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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 \$2,911,400 or 29.9% in 2011 and by \$321,200 or 2.5% in 2012 in its Arden Cordova Service Area; to increase rates for water service by \$1,782,400 or 33.2% in 2011 and by -\$66,200 or -0.9% in 2012 in its Bay Point Service Area; to increase rates for water service by \$409,100 or 22.6% in 2011 and by \$23,300 or 1.0% in 2012 in its Clearlake Service Area; to increase rates for water service by \$1,467,000 or 48.5% in 2011 and by \$50,100 or 1.1% in 2012 in its Los Osos Service Area; to increase rates for water service by \$1,647,900 or 38.8% in 2011 and by \$343,200 or 5.9% in 2012 in its Ojai Service Area; to increase rates for water service by \$2,350,700 or 25.2% in 2011 and by \$363,200 or 3.1% in 2012 in its Santa Maria Service Area and; to increase rates for water service by \$799,500 or 6.5% in 2011 and by \$213,000 or 1.6% in 2012 in its Simi Valley Service Area.

Application 10-01-009
(Filed January 13, 2010)

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

1. Summary

This scoping memo identifies the issues to be considered in this proceeding, sets a procedural schedule and 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.¹

2. Background

Golden State Water Company (Golden State) filed Application (A.) 10-01-009, a general rate case for the Arden Cordova Service Area, Bay Point Service Area, Clearlake Service Area, Los Osos Service Area, Ojai Service Area, and Simi Valley Service Area. These seven service areas are collectively referred to as Region I. The application seeks rate increases based upon a forecast test year 2011 for all service areas and a 2012 post-test year rate adjustment.

The Commission's Division of Ratepayer Advocates filed a timely protest on February 26, 2010, and a duly noticed prehearing conference was held on March 3, 2010.

3. Categorization and Need for Hearings

This scoping memo confirms the Commission's preliminary categorization of this proceeding as ratesetting as preliminarily determined in Resolution ALJ-136-3247, dated January 21, 2010. 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. The application appeared on the Commission's daily calendar.

¹ All subsequent references to "Rules" or "Rule" are to the Commission's Rules of Practice and Procedure. The full text of the Commission's Rules may be found on the Commission's website at www.cpuc.ca.gov.

3.1. Hearing and Record; Restrictions on *Ex Parte* Communications

This Scoping Memo adopts a schedule that includes formal hearings. (See Rules 7.1(a) and 7.3(a).) The record will be composed of all documents filed and served on parties. It will also include testimony and exhibits received at hearing.

In a ratesetting proceeding involving hearings, *ex parte* communications are permitted only if consistent with certain restrictions, and are subject to reporting requirements. (See Pub. Util. Code § 1701.3(c) and Rules 8.2, 8.3, and 8.5.) Parties shall electronically serve the assigned Commissioner and Administrative Law Judge all three-day notices required by Rule 8.2(c)(2) for all *ex parte* meetings with decisionmakers.

4. Scope

Interested parties were provided an opportunity to comment in their protests to the application and at the prehearing conference on what issues should be included in the scope of this proceeding. Parties should develop prepared testimony to address any issues on which factual or policy opinion may be helpful to explain or support their positions. Issues which turn solely on interpretation of law may be deferred to briefing. In the interest of minimizing delay, however, the parties are cautioned against narrowly interpreting the scope of prepared testimony. The purpose of this proceeding is primarily to establish just and reasonable rates for test year 2011 and 2012, and make all other necessary orders for Golden State to offer safe and reliable water service. Based on the filings and the discussion at the prehearing conference, we will determine the following scope of issues:

1. The just and reasonable test year 2011 and post-test year 2012 revenue requirements, inclusive of all operating expenses and capital costs. This includes the costs of all operating or customer-related programs necessary to provide safe and reliable water service in the test year.²
2. A just and reasonable post-test year ratemaking mechanism to adjust annual revenue requirements in 2012 until the Commission adopts a new test year revenue requirement in a subsequent proceeding.
3. An examination of the water quality provided to customers and the adequacy of Golden State's water management plans for each district.
4. Specific issues identified in both the application and DRA's protest:³
 - a. Phased-in revenue increases;
 - b. Removal of Water Revenue Adjustment Mechanism/Modified Cost Balancing Account trigger;
 - c. More meter readers and new equipment;
 - d. Fire sprinkler service charge and Standard Practice U-7-W;
 - e. Recalculation of water litigation surcharge; and
 - f. Extension of the Santa Maria Adjudication Memorandum Account.

