



APPENDIX A

SAN JOSE WATER COMPANY (U-168-W)

TABLE A
Summary of Earnings and Rate of Return
Effective January 1, 2022
(Dollars in Thousands)

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Line	Present Rates	Proposed Rates	Estimated Rates	Estimated Rates
	Test Year 2025	Test Year 2025	Escalation Year 2026	Escalation Year 2027
1 OPERATING REVENUES	\$ 544,275	\$ 565,593	\$ 580,590	\$ 598,917
2 DEFERRED REVENUE	\$ 885	\$ 885	\$ 892	\$ 796
3 OPERATING EXPENSES				
4 PURCHASED WATER - POTABLE	\$ 124,850	\$ 124,850	\$ 124,850	\$ 124,850
5 PURCHASED WATER - RECYCLED	\$ 5,998	\$ 5,998	\$ 6,144	\$ 6,295
6 PUMP TAX	\$ 101,356	\$ 101,356	\$ 101,486	\$ 101,596
7 PURCHASED POWER	\$ 8,821	\$ 8,821	\$ 8,826	\$ 8,830
8 OTHER OPERATION AND MAINTENANCE	\$ 605	\$ 605	\$ 619	\$ 633
9 CHEMICALS	\$ 861	\$ 861	\$ 882	\$ 902
10 UNCOLLECTIBLES	\$ 1,037	\$ 1,078	\$ 1,106	\$ 1,141
11 O&M PAYROLL	\$ 28,477	\$ 28,477	\$ 29,124	\$ 29,851
12 TRANSPORTATION	\$ 4,046	\$ 4,046	\$ 4,178	\$ 4,347
13 PURCHASED SERVICES	\$ 20,184	\$ 20,184	\$ 20,930	\$ 21,692
14 CONSERVATION	\$ 847	\$ 847	\$ 866	\$ 886
15 WATER QUALITY	\$ 793	\$ 793	\$ 812	\$ 831
16 POSTAGE	\$ 573	\$ 573	\$ 587	\$ 601
17 ADJUSTMENTS	\$ (1,240)	\$ (1,240)	\$ (1,271)	\$ (1,302)
18 OTHER ADMIN AND GEN. EXP.	\$ 5,880	\$ 5,880	\$ 6,028	\$ 6,179
19 A&G PAYROLL	\$ 17,538	\$ 17,538	\$ 16,471	\$ 16,882
20 PENSION	\$ 7,378	\$ 7,378	\$ 6,787	\$ 6,953
21 BENEFITS	\$ 3,801	\$ 3,801	\$ 3,880	\$ 3,983
22 HEALTH CARE & DENTAL	\$ 9,623	\$ 9,623	\$ 10,654	\$ 11,802
23 RENTS	\$ 548	\$ 548	\$ 562	\$ 576
24 PROPERTY INSURANCE	\$ 478	\$ 478	\$ 491	\$ 591
25 LIABILITY INSURANCE	\$ 6,054	\$ 6,054	\$ 6,328	\$ 6,781
26 A&G PURCHASED SERVICES	\$ 8,010	\$ 8,010	\$ 8,210	\$ 8,411
27 A&G TRANSFERRED SERVICES	\$ (12,929)	\$ (12,929)	\$ (13,190)	\$ (13,518)
28 TOTAL O. & M., A. & G., & MISC. EXP.	\$ 343,586	\$ 343,627	\$ 345,362	\$ 349,795
29 TAXES OTHER THAN INCOME				
30 AD VALOREM TAXES	\$ 13,781	\$ 13,781	\$ 14,545	\$ 15,308
31 LOCAL FRANCHISE TAXES & BUS. LIC.	\$ 1,384	\$ 1,408	\$ 1,445	\$ 1,489
32 PAYROLL TAXES	\$ 3,804	\$ 3,804	\$ 3,880	\$ 3,977
33 TOTAL GENERAL TAXES	\$ 18,968	\$ 18,993	\$ 19,869	\$ 20,774
34 DEPRECIATION & AMORTIZATION	\$ 80,036	\$ 80,036	\$ 85,091	\$ 90,147
35 SUB-TOTAL - OPERATING EXPENSES	\$ 442,590	\$ 442,655	\$ 450,323	\$ 460,716
36 INCOME TAXES:				
37 STATE INCOME TAX	\$ 4,570	\$ 6,449	\$ 6,335	\$ 6,453
38 FEDERAL INCOME TAX	\$ 13,502	\$ 17,928	\$ 18,992	\$ 20,382
39 TOTAL OPERATING EXPENSES	\$ 460,663	\$ 467,032	\$ 475,649	\$ 487,551
40 NET OPERATING REVENUE	\$ 84,497	\$ 99,446	\$ 105,832	\$ 112,162
41 DEPRECIATED RATE BASE	\$ 1,265,168	\$ 1,265,168	\$ 1,345,751	\$ 1,426,334
42 RATE OF RETURN	6.68%	7.86%	7.86%	7.86%
43 ANNUAL INCREASE		1.80%	2.65%	3.14%
44 STEP INCREASE*		3.91%	2.55%	2.98%

