

**No. S269099**

**IN THE SUPREME COURT  
OF THE STATE OF CALIFORNIA**

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**GOLDEN STATE WATER COMPANY**  
*Petitioner,*

v.

**PUBLIC UTILITIES COMMISSION OF THE STATE OF  
CALIFORNIA**  
*Respondent.*

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**Decisions Nos. 20-08-047 and 21-09-047**

Of the Public Utilities Commission of the State of California

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**GOLDEN STATE WATER COMPANY'S SUPPLEMENTAL  
APPENDIX OF EXHIBITS (APPENDIX VOLUME III) TO  
JOINT REPLY TO ANSWER TO PETITIONS FOR WRIT  
OF REVIEW IN CASES S269099 AND S271493**

[Joint Reply to Answer to Petitions for Writ of Review Filed Concurrently]

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**EXHIBITS**

This Appendix concurrently filed with the Joint Reply contains as exhibits true and correct copies (except Ex. HH is included as an excerpt) of the following:

<b>Exhibit</b>	<b>Description</b>	<b>Pages</b>
FF	<i>Decision 07-05-062 (May 24, 2007)</i> .....	533-602
GG	<i>Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge (Nov. 2, 2011)</i> .....	603-629
HH	California Public Utilities Commission Rules of Practice and Procedure, 20 Cal. Code Reg., Div. 1, ch. 1, § 1.3(g).....	630-632

Dated: March 28, 2022

Respectfully submitted,  
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Decision 07-05-062 May 24, 2007

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

Order Instituting Rulemaking to Consider  
Revisions to the General Rate Case Plan  
For Class A Water Companies.

Rulemaking 06-12-016  
(Filed December 14, 2006)

**OPINION ADOPTING REVISED RATE CASE PLAN  
FOR CLASS A WATER UTILITIES**

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APPENDIX A: Rate Case Plan and Minimum Data Requirements

**OPINION ADOPTING REVISED RATE CASE PLAN  
FOR CLASS A WATER UTILITIES**

**I. Summary**

Today, we adopt several significant changes to the Rate Case Plan (RCP) for Class A water utilities<sup>1</sup> approved in Decision (D.) 04-06-018. We adopt a new schedule for filing general rate cases (GRCs). Under our new schedule, multi-district water utilities will be required to eventually file a single GRC for all districts at the same time. The transition to this new schedule will be gradual.

We also require separate applications for cost of capital determinations. We will require Class A water utilities to file cost of capital applications on a triennial basis, and we will adopt an adjustment mechanism for the intervening years in the first applicable cost of capital proceedings under this RCP. The largest multi-district Class A water utilities will file their first cost of capital applications in May 2008. The remaining Class A water utilities will file their first cost of capital applications in May 2009. All of the cost of capital applications filed in the same year will be consolidated.

To reduce discovery during GRC proceedings, we adopt Minimum Data Requirements (MDRs) to be completed by the utility as part of its GRC testimony and its cost of capital testimony. We also adopt several modifications to the existing RCP processing schedule for GRCs. The timing for Public Participation Hearings (PPHs) is modified to accommodate notice requirements for companies with bimonthly billing. We also modify the existing RCP processing schedule by

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<sup>1</sup> Class A water utilities are those companies with more than 10,000 service connections. Unless otherwise noted, all requirements of this decision only apply to Class A water utilities.

incorporating Alternative Dispute Resolution (ADR) to assist parties in narrowing the disputed issues and by adding a technical conference about the utility's models to ensure that these models are properly understood and usable.

Our new RCP also improves our oversight of water quality by requiring utilities to provide us with water quality data through the MDRs and by authorizing the assigned Commissioner or assigned Administrative Law Judge (ALJ) to appoint a water quality expert to offer testimony in any GRC proceeding. We considered whether to require utilities to comply with an unaccounted water standard under consideration by the California Urban Water Conservation Council (CUWCC). While we adopt some minor changes in this area, we will not require any major changes until after the CUWCC completes its review process of Best Management Practice 3 (BMP 3).

Finally, we adopt a new procedure for utilities to obtain interim rate relief while a GRC is pending and, for the first time, we adopt a procedure for Class A water utilities to obtain waivers to the requirements to file a GRC application and to file every three-years. Our new RCP permits utilities to waive or delay the triennial filing requirement with consent of the Executive Director, in consultation with Water Division, and to obtain authority, in certain instances, to file a GRC by advice letter.

## **II. Background**

Since we adopted the RCP in D.04-08-016, all Class A water utilities have had the opportunity to file and process at least one GRC. As a result, Class A water utilities and our staff have gained valuable insights into ways to build upon the existing RCP. In addition, since we implemented the existing RCP, we adopted a Water Action Plan on December 15, 2005 (Water Action Plan 2005). The four key principles of the Water Action Plan 2005 are (1) safe, high quality water; (2) highly reliable water supplies; (3) efficient use of water; and

(4) reasonable rates and viable utilities. The Water Action Plan 2005 also includes six objectives: (1) maintain the highest standards of water quality; (2) strengthen water conservation programs to a level comparable to those of energy utilities; (3) promote water infrastructure investment; (4) assist low income ratepayers; (5) streamline Commission regulatory decision-making; and (6) set rates that balance investment, conservation, and affordability.

In July 2006, the Water Division solicited input on how our existing RCP might be modified to support implementation of the Water Action Plan 2005. The Water Division also sought input on how to design the process permitted under Section 455.2 of the Public Utilities Code<sup>2</sup> for granting waivers to the RCP, as anticipated by D.06-06-037. Lastly, the Water Division asked parties to comment on possibly refining the RCP to reflect lessons learned over the course of the past three years while we implemented the existing RCP.

On December 14, 2006, we issued this Order Instituting Rulemaking (OIR) to build upon the process started by the Water Division of incorporating the goals of the Water Action Plan 2005 into the RCP. In this OIR, we identified several areas where improvement in the RCP was a priority based on the Water Division's workshops held in September 2006. We outlined these issues in the OIR and attached, at Appendix A to the OIR, a draft proposed RCP. The draft proposal reflected certain improvements to the RCP based on the Commission's experience with the existing RCP, the comments of water utilities and other parties during workshops, and our desire to incorporate aspects of the Water Action Plan 2005 into the RCP.

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<sup>2</sup> Unless otherwise noted, all statutory references are to the Public Utilities Code.

After carefully reviewing all the comments and reply comments filed by parties<sup>3</sup> on February 21 and 28, 2007 to the draft proposed RCP, we now adopt a new RCP. We discuss each of the modifications to the RCP below. In addition, Appendix A hereto, sets forth a complete copy of the new RCP and the MDRs.

This Rulemaking is closed.

### **III. Modifications to the Existing Rate Case Plan**

#### **A. Single Rate Case for Multi-District Utilities**

The OIR proposed that all multi-district water utilities file a single general rate case for all their districts at the same time and once every three years. In addition, the OIR proposed that the length of the rate case plan be 14 months for single-district applications and 20 months for multi-district applications. Under the OIR, we further proposed that the 14-month and 20-month time frames would start with the proposed application's submission date and end with the expected effective date of GRC rates.

The Joint Parties<sup>4</sup> agree to very few details regarding our proposal. Their recommendation on the RCP schedule is limited to very minor changes to the proposed 14-month GRC processing schedule.

Regarding our proposal for a single rate case for multi-district utilities, DRA states that it would prefer for the Commission to continue to process GRCs under the existing RCP adopted in D.04-06-018. DRA's position is primarily

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<sup>3</sup> The following parties filed comments, reply comments, or both: Division of Ratepayer Advocates (DRA), California Water Association, Park Water Company, San Gabriel Valley Water Company, Monterey Peninsula Water Management District, American Water Company, and the California Department of Health Services. The assigned ALJ accepted a letter sent to the assigned ALJ on March 9, 2007 and dated October 27, 2006 by the California Department of Health Services as comments.

<sup>4</sup> The Joint Parties includes the DRA, California Water Association, its member Class A water utilities, and Park Water Company. Some of the individual participants of the Joint Parties also filed separate comments.



based on its opposition to single tariff rate design for multi-district utilities. According to DRA, a single rate case for multi-district utilities may somehow encourage the Commission to adopt a policy in favor of single tariff rate design. We see no such connection. DRA also states that, if the Commission decides to move ahead on multi-district GRCs, the Commission should establish the new RCP as a pilot project. On the actual sequence for utilities to file their GRCs, DRA suggests the Commission modify the filing sequence of certain utilities, namely Great Oaks Water and Valencia. In addition, DRA states that California American Water Company should file a separate GRC on a 14-month schedule for its Monterey District. Finally, regarding GRC updates, DRA suggests in its reply comments that the Commission retains the existing system under D.04-06-018 because, according to DRA, it has worked well.

In its comments, the California Water Association (CWA)<sup>5</sup> states three main concerns regarding the proposal for single multi-district filings. CWA notes that, in some instances, the proposed RCP extends beyond the three-year cycle required under Section 455.2. CWA also is concerned that, due to the proposal to increase the length of the GRC processing schedule to 20 months, the Commission must modify the GRC schedule to accept, with certain restrictions, updated data. Lastly, CWA points out that, in its opinion, the proposed RCP creates inefficiencies by processing some of the smaller Class A water utilities, namely San Gabriel Valley Water Company (San Gabriel), under the same 20-month schedule as the larger Class A water utilities. As a partial solution to

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<sup>5</sup> The following CWA member utilities specifically joined in its comments and reply comments: California American Water Company, California Water Service Company, Golden State Water Company, San Gabriel Valley Water Company, San Jose Water Company, Suburban Water Company, and Valencia Water Company. Some of these utilities also filed individual comments and reply comments.

its concerns, CWA proposes several modifications to the proposed RCP, including changing the GRC filing schedule to provide for a one-year transition period to the new RCP and processing the four single district utilities (Great Oaks Water, San Jose Water, Suburban Water Systems, Valencia Water) and the two district companies (San Gabriel and Park Water Company) on a slightly modified 14-month schedule while processing the three largest multi-district utilities on the 20-month schedule. Lastly, CWA suggests shortening the proposed 20-month schedule by two months to 18 months. California American Water Company filed separate comments on these issues largely agreeing with CWA.

Park Water Company's (Park) comments state that the OIR incorrectly describes the relationship between Park and Apple Valley. Apple Valley is not a district of Park. Instead, Apple Valley is a wholly-owned subsidiary of Park and a separate Class A water utility. In addition, Park points out that because Park and Apple Valley are separate utilities and because Apple Valley contracts out its regulatory work to Park, combining rate cases with Apple Valley would prove difficult. According to Park, its regulatory staff does not have the resources to prepare two general rate cases simultaneously.

The Monterey Peninsula Water Management District (MPWMD) has concerns about a multi-district filing by California American Water Company, which would include the Monterey District, because such a filing might minimize the attention given to the complex issues in the Monterey District. For certain regulatory-compliance reasons, MPWMD also requests that instead of scheduling California American Water Company's next general rate case for July 2009, the Commission should schedule the rate case for January 2008.

San Gabriel urges the Commission to continue to permit it to file separate rate cases for its two divisions, the Los Angeles County Division and Fontana

Water Division. San Gabriel also argues that the 20-month schedule is too long because, among other reasons, at the end of the 20 months, the data will be stale. In addition, San Gabriel states that, by adopting the proposed RCP, the Commission will violate Section 455.2 by failing to provide San Gabriel with a rate increase within three years.

We conclude that the existing RCP schedule for filing GRCs should be revised. The adopted schedule is set forth in Section VI of the new RCP, attached hereto as Appendix A. Our adopted schedule is based on our consideration of the comments and reply comments filed by parties and is consistent with the Water Action Plan 2005 by striking the appropriate balance between capturing the efficiencies gained from consolidating certain districts into a single rate case and continuing to process the rate cases as expeditiously as possible. This schedule will not be adopted as a so-called “pilot project,” as suggested by DRA. As the parties gain experience with this schedule, they may identify potential improvements and should notify the Commission’s Water Division at the appropriate time so that we can consider further refinements to the RCP consistent with the Water Action Plan 2005.

Our adopted schedule permits Park and Apple Valley to file separate GRCs under the 14-month schedule. Park and Apple Valley are separate Class A water utilities. Accordingly, we conclude that combining Park and Apple Valley will not significantly reduce the total number of GRC proceedings.

We further conclude that, after a transition period, San Gabriel will file a consolidated GRC for its Fontana Water Division and its Los Angeles County Division under the 20-month schedule. Unlike Park and Apple Valley, San Gabriel’s Fontana Water and Los Angeles County Divisions are part of one Class A water utility.

The remaining multi-district companies, California American Water Company, California Water Service Company, and Golden State Water Company, will file their GRCs under the 20-month schedule. We will gradually consolidate all districts into one GRC for each utility during a transition period. At this time, we do not believe a shorter schedule, such as the 18-month schedule proposed by CWA, allows sufficient time to process a multi-district GRC.

A number of parties expressed concern about delays beyond the time frame contemplated by Section 455.2. Our gradual phase-in to the single multi-district rate case schedule will alleviate these delays. While delays may still exist beyond the three-year cycle set forth in Section 455.2(c), the length of such delays is short and we also adopt a procedure for rate relief during these delays. This procedure is described herein at III(A)(1).

Regarding the Monterey District, parties suggest that the issues presented by this district are too complex to consolidate with other districts but that consolidation may be appropriate in the future. Under the adopted RCP, we will gradually consolidate the Monterey District with the other districts while ensuring that the issues presented by this district still receive the appropriate attention.

Our adopted schedule also reflects the suggestions of parties regarding the time necessary to complete certain required GRC tasks. These revisions are relatively minor and require no further elaboration.

Lastly, to the extent that the RCP schedule requires minor modifications to address mergers, acquisitions or the entry of new water utilities, the Water Division has authority to initiate changes to the RCP schedule through a proposed Resolution for Commission consideration.

### **1. Rate Adjustments During RCP Transition Period**

The proposed RCP addressed the issue of rate adjustments under Section 455.2(c) during the transition to the new RCP. Our proposal in the OIR was as follows: for districts where the last review of rates was more than three years earlier, the utility may seek an annual rate change, subject to refund and limited to the rate of inflation, by a Tier 2 advice letter.

In response, CWA states that the proposal to limit interim rate relief during the transition period to the rate of inflation is inadequate based on soaring costs in some water service areas. Moreover, according to CWA, the transition to the new RCP schedule will result in certain companies filing GRCs beyond the three-year filing requirement set forth in Section 455.2(c). According to CWA, such delay can only occur when the utility and the Commission mutually waive the three-year filing requirement. CWA suggests that we permit water utilities that fall within this delay period to file GRCs during CWA's so-called one-year transition period.

In its reply comments, DRA disagrees with CWA's proposal for handling the transition period. Instead, DRA suggests that the Commission direct the Class A water utilities and DRA to work together to develop a proposal to address delays beyond the three-year GRC filing cycle. DRA notes that, in Ordering Paragraph 3 of D.04-06-018, we addressed this transition problem by ordering the parties to devise a mutually agreeable proposal within 60 days of the date of issuance of that decision.

As stated above, we conclude that our new RCP schedule will further the Water Action Plan 2005's objective of streamlining the Commission's decision-making process by requiring a single rate case for each of the three largest multi-district Class A water utilities and San Gabriel while permitting the remaining Class A water utilities to file single district GRCs. Under the new RCP, however,

some districts may be scheduled for a GRC beyond the three-year filing cycle set forth in Section 455.2(c).

We conclude that companies experiencing a delay in their GRCs under our new RCP may seek a rate modification, subject to refund as set forth below, via an advice letter.<sup>6</sup> Our adopted procedure is set forth at II(B) of the RCP. Section II(B) also sets forth the procedure for seeking permission to forego a GRC filing. We will not limit the rate changes sought in these filings to the rate of inflation. However, interim rates under Section 455.2(c), when approved, will be subject to refund and shall be adjusted upward or downward back to the effective date of the interim rates upon the adoption of final rates by the Commission at the conclusion of a GRC scheduled under the RCP. This procedure will only apply during our transition to the new RCP when the new RCP plan delays a water utility's GRC beyond the three-year cycle set forth in Section 455.2(c). We decline to adopt CWA's suggestion to permit utilities to file applications. Applications will unduly complicate the RCP schedule and create numerous inefficiencies. Furthermore, the advice letter process addresses all of CWA's concerns. Lastly, during the transition to the new RCP, the assigned ALJ may modify the time schedule for processing GRCs to accommodate the workload concerns or other needs of the parties.

## **2. GO Review During RCP Transition Period**

During our transition to the new RCP, we will review all GO for (1) California Water Service Company with its July 1, 2007 GRC; (2) San Gabriel with its July 1, 2007 GRC; (3) Golden State Water Company with its July 1, 2008 GRC; and (4) California American Water Company with its January 1, 2010 GRC filing. Consistent with our standard procedures, all customers potentially

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<sup>6</sup> We do not designate this advice letter under any "Tier."

impacted by these comprehensive GO filings must be appropriately noticed of any proposed rate changes and any proposed changes to the GO must be adequately supported by evidence in the record. We anticipate that a utility may seek rate changes related to GO in districts not undergoing a GRC review. In such instances, the utility may file an advice letter to implement any Commission-approved rate changes.

