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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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.	A.24-07-003 (Filed July 8, 2024)

CALIFORNIA WATER SERVICE COMPANY'S OPENING COMMENTS ON PROPOSED DECISION

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April 2, 2026

SUBJECT INDEX OF RECOMMENDED CHANGES TO PROPOSED DECISION

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("CPUC") Rules of Practice and Procedure, California Water Service Company ("CWS" or the "Company") submits its comments on the Proposed Decision of Administrative Law Judge Alberto T. Rosas ("PD"), issued March 13, 2026. CWS respectfully asks the CPUC to revise the PD as described herein and in **Appendix B** with the following revisions:[1]

- The CPUC should revise the PD to address significant implementation problems:
  - The CPUC should revise the PD to adopt specific rates in the final decision to avoid unduly delaying the implementation of GRC rates.
  - The CPUC should revise the PD's treatment of projects in progress.
  - The CPUC should clarify and revise the PD's treatment of capital projects.
  - The CPUC should revise unnecessary Tier 3 advice letter procedures and requirements for balancing and memo accounts.

- The CPUC should revise the PD to reverse unjustified disallowances that would eviscerate and undermine the Company's water conservation program.
  - The CPUC should retain the 1-way Conservation Expense Balancing Account, which provides a benefit to customers.
  - The CPUC should adopt each component of CWS's proposed conservation program

- The CPUC should revise the PD to address significant errors relating to the Company's AMI proposal.

- The CPUC should revise the PD to instead allow AFUDC to accrue at the Company's authorized rate of return.

- The CPUC should revise the PD to authorize costs for certain studies that are legally mandated for the Company to complete.

- The CPUC should revise the PD to clarify language set forth in Ordering Paragraph 25 regarding the Sales Reconciliation Mechanism and drought/conservation relief memorandum accounts.

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[1] As explained in Section II.J below**, Appendix A** identifies the technical and factual errors in the Findings of Fact ("FOFs"), Conclusions of Law ("COLs"), and Ordering Paragraphs ("OPs") in the PD that CWS believe should be addressed to effectuate the policies and positions currently represented in the PD. To minimize confusion, changes to FOFs, COLs, and OPs needed to modify outcomes in the PD that CWS is advocating are provided separately in **Appendix B**. CWS respectfully requests that the CPUC revise the PD as fully set forth in these comments, with all of the revisions shown in **Appendix B**; at a minimum, the PD should be corrected as shown in **Appendix A**.

- The CPUC should revise the PD to more gradually increase fixed cost recovery to decrease bill impacts on low water users.

    - The CPUC should clarify the proposed changes to the fixed service charge.
    - The CPUC should revise the PD to increase the fixed cost recovery through the service charge by 5% rather than 10%.

- The CPUC should revise the PD to delete unsupported and unnecessary statements regarding the risks that water utilities face relative to other types of utilities.

- The CPUC should revise the PD to eliminate unwarranted requirements based on a faulty reading of the evidence or reliance on material not in the record.

- At minimum, the CPUC should make revisions to the PD to correct technical and factual errors as set forth in **Appendix A**.

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I. INTRODUCTION

Pursuant to Rule 14.3 of the California Public Utilities Commission's ("CPUC") Rules of Practice and Procedure, California Water Service Company ("CWS" or the "Company") submits its comments on the Proposed Decision of Administrative Law Judge ("ALJ") Alberto T. Rosas ("PD"), issued March 13, 2026. CWS respectfully asks the CPUC to revise the PD as explained below and in **Appendix A** and **Appendix B**.[2] CWS appreciates the diligent efforts of the ALJ and CPUC staff in evaluating the extensive record in this general rate case ("GRC") proceeding. While the PD constructively resolves several complex ratemaking matters and authorizes vital infrastructure investments necessary to maintain safe, reliable water service for the 2026–2028 GRC cycle, it contains several critical implementation directives that are administratively infeasible, computationally flawed, or procedurally ambiguous as currently drafted. Such implementation issues are a significant departure from the process contemplated in the Revised Rate Case Plan for Class A Water Utilities adopted in D.07-05-062 ("Rate Case Plan") and other standard ratemaking practices in other water utility GRCs.

CWS submits these comments to highlight practical and technical impediments to its execution, as well as to correct certain factual, legal, and technical errors found in the PD. If adopted without modification, the implementation mechanisms currently proposed will result in unintended consequences that will negatively impact customers and add unnecessary administrative burden to CPUC staff and CWS. To ensure the CPUC's intended directives can be operationalized smoothly, fairly, and transparently, CWS respectfully requests targeted modifications to the PD as outlined below and in **Appendix A** and **Appendix B**.

II. DISCUSSION

A. The PD has significant implementation problems that make it unreasonably difficult to adopt new rates in a timely manner and departs from standard CPUC ratemaking practices.

The Rate Case Plan has long been utilized by the CPUC to oversee GRCs for Class A water utilities in accordance with the three-year cycle mandated by Pub. Util. Code Section 455.2. It contemplates the implementation of final rates in the final decision to be adopted by the CPUC in each GRC proceeding, allowing the CPUC to fully resolve the critical ratemaking issues for each water utilities at the conclusion of the proceeding. This is critical to ensure that rates and underlying ratemaking issues can be resolved in a timely manner to fit within the three-year GRC cycle before the water utility needs to file its next GRC application and to avoid unnecessary

[2] As explained in Section II.J below, **Appendix A** identifies the technical and factual errors in the Findings of Fact ("FOFs"), Conclusions of Law ("COLs"), and Ordering Paragraphs ("OPs") in the PD that CWS believe should be addressed to effectuate the policies and positions currently represented in the PD. To minimize confusion, changes to FOFs, COLs, and OPs needed to modify outcomes in the PD as advocated by CWS are provided separately in **Appendix B**; at a minimum, the PD should be corrected as shown in **Appendix A**.

regulatory lag that negatively impacts customers. The PD includes several significant implementation problems that make it unreasonably difficult to adopt new rates in a timely manner and departs from standard CPUC ratemaking practices in water utility GRCs under the Rate Case Plan. CWS respectfully requests that the CPUC make the following changes to correct these problems, as further detailed below.

1. The PD's failure to adopt rates in the final decision unduly delays the implementation of GRC rates.

The PD, as currently drafted, directs CWS to file several separate Tier 3 advice letters to calculate and implement the newly authorized rates for the 2026–2028 cycle and other related aspects for such rates.[3] CWS respectfully submits that requiring a Tier 3 advice letter for standard rate implementation is procedurally inefficient, significantly exacerbates regulatory lag, and ultimately harms customers through deferred rate shock.

The fundamental purpose of the multi-year GRC proceeding is to comprehensively audit, litigate, and authorize the utility's rates. In prior GRC proceedings—including the recent ones for the Company—the CPUC has always issued a final decision that calculates revenue requirements and sets forth specific rates to be implemented by the water utility, typically through the submission of a Tier 1 advice letter.[4] The use of a Tier 1 advice letter is appropriate for this purpose because it is merely a compliance advice letter using revenue requirements already authorized by the CPUC, so rates can go into effect pending disposition, pursuant to General Order ("GO") 96-B,[5] in time for the first day of the test year under the schedule contemplated in the Rate Case Plan. The PD deviates from this routine process by requiring CWS to generate updated revenue requirements and then submit Tier 3 advice letters in order to implement new rates. The CPUC should revise the PD to align it with the usual process contemplated in the Rate Case Plan, which is to adopt rates in a final decision and have them implemented through a Tier 1 advice letter.

