



110 W. Taylor Street
San Jose, CA 95110-2131

October 24, 2022

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Advice Letter No. 584

To Whom It May Concern:

San Jose Water Company (U-168-W) (SJWC) hereby transmits for filing the following changes in tariff schedules applicable to its service area and which are attached here to:

<u>Cal. P.U.C Sheet No.</u>	<u>Title of Sheet</u>	<u>Cancelling Cal. P.U.C. Sheet No.</u>
2212-W	Preliminary Statement (Continued)	2033-W
2213-W	Preliminary Statement (Continued)	2034-W
2214-W	Preliminary Statement (Continued)	2152-W
Remove	Preliminary Statement (Continued)	2153-W
2215-W	Preliminary Statement (Continued)	2042-W
2216-W	Preliminary Statement (Continued)	2156-W
2217-W	Preliminary Statement (Continued)	New
2218-W	Table of Contents	2218-W

Purpose

With this advice letter, SJWC requests the Commission’s approval to revise its preliminary statements as authorized by Decision No. (D.) 22-10-005 (**Attachment A**) approved on October 6, 2022. D.22-10-005 requires SJWC to update its preliminary statements by removing balancing accounts and memorandum accounts specified in Section F of the Amended Settlement as well as adding the Intervener Compensation Balancing Accounts and Full Cost Balancing Account (**Attachment B**) to its preliminary statements.

This advice letter is designated as a Tier I Advice Letter and is submitted as required by Ordering Paragraphs No. 7 and 8 of D.22-10-005, which states that:

“7. San Jose Water Company is directed to close out the balancing accounts and memorandum accounts as specified in Section F of the Amended Settlement Agreement and to file a Tier 1 Advice Letter to remove the accounts from its preliminary statements.”

“8. San Jose Water Company is directed to file a Tier 1 Advice Letter to include the Intervenor Compensation Balancing Account in its preliminary statements as specified in Section F of the Amended Settlement Agreement. This may be combined with the Tier 1 Advice Letter closing out the balancing accounts and memorandum accounts as specified in Section F of the Amended Settlement Agreement as adopted herein and removing them from the preliminary statements”

In addition to the above, SJWC is requesting the addition of the Full Cost Balancing Account which was authorized as part of the Amended Settlement approved in D.22-10-005.

With this filing, SJWC requests to add the the Intervenor Compensation Balancing Account and the Full Cost Balancing Account to and remove the following balancing and memorandum accounts from its preliminary statements:

- 2018 Tax Accounting Balancing Account
- Ground Water Regulation Legal Expense Memorandum Account
- School Lead Testing Memorandum Account
- 2018 Cost of Capital Memorandum Account

Effective Date

January 1, 2022

Protests and Responses

Anyone may respond to or protest this advice letter. A response does not oppose the filing but presents information that may prove useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds may include the following:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding;
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or

- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission).

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue
San Francisco, CA 94102
water_division@cpuc.ca.gov

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest by mail to us, addressed to:

Regulatory Affairs
San Jose Water Company
110 West Taylor Street
San Jose, CA 95110
Fax 408.279.7934
regulatoryaffairs@sjwater.com.

The advice letter process does not provide for any responses, protests or comments, except for the utility's reply, after the 20-day comment period. Public notice is not required.

In compliance with Paragraph 4.3 of GO 96-B, a copy of this advice letter has been mailed to all interested and affected parties as detailed in **Attachment C**.

SJWC currently has Advice Letter 581, 582, and 583 pending before the Commission.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

Very truly yours,

/S/ JOHN TANG
JOHN TANG
Vice President of Regulatory Affairs

Enclosure

PRELIMINARY STATEMENT
(Continued)

I. Water Revenue Adjustment Mechanism Balancing Account

(Continued)

- c. Recorded WRAM-eligible revenue is the amount of residential tiered usage-related revenue billed to qualifying customers in a particular period.
- d. Adopted WRAM-eligible revenue is the amount of residential tiered rate quantity related revenue calculated at uniform rates using actual quantity billed.

4. Accounting Procedure

a. The following entries will be recorded monthly in the WRAM:

- 1. Recorded WRAM-eligible revenue.
- 2. Adopted WRAM-eligible revenue.
- 3. Total net WRAM balance = (1) minus (2)
- 4. A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under collection to be recovered in rates.

b. The Company will record the accumulated WRAM balance monthly, by adding its entry in Section a3. above to the prior accumulated monthly balance.

c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

5. Disposition

If the accumulated balance for the WRAM exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in San Jose's next General Rate Case. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

J. Pension Expense Balancing Account

1. Purpose

The purpose of the Pension Expense Balancing Account is to track differences between recorded cash Contributions to the San Jose Retirement Plan with San Jose Water Company's recovery of this expense for ratemaking purposes capped at the level of pension expense calculated according to the method prescribed by Statement of Financial Accounting Standards #87 for each concurrent year.

2. Applicability

The Pension Expense Balancing Account is applicable to all pension expenses.

3. Definitions

a. Recorded Cash Contributions to Retirement Plan are all recorded payments made to San Jose Water Company's Pension Plan Expenses capped at the level of pension expense calculated according to the method prescribed by Statement of Financial Accounting Standards Number 87 for each concurrent year.

b. Authorized Pension Expense for Ratemaking Purposes are the authorized amounts included for ratemaking purposes per D.22-10-005. (T)

4. Accounting Procedure

a. The following entries will be recorded monthly in the Pension Balancing Account:

- 1. Recorded Cash Contributions to Retirement Plan.
- 2. Authorized Pension Expense for Ratemaking Purposes
- 3. Total net Pension Balancing Account balance = (1) minus (2)
- 4. A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under collection to be recovered in rates.

(To be inserted by utility)

Issued by

(To be inserted by Cal. P.U.C.)

Advice No. 584

JOHN TANG

Date Filed 10/24/2022

Vice President,

Effective _____

Dec. No. 22-10-005

Regulatory Affairs

Resolution No. _____

TITLE

PRELIMINARY STATEMENT
(Continued)

J. Pension Expense Balancing Account (Continued)

b. The Company will record the accumulated Pension balance monthly, by adding its entry in Section a3. above to the prior accumulated monthly balance.

c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

5. Disposition

If the accumulated balance for the Pension Balancing Account exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in San Jose's next General Rate Case. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

(D)

(To be inserted by utility)

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TITLE

PRELIMINARY STATEMENT
(Continued)

- P. Drinking Water Fees Memorandum Account** **(D)**
1. Purpose **(L)**
 The purpose of the Drinking Water Fees Memorandum Account (DWFMA) is to track the difference between actual drinking water fees charged by the State Water Resources Control Board (based on the revised fee structure made effective on September 22, 2021) and the drinking water fees authorized in San Jose Water Company's General Rate Case Decision D.18-03-035 for 2021 and future adopted fees for 2022-23-24 as determined by the Commission. SJWC is currently going through a GRC proceeding and waiting settlement .
2. Applicability
 The DWFMA will track the difference between the annual drinking water fees charged by the State Water Resources Control Board and the drinking water fees authorized in general rate case decision
- D.20-10-005 adopted fees for 2022-23-24 as determined by the Commission. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning of month and the end-of-month balances. **(T)**
3. Disposition **(L)**
 If the accumulated balance for the DWFMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the DWFMA are subject to a reasonableness review in the Company's next General Rate Case effective in 2025 or in an appropriate advice letter filing. The recovery of over or under-collections will be passed on to the customers through volumetric surcredits or surcharges.
4. Effective Date
 The DWFMA shall go into effect on the effective date of Advice Letter No. 572. The DWFMA will sunset with the effective date of the Test Year 2025 rates authorized in SJWC's next General Rate Case Decision. **(D)**

(continued)

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TITLE

PRELIMINARY STATEMENT
(Continued)

T. CATASTROPHIC EVENT MEMORANDUM ACCOUNT (CEMA)

1. Purpose
The Commission's blanket authorization to establish Catastrophic Event Memorandum Accounts (Commission Resolution No. E-3238, dated July 24, 1991) will ensure that all potentially affected utilities are provided the maximum incentive to restore service immediately after declared disasters. Resolution E-3238 required the utilities to notify the Commission's Executive Director by letter within 30 days after the catastrophic event, if possible, if it has started booking costs to the CEMA.
2. Applicability
The CEMA will record costs associated with:
(a) restoring utility service to its customers;
(b) repairing, replacing or restoring damaged utility facilities; and
(c) complying with government agency orders resulting from declared disasters.
Entries to the account will be segregated by qualifying event.
3. Disposition
If the accumulated balance for the CEMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the CEMA are subject to a reasonableness review. The recovery of under-collections will be passed on to the customers through volumetric surcharges."

(D)

(To be inserted by utility)

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Resolution No. _____

TITLE

PRELIMINARY STATEMENT
 (Continued)

Y. 2021 GRC Interim Rates Memorandum Account (Continued)

b. Revenues based on updated rates are revenues computed using final rates that will be determined in A.21-01-003.

4. Accounting Procedure

a. Beginning January 1, 2022 through the effective date of the decision for A.21-01-003, the following entries will be recorded monthly once a decision has been rendered in the 2021 GRC Interim rates Memorandum Account.

1. Revenues based on interim rates.
2. Revenues based on updated rates.
3. Total net 2021 GRC Interim Rates Memorandum Account balance =(1) minus (2)
4. A positive (+) balance in the memorandum account reflects a utility over collection to be refunded, while a negative balance reflects a utility's under collection to be recovered in rates.

b. Once a decision has been rendered in A.21-01-003, the Company will record the accumulated balance monthly, by adding its entry in Section 4.a.3 above to the prior accumulated monthly balance.

c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90-day Non Financial Commercial Paper Interest Rate, as reported in the Federal Reserve Statistical Release, To the average of the beginning of month and the end of month balances.

5. Disposition

After the Commission adopts updated rates in A.21-01-003, the memorandum account will be adjusted to reflect the actual difference and disposed via an advice letter filing in a surcharge or surcredit.

Z. Intervener Compensation

(N)

1. Purpose

The purpose of the Intervenor Compensation balancing accounts to track the compensation paid to qualified parties in proceedings before the Commission (allowable fees and costs).

2. Applicability

The Intervenor Compensation balancing account will track the compensation paid to qualified parties in Commission proceedings (General Rate Case, Order Instituting Investigation, Order Instituting Investigation, etc.). Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper rate, as reported in the Federal Reserve Statistical Release, to the average of the beginning of the month and the end-of-month balances.

3. Disposition

If the accumulated balance for the Intervenor Compensation balancing account exceeds 2% of the total authorized revenue requirement for the prior calendar year, SJWC will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in SJWC's next General Rate Case. The recovery of under-collections will be passed on to the customers through volumetric surcharges.

(N)

(To be inserted by utility)

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Resolution No.

TITLE

PRELIMINARY STATEMENT
(Continued)

AA. Full Cost Balancing Account (FCBA)

(N)

1. Purpose

The purpose of FCBA is to track the supply expense difference cause by the the difference between the recorded unit cost for supply (\$/CCF) and adopted unit cost supply (\$/CCF).

2. Applicability

The FCBA is applicable to the following supply costs:

- a. Purchased Water (Potable and Recycle)
- b. Pump Tax
- c. Purchased Power

3. Definitions

- a. Total Recorded Production (CCF) - Recorded Purchased Water (Potable and Recycled) + Ground Water + Surface Water
- b. Total Adopted Production (CCF) - Authorized Purchased Water (Potable and Recycled) + Ground Water + Surface Water
- c. Total Recorded Supply Expense (\$) - Recorded Purchased Water (Potable and Recycled) + Pump Tax + Purchased Power
- d. Total Adopted Supply Expense (\$) - Authorized Purchased Water (Potable and Recycled) + Pump Tax + Purchased Power
- e. Recorded Unit Cost - Total Recorded Supply Expense divided by Total Recorded Production (\$/CCF)
- f. Adopted Unit Cost - Total Adopted Supply Expense divided by Total Adopted Production (\$/CCF)

4. Accounting Procedure

- a. The following entries will be recorded monthly in the FCBA:
 - 1. Total Recorded Supply Expense
 - 2. Total Recorded Production
 - 3. Recorded Unit Cost = (1) divided by (2)
 - 4. Adopted Unit Cost = Total Adopted Supply Expense divided by Total Adopted Production
 - 5. Net Change in Unit Cost = (4) minus (3)
 - 6. Recorded Production
 - 7. Net Change in Total Supply Cost = (5) x (6)
 - 8. A positive (+) balance in the balancing account reflects a utility over collection to be refunded, while a negative (-) balance reflects a utility under collection to be recovered in rates.
- b. The Company will record the accumulated FCBA balance monthly, by adding its entry in Section a5 above to the prior accumulated monthly balance.
- c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 90 Day Non-financial Commercial Paper Interest Rate as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

5. Disposition

If the accumulated balance for the FCBA exceeds 2% of the total authorizer revenue requirement for the prior calendar year, SJWC will file an advice letter to amortize the balance. If the cumulative 2% threshold is not met, the balance in the account will be amortized in SJWC's next General Rate Case. The recovery of under-collection will be pass to the customer volumetric surcharge and an over-collection will be refunded in a flat sur-credit.

(N)

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Vice President,
Regulatory Affairs

Effective _____
Resolution No. _____

TITLE

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates, rules and regulations affecting the rates and service of the Utility, together with information relating thereto:

Subject Matter of Sheet	C.P.U.C. Sheet No.	
Title	1495-W	
Table of Contents	2218-W, 2161-W and 2174-W	(C)
Preliminary Statement	919-W, 1303-W, 2032-W, 2212-W, 2213-W, 2035-W, 2058-W, 2037-W 2214-W, 2040-W, 2041-W, 2215-W, 2087-W, 2125-W, 2155-W 2216-W, 2217-W	(C) (C) (C)
Service Area Map Locator	1266-W	
Service Area Map Locator, Index	2101-W	
Map of Areas with Special Pressure and FireFlow Conditions	2116-W	
Index to Map of Areas With Special Pressure and FireFlow Conditions	1079-W, 2117-W 1082-W, 1087-W and 1404-W	
Rate Schedules:		
Schedule No. 1, General Metered Service	2205-W, 2176-W and 2200-W	
Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System	2206-W, 1741-W, 2201-W, 2201-W	
Schedule No. 1C, General Metered Service Mountain District	2207-W, 1952-W, 1884-W and 2184- W, 2202-W	
Schedule No. 4, Private Fire Service	2208-W and 2187-W	
Schedule No. 9C, Construction and Other Temporary Metered Service	1118-W and 1094-W	
Schedule No. 10R, Service to Employees	152-W	
Schedule No. 14.1 Water Shortage Contingency Plan with Staged Mandatory Reductions and Drought Surcharges	2131-W, 2132-W, 2133-W 2134-W, 2149-W, 2136-W, 2137-W 2138-W, 2139-W, 2146-W	
Schedule No. RW, Raw Water Metered Service	2209-W and 2203-W,	
Schedule No. RCW, Recycled Water Metered Service	2210-W, 2186-W	
Schedule No. UF, Surcharge to Fund Public Utilities Commission, Reimbursement Fee	2090-W	
Schedule No. WRAP, Water Rate Assistance Program	2170-W and 2056-W	
List of Contracts and Deviations	2092-W and 2103-W	
Rules:		
No. 1 - Definitions	2064-W and 2065-W	
No. 2 - Description of Service	525-W	
No. 3 - Application for Service	2143-W, 2144-W	
No. 4 - Contracts	352-W	
No. 5 - Special Information Required on Forms	2066-W, 2067-W and 2068-W-W	
No. 6 - Establishment and Re-establishment of Credit	354-W	
No. 7 - Deposits	355-W and 356-W	
No. 8 - Notices	2069-W, 2070-W and 2017-W	
No. 9 - Rendering and Payment of Bills	2188-W, 2189-W and 2190-W	

(Continued)

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JOHN TANG

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Effective _____

Dec. No. 22-10-005

Regulatory Affairs

Resolution No. _____

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 584

ATTACHMENT A

Decision 22-10-005 October 6, 2022

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Jose Water Company (U168W) for an Order authorizing it to increase rates charged for water service by \$51,585,000 or 13.35% in 2022, by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024.

Application 21-01-003

**DECISION APPROVING AMENDED SETTLEMENT AGREEMENT
AND RESOLVING GENERAL RATE CASE OF
SAN JOSE WATER COMPANY FOR
YEARS 2022 THROUGH 2024**

TABLE OF CONTENTS

Title	Page
DECISION APPROVING AMENDED SETTLEMENT AGREEMENT AND RESOLVING GENERAL RATE CASE OF SAN JOSE WATER COMPANY FOR YEARS 2022 THROUGH 2024	1
Summary	2
1. Background	2
2. Issues Before the Commission.....	7
2.1. Issues Identified in the Scoping Memo	7
2.2. Significance of the ASA	8
2.3. Timing of Rate Change Implementation.....	9
2.4. Burden of Proof.....	10
3. Standard for Review of the ASA Agreement.....	11
4. The ASA Meets Requirements for Commission Approval and Warrants Approval and Adoption	12
4.1. Reasonable in Light of the Record	14
4.2. Consistent with Applicable Rules and Laws.....	15
4.3. Public Interest Standard	15
4.4. WRATES’ Objections Lack Valid Support.....	16
4.4.1. Signature Requirements under Rule 12.1(a).	16
4.4.2. Resolution L-614 has No Relevance to the ASA.....	19
4.4.3. Cal Advocates Role Relative to Financial Statement Confidentiality.....	20
4.4.4. Cal Advocates Opening Brief Presentation.....	21
4.4.5. References to WRATES’ Testimony/Exhibits	21
5. Adopted Revenue Requirements and Rate Design.....	21
5.1. Rate Design Issues	25
5.2. SJW Group Parent Company Issues	30
5.3. Rate Base and Capital Budgeting Issues	33
5.3.1. Used and Useful Assets	33
5.3.2. Rate Base Assets Requested in Prior Rate Cases	34
5.3.3. Pipeline Replacement Budget Issues.....	36
6. Balancing Account and Memorandum Account Undercollection Recovery	38
7. The ASA Supports Commission Goals Under the ESJ Action Plan.....	39
7.1. Terms of the ASA Includes Investment to Improve Air Quality	41
7.2. ASA Proposed Rate Increases Will Enhance Public Health and Safety in ESJ Communities.....	42

7.3. The Rate Increase Will be Invested Towards Improving Water Quality for the ESJ Communities Served by SJWC	44
7.4. The ASA Terms Will Increase Climate Resiliency in ESJ Communities ...	44
8. Cost of Capital Reflected in Rates.....	44
9. Conclusion.....	45
10. Comments on Proposed Decision.....	45
11. Assignment of Proceeding.....	48
Findings of Fact.....	48
Conclusions of Law	52
ORDER	54

Appendix 1 - Amended Settlement Agreement

Appendix 2 - Summary of Earnings and Adopted Quantities

**DECISION APPROVING AMENDED SETTLEMENT AGREEMENT
AND RESOLVING GENERAL RATE CASE OF
SAN JOSE WATER COMPANY FOR
YEARS 2022 THROUGH 2024**

Summary

Pursuant to Commission Rule 12.1,¹ we hereby adopt the Amended Settlement Agreement (ASA) between San Jose Water Company (SJWC) and the Public Advocates Office (Settling Parties), incorporated as Appendix 1 to this decision. We direct SJWC to implement the provisions of the ASA in accordance with the terms of this decision.

Based on the resolution of issues in the ASA, we adopt general rate increases for SJWC to produce revenue requirement increases of \$25,074,000 or 6.03% for Test Year 2022, \$12,955,000 or 2.94% for Escalation Year 2023, and \$16,102,000 or 3.56% for Attrition Year 2024. We also adopt the rate design proposed in the ASA as the basis for collecting the approved increased revenue requirements. We likewise adopt all other provisions of the ASA including those relating to recovery of balancing account and memorandum account balances.

This proceeding is closed.

1. Background

San Jose Water Company (SJWC) is a Class A water utility engaged in the business of supplying and distributing water for domestic and industrial purposes in portions of the City of San Jose and City of Cupertino, in the Cities of Campbell, Los Gatos, Monte Sereno, and Saratoga, and in unincorporated territory in Santa Clara County. On January 4, 2021, SJWC filed Application (A.) 21-01-003 for authority to increase rates for retail water service by

¹ All references to Rules are to the Commission's Rules of Practice and Procedure, unless otherwise stated.

\$51,585,000 or 13.35% in 2022, by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024 (Application). SJWC provided its Report on the Results of Operations, prepared direct testimony and supporting workpapers, minimum data requirements, and responses to supplemental data requests, all as required by the Revised Rate Case Plan for Class A Water Utilities (Rate Case Plan).²

The Public Advocates Office (Cal Advocates) filed a protest to the Application on February 10, 2021. SJWC replied to the protest on February 22, 2021. A prehearing conference (PHC) was held on March 5, 2021. Water Rate Advocates for Transparency, Equity, and Sustainability (WRATES) requested and was granted party status during the PHC. WRATES filed a protest to the Application on March 12, 2021. SJWC replied to WRATES' protest on March 22, 2021.

On April 5, 2021, the assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued.

On May 4, 2021, SJWC filed A.21-05-004 to revise its adopted cost of capital and to reflect that adopted cost of capital in its rates covering periods from January 1, 2022 through December 31, 2024.³

A public participation hearing was held on May 13, 2021, remotely by video and telephone conference. Speakers at the hearing included residential customers, representatives from the Silicon Valley Leadership Group, and elected officials, including Bryan Mekechuk, acting Mayor of the City of Monte Sereno. Topics of these public comments included SJWC's proposed rate

² See *Revised Rate Case Plan for Class A Water Utilities*, Decision (D.) 07-05-062.

³ See A.21-05-004.

increase, service charges, SJWC's rate of return, subsidized rates for low-income residential customers, and SJWC billing practices.

Cal Advocates and WRATES served testimony on May 25, 2021, and June 1, 2021, respectively. Cal Advocates challenged many aspects of SJWC's revenue and expense estimates and project proposals for the Test Year (TY) and general rate case (GRC) cycle, but also accepted many of SJWC's estimates and proposals as reasonable. WRATES presented its own critique and proposals on select issues. SJWC served rebuttal testimony responding to WRATES and Cal Advocates on June 9 and 15, 2021, respectively.

