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**FILED**

03/13/25

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

11:39 AM

A2407003

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U60W), a California corporation, for an order (1) authorizing it to increase rates for water service by \$140,558,101 or 17.1% in test year 2026, (2) authorizing it to increase rates on January 1, 2027 by \$74,162,564 or 7.7%, (3) authorizing it to increase rates on January 1, 2028 by \$83,574,190 or 8.1% in accordance with the Rate Case Plan, and (4) adopting other related rulings and relief necessary to implement the Commissions ratemaking policies.

Application 24-07-003

### **ASSIGNED COMMISSIONER'S AMENDED SCOPING MEMO AND RULING**

The scoping memo and ruling (Scoping Memo) filed on November 8, 2024, sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure (Rules). As indicated in the Administrative Law Judge's Ruling issued on February 24, 2025, California Water Service Company's December 17, 2024 motion was granted in part and denied in part. The partial granting of this motion necessitates the Scoping Memo be amended. The following is a complete amendment and restatement of the Scoping Memo.

## **1. Procedural Background**

On July 8, 2024, the applicant, California Water Service Company (Cal Water), filed Application (A.)24-07-003 (or Application) with the Commission for authority to increase rates for water service by \$140,558,101 or 17.1% in test year 2026; to increase rates on January 1, 2027, by \$ 74,162,564 or 7.7%; and to increase rates on January 1, 2028, by \$ 83,574,190 or 8.1%.

On August 7, 2024, City of Carson protested the Application. The next day, California Water Association (CWA) responded to the Application, Public Advocates Office (Cal Advocates) protested the Application, and National Association of Water Companies (NAWC) responded to the Application. On August 16, 2024, City of Bakersfield moved for party status. On August 19, 2024, Cal Water replied to the protests of Cal Advocates and City of Carson.

On August 26, 2024, the Commission appointed two Administrative Law Judges as Alternative Dispute Resolution (ADR) neutrals. To date, the assigned Administrative Law Judge (ALJ) has issued several rulings, which may be viewed on the Docket Card for this proceeding. In one ruling, the ALJ noticed a prehearing conference (PHC) for September 30, 2024, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The Scoping Memo was filed on November 8, 2024. Two public participation hearings were held on January 23, 2025.

## **2. Issues**

The Application and the supporting documents filed therewith, the protests, the responses, Cal Water's replies, the six parties' joint PHC statement, discussion at the PHC, motions and responses filed to date, and oral argument at the January 29, 2025, status conference have all been considered. As indicated in

the ALJ Ruling issued on February 24, 2025, the request to add issues to the scope of this proceeding was denied. Accordingly, it is determined that the issues for the proceeding shall remain as set forth in the original Scoping Memo.

The issues to be considered or otherwise determined are as follows:

General Issues

1. Whether Cal Water's proposed rate increases for the Test and Escalation Years are just and reasonable;
2. Whether Cal Water's estimates of its operation and maintenance, and administrative and general expenses are reasonable;
3. Whether Cal Water's proposed plant additions are accurate, reasonable, and justified;
4. Whether Cal Water's proposed revenue requirement is just and reasonable;
5. Whether Cal Water's proposed rate designs are just and reasonable;
6. Whether Cal Water has complied with prior Commission orders, including but not limited to those in the decision that resolved Cal Water's last General Rate Case (GRC), Decision (D.)20-12-007;
7. Whether Cal Water's proposal for the Low Use Water Equity Program (LUWEP) is just and reasonable;
8. Whether Cal Water's Water Rights Leases comply with prior Commission orders;
9. Whether Cal Water is in compliance with California's regulatory requirements for the provision of safe and reliable water service, including but not limited to adequate Emergency Preparedness Plans, the Low-Income Rate Assistance (LIRA) program, and any other conservation, accessibility, and water equity safeguards;
10. Whether Cal Water's water quality meets all applicable local, state and federal drinking water standards and other provisions of General Order 103-A;

11. Whether Cal Water's Application supports the goals and objectives of the Commission's Environmental and Social Justice Action Plan;
12. Whether Cal Water's proposed balancing and memorandum accounts are reasonable and in the public interest;