### **3. Updates to Recorded Information in Pending GRC Application**

In the OIR, we proposed not to modify the existing process set forth in D.04-06-018 for applicants to offer updates to recorded data in a pending GRC application. Under our existing process, within 45 days of a GRC filing, an applicant can submit more recent recorded data. According to the existing RCP, any updates must be restricted to the data included in the original application or testimony. The existing RCP makes clear that any new or additional items or forecasted costs are not updates to recorded data and will not be accepted. The existing RCP also provides that, under extraordinary circumstances, a water utility may seek discretionary post-application modifications.

CWA points out that the 20-month schedule is six months longer than the existing processing schedule. Accordingly, it proposes that we permit water utilities to update their GRC applications if the recorded year-end data is significantly different from the estimated data included in the GRC application or if data significantly changes the utility's case. CWA claims that updated data will produce more accurate rates that more closely reflect the true cost of utility service and, in support of this goal, points to the Water Action Plan 2005's principle of reasonable rate and viable utilities.

DRA disagrees with CWA. In reply comments, DRA contends that the existing procedures set forth in D.04-06-018 are adequate.

San Gabriel suggests that it is impractical to allow parties to continuously change the data in a pending application but also urges the Commission to permit updates so that our decisions are not based on stale information.

We conclude that, with the exception of certain specific expenses, updates will be permitted consistent with the existing procedure set forth in D.04-06-018. These specific expenses include employee benefits (all medical, dental, pension, and other benefits), insurance, and Sarbanes-Oxley compliance costs. Regarding these specific expenses, the utility may file a motion to submit updates following the filing of the GRC application to include both year-end recorded data and more recent estimates of these specific expenses. This result strikes the appropriate balance between the principle of reasonable rates and viable utilities and the policy goal of streamlining Commission regulatory decision-making, as set forth in the Water Action Plan 2005. Consistent with the Plan, this process is fair as it allows the utilities an opportunity to seek post-application modifications when changes are material and ensures that other parties have an opportunity to indicate whether they have adequate time to analyze the new data.

### **B. Cost of Capital Proceedings**

The OIR proposed that a separate cost of capital proceeding be established on a parallel track to a company's GRC and that the Commission address all Class A water utilities' cost of capital applications for a given year on a consolidated basis. The OIR also proposed to give Class A water utilities the option to request modifications to their cost of capital annually. Finally, under the OIR, cost of capital applications would be due May 1 of the year prior to the Test Year.

DRA suggests that cost of capital continue to be addressed within the utility's GRC. DRA expresses concern about the reduced ability to negotiate settlements in a GRC in the absence of issues related to cost of capital. DRA also expresses concern about increased workload should utilities file cost of capital



applications each year and suggests that cost of capital results may not be timely since the GRC and cost of capital proceedings will proceed on separate tracks.

According to CWA, the Commission should continue to address cost of capital within individual GRC proceedings. Should consolidation be adopted, CWA suggests that the five publicly-traded (and soon-to-be publicly traded) companies be consolidated in one proceeding and the remaining companies continue to have cost of capital addressed in their individual GRC applications. California American Water Company filed separate comments on this issue largely agreeing with CWA.

San Gabriel states that one consolidated cost of capital proceeding cannot effectively address the variety of capital models and other financial variations among Class A water utilities.

MPWMD supports a consolidated cost of capital proceeding. MPWMD points out that California American Water Company's Monterey District pays a high cost of capital and MPWMD finds that a consolidated proceeding might bring down the cost of capital.

Park also opposes consolidation of cost of capital applications for Class A water utilities. Park argues that consolidated cost of capital proceedings will hinder the ability of utilities to present company-specific risk data. If the Commission adopts a consolidated cost of capital schedule, Park suggests that March 1 be used as the filing date for the consolidated cost of capital applications when the GRC seeks new rates starting January 1.

The Joint Parties make no recommendation on this issue.

We have carefully considered the recommendations by parties on this topic. Although the parties present various reasons for us to reject the consolidation of cost of capital applications, we conclude that consolidation of cost of capital proceedings will serve to streamline our regulatory process,

consistent with the objectives of the Water Action Plan 2005. In these consolidated proceedings, we intend to consider company-specific factors. Accordingly, the concerns of parties that company-specific risks will be overlooked are unfounded.

Based on the comments by parties, we adopted a modified version of our original proposal. In response to concerns that one consolidated cost of capital proceeding would not effectively address the variety of capital models and other financial variations among Class A water utilities, we adopt a RCP that reviews cost of capital in two groups. The three largest multi-district Class A water utilities<sup>7</sup> are directed to file cost of capital applications on May 1, 2008 and on a triennial basis thereafter. The Commission will consolidate these three cases. In this way, similar companies with similar risks will present information to us at the same time. The parties shall include in this May 1, 2008 filing a proposal to annually update the authorized capital structure for the following two years. This mechanism will apply between triennial proceedings. The Commission will adopt such a mechanism in this May 2008 proceeding.

All the remaining Class A water utilities will file cost of capital applications on May 2009 and on a triennial basis thereafter. The Commission will consolidate these cases. The parties shall include in the May 2009 filing a proposal to annually update the authorized capital structure. This mechanism will apply between triennial proceedings. The Commission will adopt such a mechanism in this May 2009 proceeding.

The procedural schedule for these cost of capital proceedings will be determined by the assigned ALJ or assigned Commissioner at the first

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<sup>7</sup> The three Class A water utilities are California American Water Company, California Water Service Company, and Golden State Water Company.

consolidated proceedings, in May 2008 and May 2009. The Commission will process these cost of capital proceedings in a timely fashion and promptly incorporate the results into pending or existing rates. The schedule will be set with the goal of having a final decision within six months.

### **C. Interim Rate Relief during a Pending GRC**

The OIR suggested a new procedure to facilitate and expedite requests under Section 455.2(a) and (b) for interim rate relief during a pending GRC application. The proposal consisted of the following: (1) a motion by the applicant filed 60 days before the first day of the test year that addressed the extent the applicant was responsible for delay and setting forth its proposed interim rates, (2) a ruling by the assigned ALJ or assigned Commissioner in response to the applicant's motion addressing, among other things, whether the applicant contributed to any delay in the proceeding and the appropriateness of the interim rate proposal, and (3) assuming that the Presiding Officer finds that the applicant was not at fault for delay, the Presiding Officer would authorize the applicant to file an advice letter implementing these interim rates effective the first day of the test year, pursuant to General Order (GO) 96-B.

The Joint Parties make no recommendation on this matter.

CWA suggests that we further streamline our proposal for obtaining interim rates. Seeking to minimize all procedural hurdles associated with obtaining interim rate relief, CWA particularly objects to our proposal to the extent it requires a utility to "prove" that it did not contribute to the delay in adopting rates. CWA contends that our proposal is inconsistent with Section 455.2. According to CWA, Section 455.2 creates a rebuttable presumption that the utility did not cause the delay. Under CWA's proposal, a utility would file a Tier 1 advice letter seeking to implement interim rates effective

automatically after 20 days unless a protest was filed. Park and San Gabriel generally agree with CWA.

DRA urges the Commission to retain the existing procedure under D.04-06-018 for obtaining interim rate relief during a pending GRC. DRA objects to a procedure permitting an ALJ to approve the rate modification rather than, as required under D.04-06-018, the Commission in a formal decision. According to DRA, the proposal fails to conform to the requirement of Section 455.2 for Commission approval, not ALJ approval, of interim rates. DRA claims that CWA's proposal to authorize a rate change via an advice letter would contravene the requirements of Section 454 that rates be "justified" by a substantial showing.

Based on parties' comments, we conclude that certain modifications are warranted to our original proposal. To be clear, our adopted interim rate process only applies during a pending GRC when the applicant, another party, or the Presiding Officer anticipates that the Commission's decision will not be effective on the first day of the first test year in a general rate case application. We adopt this procedure pursuant to Section 455.2(a) and (b).

An applicant seeking interim rate relief under Section 455.2 is required to file a motion for interim rate relief on or before the date set for the filing of opening briefs unless a different date is designated by the Presiding Officer. During this time frame, any other party may also file a motion for interim rate relief. Responses to this motion will be permitted consistent with the Rules of Practice and Procedure. In addition, we direct the Presiding Officer to convene a status conference the first business day after parties file opening briefs. The Presiding Officer shall schedule this status conference in each GRC and the purpose of such conference will be to determine the need for interim rates and to adopt a procedure to ensure interim rates are filed via advice letter and approved in a timely fashion.

While CWA and others suggest that a motion is unnecessary and inefficient, we find the information provided in a motion and in any responses filed to such motion necessary for the Presiding Officer to make a specific finding on the delay issue as set forth in Section 455.2. For this reason, the motion shall address the degree, if any, that applicant was responsible for delay during the proceeding. As stated above, this requirement is necessary for the Presiding Officer to determine whether the delay was “due to actions by the water company,” consistent with Section 455.2. Contrary to CWA’s contention, Section 455.2 does not create a rebuttable presumption that the utility did not cause the delay. The basis for CWA’s assertion is unclear. While CWA is correct that Section 455.2 does not specifically require that interim rates be established through a motion filed by an applicant, the statute does permit the Presiding Officer to establish a later-effective date for interim and final rates if delay is caused by the applicant. To make a finding on the cause of delay, evidence must be brought before the Presiding Officer. We determine that, consistent with our Rules of Practice and Procedure, a motion and responses to this motion are an effective way to bring evidence before the Presiding Officer.

The Motion shall also request the establishment of a memorandum account to track any possible refund amounts based on final rates.

In response to this motion, the Presiding Officer will issue a ruling. The ruling will determine whether the applicant was responsible for the delay in implementing rates, determine if the requested rates are appropriate for submission to the Commission via advice letter, and suggest a specific effective date for interim rates. The ruling will also direct applicant to establish a memorandum account to track any difference between the interim rates and the final rates in an advice letter filing.

As mentioned above, DRA continues to support the procedure established by D.04-06-018 that requires the ALJ to prepare a proposed decision on the issues of delay and interim rates to be approved by the Commission. We favor a more streamlined approach consistent with the objectives of the Water Action Plan 2005. DRA is concerned that our more streamlined approach may compromise our compliance with the statutory requirement that rates be “justified,” as set forth in Section 454. Under our adopted procedure, interim rates will be implemented via advice letter,<sup>8</sup> subject to refund. While our approach is a departure from D.04-08-016, it satisfies the statutory requirements set forth in Sections 455.2 and 454.

After the Presiding Officer issues a ruling on the motion for interim rate relief, we direct the applicant to file an advice letter consistent with the findings in the Presiding Officer’s rulings. The applicant’s advice letter filing will be effective according to the findings of the Presiding Officer’s ruling. Under our adopted procedure and consistent with Section 455.2, the applicant’s “interim rates shall be effective on the first day of the first test year in the general rate case application” as long as the Presiding Officer finds that applicant was not responsible for delay. In instances where there are large rate adjustments to be made at the time of implementing final GRC rates, the Commission will incorporate the time value of money that either the ratepayers or shareholders bore for the duration of the interim rate relief period.

We will continue a number of our current practices adopted under D.04-06-018 regarding interim rates. Under Section 455.2, interim rate relief is limited to the “rate of inflation.” In D.04-06-018, we adopted an index for determining the rate of inflation, the most recent 12-month ending change in the

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<sup>8</sup> We do not designate this advice letter under any “Tier.”

U.S. Cities CPI-U published by the U.S. Bureau of Labor Statistics. No parties commented on our proposal to rely on this index. Consistent with D.04-06-018, this index will be applied to all revenue requirement components except those items included in balancing accounts.

#### **D. Rate Case Plan Waivers**

Section 455.2(c) directs us to adopt a procedure for granting waivers to the requirement that water utilities file a GRC application every three years.

Section 455.2(c) states, in pertinent part, “The plan shall include a provision to allow the filing requirement to be waived upon mutual agreement of the commission and the water corporation.”

No procedure currently exists in the RCP for such waivers. In D.06-06-037, we invalidated the RCP waiver process adopted in D.06-02-010 because we determined that parties were not afforded adequate notice and opportunity to be heard on the waiver procedure adopted in our prior RCP proceeding, R.03-09-005. In this OIR, we again proposed a procedure for obtaining such waivers.

The Joint Parties make two recommendations in response to our proposed RCP waiver procedure. The first recommendation addresses the procedure required under Section 455.2(c) to permit waivers to the triennial rate case cycle. In the OIR, we proposed that, should the water utility and the Commission (through the Executive Director) mutually agree to a waiver of the triennial GRC filing requirement, the water utility would be foreclosed from filing a GRC until its next scheduled GRC. The Joint Parties suggest that we permit a water utility to waive the triennial GRC filing for a period less than three years provided that written agreement exists between the water utility and DRA.

In response to the Joint Parties’ comments, we will modify our proposal in the OIR. Under Section 455.2, the Commission can agree to permit the utility to

file according to a schedule other than the triennial schedule set forth in the adopted RCP. While we do not anticipate that we would grant such requests unless special circumstances exist, we will provide for this possibility by removing the following language from the proposed RCP at Section V(1):

“Granting of this request by the Executive Director will result in the waiver by the utility of rate changes until its next schedule rate case.”

The Joint Parties’ second recommendation addresses our proposal to authorize a water utility to waive its right to file an application and, instead, file its GRC via advice letter. The Joint Parties recommend that utilities only be permitted to file an advice letter in lieu of a GRC application under the requirements of our proposal in Section V of the RCP if written agreement exists between the utility and DRA to rely on the advice letter procedure outlined therein.

We agree that such a modification is necessary. The utility must seek the agreement of DRA prior to filing a GRC via advice letter filing.

The Joint Parties do not comment on any other aspects of our RCP waiver procedure. No other parties comment on this topic. Accordingly, except for the above modification, our proposal remains unchanged. We note, however, that Section 455.2 authorizes the Commission to agree to waivers in certain circumstances. We now delegate to the Executive Director, in consultation with Water Division, the authority to enter into and grant requests for the waivers set forth in Section 455.2(c). The procedures that utilities must follow to obtain such waivers can be found in Section V of the RCP.

#### **E. Minimum Data Requirements**

To streamline the formal discovery process during a GRC or a cost of capital proceeding, the OIR proposed standardized MDRs to be submitted as part of the utility’s testimony in its GRC and cost of capital proceedings. We



noted in the January 29, 2007 Scoping Memo that we would also consider whether the MDRs at Section II.G should direct the utility to demonstrate compliance with Section 10620 of the Water Code. Section 10620 of the Water Code requires utilities, and others, to prepare Urban Water Management Plans.

The Joint Parties make no recommendation on any matter related to the MDRs. DRA supports the MDRs but urges the Commission to incorporate portions of the Master Data Request into the MDRs or continue to require compliance with the Master Data Request. DRA submits revisions to the proposed MDRs to reflect the incorporation of critical portions of the Master Data Request. DRA also supports our recommendation to include a provision regarding Section 10620 compliance.

CWA generally supports the proposed MDRs but finds the Master Data Request to be unnecessary with the addition of the MDRs. CWA asks that we clarify whether utilities will be required to submit both under the new RCP. CWA also asks us to clarify whether the MDRs constitute the standard by which a proposed application will be deemed complete for filing and for purposes of issuance of the required deficiency letter. In addition, CWA claims that the proposed MDR on “Conservation and Efficiency” prematurely sets a specific percentage reduction for all utilities and fails to consider the significant differences among utilities.

MPWDM generally supports the MDRs but also seeks clarification on the status of DRA’s Master Data Request.

We conclude that the MDRs, attached hereto at Appendix A (RCP Attachment 1 and Attachment 2) will apply to GRC applications and cost of capital proceedings, respectively. We further clarify that DRA’s Master Data Request is not incorporated as part of the MDRs. While we appreciate DRA’s argument that it will need additional information beyond the MDRs, DRA will

continue to have the opportunity to ask for supplementary information during formal discovery. We expect parties to work cooperatively during discovery. Unreasonable delay in responding to discovery is not acceptable and will be taken into consideration should applicant seek interim rate relief under Section 455.2(b).

No party opposes our suggestion to include a compliance showing regarding Section 10620 of the Water Code. Accordingly, we will incorporate such a requirement into the MDRs. For purposes of issuance of a deficiency letter, a proposed application will be deemed complete if all MDRs are submitted.

Lastly, we clarify the MDRs on “Conservation and Efficiency.” We expect utilities to submit plans to achieve certain water reduction goals. While we consider these goals attainable, we do not now require utilities to meet these goals.

#### **F. Notice of Rate Increases for Utilities with Bimonthly Billing**

The OIR acknowledged that, under the existing RCP, utilities relying on bimonthly billing are not afforded sufficient time to notify their customers of a proposed rate increase or of upcoming PPHs. To provide sufficient time to provide such notice, the OIR proposed to modify the RCP processing schedule to hold public participation hearings later.

DRA agrees that the RCP should be modified to afford utilities with bimonthly billing sufficient time to provide customer notice but that the RCP should require PPHs before DRA submits its report. The Joint Parties agree that the RCP should allow adequate time for notifying customers of rate changes. No other party addresses this issue.