Over the course of this proceeding, the parties engaged in settlement negotiations through mediation under the Commission's Alternative Dispute Resolution (ADR) program. On June 29, 2021, SJWC sent formal notice of a settlement conference on July 7, 2021, in compliance with Rule 12.1(b). All parties participated in the noticed settlement conference. Multiple additional settlement conferences were held. SJWC and Cal Advocates (Settling Parties) reached agreement and executed a Settlement Agreement on January 13, 2022 (Settlement Agreement). WRATES did not join in the Settlement Agreement.

On August 17, 2021, all parties participated in a series of virtual mediation sessions with Commission's mediators as part of the ADR program, where each party met separately with the mediators to seek to resolve all contested matters.

On October 1, 2021, WRATES served supplemental prepared testimony. SJWC served supplemental rebuttal testimony on October 18, 2021. As directed by the Administrative Law Judge (ALJ), all parties served the service list and uploaded to the Commission's website a complete set of their final exhibits on November 12, 2021.

Evidentiary hearings (EH) were held on December 7, 2021, through December 10, 2021, and on December 13, 2021, and December 20, 2021. During the EH, the ALJ ruled on admission of exhibits offered into evidence, and disallowed the Testimony of Bryan Mekechuk and the attached exhibits and Testimony of William Sherman, both served on November 12, 2021. The ALJ granted admission of the Testimony of Bryan Mekechuk, served on October 1, 2021, and the Testimony of William Sherman, served on June 1, 2021.

On January 13, 2022, the Settling Parties filed a Joint Motion for Approval of Settlement Agreement. On the same day, the ALJ issued a ruling directing the Settling Parties to clarify the proposed rate design and to submit a table of the proposed rates under the Settlement Agreement, including a table outlining (1) the proposed three rate tiers, (2) the type of customers for each tier and (3) the proposed charges in each tier.

On January 14, 2022, all parties filed Opening Briefs.

On January 18, 2022, the Settling Parties jointly filed a Response to the ALJ Ruling Clarifying the Proposed Rate Design. On January 27, 2022, the Settling Parties informed the ALJ of two errors discovered in the Comparison Exhibit included with the Settlement Agreement. On February 4, 2022, the Settling Parties filed an Amended Joint Motion for Approval of Amended Settlement Agreement (ASA)⁴ attached thereto with the signature of the representative for Cal Advocates redacted.

On February 14, 2022, all parties filed Reply Briefs. The proceeding was submitted upon the filing of Reply Briefs.

⁴ A copy of the ASA is attached as Appendix 1 to this Decision.

On February 16, 2022, the proceeding was reassigned to Commissioner Darcie L. Houck.

On February 22, 2022, WRATES filed a Response to the Amended Joint Motion expressing opposition to the ASA.

On February 28, 2022, in response to the ALJ inquiry, Cal Advocates explained that the conversion of the ASA to archivable Portable Document Format (PDF/A) caused the redaction of signature of the representative for Cal Advocates.⁵

On March 8, 2022, WRATES filed Comments Contesting the Amended Joint Motion. On March 22, 2022, the Settling Parties filed Reply Comments to WRATES Response to Amended Joint Motion and WRATES Comments Contesting ASA (Joint Reply Comments). The Settling Parties attached the ASA with the signatures of their representatives visible.

On May 13, 2022, in response to the ALJ ruling, WRATES uploaded the properly formatted admitted exhibits to the Commission's Supporting Documents Platform using the Electronic Filing System.

On May 20, 2022, the proceeding was reassigned from ALJ Daphne Lee to ALJ Thomas R. Pulsifer. By D.22-06-035, dated June 23, 2022, the statutory deadline for concluding this proceeding was extended from July 4, 2022 to December 31, 2022.

On October 3, 2022, Assistant Chief ALJ Kimberly H. Kim was co-assigned to this proceeding.

On October 3, 2022, WRATES filed a motion peremptorily challenging the co-assignment of Assistant Chief ALJ Kimberly H. Kim to this proceeding,

⁵ Joint Reply Comments, Attachment D.

pursuant to Rule 9.2 of the Commission's Rules of Practice and Procedure. Since the first and timely filed motion to peremptorily challenge an assigned judge by a party must be automatically granted, the Acting Chief ALJ issued a ruling granting WRATES' motion, on October 4, 2022. By the same ruling, this proceeding was reassigned to ALJ Robert W. Haga, as the new co-assigned ALJ to this proceeding.

2. Issues Before the Commission

2.1. Issues Identified in the Scoping Memo

The assigned Commissioner's Scoping Memo identified the following issues to be addressed in this proceeding:

- A) Whether SJWC's request to increase rates for water service by \$51,585,000 or 13.35% in 2022, by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024 is necessary, just and reasonable;
- B) Whether all requests by SJWC are necessary to offer safe and reliable service, in particular:
 - 1) SJWC's proposed revenue increases for Test and Escalation Years, including SJWC's methodologies for projecting its number of customers, dollar amount of sales, and revenue;
 - 2) SJWC's proposed rate design change, seeking to recover 50% of its revenue requirement through service charges and increasing its baseline tier 1 consumption to 6 ccf;
 - 3) SJWC's proposed ratebase;
 - 4) SJWC's proposed expenses, including but not limited to taxes, operations and maintenance, and administrative and general expenses;
 - 5) SJWC's calculation of the ratepayer portion of revenue from non-tariffed products and services;
 - 6) SJWC's projected depreciation expenses and the underlying assumptions for plant retirements; SJWCs proposed plant improvements, including an

examination of previously funded projects, and contingency and overhead values;

- 7) SJWC's special requests for recovery of current balances in memorandum and balancing accounts, including its Monterey-style WRAM (M-WRAM), Intervenor Compensation Memorandum Account, Ground Water Regulation Legal Expense Memorandum Account; School Lead Testing Memorandum Account; 2018 Cost of Capital Memorandum Account; Catastrophic Event Memorandum Account; and Per- and polyfluoroalkyl substances (PFAS) Memorandum Account;
 - 8) SJWC's special request to establish an Asbestos-Related Memorandum Account; and
 - 9) SJWC's water quality, including actions taken or proposed to improve the overall safety and reliability of the service provided; and
- C) Whether the rate increase impacts environmental and social justice (ESJ) communities and to what extent will SJWC's requested rate increase and other requests achieve the nine goals of the Commission's ESJ Action Plan.

2.2. Significance of the ASA

In view of the pending motion for adoption of the ASA, the issues in this proceeding will be addressed in the context of the ASA. The ASA modifies SJWC's original requests and would resolve all contested issues between Cal Advocates and SJWC in this proceeding, and addresses all issues in the Scoping Memo, summarized above. The ASA organizes the presentation of the issues addressed by the following categories, as summarized in Section 3 of the ASA, namely:

- A. Water Consumption and Operating Revenues;
- B. Ad Valorem Taxes;
- C. Rate Design;

- D. Expenses (including purchased water and power and employee count);
- E. Utility Plant (including plant depreciation and retirement and capital budget expenditures);
- F. Memorandum and Balancing Accounts;
- G. Other Ratemaking Issues (non-tariffed products and services and working cash adjustments); and
- H. Impacts of settlement provisions on environmental and social justice communities in the SJWC service territory.

WRATES participated with SJWC and Cal Advocates in the settlement process, but did not join in the ASA. Therefore, the ASA is not an all-party settlement. To determine whether to adopt the ASA as basis for resolving this proceeding we therefore consider whether any of the objections of WRATES, in opposition to the ASA, have merit.

2.3. Timing of Rate Change Implementation

This decision authorizes rate changes to be implemented in annual intervals over the years 2022 through 2024. Although this decision is issued after the start of the 2022 TY, the adopted rate changes are to apply beginning January 1, 2022.

In recognition of the shortfall in collection of the authorized TY 2022 revenue requirement since the beginning of the 2022 calendar year, SJWC filed a motion on October 29, 2021, for authorization to file a Tier 1 Advice Letter to set interim rates effective January 1, 2022. The interim rates were to be set at the levels of then-effective rates and to establish a memorandum account to track the difference between the interim and final rates adopted by the Commission in this proceeding. No party protested SJWC's motion.

On December 17, 2021, the ALJ granted this motion, finding that SJWC met the criteria for interim rate relief set forth in Public Utilities (Pub. Util.) Code

§ 455.2⁶ and D.07-05-062. The interim rates took effect on January 1, 2022, and were made subject to refund and adjustment upward or downward back to the effective date of January 1, 2022, consistent with final rates adopted in this decision. We affirm the ALJ ruling and authorize SJWC to amortize the balance accumulated in this memorandum account to date through a surcharge as directed in the ordering paragraphs herein.

2.4. Burden of Proof

As the Applicant in this proceeding, SJWC carries the burden of proof to show by a preponderance of evidence that the requests for rate changes and other relief in this proceeding are just and reasonable.⁷ A preponderance of the evidence is achieved when weighed with that opposed to it, has more convincing force and greater probability of truth.

SJWC must make its evidentiary showing in conformance with the Rate Case Plan (RCP) for Class A water utilities prescribed in Decision (D.) 04-06-018 and D.07-05-062. Pursuant to the RCP, SJWC is authorized to request general rate changes covering the three-year period, 2022 (Test Year), 2023 (Escalation Year) and 2024 (Attrition Year). SJWC has complied with the RCP, as well as with all other requirements established by the Commission for this GRC.

Once SJWC and Cal Advocates entered into the ASA and filed their Amended Joint Motion (for approval and adoption of the ASA), they jointly took on the burden of demonstrating the reasonableness of the ASA. WRATES does

⁶ Unless otherwise specified, all subsequent section references are to the Pub. Util. Code.

⁷ As required by the Rate Case Plan for Class A Water Utilities: "A utility's application for a rate increase must identify, explain, and justify the proposed increase." (D.04-06-018, Appendix at 5.) The application must be supported by testimony, with supporting analysis and documentation, describing the components of the proposed increase. All significant changes from the last adopted and recorded amounts must be explained, and all forecasted amounts must include an explanation of the forecasting method.

not have the burden of proving the unreasonableness of SJWC's proposals or of the ASA. To the extent WRATES makes its own independent claims or proposals, however, it bears the burden to support the merits of those separate claims or proposals with evidence and logical argument.

3. Standard for Review of the ASA Agreement

As a starting point to consider whether the ASA warrants adoption for purposes of resolving the issues in this proceeding, we set forth below the governing policies and standard of review.

As previously noted, "[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation."⁸ This long-standing policy supports many worthwhile goals, including reducing litigation time and expense, conserving Commission resources, and allowing parties to reduce the risk of unacceptable litigation result.

Although we favor the resolution of disputes through settlement, we also have specific rules regarding approval of settlements. Commission Rule 12.1(a) is the primary authority for review of proposed settlements, whether they are contested or not. With respect to any settlement agreement, pursuant to Rule 12.1 of the Rules of Practice and Procedure, we will only approve settlements that are reasonable in light of the whole record, consistent with the law, and in the public interest.

Rule 12.1 (a) requires parties to propose settlements on the resolution of any material issue of law or fact or on a mutually agreeable outcome to the proceeding by written motion. Rule 12.1(b) requires Settling Parties to convene

⁸ Pacific Gas & Electric Company GRC, D.88-12-083.

at least one conference with notice and an opportunity to participate provided to all parties for the purpose of discussing settlement in the proceeding.

The Amended Joint Motion must present a statement of factual and legal considerations adequate to advise the Commission of the terms of the settlement, including grounds on which adoption is urged. A proposed settlement under a Rate Case Plan shall also include a comparison exhibit indicating the impact of the settlement in relation to the utility's application, in relation to the issues staff contested, or would have contested, in hearing.

WRATES is the only party to contest the ASA. In reviewing the overall merits of the ASA, we also must evaluate the merits of WRATES' objections to the ASA, as discussed below.

4. The ASA Meets Requirements for Commission Approval and Warrants Approval and Adoption

As discussed below, we find that the ASA meets the requirements for approval under Commission Rule 12. The ASA resolves all contested issues in this proceeding between Cal Advocates and SJWC. The remaining party, WRATES, participated in the settlement process, but did not ultimately join in the ASA. Therefore, the ASA is not an all-party settlement. WRATES presented a list of objections to the ASA in its comments, filed March 7, 2022, and in its comments on the Proposed Decision, filed September 13, 2022.

Based on review of WRATES' arguments, and Settling Parties' Reply Comments dated March 22, 2022, we find no merit in WRATES' list of objections to the ASA, as addressed below.

We find that the Settling Parties have satisfied all requirements for approval of the ASA set forth in Rule 12. As required by Rule 12.1(a), the Settling Parties submitted a comparison exhibit as Attachment A to the ASA.

The comparison exhibit provides a comparative summary of the original positions of the Settling Parties on each issue, the difference between SJWC's position (as reflected in its 45-day update) and Cal Advocates' position, and the agreed-upon resolution in the ASA with reference to relevant record evidence for each issue.⁹

The ASA also meets Rule 12.1(b) requirements which calls for the Settling Parties to convene at least one conference with notice and provide all parties an opportunity to participate in the conference for the purpose of discussing settlements in the proceeding. Notice of the date, time and place shall be served to all parties at least seven (7) days in advance of the conference.¹⁰

Multiple settlement conferences were held in this proceeding by the parties. On June 29, 2021, SJWC sent formal notice of a settlement conference scheduled for July 7, 2021, in compliance with Rule 12.1(b). All parties participated in the noticed settlement conference. On August 17, 2021, all parties also participated in the all-party virtual joint mediation session with Commission's mediators. Multiple additional settlement conferences were held.

Cal Advocates conducted comprehensive discovery with respect to the issues raised by the Application, to which SJWC provided prompt responses. These materials, in conjunction with the showing presented in SJWC's Application, provided the basis for substantive negotiation of issues of concern to the Settling Parties. The Settling Parties met and discussed the contested issues in good faith, negotiated in defense of their respective positions, and considered proposals to resolve the issues. This process led to a series of

⁹ Attachment A to the ASA can be found in Appendix 1 of this Decision.

¹⁰ See Rule 12.1(b).

compromises and agreements on the terms of the ASA. Accordingly, the Settling Parties, after holding multiple conferences involving all parties, met the requirements of Rule 12.1(b).

Based on review of WRATES' arguments, and Settling Parties' Reply Comments dated March 22, 2022, we find no merit in WRATES' objections to adoption of the ASA. Having considered WRATES' objections, as discussed below in Section 4.4 of this decision, we find that the ASA satisfies Rule 12.1(d) which requires that to warrant approval, a proposed settlement must be reasonable in light of the whole record, consistent with law, and in the public interest.

4.1. Reasonable in Light of the Record

Upon review, we find the proposed ASA terms reasonable in light of the whole record including parties' prepared testimony and exhibits admitted into the record and the transcript of evidentiary hearings conducted.

The Settling Parties considered the record regarding: 1) the need for revenue increases, 2) rate design changes, 3) proposed ratebase and proposed expenses, 4) the ratepayer portion of revenue from non-tariffed products and services, 5) projected depreciation expenses and underlying assumptions for plant retirements, 6) special requests for recovery of balances in memorandum and balancing accounts, 7) a request to establish an Asbestos-Related Memorandum Account, and 8) effects on water quality to improve the overall safety and reliability of the service provided.

The ASA identifies each settled issue, provides a statement of the positions of SJWC and Cal Advocates, thoroughly describes their differences, explains how each issue was resolved, and lists corresponding and supporting references to testimony, evidence, and exhibits addressing each issue.

The record for this proceeding also includes testimony and exhibits of WRATES. Since WRATES did not join in the ASA, we independently review the claims and arguments presented by WRATES in testimony and exhibits. Our review of WRATES' showing, as discussed below in Section 4.4, does not change our finding that the ASA is reasonable in light of the whole record.

4.2. Consistent with Applicable Rules and Laws

Water utility rates adopted for SJWC must be set to provide safe and reliable customer service at just and reasonable rates, as required by Pub. Util. Code § 451. The water service rate levels proposed in the ASA satisfies this legal requirement. There is no statutory provision or prior Commission decision that would be contravened or compromised by adoption of the ASA. The issues resolved in the ASA are within the scope of the proceeding and produce rates within a range of reasonableness. Accordingly, we find the ASA to be consistent with applicable law.

4.3. Public Interest Standard

The Commission has explained that a settlement which “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions or prior Commission decisions” well serves the public interest.¹¹

Here, we find that the Settling Parties represent the affected interests. The primary public interest affected by this proceeding is the delivery of safe and reliable water service at reasonable rates. SJWC provides water service to customers in its California service territory. Cal Advocates is statutorily mandated to represent all ratepayers in California, including SJWC's ratepayers.

¹¹ San Diego Gas & Electric GRC, D.92-12-019.

The Settling Parties reached a reasonable compromise on each of the issues in contention. Settlement negotiations were accomplished at arms' length over several days and with no collusion. The resulting settlement advances the public interest because it fairly balances the Applicant's interest in seeking a fair opportunity to earn a reasonable return against the interests of consumers (as represented by Cal Advocates) for reasonable affordable rates and safe, reliable water service.

4.4. WRATES' Objections Lack Valid Support

4.4.1. Signature Requirements under Rule 12.1(a).

WRATES claims that the ASA does not meet the requirements for signatures as specified in Rule 12.1(a) because the signature of Cal Advocates' representative was redacted.¹² Settlements need not be joined by all parties but must be signed by the applicant.¹³ The Settling Parties filed the Amended Joint Motion for Approval of ASA with the signature for Cal Advocates representative redacted (although the signature of the SJWC representative was visible). In this regard, WRATES argues that the redacted signature provides prima facie evidence that the entire document, specific portions or unidentifiable portions have been altered, omitted or corrupted intentionally or due to technical factors. Since the chain of possession passed from more than five individuals as an electronic file, WRATES argues that explanation of where the corruption occurred is impossible to determine without a forensic investigation of the electronic history.

¹² WRATES Response to the Joint Motion, at 4. *See also*, WRATES Comments Contesting ASA, at 6. *See also*, WRATES Comments on the Proposed Decision at 4.

¹³ Rule 12.1(a).

The Settling Parties explained the signature issue was due to a technical glitch when SJWC converted the document from PDF to PDF/A format and corrected the error by filing PDF/A version of the ASA with both signatures visible with the March 22, 2022 Reply Comments.¹⁴ The Declaration of Chris Ungson, Deputy Director for Water and Communications of the Public Advocates Office at the California Public Utilities Commission (Declaration), stated that he signed the ASA on February 3, 2022.¹⁵ We find that WRATES' argument is misplaced in basing its objections on the chain of possession. The chain of possession applies as a factor in assessing the weight of evidence in the record. The ASA, however, is not an independent evidence, but is an evidence supported by the underlying motions by parties who are also signatories to that agreement. Although the signature block for the representative of Cal Advocates was redacted in the version filed with the original Joint Motion, the Applicant's signature, as required under Rule 12.1(a), was clearly visible. The February 4, 2022 Amended Joint Motion contained an attached ASA that had no signatures visible; however, the Settling Parties further supplemented the Amended Joint Motion with the Declaration and a copy of the ASA with all signatures clearly visible.

In Comments on the Proposed Decision, WRATES continues to raise its prior objections regarding ASA signature requirements and argues that adoption

¹⁴ See Amended Joint Motion. SJWC Opening Comments on the Proposed Decision at 1-2; Cal Advocates Reply Comments on the Proposed Decision at 5. Contrary to WRATES' Opening Comments on the Proposed Decision, these statements explaining the technical glitch are not "ex parte" discussions. WRATES Opening Comments on the Proposed Decision at 7. "Ex parte" discussions are, among other requirements, by definition non-procedural communications. Rule 8.1(b)(1). Discussions regarding a technical malfunction that mistakenly redacted a signature are procedural discussions. See Rule 8.1 (e)(2).

¹⁵ Reply Comments, Attachment B.

of the ASA would constitute legal error because the redaction of the signature evidences a failure to comply with California regulations concerning Public Key Cryptography and digital signatures under Title 2, section 22003 of the California Code of Regulations (CCR)¹⁶ WRATES argues that the redaction shows that the signature did not remain “under the sole control of the person using it” in violation of 2 CCR section 22003 (a)(5).¹⁷

Cal Advocates disputes WRATES’ contention, arguing that Deputy Director Ungson’s signature was an electronic signature, but not a digital signature under the law, and so the referenced provision is inapplicable.¹⁸ An electronic signature is “an electronic sound, symbol, or process attached to or logically associated with an electronic record and executed or adopted by a person with the intent to sign the electronic record[,]”¹⁹ and a digital signature is one type of electronic signatures.²⁰ Specifically, a digital signature is “an electronic identifier, created by computer, intended by the party using it to have the same force and effect as the use of a manual signature.”²¹ Cal Advocates also cites to additional distinctions between a digital signature and the broader category of electronic signatures.²²

¹⁶ WRATES’ Opening Comments on the Proposed Decision at 7. WRATES cites to “Gov 22003 (5)” for requirements pertaining to digital signatures; we agree with Cal Advocates that WRATES likely intended to reference Title 2 of the Cal. Code Regulations. §22003. See Cal Advocates’ Reply Comments on the Proposed Decision at 5.

¹⁷ WRATES’ Opening Comments on the Proposed Decision at 7.

¹⁸ Cal Advocates’ Reply Comments on the Proposed Decision at 4-5.

¹⁹ *Id.* at 4, citing Civ. Code, § 1633.2(h).

²⁰ *Id.* at 4, citing Gov. Code, § 16.5(d).

²¹ *Id.* at 4, citing Gov. Code, § 16.5(d).

²² *Id.* at 4-5, citing 2 Cal. Transactions Forms--Bus. Transactions § 8:4 (An electronic signature would be the minimal mark needed for a signature to satisfy the requirements of the statute of

Footnote continued on next page.

We agree with Cal Advocates that Director Ungson's signature was not a digital signature under the terms of the law, but rather was an electronic signature.²³ Title 2, Division 17 of the California Code of Regulations, pertaining to digital signatures, implements California Government Code section 16.5, which authorizes public entities to use digital signatures. Notably, this provision does not mandate public entities to use digital signatures only. No applicable law or Commission rule required the ASA signatories to use of digital signatures in consummating the settlement document at issue here. Thus, we

Based on the foregoing, we find that the ASA met the signature requirement under Rule 12.1(a), and WRATES' objections to the contrary lack merit.

