Docket	:	A.26-04-010
Exhibit Number	:	Cal Adv - ___
Commissioner	:	Matthew Baker
Admin. Law Judge	:	Gerald F. Kelly
Public Advocates Office Witness	:	Meghan Tosney

PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

REPORT ON PER- AND POLYFLUOROALKYL SUBSTANCES (PFAS) COMPLIANCE PROGRAM: PART A - RATE MAKING AND AFFORDABILITY

Application 26-04-010
(San Jose Water Company)

San Francisco, California
September 14, 2026

617821743

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MEMORANDUM

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) examined application material, data request responses, and other information presented by San Jose Water Company (San Jose) in Application (A.) 26-04-010 (Application) to provide the California Public Utilities Commission (Commission) with recommendations in the interests of ratepayers for safe and reliable service at the lowest cost. Meghan Tosney prepared this report under the general supervision of Program Manager Syreeta Gibbs and Program and Project Supervisor Mukunda Dawadi. John T. Van Geffen is Cal Advocates' legal counsel.

Cal Advocates is filing two separate reports regarding this Application. This report, Report A, covers the proposed budget cap and advice letter approach, and cost transparency and affordability. Report B, prepared by Zaved Sarkar, covers contingency adjustment and volumetric reduction recommendations.

Although every effort was made to comprehensively review, analyze, and provide the Commission with recommendations on each ratemaking and policy aspect presented in the Application, the absence from Cal Advocates' testimony of any particular issue connotes neither agreement nor disagreement of the underlying request, methodology, or policy position related to that issue.

I. INTRODUCTION

San Jose's Application seeks authorization to implement a PFAS remediation system at its Williams Station and to track associated costs for recovery.[1] San Jose proposes to recover $156 million in capital costs by filing annual Tier 2 advice letters that will reflect recorded costs and apply settlement proceeds or grants to offset costs and reduce customer rates.[2] San Jose asserts that this proposed cost recovery mechanism, separate from the General Rate Case (GRC) process, is necessary to meet pending federal compliance deadlines for PFAS.[3] San Jose will not incur the majority of the operation and maintenance (O&M) costs until after the construction project is completed, but it proposes to track certain O&M expenses incurred while the project is built in its PFAS Memorandum Account until those costs can be included in a future GRC application.

II. SUMMARY OF RECOMMENDATIONS

The Commission's ratemaking process is built on a comprehensive review of a utility's total revenue requirement, not an isolated examination of individual capital projects. PFAS treatment facilities affect rate base, operating expenses, depreciation, financing, maintenance, staffing, and future capital planning. Evaluating those facilities outside a General Rate Case deprives the Commission of the ability to balance competing infrastructure priorities, assess cumulative customer impacts, identify offsetting savings, and determine whether the utility's overall revenue requirement remains just and reasonable. Unless a utility demonstrates extraordinary circumstances making GRC review impracticable, PFAS infrastructure should be evaluated alongside all other utility investments through the comprehensive ratemaking process rather than through piecemeal advice letters or stand-alone applications that create incremental rate shock.

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[1] Application at 1.

[2] Application at 4. See also SJWC's Reponses to Data Requests (attached here to as "Appendix 1") DR-MTN-001, Items 2.a and 5.

[3] The current compliance deadline is April 2029, but the United States Environmental Protection Agency is pursuing changes to allow drinking water systems the option to extend to 2031: https://www.epa.gov/sdwa/proposed-pfoa-and-pfos-compliance-extension-rule

The Commission should deny San Jose's request to pursue rate base offsets via the Tier 2 advice letter process. San Jose can address the capital costs of the Williams Station project in the 2030 GRC. This ensures transparency for ratepayers, while avoiding piecemealed approvals outside the GRC process that limit the Commission's ability to evaluate whether San Jose is adequately balancing competing priorities and whether the overall revenue requirement is reasonable.

If the Commission does approve San Jose's proposed Tier 2 advice letter mechanism for cost recovery, the approval should include the following conditions to ensure ratepayers do not fund unreasonable capital spending and returns, and to improve clarity and transparency regarding Application costs and rate impacts: a budget cap for capital costs, a 2032 deadline for San Jose's rate base offset request(s), and clear direction regarding offsetting funds and requests for construction financing costs.

The Commission should also require San Jose to file a single advice letter upon project completion, rather than annually during construction. This will ensure that ratepayers do not fund costs, including shareholder returns, on a capital project that does not provide ratepayer benefit.

Finally, the Commission should require the following actions by San Jose to ensure cost transparency and avoid piecemealing: (1) forecast and reflect ongoing O&M costs for the Williams Station PFAS remediation system in the 2030 GRC application and the proposed rates for that GRC period, and (2) cease tracking O&M costs in the PFAS Memorandum Account thereafter.

III. ANALYSIS

A. San Jose's Application Lacks Clarity Regarding How Recorded Costs Will Be Tracked Against the Budget Cap for the Project

San Jose indicates that the basis for utilizing Tier 2 advice letters is General Order (GO) 96-B, Water Industry Rule 7.3.3(8).[4] This rule provides for Tier 2 staff disposition of rate base offsets when the project scope is consistent with a prior Commission

[4] Appendix 1: SJWC's Response to DR-MTN-001, Item 2.b at A-4.

approval and the requested rate base offset is at or below the Commission-approved budget cap for the project.[5]

San Jose indicates that: (1) the total capital cost of the Williams Station project is $156 million, and this cost will serve as the budget cap against which rate base offsets will be measured,[6] and (2) although San Jose's total project cost estimate increases to $176 million after applying a three percent escalation factor, and to $185 million after also including an estimated $9.3 million for interest during construction, it does not propose to increase the budget cap for the project from $156 million to $185 million.[7] Although San Jose continues to characterize the Williams Station project as costing approximately $156 million, its testimony demonstrates that $156 million is neither the amount San Jose expects to spend nor a ceiling on the costs it proposes to recover from customers. San Jose actually projects approximately $176 million in capital costs by the 2030 completion date, and concedes that if actual costs incurred exceed current estimates it does not intend to adhere to a predetermined cost ceiling or budget cap.[8] As outlined in the following sections, if the Commission approves San Jose's request to recover costs through advice letter(s), it must clarify expectations around the project budget cap[9] and how different cost categories will be tracked against it.

1. Interest During Construction Should Not Include Shareholder Returns

San Jose's Application indicates that interest during construction will be accrued on a monthly basis at San Jose's currently authorized rate of return of 7.86%.[10] San Jose

[5] GO 96-B. Water Industry Rule7.3.3(8) is available here: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M023/K381/23381302.PDF

[6] Application at 4 and Appendix 1: SJWC's Response to DR-MTN-001, Item 2.b.i.2 at A-4.

[7] Appendix 2: SJWC's Response to DR-ZS1-002 Item 6.b at A-37.

[8] San Jose's Direct Testimony of Kateline Lin, filed August 19, 2026, at Attachment 6 (SJWC's Response to DR-ZS1-001), Item 4.e.

[9] See the separate testimony of Zaved Sarkar (Report B) for an outline of the cost adjustments that should be reflected in the Commission-approved budget cap for the project.

[10] Application at 5.

should be able to recoup reasonable costs associated with the construction phase, including debt costs associated with short-term financing, but utilizing San Jose's rate of return as a default rate to calculate interest during construction is not appropriate. San Jose should only recoup its actual cost of debt incurred to finance the construction of the project. Shareholders should not be able to earn a return on the project until after costs are incorporated into rate base.

To ensure clarity regarding the budget cap for the project, the Commission should: (1) approve a cap on capital costs; and (2) allow San Jose to claim recorded capital costs up to that Commission-approved cap. In addition, San Jose should be permitted to capitalize its actual interest during construction until the approved recorded costs are incorporated into rate base. That interest should not be calculated using San Jose's approved rate of return. Instead, it should reflect San Jose's actual debt costs directly attributable to financing construction of this specific project. Once the approved recorded costs are incorporated into rate base, San Jose would receive recovery of all its actual interest costs plus its authorized rate of return would apply to those costs through the ordinary rate setting process.

2. All Recorded Capital Costs Must be Tracked Against the Budget Cap, Including Costs Offset by Settlement or Grant Funds

San Jose indicates that: (1) it intends to apply settlement funds, estimated between $17 and $22.5 million, to the maximum extent possible as a direct offset to the capital costs associated with this Application, to reduce revenue requirements and customer rate impacts,[11] and (2) to the extent settlement proceeds or grants have been received and applied to project costs, those offsets will be reflected in each annual rate base offset filing.[12] Since no reductions for offsetting funds have been reflected in San Jose's capital

[11] Appendix 1: SJWC's Response to DR-MTN-001, Item 5.b at A-7, and San Jose's Direct Testimony of Vyju Sugan, filed August 19, 2026, at 6.

[12] Appendix 1: SJWC's Response to DR-MTN-001, Item 5.c at A-8.

cost estimate of $156 million,[13] the Commission should direct that all recorded capital costs, including those offset by settlement or grant funds, should count toward the Commission-approved capital budget cap for this Application. This ensures budget accountability, with all capital costs incurred consistently tracked toward the total budget cap, regardless of whether the costs are ultimately funded by settlements, grants, or ratepayers. San Jose may request consideration of any capital costs exceeding this cap in a subsequent GRC Application.

3. The Commission Should Also Set a Deadline to Request Rate Base Offsets

San Jose asserts that the proposed cost recovery mechanism outlined in this Application should be separate from the GRC process to enable San Jose to meet pending federal compliance deadlines for PFAS.[14] San Jose plans to start construction in 2027 and initiate operations in 2030.[15]

Since San Jose's proposed construction timeline is a significant basis for San Jose's request to approve this Application, the Commission should order that any project costs not reflected in an advice letter rate base offset request submitted by the end of 2032 should not be eligible for recovery under San Jose's proposed Tier 2 advice letter process for this Application. San Jose may elect to request consideration of any recorded costs not requested by this deadline, that would otherwise be reasonable and appropriate for recovery, as part of its subsequent 2033 General Rate Case (GRC) Application.

B. San Jose's Proposed Annual Advice Letter Approach is Contrary to Used and Useful Principles

The Commission's standard practice is that rate base offsets are available only for used and useful utility plant unless specifically exempted by the Commission.[16] The

[13] Application at 5.

[14] The current compliance deadline is 2029, but the United States Environmental Protection Agency is pursuing changes to allow drinking water systems the option to extend to 2031: https://www.epa.gov/sdwa/proposed-pfoa-and-pfos-compliance-extension-rule

[15] San Jose's Williams Station PFAS Treatment Project Justification at 28.

[16] CPUC Standard Practice U-27-W at 6, available here:

Commission should not approve San Jose's request to increase customer rates through annual advice letters during construction,[17] because it would require that ratepayers pay for project costs prior to completion and utilization of the project.

