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Exhibit Number	:	ORA - ____
Commissioner	:	L. Randolph
Administrative Law Judge	:	P. Tsen
ORA Witnesses	:	T. Tully E. Odell R. Keowen J. Menda S. Han M. Dawadi H. Merida

OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

ORA's Report and Recommendations on the

RESULTS OF OPERATIONS
OF
SAN JOSE WATER COMPANY

Test Year 2016 and
Escalation Years 2017 and 2018
Application 15-01-002

PUBLIC VERSION

San Francisco, California
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MEMORANDUM

This report was prepared by staff of the Office of Ratepayer Advocates ("ORA") under the general supervision of Program Manager, Danilo Sanchez, and Program & Project Supervisor, Richard Rauschmeier. ORA is represented in the proceeding by legal counsel, John Reynolds.

The table below identifies the names of ORA witnesses and the sections of this report for which they are responsible. A statement of qualifications for each ORA witness is presented in Appendix B to this report.

Section	Description	Team Member
-	Executive Summary	Tony Tully
Chapter: 1	Rate Design and Revenues	Eileen Odell
Chapter: 2	Operating Expenses	Roy Keoneu
Chapter: 3	Labor and Payroll	Roy Keoneu
Chapter: 4	Utility Plant In Service	Justin Menda
Chapter: 5	Income Taxes	Sung Han
Chapter: 6	Taxes Other Than Income	Sung Han
Chapter: 7	Ratebase	Mukunda Daewedi
Chapter: 8	Water Quality	Justin Menda
Chapter: 9	Customer Service	Herbert Merida
Chapter: 10	Memorandum and Balancing Accounts	Roy Keoneu
Chapter: 11	General Order 103-A Water Quality Compliance Acknowledgement	Justin Menda
Chapter: 12	Other Relief Sought	Herbert Merida
Chapter: 13	Revenue Decoupling	Tony Tully
Appendix: A	Results of Operations Tables	Mukunda Daewedi
Appendix: B	Statement of Qualifications	All

In preparing this report, ORA has prioritized analyses and recommendations based upon resources available. Therefore, the absence from this report of analysis or recommendations on any particular item contained within the Application ("A.") A.15-01-002 should not be considered as ORA's agreement with any underlying request or policy position related to that item.

EXECUTIVE SUMMARY

In Application A.15-01-002, San Jose Water Company requests increases of $34,031,000 or 11.88 % in 2016, $10,111,000 or 3.06% in 2017, and $16,590,000 or 4.78% in 2018. As shown in the table below, ORA recommends an increase of no more than $23,468,000 or 8.54% in 2016, $13,803,000 or 4.42% in 2017, and $16,261,000 or 4.95% in 2018.

Year	SJWC Requested Increase	SJWC % Increase	ORA Recommended Increase	ORA % Increase
2016	$ 34,031,000	11.88%	$ 23,468,000	8.54%
2017	$ 10,111,000	3.06%	$ 13,803,000	4.42%
2018	$ 16,590,000	4.78%	$ 16,261,000	4.95%

More than one-quarter of ORA's calculated increase in 2016 rates is the direct result of the lower consumption forecasts developed in response to recent state mandates for increased conservation. ORA's original calculated increase for the Test Year 2016 was 6.27%, but was revised for SJWC's most recent consumption forecasts that were developed in response to the Governor's Executive Order B-29-15. ORA is also recommending a more evenly distributed implementation of the recycled water programs as opposed to the accumulative total being placed in 2016 rates as proposed by San Jose Water Company. This recommendation results in ORA's calculation of a higher 2017 and 2018 rate increase than that requested by the company.

After examining the books and records of the San Jose Water Company and testing for reasonableness and prudency, the following is a summary of the foremost differences between San Jose Water Company's requests and ORA's recommendations.

Cost of Labor

San Jose Water Company requests a total labor budget of $42,495,000 as the result of increases in staffing, salaries and benefits. ORA recommends reducing that amount to $34,565,000. The 18.66% reduction can be attributed to the following ORA recommendations:

- An adjustment to exclude labor attributed to non-tariffed products & services
- An adjustment to use the latest CPUC ECOS Memorandum labor factors, and to use 2014 recorded costs for base-year estimates for administrative and officer payroll
- An adjustment to exclude bonuses from the forecast
- An adjustment to exclude temporary and part-time labor
- An adjustment to reduce administrative and officers' labor escalation factors
- An adjustment to reduce the number of requested new positions from 33 to 5
- An adjustment to overtime to use a 5-year average instead of a 3-year average.

Conservation

San Jose Water Company is asking for a $12,138,200 increase in projects associated with conservation over the 3-year rate case cycle. ORA is recommending an increase of $7,252,000 for a difference of $4,886,200 or 40.25%. The 40.25% reduction can be attributed mainly to ORA's recommendation to deny WRAM and associated conservation expenses.

Since 1995 there has been a significant decline in SJWC customer water consumption and this trend will likely continue as a result of the drought and mandatory rationing resulting from Executive Order B-29-15. Consequently, more of SJWC's costs will be spread over a smaller amount of water sales resulting in a slight increase in standard water rates. Current conservation programs already offered by San Jose Water Company and the Santa Clara Valley Water District, existing Drought Memorandum Accounts, increased rates resulting from lower sales forecasts, and an expanded recycled water program should be adequate for achieving the necessary levels of conservation.

Capital Improvement Projects

San Jose Water Company requests gross plant additions of $105,589,700 for 2015, $113,927,100 for 2016, and $116,024,000 for 2017 for a total of $335,540,800. ORA recommends $104,157,684 for 2015, $104,749,084 for 2016, and $103,521,403 for 2017 for a total of $312,428,171. The total difference between ORA's and SJWC's recommendations equal $23,112,629, or 6.89%, is based on the necessity of projects and estimated costs.

CHAPTER 1: CUSTOMERS, CONSUMPTION, REVENUES, & RATE DESIGN

A. INTRODUCTION

This chapter presents the Office of Ratepayer Advocates' (ORA) analysis and recommendations concerning San Jose Water Company's (SJWC) projected operating revenues for TY 2016, 2017, and 2018, and SJWC's methodology in determining these revenues. In order to calculate projected operating revenues for TY 2016, SJWC considers forecasts of anticipated numbers of customers and anticipated water consumption per customer. This chapter also analyzes SJWC's rate design. ORA reviewed SJWC's Report on the Result of Operations, supporting workpapers, responses to data requests, authorized tariffs and data from previously submitted applications to arrive at the recommendations contained in this chapter.

B. SUMMARY OF RECOMMENDATIONS

Based on ORA's independent evaluation of SJWC's proposals, ORA finds that most of SJWC's proposed consumption and customer count estimates are reasonable and based on established forecasting methods or reasonable deviations therefrom. For example, SJWC deviates from the New Committee Method of forecasting customer consumption and ORA goes into detail below explaining this deviation and why it is reasonable, given the extended drought conditions in California. Thus:

- ORA recommends adopting SJWC's consumption forecasts for all customer classes other than "Industrial," which should be adjusted to account for an error in SJWC workpapers.

- ORA recommends adopting SJWC's forecasts for projecting changes in customer amounts for all classes[1] except "Other." ORA recommends using a four-year average to estimate changes in customer numbers for the "Other" class of customers, which consists of temporary meters used by construction projects, as the five-year average used by SJWC overstates the lingering effects of the recession in 2010.

- As discussed below, while ORA recommends no changes to SJWC's rate design in this GRC proceeding, it should be noted that rate design changes should be considered when SJWC files its Schedule 14.1 Tier 2 advice letter requesting authorization for Mandatory Rationing rates, as required by Commission Resolution W-5034.[2]

C. DISCUSSION

A forecast of customers, consumption, and revenues at present rates is important not for determining future revenue requirements – as revenue requirements in ORA's report are based upon the total of estimated expenses and a return on estimated investment – but rather for calculating the percentage increase

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[1] A.15-01-002, Exhibit E, Chapter 7, Customers, Sales, and Operating Revenues, pages 7-1 to 7-2. SJWC has eight customer classes: Residential, Business, Industrial, Public Authority (such as schools and other government facilities), Resale (sales to mutual water companies and other water providers), Raw Water (SJWC has four "raw" accounts with its own treatment facilities), Recycled Water, and other (mainly consisting of portable connections for construction projects).

[2] Res. W-5034, page 4.

or decrease in customer rates that is necessary to arrive at estimated revenue requirements.

To illustrate, an unchanged or lower estimated revenue requirement might still result in a requested rate increase if the number of customers or the consumption per customer has decreased relatively more. Under this scenario, since the same amount of cost (i.e. revenue requirement) will need to be recovered from a smaller number of customers or gallons-of-water sold, an increase in rates would follow. Conversely, if estimates of total revenue fail to include all sources of revenue that will be collected under existing customer tariffs, an unnecessarily high rate increase percentage to meet the estimated revenue requirement will result. Consumption and revenues is also important in determining the tariff rates that result from the final adopted revenue requirement and rate design,

ORA recommends the following adjustments to SJWC's estimates of customers, consumption, and revenues.

1) Estimated Number of Customers

ORA recommends an adjustment to SJWC's customer count estimates for the "Other" customer class. The Commission's Rate Case Plan for Class A Water Utilities (RCP) recommends that Class A water utilities such as SJWC "[f]orecast customers using a five-year average of the change in the number of customers by customer class."[3] SJWC utilizes this method for Residential, Business, Public Authority, and Industrial customer classes. For Resale customers, SJWC uses the

[3] CPUC Opinion Adopting Revised Rate Case Plan for Class A Water Utilities, Decision 07-05-062, Appendix A, Rate Case Plan and Minimum Data Requirements, at 22-23, n. 4.

five-year average total number of customers, rather than the five-year average change in customers to predict future customer totals, noting that customer totals have remained steady over time and predicting no growth in this customer class in TY 2016, 2017, or 2018. SJWC projects no changes to customer counts for their Raw Water customer class, as Raw Water accounts are those SJWC holds with its own treatment facilities.[4] ORA recommends no changes to these customer forecasts.

For "Other" metered services, consisting primarily of portable meters used by contractors to procure water from nearby hydrants during construction projects, SJWC also uses a five-year average change to predict future customer numbers, resulting in a forecasted decrease in customers in TY 2016, 2017 and 2018. In this case, however, the five-year average may be overly influenced by decreased construction in 2010 caused by the recession. Indeed, when originally forecasting sales for this customer class, SJWC notes that "[t]he [sales] data reflect the poor state of the local housing construction industry in 2009 and 2011, and a modest recovery in 2012 and 2013."[5] Thus, SJWC originally used a two-year average (2012-2013) to forecast total sales. To account for recovery in the local housing industry, ORA recommends using a four-year average (2011-2014) change in customers.

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[4] A.15-01-002, Exhibit E, Chapter 7, Customers, Sales, and Operating Revenue, page 7-1 through 7-2.

[5] A.15-01-002, Exhibit E, Chapter 6, Report on Demand Forecasts, page 11.

Table 1-A: Other" Customer Count Forecasts

Year	SJWC's Estimated Number of "Other" Customers	ORA's Recommended Number of "Other" Customers
2009 (actual)	203	203
2010 (actual)	152	152
2011 (actual)	157	157
2012 (actual)	173	173
2013 (actual)	188	188
2014 (actual)	192	192
2015	190	202
TY 2016	188	212
2017	186	222
2018	184	232

2) Estimated Water Consumption

ORA recommends adopting SJWC's updated consumption forecasts for Residential, Business, Public Authority, Resale, Raw Water, "Other," and Recycled Water customer classes. ORA recommends adjustments to the Industrial customer class consumption forecasts, to account for an error in SJWC's workpaper. SJWC reasonably deviates from the "New Committee Method," the Commission's required forecasting method described in its RCP,[6] when

[6] The New Committee Method requires that water utilities apply a multiple regression analysis to monthly data for ten years, if available, to predict future sales. If ten years of data is not available, utilities are to use all available data, but not less than five years of data. If less than five years of data is available, the utility and ORA will have to jointly decide on an appropriate method to forecast the projected level of average consumption. Utilities are to use 30-year averages for forecast values for temperature

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forecasting consumption for TY 2016, 2017, and 2018. This section begins by describing the methodologies SJWC used to determine its consumption forecasts, and highlights ORA's recommendations where appropriate. This section concludes with a discussion in greater detail of ORA's reasons for recommending no changes to SJWC's updated consumption forecasts for all customer classes except Industrial.

(a) SJWC's Consumption Forecasts

ORA recommends adopting SJWC's updated consumption forecasts for all customer classes, except Industrial. SJWC updated the forecasts submitted in its General Rate Case Application filed in January, 2015[7] to account for recent mandatory rationing initiatives,[8] discussed further below. However, it is useful to describe SJWC's original forecasts and methodologies in order to better explain the rationale and reasonableness of SJWC's Updated Forecasts.

In its original application filing, SJWC describes three methods for forecasting consumption:

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and rain, and are to remove periods from the historical data in which sales restrictions (e.g. rationing(were imposed or the Commission provided the utility with sales adjustment compensation (e.g. drought memorandum account), but replace with additional historical data and obtain 10 years of monthly data, if available. CPUC Opinion Adopting Revised Rate Case Plan for Class A Water Utilities, Decision 07-05-062, Appendix A Rate Case Plan and Minimum Data Requirements, at 22-23, n. 4.

[7] A.15-01-002, Exhibit E, Chapter 6, Report on Demand Forecasts.

[8] Attachment 1-A: SJWC Response to ORA Data Request EO2-004, question 1.

- The New Committee Method;[9]

- The New Committee Method with a 1.5% per year reduction or "Conservation Adjustment,"[10] similar to that which was approved in SJWC's most recent previous rate case[11] and which SJWC describes as an "underlying conservation trend"[12]; and

- A Drought Effects Adjustment, predicting continued increased conservation in 2015 (based on the drastic reductions seen in 2014 from 2012-2013 levels) and predicting in 2016-2018, as drought conditions wane, a mix of a gradual increase in consumption, returning to the underlying conservation trend of 1.5% per year and continued conservation resulting from technological or "hard conservation" measures adopted during the drought.

In its original application, SJWC submits the Drought Effects Adjustment estimates as its residential and business consumption forecasts and uses the Conservation Adjustment estimates for most other customer classes (Industrial, Public Authority, Resales, and "Other").[13]

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[9] A.15-01-002, Exhibit E, Chapter 6, Report on Demand Forecasts, pages 5-11. *See also supra* note 6, (explaining the New Committee Method).

[10] A.15-01-002, Exhibit E, Chapter 6, Report on Demand Forecasts, page 12.

[11] D.14-08-006, page 14.

[12] A.15-01-002, Exhibit E, Chapter 6, Report on Demand Forecasts, Addendum, page 2.

[13] A.15-01-002, Exhibit E, Chapter 7, Customers, Sales, and Operating Revenue, page 7-1 through 7-2. For its Raw-Water customer class, in which SJWC has four accounts with its own facilities, SJWC expects no change in consumption. For its Recycled

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Table 1-B: SJWC's Original Residential and Business Consumption Forecasts

Residential, Average Use per Customer, Cubic Feet			
Year	**New Committee Method**	**Conservation Adjustment**	**Drought Effects Adjustment**
2013 (actual)	177.3	177.3	177.3
2014 (actual)	157.4	157.4	157.4
2015	172.8	171.2	156.8
TY2016	171.7	170.2	157.1
2017	170.7	169.2	157.5
2018	169.6	168.1	156.6
Business, Average Use per Customer, Cubic Feet			
Year	**New Committee Method**	**Conservation Adjustment**	**Drought Effects Adjustment**
2013 (actual)	958.1	958.1	958.1
2014 (actual)	896.1	896.1	896.1
2015	911.8	906.2	900.6
TY2016	903.8	892.2	892.6
2017	895.8	879.2	879.2
2018	887.8	866	886.7

However, as noted above, in an update to its original filing,[14] SJWC predicts that most of its customer classes will increase conservation efforts in response to recent, heavily-publicized calls for mandatory rationing and

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Water class, consumption forecasts are derived with methodologies found in SJWC's Recycled Water Master Plan, filed in response to ORA Data Request EO2-003. SJWC has not updated its Recycled Water forecasts from those originally submitted.

[14] On April 1, 2015 ORA issued a Data Request (EO2-004) addressing the Executive Order B-29-15, which calls for mandatory rationing, issued that day. ORA asked SJWC what affect the Executive Order would have on its application and recommended water consumption forecasts. On April 8, 2015 SJWC submitted new consumption forecasts in response to this data request. Due to the stage in this GRC proceeding at which the Governor issued his, and the limited time remaining in the schedule before testimony is due, ORA will treat these updated consumption estimates as amendments to SJWC's Application.

continuing drought conditions. In particular, in Executive Order B-29-15, signed April 1, 2015, Governor Edmund G. Brown called for a mandatory statewide reduction in urban potable water use by 25% from 2013 levels, in force through February 28, 2016.[15] Additionally, on March 24, 2015 the Santa Clara Valley Water District (SCVWD) from whom SJWC purchases "a major portion of the company's water supply"[16] called for a 30% reduction in use from 2013 levels.[17]

To account for these directives to reduce consumption in its forecasts, SJWC updated its forecast methodology and estimates, evaluating each customer class except Recycled Water, Raw Water and "Other," similarly.[18] In its update, SJWC begins with a baseline consumption amount, derived from 11 months of 2013 consumption data (all months except March).[19], [20] 2013 data provides a

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[15] California Executive Order B-29-15, signed April 1, 2015.

[16] A.15-01-002, Exhibit E, Chapter 3, Present Operations, page 3-2.

[17] Attachment 1-A: SJWC response to ORA Data Request EO2-004, question 1.

[18] For its Raw-Water customer class, in which SJWC has four accounts with its own facilities, SJWC expects no change in consumption. *See* A. 15-01-002, Exhibit E, Chapter 7, Customers, Sales, and Operating Revenues, page 2, and corresponding workpapers. For its Recycled Water class, consumption forecasts are described in Chapter 20 of Exhibit E, Recycled Water, using methodologies found in SJWC's Recycled Water Master Plan, filed in response to ORA Data Request EO2-003. ORA recommends no changes to these forecasts. "Other" is the only customer class that has increased its average usage per consumer from 2013 levels. Because this class has not achieved any conservation, no future conservation is predicted. Attachment 1-A: SJWC response to ORA Data Request EO2-004, question 1.

[19] Attachment 1-B: SJWC Response to ORA Data Request EO2-005, question 1, *see* Variresuse V2update.xls.

[20] March is excluded from baseline calculations because the most-recent data SJWC has for measuring response to pressure for conservation is from April, 2014 through February, 2015. No conservation data for March has been collected, so excluding the

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reasonable baseline as this is the baseline against which the mandatory rationing directives listed above measure reductions. SJWC compares the 2013 residential consumption figure with the total consumption figure for the most recent 11 months for which SJWC has data: April 2014[21]- February 2015. For example, SJWC found that, in these 11 months, residential customers were able to decrease consumption by 16% from 2013 usage ("reduction to-date").[22]

ORA recommends making an adjustment to the Industrial customer class consumption to correct an anomaly in the workpapers where both March and April data are excluded from the 2013 total and only 10 months of most recent data are

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same month from the baseline data would allow for a direct comparison in conservation behavior without affecting the overall percent reduction value.

[21] SJWC states that April 2014 is a reasonable date from which to start measuring consumer response to the drought. They cite the Governor's January, 2014 proclamation of a State of Emergency calling for voluntary 20% reduction in consumption by 2020, but note that their customers didn't appear to respond with decreased consumption until April 2014, when the Governor issued an Executive Order prescribing specific rationing behaviors for various consumer classes "to speed up action to conserve water[,]" among other directives. A.15-01-002, Exhibit E, Chapter 6, Addendum at page 1. Further, on April 24, 2014, the Santa Clara Valley Water District, from whom SJWC purchases "a major portion of the Company's water supply" announced expanded rebate programs for water-efficient fixtures. A. 15-01-002, Exhibit E, Chapter 3, Present Operations, page 3-2; Chapter 6, Report on Demand Forecasts, Addendum, page 1. Finally, in March of 2014, SJWC instituted its water savings program, adopting water conservation rules designed to achieve the 20% conservation target set by the Governor. *Id*. SJWC believes these triggers caused customer response, first measureable in April 2014 usage. It is this *response*, seen in April 2014-present day data that SJWC is using to predict the response to further increased (and now mandatory) calls for rationing.

[22] Attachment 1-A: SJWC Response to ORA Data Request EO2-004, question 1; Attachment 1-B: SJWC Response to ORA Data Request EO2-005, question 1

used in comparison.[23] When April is included and the same 11-month data span is used for the Industrial class as is used for other classes, Industrial's reduction to-date decreases from 9% to 6% below 2013 totals.

SJWC predicts that because SCVWD has increased its call for mandatory rationing to 30% from 20%, customers will react with proportional success,[24] i.e. because rationing directives have increased from 20% to 30%, residential customers will increase conservation from 16% to 24% from mid-April 2015 through mid-April of 2016, for example.[25] Similarly, because business customers achieved a 9% reduction in 2014, beginning in mid-April 2015 consumption is expected to be 14% lower than 2013 levels, continuing in this trend through mid-April 2016.[26]

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[23] Attachment 1-B: SJWC Response to ORA Data Request EO2-005, question 1, see Non-Res Sales Statsupdate.xls, Tab: Industrial Sales by Mo.

[24] Attachment 1-A: SJWC Response to ORA Data Request EO2-004, question 1.

[25] Attachment 1-B: SJWC Response to ORA Data Request EO2-005, question 1, *see* Variresuse V2update.xls.

[26] Attachment 1-B: SJWC Response to ORA Data Request EO2-005, question 1, *see* Varibus V2update.xls.

Table 1-C: Forecasted Reductions from 2013 levels, with ORA's Industrial Class Adjustment[27]

Customer Class	% Reduction To-Date	% Reduction for Balance of 2015-April 2016	% Reduction from April 2016-April 2017
Residential	16%	24%	16%
Business	9%	14%	9%
Industrial	6%	9%	6%
Public Authority	15%	22%	15%
Resale	19%	29%	19%
Other	0%	0%	0%

Table 1-D: Industrial Forecasts

Year	SJWC's Industrial Forecasts (CCF)	ORA's Industrial Forecasts (CCF)
2013 (actual)	218,817	218,817
2014 (actual)	210,921	210,921
2015	197,767	206,314
TY 2016	196,088	203,850
2017	199,806	205,627
2018	203,523	207,405

SJWC assumes that future water years will return to normal precipitation,[28] thus SJWC predicts that in mid-April of 2016, as pressure to conserve decreases with the potential expiring of the Governor's Executive Order, Residential, Business, Industrial, Public Authority and Resale consumption will slowly

[27] Note that these percentages are not cumulative. For each year listed, the percentage reduction is simply the percentage reduction from 2013 levels, rather than an additional conservation reduction from prior-year levels.

[28] SJWC notes that the RCP requires that sales forecasting analyses should assume that all following winters will deliver normal rainfall. Attachment 1-A: Response to ORA

(continued on next page)

increase. For example, Residential conservation will return to a 16% reduction from 2013 levels.[29] Similarly, business consumption will return to its 9% reduction from 2013 levels, both changes reflecting a move back towards the underlying trend of conservation.[30] In 2017 and 2018, SJWC predicts that consumption will continue to increase as conservation behaviors wane with the assumed return to normal water years.[31]

Table 1-E: Original and Updated Forecasts

Residential, Average Use per Customer, Cubic Feet		
Year	**Drought Effects Adjustment**	**Updated Drought Forecasts**
2013 (actual)	177.3	177.3
2014 (actual)	157.4	157.4
2015	156.8	140.1
TY2016	157.1	146.6
2017	157.5	151.7
2018	156.6	158.1
Business, Average Use per Customer, Cubic Feet		
Year	**SJWC's Drought Effects Adjustment Forecasts**	**SJWC's Updated Drought Forecasts**
2013 (actual)	985.1	958.1
2014 (actual)	896.1	896.1
2015	900.6	844.5
TY2016	892.6	860.8
2017	879.2	865.4
2018	886.7	865.7

(continued from previous page)

Data Request EO2-004, question 1.

[29] Attachment 1-B: SJWC Response to ORA Data Request EO2-005, question 1, *see* Variresuse V2update.xls.

[30] Id.

[31] This 1.5% per year reduction was the adopted forecasting adjustment method for SJWC consumption estimates in its last general rate case.

(b) Drought Conditions Support SJWC's Consumption Forecasts

Aside from the correction of an error, ORA recommends no changes to SJWC's consumption forecast methodologies, as they reasonably account for rapid increases in conservation and increased pressure to maintain these conservation levels, when New Committee Method model results would not. SJWC attributes these increases in conservation and continued pressure to conserve to certain government and agency actions, including Governor Edmund G. Brown's Declaration of Drought Emergency on January 17, 2014, calling on Californians to reduce water consumption by 20%,[32] and the resulting increased publicity and public awareness of the severity of the current drought.

Pursuant to the Governor's direction in the Declaration of Drought Emergency, the State Water Resources Control Board approved Emergency Conservation Regulations on July 28, 2014, prohibiting certain water use activities and allowing for the collection of fines of up to $500 per day for violations as well as directing urban water suppliers to take certain measures with regards to their water shortage contingency plans.[33] These prohibitions will encourage the behavioral modifications described in SJWC's forecasts.

Additionally, subsequent measures by the Santa Clara Valley Water District (SCVWD), including the extension and/or increase of certain conservation rebate

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[32] "Governor Brown Declares Drought State of Emergency," Jan. 17, 2014, available at http://ca.gov/Drought/news/story-27.html.

[33] 23 CFR §§ 863-865. These regulations were amended and extended on March 27, 2015. State Water Resources Control Board Website: http://www.oal.ca.gov/Recent_Actions_Taken_on_Emergency_Regulations.htm

programs through December 31, 2015,[34] will encourage those "hard conservation" measures supporting certain assumptions in SJWC's forecasts (e.g. landscape conversions, high-efficiency toilet and clothes washer conversions, and laundry-to-landscape gray water systems). These rebates are open to all qualifying Santa Clara County residents, including SJWC customers.[35]

SJWC offers a direct conservation program in addition to the SCVWD rebate programs. Its cornerstone project, a water audit program, is available to single-family homes, multi-family dwellings, and commercial customers. "During the water audit, a trained water conservation inspector demonstrates how to read the meter, detect leaks and estimate the volume of any leaks discovered. At the end of the audit, [SJWC] provide[s] additional conservation tips based on the results of the audit. [SJWC] also makes referrals to other programs, if applicable."[36] While many aspects of the water audits seek to increase behavioral changes, hard conservation practices are also increased, as SJWC distributes complimentary low-flow devices during these audits and may identify leaks or other facilities-based malfunctions.[37]

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[34] Santa Clara Valley Water District Website, "District calls for 30% conservation, lawn watering 2 days a week," http://www.valleywater.org/EkContent.aspx?id=12380, last visited Apr. 15, 2015.

[35] Santa Clara Valley Water District Website, "Rebates," http://www.valleywater.org/programs/rebates.aspx, last visited, Mar. 25, 2015.

[36] San Jose Water Company Website, "Water Audit Program," http://www.sjwater.com/for_your_information/save_water_money/water_audit_program last visited Apr. 15, 2015.

[37] Id.

As noted above, since SJWC filed its GRC application in January, 2015, the Governor issued another executive order, this time directing the State Water Resources Control Board (SWRCB) to institute mandatory water rationing in California for the first time.[38] The rationing should:

"…achieve a statewide 25% reduction in potable urban water usage through February 28, 2016. These restrictions will require water suppliers to California's cities and towns to reduce usage as compared to the amount used in 2013. These restrictions should consider the relative per capita water usage of each water suppliers' service area, and require that those areas with high per capita use achieve proportionally greater reductions than those with low use. The California Public Utilities Commission is requested to take similar action with respect to investor-owned utilities providing water services."[39]

Pursuant to this Executive Order, the SWRCB issued Mandatory Conservation Proposed Regulatory Framework (MCPRF) on Apr. 7, 2015.[40] The MCPRF apportions water use reductions across urban suppliers based on their September, 2014 reported gallons-per-capita-daily (R-GPCD).[41] With a

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[38] "Governor Brown Directs First Ever Statewide Mandatory Water Reductions," Apr. 1, 2015, available at http://gov.ca.gov/news.php?id=18910

[39] Id.

[40] State Water Resources Control Board Website, "Mandatory Conservation Proposed Regulatory Framework," issued Apr. 7, 2015, available at http://www.waterboards.ca.gov/waterrights/water_issues/programs /drought/emergency_mandatory_regulations.shtml (under "Documents" tab).

[41] Id.

September 2014 R-GPCD of 94.6, SJWC potentially falls into Tier 2,[42] meaning it may be required to reduce consumption by 20% from 2013 levels through February 2016 to comply with SWRCB regulations. The proposed regulations highlight stringent enforcement mechanisms that may be taken against urban water suppliers not in compliance: Comments on these proposed regulations are to be submitted by April 13, 2015 and the proposed regulations will be voted on in early May.[43]

SJWC's original consumption forecasts do not predict that it will achieve the 20% reduction potentially required by SWRCB, let alone the 25% statewide mandate or the 30% reduction instituted by SCVWD. Its updated forecasts take into consideration these later governmental actions, particularly those requiring mandatory reductions, and reasonably estimate progress towards achieving those conservation goals.

ORA recognizes that SJWC's projected level of sustained conservation is ambitious. However, increased publicity of drought conditions has increased public awareness of the severity of water shortage issues. "Not only are people recognizing this is an immediate problem, but they're now at the point of realizing it's going to be a long-term problem," says Public Policy Institute of California

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[42] State Water Resources Control Board Website, "Urban Water Suppliers and Proposed Regulatory Framework Tiers to Achieve 25% Use Reduction," issued Apr. 7, 2015, available at http://www.waterboards.ca.gov/waterrights/water_issues/programs /drought/emergency_mandatory_regulations.shtml (under "Documents" tab).

[43] State Water Resources Control Board, "Mandatory Conservation: Achieving a 25% Statewide Reduction in Potable Urban Water Use FACT SHEET," issued Apr. 7, 2015, available at http://www.waterboards.ca.gov/waterrights/water_issues /programs/drought/emergency_mandatory_regulations.shtml (under "Documents" tab).

President and CEO Mark Baldassare.[44] Over 100 SJWC customers attended the CPUC's Public Participation Hearing concerning this GRC, held on March 25, 2015. Most, if not all, commenters expressed concern over drought conditions and awareness of the importance of conservation, while expressing displeasure or confusion over the fact that their increased conservation could lead to increases in rates. ORA recognizes that achieving these consumption estimates could lead to further rate increases. However, under the current mechanisms in place for SJWC to track its conservation impacts, such as the Mandatory Conservation Memorandum Account, and its Monterey-Style WRAM, the amortization of any undercollections can be extended depending on the level of undercollection as a percentage of SJWC's adopted revenue requirement. The measure helps in easing the potential rate shock and bill impact on customers. Further, ORA's adjustments in other areas of this rate case analysis allow residential rates to increase at a slower rate, while maintaining important levels of conservation.

3) Operating Revenues

ORA used the customer and consumption estimates described above to estimate operating revenues at present rates.

[44] Richman, Josh, "California drought: Neighbors aren't doing enough to conserve water, poll finds," Contra Costa Times, Mar. 26, 2015.

Table 1-F: Present Rate Operating Revenues

Year	Operating Revenues under SJWC's Drought Effects Forecasts at Present Rates (Thousands of Dollars)	Operating Revenues under SJWC's Updated Drought Forecasts at Present Rates (Thousands of Dollars)	Operating Revenues with ORA's Adjustments to SJWC's Updated Drought Forecasts at Present Rates (Thousands of Dollars)
TY 2016	$286,025	$274,377	$274,460
2017	$285,903	$274,969	$275,081
2018	$284,627	$275,401	$275,539

4) Rate Design

(a) Introduction

Rate design is the process of setting prices for utility service at levels that permit a utility to collect its total authorized revenue requirement. After calculation of SJWC's revenue requirement, a rate design that incorporates estimates of the number of customers and their future consumption level is used to determine the actual rates that SJWC customers will be charged for utility service.

ORA recommends no changes to SJWC's current rate design. SJWC has requested no changes to its current residential rate design, as the residential rate design was authorized by the Commission in SJWC's most recent general rate case for TY 2013,[45] and went into effect in August of 2014.[46] As such, SJWC states, insufficient data is available to make conclusions regarding the efficacy of

[45] D.14-08-006, pages 114-115.

[46] A.15-01-002, Exhibit E, Chapter 15, Rates, page 15-1.

the rate design.[47] SJWC also proposes retaining the single-tiered rate schedule for non-residential customers.

(b) Discussion

While ORA recommends no changes to the current rate designs, it is worth describing the current rate designs and recent consumption data, and making certain observations. Non-residential customers are billed at a single tiered rate for potable water. All non-residential potable use is billed at the Standard Quantity Rate (SQR).

The adopted tiers for monthly residential consumption are:

- Tier 1: usage ≤ 3 ccf
- Tier 2: 3 ccf < usage ≤ 18 ccf
- Tier 3: 18 ccf < usage[48]

The adopted tier ratios as a function of the SQR are:

- Tier 1: 0.90
- Tier 2: 1.00
- Tier 3: 1.10[49]

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[47] Id.

[48] Id. at 15-3.

[49] Id.

The change from a two-tiered to a three-tiered rate design was intended to encourage reductions in consumption at the higher ends of average and at above average residential consumption levels, and to allow for small reductions in monthly bills for those residents with the lowest consumption rates. Results indicating that this rate-design is successful would show decreasing usage at the third tier.

ORA used SJWC data showing monthly residential per-tier consumption[50] to assess, as best as is possible, the results of the three-tiered structure since August of 2014. Preliminary results indicate that consumption within the third tier is decreasing as a proportion of total residential consumption, while consumption within tiers 1 and 2 is increasing as percentages of total residential consumption.[51] While these data suggest that the rate design may be working as intended, a number of other circumstances may have contributed to these results: (1) the results illustrate only six months of usage; (2) the roughly eight months of data come in the midst of a four-year drought, with a particularly dry winter; (3) the data represents primarily fall and winter usage, which would typically represent less high-consumption behavior; and lastly, (4) due to typical billing practices, such as bi-monthly billing and post-billing adjustments, some amounts of water

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[50] Attachment 1-C, SJWC response to ORA Data Request SC1-001; *see also* Attachment 1-D, Information Provided via email from Wes Zuber (SJWC) to Richard Rauschmeier (ORA), Apr. 14, 2015, Tiered Usage.xlsx.

[51] Attachment 1-C, ORA Data Request SC1-001, SJWC Response to ORA DR SC1-01_Attachment Q1.xls.

throughout this period are still billed at the two-tiered rate, accounting for water *used* under the two-tiered system, but not *billed* until after August 15, 2014.[52]

Preliminary possible success under this rate design suggests that price can have a large impact on conservation in SJWC's service territory. However, generally, as water use decreases, rates must increase in order for utilities to cover the fixed costs of providing service. See, for example. the difference between the SQR necessary to meet revenue requirement under SJWC's original Drought Effects consumption forecasts and the SQR necessary to meet the revenue requirement under SJWC's updated forecasts:

Table 1-G: Forecast Effects on Standard Quantity Rates

Year	SQR under SJWC's Drought Effects Forecasts at Proposed Rates	SQR under SJWC's Updated Drought Forecasts at Proposed Rates	SQR with ORA's Adjustments to SJWC's Updated Drought Forecasts at Proposed
TY 2016	4.1689	4.2973	4.2973
2017	4.2939	4.4181	4.4181
2018	4.5162	4.6328	4.6328

SJWC updated its forecasts to account for mandatory rationing currently imposed. As a result of the mandatory rationing, SJWC must file a Tier 2 advice letter with the Commission, requesting authorization to impose Schedule 14.1 Mandatory Rationing rates on customers. This will likely further increase the SQR. ORA recommends that SJWC consider the adoption of an emergency fourth tier in its residential rate structure in its proposed Schedule 14.1, appropriately tying the duration of that adjustment in rate design to the duration of the drought. Such a tier could act as a penalty for those users who continue to consume

[52] Id.

excessive amounts of water during the drought period, and the additional revenues from such a tier could mitigate certain increases to rates at the current tiers. SJWC data indicates that in 2013 and 2014, on average, between 11 and 14% of residential consumption occurred over the 24 CCF per month benchmark.[53] This use varied greatly throughout each year, increasing in dry summer months, suggesting that much of the consumption at these levels is for outdoor use. Such use is largely discretionary. Creating an emergency fourth tier to increase the rate at which this consumption is charged would also allow for smaller rate increases (or rate decreases) at those consumption levels that represent conservative use.

D. CONCLUSION

To obtain a reasonable estimate of any necessary rate change in order to meet an estimated test year revenue requirement, the Commission should adopt ORA's recommendation to: (1) use ORA's recommended customer counts for the "Other" customer class; (2) use ORA's forecasted consumption for the Industrial customer class, and (3) consider in the review of SJWC's Tier 2 advice letter the adoption of an emergency fourth tier for residential consumption.

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[53] Attachment 1-D, Information Provided via Email from Wes Zuber (SJWC) to Richard Rauschmeier (ORA), Apr. 14, 2015, Tiered Usage.xlsx.

ATTACHMENT 1-A: SJWC Data Request Response, EO2-004

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

April 8, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request EO2-04 dated March 8th, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: April 8, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A.15-01-002 EO2-04

RESPONSES

1. **To what extent, if at all, does Governor Edmund G. Brown's April 1, 2015 Executive Order (B-29-15) – that calls for the State Water Resources Control Board and the California Public Utilities Commission to impose restrictions to achieve a statewide 25% reduction in potable urban water usage by February 28, 2016 – affect your application and requests concerning water consumption forecasts for all customer classes?**

   Response: The forecast provided as part of the original filing contained several assumptions that have since been invalidated:

1. As required under the normal approach to forecasting sales outlined in the Rate Case Plan, the analysis assumed that all following winters (including that of 2014-2015) would deliver normal rainfall.
2. As a result, we further assumed that the Governor would, at this time, be congratulating Californians for their successful conservation behavior, but warning that conservation efforts should be maintained because the reservoir levels were still extremely low.

   Instead, California has experienced one of the driest winters on record, with snowpack water contents extremely low, and the Governor is calling on Californians to increase their conservation efforts even more because of the immediate crisis and the longer-term uncertainties.

   As a result, we have revised the forecast to include the following:

   1. An analysis of how SJWC customer classes have responded to the Governor's previous calls for conservation;
   2. An estimate of what this predicts for the customers' response to the following
      a. Governor's call to publicize widely his call for increased conservation;
      b. Santa Clara Valley Water District (SCVWD)'s call for 30 percent reduction in water use over that consumed in 2013; and
      c. SCVWD's warning that the current state of the Valley's aquifers is such that land subsidence could occur if high levels of withdrawals continue or increase.[1]

   This revised forecast is still probably conservative, in that:

   1. It continues to assume that future water years will show a return to normal precipitation levels, something the Governor's Proclamation warns that we cannot rely on;
   2. It assumes that, as a result of this, 2016 will see a lessening of the pressure to conserve; and,
   3. As a result, the drought recovery will move back towards the conservation programs in place before the drought began.

[1] SCVWD's press release of March 25, 2015, at http://www.valleywater.org/EkContent.aspx?id=12380

In fact, it is more likely that after this experience the water agencies will be required to exceed these previous efforts, but what this "new normal" will be is not obvious at this time.

Revised forecast methodology

Before developing a revised forecast, we investigated how successfully SJWC's customers responded to the previous calls for conservation. In the filed testimony, we examined the response in the early months. We now have a ten-month period in which consumers have responded, and can see very different success rates from the different classes of customers. We then assumed that each class would maintain the same success rate in future – that is, since the appeal for conservation has increased from 20 to 30 percent, each class would increase their level of conservation by 50 percent over what it has achieved to date. Those consumers that have not conserved to date are assumed to continue to achieve nothing through 2015. Then in 2016, all customers are assumed to achieve the level of conservation they achieved in 2014. These changes are assumed to the place in the April billing period of each year, once the state of the water supply has been assessed and announced. Finally, in 2017 and 2018 the customers are assumed to head back towards the forecast levels resulting from the "old normal" conservation goals. The recovery path we have assumed is more rapid than in the initial forecast filed, because we believe that conservation at these higher levels will involve more changes in behavior than the lower conservation levels achieved over the last 10 months.

The revised Table 1 below shows the actual water consumption for 2014, and estimated levels for the remaining years of the rate case. Table 2 shows the conservation levels achieved after the Governor's Drought Emergency Declaration of 2014, and the resulting estimated reductions for 2015 and 2016. Workpapers for these calculations will be provided upon request.

Revised Table 2 User Per Customer with Revised Adjustment for Drought Response

Category	Actual				Forecast			
	2011	2012	2013	2014	2015	Test Year 2016	Attrition 2017	Attrition 2018
Use Per Customer (CF)								
Residential	163.9	175.4	177.3	157.38	140.1	146.6	151.7	158.1
Business	892.7	937.6	958.1	896.12	844.5	860.8	865.4	865.7
Sales (CCF)								
Industrial	212,179	201,881	218,817	210,921	197,767	196,088	199,806	203,523
Public Authority	2,592,879	2,709,973	3,023,433	2,652,824	2,425,903	2,550,586	2,629,616	2,708,645
Sales for Resale	334,481	378,249	404,605	349,346	298,760	321,887	342,567	363,246
Other	34,899	46,079	77,094	89,495	89,495	89,495	89,495	89,495

Table 2 Achieved and Estimated Conservation Rates after March Assessments

Customer Class	To date	2015	2016
Use Per Customer			
Residential	16%	24%	16%
Business	9%	14%	9%
Sales			
Industrial	9%	14%	9%
Public Authority	15%	22%	15%
Sales for Resale	19%	29%	19%
Other	0%	0%	0%

END OF RESPONSE

ATTACHMENT 1-B: SJWC Data Request Response, EO2-005

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

April 14, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request EO2-05 dated April 9th, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

RESPONSES

1. **All workpapers used to arrive at the consumption estimate values in Revised Table 2 Use Per Customer with Revised Adjustment for Drought Response, submitted in response to ORA Data Request EO2-004.**

   Response: Revised workpapers are attached. Attached please find the following Excel file workpapers:

(i) Non-Res Sales Statsupdate:
The worksheets labeled "Industrial" through "Other" were used to re-estimate the level of conservation achieved by each of the classes as a result of the Governor's previous appeal for 20 percent conservation. To the left and Below Cell R-20 on each of these pages, the consumption from May 2014 through February 2015 is compared to the consumption in January-February, May December of 2013. This results in an updated estimate of % conservation for each class. This is then inflated by the ration of 30% / 20% to develop the estimate of the conservation that would be achieved by the change of the conservation target from 20% (2014) to 30% (SCVWD's announced current target). It also contains a sheet named "Revision" which contains a summary of the percentages of conservation estimated to be achieved, and calculates the revised forecasts based on these estimates.

(ii) Variresuse V2update:
The worksheet labeled Varires contains, starting at V485, an estimate of the level of conservation achieved as a result of the Governor's previous appeal for 20 percent conservation. This is then inflated by the ratien of 30% / 20% to develop the estimate of the conservation that would be achieved by the change of the conservation target from 20% (2014) to 30% (SCVWD's announced current target). Then starting at AM457 these percentages are used to derive updated use per customer forecasts for 2015 and 2016. These are then transferred to the Revision sheet in the file described above, where estimates for the later years are calculated.

(iii) Varibus V2update:
The worksheet labeled Varibus contains, starting at V485, an estimate of the level of conservation achieved as a result of the Governor's previous appeal for 20 percent conservation. This is then inflated by the ratien of 30% / 20% to develop the estimate of the conservation that would be achieved by the change of the conservation target from 20% (2014) to 30% (SCVWD's announced current target). Then starting at AM457 these percentages are used to derive updated use per customer forecasts for 2015 and 2016. These are then transferred to the Revision sheet in the file described above, where estimates for the later years are calculated.

2. **Please explain the consumption trend in the "other" class of customers, including the discrepancies between the initial forecast submitted and the Revised forecast submitted in response to ORA Data Request EO2-004.**

Response: As you will note on the worksheet labeled "Other" in the workfile *Non-Res Sales Statsupdate*, the additional data obtained since the initial forecast submitted shows that this group of customers has not conserved, and its consumption has, indeed, increased in 2014 over 2015. As a result, no level of conservation can be estimated to result from the more-recent calls for conservation, and so the new, higher level of consumption was assumed to continue.

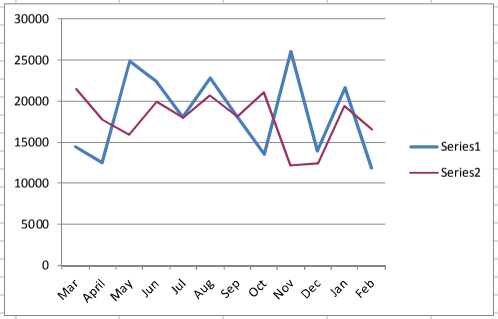
END OF RESPONSE

[Non-Res Sales Statsupdate.xls, Business Tab]

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
1272187	1272716	1283676	1329892	1323787	1385491	1277468	1238114	1127616	1354126	1200191	1,374,037	1,177,004
1275511	1181344	1236854	1249546	1279018	1275162	1226993	1177578	1194084	1333130	1222335	1,369,861	1,198,215
1179385	1246750	1155220	1150155	1185539	1177787	1082342	987597	950367	1199922	1154979	1,189,571	
1299784	1478568	1190845	1206979	1380751	1435475	1348740	1236992	1249735	1284809	1435213	1,258,680	
1342441	1644757	1337600	1360437	1512489	1592657	1511342	1336776	1419439	1378603	1541133	1,400,958	
1730016	1881907	1597329	1689338	1870839	1832179	1736875	1588182	1848205	1708002	1860128	1,727,380	
1945571	2023261	1812579	1969180	2084250	2105324	1911056	1891772	1704111	1841620	1914999	1,789,653	
2099482	2145803	2200070	2156202	2091562	2057287	1959264	1944871	1835251	2005958	1984382	1,815,793	
2075001	2060970	2127485	2102501	2019894	1954059	1935859	1890390	1842378	1856395	1860155	1,719,906	
2041013	2090801	2145174	2126574	2014340	1936221	1916138	1926836	1785246	1840663	1861144	1,690,519	
1824389	1642700	1828204	1727354	1677793	1660300	1456465	1520854	1526468	1594450	1678509	1,367,622	
1618857	1497995	1624464	1577558	1587155	1638102	1480719	1488832	1539764	1545805	1694412	1,470,985	
19,703,637	20,167,572	19,539,500	19,645,716	20,027,417	20,050,044	18,843,261	18,228,794	18,022,664	18,943,483	19,407,580	18,174,965	2,375,219

[Non-Res Sales Statsupdate.xls, Industrial Sales by Mo.Tab]

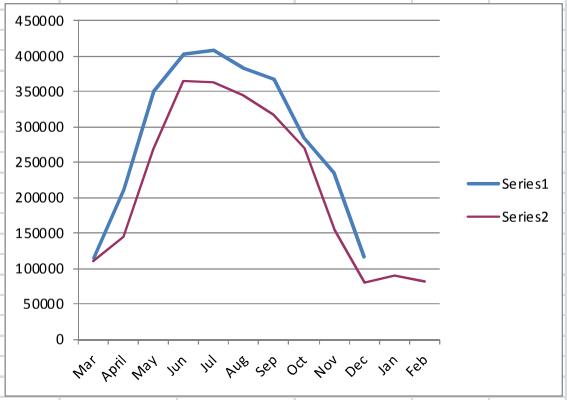
1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
39483	35103	34001	27949	33520	18671	13573	18562	16906	17696	14180	16440	12569	12899	14422	21,679	19,348
40060	39618	36739	30313	27262	18447	20270	27388	19595	19631	16689	15694	16334	17223	17536	11,907	16,587
33390	35263	33138	27233	27636	21651	18502	18072	14949	16704	14637	14939	14393	13936	14480	21,408	
38545	36518	34492	31794	30087	22201	19520	19078	19134	21644	18607	16649	17313	15586	12459	17,774	
37652	35928	34001	29898	6484	22179	19979	19272	20074	19744	17205	16159	16585	14701	24922	15,865	
41769	44706	43414	34372	26645	27868	25585	22750	23962	25162	20080	20052	22728	18187	22456	19,959	
42726	44109	36618	33481	25402	23593	19346	22000	29689	22924	18374	20429	16479	16559	18037	17,946	
46138	44497	43701	38640	26856	25257	29729	28507	25951	23514	21671	20162	21843	20421	22824	20,707	
45415	41312	31829	35768	26709	24188	23222	22470	24565	20494	18525	18600	18059	15630	18133	18,068	
61878	46506	37409	34495	27169	28035	27565	24953	26611	16168	23490	22941	20975	20528	13588	21,009	
55253	36358	34763	30930	24001	22599	22302	21531	21783	23608	13419	15464	16650	15852	26046	12,151	
53226	54490	31500	31525	22894	24901	21483	24195	22080	23920	19338	18722	18251	20359	13914	12,448	
535,535	494,408	431,605	386,398	304,665	279,590	261,076	268,778	265,299	251,209	216,215	216,251	212,179	201,881	218,817	210,921	35,935



	2013-2014	2014-2015	2015-2016	2016
Jan	14422			
Feb	17536			
Mar	14480	21408	13137.48	12466.23
April	12459	17774	11015.08	11015.08
May	24922	15865	21456.03	22611.35
Jun	22456	19959	19332.98	20373.99
Jul	18037	17946	15528.54	16364.7
Aug	22824	20707	19649.8	20707.87
Sep	18133	18068	15611.19	16451.8
Oct	13588	21009	11698.28	12328.19
Nov	26046	12151	22423.71	23631.14
Dec	13914	12448	11978.94	12623.96
Jan	21,679	19,348	12416.29	
Feb	11,907	16,587	15097.22	
Apr-Feb	191878	174088	-9%	
2015			-0.13907	
Annual Estimates				
	2015	197,767		
	2016	196087.8		

[Non-Res Sales Statsupdate.xls, Public Authority Tab]

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
117378	90329	88092	88954	93209	105717	125800	90784	70286	51623	117185	63594	138,469	90,054
115461	93504	85339	79024	99678	98031	105060	72380	66868	67823	109434	86187	95,298	81,248
143063	106382	153202	95598	86488	131041	147526	78880	74967	63283	104443	114629	110,250	
233569	150023	266852	142522	76083	225759	283433	213479	111555	113778	105179	210981	144,528	
349791	216498	414206	221142	255788	349875	428572	328489	198147	282978	225401	349970	269,160	
472052	432652	441588	370184	394941	482951	480544	411643	345882	365571	358272	403010	365,582	
586535	553311	577528	493755	495401	565862	533801	474788	471021	372052	416848	408575	363,508	
556144	481479	508644	577647	544746	478856	457985	421581	420531	392266	411735	383044	344,738	
522969	517044	491139	447891	458440	488051	451770	415451	397641	375005	341860	366914	316,825	
382730	371756	341648	383549	325712	320183	365542	253707	330329	246913	271016	284580	269,564	
206540	228367	147299	232786	223089	248847	195524	143577	119383	157298	161934	234567	154,860	
124533	118348	106736	131156	120653	170809	131251	112367	81780	104307	86666	117382	80,042	
3,810,765	3,359,693	3,622,273	3,264,208	3,174,228	3,665,982	3,706,808	3,017,126	2,688,390	2,592,897	2,709,973	3,023,433	2,652,824	171,302

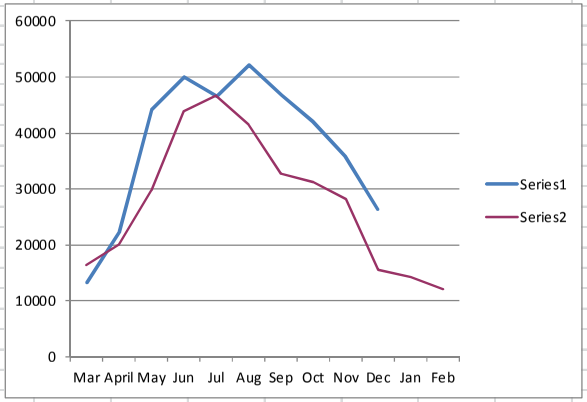


	2013	2014-2015	2015-2016	2016
Jan	63594			
Feb	86187			
Mar	114629	110250	97735.16	89288.23
April	210981	144528	172113.4	172113.4
May	349970	269,160	272603	298392
Jun	403010	365582	313917.5	343615
Jul	408575	363508	318252.3	348359.9
Aug	383044	344738	298365.4	326591.6
Sep	366914	316825	285801.2	312838.8
Oct	284580	269564	221668.6	242639
Nov	234567	154860	182711.8	199996.9
Dec	117382	80042	91432.64	100082.4
Jan		90,054	49535.42	
Feb		81,248	67133.84	
April-Feb	2908804	2480109	-15%	
		2015	-22%	
Annual Estimates				
	2015	2,425,903		
	2016	2,550,586		

[Non-Res Sales Statsupdate.xls, Resale Tab]

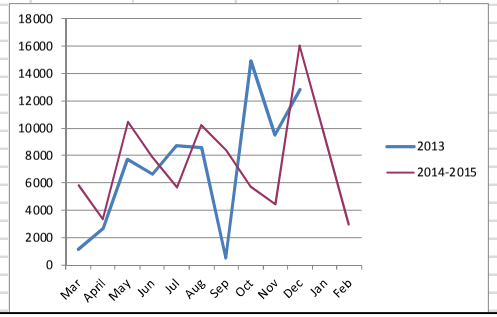
2007	2008	2009	2010	2011	2012	2013	2014	2015
13809	12121	11599	12156	11889	18052	11605	22,885	14,222
11532	10712	9970	11158	12388	19448	13082	20,590	12,098
13611	13753	11062	10480	11800	16128	13343	16,349	
17405	19613	17949	10573	12657	19411	22232	19,993	
22056	27236	21608	24095	23570	26575	44299	29,786	
30958	28233	27177	25374	26970	44834	50000	43,851	
33490	30198	32107	34517	43354	65000	46632	46,674	
30516	28498	30867	33043	50896	33845	52212	41,558	
31242	30860	31963	27929	46428	49143	46778	32,713	
24177	24900	25249	27242	50167	39503	42143	31,284	
20029	16086	14860	22187	15809	28015	35907	28,131	
18258	14238	13407	14923	28553	18295	26372	15,542	
267,083	256,448	247,818	253,677	334,481	378,249	404,605	349,356	26,320

	2013	2014-2015	2015-2016	2016
Jan	11605			
Feb	13082			
Mar	13343	16349	10771.33	9485.499
April	22232	19993	16875.89	16875.89
May	44299	29786	31492.03	35761.02
Jun	50000	43851	35544.85	40363.23
Jul	46632	46674	33150.55	37644.37
Aug	52212	41558	37117.36	42148.9
Sep	46778	32713	33254.34	37762.23
Oct	42143	31284	29959.33	34020.56
Nov	35907	28131	25526.18	28986.45
Dec	26372	15542	18747.78	21289.18
Jan		14,222	8249.96	
Feb		12,098	9299.955	
April-Feb	391262	315852	-19%	
		2015	-29%	
Annual Estimates				
	2015	298,760		
	2016	321,887		



[Non-Res Sales Statsupdate.xls, Other Tab]

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
6515	6165	5997	4345	7642	4052	5732	3798	5425	5475	908	1989	23586	1156	519	2078	7,581	9,392
4401	8777	16621	19223	3115	2494	4892	870	1617	8281	13874	2718	2941	2394	1324	1710	3,719	2,938
5342	3617	3699	2110	5103	10000	1485	2177	8448	721	7565	12541	1269	1155	3665	1122	5,810	
3060	2410	3462	12956	5993	4761	8199	3760	4160	1448	8427	86	1491	1599	1820	2734	3,334	
3926	8026	8520	11744	10905	2385	6701	2231	3047	7209	2660	5186	1380	2513	1895	7726	10,442	
8757	6359	9984	9661	15732	14075	9058	11367	10993	8562	2835	-458	5076	2467	4132	6664	7,960	
10119	8678	12449	10523	40146	18012	7641	4504	14444	6609	5116	3210	4426	8427	6549	8758	5,687	
11256	5552	17960	13249	15478	24017	20376	8045	11390	8328	12076	-745	8116	1996	6259	8566	10,278	
11407	9871	8245	7910	13509	12825	10463	10084	6335	5796	11153	3515	6952	6176	9735	544	8,390	
6327	8709	9179	15489	30751	17853	11068	9733	10605	8186	15106	3961	6848	2391	3969	14889	5,745	
6940	5533	8261	19651	7647	6320	5818	9843	8203	13914	12010	2652	3769	25	4714	9495	4,463	
4751	1675	4242	3985	3131	6356	2884	1081	6057	15277	5813	4687	4841	4590	1498	12808	16,086	
82,801	75,372	108,619	130,846	159,152	123,150	94,317	67,493	90,724	89,806	97,543	39,342	70,695	34,889	46,079	77,094	89,495	12,330



	2013	2014-2015	
Jan	2078		
Feb	1710		
Mar	1122	5810	
April	2734	3334	
May	7726	10442	
Jun	6664	7960	
Jul	8758	5687	
Aug	8566	10278	
Sep	544	8390	
Oct	14889	5745	
Nov	9495	4463	
Dec	12808	16086	
Jan		9,392	
Feb		2,938	
April-Feb	75972	84715	12%

[Non-Res Sales Statsupdate.xls, Revision Tab]

Table 2
Use Per Customer
With Revised Adjustment for Drought Response

Category	Actual				Forecast				
	2011	2012	2013	2014		2015	Test Year 2016	Attrition 2017	Attrition 2018
Use Per Customer (CF)									
Residential	163.9	175.4	177.3	157.38		140.1	146.6	151.7	158.1
Business	892.7	937.6	958.1	896.12		844.5	860.8	865.4	865.7
Sales (CCF)									
Industrial	212,179	201,881	218,817	210,921		197,767	196,088	199,806	203,523
Public Authority	2,592,879	2,709,973	3,023,433	2,652,824		2,425,903	2,550,586	2,629,616	2,708,645
Sales for Resale	334,481	378,249	404,605	349,346		298,760	321,887	342,567	363,246
Other	34,899	46,079	77,094	89,495		89,495	89,495	89,495	89,495

Drought Response Reductions

	To date	2015	2016
Residential	16%	24%	16%
Business	9%	14%	9%
Industrial	9%	14%	9%
Public Authority	15%	22%	15%
Sales for Resale	19%	29%	19%
Other	0%	0%	0%

Residential alternate forecasts

	Original	Recovery	Average	Cont cons
2011	163.9	163.9	163.9	163.9
2012	175.4	175.4	175.4	175.4
2013	177.3	177.3	177.3	177.3
2014	174.6	157.4	157.4	157.4
2015	172.0	140.1	140.1	140.1
2016	169.4	146.6	146.6	146.6
2017	166.9	151.7	148.1	144.4
2018	164.4	158.1	150.2	142.3

Business Alternate forecasts

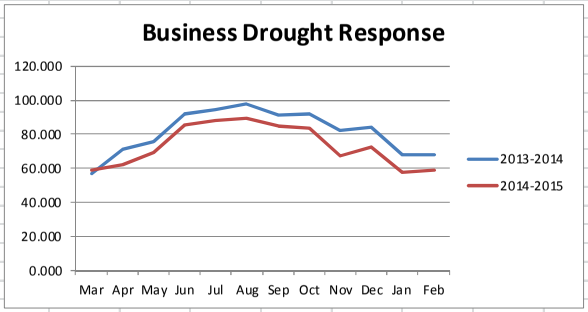
	Original	Recovery	Average	Cont cons
2011	892.7	892.7	163.9	163.9
2012	937.6	937.6	175.4	175.4
2013	958.1	958.1	177.3	177.3
2014	920.0	896.1	896.1	896.1
2015	906.2	844.5	844.5	844.5
2016	892.6	860.8	860.8	860.8
2017	879.2	865.4	856.7	847.9
2018	866.0	865.7	850.4	835.2

[Variresuse V2update.xls, VARIRES Tab]

| | | |

[Varibus V2update.xls, VARIBUS Tab]

74.6		78.410	
65.32	843.88	76.640	937.59
56.28		59.280	
51.445		60.540	
54.285		57.080	
60.375		70.970	
72.335		75.890	
78.34		91.920	
89.275		94.730	
83.44		97.830	
86.89		91.580	
78.325		91.840	
78.43		82.490	
71.26	860.68	83.980	958.13
64.21		67.860	
57.7		67.970	917.06
55.82		58.650	917.060
52.91		62.010	828.85
65.34		69.020	
72.48		85.350	
83.52		88.350	
76.16		89.400	
80.13		84.641	
70.815		83.264	
63.93		67.053	
61.58		72.630	896.199
55		57.932	
50.345		59.008	
		2014-2015	818.659
		2013 part	901.050
		2014	2015
		9%	14%



Mar			
Apr		2015-16	2016
May	Mar	51.86	49.25
Jun	Apr	62.86	62.86
Jul	May	65.48	68.95
Aug	Jun	79.31	83.51
Sep	Jul	81.74	86.07
Oct	Aug	84.41	88.88
Nov	Sep	79.02	83.21
Dec	Oct	79.24	83.44
Jan	Nov	71.18	74.95
Feb	Dec	72.46	76.30
	Jan	51.15	
	Feb	52.24	
	Annual Estimates		
		2015	844.50
		2016	860.81

Attachment 1-C: SJWC Data Request Response, SC1-001

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

March 13, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request SC1-01 dated March 6, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS
Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: March 13, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A.15-01-002 SC1-01

1. Please provide the actual monthly residential customer consumption data by tier for 2014 and 2015 in CF's per customer

Response: Please see the attachment to this response. Since tiered rate customers are primarily billed on a bi-monthly basis, in order to estimate per customer usage on a monthly basis the bi-monthly data is divided by two.