Special Requests

13. Whether Special Request #1 is reasonable (Special Request #1: Enhancing Affordability Through Consolidation, which would remove the Rate Support Fund subsidy that is currently embedded in the rates for Dixon customers, and to instead address the affordability concerns of the area by consolidating Dixon's revenue requirements with that of the Livermore Districts.);
14. Whether Special Request #2 is reasonable (Special Request #2: Updating the Rate Support Fund (RSF), which would retain the RSF subsidies for the Kern River Valley and Willows Districts, eliminate the annual subsidy currently provided to the Dixon District, and apply an annual RSF subsidy to decrease the revenue requirement and mitigate bill impacts for customers in the small, economically disadvantaged Selma District.);
15. Whether Special Request #3 is reasonable (Special Request #: Authorizing Decoupling and Sales Reconciliation Mechanism, which includes 1) a Safe Infrastructure Balancing Account (SIBA) to track the difference between actual and adopted revenues; 2) a Supply Cost Balancing Account (SCBA) to track the difference between actual and adopted production expenses; 3) a proposal to amortize net decoupling program balances in base rates using the adopted rate design (as opposed to separate surcharges or surcredits); and 4) reinstating and modifying the Sales Reconciliation Mechanism (SRM).);
16. Whether Special Request #4 is reasonable (Special Request #4: Authorizing Annual Sales and Services Forecasts,

- which would provide discrete annual sales and services forecasts over the GRC period.);
17. Whether Special Request #5 is reasonable (Special Request #5: Incorporating Subsequent Rate Changes into Final Rates, which would incorporate rate changes due to other proceedings or the advice letter process into the calculations of final rates in this proceeding.);
  18. Whether Special Request #6 is reasonable (Special Request #6: Updating Escalation Factors for Final Rates, which would require the Water Division to use the most current Commission escalation rates for expenses and capital when calculating the final revenue requirement and rates for the final decision in this proceeding.);
  19. Whether Special Request #7 is reasonable (Special Request #7: Payroll Escalation Based on Union Contract, which would calculate the labor expenses for Cal Water's escalation and attrition year step filings using the company's actual union contract annual wage increases.);
  20. Whether Special Request #8 is reasonable (Special Request #8: Amortizing Balancing Accounts, which would allow Cal Water to amortize the balances in the following balancing and memo accounts within 90 days or more of a final decision: Conservation Expense Balancing Account (CEBA 5), Pension Cost Balancing Account (PCBA 5), Healthcare Cost Balancing Account (HCBA 5), General District Balancing Account (District BA), Catastrophic Event Memorandum Account (CEMA), Asbestos Litigation Memorandum Account (ALMA), Public Safety Shut-Off Memorandum Account (PSPS MA), and Drinking Water Fees Balancing Account (DWFBA).);
  21. Whether Special Request #9 is reasonable (Special Request #9: Reauthorizing Balancing Accounts, which would re-authorize the Conservation Expense Balancing Account (CEBA), Pension Cost Balancing Account (PCBA), and Health Cost Balancing Account (HCBA).);

22. Whether Special Request #10 is reasonable (Special Request #10: Request for Liability Insurance Account, which would establish a two-way balancing account for liability insurance costs (Liability Insurance Balancing Account). The Liability Insurance Balancing Account would track the difference between the liability insurance expense (third party premium amounts for general liability, excess liability and umbrella policies) included in the revenue requirement and the actual liability insurance expense Cal Water incurs.);
23. Whether Special Request #11 is reasonable (Special Request #11: Request for Water Contamination Remediation Memo Account, which would establish a Contamination Remediation Memorandum Account in place of multiple, contaminant-specific memo accounts.);
24. Whether Special Request #14 is reasonable (Special Request #14: Attrition Year Normalization, which would authorize Cal Water to deviate from the Rate Case Plan to update its practice for applying deferred taxes during the attrition year (i.e., third year) of the GRC cycle to avoid a normalization violation.); and
25. Whether Special Request #15 is reasonable (Special Request #15: Deferred Tax Liability with Current Year Capital Additions, which authorize Cal Water to modify its practice for prorating deferred tax liabilities for current year capital additions to conform with the normalization proration rules.)

