

# PROPOSED RESOLUTION

Resolution W-5213  
WD

Agenda ID #18039

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5213  
January 16, 2020

### RESOLUTION

**(RES. W-5213) SAN JOSE WATER COMPANY (SJWC).  
ORDER AUTHORIZING SJWC TO REFUND FOR 2018 THE  
AMOUNT OF \$6,624,690, OR 1.75% OF AUTHORIZED  
REVENUES, CONTAINED IN ITS 2018 TAX ACCOUNTING  
MEMORANDUM ACCOUNT RELATED TO THE  
REDUCTION IN THE FEDERAL CORPORATE INCOME  
TAX RATE IN THE TAX CUTS AND JOBS ACT.**

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**By Advice Letter No. 537 filed on October 18, 2019 & Advice  
Letter No. 537A filed on December 3, 2019**

### SUMMARY

This Resolution grants San Jose Water Company' (SJWC) request in Advice Letter No. 537 & 537A, the authority to refund the over collected amount of \$6,624,690 for the period January 1, 2018 through December 31, 2018, or 1.75% of authorized revenues, recorded in the 2018 Tax Accounting Memorandum Account (TAMA). The balance is associated with changes in tax expenses resulting from Tax Cut and Jobs Act signed into law December 22, 2017 that among other matters reduced the federal corporate tax rate from 35% to 21% effective January 1, 2018. The TAMA should be closed and the balance transferred to a 2018 Tax Accounting Balancing Account to amortize the refund.

The 2018 balance in the TAMA will be refunded as a one-time bill credit based on the customer's meter size. The bill credit is effective beginning on January 21, 2020 as shown below. Any over or under refunded balance in the 2018 Tax Accounting Balancing Account once the amortization period concludes should be addressed in the context of SJWC's 2022 Test Year general rate case.

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-Metered Service:

<b>Meter Size</b>	<b>One-time Surcredit</b>
5/8 x 3/4	\$20.84
3/4	\$20.84
1	\$34.73
1-1/2	\$69.46
2	\$111.13
3	\$208.37
4	\$347.28
6	\$694.55
8	\$1111.29
10	\$1597.47

## BACKGROUND

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) was signed into law which reduced the federal corporate income tax rate from 35% to 21% effective for the tax year beginning January 1, 2018.

On the same day, the California Public Utilities Commission (Commission) Water Division sent a letter to all Class A and B Water and Sewer utilities under its jurisdiction ordering the utilities to file Tier 1 advice letters to establish a memorandum account to track the impact of the TCJA on a Commission-jurisdictional revenue requirement not otherwise reflected in rates.

In compliance with the Commission's letter, on December 28, 2017, SJWC filed Advice Letter No. 515 to establish and implement the 2018 Tax Accounting Memorandum Account (TAMA), which became effective on January 1, 2018.

SJWC and the Public Advocates' Office filed in their joint partial settlement the requirements in Paragraph G.7 of Attachment A to D.18-11-025, which states that: "For the purpose of settlement, the parties agree that the account [TAMA] should be kept open until three months following a final decision in this proceeding if IRS guidance is

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issued before such time, or until such guidance has been issued, but no later than ten days following the date that SJWC makes its 2018 tax year filing with the IRS.”

On December 4, 2018, the Commission issued D.18-11-025, concluding SJWC’s GRC A.18-01-004. In Advice Letter 537A, SJWC requests authorization to transfer the balance for 2018 in the TAMA to a balancing account, refund the over collection in the account via a one-time surcredit, and close the TAMA as established in the Partial Settlement Agreement approved by the Commission in D.18-11-025. Advice letter 537, submitted on October 18, 2019, originally requested that the balance of the over collection in the TAMA be amortized over twelve months.

## **NOTICE AND PROTESTS**

In accordance with General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, SJWC served copies of Advice Letters 537 & 537A to adjacent utilities and other parties requesting such notification on October 18, 2019 and December 3, 2019. In accordance with Water Industry Rule 3.3 (*id.*), SJWC also posted the advice letter on its website.

