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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Park Water)
Company (U 314 W) for Authority to Increase)
Rates Charged for Water Service by \$6,491,200) APPLICATION NO. _____
or 26.16% in 2013, \$1,182,595 or 3.77% in)
2014, and \$1,801,937 or 5.53% in 2015.)
_____)

APPLICATION OF

PARK WATER COMPANY (U-314-W)

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January 3, 2012

Park Water Company (U 314 W) (Park or Applicant) hereby files its application for a General Rate Increase.

Test Period

The test period for the rate increase is Test Year 2013 with 2014 and 2015 selected as the Escalation Years. This is consistent with the rate case plan adopted by the Commission in D.07-05-062.

SB 960 Scoping Memorandum

This application is a general rate increase proceeding and therefore is a “Rate Setting” proceeding. Evidentiary hearings will be necessary because of factual disputes that may arise on material issues such as water sales, operating revenue, operation and maintenance expenses, utility plant, depreciation, taxes, revenue requirements, and rate design. A proposed schedule for completing the proceeding is contained in Appendix A.

Summary of the Requested Increase and Rate Base Changes

For 2013 Park is requesting an increase in its revenue requirement, above its adopted 2012 revenue requirement, of 6.5%. Due to substantially lower sales forecasts for 2013 than those adopted for 2010-2012, the increase in rates necessary to generate that increase in revenue requirement is substantially higher. The requested revenue increase for Park for 2013 above revenues generated by present rates is \$6,491,200 or 26.16%. At this time Park is only requesting specific rates for Test Year 2013. Pursuant to the escalation year increase methodology adopted by the rate case plan, D.07-05-062 (Appendix A, page A-19), Park will file advice letters setting out its calculations and supporting analysis for the escalation year rates 45 days prior to the first day of each escalation year. For the sole purpose of providing customer notification, Park has estimated the impact of the escalation methodology for 2014 and 2015. The estimated revenue increase for 2014 is \$1,182,595 or 3.77% above the proposed revenue increase for Test Year 2013. The estimated revenue increase for 2015 is \$1,801,937 or 5.53% above the estimated revenue requirement for 2014. Park estimates that the requested increase will produce a rate of return on equity of 10.20% and a return on the estimated rate base of the Company for Test Year 2013 of 9.42%. The cost of capital used in this application is the cost of capital, capital structure, debt cost, and rate of return, authorized in D.10-10-035 (A.09-05-003), the most recent decision on Park’s cost of capital.

Pursuant to the rate case plan, Park will file a cost of capital application on May 1, 2012, for the determination of its cost of capital for 2013 - 2015. Park anticipates that a Commission decision on its May 1, 2012 cost of capital application will be incorporated into this general rate case application. The requested rate increase is necessary because the present rates are insufficient, unjust, and unreasonable in that they do not produce adequate revenue to yield Park a fair, just, and reasonable return on capital invested and to be invested in plant, property, and other equipment devoted to providing utility service.

Results of Operation

At this time the Applicant's exhibits consist of attachments entitled "Balance Sheet as of September 30, 2011," the "Income Statement for the Nine Months ending September 30, 2011," and "Financial Statements as of September 30, 2011" (Exhibit A), "Park Water Company – Revenue Requirements Report" (Exhibit B), "Park Water Company – General Office Report" (Exhibit C), "Urban Water Management Plan Park Water Company" (Exhibit D), "Qualifications and Prepared Testimony" (Exhibit E), "Park Water Company – Response to Minimum Data Requirements" (Exhibit F), and the "Comparison Exhibit (Exhibit G). Exhibit G, the Comparison Exhibit, describes the differences between the proposed application and the application. The above exhibits describe the utility's overall results of operation. Exhibit D is the 2010 Urban Water Management Plan filed with the California Department of Water Resources in July 2011.

The above-referenced exhibits, and the accompanying workpapers, contain explanations of all significant changes from last adopted and recorded plant amounts and capital related costs, as well as explanation of significant changes in circumstances or assumptions affecting the expenses and customer growth. A detailed reconciliation of significant changes between the proposed Test Year 2013 expenses and the last adopted and recorded expenses has not been prepared by Park because Park does not believe that this would provide any useful information.

Primary Cost Increases

The rates for Park were last reviewed in Application 09-01-001 filed January 2, 2009. That Application requested rates for 2010, 2011, and 2012, and resulted in Decision No. 09-12-001 dated December 3, 2009. The rates for Park also reflect the cost of capital, last reviewed in Application 09-05-003 filed May 1, 2009. That Application

requested cost of capital in rates for 2010, 2011, and 2012, and resulted in D.10-10-035 dated October 28, 2010. As previously stated, Park will file a cost of capital application on May 1, 2012 requesting cost of capital in rates for 2013, 2014, and 2015. This GRC application proposes the rates required for Test Year 2013. The proposed rates are increased over those presently in effect for the following reasons:

1. Low present rate revenues due to decrease in estimates of consumption per customer compared to those adopted in the prior GRC. Through the first 9 months of 2011, actual sales have been 22.6% lower than those adopted for 2011 in the prior GRC.
2. Additional revenues to produce a fair rate of return on capital invested in property dedicated to providing utility service.
3. Increases in unit costs of production.
4. Inflationary increases anticipated during 2012 and the Test Year.
5. Increases in payroll expense.
6. Increases in health and welfare benefits.
7. Increases in General Office allocated expense.

Detailed descriptions of the above items are contained in Exhibit B, the Revenue Requirements Report.

