WRATES - CPUC Public Hearing Talking Points and Follow up letters to CPUC

It is important for the public to keep our views and concerns on the forefront with the commissioners while they are evaluating SJWC's Cost of Capital application. The CPUC commissioners will be rendering a decision by end of year to increase or decrease SJWC's return rates.

Please send a followup letter to the following people at the CPUC sharing your thoughts and concerns about reducing SJWC's return rates so we, the ratepayer, can have our rates reduced.

Send to:
martha.guzman-aceves@cpuc.ca.gov karl.bemesderfer@cpuc.ca.gov
cc:
michael.picker@cpuc.ca.gov carla.peterman@cpuc.ca.gov clifford.rechtschaffen@cpuc.ca.gov
liane.randolph@cpuc.ca.gov timothy.sullivan@cpuc.ca.gov david.gamson@cpuc.ca.gov
michael.minkus@cpuc.ca.gov anna-marie.madrigal@cpuc.ca.gov lolita.hajian@cpuc.ca.gov
allison.brown@cpuc.ca.gov s.pat.tsen@cpuc.ca.gov richard.rauschmeier@cpuc.ca.gov
lisa.bilir@cpuc.ca.gov selina.shek@cpuc.ca.gov

SUBJECT: SJWC - Cost of Capital A.17-04-001

Dear Commissioner Martha Guzman-Aceves and ALJ Karl Bemesderfer,

1. 73% Increase for the average customer using 15ccf per month
2. Water is a basic human right
3. Water should be affordable.
4. SJW in a Dividend King
5. Investment Banks receive a Return os 9%
6. CPUC Relationship with SJWC
7. "D" Grade on Infrastructure
8. SJWC States they have only MARGINALLY increased rates for Capital Improvements
9. 150 Year Old Pipes
10. Balancing Accounts
11. SJWC has to Get By with only a Monterey style WRAM
12. Apply an Earning Test before approving Balancing Accounts
13. July 13, 2017 Commission Voting Meeting
14. The Crowd is this big despite SJWC's confusing Public Notice
15. Four Utilities Joint Request to Postpone Cost of Capital
16. Systemic problem - Need for proper regulation by the CPUC
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19. With higher Risks, come higher Returns
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21. Cost of Capital Definition
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24. Water Reduction at a Cost to Ratepayers
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26. Cost Incentive Reduction?
27. Affordability
28. Largest Single District in California

1. 73% Increase for the average customer using 15ccf per month
There is no doubt we are in a Cost of Living Crisis in this Bay Area and local Region. This crisis extends beyond housing costs and transportation costs. We face this crisis everyday we turn on the tap for water.

Since 2013, resident's water rates have increased upwards of 73%, all the while reducing water consumption, re-landscaping and changing appliances all of which resulted in additional costs to ratepayers.

Working ratepayers have not seen their salaries rise 73% since 2013. Seniors on fixed incomes have not seen their social security increase by 73% since 2013.

The rapidly increasing costs of this basic human right, water, are becoming no longer affordable.

We ask that the Commission authorize Return Rates even lower than the 8.3% that the ORA gave testimony to. This will start the process to reduce our water rates and SJWC's windfall earnings.

2. Water is a basic human right
In September of 2012, Governor Brown signed Assembly Bill 685, declaring that every Californian has a basic human right to safe, sustainable and **affordable** drinking water.

With rapidly escalating water costs, that basic human right is becoming a struggle for many families served by San Jose Water Company. We answered the Governors call to conserve and will continue to do so. In the meantime, while ratepayer pockets are being drained, San Jose Water Company has been having record earnings year after year.

With San Jose Water Company being a monopoly, we have no choice in providers. We also have no choice but to rely on the CPUC to properly regulate SJWC. For the CPUC to have allowed our rates to increase over 73% in 3 years is NOT properly regulating SJWC.

We are asking the Commission to acknowledge that water utility rates have gone out of control and it is time for the CPUC to regain control, and properly regulate. The CPUC should only allow SJWC to achieve returns that are in-line with low-risk no-risk companies and authorize a Rate of Return even lower than the 8.3% the ORA has recommended.

