O-01,CH02,P04,§C2.b	SJW-01,CH03,P02,§D
4	Other Source of Supply	$1,064	$1,066	$120	11.3%	$1,186	$1,232	$1,250	c	O-01,CH02,P05,§C2.c	SJW-01,CH08,P01,§B
5	Purchased Power	$8,915	$8,915	$0	0.0%	$8,915	$9,454	$9,230	a	O-01,CH02,P06,§C2.d	SJW-01,CH08,P01,§B
6	Pump Taxes	$35,406	$42,373	$0	0.0%	$42,373	$40,947	$40,819	a	O-01,CH02,P06,§C2.e	SJW-01,CH03,P02,§D
7	Other Pumping Expenses	$3,318	$3,326	$448	13.5%	$3,774	$3,914	$3,568	c	O-01,CH02,P07,§C2.f	SJW-01,CH08,P01,§B
8	Chemical & Filtering Material	$459	$459	$0	0.0%	$459	$459	$460	a	O-01,CH02,P07,§.C2.g	SJW-01,CH08,P01,§B
9	Other Water Treatment	$2,921	$2,921	$415	14.2%	$3,336	$3,376	$3,438	c	O-01,CH02,P08,§C2.h	SJW-01,CH08,P01,§B
10	Transmission & Distribution	$3,656	$3,658	$652	17.8%	$4,310	$4,386	$4,398	c	O-01,CH02,P09,§C2.i	SJW-01,CH08,P01,§B
11	Customer Accounts - Uncollectibles	$452	$478	$15	3.1%	$493	$485	$499	d	O-01,CH02,P10,§C2.j.i	SJW-01,CH08,P01,§B
12	Customer Accounts - Labor	$4,189	$4,189	$904	21.6%	$5,093	$5,150	$5,486	c	O-01,CH02,P10,§C2.j.ii	SJW-01,CH08,P01,§B
13	Customer Accounts - Transportation	$95	$95	$6	6.3%	$101	$103	$84	c	O-01,CH02,P10,§C2.j.iiii	SJW-01,CH08,P01,§B
14	Customer Accounts - Postage	$523	$523	$0	0.0%	$523	$533	$529	a	O-01,CH02,P11,§C2.j.iv	SJW-01,CH08,P01,§B
15	Customer Accounts - Purchased Services	$2,261	$2,281	$0	0.0%	$2,281	$2,586	$3,241	c	O-01,CH02,P11,§C2.j.v	SJW-01,CH08,P01,§B
16	Conservation - Base Program	$129	$129	$0	0.0%	$129	$132	$138	a	O-01,CH02,P11,§C2.j.vi.1	SJW-01,CH18,P05,§D
17	Conservation - WRAM Related	$0	$0	$1,536	100.0%	$1,536	$1,536	$1,536	f	O-01,CH02,P12,§C2.j.vi.2	SJW-01,CH18,P14,§E; SJW-10,CH06
18	Conservation - Recycled Retrofits	$2,375	$2,375	$0	0.0%	$2,375	$6,146	$6,146	b	O-01,CH02,P15,§C2.j.vi.3	SJW-01,CH20
19	Customer Accounts - Other	$169	$169	$0	0.0%	$169	$172	$32	a	O-01,CH02,P17,§C2.j.vii	SJW-01,CH08,P01,§B
20	Non-Tariffed Service Adjustment	($760)	($760)	$0	0.0%	($760)	($674)	($649)	b	O-01,CH02,P17,§C2.j.vii	SJW-01,CH08,P05,§D
21	Maintenance Source of Supply	$180	$182	$5	2.7%	$187	$208	$159	c	O-01,CH02,P18,§C3.a	SJW-01,CH08,P01,§B
22	Maintenance Pumping	$1,248	$1,254	$120	9.6%	$1,374	$1,476	$1,563	c	O-01,CH02,P18,§C3.b	SJW-01,CH08,P01,§B
23	Maintenance Water Treatment Plant	$659	$659	$10	1.5%	$669	$672	$701	c	O-01,CH02,P18,§C3.c	SJW-01,CH08,P01,§B
24	Maintenance Transmission & Distribution	$13,530	$13,574	$1,517	11.2%	$15,091	$15,848	$14,922	c	O-01,CH02,P19,§C3.d	SJW-01,CH08,P01,§B
25	Maintenance Expense Adjustments	($8)	($8)	$0	0.0%	($8)	($8)	($8)	a	O-01,CH02,P20,§C3.e	SJW-01,CH08,P01,§B
26	**Subtotal O&M Expenses**	$141,830	$159,283	$5,748	3.6%	$165,031	$159,183	$158,588			
27											
28	**Administrative & General (A&G) Expenses**										
29	A&G Salaries	$7,623	$7,623	$1,644	21.6%	$9,267	$9,372	$9,283	c	O-01,CH02,P20,§C4.a	SJW-01,CH09
30	A&G Office Supplies	$1,995	$1,995	$11	0.5%	$2,005	$2,042	$2,038	c	O-01,CH02,P20,§C4.b	SJW-01,CH09
31	A&G Property Insurance	$233	$234	$0	0.0%	$234	$234	$225	a	O-01,CH02,P24,§C4.c	SJW-01,CH09
32	A&G Injuries & Damages Insurance	$2,025	$2,022	$212	10.5%	$2,234	$2,258	$2,326	d	O-01,CH02,P25,§C4.d	SJW-01,CH09
33	A&G Pensions, Benefits, & PBOP	$16,134	$16,134	$488	3.0%	$16,621	$16,698	$16,877	c	O-01,CH02,P26,§C4.e	SJW-01,CH09
34	A&G Regulatory Commission	$186	$186	$156	84.2%	$342	$341	$341	f	O-01,CH02,P28,§C4.f	SJW-01,CH09; SJW-10,CH02,P03
35	A&G Outside Services	$3,112	$3,112	$0	0.0%	$3,112	$3,161	$3,367	a	O-01,CH02,P29,§C4.g	SJW-01,CH09
36	A&G Dues & Memberships	$427	$427	$0	0.0%	$427	$467	$496	b	O-01,CH02,P30,§C4.h	SJW-01,CH09
37	A&G Corporate Expenses	$790	$790	$101	12.8%	$891	$908	$819	f	O-01,CH02,P30,§C4.i	SJW-01,CH09; SJW-10,CH02,P05
38	A&G Rents	$498	$498	$0	0.0%	$498	$508	$508	a	O-01,CH02,P31,§C4.j	SJW-01,CH09
39	A&G Maintenance	$918	$918	$9	1.0%	$927	$944	$938	c	N/A	SJW-01,CH09
40	A&G Transferred Expenses	($7,462)	($7,462)	$0	0.0%	($7,462)	($7,654)	($7,937)	a	N/A	SJW-01,CH09
41	**Subtotal A&G Expenses**	$26,479	$26,476	$2,621	9.9%	$29,097	$29,278	$29,282			
42											
43	**Allocated Expenses**										
44	Total Labor Expense	$34,565	$34,565	$7,457	21.6%	$42,022	$42,496	$42,504	f	O-01,CH03	SJW-01,CH05; SJW-10,CH04,P02; SJW-10,CH02,P05
45	Transportation Expense	$3,607	$3,607	$245	6.8%	$3,852	$3,896	$3,762	c	O-01,CH02,P31,§C5.b	SJW-01,CH08,P01,§B
46	Purchased Services	$10,507	$10,591	$0	0.0%	$10,591	$11,830	$11,975	e	O-01,CH02,P33,§C5.c	SJW-01,CH08,P01,§B; SJW-10,CH01

