

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

Order Instituting Rulemaking on the Commission's Own Motion into Addressing the Commission's Water Action Plan Objective of Setting Rates that Balance Investment, Conservation, and Affordability for the Multi-District Water Utilities of: California-American Water Company (U210W), California Water Service Company (U60W), Del Oro Water Company, Inc. (U61W), Golden State Water Company (U133W), and San Gabriel Valley Water Company (U337W).

FILED  
PUBLIC UTILITIES COMMISSION  
NOVEMBER 10, 2011  
SAN FRANCISCO, CALIFORNIA  
RULEMAKING 11-11-008

**ORDER INSTITUTING RULEMAKING INTO ADDRESSING THE  
COMMISSION'S WATER ACTION PLAN OBJECTIVE OF SETTING RATES  
THAT BALANCE INVESTMENT, CONSERVATION, AND AFFORDABILITY  
FOR MULTI-DISTRICT WATER UTILITIES**

**1. Summary**

By this Order Instituting Rulemaking (OIR), the Commission initiates a proceeding to address the Commission's Water Action Plan's policy objective of setting rates that balance investment, conservation, and affordability<sup>1</sup> for multi-district water utilities. The Water Action Plan identified six actions for consideration as possible means to advance this objective, several of which have been examined in other proceedings, including the multi-district water utilities' general rate cases.

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<sup>1</sup> California Public Utilities Commission December 15, 2005 Water Action Plan, p. 20 and 21, the principle and objective of which remain the same in its 2010 Water Action Plan, p. 7.

In this rulemaking, the Commission will consider, on a general policy basis, the development of policies and mechanisms to meet the sixth objective of Water Action Plan either through some variation of a “High-Cost” fund or through consolidating districts and rates within the multi-district water utilities. The Commission will not adopt utility-specific “High-Cost” funds or order any water district consolidations in this proceeding.

## **2. Background**

On December 15, 2005, the Commission adopted a Water Action Plan to be used as a roadmap for water polices and priorities in response to increasing statewide concerns about water quality and supply and the Commission’s desire to implement innovative solutions to water problems. Innovative solutions include adoption or modification of quality and supply approaches being implemented in the energy and telecommunications sectors as well as strategies being used by water agencies and entities not subject to Commission jurisdiction. The 2005 Water Action Plan identified four key principles: (1) safe, high quality water, (2) highly reliable water supplies, (3) efficient use of water, and (4) reasonable rates and viable utilities.

Building off of these principles, the Commission developed six objectives, each with a series of actions that the Commission may consider to advance each objective. These objectives are to: (1) maintain highest standards of water quality, (2) strengthen water conservation programs to a level comparable to those of energy utilities, (3) promote water infrastructure investment, (4) assist low income ratepayers, (5) streamline Commission regulatory decision-making, and (6) set rates that balance investment, conservation, and affordability.

By initiating this OIR, we focus on this sixth objective of setting rates that balance investment, conservation, and affordability, with a focus on multi-district water utilities. We recognize that, while a core principle of establishing

rates is to maintain rates that are “just and reasonable,” the application of this core principle (and the sixth objective of the Water Action Plan) can be challenging.

The following table shows, by utility, the number of districts with separate revenue requirements and tariffs that currently exist.<sup>2</sup>

<b>Multi-District Water Utilities</b>	<b>Districts</b>
California-American Water Company	6
California Water Service Company	23
Del Oro Water Company	17 <sup>3</sup>
Golden State Water Company	9
San Gabriel Water Company	2

Among the actions listed to advance this objective is to consider the development of policies to subsidize high cost areas, either through some variation of a “High-Cost” fund or through consolidation of districts and rates. The Commission recognized that there can be a significant difference in the cost of providing safe, reliable, and adequate water in different geographical areas. In some areas, charging the full cost of providing water service could result in either rates that are unaffordable to many customers in the region or in rate shock where the price increases by a large amount.