List of Issues of Controversy

In the previous GRC, the Commission adopted a comprehensive settlement agreement between Park and the Division of Ratepayer Advocates (DRA). Park has no way of anticipating the positions that DRA will take in opposition to Park's proposed Test Year 2013 revenue requirement. It has been Park's experience that each GRC is unique with respect to the issues that arise from DRA. Park anticipates, however, that DRA may take opposition to its proposed capital projects, and proposed payroll budget. In addition, based on DRA positions in prior GRCs, Park anticipates that DRA may take issue with Park's requested memorandum account (see Memorandum Accounts below) and Park's proposal to remove the significant expense items of medical insurance for active employees and retirees from the escalation methodology outlined in the rate case plan and instead proposes a three-year budget for those specific costs (see Special Requests below).

In addition, there are some areas where Park is proposing a difference in methodology that may create the potential for there to be controversy. These areas include:

Sales Forecasts - Although Park performed and submitted the basic regression analysis procedure for the New Committee Method of sales forecasting, Park based its consumption estimates for Test Year 2013 on the recorded consumption for 2010, rather than a regression analysis. Given actual sales levels over the last few years, Park believes that the basic procedure of the New Committee Method sales forecasting methodology does not provide reasonable results and therefore, pursuant to Section B. of the “Old” Committee Method, not modified or eliminated in the New Committee Method, Park has proposed an alternate procedure. Park recommends the use of the recorded unit consumption for 2010 for the residential, business, public authority and reclaimed water customer groups. It is Park’s belief that this proposal will achieve the following: (1) improve the accuracy of the sales forecasts adopted in this proceeding, (2) reduce the potential for the accumulation of large under-collected balances in the Water Revenue Adjustment Mechanism (WRAM) balancing account and (3) reduce the temporal inequities associated with customers who receive the surcharge (or surcredit) associated with the amortization of WRAM balances.

The lower sales forecasts do not result in any increase in Park’s proposed revenue requirement; rather they result in a significant decrease to estimates of production cost, specifically purchased water expense. They do, however, result in a significant decrease to the estimate of revenues at present rates and therefore contribute substantially to the amount of the requested rate increase necessary to produce the proposed revenue requirement.

Working Cash Allowance, Revenue Lag – Traditionally Park has calculated a revenue lag for use in the Lead-Lag Study, used to determine the Working Cash Allowance, which assumed that the full amount of the revenue in the revenue requirement would be billed and received in that year. Park’s recent experience, however, is that a significant portion of the revenue requirement is not billed or received in that year but is instead captured in the WRAM and billed and received much later in the form of surcharges. In this GRC Park has calculated a revenue lag which incorporates this

assumption so as to more accurately reflect the actual cash flow associated with the revenues.

As stated above, Park cannot determine at this time what position DRA will take in response to all of Park's estimates in this application. It is therefore premature to attempt to quantify the dollar impact of the potential issues that will develop in this proceeding.

Basic Information

Testimony describing the basic information required by the rate case plan, D.07-05-062, is contained in Exhibits B, C, and F.

Regulated Plant In Service

Testimony, with supporting analysis and documentation, describing Park's regulated plant in service is provided in Exhibits B (Chapter VI) and C (Chapter V). The testimony and workpapers identify and justify all capital additions and include analysis, evaluation, and overall budget. A comparison of the forecasted capital additions adopted in the last GRC and actual capital additions is contained in the accompanying workpapers. The calculation of the forecasted capital additions by taking a five-year average of recorded plant additions and the explanation of significant changes from the last adopted and recorded regulated plant in service is contained in the accompanying workpapers.

Revenue Requirement: Operations and Maintenance, Administrative and General, General Office

Testimony, with supporting analysis and documentation, describing Park's revenue requirement related to O&M, A&G, and General Office expense, is contained in Exhibits B (Chapter IV), C (Chapter III), and F.

Revenue Requirement: Water Sales and Production

Testimony, with supporting analysis and documentation, describing Park's water sales and production is contained in Exhibits B (Chapter III) and F.

Rate Base

Testimony, with supporting analysis and documentation, describing Park's rate base is contained in Exhibits B (Chapter VIII), C (Chapter V), and F.

Supply and Distribution Infrastructure Status and Planning

Testimony, with supporting analysis and documentation, describing Park's supply and distribution infrastructure status and planning is contained in Exhibits B (Chapter II), and F.

Conservation and Efficiency

Testimony, with supporting analysis and documentation, describing Park's conservation and efficiency measures is contained in Exhibits B (Chapter II) and F. A copy of Park's Water Use Efficiency Plan is contained in the workpapers.

Water Quality

Testimony, with supporting analysis and documentation, describing Park's water quality is contained in Exhibits B (Chapter X) and F. Park requests a Commission finding that it is in compliance with the water quality standards of the California Department of Public Health, the Environmental Protection Agency, and General Order 103-A.

Service Quality

Testimony describing Park's service quality is contained in Exhibit B (Chapter II).

Unregulated Transactions

Park has one contract that is subject to the Excess Capacity Decision, D.00-07-018. Park has a maintenance contract with Central Basin Metropolitan Water District ("CBMWD"). Park maintains a portion of the reclaimed water distribution system of CBMWD. Pursuant to D.00-07-018, which requires that certain benefits flow through to ratepayers, Park has credited its revenue requirement with 10% of the revenue generated by this contract. Park believes that this procedure is consistent with the Non-Tariffed Products & Services Rules in D.10-10-019 (Appendix A, Rule X).

Real Property Subject to Water Infrastructure Improvement Act of 1996

During 2011, one pump lot, identified as Pump Lot 13-B, with a total original cost of \$1,355.10 was determined to be no longer used and useful. Additionally, due to water quality issues, standby Well 29K was abandoned. The associated parcel, with a total original cost of \$1,001.60 is unsuitable for construction of other utility facilities. The well site is being transferred to non-utility property in 2011 year-end accounting.

As of this writing, no disposition has occurred for these pump lots. Park requests Commission acknowledgement that Park is in compliance with the Infrastructure Improvement Act.