No protests were received in response to the filing of Advice Letters No. 537 & 537A

## **DISCUSSION**

Water Division reviewed copies or the original supporting workpapers from SJWC and verified the TAMA balance is \$6,500,127 and including interest the total amount of over collection is \$6,624,690.

Water Division reviewed the accuracy of the calculations for the surcredits. SJWC properly calculated the one-time surcredits based on adopted customer counts and meter size from D.18-11-025.

We concur with Water Division’s findings that the TAMA balance and surcredits are accurate and conclude SJWC’s request to refund the 2018 excess taxes from the TAMA as a one-time surcredit is reasonable.

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## AFFORDABILITY OF PROPOSED RATES

A typical residential customer in SJWC's Service Area with a 3/4" meter will receive a one-time surcredit of \$20.84. All other customers will receive a one-time surcredit in accordance with the meter size.

## COMMENTS

This is an uncontested matter in which the resolution grants the relief requested. Accordingly, pursuant to Public Utilities Code section 311(g)(2) the otherwise applicable 30-day period for public review and comment is waived.

## FINDINGS AND CONCLUSIONS

1. On October 18, 2019, San Jose Water Company (SJWC) filed Advice Letter No. 537, pursuant to Decision (D.) 18-11-025, requesting to refund the amount recorded in the 2018 Tax Accounting Memorandum Account (TAMA) for the period January 1, 2018 through December 31, 2018 from a reduction in the corporate tax rate from 35% to 21% as a result of the Tax Cuts and Jobs Act.
2. On December 3, 2019, San Jose Water Company filed a supplemental Advice Letter No. 537A changing the amortization from twelve months to a one-time credit.
3. The amount requested for amortization is \$6,624,690. This balance will be refunded to customers via a one-time surcredit based on meter size.
4. The one-time surcredits to amortize the net amount in the TAMA are as follows:

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Metered Service:

<b>Meter Size</b>	<b>One-time Surcredit</b>
5/8 x 3/4	\$20.84
3/4	\$20.84
1	\$34.73
1-1/2	\$69.46
2	\$111.13
3	\$208.37
4	\$347.28
6	\$694.55
8	\$1111.29
10	\$1597.47

5. The TAMA tracks the impact of the Tax Cuts and Jobs Act on Commission-jurisdictional revenue requirement not otherwise reflected in rates.
6. No protests were received for Advice Letters No. 537 & 537A
7. Water Division finds the balance in the TAMA and the resulting one-time surcredits to be reasonable.

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## THEREFORE, IT IS ORDERED THAT:

1. San Jose Water Company is authorized to refund the excess tax expense for 2018 tracked in the 2018 Tax Accounting Memorandum Account, a total of \$6,624,690, for the period January 1, 2018 through December 31, 2018 through a one-time surcredit based on meter size as follows:

Metered Service:

<b>Meter Size</b>	<b>One-time Surcredit</b>
5/8 x 3/4	\$20.84
3/4	\$20.84
1	\$34.73
1-1/2	\$69.46
2	\$111.13
3	\$208.37
4	\$347.28
6	\$694.55
8	\$1111.29
10	\$1597.47

2. The tariff sheets filed with Advice Letter No. 537A and attached to this Resolution (Attachment 1) reflecting the one-time surcredits authorized in Ordering Paragraph 1 are approved effective five days following the effective date of this Resolution.
3. San Jose Water Company shall file a Tier 1 advice letter within five days of the effective date of this Resolution to open a 2018 Tax Accounting Balancing Account, close the 2018 Tax Accounting Memorandum Account, and transfer the balance authorized in Ordering Paragraph No. 1 to the 2018 Tax Accounting Balancing Account for amortization. At the end of the amortization period any remaining over or under refunded balance shall be addressed in the context of San Jose Water Company's Test Year 2022 general rate case.

