



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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In the Matter of the Application of California Water Service Company (U-60-W), a Corporation, for Authority to Recover Costs Associated with General Office Building Renovation.

Application 12-06-____

(Filed _____) **A1206016**

**APPLICATION OF CALIFORNIA WATER SERVICE COMPANY (U-60-W)
TO RECOVER COSTS ASSOCIATED WITH
GENERAL OFFICE BUILDING RENOVATION**

THOMAS F. SMEGAL
1720 North First Street
San Jose, California 95112
Phone: (408) 367-8219
Fax: (408) 367-8426
tsmegal@calwater.com

Vice President, Regulatory Matters &
Corporate Relations
California Water Service Company

NATALIE D. WALES
1720 North First Street
San Jose, California 95112
Phone: (408) 367-8566
Fax: (408) 367-8426
nwales@calwater.com

Regulatory Attorney
California Water Service Company

Dated: June 29, 2012

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GENERAL OFFICE BUILDING RENOVATION**

I. AUTHORITY FOR FILING

Pursuant to Rule 2.1 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure ("Rules"), California Water Service Company ("Cal Water") respectfully submits this Application to Recover Costs Associated with General Office Building Expansion. This Application is made pursuant to and in accordance with the provisions of Section 454 of the California Public Utilities ("PU") Code.

Cal Water has renovated one of four buildings on its General Office ("GO") campus to better accommodate the Information Technology ("IT") department, the Human Resources ("HR") department, and the Customer Services ("CS") department. Planning for the renovation of this building (referred to generally as the "IT/HR building") began in 2006. Cal Water discussed the project in both of the general rate cases ("GRCs") filed in 2007 and 2009. In

resolving the 2009 GRC, the Commission adopted a settlement provision allowing Cal Water to submit the renovation project in a separate application.¹

The costs for the IT/HR building renovation total \$6,011,172. Approval of Cal Water's request to recover these costs would result in a revenue requirement increase of \$ 953,599. (The impact of this increase on the typical customer bill is provided in the Proposed Customer Notice provided as Appendix E.) In this Application, Cal Water requests recovery of these costs.

II. STATEMENT OF RELIEF SOUGHT

Completed in December 2011, renovation of the IT/HR building included two projects – expansion of the original IT/HR building, and remodeling of the original interior of the building. The expansion consisted of enclosing a U-shaped space that was previously an outdoor area surrounded by parts of the IT/HR building. This expansion included the addition of a second story primarily over the new section of the building. In coordination with this new construction, Cal Water remodeled the interior of the first floor area adjacent to the new construction.

The new construction and internal remodel of the original IT/HR building were undertaken simultaneously to reduce the overall costs of the projects. This two-part renovation accomplished several goals, including the creation of additional employee workspaces, better utilization of existing workspace, compliance with various legal requirements, increased safety and security for employees, data, and inventory. In addition, some aspects of the project were necessary to obtain city approval for the renovation.

Cal Water notes that it is also submitting its next GRC filing soon after submission of this Application. The 2012 GRC filing will request new rates effective January 1, 2014. Therefore,

¹ D.10-12-017, Attachment C (Further Amended Settlement) at C-470 to C-471.

to the extent that this Application is resolved before January 1, 2014 (or when new GRC rates go into effect), Cal Water requests recovery for the IT/HR building renovation through a surcharge on customer bills. Commission-approved costs for the renovation could then be folded into the approved 2012 GRC model so that they are incorporated into new base rates that will begin on January 1, 2014 (at which time the surcharge would end).

In summary, Cal Water requests the following:

- A Commission finding that the renovation and its cost were reasonable and prudent.
- A Commission order authorizing cost recovery through a surcharge (applicable to all districts) until January 1, 2014, and then through new base rates beginning January 1, 2014 (which will result from the general rate case application Cal Water will file in July 2012).

III. DESCRIPTION OF APPLICANT

In support of its request, Cal Water represents the following:

A. The legal name of Applicant is California Water Service Company. Its principal place of business is located at 1720 N. First Street, San Jose, California 95112.

