

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 prudence, 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.