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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Liberty Utilities (Apple Valley Ranchos Water) Corp. (U 346 W) for Authority to Increase Rates Charged for Water Service by \$985,822 or 3.96% in 2019, \$1,314,325 or 5.06% in 2020, and \$987,227 or 3.60% in 2021.

Application 18-01-002

And Related Matter.

Application 18-01-003

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the category, issues to be addressed, and schedule of the consolidated proceedings pursuant to Pub. Util. Code § 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.

Procedural Background

On January 2, 2018, Liberty Utilities (Apple Valley Ranchos Water) Corp. (hereafter Liberty Apple Valley) and Liberty Utilities (Park Water) Corp. (hereafter Liberty Park Water) filed their respective general rate case applications for test year 2019 and attrition years 2020 and 2021. On January 9, 2018, each of these applications appeared on the Commission's Daily Calendar. On February 8, 2018, the Office of Ratepayer Advocates (ORA) filed a timely protest to each application.

On February 13, 2018, Liberty Apple Valley and Liberty Park filed a motion to consolidate these proceedings. On March 1, 2018, ORA filed a response in support of Liberty's motions to consolidate. The assigned Administrative Law Judge (ALJ) granted the motions to consolidate these proceedings by ruling dated March 16, 2018.

On April 3, 2018, the ALJ issued a ruling setting a prehearing conference (PHC) and directing the parties to meet and confer and file a joint case management statement prior to the PHC. On April 27, 2018, Liberty Apple Valley, Liberty Park Water and ORA filed a joint case management statement. A PHC was held on May 1, 2018, to discuss the issues of law and fact and determine the need for hearing and schedule for resolving the matter. After considering the applications, protests, joint case management statement and discussion at the prehearing conference, I have determined the issues and schedule of the proceeding to be as set forth in this scoping memo.

**General Issues Common to Apple Valley
Ranchos Water Company and Park Water
Company**

The general issues to be determined which are common to both utilities are:

1. Whether Liberty Apple Valley's and Liberty Park Water's proposed rate increases for test year 2019 and escalation years 2020 and 2021 are reasonable and justified, including sales, revenue, consumption and number of customers.
2. Whether Liberty Apple Valley's and Liberty Park Water's estimates of its operation and maintenance, and administrative and general expenses are reasonable, including payroll expenses, new positions and conservation.

3. Whether Liberty Apple Valley's and Liberty Park Water's proposed additions to plant are accurate, reasonable and justified, including its reservoir and well projects, main replacement, advanced metering infrastructure, construction work in progress and projects relating to water quality.
4. Whether Liberty Apple Valley's and Liberty Park Water's proposed rate design is just and reasonable.

Specific Issues Common to Apple Valley Ranchos Water Company and Park Water Company

The specific issues to be determined which are common to both utilities are:

1. Whether Liberty Apple Valley's and Liberty Park Water's forecast of water consumption for its residential customer group based on recorded 2017 consumption in lieu of the New Committee Method, as required by the Revised Rate Case Plan for Class A Water Utilities¹, is reasonable.
2. Whether Liberty Apple Valley's and Liberty Park Water's estimates regarding purchased water and ground water production are reasonable.
3. Whether Liberty Apple Valley's and Liberty Park Water's payroll estimates and requests for new positions are reasonable.
4. Whether Liberty Apple Valley's and Liberty Park Water's conservation budgets are reasonable.
5. Whether Liberty Apple Valley's and Liberty Park Water's estimates of their federal and state taxes are reasonable, specifically their use of a 35% federal income tax rate instead of a 21% federal income tax rate

¹ Decision (D.) 07-05-062 to Rulemaking 06-12-016, issued May 24, 2007.

as adopted in the Tax Cuts and Jobs Act of 2018 enacted by Congress on December 22, 2017².

6. Whether Liberty Apple Valley's and Liberty Park Water's methodologies and estimates for regulatory expenses are reasonable.

Issues Specific to Liberty Apple Valley Ranchos Water Company

The issues to be determined which are specific to Liberty Apple Valley are:

1. Whether Liberty Apple Valley's request for equipping Well 35 is reasonable.
2. Whether Liberty Apple Valley's request to increase its main replacement rate to 3.04 miles per year as compared to a recorded average of 4.1 miles per year over the past 5 years is reasonable.
3. Whether Liberty Utilities' (parent company of Liberty Park Water) allocation of its general office expenses and rate base to Liberty Apple Valley are reasonable.
4. Whether Liberty Apple Valley's requests to amortize the balances of several of its balancing and memorandum accounts are reasonable.
5. Whether Liberty Apple Valley's requests for new memorandum accounts and continuation of several others are reasonable.
6. Whether Liberty Apple Valley's request for a minor adjustment to the residential rate design for the redistribution of the tier breakpoint is reasonable.
7. Whether Liberty Apple Valley's overall rate design is reasonable.

² Public Law 115-97, effective January 1, 2018.

8. Whether Liberty Apple Valley's requests to increase the current monthly charge discount of \$8.38 per month and the surcharge of \$0.69 per month for its California Alternative Rates for Water (CARW) program by the average percentage increase to rates authorized at the conclusion of this proceeding are reasonable.

9. Whether Liberty Apple Valley's requests to increase the revenue requirement for the Yermo Water System in test year 2019 by 80% and to phase that increase in at 15% per year over two rate increase cycles (6 years) are reasonable.

Issues Specific to Liberty Park Water Company

The issues to be determined which are specific to Liberty Park Water are:

1. Whether Liberty Park Water's request for a new well in its Compton East system is reasonable.

2. Whether Liberty Park Water's request to install an average of 3.7 miles of pipeline in test year 2019 and escalation year 2020 is reasonable.

