



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

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Application of California-American Water Company )  
(U210W), California Water Service Company (U60W), ) APPLICATION 10-09-017  
Golden State Water Company (U133W), Park Water ) (Filed September 20, 2010)  
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. )  
\_\_\_\_\_ )

**PREHEARING CONFERENCE STATEMENT  
OF GOLDEN STATE WATER COMPANY (U-133-W)**

GOLDEN STATE WATER COMPANY  
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November 29, 2010

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**PREHEARING CONFERENCE STATEMENT  
OF GOLDEN STATE WATER COMPANY (U-133-W)**

**I. INTRODUCTION**

Pursuant to Rule 7.2 of the Commission’s Rules of Practice and Procedure and the November 22, 2010 Administrative Law Judge’s Ruling Setting a Prehearing Conference and Requesting Additional Information (“Ruling”), Golden State Water Company (U-133-W) (“GSWC”) respectfully submits this Prehearing Conference Statement.

GSWC provides the information requested in the Ruling as follows:

**II. QUESTIONS AND RESPONSES**

**Question 1:**

1. Each utility should prepare a table, in a format similar to the table at page 18 of the application, that provides the following information columns for each water

district with an authorized Water Revenue Adjustment mechanism and Modified Cost Balancing Account (WRAM/MCBA):

- a. The current quantity charge rate
- b. 2009 WRAM/MCBA Balance
- c. Estimated 2010 WRAM/MCBA Balance
- d. Estimated 2011 Surcharges under existing authorization
- e. Estimated 2011 Surcharges under proposed changes

**Response to Question 1:**

Please see attached tables.

**Question 2:**

2. I would also like each party to address the Financial Accounting Standards Board's Exposure Draft (ED) on proposed updates to revenue Recognition (Topic 605) which was issued June 24, 2010 with comments due October 22, 2010. I enclose Edison Electric Institute's October 22, 2010 comments and draw your attention to EEI's statement on page 2 that "We believe the guidance currently included in ASC 980 *Regulated Industries*, related to the accounting for alternative revenue program should not be eliminated as proposed in the ED."

**Response to Question 2:**

Though we agree with the Financial Accounting Standards Board's ("FASB" or the "Board") objective to establish revenue recognition principles that provide clearer and more consistent guidance across industries and entities, there are concepts within the exposure draft ("ED") that may be difficult to apply. The ED, in its current form, appears to be in conflict with certain audit standards currently in place under U.S. General Accepted Accounting Principles ("U.S. GAAP"), including the accounting for regulated operations (Accounting Standards Codification ("ASC") 980-605-25. Comment letters from over 900+ companies (including companies in the public utilities industry) have been submitted to provide responses to the current exposure draft, and concerns over conflicting concepts within the draft have been proposed for resolution.

The FASB is currently in its roundtable discussion phase, whereby the Board conducts public meetings to facilitate discussions and exchange views with its constituents. The Board will revise the revenue recognition exposure draft based on the discussion and plans to issue the final document in the second quarter of 2011. Currently, the effective date of the revenue recognition guidance is estimated to be in the 2014 – 2015 timeframe. Though the final standard may have an impact on how utilities such as GSWC recognize revenue, at this time that impact is not known.

Application 10-09-017 addresses the recognition of revenue under current accounting standards. Until FASB issues the proposed accounting standard in its final form, the current guidance under ASC 908-605-25 remains relevant and should continue to be applied for financial statements to be in conformity with U.S. GAAP. Additionally, as ASC 980-605-25 continues to be germane to the presentation of utility companies' financial statement, it is likely that the proposed revenue recognition standard in its final form will provide guidance to the prospective accounting treatment to this industry specific issue.

### **III. CONCLUSION**

Application 10-09-017 is relevant to the way GSWC recognizes revenues under the WRAM/MCBA today. At such time that the FASB issues new standards for recognizing revenues and those standards become effective, GSWC will, and the Commission should, review the revised standards to see if they have any impact on rate making at the time.