San Jose indicates that a single rate base offset filed upon completion of the project is less beneficial to customers than San Jose's proposed annual offsets because a single rate base offset will result in "higher overall costs from the compounding of interest leading to one significant rate increase upon completion."[18] During discovery, San Jose provided an analysis of this purported increase in costs, the results of which are summarized in Table 1.[19]

https://docs.cpuc.ca.gov/word_pdf/REPORT/84069.pdf

[17] San Jose's Direct Testimony of Vyju Sugan, filed August 19, 2026, suggests a change to the implementation of annual rate base offsets compared to what was originally outlined in San Jose's Application at 1. Vyju Sugan's testimony at 4 indicates that annual advice letters will be filed for rate increases effective January 2028, 2029, and 2030 (for costs incurred through 2029). However, the final rate increase, effective January 2031 (for costs incurred 2030), would be implemented via San Jose's 2030 GRC rather than the advice letter process. The 2030 GRC is expected to be filed in January 2030 and therefore would include forecasted, rather than actual, capital costs to complete the project in 2030. This is not consistent with San Jose's proposed Tier 2 advice letter process.

Vyju Sugan's testimony at 5 indicates key information San Jose will provide in its advice letter filings to demonstrate that actual capital spending and recovery is consistent with the approved scope and budget cap for this Application. This approach, analyzing actual progress and spending compared to the approved scope and budget cap, must be maintained throughout the construction phase so that the total actual costs incurred can be reviewed for consistency with the approved budget cap. Abandoning this project monitoring approach before project completion runs counter to the Tier 2 advice letter process and would put cost transparency and accountability at risk.

[18] Application at 5.

[19] Appendix 1: SJWC's Response to DR-MTN-001, Item 3.a at A-5, including DR attachment MTN-001.Q3.a, Tab Att.10-Bill Compare, at A-26 through A-31.

Table 1: Comparing Residential Bill Impacts for Annual Advice Letters During Project Construction vs a Single AL at Project Completion[20]

	Annual Advice Letters During Project Construction		Single Advice Letter at Project Completion	
	Monthly Bill	**Annual Paid**	**Monthly Bill**	**Annual Paid**
2027	$143.59	$1,723.08	$143.59	$1,723.08
2028	$144.43	$1,733.16	$143.59	$1,723.08
2029	$147.29	$1,767.48	$143.59	$1,723.08
2030	$149.01	$1,788.12	$143.59	$1,723.08
2031	$149.36	$1,792.32	$149.81	$1,797.72
Total Paid (2027-2031):		**$8,804.16**		**$8,690.04**
Ratepayer Savings (2028-2031) with Single Advice Letter:				**$114.12**

The annual advice letter approach leads to annual rate increases from 2028 through 2031, resulting in a monthly rate of $149.36 in 2031, a total increase of less than $6 dollars per month compared to existing 2027 rates. Under the single advice letter approach, monthly rates do not increase during 2028 through 2030 and instead rise directly to $149.81 in 2031, which is $0.45 per month higher than under the annual advice letter approach. At the same time, by delaying rate increases until the project is used and useful, ratepayers realize a savings of $114.12, an average savings of approximately $2 per month, when considering total rates paid during 2027 through 2031. Ultimately, San Jose does not support its claim that a single rate base offset filed upon completion is less beneficial to customers than annual rate base offsets.[21]

[20] Appendix 1: SJWC's Response to DR-MTN-001, Item 3.a at A-5 including DR attachment MTN-001.Q3.a, Tab Att.10-Bill Compare, at A-26 through A-31.

[21] The near-term ratepayer savings with the single advice letter upon completion outweigh the small additional amount that ratepayers would pay longer term, which would start at around $5.40 in 2031 ($0.45/month difference x12 months) and decline down to zero as the project assets depreciate over their useful lives. San Jose's response to DR-MTN-001, Item 3.a, including MTN-001.Q3.a, only analyzed ratepayer benefits/impacts through 2031. As a high-level estimate of the longer-term benefits/impacts after 2031, a typical residential ratepayer will pay a grand total of approximately $50 more over a period of decades when considering the single rate base offset compared to annual offsets. Comparing these costs to the near-term savings under the single rate base offset approach ($114.12 during 2027 through 2031, per Table 1), it is clear that the single advice letter approach is more beneficial to ratepayers. Additionally, on a more qualitative basis, even without considering the savings during 2027 through

San Jose's Application fails to provide any justification for granting an exemption from the Commission's standard practice of including only used and useful projects in customer rates. Project delays, costs overruns, quality failures, and other problems can arise during construction, and San Jose is responsible for managing these risks. Allowing rate base offsets before San Jose has successfully completed the project would push the risks of project management onto the ratepayers. It is not reasonable to expect ratepayers to absorb these risks by paying project costs that provide no benefit. This is not a phased project, and the constructed assets will not benefit ratepayers until the project is complete and operational. Therefore, if the Commission approves San Jose's request to use advice letter(s) as the mechanism for cost recovery, it should direct San Jose to file a single advice letter rate base offset request at project completion.

C. San Jose's Application is Unnecessary and Lacks Full Cost Transparency

Reasonable costs associated with necessary treatment facilities should certainly be recovered; however, San Jose's current approach, which requests a piecemealed approval separate from the GRC process, makes it challenging for the Commission to evaluate whether San Jose is adequately balancing competing priorities and whether the overall revenue requirement is reasonable.

San Jose's affordability metrics report quantifies changes in monthly bills resulting from the Application. These changes indicate annual increases up to two percent, and an average annual increase of one percent (for 2028-2031).[22] However, these increases are calculated using existing rates,[23] without accounting for other rate increases that will impact San Jose customers in years 2028-2031.

2031, it is more appropriate for the project costs to be funded by the ratepayers that will receive benefits upon project completion and over the useful life of the project, rather than charging those paying rates during the construction period without receiving project benefits.

[22] Appendix 1: SJWC's Response to DR-MTN-001, Item 1.b at A-3 including DR attachment MTN-001.Q1.b at 2 which is in Appendix 1 at A-13.

[23] Appendix 1: SJWC's Response to DR-MTN-001, Item 1.b at A-3, including DR attachment MTN-001.Q1.b at Table 1 which is in Appendix 1 at A-13.

The settlement agreement resolving San Jose's most-recent GRC, A.24-01-001 for years 2025-2027, resulted in annual rate increases of approximately three to four percent.[24] Similarly, the settlement agreement resolving San Jose's prior GRC resulted in annual rate increases of approximately three to six percent.[25] Based on this history, it is reasonable to anticipate that San Jose's next GRC will result in annual increases of at least three percent for 2028-2030. Those increases would be in addition to the approximately one percent annual increase associated with this Application during the same period.

1. San Jose's 2030 GRC Should be Utilized to Recover the Capital Costs of the Williams Station PFAS Remediation System

San Jose claims that reviewing this Application outside of the GRC process is necessary, because of a need for explicit project authorization prior to starting work.[26] However, a utility never needs Commission authorization to start work. The only authorization a utility needs is to change rates, and if rates should not change because a project has not yet been completed then no authorization of anything is needed or should be provided. If timing makes it difficult to incorporate forecasted costs into a GRC prior to the start of construction, then a utility can always request cost recovery in a subsequent GRC.

Applications outside the GRC process lack transparency and accountability. Piecemealed analysis and approval of costs and rate impacts is a pervasive problem that Cal Advocates has raised in other proceedings, including the pending application for Cal Water Service's PFAS compliance program.[27] With multiple rate changes occurring outside of the GRC process, the cumulative rate impact of decisions is obscured for

[24] https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M551/K015/551015430.PDF

[25] https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M497/K653/497653413.PDF

[26] Appendix 1: SJWC's Response to DR-MTN-001, Item 7 at A-9.

[27] https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M572/K574/572574517.PDF

Commission decisionmakers and ratepayers. Additionally, the difficult yet necessary process of prioritizing spending and rate impacts is mitigated for utility management.

The need for water systems to design and construct compliance solutions for newly regulated contaminants like PFAS is not uncommon. In fact, the United States Environmental Protection Agency (EPA) and the State Water Resources Control Board (SWRCB) have historically introduced new drinking water regulations on a regular basis,[28] and the SWRCB is currently in the process of developing at least five new regulations for previously unregulated contaminants.[29] Adjusting to these new directives and making system improvements for compliance is an ongoing part of doing business as a water system. The Commission must play a role in redirecting water utilities to be proactive and diligent about incorporating these costs into their GRCs rather than standalone applications.

Ultimately, San Jose has not adequately demonstrated why a separate application for PFAS is necessary. It is absolutely feasible to address the capital costs and revenue requirements for a treatment project at Williams Station in the 2030 GRC. This is supported by San Jose's supplemental testimony, filed in August 2026, which presents a modified mechanism for the annual rate increases, wherein the final annual increase for 2031 is implemented via the 2030 GRC based on forecasted 2030 capital costs, rather than via a fourth and final advice letter later in 2030.[30] San Jose should address the total capital cost of the Williams Station project in the 2030 GRC application, based on actual

[28] https://www.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/mclreview/mcls_dlrs_phgs.pdf

[29] https://www.waterboards.ca.gov/board_info/agendas/2026/mar/03032026-5.pdf

and https://waterboards.ca.gov/board_decisions/adopted_orders/resolutions/2026/rs2026-0008.pdf

[30] San Jose's Direct Testimony of Vyju Sugan, filed August 19, 2026, suggests a change to the implementation of annual rate base offsets compared to what was originally outlined in San Jose's Application at 1. Vyju Sugan's testimony at 4 indicates that the final annual rate increase, effective January 2031 (for costs incurred 2030), would be implemented via San Jose's 2030 GRC (to be filed January 2030, and therefore based on forecasted 2030 Williams Station project costs) rather than the advice letter process.

costs to date plus forecasted costs to complete the project (assuming the project will be complete during the period for which the 2030 GRC establishes rates).

This approach is consistent with traditional ratemaking and avoids piecemealing rate impacts on ratepayers for costs that have yet to produce any benefit. Ensuring capital costs are not added to rate base and do not produce shareholder profit before the project is used and useful is a fundamental aspect of rate-of-return regulation. Therefore, the Commission should deny San Jose's request to pursue rate base offsets via the Tier 2 advice letter process.

2. San Jose's 2030 GRC Must Include Forecasted Costs for O&M of the Williams Station PFAS Remediation System

In addition to capital costs, San Jose estimates that the ongoing annual O&M costs associated with the Williams Station project will be $2.25 million.[31] San Jose proposes to track certain PFAS treatment O&M expenses that may be incurred as the project is built, which it refers to as pre- and post-startup O&M costs, in its PFAS Memorandum Account and to request authorization of those costs in a future GRC application.[32] If the Commission approves tracking these pre- and post-startup O&M costs in San Jose's PFAS Memorandum Account, then to improve transparency and avoid continued piecemealing of costs, the Commission should require San Jose to forecast ongoing O&M costs for the Williams Station project in the 2030 GRC application and the proposed rates for that GRC period, rather than continuing to track O&M costs in the memorandum account.

IV. CONCLUSION

When the Commission approves standalone applications outside the GRC process, it cannot adequately balance competing priorities or determine whether the utility's overall revenue requirement is reasonable. To ensure transparency for ratepayers and avoid piecemealed rate impacts, the Commission should deny San Jose's request to

[31] Application at 4.

[32] Application at 4.

pursue rate base offsets via the Tier 2 advice letter process. San Jose can include the capital costs for this project in the 2030 GRC, or a subsequent GRC.