*"Final" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 4:
TEST YEAR 2016 TAXES AT PROPOSED RATES

Line	Item	ORA Testimony	ORA Final*	$ SJWC > ORA	% SJWC > ORA	SJWC Final*	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	TAXES										
2	Taxes Other Than Income										
3	Ad Valorem Taxes	$8,138	$8,141	$0	0.0%	$8,141	$8,151	$7,986	a	O-01,CH06,P01,§C1	SJW-01,CH10,P01,§B
4	Business License Fees	$33	$33	$0	0.0%	$33	$33	$33	a	O-01,CH06,P03,§C3	SJW-01,CH10,P01,§B
5	Payroll Taxes	$1,885	$1,885	$1,188	63.0%	$3,072	$3,106	$3,166	f	O-01,CH06,P02,§C2	SJW-01,CH10,P01,§B; SJW-10,CH02,P08
6	Franchise Fees	$714	$755	$23	3.1%	$779	$767	$751	d	O-01,CH06,P04,§C4	SJW-01,CH10,P01,§B
7	Subtotal Taxes Other Than Income	$10,769	$10,814	$1,211	11.2%	$12,025	$12,056	$11,936			
8											
9	Depreciation and Amortization	$41,986	$41,986	$0	0.0%	$41,986	$41,986	$41,571	a	O-01,CH07,P03,§C2	SJW-01,CH12
10											
11	Income Taxes									O-01,CH05	SJW-01,CH10,P02,§C
12	Total Deductions	$199,933	$217,498	$9,629	4.4%	$227,127	$221,671	$220,268			
13											
14	CCFT Depreciation for Taxes	($39,781)	($40,114)	$0	0.0%	($40,114)	($40,114)	($43,346)	a		
15	Tax Deduction on Repairs & Maintenanc	($22,613)	($22,613)	$0	0.0%	($22,613)	($22,613)	$0	a		
16	Deferred Revenue (Net of Tax)	$43	$43	$0	0.0%	$43	$43	$39	a		
17	Taxable Income Incl Def Revenue	$35,644	$35,216	$43	0.1%	$35,259	$35,702	$57,050			
18	California State Tax @ 8.84%	$3,151	$3,113	$4	0.1%	$3,117	$3,156	$5,043			
19											
20	FIT Depreciation for Taxes	($33,318)	($33,524)	$0	0.0%	($33,524)	($33,524)	($32,868)	a		
21	CCFT Deduction	($3,151)	($3,113)	($4)	0.1%	($3,117)	($3,156)	($5,043)			
22	Domestic Production Activities Deductio	($1,338)	($1,338)	$0	0.0%	($1,338)	($1,338)	($1,338)	a		
23	Taxable Income	$60,188	$59,925	$39	0.1%	$59,964	$60,367	$61,108			
24	Federal Income Tax @ 35%	$21,066	$20,974	$14	0.1%	$20,987	$21,129	$21,388			
25	Tax on CIAC and Advances	$3	$3	$0	0.0%	$3	$3	$3	a		
26	Subtotal Income Taxes	$24,220	$24,090	$18	0.1%	$24,107	$24,288	$26,434			

*"Final" positions for SJWC and ORA include increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letter 474 effective July 1, 2015.

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 5A:
UTILITY PLANT IN SERVICE - BUDGET YEAR 2015