We conclude that the RCP processing schedule should be modified so that utilities have more time to provide notice to customers and so that PPHs are held before DRA submits its report. Accordingly, we adopt minor modifications to the OIR proposal. The adopted schedule will also provide DRA with sufficient time to investigate any new customer concerns raised at a PPH before DRA submits its report.

### **G. Addition of Technical Conference**

The Water Action Plan 2005 includes the broad policy objective of “reasonable rates and viable utilities.” In an effort to further this objective, the OIR proposed to add a technical conference requirement to the RCP. The Joint Parties agree that the addition of a technical conference to the RCP would ensure that Water Division and other parties understand the utility’s ratemaking models. No parties contest this suggestion. We will adopt a technical conference requirement. This technical conference will be held between the filing of reply briefs and the issuance of the proposed decision. The specific details regarding the timing of the technical conference are set forth in the RCP, attached hereto as Appendix A.

### **H. Water Quality Review**

To improve the Commission’s review of water quality, the OIR proposed that the assigned Commissioner and assigned ALJ appoint, at the utility’s expense, an independent expert witness to offer evidence on the utility’s water quality compliance in its GRC proceeding. This proposal is founded on *Hartwell Corp. v. Superior Court*, 27 Cal.4th 256 (2002). In *Hartwell*, the California Supreme Court held that the Commission has constitutional and statutory responsibilities to ensure that water utilities provide water that protects the public health and safety. The OIR also incorporated water quality into the MDRs and suggested

that the proposed decision in a GRC proceeding make specific findings and recommendations concerning the utility's water quality compliance.

The Joint Parties agree that a water quality expert witness would provide valuable input in a GRC. The Joint Parties further suggest that such an expert witness could be a qualified representative from the Department of Health Services (DHS) or a water quality consultant recommended by DHS.

Park comments that it is unclear whether the OIR proposes that the costs of a water quality expert be recoverable in rates or by some other method.

After considering all these comments, we direct the assigned Commissioner or the assigned ALJ to any Class A water utility GRC proceeding to appoint a water quality expert to provide evidence to assist us in making specific findings and recommendations concerning a utility's water quality compliance unless good cause exists to forego the appointment of a water quality expert. If the water quality expert submits written testimony, the water quality expert will be subject to cross-examination in accordance with the Rules of Practice and Procedure. Initially, the process we anticipate is that all GRCs will be referred to a water quality expert soon after the GRC is filed and the water quality expert will provide a preliminary review of the utility's water quality and address the water quality aspects of GO 103 and other applicable law. We further anticipate that the water quality expert will provide an informal report to the Presiding Officer prior to the PHC. If the Presiding Officer determines that a more extensive report is required, the Presiding Officer will order such a report and testimony in a ruling with the scoping memo by the same or a different water quality expert. Parties will be permitted to submit written responses to this aspect of the scoping memo.

In the future, where the utility has met all sampling and testing requirements, has no test results on facilities in active service that exceed certain

maximum contaminant levels (MCLs), and no party raises concerns of merit, then no appointment of a water quality expert may be necessary.

In contrast to our proposal in the OIR, we do not expect the utilities to pay for this expert witness. To facilitate our oversight of water quality, the Commission's Water Division will enter into any required contracts with qualified water quality experts. The Water Division will oversee these contracts. We also will incorporate water quality into the MDRs and require that any proposed decision in a GRC proceeding make specific findings and recommendations concerning the utility's water quality compliance.

Finally, DHS offered support for certain additions to our MDRs that we included in the OIR. CWA, in its reply comments, agreed with the suggestions of DHS. As a result, as proposed in the OIR, we will require utilities to respond to certain water quality matters in their GRCs. These matters are set forth in the MDRs.

### **I. Reduction of Unaccounted Water**

The OIR notes that since 1991 many water utilities have used the CUWCC's BMP 3, "Water Loss, System Water Audits, Leak Detection and Repair," to determine whether unaccounted water loss in the system exceeds 10%. As we noted in the OIR, BMP 3 has been criticized because it is based on a pre-screening test and, if improperly performed or manipulated, BMP 3 allows the water utility to avoid a full audit, even in situations where the recovery of lost water would be economically beneficial to the utility. To address this criticism (as well as for other reasons), CUWCC is considering adopting a new water loss audit methodology in a revised BMP 3. The new water loss audit methodology under consideration by CUWCC is derived from the American Water Works Association's (AWWA) standard methods for water auditing which

is based upon the International Water Association's (IWA) Best Management Practice (herein the "AWWA/IWA audit methodology").

The OIR proposed the AWWA/IWA audit methodology, due to the clear resulting benefits, even though CUWCC is still in the process of considering whether to revise the BMP 3. Specifically, under the new methodology, Class A water utilities would perform and submit the results of a water loss audit as part of the GRC application and testimony.

The Joint Parties recommend that, until the CUWCC adopts changes, if any, to its BMP 3 to include this new methodology, the Commission continue to require Class A water utilities to comply when cost-effective with the existing CUWCC BMP 3. The Joint Parties suggest that it would be premature for the Commission to require utilities to comply with this new methodology. The revisions to BMP 3 are ongoing and may be significant based on the failure of this new methodology to consider the limited capital planning horizon of investor-owned utilities.

MPWMD supports the use of the new methodology. MPWMD suggests that any reduction in unaccounted water will improve service quality to customers. As a result, customers may be less adverse to rate increases.

We conclude that the concerns of the Joint Parties have merit. CUWCC is reviewing the AWWA/IWA audit methodology, and some problems may exist as it applies to utilities. We will not adopt any new requirements for unaccounted water at this time.

However, the current BMP 3 is ineffective in encouraging water utilities to reduce water losses, as the 10% unaccounted water target can be easily achieved through the manner in which unaccounted water is reported. The BMP 3 language dates back to 1991 and reflects the methodology for system water auditing and leak deduction included in the AWWA M 36 manual at that time.

The AWWA M 36 manual is currently being revised. This manual will have the same unaccounted water requirements as the revised BMP 3 once both the M 36 manual and BMP 3 revisions are approved. Approval is expected to happen by early 2008. Consequently, water utilities shall be required to comply with the M 36 manual and BMP 3 as they are stated currently and to further comply when revised. During this interim period when the improved standard for unaccounted water will not be in effect, water utilities will be required to use the free Water audit software developed by AWWA, as set forth in the MDRs.<sup>9</sup> Consistent with the Water Action Plan 2005, we are concerned about avoidable unaccounted water and seek to make improvements in this area.

#### **J. Alternative Dispute Resolution**

The OIR proposed that the RCP include an ADR process. Under the proposal in the OIR, an initial meeting among the active parties and an ALJ neutral is mandatory.

The Joint Parties generally agree with the ADR proposal in the OIR but suggest that, after the initial meeting, participation in the ADR process be optional, not mandatory. The Joint Parties believe that unless both DRA and the utility agree to rely on the ADR process, the process will not be useful or successful. MPWMD supports the use of ADR, especially if the meeting dates for ADR are scheduled at the same time and place as other meetings, such as PHCs or PPHs.

Under the proposal in the OIR, the ALJ neutral assigned to a particular GRC proceeding would determine whether ADR will be mandatory or optional. We adopt this rule and will make minor modifications to clarify the role of the

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<sup>9</sup> The software is available at:

[http://www.awwa.org/WaterWiser/waterloss/Docs/031WA\\_AWWA\\_Method.cfm](http://www.awwa.org/WaterWiser/waterloss/Docs/031WA_AWWA_Method.cfm).

ALJ neutral. While the Joint Parties may be correct that mandatory ADR will yield no results, we believe that the ALJ neutral is best able to make this determination based on the ALJ's neutral understanding of the circumstances of each case. Consistent with the Water Action Plan 2005, we intend to rely on the ADR process to streamline the GRC process. Accordingly, the first scheduled ADR meeting will be mandatory and subsequent meetings will be arranged by the assigned ALJ neutral as appropriate.

#### **IV. Workshop**

We have also concluded that while the MDRs provide us with a substantial amount of information, water utilities may continue to provide that information to us in a variety of formats. As a result, Water Division may spend valuable time comparing these different formats when this time could be better spent. We are particularly concerned with establishing a consistent format for submitting financial data in a GRC application. For this reason, we direct Water Division to convene workshops to develop a uniform method for reporting summary of earnings and other associated information in support of GRC applications.

#### **V. Categorization and Need for Hearing**

In the OIR, the Commission preliminarily determined the category of this rulemaking proceeding to be quasi-legislative as the term is defined in Rule 1.3(d) of our Rules of Practice and Procedure. Today we affirm this categorization. Consistent with the preliminary determination in the OIR that no formal hearing was needed in this proceeding, as confirmed by the January 29, 2007 Scoping Memo, no hearing was held in this proceeding.



## **VI. Comments on Proposed Decision**

The proposed decision of the assigned Commissioner in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and Rule 14.2(a) of the Commission's Rules of Practice and Procedure.

Comments were filed on April 18, 2007, and reply comments were filed on April 23, 2007.

## **VII. Assignment of Proceeding**

John A. Bohn is the assigned Commissioner and Regina M. DeAngelis is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. In D.04-06-018, we adopted a RCP for Class A water utilities.
2. Since D.04-08-016, all Class A water utilities have had the opportunity to file and process at least one GRC.
3. On December 15, 2005, we adopted the Water Action Plan 2005.
4. The four key principles of this Plan are (1) safe, high quality water; (2) highly reliable water supplies; (3) efficient use of water; and (4) reasonable rates and viable utilities.
5. The Plan also includes six objectives: (1) maintain the highest standards of water quality; (2) strengthen water conservation programs to a level comparable to those of energy utilities; (3) promote water infrastructure investment; (4) assist low income ratepayers; (5) streamline Commission regulatory decision-making; and (6) set rates that balance investment, conservation, and affordability.
6. On December 14, 2007, we issued this Order Instituting Rulemaking to build upon the process started by the Water Division to incorporate the goals of the Water Action Plan 2005 into the RCP.

7. After carefully reviewing all the comments and reply comments filed by parties on February 21 and 28, 2007, to the draft proposed RCP attached to the OIR, we adopt a new RCP.

**Conclusions of Law**

1. The RCP is consistent with the Water Action Plan 2005.
2. The RCP is consistent with the requirements of Section 455.2.
3. The RCP procedures for addressing rate adjustments during the transition period are consistent with Section 455.2.
4. The RCP interim rate process under Section 455.2(a) and (b) only applies during a pending GRC when the applicant anticipates that the Commission's decision will not be effective on the first day of the first test year in a general rate increase application.
5. The process for obtaining interim rates while a GRC is pending upholds the statutory requirements set forth in Sections 455.2 and 454.
6. Consistent with Section 455.2, we adopt a procedure for waiver of certain RCP requirements.
7. The Minimum Data Requirements, attached hereto at Appendix A (RCP Attachment 1 and Attachment 2) will apply to GRC applications and cost of capital proceedings, respectively.

**O R D E R**

**IT IS SO ORDERED** that:

1. The Rate Case Plan (RCP) for Class A Water Utilities, including the Minimum Data Requirements, attached hereto as Appendix A is adopted.
2. This RCP, attached hereto as Appendix A, supersedes the RCP attached to Decision 04-06-018.

3. The RCP furthers the policy objections set forth in the Water Action Plan 2005 as it promotes timely processing of cases seeks to balance the workload of the Commission and its staff over time, and enables comprehensive review by the Commission of rates and operations of all Class A Water Utilities.

4. All Class A Water Utilities shall comply with the filing schedule and all other general rate case (GRC) requirements as set forth in the RCP.

5. All Class A Water Utilities must submit a proposal to adjust cost of capital in their first cost of capital applications filed under this RCP, as described herein.

6. We delegate to the Executive Director, in consultation with the Water Division, the authority to enter into and grant requests for the waivers set forth in Section 455.2(c).

7. To facilitate our oversight of water quality during GRCs for Class A Water Utilities, we direct the Commission's Water Division to enter into any required contracts with qualified water quality experts. We direct the Water Division to oversee these contracts.

8. We further authorize the Presiding Officer in a GRC to rely on the testimony of a water quality expert consistent with *Hartwell Corp. v. Superior Court*, 27 Cal. 4<sup>th</sup> 256 (2002).

9. The Commission's Water Division shall convene workshops to develop a uniform method for reporting summary of earnings and other associated information in support of GRCs filed by Class A Water Utilities. The Water Division shall submit its recommendations to the Commission within 180 days of this decision.

10. Should the RCP schedule require modification due to a merger, a new entrant, or other significant change, we authorize the Water Division to prepare a Resolution for changing the schedule for our consideration.

11. Rulemaking 06-12-016 is closed.

12. This order is effective today.

Dated May 24, 2007, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners

**APPENDIX A**

**Rate Case Plan and Minimum Data Requirements  
for Class A Water Utilities  
General Rate Applications**

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## **I. Introduction**

This Rate Case Plan (RCP) supersedes the RCP adopted by Decision (D.) 04-06-018, as modified by D.06-02-010 and D.06-06-037. Consistent with Section 455.2 of the Public Utilities Code<sup>1</sup> and the Commission's Water Action Plan 2005, this RCP promotes timely processing of general rate cases (GRCs), balances the workload of the Commission and its staff over time, and facilitates comprehensive Commission review of the rates and operations of all Class A water utilities.

## **II. General Rate Case Structure and Process**

### **A. Filing Schedule**

Under the RCP, each Class A water utility is scheduled to file a GRC once every three years, with certain exceptions, as specified herein. During the transition to this RCP, Section VI may, in some instances, schedule a GRC application for a particular utility before or beyond the three years. In those instances, the water utility is permitted to act consistent with Section II. B and II. C, below.

The RCP processing period for utilities will be either 14 months or 20 months, beginning with the submission date of the proposed application and ending with the expected effective date of final rates. The 14-month or 20-month processing period will apply as set forth below.

The deadline for the utility to submit its proposed application is either November 1 or May 1 with the requisite application being filed on the following January 1 and July 1, respectively, as provided below. **All references to the first day of the month for the filing deadlines herein means the first Commission business day of the month.**

### **B. Procedure to Address Delay Beyond the Three-Year GRC Cycle**

A water utility that experiences a delay beyond three-years in filing a GRC application due to the transition to the RCP schedule may seek to implement an interim rate change via an advice letter.

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<sup>1</sup> All subsequent section references are to the Public Utilities Code unless otherwise indicated.



Such filing will not excuse a utility from filing its future GRCs according to the RCP schedule. These interim rates, when approved, will be subject to refund and shall be adjusted upward or downward back to the effective date of the interim rates with the adoption of final rates by the Commission at the conclusion of a GRC scheduled under the RCP.

The procedures herein will only apply during our transition to the RCP in instances when this RCP schedule delays a GRC for any water utility beyond the three-year cycle set forth in Section 455.2.

### **C. Procedure to Forego a Scheduled GRC**

In any GRC under this RCP, the utility may choose to forego review of rates for a district when the adopted rates are for a test year less than three years prior. In these circumstances, the utility does not need to include responses to the Minimum Data Requirements for such district in a proposed application addressing multiple districts. The utility shall advise the Commission of its decision to forego a GRC by letter to the Water Division Director.

### **D. Cost of Capital Applications**

The three largest multi-district Class A water utilities, California American Water Company, California Water Service Company, and Golden State Water Company, are directed to file a cost of capital application on May 1, 2008 and on a triennial basis thereafter.<sup>2</sup> The Commission will consolidate these three cases. The utilities shall include in this May 1, 2008 filing a proposal to annually update the authorized capital structure. This mechanism will apply between triennial proceedings. The Commission will adopt such a mechanism in the May 2008 proceeding.

All the remaining Class A water utilities will file a cost of capital application on May 1, 2009 and on a triennial basis thereafter. The Commission will consolidate these cases. The utilities shall include in the May 2009 filing a proposal to annually update the authorized capital structure. This mechanism will apply between triennial proceedings. The Commission will adopt such a mechanism in the May 2009 proceeding.

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<sup>2</sup> For the first cost of capital applications filed under this RCP, the utilities shall serve their applications on the service list to R.06-12-016.

### **E. The Record for a GRC Proceeding**

Informal communications between applicant, DRA, and other interested parties are encouraged at all stages of the proceedings, including the proposed application review period. Informal communication is encouraged to facilitate a better understanding of the positions of the parties, avoid or resolve discovery disputes, and eliminate unnecessary litigation. However, all information necessary for the Commission to make its decision must be included in the formal record. While the Commission supports alternative forms of dispute resolution for GRC filings, any resulting agreement, and the record on which it is based, must meet all applicable Rules of Practice and Procedure as well as the Commission's standard for settlements. A complete comparison exhibit for each district, with supporting rationale, is essential for any settlement agreement.

### **F. Water Quality Expert**

The Presiding Officer shall appoint a water quality expert to assist the Commission in making specific findings and recommendations concerning a utility's water quality compliance unless good cause exists to forego such appointment. Initially, all GRCs will be referred to a water quality expert soon after the GRC is filed, and the water quality expert will provide a preliminary review of a utility's water quality and address the water quality aspects of GO 103 and other applicable law. We further anticipate that the water quality expert will provide an informal report to the Presiding Officer prior to the PHC. If the Presiding Officer determines that a more extensive report is required, the Presiding Officer will order a report and testimony by the same or a different water quality expert in a ruling with the scoping memo. If a water quality expert submits testimony, the expert will be subject to cross-examination. Parties will be permitted to file responses to this aspect of the scoping memo.

