



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**FILED**

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In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, for an order 1) authorizing it to increase rates for water service by \$92,765,000 or 19.4% in test year 2014, 2) authorizing it to increase rates on January 1, 2015 by \$17,240,000 or 3.0%, and on January 1, 2016 by \$16,950,000 or 2.9% in accordance with the Rate Case Plan, and 3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

**A1207007**

Application 12-07-\_\_\_\_

Filed July 5, 2012

## APPLICATION

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Dated: July 5, 2012

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**APPLICATION**

**I. AUTHORITY FOR FILING**

Pursuant to Rule 3.2 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure ("Rules") and Sections 454 *et. Seq.* of the California Public Utilities ("PU") Code, and in compliance with Ordering Paragraph 4 of D.07-05-062 and its Appendix (the Rate Case Plan or "RCP"), California Water Service Company ("Cal Water") respectfully submits this Application for a general rate increase in its 23 districts. Cal Water notes that, on July 5, 2012, Danilo Sanchez, Program Director of the Water Branch in the Division of Ratepayer Advocates ("DRA"), distributed a memo to the Docket Office indicating DRA's agreement that the Commission may accept Cal Water's Application.

**II. STATEMENT OF RELIEF SOUGHT**

By this Application, Cal Water is seeking general rate relief and several specific findings, conclusions, and orders from the Commission.

[See tables on following pages.]

**A. General Relief**

Cal Water seeks general increases in rates in each of its operating districts as shown in the following table:

District	2014 \$\$ Increase (000s)	2014 % Increase	2015 \$\$ Increase (000s)	2015 % Increase	2016 \$\$ Increase (000s)	2016 % Increase
	Proposed v. Present					
Antelope Valley	\$ 1,157	59.7%	\$ 74	2.4%	\$ 74	2.3%
Bayshore	\$ 10,436	17.3%	\$ 3,110	4.4%	\$ 3,110	4.2%
Bakersfield	\$ 12,931	20.4%	\$ 2,007	2.6%	\$ 1,955	2.5%
Bear Gulch	\$ 5,556	15.9%	\$ 1,866	4.6%	\$ 1,859	4.4%
Chico	\$ 4,725	26.4%	\$ 585	2.6%	\$ 569	2.5%
Dixon	\$ 1,182	56.7%	\$ 141	4.3%	\$ 141	4.1%
Dominguez	\$ 6,425	12.0%	\$ 2,130	3.6%	\$ 2,115	3.4%
East Los Angeles	\$ 4,633	16.2%	\$ 1,152	3.5%	\$ 1,152	3.3%
Hermosa Redondo	\$ 4,339	17.6%	\$ 458	1.6%	\$ 445	1.5%
Kern River Valley	\$ 1,694	33.5%	\$ 326	4.8%	\$ 259	3.7%
King City	\$ 1,018	38.3%	\$ 88	2.4%	\$ 85	2.3%
Livermore	\$ 3,759	21.3%	\$ 691	3.2%	\$ 690	3.1%
Los Altos	\$ 3,357	14.1%	\$ 401	1.5%	\$ 400	1.5%
Marysville	\$ 1,011	34.9%	\$ 31	0.8%	\$ 31	0.8%
Oroville	\$ 992	26.3%	\$ 22	0.5%	\$ 22	0.5%
Palos Verdes	\$ 6,252	18.2%	\$ 969	2.4%	\$ 958	2.3%
Redwood - Coast Springs	\$ 137	33.1%	\$ (15)	-2.8%	\$ (29)	-5.4%
Redwood - Lucerne	\$ 818	57.0%	\$ 49	2.2%	\$ (27)	-1.2%
Redwood - Unified	\$ 284	50.3%	\$ (2)	-0.2%	\$ (21)	-2.5%
Salinas	\$ 6,342	25.7%	\$ 1,567	5.0%	\$ 1,564	4.8%
Selma	\$ 987	23.0%	\$ 41	0.8%	\$ 40	0.8%
Stockton	\$ 4,963	15.8%	\$ 891	2.5%	\$ 885	2.4%
Visalia	\$ 5,369	23.7%	\$ 643	2.3%	\$ 656	2.3%
Westlake	\$ 3,979	27.8%	\$ (49)	-0.3%	\$ (49)	-0.3%
Willows	\$ 417	20.9%	\$ 65	2.7%	\$ 65	2.6%
<b>Total</b>	<b>\$ 92,765</b>	<b>19.4%</b>	<b>\$ 17,240</b>	<b>3.0%</b>	<b>\$ 16,950</b>	<b>2.9%</b>

Notes: The Grand Oaks water system is excluded from this filing because it is treated as a stand-alone Class D water company pursuant to Ordering Paragraph 3 of D.07-05-053. In D.10-12-017, the Commission authorized the consolidation of the Mid-Peninsula and South San Francisco Districts into the "Bayshore District."

