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.	FILED PUBLIC UTILITIES COMMISSION DECEMBER 14, 2006 SAN FRANCISCO, CALIFORNIA RULEMAKING 06-12-016

O P I N I O N

1. Introduction

In Decision (D.) 04-06-018, we revised the Rate Case Plan governing Class A Water Utilities. All Class A utilities subject to the Rate Case Plan have now filed a general rate case for at least one of their districts under the Rate Case Plan. Since the Rate Case Plan was adopted, another of our decisions, D.06-06-037, directed that the Commission consider in a rulemaking the process by which utilities seek waivers of Rate Case Plan requirements pursuant to Pub. Util. Code § 455.2.[1] The Commission also adopted a Water Action Plan whose four key principles are: (1) safe, high quality water; (2) highly reliable water supplies; (3) efficient use of water; and (4) reasonable rates and viable utilities.[2]

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[1] All section references are to the Public Utilities Code unless otherwise specified.

[2] The Water Action Plan also includes these six objectives: (1) maintain the highest standards of water quality; (2) strengthen water conservation programs to a level comparable to those of energy utilities; (3) promote water infrastructure investment; (4) assist low income ratepayers; (5) streamline CPUC regulatory decisionmaking; and (6) set rates that balance investment, conservation, and affordability.

In July 2006, the Water Division solicited input on how the Rate Case Plan might be modified to support implementation of the Water Action Plan, to address the waiver process anticipated byD.06-06-037, and to modify the Rate Case Plan to reflect lessons learned over the course of the last 2.5 years of implementing the existing Rate Case Plan.

2. Issues to be Addressed

Following the September 2006 workshop, we have identified several areas where improvement in the Rate Case Plan is a priority. Appendix A, the Draft Proposed Rate Case Plan for Class A Water Utility General Rate Applications, reflects these improvements and is based on the Commission's experience with the existing Rate Case Plan, the comments of water utilities and other interested persons, and our desire to incorporate aspects of the Water Action Plan into the Rate Case Plan. The major issues to be considered in this proceeding, which are reflected in the proposed Rate Case Plan, are as follows:

- Single Rate Case for Multi-District Utilities. The current practice of having multi-district water utilities file rate cases at different times during the three-year cycle under the existing Rate Case Plan has proved burdensome for the water utilities, and the Commission. Appendix A proposes a schedule to require multi-district companies to file a comprehensive GRC application for all districts at the same time.
- Notice of Rate Increases For Utilities With Bimonthly Billing. The existing Rate Case Plan schedule does not provide sufficient time for the applying utility using bimonthly billing to notify customers of a proposed rate increase in a GRC. Appendix A modifies the schedule to hold PPHs later than the current Rate Case Plan provides. This change should allow utilities sufficient time to notify customers using a bimonthly bill while still complying with the overall GRC schedule.

- Addition of Technical Conference. The schedule set forth in Appendix A adds a technical conference hosted by Water Division in order to ensure that Water Division and all parties have full understanding of the ratemaking models utilized by the company and other parties.

- Cost of Capital Proceeding. Appendix A establishes a separate cost of capital proceeding on a schedule parallel to the company's GRC. Under the proposed schedule, if the company has filed a TY 2009 GRC, its cost of capital application would be filed May 1, 2008. We propose that the utility have the option of filing an application annually to adjust its cost of capital, on the same schedule (similar to the cost of capital proceedings in the energy sector). All Class A water utility cost of capital proceedings filed in a given year would be handled on a consolidated basis. In the first cost of capital proceeding, we will consider whether it is appropriate to adopt an indexing mechanism for annual adjustments to water utility cost of capital, in lieu of an application.

- Minimum Data Requirements. Appendix A sets forth, as attachments, standardized Minimum Data Requirements, to be completed by a utility as part of its GRC and cost of capital testimony. The data requirements cover all important rate and water quality issues and provide enough data to the Water Division, Division of Ratepayer Advocates (DRA), and other potential parties so that additional discovery during the formal rate case will be reduced.

- Water Quality Review. In *Hartwell Corp. v. Superior Court,* 27 Cal. 4th 256 (2002), the California Supreme Court ruled that the Commission has constitutional and statutory responsibilities to ensure that regulated water utilities provide water that protects the public health and safety. The standardized Minimum Data Requirements, *supra*, provide information to improve Commission determinations on water quality. Appendix A authorizes the assigned Commissioner and assigned Administrative Law Judge (ALJ) 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. Additionally, Appendix A requires that the proposed decision in a GRC, whether resulting from an evidentiary

hearing, settlement, or both, will make specific findings and recommendations concerning the utility's water quality compliance.

- Reduction of Unaccounted Water. Since 1991, many California water utilities have used Best Management Practice 3 (BMP 3), "System Water Audits, Leak Detection and Repair," to determine whether unaccounted water loss in the system exceeds 10%. BMP 3, which references the American Water Works Association (AWWA) M36 Manual, has been criticized because it is based on a pre-screening test and, if improperly performed or manipulated, allows the water utility to avoid a full audit—even when the recovery of lost water would be economically beneficial. The California Urban Water Conservation Council is considering shifting to a new water loss audit methodology developed by the AWWA and the International Water Association (IWA). (See M.A. Dickinson, "Redesigning Water Loss Standards in California: Using the New IWA Methodology," California Urban Water Conservation Council).

  For discussion purposes during this OIR, Appendix A proposes the use of the AWWA/IWA audit methodology. Specifically, Class A utilities would be required to perform and submit the results of a water loss audit as part of the testimony and other required materials supporting the utility's GRC application. The water utility would be required to use the free Water Audit Software developed by the AWWA.[3] For more information about the AWWA/IWA audit methodology, see "Applying Worldwide BMPs in Water Loss Control, Journal AWWA, p. 65 (August 2003).

- Interim Rate Relief. Section 455.2, authorizing interim rate relief under certain circumstances during a general rate case, provides little guidance as to procedure and has resulted in separate, time-consuming Commission decisions on each utility request. Appendix A sets forth a procedure under the deviations process, whereby a utility's basic entitlement to interim rate relief is determined, as a threshold matter, by the assigned ALJ. Once that

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

threshold determination is made, the utility completes the processing of the interim rate relief by filing an advice letter, pursuant to General Order 96-B, with the Water Division.

- Rate Case Plan Waiver Process. Section 455.2(c) allows the Commission's Executive Director and a water corporation to waive the requirements of § 455.2(c) pertaining to timing and method of filing a GRC. Decision 06-06-037 indicated that notice and opportunity to comment was necessary to implement a wavier procedure under this code section. Appendix A identifies permitted deviations and waivers, and specifies procedures for implementing such waivers or deviations. Depending on the request, the Executive Director will handle the request or the Water Division will process the advice letter as a Tier 1, Tier 2, or Tier 3 advice letter filing (as further delineated in Appendix A).[4] Parties are encouraged to identify other appropriate deviations in their comments.

Participants in the Water Division workshops identified other potential changes to the Rate Case Plan which we consider lower priority and therefore do not address today. In comments on Appendix A, parties may identify other changes to the Rate Case Plan they believe the Commission should consider as high priority changes.