Rate Design

Park requests Commission authorization to continue its existing conservation rate design program to promote water conservation. For residential customers, the proposed conservation rate design consists of increasing block rates of two tiers. Park requests that the Commission consider a minor adjustment to the residential rate design for the redistribution of the tier breakpoint. Due to the different characteristics of its non-residential customers, Park recommends retaining the single quantity conservation rate for non-residential customers (which meets the requirements of California Urban Water Conservation Council Best Management Practice Number 11), until appropriate data and analysis is conducted to identify customers' water needs. Appropriate increasing block rate design for non-residential classes, which encourage conservation but are not punitive to the business, industrial, and public authority customer classes, will require multiple rate designs applied to subclasses and are not currently feasible. Additional study is required before appropriate rate designs for non-residential customer classes are proposed. Park requests a Commission finding that its testimony on non-residential tiered rates is in compliance with Ordering Paragraph 8 of D.12-09-001. Park believes that the Commission's order should not be applied for a variety of factors. Pak proposes to implement other measures to promote conservation to non-residential customers.

Park proposes that the Commission give consideration to the phasing-in of the rate increase authorized for the Test Year in this proceeding, providing that any portion of the adopted revenue requirement for 2013 for which recovery is deferred to a subsequent year of the rate case cycle will be recoverable in that year and will accrue interest at adopted rate of return. Park makes this proposal so that the Commission can consider a mechanism which would "level out" the rate increases over the rate cycle which, due to the methodologies adopted in the RCP, is typically much larger for the Test Year than the Escalation Years.

The Test Year increase is typically larger because a substantial portion of the Test Year increase results from "catch up" due to the inadequacy of rates in the Escalation

Years to produce the adopted revenue requirement and the inadequacy of the Escalation Year procedure to arrive at a revenue requirement in those years that keeps pace with Park's cost increases. The first inadequacy referred to results from the requirement in the RCP that the Test Year sales forecasts also be used in both Escalation Years; in the current situation where conservation is being encouraged, the inability to project lower sales in the Escalation Years results in calculation of rates which are understated and will not generate the revenue requirement. The second inadequacy results from the RCP methodology for escalating expenses to the Escalation Years by escalation factors and customer growth. When the Commission decided to include a customer growth factor in the Escalation Year methodology the Commission noted that all expense categories do not increase with customer growth and stated: "We grant this request with the understanding that including customer growth in the escalation methodology will tend to overcompensate the utility for increased costs. We believe that this outcome will offset any issues where we make simplifying assumptions for escalation purposes that may not fully encompass all possible future cost increases." (D.04-06-018, page 11). Park's Central Basin Division has no room to grow and negligible potential for customer growth. Annual customer growth is typically less than 0.2% and therefore has little potential to offset the simplifying assumptions for escalation purposes that do not fully compensate for cost increases.

In this particular GRC, the effect of the disparity in rate increases between the first year of the cycle and the last two years of the cycle is exacerbated by the use of the alternate sales forecasting methodology to better model decreases in sales over the last several years, rather than the Basic Procedure of the New Committee Method that was used in the last GRC. This is also, in essence, a "catch-up" because the Basic Procedure produced sales forecasts for 2010-2012 in the last GRC that were unrealistically high and resulted in rates being set at levels too low to generate the adopted revenue requirements. The increase in the first year has to cover, not only the increase in revenue requirement from 2012 to 2013, but also the increase in rates necessary to generate the 2012 revenue requirement at current, rather than adopted, sales levels. In the last GRC for Park's Central Basin Division, Test Year 2010, the last recorded year was 2008, Park had just initiated its conservation rate design and was in the process of building up its other

conservation programs, the trend of reduction in sales was just beginning and there was not sufficient recognition that the basic procedure of the New Committee Method would not produce reasonable sales forecasts for the Test Period of 2010-2012.

While the more “correct” way to level out the increases in the Test Cycle would be to put some of the “catch-up” increase for 2013 back into the Escalation Years 2012 and 2011, retroactive ratemaking prohibitions and necessity of modification to the RCP decision prevent that. The Commission can, however, consider addressing this built in disparity, especially in light of the impact of the sales forecasting, by leveling out the years through a phase-in approach as suggested above. Because of the effect of the “catch-up” described above, even though Park’s requested revenue increase in revenue requirement is not large, about 6.5%, the increase in rates above those currently in effect necessary to generate that revenue requirement is significant. Park proposes that the Commission give this consideration.

Testimony, with supporting analysis and documentation, describing Park’s proposed rate design is contained in Exhibit B (Chapter XII).

Low-Income Assistance Program

In D.05-12-020, the Commission authorized the establishment of a low-income ratepayer assistance program, known as California Alternative Rates for Water (CARW). Park proposes to continue the existing CARW program. The CARW program authorized for Park consists of a \$5.50 per month service charge discount for qualifying customers who meet the income eligibility requirements established annually by the Commission. Park proposes to increase the current monthly service charge discount by the average percentage increase to rates authorized in this. In addition, Park proposes to implement a surcharge to offset the CARW discounts provided to qualifying customers and the CARW program costs. Testimony, with supporting analysis and documentation, describing Park’s proposed low-income assistance program, is contained in Exhibit B (Chapter II).

Balancing Accounts

Pursuant to the conservation objectives contained in the Water Action Plan (WAP), Park requests Commission authorization to continue its existing Water Revenue Adjustment Mechanism (WRAM)/Modified Production Cost Balancing Account

(MCBA), with some small modifications explained below. The WRAM/MCBA is the decoupling mechanisms agreed to by Park and DRA in their June 15, 2007 settlement agreement filed in the Conservation OII (I.07-01-022) for Park's Central Basin Division, authorized by the Commission in D.08-02-036 dated February 28, 2008, and continued by the Commission in D.09-12-001.