END OF RESPONSE

[SJWC Response to DR SC1-01_Attachment Q1.xlsx]

Year	Month	Rate Design Type		Usage Billed in CCF's (Bi-monthly)	Customers Billed in Month	CCF's per Tier per Customer (Monthly)
2014	Jan	Two Tier	Tier 1	1,935,127	101,039	9.6
		(D.09-11-032)	Tier 2	732,300		3.6
2014	Feb	Two Tier	Tier 1	1,714,883	96,216	8.9
		(D.09-11-032)	Tier 2	474,647		2.5
2014	March	Two Tier	Tier 1	1,635,345	100,863	8.1
		(D.09-11-032)	Tier 2	347,399		1.7
2014	April	Two Tier	Tier 1	1,524,824	96,361	7.9
		(D.09-11-032)	Tier 2	282,917		1.5
2014	May	Two Tier	Tier 1	1,802,655	101,613	8.9
		(D.09-11-032)	Tier 2	503,655		2.5
2014	June	Two Tier	Tier 1	1,909,694	96,748	9.9
		(D.09-11-032)	Tier 2	798,693		4.1
2014	July	Two Tier	Tier 1	2,124,532	101,745	10.4
		(D.09-11-032)	Tier 2	1,355,077		6.7
2014	August	Two Tier	Tier 1	1,965,368	96,736	10.2
		(D.09-11-032)	Tier 2	1,082,452		5.6
	August	Three Tier	Tier 1	112		0.0
		(D.14-08-006)	Tier 2	347		0.0
			Tier 3	451		0.0
2014	Sept	Two Tier	Tier 1	1,221,002	101,609	6.0
		(D.09-11-032)	Tier 2	754,627		3.7
	Sept	Three Tier	Tier 1	240,222		1.2
		(D.14-08-006)	Tier 2	715,057		3.5
			Tier 3	293,026		1.4
2014	Oct	Two Tier	Tier 1	248,987	96,672	1.3
		(D.09-11-032)	Tier 2	122,989		0.6
	Oct	Three Tier	Tier 1	486,163		2.5
		(D.14-08-006)	Tier 2	1,378,137		7.1
			Tier 3	456,312		2.4
2014	Nov	Two Tier	Tier 1	587	101,449	0.0
		(D.09-11-032)	Tier 2	722		0.0
	Nov	Three Tier	Tier 1	590,031		2.9
		(D.14-08-006)	Tier 2	1,608,551		7.9
			Tier 3	556,675		2.7
2014	Dec	Two Tier	Tier 1	572	96,749	0.0
		(D.09-11-032)	Tier 2	451		0.0
	Dec	Three Tier	Tier 1	560,897		2.9
		(D.14-08-006)	Tier 2	1,334,733		6.9
			Tier 3	303,696		1.6
2015	Jan	Two Tier	Tier 1	59	100,929	0.0
		(D.09-11-032)	Tier 2	33		0.0
	Jan	Three Tier	Tier 1	584,513		2.9
		(D.14-08-006)	Tier 2	1,174,204		5.8
			Tier 3	220,274		1.1
2015	Feb	Two Tier	Tier 1	302	96,352	0.0
		(D.09-11-032)	Tier 2	8		0.0
	Feb	Three Tier	Tier 1	552,842		2.9
		(D.14-08-006)	Tier 2	998,943		5.2
			Tier 3	136,436		0.7

Attachment 1-D: Information Provided via Email from Wes Owens (SJWC) to Richard Rauschmeier (ORA), Apr. 14, 2015, Tiered Usage.xlsx

Usage Block	January	February	March	April	May	June	July	August	Sept	Oct	Nov	Dec	January	February	March	April	May	June	July	August	Sept	Oct	Nov	Dec	January	February	March
0 - 1	200,623	190,812	200,763	191,571	202,484	193,329	204,013	193,343	203,475	193,385	202,893	202,893	202,228	192,486	201,607	192,524	203,320	194,020	203,832	193,783	203,473	193,453	203,037	193,800	201,697	192,428	202,069
> 1 - 2	196,387	185,502	195,592	187,254	199,491	190,529	201,540	190,835	200,855	190,584	200,040	200,040	199,097	188,734	196,878	187,276	199,135	190,590	200,891	190,473	200,001	189,670	199,243	189,253	196,871	186,657	195,939
> 2 - 3	188,711	176,400	186,050	179,814	194,337	186,278	197,702	186,933	196,539	186,294	195,209	195,209	193,601	182,272	188,272	178,165	191,852	185,125	196,022	185,264	194,237	183,697	192,608	182,177	188,139	176,462	184,955
> 3 - 4	177,830	163,831	172,702	169,825	187,624	180,696	192,540	182,084	191,009	180,726	189,122	189,122	186,139	173,438	175,931	165,557	181,920	178,163	189,702	178,623	186,679	175,781	183,807	172,439	175,356	162,019	168,795
> 4 - 5	163,903	147,824	155,925	157,189	179,345	174,076	186,511	176,290	184,598	174,199	181,652	181,652	176,523	161,925	159,977	149,695	169,405	169,857	182,190	170,875	177,885	166,564	172,954	160,267	159,313	144,546	149,154
> 5 - 6	147,506	129,665	137,074	142,838	169,645	166,649	179,887	169,933	177,546	167,050	173,337	173,337	165,103	148,532	142,316	132,328	155,478	160,408	174,119	162,562	168,418	156,184	161,349	146,680	141,316	125,080	128,508
> 6 - 7	130,161	111,465	118,112	127,716	159,330	158,946	172,966	163,236	170,276	159,580	164,393	164,393	152,704	134,269	124,127	114,521	140,581	150,509	165,677	153,632	158,325	145,446	149,001	132,134	122,797	106,005	108,829
> 7 - 8	113,259	94,450	100,263	112,872	148,249	150,796	165,908	156,354	162,805	151,413	155,251	155,251	139,503	119,408	106,762	97,831	125,566	139,735	156,978	144,504	148,092	134,287	136,670	117,634	105,041	88,449	91,041
> 8 - 9	97,560	79,247	84,308	98,765	137,088	142,032	158,614	149,125	155,326	143,204	145,779	145,779	126,055	105,151	90,485	82,649	110,866	128,818	147,877	135,079	137,951	123,198	124,437	103,929	88,927	73,809	75,615
> 9 -10	83,352	66,286	70,740	85,454	125,921	133,290	151,097	141,891	147,603	134,783	136,387	136,387	112,969	91,874	76,304	69,697	97,128	117,921	138,814	125,579	127,917	112,249	112,646	91,143	74,965	61,097	62,594
> 10 - 11	70,682	55,391	59,304	73,604	114,538	124,450	143,450	134,456	139,559	126,263	127,141	127,141	100,769	79,804	64,214	58,442	84,781	107,289	129,484	116,348	117,992	101,716	101,351	79,571	62,959	50,449	51,877
> 11 - 12	60,027	46,408	49,772	63,316	103,812	115,446	135,772	126,875	131,674	117,759	117,883	117,883	89,599	68,985	54,195	48,988	73,411	97,034	120,587	107,169	108,445	91,764	91,017	69,148	52,930	41,715	43,198
> 12 - 13	51,181	38,995	41,835	54,141	93,428	106,601	127,829	119,050	123,671	109,128	108,744	108,744	79,397	59,748	45,762	41,192	63,402	87,175	111,822	98,215	99,375	82,495	81,323	59,865	44,641	34,698	35,972
> 13 - 14	43,926	32,883	35,239	46,245	83,588	97,799	119,833	111,220	115,721	100,724	99,800	99,800	70,138	51,582	38,848	34,703	54,450	78,053	103,202	89,670	90,540	73,861	72,657	52,020	37,784	29,038	30,197
> 14 - 15	37,880	27,820	29,880	39,482	74,747	89,432	112,070	103,591	108,000	92,656	91,433	91,433	61,894	44,522	33,104	29,194	46,794	69,549	94,869	81,478	82,447	65,916	64,880	45,010	32,223	24,539	25,485
> 15 - 16	32,645	23,761	25,472	33,706	66,716	81,405	104,492	95,913	100,176	84,804	83,591	83,591	54,513	38,496	28,297	24,605	40,321	61,586	86,889	73,810	75,061	58,726	57,638	39,146	27,732	20,720	21,610
> 16 - 17	28,328	20,417	21,853	29,014	59,296	73,544	97,061	88,566	92,890	77,377	76,143	76,143	48,174	33,272	24,277	20,893	34,945	54,667	79,401	66,601	68,116	52,314	51,318	34,172	23,930	17,586	18,491
> 17 - 18	24,844	17,524	18,846	24,919	52,621	66,525	89,862	81,378	85,752	70,334	69,234	69,234	42,653	28,976	20,957	18,004	30,284	48,424	72,445	59,968	61,750	46,756	45,771	29,713	20,699	15,115	15,833
> 18 - 19	21,694	15,202	16,347	21,388	46,673	60,037	82,908	74,700	78,931	63,914	62,716	62,716	37,710	25,245	18,253	15,432	26,337	42,918	65,936	54,136	56,041	41,516	40,671	26,012	18,068	12,951	13,691
> 19 - 20	19,117	13,173	14,320	18,427	41,427	54,181	76,221	68,475	72,642	58,048	56,778	56,778	33,358	22,047	15,868	13,289	23,093	38,016	60,001	48,618	50,824	36,913	36,344	22,754	15,779	11,153	11,950
> 20 - 21	16,872	11,412	12,584	16,024	36,717	48,861	69,938	62,606	66,807	52,766	51,450	51,450	29,644	19,482	13,948	11,467	20,229	33,712	54,504	43,889	46,021	32,944	32,393	19,862	13,904	9,596	10,509
> 21 - 22	14,978	9,992	11,049	13,922	32,655	44,056	64,278	57,195	61,383	47,803	46,676	46,676	26,578	17,139	12,346	9,991	17,798	29,868	49,461	39,555	41,625	29,410	29,034	17,505	12,298	8,306	9,294
> 22 - 23	13,368	8,810	9,693	12,196	29,127	39,460	58,980	52,326	56,270	43,462	42,236	42,236	23,937	15,189	10,954	8,682	15,806	26,520	44,905	35,610	37,805	26,254	26,124	15,557	10,959	7,282	8,254
> 23 - 24	11,979	7,750	8,589	10,703	26,026	35,518	54,051	47,743	51,725	39,424	38,225	38,225	21,484	13,420	9,748	7,608	14,077	23,697	40,816	32,176	34,343	23,621	23,611	13,898	9,862	6,442	7,364
> 24 - 25	10,714	6,845	7,688	9,501	23,281	32,039	49,602	43,553	47,466	35,689	34,696	34,696	19,328	11,902	8,708	6,755	12,570	21,139	37,204	29,086	31,284	21,337	21,331	12,488	8,825	5,731	6,603
> 25 - 26	9,609	6,086	6,913	8,456	20,862	28,918	45,475	39,607	43,535	32,478	31,517	31,517	17,446	10,645	7,817	5,969	11,335	18,820	33,874	26,281	28,576	19,329	19,388	11,244	7,943	5,129	5,915
> 26 +	140,475	81,925	92,197	106,426	293,296	389,191	721,020	596,707	734,641	483,838	494,572	494,572	251,658	144,378	108,622	75,431	159,371	254,201	536,079	402,166	487,612	302,420	323,480	160,459	118,102	65,353	83,238
Total	2,107,609	1,769,873	1,883,109	2,034,769	2,902,324	3,164,079	3,963,619	3,613,981	3,900,874	3,317,680	3,376,893	3,376,893	2,662,200	2,182,918	1,978,575	1,800,884	2,304,250	2,707,809	3,477,584	3,045,150	3,220,834	2,687,821	2,754,083	2,197,881	1,973,060	1,682,357	1,766,979

CHAPTER 2: OPERATING EXPENSES

A. INTRODUCTION

This chapter presents analysis and recommendations related to SJWC's Operating & Maintenance and Administrative & General Expenses. In its application, SJWC requested a total of $157,726,000 in Operating & Maintenance (O&M) expenses, and $29,282,000 in Administrative & General (A&G) expenses for Test-Year 2016. SJWC's 45-day update and drought sales update modified SJWC's original O&M and A&G estimates to $159,183,000 for O&M and $29,278,000 for A&G expenses. ORA analyzed SJWC's Testimony, supporting workpapers, reports, responses to the Minimum Data Requirements, Supplemental Data Requests, other information provided in meetings and methods for estimating total O&M and A&G expenses.

B. SUMMARY OF RECOMMENDATIONS

ORA's estimate for O&M expense is $141,839,000 and A&G is $26,486,000. SJWC's Expense forecast exceeds ORA's forecast by $17,344,000 and $2,793,000 for O&M and A&G respectively.

C. DISCUSSION

1) Removal of Customer Growth Factors from SJWC's Escalation Methodology

ORA does not adopt SJWC's use of the customer growth factor to derive Test Year 2016 expense forecasts. The Commission's Rate Case Plan D.07-05-062 allows the application of customer growth factors in developing expense forecasts for the escalation/attrition years (in this case, 2017 and 2018), but does not specify or require such application in developing expense forecasts for the Test Year. The Commission, in its decision on San Jose Water Company's most recent GRC

provides clear guidance on this issue. A plain reading of D.14-08-006 shows that the Commission did not apply customer growth to test year expenses but instead applied the customer growth to expenses in escalation years following the test year. Therefore, the Commission has eliminated customer growth as a factor in all test year expenses. In this same decision, the Commission presents the following Findings of Facts on the application of customer growth factor in developing Test Year estimates:

> *11. It is unreasonable to include customer growth escalation factors in test year expenses as test year expenses are escalated due to other factors.*

> *12. D.07-05-062 applies customer growth to test year expense estimates to calculate escalation year expenses.*

Thus, consistent with prior Commission decisions, ORA does not apply the Customer Growth Factor in developing its operating expense estimates for the Test Year. In accounts/sub-accounts where ORA makes no other adjustments, ORA's removal of the Customer Growth Factor from GSWC's forecast calculations generally results in a small difference between GSWC's and ORA's expense estimates.

2) Operating Expenses

(a) Purchased Water Potable

SJWC forecasts $59,787,000 in Purchased Potable Water Costs for Test-Year 2016. SJWC forecasts purchased water costs based on forecasted quantities and the latest known purchased water rate from the Santa Clara Valley Water District (SCVWD). The current rate for purchased water is $847 per acre-foot. Total forecasted water quantities are based on demand. The total amount of water demand is forecasted sales plus forecasted unaccounted for water. SJWC obtains

potable water from three primary sources (the supply mix): water purchased from the SCVWD, treated surface water and well water. Out of the supply mix, SJWC primarily uses purchased water, then available surface water, and the remaining supply comes from ground water. Due to a 70-year-long contract, executed in 1981, SJWC must purchase a minimum amount of water from the SCVWD. SJWC also has the option to purchase more on an as-available basis but non-contract purchased water is not included in the forecast.[54]

SJWC's contract with the SCVWD provides for 3-year purchase schedule, which was last updated in June, 2014. SJWC must purchase at least 95% of the highest volume agreed to be purchased in the 3-year purchase schedule currently in effect.[55] SJWC must take delivery of 95% of agreed purchased water from the SCVWD. The last 3-year agreement with SCVWD for purchased water was fixed in July 2014. SJWC's purchased water forecast is based on the amounts of water SJWC must purchase from the SCVWD provided in SJWC's 45-day update.

ORA does not oppose SJWC's forecasted amounts. ORA reviewed the purchase schedule agreement, and most recent available water rate. SJWC's Purchased Water costs are covered by balancing account, so any errors in forecasting are mitigated. SJWC requests the latest known purchased water rate at the beginning of the Test-Year be incorporated into rates. ORA does not object to this request.

ORA notes that at the time of finalizing our report, the State Water Resources Control Board (SWRCB) is in the process of adopting a tiered

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[54] A.15-01-002, Exhibit F, WP 7-03C.

[55] A.15-01-002, Exhibit F, WP 7-03C.

framework to achieve the Governors executive order for mandatory conservation of 25%.[56] Based on the lasted version of the tiered framework, SJWC is expected to reduce it consumption from 2013 levels by additional 9%. ORA is using the supply provided by SJWC in its 45-day GRC update combined with SJWC reductions for drought sales forecast which are based on the SWRCB's proposed new cutback requirements, ORA may need to update its estimate of SJWC's supply mixed once the final tiers are adopted by the SWRCB.

(b) Purchased Water Recycled

SJWC forecasts $1,262,000 in Purchased Recycled Water Costs for Test-Year 2016. SJWC forecasts based on an estimated recycled water quantity sales and recycled water purchase rate. Sales are estimated based on the last recorded number of recycled water customers, plus the additional customers estimated to use recycled water in 2016, 2017 and 2018, and their average usage. Increases in recycled water users are based on customers identified as likely to be interested in using recycled water.[57]

The total number of water recycled water users is a combination of recycled piped water users and recycled well water uses. Currently there are 159 recycled water customers.[58] SJWC has identified 112 customers that could potentially adopt recycled water in 2016.

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[56] http://www.swrcb.ca.gov/waterrights/water_issues/programs/drought/docs/emergency_regulations/draft_usage_tiers.pdf, p.3

[57] Potential recycled water customers identified in Exhibit E, Ch. 20.

[58] Exhibit F, WP 7-01A.

The recycled water rate is a weighted average based on historical use and current costs. SJWC reports 91% of recycled water users are irrigation and agricultural while the remaining 9% are industrial customers. The cost for irrigation and agricultural customers is $642 per AF and while industrial cost is $542 per AF. SJWC weights theses costs and converts them to MG resulting in a weighted average cost of $1,940 per MG.[59]

SJWC forecasts $1,262,000 in Purchased Recycled Water Costs for Test-Year 2016. ORA does not oppose SJWC's forecasted amounts.

(c) Other Source of Supply

SJWC forecasts $1,232,000 in Other Source of Supply Costs for Test-Year 2016. SJWC forecasts other source of supply based on a calculation of forecasted total source of supply less purchased potable water, purchased recycled water, and pump taxes. The remainder is other source of supply. It is composed of forecasted allocated Labor, Transportation, Purchased Services – Materials & Services, and other source of supply expenses.

ORA recommends several adjustments. ORA made an adjustment to use the most up-to-date Energy Cost of Service (ECOS) Memorandum escalation factors from February 2015 which reduces overall expenses for Test-Year 2016. Changes to allocated expenses are based on recommendations found on page 2-31 for Labor Expenses, page 2-32 for Transportation Expenses, and page 2-34 for Purchased Services - M&S Expenses. Allocated Labor Expense is reduced by $113,000 Transportation Expense is reduced by $16,000 allocated Purchased

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[59] Exhibit F, WP 8-07.

Services is reduced by $39,000 and, allocated Other Expense is reduced by $1,000. ORA recommends that SJWC's forecasted amounts for Other Source of Supply Costs be reduced from $1,232,000 to $1,064,000.

(d) Purchased Power

SJWC forecasts $9,454,000 in Purchased Power Expenses for Test-Year 2016. Purchased Power is forecasted based on the estimated total water supply multiplied by the last recorded unit power cost from 2014 ($0.16679). Estimated total water supply is based on the sales forecast. The 2014 unit power cost was calculated dividing 2014 total KWH used by the number of 2014 KCCF produced to get the 2014 KWH to KCCF ratio. Forecasted sales is divided by the 2014 KWH/KCCF ratio to estimate forecasted 2016 KWH. Forecasted KWH (power usage) is then multiplied to unit power cost from 2014 to arrive at forecasted Test Year 2016 purchased power costs.

SJWC provided an update which accounted for reduced sales due to drought conditions and state mandates. SJWC's drought sales update reduced estimated Purchased Power from $9,454,000 to $8,914,000. ORA recommends SJWC's updated figure be used for forecasting.

(e) Pump Taxes

SJWC forecasts $40,947,000 in Pump Taxes for Test-Year 2016. SJWC forecasts pump taxes based on the estimated amount of water pumped multiplied by the latest known pump tax rate from the SCVWD. The estimated amount of pumped water is based on total water demand. Total water demand is the sum of forecasted sales and unaccounted for water. Pumped water is total demand less purchased water and surface water. The latest Pump Tax rate is $747 per acre-foot.

SJWC provided an update that included reduced sales for drought conditions and state mandates. The updated amount for Pump Tax is $35,392,000. ORA recommends this updated amount be used.

(f) Other Pumping Expenses

SJWC forecasts $3,914,000 in Other Pumping Expenses for Test-Year 2016. SJWC forecasts other pumping expenses based a calculation of total forecasted pumping expenses less forecasted purchased power. The remainder is other pumping expenses. It is composed of forecasted allocated labor, transportation, purchased services – M&S, and other expenses.

ORA recommends several adjustments. ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated expenses are based on recommendations found on page 2-31 for Labor Expenses, page 2-32 for Transportation Expenses, and page 2-34 for Purchased Services - M&S Expenses. Allocated Labor Expense is reduced by $431,000 Transportation Expense is reduced by $50,000 and allocated Purchased Services is reduced by $115,000. There is no recommended changed Other Expense since amounts are $0. ORA recommends that SJWC's forecasted amounts for Other Pumping Expenses be reduced from $3,914,000 to $3,318,000.

(g) Chemical & Filtering Materials

SJWC forecasts $459,000 in Chemical & Filtering Materials Expenses for Test-Year 2016. SJWC forecasts chemical & filtering costs based on a 5-year inflation adjusted average, which is then increased by estimated increases in

chemical costs and customer growth factors. SJWC's estimated increase in chemical costs of 7% is based on a 5-year weighted average increase of chemical costs per million gallons.[60] SJWC states increases in chemical costs are due to fluctuations in fuel pricing and increases in taxes.[61] The customer growth factor of 1% is based on a 5-year simple average.

ORA reviewed SJWC's workpapers and forecasted chemical cost estimates and does not object to SJWC's proposed Test-Year estimates.

(h) Other Water Treatment

SJWC forecasts Other Water Treatment Expenses of $3,376,000 for Test-Year 2016. SJWC forecasts other water treatment expenses based on a calculation of total forecasted water treatment expenses less forecasted chemical costs. The remainder is other water treatment expenses. It is composed of forecasted labor, transportation, purchased services – M&S, water quality regulatory costs and other expenses.

ORA recommends an adjustment to SJWC's forecast. ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, which reduces overall expenses for Test-Year 2016. Changes to allocated expenses are based on recommendations found on page 2-31 for Labor Expenses, page 2-32 for Transportation Expenses, and page 2-34 for Purchased Services - M&S Expenses. Allocated Labor Expense is reduced by $431,000 Transportation Expense is reduced by $10,000 allocated Purchased Services is

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[60] Exhibit E, Chapter 16, p.16-6.

[61] Exhibit E, Chapter 16, pp.16-5 and 16-6.

reduced by $11,000, Water Quality Regulatory Cost is reduced by $1,000, and Other Expense is reduced by $1,000. ORA recommends that SJWC's forecasted amounts for Other Water Quality Costs be reduced from $3,376,000 to $2,922,000.

(i) Transmission and Distribution

SJWC forecasts Transmission and Distribution Expense based on allocated Labor, Transportation, Purchased Services – M&S, and Other Expenses.

SJWC forecasts Transmission and Distribution Expenses of $4,386,000 for Test-Year 2016. ORA recommends an adjustment to SJWC's forecast. First, ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated expenses are based on recommendations found on page 2-31 for Labor Expenses, page 2-32 for Transportation Expenses, and page 2-34 for Purchased Services - M&S Expenses. Allocated Labor Expense is reduced by $662,000 Transportation Expense is reduced by $36,000 allocated Purchased Services is reduced by $31,000 and, Other Expense is reduced by $2,000. ORA recommends that SJWC's forecasted amounts for Transmission and Distribution be reduced from $4,386,000 to $3,656,000.

(j) Customer Accounts

Customer Accounts Expense is the sum of: Uncollectibles, allocated Labor expense, allocated Transportation expense, Postage, Purchased Services – M&S, Conservation – M&S (excluding payroll), and other expenses.

(i) Uncollectibles

SJWC forecasts $485,000 in Uncollectibles for Test-Year 2016. The amount of uncollectibles is based on a 5-year average of historical uncollectibles percentage. The average is applied to forecasted sales.

SJWC provided an update to its forecast to account for drought sales conditions. SJWC reduced its original estimate from $485,000 to $476,000. ORA recommends that SJWC updated figure be used for forecasting Uncollectibles Expenses. ORA reviewed SJWC's workpapers and does not object to SJWC's methodology. Any difference between ORA and SJWC estimates of Uncollectibles is a result of different estimates of total revenue requirements.

(ii) Labor

SJWC forecasts $5,150,000 in Customer Accounts – Labor for Test-Year 2016. ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated Labor expenses are based on recommendations found on page 2-31 Allocated Labor Expense is reduced by $961,000 from $5,150,000 to $4,189,000.

(iii) Transportation

SJWC forecasts $103,000 in Customer Accounts – Transportation Expenses. ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated Transportation expenses are based on recommendations found on page 2-32 Transportation Expense is reduced by $8,000 from $103,000 to $95,000.

(iv) Postage

SJWC forecasts $533,000 in Postage Expenses for Test-Year 2016. 2015 Postage Expense is based a 5-year historical average, escalated by a weighted composite of non-labor and comp per hour factors, and by customer growth factors. Forecasted 2015 postage expense is then escalated to 2016 using weighted composite and customer growth factors.

ORA reviewed SJWC's workpapers and does not object to SJWC's proposed Test-Year estimates. ORA updated escalation factors which reduces postage by $10,000. ORA recommends reducing SJWC's forecast from $533,000 to $523,000.

(v) Purchased Services – M&S

SJWC forecasts $2,586,000 in Purchased Services – M&S in Test-Year 2016. ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated Purchased Services – M&S expenses are based on recommendations found on page 2-34 for Purchased Services - M&S Expenses. Purchased Services is reduced by $325,000 from $2,586,000 to $2,261,000.

(vi) Conservation – M&S

Conservation – M&S is composed of three expense components: 1) Conservation Expenses, 2) WRAM Related Conservation Plan Expenses, and 3) Retrofit Program Recycled Water Expenses.

(1) Conservation Expenses

SJWC forecasts $131,900 in Conservation Expenses for Test-Year 2016. Conservation expenses for 2015 are based on a 5-year inflation adjusted average,

increased by non-labor composite, and customer growth factors. Test-year 2016 is based on forecasted 2015 conservation expenses, increased by non-labor composite factors.

ORA makes an adjustment for the use of more recent ECOS Memorandum Escalation factors from February 2015. ORA recommends SJWC's conservation forecast be reduced from $131,900 to $129,300.

(2) WRAM related conservation

SJWC forecasts $1,536,100 in WRAM Related Conservation Plan Expenses for Test-Year 2016. WRAM Related Conservation Plan Expenses are for implementation of the following WRAM related conservation programs for 2016, 2017 and 2018: 1) Waterfluence Landscape Budget Program ($0), 2) Home Water Use Reports ($1,967,499), 3) Ultra-High Efficiency Toilet, Showerhead, and Aerator Direct Install Program ($1,920,000), 4) CII Survey Program ($375,000), 5) School Education Program ($318,600), 6) Landscape Education Program ($27,300).

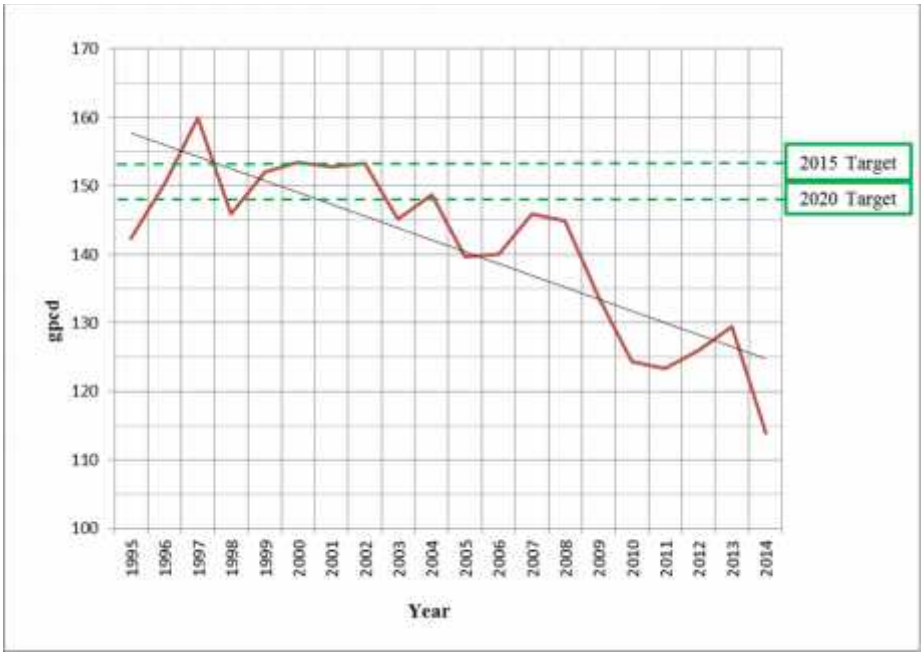
SJWC forecasts $6,146,000 in Retrofit Program Expenses for Test-Year 2016. Recycled Water Retrofit Program costs are based on the estimated cost to install recycled water pipes (purple pipes) for a number of potential customers that may be interested in recycled using recycled water. SJWC proposes three recycled water main alignment projects in this GRC. All potential recycled water customers reside along one of the proposed main alignments. The recycled water retrofit would subsidize the purple pipe installation on the customer's side of the meter. Once installed, the recycled water customer would own and maintain the purple pipes. SJWC has identified a total of 112 customers who are potential recycled water customers. The estimated cost of installing recycled water pipes is $6,146,100 in 2016 and $987,700 in 2017.

SJWC proposed to implement several additional conservation programs. SJWC's proposed conservation programs include 1) Waterfluence Landscape Budget Program ($0), 2) Home Water Use Reports ($1,967,499), 3) Ultra-High Efficiency Toilet, Showerhead, and Aerator Direct Install Program ($1,920,000), 4) CII Survey Program ($375,000), 5) School Education Program($318,600), 6) Landscape Education Program ($27,300).With the exception of the Waterfluence program, ORA recommends against specific additional funding for these new programs. Any new conservation programs that SJWC chooses to pursue should be addressed through SJWC's existing conservation budget that ORA recommends be continued in order to maintain the success of current conservation programs.

SJWC's ongoing conversation programs include water audits, distribution of low-flow showerheads and faucet aerators, public educations and participation in various programs offered by the SCVWD. Programs offered by SCVWD include rebates for high-efficiency toilet, clothes washing machines, sub-meters for multi-family units, laundry –to-grey water use and landscape replacements. These ongoing conservation programs have resulted in a marked drop in gallons per capita per day (GPCD) water use. The programs have been so effective that SJWC has already achieved, and even surpassed, both its 2015 and 2020 goals in reduced GPCD.[62] SJWC's observed success in reduced water consumption through its ongoing conservation programs is detailed in the Figure 2-A.

[62] SBX7-7 calls for a 20% reduction in GPCD by 2020.

Figure 2-A: Historical Daily Gallons per Capita Water Use



As discussed above, ORA recommends continuation of SJWC's existing conservation programs, which appear to have resulted in significant past conservation effects. ORA notes that ratepayers already fund these programs through pump taxes paid by SJWC to the SCVWD. As detailed on page 2-15, ORA also recommends expanding SJWC's recycled water program. This expansion will result in an 1887% increase in total conservation spending. Because of the success of SJWC's existing conservation efforts and the significant expansion in conservation budgets related to recycled water retrofits, ORA recommends that the creation of a new category of conservation spending not be funded at this time.[63] As noted above, customers already have numerous programs

[63] ORA's recommendation to not create a new category of WRAM-related conservation spending is consistent with its recommendation to not authorize a WRAM in this proceeding, see C 2) (i) (vi) (2).

available through SJWC and the SCVWD. ORA reduces SJWC estimate for all other proposed additional conservation programs from $1,536,100 to $0 for 2016, 2017 and 2018.

(3) Recycled Water Retrofit Program

SJWC forecasts $7,124,800 in additional costs for the Recycled Water Retrofit Program. ORA does not oppose this request but recommends an adjustment to smooth costs evenly over each year of the rate case cycle.

In Rulemaking 14-08-058 regarding the Commissions policy on recycled water, the Finding of Fact state: "1. Recycled water is an increasingly important component of the urban water supply portfolios of publicly-owned and investor-owned water utilities alike." and "2. The State of California is strongly committed, where compatible with the protection of public health, to promoting and facilitating growth in the production, distribution and use of recycled water."

Although ORA has concerns about subsidies for commercial customers recovered in general customer rates, SJWC's testimony repeatedly states that potential recycled-water customers have little incentive to adopt recycled water unless the cost and efforts of converting the facilities to use recycled water is performed by SJWC.[64] In Chapter 20, regarding incentives for the proposed retrofit program, SJWC says the following:

"With regards to the customer, SJWC encourages recycled water use by planning, designing, and constructing the recycled water retrofit at its cost with only small obligations required of the customer. Customers using recycled water

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[64] A.15-01-002, Exhibit E, Ch. 20. p.377.

are required to execute the retrofit agreement, designate a Site Supervisor who will attend the SBWR conducted Site Supervisor Training, and allow SJWC on-site to construct the retrofit, perform the cross-connection test, and perform the coverage test. If SJWC did not perform these tasks for the customer, it is unlikely that most customers would go through the numerous steps required to convert their facilities from potable to recycled water use. Though the retrofitting of a property is not a true incentive to use recycled water, it is a necessary cost to ensure that recycled water supplies, when available, are utilized."

ORA does not oppose the program. However an adjustment should be made to SJWC's request. SJWC presents retrofit costs of $6,146,100 for 2016, $978,700 for 2017 and $0 for 2018 for a total cost of $7,124,800. Given the significant increase in spending, ORA recommends the total cost be divided evenly over each year of the rate case cycle. ORA's recommended adjustment results in forecasted expense of $2,314,933 each year for 2016, 2017 and 2018.

In the last GRC, ORA (then DRA) recommended that SJWC attempt to contact potential recycled-water customers to determine if the potential customers would be willing to contribute towards retrofit costs.[65] To date, SJWC has provided only unsupported anecdotal evidence that potential customers would be unwilling to share the retrofit costs. ORA's recommended adjustment to evenly distribute the estimated costs of the program over the three years of the rate cycle will permit SJWC another opportunity to explore the potential for customer contributions.

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[65] A.12-01-003, ORA Report on the Results of Operations of San Jose Water Company, p.8-23

(vii)Other Expenses

SJWC forecasts $172,000 in Other Expenses for Test-Year 2016. SJWC escalates 2014 recorded expenses using weighted composite and customer growth factors to estimate 2015 expenses. Test-year 2016 expenses are based on forecasted 2015 amounts and then increased by weighted composite and customer growth factors.

ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Customer Accounts - Other is reduced by $3,000 from $172,000 to $169,000.Non-Tariffed Services Adjustment

SJWC generally uses a 5-year inflation adjusted average to estimate transition-year 2015 non-tariffed activities. Non-tariffed activities that did not use a 5-year average were the City of San Jose and City of Milpitas where it appears there are no longer any non-tariffed activities, and Homeserve, which uses a 2-year average because there is no activity prior to 2013. SJWC allocates NTP&S revenues based whether the activities are active or passive, in accordance with guidance in D.10-10-019.

SJWC's non-tariffed adjustment provided in their 45-day update states that SJWC's revenue from non-tariffed products & services (NTP&S) is $674,117. Per the rules governing Non-Tariffed Produces and Services set forth in D.10-10-019, any amounts from NTP&S in excess of $100,000 should be allocated between ratepayers and the utility. Any NTP&S under $100,000 accrues to the benefit of ratepayers. SJWC did not include a provision for the first $100,000 of NTP&S in its estimates, so ORA made the adjustment. ORA sent a Data Request to confirm the error and SJWC revised the original amount of NTP&S to 670,112 and then revised that amount to include the first $100,000 of NTP&S revenues for a final credit amount of $760,112 related NTP&S as offset to regulated expenses.

3) Maintenance Expense

(a) Source of Supply Plant

SJWC forecasts $208,000 in maintenance costs for Source of Supply Plant. Source of Supply Plant is the sum of allocated labor, and allocated purchased services – M&S.

ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated Labor Expenses are found on page 2-31, changes to Purchased Services – M&S expenses are based on recommendations found on page 2-34. Labor is reduced by $5,000 Purchased Services is reduced by $23,000. ORA recommends Source of Supply Plant maintenance expense be reduced from $208,000 to $180,000.

(b) Pumping Plant

SJWC forecasts $1,476,000 in maintenance expense for Pumping Plant. Pumping Plant is the sum of allocated labor, allocated purchased services and, other expenses. Other expenses are $0.

ORA made an adjustment to use the most up-to-date escalation factors, reducing overall expenses for Test-Year 2016. Changes to allocated Labor Expenses are found on page 2-31, changes to Purchased Services – M&S expenses are based on recommendations found on page 2-34. Labor is reduced by $128,000 Purchased Services is reduced by $100,000. SJWC's forecast for Pumping Plant should be reduced from $1,476,000 to $1,248,000.

(c) Water Treatment Plant

SJWC forecasts $672,000 in maintenance costs for Water Treatment Plant. Water Treatment Plant is the sum of allocated labor, allocated purchased services.

ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated Labor Expenses are found on page 2-31, changes to Purchased Services – M&S expenses are based on recommendations found on page 2-34. Labor is reduced by $11,000 Purchased Services is reduced by $1,000. ORA recommends maintenance costs for Water Treatment Plant be reduced from $672,000 to $659,000.

(d) Transmission & Distribution Plant

SJWC forecasts Transmission and Distribution maintenance Expenses of $15,848,000 for Test-Year 2016. Transmission and Distribution Plant is the sum of allocated labor, allocated purchased services, allocated transportation and, other expenses. Other expenses are composed of 2014 other expense increased by weighted composite and customer growth factors to arrive at 2015 other expenses. Test-year 2016 expenses are based on 2015 estimates, then increases again by weighted composite and customer growth factors.

ORA recommends an adjustment to SJWC's forecast. First, ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated expenses are based on recommendations found on page 2-31 for Labor Expenses, page 2-32 for Transportation Expenses, and page 2-34 for Purchased Services - M&S Expenses. Allocated Labor Expense is reduced by $1,485,000 Transportation Expense is reduced by $142,000, allocated Purchase Services is reduced by $682,000, and Other Expense is reduced by $10,000. SJWC forecasts Transmission and Distribution maintenance Expenses of $15,848,000 should be reduced to $13,530,000.

(e) Adjustments

SJWC forecasts $8,000 in Adjustments for Test-Year 2016. Adjustments are the sum of all non-utility property maintenance costs. SJWC uses a five-year average and weighted composite of 40% comp per hour factors and 60% non-labor factors to arrive at 2015 maintenance adjustment. Test-year 2016 maintenance expense is based on 2015 estimates, escalated by the weighted composite factors. ORA does not oppose SJWC's forecasted amounts.

4) Administrative and General Expenses

(a) Salaries

SJWC forecasts $9,372,000 in Salaries Expense for Test-Year 2016. SJWC bases Salaries on forecasted payroll expense for 2016. Please see page 2-31 regarding recommendations related to total payroll expense. SJWC expenses 75.83% of estimated total 2016 payroll and capitalizes the rest. Expensed payroll is then allocated between O&M, A&G and service departments. A&G is then further allocated between General payroll and Maintenance payroll.

ORA recommends several adjustments. ORA made an adjustment to use the most up-to-date ECOS Memorandum escalation factors from February 2015, reducing overall expenses for Test-Year 2016. Changes to allocated expenses are based on recommendations found on page 2-31 for Labor Expenses. Allocated Labor Expense is reduced by $1,749,000. ORA recommends that SJWC's forecasted Salaries Expense be reduced from $9,372,000 to $7,623,000.

(b) Office Supplies & Other

SJWC forecasts $2,042,000 in Office Supplies Expense. Office Supplies and expenses is the sum of allocated Transportation Expense, and M&S. Please see page 2-32 for discussion regarding Transportation Expense. ORA recommends

SJWC's total Office Supplies & Other estimate be reduced from $2,042,000 to $1,995,000 for Test-Year 2016. The breakdown for each adjustment by expenses category is discussed below:

(i) Transportation

SJWC forecasts $171,000 in Office Supplies - Transportation Expense for Test-Year 2016. Using updated ECOS Memorandum Escalation factors from February 2015 results is SJWC's forecast being reduced from $171,000 to $159,000.

(ii) Postage

SJWC forecasts $19,700 in Postage Expense for Test-Year 2016. 2015 postage expense is based a 5-year historical average, escalated by a weighted composite of non-labor and comp per hour factors, and by customer growth factors. Forecasted 2015 postage expense is then escalated to 2016 using weighted composite and customer growth factors.

ORA's adjustment uses updated ECOS Memorandum Escalation factors. ORA recommends SJWC's estimated be reduced from $19,700 to $19,300 for Test-Year 2016.

(iii) Telephone/Internet Access

SJWC forecasts $313,700 in Telephone/Internet Access Expense for Test-Year 2016. Test-year 2016 telephone/internet access expense is based on 2014 internet expense, escalated by weighted composite and customer growth factors.

ORA's adjustment uses updated ECOS Memorandum Escalation factors. ORA recommends SJWC's estimated be reduced from $313,700 to $307,800 for Test-Year 2016.

(iv) Stationary & Printing

SJWC forecasts $8,200 in Stationary & Printing Expense for Test-Year 2016. Test-year 2016 stationary & printing expense is based on 2014 internet expense, escalated by weighted composite and customer growth factors.

ORA's adjustment uses updated ECOS Memorandum Escalation factors. ORA recommends SJWC's estimated be reduced from $8,200 to $8,000 for Test-Year 2016.

(v) Landscaping & Janitorial

SJWC forecasts $96,800 in Landscaping & Janitorial Expense for Test-Year 2016. Test-year 2016 Landscape & Janitorial Expense is based on 2014 landscape & janitorial expense, escalated by weighted composite and customer growth factors.

ORA's adjustment uses updated ECOS Memorandum Escalation factors. ORA recommends SJWC's estimated be reduced from $96,800 to $95,000 for Test-Year 2016.

(vi) Miscellaneous General Expense

SJWC forecasts $100,100 in Miscellaneous General Expense for Test-Year 2016. Test-year 2016 landscape & janitorial expense is based on 2014 landscape & janitorial expense, escalated by weighted composite and customer growth factors.

ORA's adjustment uses updated ECOS Memorandum Escalation factors. ORA recommends SJWC's estimated be reduced from $100,000 to $98,300 for Test-Year 2016.

(vii)Utility Supplier Diversity Program

SJWC forecasts $70,500 in Utility Supplier Diversity Expenses for Test-Year 2016. SJWC forecasts 2016 based on 2014 recorded expenses, increased by weighted composite and customer growth factors, and then an additional $24,000 is added for SJWC's proposed diversity software subscription purchases.[66] The $24,000 is a portion of total purchased service M&S that has been allocated to A&G.

ORA's adjustment uses updated ECOS Memorandum Escalation factors. ORA recommends SJWC's estimated be reduced from $70,500 to $69,600 for Test-Year 2016.

(viii) Travel & Incidental

SJWC forecasts $346,800 in Travel & Incidental Expense for Test-Year 2016. Test-year 2016 travel & incidental expense is based on 2014 travel & incidental expense, escalated by weighted composite and customer growth factors.

Due to ORA's adjustment to use updated ECOS Memorandum Escalation factors, ORA recommends SJWC's estimated be reduced from $346,800 to $352,200 for Test-Year 2016.

(ix) Bank Service Charges

SJWC forecasts $273,700 in Miscellaneous General Expense for Test-Year 2016. Test-year 2016 bank service charges is based on 2014 bank service charges expense, escalated by weighted composite and customer growth factors.

Due to ORA's adjustment to use updated ECOS Memorandum Escalation factors, ORA recommends SJWC's estimated be reduced from $273,700 to $268,600 for Test-Year 2016.

(x) Other Office Supplies & Expense

SJWC forecasts $641,200 in Other Office Supplies & Expense for Test-Year 2016. SJWC other office supplies and expense is based on 2014 other office supplies and expense plus $164,000 for requested software purchases, then escalated by weighted composite and customer growth factors. $164,000 is amount of purchased services M&S allocated to A&G.

Due to ORA's adjustment to use updated ECOS Memorandum Escalation factors, ORA recommends SJWC's estimated be reduced from $641,200 to $629,300 for Test-Year 2016.

(c) Property Insurance

SJWC forecasts $234,000 in Property Insurance Expenses. Test-Year 2016 Property Insurance is based on estimates provided by SJWC's Insurance broker. The full market value of SJWC's property is multiplied by the ratio of property insurance to full-market value, and then non-utility property insurance is subtracted. ORA does not oppose SJWC's forecasted amounts.

(continued from previous page)

[66] Exhibit E, Chapter 9, p.3.

(d) Injuries and Damages

SJWC forecasts $2,258,000 in Injuries and Damages Insurance for 2016. It is composed of Public Liability Insurance & Workman's Compensation Insurance ($2,053,000) and Uninsured Damages & Provisions ($205,000). Estimates for Test-Year 2016 are provided by SJWC's insurance broker.

SJWC's 45-day update reduces Injuries and Damages Insurance by $14,000 to $2,272,000. ORA does not oppose SJWC updated number. Due to ORA's recommended adjustments in Labor Expenses, SJWC's forecast for Injuries and Damages is reduced by $194,000 from $2,272,000 to $2,031,000.

(e) Pension, Benefits & PBOP

(i) Forecasting Methodology for Pensions, Benefits, & PBOP

SJWC forecasts $16,698,500 in Pensions, Benefits & PBOP for Test-Year 2016. Pension, Benefits & PBOP is the sum of the following: retirement plans, retirement savings plans, employee stock purchase plan, unfunded pensions, PBOP, life insurance, Kaiser medical insurance, Pacific care medical insurance, United HealthCare medical insurance, HAS medical & group opt out, Delta Dental dental insurance, other employee benefits and long-term disability insurance.

With the exception of Retirement Plans, PBOP, Kaiser medical insurance, United HealthCare medical insurance, and Delta dental insurance, SJWC forecasts 2015 expenses based on a 5-year inflation adjusted average, escalated by weighted composite and customer growth factors. Test-year 2016 is based on 2015 estimates, and then escalated by weighted composite and customer growth factors.

(1) Retirement Plans

SJWC forecasts $6,700,000 for Retirement Plans for Test-Year 2016 based on amounts provided to SJWC by its actuary. Costs are estimated to increase 23% in Transition-Year 2015 and decreases 8% in Test Year 2016.

SJWC provided a copy of the most recent actuarial report to review. The most recent report is for Transition-Year 2015 Expenses. ORA reviewed the report to ensure actuarial estimates matched SJWC's workpaper estimates of 2015 Retirement Plans Expense. No discrepancies were noted. ORA does not oppose SJWC's request.

(2) Retirement Savings Plan

SJWC forecasts $1,150,300 for Retirement Savings Plans for Test-Year 2016. ORA does not oppose SJWC's forecasted amounts.

(3) Employee Stock Purchase Plan

SJWC forecasts $208,000 for their Employee Stock Purchase Plan in Test-Year 2016. ORA does not oppose SJWC's forecasted amounts.

(4) Unfunded Pensions

SJWC forecasts $1,800 for their Unfunded Pension Expense for Test-Year 2016. ORA does not oppose SJWC's forecasted amounts.

(5) PBOP

SJWC forecasts $1,500,000 for PBOP Expenses for Test-Year 2016. PBOP is based on amounts provided by SJWC's actuary. PBOB Expense increases 92% in Transition-Year 2015,with no increases for Test-Year 2016.

ORA reviewed the 2015 actuarial report to ensure amounts matched with SJWC workpaper. ORA did not note any discrepancy. ORA does not oppose SJWC's forecasted amounts.

(6) Life Insurance

SJWC forecasts $103,300 in Life Insurance Expense for Test-Year 2016. ORA does not oppose SJWC's forecasted amounts.

(7) Kaiser Medical Insurance

SJWC forecasts $5,947,900 for Kaiser Medical Insurance for Test-Year 2016. Transition-year 2015 is based on 2014 recorded expense, escalated by 7% Test-year 2016 is based on estimated 2015 expense, plus the average cost for medical insurance for 33 new employees, then escalated by 7%.

The forecasted amount includes expenses for 33 new employees. ORA recommends only 5 new positions. Please see page 2-31 regarding labor related expense adjustments. ORA recommends SJWC's medical expense be reduced from $5,947,900 to $5,509,300 to account for the reduced number of employees.

(8) Pacific Care Medical Insurance

SJWC forecasts $0 for Pacific Care Medical Insurance Expense. ORA does not oppose SJWC's forecast.

(9) United HealthCare Medical insurance

SJWC forecasts $19,300 for United HealthCare Medical Insurance for Test-Year 2016. Transition year 2015 is based on the recorded 2014 expense, escalate by 7%. Test-year 2016 is based on 2015 estimates, escalated by 7%. ORA does not oppose SJWC's forecasted amount.

(10) HSA Medical & Group Opt-Out Expenses

SJWC forecasts $115,700 in HSA Medical & Group Opt-Out Expenses for Teat-Year 2016. ORA does not oppose SJWC's forecasted amount.

(11) Dental Insurance, Delta Dental

SJWC forecasts $638,300 for Delta Dental Insurance for Test-Year 2016.Transition-year 2015 is based on 2014 recorded expense, escalated by 7%. Test-year 2016 is based on estimated 2015 expense, plus the average cost for dental insurance for 33 new employees, and then escalated by 7%.

The forecasted amount includes expenses for 33 new employees. ORA recommends only 5 new positions. Please see page 2-31 regarding labor related expense adjustments. ORA recommends SJWC's medical expense be reduced from $638,300 to $589,400 to account for the reduced number of employees.

(12) Other Employee Benefits

SJWC forecasts $235,100 in Other Employee Benefits for Test-Year 2016. ORA does not oppose SJWC's forecasted amounts.

(13) Long Term Disability Insurance

SJWC forecasts $78,800 for Long Term Disability Insurance. ORA does not oppose SJWC's forecasted amounts.

(f) Regulatory Commission

SJWC forecast $341,000 in Regulatory Expense for 2016. In its testimony, SJWC estimates a total of $1,000,000 in regulatory expenses for 2016, 2017 and 2018. $1,000,000 is divided by three to get an annualized of $333,333 amount for 2015. SJWC them escalates $333,333 to $341,000 for Test-Year 2016.

SJWC's estimated expense of $1,000,000 has no factual basis. SJWC states the amount is due to various factors including the length and complexity of GRC's. SJWC requested the exact same amount in the last GRC.[67] For the past three-years, SJWC has spent a total of $570,000 in Regulatory Commission Expenses, a little more than half the amount SJWC has forecasted. The costs vary from year-to-year so ORA recommends the use of a 5-year inflation adjusted average. ORA reduces SJWC's forecast from $341,000 to $185,000 for Test-Year 2016, $190,000 for 2017 and $194,000 for 2018.

(g) Outside Services

Outside Services is composed of legal and other expenses. Legal expenses are based on 2014 recorded numbers escalated to 2015 with composite and customer growth factors. Test-year 2016 expenses are based on 2015 plus additional expenses for Cyber security and for new groundwater legislation, then escalated by composite and customers growth factors.

Other expenses are based on 2014 recorded numbers plus, additional anticipated for HR Payroll implementation, Web consulting services, information governance initiative project and 3rd party security consulting expenses, and then escalated by composite and customer growth factors. Test-year 2016 is based on 2015 estimates plus additional expenses listed above, then escalated by composited and customer growth factors.

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[67] A.12-01-003.

Due to the use of updated ECOS Memorandum escalation factors from February 2015, Outside Services should be reduced by $48,600 from $3,160,600 to $3,112,000.

(h) General Corporate

SJWC forecasts $908,000 in Corporate expenses Test-Year 2016. SJWC forecasts 2016 expenses based on 2014 recorded expense, escalated by weighted composite and customer growth factors.

SJWC's forecast is based on the amount recorded in 2014, which is the highest recorded year in the last 5-years. SJWC does not provide sufficient justification for this increase, and costs fluctuate from year to year, so ORA recommends using a 5-year inflation adjusted average instead. SJWC's forecasted Corporate Expenses should be reduced from $908,000 to $790,000.

(i) Dues & Memberships

SJWC forecasts $467,000 in Dues & Memberships for Test-Year 2016. Dues & Memberships is the sum of all employee dues & memberships paid in 2014, escalated to 2015 using the weighted composite factors. Test-year 2016 is based on estimated 2015 expense, escalated by weighted composite factors.

SJWC did not remove dues paid to various Chamber of Commerce organizations. ORA adjusts SJWC's forecast from $467,000 to $427,000 to remove Chamber of Commerce costs, which is consistent with D.04-07-022 where the Commission confirmed its long-standing policy to disallow dues to chamber of commerce and service clubs.

(j) Rent

SJWC forecasts $507,570 in Rent Expenses for Test-Year 2016. Rent is based on recorded 2014 numbers escalated to 2015 by the weighted composite factor. Test-year 2016 is based on 2015 estimates escalated by weighted composite factors.

Due to ORA's use of updated ECOS Memorandum dated February 2015 escalation factors, SJWC's Rent Expense forecast should be reduced from $507,570 to $498,000.

5) Allocated Expenses

(a) Labor Expense

SJWC expenses 73.6% of total payroll expenses and capitalizes the remaining 23.9%[68]. SJWC forecasts $42,495,890 in total Labor Expenses for Test-Year 2016. ORA recommends SJWC's forecast be reduced from $42,495,890 to $34,656,433. Please see Chapter 3 for discussion regarding adjustments to SJWC's labor forecasts.

(b) Transportation Expense

Transportation Expense is the sum of allocated labor, allocated payroll taxes, insurance, fuel, depreciation, and other expenses. Total transportation expense is allocated between O&M, A&G, Construction Overhead and Stores Overhead. The allocation percentages are based on the 5-year average of each allocated expense.

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[68] Exhibit F, WP 8-13.

(i) Labor

Transition year 2015 Transportation Labor is based on the ratio of transportation labor to total labor, applied to 2015 total labor. Test-year 2016 transportation labor is based on the ratio of estimated transportation labor to total estimated labor for 2015, applied to total labor for 2016.

Please see Chapter 3 for ORA's recommendations related to Labor Expenses.

(ii) Payroll Taxes

SJWC forecasts $391,100 in Payroll Taxes for Test-Year 2016. Transition-year 2015 payroll taxes is based on the ratio of 2014 payroll taxes to 2014 labor, multiplied by labor expense for 2015. Test-year 2016 is based on the 2015 estimated payroll taxes to 2015 estimated labor expense, multiplied by estimated labor for 2016.

Due to changes in payroll estimates, ORA recommends SJWC's payroll tax forecast be reduced from $391,100 to $286,500. Any other difference will be based on recommendations provided in Chapter 6.

(iii) Insurance

SJWC forecasts $140,080 in Insurance Expenses for Test-Year 2016. Transition-year 2015 transportation insurance expense is based on 2014 transportation insurance escalated by 4.9%. Test-Year 2016 transportation insurance expense is based on 2015 estimated transportation insurance expense escalated by 4%. ORA does not oppose SJWC's forecast.

(iv) Fuel

SJWC forecasts $684,800 in Fuel Expenses for Test-Year 2016. Transition-year transportation expense is based on 2014 transportation fuel expense, escalated by 3%, plus $48,500 for addition fuel for new vehicles. Test-year 2016 is based on 2015 estimated fuel expense, escalated by 3%. ORA does not oppose SJWC forecasts.

(v) Depreciation

SJWC forecasts $991,600 in Depreciation Expense for Test-Year 2016. Test-year depreciation expense is calculated based on total transportation depreciation expense less the percentage attributable to luxury vehicles. Total transportation depreciation is based on amounts provided in SJWC depreciation study. ORA does not oppose SJWC's forecast.

(vi) Other

SJWC forecasts $1,055,500 in Other Expense for Test-Year 2016. Transition-year Other Transportation Expense is based on 2014 recorded amounts, escalated by weighted composite inflation factors. Test-year 2015 composite inflation factors are based on 2015 estimates, escalated by weighted composite factors. ORA does not oppose SJWC's forecast.

(c) Purchased Services – Material & Services (M&S)

SJWC forecasts a total of $11,830,000 in Purchased Services – M&S for Test-Year 2016. Purchased Services – M&S in composed of operating expenses, maintenance expenses and water quality expenses. SJWC uses a 3-year inflation adjusted average, escalated to 2015 with composite inflation factors, and then Additional Purchased Material & Services, Water Treatment & Water Quality

Operations, Water Treatment & Water Quality Maintenance costs are added to get total 2015 purchased services.

Test-year 2016 expenses are based on 2015 Purchased Services plus 2015 Additions to Purchased Material & Services, which are then escalated to 2016 with the weighted composite factor. 2016 additional purchased services, Water Treatment & Water Quality - Operations, and Water Treatment & Water Quality – Maintenance are added to the escalated amounts to arrive at total purchased services for 2016.

Additions to Purchased Services are comprised of various expenses SJWC discusses in Exhibit E Chapter 8. It is composed of SCADA Security per Executive Order NIST, Maintenance for additional Wonderware Licenses, Customer Service and Self Service Software maintenance, AMI implementation, Distribution System Pater Paving Increase, and Changes to Maintenance Agreements.

SJWC forecasts $1,936,868 in Water Treatment and Water Quality Costs for Test-Year 2013. Water Treatment and Water Quality Costs are composed of Purchased Services, Operations, and Purchased Services, Maintenance and Regulatory Fees. Purchased Services, Operations, and Purchased Services, Maintenance and Regulatory Fees are based on a 5-year inflation adjusted average plus additional costs. Purchased Services, Operations includes costs for Stage 2 Disinfectants/Disinfection Byproducts Rule, and NPDES Permit Compliance. Purchased Services, Maintenance includes costs for Watershed Maintenance Regional General Permit, and Hooker Impoundment Restoration.

Total Purchased Services is allocated based on the 2014 percentage of total. 38.93% is allocated to operations expense, and the remaining 61.07% is allocated to maintenance expense. SJWC further allocates Purchased Services to Operations using percentages from 2014 to: source of supply (7.59%), pumping (22.59%),

water treatment &water quality (0%,) transmission and distribution (6%) and customer accounts (63.82). SJWC allocates Purchased Services to Maintenance using percentages from 2014 to: source of supply (2.85%), pumping (12.49%), water treatment & water quality (0%), and transmission and distribution (84.66%)

ORA recommends an adjustment to SJWC's forecast. In Chapter 4 regarding SJWC's proposed capital projects, ORA recommends SJWC implement a pilot project for its Advanced Meter Infrastructure project. Since SJWC will not be implementing the full AMI project, expenses associated with AMI should correspondingly be removed. ORA adjusts SJWC's Purchased Services – M&S from SJWC's from $11,830,000 to $10,507,000 in Test-Year 2016.

D. CONCLUSION

Based on the 45-day update, SJWC forecasts 2016 O&M expense to be $159,183,000 and A&G expense to be $29,278,000. ORA's estimate for O&M expense is $141,839,000 and A&G is $26,486,000. SJWC's Expense forecast exceeds ORA's forecast by $17,344,000 and $2,792,000 for O&M and A&G respectively.

CHAPTER 3: LABOR AND PAYROLL EXPENSES

A. INTRODUCTION

This chapter presents analysis and recommendations on payroll expense. In its application, SJWC requested a total of $42,504,336 in payroll expenses for Test Year 2016. SJWC updated its estimates to $42,495,890 in its 45-day update. ORA analyzed SJWC's testimony, supporting workpapers, reports, responses to minimum data requirements, supplemental data requests, other information provided and methods of estimating payroll expense.

B. SUMMARY OF RECOMMENDATIONS

ORA recommends an estimated total Test-Year payroll expense of $34,565,433. SJWC's estimate is $42,495,890 which exceeds ORA's estimate by $7,839,457 or 23%. This recommendation is reflected in Chapter 4: Operating and Maintenance Expenses. The differences in estimates are due to the following:

- Adjustment to Exclude Labor Attributed to Non-Tariffed Products & Services
- Adjustment to Use the Latest CPUC ECOS Memorandum Labor Factors, and to Use Actual 2014 Costs for Base-Year For Estimates Administrative and Officer Payroll.
- Adjustment to Exclude Bonuses from the Forecast.
- Adjustment to Exclude of Part-time and Temporary Labor.
- Adjustment to Administrative and Officers Labor Escalation Factors.
- Adjustment to Reduce the Number Requested New Positions.
- Adjustment to Overtime.

C. DISCUSSION

1) Forecasting methodology

(a) Transition-Year 2015 estimate

SJWC estimates payroll expense for transition-year 2015 based on information available on January 1, 2015. Employees are grouped by type, either under general payroll, administrative compensation, or officer compensation. The existing number of employees, by position, is multiplied by the employees existing salary or wage rate. Calculations are shown for general employees, which total to $18,317,848. No calculations are given for administrative and officer compensation, but an annual figure is provided in the amounts of $12,505,080 and $5,185,500 respectively. The calculations and annual figures are totaled to arrive at transition-years 2015 total estimated payroll expense in the amount of $36,008,428

(b) Test-Year 2016 Estimate

SJWC forecasts Test-Year 2016 payroll expense based on estimated 2015 payroll expense. The Test Year estimated total payroll of $42,495,890 is composed of the following main components: General payroll, administrative and officer's compensation, requested new positions, part-time labor and overtime. For general payroll, SJWC estimates temporary and part-time labor, which is added to 2015 payroll expense and then escalated by 3%. New general positions are added to the escalated total. The result is total general payroll expense of $20,178,920. For administrative and officers compensation, 2015 estimated amounts are escalated by 5% and new administrative positions are added. The result is total administrative and officers compensation of $20,717,609. Total general payroll, total administrative and officers compensation, and estimated overtime are added together, resulting in 2016 total payroll expense of $42,495,890.

(c) 2017 and 2018

SJWC escalates payroll expense for 2017 and 2018 using ECOS labor factors of 1.4% and 1.8% respectively. SJWC's estimate of total payroll expense for 2017 is $43,090,833 and for 2018 it's $43,866,469.

2) ORA Adjustments to SJWC Forecast.

(a) Adjustment to Exclude Labor Attributed to Non-Tariffed Products & Services

In the last GRC, SJWC was ordered to exclude labor attributed to non-tariffed products and services (NTP&S). SJWC has subsequently filed for rehearing on the issue; however no final decision has been issued, so ORA makes an adjustment to exclude labor attributed to NTP&S.

[redacted] which have been removed from the 2016 labor forecast.

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69 [redacted]

(b) Escalate 2015 Administrative and Officer Payroll by Latest CPUC ECOS Memorandum Labor Factors

ORA used the most recent recorded full-year of data available to forecast Transition-Year 2015 Payroll Expense. 2015 Payroll Expense is estimated by escalating 2014 Payroll Expense by 2% for union employees and by the most recent CPUC labor factors for administrative and officer payroll.[70] ORA removed bonuses from 2015 Payroll Expense; please see sub-section (c) below for further discussion on bonuses. To get to 2016 payroll expense, 2015 estimated payroll expense is escalated by 3% as provided via union contract for general employees and by CPUC labor factors for administrative personnel and officers. To see why administrative personnel and officer compensation was only escalated by CPUC labor factors, please see the sub-section (e) below titled "Adjustment to Administrative and Officers Labor Escalation Factors."