If the Commission does approve San Jose's proposed Tier 2 advice letter mechanism for cost recovery, the approval should include the following conditions to ensure ratepayers do not fund unreasonable capital spending and returns, and improve clarity and transparency regarding Application costs and rate impacts:

(1) Approve a capital budget for the proposed Williams Station PFAS remediation system that will serve as the budget cap against which rate base offset request(s) will be measured. The separate testimony of Zaved Sarkar (Report B) discusses capital cost adjustments and provides a recommended budget cap amount.

(2) Allow San Jose to include the following costs in its rate base offset request(s):

a. Recorded capital costs, not to exceed the Commission-approved budget cap for capital costs, plus

b. The actual cost of interest during construction.

(3) Direct San Jose to handle rate base requests as follows:

a. All recorded capital costs, including those offset by settlement or grant funds, shall be counted toward the Commission-approved budget cap.

b. Requested costs for interest during construction shall not be based on San Jose's approved rate of return, but rather a reasonable and well-supported estimate of San Jose's actual incurred debt costs directly related to financing the construction of this specific project, on a short-term basis until approved recorded costs are incorporated into rate base.

c. Any project costs that are not reflected in a Tier 2 advice letter rate base offset request submitted by the end of 2032 shall not be eligible for recovery under this Application, which is appropriate given that San Jose expects to complete construction by 2030 and given the short construction timeframe necessary for PFAS compliance.

(4) Require San Jose to file a single advice letter upon project completion to recover recorded costs in rate base and increase rates, rather than requesting to increase rates annually during construction. This will ensure that ratepayers do not fund costs, including shareholder returns, on a capital project that does not provide ratepayer benefit.

(5) Require San Jose to:

a. Forecast and reflect ongoing O&M costs for the Williams Station PFAS remediation system in the 2030 GRC application and the proposed rates for that GRC period, and

b. Cease tracking O&M costs in the PFAS Memorandum Account thereafter.

APPENDIX A

Qualification of Witness

QUALIFICATIONS AND PREPARED TESTIMONY
OF
MEGHAN TOSNEY

Q.1 Please state your name and address.

A.1 My name is Meghan Tosney, and my business address is 400 R Street, Sacramento, CA, 95811.

Q.2 By whom are you employed and what is your job title?

A.2 I am employed by the Commission's Cal Advocates Office as a Senior Utilities Engineer.

Q.3 Please describe your educational and professional experience.

A.3 I have a BS in Civil Engineering from the University of California, Los Angeles, and an MS in Civil Engineering from the University of California, Berkeley. I am licensed as a Civil Engineer by the California Board for Professional Engineers, Land Surveyors, and Geologists, and I have worked in the water sector for approximately 20 years, working both in private consulting and for the State of California.

Q.4 What is your area of responsibility in this proceeding?

A.4 I am responsible for preparing testimony on cost transparency and affordability, and San Jose's proposed budget cap and advice letter approach.

Q.5 Does that complete your prepared testimony?

A.5 Yes.

APPENDIX B

Supporting Attachments

ATTACHMENT 1: SJWC's Response to Cal Advocates' Data Request DR-MTN-001, including MTN-001.Q1.b and MTN-001.Q3.a Tab Att.10-Bill Compare

SAN JOSE WATER

June 17, 2026

Meghan Tosney
Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Response to Data Request MTN-001
Application for Approval of Cost Recovery of PFAS Compliance Program A.26-04-010

Dear Ms. Tosney:

Enclosed you will find San Jose Water Company's (SJWC) response to data request DR MTN-001 (Rate Setting and Affordability) dated May 29, 2026. The information was prepared by:

Carmelitha Bordelon
Vice President of Regulatory Affairs
(408) 914-1629
Carmelitha.Bordelon@sjwater.com

Jake Walsh
Vice President of Engineering
(408) 279-7850
Jake.Walsh@sjwater.com

SJWC will only provide responses electronically. Hard copies will not be provided.

If you have any questions, please contact me.

Very truly yours,

Carmelitha Bordelon
Vice President of Regulatory Affairs

cc: Mukunda Dawadi, Public Advocates Office
John T. Van Geffen, Public Advocates Office
Lori Ann Dolquiest, Nossaman

RESPONSES

1. San Jose's Application, page 1, indicates an affordability analysis is included.
    a. Indicate where the affordability analysis can be found within the Application or San Jose's supporting documents.

    SJWC Response: Please see response to 1(b).

    b. If the affordability analysis was omitted, provide a copy and indicate whether you will be amending your Application to include it.

    SJWC Response: Please see Attachment "MTN-001 Q1.b. - PFAS Affordability Metrics Report". SJWC will be amending its application to include this analysis.

2. San Jose's Application, page 1, indicates San Jose is requesting authorization to design and construct treatment at Williams station, to track associated capital and operations and maintenance costs for recovery, and to adjust rates via annual rate base offsets.

    a. At page 1 of the Application, San Jose indicates it "seeks authorization to increase rates to fund its PFAS Compliance Program." Provide a narrative explanation whether San Jose is requesting direct authorization of any rate increases prior to the annual rate base offset filings, or if formal authorization to increase rates would occur in the future through Commission consideration of the annual rate base offset filings. If the former, identify each rate increase and provide a description of why the increase(s) is requested prior to the annual rate base offset filings.

    SJWC Response: San Jose Water is not requesting direct authorization of any rate increase prior to the annual rate base offset filings. Rather, the Application seeks approval of the PFAS Compliance Program and the related ratemaking mechanism, under which San Jose Water would request recovery through future annual rate base offset filings.

    The Application states that San Jose Water seeks authorization to design and construct treatment at Williams Station, track associated capital and O&M costs for recovery, and adjust rates through annual rate base offset filings. It further states that recovery would occur through annual Tier II advice letters based on recorded costs, net of any litigation proceeds or grants.

    b. At page 4 of the Application, San Jose requests to recover costs through an annual Tier II advice letter. Please clarify if this proposed approach is based on General Order 96-B Water Industry Rule 7.3.3(8), which provides for Tier II staff disposition of rate base offsets when the project scope is consistent with a prior Commission approval and the requested rate base offset is at or below the Commission-approved budget cap.
        i. If San Jose's request is based on General Order 96-B Water Industry Rule 7.3.3(8), address the following questions:

1. Given that the rate base offsets would be requested prior to completion of the Williams Station treatment project, please explain what Commission-approved annual budget cap will be utilized for each annual Tier II advice letter process.

   SJWC Response: The Application does not identify a Commission-approved annual budget cap for use in each annual Tier II advice letter. The only budget amount identified in the Application is the total estimated capital cost of approximately $156 million (2026 dollars) for the Williams Station PFAS project.

2. If San Jose is not proposing to utilize an annual budget cap, provide a narrative response explaining how the information in the annual Tier II advice letters will be conveyed to facilitate staff review of construction progress to confirm the project will ultimately be completed timely and consistent with the Commission-approved project scope and budget without cost overruns.

SJWC Response: SJWC is not proposing a separate annual budget cap. The total project costs of $156,269,520 (2026 dollars), as presented in Table 6 of the Project Justification, serve as the total estimated against which cumulative rate base offsets are measured, with actual recovery based on recorded costs and subject to the Commission's reasonableness review. For each annual Tier II advice letter, SJWC will provide supporting information sufficient for Commission staff to review how the project is progressing on schedule, scope, and budget. Specifically, each advice letter will include:

(1) **Recorded Cost Summary**, presenting actual recorded capital costs to date broken down by major cost categories and reconciled against the Commission approved budget and prior advice letter;

(2) **Construction Progress Reporting**, providing the percent complete measured against the construction schedule of the winning bidder, the status of key milestones, a narrative of work performed during the reporting period, and confirmation that the work remains consistent with the Commission approved project scope; and

(3) **Cost Control and Variance Narrative**, a summary of executed change orders, contingency utilization, and any variance of recorded costs against the budget, with an explanation of the cause of any material variance and the measures taken to keep the project within the approved budget.

ii. If General Order 96-B Water Industry Rule 7.3.3(8) is not the basis, please explain the alternative legal or regulatory basis for utilizing a Tier II advice letter.

SJWC Response: GO 96-B is the basis therefore there is no alternative.

3. San Jose Application, page 5, indicates that a single rate base offset filed upon completion of the project is less beneficial to customers than the proposed annual offsets because a single rate base offset will result in "higher overall costs from the compounding of interest leading to one significant rate increase upon completion."

   a. Quantify this purported increase in overall costs, and provide relevant workpapers, including data, calculations, and analysis supporting this conclusion.

      SJWC Response: San Jose Water has quantified the difference between the proposed annual rate base offset approach and a single offset upon project completion in the attached response "MTN-001.Q3.a – Financial Workpapers". Under the proposed annual-offset approach, the PFAS project would be recovered through annual revenue requirement increments of $3,628,207 in 2028, $12,468,520 in 2029, $7,560,672 in 2030, and $1,514,341 in 2031, for a cumulative annualized revenue requirement of $25,171,741 (shown in tab Att.1-2 – Rate Base Offset).

      The same workpapers also include an alternative single-offset-at-completion scenario in "Alt Rate calc 2031." Under the alternative single-offset-at-completion scenario shown in the workpapers, the total annualized revenue increase would be $27,161,837, equivalent to approximately 4.43% of base revenues, compared to approximately 4.11% under the staged annual-offset approach. The difference between the two approaches is $1,990,096 or approximately 7.91% relative to the staged annual-offset approach. If we review the bill comparison tab customer bill impacts have been included. The bill comparison tab shows 10 ccf / 3/4-inch customer (shown on tab Att.10-Bill Compare of the attached workpaper): If the purpose is to compare the single-offset scenario versus the staged annual-offset scenario, the cleaner customer-level comparison is not just that the alternative bill is $6.22/month above current rates, but also that it is approximately $0.46/month higher than the staged 2031 bill:

      - staged 2026/2027 rates = $143.59
      - staged 2031 rates with yearly AL filing = $149.36
      - alternative 2031 one-time rate change with compounded interest = $149.81

      Difference if compounded interest is used for a one-time rate increase ≈ $6.22/month.

      Difference if simple interest is used for multi-year advice letter filing rate increase ≈ $0.46/month.

The workpapers further show that this difference is driven by the fact that, under the single-offset scenario, the entire project cost remains unrecovered until completion and is therefore subject to additional financing and carrying-cost effects. The annual-offset workpapers calculate recovery based on annual additions, depreciation reserve adjustments, net additions to rate base, authorized return, depreciation expense,

4. San Jose Application, page 4, indicates the $156 million total capital costs of the project is inclusive of costs for design and construction. The *2024 Settlement Agreement Between the Public Advocates Office and San Jose Water Company*[1] included in rates $5,950,000 in capital costs to design the William Station PFAS treatment project (budgeted 2024-2026).
    a. Explain how these already authorized costs will be excluded from the proposed annual rate base offsets to avoid duplication of costs and associated rate impacts.