**B. District Summary Tables**

**ANTELOPE VALLEY DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$2,350.3	\$2,127.9	\$3,095.0
Rate Base \$	\$6,302.6	\$5,316.1	\$10,323.1
Rate Base \$ Difference		(\$986.5)	\$4,020.5
Rate Base % Difference		-18.6%	63.8%
Operating Expenses	\$1,809.7	\$1,693.1	\$2,244.1
Operating Expense \$ Difference		(\$116.7)	\$434.4
Operating Expense % Difference		-6.9%	24.0%
Rate of Return	8.58%	8.18%	8.24%

**BEAR GULCH DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$38,314.2	\$33,798.3	\$40,472.0
Rate Base \$	\$53,472.0	\$53,851.7	\$72,390.0
Rate Base \$ Difference		\$379.7	\$18,918.0
Rate Base % Difference		0.7%	35.4%
Operating Expenses	\$33,766.1	\$29,029.3	\$34,507.0
Operating Expense \$ Difference		(\$4,736.8)	\$740.9
Operating Expense % Difference		-16.3%	2.2%
Rate of Return	8.51%	8.86%	8.24%

**BAKERSFIELD DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$64,890.0	\$65,899.4	\$76,257.4
Rate Base \$	\$108,980.1	\$136,785.5	\$134,859.9
Rate Base \$ Difference		\$27,805.4	\$25,879.8
Rate Base % Difference		20.3%	23.7%
Operating Expenses	\$55,540.2	\$57,119.1	\$65,146.2
Operating Expense \$ Difference		\$1,578.9	\$9,606.0
Operating Expense % Difference		2.8%	17.3%
Rate of Return	8.58%	6.42%	8.24%

**BAYSHORE DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$64,556.7	\$52,703.0	\$70,659.5
Rate Base \$	\$69,381.2	\$66,439.2	\$99,915.1
Rate Base \$ Difference		(\$2,942.0)	\$30,533.9
Rate Base % Difference		-4.4%	44.0%
Operating Expenses	\$58,603.9	\$47,252.9	\$62,426.5
Operating Expense \$ Difference		(\$11,350.9)	\$3,822.7
Operating Expense % Difference		-24.0%	6.5%
Rate of Return	8.58%	8.20%	8.24%

**CHICO DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$20,848.4	\$19,141.3	\$22,620.9
Rate Base \$	\$45,258.2	\$35,172.4	\$49,459.9
Rate Base \$ Difference		(\$10,085.9)	\$4,201.7
Rate Base % Difference		-28.7%	9.3%
Operating Expenses	\$16,969.7	\$16,358.9	\$18,545.4
Operating Expense \$ Difference		(\$610.9)	\$1,575.7
Operating Expense % Difference		-3.7%	9.3%
Rate of Return	8.57%	7.91%	8.24%

**DIXON DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$2,487.6	\$2,183.1	\$3,265.1
Rate Base \$	\$7,909.1	\$7,104.8	\$10,116.9
Rate Base \$ Difference		(\$804.3)	\$2,207.8
Rate Base % Difference		-11.3%	27.9%
Operating Expenses	\$1,809.0	\$1,832.2	\$2,431.4
Operating Expense \$ Difference		\$23.2	\$622.5
Operating Expense % Difference		1.3%	34.4%
Rate of Return	8.58%	4.94%	8.24%

**DOMINGUEZ DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$57,620.0	\$50,674.1	\$59,937.8
Rate Base \$	\$59,019.4	\$33,287.9	\$92,079.1
Rate Base \$ Difference		(\$25,731.5)	\$33,059.7
Rate Base % Difference		-77.3%	56.0%
Operating Expenses	\$52,553.4	\$45,078.2	\$52,350.4
Operating Expense \$ Difference		(\$7,475.2)	(\$203.0)
Operating Expense % Difference		-16.6%	-0.4%
Rate of Return	8.58%	16.81%	8.24%

**EAST LOS ANGELES DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2012
Total Revenue Requirement	\$33,647.9	\$28,775.8	\$33,274.0
Rate Base \$	\$41,309.7	\$45,484.7	\$73,129.1
Rate Base \$ Difference		\$4,175.0	\$31,819.4
Rate Base % Difference		9.2%	77.0%
Operating Expenses	\$30,102.9	\$25,729.0	\$27,248.2
Operating Expense \$ Difference		(\$4,373.9)	(\$2,854.7)
Operating Expense % Difference		-17.0%	-9.5%
Rate of Return	8.58%	6.70%	8.24%