The purpose of the WRAM is to remove financial disincentives to water conservation by decoupling sales from revenues. As referenced in the WAP, the Commission's ratemaking mechanisms have traditionally included financial disincentives for water conservation programs. Park's WRAM tracks the full difference between actual and adopted commodity rate revenue, in conjunction with the proposed modified production cost balancing accounts (MCBA) as discussed below. Additionally, Park proposes to add the commodity revenues for the Reclaimed Water customer group to the WRAM balancing account.

Park's MCBA captures variations in production costs (purchased power, purchased water, and pump tax or replenishment assessments) due to either changes in unit price or changes in consumption. Park proposes to add the production costs of leased water rights and chemicals to the supply costs captured by the MCBA. Park believes that it is appropriate for all production related costs to be reflected in the MCBA to avoid potential for unintended incentives or disincentives to Park and ratepayers that otherwise might result from source mix changes. With all production costs included, the MCBA will serve to refund all production cost savings due to lower than adopted sales, or whenever actual production costs are lower than the forecasted costs included in rates, back to ratepayers. Consistent with Park's proposal for reclaimed water revenue to be covered by the WRAM, Park further proposes to add the reclaimed purchased water production costs in the MCBA. On the effective date of tracking reclaimed purchased water costs in the MCBA, the current Incremental Cost Balancing Account for reclaimed water would terminate.

Park requests that the Commission review its California Alternative Rates for Water Revenue Reallocation Balancing Account for approval. The balance at December 31, 2011 is projected to be an over-collection of \$149,388 and decreasing to a zero balance at the beginning of the Test Year. Outside of the surcharge referred to above,

designed to balance the discount proposed during the test period, Park is not proposing any surcharge or surcredit to amortize a prior balance.

Park requests that the Commission authorize a new balancing account to track the difference between adopted pension expense included in rates in this proceeding and the actual expenses incurred. Park is seeking this account because of the projected increase in pension expense. Market conditions impact actual asset returns and the appropriate discount factor used by actuaries in determining the pension expense. These market conditions are outside of Park's control. As actual asset returns and discount factors deviate from what was assumed in the actuarial study, the changes results in gains and losses that are factored into the next actuarial study. A balancing account ensures that both the customers and utility are neither harmed nor benefitted by changing market conditions. Park is seeking similar treatment previously afforded to other water and energy utilities regulated by the Commission, including California American Water Company (D.10-06-038), California Water Service Company (D.10-12-017), Golden State Water Company (D.10-11-035), San Jose Water Company, Southern California Edison Company, and Pacific Gas and Electric Company. The amounts to be recorded in the proposed Pension Balancing Account would be limited to the difference between Park's recorded expense, as determined by an independent actuarial firm, consistent with SFAS 87 accounting and ERISA standards and Park's recovery of costs for ratemaking purposes.

Testimony, with supporting analysis and documentation, on Park's balancing accounts is provided in Exhibit B (Chapter XI).

Memorandum Accounts

Park requests that the Commission authorize a Green Projects Memorandum Account to track the costs, expenses and capital costs, associated with cost-effective "green" or pro-environment, projects potential recovery. An example of the type of project which Park anticipates could be tracked in this memorandum account is a project for the research, development and demonstration of Pressure Reducing Valve ("PRV") modernization technology in which Park seeks to investigate the possibility of recovering wasted electrical energy while at the same time optimizing water system pressures and the flow of water in the distribution system through the use of modern electrical

regenerative flow control valve technology. Because the costs for this project are currently not known with any certainty, they cannot readily be forecast in this GRC. In Resolution W-4854, the Commission authorized a memorandum account for a similar project for San Jose Water Company, Golden State Water Company, California American Water Company and California Water Service Company. Absent this memorandum account, Park would have to wait until projects are sufficiently defined to forecast costs in its GRC, resulting in potential delays of three years. Opportunities to invest in cost-effective green projects will be significantly delayed, and potentially lost, if Park is unable to proceed with a project due to lack of any potential for cost recovery of reasonable expenses and capital costs incurred between GRCs.

Testimony, with supporting analysis and documentation, regarding Park's memorandum accounts, is contained in Exhibit B (Chapter XI).

Cost of Capital

Pursuant to D.07-05-062, Park will file a cost of capital application on May 1, 2012. Accordingly, Park has not included in this application testimony regarding its cost of capital. For purposes of determining the revenue requirement, Park has used the cost of capital authorized by the Commission for current rates. The cost of capital used is the capital structure and rate of return authorized in D.10-10-035. Park anticipates that a Commission decision on its May 1, 2012 cost of capital application will be incorporated into this general rate case application.

Special Requests

Park proposes to remove two significant expense items from the escalation methodology outlined in the rate case plan and instead proposes a three-year budget for those specific costs. The expense items which Park proposes to remove are employee health insurance and retiree health insurance. Park's proposal would apply to the expense for Central basin employees and the Central Basin allocation of the General Office expense for those insurance categories. Park believes this is necessary because health care cost inflation is limited to CPI-U which consistently has not reflected the increases incurred in Park's actual health care costs.

Park requests Commission authorization to implement a tariff charge for fire-flow tests. Park also requests Commission authorization to implement a tariff charge for

restoration of service during both working hours and after hours and the implementation of a tariff charge for voluntary disconnection after hours (not applicable to emergency situations such as the flooding of a house or leaks between the meter and house valve). Park believes that only those customers who request these services benefit from them and therefore should be responsible for the cost of the services provided. Park's proposed fees reflect its actual cost of providing the service.