    SJWC Response: The 2024 Settlement Agreement did not authorize funding for any specific project, including the William Station PFAS treatment design. It approved an aggregate capital budget, within which SJWC retains discretion to allocate spending among projects as needed. Accordingly, the $5.95 million cited by Cal Advocates was not project-specific authorization, but part of a forecasted capital program used to set rates. During the 2024–2026 period, those forecasted funds were used to address other capital needs as they arose, consistent with that discretion. As a result, there is no duplication associated with the proposed rate base offsets, and those design costs are appropriately included as part of this filing.

5. San Jose Application, page 5, indicates that the projected revenue and rate impacts in the Application do not reflect offsetting grants or settlement funds, despite receipt of nearly $17 million in settlement funds to date.

    a. Provide a narrative explanation of how San Jose plans to utilize the settlement proceeds based on currently available information. For example, clarify whether San Jose plans to prioritize the settlement proceeds toward offsetting capital costs, operations and maintenance costs, or some other need, and whether San Jose plans to prioritize the settlement proceeds toward offsetting costs included in this Application, or future costs for other PFAS projects.

    SJWC Response: San Jose Water intends to apply PFAS settlement proceeds as a direct offset to capital costs associated with the Williams Station PFAS Compliance Program that is the subject of this Application. The Application states that San Jose Water has received nearly $17 million in PFAS settlement proceeds to date, that those funds are being tracked in the Water Contamination Litigation Memorandum Account, and that they "will be used to offset capital costs of the project." Consistent

[1] [2] A.24-01-001, San Jose Compliance Filing of Corrected Settlement Agreement, filed September 27, 2024, Appendix 2 Capital Improvement Budget (Available at: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M551/K015/551015430.PDF)

with that proposal, San Jose Water's current ratemaking approach is to treat settlement proceeds as a credit against gross project capital cost, thereby reducing the amount of utility-financed plant investment eligible for inclusion in rate base and reducing the corresponding revenue requirement recovered from customers. This has been reflected in the workpapers attached to the application.

San Jose Water is not currently proposing to prioritize those settlement proceeds toward operations and maintenance expense recovery. The Application separately provides that pre- and post-startup PFAS-related O&M costs will be tracked in the PFAS Memorandum Account and addressed through the applicable ratemaking process. Accordingly, based on the current record, settlement proceeds are intended to be applied first to capital cost mitigation, not O&M.

With respect to project scope, the Application expressly ties the settlement proceeds received to date to the Williams Station PFAS project included in this Application. While San Jose Water may evaluate the use of future settlement proceeds for other PFAS compliance needs as additional projects are developed, the presently stated intent is to use available proceeds to offset the capital costs of the project at issue here, thereby reducing future rate base offsets, revenue requirement, and resulting customer rate impacts.

b. To the extent not addressed in the previous question, provide an estimate of how much of the settlement funds received to date will be used to reduce rate base offsets associated with the $156 million in capital costs outlined in this Application.

SJWC Response: The Company estimates that substantially all PFAS settlement proceeds received to date will be applied to reduce the capital cost of the Williams Station PFAS project and, correspondingly, the rate base offsets associated with the approximately $156 million capital program identified in this Application.

In addition to the nearly $17 million received to date, the workpapers project approximately $5.54 million of additional settlement receipts through 2030. Those funds will be used to offset capital costs of the project. Consistent with that representation, the supporting financial workpapers reflect settlement amounts as a capital offset, rather than as recovery for O&M or another purpose. Under this approach, the settlement proceeds function as a credit against gross project cost, thereby reducing the amount of utility-funded plant investment eligible for inclusion in rate base and lowering the resulting revenue requirement recovered from customers.

Accordingly, San Jose Water's current estimate is that approximately $17 million, subject to confirmation of final recorded amounts, will be used to reduce recoverable capital costs associated with the Williams Station PFAS project. To the extent the final amount applied differs from the current estimate, the amount reflected in rate base offset filings will be based on actual recorded settlement proceeds applied to project capital costs at the time of each filing.

c. Please confirm if reductions to rate base offsets as a result of applying settlement funds will be reflected in each annual rate base offset filing to reduce the revenue and rate impacts compared to the projected amounts in the Application.

SJWC Response: Yes. To the extent settlement proceeds or grant funds have been received and applied to project costs, those amounts will be reflected in each annual rate base offset filing. As a ratemaking matter, such offsets reduce revenue requirement by reducing the amount of utility-financed plant investment eligible for inclusion in rate base. Stated differently, settlement proceeds, and grant funding are applied as a credit against gross project capital cost, which lowers the project's net plant additions. Because rate base offsets are calculated on net plant additions, application of those offsets correspondingly reduces the associated return on rate base, depreciation expense, ad valorem taxes, and related net-to-gross revenue requirement. The result is a lower requested revenue requirement and lower resulting rate impacts than would occur if recovery were based on gross project cost.

The Application states that settlement proceeds will be used to offset capital costs of the project and that the revenue and rate impacts ultimately requested will reflect actual incurred costs, as further offset by litigation proceeds and grants, when available. Consistent with that proposal, each future annual advice letter filing will reflect the net recoverable capital cost of the project at the time of filing, after giving effect to any settlement proceeds or grant funding then available and applied. Accordingly, future filings will reflect such offsets and will reduce the requested rate base offsets, revenue requirement, and rate impacts relative to the projected gross amounts shown in the Application.

6. San Jose Application, pages 11 and 12, lists forecasted rate changes associated with the proposed project, broken down into annual increases for 2028 through 2031. Application, Exhibit D, indicates an estimated average bill change for residential customers of 4.05% or $5.76 per month.
   a. Confirm whether this estimated 4.05% increase is the cumulative increase based on San Jose's projected annual increases for 2028 through 2031.

SJWC Response: Yes. The 4.05% figure reflects the cumulative annual projected percentage increases for 2028–2031. Specifically, the Application identifies projected annual revenue/rate increases of 0.59% for 2028, 2.02% for 2029, 1.20% for 2030, and 0.24% for 2031. In the aggregate, those annual projected increases equal 4.05%, which corresponds to the estimate presented in Exhibit D. The illustrative residential bill comparison likewise shows a typical monthly bill increasing from $143.59 under current rates to $149.36 by 2031, which is directionally consistent with the stated 4.05% / $5.77 per month impact, with any minor variance attributable to rounding of displayed bill figures and percentage values.

Accordingly, the 4.05% figure reflects the projected cumulative bill impact through 2031 associated with the proposed annual rate base offset mechanism.

7. Aside from San Jose's stated desire to receive explicit Commission authorization to construct the William Station treatment system prior to the start of construction (anticipated early 2027), please provide a narrative explanation regarding any other

reasons it would be infeasible to include the design and construction costs outlined in this Application in San Jose's next General Rate Case, which will be filed January 2027, for authorization of rate increases for 2028 through 2030 (which is consistent with the timeline of rate increases outlined at pages 11 and 12 of the Application), based on forecasted capital budgets for 2027 through 2029.

SJWC Response: Beyond the need for explicit construction authorization, deferring this project to the January 2027 GRC is infeasible because the timing does not work and the GRC mechanism does not fit a compliance driven project of this scale.

The PFAS MCLs impose a nondiscretionary federal deadline. The project must be bid in Q4 2026 and under construction in Q1 2027, which requires Commission approval by year-end 2026, as discussed in SJWC's Application on page 3. The 2027 GRC, filed January 1, 2027, would not yield a decision until late 2027 at the earliest under the Commission's Rate Case Plan, well after the project must be under contract and construction is underway. In contrast, this application targets a final decision in December 2026. Folding the project into the GRC would force SJWC either to commit to construction with no approved means of recovery or to delay the project past the compliance deadline, neither of which is a prudent course of action.

The size and uniqueness of the project also make annual recovery the better fit. At approximately $156 million, this is a single, large capital project, built and placed into service over several years. A GRC would set rates on a forecast fixed years in advance and recover the full cost in one step. Recovering through annual Tier II advice letters at recorded cost instead allows rates to track actual construction spending as it occurs, subject to the Commission's reasonableness review at each filing. This approach recovers costs incrementally as plant is placed in service rather than in a single increase upon completion, which avoids the compounding of interest during construction and the resulting rate impact on customers, and ensures customers pay only what is actually and prudently spent. The annual mechanism is also the same approach SJWC uses for its Advanced Metering Infrastructure project and previously used for the Montevina Water Treatment Plant Upgrade.

End Request

Water Service Affordability Metrics Report

Supporting the

Application of San Jose Water Company (U 168 W)

for Approval of Cost Recovery

for PFAS Remediation

Prepared by

M.Cubed

March 20, 2026

M.CUBED
POLICY ANALYSIS FOR THE PUBLIC AND PRIVATE SECTORS

A-1

Contents

1 Introduction

San Jose Water Company ("San Jose Water" or "Company") has filed an application with the California Public Utilities Commission ("Commission") seeking authorization to recover the costs associated with its Polyfluoroalkyl Substances ("PFAS") Compliance Program. This program is necessary to ensure compliance with newly established state and federal drinking water standards, including Maximum Contaminant Levels for PFAS compounds, and to maintain the continued provision of safe and reliable water service to customers.

The proposed PFAS remediation investments—most notably the construction of treatment facilities at the Williams Station—represent a significant capital undertaking with associated ongoing operation and maintenance costs. As reflected in the application, recovery of these costs will result in incremental increases in customer rates over the 2027–2031 period.

Consistent with Decision 22-08-023, which established a standardized framework for evaluating utility service affordability, this report presents an assessment of the affordability impacts associated with the proposed rate changes. Specifically, the report evaluates three Commission-adopted affordability metrics: (1) Affordability Ratio at the 20th percentile income level (AR20), (2) Affordability Ratio at the 50th percentile income level (AR50), and (3) Hours at Minimum Wage (HM). These metrics measure the relationship between water service costs and household financial capacity, providing insight into the potential burden of rate changes across different income levels.

The analysis compares affordability outcomes under current rates and under proposed rates that incorporate PFAS remediation cost recovery for the years 2027 through 2031. The AR20 and AR50 metrics are presented for the years 2027 through 2030, consistent with the range supported by the Commission's affordability ratio calculator, while the Hours at Minimum Wage metric is presented for the full 2027 through 2031 period. Metrics are provided for both average and essential levels of water use, consistent with Commission guidance and prior reporting practices.

The purpose of this report is to inform the Commission's consideration of whether the proposed rate increases are reasonable in light of affordability impacts, and to support the evaluation of the application under the Commission's affordability and Environmental and Social Justice policies.

2 Residential Bills at Average and Essential Service Levels

Residential bills at average and essential service levels were provided by San Jose Water for both current and proposed rates. The average monthly residential usage level is 10 centum cubic feet ("CCF"), while the essential usage level is 6 CCF, consistent with Decision 22-08-023. These bill amounts are summarized in Table 1 and serve as the basis for the affordability metric calculations.

At the average usage level, the proposed PFAS-related rate adjustments result in monthly bill increases ranging from $0.83 to $2.86 over the 2028–2030 period, with no change in 2027 and a smaller increase in 2031. At the essential usage level, the pattern is similar, with monthly bill increases ranging from $0.65 to $2.24 over the same period. In percentage terms, the increases range from 0.6 percent to 2.0 percent relative to current rates, with the largest increase occurring in 2029.

These relatively small changes in monthly bills provide the foundation for the affordability metric results presented in subsequent sections.

