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**FILED**

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**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

**SCOPING MEMORANDUM AND RULING OF ASSIGNED COMMISSIONER**

**Summary**

This Scoping Memo and Ruling (Scoping Memo) sets forth the category, issues, need for hearing, schedule, and other matters necessary to scope this proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.<sup>1</sup>

**1. Background**

On January 4, 2018, San Jose Water Company (SJWC) filed Application (A.) 18-01-004 seeking authority to increase general rates by \$34,288,100 or 9.76 percent in 2019, by \$14,231,800 or 3.70 percent in 2020, and by \$20,581,700 or 5.17 percent in 2021. SJWC also seeks approval of a number of additional requests, including approval of various customer fees, surcharges and other mechanisms that impact charges assessed to SJWC's ratepayers.

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<sup>1</sup> California Code of Regulations, Title 20, Division 1, Chapter 1; hereinafter, Rule or Rules.

Water Advocates for Transparency, Equity, and Sustainability responded to the application on February 7, 2018. The Office of Ratepayer Advocates (ORA) protested the application on February 9, 2018. SJWC replied to the response and protest on February 20, 2018. On March 9, 2018, the assigned Administrative Law Judge (ALJ) issued a ruling granting SJWC a 45-day extension of time in which to complete its rate case filing and simultaneously adopted a schedule for the balance of the proceeding that was not objected to by parties. On April 19, 2018, a prehearing conference (PHC) was held to determine the issues in the proceeding and to ratify the previously announced schedule for the balance of the proceeding.

On March 15, 2018, San Jose Water Group (parent company to SJWC) and Connecticut Water Service, Inc. announced plans to combine through a merger of equals. San Jose Water Group and Connecticut Water Service, Inc. have stated that they expect the transaction to close by the end of 2018,<sup>2</sup> which is in advance of the 2019 Test-Year contemplated in SJWC's application. At the time of this ruling, the Commission is in the process of determining the appropriate procedural pathway for bringing the proposed merger before the Commission for consideration.

On May 30, 2018, a Public Participation Hearing (PPH) was held at the San Jose City Council hearing room. The PPH was attended by approximately 100 people, of whom 38 offered comments. Nearly all individual ratepayers who spoke opposed the requested increase. Among other issues raised by ratepayers attending the PPH were the allegedly excessive level of existing rates;

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<sup>2</sup> <https://www.sjw-ctws.com/wp-content/uploads/2018/03/SJW-Group-and-Connecticut-Water-Service-Inc.-to-Combine-in-All-Stock-Tr....pdf>

the impact on ratepayers of the proposed merger between San Jose Water Group and Connecticut Water Service, Inc.; and alleged overbilling by SJWC.

## **2. Scope of the Proceeding**

The scope of this proceeding has been defined based on the application, protests, response, discussions during the PHC, concerns raised at the PPH, and SJWC's responses to data requests. The purpose of this proceeding is primarily to establish just and reasonable rates for the period from 2019 to 2021 and to make all other necessary orders for SJWC to offer safe and reliable service. The scope of the proceeding includes:

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 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 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 from 30 percent to 40 percent;
  10. SJWC's special requests for a full water revenue adjustment mechanism (WRAM) and Modified Cost Balancing Account, as well as for a Sales Reconciliation Mechanism;
  11. SJWC's special requests for recovery of balances in memorandum and balancing accounts, including its Monterey-style 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;
  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 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 proceedings;

17. SJWC’s overall customer service, including the means by which SJWC notifies and makes available to customers its requests for regulatory relief; and
18. Whether any ratemaking adjustments are warranted in light of the proposed merger between San Jose Water Group and Connecticut Water Service, Inc.

**3. Need for Evidentiary Hearings**

It was preliminarily determined by the Commission in Resolution ALJ 176-3412 dated February 9, 2018, that evidentiary hearings are required. We confirm the preliminary determination.