Park proposes to change the interest on customer deposits in Rule No. 7 from 7 percent per annum to the average monthly 90-day commercial paper rate per month. In D.94-07-047, the Commission authorized similar treatment for California Water Service Company.

Park anticipates filing purchased water/replenishment offset advice letter(s) subsequent to the filing of this application but prior to the Test Year. Park proposes that the Commission recognize any subsequent offsets prior to the issuance of a final decision in this GRC. A final decision in this proceeding should reflect the change in revenue requirement caused by the purchased water and replenishment expense offset advice letters (anticipated in July 2012 and January 2013). Park's proposal would alleviate any potential customer confusion from repeated customer notices and additional workload for Commission staff and Park that would be caused by Park having to repeat advice letter filings to implement the offset increases.

Filings

An original signed copy and four copies of the proposed application and supporting testimony, as well as one full paper copy set of workpapers have been served on DRA. In addition, one copy of the application and supporting testimony has been provided to the Commission's Legal Division, Water Division, and Chief Administrative Law Judge.

Proposed Schedule

A proposed Schedule is attached hereto as Appendix A. This timetable corresponds to that set forth for single district filings in the above Decision.

Proposed Notice to Customers

A Proposed Notice to Customers is attached hereto as Appendix B. The proposed notice to customers describes the reasons for the requested increase and estimates average

bill increase for a typical customer-by-customer class. The proposed notice has been submitted for review to the Commission's Public Advisor office.

Conclusion

Inquiries for clarification or additional data should be addressed to:

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Director of Revenue Requirements
Park Water Company
9750 Washburn Road
P. O. Box 7002
Downey, CA 90241-7002
Phone: (562) 923-0711
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with a copy to

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c/o Park Water Company
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Downey, CA 90241-7002
Phone: (562) 923-5120
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And an additional copy to

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Email: jpark@fulbright.com

Dated at Downey, California, January 3, 2012.

Respectfully submitted,

PARK WATER COMPANY



Leigh K. Jordan
Executive Vice President

VERIFICATION

STATE OF CALIFORNIA) §.
COUNTY OF LOS ANGELES)

I, Leigh K. Jordan, am Executive Vice President of the Applicant Corporation herein and am authorized to make this verification on its behalf. The statements in the foregoing document are true to my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the above is true and correct.

Executed at Downey, California this 3rd day of January 2012.



Leigh K. Jordan
Executive Vice President

APPENDIX A

PARK WATER COMPANY

Rate Case Processing Plan (RCPP) Timetable
Test Year 2013

Formal RCPP Activities:

1.	Proposed Application Filed	-60	November 1, 2011
2.	Deficiency Letter Mailed	-30	December 2, 2011
3.	Appeal to Executive Director	-25	December 07, 2011
4.	Executive Director Acts	-20	December 12, 2011
5.	Application Filed / Testimony Served	0	January 3, 2012
6.	Pre-Hearing Conference Start Date	10-75	January 11-March 16 2012
7.	Public Participation Hearing (as needed)	10 –90	January 11- April 2, 2012 ¹
8.	Update of Applicant’s Showing	45	February 15, 2012
9.	DRA Testimony	97	April 9, 2012 ¹
10.	Other Parties Serve Testimony Reports	97	April 9, 2012 ¹
11.	Rebuttal Testimony	112	April 23, 2012 ¹
12.	ADR Process	115 – 125	April 25-May 7, 2012 ¹
13.	Evidentiary hearings (if required)	126 – 130	May 7-May 11, 2012 ¹
14.	Opening Briefs Filed and Served ²	160	June 11, 2012 ¹
15.	Motion for Interim Rates	160	June 11, 2012 ¹
16.	Mandatory Status Conference	161	June 11, 2012 ¹
17.	Reply Briefs Filed and Served (with Comparison Exhibit)	175	June 25, 2012 ¹
18.	Water Division Technical Conference	180	June 29, 2012
19.	Proposed Decision Mailed	240	August 28, 2012
20.	Comments on Proposed Decision	260	September 17, 2012
21.	Reply Comments	265	September 24, 2012 ¹
22.	Commission Meeting	280	October 9, 2012 ¹

¹ Adjusted not to fall on weekend or holiday

² The detailed and complete joint comparison exhibit showing all parties’ final positions shall also be filed at this time.

APPENDIX B

FOR A SPANISH VERSION OF THIS BILL INSERT YOU MAY CALL THE FOLLOWING NUMBER: 1-800-727-5987;
OR E-MAIL: [www.customerservice@parkwater.com](mailto:customerservice@parkwater.com), OR VISIT OUR WEBSITE AT www.parkwater.com

PARA UNA VERSION EN ENSPANOL DE ESTE AVISO USTED PUEDE LLAMAR EL NÚMERO SIGUIENTE: 1-800-727-5987, O CORREO ELECTRONICO: customerservice@parkwater.com , O VISITA NUESTRO SITIO WEB EN www.parkwater.com

NOTICE OF APPLICATION FOR A GENERAL RATE INCREASE BY PARK WATER COMPANY APPLICATION NO. 12-XX-XXX

REQUEST FOR PUBLIC COMMENTS

Dear Valued Customer,

The California Public Utilities Commission (CPUC) is seeking public comments from Park Water Company's (PWC) customers in the Central Basin Division service area regarding a proposed request by PWC to increase rates for service in 2013, 2014, and 2015. As part of its decision making process, the CPUC is interested in your comments on any aspect of the company's operation including proposed rates, service quality, or any other issue of concern.

