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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of the Golden State Water Company (U133W) for an order authorizing it to increase rates for water service by \$58,053,200 or 21.4% in 2013, by \$8,926,200 or 2.7% in 2014; and by \$10,819,600 or 3.2% in 2015.

Application 11-07-017
(Filed July 21, 2011)

**ADMINISTRATIVE LAW JUDGE'S RULING
ADDRESSING MOTION FOR INTERIM RATES**

Summary

This ruling addresses the motion of Golden State Water Company (Golden State) for interim rate relief, and (1) determines that Golden State is not responsible for the delay in this proceeding, (2) determines that the requested interim rates are appropriate for submitting to the Commission via advice letter, (3) establishes an effective date of January 1, 2013 for interim rates, and (4) directs Golden State to request the establishment of a memorandum account with the advice letter filing that implements interim rates.

The interim rates are based on the existing rate levels and are subject to refund. Interim rates will become effective only if there is not a final rate decision effective on or before January 1, 2013.

Background and Discussion

On October 5, 2012, Golden State filed a motion for interim rate relief effective January 1, 2013, if there is not a final rate decision in this proceeding

that is effective on or before January 1, 2013 (Motion). In addition, the Motion requests that Golden State be authorized to establish a memorandum account to track the difference between the interim rates, which Golden State proposes to remain at current levels to avoid customer confusion resulting from multiple rate changes, and final rates.

The Motion states that the delay in the proceeding is not due to actions of Golden State. The Motion further states that the request for interim rate relief is in the public interest because in the past the Commission has found that delays should not result in either the utility foregoing revenues necessary for just and reasonable rates or the ratepayers less reasonable rates, if that is the case.

No responses to the Motion were filed.

Pub. Util. Code § 455.2¹ provides for interim rate relief when the Commission is unable to issue its final decision on the general rate case application of a water corporation with greater than 10,000 service connections in a manner ensuring the decision becomes effective on the first day of the test year in the application. The first day of the test year for Golden State's application is January 1, 2013.

Section 455.2(b) provides:

If the Commission decision is not effective in accordance with subdivision (a), the applicant may file a tariff implementing interim rates that may be increased by an amount equal to the rate of inflation as compared to existing rates. The interim rates shall be effective on the first day of the first test year in the general rate application. These interim or rates shall be subject to refund and shall be adjusted upward or downward back to the interim rate

¹ All statutory references are to the Public Utilities Code unless otherwise indicated.

effective, consistent with the final rates adopted by the Commission. The Commission may authorize a lesser increase in interim rates if the Commission finds the rates to be in the public interest. If the presiding officer in the case determines that the Commission's decision cannot become effective on the first day of the first test year due to action by the water corporation, the presiding officer or Commission may require a different effective date for the interim rate or final rates.

The criteria for obtaining interim rate relief under § 455.2 are set forth in Decision (D.) 04-06-018 and D.07-05-062. These criteria require any request for interim rate relief to demonstrate that the utility has made a substantial showing in the application supporting a rate increase at least equal to the rate of inflation. In addition, the Commission must determine whether the cause for the delay in issuing the final decision is due to actions by the water corporation, and if interim relief is in the public interest.

The Motion states that Golden State satisfies the requirements for interim rate relief because Golden State has made a substantial showing in support of rate increases requested for 2013 that exceed the consumer price index inflation rate and Golden State's current rates. In addition, the Motion cites the partial settlement with the Division of Ratepayer Advocates, and The Utility Reform Network which, if adopted, would result in rates that exceed Golden State's current rates.

The proceeding was submitted on October 22, 2012, and issuance of a proposed decision is pending.² A Commission decision in this proceeding may be delayed due to reasons that are not the fault of Golden State.

