

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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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)

**PROTEST OF THE  
OFFICE OF RATEPAYER ADVOCATES**

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February 9, 2018

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**I. INTRODUCTION**

Pursuant to Rule 2.6 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules), the Office of Ratepayer Advocates (ORA) hereby submits this protest to the *Application of San Jose Water Company [SJWC] for Authority to Increase Rates for Water Service* (Application (A.) 18-01-004) filed and served on January 4, 2018.

A.18-01-004 seeks authorization to increase SJWC's revenues through 2021 a total of 20.3 percent above those estimated at current rates. The Application seeks approval of a number of additional requests, including approval of various customer fees, surcharges, and other mechanisms that impact the ultimate charges assessed to SJWC's ratepayers.

This Protest is timely because A.18-01-004 first appeared on the Commission's Daily Calendar on January 10, 2018. Therefore, the deadline for response under Rule 2.6(a) and Rule 1.15 is February 9, 2018.

## **II. DISCUSSION**

### **A. Application**

In its Application, SJWC requests the following:

1. Commission approval of a general increase in rates for water services
2. Approval of additional requests, including authorization for various fees, surcharges, and other mechanisms, some of which will ultimately impact ratepayers' bills.

### **B. Issues Anticipated**

ORA is conducting the necessary discovery, investigation, and review to address issues raised in the Application, and to determine whether SJWC's estimated levels of revenues, expenses, and rate base are just and reasonable. ORA will also be reviewing SJWC's Application to ensure that the company's requests are appropriate and in the public interest.

This Protest provides a non-exhaustive, identification of general issues ORA will examine. ORA reserves the right to identify additional issues for consideration. At present, ORA intends to review:

1. SJWC's proposed revenue increases for Test and Escalation Years, including SJWC's methodologies for projecting its number of customers, sales, and revenue;
2. SJWC's proposed ratebase, and in particular, the potential inclusion of both construction work in progress (CWIP) and capitalized interest therein;
3. SJWC's proposed investor return on ratebase with respect to the final decision adopted in SJWC's pending Cost of Capital Application (A.17-04-001);
4. SJWC's projected tax expenses and tax deferrals, as well as SJWC's treatment of excess deferred tax reserves, particularly in light of recent federal corporate income tax legislation;

5. SJWC’s proposed Operations and Maintenance expenses, including labor expenses, purchase service expenses, and conservation expenses;
6. SJWC’s proposed Administrative and General Expenses, including the company’s projected growth in salaries, purchased materials, uninsured damages, and outside legal services;
7. SJWC’s projected plant improvements, including an examination of previously-funded projects, contingency and overhead values, proposed vehicle replacements, a proposed acoustic leak detection project, proposed solar projects, and SJWC’s pipeline replacement program;
8. SJWC’s projected depreciation expenses and the underlying assumptions for retirements, and negative salvage values;
9. SJWC’s proposed rate design, including its proposal to increase the proportion of its metered revenue collected through fixed charges<sup>1</sup> from 30 percent to 40 percent;
10. SJWC’s special requests for a full water revenue adjustment mechanism (WRAM) and Modified Cost Balancing Account (MCBA), as well as for a Sales Reconciliation Mechanism (SRM);
11. SJWC’s special requests for recovery of balances in memorandum and balancing accounts, including its Monterey-style WRAM (M-WRAM), Intervenor Compensation Memorandum Account, Calero Tank Site Memorandum Account, Mandatory Conservation Memorandum Account, and Drinking Water Fees Memorandum Account;
12. SJWC’s special request for recovery of \$1.24 million in its Hydro Generation Research, Development and Demonstration Memorandum Account and for authority to close this account;

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<sup>1</sup> “Fixed charges” are also referred to as “readiness-to-serve charges,” “meter charges,” or “service charges.”

13. SJWC’s special request for a Healthcare Cost Balancing Account;
14. SJWC’s special request for a Fluoride Treatment Memorandum Account;
15. SJWC’s water quality, including actions taken or proposed to improve the overall safety and reliability of the service provided;
16. SJWC’s customer billing system, for issues related to accuracy of SJWC meters, as well as rejected Advice Letter 510 and suspended Complaint (C.)17-06-009, both of which address the same topic – certain SJWC billing practices – and neither of which are the subject of pending Commission proceedings;<sup>2</sup> and,
17. SJWC’s overall customer service, including the means by which SJWC notifies and makes available to customers its requests for regulatory relief.

