



FILED

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Golden State Water Company (U133W) for authority to implement corrective measures for water quality and fluoridate the water in the Bay Point Customer Service Area and to increase rates by \$611,669 or 9.90% in Year 1, \$609,588 or 9.86% in Year 2 and \$25,739 or 0.42% in Year 3.

Application 09-08-004
(Filed August 6, 2009)

**ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S
RULING AND SCOPING MEMO**

1. Summary

In this application, Golden State Water Company (Golden State) requests the Commission review and authorize corrective measures to address water quality problems in its Bay Point customer service area and amend Golden State's tariffs to appropriately charge its customers for the costs of the corrective measures. Golden State also requests recovery of all costs it has incurred since early 2008 in purchasing treated water to replace purchased raw water due to contamination.

Pursuant to Rule 7.3 of the Commission's Rules of Practice (Rule 7.3), this scoping memo determines the procedural schedule (with a projected submission date), the category of the proceeding, the issues to be addressed, the designated presiding officer, and the need for hearing.

2. Procedural Background

Golden State Water Company (Golden State), a California corporation, is a subsidiary of American States Water Company. Pursuant to Article XII of the California Constitution, and the Public Utilities Code, the Commission regulates Golden State as an investor-owned Class A water utility.¹ Golden State serves seven customer service areas (CSAs) in California. In its Bay Point CSA, the subject of this application, Golden State provides water service to 4,777 customers, the majority of whom are residential users. The Bay Point CSA is located within the unincorporated community of Bay Point, California, which lies along the southern shore of Suisun Bay, east of Concord.²

On August 6, 2009, Golden State filed this application requesting authorization to implement corrective measures to address water quality problems in its Bay Point CSA. This application includes Golden State's proposal to provide a permanent solution for its water contamination problem as well as its proposal to comply with the Commission's directive in its last general rate case decision, Decision (D.) 08-01-043, to fluoridate its water.³ In the first quarter of 2008, Golden State was cited by the California Department of Public Health (CDPH) for violating the total trihalomethanes (TTHM) Maximum Contaminant Level (MCL) of the California Health and Safety Code § 116555 and the California Code of Regulations § 64533 and ordered to cease and desist its

¹ A Class A water utility is a California Public Utilities Commission (Commission) regulated water utility serving over 10,000 customers.

² See application, page 3.

³ For the fluoridation requirement, see D.08-01-043, issued February 1, 2008, Finding of Fact 33 and Ordering Paragraph 7, *mimeo.* at pages 75 and 77.

violations. To meet the CDPH's order, Golden State entered into an agreement with Contra Costa Water District (CCWD) to purchase additional treated water supplies on an interim basis while Golden State identified and implemented a permanent solution. This agreement expires in January 2011.⁴

On June 6, 2008, Golden State submitted Advice Letter (AL) 1295-W. In this AL, Golden State combined its analysis of the best options to address fluoridation, as required by D.08-01-043, with its analysis of the best method to address compliance with the TTHM drinking water standard discussed above. In a December 11, 2008 letter to Golden State disposing of AL 1295-W, the Division of Water and Audits stated: "Inclusion of the TTHM issue as part of the 'cost recovery mechanism' goes substantially beyond the scope of O.P. 7 and must be submitted as a Formal Application."⁵

In response to the Division of Water and Audits' finding, Golden State submitted this application. The application was noticed on August 14, 2009 and the Division of Ratepayer Advocates (DRA) filed a timely protest on September 14, 2009. A prehearing conference was held in San Francisco on October 29, 2009 and a public participation hearing was held in Bay Point on December 15, 2009 at 7:00 p.m.

3. Categorization, Need for Hearings, *Ex Parte* Communication Rules, and Designation of Presiding Officer

This proceeding has been preliminarily categorized as ratesetting, as that term is defined in Rule 1.3(e). No party objects to the Commission's preliminary categorization or to its preliminary determination that evidentiary hearings are

⁴ See this application, A.09-08-004, at page 12.

⁵ *Id.* at page 3.

needed. We affirm the categorization and need for hearings in this scoping memo.⁶

Assigned Commissioner John A. Bohn designates Administrative Law Judge (ALJ) Christine M. Walwyn as the presiding officer in this proceeding. The Commission's *ex parte* communications rules applicable to this proceeding are set forth in Rules 8.1 – 8.5. These *ex parte* rules apply to all parties of record and, more broadly, to all persons with an interest in any substantive matter; the broad category of individuals subject to our *ex parte* rules is defined in Public Utilities Code Section 1701.1.(c)(4) and Rule 8.1(d).