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<sup>2</sup> Except for Del Oro Water Company, each of the multi-district water utilities also allocates common general office investments and expenses to their various districts.

<sup>3</sup> Fourteen of Del Oro’s districts are identified in Resolution No. W-4804 dated November 2, 2009, Del Oro’s acquisition of another three water systems was approved by the Commission in D.11-03-016.

In the past, the Commission occasionally has implicitly subsidized customers in higher cost areas by keeping their rates relatively low while raising the rates to customers in lower cost areas. This practice is called “regionalization” or “consolidation of rates.” In the Water Action Plan, the Commission stated that it would determine whether and when cross-subsidization between customers is justified. It suggested that, generally, cross-subsidization may be justified when the benefits, including lower rates for customers in high cost areas, exceed the costs, such as higher rates for customers in lower cost areas and less-efficient management of water resources). The Commission stated that any subsidies should be explicit, so that customers are aware of the Commission’s policy and the impact of that policy on rates.<sup>4</sup>

As part of advancing the sixth objective in the Water Action Plan, the Commission will consider mechanisms such as a “High-Cost” fund or consolidating districts and rates within the multi-district water utilities. In this proceeding, the Commission will consider these mechanisms on a general policy basis and will not consider the application of the mechanisms to a specific multi-district utility. To the extent this Rulemaking results in the adoption of new mechanisms, utilities can include requests to utilize these mechanisms in their respective general rate cases or other appropriate rate-setting applications.

### **3. Traditional Rate Setting**

Water utilities’ authorized revenue requirements and rates have traditionally been set and approved on a district by district basis. Factors that impact such cost have included infrastructure, geography, topography, and

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<sup>4</sup> Water Action Plan of December 15, 2005, p. 21. The Commission approved an updated Water Action Plan in October 2010. The 2010 Water Action Plan retained the same principles and objectives identified in the 2005 plan.

hydrology. In other words, individual districts within a multi-district water utility would have unique revenue requirements and tariffs distinctly separate and different from each of the other districts within a water utility. Some of those districts even have distinctly different rates within the service areas of a specific district. This traditional rate setting process for water utilities differs from the ratesetting process for energy utilities, where rates are set on a system wide basis.

#### **4. Exceptions to Traditional Rate Setting**

Although the district-by-district rate setting process remains the standard, the Commission has also made exceptions to this approach. For example, in 2010, the Commission approved California Water Service Company's request to consolidate its Mid-Peninsula and South San Francisco Districts into a single new district, Bayshore District and establish uniform tariffs for this new district.<sup>5</sup>

In 1994, Golden State Water Company (GSWC) consolidated its 16 districts into three regions while continuing to keep the ratemaking process at the district level.<sup>6</sup> GSWC's Region I included seven separate ratemaking districts; Region II a single ratemaking district; and Region III eight ratemaking districts.

GSWC's regionalization had no effect on the number of ratemaking areas in its system until 1999, when it consolidated its eight ratemaking districts in

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<sup>5</sup> Decision 10-12-017, at 20. The Commission approved the consolidation of these districts as part of a settlement between the Division of Ratepayer Advocates and California Water Service Company.

<sup>6</sup> Region I included water operations located in the central and northern portions of California. Region II included water operations located in or near the South Bay area of Los Angeles County. Region III included water operations located in the mountains and upper desert areas of Southern California, portions of Orange County, and a number of cities in the Inland Empire region of Los Angeles. (Exhibit 1 of GSWC to Investigation 07-01-022).

Region III into a single region-wide ratemaking area with uniform tariffs. Because of the disparity in the rates of the eight districts in Region III at that time, the Commission adopted a phase-in plan to transition the individual ratemaking areas to regional tariffs. The tariff rates for those districts whose rates were above the regional-wide tariffs were frozen until the region-wide tariffs increased and reached the level of the frozen districts' rates.<sup>7</sup> This consolidation of districts in Region III reduced the number of GSWC's 16 ratemaking areas to nine.