In the future, where the utility has met all sampling and testing requirements, has no test results on facilities in active service that exceed certain maximum contaminant levels (MCLs), and no party raises concerns of merit, then no appointment of a water quality expert may be necessary.

### **III. Schedule for Processing GRCs**

The schedule for processing GRC applications is set out below. By mutual agreement, DRA and the utility may modify the date for filing the proposed application. The Presiding Officer shall set the final schedule for each proceeding at or after the Prehearing Conference (PHC) or through a scoping memo. During the transition to the new RCP, the Presiding Officer may modify

this schedule to accommodate the workload concerns or other needs of parties related to this transition.

Event	14-month Schedule	20-month Schedule	
Proposed Application	-60	-60	
Deficiency Letter Mailed	-30	-30	
Appeal to Executive Director	-25	-25	
Executive Director Acts	-20	-20	
Application Filed/Testimony Served	0	0	
PHC Start Date	10-75	10-75	
Update of Applicant's Showing	45	100	
Public Participation Hearings (as needed)	10-90	10-190	
DRA Testimony	97	204	
Other Parties Serve Testimony	97	218	
Rebuttal Testimony	112	264	
ADR Process	115-125	270-290	
Evidentiary Hearings (if required)	126-130	290-310	<b>Cost of Capital</b> May 1 on triennial basis
Opening Briefs Filed and Served	160	340	
Motion for Interim Rates	160	340	
Mandatory Status Conference	161	341	
Reply Briefs Filed and Served (with Comparison Exhibit)	175	350	
Water Division Technical Conference	180	370	
Proposed Decision Mailed	240	460	
Comments on Proposed Decision	260	480	
Reply Comments	265	485	
Commission Meeting	280	500	

#### IV. Detailed Processing Schedule

##### A. Proposed Application

##### Day -60 (All Applications)

### **1. Dates of Proposed Application**

No later than November 1 for water utilities scheduled to file the final application in January. No later than May 1 for water utilities scheduled to file in July.

### **2. Number of Copies of Proposed Application**

The original signed copy of the proposed application shall be served on DRA. The proposed application shall not be tendered to the Docket Office. Four copies of the proposed application and supporting testimony shall be provided to DRA for single district filings, five copies for multi-district filings, and one copy to the Commission's Legal Division and Water Division. DRA shall be provided with one full paper copy set of workpapers. A searchable electronic copy (via email or CD) of the proposed application, supporting testimony, and workpapers shall be provided to DRA on the filing date. Applicant shall furnish copies of the proposed application, supporting testimony, and workpapers to interested parties upon written request.

### **3. Content of Proposed Application and Supporting Prepared Testimony**

A utility's proposed application for a rate increase must identify, explain, and justify the proposed increase. The proposed application shall include a proposed schedule consistent with the RCP with a test period consistent with the RCP. The proposed application shall include, but not be limited to, the information set forth in Attachment 1, Minimum Data Requirements. The utility is not required to follow the order of information in Attachment 1, but must include a cross-reference to where each of the Minimum Data Requirements is set forth in its testimony. The Presiding Officer may ask for summary sheets of each district in a consolidated case or request that the application be filed in a particular format that facilitates review. The utility bears the burden of proving that its proposed rate increase is justified and must include in the proposed application and supporting testimony, all information and analysis necessary to meet this burden.

### **4. DRA Evaluation of Proposed Application**

#### **Within -30 days (All Applications)**

DRA will review and evaluate the proposed application to determine whether the proposed application complies with the Minimum Data Requirements. No later than 30 days after the proposed application is tendered, DRA will inform the utility in writing whether the proposed application

complies. If DRA determines that the proposed application complies with these Minimum Data Requirements, then DRA will notify the Commission's docket office to accept for filing a GRC application from that utility at any time within the following 30 days. If DRA determines that the proposed application does not comply with the MDR, then DRA will issue a deficiency letter.

## **B. Deficiency Letter Issued**

### **Day -30 (All Applications)**

No later than 30 days after the proposed application is tendered, DRA shall issue any deficiency letter. DRA shall also transmit a courtesy electronic copy of the letter to the utility's representative on the day of issuance. The deficiency letter shall include a list of the topics on which the proposed application is deficient. To the extent known, DRA shall describe the information and analysis needed to cure the deficiencies. Upon request, DRA shall promptly meet and confer with the utility. Unless and until the defects listed in the deficiency letter are resolved pursuant to the appeals process or cured, the Commission will not accept the GRC application for filing.

For purposes of the RCP, a deficiency is a material omission of any Minimum Data Requirement from the proposed application, supporting testimony, or workpapers. A deficiency is not a subjective determination that the proposed application or submitted documents, including workpapers, do not adequately support the utility's request or are non-responsive to the RCP filing requirements. Failure to respond to a data request for information beyond the Minimum Data Requirements is not a requirement of the RCP and failure to respond to a data request is not a deficiency.

The following examples are not deficiencies: 1) a request by DRA for clarification of the utility's submitted prepared testimony or supporting calculations, unless the submitted materials overall were disorganized or unclear; 2) use of recorded or estimated data for subjects that are not required under the RCP; and 3) a determination by DRA that a proposed position is incorrect or inadequately supported by the testimony and/or workpapers and therefore requires additional information to evaluate. These are not deficiencies for the purpose of accepting the proposed application.

**C. Appeal to Executive Director**

**Day -25 (All Applications)**

If the utility disagrees with any or all defects listed in the deficiency letter, the utility may file and serve an appeal to the Executive Director. Service shall include copies to the Executive Director, the Director of the Water Division, the Assistant Chief ALJ (Water), and DRA. The utility shall concisely identify the points in the deficiency letter with which it disagrees and shall provide all necessary citations and references to the record to support its claim.

**D. Executive Director Acts**

**Day -20 (All Applications)**

No later than five days after the appeal is filed, the Executive Director shall act on the appeal by a letter ruling served on all parties. Electronic courtesy copies shall also be provided on the day of issuance.

**E. Application Filed**

**Day 0 (All Applications)**

No later than 60 days after the proposed application is tendered and DRA has notified the Docket Office that the proposed application is not deficient, the utility may file its GRC application consistent with Rule 1.13 of the Rules of Practice and Procedure<sup>3</sup> or electronically consistent with the requirements of Resolution ALJ-188.

Supporting testimony shall not be filed with the Docket Office but shall be served on all parties including the Presiding Officer or, if one is not yet assigned, the Chief ALJ. Applications must conform with all applicable Rules, including Rule 1.5, which indicates that font type must be no smaller than 10 points. All data included in the application and testimony shall be updated to include information that was not available when the proposed application was tendered, and all such changes shall be quantified and explained in a comparison exhibit. The application shall conform to the content of the proposed application and supporting testimony, and shall include final versions of the exhibits provided in the proposed application. The utility shall serve copies of its application in

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<sup>3</sup> Unless otherwise noted, all subsequent references to “Rules” or “Rule” are to the Commission’s Rules of Practice and Procedure.

accordance with the same directives, set forth above, applicable to the proposed application.

## **F. Updates**

### **Day 45 (14-month schedule)**

### **Day 100 (20-month schedule)**

Up to 45 days or 100 days after filing, as applicable, more recent recorded data used in the application/testimony may be provided by the utility. More recent recorded data are utility plant or expense account balances showing actual historical amounts. The more recent recorded data must be used in the same manner and for the same purpose as the data included in the original application/testimony. New or additional items or forecasted costs are not updates to recorded data and will not be accepted, except that the water utility is permitted to file a motion for permission to file updates of the following expenses: employee benefits (all medical, dental, pension, and other benefits), insurance, and Sarbanes-Oxley compliance costs.

Under extraordinary circumstances, a water utility may seek discretionary post-application modifications. Any such request must, at a minimum, show that the addition sought: (1) causes material changes in revenue requirement; (2) is the result of unforeseeable events; (3) is not off-set by other cost changes; and (4) can be fairly evaluated with proposed schedule changes that have been agreed to by all parties. Any such request shall be by made by written motion, with an opportunity for other parties to respond, as provided in the Rules. The Presiding Officer shall rule on the motion and, if the motion is granted, shall provide the other parties with a reasonable amount of time to respond to the updated information. The Presiding Officer shall set a revised schedule, if appropriate.

## **G. PHC Held**

### **Day 10 - 75 (All Applications)**

The assigned Commissioner and/or ALJ shall convene a PHC and set the procedural schedule for the proceeding. At the PHC, the Presiding Officer and the parties will discuss Alternative Dispute Resolution (see below) and the scope of the proceeding, the timing, process, and appointment of an independent water quality expert to provide testimony to assist the Commission with its assessment of water quality compliance. The PHC will most likely, but not necessarily, be scheduled after the expiration of the protest period.

**H. Public Participation Hearings, if applicable**

**Day 10-90 (14-month schedule)**

**Day 10-190 (20-month schedule)**

The schedule may include Public Participation Hearings if necessary due to public interest. The ALJ and/or Commissioner may also direct the applicant to make information about the rate case available to the public via other communication channels, including the Internet and other means of public outreach. The applicant shall provide notice of the hearings in accordance with Rule 3.2 and any supplemental procedures directed by the Presiding Officer pertaining to notice of hearings.

**I. Distribution of DRA Testimony**

**Day 97 (14-month schedule)**

**Day 204 (20-month schedule)**

DRA shall serve prepared testimony on the service list to the proceeding consistent with Rules 1.9 and 1.10. Two paper copies shall be served on the Presiding Officer. Workpapers shall be served on all service list appearances. DRA shall arrange its workpapers in an organized and logical fashion.

**J. Distribution of Testimony by Other Parties**

**Day 97 (14-month schedule)**

**Day 218 (20-month schedule)**

Any interested parties shall serve their prepared testimony on the service list to the proceeding consistent with Rules 1.9 and 1.10. Two paper copies shall be served on the Presiding Officer. Workpapers shall be served on all appearances. Parties shall arrange workpapers in an organized and logical fashion.

**K. Distribution of Rebuttal Testimony**

**Day 112 (14-month schedule)**

**Day 264 (20-month schedule)**

Rebuttal testimony may be prepared by any party and shall be served on the service list consistent with Rules 1.9 and 1.10. Two paper copies shall be served on the Presiding Officer. Workpapers shall be served on service list appearances.



**L. Alternative Dispute Resolution (ADR)**

**Day 115-125 (14-month schedule)**

**Day 270-290 (20-month schedule)**

ADR will be explained by the Presiding Officer at the initial PHC and addressed in the scoping memo. An ALJ neutral will be appointed to meet with the parties as needed throughout the proceeding. Specific ADR processes will be held during the period between rebuttal testimony and the evidentiary hearing. The ALJ neutral and the parties will plan and schedule the specific ADR processes that are appropriate for that proceeding. These methods may include facilitation, mediation, or early neutral evaluation conducted by an ALJ neutral not assigned to the proceeding. All active parties must participate in an initial session of ADR and each active party must have an official at such meeting with decision-making authority. Unless the parties agree otherwise, all ADR sessions will be confidential and the communications will not be used in the formal proceeding. For additional information on the Commission's ADR program, see Resolution ALJ-185.

**M. Evidentiary Hearings**

**Day 126-130 (14-month schedule)**

**Day 290-310 (20-month schedule)**

The Presiding Officer shall preside over evidentiary hearings and shall take evidence to prepare the formal record. At the conclusion of the hearings, the Presiding Officer shall set the briefing schedule and set the date for submission of the case for decision by the Commission, consistent with the RCP processing schedule herein.

**N. Opening Briefs Filed and Served**

**Day 160 (14-month schedule)**

**Day 340 (20-month schedule)**

The parties may file concurrent opening briefs setting out their recommendations on specific issues, with supporting references to the record. The applicant shall include a comprehensive discussion of the issues and shall address in detail each issue identified as "contentious" in the application. The Presiding Officer may adopt a uniform briefing outline for use by all parties.

**O. Motion for Interim Rates and Status Conference**

**Day 160 and Day 161 (14-month schedule)**

**Day 340 and Day 341 (20-month schedule)**

Unless otherwise designated by the Presiding Officer, parties must file a motion for interim rates pursuant to Section 455.2. Response to the motion will be accepted consistent with the Rules. Section V(D) herein sets forth this process in greater detail. This process must include a mandatory status conference the day after the date parties file opening briefs to evaluate the need for interim rates and the process for implementing such rates.

**P. Reply Briefs Filed and Served**

**Day 175 (14-month schedule)**

**Day 350 (20-month schedule)**

Each party may file a brief that responds to the issues raised by other parties in opening briefs. The applicant, DRA, and other active parties shall prepare and submit a Joint Comparison Exhibit showing complete comparison tables for the test and escalation years. The tables shall show each party's final position on each component of revenue requirement and shall identify all remaining major disputed issues, and the dollar amounts associated with each disputed issue. All major revisions to a party's position on an issue shall be explained. The tables shall consolidate the two test years and one attrition year methodology for capital additions with the one test year and two escalation years program for expenses to show a complete projected revenue requirement for each of the three years in the cycle. Final adjustments to balancing or memorandum accounts that have been approved by DRA may be incorporated in the Joint Comparison Exhibit.

**Q. Water Division Technical Conference**

**Day 180 (14-month schedule)**

**Day 370 (20-month schedule)**

Water Division shall host a Technical Conference following submission of the case to review the ratemaking models utilized by the parties in the case in order to assist the Presiding Officer in the preparation of tables for the proposed decision.

**R. Presiding Officer's Proposed Decision Mailed**

**Day 240 (14-month schedule)**

**Day 460 (20-month schedule)**

The Presiding Officer's proposed decision shall be filed and served consistent with applicable laws and regulations.

In addition to relevant issues raised in the proceeding, each decision: (1) shall discuss utility's district-by-district compliance with water quality standards as required by General Order 103; and (2) unless deviation is otherwise expressly justified in the decision, shall include standard ordering paragraphs providing for escalation year increases subject to an earnings test. A sample ordering paragraph is set out in the footnote.<sup>4</sup>

**S. Comments on Proposed Decision**

**Day 260 (14-month schedule)**

**Day 480 (20-month schedule)**

Comments on the proposed decision shall be filed and served on all parties consistent with Commission Rules.

**T. Reply Comments**

**Day 265 (14-month schedule)**

**Day 485 (20-month schedule)**

As provided in Commission Rules, the parties may file and serve replies to comments on the proposed decision.

**U. Expected Commission Meeting**

**Day 280 (14-month schedule)**

**Day 500 (20-month schedule)**

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<sup>4</sup> Sample Ordering Paragraph: An escalation advice letter, including workpapers, may be filed in accordance with General Order (GO) 96-B no later than 45 days prior to the first day of the escalation year. To the extent that the pro forma earnings test for the 12 months ending September 30, as adopted in D.04-06-018, exceeds the amount authorized in this decision, the requested increase shall be reduced by the utility from the level authorized in this decision to conform to the pro forma earnings test. Advice letters filed in compliance with this decision shall be handled as Tier 1 filings, effective on the first day of the test year. Advice letters not in compliance with this decision will be rejected consistent with GO 96-B.

The proposed decision may be on the agenda for the first regularly scheduled meeting of the Commission occurring 30 or more days after the date the proposed decision is issued.

## **V. RCP Deviations and Waivers**

This section describes possible deviations from the RCP schedule and the procedure by which a utility may seek a deviation or waiver from the RCP schedule or other certain requirements.

### **A. Waiver of Scheduled GRC Filing**

The utility may seek waiver of a GRC application scheduled under the RCP by letter to the Executive Director. Such letter shall be sent to the Executive Director no later than 90 days prior to the scheduled application filing date with a copy to the Chief ALJ, Water Division Director, DRA Director, and the service list of its most recent GRC. The scheduled GRC filing will be waived upon mutual agreement of the Commission (through the Executive Director in consultation with the Water Division) and the water utility. The Executive Director will report to the Commission at the next scheduled Commission meeting the disposition of any requests for waiver of the three-year filing requirement.

### **B. Authority to file GRC by Advice Letter in Lieu of Application**

The utility may file an advice letter in lieu of an application if all of the following circumstances are met:

1. the utility tenders its proposed application;
2. the proposed application is found to be complete;
3. the proposed application consists of a single ratemaking district; and
4. the requested change in revenue requirement is 5% or less.

If the utility meets these criteria, it may, on its specified application filing date under the RCP, file its GRC by advice letter rather than by application, but it must continue to comply with the RCP Minimum Data Requirements in its advice letter filing. The utility shall notify the Commission's Executive Director by letter with a copy to the Chief ALJ, Water Division Director, DRA Director, and Docket Office no later than five days before the application due date

whether it will file an application or advice letter. The GRC advice letter will be processed as a Tier 3 advice letter.