4.4.2. Resolution L-614 has No Relevance to the ASA

WRATES references Commission Resolution L-614 as another basis for its objection to the ASA. Resolution L-614 addressed whether SJWC met the requirements for confidential treatment of documents under General Order (GO) 66-D. That resolution authorized the disclosure of SJWC financial statements for the years ending December 31, 2018, 2019 and 2020. WRATES argues that this resolution forms a basis for the Commission to reject the ASA.

We find no merit in WRATES' argument on this issue. The ALJ has ruled in this proceeding that Resolution L-614 is "irrelevant and not probative to the

frauds, while a digital signature requires something more: "[f]or example, someone's initials at the end of an E-mail would constitute an electronic signature. In contrast, a digital signature provides a means of authenticating both the content and creator of an electronic document through use of public key encryption.").

²³ Cal Advocates' Reply Comments on the Proposed Decision at 4-5.

admissibility” of the financial statements.²⁴ Resolution L-614 addressed whether SJWD met the requirements for confidential treatment of documents under GO 66-D. That issue is not relevant to this proceeding.

WRATES’ requests to have these documents entered into the record were not denied because of their confidential status but because WRATES failed to comply with the procedural requirements established for this proceeding, failed to make the showing required by the ALJ, and failed to establish a foundation for the exhibits.²⁵ The fact that the Commission authorized the disclosure of these financial statements has no bearing on whether the ASA has merit or meets the criteria for Commission adoption. WRATES’ repetition of these arguments in its Opening Comments on the Proposed Decision²⁶ are accorded no weight.

4.4.3. Cal Advocates Role Relative to Financial Statement Confidentiality

WRATES argues that the ASA is defective because Cal Advocates allegedly failed to act with due diligence by not joining in WRATES’ motion challenging SJWC’s claims of financial statement confidentiality. WRATES’ motion in this context arose out of its discovery disputes with SJWC.

Contrary to WRATES claims, we find that Cal Advocates had no obligation to join WRATES in its motion challenging SJWC’s claims of confidentiality of its financial statements. Cal Advocates thus did not exhibit a lack of due diligence in that regard. Cal Advocates was not involved in WRATES’ discovery disputes. Cal Advocates has no obligation to join other

²⁴ ALJ Ruling dated March 3, 2022.

²⁵ ALJ Ruling Denying Motions, dated March 3, 2022, at 1-3.

²⁶ WRATES’ Opening Comments on the Proposed Decision at 8-10.

intervenors in motions arising out of their discovery disputes with utility companies.

4.4.4. Cal Advocates Opening Brief Presentation

We find no merit in WRATES' argument that the ASA should be rejected because Cal Advocates, in its opening brief, presented no discussion of its original positions with references to testimony. Once Cal Advocates joined with SJWC in the ASA, Cal Advocates had an obligation to use its "best efforts to obtain Commission approval of the Settlement Agreement."²⁷ Because the ASA represents a compromise of the Settling Parties positions, the ASA does not align with all original positions in Cal Advocates' testimony. Accordingly, Cal Advocates acted in accordance with its responsibilities in its opening brief presentation, in noting that the ASA resolved all of its contested issues, rather than arguing its pre-settlement positions.

4.4.5. References to WRATES' Testimony/Exhibits

We find no merit in WRATES' argument that the ASA should be rejected because it does not provide references to WRATES testimony or exhibits. Since WRATES is not a party to the ASA, there is no reason for the ASA to cite to WRATES' testimony or exhibits. The Commission independently weighs and evaluates the merits of WRATES' testimony and exhibits, along with other record evidence, in determining the overall merits of the ASA.

5. Adopted Revenue Requirements and Rate Design

Based on our adoption of the ASA, as discussed above, we find the adopted revenue requirements and resulting rate increases proposed therein

²⁷ Joint Motion, Attachment 1, at 2; Amended Joint Motion, Attachment 1, at 2.

reasonable. The ASA encompasses all elements of SJWC's revenue requirements, including capital projects necessary to maintain and improve reliability,²⁸ costs to operate its system and provide services to customers,²⁹ expenses for compliance and enhancement of water quality,³⁰ payroll costs,³¹ and implementation of programs to improve safety and resilience.³² As a foundation for entering into the settlement provisions, Cal Advocates reviewed SJWC testimony and supporting materials regarding water quality, Division of Drinking Water sanitary survey reports, and databases of the State Water Resources Control Board. Based on this review, Cal Advocates confirmed that SJWC meets applicable state and federal water quality standards and GO 103-A.³³ We also

²⁸ Exhibit SJW-2, *Capital Budget Projection Justifications*, Testimony of Jake Walsh (SJW-2). See also, Exhibit SJW-4, *Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on IT and Recorded Plant*, Testimony of Eduardo Ibanez Brambila (SJW-4) and SJW-9, *Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Utility Plant Report, Generator Report, Pumps & Motor Report, and IT and Recorded Plant Report*, Testimony of Jake Walsh (SJW-9).

²⁹ Exhibits SJW-1, *San Jose Water Company Report on the Result of Operations, Operation and Maintenance Expenses*, Testimony of John Tang, Chapter 8 (SJW-1:8) and *Administrative and General Expenses*, Testimony of John Tang, Chapter 9 (SJW-1:9); SJW-6, *Rebuttal of San Jose Water company to the Public Advocates Office Report and Recommendations on Operations and Maintenance Expenses*; SJW-7.

³⁰ Exhibit SJW-1, *San Jose Water Company Report on the Result of Operations, Water Quality*, Testimony of Francois Rodigari, Chapter 16 (SJW-1:16).

³¹ Exhibit SJW-1, *San Jose Water Company Report on the Result of Operations, Payroll, Personnel Additions and Employee Benefits*, Testimony of Stephanie Orozco, Chapter 5 (SJW-1:5), and *Executive Compensation*, Testimony of James Lynch, Chapter 21 (SJW-1:21).

³² Exhibits SJW-1, *San Jose Water Company Report on the Result of Operations, Wildfire Risk Reduction Plan*, Testimony of Steven Auten, Chapter 19 (SJW-1:19); *Safety and Security*, Testimony of Curt Rayer, Chapter 20 (SJW-1:20) and SJW-10, *Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Utility Plant and Wildland Fire*, Testimony of Steven Auten (SJW-10 Auten).

³³ PAO 106, at 70-71.

find that SJWC has taken appropriate measures to ensure that its water system operations are safe.

SJWC also explicitly outlines in testimony the measures it has taken to protect water system assets, customer information, and distribution system integrity.³⁴

We also considered opposing claims of WRATES that: (1) the ASA-proposed rate design does not sufficiently encourage conservation; (2) SJWC should remove certain facilities from utility plant; (3) SJWC has not correctly allocated costs to its parent company, SJW Group; (4) SJWC has not demonstrated the necessity of its proposed capital improvement projects; (5) SJWC should not be allowed to recover costs tracked in its Catastrophic Event Memorandum Account; and (6) SJWC has failed to address the Commission's ESJ Action Plan goals. As discussed below, we find no merit in any of these claims.

Based on thereon, we adopt revenue requirement increases of \$25,074,000 or 6.03% for TY 2022, \$12,955,000 or 2.94% for Escalation Year 2023, and \$16,102,000 or 3.56% for Attrition Year 2024.³⁵ The following table summarizes and compares the total revenue requirement increase, in dollars and percentages,

³⁴ SJW-1, Chapter 20.

³⁵ Amended Joint Motion at 5.

for 2022, 2023, and 2024, (a) as requested in the Application, (b) proposed by Cal Advocates in testimony, and (c) as agreed to by the Settling Parties in the ASA.³⁶

Calendar Year	Increase Requested by SJWC (In Dollars and Percentages)	Increase Proposed by Cal Advocates (In Dollars and Percentages)	Increase Agreed to in ASA (In Dollars and Percentages)
2022	\$ 51,585,000 / 13.35%	\$16,592,000 / 4.06%	\$25,074,000 / 6.03%
2023	\$16,932,000 / 3.88%	\$12,787,000 / 3.00%	\$12,955,000 / 2.94%
2024	\$19,195,000 / 4.24%	\$13,761,000 / 3.14%	\$16,102,000 / 3.56%

We accordingly adopt the Summary of Earnings and supporting cost and quantity elements, consistent with the ASA, as set forth in Appendix 2 of this decision.

Escalation-year rate increases were calculated using currently known inflation factors provided by Commission staff and applied as directed in the RCP. The escalation-year filings for Escalation Years 2023 and 2024. The escalation year rate change advice letter filings will be governed by actual inflation factors recorded at the times of filing.

The adopted revenue requirements represent the funds necessary for SJWC to provide safe and reliable customer service at just and reasonable rates, as required by Pub. Util. Code § 451. The adopted increases (1) balance the need for system improvements with what customers pay for service, (2) ensure that its water system is sufficiently designed, operated, and financed to provide safe and reliable service to all customers, and (3) address emerging trends and threats, including wildfire and climate change, and build and operate a more resilient system.

³⁶ ASA at 4.

5.1. Rate Design Issues

We adopt the rate design set forth in Attachment B of the ASA. We find no merit in WRATES' rate design proposals that conflict with the ASA. The adopted rate design, as set forth in the ASA:

- (a) utilizes tier breaks of 0-6, 7-12, and over 12 units;
- (b) recovers 45% of revenue through fixed service charges and 55% through volumetric quantity charges;
- (c) sets the uniform rate at the Tier 2 rate, sets the Tier 1 rate at 0.67 of the Tier 2 rate, and sets the Tier 3 rate to achieve Monterey-Style WRAM neutrality;
- (d) charges all other customers at the Tier 2 rate;
- (e) sets the Raw Water Quantity Rate set at 0.2296 less than uniform rate; and
- (f) sets the Recycle pipe water rate at 0.4706 lower than uniform rate.³⁷

Forecasts of customer counts and sales form the basis to develop estimated operating revenues applying the rate design in the ASA. SJWC also has revenue from funds provided by contributors through the gross-up on contributions in aid of construction. Combined, these items provide the forecasted total operating revenue at proposed rates per the ASA, as necessary for SJWC to provide safe and reliable water service to its customers.

Settling Parties agreed to Cal Advocates' residential customer count and SJWC's non-residential or Business customer count for each of the years 2022 through 2024 as shown in the tables in Attachment A to the ASA. The Parties agreed to utilize SJWC's meter size allocation for each customer class.³⁸

³⁷ ASA at 10.

³⁸ See Exhibits SJW-1 and SJW C-1, *San Jose Water Company Report on the Result of Operations, San Jose Water Sales Forecast for 2020 General Rate Case*, Testimony of David Mitchell (SJW-1/SJW Footnote continued on next page.

The Settling Parties proposed that recovery of revenue be implemented through an allocation of 45% from fixed service charges and 55% from volumetric quantity charges. The increase in fixed service charges is balanced with a decrease of volumetric rates compared to current volumetric rates.

The volumetric quantity charge on residential customers with 5/8 x 3/4-inch, 3/4-inch, 1-inch, 1 1/2-inch or 2-inch meters as set forth in the ASA for the years 2022 through 2024 is summarized below:³⁹

**RESIDENTIAL CUSTOMERS WITH
5/8 x 3/4-INCH, 3/4-INCH, 1-INCH, 1 1/2-INCH or 2-INCH METERS**

Tier	SJWC Current Rates			SJWC Proposed Rates per Application			ASA Proposed Rates		
	Rate Structure	Rate Differential	Rate	Rate Structure	Rate Differential	Rate	Rate Structure	Rate Differential	Rate
1	0-3 ccf ⁴⁰	0.6667 of Tier 2 Rate	\$3.7563	0-6 ccf	0.8 of Tier 2 Rate	\$3.7575	0-6 ccf	0.67 of Tier 2 Rate	\$3.4845
2	3-18 ccf	Uniform rate	\$5.4453	6-18 ccf	Uniform rate	\$4.6969	6-12 ccf	Uniform rate	\$5.2008
3	over 18 ccf	1.3333 of Tier 2 Rate	\$7.1338	over 18 ccf	1.67 of Tier 2 Rate	\$7.8832	over 12 ccf	1.5966 of Tier 2 Rate	\$8.3036

Residential customers with meters greater than 2-inch and non-residential customers continue to be subject to a single quantity rate at Tier 2 Rates regardless of usage.

Although the increased fixed service charge rate appears large, for the typical low-income customer enrolled in the customer assistance program using 11 centum cubic feet (ccf) per month, the Settling Parties anticipate a rate impact

C-1: 6), pp. 6-2 to 6-6; Exhibit PAO-105, *Report and Recommendations on Payroll, Administrative & General Expenses, and Rate Design, Testimony of Ting-Pong Yuen* (PAO-105), at 14-15 and Exhibit SJW-7, *Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Payroll, Administrative & General Expenses and Rate Design* (SJW-7), at 13-16.

³⁹ See Attachment B to the ASA (in Appendix 1 hereto).

⁴⁰ A ccf represents one hundred cubic feet of water.

(increase) of \$2.34 per month, compared to customers using 11 ccf per month not enrolled in the customer assistance program, who will see a rate impact of \$2.76 per month.⁴¹

The ASA-proposed rate design complies with D.16-12-026 requirements for water utilities to continue past practices of rate recovery through fixed charges to reduce reliance on quantity charges and, consequently, decrease in amounts recovered from Water Revenue Adjustment Mechanism (WRAM) or surcharges.⁴² In D.16-12-026, Classes A and B water investor-owned utilities (IOUs) were ordered to provide one or more proposals in the GRC to adjust customer tiers including consideration of higher tiered rates for outlier consumers or a superuser charge.⁴³

Such proposals shall provide analysis and information to make a showing that the proposals balance promoting conservation, particularly by outliers, protecting ratepayers from rate shock, recovering authorized revenue to sustain the system and operations, and ensure fairness between ratepayers.⁴⁴

The Settling Parties agreed to Tier 1 breakpoint, but Cal Advocates expressed concern regarding the Tier 1 ratio of the Tier 2 rate.⁴⁵ The Settling Parties also agreed that the amount of revenue recovered from the fixed charge should be increased, but Cal Advocates recommended a different percentage.⁴⁶ The Settling Parties ultimately agreed to a rate design that maintains the Tier 1

⁴¹ ASA at 17.

⁴² D.16-12-026, p. 55.

⁴³ *Id.* at 7-8.

⁴⁴ *Ibid.*

⁴⁵ Exhibit PAO-105 at 49.

⁴⁶ *Id.* at 21.

up to 6 ccf breakpoint, which increases the amount of revenue recovered from the fixed charge and adjusts the tiered rates to achieve revenue neutrality for SJWC's Monterey WRAM.⁴⁷ This neutrality is necessary because Monterey WRAM balances lead to large recoveries in subsequent periods and intergenerational inequities.⁴⁸

WRATES disputes the ASA with respect to the proposed volumetric proportion of rates and argues that a 30%/70% fixed-cost-to-volumetric-charge ratio will maximize price signals to residential customers to promote conservation, while preventing the utility from undervaluing the true cost of water.

We are not persuaded to adopt WRATES' proposed ratio of 30%/70% fixed-versus-volumetric rates. The Commission has previously found that the 30%/70% fixed/volumetric recovery ratio is not necessary to promote conservation and has serious drawbacks. As stated in D.16-12-026, "We are committed to incentivizing conservation, but find the 30/70 rate recovery mechanism not critical to that objective."⁴⁹ We also stated: "Increases in service charges to recover more rates through fixed costs should not diminish the conservation incentive provided through increasing rate tiers for quantity usage."⁵⁰ A rate design that only provides for recovery of 30% of revenue

⁴⁷ ASA at 7.

⁴⁸ Evidentiary Hearing Transcript, Volume 4, at 374-375.

⁴⁹ D.16-12-026, Order Instituting Rulemaking on the Commission's Own Motion into Addressing the Commission's Water Action Plan Objective of Setting Rates that Balance Investment, Conservation, and Affordability for Class A and Class B Water Utilities, Decision Providing Guidance on Water Rate Structure and Tiered Rates, at 55-56.

⁵⁰ D.16-12-026, at 80, Finding of Fact 4.

through fixed service charges “leads to economic inefficiencies.”⁵¹ Therefore, we decline to adopt a 30%/70% ratio, as proposed by WRATES.

The 45%/55% fixed-versus-volumetric ratio proposed and applied in the ASA encourages water conservation by providing a rate below the current rate for Tiers 1 and 2 for residential customers with lower water usage and higher Tier 3 rate for residential customers with higher usage. The rate increase to the Tier 3 users encourages conservation, while the rates for Tier 1 and Tier 2 customers provide a reasonable opportunity to earn the authorized rate of return.

The increase of Tier 1 also encourages conservation of water and rewards those families using less than 6 ccf with lower rates. The proposed operating revenue increase also allows SJWC to continue offering safe and reliable water service, while lowering rates for customers using less than 18 ccf per month.

Under the ASA, the residential customers with meters greater than 2-inch and non-residential customers will enjoy the lower Tier 2 rate as a uniform rate. The proposed rates protect ratepayers from rate shock with lower Tier 1 and 2 rates while increasing rates for outlier customers or superusers. The volumetric rates under the adopted rate design reflect a reduction of \$0.2718-\$1.9608 per centum cubic feet (ccf) for usage up to 6 ccf and a reduction of \$0.2445 per ccf for usage of 6 to 12 ccf. For usage above 12 ccf, the rate is increased by \$1.1698.

We decline to adopt WRATES rate design proposal which includes four tiers and a Tier 1 breakpoint of 3 ccf. WRATES did not justify this proposed rate design nor provide any analysis of the proposed tier levels or calculation of proposed revenue at WRATES’ proposed tiers and rates. The Commission has

⁵¹ *Id.*, at 55.

previously indicated that the Tier 1 breakpoint cannot be lower than 6 ccf.⁵² WRATES' proposed rate design would penalize customers who conserve water but, due to the number of individuals in their household, are at their baseline usage.⁵³ WRATES' four-tiered rate design adds complexity with no demonstrated benefits. Therefore, we do not adopt WRATES' proposed four-tiered rate design.

5.2. SJW Group Parent Company Issues

The ASA-proposed 2022 TY expenses incorporate a credit for expenses transferred to construction costs or other accounts, and to SJWC's parent company, SJW Group.⁵⁴ Because SJW Group does not have employees, SJWC employees perform functions required by SJW Group, and SJW Group reimburses SJWC for expenses incurred on behalf of SJW Group. The credit reduces the TY A&G expense allowance, reflecting this reimbursement.

WRATES argues that this credit is understated and should be increased from \$2,056,800 to \$4,056,800 to account for costs incurred by SJWC on behalf of SJW Group not included in the amounts in SJWC's application. WRATES alleged that SJWC is paying its employees to provide services to SJW Group without compensation. WRATES argued that SJW Group corporate expenses should not be included in SJWC rates.

WRATES claims that SJWC has generated significant cash that was transferred to SJW Group, and that SJW Group is arbitraging interest rates between SJW Group and SJWC to its advantage. SJWC does not maintain

⁵² D.20-08-047, at 77.

⁵³ SJW-13, at 2.

⁵⁴ SJW-1, Chapter 9.

significant cash balances and uses the cash generated from operations primarily to fund capital additions.⁵⁵

We find no evidence of an SJW Group arbitrage benefit as a result of the SJWC and SJW Group short-term intercompany borrowing arrangement. At the evidentiary hearing, SJWC Chief Financial Officer James Lynch explained the process for allocation of costs between SJWC, SJW Group, and other operating affiliates.⁵⁶ This allocation process is designed to ensure that SJWC customers are not paying for work done on behalf of SJW Group or other affiliates.

SJW Group has no stand-alone operations. Its activities are for the primary benefit of the operating utilities (including SJWC) and their respective customers.⁵⁷ SJWC allocates the time that its employees spend on SJW Group activities. This allocation methodology includes annual time studies and the compensation (at market rates) of the employees providing the services to SJW Group (or other affiliates).⁵⁸ These costs are allocated out of SJWC to SJW Group or an affiliate.⁵⁹

The Commission rules governing affiliate transactions address allocation of costs for shared corporate support, pricing of goods and services between the regulated utility and affiliates, and measures to ensure the financial health of the regulated utility. The rules provide for appropriate regulatory oversight by the Commission. The Commission has authority to impose monetary penalties for failure to comply with the affiliate transaction rules.

⁵⁵ SJW-13, at 7.

⁵⁶ Confidential RT 277:9-28 (Lynch/SJWC).

⁵⁷ SJW-13, at 9.

⁵⁸ SJW-13, at 10; *see* CONFIDENTIAL RT 854:6-18 (Lynch, SJWC).

⁵⁹ WR C-282, WR C-283, WR C-284, WR C-290, WR C-291.

Under these rules, officers and employees of SJWC, SJW Group, and affiliated companies must make themselves available to appear and testify in Commission proceedings involving SJWC. They must provide the Commission and its staff with access to their books and records to allow the Commission to examine costs at issue or to review transactions between SJWC and affiliates.

Pursuant to these rules, SJWC developed its affiliate transaction compliance plan, which includes mechanisms and procedures to ensure compliance with the rules, as well as corporate officer verification that SJWC is not utilizing the parent company or any of its affiliates not covered by the rules as a conduit to circumvent any of rules. The rules also provide for independent audits for affiliate transactions at shareholder expense under certain circumstances.

The Commission's affiliate transaction rules also require SJWC to submit an annual report to the Commission's Water Division and Cal Advocates that includes a summary of all transactions between SJWC and its affiliate companies for the previous calendar year.

The record in this proceeding includes supporting documents as part of these reports, which detail SJWC expenses allocated and transferred to SJW Group. Given these requirements, SJWC has no incentive to understate expenses transferred to SJW Group.

In summary, we find nothing to identify defects or irregularities in SJWC's cost allocation process relating to the SJW Group, as claimed by WRATES. Accordingly, we decline to adopt WRATES's proposed adjustment to expenses transferred to SJWC's parent company.

5.3. Rate Base and Capital Budgeting Issues

As a basis for the rate base recommended in the ASA, the Settling Parties reached a negotiated agreement on the respective capital components that are included in rate base. WRATES recommends that the TY rate base proposed in the ASA be reduced by \$42,664,400 to remove certain capital projects.⁶⁰ We address WRATES' arguments in this regard below.

