

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



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In the Matter of the Application of SAN JOSE WATER COMPANY (U 168 W) for an Order authorizing it to increase rates charged for water service by \$34,928,000 or 12.22% in 2016; by \$9,954,000 or 3.11% in 2017, and by \$17,567,000 or 5.36% in 2018.

Application 15-01-002
(Filed January 5, 2015)

NOTICE OF EX PARTE COMMUNICATION

In accordance with Rule 8.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), San Jose Water Company (U 168 W) (“SJWC”) hereby gives notice of an oral ex parte communication relating to the above-captioned proceeding.

Shortly after 1:00 pm on Tuesday, May 17, 2016, Palle Jensen, Senior Vice President of Regulatory Affairs for SJWC, and Martin Mattes of Nossaman LLP, attorneys for SJWC, met with Lester Wong, Advisor to Commissioner Liane Randolph, in a conference room on the 5th floor of the Commission’s offices at 505 Van Ness Avenue, in San Francisco, California. The meeting lasted about 25 minutes.

Mr. Jensen began the meeting by referring to the Proposed Decision of Administrative Law Judge Tsen, which was served on the parties on April 23, 2016. Mr. Jensen noted that SJWC had filed comments on a number of issues, but that he wished to address only a few of them.

Mr. Jensen first addressed the Proposed Decision's rejection of SJWC's request for authorization to implement a revenue-decoupling Water Revenue Adjustment Mechanism ("WRAM") and Modified Cost Balancing Account ("MCBA") as a replacement for the Monterey-style WRAM that SJWC has had in place for a number of years and for the Mandatory Conservation Revenue Adjustment Memorandum Account ("MCRAMA") that SJWC has been allowed to maintain during times when mandatory water conservation orders have been in effect. Mr. Jensen and Mr. Mattes explained that the Monterey-style WRAM is a rate adjustment mechanism but not a revenue adjustment mechanism, and that it provides no protection against revenue loss due to sales lower than the forecast level on which rates were based.

Mr. Jensen next addressed the Proposed Decision's disallowance of certain elements of SJWC's estimate of test year payroll expense. The items discussed were those addressed in SJWC's comments, including temporary and part-time labor and bonuses for officers and managers.

Mr. Jensen and Mr. Mattes also briefly referred to the Proposed Decision's rejection of SJWC's proposal for a Health Care Cost Balancing Account. They noted the continuing volatility of health insurance costs and the inability of SJWC to control those costs.

Mr. Jensen also noted the objections of the Office of Ratepayer Advocates ("ORA") to the Proposed Decision's rejection of ORA's proposal to require SJWC to create a memorandum account to record certain income tax benefits in past years under recently promulgated Internal Revenue Service regulations. Mr. Jensen explained that

SJWC had accounted for these income tax benefits properly and that ORA's proposal would entail unlawful retroactive ratemaking.

No documents were provided in connection with this ex parte communication.

Respectfully submitted,

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