

WATER/RSK/JB5/SRW/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS  
Water and Sewer Advisory Branch

RESOLUTION NO. W-4706  
October 2, 2008

R E S O L U T I O N

(RES. W-4706), SAN JOSE WATER COMPANY (SJWC).  
ORDER AUTHORIZING A RATE BASE OFFSET INCREASE  
IN RATES PRODUCING ADDITIONAL GROSS ANNUAL  
REVENUES OF \$469,619 OR 0.25%.

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SUMMARY

By Advice Letter (AL) 394 filed on August 4, 2008, SJWC requests a revenue increase of \$469,619, or 0.25%, to provide a return on the addition to its rate base of \$2,379,500 for the capital project of two replacement wells.

This resolution grants SJWC's request. This increase will not result in a rate of return greater than that last authorized for SJWC in Decision (D.) 06-11-015.

BACKGROUND

SJWC 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.

D.06-11-015 authorized SJWC to file advice letters to recover in rates for the costs for certain capital projects that were determined to be prudent, necessary, and in the public interest.

SJWC filed AL 394 to request approval of a rate base increase for the completed plant addition included in the Joint Settlement of the Division of Ratepayers Advocates and SJWC approved in D.06-11-015. AL 394 is the second advice letter filed this calendar year for a rate base offset increase. D.06-11-015 authorizes SJWC to file up to two such advice letters in a calendar year.

**DISCUSSION**

*The Project*

The Division of Water and Audits (DWA) reviewed the project proposed for inclusion into rate base. DWA confirmed that: (1) this project is included in the list of authorized projects in D.06-11-015; (2) the project's requested cost recovery did not exceed the amount authorized; and (3) this project had been completed and is currently used and useful. In addition, DWA reviewed invoices supporting expenditures for this project.

The construction of the two wells at SJWC's Will Wool Station replaces two wells that had deteriorated as identified in SJWC's 2005 Well and Groundwater Study. The new wells have nearly the same capacity and are drawing water from the same aquifer as the wells being replaced. The wells supplement surface and import water supplies of potable water to nearly one million residents. SJWC completed construction and placed the wells in service on April 9, 2008. The two replacement wells have a total cost of \$2,951,875. This is greater than the original projected cost of \$2,379,500 that was authorized by D.06-11-015. SJWC requests that the authorized amount of \$2,379,500 be allowed in rate base and DWA concurs.

*Revenue Requirement*

To determine the necessary revenue requirement to recover the addition of \$2,379,500 to rate base, DWA used Commission approved figures in D.06-11-015 for rate base, rate of return, net-to-gross multiplier, depreciation rate, and ad valorem taxes.

Using the authorized Rate of Return of 8.88%, a depreciation rate of 3.65%, an ad valorem tax rate of 1.03% and a Net-to-Gross Multiplier of 1.6955, DWA calculates an additional revenue requirement of \$469,619, or 0.25%. The following table shows the revenue calculation:

| Rate Base   | ROR   | Net/Gross | Depreciation | Ad Valorem | Required  |
|-------------|-------|-----------|--------------|------------|-----------|
| Increase    |       |           | Rate         | Rate       | Revenue   |
| \$2,379,500 | 8.88% | 1.6955    |              |            | \$358,258 |
| \$2,379,500 |       |           | 3.65%        |            | \$86,852  |
| \$2,379,500 |       |           |              | 1.03%      | \$24,509  |
| Total:      |       |           |              |            | \$469,619 |

The total revenue requirement of \$469,619 matches SJWC's request.

For an average customer who uses 1,500 cubic feet (15 Ccf) of water per month with a ¾-inch meter, this additional revenue requirement will result in a monthly bill increase

from \$47.55 to \$47.68 or 0.27%. Appendix B shows the rate comparisons for the rate increase between AL 389 (pending when SJWC filed AL 394) and AL 394.

### **NOTICE AND PROTESTS**

Public notice is not required because notice was completed by SJWC at the time of its general rate case proceeding Application 06-02-014. In compliance with General Rule 4.3 of General Order 96-B, a copy of this advice letter was mailed to all interested and affected parties as detailed in AL 394 for SJWC. The DWA received no protests against the rate base adjustment or the projected rate increase related to the rate base adjustment.