3. Water should be affordable.
Clean water should be affordable to all. This means that direct and indirect costs related to water, including both connection and delivery costs should not present a barrier to access.

Water costs should not compromise the household budget's ability to pay for other essential items such as food, medicine, housing and healthcare. We, as ratepayers, have now reached the point in figuring how much of our budget must be shifted from other necessary areas such as food or health needs to pay our water utility.

We are not only asking the Commission to slow down this freight train of rapidly escalating, unsustainable rate increases, we are asking that the Commission take it one step further and actually reduce our rates by authorizing a Rate of Return less than the 8.3% the ORA has recommended.

4. SJW in a Dividend King
I have major concerns on the ever increasing water rates passed on to consumers from San Jose Water Company. San Jose Water is know as a Dividend King and has paid dividends for well over 50 YEARS.

We the ratepayers are supporting the investors of this monopoly. The investors have not only reaped the benefits of the ever increasing dividends but have also reaped the return of the escalating stock price.

The rate increases associated with this cost of capital application are purely to help compensate investors. They are asking the ratepayers to pad the pockets of the investors. The CPUC and SJWC have already done enough damage to our communities and with lower investor return percentages, we can start the process for getting our rates reduces and our communities "whole".

We are asking that you please authorize a rate of return that is even lower than the 8.3% that the ORA has recommended.

5. Investment Banks receive a Return os 9%
San Jose Water Company is a low-risk / no-risk company and it is asking for an Investor Return of 10.75%. The ORA recommended a reduced Return of 8.3%, but according to an article in the October 7, 2017 Economist, Investment Banks such as Goldman Sachs, JP Morgan, Morgan Stanley, Citigroup and Bank of America are receiving an annual return of 9%.

It would make absolutely no sense for San Jose Water Company, a regulated monopoly, to receive higher Return Rates or even Return Rates close to that of the America's largest investment banks.

The returns SJWC should be receiving should be in line with Low Risk investments such as CDs which are currently receiving an annual return of 2%.

We need our rates to be reduced and lowering SJWC's Investor Returns will set the foundation for lower water rates.

We are asking that you please authorize a rate of return that is in line with what low-risk / no-risk companies receive.

6. CPUC Relationship with SJWC
The Investor Owned Water Utilities have turned California into the Wild West running roughshod over its customers. And this is all being done with the CPUC's approval.

Financial Analysts and SJW Group itself, refer to the relationship between the CPUC and SJWC as CONSTRUCTIVE, POSITIVE, ENABLING and FRIENDLY. We are here to tell you that this relationship is NOT working for the ratepayers. Because of this relationship and the past decisions the Commission has made, we have seen our rates go through the roof while SJWC has seen their earnings and stock price go through the roof. This needs to stop.

The quality of life here for the customers of SJWC is diminishing with every rate increase. Our neighborhoods are becoming eyesores and many of us are making really tough decisions about our finances because our water bills consume so much of our household expenses.

We are asking that you please authorize returns that make sense with what is happen in the current market and authorize lower returns which will allow the the ratepayers to get back to some sort of normalcy with our water rates.

7. "D" Grade on Infrastructure
The customers of SJWC have had to listen to SJWC's unfounded explanations as to why our rates have increased so drastically. One example is infrastructure.

John Tang with SJWC, as recently as Oct. 24th, tried to explain the rate increases by tying it to the the American Society of Civil Engineers report which gave **America's** drinking water infrastructure a "D" grade.

We are not talking about **America's infrastructure**, we are not even talking about the **Bay Area infrastructure.** We are talking about **SJWC's infrastructure**. But just to be clear, in 2011, the American Society of Civil Engineers determined that the Bay Area Water System Infrastructure is a "B-" grade. That's slightly above average and a completely irrelevant statement to the health of SJWC's infrastructure.

With the exception of Cupertino's leased portion of pipes, SJWC's infrastructure is in good shape.

We are asking the Commission to please look at the whole picture of what is happening with our ever increasing, unsustainable rate increases.

8. SJWC States they have only MARGINALLY increased rates for Capital Improvements
SJWC states that they are working to balance costly infrastructure upgrades with the need to keep water rates low. OUR RATES ARE NOT LOW.