Table 1. Residential Bills at Average and Essential Service Levels

Residential Bill at Average Use (10 CCF)					
Rates	**2027**	**2028**	**2029**	**2030**	**2031**
Current	$143.59	$143.59	$144.43	$147.29	$149.01
Proposed	$143.59	$144.43	$147.29	$149.01	$149.36
Difference	$0.00	$0.83	$2.86	$1.72	$0.35
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

Residential Bill at Essential Service Level (6 CCF)					
Rates	**2027**	**2028**	**2029**	**2030**	**2031**
Current	$113.35	$113.35	$114.00	$116.24	$117.58
Proposed	$113.35	$114.00	$116.24	$117.58	$117.86
Difference	$0.00	$0.65	$2.24	$1.34	$0.27
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

3 Prevailing Minimum Wage

Prevailing minimum wage rates were compiled for the cities and unincorporated areas within San Jose Water's service territory. All jurisdictions included in this analysis incorporate automatic annual adjustments tied to the Consumer Price Index ("CPI"). To account for this escalation, the

analysis applies the Consumer Price Index- for all Urban Consumers ("CPI-U")[1] adjustment factors embedded in the Commission's Affordability Ratio Calculator ("ARC").

Because the ARC produces escalation factors only through 2030, the 2030 CPI-U adjustment factor is also applied to 2031 for purposes of this analysis. The prevailing and forecasted minimum wage rates are summarized in Table 2 and serve as the basis for calculating the Hours at Minimum Wage ("HM") affordability metric.

As shown in Table 2, minimum wage levels are projected to increase steadily over the study period. These increases play an important role in the HM metric results, as rising wage levels offset a portion of the increases in water bills over time.

Table 2. Prevailing and Forecast Minimum Wage Rates by Jurisdiction

Jurisdiction	Prevailing 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031
San Jose	$18.45	$19.00	$19.52	$20.06	$20.62	$21.19
Cupertino	$18.70	$19.25	$19.79	$20.33	$20.90	$21.48
Campbell	$16.90	$17.40	$17.88	$18.38	$18.89	$19.41
Monte Sereno	$16.90	$17.40	$17.88	$18.38	$18.89	$19.41
Saratoga	$16.90	$17.40	$17.88	$18.38	$18.89	$19.41
Los Gatos	$16.90	$17.40	$17.88	$18.38	$18.89	$19.41
Unincorporated	$16.90	$17.40	$17.88	$18.38	$18.89	$19.41
CPI-U Escalator	1.000	1.030	1.028	1.028	1.028	1.028

4 CPUC Affordability Ratio Calculator

The Affordability Ratio ("AR") at the 20th percentile income level (AR20) and at the 50th percentile income level (AR50) measures the cost of water service as a percentage of household income for representative low- and median-income households, respectively. In both cases, the metric is calculated as the ratio of the monthly water bill to household income net of housing costs and other essential utility expenses. AR20 reflects affordability conditions for lower-income households, while AR50 provides a benchmark for the broader population. These metrics are evaluated at both average and essential levels of water use.

Consistent with Commission requirements, AR20 and AR50 values in this report are calculated using the CPUC's ARC. The ARC is a standardized tool that combines utility bill inputs with income,

[1] https://www.bls.gov/cpi/overview.htm

housing cost, and essential utility expenditure data derived from the U.S. Census Bureau's American Community Survey at the Public Use Microdata Area ("PUMA") level. The tool computes affordability metrics at the census tract level and aggregates results to broader geographic areas using population-weighted averages. This approach ensures that affordability metrics reflect regional variation in income and cost-of-living conditions within the service area.

The current version of the ARC (November 2024 draft) is based on a 2023 analysis year and includes embedded escalation factors for income, housing costs, and other inputs used to project affordability metrics over time. However, the calculator produces outputs only through 2030. Accordingly, AR20 and AR50 metrics in this analysis are presented for the years 2027 through 2030, consistent with the range supported by the ARC.

5 Affordability Metric Results

The affordability metrics for the average and essential service levels under the current and proposed rates are provided in this section. The HM metric results are provided first, followed by the AR metric results.

5.1 HM under Current and Proposed Rates

The HM metrics for average and essential service levels are summarized in Tables 3 and 4, respectively.

Across all jurisdictions, the proposed PFAS-related rate adjustments result in modest increases in the number of hours at minimum wage required to pay for monthly water service. At the average use level (10 CCF), HM values increase between 0.04 and 0.16 hours at their peak in 2029, corresponding to percentage increases of approximately 0.6 percent to 2.0 percent relative to current rates. Similar patterns are observed at the essential use level (6 CCF), where HM increases range from 0.04 to 0.12 hours at their peak.

In all cases, the incremental increases are small in absolute terms, generally amounting to a few minutes of additional work at minimum wage per month. The largest impacts occur in 2029, corresponding to the year with the highest incremental rate change, after which the differences decline in 2030 and 2031.

The overall trajectory of HM values declines over time under both current and proposed rates, reflecting projected increases in minimum wage levels that outpace growth in water bills. As a result, while the proposed rates modestly increase the HM metric relative to current rates, they do not materially alter the overall trend of improving affordability over the study period.

Table 3. HM Affordability Metric Results for the Average Service Level (10 CCF)

San Jose	2027	2028	2029	2030	2031
Current	7.56	7.36	7.20	7.14	7.03
Proposed	7.56	7.40	7.34	7.23	7.05
Difference	0.00	0.04	0.14	0.08	0.02
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

Cupertino	2027	2028	2029	2030	2031
Current	7.46	7.26	7.10	7.05	6.94
Proposed	7.46	7.30	7.24	7.13	6.95
Difference	0.00	0.04	0.14	0.08	0.02
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

Rest of Service Area	2027	2028	2029	2030	2031
Current	8.25	8.03	7.86	7.80	7.68
Proposed	8.25	8.08	8.02	7.89	7.69
Difference	0.00	0.05	0.16	0.09	0.02
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

Table 4. HM Affordability Metric Results for the Essential Service Level (6 CCF)

San Jose	2027	2028	2029	2030	2031
Current	5.97	5.81	5.68	5.64	5.55
Proposed	5.97	5.84	5.79	5.70	5.56
Difference	0.00	0.03	0.11	0.06	0.01
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

Cupertino	2027	2028	2029	2030	2031
Current	5.89	5.73	5.61	5.56	5.47
Proposed	5.89	5.76	5.72	5.63	5.49
Difference	0.00	0.03	0.11	0.06	0.01
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

Rest of Service Area	2027	2028	2029	2030	2031
Current	6.51	6.34	6.20	6.15	6.06
Proposed	6.51	6.38	6.33	6.23	6.07
Difference	0.00	0.04	0.12	0.07	0.01
% Difference	0.0%	0.6%	2.0%	1.2%	0.2%

5.2 AR under Current and Proposed Rates

The AR20 and AR50 metrics for average and essential service levels are summarized in Tables 5 and 6, respectively.

Across both usage levels, the proposed PFAS-related rate adjustments result in very small increases in affordability ratios relative to current rates. At the average use level (10 CCF), AR20 increases by up to 0.15 percentage points at its peak in 2029, while AR50 increases by up to 0.03 percentage points. At the essential use level (6 CCF), AR20 increases by up to 0.11 percentage points and AR50 by up to 0.02 percentage points. In percentage terms, these changes range from approximately 0.6 percent to 2.0 percent relative to current rates.

As with the HM metric, the largest incremental impacts occur in 2029, corresponding to the year with the highest rate increase, with smaller differences in the surrounding years. Across all cases, the differences between current and proposed rates are small in absolute terms.

The overall pattern of AR values remains largely unchanged under the proposed rates. AR20 values remain in the range of approximately 7.4 to 7.6 percent at average use and 5.8 to 6.0 percent at essential use, while AR50 values remain in the range of approximately 1.5 percent at average use

and 1.2 percent at essential use. These results indicate that the proposed PFAS-related rate adjustments have a minimal effect on affordability outcomes as measured by the Commission's AR metrics.

Table 5. AR Affordability Metric Results for the Average Service Level (10 CCF)

AR20	2027	2028	2029	2030
Current	7.48%	7.41%	7.38%	7.57%
Proposed	7.48%	7.45%	7.53%	7.66%
% Difference	0.0%	0.6%	2.0%	1.2%

AR50	2027	2028	2029	2030
Current	1.54%	1.51%	1.49%	1.52%
Proposed	1.54%	1.52%	1.52%	1.54%
% Difference	0.0%	0.6%	2.0%	1.2%

Table 6. AR Affordability Metric Results for the Essential Service Level (6 CCF)

AR20	2027	2028	2029	2030
Current	5.90%	5.85%	5.83%	5.97%
Proposed	5.90%	5.88%	5.94%	6.04%
% Difference	0.0%	0.6%	2.0%	1.2%

AR50	2027	2028	2029	2030
Current	1.22%	1.19%	1.17%	1.20%
Proposed	1.22%	1.20%	1.20%	1.21%
% Difference	0.0%	0.6%	2.0%	1.2%

6 Discussion

The results presented in Section 5 indicate that the proposed PFAS-related rate adjustments have only a minimal effect on water service affordability across all three Commission-adopted metrics. For both average and essential service levels, the increases in monthly bills are modest, and the resulting changes in HM, AR20, and AR50 metrics are correspondingly small. In all cases, the largest impacts occur in 2029 and remain at or below two percent relative to current rates.

In absolute terms, the observed changes in affordability metrics are very small. For the HM metric, the increases amount to only a few minutes of additional work at minimum wage per month. For the AR metrics, the changes are on the order of one-tenth of a percentage point. These magnitudes indicate that the proposed rate adjustments do not materially alter the overall affordability profile of water service in the Company's service area.

It is also important to interpret these results in the context of the underlying data and methodology used to calculate the AR metrics. The Affordability Ratio Calculator relies on income, housing cost, and expenditure data derived from the American Community Survey at the PUMA level, which are subject to inherent sampling variability and model uncertainty. While the Commission has adopted this framework for consistency across proceedings, the precision of the resulting affordability estimates is necessarily limited by the resolution and statistical uncertainty of the underlying data.

In this context, the differences observed between current and proposed AR metrics—generally on the order of a tenth of a percentage point—are small relative to the likely margin of error associated with the estimates themselves. That is, the uncertainty inherent in the underlying data and modeling framework is likely an order of magnitude greater than the incremental changes attributable to the proposed PFAS-related rate adjustments.

Taken together, these findings indicate that while the proposed rate increases are measurable within the Commission's affordability framework, their effect on affordability outcomes is minimal. The results are therefore consistent with the conclusion that the proposed PFAS Compliance Program can be implemented without materially affecting the affordability of water service for customers, while advancing the critical objective of maintaining safe and reliable drinking water supplies in compliance with state and federal standards.