Unlike Tier 1 or even Tier 2 filings, which provide for streamlined implementation, a Tier 3 advice letter requires Water Division staff to prepare a formal CPUC resolution and a subsequent vote at a CPUC voting

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[3] PD, p. 147, Ordering Paragraph 4 ("Within 60 days of the issuance of this decision, California Water Service Company (Cal Water) shall file and serve a Tier 3 advice letter implementing all adopted revenue requirement, capital budget, and rate design determinations. The filing shall include updated rate tables and detailed workpapers demonstrating application of the adopted methodologies and adjustments listed in the attached Results of Operations Model for each district (Appendices B through T)."); *see also* Ordering Paragraphs 7, 9, 12, 20, 34.

[4] *See, e.g.,* D.20-12-007, p. 62, Ordering Paragraph 5 ("For Test Year 2020, within 60 days of the effective date of this decision, California Water Service Company shall file Tier 1 advice letters with revised tariff schedules in compliance with this decision for each of its districts and rate areas considered in this proceeding, consistent with the adopted rates for each rate area as illustrated in the attached Appendices A through X. This filing shall be subject to approval by the Commission's Water Division.").

[5] GO 96-B, Water Industry Rules, p. 3 (explaining that "[t]he following advice letters are effective pending disposition" for different types of Tier 1 advice letters).

meeting.[6] This process routinely takes at least six months to complete and is unnecessary here. GO 96-B explains that "[a]n advice letter will be subject to Industry Division disposition even though its subject matter is technically complex, so long as a technically qualified person could determine objectively whether the proposed action has been authorized by the statutes or Commission orders cited in the advice letter. Whenever such determination requires more than ministerial action, the disposition of the advice letter on the merits must be by Commission resolution, as provided in General Rule 7.6.2."[7] The adoption of new rates in a GRC is routinely handled as a ministerial action and thus Water Division disposition (*i.e.*, a Tier 1 or Tier 2 advice letter process) is appropriate. It would be a waste of limited CPUC resources for the Water Division staff to draft a resolution for a full CPUC vote to handle a process historically (and routinely) accomplished through a Tier 1 advice letter.

This GRC was intended to place new rates in effect for the period of January 1, 2026 through December 31, 2028. The process for implementing any new rates routinely takes at least two months to comply with Sarbanes-Oxley (SOX) requirements. Introducing a secondary approval layer after the comprehensive adjudication of the GRC creates several adverse impacts:

- **Customer Rate Shock:** While the CPUC has authorized CWS to establish an Interim Rates Memorandum Account in this proceeding, this delay actively harms customers. The longer the implementation of base rates is postponed, the larger the under-collected balance grows. When the Tier 3 Advice Letter is finally approved, customers will be hit simultaneously with the new base rates and a steep, compressed amortization surcharge to recover the delayed revenues, resulting in severe and avoidable rate shock.[8]

- **Erosion of Price Signals and Pancaking of GRC Proceedings:** Delayed implementation severs the connection between the cost of service and the price customers pay. During the months the Tier 3 Advice Letter is pending, customers will continue receiving price signals based on outdated costs from the prior GRC proceeding, undermining the CPUC objectives for the 2026 test year. Moreover, it reduces the limited time that such new rates can be implemented and their impacts on customers observed before CWS must file its next GRC application on July 1, 2027 under the Rate Case Plan.

- **Compounding Regulatory Lag:** The extensive GRC process already involves significant time between capital deployment and cost recovery. Mandating a Tier 3 Advice Letter stalls the implementation date of the newly authorized revenue requirement by at least six months, depriving the utility of timely cost recovery for investments already deemed just and reasonable by the CPUC in this PD.

The PD also imposes other supplemental compliance reporting and filings in Ordering Paragraphs 14 and 26, with the latter even requiring a Tier 3 advice letter. It is unclear what the purpose of these submissions are and

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[6] GO 96-B, p. 17 ("the reviewing Industry Division will prepare and place on the Commission's meeting agenda a resolution approving, rejecting, or modifying any advice letter submitted to the Industry Division.").

[7] *Id.*, p. 16.

[8] See *Response of California Water Association in Support of California Water Service Company's Motion for Interim Rates* (June 30, 2025) (explaining negative impacts of delayed CPUC proceedings on customers and providing explainer charts in Attachment A of the response).

whether the PD contemplates that rates could further change indefinitely as a result of such supplemental submissions. Such separate post-GRC reporting requirements are highly unusual and are not warranted. There are already mechanisms in place to address what CWS believes may be the PD's underlying concerns. For example, the Rate Case Plan already requires that the Company pass a capital-centric pro forma earnings test before it may seek to change rates in the escalation years of the GRC period, thereby ensuring CWS is delivering the infrastructure investments to customers authorized by the CPUC. More broadly, the GRC process is the place for the CPUC to continue reviewing the Company's compliance with CPUC orders and mandates—there will soon be the next opportunity to do so when CWS files its next GRC in July 2027. It is unnecessary to impose these separate reporting requirements, particularly one requiring a Tier 3 advice letter necessitating a CPUC resolution to resolve.

To mitigate these negative impacts and ensure the timely, orderly effectuation of the CPUC's directives, CWS respectfully requests that the PD be modified. The Company proposes to work directly with Water Division and Public Advocates staff in this proceeding to calculate the adopted revenue requirement and rate tables for the final decision, without requiring a separate process that will unnecessarily delay the implementation of new rates. Therefore, CWS respectfully requests that the CPUC revise this aspect of the PD as shown in the proposed revisions of multiple ordering paragraphs in **Appendix B**.

2. The PD's treatment of projects in progress is unwarranted and problematic.

The PD's unusual approach to CWS's projects in progress (*i.e.*, projects budgeted for 2024 or earlier that were not completed by January 1, 2024) is both unwarranted and highly problematic in two primary respects. First, the PD would require an entirely separate formal proceeding for these projects. Second, the PD would prohibit the Company from even **starting** these projects absent advance CPUC approval through a formal proceeding.[9] There is no precedent for these outcomes, nor are they warranted in this proceeding. If adopted without modification, the PD's treatment of these in-progress capital projects will create significant financial and operational hurdles:

- **Overlooks Projects Already Built or Otherwise In Progress:** Many of the capital projects in this category were completed in 2025 or 2026 and have been placed into service to benefit customers.[10] Not only is it inappropriate to postpone the inclusion in rates of completed projects pending yet another formal proceeding, it is unclear how such projects fit into the PD's explicit prohibition on initiating such projects. At minimum, the CPUC should allow these completed projects to be placed into rates via Tier 2 advice letters, with any prohibition on initiating projects applicable only if no costs have been incurred for a project.

