

Decision 10-12-043 December 16, 2010

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

In the Matter of the Application of San Jose Water Company (U168W) for an Order Authorizing an increase in Annual Revenue Requirement of \$80,041 or 0.03% and a Proportionate Increase in Rates to Support an Increased Budget for Meter Replacement Sufficient to Comply with General Order 103-A.

Application 10-04-005  
(Filed April 2, 2010)

**DECISION APPROVING SAN JOSE WATER COMPANY  
AND DIVISION OF RATEPAYER ADVOCATES' SETTLEMENT**

**1. Summary**

This decision approves the proposed Settlement and accompanying tariffs submitted by the two parties in this proceeding, applicant San Jose Water Company and the Commission's Division of Ratepayer Advocates.

This proceeding is closed.

**2. Procedural Background**

On November 23, 2009, the Commission issued Decision (D.) 09-11-032, authorizing San Jose Water Company (SJWC) \$464,000 each year for three years to replace meters. Ordering paragraph 11 of this decision required SJWC to file a new application if it believes it may have violated General Order 103-A (G.O. 103-A) during 2007 or 2008 or that it may violate General Order 103-A during any year of this general rate cycle regarding meter replacements.

On April 2, 2010, SJWC applied to the Commission in this application for an order authorizing an increase in annual revenue requirement by \$80,041 or

0.03% and a proportionate increase in rates, in order to support an increased budget for meter replacement sufficient to comply with the requirements of G.O. 103-A. SJWC contends that the meter replacement budgets that the Commission authorized in D.09-11-032 are below the budget level necessary to comply with the small meter replacement requirements established in G.O. 103-A. In its application, SJWC requested capital budgets of \$870,000 for 2010 and \$875,000 for 2011; it proposed funding this through a slight increase in monthly service charges for all customers.

The Division of Ratepayer Advocates (DRA) timely filed a protest of SJWC's application on May 12, 2010, asserting that SJWC had not adequately documented or justified its proposed budget, nor how its proposed budget met the requirements of G.O. 103-A or that the proposed rate increase complied with D.09-11-032. In its reply to DRA's protest, SJWC suggested that a discussion might resolve DRA's concerns and a settlement might be reached.

A prehearing conference (PHC) was held on July 15, 2010. At the PHC, the parties requested to meet and try to reach an agreement on the issues in dispute and submit a joint filing that would offer resolution to the Application. The parties filed a Motion for Adoption of Settlement (Settlement) on August 25, 2010, and an evidentiary hearing was held on September 14, 2010. At the request of the assigned Administrative Law Judge (ALJ), SJWC submitted proposed tariff pages to implement the Settlement on September 17, 2010.

### **3. Discussion**

G.O. 103-A requires that no water meter shall be allowed to remain in service without retesting for more than 20 years in the case of meters smaller than 1 inch, for more than 15 years for 1 inch meters, and more than 10 years for meters larger than 1 inch. SJWC's application to increase its revenue

requirement states that it is more cost-effective to replace meters 1 inch or smaller, rather than testing and repairing them.

DRA's protest raises several issues concerning SJWC's application and potential compliance with G.O. 103-A. DRA asserts that SJWC did not explain why replacing the meters in question would be more economical than testing them, since G.O. 103-A does not require replacement of any meter. Additionally, DRA notes that SJWC did not offer any explanation as to the amount of additional small meters to be installed in 2010, or the amount of large meters to be replaced each year. Lastly, DRA raises the issue that SJWC has not answered how its proposed budget conforms to the requirements of G.O. 103-A.

After discussions, DRA agreed that replacing three-quarter inch and one inch meters is more cost-effective than testing the same size meters, pursuant to SJWC's application. SJWC and DRA then reached a proposed Settlement, attached to this decision, together with implementing tariff pages, as Appendix A.

The proposed Settlement does not provide any additional moneys for new meters, whereas the original application included a provision for new growth. The settlement only provides money for the meters that are required to be replaced or retested under G.O. 103-A.

Additionally, the parties agree to lower the number of three-quarter and one inch meters to be replaced based on the number of meters replaced in 2009. Meters larger than one inch are re-tested pursuant to G.O. 103-A. SJWC's estimate for meter replacement of 1.5 to 2 inch meters is reduced by half in the settlement.