PWC filed Application 12-xx-xxx on January 3, 2012 with the CPUC requesting the following increase over authorized 2012 revenues: \$1,919,933 or 6.53% in 2013, an additional increase of \$1,244,400, or 3.98% in 2014, and an additional increase of \$1,866,035 or 5.73% in 2015. The increases are necessary to keep up with increased purchased water and pumping costs which are out of PWC's control and to meet PWC's goals to ensure a safe and reliable source of supply, improve infrastructure, and to promote the efficient use of water. Due to substantially lower sales forecasts for 2013 than those authorized for 2010-2012, the increase in rates for 2012 necessary to generate that increase in revenues is substantially higher. The majority of the rate increase for 2012 is necessary just to generate the current authorized revenues from current lower sales volumes.

PWC's Central Basin Division service area serves approximately 27,000 customers in and near the cities of Norwalk, Bellflower, Lynwood, Compton, Santa Fe Springs, and Artesia.

Following is a rate comparison table of the estimated revenues (\$1,000s) generated by present rates and at rates proposed in this Application (2014 and 2015 increases are above 2013 and 2014 proposed revenue requirements, respectively):

Increase in Test Year (Dollars in Thousands)

Customer Class	<u>2013 Increase</u>		<u>2014 Increase</u>	<u>2015 Increase</u>
Residential	\$4,539.5	26.24%	3.81%	5.58%
Business	\$1,430.3	27.13%	3.75%	5.52%
Industrial	\$40.5	29.19%	3.73%	5.51%
Public Authority	\$329.8	25.84%	3.76%	5.52%
Private Fire Service	\$7.7	6.19%	4.00%	4.05%
Private Fire Hydrants	\$0.3	0.53%	0.36%	0.35%
Temporary	\$3.8	21.29%	3.81%	5.54%
Reclaimed	\$138.8	35.85%	4.44%	6.50%
Total Water Revenues	\$6,490.8	26.16%	3.77%	5.53%

If the application is approved by the CPUC, an average residential customer with a 5/8" by 3/4" meter with the average consumption projected in this application, 22.52 hundred cubic feet (Ccf) every 2 months, would see an increase in their bi-monthly (every 2 months) bill (excluding any applicable surcharges) as follows:

Year	<u>Present</u> (every 2 months)	<u>2013</u> (every 2 months)	<u>2014</u> (every 2 months)	<u>2015</u> (every 2 months)
Amount of Bill	\$112.85	\$140.34	\$145.69	\$153.82
Amount of Increase		\$27.50	\$5.35	\$8.13
Percentage Increase		24.37%	3.81%	5.58%

The two tiered rate structure is applicable to single family residential customers.

The following table shows PWC's proposed conservation tiered rate allocation structure for 2013 for a residential customer:

	Monthly Allocation	Quantity Charge (per Ccf)
Tier I	First 10 Ccf (20 Ccf bi-monthly)	\$ 4.476
Tier II	Over 10 Ccf (20 Ccf bi-monthly)	\$ 5.147

OBTAINING A COPY OF THE APPLICATION

A copy of PWC's proposed General Rate Case Application and related exhibits may be inspected at the Park Water Company Office at 9750 Washburn Road, Downey, CA 90241. Copies are also available to review at the CPUC's Central Files Office in San Francisco at 505 Van Ness Avenue, San Francisco, California 94102.

EVIDENTIARY HEARINGS

The CPUC may schedule formal evidentiary hearings whereby the formal parties of record provide testimony and are subject to cross examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public, but only those who are formal parties of record can participate. The CPUC has their own court reporters who will take the comments of those formal parties of record participating in the evidentiary hearings. PWC will provide testimony at the hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists, and attorneys who independently evaluate the proposals of utilities for rate changes and present their analyses and recommendations for the CPUC at evidentiary hearings. Once hearings are completed, the ALJ will consider all of the evidence presented and release the draft decision. The CPUC may approve the proposed requests for Park, approve the draft decision by the ALJ, or may approve an alternate decision filed by a CPUC Commissioner. The final decision may differ from Park's original proposed request.

PROTESTING THE APPLICATION

Formal protests to this application must be filed with the CPUC. As a PWC customer, if you would like to file an informal comment or protest this filing you may send your comments to the CPUC's Public Advisor Office (PAO). The PAO was established to assist members of the public who wish to protest or participate as a formal party of record in CPUC proceedings. For assistance in filing a protest with the CPUC or to participate in this proceeding, please contact the PAO, 320 West Fourth Street, Suite 500, Los Angeles, CA 90013 or E-mail public.advisor.la@cpuc.ca.gov. Please refer to Application (A.12-01-XXX) in any communications.

PUBLIC COMMENT

If you wish to comment on or informally protest this filing as a customer of PWC, you may do so by contacting the PAO via phone or e-mail. Written public comment by PWC customers is very much desired by the CPUC and may be sent to the PAO at the address shown above. These comments will become part of the formal correspondence file for this proceeding and will be circulated to the assigned ALJ, the assigned Commissioner, and appropriate CPUC staff.

A copy of said Application and related Exhibits will be furnished by applicants upon written request to Edward N. Jackson, Park Water Company, 9750 Washburn Road, Downey, CA 90241. A copy of the proposed application filing can be viewed at the CPUC's Headquarter Offices, Central Files – Room 2002 at 505 Van Ness Avenue, San Francisco, CA 94102.