5.3.1. Used and Useful Assets

WRATES proposes a rate base reduction of \$24,902,357 to exclude a series of wells, tanks, and reservoirs. WRATES references Cal Advocates' testimony submitted prior to the ASA which claimed that these assets were not used and useful in providing utility service. On that basis, WRATES argues that these facilities provide no ratepayer benefit and should be excluded from rate base.

SJWC agreed in the ASA to remove and retire Three Mile Well #1, Cambrian Reservoir #2, Fleming Reservoir #4 and Fleming Tank #3. SJWC also agreed to remove Vickery Reservoir #1 from rate base and hold it for future use. SJWC will move these assets to "USOA Account #100-4: Utility Plant Held for Future Use" for this GRC cycle. With respect to the remaining reservoirs and tanks at issue, SJWC argues that their inclusion in rate base is justified, as reflected in the ASA.

We conclude that the inclusion in rate base of the facilities, as identified in the ASA, provides a reasonable outcome. These reservoirs and tanks benefit customers by providing operational reliability and operational flexibility, particularly due to drought conditions and potential limited source water availability. SJWC periodically fills and drains them for operational purposes,

⁶⁰ WRATES Opening Brief, at 12.

including distribution water quality management, changes in pressure zone demands, to provide additional storage due to unplanned outages or maintenance, and for routine inspection and cleaning of complementary reservoirs.

Keeping these wells, tanks and reservoirs in rate base is consistent with Commission precedent. The Commission has previously found that a facility that is not being used currently to provide water service still provides benefits to customers as a used and useful asset if it remains available as a source of supply during emergency situations.⁶¹

5.3.2. Rate Base Assets Requested in Prior Rate Cases

WRATES recommends a rate base reduction to reflect removal of certain capital projects requested for inclusion in prior rate case applications that were not completed on their original schedule. WRATES claims that SJWC has included nine previously funded projects and unnecessary projects in its 2022 TY Rate Base that are of no value to ratepayers.⁶²

We decline to adopt WRATES' recommendation to reduce rate base based on a disallowance of these capital projects. In SJWC's prior GRCs referenced by WRATES, the Commission approved settlements for overall capital budgets, but not specific capital projects. Although specific projects may be proposed to demonstrate the reasonableness of a utility's estimated capital investments, the utility retains discretion to shift funds budgeted for one capital project to a different project as changing conditions may warrant. The utility has an

⁶¹ D.12-06-040, at 13-17.

⁶² PAO 106. at 2; Chapter 1.

obligation to exercise its expert judgment and management. The Commission does not micromanage every utility action.

SJWC was not obligated to complete all capital projects merely because they were proposed in a prior GRC. The fact that construction on certain previously proposed projects remain unfinished does not necessarily make the projects unreasonable. The GRC process requires capital improvements to be forecasted years in advance. The timing and costs of forecasted capital projects may be affected by changes in the scope of work, unforeseen site conditions, permitting, and other factors.⁶³

Although SJWC completed less than 100% of the capital projects proposed in its previous GRC (A.18-01-004) its total proposed budget for that rate case period was 20% more than the adopted budget. In this instance, we conclude that SJWC has justified the continuing need for the projects contested by WRATES. SJWC has explained the reasons for the delays experienced in each of the projects contested by WRATES which were due to factors beyond the control of SJWC.⁶⁴ Based on this evidence presented, we conclude that the projects included in rate base are reasonably expected to become operational for the 2022 TY, and WRATES' objections lack merit.

We likewise find no merit in WRATES' objections to SJWC's estimate of cost savings of \$12.3 million relating to the Saratoga Water Treatment Plant project.⁶⁵ WRATES characterizes SJWC's savings estimate as unverified and

⁶³ SJW-9, at 6.

⁶⁴ See SJWC Reply Brief, at 16-21 which presents a project-by-project status summary of each of the facilities contested by WRATES, with citations to supporting testimony for each project.

⁶⁵ In this proceeding, SJWC is seeking only to advance the design and permitting of the new treatment facility that will replace the existing Saratoga Treatment Plant, while construction would take place in the next GRC cycle. (See SJW-2, at 433.)

untested. WRATES claims that Saratoga Creek is a discontinuous, unreliable water source, citing page 35 of the Saratoga Treatment Facilities Plan Final Report.

We find no valid basis for WRATES' dispute regarding SJWC's estimate of cost savings from the Saratoga project. WRATES' citation provided to support its position merely presents an overview of the source water quality and regulatory requirements. SJWC's customer savings analysis is based on historic production and analysis comparing the Saratoga Filtration Plant production and available streamflow to determine missed flows and the increases in production that could be attained with an upgraded facility that can operate more reliably. SJWC based its projected purchased water and groundwater extraction costs through 2070 on the best available information from its wholesale water supplier, Valley Water. Additional detail of the customer savings calculation is included in the Saratoga Treatment Facilities Plan Final Report.

5.3.3. Pipeline Replacement Budget Issues

We find reasonable the ASA proposal for a capital improvement budget which calls for pipeline replacement at a rate of approximately 1% per year.⁶⁶ We find that a 1% annual pipeline replacement rate would, in the long term, stabilize and keep the number of SJWC pipeline leaks to a manageable level, thus decreasing the probability of adverse environmental impacts.

WRATES argues that SJWC should be required to revise and update its Pipeline Asset Management Program but provides no specific recommendation as to revisions and/or updates. WRATES argues that SJWC's failure to replace pipelines at the 1% annual rate over the last few years demonstrates that this

⁶⁶ SJW-2, at 10-15. (See also Exhibit G, Appendix 2, Pipeline Asset Management Program.)

level of pipeline replacement is not necessary. WRATES also argues that SJWC is not using the correct methodology to determine which pipelines to replace.

We find that SJWC has conducted a robust analysis of risk for each of its pipelines as the baseline for its pipeline capital improvement and asset management program. WRATES did not provide evidence countering SJWC's analysis.

SJWC developed and used survivor curve and failure rate curves to estimate system-wide average pipeline age and expected number of future leaks. This analysis demonstrates that the failure to replace pipelines at the 1% level will lead to a significant increase in leaks. SJWC has shared this analysis at American Water Works Association events and with industry peers, where it has been received favorably.

SJWC identifies risk levels through system-wide evaluations of: (1) probability of failure and (2) consequence of failure. The probability of failure evaluation quantifies each pipeline's likelihood to leak based on the pipeline's characteristics, environment and historic leak data. The consequence of failure evaluation considers societal impacts of pipeline failure, including environmental, financial, and social/community impacts. The probability of failure score multiplied by the consequence of failure score produces the business risk exposure score which helps determine replacement priorities and maintenance strategies.

SJWC also developed priority replacement zones to put the most emphasis on pipelines with a high probably of failure taking into account the consequence of failure. This improves its ability to complete projects at a reasonable cost and decrease overall system risk.

SJWC's annual pipeline replacement rate has been less than 1% over the last few years, due to various factors including budget constraints. Nonetheless, WRATES offered no evidence to contradict a finding that SJWC can reliably operate the distribution system and increase customer health and safety risks associated with water contamination, water service outages, and flooding.

We find that a 1% pipeline replacement rate, as reflected in the ASA, is appropriate to enable SJWC to continue to provide safe and reliable service to customers. SJWC's method of prioritizing pipeline replacements considers risks, costs, and benefits to customers. Contrary to WRATES' recommendations, we find that no revisions nor updates to SJWC's Pipeline Asset Management Program are needed.

6. Balancing Account and Memorandum Account Undercollection Recovery

SJWC requested recovery of undercollections accrued in its balancing accounts and memorandum accounts from January 1, 2017 through September 30, 2020, via a customer surcharge. Cal Advocates alleged that SJWC's calculations of the balancing account undercollections included errors. Settling Parties reached agreement that SJWC should be allowed to recover a balance of \$6,674,556 for specified balancing accounts and \$11,499,403 for specified memorandum accounts via a surcharge on customers' bills. Settling Parties also agree as a condition of settlement that SJWC will close out certain specified memorandum and balancing accounts.

WRATES argues that SJWC should be denied recovery of costs tracked in the Catastrophic Events Memorandum Account (CEMA) relating to COVID-19. WRATES cites D.21-07-029, which addressed tracking and recovery of unpaid customer bills related to COVID-19. D. 21-07-029 imposes a prohibition on

applying for recovery of unpaid bills associated with the COVID-19 pandemic tracked in the CEMA. WRATES argues that inclusion of uncollectable accounts in arrears is defined in Attachment A of D.21-07-029 but that recovery of accounts in arrears during COVID-19 pandemic has not been adequately incorporated or defined by SJWC. On this basis, WRATES opposes recovery of the CEMA undercollection.

We find no basis to deny recovery of CEMA undercollections as requested in the ASA. SJWC does not seek to recover through CEMA the cost of unpaid bills related to COVID-19. The only costs tracked in CEMA related to flooding in 2017 and public safety power shutoffs in 2019. Cal Advocates reviewed these costs and verified that they were correctly tracked in the CEMA.

Accordingly, we find no basis for WRATES' objections to CEMA cost recovery as requested in the ASA. We find the overall resolution of balancing account and memorandum account issues set forth in the ASA to be reasonable.

7. The ASA Supports Commission Goals Under the ESJ Action Plan

In February 2019, the Commission adopted the Environmental and Social Justice (ESJ) Action Plan to serve as a roadmap for implementing the Commission's vision to advance equity in its programs and policies for ESJ or disadvantaged communities.⁶⁷ The Scoping Memo, issued April 5, 2021, identifies related issues in this proceeding: what are the rate increase impacts on ESJ communities and to what extent SJWC-requested rate increase and other requests achieve the nine goals of the Commission's ESJ Action Plan.

⁶⁷ *Environmental and Social Justice Action Plan*, Version 1.0, February 21, 2019 (ESJ Action Plan), at 6-8.

ESJ communities are commonly identified as residents of predominantly communities of color or low-income, subject to a disproportionate impact from one or more environmental hazards, and likely to experience disparate implementation of environmental regulations and socio-economic investments in their communities. ESJ communities also include, but are not limited to, disadvantaged communities, all Tribal lands, low-income households, and low-income census tracts.⁶⁸

WRATES argues that SJWC has submitted no exhibit, provided no testimony nor entered into evidence an explanation of how its request for a revenue increase for TY 2022 will affect ESJ communities.

SJWC responds that it provided numerous examples of how its requested rate increase and other requests, as modified by the ASA, will help the Commission further the Commission's ESJ goals. In particular, SJWC argues that the ASA will help the Commission increase investment in clean energy resources, improve access to high-quality water service, increase climate resiliency, enhance outreach to ESJ communities, and promote economic and workforce development opportunities.

We conclude that SJWC has made the showing required by the Commission's Rate Case Plan regarding the requested revenue requirement and rate base changes, as well as the Commission's rules regarding notice of the impact of the proposed increase on different classes of customers. Neither the Scoping Memo nor the ESJ Action Plan require a more detailed showing as to the impact of the proposed rate increase on ESJ communities beyond what has been incorporated into the ASA, Section IV thereof.

⁶⁸ ESJ Action Plan at 9-10.

Some of SJWC's customers fit within the definition of ESJ communities. Any rate increase adopted as part of this proceeding will impact all customers, including those who are part of ESJ communities. The rate changes adopted pursuant to the ASA do not directly benefit the ESJ communities that SJWC serves. A portion of the funds from the increased rates, however, will be applied towards various programs to improve local air quality, public health, and water quality service, and to increase climate resiliency through water conservation and wildfire mitigation.⁶⁹ We review below in further detail how the provisions of the ASA address ESJ goals.

7.1. Terms of the ASA Includes Investment to Improve Air Quality

In its Application, SJWC proposed a new sustainability function with dedicated staff to implement an environmental management system that 1) demonstrates compliance with all environmental regulations and permits; 2) improves SJWC's environmental performance; 3) is the steward of its watershed lands to promote water conservation and efficient use of water resources toward enhanced protection of its natural resources; 4) minimizes greenhouse gases (GHG) while maximizing the competitive and financial advantage through improved efficiencies and reduced costs; and 5) enhances SJW Group's suppliers' environmental performance.

The Settling Parties agreed to allocate \$200,000 towards SJWC's Sustainability Environmental Management System, intended to conduct a GHG inventory to be used for planning, developing and setting reduction of GHG.⁷⁰ SJWC plans to become certified by the Santa Clara County Green Business

⁶⁹ SJWC Opening Brief at 26-32.

⁷⁰ ASA at 17.

Certification Program and develop priorities and targets to reduce its GHG through energy reductions, green energy generation, and an accelerated electrification of its light vehicles fleet.⁷¹ This will result in reduction in GHG within the ESJ communities served by SJWC and improve the air quality to those communities served by SJWC.

7.2. ASA Proposed Rate Increases Will Enhance Public Health and Safety in ESJ Communities

We find that the increase in rates proposed in the ASA will also help fund public health and safety programs that will be beneficial to ESJ communities served by SJWC. For example, SJWC has been working with the Health Trust and the County of Santa Clara to fluoridate a portion of its water system. SJWC will then take responsibility for future costs and replacement of the fluoridation system. The initial fluoridation system will be constructed at SJWC's McLaughlin Station,⁷² which serves the lower socioeconomic community, and ensures the residents, particularly younger children, will benefit most from the fluoridated water.⁷³

The increased rates support SJWC's capital investment to reduce its inventory of partial lead service laterals and services lines constructed of an unknown material. SJWC proposed to reduce the inventory of approximately ten percent of the partial lead service laterals and service lines constructed of an unknown material per year over the next ten years through planned main replacement projects and individual inspections and replacements for complete

⁷¹ Exhibit SJW-1, Chapter 16, *Water Quality*, Prepared by Francois Rodigari (SJW-1, Chapter 16), at 16-10 - 16-11.

⁷² SJW-1, Chapter 16, at 16-9 - 16-10.

⁷³ Evidentiary Hearing Transcript, Volume 5, at 555.

elimination by 2030.⁷⁴ SJWC's proposed infrastructure investment will avoid lead exposure to vulnerable populations, including the ESJ communities served by SJWC.

The increased rates proposed in the ASA further invest in safety protection for ESJ communities served by SJWC through developing and maintaining security-related practices and procedures to address potential terrorist attacks and the purposeful damage or destruction of facilities and infrastructure that may affect water service.

The security-related practices include completing a master security review and assessment, establishing standard designs for all security infrastructure, assessing supply, storage, pumping and building facilities on an ongoing basis and integrating improved security measurements with other facility improvements, and investing in capital and operating expenditures for cybersecurity improvements.⁷⁵ SJWC also engages and coordinates with multiple agencies in the South Bay Area on utility infrastructure security, emergency response and operational resiliency.⁷⁶

To address safety in response to the COVID-19 pandemic, SJWC developed a formal COVID-19 risk assessment process to develop, implement and update COVID-19 standard operation guidance to protect employees and the public while continuing to provide safe and reliable water service to customers.⁷⁷

⁷⁴ SJW-2 at 20-21.

⁷⁵ SJW-1, Chapter 20, *SAFETY and SECURITY, Prepared by Curt Rayer* (SJW-1, Chapter 20), at 20-4 - 20-6.

⁷⁶ *Id.* at 20-7.

⁷⁷ *Id.* at 20-13 - 20-17.

7.3. The Rate Increase Will be Invested Towards Improving Water Quality for the ESJ Communities Served by SJWC

The rate increases proposed in the ASA will further help fund improving water quality through expenditure in capital projects, asset retirement, well blowoffs, water storage tanks, installation of acoustic leak detection sensors, replacement of an aging tank, and installation of disinfectant residual management systems.⁷⁸ This investment will ensure that the ESJ communities served by SJWC will have improved access to high-quality water.

7.4. The ASA Terms Will Increase Climate Resiliency in ESJ Communities

Through the rate design encouraging conservation and the investment of \$500,000 towards SJWC's Wildfire Mitigation Plan, the terms under the ASA will increase climate resiliency in the SJWC service area, including the ESJ communities served by SJWC. As discussed previously, the proposed rate design encourages conservation through reduced water use. The Wildfire Mitigation Plan will reduce wildland fuel hazard to reduce the impact of water sourcing, production, and delivery to customers, including customers in the ESJ communities.⁷⁹

8. Cost of Capital Reflected in Rates

The Commission adopts the Settling Parties' recommendation to apply the currently authorized rate of return of 7.64% in calculating the TY 2022 revenue requirements. This currently authorized rate of return is reflected in the calculation of return on rate base for revenue requirement purposes. A separate cost of capital proceeding for SJWC, A.21-05-004, was opened in 2021 and

⁷⁸ SJW-2 at 48-190.

⁷⁹ ASA at 17-18.

consolidated with A.21-05-001, A.21-05-002 and A.21-05-003. A proposed decision in A.21-05-004 is anticipated in the Fall of 2022, which will adopt cost of capital amounts for the period 2022-2024. Therefore, until a decision in A.21-05-004 is issued, SJWC’s currently adopted cost of capital, as approved in D.18-03-035, is summarized below:

Cost of Capital Element	Capital Structure %	Cost Factor %	Weighted Cost of Capital %
Debt	46.72%	6.20%	2.90%
Common Equity	53.28%	8.90%	4.74%
Total	100%		7.64%

Once the Commission issues a final decision in A.21-05-004, SJWC shall implement appropriate rate changes to reflect the new authorized cost of capital and resulting revenue requirement and any other appropriate supporting changes consistent with the directives in that decision.

9. Conclusion

Upon review, the Commission finds that the ASA complies with Rule 12.1. The ASA is reasonable in light of the whole record, consistent with the law, and in the public interest. We find that the objections to the ASA posed by WRATES lack merit. Accordingly, we adopt the ASA, and direct SJWC to file a Tier 1 Advice Letter to implement the rate increases for TY 2022 as set forth the ASA, together with the other applicable provisions set forth in the ASA in accordance with the ordering paragraphs of this decision.

10. Comments on Proposed Decision

The proposed decision of ALJ Thomas R. Pulsifer in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of

Practice and Procedure. Timely comments were filed by WRATES and SJWC, and timely reply comments were filed by Cal Advocates and by SJWC.

SJWC's Opening Comment to the Proposed Decision presented a few recommended minor revisions to the Proposed Decision; we find them reasonable and adopt and incorporate them in this decision, including the updated Appendix 2 to this decision.

WRATES' Opening Comment to the Proposed Decision focused largely on WRATES' continuing objections to ASA based on claim of signature requirement violation. That argument is thoroughly addressed, revisited and dismissed in Section 4.4.1. of this decision, with our finding that the ASA met the signature requirement under Rule 12.1(a).

WRATES' Opening Comment to the Proposed Decision also raised an argument that the ASA was not timely filed. This argument is premised on WRATES' above signature requirement argument which we dismissed in Section 4.4.1. and above. In short, WRATES argues that because the Settling Parties did not file the ASA with both signatures visible until March 22, 2022, later than 30 days following the close of evidentiary hearings, the settlement was untimely and should be rejected.⁸⁰

Here, the original settlement agreement was timely filed on January 13, 2022, in compliance with Rule 12.1(a), i.e., less than 30 days prior to the close of evidentiary hearings, which concluded on December 20, 2021.⁸¹ Settling Parties discovered two errors in the ASA comparison exhibit and were instructed by the ALJ to file the ASA. As noted by Cal Advocates, consistent

⁸⁰ WRATES' Opening Comments on the Proposed Decision at 4-5.

⁸¹ SJWC Reply Comments on the Proposed Decision at 2.

with Rule 1.12 and the ALJ's direction, Settling Parties filed the ASA and a Joint Motion for its approval on February 4, 2022, with an additional copy with both signatures visible on March 22, 2022.⁸²

As further noted by Cal Advocates and SJWC, Rule 1.12 allows for amendments and corrections to pleadings.⁸³ Settling Parties' amendments or corrections to a timely-filed settlement agreement do not render the settlement untimely. We also agree with the Settling Parties that WRATES was not prejudiced by this amendment, as WRATES was allowed an additional 30 days to review the document before filing comments on the ASA. Contrary to WRATES' assertion, WRATES was not "deprived [] from reviewing the document."⁸⁴

WRATES alleges again in Comments on the Proposed Decision that the multiple versions of the settlement agreement that have been submitted are "corrupted, among the versions observable in redacted signatures and equally important different word counts, character counts confirming that the changed signature indicates changes to the details of the agreement."⁸⁵ WRATES did not dedicate any portion of its comments to explaining why it cannot identify specific changes between documents, let alone provide the varying totals of words or characters across documents that suggest such changes to WRATES. WRATES has had a signed ASA in its possession since March 20, 2022. WRATES has also had a redlined copy of the ASA that illustrates the changes between the

⁸² Cal Advocates Reply Comments on the Proposed Decision at 3-4.

⁸³ Cal Advocates' Reply Comments on the Proposed Decision at 3.

⁸⁴ SJWC Comments on Proposed Decision at 2; Cal Advocates Reply Comments on the Proposed Decision at 3.

⁸⁵ WRATES' Opening Comments on the Proposed Decision at 8.

original settlement agreement and the ASA. We are not persuaded by WRATES' allegations regarding document corruption.

In sum, we affirm our finding that WRATES' argument regarding the validity of signatures lacks merit; and we likewise find WRATES' untimeliness argument regarding the ASA unpersuasive.

Finally, we make several small copy edits to the decision for the purpose of clarity. Where we make no change in response to comments, we have considered but found no merit and reject the proposed change.

11. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Thomas R. Pulsifer and Robert W. Haga are the co-assigned ALJs in this proceeding.

Findings of Fact

1. SJWC and Cal Advocates (Settling Parties) executed a Settlement Agreement on January 13, 2022, which represents a comprehensive resolution of issues in dispute in this proceeding between those two parties, but which excludes WRATES who opposed the Settlement Agreement.

2. On February 4, 2022, the Settling Parties filed an ASA that corrected for two errors found in the original version of the Settlement Agreement

3. The ASA is the product of good faith, arms' length negotiation and compromise of positions of SJWC and Cal Advocates.

4. The forecasts of SJWC's revenues, expenses, and rate base for TY 2022 and for Escalation Years 2023 and 2024, as set forth in the ASA, form a reasonable basis for adopting revenue requirements and water utility rate levels at issue in this proceeding consistent with the Summary of Earnings and supporting cost and quantity elements set forth in Appendix 2 attached to this decision.