### **3. Need for Evidentiary Hearing**

All the issues listed above are potentially contested material issues of fact. The schedule set forth in this Scoping Memo includes dates for settlement discussions and ADR sessions, as well as a date for filing a motion for approval of settlement agreement (as to some or all issues) and a deadline for timely filing a motion for evidentiary hearing. It should be noted, however, that settlement discussions may continue past these dates; the schedule merely provides

recommendations for settlement opportunities prior to the date scheduled for the evidentiary hearing. Accordingly, if the parties are unable to reach a settlement on some or all of these issues, the parties must move to request an evidentiary hearing in accordance with the requirements outlined in the next paragraphs of this section.

Any party who believes that an evidentiary hearing is required (as to the unresolved issues) should file and serve a motion requesting such a hearing in accordance with the schedule as indicated in this Scoping Memo. Any such motion must identify and describe:

- (i) The material issues of disputed fact;
- (ii) The evidence the party proposes to introduce at the requested hearing; and
- (iii) The schedule for conducting the evidentiary hearing. No later than this deadline for timely filing a motion for evidentiary hearing, as part of the motion or as attachments/exhibits thereto the parties will submit to the assigned ALJ a status report of their settlement efforts, a list of stipulated facts (if any), and a list of all settled issues as well as any unresolved issues requiring a hearing.

The motion shall correlate to the identified scoped issues, clearly identifying which issues have been resolved (in whole or in part) and which unresolved issues require an evidentiary hearing.

Any right that a party may otherwise have to an evidentiary hearing will be waived if the party does not submit a timely motion requesting an evidentiary hearing.

#### **4. Schedule**

The following schedule modifies the Scoping Memo's dates for a Status Conference and In-Person Evidentiary Hearings dates, and adds dates for Virtual

Evidentiary Hearings. The ALJ may further modify this schedule to promote the efficient and fair resolution of the Application:

<b>Event</b>	<b>Date</b>
Prehearing Conference	September 30, 2024
Status Conference	November 20, 2024
Public Participation Hearings	January 23, 2025
Cal Advocates' Testimony	January 28, 2025
Status Conference	January 29, 2025
Other Parties' Testimony ( <i>if any</i> )	February 11, 2025
Rebuttal Testimony	March 28, 2025
Settlement Discussion Begins	April 7, 2025
ADR Session	April 8, 2025
Motion for Approval of Settlement Agreement (as to some or all issues)	April 22, 2025
Deadline for Timely Filing of Motion for Evidential Hearing	April 22, 2025
Status Conference (Evidentiary Hearing Readiness Conference)	April 29, 2025
Virtual Evidentiary Hearing (Discussion of Housekeeping Matters Only; No Testimony)	May 9 or 12, 2025
In-Person Evidentiary Hearings in San Francisco	May 13 – 22, 2025
Deadline for Timely Filing of Request for Oral Argument	June 10, 2025
Opening Briefs	June 13, 2025
Deadline for Timely Filing of Motion for Interim Rates	June 14, 2025
Reply Briefs	June 23, 2025



Status Conference	End of June/Early July 2025
Technical Conference (with Water Division)	July 14, 2025
Ruling Setting Submission Date	TBD
Proposed Decision (PD)	No later than 90 days after submission date
Commission Decision	No sooner than 30 days after PD, and no later than statutory deadline

Status Conferences. In promoting the efficient resolution of the Application, status conferences may be held periodically. The purpose of these status conferences is to discuss the progress of the parties' ongoing settlement discussions and/or, if necessary, to discuss whether the Commission should move forward with scheduling evidentiary hearings as to any unresolved issues. The assigned ALJ shall direct the parties to file and serve joint (or separate) status conference statements prior to each status conference.

Evidentiary Hearing Readiness Conference. The purpose of the April 29, 2025, status conference (Evidentiary Hearing Readiness Conference) is to ascertain whether, pursuant to Rule 13.8(c), the parties stipulate to the receipt of prepared testimony into evidence without direct- or cross-examination or other need to convene an evidentiary hearing or, in the alternative, the parties' resources, readiness and needs for the effective remote conduct of the evidentiary hearing, including estimates of time requested for cross-examination and identification of anticipated exhibits.

Organization of Filings. The organization of prepared testimony, briefs and/or settlement agreement must correlate to the 25 scoped issues listed above. Dollar amounts at issue must always be cited.