PARK WATER COMPANY

Park Water Company
Balance Sheet as of September 30, 2011
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Assets and Other Debits		
Utility Plant		
Utility Plant in Service	\$ 59,937,912	\$ 53,261,017
Construction in Progress	3,054,337	2,848,601
Total Utility Plant	<u>62,992,249</u>	<u>56,109,618</u>
Reserve for Depreciation of Utility Plant	(23,896,903)	(18,215,336)
Accumulated Amortization-Plant in Service	19,998	19,998
Utility Plant Adjustments	<u>0</u>	<u>0</u>
Total Utility Plant Less Reserve	39,115,344	37,914,280
Current and Accrued Assets		
Cash	478,658	4,700
Temporary Investments	7,099,771	0
Receivables	2,304,646	1,750,071
Inventory	138,428	138,428
Prepays	639,087	315,327
Regulatory Accounts	1,755,256	1,755,256
Other Work in Progress	38,420	38,420
Nonutility Property	70,905	0
Deferred Debits and Miscellaneous	<u>1,869,264</u>	<u>41,662</u>
Total Current and Accrued Assets	14,394,435	4,043,864
Regulatory Accounts	7,260,560	7,260,560
Deferred Debits	4,133,893	168,937
Investment-Associate Company	35,914,094	167,443
Other Assets	<u>333,560</u>	<u>0</u>
Total Assets and Other Debits	<u>\$ 101,151,886</u>	<u>\$ 49,555,084</u>

Park Water Company
Balance Sheet as of September 30, 2011
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Liabilities and Other Credits		
Capital Stock and Surplus		
Common Stock	\$ 610,391	\$ 0
Miscellaneous Paid in Capital	1,963,455	0
Earned Surplus	0	
Beginning of the Year	(21,001,930)	0
Current Year Net Income(Loss)	(837,043)	1,783,274
Dividends Paid	0	0
	<hr/>	<hr/>
Total Capital Stock and Surplus	(19,265,127)	1,783,274
Long Term Debt		
Miscellaneous Long Term Debt	52,000,000	0
	<hr/>	<hr/>
Total Capitalization	32,734,873	1,783,274
Current and Accrued Liabilities		
Accounts Payable	1,636,919	717,712
Current Portion L/T Debt	2,427,677	0
Taxes Accrued	88,622	1,188,850
Interest Accrued	1,206,359	0
Regulatory Accounts	314,414	314,414
Other Current and Accrued Liabilities	3,224,242	1,126,563
	<hr/>	<hr/>
Total Current and Accrued Liabilities	8,898,233	3,347,539
Deferred Credits		
Advances for Construction	1,276,899	1,276,899
Advances from Associated Companies	41,603,351	29,126,324
Other Deferred Credits	13,746,802	11,129,320
	<hr/>	<hr/>
Total Deferred Credits	56,627,052	41,532,543
Contributions in Aid of Construction	2,891,728	2,891,728
Total Liabilities and Other Credits	\$ <u>101,151,886</u>	\$ <u>49,555,084</u>

Park Water Company
Income Statement for the Nine Months ending September 30, 2011
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Operating Revenues		
Water Service Revenue		
Metered Sales to General Customers:		
Residential Sales	\$ 12,120,715	\$ 12,120,715
Commercial Sales	3,725,158	3,725,158
Sales to Public Authorities	872,427	872,427
Subtotal	<u>16,718,300</u>	<u>16,718,300</u>
Unmetered Sales to General Customers		
Residential Sales		
Private Fire Protection Service	95,054	95,054
Sales to Other Water Utilities for Resale	6,688	6,688
Regulatory Balancing Account	2,028,296	2,028,296
Subtotal	<u>2,130,038</u>	<u>2,130,038</u>
Total Water Service Revenues	18,848,338	18,848,338
Other Water Revenues		
Miscellaneous Service Revenues	573,447	573,447
Other Water Revenues	<u>0</u>	<u>0</u>
Other Operating Revenues	573,447	573,447
Total Operating Revenues	19,421,785	19,421,785
Operating Expenses		
Source of Supply Expense		
Operation:		
Purchased Water	5,667,415	5,667,415
Purchased Power	155,154	155,154
Leased Water Rights	328,045	328,045
Replenishment Charge	485,809	485,809
Chemicals	<u>10,867</u>	<u>10,867</u>
Total Source of Supply Expense	6,647,290	6,647,290
Payroll-Including Paid Time Off & Temporary Labor		
Regular	2,718,415	2,718,415
Paid Time Off	337,842	337,842
Temporary Labor - Agency	<u>31,405</u>	<u>31,405</u>
Total Payroll Including Paid Time Off & Temporary Labor	3,087,662	3,087,662
Payroll Related Costs		
Payroll Taxes	217,047	217,047
Workers' Compensation Insurance	100,082	100,082
Employees Benefits Excluding Paid Time Off	<u>1,198,266</u>	<u>1,198,266</u>
Total Payroll Related Costs	\$ 1,515,395	\$ 1,515,395

Park Water Company
Income Statement for the Nine Months ending September 30, 2011
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Administrative & General		
Utilities	\$ 102,137	\$ 102,137
Travel & Business Meals	15,802	15,802
Training and Educational	13,691	13,691
Dues-Industry & Professional	68,532	68,532
Postage	68,186	68,186
Office Supplies	20,567	20,567
Bank Fees	19,836	19,836
Miscellaneous A & G	874	874
Professional Services	191,756	191,756
Insurance	440,935	440,935
Franchise Requirements	74,376	74,376
Regulatory Commission Expense	99,817	99,817
Administrative Transfer Credit	(140,142)	(140,142)
Corporate A & G Allocation	<u>36,167</u>	<u>36,167</u>
Total Administrative & General Expense	1,012,534	1,012,534
Operations and Maintenance Other		
Contracted Services	575,309	575,309
Materials	73,667	73,667
Operating Supplies & Parts	71,817	71,817
Permits	8,891	8,891
Uniforms	<u>19,592</u>	<u>19,592</u>
Total Operations and Maintenance Other	749,276	749,276
Customer Service and Information		
Collection Agency	7,538	7,538
Uncollectibles	88,295	88,295
Deposit Over and Under	(4,709)	(4,709)
Customer Service Forms	<u>5,436</u>	<u>5,436</u>
Total Customer Service and Information	96,560	96,560
Depreciation and Amortization		
Depreciation	894,563	894,563
Amortization	<u>1,202</u>	<u>1,202</u>
Total Depreciation and Amortization	895,765	895,765
Taxes Other Than Income		
Property Taxes	222,476	222,476
Taxes Other	<u>26,285</u>	<u>26,285</u>
Total Taxes Other Than Income	\$ 248,761	\$ 248,761