**C. Filing a GRC by Advice Letter in Lieu of Application with Prior Approval**

If subsection b (1)-(4), above, are not satisfied, the filing of an advice letter in lieu of an application is permitted only if prior Commission approval is obtained. The utility shall file an advice letter seeking authority to file its GRC by advice letter no later than 90 days prior to the due date for its application for GRC. The utility must continue to prepare its proposed application consistent with the RCP and Minimum Data Requirements while its advice letter seeking approval for the waiver is pending. The advice letter will be processed as a Tier 3 advice letter. If the Resolution denies the request, the utility shall file its GRC application as specified in the RCP. If the Commission grants the utility's request, the GRC advice letter will be processed as a Tier 3 and the filing requirements set forth in subsection B shall apply.

**D. Interim Rates while a GRC is Pending**

This interim rate process only applies during a pending GRC when the applicant, another party, or the Presiding Officer anticipates that the Commission's decision will not be effective on the first day of the first test year in a general rate increase application. This procedure is adopted pursuant to Section 455.2(a) and (b).

Should an applicant seek interim rate relief, the applicant must file a motion for interim rate relief on or before the date for filing its opening brief, unless a different date is designated by the Presiding Officer. During this time, any other party may also file a motion for interim rate relief. Responses to this motion will be permitted, consistent with the Rules. The motion shall address the degree, if any, that applicant was responsible for delay during the proceeding, the requested rate modification (not to exceed the rate of inflation), and a proposed effective date for interim relief. The motion shall also request the establishment of a memorandum account to track the difference between the interim rates and the final rates.

In response to this motion, the Presiding Officer will issue a ruling. The ruling will determine whether the applicant was responsible for the delay in implementing rates, determine if the requested rates are appropriate for submitting to the Commission via advice letter, and set a specific effective date for interim rates. The ruling will also direct applicant to request the

establishment of a memorandum account with the advice letter filing that implements interim rates.

After a ruling is issued on the motion for interim rate relief, the applicant must file an advice letter consistent with the ruling. The applicant's advice letter filing will be effective according to the findings of the ruling. Under our adopted procedure and consistent with Section 455.2, the applicant's "interim rates shall be effective on the first day of the first test year in the general rate case application" as long as the Presiding Officer finds that applicant was not responsible for delay.

Under Section 455.2, interim rate relief is limited to the "rate of inflation." The index for determining the rate of inflation will be the most recent 12-month ending change in the U.S. Cities CPI-U published by the U.S. Bureau of Labor Statistics.

In instances where there are large rate adjustments to be made at the time of implementing final GRC rates, the Commission will incorporate the time value of money that either the ratepayers or shareholders bore for the duration of the interim rate relief period.

The Presiding Officer shall also convene a status conference on the first business day after the date parties file opening briefs. The purpose of this status conference is to determine the need for interim rates and to adopt a procedure to ensure interim rates are filed via advice letter and approved in a timely fashion.

## VI. RCP GRC SCHEDULE

Utility	Districts	GRC Filing Date	Cost of Capital Filing Date	Effective Date	Processing Time (months)
<b>FIRST CYCLE</b>					
Cal Water	8 & All GO <sup>1</sup>	July 1, 2007	May 1, 2008	July 1, 2008	14
San Gabriel	(1) LA & GO	July 1, 2007	May 1, 2009	July 1, 2008	14
Cal Am	(2) Monterey; Felton; Sewer All GO	January 1, 2008	May 1, 2008	July 1, 2009	20
Park (Apple Valley)	1 & All GO	January 1, 2008	May 1, 2009	January 1, 2009	14
Suburban	1	January 1, 2008	May 1, 2009	January 1, 2009	14
Golden State	9 Regions II & III & GO	July 1, 2008	May 1, 2008	January 1, 2010	20
San Gabriel	1 (FO)	July 1, 2008	May 1, 2009	July 1, 2009	14
Cal Am	5 <sup>2</sup>	January 1, 2009	May 1, 2008	July 1, 2010	20
Park-Central	1	January 1, 2009	May 1, 2009	January 1, 2010	14
San Jose	1	January 1, 2009	May 1, 2009	January 1, 2010	14
Cal Water	24	July 1, 2009	May 1, 2008	January 1, 2011	20
Great Oaks	1	July 1, 2009	May 1, 2009	July 1, 2010	14
Valencia	1	January 1, 2010	May 1, 2009	January 1, 2011	14
Golden State	7 Region I	January 1, 2010	May 1, 2008	January 1, 2011	14
<b>SECOND CYCLE</b>					
Cal Am	All	July 1, 2010	May 1, 2011	January 1, 2012	20

<sup>1</sup> In this Application, Cal Water may apply for additional step increases for its remaining 16 districts.

<sup>2</sup> LA Districts, Sacramento, and Larkfield.

Utility	Districts	GRC Filing Date	Cost of Capital Filing Date	Effective Date	Processing Time (months)
San Gabriel	1 (LA) & GO	July 1, 2010	May 1, 2012	July 1, 2011	14
Park (Apple Valley)	1 & GO	January 1, 2011	May 1, 2012	January 1, 2012	14
Suburban	1	January 1, 2011	May 1, 2012	January 1, 2012	14
Golden State	16	July 1, 2011	May 1, 2011	January 1, 2013	20
San Gabriel	1 (FO)	July 1, 2011	May 1, 2012	July 1, 2012	14
Park-Central	1	January 1, 2012	May 1, 2012	January 1, 2013	14
San Jose	1	January 1, 2012	May 1, 2012	January 1, 2013	14
Cal Water	24	July 1, 2012	May 1, 2011	January 1, 2014	20
Great Oaks	1	July 1, 2012	May 1, 2012	July 1, 2013	14
Valencia	1	January 1, 2013	May 1, 2012	January 1, 2014	14
San Gabriel	2 (FO & LA)	January 1, 2013	May 1, 2012	July 1, 2014	20
<b>THIRD CYCLE</b>					
Cal Am	All	July 1, 2013	May 1, 2014	January 1, 2015	20
Park (Apple Valley)	1	January 1, 2014	May 1, 2015	January 1, 2015	14
Suburban	1	January 1, 2014	May 1, 2015	January 1, 2015	14
Golden State	16	July 1, 2014	May 1, 2014	January 1, 2016	20
Park – Central	1	January 1, 2015	May 1, 2015	January 1, 2016	14
San Jose	1	January 1, 2015	May 1, 2015	January 1, 2016	14
Cal Water	24	July 1, 2015	May 1, 2014	January 1, 2017	20
Great Oaks	1	July 1, 2015	May 1, 2015	July 1, 2016	14
Valencia	1	January 1, 2016	May 1, 2015	January 1, 2017	14
San Gabriel	2 (LA & FO)	January 1, 2016	May 1, 2015	July 1, 2017	20

## VII. Escalation and Attrition Advice Letter Procedure



The most recent memorandum entitled, “Estimates of Non-labor and Wage Escalation Rates” as described in D.04-06-018, shall be used for Escalation Years 1 and 2 rate increase requests and shall be sought by Tier 1 advice letter no later than 45 days prior to first day of the escalation year. The advice letter filing shall include all calculations and documentation necessary to support the requested rate change. The requested rate increase shall be subject to the pro forma earnings test, as specified in D.04-06-018. Revenue requirement amounts otherwise subject to rate recovery, e.g., through balancing or memorandum accounts, shall not be subject to escalation.

All rate base items, including capital additions and depreciation, shall not be escalated but rather shall be subject to two test years and an attrition year, consistent with D.04-06-018. If the Escalation Year and Attrition Year advice letters are in compliance with this decision, GO 96-B, and other requirements, the advice letter shall be effective on the first day of the escalation or attrition year, consistent with the procedures set forth in GO 96-B.

Utilize the following methods for preparing escalation year requests:<sup>1</sup>

1. Estimate escalation year labor expenses by the most recent labor inflation factors as published by the DRA.
2. Estimate non-labor escalation year expenses, excluding water production related expenses, by the most recent composite non-labor 60%/compensation per hour 40% inflation factors published by DRA.
3. Estimate escalation year water production related expenses based on escalation year sales.
4. Adjust for all non-recurring and significant expense items prior to escalation. A significant expense is equal to or greater than 1% of test year gross revenues.
5. Expense items subject to recovery via offset accounts, e.g., balancing accounts, shall not be escalated.
6. Estimate escalation year expenses not specifically addressed in DRA’s published inflation factors, (such as insurance) based on CPI-U for most recently available 12 months, as provided in D.04-06-018.

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<sup>1</sup> In each water utility’s escalation year advice letter filing, the most recent DRA inflation factors will be used.

7. Escalation year expenses may also be increased by the most recent five-year average customer growth or other growth adopted by the Commission.
8. For the first escalation year, estimate customers by adding the five-year average change in customers by customer class or other growth adopted by the Commission to the test year customers. For the second escalation year, estimate customers by adding the five-year average change in customers by customer class or other growth adopted by the Commission to the first escalation year customers.
9. Estimate sales for the escalation years for the residential, multifamily, and business classes by multiplying the number of customers for each escalation year by the test year sales per customer. Use the test year sales for all other customer classes for both escalation years.
10. Forecast sales revenues for the escalation years based on each year's forecast of sales and customers. Other revenues will be estimated using a five-year average of recorded other revenue.

**Minimum Data Requirements for Utility  
General Rate Case Application and Testimony**

The Water Action Plan adopted on December 15, 2005 includes four principles: (1) safe high quality water; (2) highly reliable water supplies; (3) efficient use of water; and (4) reasonable rates and viable utilities. In order to ensure that Class A water utilities adhere to the four principles as well as providing sufficient information to promote sound decision-making, the following information must be included in the utility's Results of Operations Report when a GRC is filed. Testimony served concurrently with the GRC application must include data responsive to the specific topics and questions listed below. The application and testimony need not respond to the Minimum Data Requirements in the order presented below, but must include a cross reference that identifies where each topic and question is addressed and the cross-reference document will become part of the formal record. When filing a multi-district GRC, the utility must provide responses both on a company aggregate and individual district basis.

**I. General Rate Case Application Requirements**

The application must contain the following summary information:

**A. Summary of Requested Revenue Requirement and Rate Base Changes**

Compare the proposed amounts to the last adopted and last recorded amounts to determine the difference in dollars and percentages. Show the difference, i.e., the proposed change, in a table, as set out below.

Comparison Between Proposed Test Year and Last Test Year Adopted and Last Recorded Year			Proposed Test Year
	Last Test Year	Last Recorded Year	
Total Rev Req \$			
Rate Base \$			
Rate Base %			
Operating Expenses \$			
Operating Expenses %			
Rate of Return			

**B. Primary Cost Increases**

List the five most significant issues, in dollar terms that the utility believes require a rate change. Identify the cause of cost increases.

**C. Issues of Controversy**

List the major controversial issues included in the GRC filing. Include the dollar impact of these issues, and a brief summary of the utility’s rationale on this subject.

**D. Proposed Notice to Customers**

Include in the proposed application proposed notices to customers that will be submitted for review by the Commission’s Public Advisor upon filing of the proposed application. The proposed notices should describe the reasons for the requested rate change and estimated average bill changes for a typical customer in each district by customer class.

**II. Testimony Requirements**

**A. Basic Information**

All significant<sup>3</sup> changes between last adopted figures and recorded amounts shall be explained. Forecasted amounts shall include an explanation of the forecasting method.

1. Number of customers and percentage of customer increase for last authorized test years, last five years recorded data, and proposed test year.<sup>4</sup>

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<sup>2</sup> Use most recent 12 months of available data; revise with complete calendar year data when available.

<sup>3</sup> A significant expense is equal to or greater than 1% of test year gross revenues.

2. Total water sales in CCF for the last authorized test year, last five years recorded data, and proposed test year.<sup>5</sup>
3. Revenue requirement authorized for last test and escalation years and proposed test year.
4. Recorded revenues for last five years and proposed test year forecast.<sup>6</sup>
5. Revenues per customer for last authorized test years, last five years recorded data, and proposed test year.
6. Number of general office employees and percent increase for the last authorized test years, last five years recorded data, and proposed test year.
7. Number of district employees and percent increase for the last authorized test years, last five years recorded data, and proposed test year.
8. List each rate change since the last GRC decision by district, including the date, percentage change to typical residential customer bill, percentage change to revenue requirement, total dollar change, and citations to

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<sup>4</sup> Forecast customers using a five-year average of the change in the number of customers by customer class. Should an unusual event occur, or be expected to occur, such as the implementation or removal of limitation on the number of customers, then an adjustment to the five-year average will be made. Calculate customer consumption by using a multiple regression (any commonly used multiple regression software could be employed, e.g., Eviews, SAS, TSP, Excel, Lotus), based on the material in the "Standard Practice No. U-2" and the "Supplement to Standard Practice No. Utilities-25" with the following improvements: (A) Use monthly data for ten years, if available. If ten years' data is not available, use all available data, but not less than five years of data. If less than five years of data is available, the utility and DRA will have to jointly decide on an appropriate method to forecast the projected level of average consumption; (B) Use 30-year average for forecast values for temperature and rain; and (C) 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., a drought memorandum account), but replace with additional historical data to obtain ten years of monthly data, if available.

<sup>5</sup> Forecast water sales for all classes of customers for utilities that are under government-mandated production limitations based on that limitation and consideration of unaccounted for water and historical production reserves while under the imposed limitation. Water sales for customer classes other than residential, multifamily, and business (such as industrial, irrigation, public authority, reclaimed, and other) will be forecast on total consumption by class using the best available data.

<sup>6</sup> Estimate test year sales revenues based on the test year sales and customer forecast. Estimate other revenues using the best available data.

authority for each increase, and sum to arrive at cumulative rate change by district since last GRC.

**B. Revenue Requirement: Operations and Maintenance, Administrative and General, General Office**

As part of the Results of Operation Report, all significant changes between last adopted figures and recorded amounts shall be explained. Show results of operation in summary table as specified by the Water Division. Forecasted amounts shall include an explanation of the forecasting method.<sup>7</sup> Among other information to support the utility's request, provide the following:

1. Operation and Maintenance (O&M) Expenses for the last authorized test year, last five years recorded data, and proposed test year.
2. O&M expense per customer for last authorized test year, last five years recorded data, and proposed test year.
3. Maintenance expense and percent increase/decrease for last authorized test year, last five years recorded data, and proposed test year.
4. Maintenance expense per customer and percent increase/decrease for last authorized test year, last five years recorded data, and proposed test year.
5. A&G Expenses and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
6. A&G Expense per customer and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
7. Number of district employees per thousand customers and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
8. District employee's total payroll expenses and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
9. District employee's payroll expenses per thousand customers and percent increase for the last authorized test year, last five years recorded data, and proposed test year.

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<sup>7</sup> For district and general office expenses, excluding water production related expenses, parties may forecast using traditional estimating methodologies (historical averages, trends, and specific test year estimates). In addition to any other methodology the utility may wish to use, the utility shall also present, in its workpapers, an inflation adjusted simple five-year average for all administrative and O&M expenses, with the exception of off-settable expenses and salaries.

10. District employee's expensed payroll and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
11. District employee's capitalized payroll and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
12. Number of general office employees per thousand customers and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
13. General office payroll expense and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
14. General office payroll expense per thousand customers and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
15. General office expensed payroll and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
16. General office capitalized payroll per thousand customers and percent increase for the last authorized test year, last five years recorded data, and proposed test year.
17. Number of supervisory, managerial and executive employees in General Office for the last authorized test year, last five years recorded data, and proposed test year.
18. Number of supervisory, managerial and executive employees in General Office per thousand customer for the last authorized test year, last five years recorded data, and proposed test year.
19. If general office expenses are shared with other regulated water districts or other unregulated affiliates or functions, describe how these expenses are allocated (a) by the most recent Commission decision (provide citation to decision number and exact page reference) or (b) if these expenses are now subject to allocation by Commission decision (provide citation to decision number and exact page reference), how these expenses have been allocated, in fact, since the last general rate case or general rate adjustment.

### **C. Revenue Requirement: Water Sales and Production**

As part of the Results of Operation Report, all significant changes between last adopted figures and recorded amounts shall be explained. Show results of operation in summary table as specified by the Water Division. Forecasted amounts shall include an explanation of the forecasting method. Among other information to support the utility's request, the utility shall provide the following:

1. Total water production in CCF for the last authorized test year, last five years recorded data, and proposed test year.
2. Total purchased water in CCF for the last authorized test year, last five years recorded data, and proposed test year.
3. Total pumped water pumped in CCF for the last authorized test year, last five years recorded data, and proposed test year.
4. Total treated water in CCF for the last authorized test year, last five years recorded data, and proposed test year.
5. Total surface water in CCF for the last authorized test year, last five years recorded data, and proposed test year.
6. Total raw water in CCF for the last authorized test year, last five years recorded data, and proposed test year.
7. Total recycled water in CCF for the last authorized test year, last five years recorded data, and proposed test year.
8. Sales per customer for different customer classes (in CCF/customer) for the last authorized test year, last five years recorded data, and proposed test year.<sup>8</sup>

#### **D. Rate Base**

All significant changes between last adopted figures and recorded amounts shall be explained. Forecasted amounts shall include an explanation of the forecasting method.<sup>9</sup> All significant capital additions shall be identified and justified, and must include need analysis, cost comparison and evaluation, conceptual designs, and overall budget. Also include a comparison of the forecasted capital additions adopted in the last GRC and actual capital additions.

