

**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 \$51,585,000 or 13.35% in 2022, by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024.

A.21-01-003
(Filed January 4, 2021)

**COMMENTS OF SAN JOSE WATER COMPANY
ON THE PROPOSED DECISION OF ADMINISTRATIVE LAW JUDGE PULSIFER**

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September 13, 2022

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”) San Jose Water Company (“San Jose Water”) hereby files its comments on the Proposed Decision of Administrative Law Judge Pulsifer (“Proposed Decision”). The Proposed Decision adopts the *Amended Settlement Agreement Between San Jose Water Company and the Public Advocates Office* (the “Amended Settlement Agreement”). The Proposed Decision correctly finds that the Amended Settlement Agreement is reasonable in light of the whole record, consistent with law, and in the public interest, and therefore satisfies the requirements of Rule 12.1(d). The Proposed Decision includes certain language that requires correction in order to clarify the record and allow for timely and efficient implementation of the test year 2022 rates. San Jose Water respectfully requests that the Commission modify the Proposed Decision as discussed below and as set forth in Attachments A-C to these comments.

II. RECOMMENDED CHANGES

A. Interim Rates Surcharge

Ordering Paragraph 3 of the Proposed Decision directs San Jose Water to file a Tier 1 advice letter within 20 days of the effective date of the final decision to implement test year 2022

rates.¹ Ordering Paragraph 9 directs San Jose Water to include in that Tier 1 advice letter a surcharge to recover the balance in the interim rates memorandum account, which tracks the difference between revenues collected from interim rates in effect as of January 1, 2022, and revenues that would result from recovery of the adopted test year 2022 revenue requirement.²

At the time of submission of the Tier 1 advice letter, however, San Jose Water will not have the data necessary to complete the calculation for amortization of the interim rates memorandum account. For that calculation, San Jose Water will need the customer usage data up to and including the day before implementation of the test year 2022 rates. That information will not be available at the time that San Jose Water files the Tier 1 advice letter to implement test year 2022 rates.

San Jose Water therefore requests that the Commission modify the Proposed Decision to allow San Jose Water to file a separate Tier 1 advice letter to implement a surcharge to recover the balance in the interim rates memorandum account. The interim rates surcharge Tier 1 advice letter would be due within 20 days of implementation of the test year 2022 rates. San Jose Water has included in Attachment A proposed changes to Ordering Paragraph 9 to allow for this separate Tier 1 advice letter.

B. Recovery of Memorandum and Balancing Accounts

The Proposed Decision states that the surcharges for amortization of the San Jose Water's balancing account balance of \$6,674,556 and a memorandum account balance of \$11,499,403 will be included in the fixed service charge.³ The surcharges for amortization of San Jose Water's memorandum and balancing account balances are volumetric, however.⁴ As such, these

¹ Proposed Decision, p. 50. This Tier 1 advice letter will also reflect the revenue requirement increase in San Jose Water Advice Letters 575 and 577, which were approved and made effective on July 1, 2022.

² *Id.*, p. 52.

³ Proposed Decision, p. 24.

⁴ See Exhibit SJW-1, p. 17-1.

surcharges will not be included in the fixed service charge. San Jose Water has included a recommended change to the Proposed Decision to correct this error in Attachment A.

C. Summary of Earnings and Adopted Quantities

The summary of earnings and adopted quantities are included as Appendix 2 to the proposed decision. It appears, however, that the columns for escalation years 2023 and 2024 were inadvertently omitted from Table E and Table F of Appendix 2. The complete versions of those tables, which include the columns for 2023 and 2024, are provided as Attachment B to these comments.

Additionally, it appears that the typical bi-monthly residential bill for metered customers for test year 2022 (Appendix 2, Table H) was calculated incorrectly. Specifically, the bi-monthly bill comparison did not pro-rate the monthly tier break to reflect bi-monthly billing. A corrected version of that table is provided as Attachment C.

III. CONCLUSION

San Jose Water respectfully requests that the Commission modify the Proposed Decision as discussed in these comments and as set forth in Attachments A-C.

September 13, 2022

Respectfully submitted,

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ATTACHMENT A

Recommended Changes

Proposed Decision, p. 24

The Settling Parties proposed that recovery of revenue be implemented through an allocation of 45% from fixed service charges and 55% from volumetric quantity charges. ~~The fixed service charges include surcharges for amortization of the balancing account balance of \$6,674,556 and a memorandum account balance of \$11,499,403.~~ The increase in fixed service charges through ~~these surcharges~~ is balanced with a decrease of volumetric rates compared to current volumetric rates.

Proposed Decision, p. 52, Ordering Paragraph 9

9. ~~In its Tier 1 filing to implement~~ **Within 20 days of the implementation of** the Test Year (TY) 2022 revenue requirements adopted herein, San Jose Water Company is ~~authorized~~ **directed to file a Tier 1 Advice Letter** to include a surcharge as necessary to amortize by December 31, 2024, the balance in the memorandum account which tracks the difference between revenues collected from interim rates in effect as of January 1, 2022, and revenues that would result from recovery of the adopted TY 2022 revenue requirement.