3. Preliminary Scoping Memo

This rulemaking will be conducted in accordance with Articles 6 and 7 of the Commission's Rules of Practice and Procedure. As required by Rule 7.1(d), this order includes a preliminary scoping memo as set forth here.

[4] Contemporaneously with this Order Instituting Rulemaking, we are considering a draft decision adopting Water Industry Rules, as part of GO 96-B, setting forth this tier structure. See R.98-07-038.

Pursuant to Rule 7.1(d), we preliminarily determine the category of this rulemaking proceeding to be quasi-legislative as the term is defined in Rule 1.3(d).

We intend to consider revising our practices and procedures for processing general rate cases for Class A water utilities. At this time, we do not anticipate holding formal hearings.

As required by Rule 6.2, any party filing a comment on this preliminary scoping memo shall state in its comments any objections the party has regarding (1) the categorization of this proceeding as "quasi-legislative;" (2) the determination that there is no need for hearings; and (3) the schedule for this proceeding as described in this order. Any party who believes that a hearing is required must, in its comments, identify and describe (1) material issues of fact, and (2) the evidence the party proposes to introduce at the requested hearing. Any right that a party may otherwise have to a hearing will be waived if the party does not submit such information in its comments.

Following review of the comments on the preliminary scoping memo, the assigned Commissioner will issue a scoping memo that finalizes the category, scope, and schedule of this proceeding. (See Rule 7.3.) After the scoping memo issues, parties may file and serve an appeal to the Commission regarding the ruling on category. (See Rule 7.6.) If no comments are filed concerning the preliminary scoping memo, the preliminary scoping memo will be deemed the scoping memo for the proceeding, unless otherwise ordered.

4. Schedule

The schedule for this proceeding will depend on the comments we receive from the parties. For purposes of addressing the scoping memo requirements,

we establish the following tentative schedule, which is subject to change by the assigned Commissioner or the assigned ALJ:

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 (*see* Section 5, *infra*)
January 8, 2007	Deadline for filing comments on preliminary scoping memo
February 7, 2007	Deadline for filing comments on Appendix A, Draft Proposed Rate Case Plan
February 16, 2007	Deadline for filing reply comments on Appendix A
March 6, 2007	Mailing of Proposed Decision
April 5, 2007	First possible Commission Consideration of Proposed Decision

Through the scoping memo and subsequent rulings, the assigned Commissioner and the assigned ALJ, by ruling with the assigned Commissioner's concurrence, may adjust the timetable as necessary during the course of the proceeding and establish the schedule for remaining events.[5] In no event do we anticipate this proceeding to require longer than 18 months to complete.

According to the schedule, interested parties may file opening comments addressing Appendix A, the Draft Proposed Rate Case Plan for Class A Water

[5] Pursuant to Rule 13.2(c) the assigned Commissioner is the presiding officer in a quasi-legislative proceeding, except that the assigned ALJ shall act as the presiding officer in the Commissioner's absence at any hearing other than a formal hearing.

Utility General Rate Applications. Appendix A was prepared after reviewing the various decisions of the Commission concerning the processing of the Class A water utilities general rate cases, receiving comments from water utilities and interested persons, and holding a workshop with water utilities and interested persons.

Comments should identify the issues of significance to the party; discuss the impact of the issue; and whether the issue (if new) is a desirable or undesirable change. If considered an undesirable change, comments should include recommended alternative approaches that will not negatively impact Commission workload and offer any other suggestions for modification of the Rate Case Plan as set forth in Appendix A. The opening comments shall follow the requirements of Rule 6.2, "Comments."

5. Service List

The possible rule changes to be considered in this rulemaking could affect all Commission-regulated Class A water service utilities and such changes may be of interest to all regulated water and sewer service utilities. Issues related to water quality and supply may be of interest to the Department of Health Services. We will therefore direct that this rulemaking order and its appendices initially be served on all Commission-regulated Class A water and sewer service utilities, the Water Branch of the Division of Ratepayer Advocates (DRA), as well as the Drinking Water Field Operations Branch of the California Department of Health Services.

After initial service, a new proceeding service list will be formed by the Process Office, published on the Commission's Internet site and updated throughout the proceeding. Only Class A water service utilities, DRA, and the

Drinking Water Field Operations Branch of the California Department of Health Services will be included automatically on the new service list.

Other interested parties, including other water and sewer system utilities who wish to participate, must request to be added to the new service list by submitting a written request or electronic mail request to the Commission's Process Office, stating their full name, the entity or person they represent, the postal address and telephone number of the person to be served, the proceeding number for this Order Instituting Rulemaking, an e-mail address if they are willing to be served electronically, and their desired service list category (Appearance, State Service, or Information Only). All interested parties must notify the Process Office, 505 Van Ness Avenue, San Francisco, California 94102 or process_office@cpuc.ca.gov, by December 29, 2006. Parties serving documents may rely on the Internet service list published as of the date their documents must be served or parties may obtain a copy of the service list by calling the Process Office at (415) 703-2021.

Parties must serve documents in this proceeding consistent with Rule 1.9 (Service) and 1.10 (Electronic Service). Filings may be made by hard copy with the Docket Office or electronically consistent with Resolution ALJ-188 (Electronic Filing) at http://www.cpuc.ca.gov/static/efiling.htm.

6. Public Advisor

Any party interested in participating in this rulemaking and who is unfamiliar with the Commission's procedures should contact the Commission's Public Advisor's Office in San Francisco at (415) 703-2074, (866) 836-7825 (TTY-toll free) or (415) 703-5282 (TYY), or in Los Angeles at (866) 849-8391, or send an e-mail to public.advisor@cpuc.ca.gov.

7. Ex Parte Communications

This proceeding is subject to Article 8 of the Rules of Practice and Procedure, 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 this proceeding without any restrictions or reporting requirements unless and until the Commission modifies this determination pursuant to Rule 7.6.

IT IS ORDERED that:

1. A rulemaking on the Commission's own motion is instituted to determine if the Commission should update the existing practices and policies for processing general rate cases and to revise the Rate Case Plan for Class A Water Companies.

2. This rulemaking is preliminarily determined to be a quasi-legislative proceeding as that term is defined in the Commission's Rules of Practice and Procedure, Rule 1.3(d).

3. This proceeding is preliminarily determined not to need a formal hearing.

4. The expected timetable for this proceeding is as set forth in the body of this order. The assigned Commissioner by scoping memo and subsequent rulings, and the assigned Administrative Law Judge by ruling with the assigned Commissioner's concurrence, may adjust the timetable as necessary during the course of the proceeding, provided that in no instance shall this proceeding require longer than 18 months to complete.

5. All Class A water utilities (utilities with over 10,000 service connections), the Commission's Division of Ratepayer Advocates, and other interested parties are invited to comment on the issues raised in the draft Proposed Rate Case Plan, attached hereto as Appendix A, pursuant to the schedule adopted in this order.

6. Pursuant to Rule 6.2, parties shall include in their opening comments any objections they may have regarding (1) the categorization of this proceeding as quasi-legislative, (2) the determination not to hold hearings, and (3) the preliminary scoping memo.