In 1992, the Division of Ratepayer Advocates and the Class A water utilities jointly developed a set of policy guidelines to be considered in district rate consolidations. Those guidelines established four criteria: proximity, rate comparability, water supply and operation, as detailed in Decision (D.) 05-09-004:

1. Proximity: The districts must be within close proximity to each other. It would not be a requirement that the districts be contiguous as it is recognized that present rate-making districts consist of separate systems which are not connected. It was suggested that districts within 10 miles of each other would meet the location criteria.
2. Rate Comparability: Present and projected future rates should be relatively close with rates of one district no more than 25% greater than rates in the other district or districts. To lessen the rate impact of combining districts it may be necessary to phase in the new rates over several years.
3. Water Supply: Sources of supply should be similar. If one district is virtually dependent upon purchased water, while another district has its own source of supply, future costs could

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<sup>7</sup> As of 2007, six of the former ratemaking districts in Region III were on the Region III tariff and two of the former ratemaking districts' rates remained frozen.

change by a greater percent for one district versus the other. This could result in significantly different rates in the future even if present rates were quite similar.

4. Operation: The districts should be operated in a similar manner. For example, if a single district manager presently operates two or more districts and the billing system is common to the same districts, such an operation would support the combination of the districts.

In D.05-09-004, the Commission stated that the 1992 guidelines were intended to set criteria for single tariff pricing that, when met, would establish prima facie reasonableness of the proposed consolidation. The Commission concluded that, while not determinative, the criteria were helpful in evaluating rate consolidation proposals.

The Commission again applied the 1992 guidelines in D.08-05-018, when it declined to adopt California-American Water's request to consolidate its Sacramento and Larkfield districts.<sup>8</sup>

With the Commission's adoption of its 2010 Water Action Plan, and in light of the Commission's continuing efforts to set rates that balance investment, conservation, and affordability we institute this Rulemaking to consider modifying the 1992 guidelines or establishing new consolidation guidelines for high cost areas for the multi-district water utilities. The Rulemaking will also consider a "High-Cost" fund mechanism.

Named respondents identified in Section 10 of this OIR are required, and all other entities are invited, to file initial comments and reply comments to the

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<sup>8</sup> D.08-05-018, at 32.

following questions and requests for information. Subsequent to the receipt and review of filed initial comments and reply comments, the assigned Administrative Law Judge, in consultation with the assigned Commissioner, may establish a workshop schedule to address issues and to seek a consensus, to the extent possible, on guidelines for “High-Cost” funds or for consolidating districts and setting uniform rates for the multi-district water utilities, as a means to help balance utility investments, conservation and affordability of rates. Any adopted guidelines will apply to all multi-district water utilities.

*Question 1 – Identify current mechanisms utilized to subsidize rates and prevent rate shock, such as low income rates and rate support funds. Are these current mechanisms adequate to address ratepayer needs in general? Do these current mechanisms achieve an appropriate balance between utility investments, conservation and affordability of rates?*

*Question 2 – Should the Commission modify the existing 1992 consolidation guidelines, as described in D.05-09-004? If so, what specific modifications are warranted and what are the justifications for those modifications?*

*Question 3 – To the extent a new district consolidation mechanism is necessary, identify and discuss significant characteristics of water districts that should be included in an analysis of whether consolidation is appropriate. Examples of significant characteristics include: infrastructure, geography, topology, hydrology, climate, water quality, nature of water supply, rate differences and average water usage.*

*Question 4 – What advantages and disadvantages, if any, would result from implementing a “High-Cost” fund? How could such a “High-Cost” fund operate?*

*Question 5 - What requirements and conditions, if any, should be included in any new district consolidation mechanism or “High-Cost” fund?*