(c) Exclude Bonuses from Forecast

SJWC included bonuses in its forecasting calculations. SJWC argues that it needs to provide short-term incentive (STI) and long-term incentives (LTI) to its officer and administrative personnel to help ensure that short-term and long-term goals are met. While bonuses may provide additional incentive to accomplish goals, for ratemaking purposes, bonuses should not be included rates, and funded by SJWC shareholders. In the case that any of SJWC personnel who qualify for a bonus fail to meet the goal and therefore receive a reduced bonus or no bonus at all, ratepayers would still be funding the bonus program at 100% through rates. Any unused bonuses become a windfall for the company. In addition, with

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[70] The CPUC labor factor for 2015 is 1.6%.

reduced sales due to conservation efforts, SJWC should reduce costs to ratepayers wherever possible. ORA reduces recorded labor to account for bonuses included in SJWC's forecast, which reduces 2016 forecasted labor expense by $2,132,230.

(d) Exclude temporary and part-time labor

SJWC argues that temporary and part-time labor should be included in rates since temporary labor is provided for in union contracts, helps during peak summer hours, is cheaper to employ, and helps when regular employees are on extended absences. That is the exact same argument SJWC used in the last rate case.[71] SJWC's payroll estimate should exclude temporary and part-time labor since, as was correctly noted in the last rate case decision, temporary and part-time labor does not provide continuous benefit to ratepayers, and therefore should be excluded from rates.[72] If speculative costs for temporary and part-time labor are included in rates and SJWC does not actually require the use of part-time or temporary labor, an additional windfall for shareholders would result. Therefore, part-time and temporary labor should not be included in general rates. Total part-time and temporary labor costs of $288,870 are removed from ORA's forecast.

(e) Adjust Administrative and Officers Labor Escalation Factors

SJWC requests to increase administrative and officer compensation by 5% per year, but gives no justification for this percentage of increase. For general employees, SJWC argues that a 2%, 2% and 3% increase, for 2014, 2015 and 2016

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[71] A.14-08-006, p.28

[72] D.14-06-006, p.32

respectively, is reasonable since it is less that other inflation factor estimates. SJWC states:

> This is reasonable since a) Mercer's 2013/2014 US Compensation Planning Survey reports the average increase in base pay for US workers to be 2.9% in 2014 (1% more than the union agreement); b) Hay Group's research released in July, 2013 reports the average increase in base pay for US workers to be 3.0% in 2014 (1% more than the union agreement); c) the Bay Area Consumer Price Index (CPI) (San Francisco-Oakland-San Jose) for All Urban Consumers is listed as 2.8% between April, 2013 and April, 2014 (1% more than the union agreement); and d) the Wage Escalation Rates published by the PUC on November 8, 2013 (during contract negotiations) listed 1.5%, 1.6%, 1.7% for 2014, 2015, 2016, respectively, and this has been increasing monthly.[73]

However, none of the data presented by SJWC above supports the reasonableness of existing salary levels that SJWC seeks to increase for the test year. Furthermore, if the increase for union employees is reasonable since it is less than other inflation factors and it's a negotiated contract, it follows that a 5% increase is unreasonable since it is greater than those same inflation factors. Based upon SJWC's logic supporting the reasonableness of increasing general employee's salaries by amount less than general inflation and the lack of substantiating data on the reasonableness of existing compensation packages for SJWC administration and officers, it is reasonable to reduce the requested administrative and officer salary increases. Labor factors for 2016, 2017 and 2018 are adjusted to the latest ECOS Memorandum labor factors published by the PUC

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[73] A.15-01-002, Exhibit E, Chapter 20, Appendix E, p.336, p.357, and p.378.

for February 2015. Those labor factors are -0.7%, 2.3% and 2.7% for 2016, 2017, and 2018 respectively. ORA uses CPUC's labor factors and makes the adjustment which result in a total decrease of $103,854 in ORA's 2016 labor forecast after proper adjustments to SJWC proposed labor escalation factors.

(f) Adjustment to Reduce the Number of Requested New Positions

(i) Background

SJWC requests the addition of 33 new positions at a total compensation cost of $3,218,300. In the last GRC, SJWC requested to include 23 new positions, but SJWC was only authorized funding for four new employees based on the customer growth rate, currently funded but vacant positions, claimed excess capacity, and adopted estimates based on capital projects.[74] SJWC filled three positions in 2012 and the final position in late 2014. In addition, SJWC hired three additional new employees not previously authorized in the last GRC, and included those employees in the labor forecast for this GRC.

(ii) Growth Rate

Hiring 33 new employees is excessive, especially since SJWC is not growing at a similar rate. SJWC's request for 33 new employees represents a 9.21% increase in its overall staffing.[75] SJWC's average annual customer growth rate is only 0.29% meaning that SJWC's is requesting increased staffing of more

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[74] D.14-08-006, p.31.

[75] 358 current employees plus 33 new employees results in 391 total employees. (391 - 358) / 358 = 9.21%

than 30 times the average historical customer growth rate during a period when ratepayers are facing increased rates due to a 25% mandatory reduction in consumption.[76] Based on the average customer growth rate of 0.29% alone, SJWC should be funded for just one new employee.[77]

(iii) Vacant Positons

SJWC currently has 358 potions, not all of which are filled at this time. Based on SJWC's response to ORA Data Request ("DR") RK2-006, as of March 31, 2015, SJWC had 15 vacant, authorized positions. Several vacant positions are very similar to new positions SJWC has requested to include in this GRC. Vacant positions include a Distribution Systems Laborer, an Assistant Civil Engineer (Special Facilities) and a Water Treatment Plant Operator. SJWC has requested to include a Distribution Systems Worker, an Assistant Civil Engineer (Planning), and A Water Treatment Supervisor.[78] The similarities of these positions call into question the validity of SJWC's need for new positions.

(iv) Cost/Benefit

SJWC provides safe and reliable water services to its customers at its current staffing levels, so any benefits achieved through the addition of 33 new employees is likely beyond what is necessary. The aggregate annual salary for the

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[76] From table 7-B average metered customers from 2010 to 2014 were 217,612, 218,152, 218,652, 219,556, and 220,175. Percentage of change was calculated from year to year. The average percent of change is 0.29%.

[77] SJWC currently has 358 employees. The average customer growth rate is 0.29%. 358 x .0029 = 1.0382 new employees.

[78] Exhibit E, Chapter 8.

33 new positions is $3.2 million per year, or $9.6 million for the rate case cycle. This does not include all employee costs either. Costs for medical benefits, pensions, taxes, insurance, training, vehicles, computers, software licenses, etc. will greatly increase the total cost burden as well. In addition, SJWC has asked its customers to reduce their water consumption during the drought. The California Water Board has also issued a draft Proposed Regulatory Framework Tiers to Achieve 25% Use Reduction. Under this new framework, SJWC would have to cut consumption by an additional 8% by Feb 2016 from its 2013-2014 production levels. A reduction in sales means that SJWC should be cutting costs, not increasing them. In fact, SJWC recently filed Advice Letter 468 to recover $9.5 million in lost sales from its customers. When sales are lower than expected, any unregulated business would need to reduce expenses to maintain profits. SJWC should do the same. Hiring 33 new employees is unreasonable at a time when SJWC sales are reduced and customers are already incurring the higher rates that accompany lower consumption.

(v) Overtime

SJWC tries to justify the addition of new employees by pointing to current employees that are working overtime. Total overtime in 2014, the last recorded year in this rate case, amounts to $1,293,556, which is 3.62% of total payroll and is equivalent to only 40% of the annual costs of the proposed new employees.[79] With the addition of new employees, it would be expected that the amount of overtime would be reduced. SJWC does not make an adjustment to reduce overtime in its forecast. Since no reduction in overtime is made, it implies that

[79] Per Exhibit F, WP 8-14, 5-year average overtime is 3.68%. Per Exhibit F, WP 8-14, 2014, overtime was $1,293,556.

SJWC does not expect a reduction in overtime costs, and therefore the amount of overtime SJWC employees worked is not a valid justification for new employees.

SJWC provided a breakdown of total overtime by department. The top three departments that had the largest overtime costs, in order of magnitude from largest to smallest were: Operations & Maintenance, Engineering, and Construction.[80] [redacted] If SJWC had utilized its employees for SJWC operations [redacted] overtime could have been significantly reduced. Correspondingly, the need for additional employees is reduced as well.

(vi) Hiring for NTP&S / Excess Capacity

As in the last general rate case, some of the new positions SJWC has requested record a considerable amount of time working for NTP&S. In response to DR RK2-004 Q1, SJWC identified the positions and number of hours worked for NTP&S for the last 5 years. A review of the response shows that the following positions that SJWC is requesting in this rate case, will likely be used for NTP&S:

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[80] A percentage of total overtime was calculated for each department. The Operations & Maintenance, Engineering, and Construction 5-year average percentage of total overtime of 59%, 21%, and 12% respectively.

[81] [redacted]

[82] Per Exhibit F, WP 8-14, 2014.

[redacted]

[redacted]

[redacted]

(vii)Staff for Capital Projects

As discussed in ORA Chapter 4: Utility Plant in Service, ORA does not oppose funding of SJWC's proposed Information Governance Initiative capital project.[83] SJWC requested a dedicated records manager to help comply with GO-103 and to make SJWC's recordkeeping program modern, comprehensive and sustainable. Based on ORA's recommended approval of the project, SJWC should be allowed to hire one additional position.

(viii) Conclusion on Request for New Positions

SJWC's requested funding for 33 new employees should not be authorized by the Commission. ORA evaluated the current level of staffing, scope of capital projects, customer growth, overtime, and part-time and temporary labor as part of its analysis on SJWC's request. ORA recommends that SJWC be authorized funding in rates for five new employees. That includes the three employees SJWC hired since its last general rate case, one additional employee based on the customer growth rate, and one for proposed capital projects. The two new positions should be funded based on ORA's average proposed compensation of [redacted] per year. ORA does not make any specific recommendation as to what positions SJWC should fill.

(g) Adjustment to Overtime

A downward adjustment to overtime is needed since SJWC uses the 3-year average as opposed to 5-year average with no justification as to why a 3-year average results in a more reasonable forecast. Similar to the forecasting methodology employed by SJWC for the majority of expense accounts, a 5-year average of recorded amounts provides a more reasonable base to smooth or normalize any years where costs may have been extraordinarily high, as appears to be the case for SJWC's overtime percentage in 2013.[84] ORA's recommendation

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(continued from previous page)

[83] A.15-01-002, Exhibit G, p.306.

[84] A.15-01-002 ,45 day update to Exhibit F, CH-08, WP 8-14.

to use a 5-year average of recorded amounts to forecast overtime reduces estimated labor expenses by $316,275.

(h) Adjustment to escalation factors for 2017 and 2018

ORA escalates payroll expense for 2017 and 2018 using labor factors from the most recent ECOS Escalation Factors Memorandum escalation factors of 2.3% and 2.7%, respectively, for non-union employees. Total payroll expense for 2017 is $36,015,396 and for 2018 it's $36,987,812.

D. CONCLUSION

The following adjustments to labor expense are recommended and reasonable: 1) an adjustment to use 2014 recorded amounts as the base year for forecasting 2016 labor expenses, 2) an adjustment to exclude bonuses, 3) an adjustment to exclude part-time and temporary labor, 4) An adjustment to reduce administrative and officer labor factors to the latest ECOS labor factors, 5) an adjustment to reduce the number of requested new positions, 6) an adjustment to use a 5-year average instead of a 3-year average to forecast overtime, and 7) an adjustment to escalation factors for 2017, and 2018.

CHAPTER 4: UTILITY PLANT IN SERVICE

A. INTRODUCTION

ORA reviewed and analyzed San Jose Water Company's testimony, Minimum Data Requirements, workpapers, Capital Project Justification document, estimating methods, infrastructure evaluation studies, and responses to various ORA data requests. ORA also conducted a field investigation of the proposed specific plant additions on March 2-3, 2015 before making its own independent estimates including adjustments where appropriate. Discrepancies between ORA's and SJWC's estimates of specific plant addition categories are listed in Tables 4-B through 4-D.

B. SUMMARY OF RECOMMENDATIONS

SJWC requests gross plant additions of $105,589,700 for 2015, $113,927,100 for 2016, and $116,024,000 for 2017. ORA recommends $104,157,684 for 2015, $104,749,084 for 2016, and $103,521,403 for 2017. The differences between ORA's and SJWC's recommendations are based on the necessity of projects or their estimated costs. A summary of the cost adjustments can be seen in Tables 4-A through 4-D.

Table 4-A: 2015-2017 Utility Plant Additions

	2015	2016	2017	Annual Average	Total
ORA	$ 104,157,684	$ 104,749,084	$ 103,521,403	$ 104,142,724	$ 312,428,171
SJWC	$ 105,589,700	$ 113,927,100	$ 116,024,000	$ 111,846,933	$ 335,540,800
SJWC > ORA	$ 1,432,016	$ 9,178,016	$ 12,502,597	$ 7,704,210	$ 23,112,629
ORA as % of SJWC	99%	92%	89%	93%	93%

Table 4-B: Utility Plant Comparison by Category for 2015

2015	Construction Item	ORA	SJWC	SJWC > ORA	ORA as % of SJWC
1	Land	$ 10,200	$ 10,200	$ -	100%
2	Source of Supply	$ 8,469,100	$ 8,469,100	$ -	100%
3	Water Treatment	$ 876,800	$ 876,800	$ -	100%
4	Reservoir and Tanks	$ 20,108,266	$ 20,145,500	$ 37,234	100%
5	Pump Stations and Equipment	$ 5,625,085	$ 6,010,800	$ 385,715	94%
6	Distribution System-New Mains	$ 2,733,600	$ 2,733,600	$ -	100%
7	Distibution System-Service Transfers	$ 20,400	$ 20,400	$ -	100%
8	Distribution System-City, County, and State	$ 681,170	$ 759,700	$ 78,530	90%
9	Distribution System-Replacement Mains	$ 38,174,100	$ 38,174,100	$ -	100%
10	Distribution System-Main Extentions	$ 3,344,300	$ 3,698,600	$ 354,300	90%
11	Distribution System-Services	$ 10,781,400	$ 10,801,800	$ 20,400	100%
12	Distribution System-Meters	$ 4,176,580	$ 4,219,000	$ 42,420	99%
13	Distribution System-Hydrants	$ 333,183	$ 336,600	$ 3,417	99%
14	Equipment	$ 5,246,900	$ 5,756,900	$ 510,000	91%
15	Structures and Non-Specifics	$ 3,576,600	$ 3,576,600	$ -	100%
16	Green and Alternative Energy	$ -	$ -	$ -	n/a
TOTAL		**$ 104,157,684**	**$ 105,589,700**	$ 1,432,016	99%

Table 4-C: Utility Plant Comparison by Category for 2016

2016	Construction Item	ORA	SJWC	SJWC > ORA	ORA as % of SJWC
1	Land	$ 10,500	$ 10,500	$ -	100%
2	Source of Supply	$ 8,748,100	$ 8,748,100	$ -	100%
3	Water Treatment	$ 2,253,200	$ 2,253,200	$ -	100%
4	Reservoir and Tanks	$ 13,179,380	$ 14,031,100	$ 851,720	94%
5	Pump Stations and Equipment	$ 9,376,226	$ 11,414,700	$ 2,038,474	82%
6	Distribution System-New Mains	$ 5,505,257	$ 5,686,300	$ 181,043	97%
7	Distibution System-Service Transfers	$ -	$ -	$ -	n/a
8	Distribution System-City, County, and State	$ 500,054	$ 580,900	$ 80,846	86%
9	Distribution System-Replacement Mains	$ 38,760,000	$ 38,760,000	$ -	100%
10	Distribution System-Main Extentions	$ 2,850,700	$ 2,850,700	$ (0)	100%
11	Distribution System-Services	$ 11,104,800	$ 11,125,800	$ 21,000	100%
12	Distribution System-Meters	$ 3,347,100	$ 3,347,100	$ -	100%
13	Distribution System-Hydrants	$ 343,161	$ 346,700	$ 3,539	99%
14	Equipment	$ 5,320,700	$ 11,119,700	$ 5,799,000	48%
15	Structures and Non-Specifics	$ 3,449,906	$ 3,652,300	$ 202,394	94%
16	Green and Alternative Energy	$ -	$ -	$ -	n/a
TOTAL		**$ 104,749,084**	**$ 113,927,100**	$ 9,178,016	92%

Table 4-D: Utility Plant Comparison by Category for 2017

2017	Construction Item	ORA	SJWC	SJWC > ORA	ORA as % of SJWC
1	Land	$ 10,900	$ 10,900	$ -	100%
2	Source of Supply	$ 5,705,900	$ 12,234,500	$ 6,528,600	47%
3	Water Treatment	$ 2,503,500	$ 2,503,500	$ -	100%
4	Reservoir and Tanks	$ 12,026,192	$ 12,650,700	$ 624,508	95%
5	Pump Stations and Equipment	$ 11,284,327	$ 13,468,200	$ 2,183,873	84%
6	Distribution System-New Mains	$ 10,981,710	$ 11,339,100	$ 357,390	97%
7	Distibution System-Service Transfers	$ -	$ -	$ -	n/a
8	Distribution System-City, County, and State	$ 351,231	$ 434,900	$ 83,669	81%
9	Distribution System-Replacement Mains	$ 35,864,500	$ 35,864,500	$ -	100%
10	Distribution System-Main Extentions	$ 3,238,400	$ 3,238,400	$ -	100%
11	Distribution System-Services	$ 11,493,500	$ 11,515,200	$ 21,700	100%
12	Distribution System-Meters	$ 4,092,900	$ 4,092,900	$ -	100%
13	Distribution System-Hydrants	$ 355,169	$ 358,800	$ 3,631	99%
14	Equipment	$ 3,643,700	$ 6,044,700	$ 2,401,000	60%
15	Structures and Non-Specifics	$ 1,969,474	$ 2,267,700	$ 298,226	87%
16	Green and Alternative Energy	$ -	$ -	$ -	n/a
TOTAL		**$ 103,521,403**	**$ 116,024,000**	$ 12,502,597	89%

C. DISCUSSION

The majority of the big budgeted projects proposed in this rate case are carryover from the 2012-2014 rate case. [redacted] According to SJWC, some of the projects were scheduled to be placed into service in 2014 due to the late release date of the 2012-2014 rate case decision.[87]

In its Chapter 11 workpapers, SJWC categorized the utility plant projects into the following categories: land, source of supply, water treatment, reservoir and tanks, pump stations and equipment, distribution system (new mains, service transfers, city, replacement mains, main extensions, meters, and hydrants), equipment, and green and alternative energy. ORA's recommendations are discussed below by project category.

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[85] [redacted]

[86] [redacted]

[87] Decision (D).14-08-006 is dated August 14, 2014.

1) Land

SJWC is requesting $10,200, $10,500, and $10,900 in 2015-2017, respectively to fund land acquisition for miscellaneous right-of-way. The 2015 proposed budget is less than the annual 2012-2014 budget approved in the 2012-2014 rate case.[88] The 2016 and 2017 annual budgets were calculated by escalating the proposed 2015 budget by the company's proposed escalation factors to estimate the 2016 and 2017 budget in 2016 and 2017 dollars, respectively.[89] ORA does not oppose SJWC's requested 2015-2017 budget for this line item.

2) Source of Supply

SJWC is requesting to continue the well replacement program to replace two wells per year.[90] In conjunction with the installation of a new well, SJWC plans to retire wells due to water quality or low production. During the 2012-2014 time period, SJWC retired 9 wells.[91] In this rate case, the company is planning on

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[88] D.14-08-006, page 86. In D.14-08-006, the Commission adopted an annual 2012-2014 budget of $10,300.

[89] In this rate case (Application (A).15-01-002), the company is proposing 2015-2017 escalation factors of 2%, 3%, and 3.5%, respectively to escalate the cost estimates to 2015-2017 dollars

[90] SJWC is requesting $4,065,400, $6,395,000, and $10,410,900 in 2015-2017, respectively. In 2015, SJWC is proposing to install one well at the Grant Street Station (SJW012968) and one well at the Gish Station (SJW10384). In 2016-2017 period, SJWC is proposing to install four wells at the McLaughlin Station (two wells in 2016 (SJW10281) and two wells in 2017 (SJW10411)).

[91] SJWC response to ORA Data Request JMI-005, question 2 (see Attachment 4-A). The company retired the following wells in the 2012-2014 period: Breeding Well #1, Grant Well #1, Seventeenth Street Well #9, Bryan Avenue Wells #1-4, and Cox Avenue Wells #1 and 2.

retiring the wells at the Ridgeley Station, Virginia Station, and Cropley Wells #1-4.[92]

According to SJWC, the wells that were constructed during the 2012-2014 period were the last sites available at existing stations with acceptable production (and specific capacity) and water quality.[93] For the well sites with acceptable production and water quality, new wells cannot be installed without retiring an existing well on the site due to well spacing. In 2014, the company purchased a new well site on McLaughlin Avenue. SJWC is proposing to build six wells (four wells in this rate case) on this well site.[94] A picture of the purchase land site on McLaughlin Road is shown in Figure 4-A below.

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[92] In the SJWC 2014 Well Study, the company identified on page 20 the potential wells for retirement. SJWC recommends retiring the Ridgeley Wells # 1-3 (SJW012378) due to poor production. The wells at the Virginia Station (SJW012484) were targeted for retirement due to poor production and water quality. The wells at the Cropley Station (SJW013182) are either inactive or on standby. In the Chapter 11 Workpaper, the company proposes the retirement of the aforementioned wells in the Distribution System- Main Extensions category.

[93] A.15-01-002, Exhibit G, Appendix 4, page 17.

[94] In 2015, SJWC is proposing to install one well at the Grant Street Station (SJW013090) and one well at the Grant Street Station (SJW012968). For the McLaughlin Station, the company is proposing to install two wells in 2016 (SJW10281) and two wells in 2017 (SJW10411).

Figure 4-A: McLaughlin Road Land Site

Prior to the completing the purchase of the McLaughlin Station site, SJWC installed a monitoring well around March 31, 2014. On May 6, 2014, Luhdorff and Scalmanini, Consulting Engineers submitted an Exploration Summary and Well Design Recommendation to SJWC regarding the well site. Luhdorff and Scalmanini, Consulting estimates that the wells on the site would yield approximately 2,000 gallons per minute (gpm) and a specific capacity of approximately 45 gpm per foot.[95]

SJWC proposes to purchase land in 2017 for potential well locations (SJW012440) for future wells to be requested in the next rate case. One issue is the unpredictability of the cost of land in the service area. In the 2012-2014 rate

[95] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B). The test well is at depth of 800 feet which is consistent with the production wells in the company's service area.

case, the proposed estimated cost to purchase land in 2014 for a future well site was $2,797,400.[96] During the site tour, SJWC informed ORA that the purchase cost for the McLaughlin Road land site was $5,568,134.[97] Due to the significant cost overrun of the previous land purchase, ORA removed the proposed cost for a future well site (SJW012440).[98] For future land purchases, the existing well sites should be evaluated first to determine whether a new well can be installed (in conjunction to retiring a well). The company should demonstrate that prior to purchasing land that all viable options (i.e. installing a well at an existing site and retiring a well or adding treatment to an existing site) are assessed. [redacted]

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[96] A.12-01-003, Chapter 11 Workpaper SJWC 2012-14 CIP

[97] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B).

[98] SJWC is requesting $6,528,600 in 2017.

[99] [redacted]

[100] [redacted]

[redacted] Based upon the uncertain cost of land acquisition, ORA recommends removing the cost for a future well site and allowing SJWC to proceed with acquiring assets it determines to be necessary for consideration in rates once acquired.

3) Water Treatment

The major water treatment projects proposed in this rate case are related to chloramination and chemical dosing. SJWC is requesting a total of $876,800, $2,253,200, and $2,503,500 in 2015, 2016, and 2017, respectively for this project category. SJWC proposes five chemical dosing projects in order to maintain disinfectant residuals within the reservoirs of the station.[101] In addition, SJWC is proposing to place onsite sodium hypochlorite system. ORA does not oppose the projects proposed in this category.

4) Reservoirs and Tanks

SJWC is requesting $20,145,500, $14,031,100, and $12,650,700 for 2015-2017, respectively for this project category. The large capital projects in this category include tank replacement, adding cathodic protection to tanks, tank painting, and structural improvements for reservoirs.

ORA recommends cost adjustments to three of the reservoir projects (Almaden Valley Station Reservoir, Belgatos Station Basin #1, Cox Station Basin #2) based on a lower contingency factor. The cost estimates for the

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[101] SJWC is requesting chemical dosing systems in the Miguelito, Prospect, Seven Mile, More Avenue, and Saratoga Hills stations. The proposed chemical dosing system includes tank mixing, onsite hypochlorite generation, controller, chemical pumps, and analyzers.

aforementioned projects were prepared as part of the Earthen Reservoir Study (Exhibit G, Appendix 5) prepared by Kennedy/Jenks (K&J). K&J uses a 30% contingency factor in its cost estimations for the aforementioned projects. ORA does not agree with this contingency factor based on the company's recent experience with similar projects. During the site tour, SJWC informed ORA of the design modifications during the structural improvements of the More Reservoirs 1 and 2.[102] For example, the company mentioned the widening and elevating the base of the columns. In addition, the company mentioned using steel columns in the More Reservoir, which is a design the company is carrying over to the proposed Almaden Valley Reservoir project proposed in this rate case. ORA recognizes that some complications are possible due to the scale of the project, and therefore recommends a contingency factor of 20%. In addition, some discrepancies between SJWC's and ORA's estimates are due to rounding.[103] ORA also applied a lower sales tax rate based on the current sales tax rate for Santa Clara County.[104]

In addition, some of the proposed tank projects that were carried over from the 2012-2014 rate case are discussed below.

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[102] In the 2012-2014 rate case, SJWC propose to replace the roof columns, support structures, metal roof sheeting and installing a roof-membrane overlay for More Avenue Station Reservoirs #1 and 2 (referenced as Index #4044 in the 2012-2014 rate case).

[103] SJWC rounds the construction subtotal cost before and after applying factors (such as contingency, overhead, and permitting and design fees). ORA only rounded the final estimated cost of the project.

[104] SJWC uses a sales tax of 9.25%. ORA used the current sales tax rate of 8.75% for San Jose provided on the California State Board of Equalization website.

(a) Almaden Valley Station Reservoir (SJW013091 and SJW012383)

SJWC is requesting a total of $6,926,400 to replace the existing roof and overflow structure due to the existing condition of the reservoir. The scope of the project would include replacing the roof and columns, resealing the concrete joints, installing a new overflow structure and repairing concrete drains. According to SJWC, the California Department of Water Resources, Division of Safety and Dams (DSOD) sent SJWC a formal notice following an inspection to replace the overflow structure and spillway.[105] In addition, the report conducted by K&J identified the poor condition of the columns and roof structure.[106] ORA does not object to the need of the project but recommends a lower estimated project cost based on a lower contingency factor as previously mentioned. Based on the lower contingency and lower sales tax rate, ORA recommends a total project cost of $6,400,448.

(b) Belgatos Station Basin#1 (SJW013080 and SJW012862)

SJWC is requesting a total of $8,782,100 in 2017 to replace the column, roof, and liner of the Belgatos Station Basin. ORA does not object to the need for the project, but recommends a lower estimated project cost based on a lower contingency factor and sales tax rate as previously mentioned. Based on the

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[105] A.15-01-002, Exhibit G, page 125.

[106] In D.14-08-006 (page 88), the Commission did not adopt the proposed roof support work in 2014. The proposed amount was postponed beyond 2014 pending on the consultant study.

lower contingency and lower sales tax rate, ORA recommends a total project cost of $8,139,926.

(c) Cox Station Basin #2 (SJW013088 and SJW012861)

SJWC is requesting a total of $4,536,800 to replace the columns, roof, overflow structure, and concrete sealant of the basin.[107] ORA does not object to the need of the project but recommends a lower estimated project cost based on a lower contingency factor and sales tax rate as previously mentioned. Based on the lower contingency and lower sales tax rate, ORA recommends a total project cost of $4,191,465.

(d) Vickery Avenue Station Reservoir #2 (SJW0116)

SJWC is requesting $7,832,700 in 2015 to construct a 5.8 million gallon (MG) tank. This project is in the final year of a four year project to replace the original 7.67 MG earth embankment reservoir with two prestressed concrete tanks.[108] In 2015, SJWC intends to construct the second tank. Figure 4-B below shows the completion of Vickey Avenue Tank #1 taken during the site tour.[109]

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[107] SJWC expects the proposed project to be completed and placed into service in 2016.

[108] In 2012, SJWC began the preliminary design, California Environmental Quality Act (CEQA) processing and permitting for replacement facilities. In 2013, the company began with the design, building permit, contract and material procurement for site preparation (including a temporary basin split). SJWC constructed the first tank in 2013. In the 2012-2014 period, the company spent a total of $17,724,600 ($955,800 in 2012, $7,053,800 in 2013, and $9,715,000 in 2014).

[109] Vickery Avenue Tank #1 has a volume of 2 MG.

Figure 4-B: Vickery Avenue Tank #1 as of March 2, 2015

[redacted] According to SJWC, the bid placed for Vickery Avenue Tanks #1 and 2 was a hard bid for the project.[111] ORA does not oppose the need or the proposed cost of the project.

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[110] [redacted]

[111] Gateway Pacific Contractors, Incorporated is the contractor responsible for the two tanks. The contract is a total fixed price the construction of both tanks. SJWC

(continued on next page)

(e) McKean Station Tank and McKean Pipeline to Almaden Road (SJW10449 and SJW012331)

SJWC is requesting a total of $6,242,400 in 2015 to replace two tanks (Alamitos Tanks #2 and 3) with a 1 MG welded steel tank at the McKean site.[112] The replacement tank will be located at the McKean site which is located approximately 1,500 feet southeast of the intersection of Almaden Road and Mountain Drive. In addition, SJWC is proposing a pipeline based on the new location of the tank. This project is a continuation of a project proposed in the 2012-2014 rate case.[113] ORA does not oppose the need or the proposed cost of the project.

(f) Elwood Station Tank (SJW012308)

SJWC is requesting $2,783,000 in 2015 to construct a 1 million gallon welded steel tank and replace the motor control center (MCC) due to the condition of the existing tank.[114] This project was adopted in the 2012-2014 rate case

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provided a copy of the contract to ORA during a meeting with SJWC and ORA on March 4, 2015.

[112] SJW10449 is for the McKean Tank portion of the project which is estimated to cost $3,508,800. SJW012331 is the Almaden Road Pipeline portion of the project. SJWC is expected this section of the project to cost $2,733,600.

[113] In 2013, the project consisted of the preliminary design, CEQA processing and permitting for site facility development for storage, ingress-egress and conveyance facilities, electrical service and appurtenances. The final design, contract and material procurement were completed in 2014. SJWC had an estimated budget of $281,400 and $579,100 in 2013 and 2014, respectively.

[114] The Elwood Station Tank serves the Belgatos Zone.

originally scheduled for 2014.[115] [redacted] According to SJWC, the project was delayed until 2015 due to necessity of unplanned projects in 2014.[117]

In addition, SJWC identified changes in the scope of the project due to issues that occurred during the design phase. During the design phase, the location of the existing MCC at the Elwood station conflicted with construction due to the close proximity to the tanks. SJWC also wanted to replace the MCC due to deficiencies with the current electric code.[118] The proposed project now includes a cathodic protection system to prevent corrosion of the tank interior.[119] The Regional Water Quality Control Board (RWQCB) requires SJWC to include a storm water detention and treatment system at the Elwood Station to reduce the amount of runoff and improve the water quality of the stormwater entering the City of San Jose's drainage system.[120] ORA does not object to the revised proposed cost of the project.

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[115] This project had an adopted budget of $1,714,500 for 2014.

[116] [redacted]

[117] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B).

[118] Ibid. The company wanted to combine this component with this project rather than create a separate project. This component increases the cost of the project by $375,000.

[119] Ibid.

[120] Ibid. The RWQCB requirement is being administered through the City of San Jose.

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(g) Overlook Station Tank (SJW012317)

SJWC is requesting $4,957,200 in 2015 to replace the Overlook Station Tank #1.[121] This project was adopted in the 2012-2014 rate case originally scheduled for 2014.[122] [redacted] According to SJWC, the project was delayed due to permitting and land easement issues. During the site tour, SJWC informed ORA on some of issues involved with this project. For example, during a land survey an unknown piece of land was discovered which resulted in a reformation of deed. A portion of the project is interfered by an existing Pacific Gas and Electric Company (PG&E) gas pipe, which requires PG&E to relocate. The Regional Water Quality Control Board required SJWC to install stormwater detention management system. ORA does not object to the revised proposed cost of the project.

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In addition, there are also an increase in cost due to additional permitting costs, increase in construction costs due to inflation and increasing the overhead cost from 7% (from the 2012-2014 rate case) to 10%.

[121] Overlook Tank #1 is a 713,000 gallon reinforced concrete tank built in 1918. This tank serves the Overlook, Daves Regulated, Blue Gum Court Regulated, Beckwith, Montgomery Highlands, Grandview Regulated, Walnut and Hernandez Regulated Zones. According to the company, the Overlook Tank needs to be replaced since it exceeded the expected service life, need for more storage capacity, the need to resist seismic activity, and to address sanitary issues due to the existing condition of the tank.

[122] This project has an adopted budget of $3,485,800 for 2014.

[123] [redacted]

5) Pump Stations and Equipment

SJWC is requesting $6,010,800, $11,414,700, and $13,468,200 for 2015-2017, respectively for this project category. Many of the projects proposed in this GRC are projects carried over from the 2012-2014 GRC. In addition, the Booster Pump Station and Pressure System Evaluation Study (Exhibit G, Appendix 1) document identifies retiring seven pumps in 2015 since there were pumps in the system that not been operational in more than ten years.[124] SJWC is proposing to retire five of the seven booster stations.[125]

(a) Franciscan Station Pumps (SJW012309 and SJW012310)

SJWC is requesting a total of $1,530,700 in 2015 and 2016 to replace and relocate boosters one and two and the MCC.[126] This project was adopted in the

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[124] A.15-01-002, Exhibit G, Appendix 1, page 39. The company identifies the following pumps for retirement in 2015: Maple Station (Maple Station Boosters #1 and 2), Mabury Station (Mabury Station Booster #1), Campbell Station (Campbell Station Booster #1), Ridgeley Station (Ridgeley Boosters #1 and 2), and Koch Station (Koch Station Booster #1).

[125] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B). In this rate case, SJWC is proposing to retire Maple Station Boosters #1 and 2, Campbell Station Booster #1, and Ridgeley Station Boosters #1 and 2 (as part of retiring the aforementioned stations). SJWC is further evaluating the Koch groundwater station over this rate case and expects to either retire or replace the booster pending the outcome of the company's evaluation. In addition, SJWC is currently evaluating a proposed (from Luhdorff and Scalmanini Consulting Engineers) to provide hydrogeological services associated with the Mabury Station. The company is deferring the retirement of this station pending the result of the consultant study.

[126] SJW012309 is for the design and permitting of the site improvements in 2015. SJW012310 is for the material procurement and construction of the replacement booster pumps, motors, and MCC.

2012-2014 rate case originally scheduled for 2014.[127] According to SJWC, it was unable to complete the project in 2014 due to the date of the 2012-2014 rate case decision.[128] SJWC states that the scope of the project has been updated based on the precise location, dimensions, and necessary perimeter of the booster station. This results in an increase in the amount of earthwork required and the inclusion of retaining wall to surround the perimeter.[129] ORA does not oppose to the need for the project, but recommends this project continue as an advice letter project with an estimated budget cap of $1,530,700. By allowing the project to continue in an advice letter, the final cost of the project can be reviewed for all reasonable and prudent costs once it is completed.

(b) San Ramon Station Pumps (SJW012629)

SJWC is requesting $1,062,900 in 2015 to replace the MCC, pressure system, and to install an emergency generator. The replacement of the pressure system would include replacing the booster pumps and relocating the facilities to the existing pressure tank site.[130] This project was approved in the 2012-2014 rate case.[131] According to SJWC, the construction of the project was delayed to 2015

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[127] D.14-08-006, page 89. This project was adopted as a Tier 2 Advice Letter (AL) project with a budget capped at $1,234,800.

[128] A.15-01-002, Exhibit G, page 137. D.14-08-006 is dated August 14, 2014.

[129] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B). According to the company, the new cost estimate is based on a contractor's quote.

[130] SJWC also intends on relocating the MCC to the existing pressure tank site.

[131] In the 2012-2014 rate case, the project was separated into two projects (originally Indexes #3549 and 4324) originally scheduled for 2014. Index #3549 is to replace

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due to permitting issues during design, a change in the scope of the project and due to unplanned projects in 2014.[132] SJWC wants to add a permanent generator to the system in the event of a power outage. SJWC anticipates that permitting costs are more expensive than anticipated based on recent experience with installing pressure systems within the City of San Jose.[133] ORA does not oppose the need nor the proposed cost of the project.

(c) Cypress Station Pumps (SJW010321)

SJWC is requesting $1,122,400 in 2015 to relocate the Maya Way Booster Station to the Cypress Station. In the 2012-2014 rate case a project was approved to install a second booster and replace the MCC at the Maya Station.[134] SJWC is requesting to relocate the Maya Way Booster Station due to space limitations at the Maya Way Booster Station to expand the station and due to the remote location of the existing station. Upon the completion of relocating the Maya Station, the company plans on retiring the existing Maya Way Booster Station. ORA does not oppose the need or the proposed cost of the project.

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the MCC and pressure system. Index #4324 is to install a 10 kilowatt (kW) standby power generator. The total adopted cost for both the replacement of the MCC and pressure system and installation of a standby generator from the 2012-2014 rate case is $890,500.

[132] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B).

[133] Ibid. SJWC also states that there is also an increase in cost due to increasing the overhead rate from 7% (from the 2012-2014 rate case) to 10%.

[134] This project was scheduled to be place into service in 2014. In the 2012-2014 GRC,

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(d) Miguelito Station Pumps (SJW 012347 and SJW012348)

SJWC is requesting a total of $2,139,000 in 2016 and 2017 to replace the booster pumps, motors, and MCC.[135] This project was adopted in the 2012-2014 rate case originally scheduled for 2014.[136] According to SJWC, it was unable to complete the project in 2014 due to the date of the 2012-2014 rate case decision.[137]

Upon revaluating the scope of the improvement necessary for the Miguelito Station, SJWC determined to expand the scope of the project to accommodate the anticipated long-term operations of the station.[138] SJWC recommends replacing the existing infrastructure (existing booster pump systems, piping, and tank) with two submersible motor type booster pumps and a MCC outdoors.[139] SJWC

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this project had an estimated budget of $445,000.

[135] SJW012347 is for the final design, contract, and material procurement for site improvements in 2016. SJW012348 is for the replacement booster pumps, motors, and MCC.

[136] D.14-08-006, page 89. This project was adopted as a Tier 2 AL project with a budget capped at $1,360,400.

[137] A.15-01-002, Exhibit G, page 240. D.14-08-006 is dated August 14, 2014.

[138] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B). The original scope of the project was to replace the existing MCC and install a new booster pump.

[139] Ibid. According to the company, the existing building has deteriorated to point where repairs are not cost effective. In addition, the company states that the pumps are at the end of their useful life and the tank was determined to no longer be necessary for current and future operations.

determined that this two pump configuration makes the need for a third pump (as previously proposed) no longer necessary. In addition, SJWC anticipates additional company labor necessary to design the project, permitting cost, and increasing the overhead cost from 7% (from the 2012-2014 rate case) to 10%.[140] ORA does not oppose to the need for the project, but recommends this project continue as an advice letter project with an estimated budget cap of $2,139,000. This will allow the project to be reviewed for all reasonable and prudent costs once it is completed.

(e) Harwood Court Station Pump (SJW012311)

SJWC is requesting $1,104,400 in 2016 to replace the MCC and to add a second booster pump to the Harwood Court Station. This project was adopted in the 2012-2014 rate case originally scheduled to be placed into service in 2014.[141] According to SJWC, the scope of the project has not changed since it was proposed in the 2012-2014 rate case.[142] SJWC claims that the original proposed budget of $835,100 from the 2012-2014 rate case was based on another project of similar nature and scope. In addition, the proposed budget of $1,104,400 in this rate case is based on a contractor's quote.[143] ORA does not oppose the need for the project, but recommends that the budget of the project should remain at the agreed upon $835,100 adopted in D.14-08-006, escalated to 2016 dollars since

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[140] Ibid.

[141] In the 2012-2014 rate case, the project had an original estimated cost of $835,100.

[142] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA) (see Attachment 4-B).

[143] Ibid.

there is no change in the scope of the project. After applying SJWC's proposed escalation factors to estimate the agreed upon budget of $835,100 to 2016 dollars, ORA recommends a budget of $877,356. In the event the recorded cost of the project exceeds ORA's recommended budget of $877,356, SJWC may propose to recover the excess cost in its next GRC. This will provide ORA an opportunity to review any additional costs for prudency.

(f) Williams Road Station Generator (SJW012523)

SJWC is requesting $1,482,300 for the installation of a 1,750 kW permanent generator at the Williams Road Station. This project is a carryover from the 2012-2014 rate case. According to the company, SJWC was not able to complete this as originally scheduled for 2014 due to delay of the Commission's Decision of the 2012-2014 rate case.[144] Since the new proposed cost is less than the adopted cost estimate of $1,704,700 from the previous rate case decision (D.14-08-006), ORA does not oppose the proposed cost of $1,482,300.

(g) Tully Road Station Generator (SJW012524)

SJWC is requesting $767,100 in 2017 for the installation of a 1,000 kW permanent generator at the Tully Road Station. This project is a carryover from the 2012-2014 rate case. According to SJWC, it was not able to complete this as originally scheduled for 2014 due to delay of the Commission's Decision of the 2012-2014 rate case.[145] Since the new proposed cost is less than the adopted cost

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[144] A.15-01-002, Exhibit G, page 249.

[145] Ibid, page 339.

estimate of $1,404,200 from the previous rate case decision (D.14-08-006), ORA does not oppose the proposed cost of $767,100.[146]

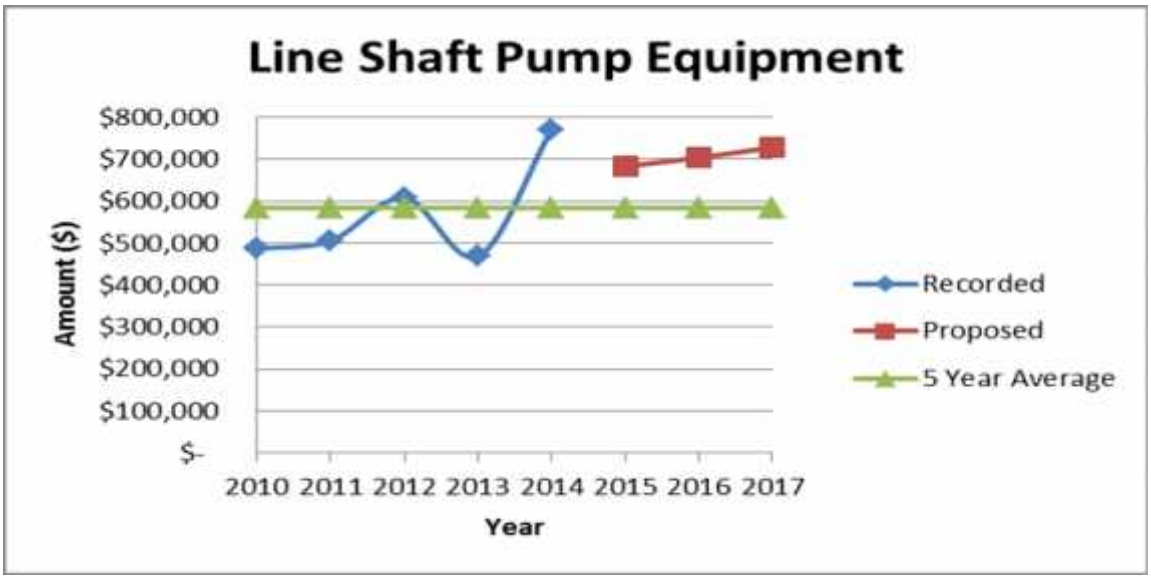
(h) Line Shaft Pumping Equipment (SJW10457, SJW10465, and SJW10211)

SJWC is requesting a total of $2,115,800 in the 2015-2017 period which includes the maintenance and replacement of horizontal and vertical electric motors and pumping unit assembly.[147] ORA does not oppose the need for this project, but adjusted the annual budget based on the company's historical spending on this line item. ORA compared the recorded five year average (2010-2014) with the proposed 2015-2017 budget. Figure 4-C compares the recorded five year average with the proposed 2015-2017 budget.

[146] D14-08-006, pages 89 to 90.

[147] The company is requesting $683,400, $703,900, and $728,500 for 2015, 2016, and 2017, respectively. Some of the items covered under this line item include (but not limited to) pump casings, column assemblies, discharge heads, and shaft segments.

Figure 4-C: Recorded Spending on Line Shaft Pump Equipment[148]



As shown in Figure 4-C above, SJWC's recorded spending for this line item fluctuates during the 2010-2014 time period. ORA's estimate for this line item is based on a five year average in order to incorporate the fluctuation of the company's spending behavior of this line item. The recorded five year average (adjusted to reflect 2014 dollars) was escalated using the company's proposed escalation factors to estimate the 2015, 2016, and 2017 budget. Using the methodology mentioned above, ORA recommends an annual budget of $595,904, $613,781, and $635,263 for 2015, 2016, and 2017, respectively.

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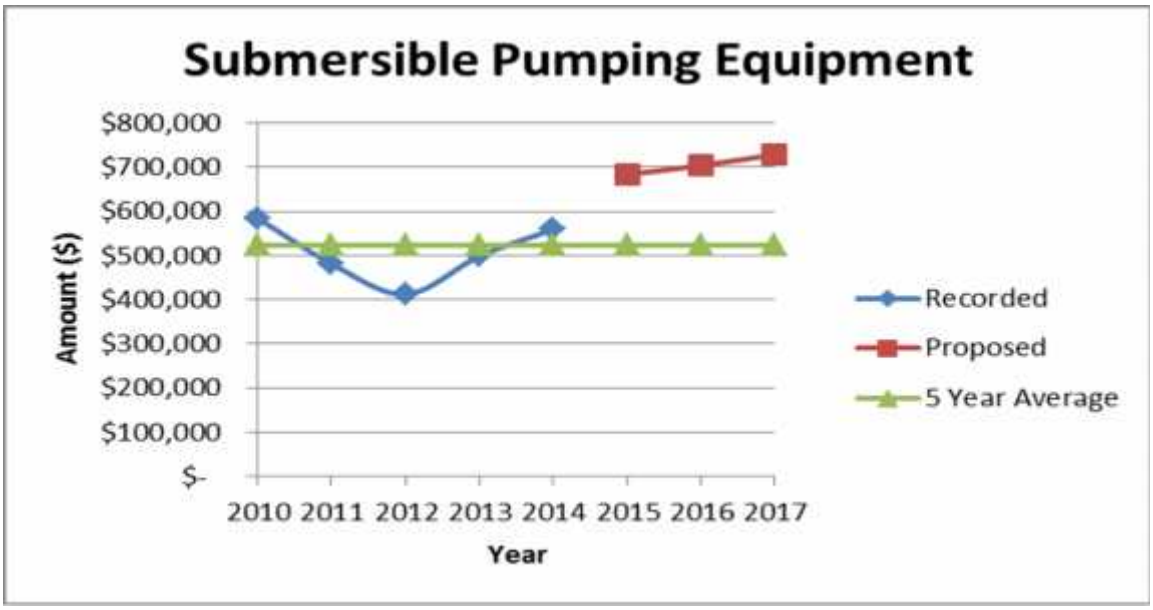
[148] Recorded 2010-2014 annual expenditure was provided in SJWC response to ORA Data Request JMI-002, question 3 (see Attachment 4-C).

(i) Submersible Pumping Equipment (SJW10468, SJW10163, and SJW10468)

SJWC is requesting a total of $2,115,800 in the 2015-2017 period which includes the maintenance and replacement of horizontal and vertical electric motors and pumping unit assembly.[149] ORA does not oppose the need for this project, but adjusted the annual budget based on the company's historical spending on this line item. ORA compared the recorded five year average (2010-2014) with the proposed 2015-2017 budget. Figure 4-D compares the recorded five year average with the proposed 2015-2017 budget.

[149] The company is requesting $683,400, $703,900, and $728,500 in 2015, 2016, and 2017, respectively. Some of the items covered under this line item include (but not limited to) submersible electric motors, pump bowl assemblies, power cables, column assemblies, discharge elbows, power cables, and wiring for wells and booster pumps.

Figure 4-D: Recorded Spending on Submersible Pumping Equipment[150]



As shown in Figure 4-D above, SJWC's recorded spending for this line item fluctuates during the 2010-2014 time period. ORA's estimate for this line item is based on a five year average in order to incorporate the fluctuation of the company's spending behavior of this line item. The recorded five year average (adjusted to reflect 2014 dollars) was escalated using the company's proposed escalation factors to estimate the 2015, 2016, and 2017 budget. Using the methodology mentioned above, ORA recommends an annual budget of $534,181, $550,207, and $569,464 for 2015, 2016, and 2017, respectively.

6) Distribution System

In this rate case, SJWC is requesting to install one new main and three recycled main projects. SJWC divides the distribution system category into the

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[150] Recorded 2010-2014 expenditure for this project was provided in SJWC response to Data Request JMI-002, question 4 (see Attachment 4-C).

following subcategories: new mains, service transfers, city, county, and state, replacement mains, main extensions, services, meters, and hydrants.

(a) New Mains

SJWC is requesting $2,733,600, $5,686,300, and $11,339,100 in 2015-2017 respectively for one new main in 2015, two recycled main in 2016, and one recycled main project in 2017. SJWC is requesting $2,733,600 in 2015 to install a new pipeline within the existing easement and Santa Clara Valley Water District (SCVWD) property from the McKean Station to Almaden Road (SJW012331). This project is in conjunction with the construction of the McKean Station Tank (SJW10449).

The 2009 SJWC Recycled Water Master Plan prepared by HydroScience Engineers, Incorporated identified seventeen recycled water pipeline alignment to provide recycled water for non-potable uses.[151] SJWC has been proposing alignment pipeline projects over the last two rate cases (A.09-01-009 and A.12-01-003, for the 2009-2011 and 2012-2014 rate cases, respectively) in order to reduce its reliance on imported water due and in response to the drought condition in California.[152] SJWC has already constructed six alignment projects as part of the 2009-2011 and 2012-2014 general rate cases.[153]

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[151] SJWC currently is in a Wholesaler-Retailer Agreement with the City of San Jose. When the City of San Jose and SJWC originally entered the agreement in 1997, the City of San Jose allowed the South Bay Water Recycling (SBWR) to construct recycled water pipeline in the company's service area. In 2010 and 2012, the agreement was amended to allow SJWC to construct recycled water infrastructure which would be owned, operated, and maintained by the company.

[152] According to SJWC, the company relies on four water supply sources: Santa Clara

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In the decision to the 2009-2011 rate case (D.09-11-032), SJWC was encouraged to seek partners, tax exempt funding, and public grants to help fund the company's reclaimed water projects.[154] According to SJWC, the company is currently eligible for four programs.[155] Among the four programs, SJWC has received funding from the California Pollution Control Financing Authority Revenue and the USBR Title XVI. SJWC received $50 million of low interest loans from the California Pollution Control Financing Authority Revenue for recycled water and other utility plant projects.[156] SJWC received $249,950 in grant funding through USBR Title XVI to cover 50% of the cost of the Feasibility Study and environmental documentation. SJWC is seeking $6.75 million in construction grant through USBR Title XVI for future alignments (including the

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Valley Water District (SCVWD) treated water, SCVWD managed groundwater, SJWC's local surface water and SBWR recycled water for non-potable use. On page 20-3 of the Results of Operations Report, the company states that the SCVWD treated water supply is down 20% SJWC's local supply depleted, resulting in a heavier reliance of groundwater and recycled water in 2014.

[153] A.15-01-002, Exhibit G, page 265. The alignments completed during the aforementioned rate cases are Alignments C (Oakland Road, Phases One through Three), G (East William Street), H (Story Road), M (Seven Trees Boulevard), N (Sark Way), and S (Burke Street).

[154] D.09-11-032, Ordering Paragraph Nine, page 59.

[155] SJWC is currently eligible for the State Water Resources Control Board (SWRCB) Water Recycling Funding Program (WRFP), City of San Jose Green Vision Partnership Project Proposal, California Pollution Control Financing Authority Revenue, and United States Bureau of Reclamation (USBR) Title XVI. According to SJWC, there is currently no WRFP or City of San Jose Vision Partnership Project Proposal funding at this time.

[156] A.15-01-002, Exhibit E, Chapter 20, Recycled Water, page 20-7.

alignment projects proposed in this rate case).[157] According to SJWC, Congress must approve the project before the company can receive construction grant funding. Once the projects are approved, the company has to apply to get money appropriated for the main projects. SJWC should continue to aggressively pursue outside funding to help offset the high capital cost of the recycled main projects, and not place this significant cost burden on existing potable water customers.

In this rate case, SJWC is proposing to construct three more alignment projects (Alignments A, D (Phases One and Two), and R). SJWC is requesting $5,686,300 in 2016 and $11,339,100 in 2017 to provide a total of 1,016AFY for irrigation and industrial purposes. According to SJWC, recycled water rates will not change as a result of the additional recycled main projects.[158] In the cost estimation provided in the Results of Operation report, the base unit (shown in the unit cost column) is escalated by 3% annually to reflect the unit cost in 2014 dollars (shown in the escalated unit cost column). ORA used the Energy Cost of Service and Natural Gas Branch (ECOS) escalation factor to escalate the base unit factors from 2009 to 2014 dollars. ORA then used the escalated factors proposed by SJWC to escalate the unit estimated cost to 2016 and 2017 dollars.

(i) Alignment A- Charcot Avenue (SJW012933)

SJWC is requesting $4,164,000 in 2016 for a 21,700 linear feet (LF) pipeline to connect to the existing pipeline on Junction Road to provide 274 acre-

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[157] Ibid, page 20-8. The Feasibility Study is a requirement of the USBR in order to receive grant funding to cover up to 25% of the construction cost of recycled water projects.

[158] A.15-01-002, Exhibit G, pages. 281, 302, and 378 for Alignments A, R, and D, respectively.

feet per year (AFY). This alignment would supply water to commercial office building with external landscape irrigation, some decorative fountains, and a soccer field. After applying the aforementioned escalation factors, ORA recommends a budget of $4,011,220.

(ii) Alignment R- Skyport Drive (SJW012934)

SJWC is requesting $1,522,300 in 2016 for a 7,100 LF pipeline to provide 265AFY to connect to the SBWR distribution system along Airport Boulevard that serves the Mineta San Jose International Airport. After applying the aforementioned escalation factors, ORA recommends a budget of $1,494,037.

(iii) Alignment D- Berryessa Road, Phases One and Two (SJW013935)

SJWC is requesting a total of $11,339,100 in 2017 to supply water to the Berryessa Flea Market. In addition, the company states that this alignment might provide a future opportunity for SJWC to partner with the SCVWD to provide recycled water for indirect potable reuse. This alignment consists of two phases: Phase One consists of a 4,900 LF pipeline with a total demand of 163 AFY and Phase Two consists of a 22,500 LF pipeline with a total demand of 314AFY.[159] According to the company, Alignment D provides a potential future opportunity for SJWC to partner with SCVWD to provide recycled water for indirect potable reuse since the alignment is near SCVWD's percolation ponds.[160] ORA does not object to the need for the project, but adjusted the estimated cost based on the

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[159] SJWC is proposing $4,133,100 for Phase One and $7,206,000 for Phase Two.

[160] A.15-01-002, Exhibit G, page 360.

escalated cost of the project. After applying the aforementioned adjustments, ORA recommends a budget of $10,981,710.[161]

(b) Service Transfers

SJWC is requesting $20,400 in 2015 in order to retire a 12.75 inch pipeline within the Lakewood right-of-way and transfer two 0.75" domestic services. According to SJWC, the pipeline was a discharge line for the Fleury Station. When the Fleury Station was retired, the pipeline within the Lakewood right-of-way was left in place.[162] ORA does not oppose the need or the estimated cost of this project.

(c) City, County and State

SJWC is requesting a total of $759,700, $580,900, and $434,900 in 2015-2017, respectively for the annual 2015-2017 budget for facility relocation in conjunction with the Department of Public Works and Department of Transportation undertaken by the city, county, or state agencies per franchise agreements (projects SJW012332, SJW10278, and SJW10283 for 2015-2017, respectively) and two main projects.

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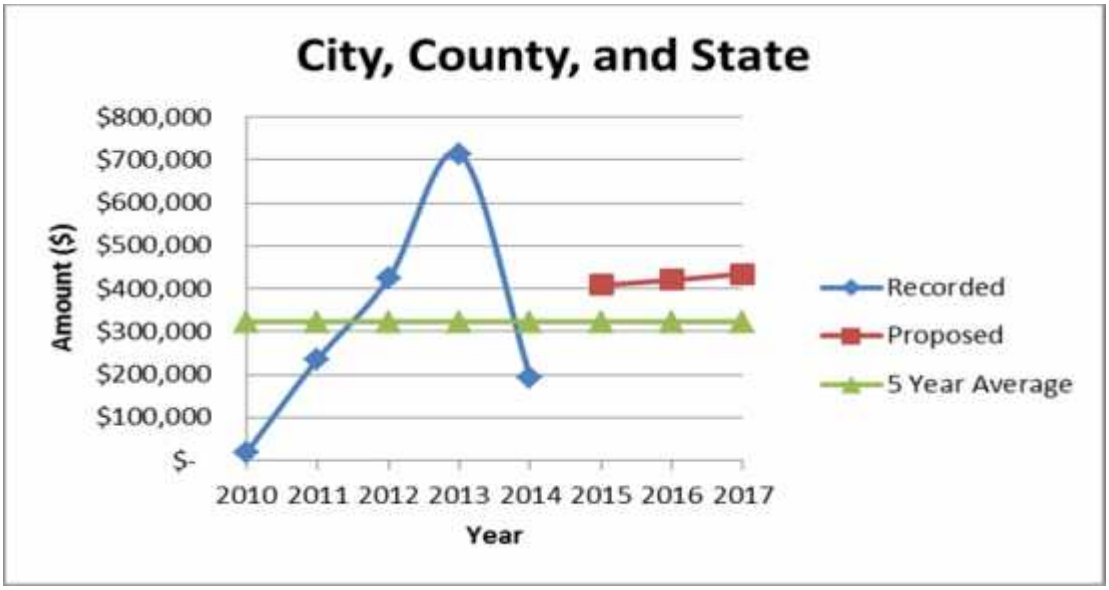
[161] ORA's recommendation of $10,981,710 equates to $4,026,641 for Phase One and $6,955,069 for Phase Two.

[162] Chapter 11 Workpapers, 2015-17 GRC Capital Budgets tab, cell J50.

(i) City, County, and State Projects (SJW012332, SJW10278, and SJW10283

The company is proposing a budget of $408,000, $420,200, and $434,900 in 2015-2017, respectively to provide funding for facility relocation or improvement in conjunction with the Department of Public Works and Department of Transportation undertaken by the city, county, or state agencies per franchise agreements. ORA compared the recorded five year average (2010-2014) with the proposed 2015-2017 budget. Figure 4-E compares the recorded five year average with the proposed 2015-2017 budget.

Figure 4-E: Recorded Spending on City, County, and State[163]



[163] Recorded 2010-2014 provided in SJWC response to ORA Data Request JMI-003, question 1 (see Attachment 4-D).

As shown in Figure 4-E above, there are two recorded extreme values in 2010 and 2013. ORA's estimate for this line item is based on a five year average in order to incorporate the fluctuation in SJWC's spending behavior of this line item and to smooth out the two outlier values. The recorded five year average (adjusted to reflect 2014 dollars) was escalated using SJWC's proposed escalation factors to estimate the 2015, 2016, and 2017 budget. Using the methodology mentioned above, ORA recommends an annual budget of $329,470, $339,354, and $351,231 for 2015, 2016, and 2017, respectively.

(ii) Alamitos Road Main (SJW012560)

SJWC is requesting $351,700 in 2015 to replace 400 feet of pipeline along Alamitos Road. According to SJWC, this project is necessary due to the County of Santa Clara Road and Airports Department of Public Works Bridge Construction and roadway improvement project to replace the Alamitos Creek Bridge.[164] The County of Santa Clara informed SJWC that the construction of the replacement of the Alamitos Creek Bridge will begin in July 2015.[165] ORA does not oppose the need for the project or the proposed cost of the project.

(iii) Quito Road Main (SJW10122)

SJWC is requesting $160,700 in 2015 to replace 300 feet of pipeline on Quito Road. According to the company, this project is necessary due to the City of Saratoga Department of Public Works Bridge Construction and roadway

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[164] Chapter 11 Workpapers, 2015-17 GRC Capital Budgets tab, cell J52.

[165] February 25, 2015 letter from County of Santa Clara, Roads and Airports Department to SJWC (see Attachment 4-E). The letter was received by the company on March 2, 2015.

improvement project.[166] ORA does not oppose the need for the project nor the proposed cost of the project.

(d) Replacement Mains

SJWC is requesting a 1% replacement rate to replace the current pipe infrastructure due to the condition of their existing system. A 1% replacement rate equates to a request of $38,174,100, $38,760,000, and $35,864,500 in 2015-2017, respectively. In the 2012-2014 rate case, the Commission adopted a replacement rate of 0.9% per year.[167] [redacted] ORA does not oppose the proposed 1% annual main replacement rate for the 2015-2017 period nor the proposed cost of the main replacement projects.

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[166] Chapter 11 Workpapers, 2015-17 GRC Capital Budgets tab, cell J245.

[167] D.14-08-006, page 91.

[168] [redacted]

[169] [redacted]

(e) Main Extensions

SJWC is requesting a total of $3,968,600, $2,850,700, and $3,238,400 for 2015-2017for the retirement of facilities. The majority of the costs in this category are due to the facility retirement annual budget for 2015-2017.