7. The Executive Director shall direct a copy of this order to be served upon all Class A water and sewer service utilities; the Division of Ratepayer Advocates; the Chief, Drinking Water Field Operations Branch, California Department of Health Services, at 714/744 P St., PO Box 942732, Sacramento, CA 94234-7320; and the Drinking Water Field Operations Branch, California Department of Health Services, at MS 0010, Sacramento, CA 95814. After service of this order, the service list for this proceeding shall be formed following the procedures set forth in the Service List section in the body of this order.

This order is effective today.

Dated December 14, 2006, at San Francisco, California.

MICHAEL R. PEEVEY
President
GEOFFREY F. BROWN
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
Commissioners

APPENDIX A

Rate Case Plan for Class A Water Utilities

General Rate Applications

I. Introduction

The following Rate Case Plan supersedes the Rate Case Plan adopted by D.04-06-018 and D.06-02-010. The intent of this Rate Case Plan is to promote timely processing of cases, balance the workload of the Commission and its staff over time, and to enable comprehensive Commission review of the rates and operations of all Class A water utilities consistent with Public Utilities Code Section 455.2.

II. General Rate Case Structure and Process

Each utility is scheduled to file a general rate case (GRC) once every three years, as specified in Section VI. The Rate Case Plan processing period for utilities consisting of a single district and Park Water Company will be 14 months, beginning with the proposed application filing date and ending with the expected effective date of rates. The Rate Case Plan processing period for water utilities with two or more districts (with the exception of Park) will be 20 months, beginning with the proposed application filing date and ending with the expected effective date of rates. The deadline for the utility to file its proposed application is either November 5 or May 1 with the requisite application being filed on the following January 5 and July 1, respectively, as provided below. Cost of capital applications are due on May 1 of the year prior to the Test Year (TY). Utilities may, at their option, file an annual cost of capital application on May 1 of each year.[6]

The following tables set forth detailed schedules for these proceedings, as well as examples thereof.

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[6] For the first year of implementation, the utilities filing cost of capital applications shall serve their applications on the service list to this proceeding. The cost of capital proceedings will be consolidated. During the first consolidated cost of capital proceeding, we will consider whether it is appropriate to adopt an indexing mechanism for annual adjustments to cost of capital. All persons having an interest in this topic should participate in the first water utility cost of capital proceeding.

	JANUARY FILERS	**JULY FILERS**
Proposed Application Filed and Served	November 5 (TY-2)	May 1 (TY-2)
GRC Application Filed and Served, workpapers to staff	January 5 (TY-1)	July 1 (TY-1)
Cost of Capital Application Filed	May 1 (TY-1)	May 1 (TY-1)
Test Year	Calendar year after application is filed (1/1 to 12/31)	Calendar year 18 months after app is filed (1/1 to 12/31)
Effective Date of New Rates	January 1, year following filing	January 1, 18 months after filing
Escalation Year 1	Calendar Year after test year (1/1 to 12/31)	Calendar Year after test year (1/1 to 12/31)
Escalation Year 2	Second Calendar Year after test year (1/1 to 12/31)	Second Calendar Year after test year (1/1 to 12/31)

Example:

	January Filers	**July Filers**
Proposed Application Filed and Served	November 5, 2007	May 1, 2007
Application Filed and Served, workpapers to staff	January 5, 2008	July 1, 2007
Cost of Capital Application Filed	May 1, 2008	May 1, 2008
Test Year	1/1/09 to 12/31/09	1/1/09 to 12/31/09
Effective Date of New Rates	January 1, 2009	January 1, 2009
Escalation Year 1	1/1/10 to 12/31/10	1/1/10 to 12/31/10
Escalation Year 2	1/1/11 to 12/31/11	1/1/11 to 12/31/11

Informal communications between applicant, DRA, and other interested parties are encouraged at all stages of the proceedings, including the proposed application review period, in order to facilitate understanding by the parties of their respective positions, to avoid or resolve discovery disputes, and to avoid unnecessary litigation. All information, however, necessary for the Commission to make its decision must be included in the record. While the Commission supports alternative forms of dispute resolution for GRC filings, any resulting agreement, and the record on which it is based, must meet all applicable Commission rules as well as the standards for settlements. A complete comparison exhibit, with supporting rationale, is essential to supporting any settlement agreement.

III. Schedule Summary

The target schedule for processing GRC applications is set out below. By mutual agreement, DRA and the utility may modify the date for filing the proposed application by no more than ten days, with all subsequent dates being moved an equal number of days. The assigned ALJ and/or Commissioner shall set the final schedule for each proceeding at or after the Prehearing Conference.

Event	**14-month Schedule**	**20-month Schedule**	
Proposed Application Tendered	-60	-60	
Deficiency Letter Mailed	-30	-30	
Appeal to Executive Director	-25	-25	
Executive Director Acts	-20	-20	
Application Filed/Testimony Served	0	0	
Prehearing Conference	5 – 75	8 – 75	
Public Participation Hearings	60-110	60-110	
DRA Testimony	97	204	
Other Parties Serve Testimony	97	234	
ADR Processes (as appropriate)	97-126	234-290	
Rebuttal Testimony	112	264	**Cost of Capital**
Evidentiary Hearings (if required)	126-130	290-310	May 1
Opening Briefs Filed and Served	150	340	
Reply Briefs Filed and Served (includes Comparison Exhibit)	157	350	
Water Division Technical Conference	170	370	
ALJ's Proposed Decision Mailed	240	460	
Comments on Proposed Decision	260	480	
Reply Comments	265	485	
Commission Meeting	280	500	

IV. Detailed Schedule

1. Proposed Application Tendered

Day – 60 (All Applications)

A. Filing Dates of Proposed Application

No later than November 5 for water utilities scheduled to file the final application on January 5, and no later than May 1 for water utilities scheduled to file on July 1.

B. Number of Copies of Proposed Application

The original signed copy of the Proposed Application shall be tendered to the Commission's Docket Office. Prepared testimony supporting the Proposed Application shall not be tendered with the Docket Office. Four copies of the Proposed Application and supporting testimony shall be provided to DRA for single district filings, five copies for multi-district filings, and one copy to the Commission's Legal Division and Water Division. DRA shall be provided with one full hard copy set of workpapers. A searchable electronic copy (via email or CD) of the Proposed Application, supporting testimony, and workpapers shall be provided to DRA.

Applicant shall furnish copies of the Proposed Application, supporting testimony, and workpapers to interested parties on written request.

C. Required Content of Proposed Application and Supporting Prepared Testimony

A utility's Proposed Application for a rate increase must identify, explain, and justify the proposed increase. The Proposed Application shall include a proposed schedule consistent with the Rate Case Plan with a test period consistent with the Rate Case Plan. The Proposed Application shall include, but not be limited to, the information set forth in Attachment 1, Minimum Data Requirements. The utility is not required to follow the order of information in Attachment 1, but must include a cross-reference to where each of the minimum data requirements is set forth in its testimony. The utility bears the burden of proving that its proposed rate increase is justified and must include in the Proposed Application and supporting testimony, all information and analysis necessary to meet this burden.