### **COMPLIANCE**

SJWC has no outstanding compliance orders. There are no Commission orders requiring system improvements. The utility has been filing annual reports as required.

### **COMMENTS**

This is an uncontested matter in which the decision grants the relief requested. This proceeding is subject to the public review and notice comment exclusion pursuant to Public Utilities Code 311(g) (3).

### **FINDINGS**

1. The requested increase in rate base of \$2,379,500 and the resulting annual revenue requirement increase of \$469,619 or 0.25% are reasonable and should be adopted.
2. The Commission finds that, after investigation by the Division of Water and Audits, the rate base and revenue requirement increases and the resulting rate increase hereby authorized are just and reasonable.
3. This is an uncontested matter subject to the public notice comment exclusion provided in Public Utilities Code 311(g) (3).

### **THEREFORE IT IS ORDERED THAT:**

1. San Jose Water Company is authorized to make effective the increased rates in rate schedules Nos.: 1, General Metered Service; 1BA, General Metered Service with Automatic Fire Sprinkler System, and RW, Raw Water Service, which are shown in Appendix A of this Resolution.
2. Expenditures for the completed project totaling \$2,379,500 are allowed into the rate base of San Jose Water Company.

3. The revenue requirement of San Jose Water Company is allowed to increase annually by \$469,619 or 0.25% to provide a return for the increase in rate base.
4. 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 on October 2, 2008; with the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners

**APPENDIX A**  
**Sheet 1**

**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, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

**RATES**

Quantity Rate:

Per 100 cu. ft . . . . . \$ 2.2318 (I)

Service Charges:

Per Meter Per Month

|                                    |          |     |
|------------------------------------|----------|-----|
| For 5/8 x 3/4-inch meter . . . . . | \$ 14.20 | (I) |
| For 3/4-inch meter . . . . .       | 14.20    |     |
| For 1-inch meter . . . . .         | 23.66    |     |
| For 1-1/2-inch meter . . . . .     | 47.34    |     |
| For 2-inch meter . . . . .         | 75.73    |     |
| For 3-inch meter . . . . .         | 141.99   |     |
| For 4-inch meter . . . . .         | 236.65   |     |
| For 6-inch meter . . . . .         | 473.31   |     |
| For 8-inch meter . . . . .         | 757.30   |     |
| For 10-inch meter . . . . .        | 1088.61  | (I) |

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

(Continued)

**APPENDIX A**  
**Sheet 2**

**Schedule No. 1B**

**GENERAL METERED SERVICE WITH  
AUTOMATIC FIRE SPRINKLER SYSTEM**

**APPLICABILITY**

Applicable to all detached single family structures whose automatic 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, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

**RATES**

Quantity Rate:  
Per 100 cu. ft. . . . . \$ 2.2318 (I)

| Service Charges:                   | <u>Per Meter Per Month</u> |
|------------------------------------|----------------------------|
| For 5/8 x 3/4-inch meter . . . . . | \$ 14.20 (I)               |
| For 3/4-inch meter . . . . .       | 14.20                      |
| For 1-inch meter . . . . .         | 23.66                      |
| For 1-1/2-inch meter . . . . .     | 47.34                      |
| For 2-inch meter . . . . .         | 75.73 (I)                  |

Upsize Charges:  
For 1/4-inch meter upsize . . . . . \$ 1.39  
or 1/2-inch meter upsize . . . . . 2.77  
For 3/4-inch meter upsize . . . . . 4.16  
For 1-inch meter upsize . . . . . 5.55

**SPECIAL CONDITIONS**

1. Any service to a residential customer who requires a larger meter because of fire flow requirement to a fire sprinkler system will be billed (i) a meter service charge, for the appropriate meter size determined based on the normal water use of the customer excluding the fire flow requirement; and (ii) an upsize charge, determined by the difference between the actual meter size required including the fire flow requirement and the appropriate meter size required without the fire flow requirement; and (iii) the quantity rate based on the quantity of water used.

