

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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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.

A.11-07-017
(Filed July 21, 2011)

**REPLY BRIEF
OF THE DIVISION OF RATEPAYER ADVOCATES**

I. INTRODUCTION

Pursuant to Rule 13.11 of the California Public Utilities Commission's Rules of Practice and Procedure and Administrative Law Judge ("ALJ") Richard Smith's ruling during evidentiary hearings, the Division of Ratepayer Advocates ("DRA"), hereby submits its reply brief on Golden State Water Company's ("Golden State" or "GSWC") Application for authority to increase rates for water service in 2013, 2014, and 2015.

DRA's Reply Brief will address only Golden State's misrepresentations and inaccuracies in its Opening Brief. DRA will not reargue positions it already addressed in its Opening Brief. Silence on any issue Golden State raises should not be interpreted as agreement with those positions.

**II. SPECIAL REQUEST #1: SANTA MARIA ADJUDICATION
SETTLEMENT APPROVAL**

**A. Golden State misrepresents DRA's position on Special
Request #1**

Golden State claims that DRA rejects "Golden State's request," but actually DRA remained neutral on the request and instead only set specific conditions and procedures to

follow in order to comply with the adjudication's requirements. See Golden State Opening Brief, p. 3 and Exhibit #DRA-2 Revised, p. 8-7.

B. Golden State misrepresents the effect of Commission action with Golden State's request

GSWC states "Commission rejection of Golden State's participation would unwind the Stipulation as to Golden State." Golden State Opening Brief, p. 3. This statement is inaccurate and Golden State has not supported this statement's accuracy in any of its testimony. Nevertheless, DRA continues to assert that any Commission action regarding this request would not "unwind" the Stipulation because GSWC does not require Commission approval to participate in the Stipulation.

C. Golden State inaccurately portrays DRA as not acknowledging the Stipulation's benefits

GSWC describes at length the Stipulation's benefits on page 4 of its Opening Brief. In fact, DRA's Report includes a discussion of the Stipulation's many benefits. See DRA-2 Revised, p. 8-7.

D. Golden State misrepresents its claim that its request was to request Commission authorization to encumber utility assets

Golden State has mischaracterized its own request regarding encumbering utility assets in its Opening Brief. What Golden State actually wants is authorization to "encumber utility assets and for recovery in rates of the costs associated with financial obligations included in the Stipulation." See Golden State Opening Brief, p. 3. DRA's position is that while Golden State apparently is seeking Commission approval to encumber assets, it has not explicitly requested permission from the Commission to do so. To properly seek this kind of relief, Golden State should have filed a Public Utilities Code Section 851 application instead of incorporating a Special Request in this general rate case. Despite the lack of an express request for this authority, the Commission should be aware that the Commission does not have to approve a utility's participation in stipulations. A utility is free to enter into such agreements on its own volition.

III. SPECIAL REQUEST #8: WATER LITIGATION MEMORANDUM ACCOUNT SURCHARGE

A. Golden Gate and DRA disagree on more than whether interest should accrue on the principal balance

While Golden State contends it and DRA disagreed on whether interest should accumulate on the principal balance, the parties also disagree on whether there is any legal standing to increase the surcharge at all. See GSWC Opening Brief, p. 17 and Exhibit #DRA-6, p. 15-16.

B. Golden State misrepresents Decision 05-07-045's findings

Golden State states: "In rejecting DRA's argument, the Commission determined that the \$17.5 million should be credited to the Water Litigation Memo Account only as WAF monies are received, stating 'the unpaid litigation cost balance should continue to be carried forward, *with interest at the three-month commercial paper rate.*'" Golden State Opening Brief, p. 19-20.

This statement distorts the record since Finding of Fact #11 in Decision ("D.") 05-07-045 indicates that the Aerojet Settlement requires developer fees to pay the interest instead of ratepayers.

Golden State also states: "The Commission authorized Golden State to amortize the Water Litigation Memo Account through a rate surcharge, to continue for no longer than twenty years from the effective date of D.05-07-045. Golden State Opening Brief, p. 20.

Despite this language, Ordering Paragraph #6 of this same decision states the account should stay open until fully amortized. Thus, the balance in the litigation account will be repaid over time. Because ratepayers would still be responsible for paying the entire amount if developer fees do not appear, adding interest charges to the ratepayers' burden goes against D.05-07-045's desire to mitigate the risk to ratepayers.

C. Golden State misrepresents what the Commission would have determined in Decision 05-07-045

Golden State states: “If the Commission had determined that the Water Litigation Memo Account should not accrue interest, it would have made that determination in Decision 05-07-045.” Golden State Opening Brief, p. 22. This argument is illogical because the same could be said that if the Commission had wanted to increase the surcharge, it would have stated so as well. Essentially, if the Commission had determined that it would ever be appropriate to increase the surcharge, then it would have stated so in D.05-07-045. It does not, however, make such a determination. Instead, the only Ordering Paragraph that mentions recalculation of the surcharge refers only to *lowering* the amount if development fees are ever received. See D.05-07-045, Ordering Paragraph #5.

D. Golden State misrepresents Golden State and DRA’s settlement in this proceeding

Golden State states: “The increases from Golden State’s originally requested surcharges to the surcharges calculated based on the agreed forecasts result from allocating the annual amortization amount to fewer flat rate customers anticipated to be served and, consequently, allocating a greater portion of the annual amortization amount to the metered tariff.” Golden State Opening Brief, p. 27.

It is inappropriate for GSWC to use the sales forecasts that were part of the settlement to be used as justification for further increasing surcharges beyond what the Commission originally ordered.

IV. CONCLUSION

The Commission should not attach any weight to the various misrepresentations made in Golden State’s Opening Brief regarding Special Requests #1 & #8.

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Respectfully submitted,

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