D. DRA Evaluation of Proposed Application

DRA will review and evaluate the Proposed Application to determine whether the Proposed Application complies with these requirements. No later than 30 days after the Proposed Application is tendered, DRA will inform the utility in writing whether the Proposed Application complies. If DRA determines that the Proposed Application complies with these requirements, then DRA will notify the Commission's docket office that the docket office should accept for filing a GRC application from that utility at any time within the following 30 days. If DRA determines that the Proposed Application does not comply with these rules, then DRA will issue a deficiency letter.

2. Deficiency Letter Issued

No later than 30 days after the Proposed Application is tendered, DRA shall issue any deficiency letter, and shall also transmit a courtesy electronic copy of the letter to the utility's representative on the day of issuance. The deficiency letter shall include a list of the topics on which the Proposed Application is deficient.[4] To the extent known, DRA shall describe the information and analysis needed to cure the deficiencies. Upon request, DRA shall promptly meet and confer with the utility. Unless and until the defects listed in the deficiency letter are resolved pursuant to the appeals process or cured, the GRC application will not be accepted for filing.

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[4] A deficiency is a material omission of any Minimum Data Requirements from the Proposed Application, supporting testimony, or workpapers. A deficiency is not a subjective determination that the Proposed Application or submitted documents, including workpapers, do not adequately support the utility's request or are non-responsive to the Rate Case Plan filing requirements. Failure to respond to a data request for information beyond the Minimum Data Requirements is not a requirement of the Rate Case Plan and is not a deficiency.

The following examples are deficiencies: 1) failure to serve prepared testimony with the Proposed Application; 2) failure to cross-reference submitted workpapers; and 3) failure to address need for a proposed capital project or a requested new staff position. The following examples are not deficiencies: 1) a request by DRA for clarification of the utility's submitted prepared testimony or supporting calculations (unless the submitted materials overall were disorganized or unclear); 2) use of recorded or estimated data for subjects that are not required under the Rate Case Plan; and 3) a determination by DRA that a proposed position is incorrect or inadequately supported by the testimony and/or workpapers and therefore requires additional information to evaluate. These are not deficiencies for the purpose of accepting the Proposed Application.

3. Appeal to Executive Director

If the utility disagrees with any or all defects listed in the deficiency letter, the utility may file and serve an appeal to the Executive Director. Service shall include copies to the Executive Director, the Director of the Water Division, the Assistant Chief ALJ (Water), and DRA. The utility shall concisely identify the points in the deficiency letter with which it disagrees and shall provide all necessary citations and references to the record to support its claim.

4. Executive Director Acts

No later than five days after the appeal is filed, the Executive Director shall act on the appeal by a letter ruling served on all parties. Electronic courtesy copies shall also be provided on the day of issuance.

5. Application Filed

Day 0 (All Applications)

No later than 60 days after the Proposed Application is tendered and DRA has notified the Docket Office that the Proposed Application is not deficient, the utility may file its complete GRC application consistent with Rule 1.13 of the Rules of Practice and Procedure (Rules) or electronically consistent with the requirements of Resolution ALJ-188. Supporting testimony shall not be filed but shall be served on all parties including the assigned ALJ or, if one is not yet assigned, the Chief ALJ. All data included in the application and testimony shall be updated to include information that was not available when the Proposed Application was tendered, and all such changes shall be quantified and explained in a comparison exhibit. The application shall conform to the content of the Proposed Application and supporting testimony, and shall include final versions of the exhibits provided in the Proposed Application. The utility shall serve copies of the application as provided above for the Proposed Application.

Up to 45 days after filing, more recent recorded data used in the application/testimony may be provided by the utility and used by DRA in its testimony and by the utility in its rebuttal testimony. More recent recorded data are utility plant or expense account balances showing actual historical amounts. The more recent recorded data must be used in the same manner and for the same purpose as the data included in the original application/testimony. New or additional items or forecasted costs are not updates to recorded data and will not be accepted.

Under extraordinary circumstances, a water utility may seek discretionary post-application modifications. Any such request must, at a minimum, show that the addition sought: (1) causes material changes in revenue requirement; (2) is the result of unforeseeable events; (3) is not off-set by other cost changes; and (4) can be fairly

evaluated with proposed schedule changes that have been agreed to by all parties. Any such request shall be by made by written motion, with an opportunity for other parties to respond, as provided in the Rules. The Presiding Officer shall rule on the motion and, if the motion is granted, shall provide the other parties commensurate time to respond. The Presiding Officer shall set a revised schedule, if appropriate.

6. Prehearing Conference Held

Day 5 - 75 (All Applications)

The assigned Commissioner and/or ALJ shall convene a Prehearing Conference and set the procedural schedule for the proceeding. At the Prehearing Conference, the Presiding Officer and the parties will discuss alternative dispute resolution (see below) and the timing, process, and appointment of an independent water quality expert (to be funded by the utility) to assist the Commission with its assessment of water quality compliance.

7. Public Participation Hearings, if applicable

Day 60 - 110 (All Applications)

The schedule may include Public Participation Hearings (PPH) if necessary due to public interest. The ALJ and/or Commissioner may also direct the applicant to make information about the rate case available to the public via other communication channels including the Internet and other means of public outreach. The applicant shall provide notice of the hearings in accordance with Rule 3.2 of the Rules and any supplemental procedures directed by the ALJ pertaining to notice of hearings.

8. Distribution of DRA Testimony

Day 97 (14 month schedule)
Day 204 (20 month schedule)

DRA shall serve prepared testimony on the service list to the proceeding consistent with Rules 1.9 and 1.10 of the Rules. Two hard copies shall be served on the Presiding Officer. Workpapers shall be served on all appearances. DRA shall arrange its workpapers in an organized and logical fashion.

9. Distribution of Testimony by Other Parties

Day 97 (14 month schedule)
Day 234 (20 month schedule)

Any interested parties shall serve their prepared testimony on the service list to

the proceeding consistent with Rules 1.9 and 1.10 of the Rules. Two hard copies shall be served on the Presiding Officer. Workpapers shall be served on all appearances. Parties shall arrange workpapers in an organized and logical fashion.

10. Alternative Dispute Resolution (ADR) Processes

Days 97 - 126 (14 month schedule)
Days 234 - 290 (20 month schedule)

ADR will be explained by the assigned ALJ at the initial prehearing conference and, in the scoping memo, an ALJ neutral will be appointed to meet with the parties as needed throughout the proceeding. Specific ADR processes will be held as appropriate during the period between DRA's and Other Parties' testimony and the evidentiary hearing. The ALJ neutral and the parties will plan and schedule the specific ADR processes that are appropriate for that proceeding. These methods may include facilitation, mediation, or early neutral evaluation conducted by an ALJ neutral not assigned to the proceeding. All active parties must participate in an initial session to determine the feasibility of ADR, and a party must have an official with decisionmaking authority present. Unless the parties agree otherwise, these sessions will be confidential and the communications will not be used in the formal proceeding. For additional information on the Commission's ADR program, see Resolution ALJ-185.

11. Distribution of Rebuttal Testimony

Day 112 (14 month schedule)
Day 264 (20 month schedule)

Rebuttal testimony may be prepared by any party and shall be served on the service list consistent with Rules 1.9 and 1.10. Two hard copies shall be served on the Presiding Officer. Workpapers shall be served on appearances.