- **Ignores Exogenous Delays:** As CWS explained in briefing, large-scale water infrastructure projects are routinely subject to factors entirely outside of the utility's control.[11] Prolonged municipal permitting

[9] PD, p. 53.
[10] See Exh. CWS-51, Attachment F (providing status update on projects in progress as of the beginning of 2025 and listing many of these projects as "in progress" at that time).
[11] CWS Opening Brief, pp. 34-40.

processes, shifting environmental compliance requirements, and ongoing global supply chain constraints for essential materials (such as electrical components and specialized pipe) inevitably impact construction timelines. Penalizing the Company by removing these projects from the authorized capital budgets due to unavoidable delays is overly punitive and ignores the factual record.

- **Violates the Premise of Test Year Ratemaking:** A GRC is inherently forward-looking. By strictly excluding projects in progress that are reasonably forecasted to be completed and placed into service during the 2026 Test Year or subsequent escalation years, the PD undermines the forecasting principles established by the CPUC. Requiring Cal Water to wait until the conclusion of an application process entirely separate from the GRC to recover costs for projects that will actively serve customers during this GRC cycle ensures a systemic under-recovery of reasonably incurred capital costs.[12]

More broadly, the requirement to submit a separate application for such projects in progress outside of the usual GRC proceeding is highly problematic. This would require a separate formal proceeding that could take months or longer to process, duplicating much of the factual evidence that was already presented in this current GRC. As written, the PD would even prohibit CWS from seeking rate base offsets through advice letters for such projects in progress.[13] Not only does this unduly delay the ratemaking resolution of such critical projects, but it further adds to the administrative burdens on CPUC staff and the Company. The fact that the PD expressly prohibits CWS from undertaking construction prior to obtaining approval through such a formal proceeding is also extremely detrimental to customers. As outlined in CWS's brief, many of these projects in progress are urgently necessary to address critical safety and reliability issues for customers. For example, some of these projects in progress are intended to ensure adequate fire flow capacity—it is imprudent and reckless to force customers to wait for the CPUC to review and separately authorize such projects before CWS can even **start** construction on them, particularly when there is no deadline for the CPUC to issue a decision on the separate application. The mandate for the CPUC to first authorize such projects before CWS can even start construction is also entirely inconsistent with the CPUC's longstanding principle of not micromanaging water utilities.[14]

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[12] As mentioned above, the pro forma earnings test required under the Rate Case Plan already provides a CPUC process to ensure that water utilities have completed the authorized capital investments before rates may be escalated in future years, thus rendering such a post-hoc separate application process unnecessary.

[13] PD, p. 53 ("Cal Water must not build these projects and then file a Tier 3 advice letter for inclusion in rates").

[14] D.08-06-022 ("The Commission has not and does not intend to micro manage water utilities."); *see also* D.08-07-046, p. 42 ("the utilities are obliged to prudently manage operations for the shareholders' long-term financial best interests and provide safe and reliable service to customers. This is the classic utility obligation to exercise expert judgment and management where the Commission does not 'micromanage' every action and decision on a daily basis."); D.02-07-011, pp. 6-7 ("There is no requirement of the utility to spend exactly, or only, the projected amount on each rate base or expenditure component used to set rates. Similarly, there is no requirement or guarantee that the utility earn its authorized rate of return. [...] We leave the fine-tuning of a utility's operation to the discretion of its management. Management discretion is exercised in allocating total dollars for capital and expense items to those areas where the capital and expense is most necessary, as dictated by constantly evolving priorities.") (footnote omitted).

Allowing this treatment of projects in progress would penalize CWS without considering the value CWS has consistently provided to customers even with the deferral of some projects. For example, CWS has shown that the amount of projects that were used and useful for customers in 2021-2023 – the sum of recorded rate base and projects that are in service – is very close to the rate base adopted for each year.[15]

For the reasons above and those set forth in its briefing, CWS respectfully requests that the CPUC revise the PD and instead evaluate each of these projects in progress on their individual merits, rather than unjustifiably deferring all of them on a categorical basis through an unprecedented separate application process. At minimum, the CPUC should allow these completed projects to be placed into rates via Tier 2 advice letters, with any prohibition on initiating projects applicable only if no costs have been incurred for a project.

3. The PD is unclear as to the treatment of capital projects and potentially prejudices CWS from making even warranted changes to projects in the future.

In past GRCs for CWS and other water utilities, the CPUC has generally provided specific direction as to whether certain capital projects are authorized and which have been disallowed, such that it is clear which particular projects may be included in the capital budgets used to set rates for the GRC cycle at issue. The PD deviates from this routine and instead takes a problematic approach for how it addresses the capital projects in this GRC.

First, Ordering Paragraph 10 of the PD essentially only provides conditional approval of certain capital projects by making them "subject to Cal Water filing supplemental cost and implementation documentation in its next compliance filing required by this decision."[16] This presents implementation challenges with respect to timely implementation of rates, as it appears to authorize the Company's proposed capital budget in a piecemeal fashion. This creates unnecessary administrative burden and has the potential to cause customer confusion as the rate changes authorized in this proceeding could repeatedly change. Ordering Paragraph 10 also provides that "[o]nly those plant additions that are supported by documented engineering need, regulatory compliance requirements, and reasonable cost estimates."[17] While CWS does not disagree with that in principle, the specific language here presents unnecessary implementation challenges as it is unclear who is supposed to determine whether the documentation provided meets the requisite standard. The CPUC already has processes in place to ensure that CWS is making prudent infrastructure investments as authorized in each GRC decision, including the pro forma earning tests for escalation year filings and the triennial GRC process. Ordering Paragraph 10 is inviting a lengthy

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[15] Exh. CWS-01, p. 35 (showing that plant constructed and in use amounted to 95%, 93%, and 96% of adopted rate base in 2021, 2022, and 2023, respectively).

[16] PD, p. 150, Ordering Paragraph 10.

[17] *Id.*

process whereby parties may seek to relitigate numerous capital projects before they can be approved through a CPUC resolution—such a delay in implementing rates adds to the negative impacts to customers outlined above.

Second, the PD provides that "[f]or approved compliance-driven treatment projects, the authorization is subject to reasonable cost caps at the estimate-of-record level."[18] There is no reason to arbitrarily place a cost cap on such compliance-driven treatment projects. The purpose of this proceeding is to set the authorized rates for the Company during the GRC period of 2026-2028 based on forward-looking ratemaking principles and what prudent and reasonable costs for capital projects are expected to be incurred within the GRC period. The CPUC can easily authorize such projects for this GRC period at the estimate-of-record level simply by setting the rates for this GRC period based on such estimates. There may be justifiable reasons why the costs for certain projects may increase in the future—to the extent that occurs, the Company will need to separately justify the new costs based on the circumstances through its showing in a future GRC. There is no reason to set a cost cap here in this proceeding that will unnecessarily bind future CPUC decision making. At minimum, the CPUC should clarify that any purported caps adopted here would not preclude CWS from proposing costs above such caps in a future proceeding so long as they are reasonable and adequately justified.