Qualifications

POLICY ANALYSIS
FOR THE
PUBLIC AND PRIVATE
SECTORS
M.CUBED

5358 MILES AVENUE
OAKLAND, CA 94618
PH: 510-547-4369
FX: 510-547-3002
MITCHELL@MCUBED-ECON.COM

David Mitchell

Education

MS, Agricultural and Natural Resource Economics, University of California, Berkeley, 1989

BS, Political Economy of Natural Resources, University of California, Berkeley, 1987

Years Experience

Thirty years of professional experience

Distinguishing Qualifications

- Founder and principal of economic consulting firm, M.Cubed
- Director of Research for the California Urban Water Conservation Council 1992-2007
- Thirty years of experience developing integrated water management plans for California's urban water suppliers
- Pioneered methods and analytical models now widely used to evaluate urban water conservation programs throughout California
- Lead economist for cost and finance studies of major environmental restoration initiatives, including the CALFED Bay-Delta Program, Bay Delta Conservation Plan, Lake Tahoe Environmental Improvement Program, and Santa Ana River HCP
- Extensive experience evaluating policies, programs, and natural phenomena impacting California's agricultural economy
- Adjunct Fellow Public Policy Institute of California

Relevant Experience

Mr. Mitchell has in-depth knowledge of the water supply, water quality and environmental management challenges confronting resource management agencies in the western United States. His practice areas include benefit-cost analysis, regional economic impact assessment, utility rate setting and financial planning, natural resource valuation, water demand forecasting, and water conservation program evaluation and planning. He has 30 years of experience using statistical and economic methods and models to help guide water resources management and investment decisions. He has been deeply involved in urban water conservation planning and evaluation since he became the California Urban Water Conservation Council's first Project Manager and Director of Research back in 1993. Serving for 15 years in this capacity, he has had a direct hand in shaping many of the policies and technical resources guiding urban conservation in California, including revisions to existing and creation of new urban water conservation Best Management

Practices (BMPs), development of BMP implementation guidebooks, cost-effectiveness guidelines and models, conservation rate guidelines, and design and oversight of numerous program evaluation studies. At the state level, he has provided economic modeling support to the California Water Fix, Bay Delta Conservation Plan, Delta Risk Management Strategy, CALFED Program. He has worked on numerous regional water planning efforts, including Sonoma County Water Agency's Fish Habitat Flows and Water Rights Project, EBMUD's 2040 Water Supply Master Plan, Contra Costa Water District's Future Water Supply Study Update, Sonoma County Water Agency's Water Supply, Transmission, and Reliability Project, and Metropolitan Water District's 2000 and 2005 Urban Water Management Plans. Mr. Mitchell has provided written and oral testimony in legal and regulatory proceedings concerned with the valuation and pricing of environmental resources. Water right valuations prepared by Mr. Mitchell have supported damage judgments in legal proceedings and have supported negotiated leases and sales of water.

Representative Projects

California Water Service 2021 General Rate Case Sales Forecast Testimony
California Water Service (2021-2022)
Prepared class-level sales forecasts for California Water Service's 24 service districts for Test Year 2023 and Forecast Years 2024 and 2025. The forecasts are built up from forecasts of average use per customer and projections of total customers. The forecasts of average use per customer are derived from econometric models of average water use that account for the effects of climate and weather, strength of the economy, cost of water, passive and active conservation, and drought effects and recovery. The forecasts provided the basis for California Water Service's 2021 Rate Filing before the CPUC.

San Jose Water Company 2020 General Rate Case Sales Forecast Testimony
San Jose Water Company (2020-2021)
Prepared class-level sales forecasts for San Jose Water Company for Test Year 2022 and Forecast Years 2023 and 2024. The forecasts are built up from forecasts of average use per customer and projections of total customers. The forecasts of average use per customer are derived from econometric models of average water use that account for the effects of climate and weather, strength of the economy, cost of water, passive and active conservation, and drought effects and recovery. The forecasts provided the basis for San Jose Water Company's 2020 Rate Filing before the CPUC.

California American 2019 General Rate Case Sales Forecast Testimony
San Jose Water Company (2019)
Prepared class-level sales forecasts for California American service areas for Test Year 2021 and Forecast Years 2022 and 2023. The forecasts are built up from forecasts of average use per customer and projections of total customers. The forecasts of average use per customer are derived from econometric models of average water use that account for the effects of climate and weather, strength of the economy, cost of water, passive and active conservation, and drought effects and recovery. The forecasts provided the basis for California American's 2019 Rate Filing before the CPUC.

California Water Service 2018 General Rate Case Sales Forecast Testimony
California Water Service (2018)

Prepared class-level sales forecasts for California Water Service's 24 service districts for Test Year 2020 and Forecast Years 2021 and 2022. The forecasts are built up from forecasts of average use per customer and projections of total customers. The forecasts of average use per customer are derived from econometric models of average water use that account for the effects of climate and weather, strength of the economy, cost of water, passive and active conservation, and drought effects and recovery. The forecasts provided the basis for California Water Service's 2018 Rate Filing before the CPUC.

Hawaii Water Service 2017 General Rate Case Conservation Program Testimony
Hawaii Water Service (2017)
Prepared district-level demand forecasts and conservation program designs, budget justifications, and staffing recommendations for the Ka'anapali and Waikoloa water service districts operated by Hawaii Water Service.

San Jose Water Company 2017 General Rate Case Sales Forecast Testimony
San Jose Water Company (2017)
Prepared class-level sales forecasts for San Jose Water Company for Test Year 2019 and Forecast Years 2020 and 2021. The forecasts are built up from forecasts of average use per customer and projections of total customers. The forecasts of average use per customer are derived from econometric models of average water use that account for the effects of climate and weather, strength of the economy, cost of water, passive and active conservation, and drought effects and recovery. The forecasts provided the basis for San Jose Water Company's 2017 Rate Filing before the CPUC.

California Water Service 2015 General Rate Case Sales Forecast Testimony
California Water Service (2015)
Prepared class-level sales forecasts for California Water Service's 24 service districts for Test Year 2017 and Forecast Years 2018 and 2019. The forecasts are built up from forecasts of average use per customer and projections of total customers. The forecasts of average use per customer are derived from econometric models of average water use that account for the effects of climate and weather, strength of the economy, cost of water, and passive and active conservation. The forecasts provided the basis for California Water Service's 2015 Rate Filing before the CPUC.

California Water Service 2021 General Rate Case Conservation Program Testimony
California Water Service (2021)
Prepared district-level conservation program designs, budget justifications, and staffing recommendations for 24 water service districts operated by California Water Service.

California Water Service 2018 General Rate Case Conservation Program Testimony
California Water Service (2018)
Prepared district-level conservation program designs, budget justifications, and staffing recommendations for 24 water service districts operated by California Water Service.

California Water Service 2015 General Rate Case Conservation Program Testimony
California Water Service (2015)

Prepared district-level conservation program designs, budget justifications, and staffing recommendations for 24 water service districts operated by California Water Service.

California Water Service 2012 General Rate Case Conservation Program Testimony
California Water Service (2012)
Prepared district-level conservation program designs, budget justifications, and staffing recommendations for 24 water service districts operated by California Water Service.

Paying for Water in California
Public Policy Institute of California (2014)
Co-author of report on funding gaps in California's water management systems, including safe drinking water in small, disadvantaged communities, flood protection, ecosystem management, integrated water management, and stormwater and polluted runoff management. Identified magnitude of funding gaps in each management area and proposed policy reforms to address these gaps. Report download: http://www.ppic.org/publication/paying-for-water-in-california/

Building Drought Resilience in California's Cities and Suburbs
Public Policy Institute of California (2017)
Primary author of report examining California's cities and suburbs responses to recent droughts and local and state government's evolving roles in urban drought management. From a policy context, the report examines key areas for improving urban drought resilience, including coordinating water shortage contingency planning and implementation, fostering water system flexibility and integration, improving water supplier fiscal resilience, addressing water shortages in vulnerable communities and ecosystems, and balancing long-term water use efficiency and drought resilience. Report download:
http://www.ppic.org/publication/building-drought-resilience-californias-cities-suburbs/

Managing Drought in a Changing Climate: Four Essential Reforms
Public Policy Institute of California (2018)
Co-author of report examining how hotter temperatures, shrinking snowpack, shorter and more intense wet seasons, and more volatile precipitation will stress the state's water management systems. The report provide a road map of essential reforms to prepare for and respond to droughts in California's changing climate. Key reforms include stronger drought planning, upgrades to state's water grid, improved water allocation rules, and development of new funding sources. Report download: http://www.ppic.org/publication/managing-drought-in-a-changing-climate-four-essential-reforms/

Model Design and Programming, Alliance for Water Efficiency Sales Forecasting and Rate Model
Alliance for Water Efficiency (2014)
With A&N Technical Services, developed the AWE Sales Forecasting and Rate Model, a new analytical tool that can explicitly model the effects of rate structures on urban water use. Typical water rate models assume that future sales are known with certainty, and do not respond to price, weather, the economy, or supply shortages — that is to say, not the world we live in. The AWE Sales Forecasting and Rate Model addresses this deficiency and enables analysis of the following: Customer Consumption Variability - weather, drought/shortage, or external shock;

Demand Response – Predicting future block sales (volume and revenue) with empirical price elasticities; Drought Pricing – Contingency planning for revenue neutrality; Probability Management – Risk theoretic simulation of revenue risks; Fiscal Sustainability – Sales forecasting over a 5 Year Time Horizon. Built in Excel with an extensive visual basic backend, the model's rate design and revenue simulation modules allow for a wide range of analyses of alternative rate designs.

2027 Bill Comparison

Bill Comparison Uniform Rates 3/4-Inch Meter				
Usage (ccf)	Current Rates AL 621A	Proposed Rates Jan-27	Increase	Increase
5	$108.28	$108.28	0.00%	$0.00
10	$143.59	$143.59	0.00%	$0.00
11	$151.16	$151.16	0.00%	$0.00
15	$202.04	$202.04	0.00%	$0.00
20	$274.26	$274.26	0.00%	$0.00
30	$418.68	$418.68	0.00%	$0.00
50	$707.53	$707.53	0.00%	$0.00
100	$1,429.65	$1,429.65	0.00%	$0.00

	Calculation for 10 ccf (Residential Tier Rate)		
6		Jan 1, 2026	Jan 1, 2027
4		AL621A	
10			
	Tier 1	$4.7924	$4.7924
	Tier 2	$7.1528	$7.1528
	Tier 3	$13.6618	$13.6618
	Tier Charges		
	5	$23.9620	$23.9620
	10	$57.3656	$57.3656
	11	$64.5184	$64.5184
	15	$112.6566	$112.6566
	20	$180.9656	$180.9656
	30	$317.5836	$317.5836
	50	$590.8196	$590.8196
	100	$1,273.9096	$1,273.9096
	Service Charge for Meter	$75.8374	$75.8374
$0.0200	SDW2	$0.0200	$0.0200
$2.6100	CAP (or WRAP)	$2.6100	$2.6100
	Subtotal	$2.6300	$2.6300
0.0068	PUC Fee (0.68%)		
	5	$0.6965	$0.6965
	10	$0.9237	$0.9237
	11	$0.9723	$0.9723
	15	$1.2996	$1.2996
	20	$1.7641	$1.7641
	30	$2.6931	$2.6931
	50	$4.5512	$4.5512
	100	$9.1962	$9.1962
0.0500	UUT (0.5%)		
	5	$5.1563	$5.1563
	10	$6.8378	$6.8378
	11	$7.1979	$7.1979
	15	$9.6212	$9.6212
	20	$13.0599	$13.0599
	30	$19.9372	$19.9372
	50	$33.6919	$33.6919
	100	$68.0787	$68.0787