12. Evidentiary Hearings

Day 126 - 130 (14 month schedule)
Day 290 - 310 (20 month schedule)

The Presiding Officer shall preside over evidentiary hearings and shall take evidence to prepare the formal record. At the conclusion of the hearings, the Presiding Officer shall set the briefing schedule and set the date for submission of the case for decision by the Commission, consistent with the schedule set out below.

13. Opening Briefs Filed and Served

Day 150 (14 month schedule)
Day 340 (20 month schedule)

The parties may file concurrent opening briefs setting out their recommendations on specific issues, with supporting references to the record. The applicant shall include a comprehensive discussion of the issues and shall address in detail each issue identified as "contentious" in the application. The Presiding Officer may adopt a uniform briefing outline for use by all parties.

14. Reply Briefs Filed and Served

Day 157 (14 month schedule)
Day 350 (20 month schedule)

Each party may file a brief responding to the issues raised by the other parties in their opening briefs. The applicant, DRA, and other active parties shall prepare and submit a Joint Comparison Exhibit showing complete comparison tables for the test and escalation years. The tables shall show each party's final position on each component of revenue requirement and shall identify all remaining major disputed issues, and the dollar amounts associated with each disputed issue. All major revisions to a party's position on an issue shall be explained. The tables shall consolidate the two test years and one attrition year methodology for capital additions with the one test year and two escalation years program for expenses to show a complete projected revenue requirement for each of the three years in the cycle. Final adjustments to balancing or memorandum accounts that have been approved by DRA may be incorporated in the Joint Comparison Exhibit.

15. Water Division Technical Conference

Day 200 (14 month schedule)
Day 400 (20 month schedule)

Water Division shall host a Technical Conference following submission of the case to review the ratemaking models utilized by the parties in the case in order to assist the assigned ALJ in the preparation of tables for the Proposed Decision.

16. Presiding Officer's Proposed Decision Mailed

Day 240 (14 month schedule)
Day 460 (20 month schedule)

The Presiding Officer's proposed decision shall be filed and served consistent

with applicable law and regulations.

In addition to relevant issues raised in the proceeding, each decision: (1) shall discuss utility's district-by-district compliance with water quality standards as required by General Order 103; and (2) unless deviation is otherwise expressly justified in the decision, shall include standard ordering paragraphs providing for escalation year increases subject to an earnings test. A sample ordering paragraph is set out in the footnote.[5]

17. Comments on Proposed Decision

Day 260 (14 month schedule)
Day 480 (20 month schedule)

Comments on the proposed decision shall be filed and served on all parties consistent with Commission rules.

18. Reply Comments

Day 265 (14 month schedule)
Day 485 (20 month schedule)

As provided in Commission rules, the parties may file and serve replies to comments on the proposed decision.

19. Expected Commission Meeting

Day 280 (14 month schedule)
Day 500 (20 month schedule)

The proposed decision may be on the agenda for the first regularly scheduled

[5] SAMPLE ORDERING PARAGRAPH: An escalation advice letter, including workpapers, may be filed in accordance with General Order (GO) 96-B no later than 45 days prior to the first day of the escalation year. To the extent that the pro forma earnings test for the 12 months ending September 30, as adopted in D.04-06-018, exceeds the amount authorized in this decision, the requested increase shall be reduced by the utility from the level authorized in this decision to conform to the pro forma earnings test. Advice letters filed in compliance with this decision shall be handled as Tier 1 filings, effective on the first day of the test year. Advice letters not in compliance with this decision will be rejected consistent with GO 96-B.

meeting of the Commission occurring 30 or more days after the date the proposed decision is filed.

V. Deviations from Schedule

This section describes the possible deviations from the standard Rate Case Plan schedule and the procedure by which a utility may seek a deviation or waiver from the Rate Case Plan schedule or requirements.

1. Waiver of GRC Filing. Waiver of the requirement to file a GRC every three years may be sought by letter to the Executive Director. Such letter shall be sent to the Executive Director, Chief ALJ, Water Division Director, DRA Director, and the service list of the most recent GRC no later than 90 days prior to the scheduled application filing date. Granting of this request by the Executive Director will result in the waiver by the utility of rate changes until its next scheduled rate case. The Executive Director will report to the Commission at the next scheduled Commission meeting the disposition of any request for waiver of the three year filing requirement.

2. Advice Letter in Lieu of Application. At its option, a utility may file an Advice Letter in lieu of an application if all of the following circumstances are met:

a. Utility tenders its Proposed Application
b. Proposed Application is not deficient
c. Utility consists of a single ratemaking district
d. Requested change in revenue requirement is 5% or less

If the utility meets these criteria, it may, on its specified application filing date under the Rate Case Plan, file its GRC by Advice Letter rather than an application, but it must continue to comply with the Rate Case Plan Minimum Data Requirements in its Advice Letter filing. The utility shall notify the Commission's Executive Director, Chief ALJ, Water Division Director, DRA Director, and Docket Office by letter no later than five days before the application due date whether it will file an application or Advice Letter. The GRC Advice Letter will be processed as a Tier 3 Advice Letter.

3. Request to File Advice Letter in Lieu of Application. Filing an Advice Letter in lieu of an application is at the determination of the Commission if the criteria in 2 above will not be met. The utility shall file an Advice Letter seeking authority to file its GRC by Advice Letter no later than 90 days prior to the due date for its application for GRC. The utility must continue to prepare its Proposed Application consistent with the Rate Case Plan and Minimum Data Requirements while its Advice Letter seeking approval for the waiver is pending. The Advice Letter will be processed as a Tier 3 Advice Letter. If the Resolution resolving the request to file the GRC by Advice Letter approves the request, the utility shall notify the Commission's Executive Director, Chief ALJ, Water Division Director, DRA Director, and Docket Office by letter no later than five days before the application due date whether it will file an application or Advice Letter. The

GRC Advice Letter will be processed as a Tier 3 Advice Letter. If the Resolution denies the request, the utility shall file its GRC application as specified in the Rate Case Plan.

4. Interim Rates. A request for interim rate relief shall be sought by motion in the utility's GRC 60 days prior to the first day of the test year.[7] The motion must address the degree to which the utility is at fault for the delay, the requested rate of increase (not to exceed the rate of inflation), and the proposed effective date for interim relief. After analyzing the cause of delay in adoption of rates, the assigned ALJ will issue a ruling specifying an effective date and interim rate. The utility may then file a compliance Advice Letter to implement the date and rate specified by the ruling, which will be effective upon filing. The Advice Letter will be processed as a Tier 1 Advice Letter.

5. Transitional Deviations. During the transition from the Rate Case Plan schedule adopted in D.04-06-018 to this Rate Case Plan schedule, utilities may request the following deviations:

a. The utility, at its option, may seek an annual rate change, subject to refund, limited to the rate of inflation by advice letter for ratemaking districts where the transition to the new Rate Case Plan will result in the last review of rates for that district to have occurred more than three years prior. The Advice Letter will be processed as a Tier 2 Advice Letter.

b. The utility, at its option, may choose, in its first GRC under this Rate Case Plan, to entirely forgo review of rates for ratemaking districts where the last Commission adopted rates were for a test year less than three years prior. If this choice is selected, the utility does not need to include responses to the Minimum Data Requirements for that district in its Proposed Application.

