

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

| | |
|--|---|
| Utility Name: San Jose Water Company District: N/A CPUC Utility #: U-168-W Advice Letter #: 513 Tier <input type="checkbox"/> 1 <input checked="" type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> Compliance Authorization D.16-06-004 Description: Step Rate Increase for 2018 Escalation Year | Date Mailed to Service List: 11/15/17 Protest Deadline (20th Day): 12/05/17 Review Deadline (30th Day): 12/15/17 Requested Effective Date: 01/01/2018 Rate Impact: \$16,425,000 4.43% |
|--|---|

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: John Tang
Phone: 408-279-7933
Email: john.tang@sjwater.com

Utility Contact: Ann Lindahl
Phone: 408-279-7979
Email: ann.lindahl@sjwater.com

DWA Contact: Tariff Unit
Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

| |
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| DWA USE ONLY |
|---------------------|

| <u>DATE</u> | <u>STAFF</u> | <u>COMMENTS</u> |
|-------------|--------------|-----------------|
| <hr/> | <hr/> | <hr/> |
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[] APPROVED

[] WITHDRAWN

[] REJECTED

Signature: _____

Comments: _____

Date: _____



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

November 15, 2017

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

Advice Letter No. 513

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>Cancelling Cal. P.U.C. Sheet No.</u> |
|---------------------------------|--|---|
| 1864-W | Schedule No. 1 General Metered Service | 1822-W |
| 1865-W | Schedule No. 1B General Metered Service with Automatic Fire Sprinkler System | 1823-W |
| 1866-W | Schedule No. 1C General Metered Service Mountain District | 1824-W |
| 1867-W | Schedule No. 4 Private Fire Service | 1825-W |
| 1868-W | Schedule RW Raw Water Service | 1826-W |
| 1869-W | Schedule No. RCW Recycled Water Metered Service | 1827-W |
| 1870-W | Table of Contents | 1863-W |

These tariffs are submitted pursuant to General Orders Nos. 96-B and to the authority established by the California Public Utilities Commission (Commission) in Decision No. (D.) 16-06-004, dated June 9, 2016 (Ordering Paragraphs included as Attachment A). This advice letter (AL) is designated a Tier 2 Advice Letter. SJWC requests that the rates become effective January 1, 2018.

With this advice letter SJWC requests authorization to increase revenue requirement by \$16,425,000 or 4.43 percent via a step rate increase for the second escalation year of 2018. This request is made pursuant to Ordering Paragraph No. 8 of D.16-06-004 (Attachment A), which states that:

“8. For escalation years 2017 and 2018, San Jose Water Company shall file Tier 2 Advice Letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules. The filing shall include rate procedures set forth in the Commission’s Rate Case Plan (Decision 07-05-062) for Class A Water Utilities and shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than January 1, 2017 and January 1, 2018, respectively, and shall apply to service rendered on and after their effective dates. The proposed revisions to revenue requirements and rates shall be reviewed by the Commission’s Division of Water and Audits. The Division of Water and Audits shall inform the Commission if it finds that the revised rates do not conform to the Rate Case Plan, this order, or other Commission decisions, and if so, reject the filing.”

Background

The Commission’s D.16-06-04 authorizes SJWC to file advice letters for step rate increases for the two escalation years of 2017 and 2018 in compliance with the Commission’s Rate Case Plan. The Commission’s Rate Case Plan requires that the requested rate increase shall be subject to the pro-forma earnings test. SJWC has attached the pro-forma Summary of Earnings as of September 30, 2017 (Attachment B) which shows that the company is currently earning below the authorized Rate of Return on Ratebase of 8.09%, on a proforma basis, as set forth in D.12-07-009 and subsequently revised via AL 444.

SJWC has computed the Escalation year increases (Attachment C) using the authorized Rate of Return of 8.09%, the escalation methodology set forth in D.04-06-018, and the latest available escalation factors published by Division of Ratepayer Advocates Energy Cost of Service Branch Dated October 31, 2017 and the latest CPI factors from the U.S. Bureau of Labor (Attachment D)

Currently SJWC has Advice Letter No. 512 pending before the Commission

Rate Calculation and Average Bill Comparison

The present rates for SJWC became effective July 1, 2017 by AL 509-A.

The total escalation revenue impact is \$16,425,000 or about 4.43 percent of SJWC’s authorized and adjusted revenue for 2017 (Attachment C). SJWC seeks to recover 30 percent, or \$4,927,500, of the revenue through the service charge component and the remaining 70 percent, or \$11,497,500, through the quantity rate component. As a result of this rate change, the monthly

water bill for the typical residential customer with a ¾-inch meter using 10.75 ccf (one ccf = 748 gallons) of water per month, bill will increase by \$3.69 or 4.48 percent from \$82.41 at present rates, to \$86.10 per month (Attachment E).

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, California 95196
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 per GO 96B, Water Industry Rule 7.3.1 since notice was completed at the time of SJWC's General Rate Case proceeding A.15-01-002. 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 F.

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

Very truly yours,



JOHN TANG
Vice President of Regulatory Affairs
& Government Relations

Enclosure

Index of Workpapers

| | |
|---------------------|--|
| Attachment A | San Jose Water Company General Rate Case Final Decision D.16-06-004 (Ordering Paragraphs) |
| Attachment B | San Jose Water Company Summary of Earnings dated September 30, 2017 |
| Attachment C | Escalation Attrition Calculation and Workpapers |
| Attachment D | Escalation Factors |
| Attachment E | Bill Comparison |
| Attachment F | Service List |

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 513

ATTACHMENT A

Decision 16-06-004 June 9, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of SAN JOSE WATER COMPANY (U 168 W) for an Order authorizing it to increase rates charged for water service by \$34,928,000 or 12.22% in 2016, by \$9,954,000 or 3.11% in 2017, and by \$17,567,000 or 5.36% in 2018.

Application 15-01-002
(Filed January 5, 2015)

**DECISION APPROVING TWO PARTIAL SETTLEMENTS,
RESOLVING DISPUTED ISSUES AND ADOPTING REVENUE
REQUIREMENTS FOR SAN JOSE WATER COMPANY**

(See Attachment A for a list of Appearances)

8. The 2015 payroll expense for non-union employees should be estimated using 2014 payroll expense data and increasing it by the ECOS labor factor of 1.6 percent.

9. The 2016 payroll expense for non-union employees should be estimated using 2.2 percent as an escalation factor.

10. The 2017 and 2018 payroll expense for non-union employees should be escalated using ECOS labor factor for those years.

11. SJWC should be authorized to add six new employees.

12. Overtime expense should be calculated using a three-year average to normalize high overtime years.

13. Regulatory expense should be \$216,000 for Test Year 2016 and \$600,000 for the three-year rate case cycle.

14. Corporate Expenses of \$790,000 should be authorized for Test Year 2016.

15. SJWC's FICA tax estimate should be reduced by 24.17 percent and \$589,000 should be added to utility plant additions to compensate for the loss of overhead.

O R D E R

IT IS ORDERED that:

1. San Jose Water Company is authorized to increase rates by amounts designed to increase revenue by \$25,130,000 or 8.60 percent in Test Year 2016.

2. The joint motion of San Jose Water Company and the Office of Ratepayer Advocates to approve the July 24, 2015, Settlement Agreement is granted.

3. San Jose Water Company is authorized to implement a credit card payment program.

4. San Jose Water Company is authorized to establish a Ground Water Regulation Legal Expense Memorandum Account.

5. The joint motion of San Jose Water Company and the Office of Ratepayer Advocates to approve the August 13, 2015, Supplemental Settlement Agreement is granted.

6. San Jose Water Company shall file a Tier 1 Advice Letter for a surcharge to true-up the difference between interim rates for the period January 1, 2016 to the implementation date of the tariffs included in this order. The surcharge must comply with Standard Practice U-27-W. This calculation will be based on the 2016 tariff schedules attached to this decision that would have been implemented under the present rate design. The difference between the interim and final rates based on the revenue requirement shall be recovered over the balance of the rate case cycle.

7. San Jose Water Company shall file by Tier 1 Advice Letter the revised tariff schedules for 2016 attached to this decision and to concurrently cancel its present schedules for such service. This filing shall be subject to approval by the Commission's Division of Water and Audits. The effective date of the revised schedule shall be no earlier than five days after the effective date of this decision, and shall apply only to service rendered on or after the effective date.

8. For escalation years 2017 and 2018, San Jose Water Company shall file Tier 2 Advice Letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules. The filing shall include rate procedures set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities and shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than January 1, 2017 and January 1, 2018, respectively, and shall apply to service

rendered on and after their effective dates. The proposed revisions to revenue requirements and rates shall be reviewed by the Commission's Division of Water and Audits. The Division of Water and Audits shall inform the Commission if it finds that the revised rates do not conform to the Rate Case Plan, this order, or other Commission decisions, and if so, reject the filing.

9. San Jose Water Company will compute its payroll expenses for union employees for Test Year 2016 and Escalation Years 2017 and 2018 by using 2014 figures and escalating by 3 percent annually.

10. San Jose Water Company will use Energy Cost of Service escalation factors to compute payroll expenses for its non-union employees.

11. San Jose Water Company is authorized \$318,000 for its School Education Program to be booked to a one-way balancing account.

12. San Jose Water Company is authorized to fund six new positions as specified in Section 4.3.2 of this decision.

13. San Jose Water Company is authorized an aggregate regulatory expense budget of \$600,000, with \$216,000 authorized for Test Year 2016.

14. San Jose Water Company is authorized a Test Year 2016 corporate expense budget of \$790,000.

15. San Jose Water Company must reduce its Federal Insurance Contributions Act taxes estimate by 24.17 percent. San Jose Water Company is authorized to add \$589,000 to its utility plant additions to compensate for the loss of overhead.

16. Application 15-01-002 is closed.

This order is effective today.

Dated June 9, 2016, at San Francisco, California.

MICHAEL PICKER

President

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

CARLA J. PETERMAN

LIANE M. RANDOLPH

Commissioners

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 513

ATTACHMENT B

SAN JOSE WATER COMPANY

(U-168-W)

SUMMARY OF EARNINGS AND RATE OF RETURN FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

(\$ Amounts in Thousands)

| | Authorized Per <u>AL 509A</u> | <u>Recorded</u> | <u>Adjustment</u> | <u>Pro-forma</u> |
|---|-------------------------------------|------------------|-------------------|------------------|
| Operating Revenue: | | | | |
| Operating Revenues | \$370,657 | \$341,870 | | \$358,908 |
| Other Water Revenues | \$0 | \$3,716 | | \$3,716 |
| Deferred Revenue on CIAC | <u>\$487</u> | <u>\$333</u> | | <u>\$487</u> |
| Total Metered Revenue | \$371,144 | \$345,919 | A | \$363,111 |
| Operating Expense: | | | | |
| Purchased Water - Potable | \$90,208 | \$81,326 | F | \$89,267 |
| Purchased Water - Recycled | \$1,827 | \$1,901 | F | \$2,023 |
| Pump Taxes | \$55,819 | \$40,198 | G | \$55,238 |
| Purchased Power | \$8,942 | \$5,820 | H | \$9,951 |
| Operations & Maintenance | \$37,103 | \$39,996 | D | \$37,103 |
| Chemical | \$544 | \$313 | I | \$539 |
| Administrative & General | \$27,176 | \$34,209 | D | \$27,176 |
| Depreciation & Amortization | <u>\$46,862</u> | <u>\$43,661</u> | D | <u>\$44,047</u> |
| Subtotal | \$268,481 | \$247,423 | | \$265,343 |
| Uncollectible | \$470 | \$400 | B | \$549 |
| Taxes Other Than Income | \$11,719 | \$11,630 | C | \$12,287 |
| Revenue Adjustment Balancing and Memo Acct | <u>\$0</u> | <u>(\$3,337)</u> | E | <u>\$0</u> |
| Total Operating Expense Before Income Taxes | \$280,669 | \$256,115 | | \$278,179 |
| Operating Revenue Before Income Taxes | \$90,475 | \$89,804 | | \$84,932 |
| State Income Tax | \$5,047 | \$3,968 | J | \$4,226 |
| Federal Income Tax | <u>\$24,412</u> | <u>\$22,625</u> | J | <u>\$25,022</u> |
| Total Operating Expense | \$310,127 | \$282,708 | | \$307,427 |
| Net Operating Revenue | \$61,017 | \$63,211 | | \$55,684 |
| Weighted Average Rate Base | 753,877 | 750,689 | | 750,689 |
| Earned Rate of Return | <u>8.09%</u> | <u>8.42%</u> | | <u>7.42%</u> |
| Authorized Rate of Return | <u>8.09%</u> | | K | <u>8.33%</u> |

SAN JOSE WATER COMPANY

(U-168-W)

**WEIGHTED AVERAGE RATE BASE
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

(\$ Amounts in Thousands)

Weighted Averages [2]:

| | |
|--------------------------|--------------|
| Utility Plant | \$1,565,746 |
| Reserve for Depreciation | \$493,757 |
| Reserve for Amortization | <u>\$500</u> |
| Net Utility Plant | 1,071,489 |

Adjustments:

| | |
|--------------------------------------|-------------------------|
| Contributions in Aid of Construction | \$117,997 |
| Total Tax Deferrals | \$155,104 |
| Advances for Construction | <u>\$74,893</u> |
| Total Adjustments | 347,994 |
| Adjusted Net Utility Plant | 723,495 |
| Taxes on Contributions & Advances | \$8,132 |
| Total Working Capital | <u>\$19,062</u> |
| Weighted Average Rate Base | <u><u>\$750,689</u></u> |

- [2] The weighted average is the sum of the first and last months balance divided by two, plus the sum of the intervening eleven months, divided by twelve.