(i) Facility Retirement (SJW10161, SJW10190, and SJW10209)

The company is requesting $2,040,000, $2,101,200, and $2,174,700 in 2015-2017, respectively for the cost of removal of retired facilities in relation with capital improvement projects. For the facility retirements, ORA compared the recorded five year average (2010-2014) with the proposed 2015-2017 budget. Figure 4-F shows the comparison of the recorded five year average with the proposed 2015-2017 budget.

Figure 4-F: Recorded Spending on Facility Retirement[170]

[170] Recorded 2010-2014 provided in SJWC response to ORA Data Request JMI-002, question 2 (see Attachment 4-C).

As shown in Figure 4-F above, the five year average exceeds SJWC's request for the annual 2015-2017 budget. The recorded 2014 spending on this line item far exceeds the adopted 2014 budget for this line item.[171] According to SJWC, the reason behind the cost overrun in 2014 is due to the retirement of reservoirs involving joint sealant. Removing the recorded 2014 number shows that the 2010-2013 recorded average is comparable to the budget SJWC is proposing (shown in Figure 4-F above).

ORA inquired about the historical recorded cost associated with the Subdivision Main Extensions (projects SJW10159, SJW10188, and SJW10207 in 2015-2017, respectively) and Subdivision Over-Sizing Project (projects SJW10160, SJW10189, and SJW10208 in 2015-2017, respectively) projects. According to SJWC, no money was spent in the 2010-2014 period for any of these projects. In addition, the SJWC states that the budgets for these projects were prudently utilized but were not used for the purpose identified since there were no developer driven projects and that the funding for these projects were reallocated for the procurement of other projects that required funding in addition to the budgeted amount.[172] The amount proposed for these projects for 2015-2017 is less than the 2014 adopted budget for this line item.[173] Therefore, ORA does not object to the proposed 2015-2017 budgets for these line items.

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[171] The adopted budget for 2014 was $2,185,500 for this line item.

[172] SJWC response to ORA Data Request JMI-003, questions 2 and 3 for the Subdivision Main Extensions and Subdivision Over-Sizing projects, respectively (see Attachment 4-D).

[173] SJWC proposes $51,000, $52,500, and $54,400 for 2015-2017 Subdivision Main Extensions project, respectively. SJWC proposes $51,000, $52,500, and $54,400 for 2015-2017 Subdivision Over-Sizing project, respectively. The adopted 2014 budget

(continued on next page)

(ii) Pressure Monitors (SJW012826, SJW012827, and SJW012828)

SJWC is proposing a total of $1,097,100 to purchase and install pressure monitors in the distribution system for all of the pressure zones.[174] According to SJWC, the current monitoring equipment does not provide real-time feedback on equipment failure, corroboration of customer complaints, and operational anomalies. In addition, SJWC states that the pressure monitors would be able to acquire more representative data than the current capacity of the existing Supervisory Control and Data Acquisition (SCADA), data, pressure model, and field surveys. The pressure monitoring system would include pressure monitors, telemetry, data storage, and analytical software.

[redacted]

(continued from previous page)

for both of these line items is $54,600.

[174] SJWC is proposing $354,300, $365,000, and $377,800 in 2015-2017, respectively (Projects SJW012826, SJW012827, and SJW012828, respectively).

[175] [redacted]

[redacted]

[redacted] ORA recommends a total budget of $742,800 for 2015-2017 period, shifting the schedule of the project back one year.[176]

(f) Services

SJWC is requesting $10,801,800, $11,125,800, and $11,515,200 for 2015-2017, respectively for this project category. This category is separated into two projects: replacing services two inches and smaller (SJW10162, SJW10279, and SJW10284 for 2015-2017, respectively) and services over two inches (SJW10304, SJW10191, and SJW10210 for 2015-2017, respectively). SJWC is replacing services that have reached their useful life. The majority of the company's request is the annual budget for services two inches and smaller.[177]

According to SJWC, the cost of services replaced per size was not historically recorded. SJWC did provide ORA the total recorded annual cost of service replacement from 2010 to 2014. The total annual recorded service replacement cost is shown in Figure 4-G below.

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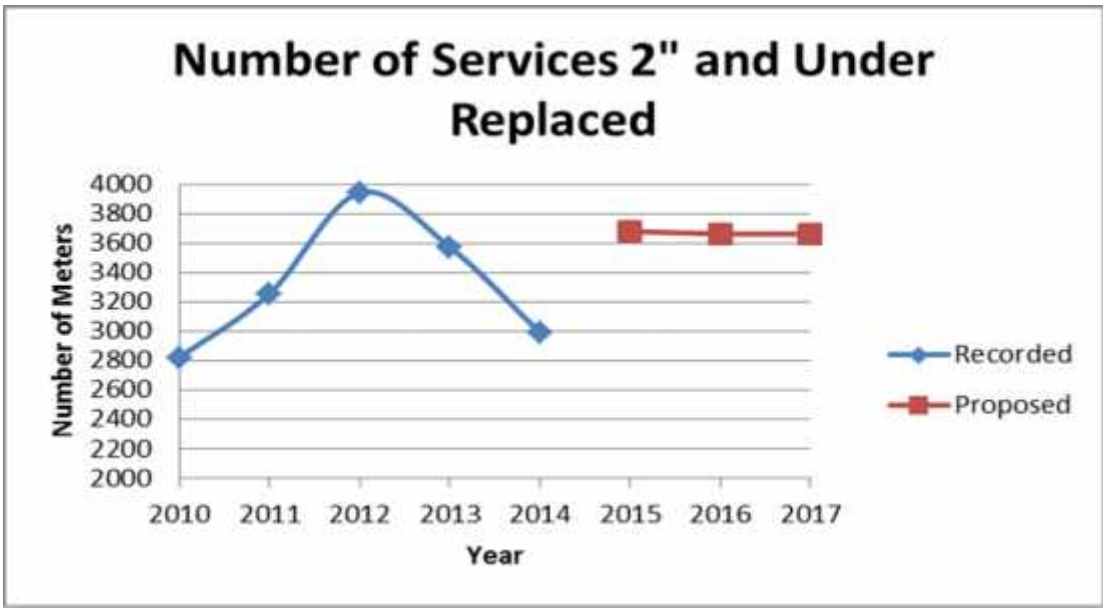
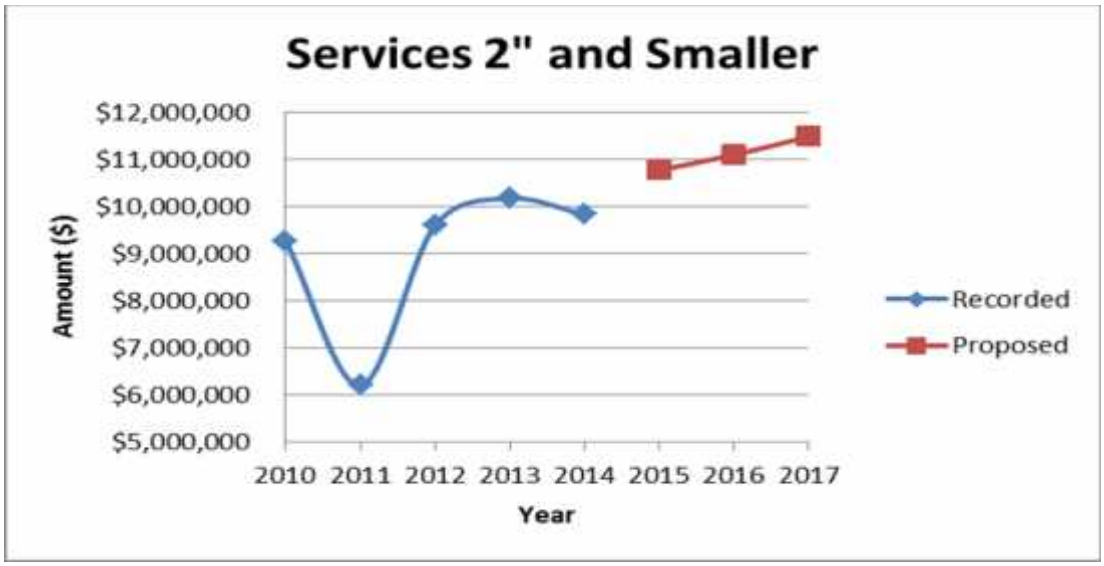
[176] ORA recommends $0, $365,000, and $377,800 for 2015-2017, respectively.

[177] In this rate case, SJWC is requesting an annual budget of $10,781,400, $11,104,800, and $11,493,500 in 2015, 2016, and 2017, respectively for the Services Two Inches and Smaller project. SJWC is requesting an annual budget of $20,400, $21,000, and $21,700 in 2015, 2016, and 2017for Services Larger than Two Inches project

Figure 4-G: Historical Recorded Spent on Service Replacement[178]





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[178] Recorded annual budget and number of services replaced was provided in SJWC response to ORA Data Request JMI-003, questions 3(a) (see Attachment 4-D). The proposed number of services for 2015-2017 is estimated based on the number of services installed for each size in 2013 and a ratio of the length of miles proposed to be replaced in 2015, 2016, or 2017 to the amount of main replaced in 2013.

According to SJWC, the number of estimated services it anticipates replacing annually in 2015-2017 is based on the recorded number of meters replaced in each size in 2013.[179] SJWC used 2013 since it was the most recent complete year at the time of this rate case application was submitted.[180] The requested annual budget SJWC proposes for 2015-2017 is not based on the number of services but rather the ratio of total service costs in 2013 for the length of main installed to the mileage in 2013 (23.4 miles) to the length of main proposed to be replaced in 2015 – 2017 (24.1 miles, 24 miles, and 24 miles for 2015, 2016, 2017, respectively) and the recorded amount spent in 2013. Then the budget was adjusted for inflation to escalate the proposed budget to 2015, 2016, and 2017 dollars.[181]

According to SJWC:

> *"Costs for each size of service is not currently and has not historically been captured. Even though the size breakdown is identified in the budgets, the work orders that are prepared and charged against with costs include all meter sizes. Three inch and larger services have generally been a few each year and charges for materials, labor, permit and contract installations have been captured along with the two-inch and smaller service installation projects."*[182]

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[179] SJWC response to ORA Data Request JMI-003, questions 3(b) (see Attachment 4-D).

[180] Ibid.

[181] Ibid.

[182] SJWC response to ORA Data Request JMI-003, questions 3(a) (see Attachment 4-D).

Based on SJWC's statement above, the costs of service replacement for services larger than two inches are included in the service replacement project for services two inches and smaller project budget. In response to data request JMI-003, SJWC provided to ORA the recorded amount spent for the services replacement for services two inches and less and a breakdown of the number the services replaced (by service size) for the 2010-2014 period. The chart SJWC provided in response to data request JMI003 shows that the recorded amount spent incorporates the services replaced that were greater than two inches (three inches). Since SJWC does not differentiate the spending between the two service projects budget, ORA recommends consolidating the two projects into a single project. ORA does not oppose the proposed budget for the service replacements two inches and smaller, but removes the budget associated with service replacement for services larger than two inches.[183]

(g) Meters

SJWC is requesting a total of $4,219,000, $3,347,100, and $4,092,900 in 2015-2017, respectively to replace meters that have reached the end of their useful life. SJWC separates the meter projects by the following categories: fire service, Sensus meter replacement, meters larger than two inches, meters two inches and smaller, and recycled water mains.

SJWC is requesting $1,114,200, $716,000, and $756,000 in 2015-2017, respectively to replace Sensus Meters. SJWC states that it received a production information notice from the meter manufacturer Sensus on February 12, 2011 that

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[183] SJWC is requesting $20,400, $21,000, and $21,700 for projects SJW10304, SJW10191, and SJW10210, respectively. ORA removed the cost of these projects.

their 2" – 8" Compound, 1 ½" – 6" W Series Turbine, and 1 ½" – 2" PD meters were no longer going to be available.[184] In addition this replacement is in accordance with regulation AB 1953 that took effect January 1, 2010 and Chapter 853 of the Health and Safety Code relating to plumbing.[185] SJWC uses a Time/Consumption Based Meter Change Program criteria to determine which meters are eligible for replacement. The Time/Consumption Based Meter Change Program is summarized in Table 4-E below.

Table 4-E: Time and Consumption Based Meter Change Program[186]

Meter Size (inch)	Meter Type	Consumption (ccf)	Time Base (year)
3	CP	7,500	2
4	CP	7,500	2
6	CP	7,500	2
1.5	T	15,000	3
2	T	15,000	3
3	T	25,000	4
4	T	25,000	4
6	T	100,000	5
8	T	150,000	5
10	T	150,000	5

[184] A.15-01-02, Exhibit G, page 45.

[185] AB1953 states that any component that comes into contact with wetted surface of pipe, pipe fittings, and plumbing fittings and fixtures must have less than 0.25% (15 parts per billion (ppb)) lead content.

[186] Meter types shown in Table 4-E are compound ("CP") and turbo ("T"). Consumption measurements are in hundred cubic feet ("ccf").

In response to data request JMI-002, SJWC provided a list of meters identified for replacement in 2015 that remained in the final year of what the company originally intended as a three year program (2012-2014).[187] ORA projected the consumption through the end of 2015 based on the recorded consumption provided in data request JMI-002. Based on Table 4-E above, ORA identified seventeen meters that do not meet either criterion. In response to question 1(a) of data request JMI-001, SJWC provided a breakdown of their proposed projects by the following cost categories: materials, contract, consulting and contracted labor, company labor, permit, contingency, overhead, and escalation. ORA also identified 3 meters that do not have any consumption (zero ccf).[188] According to the company, only one of the three meters with little to no consumption is currently an inactive account.[189] ORA removed the estimated cost of the seventeen meters from SJWC's proposed 2015 budget.[190] For the

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[187] SJWC response to ORA Data Request JMI-003, question 5 (see Attachment 4-D). The company also provided the installation date, meter size, meter type, and consumption.

[188] Out of the three meters with no consumption, only one of the meters exceeded the age criteria.

[189] SJWC response to ORA Data Request JMI-005, question 1(c) (see Attachment 4-A). Meter number 1619266 (installed on May 23, 2011) is currently inactive. Meter number 1377355 (installed November 14, 2014) was pulled at the time of the usage due to low demand and currently has a usage of 120 ccf at the time of the data request response (SJWC's response to ORA-A.15-01-002: JMI-005 is dated April 8, 2015). Meter number 62905450 (installed April 30, 2004) is an irrigation meter for SJWC's Batista Reservoir and is not used for billing.

[190] ORA calculated the unit cost based on the unit costs SJWC's provided in response to data request ORA-A.15-01-002: JMI-005, question 1(a(i)). SJWC based their unit costs on a request for quotation (RFQ) of 2014 prices from Badger and Neptune. SJWC states for 2015 that it was able to purchase meters at 2014 prices.

replacement of the Sensus meters, ORA recommends a budget of $1,071,780, $716,000, and $756,000 in 2015-2017, respectively.

SJWC is requesting $77,000, $81,300, and $87,300 in 2015-2017, respectively to purchase sixty recycled water turbo meters annually. In addition, SJWC is recommending $411,700 in 2015 to replace thirty nine fire service meters (SJW011940). According to SJWC, the material cost estimates for the fire service meters were based on vendor quotes for meters and cost from the purchase of appurtenances in 2014. ORA does not oppose the need or the proposed cost of this project.

(h) Hydrants

SJWC is requesting $336,600, $346,700, and $358,800 in 2015-2017, respectively to replace hydrants within the City of San Jose (SJW10225, SJW10280, and SJW012483 for 2015-2017, respectively), outside the City of San Jose (SJW10273, SJW10192, and SJW012483 for 2015-2017, respectively), per request of the fire department or public works (SJW012605, SJW012606, and SJW012607) for 2015-2017, respectively).[191]

The majority of SJWC's request is to replace forty hydrants annually within the City of San Jose service area.[192] For the replacement of hydrant within and outside the City of San Jose, ORA calculated the recorded five year average

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[191] Outside the City of San Jose service area, SJWC will be replacing hydrants within the service area in the City of Saratoga, Monte Sereno, Campbell, Cupertino, Town of Los Gatos, and unincorporated areas of the Santa Clara County.

[192] For the replacement of hydrants within the San Jose service area, SJWC is requesting $204,000, $210,100, and $217,500 in 2015-2017, respectively.

(2010-2014) unit cost.[193] ORA multiplied the five year average unit cost by the number of hydrants proposed annually between 2015 and 2017 and compared it with the proposed 2015-2017 budget. Using the methodology described above, ORA recommends an annual budget of $201,722, $207,774, and$215,046 for 2015-2017, respectively.

In addition, ORA also analyzed the proposed annual budget for replacing hydrants outside the City of San Jose similar to the proposed annual budget for replacing hydrants in the City of San Jose.[194] Using the methodology described above, ORA recommends an annual budget of $100,861, $103,887, $107,523 for 2015-2017, respectively.

7) Equipment

SJWC is requesting a total of $5,756,900, $11,119,700, and $6,044,700 in 2015-2017 respectively to purchase miscellaneous equipment for the office building and the field. The large budget items proposed in this rate case include advanced meter infrastructure (AMI), acoustic leak detection equipment, and the information governance initiative project.

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[193] The annual recorded cost and the annual number of hydrants replaced were provided in SJWC response to ORA Data Request JMI-003, question 2(a) (see Attachment 4-D).

[194] The annual recorded cost and the annual number of hydrants replaced were provided in SJWC response to ORA Data Request JMI-003, question 2(b) (see Attachment 4-D). SJWC is proposing to replace twenty hydrants annually for the 2015-2017 period.

(a) Advanced Meter Infrastructure (SJW012811, SJW012812, and SJW012813)

SJWC is requesting a total of $8,710,000 in the 2015-2017 time period to implement AMI in its water system to provide the customer and the utility real-time water consumption data.[195] AMI provides the customer and the utility water consumption which can be used to help monitor customer usage and to help detect leaks in the system. This project is part of a proposed six year program (2016-2021) to install AMI throughout the entire system. According to SJWC, it plans to replace all meters that reach the end of their useful life over the six-year duration of the project with AMI meters and endpoints. The meters that do not reach the end of their useful life within in the 2016-2021 timeframe will be retrofitted with an AMI endpoint and change in the meter box lid and meter register.[196] A significant concern with implementing AMI throughout the entire system is the initial upfront cost and burden it would impose on SJWC ratepayers without a better understanding and measure of the attendant future benefit

SJWC states that the implementation of AMI throughout the entire system will result in saving at least $4,000,000 starting in 2022 due to leak detection. SJWC claims this annual savings estimate used a 2008 statistically valid random survey to derive the percentage of residential customers with leaks.[197] SJWC used

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[195] SJWC is requesting $510,000, $5,799,000, and $2,401,000 in 2015, 2016, and 2017, respectively.

[196] According to the company, the majority of the SJWC's meters (approximately 171,220) will receive register retrofit because the meter is not at the end of its useful life.

[197] SJWC's study is based on a number of leaks at 1,109 residences.

the total volume of leakage with the 2014 wholesale rates to estimate the annual savings. ORA believes the data provided should be updated using more recent data. Another issue with SJWC's estimated savings is that no conservation was assumed in its financial models.[198] SJWC's analysis does not demonstrate the magnitude of customer conservation with the implementation of AMI, and whether customers will take advantage of the data provided by AMI.

SJWC claims that the implementation of AMI will reduce the number of positions by 25, resulting in a decrease in operating expenses by $7.2 million. However, the expected decrease of $7.2 million in operating expenses would not be achieved until AMI is completely fully deployed staring in 2022. Thus, SJWC is asking ratepayers to fund a risky project where savings and benefits to ratepayers cannot be verified, let alone assured until after six years or more. This project will increase SJWC's operation cost at the beginning of implementation in 2016. SJWC states that a net of 7.5 additional staff would be necessary in order to implement AMI.[199]

SJWC shows the estimated cost of the implementing AMI over the six year (2016-2021) in the Table 4-F below.

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[198] A.15-01-002, Exhibit G, page 81.

[199] The additional staff request in 2016 for AMI are four water conservation analysis, three AMI technicians, and one AMI administrator. The company assumes that half of a service inspector position would not be necessary in 2016.

Table 4-F: 2016 -2021 AMI Projected Costs[200]

Component	2016	2017	2018	2019	2020	2021	Total
Registers	$1,394,766	$325,176	$3,436,742	$3,435,282	$4,018,396	$3,680,211	$16,290,573
Endpoints	$1,910,925	$1,184,567	$3,795,567	$3,928,174	$4,345,104	$3,784,985	$18,949,322
Boxlids	$383,466	$77,490	$997,026	$976,220	$1,206,790	$1,080,693	$4,721,685
Software	$1,719,492	$813,884	$704,662	$575,386	$481,353	$481,353	$4,776,130
Hardware	$900,000	$0	$0	$0	$0	$0	$900,000
Total Cost	$6,308,649	$2,401,117	$8,933,997	$8,915,062	$10,051,643	$9,027,242	$45,637,710

As shown in Table 4-F above, the majority of the capital cost is for registers and endpoints. In addition, Table 4-F shows that the majority of the capital cost is during the last three years of the project (2019-2021). SJWC estimates that the implementation of AMI would not show a decrease in the annual customer's water bill until 2022, if these assumptions are even valid.[201] Instead of approving full implementation of an AMI project of this scope and scale, the Commission should authorize SJWC to conduct a study to quantify the net benefits through a small pilot project. In a similar request by Golden State Water Company (GSWC) to implement AMI, the Commission did not grant the request to move forward with full implementation, but instead allowed GSWC $341,292 in 2009 to hire a consultant to perform a program review, even before granting any further funding to conduct a pilot.[202]

Before implementing a pilot project, the Commission should require SJWC to hire an independent consultant to develop the structure for the pilot, the

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[200] A.15-01-002, Exhibit G, page 83.

[201] Ibid, page 71. SJWC estimates that in 2016 the average annual water cost with the implementation of this project is an increase in $8.54. In 2018 and 2020, the company expects an increase in the average annual customer water cost of $12.37 and $11.25, respectively.

[202] D.10-11-035, pages 69 to 71.

methodology and data collection necessary for measuring and verifying the net benefits resulting from the pilot, the methodology for estimating the net benefits of full implementation, and the criteria that could be used to determine whether full implementation is financially prudent.[203] The independent consultant should work closely with SJWC, ORA and the Division of Water and Audits to obtain input on the methodology it develops. The independent consultant should also be responsible for conducting the overall evaluation and issuing a report on its findings to the Commission. Prior to initiating the pilot project, SJWC should file a Tier II advice letter that includes the pilot project structure and evaluation methodology developed by the independent consultant. This Tier II advice letter provides ORA and other interested parties the opportunity to review and, if necessary, comment on the proposed pilot project structure and evaluation methodology. ORA believes its recommendation to move forward with a small pilot project is a financially prudent course of action because it would provide the Commission with the information it needs to fully assess the merits and the risks of authorizing SJWC to implement AMI throughout its system. ORA's recommendation is consistent with the decision from the 2012-2014 rate case concerning AMI:

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[203] Some of the variables that could be considered as part of the methodology, for example, could include measuring the conservation effects, reduction unaccounted for water, and reduction in maintenance and operating costs. The pilot program should demonstrate whether implementing AMI would result in a reduction in water use due to water loss through leaks and customer usage. In addition, the pilot would evaluate participants' use and feedback of the AMI technology (i.e. how participants utilize the water usage data from the meters and customer preference toward specific technology and information) as well as inform the customer base about AMI. A pilot will be beneficial to SJWC in identifying any potential installation and communication issues and whether this project is cost effective and worth pursuing.

"Should SJWC determine that such a pilot program may have net benefits for reducing costs for customers, it should request including the cost of a pilot program as part of its next GRC. Such request should be accompanied by a fully documented cost-benefit study."[204]

SJWC can propose full implementation in its next rate case if the evaluation of the pilot program and the projected net benefit from full implementation are favorable.

8) Structures and Non-Specifics

SJWC is proposing $3,576,600, $3,652,300, and $2,267,700 in 2015-2017, period for this category. The major projects proposed in this rate case are related to the tenant improvements (at 1221A Bascom Avenue and1265 Bascom Avenue) and vehicle replacement. [redacted]

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[204] D.14-08-006, pages 86 to 87.

[205] [redacted]

(a) Fleet Vehicles (SJW012626, SJW012627, and SJW012628)

SJWC is requesting a total of $5,473,500 for the 2015-2017 to replace a total of sixty seven vehicles due to mileage or the vehicle is reaching the end of the asset's useful life.[206] In addition, the company is planning to purchase six vehicles (three in 2015 and three in 2016) for existing employees.

In response to data request JMI-002, SJWC provided the purchase date and mileage of the vehicles the company is proposing to replace. [207] ORA's analysis used a mileage threshold of 120,000 miles or a service life threshold of eight years to determine the number of vehicles that should be replaced. This methodology is consistent with the Commission's vehicle replacement policy.[208] ORA used the purchase date and the current mileage to calculate how much a car is used on a daily basis (miles per day) which reflects the historical use of the vehicle. This rate was applied to the proposed service life to forecast the future mileage. Based on this methodology, ORA identified one vehicle in 2016 and nine vehicles in 2017 that did not meet either the mileage or service life threshold by the end of this rate case cycle. ORA removed the cost of the vehicles that did not meet the mileage or service life criteria based on the Kelly Blue Book Manufacturer's Suggested Retail Price (MSRP) value of the proposed replacement vehicles.

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[206] The estimated budgets for SJW012626, SJW012627, and SJW012628, SJWC are $1,165,300, $2,270,100, and $2,038,100, respectively.

[207] SJWC response to ORA Data Request JMI-002, questions 6 a(ii), 6 b(ii), and 6(c) for 2015, 2016, and 2017, respectively (see Attachment 4-C).

[208] D.07-12-055, page 31.

In 2016, SJWC states that the three new proposed vehicles are for three new positions: one operations supervisor, one control systems technician, and one pump technician.[209] ORA removed the cost of these vehicles due to ORA's recommendation of only allowing new employees based on customer growth. The vehicles should only be allowed into rates if the aforementioned positions are filled. Refer to the Labor and Payroll Expenses Chapter (Chapter 3) of this report regarding ORA's recommendation on the proposed positions. ORA recommends a vehicle replacement budget of $1,165,300, $2,067,706, and $1,739,874 in 2015-2017, respectively.

9) Green and Alternative Energy

SJWC is not requesting any green and alternative energy projects in 2015-2017.[210] [redacted]

In D.09-11-032, the Commission allowed the hydro-turbine at the Cox Avenue Station as pilot test and the continuation of the Columbine Pilot Solar

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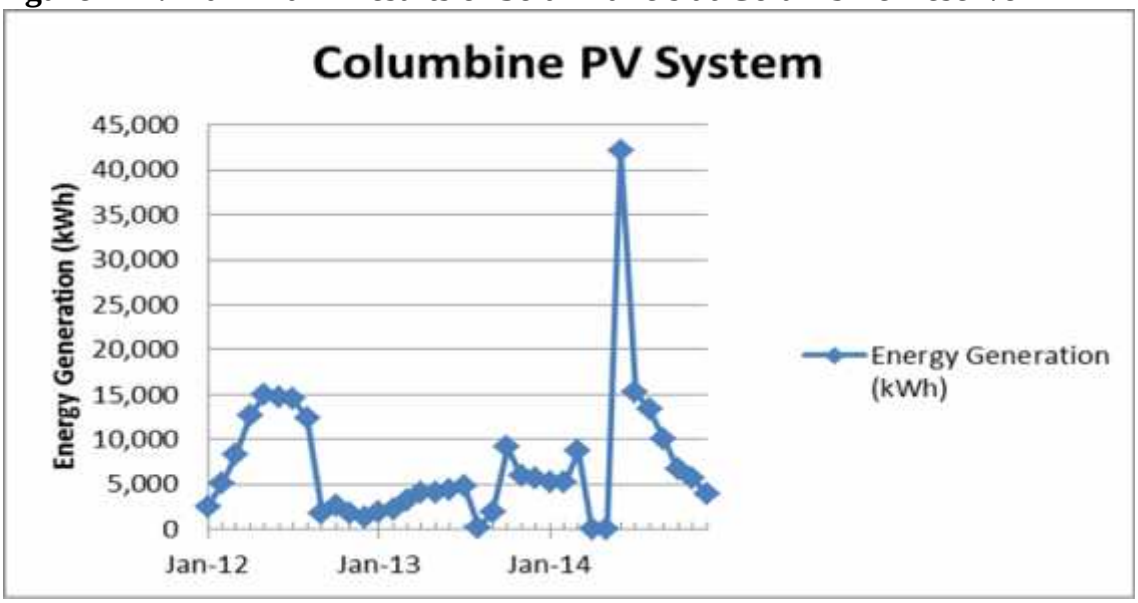
[209] SJWC response to ORA Data Request JMI-002, question 6 (b(i)) (see Attachment 4-C).

[210] In the 2012-2014 rate case, SJWC proposed a photovoltaic (PV) energy system at the Williams Road Station or a micro-hydro turbine generator system at the Alum Rock Turnout.

[211] [redacted]

Project.[212] During the site tour, SJWC informed that the solar panels at the Columbine Reservoir feed energy into the PG&E grid which results in energy credits. SJWC uses the energy credits to operate the reservoir at night when the operating costs are lower. The results of the pilot project during the 2012-2014 period are shown in Figure 4-H below.[213]

Figure 4-H: 2012-2014 Results of Solar Panels at Columbine Reservoir



As shown in Figure 4-H above, there is anomaly in the recorded values between April 2014 through June 2014 time period. According to SJWC, there was an issue with the third party reporting system. The April and May 2014

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[212] D.09-11-032, pages 16 and 22 for the Columbine the Hydro-Turbine pilot at the Cox Station, respectively.

[213] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA), Columbine PV 3-Year Generation Data CR 3-6-15 Attachment (see Attachment 4-F). The energy generation shown in Figure 4-H is in kilowatt-hour (kWh)

values were included in the recorded June 2014 value.[214] The Columbine solar project was designed to produce 112,791 kWh of power.[215] Based on Figure 4-H above, the Columbine PV system was only able to exceed the design energy production in 2014.[216] Based on the annual energy generation during the 2012-2014 period, it is uncertain whether the PV system will be able to consistently generate energy above the design energy generation.

The hydro-turbine pilot project at the Cox Avenue Station involves a 72 kW system. The results of the pilot project are shown in Figure 4-I below.[217]

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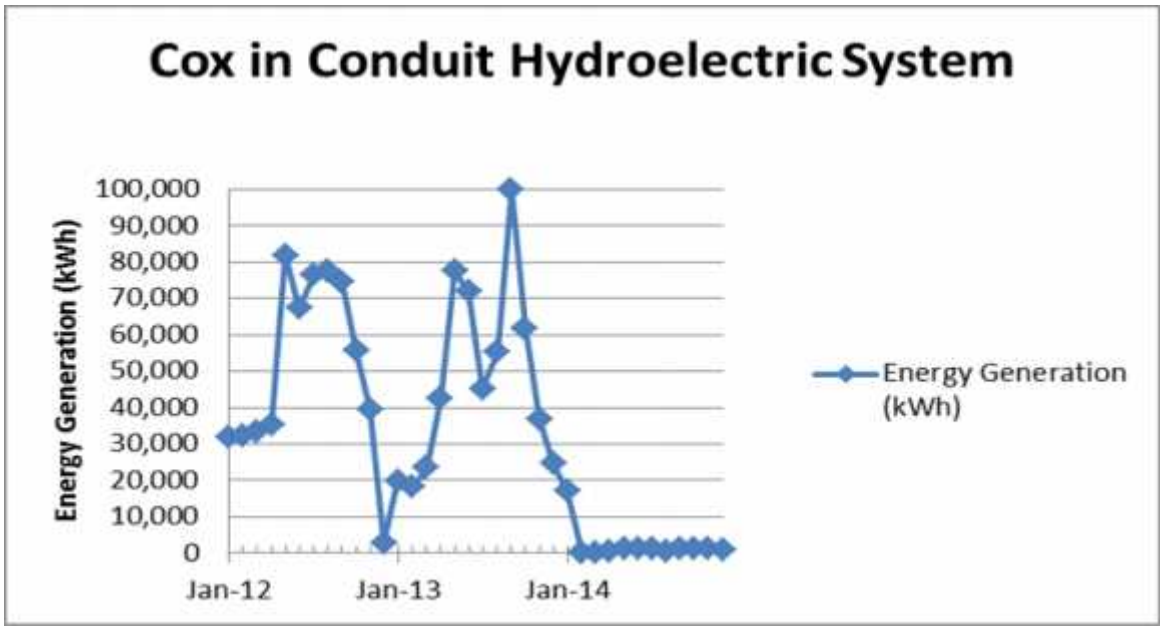
[214] Ibid.

[215] D.09-11-032, page 50.

[216] The Columbine PV system produced 92,742 kWh in 2012, 47,954 kWh in 2013, and 116,418 kWh in 2014.

[217] March 9, 2015 email, from Ed Lambing (SJWC) to Justin Menda (ORA), Cox Hydro 3-Year Generation Data CR 3-6-15 Attachment (see Attachment 4-G).

Figure 4-I: 2012-2014 Results of Hydro-turbine Pilot Project at Cox Avenue Station



According to SJWC, the low result in 2014 (shown in Figure 4-I above) is due to the lack of imported water.[218] As shown in Figure 4-I above, it seems that the amount of energy generated is dependent on the amount of imported water. Due to the current drought conditions, it is uncertain how much imported water SJWC will receive in the 2015-2017 period. Therefore, the amount of energy that will be produced at the hydro turbine pilot project at the Cox Avenue Station is unknown. ORA does not oppose SJWC's proposal to not include any green and alternative energy projects in this rate case.

D. CONCLUSION

ORA made adjustments that reflect SJWC's historical spending behavior for the annual routine projects. ORA applied a lower contingency of 20% for

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[218] Ibid.

reservoir structural improvement projects based on the company's past experience of recent reservoir structural improvement projects. In addition, ORA recommends the AMI start as a small pilot project to demonstrate the effect of implementing the AMI infrastructure in terms of cost effectiveness, leak detection, consumption behavior, and conservation.

Attachment 4-A: SJWC Response to ORA Data Request JMI-005

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279 7934

April 8, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request JMI-05 dated April 1, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

/S/ WES OWENS

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: April 8, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel. (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA A 15 01 002 JMI 005

1

RESPONSES

1. **Question one is in regard to the Sensus Meter Replacement Project (SJW12608 SJW012841, and SJW012842 for 2015-2017, respectively).**

   a. **Elaborate on how the company estimated the proposed 2015-2017 annual budgets for this project. There was no cost breakdown provided in the spreadsheet provided in response to question 1(a) of data request JMI-001. Refer to lines 127, 319, and 479 for 2015-2017, respectively.**

      i. **Please provide a cost breakdown of how the company calculated the unit cost per meter for each meter type and size.**

      Response: This should be 126. Line 127 is not SJW12608

Unit costs per meter type and size were determined by an RFQ which was sent out to Badger and Neptune. SJW12608: For the 2015 MOB program SJWC was able to purchase the meters at the same cost as the 2014 purchases.

Make	Model	Size	2014 Prices - Badger and Neptune Meter Prices from RFQ	Qty	Extended Price
Badger	Turbo	2"	$488.30	48	$23,438.40
Badger	Turbo	3"	$691.10	16	$11,073.00
Badger	Turbo	4"	$999.00	15	$14,985.00
Neptune	Compound	3"	$1,228.00	44	$54,032.00
Neptune	Compound	4"	$1,455.00	12	$17,460.00
Neptune	Turbo	6"	$1,279.00	5	$6,395.00
Neptune	Turbo	8"	$1,485.00	9	$13,365.00
Neptune	Turbo	10"	$2,877.00	1	$2,877.00
				Sub Total	$143,625.00
				Taxes	$12,567.23
				Total	$156,192.23

SJW12841:

Make	Type	Size	Neptune Prices	Qty	Extended Price
Neptune	PD	1.5"	$314.48	352	$110,696.96
Neptune	PD	2"	$408.45	928	$379,462.17
				Sub Tote	$490,159.13
				Taxes	$42,951.42
				Total	$533,110.55

SJW12842:

Make	Type	Size	Neptune Prices	Qty	Extended Price
Neptune	PD	1.5"	$330.20	352	$ 116,230.40
Neptune	PD	2"	$420.70	623	$ 262,096.03
				Sub Total	$378,326.43
				Taxes	$33,103.56
				Total	$411,429.99

ii. **If the company did not calculate the annual budget based on unit cost, please explain how the company calculated the annual budget. Provide a cost breakdown of the materials cost, contract cost, consulting/contracted labor, company labor, and permitting costs.**

Response:

SJW12608:

Make	Model	Size	2014 Prices - Badger and Neptune Meter Prices	Qty	Extended Price
Badger	Turbo	2"	$488.30	48	$23,438.40
Badger	Turbo	3"	$692.10	16	$11,073.60
Badger	Turbo	4"	$999.00	12	$11,988.00
Neptune	Compound	3"	$1,228.00	44	$54,032.00
Neptune	Compound	4"	$1,455.00	12	$17,460.00
Neptune	Turbo	6"	$1,279.00	5	$6,395.00
Neptune	Turbo	8"	$2,485.00	9	$13,365.00
Neptune	Turbo	10"	$2,877.00	1	$2,877.00
				Sub Total	$143,630.00
				Taxes	$12,567.28
				Total	$156,193.28

2014 Prices - Rilsan					
Make	Model	Size	Strainers	Qty	Extended Price
Neptune	Rilsan	3"	$220.00	44	$9,680.00
Neptune	Rilsan	4"	$302.00	12	$3,624.00
Neptune	Rilsan	6"	$502.00	5	$2,510.00
Neptune	Bronze	8"	$1,700.00	9	$15,300.00
Neptune	Bronze	10"	$2,700.00	1	$2,700.00
				Sub Total	$33,814.00
				Taxes	$2,958.73
				Total	$36,772.73

Total Cost of Meters and Strainers					
Meters					$156,193.28
Strainers					$36,772.73
				Total	$192,966.00

Description	Type	Qty	Estimated Costs	Extended Costs	Total
Meters				$156,193.28	
Strainers				$36,772.73	
			Sub Total	$192,966.00	$192,966.00
Materials	Large Meter Installation	98	$4,675.00	$458,150.00	
	Small Meter Installation	52	$576.92	$30,000.00	
			Sub Total	$488,150.00	$488,150.00
Labor	Large Meter Installation	98	$1,238.10	$121,333.33	
	Small Meter Installation	52	$208.33	$10,833.33	
Labor costs per job used on average cost to replace meters by meter type over the previous 5 years			Sub Total	$132,166.67	$132,166.67

General				$84,000.00	$84,000.00
Permits	Major	75	$1,800.00	$135,000.00	
	Minor	75	$800.00	$60,000.00	
			Subtotal	$195,000.00	$195,000.00
			Total (Base Year 2014)		$1,097,282.67
			2015 Escalation	2%	$1,114,128.82

SIW128/1: Below is the breakdown for estimated costs of materials and labor to replace meters. For meter costs see response to 1.a.i above.

Description	Notes	Qty	Price	Total
Figure left the meters will require replacement of Boxes and Lids, and Lever Valves	B95 Boxes and Lids	488	$65.00	$31,720.00
	Lever Valves	975		$0.00
	Gaskets 1.5"	352	$2.50	$880.00
	Gaskets 2"	623	$3.75	$2,336.25
	Bolts 5/8x 2 1/2 (price per hundred)	3900	$110.00	$4,290.00
	Hex Nut 5/8 (price per hundred)	975	$35.00	$341.25
	Washers 5/8 (price per hundred)	1950	$15.00	$292.50
	Sub Total - Materials (does not include meter)			$39,860.00
	Taxes		50.01	$3,487.75
	Days to Complete (figure 4 meters a day)	244		
	Crewleader ($/hr)	40.636		
	DS Worker II ($/hr)	34.184		
	1 Crewleader and 1 DS Worker II ($/day)		$598.96	
	Labor Burden	65%	$389.02	
	Total labor/day		$987.82	
	Sub Total - labor			$240,980.26

	Meters			$307,110.55
	Total (Base Year 2014)			$681,448.56
	2015 Escalation	2%		$695,067.53
	2016 Escalation	3%		$715,919.35

SPW12842: Below is the breakdown for estimated costs of materials and labor to replace meters. For meter costs see response to 1.a.i above.

Description	Name	Qty	Price	Total
Figure half the meters will require replacement of boxes and lids, and lever valves	836 Boxes and Lids	488	$65.00	$31,720.00
	Lever Valves	975		$0.00
	Gaskets 1.5"	352	$2.50	$880.00
	Gaskets 2"	620	$2.75	$2,206.25
	Bolts 5/8 x 2 1/2 (price per hundred)	3900	$110.00	$4,290.00
	Hex Nut 5/8 (price per hundred	975	$35.00	$341.25
	Washers 5/8 (price per hundred)	1950	$15.00	$292.50
	Sub Total - Materials (does not include meters)			$39,860.00
	Taxes		8.75%	$3,487.75
	Days to Complete (figure 4 meters a day)	244		
	Crew Leader ($/hr)	$48.61		
	0% Worker II ($/hr)	$34.18		
	1 Crew Leader and 1 0% Worker II ($/day)		$504.56	
	Labor Burden	61%	$308.06	
	Total labor/day		$967.62	
	Sub Total - Labor			$240,380.76
	Meters			$411,430.00

Total (Base Year 2014)		$680,758.00
2015 Escalation	3%	$700,678.16
2016 Escalation	3%	$730,963.36
2017 Escalation	3.50%	$756,547.08

b. **In response to question five of data request JMI-002, SJWC only provided ORA a list of meters identified for replacement in 2015.**

   i. **Does the exclusion of the meters identified for replacement in 2016 and 2017 in SJWC's response mean that the company has not identified which meters need to be replaced for 2016 and 2017?**

   Response: 2016 and 2017 are the first two years of a 5 year program to replace all 1 ½" and 2" Sensus meters in the SJWC distribution system. SJWC will determine which meters will be replaced each year based on the failure of a meter or time and consumption parameters.

   ii. **If the company has identified the meters that need to be replaced in 2016 and 2017, please provide the installation dates and consumption (including the date the consumption measurement was taken) for the meters in this proposed project. For convenience, fill in the chart below.**

Installation Date	Meter Size (inch)	Meter Type	Consumption (ccf)	Meter #

See previous response

c. **In response to question five of data request JMI-002, there were three meters with little or no consumption. The aforementioned meters are listed in the chart below.**

Installation Date	Meter Size (inch)	Meter Type	Consumption (ccf)
11/14/2014	2"	TURBO	1
5/23/2011	2"	TURBO	0
4/30/2004	2"	TURBO	0

Please explain why there was no (or little) consumption for the meters in the chart above.

Response:

Installation Date	Meter Number	Explanation
11/14/2014	1577355	At the time the previous usage was pulled the premise had low demand. Since then the premise has used 120 ccf.
5/23/2011	1619266	Account is currently inactive.
4/30/2004	62005450	This is an irrigation meter for San Jose Water Company's Batista Reservoir. The meter is not read for billing.

2. **Please list which wells were retired during the 2012-2014 period. In addition, please indicate the year the well(s) were retired.**

Response:

Breeding Well #1, Retired in 2012
Grant Well #1, Retired in 2012
Seventeenth St. Well #9, Retired in 2012
Bryan Avenue Well #1, Well #2, Well #3, Well #4, Retired in 2014
Cox Avenue Well #1, Well #2, Retired in 2014

END OF RESPONSE

Attachment 4-B: March 9, 2015 Email, From Ed Lambing (SJWC) to Justin Menda (ORA)

Utility Plant - Responses to Unanswered Inquiries by ORA During On-Site Meetings and Tours with SJWC

1. ***Confirm Boosters Recommended for Retirement in the 2013 Booster Study Included in this GRC Application***

As part of the 2013 Booster Pump Station and Pressure System Evaluation Study, several pumps were identified and recommended for retirement. However, not all pumps were included in the GRC application for retirement. Below is a relisting listing and further explanation to supplement information provided on page 39 of Appendix 1 to Exhibit G:

a) Maple Station (B-1 and B-2, installed in 1957 and 1959 respectively)
   a. This is a proposed 2017 A-Category Retirement Project (SJW012380)
b) Mabury Station (B-1 installed in 1966)
   a. SJWC is currently evaluating a proposal from Luhdorff & Scalmanini, Consulting Engineers to provide hydrogeological services associated with the assessment of Mabury Station. Therefore, the retirement at Mabury Station has been deferred pending the consultant findings.
c) Campbell Station (B-1 acquired in 1962 with Campbell Water Company acquisition)
   a. This is a proposed 2016 A-Category Retirement Project (SJW012379)
d) Ridgeley Station (B-1 and B-2 both installed in 1962)
   a. This is a planned 2015 A-Category Retirement Project (SJW012378)
e) Koch Station (B-1, installed in 1962)
   a. SJWC plans to further evaluate the Koch groundwater station over the course of this general rate case. SJWC expects to either recommend this booster for retirement or replacement in the next GRC application, pending outcome of continued assessment.

2. ***Discuss the McLaughlin Station and Monitoring Well Installation (2015, SJW011540) and Findings at in Terms of Estimated Water Production and Water Quality***

The property purchase cost for McLaughlin Station was $5,568,134.

The monitoring well installation took place over about a week period beginning on March 31, 2014. The cost for monitoring well installation was not part of the property purchase. The monitoring well capital cost is identified as a 2015 CIP S-category Budget item (SJW011540).

Luhdorff & Scalmanini, Consulting Engineers submitted an Exploration Summary and Well Design Recommendation memorandum to SJWC regarding McLaughlin Station on May 6, 2014. This was part of SJWC's due diligence before completing the property purchase. The test well depth was 300-feet, which is consistent with production wells in SJWC's service area. Luhdorff & Scalmanini estimated that wells on this site would yield

Page 1 of 5

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approximately 2,000-gpm and have a specific capacity of approximately 45-gpm/ft. Based on lithology, results of water quality testing and their understanding of the aquifer formation, L&S advises that the McLaughlin Station is suitable for development as a groundwater production station with multiple wells.

3. *Provide Water Quality Information for Gish Station Well#3*

See the attached file to the email message delivering this document.

4. *Provide Three Years Historical Power Production Data for both Columbine Station Photo Voltaic Array and Cox Station Hydro-Turbine Generators*

See the attached file to the email message delivering this document.

5. *Harwood Ct. B-2 (2016 SJW012311): Identify Changes in Scope or Cost from the Last GRC Application*

The cost for the Harwood Ct. B-2 installation project was estimated to be $835,100 in the last GRC application. This estimate was based on previous projects of similar nature and scope. The revised cost estimate of $1,104,400 ($1,051,200 without inflation) for the current GRC application is based on more accurate cost estimate from a contractor's quote. The scope of work has not changed from the last GRC application.

6. *Franciscan Station (2015, SJW012309 & 2016, SJW012310): Identify Changes in Scope or Cost from the Last GRC Application*

The project scope of work for the Franciscan Station evolved since the last GRC application. The precise location of the booster station and its necessary dimensions and perimeter were more accurately determined for the current GRC application. This led to a notable increase in earthwork required. The volume of cut and fill required as well as the inclusion of a retaining wall along the perimeter of the station correlate to an increased scope and cost from the last application. In addition, the estimated project cost for the previous GRC application of $1,234,600 was based on previous projects similar in nature and scope. The revised cost estimate of $1,530,800 ($1,461,300 without inflation) for the current GRC application is representative because it is based on a contractor's quote.

7. *Elwood Tank (2015 SJW012308): Identify Changes in Scope or Cost from the Last GRC Application*

Elwood tank replacement project was originally included in the GRC for 2014 at a total estimated project cost of $ 1,714,500. The construction of this project was delayed to 2015 due to project funding requirements in 2014 for unplanned projects. The Elwood tank project is now listed in the GRC for 2015 with a revised cost estimate of $ 2,763,000 for the following reasons:

a) During the design process in 2013 it was noticed that the existing MCC at Elwood station was in close proximity to the tanks and would pose a conflict with construction. The MCC was evaluated and realized to be in a state that warranted improvement. Conditions in and around the MCC pose a safety hazard to SJWC staff due to the arc-flash risk and there were other deficiencies identified with respect to current electric code. It was determined that incorporating a replacement MCC with the Elwood tank replacement project would be a most cost effective way to address this issue rather than having two distinct projects. Integrating the MCC replacement with the Elwood tank replacement project amounted to a total base contract increase of $ 375,000 and eliminated the construction conflict.
b) To prevent corrosion of the tank interior and prolong the life of the new Elwood tank asset, a cathodic protection system was included in the design and construction. This amounted to a $42,000 increase to the project base contract
c) Regulations from the RWQCB being administered through the City of San Jose require the tank replacement project to include a storm water detention and treatment system. On-site storm drain piping modifications and improvements are required to reduce the amount of runoff from the site and improve the water quality of the storm water entering the City's drainage system. The additional storm water drainage improvements, which include detention and treatment further increased the base contract cost by $160,000.
d) The design costs needed to address all the unexpected permitting requirements requests and revisions as well as the additional site inspection that would be needed during construction. These additional design and inspection costs amounted to a total increase of $92,000 to the project.
e) The cost estimate included in the 2014 GRC was actually a future value project of a 2011 construction cost estimate. However, material costs have actually increased more than projected due to inflation and supply of material. The contractor's 2015 estimate was approximately $152,000 more than when previously estimated in 2011.
f) SJWC's overhead rate increased from 7% in 2011 to 10% in 2014. Since both project contingencies and overhead are based on a fixed percentage of the total project costs, the above changes amounted to an additional $247,000 to the total project cost based on the overhead and contingencies percentages.

8. *San Ramon Station (2015 SJW012629): Identify Changes in Scope or Cost from the Last GRC Application*

San Ramon Pressure System replacement project was originally included in the GRC for 2014 at a total estimated project cost of $ 744,100. The construction of this project was delayed to 2015 due to permitting challenges during design, an increased scope of work and due to project funding requirements in 2014 for unplanned projects. The San Ramon Pressure System project is now listed in the GRC for 2015 with a revised cost estimate of $ 1,062,900 for the following reasons:

a) The San Ramon Pressure system maintains the CPUC GO 103 and CA DWR DDW Title 22 Waterworks Standards required minimum pressure to the customer services only as

long as the pumps and system are functional and operating properly. In the event of a power outage the pressure system would not be operational and pressure supplied from the San Ramone pressure system to the zone would drop below the minimum required. This presents a health and safety concern, and for this reason a permanent generator was incorporated into this project during design. This represents a significant change to the project to cover the additional design costs, permitting requirement, construction inspection and testing, as well as purchase of the new unit. Total cost for this change amounted to $ 217,000 increase to the base contract cost.

b) Recent experience on installing pressure systems within the City of San Jose has found that permitting can be significantly more expensive and challenging. An additional $18,000 was included to account for the design time needed to meet the permitting requirements.

c) SJWC's overhead rate was increased from 7% in 2011 to 10% in 2014. Since both project contingencies and overhead are based on a fixed percentage of the total project costs, the above changes amounted to an additional $82,000 add to the total project based on the overhead and contingencies percentages.

9. *Miguelito Station (2016, SIW0123479 & 2017, SIW012348): Identify Changes in Scope or Cost from the Last GRC Application*

Miguelito Station MCC and Booster project was originally included in the GRC for 2014 at a total estimated project cost of $ 1,360,400. The construction of this project was deferred because of significant changes in the scope of work and due to project funding requirements in 2014 for unplanned projects. The Miguelito project is now listed in the GRC for 2016 & 2017 with a revised cost estimate of $ 2,139,000 for the following reasons:

a) The original scope of work proposed for the 2014 GRC was to replace the existing MCC and install a new booster pump. During the 2015-17 CIP budget development, further review of the Miguelito station was conducted. The revisited project scope was validated by with recommendations from the SJWC 2013 *Booster Pump and Pressure System Evaluation* and the SJWC 2013 *Water Storage Tank Evaluation and Asset Management*, it was determined to expand the scope of work defined for the prior rate case project to improve the station for long-term operations. It was determined to completely remove and dispose of the existing booster pump systems, piping, building, and tank. All pumps are proven to be at the end of their service life, the existing building is deteriorating beyond the point of repair and is no longer needed, and the riveted steel tank built in the 1920's was not necessary for current or future operations. By removing the aged and failing infrastructure, two submersible motor type booster pumps and an MCC could be installed outdoors in a much-improved configuration that affords safe access without compromise to site security. In addition, the removal would allow a driveway to be installed so that SJWC vehicles and equipment could be accessed safely and securely within the fenced property rather than parked on the side of the public street. The two-pump solution also avoids having to install a new third pump as previously proposed,

which makes the Miguelito pumping system more efficient from a constructability and operation and maintenance perspective. The cost of the additional work described above amounts to an added $ 412,000 to the prior base contract.

b) Additional time will be needed to design the project and the company labor estimated was increased by $91,000 to reflect this.

c) Permitting will be significantly more complex than the previous cost estimate, and the new GRC estimate was increased by $ 41,500 to account for this.

d) SJWC's overhead rate was increased from 7% in 2011 to 10% in 2014. Since both project contingencies and overhead are based on a fix percentage of the total project costs, the above changes amounted to an additional $234,000 add to the total project based on the overhead and contingencies percentages.

Attachment 4-C: SJWC Response to ORA Data Request JMI-002

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

February 25, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request JMI-02 dated February 18th, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: February 25, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 779-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID. Response to DR No. ORA-A.15-01-002 JMI-002

1

RESPONSES

1. **In regards to the Meters 2" and smaller project for 2015-2017 project (projects SJW10359, SJW10193, SJW10212, respectively). On page 43 of the Capital Budget Project Justifications (Exhibit G), Table 8 summarizes the projected amount of ¾ inch and 1-inch meters each year, which is shown below.**

Year	# of 3/4" Meters	# of 1" Meters
2015	9,266	3,418
2016	10,115	5
2017	10,297	2,417

In the Chapter 11 workpapers, it shows that the company is proposing 14,784 (cell 1130), 12,220 (cell 1320), and 14,814 (cell 1480) in 2015-2017, respectively. Verify the number of meters being replaced each year.

Response: The number of meters by size identified for replacement in each year is reflected in both locations. The meter quantity information presented in Work Papers Chapter11 for each year is greater than the quantity of meters presented On page 43 of the Capital Budget Project Justifications (Exhibit G) by 2,100 meters for each year. This additional quantity is for original installation required for services for new development.

2. **In regards to the Facility Retirement project for 2015-2017 (projects SJW10161, SJW10190, and SJW10209, respectively), what is recorded amount spent on this project annually in the past five years? For convenience, fill in the chart below.**

Year	Recorded Amount Spent($)
2010	
2011	
2012	
2013	
2014	

Response:

Facility Retirement Costs	
Year	Actual Amount
2010	1,645,984
2011	1,200,020
2012	1,977,544
2013	2,373,073

2

2014	4,204,731

3. **In regards to the Line Shaft Pumping Equipment project for 2015-2017 (projects SJW10457, SJW10465, and SJW10211, respectively), what is recorded amount spent on this project annually in the past five years? For convenience, fill in the chart below.**

Year	Recorded Amount Spent($)
2010	
2011 2012	
2013	
2014	

Response:

Line Shaft Pumping	
	Index#156
YEAR	Actual Amount
2010	486,606
2011	505,713
2012	607,856
2013	468,704
2014	771,502

4. **In regards to the Submersible Pumping Equipment project for 2015-2017 (projects SJW10468, SJW10163, and SJW10468, respectively), what is recorded amount spent on this project annually in the past five years? For convenience, fill in the chart below.**

Year	Recorded Amount Spent($)
2010	
2011	
2012	
2013	
2014	

Response:

Submersible Equipment

3

	Index#166
YEAR	Actual Amount
2010	584,317
2011	400,921
2012	412,015
2013	490,406
2014	559,322

5. **For the Sensus Meter Replacement for 2015-2017 (projects SJW012608, SJW012841, and SJW012842, respectively), provide the installation dates and consumption base of all turbo, positive displacement, and compound meters in SJWC's system. For convenience, fill in the chart below.**

Installation Date	Meter Size (inch)	Meter Type	Consumption (ccf)

Response: Meters identified for replacement in the 2015 budget under budget item SJW012608 were the meters that remained in the final year what was originally planned to be a three-year program (2012-14) to replace Sensus (turbo and compound type) meters because the meter manufacturer announced that parts and support were no longer being provided for their product. The program and projects were presented in the last GRC application and approval process. This is further described on page 15 of Exhibit G.

Information in table below is based on the latest usage data available for remaining Sensus meters:

Installation Date	Meter Size (inch)	Meter Type	Consumption (CCF or HCF)
10/15/2014	2"	TURBO	1,756
09/09/2014	2"	TURBO	1,043
11/21/2014	2"	TURBO	40
07/02/2014	2"	TURBO	2,827
10/24/2013	2"	TURBO	4,170
09/22/2014	2"	TURBO	495
07/01/2014	2"	TURBO	3,145
07/01/2014	2"	TURBO	14,277
07/01/2014	2"	TURBO	2,242
09/08/2014	2"	TURBO	5,484
09/08/2014	2"	TURBO	2,021
11/14/2014	2"	TURBO	1,267
11/14/2014	2"	TURBO	621

09/04/2014	2"	TURBO	7,650
09/04/2014	2"	TURBO	6,006
05/14/2014	2"	TURBO	13,725
09/11/2014	2"	TURBO	3,479
05/14/2014	2"	TURBO	14,472
07/11/2014	2"	TURBO	5,346
07/11/2014	2"	TURBO	10,401
11/14/2014	2"	TURBO	1
11/14/2014	2"	TURBO	3,910
11/14/2014	2"	TURBO	2,182
11/14/2014	2"	TURBO	464
05/23/2011	2"	TURBO	0
11/26/2008	2"	TURBO	3,417
01/30/2004	2"	TURBO	0
11/13/2014	2"	TURBO	9,996
08/04/2011	2"	TURBO	475
08/04/2011	2"	TURBO	159
08/01/2011	2"	TURBO	296
08/04/2011	2"	TURBO	533
08/04/2011	2"	TURBO	202
08/24/2011	2"	TURBO	3,417
02/15/2011	2"	TURBO	6,757
08/04/2011	2"	TURBO	348
08/04/2011	2"	TURBO	222
08/04/2011	2"	TURBO	189
08/13/2011	2"	TURBO	11,346
08/24/2011	2"	TURBO	2,911
08/04/2011	2"	TURBO	456
08/04/2011	2"	TURBO	319
10/27/2006	3"	TURBO	9,074
09/23/2007	3"	TURBO	37,905
01/31/2008	3"	TURBO	146
08/10/2011	3"	TURBO	26,755
09/10/2011	3"	TURBO	20,349
07/07/2009	3"	TURBO	4,071
02/02/2009	3"	TURBO	3,986
09/10/2010	3"	TURBO	12,007
09/16/2010	3"	TURBO	17,448
12/05/2011	3"	TURBO	19,729
12/03/2011	3"	TURBO	10,037
12/12/2006	4"	TURBO	37,511

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08/18/2011	4"	TURBO	21,497
10/05/2011	4"	TURBO	16,869
03/24/2009	4"	TURBO	5,252
02/03/2009	4"	TURBO	21,701
04/20/2011	4"	TURBO	18,785
03/15/2010	4"	TURBO	32,496
03/15/2010	4"	TURBO	33,000
09/28/2011	4"	TURBO	13,845
11/12/2009	4"	TURBO	19,620
09/06/2011	4"	TURBO	37,126
09/06/2011	4"	TURBO	37,440
09/08/2011	4"	TURBO	22,426
09/08/2011	4"	TURBO	21,479
01/13/2014	5"	TURBO	30,711
04/11/2011	5"	TURBO	95,193
08/09/2011	3"	COMPOUND	8,853
08/09/2011	3"	COMPOUND	5,335
02/18/2011	3"	COMPOUND	2,147
02/10/2011	3"	COMPOUND	804
07/05/2011	3"	COMPOUND	8,864
07/05/2011	3"	COMPOUND	9,126
04/28/2011	3"	COMPOUND	1,563
04/28/2011	3"	COMPOUND	4,442
01/20/2011	3"	COMPOUND	1,103
01/28/2011	3"	COMPOUND	11,644
10/24/2011	3"	COMPOUND	5,863
10/24/2011	3"	COMPOUND	1,625
09/22/2011	3"	COMPOUND	1,563
09/22/2011	3"	COMPOUND	1,371
03/07/2011	3"	COMPOUND	11,264
03/07/2011	3"	COMPOUND	10,135
10/24/2011	3"	COMPOUND	10,397
10/24/2011	3"	COMPOUND	17,296
12/19/2011	3"	COMPOUND	7,044
01/09/2012	3"	COMPOUND	6,491
01/09/2012	3"	COMPOUND	15,325
07/14/2011	3"	COMPOUND	9,203
10/21/2012	4"	COMPOUND	5,969
04/26/2011	3"	COMPOUND	15,210
04/26/2011	3"	COMPOUND	6,904

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06/12/2011	3"	COMPOUND	9,484
06/12/2011	3"	COMPOUND	8,350
06/16/2011	3"	COMPOUND	15,315
06/16/2011	3"	COMPOUND	16,712
03/03/2011	3"	COMPOUND	8,375
03/03/2011	3"	COMPOUND	14,307
02/01/2011	3"	COMPOUND	4,121
07/18/2011	3"	COMPOUND	9,393
07/18/2011	3"	COMPOUND	10,453
06/03/2011	3"	COMPOUND	6,219
06/03/2011	3"	COMPOUND	6,708
02/01/2011	3"	COMPOUND	5,283
10/31/2014	3"	COMPOUND	119
11/18/2011	3"	COMPOUND	1,490
01/12/2011	3"	COMPOUND	12,021
01/12/2011	3"	COMPOUND	12,421
06/01/2011	3"	COMPOUND	1,791
06/01/2011	3"	COMPOUND	1,479
07/20/2011	3"	COMPOUND	7,950
07/28/2011	3"	COMPOUND	6,567
03/15/2011	4"	COMPOUND	2,233
03/15/2011	4"	COMPOUND	2,161
11/09/2011	4"	COMPOUND	40,329
12/30/2010	4"	COMPOUND	6,748
11/07/2011	4"	COMPOUND	44,670
11/07/2011	4"	COMPOUND	32,201
09/30/2011	4"	COMPOUND	17,568
10/21/2011	4"	COMPOUND	17,725
10/21/2011	4"	COMPOUND	12,195
09/30/2011	4"	COMPOUND	11,205
10/11/2011	4"	COMPOUND	6,567

Budget Item SJW012841 (2016) and SJW012842 (2017) identify the first year and second years of a five-year program for replacement of what will soon be obsolete Sensus positive displacement (PD) meters. The annual meter replacement budget is based on replacement of the total quantity of Sensus positive displacement (PD) meters in SJWC system over a five year period. The program is driven by the manufacturer's announcement that parts and service for these devices is ending. The schedule for replacement of meter measurement element is determined based on time (average of five years as presented on page 16 of Exhibit G) and consumption. In conjunction with practices and replacement rates for these sizes and types of meters on a time and consumption program, rather than replacement of the measurement element, the entire

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meter assembly will be replaced. The program has been identified as a practical way to reconcile the future loss of support for the parts and service necessary for maintaining accurate measure of usage.