1. Rate base and percentage of increases for last authorized test years, last five years recorded data, and proposed test year.

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<sup>8</sup> The utility and DRA shall use the "New Committee Method" to forecast per customer usage for the residential and small commercial customer classes in general rate cases.

<sup>9</sup> In addition to any other methodology the utility may wish to use, the utility shall derive the test years and attrition year estimates by taking the year-end properly recorded plant balance of the latest recorded year and adding to it the average plant additions of the last five years. The results of this methodology may be included in workpapers.



2. Rate base per customer and percentage of increases for last authorized test years, last five years recorded data, and proposed test year.
3. Plant-in Service and percentage of increases for last authorized test years, last five years recorded data, and proposed test year.
4. Plant-in Service per customer and percentage of increases for last authorized test years, last five years recorded data, and proposed test year.
5. List the plant improvements authorized in test years but not built.
6. List plant improvements built in last test years but not authorized.
7. List all items in Plant-in Service included in rate base not “used and useful” in the last five years and proposed test year.
8. To the extent not included in a previous GRC application, include a detailed, complete description accounting for all real property that, since January 1, 1996, was at any time, but is no longer, necessary or useful in the performance of the water corporation’s duties to the public and explain what, if any, disposition or use has been made of said property since it was determined to no longer be used or useful in the performance of utility duties.<sup>10</sup> The disposition of any proceeds shall also be explained.

#### **E. Supply and Distribution Infrastructure Status and Planning**

1. Demonstrate compliance with § 10620 of the California Water Code which requires the utility to prepare an Urban Water Management Plan. The utility shall demonstrate compliance by providing a copy of the letter the utility has received from DWR affirming a completed Urban Water Management Plan.
2. Identify unaccounted for water in CCF and percentage of total water production for the last authorized test year, last five years recorded data, and proposed test year amounts.
3. Submit the results of a water loss audit performed no more than 60 days in advance of the submission of the proposed application. The audit report will be prepared using the free Audit Software developed by the American Water Works Association (AWWA) and available on the AWWA website.

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<sup>10</sup> For example, real property subject to Water Infrastructure Improvement Act of 1995 (Pub.Util. Code §§ 789, 789.1, 790, 790.1).

4. In connection with the water loss audit described above, the utility shall conduct and submit the results of a cost/benefit analysis for reducing the level of unaccounted water reported in the water loss audit. If unaccounted water is more than approximately 7% for each district or service area, submit a plan to reduce unaccounted water to a specific amount.
5. Identify specific measures taken to reduce unaccounted water in the last five years and proposed test year.
6. Identify number of leaks in the last five years.
7. Describe leak detection program.
8. Provide leak repair time and cost statistics for last five years.
9. Identify specific measures taken to reduce number of leaks in the last five years and proposed test year.
10. Calculate the average age of distribution system.
11. List number of feet of and size of mains replaced for last authorized test years, last five years recorded data, and proposed test year amounts.
12. Concisely list all major water sources, including the permit number or contract, remaining duration of the entitlement, and any pending proceedings or litigation concerning any major source. Location of the source need not be included.
13. Identify water supply (in gpm) added to system for the last three years and proposed test years.
14. Identify storage volume (in million gallons) added to water system for the last three years and proposed test years.
15. Identify treatment volume (in million gallons) added to water system in the last three years and proposed test years.
16. Include a copy of the latest Department of Water Resources Water Management Plan.
17. Provide confirmation of compliance with EPA Vulnerability Assessment and Office of Emergency Services Response Plan.
18. Any water utility filing a GRC on or after July 1, 2008 must submit a long-term, 6-10 year Water Supply and Facilities Master Plan to identify and address aging infrastructure needs. The Plan should be consistent with recommendations and elements of comprehensive asset management identified in the General Account Office's March 2004

Report, GAO 04-461: *Water Infrastructure: Comprehensive Asset Management has Potential to Help Utilities Better Identify and Plan Future Investments*. This report can be found at <http://www.gao.gov/new.items/d04461.pdf>.

19. If expected system improvement requirements over next five years exceeds average authorized capital additions over past two GRCs, identify a ratemaking approach (for example, a Distribution System Improvement Charge), to ensure infrastructure renewal.

#### **F. Conservation and Efficiency**

1. Specific measures taken to promote water conservation in the last five years and the proposed test years.
2. Submit plan to achieve five percent reduction in average customer water use over three-year GRC cycle.
3. Identify the percentage of metered customers in aggregate and by district and your plan to convert customers to metered service.
4. Confirm membership in the California Urban Water Conservation Council
  - a) For those companies that are a member of CUWCC, submit a Separate Report that list the company's compliance with the 14 BMPs.
  - b) For those companies that are not members of CUWCC, submit a Separate Report on the implementation of CUWCC's BMPs.
5. Provide specific measures taken to promote energy conservation in the last five years and the proposed test years.
6. Identify and assess options to improve energy efficiency of water pumping, purification systems, and other energy intensive water processes.
7. Identify options to achieve reductions in energy use related to its water utility operations over the proposed GRC cycle, including a plan to achieve a ten percent reduction in energy use per Ccf.
8. Identify number of water pumps rated in pump efficiency tests as "Low," "Normal" and "High" in the last five years.
9. Identify number of low efficiency pumps replaced for the last authorized test years, the last five years and the proposed test years.

10. Calculate delivery factors (kWh/CCF) for the (1) total system, (2) wells only, and (3) boosters only, for the last authorized test year, last five years recorded data, and the proposed test years.

### **G. Water Quality**

1. Summarize any non-compliance with maximum contaminant levels (MCLs) since the last GRC.
2. Summarize any Treatment Techniques or Action Level exceedances.
3. Summarize any Notification Levels or Response Level exceedances.
4. Provide copy of the distributed Consumer Confidence Report (CCR) for each year not covered by the last GRC.
5. Provide copies of CDHS citations issued to the system, if any.
6. Provide copy of last CDHS inspection report and letters of violation.
7. Provide information on all actions taken to comply with CDHS requests.
8. Provide an explanation as to how regulations expected to be promulgated in the next five years may affect your operations.
9. Provide copy of CDHS State Revolving Funds Needs Survey Documentation.
10. Recommend additional water quality requirements, tests, conditions, protocols, etc. that may be needed in the future to assure water quality and safety, including costs and enforcement.

### **H. Service Quality**

1. Number of customer complaints received in last three years, categorized by major subject areas.
2. Measures taken to reduce the number of complaints in the last three years and plan for GRC cycle.

### **I. Corporate and Unregulated Activities**

1. Identify and explain all transactions with corporate affiliates involving utility employees or assets, or resulting in costs included in revenue requirement over the last five years. Include all documentation, including a list of all such contracts, and accounting detail necessary to demonstrate that any services provided by utility officers or employees to corporate

affiliates are reimbursed at fully allocated costs.

2. To the extent the utility uses assets or employees included in revenue requirement for unregulated activities, identify, document, and account for all such activities, including all costs and resulting revenue, and provide a list of all contracts over the last five years.

## **J. Rate Design**

Testimony should describe how the proposed rate design promotes customer conservation and low-income water user affordability. At a minimum, the proposed rate design should include:

1. Conservation rate design (e.g., increasing block rates) for metered customers or otherwise be consistent with industry-wide rules on conservation rate design.
2. Low-Income tariff.
3. Identify opportunities and options for consolidation of district tariffs, where appropriate.

## **K. Other**

1. Describe any adopted mechanism to remove the water utility financial disincentive to promote conservation or adjust for conservation impacts on sale revenues.
2. Propose a method or methods to remove the water utility financial disincentive to promote conservation, if one is not currently adopted.<sup>11</sup>
3. Identify Class C and D or mutual water companies adjacent to current service territories and opportunities for interconnection or acquisition.
4. List the major policies, programs, plant additions, and improvements proposed in the GRC that promote achievement of the four Water Action Plan 2005 principles.

## **L. Workpapers**

Workpapers are served as described in the Rate Case Plan but are not part of the proposed application. Include all supporting analysis, documentation,

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<sup>11</sup> May include a water revenue adjustment mechanism, shareholder/ratepayer conservation incentives, or other approaches.

calculations, back-up detail, and any other information relied on but not readily available to other parties. Electronic copies of all spreadsheets or other analytical methods necessary to fully calculate the effect of any revenue requirement change on final rates should be included. All workpapers must include a table of contents, page numbering, and cross-references to issues discussed in testimony, and must be arranged in a logical fashion.

Class A Water Utilities  
 Rate Case Plan  
 Attachment 2 of 2

**Minimum Data Requirements for Utility  
 Cost of Capital Application and Testimony**

Testimony served concurrently with the cost of capital application must include data responsive to the specific topics and questions listed below, among other information necessary to support the request. The application and testimony need not respond to the Minimum Data Requirements in the order presented below, but must include a cross reference that identifies where each topic and question is addressed in the testimony. Provide responses both on a company aggregate and individual district basis as appropriate.

- A. List most recent authorized return on equity and rate of return on rate base, with reference to decision number.
- B. Report actual return on equity and rate of return on rate base annually for the past five years.
- C. Describe the proposed capital structure and rate of return. Identify and explain all significant changes from last adopted capital structure and cost of capital. Report cost of capital information in summary table as set out below:

Test Year ____		
Escalation Years ____ and ____		
Capital Structure	Cost	Weighted Cost

Debt			
Preferred Stock			
Common Equity			
Total	100.00 %		

D. Regarding long-term debt:

1. List the sinking fund amounts for each issue, by issue, by year.
2. List the retirements by issue, for the current year.
3. List the interest rates for each issue, by issue.
4. List the terms of each issue, by issue, with issue date and date due.
5. List the cost of issuance for each issue, by issue.
6. List name of lender for each issue, by issue.
7. Provide the formula used to determine the cost of new issues of long-term debt (Example: 30-year Treasury Bond + 100 basis points), as well as the reason for using the particular rate and basis point premium.
8. If company or affiliate is rated by S&P, provide rating. If not rated, what would be rating based on forecast cost of new debt?

E. Are company stocks, bonds, or company as a whole rated or commented on by any organization or agency?

- a) If so, provide name(s) and phone number(s) of rating/commenting organization(s) and the ratings/comments received in the past 12 months.
- b) Provide this information on an ongoing basis.

F. List actual rate base for the past five years, by year, by district.

G. Workpapers are served but not part of the application and should include:

1. Copies of all publications, articles, book references, regulations, and decisions, referenced in testimony.
2. Supporting documentation for all models used to determine return on equity.

**(END OF APPENDIX A)**

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**FILED**

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

In the matter of the Application of the Golden State Water Company (U133W) for an order authorizing it to increase rates for water service by \$58,053,200 or 21.4% in 2013, by \$8,926,200 or 2.7% in 2014; and by \$10,819,600 or 3.2% in 2015.

Application 11-07-017  
(Filed July 21, 2011)

**SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER AND  
ADMINISTRATIVE LAW JUDGE**

**1. Summary**

This scoping memo and ruling identifies the issues to be considered in this proceeding, sets a procedural schedule, determines the category of the proceeding and the need for hearings, pursuant to Rule 7.3 of the Commission's Rules of Practice and Procedure (Rules), and designates a presiding officer in accordance with Rule 13.2.

**2. Background**

On July 21, 2011, Golden State Water Company (Golden State) filed Application (A.) 11-07-017 (Application), a general rate case (GRC) request to increase rates for water service in each of its ratemaking areas in Regions 1, 2, and 3 of its service territory and for General Office expense for the period from

January 2013 through December 2015.<sup>1</sup> In addition, the Application includes twelve special requests and identifies two additional issues of controversy.

The Application appeared in the Commission's Daily Calendar on July 26, 2011.

Protests to the Application were timely filed by the Town of Apple Valley on August 18, 2011, the City of Claremont on August 22, 2011, the City of Ojai on August 19, 2011, the City of San Dimas on August 24, 2011, and the Division of Ratepayer Advocates (DRA) on August 25, 2011.<sup>2</sup> A prehearing conference was held on September 21, 2011.

### **3. Categorization and Need for Hearings**

This scoping memo confirms the Commission's categorization of this proceeding as ratesetting as preliminarily determined in Resolution (Res.) ALJ 176-3278, issued July 28, 2011. This determination is appealable under the provisions of Rule 7.6. This scoping memo also confirms that hearings are necessary and sets forth the hearing schedule.

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<sup>1</sup> Golden State has nine ratemaking districts within Regions 1, 2, and 3. Region 1 is comprised of the Arden Cordova, Bay Point, Clearlake, Los Osos, Ojai, Santa Maria and Simi Valley Customer Service Area (CSAs). Each Region 1 CSA is a separate ratemaking area. Region 2 is a single ratemaking area comprised of the Central Basin East, Central Basin West, Southwest, and Culver City CSAs. Region 3 is a single ratemaking area comprised of the Apple Valley, Barstow, Calipatria-Niland, Claremont, Morongo Valley, Placentia, San Dimas, San Gabriel Valley, Los Alamitos, and Wrightwood CSAs.

<sup>2</sup> On October 12, 2011, the City of Placentia filed a motion requesting party status. The motion was granted on November 2, 2011.

#### **4. Scope of Proceeding**

The purpose of this proceeding is primarily to establish just and reasonable rates for each of Golden State's ratemaking areas in Regions 1, 2, and 3 of its service territory and for General Office expense for the period from January 2013 through December 2015, and to make all other necessary orders for Golden State to offer safe and reliable water service. This proceeding will also consider Golden State's twelve Special Requests and two Issues of Controversy listed in the Application.

Interested parties identified in their protests to the Application and at the prehearing conference the issues they recommend be included in the scope of this proceeding. Except for issues concerning Golden State's cost of capital and rate of return,<sup>3</sup> the issues identified in the protests respond to the Application and are within the scope of this proceeding.

The revised rate case plan (RRCP) adopted in Decision (D.) 07-05-062 requires Golden State to file a separate application for cost of capital determinations,<sup>4</sup> and Golden State has filed A.11-05-004, pursuant to this requirement.<sup>5</sup> Therefore, Golden State's cost of capital, capital structure, return on equity, rate of return, and the Water Capital Cost Mechanism adopted in D.09-07-051 will not be considered in this proceeding.

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<sup>3</sup> San Dimas states that it is unreasonable to raise rates to maintain a high rate of return, and Ojai recommends that Golden State's rate of return be considered in this proceeding.

<sup>4</sup> D.07-05-062, Appendix A, Section II.D.

<sup>5</sup> The scoping memo in A.11-05-004, et al., was issued on September 13, 2011.

The RRCP requires GRC proceedings to review water quality to ensure that water utilities provide water that meets public health and safety requirements. To improve the Commission's review of water quality, the RRCP requires the presiding officer to appoint a water quality expert to assist the Commission in making specific findings and recommendations concerning a utility's water quality compliance unless good cause exists to forego such appointment.<sup>6</sup>

The Application indicates that during the last three years eight Golden State water systems received citations, notices of violations, and orders for non-compliance with the California Department of Public Health's (CDPH's) drinking water regulatory program. Golden State has been responsive in correcting the violations and compliant with reporting to its customers in its annual Consumer Confidence Reports any contaminants exceeding Maximum Contaminant Level drinking water standards and yet-to-be-set drinking water standards.

Because there are no water quality issues that are not already addressed in the Application<sup>7</sup> and because no party raises concerns about Golden State's water quality, there is no need for a more extensive report or testimony by the water quality expert.

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<sup>6</sup> D.07-05-062, Appendix A, Section II.F. Carmen Rocha in the Division of Water and Audits is the Commission's water quality expert.

<sup>7</sup> The Application proposes capital improvements for uranium treatment at the Placentia Water System Orangethorpe Plant, and requests authority to establish a memorandum account to track costs related to this project.

### **Rate Design Issues**

D.08-08-030 adopted a settlement that, among other things, established a pilot program containing a conservation rate design and the Water Rate Adjustment Mechanisms (WRAMs) and Modified Cost Balancing Accounts (MCBAs) decoupling mechanisms for each Golden State ratemaking area.<sup>8</sup>

The decision on Golden State's 2010 GRC for its Region 1 (D.10-12-059) adopted a plan that requires Golden State to file a rate design proposal in this proceeding for all service areas that complies with the settlement adopted by D.10-12-059.<sup>9</sup> In particular, Golden State must design rates that address the allocation between service charge and commodity rate to comply more closely with the California Urban Water Conservation Council's Best Management Practice Number 1.4, which sets a target of recovering 30% of total revenue through the service charge and 70% of total revenue through the quantity charge.<sup>10</sup> In addition, Golden State Water Company is required to file a rate design proposal in this proceeding for all service areas that provide more uniform tier width and price differentials between tiers.<sup>11</sup>

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<sup>8</sup> D.09-05-005 adopted a settlement between Golden State and DRA that made changes in rate design adopted in D.08-08-030. D.10-11-035, addressing Golden State's 2010 GRC for its Regions 2 and 3, adopted a settlement that, among other things, changed the two-tier to a three-tier conservation rate design for most Regions 2 and 3 ratemaking areas.

<sup>9</sup> Appendix I of D.10-12-059 describes rate design issues to be considered in this proceeding.

<sup>10</sup> D.10-12-059, Ordering Paragraph No. 5.

