

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA



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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 \$51,004,000 or 7.7% in test year 2020, (2) authorizing it to increase rates on January 1, 2021 by \$29,853,000 or 4.2% and on January 1, 2022 \$31,440,000 or 4.2% in accordance with the Rate Case Plan, and (3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 18-07-____

Filed July 2, 2018

APPLICATION

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Dated: July 2, 2018

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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 20 ratemaking areas.

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 ratemaking areas as shown in the following table:¹

2018 GRC Revenue Increases Summary						
Official District/Region	2020 \$\$ Increase (000's)	2020 % Increase	2021 \$\$ Increase (000's)	2021 % Increase	2022 \$\$ Increase (000's)	2022 % Increase
Bakersfield	\$5,087.4	6.5%	\$3,378.5	4.1%	\$3,764.0	4.4%
Bay Area Region	\$9,342.9	10.8%	\$3,212.7	3.4%	\$3,208.7	3.2%
Bear Gulch	\$4,545.4	8.3%	\$4,778.3	8.1%	\$4,836.3	7.6%
Chico	\$3,584.3	15.2%	\$991.0	3.6%	\$1,099.3	3.9%
Dixon	\$1,879.5	57.0%	\$61.7	1.2%	\$77.9	1.5%
Dominguez	\$512.7	0.7%	\$2,199.2	3.0%	\$2,403.3	3.2%
East Los Angeles	\$2,586.2	7.1%	\$1,265.5	3.2%	\$1,326.0	3.3%
Hermosa Redondo	\$2,280.4	7.4%	\$868.2	2.6%	\$933.1	2.8%
Kern River Valley	\$795.9	12.2%	\$327.5	4.5%	\$350.0	4.6%
Livermore	\$693.0	2.8%	\$1,076.2	4.3%	\$1,053.4	4.0%
Los Altos	\$1,473.9	3.7%	\$2,076.7	5.1%	\$2,125.4	4.9%
Los Angeles Co. Region	\$5,357.6	10.3%	\$1,049.4	1.8%	\$1,201.0	2.1%
Marysville	\$410.3	10.6%	\$115.4	2.7%	\$130.9	3.0%
Monterey Region	\$1,625.6	4.4%	\$2,687.0	6.9%	\$2,782.9	6.7%
Oroville	\$511.0	9.9%	\$161.1	2.8%	\$182.0	3.1%
Selma	\$632.9	11.6%	\$254.6	4.2%	\$250.1	3.9%
Stockton	\$6,630.2	13.2%	\$3,107.8	5.5%	\$3,255.9	5.4%
Visalia	\$1,512.4	5.1%	\$1,772.3	5.7%	\$1,902.1	5.8%
Westlake	\$731.9	3.7%	\$212.8	1.0%	\$288.2	1.4%
Willows	\$810.9	33.2%	\$257.9	7.9%	\$269.5	7.7%
Total	\$51,004.5	7.7%	\$29,853.8	4.2%	\$31,440.0	4.2%

¹ 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. Also, in D.16-12-042, the Commission authorized the regional consolidation for the following districts for ratemaking purposes. Bay Area Region consolidates Bayshore & Redwood Valley Districts. Los Angeles County Region consolidates Palos Verdes and Antelope Valley Districts. Monterey Region consolidates Salinas and King City.

2018 GRC Revenue Increases Summary

Proposed Consolidation of Dixon and Stockton Districts	2020 \$\$ Increase (000's)	2020 % Increase	2021 \$\$ Increase (000's)	2021 % Increase	2022 \$\$ Increase (000's)	2022 % Increase
Central Region	\$8,498.7	15.9%	\$3,174.3	5.1%	\$3,329.6	5.1%

B. District Summary Tables

Bakersfield District

Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$76,671,753	\$75,408,085	\$83,138,974
Rate Base \$	\$141,269,918	\$148,658,401	\$194,081,310
Rate Base \$ Difference	n/a	\$7,388,483	\$52,811,393
Rate Base % Difference	n/a	5.2%	37.4%
Operating Expenses	\$65,454,922	\$64,867,816	\$68,621,162
Operating Expense \$ Difference	n/a	(\$587,106)	\$3,166,240
Operating Expense % Difference	n/a	-0.9%	4.8%
Rate of Return	7.94%	7.09%	7.48%

