

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 31, 2011

Option B Draft Resolution W-4885
Agenda ID #10801

TO: All Interested Persons

Enclosed is an Option B Draft Resolution W-4885 of the Division of Water and Audits approving a request by San Jose Water Company to amortize the balance in its Mandatory Conservation Revenue Adjustment Memorandum Account in rates. The Option B to the Draft Resolution W-4885 is being mailed for public comment pursuant to Rule 14.5 of the Commission's Rules of Practice and Procedure and will be on the Commission's December 1, 2011 agenda. The Commission may act then on this resolution or it may postpone action until later.

When the Commission acts on a draft resolution, the Commission may adopt all or part of the draft resolution, as written, or amend or modify the draft resolution; or the Commission may set the draft resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on the Option B to Draft Resolution W-4885. An original of the comments, with a certificate of service, should be submitted to:

Division of Water and Audits, Third Floor
Attention: Bruce DeBerry
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Division of Water and Audits, Third Floor
Attention: Rami Kahlon
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Interested persons must serve a written or electronic copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. Interested persons may submit comments on or before November 21, 2011.

Comments should focus on factual, legal, or technical errors or policy issues in the draft resolution.

Persons interested in receiving comments submitted to the Division of Water and Audits may write to Bruce DeBerry, email him at bmd@cpuc.ca.gov, or telephone him at (415) 703-1279.

/s/ RAMI S. KAHLON
Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Option B Draft Resolution W-4885
Certificate of Service
Service List

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4885
December 1, 2011

R E S O L U T I O N

**(RES. W-4885), SAN JOSE WATER COMPANY (SJWC). ORDER
AUTHORIZING SURCHARGES TO RECOVER \$5,740,078, OR AN
INCREASE OF 2.62% IN ANNUAL METERED REVENUE, FOR LOST
REVENUES DUE TO MANDATORY CONSERVATION.**

SUMMARY

This Resolution grants SJWC the authority to recover in rates, as requested by Supplemental Advice Letter (AL) 415-A filed on July 8, 2010, the amount of \$5,740,078 by adding a surcharge of \$0.0944 per 100 cubic feet to the Quantity Rates in each customer's bill to be recovered over twelve months. This Supplemental AL supersedes SJWC's original filing of AL-415 filed on June 3, 2010, requesting recovery in the amount of \$6,011,377 by adding a surcharge of \$0.0989 per 100 cubic feet to the Quantity Rates. The increases requested are to recover lost revenues tracked in SJWC's Mandatory Conservation Revenue Adjustment Memorandum Account (MCRAMA) resulting from reduced water consumption by customers during the period of August 3, 2009, through May 1, 2010. We grant SJWC recovery of its MCRAMA.

BACKGROUND

SJWC, a Class A water utility, provides water service to approximately 217,000 residential and industrial customers in parts of Cupertino and San Jose, and in Campbell, Los Gatos, Monte Sereno, and Saratoga -- and in contiguous territory in Santa Clara County.

On May 27, 2009, SJWC filed AL 407 requesting Commission authority to establish the MCRAMA. The purpose of the MCRAMA was to track extraordinary expenses and revenue shortfalls associated with SJWC's conservation measures implemented as a result of a Santa Clara Valley Water District (SCVWD) water shortage alert. SCVWD issued Resolution 09-25 on March 24, 2009, which requested a 15% mandatory conservation on total sales on all water retailers in Santa Clara County, including SJWC.

SJWC implemented conservation measures intended to achieve the goals set out by SCVWD consistent with the Commission's water conservation goals. SJWC requested authority to record in the MCRAMA the revenue impact due to these conservation measures and associated administrative and operating costs not otherwise recoverable through memorandum or balancing accounts, or any other mechanism recognized by the Commission. SJWC indicated it would seek recovery of amounts recorded in the MCRAMA in its next general rate case, or other regulatory proceeding as directed by the Commission. On August 3, 2009, SJWC filed Supplemental AL 407-D, which clarified the accounting procedures for the MCRAMA. Supplemental AL 407-D became effective on August 3, 2009.

SJWC's present rates became effective on January 1, 2010, as authorized by AL 409.¹ The rate-making mechanism the Commission has authorized for SJWC is a "Monterey-style" Water Revenue Adjustment Mechanism (Monterey-style WRAM), per D.08-08-030. This pricing adjustment mechanism tracks the difference between revenue SJWC receives for actual metered sales through the tiered volumetric rates and the revenue SJWC would have received through the uniform, single quantity rates if those rates had been in effect.