2028 Bill Comparison

Bill Comparison Uniform Rates 3/4-Inch Meter				
Usage (ccf)	Current Rates Jan-27	Proposed Rates Jan-28	Increase	Increase
5	$108.28	$108.90	0.57%	$0.62
10	$143.59	$144.43	0.58%	$0.83
11	$151.16	$152.03	0.58%	$0.88
15	$202.04	$203.23	0.59%	$1.18
20	$274.26	$275.87	0.59%	$1.61
30	$418.68	$421.16	0.59%	$2.48
50	$707.53	$711.74	0.59%	$4.21
100	$1,429.65	$1,438.18	0.60%	$8.52

6 4 10	Calculation for 10 ccf (Residential Tier Rate)	Jan 1, 2027	Jan 1, 2028
	Tier 1	$4.7924	$4.8210
	Tier 2	$7.1528	$7.1956
	Tier 3	$13.6618	$13.7435
	Tier Charges		
	5	**$23.9620**	**$24.1050**
	10	**$57.3656**	**$57.7083**
	11	**$64.5184**	**$64.9039**
	15	**$112.6566**	**$113.3299**
	20	**$180.9656**	**$182.0474**
	30	**$317.5836**	**$319.4824**
	50	**$590.8196**	**$594.3524**
	100	**$1,273.9096**	**$1,281.5274**
	Service Charge for Meter	**$75.8374**	**$76.2829**
$0.0200	SDW2	$0.0200	$0.0200
$2.6100	CAP (or WRAP)	$2.6100	$2.6100
	Subtotal	**$2.6300**	**$2.6300**
0.0068	PUC Fee (0.68%)		
	5	$0.6965	$0.7005
	10	$0.9237	$0.9290
	11	$0.9723	$0.9780
	15	$1.2996	$1.3073
	20	$1.7641	$1.7745
	30	$2.6931	$2.7091
	50	$4.5512	$4.5782
	100	$9.1962	$9.2510
0.0500	UUT (0.5%)		
	5	$5.1563	$5.1859
	10	$6.8378	$6.8775
	11	$7.1979	$7.2397
	15	$9.6212	$9.6775
	20	$13.0599	$13.1367
	30	$19.9372	$20.0552
	50	$33.6919	$33.8922
	100	$68.0787	$68.4846

2029 Bill Comparison

Bill Comparison Uniform Rates 3/4-Inch Meter				
Usage (ccf)	Current Rates Jan-28	Proposed Rates Jan-29	Increase	Increase
5	$108.90	$111.04	1.96%	$2.14
10	$144.43	$147.29	1.98%	$2.86
11	$152.03	$155.05	1.99%	$3.02
15	$203.23	$207.29	2.00%	$4.07
20	$275.87	$281.42	2.01%	$5.55
30	$421.16	$429.68	2.02%	$8.52
50	$711.74	$726.19	2.03%	$14.46
100	$1,438.18	$1,467.47	2.04%	$29.30

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Calculation for 10 ccf (Residential Tier Rate)			
		Jan 1, 2028	Jan 1, 2029
	Tier 1	$4.8210	$4.9195
	Tier 2	$7.1956	$7.3426
	Tier 3	$13.7435	$14.0243
	Tier Charges		
	5	$24.1050	$24.5975
	10	$57.7083	$58.8873
	11	$64.9039	$66.2298
	15	$113.3299	$115.6453
	20	$182.0474	$185.7668
	30	$319.4824	$326.0098
	50	$594.3524	$606.4958
	100	$1,281.5274	$1,307.7108
	Service Charge for Meter	$76.2829	$77.8138
$0.0200	SDW2	$0.0200	$0.0200
$2.6100	CAP (or WRAP)	$2.6100	$2.6100
	Subtotal	$2.6300	$2.6300
0.0068	PUC Fee (0.68%)		
	5	$0.7005	$0.7143
	10	$0.9290	$0.9475
	11	$0.9780	$0.9974
	15	$1.3073	$1.3334
	20	$1.7745	$1.8102
	30	$2.7091	$2.7639
	50	$4.5782	$4.6712
	100	$9.2510	$9.4395
0.0500	UUT (0.5%)		
	5	$5.1859	$5.2878
	10	$6.8775	$7.0139
	11	$7.2397	$7.3836
	15	$9.6775	$9.8711
	20	$13.1367	$13.4010
	30	$20.0552	$20.4609
	50	$33.8922	$34.5805
	100	$68.4846	$69.8797

2030 Bill Comparison

Bill Comparison Uniform Rates 3/4-Inch Meter				
Usage (ccf)	Current Rates Jan-29	Proposed Rates Jan-30	Increase	Increase
5	$111.04	$112.32	1.15%	$1.28
10	$147.29	$149.01	1.16%	$1.72
11	$155.05	$156.86	1.17%	$1.81
15	$207.29	$209.74	1.18%	$2.44
20	$281.42	$284.77	1.19%	$3.34
30	$429.68	$434.82	1.20%	$5.14
50	$726.19	$734.93	1.20%	$8.74
100	$1,467.47	$1,485.21	1.21%	$17.74

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Calculation for 10 ccf (Residential Tier Rate)

		Jan 1, 2029	Jan 1, 2030
	Tier 1	$4.9195	$4.9792
	Tier 2	$7.3426	$7.4317
	Tier 3	$14.0243	$14.1945
	Tier Charges		
	5	**$24.5975**	**$24.8960**
	10	**$58.8873**	**$59.6020**
	11	**$66.2298**	**$67.0337**
	15	**$115.6453**	**$117.0489**
	20	**$185.7668**	**$188.0214**
	30	**$326.0098**	**$329.9664**
	50	**$606.4958**	**$613.8564**
	100	**$1,307.7108**	**$1,323.5814**
	Service Charge for Meter	**$77.8138**	**$78.7422**
$0.0200	SDW2		
$2.6100	CAP (or WRAP)	$2.6100	$2.6100
	Subtotal	**$2.6100**	**$2.6100**
0.0068	PUC Fee (0.68%)		
	5	$0.7141	$0.7225
	10	$0.9473	$0.9585
	11	$0.9972	$1.0090
	15	$1.3333	$1.3491
	20	$1.8101	$1.8317
	30	$2.7637	$2.7970
	50	$4.6711	$4.7274
	100	$9.4393	$9.5535
0.0500	UUT (0.5%)		
	5	$5.2868	$5.3485
	10	$7.0129	$7.0956
	11	$7.3825	$7.4697
	15	$9.8701	$9.9875
	20	$13.4000	$13.5603
	30	$20.4599	$20.7058
	50	$34.5795	$34.9968
	100	$69.8787	$70.7244

2031 Bill Comparison

Bill Comparison Uniform Rates 3/4-Inch Meter				
Usage (ccf)	Current Rates Jan-30	Proposed Rates Jan-31	Increase	Increase
5	$112.32	$112.58	0.23%	$0.26
10	$149.01	$149.36	0.23%	$0.35
11	$156.86	$157.23	0.23%	$0.37
15	$209.74	$210.23	0.24%	$0.49
20	$284.77	$285.44	0.24%	$0.67
30	$434.82	$435.86	0.24%	$1.03
50	$734.93	$736.69	0.24%	$1.76
100	$1,485.21	$1,488.77	0.24%	$3.56

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Calculation for 10 ccf (Residential Tier Rate)		
	Jan 1, 2030	Jan 1, 2031
Tier 1	$4.9792	$4.9912
Tier 2	$7.4317	$7.4495
Tier 3	$14.1945	$14.2286
Tier Charges		
5	$24.8960	$24.9560
10	$59.6020	$59.7454
11	$67.0337	$67.1949
15	$117.0489	$117.3303
20	$188.0214	$188.4733
30	$329.9664	$330.7593
50	$613.8564	$615.3313
100	$1,323.5814	$1,326.7613
Service Charge for Meter	$78.7422	$78.9280
$0.0200 SDW2		
$2.6100 CAP (or WRAP)	$2.6100	$2.6100
Subtotal	$2.6100	$2.6100
0.0068 PUC Fee (0.68%)		
5	$0.7225	$0.7242
10	$0.9585	$0.9607
11	$1.0090	$1.0114
15	$1.3491	$1.3523
20	$1.8317	$1.8361
30	$2.7970	$2.8036
50	$4.7274	$4.7387
100	$9.5535	$9.5764
0.0500 UUT (0.5%)		
5	$5.3485	$5.3609
10	$7.0956	$7.1122
11	$7.4697	$7.4872
15	$9.9875	$10.0110
20	$13.5603	$13.5924
30	$20.7058	$20.7550
50	$34.9968	$35.0804
100	$70.7244	$70.8938

2031 Alt Bill Comparison

Bill Comparison Uniform Rates 3/4-Inch Meter				
Usage (ccf)	Current Rates Jan-30	Proposed Rates Jan-31	Increase	Increase
5	$108.28	$112.92	4.28%	$4.64
10	$143.59	$149.81	4.33%	$6.22
11	$151.16	$157.71	4.34%	$6.56
15	$202.04	$210.88	4.37%	$8.84
20	$274.26	$286.33	4.40%	$12.07
30	$418.68	$437.21	4.43%	$18.53
50	$707.53	$738.99	4.45%	$31.46
100	$1,429.65	$1,493.44	4.46%	$63.79

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Calculation for 10 ccf (Residential Tier Rate)			
		Jan 1, 2027	Jan 1, 2031
	Tier 1	$4.7924	$5.0069
	Tier 2	$7.1528	$7.4730
	Tier 3	$13.6618	$14.2734
	Tier Charges		
	5	$23.9620	$25.0345
	10	$57.3656	$59.9334
	11	$64.5184	$67.4065
	15	$112.6566	$117.6997
	20	$180.9656	$189.0667
	30	$317.5836	$331.8007
	50	$590.8196	$617.2687
	100	$1,273.9096	$1,330.9387
	Service Charge for Meter	$75.8374	$79.1721
$0.0200	SDW2	$0.0200	
$2.6100	CAP (or WRAP)	$2.6100	$2.6100
	Subtotal	$2.6300	$2.6100
0.0068	PUC Fee (0.68%)		
	5	$0.6965	$0.7264
	10	$0.9237	$0.9637
	11	$0.9723	$1.0145
	15	$1.2996	$1.3565
	20	$1.7641	$1.8418
	30	$2.6931	$2.8124
	50	$4.5512	$4.7535
	100	$9.1962	$9.6065
0.0500	UUT (0.5%)		
	5	$5.1563	$5.3771
	10	$6.8378	$7.1340
	11	$7.1979	$7.5101
	15	$9.6212	$10.0419
	20	$13.0599	$13.6345
	30	$19.9372	$20.8198
	50	$33.6919	$35.1902
	100	$68.0787	$71.1164

ATTACHMENT 2: SJWC's Response to Cal Advocates' Data Request DR-ZS1-002

SAN JOSE WATER

July 8, 2026

Zaved Sarkar
Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Response to Data Request ZS1-002
Application for Approval of Cost Recovery of PFAS Compliance Program A.26-04-010

Dear Mr. Sarkar:

Enclosed you will find San Jose Water Company's (SJWC) response to data request DR ZS1-002 (Production Data and Ratemaking) dated June 29, 2026. The information was prepared by:

Carmelitha Bordelon	Jake Walsh
Vice President of Regulatory Affairs	Vice President of Engineering
(408) 914-1629	(408) 279-7850
Carmelitha.Bordelon@sjwater.com	Jake.Walsh@sjwater.com

SJWC will only provide responses electronically. Hard copies will not be provided.