* Each percentage increase represents the step rate increase in revenue for each given year. The percentage for 2025 is based on the difference between the total revenue earned at proposed rates and at present rates. The percentages for 2026 and 2027 are based on the difference between the total revenue earned at a given year's proposed rates and the total revenue earned at the previous year's proposed rates.

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TABLE B
INCOME TAX CALCULATION

(Dollars in Thousands)

Line	Item	Test Year 2025	Escalation Year 2026	Escalation Year 2027
1	OPERATING REVENUE	\$ 565,593	\$ 580,590	\$ 598,917
2	(Excluding Deferred Revenue)			
3				
4	DEDUCTIONS			
5	O&M Expenses (Excl. Uncollectibles)	\$ 296,169	\$ 298,034	\$ 300,014
6	Uncollectibles	\$ 1,078	\$ 1,106	\$ 1,141
7	A&G Expenses	\$ 46,380	\$ 46,222	\$ 48,640
8	Taxes Other than Income Taxes	\$ 17,760	\$ 18,604	\$ 19,468
9	Local Franchise Taxes	\$ 1,233	\$ 1,266	\$ 1,306
10	Transportation Depreciation	\$ (521)	\$ (521)	\$ (521)
11	Interest Expense	\$ 30,364	\$ 32,298	\$ 32,298
12	Other Permanent Differences	\$ (881)	\$ (881)	\$ (881)
13	Meal Dissallowance, 50%	\$ (74)	\$ (74)	\$ (74)
14	TOTAL DEDUCTIONS	<u>\$ 391,507</u>	<u>\$ 396,053</u>	<u>\$ 401,391</u>
15				
16	STATE CORPORATION FRANCHISE TAX			
17	Tax Depreciation	\$ 71,208	\$ 78,006	\$ 84,803
18	State Tax Deduction on Repairs and Maintenance	\$ 33,256	\$ 38,100	\$ 42,944
19	Deferred Revenue (Net of Tax)	\$ 532	\$ 519	\$ 506
20	Section 263(a)	\$ 2,795	\$ 2,713	\$ 2,713
21	State Taxable Income	\$ 72,948	\$ 71,663	\$ 72,999
22	State Income Tax Rate	8.84%	8.84%	8.84%
23	State Income Tax	<u>\$ 6,449</u>	<u>\$ 6,335</u>	<u>\$ 6,453</u>
24				
25	FEDERAL INCOME TAX			
26	Tax Depreciation	\$ 78,978	\$ 84,680	\$ 90,382
27	State Franchise Tax	\$ 7,544	\$ 6,449	\$ 6,335
28	Add Backs for AFUDC Equity Depr. and Book Depr. EV	\$ 214	\$ 324	\$ 434
29	Federal Taxable Income	\$ 87,777	\$ 93,731	\$ 101,243
30	Federal Income Tax Rate	21.00%	21.00%	21.00%
31	Amortization of Prepaid Tax on CIAC	\$ 196	\$ 196	\$ 196
32	Reversal of Excess Deferred Tax	\$ (663)	\$ (790)	\$ (917)
33	Federal Tax Credit	\$ (38)	\$ (98)	\$ (158)
34	Federal Income Tax	<u>\$ 17,928</u>	<u>\$ 18,992</u>	<u>\$ 20,382</u>
35				
36	TOTAL INCOME TAX	<u>\$ 24,377</u>	<u>\$ 25,327</u>	<u>\$ 26,835</u>

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TABLE C
Settled and Authorized Construction Budget
(Dollars in Thousands)