Bay Area Region

Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$85,353,511	\$77,356,814	\$95,655,591
Rate Base \$	\$103,212,897	\$113,237,980	\$200,844,792
Rate Base \$ Difference	n/a	\$10,025,083	\$97,631,895
Rate Base % Difference	n/a	9.7%	94.6%
Operating Expenses	\$77,158,396	\$69,033,342	\$80,631,790
Operating Expense \$ Difference	n/a	(\$8,125,054)	\$3,473,394
Operating Expense % Difference	n/a	-10.5%	4.5%
Rate of Return	7.94%	7.35%	7.48%

Bear Gulch District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$54,150,982	\$49,022,923	\$59,207,448
Rate Base \$	\$80,585,212	\$93,244,166	\$162,641,496
Rate Base \$ Difference	n/a	\$12,658,954	\$82,056,283
Rate Base % Difference	n/a	15.7%	101.8%
Operating Expenses	\$47,752,518	\$41,763,426	\$47,041,245
Operating Expense \$ Difference	n/a	(\$5,989,092)	(\$711,273)
Operating Expense % Difference	n/a	-12.5%	-1.5%
Rate of Return	7.94%	7.79%	7.48%

Chico District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$23,353,589	\$23,825,743	\$27,155,404
Rate Base \$	\$50,122,630	\$54,898,417	\$72,060,264
Rate Base \$ Difference	n/a	\$4,775,787	\$21,937,634
Rate Base % Difference	n/a	9.5%	43.8%
Operating Expenses	\$19,373,851	\$19,681,719	\$21,765,571
Operating Expense \$ Difference	n/a	\$307,868	\$2,391,720
Operating Expense % Difference	n/a	1.6%	12.3%
Rate of Return	7.94%	7.55%	7.48%

Dixon District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$3,426,959	\$3,436,167	\$5,179,445
Rate Base \$	\$10,893,443	\$18,854,195	\$19,855,838
Rate Base \$ Difference	n/a	\$7,960,752	\$8,962,395
Rate Base % Difference	n/a	73.1%	82.3%
Operating Expenses	\$2,562,020	\$2,891,883	\$3,694,204
Operating Expense \$ Difference	n/a	\$329,864	\$1,132,184
Operating Expense % Difference	n/a	12.9%	44.2%
Rate of Return	7.94%	2.89%	7.48%

Dominguez District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$70,456,400	\$67,916,487	\$73,846,522
Rate Base \$	\$78,621,605	\$66,712,860	\$142,652,166
Rate Base \$ Difference	n/a	(\$11,908,744)	\$64,030,561
Rate Base % Difference	n/a	-15.1%	81.4%
Operating Expenses	\$64,213,845	\$62,087,043	\$63,179,847
Operating Expense \$ Difference	n/a	(\$2,126,801)	(\$1,033,998)
Operating Expense % Difference	n/a	-3.3%	-1.6%
Rate of Return	7.94%	8.74%	7.48%

East Los Angeles District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$34,359,224	\$34,246,309	\$38,987,742
Rate Base \$	\$68,532,647	\$77,594,591	\$106,999,256
Rate Base \$ Difference	n/a	\$9,061,945	\$38,466,610
Rate Base % Difference	n/a	13.2%	56.1%
Operating Expenses	\$28,917,732	\$28,350,974	\$30,984,204
Operating Expense \$ Difference	n/a	(\$566,759)	\$2,066,472
Operating Expense % Difference	n/a	-2.0%	7.1%
Rate of Return	7.94%	7.60%	7.48%