(continued)

**APPENDIX A**  
**Sheet 3**

**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, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

**RATES**

Quantity Rate:  
Per 100 cu. ft. . . . . \$2.0252 (I)

| Service Charges:                   | <u>Per Meter Per Month</u> |
|------------------------------------|----------------------------|
| For 5/8 x 3/4-inch meter . . . . . | \$ 14.20 (I)               |
| For 3/4-inch meter . . . . .       | 14.20 1                    |
| For 1-inch meter . . . . .         | 23.66 1                    |
| For 1-1/2-inch meter . . . . .     | 47.34 1                    |
| For 2-inch meter . . . . .         | 75.73 1                    |
| For 3-inch meter . . . . .         | 141.99 1                   |
| For 4-inch meter . . . . .         | 236.65 1                   |
| For 6-inch meter . . . . .         | 473.31 1                   |
| For 8-inch meter . . . . .         | 757.30 1                   |
| For 10-inch meter . . . . .        | 1088.61 (I)                |

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

**SPECIAL CONDITIONS**

1. The customer is responsible for notice of and compliance with all local, state, and federal rules and regulations that apply from time to time to the use of raw water, as defined in San Jose Water Company's Rule 1.
2. The customer must provide and/or contribute all facilities needed to transport the water from its source to the customer's point of service in accordance with the utility's Rule 15.

**(END OF APPENDIX A)**

| <b>Appendix B</b>  |                               |  |          |            |          |          |
|--|-------------------------------|--|----------|------------|----------|----------|
| <b><u>COMPARISON OF RATES</u></b>  |                               |  |          |            |          |          |
| <b>Schedule No. 1</b>  |                               |  |          |            |          |          |
| <b>GENERAL METERED SERVICE</b>   |                               |  |          |            |          |          |
|  |                               |  | AL 389   | AL 394     |          | Percent  |
|  |                               |  | Rates    | Rates      |          | Increase |
| <b><u>Monthly Service Charge</u></b>   |                               |  |          |            |          |          |
| For  | 5/8x3/4-inch meter            |  | \$14.13  | \$14.20    |          | 0.50%    |
| For  | 3/4-inch meter                |  | 14.13    | \$14.20    |          | 0.50%    |
| For  | 1-inch meter                  |  | 23.55    | \$23.66    |          | 0.47%    |
| For  | 1-1/2-inch meter              |  | 47.11    | \$47.34    |          | 0.49%    |
| For  | 2-inch meter                  |  | 75.36    | \$75.73    |          | 0.49%    |
| For  | 3-inch meter                  |  | 141.30   | \$141.99   |          | 0.49%    |
| For  | 4-inch meter                  |  | 235.50   | \$236.65   |          | 0.49%    |
| For  | 6-inch meter                  |  | 471.01   | \$473.31   |          | 0.49%    |
| For  | 8-inch meter                  |  | 753.62   | \$757.30   |          | 0.49%    |
| For  | 10-inch meter                 |  | 1083.33  | \$1,088.61 |          | 0.49%    |
| <b><u>Quantity Rate:</u></b>   |                               |  |          |            |          |          |
|  | All water per 100 cu. Ft..... |  | \$2.2279 | \$2.2318   |          | 0.18%    |
| Average monthly customer bill at present and recommended rates for a 3/4-inch service using various quantities of water. |                               |  |          |            |          |          |
|  |                               |  |          |            |          |          |
|  | Usage                         |  | AL 389   | AL 394     |          | Percent  |
|  | 100 cu.ft.                    |  | Rates    | Rates      | Increase | Increase |
|  | 0                             |  | \$14.13  | \$14.20    | \$0.07   | 0.50%    |
|  | 5                             |  | 25.27    | 25.36      | 0.09     | 0.36%    |
|  | 10                            |  | 36.41    | 36.52      | 0.11     | 0.30%    |
| Average  | 15                            |  | 47.55    | 47.68      | 0.13     | 0.27%    |
|  | 20                            |  | 58.69    | 58.84      | 0.15     | 0.26%    |
|  | 30                            |  | 80.97    | 81.15      | 0.18     | 0.22%    |
|  | 50                            |  | 125.53   | 125.79     | 0.26     | 0.21%    |
|  | 100                           |  | 236.92   | 237.38     | 0.46     | 0.19%    |