Line Item	2024	2025	2026
1 SETTLED CONSTRUCTION ITEMS			
2 LAND	\$ 359	\$ -	\$ -
3 SOURCE OF SUPPLY	\$ 8,056	\$ 6,148	\$ 2,594
4 WATER TREATMENT	\$ 4,200	\$ 3,718	\$ 5,500
5 RESERVOIRS AND TANKS	\$ 8,141	\$ 16,946	\$ 22,414
6 PUMP STATIONS AND EQUIPMENT	\$ 6,224	\$ 9,679	\$ 7,160
7 DISTRIBUTION SYSTEMS			
8 New Mains	\$ 7,677	\$ 2,970	\$ 5,205
9 Service Transfers	\$ -	\$ -	\$ -
10 City, County & State	\$ 52	\$ 54	\$ 56
11 Replacement Mains	\$ 59,991	\$ 65,773	\$ 73,361
12 Main Extensions	\$ 5,774	\$ 6,939	\$ 4,276
13 Services	\$ 14,108	\$ 14,672	\$ 15,259
14 Meters	\$ 2,262	\$ 189	\$ 197
15 Hydrants	\$ 1,498	\$ 1,558	\$ 1,620
16 EQUIPMENT	\$ 11,545	\$ 10,735	\$ 11,590
17 STRUCTURES AND NON-SPECIFICS	\$ 3,210	\$ 1,357	\$ 3,302
18 GREEN PROJECTS	\$ 6,951	\$ 9,159	\$ 7,509
19 TOTAL CONSTRUCTION ITEMS	\$ 139,688	\$ 149,896	\$ 160,043
20			
21 SETTLED CONSTRUCTION BUDGET (Lump Sums)	\$ 140,000	\$ 150,000	\$ 160,000
22 AUTHORIZED TOTAL CONSTRUCTION BUDGET	\$ 140,000	\$ 150,000	\$ 160,000

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TABLE D
Authorized Rate Base
(Dollars in Thousands)

Line Item	Test Year 2025	Escalation Year 2026	Escalation Year 2027
1 Utility Plant	\$ 2,532,174	\$ 2,680,512	
2 Materials & Supplies	\$ 1,671	\$ 1,801	
3 Working Cash	\$ 41,324	\$ 42,314	
4			
5 Depreciation Reserve	\$ (967,708)	\$ (1,029,752)	
6 Advances for Construction	\$ (79,988)	\$ (82,179)	
7 Contributions in Aid of Construction	\$ (145,236)	\$ (147,516)	
8 Plant Funded by SDWSRF Loan	\$ -	\$ -	
9 Reserve for Amortization	\$ (635)	\$ (651)	
10 Tax Deferrals	\$ (130,247)	\$ (135,246)	
11			
12 Rate Base, Taxed Contributions	\$ 9,195	\$ 8,968	
13 Rate Base, Taxed Advances	\$ 2,682	\$ 2,526	
14			
15 RATE BASE *	\$ 1,263,232	\$ 1,340,775	\$ 1,418,318
16 RATE BASE - CLOUD	\$ 1,936	\$ 4,976	\$ 8,016
17			
18 TOTAL RATE BASE	\$ 1,265,168	\$ 1,345,751	\$ 1,426,334

* Escalation Year 2027 Rate Base is calculated by adding the difference between Escalation Year 2026 Rate Base and Test Year 2025 Rate Base to Escalation Year 2026 Rate Base.

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TABLE E
Authorized Customer and Sales Forecast

Line Item	Test Year 2025	Escalation Year 2026	Escalation Year 2027
1 METERED SERVICES			
2 Residential	201,494	201,803	202,112
3 Business	20,607	20,601	20,595
4 Industrial	47	46	45
5 Public Authority	1,253	1,245	1,237
6 Resale	38	39	40
7 Other	339	351	363
8 Total Potable Metered Services	223,778	224,086	224,393
9 Raw Water	6	6	6
10 Recycled Water, Well	8	8	8
11 Recycled Water, Piped	320	332	344
12 Total Non-Potable Metered Services	224,112	224,432	224,751
13 Private Fire Service	4,275	4,324	4,373
14 TOTAL ACTIVE SERVICES	228,387	228,755	229,123
15 AVERAGE SALES PER CUSTOMER (ccf/connection/yr)			
16 Residential	120	120	120
17 Business	760	760	760
18 TOTAL SALES PER CUSTOMER CLASS (Kccf)			
19 Residential	24,179	24,216	24,253
20 Business	15,661	15,657	15,652
21 Industrial	145	143	140
22 Public Authority	2,744	2,727	2,709
23 Resale	230	237	243
24 Other	91	94	97
25 TOTAL POTABLE METERED SALES	43,050	43,074	43,094
26 Raw Water	136	136	136
27 Recycled Water, Piped	818	848	879
28 Recycled Water, Well	412	412	412
29 TOTAL SALES	44,416	44,470	44,521
30 Potable Source of Supply (Kccf)			
31 Purchased Water	23,202	23,202	23,202
32 Surface Water	3,497	3,497	3,497
33 Well Supply	19,807	19,833	19,855
34 TOTAL POTABLE SUPPLY	46,506	46,532	46,554
35 Recycled Source of Supply (Kccf)			
36 Recycled Water, Piped	818	848	879
37 Recycled Water, Well	412	412	412
38 TOTAL RECYCLED SUPPLY	1,230	1,260	1,291