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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 held on January 16, 2020; the following Commissioners voting favorably thereon:

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ALICE STEBBINS  
Executive Director

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## San Jose Water Company Advice Letter Nos. 537 and 537-A Attachment 1

### PRELIMINARY STATEMENT (Continued)

- |           |   |            |
|-----------|---|------------|
| <b>X.</b> | <b>SRF Loan I Balancing Account</b>   | <b>(D)</b> |
|           |   | <b>(R)</b> |
|           | 1. Purpose  |            |
|           | The purpose of the SRF Loan I Balancing Account is to track differences between recorded revenues collected through the surcharge to fund the repayment of the SRF Loan I and the payments of principal and interest for the Safe Drinking Water State Revolving Fund (SDWSRF) loan pursuant to D.03-07-013 dated July 10, 2003 |            |
|           | 2. Applicability  |            |
|           | The SRF Loan I Balancing Account is applicable to recorded surcharge revenue and payments of principal and interest on SRF Loan I.  |            |
|           | 3. Definitions  |            |
|           | a. <u>Recorded SFR Loan I Surcharge Revenue</u> are revenues recorded for the SFR Loan I Surcharge authorized per D.03-07-013, D.04-08-022 and Advice Letters 364A and 452.   |            |
|           | b. <u>Payments of Principal and Interest for SFR Loan I</u> are all principal and interest payments made by San Jose Water Company (SJWC) to repay the indebtedness of the SDWSRF loan authorized in D.03-07-013 and D.04-08-022  |            |
|           | 4. Accounting Procedure   |            |
|           | a. The following entries will be recorded monthly in the SRF Loan I Balancing Account:  |            |
|           | 1. Recorded Revenue from SFR Loan I Surcharges.   |            |
|           | 2. Recorded Principal and Interest Payments made by SJWC for SRF Loan I   |            |
|           | 3. Total net SFR Loan I Account balance = (1) minus (2)   |            |
|           | 4. A negative (-) balance in the balancing account reflects a utility under collection to be recovered in rates, while a positive balance reflects a utility over collection to be refunded.  |            |
|           | b. The Company will record the accumulated SRF Loan I balance monthly, by adding its entry in Section a3. above to the prior accumulated monthly balance.   |            |
|           | c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.   |            |



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<b><u>PRELIMINARY STATEMENT</u></b>		
<b>(Continued)</b>		
<b>X.</b>	<b>SRF Loan I Balancing Account</b>	<b>(R)</b>
	(Continued)	
	5. Disposition	
	When the accumulated balance for the SRF Loan I Balancing Account approaches a zero balance, the Company will remove the SFR Loan Surcharge I surcharge and file an advice letter to remove the SRF Loan I surcharge authorized in AL 452 from the tariffs. The under-collections or over-collections of the this balancing account will be amortized in San Jose Water Company's next General Rate Case.	 (R)
<b>Y.</b>	<b>SRF Loan II Balancing Account</b>	<b>(R)</b>
	1. Purpose	
	The purpose of the SRF Loan I Balancing Account is to track differences between recorded revenues collected through the surcharge to fund the repayment of the SRF Loan II and the payments of principal and interest for the Safe Drinking Water Sate Revolving Fund (SDWSRF) loan pursuant to D.05-01-048 dated January 27, 2005.	
	2. Applicability	
	The SRF Loan II Balancing Account is applicable to recorded surcharge revenue and payments of principal and interest on SRF Loan II.	
	3. Definitions	
	a. <u>Recorded SFR Loan II Surcharge Revenue</u> are revenues recorded for the SFR Loan II Surcharge authorized per D.05-01-048 and Advice Letters 395.	
	b. <u>Payments of Principal and Interest for SFR Loan II</u> are all principal and interest payments made by San Jose Water Company (SJWC) to repay the indebtedness of the SDWSRF loan authorized in D.05-01-048.	
	4. Accounting Procedure	
	a. The following entries will be recorded monthly in the SRF Loan II Balancing Account:	
	1. Recorded Revenue from SFR Loan II Surcharges.	
	2. Recorded Principal and Interest Payments made by SJWC for SRF Loan II	
	3. Total net SFR Loan II Account balance = (1) minus (2)	
	4. A negative (-) balance in the balancing account reflects a utility under collection to be recovered in rates, while a positive balance reflects a utility over collection to be refunded.	
	b. The Company will record the accumulated SRF Loan II balance monthly, by adding its entry in Section a3. above to the prior accumulated monthly balance.	
	c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.	
	5. Disposition	
	When the accumulated balance for the SRF Loan II Balancing Account approaches a zero balance, the Company will remove the SFR Loan Surcharge II surcharge and file an advice letter to remove the SRF Loan II surcharge authorized in AL 395 from the tariffs. The under-collections or over-collections of the this balancing account will be amortized in San Jose Water Company's next General Rate Case.	 (R)