They say they have only MARGINALLY increased their rates for capital improvements. OUR RATES HAVE INCREASED OVER 73% IN 3 YEARS.

They say that while no one likes to pay more for their water, **extra fractions of a penny per gallon** are going a long way to helping create lasting infrastructure that helps ensure safe and sustainable water now and in the future. THERE IS NOTHING ON OUR BILLS THAT REFLECT A FRACTION OF A PENNY INCREASE.

They site that water pipes and mains in the United States are frequently more than 100 years old, and in desperate need of replacement.

SJWC needs to stop siting examples unrelated to the health of their own pipes. Of the approximately 2400 miles of pipeline SJWC has, 98% are less than 90 years old and aren't in desperate need of replacement.

Please scrutinize SJWC and "spin doctoring" they are doing to justify these outrageous rate increases.

9. 150 Year Old Pipes
The customers of SJWC have been told over and over by SJWC that their pipes are 150 years old. The pipes need to be replaced and that is one of the reasons our rates continue to increase. Once again, SJWC is telling falsehoods.

In our research, we have found that exactly ZERO pipes are 150 years old. In fact, 98% are less than 90 years old. If the average life of pipelines is 90 years, that means only 2% of SJWC's pipes are old enough to consider for replacement. The CPUC needs to take this into account when authorizing any Cost of Capital improvements.

This speaks again about how SJWC tries to obscure the facts with misleading or irrelevant information. We are tired of dishonestly. We are tired of outrageous water rates. We are tired of SJWC having record earnings at our expense.

We are asking the Commission to please reduce their Rate of Return, scrutinize the integrity of San Jose Water Group and deny aggressive capital improvements that are not necessary and are designed to increase our rates and fill the pockets of SJWC executives and their investors.

10. Balancing and Memorandum Accounts
SJWC states in their Reply Brief that the "ORA fails to recognize that balancing accounts protect both utilities and ratepayers." We are here to tell you that the balancing and memorandum accounts DO NOT protect the ratepayer and they thoroughly allow the utilities to recover revenues far beyond what was authorized in the General Rate Case.

SJWC goes on to say that balancing accounts are two-way mechanisms which protect both the utility and its ratepayers. If it is to be described as a two-way street, then a fair analogy is to say that the ratepayers are bumping along in the bicycle lane filled with potholes and SJWC is traveling well over the speed limit on a 6 lane highway.

In 2016 many ratepayers paid over $100 in balancing and memorandum account fees and received barely a $1.50 in surcredits.

We are asking the Commission to authorize a Rate of Return that is far less than the 8.3%, accept the ORA's testimony and acknowledge that the balancing and memorandum accounts need an overhaul because currently they are set up to insulate the utilities from financial risk at the expense of the ratepayers.

11. SJWC has to Get By with only a Monterey style WRAM
SJWC states in their Reply Brief that they have sought the protection of a WRAM and the MCBA mechanisms but were denied and that they have "HAD TO GET BY" with only a Monterey-style WRAM and a temporary Water Conservation Memorandum Account available only during the recent drought.

SJWC's idea of "JUST GETTING BY" means achieving Operating Revenue of $312 million in 2016 which is an increase of $73 million during the drought years. SJWC achieved their highest earnings during the 2016 drought year. Ironically, our rates increased 73% for the "typical" customer using 15 ccfs per month during that same time period.

And by the way, there is no such thing as a "typical" customer. The people in this community lives in homes ranging from studio apartments to 10 acre estates and we all have different water needs.

We are asking that the Commission lower the rate of return for SJWC below what they are currently getting and bring SJWC back to reality and give them the investor returns that are market-based and ratepayer friendly.

12. Apply an Earning Test before approving Balancing Accounts
In the 1970's, the CPUC administered an "Earnings Test". So if a utility came in with an un-collected balance, the CPUC could examine other aspects of the utility's financial situation to determine whether recovery was consistent with their overall authorized Rate of Return and to determine if there was a "genuine threat to the utilities' earnings" and to prevent "windfall earnings" for the utilities.

Why did the CPUC modify this decision in 2006 after the California Water Association representing the investor-owned water utilities petitioned it? The ORA clearly opposed this petition and repeatedly recommended the re-introduction of an "Earnings Test" as recently as 2016.