**HERMOSA REDONDO**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$27,783.9	\$25,359.4	\$29,035.9
Rate Base \$	\$35,587.2	\$32,102.5	\$43,725.8
Rate Base \$ Difference		(\$3,484.7)	\$0.0
Rate Base % Difference		-10.9%	0.0%
Operating Expenses	\$24,730.6	\$22,320.1	\$25,432.9
Operating Expense \$ Difference		(\$2,410.5)	\$0.0
Operating Expense % Difference		-10.8%	0.0%
Rate of Return	8.58%	9.47%	8.24%

**KING CITY DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$2,924.5	\$2,800.4	\$3,677.2
Rate Base \$	\$8,291.8	\$8,638.8	\$10,168.8
Rate Base \$ Difference		\$347.0	\$1,877.0
Rate Base % Difference		4.0%	18.5%
Operating Expenses	\$2,213.0	\$2,280.3	\$2,839.3
Operating Expense \$ Difference		\$67.3	\$626.3
Operating Expense % Difference		3.0%	28.3%
Rate of Return	8.58%	6.02%	8.24%

**KERN RIVER VALLEY DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$5,622.9	\$4,927.3	\$6,751.7
Rate Base \$	\$15,851.5	\$18,384.3	\$19,691.2
Rate Base \$ Difference		\$2,532.8	\$3,839.8
Rate Base % Difference		13.8%	24.2%
Operating Expenses	\$4,262.9	\$4,271.8	\$5,129.1
Operating Expense \$ Difference		\$8.9	\$866.3
Operating Expense % Difference		0.2%	20.3%
Rate of Return	8.58%	3.57%	8.24%

**LIVERMORE DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$21,352.8	\$17,651.2	\$21,434.3
Rate Base \$	\$27,662.0	\$24,802.6	\$34,608.6
Rate Base \$ Difference		(\$2,859.4)	\$6,946.6
Rate Base % Difference		-11.5%	25.1%
Operating Expenses	\$19,071.3	\$15,223.2	\$18,582.5
Operating Expense \$ Difference		(\$3,848.2)	(\$488.8)
Operating Expense % Difference		-25.3%	-2.6%
Rate of Return	8.25%	9.79%	8.24%

**LOS ALTOS DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$26,381.7	\$21,973.7	\$27,157.9
Rate Base \$	\$33,930.6	\$36,170.7	\$43,686.2
Rate Base \$ Difference		\$2,240.2	\$9,755.6
Rate Base % Difference		6.2%	28.8%
Operating Expenses	\$23,470.5	\$18,889.0	\$23,558.2
Operating Expense \$ Difference		(\$4,581.5)	\$87.7
Operating Expense % Difference		-24.3%	0.4%
Rate of Return	8.58%	8.53%	8.24%

**MARYSVILLE DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$3,341.4	\$3,333.7	\$3,909.9
Rate Base \$	\$7,632.8	\$6,504.0	\$8,829.3
Rate Base \$ Difference		(\$1,128.8)	\$1,196.4
Rate Base % Difference		-17.4%	15.7%
Operating Expenses	\$2,687.1	\$2,677.2	\$3,182.4
Operating Expense \$ Difference		(\$9.9)	\$495.3
Operating Expense % Difference		-0.4%	18.4%
Rate of Return	8.57%	10.09%	8.24%

**OROVILLE DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$4,177.9	\$4,018.0	\$4,764.4
Rate Base \$	\$8,328.9	\$8,417.2	\$9,368.1
Rate Base \$ Difference		\$88.4	\$1,039.2
Rate Base % Difference		1.0%	12.5%
Operating Expenses	\$3,463.3	\$3,579.1	\$3,992.5
Operating Expense \$ Difference		\$115.8	\$529.2
Operating Expense % Difference		3.2%	15.3%
Rate of Return	8.58%	5.21%	8.24%

**PALOS VERDES DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$42,938.0	\$37,050.2	\$40,596.8
Rate Base \$	\$28,183.2	\$25,166.1	\$39,992.1
Rate Base \$ Difference		(\$3,017.1)	\$0.0
Rate Base % Difference		-12.0%	0.0%
Operating Expenses	\$40,627.8	\$34,652.7	\$37,301.4
Operating Expense \$ Difference		(\$5,975.1)	\$0.0
Operating Expense % Difference		-17.2%	0.0%
Rate of Return	8.20%	9.53%	8.24%

**REDWOOD - COAST SPRINGS DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$444.5	\$403.8	\$550.6
Rate Base \$	\$1,235.9	\$2,406.7	\$1,475.9
Rate Base \$ Difference		\$1,170.8	\$240.0
Rate Base % Difference		48.6%	19.4%
Operating Expenses	\$338.5	\$380.3	\$429.0
Operating Expense \$ Difference		\$41.8	\$90.5
Operating Expense % Difference		11.0%	26.7%
Rate of Return	8.58%	0.98%	8.24%