ATTACHMENT B

APPENDIX E

SAN JOSE WATER COMPANY (U-168-W)

TABLE E
Authorized Customer and Sales Forecast

Line Item	Test Year	Escalation	Escalation
	2022	Year	Year
		2023	2024
1 METERED SERVICES			
2 Residential	200,515	200,768	201,021
3 Business	20,808	20,900	20,993
4 Industrial	50	50	49
5 Public Authority	1,276	1,269	1,262
6 Resale	32	32	32
7 Other	340	367	395
8 Total Potable Metered Services	223,021	223,386	223,752
9 Raw Water	5	5	5
10 Recycled Water, Well	8	8	8
11 Recycled Water, Piped	278	278	278
12 Total Non-Potable Metered Services	223,312	223,677	224,043
13 Private Fire Service	4,193	4,272	4,354
14 TOTAL ACTIVE SERVICES	227,505	227,949	228,397
15 AVERAGE SALES PER CUSTOMER (ccf/connection/yr)			
16 Residential	131	131	131
17 Business	758	758	758
18 TOTAL SALES PER CUSTOMER CLASS (Kccf)			
19 Residential	26,267	26,301	26,334
20 Business	15,772	15,842	15,913
21 Industrial	178	178	175
22 Public Authority	2,831	2,816	2,800
23 Resale	195	195	195
24 Other	89	89	89
25 TOTAL POTABLE METERED SALES	45,332	45,421	45,506
26 Raw Water	90	90	90
27 Recycled Water, Piped	880	1,024	1,131
28 Recycled Water, Well	377	377	377
29 TOTAL SALES	46,679	46,913	47,104
30 Potable Source of Supply (Kccf)			
31 Purchased Water	29,938	30,132	30,132
32 Surface Water	2,445	2,445	2,445
33 Well Supply	16,497	16,399	16,490
34 TOTAL POTABLE SUPPLY	48,880	48,976	49,067
35 Recycled Source of Supply (Kccf)			
36 Recycled Water, Piped	880	1,024	1,131
37 Recycled Water, Well	377	377	377
38 TOTAL RECYCLED SUPPLY	1,257	1,402	1,508

APPENDIX 2

SAN JOSE WATER COMPANY (U-168-W)

TABLE F
Miscellaneous Authorized Quantities

Line Item	Test Year		Escalation		Escalation	
	2022		2023		2024	
1 WATER PRODUCTION	MG	Kccf	MG	Kccf	MG	Kccf
2 Purchased Water	22,395	29,938	22,540	30,132	22,540	30,132
3 Surface Water	1,829	2,445	1,829	2,445	1,829	2,445
4 Well Supply	12,340	16,497	12,267	16,399	12,335	16,490
5 Recycled Water	940	1,257	1,048	1,402	1,128	1,508
6						
7 PURCHASED WATER AND PUMP TAX RATES	\$ per MG					
8 Purchased Water - Potable	\$ 4,953		4,953		\$ 4,953	
9 Purchased Water - Recycled	\$ 4,278		4,278		\$ 4,278	
10 Pump Tax	\$ 4,600		4,600		\$ 4,600	
11						
12 PURCHASED WATER AND PUMP TAX EXPENSES (\$ in Thousands)						
13 Purchased Water Expense - Potable (Line 2 x Line 8)	\$110,927		\$111,645		\$111,645	
14 Purchased Water Expense - Recycled (Line 5 x Line 9)	\$ 4,023		\$ 4,485		\$ 4,827	
15 Pump Tax (Line 4 x Line 10)	\$ 56,772		\$ 56,432		\$ 56,744	
16						
17 PURCHASED POWER EXPENSE						
18 kWh/Kccf Ratio	0.6252		0.6252		0.6252	
19 Total Water Production (Kccf) (Line 2 + Line 3 + Line 4)	48,880		48,976		49,067	
20 Total kWh Used (Line 18 x Line 19)	30,559		30,619		30,676	
21 Mixed Power Cost (\$ per kWh)	\$0.18303		\$0.18303		\$0.18303	
22 PURCHASED POWER (\$ in Thousands) (Line 20 x Line 21)	\$ 5,593		\$ 5,604		\$ 5,614	
23						
24 OTHER	TY 2022		EY 2023		EY 2024	
25 Net-to-Gross Multiplier	1.3935		1.3935		1.3935	
26 Customer Growth Factor	0.000%		0.1366%		0.1366%	
27 Uncollectible Rate	0.1126%		0.1126%		0.1126%	
28 Local Franchise Tax Rate	0.2409%		0.2409%		0.2409%	
29 California Corporate Franchise Tax Rate	8.84%		8.84%		8.84%	
30 Federal Tax Rate	21.00%		21.00%		21.00%	
31 Depreciation Rate	3.88%		3.81%		*	
32 Property Tax Rate	1.20%		1.20%		1.20%	
33 Non-Revenue Water %	7.3%		7.3%		7.3%	

* Escalation Year 2024 Net Depreciation Expense is calculated by adding the difference between Escalation Year 2023 and Test Year 2022 Net Depreciation Expense to Escalation Year 2023 Net Depreciation Expense.