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	UTILITY PLANT										
2	2015 Plant - CONTESTED[1]										
3	SJW013088 - Reservoirs & Tanks (Cox Sta. Basin #2)	$283	$283	$0	0.0%	$283	$306	$306	e	O-01,CH04,P13,§C4.c	SJW-03,P114; SJW-10,CH03,P02
4	SJW013091 - Reservoirs & Tanks (Almaden Valley Sta. Reservoir)	$170	$170	$0	0.0%	$170	$184	$184	e	O-01,CH04,P12,§C4.a	SJW-03,P122; SJW-10,CH03,P02
5	SJW012309 - Pumps (Franciscan Sta.)[2]	$0	$0	$0	0.0%	$0	$149	$149	e	O-01,CH04,P18,§C5.a	SJW-03,P137
6	SJW010163 - Pumps (Submersible Equip.)	$534	$623	$0	0.0%	$623	$683	$683	e	O-01,CH04,P26,§C5.i	SJW-03,P34; SJW-10,CH03,P03
7	SJW010457 - Pumps (Line Sharft Equip.)	$596	$623	$0	0.0%	$623	$683	$683	e	O-01,CH04,P24,§C5.h	SJW-03,P31; SJW-10,CH03,P03
8	SJW012332 - Distribution (City, County, State)	$329	$369	$0	0.0%	$369	$408	$408	e	O-01,CH04,P32,§C6.c	SJW-02,WP11-7; SJW-10,CH03,P04
9	SJW012826 - Distribution (Pressure Monitors)	$0	$0	$0	0.0%	$0	$354	$354	e	O-01,CH04,P38,§C6.e.ii	SJW-03,P48
10	SJW10304 - Distribution (Services >2")	$0	$0	$0	0.0%	$0	$20	$20	e	O-01,CH04,P39,§C6.f	SJW-02,WP11-7
11	SJW012608 - Distribution (Meter Replacement)	$1,072	$1,114	$0	0.0%	$1,114	$1,114	$1,114	e	O-01,CH04,P42,§C6.g	SJW-03,P45; SJW-10,CH03,P05
12	SJW10225 - Distribution (Hydrants in San Jose)	$202	$202	$0	0.0%	$202	$204	$204	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-7
13	SJW10273 - Distribution (Hydrants outside San Jose)	$101	$101	$0	0.0%	$101	$102	$102	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-7
14	SJW12811 - Equipment (Automated Metering Infrastructure)	$0	$125	$0	0.0%	$125	$510	$510	e	O-01,CH04,P47,§C7.a	SJW-03,P64; SJW-10,CH01
15	2015 New Plant - CONTESTED Subtotal	$3,286	$3,610	$0	0.0%	$3,610	$4,718	$4,718			
16	2015 New Plant - UNCONTESTED	$100,871	$100,871	$0	0.0%	$100,871	$100,871	$100,871			
17	2015 Total UPIS	$104,158	$104,481	$0	0.0%	$104,481	$105,590	$105,590			

[1]Numbers provided are project index numbers
[2]Parties agreed to Advice Letter (Tier II) treatment

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 5B:
UTILITY PLANT IN SERVICE - BUDGET YEAR 2016

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	2016 Plant - CONTESTED[1]										
2	SJW012383 - Reservoirs & Tanks (Almaden Valley Sta. Reservoir)	$6,231	$6,231	$0	0.0%	$6,231	$6,743	$6,743	e	O-01,CH04,P12,§C4.a	SJW-03,P122; SJW-10,CH03,P02
3	SJW012861 - Reservoirs & Tanks (Cox Sta. Basin #2)	$3,909	$3,909	$0	0.0%	$3,909	$4,231	$4,231	e	O-01,CH04,P13,§C4.c	SJW-03,P114; SJW-10,CH03,P02
4	SJW013080 - Reservoirs & Tanks (Belgatos Sta. Basin #1)	$224	$224	$0	0.0%	$224	$242	$242	e	O-01,CH04,P12,§C4.b	SJW-03,P209; SJW-10,CH03,P02
5	SJW012310 - Pumps (Franciscan Sta.)[2]	$0	$0	$0	0.0%	$0	$1,382	$1,382	e	O-01,CH04,P18,§C5.a	SJW-03,P137
6	SJW012311 - Pumps (Harwood Ct. Sta.)	$877	$877	$0	0.0%	$877	$1,104	$1,104	e	O-01,CH04,P22,§C5.e	SJW-03,P224
7	SJW012347 - Pumps (Miguelito Sta.)[2]	$0	$0	$0	0.0%	$0	$207	$207	e	O-01,CH04,P21,§C5.d	SJW-03,P239
8	SJW010452 - Pumps (Submersible Equip.)	$550	$642	$0	0.0%	$642	$704	$704	e	O-01,CH04,P26,§C5.i	SJW-03,P34; SJW-10,CH03,P03
9	SJW010465 - Pumps (Line Sharft Equip.)	$635	$642	$0	0.0%	$642	$704	$704	e	O-01,CH04,P24,§C5.h	SJW-03,P31; SJW-10,CH03,P03
10	SJW012933 - Distribution (Recycled Align. A)	$4,011	$4,011	$0	0.0%	$4,011	$4,164	$4,164	e	O-01,CH04,P30,§C6.a.i	SJW-03,P264; SJW-10,CH07,P03
11	SJW012934 - Distribution (Recycled Align. R)	$1,494	$1,494	$0	0.0%	$1,494	$1,522	$1,522	e	O-01,CH04,P31,§C6.a.ii	SJW-03,P285; SJW-10,CH07,P03
12	SJW10278 - Distribution (City, County, State)	$339	$380	$0	0.0%	$380	$420	$420	e	O-01,CH04,P32,§C6.c	SJW-02,WP11-8; SJW-10,CH03,P04
13	SJW10191 - Distribution (Services >2")	$0	$0	$0	0.0%	$0	$21	$21	e	O-01,CH04,P39,§C6.f	SJW-02,WP11-8
14	SJW10192 - Distribution (Hydrants in San Jose)	$104	$104	$0	0.0%	$104	$105	$105	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-8
15	SJW10280 - Distribution (Hydrants outside San Jose)	$208	$208	$0	0.0%	$208	$210	$210	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-8
16	SJW12812 - Equipment (Automated Metering Infrastructure)	$0	$0	$0	0.0%	$0	$5,799	$5,799	e	O-01,CH04,P47,§C7.a	SJW-03,P64; SJW-10,CH01
17	SJW012627 - Non-Specifics (Fleet Vehicles)	$2,068	$2,169	$0	0.0%	$2,169	$2,270	$2,270	e	O-01,CH04,P52,§C8.a	SJW-03,P37; SJW-10,CH03,P06
18	2016 New Plant - CONTESTED Subtotal	$20,650	$20,891	$0	0.0%	$20,891	$29,828	$29,828			
19	2016 New Plant - UNCONTESTED	$84,099	$84,099	$0	0.0%	$84,099	$84,099	$84,099			
20	2016 Total UPIS	$104,749	$104,989	$0	0.0%	$104,989	$113,927	$113,927			

[1]Numbers provided are project index numbers
[2]Parties agreed to Advice Letter (Tier II) treatment

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 5C:
UTILITY PLANT IN SERVICE - BUDGET YEAR 2017

