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**CALIFORNIA WATER SERVICE COMPANY
NOTICE OF APPLICATION FILING FOR A GENERAL RATE INCREASE IN THE
BAKERSFIELD DISTRICT
Application No. XX-XX-XXX**

On July x, 2012, California Water Service Company (Cal Water) filed its General Rate Case Application XX-XX-XXX with the California Public Utilities Commission (CPUC). Water rates adopted as a result of this application will not go into effect until January 1, 2014. This notice is to inform customers of Cal Water's proposed request, and to explain how you can provide your comments to the CPUC.

WHAT IS A GENERAL RATE CASE

Every three years, investor-owned utilities such as Cal Water are required to file a General Rate Case (GRC) in which the CPUC sets annual revenue levels. Annual revenue is the total amount of money a utility collects through rates in a given year for specific purposes. The actual rates, or level of prices, charged to customers will be determined in this proceeding, and changes in rates may be different from changes in the annual revenue received by Cal Water because rate levels also depend on estimates of future water sales.

INFORMATION ABOUT THE APPLICATION

If the CPUC approves Cal Water's request, this GRC application would result in a total **rate increase** to all customers of \$12,800,000 or 20.3% in 2014. This would be followed by an increase in total rate amounts of \$2,000,000 or 2.6% in 2015, and an increase of \$2,000,000 or 2.5% in 2016.

If CPUC approves Cal Water's request, this GRC application would increase **Cal Water's authorized revenue** by \$11,367,000 or 17.5% in 2014, followed by an increase in revenue by \$2,007,000 or 2.6% in 2015, and \$1,955,000 or 2.5% in 2016. The difference from the change in **rates** shown above is due to the proposed rate phase-in and declining sales quantities since the last time rates were set.

Cal Water is proposing to phase in rates over 2 years to lessen the initial rate impact to customers. Based on water usage patterns in your area, which have decreased significantly since Cal Water's last filing, CPUC's approval of Cal Water's proposed Application would increase the **typical residential customer's** monthly bill by \$4.19 or 8.8% in 2014, followed by additional increases of \$7.61 or 14.7% in 2015, and \$8.73 or 14.7% in 2016. Most costs of operating the water system are fixed, regardless of the level of usage. With lower water usage in your area, rates then have to be increased to cover these fixed costs.

Using the bill of a **typical residential customer** that would increase by \$4.19 a month in 2014, a breakdown of the reasons for the majority of Cal Water's request in your area is as follows:

- o A capital improvement program that will add \$25.9 million in water infrastructure improvements in 2014 increases the typical monthly bill by \$1.37.
- o District operations and maintenance costs needed to maintain and operate the water system increases the typical monthly bill by \$0.70.

- o Retaining the same level of employee health care, pensions, and retiree health care benefits for District personnel, the costs of which have increased faster than inflation, increases the typical monthly bill by \$1.04.
- o Retaining the same level of employee benefits, described above, for the allocated portion of General Office personnel increases the typical monthly bill by \$0.56.
- o The cost of allocated General Office expenses other than payroll, benefits, or taxes increases the typical monthly bill by \$0.43.

Approving these rates would allow Cal Water to continue to invest in and maintain the system of water supply sources, pipes, tanks, fire hydrants, and equipment needed to provide safe and reliable water service.

The following table shows the bill increase that a residential customer with typical water usage would see if Cal Water's proposed rates for 2014 were adopted. (Note that bills may vary slightly due to temporary surcredits or surcharges that are in effect that month.) Also shown are the increases that a typical customer could expect in 2015 and 2016.

A Typical Residential Metered Customer	Usage (CCF)	Monthly Bill
At current 2012 rates	22	\$47.56
At requested Jan 2014 rates	22	\$51.76
At requested Jan 2015 rates	22	\$59.47
At requested Jan 2016 rates	22	\$60.96

A Typical Residential Flat Rate Customer (lot size of 6001 to 10,000 square feet)	Typical Bill
At current 2012 rates	\$60.00
At requested Jan 2014 rates	\$69.77
At requested Jan 2015 rates	\$80.09
At requested Jan 2016 rates	\$82.09

INFORMATION REGARDING PROPOSED 2015 AND 2016 RATES

The rates proposed for years 2015 and 2016 are calculated by increasing the proposed 2014 rates by a simplified, inflation-based method required by the CPUC. Actual rates for 2015 and 2016 will be based on actual inflation rates. Please note that Cal Water's **Application also requests authority to implement the 2015 and 2016 rate increases (based on actual inflation, and with CPUC oversight), without providing additional notice to customers at that time. This means that, if inflation is more than our current estimates, actual rates for 2015 and 2016 may be higher than those shown in this notice.**

FOR FURTHER INFORMTION

A copy of Cal Water's proposed GRC Application and related exhibits may be inspected at Cal Water's office located at 3725 South H Street, Bakersfield, CA 93304. An electronic or paper copy of the proposed application and related exhibits will be furnished by Cal Water upon written request to California Water Service Company, 1720 North First Street, San Jose, CA 95112-4598. Copies are also available to review at the CPUC's Central Files Office in San Francisco at 505 Van Ness Avenue, San Francisco, CA 94102 between the hours of 8:00 a.m. and noon daily.

EVIDENTIARY HEARINGS

The CPUC may schedule formal Evidentiary Hearings (EH's) whereby parties of record provide testimony and are subject to cross-examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are parties of record can participate. The CPUC has its own court reporters who will record the comments of those formal parties of record participating in the EH's. After considering all proposals and evidence presented during the formal hearing process, the ALJ will issue a draft decision. When the CPUC acts on this application, it may adopt all or part of Cal Water's request, amend, or deny the application. The CPUC's final decision may be different than Cal Water's application. The Division of Ratepayer Advocates is an independent arm of the CPUC, created by the Legislature to represent the interests of all utility customers throughout California and obtain the lowest possible rate for service consistent with reliable and safe service levels. DRA has a multi-disciplinary professional staff with experts in accounting, economics, finance, and engineering. After considering all proposals and evidence presented during the formal hearing process, the assigned ALJ will issue a proposed draft decision. When the CPUC issues a final decision on the application, it may adopt, amend or modify all or part of the ALJ's proposed decision as written. The CPUC's decision may be different than Cal Water's formal request.

PUBLIC PARTICIPATION HEARINGS

The CPUC welcomes the public's participation. Before acting on Cal Water's application, the CPUC will schedule Public Participation Hearings (PPH's) PPHs to provide customers an opportunity to provide their comments regarding Cal Water's request before a CPUC Administrative Law Judge (ALJ). Notification of these hearings will be sent to customers of Cal Water either by a separate mailing post card or included as a bill insert. The notice will identify all of the dates, times and locations that the PPHs are being held for your convenience and planning.

CPUC PROCESS

If you would like information to participate in this proceeding or wish to comment on this proposed application filing or informally protest this filing as a customer of Cal Water, you can do so by contacting the CPUC's Public Advisor's Office (PAO). You may also send an email or written comments to the Public Advisor's address at 505 Van Ness Avenue, San Francisco, CA 94102. or email to public.advisor@cpuc.ca.gov You may also phone at phone at (415) 703-2074 or toll-free (866) 849-8390; TTY (415) 703-5282 or (866) 836-7525. Please refer to this application number A.12-07-XXX in any communications. These comments will become part of the formal correspondence file for this proceeding and will be circulated to the assigned Administrative Law Judge, the Commissioners, and appropriate CPUC staff.