SJWC seeks to recover the balances booked into its MCRAMA up to May 1, 2010. In AL 407-D the utility stated that the MCRAMA would remain in effect until May 1, 2010, or until SCVWD declared over the water shortage and conservation goals, whichever happened first.

On June 3, 2010, SJWC filed Advice Letter 415 requesting amortization of its MCRAMA. SJWC requested recovery in rates the amount of \$6,011,377 by adding a surcharge of \$0.0989 per 100 cubic feet to the Quantity Rates in each customer's bill to be recovered over twelve months.

On June 23, 2010, the Division of Ratepayer Advocates (DRA) requested and received an extension of the protest period for AL 415 to resolve some issues in the filing. DRA's proposed changes included removal from recovery of the portion of SJWC's Monterey-style WRAM Balancing Account associated with the calculation of the MCRAMA as well as gross up for Local Franchise Tax and Uncollectibles. SJWC filed Supplemental AL 415-A on July 8, 2010, resolving these issues by removing the Monterey-style

¹ The utility filed AL 409 pursuant to Ordering Paragraph #5 of D.09-11-032, which authorized SJWC to file a Tier 1 AL requesting an escalation adjustment for 2011 to be calculated in conformance with the Rate Case Plan adopted in D.07-05-062 (Appendix A).

WRAM portion from the MCRAMA request and stating that it would request authorization to amortize the Monterey-style WRAM balance at a later date. In AL 415-A, SJWC amended its original request and sought to recover in rates the amount of \$5,740,078 by adding a surcharge of \$0.0944 per 100 cubic feet to the Quantity Rates in each customer's bill to be recovered over twelve months.

On November 29, 2010, the Division of Water and Audits (DWA) issued a letter rejecting without prejudice AL 415-A on grounds that the recovery would result in the modification of a Commission decision, i.e., D.08-08-030, and was therefore a matter inappropriate for an advice letter. In its rejection letter DWA noted that SJWC could seek a petition for modification of D.08-08-030. On December 7, 2010, SJWC requested Commission review of the DWA's rejection without prejudice of AL 415-A.

On April 29, 2011, a draft resolution was mailed to the utility and protestants for comments, which affirmed DWA's rejection of AL 415-A and denied SJWC the authority to recover in rates the amount recorded in its MCRAMA. SJWC filed comments with respect to this draft on June 15, 2011. In its comments, SJWC argued that SCVWD's conservation declaration was mandatory and that SJWC was not protected from any revenue shortfall resulting from SCVWD's conservation measures.

On July 13, 2011, DWA withdrew from the Commission's agenda the draft resolution mailed out on April 29, 2011. Upon further review, the DWA prepared this Resolution for the Commission's consideration and approval.

This Resolution was mailed for 30-day public review and comment on August 9, 2011. Comments were due on August 30, 2011.

On August 30, 2011, DWA issued, at the Commission's Legal Division's request, a letter extending the period for filing comments on this Resolution to September 12, 2011, to provide an opportunity for the filing of any additional comments on the matter of whether an evidentiary hearing was needed prior to the Commission adoption of this Resolution amortizing the MCRAMA. Pursuant to this letter, interested persons requesting an evidentiary hearing were required to discuss in their comments: (1) the reason(s) why an evidentiary hearing was needed; (2) the issues requiring an evidentiary hearing; (3) the material factual issues that were in dispute; and (4) what testimony the interested person would put forth at an evidentiary hearing.

On September 12, 2011, DRA filed comments requesting an evidentiary hearing. With respect to the first issue above, DRA stated that Public Utilities Code 1708.5(f) afforded parties to D.08-08-030 the right to an evidentiary hearing because the "relief requested in AL 415-A changes the revenue adjustment mechanism authorized in D.08-08-030....",

[which] was issued after the Commission held evidentiary hearings". (DRA's September 12, 2011 comments to this Resolution, at p. 4.)

DRA argued that the following issues require an evidentiary hearing: (1) "[t]he policy implications of interaction between the Monterey-style WRAM and the MCRAMA"; (2) "[w]hether the basis for establishing the Monterey-style WRAM has changed since it was authorized in D.08-08-030, for example by the conditions that prompted the request for the MCRAMA"; and (3) "[t]he role of D.90-08-055 and D.91-10-042 (which did not authorize the MCRAMA in question) in justifying the relief requested in AL 415-A or in serving as a basis for compliance with Commission orders". (*Id.*, at p. 4.)

