

CALIFORNIA PUBLIC UTILITIES COMMISSION DIVISION OF WATER AND AUDITS Advice Letter Cover Sheet				(Date Filed / Received Stamp by CPUC)	
AL # 468		Date Mailed to Service List: 3/26/2015		Requested Effective Date: 6/1/2015	
				Requested Tier: Tier 1 Tier 2 Tier 3 X	
Replacing AL#:	Authorized by: Res. W-4976 & AL 456	Compliance Filing? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Rate Impact	\$	9,566,814
				%	3.36%
<u>If you chose to protest or respond to the advice letter, send Protest and/or Correspondence within 20 days to:</u>			Director Division of Water and Audits 505 Van Ness Ave. San Francisco, CA 94102		
<u>and if you have email capability, also email to:</u> regulatoryaffairs@sjwater.com			water_division@cpuc.ca.gov		
<u>Your protest also must be served on the Utility</u>			(see attached advice letter for more information and grounds for protest)		
Company Name: San Jose Water Company				CPUC Utility Number: WTA _____ WTB _____ WTC _____ WTD _____ SWR _____	
Address: 110 W. Taylor Street					
City, State, Zip: San Jose, CA 95110					
Contact Name:		Phone No.	Fax No.	Email Address:	
Filer	Wes Owens	408-918-7247	408-279-7934	wes.owens@sjwater.com	
Alternate	Ann Lindahl	408-279-7979	Same	ann.lindahl@sjwater.com	
Description: In this space or on the back of this form: <ol style="list-style-type: none"> 1. Explain justification for requested Tier – GO 96B – Water Industry Rule 7.3.3(7) 2. Describe service affected and how it is affected Schedule 1, 1B, 1C, and RW rates: Memorandum Account Amortization 3. Describe differences from related Advice Letters (Similar service, replacement filing): N/A 					
(FOR CPUC USE ONLY)					
WTS Budget/Activity/Type			Process as: <input type="checkbox"/> Tier 1 <input type="checkbox"/> Tier 2 <input type="checkbox"/> Tier 3		
_____ / _____ / _____			20th Day	_____	30th Day
Project Manager:	_____		Suspended on:		_____
Analyst:	_____		Extended on:		_____
Due Date:	_____		Resolution No.:		_____
Completion Date:	_____		AL/Tariff Effective Date:		_____



110 W. Taylor Street.
San Jose, CA 95110
408 279-7800
Fax 408 279-7934

March 26, 2015

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

Advice Letter No. 468

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 hereto:

<u>Cal. P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Cal.P.U.C. Sheet No.</u>
1643-W	Schedule No. 1 General Metered Service (Continued)	1631-W
1644-W	Schedule No. 1B General Metered Service with Automatic Fire Sprinkler System (Continued)	1632-W
1645-W	Schedule No. 1C General Metered Service Mountain District (continued)	1633-W
1646-W	Schedule No. RW Raw Water Metered Service (continued)	1634-W
1647-W	Table of Contents	1642-W

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ADVICE LETTER NO. 468

Page 2

Purpose

The purpose of this Advice Letter (AL) is to request the Commission's authorization to recover the \$9,566,814 balance accumulated in the Mandatory Conservation Revenue Adjustment Memorandum Account (MCRAMA) during the period April 1, 2014 through December 31, 2014.

Pursuant to the Commission's Standard Practice U-27-W, recovery of the accumulated balance is requested in a 12 month quantity based surcharge of \$0.1798 per ccf on all potable water usage as the balance is less than 5% of SJWC's annual authorized revenue requirement. SJWC requests that this surcharge become effective on or about June 1, 2015. This advice letter is designated as a Tier 3 Advice Letter. These tariffs are submitted pursuant to General Order No. 96-B – Water Industry Rule 7.3.3(7). SJWC does not currently have any other Advice Letters pending before the Commission.

Background

With California facing water shortfalls in the driest year in recorded state history, Governor Edmund G. Brown Jr., on January 17th, 2014, proclaimed a State of Emergency and directed state officials to take all necessary actions to prepare for these drought conditions.¹ Additionally, on January 28th, 2014 the Santa Clara Valley Water District (SCVWD)² board set a preliminary 2014 water reduction target equal to 10 percent of 2013 water use in Santa Clara County. On February 25th, in consideration of the worsening water supply outlook for Santa Clara County, the SCVWD Board of Directors unanimously passed a resolution calling for mandatory measures to reach a water use reduction target equal to 20 percent of 2013 water use, through December 31, 2014.