[7] If the utility does not seek interim rates by motion as described herein, the utility is deemed to have waived the provisions of § 455.2(a) and (b), regarding the effective date of test year rates and the right to receive interim rate relief.

VI. Class A Water Company Schedule

Utility	Districts	GRC Filing Date	Cost of Capital Filing Date	Effective Date
CalWater	24	July 1, 2007	May 1, 2008	January 1, 2009
Park	2	January 5, 2008	May 1, 2008	January 1, 2009
Great Oaks	1	January 5, 2008	May 1, 2008	January 1, 2009
Golden State	16	July 1, 2008	May 1, 2009	January 1, 2010
San Gabriel	2	July 1, 2008	May 1, 2009	January 1, 2010
Suburban	1	January 5, 2009	May 1, 2009	January 1, 2010
CalAm	3	July 1, 2009	May 1, 2010	January 1, 2011
Valencia	1	January 5, 2010	May 1, 2010	January 1, 2011
San Jose	1	January 5, 2010	May 1, 2010	January 1, 2011
Next Cycle				
CalWater	24	July 5, 2010	May 1, 2011	January 1, 2012
Park	2	January 5, 2011	May 1, 2011	January 1, 2012
Great Oaks	1	January 5, 2011	May 1, 2011	January 1, 2012
Golden State	16	July 1, 2011	May 1, 2012	January 1, 2013
San Gabriel	2	July 1, 2011	May 1, 2012	January 1, 2013
Suburban	1	January 5, 2012	May 1, 2012	January 1, 2013
CalAm	3	July 1, 2012	May 1, 2013	January 1, 2014
Valencia	1	January 5, 2013	May 1, 2013	January 1, 2014
San Jose	1	January 5, 2013	May 1, 2013	January 1, 2014

VII. Escalation and Attrition Advice Letter Procedure

Adopted "Estimates of Non-labor and Wage Escalation Rates" shall be used for Escalation Years 1 and 2 rate increase requests and shall be sought by Tier 1 Advice Letter no later than 45 days prior to first day of the escalation year. The advice letter filing shall include all calculations and documentation necessary to support the requested rate change. The requested rate increase shall be subject to the pro forma earnings test, as specified in D.04-06-018. Revenue requirement amounts otherwise subject to rate recovery, e.g., through balancing or memorandum accounts, shall not be subject to escalation.

All rate base items, including capital additions and depreciation, shall not be escalated but rather shall be subject to two test years and an attrition year, consistent with D.04-06-018. If the Escalation Year and Attrition Year Advice Letters are in compliance with this decision, GO 96-B, and other requirements, the advice letter shall be effective on the first day of the escalation or attrition year, consistent with the procedures laid out in GO 96-B.

Attachment 1

Minimum Data Requirements for Utility General Rate Case Application and Testimony

The Water Action Plan, adopted on December 15, 2005, includes four principles: (1) safe high quality water; (2) highly reliable water supplies; (3) efficient use of water; and (4) reasonable rates and viable utilities. In order to ensure that Class A water utilities adhere to the four principles as well as providing sufficient information to promote sound decisionmaking, the following information must be included in the utility's Results of Operations Report when a GRC is filed. Testimony served concurrently with the GRC application must include data responsive to the specific topics and questions listed below. The application and testimony need not respond to the minimum data requirements in the order presented below, but must include a cross reference that identifies where each topic and question is addressed in the testimony. Provide responses both on a company aggregate and individual district basis.

I. General Rate Case Application Requirements

The application must contain the following summary information:

A. Summary of Requested Revenue Requirement and Rate Base Changes

Compare the proposed amounts to the last adopted and last recorded amounts to determine the difference in dollars and percentages. Show the difference, i.e., the proposed change, in a table, as set out below.

Difference Between Proposed Test Year and Last Test Year Adopted and Last Recorded Year		
	Last Test Year Adopted	Last Recorded Year[3]
Total Rev Req $		
Total Rev Req %		
Rate Base $		
Rate Base %		
Operating Expenses $		
Operating Expenses %		
Rate of Return		

[3] Use most recent 12 months of available data; revise with complete calendar year data when available.

B. Primary Cost Increases

List the five most significant issues, in dollar terms that the utility believes require a rate change. Identify the cause of cost increases.

C. Issues of Controversy

List the major controversial issues included in the GRC filing. Include the dollar impact of these issues, and a brief summary of the utility's rationale on this subject.

D. Proposed Notice to Customers

Include in the Proposed Application proposed notices to customers that will be submitted for review by the Commission's Public Advisor upon filing of the application. The proposed notices should describe the reasons for the requested rate change and estimated average bill changes for a typical customer in each district by customer class.

II. Testimony Requirements

A. Basic Information

All significant[8] changes between last adopted figures and recorded amounts shall be explained. Forecasted amounts shall include an explanation of the forecasting method.

1. Number of customers and percentage of customer increase for last authorized test years, last five years recorded data, and proposed test year[9]

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[8] A significant expense is equal to or greater than 1% of test year gross revenues.

[9] Forecast customers using a five-year average of the change in the number of customers by customer class. Should an unusual event occur, or be expected to occur, such as the implementation or removal of limitation on the number of customers, then an adjustment to the five-year average will be made. Calculate customer consumption by using a multiple regression (any commonly used multiple regression software could be employed, e.g., Eviews, SAS, TSP, Excel, Lotus), based on the material in the "Standard Practice No. U-2" and the "Supplement to Standard Practice No. Utilities-25" with the following improvements:

A. Use monthly data for ten years, if available. If ten years' data is not available, use all available data, but not less than five years of data. If less than five years of data is available, the utility and DRA will have to jointly decide on an appropriate method to forecast the projected level of average consumption.

B. Use 30-year average for forecast values for temperature and rain.

C. Remove periods from the historical data in which sales restrictions (e.g., rationing) were imposed or the Commission provided the utility with sales adjustment compensation (e.g., a drought memorandum account), but replace with additional historical data to obtain ten years of monthly data, if available.

2. Total water sales in CCF for the last authorized test years, last five years recorded data, and proposed test year[10]
3. Revenue requirement authorized for last test and escalation years and proposed test year
4. Recorded revenues for last five years and proposed test year forecast[11]
5. Revenues per customer for last authorized test years, last five years recorded data, and proposed test year
6. Number of general office employees and percent increase for the last authorized test years, last five years recorded data, and proposed test year
7. Number of district employees and percent increase for the last authorized test years, last five years recorded data, and proposed test year
8. List each rate change since the last GRC decision by district, including the date, percentage change to typical residential customer bill, percentage change to revenue requirement, total dollar change, and citations to authority for each increase, and sum to arrive at cumulative rate change by district since last GRC

B. Revenue Requirement: Operations & Maintenance, Administrative & General, General Office

As part of the Results of Operation Report, all significant changes between last adopted figures and recorded amounts shall be explained. Show results of operation in summary table as specified by the Water Division. Forecasted amounts shall include an explanation of the forecasting method.[12] Among other information to support the utility's request, provide the following data:

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[10] Forecast water sales for all classes of customers for utilities that are under government-mandated production limitations based on that limitation and consideration of unaccounted for water and historical production reserves while under the imposed limitation. Water sales for customer classes other than residential, multifamily, and business (such as industrial, irrigation, public authority, reclaimed, and other) will be forecast on total consumption by class using the best available data.

