

WATER/ICRJ/FLC/KKL/RHG**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA****WATER DIVISION****RESOLUTION W-4501****October 7, 2004****R E S O L U T I O N****RES. W-4501. SAN JOSE WATER COMPANY –
RESOLUTION RECORDING STATUS OF RESERVE
ACCOUNT RECOVERY FILINGS.****By Advice Letter (AL) Nos. 345 and 346 filed on March 30,
2004.**

SUMMARY

This Resolution approves Advice Letter Numbers (AL Nos.) 345 and 346 filed by San Jose Water Company (SJWC) as required by Decision No. (D.) 03-06-072, dated June 19, 2003 in the Balancing Account OIR¹ (the Decision), subsequently modified by D.04-03-049, dated March 29, 2004. For the period November 29, 2001 through December 31, 2002, and for calendar year January 1, 2003 through December 31, 2003, the total over-collection related to purchased power, purchased water, and pump tax are less than two percent of SJWC's last authorized revenue requirement. SJWC seeks to retain the over-collections for later refunding. This Resolution provides a status report on these filings and memorializes the resulting account balances.

SJWC's filings were made pursuant to Conclusion of Law 6, D.03-06-072.

Notice of AL Nos. 345 and 346 were made by publication in the Commission's Daily Calendar of April 5, 2004. No protests have been received.

BACKGROUND

SJWC, a California corporation, operates as a water utility under the jurisdiction of this Commission. SJWC serves approximately 213,822 metered customers in

¹ OIR 01-12-009 "Order Instituting Rulemaking on the Commission's Own Motion to Evaluate Existing Practices and Policies for Processing Offset Rate increases and Balancing Accounts in the Water Industry to Decide Whether New Processes are Needed".

portions of the city of San Jose, Cupertino, Santa Clara, Los Gatos, Monte Sereno, Saratoga, and in contiguous areas in the County of Santa Clara.

As required by the Decision, each class A water utility must file on or before March 31 of the following year, for balances accrued in the calendar year, as adjusted by an earnings test.

Each balance must be adjusted by any over-earnings during the time period. Additionally, any revenues already received due to Commission approved revenue offsets must be credited to determine the amount of recovery or refund. All calculations include interest at the 90-day commercial paper rate.

In addition, Resolution W-4467 dated April 22, 2004 required all Class A water utilities to create reserve account sub-account to track post-end of year interest accumulation for each calendar year, for each reserve account.

DISCUSSION

D.03-06-072 Conclusion of Law 6 states:

“Consistent with the procedures designated in Appendix A, a utility shall seek review of under and over collections in accounts by filing an annual Advice Letter with the Commission’s Water Division. Except as designated in Appendix A, account recovery or refund will be implemented in the utility’s next general rate case decision. Upon authorization of the new general rate case rates, the previous account will be closed. Each utility’s annual Advice Letter seeking account review shall be filed by March 31 of the year following the year, which is the subject of the request. A utility’s Advice Letter seeking account review for November 29, 2001 through December 31, 2002 shall be filed no later than 90 days from the mailing date of this decision.”

The existing procedure for disposition of reserve accounts is as follows:

1. Class A water utilities must file on or before March 31 of the following calendar year the reserve account balances for each of the offsettable expense categories (purchased water, purchased power, and pump tax (groundwater extraction charge) through December 31 of the prior calendar year.

2. The total of the reserve account balances in each district must undergo a recorded earnings test.
3. Based upon the results of the earnings test, reserve account balances must be adjusted to account for revenues in excess of the utility's last authorized rate of return (ROR).
4. Utilities, at their option, may request a surcharge² once under-collections reach 2% of their last authorized revenue requirement.
5. Utilities should credit customers if over-collection is more than 2% of the last authorized revenue requirements
6. Otherwise, balancing account review and disposition of remaining balances are processed at the time of the utility's next general rate case.

The Advice Letters in this Resolution have been determined to be eligible for disposition. Water Division's (WD) analysis is as follows:

AL No. 345 shows a balancing account over-collection as of December 31, 2002 of \$111,187. This constitutes 0.09% of authorized revenue of \$126,048,000. During this period, SJWC's recorded ROR was 8.52% and was not earning in excess of its authorized ROR of 9.11%. WD has reviewed the calculations and found them to be in conformance with the Decision. SJWC should be allowed to retain \$111,187 for inclusion of the approved balance in the next annual filing or general rate case.

AL No. 346 shows a balancing account over-collection as of December 31, 2003 of \$271,577. This constitutes 0.215% of authorized revenue of \$126,048,000. During this period, SJWC's recorded ROR was 8.73% and was not earning in excess of its authorized ROR of 9.11%. WD has reviewed the calculations and found them to be in conformance with the Decision. SJWC should be allowed to retain

²Public Utilities Code § 792.5 states:

“Whenever the commission authorizes any change in rates reflecting and passing through to customers specific changes in costs, except rates set for common carriers, the commission shall require as a condition of such order that the public utility establish and maintain a reserve account reflecting the balance, whether positive or negative, between the related costs and revenues, and the commission shall take into account by appropriate adjustment or other action any positive or negative balance remaining in any such reserve account at the time of any subsequent rate adjustment.”

\$271,577 for inclusion of the approved balance in the next annual filing or general rate case.

The balancing account over-collection as of December 31, 2002 and as of December 31, 2003 combined together gives a sum of \$382,764. This amount constitutes approximately 0.3% of SJWC's currently authorized revenue and does not meet the 2% threshold.

We have reviewed the filings and recommend that a total over-collection of \$382,764 (\$111,187 and \$271,577) be carried in SJWC's balancing account until such time that the balance exceeds the 2% threshold or SJWC files for its next general rate case, whichever is earlier.

This is an uncontested matter in which the Resolution pertains solely to a water company. Accordingly, pursuant to Public Utilities Code § 311(g)(3), the 30-day period for public review and comment under § 311(g)(1) does not apply.

FINDINGS

1. SJWC filed AL Nos. 345 and 346 in compliance with Ordering Paragraph No. 2 of D.02-12-009.
2. The existing procedure for crediting customers of balancing accounts is as follows: (1) Utilities should refund customers once over-collections reach 2%; (2) Otherwise, balancing account review and refunding of remaining balances are processed at the time of the utilities next general rate case.
3. The balancing accounts shown in the filings are less than 2% of the last authorized revenue requirement. Refunding of the approved balance should be incorporated in the next general rate case.
4. Reserve account balances must be adjusted to account for revenues in excess of the utility's last authorized ROR.

THEREFORE, IT IS ORDERED THAT:

1. San Jose Water Company's request for future refunding to customers of balances related to purchased water, purchased power, and pump tax is approved because the balances in Advice Letter Number 345 of \$111,187 and in Advice Letter Number 346 of \$271,577 are less than two percent of its authorized revenue requirement.
2. San Jose Water Company is directed to keep maintaining its reserve accounts as required by Public Utilities Code § 792.5 and Resolution No. W-4467.

This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 7, 2004; the following Commissioners voting favorably thereon:

STEVE LARSON
Executive Director