On February 27th, 2014 the Commission issued Resolution ("Res") W-4976 adopting drought procedures for water conservation, rationing and service connection moratoria. In this Resolution the Commission approved Drought Procedures for Water Conservation, Rationing and Service Connection Moratoria ("Drought Procedures") and required that all Class A and B water utilities that had an existing Tariff Rule 14.1 activate the Rule within 30 days of the Resolution effective date. The Drought Rules, in addition to providing steps to be taken when a utility suffers from a water shortage, provided that a utility without a full revenue decoupling WRAM request to add a memorandum account to track lost revenue associated with reduced sales as a result of activating Rule 14.1.

On February 28th, 2014, SJWC filed Advice Letter 456 seeking to:

- (1) Notify the Commission's Division of Water and Audits that SJWC is implementing the voluntary conservation measures of Rule No. 14.1, Section A, in compliance with the provisions of Rule No. 14.1, and;

¹ "Governor Brown Declares Drought State of Emergency": <http://gov.ca.gov/news.php?id=18368>

² The SCVWD is responsible for managing the water supply in Santa Clara County. About 50% of the water supply for SJWC is obtained through a contract with the SCVWD.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ADVICE LETTER NO. 468

Page 3

- (2) Establish a Mandatory Conservation Memorandum Account (MCMA) to track the additional administrative costs, operating costs not otherwise recoverable through memoranda or balancing account and/or any other mechanism recognized by the Commission, and;
- (3) Establish a Mandatory Conservation Revenue Adjustment Memorandum Account (MCRAMA) to track the revenue impact of mandatory conservation.

After review the Commission approved AL 456 with the effective date of March 30, 2014.

Since implementing Rule 14.1 on March 30th, SJWC has pursued an aggressive conservation campaign. Actions taken include providing direct mailings to customers outlining the Rule 14.1 conservation measures in effect and the State Water Resources Control Board's Emergency Regulation to Control Water Use during Droughts. Additionally, SJWC has increased face-to-face conservation outreach by meeting directly with home owner associations, neighborhood associations, trade associations, etc. SJWC has also increased leak repair activity to reduce unaccounted for water.

Additionally the SCVWD has undertaken expanded conservation outreach, including increasing the Landscape Rebate Program for removing turf grass from \$1.00 per square foot to \$2.00 per square foot. The SCVWD also created a Brown is the New Green campaign and distributed lawn signs encouraging residents and business to let their lawns go brown and distributing blue buckets to catch bath and shower water. Additionally, the District created a drought patrol by hiring 5 temporary employees who respond to water waste complaints. SCVWD conservation efforts are funded through the wholesale water costs paid by retailers, including SJWC.

These conservation efforts have produced exemplary results. For the period April 2014 through December 2014 water usage for SJWC's residential customer class has dropped 17% versus the same time period in 2013. Total usage for all SJWC customer Classes has dropped 15% from April through December 2014 versus the same time period in 2013.

MCRAMA Under-collection

For the period April through December 2014 the calculation of SJWC's MCRAMA account are complicated by the outcome of SJWC's 2012 General Rate Case Decision (D.14-08-006). D.14-08-006 was adopted on August 14th, 2014, approximately 19 ½ months late. The Decision adopted different revenue requirements covering different time periods between January 1, 2013, when the Decision should have been effective, and August 14th, 2014, when the Decision actually became effective. Additionally, as allowed in D.14-08-006, SJWC filed for recovery of the under-collected balance accrued in the 2013 GRC Interim Rates Memorandum Account. In this Account SJWC tracked the difference between interim rates that were in effect between 1/1/2013 and 8/14/2014 and the rates adopted in the GRC Decision. This requested recovery was approved and became effective on September 29, 2014.

The findings and filings related to the GRC D.14-08-006 affect the MCRAMA calculation methodology. D.14-08-006, and the subsequent approval of SJWC's interim rate recovery, in effect set the authorized revenue requirement and the revenue earned for the 19 ½ month period

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ADVICE LETTER NO. 468

Page 4

prior to the Decision. This includes the time-period covered by the MCRAMA. Thus, the adopted water sales revenue and expenses included in the MCRAMA should be based on those adopted in D.14-08-006. Further, the actual water sales revenue tracked in the MCRAMA should be based on the revenue calculation methodology used in the interim rate true-up.³ Actual recorded variable expenses should be based on recorded values. Using this methodology provides a match between adopted/actual revenues that should have been in place had the GRC decision been timely during the MCRAMA tracking period.