DRA pointed out the following material factual issues in dispute: (a) "[t]he statement [in this Resolution] that SJWC implemented additional water conservation measures as a result of SCVWD's water shortage alert and the implication that the revenues tracked in the MCRAMA are due to those measures"; (b) "SJWC's claim in its request for review of [the previous Resolution] that the MCRAMA is different from other companies' WRAM/MCBAs because it only tracks quantity revenues in the residential sector"; and (b) "SJWC's reference in its comments on [the previous Resolution] to 'water waste prohibitions and tiered rates'." (*Id.*, at p. 8.)

DRA stated that at an evidentiary hearing it would put forth the following: (1) testimony analyzing "the relationship between the Monterey-style WRAM and the MCRAMA and consider whether having both mechanisms creates unduly favorable outcomes for ratepayers or shareholders"; and (2) testimony analyzing "consumption data before and after the MCRAMA was implemented, as well as conservation activities implemented by SJWC". (*Id.*, at p. 10.)

On September 14, 2011, SJWC filed a reply to DRA's comments. In its reply, SJWC stated that there is no procedural mechanism available for evidentiary hearings on an advice letter or a draft resolution and that for evidentiary hearings to be set, the matter would have to be formally docketed as a new application or a petition for modification of D.08-08-030. SJWC also stated that allowing for evidentiary hearings here would cause "bureaucratic delay and expense" and be "unjustified, unnecessary, contrary to public policy, and contrary to the Commission's own policies favoring regulatory streamlining as set forth in the Water Action Plan". (See page 2 of SJWC's September 14, 2011 reply to DRA's September 12, 2011 comments to this Resolution.)

NOTICE AND PROTESTS

SJWC gave public notice of its rate increase request via newspaper notice and customer bill inserts. [See General Order 96-B (GO 96-B), Industry Rule 3.1 and General Rule 4.2.]

The public notice in the San Jose Mercury News ran on Saturday June 5, 2010. The bill inserts were provided from June 17, 2010, to August 16, 2010, as residential customers are on bi-monthly billing. The publication and bill inserts indicate the proposed increases to the applicable rate schedules.

SJWC served copies of AL 415 and AL 415-A in accordance with GO 96-B, Industry Rule 4.1 and General Rules 4.3 and 7.2. Service was provided to SJWC's Service List. In addition to DRA's protest, three other protests were filed.

Two protests stated that although the customers continued to conserve water their bills were higher during the effective period of the MCRAMA as compared to the period before the MCRAMA was implemented. SJWC can not earn more than its authorized revenues approved by the Commission. As such, customers are not penalized for conserving water and only pay up to the authorized level granted by the Commission. Another customer questioned excessive salaries and expenses for SJWC. SJWC's salaries and expenses are routinely audited by the DWA during general rate cases so that SJWC does not burden its customers with inflated figures for expenses.

DISCUSSION

SJWC seeks to recover the balances in the MCRAMA in the amount of \$5,740,078 for reduced water consumption by customers that resulted from SJWC's implementation of mandatory water measures during the period of August 3, 2009, through May 1, 2010. We authorize this recovery for the reasons, and under the conditions, discussed below.

A. Recovery of conservation related revenue losses

The Commission in D.90-08-055 and D.91-10-042 established the method for computing revenue losses resulting from mandatory and voluntary conservation programs.² D.91-10-042, Ordering Paragraph 3, also authorized recovery of revenue losses resulting from implementation of these types of water conservation measures contingent upon the following:

1. Approval of the utility's water management program;
2. Reduction of the memorandum account balance pursuant to the risk reduction adjustment set-forth in D.91-10-042; and

² The Commission's Order Instituting Investigation (I.) 89-03-005, *Measures to Mitigate the Effect of Drought on Regulated Water Utilities, Their Customers, and the General Public*.

3. Offset of the memorandum account balance, where applicable, by water rationing.

SJWC is required, per Section 10620 of the Water Code, to prepare an Urban Water Management Plan (UWMP) every five years and to submit this plan to the California Department of Water Resources. Class A and B water utilities also submit their UWMPs as part of their General Rate Cases (GRCs). SJWC submitted to the Commission its 2005 UWMP for its service area as part of its 2006 GRC adopted through D.06-11-015 and is currently preparing an updated plan for 2010. The DWA reviewed SJWC's UWMP and determined that it meets the water management plan requirements established by D.90-08-055, which include: 1) clear and specific goals for reducing water usage; 2) multiple approaches for conserving water; 3) long-term water conservation programs (including incentive-based programs); 4) cost-effectiveness of the programs; and 5) method for measuring the effectiveness of the programs.