6. **Question six relates to the Fleet Vehicle project for 2015-2017 (projects SJW012626, SJW012627, SJW012628, respectively).**

   a) **According to the Chapter 11 workpaper, the company is proposing to purchase two Toyota Dual cabs and one new Ford transit for existing employees and to replace twenty three vehicles 2015 (refer to cell I138 in the 2015-17 GRC Capital Budgets tab).**

      (i) **Elaborate on the need to purchase the two Toyota Dual Cabs and one new Ford for existing vehicles.**

      Response: Toyota dual cabs are for engineering directors who frequently; visit jobsites, meet with city, county and State officials and are tasked with business meetings with outside resources such as contractors, vendors and consultants offsite. Ford Transit is for an existing employee in the surveying department who is sharing a vehicle with another employee. Workload has increased and requires that they each have a dedicated vehicle.

      (ii) **Provide the mileage of each vehicle the company is intending on replacing in 2015. For convenience, fill in the chart below.**

Vehicle	Date Purchased	Mileage	Date of Mileage

Response.

Vehicle Unit #	Vehicle Model Specification	Date Purchased	Mileage	Date of Last Mileage
513	F-350	7/28/2008	57,998	12/18/15
514	E-350	10/1/2008	60,507	12/13/15
515	E 350	10/1/2008	46,263	12/18/15
474	F-150 A/C	5/29/2007	72,011	12/17/15
491	F-150 A/C	5/21/2008	44,503	12/17/15
493	F-150 A/C	4/30/2008	68,304	12/12/15
494	F-150 A/C	4/30/2008	62,971	12/18/15
495	F-150 A/C	4/30/2008	80,832	11/09/15
516	F-150 A/C	6/20/2008	73,376	12/17/15
433	F 250	6/11/2007	70,462	12/17/15
436	F-550	6/1/2007	63,622	12/18/15
412	Prius Hybrid	3/23/2006	74,223	12/08/15

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444	Prius Hybrid	3/23/2006	91,707	02/18/15
463	Prius Hybrid	10/10/2008	61,907	01/21/15
493	Tacoma Access Cab AC	11/9/2007	76,466	01/22/15
503	Tacoma Access Cab AC	3/28/2008	76,551	02/18/15
504	Tacoma Access Cab AC	5/23/2008	73,870	02/10/15
496	Tacoma Reg. Cab w/AC	3/17/2008	59,509	01/30/15
497	Tacoma Reg. Cab w/AC	4/4/2008	57,143	02/05/15
498	Tacoma Reg. Cab w/AC	3/17/2008	79,209	02/13/15
499	Tacoma Reg. Cab w/AC	3/28/2008	52,522	02/17/15
500	Tacoma Reg. Cab w/AC	3/21/2008	48,280	02/18/15
501	Tacoma Reg. Cab w/AC	3/17/2008	46,365	02/17/15

b) According to the Chapter 11 workpaper, the company is proposing to purchase one Toyota dual cab, Sprinter van, a pump motor tech Sprinter van for existing employees and to replace twenty three vehicles in 2016 (refer to cell I356 in the 2015-17 GRC Capital Budgets tab).

(i) Elaborate on the need to purchase one Toyota dual cab, Sprinter van, and a pump motor tech Sprinter van for existing employees.

Response: The purchase of these vehicles is predicated on the approval and hiring of 3 new positions in 2016: One Operations Supervisor, One Control Systems Technician, and One Pump Technician.

(ii) Provide the mileage of each vehicle the company is intending on replacing in 2016. For convenience, fill in the chart below.

Vehicle	Date Purchased	Mileage	Date of Mileage

Response:

Vehicle Unit #	Vehicle Model Specification	Date Purchased	Mileage	Date of Last Mileage
590	A8	4/11/2012	38,580	01/28/15
531	F-150 A/C	4/30/2009	53,898	02/13/15
533	F 150 A/C	5/15/2009	00,008	02/05/15
534	F-150 A/C	5/15/2009	70,190	02/13/15
535	F-150 A/C	5/15/2009	80,019	02/17/15
536	F-550 A/C	5/15/2009	52,155	02/13/15
403	F 650 Super Duty	3/12/2004	80,271	02/17/15
376	LT8500	2/4/2002	170,206	02/18/15
067	M2	9/15/2003	84,441	02/18/15

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065	M2	9/15/2003	82,823	02/17/15
471	Prius Hybrid	4/3/2007	72,131	02/17/15
377	SC8000	2/4/2003	153,430	02/12/15
530	Tacoma Access Cab AC	4/6/2009	28,308	02/17/15
509	Tacoma Double Cab	5/8/2009	56,700	02/18/15
510	Tacoma Double Cab	2/13/2009	83,617	02/17/15
511	Tacoma Double Cab	6/15/2009	96,438	02/17/15
512	Tacoma Double Cab	5/8/2009	42,646	02/18/15
523	Tacoma Double Cab	5/8/2009	70,002	02/18/15
524	Tacoma Double Cab	5/8/2009	48,508	02/18/15
526	Tacoma Reg. Cab w/AC	4/28/2009	51,829	12/12/14
527	Tacoma Reg. Cab w/AC	4/28/2009	61,330	02/17/15
528	Tacoma Reg. Cab w/AC	5/13/2009	61,248	02/18/15
529	Tacoma Reg. Cab w/AC	4/28/2009	55,139	02/17/15

c) **According to the Chapter 11 workpaper, the company is proposing to replace twenty one vehicles (refer to cell 1510 in the 2015-17 GRC Capital Budgets tab). Provide the mileage of each vehicle the company is intending on replacing in 2017. For convenience, fill in the chart below.**

Vehicle	Date Purchased	Mileage	Date of Mileage

Response:

Vehicle Unit #	Vehicle Model Specification	Date Purchased	Mileage	Date of Last Mileage
548	F-150 A/C	6/9/2010	91,097	02/11/15
547	F-150 A/C	6/10/2010	88,420	02/17/15
549	F-150 A/C	6/1/2010	56,631	02/17/15
549	F-150 A/C	7/5/2010	63,100	02/04/15
550	F-150 A/C	6/18/2010	88,894	02/17/15
551	F-150 A/C	7/28/2010	74,761	02/18/15
552	F-150 A/C	6/9/2010	40,930	02/13/15
413	FC-70	5/18/2004	139,904	02/18/15
084	M2	8/11/2004	73,429	02/17/15
085	M2	12/10/2004	74,613	02/17/15
088	M2	10/19/2004	79,249	02/17/15
111	M2	1/30/2004	123,542	02/18/15
506	Prius Hybrid	3/10/2008	66,836	02/08/15
507	Prius Hybrid	3/10/2008	87,131	02/18/15
553	Tacoma Double Cab	5/12/2010	54,360	02/18/15

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554	Tacoma Double Cab	4/18/2010	70 640	02/13/15
555	Tacoma Double Cab	6/8/2010	59 762	02/13/15
466	Tacoma Reg. Cab w/AC	3/9/2007	38 867	01/24/15
541	Tacoma Reg. Cab w/AC	4/8/2010	40 487	02/17/15
542	Tacoma Reg. Cab w/AC	4/5/2010	55 737	02/17/15
543	Tacoma Reg. Cab w/AC	5/13/2010	54 302	02/13/15

END OF RESPONSE

Attachment 4-D: SJWC Response to ORA Data Request JMI-003

DATA REQUEST RESPONSE

Date: March 6, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A.15-01-002 JMI-003

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RESPONSES

1. **In regards to the City, County, and State project for the distribution system (projects SJW012332, SJW10278, and SJW10283 in 2015-2017, respectively), what is the recorded annual amount spent on this project in the past five years? For convenience, fill in the chart below.**

   Response:

Year	Amount	Length of main (Ft)
2010	18,905.40	10
2011	230,133.75	199
2012	423,449.42	472
2013	714,158.78	1,114
2014	192,594.91	377

2. **Question two regards to the hydrant projects within the City of San Jose (projects SJW10225, SJW10280, and SJW012482 in 2015-2017, respectively) and outside the City of San Jose (projects SJW10273, SJW10192, and SJW012483 in 2015-2017, respectively).**

   a) **For the hydrant projects within the City of San Jose, what is the recorded annual amount spent on this project in the past five years? For convenience, fill in the chart below.**

Response:

a) Hydrants in City Of San Jose

Year	Amount	No Of Hydrants
2010	166,625.97	40
2011	152,587.76	40
2012	193,878.20	41
2013	208,930.90	44
2014	202,924.27	31

b) For the hydrant projects outside the City of San Jose, what is the recorded annual amount spent on this project in the past five years. For convenience, fill in the chart below.

Response:

b) Other City and County Hydrants

Year	Amount	No Of Hydrants
2010	166,625.97	40
2011	152,587.76	40
2012	193,878.20	41
2013	208,930.90	44
2014	202,924.27	31

3. Question three regards to the Services 2" and Smaller project (projects SJW10162, SJW10279, and SJW10284 in 2015-2017, respectively).

a. What is the recorded annual amount spent on this project in the past five years for each service size (please separate the recorded cost for each year by service size)? For convenience, fill in the chart below for each service size in this category.

Response: Costs for each size of service is not currently and has not historically been captured. Even though the size breakdown is identified in the budgets, the

work orders that are prepared and charged against with costs include all meter sizes. Three inch and larger services have generally been a few each year and charges for materials, labor, permit and contract installations have been captured along with the two-inch and smaller service installation projects.

Year	Recorded Amount Spent ($)	# of Services Replaced				
		3/4"	1"	1 1/2"	2"	3"
2010	$9,272,295	2255	396	82	73	17
2011	$6,207,316	2610	469	84	81	15
2012	$9,605,906	3200	391	201	122	23
2013	$10,177,226	2844	319	274	121	17
2014	$9,836,918	2484	165	220	114	8

b. **What is the number of services replaced annually in 2015, 2016, and 2017? For convenience, fill in the chart below (for each service size).**

Response: The estimated number of services for each year in the table below is based on the number of services installed for each size in 2013. This year was the most recent complete year at the time of the rate case submittal and the mileage installed (23.4) is also close to the number of miles that is planned for the years 2015 (24.1 miles), 2016 (24.0 miles) and 2017 (24.0 miles). The estimated number of services projected for each year is proportional to the 2013 base year in accordance with the ratio of the miles of pipe to be installed in the projected year to the number of miles installed in 2013.

The cost of services in the SJWC budget for the GRC years is not based on the number of services but rather the ratio of total service costs in 2013 for the 23.4 miles of pipe installed to the mileage proposed for 2015 – 2017, then adjusted for inflation.

Year	# of Services Replaced				
	3/4"	1"	1 1/2"	2"	3"
2015	2929	329	282	125	18
2016	2917	327	281	124	17
2017	2917	327	281	124	17

4. **In regards to the Services Over 2" (projects SJW10304, SJW10191, and SJW10284 in 2015-2017, respectively):**
   a. **What is the recorded annual amount spent on this project in the past five years for each service size (please separate the recorded cost for each year by**

service size)? **For convenience, fill in the chart below for each service size in this category.**

b. **What is the number of services replaced annually in 2015, 2016, and 2017? For convenience, fill in the chart below (for each service size).**

Response: Please refer to response to item 3a above. Cost tabulations based on SJWC records are provided

5. **In regards to the Subdivision Main Extensions (projects SJW10159, SJW10188, and SJW10207 in 2015-2017, respectively), what is the recorded annual amount spent on this project in the past five years? For convenience, fill in the chart below.**

Response: For the period requested the budget was prudently utilized but not for the purpose identified as there were no developer driven project where company financed main extensions were necessary. Funds from these budgets items were utilized for procurement of other projects that required funding in addition to budgeted amounts.

Year	Amount
2010	0
2011	0
2012	0
2013	0
2014	0

6. **In regards to the Subdivision Over-Sizing Project (projects SJW10160, SJW10189, and SJW10208 in 2015-2017, respectively), what is the recorded annual amount spent on this project in the past five years? For convenience, fill in the chart below.**

Response: For the period requested the budget was prudently utilized but not for the purpose identified as there were no developer driven project where company financed main over-sizing were necessary. Funds from these budgets items were utilized for procurement of other projects that required funding in addition to budgeted amounts

Year	Amount
2010	0
2011	0
2012	0
2013	0
2014	0

7. **In regards to the Fire Service Meters (project SJW011940) project, how did the company calculate the material cost for this line item? Include any vendor cost used to calculate the project cost.**

   Response: Material cost estimates for fire service meters were made based on vendor quotes for meters and costs from purchases of appurtenances in 2014. Please see the attached Excel spreadsheet for the material cost summary for this request.

8. **In regards to the Recycled Water Meters (projects SJW10440, SJW10194, and SJW10213 in 2015-2017, respectively) project, what is the recorded annual amount spent on this project in the past five years? For convenience, fill in the chart below.**

   Response:

Year	Total Cost	Total units	1.5" Turbo	2" Turbo	3" Turbo
2010	1,913.15	1			1
2011	1,580.51	1			1
2012		0			
2013	32,060.90	70	6	64	
2014	5,015.92	14	14		

9. **In regards to the Meters 2" and Smaller (projects SJW10359, SJW10193, and SJW10212 in 2015-2017, respectively) project, what is the recorded annual amount spent on this project in the past five years for each meter size (please separate the recorded cost for each year by meter size)? For convenience, fill in the chart below for each meter size in this category.**

Response:

Year	Total Cost	Total	3/4" PD	1" PD	1 1/2" TURBO	2"PD	2" TURBO	3"COMPOUND	3" TURBO	4"PD	6"PD	Meter Installs
2010	2,678,634.85	31,607	19,135	8,514	148	105	134	1	1	1	2	3,598
2011	1,061,559.57	20,080	7,757	1,236	22	40		1	7	4		11,003
2012	1,458,510.56	23,830	10,186	2,097	140	88	9	1	1	1	1	10,756
2013	1,774,580.31	22,777	7,696	2,549	485	130	-	8	2	-	2	11,935
2014	1,732,516.17	22,365	8,511	3,094	414	139	27	1	11	5	5	10,358

10. In regards to the Meters Larger than 2" (projects SJW10165, SJW10195, and SJW10214in 2015-2017, respectively) project, what is the recorded annual amount spent on this project in the past five years for each meter size (please separate the recorded cost for each year by meter size)? For convenience, fill in the chart below for each meter size in this category.

Year	Recorded Amount Spent ($)	# Meters Replaced
2010		
2011		
2012		
2013		
2014		

Response: Historical cost breakdown is not available as requested. Cost for this size bracket were included with response tabulated for question 9

END OF RESPONSE

Attachment 4-E: February 25, 2015 Letter from County of Santa Clara, Roads and Airports Department to SJWC

County of Santa Clara
Roads and Airports Department

101 Skyport Drive
San Jose, California 95110-1302
1-408-573-2400

RECEIVED SJW
MAR 02 2015
ENGINEERING

February 25, 2015 #161425.360.05

Mr. Ed Lambing Jesse H.
San Jose Water Company
1265 South Bascom Avenue
San Jose, CA 95128

Subject: Alamitos Creek Bridge Replacement

Dear Mr. Lambing:

The County of Santa Clara is working with TRC to finalize the plans for the replacement of the Alamitos Creek Bridge on Alamitos Road. This project is scheduled to be bid in May 2015 and construction will begin in July 2015.

We have enclosed a copy of our 100% plan set ("C" plans) for your use in noting the effect on your facilities at the project location. Please confirm our conclusions by looking at the project plans and responding in writing as to the correct resolution of your facilities.

Based on our most recent discussions and our last meeting on September 6, 2013, it was decided that your existing 8-inch pipeline will be temporarily relocated to clear the construction area necessary for the new bridge including retaining walls. Your General Plan sheet dated 10/2/2013 correctly identifies the locations for Phase 1 and Phase 2 activities performed by your contractor. The following is a list of items we've previously agreed upon:

- SJWC will complete the temporary waterline relocation work, as defined and shown in Phase 1 of SJWC plans, by June 1, 2015.
- The County Roads and Airports Contractor will provide and attach the L-shaped steel brackets to the bridge deck and barrier.
- SJWC will provide and attach the saddle stand or adjustable roller to each of the L-shaped steel brackets.
- SJWC will provide and install the 12" waterline.
- SJWC will provide and install the U-bolts to hold the waterline to the L-shaped steel brackets.
- Installation of the new waterline will be performed in late summer or early fall of 2015 and SJWC will make the necessary and specified work window arrangements with the County Roads and Airports Contractor. SJWC will make the new waterline operational so that the existing bridge can be removed starting in April 2016.

Board of Supervisors: Mike Wasserman, Cindy Chavez, Dave Cortese, Ken Yeager, S. Joseph Simitian
County Executive: Jeffrey V. Smith

Description of Work

As a reminder, the existing 80-year-old Alamitos Creek Bridge will be replaced on a new alignment slightly upstream from the existing bridge. Realignment of the Alamitos Road approaches, the construction of the new bridge, and the removal of the existing bridge will affect all of the utilities located within the project limits. Work will be done inside and outside of the County right-of-way. At certain times during the construction phase, it is anticipated that traffic will be reduced to one lane with traffic signal control across the bridge.

If you desire further information concerning the proposed work, please call me at (408) 573-2496.

Sincerely,

Amir Douraghy
Project Manager

TL/jlh

Attach: 100% Plan Set

cc: Mark Imbriani – TRC
Folder 360.05

Attachment 4-F: Columbine PV 3-Year Generation Data CR 3-6-15

SJWC Columbine Station - Photo Voltaic Array - 3-Yr Historical Monthly Power Production

SJWC Columbine PV system		
Year-Month	Energy Generation (kWh)	Comments
2012-01	2,582	
2012-02	5,129	
2012-03	8,338	
2012-04	12,614	
2012-05	15,060	
2012-06	14,685	
2012-07	14,508	
2012-08	12,308	
2012-09	1,808	
2012-10	2,605	
2012-11	1,760	
2012-12	1,340	
2013-01	1,898	
2013-02	2,262	
2013-03	3,252	
2013-04	4,115	
2013-05	4,139	
2013-06	4,432	
2013-07	4,857	
2013-08	345	
2013-09	1,889	
2013-10	9,173	
2013-11	5,966	
2013-12	5,726	
2014-01	5,233	
2014-02	5,211	
2014-03	8,700	
2014-04	see comment	PV system was in operation. There was an issue with 3rd party reporting system. April 2014 generation included in June 2014 total
2014-05	see comment	PV system was in operation. There was an issue with 3rd party reporting system. May 2014 generation included in June 2014 total.
2014-06	42,190	June 2014 generation total includegeneration during months of April and May 2014.
2014-07	15,329	
2014-08	13,340	
2014-09	10,043	
2014-10	6,685	
2014-11	5,694	
2014-12	3,993	

Page 1 of 1

:\users\LAMBINO\PUBLIC\CPUC SRCV\2015-17 Rate Case\Columbine PV and Cachydro 3yr generation data CR 3-6-15 Columbine PV

Attachment 4-G: Cox Hydro 3-Year Generation Data CR 3-6-15

SJWC Cox Station - Hydro-Turbine Generator - 3-Yr Historical Monthly Power Production

SJWC Cox in-conduit hydroelectric system		
Year-Month	Energy Generation (kWh)	Comments
2012-01	82,007	
2012-02	82,448	
2012-03	33,300	
2012-04	35,189	
2012-05	81,833	
2012-06	67,330	
2012-07	76,708	
2012-08	77,571	
2012-09	74,570	
2012-10	55,896	
2012-11	39,824	
2012-12	2,877	
2013-01	19,593	
2013-02	18,101	
2013-03	23,549	
2013-04	42,403	
2013-05	77,509	
2013-06	71,973	
2013-07	45,735	
2013-08	55,521	
2013-09	59,845	
2013-10	61,830	
2013-11	36,933	
2013-12	24,621	
2014-01	17,067	
2014-02	48	Lower rate of energy generation due to reduction in available imported water from the SCVWD (wholesale treated water supplier) between months of February and December 2014 (curtailment due to drought).
2014-03	224	
2014-04	536	
2014-05	1,318	
2014-06	1,333	
2014-07	1,190	
2014-08	589	
2014-09	1,262	
2014-10	1,212	
2014-11	1,269	
2014-12	872	

Page 1 of 1

CHAPTER 5: INCOME TAXES

A. INTRODUCTION

This chapter presents ORA's analysis of Income Taxes for SJWC. Result of Operation Tables 6-1 and 6-4 of Appendix A compare in detail ORA and SJWC's tax deductions and income tax estimates for Test Year 2016.

B. SUMMARY OF RECOMMENDATIONS

Tangible Property Regulation ("TPR") allows SJWC to expense a large portion of its main replacements instead of capitalizing them for income tax purposes. This would reduce Federal Income Tax ("FIT") and California State Corporate Franchise Tax ("CCFT") substantially. Regarding the treatment of TPR for ratemaking, SJWC proposes to normalize the tax savings for FIT and flow through this tax savings for CCFT. ORA agrees with SJWC's proposal to normalize for FIT and flow through for CCFT; however, the FIT and CCFT savings from the implementation of the TPR for prior to 2013, 2014 and 2015 were not reflected in SJWC's last GRC. Therefore, the FIT and CCFT savings should be accumulated in a TPR memorandum account and the balance should be passed on to the ratepayers through an advice letter within 30 days after SJWC completes its 2015 tax filings.

SJWC filed refund claims for the years 2008-2012 to claim the Enterprise Zone Sales and Use ("EZ") credit in 2014 and received $880,000 credit related to California EZ credit. This credit was not reflected in the last GRC decision and it should be passed on to the ratepayers through an income tax memorandum account and an advice letter filing within 30 days after the new rates for this GRC become effective.

The remaining differences between ORA and SJWC's estimates are due primarily to differences in revenues, expenses, and rate base.

C. DISCUSSION

1) Basis for Regulated Tax Expenses

The tax deductions and credits in this proceeding were calculated in accordance with the normalization requirements of the Economic Recovery Act of 1981 ("ERTA"). Further, the provisions of the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") have been incorporated in the tax deduction estimates. Finally, the provisions of the Tax Reform Act of 1986 ("TRA 86") have been estimated and included into the general rate case in accordance with the requirements of Decision 87-09-026 dated September 10, 1987, Decision 87-12-028 dated December 9, 1987 and D.88-01-061 dated January 28, 1988.

Some of the provisions of TRA 86 have been incorporated into CCFT law in the California Bank and Corporation Tax Fairness, Simplification and Conformity Act of 1987 (State Tax Act of 1987). The provisions have been estimated and integrated into the CCFT calculations for this general rate case.

CCFT and FIT are calculated using estimated present and proposed revenues, estimated tax-deductible expenses, interest, and tax depreciation.

2) Domestic Production Activities Deduction ("DPAD")

Section 199 of the IRS Code ("Code") was added to the Code by Section 102 of the American Jobs Creation Act of 2004, and amended by Section 403(a) of the Gulf Opportunity Zone Act of 2005 and Section 514 of the Tax Increase Prevention and Reconciliation Act of 2005 ("TIPRA"). On June 1, 2006, the IRS and the Treasury Department published the final regulations under Section 199. Section 199 of the Code specifies the details of the DPAD.

Beginning taxable year 2015, Section 199 allows a deduction equals to 9% of the lesser of (a) the qualified production activities income ("QPAI") of the taxpayer for the taxable year, or (b) taxable income (determined without regard to Section 199) for the taxable year.

In the current GRC, SJWC computed the DPAD for Test Year 2016 and Escalation Year 2017 by applying 9% to the imputed QPAD for Year 2016.

3) Tangible Property Regulation

(a) Background

On August 14, 2013, the Treasury Department ("Treasury") and the Internal Revenue Service ("IRS") issued the final TPR (T.D. 9689). The new final regulations consider the dichotomy between the Internal Revenue Code ("IRC") Sec. 263(a) which requires capitalization of amounts paid to "*acquire, produce, or improve tangible property*" and IRC Sec. 162 which allows deductions for all ordinary and necessary expenses paid or incurred during taxable year in carrying on any trade or business, including costs of certain supplies, repairs, and maintenance. The final TPR regulations attempt to provide a framework for distinguishing capital expenditures from supplies, repairs, maintenance, and other deductible business expenses.

TPR deduction is optional and it would allow SJWC to reclassifies the current capitalized maintenance expenditures from capital expenditures to tax deductible maintenance expenses for income tax purposes if the expenditures 1) are replacement of the existing properties, 2) are less than 10% of the unit of property, and 3) are not new constructions for new customers.

TPR provides that the definition of the unit of property for network assets such as water mains. The unit of property is determined by the taxpayer's particular facts and circumstances. The published guidance in Rev. Proc. 2011-27

for wireline network assets, Rev. Proc. 2011-28 for wireless networks assets, and Rev. Proc. 2011-43 for electric transmission and distribution property provide the guideline to determine the unit of property that is essential in determining maintenance expenditures that are deductible for income tax purposes. The nature of the industry and the characteristics of a circuit and wire center are similar to a water utility property's pressure zone, and thus SJWC considers that the unit of property rationale is applicable by analogy. For water utilities, the term pressure zone refers to a subzone that has its own water intake facility and is able to provide a consistent range of hydraulic pressure, thus is a unit of property.

For the replacement of water company network assets such as water mains, the 10% replacement percentage threshold of Rev.Proc.2011-43 provides guidance as approved by the IRS for use in a similar industry. SJWC used a 5% replacement percentage based upon its size and the topography of its service area. SJWC expenses most of its main replacement projects as maintenance expense deductions for income tax purposes.

TPR also allows a "catch up" deduction referred to as the Section 481(a) adjustment resulting from the retroactive application of the regulation to prior years as well as annual repair deductions for future years. SJWC took advantage of this catch up provision of maintenance deductions related to 2013 and prior years (2006-2013) during the third quarter of 2014 to maximize its tax deductions for 2013 and prior years.

(b) SJWC's TPR Ratemaking Proposal

For ratemaking purposes SJWC proposes that the book/tax differences arising from the implementation of the repair regulations be normalized for federal income tax. Normalization reduces the rate base by increasing the federal deferred tax liability by the amount of the tax reduction realized from TPR deductions. For State income tax purposes, the difference is treated as a flow through item. SJWC

considers that this methodology is consistent with the Company's current reporting practices for FIT and CCFT and is also consistent with the Commission's normalization practice for TRA 86 that requires normalization of accelerated depreciation for FIT.

(c) SJWC's Estimated Financial Impact of TPR

SJWC's federal repairs and maintenance deduction for qualified tangible property placed into service during 2013 and prior years was $41.2 million, resulting in an increase in federal deferred income tax of $14.4 million. SJWC's state repairs and maintenance deduction for qualified tangible property placed into service during 2013 and prior years was $83.5 million, resulting in a reduction in state income tax expense of $4.8 million. The differences between FIT and CCFT savings are due to the differences in the tax depreciation methods used by FIT and CCFT.

The estimated deductions for the tax years 2014 through 2017are as follows:

- 2014 – Federal and State repairs and maintenance deduction of $19.4 million, resulting in an increase in federal deferred income tax of $6.8 million and reduction in state income tax expense of $1.11 million

- 2015 – Federal and State repairs and maintenance deduction of $22.2 million, resulting in an increase in federal deferred income tax of $7.8 million and reduction in state income tax expense of $1.3 million

- 2016 –Federal and State repairs and maintenance deduction of $23.7 million, resulting in an increase in federal deferred income tax of

$8.3 million and reduction in state income tax expense of $1.4 million

- 2017- Federal and State repairs and maintenance deduction of $12.5 million, resulting in an increase in federal deferred income tax of $4.4 million and reduction in state income tax expense of $0.7 million

(d) ORA's Recommendations

ORA agrees with SJWC's proposal to normalize the FIT savings and to flow through the CCFT savings; however, the flow-through of the FIT and CCFT savings from the implementation of the TPR for 2013 and prior, 2014 and 2015 were not reflected in SJWC's last GRC. Based on SJWC's estimates described above, the CCFT savings resulting from the flow-through of the TPR deductions are $4.8 million for 2013 and prior, $1.11 million for 2014 and $1.3 million for 2015. In addition, SJWC would have substantial increase in the deferred federal income taxes that were not considered in the last GRC. Therefore, the FIT and CCFT savings should be accumulated in a TPR memorandum account and the balance should be passed on to the ratepayers through an advice letter within 30 days after SJWC completes its 2015 tax filings.

4) Enterprise Zone Sales and Use Credits

SJWC filed refund claims for the years 2008-2012 to claim the Enterprise Zone Sales and Use (EZ) credit and received $880,000 credit related to California EZ credit in 2014. A taxpayer engaged in a trade or business within a designated Enterprise Zone (EZ) can take a credit for sales or use tax paid or incurred in connection with the purchase of qualified property. The existing credit was repealed on January 1, 2014. This credit was not reflected in the last GRC decision, and it should be passed on to the ratepayers. SJWC should

establish an EZ tax credit memorandum account for this tax credit amount of $880,000 and file an advice letter to refund the tax savings. SJWC should file an advice letter to refund the tax credit to the ratepayers within 30 days after the rates for this GRC become effective.

5) Interest Expense Deduction

To calculate the interest expense deduction, SJWC used its rate base multiplied by the weighted cost of debt adopted in D.12-07-009. ORA used the same method.

6) Income Tax Rates

Both ORA and SJWC use a tax rate of 8.84% to calculate the CCFT. Similarly, a tax rate of 35% is used to calculate the federal income taxes. The differences in estimates for federal and state income taxes between ORA and SJWC are due to differences in estimates for revenues, expenses, and rate base.

D. CONCLUSION

ORA recommends that the Commission adopt its estimates for Income Taxes as shown in Results of Operations Tables 6-1 and 6-4 of Appendix A and adopt ORA's recommendations to flow through the FIT and CCFT savings resulting from the TPR deductions for 2013 and prior, 2014 and 2015 by establishing the TPR memorandum account and flow through the refund that SJWC received for the EZ tax credit in 2014 by establishing the EZ memorandum account to the ratepayers

CHAPTER 6: TAXES OTHER THAN INCOME

A. INTRODUCTION

This chapter sets forth ORA's analysis and recommendations of Taxes Other Than Income for SJWC for the Year 2016. Taxes Other Than Income consists of Ad Valorem tax (property tax) and payroll taxes. ORA's and SJWC's estimate of Taxes Other Than Income for Test Year 2016 are included in Table 5-1 of Appendix A.

B. SUMMARY OF RECOMMENDATIONS

ORA's estimates of Taxes Other Than Income are different from those estimated by SJWC. The differences are due primarily to the differences in estimated plant and payroll expenses, and the ORA's correction of formula errors throughout SJWC's workpapers in computing the estimated Taxes Other Than Income.

C. DISCUSSION

1) Ad Valorem Taxes

SJWC's Ad Valorem Taxes were estimated based on the estimated assessed value placed on SJWC's utility plant in service ("UPIS") for Test Year 2016 and multiplied by the computed five year average Ad Valorem tax rate of 1.19% for the recorded years (2009 through 2014). The estimates of the assessed value of plant in service are calculated based on the estimated difference of the beginning of the year balance between plant in service and reserve for depreciation, multiplied by the ratio of UPIS to cash value of property for tax years 2009-2014. The differences in estimated Ad Valorem Taxes between ORA and SJWC are attributable to the differences in estimates for UPIS.

2) Payroll Taxes

Payroll taxes were estimated using recorded expenses, estimated applicable FUI and SUI tax rates, and number of employees of the company. Payroll taxes consisted of Federal Insurance Contribution Act ("FICA"), Federal Unemployment Insurance ("FUI"), and State Unemployment Insurance ("SUI").

Differences between ORA and SJWC estimates for the Test Year 2016 are attributable to the differences in payroll estimates and removal of the capitalized portion of FICA taxes from the total estimated FICA taxes.

(a) FUI Taxes

SJWC estimated the FUI taxes for Years 2010 through 2012 based on the number of employees in the respective years multiplied by the estimated FUI tax per employee. Additionally, SJWC added 1.8% of the computed total FUI taxes for temporary and part time employees. An additional 5% was added for estimated employee turnovers. The computed total FUI taxes were then multiplied by the ratio of expensed payroll to total payroll (75.83%).

ORA estimated FUI taxes using methodology similar to SJWC's. ORA accepted SJWC's estimated percentage of temporary employees (0.9%) and percentage of employee turnovers (5%) in ORA's calculation of FUI taxes. However, ORA's estimates reflect ORA's estimated number of employees.

The primarily differences in FUI tax estimates are due to the differences in estimates of number of employees.

(b) SUI Taxes

SJWC uses the same methodology in computing SUI taxes as in computing FUI taxes. Likewise, ORA uses the same methodology for SUI taxes as in FUI taxes.

The primarily differences in SUI tax estimates are due to the differences in estimates of number of employees.

(c) FICA Taxes

There are two components of FICA taxes – FICA-Social Security (6.2% of gross earnings with maximum taxable earnings of $106,800 for Year 2009) and FICA-Medicare (1.45% of gross earnings without limitation). The FICA tax rates have been consistent since 2003, with maximum taxable earnings on FICA-Social Security gradually increased each and every year. In any given year since 2003, the maximum total FICA tax rates (i.e., for both FICA-Social Security and FICA-Medicare) have not exceeded 7.65% (6.2% for FICA-Social Security plus 1.45% for FICA-Medicare). SJWC's workpapers at WP 10-7 per SJWC's 45 day Update 2015 indicates that SJWC computed its FCA tax by using the ratio of the expensed payroll to FICA for 2009 through 2014 (9.60%). This ratio is much higher than the maximum total FICA tax rate of 7.65% as prescribed by IRS.

The reason for such discrepancy is because SJWC did not reduce its FICA estimate by the amount of the capitalized FICA. SJWC capitalizes 24.17% of its SUI and FUI taxes, but none for FICA. ORA reduced SJWC's FICA estimate by the same 24.17% to reflect the capitalized FICA amount

3) Business License Fees

SJWC's business licenses for the City of San Jose and Town of Los Gatos are determined by local ordinances. Currently, the business license for the City of San Jose is a fixed amount ($21,445 per year), while the business license for the Town of Los Gatos is determined by the number of installed fire hydrants ($12 per hydrant).

ORA use the same methodology as SJWC's in estimating the business license fees. There is no difference for estimated business license fees between ORA and SJWC.

4) Local Franchise Taxes

Local franchise taxes are required in connection with franchises from the County of Santa Clara, and from the Cities of Cupertino, Saratoga, Monte Sereno, and Campbell. The amount of these taxes is 0.2395% of revenues in 2014. SJWC used this ratio for the test year estimates. ORA concurs with the method.

The differences between ORA's estimates and SJWC's estimates for local franchise taxes are due to the differences in ORA's and SJWC's estimated total operating revenues (excluding deferred revenue) in the respective years.

D. CONCLUSION

ORA recommends that the Commission adopt its estimates as shown in Table 5-1 of Appendix A.

CHAPTER 7: RATEBASE

A. INTRODUCTION

This chapter presents ORA's review of San Jose Water Company (SJWC)'s method of calculating ratebase and ORA's recommendation.

SJWC's ratebase represents the value of property used by SJWC in providing water service, upon which SJWC is permitted to earn its authorized rate of return. SJWC's ratebase includes the value of prudent investment, Cash Working Capital, ratebase adjustments due to taxation of contributions with deductions for accumulated depreciation reserve, contributions in aid of construction, customer advances for construction, and accumulated deferred income tax liability.

B. SUMMARY OF RECOMMENDATIONS

ORA recommends adjustment on ratebase that will reduce SJWC's proposed ratebase amount by $8 million dollars for Test Year (TY) 2016 and $18 million for 2017. Differences between ORA and SJWC estimates of ratebase are the result of differences in estimates of utility plant in service, depreciation and taxes, as well as the effect of ORA recommended expenses in calculation of allowance of working capital, which are each discussed in the respective chapters in this report.

C. DISCUSSION

1) Cash Working Capital:

Cash Working Capital is the estimate of investor funds necessary to cover the timing difference between cash expenditures and cash collections. SJWC's working cash estimation of $19,401,700 can be described basically in two groups;

(a) operational cash component, and (b) working capital estimate of investor funds.

The first component of Cash Working Capital is the operational cash component. The operational cash component is "made up of working funds in the form of cash, special deposits and other current assets which the investor is required to supply to the utility in order for it to perform its day-to-day operational requirements efficiently and economically."[219] SJWC's estimate of its operational cash component for Test Year 2016 consists of $795,000 in Materials and Supplies, $200,000 in Minimum Bank Cash Deposits, $4,800 in Special Deposits & Working Funds with reductions of $1,089,000 for Customer Deposits and $28,600 in Amounts Withheld from Employees for a total cash component of negative $117,800.[220]

The second component of Cash Working Capital is the working capital estimate of investor funds that might be required to cover any timing differences between cash expenditures and revenue collections. SJWC estimates $19,519,500 of working capital by using a lead-lag study.

SJWC estimates lead-lag days for TY 2016 and 2017 by deducting weighted average revenue lag days from weighted average expense lag days based on 2013 revenue and expense data. SJWC uses receivables method, also known as "ratio of accounts receivable to credit sales", for the estimation of revenue lag days and the midpoint of service period (accrual period) and the date of payment

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[219] Page 1-2, Standard Practice U-16W

[220] SJWC Workpaper WP 13-11 (including 45-day updated numbers)

method, also known as "statistical sampling" method, for the estimation of expenses lag days.

ORA reviewed SJWC's workpapers related to the calculation of expenses and revenue lead lag days. ORA also verified SJWC's calculation of revenue lag days by using a full cycle of sample data. ORA calculates weighted average revenue lag days by using days between midpoint of the service period and the payment date based on a full cycle (July and August, 2013) billing and payment data received from SJWC in response to ORA's data request[221]. ORA analysis concurs with the SJWC's calculation of revenue lag days of 53.7. ORA does not oppose the lead lag days presented by SJWC in calculating required Cash Working Capital.

ORA recommends Cash Working Capital of $17,362,707 for TY 2016, which is a reduction of $2,038,977 compared to the SJWC's Cash Working Capital. The differences between ORA's and SJWC's estimates are due to the differences in estimated expenses for TY 2016.

2) Depreciation Reserve and Depreciation Expense:

Depreciation reserve is the total of all depreciation expenses that has accumulated over time and deducted from ratebase to avoid earning an additional return on funds that have been previously recovered through the depreciation expense. SJWC estimates a weighted average depreciation reserve amount of $476,104,400 for TY 2016.

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[221] SJWC's Response to ORA Data Request MD6-002, q.3

For ratemaking purposes, SJWC includes depreciation expense in the calculation of test year revenue requirement to allow for the recovery of funds provided by investors for the construction or acquisition of tangible assets. SJWC presents a composite depreciation rate of 3.42% for TY 2016 based on a depreciation study and categorized into three groups: (a) depreciation of "transportation equipment"; (b) depreciation of "contributed plant"; and (c) depreciation of "other utility plant in service". Of these three groups, the depreciation amount is based on "other utility plant in service" and is included as depreciation expense ($41,969,461) in the calculation of revenue requirement.

ORA reviewed and analyzed the workpapers related to the depreciation study. ORA does not oppose a depreciation expense based on a composite rate of 3.42% and 3.49% of total depreciable plant for TY 2016 and 2017 respectively. Differences between ORA and SJWC estimates of depreciation reserve and depreciation expense amounts are the result of the differences in SJWC's requested plant amount and ORA's recommended plant amount. The differences of SJWC recommended and ORA recommended plant amounts are presented in Chapter 4 of this report.

3) Adjustments to Plant:

SJWC deducts $184,091,500 for "Adjustment to Plant" in estimating ratebase for TY 2016. Adjustment to Plant includes: (1) advances for construction, (2) contribution in aid of construction, (3) plant funded by Safe Drinking Water State Revolving Fund (SDWSRF) loan, and (4) reserve for amortization of intangibles. These items are not funded by SJWC's investors; hence, deducted from ratebase. ORA reviewed SJWC's workpapers related to the adjustment to plant. ORA does not oppose SJWC's estimated amount of "Adjustment to Plant".

4) Ratebase, Taxed Contributions and Advances:

SJWC adds back total taxes of $7,626,694 paid on taxable contributions and advances since 1987 to arrive at ratebase amounts for TY 2016. SJWC explains the reason for adjustment as "In compliance with Commission Decision No. 87-09-026, the Company includes in rate base the difference between the additional taxes it pays and the additional amounts it collects from the applicants for service."[222] SJWC clarified over the phone with ORA that the calculation of tax on advances and contribution are based on a taxable portion of advances and contribution.[223]

ORA reviewed SJWC's workpapers related to the taxes on advances for construction and taxes on contribution in aid of construction. ORA does not oppose SJWC's request to include in ratebase a total amount of $7,626,694 related to the taxes on taxable advances and contributions for TY 2016.

D. CONCLUSION

The differences between SJWC and ORA estimates of ratebase amounts are due to the differences in Utility Plant in Service, Depreciation Reserve, and Deferred Tax liabilities recommended by SJWC and ORA. ORA recommends the Commission adopt ratebase estimates presented in ORA's Results of Operation Tables 9-1 and 9-2 of Appendix A.

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[222] Page 13-3 of Exhibit E – Report on Results of Operations

[223] Phone conversation with Mr. Wes Owens of SJWC on 3/27/2015

CHAPTER 8: WATER QUALITY

A. INTRODUCTION

The Rate Case Plan requires water utilities to submit information about water quality in their GRC applications. The State Water Resources Control Board, Division of Drinking Water (DDW) is the primary agency responsible to ensure the water provided by the district is safe for public consumption.[224] ORA reviewed the most recent DDW inspection reports available for the system.

B. SUMMARY OF RECOMMENDATIONS

Based on the information given by the company and by DDW, SJWC's service area seems to be in compliance with all applicable water quality standards and requirements.

C. DISCUSSION

SJWC's service area is served by three sources: purchased imported surface water from the Santa Clara Valley Water District (SCVWD), surface water from the Santa Cruz Mountains, and groundwater.[225] SJWC obtains surface water from SCVWD's Rinconada, Penitencia, and Santa Teresa water treatment plants. According to the company, the Montevina Water Treatment Plant (MWTP) will be operating at a reduced capacity during the construction of the upgrades to the

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[224] On July 1, 2014, the Drinking Water Program was transferred from the California Department of Public Health (CDPH) to the State Water Resources Control Board.

[225] Application (A).15-01-002, Exhibit E, Chapter 3, Present Operations, page 3-2.

treatment plant.[226] The company anticipates that the project is currently going through with the design, permitting, and preconstruction phase. The construction phase is anticipated to start in the mid-to-late 2015 time period and extend through 2018.

In addition to the sources mentioned above, SJWC receives recycled water from San Jose's South Bay Water Recycling Program (SBWRP). Effluent water from the San Jose/Santa Clara Water Pollution Control Plant (WPCP) is diverted from the San Francisco Bay for non-potable reuse for agricultural, 1andscape, and industrial purposes.[227]

SJWC states that the majority of the potable water is from groundwater.[228] Some of the naturally occurring contaminants include nitrate, iron, manganese and aluminum. In this rate case, SJWC is proposing to retire some of their wells due to either water quality and/or low production.[229]

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[226] Ibid, page 3-3. SJWC filed A.10-09-019 to upgrade the MWTP to help deal with issues regarding turbid stream flows during storm events, meet disinfection requirements, removing dissolved organics, removing disinfection byproducts, taste and odor concerns.

[227] The City of San Jose acts as the Administering Agency supervises the entire infrastructure required to convey recycled water.

[228] Exhibit G, Appendix 4, page 25. According to the company approximately 60% of SJWC's water is being supplied by groundwater due to the drought conditions.

[229] In this rate case, the company is proposing to retire the wells at the Ridgeley Station, Virginia Station, and Cropley Wells #1-4.

1) Contaminants

(a) Nitrates

According to SJWC, the Santa Clara Valley has had a long history of agricultural activity.[230] Nitrate can be expressed as either nitrate (NO_3) or nitrate-nitrogen (NO_3-N). The Environmental Protection Agency (EPA) set a maximum contaminant level (MCL) of 45 milligrams per liter (mg/L) for NO_3 and 10 mg/L for NO_3-N. According to SJWC, none of its wells exceed the MCL.[231] SJWC considers a well highly contaminated with nitrate once the nitrate concentrate exceeds half of the MCL (approximately 23 mg/L).

[redacted]

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[230] Ibid.

[231] SJWC tests for nitrates on a quarterly basis. Wells with a high concentration of nitrate are tested on a more frequent basis.

[232] [redacted]

[233] [redacted]

(b) Iron

The EPA has established a secondary maximum contaminant level (SMCL) of 0.3 mg/L. While iron does not present an immediate health hazard, excess iron can cause aesthetic problems such as staining and bad taste. The SMCL is not enforced by the EPA, but the DDW will issue citations for exceeding the concentration limit.

[redacted]

(c) Manganese

The EPA has established a SMCL of 0.05 mg/L. The SMCL is not enforced by the EPA, but the CDPH will issue citations for exceeding the concentration limit.[235] The regulatory level for manganese is determined by a running annual average of four quarterly samples.

[redacted]

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[234] [redacted]

[235] The EPA has established a lifetime health advisory of 0.3 mg/L to protect against potential neurological effects.

[redacted]

(d) Aluminum

The EPA has established a SMCL of 0.05 to 0.2 mg/L due to coloring concerns.[238] The compliance level is met through a running annual average of four quarters. [redacted]

[redacted]

[236] [redacted]

[237] [redacted]

[238] The EPA set a SMCL of 200 micrograms per liter (µg/L) effective after 1991. The CDPH set a SMCL of 50 µg/L.

[239] [redacted]

[redacted]

2) Recent and Future Regulations

(a) Long Term 2 Enhance Surface Water Treatment Rule (LT2ESWTR)

The LT2ESWTR requires Cryptosporidium to be monitored and classifies treatment plants into a "bin" classification depending on the amount of Cryptosporidium treatment required. [redacted]

(b) Revised Total Coliform Rule (RTCR)

According to the EPA, all public water systems will be required to meet the legal limit for Escherichia coli (E coli) demonstrated by monitoring. The

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240 [redacted]

241 [redacted]

frequency and timing of required microbial testing will be dependent on the population served, public water system type and the type of source water.[242] All public water systems will be required to comply by April 1, 2016. [redacted]

(c) Hexavalent Chromium (Chromium-6)

The state adopted an MCL for hexavalent chromium at 0.01 mg/L. [redacted]

(d) Perchlorate

California has an MCL of 6µg/L for perchlorate. The Cal/EPA's Office of Environmental Health Hazard Assessment established a public health goal of 1µg/L in 2015. [redacted]

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[242] EPA website, Total Coliform Rule Revisions. Refer to the link: http://water.epa.gov/lawsregs/rulesregs/sdwa/tcr/regulation_revisions.cfm.

[243] [redacted]

[244] [redacted]

(e) Stage Two Disinfection Byproducts Rule (Stage Two DBPR)

The Stage Two DBP places stricter compliance monitoring requirements for the disinfectant byproducts (DBP), trihalomethanes (TTHM) and haloacetic acids (HAA5). According to EPA, the MCL for TTHM and HAA5 is calculated for each monitoring location in the distribution system. The compliance for the Stage Two DBPR is based on locational running average rather than the system wide running annual average.[245]

[redacted]

3) Notice to Boil

In October 2014, SJWC issued a boil notice after discovering the presence of E. coli and total coliform. According to SJWC, the incident is the result of a

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[245] EPA website, Water: Stage Two DBP Rule. Refer to http://water.epa.gov/lawsregs/rulesregs/sdwa/stage2/basicinformation.cfm#three.

[246] [redacted]

[247] [redacted]

[248] [redacted]

main replacement project and the source is unknown. The company suspects that the storage of the uncapped pipelines in the contractor's or supplier's yard may have contributed to this event by exposing those materials to small animals prior to delivery of the material to the job site.[249] SJWC cleaned the contaminated water main section using an Ice Pig and flushed thoroughly after the pigging operation.[250] Due to this incident, SJWC has modified their "General Provisions of the Specifications for the Disinfection and Bacteriological Sampling of Mains, Facilities, and Appertunances" and its "General Provisions of the Specifications Pipeline Work". SJWC listed the following updates to the specifications: 1) requiring washing all pipes prior to installation; 2) requiring to cap all pipes after washing and to keep all pipes capped until installation; 3) the use of SJWC's contract laboratory by SJWC's contractors when submitting bacteriological samples and the use of SJWC's contract laboratory to ensure rapid and accurate communication to SJWC for all bacteriological results related to new main installations; 4) updated sampling requirements prior to the tie in of new mains; and 5) specifications for corrective actions when pre-tie in sample results are positive for total coliform and/or E. Coli.[251]

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[249] SJWC response to ORA Data Request JMI-004, question 3(a) (see Attachment 8-A). SJWC bases this on the fact that two segments of pipe for this project, on different streets, were found to be contaminated with total coliform and E. coli prior to the tie-in of these pipes.

[250] Ibid, question 3(b).

[251] Ibid, question 3(c). The company provided a copy of the specifications with ORA Data Request JMI-004 (see Attachment 8-A).

D. CONCLUSION

Based on ORA's review, it appears that SJWC's service area is in compliance with all applicable water quality standards. The Commission's Division of Water and Audits (DWA) provided an informal report to the Administrative Law Judge and identified no issues with SJWC's water quality over the last three years.[252] DDW confirms the system's compliance in an inspection report [redacted]

[252] A.15-01-002, Assigned Commissioner's Scoping Memo and Ruling, page 4. The informal report was provided by the Water Quality Expert from DWA. The scoping memo is dated April 14, 2015.

[253] [redacted]

[254] [redacted]

[255] [redacted]

1 [redacted]

2 [redacted]

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256 [redacted]

Attachment 8-A: Data Request JMI-004 Water Quality

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

March 20, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request JMI-04 dated March 13th, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: March 20, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID. Response to DR No. ORA-A.15-01-002.JM1-004

1

RESPONSES

1. **Question one is in regards to SJWC's response to Minimum Data Requirement ("MDR") II.G.07. In the chart provided in response to MDR II.G.07 for the Sanitary Survey on 10/1/2014, it states for SJWC's response to the issues presented that it is "in progress".**

   a. **Please elaborate on the progress of resolving these issues. In addition, explain how the company is resolving these issues.**

      Response: SJWC provided the Division of Drinking Water (DDW) with a response to the Sanitary Survey conducted by Karen Nishimoto, DDW Sanitary Engineer, on 10/1/2014. The mesh screen on the roof vent and the overflow pipe corrections are pending capital improvements. Specifically, a roof platform and rail guards have been ordered to enable the inspection of the mesh screen and a proposal for correcting the overflow pipe has been submitted to DDW for approval. A copy of SJWC's letter of corrective actions to DDW is included as Attachment Q1.

   b. **If the issues have not yet been resolved, then when does the company anticipate these issues will be completely resolved?**

      Response: The roof vent and overflow pipe corrections are expected to be completed within a year.

2. **Question two is in regards to the Long Term 2 Enhance Surface Water Treatment Rule ("LT2ESWTR") second round of source monitoring.**

   a. **Has the company completed the second round of source monitoring? If so, please indicate when the monitoring occurred?**

      Response: SJWC has received approval from DDW for its LT2ESWTR sampling plan on February 26, 2015. The approval letter is included as Attachment Q2. Under this plan, the second round of source monitoring will take place monthly for two years, beginning in April 2015 and ending in April 2017.

   b. **If the company has completed the second round of source monitoring as in response to question 2(a) above, what are the results of the monitoring?**

      Response: As of this writing, no samples have been collected and no results are available.

c. **If the company did not complete the second round of source monitoring in response to question 2(a) above, when does the company anticipate completing the monitoring?**

Response: The second round of monitoring will be completed in April 2017.

3. **Question three is in regards to the notice to boil order that occurred in Fall 2014.**

a. **Elaborate, if known, on the source of the E. Coli and/or total coliform.**

Response: The precise cause of the contamination is unknown. SJWC, however, is certain that contamination was introduced into the water system during the main installation process. It is suspected that the storage of the uncapped pipelines in the contractor's or supplier's yard may have contributed to this event by exposing those materials to small animals prior to delivery of the material to the job site. This conclusion is based on the fact that two segments of pipe for this project, on different streets, were found to be contaminated with total coliform and E. coli prior to the tie-in of these pipes.

b. **How was this issue resolved?**

Response: The contaminated water main was cleaned using an Ice Pig and thoroughly flushed after the pigging operation. In addition SJWC flushed every service lines and installed new meters for all customers served by the cleaned water main.

c. **Elaborate on any new safety protocols or procedures that were implemented due to this incident.**

Response: SJWC's has updated its "General Provisions of the Specifications for the Disinfection and Bacteriological Sampling of Mains, Facilities, and Appurtenances" and its "General Provisions of the Specifications Pipeline Work". Copies of the revised documents are attached. The major updates to the specifications are:

i) The requirement to wash all pipes prior to installation.
ii) The requirement to cap all pipes after washing and to keep all pipes capped until installation.
iii) Use of SJWC's contract laboratory by SJWC's contractors when submitting bacteriological samples. The use of SJWC's contract laboratory will ensure rapid and accurate communication to SJWC for all bacteriological results related to new main installations.
iv) Updated sampling requirements prior to the tie in of new mains.
v) Specifications for corrective actions when pre-tie in sample results are positive for total coliform and/or E. Coli

END OF RESPONSE

CHAPTER 9: CUSTOMER SERVICE

A. INTRODUCTION

In Application 15-01-002 (A.15-01-002) San Jose Water Company (SJWC) states that the Company is committed to a high level of customer service.[257] This Chapter presents ORA's analysis and recommendations regarding Customer Service.

B. SUMMARY OF RECOMMENDATIONS

ORA finds SJWC's customer service efforts to be acceptable. CPUC's Consumer Affairs Branch (CAB) information regarding customer complaints for SJWC for the years 2012 through 2014 found an average of customer complaints per year to be approximately 0.03% of SJWC's total customers. Nevertheless, SJWC should take preemptive actions to improve its customer service since complaints did spike upwards in 2012 and 2013.

C. DISCUSSION

1) Customer Service

SJWC stated that it is committed to a high level of customer service, and the number of informal customer complaints filed with the Commission has

[257] Exhibit E–Report on Results of Operations, January 2015, Chapter 3, Section 3, Item 13, p. 4.

averaged about 19 per year, or about 0.09 informal complaints per 1,000 customers served.[258]

SJWC's statement is in contrast to the number of informal customer complaints filed with the Commission that averaged about 12 per year, or about 0.06 informal complaints per 1,000 customers served in SJWC's previous GRC.[259] Based on a request from ORA, the CPUC's Consumer Affairs Branch (CAB) provided the customer complaints for SJWC for the years 2012 through 2014. CAB's information presented an average of 66.6 customer complaints per year which is approximately 0.03% of SJWC's total customers. This does help support the Commission's General Order 103-A that states "Consumers expect and should receive service that is consistently adequate, reliable, and in compliance with applicable water quality standards." Although customer complaints for the previous 3 years have been very low, it is important to note that the number of complaints has increased in this GRC. In the previous GRC, there was a declining trend in customer complaints reported to the Commission.

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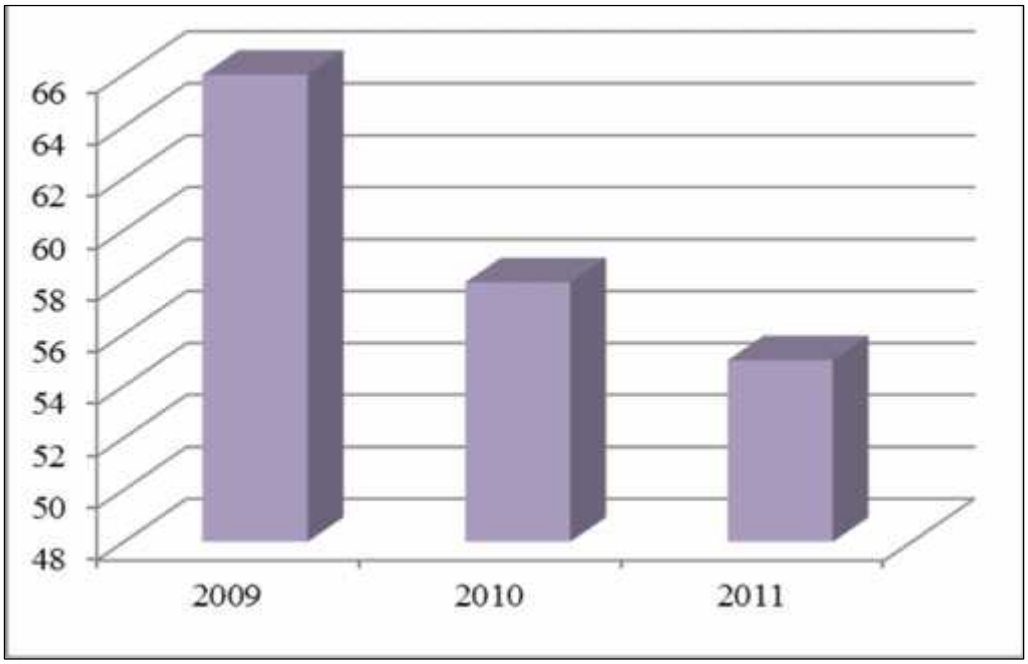
[258] Exhibit E–Report on Results of Operations, January 2015, Chapter 3, Section 3, Item 13, p. 4.

[259] Exhibit E–Report on Results of Operations, January 2012, Chapter 3, p. 4.

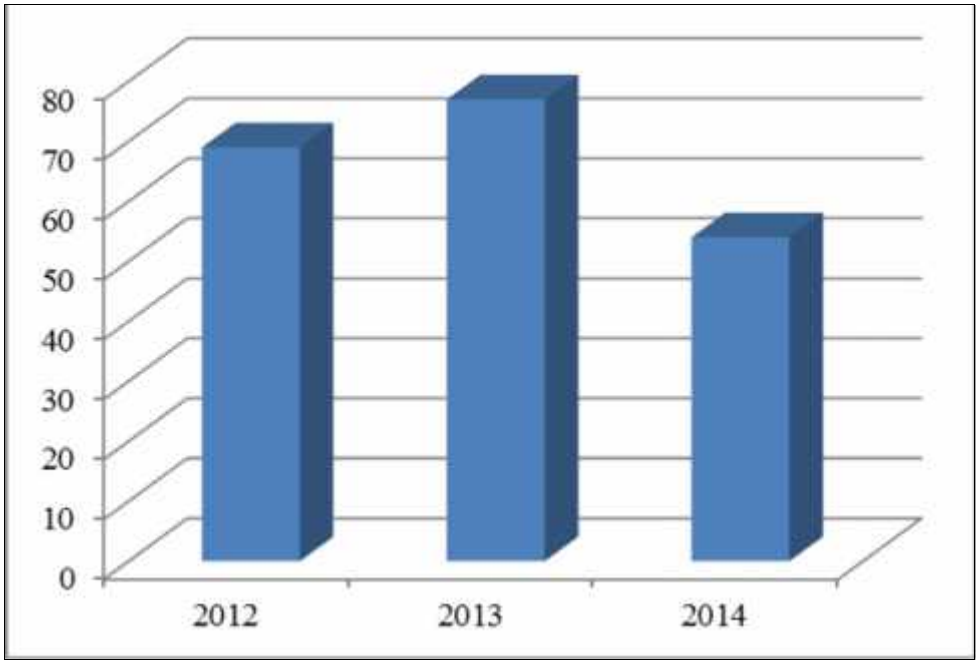
Figure 9-A: Annual Number of Customer Complaints to the Commission as reported by the Consumer Affairs Bureau 2009-2011



In this current GRC, the number of customer complaints based on the CAB data increased in 2012 and 2013 until the number went down in 2014. The same overall trend is found in SJWC's tracking of informal complaints where over 72% of the complaints were billing related. [260]

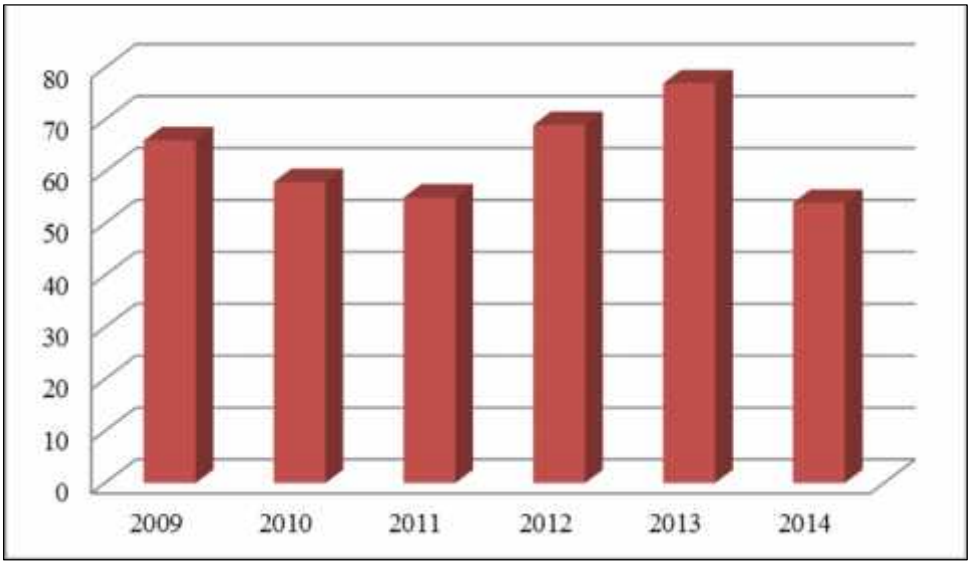
[260] SJWC's Data Request response to HMC-001, Ann Lindahl, February 3, 2015, Attachment R1 2012-2014 PUC Complaints (see Attachment 9-A).

Figure 9-B: Annual Number of Customer Complaints to the Commission as reported by the Consumer Affairs Bureau 2012-2014



There was a jump in complaints of 55 in 2011 to 69 in 2012 (over 25%) and also from 2012 (69) to 2013 (77) of over 11%. In 2014, the customer complaints dropped to 54, a 29% reduction from 2013, which is comparable to the level in 2011 (55).