### **III. CATEGORIZATION**

Categorization refers to the Commission determining which statutory category the Application fits in – whether it is an “adjudicatory,” “ratesetting,” or “quasi-legislative” proceeding. Rule 1.3(e) of the Commission’s Rules describes “ratesetting” proceedings as proceedings in which the Commission sets or investigates rates for a specifically named utility, or establishes a mechanism that in turn sets the rates for a specifically named utility. SJWC’s proposed categorization of this proceeding as ratesetting is correct.

### **IV. NEED FOR EVIDENTIARY HEARINGS AND PROCEEDING SCHEDULE**

While the prospect exists that this proceeding may be resolved through settlement, evidentiary hearings may still be necessary. Therefore, the Commission should adopt a

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<sup>2</sup> See Letter to John Tang, Vice President of Regulatory Affairs, SJWC, from Rami Kahlon, Director of CPUC Water Division, re: Disposition of Advice Letter No. 510, Aug. 22, 2017 (rejecting AL 510); see also Vol. 1 of Reporter’s Transcript for Pre-Hearing Conference in Complaint (C.) 17-06-009 at 14-15, (suspending the complaint pending the resolution of the complaint in another proceeding).

schedule that allows parties time to conduct discovery, prepare testimony and participate in evidentiary hearings. Further, SJWC’s customers — who will be impacted by the outcome of this proceeding — should have an opportunity to express any particular concerns or other contributions they may have regarding this proceeding. Therefore, a minimum of at least one public participation hearing in SJWC’s service territory should be scheduled early in this proceeding’s schedule.<sup>3</sup>

The schedule proposed in SJWC’s final application generally follows the guidelines of the Rate Case Plan for Class A Water Utilities.<sup>4</sup> The schedule proposed herein makes slight adjustments to reflect that SJWC’s Application was calendared on January 10, 2018, to reflect SJWC’s proposal to ORA to extend the time it has to submit its 45-day update, and to increase the time allowed for settlement negotiations. The schedule proposed below represents an agreement between ORA and SJWC. In the event that the parties or the Commission need additional time to resolve this proceeding, note that this schedule allows seven additional weeks<sup>5</sup> after the proposed Commission Decision date, before the date on which rates from this proceeding should take effect, allowing for additional voting meetings to address this Application should the Commission not take it up on the date proposed.

<b>DATE</b>	<b>ITEM</b>
January 10, 2018	Application Filed (per Daily Calendar)
January 20 to March 26, 2018	Prehearing Conference
January 20 to April 10, 2018	Public Participation Hearing
February 9, 2018	Protests Due

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<sup>3</sup> Pub. Util. Code Section 1711(a).

<sup>4</sup> D.07-05-062, Appendix A, at A-5.

<sup>5</sup> The last Commission meeting of 2018 is scheduled for December 13, 2018.

February 28, 2018	Final Update of SJWC Showing
April 23, 2018	ORA and Intervenors Serve Testimony
May 7, 2018	SJWC Rebuttal Testimony Served
May 7 to May 22, 2018	Settlement Discussions and ADR
May 23 to May 27, 2018	Evidentiary Hearings
June 26, 2018	Opening Briefs Filed and Served
June 26, 2018	Motion for Interim Rates
June 27, 2018	Mandatory Status Conference
July 12, 2018	Reply Briefs Filed with Comparison Exhibit
July 16, 2018	Water Division Technical Conference
September 14, 2018	Proposed Decision mailed
October 4, 2018	Comments on PD
October 9, 2018	Reply Comments
October 17, 2018	Commission Decision

## V. CONCLUSION

For the reasons stated above, ORA protests SJWC's Application. The Application raises several issues regarding the level of expenses, revenues, and capital spending sought by SJWC. The prudence of those expenditures must be reviewed to ensure that the relief requested is just and reasonable. Hearings may be required, and a schedule should be established that allows for a diligent review of the requested relief. As discovery is not complete and intervenor testimony has not been served, ORA reserves the right to address any other issues discovered in the course of this proceeding.

Respectfully submitted,

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