<sup>11</sup> D.10-12-059, Ordering Paragraph No. 6. D.10-12-059 also requires Golden State, in this application and prepared testimony, to specifically cite to and indicate its compliance with or any deviations from the agreement embodied in Exhibit D-28 of the

*Footnote continued on next page*

D.09-05-005 addressed, among other things, arguments that the tiered increasing block rate structure creates a potential for meter-reading errors. D.09-05-005 directed Golden State to keep a record of meter-reading errors pertaining to tiered rates. These data should now be available, so this issue will be considered in this proceeding.

In addition to the rate design issues discussed above, the rate design issues identified in the protests are within the scope of this proceeding. Specifically, the Ojai and San Dimas protests assert that Golden State customers are penalized for reducing water usage.

**First 5 LA Oral Health Community Development Program**

Golden State filed Advice Letter (AL) 1455-W on August 8, 2011, to establish a memorandum account to track, among other costs, operation and maintenance expenses for the period from 2013-2015 for proposed fluoridation systems in connection with the First 5 LA Oral Health Community Development Program. In this Application, Golden State requests that, if Golden State files for a surcharge for fluoridation in connection with the First 5 LA Oral Health Community Development Program during this proceeding, the authorized expenses be incorporated into the final rates approved in this proceeding.<sup>12</sup>

On September 26, 2011, the Commission published Draft Res. W-4890 addressing Golden State's request in AL 1455-W. Draft Res. W-4890 is scheduled for consideration at the November 10, 2011, Commission meeting. Draft Res.

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settlement adopted by D.10-12-059, and requires DRA's report to evaluate any proposals made by Golden State in this GRC. D.10-12-059 at 22.

<sup>12</sup> Prepared testimony of S. David Chang at 6.

W-4890 provides that the operation and maintenance costs beginning January 2013 will be reviewed and considered in this proceeding.

On October 26, 2011, Golden State filed and served a motion requesting authorization to modify the Application to request authorization for costs in connection with water fluoridation implemented pursuant to Golden State's participation in the First 5 LA Oral Health Community Development Program.<sup>13</sup> No objections to this request were filed.<sup>14</sup> The motion is granted.

Therefore, we include in this proceeding the reasonableness of the operation and maintenance costs for proposed fluoridation systems in connection with the First 5 LA Oral Health Community Development Program.

#### **Review of Golden State's Conservation Rate Pilot Program**

As noted above, D.08-08-030 adopted a settlement that established a pilot program, to be reviewed in subsequent rate cases for each region, consisting of a conservation rate design and the WRAM and MCBA decoupling mechanisms for each Golden State ratemaking area.<sup>15</sup> This proceeding will include the first review of Golden State's conservation rate pilot program, including a review of the WRAM and MCBA decoupling mechanisms.

The Golden State/DRA settlement adopted in D.08-08-030 states that the goals of the WRAM and MCBA decoupling mechanisms are: (1) to sever the relationship between sales and revenue to remove any disincentive for Golden

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<sup>13</sup> The motion requests an extension of the deadline to serve opening testimony in connection with Golden State's request, and includes the Prepared Supplemental Testimony of S. David Chang as an attachment.

<sup>14</sup> The October 27, 2011, ALJ ruling shortened time to respond to the motion.

<sup>15</sup> Sections III.A and III.B.

State to implement conservation rates and conservation programs; (2) to ensure cost savings resulting from conservation are passed on to ratepayers; and (3) to reduce overall water consumption by Golden State ratepayers.<sup>16</sup>

The October 19, 2007 Motion of DRA and Golden State in A.06-09-006, *et al.*, requesting approval of the Golden State/DRA settlement states:

[T]he desired outcome of and purpose for using these WRAMs and MCBAs are to ensure that [Golden State] and its ratepayers are proportionally affected when conservation rates are implemented. For purposes of the Settlement Agreement, a proportional impact means that if consumption is over or under the forecast level, the effect on either [Golden State] or its ratepayers (as a whole within each ratemaking district) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility nor ratepayers are harmed or benefited at the expense of the other party. (at 13.)

Therefore, we will consider whether the WRAMs/MCBAs are achieving their stated purpose (i.e., whether Golden State and its ratepayers are proportionally affected under conservation rates), and if not, what changes are needed to ensure the WRAMs/MCBAs achieve their stated purpose. In addition, we will consider whether the WRAMs/MCBAs, by severing the relationship between sales and revenue, have removed disincentives for Golden State to implement conservation rates and conservation programs; whether cost savings resulting from conservation are passed on to ratepayers; and whether overall water consumption by Golden State ratepayers has been reduced.

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<sup>16</sup> Section V.



Golden State, among others, filed A.10-09-017 (the WRAM-Related Amortization Proceeding), requesting, among other things, to shorten the amortization recovery period for balances in the WRAMs and MCBAs established for Golden State and other water utilities.<sup>17</sup> Golden State requests that accelerating WRAM/MCBA amortization be considered in this proceeding, if a final decision has not been issued in the WRAM-Related Amortization Proceeding in time for the effective date of rates adopted in this proceeding.<sup>18</sup>

The scoping memo in the WRAM-Related Amortization Proceeding states that a review the WRAM and MCBA mechanisms should be done in each applicant's GRC, and the risks and consequences of the mechanisms should be evaluated in the recently consolidated cost of capital proceeding for California-American Water Company, California Water Service Company, Golden State, and San Jose Water Company.

The scoping memo in the WRAM-Related Amortization Proceeding anticipates a Commission decision in December 2011 addressing the Golden State, *et al.* request to shorten the amortization recovery period. Therefore, this proceeding will not consider Golden State's request to shorten the amortization recovery period for balances in the WRAM and MCBA, or any of the other eight

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<sup>17</sup> Application of California-American Water Company, California Water Service Company, Golden State Water Company, Park Water Company and Apple Valley Ranchos Water Company to Modify D.08-02-036, D.08-06-002, D.08-08-030, D.08-09-026, D.08-11-023, D.09-05-005, D.09-07-021, and D.10-06-038 regarding the Amortization of WRAM-related Accounts.

<sup>18</sup> Prepared testimony of Nanci Tran at 18.

requests being addressed in the WRAM-Related Amortization Proceeding.<sup>19</sup> In addition, this proceeding will not consider issues concerning the risks and consequences of the WRAM/MCBA mechanisms that should be evaluated in A.11-05-004, *et al.*<sup>20</sup>

As stated above, the purpose of this proceeding is primarily to establish just and reasonable rates for years 2013 through 2015 and make all other necessary orders for Golden State to offer safe and reliable water service. The following issues will be considered in this proceeding:

1. The just and reasonable test year 2013 and post-test years 2014 and 2015 revenue requirements, inclusive of all operating expenses and capital costs and the costs of all

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<sup>19</sup> The issues addressed in the WRAM-Related Amortization Proceeding are, (1) Amortization Period (Over what period of time should WRAM/MCBA balances be amortized?); (2) Deadline For Submitting Report (When should Applicant submit its annual WRAM/MCBA report?); (3) Deadline For Requesting Amortization (When should a utility ask to amortize a WRAM/MCBA balance?); (4) Process For Requesting Amortization (How should a utility ask to amortize a WRAM/MCBA balance?); (5) The "Trigger" for Amortization (Which WRAM/MCBA balances should be amortized?); (6) Applying Surcharge/Surcredit (How should the surcharge or surcredit be applied to customers' bills?); (7) Accounting for Amortized Amounts ("First In - First Out"); (8) "Under-Amortized" and "Over-Amortized" Amounts (When a surcharge/surcredit is not collecting/recovering the intended dollar amounts, how should the remainder balance be handled?); and (9) Additional Amortization For Outstanding WRAM Revenues.

<sup>20</sup> The scoping memo in the WRAM-Related Amortization Proceeding states that a review the WRAM and MCBA mechanisms should be done in each applicant's GRC, and the risks and consequences of the mechanisms should be evaluated in the recently consolidated cost of cost of capital proceeding for California-American Water Company, California Water Service Company, Golden State, and San Jose Water Company.

- operating or customer-related programs necessary to provide safe and reliable water service in the test year, including:
- a. Whether Golden State's proposed revenue and rate increases for test and escalation years are reasonable and justified, including sales, revenue, consumption, and number of customers;
  - b. Whether Golden State's estimate of its operation & maintenance, and administrative & general expenses are reasonable, including payroll, conservation, and payments from polluters;
  - c. Whether Golden State's proposed additions to plant are accurate, reasonable, and justified, including construction work in progress; and
  - d. Whether Golden State's General Office expenses and capital additions are reasonable, including cost allocations, insurance, pension and benefits, and overhead rates.
2. Golden State's twelve special requests (a. through l. below) and Issues of Controversy (m. and n. below), including:
- a. Whether the Commission should approve the stipulation resolving the Santa Maria Groundwater Adjudication and Litigation, and the rate adjustments necessary for Golden State to participate in implementing certain water management programs required under the stipulation;
  - b. Whether the Commission should approve Golden State's request to establish a new fire sprinkler rate structure and to add additional meter size combinations to its tariffs to accommodate the new fire sprinkler rate structure;
  - c. Whether the Commission should approve Golden State's request for a new memorandum account for carrying costs at the adopted rate of return and recovery of operating and maintenance expenses

relating to the investigation & treatment of high uranium levels at Golden State's Orangethorpe Plant;

- d. Whether the Commission should approve Golden State's request for amortizing & continuing balancing and memorandum accounts;<sup>21</sup>
- e. Whether the Commission should approve Golden State's request for a balancing account for group medical insurance costs;
- f. Whether the Commission should approve Golden State's special request for an increase in meter testing deposits;
- g. Whether the Commission should approve Golden State's request to track the cost of chemicals in the MCBAs in addition to the costs of purchased water, purchased power, and pumped water assessments and taxes that are currently tracked in the MCBAs;
- h. Whether the Commission should approve Golden State's request to recalculate the surcharge levied in the Arden Cordova CSA used to amortize and recover the balance of the Aerojet Water Litigation Memorandum Account;
- i. Whether the Commission should approve Golden State's request to incorporate into the final rates adopted in this proceeding the rate impact of advice letters for projects approved in D.10-12-059 that are filed and approved between the time of the filing of the Application and the implementation of the first test year rates adopted in this proceeding;

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<sup>21</sup> As discussed above, this proceeding will not consider Golden State's request to shorten the amortization recovery period for the WRAM and MCBA and related issues being addressed in WRAM-Related Amortization Proceeding.

- j. Whether the Commission should approve Golden State's request to include both metered and flat rate customers in the Arden Cordova WRAM;
  - k. Whether the Commission should approve Golden State's request to incorporate into the final rates adopted in this proceeding the ratemaking treatment for the abandonment of Bay Point's Hill Street water treatment facility and the replacement water agreement with the Contra Costa Water District adopted in D.11-09-017;
  - l. Whether the Commission should approve Golden State's request to incorporate into the final rates adopted in this proceeding the amount authorized in Golden State's rate base offset request to be filed in connection with its General Office Remediation memorandum account;
  - m. Whether Golden State should be authorized to include the cost of purchased water in the recorded expenses included in the four-factor allocation methodology; and
  - n. Whether pension costs in the test year and escalation years should be based on the Statement of Financial Accounting Standards No. 87 calculation for pension contributions instead of the Employee Retirement Income Security Act.
3. Whether the operation and maintenance costs for proposed fluoridation systems in connection with the First 5 LA Oral Health Community Development Program for the period from 2013-2015 should be approved.
  4. Whether Golden State's rate design is reasonable, including:
    - a. Whether Golden State's rate design adequately addresses the allocation between service charge and commodity rate to more closely comply with the California Urban Water Conservation Council's Best Management Practice Number 1.4;

- b. Whether Golden State's rate design provides more uniform tier width and price differentials between tiers, pursuant to the settlement adopted by D.10-12-059; and
  - c. Whether the tiered increasing block rate structure creates a potential for meter-reading errors.
5. A review of Golden State's conservation rate pilot program, including:
- a. Whether the WRAMs/MCBAs are achieving their stated purpose (i.e., whether Golden State and its ratepayers are proportionally affected under conservation rates), and if not, what changes, if any, are needed to ensure the WRAMs/MCBAs achieve their stated purpose;
  - b. Whether the WRAMs/MCBAs have removed disincentives for Golden State to implement conservation rates and conservation programs by severing the relationship between sales and revenue;
  - c. Whether cost savings resulting from conservation are passed on to ratepayers; and
  - d. Whether overall water consumption by Golden State ratepayers has been reduced.

#### **5. Standard of Review & Settlement**

Golden State bears the burden of proof to show through a preponderance of the evidence that its requests are just and reasonable and the related ratemaking mechanisms are fair.

In order for the Commission to consider whether any proposed settlement(s) that may be submitted in this proceeding are in the public interest, the Commission must be convinced that the parties have a sound and thorough understanding of the Application and of all the underlying assumptions and data included in the record. This level of understanding of the Application and

development of an adequate record is necessary to meet our requirements for considering any settlement.<sup>22</sup>

In addition to the usual events on a procedural schedule, all active parties in this proceeding must participate in at least one mandatory settlement conference as described herein.<sup>23</sup> The purpose of the settlement conference is to conserve parties' resources by attempting to reduce the number of contested issues. Golden State must arrange the settlement conference(s), which may be telephonic. The mandatory settlement conference must be held no later than Monday, April 16, 2012.<sup>24</sup> Parties may have the services of a trained mediator to assist in any settlement conference(s).<sup>25</sup>

The Commission encourages parties to settle disputed issues when reasonably possible. As such, the schedule includes sufficient time so that parties may explore settlement opportunities.

Every party who serves written testimony, or who intends to cross-examine witnesses at the evidentiary hearing, must jointly prepare a Case Management Statement and Settlement Conference Report. Golden State must

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<sup>22</sup> "The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest." Rule 12.1(e).

<sup>23</sup> It is within the discretion of the assigned Commissioner to include a mandatory settlement process in the procedural schedule.

<sup>24</sup> Parties may wish to meet before rebuttal testimony is served.

<sup>25</sup> Any party wishing a mediator should contact the assigned ALJ as soon as practicable.

file and serve this report on behalf of all parties after the (final) settlement conference. The contents must include:

- A list identifying any issue the parties have settled or otherwise stipulated for this proceeding. This must include relevant citations to the parties' prepared testimony.
- A list identifying all remaining contested issues.
- Any other relevant matters.

**6. Schedule**

The schedule for this proceeding is as follows:

<b>Event</b>	<b>Date</b>
Prehearing Conference	September 21, 2011
Application Update Served/Filed	October 31, 2011
Public Participation Hearings (See October 18, 2011 Administrative Law Judge (ALJ) ruling)	November 28 - December 8, 2011
DRA Testimony Served	February 6, 2012
Intervenor Testimony Served	February 20, 2012
Applicant Rebuttal Testimony Served	April 10, 2012
Mandatory Settlement Conference	April 16, 2012
Deadline for Applicant to submit cross-examination time estimates, proposed schedule of witnesses, and other information to ALJ (See Section 7, Hearing Preparation). Send to: <a href="mailto:rs1@cpuc.ca.gov">rs1@cpuc.ca.gov</a> .	April 23, 2012
Evidentiary Hearings Courtroom State Office Building 505 Van Ness Avenue San Francisco, CA 94102	April 30, 2012 - May 11, 2012  At 10:00 a.m.
End Settlement Negotiations	May 6, 2012



Concurrent Opening Briefs Filed/Served	June 4, 2012
Requests for Oral Argument	June 4, 2012
Deadline for Filing Motion Requesting Interim Rates	June 4, 2012
Mandatory Status Conference	June 5, 2012
Concurrent Reply Briefs Filed/Served	June 14, 2012
Water Div. Technical Conf.	July 5, 2012
Proposed Decision Issued	September 2012
1st Commission Meeting to Consider Decision	October 2012

The schedule may be adjusted, as necessary, by the ALJ or the assigned Commissioner.

## 7. Hearing Preparation

Golden State is directed to organize a telephonic meet-and-confer conference with all parties to identify the principal issues on which the hearings will focus, key disputes, and any stipulations or settlements. Parties should also use the meet-and-confer to discuss witness schedules, time estimates from each party for the cross-examination of witnesses, scheduling concerns, and the order of cross-examination.

Hearings are scheduled for April 30, 2012 – May 11, 2012. The first morning of hearings on April 30, 2012, will begin at 10:00 a.m. but the time may be adjusted on subsequent days according to the participants' needs.

If the hearings are to go forward as calendared, on or before Monday, April 23, 2012, Golden State must submit a list of the principal issues on which the hearings will focus, key disputes, any stipulations or settlements, time estimates from each party for the cross-examination of witnesses, and the order

of cross-examination to the Administrative Law Judge (ALJ) and serve this information to parties on the service list.

Before post-hearing briefs are filed, the parties must agree on a common outline, and use that outline for the briefs and reply briefs.

Finally, parties must comply with the Hearing Room Ground Rules set forth in Appendix A to this ruling.

### **8. Presiding Officer**

ALJ Richard Smith is designated as the presiding officer pursuant to § 1701.3.