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1											
2	2017 New Plant - CONTESTED[1]										
3	SJW012440 - Source of Supply: Well Site Purchase	$0	$0	$0	0.0%	$0	$6,529	$6,529	e	O-01,CH04,P06,§C2	SJW-03,P24; SJW-10,CH07,P01
4	SJW012862 - Reservoirs & Tanks (Belgatos Sta. Basin #1)	$7,916	$7,916	$0	0.0%	$7,916	$8,541	$8,541	e	O-01,CH04,P12,§C4.b	SJW-03,P209; SJW-10,CH03,P02
5	SJW012348 - Pumps (Miguelito Sta.)[2]	$0	$0	$0	0.0%	$0	$1,932	$1,932	e	O-01,CH04,P21,§C5.d	SJW-03,P239
6	SJW10211 - Pumps (Line Shaft Equip.)	$635	$665	$0	0.0%	$665	$729	$729	e	O-01,CH04,P24,§C5.h	SJW-03,P31; SJW-10,CH03,P03
7	SJW010468 - Pumps (Submersible Equip.)	$569	$665	$0	0.0%	$665	$729	$729	e	O-01,CH04,P26,§C5.i	SJW-03,P34; SJW-10,CH03,P03
8	SJW012935 - Distribution (Recycled Align. D)	$10,982	$10,982	$0	0.0%	$10,982	$11,339	$11,339	e	O-01,CH04,P31,§C6.a.iii	SJW-03,P264; SJW-10,CH07,P03
9	SJW10283 - Distribution (City, County, State)	$351	$393	$0	0.0%	$393	$435	$435	e	O-01,CH04,P32,§C6.c	SJW-02,WP11-9; SJW-10,CH03,P04
10	SJW10210 - Distribution (Services >2")	$0	$0	$0	0.0%	$0	$22	$22	e	O-01,CH04,P39,§C6.f	SJW-02,WP11-9
11	SJW012482 - Distribution (Hydrants in San Jose)	$215	$215	$0	0.0%	$215	$218	$218	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-9
12	SJW012483 - Distribution (Hydrants outside San Jose)	$108	$108	$0	0.0%	$108	$109	$109	e	O-01,CH04,P45,§C6.h	SJW-02,WP11-9
13	SJW012813 - Equipment (Automated Metering Infrastructure)	$0	$0	$0	0.0%	$0	$2,401	$2,401	e	O-01,CH04,P47,§C7.a	SJW-03,P64; SJW-10,CH01
14	SJW012628 - Non-Specifics (Fleet Vehicles)	$1,740	$1,889	$0	0.0%	$1,889	$2,038	$2,038	e	O-01,CH04,P52,§C8.a	SJW-03,P37; SJW-10,CH03,P06
15	2017 New Plant - CONTESTED Subtotal	$22,516	$22,831	$0	0.0%	$22,831	$35,019	$35,019			
16	2017 New Plant - UNCONTESTED	$81,005	$81,005	$0	0.0%	$81,005	$81,005	$81,005			
17	2017 Total UPIS	$103,521	$103,837	$0	0.0%	$103,837	$116,024	$116,024			

[1]Numbers provided are project index numbers
[2]Parties agreed to Advice Letter (Tier II) treatment

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 6:
TEST YEARS 2016 AND 2017 RATEBASE

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	2016 RATEBASE										
2	Utility Plant	$1,441,242	$1,441,692	$0	0.0%	$1,441,692	$1,447,407	$1,432,326	e	O-01,CH04	
3	Adjustments to Plant	($184,092)	($184,092)	$0	0.0%	($184,092)	($184,092)	($177,901)	a	O-01,CH07,P04,§C3	
4	Working Capital	$17,363	$18,282	$1,040	5.7%	$19,322	$19,402	$19,009	d	O-01,CH07,P01,§C1	
5	Tax Deferrals	($149,477)	($149,484)	$0	0.0%	($149,484)	($149,484)	($143,062)	a	O-01,CH07	
6	Rate Base, Taxed Contributions	$4,826	$4,826	$0	0.0%	$4,826	$4,826	$4,622	a	O-01,CH07,P05,§C4	
7	Rate Base, Taxed Advances	$2,800	$2,800	$0	0.0%	$2,800	$2,800	$2,700	a	O-01,CH07,P05,§C4	
8	Depreciation Reserve	$476,104	$476,104	$0	0.0%	$476,104	$476,104	$479,324	a	O-01,CH07,P03,§C2	
9	2016 Weighted Avg Ratebase	$656,559	$657,921	$1,040	0.2%	$658,961	$664,755	$658,370			
10											
11	2017 RATEBASE										SJW-01,CH13
12	Utility Plant	$1,544,345	$1,545,077	$0	0.0%	$1,545,077	$1,561,491	$1,546,415	e	O-01,CH04	
13	Adjustments to Plant	($184,668)	($184,668)	$0	0.0%	($184,668)	($184,668)	($177,388)	a	O-01,CH07,P04,§C3	
14	Working Capital	$18,217	$19,121	$1,084	5.7%	$20,205	$19,572	$19,242	d	O-01,CH07,P01,§C1	
15	Tax Deferrals	($155,076)	($155,104)	$0	0.0%	($155,104)	($155,104)	($148,244)	a	O-01,CH07	
16	Rate Base, Taxed Contributions	$4,855	$4,855	$0	0.0%	$4,855	$4,855	$4,616	a	O-01,CH07,P05,§C4	
17	Rate Base, Taxed Advances	$2,699	$2,699	$0	0.0%	$2,699	$2,699	$2,601	a	O-01,CH07,P05,§C4	
18	Depreciation Reserve	$517,898	$517,898	$0	0.0%	$517,898	$518,136	$521,468	a	O-01,CH07,P03,§C2	
19	2017 Weighted Avg Ratebase	$712,476	$714,083	$1,084	0.2%	$715,167	$730,710	$725,775			