*Question 6 - What impacts would increased consolidation of water utility districts or the establishment of a “High-Cost” fund have on: (A) land development in the districts and (B) ongoing water and energy conservation efforts, including those mandated by Federal and State laws*

*such as the Water Conservation Act of 2009? Is it possible to effectively mitigate these impacts?*

*Question 7 – What impact, if any, would Public Utilities Code Section 701.10 or other statutory requirements have on the ability of multi-district water utilities to establish a “High-Cost” fund or to increase consolidation?*

*Question 8 – Identify any additional impacts that would result from increased consolidation of water utility districts or the establishment of a “High-Cost” fund.*

## **5. Preliminary Scoping Memo**

The scope of this rulemaking is to consider establishing new guidelines for consolidation of districts or for some variation of a “High-Cost” fund, within the multi-district water utilities, as a means to advance the Commission’s Water Action Plan’s objective of setting rates that balance investment, conservation, and affordability.

The Commission will consider these mechanisms on a general policy basis and will not consider the application of the mechanisms to a specific multi-district utility. To the extent this Rulemaking results in the adoption of new mechanisms or guidelines, utilities can include requests to utilize these mechanisms or guidelines in their respective general rate cases or other rate-making applications, as appropriate.

The above identified questions and request for information set forth the specific inquiries and issues within the scope. Therefore, we seek comments from all parties on these matters. This rulemaking will be conducted in accordance with Article 6 of the Commission's Rules of Practice and Procedure.

## **6. Category of Proceeding and Need for Hearing**

Pursuant to Rule 7.1(d), we preliminarily determine the category of this OIR to be ratesetting as the term is defined in Rule 1.3(e). Workshops may be held. However, we do not anticipate that evidentiary hearings will be required.

We do not require at this time that the utilities provide notice to their customers of this proceeding, nor do we intend to hold public participation hearings to gather input from the general public. If parties believe customer notice or hearings are necessary, they should so indicate in their initial comments, describing specifically the reasons customer notice, evidentiary and/or public participation hearings are needed and, in the case of evidentiary hearings, describing the facts the party would present.

**7. Schedule**

For purposes of meeting the preliminary scoping memo requirements we establish the following schedule:

- December 15, 2011 .....Initial Comments filed and served
- January 17, 2012 .....Reply Comments filed and served
- To be determined.....Scoping memo
- To be determined.....Workshops held, if appropriate
- To be determined.....Preliminary Workshop Report circulated  
for comment
- To be determined.....Final Workshop Report
- To be determined.....Public Information Meetings, if appropriate
- June 8, 2012 .....Proposed decision issued
- June 28, 2012 .....Comments on proposed decision filed & served
- July 3, 2012 .....Reply comments filed & served
- July 12, 2012 .....Proposed decision on Commission agenda

**8. Modifications to Preliminary Scoping Memo, Schedule**

Any person filing initial comments on this OIR shall state any objections to the preliminary scoping memo regarding the category, need for hearing, issues to be considered, or schedule. (Rule 6.2.)

The assigned Commissioner, by ruling on the scoping memo and other rulings, and the assigned Administrative Law Judge (ALJ), by ruling with the assigned Commissioner's concurrence to the extent allowed by our rules, may modify the scope and schedule as necessary during the course of the proceeding. In no event do we anticipate this proceeding to require longer than 18 months from the issuance of the scoping memo to complete.

**9. Parties, Service List, and Subscription Service**

California-American Water Company, California Water Service Company, Del Oro Water Company, Inc., Golden State Water Company, and San Gabriel Valley Water Company are named respondents to this Rulemaking. The Division of Ratepayer Advocates is also a named respondent to this Rulemaking.

Park Water Company and Apple Valley Ranchos Water Company are commonly considered a single entity comprised of two districts. However, they are distinctly separate entities. Apple Valley Ranchos Water Company is a wholly-owned subsidiary of Park Water Company. Park Water Company and Apple Valley Ranchos Water Company are not named respondents to this Rulemaking because they are not part of a multi-district water company. However, they are welcome to participate.

