

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of California Water Service Company (U60W) for Authority to Establish its Authorized Cost of Capital for the period from January 1, 2012 through December 31, 2014.	Application 11-05-001 (Filed May 2, 2011)
In the Matter of the Application of San Jose Water Company (U168W) for Authority to Adjust Its Cost of Capital and to Reflect That Cost of Capital in Its Rates for the Period from January 1, 2012 through December 31, 2014.	Application 11-05-002 (Filed May 2, 2011)
Application of California-American Water Company (U210W) for an Authorized Cost of Capital for Utility Operations for 2012 - 2014.	Application 11-05-003 (Filed May 2, 2011)
Application of Golden State Water Company (U133W) for Authority to Establish Its Authorized Cost of Capital and Rate of Return for Utility Operations for 2012 - 2014.	Application 11-05-004 (Filed May 2, 2011)

**COMMENTS OF APPLICANT
SAN JOSE WATER COMPANY (U-168-W)
ON PROPOSED DECISION OF
ADMINISTRATIVE LAW JUDGE BEMESDERFER**

Pursuant to Rule 14.3 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), San Jose Water Company (“SJWC”), an Applicant in the above-captioned consolidated proceeding, hereby submits its comments on the Proposed Decision of Administrative Law Judge (“ALJ”) Bemederfer, which was served on the parties June 25, 2012. In accordance with the

shortening of time for comments specified in Chief ALJ Clopton's notice transmitting the Proposed Decision, these comments are timely filed.

The Proposed Decision would approve the Settlement Agreement among all parties to this proceeding, including SJWC, specifically establishing the cost of capital for each of the Applicants for the period 2012 through 2014, and would close the consolidated applications. The Proposed Decision does not, however, specify a date or deadline for the Applicants to file advice letters to revise rates consistent with the approved capital costs and capital structures.

On May 15, 2012, SJWC filed its Advice Letter No. 438, to implement a rate base offset for plant additions related to the replacement of two wells with an associated change in rates. Pursuant to authorization by the Commission's Division of Water and Audits ("DWA"), SJWC made the rate changes proposed in Advice Letter No. 438 effective as of June 14, 2012,

On May 30, 2012, SJWC filed its Advice Letter No. 439, subsequently modified by Supplemental Advice Letter 439-B, filed June 11, 2012. Advice Letter No. 439, as modified by Supplemental Advice Letter 439-B, will offset increases to purchased water and ground water production charges implemented by the Santa Clara Valley Water District effective July 1, 2012. The rate changes proposed in Advice Letter No. 439 became effective as of July 1, 2012.

SJWC renders bills to well over 80% of its customers on a bi-monthly billing cycle. When rates change during a billing period, SJWC must prorate the bill by rate tier, applying a different set of charges for periods of time prior to and from the effective date of the implemented rate change. For most customers, SJWC's next round of bills therefore will reflect two prorations, presenting three separate sets of rates applied to three distinct

portions of the billing period. In addition, SJWC's customer bills currently list eight distinct surcharges for such items as purchased power costs and the cost of the Low Income Program, as well as additional line items for the city utility user's tax and the CPUC Reimbursement Fee.

If SJWC were to be required to implement rate changes pursuant to the Proposed Decision within the current billing cycle, SJWC would be obliged to reflect three prorations on customers' bills, presenting four separate sets of rates applied to four distinct portions of the billing period. Because SJWC's conservation rate design for its residential customers includes a monthly service charge and two tiered volumetric charges, which will be revised with each change in rates, a bill reflecting three prorations will have to display four different sets of rate elements as well as the ten other line items noted above and the total amount of the bill. Such complex bills would be confusing to most customers and would be likely to generate numerous inquiries and complaints to the Company and to the Commission. Further, for customers to experience the implementation of three separate rate changes in little more than a month is likely by itself to create confusion.¹

Because SJWC, pursuant to ALJ Bemserfer's Ruling Granting Motion for Interim Rates, issued December 14, 2011, has previously established a memorandum account to track, beginning January 1, 2012, the difference between currently authorized rates and the final rates reflecting the new cost of capital to be adopted in this proceeding, no benefit or detriment to SJWC's ratepayer will result from a few weeks' deferral of the effective date of the rate changes that will result from the Commission's adoption of the

¹ Also, because SJWC never previously has implemented three separate sets of rate changes on three separate dates within a single billing cycle, SJWC is concerned that its billing system may not be capable of generating bills that incorporate three prorations and four different sets of rates.

Proposed Decision. Such a deferral of the effective date will be captured in the existing memorandum account.

Accordingly, SJWC respectfully requests that the Proposed Decision be modified to direct SJWC to file an advice letter to revise its rates consistent with the approved capital costs and capital structure effective September 1, 2012. By this time, the rate changes pursuant to Advice Letters Nos. 438 and 439 will have been fully implemented before SJWC renders any bills reflecting the change of rates pursuant to the Commission's decision in this proceeding. For this purpose, SJWC recommends the addition of a new Ordering Paragraph to the Proposed Decision, which would read as follows:

San Jose Water Company shall file a Tier I advice letter to implement revised rates consistent with the approved capital costs and capital structure approved herein to be effective as of September 1, 2012.

The Division of Ratepayer Advocates has authorized SJWC to state that DRA concurs in this recommendation.

Respectfully submitted,

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July 5, 2012