Hermosa Redondo District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$29,711,980	\$29,637,271	\$33,044,166
Rate Base \$	\$38,012,309	\$40,397,715	\$62,342,808
Rate Base \$ Difference	n/a	\$2,385,405	\$24,330,499
Rate Base % Difference	n/a	6.3%	64.0%
Operating Expenses	\$26,693,803	\$26,431,490	\$28,380,852
Operating Expense \$ Difference	n/a	(\$262,312)	\$1,687,049
Operating Expense % Difference	n/a	-1.0%	6.3%
Rate of Return	7.94%	7.94%	7.48%

Kern River Valley District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$6,717,552	\$6,656,715	\$7,295,578
Rate Base \$	\$17,777,561	\$17,431,763	\$20,693,660
Rate Base \$ Difference	n/a	(\$345,798)	\$2,916,099
Rate Base % Difference	n/a	-1.9%	16.4%
Operating Expenses	\$5,306,009	\$5,179,196	\$5,747,657
Operating Expense \$ Difference	n/a	(\$126,813)	\$441,648
Operating Expense % Difference	n/a	-2.4%	8.3%
Rate of Return	7.94%	8.48%	7.48%

Livermore District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$24,363,312	\$21,850,996	\$25,010,028
Rate Base \$	\$29,322,656	\$33,786,540	\$51,490,190
Rate Base \$ Difference	n/a	\$4,463,884	\$22,167,534
Rate Base % Difference	n/a	15.2%	75.6%
Operating Expenses	\$22,035,091	\$19,497,537	\$21,158,499
Operating Expense \$ Difference	n/a	(\$2,537,554)	(\$876,592)
Operating Expense % Difference	n/a	-11.5%	-4.0%
Rate of Return	7.94%	6.97%	7.48%

Los Altos District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$35,761,733	\$32,986,167	\$40,875,703
Rate Base \$	\$48,627,152	\$50,418,596	\$82,637,616
Rate Base \$ Difference	n/a	\$1,791,444	\$34,010,465
Rate Base % Difference	n/a	3.7%	69.9%
Operating Expenses	\$31,900,745	\$29,229,571	\$34,693,976
Operating Expense \$ Difference	n/a	(\$2,671,174)	\$2,793,231
Operating Expense % Difference	n/a	-8.4%	8.8%
Rate of Return	7.94%	7.45%	7.48%

Los Angeles County Region
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$49,525,669	\$48,251,094	\$57,282,551
Rate Base \$	\$40,085,252	\$49,794,263	\$108,615,955
Rate Base \$ Difference	n/a	\$9,709,011	\$68,530,703
Rate Base % Difference	n/a	24.2%	171.0%
Operating Expenses	\$46,342,450	\$44,016,308	\$49,181,737
Operating Expense \$ Difference	n/a	(\$2,326,142)	\$2,839,287
Operating Expense % Difference	n/a	-5.0%	6.1%
Rate of Return	7.94%	8.50%	7.48%

Marysville District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$3,953,848	\$3,562,052	\$4,284,582
Rate Base \$	\$10,165,257	\$9,920,622	\$11,712,864
Rate Base \$ Difference	n/a	(\$244,635)	\$1,547,606
Rate Base % Difference	n/a	-2.4%	15.2%
Operating Expenses	\$3,146,726	\$3,054,988	\$3,408,398
Operating Expense \$ Difference	n/a	(\$91,739)	\$261,671
Operating Expense % Difference	n/a	-2.9%	8.3%
Rate of Return	7.94%	5.11%	7.48%

Monterey Region
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$37,623,937	\$37,597,698	\$38,975,257
Rate Base \$	\$92,326,676	\$95,590,363	\$127,829,737
Rate Base \$ Difference	n/a	\$3,263,688	\$35,503,062
Rate Base % Difference	n/a	3.5%	38.5%
Operating Expenses	\$30,293,198	\$28,882,251	\$29,412,979
Operating Expense \$ Difference	n/a	(\$1,410,948)	(\$880,219)
Operating Expense % Difference	n/a	-4.7%	-2.9%
Rate of Return	7.94%	9.12%	7.48%