SAN JOSE WATER COMPANY
(U-168-W)

ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017
(S Amounts in Thousands)

A. OPERATING REVENUES

| | | |
|---|--------------------|------------|
| Total Revenues Adjusted for Climatic Conditions and Current Water Rates | (from Sum of Earn) | \$363,111 |
| Total Revenues as Recorded | (from Sum of Earn) | \$345,919 |
| Revenue Increase (Decrease) | | (\$17,192) |

B. UNCOLLECTIBLES

| | | |
|--|--------------------|-----------|
| Pro-forma Revenue (Total Revenues Less Deferred Revenue) | (from Sum of Earn) | \$362,624 |
| Percentage of Revenue Adopted in D.16-06-004 | | 0.1515% |
| Uncollectible | (to Sum of Earn) | \$549 |

C. TAXES OTHER THAN INCOME TAXES

| | | |
|--|--------------------|-----------|
| Franchise Tax: | | |
| Pro-forma Revenue (Total Revenues Less Deferred Revenue) | (from Sum of Earn) | \$362,624 |
| Percentage of Revenue Adopted in D.16-06-004 | | 0.2395% |
| Pro-Forma Franchise Tax (1) | (to Sum of Earn) | \$868 |

Ad Valorem Taxes:

| | | | | |
|--|-------------|--------|-----------|----------|
| Adopted Property Tax Rate | 0.01190 | | | |
| Pro-Forma Calculation (2) = Net Utility Plant x ratio to Prop Value x Pr | \$1,071,489 | 0.7357 | \$788,294 | \$9,381 |
| Pro-Forma Payroll Taxes = Adopted (3) | | | | \$2,006 |
| Pro-Forma Business License = Adopted (4) | | | | \$32 |
| Total Pro-Forma Taxes Other Than Income Taxes (1+2+3+4) | | | | \$12,287 |

D. ADOPTED EXPENSES PRO-FORMA

| | | Adopted | Recorded | Adjustment |
|-------------------------------------|--------------------|-----------------|----------|------------|
| Operations & Maintenance | (from Sum of Earn) | \$37,103 | \$39,996 | (\$2,893) |
| Administrative & General | (from Sum of Earn) | \$27,176 | \$34,209 | (\$7,033) |
| Taxes Other than Income | (from Sum of Earn) | \$11,719 | \$11,630 | \$89 |
| Depreciation: | | | | |
| Recorded Depreciable Plant 12/31/16 | | \$1,445,676 | | |
| Adopted Composite Depreciation Rate | | 3.42% | | |
| Depreciation | | <u>\$49,442</u> | | |
| Less: | | | | |
| Transportation & GIS Depreciation | | \$992 | | |
| Contributions | | <u>\$4,404</u> | | |
| Depreciation Expense | | <u>\$44,047</u> | \$46,862 | \$44,047 |
| | | | | \$2,816 |

E. BALANCING & MEMO ACCT REVENUE ADJUSTMENT

| | | |
|---|--------------------|-----------|
| San Jose Water Company recognizes the balances in the company's Memorandum Style Balancing Accounts and Memorandum Accounts in accordance with GAAP | (from Sum of Earn) | (\$3,337) |
|---|--------------------|-----------|

F. PURCHASED POTABLE WATER

| | | |
|---|--------------------|-------------------|
| Purchased Water in MG, Normalized | (from p. 6) | 22,813 |
| Purchased Water Cost per D.16-06-004 & AL490 & 509A 7/01/17 (\$/MG) | | <u>\$3,912.98</u> |
| Purchased Water at Current Rates, Normalized | | \$89,267 |
| Purchased Water, Recorded | (from Sum of Earn) | <u>\$81,326</u> |
| Purchased Water Adjustment | | \$7,941 |

PURCHASED RECYCLED WATER

| | | |
|---|--------------------|-------------------|
| Purchased Recyled Water in MG , Normalized | (from p. 6) | 616 |
| Purchased Water Cost per SBWR 7/01/2017 (\$/MG) * | | <u>\$3,283.83</u> |
| Purchased Water at Current Rates, Normalized | | \$2,023 |
| Purchased Water, Recorded | (from Sum of Earn) | <u>\$1,901</u> |
| Purchased Water Adjustment | | \$122 |
| * Unit cost based on Irrigation rate and Industrial /Agri rate (\$1,070/AF) | | |

G. PUMP TAX

| | | |
|--|--------------------|-------------------|
| Well Supply in MG, Normalized | (from p. 6) | 15,318 |
| Pump Tax per MG per D.16-06-004 & AL490 & 509A (\$/MG) | | <u>\$3,606.08</u> |
| Pump Tax at Current Rates, Normalized | | \$55,238 |
| Pump Tax, Recorded | (from Sum of Earn) | <u>\$40,198</u> |
| Pump Tax Adjustment | | \$15,041 |

SAN JOSE WATER COMPANY
(U-168-W)

ADJUSTMENTS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017
(S Amounts in Thousands)

H. PURCHASED POWER

| | | |
|-----------------------------|--------------------|----------------|
| Purchased Power, Normalized | (from p. 5) | \$9,951 |
| Purchased Power, Recorded | (from Sum of Earn) | \$5,820 |
| Purchased Power Adjustment | | <u>\$4,131</u> |

I. PURCHASED CHEMICALS

| | | |
|---|--------------------|--------------|
| Adopted Production (Kccf) (D.16-06-004) | (from p. 6) | 53,477 |
| Authorized Chemical Costs (D.16-06-004) | (from Sum of Earn) | \$544 |
| Unit cost per Kccf | | \$0.010164 |
| Normalized Production (Kccf) | (from p. 6) | 53,036 |
| Normalized Chemical Costs | (to Sum of Earn) | <u>\$539</u> |

J. INCOME TAX**Revenue:**

| | <u>Authorized</u> | <u>Pro-Forma</u> |
|-------------------|-------------------|------------------|
| Operating Revenue | \$370,656.7 | \$362,624.0 |
| Deferred Revenue | \$487.0 | \$487.0 |

Deductions:

| | | |
|----------------------------------|--------------------|--------------------|
| Operating & Maintenance Expenses | | |
| Excluding Depreciation & Taxes | \$233,807.3 | \$234,132.9 |
| Transportation Depreciation | (\$991.6) | (\$874.0) |
| Interest Expense | \$21,381.0 | \$18,391.0 |
| Less 50% Meals Disallowed | \$92.0 | \$89.3 |
| Total Deductions | <u>\$254,288.7</u> | <u>\$251,739.2</u> |

State Corporate Franchise Tax:

| | | |
|--|------------|------------|
| Tax Depreciation & Deduct on Repairs & Maintenance | \$63,040.2 | \$63,040.2 |
| Deferred Revenue (Net of Tax) | \$43.0 | \$43.0 |
| State Taxable Income Incl Def Revenue | \$53,284.8 | \$47,801.5 |
| Tax @ 8.84% | \$4,678.4 | \$4,225.7 |

Federal Income Tax:

| | | |
|---------------------------|------------|------------|
| Tax Depreciation | \$33,837.2 | \$33,837.2 |
| State Franchise Tax | \$4,678.4 | \$4,225.7 |
| IRS Sec 199 QPA Deduction | \$1,338.0 | \$1,338.0 |
| Taxable Income Excluding | | |
| Deferred Revenue | \$76,514.4 | \$71,483.9 |

| | | |
|---------------------------------------|------------|------------|
| Tax @ 35.00% | \$26,604.0 | \$25,019.4 |
| Amortization of Unrecoverable Prepaid | | |
| Tax on CIAC & Advances | \$3.0 | \$3.0 |

Federal Tax

| | | |
|--|-------------------|-------------------|
| | <u>\$26,607.0</u> | <u>\$25,022.4</u> |
|--|-------------------|-------------------|

K. Calculation of Adjusted Rate of Return

R

$$RR = \frac{R}{B1 + M/12 (B2 - B1)}$$

RR = Adjusted Authorized Rate of Return

B1 = Adopted Rate Base December 31, 2016

R = Adopted Net Revenue December 31, 2017

M = Last Month of Pro-forma 12-month Period

B2 = Adopted Rate Base December 31, 2017

\$668,034

\$61,016

9

\$753,877

Adjusted Authorized Rate of Return

(to Sum of Earn) 8.33%

Authorized Rate of Return

(AL 444) 8.09%

Rate of Return Adjustment

0.24%

SAN JOSE WATER COMPANY
(U-168-W)

CALCULATION OF COMMODITY REVENUE AT CURRENT RATES
AND SUMMARY OF SERVICE CHARGE AND COMMODITY REVENUES

FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

(Dollars)

| | | Sales (ccf) | Rate per D.16-06-004 AL 489,490,506 & : (\$/ccf) | Normalized Commodity Revenue (\$) |
|------------------------------------|--------------------|-------------------|--|--|
| | | | \$0.1464 | |
| | | | \$0.0983 | |
| | | | \$0.2530 | |
| | | | \$0.1699 | |
| Residential | (Normalized, p. 6) | <u>29,203,000</u> | \$4.7642 | <u>\$151,478,881</u> |
| Business | (Normalized, p. 6) | 17,670,000 | \$5.4318 | \$95,979,906 |
| Industrial | (Recorded, p. 9) | 215,334 | \$5.4318 | \$1,169,651 |
| Public Authority | (Recorded, p. 9) | 2,255,773 | \$5.4318 | \$12,252,908 |
| Resale | (Recorded, p. 9) | 179,619 | \$5.4318 | \$975,654 |
| Other | (Recorded, p. 9) | <u>61,630</u> | \$5.4318 | <u>\$334,762</u> |
| Subtotal Non-Res Potable | | 20,382,356 | | 110,712,881 |
| Raw | (Recorded, p. 9) | 72,677 | \$5.2022 | \$378,080 |
| Recycled piped *,*** | (Recorded, p. 9) | 502,281 | \$4.9412 | \$2,481,871 |
| Recycled well **,*** | (Recorded, p. 9) | <u>320,980</u> | \$2.4564 | <u>\$788,455</u> |
| Total non- Potable Metered | | 895,938 | | 3,648,406 |
| Total, Normalized at Current Rates | | <u>50,481,294</u> | | <u>265,840,168</u> |

*. ** Rates for Irrigation, Industrial and Agriculture are now the same as of 7/01/2015

*** Rates increase from SBWR effective 7/01/2016

| | Commodity Revenue | Service Charge Revenue (from p. 4) | Total Normalized Metered Rev |
|--------------------------------|-----------------------|--|------------------------------------|
| Residential Metered | \$ 151,478,881 | \$ 68,073,848 | \$ 219,552,729 |
| Business | 95,979,906 | 20,301,081 | 116,280,987 |
| Industrial | 1,169,651 | 177,755 | 1,347,406 |
| Public Authority | 12,252,908 | 3,137,642 | 15,390,550 |
| Resale | 975,654 | 60,236 | 1,035,890 |
| Other | 334,762 | 601,321 | 936,083 |
| Raw | 378,080 | 6,409 | 384,489 |
| Recycled Piped | 2,481,871 | 523,512 | 3,005,383 |
| Recycled Well | <u>788,455</u> | <u>7,020</u> | <u>795,475</u> |
| Total Metered | <u>\$ 265,840,168</u> | <u>\$ 92,888,824</u> | <u>\$ 358,728,992</u> |
| Private Fire & Misc (Recorded) | \$ 0 | \$ 3,716,200 | \$ 3,716,200 |
| Res Fire Upsize Charge | \$ 0 | \$ 178,739 | \$ 178,739 |
| Total Revenue | <u>\$ 265,840,168</u> | <u>\$ 96,605,024</u> | <u>\$ 362,623,931</u> |

(to Sum of Earn)

SAN JOSE WATER COMPANY
(U-168-W)