5. SJWC's request to increase rates for water service for TY 2022 and Escalation Years 2023 and 2024, as modified by the ASA, is warranted to continue to provide safe and reliable customer service.
6. SJWC's proposed revenue increases for the 2022 TY and 2023/2024 Escalation Years, including methodologies for projecting its number of customers, dollar amount of sales, and revenue, as modified by the ASA, are reasonable and necessary to offer safe and reliable service.
7. SJWC's proposed rate design changes, as modified by the ASA, are reasonable by increasing the percentage of revenue requirement recovered through service charges and increasing baseline tier 1 consumption to 6 ccf.
8. SJWC's proposed rate base, as modified by the ASA, is reasonable and necessary to offer safe and reliable service.
9. SJWC's proposed expenses as modified by the ASA, including but not limited to taxes, operations and maintenance, and administrative and general expenses, are reasonable and necessary to offer safe and reliable service.
10. SJWC's calculation of the ratepayer portion of revenue from non-tariffed products and services, as modified by the ASA, is reasonable and necessary to offer safe and reliable service.
11. SJWC's projected depreciation expenses and proposed plant improvements, as modified by the ASA, are reasonable and necessary to offer safe and reliable service.
12. SJWC's requests for recovery of current balances in memorandum and balancing accounts, as modified by the ASA, are reasonable and necessary to offer safe and reliable service.
13. SJWC's water quality meets all applicable state and federal drinking water standards and the requirements of GO 103-A.

14. SJWC's actions taken or proposed (consistent with the ASA) to improve the overall safety and reliability of service, are reasonable and necessary to offer safe and reliable service.

15. SJWC has made the showing required by the Commission's RCP regarding the requested revenue requirement and rate base changes, as well as the Commission's rules regarding notice of the impact of the proposed increase on different classes of customers including the impact of the proposed rate increase on ESJ communities

16. SJWC's requested rate increase and other requests, as modified by the ASA, reasonably addresses how the Commission's goals regarding environmental and social justice communities are affected thereby.

17. WRATES has not provided persuasive evidentiary support for its claims that:

- (a) the ASA-proposed allocation of fixed-versus-volumetric customer charges does not sufficiently encourage conservation of water usage;
- (b) certain ASA-proposed facilities should be excluded from rate base;
- (c) SJWC has not correctly allocated costs to its parent company, SJW Group;
- (d) certain ASA-proposed capital projects are not used and useful;
- (e) recovery of CEMA costs should be disallowed, and
- (f) the ESJ Program impacts have not been adequately addressed.

18. The 45%/55% fixed-versus-volumetric ratio applied in the ASA encourages water conservation by providing a lower rate than the current rate

for Tiers 1 and 2 for residential customers with lower water usage and higher Tier 3 rate for residential customers with higher usage.

19. The rate increase allocated in the ASA to the Tier 3 users encourages conservation in water usage, while the rates for Tier 1 and Tier 2 customers provide a reasonable opportunity for SJWC to earn the authorized rate of return.

20. There is no evidence in the record to identify defects in the SJWC cost allocation process to credit administrative and general expenses for costs incurred by SJWC on behalf of its parent company, SJW Group, as reflected in TY 2022 revenue requirements as proposed in the ASA.

21. SJWC has justified that the capital projects contested by WRATES are reasonably expected to be completed and in service during the 2022 TY period, thereby offering benefits to customers.

22. The fact that construction on certain proposed SJWC capital projects previously forecasted for completion in prior rate case cycles were delayed in their completion does not inherently make the projects unreasonable.

23. Because the GRC process requires water utilities to project capital improvements years in advance, the timing and costs of SJWC's forecasted capital projects may be affected by circumstances that could not be reasonably foreseen when the forecasts were initially made.

24. Based on its analysis of average pipeline age and failure rate, SJWC has justified that a capital improvement budget based on a 1% pipeline replacement rate is reasonable for purposes of providing safe and reliable water service, as reflected in the TY 2022 rate base.

25. The rate increases adopted herein will provide funding for investment in water quality and reliability infrastructure that will favorably benefit ESJ communities served by SJWC.

26. SJWC does not seek to recover any cost of COVID-19 unpaid bills in this proceeding, as claimed by WRATES.

27. The only costs tracked in the CEMA sought for recovery in this proceeding relate to flooding in 2017 and Power Safety Shutoff Procedures in 2019.

28. Cal Advocates independently reviewed and verified that the related costs were correctly tracked in the CEMA.

29. It is reasonable to reflect the currently adopted cost of capital for purposes of the 2022 TY revenue requirements adopted in this decision, subject to provision for revising rates once the Commission adopts an updated cost of capital for SJWC in A.21-05-004.

Conclusions of Law

1. SJWC, the applicant in this proceeding, carries the burden of proof to show by a preponderance of evidence that its requests for rate changes and other relief are just and reasonable.

2. Since the final position of SJWC for requested rate increases and other relief was modified by the ASA, the focus of the Commission's review in this proceeding is on the merits of the ASA.

3. With respect to any settlement agreement submitted for approval, pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure, settlements must be found reasonable in light of the whole record, consistent with the law, and in the public interest.

4. The ASA meets the criteria for approval of settlements as set forth in Rule 12.1.

5. The Motion for Adoption of the ASA between the Settling Parties filed in this proceeding should be granted.

6. The ASA should be approved for use as the basis for the adopted SJWC revenue requirements, retail rate changes, and other relief to be implemented for TY 2022 and Escalation Years 2023 and 2024.

7. The ASA resolves all disputed issues scoped in this proceeding and between the Settling Parties.

8. Since WRATES did not join the Settling Parties, the ASA is not an all-party settlement and does not resolve WRATES' disputes.

9. Based on review of WRATES' positions in this proceeding, WRATES has not identified any procedural or substantive basis to warrant Commission rejection of the ASA, or to adopt WRATES' proposed measures in conflict with the ASA.

10. The redaction of the Cal Advocates representative's signature on the amended motion for approval of the ASA does not invalidate the ASA.

11. The fact that the Commission authorized disclosure of SJWC financial statements in Resolution L-614 has no bearing on whether the ASA has merit or meets the criteria for Commission adoption.

12. Consistent with its statutory duties to represent ratepayers' interests, Cal Advocates had no obligation to join WRATES in its motion to challenge SJWC's claims of confidentiality of its financial statements.

13. Consistent with its contractual obligations to support the ASA in its opening brief, Cal Advocates had no obligation to continue to argue its pre-settlement litigation positions in its opening brief in this proceeding.

14. Since WRATES is not a party to the ASA, there is no reason for the ASA to cite to WRATES' testimony or exhibits.

15. SJWC's currently authorized cost of capital should be used for computing revenue requirements authorized in this decision consistent with the ASA.

16. The retail rates for SJWC should be updated once its authorized cost of capital is adopted by Commission decision in A.21-05-004.

17. Application 21-01-003 should be closed.

O R D E R

IT IS ORDERED that:

1. The Motion for Adoption of the Amended Settlement Agreement between San Jose Water Company and the Public Advocates Office dated January 13, 2021, is granted; and the Amended Settlement Agreement (Appendix 1 hereto) is adopted and approved as the basis for the revenue requirements, rate design, and other relief granted in this proceeding.

2. San Jose Water Company is authorized to collect, through rates and authorized ratemaking accounting mechanisms, increased base revenue requirements of \$25,074,000 (or 6.03%) for Test Year 2022, \$12,955,000 (or 2.94%) for Escalation Year 2023, and \$16,102,000 (or 3.56%) for Escalation Year 2024, consistent with the Amended Settlement Agreement, (in Appendix 1, and as detailed in the supporting tables in Attachment A thereto) and as detailed in the Summary of Earnings and supporting costs and quantity elements set forth in Appendix 2 of this decision.

3. Within 20 days from the effective date of this Decision, San Jose Water Company shall file a Tier 1 Advice Letter to make effective, as of January 1, 2022, the 2022 Test Year revenue requirements with revised tariff sheets to reflect the rate changes adopted herein consistent with the Amended Settlement Agreement, (in Appendix 1, as detailed in Section C and Attachment B thereto).

4. The revised water utility rates for customers of San Jose Water Company adopted herein pursuant to the Amended Settlement Agreement shall have an effective date of January 1, 2022, consistent with the provisions prescribed by

ruling in this proceeding, dated December 17, 2021, for establishment of a memorandum account to track the difference between interim and final rates adopted in this decision.

5. San Jose Water Company is authorized to update its adopted revenue requirement for Escalation Year 2023 and Escalation Year 2024 as proposed in the Amended Settlement Agreement by filing a Tier 1 Advice Letter with the Commission's Water Division on a timely basis consistent with the Rate Case Plan in Decision 07-05-062 for implementation of the applicable rate changes to become effective on January 1, 2023, and January 1, 2024, respectively.

6. San Jose Water Company is hereby authorized to file a Tier 1 Advice Letter to recover the balancing account balances and memorandum account balances, including the limited elements of the Catastrophic Events Memorandum Account balance via customer surcharges in the manner specified in Section F of the Amended Settlement Agreement.

7. San Jose Water Company is directed to close out the balancing accounts and memorandum accounts as specified in Section F of the Amended Settlement Agreement and to file a Tier 1 Advice Letter to remove the accounts from its preliminary statements.

8. San Jose Water Company is directed to file a Tier 1 Advice Letter to include the Intervenor Compensation Balancing Account in its preliminary statements as specified in Section F of the Amended Settlement Agreement. This may be combined with the Tier 1 Advice Letter closing out the balancing accounts and memorandum accounts as specified in Section F of the Amended Settlement Agreement as adopted herein and removing them from the preliminary statements.

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

10. Once a decision in Application 21-05-004 is issued adopting an updated cost of capital, San Jose Water Company shall implement appropriate rate changes to reflect that newly authorized cost of capital and resulting revenue requirement consistent with the directives of that decision.

11. The Commission affirms all rulings issued by the Administrative Law Judge in this proceeding.

12. Any pending motions in this proceeding not otherwise expressly addressed in this decision are denied.

13. Application 21-01-003 is closed.

This order is effective today.

Dated October 6, 2022, at San Francisco, California.

ALICE REYNOLDS
President
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE L. HOUCK
JOHN REYNOLDS
Commissioners

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 584

ATTACHMENT B

APPENDIX 1
Amended Settlement Agreement

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

In the Matter of the Application of SAN JOSE WATER COMPANY (U168W) for an Order authorizing it to increase rates charged for water service by \$51,585,000 or 13.35% in 2022, by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024.

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

**AMENDED SETTLEMENT AGREEMENT
BETWEEN SAN JOSE WATER COMPANY
AND THE PUBLIC ADVOCATES OFFICE**

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February 4, 2022

TABLE OF CONTENTS

I. General Provisions 1

II. Summary Table: Total Rate Increase..... 4

III. Issues That the Parties Propose to Settle..... 5

 A. Water Consumption and Operating Revenues 5

 1. Customer Count 5

 2. Other Revenue 5

 B. Taxes 6

 1. Ad Valorem Taxes 6

 C. Rate Design..... 6

 1. Rate Design..... 6

 D. Expenses 8

 1. Purchased Water, Purchased Recycled Water, Pump Tax, and
 Purchased Power Expenses..... 8

 2. Purchased Services Expense (Purchase Material & Supplies and
 Outside Services) 8

 3. Other Operations and Maintenance Expense 9

 4. Headcount and Overtime/Part-time Labor..... 10

 E. Plant 10

 1. Used and Useful Adjustments..... 10

 2. Cost Overrun..... 11

 3. Capital Budget 12

 F. Memorandum and Balancing Accounts..... 12

 1. Memorandum and Balancing Accounts..... 12

 G. Other Ratemaking Issues 14

1. Non-Regulated Business Adjustment to Non-Tariffed Products and Services	14
2. Working Cash – Lead Lag Payroll.....	14
3. Lead Lag – State Franchise Tax.....	15
4. Capital Interest on Advances	16
IV. Commission Environmental and Social Justice Action Plan.....	16
V. Conclusion	18

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

In the Matter of the Application of SAN JOSE WATER COMPANY (U168W) for an Order authorizing it to increase rates charged for water service by \$51,585,000 or 13.35% in 2022, by \$16,932,000 or 3.88% in 2023, and by \$19,195,000 or 4.24% in 2024.

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

**AMENDED SETTLEMENT AGREEMENT
BETWEEN SAN JOSE WATER COMPANY
AND THE PUBLIC ADVOCATES OFFICE**

I. GENERAL PROVISIONS

1) Pursuant to Article 12 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), the Public Advocates Office at the Public Utilities Commission (“Cal Advocates”) and San Jose Water Company (“San Jose Water”) (collectively, “the Parties,”) have agreed on the terms of this Amended Settlement Agreement, which they now submit for the Commission’s review and consideration. This Amended Settlement Agreement addresses all disputed issues between San Jose Water and Cal Advocates. The Parties respectfully request that the Commission approve the Amended Settlement Agreement as submitted.

2) The issues that the Parties agree to resolve through this Amended Settlement Agreement are set forth in Section III below. For each issue, Section III describes the positions of the Parties, the difference between San Jose Water’s position (as updated in its 45-day update) and Cal Advocates’ position, and the resolution provided by the Amended Settlement Agreement. Section III also provides references to the evidence of record relevant to each issue.

3) Because this Amended Settlement Agreement represents a compromise of the Parties’ positions with respect to each issue addressed herein, the Parties have agreed upon the resolution of each issue addressed in the Amended Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by any Party regarding any fact or matter of law that may be in dispute in this proceeding. Furthermore, consistent with Rule 12.5 of the Rules, the Parties intend that the approval of this Amended Settlement Agreement by the Commission should not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding with respect to any issue addressed in the Amended Settlement Agreement.

4) This Amended Settlement Agreement is the product of a process of direct negotiation between the Parties. The other party to this proceeding—Water Rate Advocates for Transparency, Equity and Sustainability (“WRATES”)—participated in the settlement process but is not a party to the Amended Settlement Agreement. Accordingly, the Amended Settlement Agreement is not an all-party settlement.

5) The Parties agree that no signatory to the Amended Settlement Agreement assumes any personal liability as a result of their execution of this document. All rights and remedies of the Parties are limited to those available before the Commission.

6) This Amended Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

7) This Amended Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

8) If the Commission approves the Amended Settlement Agreement, the terms of the Amended Settlement Agreement shall be binding on both Parties and their successors and assigns. If, after approval by the Commission, one Party fails to perform its respective obligations under this Amended Settlement Agreement, the other Party may come before the Commission to pursue a remedy, including enforcement, and may pursue other judicial or administrative actions if such actions are authorized by law. However, in the event any dispute arises among or between any of the Parties to this Amended Settlement Agreement, the Parties shall, before taking any judicial or administrative action concerning that dispute, provide written notice of the dispute to the other Party and meet and confer in a good faith effort to resolve the dispute within fifteen (15) days unless otherwise agreed. Any Party that is alleged to be in breach shall have fifteen (15) days from that in-person meeting to cure, unless either the Parties have agreed to a shorter timeframe, or the dispute is deemed an especially time-urgent matter by any Party. Notwithstanding the foregoing, if the dispute is deemed to be an especially time-urgent matter by any Party, these time periods may be shortened and/or any Party may seek immediate relief after providing seventy-two (72) hours' notice to the allegedly breaching Party.

9) The Parties agree that this Amended Settlement Agreement is an integrated agreement, and the provisions of the Agreement are not severable and that the Parties will use their best efforts to obtain Commission approval of the Amended Settlement Agreement by the Commission. Therefore:

a) If the Administrative Law Judge or a Commissioner issues a proposed decision that rejects, conditions, or modifies this Amended Settlement Agreement or any term or portion thereof, each of the Parties shall, except to the extent they mutually agree not to object to such conditions or modifications or portions thereof, submit comments on the proposed decision supporting approval of the Amended Settlement Agreement without change; and

b) If the Commission adopts a decision that rejects, conditions, or modifies any term or portion of this Amended Settlement Agreement, the Parties shall meet and confer within fifteen (15) days thereof and engage in good faith negotiations to determine whether to prepare and file a joint application for rehearing or petition for modification to seek to revise some or all terms of such decision inconsistent with the Amended Settlement Agreement.

10) The Parties agree that this Amended Settlement Agreement shall be governed by the laws of the State of California as to all matters, including validity, construction, effect, performance, and remedy.

11) Certain elements of San Jose Water’s Application were not challenged by Cal Advocates and so do not present contested issues. Similarly, the positions presented by Cal Advocates on certain issues were accepted by San Jose Water and so also do not present contested issues. This Amended Settlement Agreement does not address such uncontested matters except as noted specifically below.

12) References to the Parties’ prepared testimony and reports are included with respect to each issue addressed in the Amended Settlement Agreement. The referenced evidentiary materials are identified as follows:

Exhibit	Title
SJW-1	<i>San Jose Water Company Report on the Result of Operations</i>
SJW C-1	<i>San Jose Water Company Report on the Result of Operations – CONFIDENTIAL VERSION</i>
SJW-2	<i>Capital Budget Project Justifications</i>
SJW-3	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Balancing and Memorandum Account</i>
SJW-4	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on IT and Recorded Plant</i>
SJW-5	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Non-Tariffed Products and Services</i>
SJW-6	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Operations and Maintenance Costs</i>
SJW-7	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Payroll, Administrative & General Expenses and Rate Design</i>
SJW-8	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Taxes and Ratebase</i>
SJW-9	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Utility Plant Report, Generator Report, Pumps & Motor Report, and IT and Recorded Plant Report</i>
SJW-10	<i>Rebuttal of San Jose Water Company to the Public Advocates Office Report and Recommendations on Utility Plant and Wildland Fire</i>
SJW-11	<i>Rebuttal of San Jose Water Company to the Water Rate Advocates for Transparency, Equity and Sustainability’s Report and Recommendations of Rita Benton</i>
SJW-12	<i>Rebuttal of San Jose Water Company to the Water Rate Advocates for Transparency, Equity and Sustainability’s Report and Recommendations of William Sherman</i>

Exhibit	Title
SJW-13	<i>Supplemental Rebuttal Testimony of San Jose Water Company to the Water Rate Advocates for Transparency, Equity and Sustainability (WRATES) Direct Testimony of Bryan Mekechuk</i>
PAO-101	<i>Report and Recommendations on General Office – IT Projects and Recorded Plant – Transmission & Distribution and Pump Stations and Equipment</i>
PAO-102	<i>Report and Recommendations on Taxes and Rate Base</i>
PAO-103	<i>Report on Results of Operations</i>
PAO-104	<i>Report and Recommendations on Operation & Maintenance Expense</i>
PAO-105	<i>Report and Recommendations on Payroll, Administrative & General Expenses, and Rate Design</i>
PAO-106	<i>Report And Recommendations On Utility Plant, Construction-Work-In-Progress, Depreciation, Water Quality, Customer Service, Wildland Fire Mitigation Request, And Montevina Water Treatment Plant Request For Additional Cost Recovery</i>
PAO-107	<i>Report and Recommendations on Non-tariff Products and Services</i>
PAO-108	<i>Report and Recommendations on Balancing and Memorandum Accounts</i>
PAO-109	<i>Report and Recommendations on Generators and Emergency Preparedness</i>
PAO-110	<i>Report and Recommendations on Pump and Motors</i>

13. The disposition of all issues resolved by this Amended Settlement Agreement, along with all uncontested elements of revenue requirement, is presented in the Comparison Exhibit, which accompanies this Amended Settlement Agreement as **Attachment A** and is incorporated herein by this reference. In a series of tables, the Comparison Exhibit displays a comparative summary of the original positions of San Jose Water (as reflected in its 45-day update), Cal Advocates, and the agreed terms of this Amended Settlement Agreement.

II. SUMMARY TABLE: TOTAL RATE INCREASE

The following table summarizes and compares the total rate increase, in dollars and percentages, for 2022, 2023, and 2024, as requested by San Jose Water in its Application, proposed by Cal Advocates in its testimony, and agreed to in this Amended Settlement Agreement.

Calendar Year	Rate Increase Requested by San Jose Water (In Dollars and Percentages)	Rate Increase Proposed by Cal Advocates (In Dollars and Percentages)	Rate Increase Agreed to in Amended Settlement Agreement (In Dollars and Percentages)
2022	\$51,585,000 / 13.35%	\$16,592,000 / 4.06%	\$25,074,000 / 6.03%
2023	\$16,932,000 / 3.88%	\$12,787,000 / 3.00%	\$12,955,000 / 2.94%
2024	\$19,195,000 / 4.24%	\$13,761,000 / 3.14%	\$16,102,000 / 3.56%

III. ISSUES THAT THE PARTIES PROPOSE TO SETTLE

A. Water Consumption and Operating Revenues

1. Customer Count

ISSUE: In its Application, San Jose Water used the Commission’s Rate Case Plan for Class A Water Utilities (“Rate Case Plan”) to forecast customer count for the test year period, which recommends that Class A water utilities forecast customers using a five-year average of the change in the number of customers by customer class.¹ This resulted in a customer count forecasts of 200,498 and 20,808, respectively.

In its Report, Cal Advocates recommended that the Commission adopt San Jose Water’s updated forecasts for customer counts for all customer classes except Residential and Business. Cal Advocates recommended that the Commission should adopt Residential and Business customer counts of 200,515 and 20,976, respectively, as those counts are adjusted to exclude the possible effects of the COVID-19 pandemic, an unusual event, on these two classes of customers. Specifically, Cal Advocates recommends removing the year 2020 and recommends using a four-year average (2016-2019) change in customers for estimating Residential and Business Class customers.

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates’ recommendation and argued that the Commission should instead follow the method set forth in the Rate Case Plan and previously utilized by San Jose Water to produce accurate results. While San Jose Water agrees that it is appropriate to exclude years where unusual events impacted the year-to-year change in the number of services, it argued that there was no evidence that this was the case in 2020. Therefore, San Jose Water argued that the year-to-year change in business services was in no way unusual, either in terms of magnitude or direction of change.