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Schedule No. 1			
<u>GENERAL METERED SERVICE</u>			
(Continued)			
6.	To amortize the under-collection in Balancing Accounts, a surcharge of \$0.2961 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.		(D)
7.	To amortize the under-collection of the Memorandum Accounts, a surcharge of \$0.2954 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.		(D)
8.	To amortize the 2018 Tax Accounting Memorandum Account balance, a one-time surcredit will be added to the bill as follows:		(N)
		Surcredit:	
	For 5/8 x 3/4-inch meter .....	\$20.84	
	For 3/4-inch meter .....	20.84	
	For 1-inch meter .....	34.73	
	For 1-1/2-inch meter .....	69.46	
	For 2-inch meter .....	111.13	
	For 3-inch meter .....	208.37	
	For 4-inch meter .....	347.28	
	For 6-inch meter .....	694.55	
	For 8-inch meter .....	1111.29	
	For 10-inch meter .....	1597.47	(N)

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Schedule No. 1B			
GENERAL METERED SERVICE WITH AUTOMATIC FIRE SPRINKLER SYSTEM (Continued)			
7.	To amortize the under-collection in Balancing Accounts, a surcharge of \$0.2961 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.		
8.	To amortize the under-collection of the Memorandum Accounts, a surcharge of \$0.2954 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.		
9.	To amortize the 2018 Tax Accounting Memorandum Account balance, a one-time surcredit will be added to the bill as follows:		(D)
			(N)
		Surcredit:	
	For 5/8 x 3/4-inch meter .....	\$20.84	
	For 3/4-inch meter .....	20.84	
	For 1-inch meter .....	34.73	
	For 1-1/2-inch meter .....	69.46	
	For 2-inch meter .....	111.13	
	For 3-inch meter .....	208.37	
	For 4-inch meter .....	347.28	
	For 6-inch meter .....	694.55	
	For 8-inch meter .....	1111.29	
	For 10-inch meter .....	1597.47	(N)

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## Schedule No. 1C

### GENERAL METERED SERVICE

Mountain District

(Continued)

8. Upsize Charges as shown under Schedule No. 1B General Metered Service with Automatic Fire Sprinkler System's Service Charges shall also apply to Schedule No. 1C. Special Conditions 1 and 2 of Schedule No. 1C as noted below shall also apply to this schedule.

"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.

2. For the purpose of fire protection under this schedule, the utility will supply only such water at such pressure as may be available from time to time as a result of its operation of the system. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. Acceptance of service under this tariff is acknowledgment of notice of the provisions of Section 774 of the Public Utilities Code."

The addition of General Metered Service with Automatic Fire Sprinkler System's Service Charges to this tariff shall be subject to Special Condition 4 – Interruptible Service of this Schedule.

9. To amortize the under-collection in Balancing Accounts, a surcharge of \$0.2961 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.
10. To amortize the under-collection of the Memorandum Accounts, a surcharge of \$0.2954 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.

