



**FILED**

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

04/03/12  
04:59 PM

Application Of CALIFORNIA-AMERICAN WATER COMPANY (U-210-W), CALIFORNIA WATER SERVICE COMPANY (U-60-W), GOLDEN STATE WATER COMPANY (U-133-W), PARK WATER COMPANY (U-314-W) AND APPLE VALLEY RANCHOS WATER COMPANY (U-346-W) 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.

Application 10-09-017

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**NOTICE OF EX PARTE COMMUNICATION BY  
CALIFORNIA WATER SERVICE COMPANY (U-60-W) AND  
GOLDEN STATE WATER COMPANY (U-133-W)**

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Pursuant to Article 8 of the Commission's Rules of Practice and Procedure ("Rules"), California Water Service Company (U-60-W) ("Cal Water") and Golden State Water Company (U-133-W) ("Golden State") submit this notice of an ex parte communication regarding the above-captioned proceeding.

On Thursday, March 29, 2012, Thomas F. Smegal (Vice President, Regulatory Matters and Corporate Relations for California Water Service Company) and Keith Switzer (Vice President, Regulatory Matters for Golden State Water Company) (collectively, "Applicants") met at 10:00 a.m. with Lester Wong, Advisor to President Peevey, at the offices of the Public Utilities Commission at 505 Van Ness Avenue, San Francisco, CA 94102. The meeting lasted approximately 40 minutes. The meeting was initiated by Applicants, and no written materials were provided.

During the meeting, Mr. Smegal and Mr. Switzer discussed the financial impact the WRAM amortization issues were having on Applicants, particularly the extended period of review of the instant application. Mr. Smegal pointed out that the Proposed Decision (“PD”) proposal to cap recovery at 7.5% per year would not adequately address Applicants’ two major issues of cash flow and compliance with GAAP accounting rules for recognition of current revenue. Mr. Smegal noted that Cal Water has approximately \$50 million recorded in its WRAM/MCBA accounts, a substantial portion of its \$450 million annual authorized revenue requirement. He pointed out that, due to delays in collection, Cal Water was forced to finance the amounts at long term rates, even though the Commission provides only 90-day commercial paper rate interest on this balancing account. Mr. Smegal also pointed out that under the proposal, balances over 10% are unlikely to be fully recovered within the GAAP timeframe for recognizing current revenues. Mr. Smegal discussed Cal Water’s recent deferral of revenue based on not yet receiving the relief requested. Finally, Mr. Smegal reiterated that these barriers clearly amount to a disincentive to pursue conservation, contrary to the Commission’s expressed goals in D.08-02-036.

Mr. Switzer stated that the proposal takes the Commission down the path of artificially low rates followed by large overlapping surcharges and rate increases to future customers. He also stated that language in the decision implying utility complicity in setting high sales forecasts is not based on the record or on the procedural history of recent cases. He stated that while the utility might have an incentive to settle all issues in a case, the prime mover for a high sales forecast would have to be another party interested in lowering first year rates from a rate case. Mr. Smegal and Mr. Switzer both explained that differences in sales forecasts between the applicants, DRA, and other intervenors have more recently been small and that all parties now seem focused on achieving realistic sales forecasts.

Finally, Applicants pointed out that the PD provides no relief for current problems until at least 2013. Applicants requested that President Peevey’s office work with the ALJ to provide

immediate relief that would address accounting issues and large accumulated balances which currently provide a disincentive to the companies to aggressively pursue conservation.

Respectfully Submitted,

/s/ THOMAS F. SMEGAL

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**Vice President, Regulatory Matters  
California Water Service Company**

Dated: April 3, 2012