RESOLUTION: The Parties agree to utilize Cal Advocates’ customer count for Residential and San Jose Water’s count for Business for each year 2022-2024 as shown in the tables provided in **Attachment A**. The Parties agree to utilize San Jose Water’s meter size allocation for each customer class.

REFERENCES: Exhibit SJW-1 (Mitchell), pp. 6-2 to 6-6; Exhibit SJW C-1 (Mitchell), pp. 6-2 to 6-6; Exhibit PAO-105 (Yuen), pp. 14-15. Exhibit SJW-7 (Mitchell), pp. 13-16.

2. Other Revenue

ISSUE: In its Report, Cal Advocates recommended that the Commission adopt an Other Revenue amount of \$1,500,000, which greater than the \$599,000 amount used in San Jose Water’s original Application. San Jose Water corrected this amount to \$1,500,000 in its 45-day update submission.

¹ D.07-06-052, *Opinion Adopting Revised Rate Case Plan for Class A Water Utilities*, May 24, 2017, p. A-23, fn. 4; issued in Rulemaking (R.) 06-12-016.

RESOLUTION: The Parties agree to utilize an Other Revenue amount of \$1,500,000 for Test Year 2022.

	San Jose Water Position	Cal Advocates Position	Difference	Settlement
Other Revenue	\$1,500,000	\$1,500,000	\$0	\$1,500,000

REFERENCES: Exhibit PAO-103 (Adhikari), p. 5.

B. Taxes

1. Ad Valorem Taxes

ISSUE: In its Application, San Jose Water assumed that property taxes will increase in the future in proportion to additions to utility plant and any increase or decrease in accordance with changes in tax rates. Therefore, San Jose Water calculated the Ad Valorem taxes for Test Year 2022 based on anticipate utility plant in service for a tax rate of 1.21%.

In its Report, Cal Advocates recommended that the Commission approve an Ad Valorem tax rate of 1.20% for Test Year 2022 because the tax rate is based on more recent San Jose Water data. Specifically, Cal Advocates argued that San Jose Water miscalculated the Ad Valorem tax rate of 1.21% and that it should use the five-year average rate (2016-2020) of 1.20% to calculate the Ad Valorem taxes amounts for Test Year 2022.

RESOLUTION: The Parties agree to utilize an Ad Valorem tax rate of 1.20% for Test Year 2022.

	San Jose Water Position	Cal Advocates Position	Difference	Settlement
Ad Valorem Tax Rate for Test Year 2022	1.21%	1.20%	0.01%	1.20%

REFERENCES: Application Exhibit F, Chapters 10 and 10A; Exhibit SJW-1 (Lynch), p. 10-1; Exhibit SJW C-1 (Lynch), p. 10-1; Exhibit PAO-102 (Adhikari), pp. 7-8.

C. Rate Design

1. Rate Design

ISSUE: In its Application, San Jose Water proposed a rate design for the proposed Tier 1 breakpoint by considering the goal set forth in Assembly Bill 1668 of 52.5 gallons per capita per day (“GPCD”) as of 2025, as well as its customer’s usage patterns. Assuming 3.1 persons per household that were found in the US Census for the City of San Jose 2014-2018, San Jose Water

calculated 52.2 GPCD would equate to 6.5 ccf in 30 days. San Jose Water found that 38.3% of its customer bills show usage of 6 ccf or less. Therefore, by doubling the Tier 1 breakpoint to 6 ccf, families who already achieve 52.5 GPCD will be able to enjoy the lower Tier 1 rate. San Jose Water argued that expanding the Tier 1 breakpoint to 6 ccf is consistent with the mandate of Commission Decision (“D.”) 20-08-047. In particular, San Jose Water designed the volumetric Tier 1 to Tier 2 and Tier 3 to Tier 2 ratios so that Monterey-Style Water Revenue Adjustment Mechanism (“WRAM”) would be revenue neutral.

In its Report, Cal Advocates disagreed with part of San Jose Water’s proposed tier ratio change. Cal Advocates agreed with the proposed Tier 3 ratio of 1.67 to the Tier 2 rate but took issue with the proposed Tier 1 ratio of 0.80 to the Tier 2 rate. The current Tier 1 ratio is 0.67 of the Tier 2 rates. Cal Advocates argued that San Jose Water’s proposal would narrow the price difference between Tier 1 and Tier 2 rates by changing the ratio from 0.67 to 0.80, thus giving water users less of a price incentive to maintain total water usage within Tier 1. This narrowing of the price difference between Tier 1 and Tier 2 usage would mean Tier 1 users would now have less savings than before if their total water usage remained within Tier 1. Therefore, Cal Advocates recommended that the Commission adopt San Jose Water’s proposed higher Tier 3 ratio and retain the Tier 1 ratio at 0.67 of the Tier 2 rates. Cal Advocates also recommended that the Commission adopt service charges at a level that recovers 50% of San Jose Water’s total residential revenue.

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates’ recommendations. San Jose Water argued that by changing the Tier 1 to Tier 2 ratio as recommended by Cal Advocates, it will have significant Monterey-Style WRAM balances. San Jose Water also argued that the ratio proposed by Cal Advocates will result in increased balances and extend the recovery time for those costs, causing intergenerational inequities as the Monterey-Style WRAM balances are amortized from all customers. San Jose Water further argued that customers in the first tier will ultimately end up paying more when they are assessed the Monterey-Style WRAM surcharge under Cal Advocates’ proposal. San Jose Water also objected to certain billing determinants used by Cal Advocates to calculate revenue under proposed rates.

RESOLUTION: The Parties agree to the following proposed rate design components:

1. Utilize proposed tier breaks of 0-6, 7-12, and over 12 units.
2. Recover 45% of revenue through fixed service charges and 55% through volumetric quantity charges.
3. Set the uniform rate at the Tier 2 rate, set the Tier 1 rate at 0.67 of the Tier 2 rate, and set the Tier 3 rate to achieve Monterey-Style WRAM neutrality.
4. All other customers charged at Tier 2 rate.
5. Raw Water Quantity Rate set at 0.2296 less than uniform rate; Recycle pipe water set at 0.4706 lower than uniform rate.

Attachment B to this Amended Settlement Agreement provides further detail on the proposed rate design.

REFERENCES: Exhibit SJW-1 (Heppenstall), Chapter 15 (*Direct Testimony of Constance E. Heppenstall*), pp. 1-7; Exhibit SJW C-1 (Heppenstall), Chapter 15 (*Direct Testimony of Constance E. Heppenstall*), pp. 1-7; Exhibit PAO-105 (Yuen), pp. 19-23; Exhibit SJW-7 (Heppenstall), pp. 17-19.

D. Expenses

1. Purchased Water, Purchased Recycled Water, Pump Tax, and Purchased Power Expenses

ISSUE: In its Application, to calculate the Potable Purchased Water Expense, Recycled Purchased Water Expense, Pump Tax Expense, and Purchased Power Expenses, San Jose Water estimated such expenses using its existing purchased water contract with its wholesaler Valley Water and other existing rates and charges.

In its Report, Cal Advocates did not challenge San Jose Water's forecasted water supply mix, but it recommended using the most current rates for purchased water and pump tax anticipated from Valley Water (\$1614/AF for Purchased Water, \$1499/AF for Pump Tax, \$1394/AF for Purchased Recycled Water) and recommended using 0.6252 KWH per CCF as opposed to San Jose Water's proposed 0.85563 KWH per CCF. Therefore, Cal Advocates recommended that the Commission should adopt a Potable Purchased Water Expense of \$110,926,899; Recycled Purchased Water Expense of \$3,662,614; Pump Tax Expense of \$56,762,808; and Purchased Power Expense of \$5,592,801 for Test Year 2022.

RESOLUTION: The Parties agree to utilize San Jose Water's forecasted water supply mix. The Parties also agree to utilize Cal Advocates' recommended 0.6252 KWH per CCF to calculate purchased power expense and most current purchased water rate of \$1614/AF, pump tax rate of \$1499/AF, and purchased recycled water rate of \$1394/AF as shown in the table included in **Attachment A**. The Parties agree that the Commission should grant a Full Cost Balancing Account for water production costs reflecting changes in water supply mix and purchased power.

REFERENCES: Exhibit SJW-1 (Tang), pp. 8-1 to 8-2; Exhibit SJW C-1 (Tang), pp. 8-1 to 8-2; Exhibit PAO-104 (Sweeney), pp. 3-8.

2. Purchased Services Expense (Purchase Material & Supplies and Outside Services)

ISSUE: In its Application, to estimate the 2020-2021 purchased services expense, San Jose Water used the three-year (2018-2020) inflation adjusted average of actual Operations and Maintenance ("O&M") and Administrative and General ("A&G") purchased services expense escalated by the inflation factors provided by Commission staff. To this result were added additional estimated purchased services expenses in the test years to arrive at the total estimate for Test Year 2021. Purchased services expenses were subsequently allocated by function according to the allocation factor derived from a five-year inflation adjusted average of recorded expenses. Other adjustments were made to specific expense items.

In its Report, Cal Advocates recommended that the Commission exclude \$1,031,600 of proposed O&M Purchased Materials & Services, including \$162,600 for Montevina Plant Maintenance; \$500,000 for Well Rehabilitation; \$200,000 for San Jose Water's Sustainability, Environmental Management System; \$160,000 for Amazon Cloud Hosting; and \$318,000 of operations security expenses. Cal Advocates also recommended that the Commission should use a 5-year inflation-adjusted average to forecast Test Year 2022 A&G Purchased Materials and Services expenses for all the items and authorize a \$2.82 million Purchased Materials and Services budget for Test Year 2022 to better reflect year-to-year fluctuation of this category of expenses.

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates' recommendations. San Jose Water argued that Cal Advocates' recommendation does not take into account that the proposed maintenance is a new and needed expense for the San Jose Water's Montevina Plant, but it reduced its request for annual maintenance expenditures related to the Montevina Plant from \$162,600 to \$38,854. San Jose Water also argued against Cal Advocates' recommendations with respect to Well Rehabilitation. San Jose Water also argued that Cal Advocates failed to take into account the fact that the Amazon Cloud Hosting is required due to additional requirements related to California Consumer Privacy Act. San Jose Water also argued that Cal Advocates' arguments regarding operations security expenses ignores the increased need for these expenses in recent years.

RESOLUTION: The Parties agree to utilize the 5-yr escalated average for all purchased services and retain following additions for ratemaking purposes:

- Sustainability Environmental Management System: \$200,000;
- Amazon Cloud Hosting: \$160,000;
- California Consumer Privacy Act Compliance \$282,000
- Montevina Plant Maintenance: \$39,000;
- Well Rehabilitation: \$250,000;
- Active Directory Cleanup: \$50,000;
- Wildland Fire Mitigation: \$500,000;
- Customer Info Masked Data: \$15,000;
- Information Governance Initiative: \$402,000; and
- IT contractors: \$451,000 (because no new positions are authorized).

REFERENCES: Exhibit SJW-1 (Tang), p. 8-3, (Rodigari) pp. 16-10 – 16-11, (Auten) Chapter, 19; Exhibit SJW C-1 (Tang), p. 8-3, (Rodigari) pp. 16-10 – 16-11, (Auten) Chapter, 19; Exhibit PAO-104 (Sweeney), pp. 9-14; Exhibit PAO-105 (Yuen), pp. 7-10; Exhibit SJW-6 (Rodigari/Sneed/Brambilla/Wollbrinck), pp. 1-11; Exhibit SJW-7 (Brambilla), pp. 6-7; Exhibit SJW-10 (Rayer/Tran/Auten), pp 13-32.

3. Other Operations and Maintenance Expense

ISSUE: In its Application, San Jose Water forecasted Other Operation and Maintenance Expenses, which include water quality, regulatory expenses, and other operating expenses by escalating the most current (2020) expense.

In its Report, Cal Advocates recommended that the Commission adopt a five-year inflation-adjusted average to smooth out the year-to-year variations in expenditures.

RESOLUTION: The Parties agree to utilize the 5-year escalated averages to determine expenses for the test year period for other operation and maintenance expense forecasted using historical averages.

REFERENCES: Exhibit SJW-1 (Tang), pp. 8-1 to 8-2; Exhibit SJW C-1 (Tang), pp. 8-1 to 8-2; Exhibit PAO-104 (Sweeney), pp. 15-17.

4. Headcount and Overtime/Part-time Labor

ISSUE: In its Application, San Jose Water requested to include in rates funding for an additional 29 employee positions, as described in its testimony. San Jose Water also included forecasted expenses related to temporary and part-time employees in its Application, as well as overtime.

In its Report, Cal Advocates recommended that the Commission reject San Jose Water's funding request to include in rates an additional 29 positions because it argued that San Jose Water has historically overestimated the number of positions it claims it needs in its rate case applications. Cal Advocates also recommended that the Commission reject San Jose Water's forecast of temporary and part-time labor because it is unreasonable for ratepayers to pay for costs that are not necessary. Cal Advocates also argued that the Commission reject San Jose Water's overtime forecast because it is unreasonable for ratepayers to fund overtime when SJWC claims excess capacity for employees used for non-tariff products and services ("NTP&S").

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates' recommendations. San Jose Water argued that the need for many of San Jose Water's proposed additional employees is driven by increasing regulatory obligations, providing improved customer service and executing growing infrastructure replacement activities. San Jose Water also argued that the overtime expense is primarily in service to customers in times of emergency, scheduled overtime on weekends, or after hours so as not to inconvenience customers when a shutdown is required. Lastly, San Jose Water argued that the Commission authorize temporary and part-time labor expense as submitted in its workpapers.

RESOLUTION: The Parties agree not to authorize San Jose Water's 29 requested additional positions. The Parties agree to authorize San Jose Water's requested temporary and part-time labor expense and its overtime expense.

REFERENCES: Exhibit SJW-1 (Orosco), Chapter 5, pp. 1-23; Exhibit SJW C-1 (Orosco), Chapter 5, pp. 1-23; Exhibit PAO-105 (Yuen), pp. 1-5; Exhibit SJW-7 (Orosco), pp. 1-5.

E. Plant

1. Used and Useful Adjustments

ISSUE: In its Application, San Jose Water proposed including certain capital projects in ratebase as used and useful assets.

In its Report, Cal Advocates recommended that the Commission remove a total asset net book value of \$24,902,357 from San Jose Water's plant (21 wells and 23 tanks and reservoirs) that are not used and useful. Therefore, Cal Advocates recommended reducing the 2022 and 2023 plant budgets to 18% and 61% of San Jose Water's proposed 2022 and 2023 plant budgets.

In its rebuttal testimony, San Jose Water disagreed with the recommendations of Cal Advocates. San Jose Water argued that the utility plant assets in questions were in fact used and useful contrary to Cal Advocates' characterization. San Jose Water also argued that the removal of plant must follow proper accounting rules.

RESOLUTION: The Parties agree that San Jose Water shall properly retire the following assets in accordance with Standard Practice U-38-W Uniform of System of Accounts for Class A Water Utilities:

- Three Mile Well #1 (\$169,000 book cost and \$94,000 net book value) in 2022;
- Cambrian Reservoir #2 (\$291,000 book cost and \$283,000 net book value) in 2023;
- Fleming Reservoir #4 (\$171,000 book cost and \$147,000 net book value) in 2023; and
- Fleming Tank #3 (\$202,000 book cost and \$80,000 net book value) in 2023.

The Parties agree that San Jose Water should remove \$5 millions of not used and useful assets from utility plant representing Vickery Reservoir #1, thereby reducing rate base. The removed assets will not earn any return in this GRC period. Because San Jose Water intends to make these assets used and useful in the future, it will move these assets to "USOA Account #100-4: Utility Plant Held for Future Use" for this GRC cycle.

REFERENCES: Exhibit PAO-106 (Goldberg), pp. 1-16; Exhibit SJW-10 (Rayer/Tran), pp. 1-12.

2. Cost Overrun

ISSUE: In its Report, Cal Advocates identified the top five projects with the largest cost overruns for reasonableness review, which it argued that San Jose Water did not provide accompanying justifications for until asked in a data request. Based on its reasonableness review, Cal Advocates argued that the Commission should reduce the Test Year 2022 plant balance by \$2,907,021. Cal Advocates also recommended that in subsequent GRCs, the Commission should require San Jose Water to clearly identify amounts in its workpapers of previously approved budgets where the company incurred additional costs.

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates' recommendations. San Jose Water argued that the cost overruns for the specific projects were justified and that the Commission should keep those amounts in the Test Year 2022 plant balance.

RESOLUTION: The Parties agree to keep the disputed cost overrun amounts in San Jose Water's plant balance.

REFERENCES: Exhibit PAO-1 (Ly), pp. 40-58; Exhibit SJW-9 (Walsh) 68-74.

3. Capital Budget

ISSUE: In its Application, San Jose Water proposed a number of capital projects in its company-funded capital expenditure budget for this GRC.

In its Report, Cal Advocates made several recommendations regarding both specific capital projects and other adjustments that would reduce the authorized capital budget for this GRC period.

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates' recommendations and provided responses to both specific capital projects and other adjustments.

RESOLUTION: The Parties agree to a total 3-year budget (2021 to 2023) of \$350,000,000 (\$115,000,000 in 2021, \$115,000,000 in 2022, and \$120,000,000 in 2023).

	San Jose Water Position	Cal Advocates Position	Difference	Settlement
Capital Budget (2021-2023)	\$435,000,000	\$294,000,000	\$141,000,000	\$350,000,000

REFERENCES: Exhibit SJW-1 (Tang), Chapter 11, Chapter 16; Exhibit SJW C-1 (Tang), Chapter 11, Chapter 16; Exhibit SJW-2 (Walsh); Exhibit PAO-106 (Goldberg), pp. 1-40; Exhibit SJW-9 (Walsh), pp. 1-74; Exhibit SJW-10 (Rayer/Tran), pp. 1-12.

F. Memorandum and Balancing Accounts

1. Memorandum and Balancing Accounts

ISSUE: In its Application, San Jose Water requested the recovery of an under-collection of \$7,004,493 for 2017, 2018 and 2019 (balance as of September 30, 2020) accrued in its balancing accounts from January 1, 2017 through September 30, 2020. San Jose Water also requested the recovery of an under-collection of \$11,494,592 (balance as of September 30, 2020) accrued in various memorandum accounts. San Jose Water also requested Commission authorization for establishment of an Asbestos-Related Memorandum Account.

In its Report, Cal Advocates recommended that the Commission authorize San Jose Water to recover \$6,651,047 for its balancing account under-collection and \$8,989,667 for its memorandum account under-collection. Cal Advocates recommended that the Commission deny San Jose Water's request to recover \$7,007,285 for the under-collection of its balancing accounts and \$11,499,403 for the under-collection of its memorandum accounts to be collected from 2022 to 2024 via surcharge on customers' bills. Cal Advocates also recommended that the Commission direct San Jose Water to close certain memorandum and balancing accounts.

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates’ recommendations. San Jose Water argued that Cal Advocates’ adjustments and recommended disallowances were justified or unsupported. San Jose Water also argued that the requested memorandum account for asbestos litigation was justified based on the circumstances.

RESOLUTION: The Parties agree that San Jose Water shall recover a balancing account balance of \$6,674,556 and a memorandum account balance of \$11,499,403 via surcharge on customers’ bills. San Jose Water agrees not to establish the requested memorandum account for asbestos litigation in this GRC. San Jose Water agrees with Cal Advocates’ recommendation to not record any rebilling in its Monterey-Style Water Revenue Adjustment Mechanism. The Parties agree as a condition of settlement that San Jose Water will close out following memorandum and balancing accounts:

1. Undercollection of Recovery of 2019 Balancing Account Surcharge
2. Undercollection of Recovery of 2019 GRC Memorandum Account Surcharge
3. Over refund of 2018 Tax Accounting Balancing Account
4. Ground Water Regulation Legal Expense [Memorandum Account]
5. School Lead Testing [Memorandum Account]
6. 2018 Cost of Capital Memorandum Account
7. CEMA – 2017 Flooding [Catastrophic Event Memorandum Account]
8. CEMA – PSPS 1 October 10, 2019 [Catastrophic Event Memorandum Account]
9. CEMA – PSPS 2 October 26, 2019 [Catastrophic Event Memorandum Account]

Currently “Intervenor Compensation memo account” is not in San Jose Water’s preliminary statement. Therefore, San Jose Water agrees to update preliminary statement to include “Intervenor Compensation memo account” therein.

	San Jose Water Position	Cal Advocates Position	Difference	Settlement
Balancing Account Recovery	\$7,004,493	\$6,651,047	\$353,466	\$6,754,556
Memorandum Account Recovery	\$11,494,592	\$9,989,667	\$2,504,925	\$11,499,403

REFERENCES: Exhibit SJW-1 (Tang), pp. 17-1 to 17-3; Exhibit SJW C-1 (Tang), pp. 17-1 to 17-3; Exhibit PAO-108 (Murphy), pp. 1-22; Exhibit SJW-3 (Tran/Brown), pp. 1-9.

G. Other Ratemaking Issues

1. Non-Regulated Business Adjustment to Non-Tariffed Products and Services

ISSUE: In its Application, San Jose Water allocated certain revenues from NTP&S in accordance with D.10-10-019 and D.11-10-034. Since the revenue generated by these contracts is not guaranteed, for forecasting purposes San Jose Water used the inflation adjusted five-year average adjusted for known contract modifications as described in its testimony.

In its Report, Cal Advocates recommended that the Commission authorize \$1,035,656 in annual NTP&S revenue to be allocated to San Jose Water ratepayers in Test Year 2022 and escalation years 2023 and 2024, which is a 22% increase over San Jose Water’s projection of \$848,379. Cal Advocates argued that the Commission should also disallow \$144,152 in total annual San Jose Water labor expense estimates caused by NTP&S and develop a long-term solution for the Cupertino lease’s labor issue.

In its rebuttal testimony, San Jose Water addressed Cal Advocates’ recommendations and calculated that following Cal Advocates’ methodology, the Test Year 2022 amount should be adjusted by using 9 months’ worth of NTP&S activities for the City of Cupertino based on the date of the expiration of the current contract.

RESOLUTION: The Parties agree to utilize Cal Advocates’ recommended amount of \$1,035,656 in annual NTP&S revenue to be allocated to San Jose Water ratepayers in Test Year 2022 and escalation years 2023 and 2024.