San Jose Water Company is not included in the multi-district water utility classification because its rates are based on a single revenue requirement and are uniform throughout its service territory except for pump charges in its mountain service territory. San Jose Water Company is also welcome to participate in this rulemaking.

We will serve this OIR on the named respondents and on the service lists (appearances, state service list, and information-only category) of Applications ("A.") 11-05-003 (California American Water Company), A.11-05-001 (California Water Service Company), A.11-05-004 (Golden State Water Company), and A.10-

07-019 (San Gabriel Valley Water Company). Del Oro Water Company, which files individual district advice letters for Consumer Price Index increase in rates in lieu of general rate case proceedings, must serve a copy of this OIR on all persons that have commented on its advice letters since January 1, 2009. Other interested persons are invited to participate in this rulemaking.

Such service of the OIR does not confer party status in this proceeding upon any person or entity, and does not result in that person or entity being placed on the service list for this proceeding.

The Commission will create an official service list for this proceeding, which will be available at [http://www.cpuc.ca.gov/published/service\\_list](http://www.cpuc.ca.gov/published/service_list). We anticipate that the official service list will be posted before the first filing deadline in this proceeding. Before serving documents at any time during this proceeding, parties shall ensure they are using the most up-to-date official service list by checking the Commission's website prior to each service date.

In order to participate in the OIR or simply monitor it, follow the procedures set forth below. To ensure you receive all documents, send your request within 20 days after the OIR is published. The Commission's Process Office will update the official service list on the Commission's website as necessary.

### **9.1. Official Service List**

The named respondents are automatic parties to the proceeding pursuant to Rule 1.4(d) and will be listed as such on the official service list. Within 20 days of the publication of this OIR, each named respondent must inform the Commission's Process Office of the contact information for a single representative to be named in the respondent's listing in the Parties category of the official service list, although other representatives and persons affiliated with

the named parties may be placed in the “Information Only” category of the official service list.

Any person who wishes to ensure service of documents filed in this proceeding will be added to the “Information Only” category of the official service list upon request to the Process Office at any time. However, in order to ensure service of the initial comments, it is advisable that you make your request to the Process Office within 20 days of the publication of this OIR. (Persons who expect to become parties by filing comments will not be added or moved to the Parties category until and unless such comments are filed.)

Any persons may become a party to the proceeding by filing and serving timely comments (Rule 1.4(a)(2)(ii), and will be added to the Parties category of the official service list at that time. (If you are already on the official service list in the “Information Only” category, you will be automatically moved to the Parties category upon the filing of comments.)

Persons may also become a party by making an oral motion (Rule 1.4(a)(3), or by filing a motion (Rule 1.4(a)(4)). If you make an oral motion or file a motion, you must also comply with Rule 1.4(b). These rules are in the Commission’s Rules of Practice and Procedure, which you can read at the Commission’s website.

You may contact the Process Office by e-mail ([Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov)) or letter (Process Office, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102). Include the following information:

- Docket Number of the OIR;
- Name and entity represented, if applicable;
- Postal Address;
- Telephone Number;

- E-mail Address;<sup>9</sup> and,
- Category (Party<sup>10</sup>, State Service, or Information Only)

Once you are on the official service list, you must ensure that the information you have provided is up-to-date. (Rule 1.9(f).) To change your postal address, telephone number, e-mail address, or the name of your representative, send the change to the Process Office by letter or e-mail.

## **9.2. Serving and Filing Documents**

When you serve a document, use the official service list published at the Commission's website as of the date of service. You must comply with Rules 1.9 and 1.10 when you serve a document to be filed with the Commission's Docket Office.