[11] Estimate test year sales revenues based on the test year sales and customer forecast. Estimate other revenues using the best available data.

[12] For district and general office expenses, excluding water production related expenses, parties may forecast using traditional estimating methodologies (historical averages, trends, and specific test year estimates). In addition to any other methodology the utility may wish to use, the utility shall also present, in its workpapers, an inflation adjusted simple five-year average for all administrative and O&M expenses, with the exception of off-settable expenses and salaries.

1. Identify Operation and Maintenance (O&M) Expenses for the last authorized test year, last five years recorded data, and proposed test year
2. Identify O&M expense per customer for last authorized test year, last five years recorded data, and proposed test year
3. Identify maintenance expense and percent increase/decrease for last authorized test year, last five years recorded data, and proposed test year
4. Identify maintenance expense per customer and percent increase/decrease for last authorized test year, last five years recorded data, and proposed test year
5. A&G Expenses and percent increase for the last authorized test year, last five years recorded data, and proposed test year
6. A&G Expense per customer and percent increase for the last authorized test year, last five years recorded data, and proposed test year
7. Number of district employees per thousand customer and percent increase for the last authorized test year, last five years recorded data, and proposed test year
8. District employee's total payroll expenses and percent increase for the last authorized test year, last five years recorded data, and proposed test year
9. District employee's payroll expenses per thousand customer and percent increase for the last authorized test year, last five years recorded data, and proposed test year
10. District employee's expensed payroll and percent increase for the last authorized test year, last five years recorded data, and proposed test year
11. District employee's capitalized payroll and percent increase for the last authorized test year, last five years recorded data, and proposed test year
12. Number of general office employees per thousand customers and percent increase for the last authorized test year, last five years recorded data, and proposed test year
13. General office payroll expense and percent increase for the last authorized test year, last five years recorded data, and proposed test year
14. General office payroll expense per thousand customer and percent increase for the last authorized test year, last five years recorded data, and proposed test year
15. General office expensed payroll and percent increase for the last authorized test year, last five years recorded data, and proposed test year
16. General office capitalized payroll per thousand customer and percent increase for the last authorized test year, last five years recorded data, and proposed test year
17. Number of supervisory, managerial and executive employees in General Office for the last authorized test year, last five years recorded data, and proposed test year
18. Number of supervisory, managerial and executive employees in General Office per thousand customer for the last authorized test year, last five years recorded data, and proposed test year

C. Revenue Requirement: Water Sales and Production

As part of the Results of Operation Report, all significant changes between last adopted figures and recorded amounts shall be explained. Show results of operation in summary table as specified by the Water Division. Forecasted amounts shall include an explanation of the forecasting method. Among other information to support the utility's request, provide the following data:

1. Total water production in CCF for the last authorized test year, last five years recorded data, and proposed test year
2. Total purchased water in CCF for the last authorized test year, last five years recorded data, and proposed test year
3. Total pumped water pumped in CCF for the last authorized test year, last five years recorded data, and proposed test year
4. Total treated water in CCF for the last authorized test year, last five years recorded data, and proposed test year
5. Sales per customer for different customer classes (in CCF/customer) for the last authorized test year, last five years recorded data, and proposed test year[13]

D. Escalation Year Methodology

Utilize the following methods for preparing escalation year requests:[14]

1. Estimate escalation year labor expenses by the most recent labor inflation factors as published by the DRA
2. Estimate non-labor escalation year expenses, excluding water production related expenses, by the most recent composite non-labor 60%/compensation per hour 40% inflation factors published by DRA
3. Estimate escalation year water production related expenses based on escalation year sales
4. Remove all non-recurring and significant expense items prior to escalation. A significant expense is equal to or greater than 1% of test year gross revenues
5. Expense items subject to recovery via offset accounts, e.g., balancing accounts, shall not be escalated

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[13] The utility and DRA shall use the "New Committee Method" to forecast per customer usage for the residential and small commercial customer classes in general rate cases.

[14] In each water utility's escalation year advice letter filing the most recent DRA inflation factors will be used.

6. Estimate escalation year expenses not specifically addressed in DRA's published inflation factors, (such as insurance) based on CPI-U for most recently available 12 months, as provided in the decision
7. Escalation year expenses may also be increased by the most recent five-year average customer growth
8. For the first escalation year, estimate customers by adding the five-year average change in customers by customer class to the test year customers. For the second escalation year, estimate customers by adding the five-year average change in customers by customer class to the first escalation year customers
9. Estimate sales for the escalation years for the residential, multifamily, and business classes by multiplying the number of customers for each escalation year by the test year sales per customer. Use the test year sales for all other customer classes for both escalation years
10. Forecast sales revenues for the escalation years based on each year's forecast of sales and customers. Other revenues will be estimated using a five-year average of recorded other revenue

E. Rate Base

All significant changes between last adopted figures and recorded amounts shall be explained. Forecasted amounts shall include an explanation of the forecasting method.[15] All significant capital additions shall be identified and justified, and must include need analysis, cost comparison and evaluation, conceptual designs, and overall budget. Also include a comparison of the forecasted capital additions adopted in the last GRC and actual capital additions.

1. Rate base and percentage of increases for last authorized test years, last five years recorded data, and proposed test year
2. Rate base per customer and percentage of increases for last authorized test years, last five years recorded data, and proposed test year
3. Plant- in Service and percentage of increases for last authorized test years, last five years recorded data, and proposed test year
4. Plant-in Service per customer and percentage of increases for last authorized test years, last five years recorded data, and proposed test year
5. List the plant improvements authorized in test years but not built
6. List plant improvements built in last test years but not authorized

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[15] In addition to any other methodology the utility may wish to use, the utility shall derive the test years and attrition year estimates by taking the year-end properly recorded plant balance of the latest recorded year and adding to it the average plant additions of the last five years. The results of this methodology may be included in workpapers.

7. List all items in Plant-in Service included in rate base not "used and useful" in the last five years and proposed test year
8. To the extent not included in a previous GRC application, include a detailed, complete description accounting for all real property that, since January 1, 1996, was at any time, but is no longer, necessary or useful in the performance of the water corporation's duties to the public and explain what, if any, disposition or use has been made of said property since it was determined to no longer by used or useful in the performance of utility duties.[16] The disposition of any proceeds shall also be explained

F. Supply and Distribution Infrastructure Status and Planning

1. Identify unaccounted for water in CCF and percentage of total water production for the last authorized test year, last five years recorded data, and proposed test year amounts
2. Submit the results of a water loss audit performed no more than 60 days in advance of the submission. The audit report will be prepared using the free Audit Software developed by the American Water Works Association (AWWA) and available on the AWWA website
3. If unaccounted for water is more than ≈ 7% for each district or service area, submit a plan to reduce it to 7%. Show cost and benefit
4. Identify specific measures taken to reduce unaccounted for water in the last five years and proposed test year
5. Identify number of leaks in the last five years
6. Describe leak detection program
7. Provide leak repair time statistics for last five years
8. Identify specific measures taken to reduce number of leaks in the last five years and proposed test year
9. Calculate the average age of distribution system
10. List number of feet of and size of mains replaced for last authorized test years, last five years recorded data, and proposed test year amounts
11. List (concisely) all major water sources, including the permit number or contract, remaining duration of the entitlement, and any pending proceedings or litigation concerning any major source. Location of the source need not be included

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[16] i.e., Real property subject to Water Infrastructure Improvement Act of 1995 (see Pub. Util. Code §§ 789, 789.1, 790, 790.1.)