	San Jose Water Position	Cal Advocates Position	Difference	Settlement
Annual NTP&S Revenue Adjustment	\$848,379	\$1,035,656	(\$187,277)	\$1,035,656

REFERENCES: Exhibit SJW-1 (Tang), p. 8-4, Exhibit PAO-107 (Murphy), pp. 1-9, Exhibit SJW-5 (Tang), pp. 1-2.

2. Working Cash – Lead Lag Payroll

ISSUE: In its Report, Cal Advocates recommended that the Commission adopt a Working Cash – Lead Lag Payroll figure of +10.58 days, which different than the +1.32 days used in San Jose Water’s original Application. San Jose Water corrected this figure to +10.58 days in its 45-day update submission.

RESOLUTION: The Parties agree to utilize a Working Cash – Lead Lag Payroll figure of +10.58 days for Test Year 2022.

	San Jose Water Position	Cal Advocates Position	Difference	Settlement
Working Cash – Payroll Lead Lag	+10.58 days	+10.58 days	0	+10.58 days

REFERENCES: Exhibit SJW-1 (Tang), pp. 13-2; Exhibit SJW C-1 (Tang), pp. 13-2; Exhibit PAO-102 (Adhikari), pp. 13-14.

3. Lead Lag – State Franchise Tax

ISSUE: In its Application, San Jose Water used negative 27.55 days of State Income Tax (“CCFT”) lag days to calculate the allowance for working cash for Test Year 2022 and 2023.

In its Report, Cal Advocates recommended that the Commission adopt a state income tax expense lag of positive 57.16 days to calculate the allowance for working cash for Test Year 2022 and 2023. Cal Advocates argued that the CCFT lag proposed by San Jose Water is not reasonable and that the historical data did not support San Jose Water’s figure. Instead, Cal Advocates argued that the Commission should estimate a reasonable CCFT lag day for this GRC using the average CCFT lag days of the last three GRCs (2012, 2015, and 2018), which equals 57.16 days.

In its rebuttal testimony, San Jose Water disagreed with Cal Advocates’ recommendation. San Jose Water argued that Cal Advocates’ recommendation ignored the fact that the biggest driver of the result of the negative lag days was because San Jose Water did not have a payment due in the last quarter.

RESOLUTION: The Parties agree to utilize +57.16 days of CCFT lag days to calculate the allowance for working cash for Test Year 2022 and 2023.

	San Jose Water Position	Cal Advocates Position	Difference	Settlement
CCFT Lead Lag	-27.55 days	+57.16 days	(84.71 days)	+57.16 days

REFERENCES: Exhibit SJW-1 (Tang) p. 13-2; Exhibit SJW C-1 (Tang) p. 13-2; Exhibit PAO-102 (Adhikari), pp. 14-15; Exhibit SJW-8 (Tran), pp. 1-2.

4. Capital Interest on Advances

ISSUE: In its Application, San Jose Water included Interest During Construction amounts of \$3,907,000 in 2022 and \$4,719,123 in 2023 in rate base pursuant to the Commission’s decision in San Jose Water’s 1995 general rate case.²

In its Report, Cal Advocates recommended that to calculate the Test Years 2022 and 2023 Interest During Construction budget for ratebase, the Commission should first remove \$16,664,100 of Advances for Construction and Contributions in Aid of Construction from 2022 and 2023 Construction Work in Progress. Cal Advocates argued that these amounts are not funded by investors and would unfairly increase customer bills if included in estimating the Interest During Construction budget.

RESOLUTION: The Parties agree to remove Advances for Construction and Contribution Aid of Construction from 2022 and 2023 Construction Work in Progress when calculating the Test Years 2022 and 2023 Interest During Construction budget for ratebase.

REFERENCES: Exhibit SJW-1 (Tang) p. 11-3; Exhibit SJW C-1 (Tang) p. 11-3; Exhibit PAO-106 (Goldberg), pp. 38-39.

IV. COMMISSION ENVIRONMENTAL AND SOCIAL JUSTICE ACTION PLAN

ISSUE: The *Assigned Commissioner’s Scoping Memo and Ruling*, issued April 5, 2021 identifies “whether the rate increase impacts environmental and social justice (“ESJ”) communities” and “to what extent will [San Jose Water’s] requested rate increase and other requests achieve the nine goals of the Commission’s ESJ Action Plan” as issues to be considered in this proceeding.³ ESJ communities are commonly identified as those where residents are predominantly communities of color or low-income, underrepresented in the policy setting or decision-making process, subject to a disproportionate impact from one or more environmental hazards, and likely to experience disparate implementation of environmental regulations and socio-economic investments in their communities. They include, but are not limited to, Disadvantaged Communities located in the top 25% of communities identified by Cal EPA’s CalEnviroScreen, all Tribal lands, low-income households, and low-income census tracts. (ESJ Action Plan, Version 1.0, pp. 9-10.)

RESOLUTION: The Parties agree that San Jose Water has customers who fall within the definition of ESJ communities above. The Parties agree that the rate increase approved in this proceeding will impact all customers, including customers who belong to ESJ communities. The Parties also considered the extent to which the requested rate increase and other requests will

² D.96-07-036, *Decision in the Matter of the Application of San Jose Water, a corporation, for an order authorizing it to increase rates charged for water service*; issued in Application (A.) 95-08-038.

³ *Assigned Commissioner’s Scoping Memo and Ruling*, April 5, 2021, p. 4 (referring to ESJ Action Plan, Version 1.0, February 21, 2019, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/environmental-and-social-justice.pdf>).

achieve the nine goals of the ESJ Action Plan.⁴ Examples of items that San Jose Water believes will promote the Commission's ESJ goals are included are noted below.

Goal 2: Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health

Sustainability Environmental Management System

As noted above, the Parties agree to a budget of \$200,000 for San Jose Water's proposed Sustainability Environmental Management System. According to San Jose Water, this system would reduce of greenhouse gas (GHG) emissions by conducting a GHG inventory, setting reduction goals, and developing plans to achieve the reduction goals.

Goal 3: Strive to improve access to high-quality water, communications, and transportation services for ESJ communities

Rate Impact on Low-Income Customers

Based on San Jose Water's 45-day update, for the typical low-income customer enrolled in the customer assistance program using 11 ccfs per month, San Jose Water anticipated a rate impact of \$7.58 per month, compared to customers using 11 ccfs per month not enrolled in the customer assistance program, who will see a rate impact of \$8.92 per month.

Based on this Amended Settlement Agreement, for the typical low-income customer enrolled in the customer assistance program using 11 ccfs per month, the Parties anticipate a rate impact of \$2.34 per month, compared to customers using 11 ccfs per month not enrolled in the customer assistance program, who will see a rate impact of \$2.76 per month.

Lead Testing at Schools

As noted above, the Parties agree that San Jose Water should close out its School Lead Testing Memorandum Account. San Jose Water completed lead testing at all 330 schools located in its service area in 2019, provided the schools with the testing results, and reported its findings to the Water Division.

Capital Budget

The Parties agree that the capital budget included in this Amended Settlement Agreement will allow San Jose Water to undertake certain capital projects. According to San Jose Water, these capital projects have the potential to improve drinking water quality and/or reduce environmental contamination in low-income or disadvantaged communities.

Goal 4: Increase climate resiliency in ESJ communities

Conservation Rate Design

As described above, the Parties agree to a tiered rate design rate design. According to San Jose Water, this rate design is a tool useful for achieving conservation because, ass customers use

⁴ It is important to note, however, that certain goals apply to the Commission itself, not to the utilities it regulates.)

increasing amounts of water, the unit cost also increases. The tier breakpoints agreed to by the Parties give water users incentives to use water efficiently.

Wildland Fire Mitigation

As noted above, the Parties agree to a budget of \$500,000 for San Jose Water’s Wildland Fire Mitigation Plan. According to San Jose Water, this will allow it to reduce impacts to water sourcing, production, and delivery to customers, including customers in ESJ communities, by conducting wildland fuel hazard reduction.

V. CONCLUSION

1. The Parties mutually believe that, based on the terms and conditions set forth above, this Amended Settlement Agreement is reasonable, consistent with the law, and in the public interest.
2. Each Party to this Amended Settlement Agreement represents that his or her signature to this Amended Settlement Agreement binds his or her respective party to the terms of this Amended Settlement Agreement.

Respectfully submitted,

Respectfully submitted,

THE PUBLIC ADVOCATES OFFICE

SAN JOSE WATER COMPANY

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Dated: February 3, 2022

Dated: February 4, 2022

ATTACHMENT A

Comparison Exhibit

DETAILED JOINT COMPARISON EXHIBIT

TABLE 1:

TEST YEAR 2022 SUMMARY OF EARNINGS AT PRESENT AND PROPOSED RATES

Line	Item	Cal Advocates			SJWC/Cal Advocates		SJWC	
		Testimony	Settlement	Update	Application	Update	Application	
1	Summary of Earnings at Present Rates							
2	Operating Revenue	\$409,960	\$415,675	\$408,939	\$386,644			
3								
4	Operating & Maintenance Expense	\$218,150	\$220,265	\$210,117	\$210,148			
5	Administrative & General Expense	\$39,789	\$41,638	\$46,834	\$44,844			
6	Taxes Other Than Income	\$15,143	\$15,951	\$16,293	\$16,148			
7	Depreciation & Amortization	\$68,444	\$69,871	\$71,314	\$71,314			
8	Income Taxes	\$7,325	\$6,770	\$6,045	\$842			
9	Total Operating Expenses	\$348,851	\$354,496	\$350,604	\$343,296			
10								
11	Net Operating Revenue	\$61,109	\$61,179	\$58,335	\$43,348			
12								
13	Depreciated Rate Base	\$949,818	\$1,027,158	\$1,064,678	\$1,038,741			
14	Rate of Return	6.43%	5.96%	5.48%	4.17%			
15								
16	Summary of Earnings at Proposed Rates							
17	Operating Revenue	\$426,551	\$440,748	\$441,843	\$438,228			
18								
19	Operating & Maintenance Expense	\$218,168	\$220,293	\$210,154	\$210,196			
20	Administrative & General Expense	\$39,789	\$41,638	\$46,834	\$44,844			
21	Taxes Other Than Income	\$15,183	\$16,012	\$16,372	\$16,260			
22	Depreciation & Amortization	\$68,444	\$69,871	\$71,314	\$71,314			
23	Income Taxes	\$12,394	\$14,480	\$15,830	\$16,187			
24	Total Operating Expenses	\$353,977	\$362,294	\$360,504	\$358,801			
25								
26	Net Operating Revenue	\$72,574	\$78,454	\$81,339	\$79,427			
27								
28	Depreciated Rate Base	\$949,818	\$1,027,158	\$1,064,678	\$1,038,741			
29	Rate of Return	7.64%	7.64%	7.64%	7.65%			

*SJWC/Cal Advocates Settlement include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 556 and 561A

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 2:
 TEST YEAR 2022 SUMMARY OF REVENUES AT PRESENT AND PROPOSED RATES

Line	Item	Cal Advocates		SJWC/Cal Advocates		SJWC	
		Testimony	Settlement	Update	Application		
1	Oper. Revenues at Present Rates						
2	Residential	\$246,673	\$255,344	\$246,652	\$239,106		
3	Business	\$123,325	\$121,322	\$122,325	\$111,361		
4	Industrial Revenue	\$1,212	\$1,248	\$1,212	\$1,211		
5	Public Authorities	\$20,352	\$20,461	\$20,352	\$18,562		
6	Resale	\$1,165	\$1,226	\$1,165	\$1,047		
7	Other	\$2,002	\$2,036	\$2,002	\$1,909		
8	Raw Water	\$436	\$436	\$436	\$436		
9	Recycled Water	\$7,005	\$5,813	\$7,005	\$6,340		
10	Residential Fire Service Upsize	\$358	\$357	\$358	\$350		
11	Private Fire Service	\$5,728	\$5,728	\$5,728	\$5,519		
12							
13	Subtotal	\$408,256	\$413,971	\$407,235	\$385,841		
14							
15	Misc. & Deferred Revenue	\$1,704	\$1,704	\$1,704	\$803		
16							
17	Total Revenues at Present Rates	\$409,960	\$415,674	\$408,939	\$386,644		
18							
19	Oper. Revenues at Proposed Rates						
20	Residential	\$254,040	\$273,627	\$269,435	\$276,585		
21	Business	\$128,864	\$125,263	\$128,906	\$121,057		
22	Industrial Revenue	\$1,266	\$1,266	\$1,240	\$1,295		
23	Public Authorities	\$21,333	\$20,879	\$21,092	\$19,823		
24	Resale	\$1,216	\$1,227	\$1,164	\$1,055		
25	Other	\$2,197	\$2,355	\$2,400	\$2,464		
26	Raw Water	\$437	\$447	\$406	\$407		
27	Recycled Water	\$7,257	\$6,555	\$7,253	\$6,541		
28	Residential Fire Service Upsize	\$498	\$435	\$498	\$488		
29	Private Fire Service	\$7,744	\$6,989	\$7,744	\$7,688		
30							
31	Subtotal	\$424,851	\$439,043	\$440,138	\$437,403		
32							
33	Misc. & Deferred Revenue	\$1,704	\$1,704	\$1,704	\$803		
34							
35	Total Revenues at Proposed Rates	\$426,555	\$440,747	\$441,842	\$438,206		

*SJWC/Cal Advocates Settlement include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 556 and 561A

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 3:
 TEST YEAR 2022
 OPERATING AND ADMINISTRATIVE EXPENSES

Line	Item	Cal Advocates Testimony	SJWC/Cal Advocates Settlement	SJWC Update	SJWC Application
1	Operating & Maintenance Expenses				
2	Purchased Water Potable	\$110,927	\$110,927	\$101,305	\$101,305
3	Purchased Water Recycled	\$3,663	\$4,023	\$3,663	\$3,908
4	Other Source of Supply	\$2,647	\$2,783	\$2,935	\$2,734
5	Purchased Power	\$5,609	\$5,593	\$7,654	\$7,444
6	Pump Taxes	\$57,246	\$56,772	\$52,029	\$52,147
7	Other Pumping Expenses	\$4,300	\$4,581	\$4,851	\$4,649
8	Chemical & Filtering Material	\$547	\$547	\$547	\$547
9	Other Water Treatment	\$4,897	\$5,078	\$5,453	\$5,097
10	Transmission & Distribution	\$4,690	\$4,930	\$5,197	\$5,028
11	Customer Accounts - Uncollectibles	\$480	\$497	\$497	\$410
12	Customer Accounts - Labor	\$3,791	\$4,017	\$4,281	\$5,054
13	Customer Accounts - Transportation	\$118	\$119	\$120	\$103
14	Customer Accounts - Postage	\$488	\$488	\$488	\$499
15	Customer Accounts - Purchased Services	\$2,245	\$2,441	\$2,567	\$3,698
16	Conservation - Base Program	\$1,362	\$1,362	\$1,362	\$1,496
17	Customer Accounts - Other	\$92	\$92	\$94	\$103
18	Non-Tariffed Service Adjustment	(\$1,036)	(\$1,036)	(\$848)	(\$851)
19	Maintenance Source of Supply	\$155	\$168	\$176	\$178
20	Maintenance Pumping	\$1,507	\$1,624	\$1,715	\$1,214
21	Maintenance Water Treatment Plant	\$211	\$215	\$218	\$223
22	Maintenance Transmission & Distribution	\$14,233	\$15,078	\$15,855	\$15,214
23	Maintenance Expense Adjustments	(\$4)	(\$4)	(\$4)	(\$5)
24	Subtotal O&M Expenses	\$218,168	\$220,294	\$210,154	\$210,196
25					
26	Administrative & General (A&G) Expenses				
27	A&G Salaries	\$12,698	\$13,453	\$14,338	\$14,181
28	A&G Office Supplies	\$3,066	\$3,137	\$3,425	\$3,692
29	A&G Property Insurance	\$269	\$284	\$285	\$289
30	A&G Injuries & Damages Insurance	\$5,633	\$5,723	\$5,838	\$5,259
31	A&G Pensions, Benefits, & PBOP	\$18,742	\$18,742	\$19,489	\$19,732
32	A&G Regulatory Commission	\$342	\$342	\$342	\$342
33	A&G Outside Services	\$5,082	\$6,217	\$9,137	\$8,216
34	A&G Dues & Memberships	\$623	\$623	\$623	\$684
35	A&G Corporate Expenses	\$692	\$692	\$692	\$1,198
36	A&G Rents	\$535	\$535	\$535	\$535
37	A&G Maintenance	\$3,138	\$2,922	\$3,162	\$2,789
38	A&G Transferred Expenses	(\$11,031)	(\$11,031)	(\$11,031)	(\$12,072)
39	Subtotal A&G Expenses	\$39,789	\$41,638	\$46,834	\$44,844

*SJWC/Cal Advocates Settlement include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 556 and 561A

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 4:
 TEST YEAR 2022 TAXES AT PROPOSED RATES

Line	Item	Cal Advocates		SJWC/Cal Advocates		SJWC	
		Testimony	Settlement	Update	Application		
1	TAXES						
2	Taxes Other Than Income						
3	Ad Valorem Taxes	\$10,869	\$11,475	\$11,619	\$11,504		
4	Business License Fees	\$164	\$170	\$170	\$172		
5	Payroll Taxes	\$3,126	\$3,309	\$3,523	\$3,631		
6	Franchise Fees	\$1,024	\$1,058	\$1,061	\$954		
7	Subtotal Taxes Other Than Income	\$15,183	\$16,012	\$16,372	\$16,260		
8							
9	Depreciation and Amortization	\$68,444	\$69,871	\$71,314	\$71,314		
10							
11	Income Taxes						
12	Total Deductions	\$299,043	\$306,249	\$302,756	\$299,840		
13							
14	Tax Depreciation	(\$59,992)	(\$59,992)	(\$59,992)	(\$59,992)		
15	State Tax Deduction on Repairs and Main	(\$16,685)	(\$16,685)	(\$16,685)	(\$16,685)		
16	Deferred Revenue (Net of Tax)	\$1,020	\$1,020	\$1,020	\$660		
17	Section 263(a)	\$8,748	\$8,748	\$8,748	\$8,748		
18	California State Tax @ 8.84%	\$5,224	\$5,842	\$6,248	\$6,234		
19							
20	FIT Depreciation for Taxes	(\$72,947)	(\$72,947)	(\$72,947)	(\$72,947)		
21	CCFT Deduction	(\$4,603)	(\$4,603)	(\$4,696)	(\$3,129)		
22	Taxable Income	\$48,458	\$55,449	\$59,943	\$61,712		
23	Federal Income Tax @ 21%	\$10,176	\$11,644	\$12,588	\$12,960		
24	Tax on CIAC and Advances	\$196	\$196	\$196	\$196		
25	Reversal of Excess Deferred Tax	(\$3,202)	(\$3,202)	(\$3,202)	(\$3,202)		
26	Subtotal Income Taxes	\$12,394	\$14,480	\$15,830	\$16,187		

*"Final" positions for SJWC and Cal Advocates include rate changes and increased purchased water and groundwater extraction unit costs as authorized by the CPUC via Advice Letters 556 and 561A

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 5A:
 UTILITY PLANT IN SERVICE - BUDGET YEAR 2021

Line	Item	Cal Advocates Testimony	SJWC/Cal Advocates Settlement	SJWC Update	SJWC Application
1	UTILITY PLANT				
2	2021 New Plant	\$70,951	\$115,000	\$114,896	\$114,896
3	2021 Cost of Retiring -	\$2,382	\$2,382	\$2,382	\$2,382
4	2021 Total Construction Budget	\$68,569	\$112,619	\$112,515	\$112,515

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 5B:
 UTILITY PLANT IN SERVICE - BUDGET YEAR 2022

Line	Item	Cal Advocates Testimony	SJWC/Cal Advocates Settlement	SJWC Update	SJWC Application
1	UTILITY PLANT				
2	2022 New Plant	\$104,146	\$117,507.49	\$147,373	\$147,373
3	2022 Cost of Retiring -	\$3,696	\$5,506	\$5,506	\$5,506
4	2022 Total Construction Budget	\$100,450	\$112,001	\$141,867	\$141,867

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 5C:
 UTILITY PLANT IN SERVICE - BUDGET YEAR 2023

Line	Item	Cal Advocates Testimony	SJWC/Cal Advocates Settlement	SJWC Update	SJWC Application
1	UTILITY PLANT				
2	2023 New Plant	\$121,673	\$120,000	\$174,959	\$174,959
3	2023 Cost of Retiring -	\$4,267	\$4,918	\$4,918	\$4,918
4	2023 Total Construction Budget	\$117,407	\$115,082	\$170,041	\$170,041

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 6:
 TEST YEAR 2022 AND ESCALATING YEAR 2023 RATEBASE

Line	Item	Cal Advocates			SJWC	
		Testimony	Settlement	Update	Application	
1	2022 RATEBASE					
2	Utility Plant	\$2,034,821	\$2,110,755	\$2,132,385	\$2,083,292	
3	Adjustments to Plant	(\$223,235)	(\$223,235)	(\$223,235)	(\$221,493)	
4	Working Capital	\$26,320	\$28,535	\$45,152	\$52,112	
5	Tax Deferrals	(\$138,443)	(\$138,443)	(\$138,443)	(\$135,482)	
6	Rate Base, Taxed Contributions	\$12,731	\$12,731	\$12,731	\$12,138	
7	Rate Base, Taxed Advances	\$3,694	\$3,694	\$3,694	\$3,797	
8	Depreciation Reserve	\$766,070	\$766,879	\$767,605	\$754,547	
9	2022 Weighted Avg Ratebase	\$949,818	\$1,027,158	\$1,064,679	\$1,039,819	
10						
11	2023 RATEBASE					
12	Utility Plant	\$2,178,719	\$2,260,769	\$2,327,220	\$2,257,318	
13	Adjustments to Plant	(\$231,878)	(\$231,878)	(\$231,878)	(\$228,971)	
14	Working Capital	\$27,094	\$29,111	\$47,170	\$53,607	
15	Tax Deferrals	(\$133,429)	(\$133,429)	(\$133,429)	(\$129,468)	
16	Rate Base, Taxed Contributions	\$14,644	\$14,644	\$14,644	\$13,968	
17	Rate Base, Taxed Advances	\$3,794	\$3,794	\$3,794	\$4,007	
18	Depreciation Reserve	\$828,530	\$830,827	\$833,745	\$818,729	
19	2023 Weighted Avg Ratebase	\$1,030,415	\$1,112,185	\$1,193,777	\$1,151,731	