The terms of the proposed Settlement provide for a levelized capital budget of \$752,300 per year for 2010 and 2011, calculated as set forth in

Section 2.1 of the Settlement. Since \$464,000 of the stipulated capital budget of \$752,300 is already reflected in current rates, only the incremental capital investment of \$288,300 needs to be provided for through an increase in rates. The increased revenue requirement necessary to provide for \$288,300 in additional capital investment is \$56,500, and this increase in SJWC's currently authorized revenue requirement is to be implemented by a proportional increase in monthly service charges. Both parties also agree that SJWC is in compliance with G.O.103-A for 2007, 2008, 2009, and under the terms of the Settlement will be compliant for 2010 and 2011.<sup>1</sup>

Based on the discussion above, we find that the proposed Settlement, together with the accompanying tariff schedules, fully addresses the Commission's directive in D.09-11-032 and is compliant with G.O. 103-A. Pursuant to the requirements of Rule 12.1(d) of the Commission's *Rules of Practice and Procedure* (Rule 12.1(d)), we also find that the proposed Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

Therefore, we should adopt the proposed Settlement and the accompanying tariff schedules.

#### **4. Comments on Proposed Decision**

The proposed decision of the assigned ALJ was mailed to the parties in accordance with Public Utilities Code Section 311(d). This proposed decision grants the relief requested by all parties in the proposed Settlement and,

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<sup>1</sup> See September 14, 2010 hearing transcript at pages 27 and 28.

therefore, pursuant to Rule 14.6(c)(2), the period for public review and comment on the proposed decision is waived.<sup>2</sup>

## **5. Assignment of Proceeding**

John A. Bohn is the assigned Commissioner and Christine M. Walwyn is the assigned Administrative Law Judge in this proceeding.

## **Findings of Fact**

1. D.09-11-032 authorized SJWC \$464,000 per year for three years to replace meters.
2. SJWC's meter replacement budget authorized in D.09-11-032 was below the budget necessary to comply with G.O. 103-A for 2010 and 2011.
3. DRA finds that SJWC's estimates on replacement costs versus retesting costs for meters smaller than one inch are reasonable.
4. SJWC and DRA both agree on the terms of the August 25, 2010 proposed Settlement and the proposed tariffs submitted on September 17, 2010.
5. The proposed Settlement addresses the Commission's directive to SJWC in D.09-11-032 regarding meter replacements.
6. The parties agree that SJWC is compliant with G.O. 103-A for 2007, 2008, and 2009 and under the terms of the proposed Settlement will be compliant with G.O.103-A for 2010 and 2011.
7. The proposed Settlement is reasonable in light of the whole record and is in the public interest.

## **Conclusions of Law**

1. The proposed Settlement is compliant with D.09-11-032 and G.O. 103-A.

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<sup>2</sup> In addition, on November 23, 2010 the parties electronically requested to waive public comment pursuant to Rule 14.6(b).

2. The proposed Settlement is consistent with the law and meets the provisions of Rule 12.1(d) of the Commission's *Rules of Practice and Procedure*.

3. The proposed Settlement and accompanying tariff schedules should be adopted.

4. Public review and comment on the proposed decision should be waived pursuant to Rule 14.6(c)(2).

## **O R D E R**

### **IT IS ORDERED** that:

1. The Settlement Agreement and tariff pages for Schedules 1, 1B, 1C, and RW, attached to this decision at Appendix A, are adopted.

2. San Jose Water Company shall increase its budget for meter testing and replacements to \$752, 300 for each of 2010 and 2011.

3. An increase of \$56,500 in San Jose Water Company's revenue requirement for each of 2010 and 2011 is authorized to reflect the additional capital budget for meter testing and replacements.

4. San Jose Water Company shall file a Tier 1 Advice Letter within 10 days of the effective date of this decision, submitting the tariff pages attached to this decision at Appendix A. The tariff pages shall become effective upon filing, subject to verification by Division of Water and Audits staff.

5. Application 10-04-005 is closed.

This order is effective today.

Dated December 16, 2010, at San Francisco, California.

MICHAEL R. PEEVEY

President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners

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