Park Water Company
Income Statement for the Nine Months ending September 30, 2011
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Clearing Accounts		
Stores Excluding Labor	\$ 8,587	\$ 8,587
Transportation Excluding Labor	254,525	254,525
Tools/Work Equipment Excluding Labor	<u>4,629</u>	<u>4,629</u>
Total Clearing Accounts	267,741	267,741
Allocations		
Main Office-Four Factor	2,096,764	2,096,764
Maintenance General Plant-Downey	<u>(131,773)</u>	<u>(131,773)</u>
Total Allocations	1,964,991	1,964,991
Total Admin. & General Expense	5,235,628	5,235,628
Total Operating Expenses	16,485,975	16,485,975
Total Utility Operating Income	2,935,810	2,935,810
Non-Operating Revenue		
Income from Nonutility Operations	(586,944)	0
Investment Income	7,388	0
Miscellaneous Non-operating Revenues	<u>47,148</u>	<u>47,148</u>
Total Other Income	(532,408)	47,148
Non-Operating Expenses		
Miscellaneous Income Deductions	2,399	2,400
Interest Expense	3,663,986	8,434
Amortization of Debt Discount & Expense	<u>132,089</u>	<u>0</u>
Total Income Deductions	3,798,474	10,834
Net Income Before Income Taxes	(1,395,072)	2,972,124
Income Taxes (A)	<u>558,029</u>	<u>(1,188,850)</u>
Net Income (Loss)	\$ <u><u>(837,043)</u></u>	\$ <u><u>1,783,274</u></u>

(A) Actual income taxes will be calculated in audited financial statements.

PARK WATER COMPANY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Stocks Authorized

The Articles of Incorporation authorized 80,000 shares of \$25.00 per value common stock of which 24,415.64 are outstanding as of September 30, 2011.

Long Term Debt

Long Term Debt outstanding as of September 30, 2011 is as follows:

Holder of Obligation	Date of Issue	Date of Maturity	Principal Amt. Authorized	Outstanding Sept 30, 2011	Rate	Interest Paid 2010
Nationwide Life	1995	2025	\$ 10,000,000	\$ 10,000,000	7.59%	\$ 759,000
American United	2000	2020	\$ 6,000,000	\$ 6,000,000	8.82%	\$ 264,600
State Life Insurance	2000	2020	\$ 500,000	\$ 500,000	8.82%	\$ 22,050
Pioneer Life Insurance	2000	2020	\$ 500,000	\$ 500,000	8.82%	\$ 22,050
Pacific Life	2006	2036	\$ 15,000,000	\$ 15,000,000	5.99%	\$ 898,500
American United	2008	2033	\$ 8,000,000	\$ 8,000,000	7.56%	\$ 302,400
State Life Insurance	2008	2033	\$ 1,500,000	\$ 1,500,000	7.56%	\$ 56,700
Pioneer Mutual	2008	2033	\$ 500,000	\$ 500,000	7.56%	\$ 18,900
Pacific Life	2008	2038	\$ 7,000,000	\$ 7,000,000	7.65%	\$ 267,750
Pacific Life Annuity	2008	2038	\$ 3,000,000	\$ 3,000,000	7.65%	\$ 114,750
Notes Payable-Stockholders	1997	2012	\$ 2,514,392	\$ 2,427,677	7.38%	\$ 165,993
Totals			\$ 54,514,392	\$ 54,427,677		\$2,892,693

Additional information concerning this long-term debt is available in the following Commission files:

<u>Application No.</u>	<u>Decision #</u>	<u>Date of Decision</u>
54321	81891	09-14-73
56631	87220	04-19-77
58856	90653	08-14-79
83-09-47	84-05-058	05-16-83
87-10-022	87-12-001	12-09-87
90-09-038	90-11-074	11-21-90
90-08-054	91-05-024	05-08-91
92-09-048	93-01-022	01-08-93
95-05-027	95-08-060	08-11-95
96-11-017	97-03-018	03-07-97
97-03-032	98-02-020	02-04-98
99-03-023	99-05-024	05-13-99
01-02-036	01-04-032	04-19-01
01-12-011	02-02-042	02-21-02
05-09-028	06-01-019	01-12-06
06-01-004	06-08-015	08-24-06
09-01-001	09-12-001	12-03-09

Dividends

1990	No dividends were paid
1991	No dividends were paid
1992	Dividends were paid on the 27,609 shares of common stock in the amount of \$1,499,997
1993	No dividends were paid
1994	No dividends were paid
1995	No dividends were paid
1996	No dividends were paid
1997	No dividends were paid
1998	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$5,000,000
1999	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$2,200,000
2000	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$3,480,000
2001	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$1,513,000
2002	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$332,000
2003	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$1,200,000
2004	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$2,000,000
2005	No dividends were paid
2006	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$1,200,000
2007	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$700,000
2008	No dividends were paid
2009	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$330,000
2010	Dividends were paid on the 24,415.64 shares of common stock in the amount of \$2,000,000
2011	No dividends were paid

Nature of Obligation

First Mortgage Bonds: The Company has pledged substantially all of its property as collateral for the bonds under trust indentures dated August 31, 1995, June 1, 2000, January 27, 2006, and October 6, 2008 due to American United, Nationwide Life Insurance, State Life Insurance Company, Pioneer Mutual Life Insurance Company, and Pacific Life Insurance Company, and Pacific Life & Annuity Insurance Company, as shown in the table on the preceding page.