As detailed in Attachment A, the total revenue adjustment of \$9,566,814, which includes the required 20 basis point adjustment in SJWC's ROE results, in a surcharge of \$0.1798 per ccf to be applied to all potable water usage. Recovery of the accumulated balance of the memorandum account is being requested in accordance with Commission procedures as the balance has exceeded 2% of authorized revenue for the prior calendar year. The memorandum account surcharge will result in an increase of 3.36% in annual metered revenue, while the bill for the average customer using 15 ccf per month will increase by \$1.42 per month, or approximately 3.47% (Attachment B). San Jose Water Company earned below its authorized Rate of Return for the MCRAMA period requested for recovery in this Advice Letter. (Attachment C)

Public notice of the offset rate adjustment will be completed by separate direct mailing to all customers (Attachment D) in compliance with GO 96B General Rule 4.2 and Water Industry Rule 3.1. This direct mailing will take place in April 2015 in order to provide at least the required 30 day notice prior to the requested effective date of June 1, 2015. Proof of mailing will be submitted to the Commission when the notification has been completed.

Effective Date

SJWC requests that the submitted forms become effective on June 1, 2015.

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;

³ Interim true-up water sales revenue is calculated by applying the rates authorized in D.14-08-006 to the recorded water sales during the time-period under consideration. This provides what the revenue would have been if a GRC Decision had been issued in a timely manner.

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ADVICE LETTER NO. 468

Page 5

- (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 Division of Water and Audits within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Division of Water and Audits, 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, California 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.

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

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

Very truly yours,

/S/ WES OWENS
WES OWENS
Manager
Regulatory Affairs
Enclosure

A copy of Advice Letter No. 468 has been sent to the following municipalities, water companies and interested parties:

City of San Jose
Municipal Water Dept.
Attn: Mansour Nasser
3025 Tuers Road
San Jose, CA 95121

California Water Service Co.
Attn: Stan Ferraro
1720 North First Street
San Jose, CA 95112

City of Cupertino
10300 Torre Avenue
Cupertino, CA 95014

City of Campbell
70 North First Street
Campbell, CA 95008

City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Great Oaks Water Company
Attn: Mr. Dan Stockton
P.O. Box 23490
San Jose, CA 95153

Community Development
Engineering Services
City of Milpitas
Attn: Utilities Section
455 East Calaveras Blvd.
Milpitas, CA 95035

Santa Clara Valley Water
District
5750 Almaden Expressway
San Jose, CA 95118

San Jose Mercury News
Attn: Paul Rogers
750 Ridder Park Drive
San Jose, CA 95190

Town of Los Gatos
Attn: Director of Public Works
110 E. Main Street
Los Gatos, CA 95032

City of Monte Sereno
Attn: Director of Public Works
18014 Saratoga-Los Gatos Road
Monte Sereno, CA 95030

City of Saratoga
Attn: Director of Public Works
13777 Fruitvale Avenue
Saratoga, CA 95070

County of Santa Clara
Attn: Director of Public Works
70 W. Hedding Street
San Jose, CA 95110

Department of Water Resources
Safe Drinking Water Office,
Room 804
1416 9TH Street
Sacramento, CA 95814

James M. Fiedler P.E., D.WRE
Chief Operating Officer
Water Utility Enterprises
Santa Clara Valley Water District
5750 Almaden Expressway
San Jose, CA 95118

SAN JOSE WATER COMPANY (U-168-W)
Advice Letter No.468
Page 2 of 2

Gillette Mutual Water Company
21976 Gillette Drive
Los Gatos, CA 95033

Oakmount Mutual Water Company
P.O. Box 31536
Stockton, CA 95213

Summitt West Mutual Water Company
P.O. Box 974
Los Gatos, CA 95031

Ridge Mutual Water Company
22316 Citation Drive
Los Gatos, CA 95033

Villa Del Monte Mutual Water Company
P.O. Box 862
Los Gatos, CA 95031

Big Redwood Park Water
& Improvement Assoc.
18375 Main Blvd.
Los Gatos, CA 95033

Redwood Estates Services Association
PO Box 591
Redwood Estates, CA 95044-0591

Stagecoach Mutual Water Company
21825 Stagecoach Road
Los Gatos, Ca 95033

Mt. Summit Mutual Water Co
P.O. Box 3416
Saratoga, CA 95070

Brush & Old Well Mutual
Water Company
21103 Brush Road
Los Gatos, CA 95033