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 7A:
 TEST YEAR 2022 CUSTOMER AND SALES FORECAST

Line	Item	Cal Advocates			SJWC/Cal Advocates		SJWC	
		Testimony	Settlement	Update	Application	Update	Application	
1	Metered Services							
2	Residential	200,515	200,515	200,498		200,431		
3	Business	20,976	20,808	20,808		20,894		
4	Industrial	50	50	50		51		
5	Public Authority	1,276	1,276	1,276		1,264		
6	Resale	32	32	32		32		
7	Other	340	340	340		331		
8	Total Potable Metered Services	223,189	223,021	223,004		223,003		
9								
10	Raw Water	5	5	5		5		
11	Recycled Water - Piped	278	278	278		278		
12	Recycled Water - Former Well Users	8	8	8		8		
13	Total Non-Potable Metered Services	291	291	291		291		
14								
15	Private Fire Service	4,193	4,193	4,193		4,168		
16	Total Active Services	227,673	227,505	227,488		227,462		
17								
18	Average Sales per Customer (ccf/connection/yr)							
19	Residential	131.0	131.0	131.0		131.0		
20	Business	758.0	758.0	758.0		758.0		
21								
22	Total Sales Per Customer Class (Kccf)							
23	Residential	26,267	26,267	26,265		26,256		
24	Business	15,900	15,772	15,772		15,838		
25	Industrial	178	178	178		182		
26	Public Authority	2,831	2,831	2,831		2,805		
27	Resale	195	195	195		194		
28	Other	89	89	89		91		
29	Total Potable Metered Sales	45,460	45,332	45,330		45,366		
30								
31	Raw Water	90	90	90		91		
32	Recycled Water - Piped	880	880	880		955		
33	Recycled Water - Former Well Users	377	377	377		387		
34	Total Sales	46,430	46,302	46,300		46,412		

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 7B:
 ESCALATING YEAR 2023 CUSTOMER AND SALES FORECAST

Line	Item	Cal Advocates Testimony	SJWC/Cal Advocates Settlement	SJWC Update	SJWC Application
1	Metered Services				
2	Residential	200,768	200,768	200,743	200,642
3	Business	21,152	20,900	20,900	21,029
4	Industrial	50	50	50	51
5	Public Authority	1,269	1,269	1,269	1,256
6	Resale	32	32	32	32
7	Other	367	367	367	350
8	Total Potable Metered Services	223,638	223,386	223,361	223,360
9					
10	Raw Water	5	5	5	5
11	Recycled Water - Piped	278	278	278	278
12	Recycled Water - Former Well Users	8	8	8	8
13	Total Non-Potable Metered Services	291	291	291	291
14					
15	Private Fire Service	4,272	4,272	4,272	4,233
16	Total Active Services	228,201	227,949	227,924	227,884
17					
18	Average Sales per Customer (ccf/connection/yr)				
19	Residential	129.0	131.0	129.0	129.0
20	Business	762.0	758.0	762.0	762.0
21					
22	Total Sales Per Customer Class (Kccf)				
23	Residential	25,899	26,301	25,896	25,883
24	Business	16,118	15,842	15,926	16,024
25	Industrial	180	178	180	184
26	Public Authority	2,848	2,816	2,848	2,818
27	Resale	195	195	195	194
28	Other	89	89	89	91
29	Total Potable Metered Sales	45,329	45,421	45,134	45,194
30					
31	Raw Water	90	90	90	91
32	Recycled Water - Piped	1,024	1,024	1,024	1,099
33	Recycled Water - Former Well Users	377	377	377	387
34	Total Sales	46,443	46,535	46,248	46,384

DETAILED JOINT COMPARISON EXHIBIT
 TABLE 7C:
 ESCALATING YEAR 2024 CUSTOMER AND SALES FORECAST

Line	Item	Cal Advocates		SJWC/Cal Advocates		SJWC		SJWC Application
		Testimony	Settlement	Update	Application	Update	Application	
1	Metered Services							
2	Residential	201,021	201,021	200,988		200,988		200,853
3	Business	21,328	20,993	20,993		20,993		21,164
4	Industrial	49	49	49		49		51
5	Public Authority	1,262	1,262	1,262		1,262		1,248
6	Resale	32	32	32		32		32
7	Other	395	395	395		395		369
8	Total Potable Metered Services	224,087	223,752	223,719		223,719		223,717
9								
10	Raw Water	5	5	5		5		5
11	Recycled Water - Piped	278	278	278		278		278
12	Recycled Water - Former Well Users	8	8	8		8		8
13	Total Non-Potable Metered Services	291	291	291		291		291
14								
15	Private Fire Service	4,354	4,354	4,354		4,354		4,298
16	Total Active Services	228,732	228,397	228,364		228,364		228,306
17								
18	Average Sales per Customer (ceff/connection/yr)							
19	Residential	128.0	131.0	128.0		128.0		128.0
20	Business	767.0	758.0	767.0		767.0		767.0
21								
22	Total Sales Per Customer Class (Kceff)							
23	Residential	25,731	26,334	25,726		25,726		25,709
24	Business	16,359	15,913	16,102		16,102		16,233
25	Industrial	179	175	179		179		186
26	Public Authority	2,870	2,800	2,870		2,870		2,838
27	Resale	195	195	195		195		194
28	Other	89	89	89		89		91
29	Total Potable Metered Sales	45,423	45,506	45,161		45,161		45,251
30								
31	Raw Water	90	90	90		90		91
32	Recycled Water - Piped	1,131	1,131	1,131		1,131		1,206
33	Recycled Water - Former Well Users	377	377	377		377		387
34	Total Sales	46,644	46,727	46,382		46,382		46,548

DETAILED JOINT COMPARISON EXHIBIT
TABLE 8:

TEST YEAR 2022 AND ESCALATING YEAR 2023 AND 2024 SUMMARY OF PRODUCTION AND SUPPLY EXPENSE

Line	Item	Cal Advocates		SJWC/Cal Advocates		SJWC	
		Testimony	Settlement	Update	Application		
2022 SUPPLY							
1	Groundwater (Kccf)	16,635	16,497	16,495	16,533		
2	Groundwater Cost (\$000)	\$57,246	\$56,772	\$52,029	\$52,147		
3	Purchased Water	29,938	29,938	29,938	29,938		
4	Purchased Water Cost (\$000)	\$110,927	\$110,927	\$101,305	\$101,305		
5	Surface Water (Kccf)	2,445	2,445	2,445	2,445		
6	Surface Water (\$000)	\$0	\$0	\$0	\$0		
7	Recycled Water (Kccf)	1,257	1,257	1,257	1,342		
8	Recycled Water Cost (\$000)	\$3,663	\$4,023	\$3,663	\$3,908		
9	Purchased Power (KWH)	30,645	30,559	41,822	40,849		
10	Purchased Power Cost (\$000)	\$5,609	\$5,593	\$7,654	\$7,444		
11	Total Production (Kccf)	50,275	50,137.2	50,135.2	50,257.6		
12	Total Supply Cost (\$000)	\$177,444	\$177,315	\$164,651	\$164,804		
13	\$/CCF	\$ 3,5295	\$ 3,5366	\$ 3,2841	\$ 3,2792		
14							
2023 SUPPLY							
16	Groundwater (Kccf)	16,299	16,399	16,089	16,154		
17	Groundwater Cost (\$000)	\$56,087	\$56,432	\$50,748	\$50,954		
18	Purchased Water	30,132	30,132	30,132	30,132		
19	Purchased Water Cost (\$000)	\$111,645	\$111,645	\$101,961	\$101,961		
20	Surface Water (\$000)	2,445	2,445	2,445	2,445		
21	Surface Water	\$0	\$0	\$0	\$0		
22	Recycled Water (Kccf)	1,402	1,402	1,402	1,486		
23	Recycled Water Cost (\$000)	\$4,083	\$4,485	\$4,083	\$4,329		
24	Purchased Power (KWH)	30,556	30,619	41,916	40,639		
25	Purchased Power Cost (\$000)	\$5,593	\$5,604	\$7,672	\$7,405		
26	Total Production (Kccf)	50,277.5	50,377.5	50,067.5	50,216.9		
27	Total Supply Cost (\$000)	\$177,408	\$178,166	\$164,464	\$164,649		
28	\$/CCF	\$ 3,5286	\$ 3,5366	\$ 3,2848	\$ 3,2788		
29							
2024 SUPPLY							
31	Groundwater (Kccf)	16,401	16,490	16,118	16,215		
32	Groundwater Cost (\$000)	\$56,441	\$56,744	\$50,840	\$51,148		
33	Purchased Water	30,132	30,132	30,132	30,132		
34	Purchased Water Cost (\$000)	\$111,645	\$111,645	\$101,961	\$101,961		
35	Surface Water (\$000)	2,445	2,445	2,445	2,445		
36	Surface Water	\$0	\$0	\$0	\$0		
37	Recycled Water (Kccf)	1,508	1,508	1,508	1,593		
38	Recycled Water Cost (\$000)	\$4,394	\$4,827	\$4,394	\$4,640		
39	Purchased Power (KWH)	30,620	30,676	42,414	40,835		
40	Purchased Power Cost (\$000)	\$5,604	\$5,614	\$7,763	\$7,441		
41	Total Production (Kccf)	50,486.2	50,575.2	50,203.2	50,384.6		
42	Total Supply Cost (\$000)	\$178,084	\$178,830	\$164,958	\$165,190		
43	\$/CCF	\$ 3,5274	\$ 3,5359	\$ 3,2858	\$ 3,2786		

DETAILED JOINT COMPARISON EXHIBIT
TABLE 9:
NON-REVENUE REQUIREMENT ISSUES

Line	Item	Cal. Advocates Testimony	SJWC/Cal. Advocates Settlement	SJWC Update	SJWC Application
1	Cal Advocates did not identify any issues pertaining to the Memo Type Balancing Accounts.	Memo Type Balancing Account under collection of \$3,970,923. In includes Incremental Balancing Account for treatment for Supply Cost (purchased water, pump tax, purchased recycled water, and purchased recycled water, and purchased power), Pension Expense Balancing Account, WRAP and Balancing/Memo Account Disposition for years 2017, 2018, 2019 with interest up till September 2020. 2020 and subsequent balances will be tracked in future GRC. As authorized by Public Utilities Code Section 792.5 and GO 96-B Water Industry Rule 7.3.1(7) and 8.4, SJWC is allowed to file supply offsets to update whole sale water/power rate when new rates are implemented by provider, offset are included in the account. 2020 and subsequent balances will be included in the next GRC for recovery. Starting in 2022 the Incremental Balancing Account for each supply costs will be replaced by a Full Cost Balancing Account (model after San Gabriel Valley Water's Full Cost Balancing Account), it will track the difference between adopted and actual supply cost (Purchased Water, Purchased Recycled Water, Purchased Power, Pump Tax) \$(CCF (Total Supply Cost / Total Production) and applied it to actual total production.	Memo Type Balancing Account under collection of \$3,970,923. In includes Incremental Balancing Account for treatment for Supply Cost (purchased water, pump tax, purchased recycled water, and purchased power), Pension Expense Balancing Account, WRAP and Balancing/Memo Account Disposition for years 2017, 2018, 2019 with interest up till September 2020. 2020 and subsequent balances will be tracked in future GRC. As authorized by Public Utilities Code Section 792.5 and GO 96-B Water Industry Rule 7.3.1(7) and 8.4, SJWC is allowed to file supply offsets to update whole sale water/power rate when new rates are implemented by provider, offset are included in the account. 2020 and subsequent balances will be included in the next GRC for recovery.	Memo Type Balancing Account under collection of \$3,970,923. In includes Incremental Balancing Account for treatment for Supply Cost (purchased water, pump tax, purchased recycled water, and purchased power), Pension Expense Balancing Account, WRAP and Balancing/Memo Account Disposition for years 2017, 2018, 2019 with interest up till September 2020. 2020 and subsequent balances will be tracked in future GRC. As authorized by Public Utilities Code Section 792.5 and GO 96-B Water Industry Rule 7.3.1(7) and 8.4, SJWC is allowed to file supply offsets to update whole sale water/power rate when new rates are implemented by provider, offset are included in the account. 2020 and subsequent balances will be included in the next GRC for recovery.	Memo Type Balancing Account under collection of \$3,970,923. In includes Incremental Balancing Account for treatment for Supply Cost (purchased water, pump tax, purchased recycled water, and purchased power), Pension Expense Balancing Account, WRAP and Balancing/Memo Account Disposition for years 2017, 2018, 2019 with interest up till September 2020. 2020 and subsequent balances will be tracked in future GRC. As authorized by Public Utilities Code Section 792.5 and GO 96-B Water Industry Rule 7.3.1(7) and 8.4, SJWC is allowed to file supply offsets to update whole sale water/power rate when new rates are implemented by provider, offset are included in the account. 2020 and subsequent balances will be included in the next GRC for recovery.
2	Under collection of 2019 Balancing Account Surchage Recovery	Under collected recovery of 2019 Balancing Account of \$1,127,937 with interest up till September 2020 and close account.	Under collected recovery of 2019 Balancing Account of \$1,127,937 with interest up till September 2020 and close account.	Under collected recovery of 2019 Balancing Account of \$1,127,937 with interest up till September 2020 and close account.	Under collected recovery of 2019 Balancing Account of \$1,127,937 with interest up till September 2020 and close account.
3	Under Collection of 2019 GRC Memo Account Surchage Recovery	Under collected recovery of 2019 Memo Account of \$1,219,459 with interest up till September 2020 and close account.	Under collected recovery of 2019 Memo Account of \$1,219,459 with interest up till September 2020 and close account.	Under collected recovery of 2019 Memo Account of \$1,219,459 with interest up till September 2020 and close account.	Under collected recovery of 2019 Memo Account of \$1,219,459 with interest up till September 2020 and close account.
4	Over refund of 2018 Tax Accounting Balancing Account	Over refund of Tax Accounting Balancing Account resulted in an under collection of \$332,729 with interest up till September 2020 and close account.	Over refund of Tax Accounting Balancing Account resulted in an under collection of \$332,729 with interest up till September 2020 and close account.	Over refund of Tax Accounting Balancing Account resulted in an under collection of \$332,729 with interest up till September 2020.	Over refund of Tax Accounting Balancing Account resulted in an under collection of \$332,729 with interest up till September 2020.
5	WP 17-1 Error Correction	SJWC in summing Balancing Account total incorrectly included the 2018 Tax Accounting Balancing Account twice, remove \$332,729.	Remove double counting of \$332,729 from total Balancing Account	Under collection of \$332,728	Under collection of \$332,729
6	Monterey-Style WRAM	Under collection of \$9,227,298 and starting on 2022 do not include re-bills for previous year in WRAM	Under collection of \$11,693,503 and starting on 2022 do not include re-bills for previous year in WRAM	Under collection of \$11,693,504	Under collection of \$11,693,505

DETAILED JOINT COMPARISON EXHIBIT
TABLE 9:
NON-REVENUE REQUIREMENT ISSUES

7	Intervener Compensation Balancing Account	Account did not have a preliminary statement, disallow \$3,022 balance and close account	Recover \$3,022 balance; add preliminary statement for this account to tariff book.	Under collection of \$3,022 for intervener compensation	Under collection of \$3,022 for intervener compensation
8	Ground Water Regulation Legal expense Memorandum Account	Under collection of \$151,572 in Ground Water Regulation Legal Expense	Under collection of \$151,572 in Ground Water Regulation Legal Expense and close account	Under collection of \$151,572 in Ground Water Regulation Legal Expense	Under collection of \$151,572 in Ground Water Regulation Legal Expense
9	School lead Testing Memorandum Account	Under collection of \$21,522 and close account	Under collection of \$21,522 and close account	Under collection of \$21,522.	Under collection of \$21,522.
10	Drinking Water Fees Memorandum Account	Under Collection of \$420,533 and close account	Under Collection of \$420,533.	Under Collection of \$420,533.	Under Collection of \$420,533.
11	2018 Cost Of Capital Memorandum Account	Over collection of \$1,416,390 and close the account.	Over collection of \$1,416,390 and close the account.	Over collection of \$1,416,390.	Over collection of \$1,416,390.
12	Catastrophic Event Memorandum Account-2017 Flooding	Under collecting of \$246,529 and close the account.	Under collecting of \$246,529 and close the account.	Under collecting of \$246,529.	Under collecting of \$246,529.
13	Catastrophic Event Memorandum Account-PSPS1	Under collection of \$25,679 and close the account.	Under collection of \$25,679 and close the account.	Under collection of \$25,679.	Under collection of \$25,679.
14	Catastrophic Event Memorandum Account-PSPS2	Under collection of \$19,358 and close the account.	Under collection of \$19,358 and close the account.	Under collection of \$19,358.	Under collection of \$19,358.
15	Polyfluoroalkyl Substances (PFAS) Memorandum Account	Under Collection of \$293,566 and close the account.	Under Collection of \$293,566 and close the account.	Under Collection of \$293,566.	Under Collection of \$293,566.
16	Collection and Franchise Tax	Remove application of uncollectible and Franchise Tax to total Balancing Account and Memo Account balances	Include application of adopted uncollectible (0.1126%) and Franchise Tax (0.2409%) to total Balancing Account and Memo Account balances	Include application of uncollectible and Franchise Tax to total Balancing Account and Memo Account balances	Include application of uncollectible and Franchise Tax to total Balancing Account and Memo Account balances

APPENDIX B

Rate Design

Attachment B

RESIDENTIAL CUSTOMERS WITH 5/8 x 3/4-INCH, 3/4-INCH, 1-INCH, 1 1/2-INCH or 2-INCH METERS

Tier	San Jose Water Company Current Rates			San Jose Water Company Proposed Rates per Application			Amended Settlement Agreement Proposed Rates		
	Rate Structure	Rate Differential	Rate	Rate Structure	Rate Differential	Rate	Rate Structure	Rate Differential	Rate
1	0-3 ccf ¹	0.6667 of Tier 2 Rate	\$3.7563	0-6 ccf	0.8 of Tier 2 Rate	\$3.7575	0-6 ccf	0.67 of Tier 2 Rate	\$3.4845
2	3-18 ccf	Uniform rate	\$5.4453	6-18 ccf	Uniform rate	\$4.6969	6-12 ccf	Uniform rate	\$5.2008
3	over 18 ccf	1.3333 of Tier 2 Rate	\$7.1338	over 18 ccf	1.67 of Tier 2 Rate	\$7.8832	over 12 ccf	1.5966 of Tier 2 Rate	\$8.3036

ALL OTHER RESIDENTIAL CUSTOMERS

(RESIDENTIAL CUSTOMERS WITH METER GREATER THAN 2 INCH
AND NON-RESIDENTIAL CUSTOMERS)

SJWC Current² SJWC Application Settlement

Rate Structure-

Single Quantity Rate

Rate

Rate

Rate

All Usage

Uniform Rate/Tier 2

Uniform Rate/Tier 2

Uniform Rate/Tier 2

\$5.5443

\$4.6969

\$5.2008

(END OF APPENDIX B)

¹ A centum cubic feet (ccf) represents one hundred cubic feet of water.

² Current Rate as of July 1, 2021

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 584

ATTACHMENT C

SAN JOSE WATER COMPANY (U-168-W)
ADVICE LETTER 584 SERVICE LIST

Big Redwood Park Water	waldoburford@gmail.com;
Brush & Old Well Mutual Water Company	BOWMWC@brushroad.com;
Cal Water	cwsrates@calwater.com;
City of Campbell	publicworks@cityofcampbell.com;
City of Cupertino City Attorney	cityattorney@cupertino.org;
City of Cupertino Director of Public Works	rogerl@cupertino.org;
City of Milpitas	tndah@ci.milpitas.ca.gov ;
City of Milpitas	smachida@ci.milpitas.ca.gov;
City of Monte Sereno	steve@cityofmontesereno.org;
City of Monte Sereno	bmekechuk@cityofmontesereno.org;
City of Santa Clara	water@santaclaraca.gov;
City of San Jose	jeffrey.provenzano@sanjoseca.gov;
City of Saratoga	jcherbone@saratoga.ca.us;
County of Santa Clara	county.counsel@cco.sccgov.org;
DB Davis	dbdavis@rockwellcollins.com;
Dept. of Water Resources, Safe Drinking Water Office	sdwo@water.ca.gov;
Valley Water	dtaylor@valleywater.org;
Gillette Mutual Water Company	gapowerz@gmail.com;
Gillette Mutual Water Company	goldiey@pacbell.net;
Gillette Mutual Water Company	keyoung@pacbell.net;
Great Oaks Water	jroeder@greatoakswater.com;
Great Oaks Water	tguster@greatoakswater.com;
Cal Water	jpolanco@calwater.com;
James Hunter	j88hunter882@gmail.com;
City of Cupertino	KirstenS@cupertino.org;
Public Advocates Office	mukunda.dawadi@cpuc.ca.gov;
Public Advocates Office	PublicAdvocatesWater@cpuc.ca.gov;
Mountain Springs Mutual Water Co.	Lorenroy@icloud.com;
Mt. Summit Mutual Water Company	wshoefler@comcast.net;
Oakmount Mutual Water Company	gortiz12@comcast.net;
Patrick Kearns MD	pjk3@comcast.net;
Raineri Mutual Water Company	info@rainerimutual.org;
Ridge Mutual Water Company	pmantey@yahoo.com;
Rishi Kumar	rkumar@saratoga.ca.us;
San Jose Mercury News	progers@bayareanewsgroup.com;
Valley Water	afulcher@valleywater.org;
Valley Water	abaker@valleywater.org;
Saratoga Heights Mutual Water Company	sjw@shmwc.org;
SouthWest Water Company	kcarlson@swwc.com;
Stagecoach Mutual Water Company	stagecoachroadMWC@gmail.com;
Summit West	RJonesPE@aol.com;
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Town of Los Gatos Dir. of Public Works	ppw@losgatosca.gov;
WRATES	rita_benton@ymail.com;
Villa Del Monte	mntmom33@comcast.net;