Figure 9-C: Annual Number of Customer Complaints to the Commission as reported by the Consumer Affairs Bureau 2009-2014



SJWC stated in a Data Request response that they believe that the increase of complaints in 2012 and 2013 is an anomaly because SJWC had not had an opportunity to resolve many of the disputes prior to the customer filing an informal complaint. SJWC said that the CPUC is partially responsible for this because CPUC staff, in several cases, created an informal complaint instead of suggesting the customer work with SJWC to resolve the dispute, prior to filing a complaint. They also state that the reduction in complaints received in 2014 is based on their successful efforts to reduce customer complaints.[261]

Nevertheless, the increase in complaints in 2012 and 2013 should be noted and analyzed at face value. In the previous GRC and in the present case, SJWC

[261] SJWC's Data Request response to HMC-001, Ann Lindahl, February 3, 2015, questions 2 and 3 (See Attachment 9-A).

has provided the almost identical explanation for their customer service efforts without providing any detailed measures and practices put in place to reduce customer complaints. Although SJWC should be applauded for maintaining their low rate of customer complaints, SJWC should take proactive actions to better serve the consumer in the ever-changing landscape of customer service. It seems that SJWC realized that further efforts should be taken since they stated that extensive internal one-on-one training was done in 2014 and will continue to be done to insure that staff is able to respond effectively to customer inquiries.[262] There should be special attention placed on resolving billing complaints more efficiently since they are the most common as evidenced by the data provided by CAB and the data provided by SJWC.[263] A positive step is SJWC's request to provide customers with the ability to pay their bills through credit and/or debit cards at no cost to ratepayers that do not use the service, which complies with PUC Code Section 755.[264] The analysis of the credit/debit card option is discussed in chapter 15. SJWC does reflect a high level of customer service but there is room for improvement and consistency.

D. CONCLUSION

Based on the level of general complaints over the three years recorded and the information provided by SJWC, ORA deems SJWC's customer service efforts

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[262] SJWC's Data Request response to HMC-001, Ann Lindahl, February 3, 2015, question 2 (See Attachment 9-A).

[263] SJWC's Data Request response to HMC-001, Ann Lindahl, February 3, 2015, Attachment R1 2012-2014 PUC Complaints (See Attachment 9-A).

[264] Exhibit E–Report on Results of Operations, January 2015, Chapter 3, p. 3, and Chapter 17, p. 4.

sufficient. ORA recommends that the Commission find SJWC's customer service to be satisfactory.

Attachment 9-A: Response to Data Request HMC-001

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

February 3, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request HMC-01 dated January 28th, 2015.

If you have any questions, please contact me at (408) 279-7979 or e-mail at ann.lindahl@sjwater.com.

Very truly yours,

ANN LINDAHL

Regulatory Affairs Supervisor

DATA REQUEST RESPONSE

Date: February 3, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Ann Lindahl
Regulatory Affairs Supervisor
Tel: (408) 279-7979
Fax: (408) 279-7934
E-mail: ann.lindahl@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A 15-01-002 HMC-001

1

RESPONSES

Q1. Please provide the number of customer complaints received in last three years (2012, 2013, 2014) in a workable excel spreadsheet, categorized by major subject areas and subtotaled.

R1. The request was made to provide a workable Excel spreadsheet, quantifying the number of customer complaints received between 2012 – 2014. This data is to be categorized by major subject areas and subtotaled. Please see the attachment. Excel spread sheet is also being attached to the electronic response.

Q2. Minimum Data Requirement (MDR) II.H.2 requests SJWC to identify "Measures taken to reduce the number of complaints in the last three years and plan for GRC cycle." The answer provided by SJWC is nearly identical to that provided in its response to the same MDR in A.12-01-003 with the addition of the following paragraph "Based on the success SJWC has achieved through the actions described above, SJWC intends to continue with the existing program in the next GRC cycle."

a. Please confirm that no additional measures have been taken by SJWC to reduce the number of complaints since SJWC filed it proposed application A.12-01-003 in November 2011.

R2a. The request was made to confirm that no additional measures have been taken by SJWC to reduce the number of complaints since SJWC filed its proposed application in November 2011. Based on the dramatic reduction in complaints received in 2014 (11), SJWC continues to believe its efforts in this area are successful. Moreover, we believe the increase of complaints received in 2012 and 2013 is an anomaly. During this period, we received many informal complaints for which we had not been contacted by the customer. CPUC staff, in several cases, created an informal complaint instead of suggesting the customer work with SJWC to resolve the dispute, prior to filing a complaint. The process between CPUC and SJWC staff improved in 2014, resulting in the dramatic reduction in informal complaints.

b. To the extent that additional measures have been taken by SJWC since November 2011 or additional detail exists on those measures referenced in MDR II.H.2 for both A.12-01-003 and A.15-01-002, please explain.

R2b. The request was made to outline additional measures or provide additional detail on measures that have been taken by SJWC to reduce customer complaints. Much of our effort continues to involve staff training on how to educate customers on their bills. Extensive one-on-one training was done in 2014, and will continue to be done to insure that staff is able to respond effectively to customer inquiries. We believe this additional training was particularly effective, especially as it pertained to customer rate increase questions associated with the delayed decision of the previous rate case application.

Q3. Page 4 in Chapter 3 of SJWC Exhibit E reads "The Company is committed to a high level of customer service, and the number of informal customer complaints filed with the Commission has averaged about 19 per year, or about 0.09 informal complaints per 1,000

customers served." Pages 3-4 of SJWC Exhibit E in A.12-01-003 read "The Company is committed to a high level of customer service, and the number of informal customer complaints filed with the Commission has averaged about 12 per year, or about 0.06 informal complaints per 1,000 customers served."

a. Given that the average annual number of informal customer complaints has increased 50% during the three years between SJWC's filing of A.12-01-003 and A.15-01-002, please explain why SJWC considers the measures being taken to reduce the number of complaints a "success" and "intends to continue with the existing program in the next GRC cycle".

R3a The request was made to explain why SJWC considers the measures being taken to reduce the number of complaints a "success" and "intends to continue with the existing program in the next GRC cycle". As outlined above, the increase in customer complaints in 2012 and 2013 was an anomaly and, to a large degree, out of SJWC'S control because the Company had not had an opportunity to resolve many of the disputes prior to the customer filing an informal complaint. It is important to note the number of informal complaints fell to eleven (11) in 2014. This indicates SJWC's effort to reduce customer complaints has indeed, been successful.

b. Please provide the results of any residential customer surveys that SJWC has performed within the last 3 years (2012, 2013, 2014) to assess customer satisfaction with the level of SJWC service.

R3b. The request was made to provide results of any residential customer surveys that SJWC has performed within the last three (3) years (2012 – 2014) to assess customer satisfaction with the level of SJWC service. A copy of these results is attached.

c. If no residential customer survey has been performed within the last three years, please indicate the last year in which a survey of residential customer satisfaction was performed and provide the results.

R3c. See R3b

END OF RESPONSE

San Jose Water Company

A.15-01-002

Data Request No. ORA-A.15-01-002

HMC-001

Attachment to Response 1

Informal Complaints 2012-2014	2012	2013	2014	Subtotal
Billing Disputes	11	9	3	23
High Bill Inquires	15	13	4	32
Field Service Related	6	3	0	9
HomeServe Emergency	0	0	2	8
General - Miscellaneous Disputes	2	0	2	4
Totals	34	35	11	**76**

San Jose Water Company

A.15-01-002

Data Request No. ORA-A.15-01-002

HMC-001

Attachment to Response 3.b

		Helpfulness and Tone			Listening Skills			Problem Solving			Overall Rating			Total		
	Surveys	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%
YEAR 2012	875	3013	2695	89.7%	3010	2705	89.8%	3010	2609	86.7%	3010	2717	90.3%	12040	10701	88.8%

		Helpfulness and Tone			Listening Skills			Problem Solving			Overall Rating			Total		
	Surveys	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%
YEAR 2013	907	3310	2993	90.4%	3310	3000	90.6%	3310	2991	90.3%	3310	3001	90.7%	12240	9989	90.6%

		Helpfulness and Tone			Listening Skills			Problem Solving			Overall Rating			Total		
	Surveys	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%	TPP	TPTS	%
YEAR 2014	880	2795	2637	92.4%	2795	2537	92.4%	2795	2536	91.6%	2795	2532	92.5%	10380	10606	92.4%

CHAPTER 10: BALANCING AND MEMORANDUM ACCOUNT RECOVERY

A. INTRODUCTION

SJWC requests the following other relief pertaining to the balancing and memorandum accounts:

- Recovery of $4,751,744 in its Balancing Account accrued though December 2013 via a 12-month $0.0900 per Ccf surcharge.

- Refund of $975,527 in its various Memorandum Accounts accrued through December 2013 via a $0.3677 credit per connection, per month, for 12 months.

The requests were reviewed for reasonableness. Recommendations based on the review are discussed below.

B. SUMMARY OF RECOMMENDATIONS

The Commission should authorize:

- A twelve month surcharge of $0.07327 per Ccf to recover $3,872,936 for an under-collection in the Purchased Power, Purchased Water, Pump Tax, WRAP, State Revolving Fund (SRF) Loans, City of San Jose (CSJ) Franchise Surcharge, and an over-collection in the SRF Loan II Account, Pension Balancing Account, and Mandatory Conservation Rate Adjustment Memorandum Account (MCRAMA) as requested by SJWC. This amount includes

an adjustment to remove amounts SJWC has already recovered from the MCRAMA in the 2012 balancing account. [265]

- A twelve month surcredit of $0.3673 per service connection per month to refund to ratepayers $975,527 for the costs recorded in the Water Revenue Adjustment Mechanism (WRAM), The Research, Development and Demonstration Program (RPS), Intervenor Compensation, Cost of Capital 2011, Cost of Capital 2012, the Water Quality Memorandum Account, the Data Sharing Cost Tracking, and the 2010 Tax Act Memorandum Account..[266]

In addition to disposition of the account balances SJWC should:

- Close the following accounts once the surcharge/surcredit has been authorized: Klein Homes Balancing Account, Research, Development, and Demonstration (RPS) Memorandum Account, Intervenor Compensation Memorandum Account, Cost of Capital 2011 Memorandum Account, Cost of Capital 2012 Memorandum Account, Data Sharing Cost Tracking Memorandum Account, and the 2010 Tax Memorandum account.

- Update its preliminary statement to accurately reflect its current balancing and memo accounts. The preliminary statement should be

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[265] The amount requested in the application is $4,751,775. The amount used in the recommendation is provided in the 45 day update to WP CH-17.

[266] The amount requested in the application is $975,521. The amount used in the recommendation is provided in the 45 day update to WP CH-17.

updated with the following accounts: Incremental Purchased Power, Incremental Purchased Water, Incremental Pump Tax, WRAP, SRF Loan I, SRF Loan II, and CSJ Franchise Surcharge.

C. DISCUSSION

1) Balancing Account

SJWC maintains a separate balancing account for each calendar year. In this GRC, SJWC requests recovery of the balance for years 2011, 2012 and 2013, with interest to September 2014. The aggregate Balancing Account balance of $4,751,744 is composed of various costs SJWC tracks for recovery. Those include costs for incremental purchased water, incremental purchased power, incremental pump tax, the Water Rate Assistance Program (WRAP), SRF Loans, the City of San Jose Franchise taxes, Pension expenses over or under authorized amounts, the Klein Homes BA, and MCRAMA Surcharge balances. Each balance was reviewed, and, with the exception of the Mandatory Conservation Revenue Adjustment Memorandum Account, was found to be reasonable. ORA estimates the MCRAMA over-collection to be understated by $1.6 million. Please see below for further discussion of the review for each account.

(a) Purchased Water

SJWC is authorized to track purchased water expenses via Public Utilities Code 792.5. The under-collected balance SJWC is requesting to recover is $472,000. Purchased water invoices for 2013 were examined. Invoices were reviewed to ensure that summary amounts were accurate and did not include any costs other than purchased water. Invoice amounts matched SJWC's workpapers for all of 2013, and no costs other than purchased power were recorded in the account. Based on this, there is a reasonable level of confidence that the amounts SJWC requests to recover for 2011, 2012 and 2013 are accurate.

(b) Purchased Power

SJWC is authorized to track purchased power expenses via Public Utilities Code 792.5. The under-collected balance SJWC is requesting to recover is $2,828,139. Purchased power invoices for October, November and December 2013 were examined. The invoices for the rest of 2013 were spot checked at random based on judgment. Invoices were examined to ensure that summary amount were reported accurately and to ensure that no other costs were erroneously recorded in the account. Since there were many bills with varying tiered rates, SJWC uses the amount of kilowatt per hour provided in the bill times a composite of summer and winter electricity rates to calculate purchased power costs. Rates were reviewed and appear to be accurate. SJWC's workpaper totals matched summary amounts and no erroneous costs were found in the amounts requested.

(c) Pump Tax

SJWC is authorized to track purchased power expenses via Advice Letter 429, Advice Letter 439 and Advice Letter 450. The under-collected balance SJWC is requesting to recover is $1,442,882. Pump Tax invoices for 2013 were examined. Invoices were reviewed to ensure that summary amounts were accurate and did not include any costs. Invoice amounts matched SJWC's workpapers for all of 2013, and no costs were recorded in the account. Based on this, there is a reasonable level of confidence that the amounts SJWC requests to recover for 2011, 2012 and 2013 are accurate.

(d) Water Rate Assistance Program (WRAP)

SJWC is authorized to track WRAP program costs and revenues via Advice Letter 356. The under-collected balance SJWC is requesting to recover is $2,317,771. WRAP amounts are based on customer billings. There are several

hundred-thousand customer bills per billing cycle, so sampling was used to limit the amount of review needed to gain confidence in SJWC's requested amounts. ORA requested and SJWC provided summaries of all discounts provided and program revenues collected for the last complete billing cycle of 2013, which was November and December of that year. SJWC further provided a breakdown of discounts and revenues by day for each month. ORA selected 3 days from each month at random and requested to examine all the customer bills for those days. SJWC provided the bills, which ORA examined to ensure individual discounts or revenues added up to the daily summary amounts. No discrepancies were found.

(e) SRF Loans I & SRF Loan II

SJWC is authorized to track SRF Loan I & SRF Loan II via Advice Letter 364 and Advice Letter 392. The over-collected balance SJWC is requesting to recover is $94,954. Upon ORA's request, SJWC provided the loan contract and amortization schedule showing the total loan amount, outstanding balances and semi-annual payments.[267] SJWC also provide a workpaper showing the amount of surcharges collected, payment dates, the difference between amounts collected, and loan payments. ORA multiplied the authorized surcharge rates by sales reported in 2013 to estimate amounts collected from customers. No material discrepancies were noted, so ORA accepts the amounts SJWC requested to recover as accurate.

[267] SJWC's response to DR RK2-002, Questions 1g, and 1h.

(f) City of San Jose Franchise Taxes

SJWC is authorized to track purchased water expenses via Public Utilities Code 792.5. The under-collected balance SJWC is requesting to recover is $33,460. SJWC pays the City of San Jose (CSJ) Franchise Tax is a pass through tax. SJWC pays the tax to its electricity provider and then collects the amount from its customers. ORA reviewed the CSJ franchise tax along with the purchased power. The amount of the tax paid was checked for 2013 and no discrepancies noted. ORA reviewed the workpaper calculations and accepts the amount as reasonable.[268]

(g) Pension expenses over or under authorized amounts

SJWC is authorized to track pension expenses over or under authorized amounts via D.09-11-032 and D.14-08-006. The under-collected balance SJWC is requesting to recover is $3,876,702. ORA requested and SJWC provided a copy of the actuarial report, upon which SJWC pension expense was based.[269] ORA compared the amounts in the actuarial report to pension expense authorized in the last GRC. ORA reviewed wire transfer receipts to confirm the amounts SJWC actually paid were correct. Amounts appeared to match for 2013 so ORA accepts the amount SJWC has requested as accurate.

(h) Klein Homes BA

SJWC is authorized to transfer unanticipated repair costs and purchased water costs used by Klein Holmes via Resolution W-4745. The under-collected

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[268] SJWC's response to DR RK2-002 Question.1e.

balance SJWC is requesting to recover is $75,945. SJWC provided a workpaper showing the amounts authorized in Resolution W-4745. ORA checked the workpaper to ensure the amounts match what was authorized, with no material discrepancies noted. This account should be closed once recovered.

(i) MCRAMA Surcharge Balances

The MCRAMA balance is a residual balance that was originally authorized for recovery through Resolution W-4885. SJWC's recovery fell short, so SJWC's filed Advice Letter (AL) 447-A, which authorized recovery of residual balances of $878,024.[270] The result of AL-447-A was an over-collection of the MCRAMA. To ensure the amount was not under-stated, ORA applied the authorized surcharge rate to sales reported in SJWC's 2013 Annual Report. A material discrepancy was found.[271] In AL-447-A the amount of residual balance SJWC requested to recover was $878,024. SJWC requested to re-implement a $0.0944 per CCF surcharge for 5-months. But, when multiplying the monthly sales reported in schedule D-7 of SJWC's 2013 annual report by $0.0944, the total equals $2,512,289.[272] That is $1,634,265 more than SJWC was authorized to recover.[273] The work-papers

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(continued from previous page)

[269] SJWC's response to DR RK2-002 Question.1a..

[270] Per Advice Letter 447-A.

[271] SWJC 2013 Annual Report, Schedule D-7, p.51.

[272] Monthly CCF sales per SJWC's 2013 Annual Report for April, May, June July and August were 3,731817, 4,888,287, 5,525,377, 6,379,164, and 6,082,584, respectively.

[273] In Advice Letter 447-A, SJWC sought to recover residual balances of $878,024.

SJWC provided shows the combined over-collection, without interest, to be $6,913. ORA sent data Request RK2-007 to clarify the discrepancy. SJWC's response states that the surcharge was in effect only from March 28, 2013 to June 5, 2013, a period of approximately two months, as opposed to 5 months requested in AL-447-A. Based on this new information, ORA estimates that SJWC's reported amounts are accurate. ORA also found that SJWC included the amounts it has already recovered through Advice Letter 447-A in its 2012 Balancing Account. ORA recommends removal of MCRAMA balances that have already been recovered through a temporary surcharge so that SJWC does not double-recover. Correspondingly, ORA reduces the Balancing Account surcharge rate SJWC's requested to reflect the removal of MCRAMA balances.

2) Memorandum Accounts

SJWC requests a refund for over-collections in the amount of $975,527 for, several memorandum accounts, with interest to September 2014. These accounts include the Monterey-Style Water Revenue Adjustment Mechanism (M-WRAM), The Research, Development and Demonstration Program (RPS), Intervenor Compensation, Cost of Capital 2011, Cost of Capital 2012, the Water Quality Memorandum Account, the Data Sharing Cost Tracking, and the 2010 Tax Act Memorandum Account. Interest is computed separately for each account balance.

(a) M-WRAM

SJWC's M-WRAM was authorized via Decision 08-08-030. The under-collected balance SJWC is requesting to recover is $351,137. ORA compared actual sales reported in the application to sales authorized in the last GRC, with no material discrepancies noted. To ensure actual sales were reported accurately, sales reports for November and December 2013 were compared to total daily sales, and customer bills were sampled from random days. All amounts tied

together with no discrepancies found. ORA does not oppose SJWC requested account balance.

(b) Research, Development and Demonstration Memorandum Account (RPS)

SJWC's RPS was authorized via Advice Letter 418. The under-collected balance SJWC is requesting to recover is $2,888. SJWC provided a general ledger report as well as all invoices recorded in the research, development and demonstration memorandum account.[274] The invoices were reviewed to ensure no other costs outside of those permitted in Advice Letter 418 were recorded in the account. ORA reviewed the invoices and did not note any expenses that did note any exceptions. This account should be closed once the balance has been recovered.

(c) Intervenor Compensation

Intervenor Compensation was authorized via Decision 09-05-014. The under-collected balance SJWC is requesting to recover is $17,286. ORA requested SJWC to provide cancelled checks paid to intervenors.[275] ORA reviewed the cancelled checks and no discrepancies were found. This account should be closed once the balance has been recovered.

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[274] SJWC's response to DR RK2-002, Question 1i.

[275] SJWC's response to DR RK2-002 Question 1j.

(d) Cost of Capital 2011 and 2012

SJWC's 2011 Cost of Capital (COC) Account was authorized in Decision 10-10-035 and Advice Letter 426, and Cost of Capital 2012 was authorized in Decision 12-07-007. SJWC is requesting to recover $28,544 in the 2011 COC and to refund $1,471,875 in the 2012 COC. ORA requested and SJWC provided all invoices for costs recorded in the 2011 and 2012 cost of capital accounts. [276] ORA reviewed the invoices to ensure costs incurred were related to SJWC's cost of capital proceedings. No discrepancies were noted. This account should be closed balance has been recovered.

(e) The Water Quality Memorandum Account

The Water Quality Memorandum Account was authorized via Advice Letter 418. The amount SJWC is requesting to recover is $60,131. SJWC provided ORA all invoices so ORA could determine if the costs were spent in accordance with the terms of the authorizing documents, and that the amounts were fully supported.[277] ORA reviewed the invoices, and did not note any discrepancies.

(f) Data Sharing Cost Tracking

Data Sharing Cost tracking was authorized in Decision D.11-05-020. The amount SJWC is requesting to recover is $40,162. ORA reviewed SJWC's workpapers and annual compliance filings and no discrepancy were found.

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[276] SJWC's response to DR RK2-002 Question 1k, and 1l.

[277] SJWC's response to DR RK2-002, Question 1m.

SJWC's workpapers show $40,042 data sharing costs for 2012.[278] The annual report for 2012 states that 242 of consultant time and $12,212 in printing and mailing costs. Using the consultants billing rate, the amounts match what SJWC has requested to recover. ORA accepts the amount as accurate. This account should be closed since costs can be reasonably forecasted in general rates.

(g) 2010 Tax Act Memorandum Account

The 2010 Tax Memorandums Account was created via Resolution L-411. SJWC show no refund due. ORA reviewed the workpapers SJWC provided with its application. The calculations appear to be accurate. To ensure that the amount of assets was not substantially understated, ORA reviewed the 2102 and 2013 annual reports to find the amount of assets that had been placed in service in 2012. No material discrepancies were found, therefore ORA does not oppose SJWC's requested refund amount. This account should be closed immediately.

3) Update to Preliminary Statements

The following accounts found in SJWC workpapers are not currently listed on SJWC Preliminary Statement: Purchased Power, Purchased Water, Pump Tax, WRAP, SRF Loan I, SRF Loan II, CSJ Franchise Surcharge, Klein Homes and Intervenor Compensation. In the interest of full disclosure and transparency, it is recommended that SJWC file the appropriate advice letters to update its Preliminary Statement to accurately reflect all of its balancing and memorandum accounts. In Section 8.1.2 of General Order 96-B states that any utility with more than $10 million in gross interstate revenues must update and publish their tariffs within 5-business days of approval. Some of the accounts pre-date the effective

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[278] SJWC's response to DR RK2-002, Question 1n.

date of General Order 96-B and therefore are not required to comply with the rule. However, customers should be able to fully understand their bill and any line items therein. An up-to-date and accurate Preliminary Statement would enable customers to do just that.

D. CONCLUSION

- The Commission should authorize SJWC's to recover $3,872,936 in its balancing account through 2013 via a 12-month, $0.07327 per Ccf, surcharge.

- The Commission should grant SJWC's request to refund $975,527 in over-collections in its various memorandum accounts through 2013 via a 12-month, $0.3673 surcredit per connection, per month.

- SJWC should file advice letters as necessary to update its Preliminary Statement to reflect the current status of all of its balancing and memo accounts.

CHAPTER 11: GENERAL ORDER 103-A WATER QUALITY COMPLIANCE ACKNOWLEDGEMENT

A. INTRODUCTION

In Special Request (SR) 26, SJWC is requesting that the Commission recognize that the company is in compliance with all applicable state and federal drinking water standards and General Order (GO) 103-A requirements. ORA reviewed and analyzed San Jose Water Company's testimony and Report on the Results of Operations. ORA also conducted a field investigation of the proposed specific plant additions on March 2-3, 2015 before making its own independent recommendations regarding the company's compliance with GO 103-A and water quality.

B. SUMMARY OF RECOMMENDATIONS

ORA reviewed the water quality data submitted by SJWC and has found no evidence that SJWC's water quality is out of compliance with GO 103-A or any of the state and federal drinking water quality standards. In order to maintain in compliance, SJWC is working to address potential issues, which are discussed below.

C. DISCUSSION

SR 26 is divided into two sections: 1) SJWC's compliance with GO 103-A and 2) SJWC's compliance with state and federal water quality standards. SJWC's compliance with both GO 103-A and water quality standards are discussed below.

1) GO 103-A

GO 103-A is a set of rules "to establish minimum standards to be followed in the design, construction, location, maintenance, and operation of the facilities of water and wastewater utilities operating under the jurisdiction of the Commission." According to the company, SJWC operates in compliance with CPUC's General Order 103A.[279] The company uses GO 103-A as a replacement criteria for some of the routine replacement projects. For example, SJWC uses GO 103-A as the criteria for the annual replacement of meters.[280] In this rate case, the company is proposing projects to address insufficient storage or deficient existing pumping capacity.

As part of this rate case application (A.15-01-002), SJWC submitted a 2013 Tank Evaluation and Asset Management (Exhibit G, Appendix 2) report to review the condition of the tanks in the distribution system and revising the company's current tank sizing standard practice. The company identifies three criteria used in evaluating the minimum tank capacity: 1) System and Supply (GO 103 § II.2.B.(3b)); 2) Fire flow storage for expansion (GO 103 § VI.2); and 3) Minimum Pressure (Department of Drinking Water Waterworks (WW) § 64602).[281] According to the company, there is no deficiency in water storage capacity per GO

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[279] Application (A).15-01-002, Exhibit E, Chapter 21, Safety and Security, page 21-2.

[280] On page 23 of GO 103-A, the maximum service life of a meter is proportional to the size of the meter. GO 103-A defines the maximum service life of meters smaller than one inch, one inch, and larger than one inch as twenty years, fifteen years, and ten years, respectively.

[281] A.15-01-002, Exhibit G, Appendix 2, page 10.

103, SectionII.2.B (3).[282] The company states that some of the storage tanks have insufficient storage capacity to provide the combination of maximum day demand (MDD) and fire flow (FF) during peak hour conditions.[283]

2) Water Quality

According to the company, SJWC is in compliance with all state and federal drinking water regulations, and is not in violation of any primary maximum contaminant level (MCL) or Treatment Techniques.[284] In addition, the company has not received any citations, notices of violation or compliance orders by the United States Environmental Protection Agency (EPA) or the State Water Resources Control Board, Division of Drinking Water (DDW).[285] Refer to the Water Quality Chapter (Chapter 8) of this report regarding the company's compliance with specific contaminants and water quality regulations. In this rate case, the company is addressing maintaining total coliform rule compliance and sanitary and water quality concerns with some of the company's tank and reservoir assets.[286]

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[282] Ibid, page 8.

[283] In this rate case, the company is proposing six storage tanks and five booster station projects to help address this address the storage deficiency and pumping capacity.

[284] A.15-01-002, Exhibit E, Chapter 16, Water Quality, page 16-1.

[285] Ibid.

[286] In addition, the company is proposing to install chemical dosing systems at the Miguelito reservoirs, Prospect Station Reservoirs, and the reservoirs at the Seven Mile Station to maintain a disinfectant residual. In addition, the company stated that the Pacific Gas and Electric (PG&E) Company transformers are leaking coolant fluid (which is known to contain polychlorinated biphenyls (PCB)).

(a) Total Coliform Rule

SJWC is requesting three projects in this rate case to help maintain total coliform rule compliance.[287] SJWC is requesting projects at the Tully Road Station, More Avenue Station and William Road Station. The company uses the Partnership for Safe Drinking Water's minimum level goals of 0.5 milligrams per liter (mg/L) total chlorine or 0.2 mg/L free chlorine and the Safe Drinking Water Act requirement to measure detectable chlorine residual in 95% of the samples collected throughout a utility's distribution system.[288]

According to the company, the blending of chlorinated water from Tully Road Station and chloraminated water from the Santa Clara Valley Water District (SCVWD) is resulting in low chlorine residuals on the east side of SJWC's distribution system.[289] SJWC is proposing to fix this concern by installing a chlorination/contamination system at the station.[290]

The water in the More Avenue Station Reservoirs is typically a combination of chlorinated water from SJWC's Montevina Water Treatment Plant

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[287] SJWC is participating in the American Water Works Association (AWWA) Partnership for Safe Drinking Water Distribution System Optimization Program. As part of this program, SJWC completed a self-evaluation of its distribution system by comparing operational performance against standards established by AWWA, EPA, and the water industry. SJWC's self-assessment was accepted by the Partnership for Safe Drinking Water.

[288] A.15-01-002, Exhibit G, pages 314 to 315.

[289] Ibid.

[290] The new system would include one chlorine generation system and two separate chemical feed systems located at the suction tank and at the discharge end of the three boosters.

(MWTP), chlorinated ground water from various well stations, and chloraminated water from the Rinconada Water Treatment Plant (RWTP).[291] The company states that mixed water from chlorinated and chloraminated sources results in diminished disinfectant residuals have been observed in various regions throughout the 22 zones served by More Avenue Station.[292] The company is proposing to fix this issue by installing a chloramination system at the More Avenue Station.

According to the company, the Williams Road Station is equipped with chlorination facilities to produce drinking water with free chlorine residual. As the chlorinated water is pumped into the system mixes with chloraminated water from SCVWD at turnout locations. SJWC identifies that the blending of chlorinated water from Williams Road Station and the chloraminated water from SCVWD is the primary cause of these low chlorine residuals on the west side of SJWC's distribution system.[293] The company is proposing to address this problem by installing a chloramination system at the Williams Road Station.[294]

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[291] A.15-01-002, Exhibit G, page 191.

[292] Ibid. The disinfectant system would include one centralized chlorine generation system and chemical feed systems which would toggle between sampling and boosting chlorine and ammonia levels.

[293] Ibid, page 186.

[294] The chloramination system would include one centralized chlorine generation system and two separate chemical feed systems located at Williams Front Station and Williams Back Station.

(b) Sanitary and Water Quality Concerns

Part of the scope for some of the proposed tank and reservoir improvement projects is to address sanitary concerns. Some of SJWC's tank assets are not elevated from the surrounding grade.[295] The company states that modern tanks are elevated at least six inches in order to allow proper drainage away from the tank base.[296] In addition, the company has identified that many of their existing tanks have unshielded vents on the roof of the tanks where contaminants can enter in the event of a rain event. The company also identified that the existing overflow does not have an air gap as required by California Title 22 Water Works Standards and is considered a cross connection by the DDW.[297] According to the company, this method of construction is no longer allowed due to the potential for non-potable water and animals entering the tank through this connection.

In this rate case, the company is addressing sanitary deficiencies in four reservoirs: Alamaden Valley Station, Belgatos Station Basin #1, Cox Station Basin #2, and the Columbine Station.[298] The consultant company Kennedy/Jenks Consultants (K/J) conducted an inspection of SJWC's earth embankment reservoirs. The K/J report identified a number of pinhole leaks from the underside of the roof and the eave purlins were sagging. The sagging eave purlins lead to

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[295] In this rate case, the company identified the Santa Rosa Tank, McKean Tank, Mireval Station Tank, Montego Station Tank, Elwood Station Tank, Pike Station Tank, and Overlook Tank #1.

[296] A.15-01-002, Exhibit G, page 103.

[297] Ibid.

[298] The improvements associated with the Columbine Station Reservoir is expected to be completed in 2018.

sagging in the roof. According to the company, the ponding caused decay in the fasteners, saturated the timber, and added weight to the roof which allowed rain and possibly other contaminated material into the reservoir. The K/J report also identified that the existing caulking material used at the Cox Station Basin #2 and the Columbine Station Reservoir contained PCBs.

D. CONCLUSION

Based on ORA's review, it seems that SJWC's service area is in general compliance with both GO 103-A and state and federal water quality standards. In this rate case, the company is addressing current GO 103-A and water quality deficiencies in their system.

CHAPTER 12: OTHER RELIEF SOUGHT

A. INTRODUCTION

This chapter presents ORA's recommendations on San Jose Water Company's (SJWC) requests in Application 15-01-002 (A.15-01-002) for other relief found in Chapter 17 of SJWC's Application Exhibit E. SJWC's requests include:

- Authorization to create a Health Care Cost Balancing Account (SR-27),
- Authorization to implement a Water Revenue Adjustment Mechanism (WRAM) and an associated Modified Cost Balancing Account (MCBA) (SR-31) discussed in chapter 13,
- Disbursement of current balance in existing balancing account (SR-24) discussed in chapter 10,
- Recovery of current balances in existing memorandum accounts (SR-25) discussed in chapter 10,
- That the Commission make a finding that Applicant's water quality meets all applicable state and federal drinking water standards and the requirements of General Order 103-A (SR-26) discussed in chapter 11,
- Authorization to establish a Ground Water Regulation Legal Expense Memorandum Account (SR-28),
- Authorization to update the funding surcharge for the Water Ratepayer Assistance Program (SR-29), and

- Authorization to offer customers the option of paying their water bills using credit and debit cards either online or by phone (SR-30).

B. SUMMARY OF RECOMMENDATIONS

Based on the analysis described in the Discussion section:

- ORA opposes SJWC's request for a Health Care Cost Balancing Account
- ORA recommends that the Commission authorize SJWC's request for a Ground Water Regulation Legal Expense Memorandum Account
- ORA recommends that the Commission authorize SJWC's request for updating the funding surcharge for WRAP
- ORA recommends that the Commission authorize SJWC's request for offering customers the option of paying their water bills using credit and debit cards either online or by phone

C. DISCUSSION

1) Health Care Cost Balancing Account

SJWC is requesting the Commission "authorize a Health Care Cost Balancing account effective January 1st, 2016 to allow for the recovery or refund of premium changes, for both medical and dental, and account for the uncertainty of the impacts of the Affordable Care Act (ACA)." SJWC states that several Class A water companies, including Great Oaks Water Company, California Water Service Company, and Apple Valley Ranchos Water Company, have been authorized similar memorandum or balancing accounts based on the same reasoning that SJWC is making in this request SJWC also states that it has seen

dramatic year-to-year fluctuations in medical and dental premiums. SJWC expects the fluctuations to continue in the future due to the passing of the ACA. Furthermore, SJWC states that it is anticipated that in future years the IRS may determine that these benefits are taxable, thus increasing employer and employee payroll tax liabilities.

As stated in Standard Practice U-27-W, a balancing account tracks monies that the Commission has authorized for recovery or amortization. The types of items booked to balancing accounts are purchased water, purchased power, and pump tax offsets.[299] A balancing account automatically infers that the amounts are reasonable for recovery. Similarly to memorandum accounts, balancing accounts can only track costs that are due to events of an exceptional nature.

The ACA, which was signed into law on March 23, 2010 and begun implementation later that year, is to-date over 91% implemented (82 of a total of 90 provisions are presently in effect)[300]. Plenty is known about the remaining 8 provisions and SJWC can make adjustments to lessen their impact. An example of this is the Tax on High-Cost Insurance ("Cadillac plans") that will be implemented in 2018[301]. SJWC has options of adjusting back its health care benefits, choosing not to provide employees with "Cadillac plans," passing excess costs through to its employees, or paying their employees compensation in lieu of health care

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[299] Standard Practice for Processing Rate Offsets and Establishing and Amortizing Memorandum Accounts (U-27-W), April 16, 2014, Section C, Item 34, p. 9.

[300] Kaiser Family Foundation, http://kff.org/interactive/implementation-timeline/

[301] SJWC's Data Request response to HMC-002, Wes Owens, February 13, 2015, question 2 (see Attachment 12-A).

coverage (like the 44 who opt-out of medical insurance and receive $200 per month).[302]

SJWC stated that the ABD Insurance Company and Financial Services has worked with insurers to provide SJWC with the best possible rates, legal advice related to insurance, loss information and experience rates on medical and dental plans. ABD has provided these services for policies since January 1, 2013 to date.[303] Thus, the escalation rates for medical and dental premiums used by SJWC for this GRC were developed with input from ABD and undoubtedly reflect the effects of the ACA on the market. Furthermore, as evidenced by the following tables provided by SJWC in their application filing, the medical premium rates have been trending lower with the largest impacts on premiums having occurred in the early years of the ACA while the dental premium rates have been low except for 2015 but the average premium increase for the last six years has been 0.92%.[304]

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[302] Exhibit E–Report on Results of Operations, January 2015, Chapter 5, Section C, Item 12, p. 29.

[303] SJWC's Data Request response to HMC-002, Wes Owens, February 13, 2015, question 1 (see Attachment 12-A).

[304] Exhibit E–Report on Results of Operations, January 2015, Chapter 5, Attachment 2.

TABLE 12-A: Kaiser Premium History - Plan #07039 - HMO $20 Co-Pay

Renewal - January as of 2011				%
Year	**Single**	**Plus One**	**Family**	**Average**
2010	$458.36	$916.76	$1,297.21	12.62%
2011	$500.26	$1,000.53	$1,415.75	9.14%
2012	$521.72	$1,043.44	$1,476.47	4.29%
2013	$585.45	$1,170.90	$1,656.82	12.22%
2014	$614.78	$1,229.56	$1,739.83	5.01%
2015	$606.54	$1,213.09	$1,716.52	-1.34%
			Total	**6.99%**

TABLE 12-B: Kaiser Premium History - Plan #07039 - HMO $40 Co-Pay

Renewal - January as of 2011				% Increase
Year	**Single**	**Plus One**	**Family**	**Average**
2014	$575.39	$1,150.78	$1,628.35	New
2015	$567.68	$1,135.36	$1,606.53	-1.34%

TABLE 12-C: Kaiser POS – January Renewal

Year	Single	Plus One	Family	% Increase
2010	$628.43	$1,256.86	$1,778.46	New
2011	$724.24	$1,448.48	$2,049.60	15.25%
2012	$808.21	$1,616.42	$2,287.23	11.59%
2013	$878.99	$1,757.98	$2,487.54	8.76%
2014	$923.03	$1,846.06	$2,612.17	5.01%
2015	$910.66	$1,821.32	$2,577.17	-1.34%
			Total	**7.85%**

TABLE 15-D: Dental Premium History - Plan #2738

Renewal - January				% Increase
Year	**Single**	**Plus One**	**Family**	**Average**
2010	$56.56	$102.00	$182.08	0.00%
2011	$59.30	$106.83	$190.84	4.80%
2012	$61.25	$110.33	$197.10	3.28%
2013	$61.25	$110.33	$197.10	0.00%
2014	$51.76	$93.24	$166.57	-15.49%
2015	$57.97	$104.43	$186.56	12.00%
			Total	**0.92%**

In addition, management incentives to control health care costs would be eliminated by permitting SJWC the Health Care Cost Balancing Account. By authorizing the balancing account, SJWC would be allowed, regardless of any

fluctuation, to recover any health care cost amount which would ultimately shift the risk to ratepayers. Without the balancing account SJWC will have to be more efficient in projecting and managing the company's health care expenses, thus enabling the incentive to control the health care costs within the level authorized by the Commission.

(a) SJWC Request Dissimilar To Those Authorized For Other Water Companies

SJWC's Health Care Cost Balancing Account request comparison to the other Class A water companies is like comparing apples to oranges. The companies mentioned by SJWC are the California Water Service Company (CWS), Apple Valley Ranchos Water Company (AVR), and Great Oaks Water Company (GOWC).

In D.10-12-017 for CWS, the Commission authorized a memorandum account to track cost elements associated with provisions of the ACA that had become effective: (1) temporary reinsurance program for pre-Medicare retirees (which was implemented from June 29, 2010 until January 1, 2014); (2) incremental costs for health care stop-loss insurance (which does not apply to SJWC); and (3) dependents of employees who now qualify for coverage under Health Care Reform (which began with plan or policy years beginning on or after September 23, 2010). It's been more than 4 years since this CWS decision, which was made the year the ACA became law and began to be implemented. In D.14-08-011, the Commission authorized for CWS a Health Care Balancing Account based on the settlement between ORA and CWS for A.12-07-007. The settlement for the latest CWS GRC states that the Health Care Balancing Account be authorized for the rate case cycle only and then addressed again in the next GRC. The analysis, settlement and bases for the result of the latest CWS decision were founded on information from a time period when less than half of the provisions of

the ACA were in effect. The Balancing Account approved more than 2 years ago for AVR in D.12-09-004 involved the same cost elements from the first CWS decision (D.10-12-017) so the AVR situation does not apply to SJWC. The Employee Health Insurance Memorandum Account approved almost 2 years ago for GOWC in D.13-05-020 was based on the uncertainty of the impact of the ACA because only about half of the provisions were in effect at the time of the application. The GOWC decision does not reflect the SJWC case as well. For the previous reasons, the decisions cited above do not reflect SJWC's GRC request.

(b) Balancing Account Not Necessary As Noted In Previous SJWC Decision

SJWC failed to recognize that they were denied a Health Care Memorandum Account in decision D.14-08-006 pertaining to their last GRC.[305] In addition, the California American Water Company (Cal Am) withdrew their request as part of the settlement for a Group Insurance Balancing Account for application A.13-07-002.[306]

(c) Summary

For the reasons provided, it is clear that SJWC can depend on their insurance broker, ABD Insurance Company and Financial Services, to provide an escalation rate that encompasses the provisions of the ACA especially since most of the ACA has been implemented at this point. Granting balancing account

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[305] D.14-08-006, p. 105.

[306] A.13-07-002.

treatment removes any incentive for SJWC to manage its health care costs. ORA recommends that SJWC not be authorized a Health Care Cost Balancing Account.

2) Ground Water Regulation Legal Expense Memorandum Account

SJWC states that recently enacted state legislation has the possibility to impact how their water rights may be used in the future. The legislation requires the Department of Water Resources (DWR) to categorize groundwater basins on a priority list for the adoption of management plans by January of 2015. A year later DWR must identify revisions in groundwater basin boundaries, then establish criteria for basin sustainability plans. Best management practices will be published by DWR in January of 2017 along with the designation/selection of which local agency will fulfill the function of being the entity that is the Groundwater Sustainability Agency (GSA). In SJWC's case the legislated result is that the Santa Clara Valley Water District (SCVWD) will be the GSA, unless it decides otherwise. Thereafter, actual management plans for priority basins must be completed. Consequently, SJWC feels that they need a Ground Water Regulation Legal Expense Memorandum Account to absorb the legal expenses resulting from these changes regarding groundwater management.[307]

According to the DWR, the agency has developed a Strategic Plan for its Sustainable Groundwater Management (SGM) Program. DWR's SGM Program will implement the new and expanded responsibilities identified in the 2014 Sustainable Groundwater Management Act (SGMA), which empowers local agencies to manage groundwater. Some of these expanded responsibilities include: (1) developing regulations to revise groundwater basin boundaries; (2)

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[307] Exhibit E–Report on Results of Operations, January 2015, Chapter 17, Section G, p.

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adopting regulations for evaluating and implementing Groundwater Sustainability Plans (GSPs) and coordination agreements; (3) identifying basins subject to critical conditions of overdraft; (4) identifying water available for groundwater replenishment; and (5) publishing best management practices for the sustainable management of groundwater.[308]

The need is acknowledged for SJWC to examine its water rights as a result of the impending changes to groundwater management coming from the SGMA and the uncertain legal expenses associated with these changes. SJWC's request does qualify for memorandum account treatment since the costs are due to events of an exceptional nature that:

- are not under the utility's control,
- could not have been reasonably foreseen in the utility's last general rate case,
- and that will occur before the utility's next scheduled rate case,
- are of a substantial nature such that the amount of money involved is worth the effort of processing a memo account and
- have ratepayer benefits [309]

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3.

[308] http://www.water.ca.gov/groundwater/sgm/index.cfm.

[309] Standard Practice for Processing Rate Offsets and Establishing and Amortizing

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SJWC provided ORA with legal expense estimates regarding this legislation developed and compiled by a water rights firm and SJWC's in-house attorney, Willie Brown, which resulted in a cost estimate up to $580,000 for Test Year 2016 and a total litigation cost estimate up to $5,000,000 beginning in 2017 and occurring in 2018.[310] Therefore, ORA recommends approval of SJWC's request for a Ground Water Regulation Legal Expense Memorandum Account and that the billing invoices for legal services recorded in the account should include the description of the work completed.

3) Update WRAP Surcharge

SJWC states that due to increasing rates requested in this GRC filing it is necessary to increase the Water Rate Assistance Program (WRAP) funding surcharge. The WRAP funding surcharge is currently $1.15 per connection per month charge to all non-WRAP metered customers. Based on the current level of WRAP enrollment of 21,826 customers, the forecasted number of metered potable customers in 2016 of 221,000, and the forecasted average bill of $87.22 per month, SJWC estimates a WRAP funding surcharge of $1.45 per connection per month.[311]

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Memorandum Accounts (U-27-W), April 16, 2014, Section C, Item 27, p. 6.

[310] SJWC's Data Request response to HMC-003, Wes Owens, February 20, 2015, question 1 (see Attachment 12-B).

[311] Exhibit E–Report on Results of Operations, January 2015, Chapter 15, Section G, Item 22, p. 15-5.

The existing discrepancy between the WRAP program's costs and revenues, which result in an under-collection, should be addressed. SJWC provided documentation concerning WRAPs estimated annual program expenses.[312] The same reasoning used by SJWC in its present request for the WRAP surcharge increase was used in a recent decision where SJWC's WRAP surcharge increase request was approved.[313] In order to attain a balance between revenues and expenses, ORA recommends approval of SJWC's request to set the WRAP surcharge at $1.45 per customer per month.

4) Credit Card Program

SJWC requests Commission authorization to offer customers the option of paying their water bills using credit and debit cards either online or by phone. Customers will be charged a convenience fee of $1.75 per transaction, which will be processed by the third party vendor. SJWC will bear no costs associated with the credit card option and ratepayers who do not use the payment option will not pay for those who do, which complies with PUC Code Section 755.[314] SJWC states that they held preliminary discussions with Kubra and Wells Fargo Bank (WFB). WFB's service offering was limited and preliminary service fee estimates approximately $2.80 per $100 transaction. In addition, SJWC researched service fees being charged by other California Class A water utility companies which range from $2.50 to $1.80. The proposed service fee received by Kubra of $1.75

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[312] SJWC's Data Request response to HMC-004, Wes Owens, February 24, 2015, question 1 (see Attachment 12-C).

[313] D.13-11-008, Order Paragraph 1, p. 13.

[314] Exhibit E–Report on Results of Operations, January 2015, Chapter 17, Section 12, Item K, p. 4.

is less than the service fees being charged by nearly all other California Class A water utility companies. SJWC said that the Kubra proposal offered the most options to our customers at the lowest available cost compared to other California Class A water utilities.[315]

A need to offer customers more options in paying their bills currently exists. As mentioned before, the addition of the ability to pay with debit or credit card can be instrumental in cultivating and increasing good customer service. There is a very recent resolution where San Gabriel Valley Water Company (SGV) was approved to allow customers, at the customers' option, to pay their water service bills using a credit or debit card or electronic check through a third party vendor for a fee.[316] ORA commends SJWC in finding an option with a lower service fee than most other California Class A water utility companies although it's important to note that investigating more than 2 service providers would have been more thorough (SGV inquired with 6 service providers). ORA recommends approval of SJWCs request for offering customers the option of paying their water bills using credit and debit cards either online or by phone.

D. CONCLUSION

For the reasons stated above:

- ORA opposes SJWC's request for a Health Care Cost Balancing Account

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[315] SJWC's Data Request response to HMC-005, Wes Owens, February 24, 2015, question 1 (see Attachment 12-D).

[316] Resolution W-5023, February 12, 2015.

- ORA recommends that the Commission authorize SJWC's request for a Ground Water Regulation Legal Expense Memorandum Account

- ORA recommends that the Commission authorize SJWC's request for updating the funding surcharge for WRAP

- ORA recommends that the Commission authorize SJWC's request for offering customers the option of paying their water bills using credit and debit cards either online or by phone

Attachment 12-A: Response to Data Request HMC-002

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

February 13, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request HMC-02 dated February 2nd, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: February 13, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408)918-7247
Fax: (408)279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A.15-01-002 HMC-002

1

RESPONSES

1. **In 2013, SJWC began working with its broker, ABD Insurance Company and Financial Services, "to aggressively market our plans (medical, dental, life, long-term disability and flexibility spending plans) against other providers for similar, less costly coverage" as stated on page 29, Chapter 5 of the SJWC Exhibit E.**
   a. **In addition to marketing SJWC medical plans to employees, does ABD Insurance Company provide any other services for medical benefits coverage such as developing the medical plans, forecasting, etc.?**

      Response: ABD assists with the medical plan designs and works with insurers to provide the Company with the best possible rates. They also do our Form 5500 filings, provide educational seminars, legal advice related to insurance, and loss information and experience rates on medical and dental plans.

   b. **What is the term dates in which ABD Insurance Company and Financial Services is providing, or has provided, services?**

      Response: ABD has provided these services for policies effective January 1, 2013 to date.

2. **On page 29, Chapter 5 of the SJWC Exhibit E, SJWC states that "At this time, the Company is also requesting the Commission authorize a Health Care Cost Balancing account effective January 1st, 2016 to allow for the recovery of the unpredictability of premium increases and the uncertainty of the impacts of the Affordable Care Act on medical premiums."**

   a. **Please provide a list of the specific areas of the Affordable Care Act that would cause the unpredictability and uncertainty and why each might do so.**

   b. **Please provide any additional documentation regarding the areas in question that support this claim.**

   Response: Below is a table outlining the ACA reforms including the cause of what may be unpredictable or uncertain.

Update to the 2010 Federal Health Care Reform Act (Affordable Care Act, "ACA")
Employers with over 50 Employees – Health Insurance Market Reform Changes

Reform	Action Items/Impact
Patient Centered Outcomes Research Fee (PICOR)	Applies to Plan years from 9/30/12 to 9/30/19, then expires. Fee is $2 per covered life (SJWC has approximately 1,000 lives insured). Insurer pays fee and passes it through in rates
Transitional Reinsurance Program Fee	Applies for years 2014, 2015, and 2016, then expires. Fee is $63 per year per covered life. Insurer passes cost through rates. Fee is intended to stabilize rates in the health market place.
Health Insurance Tax (HIT)	Applies to Medical and Dental with no expiration date and is not tax deductible. Estimated at an increase of 0.75% to 2% for first year. Insurer passes cost through rates. Fee is intended to fund health insurance exchanges, now referred to as the health market place
The fees noted above are above and beyond any premium increase for experience rated health plans such as the Kaiser plans maintained by SJWC.	
Notice of Health Insurance Exchanges (Health Market Place, referred to as "Covered California" in the state of California)	Employers must notify all employees (regardless of status; includes temporary (agency paid or non-agency paid), seasonal, interns and leased employees) of the availability of coverage through the Health Market Place by October 1, 2013. NOTE: All employees, regardless of status who are full-time (30 hours or more per week) must be eligible for medical benefits. SJWC hires 2-4 interns, 1-2 temporaries, and 16-18 seasonal employees per year, some of whom will become eligible (refer to Safe Harbor Calculation of the Standard Measurement Period, "SMP"). Increased medical premiums for these types of hires.
Medicare Tax Increase on High Earners	Effective 1/1/13: Compensation in excess of $200,000 will be taxed at the rate of 2.35%, an increase of 0.9% from the base rate of 1.45%. Applies only to the employee tax rate and not the employer.
"Play or Pay"	Employers that offer at least minimum essential coverage, but it is unaffordable (exceeds 9.5% of employee's W-2 wages) and employee purchases subsidized coverage, are subject to an annual $3,000 penalty per employee that is subsidized. NOTE: SJWC's lowest PERMANENT employee earns approximately $42,000 year. Employee's contribution cannot exceed $330.00 for employee only coverage per month. Not currently an issue, however, qualifying interns earn substantially less. Revising contract with temporary agencies to address the ACA as the agency's responsibility.
	Employers that do not offer coverage are subject to a $2,000 annual fine per year, per employee (less the first 30 employees).
	Employees who do not qualify for benefit and DO NOT purchase from the market place are subject to penalties: 2014 - $95.00 or 1% of adjusted gross income (AGI), whichever is greater, per person, per household (dependents under age 19 are subject to 50% of the penalty); 2015 - $325.00 or 2% of adjusted gross income (AGI), whichever is greater, per person, per household (dependents under age 19 are subject to 50% of the penalty); 2016 - $695.00 or 2.5% of adjusted gross income (AGI), whichever is greater, per person, per household (dependents under age 19 are subject to 50% of the penalty). Annual penalty.

Elimination of Pre-existing Conditions	Plans may no longer exclude individuals from coverage based on a pre-existing medical condition
90-day Limitation on Waiting Periods	Plans will not be permitted to apply a waiting period in excess of 90 days for coverage (SJWC is 1st of the month following 30 days of employment – increases cost of all insurance (life, LTD, medical and dental by 2 additional monthly premiums per new employee)
Automatic Enrollment	Employees must automatically be enrolled in the health plan (if more than 200 employees). Employees must sign an affirmative waiver to opt-out.
Individual mandate	All US citizens will be required to obtain credible medical coverage or pay the a tax penalty as noted in the "Pay or Play" section above
State and Federal Health Exchanges	"Covered California"
Shared Responsibility Reporting	By January 31, 2016, employers will have to report on form 1094-C to the IRS and on form 1095-C to employees to prove that the employer satisfies the employer mandate and for participants to prove that they satisfy the individual mandate. Forms are very detailed and require information not only on the employees, but also dependents. Over 700 of these forms will need to be produced annually which current HRIS system does not support. Involves purchasing and ACA Compliance module for the new ADP HRIS System, programming what data is in current system to ADP, manually input of dependent social security numbers (we have over 1,000 covered participants), payment to ADP for managing the distribution and transmittal of such forms. Cost is yet undetermined as ADP does not expect to have the module in full operation until May or June. They are awaiting the final version of the forms from the IRS (due in March).
Cadillac Tax	In 2018, the Cadillac Tax of 40% will be imposed on insurers (passed on to employers) to the extent that the aggregate annual value of an employee's health coverage exceeds $10,200 for employee only coverage, or $27,500 for more than employee-only coverage. NOTE: This also includes retiree coverage; requires clarification from attorney if medical subsidy qualifies as coverage. Recent Kaiser analysis report that TODAY, the average employer health plan cost is $15,745 (at SJWC $7,025/$19,882 premium only). Considerations are given to deductibles, co-pays and co-insurance, therefore, the value is greater than the annual premium. NOTE: The implementation of this tax requires an action by Congress in 2018! Current congressional leaders shrugged of the responsibility.
Wellness Program Design Provision	As a method of sustaining rising costs in premium, wellness programs have been modified to allow higher "incentives" to employees who participate. There are still many grey areas in the DOL, IRS, and HHS regulations. More details to follow as information becomes available.

END OF RESPONSE

Attachment 12-B: Response to Data Request HMC-003

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

February 20, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request HMC-03 dated February 13th, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: February 20, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A.15-01-002 HMC-003

RESPONSES

1. **For Chapter 9, Attachment 1 of Exhibit E: Report on the Results of Operations regarding the Legal Expenses Related to New California Groundwater Regulation:**
   a. **Please provide the workpapers that calculated the expected expenses found in the memorandum. Please include the itemized detail of what the expenses are comprised of and how they were developed.**

The legal and technical expenses for the identified tasks were developed in consultation with a leading water rights firm that has undertaken groundwater and utility protection strategy. Among the lawyers consulted in developing the estimates are those that have been qualified as an expert in judicial and administrative hearings involving legal fees, legal strategy and in particular adjudication of water rights. The estimates take into account counsel with 30 years of experience in performing similar tasks. The following hour estimates are estimates of the time required for legal services and consulting/expert time related to the performance of such legal services.

Water Rights Inventory

Estimated expense: $50,000 in 2016.
100 hours at a blended rate of approximately $500 per hour.

Regulatory Reporting Requirements

Estimated expense: $10,000 in 2016.
20 hours at a blended rate of approximately $500 per hour

Review of Hydrological Data

Estimated expense: $20,000 in 2016.
40 hours at a blended rate of approximately $500 per hour

Consensus Building

Estimated expense: $500,000 in 2016.

1000 hours at a blended rate of approximately $500 per hour. This expense will be affected by the scope and difficulty of negotiating potential agreements for a groundwater sustainability plan or stipulated judgment to settle any resulting litigation relating to groundwater management for the basin.

Litigation

Estimated expense: Up to $5,000,000 likely beginning in 2017 and into 2018. Up to 10,000 hours at a blended rate of $500 per hour. These hours include the

rendering of legal services and consulting or expert services in connection with such legal services. This expense will be affected by the scope and difficulty of the litigation either assisting in (1) the defense of a groundwater sustainability plan or stipulated judgment to settle groundwater management litigation, or (2) challenging a groundwater sustainability plan that materially and inappropriately impairs the groundwater rights relied upon by SJWC to serve its customers. Additional considerations concerning potential groundwater litigation include the following:

- Challenge to the Act and Implementation. There is a number of ways that litigation may result from the recently enacted Sustainable Groundwater Management Act (SGMA). Litigation could result from a validation action brought by the GSA (presumptively Santa Clara Valley Water District) to validate a Groundwater Sustainability Plan (GSP) pursuant to the SGMA or a writ of mandate action could be brought against the district relating to a GSP adopted by the district. Finally, litigation could relate to comprehensive groundwater adjudication for the underlying basin. Even if the litigation is only brought in the form of a validation or writ of mandate action, SJWC could become a named defendant because of its extractions from the basin.

- Comprehensive Groundwater Adjudication. It is more likely that a party or parties would seek to circumvent the GSP by seeking relief in Superior Court through a comprehensive groundwater adjudication. Experience demonstrates that virtually any challenge to declare water rights or to quiet title to a groundwater basin in almost all cases escalate to a determination of all groundwater rights and in some case, related surface water rights within a given watershed. Recent examples include, the Mojave River adjudication, the Santa Maria Valley adjudication and the ongoing Antelope Valley adjudication. Where the litigation is actively contested it can be prolonged and extensive and include regular law and motion, deposition and discovery and a multi-phase trial. This was the case with both the Mojave and Santa Maria adjudications, including multiple appeals. Actual fees may vary by year.

- Basin Management by Stipulation. Groundwater adjudication may be resolved by stipulation, which would require CPUC approval of the stipulation pursuant to CPUC Code Section 851 as an encumbrance of water rights. An example is the Six Basins adjudication that was completed by consent and stipulation. 1000 hours of attorney time at a melded cost of approximately $500-$600 per hour would be the lowest end of an estimated range for litigation spread over an 18 month cycle. This estimate assumes a slightly higher melded rate average because more senior attorneys are typically required in negotiation.

- Consultant and Expert Costs. Expected technical costs of $1-$2 million of the total $5 million are related to the rendering of legal services. On the lower end of

this range, we assume that SJWC would be able to share consultants and experts and defray a portion of this cost. If this is not possible, however, because of party alignment and conflicts and depending on a number of issues not yet known, further and specialized work may be required to defend SJWC's respective rights to water.

b. **The attachment shows that the memorandum was prepared by Willie Brown. Who is Willie Brown? What services does he provide for SJWC?**

Response: Willie Brown is an attorney employed by SJWC and provides in-house legal advice to SJWC. Mr. Brown's statement of qualifications is provided below

SAN JOSE WATER COMPANY
STATEMENT OF QUALIFICATION
WILLIE BROWN

My name is Willie Brown. My business address is 110 W. Taylor Street, San Jose, California 95110.

I have held the position of Attorney since I joined San Jose Water Company in 2008. My duties include providing general legal advice to the company, contract drafting and review, claims handling, discovery and data requests, insurance matters, and records and information management matters.

Prior to joining SJWC, I practiced law in the areas of corporate formations and governance, corporate securities, and mergers and acquisitions with Silicon Valley law firms. During law school, I served as an extern for the Honorable Anthony W. Ishii, United States District Court, Eastern District of California and authored the student note, "The Forgotten Type of Capital: Addressing the Social Capital Deficiency in the Inner City," published in the Georgetown Journal on Poverty Law and Policy, Vol. 11, Nov. 3, 2004. Prior to attending law school, I served in the United States Air Force, worked with Lockheed Martin in the area of logistics, was employed as a financial analyst with Applied Materials, Inc., and worked as a cost accountant with IBM.

I earned a Bachelor of Arts degree in Economics from the University of California, Berkeley and a J.D. degree from Georgetown University Law Center. I am a licensed attorney with the State Bar of California.

END OF RESPONSE

Attachment 12-C: Response to Data Request HMC-004

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

February 24, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request HMC-04 dated February 17th, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: February 24, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A.15-01-002 HMC-004

1

RESPONSES

1. **Regarding the WRAP surcharge, for Workpaper CH-15, WRAP Tab, cell B11, please provide the workpapers that calculated the "Annual Program Expenses" of $2,000. Please include the itemized detail of what the expenses are comprised of and how they were developed.**

   Response: Annual Program Expenses are related mainly to preparation, translation, and printing of WRAP Application Forms as well as legal expenses related to the WRAP and other miscellaneous items. The estimate of $2,000 was based on an approximate average of the 4-year period 2010 through 2014, with year 2013 expenses excluded. Year 2013 expenses include non-typical legal expenses. Invoices for expenses in years 2010-2012 and 2014 are included as an attachment.

