



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED

10-22-09
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In the Matter of the Application of SAN JOSE WATER COMPANY (U 168 W) for Authorization to Increase Rates Charged for Water Service by \$36,207,000 or 18.44% in Test Year 2010; \$15,171,000 or 6.52% in 2011; and \$19,899,00 or 8.10% in 2012.

Application 09-01-009
(Filed January 21, 2009)

NOTICE OF EX PARTE COMMUNICATION OF THE DIVISION OF RATEPAYER ADVOCATES

The Division of Ratepayer Advocates (“DRA”) submits this Notice in accordance with Rule 8.3 of the California Public Utilities Commission’s (“CPUC”) Rules of Practice and Procedure.

The communication was between Danilo Sanchez, DRA Program Manager, Isaiah Larsen, Utilities Engineer for DRA, and Lester Wong, Advisor to Commissioner Peevey. The communication was initiated by Danilo Sanchez and Isaiah Larsen, and consisted of a verbal and written communication (one document) delivered in person to Lester Wong. The meeting took place on Monday, October 19, 2009, at the California Public Utilities Commission, 505 Van Ness Avenue, Room 5100, San Francisco, CA. The meeting was from 11:30 am to 12:00 pm.

Danilo Sanchez informed the advisor that DRA supports cost-effective, reliable, and proven solutions to promote solar PV, but that SJWC’s proposal in GRC A.09-01-009 does not meet these criteria. Mr. Sanchez informed the advisor that some of the competitive market alternatives that SJWC overlooked in its proposal include independent power producers (IPP), which lease solar PV installations to businesses such as SJWC, and supply all the capital financing in exchange for a purchase power agreement. Mr. Sanchez

explained that this method enables utilities to lower operating costs while promoting renewable energy, and does not result in a large ratebase increase borne by ratepayers.

Isaiah Larsen described the scope, nature, and cost of SJWC's solar PV proposal to the advisor, and contrasted its very high installation costs to similar projects with lower installation costs proposed under PG&E's Solar PV Program. Mr. Larsen discussed SJWC's 2007 solar PV pilot program at its Columbine Street Station, pointing out that it had fallen short of meeting SJWC's operational performance predictions or cost savings goals. Mr. Larsen explained the net present value cost benefit analysis DRA used to determine ratepayer impact of SJWC's proposed solar PV projects, and the fact that all of them had a negative net present value at the end of their useful life. Mr. Larsen noted that SJWC ratepayers already contribute funds towards PG&E's portion of the multi-billion dollar California Solar Initiative ("CSI") program. Moreover, SJWC's ratepayers may be contributing to the \$2.5 billion PG&E Solar PV Program in the very near future, if approved by the Commission. In conclusion, DRA recommended supporting the Proposed Decision's disallowance of SJWC's proposed solar PV projects with the possibility of integrating them into one of the many lower cost market alternatives available through an IPP or PG&E.

All issues discussed are identified in the document provided to the advisor, which is attached hereto as Attachments 1.

Copies of this Notice can be obtained by calling or sending e-mail to Sue Muniz at (415) 703-1858 ([e-mail=sam@cpuc.ca.gov](mailto:sam@cpuc.ca.gov)).

Respectfully submitted,

/s/ MARIA L. BONDONNO

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Dated: October 22, 2009



DIVISION OF RATEPAYER ADVOCATES

Contact: Sepideh Khosrowjah, DRA Policy Adviser, (415) 703-1190, skh@cpuc.ca.gov

San Jose Water Company (SJWC) Solar PV (A.09-01-009) 10/14/09

Summary of DRA's Position:

- The PD supports DRA's conclusion that SJWC's proposed program is not ready to be approved at this time. DRA's analysis demonstrates that water ratepayers will receive no net benefits from SJWC's program and will be cross-subsidizing the solar industry.

Background:

- SJWC proposes two 600 kW arrays and one 765 kW array at two well/pump stations.
- SJWC estimates \$25.6 million in installed costs for the 1.97 MW in additional capacity.
- Equates to installation cost of \$12,995 per kW – far higher than PG&E's proposed Solar PV Program (SPVP) cost of \$4,200 per kW, including land and contingency.
- Pilot project at Columbine Station installed by SJWC in 2007 (76.5 kW)
 - In 2008, actual O&M cost savings from pilot project were 44% less than expected while the energy produced by the facility was 30% less than expected.

Key Issues:

- SJWC used a NPV cost benefit analysis that ignored ratepayer impacts and focused only on capital costs to shareholders. The impact on ratepayers also needs to be considered.
- Water ratepayers in SJWC service territory are also customers of PG&E and are already paying for PV projects by funding:
 - \$1 Billion (PG&E portion) of the California Solar Initiative (CSI) solar PV incentive program.
 - \$2.5 Billion in solar PV expansions if PG&E's Solar PV program gets adopted by the Commission.
- DRA's NPV cost benefit analysis using a ratepayer perspective shows that none of the solar projects have a payback period of less than the 25 year useful lifespan.

Year	Twelfth St NPV \$(000's)	Williams Rd #1 NPV \$(000's)	Williams Rd #2 NPV \$(000's)	Columbine NPV \$(000's)
0	1,224	1,056	997	146
10	(95)	(1,764)	(400)	(203)
20	(300)	(2,884)	(639)	(380)
25	(44)	(2,926)	(384)	(396)

DRA Recommendation:

- Available performance data from pilot project demonstrates that energy generation and cost savings are overestimated in SJWC's cost benefit analysis.
- IPP or energy utility can better provide core competency for least cost best fit solution.
- DRA supports the PD's disallowance of projects as they provide no net benefits to water ratepayers and are excessively expensive compared to the existing market alternatives.**
- As stated in the PD, to pursue Commission's goals to promote solar PV installation SJWC should partner with Independent Power Producers or PG&E to minimize any impact on water rates and to optimize ratepayer funded PV projects.

DRA Ex Parte Participants:

Sepideh Khosrowjah, Policy Advisor
 Danilo Sanchez, Program Manager
 Isaiah Larsen, Utilities Engineer

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document
**“NOTICE OF EX PARTE COMMUNICATION OF THE DIVISION OF
RATEPAYER ADVOCATES”** in **A.09-01-009**.

A copy was served as follows:

BY E-MAIL: I sent a true copy via e-mail to all known parties of record who have provided e-mail addresses.

BY MAIL: I sent a true copy via first-class mail to all known parties of record.

Executed in San Francisco, California, on the **22nd** day of **October, 2009**.

/s/ HALINA MARCINKOWSKI

Halina Marcinkowski

SERVICE LIST - A.09-01-009

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