Lastly, in Table 4 and throughout the PD, the PD appears to resolve the ratemaking for numerous critical capital projects by only identifying their final dispositions as "Adopted," "Deferred," or "Denied."[19] By using both "deferred" and "denied," the PD could be interpreted as permanently precluding CWS from ever proposing a project labelled "denied," regardless of changed circumstances, and indefinitely into the future. The PD properly clarifies these terms in Table 3, indicating that what is "denied" is "denies inclusion of [certain plant] in rate base for this GRC cycle."[20] At a minimum, the CPUC should clarify that the same definitions apply throughout the text of the PD, and "denied" should be replaced with "deferred" in the FOFs, COLs, and OPs.[21]

CWS respectfully requests that the CPUC revise the PD to correct the errors discussed above relating to the treatment of capital projects in this and future GRCs.

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[18] *Id.*, p. 56; *see also* p. 152, Ordering Paragraph 14 (also imposing "reasonable cost caps" on compliance-driven treatment projects").

[19] *Id.*, pp. 48-51.

[20] PD, p. 47.

[21] CWS notes that, if the permanent denial of projects is the intended outcome, such a drastic determination would require substantive explanations that are specific to those projects based upon evidence in the record. In that case, the PD's omission of any substantive discussion, analysis, or specific rationale regarding projects that would be permanently denied would constitute legal error in violation of Pub. Util. Code § 1705 (providing that the CPUC's decisions must contain "separately stated, findings of fact and conclusions of law by the commission on all issues material to the order or decision"). The lack of explanatory text would effectively shield the PD's determinations from meaningful review because parties could not address whether evidence was erroneously considered, and could not make appropriate adjustments to future proposals.

4. The PD improperly requires Tier 3 advice letter procedures and adopts other conclusions regarding balancing and memo accounts based on wrong assumptions.

The PD contains multiple errors with respect to its discussion and disposition of issues relating to balancing and memo accounts. The PD incorrectly characterizes positions of not only CWS in this proceeding, but also those of Public Advocates Office ("Cal PA"). As a consequence, the PD reaches unfounded conclusions and imposes unwarranted Tier 3 advice letter treatment for amortizations that the CPUC should correct. As discussed below in Section II.I of these Comments, the PD also imposes burdensome new reporting requirements for all balancing and memo accounts that should be eliminated.

For example, while the PD appears to reject expansion of the scope of the Company's Catastrophic Event Memorandum Account ("CEMA"),[22] CWS never made such a request in this proceeding, and Cal PA accordingly did not have any reason to "caution[] against expanding the CEMA's scope."[23] CWS respectfully requests that all discussion regarding this issue in the PD in Section 4.12.3, COL 57, and OP 38 be eliminated.

More critically, the PD mandates the submission of Tier 3 advice letters to amortize balances based on alleged "evidence" that has never been in the record. According to the PD, "Cal Water states that its request [to amortize certain accounts within 90 days of a decision] is procedural and consistent with longstanding Class A practice, allowing timely disposition of *reviewed balances* through Tier 3 advice letter filings."[24] Aside from the request being procedural, this statement is simply untrue.[25] The PD provides no other justification for requiring Tier 3 advice letters for amortization of the accounts. As discussed below, at issue are "reviewed balances" that instead should be amortized through Tier 1 or Tier 2 advice letters.

For balancing accounts in general, and for the CEMA, Public Safety Power Shut-Off Memo Account ("PSPS"), and Asbestos Litigation Memo Account ("ALMA"), **Tier 1** treatment for amortizations is appropriate for the following reasons. While the CEMA, PSPS, and ALMA are memo accounts,[26] the amounts to be amortized have been reviewed by Cal PA and are undisputed as shown in Items 40 and 41 of the Undisputed Issues List (Exhibit Joint-02). Since the disposition of approved amounts requested to be amortized is merely a ministerial action, not

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[22] PD, pp. 106-108.

[23] *Id.*, p. 106. Given that the scope of the CEMA was not disputed issue, none of the citations to parties' briefs or testimony are accurate. Furthermore, two of the three decisions cited by the PD in text on page 107 – D.94-06-033 and D.19-03-046 – do not exist.

[24] *Id.*, p. 106 (emphasis added).

[25] CWS did not invoke practices of other Class A water companies, but instead described its own past challenges of amortizing numerous memo and balancing accounts after a GRC decision is adopted, while also implementing the new base rates that result from that decision. CWS Opening Brief, p. 135; Exh. CWS-50, pp. 168 and 173.

[26] Consistent with Water Industry Rule 7.3.3 of GO 96-B, a Tier 3 advice letter is appropriate for amortization of a memo account when the balance requested has not yest been reviewed.

requiring a discretionary determination that must be adopted by the CPUC via a formal resolution, submission of a Tier 1 advice letter is sufficient and consistent with past practice.

For balancing accounts in general, GO 96-B expressly categorizes "Balancing Account amortization" under the categories of advice letters that are appropriate for **Tier 1** advice letter treatment.[27] This is applicable to two balancing accounts for which CWS has requested amortization in this proceeding—the CEBA adopted in CWS's last GRC and the Drinking Water Fees Balancing Account ("DWFBA").[28] With regard to the remaining balancing accounts at issue, the preliminary statements for the existing Pension Cost Balancing Account ("PCBA"), Health Cost Balancing Account ("HCBA"), and General District Balancing Accounts already specify **Tier 2** treatment for amortization so the PD's authorization should be in alignment.

As an important side note, the PD recognizes CWS's request to amortize the existing DWFBA, PCBA, HCBA, and CEBA on page 106 in its discussion of Scoped Issue 20, but appears to omit them inadvertently from the list of authorized amortizations in OP 38. The CPUC should include these balancing accounts in OP 38 to provide the official authority that CWS needs to amortize the amounts recorded in those accounts.

For the reasons above, CWS respectfully requests that the CPUC revise the discussion in the PD to correct the erroneous discussion of balancing and memo accounts and modify the requirements for Tier 3 advice letters to amortize such accounts, with the specific revisions to the ordering paragraphs of the PD shown in **Appendix B**.

B. The PD makes unjustified disallowances that would eviscerate and undermine the Company's water conservation program, possibly based on a misinterpretation of CWS's proposal.

1. The 1-way CEBA is a benefit to customers and should be retained

The PD overlooks the parties' agreement that the existing Conservation Expense Balancing Account ("CEBA") should be reauthorized as-is: as a 1-way account that benefits customers.[29] As CWS explained:

> Cal Water's conservation budget is funded through rates and operates under a one-way balancing account, which tracks authorized versus actual expenditures in each service area. This mechanism ensures that if Cal Water is unable to implement programs as quickly as anticipated, or if actual expenditures are lower than authorized, any budgetary surplus is refunded to customers as surcredits at the end of each rate cycle.[30]

[27] Water Industry Rule 7.3.1 of GO 96-B.

[28] PD, p. 159. The parties agree that the amount of $1,653,180 in the DWFBA as of June 30, 2026 is an appropriate amount to authorize for amortization. The issues in dispute regarding the DWFBA are (1) whether the balance should be amortized by being included in base rates in this GRC or by issuance of a surcharge, and (2) whether the DWFBA should continue or be closed. *See* CWS Opening Brief, pp. 136-137 and Cal PA Opening Brief, p. 128.

[29] Exh. Joint-02, Item 43.

