



**FILED**

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

04-10-12  
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)**

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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") submits this notice of an ex parte communication in the above-captioned proceeding.

On Monday, April 9, 2012, Thomas F. Smegal (Vice President, Regulatory Matters and Corporate Relations for California Water Service Company) met at 11:00 a.m. with Charlotte TerKeurst and Michael Colvin, respectively Chief of Staff and Advisor to Commissioner Ferron, at the offices of the Public Utilities Commission at 505 Van Ness Avenue, San Francisco, CA 94102. The meeting lasted approximately 30 minutes. The meeting was initiated by Mr. Smegal, and no written materials were provided.

During the meeting, Mr. Smegal explained that the Commission had adopted WRAMs, conservation rate designs, and conservation programs in 2008, but that it had not modified sales forecasting methods and practices, leading to large WRAM/MCBA balances. He stated that Applicants had worked with the Division of Ratepayer Advocates ("DRA") prior to filing the application and had an expectation that the proceeding would be straightforward and handled expeditiously.

Mr. Smegal discussed Applicants' Comments on the Proposed Decision, explaining in particular how the restriction of surcharges to 7.5% per year would continue to provide a disincentive for Applicants to promote water conservation, since many more district balances would fall outside the 2-year collection window imposed by financial accounting guidance. Mr. Smegal pointed out that Cal Water is currently carrying a \$50 million WRAM/MCBA balance, and has had to defer revenues in 2011 due to the long amortization periods currently applied by the Commission. He also pointed out that by "squeezing the balloon" on collections in the first years of a rate case cycle, the Proposed Decision would harm future ratepayers, who would continue paying surcharges on top of rates from the next GRC (which presumably would adjust the sales forecast problem).

Mr. Smegal reminded the advisors that the Commission had considered that the WRAMs would track all changes in sales, and pointed to language in D.08-02-036 which made that clear.<sup>1</sup>

Mr. Smegal also discussed the Proposed Decision's proposed finding that Applicants were somehow complicit in generating large balances. He pointed out that Applicants and DRA had all been working to develop the best possible sales forecasts, so that there is no record evidence to support the claim.

Finally, Mr. Smegal requested that Commissioner Ferron's office work to change the Proposed Decision to adopt the consensus 10% amortization limit, and to remove language which would undermine the Commission's conservation policies.

Respectfully Submitted,

/s/ THOMAS F. SMEGAL

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

Dated: April 10, 2012

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<sup>1</sup> D.08-02-036 at 27 (stating that, "[w]ith WRAMs in place, the utility and the ratepayers are not at risk for under- and over-collection of revenues following the adoption of conservation rates. A WRAM also removes weather and economic risk associated with sales volatility from both the utility and ratepayers" (reference omitted)).