



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

Application of California-American Water Company (U210W) for Authorization to increase its Revenues for Water Service by \$4,134,600 or 2.55% in the year 2011, by \$33,105,800 or 19.68% in the year 2012, by \$9,897,200 or 4.92% in the year 2013, and by \$10,874,600 or 5.16% in the year 2014.

Application 10-07-007  
(Filed July 1, 2010)

**(NOT CONSOLIDATED)**

Application of California-American Water Company (U210W), California Water Service Company (U60W), Golden State Water Company (U133W), Park Water Company (U314W) and Apple Valley Ranchos Water Company (U346W) 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  
(Filed September 20, 2010)

**(NOT CONSOLIDATED)**

In the Matter of the Application of California-American Water Company (U210W), for a Certificate of Public Convenience and Necessity to Construct and Operate its Coastal Water Project to Resolve the Long-Term Water Supply Deficit in its Monterey District and to Recover All Present and Future Costs in Connection Therewith in Rates.

Application 04-09-019  
(Filed September 20, 2004;  
Amended July 14, 2005)

**(NOT CONSOLIDATED)**

**ADMINISTRATIVE LAW JUDGE'S RULING  
SCHEDULING A PREHEARING CONFERENCE**

This ruling sets a prehearing conference (PHC) for Thursday, September 8, 2011. The PHC is scheduled to consider a Phase 2 in Application (A.) 10-07-007 and to discuss the issues for Phase 2. Whether to include issues from A.10-09-017 and A.04-09-019 into Phase 2 of this general rate case proceeding will be part of the discussion.

On July 1, 2010, California-American Water Company (Cal-Am) filed A.10-07-007 to increase revenues for providing water service in its six districts.<sup>1</sup> Testimony has been served, evidentiary hearings have been held, and settlements and briefs have been filed in this proceeding. A decision is expected in December 2011.

On June 28, 2011, the last day of evidentiary hearings, parties discussed the possibility of finalizing rate design after a decision on the revenue requirement is issued.<sup>2</sup> It was acknowledged that delaying a decision on rate design would require a second phase of A.10-07-007.

On September 20, 2010, Cal-Am and four other water companies<sup>3</sup> filed A.10-09-017 to modify certain decisions regarding amortization of Water Revenue Adjustment Mechanism (WRAM) - related accounts. In the June 8, 2011 scoping memo, the assigned Commissioner and Administrative Law Judge also

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<sup>1</sup> Coronado, Larkfield, Los Angeles, Monterey, Sacramento, and Village.

<sup>2</sup> Only the Coronado, Larkfield, Los Angeles, Sacramento and Ventura districts' rate design are currently part of this proceeding.

<sup>3</sup> The other four water companies are California-Water Service Company, Golden State Water Company, Park Water Company, and Apple Valley Ranchos Water Company.

identified an immediate need to address the extraordinarily high 2010 and 2011 WRAM balances for Cal-Am's Monterey District, and set a bifurcated schedule to do this. Due to the parties' representation that the Monterey District WRAM/Modified Cost Balancing Account was being comprehensively addressed in the pending general rate case proceeding, and also in Phase 3 of A.04-09-019, the scoping memo chose to have the Division of Ratepayer Advocates' (DRA) proposal to revert to a Monterey-style WRAM addressed in those proceedings, with parties specifying the procedural forum and timetable where this would occur.

At a subsequent PHC in A.10-09-017 on June 20th, DRA stated that the comprehensive review for Cal-Am's Monterey District would not occur prior to 2015, and a discussion on whether to amend the scoping memo and include the Monterey-style WRAM took place. Following this discussion, Cal-Am filed a motion to withdraw from A.10-09-017 on June 23, 2011. This motion is pending. If the motion is granted, both Cal-Am's requested WRAM amortization modifications, as well as other WRAM issues needing to be addressed due to the Monterey District's unique circumstances, will be dealt with in A.10-07-007.

On December 3, 2010, the Commission issued Decision (D.) 10-12-016. In D.10-12-016, Finding of Fact 219 stated, "Cost allocation and rate design will be addressed in Phase 3 of this proceeding and will be coordinated with Cal-Am's next available general rate case for the Monterey District." Phase 3 in A.04-09-019 has not yet been opened. If Phase 2 of A.10-07-007 is opened, it may be the appropriate place to resolve the Monterey District cost allocation and rate design issue.

Opening a Phase 2 of A.10-07-007 to finalize rate design in the proceeding, review the WRAM pilot program, resolve the WRAM amortization issue from

A.10-09-017, and deal with the Monterey District cost allocation and rate design is efficient. It will resolve multiple issues in one proceeding and preserve staff resources for the water company, intervenors and the Commission. However, the possible impacts of these issues on the existing proceeding must be considered.

At the PHC parties should be prepared to answer these questions and discuss other related issues:

- Should the record in A.10-09-017 pertaining to Cal-Am be transferred to Phase 2 of this general rate case?
- How will a decision on the WRAM balance amortization issue in Phase 2 of A.10-07-007 coordinate with a decision applicable to the other water companies in A.10-09-017?
- Is the current record in A.10-07-007 sufficient on the WRAM balance amortization issue?
- What is the impact of reviewing the WRAM program as a whole on the non-revenue requirement Settlement Agreement between Cal-Am, DRA and The Utility Reform Network?
  - How would a decision in A.10-09-017 affect the Settlement Agreement terms on the treatment of future WRAM balances?
  - Would parties remove WRAM issues from the current Settlement Agreement?
  - What amortization period would apply to 2011 WRAM balances?
- What is the impact on the rate design stipulation of including the Monterey District rate design, currently scheduled to be addressed in A.04-09-019, in Phase 2?
- Are there other areas of concern regarding opening a Phase 2 in A.10-07-007?

At the PHC, parties should also come prepared to discuss a possible schedule for Phase 2, consider dates and locations for public participation hearings and deal with any other procedural matters.

Therefore, **IT IS RULED** that:

1. A prehearing conference is scheduled for 10:00 a.m., Thursday, September 8, 2011, Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, California 94102.

2. At the prehearing conference parties should come prepared to answer the questions posed above, discuss related issues and a possible schedule for Phase 2, consider dates and locations for public participation hearings and deal with any other procedural matters.

3. This ruling will be served on the service lists of Application (A.) 10-07-007, A.10-09-017 and A.04-09-019.

Dated August 29, 2011, at San Francisco, California.

/s/ LINDA A. ROCHESTER

Linda A. Rochester  
Administrative Law Judge