

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

In the Matter of the Application of SAN JOSE WATER COMPANY (U168W) for an Order authorizing it to increase rates charged for water service by \$34,288,100 or 9.76% in 2019, by \$14,231,800 or 3.70% in 2020, and by \$20,581,700 or 5.17 % in 2021

Application 18-01-004
Filed January 4, 2018

CITY OF SAN JOSE'S OPENING BRIEF

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Pursuant to the California Public Utilities Commission of Practice and Procedure, Rule 13.11, the City of San José (City) submits its Opening Brief on San Jose Water Company's (SJWC) Application for the General Rate increases for the years 2019, 2020, and 2021.

I. INTRODUCTION AND STATEMENT OF THE FACTS.

Through this action, San Jose Water Company (SJWC) presents its general rate application to increase rates charged for water service by \$34,288,100 or 9.76% in 2019, by \$14,231,800 or 3.70% in 2020, and by \$20,581,700 or 5.17 % in 2021 (Application). SJWC's Application also seeks approval of adjustments to balancing and memorandum accounts. The proceeding also includes other related issues of improper billing practices and a proposed corporate merger.

Water Advocates for Transparency, Equity, and Sustainability (WRATES) is a group of citizens who, among other things, raised various irregularities in SJWC's billing practices. The Office of Ratepayer Advocates (ORA) requested that this general rate proceeding include one of these concerns, specifically, SJWC's practice of applying increased rates to services rendered prior to the effective date of rate increases.

In addition, while SJWC's Application was pending, on March 15, 2018, SJWC announced that San Jose Water Group (SJWC's parent company) planned a merger of equals with Connecticut Water Service Inc. to close before the end of 2018.

On June 28, 2018, the Commission issued a Scoping Memorandum and Ruling of Assigned Commissioner (Scoping Order) itemizing the issues necessary to establish just and reasonable rates from 2019 – 2021, and to make other necessary orders to offer safe and reliable water service. The Scoping Order

presented eighteen relevant categories of inquiry, including the concerns about billing accuracy and the proposed merger.

The majority of the Scoping Order's areas of dispute are resolved through the ORA and SJWC's Joint Motion for Approval of the Partial Settlement Agreement (Motion for Settlement). According to the ORA and SJWC, the remaining issues are SJWC's request for a Water Revenue Adjustment Mechanism (WRAM) and associated balancing account and sales mechanism, and the reconciliation of a pressure reducing valve account. (Motion for Settlement, p. 2 - 3.)

The Motion for Settlement addresses one billing dispute and the method for calculating refunds owed for SJWC's failure to charge customers increased rates only during the time authorized. (Motion for Settlement, p. 5 – 6.) The City does not contest this proposed resolution. Rather, the City seeks clarification that the Commission reserves the rights of investigation of other ratepayers' concerns, if necessary.

On July 12, 2018, the Commission issued an Order Instituting Investigation (OII) into the proposed merger between San Jose Water Group and Connecticut Water. Issues on whether the proposed merger will impact rates will be resolved through that OII. (*See*, Application 18-01-004. OII, §5.1.) The Commission should similarly provide clear guidance or reservation of any rights to pursue, investigate, and resolve any other billing complaints.

II. THE COMMISSION SHOULD PROVIDE A MECHANISM TO ADDRESS OTHER RATEPAYERS' CONCERNS THAT ARE NOT RESOLVED BY THIS ACTION.

Through the tentative Settlement Agreement, the ORA and SJWC agree that the Commission should direct SJWC to file a Tier 2 advice letter following the

final decision to provide appropriate refunds (from Advice Letter 510) be calculated from June 1, 2011 – December 31, 2016. (Motion, p. 5, ¶2(C).)

The Scoping Order is broader than this singular issue. It includes:

16. SJWC’s customer billing system, for issues related to accuracy of SJWC meters, as well as rejected Advice Letter 510 and suspended Case 17-06-009, both of which address the same topic – certain SJWC billing practices – and neither of which are the subject of pending Commission

17. SJWC’s overall customer service, including the means by which SJWC notifies and makes available to customers its requests for regulatory relief;

(Scoping Order, p. 4 – 5.)

Ms. Rita Benton and other ratepayers (most of whom are members of WRATES) brought complaints about SJWC’s billing practices to the Commission for review and investigation, which ultimately formed the Complaint in another proceeding. [*See, Benton, et al. v. SJWC*, Action C17-06-009.] The record in this case describes the Complaint’s complicated procedural history, starting with informal inquiries to the Commission staff, the Complaint, an Advice Letter (AL510), the rejection of the Advice Letter upon a belief that an official investigation was pending, and now the proposed settlement on the methodology for refunds. [*See, ORA’s Report and Recommendations on Revenues and Rate Design, revenue Decoupling, and Refunds Related to Violations of PUC Code section 532, pp. 37 – 47.*] The status of any further investigation is unclear.

The City is not a party to the Complaint and is not involved in the investigation of billing practices, and, as such, does not comment on the merits. However, if the proposed settlement is adopted, the Commission should ensure that it does not preclude further investigation into SJWC’s billing practices, if such action is warranted. The OII on the corporate merger between SJW Group and

Connecticut Water provides a clear path forward for those concerns. The Commission should present the same guidance for any remaining billing concerns.

III. CONCLUSION.

The Commission is working hard to enhance public participation in its proceedings and to encourage public engagement in decision-making.

Transparency in the resolution of ratepayers' concerns will serve these goals.

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Respectfully submitted,

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