### **9. Discovery/Law and Motion Matters**

Discovery will be conducted pursuant to the provisions of Article 10 and Rule 11.3. Rule 11.3 requires parties to meet and confer before bringing a formal motion. Parties are expected to engage in timely discovery well before deadlines and are expected to raise discovery issues in a timely fashion to avoid adverse impacts on the schedule.

### **10. Filing, Service and Service List**

In this proceeding, there are several different types of documents participants may prepare. Each type of document carries with it different obligations with respect to filing and service.

Parties must file certain documents as required by the Rules or in response to rulings by either the assigned Commissioner or the ALJ. All formally filed documents must be filed with the Commission's Docket Office and served on the service list for the proceeding. Article 1 of the Rules contains the Commission's filing requirements. Resolution ALJ-188 sets forth the interim rules for electronic filing, which replaces only the filing requirements, not the service requirements.

Other documents, including prepared testimony, are served on the service list but not filed with the Docket Office. Parties must follow the electronic service protocols in Rule 1.10 for all documents, whether formally filed or just served. This Rule provides for electronic service of documents, in a searchable format, unless the appearance or state service list member did not provide an e-mail address. If no e-mail address was provided, service should be made by United States mail.

In this proceeding, concurrent e-mail service to all persons on the service list for whom an e-mail address is available is required, including those listed under "Information Only." Parties are expected to provide paper copies of served documents upon request. However, paper format copies, in addition to electronic copies, must be served on the assigned Commissioner and the ALJ.

E-mail communication about this case should include, at a minimum, the following information on the subject line of the e-mail: *A.11-07-017 – Golden State GRC Application*. In addition, the party sending the e-mail should briefly describe the attached communication; for example, "Brief."

The official service list for this proceeding is available on the Commission's web site.<sup>26</sup> Parties should confirm that their information on the service list is correct and should serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Prior to serving any document, each party must ensure that it is using the most up-to-date service list. The list on the Commission's web site meets that definition. Parties must e-mail courtesy copies

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<sup>26</sup> [www.cpuc.ca.gov](http://www.cpuc.ca.gov).

of all served and filed documents on the entire service list, including those appearing on the list as “State Service” and “Information Only.”

Anyone with questions about the electronic filing procedures should contact the Commission’s Public Advisor at (866) 849-8390 or (415) 703-2074, or (866) 836-7825 (TTY-toll free), or send an e-mail to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

#### **11. Procedure for Requesting Final Oral Argument**

Pursuant to Rule 13.13(b), a party in a ratesetting proceeding has the right to make a final oral argument before the Commission if the final oral argument is requested within the time and manner specified in the scoping memo or later ruling. Pursuant to Rule 13.13, parties requesting final oral argument before the Commission in this proceeding must include that request in the opening line of their opening brief and should identify in the heading of the brief that the brief includes this request.

The request for final oral argument must state the subjects to be addressed at oral argument, the amount of time requested, any recommended procedure and order of presentations, and all other relevant matters. The request must contain all the information necessary for the Commission to make an informed ruling on the request and to provide an efficient, fair, equitable, and reasonable final oral argument.

Responses to requests for final oral argument may be filed. If no hearings are held in this proceeding, Rule 13.13(b) provides that a party’s right to make a final oral argument ceases to exist. As provided for in Rule 13.13(a), the Commission may, on its own motion or upon the recommendation of the assigned Commissioner or ALJ, schedule a final oral argument.

## **12. Assistance in Participation in Commission Proceedings**

The Commission's Public Advisor can assist persons who have questions about the Commission's procedures and how to participate in the Commission's proceedings. The Public Advisor's office may be reached by mail at the California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, by e-mail at [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov), or by telephone at (415) 703-2074. A calendar of hearing dates, the Commission Rules, and other helpful information is also available on our website at <http://www.cpuc.ca.gov>.

## **13. Intervenor Compensation**

A party who intends to seek an award of compensation pursuant to Public Utilities Code §§ 1801-1812 must file and serve a notice of intent to claim compensation no later than 30 days after the September 21, 2011, prehearing conference. § 1804(a)(1). Under the Commission's Rules, future opportunities may arise for such filings but such an opportunity is not guaranteed.

## **14. Rules Governing Ex Parte Communications**

This proceeding is subject to § 1701.3(c), which means that *ex parte* communications are prohibited unless certain statutory requirements are met. *Ex parte* communications are subject to Article 8 of the Rules.

An *ex parte* communication is defined as "any oral or written communication between a decisionmaker and a person with an interest in a matter before the Commission concerning substantive, but not procedural, issues that does not occur in a public hearing, workshop, or other public proceeding, or on the official record of the proceeding on the matter." § 1701.1(c)(4). Commission Rules further define the terms "decisionmaker" and "interested person" and only off-the-record communications between these two entities are "*ex parte* communications."

The law permits Commissioners to engage in *ex parte* communications if all interested parties are invited with no less than three business days' notice. If a Commissioner agrees to meet with an individual party, the Commissioner must grant all other parties individual *ex parte* meetings of a substantially equal period of time. The law permits written *ex parte* communications provided that those who provide the letter to a decisionmaker must provide a copy of the communication to each party on the same day.<sup>27</sup> Parties must report *ex parte* communications as specified in Rule 8.3. See also Rule 8.5 regarding reporting *ex parte* communications with commissioners' personal advisors.

#### **15. Exhibits**

The parties must comply with Rule 13.7 regarding exhibits.

#### **16. Prepared Testimony**

The parties must comply with Rule 13.8 regarding prepared testimony. In addition, all Interested Parties serving testimony in this proceeding must include a table summarizing all proposed recommendations with citation(s) to the proposed exhibit(s) and work papers. All recommendations must be listed in descending order of monetary impact.

Parties should show in separate columns:

- (a) Sequential number of recommendation;
- (b) Short caption of recommendation (including applicable region and service area/district);
- (c) Monetary impact, e.g., total value of an adjustment or cost reallocation;

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<sup>27</sup> § 1701.3(c); Rule 8.2.

- (d) Exhibit(s) page citation(s) for the primary discussion of the recommendation; and
- (e) Exhibit(s) page citation(s) for the primary presentation of the monetary impact.

Therefore, **IT IS RULED** that:

1. The October 26, 2011, motion of Golden State Water Company (Golden State) for authority to modify Application 11-07-017 to request authorization for costs in connection with water fluoridation implemented pursuant to Golden State's participation in the First 5 LA Oral Health Community Development Program is granted.
2. The scope and schedule of this proceeding are set forth in Sections 4 and 6 of this ruling, respectively. The schedule may be modified by the Administrative Law Judge or the assigned Commissioner, as necessary.
3. This ruling confirms the Commission's preliminary finding in Resolution ALJ 176-3278, issued July 28, 2011, that the category for this proceeding is ratesetting and that hearings are necessary. This ruling, only as to category, is appealable under the procedures in Rule 7.6.
4. *Ex parte* communications are subject to Article 8 of the Commission's Rules of Practice and Procedure.
5. Administrative Law Judge Richard Smith is the presiding officer in this proceeding.
6. Parties must follow the hearing preparation instructions as set forth in Section 7 of this ruling.
7. Parties may proceed with discovery as set forth in Section 9 of this ruling.
8. Parties must follow the filing, service, and service list rules as set forth in Section 10 of this ruling.

9. The parties must follow the procedures set forth in Section 11 of this ruling for requesting final oral argument.

10. The parties must comply with Rule 13.7 regarding exhibits.

11. The parties must comply with Rule 13.8 regarding prepared testimony. All Interested Parties must follow the procedures set forth in Section 16 of this ruling regarding prepared testimony.

12. Parties must comply with the Hearing Room Ground Rules set forth in Appendix A attached to this ruling.

Dated November 2, 2011, at San Francisco, California.

/s/ CATHERINE J.K. SANDOVAL  
Catherine J.K. Sandoval Assigned  
Commissioner

/s/ RICHARD SMITH  
Richard Smith  
Administrative Law Judge



# APPENDIX A

### Hearing Room Ground Rules

1. All prepared written testimony must be served on all appearances and state service on the service list, and on the assigned Commissioner's office and on the assigned Administrative Law Judge (ALJ). Prepared written testimony must not be filed with the Commission's Docket Office.
2. Each party sponsoring an exhibit must, in the hearing room, provide two copies to the ALJ and one to the court reporter, and have copies available for distribution to parties present in the hearing room. If the exhibit is testimony that has already been served on the ALJ, the ALJ only needs to be provided with one copy for Central Files. The upper right hand corner of the first page of the exhibit must be blank for the ALJ's exhibit stamp. If there is not sufficient room in the upper right hand corner for an exhibit stamp, a cover sheet must be attached to the exhibit.
3. As a general rule, if a party intends to introduce an exhibit in the course of cross-examination, the party should provide a copy of the exhibit to the witness and the witness' counsel before the witness takes the stand on the day the exhibit is to be introduced. Generally, a party is not required to give the witness an advance copy of the document if it is to be used for purposes of impeachment or to obtain the witness' spontaneous reaction.
4. To the extent possible, exhibits should be distributed before the proceeding "goes on the record" so that parties are prepared to go forward with cross-examination when the ALJ goes "on the record." Breaks can also be used for the distribution of documents.

5. Generally, corrections to an exhibit should be made in advance and not orally from the witness stand, and only corrections of a substantive nature will be allowed from the witness stand. Corrections must be made in a timely manner by providing new exhibit pages on which corrections appear. The original text to be deleted should be shown in strikethrough font and the replacement or added text underlined. Each correction page must be marked with the word "revised" and the revision date.
6. Each witness's testimony must be separately bound. Do not combine multiple witnesses' testimony as chapters or sections of a single document.
7. Individual chapters of large, bound volumes of testimony may be marked with separate exhibit numbers, as convenient.
8. Partial documents or excerpts from documents must include a title page or first page from the source document. Excerpts from lengthy documents must include a table of contents page covering the excerpted material.
9. Motions to strike prepared testimony must be made at least two working days before the witness appears, to allow the ALJ time for review of the arguments and relevant testimony.
10. Notices, compliance filings, or other documents may be marked as reference items. They need not be served on parties.
11. Food and beverages are permitted in the hearing room. However, you must dispose of containers and napkins properly.

**(END OF APPENDIX A)**



**State of California  
California Public Utilities  
Commission**

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# **Rules of Practice and Procedure**

**California Code of  
Regulations  
Title 20, Division 1,  
Chapter 1**



**California Public Utilities Commission**

**TITLE 20. PUBLIC UTILITIES AND ENERGY**

**DIVISION 1. PUBLIC UTILITIES COMMISSION**

**CHAPTER 1. RULES OF PRACTICE AND PROCEDURE**

***ARTICLE 1. GENERAL PROVISIONS***

**1.1. (Rule 1.1) Ethics.**

Any person who signs a pleading or brief, enters an appearance, offers testimony at a hearing, or transacts business with the Commission, by such act represents that he or she is authorized to do so and agrees to comply with the laws of this State; to maintain the respect due to the Commission, members of the Commission and its Administrative Law Judges; and never to mislead the Commission or its staff by an artifice or false statement of fact or law.

Note: Authority cited: Section 1701, Public Utilities Code. Reference: Section 1701, Public Utilities Code.

**1.2. (Rule 1.2) Construction.**

These rules shall be liberally construed to secure just, speedy, and inexpensive determination of the issues presented. In special cases and for good cause shown, and within the extent permitted by statute, the Commission may permit deviations from the rules.

Note: Authority cited: Section 1701, Public Utilities Code. Reference: Section 1701, Public Utilities Code.

**1.3. (Rule 1.3) Definitions.**

(a) "Adjudicatory proceedings" are: (1) enforcement investigations into possible violations of any provision of statutory law or order or rule of the Commission; and (2) complaints against regulated entities, including those complaints that challenge the accuracy of a bill, but excluding those complaints that challenge the reasonableness of rates or charges, past, present, or future.

(b) "Catastrophic wildfire proceedings" are proceedings in which an electrical corporation files an application to recover costs and expenses pursuant to Public Utilities Code Section 451 or 451.1 related to a covered wildfire as defined in Public Utilities Code Section 1701.8.

(c) "Category," "categorization," or "categorized" refers to the procedure whereby a proceeding is determined to be an "adjudicatory," "ratesetting," "quasi-legislative," or "catastrophic wildfire" proceeding.

(d) "Financial interest" means that the action or decision on the matter will have a direct and significant financial impact, distinguishable from its impact on the public generally or a significant segment of the public, as described in Article 1 (commencing with Section 87100) of Chapter 7 of Title 9 of the Government Code.

(e) "Person" means a natural person or organization.

(f) "Quasi-legislative proceedings" are proceedings that establish policy or rules (including generic ratemaking policy or rules) affecting a class of regulated entities, including those proceedings in which the Commission investigates rates or practices for an entire regulated industry or class of entities within the industry, even if those proceedings have an incidental effect on ratepayer costs.

(g) "Ratesetting proceedings" are proceedings in which the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities). Ratesetting proceedings include complaints that challenge the reasonableness of rates or charges, past, present, or future. Other proceedings may be categorized as ratesetting, as described in Rule 7.1(e)(2).

(h) "Scoping memo" means an order or ruling describing the issues to be considered in a proceeding and the timetable for resolving the proceeding, as described in Rule 7.3.

Note: Authority cited: Sections 1701 and 1701.8, Public Utilities Code.  
Reference: Sections 1701, 1701.1, and 1701.8, Public Utilities Code.

#### **1.4. (Rule 1.4) Party Status.**

(a) A person may become a party to a proceeding by:

(1) filing an application (other than an application for rehearing pursuant to Rule 16.1), petition, or complaint;

(2) filing (i) a protest or response to an application (other than an application for rehearing pursuant to Rule 16.1) or petition, or  
(ii) comments in response to an order instituting rulemaking;

## DECLARATION OF SERVICE

Golden State Water Company

v.

Public Utilities Commission of the State of California

I, Lisa Schuh, hereby declare that I am a citizen of the United States, am over 18 years of age, and am not a party in the above-entitled action. I am employed in the City and County of San Francisco, State of California. I am over the age of eighteen and my business address is 101 California Street, 35th Floor, San Francisco, California 94111-5894.

On March 28, 2022, I served the following document(s) entitled:

**GOLDEN STATE WATER COMPANY'S SUPPLEMENTAL  
APPENDIX OF EXHIBITS (APPENDIX VOLUME III) TO  
JOINT REPLY TO ANSWER TO PETITIONS FOR WRIT  
OF REVIEW IN CASES S269099 AND S271493**

**VIA FEDERAL EXPRESS:** by placing copies of the documents listed above in envelopes designated as FedEx Delivery for delivery on Wednesday, March 20, 2022 and addressed to the persons as set forth below.

Christine J. Hammond, General Counsel  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102-3214

Rachel Peterson, Executive Director  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, California 94102-3214

San Francisco, California 94102-3214

I am readily familiar with the firm's business practice for collection and processing of correspondence for delivery by FedEx Express-Overnight Delivery. On the same day, as referenced above, correspondence is placed for collection by FedEx Express-Overnight Delivery, with whom we have a direct billing account for payment of said delivery, to be delivered to the office of the addressees as set forth below on the next business day.

**VIA ELECTRONIC MAIL:** by transmitting an electronic mail message to each of the parties identified on the below Service List, through their attorneys of record as identified by the service list and corresponding email list provided in proceeding R.17-06-024 before the California Public Utilities Commission and/or as directed by the party(ies) and/or as directed by the California Rules of Court and Public Utilities Code. That email provided a link to an FTP site where the documents have been made available. Additionally, I stated in my email that if the recipient requested a physical copy of the documents my office would provide one.

I declare under the penalty of perjury under the laws of the state of California that the foregoing is true and correct and that this Declaration of Service was executed on March 28, 2022 in San Francisco, California.

/s/ Lisa Schuh  
Lisa Schuh



**SERVICE LIST**

See Attached Service List from California Public Utilities Commission  
and list of email addresses



California  
Public Utilities  
Commission



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## CALIFORNIA PUBLIC UTILITIES COMMISSION

### Service Lists

**PROCEEDING: R1706024 - CPUC - OIR EVALUATIN**

**FILER: CPUC**

**LIST NAME: LIST**

**LAST CHANGED: MARCH 17, 2022**

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APPLE VALLEY RANCHOS WATER COMPANY

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STATE OF CALIFORNIA  
Supreme Court of California

**PROOF OF SERVICE**

STATE OF CALIFORNIA  
Supreme Court of California

Case Name: **GOLDEN STATE WATER COMPANY v. PUBLIC UTILITIES  
COMMISSION**

Case Number: **S269099**

Lower Court Case Number:

1. At the time of service I was at least 18 years of age and not a party to this legal action.
2. My email address used to e-serve: **JKarp@winston.com**
3. I served by email a copy of the following document(s) indicated below:

Title(s) of papers e-served:

Filing Type	Document Title
REPLY TO ANSWER TO PETITION FOR REVIEW	Utilities Joint Reply to Answer to Petitions for Writ of Review
ADDITIONAL DOCUMENTS	GSWC Supplemental Appendix of Exhibits (Appendix Vol. III) to Joint Reply to Answer to Petitions for Writ of Review in Cases S269099 and S271493 AMENDED Petition for Writ of Review

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I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

3/28/2022

Date

/s/Joseph Karp

Signature



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