SJWC applied the reduction of the memorandum account balance pursuant to the risk reduction adjustment of 20 basis points on equity in compliance with D.91-10-042. SJWC computed the revenue shortfall through its MCRAMA as follows:

1. SJWC first recognized the most recently adopted water sales revenue (per D.06-11-015 and D.09-11-032) adjusted for all subsequent rate increases;
2. SJWC then recorded the actual water sale revenue collected adjusted for existing Revenue Adjustment Mechanism;
3. SJWC also recognized the most recently adopted variable expenses for purchased water, pump tax, and power;
4. SJWC then recorded the actual variable expenses;
5. The total net MCRAMA balance was then calculated to be (Step 1 minus Step 2) plus (Step 3 minus Step 4); and
6. SJWC then computed the 20 basis point reduction on equity required by D.91-10-042.

The DWA reviewed SJWC's calculations and confirmed that it complied with the risk reduction adjustment adopted in D.90-08-055 and D.91-10-042.

The DWA therefore finds SJWC in compliance with the requirements set forth in D.90-08-055 and D.91-10-042 and recommends approval of SJWC's AL 415-A. We concur with the DWA's recommendation.

The memorandum account surcharge will result in an increase of 2.62% in annual metered revenue, while the bill for the average customer using 15 Ccf per month will increase by \$1.42 per month, or approximately 2.62%. SJWC is currently earning below its authorized Rate of Return.

B. Noticing of this Resolution on the parties to D.08-08-030

As stated above, the rate-making treatment the Commission has authorized for SJWC, in SJWC's most recent conservation case which is D.08-08-030, is a Monterey-style WRAM. Recovery under this rate-making treatment adjusts for the difference between uniform rates and the tiered rates the Commission adopted for SJWC in D.08-08-030.³ However, recovery of the balances in the MCRAMA under the request in AL 415-A would supplement, for the period August 3, 2009 through May 1, 2010, the recovery authorized under SJWC's Monterey-style WRAM and essentially provide to SJWC the recovery the utility would have achieved if the Commission had authorized a full decoupling Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA) rate-making mechanism for SJWC during this period in its most recent conservation case.⁴

While the amortization of the MCRAMA here would be consistent with the requirements set forth in D.90-08-055 and D.91-10-042 for computing revenue losses resulting from mandatory and voluntary conservation programs, it would also effectively change the rate-making mechanism authorized in D.08-08-030. Ordinarily, the mechanism for seeking a change to a previous Commission decision is through a petition for a modification, as provided for by GO 96-B, General Rule 5.2, and this is the course the DWA had recommended in the first draft resolution with respect to this AL that was circulated on April 29, 2011.⁵

³ D.08-08-030 implemented two-tiered increasing block rates for residential customers and the Monterey-style WRAM that will track the difference between revenue SJWC receives for actual metered sales through the tiered volumetric rate and the revenue SJWC would have received through the uniform, single quantity rates if they had been in effect.

⁴Both the MCRAMA and the balancing accounts under the full WRAM/MCBA account for lost revenues in a similar manner. Both mechanisms take the net difference between adopted water sales revenue and actual water sales revenue and compare this difference to the difference between adopted variable expenses and actual recorded variable expenses to derive a net balance. In addition, this net balance in the recovery authorized here is reduced for SJWC by the equivalent of a 20 basis point reduction on its return on equity, as discussed above.

⁵ GO 96-B, General Rule 5.2, states that a utility must file a petition for modification if the utility requests modification of a decision issued in a formal proceeding or otherwise seeks relief that the Commission can grant only after holding an evidentiary hearing, or by decision rendered in a formal proceeding.

