



**San Jose
Water
Company**

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San Jose, CA 95196
Phone 408 279-7900
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August 21, 2015

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

Advice Letter No. 476

The 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:

Cal. P.U.C. <u>Sheet No.</u>	<u>Title of Sheet</u>	Canceling Cal. P.U.C. <u>Sheet No.</u>
1687-W	Schedule No. 1	1638-W
	General Metered Service	
1688-W	Schedule No. 1B	
	General Metered Service With	1639-W
	Automatic Fire Sprinkler System	
1689-W	Schedule No. 1C	1685-W
	General Metered Service Mountain District	
1690-W	Schedule No. RW	1641W
	Raw Water Service	
1691-W	Table of Contents	1686-W

These tariffs are submitted pursuant to General Order Nos. 96-B, and pursuant to the authority established by the California Public Utilities Commission (Commission) in Decision No. (D) 13-07-028, dated July 25, 2013. This advice letter is designated a Tier II Advice Letter consistent with General Order 96-B, 7.3.3 (8) and Ordering Paragraph (OP) No. 3 of D.13-07-028. Public notice is not required as notice was completed at the time of SJWC's filing of Application No. (A) 10-09-019: Application of SJWC for Approval of Cost Recovery for Upgrading the Montevina Water Treatment Plant (MWTP). Currently SJWC AL 475, which is unrelated to this filing, is outstanding before the Commission.

With this advice letter SJWC requests authorization to increase revenue requirement by \$274,721 via a rate base offset for plant additions related to the MWTP Upgrade Project (Montevina Project).

The designation of this advice letter as Tier II is made pursuant to General Order 96-B, Industry Rule 7.3.3 (8), which provides that “a rate base offset will be disposed of under Tier 2 when staff determines that:

- i. The Rate base offset was previously approved by the Commission in a decision or resolution;
- ii. The project scope is consistent with what the Commission approved; and
- iii. The Commission approval included a budget cap and the rate base offset request is at or below the budget cap.”

OP No. 3 of D.13-07-028 (Attachment A) states in part that:

“3. San Jose Water Company (Company) is authorized to file annual Tier 2 advice letters to include in rate base properly recorded costs of the Montevina Upgrade Project. Until moved to rate base, such costs shall accrue interest during construction on a monthly basis at the Company’s actual weighted average cost of debt, including short term debt, and capitalized interest shall not be compounded. The total cost for the Montevina Upgrade project included a 10% design contingency with a total project cost estimate of \$62 million. This \$62 million construction cost estimate will be treated as an advice letter cap for ratemaking purposes.... ”

This advice letter filing meets the requirements set forth in General Order 96-B, Industry Rule 7.3.3 (8) in that: (i) the rate base offset was previously approved by the Commission in D.13-07-028, OP No.3; (ii) the project scope (upgrades to the MWTP) is consistent with what the Commission approved; and (iii) the Commission approval included a budget cap (\$62 million) and the total rate base offset as of 12/31/2014 (\$2,168,196, comprised of \$669,458 authorized in AL 457 and \$1,498,738 as discussed below) is at or below this budget cap. Thus, this advice letter is designated as Tier II with an effective date 30 days from date of filing, on or before September 21, 2015.

Background

SJWC filed A.10-09-019, seeking Commission approval for cost recovery for upgrading the MWTP, in September of 2010. In conjunction with that Application SJWC met all of the necessary noticing requirements as provided for in the Commission’s Rules of Practice and Procedure, Rule No. 3.2. In March of 2013 SJWC and the Commission’s Division of Ratepayer Advocates (now Office of Ratepayer Advocates) submitted a Joint Motion for Adoption of the Settlement Agreement. The provisions of the Agreement are outlined in OP No.3 of D.13-07-028 above. On July 25, 2013 the Commission issued D.13-07-028 approving the settlement agreement.

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In D.13-07-028 the Commission authorized SJWC to file annual Tier 2 advice letters to recover in rates capital improvements associated with the Montevina Project. This advice letter is the second of these Tier 2 advice letters associated with the Montevina Project. On March 17, 2014 SJWC filed AL 457 for work performed in 2014 and requested a ratebase addition of \$669,458 and the related offset recovery of \$123,112 in increased rates. AL 457 was approved by the Commission and became effective July 21, 2014.

Advice letter 476 covers work performed during calendar year 2014. Subsequent advice letters, covering work performed during the calendar year previous to each advice letter filing, will be filed on an annual basis until the project is completed. A description of the work completed in 2014 is provided below.

Montevina Project – Work Completed as of December 31, 2014

As outlined in AL 457 – SJWC staff reviewed proposals from three short listed design-build firms in 2013. These proposals were evaluated by a selection committee which met on December 18, 2013. After a rigorous review, the project was awarded to HDR, Inc. on January 10, 2014.

The project was defined to be administered under two contracts. One for design and the other for construction. The substantial work related to design was administered through a Professional Services Agreement (PSA) that was executed on March 12, 2014. During the time from notice of intention to award (Jan. 10th through Mar. 12th) the draft PSA was refined to define the scope, schedule and fee, as well as adjustments, to other contract terms and conditions to a mutual acceptance of parties.