On April 19, 2012, the Commission adopted D.12-04-048, addressing the schedule and process for the applicants to Application (A.) 10-09-017,³ including Golden State, to recover from or refund to customers the annual net balance in the applicants' Water Revenue Adjustment Mechanisms (WRAMs) and Modified Cost Balancing Accounts (MCBAs). Among other things, D.12-04-048 requires pending and upcoming general rate case proceedings to review the WRAM and MCBA mechanisms, and to include as a part of that review consideration of five options addressing the WRAM specified in the decision (WRAM Options).

On May 4, 2012, the Administrative Law Judge (ALJ) directed parties to submit supplemental testimony on the WRAM Options in order to augment the review of Golden State's conservation rate pilot program, pursuant to the authority granted by D.12-04-048. Supplemental evidentiary hearings on the WRAM Options were held on September 7, 2012, and supplemental opening and reply briefs were filed on September 21 and October 5, 2012, respectively. The

² The proceeding was initially submitted on October 5, 2012, upon the filing of supplemental reply briefs. Submission was set aside for the limited purpose of placing into the record late-filed exhibit JP-1.

³ Application of California-American Water Company, California Water Service Company, Golden State Water Company, Park Water Company and Apple Valley Ranchos Water Company 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.

need for supplemental evidentiary hearings late in the schedule will delay the Commission in issuing a final decision in this proceeding.

The Commission has recognized in past decisions that utilities should not be financially harmed or ratepayers allowed to gain from deferred rate increases caused by delays in processing general rate cases. Denying Golden State's request for interim rates could result in depriving Golden State of the opportunity to collect in full the final rates adopted by the Commission in the pending general rate case for the 2013 test year. Such a result could financially harm Golden State and is not in the public interest.

Parties to this proceeding have to date worked to substantially maintain the proceeding schedule established by D.07-05-062, as set forth in the November 2, 2011 scoping memo and ruling of assigned Commissioner and ALJ, and as modified by the assigned ALJ. Golden State has not yet caused any delay. Should Golden State subsequently cause a material delay in this proceeding, these interim rates may be suspended because the requirements of § 455.2 would no longer be satisfied.

The application requests rate increases ranging from 7.6 percent in Golden State's Clearlake Service Area to 48.7 percent in the Los Osos Service Area; increases that substantially exceed the rate of inflation as compared to existing rates. Although a decision on the application has not yet been made, it is possible that there may be substantial rate increases in 2013.

The Motion states that the adoption of the proposed partial settlement could result in rate increases of 18.9 percent in the Arden Cordova Service Area, 4.8 percent in the Bay Point Service Area, 2.8 percent in the Clearlake Service Area, 40.0 percent in the Los Osos Service Area, 1.5 percent in the Ojai Service Area, 8.8 percent in the Santa Maria Service Area, 13.4 percent in the Simi Valley

Service Area, 15.7 percent in the Region 2 Service Area, and 15.1 percent in the Region 3 Service Area. These increases, if granted, are significant, and any delay in implementing them would result in a material loss of revenues to Golden State if a final decision is delayed for any reason not due to the actions of Golden State.

The criteria for granting interim rate relief set forth in § 455.2 have been met at this time and no party has protested Golden State's motion for interim rate relief.

Pursuant to § 455.2, interim rates may be increased by an amount equal to the rate of inflation as compared to existing rates. The Motion proposes that interim rates be set at current levels to avoid customer confusion resulting from multiple rate changes, and final rates. The requested interim rates are appropriate for submitting to the Commission via advice letter, with an effective date of January 1, 2013.

Golden State is authorized to file with the Commission by advice letter, within ten days of this ruling, a tariff to implement interim rates for ratemaking areas of its service territory. In addition, the advice letter must request the establishment of a memorandum account to track the difference, which is subject to refund, between the interim rates and the final rates adopted by the Commission in this proceeding.

Therefore, **IT IS RULED** that:

1. A decision in this proceeding may be delayed due to reasons that are not the fault of Golden State.
2. It is in the public interest to establish interim rates, to become effective only if there is not a final decision in this proceeding effective on or before January 1, 2013.