Under our rules in GO 96-B, we may waive the application of GO 96-B rules as we determine is appropriate considering the circumstances in specific situations. GO 96-B, Rule 1.3, provides that “the Commission in a specific instance may authorize an exception to the operation of [GO 96-B] as appropriate.” In this instance, we find that it is appropriate for SJWC to seek recovery of the balances in the MCRAMA and to waive the requirement for seeking a petition for modification of D.08-08-030 because: (1) we have previously granted authority in D.90-08-055 and D.91-10-042 to establish the method for computing revenue losses resulting from mandatory and voluntary conservation programs requested by SJWC here; and (2) the objection in DRA’s protest to AL 415 has been addressed in the supplement AL 415-A that is before us. Therefore, for the reasons discussed above, we waive the requirement that SJWC seek to have the recovery issue raised here addressed through a petition for modification of D.08-08-030, and grant the recovery requested in AL 415-A.

However, because the recovery authorized here will result in a modification to a previous Commission decision, i.e., D.08-08-030, the parties to D.08-08-030 must be provided notice and an opportunity to be heard on this issue as is required by Public Utilities Code Section 1708.⁶ Accordingly, notice of this Resolution is being provided to the parties to D.08-08-030, as provided for in the Comments discussion below.

COMMENTS

Public Utilities Code Section 311(g) (1) generally requires that resolutions must be served on all parties and be subject to at least 30 days public review and comment prior to a vote of the Commission. On August 9, 2011, this Resolution was mailed for 30-day public review and comment (and this comment period was extended as discussed above) to the utility and protestants, and to the parties on the service list for D.08-08-030. Comments were received by DRA on September 12, 2011 arguing for this need for hearings. SJWC filed a reply on September 14, 2011 stating that allowing for evidentiary hearings here would cause bureaucratic delay and expense and is unjustified, unnecessary, contrary to public policy, and contrary to the Commission’s own policies favoring regulatory streamlining as set forth in the Water Action Plan.

⁶ Public Utilities Code section 1708 states: “The commission may at any time, upon notice to the parties, and with the opportunity to be heard as provided in the case of complaints, rescind, alter, or amend any order or decision made by it. Any order rescinding, altering, or amending a prior order or decision shall, when served upon the parties, have the same effect as an original order or decision.”

Based on our review of these comments, we have determined that we are in possession of sufficient information at this time to approve SJWC's request in AL 415-A without the need for hearings.

FINDINGS AND CONCLUSIONS

1. On June 3, 2010, San Jose Water Company filed Advice Letter 415 to request amortization of its Mandatory Conservation Revenue Adjustment Memorandum Account. San Jose Water Company requested to recover in rates the amount of \$6,011,377 by adding a surcharge of \$0.0989 per 100 cubic feet to the Quantity Rates in each customer's bill to be recovered over twelve months.
2. On June 23, 2010, the Division of Ratepayer Advocates requested and received an extension of the protest period for Advice Letter 415 to resolve some of its proposed changes to the filing. The proposed changes included removal of the recovery of the portion of San Jose Water Company's "Monterey Style" Water Revenue Adjustment Mechanism (Monterey-style WRAM) Balancing Account associated with the calculation of the Mandatory Conservation Revenue Adjustment Memorandum Account as well as gross up for Local Franchise Tax and Uncollectibles.
3. San Jose Water Company filed supplemental Advice Letter 415-A on July 8, 2010, resolving these issues and stating that it would request authorization to amortize the Monterey-style WRAM balance at a later date. In Advice Letter 415-A, San Jose Water Company amended its original request and sought to recover in rates the amount of \$5,740,078 by adding a surcharge of \$0.0944 per 100 cubic feet to the Quantity Rates in each customer's bill to be recovered over twelve months.
4. On November 29, 2010, the Division of Water and Audits issued a letter rejecting without prejudice Advice Letter 415-A on grounds that the recovery was a matter inappropriate for an advice letter and that San Jose Water Company should file a petition for modification of Decision 08-08-030.
5. San Jose Water Company filed a timely request for Commission review of the Division of Water and Audits' disposition of Advice Letter 415-A on December 7, 2010.
6. The Santa Clara Valley Water District (District) is responsible for managing the overall water supply in Santa Clara County. The District must rely on the actions of the water retailers, cities, and the county to enact and implement local ordinances and conservation measures.