Oroville District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$5,222,638	\$5,299,592	\$5,657,587
Rate Base \$	\$10,822,873	\$12,018,760	\$13,351,620
Rate Base \$ Difference	n/a	\$1,195,887	\$2,528,747
Rate Base % Difference	n/a	11.0%	23.4%
Operating Expenses	\$4,363,296	\$4,521,245	\$4,658,844
Operating Expense \$ Difference	n/a	\$157,948	\$295,548
Operating Expense % Difference	n/a	3.6%	6.8%
Rate of Return	7.94%	6.48%	7.48%

Selma District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$5,631,359	\$5,742,351	\$6,110,236
Rate Base \$	\$13,728,957	\$13,408,151	\$15,476,998
Rate Base \$ Difference	n/a	(\$320,806)	\$1,748,041
Rate Base % Difference	n/a	-2.3%	12.7%
Operating Expenses	\$4,541,277	\$4,714,171	\$4,952,420
Operating Expense \$ Difference	n/a	\$172,893	\$411,143
Operating Expense % Difference	n/a	3.8%	9.1%
Rate of Return	7.94%	7.67%	7.48%

Stockton District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$48,888,197	\$47,299,432	\$56,896,929
Rate Base \$	\$77,975,024	\$94,982,713	\$152,490,866
Rate Base \$ Difference	n/a	\$17,007,689	\$74,515,842
Rate Base % Difference	n/a	21.8%	95.6%
Operating Expenses	\$42,696,980	\$42,253,394	\$45,490,256
Operating Expense \$ Difference	n/a	(\$443,585)	\$2,793,277
Operating Expense % Difference	n/a	-1.0%	6.5%
Rate of Return	7.94%	5.31%	7.48%

Visalia District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$29,554,717	\$29,121,244	\$31,036,862
Rate Base \$	\$59,335,058	\$57,413,882	\$71,370,437
Rate Base \$ Difference	n/a	(\$1,921,177)	\$12,035,379
Rate Base % Difference	n/a	-3.2%	20.3%
Operating Expenses	\$24,843,513	\$24,390,767	\$25,697,945
Operating Expense \$ Difference	n/a	(\$452,745)	\$854,433
Operating Expense % Difference	n/a	-1.8%	3.4%
Rate of Return	7.94%	8.24%	7.48%

Westlake District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$18,380,747	\$18,868,428	\$20,698,399
Rate Base \$	\$19,053,411	\$18,769,434	\$23,688,095
Rate Base \$ Difference	n/a	(\$283,976)	\$4,634,685
Rate Base % Difference	n/a	-1.5%	24.3%
Operating Expenses	\$16,867,906	\$17,114,215	\$18,926,641
Operating Expense \$ Difference	n/a	\$246,309	\$2,058,735
Operating Expense % Difference	n/a	1.5%	12.2%
Rate of Return	7.94%	9.35%	7.48%

Willows District
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement	\$2,467,789	\$2,359,668	\$3,252,578
Rate Base \$	\$5,945,350	\$6,698,603	\$8,044,258
Rate Base \$ Difference	n/a	\$753,253	\$2,098,908
Rate Base % Difference	n/a	12.7%	35.3%
Operating Expenses	\$1,995,728	\$2,300,128	\$2,650,872
Operating Expense \$ Difference	n/a	\$304,400	\$655,143
Operating Expense % Difference	n/a	15.3%	32.8%
Rate of Return	7.94%	0.89%	7.48%

Central Region
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year

	Last Test Year Adopted (2017)	Last Recorded Year (2017)	Proposed Test Year 2020
Total Revenue Requirement		\$50,735,599	\$62,071,374
Rate Base \$		\$113,597,564	\$172,102,244
Rate Base \$ Difference		\$113,597,564	\$172,102,244
Rate Base % Difference		n/a	n/a
Operating Expenses		\$45,144,369	\$49,191,738
Operating Expense \$ Difference		\$45,144,369	\$49,191,738
Operating Expense % Difference		n/a	n/a
Rate of Return		4.92%	7.48%

C. Special Requests

1. SPECIAL REQUEST #1: ENHANCING AFFORDABILITY THROUGH CONSOLIDATION

To continue addressing the affordability concerns of its customers, Cal Water proposes to consolidate the Dixon and Stockton Districts into a “Central Area Region,” and to make the “transitional consolidation” of the “Bay Area Region” permanent. See Mr. Townsley’s testimony in the **Additional Testimony Book**.