[30] Exh. CWS-51, Appendix C, p. 45 (footnote omitted).

In various places, however, the PD states that balancing accounts are and must be "symmetrical."[31] This likely explains why the PD confusingly states:

> The Commission clarifies . . .that CEBA entries shall be limited to incremental, Commission-approved conservation programs and shall not include routine marketing or discretionary outreach expenses that are stable and forecastable. Such routine outreach, education, and marketing expenses are predictable and are properly recovered through base rates rather than tracked in the CEBA, because they do not exhibit the volatility or external cost drivers that justify balancing-account treatment."[32]

CWS is proposing an entire conservation budget, as discussed further below, that is intended to be in base rates. CWS does not propose to modify the current CEBA so that additional costs above those in rates can be recovered from customers; instead, the current CEBA starts off with a "balance" consisting of the entire conservation budget, and that balance decreases as the specifically authorized costs are spent. The CEBA is intended not only to ensure that any unspent conservation funds in rates are returned to customers, but also to ensure that the nature of those expenditures aligns with their intended use.[33] As with the balancing accounts discussed above, amortization of the CEBA should be allowed as a Tier 1 advice letter, particularly because only surcredits can result from amortization.

With this clarification, it does not make sense to deny forecasted expenses intended to spur conservation on the grounds that they should *instead* be in "base rates;" CWS's requested conservation budget would be put into base rates for potential future refund to customers through the CEBA. CWS respectfully requests specific proposed revisions to findings, conclusions, and ordering paragraphs of the PD shown in **Appendix B.**

2. Each component of CWS's proposed conservation program is fully justified and should be adopted.

The PD emphasizes the need to document and justify proposed expenses when they are forecast to exceed historical levels by a significant amount,[34] stating that proposals must be "accompanied by evidence of new regulatory requirements, vendor contract revisions, or measurable workload growth."[35] These are precisely the factors supporting the requested Conservation budget increase, as documented in the CWS's testimony.[36] In

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[31] PD, pp. 104 and 112; COL 8.

[32] *Id.*, p. 111.

[33] The preliminary statement for a CEBA states that each district's "authorized conservation expense [budget] has three internal spending caps. Cal Water shall apply these internal spending caps" to actual expenditures when it submits an advice letter to return unspent amounts to customers. Application, Attachment F, p. 61.

[34] PD, page 39.

[35] *Id.*

[36] Exh. CWS-02, Attachment H (CWS direct testimony on the conservation budget); Exh. CWS-51, Appendix C (CWS rebuttal testimony on the conservation budget).

maintaining the Conservation budget at its currently authorized level, however, the PD ignores the substantial evidence on this topic presented in the record of this proceeding by the Company.

The requested increase is primarily driven by the State's *Making Conservation a California Way of Life* regulations.[37] These regulations establish individualized water use budgets for each Urban Retail Water Supplier, along with numerous conservation performance measures (e.g., BMPs) and expanded reporting requirements, thereby constituting both "new regulatory requirements" and "measurable workload growth" within the meaning of the PD. For CWS, compliance requires meeting district-level water use budgets tied to residential and landscape use and distribution system losses, implementing at least 10 CII[38] performance measures in each district, and fulfilling extensive implementation and reporting obligations.[39] Mandatory compliance reporting began in 2025, with state guidelines spanning 40 pages of detailed instructions, and the State Water Board is authorized to impose monetary penalties and conservation orders for non-compliance beginning January 1, 2027.[40]

CWS conducted a detailed, district-specific assessment of projected compliance.[41] This analysis incorporates expected savings under currently authorized conservation budgets, as well as "passive" savings from appliance standards, plumbing codes, and water rate changes.[42] The results indicate that at the current CPUC-authorized levels of conservation funding, six districts—Bakersfield, Hermosa-Redondo, Palos Verdes, Selma, Visalia, and Westlake—are still projected to exceed their state-mandated water use budgets, with 2035 exceedances ranging from 4% to 23%.[43] The Alliance for Water Efficiency's ("AWE's") Water Conservation Tracking Tool[44] was used to estimate the level, timing, and cost of additional conservation required to close these gaps. The proposed district-level budgets are directly tied to these compliance modeling results.[45]

Additional increases were requested in ten districts with high marginal supply costs or located in critically overdrafted groundwater basins to address affordability and supply reliability concerns.[46] However, these adjustments account for only 17% of the total requested increase. Fully 81% is directly attributable to regulatory

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[37] CCR Title 23, Division 3, Chapter 3.5, Article I (Urban Water Use Efficiency Standards, Objectives, and Performance Measures).
[38] "CII" refers to Commercial, Industrial, and Institutional customers.
[39] Exh. CWS-51, Appendix C, p. 32.
[40] *Id.*, p. 10.
[41] Exh. CWS-02, Attachment H, pp. 21-22.
[42] Exh. CWS-51, Appendix C, Pages 16-18.
[43] *Id.*, Table 5.
[44] https://allianceforwaterefficiency.org/resource/version-4-awes-water-conservation-tracking-tool/, cited in Exh. CWS-51, Appendix C, p. 25, fn. 33.
[45] Exh. CWS-02, Attachment H, pp. 34-37.
[46] *Id.*

compliance and associated workload requirements under the new regulations.[47] An increase to the conservation administration and research component of the budget was also requested to address expanded compliance and reporting responsibilities.[48] There is substantial evidence that the PD overlooks, which demonstrates that compliance with state-mandated conservation requirements will not be achieved in the six identified districts without expanded program activity, which cannot be supported under currently authorized funding levels. CWS urges that its original request be authorized.

3. At a minimum, the PD should further adjust the authorized conservation budget.

If the CPUC is intent on reducing the proposed conservation budget, at a minimum the CPUC should modify the PD's conservation budget as follows:

- Maintain the Programs budget component at currently authorized levels in districts projected to comply with state-mandated water use budgets.[49]
- Adopt the requested Programs budgets in the six districts projected to be out of compliance.
- Set the Public Information component at 20% of the Programs component to continue the support of Programs implementation as has been done historically.[50]
- Maintain school education budgets at current levels[51] in all districts.
- Increase the Administration/Research component by $250,000 above the PD to support external services required for compliance and program implementation.
- Allocate Administration/Research costs in proportion to each district's Programs budget as has been done historically.

These modifications would result in the following conservation budget:

Conservation Budget	Amount
Filed in Rebuttal	$16,255,637
Proposed Decision	$8,566,084
Modified Proposed Decision	$13,807,856

The proposed modifications increase the conservation budget from $8.6 million to $13.8 million, with the additional funding directed toward regulatory compliance. This increase aligns with the PD's requirement that higher

[47] *Id.*, p. 35, Table 14. The remaining 2% is associated with the proposed increase in the School Education budget component.

[48] *Id.*, pp. 33, 36-37.

[49] D.24-03-042, Appendix 1, Attachment 3: Updated Undisputed Issues List, p. 2 (partial settlement agreement adopted in prior GRC for CWS providing that "[f]rom TY 2023, the annual company-wide Conservation Expense Budget is $8,566,084.").

[50] The Public Information component pays for program marketing, advertising, recruitment, and program assistance.

