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San Jose, CA 95110  
408 279-7800  
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October 24, 2016

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

Advice Letter No. 497

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>
1799-W	Preliminary Statement (continued)	1797-W
1800-W	Preliminary Statement (continued)	New
1801-W	Table of Contents	1798-W

#### Purpose

With this advice letter SJWC requests authority to implement a Drinking Water Fees Expense Memorandum Account (DWFMA) to track increased public water systems annual fees (fees) as charged to SJWC by the State Water Resources Control Board (State Board). These tariffs are submitted pursuant to General Order No. 96-B. In accordance with GO 96B – Water Industry Rule 7.3.2(5), this advice letter is designated as a Tier 2 Advice Letter with an effective date of November 23<sup>rd</sup> (30 days from filing). This advice letter will have no impact on rates. Currently, SJWC has Advice Letter No, 496 pending before the Commission.

#### Background

On September 20, 2016 the State Board adopted Resolution 2016-0052 (Attachment A). This Resolution significantly revised the methodology for calculating the public water system annual

fees payable to the State Board. Fees for Public Water Systems. Previously SJWC has been billed on a fee for service basis, which for 2015 amounted to \$71,446.62. These fees were based on an hourly billing rate of \$153 for time spent on permit amendments, review of compliance data, and conducting sanitary inspections. However, with the revised fee calculation adopted by the State Board, the fees are expected to be \$316,000 for SJWC beginning in 2016.

CPUC Standard Practice U-27-W provides that each advice letter requesting a new memo account must address a set of four parameters. These parameters are addressed below:

**a. The expense is caused by an event of an exceptional nature that is not under the utility's control.**

The State Board passed Resolution 2016-0052 to change the drinking water fees. Prior to this, the drinking water fee calculation methodology hadn't been changed in recent memory. Therefore, the change was of an exceptional nature. Additionally, the State Board is not under the SJWC's control. Therefore, the change is caused by an event of an exceptional nature that is not under the utility's control.

**b. The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case.**

SJWC submitted the draft application for the most recent GRC in November of 2014 and filed the final Application (A.15-01-002) in January of 2015. The record in the proceeding was closed in June of 2015. Initial notification regarding potential changes to the fee structure was first issued on April 18, 2016. (Attachment B) and, as noted above, the final Resolution was adopted by the State Board on September 20, 2016. Further, the revised fee methodology becomes effective this year. SJWC's next GRC application will not be filed until January of 2018. Clearly, the expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the next scheduled rate case.

**c. The expense is of a substantial nature as to the amount of money involved when any offsetting cost decreases are taken into account.**

SJWC's most recent GRC Decision (D.16-06-004) authorized \$54,900 for drinking water fees in Test Year 2016. SJWC estimates annual drinking water fees will increase to \$316,000 for SJWC under the new calculation methodology. This increase of \$244,553, or 342 % is substantial in nature and will not be offset by any cost decreases.

**d. The ratepayers will benefit by the memo account treatment.**

Payment of the drinking water fees provides funding to the State Board for issuing permit amendments, reviewing compliance data, and conducting sanitary inspections. These activities benefit ratepayers by ensuring a safe drinking water supply.

In the DWFMA SJWC will track the difference between authorized drinking water regulatory fees as established in Decision (D.16-06-004) and actual fees under the revised calculation methodology. Additionally, 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-month and the end-of-month balances.

If the accumulated balance of the of the DWFMA exceeds 2% of the total authorized revenue requirement for the prior calendar year SJWC will file an advice letter to amortize the balance. Prior to recovery, charges made to the DWFMA are subject to a reasonableness review in a General Rate Case proceeding or in an appropriate advice letter filing.

The DWFMA will sunset with new rates incorporating the revised methodology as anticipated in the next GRC decision. Per the Rate Case Plan, SJWC's next GRC decision should become effective in January of 2019.

### 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, 3<sup>rd</sup> 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 C.

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

Very truly yours,

/S/ WES OWENS

WES OWENS  
Director  
Regulatory Affairs  
Enclosures

A copy of Advice Letter No. 497 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

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

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

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

City of Cupertino  
10300 Torre Avenue  
Cupertino, CA 95014

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

City of Campbell  
70 North First Street  
Campbell, CA 95008

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

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

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

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

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

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

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

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

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

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

Brush & Old Well Mutual  
Water Company  
21105 Brush Road  
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.  
18522 Mt. View Avenue  
Los Gatos, CA 95033

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

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

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

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

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

James Hunter  
6475 Dwyer Street  
San Jose, CA 95120

Saratoga Heights Mutual Water Company  
P.O. Box 337  
Saratoga, CA 95071

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 497

ATTACHMENT C

Service List

TITLE



**PRELIMINARY STATEMENT**  
**(Continued)**

**V. Drinking Water Fees Memorandum Account ( Continued)**

(N)

3. Disposition

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 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. 497. The DWFMA will sunset with the effective date of SJWC's next General Rate Case Decision..

(N)

(To be inserted by utility)

Issued by

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

Advice No. 497

PALLE JENSEN

Date Filed \_\_\_\_\_

Dec. No. \_\_\_\_\_

Senior 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.	
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Service Area Map Locator	1266-W	
Service Area Map Locator, Index	1589-W	
Map of Areas With Special Pressure and Fire Flow Conditions	1590-W	
Index to Map of Areas With Special Pressure and Fire Flow Conditions	1079-W, 1591-W 1082-W, 1087-W and 1404-W	
Rate Schedules:		
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Schedule No. 1B, General Metered Service With Automatic Fire Sprinkler System	1752-W, 1741-W, 1786-W and 1787-W	
Schedule No. 1C, General Metered Service Mountain District	1788-W, 1744-W, 1789-W and 1790-W	
Schedule No. 4, Private Fire Service	1747-W and 1621-W	
Schedule No. 9C, Construction and Other Temporary Metered Service	1118-W and 1094-W	
Schedule No. 10R, Service to Employees	152-W	
Schedule No. 14.1 Water Shortage Contingency Plan With Staged Mandatory Reductions And Drought Surcharges	1668-W, 1669-W, 1780-W, 1671-W, 1672-W, 1673-W, 1766-W, and 1767-W	
Schedule No. RW, Raw Water Metered Service	1754-W, 1791-W and 1792-W	
Schedule No. RCW, Recycled Water Metered Service	1049-W and 1775-W	
Schedule No. UF, Surcharge to Fund Public Utilities Commission, Reimbursement Fee	1697-W	
Schedule No. WRAP, Water Rate Assistance Program	1723-W and 1211-W	
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No. 3 - Application for Service	351-W and 903-W	
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No. 5 - Special Information Required on Forms	821-W thru 823-W	
No. 6 - Establishment and Re-establishment of Credit	354-W	
No. 7 - Deposits	355-W and 356-W	
No. 8 - Notices	1054-W and 825-W	
No. 9 - Rendering and Payment of Bills	996-W, 997-W and 1146-W	

(Continued)

(To be inserted by utility)

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