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 7:
TEST YEAR 2016 CUSTOMER FORECASTS AND SALES ESTIMATES

Line	Item	ORA Testimony	ORA Final	$ SJWC > ORA	% SJWC > ORA	SJWC Final	SJWC Update	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	Metered Services										
2	Residential	199,416	199,416	0	0.0%	199,416	199,416	199,191	a	O-01,CH01,P03,§C1	SJW-01,CH07,P01,§B
3	Business	20,332	20,332	0	0.0%	20,332	20,332	20,293	a		
4	Industrial	53	53	0	0.0%	53	53	53	a		
5	Public Authority	1,293	1,293	0	0.0%	1,293	1,293	1,307	a		
6	Resale	32	32	0	0.0%	32	32	32	a		
7	Other	212	212	0	0.0%	212	188	188	b		
8	**Total Potable Metered Services**	**221,338**	**221,338**	0	0.0%	**221,338**	**221,314**	**221,064**			
9											
10	Raw Water	4	4	0	0.0%	4	4	4	a		
11	Recycled Water	178	178	0	0.0%	178	178	178	a		
12	**Total Non-Potable Metered Services**	**221,520**	**221,520**	0	0.0%	**221,520**	**221,496**	**221,246**			
13											
14	Private Fire Service	3,709	3,709	0	0.0%	3,709	3,709	3,735	a		
15	**Total Active Services**	**225,229**	**225,229**	0	0.0%	**225,229**	**225,205**	**224,981**			
16											
17	Average Sales per Customer (ccf/connection/yr)									O-01,CH01,P05,§C2	SJW-01,CH06; SJW-12
18	Residential	147	147	0	0.0%	147	157	157	b		
19	Business	861	861	0	0.0%	861	893	893	b		
20											
21	Total Sales Per Customer Class (Kccf)										
22	Residential	29,234	29,234	0	0.0%	29,234	31,328	31,293	b		
23	Business	17,451	17,451	0	0.0%	17,451	18,097	18,063	b		
24	Industrial	203	203	0	0.0%	203	204	204	b		
25	Public Authority	2,547	2,547	0	0.0%	2,547	2,777	2,777	b		
26	Resale	322	322	0	0.0%	322	393	393	b		
27	Other	90	90	0	0.0%	90	60	60	b		
28	**Total Potable Metered Sales**	**49,847**	**49,847**	0	0.0%	**49,847**	**52,859**	**52,790**			
29											
30	Raw Water	14	14	0	0.0%	14	14	14	a		
31	Recycled Water	870	870	0	0.0%	870	870	867	a		
32	**Total Sales**	**50,731**	**50,731**	0	0.0%	**50,731**	**53,743**	**53,671**			
33											
34	Source of Supply (Kccf)										
35	Groundwater	20,645	20,645	0	0.0%	20,645	23,877	23,802	a	N/A	SJW-01,CH03,P02,§D
36	Purchased Water	30,747	30,747	0	0.0%	30,747	30,747	30,747	a		
37	Surface Water	2,085	2,085	0	0.0%	2,085	2,085	2,085	a		

REVISED DETAILED JOINT COMPARISON EXHIBIT
TABLE 8:
NON-REVENUE REQUIREMENT ISSUES

Line	Item	ORA Testimony	ORA Final	SJWC Final	SJWC Application	Current Status	ORA Reference	SJWC Reference
1	Rate Design	Maintain current rate	Maintain current rate design	Maintain current rate design	Maintain current rate	a	O-01,CH01,P19,§C4	SJW-01,CH15
2	Revenue Decoupling	Maintain Monterey Style WRAM	Maintain Monterey Style WRAM	Full WRAM/MCBA	Full WRAM/MCBA	f	O-01,CH13	SJW-01,CH19; SJW-10,CH02,P10
3	Balancing and Memorandum Accounts						O-01,CH10	SJW-01,CH17,P02,§E/F; SJW-10,CH02,P09
4	Balancing Account Disposition	Authorize recovery of $3,872,936 balance via $0.07327/ccf surcharge for 12-month period	Authorize recovery of $4,751,775 balance via $0.0900/ccf surcharge for 12-month period	Authorize recovery of $4,751,775 balance via $0.0900/ccf surcharge for 12-month period	Authorize recovery of $4,751,775 balance via $0.0900/ccf surcharge for 12-month period	e		
5	Memorandum Account Disposition	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	Authorize refund of $975,527 balance via $0.3673 credit per connection per month for 12-month period	a		
6	Preliminary Statement Update	Update Preliminary Statement to reflect all blancing and memorandum accounts, including closing Research, Development and Demonstration Memorandum Account and Intervenor Compensation Memorandum Account	Update Preliminary Statement to reflect all blancing and memorandum accounts including Pension Expense Balancing Account. Maintain Research, Development and Demonstration Memorandum Account and Intervenor Compensation Memorandum Account	Update Preliminary Statement to reflect all blancing and memorandum accounts including Pension Expense Balancing Account. Maintain Research, Development and Demonstration Memorandum Account and Intervenor Compensation Memorandum Account	N/A	e	O-01,CH10,P11,§C3	SJW-10,CH02,P09
7	Health Care Cost Balancing Account	Do Not Allow Health Care Cost Balancing Account	Do Not Allow Health Care Cost Balancing Account	Authorize Health Care Cost Balancing Account	Authorize Health Care Cost Balancing Account	f	O-01,CH12,P02,§C1	SJW-01,CH05,P29,§C; SJW-10,CH04,P08
8	Establish Groundwater Regulation Legal Expense Memorandum Account	Authorize requested memorandum account	Authorize requested memorandum account	Establish Groundwater Regulation Legal Expense Memorandum Account	Establish Groundwater Regulation Legal Expense Memorandum Account	a	O-01,CH12,P09,§C2	SJW-01,CH17,P03,§G
9	Update Water Ratepayer Assistance Program (WRAP) funding surcharge	Authorize WRAP funding surcharge to $1.45 per customer per month	Authorize WRAP funding surcharge to $1.45 per customer per month	Authorize WRAP funding surcharge to $1.45 per customer per month	Authorize WRAP funding surcharge to $1.45 per customer per month	a	O-01,CH12,P11,§C3	SJW-01,CH15,P04,§G
10	Implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	Authorize SJWC to implement Credit Card Payment Program	a	O-01,CH12,P12,§C4	SJW-01,CH17,P04,§K
11	Establish Tangible Property Regulation Tax Memorandum Account	Establish Memorandum Account	Establish Memorandum Account	Do not establish memorandum account	N/A	f	O-01,CH05,P03,§C3	SJW-10,CH05
12	Establish Enterprise Zone Sales and Use Credit Tax Memorandum Account	Establish Memorandum Account	Establish Memorandum Account	Do not establish memorandum account	N/A	f	O-01,CH05,P06,§C4	SJW-10,CH05