11. To amortize the 2018 Tax Accounting Memorandum Account balance, a one-time surcredit will be added to the bill as follows: (D)  
(N)

			Surcredit:	
For	3/4-inch meter	.....	20.84	
For	1-inch meter	.....	34.73	
For	1-1/2-inch meter	.....	69.46	
For	2-inch meter	.....	111.13	
For	3-inch meter	.....	208.37	
For	4-inch meter	.....	347.28	
For	6-inch meter	.....	694.55	
For	8-inch meter	.....	1111.29	
For	10-inch meter	.....	1597.47	(N)

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Schedule No. 4			
<u>PRIVATE FIRE SERVICE</u>			
(Continued)			
<b>SPECIAL CONDITIONS</b>			
4.	For water delivered for other than fire protection purposes, charges shall be made under Schedule No. 1, General Metered Service.		
5.	The utility undertakes to supply only such water at such pressure as may be available any time through the normal operation of its system. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding the provision or maintenance of an adequate water supply, water pressure, equipment or other fire protection facility or service. Acceptance of service under this tariff is acknowledgment of notice of the provisions of Section 774 of the Public Utilities Code.		
6.	The minimum diameter for fire protection service shall be two inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.		
7.	All bills are subject to the reimbursement fee set forth on Schedule No. UF.		
			(D)
8.	To amortize the 2018 Tax Accounting Memorandum Account balance, a one-time surcredit will be added to the bill as follows:		
			(N)
		Surcredit:	
For	2-inch meter	\$21.12	
For	3-inch meter	26.39	
For	4-inch meter	36.95	
For	6-inch meter	58.07	
For	8-inch meter	73.91	
For	10-inch meter	95.02	
For	12-inch meter	116.14	(N)

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Schedule No. RW			
RAW WATER METERED SERVICE			
(Continued)			
7.	To amortize the under-collection in Balancing Accounts, a surcharge of \$0.2961 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.		(D)
8.	To amortize the under-collection of the Memorandum Accounts, a surcharge of \$0.2954 per 100 cu.ft is to be added to the Quantity rate shown for a 12 month period or until collected beginning with the effective date of Advice Letter 528.		(D)
9.	To amortize the 2018 Tax Accounting Memorandum Account balance, a one-time surcredit will be added to the bill as follows:		(N)
		Surcredit:	
	For 5/8 x 3/4-inch meter .....	\$20.84	
	For 3/4-inch meter .....	20.84	
	For 1-inch meter .....	34.73	
	For 1-1/2-inch meter .....	69.46	
	For 2-inch meter .....	111.13	
	For 3-inch meter .....	208.37	
	For 4-inch meter .....	347.28	
	For 6-inch meter .....	694.55	
	For 8-inch meter .....	1111.29	
	For 10-inch meter .....	1597.47	(N)



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The following listed tariff sheets contain all effective rates, rules and regulations affecting the rates and service of the Utility, together with information relating thereto:	
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Service Area Map Locator	1266-W
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Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System	1949-W, 1741-W, 1882-W and 1993-W
Schedule No. 1C, General Metered Service Mountain District	1951-W, 1952-W, 1884-W and 1994-W
Schedule No. 4, Private Fire Service	1954-W and 1995-W
Schedule No. 9C, Construction and Other Temporary Metered Service	1118-W and 1094-W
Schedule No. 10R, Service to Employees	152-W
Schedule No. 14.1 Water Shortage Contingency Plan With Staged Mandatory Reductions And Drought Surcharges	1668-W, 1669-W, 1780-W, 1671-W, 1672-W, 1673-W, 1766-W, and 1820-W
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Schedule No. UF, Surcharge to Fund Public Utilities Commission, Reimbursement Fee	1969-W
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No. 3 - Application for Service	351-W and 903-W
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No. 7 - Deposits	355-W and 356-W
No. 8 - Notices	1054-W and 825-W
No. 9 - Rendering and Payment of Bills	996-W, 997-W and 1146-W
(Continued)	

**End of Attachment 1**



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## San Jose Water Company Advice Letter No. 537 and 537-A Service List

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