2. SPECIAL REQUEST #2: MODIFYING RATE SUPPORT FUND

The Rate Support Fund (RSF) currently provides a rate subsidy to customers in small, high-cost areas, and is funded by all Cal Water customers (except LIRA customers in Kern River Valley). Cal Water proposes to retain the explicit RSF subsidy on the customer bills of the Kern River Valley District. Cal Water proposes to eliminate the RSF subsidy provided to Redwood Valley customers during the transition to consolidation into the Bay Area Region. Cal Water also proposes to ease the burden of the 2016 Erskine Fire on the remaining Kern River Valley customers by recovering the remaining costs tracked in the Catastrophic Event Memorandum Account through the RSF program. If Cal Water’s proposed creation of a new “Central Region” made up of the Dixon and Stockton Districts is approved, Cal Water recommends providing

offsetting revenue of \$1.2 million from the RSF program to moderate the impact of consolidation on Stockton customers. For a discussion of these proposals, see Mr. Townsley’s testimony in the **Additional Testimony Book**.

3. SPECIAL REQUEST #3: ADJUSTING THE SALES RECONCILIATION MECHANISM (“SRM”)

Cal Water proposes to continue the Sales Reconciliation Mechanism in a modified form. Currently, if the difference between recent and adopted sales is 5% or higher, the SRM is triggered and rates are recalculated based on 50% of the variance (whether higher or lower). Cal Water proposes to retain the 5% trigger, but to recalculate rates by based on 100% of the variance (whether higher or lower), rather than only 50%. This next step in re-setting rates if actual and forecasted sales diverge provides clearer conservation signals to customers, more definitively severs the connection between sales and revenues, and continues the process of minimizing WRAM/MCBA balances. See Mr. Milleman’s testimony in the **Additional Testimony Book**.

4. SPECIAL REQUEST #4: ELIMINATING 10% CAP ON WRAM RECOVERY

As discussed in the testimony of Mr. Milleman (see **Additional Testimony Book**), Cal Water urges the Commission to eliminate the current annual cap on authorized revenues that Cal Water can recover from customers through the WRAM/MCBA mechanisms. This cap becomes more problematic as the Governor and the State Water Resources Control Board mandate more aggressive conservation measures that are essential for long-term water supply planning, but that will have the more immediate impact of significantly increasing WRAM/MCBA balances.

5. SPECIAL REQUEST #5: EXTENDING SUNSET FOR ADVICE LETTERS

Cal Water can recover the costs of advice letter projects (“AL projects”) approved in the 2015 GRC, up to a specified budget cap, only after a project is completed. The authority to recover costs of AL projects “sunset” if they are not completed within the GRC cycle (2017-

2019). Cal Water anticipates that certain AL projects will not be completed by the end of 2019, and requests an extension of the sunset for those projects so that they can be completed in the upcoming GRC cycle (2020-2022). In **Attachment A** to this General Report, as well as in **RO Plant Table 4** of each RO report, the AL projects for which Cal Water is requesting an extension are identified with a completion date of 2020 or later. This request impacts the following areas: Bay Area Region, Bakersfield, Bear Gulch, Dominguez, Los Altos, Stockton, and Customer Support Services. This is discussed in the testimony of Mr. Milleman (see **Additional Testimony Book**). AL projects for which Cal Water is requesting an extension of the sunset are discussed in detailed justifications in **Attachment C** to the RO Report of the relevant ratemaking area.