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TABLE F
Miscellaneous Authorized Quantities

Line Item	Test Year 2025		Escalation Year 2026		Escalation Year 2027	
	MG	Kccf	MG	Kccf	MG	Kccf
1 WATER PRODUCTION						
2 Purchased Water	17,356	23,202	17,356	23,202	17,356	23,202
3 Surface Water	2,616	3,497	2,616	3,497	2,616	3,497
4 Well Supply	14,817	19,807	14,836	19,833	14,852	19,855
5 Recycled Water (Piped & Former Well)	920	1,230	943	1,260	966	1,291
6						
7 PURCHASED WATER AND PUMP TAX RATES (Dollars per MG)						
8 Purchased Water - Potable	\$ 7,193		7,193		\$ 7,193	
9 Purchased Water - Recycled	\$ 6,518		6,518		\$ 6,518	
10 Pump Tax	\$ 6,841		6,841		\$ 6,841	
11						
12 PURCHASED WATER AND PUMP TAX EXPENSES (Dollars in Thousands)						
13 Purchased Water Expense - Potable (Line 2 x Line 8)	\$124,850		\$124,850		\$124,850	
14 Purchased Water Expense - Recycled (Line 5 x Line 9)	\$ 5,998		\$ 6,144		\$ 6,295	
15 Pump Tax (Line 4 x Line 10)	\$101,356		\$101,486		\$101,596	
16						
17 PURCHASED POWER EXPENSE						
18 kWh/Kccf Ratio	0.6783		0.6784		0.6784	
19 Total Water Production (Kccf) (Line 2 + Line 3 + Line 4)	46,506		46,532		46,554	
20 Total kWh Used (Line 18 x Line 19)	31,547		31,566		31,582	
21 Mixed Power Cost (Dollars per kWh)	\$0.27960		\$0.27960		\$0.27960	
22 PURCHASED POWER (\$ in Thousands) (Line 20 x Line 21)	\$ 8,821		\$ 8,826		\$ 8,830	
23						
24 OTHER	TY 2025		EY 2026		EY 2027	
25 Net-to-Gross Multiplier	1.3943		1.3943		1.3943	
26 Customer Growth Factor	0.161%		0.1614%		0.1609%	
27 Uncollectible Rate	0.1903%		0.1903%		0.1903%	
28 Local Franchise Tax Rate	0.2180%		0.2180%		0.2180%	
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	3.49%		3.49%		*	
32 Property Tax Rate	1.21%		1.21%		1.21%	
33 Non-Revenue Water %	7.4%		7.4%		7.4%	

* Escalation Year 2027 Net Depreciation Expense is calculated by adding the difference between Escalation Year 2026 and Test Year 2025 Net Depreciation Expense to Escalation Year 2025 Net Depreciation Expense.

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TABLE G
Net-to-Gross Multiplier

Line Item		
1	UNCOLLECTIBLES	0.1903%
2	LOCAL FRANCHISE TAX RATE	0.2180%
3	SUBTOTAL (LINE 1 + LINE 2)	0.4080%
4	REVENUE SUBJECT TO STATE TAX (1-SUBTOTAL)	99.5920%
5	CALIFORNIA CORPORATE FRANCHISE TAX RATE	8.8400%
6	STATE INCOME TAX	8.8040%
7	REVENUE SUBJECT TO FEDERAL INCOME TAX	90.7880%
8	FEDERAL INCOME TAX RATE	21.0000%
9	FEDERAL INCOME TAX	19.0650%
10	TOTAL TAXES PAID	27.8690%
11	NET REVENUE AFTER TAXES	71.7230%
12	NET-TO-GROSS MULTIPLIER (1/Net Revenue After Tax)	1.3943