The Commission encourages electronic filing and e-mail service in this Rulemaking. You may find information about electronic filing at <http://www.cpuc.ca.gov/PUC/efiling>. E-mail service is governed by Rule 1.10. If you use e-mail service, you must also provide a paper copy to the assigned Commissioner and ALJ. The electronic copy should be in Microsoft Word or Excel formats to the extent possible. The paper copy should be double-sided. E-mail service of documents must occur no later than 5:00 p.m. on the date that service is scheduled to occur.

If you have questions about the Commission's filings and service procedures, contact the Docket Office.

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<sup>9</sup> Parties are not required to serve hard copies of filed documents on persons who appear in the Information Only category of the official service list. (Rule 1.10(b).) In order to receive electronic service of such documents, persons who appear in the Information Only category must include an e-mail address.

### **9.3. Subscription Service**

This proceeding can also be monitored by subscribing in order to receive electronic copies of documents in this proceeding that are published on the Commission's website. There is no need to be on the service list in order to use the subscription service. Instructions for enrolling in the subscription service are available on the Commission's website at <http://subscribecpuc.cpuc.ca.gov/>.

### **10. Public Advisor**

Any person or entity interested in participating in this Rulemaking who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor in San Francisco at (415) 703-2074 or (866) 849-8390 or e-mail [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov); or in Los Angeles at (213) 576-7055 or (866) 849-8391, or e-mail [public.advisor.la@cpuc.ca.gov](mailto:public.advisor.la@cpuc.ca.gov). The TTY number is (866) 836-7825.

### **11. Intervenor Compensation**

Any party that expects to request intervenor compensation for its participation in this Rulemaking must file its notice of intent to claim intervenor compensation in accordance with Rule 17.1 of the Commission's Rules of Practice and Procedure within 30 days of the mailing of this Rulemaking.

### **12. Ex Parte Communications**

This proceeding is subject to Article 8 of the Commission's Rules of Practice and Procedure, which specifies standards for engaging in *ex parte* communications and the reporting of such communications.

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<sup>10</sup> If you are not already a party, choose "State Service" status if you are an employee of the State of California; otherwise, choose "Information Only" status.

### **Findings of Fact**

1. The 2005 Water Action Plan was adopted by the Commission to be used as a roadmap for water policies and priorities in response to increasing statewide concerns about water quality and supply and its desire to implement innovative solutions to water problems.

2. An objective identified in the 2005 Water Action Plan was the setting of rates that balance investment, conservation, and affordability. An identified action to advance this objective was to consider developing policies to subsidize high cost areas, either through some variation of a “High-Cost” fund or through consolidation of districts or rates.

3. The 2010 Water Action Plan did not change the principle and objective of the 2005 Water Action Plan.

4. Water utilities’ authorized revenue requirements and rates have traditionally been set and approved on a district-by-district basis.

5. Although the district-by-district rate setting process continues to exist, exceptions to the process were granted in limited circumstances to California Water Service Company and Golden State Water Company.

6. It is reasonable to consider whether guidelines for water district consolidation that the Commission has applied in the past should be modified.

### **Conclusion of Law**

The Commission should initiate a new general policy Order Instituting Rulemaking to consider the development of policies and guidelines such as some variation of a “High-Cost” fund or through consolidating districts or rates within the multi-district water utilities, as a means to implement the Commission’s Water Action Plan’s objective of setting rates that balance investment, conservation, and affordability.

Therefore, **IT IS ORDERED** that:

1. A Rulemaking is instituted on the Commission's own motion into policies and mechanisms for the consolidation of multi-district water utilities' districts and revenue requirements and uniformity of rates or some variation of a "High-Cost" fund. The Commission will consider these mechanisms on a general policy basis and will not consider the application of the mechanisms or policies to a specific multi-district utility in this proceeding.

2. California-American Water Company, California Water Service Company, Del Oro Water Company, Inc., Golden State Water Company, and San Gabriel Valley Water Company are named respondents to this Rulemaking.

