



Memorandum

TO: RULES AND OPEN
GOVERNMENT COMMITTEE

FROM: Councilmember Johnny Khamis
Councilmember Don Rocha

SUBJECT: SEE BELOW

DATE: May 24, 2018

Approved

Date

5-24-18

SUBJECT:

REQUEST FOR FULL COUNCIL SUPPORT OF LETTER BY MAYOR LICCARDO TO THE CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC) RE: *REQUEST FOR COMMISSION REVIEW OF THE PROPOSED SAN JOSÉ WATER COMPANY – CONNECTICUT WATER SERVICE COMPANY MERGER, DATED MAY 21, 2018*

RECOMMENDATION

That the Rules Committee bring Mayor Liccardo's letter of May 21, 2018 addressed to the CPUC (Attachment A) before the full City Council on June 5, 2018 for the purposes of taking a support position for his request that the CPUC review the proposed San José Water Company (SJWC) – Connecticut Water Service Company Merger. Expedited consideration is requested due to the time sensitivity of this matter.

BACKGROUND

On May 21, 2018, Mayor Liccardo sent a letter to the CPUC requesting Commission Review, under its review authority, of the proposed San José Water Company – Connecticut Water Service Company merger, to determine whether the merger serves the public interest.

Councilmember Rocha and I, along with our constituents, are deeply concerned with ongoing SJWC rate increases and past overcharges. We appreciate the support of our Council colleagues in our prior request that the City of San José join the SJWC General Rate Case. In light of this proposed merger between SJWC and Connecticut Water Service Company, we again ask for your support of the interests of our constituent ratepayers. Full Council support of the Mayor's letter to the CPUC will strengthen his request that the CPUC exercise their jurisdiction to review the proposed merger.

Furthermore, due to the speed at which the merger talks are progressing, we ask for expedited consideration of this matter and request it be included on the June 5, 2018 Council Agenda.

May 21, 2018

The Honorable Commissioners
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

RE: Request for Commission Review of the Proposed San José Water Company – Connecticut Water Service Company Merger

Dear President Picker and Commissioners,

As the Mayor of San José, America's 10th largest city, I have concerns about the proposed "merger of equals" between San José Water Group (SJW Group)—the holding company for San José Water Company (SJWC), which serves nearly 80 percent of San José's residents and businesses, along with many of our neighboring cities—and Connecticut Water Service Company.

Specifically, I express concerns about potential harms to San José's one million residents, and I request that you require that SJWC and SJW Group file an application for the merger to be reviewed by the California Public Utilities Commission ("Commission"). I seek the Commission's determination of whether this merger serves the public interest prior to allowing the merger to proceed. The Commission might do so by issuing an Order to Show Cause to require SJWC and SJW Group to demonstrate why the Commission should not review the merger, and impose any sanctions for SJW Group's failure to timely file an application seeking the Commission's review and approval.

Recent history provides ample basis for my concerns about SJWC's rate practices and service levels. We have heard from hundreds of residents and ratepayers who have objected to the steep rate increases from which SJWC has benefitted, including controversial methodology for imposing drought surcharges. Last year, a local advocacy group identified at least \$1.8 million in overcharges, which SJWC eventually admitted that it had improperly imposed on ratepayers. We have reason to believe that the Commission has ample basis to investigate tariff billing issues, and the size of refund due to SJWC's ratepayers.

As a ratepayer itself, the City of San José has formally joined General Rate Case as a party, both to protect our interests as a ratepayer, as well as those of our residents and businesses. This only came about after filing multiple letters to the Commission to ask for increased scrutiny to the company's "Cost of Capital" and General Rate Case applications. We have hosted public participation hearings in City Hall on these issues, including one later this month. Our City Council has also endorsed Senate Bill 959 (Beall), which would require the Commission to post water utilities' Advice Letters online for public review when considering a rate change petition, an obvious response by our local Senator to years of frustration experienced by local ratepayers.

We appreciate that SJWC's executives and equity owners may have strong financial incentives to consummate this merger. SJWC's customers, however, deserve assurance that the proposed merger with a company 3,000 miles away will provide verifiable benefits to the more than 200,000 families and businesses served by SJWC. Only with the Commission's leadership and objective inquiry can we have assurance that our communities will benefit from the proposed merger, so I respectfully request that the Commission exert its jurisdiction over the matter.

Please do not hesitate to call me at (408) 535 – 4800 if you have any questions, or if I can provide you with any information.

Sincerely,

A handwritten signature in cursive script that reads "Sam Liccardo".

Sam Liccardo
Mayor
City of San José

Cc: Mary-Lynne Bernald, Mayor of Saratoga
Rob Rennie, Mayor of Los Gatos
Paul Resnikoff, Mayor of Campbell
Burton Craig, Mayor of Monte Sereno
Darcy Paul, Mayor of Cupertino
Alice Stebbins, Executive Director of California Public Utilities Commission