7. Santa Clara Valley Water District issued its initial request for a 15 percent mandatory water conservation of all water retailers in Santa Clara County in Resolution 09-25 issued March 24, 2009.
8. San Jose Water Company is a water retailer in Santa Clara County.
9. The rate-making mechanism that the Commission has authorized for San Jose Water Company is a "Monterey-style" Water Revenue Adjustment Mechanism; the Commission authorized this rate-making treatment in D.08-08-030.
10. The Commission Decisions 90-08-055 and 91-10-042 established the method for computing revenue losses resulting from mandatory and voluntary conservation programs.
11. Commission Decision 91-10-042, Ordering Paragraph 3, authorized recovery of revenue losses resulting from implementation of these types of water conservation measures contingent upon the following:
 - a. Approval of the utility's water management program;
 - b. Reduction of the memorandum account balance pursuant to the risk reduction adjustment set-forth in Decision 91-10-042; and
 - c. Offset of the memorandum account balance, where applicable, by water rationing.
12. Division of Water and Audits finds that San Jose Water Company's 2005 Urban Water Management Plan meets the water management program requirement established by Decision 91-10-042, Ordering Paragraph 3.
13. Division of Water and Audits reviewed San Jose Water Company's revenue losses calculations and finds that they are in compliance with the risk reduction adjustment adopted in Decisions 90-08-055 and 91-10-042, including the second contingency established by Ordering Paragraph 3.
14. The Division of Water and Audits recommends approval of San Jose Water Company's Advice Letter 415-A.
15. Recovery of the balance in the Mandatory Conservation Revenue Adjustment Memorandum Account would supplement, for the period August 3, 2009 through May 1, 2010, the recovery authorized under San Jose Water Company's Monterey-style WRAM and essentially provide to SJWC the recovery the utility would have achieved if the Commission had authorized a full decoupling Water Revenue

Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA) rate-making mechanism for SJWC during this period in its most recent conservation rate case.

16. While the amortization of the Mandatory Conservation Revenue Adjustment Memorandum Account here would be consistent with the requirements set forth in D.90-08-055 and D.91-10-042 for computing revenue losses resulting from mandatory and voluntary conservation programs, it would also effectively change the rate-making mechanism authorized in D.08-08-030.
17. Ordinarily, the mechanism for seeking a change to a previous Commission decision is through a petition for modification, as provided for by General Order 96-B, General Rule 5.2, and this is the course the Division of Water and Audits had recommended in the first draft resolution with respect to this Advice Letter that was circulated on April 29, 2011.
18. In this instance, we find that it is appropriate for San Jose Water Company to seek recovery of the balances in the Mandatory Conservation Revenue Adjustment Memorandum Account and to waive the requirement for seeking a petition for modification of D.08-08-030 because:
 - a. We have previously granted authority in D.90-08-055 and D.91-10-042 to establish the method for computing revenue losses resulting from mandatory and voluntary conservation programs requested by SJWC here; and
 - b. The objection in the Division of Ratepayer Advocate's protest to Advice Letter 415 has been addressed in the supplement Advice Letter 415-A that is before us.
19. This resolution was circulated for public comment pursuant to Public Utilities Code Section 311(g) (1).
20. On September 12, 2011, the Division of Ratepayer Advocates filed comments contending for an evidentiary hearing.
21. San Jose Water Company filed a response on September 14, 2011 stating that allowing for evidentiary hearings here would cause bureaucratic delay and expense and is unjustified, unnecessary, contrary to public policy, and contrary to the Commission's own policies favoring regulatory streamlining as set forth in the Water Action Plan.

22. We find that we are in possession of sufficient information at this time to approve SJWC's request in AL 415-A without the need for hearings.
23. The surcharge of \$0.0944 per 100 cubic feet added to the quantity rates over twelve months herein would allow San Jose Water Company to recover in rates the \$5,740,078 in lost revenues.
24. San Jose Water Company is permitted to transfer \$5,740,078 from its Mandatory Conservation Revenue Adjustment Memorandum Account to a balancing account for recovery.
25. Consistent with Public Utilities Code Section 792.5, San Jose Water Company shall track revenues collected under the surcharges authorized in this resolution in a balancing account and account for any over or under collection in its next General Rate Case.
26. It is consistent with Standard Practice U-27-W for San Jose Water Company to assess a 12-month surcharge for recovery.
27. The following tariff schedules should be approved in a Tier 1 Advice Letter filing as attached to this Resolution: 1) Schedule No. 1, General Metered Service; 2) Schedule No. 1B, General Metered Service with Automatic Fire Sprinkler System; and 3) Schedule No. 1C, General Metered Service for Mountain District.