B. Applicant is engaged in the business of supplying and distributing water for domestic, commercial, industrial, and landscaping purposes in service territories designated by the CPUC located in 23 ratemaking districts throughout the state.

C. Applicant is a California corporation. A copy of Applicant's Restated Articles of Incorporation, certified by the California Secretary of State, was filed with the Commission in connection with Application 96-12-029.

D. Applicant's most recent financial statements, consisting of a Statement of Income for the twelve months ending September 30, 2011, and a Balance Sheet as of that date, are submitted as Appendices to this Application.

E. General descriptions of Applicant's properties and the area of its operations have been set forth and shown in other applications and proceedings before the Commission in which

authority has been sought and granted for authority to issue long-term debt, issue securities, increase rates, and update service area maps. The most recent filings providing comprehensive information about Applicant's properties and operations are its 2009 consolidated General Rate Case application (A.09-07-001, resolved by the Commission in D.10-12-017, and modified by D.11-08-010) and its 2011 Cost of Capital application (A.11-05-001).

IV. CONTACT INFORMATION

Correspondence and communications with respect to this Application should be addressed to:

Thomas F. Smegal
Vice-President, Regulatory Matters & Corporate Relations
California Water Service Company
1720 N. First Street
San Jose, California 95112
Telephone: (408) 367-8219
Facsimile: (408) 367-8426
tsmegal@calwater.com

With copies to:

Natalie D. Wales
Regulatory Counsel
California Water Service Company
1720 N. First Street
San Jose, California 95112
Telephone: (408) 367-8566
Facsimile: (408) 367-8426
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V. PROCEDURAL MATTERS

- A. Category – This proceeding is categorized as ratesetting.
- B. Need for Hearing – Cal Water does not believe there will be a need for an evidentiary hearing.
- C. Issues – The issues in this Application include an increase in Cal Water's revenue requirement in the amount of \$953,599.

D. Schedule – Cal Water proposes the following schedule for this proceeding:

DATE	ACTIVITY
June 2012	Application Filed
July 2012	Protests/Responses
August 2012	Prehearing Conference
October 2012	DRA/Intervenor Testimony
November 2012	Cal Water Rebuttal Testimony
October – November 2012	Settlement Discussions
November 2012	Evidentiary Hearings
January 2013	Proposed Decision
February 2013	Decision Adopted

VI. REQUIREMENTS OF RULE 3.2 (APPLICATIONS FOR AUTHORITY TO INCREASE RATES)

A. Rule 3.2 of the Commission’s Rules of Practice and Procedure states the requirements for applications seeking Commission authority to increase rates. This Application meets the requirements of Rule 3.2 (applicable to applications other than those for general rate increases) as described below.

B. Materials meeting the requirements of the following subsections of Rule 3.2(a) are provided in the appendices to this Application (as identified in Section VII below):

- Rule 3.2(a)(1): Balance Sheet and Income Statement
- Rule 3.2(a)(2): Statement of Presently Effective Rates
- Rule 3.2(a)(4) and (5): Summary of Earnings

C. As required by Rule 3.2(a)(3), a statement of the proposed increases or changes which will result in increases are provided in the Direct Testimony of Thomas F. Smegal.

D. Cal Water will provide the notices required by Rule 3.2, subsections (b) through (d), and file the associated proofs of compliance.

