



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

FILED

02-16-10
04:59 PM

In the Matter of the Application of)
VALENCIA WATER COMPANY (U-342-W),)
a Corporation, for an Order Authorizing It to)
Increase Rates Charged for Water Service in)
Order to Realize Increased Annual Revenues of)
\$4,751,000 or 18.78% in a Test Year Beginning)
January 2011, \$1,957,000 or 6.40% in a Test Year)
Beginning January 2012, \$701,000 or 2.16% in an)
Escalation Year Beginning January 1, 2013, and to)
Make Further Changes and Additions to Its Tariff)
for Water Service.)
_____)

Application No. 10-01-006
(Filed January 4, 2010)

REPLY TO DRA'S PROTEST

NOSSAMAN LLP

Martin A. Mattes
Mari R. Lane

50 California Street, 34th Floor
San Francisco, CA 94111-4799
Tel: (415) 398-3600
Fax: (415) 398-2438
E-mail: mlane@nossaman.com

Attorneys for Applicant,
VALENCIA WATER COMPANY

February 16, 2010

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

In the Matter of the Application of)	
VALENCIA WATER COMPANY (U-342-W),)	
a Corporation, for an Order Authorizing It to)	
Increase Rates Charged for Water Service in)	Application No. 10-01-006
Order to Realize Increased Annual Revenues of)	(Filed January 4, 2010)
\$4,751,000 or 18.78% in a Test Year Beginning)	
January 2011, \$1,957,000 or 6.40% in a Test Year)	
Beginning January 2012, \$701,000 or 2.16% in an)	
Escalation Year Beginning January 1, 2013, and to)	
Make Further Changes and Additions to Its Tariff)	
for Water Service.)	
_____)	

REPLY TO DRA’S PROTEST

Pursuant to Rule 2.6(e) of the Commission’s Rules of Practice and Procedure, Valencia Water Company (“Valencia”), Applicant in the above-captioned matter, hereby respectfully replies to the Protest of the Division of Ratepayer Advocates (“DRA”). filed February 4, 2010, in this proceeding.

Valencia confirms that it has agreed with DRA to modify the procedural schedule that would have been consistent with the Rate Case Plan,¹ as proposed in its application, and has no objection to the modified procedural schedule DRA has proposed in its protest. Valencia also has no objection to DRA’s stated intention to review various issues, with a single exception. The exception is DRA’s identification of an issue relating to “Valencia’s excessive requested rate of return.”

¹ See, *Re Revisions to Rate Case Plan for Class A Water Companies*, Decision (“D.”) 07-05-062, App. A, at A-5.

Valencia has proposed that rates for the initial Test Year, 2011, as well as for the second Test Year, 2012, be set at levels sufficient to generate a return on rate base of 10.94% in each year. That is the rate of return on rate base that Valencia proposed in its Cost of Capital application for years 2010 through 2012, A.09-05-002, which Valencia filed with the Commission on May 1, 2009, pursuant to the Rate Case Plan.² Valencia's Cost of Capital application was consolidated with those of other Class A water companies in a proceeding referenced as A.09-05-001, *et al.*, in which a proposed decision, after extensive evidentiary hearings and briefing, is still pending. As Valencia has stated in its present application, at page 11, Valencia's present rates will be adjusted as appropriate based on the outcome of the Cost of Capital proceeding. Therefore, Valencia's cost of capital should not be an issue in this proceeding.

Respectfully submitted,

NOSSAMAN LLP

Martin A. Mattes
Mari R. Lane

By: /S/ MARTIN A. MATTES
Martin A. Mattes

50 California Street, 34th Floor
San Francisco, CA 94111-4799
Tel: (415) 398-3600
Fax: (415) 398-2438
Email: mmattes@nossaman.com

Attorneys for Applicant,
VALENCIA WATER COMPANY

February 16, 2010

² See, D.07-05-062, *supra*, at 15.

CALIFORNIA PUBLIC UTILITIES COMMISSION

Service Lists

**PROCEEDING: A1001006 - IN THE MATTER OF THE
FILER: VALENCIA WATER COMPANY
LAST CHANGED: FEBRUARY 10, 2010**

Parties

DARRYL J. GRUEN
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 4300
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
FOR: DRA

MARTIN A. MATTES
ATTORNEY AT LAW
NOSSAMAN LLP
50 CALIFORNIA STREET, 34TH FLOOR
SAN FRANCISCO, CA 94111-4799
FOR: VALENCIA WATER COMPANY

Information Only

DAVID MORSE
EMAIL ONLY
EMAIL ONLY, CA 00000-0000

BEVERLY JOHNSON
CONTROLLER
VALENCIA WATER COMPANY
PO BOX 5904
VALENCIA, CA 91380

State Service

BRUCE DEBERRY
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
ROOM 5043
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

JOSE CABRERA
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
AREA 3-B
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214
