



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED

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Application of California Water Service Company (U60W) for Authority to Establish its Authorized Cost of Capital for the period from January 1, 2012 through December 31, 2014.

A.11-05-001
(Filed May 2, 2011)

In the Matter of the Application of San Jose Water Company (U168W) for Authority to Adjust Its Cost of Capital and to Reflect That Cost of Capital in Its Rates for the Period from January 1, 2012 through December 31, 2014.

A.11-05-002
(Filed May 2, 2011)

Application of California-American Water Company (U210W) for an Authorized Cost of Capital for Utility Operations for 2012-2014.

A.11-05-003
(Filed May 2, 2011)

Application of Golden State Water Company (U133W) for Authority to Establish Its Authorized Cost of Capital and Rate of Return for Utility Operations for 2012-2014.

A.11-05-004
(Filed May 2, 2011)

**PROTEST
OF THE DIVISION OF RATEPAYER ADVOCATES TO THE
APPLICATIONS OF CALIFORNIA WATER SERVICE COMPANY, SAN
JOSE WATER COMPANY, CALIFORNIA-AMERICAN WATER
COMPANY, AND GOLDEN STATE WATER COMPANY**

I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Division of Ratepayer Advocates ("DRA") hereby files this protest to Applications ("A.") 11-05-001, 11-05-002, 11-05-003, and 08-05-004.

Chief Administrative Law Judge Karen V. Clopton consolidated these various applications on May 20, 2011. She also reassigned this proceeding to Administrative Law Judge Melissa K. Semcer. DRA is re-submitting its motion for reassignment today, Tuesday, May 31, 2011.

California Water Service Company's ("Cal-Water") application requests that the Commission authorize: 1) a rate of return on rate base of 8.86% from the period from January 1, 2012 through December 31, 2014; 2) a rate of return reflecting a 11.25% return on common equity; 3) a capital structure of 46.1% of long-term debt and 53.9% of common stock; 4) continuance of the Water Cost of Capital Mechanism ("WCCM") the Commission authorized in Decision 09-07-051; and 5) discontinuance of the Temporary Interest Rate Balancing Account ("TIRBA"). *See* Cal-Water Application, p.2-4.

San Jose Water Company's ("San Jose") application requests that the Commission authorize: 1) adjusting its cost of capital to reflect San Jose's current forecast of its costs of common equity and long-term debt and its forecasted capital structure from the period January 1, 2012 through December 31, 2014; 2) adjusting its rates in accordance with the adopted cost of capital promptly upon such adoption but in coordination with other rate adjustments required to be implemented at approximately the same time; and 3) continuance of the WCCM. *See* San Jose Application, p.1.

California-American Water Company's ("Cal-Am") application makes requests for Commission authorization that is dependent upon two Special Requests made to its current general rate case, A.10-07-007 related to the recovery of reasonable carrying costs associated with charges the Commission has already authorized, but Cal-Am has not yet been able to recover. Cal-Am requests the Commission authorize: 1) a capital structure of 50.31% debt and 49.69% common equity if the Commission grants the Special Requests; 2) a capital structure of 37.84% debt and 62.16% common equity if the Commission *does not* grant the Special Requests; 3) a return on common equity of 11.5%; 4) overall rate of return of 9.08% if the Commission grants the Special Requests; 5) overall rate of return of 9.68% if the Commission *does not* grant the Special Requests;

6) discontinuance of TIRBA; and 7) continuance of WCCM. *See* Cal-Am Application, p. 1-11.

Golden State Water Company's ("Golden State") application requests that the Commission authorize: 1) a rate of return on rate base of 9.49% for the 2012 test year, 9.52% for 2013 test year, and 9.55% for 2014 attrition year; 2) a capital structure for 2012-2014 consisting of 44.4% long-term debt and 55.6% common equity; 3) return on equity of 11.5%; 4) revenue increase for 2012 of \$6.2 million; and 5) continuance of WCCM. *See* Golden State Application, p.1 & 3.

DRA will refer to Cal-Water, Cal-Am, San Jose, and Golden State herein as "the Applicants."

The applications raise several areas of concern that merit further investigation by the Commission. This Protest provides a non-exhaustive identification of issues that DRA will examine in this proceeding. DRA anticipates that some issues may be resolved, and others may arise, as discovery proceeds. DRA expects that hearings may be necessary to resolve the issues raised by Cal-Water, Cal-Am, San Jose, and Golden State's applications.

II. ISSUES

While DRA is still in the process of reviewing the Applicants' applications, it has identified several issues that it intends to review and address in its testimony and during this proceeding. The following are DRA's identified issues:

1. an appropriate rate of return on rate base during 2012-2014;
2. an appropriate rate of return on common equity during 2012-2014; and
3. an appropriate capital structure during 2012-2014.

III. CATEGORIZATION AND PROPOSED SCHEDULE

DRA agrees with the Applicants' proposed categorization of this proceeding as a rate setting. Evidentiary hearings may be necessary to resolve the issues raised in the applications. Therefore, DRA requests the Commission conduct a prehearing conference to establish a schedule for this proceeding.

The various applications raise complex issues. Furthermore, the proceeding will have significant financial and policy implications. DRA anticipates that this proceeding will require a considerable amount of review, analysis, and discovery. In order to perform the research and discovery necessary to evaluate the issues raised by the applications thoroughly, DRA will require more time than suggested by the Applicants in their applications.

Due to current staff resource limitations, an outside consultant will be reviewing and analyzing these applications. Additional time beyond what the Applicants have proposed for the schedule is necessary, especially since San Jose's application is a new addition from the last consolidated cost of capital proceeding in 2008. DRA does not have a definite proposed schedule yet, but will have one by the Prehearing Conference.

IV. CONCLUSION

For the reasons stated above, DRA will conduct discovery to develop its testimony and recommendations. Hearings may be required and a schedule should be established at the prehearing conference that allows for a thorough review of the application. Since DRA has not completed discovery or filed its report, it reserves the right to assert any issue discovered after this Protest has been filed.

Respectfully submitted,

/s/ SELINA SHEK

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May 31, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the foregoing document **“PROTEST OF THE DIVISION OF RATEPAYER ADVOCATES TO THE APPLICATIONS OF CALIFORNIA WATER SERVICE COMPANY, SAN JOSE WATER COMPANY, CALIFORNIA-AMERICAN WATER COMPANY, AND GOLDEN STATE WATER COMPANY”** in proceedings **A.11-05-001, A.11-05-002, A.11-05-003, and A.11-05-004.**

A copy was served as follows:

BY E-MAIL: I sent a true copy via e-mail to all known parties of record who have provided e-mail addresses.

BY MAIL: I sent a true copy via first-class mail to all known parties of record.

Executed in San Francisco, California, on the 31st day of May, 2011.

/s/ MARTHA PEREZ

Martha Perez

NOTICE

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

**Service List –
A.11-05-001 et al.**

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