3. Whether Liberty Utilities' (parent company of Liberty Park Water) allocation of its general office expenses and rate base to Liberty Park Water are reasonable.

4. Whether Liberty Park Water's requests to amortize the balances of several of its balancing and memorandum accounts are reasonable.

5. Whether Liberty Park Water's requests for new memorandum accounts and continuation of several others are reasonable.

6. Whether Liberty Park Water's request for a minor adjustment to the residential rate design for the redistribution of the tier breakpoint is reasonable.

7. Whether Liberty Park Water's overall rate design is reasonable.

8. Whether Liberty Park Water's request to increase the current monthly charge discount of \$7.40 per month and

the surcharge of \$6.14 per month for its CARW program by the average percentage increase authorized at the conclusion of this proceeding are reasonable.

Special Requests

Liberty Apple Valley and Liberty Park Water identified the following special request in their applications:

1. Whether Liberty Apple Valley and Liberty Park Water's requests for the Commission to recognize any subsequent offsets prior to the issuance of a final decision in this proceeding are reasonable.
2. Whether Liberty Apple Valley and Liberty Park Water's requests for the Commission to authorize a sales reconciliation mechanism for the escalation years of the rate case cycle are reasonable.
3. Whether Liberty Apple Valley's request for a hexavalent Chromium Water Quality Memorandum Account is reasonable.

Need for Evidentiary Hearing

In its protests to the applications, ORA anticipates that evidentiary hearings will be necessary because Liberty Apple Valley's and Liberty Park Water's showings and ORA's analyses are necessarily fact-intensive, and may result in a number of factual disputes. While the parties may eventually resolve any disputed issues through the discovery and alternative dispute resolution processes, I will schedule this proceeding in anticipation that an evidentiary hearing will be needed to resolve some issues which cannot be specifically identified at this time.

Schedule

The following schedule is adopted here and may be modified by the ALJ as required to promote the efficient and fair resolution of the application:

Applications filed	January 2, 2018
Applications appeared in Daily Calendar	January 9, 2018
Prehearing Conference	May 1, 2018
Public Participation Hearings	July 10-11 or 11-12, 2018 (tentative)
ORA testimony served	July 20, 2018
Liberty Utilities’ testimony served	August 8, 2018
Rebuttal testimony served	September 24, 2018
Alternative Dispute Resolution	October 8-22, 2018
Evidentiary hearings (Los Angeles)	November 5-9, 2018
Opening briefs filed and served	December 12, 2018
Motion for interim rates	December 12, 2018
Mandatory status conference	December 13, 2018
Reply briefs served and filed (with Comparison Exhibit)	January 11, 2019
Water Division technical conference	January 31, 2019
Proposed Decision mailed	2 nd Quarter 2019
Comments on Proposed Decision	2 nd Quarter 2019
Reply Comments	2 nd Quarter 2019
Commission Voting Meeting (target)	2 nd Quarter 2019

Parties will be required to submit standardized testimony and briefs.³ The proceeding will stand submitted upon the filing of reply briefs, unless the ALJ requires further evidence or argument. Due to the scope and complexity of these consolidated proceedings, I agree with the parties’ recommendation that the

³ The organization of prepared testimony and briefs must correlate to the identified issues. In addition to the requirements of Rule 1.9, Rule 1.10, and Rule 13.7(f), parties shall serve two hard copies of the prepared testimony on the assigned ALJ.

proceeding will require additional time to resolve beyond the standard 18-month period as required by Pub. Util. Code § 1701.5, and I hereby authorize a period of 20 months to resolve these proceedings pursuant to Pub. Util. Code § 1701.5(b) and D.07-05-062.

Category of Proceeding/Ex Parte Restrictions

This ruling confirms the Commission's preliminary determination that this is a ratesetting proceeding. (Resolution ALJ 176- 3412.) Accordingly, ex parte communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.

Oral Argument

Requests for oral argument shall be made pursuant to Rule 13.13.

Public Outreach

Pursuant to Pub. Util. Code § 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the February, 2018 edition of the Commission's monthly newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website.⁴

Intervenor Compensation

Pursuant to Pub. Util. Code § 1804(a)(1), a customer who intends to seek an award of intervenor compensation must file and serve a notice of intent to claim compensation by May 31, 2018, 30 days after the prehearing conference.

⁴ The Commission's newsletter can be found at <http://www.cpuc.ca.gov/General.aspx?id=6442455683>

Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 1-866-849-8390 or 415-703-2074 or 1-866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

Service of Documents on Commissioners and Their Personal Advisors

Rule 1.10 requires only electronic service on any person on the official service list, other than the ALJ.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties shall NOT send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

Assignment of Proceeding

Carla J. Peterman is the assigned commissioner and Dan H. Burcham is the assigned ALJ and presiding officer for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is as described above.
2. The schedule of this proceeding is as set forth above.
3. I hereby authorize a period of 20 months to resolve these proceedings pursuant to Pub. Util. Code § 1701.5(b) and D.07-05-062.
4. Evidentiary hearings are needed.
5. The presiding officer is Administrative Law Judge Burcham.
6. The category of the proceeding is ratesetting.

7. *Ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.
8. Requests for oral argument shall be made pursuant to Rule 13.13.
9. Any customer who intends to seek an award of intervenor compensation must file and serve a notice of intent to claim compensation by May 31, 2018, 30 days after the prehearing conference.

Dated June 13, 2018, at San Francisco, California.

/s/ CARLA J. PETERMAN

Carla J. Peterman
Assigned Commissioner