Respectfully submitted on November 29, 2010.

By */s/ John Garon*

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JOHN GARON

Regulatory Affairs Manager

**GOLDEN STATE WATER COMPANY**

**CERTIFICATE OF SERVICE**

I hereby certify that on this date, I served the foregoing **PREHEARING CONFERENCE STATEMENT OF GOLDEN STATE WATER COMPANY (U-133-W)** by Electronic Mail or by U.S Mail on the Service List for A.10-09-017 below:

**By Electronic Mail:**

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**By U.S. Mail:**

Christine M. Walwyn  
California Public Utilities Commission  
Division of Administrative Law Judges  
505 Van Ness Avenue  
San Francisco, CA 94102-3214

Executed this 29<sup>th</sup> day of November 2010 at San Dimas, California.

*/s/ Yvonne Pinedo*

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YVONNE PINEDO

**GOLDEN STATE WATER COMPANY**  
630 East Foothill Blvd.  
San Dimas, CA 91771-9016

Golden State Water Company  
Response to ALJ Question 1 a-e: Region 1 Rate-making Areas  
A.10-09-017

Question #1	A		B		C		D		E - Proposed Changes			
	2010 (Current) WRAM/MCBA Surcharge		2009 WRAM/MCBA		2010 WRAM/MCBA Est		% of Adopted RR		2011 WRAM/MCBA Surcharge under Existing Auth			
<b>GSWC Rate-making Areas</b>												
<b>REGION 1</b>												
<b>Arden Cordova</b>												
Metered	\$	0.080	\$	327,926	\$	1,125,129	10.1%	36 Mo. Amort.	\$	0.094	\$	0.189
Flat	\$	0.700	\$		\$				\$	(0.378)	\$	(0.755)
<b>Bay Point</b>												
		offset by Premium	\$	566,888	\$	1,654,991	26.3%	36 Mo. Amort.	\$		\$	
Residential Tier 1:	\$	0.085	\$	(494,755)	\$				\$	0.638	\$	1.277
Residential Tier 2:	\$	0.098							\$	0.734	\$	1.468
Residential Tier 3:	\$	0.113							\$	0.844	\$	1.688
Non-Residential	\$	0.059							\$	0.468	\$	1.404
<b>Los Osos</b>												
Residential Tier 1:	\$	0.309	\$	136,205	\$	491,489	15.5%	36 Mo. Amort.	\$	0.267	\$	0.535
Residential Tier 2:	\$	0.355							\$	0.307	\$	0.615
Residential Tier 3:	\$	0.408							\$	0.353	\$	0.707
Non-Residential	\$	0.344							\$	0.378	\$	0.756
<b>Ojai</b>												
Residential Tier 1:	\$	0.170	\$	160,388	\$	506,419	11.65%	36 Mo. Amort.	\$	0.215	\$	0.287
Residential Tier 2:	\$	0.183							\$	0.232	\$	0.463
Residential Tier 3:	\$								\$	0.271	\$	0.541
<b>Santa Maria</b>												
Residential Tier 1:	\$	0.034	\$	216,058	\$	991,226	10.33%	36 Mo. Amort.	\$	0.072	\$	0.15
Residential Tier 2:	\$	0.040							\$	0.082	\$	0.17
Residential Tier 3:	\$	0.046							\$	0.094	\$	0.19
Non-Residential	\$	0.039							\$	0.08	\$	0.17
<b>Simi Valley</b>												
Residential Tier 1:	\$	0.098	\$	556,589	\$	2,584,777	24.0%	36 Mo. Amort.	\$	0.258	\$	0.516
Residential Tier 2:	\$	0.113							\$	0.297	\$	0.593
Residential Tier 3:	\$	0.130							\$	0.342	\$	0.682
Non-Residential	\$	0.095							\$	0.268	\$	0.536

Notes:

- A) Represents the current WRAM/MCBA quantity surcharge rate authorized via AL#1389-1392 & AL#1405
- B) Total WRAM/MCBA Amount authorized for 2009 WRAM/MCBA via AL
- C) Estimated 2010 WRAM/MCBA balance and amortization period according to GO-96 B
- D) Estimated surcharge for 2010 WRAM/MCBA balanced listed in (C) to be amortized according to GO-96B
- E) Estimated surcharge for 2010 WRAM/MCBA balanced listed in (C) to be amortized over proposed 18-Months for Region 3

Golden State Water Company  
 Response to ALJ Question 1 a-e: Region 2 3 Ratemaking Areas  
 A.10-09-017

Question #1	C			D			E - Proposed Changes		
	A	B	B (r )	Est. 2010 WRAM/MCBA	% of Adopted RR	2011 WRAM/MCBA Surcharge under Existing Authorized	Proposed 2011 WRAM/MCBA Surcharge	Proposed WRAM/MCBA Surcharge from Residual of 2009 WRAM/MCBA Balance	Total Proposed 2011 Surcharge (including Residual)
<b>GSWC Ratemaking Areas</b>	<b>2010 (Current) WRAM/MC BA Surcharge</b>	<b>2009 WRAM/MCBA</b>	<b>Est. 2009 Residual as of Dec. 31, 2011</b>	<b>Est. 2010 WRAM/MCBA</b>	<b>% of Adopted RR</b>	<b>2011 WRAM/MCBA Surcharge under Existing Authorized</b>	<b>Proposed 2011 WRAM/MCBA Surcharge</b>	<b>Proposed WRAM/MCBA Surcharge from Residual of 2009 WRAM/MCBA Balance</b>	<b>Total Proposed 2011 Surcharge (including Residual)</b>
<b>REGION 2</b>									
Residential Tier 1:	\$ 0.143	\$ 8,136,407	\$ 2,517,145	\$ 3,343,690	2.66%, 12 Mo. Amort	Amort over 12-Months \$ 0.128	Amort over 12-Months \$ 0.128	Amort over 12-Months \$ 0.086	\$ 0.214
Residential Tier 2:	\$ 0.165					\$ 0.148	\$ 0.148	\$ 0.099	\$ 0.247
Residential Tier 3:						\$ 0.170	\$ 0.170	\$ 0.114	\$ 0.284
Non-Residential	\$ 0.131					\$ 0.119	\$ 0.119	\$ 0.093	\$ 0.212
<b>REGION 3</b>									
Residential Tier 1:	\$ 0.164	\$ 10,163,294	\$ 2,931,422	\$ 9,434,053	7.8%, 24 Mo. Amort	Amort over 24-Months \$ 0.152	Amort. Over 18 Mo \$ 0.202	Amort over 12-Months \$ 0.082	\$ 0.284
Residential Tier 2:	\$ 0.189					\$ 0.175	\$ 0.232	\$ 0.094	\$ 0.326
Residential Tier 3:						\$ 0.201	\$ 0.267	\$ 0.107	\$ 0.374
Non-Residential	\$ 0.154					\$ 0.149	\$ 0.199	\$ 0.111	\$ 0.310

Notes:

- A) Represents the current WRAM/MCBA quantity surcharge rate authorized via AL#1380 & AL#1381
- B) Total WRAM/MCBA Amount authorized for 2009 WRAM/MCBA via AL#1380 & AL#1381
- B (r ) Estimated residual amount from authorized 2009 WRAM/MCBA balance not collected by the December 31, 2011
- C) Estimated 2010 WRAM/MCBA balance and amortization period according to GO-96 B
- D) Estimated surcharge for 2010 WRAM/MCBA balanced listed in (C) to be amortized according to GO-96B
- E) Estimated surcharge for 2010 WRAM/MCBA balanced listed in (C) to be amortized over proposed 18-Months for Region 3 & 12-Months for Region 2

Estimated surcharge for 2009 residual balance amortized over 12 Months

Total = Estimated total proposed 2011 WRAM/MCBA surcharge plus 2009 residual surcharge