6. SPECIAL REQUEST #6: INCORPORATING SUBSEQUENT RATES CHANGES INTO FINAL RATES

Cal Water anticipates that, prior to issuance of a final GRC decision by the Commission, the Commission will approve rate and revenue changes in other proceedings, or through the informal advice letter process, that will become effective prior to, or concurrently with, revenue changes adopted in this proceeding. Cal Water requests approval to incorporate such rate and revenue changes into the calculations of the final rates adopted in this proceeding. This is discussed in the testimony of Mr. Milleman (see **Additional Testimony Book**).

7. SPECIAL REQUEST #7: ADDITIONAL PROCESSES FOR PD TABLES AND TARIFFS

Cal Water requests additional scheduling steps in this proceeding to ensure that the rates, tariffs, and tables that support and accompany a final GRC decision are accurate and consistent with the Commission's expressed policies. Cal Water recommends a separate informal process in which Cal Water and ORA are able to develop and validate the necessary tariff schedules, rules, and preliminary statements that should be attached to a final Commission decision. One approach would be for the Assigned Administrative Law Judge to issue a ruling requiring Cal Water and ORA to work together and develop the requested data before a proposed decision is released. Cal Water recommends that such a ruling allow the company and ORA at least one month to develop and review a joint submission, which could

then be included in the proposed decision and be subject to review and comment. See the testimony of Mr. Milleman (see **Additional Testimony Book**), and the proposed schedule included as **Attachment A to the Application**, for the details of Cal Water’s proposal.

8. SPECIAL REQUEST #8: INCENTIVIZING TAXABLE GRANTS

The Tax Cuts and Jobs Acts unfortunately imposes federal income taxes on grants received by utilities from public agency grantors. Cal Water believes it is in the best interest of its customers to continue to pursue grants to fund necessary plant improvements and additions, especially in its smaller districts. Cal Water is proposing that this new tax be ratebased as an incentive for Cal Water to continue pursuing grant opportunities. This is fully explained in the testimony of Mr. Milleman (see **Additional Testimony Book**).

9. SPECIAL REQUEST #9: MERGING VISALIA NON-RESIDENTIAL QUANTITY RATES

In the Settlement adopted in Cal Water’s 2015 GRC, the parties agreed that it was appropriate to merge the two non-residential quantity rates into a single quantity rate. The differential between the non-residential quantity rates was reduced in the last rate case. In this case, Cal Water proposes to completely eliminate the difference and have one quantity rate for non-residential customers. This is explained in greater detail in the testimony of Mr. Milleman (see **Additional Testimony Book**).

10. SPECIAL REQUEST #10: “SALINAS VALLEY REGION”

The Commission approved the consolidation of Cal Water’s Salinas and King City operating districts into one ratemaking area called “Monterey Region” in Cal Water’s last rate case. This has generated confusion between Cal Water’s service areas and that of California-American Water Company’s “Monterey” district. Cal Water proposes the simple solution of changing the name of its Monterey Region to the “Salinas Valley Region.” In addition to limiting future regulatory confusion, this name more appropriately aligns geographically with Cal Water’s Salinas and King City operating districts and with the perceptions of our customers.

11. SPECIAL REQUEST #11: ADDING “FACILITIES FEES” IN BAYSHORE AND BEAR GULCH AREAS

Cal Water is requesting authority to collect “facilities fees” (also referred to as lot fees, water supply fees, or special facilities fees) in its Bayshore and Bear Gulch operating districts in a manner similar to the facilities fees already authorized in other districts (see tariff Rule 15, Section C.1.e.). The purpose of the proposed facilities fee is to equitably charge those who are adding incremental water supply demands on the system, generally from growth, as discussed in the testimony of Mr. Wagner (see **Additional Testimony Book**).

12. SPECIAL REQUEST #12: EXTENDING CERTAIN BALANCING AND MEMO ACCOUNTS

Cal Water proposes to extend the Chromium-6 Memorandum Account and the Asbestos Memorandum Account because the reasons for originally opening these accounts are still present. As discussed in Mr. Milleman’s testimony in Chapter 22 of the **Additional Testimony Book**, a final Maximum Contaminant Level (MCL) for chromium-6 is still under consideration by the state, and Cal Water continues to be faced with asbestos lawsuits.