CALCULATION OF NORMALIZED SERVICE CHARGE REVENUE AT CURRENT RATES
(Dollars)

| | Meter Size in Inches | | | | | | | | | | Total Revenue |
|--|----------------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|------------|------------|---------------|
| | 5/8 x 3/4 | 3/4 | 1 | 1 1/2 | 2 | 3 | 4 | 6 | 8 | 10 | |
| Current Monthly Service Charge: | | | | | | | | | | | |
| Potable & Recycled Pipe | \$25.45 | \$25.45 | \$42.37 | \$84.78 | \$135.68 | \$254.37 | \$423.96 | \$847.91 | \$1,356.67 | \$1,950.24 | |
| Recycled Well | \$0.00 | \$0.00 | \$0.00 | \$0.00 | \$31.62 | \$42.16 | \$47.43 | \$79.05 | \$94.86 | \$147.55 | |
| Residential Services: | | | | | | | | | | | |
| Average Services (from p. 7) | 826 | 166,719 | 29,684 | 1,107 | 275 | 28 | 11 | 8 | 1 | 0 | |
| Annual Revenue | \$252,260 | \$50,915,983 | \$15,092,533 | \$1,126,218 | \$447,744 | \$85,468 | \$55,963 | \$81,399 | \$16,280 | \$0 | \$68,073,848 |
| Business Services: | | | | | | | | | | | |
| Average Services (from p. 7) | 48 | 5,661 | 6,786 | 2,620 | 4,182 | 794 | 279 | 123 | 23 | 7 | |
| Annual Revenue | \$14,659 | \$1,728,869 | \$3,450,274 | \$2,665,483 | \$6,808,965 | \$2,423,637 | \$1,419,418 | \$1,251,515 | \$374,441 | \$163,820 | \$20,301,081 |
| Industrial Services: | | | | | | | | | | | |
| Average Services (from p. 7) | 0 | 1 | 4 | 6 | 9 | 19 | 9 | 5 | 0 | 0 | |
| Annual Revenue | \$0 | \$305 | \$2,034 | \$6,104 | \$14,653 | \$57,996 | \$45,788 | \$50,875 | \$0 | \$0 | \$177,755 |
| Public Authority Services: | | | | | | | | | | | |
| Average Services (from p. 8) | 1 | 67 | 147 | 176 | 388 | 387 | 110 | 37 | 7 | 0 | |
| Annual Revenue | \$305 | \$20,462 | \$74,741 | \$179,055 | \$631,726 | \$1,181,294 | \$559,627 | \$376,472 | \$113,960 | \$0 | \$3,137,642 |
| Resale Services: | | | | | | | | | | | |
| Average Services (from p. 8) | 0 | 3 | 3 | 3 | 13 | 11 | 0 | 0 | 0 | 0 | |
| Annual Revenue | \$0 | \$916 | \$1,525 | \$3,052 | \$21,166 | \$33,577 | \$0 | \$0 | \$0 | \$0 | \$60,236 |
| Other Services: | | | | | | | | | | | |
| Average Services (from p. 8) | 0 | 0 | 30 | 0 | 0 | 192 | 0 | 0 | 0 | 0 | |
| Annual Revenue | \$0 | \$0 | \$15,253 | \$0 | \$0 | \$586,068 | \$0 | \$0 | \$0 | \$0 | \$601,321 |
| Raw Services: | | | | | | | | | | | |
| Average Services (from p. 8) | 0 | 0 | 1 | 1 | 3 | 0 | 0 | 0 | 0 | 0 | |
| Annual Revenue | \$0 | \$0 | \$508 | \$1,017 | \$4,884 | \$0 | \$0 | \$0 | \$0 | \$0 | \$6,409 |
| Recycled Piped Services: | | | | | | | | | | | |
| Average Services (from p. 8) | 0 | 0 | 9 | 14 | 100 | 65 | 25 | 0 | 1 | 0 | |
| Annual Revenue | \$0 | \$0 | \$4,576 | \$14,243 | \$162,816 | \$198,409 | \$127,188 | \$0 | \$16,280 | \$0 | \$523,512 |
| Recycled Well User Services: | | | | | | | | | | | |
| Average Services (from p. 8) | 0 | 0 | 0 | 0 | 1 | 1 | 2 | 1 | 2 | 1 | |
| Annual Revenue | \$0 | \$0 | \$0 | \$0 | \$379 | \$506 | \$1,138 | \$949 | \$2,277 | \$1,771 | \$7,020 |
| Annual Total | \$267,224 | \$52,666,535 | \$18,641,444 | \$3,995,172 | \$8,092,333 | \$4,566,955 | \$2,209,122 | \$1,761,210 | \$523,238 | \$165,591 | \$92,888,824 |

Total Residential & Business Service Charge Revenue

\$88,374,929

Total Other Service Charge Revenue

\$4,513,895

| | Meter Size in Inches | | | | | Revenue |
|--|----------------------|-----------|---------|----------|--------|--------------|
| | 1/4 | 1/2 | 3/4 | 1 | 1 1/2 | |
| Current Monthly Service Charge: | | | | | | |
| Upsize Charge Schedule 1 B | \$1.51 | \$3.01 | \$4.52 | \$6.03 | \$9.05 | |
| Average Services (from p. 7) | 65 | 3,166 | 68 | 821 | 1 | |
| Annual Revenue | \$1,178 | \$114,356 | \$3,688 | \$59,408 | \$109 | \$178,739 |
| Total Normalized Service Charge Revenue | | | | | | \$93,067,563 |

(to p. 3)

**SAN JOSE WATER COMPANY
(U-168-W)**

**CALCULATION OF POWER COST
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017
AT CURRENT RATES**

(Dollars)

| | | | |
|--------------------------|----------------|-----------------|------------------------------|
| Purchased Power Cost [1] | | | \$8,941,750 |
| Power Usage [1] | | | 53,450,202 kWh |
| Unit Power Cost [1][2] | (C) | \$0.187731 | \$/kWh |
| Normalized Production | (from p. 6) | (A) | 53,036 Kccf |
| Power Ratio [1] | (B) | <u>0.999499</u> | kWh/ccf |
| Normalized Power Usage | (A x B x 1000) | (D) | <u><u>53,009,235</u></u> kWh |
| Normalized Power Cost | (C x D) | | <u><u>\$9,951,477</u></u> |
| | | | (to p. 2) |

[1] D.16-06-004

[2] PG&E Rate Increases Jan 16 .009874/kWh

PG&E Rate Increases Mar 16 .006466/kWh

PG&E Rate Decrease Aug 16 -.000128/kWh

PG&E Rate Increase Oct 16 .000494/kWh

PG&E Rate Increase Jan 17 -.000440/kWh

PG&E Rate Increase Mar 17 .004675/kWh

**SAN JOSE WATER COMPANY
(U-168-W)**

**CALCULATION OF ADJUSTMENT FOR WEATHER
AND NORMAL WATER SUPPLIES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

D.16-06-004

| | <u>Adopted</u> | <u>Recorded</u> | <u>Normal</u> |
|---|----------------|-----------------|-------------------|
| Average 12 Month No. of Customers: | | | |
| Residential (from p.7) | | 198,659 | (A) |
| Business | | 20,523 | |
| Average Annual Sales Per Customer (ccf): | | | |
| Residential | 147 | | (B) |
| Business | 861 | | |
| Metered Sales (Kccf): | | | |
| Residential (A x B)/1,000 | | | 29,203 |
| Business (A x B)/1,000 | | | 17,670 |
| Industrial (from p.9) | | 215 | 215 |
| Public Authority (from p.9) | | 2,256 | 2,256 |
| Resale (from p.9) | | 180 | 180 |
| Other (from p.9) | | 62 | 62 |
| Raw (from p.9) | | 73 | 73 |
| Total Metered Sales Potable | | | <u>49,659 (C)</u> |
| Adopted Water Loss | 6.8% | | 6.8% |
| Normalized Water Production | | | <u>53,036</u> |
| Metered Sales (Kccf): | | | |
| Recycled | | 823 | 823 |
| Adopted Water Loss | | | |
| Normalized Recycled Water Production | | | <u>823</u> |

Water Production (Kccf):

| | Adopted (MG) | Conversion Factor | Adopted (Kccf) | Allocation (%) | Norm Kccf | Conversion Factor | Norm (MG) |
|--------------------------------|-----------------|----------------------|---------------------|-------------------|---------------|----------------------|---------------------|
| Purchased Water | 23,000 | 1.3368 | 30,747 | 57.50% | 30,496 | 1.3368 | 22,813 |
| Surface Supply | 1,559 | 1.3368 | 2,085 | 3.90% | 2,068 | 1.3368 | 1,547 |
| Well Supply | 15,444 | 1.3368 | <u>20,645</u> | <u>38.61%</u> | <u>20,477</u> | 1.3368 | <u>15,318</u> |
| Total Potable Water Production | | | 53,477 (to p. 2) | 100.01% | 53,041 | | 39,678 (to p. 1) |
| Recycled Water | 651 | 1.3368 | 870 | 100.00% | 823 | 1.3368 | 616 |

**SAN JOSE WATER COMPANY
(U-168-W)**

**AVERAGE RECORDED NUMBER OF SERVICES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

| | | Oct 16 | Nov 16 | Dec 16 | Jan 17 | Feb 17 | Mar 17 | Apr 17 | May 17 | June 17 | July 17 | Aug 17 | Sept 17 | Total | Average |
|--|-------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|-----------|---------|
| Residential/ Residential FS | 5/8 | 824 | 826 | 824 | 824 | 824 | 826 | 826 | 826 | 840 | 824 | 824 | 824 | 9,912 | 826 |
| | 3/4 | 166,639 | 166,709 | 166,684 | 166,656 | 166,674 | 166,684 | 166,729 | 166,779 | 167,030 | 166,634 | 166,660 | 166,749 | 2,000,627 | 166,719 |
| | 1 | 29,599 | 29,636 | 29,639 | 29,629 | 29,629 | 29,672 | 29,687 | 29,787 | 29,949 | 29,593 | 29,593 | 29,793 | 356,206 | 29,684 |
| | 1 1/2 | 1,100 | 1,114 | 1,100 | 1,100 | 1,100 | 1,112 | 1,112 | 1,112 | 1,116 | 1,100 | 1,100 | 1,112 | 13,278 | 1,107 |
| | 2 | 272 | 272 | 272 | 272 | 272 | 280 | 280 | 280 | 280 | 272 | 272 | 280 | 3,304 | 275 |
| | 3 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 336 | 28 |
| | 4 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 132 | 11 |
| | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 96 | 8 |
| | 8 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 198,482 | 198,605 | 198,567 | 198,529 | 198,547 | 198,622 | 198,682 | 198,832 | 199,263 | 198,471 | 198,497 | 198,806 | 2,383,903 | 198,659 |
| Business | 5/8 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 48 | 576 | 48 |
| | 3/4 | 5,656 | 5,646 | 5,633 | 5,621 | 5,628 | 5,626 | 5,646 | 5,666 | 5,674 | 5,699 | 5,714 | 5,723 | 67,932 | 5,661 |
| | 1 | 6,782 | 6,782 | 6,762 | 6,751 | 6,751 | 6,762 | 6,782 | 6,802 | 6,811 | 6,812 | 6,811 | 6,826 | 81,434 | 6,786 |
| | 1 1/2 | 2,619 | 2,619 | 2,626 | 2,623 | 2,623 | 2,619 | 2,619 | 2,619 | 2,619 | 2,619 | 2,619 | 2,619 | 31,443 | 2,620 |
| | 2 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 4,182 | 50,184 | 4,182 |
| | 3 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 794 | 9,528 | 794 |
| | 4 | 279 | 279 | 279 | 278 | 278 | 279 | 279 | 279 | 279 | 279 | 279 | 279 | 3,346 | 279 |
| | 6 | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 123 | 1,476 | 123 |
| | 8 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 276 | 23 |
| | 10 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 84 | 7 |
| Total | | 20,513 | 20,503 | 20,477 | 20,450 | 20,457 | 20,463 | 20,503 | 20,543 | 20,560 | 20,586 | 20,600 | 20,624 | 246,279 | 20,523 |
| Residential & Business | | 218,995 | 219,108 | 219,044 | 218,979 | 219,004 | 219,085 | 219,185 | 219,375 | 219,823 | 219,057 | 219,097 | 219,430 | 2,630,182 | 219,182 |
| Industrial | 5/8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3/4 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| | 1 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 48 | 4 |
| | 1 1/2 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 72 | 6 |
| | 2 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 108 | 9 |
| | 3 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 19 | 228 | 19 |
| | 4 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 108 | 9 |
| | 6 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 60 | 5 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 53 | 636 | 53 |
| Residential FS Upsize only | 1/4 | 63 | 64 | 63 | 65 | 65 | 65 | 64 | 65 | 65 | 65 | 65 | 65 | 774 | 65 |
| | 1/2 | 3,030 | 3,057 | 3,093 | 3,121 | 3,135 | 3,150 | 3,163 | 3,199 | 3,225 | 3,250 | 3,270 | 3,299 | 37,992 | 3,166 |
| | 3/4 | 64 | 64 | 65 | 67 | 67 | 67 | 67 | 70 | 72 | 72 | 72 | 72 | 819 | 68 |
| | 1 | 810 | 810 | 806 | 808 | 810 | 811 | 812 | 822 | 830 | 830 | 854 | 854 | 9,857 | 821 |
| | 1 1/2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| Total | | 3,968 | 3,996 | 4,028 | 4,062 | 4,078 | 4,094 | 4,107 | 4,157 | 4,193 | 4,218 | 4,262 | 4,291 | 49,454 | 4,174 |

