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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 MCBAAs 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)**