Most of the work accomplished in 2014 was related to defining existing conditions and core objectives related to plant performance and features based on design workshops. Significant effort to evaluate boundary conditions, define performance and other criteria to meet water quality and operational requirements were discussed vetted and incorporated within the Basis of Design Report (BDR). Workshops were conducted with HDR and SJWC Water Quality, Engineering and Operations department staff. These were essential for the development of the BDR which is a critical element of the design progression.

Additionally, the BDR development consisted of record drawing research, site survey, field investigations, preparation of California Environmental Quality Act (CEQA) Initial Study (IS) and review and adoption by the California Department of Water Resources (DWR) Division of Drinking Water (DDW) as lead agency for the project; membrane selection through evaluation and subsequent proof of performance test of the preliminarily selected membrane technology (manufacturer and integrator). Field investigations consisted of site topographic surveys, septic system and leach field capacity determinations, geotechnical borings and site investigations.

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Consultation with resource and permitting agencies was conducted in conjunction with development of information as basis for design and design progression and collection of data for membrane technology selection and subsequent proof of membrane performance testing on a representative raw water supply to the Montevina Water Treatment Plant (MWTP). This collaborative engagement with permitting agencies identified requirements and additional criteria to be considered as the design progressed based on the BDR and charted a course for permit requirements associate with planned plant construction.

SJWC contracted with Denise Duffy and Associates (DDA) for onsite biological surveys and records and database research. SJWC, DDA, and HDR are coordinating to prepare the environmental documentation necessary to identify and satisfy requirements and determination of impact to the environment based on the California Environmental Quality Act (CEQA).

The project documentation for the work performed as of 12/31/2014 can be found in Attachment B. Total recorded costs for this period were \$1,498,738.

Capitalized Interest Calculation

As noted above, D.13-07-028 OP No.3 provides that “Until moved to rate base, (Project) costs shall accrue interest during construction on a monthly basis at the Company’s actual weighted average cost of debt, including short-term debt, and capitalized interest shall not be compounded.” Capitalized interest calculations are provided in Attachment C.

Rate Calculation and Average Bill Comparison

Authorized rates for 2015 became effective on January 1, 2015 by AL 467A and July 1, 2015 by AL 474.

The total revenue requirement impact for this capital addition is \$274,721 or about 0.09% of SJWC’s currently authorized revenue for 2015 (Attachment D). SJWC seeks to recover 30%, or \$82,416, of the revenue through the service charge component and the remaining 70%, or \$192,304, through the quantity rate component pursuant to SJWC’s rate design approved in D.14-08-006. As a result of this rate calculation, the service charge for a standard ¾-inch meter will increase by \$0.02 per month from \$21.05 to \$21.07. The uniform quantity charge will increase from \$3.5634 per ccf to \$3.5670 per ccf. SJWC’s residential conservation rates have been calculated using the methodology adopted in D.14-08-006, applying 90% of the uniform quantity rate to Tier I, 100% of the uniform rate to Tier II and 110% of the uniform quantity rate to Tier III. The Tier I rate charge will increase from \$3.20706 per ccf to \$3.21030 per ccf. The Tier II rate charge will increase from \$3.56340 per ccf to \$3.56700 per ccf. The Tier III rate charge will increase from \$3.91970 per ccf to \$3.9237 per ccf. The rate calculations are set forth in Attachment E. As a result of this rate change, the bill for a residential customer using 15 ccf per month will increase by \$0.07, or 0.08% per month (Attachment F).

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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. When submitting a response or protest please include the utility name and advice letter number in the subject line. 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, California 95196
Fax 408.279.7934
regulatoryaffairs@sjwater.com.

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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 of this filing is not required as notice was provided upon the filing of A.10-09-019. 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 H.

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

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Enclosure

A copy of Advice Letter No. 476 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

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

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

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

City of Cupertino
10300 Torre Avenue
Cupertino, CA 95014

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

City of Campbell
70 North First Street
Campbell, CA 95008

County of Santa Clara
70 W. Hedding Street
San Jose, CA 95110

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

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

Great Oaks Water Company
P.O. Box 23490
San Jose, CA 95153

City of Milpitas
Attn: Utilities Engineering
455 East Calaveras Blvd.
Milpitas, CA 95035

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

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

Brush & Old Well Mutual
Water Company
20732 Brush Road
Los Gatos, CA 95030

San Jose Mercury News
Attn: Paul Rodgers
4 N. Second St., Suite 800
San Jose, CA 95113

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

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

Bob Burke
Regulatory Liaison For The Six
Mutual Water Companies
420 Alberto Way, Unit 49
Los Gatos, Ca 95032

Stagecoach Mutual Water Co
21825 Stagecoach Road
Los Gatos, CA 95033

Brush & Old Well Mutual
Water Company
21105 Brush Road
Los Gatos, CA 95033

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

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

Mountain Springs Mutual Water Co.
17956 Greenwood Road
Los Gatos, CA 95033

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

Raineri Mutual Water Company
P.O. Box 11
Los Gatos, CA 95031

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

James Hunter
6475 Dwyer Street
San Jose, CA 95120

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

Marty Feldman
P.O. Box 537
Los Gatos, CA 95031

Big Redwood Park Water
& Improvement Assoc.
18522 Mt. View Avenue
Los Gatos, CA 95033