Because of this irresponsible, utility FRIENDLY, decision, the CPUC has essentially ENABLED the utilities to recover single-issue account balances irrespective of overall earnings which has allowed them to have windfall earnings ever since.

We are asking that the CPUC not only lower the utilities' Rate of Return but reinstate the "Earnings Test" to insure the utilities do NOT exceed their authorized Rate of Return.

13. July 13, 2017 Commission Voting Meeting
At the July 13, 2017 Commission Meeting, the commission stated that the CPUC should look beyond the regulatory circles, such as the S&P and the Dow, to determine Return Rates.

They stated that Rate Making is the core of what the CPUC does and going forward, the CPUC should look at **non-utility benchmarks, market expectations and performance** for the level of risk.

They stated there is concern that traditional CPUC evaluations are overly circular in that the CPUC looks at expectations for other utilities and those utilities look at them. - This is not a robust enough analysis of where Capital flows or could flow or what investors are looking at.

The CPUC should establish guidelines for when there are settlements involving Ratepayer Funding.

Please review the July Commission meeting and widen the scope for evaluating Return Rates. Currently, the ratepayers are funding the utilities' Windfall Returns and you have the ability to change that with authorizing returns that make sense for the utility monopolies,

14. The Crowd is this big despite SJWC's confusing Public Notice
I wanted to take a minute to talk about the people that are here tonight. This crowd is just a small representation of the over 8700 people that have signed the petition against SJWC. We are the Customers, Ratepayers and Taxpayers of SJWC and the CPUC. All of you are getting paid because of us.

We all rearranged our scheduled to be here tonight without pay. We are here because we need the CPUC to hear us LOUD and CLEAR that the status quo of these rate increases is NOT ACCEPTABLE!

Look at the amount of people that showed up tonight despite the confusing Public Notice the CPUC allowed SJWC to mail out at the ratepayers expense. We should not have to pay for that. It was because of our networking that we got the message out.

We are completely and thoroughly disgusted and outraged by SJWC's greed and the CPUC's lack of oversight and failure to properly regulate the utilities. This failure is causing unnecessary financial and ecological stress in our communities.

It is time for change and that change needs to start now by reducing the investor returns on all 4 water utilities in this Cost of Capital application.

15. Four Utilities Joint Request to Postpone Cost of Capital
We would like to address the issue of how the 4 Utilities, Cal-Am, Cal-Water, Golden State and San Jose Water Company requested yet another postponement of this Cost of Capital application in December 2016.

The Utilities stated that the same market conditions are expected to continue to exist for the foreseeable future and that is why they are again requesting a postponement. They feel it is prudent and in the **best interests of both ratepayers and the utilities.**

Once the CPUC denied this postponement request, the Utilities filled this Cost of Capital application with Return Rates much higher than what they are currently getting. So why is it that their argument for postponement is that the same market conditions are expected to continue yet now they want even higher Return Rates.

This is a clear example of how disingenuous the utilities are and how this is just another money grab for them.

We are asking that the utilities' Return Rates be considerably less than the ORA's recommendations.

16. Systemic problem - Need for proper regulation by the CPUC
We are here tonight not only representing the customers of SJWC, but we are also here representing the town of Lancaster who have seen their water rates escalate, and the community in Monterey who has been battling Cal-Am and the CPUC on rate and quality issues, and the city of Bakersfield who has hired dedicated paid city staff to combat Cal Water's greed, and all the communities of California affected by these over inflated water rates.

This systemic problem of Investor-Owned Water Utilities negative impact on communities up and down California has one common thread.... they are all regulated by the CPUC.

The CPUC has not been living up to their mission statement and it is time for that to change. You have the opportunity, with this Cost of Capital application, to start fixing this problem that the CPUC created.

Please authorize Return Rates that reflect what is happening in the market with low-risk no-risk investments and lower the Return Rates of these utilities so our water rates can be reduced and our communities can start to heal.

17. SJWC beats last years revenues
In October 2017, San Jose Water saw a year-to-date revenue of $295.7 million. This is a 13.6% increase over the same period last year.