[51] [51] D.24-03-042, Appendix 1, Attachment 3: Updated Undisputed Issues List, p. 2 (partial settlement agreement adopted in prior GRC for CWS providing that "[f]rom TY 2023, the annual company-wide Conservation Expense Budget is $8,566,084.").

expenditures be supported by "new regulatory requirements" and "measurable workload growth." It would result in an approximate three-fold increase in program expenditure in the six districts at risk of non-compliance, while reducing conservation budgets in districts expected to comply by an average of 15%, as shown below:

Expected Compliance Status At Currently Authorized Budgets	**Conservation Budget**	
	Current PD	**Modified PD**
Non-Compliant[52]	$2,823,408	$8,933,310
Compliant	$5,742,676	$4,874,546
Total	$8,566,084	$13,807,856

Additionally, the proposed modifications would increase the share of the budget used directly for program implementation from 64% to 76% in order to maximize water savings in the non-compliant districts, as shown in the following table:[53]

Conservation Budget Component	**Conservation Budget Share**	
	Current PD	**Modified PD**
Programs	51%	63%
Public Information	13%	13%
School Education	6%	4%
Administration/Research	30%	21%

The PD finds that "Cal Water's conservation and water-efficiency programs have demonstrated cost-effectiveness, avoided duplication, and produce measurable outcomes."[54] Cost-effectiveness, in this context, implies that the cost of achieving water savings through conservation is at or below the marginal cost of water supply. As a result, substituting conservation for higher-cost supply sources reduces the overall cost of providing water service. This relationship has direct implications for affordability, as lower system costs place downward pressure on customer rates over time.[55] Empirical evidence in the record supports this conclusion. Research conducted by AWE finds that CWS's conservation programs historically have reduced customer bills by an average of approximately 11%, demonstrating that sustained investment in cost-effective conservation yields meaningful and measurable affordability benefits for customers.[56] The district-level annual conservation budgets based on the recommended modifications to the PD's conservation budget are shown in the following table.

[52] The Bakersfield, Hermosa-Redondo, Palos Verdes, Selma, Visalia, and Westlake areas.
[53] This is based on the combined Programs and Public Information budgets.
[54] PD, pp. 158-159, Ordering Paragraph 35.
[55] Exh. CWS-51, Attachment C, pp. 4, 15.
[56] Alliance for Water Efficiency. (2024, September 30). *The Economic Value of Efficiency for California Water Service: Lower Water Bills*. Retrieved from: https://allianceforwaterefficiency.org/resource/the-economic-value-of-efficiency-for-california-

District	Programs	Public Information	School Education	Admin/ Research	Total
AV	$9,743	$1,949	$2,154	$3,257	$17,102
BG	$318,645	$63,729	$31,469	$106,509	$520,352
BK	$1,947,395	$389,479	$49,069	$650,926	$3,036,869
CH	$157,081	$31,416	$21,782	$52,505	$262,784
DIX	$19,314	$3,863	$2,101	$6,456	$31,734
DOM	$476,174	$95,235	$49,114	$159,163	$779,686
ELA	$193,580	$38,716	$30,075	$64,705	$327,076
HR	$758,300	$151,660	$33,602	$253,465	$1,197,027
KC	$10,319	$2,064	$1,243	$3,449	$17,075
KRV	$22,904	$4,581	$2,233	$7,656	$37,374
LAS	$175,513	$35,103	$23,894	$58,666	$293,176
LIV	$264,005	$52,801	$26,456	$88,245	$431,507
MPS	$300,209	$60,042	$28,331	$100,346	$488,928
MRL	$26,682	$5,336	$2,172	$8,919	$43,109
ORO	$20,769	$4,154	$2,420	$6,942	$34,285
PV	$966,325	$193,265	$35,035	$322,998	$1,517,623
RDV	$10,145	$2,029	$1,321	$3,391	$16,886
SEL	$172,950	$34,590	$3,807	$57,809	$269,156
SLN	$354,036	$70,807	$33,309	$118,338	$576,490
SSF	$300,208	$60,042	$28,331	$100,346	$488,926
STK	$287,681	$57,536	$26,702	$96,159	$468,078
VIS	$1,197,935	$239,587	$34,071	$400,415	$1,872,008
WIL	$4,035	$807	$2,005	$1,349	$8,196
WLK	$662,730	$132,546	$23,830	$221,520	$1,040,626
Travis	$19,346	$3,869	$2,101	$6,466	$31,783
Total	**$8,676,024**	**$1,735,205**	**$496,627**	**$2,900,000**	**$13,807,856**

C. The PD improperly defers AMI based upon an incorrect characterization of the parties' positions by overlooking key evidence in this proceeding.

CWS and Cal PA agree in this proceeding that the AMI program proposed by the Company should move forward, but disagree on how costs should be recovered. However, the PD improperly defers CWS's proposal regarding AMI based upon an incorrect characterization of the parties' positions and by overlooking key evidence in this proceeding. First, the PD erroneously states that "Cal Advocates questions Cal Water's proposed AMI rollout, asserting that the company has not provided a cost-benefit analysis or pilot evaluation demonstrating net benefits to ratepayers."[57] This is false not only because Cal PA never made such an assertion, but also because the Company

waterservice-lower-water-bills/, cited in Exh. CWS-51, Attachment C, p. 15, fn. 14 and a copy of which was included in the testimony as Exh. CWS-02, Attachment E.

[57] PD, p. 44.

did specifically present a robust cost-benefit analysis in its testimony to support its AMI proposals. The PD may have inadvertently overlooked this cost-benefit analysis because it was found in Exh. CWS-03, Attachments E-G and Exh. CWS-50, pp. 51-62, rather than where other capital project-related proposals were generally located (*i.e.*, the project justification books or rebuttal books focusing on capital projects).

Second, the PD goes on to state that "Cal Advocates points to D.22-09-019, where the CPUC deferred statewide AMI deployment pending additional pilot results, as supporting deferral here until Cal Water submits further evidence of cost-effectiveness."[58] This too is incorrect. In its testimony, Cal PA actually recommends that the CPUC approve implementation of AMI in the five ratemaking areas proposed, with partial cost recovery contingent on meeting specific performance standards.[59] In the Settlement, the parties clarified that, for AMI, "The three ratemaking methodologies before the Commission are associated with (1) Cal Water's original application, (2) Public Advocates' alternative proposal, and (3) Cal Water's variation on the alternative proposal."[60] In particular, CWS does not oppose partial cost recovery as proposed by Cal PA as long as the remaining cost recovery for AMI infrastructure that is installed, and becomes used and useful over the 4-year program, can occur through Tier 2 advice letters.[61] If the PD declines to approve cost recovery through Tier 2 advice letters, however, the Company's position is that all program costs should be in rates given the uncertain timing of cost recovery without Tier 2 treatment.[62]

While the parties disagree on other minor items, Cal PA did not challenge the sufficiency of CWS's cost-benefit analysis. The CPUC should therefore revise the PD to correct these factual errors and authorize the Company's AMI program with one of the ratemaking methodologies proposed by parties. In the event the PD denies AMI, an amount of $1,893,288 should still be authorized in OP 11 to allow CWS to implement its normal meter replacement programs in the 5 ratemaking areas.[63]

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[58] *Id.*; *see also* p. 56 ("AMI deployment is deferred, pending submission of a comprehensive cost-benefit analysis and pilot evaluation demonstrating ratepayer benefits consistent with Commission expectations under D.22-09-019"); pp. 150-151 ("The proposal by California Water Service Company (Cal Water) to deploy Advanced Metering Infrastructure is deferred pending submission of a comprehensive cost-benefit analysis and pilot evaluation that demonstrates operational and ratepayer benefits consistent with California Public Utilities Commission guidance provided in Decision 22-09-019. Cal Water may file a separate application or include this item in its next General Rate Case.").