**AVERAGE RECORDED NUMBER OF SERVICES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017**

| | | Oct 16 | Nov 16 | Dec 16 | Jan 17 | Feb 17 | Mar 17 | Apr 17 | May 17 | June 17 | July 17 | Aug 17 | Sept 17 | Total | Average |
|------------------------|-------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------|---------|--------|---------|
| Public Authority | 5/8 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| | 3/4 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 67 | 804 | 67 |
| | 1 | 148 | 148 | 148 | 148 | 147 | 147 | 148 | 147 | 147 | 146 | 146 | 146 | 1,766 | 147 |
| | 1 1/2 | 176 | 176 | 176 | 176 | 176 | 177 | 176 | 176 | 176 | 176 | 175 | 175 | 2,111 | 176 |
| | 2 | 388 | 388 | 388 | 388 | 388 | 388 | 388 | 388 | 388 | 388 | 388 | 387 | 4,655 | 388 |
| | 3 | 388 | 388 | 388 | 388 | 386 | 386 | 388 | 387 | 387 | 387 | 387 | 387 | 4,647 | 387 |
| | 4 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 1,320 | 110 |
| | 6 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 37 | 444 | 37 |
| | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 84 | 7 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 1,322 | 1,322 | 1,322 | 1,322 | 1,319 | 1,320 | 1,322 | 1,320 | 1,320 | 1,319 | 1,318 | 1,317 | 15,843 | 1,320 |
| Resale | 5/8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3/4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 36 | 3 |
| | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 36 | 3 |
| | 1 1/2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 36 | 3 |
| | 2 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 13 | 156 | 13 |
| | 3 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 132 | 11 |
| | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 33 | 396 | 33 |
| Other | 5/8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3/4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1 | 35 | 33 | 32 | 29 | 29 | 33 | 27 | 33 | 29 | 29 | 28 | 28 | 365 | 30 |
| | 1 1/2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3 | 191 | 185 | 175 | 170 | 171 | 185 | 185 | 189 | 206 | 202 | 212 | 233 | 2,304 | 192 |
| | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 226 | 218 | 207 | 199 | 200 | 218 | 212 | 222 | 235 | 231 | 240 | 261 | 2,669 | 222 |
| Raw | 5/8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3/4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| | 1 1/2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 36 | 3 |
| | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 60 | 5 |
| Recycled Piped | 5/8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3/4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1 | 9 | 9 | 8 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 11 | 11 | 111 | 9 |
| | 1 1/2 | 13 | 13 | 13 | 13 | 13 | 13 | 15 | 15 | 15 | 15 | 14 | 15 | 167 | 14 |
| | 2 | 98 | 97 | 97 | 97 | 97 | 97 | 101 | 101 | 100 | 97 | 110 | 110 | 1,202 | 100 |
| | 3 | 69 | 68 | 67 | 64 | 62 | 62 | 68 | 70 | 68 | 68 | 55 | 56 | 777 | 65 |
| | 4 | 25 | 25 | 25 | 25 | 23 | 25 | 25 | 25 | 25 | 25 | 23 | 23 | 294 | 25 |
| | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 8 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 2 | 2 | 14 | 1 |
| | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | | 215 | 213 | 211 | 209 | 205 | 207 | 219 | 221 | 218 | 215 | 215 | 217 | 2,565 | 214 |
| Recycled Well users | 5/8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 3/4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1 1/2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 2 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| | 3 | 0 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 11 | 1 |
| | 4 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 24 | 2 |
| | 6 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| | 8 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 24 | 2 |
| | 10 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 12 | 1 |
| Total | | 7 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 95 | 8 |
| Private Fire | 2 | 42 | 42 | 43 | 43 | 43 | 43 | 43 | 43 | 44 | 43 | 43 | 43 | 515 | 43 |
| | 3 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 60 | 5 |
| | 4 | 1105 | 1105 | 1105 | 1108 | 1108 | 1108 | 1108 | 1107 | 1107 | 1109 | 1117 | 1141 | 13,328 | 1,111 |
| | 6 | 1499 | 1502 | 1503 | 1502 | 1509 | 1512 | 1513 | 1530 | 1533 | 1533 | 1541 | 1548 | 18,225 | 1,519 |
| | 8 | 956 | 954 | 955 | 956 | 956 | 958 | 959 | 958 | 960 | 965 | 965 | 966 | 11,508 | 959 |
| | 10 | 140 | 140 | 140 | 138 | 138 | 138 | 138 | 139 | 138 | 139 | 140 | 140 | 1,668 | 139 |
| | 12 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 16 | 15 | 15 | 16 | 17 | 184 | 15 |
| Total | | 3762 | 3763 | 3766 | 3767 | 3774 | 3779 | 3781 | 3798 | 3802 | 3809 | 3827 | 3860 | 45,488 | 3,791 |

SAN JOSE WATER COMPANY

(U-168-W)

RECORDED USAGE BY RATE BLOCK AND REVENUE CLASS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2017

(ccf)

| | Oct 16 | Nov 16 | Dec 16 | Jan 17 | Feb 17 | Mar 17 | Apr 17 | May 17 | June 17 | July 17 | Aug 17 | Sept 17 | Total |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| Residential | 2,202,034 | 2,195,999 | 1,739,169 | 1,616,620 | 1,369,424 | 1,320,148 | 1,349,292 | 1,567,261 | 1,906,423 | 2,607,331 | 2,550,173 | 2,882,257 | 23,306,131 |
| Business | 1,571,051 | 1,301,438 | 1,309,260 | 1,115,843 | 1,052,728 | 943,446 | 1,083,554 | 1,100,754 | 1,391,445 | 1,550,732 | 1,678,021 | 1,642,826 | 15,741,098 |
| Subtotal | 3,773,085 | 3,497,437 | 3,048,429 | 2,732,463 | 2,422,152 | 2,263,594 | 2,432,846 | 2,668,015 | 3,297,868 | 4,158,063 | 4,228,194 | 4,525,083 | 39,047,229 |
| Industrial | 20,639 | 16,082 | 19,400 | 16,564 | 15,950 | 13,692 | 18,155 | 16,119 | 19,244 | 18,536 | 22,156 | 18,797 | 215,334 |
| Public Authority | 272,822 | 125,230 | 94,618 | 67,146 | 71,142 | 70,215 | 76,601 | 178,920 | 310,117 | 327,972 | 341,131 | 319,859 | 2,255,773 |
| Resale | 20,787 | 11,396 | 11,077 | 10,754 | 10,337 | 9,619 | 10,447 | 13,461 | 17,819 | 21,431 | 24,449 | 18,042 | 179,619 |
| Other | 10,075 | 4,198 | 2,148 | 13,246 | -438 | 2,129 | 1,922 | 3,839 | 8,069 | 4,954 | 5,451 | 6,037 | 61,630 |
| Raw | 2,964 | 2,717 | 3,031 | 779 | 598 | 514 | 764 | 2,856 | 16,791 | 19,244 | 19,649 | 2,770 | 72,677 |
| Recycled piped | 64,546 | 26,867 | 20,535 | 12,709 | 11,140 | 9,791 | 19,325 | 39,128 | 68,551 | 77,049 | 77,644 | 74,996 | 502,281 |
| Recycled well | 24,046 | 69,519 | 11,187 | 11,284 | 9,103 | 9,083 | 14,183 | 37,588 | 54,078 | 36,839 | 3,425 | 40,645 | 320,980 |
| Total Potable Sales | 4,097,408 | 3,654,343 | 3,175,672 | 2,840,173 | 2,519,143 | 2,359,249 | 2,539,971 | 2,880,354 | 3,653,117 | 4,530,956 | 4,621,381 | 4,887,818 | 41,759,585 |
| Total Sales | 4,188,964 | 3,753,446 | 3,210,425 | 2,864,945 | 2,539,984 | 2,378,637 | 2,574,243 | 2,959,926 | 3,792,537 | 4,664,088 | 4,722,099 | 5,006,229 | 42,655,523 |

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 513

ATTACHMENT C

**ADVICE LETTER 513
ATTACHMENT C -
RATEBASE ESCALATION CALCULATION**

| | | |
|---|------------------|------------------|
| Total Authorized Ratebase at year end 2017 | A | \$753,877 |
| Total Authorized Ratebase for 2017 per D.16-06-004 | B | \$715,677 |
| Total Authorized Ratebase for 2016 per D.16-06-004 | C | \$658,981 |
| Attrition Adjustment to Ratebase for 2018 | D = B - C | \$56,696 |
| Ratebase for 2018 | E = A + D | \$810,573 |