Prepared Testimony. As to the organization of prepared testimony, testimony must be presented using headings and/or subheadings, which must refer to the scoped issues listed above. Based on a heading/subheading, it must be abundantly clear that the prepared testimony following that particular heading/subheading is intended to be relevant as to a specific scoped issue. The organization and use of headings/subheadings must clearly indicate whether portions of prepared testimony are potentially relevant for more than one issue.

Briefs. As to the organization of briefs, the parties are to meet and confer to develop a consistent brief outline using the exact same headings. Headings should be very specific. The Scoping Memo lists 25 issues to be considered or otherwise determined in this proceeding; the Opening and Reply Briefs should clearly identify these issues in headings/subheadings, using the same language found in the Scoping Memo. If a party does not have anything to add under a particular heading/subheading, the parties should still include that heading/subheading (and perhaps indicate “N/A” or that the party takes no position on that issue), thereby keeping the numbering/lettering organizational structure consistent across all briefs.

Ruling Regarding Submission Date. The proceeding will stand submitted upon the filing of the assigned ALJ’s ruling indicating no additional information is needed, closing the record, and setting the submission date. This ALJ ruling shall also indicate what the closed record consists of; generally, the record is composed of all filed and served documents and pleadings, any prepared testimony, any oral testimony, and any exhibits (supporting documents) admitted into evidence at evidentiary hearings.

18-Month Schedule. Based on this schedule, the proceeding will be resolved within 18 months as required by Public Utilities Code Section 1701.5.

## **5. ADR Program and Settlements**

The Commission's ADR program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. Additional ADR information is available on the Commission's website.<sup>1</sup>

Any settlement between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the Commission should adopt the settlement.

The Rate Case Plan for Class A Water Utilities requires the appointment of an ALJ neutral to meet with the parties as needed throughout the proceeding. The ALJ neutral and the parties will plan and schedule the specific ADR processes that are appropriate for this proceeding, which may include mediation, early neutral evaluation, or other ADR processes as agreed to by the parties. All active parties must participate in an initial session of ADR and each active party must have an official at such meeting with decision-making authority. For additional information on the Commission's ADR program, *see* Resolution ALJ-185.

The schedule set forth in this Scoping Memo includes a date for filing a Motion for Approval of Settlement Agreement (as to some or all issues). This date coincides with the deadline for timely filing of Motion for Evidential

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<sup>1</sup> See D.07-05-062, Appendix A, § IV.O.

Hearing. The purpose of this deadline is to determine what issues have been settled and what unresolved issues will move forward to evidentiary hearing. No later than this date, the parties will submit to the assigned ALJ a status report of their efforts, identifying agreements reached and unresolved issues requiring hearing.

## **6. Category of Proceeding and Ex Parte Restrictions**

This ruling confirms the Commission's preliminary determination<sup>2</sup> that this is a ratesetting proceeding. Accordingly, ex parte communications are restricted and must be reported pursuant to Article 8 of the Rules.

During the PHC and in the parties' joint PHC statement, the parties addressed whether the Commission should impose additional restrictions on ex parte communications. In the original Scoping Memo, the Commission adopted additional restrictions. As indicated in the ALJ Ruling issued on February 24, 2025, Cal Water's December 17, 2024 motion was granted in part and denied in part. Accordingly, this section of the Scoping Memo is hereby amended.

Pursuant to Rule 8.2(d), the assigned Commissioner may issue a ruling to restrict or prohibit ex parte communications in a ratesetting proceedings. As part of this Scoping Memo, as amended, the assigned Commissioner allows written ex parte communications pursuant to California Public Utilities Code Section 1701.3(h)(4). The assigned Commissioner hereby continues to prohibit oral ex parte communications, and continues to make an exception that allows only all-party oral ex parte meetings. Those meetings are subject to the terms discussed in the following paragraphs.

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<sup>2</sup> Resolution ALJ 176-3549 at page 3 (page 1 of the attached schedule).

Oral ex parte communications shall be restricted to the holding of all-party meetings with each Decisionmaker. Rule 8.2(c)(1)(A) states that “Oral ex parte communications are permitted at any time with a Commissioner provided that the Commissioner involved (i) invites all parties to attend the meeting or sets up a conference call in which all parties may participate, and (ii) gives notice of this meeting or call as soon as possible, but no less than three working days before the meeting or call.”