END OF RESPONSE

San Jose Water Company

A.15-01-002

Data Request No. ORA-A.15-01-002

HMC-004

Attachment to Response 1

Section Two: Workpapers

Table 1D: WRAP Discount

(a) 2010 Month	(b) Incre. Rev. Recorded Surcharge	(c) Incre. Exp. Recorded Discount Given	(f) Adjustments to Revenue ($)	(g) Rev. Comp. (b) ($)	(h) Rev Component with Interest (g) + prev(h) + interest on (prev (h) + (g)/2) ($)	(i) Adjustments to Expense ($)	(j) Exp. Comp. (c) + (i) ($)	(k) Exp. Component with Interest (j) + prev(k) + interest on (prev (k) + (j)/2) ($)	(l) Over/(Under) without interest (f) - (g) ($)	(m) Comm'l. Paper Rate (%)	(n) This Month's Interest (prev(o)+(l)/2)*(m)/100/12) ($)	(o) Acct. Balance prev (o) + (l) + (n) ($)
Jan	$44,096	$38,377		$44,096	$44,096	$0	$38,377	$38,379	$5,719	0.13%	$0	$5,720
Feb	$43,260	$38,882		$43,260	$87,367	$0	$38,882	$77,268	$4,379	0.15%	$1	$10,099
Mar	$43,792	$36,600		$43,792	$131,177	$1,322	$37,921	$115,205	$5,870	0.20%	$2	$15,972
Apr	$43,896	$41,339		$43,896	$175,102	$0	$41,339	$156,570	$2,557	0.23%	$3	$18,532
May	$43,931	$42,621		$43,931	$219,079	$0	$42,621	$199,233	$1,310	0.28%	$4	$19,846
Jun	$44,058	$50,022		$44,058	$263,201	$2,855	$52,877	$252,170	($8,819)	0.32%	$4	$11,031
Jul	$43,973	$57,378		$43,973	$307,238	$710	$58,088	$310,321	($14,115)	0.27%	$1	($3,083)
Aug	$43,890	$60,682		$43,890	$351,167	$518	$61,199	$371,592	($17,309)	0.28%	($2)	($20,395)
Sep	$43,829	$58,684		$43,829	$395,101	$0	$58,684	$430,356	($14,855)	0.24%	($6)	($35,256)
Oct	$43,924	$59,429		$43,924	$439,105	$0	$59,429	$489,874	($15,505)	0.23%	($8)	($50,769)
Nov	$43,856	$52,336		$43,856	$483,049	$0	$52,336	$542,311	($8,483)	0.23%	($11)	($59,262)
Dec	$43,896	$50,364		$43,896	$527,041	$0	$50,364	$592,764	($6,468)	0.23%	($12)	($65,742)
	$26,400	$86,716										
Total Revenue Component				$526,400		$5,404.43					($23)	
Total Expense Component							$592,120					
Total Incremental Expense, Revenues w/ Interest												($65,742)

Facts:

Advice Letter 356 Surcharge became effective 1/06/2006
Advice Letter 370 Surcharge reduction became effective 11/02/2006

RECEIVED
JUL 06 2010
Accounting
SJ Water Co

Invoice

DATE	INVOICE #
7/1/2010	12660

BILL TO	SHIP TO
San Jose Water Company 110 W. Taylor Street San Jose, CA 95110 Attn: Accounts Payable	San Jose Water Company 110 W. Taylor Street San Jose, CA 95110

P.O. NO.	TERMS	REP	SHIP DATE	SHIP VIA	CPR ORDER #
Ann Lindahl	Net 30	SJV	7/1/2010	CPR Truck	V-18334

DESCRIPTION	QTY ORDERED	QTY SHIPPED	UNIT	AMOUNT
WRAP- Bill Insert, Spanish Version Only	1,000	1,000	0.71	710.00
Mail House			0.00%	0.00

Thank you for your business.

Total $710.00

PAYMENT AUTHORIZATION
Signature [illegible] Date 7/8/2010
Mgr. Appr. _____ Date _____
P.O. No. _____
FOR EXPENSE:
Business Unit 1630.000
Object 675.000
FOR PROJECT:
Account WRAP
Subledger (work order) _____

1180 Miraloma Way, Suite H
Sunnyvale, California 94085

Phone: (408) 522-8100
Fax: (408) 522-8105

JUN 1 3 2010

Invoice

DATE	INVOICE #
6/17/2010	12658

BILL TO	SHIP TO
San Jose Water Company 110 W. Taylor Street San Jose, CA 95110 Attn: Accounts Payable	San Jose Water Company 110 W. Taylor Street San Jose, CA 95110

P.O. NO.	TERMS	REP	SHIP DATE	SHIP VIA	CPR ORDER #
Ann Lindahl	Net 30	SJV	6/17/2010	CPR Truck	V-18322

DESCRIPTION	QTY ORDERED	QTY SHIPPED	UNIT	AMOUNT
WRAP Bill Inserts - (5,000 English, 1,000 Spanish, 1,000 Vietnamese)	7,000	7,000	0.34214	2,395.00
Mail House			0.00%	0.00

PAYMENT AUTHORIZATION
Signature [signature] Date 6/21/10
Mgr. Appr. _____ Date _____
P.O. No. _____
FOR EXPENSE:
Business Unit 1630,000
Object 675000
FOR PROJECT:
Account WRAP
Subledger (work order) _____

Thank you for your business.

Total $2,395.00

1180 Miraloma Way, Suite H
Sunnyvale, California 94085

Phone: (408) 522-8100
Fax: (408) 522-8105

J. Holland DESIGN
989 Allison Court
Nipoma, CA 93444

Invoice # 2085

Date: 06/18/10

To: San Jose Water Company
110 West Taylor Street
San Jose, CA 95110

Attention: Ann Lindahl

Bill Inserts and Ad –

Layout (two-sided Public Notice bill insert)	$ 360.00
WRAP applications (3 languages-updates only)	120.00
WRAP ad for El Observador (nontaxable advertising)	340.00
Subtotal	820.00
Tax on $480 only	44.40
Total Due	$ 864.40

AL 405

WRAP

PAYMENT AUTHORIZATION

Signature [illegible] Date 6/21/10
Mgr. Appr. _____ Date _____
P.O. No. _____
FOR EXPENSE
Business Unit 1630.008
Object 675000
FOR PROJECT:
Account WRAP
Subledger (work order) _____

Balance due in 30 days or subject to 1.5% per month service charge.

Invoice

DATE	INVOICE #
2/2/2010	12634

BILL TO	SHIP TO
San Jose Water Company 110 W. Taylor Street San Jose, CA 95110 Attn: Accounts Payable	San Jose Water Company 110 W. Taylor Street San Jose, CA 95110

P.O. NO.	TERMS	REP	SHIP DATE	SHIP VIA	CPR ORDER #
Ann Lindahl	Net 30	SJV	2/2/2010	CPR Truck	V-18305

DESCRIPTION	QTY ORDERED	QTY SHIPPED	UNIT	AMOUNT
WRAP Bill Insert - Spanish Version	2,500	2,500	0.484	1,210.00T
Sales Tax			9.25%	111.93

Thank you for your business.

Total $1,321.93

104262

PAYMENT AUTHORIZATION

Signature [illegible] Date 2/12/10

Mgr. Appr. [illegible] Date 2/16/10

P.O. No.

FOR EXPENSE:

Business Unit 630000

Object 635000

FOR PROJECT: WRAP

Account

Subledger (work order)

RECEIVED

FEB 04 2010

1180 Miraloma Way, Suite H
Sunnyvale, California 94085

Phone: (408) 522-6100
Fax: (408) 522-6105

Section Two: Workpapers

Table 1D: WRAP Discount

(a) 2011 Month	(b) Incre. Rev. Recorded Surcharge	(c) Incre. Exp. Recorded Discount Given	(f) Adjustments to Revenue ($)	(g) Rev. Comp. (b) ($)	(h) Rev Component with Interest (g) + prev(h) + interest on (prev (h) + (g)/2) ($)	(i) Adjustments to Expense ($)	(j) Exp. Comp. (c) + (i) ($)	(k) Exp Component with Interest (j) + prev(k) + interest on (prev (k) + (j)/2) ($)	(l) Over/(Under) without interest (f) - (g) ($)	(m) Comm'l. Paper Rate (%)	(n) This Month's Interest (prev(o)+(l)/2)*((m)/100)/12) ($)	(o) Acct. Balance prev (o) + (l) + (n) ($)
Jan	$43,047	$46,208		$43,047	$43,051	$0	$46,208	$46,213	($3,161)	0.24%	($0)	($3,161)
Feb	$42,579	$44,744		$42,579	$85,643	$0	$44,744	$90,969	($2,165)	0.23%	($1)	($5,327)
Mar	$43,018	$45,874		$43,018	$128,681	$0	$45,874	$136,866	($2,856)	0.23%	($1)	($8,185)
Apr	$43,685	$51,193		$43,685	$172,391	$0	$51,193	$188,086	($7,508)	0.20%	($2)	($15,694)
May	$43,736	$53,435		$43,736	$216,153	$0	$53,435	$241,549	($9,699)	0.16%	($3)	($25,396)
Jun	$43,325	$57,645		$43,325	$259,507	$0	$57,645	$299,228	($14,320)	0.15%	($4)	($39,720)
Jul	$43,190	$64,212		$43,190	$302,730	$1,060	$65,272	$364,539	($22,082)	0.14%	($8)	($61,809)
Aug	$43,246	$66,997		$43,246	$346,020	$0	$66,997	$431,589	($23,751)	0.16%	($10)	($85,569)
Sep	$43,128	$68,921		$43,128	$389,190	$0	$68,921	$500,564	($25,793)	0.14%	($11)	($111,374)
Oct	$43,220	$67,244		$43,220	$432,462	$0	$67,244	$567,875	($24,024)	0.15%	($15)	($135,412)
Nov	$43,080	$59,879		$43,080	$475,599	$0	$59,879	$627,824	($16,799)	0.14%	($17)	($152,229)
Dec	$43,357	$59,585		$43,357	$519,011	$2,443	$62,128	$690,030	($18,771)	0.14%	($19)	($171,019)
	$18,611	$86,038										
Total Revenue Component				$518,611		$3,503.13					($90)	
Total Expense Component							$689,541					
Total Incremental Expense, Revenues w/ Interest												($171,019)

Facts:

Advice Letter 356 Surcharge became effective 1/06/2006
Advice Letter 370 Surcharge reduction became effective 11/02/2006

Invoice

DATE	INVOICE #
12/12/2011	12739

BILL TO	SHIP TO
San Jose Water Company 110 W. Taylor Street San Jose, CA 95110 Attn: Accounts Payable	San Jose Water Company 110 W. Taylor Street San Jose, CA 95110

P.O. NO.	TERMS	REP	SHIP DATE	SHIP VIA	CPR ORDER #
Ann Lindahl	Net 30	SJV	12/12/2011	CPR Truck	V-18429,30

DESCRIPTION	QTY ORDERED	QTY SHIPPED	UNIT	AMOUNT
WRAP Bill Insert, English	1,000	1,000	0.71	710.00
WRAP Bill Insert, Spanish	500	500	0.76	380.00
Mail House			0.00%	0.00

Thank you for your business.

Total $1,090.00

PAYMENT AUTHORIZATION

Signature [signature] Date 12/14/2011

Mgr. Appr. _____ Date _____

P.O. No. _____

FOR EXPENSE:

Business Unit 1620.000

Object 625000

FOR PROJECT: WRAP.

Account _____

Subledger (work order) _____

1180 Miraloma Way, Suite H
Sunnyvale, California 94085

Phone: (408) 522-8106
Fax: (408) 522-8105

#104262 JUL 28 2011

RECEIVED
JUL 26 2011
Accounting
S. Water Co

Invoice

DATE	INVOICE #
7/22/2011	12719

BILL TO	SHIP TO
San Jose Water Company 110 W. Taylor Street San Jose, CA 95110 Attn: Accounts Payable	San Jose Water Company 110 W. Taylor Street San Jose, CA 95110

P.O. NO.	TERMS	REP	SHIP DATE	SHIP VIA	CPR ORDER #
Ann Lindahl	Net 30	SJV	7/22/2011	CPR Truck	V-18406

DESCRIPTION	QTY ORDERED	QTY SHIPPED	UNIT	AMOUNT
WRAP Bill Insert - English Version Only	2,000	2,000	0.53	1,060.00
Mail House			0.00%	0.00

PAYMENT AUTHORIZATION
Signature _____ Date 7/27/11
Mgr. Appr _____ Date 7/28/11
P.O. No. _____
FOR EXPENSE:
Business Unit 100.1630.000
Object 675000
FOR PROJECT:
Account WRAP
Subledger (work order) _____

Thank you for your business.

Total $1,060.00

1180 Miraloma Way, Suite H
Sunnyvale, California 94085

Phone: (408) 522-8100
Fax: (408) 522-8105

Section Two: Workpapers

Table 1D (a)	WRAP Discount (b)	(c)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
	Incre. Rev.	Incre. Exp.	Adjustments to Revenue	Rev. Comp.	Rev Component with Interest (g) + prev(h) + interest on (prev (h) + (g)/2)	Adjustments to Expense	Exp. Comp.	Exp. Component with Interest (j) + prev(k) + interest on (prev (k) + (j)/2)	Over/(Under) without interest	Comm'l. Paper	This Month's Interest (prev(o)+(l)/2)*((m)/100)/12	Acct. Balance prev (o) + (l) + (n)
2012 Month	Recorded Surcharge	Recorded Discount Given	($)	(b) ($)	($)	($)	(c) + (i) ($)	($)	(f) - (g) ($)	Rate (%)	($)	($)
Jan	$41,730	$57,729		$41,730	$41,732	$990	$58,719	$58,723	($16,990)	0.14%	($1)	($16,991)
Feb	$42,011	$60,406		$42,011	$83,752	$0	$60,406	$119,141	($18,395)	0.17%	($4)	($35,389)
Mar	$42,913	$55,473		$42,913	$126,681	$1,380	$56,854	$176,017	($13,941)	0.18%	($6)	($49,337)
Apr	$43,093	$57,839		$43,093	$169,798	$0	$57,839	$233,891	($14,747)	0.20%	($9)	($64,093)
May	$42,994	$56,447		$42,994	$212,823	$0	$56,447	$292,380	($13,453)	0.19%	($11)	($79,557)
Jun	$43,033	$70,085		$43,033	$255,896	$400	$70,485	$362,922	($27,452)	0.21%	($16)	($107,026)
Jul	$41,548	$76,956		$41,548	$297,493	$470	$77,426	$440,422	($35,880)	0.22%	($23)	($142,929)
Aug	$41,736	$83,761		$41,736	$339,282	$0	$83,761	$524,263	($42,025)	0.20%	($27)	($184,981)
Sep	$42,893	$79,330		$42,893	$382,235	$0	$79,330	$600,587	($33,437)	0.20%	($34)	($218,452)
Oct	$42,739	$79,232		$42,739	$425,008	$0	$79,232	$680,020	($36,493)	0.19%	($37)	($254,983)
Nov	$42,835	$70,053		$42,835	$467,947	$0	$70,053	$750,193	($27,218)	0.20%	($45)	($282,246)
Dec	$43,388	$95,328		$43,388	$511,417	$0	$95,328	$845,853	($51,939)	0.20%	($51)	($334,236)
	$10,910	$41,640										
Total Revenue Component				$510,910		$3,240.67						
Total Expense Component							$844,861				($268)	
Total Incremental Expense, Revenues w/ Interest												($334,236)

Facts:

Advice Letter 356 Surcharge became effective 1/06/2006

Advice Letter 370 Surcharge reduction became effective 11/02/2006

JP GRAPHICS, INC.

3310 WOODWARD AVE.
SANTA CLARA, CA 95054-2627

www.jp-graphics.com

RECEIVED
JUL 24 '12
Accounting
SJ Water Company

Invoice

DATE	INVOICE #
7/19/2012	45813

BILL TO

SAN JOSE WATER CORPORATION
110 W. TAYLOR ST.
SAN JOSE, CA 95110
ATTN: ACCOUNTS PAYABLE

SHIP TO

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.
11753 DN	Net 15	DN	7/19/2012	JP GRAPHIC	25056

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
4,000	Printing	WRAP BROCHURE - ENGLISH	0.07375	295.00T
1,000	Printing	WRAP BROCHURE - SPANISH	0.095	95.00T
500	Printing	WRAP BROCHURE - VIETNAMESE	0.15	75.00T
	Printing	DELIVERY	5.00	5.00T
		Sales Tax	0.00%	0.00

PAYMENT AUTHORIZATION
Signature 7/26/12
Mgr. Appr.
P.O. No. 11753
FOR EXPENSE:
Business Unit 1630 000
Object 675000 o UHID
FOR PROJECT:
Account WRAP
Subledger (work order)

Thank you for your business.

Total: $470.00

Phone #: (408) 235-8821 **Fax #:** (408) 235-8875

JP GRAPHICS, INC.

3310 WOODWARD AVE.
SANTA CLARA, CA 95054-2627

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V# 101457

Invoice

DATE	INVOICE #
6/15/2012	45441

BILL TO	SHIP TO
SAN JOSE WATER CORPORATION 110 W. TAYLOR ST. SAN JOSE, CA 95110 ATTN: ACCOUNTS PAYABLE	

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.
11753	Net 15	DN	6/15/2012	JP GRAPHIC	25056

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
1,000	Printing	WRAP BROCHURE ENGLISH	0.095	95.00T
500	Printing	WRAP BROCHURE SPANISH	0.15	75.00T
500	Printing	WRAP BROCHURE VIETNAMESE	0.15	75.00T
	Printing	AD ONLY ARTWORK NO PRINT	150.00	150.00T
	Printing	DELIVERY	5.00	5.00T
		Sales Tax	0.00%	0.00

PAYMENT AUTHORIZATION
Signature [illegible] Date 6/26/12
Mgr. Appr [illegible] Date 6/26-12
P.O. No. 11753
FOR EXPENSE:
Account 1430.000
Object 675-000
FOR PROJECT:
Account
Subledger (work order) WRAP

Thank you for your business.

Total: $400.00

Phone # : (408) 235-8821 Fax # : (408) 235-8875

O.K to Pay [illegible] 6/26/2012

JP GRAPHICS, INC.

3310 WOODWARD AVE.
SANTA CLARA, CA 95054-2627

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12
Accounting
3 Water Compan

Invoice

DATE	INVOICE #
3/15/2012	44364

BILL TO	SHIP TO
SAN JOSE WATER CORPORATION 110 W. TAYLOR ST. SAN JOSE, CA 95110 ATTN: ACCOUNTS PAYABLE	ATTN: ANN LINDAHL

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.
11753 OW	Net 15	DN	3/15/2012	JP GRAPHIC	DN10143

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
1	Printing	DESIGN WORK PER HOUR	90.00	90.00T
2	Printing	TRANSLATION - VIETNAMESE AND SPANISH	350.00	700.00T
		Taxable	8.25%	65.18

PAYMENT AUTHORIZATION
Signature [signature] Date 3/29/12
Approved [signature] Date 3/2/12
11753 OW
FOR EXPENSE
Cost Unit 1630000
Object 675000 6410
FOR PROJECT
Account
Subledger (work order) WRAP.

Thank you for your business.

Total: $855.18

Phone # : (408) 235-8821 **Fax # :** (408) 235-8875

100.1630000.675000.6410 C RawRap

JP GRAPHICS, INC.

3310 WOODWARD AVE.
SANTA CLARA, CA 95054-2627

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Invoice

DATE	INVOICE #
3/15/2012	44342

BILL TO	SHIP TO
SAN JOSE WATER CORPORATION 110 W. TAYLOR ST. SAN JOSE, CA 95110 ATTN: ACCOUNTS PAYABLE	

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.
11753 DN	Net 15	DN	3/15/2012	JP GRAPHIC	DN10150

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
4,000	Printing	WRAP BROCHURE - ENGLISH	0.0825	330.00T
500	Printing	WRAP BROCHURE - SPANISH	0.15	75.00T
500	Printing	WRAP BROCHURE - VIETNAMESE	0.15	75.00T
	Printing	DELIVERY	5.00	5.00T
		Taxable	8.25%	40.01

PAYMENT AUTHORIZATION
Signature [signature] Date 3/29/12
Mgr. Acct. [signature] Date 3/29/12
J.O. No. 11753 DN
FOR EXPENSE
Business Unit 1630.000
Object 675000 - 6410
FOR PROJECT 7
Account
Subledger (work order) WRAP

Thank you for your business.

Total: $525.01

Phone # : (408) 235-8821 **Fax # :** (408) 235-8875

P.O# 1753 ON

JP GRAPHICS, INC.

3310 WOODWARD AVE.
SANTA CLARA, CA 95054-2627

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Invoice

DATE	INVOICE #
1/19/2012	43724

BILL TO	SHIP TO
SAN JOSE WATER CORPORATION 110 W. TAYLOR ST. SAN JOSE, CA 95110 ATTN: ACCOUNTS PAYABLE	ATTN: CHARMAINE JACKSON P.O.# 11753

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.
11753	Net 15	DN	1/19/2012	JP GRAPHIC	DN10094

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
3,000	Printing	WRAP BROCHURE - ENGLISH	0.13167	395.00T
1,000	Printing	WRAP BROCHURE - SPANISH	0.275	275.00T
500	Printing	WRAP BROCHURE - VIETNAMESE	0.48	240.00T
	Printing	DELIVERY	5.00	5.00T
		Taxable	8.25%	75.49

RECEIVED
JAN 23 2012
Water Co.

PAYMENT AUTHORIZATION
Date 1/24/12
Date
PO 11753
1630.000
Object 675000
FOR PROJECT:
Account WRAP
Subledger (work order)

Thank you for your business.

Total: $990.49

Phone # : *(408) 235-8821* *Fax # :* *(408) 235-8875*

P.O.#

Section Two: Workpapers

Table 1D: WRAP Discount

(a)	(b)	(c)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
	Incre. Rev.	Incre. Exp.	Adjustments to Revenue	Rev. Comp.	Rev Component with Interest (g) + prev(h) + interest on (prev (h) + (g)/2)	Adjustments to Expense	Exp. Comp.	Exp. Component with Interest (j) + prev(k) + interest on (prev (k) + (j)/2)	Over/(under) without Interest	Comm'l. Paper	This Month's Interest (prev(o)+(i)/2)*(m)/100/12)	Acct. Balance prev (o) + (i) + (n)
2014 Month	Recorded Surcharge	Recorded Discount Given	($)	(b) ($)	($)	($)	(c) + (i) ($)	($)	(f) - (g) ($)	Rate (%)	($)	($)
Jan	$232,420	$194,713		$232,420	$232,429	$457	$195,169	$195,176	$47,260	0.09%	$2	$47,262
Feb	$231,999	$191,685		$231,999	$464,457	$0	$191,685	$376,886	$40,314	0.10%	$6	$87,572
Mar	$232,447	$158,323		$232,447	$696,952	$0	$158,323	$535,246	$74,124	0.10%	$10	$161,706
Apr	$232,073	$175,641		$232,073	$929,093	$0	$175,641	$710,939	$56,432	0.10%	$16	$218,154
May	$233,341	$169,526		$233,341	$1,162,521	$0	$169,526	$880,532	$63,815	0.10%	$21	$281,989
Jun	$232,897	$206,478		$232,897	$1,395,528	$827	$207,304	$1,087,918	$25,593	0.10%	$25	$307,607
Jul	$233,494	$203,725		$233,494	$1,629,145	$0	$203,725	$1,291,742	$29,770	0.10%	$27	$337,403
Aug	$231,304	$214,584		$231,304	$1,860,609	$0	$214,584	$1,506,454	$16,719	0.11%	$32	$354,155
Sep	$232,177	$200,800		$232,177	$2,092,960	$0	$200,800	$1,707,388	$31,377	0.10%	$31	$385,562
Oct	$232,089	$220,719		$232,089	$2,325,223	$0	$220,719	$1,928,258	$11,370	0.10%	$33	$396,965
Nov	$233,170	$206,341		$233,170	$2,558,596	$0	$206,341	$2,134,768	$26,829	0.10%	$34	$423,828
Dec	$234,284	$219,237		$234,284	$2,793,170	$0	$219,237	$2,354,249	$15,046	0.13%	$47	$438,921
	2,791,694	2,381,772										
Total Revenue Component				$2,791,694		$1,283.25						
Total Expense Component							$2,353,055				$282	
Total Incremental Expense, Revenues w/ Interest												$438,921

Facts:

Advice Letter 356 Surcharge became effective 1/06/2006

Advice Letter 370 Surcharge reduction became effective 11/02/2006

JP GRAPHICS, INC.
3310 WOODWARD AVE.
SANTA CLARA, CA 95054-2627
www.jp-graphics.com

RECEIVED
JAN 16 2014
Accounting
SJ Water Company

Invoice

DATE	INVOICE #
1/10/2014	52709

BILL TO	SHIP TO
SAN JOSE WATER CORPORATION 110 W. TAYLOR ST. SAN JOSE, CA 95110 ATTN: ACCOUNTS PAYABLE	

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.
ANN LINDAHL	Net 15	DN	1/10/2014	JP GRAPHIC	28721

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
3,000	Printing	SAN JOSE WATER CO. WATER RATE ASSISTANCE PROGRAM FORMS - ENGLISH	0.075	225.00T
2,000	Printing	SAN JOSE WATER CO. WATER RATE ASSISTANCE PROGRAM FORMS - SPANISH	0.095	190.00T
	Printing	DELIVERY	5.00	5.00T
		Taxable	8.75%	36.75

PAYMENT AUTHORIZATION
Signature [signature] Date 1/16/14
Mgr. Appr. _____ Date _____
P.O. No. _____
100 16 30 000
675000 , 6410
WRAP
Subledger (work order) _____

Thank you for your business.

Total: $456.75

Phone # : (408) 235-8821 **Fax # :** (408) 235-8875

JP GRAPHICS, INC.

3310 WOODWARD AVE.
SANTA CLARA, CA 95054-2627

www.jp-graphics.com

Invoice

DATE	INVOICE #
6/18/2014	55028

BILL TO	SHIP TO
SAN JOSE WATER CORPORATION 110 W. TAYLOR ST. SAN JOSE, CA 95110 ATTN: ACCOUNTS PAYABLE	

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.
ANN LINDAHL	Net 15	DN	6/18/2014	JP GRAPHIC	29910

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
6,000	Printing	2014 WRAP BROCHURES - ENGLISH	0.075	450.00T
2,500	Printing	2014 WRAP BROCHURES - SPANISH	0.084	210.00T
500	Printing	2014 WRAP BROCHURES - VIETNAMESE	0.19	95.00T
	Printing	DELIVERY	5.00	5.00T
		Taxable	8.75%	66.50

PAYMENT AUTHORIZATION

Signature [illegible] Date 6/18/14
Mgr. Appr [illegible] Date [illegible]
P.O. No.
FOR EXPENSE
Business Unit 1001630 000
Object 675000 6410
FOR PROJECT:
Account WRAP
Subledger (work order)

Thank you for your business.

Total: $826.50

Phone # : (408) 235-8821 Fax # : (408) 235-8875

Attachment 12-D: Response to Data Request HMC-005

San Jose
Water
Company

110 W. Taylor St.
San Jose, CA 95110
Phone 408 279-7900
Fax 408 279-7934

February 24, 2015

Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-2385
Email: tony.tully@cpuc.ca.gov

Dear Mr. Tully:
Enclosed you'll find San Jose Water Company's response to data request HMC-05 dated February 17th, 2015.

If you have any questions, please contact me at (408) 918-7247 or e-mail at wes.owens@sjwater.com.

Very truly yours,

WES OWENS

Manager of Regulatory Affairs

DATA REQUEST RESPONSE

Date: February 24, 2015

To: Tony Tully
Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

From: Wes Owens
Manager of Regulatory Affairs
Tel: (408) 918-7247
Fax: (408) 279-7934
E-mail: wes.owens@sjwater.com

Re.: General Rate Case Data Request

SJWC ID: Response to DR No. ORA-A.15-01-002 HMC-005

RESPONSES

1. **The following questions are in regard to the Credit Card Program Special Request 30, detailed in Exhibit E, Chapter 17. With each response, please provide any documentation and workpapers.**
   a. **Did SJWC investigate other providers other than Kubra for the Credit Card Program? If so, who were they and what were their proposals?**
   Response: SJWC held preliminary discussions with Kubra and Wells Fargo Bank (WFB). WFB's service offering was limited and preliminary service fee estimates approximately $2.80 per $100 transaction. In addition, SJWC researched service fees being charged by other California Class A water utility companies. The proposed service fee received by Kubra of $1.75 is less than the service fees being charged by nearly all other California Class A water utility companies.
   b. **Did any other provider have less of a convenience fee or no convenience fee at all?**
   Response: Based on comparison to other California Class A water utility company's credit card service fees Kubra's proposal is less. Service fees being charged by other California Class A water utility companies range from $2.50 to $1.80.
   c. **If SJWC did not investigate any other providers, please provide justification for not doing so.**
   Response: SJWC provided the proposal from Kubra because the proposal offered the most options to our customers at the lowest available cost compared to other California Class A water utilities.

END OF RESPONSE

CHAPTER 13: REVENUE DECOUPLING

A. Introduction

For Special Request 31 of Application 15-01-002 (A.15-01-002) San Jose Water Company (SJWC) requests authorization to establish a full-decoupling Water Revenue Adjustment Mechanism (WRAM) and an associated Modified Cost Balancing Account (MCBA).

B. Summary of Recommendations

ORA recommends that SJWC continue with the current Monterey-Style Water Revenue Adjustment Mechanism (M-WRAM) along with its current Incremental Cost Balancing Account (ICBA), Mandatory Conservation Memorandum Account (MCMA) and Mandatory Conservation Revenue Adjustment Memorandum Account (MCRAM) and not adopt a full revenue decoupling WRAM and MCBA. Furthermore, D.14-10-047 ordered a Phase II under R.11-11-008 to analyze and propose actions on issues regarding affordability and rate design, including but not limited to accounting mechanisms such as WRAM.[317] In addition, preliminary findings resulting from the review of the WRAM Pilot Program's high undercollections ordered under D.12-04-048 are still inconclusive. Any proposal for the adoption of WRAM should await consideration of proven resolution of the WRAM Pilot Program's high undercollections, as ordered by D.12.04-048, and also consider the findings and recommendations that come from Phase II of R.11-11-008 as ordered by D.14-10-047.

---

[317] D.14-10-047, page 11.

C. Background

The M-WRAM was first adopted in 2008 in D.08-08-030. Prior to the request for a full decoupling WRAM/MCBA in this GRC, SJWC proposed adopting the WRAM/MCBA in 2013 and it was not authorized. Here is the background on each of the past decisions dealing with each mechanism that also supports ORA's recommendation for SJWC to continue with the current Monterey-Style WRAM.

1) M-WRAM, proposed by SJWC and ORA, is adopted through settlement agreement in D.08-08-030 (A.07-03-019) to meet SJWC's unique circumstances

In August of 2008, the Commission adopted D.08-08-030 approving ORA and SJWC's proposed pricing adjustment mechanism and Tiered Rates. The decision authorized the M-WRAM to recover lost revenues from the implementation of Tiered Rates. The following sections from D.08-08-030 pertain to the Pricing Adjustment Mechanism agreed to by ORA and SJWC.

> ***3.3.2. Pricing Adjustment Mechanism***
>
> *San Jose and DRA propose a pricing adjustment mechanism similar to the Monterey-style WRAM. The pricing adjustment mechanism will track the difference between revenue San Jose receives for actual metered sales through the tiered volumetric rate and the revenue San Jose would have received through the uniform, single quantity rates if they had been in effect. San Jose will provide an annual report showing the revenue over- or under-collection for the prior calendar year. If the over- or under-collection exceeds 2% of San Jose's adopted revenue requirement for the present year for amounts recovered through the quantity rates of residential customers, San Jose will file an advice letter within 30 days that*

amortizes the balance in the account. If the cumulative 2% threshold is not met, the balance in the account will be amortized in the next GRC

The settling parties agree this mechanism complements San Jose's limited water supply and adequately ensures the recovery of sufficient revenue. [The Consumer Federation of California (CFC)] opposes adoption of the pricing adjustment mechanism because the rates are not true conservation rates. The proposed pricing mechanism ensures that San Jose's revenues do not decline as the result of adopting conservation rates. Although we find the pricing adjustment mechanism reasonable, we will not adopt it until the settling parties further clarify the conservation rate design.[318]

3.3.4. Adoption of Conservation Rate Design and Pricing Adjustment Mechanism Settlement Agreement

We have reviewed the conservation rate design and pricing adjustment settlement and CFC's objections to the specific rate design and pricing adjustment mechanism. We find San Jose's trial conservation rate design will advance our conservation objectives; it incorporates increasing block rates for residential customers and nonresidential customers' rates, although unchanged, exceed [the California Urban Water Conservation Council (CUWCC's)] requirements. We will review this rate design to determine whether it meets targeted reductions in consumption. If it does not meet these

---

[318] D.08-08-030, pages 22-23.

goals or is unlikely to meet future goals, San Jose will propose rate designs that will accomplish these goals.[319]

Findings of Fact

10. San Jose's proposed conservation rate design is consistent with the take-or-pay provisions in San Jose's contract with the Santa Clara Valley Water District. (SCVWD). San Jose must pay for at least 90% of the water scheduled over the three-year period of the contract under the take-or-pay provision and must contract for a minimum of 95% of the highest amount of water contracted for in any one year of those three years.

11. San Jose's nonresidential rate design will not change. The existing nonresidential rate design recovers approximately 80.93% of nonresidential revenues through volumetric rates.

12. San Jose's proposed pricing adjustment mechanism tracks the difference between revenue San Jose receives for actual meter sales and the revenue San Jose would have received through the uniform, single quantity rates if they had been in effect. If the over- or under-collection exceeds 2% of San Jose's adopted revenue requirement for the present year for amounts recovered through the quantity rates of residential customers, San Jose will file an advice letter to amortize the balance in the account.[320]

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[319] D.08-08-030, page 24.

[320] D.08-08-030, pages 39-40.

Conclusion of Law

2. The conservation rate designs will advance the WAP's conservation objectives and will be reviewed to determine whether they meet targeted reductions in consumption. The GSWC WRAMs and MCBAs implement the WAP's objective of decoupling sales and revenues to encourage successful conservation programs. The San Jose pricing adjustment mechanism meets San Jose's unique circumstances.[321]

2) SJWC's request for a full decoupling WRAM/MCBA is not authorized in D.14-08-006 (A.12-01-003)

In the last GRC, A.12-01-003, SJWC requested a revenue decoupling WRAM/MCBA where the difference in the forecasted revenue from the actual revenue is tracked in a Balancing Account. The purpose of the WRAM Pilot Program is to remove the disincentive for the water utility to conserve as any overcollection would be refunded to ratepayers and an undercollection would be awarded to the Utility.

SJWC requested the WRAM/MCBA with the justification that the Commission authorized a pilot WRAM/MCBA mechanism for other Class A water utilities. ORA pointed out that each of the adopted mechanisms were achieved through negotiated settlements as pilot programs, that the Commission should not authorize such a mechanism for SJWC just because other Class A utilities have them, and that a negotiated settlement carries no precedential

[321] D.08-08-030, page 41.

value.[322] Furthermore, ORA noted in its testimony that D.12-04-048 found that the "mechanisms are not working as intended, for reasons that are not clear" and required "a more vigorous review of the WRAM/MCBA mechanisms and options to the mechanisms, as well as sales forecasting, be conducted [on] each applicant's pending or next GRC proceeding."[323] This is due in part because in almost all cases Utilities with WRAM/MCBA only claimed an undercollection and some of those undercollections were quite large.[324] Attachment 13-A list these undercollections as reported in D.12-04-048. SJWC also noted similar concerns with the impacts of forecasting in A.12-01-003. In David Morse's testimony for SJWC, he warns of the impacts of the inaccuracy of forecasting on the WRAM and states:

> *If SJWC's proposal to institute a WRAM/MCBA is approved, and if the future sales forecasts are as inaccurate as they were in 2009 and 2010 then SJWC will likely accumulate account balances on the same order as that experienced by the Joint Utilities.*[325]

ORA added that if the purpose of either mechanism is ultimately to achieve conservation goals, then adopting a WRAM/MCBA is unnecessary because SJWC, with its current M-WRAM and ICBA, is realizing significant reductions and meeting or exceeding the State of California's conservation goals under SBX7-7. Furthermore, SJWC already has a two drought mechanisms in place that

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[322] D.14-08-006, page 117.

[323] D.12-04-048, page 42.

[324] D.12-04-048, page 3.

[325] A.12-01-003, Exhibit E, Chapter 19, page 15.

protect SJWC when Rule 14.1 is implemented. These drought mechanism tariffs, the MCMA and MCRAM, can be found under Attachment 13-B.

In the latest SJWC GRC for test year 2013, final Decision D.14-08-006, does not authorize the WRAM/MCBA request by SJWC. Specifically, Findings of Fact number 71 states the following:

> *It is uncertain whether SJWCs' Monterey-Style WRAM, rather than those WRAMs used by other water utilities, is an adequate mechanism to encourage conservation and whether it serves and balances the interests of the utility and its customers due to increased or decreased sales.*[326]

3) D.12-04-048 ordered a vigorous review of the WRAM Pilot Program

On April 19, 2012 the Commission adopted D.12-04-048 addressing amortization of WRAM related accounts. During the preceding, it was recognized that the WRAM/MCBA mechanisms are part of pilot programs to promote water conservation. The mechanisms were designed to ensure that applicants and their customers are proportionally affected when conservation rates are implemented, so that neither party suffers nor benefits from the implementation of those rates.[327] But it was discovered that after the WRAM/MCBA Pilot Programs were first adopted in 2008, substantial under-collection have occurred[328] (see Attachment

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[326] D.14-08-006, page 125.

[327] D.12-04-048, page 36.

[328] D.12-04-048, page 3.

13-A). D. 12-04-048 notes "a concern that the mechanisms are not working as intended, for reasons that are not clear, and that the high under-collections experienced in many districts lead to substantial surcharges being passed through to customers without notice in Tier 1 Advice Letters."[329] D.12-04-048, Ordering Paragraph 4 adopts the following:

> *4. We require a more vigorous review of the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA) mechanisms and options to the mechanisms, as well as sales forecasting, be conducted [on] each applicant's pending or next General Rate Case (GRC) proceeding. In each upcoming GRC proceeding, applicants shall provide testimony that at a minimum addresses the following options:*
>
> *- Option 1: Should the Commission adopt a Monterey-style WRAM rather than the existing full WRAM? The Monterey-style WRAM is not a revenue decoupling mechanism as such, it is rather a revenue adjustment mechanism that allows the utility to true-up the revenue it actually recovers under its conservation rate design with the revenue it would have collected if it had an equivalent uniform rate design at actual sales levels.*
>
> *- Option 2: Should the Commission adopt a mechanism that bands the level of recovery, or refund, of account balances based on the relative size of the account balance. For example, an annual WRAM/MCBA under-collection/over-collection less than 5% of the*

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[329] D.12-04-048, page 3.

last authorized revenue requirement would be amortized to provide 100% recovery/refund, balances between 5-10% would be amortized to provide only 90% recovery/refund, and balances over 10% would be amortized to provide only 80% recovery/refund.

- Option 3: Should the Commission place WRAM/MCBA surcharges only on higher tiered volumes of usage, thereby benefiting customers who have usage only in Tier 1 or have reduced their usage in the higher tier levels?

- Option 4: Should the Commission eliminate the WRAM mechanism?

- Option 5: Should the Commission move all customer classes to increasing block rate design and extend the WRAM/MCBA mechanisms to these classes?

4) D.14-10-047 ordered R.11-11-008 Phase II to analyze and propose actions on issues including WRAM

On October 11, 2011, the Commission opened R.11-11-008 to address a major policy objective in the Water Action Plan that affects multi-district water utilities. That policy objective, the sixth among the six objectives identified in the plan, is to set rates that balance investment, conservation, and affordability in multi-district water utilities.[330] The scoping memo for the rulemaking states the following:

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[330] D.14-10-047, pages 2-3.

> *The scope of this rulemaking is to consider adopting new or revised guidelines for consolidation of districts, some variation of a high cost fund within multi-district utilities, and another mechanism or a combination of them as a means to advance the Commission's water action plan objective of setting rates that balance investment, conservation, and affordability. Inter-company mechanisms will not be explored in this proceeding. Any consideration of mechanisms in addition to consolidation guidelines and a High Cost variant will be informed and bounded by the analysis in this proceeding's workshops, data requests and responses, comments and reply comments, and other information submitted in the record of this proceeding.*[331]

On October 22, 2014, the Commission adopted D.14-10-047 which created a framework for addressing affordability mechanisms. This proceeding, though, raised several issues regarding affordability and rates that were not contemplated in the original scope but which are fundamentally related to balanced rates. In light of Governor Brown's January 2014 drought declaration, D.14-10-047 ordered the opening a Phase II of this proceeding to analyze and propose actions on issues regarding affordability and rate design, including but not limited to conservation rate design such as tiered rate structures, and accounting mechanisms such as WRAM.[332] Phase II of R.11-11-008 is pending but expected to begin soon given that D.15-02-034 set a statutory deadline of April 30, 2015.

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[331] D.14-10-047, page 4.

[332] D.14-10-047, page 11.

D. Discussion

In this GRC, SJWC is once again requesting a WRAM/MCBA. Much of the justification in SJWC's testimony is copied from the previous GRC. In this GRC, though, SJWC includes the following additional justifications to its re-request:

- "A WRAM is necessary to remove this disincentive for SJWC to aggressively promote conservation…"[333]
- "The SJWC's WRAM/MCBA proposal aligns the company's financial interest with the priorities of the Governor's office, State Water agencies and the CPUC to encourage water customers to reduce their water consumption."[334]
- A WRAM/MCBA is now justified because "SJWC's water supply situation has significantly changed."[335]
- In response to D.12-04-048, SJWC states that WRAM/MCBA concerns were addressed in recent GRC decisions and that "the Commission has not found any fault with the existing Class A water Utility authorized WRAM/MCBA mechanisms."[336]

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[333] A.15-01-002, Exhibit E, Chapter 19, page 5.

[334] A.15-01-002, Exhibit E, Chapter 19, page 5.

[335] A.15-01-002, Exhibit E, Chapter 19, page 14.

[336] A.15-01-002, Exhibit E, Chapter 19, page 17.

The following is ORAs response to the above WRAM/MCBA proposal justifications in SJWC's application.

1) There is no need to promote an aggressive conservation program as SJWC is already meeting its SBX7-7 conservation goals

SJWC is proposing a $7,596,000 increase in conservation programs and adds that "A WRAM is necessary to remove this disincentive for SJWC to aggressively promote conservation, since SJWC's current M-WRAM would not adjust revenues for such a reduction in consumption."[337] While conservation efforts are important, especially during a time of drought, there is no need for such an aggressive program when SJWC and its ratepayers are already meeting its SBX7-7 conservation goals and there is already a drought mechanism in place to help SJWC recover its loss revenues during mandatory conservation. The cost burden of such programs, along with WRAM, will fall entirely on the ratepayers. In addition to the $7.596 million program costs, if WRAM is authorized, it is likely that ratepayers would have to pay surcharges to reimburse SJWC for undercollections in the WRAM balancing accounts.

With exception to actions taken to in response to State drought proclamations, which are addressed in Section 2 below, SJWC has the following two conservation priorities in regard to conservation.

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[337] A.15-01-002, Exhibit E, Chapter 19, page 5.

(a) California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP)

SJWC is a signatory member of the CUWCC Memorandum of Understanding for conservation BMP in March 2006 and has been an active member in the council since that time.[338] The table in Attachment 13-C shows which BMPs are currently being implemented by SJWC. "The latest CUWCC reporting period, 2011 and 2012, SJWC received an 'on track' status for all BMPs."[339]

(b) Senate Bill (SB) X7-7

In November of 2009, SB X7-7 was enacted. This legislation required all water suppliers to reduce per capita urban water use by 20% by December 31, 2020, with an incremental goal of 10% by December, 2015. The table in Attachment 13-D shows SJWC's Base Daily per Capita Water Use.[340] Figure 13-A below shows SJWC's annual progress towards meeting its SBX 7-7 2015 interim goal of 137 gpcd and 2020 goal of 124 gpcd.[341]

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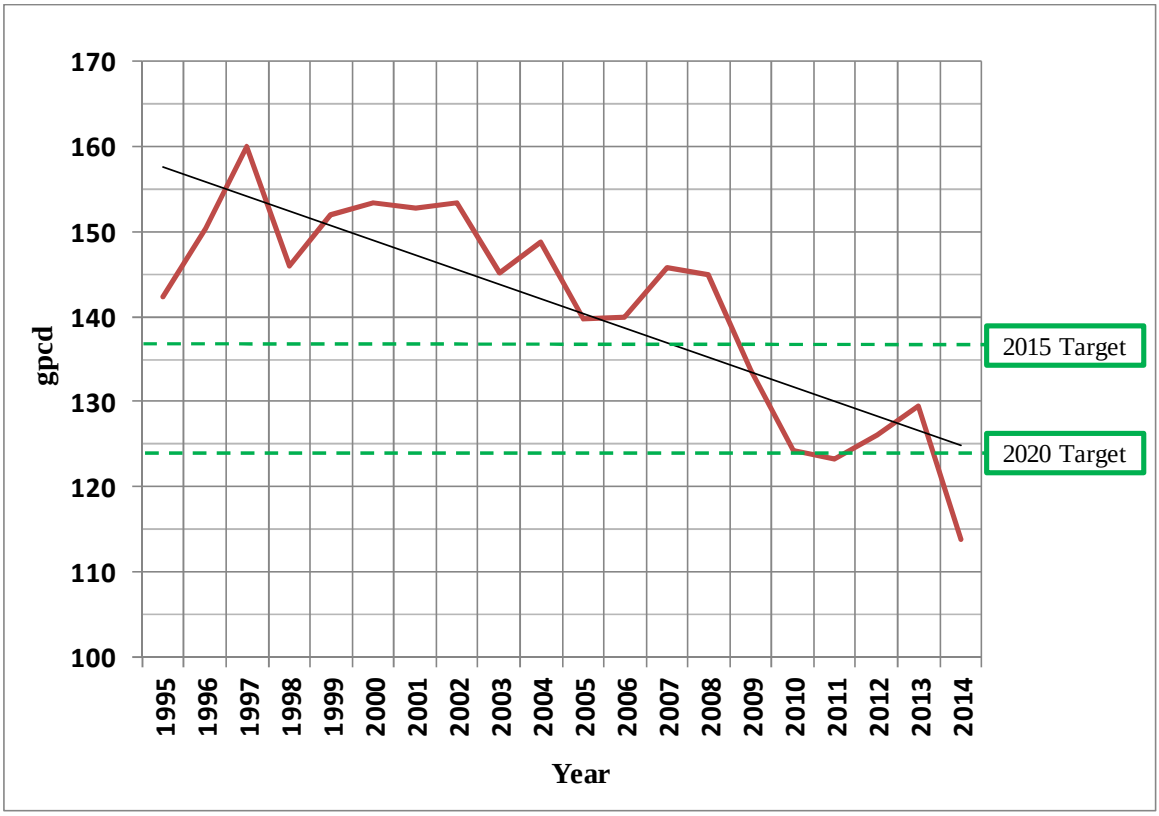
[338] A.15-01-002, Exhibit E, Chapter 18, page 4.

[339] A.15-01-002, Exhibit E, Chapter 18, page 4.

[340] SJWC response to Date Request DT1-001, Attachment 2.

[341] SJWC response to Date Request DT1-001, question 3.

Figure 13-A: SJWC Actual Annual Average GPCD Consumption with Trendline and SBX7-7 Targets



2) SJWC does not need a WRAM in response to state drought priorities when drought mechanisms are already in place

Exhibit E, Chapter 19 notes that "SJWC's WRAM/MCBA proposal aligns the company's financial interest with the priorities of the Governor's office, State Water agencies and the CPUC to encourage water customers to reduce their water consumption."[342] The actions taken to enforce these priorities were listed as follows:

[342] A.15-01-002, Exhibit E, Chapter 19, page 5.

- Proclamation of a State of Emergency Governor's call for a 20% reduction of water consumption, January 17, 2014.

- CPUC order for Class A and Class B water utilities to request customers to voluntarily reduce consumption by 20%, W-4976, February 27, 2014.

- CPUC order for all regulated water utilities to comply with the California Water Resources Control Board's Resolution No. 2014-0038 which imposes customer water usage restrictions and penalties (Resolution W-5000, August 14, 2014)[343]

The three above referenced recent actions are in response to California's current drought and will likely be discontinued after the drought's end. This is also the case for the Governor's Executive Order B-29-15. If a full revenue decoupling WRAM were authorized, it would continue even during non-drought years. Alternatively, SJWC was authorized a MCMA and MCRAM in AL 456-A which was filed March 18, 2014 (See Tariff in Attachment 13-B). The purpose of the MCMA is to track all operational and administrative costs associated with the implementation of Rule 14.1, Section A, as requested in AL 456-A. The purpose of the MCRAM is to track impacts of mandatory conservation on quantity revenues for future disposition. The Commission has determined that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation required by outside governmental agencies or

[343] A.15-01-002, Exhibit E, Chapter 19, pages 5-6.

entities. The water revenues subject to this account include, but are not limited to, those which may be affected by Rule 14.1.[344]

3) SJWC's unique water supply agreement, for which it was granted the M-WRAM, has not changed

As noted in ORA's testimony in the 2013 GRC, in assessing the appropriate pricing adjustment mechanism for SJWC, it was determined in D.08-08-030, which adopted the November 14, 2007 Settle Agreement, that the Monterey Style WRAM meets SJWC's unique circumstances.[345]

> *The Parties agree that this pricing adjustment mechanism is a proper regulatory response to San Jose's water supply situation and will foster the gradual transition proposed by the Parties to a more aggressive increasing quantity rate design. Because San Jose has a water supply that is constrained by its reliance on SCVWD for almost half of its water, the disincentives to water conservation that water utilities are reputed to have absent a conventional WRAM do not apply. The proposed pricing adjustment mechanism will ensure that the interests of customers continue to be served by retaining existing incentives for efficient operation because revenue will be trued-up to exactly the same level that would have been generated by uniform rates. Under current conditions, the Parties agree that the*

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[344] Cal. P.U.C. Sheet No. 1581-W, AL 456-A, filed March 18, 2014.

[345] ORA's Report on the Results of Operations of San Jose Water Company dated April 30, 2012, Chapter 16, page 16-7.

pricing mechanism described herein adequately ensures the recovery of sufficient revenue.[346]

SJWC responded in its testimony to this GRC that the "water supply situation has significantly changed. As a matter of fact, the water supply situation for the whole state of California has changed with the current prolonged drought, which has resulted in public policy initiatives that recognize the value of the scarce water resource."[347]

Although ORA does recognize that the state of California's water supply situation has changed with the current drought, SJWC's unique Take or Pay contract with SCVWD has not. The contract between Santa Clara Valley Water District and San Jose Water Work (currently SJWC), Article B, Section 1 a) reads:

> *On October 15, 1980, and every three years thereafter, Contractor shall submit in writing a proposed delivery schedule for the ensuing three-year period beginning July 1 of the following year. The proposed delivery schedule shall be submitted on a form provided by the District and shall indicate the amounts of treated water desired by Contractor during each year of the ensuing three-year period. Except as provided in Subsection c of this section, Contractor agrees that in submitting a proposed water delivery schedule it will not request an amount of water for each year which shall be less in total than 95 percent of the amount for the fiscal year*

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[346] D.08-08-030, Settlement Agreement dated November 14, 2007, page 13.

[347] A.15-01-002, Exhibit E, Chapter 19, page 14.

containing the maximum amount in the then current tree-year schedule…"[348]

As noted in settlement agreement above, "because San Jose has a water supply that is constrained by its reliance on SCVWD for almost half of its water, the disincentives to water conservation that water utilities are reputed to have absent a conventional WRAM do not apply." Furthermore, any revenue losses incurred due to mandatory conservation imposed on SJWC are addressed with the MCRAM and MCMA as noted above in Section 2 and Rule 14.1.

4) Ongoing Proceedings are Still Pending Regarding the WRAM Pilot Program

There are currently two proceedings awaiting the results of a review on the WRAM Pilot Program. These include D.12-04-048 and D.14-10-047.

(a) There are still unresolved issues in the Commission's review of the WRAM Pilot Program as ordered by D.12-04-048

In response to D.12-04-048, SJWC states that WRAM/MCBA Pilot Programs concerns were addressed in recent GRC decisions and that "…the Commission has not found any fault with the existing Class A water Utility authorized WRAM/MCBA mechanisms." This statement is unsupported and incomplete as it addresses the findings in only one of four water companies reviewing WRAM and fails to note that problems with undercollections have yet to be resolved. In all cases, decisions are either still pending, a vigorous review

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[348] Contract Between Santa Clara Valley Water District and San Jose Water Work (Currently SJWC) For a Supply of Treated Water, January 27, 1981, page 3. Contract provided to ORA in response to Data Request DT1-002 regarding Purchase Water Contracts.

has never taken place or, in the case of the company not finding fault with the WRAM Pilot Program, no conclusions have been made on how to resolve the external factors which impact WRAM's high undercollections.

In Exhibit E, Chapter 19, page 16 of this GRC, SJWC pointed to findings in four of the five water company GRCs that were in progress or whose Applications were filed after D.12-04-048. The following are the results of the findings from those GRCs:

(i) Park Water (A.12-01-001) – No Review

The vigorous review ordered under D.12-04-048 never took place. The following are the findings from the Settlement Agreement that was approved in D.13-09-005 for A.12-01-001.

- "…the Parties had no opportunity to conduct a rigorous review prior to issuing their initial testimony and that conducting such a review within the current schedule for this proceeding would not be possible…"[349]

- "The Parties further agree that Park's WRAM/MCBA has only been in existence for a little over three years and there is currently not a lot of data available for review."[350]

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[349] D.13-09-005 approved Settlement Agreement, page 68.

[350] D.13-09-005 approved Settlement Agreement, page 68.

(ii) Cal Water (A.12-07-007) – Review Inconclusive

The Cal Water review concluded that the Commission should not implement any of the five options in response to D.12-04-048. Cal Water, instead, suggested that the Commission adopt a Sales Reconciliation Mechanism (SRM). An SRM would adjust the adopted sales forecast in the two escalation years following the test year if total sales for the prior year are more than five percent above or below the adopted test year sales. A drought SRM was adopted in settlement as another pilot mechanism and will be subject for review in Cal Water's next GRC.[351]

(iii) Apple Valley (A.14-01-002) – Awaiting Decision

In A.14-01-002, Apple Valley recommended a SRM to respond to high undercollections. The Decision for A.14-01-002 is still pending, but the Commission recommended, in the Proposed Decision, continuance of WRAM and denied Apple Valley's request for a SRM noting "…consideration of changes to the WRAM should occur in an industry-wide proceeding rather than adopted for a single utility."[352]

(iv) Golden State (A.11-07-017) D.13-05-011 Review Inconclusive

In D.13-05-011, the Commission found that the WRAM Pilot Program is achieving the purpose of removing the disincentive for water utilities to conserve. Furthermore, consumption has been reduced and a cost savings is passed on to

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[351] D.14-08-011, page 20.

ratepayers as a result of conservation.[353] Unfortunately, D.13-05-011 did not resolve the problem of the high number of undercollections, which is one of the main issues addressed in D. 12-04-08. As noted in D.12-04-048:

> *We agree with DRA that our focus should also be on the amount of the WRAM/MCBA under-collections, not just the amortization schedules. As stated in our scoping memo, each applicant's GRC proceeding should comprehensively review the WRAM/MCBA mechanisms.*[354]

(b) D.14-10-047 Orders a Phase II on R.11-11-008 to Address Conservation Rates Including WRAM

D.14-10-047 ordered the Commission to open a Phase II on R.11-11-008 to analyze and propose actions on issues regarding affordability and rate design, including but not limited to conservation rate design such as tiered rate structures, and accounting mechanisms such as the WRAM.[355] Phase II of R.11-11-008 is pending but expected soon given that D.15-02-034 set the statutory deadline of April 30, 2015. Any decision made on WRAM prior to consideration of findings resulting from this proceeding would be premature. ORA recommends against

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(continued from previous page)

[352] A.14-01-002 Proposed Decision, mailed April 1, 2015, page 26.

[353] D.13-05-011, page 3.

[354] D.12-14-048, page 23.

[355] D.14-10-047, page 11.

allowing consideration of any proposals authorizing a full decoupling WRAM until R.11-11-008 Phase II has concluded and all issues have been resolved.

E. Conclusion

Even before the WRAM was first adopted in 2008, water use in California has been on the decline.[356] Reasons for the reduction can be attributed to greater public awareness on water supply issues, conservation, tiered rates, and drought mandates. It would be difficult, though, to prove that the continued reduction in water use is due to revenue decoupling and the WRAM/MCBA Pilot program since SJWC's consumption has also declined without ever instituting such revenue decoupling mechanisms (see Figure 13-A). What is most certain and supported by previous analysis is that issues with inaccurate forecasting that go along with WRAM have resulted in high undercollections and have persisted with those companies that have been authorized a revenue decoupling WRAM Pilot Program. The high undercollections, which total in the millions, are charged back to ratepayers in the form of surcharges which reduce any savings to ratepayers that can be attributed to their conservation efforts.

In addition to all the facts that ORA has pointed out against WRAM, one new fact stands out that simply cannot be ignored. There are two proceedings that have ordered a review of the issues with the WRAM Pilot Program. D.12-04-048 required a vigorous review of WRAM and the findings so far have not revealed a proven resolution to the problems with high undercollections. D.14-10-047 (R.11-11-008) ordered a Phase II "to analyze and propose actions on issues regarding

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[356] http://water.usgs.gov/watuse/wutrends.html, USGS report showing decline in water use since 1980.

affordability and rate design, including but not limited to conservation rate design such as tiered rate structures, and accounting mechanisms such as Water Revenue Adjustment Mechanisms." It would be premature to consider authorizing WRAM/MCBA for SJWC when this pilot program has failed to meet a primary objective[357] 7 years after first being implemented and while two decisions requiring review of the ongoing issues with this mechanism are still pending results.

ORA recommends the SJWC continue with its existing M-WRAM, ICBA, MCMA and MCRAM. These mechanisms protect SJWC's financial interests in providing safe and reliable service while ensuring SJWC and their customers are proportionally affected when conservation rates are implemented, so that neither party suffers nor benefits from the implementation of those rates. As such, ORA recommends against the authorization of a full decoupling WRAM/MCBA.

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[357] D.12-04-048, page 36, "The mechanisms were designed to ensure that applicants and their customers are proportionally affected when conservation rates are implemented, so that neither party suffers nor benefits from the implementation of those rates."

Attachment 13-A: List of WRAM Undercollections

Table 1 – Applicants' districts in order of greatest 2010 percent undercollection

Applicant and District Name		2010 % Undercollection[a]	Approx. Number of Customers[b]	Surcharge ($) per ccf (Tier 1 only, if applicable)[c]
Cal-Am Monterey (w Ambler Park)		27.40%	38,573	not provided
Cal-Water Redwood Valley – Unified	**RSF**	27.31%	*463*	1.4206
Golden State Region I - Bay Point		26.49%	*4,757*	0.702
Cal Water Kern River Valley	**RSF**	26.38%	*1,012*	0.9936
Cal-Water Redwood Valley – Lucerne	**RSF**	22.24%	*1,246*	0.727
Cal-Am Larkfield		19.88%	*2,504*	0.3808
Cal-Am LA Duarte		17.68%	*7,324*	not provided
Golden State Region I - Los Osos		17.17%	*3,265*	0.329
Cal-Water Dixon		16.02%	*2,902*	0.7841
Cal-Am LA San Marino		15.13%	13,903	not provided
Golden State Region I - Ojai		11.59%	*2,880*	0.192
Cal-Water Salinas		11.35%	23,828	0.1264
Golden State Region I - Santa Maria		11.21%	13,355	0.088
Golden State Region I - Simi Valley		10.76%	13,139	0.126
Cal-Water Oroville		10.00%	*3,346*	0.1189
Cal-Water Antelope Valley	**RSF**	9.65%	*617*	0.1607
Golden State Region I - Arden Cordova		9.27%	15,986	0.141
Apple Valley Ranchos		8.72%	19,658	0.143
Golden State Region III		8.61%	98,776	0.183
Cal-Am Coronado		8.58%	18,332	0.1366
Cal-Water Hermosa Redondo		7.87%	26,364	0.1639
Cal-Water Redwood Valley - Coast Springs **RSF**		7.81%	*246*	1.2389
Cal-Water Westlake		7.51%	*6,934*	0.1377
Park Water Company		7.38%	*21,580*	0.172
Cal-Water Bear Gulch		6.83%	18,510	0.1553
Cal-Water Palos Verdes		6.78%	23,985	0.1143
Cal-Water Stockton		6.21%	42,205	0.0731
Cal-Water Selma		6.10%	*2,349*	0.0614
Cal-Water Bayshore		5.68%	52,077	0.1201
Cal-Water Chico-Ham City		5.60%	19,738	0.0556
Cal-Am LA Baldwin Hills		5.37%	*6,195*	not provided
Cal-Water Marysville		5.04%	*1,765*	0.1523
Cal-Water Dominguez		4.61%	32,860	0.1249
Cal-Am Village		2.77%	21,542	0.0917
Golden State Region II		2.65%	99,613	0.138
Cal-Water Visalia		2.25%	32,518	0.0552
Cal-Water Bakersfield		-4.46%	37,741	(0.1020)

a – Bold values indicate being greater than 15%
b – Italicized values indicate being less than 10,000 customers
c – as presented in Appendix A of the scoping memo

Attachment 13-B: Drought Memorandum Tariff

SAN JOSE WATER COMPANY (U168W) Revised Cal. P.U.C. Sheet No. 1581-W
San Jose, California Canceling Revised Cal. P.U.C. Sheet No. 1444-W

PRELIMINARY STATEMENT
(Continued)

H. Mandatory Conservation Memorandum Account

1. Purpose

The purpose of the Mandatory Conservation Memorandum Account (MCMA) is to track all operational and administrative costs associated with the implementation of Rule 14.1, Section A, as requested in AL 456-A. (T)

2. Applicability

The MCMA will track the operating and administrative costs incurred in developing and implementing expanded and/or new conservation programs under Rule 14.1, Section A, including:

a. Customer education and outreach activities.
b. Program monitoring, data recording and reporting expense.
c. Operational costs, such as water supply cost changes, associated with mandatory conservation compliance.
d. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

3. Disposition

If the accumulated balance for the MCMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the Mandatory Conservation Memorandum Account are subject to a reasonableness review in the Company's next General Rate Case or in an appropriate advice letter filing. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

4. Effective Date

The MCMA shall go into effect on the effective date of Advice Letter No. 456-A. (T)

I. Mandatory Conservation Revenue Adjustment Memorandum Account

1. Purpose

The purpose of this Mandatory Conservation Revenue Adjustment Memorandum Account (MCRAM) is to track impacts of mandatory conservation on quantity revenues for future disposition. The Commission has determined that this mechanism is appropriate in coordination with increasing water conservation activities or mandatory conservation required by outside governmental agencies or entities. The water revenues subject to this account include but are not limited to those which may be affected by Rule 14.1.

2. Applicability

The MCRAM is applicable to all quantity related rate revenue.

3. Definitions

a. Non-MCRAM revenue is all revenue excluded from the MCRAM account, such as metered service charges and public and private fire protection service. In addition, surcharges and surcredits, unless specifically included in adopted revenue requirement, will be excluded from MCRAM tracking.
b. MCRAM-eligible revenue is all revenue not excluded in 3.a, above.
c. Recorded MCRAM-eligible revenue is the amount of quantity rate revenue collected from customers in any particular period.
d. Adopted MCRAM-eligible revenue is the amount of quantity related revenue necessary in conjunction with adopted non-MCRAM revenue to generate the adopted revenue requirement.