[59] Exh. CalAdv-08, pp. 7-1 to 7-8; *see also* Cal PA Opening Brief, pp. 59-60.

[60] Settlement, pp. 6-7.

[61] CWS initially proposed that 100% of AMI costs should be in rates. Cal PA countered by proposing that approximately 50% should be put into rates, with the remaining 50% recoverable in a future GRC. *See* Exh. CWS-50, pp. 51-62, for a summary of all disputed issues relating to AMI.

[62] As CWS explains in rebuttal, without Tier 2 advice letters, Cal PA's proposal would effectively delay full cost recovery until January 1, 2035, for projects completed in 2026-2029. Exh. CWS-50, p. 56.

[63] Cal PA proposes that $1,893,288 be authorized in rates to reflect what the full forecast would be for normal, non-AMI meter replacement. Cal PA Opening Brief, p. 59. Cal PA then divides CWS's remaining proposed AMI amount by 50% to

D. The PD incorrectly sets AFUDC at Cal PA's IDC rate without support or any explanation.

The PD states in passing that "[f]or capital additions, the RO Model shall implement the adopted plant-in-service balances and related Interest During Construction (IDC)/Allowance for Funds Used During Construction (AFUDC) assumptions as set forth in Scoped Issue #3, including the reduction of Cal Water's proposed AFUDC rate to the IDC rate adopted in that section, as recommended by Cal Advocates."[64] However, the PD never actually returns to discuss the issue of the proper AFUDC at all nor does it otherwise explain why it is making such a significant departure from CPUC practice and precedent.

As explained in CWS's briefing, the appropriate AFUDC rate for capitalizing interest on Construction Work in Progress ("CWIP") is CWS's adopted rate of return, which includes both equity and long-term debt components.[65] The parties litigated this very same issue in D.20-12-007, in which the CPUC ruled in favor of the Company and provided a reasoned explanation for why Cal PA's recommendation should be rejected,[66] and in D.24-03-042 which cites the CPUC's Uniform System of Accounts and states that "AFUDC compensates a utility for the financing costs it incurs during construction of new facilities."[67] The evidence presented in this GRC continues to show that CWS finances CWIP using long-term financing, including through issuance of debt and equity.[68] Cal PA presents nothing new in this GRC that would justify a different result. The PD appears to reach a diametrically different result on this exact same issue here than the CPUC did in D.20-12-007 and D.24-03-042, but fails to provide any reasoning whatsoever for why it has departed from those decisions.[69] Accordingly, CWS respectfully requests that the CPUC revise the PD to set the AFUDC rate at the Company's authorized rate of return as it explained in briefing, and for the same reasons for why the CPUC previously did so in D.20-12-007 and D.24-03-042.

E. The PD improperly disallows expenses for certain studies that are legally mandated for the Company to complete, leaving such obligations unfunded.

The PD errs by improperly disallowing expenses for certain studies that are legally mandated for the company to complete, leaving such obligations unfunded. Specifically, the PD denies inclusion of "Engineering and

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determine the amount that should be withheld pending compliance with performance criteria, which is why "approximately" 50% would be in rates and "approximately" 50% would be recovered later.

[64] PD, pp. 24-25.

[65] CWS Opening Brief, pp. 106-108.

[66] D.20-12-007, p. 32.

[67] D.24-03-042, p. 166.

[68] Exh. CWS-50, p. 152.

[69] The California Supreme Court has previously explained that the CPUC must issue separately stated findings in its decisions in a manner that "such findings afford a rational basis for judicial review and assist the reviewing court to ascertain the principles relied upon by the commission and to determine whether it acted arbitrarily, as well as assist parties to know why the case was lost and to prepare for rehearing or review, assist others planning activities involving similar questions, and serve to help the commission avoid careless or arbitrary action." *Greyhound Lines, Inc. v. Pub. Utilities Comm'n* (1967) 65 Cal. 2d 811, 813. The PD's attempt to adopt IDC in lieu of AFUDC fails to meet this standard.

Planning Studies" on a categorical basis from rate base for this GRC cycle.[70] However, such studies under this category include things like Urban Water Management Plans ("UMWP") and Water Supply Facilities Master Plans ("WSFMP"). CWS is legally required to prepare UMWPs every five years under the Urban Water Management Planning Act (Water Code section 10610 *et seq.*).[71] The WSFMPs are expressly mandated by the CPUC as part of the Rate Case Plan Minimum Data Requirements.[72] It is unfair and unlawful to disallow costs for mandatory obligations that CWS legally needs to comply with, essentially leaving such legal obligations unfunded. Therefore, CWS respectfully requests that the CPUC revise the PD to authorize the Company to include the costs for such engineering and planning studies in rate base consistent with past CPUC practice and precedent or, in the alternative, to allow CWS to account for the costs for such studies as expenses in its overall revenue requirement. So long as the Company is legally obligated to complete such studies, they should be funded.

F. The PD should be revised to clarify Ordering Paragraph 25.

The PD states in Ordering Paragraph 25 "California Water Service Company shall either request recovery under a drought/conservation relief memorandum account during the General Rate Case cycle or through the Sales Reconciliation Mechanism, but never both."[73] However, there is nothing in the record to support the statement that the Sales Reconciliation Mechanism ("SRM") would overlap with any drought or conservation memorandum account. As explained in CWS's rebuttal testimony, the SRM updates the adopted sales forecast for an escalation year if the actual sales for the prior year differed from adopted levels by more than 5%.[74] It operates independently of any drought/conservation relief memorandum account because the SRM does not actually track differences between forecasted and actual sales or revenues for future recovery or refund. Nonetheless, if the CPUC wishes to keep this ordering paragraph, the associated Conclusion of Law 40, and other related dicta in the final decision, CWS recommends revising Ordering Paragraph 25 to say "if the SRM is triggered, and Cal Water will concurrently have a LRMA[75] account in place, then in its request for recovery of the LRMA, Cal Water must make a showing to the Commission demonstrating revenues have not been collected twice."

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[70] PD, p. 47.

[71] Water Code § 10620(a) ("Every urban water supplier shall prepare and adopt an urban water management plan"); Water Code § 10621(a) ("Each urban water supplier shall update its plan at least once every five years on or before July 1, in years ending in six and one, incorporating updated and new information from the five years preceding each update.").

[72] D.07-05-062, Appendix A, p. A-28 ("Any water utility filing a GRC on or after July 1, 2008 must submit a long-term, 6-10 year Water Supply and Facilities Master Plan to identify and address aging infrastructure needs.").