Even with our involvement of:
- stopping the 3.65% increase SJWC requested with Advice Letter 501
- and Santa Clara Valley Water District's reduction of their wholesale rate which resulted in another 2.9% savings to the customer
- and the most resent suspension of advice letter 512 which saved the customers another $11.5 million in increases

SJWC still managed to produce record earnings. This should give the commission pause and be of great concern to the CPUC. It's time to rethink and re-evaluate your strategy for properly regulating the utilities.

If SJWC is still able to beat their revenues from the previous year without these additional increases, then shouldn't the CPUC be asking why SJWC even requested these increases in the first place?

SJWC isn't even trying to hide their GREED. This shouldn't be a difficult decision for the CPUC to authorize much lower Return Rates that reflect the low-risk monopoly that SJWC is. The Ratepayers are tired of funding the mega-millionaires of SJWC.

18. SJWC says they have a Customer Centric culture
SJWC's CEO Richard Roth stated at his last Earnings Call that:
SJW is characterized by remarkably innovative and **customer centric culture** that exist at every level of the organization. This culture is reflected in the **trust** that we've earned with shareholders, employees, **customers** and stakeholders.

We are here to tell you that SJWC is NOT a customer centric company and we, the customers, have NO TRUST in SJWC. They have displayed complete disregard for their customers in their quest for profiteering greed. All of our concerns and comments fall on def ears at the SJWC.

The CPUC has fostered this culture with its CONSTRUCTIVE, POSITIVE, ENABLING and FRIENDLY relationship with the utilities.

And we, the ratepayers have been under-represented, ignored, neglected, and have been irrelevant in the decision making process of affordable water rates.

Please listen to us tonight. Our rates need to be lowered and it needs to start with this Cost of Capital application.

19. With higher Risks, come higher Returns
There are many factors that come into play when evaluating Return Rates. Many of which are too complicated for the average lay person to argue intelligently. But, one issue that all of us can understand is that:

"With higher Risks, come higher Returns"

The shareholders of SJWC have no skin in the game. They have very low risk and therefore should have very low returns.

The CPUC has set up single-issue Balancing and Memorandum accounts that allow the utilities to continually increase the rates for risk free protection and returns. This is not an acceptable way for the CPUC to regulate and it should be obvious by looking at SJWC's excessive earnings through the years.

ORA's recommended return rates are conservatively high and should be considerably lower to reflect the low risk involved by the utilities.

20. CPUC is out of touch
Every time we try to get answers about why SJWC is increasing our rates so drastically, SJWC's response is always the same, **"These rate increases have all been approved and authorized by the CPUC."**

The CPUC has allowed the water utilities to achieve record earnings, profits, revenues and bonuses during recessions and droughts while communities and neighborhoods become eyesores and ratepayers struggle to pay their bills. The CPUC is out of touch with how their decisions are affecting the ratepayer.

Here is a reminder of the CPUC Mission Statement:

The CPUC serves the **public interest** by **protecting consumers** and ensuring the provision of safe, reliable utility service and infrastructure **at just and reasonable rates**, with a commitment to environmental enhancement and a healthy California economy.

The CPUC has not been living up to their mission statement and it is time for that to change. Please reduce Return Rates on this Cost of Capital application, and start fixing this problem that the CPUC created.

21. Cost of Capital Definition
Cost of capital refers to the 'opportunity cost' of making a specific investment. It is the rate of return that could have been earned by putting the same amount money into a different investment **with equal risk**.

"WITH EQUAL RISK" are the key words here. SJWC is asking to increase their rate of return to 10.75%. They are asking for returns that are even higher then the returns seen by high risk investments such as:

The S&P 500 long-term annual average which is yielding 10% and
Goldman Sachs and Bank of America which are yielding 9%

The CPUC has insulated SJWC from any risk and their Cost of Capital should reflect that. With low risk comes low returns and SJWC's returns should be in line with low risk investments such as:

3 year CDs which are yielding 2% and
30 year Treasury bonds which are yielding 3.7%

The water utilities' heydays need to end. It is time to authorize returns that are market-based.