ADVICE LETTER 513
ATTACHMENT C - SUMMARY OF EARNINGS
2018 ESCALATION RATE
INCREASE

Revenue
Increase:
13,025.0
13025

Revenue
Increase:
16,425.0
16425

| | Escalation Year #1, 2017 | | | | | | 13025 | 2017 | 2017 | 2017 | 2017 | Escalation Year 2018 | | | | | |
|--------------------------------------|--|------------------------------|-------------------------------------|---|------------------------------|--|-----------|----------|-----------|----------|-----------|-----------------------------------|------------|--------------------------------|----------------------------|------------------------------|-------------------------------------|
| | 2016 July 1, 2016 Authorized AL 490 | Customer Growth Factor | and Labor Inflation Factor | or Composite Non-Labor or Factor | CPI-U Inflation Factor | = 2017 Projected Escalation Year | | | | | | Montevina Authorized AL 506 | Authorized | SCVWD Authorized AL 509A | July 1, 2017 Authorized | Customer Growth Factor | and Labor Inflation Factor | or Composite Non-Labor Factor | or CPI-U Inflation Factor | = 2018 Projected Escalation Year |
| | | 0.30% | 1.30% | | 2.00% | 1.50% | | | | | | 0.30% | 2.10% | 1.20% | 2.20% | | |
| | 339,886.3 | | | | | | 352,911.3 | 5,338.8 | 358,250.1 | 12,406.6 | 370,656.7 | | | | | 387,081.7 | |
| | 487.0 | | | | | | 487.0 | 0.0 | 487.0 | 0.0 | 487.0 | | | | | 487.0 | |
| PURCHASED WATER | 82,727.4 | 210.5 | 0.0 | | 0.0 | 0.0 | 82,937.9 | 0.0 | 82,937.9 | 7,270.5 | 90,208.5 | 270.6 | 0.0 | 0.0 | 0.0 | 90,479.1 | |
| PURCHASED WATER RECYCLED | 1,617.5 | 3.8 | 0.0 | | 0.0 | 0.0 | 1,621.3 | 0.0 | 1,621.3 | 205.7 | 1,827.0 | 5.5 | 0.0 | 0.0 | 0.0 | 1,832.5 | |
| PUMP TAX | 50,809.8 | 127.1 | 0.0 | | 0.0 | 0.0 | 50,936.9 | 0.0 | 50,936.9 | 4,882.0 | 55,818.9 | 167.5 | 0.0 | 0.0 | 0.0 | 55,986.3 | |
| PURCHASED POWER | 8,915.0 | 26.7 | 0.0 | | 0.0 | 0.0 | 8,941.7 | 0.0 | 8,941.7 | 0.0 | 8,941.7 | 26.8 | 0.0 | 0.0 | 0.0 | 8,968.6 | |
| OTHER OPERATION AND MAINTENANCE | 753.0 | 2.3 | 0.0 | | 15.1 | 0.0 | 770.3 | 0.0 | 770.3 | 0.0 | 770.3 | 2.3 | 0.0 | 9.2 | 0.0 | 781.9 | |
| CHEMICALS | 459.0 | 1.4 | 0.0 | | 9.2 | | 469.6 | 0.0 | 469.6 | 0.0 | 469.6 | 1.4 | 0.0 | 5.6 | 0.0 | 476.6 | |
| UNCOLLECTIBLES | 513.8 | 1.4 | 0.0 | | 9.6 | | 524.8 | 0.0 | 524.8 | 18.7 | 543.5 | 1.6 | 0.0 | 6.5 | 0.0 | 551.7 | |
| O&M PAYROLL | 18,915.0 | 56.7 | 245.9 | | 0.0 | 0.0 | 19,217.6 | 0.0 | 19,217.6 | 0.0 | 19,217.6 | 57.7 | 403.6 | 0.0 | 0.0 | 19,678.9 | |
| TRANSPORTATION | 3,311.0 | 9.9 | 0.0 | | 66.2 | | 3,387.2 | 0.0 | 3,387.2 | 0.0 | 3,387.2 | 10.2 | 0.0 | 40.6 | 0.0 | 3,438.0 | |
| PURCHASED SERVICES | 10,663.0 | 32.0 | 0.0 | | | 159.9 | 10,854.9 | 0.0 | 10,854.9 | 0.0 | 10,854.9 | 32.6 | 0.0 | 0.0 | 0.0 | 10,887.5 | |
| CONSERVATION | 2,822.0 | 8.5 | 0.0 | | | 42.3 | 2,872.8 | 0.0 | 2,872.8 | 0.0 | 2,872.8 | 8.6 | 0.0 | 0.0 | 63.2 | 2,944.6 | |
| OTHER ADMIN AND GEN. EXP. | 4,132.0 | 12.4 | 0.0 | | 82.6 | | 4,227.0 | 0.0 | 4,227.0 | 0.0 | 4,227.0 | 12.7 | 0.0 | 50.7 | 0.0 | 4,290.4 | |
| A&G PAYROLL | 7,829.0 | 23.5 | 101.8 | | | | 7,954.3 | 0.0 | 7,954.3 | 0.0 | 7,954.3 | 23.9 | 167.0 | 0.0 | 0.0 | 8,145.2 | |
| PENSION | 6,700.0 | 20.1 | 87.1 | | | | 6,807.2 | 0.0 | 6,807.2 | 0.0 | 6,807.2 | 20.4 | 143.0 | 0.0 | 0.0 | 6,970.6 | |
| BENEFITS | 3,214.0 | 9.6 | 41.8 | | | | 3,265.4 | 0.0 | 3,265.4 | 0.0 | 3,265.4 | 9.8 | 68.6 | 0.0 | 0.0 | 3,343.8 | |
| HEALTH CARE & DENTAL | 6,237.0 | 18.7 | 81.1 | | | | 6,336.8 | 0.0 | 6,336.8 | 0.0 | 6,336.8 | 19.0 | 82.4 | 0.0 | 0.0 | 6,438.2 | |
| RENTS | 498.0 | 1.5 | 0.0 | | | 7.5 | 507.0 | 0.0 | 507.0 | 0.0 | 507.0 | 1.5 | 0.0 | 0.0 | 11.2 | 519.6 | |
| PROPERTY INSURANCE | 234.0 | 0.7 | 0.0 | | | 3.5 | 238.2 | 0.0 | 238.2 | 0.0 | 238.2 | 0.7 | 0.0 | 0.0 | 5.2 | 244.2 | |
| LIABILITY INSURANCE | 2,049.0 | 6.1 | 0.0 | | | 30.7 | 2,085.9 | 0.0 | 2,085.9 | 0.0 | 2,085.9 | 6.3 | 0.0 | 0.0 | 45.9 | 2,138.0 | |
| A&G PURCHASED SERVICES | 3,328.0 | 10.0 | 0.0 | | 0.0 | 49.9 | 3,387.9 | 0.0 | 3,387.9 | 0.0 | 3,387.9 | 10.2 | 0.0 | 0.0 | 74.5 | 3,472.6 | |
| A&G TRANSFERRED SERVICES | -7,462.0 | -22.4 | 0.0 | | -149.2 | | -7,633.6 | 0.0 | -7,633.6 | 0.0 | -7,633.6 | -22.9 | 0.0 | 0.0 | 0.0 | -7,656.5 | |
| TOTAL O. & M., A. & G., & MISC. EXP. | 208,265.5 | 560.6 | 557.6 | | 33.5 | 293.9 | 209,711.1 | 0.0 | 209,711.1 | 12,376.9 | 222,088.1 | 666.3 | 864.5 | 112.8 | 200.0 | 223,931.6 | |
| AD VALOREM TAXES | 8,254.0 | 24.4 | 0.0 | | 162.9 | 0.0 | 8,441.4 | 346.8 | 8,788.2 | 0.0 | 8,788.2 | 26.4 | 0.0 | 105.5 | 0.0 | 8,920.0 | |
| LOCAL FRANCHISE TAXES & BUS. LICENSE | 844.6 | 2.4 | 0.0 | | 15.8 | 0.0 | 862.8 | 0.0 | 862.8 | 29.6 | 892.4 | 2.7 | 0.0 | 10.7 | 0.0 | 905.8 | |
| PAYROLL TAXES | 2,006.0 | 6.0 | 26.1 | | 0.0 | 0.0 | 2,038.1 | 0.0 | 2,038.1 | 0.0 | 2,038.1 | 6.1 | 0.0 | 0.0 | 0.0 | 2,044.2 | |
| TOTAL GENERAL TAXES | 11,104.6 | 32.8 | 26.1 | | 178.7 | | 11,342.3 | 346.8 | 11,689.1 | 29.6 | 11,718.7 | 35.2 | 0.0 | 116.2 | | 11,870.1 | |
| Depreciation | 42,299.2 | 3566.5 | | | | | 45,865.7 | 996.8 | 46,862.6 | 0.0 | 46,862.6 | 3,566.5 | | | | 50,429.1 | |
| SUB -- TOTAL -- OPERATING EXPENSES | 261,669.3 | 4,160.0 | 583.7 | | 212.2 | 293.9 | 266,919.1 | 1,343.7 | 268,262.8 | 12,406.5 | 280,669.4 | 4,267.9 | 864.5 | 228.9 | 200.0 | 286,230.7 | |
| STATE INCOME TAX | 3,256.3 | | | | | | 4,637.5 | 409.3 | 5,046.7 | 0.0 | 5,046.7 | | | | | 6,354.4 | |
| FEDERAL INCOME TAX | 21,493.8 | | | | | | 23,183.6 | 1,227.9 | 24,411.5 | 0.0 | 24,411.5 | | | | | 29,380.5 | |
| | 286,329.3 | | | | | | 294,740.2 | 2,980.8 | 297,721.1 | 12,406.5 | 310,127.6 | | | | | 321,965.6 | |
| | 54,044.0 | | | | | | 58,658.0 | 2,358.0 | 61,016.0 | 0.1 | 61,016.1 | | | | | 65,603.1 | |
| | 668,034.1 | 56,696.0 | | | | | 724,730.1 | 29,147.0 | 753,877.1 | 0.0 | 753,877.1 | 56,696.0 | | | | 810,573.1 | |
| | 8.09% | | | | | | 8.09% | 8.09% | 8.09% | | 8.09% | | | | | 8.09% | |
| | 8.09% | | | | | | 8.09% | 8.09% | 8.09% | | 8.09% | | | | | 8.09% | |

ADVICE LETTER 513- ATTACHMENT C

SAN JOSE WATER COMPANY
(U-168-W)

COMPUTATION OF TAXES BASED ON INCOME
(2016- 2018)

ESTIMATED AT PRESENT AND PROPOSED RATES

(Thousands of Dollars)

| | <u>AL488</u> <u>2016</u> | <u>AL489/490</u> <u>2016</u> | <u>Jan</u> <u>2017</u> | <u>Jan</u> <u>2018</u> |
|---|-----------------------------|---------------------------------|---------------------------|---------------------------|
| Revenue: | | | | |
| Operating Revenue | \$316,788.0 | \$339,886.3 | \$352,911.3 | \$387,081.7 |
| Deferred Revenue | \$487.0 | \$487.0 | \$487.0 | \$487.0 |
| Deductions: | | | | |
| O & M Expenses (Excluding Uncollectables) | \$160,117.0 | \$181,506.6 | \$182,010.2 | \$195,473.9 |
| Uncollectibles | \$481.0 | \$513.9 | \$524.8 | \$551.7 |
| A&G Expenses | \$26,759.0 | \$26,759.0 | \$27,176.1 | \$27,906.1 |
| Taxes Other Than Income | \$10,185.0 | \$10,260.0 | \$10,479.5 | \$10,964.2 |
| Local Franchise Taxes | \$759.0 | \$845.2 | \$862.8 | \$905.8 |
| Transportation Depreciation | (\$992.0) | (\$992.0) | (\$1,190.0) | (\$1,190.0) |
| Interest Expense | \$21,381.0 | \$21,381.0 | \$23,224.0 | \$23,224.0 |
| Less 50% Meals Disallowed | \$92.0 | \$92.0 | \$92.0 | \$92.0 |
| Total Deductions | \$218,782.0 | \$240,365.7 | \$243,179.4 | \$257,927.7 |
| State Corporate Franchise Tax: | | | | |
| Tax Depreciation | (\$40,114.0) | (\$40,114.0) | (\$43,532.0) | (\$43,532.0) |
| State Tax Deduction on Repairs & Maint | (\$22,613.0) | (\$22,613.0) | (\$13,774.0) | (\$13,774.0) |
| Deferred Revenue (Net of Tax) | \$43.0 | \$43.0 | \$34.0 | \$34.0 |
| Taxable Income Incl Def Revenue | \$35,322.0 | \$36,836.5 | \$52,459.9 | \$71,882.0 |
| Tax @ 8.84% | \$3,122.5 | \$3,256.3 | \$4,637.5 | \$6,354.4 |
| Federal Income Tax: | | | | |
| Tax Depreciation | (\$33,524.0) | (\$33,524.0) | (\$37,407.0) | (\$37,407.0) |
| State Franchise Tax | (\$3,122.5) | (\$3,256.3) | (\$4,637.5) | (\$6,354.4) |
| IRS Sec 199 QPA Deduction | (\$1,338.0) | (\$1,338.0) | (\$1,457.0) | (\$1,457.0) |
| Taxable Income Excluding Deferred Revenue | \$60,021.5 | \$61,402.2 | \$66,230.4 | \$83,935.7 |
| Tax @ 35.00% | \$21,007.5 | \$21,490.8 | \$23,180.6 | \$29,377.5 |
| Amortization of Unrecoverable Prepaid Tax on CIAC & Advances | \$3.0 | \$3.0 | \$3.0 | \$3.0 |
| Federal Tax | \$21,010.5 | \$21,493.8 | \$23,183.6 | \$29,380.5 |
| Total Income Tax | \$24,133.0 | \$24,750.1 | \$27,821.1 | \$35,734.9 |

ADVICE LETTER 506
ATTACHMENT C -
2018 ESCALATION YEAR
RATE INCREASE

| | | | | | |
|--|--------|---|-----------------------|------------|--------------|
| Revenue To be Recovered in Meter Charge | 30.00% | X | Revenue Increase (\$) | 16,425,000 | \$4,927,500 |
| Revenue To be Recovered in Quantity Rate | 70.00% | X | | 16,425,000 | \$11,497,500 |

| QUANTITY RATE CALCULATION | | | | | | | | | |
|---------------------------|--|---|--|-------------------------------------|--|--|--|--|-------------------------------------|
| Rate Schedule | AL 509A 2017 Authorized Revenue (\$) | AL 513 2018 Escalation Rate Increase Revenue (\$) | Total Revenue to be Recovered (Att. D) (\$) | Total Revenue Increase (%) | Revenue to be Recovered in Quan.Rate (\$) | 2016 Authorized Total Usage* D.16-06-004 (ccf) | Quantity Rate Increase (\$/ccf) | Uniform Quantity Rate 3/20/2017 AL 506 (\$/ccf) | New Quantity Rate (\$/ccf) |
| Total | 371,143,700 | 387,568,700 | 16,425,000 | 4.43% | 11,497,500 | 50,365,000 Excludes Recycled Well Users | 0.2283 | 4.7642 | 4.9925 |

| TOTAL POTABLE REVENUE CALCULATION | | | | | | |
|-----------------------------------|---|---|--|--|---|--|
| | Percentage of Potable Sales to Total Sales (%) | 2016 Authorized Potable Usage D.16-06-004 (ccf) | Revenue to be Recovered in Potable Quan.Rate (\$) | Quantity Rate Increase (\$/ccf) | Uniform Quantity Rate 2017 AL 506 (\$/ccf) | New Potable Quantity Rate (\$/ccf) (MG) |
| Potable Water | 98.97% | 49,847,000.00 | 11,379,249 | 0.2283 | 4.7642 | 4.9925 |

| TOTAL RAW REVENUE CALCULATION | | | | | | |
|-------------------------------|---|---|--|--|---|--|
| | Percentage of Raw Sales to Total Sales (%) | 2016 Authorized Raw Usage D.16-06-004 (ccf) | Revenue to be Recovered in Raw Quan.Rate (\$) | Quantity Rate Increase (\$/ccf) | Raw Quantity Rate 2017 AL 506 (\$/ccf) | New Raw Quantity Rate (\$/ccf) (MG) |
| Raw Water | 0.03% | 14,000.00 | 3,196 | 0.2283 | 4.5346 | 4.7629 |

| TOTAL RECYCLED PIPED REVENUE CALCULATION | | | | | | |
|--|--|--|---|--|--|---|
| | Percentage of Recycled Piped Sales to Total Sales (%) | 2016 Authorized Recycled Piped Usage D.16-06-004 (ccf) | Revenue to be Recovered in Recycled Piped Quan.Rate (\$) | Quantity Rate Increase (\$/ccf) | Recycled Piped Quantity Rate 2017 AL 506 (\$/ccf) | New Recycled Quantity Rate (\$/ccf) (MG) |
| Recycled Piped | 1.00% | 504,000.00 | 115,055 | 0.2283 | 4.2936 | 4.5219 |

| | |
|--|--------------|
| Total Quantity Charges for all Schedules | \$11,497,500 |
|--|--------------|