(Continued)

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

Advice No. 456-A PALLE JENSEN Date Filed MAR 18 2014
Senior Vice President, Effective MAR 3 2014
Dec. No. Regulatory Affairs Resolution No.
TITLE

PRELIMINARY STATEMENT
(Continued)

I. Mandatory Conservation Revenue Adjustment Memorandum Account (Continued)

4. Accounting Procedure

a. The following entries will be recorded monthly in the MCRAM:

1. Most recently adopted water sales revenue on the effective date of Advice Letter 456-A adjusted for all subsequent rate increases. (T) (I)
2. Actual water sale revenue collected adjusted for existing Revenue Adjustment Mechanism. The actual water sales revenue collected in the MCRAM will be kept distinct from revenue Tracked by SJWC's existing Monterey-style WRAM.
3. Most recently adopted variable expenses for purchased water, pump tax and power
4. Actual recorded variable expenses
5. Total net MCRAM balance = (1 minus 2) minus (3 minus 4)
6. A negative (-) balance in the memorandum account reflects a utility over collection to be refunded, while a positive balance reflects a utility under collection to be recovered in rates.

b. The Company will record the accumulated MCRAM balance monthly by adding its entry in Section a.5. above to the prior accumulated monthly balance.

c. Interest shall accrue on a monthly basis by applying a rate equal to one-twelfth of the 3-month non-financial Commercial Paper, as reported in the Federal Reserve Statistical Release, to the average of the beginning-of-month and the end-of-month balances.

d. Before seeking recovery of the MCRAM balance, the balance shall be reduced by an amount equal to a 20 basis point reduction in the most recently adopted return on equity.

5. Disposition

If the accumulated balance for the MCMA exceeds 2% of the total authorized revenue requirement for the prior calendar year, the Company will file an advice letter to amortize the balance. Prior to recovery, charges made to the MCRAM are subject to a reasonableness review. The recovery of under-collections or refunds of over-collections will be passed on to the customers through volumetric surcharges or surcredits.

6. Effective Date

The MCRAM shall go into effect on the effective date of Advice Letter No. 456-A. (I)

7. Sunset Date

The MCRAM will remain in effect until the Wholesaler declares the water shortage is over and the mandatory conservation mandates are ceased.

(To be inserted by utility)	Issued by	(To be inserted by Cal. P.U.C.)
Advice No. 456-A	PAUL E. JENSEN	Date Filed MAR 1 6 2014
	Senior Vice President,	Effective MAR 2 1 2014
Dec. No.	Regulatory Affairs	Resolution No.

Attachment 13-C: CUWCC BMP Compliance Report

CUWCC BMP Organization and Names (Based on CUWCC 2009 MOU)				SJWC in compliance? (i.e. program is ongoing)	Done by SJWC or via SCVWD?
Type	Category	BMP	BMP name		
F	Operations Practices	1.1.1	Conservation Coordinator	YES	SJWC
		1.1.2	Water Waste Prevention	YES	SJWC
		1.1.3	Wholesale Agency Assistance Programs	YES	SCVWD
		1.2	Water Loss Control	YES	SJWC
		1.3	Metering w/ Commodity Rates for All New Connections &Retrofit of Existing Connections	YES	SJWC
		1.4	Retail Conservation Pricing	YES	SJWC
	Education Programs	2.1	Public Information Programs	YES	SJWC and SCVWD
		2.2	School Education Programs	YES	SJWC and SCVWD
P	Residential	3.1	Residential assistance program	YES	SJWC
		3.2	Landscape water survey	YES	SJWC
		3.3	High-Efficiency Clothes Washing Machine Financial Incentive Programs	YES	SCVWD
		3.4	WaterSense Specification (WSS) toilets	YES	SCVWD
	CII	4	CII	YES	SJWC AND SCVWD
	Landscape	5	Landscape	YES	SJWC and SCVWD

Attachment 13-D: SJWC's Base Daily per Capita Water Use

Table 14 Expanded

Year	Distribution System Population	Population Source (1)	Daily system gorss water use (MGD) (2)	Annual daily per capita water use (gpcd) (3)
1995	886,116	PPC	126	142
1996	883,650	PPC	133	150
1997	885,011	PPC	142	160
1998	886,121	PPC	129	146
1999	897,433	PPC	136	152
2000	901,982	PPC	138	153
2001	903,898	PPC	138	153
2002	905,058	PPC	139	153
2003	907,683	PPC	132	145
2004	910,243	PPC	135	149
2005	916,473	PPC	128	140
2006	924,214	PPC	129	140
2007	928,575	PPC	135	146
2008	928,784	PPC	135	145
2009	929,398	PPC	124	134
2010	946,494	ABAG	118	124
2011	960,732	ABAG	118	123
2012	974,970	ABAG	123	126
2013	989,208	ABAG	128	129
2014	1,003,446	ABAG	114	114
2015	1,017,684	ABAG	127	124
2020	1,084,352	ABAG	129	119

Notes:
(1) PPC = population determined by population per connection method
ABAG = population from Association of Bay Area Governments census projections
(2) Water use from production data (includes system losses)
(3) 2015 and 2020 based on original projected water usage

APPENDIX A:

RESULTS OF OPERATION

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	REVENUE INCREASES OVER Present Rate	ORA	SJWC	SJWC > ORA
1.	Test Year 2016 Increase (in dollars)	23,468.43	34,031.15	10,562.71
2.	Test Year 2016 Increase in percentage	8.54%	11.88%	3.34%
3.	Escalation Year 2017 Increase (in dollars)	36,650.43	44,264.16	7,613.72
4.	Escalation Year 2017 Increase in percentage	13.30%	15.46%	2.16%

SAN JOSE WATER COMPANY A.15-01-002

TABLE 1-1
SUMMARY OF EARNINGS - TEST YEAR

	Test Year 2016 ($000)	ORA-Present Rates	SJWC-Present Rates	SJWC > ORA	
1a	**Revenue:**				
2a	Operating Revenues	274,459.7	286,024.7	11,565.0	4.2%
3a	Deferred Revenue on CIAC - Gross of Tax	487.3	488.0	0.8	0.2%
4a	**Total Revenue**	**274,947.0**	**286,512.7**	11,565.8	4.2%
5a	**Operating Expenses:**				
6a	Operation & Maintenance	141,830.3	159,182.6	17,352.2	12.2%
7a	Administrative & General	26,479.2	29,278.4	2,799.1	10.6%
8a	Depreciation Expense (Including GIS)	41,969.5	41,969.5	0.0	0.0%
9a	Provision for Amortization of Intangibles	16.3	16.3	0.0	0.0%
10a	Taxes Other Than Income (Ad Val., Bus.Lic, Fran., Payroll taxes)	10,712.6	11,974.2	1,261.6	11.8%
11a	California Corporate Franchise Tax	1,084.4	159.4	(925.0)	-85.3%
12a	Federal Income Tax	13,607.2	10,312.9	(3,294.4)	-24.2%
13a	Amortization of Unrecoverable Prepaid Tax-CIAC	3.2	3.2	0.0	0.0%
14a	**Total Operating Expenses**	**235,702.8**	**252,896.4**	**17,193.6**	**7.3%**
15a	**Net Operating Revenues**	**39,244.2**	**33,616.3**	**(5,627.9)**	**-14.3%**
16a	Weighted Average Rate Base	656,558.4	664,754.9	8,196.5	1.2%
17a	***Return on Rate Base at Present Rates***	***5.98%***	***5.06%***	***-0.92%***	***-15.4%***

	Test Year 2016 ($000)	ORA-Proposed Rates	SJWC-Proposed Rates	SJWC > ORA	
1b	**Revenue:**				
2b	Operating Revenues	297,928.1	320,055.9	22,127.7	7.4%
3b	Deferred Revenue on CIAC - Gross of Tax	487.3	488.0	0.8	0.2%
4b	**Total Revenue**	**298,415.4**	**320,543.9**	22,128.5	7.4%
5b	**Operating Expenses:**				
6b	Operation & Maintenance	141,830.3	159,182.6	17,352.2	12.2%
7b	Administrative & General	26,479.2	29,278.4	2,799.1	10.6%
8b	Depreciation Expense (Including GIS)	41,969.5	41,969.5	0.0	0.0%
9b	Provision for Amortization of Intangibles	16.3	16.3	0.0	0.0%
10b	Taxes Other Than Income (Ad Val., Bus.Lic, Fran., Payroll taxes)	10,768.8	12,055.7	1,286.9	12.0%
11b	California Corporate Franchise Tax	3,150.9	3,156.0	5.1	0.2%
12b	Federal Income Tax	21,065.8	21,128.6	62.8	0.3%
13b	Amortization of Unrecoverable Prepaid Tax-CIAC	3.2	3.2	0.0	0.0%
14b	**Total Operating Expenses**	**245,284.1**	**266,790.3**	**21,506.2**	**8.8%**
15b	**Net Operating Revenues**	**53,131.3**	**53,753.6**	622.2	1.2%
16b	Weighted Average Rate Base	656,558.4	664,754.9	8,196.5	1.2%
17b	***Return on Rate Base at Proposed Rates***	***8.09%***	***8.09%***	***-0.01%***	***-0.1%***

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TABLE 1-2
SUMMARY OF EARNINGS - ESCALATION YEARS

	For Illustrative Purposes ($000)	**ORA 2017**	**ORA 2018**	**2017-2018 Increase**	
1	**Revenue:**				
2	Operating Revenues	311,731.7	328,480.0	16,748.3	5.4%
3	Deferred Revenue on CIAC - Gross of Tax	488.0	487.3		
4	**Total Revenue**	312,219.7	328,967.3	16,748.3	0.1
5	Operating Expenses:				
6	Operation & Maintenance	142,605.1	143,800.0	1,194.9	0.8%
7	Administrative & General	26,887.0	27,557.0	670.0	2.5%
8	Depreciation Expense	46,128.1	50,286.8	4,158.7	9.0%
9	Provision for Amortization of Intangibles	16.3	16.3	0.0	0.0%
10	Taxes Other Than Income	11,406.0	12,057.0	651.0	5.7%
11	California Corporate Franchise Tax	4,595.4	6,775.3	2,179.9	47.4%
12	Federal Income Tax	22,913.9	25,821.3	2,907.4	12.7%
13	Amortization of Unrecoverable Prepaid Tax-CIAC	3.2	3.2	0.0	0.0%
14	Total Operating Expenses	254,555.0	266,316.9	11,761.9	4.6%
14	Net Operating Revenues	57,664.7	62,163.1	4,498.3	7.8%
15	Weighted Average Rate Base	712,476.2	768,393.9	55,917.7	7.8%
16	***Return on Rate Base***	***8.09%***	***8.09%***	***(0.0)***	***0.0%***

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TABLE 2-1
AVERAGE WATER SALES PER CUSTOMER (OR PER CONNECTION)

	Test Year 2016 (CCF/connection/year)*	**ORA**	**SJWC**	**SJWC > ORA**	
1a	**Metered Average Water Sales:**				
2a	Potable Water				
3a	Residential	146.6	157.1	10.5	7.2%
4a	Business	860.8	892.6	31.8	3.7%
5a	Industrial	3,846.2	3,861.8	15.6	0.4%
6a	Public Authorities	1,972.6	2,151.1	178.5	9.0%
7a	Resale	10,059.4	12,268.8	2,209.4	22.0%
8a	Other	422.2	318.1	(104.1)	-24.7%
9a	Raw and Recycled Water				
10a	Raw Water	3,500.0	3,500.0	0.0	0.0%
11a	Recycled Water	2,963.0	2,963.0	0.0	0.0%
12a	Recycled Water Well	45,763.0	45,763.0	0.0	0.0%

	Escalation Year 2017 (CCF/connection/year)*	**ORA**	**SJWC**	**SJWC > ORA**	
1a	**Metered Average Water Sales:**				
2a	Potable Water				
3a	Residential	146.6	157.5	10.9	7.4%
4a	Business	860.8	879.2	18.4	2.1%
5a	Industrial	3,846.2	3,861.8	15.6	0.4%
6a	Public Authorities	2,014.7	2,197.0	182.3	9.0%
7a	Resale	10,059.4	12,268.8	2,209.4	22.0%
8a	Other	403.2	321.5	(81.6)	-20.3%
9a	Raw and Recycled Water				
10a	Raw Water	3,500.0	3,500.0	0.0	0.0%
11a	Recycled Water	2,933.0	2,933.0	0.0	0.0%
12a	Recycled Water Well	45,763.0	45,763.0	0.0	0.0%

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TABLE 2-2
AVERAGE NUMBER OF CUSTOMERS (SERVICE CONNECTIONS)

	Test Year 2016	**ORA**	**SJWC**	**SJWC > ORA**	
1a	**Metered Customers (Service Connections):**				
2a	Potable Water				
3a	Residential	199,416	199,416	0	0%
4a	Business	20,332	20,332	0	0%
5a	Industrial	53	53	0	0%
6a	Public Authorities	1,293	1,293	0	0%
7a	Resale	32	32	0	0%
8a	Other	212	188	(24)	-11%
9a	Total Potable Metered Customers	221,338	221,314	(24)	0%
10a	Raw and Recycled Water				
11a	Raw Water	4	4	0	0%
12a	Recycled Water	170	170	0	0%
13a	Recycled Water Well	8	8	0	0%
14a	Total Raw and Recycled Water Customers	182	182	0	0%
15a	**Total Metered Customers**	221,520	221,496	(24)	0%
16a	Up-size to Residential with Fire Service	3,532	3,532	0	0%
17a	**Fire Services:**				
18a	Private Fire Services	3,709	3,709	0	0%
19a	Public Fire Services	0	0	0	0%
20a	**Total Fire Services**	3,709	3,709	0	0%
21a	**Total Number of Connections:**				
22a	Including Fire Protection	225,229	225,205	(24)	0%
23a	Excluding Fire Protection	221,520	221,496	(24)	0%

	Escalation Year 2017	**ORA**	**SJWC**	**SJWC > ORA**	
1a	**Metered Customers (Service Connections):**				
2a	Potable Water				
3a	Residential	199,972	199,972	0	0%
4a	Business	20,358	20,358	0	0%
5a	Industrial	53	53	0	0%
6a	Public Authorities	1,266	1,266	0	0%
7a	Resale	32	32	0	0%
8a	Other	222	186	(36)	-16%
9a	Total Potable Metered Customers	221,903	221,867	(36)	0%
10a	Raw and Recycled Water				
11a	Raw Water	4	4	0	0%
12a	Recycled Water	8	8	0	0%
13a	Recycled Water Well	229	229	0	0%
14a	Total Raw and Recycled Water Customers	241	241	0	0%
15a	**Total Metered Customers**	222,144	222,108	(36)	0%
16a	Up-size to Residential with Fire Service	3,794	3,794	0	0%
17a	**Fire Services:**				
18a	Private Fire Services	3,745	3,745	0	0%
19a	Public Fire Services	0	0	0	0%
20a	**Fire Services Subtotal**	3,745	3,745		
21a	**Total Number of Connections:**				
22a	Including Fire Protection	225,889	225,853	(36)	0%
23a	Excluding Fire Protection	222,144	222,108	(36)	0%

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TABLE 2-3
TOTAL SALES AND SUPPLY

	Test Year 2016 (KCCF)	**ORA**	**SJWC**	**SJWC > ORA**	
1a	**Metered Sales:**				
2a	Potable Water sales				
3a	Residential	29,234.0	31,328.0	2,094	7.2%
4a	Business	17,451.1	18,097.1	646	3.7%
5a	Industrial	203.1	204.1	1	0.5%
6a	Public Authorities	2,547.4	2,777.4	230	9.0%
7a	Resale	321.9	392.6	71	22.0%
8a	Other	89.5	59.8	(30)	-33.2%
9a	Total Potable Water Sales	49,846.9	52,858.9	3,012	6.0%
10a	Raw and Recycled Water Sales				
11a	Raw Water	14.0	14.0	0	0.0%
12a	Recycled Water	503.7	503.7	0	0.0%
13a	Recycled Water Well	366.1	366.1	0	0.0%
14a	Total Raw and Recycled Water Sales	883.8	883.8	0	0.0%
15a	**Total Metered Sales**	**50,730.7**	**53,742.7**	3,012	5.9%
	Total Potable Water Sales	49,846.9	52,858.9	3,012	6.0%
	Water Loss Rate %	*6.800%*	*6.800%*	0	0.0%
	Water Loss	3,630.0	3,850.0	220	6.1%
	Total Requirement (Sales + Water Loss) *	**53,476.9**	**56,708.9**	**3,232**	**6.0%**
	WATER SUPPLY MIX:				
	Well Water	20,645.2	23,877.0	3,232	15.7%
	Purchased Water	30,747.0	30,747.0	0	0.0%
	Surface Supply	2,084.7	2,085.0	0	0.0%
	Total Supply **	**53,476.9**	**56,709.0**	**3,232**	**6.0%**

	Escalation Year 2017 (KCCF)	**ORA**	**SJWC**	**SJWC > ORA**	
1a	**Metered Sales:**				
2a	Potable Water sales				
3a	Residential	29,316.0	31,496.0	2,180	7.4%
4a	Business	17,308.3	17,683.3	375	2.2%
5a	Industrial	201.1	202.1	1	0.5%
6a	Public Authorities	2,546.3	2,776.3	230	9.0%
7a	Resale	321.9	392.6	71	22.0%
8a	Other	89.5	59.8	(30)	-33.2%
9a	Total Potable Water Sales	49,783.0	52,610.0	2,827	5.7%
10a	Raw and Recycled Water Sales				
11a	Raw Water	14.0	14.0	0	0.0%
12a	Recycled Water	671.6	671.6	0	0.0%
13a	Recycled Water Well	366.1	366.1	0	0.0%
14a	Total Raw and Recycled Water Sales	1,051.7	1,051.7	0	0.0%
15a	**Total Metered Sales**	50,834.7	53,661.7	2,827	5.6%
					0.0%
	Total Potable Water Sales	49,783.0	52,610.0	2,827	5.7%
	Water Loss Rate %	*6.800%*	*6.800%*	0	0.0%
	Water Loss	3,626.0	3,831.0	205	5.7%
	Total Requirement (Sales + Water Loss) *	**53,409.0**	**56,441.0**	**3,032**	**5.7%**
				0	0.0%
	WATER SUPPLY MIX:				
	Well Water	20,577.3	23,609.0	3,032	14.7%
	Purchased Water	30,747.0	30,747.0	0	0.0%
	Surface Supply	2,084.7	2,085.0	0	0.0%
	Total Supply **	**53,409.0**	**56,441.0**	**3,032**	**5.7%**

** Total Requirement and Total Supply may differ slightly due to rounding.*

SAN JOSE WATER COMPANY A.15-01-002

TABLE 2-4
OPERATING REVENUES AT PRESENT RATES

	Test Year 2016 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1	METERED SALES REVENUE				
2	Potable Water Revenue				
3	Residential	168,740.0	176,816.0	8,076.0	4.8%
4	Business	84,572.0	87,064.0	2,492.0	2.9%
5	Industrial	980.0	984.0	4.0	0.4%
6	Public Authorities	12,166.0	13,053.0	887.0	7.3%
7	Resale	1,286.0	1,559.0	273.0	21.2%
8	Other	818.0	651.0	(167.0)	-20.4%
9	Total Potable Water Revenue	268,562.0	280,127.0	11,565.0	4.3%
10	Raw and Recycle Water				
11	Raw Water	53.0	53.0	0.0	0.0%
12	Recycled Water Piped	2,477.0	2,477.0	0.0	0.0%
13	Recycled Water Well	0.0	0.0	0.0	0.0%
14	Total Raw and Recycled Water	2,530.0	2,530.0	0.0	0.0%
15	METERED SALES REVENUE SUBTOTAL	**271,092.0**	**282,657.0**	11,565.0	4.3%
16	FLAT RATE FIRE SERVICE REVENUE				
17	Up-size to Residential with Fire Service	141.7	141.7	0.0	0.0%
18	Private Fire Service	3,022.0	3,022.0	0.0	0.0%
19	FLAT RATE FIRE SERVICE REVENUE SUBTOTAL	3,163.7	3,163.7	0.0	0.0%
20	MISCELLANEOUS REVENUE				
21	Rent	0.0	0.0	0.0	0.0%
22	Other	204.0	204.0	0.0	0.0%
23	MISCELLANEOUS REVENUE SUBTOTAL	204.0	204.0	0.0	0.0%
24	**Total Revenues at Present Rates, Test Year 2016**	**274,459.7**	**286,024.7**	**11,565.0**	**4.2%**

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1	METERED SALES REVENUE				
2	Potable Water Revenue				
3	Residential	169,213.0	177,620.0	8,407.0	5.0%
4	Business	84,048.0	85,494.0	1,446.0	1.7%
5	Industrial	969.0	973.0	4.0	0.4%
6	Public Authorities	12,112.0	12,999.0	887.0	7.3%
7	Resale	1,286.0	1,559.0	273.0	21.2%
8	Other	841.0	646.0	(195.0)	-23.2%
9	Total Potable Water Revenue	268,469.0	279,291.0	10,822.0	4.0%
10	Raw and Recycle Water			0.0	0.0%
11	Raw Water	53.0	53.0	0.0	0.0%
12	Recycled Water	3,153.0	3,153.0	0.0	0.0%
13	Recycled Water Well	0.0	0.0	0.0	0.0%
14	Total Raw and Recycled Water	3,206.0	3,206.0	0.0	0.0%
15	METERED SALES REVENUE SUBTOTAL	**271,675.0**	**282,497.0**	10,822.0	4.0%
16	FLAT RATE FIRE SERVICE REVENUE				
17	Up-size to Residential with Fire Service	152.3	152.3	0.0	0.0%
18	Private Fire Service	3,050.0	3,050.0	0.0	0.0%
19	FLAT RATE FIRE REVENUE SUBTOTAL	3,202.3	3,202.3	0.0	0.0%
20	MISCELLANEOUS REVENUE				
21	Rent	0.0	0.0	0.0	0.0%
22	Other	204.0	204.0	0.0	0.0%
23	MISCELLANEOUS REVENUE SUBTOTAL	204.0	204.0	0.0	0.0%
24	**Total Revenues at Present Rates, Escal. Year 2017**	**275,081.3**	**285,903.3**	10,822.0	3.9%

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TABLE 3-1
OPERATIONS & MAINTENANCE EXPENSES - TEST YEAR

	Test Year 2016 ($000)	ORA	SJWC	SJWC > ORA	
1	Operations Expenses:				
2	Supply Expense:				
3	Purchased Water Potable	59,787.0	59,787.0	0.0	0.0%
4	Purchased Water Recycle	1,262.2	1,262.2	0.0	0.0%
5	Other Source of Supply (Labor, Transp., M&S, Other)	1,063.7	1,232.3	168.7	15.9%
6	Purchased Power (Pumping)	8,915.0	9,453.8	538.8	6.0%
7	Pump Taxes (Pumped Water Cost)	35,406.0	40,947.0	5,541.0	15.6%
8	Other Pumping Expenses (Labor, Transp., M&S)	3,318.3	3,914.5	596.2	18.0%
9	Total Supply Expenses	109,752.1	116,596.8	6,844.7	6.2%
10	Water Treatment:				
11	Chemicals	459.0	459.0	0.0	0.0%
12	Other Water Treatment (Labor, M&S, Reg.Cost, etc.)	2,921.5	3,375.6	454.1	15.5%
13	Transmission and Distribution	3,655.8	4,386.5	730.7	20.0%
14	Customer Accounts	10,192.5	16,842.9	6,650.4	65.2%
15	Non-Tarriffed Service Adjustment	(760.1)	(674.1)	(86.0)	-11.3%
16	**Total Operations Expenses**	126,220.7	140,986.6	14,765.9	11.7%
17	Maintenance Expenses (Labor and Purchansed Services-M&S):				
18	Source of Supply Plant	180.4	208.2	27.8	15.4%
19	Pumping Plant	1,248.0	1,475.9	227.9	18.3%
20	Water Treatment Plant	659.5	671.8	12.3	1.9%
21	Transmission & Distribution (including transp. and other)	13,529.9	15,848.4	2,318.5	17.1%
22	Adjustments (Non-Utility Property)	(8.1)	(8.3)	0.2	1.9%
23	**Total Maintenance Expenses**	15,609.6	18,196.0	2,586.4	16.6%
24	**Total O&M excluding Uncollectibles**	**141,830.3**	**159,182.6**	**17,352.2**	**12.2%**
25	**At Present Rates**				
26	Total Revenues (including deferred Revenue on CIAC)	274,947.0	286,512.7	11,565.8	4.2%
27	*Uncollectible Rate*	*0.1515%*	*0.1515%*	*0.0000%*	*0.0%*
28	Uncollectibles Expense	416.4	434.0	17.5	4.2%
29	**Total O&M Expenses including Uncollectibles**	142,246.8	159,616.5	17,369.8	12.2%
30	**At Proposed Rates**				
31	Total Revenues (including deferred Revenue on CIAC)	298,416.2	320,543.2	22,127.0	7.4%
32	*Uncollectible Rate*	*0.1515%*	*0.1515%*	*0.0000%*	*0.0%*
33	Uncollectibles Expense	452.0	485.5	33.5	7.4%
34	**Total O&M Expenses including Uncollectibles**	**142,282.3**	**159,668.1**	17,385.8	12.2%

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TABLE 3-2
OPERATIONS & MAINTENANCE EXPENSES - ESCALATION YEAR

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1	Operations Expenses:				
2	Supply Expense:				
3	Purchased Water Potable	59,787.0	59,787.0	0.0	0.0%
4	Purchased Water Recycle	1,505.8	1,505.8	0.0	0.0%
5	Other Source of Supply	1,100.3	1,276.3	176.0	16.0%
6	Purchased Power (Pumping)	8,903.7	9,409.1	505.5	5.7%
7	Pump Taxes (Pumped Water Cost)	35,289.0	40,489.0	5,200.0	14.7%
8	Other Pumping Expenses (Labor, Transp., M&S)	3,431.0	4,052.0	621.0	18.1%
9	Total Supply Expenses	110,016.8	116,519.2	6,502.5	5.9%
10	Water Treatment:				
11	Chemicals	474.0	471.0	(3.0)	-0.6%
12	Other Water Treatment (Labor, M&S, Reg.Cost, etc.)	3,004.5	3,449.1	444.6	14.8%
13	Transmission and Distribution	3,763.2	4,501.5	738.3	19.6%
14	Customer Accounts	10,416.9	11,867.3	1,450.4	13.9%
15	Non-Tarriffed Service Adjustment	(760.1)	(674.1)	(86.0)	-11.3%
16	**Total Operations Expenses**	126,915.2	136,134.0	9,218.8	7.3%
17	Maintenance Expenses (Labor and Purchansed Services-M&S):				
18	Source of Supply Plant	186.0	214.0	28.0	15.1%
19	Pumping Plant	1,283.0	1,506.0	223.0	17.4%
20	Water Treatment Plant	256.7	264.2	7.5	2.9%
21	Transmission & Distribution (including transp. and other)	13,972.6	16,344.9	2,372.3	17.0%
22	Ratemaking Adjustments (Non-Utility Property)	(8.4)	(8.5)	0.1	1.1%
23	**Total Maintenance Expenses**	15,689.9	18,320.6	2,630.7	16.8%
24	**Total O&M excluding Uncollectibles**	**142,605.1**	**154,454.6**	11,849.5	8.3%
25	**At Present Rates**				
26	Total Revenues (including deferred Revenue on CIAC)	275,569.3	286,390.6	10,821.3	3.9%
27	*Uncollectible Rate*	*0.1515%*	*0.1515%*	*0.0000%*	*0.0%*
28	Uncollectibles Expense	417.4	433.8	16.4	3.9%
29	**Total O&M Expenses including Uncollectibles (at present rates)**	**143,022.5**	**154,888.3**	**11,865.9**	**8.3%**
30	**At Proposed Rates**				
31	Total Revenues (including deferred Revenue on CIAC)	312,219.7	330,654.7	18,435.0	5.9%
32	*Uncollectible Rate*	*0.1515%*	*0.1515%*	*0.0000%*	*0.0%*
33	Uncollectibles Expense	472.9	500.8	27.9	5.9%
34	**Total O&M Expenses including Uncollectibles (at proposed rates)**	**143,078.0**	**154,955.4**	11,877.4	8.3%

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TABLE 4-1
ADMINISTRATIVE & GENERAL EXPENSES

	Test Year 2016 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1a	Administrative & General Expenses:				
2a	Salaries	7,623.0	9,372.0	1,749.0	22.9%
3a	Office Supplies (Transpostation and M&S)	1,994.7	2,041.8	47.1	2.4%
4a	Property Insurance	233.5	233.8	0.4	0.2%
5a	Injuries and Damages	2,025.0	2,257.8	232.8	11.5%
6a	Pensions,Benefits & PBOP	16,133.8	16,698.5	564.7	3.5%
7a	Regulatory Commission	185.7	341.3	155.7	83.9%
8a	Outside Services	3,111.9	3,160.6	48.7	1.6%
9a	General Corporate	790.0	908.3	118.3	15.0%
10a	Dues & Membership	427.2	466.8	39.6	9.3%
11a	Rents	498.1	507.6	9.5	1.9%
12a	Maintenance Expense (Labor and M&S)	918.0	943.7	25.7	2.8%
13a	A & G Expenses Transferred	(7,461.7)	(7,653.9)	(192.2)	2.6%
14a	Total A&G and Miscellaneous Adjustments	**26,479.2**	**29,278.4**	**2,799.1**	**10.6%**

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1b	Administrative & General Expenses:				
2b	Salaries	7,799.0	9,503.0	1,704.0	21.8%
3b	Office Supplies	2,069.4	2,111.8	42.5	2.1%
4b	Property Insurance	253.0	255.7	2.7	1.1%
5b	Injuries and Damages	2,266.1	2,508.9	242.7	10.7%
6b	Pensions,Benefits & PBOP	16,053.7	16,643.5	589.8	3.7%
7b	Regulatory Commission	191.6	349.5	157.9	82.4%
8b	Outside Services	3,170.5	3,196.5	25.9	0.8%
9b	General Corporate	817.5	932.6	115.1	14.1%
10b	Dues & Membership	442.1	479.3	37.2	8.4%
11b	Rents	514.0	519.7	5.7	1.1%
12b	Maintenance Expense	947.2	966.2	19.1	2.0%
13b	A & G Expenses Transferred	(7,637.2)	(7,765.5)	128.3	1.7%
14b	**Total A&G and Miscellaneous Adjustments**	**26,887.0**	**29,701.3**	**2,814.4**	**10.5%**

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TABLE 5-1
TAXES OTHER THAN INCOME

	Test Year 2016 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1a	CITY & COUNTY TAXES				
2a	Ad Valorem	8,138.1	8,150.8	12.7	0.2%
3a	Business License	32.6	32.6	0.0	0.0%
4a	Payroll Taxes (SUI, FUI, FICA)	1,884.6	3,105.8	1,221.2	64.8%
5a	**At Present Rates**				
6a	Operating Revenue *EXCLUDING* Uncollectibles *	274,459.7	286,024.7	11,565.0	4.2%
7a	*Effective Local Franchise Tax Rate*	*0.240%*	*0.240%*	*0.000%*	*0.0%*
8a	Franchise Taxes on applicable op. revenues	657.3	685.0	27.7	4.2%
9a	**Total Taxes Other Than Income, At Present Rates**	**10,712.6**	**11,974.2**	1,261.6	11.8%
10a	**At Proposed Rates**				
11a	Operating Revenue *EXCLUDING* Uncollectibles *	297,928.1	320,055.9	22,127.7	7.4%
12a	*Effective Local Franchise Tax Rate*	*0.240%*	*0.240%*	*0.000%*	*0.0%*
13a	Franchise Taxes on applicable op. revenues	713.5	766.5	53.0	7.4%
14a	**Total Taxes Other Than Income, At Proposed Rates**	**10,768.8**	**12,055.7**	1,286.9	12.0%

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1b	CITY & COUNTY TAXES				
2b	Ad Valorem	8,701.2	8,795.1	93.9	1.1%
3b	Business License	32.6	32.6	0.0	0.0%
4b	Payroll Taxes (SUI, FUI, FICA)	1,925.6	3,147.8	1,222.2	63.5%
5b	**At Present Rates**				
6b	Operating Revenue *EXCLUDING* Uncollectibles *	275,081.3	285,903.3	10,822.0	3.9%
7b	*Effective Local Franchise Tax Rate*	*0.240%*	*0.240%*	*0.000%*	*0.0%*
8b	Franchise Taxes on applicable op. revenues	658.8	684.7	25.9	3.9%
9b	**Total Taxes Other Than Income, At Present Rates**	**11,318.2**	**12,660.2**	**1,342.0**	**11.9%**
10b	**At Proposed Rates**				
11b	Operating Revenue *EXCLUDING* Uncollectibles *	311,731.7	330,167.4	18,435.7	5.9%
12b	*Effective Local Franchise Tax Rate*	*0.240%*	*0.240%*	*0.000%*	*0.0%*
13b	Franchise Taxes on applicable op. revenues	746.6	790.8	44.2	5.9%
14b	**Total Taxes Other Than Income, At Proposed Rates**	**11,406.0**	**12,766.3**	**1,360.3**	**11.9%**

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TABLE 6-1
TAXES BASED ON INCOME - TEST YEAR AT PRESENT RATES

	Test Year 2016 ($000)	ORA	SJWC	SJWC > ORA	
1	Operating Revenue at Present Rates	274,459.7	286,024.7	11,565.0	4.2%
2	Common Deductions:				
3	Operating Expenses	179,438.6	200,869.2	21,430.5	11.9%
4	Transportation Depreciation (Clearing Account)	(991.6)	(991.6)	0.0	0.0%
5	Interest Expense	21,303.0	21,569.0	266.0	1.2%
6	50% Meal Disallowance	91.6	91.6	0.0	0.0%
7	Deductions excluding Depreciation	199,841.6	221,538.1	21,696.5	10.9%
8	State Corporation Franchise Tax				
9	Taxable Income before Tax Depreciation	74,618.1	64,486.6	(10,131.5)	-13.6%
10	Additional (Deduct):				
11	Tax Depreciation-State	(39,781.4)	(40,114.0)	332.6	0.8%
12	State Tax Deduction on Repairs and Maintenance	(22,612.8)	(22,612.8)	0.0	0.0%
13	Deferred Revenue (Net of Tax)	43.1	43.1	0.0	0.0%
14	Additional Deduction Subtotal	(62,351.0)	(62,683.6)	332.6	0.5%
15	Federal Tax Deductions				
16	Tax Depreciation	(33,317.8)	(33,523.7)	205.9	0.6%
17	Calif. Corporation Franchise Tax	(1,084.4)	(159.5)	(925.0)	-85.3%
18	IRS Section 199 QPA Deduction	(1,338.1)	(1,338.1)	0.0	0.0%
19	Federal Tax Deduction Subtotal	(35,740.3)	(35,021.3)	(719.0)	-2.0%
20	California Corporate Franchise Tax (CCFT)				
21	Taxable Income for CCFT	12,267.1	1,803.0	(10,464.1)	-85.3%
22	*CCFT Rate*	*8.84%*	*8.84%*	0.0%	0.0%
23	Total CCFT	1,084.4	159.4	(925.0)	-85.3%
24	Federal Income Tax (FIT)				
25	Taxable Income for FIT	38,877.8	29,465.3	(9,412.5)	-24.2%
26	*FIT Rate*	*35.00%*	*35.00%*	0.0%	0.0%
27	Total FIT	13,607.2	10,312.9	(9,412.5)	(0.2)
28	Amortization of Unrecoverable Prepaid Tax on CIAC	3.2	3.2	0.0	0.0%
29	**Total Income Taxes for Revenues at Present Rates**	**14,694.9**	**10,475.5**	**(4,219.4)**	**-28.7%**

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TABLE 6-2
TAXES BASED ON INCOME - TEST YEAR AT PROPOSED RATES

	Test Year 2016 ($000)	ORA	SJWC	SJWC > ORA	
1	Operating Revenue at Proposed Rates	297,928.1	320,055.9	22,127.7	7.4%
2	Common Deductions:				
3	Operating Expenses	179,530.4	201,001.7	21,471.3	12.0%
4	Transportation Depreciation (Clearing Account)	(991.6)	(991.6)	0.0	0.0%
5	Interest Expense	21,303.0	21,569.0	266.0	1.2%
6	50% Meal Disallowance	91.6	91.6	0.0	0.0%
7	Deductions excluding Depreciation	199,933.3	221,670.6	21,737.3	10.9%
8	State Corporation Franchise Tax				
9	Taxable Income before Tax Depreciation	97,994.8	98,385.2	390.4	0.4%
10	Additional (Deduct):				
11	Tax Depreciation-State	(39,781.4)	(40,114.0)	332.6	0.8%
12	State Tax Deduction on Repairs and Maintenance	(22,612.8)	(22,612.8)	0.0	0.0%
13	Deferred Revenue (Net of Tax)	43.1	43.1	0.0	0.0%
14	Additional Deduction Subtotal	(62,351.0)	(62,683.6)	332.6	0.5%
15	Federal Tax Deductions				
16	Tax Depreciation	(33,317.8)	(33,523.7)	205.9	0.6%
17	Calif. Corporation Franchise Tax	(3,150.9)	(3,156.0)	5.1	0.2%
18	IRS Section 199 QPA Deduction	(1,338.1)	(1,338.1)	0.0	0.0%
19	Subtotal	(37,806.8)	(38,017.9)	211.1	0.6%
20	California Corporate Franchise Tax (CCFT)				
21	Taxable Income for CCFT	35,643.8	35,701.7	57.9	0.2%
22	*CCFT Rate*	*8.84%*	*8.84%*	0.0%	0.0%
23	Total CCFT	3,150.9	3,156.0	5.1	0.2%
24	Federal Income Tax (FIT)				
25	Taxable Income for FIT	60,188.0	60,367.4	179.4	0.3%
26	*FIT Rate*	*35.00%*	*35.00%*	0.0%	0.0%
27	Total FIT	21,065.8	21,128.6	62.8	0.3%
28	Amortization of Unrecoverable Prepaid Tax on CIAC	3.2	3.2	0.0	0.0%
29	**Total Income Taxes for Revenues at Proposed Rates**	**24,219.9**	**24,287.8**	**67.9**	**0.3%**

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TABLE 6-3
TAXES BASED ON INCOME - ESCALATION YEAR AT PRESENT RATES

	Escalation Year 2017 ($000)	ORA	SJWC	SJWC > ORA	
1	Operating Revenues at Present Rates	275,081.3	285,903.3	10,822.0	3.9%
2	Common Deductions:				
3	Operating Expenses	181,227.7	197,249.2	16,021.5	8.8%
4	Transportation Depreciation (Clearing Account)	(1,189.8)	(1,189.8)	0.0	0.0%
5	Interest Expense	23,120.0	23,713.0	593.0	2.6%
6	50% Meal Disallowance	91.6	91.6	0.0	0.0%
7	Deductions excluding Depreciation	203,249.4	219,864.0	16,614.5	8.2%
8	State Corporation Franchise Tax				
9	Taxable Income before Tax Depreciation	71,831.8	66,039.3	(5,792.5)	-8.1%
10	Additional (Deduct):				
11	Tax Depreciation-State	(42,615.3)	(43,532.1)	916.8	2.2%
12	State Tax Deduction on Repairs and Maintenance	(13,773.6)	(13,773.6)	0.0	0.0%
13	Deferred Revenue (Net of Tax)	33.9	33.9	0.0	0.0%
14	Additional Deduction Subtotal	(56,355.0)	(57,271.8)	916.8	1.6%
15	Federal Tax Deductions				
16	Tax Depreciation	(36,818.2)	(37,406.7)	588.5	1.6%
17	Calif. Corporation Franchise Tax	(1,368.2)	(775.0)	(593.1)	-43.4%
18	IRS Section 199 QPA Deduction	(1,457.0)	(1,457.0)	0.0	0.0%
19	Subtotal	(39,643.4)	(39,638.8)	(4.6)	0.0%
20	California Corporate Franchise Tax (CCFT)				
21	Taxable Income for CCFT	15,476.8	8,767.5	(6,709.3)	-43.4%
22	*CCFT Rate*	*8.84%*	*8.84%*	0.0%	0.0%
23	Total CCFT	1,368.2	775.0	(593.1)	-43.4%
24	Federal Income Tax (FIT)				
25	Taxable Income for FIT	32,188.4	26,399.6	(5,788.8)	-18.0%
26	*FIT Rate*	*35.00%*	*35.00%*	0.0%	0.0%
27	Total FIT	11,265.9	9,239.9	(2,026.1)	-18.0%
28	Amortization of Unrecoverable Prepaid Tax on CIAC	3.2	3.2	0.0	0.0%
29	**Total Income Taxes for Revenues at Present Rates**	**12,637.3**	**10,018.1**	**(2,619.2)**	**-20.7%**

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TABLE 6-4
TAXES BASED ON INCOME - ESCALATION YEAR AT PROPOSED RATES

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1	Operating Revenues at Proposed Rates	311,731.7	330,167.4	18,435.7	5.9%
2	Common Deductions:				
3	Operating Expenses	181,370.9	197,423.2	16,052.3	8.9%
4	Transportation Depreciation (Clearing Account)	(1,189.8)	(1,189.8)	0.0	0.0%
5	Interest Expense	23,120.0	23,713.0	593.0	2.6%
6	50% Meal Disallowance	91.6	91.6	0.0	0.0%
7	Deductions excluding Depreciation	203,392.7	220,038.0	16,645.3	8.2%
8	State Corporation Franchise Tax				
9	Taxable Income before Tax Depreciation	108,339.0	110,129.4	1,790.5	1.7%
10	Additional (Deduct):				
11	Tax Depreciation-State	(42,615.3)	(43,532.1)	916.8	2.2%
12	State Tax Deduction on Repairs and Maintenance	(13,773.6)	(13,773.6)	0.0	0.0%
13	Deferred Revenue (Net of Tax)	33.9	33.9	0.0	0.0%
14	Additional Deduction Subtotal	(56,355.0)	(57,271.8)	(916.8)	1.6%
15	Federal Tax Deductions				
16	Tax Depreciation	(36,818.2)	(37,406.7)	588.5	1.6%
17	Calif. Corporation Franchise Tax	(4,595.4)	(4,672.7)	77.3	1.7%
18	IRS Section 199 QPA Deduction	(1,457.0)	(1,457.0)	0.0	0.0%
19	Subtotal	(42,870.7)	(43,536.4)	665.8	1.6%
20	California Corporate Franchise Tax (CCFT)				
21	Taxable Income for CCFT	51,984.0	52,857.7	873.7	1.7%
22	*CCFT Rate*	*8.84%*	*8.84%*	0.0%	0.0%
23	Total CCFT	4,595.4	4,672.6	77.2	1.7%
24	Federal Income Tax (FIT)				
25	Taxable Income for FIT	65,468.3	66,593.0	1,124.7	1.7%
26	*FIT Rate*	*35.00%*	*35.00%*	0.0%	0.0%
27	Total FIT	22,913.9	23,307.6	393.6	1.7%
28	Amortization of Unrecoverable Prepaid Tax on CIAC	3.2	3.2	0.0	0.0%
29	**Total Income Taxes for Revenues at Proposed Rates**	**27,512.5**	**27,983.4**	**470.9**	**1.7%**

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TABLE 7-1
UTILITY PLANT IN SERVICE

	Test Year 2016 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1a	Plant in Service - Beginning of Year	1,385,511.5	1,386,958.0	1,446.5	0.1%
2a	Gross Additions:				
3a	Land	10.5	10.5	0.0	0.0%
4a	Source of Supply	8,748.1	8,748.1	0.0	0.0%
5a	Reservoirs & Tanks	13,179.4	14,031.1	851.7	6.5%
6a	Water Treatment	2,253.2	2,253.2	0.0	0.0%
7a	Pump Stations & Equip.	9,376.2	11,414.7	2,038.5	21.7%
8a	Other Transmission & Distr. Plant	62,411.1	62,697.5	286.4	0.5%
9a	General Plant	8,770.6	14,772.0	6,001.4	68.4%
10a	Total Gross Additions	104,749.1	113,927.1	9,178.0	8.8%
11a	Retirement and Other Adjustments:				
12a	Retirements [1]	2,100.0	2,100.0	0.0	0.0%
13a	Sales and Adjustments	0.0	0.0	0.0	0.0%
14a	Capitalized Interest During Construction	1,123.6	1,216.9	93.3	8.3%
15a	Net Additions	103,772.6	113,044.0	9,271.4	8.9%
16a	Net Additions including Advances for Construction	109,502.7	118,774.0	9,271.3	8.5%
17a	Plant in Service - End of Year	1,489,284.1	1,500,002.0	10,717.9	0.7%
18a	*Plant Weighting Factor*	*50.89%*	*50.89%*	0.0%	0.0%
19a	**Weighted Average Plant in Service**	**1,438,325.5**	**1,444,490.6**	**6,165.1**	**0.4%**
20a	**Wtd Avg Plant in Service including Advances for Construction**	**1,441,241.7**	**1,447,406.8**	**6,165.1**	**0.4%**

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1b	Plant in Service - Beginning of Year	1,489,284.1	1,500,002.0	10,717.9	0.7%
2b	Gross Additions:				
3b	Land	10.9	10.9	0.0	0.0%
4b	Source of Supply	5,705.9	12,234.5	6,528.6	114.4%
5b	Reservoirs & Tanks	12,026.2	12,650.7	624.5	5.2%
6b	Water Treatment	2,503.5	2,503.5	0.0	0.0%
7b	Pump Stations & Equip.	11,284.3	13,468.2	2,183.9	19.4%
8b	Other Transmission & Distr. Plant	66,377.4	66,843.8	466.4	0.7%
9b	General Plant	5,613.2	8,312.4	2,699.2	48.1%
10b	Total Gross Additions	103,521.4	116,024.0	12,502.6	12.1%
11b	Retirement and Other Adjustments:				
12b	Retirements [1]	2,100.0	2,100.0	0.0	0.0%
13b	Sales and Adjustments	0.0	0.0	0.0	0.0%
14b	Capitalized Interest During Construction	1,110.3	1,237.5	127.2	11.5%
15b	Net Additions	102,531.7	115,161.5	12,629.7	12.3%
16b	Net Additions including Advances for Construction	108,188.2	120,818.0	12,629.8	11.7%
17b	Plant in Service - End of Year	1,591,815.8	1,615,163.5	23,347.6	1.5%
18b	*Plant Weighting Factor*	*50.89%*	*50.89%*	0.0%	0.0%
19b	**Weighted Average Plant in Service**	**1,541,466.6**	**1,558,612.3**	**17,145.7**	**1.1%**
20b	**Wtd Avg Plant in Service including Advances for Construction**	**1,544,345.4**	**1,561,491.1**	**17,145.7**	**1.1%**

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TABLE 8-1
DEPRECIATION RESERVE & EXPENSE

	Test Year 2016 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1a	Depreciation Reserve - Beginning of Year	455,891.4	455,891.4	0.0	0.0%
2a	Annual Accruals:				
3a	Clearing Accounts (Transportation)	991.6	991.6	0.0	0.0%
4a	CIAC	4,403.9	4,403.9	0.0	0.0%
5a	Geographic Info System	88.1	88.1	0.0	0.0%
6a	Expenses	41,881.3	41,881.3	0.0	0.0%
7a	Total Annual Accruals	47,365.0	47,365.0	0.0	0.0%
8a	Retirements and Adjustments:				
9a	Net Retirements	7,917.2	7,917.2	0.0	0.0%
10a	Adjustments	0.0	0.0	0.0	0.0%
11a	Total Retirement and Adjustments	7,917.2	7,917.2	0.0	0.0%
12a	Net Additions	39,447.8	39,447.8	0.0	0.0%
13a	Depreciation Reserve - End of Year	495,339.2	495,339.2	0.0	0.0%
14a	*Depreciation Reserve Weighting Factor*	*51.24%*	*51.24%*	0.0%	0.0%
15a	**Weighted Average Depreciation Reserve**	**476,104.4**	**476,104.4**	**0.0**	**0.0%**
16a	** Deprec. expense for summary of earnings calc.*	41,969.5	41,969.5	0.0	0.0%
	(does not include depreciation for transportation, etc.)				

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1b	Depreciation Reserve - Beginning of Year	495,339.2	495,339.2	0.0	0.0%
2b	Accruals:				
3b	Clearing Accounts (Transportation)	1,189.8	1,189.8	0.0	0.0%
4b	CIAC	4,624.1	4,624.1	0.0	0.0%
5b	Geographic Info System	81.3	81.3	0.0	0.0%
6b	Expenses	46,046.9	46,512.0	465.1	1.0%
7b	Total Accruals	51,942.0	52,407.1	465.1	0.9%
8b	Retirements and Adjustments:				
9b	Net Retirements	7,917.2	7,917.2	0.0	0.0%
10b	Adjustments	0.0	0.0	0.0	0.0%
11b	Total Retirement and Adjustments	7,917.2	7,917.2	0.0	0.0%
12b	Net Additions	44,024.8	44,489.9	465.1	1.1%
13b	Depreciation Reserve - End of Year	539,364.0	539,829.1	465.1	0.1%
14b	*Depreciation Reserve Weighting Factor*	*51.24%*	*51.24%*	0.0%	0.0%
15b	**Weighted Average Depreciation Reserve**	**517,897.5**	**518,135.8**	**238.3**	**0.0%**
16b	** Deprec. expense for summary of earnings calc.*	46,128.1	46,593.3	465.1	1.0%
	(does not include depreciation for transportation, etc.)				

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TABLE 9-1
WEIGHTED AVERAGE RATE BASE - TEST YEAR

	Test Year 2016 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1	Weighted Average Plant In Service including advances for construct	1,441,241.7	1,447,406.8	6,165.1	0.4%
2	Weighted Average Depreciation Reserve	(476,104.4)	(476,104.4)	0.0	0.0%
3	**Net Utility Plant**	**965,137.3**	**971,302.4**	**6,165.1**	**0.6%**
4	Deductions from Rate Base:				
5	Adjustment to Plant:				
6	Advances for Construction	65,199.5	65,199.5	0.0	0.0%
7	Contribution In Aid of Contruction	116,728.1	116,728.1	0.0	0.0%
8	Plant Funded by SDWSRF loan	1,676.9	1,676.9	0.0	0.0%
9	Reserve for Amortization	487.0	487.0	0.0	0.0%
10	Total Adjustment to Plant	184,091.5	184,091.5	0.0	0.0%
11	Deferred Income Tax Liability	149,476.8	149,484.4	7.6	0.0%
12	Total Deductions from Rate Base	333,568.3	333,575.9	7.6	0.0%
13	Additions to Rate Base:				
14	Working Capital	17,362.7	19,401.7	2,039.0	11.7%
15	Ratebase Taxed Contribution	4,826.4	4,826.4	0.0	0.0%
16	Ratebase Taxed Advances	2,800.3	2,800.3	0.0	0.0%
17	Total Additions to Rate Base	24,989.4	27,028.4	2,039.0	8.2%
18	**Weighted Average Rate Base**	**656,558.4**	**664,754.9**	**8,196.5**	1.2%
19	*Interest Calculation (for Tax Deductions):*				
20	*Weighted Avg. Rate Base less customer deposits in Working Cash*	*655,469.4*	*663,665.9*	*8,196.5*	*1.3%*
21	*Weighted Cost of Debt*	*3.25%*	*3.25%*	0.0%	0.0%
22	*Interest Expense*	*21,302.8*	*21,569.1*	*266.4*	*1.3%*

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TABLE 9-2
WEIGHTED AVERAGE RATE BASE - ESCALATION YEAR

	Escalation Year 2017 ($000)	**ORA**	**SJWC**	**SJWC > ORA**	
1	Weighted Average Plant In Service including advances for construct	1,544,345.4	1,561,491.1	17,145.7	1.1%
2	Weighted Average Depreciation Reserve	(517,897.5)	(518,135.8)	(238.3)	0.0%
3	**Net Utility Plant**	**1,026,448.0**	**1,043,355.3**	**16,907.4**	**1.6%**
4	Deductions from Rate Base:				
5	Adjustment to Plant:				
6	Advances for Construction	65,191.4	65,191.4	0.0	0.0%
7	Contribution In Aid of Contruction	117,451.1	117,451.1	0.0	0.0%
8	Plant Funded by SDWSRF loan	1,521.7	1,521.7	0.0	0.0%
9	Reserve for Amortization	503.3	503.3	0.0	0.0%
10	Total Adjustment to Plant	184,667.5	184,667.5	0.0	0.0%
11	Deferred Income Tax Liability	155,075.5	155,104.3	28.8	0.0%
12	Total Deductions from Rate Base	339,743.0	339,771.8	28.8	0.0%
13	Additions to Rate Base:				
14	Working Capital	18,216.9	19,571.8	1,354.8	7.4%
15	Ratebase Taxed Contribution	4,855.4	4,855.4	0.0	0.0%
16	Ratebase Taxed Advances	2,698.9	2,698.9	0.0	0.0%
17	Total Additions to Rate Base	25,771.2	27,126.0	1,354.8	5.3%
18	**Weighted Average Rate Base**	**712,476.2**	**730,709.5**	**18,233.4**	2.559%
19	*Interest Calculation (for Tax Deductions):*				
20	*Weighted Avg. Rate Base less customer deposits in Working Cash*	*711,387.2*	*729,620.5*	*18,233.4*	*2.6%*
21	*Weighted Cost of Debt*	*3.25%*	*3.25%*	0.0%	0.0%
22	*Interest Expense*	*23,120.1*	*23,712.7*	*592.6*	*2.6%*

APPENDIX B:

ORA WITNESS DIRECT TESTIMONY AND QUALIFICATIONS

QUALIFICATIONS AND PREPARED TESTIMONY

OF

TONY TULLY

Q.1 Please state your name and business address.

A.1 My name is Tony Tully. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission (CPUC) in its Office of Ratepayer Advocates (ORA) as a Public Utility Regulatory Analyst IV.

Q.3 Briefly describe your pertinent educational background.

A.3 I graduated from the University of Phoenix with a bachelor's degree in Business Management.

Q.4 Briefly describe your professional experience.

A.4 Prior to joining the CPUC, I was employed by the California Energy Commission for five years and served as an Energy Commission Specialist Supervisor II in the Research, Demonstration and Development Division. I also was employed by Silicon Crystals for eight years and served as the Director of Operations and Sales. In my experience at the CPUC in the ORA Communications and Water Policy Branch I have provided expert witness in two general rate cases (GRC) including the 2013 San Jose Water Company GRC. I was also the lead analyst on multiple rulemakings including the Balance Rate Rulemaking R.11-11-008.

Q.5 What is your responsibility in this proceeding?

A.5 I am Project Lead for the San Jose Water Company GRC, Application 15-01-002, and also responsible for providing testimony on Special Request 31

addressing the request for a full decoupling water revenue adjustment mechanism.

Q.6 Does that conclude your testimony?

A.6 Yes, at this time.

QUALIFICATIONS AND PREPARED TESTIMONY
OF
EILEEN ODELL

Q.1 Please state your name and business address.

A.1 My name is Eileen Odell. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission (CPUC) in its Office of Ratepayer Advocates (ORA) as a Public Utilities Regulatory Analyst.

Q.3 Briefly describe your pertinent educational background.

A.3 I graduated from the University of California, San Diego with a Bachelor of Arts degree in International Studies and Political Science. I later graduated from the University of California, Hastings College of the Law with a Juris Doctor.

Q.4 Briefly describe your professional experience.

A.4 Prior to joining the CPUC, I was employed by the Office of Sonoma County Counsel for one year and served as a Senior Law Clerk. I also was employed by San Francisco Public Utilities Commission for one year. I have served as a Law Clerk for the City Attorney of San Francisco, in its Land Use and Environment team as well as its Public Utilities Commission team.

Q.5 What is your responsibility in this proceeding?

A.5 I am responsible for providing testimony on the San Jose Water Company Revenues and Rate Design testimony in their application A.15-01-002.

Q.6 Does that conclude your testimony?

A.6 Yes, at this time.

QUALIFICATIONS AND PREPARED TESTIMONY
OF
ROY KEOWEN

Q.1 Please state your name and business address.

A.1 My name is Roy Keowen. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission (CPUC) in its Office of Ratepayer Advocates (ORA) as a Financial Examiner II.

Q.3 Briefly describe your pertinent educational background.

A.3 I graduated from the California State University, Los Angeles with a degree in Business Administration, Option in Accounting.

Q.4 Briefly describe your professional experience.

A.4 Prior to joining the CPUC, I was employed by Board of Equalization for 1 year and served as a Tax Auditor. In my experience at the CPUC in the ORA Water Branch I have worked on 2 general rate cases where I reviewed and prepared testimony for the balancing and memorandum accounts.

Q.5 What is your responsibility in this proceeding?

A.5 I am responsible for providing testimony on San Jose Water Company's Operations and Maintenance Expenses, Administrative and General Expenses, and Balancing and Memorandum Accounts in their application A.15-01-002.

Q.6 Does that conclude your testimony?

A.6 Yes, at this time.

QUALIFICATIONS AND PREPARED TESTIMONY

OF

JUSTIN MENDA

Q.1 Please state your name and business address.

A.1 My name is Justin Menda. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission (CPUC) in its Office of Ratepayer Advocates (ORA) as a Utilities Engineer.

Q.3 Briefly describe your pertinent educational background.

A.3 I graduated from the University of California Irvine with a Bachelors of Science and Masters of Science in Civil Engineering with a concentration in water resources.

Q.4 Briefly describe your professional experience.

A.4 I joined the Office of Ratepayer Advocates, Communications and Water Policy Branch, as a Utilities Engineer in June 2012. Since that time, I worked on testimony for California Water Service Company's 2012 GRC regarding the plant in service and water quality chapters for the Chico, Marysville, Oroville, Redwood Valley, and Willows districts. I also worked on testimony for California-American Water's 2013 GRC regarding the plant in service and water quality chapters for the Los Angeles County, Ventura County, San Diego County, and Monterey Wastewater districts. I have also worked on Golden State Water Company's 2014 GRC regarding depreciation and rate base. In addition, I worked on testimony for California-American Water's proposed Monterey Peninsula Water Supply Project regarding brine disposal, post treatment, and operations and maintenance costs.

Q.5 What is your responsibility in this proceeding?

A.5 I am responsible for providing testimony on San Jose Water Company's GRC regarding utility plant in service, water quality, and Special Request 26 in their application A.15-01-002.

Q.6 Does that conclude your testimony?

A.6 Yes, at this time.

QUALIFICATIONS AND PREPARED TESTIMONY

OF

SUNG B. HAN

Q. 1 Please state your name, business address, and position with the California Public Utilities Commission (Commission).

A. 1 My name is Sung B. Han and my business address is 505 Van Ness Avenue, San Francisco, CA. I am Senior Utilities Engineer in the Water Branch of the Office of Ratepayer Advocates (ORA).

Q.2 Please summarize your educational background.

A.2 I received a Bachelor of Science degree in Mechanical Engineering from San Francisco State University in 1970 and a Masters of Science degree in Mechanical Engineering from University of California, Berkeley in 1972. I have taken various courses in financial accounting, regulatory economics, and depreciation from various institutions. I am also a licensed Professional Mechanical Engineer in the State of California.

Q.3 Please summarize your business experience.

A.3 After graduation from Berkeley, I joined the Commission. I worked on various formal proceedings before this Commission, including various types of rate proceedings, valuation studies and other investigations initiated by the Commission. I have analyzed and testified on various aspects of utility operations including plant, depreciation, operations and maintenance expenses, administrative and general expenses, revenues, rate design, and conservation. I have also worked as Project Manager for various energy and water rate proceedings.

Q.4 What is your responsibility in this proceeding?

A.4 I am responsible for Chapter 5 Income Taxes and Chapter 6 Taxes Other Than Income of ORA's Report on the Results of Operations of San Jose Water Company.

Q.5 Does this conclude your prepared direct testimony?

A.5 Yes, it does.

QUALIFICATIONS AND PREPARED TESTIMONY

OF

MUKUNDA DAWADI

Q.1 Please state your name and business address.

A.1 My name is Mukunda Dawadi. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission (CPUC) in its Office of Ratepayer Advocates (ORA) as a Public Utilities Financial Examiner III.

Q.3 Briefly describe your pertinent educational background.

A.3 I received a Master's of Science in Accountancy from California State University, Los Angeles in 2012. I graduated from Tribhuvan University of Nepal in 1998 with a Master's in Business Administration/Bachelor's Degree in Business Management (Capital Structure/Accounting).

Q.4 Briefly describe your professional experience.

A.4 Prior to joining the CPUC in January 2014, I was employed by a private courier company as an accountant for two years. In my experience at the CPUC in the ORA Water Branch I have worked on two general rate cases where I reviewed and prepared testimony for the General and Administrative Expenses, Construction Work in Progress, Cash Working Capital and Deferred Income Taxes.

Q.5 What is your responsibility in this proceeding?

A.5 I am responsible for providing testimony on Ratebase in San Jose Water Company's GRC application A.15-01-002. I am also responsible for

preparing results of Operations tables presented in Appendix A of this report.

Q.6 Does this conclude your testimony?

A.6 Yes, it does.

QUALIFICATIONS AND PREPARED TESTIMONY

OF

HERBERT R. MERIDA

Q.1 Please state your name and business address.

A.1 My name is Herbert Merida. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission (CPUC) in its Office of Ratepayer Advocates (ORA) as a Public Utilities Regulatory Analyst IV.

Q.3 Briefly describe your pertinent educational background.

A.3 I graduated from the San Francisco State University with a Bachelor of Science Degree in International Business Management, a minor in Economics, and a Master of Business Administration Degree.

Q.4 Briefly describe your professional experience.

A.4 Regarding my professional experience, I have been employed by the Commission for almost 8 years and have worked on many general rate case proceedings. Also, I have held a variety of positions at Levi Strauss & Co., Siemens A.G., the Employment Development Department, the State Compensation Insurance Fund, and most recently the Commission.

Q.5 What is your responsibility in this proceeding?

A.5 I am responsible for providing testimony on the San Jose Water Company Test Year 2016 GRC for Special Request 27 (Health Care Cost Balancing Account), Special Request 28 (Ground Water Regulation Legal Expense Memorandum Account), Special Request 29 (Update WRAP Surcharge),

Special Request 30 (Credit Card Program) and Customer Service in their application 15-01-002.

Q.6 Does that conclude your testimony?

A.6 Yes, at this time.