² This would encompass issues which DRA separately identified including forecast of sales and operating revenue, estimated Operations and Maintenance and Administrative and General expenses, capital additions, depreciation, rate base, and customer service and service quality. (DRA Protest at 6.)

³ DRA Protest at 4 - 6.

5. Any other relevant issues which arise during the proceeding which may affect just and reasonable rates or safe and reliable water service in any portion of Region I.
6. This application, for the Bay Point Customer Service Area, includes a request to implement corrective measures for water quality and fluoridation. This issue is also before the Commission in A.09-08-004. On February 17, 2010, the parties in A.09-08-004 filed a proposed settlement agreement that includes substantial rate increases to Bay Point customers. An evidentiary hearing was held on March 1, 2010 and a proposed decision is scheduled to be issued in May 2010. The Commission's final decision in A.09-08-004 may require parties in this proceeding to further address the Bay Point water treatment issues raised in both applications (A.09-08-004 and A.10-01-009).
7. DRA raises the issue of an ongoing investigation of contracting practices (DRA Protest at 2 – 3) and proposes:

... this proceeding should acknowledge this open issue in three ways. First, any recovery in rates of any costs related to Richardson Engineering contracts (or any other improper contracting practices) should expressly be made conditional and subject to refund, pending the results of the Commission's audit. Second, to the extent that the Commission does not address this issue in another proceeding within a reasonable time frame, DRA reserves the right to seek to reopen this proceeding in order to recover any improper costs charged to ratepayers. Third, the credibility of [Golden State] on historical rate base issues and related forecasts would appear to be questionable, particularly since it appears that [Golden State] has failed to disclose this issue and the ongoing audit in its Amended Application. (DRA Protest at 3.)

Golden State's reply to the protest objected to DRA's three points. We see no need or benefit at this time to identify any costs as "conditional and subject to

refund.” Any future formal investigation by the Commission may properly address the question of ratepayer recovery of any proven unreasonable or fraudulent costs.⁴ Second, DRA is at liberty to make any timely motion it wishes, and we will consider the motion if filed on its merits at that time. Finally, DRA may always timely raise credibility issues in its recommendations for the test year revenue requirement.

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 any possible proposed settlement in this proceeding as being in the public interest, the Commission must be convinced that the parties had 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.⁵

In addition to the usual events on a procedural schedule, all active parties in this proceeding must participate in at least one mandatory settlement

⁴ “. . . the Commission has the authority to order any relief that it finds appropriate in the context of the . . . Audit . . . the findings of the . . . Audit (if any) will control any action taken by the Commission.”

⁵ (Rule 12.1) Proposal of Settlements part (e): “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.”

conference as described herein.⁶ Golden State shall arrange this settlement conference (or conferences), which may be telephonic. Every party who serves written testimony, or who intends to cross-examine witnesses at the evidentiary hearing, shall jointly prepare a Case Management Statement and Settlement Conference Report. Golden State shall file and serve this report on behalf of all parties after the (final) settlement conference. The contents shall 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.

The mandatory settlement conference must be held no later than Wednesday, June 16, 2010. The purpose of this conference is to conserve parties' resources by attempting to reduce the number of contested issues. Thus, parties may wish to meet before rebuttal testimony is served. Parties may have the services of a trained mediator to assist in any of the settlement conferences.⁷

6. Schedule

It is the desire of this Commission to encourage parties to settle disputed issues when reasonably possible. As such, the schedule includes sufficient time so that parties may explore settlement opportunities. The schedule for this proceeding is as follows:

⁶ It is within the discretion of the assigned Commissioner to include a mandatory settlement process in the procedural schedule.