ADVICE LETTER 506
ATTACHMENT F - PART 1
MONTEVINA RATEBASE OFFSET
BASE RATE ALLOCATION

| METER CHARGE CALCULATION | | | | | | | | | | |
|--|-------------------------------------|-----------------|-----------------------|-------------------|----------------------------------|----------------------------------|--|-----------------------------|---------------------------|--|
| Revenue to be Recovered in Meter Charge | | | | | \$4,927,500 | | | | | |
| Schedule No. 1. General Metered Service & 1B General Metered Service with Automatic Fire Sprinkler System: | | | | | | | | | | |
| Meter Size | 2016 No. of Customers Authorized | No. of Billings | Meter Ratio (SP U-25) | Meter Ratio Equiv | Meter Charge Increase (\$/Month) | Increase to Total Service Charge | Authorized AL 506 Eff. 3/20/2017 Meter Charge (\$/Month) | New Meter Charge (\$/Month) | Meter Charge Increase (%) | |
| 5/8 | 869 | 10,428 | 1.5 | 15,642 | \$1.31 | \$13,609 | \$25.45 | \$26.76 | 5.13% | |
| 3/4 | 175,315 | 2,103,780 | 1.5 | 3,155,670 | \$1.31 | \$2,745,433 | \$25.45 | \$26.76 | 5.13% | |
| 1 | 34,211 | 410,532 | 2.5 | 1,026,330 | \$2.18 | \$894,960 | \$42.37 | \$44.55 | 5.15% | |
| 1 1/2 | 3,973 | 47,676 | 5 | 238,380 | \$4.37 | \$208,344 | \$84.78 | \$89.15 | 5.15% | |
| 2 | 4,908 | 58,896 | 8 | 471,168 | \$6.99 | \$411,683 | \$135.68 | \$142.67 | 5.15% | |
| 3 | 1,429 | 17,148 | 15 | 257,220 | \$13.10 | \$224,639 | \$254.37 | \$267.47 | 5.15% | |
| 4 | 412 | 4,944 | 25 | 123,600 | \$21.84 | \$107,977 | \$423.96 | \$445.80 | 5.15% | |
| 6 | 184 | 2,208 | 50 | 110,400 | \$43.68 | \$96,445 | \$847.91 | \$891.59 | 5.15% | |
| 8 | 30 | 360 | 80 | 28,800 | \$69.88 | \$25,157 | \$1,356.67 | \$1,426.55 | 5.15% | |
| 10 | 7 | 84 | 115 | 9,660 | \$100.45 | \$8,438 | \$1,950.24 | \$2,050.69 | 5.15% | |
| | 221,338 | 2,656,056 | | 5,436,870 | | \$4,736,685 | | | | |
| Schedule No. RW. Raw Water Service: | | | | | | | | | | |
| 3/4 | 0 | 0 | 1.5 | 0 | \$1.31 | \$0 | \$25.45 | \$26.76 | 5.13% | |
| 1 | 0 | 0 | 2.5 | 0 | \$2.18 | \$0 | \$42.37 | \$44.55 | 5.15% | |
| 1 1/2 | 1 | 12 | 5 | 60 | \$4.37 | \$52 | \$84.78 | \$89.15 | 5.15% | |
| 2 | 3 | 36 | 8 | 288 | \$6.99 | \$252 | \$135.68 | \$142.67 | 5.15% | |
| 3 | 0 | 0 | 15 | 0 | \$13.10 | \$0 | \$254.37 | \$267.47 | 5.15% | |
| 4 | 0 | 0 | 25 | 0 | \$21.84 | \$0 | \$423.96 | \$445.80 | 5.15% | |
| 6 | 0 | 0 | 50 | 0 | \$43.68 | \$0 | \$847.91 | \$891.59 | 5.15% | |
| 8 | 0 | 0 | 80 | 0 | \$69.88 | \$0 | \$1,356.67 | \$1,426.55 | 5.15% | |
| 10 | 0 | 0 | 115 | 0 | \$100.45 | \$0 | \$1,950.24 | \$2,050.69 | 5.15% | |
| | 4 | 48 | | 348 | | \$304 | | | | |
| Schedule No. RCW. Recycled Water Service Piped: | | | | | | | | | | |
| 3/4 | 0 | 0 | 1.5 | 0 | \$1.31 | \$0 | \$25.45 | \$26.76 | 5.13% | |
| 1 | 2 | 24 | 2.5 | 60 | \$2.18 | \$52 | \$42.37 | \$44.55 | 5.15% | |
| 1 1/2 | 8 | 96 | 5 | 480 | \$4.37 | \$420 | \$84.78 | \$89.15 | 5.15% | |
| 2 | 91 | 1,092 | 8 | 8,736 | \$6.99 | \$7,633 | \$135.68 | \$142.67 | 5.15% | |
| 3 | 31 | 372 | 15 | 5,580 | \$13.10 | \$4,873 | \$254.37 | \$267.47 | 5.15% | |
| 4 | 34 | 408 | 25 | 10,200 | \$21.84 | \$8,911 | \$423.96 | \$445.80 | 5.15% | |
| 6 | 1 | 12 | 50 | 600 | \$43.68 | \$524 | \$847.91 | \$891.59 | 5.15% | |
| 8 | 1 | 12 | 80 | 960 | \$69.88 | \$839 | \$1,356.67 | \$1,426.55 | 5.15% | |
| 10 | 1 | 12 | 115 | 1,380 | \$100.45 | \$1,205 | \$1,950.24 | \$2,050.69 | 5.15% | |
| | 169 | 2,028 | | 27,996 | | \$24,457 | | | | |
| Schedule No. RCW. Recycled Water Service Well Users: (1) | | | | | | | | | | |
| 2 | 1 | 12 | | 4.43% | \$1.40 | \$17 | \$31.62 | \$33.02 | 4.43% | |
| 3 | 1 | 12 | | 4.43% | \$1.87 | \$22 | \$42.16 | \$44.03 | 4.43% | |
| 4 | 2 | 24 | | 4.43% | \$2.10 | \$50 | \$47.42 | \$49.52 | 4.43% | |
| 6 | 1 | 12 | | 4.43% | \$3.50 | \$42 | \$79.05 | \$82.55 | 4.43% | |
| 8 | 2 | 24 | | 4.43% | \$4.20 | \$101 | \$94.86 | \$99.06 | 4.43% | |
| 10 | 1 | 12 | | 4.43% | \$6.54 | \$78 | \$147.55 | \$154.09 | 4.43% | |
| | 14 | 96 | | | | \$310 | | | | |
| Schedule No. 4. Private Fire Service: (1) | | | | | | | | | | |
| 2 | 44 | 528 | | 4.43% | \$1.14 | \$602 | \$25.75 | \$26.89 | 4.43% | |
| 3 | 5 | 60 | | 4.43% | \$1.71 | \$103 | \$38.60 | \$40.31 | 4.43% | |
| 4 | 1,094 | 13,128 | | 4.43% | \$2.28 | \$29,939 | \$51.48 | \$53.76 | 4.43% | |
| 6 | 1,475 | 17,700 | | 4.43% | \$3.42 | \$60,565 | \$77.24 | \$80.66 | 4.43% | |
| 8 | 940 | 11,280 | | 4.43% | \$4.56 | \$51,450 | \$102.96 | \$107.52 | 4.43% | |
| 10 | 138 | 1,656 | | 4.43% | \$5.70 | \$9,442 | \$128.71 | \$134.41 | 4.43% | |
| 12 | 14 | 168 | | 4.43% | \$6.84 | \$1,149 | \$154.45 | \$161.29 | 4.43% | |
| | 3,710 | 44,520 | | | | \$153,250 | | | | |
| Total Meter Charges for all Schedules | | | | | | \$4,915,006 | | | | |

| | | | |
|-------------------------------|---------------------------------|----------------|---------------|
| Calculation of New RW rate | Potable Rate | \$4.9925 ccf = | \$2,174.73 AF |
| | Adjustment for Treatment Charge | | (\$100.00) AF |
| Raw Water | AL 513 | \$4.7629 ccf | \$2,074.73 AF |

(1) Sch No. RCW and Sch No. 4 rates are escalated by the total revenue increase percentage consistent with the methodology used in D.16-06-004

ADVICE LETTER 513
ATTACHMENT F PART 2
2018 ESCALATION YEAR TIER RATE DESIGN

SQR (\$/CCF) \$4.9925
New Q Revenue Target \$ 145,950,745

Three Tier Rate Design

| Rate Tier Criteria as % of SQR | | |
|--------------------------------|----------|-----------|
| | % of SQR | rate |
| Tier 1 | 0.9 | \$4.49325 |
| Tier 2 | 1 | \$4.99250 |
| Tier 3 | 1.1 | \$5.4918 |

| Revenue Neutrality Test | |
|--------------------------|------------------|
| Target at SQR | \$ 145,950,745.0 |
| Rev neutrality, tier.SQR | \$ 364,876.86 |
| % tier >SQR | 0.250% |

| | Rationale | Proposed Tiers(ccf) | Tier rate differential | Existing Rates | Proposed New Rates | Ccf estimate sales in tier | Rev estimate \$ sales in tier | Portion of total consumption in tier | Portion of Revenue by Tier |
|--------|--------------------------|---------------------|------------------------|----------------|--------------------|----------------------------|-------------------------------|--------------------------------------|----------------------------|
| Tier 1 | indoor consumption est.* | 0 to 3 ccfs | 90.00% | \$4.2878 | \$4.4933 | 5,846,800 | \$ 26,271,134 | 20.00% | 17.96% |
| Tier 2 | up to annual average | 4 to 18 ccfs | 100.00% | \$4.7642 | \$4.9925 | 16,809,550 | \$ 83,921,678 | 57.50% | 57.36% |
| Tier 3 | Above annual average | 19 ccfs and above | 110.00% | \$5.2406 | \$5.4918 | 6,577,650 | \$ 36,122,809 | 22.50% | 24.69% |
| | | | | | | 29,234,000 | \$ 146,315,622 | | |

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 513

ATTACHMENT D

SAN JOSE WATER COMPANY
(U-168-W)

WP 8-3

OPERATING AND MAINTENANCE EXPENSES

Operating Expenses

Labor:

Payroll expenses are estimated and distributed to various departments based on 2011 departmental payroll percentage. For payroll information, see WP 8-8 through 8-13.

Transportation:

See WP 8-21 for total transportation expenses. Transportation costs allocated to operations and maintenance departments based on percentages of departmental expense over total transportation expense multiplied by estimated transportation distributable to O & M Dept.

Purchased Services - Materials & Supplies:

Based on the three year average purchased service cost (WP 8-18).
Chemical costs based on forecast by Water Quality Department (WP 8-26).

Other:

Escalation by rate of inflation is assumed for 2012, 2013, 2014 & 2015.
Either from recorded 2011 or from 5-yr average.

Maintenance Expenses

Labor:

Payroll WP 8-13.

Purchased Services - Materials & Supplies:

Based on three year average purchased service cost adjusted for inflation (WP 8-18).

Other:

Escalation by rate of inflation is assumed for 2012, 2013, 2014 and 2015.
Either from recorded 2011 or from 5-yr average.