22. SJWC Faces no Financial Risk
SJWC claims they face many financial risks delivering water to its customers. This is NOT true. If it were true, SJWC wouldn't have recovered over $37 million in unnecessary drought surcharges, while simultaneously recovering so called lost revenues from the Water Conservation Memorandum Account. While having received drought surcharges and WCMA charges, SJWC had the audacity to request the SRM to recover another $13.9 million.

If SJWC truly faces many financial risks, then why have they been having record earnings year after year after year, even during the drought?

SJWC, and other water utilities, prolifically use advice letters to instate single-issue memorandum and balancing accounts throughout the year which elevates any and all risks and has allowed the utilities windfall earnings.

Investors should NOT have high returns on risk free water utilities. The ORA's recommendations are conservatively high so please authorize return rates that are much lower.

23. Cost of Capital Brief Focused on Investors
Private utilities do not serve a constituency, they serve investors. Private utilities prioritize their investors rather than customers. The more they spend on a system, the more they profit.

As a ratepayer, reading the opening brief and reply brief prepared by SJWC internal and external attorney group an observation is that the word ratepayer is mentioned 15 times while the word investor is mentioned 68 times.

It is very clear that the sole purpose of this hearing has no regard for the ratepayer, the customers of SJWC, the backbone of the money making monopoly. The only concern is for the investor.

Here is what I would like to see as a ratepayer:

1. All internal and external attorney fees and additional employee costs relating to the Cost of Capital be charged SOLEY to the Investors.

2. All SJWC expert witness fees relating to Cost of Capital be charged solely to the investors.

I would like to see a reduction in my rates. SJWC is not making widgets but they are sure doing a good job with the CPUC approval of escalating rates.

24. Water Reduction at a Cost to Ratepayers
In the Brief, Mr. Lynch notes that San Jose Water is pleased that it was able to achieve upwards of 29% water use reduction.

At their own expense and a high monetary cost, many Ratepayers changed out fixtures, landscaping, and appliances while reducing water consumption. And now SJWC is trying to take credit for water savings in their Cost of Capital briefs.

While ratepayers reduced consumption and expended money on conservation items, they continued to see their rates escalate.

The ratepayers made San Jose Water Company look good, NOT the investor.

This water reduction obviously did nothing to hurt SJW bottom line.

This is considered a low risk, no risk business for investors.

Over the last three years (2014-2016), Investors were rewarded with stock appreciation in the amount of 74% and dividend appreciation of 8%.

All of this came at a cost to Ratepayers with rates escalating as much as 73% over the last three years. Is this what the CPUC intended?

Please vote on a Cost of Capital adjustment lower than what ORA even recommended and reduce our rates.

25. CPUC Mission Statement
The CPUC Mission statement indicates that it **serves the public interest** by **protecting consumers** and ensuring the provision of safe**,** reliable utility service and infrastructure **at just and reasonable rates**…

The mission statement does not express that the CPUC serves the Investors interest and yet that is what analysts recognize with the CPUC generous Cost of Capital Returns.

A Financial Analyst comments that San Jose Water is*: a regulated water utility, courtesy of its* ***government-sanctioned monopoly,*** *which* ***grants it stable and predictable profitability and returns on shareholder capital.***

We, the ratepayers, have not been granted stable, predictable, reasonable bills with escalating rates accompanying our decreasing water usage. We thought the CPUC was here to serve the public interest and not the investor world.

Another analyst comment is: ***First, the underlying business model is about as stable as you can find on Wall Street, since everyone needs to drink, bathe, and wash dishes, no matter the economic climate. In fact, the company's sales dipped by just 2% in fiscal year 2009, and its stock outperformed the S&P 500 by 25% in 2008. This is why SJW has a very solid investment-grade credit rating that allows it to borrow cheaply to invest in future growth.***

The years 2008 and 2009 were at the height of the Great Recession and yet ratepayers received no reduction in rates as many lost their savings, retirement, jobs and homes. Instead, we the ratepayers received rate increases.

We are asking you now to follow your missions statement in serving the public interest and approve a rate of return lower than what ORA has recommended. Please correct the injustice, protect consumers, and reduce our rates.

26. Cost Incentive Reduction?
Reducing costs to increase profit would be the norm for most private sector businesses.

This does not seem to be the motive for private utilities.