13. SPECIAL REQUEST #13: AMORTIZING CERTAIN BALANCING AND MEMO ACCOUNTS

Cal Water requests amortization of specified amounts in the Chromium-6 Memo Account and in the General District Balancing Accounts via Tier 1 advice letter. In addition, to the extent that there are remaining balances in the following accounts as of December 31, 2019, Cal Water requests recovery via a Tier 2 advice letter: Chromium-6 Memo Account, TCP Litigation Memo Account, and the General District Balancing Accounts. The basis for the requested amortizations is described in Chapter 22 of the **Additional Testimony Book**,

14. SPECIAL REQUEST #14: APPROVING NEW BALANCING ACCOUNTS

Consistent with decisions in the 2012 and 2015 GRCs, Cal Water requests approval for three new balancing accounts to track differences between actual and adopted amounts during

the 2020-2022 GRC cycle. A new Conservation Expense Balancing Account is discussed in the testimony of Ken Jenkins (see **Additional Testimony Book**). A new Pension Cost Balancing Account and a new Health Cost Balancing Account are discussed in the testimony of Tom Smegal (see **Additional Testimony Book**).

15. SPECIAL REQUEST #15: UPDATING LEGACY FIRE SPRINKLER DISCOUNTS

In Cal Water’s last GRC, the Commission approved a company-wide methodology based on Standard Practice U-7-W to calculate a reduced service charge for residential customers who have larger water meters due to fire flow requirements for indoor fire sprinklers. In areas that had an existing fire sprinkler discount based upon a legacy methodology, Cal Water did not implement the new methodology. These included the Dixon, Hermosa-Redondo, and Livermore Districts, as well as the Los Angeles County and Bay Area Regions. In this GRC, Cal Water proposes to now apply the new methodology the residential fire sprinkler discounts in this area, as discussed in the testimony of Mr. Milleman in the **Additional Testimony Book**.

16. SPECIAL REQUEST #16: APPLYING PV PIPELINE COSTS TO PALOS VERDES CUSTOMERS

Cal Water proposes to restructure the tariffs in the Los Angeles County Region so that costs related to the PV Peninsula Water Reliability Project (PV Pipeline) currently under construction are borne by Palos Verdes customers, and not Antelope Valley customers. The PV Pipeline was approved as two advice letter projects in D.16-12-047 – the Crenshaw Ridge Supply project (PID 98326) and the D-500 Pipeline (PID 98358) – for a total of \$57 million, and is scheduled for completion by the end of 2019.

Cal Water has made significant progress on these projects, which are unprecedented in both size and scope for the company. Due to environmental, permitting, and other challenges discussed in Attachment C to this RO Report (see the Additional Project Justification for PIDs 98326 and 98358), Cal Water is requesting an additional \$39.6 million in this case for the PV Pipeline. Cal Water proposes to create two sets of tariffs – one for Palos Verdes and one for Antelope Valley – so that only rates for Palos Verdes customers include the revenue

requirement for these additional costs. (When Cal Water seeks recovery for the PIDs 98326 and 98328 via a Tier 2 advice letter, Cal Water will similarly be proposing a rate increase that only affects Palos Verdes customers.)

17. SPECIAL REQUEST #17: APPROVING NEW ALGAE MEMO ACCOUNT

Cal Water requests authority to open a new Algae Memo Account. Harmful algae in surface water is becoming an increasing concern to the Environmental Protection Agency (EPA), the State Water Resource Control Board (SWRCB). The existing treatment process at Cal Water's surface water treatment plants cannot adequately remove T&O compounds or non-intact algal toxins. Cal Water's rates do not include potential costs associated with treating surface water for the removal of harmful algae. As discussed in Mr. Milleman's testimony in the **Additional Testimony Book**, an Algae Memo Account would provide Cal Water regulatory protection if we needed to treat and remove harmful algae from our finished water supplies.