**REDWOOD - LUCERNE DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$1,805.1	\$1,844.8	\$2,254.2
Rate Base \$	\$4,218.1	\$3,902.0	\$4,659.6
Rate Base \$ Difference		(\$316.1)	\$441.5
Rate Base % Difference		-8.1%	10.5%
Operating Expenses	\$1,443.2	\$1,669.3	\$1,870.2
Operating Expense \$ Difference		\$226.1	\$427.0
Operating Expense % Difference		13.5%	29.6%
Rate of Return	8.58%	4.50%	8.24%

**REDWOOD - UNIFIED DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$610.5	\$571.9	\$846.8
Rate Base \$	\$953.6	\$1,636.8	\$2,064.7
Rate Base \$ Difference		\$683.2	\$1,111.1
Rate Base % Difference		41.7%	116.5%
Operating Expenses	\$528.7	\$483.9	\$676.7
Operating Expense \$ Difference		(\$44.8)	\$148.0
Operating Expense % Difference		-9.3%	28.0%
Rate of Return	8.58%	5.38%	8.24%

**SALINAS DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$26,057.8	\$23,987.2	\$31,051.2
Rate Base \$	\$57,005.6	\$60,060.1	\$79,428.5
Rate Base \$ Difference		\$3,054.5	\$22,422.9
Rate Base % Difference		5.1%	39.3%
Operating Expenses	\$21,166.7	\$20,347.5	\$24,506.3
Operating Expense \$ Difference		(\$819.2)	\$3,339.6
Operating Expense % Difference		-4.0%	15.8%
Rate of Return	8.58%	6.06%	8.24%

**SELMA DISTRICT**

**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year  
(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$4,410.1	\$4,450.6	\$5,274.6
Rate Base \$	\$10,952.3	\$11,130.2	\$12,685.1
Rate Base \$ Difference		\$177.9	\$1,732.7
Rate Base % Difference		1.6%	15.8%
Operating Expenses	\$3,470.4	\$3,766.3	\$4,229.3
Operating Expense \$ Difference		\$296.0	\$758.9
Operating Expense % Difference		7.9%	21.9%
Rate of Return	8.58%	6.15%	8.24%

**STOCKTON DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$34,561.2	\$34,085.0	\$36,287.3
Rate Base \$	\$57,028.7	\$55,432.4	\$69,316.3
Rate Base \$ Difference		(\$1,596.3)	\$12,287.7
Rate Base % Difference		-2.9%	21.5%
Operating Expenses	\$29,668.4	\$30,060.4	\$30,575.6
Operating Expense \$ Difference		\$392.0	\$907.2
Operating Expense % Difference		1.3%	3.1%
Rate of Return	8.58%	7.26%	8.24%

**VISALIA DISTRICT**  
**Comparison Between Proposed Test Year, Last Test Year Adopted and Last Recorded**  
**Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$25,468.3	\$22,307.0	\$28,005.7
Rate Base \$	\$58,491.8	\$45,821.8	\$57,210.8
Rate Base \$ Difference		(\$12,670.0)	(\$1,281.0)
Rate Base % Difference		-27.7%	-2.2%
Operating Expenses	\$20,459.1	\$19,591.2	\$23,291.5
Operating Expense \$ Difference		(\$867.9)	\$2,832.4
Operating Expense % Difference		-4.4%	13.8%
Rate of Return	8.56%	5.93%	8.24%

**WILLOWS DISTRICT**  
**Comparison Between Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$2,240.6	\$1,951.6	\$2,412.2
Rate Base \$	\$5,365.3	\$4,208.3	\$5,957.3
Rate Base \$ Difference		(\$1,157.1)	\$592.0
Rate Base % Difference		-27.5%	11.0%
Operating Expenses	\$1,779.2	\$1,643.9	\$1,921.3
Operating Expense \$ Difference		(\$135.3)	\$142.1
Operating Expense % Difference		-8.2%	8.0%
Rate of Return	8.60%	7.31%	8.24%

**WESTLAKE DISTRICT**  
**Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year**  
**(Dollars in Thousands)**

	Last Adopted	Last Recorded Year 2011	Proposed Test Year 2014
Total Revenue Requirement	\$19,039.1	\$14,987.4	\$18,310.8
Rate Base \$	\$18,906.3	\$11,664.1	\$18,664.9
Rate Base \$ Difference		(\$7,242.2)	(\$241.4)
Rate Base % Difference		-62.1%	-1.3%
Operating Expenses	\$17,416.9	\$14,755.3	\$16,772.8
Operating Expense \$ Difference		(\$2,661.6)	(\$644.1)
Operating Expense % Difference		-18.0%	-3.7%
Rate of Return	8.58%	1.99%	8.24%

**C. Special Requests**

1. Additional Rate Design Phase

Cal Water requests that the Commission schedule a second phase to address rate design and finalize tariffs. Knowing the magnitude of the revenue requirement that the Commission will adopt is critical to developing an appropriate rate design in which customer rates reflect costs and the Commission's policy objectives. In addition to this substantive aspect, Cal Water's tariff sheets must be meticulously modified to reflect the Commission's proposed decision, a process that is detailed and prone to error unless subject to extensive review. For these reasons, the details of which are further enumerated in Mr. Smegal's Direct Testimony, Cal Water recommends the schedule proposed in Attachment A to this Application. That schedule allows for parties to propose rate designs in a limited second phase of the proceeding with sufficient time for thoughtful construction and review of tariffs.