It appears that with the current state regulation there is no need to reduce costs. The regulation seems to provide a financial incentive for water companies to over invest in water systems, leading to unnecessarily high rates, sometimes as much as 62% higher than a neighboring municipality.

Because regulated companies earn a profit based on the size of their infrastructure investment, they earn more money by building costlier projects. They earn a rate of return on investment such that the more they spend on a system, the more they profit. Where is the incentive for them to be cost effective?

It water usage is reduced, the revenue loss is assessed to the ratepayer as a charge. If the pipes are broken, costs are passed on to the ratepayer. If new equipment and trucks are needed, the ratepayer is charged. If Execs need a raise, look to the ratepayer to incur the cost. If Wall Street needs a dividend boost from SJW stock, ratepayers suffer.

Shareholders do well when the company does well. They also need to pay when the company doesn't do well. This is the real world.

Perhaps this in turn would incentivize San Jose Water Company to have some personal accountability and reduce costs. The ratepayer cannot continue to be the answer to all financial needs.

Why has the CPUC not listened to ORA in the past. I am asking you to Listen to ORA and please proceed with a Rate of Return lower than what ORA has recommended. Reduce our rates.

27. Affordability
Water Affordability means that direct and indirect costs must not pose a high burden or barrier to access.

Bay Area residents are already suffering from a high cost of living crisis. Water rates have increased over 73% in the last three years.

The California Department of Public Health has indicated that the affordability threshold for water is 1.5% as a percentage of median Household income.

The ENTIRE water bill WHICH THE CUSTOMER MUST PAY includes Santa Clara Valley Water District Charges, CPUC charges, Safe drinking Water and Rate Assist Charges not to mention the balancing or memorandum account charges. For Santa Clara Valley, Santa Clara Valley Water charges extend to our property tax bill including several line items which push water costs further above the affordability threshold.

Suddenly this basic human need and right is unaffordable. We ask you to look at the entire cost for water that ratepayers are saddled with. We are asking the CPUC to again review ORA requests and reduce our rates.

https://www.law.berkeley.edu/files/Water_Report_2013_Interactive_FINAL(1).pdf
Source: http://www2.pacinst.org/wp-content/uploads/2013/01/water-rates-affordability.pdf
(https://smartasset.com/checking-account/cities-with-the-fastest-growing-incomes)

28. Largest Single District in California

Ms. Ahern testifies on behalf of San Jose Water that a **single geographical area** exacerbates San Jose Water's business risk in comparison with the geographical and regulatory diversification of the Proxy group companies. Mr. Lynch's testimony touches on this as well indicating that San Jose operates in a single rate making district.

What they fail to state is that this is an advantage for San Jose Water Company. Here are the facts that should also be considered and noted:

1. San Jose Water is the Largest Single District in the State.

2. Being in a Single District area should allow San Jose Water:
   1. Effective and efficient management of labor forces located in one area. Labor forces do not need to be increased or scattered throughout the state needing additional equipment.
   2. To focus on water needs of one area and should save them money in the long run negotiating with only one water wholesaler.
   3. Save the company legal fees, time and money when preparing CPUC financials, GRC and Cost of Capital Filings.

3. From SJW company 2016 slides San Jose Water is noted as being in a *vibrant growing region.* In a report commissioned by the San Jose local government it was indicated that demand for water in San Jose *is projected to increase by 60% by 2035.*

4. San Jose Water and San Jose Texas are part of SJW Holding with San Jose water making up more than 91% of the meter count. Outgoing Chairman Roth recently indicated to the finance community that SJW has *two outstanding regional water systems located in areas enjoying a* ***sustained population and economic growth*** *that in turn provide robust platforms for continued growth in customers utility plant and earnings.*

The Fact that San Jose Water is a Single District in a vibrant growing region is not a business risk. We ask you, the CPUC to authorize a rate of return lower than what ORA requested. Reduce our rates.

https://seekingalpha.com/article/4117012-sjws-sjw-ceo-richard-roth-q3-2017-results-earnings-call-transcript
https://seekingalpha.com/article/4008977-sjw-corporation-offers-good-growth-potential