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 20 ratemaking districts throughout the state.
- C. Cal Water currently has an outstanding request for a CPCN before the Commission to own and operate portions of Travis Air Force Base as an additional regulated ratemaking area (A.17-05-022).
- D. 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.
- E. Applicant's most recent financial statements are in the 2017 Proxy Statement provided as **Attachment B** to this Application.

F. 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 Customer Support Services (formerly General Office).

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 Office 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 [not approved by PAO]
Attachment E	Current Tariffs
Attachment F	Proposed Tariffs

Additional Materials In Support of Application (Served Only)

Supplemental Materials (to be served)		
Book	Company-Wide Reports (Witness)	Short Title
1	General Report (Milleman)	General Report
2	Additional Testimony Book (various)	Additional Testimony
3	Report on Unregulated and Affiliate Operations (Milleman)	Unregulated/Affiliate Report
4	M.Cubed Reports – Conservation, Sales and Services, and Rate Design (M.Cubed)	Conservation Report, Sales and Services Report, Rate Design Memos
5A	Metro Districts Depreciation Study as of December 31, 2016 (Robinson) (consists of 3 books)	Depreciation Reports
5B	Valley Districts Depreciation Study as of December 31, 2016 (Robinson) (consists of 3 books)	
5C	Dominguez Water Depreciation Study as of December 31, 2016 (Robinson) (consists of 1 book)	
6	Minimum Data Requirements Book (Milleman)	MDR Book

7	Report on Lead-Lag Study (Milleman)	Lead-Lag Study
8	Public* Confidentiality Matrices	Confidentiality Matrices
Book	Area-Specific Reports (Witness)	Short Title
9 (22 total)	Results of Operations Reports ² (Milleman) <ul style="list-style-type: none"> • Attachment A: RO Workpaper and Plant Tables • Attachment B: Recorded Plant for 5 Years • Attachment C: Additional Capital Project Justifications 	RO Report
10 (24 total)	Urban Water Management Plans ³	UWMP
11 (21 total)	Public* Capital Project Justification Books ⁴ (Wagner)	Capital Book
12 (all in one document)	Public* Water Supply & Facilities Master Plan	WS&FMP Summary

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 20 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

² There are RO Reports for the following areas: BAR, BKD, CHI, DIX, DOM, ELA, HR, KRV, LIV, LAR, LAS, MOR, MRL, ORO, SEL, VIS, WLK, WIL, CSS, and Travis (also contains project justifications).

³ There are Urban Water Management Plans for the following areas: AV, BAY-MPS, BAY-SSF, BKD, CHI, DIX, DOM, ELA, HR, KC, KRV, LIV, LAS, MRL, ORO, PV, SLN, SEL, VIS, WLK, and WIL.

⁴ There are Capital Project Justification Books for the following areas: BAR, BKD, CHI, DIX, DOM, ELA, HR, KRV, LIV, LAR, LAS, MOR, MRL, ORO, SEL, VIS, WLK, WIL, and CSS. (Capital project justifications for Travis are included in the RO Report for Travis.)

5. Granting such further, additional and other relief as may be deemed by the Commission to be necessary or proper.

Respectfully Submitted,

//s//

//s//

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Vice President, Regulatory Matters
California Water Service Company

Dated: July 2, 2018

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Director, Regulatory Policy
California Water Service Company

VERIFICATION

I, Paul G. Townsley, declare and say that I am an officer, to wit, Vice President, Rates and Regulatory Matters, of California Water Service Company, a California corporation. I make this verification on behalf of said corporation that I know the contents of the company's 2018 General Rate Case Application, submitted to the California Public Utilities Commission on July 2, 2018 pursuant to the Rate Case Plan (D.07-05-062), and that the contents of the Application are true and complete to the best of my knowledge.

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

Executed on July 2, 2018, in San Jose, California.

/s/ PAUL G. TOWNSLEY

Paul G. Townsley
Vice President, Rates and Regulatory Matters
California Water Service Company