To request an all-party meeting, the parties must file and serve a *Joint Request for All-Party Meeting* (or titled in a similar fashion); include the name of the Decisionmaker with whom the parties would like to hold the all-party meeting; include the names, titles, and email addresses of all party representatives who will attend the all-party meeting; and include a list of at least five (5) dates and times for the holding of a potential all-party meeting. Each Decisionmaker has the discretion to grant or deny a request for an all-party meeting. If granted, the Decisionmaker’s scheduler, if any, may communicate with all parties for the “procedural matter” of scheduling (or rescheduling) the all-party meeting.

Notwithstanding Rule 8.2(c)(2), individual oral ex parte communications are strictly prohibited and may not take place at any time in this proceeding. In the event of violation of this prohibition, the Commission may impose penalties and sanctions, or make any other order, pursuant to Rule 8.2(l).

These restrictions prohibiting individual oral ex parte communications are not limited to ex parte communications involving the assigned Commissioner only; rather, these restrictions prohibiting individual oral ex parte communications shall apply to ex parte communications involving any “decisionmaker,” as defined in Rule 8.1(a).

These restrictions and prohibitions affirm a commitment to transparency, accountability, and integrity of proceedings.

## **7. Public Outreach**

Pursuant to Public Utilities Code Section 1711(a), where feasible and appropriate, before determining the scope of the proceeding, the Commission sought the participation of those likely to be affected, including those likely to derive benefit from, and those potentially subject to, a decision in this proceeding. This matter was noticed on the Commission's daily calendar. Where feasible and appropriate, this matter was incorporated into engagements conducted by the Commission's External Affairs Division with local governments and other interested parties.

## **8. Intervenor Compensation**

Pursuant to Public Utilities Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by October 30, 2024, 30-days after the prehearing conference. No notice of intent to claim compensation was filed by the 30-day deadline.

## **9. Response to Public Comments**

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the "Add Public Comment" button on the "Public Comment" tab of the online docket card for the proceeding.

## **10. Public Advisor**

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information by contacting the Commission's Public Advisor. Visit the website:

<https://www.cpuc.ca.gov/about-cpuc/divisions/news-and-public-information-office/public-advisors-office>, call 866-849-8390 or 866-836-7825 (TTY), or send an e-mail to [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov).

## **11. Filing, Service, and Service List**

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.<sup>3</sup>

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur, unless the assigned ALJ directs that service occur by an earlier time. Rule 1.10 requires service on the ALJ of both an electronic and paper copy of filed or served documents; in this proceeding, however, when serving documents on the ALJ, parties must only provide electronic service. Parties must not send hard copies of documents to the ALJ.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

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<sup>3</sup> The form to request additions and changes to the Service list may be found at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/additiontoservicelisttranscriptordercompliant.pdf>

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at [process\\_office@cpuc.ca.gov](mailto:process_office@cpuc.ca.gov) to request addition to the “Information Only” category of the official service list pursuant to Rule 1.9(f).

The Commission encourages those who seek information-only status on the service list to consider the Commission’s subscription service as an alternative. The subscription service sends individual notifications to each subscriber of formal e-filings tendered and accepted by the Commission. Notices sent through subscription service are less likely to be flagged by spam or other filters. Notifications can be for a specific proceeding, a range of documents and daily or weekly digests.

## **12. Receiving Electronic Service from the Commission**

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive e-mails from the Commission. Please add “@cpuc.ca.gov” to your e-mail safe-sender list and update your e-mail screening practices, settings and filters to ensure receipt of e-mails from the Commission.

## **13. Assignment of Proceeding**

Commissioner Matthew Baker is the assigned commissioner and ALJ Alberto T. Rosas is the assigned ALJ and presiding officer for the proceeding.

**IT IS RULED** that:

1. This scoping memo and ruling (Scoping Memo) amends and supersedes the Scoping Memo filed on November 8, 2024.
2. The scope of this proceeding is described above and is adopted.
3. The schedule of this proceeding is set forth above and is adopted.



4. Evidentiary hearing is needed, provided a motion for evidentiary hearing is filed timely.

5. The presiding officer is Administrative Law Judge Alberto T. Rosas.

6. The category of the proceeding is ratesetting.

7. The restrictions and prohibitions on oral ex parte communications are described above and are adopted.

Dated March 13, 2025, at San Francisco, California.

/s/ MATTHEW BAKER

Matthew Baker  
Assigned Commissioner