3. The Division of Ratepayer Advocates is also a named respondent to this Rulemaking.

4. Entities on the service list of Applications 11-05-001, 11-05-003, 11-05-004, 10-07-019, and other interested persons are invited to participate in this Rulemaking.

5. Named respondents are required, and all other persons are invited, to file initial comments and reply comments to the specific questions in this Order Instituting Rulemaking.

6. The outcome of this Rulemaking and establishment of any policies and guidelines for some variation of a "High-Cost" fund and consolidation of some or all districts, revenue requirements, and rates within the multi-district water utilities shall be applicable to all multi-district investor-owned water utilities listed in Ordering Paragraph 2.

7. The Executive Director shall cause copies of this order to be served on:  
(a) named respondents California-American Water Company, California Water Service Company, Del Oro Water Company, Inc, Golden State Water Company,

San Gabriel Water Company, and the Division of Ratepayer Advocates, and (b) the service list of Applications 11-05-001, 11-05-003, 11-05-004, and 10-07-019.

8. The Executive Director shall also cause copies of this order to be served on Park Water Company, Apple Valley Water Company and San Jose Water Company.

9. Del Oro Water Company shall within 15 days after the issuance of this Order Institute Rulemaking serve a copy of this Order Instituting Rulemaking on all parties that have commented on its advice letters since January 1, 2009. Within 20 days after the issuance of this Order Instituting Rulemaking, Del Oro Water Company shall file a certificate of service in this proceeding.

10. Within 20 days of the publication of this Order Instituting Rulemaking, each named respondent must inform the Commission's Process Office of the contact information for a single representative to be named in the respondent's listing in the Party category of the official service list.

11. The category of this Rulemaking is preliminarily determined to be ratesetting, as that term is defined in the Commission's Rules of Practice and Procedure, Rule 1.3(e).

12. This proceeding is preliminarily determined not to require evidentiary hearings.

13. The preliminary scope and schedule for this proceeding are as set forth in Sections 5 and 7 of this Order Instituting Rulemaking. The assigned Commissioner, by ruling on the scoping memo and other rulings, and the assigned Administrative Law Judge, by ruling with the assigned Commissioner's concurrence to the extent allowed by the Commission's Rules of Practice and Procedure, may modify the scope and schedule as necessary during the course of the proceeding.

14. Initial comments and reply comments shall conform to the requirements of the Commission's Rules of Practice and Procedure. Opening comments must be filed on or before December 15, 2011 and reply comments on or before January 17, 2012, unless the assigned Commissioner or assigned Administrative Law Judge establishes other dates by ruling.

15. Any persons objecting to the preliminary categorization of this Rulemaking as "ratesetting" or to the preliminary determination that evidentiary hearings are not necessary, issues to be considered, or schedule shall state their objections in their initial comments of this Order Instituting Rulemaking.

16. The assigned Administrative Law Judge, in consultation with the assigned Commissioner, shall determine whether to hold a workshop after reviewing the filed initial comments and reply comments to this Order Instituting Rulemaking. Any workshop notice will be issued at least 10 days prior to the date of the workshop.

17. After initial service of this order, a new service list for the proceeding shall be established following procedures set forth in this order. The Commission's Process Office will publish the official service list on the Commission's website ([www.cpuc.ca.gov](http://www.cpuc.ca.gov)) as soon as practical. Parties may also obtain the service list by contacting the Process Office at (415) 703-2021. The assigned Commissioner, and the assigned Administrative Law Judge acting with the assigned Commissioner's concurrence, shall have ongoing oversight of the service list and may institute changes to the list or the procedures governing it as necessary.

18. Any party that expects to claim intervenor compensation for its participation in this Rulemaking shall file its notice of intent to claim intervenor compensation in accordance with Rule 17.1 of the Commission's Rules of Practice and Procedure, within 30 days of the mailing of this Order Instituting Rulemaking.

R.11-11-008 EXEC/MPO

This order is effective today.

Dated November 10, 2011 at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK J. FERRON

Commissioners