4. Scope of the Proceeding

The scope of this proceeding is to address all technical and cost recovery issues related to how Golden State's Bay Point CSA can permanently comply with California's water standards for TTHM and also provide its customers a fluoridation system. In this application, Golden State evaluates three alternatives that would address both issues. The advantages and disadvantages of each alternative are discussed, including the cost estimates. Based on its analysis, Golden State requests the Commission find it is reasonable for it to:

1. Retire the Hill Street Water Treatment Plant and to purchase total system demand from CCWD;
2. Enter into an Asset Lease Agreement with CCWD for 4.4 MGD of treated water for a one-time lease price of Four Million Seven Hundred Thousand Dollars (\$4,700,000);
3. Recover costs recorded in the Bay Point Water Quality Memorandum Account authorized to track the incremental

⁶ This scoping memo, only as to the category, is appealable under the procedures set forth in Rule 7.6.

costs associated with purchasing additional treated water to replace purchased raw water due to contamination; and

4. Amend its tariffs to appropriately charge its Bay Point customers for the cost of the Asset Lease Agreement with CCWD.

The primary concern voiced by customers at the public participation hearings and in letters to the Commission's Public Advisor is the substantial rate increase being requested in this application, especially in combination with the estimated rate increase Golden State anticipates requesting in its new general rate case (GRC) proceeding.⁷ On January 13, 2010, Golden State filed its GRC application, A.10-01-009, which reflects its request here as well as other revenue requirement increases; the total rate increase requested in A.10-01-009 for 2011 is 33.2%.

5. Procedural Schedule

We adopt here the procedural schedule agreed to by all parties at the October 29, 2009 prehearing conference.⁸ This schedule meets Golden State's request that it be informed by June 2010 if the Commission intends to require

⁷ See public participation hearing transcript, including Golden State's response at page 15.

⁸ On January 28, 2010, the parties requested, and were granted, a one week extension of time on the hearing schedule in order to pursue settlement negotiations. Therefore, evidentiary hearings are delayed until February 11 and 12.

that it make improvements to its Hill Street Water Treatment plant, rather than retire it as Golden State proposes.⁹ Our adopted schedule is as follows:

DRA testimony served	January 13, 2010
Golden State's rebuttal testimony served	January 27, 2010
Evidentiary hearings held in San Francisco	February 4 and 5, 2010
Opening briefs filed and served	February 15, 2010
Reply briefs filed and served	February 22, 2010
Proposed Decision mailed	May 2010

Parties requesting final oral argument before the Commission under Rule 13.13 must include that request in their opening brief. This proceeding is scheduled to be completed within 18 months of this scoping memo, as required by Public Utilities Code Section 1701.5.

6. Party Status and Service List

The official service list for this proceeding is attached to this ruling and updates are maintained by the Commission's Process Office and accessible on our website at www.cpuc.ca.gov. Parties must file and serve all pleadings as set forth in Article 1 of the Commission's Rules of Practice and Procedure.

Testimony must be served but not filed.

⁹ As discussed in its application and at the prehearing conference, Golden State's temporary agreement with CCWD expires in January 2011 and it needs approximately six months' notice if it is required to undertake construction at its Hill Street Water Treatment plant.

Therefore, **IT IS RULED** that:

1. This proceeding is categorized as ratesetting and that category determination is appealable under the procedures set forth in Rule 7.6 of the Commission's Rules of Practice and Procedure. *Ex parte* communications are permitted with restrictions, as set forth in Rules 8.2, 8.4, and 8.5, and are subject to the reporting requirements of Rule 8.3.
2. Evidentiary hearings are required.
3. Administrative Law Judge Christine M. Walwyn is the presiding officer.
4. The issues to be addressed and the hearing schedule and procedural process for this proceeding are as set forth in the body of this ruling.

Dated January 29, 2010, at San Francisco, California.

 /s/ JOHN BOHN
John A. Bohn
Assigned Commissioner

 /s/ CHRISTINE M. WALWYN
Christine M. Walwyn
Administrative Law Judge

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated January 29, 2010, at San Francisco, California.

/s/ LILLIAN LI

Lillian Li

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074 or TDD# (415) 703-2032 five working days in advance of the event.

***** SERVICE LIST *****

Last Updated on 28-JAN-2010 by: RC4
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