2. Coordination with Open Commission Proceedings

There are some open Commission proceedings that are likely to be resolved before new rates are scheduled to become effective as a result of this proceeding in January 1, 2014. Those proceedings include: (1) a cost-of-capital proceeding (A.11-05-001) that will establish Cal Water's cost-of-capital for 2012-2015; (2) a proceeding addressing Cal Water's non-tariffed services for a third-party, HomeServe USA (A.08-05-019); (3) Cal Water's request to modify the surcharges and surcharge recovery mechanism associated with its Low-Income Ratepayer Assistance ("LIRA") program (A.05-10-035); and (4) Cal Water's request for an offset rate

increase for the construction of remodeled and expanded General Office facilities.<sup>1</sup> As discussed in Chapter 2 of its General Report, Cal Water requests that the final decision in this proceeding reflect the outcomes of these open proceedings to the extent that they are resolved in a timely manner.

### 3. Continuation of the Conservation Rate Design Pilot (“Pilot”)

While Cal Water recommends some modifications to the Conservation Rate Design Pilot, Cal Water requests continuation of the main attributes of the Pilot, as established in D.08-02-036 and essentially reaffirmed in the settlement with DRA in Cal Water’s 2009 rate case (D.10-12-017). These attributes include tiered residential rates, single-tariff rates for non-residential customer classes, a full Water Revenue Adjustment Mechanism (“WRAM”), and Modified Cost Balancing Account (“MCBA”). As a related matter, Cal Water requests a finding that its presentation on non-residential tiered rates is in compliance with Ordering Paragraph 13 of D.10-12-017.<sup>2</sup>

In support of this request, and in compliance with recently-adopted D.12-04-048, Cal Water is providing additional testimony from David Morse regarding alternatives to the current Pilot such as the 5 “options” identified in D.12-04-048. Note that Cal Water’s proposed Sales Reconciliation Mechanism (discussed in the Rate Request below) will facilitate the effectiveness of the Conservation Rate Design Pilot.

### 4. Addition of a Sales Reconciliation Mechanism (“SRM”) to Pilot

Cal Water requests that the Commission add a Sales Reconciliation Mechanism (“SRM”) to the Conservation Rate Design Pilot for the escalation years of the general rate case period. This mechanism would adjust the adopted sales forecast for escalation years if recorded aggregate sales for the past year are more than 5% different (higher/lower) than adopted test year sales. The mechanism would make a 50% adjustment, so if, for example, sales are 6% above adopted, escalation year rates would be set based upon a 3% upward adjustment in sales forecast. As discussed further in Mr. Smegal’s Direct Testimony, this mechanism will further enhance the Conservation Rate Design Pilot by minimizing any over- and under-collections of revenue tracked by the WRAM/MCBAs. By re-setting rates if forecasted and actual sales diverge significantly, this approach better effectuates two key goals consistent with

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<sup>1</sup> The application was filed on June 29, 2012 and was unnumbered at the time of filing.

<sup>2</sup> Consistent with Ordering Paragraph 13 of D.10-12-017, Cal Water presents an analysis of tiered rates for non-residential customers in the Non-Residential Rate Design Report of Mr. David Morse.

the Commission's Water Action Plan by providing clearer conservation rate signals to customers, and by more definitively severing the connection between sales and revenues for water utilities.

5. Enhancement of the Rate Support Fund ("RSF")

As discussed in Mr. Smegal's testimony, Cal Water requests enhancements to the Rate Support Fund and extension of the Fund to include Oroville and the remaining rate areas in the Antelope Valley District.

6. Phasing In Rates

Based upon a combination of criteria such as unemployment, LIRA participation, magnitude of rate increase, and size of water bill relative to median household income, Cal Water proposes phasing in rates over either two or three years in 14 districts. This proposal is discussed in detail in Mr. Smegal's testimony.

7. Waiver of Additional Notice

Cal Water has estimated escalation-year rates using known inflation factors provided by Commission staff and has applied those factors as directed in the RCP except as noted in the special requests section below. Applicant acknowledges that the escalation-year filings for calendar years 2015 and 2016 are based on future projections of inflation rates. Any increase requested at this time cannot be predictive of inflation present at that time. For this reason, Applicant requests an order from the Commission waiving the notice requirement under Rule 3.2 (c-d) or General Order 96-B should the actual escalation-year increase exceed that noticed in this application. Language to this effect is included in the proposed notice to customers.