If you have any questions, please contact me.

Very truly yours,

Carmelitha Bordelon-Taylor
Vice President of Regulatory Affairs

cc: Mukunda Dawadi, Public Advocates Office
John T. Van Geffen, Public Advocates Office
Lori Ann Dolquiest, Nossaman

RESPONSES

1. Please provide the actual daily and peak hourly production (in GPM and MGD) for each individual well at Williams Station for the past ten years.

   SJWC Response: Please see the Excel Workbook file labelled "ZS1-001.Q1 – Williams Wells Daily Flow Stats 2016-2026" for details.

2. Please provide the specific hydraulic transmission modeling and distribution system network analyses that demonstrate the existing downstream distribution piping leaving Williams Station has the physical capacity to accept a 28.8 MGD (20,000 GPM) localized flow without exceeding maximum pressure thresholds or requiring unscheduled main replacements.

   SJWC Response: Hydraulic simulations evaluating the maximum flow capacity from Williams Station were conducted using SJWC's calibrated hydraulic model in AquaTwin Water software. The modeling determined that the maximum feasible flow rate from Williams Station is approximately 21,500 GPM.

   The existing downstream distribution facilities, including the 12.75-inch and 48-inch pipelines leaving Williams Station, provide sufficient physical capacity to convey and distribute this flow throughout the immediate service area, known as Cox Zone. Water from Williams Station may also be conveyed to other pressure zones through interzone boosting and pressure-regulating facilities, however those interzone facilities would alter the pressures that ultimately reach customers from Williams Station and, therefore, were not evaluated as part of this hydraulic modeling exercise.

   The hydraulic simulation results demonstrate that customer pressures within the Cox Zone remain within the applicable CPUC General Order 103-A pressure range of 40 to 125 psi. The modeling did not identify any exceedance of maximum pressure thresholds or any need for unscheduled downstream main replacements to accommodate the modeled flow condition.

   Please see the Adobe PDF file labeled "ZS1-001.Q2 – Hydraulic Modeling of Williams Station Maximum Flow Analysis" for details.

3. Please provide the formal engineering analysis, technical reviews, or SJWC executive directives between March 2022 and January 2025 that authorized the maximum design capacity to double from Hazen and Sawyer's initial 14-MGD recommendation to CDM Smith's 28.8-MGD design.
   a. If no such engineering analysis, technical reviews or recorded executive directives are available, please explain how SJWC came up with the 28.8 MGD.

   SJWC Response: Shortly after the Facilities Plan report by Hazen was submitted to SJWC in March of 2022, the PFAS regulatory landscape changed significantly. Previously, Hazen and SJWC had assumed a lower treatment flow rate by blending

untreated water with treated water at higher flow rates. The dramatic drop of the USEPA's Health Advisory Limit (HAL) for PFOA and PFOS from the prior 70 ppt individually to 0.004 ppt for PFOA and 0.02 ppt for PFOS caused SJWC to reevaluate whether a treatment facility sized to treat less than the full Williams Station capacity remained a prudent long-term approach. A summary of these regulatory changes are listed on the following page:

- **March 2022:** Hazen Submitted Draft Facilities Plan Report
- **June 2022:** USEPA lowers HALs for PFOA and PFOS from a combined 70 ng/L to 0.004 ng/L and 0.02 ng/L, respectively, and sets final HALs of 10 ng/L for GenX and 2,000 ng/L for PFBS
- **July 2022:** DDW proposed 3 ng/L NL and 20 ng/L RL for PFHxS
- **August 2022:** USEPA proposes designation of PFOA and PFOS as CERCLA hazardous substances
- **October 2022:** DDW finalized 3 ng/L NL and 20 ng/L RL for PFHxS

In light of these developments, SJWC re-engaged Hazen to evaluate higher treatment flow rates. This evaluation is documented in Appendix E to the Direct Testimony, titled "Feasibility of GAC and Higher Treatment Flow Rates at Williams Station," dated August 12, 2022. In that technical memorandum, Hazen stated on page 3:

"SJW had originally planned to treat the 90th percentile flow and bypass flows exceeding the design flow, with the blended effluent falling concentrations below the detection limit. The lower EPA HALs recently published have caused SJW to consider treating the full design flow (20,000 gpm) as an alternative."

After reviewing the changed regulatory conditions, historical PFAS occurrence trends at Williams Station, and the customer exposure risk associated with bypassing untreated flow and relying on blending, SJWC determined that full-flow treatment was the more prudent design basis. SJWC concluded that a bypass/blending approach could become increasingly difficult to manage as PFAS concentrations continue to increase over time and to limit customers exposure to PFAS in line with the USEPA HALs. Accordingly, when the project advanced into full design with CDM Smith, during the kick-off meeting in May 2023 SJWC directed CDM Smith to design the Williams Station treatment facility for the full station treatment capacity of 20,000 gpm.

4. Please provide the life-cycle cost analysis that evaluated sizing the PFAS plant at modular or intermediate intervals (e.g., 10 MGD or 14 MGD) compared to the selected 28.8 MGD capacity.

SJWC Response: SJWC did not prepare a separate standalone lifecycle cost analysis comparing a 10 MGD or 14 MGD modular plant against the selected 28.8 MGD design capacity. Accordingly, the decision to design the plant at 28.8 MGD was not based on a separate lifecycle-cost comparison of 10 MGD, 14 MGD, and 28.8 MGD modular

alternatives. Rather, it was based on the updated PFAS regulatory environment, the public health risk based on the USEPA HALs and relying on untreated bypass and blending approach, and SJWC's determination that full-flow treatment was the most prudent long-term design basis for Williams Station.

5. Please provide copies of the current groundwater pumping allocations, basin management agreements, or extraction limits imposed on SJWC by the Santa Clara Valley Water District (Valley Water) for the sub-basin supplying Williams Station.

   SJWC Response: Groundwater within the SJWC service area, known as the Santa Clara Plain, is managed and overseen by the Santa Clara Valley Water District, commonly known as "Valley Water" (see Figure 2 on page 6 of SJWC's Direct Testimony for extent of Santa Clara Plain groundwater basin limits). Valley Water serves as the Groundwater Sustainability Agency for the Santa Clara Plain and has a Department of Water Resource approved Alternative Groundwater Sustainability Plan that satisfies SGMA requirements.

   The Santa Clara Valley Water District Act, authorizes Valley Water to levy and collect groundwater charges for groundwater production within groundwater charge zones, requires registration of water-producing facilities, authorizes water-measuring devices, and requires water production statements from owners or operators of groundwater-producing facilities. The District Act does not impose a specific pumping allocation or fixed extraction cap on groundwater producers, like SJWC. Rather, Valley Water manages groundwater on a basin-wide basis through groundwater recharge, imported water supplies, groundwater monitoring, groundwater quality protection, planning, SGMA compliance, and groundwater production charges.

   Accordingly, there are no SJWC specific groundwater pumping allocations, basin management agreements, or Valley Water-imposed fixed extraction limits associated with SJWC's groundwater production. Williams Station is subject to Valley Water's generally applicable groundwater management framework, including groundwater production charges, well registration, measurement, reporting, and other requirements administered under the Santa Clara Valley Water District Act. However, Williams Station is not subject to any ongoing pumping allocations or fixed groundwater extraction imposed by Valley Water.

6. San Jose's response to Data Request (DR) MTN-001, Item 2.b, indicates that GO 96-B Water Industry Rule 7.3.3(8) is the basis for utilizing Tier II advice letters for this project, and that the total project cost of $156M is what San Jose's cumulative rate base offsets will be measured against. San Jose's response to DR MTN-001 also includes an attachment entitled MTN-001.Q 3. a - Financial Workpapers, which estimates annual increases to the revenue requirements and rates. The first tab of that sheet, labeled Cost Detail, outlines total project costs as follows: $185.3M in total capital costs (Cell I30), $9.3M of which is interest (Cell I29), bringing the total project costs without interest to $176M (Cell I28).
   a. Confirm that the increase in total project costs from $156M (included in San Jose's response to DR-MTN-001, Item 2.b) to $176M (in Cell I28 of the MTN-

001.Q3. a-Financial Workpapers attachment) is solely escalation, based on a 3% escalation rate. If not, provide a narrative explanation.

SJWC Response: Confirmed, with clarification. The $156 million figure referenced in San Jose's response to DR MTN-001, Item 2.b reflects the project cost estimate stated in the Application in 2026 dollars. The $176.1 million shown in Cell I28 of the Cost Detail tab in MTN-001.Q3.a – Financial Workpapers reflects the same project cost estimate adjusted for annual escalation over the anticipated construction period.

The increase from approximately $156.3 million to approximately $176.1 million is attributable to escalation applied to the underlying capital cost forecast over the project deployment period. The workpaper reflects escalation assumptions applied to the annual capital spend forecast through 2030. It does not appear to reflect a change in project scope. Rather, it converts the 2026-dollar conceptual estimate into project-year dollars for purposes of estimating annual capital additions.

Accordingly, San Jose understands the $176.1 million amount to represent the escalated capital cost forecast, excluding interest during construction, while the $156 million amount represents the project estimate stated in 2026 dollars.

b. Confirm that San Jose plans to include escalation and interest costs incurred during construction in the annual rate base offsets, thus increasing the budget cap that cumulative rate base offsets would be measured against to $185.3M (in Cell I30 of the MTN-001.Q 3. a - Financial Workpapers attachment). If not, provide a narrative explanation.

SJWC Response: Confirmed in part, with clarification. San Jose expects annual rate base offset filings to reflect actual recorded eligible project costs, including actual construction costs incurred and authorized interest during construction, subject to the ratemaking treatment approved by the Commission.

However, San Jose is not proposing that the workpaper amount in Cell I30 automatically increase the Commission-approved budget cap from $156 million to $185.3 million absent Commission authorization.

The $185.3 million amount shown in the workpapers represents the escalated capital forecast of approximately $176.1 million, plus approximately $9.3 million of estimated interest during construction. Future annual rate base offset filings would be based on recorded costs, not merely forecast escalation percentages. To the extent actual costs include escalation embedded in contractor, vendor, material, labor, or other capital expenditures; those costs would be reflected as recorded plant additions. Interest during construction would also be reflected consistently with the methodology authorized by the Commission.

Accordingly, San Jose will measure cumulative rate base offset requests against the Commission-approved project scope and budget cap, and each annual filing should distinguish between:

1. recorded capital costs,
2. escalation embedded in recorded costs,
3. interest during construction,
4. settlement or grant offsets, and
5. the remaining amount available under the Commission-approved cap.

End Request