(END OF ATTACHMENT C)

ATTACHMENT D
TABLE A
Summary of Earnings and Rate of Return
Effective January 1, 2016
(Dollars in Thousands)

Line		Present Rates Effective 1-Jan-16	Authorized Rates Effective 1-Jan-16
4	OPERATING REVENUES	$ 291,658	$ 316,788
5	DEFERRED REVENUE	$ 487	$ 487
6	OPERATING EXPENSES		
7	PURCHASED WATER - POTABLE	$ 70,163	$ 70,163
8	PURCHASED WATER - RECYCLED	$ 1,262	$ 1,262
9	PUMP TAX	$ 42,373	$ 42,373
10	PURCHASED POWER	$ 8,915	$ 8,915
11	OTHER OPERATION AND MAINTENANCE	$ 753	$ 753
12	CHEMICALS	$ 459	$ 459
13	UNCOLLECTIBLES	$ 442	$ 481
14	O&M PAYROLL	$ 18,915	$ 18,915
15	TRANSPORTATION	$ 3,311	$ 3,311
16	PURCHASED SERVICES	$ 10,663	$ 10,663
17	CONSERVATION	$ 2,822	$ 2,822
18	OTHER ADMIN AND GEN. EXP.	$ 4,132	$ 4,132
19	A&G PAYROLL	$ 7,829	$ 7,829
20	PENSION	$ 6,700	$ 6,700
21	BENEFITS	$ 3,214	$ 3,214
22	HEALTH CARE & DENTAL	$ 6,237	$ 6,237
23	RENTS	$ 498	$ 498
24	PROPERTY INSURANCE	$ 234	$ 234
25	LIABILITY INSURANCE	$ 2,049	$ 2,049
26	A&G PURCHASED SERVICES	$ 3,328	$ 3,328
27	A&G TRANSFERRED SERVICES	$ (7,462)	$ (7,462)
28	TOTAL O. & M., A. & G., & MISC. EXP.	$ 186,837	$ 186,876
29	TAXES OTHER THAN INCOME		
30	AD VALOREM TAXES	$ 8,146	$ 8,146
31	LOCAL FRANCHISE TAXES & BUS. LIC.	$ 731	$ 791
32	PAYROLL TAXES	$ 2,006	$ 2,006
33	TOTAL GENERAL TAXES	$ 10,883	$ 10,943
34	DEPRECIATION & AMORTIZATION	$ 41,986	$ 41,986
35	SUB-TOTAL - OPERATING EXPENSES	$ 239,706	$ 239,805
36	INCOME TAXES:		
37	STATE INCOME TAX	$ 910	$ 3,123
38	FEDERAL INCOME TAX	$ 13,025	$ 21,011
39	TOTAL OPERATING EXPENSES	$ 253,641	$ 263,939
40	NET OPERATING REVENUE	$ 38,504	$ 53,336
41	DEPRECIATED RATE BASE	$ 658,981	$ 658,981
42	RATE OF RETURN	5.84%	8.09%
43	% INCREASE		8.60%

ATTACHMENT D
TABLE B
Income Tax Calculation
(Dollars in Thousands)

Line	Item	2016	2017
1	**Operating Revenue**	$ 316,788	$ 330,605
2	(Excluding Deferred Revenue)		
3			
4	Deductions		
5	O&M Expenses (Excl. Uncollectibles)	$ 160,117	$ 160,902
6	Uncollecibles	$ 481	$ 501
7	A&G Expenses	$ 26,759	$ 27,175
8	Taxes Other than Income Taxes	$ 10,185	$ 10,799
9	Local Franchise Taxes	$ 759	$ 792
10	Transportation Depreciation	$ (992)	$ (1,190)
11	Interest Expense	$ 21,381	$ 23,224
12	Meal Dissalowance, 50%	$ 92	$ 92
13	**Total Deductions**	**$ 218,782**	**$ 222,295**
14			
15	State Corporation Franchise Tax		
16	Tax Depreciation	$ 40,114	$ 43,532
17	State Tax Deduction on Repairs and Maintenanc	$ 22,613	$ 13,774
18	Deferred Revenue (Net of Tax)	$ 43	$ 34
19	State Taxable Income	$ 35,323	$ 51,039
20	State Income Tax Rate	8.84%	8.84%
21	**State Income Tax**	**$ 3,123**	**$ 4,512**
22			
23	Federal Income Tax		
24	Tax Depreciation	$ 33,524	$ 37,407
25	State Franchise Tax	$ 3,123	$ 4,512
26	IRS Sect 199 QPA Deduction	$ 1,338	$ 1,457
27	Federal Taxable Income	$ 60,022	$ 64,935
28	Federal Income Tax Rate	35.00%	35.00%
29	**Federal Income Tax**	**$ 21,008**	**$ 22,727**
30			
31	Amortization of Prepaid Tax on CIAC	$ 3	$ 3
32			
33	Total Income Tax	24,134	27,242

ATTACHMENT D
TABLE C
Authorized Construction Budget
(Dollars in Thousands)

Line	Item	2015	2016	2017
1	**CONSTRUCTION ITEM**			
2	Land	$ 10	$ 11	$ 11
3				
4	Source of Supply	$ 8,469	$ 8,748	$ 5,706
5				
6	Water Treatment	$ 877	$ 2,253	$ 2,504
7				
8	Reservoirs & Tanks	$ 20,108	$ 13,179	$ 12,026
9				
10	Pump Stations & Equipment	$ 5,742	$ 9,475	$ 11,409
11				
12	Distribution Systems:	$ -	$ -	$ -
13	New Mains	$ 2,734	$ 5,505	$ 10,982
14	Service Transfers	$ 20	$ -	$ -
15	City, County & State	$ 720	$ 541	$ 393
16	Replacement Mains	$ 38,174	$ 38,760	$ 35,865
17	Main Extensions	$ 3,344	$ 2,851	$ 3,238
18	Services	$ 10,781	$ 11,105	$ 11,494
19	Meters	$ 4,219	$ 3,347	$ 4,093
20	Hydrants	$ 333	$ 343	$ 355
21				
22	Equipment	$ 5,372	$ 5,321	$ 3,644
23				
24	Structures & Non-Specifics	$ 3,577	$ 3,551	$ 2,119
25				
26	Green & Alternative Energy	$ -	$ -	$ -
27				
28	TOTAL CONSTRUCTION BUDGET	$ 104,481	$ 104,989	$ 103,837
29				
30	Cost of Retiring, Incl. in Budget	$ 2,040	$ 2,101	$ 2,175
31				
32	**TOTAL NEW PROJECTS**	$ 102,441	$ 102,888	$ 101,662