8. Recognize Subsequent Offsets in Final Rates

Cal Water anticipates that, subsequent to the filing of this Application, and prior to the issuance of a decision by the Commission, increases in water production expenses in one or more districts may require the filing of a request for an expense "offset" via the informal advice letter process. Offsettable expense price changes are not forecasted in a general rate case. Cal Water therefore requests that the Commission formally recognizes such offset filings when new rates are approved. As described in Mr. Smegal's Direct Testimony, absent this formal recognition, Cal Water would have file to reinstitute any offsets approved between the filing of its general rate case and adoption of a rate case decision.

9. Extending Salinas Tariff to Buena Vista Customers

In D.07-09-013, the Commission authorized the transfer of Buena Vista Water System (“Buena Vista”) to Cal Water. Cal Water requests authorization to apply the rates adopted in this proceeding for the Salinas District to customers in the Buena Vista system and to discontinue the legacy tariff currently applied to those customers.

10. Extending Kernville Tariff to James Water Customers (Kern River Valley)

In D.12-02-003, the Commission approved the transfer of James Water Company (“James Water”), a water system serving approximately 23 customers located in Kern County, to Cal Water. Cal Water requests authorization to apply the rates adopted in this proceeding for Cal Water’s Kernville service area to the former customers of James Water, and to discontinue the legacy tariff currently applied to those customers.

11. Closing Balancing and Memorandum Accounts

Cal Water requests authority to amortize certain balancing and memorandum account balances that are not currently undergoing amortization, or for which prior Commission consent to amortize has not been obtained. For some accounts, Cal Water requests authority to close them, transfer remaining balances to a general balancing account for later amortization, and cancel associated tariff sheets. Mr. Smegal’s Direct Testimony describes in detail Cal Water’s request.

12. Continuing Balancing and Memorandum Accounts

Cal Water requests authority to amortize certain balancing and memorandum account balances that are not currently undergoing amortization, or for which prior Commission consent to amortize has not been obtained. For some accounts, Cal Water requests authority to continue the accounts because the public interest still required them to be tracked. Mr. Smegal’s Direct Testimony describes in detail Cal Water’s request.

13. Health Cost Memorandum Account

Cal Water proposes that employee medical costs be covered by a balancing account. This balancing account would reduce the volatility of Cal Water’s medical coverage in recognition that the plan is a significant cost savings for ratepayers over outside coverage. In addition, a balancing account would protect the company and ratepayers from significant changes in medical costs which may occur as a result of health reform, potential repeal of

health reform, or other changes in the economy. Finally, since Cal Water's estimates of medical cost in the GRC could be inaccurate, a balancing account will protect ratepayers from an overestimate of future costs (and conversely protect the utility from an underestimate).

#### 14. Water Quality Finding

Cal Water requests a finding from the Commission that all operating districts provide water service that meets or exceeds state and federal drinking water standards and meets the requirements of General Order 103-A. This request is consistent with page 26 of D.07-05-062:

We also will incorporate water quality into the MDRs and require that any proposed decision in a GRC proceeding make specific findings and recommendations concerning the utility's water quality compliance.

Moreover, Ordering Paragraphs 7 and 8 of D.07-05-062 respectively require the Division of Water and Audit to appoint a water quality expert, and the presiding officer to rely on the testimony of the expert in support of a water quality finding. Cal Water provides evidence of this compliance in the Direct Testimony of Chet Auckly on Water Quality Issues. Mr. Auckly is Cal Water's Director of Water Quality and Environmental Affairs, and will testify in the proceeding as an expert in water quality regulation.

#### 15. Customer-Service-related Changes to Tariff Rules

Cal Water requests several changes to its tariff rules primarily related to interactions with customers. These changes do not have a rate impact. These changes include replacing outmoded language, updating requirements to reflect current law or practice, minor modifications to maintain internal consistency, and policy proposals that Cal Water believes better serve both customers and the company. These issues are discussed in the Direct Testimony of Tom Smegal (GRC Testimony No. 1).

#### 16. Balanced Payment Plan for Customer Bills

Cal Water requests authority to offer a "Balanced Payment Plan" option to customers similar to that offered by Pacific Gas & Electric ("PG&E"). As discussed in Mr. Smegal's Direct Testimony, this option would allow customers to sign up for the plan and receive bills equal to their last 12 months average bill, or a representative neighborhood bill if their consumption history is shorter than that.

#### 17. Credit Card Report

Cal Water requests elimination of the pilot program for credit/debit cards, and approval to offer the credit/debit options to its customers on a permanent basis. Because the program is cost-neutral (and may result in additional savings, individual customer transaction charges are not warranted. This request is discussed in the Direct Testimony of Tom Smegal (GRC Testimony No. 1).

