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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Consider Revisions to the General Rate Case Plan For Class A Water Companies.	Rulemaking 06-12-016 (Filed December 14, 2006)

ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S SCOPING MEMO AND RULING

Summary

Today's Ruling adopts a new schedule for this proceeding. The new schedule, which is set forth below, addresses concerns raised by parties in their January 8, 2007 comments on the preliminary scoping memo. In addition, this Ruling responds to a request by a party in its comments on the preliminary scoping memo to expand the scope of the proceeding. This Ruling denies this request. In all other respects, except as noted below, this Ruling confirms the findings of the preliminary scoping memo set forth in Rulemaking (R.) 06-12-016.

1. Categorization; Need for Hearings; and Record

In R.06-12-016 we preliminarily determined the category of this rulemaking proceeding to be quasi-legislative as the term is defined in Rule 1.3(d) of our Rules of Practice and Procedure (Rules). Today we affirm this categorization. Furthermore, we do not anticipate holding formal hearings. The record in this proceeding will be composed of all documents filed and served on parties.

2. Ex Parte Communications

This proceeding is subject to Article 8 of the Rules, which specifies standards for engaging in ex parte communications and the reporting of such communications. Pursuant to Rule 8.2(a), ex parte communications will be allowed in the proceeding without any restrictions or reporting requirements unless and until the Commission modifies this determination pursuant to Rule 7.6.

3. Scope of Proceeding

As set forth in the preliminary scoping memo, except as noted below, the following issues are to be considered in this proceeding:

- Single Rate Case for Multi-District Utilities. As set forth in Appendix A to R.06-12-016, our proposed rate case schedule would require a multi-district water utility to file a comprehensive general rate case (GRC) application for all districts at the same time once every three years.
- Notice of Rate Increases For Utilities With Bimonthly Billing. To provide sufficient time for a utility applicant using bimonthly billing to notify customers of a proposed rate increase in a GRC, Appendix A to R.06-12-016 would modify the current Rate Case Plan[1] to hold public participation hearings later.
- Addition of Technical Conference. To ensure that Water Division and other parties understand an applicant's ratemaking models, Appendix A to R.06-12-016 adds a technical conference to the Rate Case Plan.
- Cost of Capital Proceeding. Appendix A to R.06-12-016 proposes that cost of capital applications be due May 1 of the year prior to the Test Year (TY) and that utilities may, at their option, file an annual cost of capital application on May 1 of each year. In

[1] The current Rate Case Plan was adopted in D. 04-06-018.

addition, we are proposing that all Class A water utility cost of capital proceedings be consolidated.

- Minimum Data Requirements. To reduce additional discovery during a formal rate case, Appendix A to R.06-12-016 sets forth standardized Minimum Data Requirements to be completed by a utility as part of its GRC and cost of capital testimony. We will also consider whether an additional requirement of the Minimum Data Requirements under II.G. should be added to require the applicant to demonstrate that it has complied with § 10620 of the California Water Code (preparation of Urban Water Management Plan).
- Water Quality Review. To improve the Commission's determinations on water quality, Appendix A to R.06-12-016 authorizes the assigned Commissioner and assigned Administrative Law Judge to appoint, at the utility's expense, an independent expert witness to offer evidence in the GRC concerning the water utility's water quality compliance. Appendix A also suggests that the proposed decision in a GRC proceeding make specific findings and recommendations concerning the utility's water quality compliance.
- Reduction of Unaccounted Water. Appendix A to R.06-12-016 proposes the use of the AWWA/IWA[2] audit methodology. Specifically, applicants would be required to perform and submit the results of a water loss audit as part of their testimony and other required materials supporting their GRC applications. The water utility would also be required to use the free Water Audit Software[3] developed by the AWWA.
- Interim Rate Relief. To facilitate and expedite requests under Pub. Util. Code § 455.2 for interim rate relief during a GRC,

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[2] AWWA/IWA refers to American Water Works Association/International Water Association.

[3] The software is available at: http://www.awwa.org/WaterWiser/waterloss/Docs/03IWA_AWWA_Method.cfm

Appendix A to R.06-12-016 sets forth a procedure that relies upon an advice letter filing with the Water Division pursuant to General Order 96-B.

- Rate Case Plan Waiver Process. Appendix A to R.06-12-016 identifies permitted deviations and waivers under of Pub Util. Code § 455.2(c) and specifies procedures for implementing such waivers or deviations.