ATTACHMENT D
TABLE D
Authorized Ratebase
(Dollars in Thousands)

Line	Item	Adopted 2016	Adopted 2017
1	**ITEM**		
2	Utility Plant	$ 1,442,590	$ 1,546,570
3	Materials & Supplies	$ 780	$ 807
4	Working Cash	$ 17,665	$ 18,494
5			
6	Depreciation Reserve	$ (476,104)	$ (517,977)
7	Advances	$ (65,200)	$ (65,191)
8	Contributions	$ (116,728)	$ (117,451)
9	Plant Funded by SDWSRF Loan	$ (1,677)	$ (1,522)
10	Reserve for Amortization	$ (487)	$ (503)
11	Tax Deferrals	$ (149,484)	$ (155,104)
12			
13	Rate Base, Taxed Contributions	$ 4,826	$ 4,855
14	Rate Base, Taxed Advances	$ 2,800	$ 2,699
15			
16	**RATE BASE**	$ 658,981	$ 715,677

ATTACHMENT D
TABLE E
Authorized Customer and Sales Forecast

Line	Item	2016
1	Metered Services	
2	Residential	199,416
3	Business	20,332
4	Industrial	53
5	Public Authority	1,293
6	Resale	32
7	Other	212
8	**Total Potable Metered Services**	**221,338**
9	Raw Water	4
10	Recycled Water, Well	8
11	Recycled Water, Piped	170
12	**Total Non-Potable Metered Services**	**221,520**
13	Private Fire Service	3,709
14	**Total Active Services**	**225,229**
15	Average Sales per Customer (ccf/connection/yr)	
16	Residential	147
17	Business	861
18	Total Sales Per Customer Class (Kccf)	
19	Residential	29,234
20	Business	17,451
21	Industrial	203
22	Public Authority	2,547
23	Resale	322
24	Other	90
25	**Total Potable Metered Sales**	**49,847**
26	Raw Water	14
27	Recycled Water, Piped	504
28	Recycled Water, Well	366
29	**Total Sales**	**50,731**
30	Potable Source of Supply (Kccf)	
31	Purchased Water	30,747
32	Surface Water	2,085
33	Well Supply	20,645
34	**Total Potable Supply**	**53,477**
35	Recycled Source of Supply (Kccf)	
36	Recycled Water, Well	504
37	Recycled Water, Piped	366
38	**Total Recycled Supply**	**870**

ATTACHMENT D
TABLE F
Miscellaneous Adopted Quantities

Line	Item	2016	
1	Water Production	MG	Kccf
2	Purchased Water	23,000	30,747
3	Surface Water	1,559	2,085
4	Well Supply	15,444	20,645
5	Recycled Water	651	870
6			
7	Purchased Water/Pump Tax Rates		
8	(effective July 1, 2015)		
9	Purchased Water ($ per MG)	$ 3,051	
10	Pump Tax ($ per MG)	$ 2,744	
11			
12	Purchased Power		
13	(effective January 1, 2016)		
14	Mixed Power Cost ($/kWh)	$ 0.16679	
15	Total Power Usage (kWh)	53,450,202	
16			
17	Other		
18	Net-to-Gross Multiplier	1.6943	
19	Customer Growth Factor	0.3%	
20	Uncollectible Rate	0.1515%	
21	Local Franchise Tax Rate	0.2395%	
22	California Corporate Franchise Tax Rate	8.84%	
23	Federal Tax Rate	35.00%	
24	Depreciation Rate	3.42%	
25	Property Tax Rate	1.19%	
26	Non-Revenue Water %	6.8%	

ATTACHMENT D
TABLE G

AUTHORIZED RATES
EFFECTIVE JANUARY 1, 2016
Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY
Applicable to general metered water service.

TERRITORY
Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Moten Sereno, and Saratoga and in contiguous territory in the County of Santa Clara

RATES
Quantity Rate Per 100 cu.ft. (Ccf):

Residential Customers with 5/8 x 3/4-inch, 3/4-inch, 1-inch, 1 1/2-inch or 2-inch meter

For Total Monthly Usage from	0 to 3 ccfs	$ 4.0386
For Total Monthly Usage from	3+ to 18 ccfs	$ 4.4873
For Total Monthly Usage over	18 ccfs	$ 4.9360

All Other Customers
For all water delivered per ccf $ 4.4873

Service Charges per Meter per Month

All Customers

5/8 x3/4-inch meter	$ 23.84
3/4-inch meter	$ 23.84
1-inch meter	$ 39.73
1 1/2-inch meter	$ 79.46
2-inch meter	$ 127.14
3-inch meter	$ 238.38
4-inch meter	$ 397.30
6-inch meter	$ 794.60
8-inch meter	$ 1,271.36
10-inch meter	$ 1,827.59

SPECIAL CONDITIONS
To amortize the under-collection of the Balancing Account, the surcharge shown below is to be included for the 12-month period beginning with the effective date of this tariff:
$ 0.0953 per 100.cu.ft. (ccf)

To amortize the over-collection of the balances of Memorandum Accounts, the credit shown below is to be included on a monthly basis for the 12-month period beginning with the
$ 0.3673 per connection per month

To fund the Water Rate Assistance Program (WRAP) fo rresidential low-income households, the surcharge shown below will be added to the bill:
$ 1.45 per connection per month
(No Other Changes Proposed)

ATTACHMENT D
TABLE H

AUTHORIZED RATES
EFFECTIVE JANUARY 1, 2016
Schedule No. 1B
GENERAL METERED SERVICE WITH

AUTOMATIC FIRE SPRINKLER SYSTEM

APPLICABILITY

Applicable to all detached single family structures whose autmoatic fire sprinkler system is served through the meter providing residential water service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Moten Sereno, and Saratoga and in contiguous territory in the County of Santa Clara