VII. CONTENTS OF THIS APPLICATION

Appendices to Application		
Appendix A	Balance Sheet	Filed and Served
Appendix B	Income Statement	Filed and Served
Appendix C	Summary of Earnings	Filed and Served
Appendix D	Current Relevant Tariffs	Filed and Served
Appendix E	Proposed Customer Notice (approved by PAO)	Filed and Served
Appendix F	Direct Testimony of Thomas F. Smegal, Vice-President of Regulatory Matters and Corporate Relations	Served Only
Attachments to Direct Smegal Testimony (Appendix F) (Served with Testimony)		
Attachment 1	“Existing IT/HR Building Site Conditions Survey,” by Sugimura Finney Architects (June 10, 2010)	Original IT/HR Building Survey
Attachment 2	Layouts of GO Campus Buildings Over Time	GO Building Layouts
Attachment 3	Campus Needs Assessment Report (October 2007)	2007 Needs Study
Attachment 4	Building Lease Properties Report (Aug. 29, 2007)	2007 Lease Listings
Attachment 5	Breakdown of Total Company Employees (2006-2011)	Total Company Employees
Attachment 6	Layouts of GO Building Floor Plans (current)	GO Floor Plan Layouts
Confidential Attachment 7	Seating Charts and Employee Lists for 3 General Office Buildings (June 2012)	GO Seating Charts (includes individuals’ names)
Confidential Attachment 8	GO Employees Located Off-Campus (June 2012)	Off-Campus GO Employees (includes individuals’ names)
Attachment 9	“A Map for the Emerging Workplace: The Y in the Road,” by Knoll Workplace Research (2007)	Workforce Needs Report
Attachment 10	“Hypothetical Office Space Report,” by American Appraisal (Dec. 31, 2009)	2010 Office Space Report
Attachment 11	Workpapers Supporting “Build-Rent” Analysis	“Build-Rent” Workpapers
Attachment 12	Construction bids of four contractors (with letter dated 4/22/12 from COBE explaining bid)	Construction Bids
Attachment 13	CPUC Presentation by Sugimura (Aug 13, 2008)	2008 CPUC Presentation
Attachment 14	Cost Breakdown	Cost Breakdown
Attachment 15	Summary of Charges, COBE Construction (December 31, 2011)	COBE Charges
Attachment 16	Summary of Change Orders, COBE Construction (March 5, 2012)	COBE Change Orders
Attachment 17	LEED Evaluation Project Update, Brightworks (July 23, 2010)	LEED Evaluation
Attachment 18	LEED Scorecard for Cal Water IT Building, Brightworks (March 20, 2012)	LEED Scorecard

Additional Materials Available on CD-ROM		
	Construction-Related Materials	
Item 1	Cal Water's Construction Bid Request (issued February 25, 2010)	Construction Bid Request
Item 2	Four bids submitted by contractors	Construction Bids
Item 3	Contract between COBE and CWS (dated 5/28/10)	Construction Contract
Item 4	Summary of Construction Bids	Summary of Bids
	Inspection and Report Materials	
Item 5	Asbestos Survey by "Environmental and Occupational Risk Management" and "Forensic Analytical" (cover letter dated March 9, 2010)	Initial Asbestos Survey
Item 6	Final Asbestos Abatement Monitoring Report, by "Environmental and Occupational Risk Management" and "Forensic Analytical" (January 20, 2012)	Final Asbestos Report
Item 7	City of San Jose Certificate of Occupancy	Occupancy Certificate
Item 8	Final Engineer Inspection	Engineer Inspection
Item 9	Permit Record - Summary of Final Inspections	Final Inspections
	Miscellaneous Materials	
Item 11	Fees charged by the City of San Jose	Fees Charged by City
Item 12	Future Mandatory Fire Protection Upgrades	Fire Protection Upgrades
Item 13	CPUC Presentation by Sugimura (August 11, 2009)	2009 CPUC Presentation
Item 14	Building Permit Approval (dated March 3, 2009)	
Item 15	Floorplans of Original IT/HR Building	Floorplans – Original IT/HR Building
Item 16	Floorplans of Renovated IT/HR Building	Floorplans – Renovated IT/HR Building

VIII. PRAYER

WHEREFORE, Cal Water respectfully requests that the Commission issue its opinion and order herein:

1. Finding that the proposals described herein are justified; and

2. Granting such other and further relief which the Commission finds to be just and reasonable.

Respectfully Submitted,

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THOMAS F. SMEGAL
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