We decline to add any additional issues raised by parties in their January 8, 2007 comments on the preliminary scoping memo. The Division of Ratepayer Advocates requested that two issues be added to the scope of this proceeding, specifically, whether the proposed changes to the current Rate Case Plan will impede the ability of other interested parties to participate in Class A water utility GRCs and whether the Commission should, in this proceeding, adopt specific mechanisms to diminish the number of errors contained in a utility's workpapers or calculations supporting a GRC application. We will not expand the scope of this proceeding to include these two issues.

4. Presiding Officer

Pursuant to Rule 13.2(c), the assigned Commissioner is the presiding officer in a quasi-legislative proceeding, except the assigned Administrative Law Judge (ALJ) shall act as the presiding officer to the extent permitted by law in the Commissioner's absence at any hearing. Consistent with Rule 13.2, Commissioner John Bohn is designated as the presiding officer in this proceeding. Regina DeAngelis is the assigned ALJ.

5. Schedule

We received comments from parties seeking modifications to the schedule proposed by the preliminary scoping memo. As a result, we adopt below a modified schedule. The adopted schedule provides parties with additional time

to meet and confer before preparing comments and reply comments on Appendix A to R.06-12-016.

In order to encourage parties to continue to discuss the issues in this rulemaking, parties are directed to convene at least two meetings before the date for filing initial comments. The next business day following each meeting the parties shall submit a brief joint report to the assigned ALJ. The contents of the report shall include: (a) a list identifying any issues the parties have settled or otherwise stipulated for this proceeding; (b) a list identifying all remaining contested issues; and (c) all other relevant matters. This report may be submitted via electronic mail. Under the Commission's Alternative Dispute Resolution process (Resolution ALJ -185), an ALJ neutral is available at no cost to the parties to assist with any settlement or mediation discussions. A request for a neutral should be made to the assigned ALJ.

In addition, the Commission may provide parties with an opportunity to engage in an informal discussion on matters relevant to this proceeding during a workshop or other forum.

Lastly, if parties anticipate the need for changes to the schedule for filing upcoming general rate cases under the Rate Case Plan set forth in D.04-06-018 before a final decision is issued in this proceeding, parties are encouraged to notify the Commission as soon as possible. The adopted schedule for this proceeding is as follows:

- December 14, 2006 - Order Instituting Rulemaking
- December 29, 2006 - Deadline for other interested persons to request their addition to the service list and indicate status
- January 8, 2007 - Deadline for filing comments on preliminary scoping memo

- February 21, 2007- Deadline for filing comments on Appendix A to R.06-12-016
- February 28, 2007 - Deadline for filing rely comments on Appendix A to R.06-12-016
- March 28, 2007 - Mailing of Proposed Decision
- May 3, 2007 - First Possible Commission Consideration of the Proposed Decision

This proceeding will be submitted upon receipt of reply comments.

6. Service List

The official service list for this proceeding is published on the Commission's Internet site and updated throughout this proceeding. Parties are responsible for verifying that the information contained on that service list is accurate. At this point in the proceeding, parties seeking to be included on the Service List as an appearance must file a Motion for Party Status (Rule 1.4(a)(4)).

Parties must serve documents in the proceeding consistent with Rule 1.9 (Service) and 1.10 (Electronic Service). Under Rule 1.10, parties must provide a paper copy of all documents served by electronic mail to the assigned ALJ. To the extent possible, documents served should be transmitted before 5:00 p.m. on the date scheduled for service to occur. Rule 1.10 governs the rules for service of documents only, not the filing of documents with the Commission's Docket Office. Parties may file their documents electronically at http://www.cpuc.ca.gov/static/efiling.htm consistent with Resolution ALJ-188.

Therefore, **IT IS RULED** that:

1. This proceeding is categorized as quasi-legislative. An evidentiary hearing is not required.

2. Pursuant to Rule 8.2(a), ex parte communications will be allowed in the proceeding without any restrictions or reporting requirements unless and until the Commission modifies this determination pursuant to Rule 7.6.

3. The scope of this proceeding is set forth in paragraph 3, above.

4. Consistent with Rule 13.2, Commissioner John Bohn is designated as the presiding officer in this proceeding.

5. The schedule for this proceeding is set forth in paragraph 5.

Dated January 29, 2007, at San Francisco, California.

/s/ JOHN A. BOHN	/s/ REGINA DeANGELIS
John A. Bohn Commissioner	Regina DeAngelis Administrative Law Judge

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a copy of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the copy of the filed document is current as of today's date.

Dated January 29, 2007, at San Francisco, California.

/s/ JOYCE TOM
Joyce Tom