ATTACHMENT C

APPENDIX 2

SAN JOSE WATER COMPANY (U-168-W)

TABLE H
Typical Bi-Monthly Residential Bill for Metered Customers for Test Year 2022

Usage (CCF) ⁽¹⁾ :	Present Bill ⁽²⁾		Proposed Bill ⁽²⁾		Amount Change		Percent Change		Notes
0	\$83.38		\$101.72		\$18.34		22.0%		
1	\$87.14		\$105.20		\$18.07		20.7%		
2	\$90.89		\$108.69		\$17.80		19.6%		
3	\$94.65		\$112.17		\$17.52		18.5%		
4	\$100.09	\$98.41	\$115.66	\$115.66	\$15.56	\$17.25	15.5%	17.5%	
5	\$105.54	\$102.16	\$119.14	\$119.14	\$13.60	\$16.98	12.9%	16.6%	
6	\$110.98	\$105.92	\$122.63	\$122.63	\$11.64	\$16.71	10.5%	15.8%	
7	\$116.43	\$111.36	\$127.83	\$126.11	\$11.40	\$14.75	9.8%	13.2%	
8	\$121.88	\$116.81	\$133.03	\$129.60	\$11.15	\$12.79	9.2%	10.9%	
9	\$127.32	\$122.25	\$138.23	\$133.08	\$10.91	\$10.83	8.6%	8.9%	
10	\$132.77	\$127.70	\$143.43	\$136.57	\$10.66	\$ 8.87	8.0%	6.9%	
11	\$138.21	\$133.14	\$148.63	\$140.05	\$10.42	\$ 6.91	7.5%	5.2%	
12	\$143.66	\$138.59	\$153.83	\$143.53	\$10.18	\$ 4.94	7.1%	3.6%	
13	\$149.10	\$144.03	\$162.14	\$148.74	\$13.03	\$ 4.70	8.7%	3.3%	
14	\$154.55	\$149.48	\$170.44	\$153.94	\$15.89	\$ 4.46	10.3%	3.0%	
15	\$159.99	\$154.93	\$178.74	\$159.14	\$18.75	\$ 4.21	11.7%	2.7%	
16	\$165.44	\$160.37	\$187.05	\$164.34	\$21.61	\$ 3.97	13.1%	2.5%	
17	\$170.88	\$165.82	\$195.35	\$169.54	\$24.47	\$ 3.72	14.3%	2.2%	
18	\$176.33	\$171.26	\$203.65	\$174.74	\$27.33	\$ 3.48	15.5%	2.0%	
19	\$183.46	\$176.71	\$211.96	\$179.94	\$28.49	\$ 3.23	15.5%	1.8%	
20	\$190.60	\$182.15	\$220.26	\$185.14	\$29.66	\$ 2.99	15.6%	1.6%	
22	\$204.86	\$193.04	\$236.87	\$195.54	\$32.00	\$ 2.50	15.6%	1.3%	(3)
30	\$261.93	\$236.61	\$303.30	\$255.77	\$41.36	\$19.16	15.8%	8.1%	
35	\$297.60	\$263.83	\$344.81	\$297.28	\$47.21	\$33.45	15.9%	12.7%	
40	\$333.27	\$297.81	\$386.33	\$338.80	\$53.06	\$40.99	15.9%	13.8%	
50	\$404.61	\$369.15	\$469.37	\$421.84	\$64.76	\$52.69	16.0%	14.3%	
60	\$475.95	\$440.49	\$552.40	\$504.87	\$76.46	\$64.39	16.1%	14.6%	
70	\$547.29	\$511.83	\$635.44	\$587.91	\$88.15	\$76.08	16.1%	14.9%	
80	\$618.62	\$583.16	\$718.48	\$670.95	\$99.85	\$87.78	16.1%	15.1%	
90	\$689.96	\$654.50	\$801.51	\$753.98	\$111.55	\$99.48	16.2%	15.2%	
	Present Usage Range	Present Rate	Proposed Usage Range	Proposed Rate	Amount Change	Percent Change	Notes		
Metered Quantity Rates:									
Tier 1	0 to 3 CCF	\$3.7563	0 to 6 CCF	\$ 3.4845	\$ (0.2718)	-7.2%			
Tier 2	4 to 18 CCF	\$5.4453	6 to 12 CCF	\$ 5.2008	\$ (0.2445)	-4.5%			
Tier 3	Over 18 CCF	\$7.1338	Over 12 CCF	\$ 8.3036	\$ 1.1698	16.4%			
Service Charge (5/8"):		\$ 41.69		\$ 50.86	\$ 9.17	22.0%	(4)		

Notes:

- (1) 1 CCF, or 100 cubic feet, of water is equal to 748 gallons of water.
- (2) Bills do not include CPUC fees or other surcharges and taxes that may appear on customers' bills. Bills include 2 times the monthly service charge to reflect bi-monthly billing cycle.
- (3) Typical usage for a bi-monthly period (approximately 2 months).
- (4) Bill comparison is based on a 5/8 and 3/4 inch service.