12. Identify water supply (in gpm) added to system for the last three years and proposed test years
13. Identify storage volume (in million gallons) added to water system for the last three years and proposed test years
14. Identify treatment volume (in million gallons) added to water system in the last three years and proposed test years
15. Include a copy of the latest Department of Water Resources Water Management Plan
16. Provide confirmation of compliance with EPA Vulnerability Assessment and Office of Emergency Services Response Plan
17. Submit a 10-year Comprehensive Asset Management Plan to identify and address aging infrastructure needs
18. If expected system improvement requirements over next 5 years exceeds average authorized capital additions over past two GRCs, identify a ratemaking approach (for example, a Distribution System Improvement Charge), to ensure infrastructure renewal

G. Conservation and Efficiency

1. Specific measures taken to promote water conservation in the last five years and proposed test years
2. Submit plan to achieve five percent reduction in average customer water use over three year GRC cycle
3. Identify the percentage of metered customers in aggregate and by district and your plan to convert customers to metered service
4. Confirm membership in the California Urban Water Conservation Council
   a) For those companies that are a member of CUWCC, submit a Separate Report that list the company's compliance with the 14 BMPs
   b) For those companies that are not members of CUWCC, submit a Separate Report on the implementation of CUWCC's BMPs)
5. Specific measures taken to promote energy conservation in the last five years and proposed test year
6. Identify and assess options to improve energy efficiency of water pumping, purification systems, and other energy intensive water processes
7. Submit plan to achieve ten percent reduction in energy use per ccf over three year GRC cycle
8. Identify number of water pumps rated in pump efficiency tests as "Low", "Normal" and "High" in the last five years
9. Identify number of low efficiency pumps replaced for the last authorized test years, the last five years and proposed test year

10. Calculate delivery factors (kWh/CCF) for the (1) total system, (2) wells only, and (3) boosters only, for the last authorized test year, last five years recorded data, and proposed test year

H. Water Quality

1. Summarize any non-compliance with maximum contaminant levels (MCLs) since the last GRC
2. Summarize any Treatment Techniques or Action Level exceedances
3. Summarize any Notification Levels or Response Level exceedances
4. Provide copy of the distributed Consumer Confidence Report (CCR) for each year not covered by the last GRC
5. Provide copies of CDHS citations issued to the system, if any
6. Provide copy of last CDHS inspection report and letters of violation
7. Provide information on all actions taken to comply with CDHS requests
8. Provide an explanation as to how regulations expected to be promulgated in the next five years may affect your operations
9. Provide copy of CDHS State Revolving Funds Needs Survey Documentation

I. Service Quality

1. Number of customer complaints received in last three years, categorized by major subject areas
2. Measures taken to reduce the number of complaints in the last three years and plan for GRC cycle

J. Corporate and Unregulated Activities

1. Identify and explain all transactions with corporate affiliates involving utility employees or assets, or resulting in costs included in revenue requirement over the last five years. Include all documentation, including a list of all such contracts, and accounting detail necessary to demonstrate that any services provided by utility officers or employees to corporate affiliates are reimbursed at fully allocated costs
2. To the extent the utility uses assets or employees included in revenue requirement for unregulated activities, identify, document, and account for all such activities, including all costs and resulting revenue, and provide a list of all contracts over the last five years

K. Rate Design

Testimony should describe how the proposed rate design promotes customer conservation and low-income water user affordability. At a minimum, the proposed rate design should include:

1. Conservation rate design (increasing block rates) for metered customers

2. Low-Income tariff
3. Identify opportunities and options for consolidation of district tariffs, where appropriate

L. Other

1. Describe any adopted mechanism to remove the water utility financial disincentive to promote conservation or adjust for conservation impacts on sale revenues
2. Propose a method (or methods) to remove the water utility financial disincentive to promote conservation, if one is not currently adopted[17]
3. Identify Class C and D or mutual water companies adjacent to current service territories and opportunities for interconnection or acquisition
4. List the major policies, programs, plant additions, and improvements proposed in the GRC that promote achievement of the four Water Action Plan Principles

M. Workpapers

Workpapers are served as described in the Rate Case Plan but are not part of the Proposed Application. Include all supporting analysis, documentation, calculations, back-up detail, and any other information relied on but not readily available to other parties. Electronic copies of all spreadsheets or other analytical methods necessary to fully calculate the effect of any revenue requirement change on final rates should be included. All workpapers must include a table of contents, page numbering, and cross-references to issues discussed in testimony, and must be arranged in a logical fashion.

[17] May include a water revenue adjustment mechanism, shareholder/ratepayer conservation incentives, or other approaches.

Attachment 2

Minimum Data Requirements for Utility
Cost of Capital Application and Testimony

Testimony served concurrently with the cost of capital application must include data responsive to the specific topics and questions listed below, among other information necessary to support the request. The application and testimony need not respond to the minimum data requirements in the order presented below, but must include a cross reference that identifies where each topic and question is addressed in the testimony. Provide responses both on a company aggregate and individual district basis as appropriate.

A. List most recent authorized return on equity and rate of return on rate base, with reference to decision number.

B. Report actual return on equity and rate of return on rate base annually for the past 5 years.

C. Describe the proposed capital structure and rate of return. Identify and explain all significant changes from last adopted capital structure and cost of capital. Report cost of capital information in summary table as set out below:

	Test Year ____ Escalation Years ____ and ____		
	Capital Structure	Cost	Weighted Cost
Debt			
Preferred Stock			
Common Equity			
Total	100.00 %		

D. Regarding long-term debt:

1. List the sinking fund amounts for each issue, by issue, by year
2. List the retirements by issue, for the current year
3. List the interest rates for each issue, by issue
4. List the terms of each issue, by issue, with issue date and date due
5. List the cost of issuance for each issue, by issue
6. List name of lender for each issue, by issue
7. Provide the formula used to determine the cost of new issues of long-term debt (Example: 30-year Treasury Bond + 100 basis points), as well as the reason for using the particular rate and basis point premium

8. If company or affiliate is rated by S&P, provide rating. If not rated, what would be rating based on forecast cost of new debt?

E. Are company stocks, bonds, or company as a whole rated or commented on by any organization or agency?

   a) If so, provide name(s) and phone number(s) of rating/commenting organization(s) and the ratings/comments received in the past 12 months

   b) Provide this information on an ongoing basis

F. List actual rate base for the past 5 years, by year, by district

G. Workpapers are served but not part of the application and should include:

   1. Copies of all publications, articles, book references, regulations, and decisions, referenced in testimony

   2. Supporting documentation for all models used to determine return on equity

(End of Appendix A)