RATES

Quantity Rate Per 100 cu.ft. (Ccf):

Residential Customers with 5/8 x 3/4-inch, 3/4-inch, 1-inch, 1 1/2-inch or 2-inch meter

For Total Monthly Usage from	0 to 3 ccfs	$	4.0386
For Total Monthly Usage from	3+ to 18 ccfs	$	4.4873
For Total Monthly Usage over	18 ccfs	$	4.9360

All Other Customers

For all water delivered per ccf	$	4.4873

Service Charges per Meter per Month

All Customers

5/8 x3/4-inch meter	$	23.84
3/4-inch meter	$	23.84
1-inch meter	$	39.73
1 1/2-inch meter	$	79.46
2-inch meter	$	127.14
3-inch meter	$	238.38

Upsize Charges:

For 1/4-inch meter upsize	$	1.51
For 1/2-inch meter upsize	$	3.01
For 3/4-inch meter upsize	$	4.52
For 1/4-inch meter upsize	$	6.03
For 1 1/2-inch meter upsize	$	9.06

SPECIAL CONDITIONS

To amortize the under-collection of the Balancing Account, the surcharge shown below is to be included for the 12-month period beginning with the effective date of this tariff:

$ 0.0953 per 100.cu.ft. (ccf)

To amortize the over-collection of the balances of Memorandum Accounts, the credit shown below is to be included on a monthly basis for the 12-month period beginning with the effective

$ 0.3673 per connection per month

To fund the Water Rate Assistance Program (WRAP) fo rresidential low-income households, the surcharge shown below will be added to the bill:

$ 1.45 per connection per month

(No Other Changes Proposed)

ATTACHMENT D
TABLE I

AUTHORIZED RATES
EFFECTIVE JANUARY 1, 2016
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):

Residential Customers with 5/8 x 3/4-inch, 3/4-inch, 1-inch, 1 1/2-inch or 2-inch meter

For Total Monthly Usage from	0 to 3 ccfs	$ 4.0386
For Total Monthly Usage from	3+ to 18 ccfs	$ 4.4873
For Total Monthly Usage from	18+ ccfs to 20 ccfs	$ 4.9360
For Total Monthly Usage over	20 ccfs	$ 7.0000

All Other Customers

For Total Monthly Usage from	0 ccfs to 20 ccfs	$ 4.4873
For Total Monthly Usage over	20 ccfs	$ 7.0000

Service Charges per Meter per Month

All Customers

5/8 x3/4-inch meter	$ 23.84
3/4-inch meter	$ 23.84
1-inch meter	$ 39.73
1 1/2-inch meter	$ 79.46
2-inch meter	$ 127.14
3-inch meter	$ 238.38
4-inch meter	$ 397.30
6-inch meter	$ 794.60
8-inch meter	$ 1,271.36
10-inch meter	$ 1,827.59

SPECIAL CONDITIONS
To amortize the under-collection of the Balancing Account, the surcharge shown below is to be included for the 12-month period beginning with the effective date of this tariff:
$ 0.0953 per 100.cu.ft. (ccf)

To amortize the over-collection of the balances of Memorandum Accounts, the credit shown below is to be included on a monthly basis for the 12-month period beginning with the
$ 0.3673 per connection per month

To fund the Water Rate Assistance Program (WRAP) fo rresidential low-income households, the surcharge shown below will be added to the bill:
$ 1.45 per connection per month
(No Other Changes Proposed)

ATTACHMENT D
TABLE J

AUTHORIZED RATES
EFFECTIVE JANUARY 1, 2016
Schedule No. 4
PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Charge per service connection per month:

For each 2-inch service	$	24.43
For each 3-inch service	$	36.63
For each 4-inch service	$	48.84
For each 6-inch service	$	73.28
For each 8-inch service	$	97.69
For each 10-inch service	$	122.12
For each 12-inch service	$	146.54

ATTACHMENT D
TABLE K

AUTHORIZED RATES
EFFECTIVE JANUARY 1, 2016
Schedule No. RW
RAW WATER SERVICE

APPLICABILITY
Applicable to raw water metered service.

TERRITORY
Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Moten Sereno, and Saratoga and in contiguous territory in the County of Santa Clara

RATES
Quantity Rate Per 100 cu.ft. (Ccf):

All Customers	
For all water delivered per ccf	$ 4.2577

Service Charges per Meter per Month

All Customers	
5/8 x3/4-inch meter	$ 23.84
3/4-inch meter	$ 23.84
1-inch meter	$ 39.73
1 1/2-inch meter	$ 79.46
2-inch meter	$ 127.14
3-inch meter	$ 238.38
4-inch meter	$ 397.30
6-inch meter	$ 794.60
8-inch meter	$ 1,271.36
10-inch meter	$ 1,827.59

SPECIAL CONDITIONS
To amortize the under-collection of the Balancing Account, the surcharge shown below is to be included for the 12-month period beginning with the effective date of this tariff:
$ 0.0953 per 100.cu.ft. (ccf)

To amortize the over-collection of the balances of Memorandum Accounts, the credit shown below is to be included on a monthly basis for the 12-month period beginning with the effective date of this tariff:
$ 0.3673 per connection per month
(No Other Changes Proposed)

ATTACHMENT D
TABLE L
Residential Customer Bill Comparison

Monthly Bill Comparison for Residential Customer with 3/4-Inch Meter

Monthly Usage (ccf)	Average Monthly Bill at Current Rates	Average Monthly Bill at Adopted Rates	%Increase	$ Increase
5	$ 40.99	$ 44.93	9.61%	$ 3.94
10	$ 62.00	$ 67.37	8.66%	$ 5.37
Avg (Approx.): 15	$ 83.01	$ 89.80	8.18%	$ 6.79
20	$ 104.73	$ 113.14	8.03%	$ 8.41
30	$ 150.31	$ 162.50	8.11%	$ 12.19
50	$ 241.47	$ 261.22	8.18%	$ 19.75
100	$ 469.38	$ 508.02	8.23%	$ 38.64

(END OF ATTACHMENT D)