#### 18. Chromium-6 Memorandum Account

Cal Water anticipates it may incur significant costs to comply with the pending Chromium water quality regulations. As described in the Water Quality Testimony of Chet Auckly (GRC Testimony No. 4), Cal Water has not forecast compliance costs into this GRC and cannot predict how much capital and expense will be required to meet the new maximum contaminant level (“MCL”) standard. Some of the cost, however, may be necessary before the next GRC test year in 2017.

#### 19. Modification of Cross-Connection Rules (Rule 16)

Cal Water proposes several policy changes to its cross-connection rules that are vital for Cal Water to implement changes to its Cross-Connection Control Program (“CCCP”) that are being driven by requirements by staff of the California Department of Health (“DPH”). A discussion of these issues is provided in the Direct Testimony of Darin Duncan (GRC Testimony No. 2).

#### 20. Modify Lot and Transmission Fees in 3 Districts

Cal Water proposes to modify the lot and transmission fees in the Visalia, Kern River Valley, and Antelope Valley districts as discussed in the Direct Testimony of Darin Duncan (GRC Testimony No. 2).

#### 21. Residential Fire Service Tariff

Consistent with requirements in past GRCs to consider a special tariff for residential customers who pay for 1-inch metered service solely to meet sprinkler system fire-flow requirements, Cal Water has evaluated potential approaches in light of the statewide sprinkler requirement, and proposes a uniform rate across its districts for this purpose. This proposal is discussed in the Direct Testimony of Darin Duncan (GRC Testimony No. 2).

### **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 are in the 2011 10-K and Proxy Statement provided as **Attachment B** to this Application.
- E. General descriptions of Applicant's properties and the area of its operations are provided in the Reports on the Results of Operation that are presented for each district and for General Office (the GO Results of Operation are contained in the document titled "General Report").

#### IV. CONTACT INFORMATION

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

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With copies to:

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**V. PROCEDURAL MATTERS**

- A. Category – This proceeding is categorized as ratesetting.
- B. Need for Hearing – Cal Water believes there may be a need for an evidentiary hearing.
- C. Issues – The issues raised in this Application include the standard issues relating to a general rate increase request, as well as certain Special Requests that are enumerated herein in Section II.
- D. Schedule – Cal Water provides a proposed schedule in this proceeding (Attachment A to this Application), *however suggests that Cal Water and the Division of Ratepayer Advocates develop and submit a joint proposed schedule in advance of the Prehearing Conference in this case.*

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

- A. 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 attachments 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), the increases proposed by Cal Water are provided in Attachment G to this Application.
- 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 GENERAL RATE CASE APPLICATION

Cal Water's general rate case filing includes the following materials:

### Application and Attachments (Filed and Served)

	Application
Attachment A	Proposed Procedural Schedule
Attachment B	Proxy Statement (Including Financial Statements)
Attachment C	Summary of Earnings
Attachment D	Proposed Customer Notice ( <i>not yet approved by PAO</i> )
Attachment E	Major Reasons for Rate Increases
Attachment F	Present Rate Schedules
Attachment G	Proposed Rates

### Additional Materials In Support of Application (Served Only)

	Testimony	Short Title
1	Direct Testimony of Thomas F. Smegal	Smegal Testimony
2	Direct Testimony of Darin T. Duncan	Duncan Testimony
3	Direct Testimony of Kenneth G. Jenkins on Conservation Issues	Jenkins (or Conservation) Testimony
4	Direct Testimony of Chet W. Auckly on Water Quality Issues	Auckly (or Water Quality) Testimony
5	Direct Testimony and Exhibits of Earl M. Robinson on Depreciation	Robinson (or Depreciation) Testimony
	Company-Wide Reports	Short Title
1	General Report (including the Report on the Results of Operation for General Office)	General Report (or GO RO Report)
2	Conservation Program Recommendations and Budgets, by M.Cubed	Conservation Report
3	Report on Forecasts for Cal Water's 2012 Rate Filing, by Wendy Illingworth, Economic Insights	Illingworth (or Sales Forecast) Report
4	Non-Residential Rate Design Report, by David Morse	Non-Residential Rate Design Report
5	Report on Unregulated Operations	Unregulated Operations Report
6A	Metro Districts Depreciation Study as of December 31, 2010 (consists of 3 books)	Depreciation Reports
6B	Valley Districts Depreciation Study as of December 31, 2010 (consists of 3 books)	
6C	Dominguez Water Depreciation Study as of December 31, 2010 (consists of 3 books)	
7	Maintenance Expense Report, sponsored by Paul Yang	Maintenance Report
8	Report on Compliance with D.12-04-048 to Review Five Options, by David Morse	WRAM Report
9	Lead-Lag Study, sponsored by Tom Smegal	Lead-Lag Study

	<b>District-Specific Reports and Books Provided for each Operating District (23 Districts)</b>	<b>Short Title</b>
1	Results of Operations Report	RO Report*
2	Capital Project Justification Book	Capital Book*
3	Capital and Expense Workpapers	Workpapers*
4	Executive Summary of Water Supply & Facilities Master Plan (confidential version available upon request)	WS&FMP
5	Urban Water Management Plan	UWMP
	* While the RO Report for General Office is contained in the General Report, there is a separate Capital Book and a separate set of Workpapers for General Office.	