THEREFORE IT IS ORDERED THAT:

1. San Jose Water Company is permitted to transfer \$5,740,078 from its Mandatory Conservation Revenue Adjustment Memorandum Account to a balancing account for recovery. San Jose Water Company is authorized to earn interest on the balance in this balancing account at the 90-day commercial paper rate.
2. San Jose Water Company is authorized to implement a surcharge of \$0.0944 per 100 cubic feet added to the quantity rates over twelve months to recover in rates the \$5,740,078 in lost revenues.
3. San Jose Water Company is authorized to file a Tier 1 Advice Letter to make effective the following tariff schedules as attached to this Resolution five days after approval of this Resolution:
 - a. Schedule No. 1, General Metered Service;

- b. Schedule No. 1B, General Metered Service with Automatic Fire Sprinkler System; and
 - c. Schedule No. 1C, General Metered Service for Mountain District.
4. San Jose Water Company is authorized to cancel the corresponding tariffs for the presently effective rate schedules listed in Ordering Paragraph 3 above.
5. 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 December 1, 2011; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

Schedule No. 1

GENERAL METERED SERVICE
(Continued)

6. To amortize the over-collection in the balancing Account, a surcredit of \$0.278 per 100 cu. ft. is to be calculated based on the Quantity Rate shown for a 12-month period beginning with the effective date of this tariff.
7. To amortize to balance in the Water Quality Expense Memorandum Account, a one-time surcharge of \$0.41 per customer is to be added to the water bill beginning with the effective date of this tariff.
8. To amortize SJWC's customers share of the gain on sale of the Main Office approved by the CPUC in D.08-10-018, a surcredit of \$0.0250 per 100 cu. ft. is to be calculated on the Quantity Rate charged for a 12-month period beginning with the effective date of this tariff.
9. To amortize the under-collection in the Mandatory Conservation Revenue Adjustment Memorandum Account, a surcharge of \$0.0944 per 100 cu. ft. is to be added to the Quantity Rate shown for a 12-month period beginning with the effective date authorized in Resolution W-4885. (N)
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(N)

Schedule No. 1B

GENERAL METERED SERVICE WITH
 AUTOMATIC FIRE SPRINKLER SYSTEM
 (Continued)

6. To fund the repayment of a Safe Drinking Water State Revolving Fund loan, pursuant to D.05-01-048 dated January 27, 2005, a monthly surcharge will be added to the bill as follows:

Surcharge	Year 1-10 Per Meter	Year 11-20 Per Month
For 5/8 x 3/4-inch meter	\$0.02	\$0.02
For 3/4-inch meter.....	0.02	0.02
For 1-inch meter.....	0.04	0.02
For 1-1/2-inch meter.....	0.08	0.06
For 2-inch meter.....	0.13	0.09
For 3-inch meter.....	0.23	0.18
For 4-inch meter.....	0.38	0.32
For 6-inch meter.....	0.74	0.67
For 8-inch meter.....	1.19	1.08
For 10-inch meter.....	1.71	1.55

7. To amortize the over-collection in the Balancing Account, a surcredit of \$0.0278 per 100 cu. ft. is to be calculated based on the Quantity Rate shown for a 12-month period beginning with the effective date of this tariff.
8. To amortize the balance in the Water Quality Expense Memorandum Account, a one-time surcharge of \$0.41 per customer is to be added to the water bill beginning with the effective date of this tariff.
9. To amortize SJWC's customers share of the gain on sale of the Main Office approved by the CPUC in D.08-01-018, a surcredit of \$0.0250 per 100 cu. ft. is to be calculated on the Quantity rate charged for a 12-month period beginning with the effective date of this tariff.
10. To amortize the under-collection in the Mandatory Conservation Revenue Adjustment Memorandum Account, a surcharge of \$0.0944 per 100 cu. ft. is to be added to the Quantity Rate shown for a 12-month period beginning with the effective date authorized in Resolution W-4885. (N) | (N)

Schedule No. 1C

GENERAL METERED SERVICE

Mountain District
(Continued)

12. To amortize the under-collection in the Mandatory Conservation Revenue Adjustment Memorandum Account, a surcharge of \$0.0944 per 100 cu. ft is to be added to the Quantity Rate shown for a 12-month period beginning with the effective date authorized in Resolution W-4885. (N)
|
|
(N)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Option B Draft Resolution W-4885 on all parties in this filing or their attorneys as shown on the attached list.

Dated October 31, 2011, at San Francisco, California.

/s/JOSIE L. JONES

Josie L. Jones

NOTICE

Parties should notify the Division of Water and Audits, Third Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

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