**4. Schedule**

The Schedule for the remainder of this proceeding is set out in the June 21, 2018 ruling of the Administrative Law Judge (ALJ) as follows:

Event	Date
Final Update of SJWC Showing	March 16, 2018
ORA and Intervenors Serve Testimony	May 23, 2018
SJWC Rebuttal Testimony Served	June 8, 2018
Settlement Discussions and ADR	June 8 to June 24, 2018
Evidentiary Hearings	July 9 to July 13, 2018
Motion for Interim Rates	July 26, 2018
Mandatory Status Conference	July 27, 2018
Opening Briefs Filed and Served	July 30, 2018
Reply Briefs Filed with Comparison Exhibit	August 9, 2018
Water Division Technical Conference	August 10, 2018
Proposed Decision Mailed	October 9, 2018
Comments on Proposed Decision	October 29, 2018
Reply Comments on Proposed Decision	November 5, 2018
Commission Decision	November 8, 2018

**5. Category of Proceeding/*Ex Parte* Requirements**

The category of the proceeding is ratesetting, as preliminarily determined by the Commission in Resolution ALJ 176-3412. *Ex parte* communications are restricted and subject to reporting requirements pursuant to Rule 8.1 *et seq.*

**6. Filing, Service and Service List**

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process Office, the service list and the ALJ. Persons may become a party pursuant to Rule 1.4. When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocols set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail whenever possible, transmitted no later than 5:00 p.m. on the date scheduled for service to occur. Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents. In this proceeding, parties are directed to serve documents to the assigned ALJ and assigned Commissioner in electronic format only. Parties are directed not to serve a paper copy on the assigned ALJ or the assigned Commissioner. This is a modification of Rule 1.10.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at [process\\_office@cpuc.a.gov](mailto:process_office@cpuc.a.gov) to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f).

The Commission now has a system for the electronic submission of supporting documents, such as testimony and workpapers that are not formally

filed. The instructions for submitting supporting documents are attached as Appendix A to this Scoping Memo and Ruling.

**7. Outreach Pursuant to Public Utilities Code Section 1711(a)**

Public Utilities Code Section 1711(a) states:

Where feasible and appropriate, except for adjudication cases, before determining the scope of the proceeding, the commission shall seek the participation of those who are likely to be affected, including those who are likely to benefit from, and those who are potentially subject to, a decision in that proceeding. The commission shall demonstrate its efforts to comply with this section in the text of the initial scoping memo of the proceeding.

The News and Outreach Office has not published a description of this proceeding in its Newsletter.

**8. Intervenor Compensation**

Pursuant to Pub. Util. Code § 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by May 19, 30 days after the prehearing conference.

**9. Public Advisor**

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 866-849-8390 or 415-703-2074 or 866-836-7825 (TYY), or send an e-mail to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

**10. Service of Documents on Commissioners and Their Personal Advisors**

Rule 1.10 requires only electronic service on any person on the official service list, other than the administrative law judge (ALJ).

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must NOT send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

**11. Assignment of Proceeding**

Carla J. Peterman is the assigned commissioner and Karl J. Bemesderfer is the assigned ALJ in this proceeding. ALJ Bemesderfer is designated as the presiding officer.

**IT IS RULED that:**

1. The scope of this proceeding is as set forth above.
2. The schedule of this proceeding is as set forth above.
3. This proceeding is categorized as ratesetting.
4. Evidentiary hearings are needed.

Dated June 28, 2018, at San Francisco, California.

          /s/ CARLA J. PETERMAN            
Carla J. Peterman  
Assigned Commissioner

## **APPENDIX A**

### **Electronic Submission and Format of Supporting Documents**

The Commission's web site now allows electronic submittal of supporting documents (such as testimony and work papers). Parties shall submit their testimony or work papers in this proceeding through the Commission's electronic filing system.<sup>1</sup> Parties must adhere to the following:

- The Instruction for Using the "Supporting Documents" Feature, (<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=158653546>) and
- The Naming Convention for Electronic Submission of Supporting Documents (<http://docs.cpuc.ca.gov/SearchRes.aspx?docformat=ALL&DocID=100902765>).
- The Supporting Document feature does not change or replace the Commission's Rules of Practice and Procedure. Parties must continue to adhere to all rules and guidelines in the Commission's Rules of Practice and Procedure including, but not limited to, rules for participating in a formal proceeding, filing and serving formal documents and rules for written and oral communications with decision makers.

**(END OF APPENDIX A)**

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<sup>1</sup> These instructions are for submitting supporting documents such as testimony and work papers in formal proceedings through the Commission's electronic filing system. Parties must follow all other rules regarding serving testimony. Any document that needs to be formally filed such as motions, briefs, comments, etc., should be submitted using Tabs 1` through 4 in the electronic filing system.