**VIII. PRAYER**

WHEREFORE, Cal Water respectfully requests that the Commission issue its findings and orders to the effect that:

1. The present rates authorized for Cal Water’s 23 major operating districts are unfair, unjust, and unreasonable;
2. The rates proposed and requested by Cal Water are fair, just, and reasonable;
3. Cal Water has properly complied with prior orders of the Commission as described;
4. The requests made by Cal Water are just, reasonable, and in the public interest; and
5. Granting such further, additional and other relief as may be deemed by the Commission to be necessary or proper.

## Overview of Cal Water's 2012 GRC Application

	<b>Application</b>
Attachment A	Proposed Schedule
Attachment B	Proxy Statements (Balance Sheet and Income Statement)
Attachment C	Summary of Earnings
Attachment D	Proposed Customer Notice
Attachment E	Major Reasons for Rate Increases
Attachment F	Present Rate Schedules
Attachment G	Proposed Rate Schedules

	<b>Testimony No.</b>
1	Smegal Testimony
2	Duncan Testimony
3	Jenkins (or Conservation) Testimony
4	Auckly (or Water Quality) Testimony
5	Robinson (or Depreciation) Testimony
	<b>Company Report No.</b>
1	General Report (or GO RO Report)
2	Conservation Report
3	Illingworth (or Sales Forecast) Report
4	Non-Residential Rate Design Report
5	Unregulated Operations Report
6A	Depreciation Reports + Update
6B	Depreciation Reports + Update
6C	Depreciation Reports + Update
7	Maintenance Expense Report
8	WRAM Options Report
9	Lead-Lag Study
	<b>District Report No.</b>
1	RO Report*
2	Capital Book*
3	Workpapers*
4	Water Supply & Facilities Master Plan
5	Urban Water Management Plan

<b>District No.</b>							
<b>1</b>	AV	<b>7</b>	DOM	<b>13</b>	LOS	<b>19</b>	SEL
<b>2</b>	BAK	<b>8</b>	ELA	<b>14</b>	MAR	<b>20</b>	STK
<b>3</b>	BAY	<b>9</b>	H-R	<b>15</b>	ORO	<b>21</b>	VIS
<b>4</b>	BG	<b>10</b>	KC	<b>16</b>	P-V	<b>22</b>	WES
<b>5</b>	CHI	<b>11</b>	KRV	<b>17</b>	RV	<b>23</b>	WIL
<b>6</b>	DIX	<b>12</b>	LIV	<b>18</b>	SAL		

	<b>Special Request No.</b>	<b>Sponsor</b>
<b>1</b>	Additional Rate Design Phase	Smegal
<b>2</b>	Coordination with Open Proceedings	Smegal/GO
<b>3</b>	Rate Design Pilot (WRAM/MCBA Prelim M)	Smegal/Morse
<b>4</b>	Sales Reconciliation Mechanism	Smegal
<b>5</b>	Expand RSF to Include Oroville	Smegal
<b>6</b>	Phase-In of Rates in 14 districts	Smegal
<b>7</b>	Waiver of Notice for Escalation Years	Smegal
<b>8</b>	Subsequent Offset Increases	Smegal
<b>9</b>	Salinas tariff to Buena Vista	Smegal
<b>10</b>	Kernville tariff to James Water	Smegal
<b>11</b>	Closing Bal/Memo Accts	Smegal
<b>12</b>	Continuing Bal/Memo Accts	Smegal
<b>13</b>	Health Cost Balancing Acct (new)	Smegal
<b>14</b>	Water Quality Finding	Smegal
<b>15</b>	Customer Service Rule Changes	Smegal
<b>16</b>	Balanced Payment Plan	Smegal
<b>17</b>	Credit Card Report (MA Prelim J)	Smegal
<b>18</b>	Chromium 6 Memo Acct (new)	Auckly
<b>19</b>	Cross-Connection Rule 16 Changes	Duncan
<b>20</b>	Modify Lot and Transmission Fees	Duncan
<b>21</b>	Tariff for Residential Fire Service	Duncan (in GO)

Respectfully Submitted,

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Dated: July 5, 2012