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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's)
Own Motion to Develop Rules and Procedures to)
Ensure That Investor-Owned Water Utilities Will)
Not Recover Unreasonable Return on Investments)
Financed by Contamination Proceeds, Including)
Damage Awards, and Public Loans Received)
Due to Water Supply Contamination.)

Rulemaking 09-03-014
(Filed March 12, 2009)

COMMENTS OF PARK WATER COMPANY ON THE ALJ RULING OF APRIL 20, 2010
INVITING COMMENTS ON SELECTED ISSUES

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May 12, 2010

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission’s)
Own Motion to Develop Rules and Procedures to) Rulemaking 09-03-014
Ensure That Investor-Owned Water Utilities Will) (Filed March 12, 2009)
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Due to Water Supply Contamination.)

**COMMENTS OF PARK WATER COMPANY ON THE ALJ RULING OF APRIL 20, 2010
INVITING COMMENTS ON SELECTED ISSUES**

I. INTRODUCTION

Park Water Company (“Park”) herby files it’s Comments on the ALJ Ruling, dated April 20, 2010 in Rulemaking (R.) 09-03-014.

Park’s opening comments are limited to the issue of DRA’s proposal for a triggering event which would allow the utility to recover those costs being tracked in a contamination litigation memorandum account.

II. COMMENTS

**A. PARK GENERALLY SUPPORTS DRA’S PROPOSAL PERTAINING TO
RECOVERY OF COSTS TRACKED IN A CONTAMINATION LITIGATION
MEMORANDUM ACCOUNT**

DRA proposes several options that will trigger a utility’s ability to file, for Commission approval, a request to recover the costs that have been tracked in a contamination litigation memorandum account approved by the Commission. Park supports DRA’s idea of a recovery rule pertaining to contamination litigation memorandum accounts that will be triggered based on some reasonable basis prior to the final outcome of the litigation that may only occur at some

distant point in the future. DRA options for triggering a utility's filing for memorandum account recovery was either a flat percent of a utility's revenue requirement (e.g., 2%) or a predetermined time period (e.g., 3 years) or a combination of the two. Park believes the most reasonable option is a combination of the two. The percent of utility's revenue requirements appropriately addresses the financial burden issue associated with the magnitude of the account balance, and Park would consider 2% a reasonable level. The predetermined time period addresses an issue of concern to Park which is that memorandum account interest rates (non-financial commercial paper, 3-month) are substantially lower than Park's short-term or long-term debt interest rates. Park, even though a Class A water utility, is too small to issue commercial paper. As such, having a time period trigger option is appropriate and necessary to limit the arbitrage loss that occurs with regulatory accounts. For this reason Park would recommend as short a period as possible that balances undue administrative burden on the Commission and this arbitrage loss to the utility. Park would prefer a 1 or 2 year period as compared to DRA's 3 year proposal.

III. CONCLUSION

For the reasons set forth above, Park respectfully requests that the Commission adopt Park's position with respect to the issue discussed in the comments above.

Dated May 12, 2010, at Downey, California.

Respectfully submitted,

PARK WATER COMPANY

/s/ Douglas K. Martinet

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “Comments of Park Water Company on the ALJ Ruling of April 20, 2010 Inviting Comments on Selected Issues” on all known parties to Rulemaking 09-03-014, by transmitting an e-mail message with the document attached, to each party named in the official service list.

Executed on May 12, 2010 at Downey, California.

/s/ Ellen M. Zimbalist

ELLEN M. ZIMBALIST

R.09-03-014
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