Inflation Factor

| Year | Labor | | | | Customer Growth | 5 year Avg Customer Growth |
|------------------------|-------|---------------|-------------------|--------------------|-----------------|----------------------------|
| | | Non Labor [1] | Comp Per Hour [2] | Weighted [2] | | |
| 2000 | 1.022 | 1.035 | 1.069 | 1.049 | | |
| 2001 | 1.034 | 1.000 | 1.027 | 1.011 | | |
| 2002 | 1.028 | 1.000 | 1.032 | 1.013 | 1.008 | |
| 2003 | 1.016 | 1.025 | 1.047 | 1.034 | 1.007 | |
| 2004 | 1.023 | 1.058 | 1.045 | 1.053 | 1.006 | |
| 2005 | 1.027 | 1.055 | 1.036 | 1.047 | 1.001 | |
| 2006 | 1.034 | 1.055 | 1.039 | 1.049 | 1.002 | |
| 2007 | 1.032 | 1.030 | 1.043 | 1.035 | 1.008 | |
| 2008 | 1.029 | 1.063 | 1.027 | 1.049 | 1.001 | |
| 2009 | 1.038 | 0.999 | 1.011 | 1.004 | 1.001 | |
| 2010 | 0.997 | 1.048 | 1.021 | 1.037 | 1.003 | |
| 2011 | 1.016 | 1.054 | 1.025 | 1.042 | 1.002 | |
| 2012 | 1.031 | 1.008 | 1.026 | 1.015 | | 1.000 |
| 2013 | 1.021 | 1.005 | 1.012 | 1.008 | | 1.000 |
| 2014 | 1.015 | 1.014 | 1.028 | 1.020 | | 1.003 |
| 2015 | 1.016 | 0.972 | 1.029 | 0.995 | | 1.003 |
| 2016 | 1.001 | 0.989 | 1.022 | 1.002 | | 1.003 |
| 2017 | 1.013 | 1.034 | 1.020 | 1.028 | | 1.003 |
| 2018 | 1.021 | 1.012 | 1.034 | 1.021 | | 1.003 |
| Escalation Calculation | | Non-Labor | Comp Per Hour | Composite Weighted | | |
| 2002 to 2011 | 1.248 | 1.362 | 1.267 | 1.324 | | |
| 2003 to 2011 | 1.215 | 1.291 | 1.223 | 1.264 | | |
| 2004 to 2011 | 1.175 | 1.224 | 1.177 | 1.205 | | |
| 2005 to 2011 | 1.139 | 1.188 | 1.128 | 1.164 | | |
| 2006 to 2011 | 1.107 | 1.118 | 1.099 | 1.110 | | |
| 2007 to 2011 | 1.066 | 1.119 | 1.087 | 1.106 | | |
| 2008 to 2011 | 1.069 | 1.068 | 1.064 | 1.066 | | |
| 2009 to 2011 | 1.053 | 1.013 | 1.038 | 1.023 | | |
| 2010 to 2011 | 1.021 | 1.005 | 1.012 | 1.008 | | |
| 2011 to 2012 | 1.015 | 1.014 | 1.028 | 1.020 | | |
| 2011 to 2013 | 1.031 | 0.986 | 1.058 | 1.015 | | |
| 2011 to 2014 | 1.032 | 0.975 | 1.081 | 1.017 | | |
| 2011 to 2015 | 1.046 | 1.008 | 1.103 | 1.045 | | |

[1] Inflation forecast based on Office of Ratepayer Advocates: Estimates of Non-labor and Wage Escalation Rates for 2016 through 2021 from the October 2017 HIS Global Insight U.S. Economic Outlook (memo dated October 30, 2017)

[2] Inflation forecast based on ORA October 2017 Summary of Compensation per Hour (memo dated October 30, 2017)

[3] Weighted Factor = 40% Comp Per Hour + 60% Non-Labor.

MEMORANDUM

Date : October 30, 2017

To : R. Smith, Program Manager, ORA; R. Kahlon, Director, Water Division

From : M. Kanter, Regulatory Analyst, ORA Energy Cost of Service & Natural Gas Branch

W. Wei, Financial Examiner, ORA Water Branch

File No. : S-2559

Subject: Office of Ratepayer Advocates: Estimates of Non-labor and Wage Escalation Rates for 2017 through 2021 from the October 2017 IHS Global Insight U.S. Economic Outlook

The purpose of the monthly Escalation Memorandum is to inform division management of the trends in the general price level of utility non-labor expenses and wage contracts. Data are provided for 13 years, which include eight historic years, the estimated current year, and four forecasted years.

The following table summarizes the major changes in forecasted labor and non-labor inflation for years 2017 through 2021. Data for 2016 are provided as benchmarks. The factors for September 2017 are presented for comparison.

| FORECASTED INFLATION | | | | | |
|----------------------|--------------|--------------|--------------|--------------|--|
| | Labor | | Non-labor | | |
| | <u>10/17</u> | <u>09/17</u> | <u>10/17</u> | <u>09/17</u> | |
| 2016 | 0.1% | 0.1% | -1.1% | -1.1% | |
| 2017 | 1.3% | 1.3% | 3.4% | 3.3% | |
| 2018 | 2.1% | 2.0% | 1.2% | 1.1% | |
| 2019 | 1.7% | 1.6% | 1.3% | 1.6% | |
| 2020 | 2.2% | 2.3% | 1.7% | 1.8% | |
| 2021 | 2.7% | 2.8% | 1.3% | 1.4% | |
| Compounded | 10.5% | 10.5% | 8.1% | 8.4% | |

A more extensive explanation of the derivation and use of the above factors and a complete presentation of the escalation factors from 2009 through 2021 are provided in the attached appendix.

APPENDIX: EXPLANATION OF ESCALATION RATES

The recommended NON-LABOR ESCALATION RATES for 2017 through 2021 are presented in Table A. The values for 2009 through 2016 are provided for comparison.

TABLE A

| Year | Non-Labor Inflation Rate* |
|------|---------------------------|
| 2009 | -3.6% |
| 2010 | 4.8% |
| 2011 | 5.5% |
| 2012 | 0.7% |
| 2013 | 0.5% |
| 2014 | 0.9% |
| 2015 | -2.8% |
| 2016 | -1.1% |
| 2017 | 3.4% |
| 2018 | 1.2% |
| 2019 | 1.3% |
| 2020 | 1.7% |
| 2021 | 1.3% |

* Revised 07/17/97 based on 1995 re-weighted purchases. [Source: BLS, Supplement to Producer Price Indexes, 1995, Table 12]

These escalation rates represent the calendar year average, or alternatively stated, the 12-month-ended spot rate at mid-year. These price factors have not been adjusted for real growth of expensed materials and services. The escalation factors are generated from a composite index of 10 Wholesale Price Indexes (WPI) for materials and supplies expenses and the CPI-U weighted 5% for services and consumer-related items. **These non-labor rates are not applicable to plant, contracted services, loans, insurance, rents, and pensions and other utility employee benefits. Escalation of these expenses is addressed on pages 10-15 of D.04-06-018/R.03-09-005 (Water Rate Case Plan).**

cc: M. Pocta L. Bilir R. Kahlon C. Tang

Economic News Release








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Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by expenditure category

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, by expenditure category, September 2017

[1982-84=100, unless otherwise noted]

| Expenditure category | Relative importance Aug. 2017 | Unadjusted indexes | | | Unadjusted percent change | | Seasonally adjusted percent change | | |
|---|-------------------------------|--------------------|-----------|-----------|---------------------------|---------------------|------------------------------------|---------------------|---------------------|
| | | Sep. 2016 | Aug. 2017 | Sep. 2017 | Sep. 2016-Sep. 2017 | Aug. 2017-Sep. 2017 | Jun. 2017-Jul. 2017 | Jul. 2017-Aug. 2017 | Aug. 2017-Sep. 2017 |
| All items | 100.000 | 241.428 | 245.519 | 246.819 | 2.2 | 0.5 | 0.1 | 0.4 | 0.5 |
| Food | 13.643 | 247.917 | 250.493 | 250.993 | 1.2 | 0.2 | 0.2 | 0.1 | 0.1 |
| Food at home | 7.846 | 238.120 | 238.843 | 239.128 | 0.4 | 0.1 | 0.2 | -0.2 | 0.0 |
| Cereals and bakery products | 1.055 | 272.089 | 272.544 | 271.750 | -0.1 | -0.3 | -0.4 | 0.3 | 0.1 |
| Meats, poultry, fish, and eggs | 1.756 | 246.642 | 247.985 | 247.613 | 0.4 | -0.2 | 0.7 | -0.2 | -0.4 |
| Dairy and related products | 0.799 | 216.693 | 216.537 | 216.564 | -0.1 | 0.0 | 0.3 | -0.4 | -0.6 |
| Fruits and vegetables | 1.330 | 293.423 | 295.009 | 297.047 | 1.2 | 0.7 | 0.5 | -0.2 | -0.2 |
| Nonalcoholic beverages and beverage materials | 0.938 | 166.573 | 166.822 | 167.429 | 0.5 | 0.4 | -0.3 | -0.4 | 0.4 |
| Other food at home | 1.968 | 209.426 | 209.905 | 210.159 | 0.4 | 0.1 | 0.0 | -0.1 | 0.2 |
| Food away from home ⁽¹⁾ | 5.797 | 264.102 | 269.522 | 270.353 | 2.4 | 0.3 | 0.2 | 0.3 | 0.3 |
| Energy | 7.372 | 195.852 | 205.894 | 215.711 | 10.1 | 4.8 | -0.1 | 2.8 | 6.1 |
| Energy commodities | 3.598 | 197.603 | 212.978 | 234.982 | 18.9 | 10.3 | 0.0 | 6.1 | 12.6 |
| Fuel oil ⁽¹⁾ | 0.097 | 212.019 | 226.590 | 245.085 | 15.6 | 8.2 | -2.0 | 2.9 | 8.2 |
| Motor fuel | 3.415 | 194.660 | 209.881 | 232.076 | 19.2 | 10.6 | 0.0 | 6.3 | 13.0 |
| Gasoline (all types) | 3.365 | 193.817 | 209.000 | 231.182 | 19.3 | 10.6 | 0.0 | 6.3 | 13.1 |
| Energy services ⁽²⁾ | 3.774 | 202.941 | 208.454 | 207.339 | 2.2 | -0.5 | -0.2 | -0.1 | -0.2 |
| Electricity ⁽²⁾ | 2.963 | 214.381 | 219.078 | 218.117 | 1.7 | -0.4 | 0.4 | 0.0 | 0.0 |
| Utility (piped) gas service ⁽²⁾ | 0.811 | 165.881 | 173.646 | 172.111 | 3.8 | -0.9 | -2.3 | -0.5 | -0.8 |
| All items less food and energy | 78.985 | 248.731 | 252.460 | 252.941 | 1.7 | 0.2 | 0.1 | 0.2 | 0.1 |
| Commodities less food and energy commodities | 18.813 | 145.562 | 143.895 | 144.108 | -1.0 | 0.1 | -0.1 | -0.1 | -0.2 |
| Apparel | 3.020 | 128.429 | 124.147 | 128.150 | -0.2 | 3.2 | 0.3 | 0.1 | -0.1 |
| New vehicles | 3.578 | 146.499 | 145.712 | 145.037 | -1.0 | -0.5 | -0.5 | 0.0 | -0.4 |
| Used cars and trucks | 1.980 | 142.482 | 139.350 | 137.141 | -3.7 | -1.6 | -0.5 | -0.2 | -0.2 |
| Medical care commodities | 1.868 | 374.142 | 381.114 | 377.869 | 1.0 | -0.9 | 1.0 | -0.1 | -0.8 |
| Alcoholic beverages | 0.942 | 242.614 | 245.042 | 245.884 | 1.3 | 0.3 | 0.1 | 0.1 | 0.4 |
| Tobacco and smoking products | 0.684 | 970.921 | 1,029.619 | 1,031.891 | 6.3 | 0.2 | -0.1 | -0.1 | 0.4 |
| Services less energy services | 60.172 | 312.205 | 319.559 | 320.210 | 2.6 | 0.2 | 0.2 | 0.4 | 0.2 |
| Shelter | 33.832 | 290.445 | 299.157 | 299.844 | 3.2 | 0.2 | 0.1 | 0.5 | 0.3 |
| Rent of primary residence ⁽²⁾ | 7.917 | 298.962 | 309.479 | 310.268 | 3.8 | 0.3 | 0.2 | 0.4 | 0.2 |
| Owners' equivalent rent of residences ⁽²⁾⁽³⁾ | 24.632 | 297.636 | 306.201 | 307.106 | 3.2 | 0.3 | 0.3 | 0.3 | 0.2 |
| Medical care services | 6.662 | 499.483 | 507.390 | 508.078 | 1.7 | 0.1 | 0.3 | 0.2 | 0.1 |
| Physicians' services ⁽²⁾ | 1.658 | 382.134 | 378.990 | 379.169 | -0.8 | 0.0 | 0.1 | 0.4 | 0.2 |
| Hospital services ⁽²⁾⁽⁴⁾ | 2.290 | 306.404 | 319.394 | 320.449 | 4.6 | 0.3 | 0.5 | 0.2 | 0.2 |
| Transportation services | 5.957 | 298.129 | 309.469 | 309.704 | 3.9 | 0.1 | 0.2 | 0.4 | 0.3 |

Table 1. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by expenditure category

| Expenditure category | Relative importance Aug. 2017 | Unadjusted indexes | | | Unadjusted percent change | | Seasonally adjusted percent change | | |
|---|-------------------------------------|--------------------|--------------|--------------|-------------------------------|-------------------------------|------------------------------------|-------------------------------|-------------------------------|
| | | Sep. 2016 | Aug. 2017 | Sep. 2017 | Sep. 2016- Sep. 2017 | Aug. 2017- Sep. 2017 | Jun. 2017- Jul. 2017 | Jul. 2017- Aug. 2017 | Aug. 2017- Sep. 2017 |
| Motor vehicle maintenance and repair⁽¹⁾ | 1.156 | 275.331 | 280.488 | 282.203 | 2.5 | 0.6 | 0.1 | 0.3 | 0.6 |
| Motor vehicle insurance | 2.565 | 492.119 | 530.908 | 532.455 | 8.2 | 0.3 | 0.3 | 1.0 | 0.5 |
| Airline fares | 0.600 | 267.457 | 259.359 | 259.143 | -3.1 | -0.1 | 0.7 | -1.0 | -0.1 |

Footnotes

(1) Not seasonally adjusted.