⁷ Any party wishing a mediator should contact the assigned Administrative Law Judge as soon as practicable.

Event	Date
Prehearing Conference	March 3, 2010
Last Application Update	March 15, 2010
Intervenor Testimony	May 18, 2010
Public Participation Hearings	To be Determined - After DRA serves testimony
Rebuttal Exhibits (all parties)	June 2, 2010
Settlement Conference(s)	At least one - before June 16, 2010
Case Management Statement and Settlement Conference Report.	No later than June 18, 2010
Evidentiary Hearings	June 21 - 25, 2010, at 10:00 a.m. State Office Building Commission Courtroom 505 Van Ness Avenue San Francisco, California.
Concurrent Opening Briefs	August 4, 2010
Concurrent Reply Briefs and Submission	August 13, 2010
Request for Oral Arguments	No later than August 23, 2010

7. Discovery

Discovery will be conducted according to Article 11 of the Commission's rules. If the parties have discovery disputes they are unable to resolve by meeting and conferring, they shall raise these disputes under the Commission's Law and Motion procedure. (See Rule 11.3.) 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.

8. 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. In this proceeding, any party seeking to present a final oral argument shall file and serve a motion within 10 days of the filing date of reply briefs.

The motion shall state the request, 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 motion shall contain all the information necessary for the Commission to make an informed ruling on the motion and to provide an efficient, fair, equitable, and reasonable final oral argument. If more than one party seeks the opportunity for final oral argument, parties shall use their best efforts to present a joint motion, including a joint recommendation on procedure, order of presentations, and anything else relevant to the motion. Responses to the motion may be filed.

If no hearings are held in this proceeding, Rule 13.13(b) indicates 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 still, on its own motion or upon the recommendation of the assigned Commissioner or Administrative Law Judge (ALJ), schedule a final oral argument.

9. Intervenor Compensation

A party who intends to seek an award of compensation pursuant to Public Utilities Code §§ 1801-1812 should file and serve a notice of intent to claim compensation no later than 30 days after the March 3, 2010 prehearing conference. (§ 1804(a)(1).) Under the Commission's Rules, future opportunities may arise for such filings but such an opportunity is not guaranteed.

10. Filing, Service and Service List

The official service list was created at the March 3, 2010 prehearing conference and is now on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process office, the service list, and the judge. 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.

Electronic service is now the standard under Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Parties are reminded that, when serving copies of documents, the document format must be consistent with the requirements set forth in Rule 1.10(a).

Rules 1.9 and 1.10 govern service of documents only and do not change the Rules regarding the tendering of documents for filing. Parties can find information about electronic filing of documents at the Commission's Docket Office at www.cpuc.ca.gov/PUC/efiling. All documents formally filed with the Commission's Docket Office must include the caption approved by the Docket Office and this caption must be accurate.

Other documents, including prepared testimony, are served on the service list but not filed with the Docket Office. We will follow the electronic service protocols adopted by the Commission in Rule 1.10, 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. Additionally, parties shall serve paper copies of all filings on the presiding officer.

11. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or who has 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.

12. Presiding Officer

Pursuant to Rule 13.2, ALJ Douglas M. Long is designated as the presiding officer.

Therefore, **IT IS RULED** that:

1. This proceeding is categorized as ratesetting. This ruling is appealable within 10 days under Rule 7.6.
2. The Commission's preliminary determination that hearings are necessary is confirmed.
3. The timetable for the proceeding is as set forth herein.
4. Rules 8.2, 8.3 and 8.5 governing *ex parte* communications apply to this proceeding.
5. The issues to be considered are those described in this ruling.

6. Administrative Law Judge Douglas M. Long is designated as the presiding officer.

Dated March 11, 2010, at San Francisco, California.

 /s/ JOHN A BOHN
John A. Bohn
Assigned Commissioner

 /s/ DOUGLAS M. LONG
Douglas M. Long
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 March 11, 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 11-MAR-2010 by: JVG
A1001009 LIST

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