(2) This index series was calculated using a Laspeyres estimator. All other item stratum index series were calculated using a geometric means estimator.

(3) Indexes on a December 1982=100 base.

(4) Indexes on a December 1996=100 base.

NOTE: Index applies to a month as a whole, not to any specific date.

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U.S. Bureau of Labor Statistics | Division of Consumer Prices and Price Indexes, PSB Suite 3130, 2 Massachusetts Avenue, NE Washington, DC 20212-0001
www.bls.gov/CPI | Telephone: 1-202-691-7000 | [Contact CPI](#)

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 513

ATTACHMENT E

**ADVICE LETTER 513
ATTACHMENT E
BILL COMPARISON**

BILL COMPARISON UNIFORM RATES

| Bill Comparison Uniform Rates 3/4-Inch Meter | | | | |
|--|------------------------------------|---------------------------------|----------|----------|
| Usage (ccf) | Current Rates AL 506/509 | Proposed Rates AL 513 | Increase | Increase |
| 5 | \$52.61 | \$55.06 | 4.65% | \$2.45 |
| 10 | \$77.24 | \$80.83 | 4.65% | \$3.59 |
| 15 | \$100.58 | \$105.31 | 4.70% | \$4.73 |
| 20 | \$122.70 | \$128.57 | 4.78% | \$5.87 |
| 30 | \$168.38 | \$176.53 | 4.84% | \$8.15 |
| 50 | \$263.66 | \$276.38 | 4.82% | \$12.72 |
| 100 | \$501.87 | \$526.00 | 4.81% | \$24.13 |

BILL COMPARISON RESIDENTIAL TIERED RATES

| Tiered Rate Bill Comparison 3/4-Inch Meter | | | | |
|--|------------------------------------|---------------------------------|----------|----------|
| Usage (ccf) | Current Rates AL 506/509 | Proposed Rates AL 513 | Increase | Increase |
| 5 | \$51.18 | \$53.56 | 4.65% | \$2.38 |
| Typical 10.75 | \$82.41 | \$86.10 | 4.48% | \$3.69 |
| 15 | \$105.50 | \$110.16 | 4.42% | \$4.66 |
| 20 | \$133.61 | \$139.46 | 4.38% | \$5.85 |
| 30 | \$192.69 | \$201.05 | 4.34% | \$8.36 |
| 50 | \$310.86 | \$324.24 | 4.31% | \$13.38 |
| 100 | \$606.27 | \$632.21 | 4.28% | \$25.94 |

SAN JOSE WATER COMPANY

ADVICE LETTER NO. 513

ATTACHMENT F

A copy of Advice Letter No. 513 has been sent to the following municipalities, water companies and interested parties:

City of San Jose
Municipal Water Dept.
Attn: Jeffrey Provenzano
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 9TH 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

WRATES
Rita Benton
18555 Ravenwood Drive
Saratoga, CA 95070

Saratoga City Council Member
Rishi Kumar
13777 Fruitvale Avenue
Saratoga, CA 95070

.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate Per 100 cu. ft. (Ccf):

Residential Customers with 5/8 x 3/4-inch, 3/4-inch, 1-inch, 1 1/2-inch or 2-inch meter

| | | |
|---|----------|-----|
| For Total Monthly Usage from 0 to 3 Ccf. | \$4.4933 | (l) |
| For Total Monthly Usage from 4 to 18 Ccf. | \$4.9925 | l |
| For Total Monthly Usage over 18 Ccf. | \$5.4918 | (l) |

All Other Customers

| | | |
|--|----------|-----|
| For all water delivered, per 100 cu. ft. | \$4.9925 | (l) |
|--|----------|-----|

Service Charges:

Per Meter Per Month

All Customers:

| | | |
|--------------------------------|------------|-----|
| For 5/8 x 3/4-inch meter | \$ 26.76 | (l) |
| For 3/4-inch meter | \$ 26.76 | l |
| For 1-inch meter | \$ 44.55 | l |
| For 1-1/2-inch meter | \$ 89.15 | l |
| For 2-inch meter | \$ 142.67 | l |
| For 3-inch meter | \$ 267.47 | l |
| For 4-inch meter | \$ 445.80 | l |
| For 6-inch meter | \$ 891.59 | l |
| For 8-inch meter | \$ 1426.55 | l |
| For 10-inch meter | \$ 2050.69 | (l) |

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

(Continued)

(To be inserted by utility)

Issued by

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

Advice No. 513

JOHN TANG

Date Filed _____

Dec. No. D.16-06-004

Vice President,
Regulatory Affairs

Effective _____

Resolution No. _____

TITLE

Schedule No. 1B

GENERAL METERED SERVICE WITH
AUTOMATIC FIRE SPRINKLER SYSTEM

APPLICABILITY

Applicable to all detached single family structures whose automatic fire sprinkler system is served through the meter providing residential water service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate Per 100 cu. ft. (Ccf):

Residential Customers with 5/8 x 3/4-inch, 3/4-inch, 1-inch, 1 1/2-inch or 2-inch meter

| | | |
|---|----------|-----|
| For Total Monthly Usage from 0 to 3 Ccf. | \$4.4933 | (l) |
| For Total Monthly Usage from 4 to 18 Ccf. | \$4.9925 | l |
| For Total Monthly Usage over 18 Ccf. | \$5.4918 | (l) |

All Other Customers

| | | |
|--|----------|-----|
| For all water delivered, per 100 cu. ft. | \$4.9925 | (l) |
|--|----------|-----|

Service Charges:

Per Meter Per Month

All Customers:

| | | |
|--------------------------------|-----------|-----|
| For 5/8 x 3/4-inch meter | \$ 26.76 | (l) |
| For 3/4-inch meter | \$ 26.76 | l |
| For 1-inch meter | \$ 44.55 | l |
| For 1-1/2-inch meter | \$ 89.15 | l |
| For 2-inch meter | \$ 142.67 | l |
| For 3-inch meter | \$ 267.47 | (l) |

Upsize Charges:

| | |
|-----------------------------------|---------|
| For 1/4-inch meter upsize | \$ 1.51 |
| or 1/2-inch meter upsize | \$ 3.01 |
| For 3/4-inch meter upsize | \$ 4.52 |
| For 1-inch meter upsize | \$ 6.03 |
| For 1-1/2-inch meter upsize | \$ 9.05 |

(Continued)

(To be inserted by utility)

Issued by

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TITLE

Schedule No. 1C

GENERAL METERED SERVICE
Mountain District

APPLICABILITY

Applicable to general metered water service.

TERRITORY

Portions of Los Gatos and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate Per 100 cu. ft. (Ccf)

Overuse Rates beyond 500 gallons per day limit

Residential Customers with 3/4-inch, 1-inch, 1 1/2-inch or 2-inch meter

| | | |
|---|----------|-----|
| For Total Monthly Usage from 0 to 3 Ccf. | \$4.4933 | (l) |
| For Total Monthly Usage from 4 to 18 Ccf. | \$4.9925 | l |
| For Total Monthly Usage for 19 to 20 Ccf. | \$5.4918 | (l) |
| For Total Monthly Usage over 20 Ccf. | \$7.0000 | |

All Other Customers(subject to Special Condition 5)

| | | |
|---|----------|-----|
| For Total Monthly Usage from 0 to 20 Ccf. | \$4.9925 | (l) |
| For Total Monthly Usage over 20 Ccf. | \$7.0000 | |

Service Charges:

Per Meter Per Month

| | | |
|----------------------------|------------|-----|
| For 3/4-inch meter | \$ 26.76 | (l) |
| For 1-inch meter | \$ 44.55 | l |
| For 1-1/2-inch meter | \$ 89.15 | l |
| For 2-inch meter | \$ 142.67 | l |
| For 3-inch meter | \$ 267.47 | l |
| For 4-inch meter | \$ 445.80 | l |
| For 6-inch meter | \$ 891.59 | l |
| For 8-inch meter | \$ 1426.55 | l |
| For 10-inch meter | \$ 2050.69 | (l) |

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. Customers who receive water deliveries for agricultural purposes under this schedule, and who present evidence to the utility that such deliveries qualify for the lower pump tax rates levied by the Santa Clara Valley Water District for agricultural water, shall receive a credit of \$2.0033 per 100 cubic feet on each water bill for the quantities of water used during the period covered by that bill.
2. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

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TITLE

Schedule No. 4

PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Per Service Connection
Per Month

| | | |
|--------------------------------|---------|-----|
| For each 2-inch service | \$26.89 | (l) |
| For each 3-inch service | 40.31 | \| |
| For each 4-inch service | 53.76 | \| |
| For each 6-inch service | 80.66 | \| |
| For each 8-inch service | 107.52 | \| |
| For each 10-inch service | 134.41 | \| |
| For each 12-inch service | 161.29 | (l) |

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and and the cost paid by the applicant. Such payment shall not be subject to refund. The facilities paid for by the applicant shall be the sole property of the applicant.
2. If a distribution main of adequate size to serve a private fire protection system, in addition to all other normal service, does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall then be installed by the utility and the cost paid by applicant. Such payment shall not be subject to refund.
3. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

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TITLE

Schedule No. RW

RAW WATER SERVICE

APPLICABILITY

Applicable to raw water metered service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

| | | | |
|-----------------|-------|----------|-----|
| Quantity Rate: | | | |
| Per 100 cu. ft. | ..... | \$4.7629 | (l) |

| | | | |
|--------------------------|-------|---------------------|-----|
| Service Charges: | | Per Meter Per Month | |
| For 5/8 x 3/4-inch meter | ..... | \$ 26.76 | (l) |
| For 3/4-inch meter | ..... | \$ 26.76 | l |
| For 1-inch meter | ..... | \$ 44.55 | l |
| For 1-1/2-inch meter | ..... | \$ 89.15 | l |
| For 2-inch meter | ..... | \$ 142.67 | l |
| For 3-inch meter | ..... | \$ 267.47 | l |
| For 4-inch meter | ..... | \$ 445.80 | l |
| For 6-inch meter | ..... | \$ 891.59 | l |
| For 8-inch meter | ..... | \$ 1426.55 | l |
| For 10-inch meter | ..... | \$ 2050.69 | (l) |

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

SPECIAL CONDITIONS

1. The customer is responsible for notice of and compliance with all local, state, and federal rules and regulations that apply from time to time to the use of raw water, as defined in San Jose Water Company's Rule 1.
2. The customer must provide and/or contribute all facilities needed to transport the water from its source to the customer's point of service in accordance with the utility's Rule 15.

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TITLE

Schedule No. RCW

RECYCLED WATER METERED SERVICE

APPLICABILITY

Applicable to all recycled water metered service.

TERRITORY

Portions of Cupertino, San Jose, and Santa Clara, and in Campbell, Los Gatos, Monte Sereno, and Saratoga and in contiguous territory in the County of Santa Clara.

RATES

Quantity Rate:

Currently effective quantity rate as reflected in "*Schedule No. 1, General Metered Service*" less the treated water surcharge currently added to potable deliveries from the Santa Clara Valley Water District and less any applicable discount from the South Bay Water Recycling Program.

Service Charges:

Currently effective monthly service charge for the applicable meter size as reflected in "*Schedule No. 1, General Metered Service*".

SPECIAL CONDITIONS

1. For the purposes of this tariff a well user is defined as a customer of the Santa Clara Valley WaterDistrict who procures his/her non-potable supply from an on-site well as of the first effective date of this tariff. The service charge for well users will be in accordance with the following schedule:

| <u>Meter Size</u> | <u>Per Meter Per Month</u> | |
|-------------------|----------------------------|-----|
| 2-inch | \$33.02 | (l) |
| 3-inch | \$44.03 | |
| 4-inch | \$49.52 | |
| 6-inch | \$82.55 | |
| 8-inch | \$99.06 | |
| 10-inch | \$154.09 | (l) |

The monthly service charge will change in an amount equal to changes in the monthly service charge for similarly sized meters under "*Schedule No. 1, General Metered Service*". In addition to the service charge, such customers will be charged for the quantity of recycled water used at that site in the same amount billed to San Jose Water Company by the South Bay Water Recycling Program.

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| Schedule No. RW, Raw Water Metered Service | 1868-W, 1846-W and 1847-W | (C) |
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