[73] PD, p. 155, Ordering Paragraph 25.

[74] Exh. CWS-50, p. 242.

[75] Lost Revenue Memorandum Account – Standard Practice U-40-W and Resolution W-4781.

G. The rate design in the PD should be revised to gradually increase fixed cost recovery to decrease bill impacts on low water users.

While CWS continues to believe that full decoupling is more beneficial for customers as well as the Company, CWS appreciates the PD's comprehensive analysis of the various rate design options and the many issues associated with rate design. The PD adopts the M-WRAM rate design for residential customers with tiered quantity rates that CWS proposed in its application.[76] To balance affordability with the need to send conservation signals and ensure a level of revenue stability, the rate design originally proposed by CWS increased the service charge so that an additional 10% of fixed costs would be recovered through that fixed charge, and decreased the quantity rate for water usage charged at the tier 4 level so that it equates to 150% of the tier 2 quantity rate (down from 187% of the tier 2 rate).[77] CWS now proposes a slight adjustment to the rate design adopted in the PD so that the fixed costs recovered through the fixed service charge is increased by 5% rather than 10%.

1. The PD should clarify its proposed changes to the fixed service charge.

The PD states that it is adopting a rate design modification to "[m]aintain a four-tier volumetric structure, including a reduction of the tier multiplier for Tier 4 from 187 percent to 150 percent and a 10 percent higher fixed charge."[78] Based on the evidentiary record and references in the PD, CWS understands the PD to mean that the Company should increase the percentage of fixed costs collected from the fixed service charge, rather than actually increasing the fixed service charge amounts by 10%.[79] This interpretation reflects CWS's original proposal and the testimony supporting that proposal.[80] CWS respectfully requests modifications to OP 23 as shown in **Appendix A** to avoid confusion about the shifting of fixed cost recovery versus increasing the fixed service charge.

2. Fixed cost recovery through the service charge should increase by 5% rather than 10%.

CWS proposes an adjustment to the PD's rate design to lessen the impact of these rate design changes on low water users, and implement a more gradual transition to the fixed cost recovery levels appropriate for the M-WRAM (when shifting out of full decoupling). Instead of increasing fixed cost recovery in the service charge by 10%

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[76] PD, pp. 76-82.

[77] Exh. CWS-02, Attachment F, p. 5.

[78] PD, p. 154, Ordering Paragraph 22; *see also* Ordering Paragraph 23 (indicating that the Company's service charges should increase by 10%, rather than clarifying that the fixed costs recovered through the service charge should increase by 10%).

[79] *Id.*, p. 79 (stating that"…Cal Water has demonstrated that 66 percent of its revenue consists of fixed costs; therefore, increasing the fixed charge to cover 60 to 70 percent of fixed costs would allow Cal Water to collect approximately 46 percent of its total revenue requirement via fixed meter charges" (footnote omitted)). *See also* Exh. CWS-02, Attachment F, p. 10.

[80] *See, e.g.,* Exh. CWS-50, pp. 238-239 (discussing the percentage of fixed costs in the service charge and the percentage of total revenues collected through the service charge, not the percentage of a specific service charge rate that should be increased).

in this GRC, as proposed by the PD and originally proposed by CWS, the Company now recommends an increase in fixed cost recovery of 5% in this GRC. In rebuttal testimony, CWS reconsidered its M-WRAM rate design and one of its recommendations was to increase the total revenue recovered through the service charge by 5%.[81] Now that the PD expresses a preference for CWS's original rate design and the shifting of fixed cost recovery, however, CWS proposes to apply the concept of the 5% shift to fixed cost recovery, rather than total revenue recovery, so that the amount of fixed costs recovered in the service charge is only increased by 5%, rather than the 10% in the PD. This proposal is supported by the record and while it does not change revenues, it does re-balance the cost burden on customers so that those who use less water, and whose service charge is therefore a higher percentage of their overall bill (as compared to higher water users), will be less impacted by the increase of fixed cost recovery in the fixed service charge, while still moving CWS towards the greater revenue stability discussed in the PD.

The results of increasing the fixed cost recovery in the fixed service charge by 5% (instead of 10%) would be that approximately 55-65% of all fixed costs would be recovered through the service charge (which would vary by district). While the resulting percentage of revenues that would be recovered through fixed service charges will have to be calculated based on the revenues adopted in a final decision, it will be higher than those in current rates, but less than the 46% the PD cites if the fixed cost recovery was increased by 10%. CWS respectfully requests that the rate design in the PD include this adjustment, with specific modifications shown in **<u>Appendix B</u>**.

H. The PD makes unsupported and unnecessary statements regarding the risks that water utilities face relative to other types of utilities.

The PD states without citing to any authorities or evidence in the record that "[m]aintaining safety and water-quality standards is paramount, but water-utility infrastructure generally entails a lower inherent safety risk than electric or gas systems."[82] Based on this unsupported assertion the PD goes on to erroneously state that "the Commission applies a proportionally narrower safety margin when evaluating the necessity of water-utility capital spending."[83] There is no support in the evidentiary record for these assertions and the CPUC should revise the PD to eliminate these reckless statements. Water is the only public utility service regulated by the CPUC that customers routinely ingest into their bodies each and every day. CWS works hard to ensure that customers continue to receive safe and reliable water service to protect human health. Moreover, the statement that the CPUC applies a "proportionally narrower safety margin" is wholly incorrect and there is no precedent for such a statement. These unsupported statements needlessly place the safety of water utility customers at risk by failing to

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[81] Exh. CWS-51, Appendix A, pp. 23-24.
[82] PD, p. 63.
[83] *Id.*

acknowledge the significant health and safety challenges that the Company must navigate to protect customers. The CPUC must revise the PD to eliminate these factually and legally erroneous statements.

I. The PD improperly adopts unwarranted requirements based on a faulty reading of the evidence or reliance on material not in the record.

There are numerous instances in which the PD presents material that is simply not in the record to reach the conclusions that should be substantially overhauled or excised from the PD. In other instances, the PD adopts the Partial Settlement Agreement in full,[84] but appears to inadvertently contradict components of the Settlement.

1. Overview

The Company recognizes the challenges associated with adjudicating an extraordinarily complex GRC proceeding with a voluminous record and appreciates the CPUC's hard work in navigating through these challenging issues. CWS respectfully requests that the CPUC carefully review the sections of the PD discussed herein to correct references to the evidentiary record and modify the conclusions reached based on overlooked evidence or erroneous interpretations of the evidence.

CWS respectfully requests that the CPUC revise the PD to address the following errors.

a) Advanced Metering Infrastructure (AMI): The PD concludes that AMI should be deferred as recommended by Cal PA because of the absence of a cost-benefit analysis. *As discussed above, Cal PA did not recommend deferral, and the PD overlooks the existence of CWS's cost-benefit analysis and extensive testimony*.

b) Scoped Issue #6: The PD envisions a new web of compliance requirements—including supplemental reports 120 days after the decision, ongoing annual reporting, and follow-up Tier 3 advice letters – addressing several topics due to "evidence" of past non-compliance presented by Cal PA. *As discussed below, Cal PA alleged a single area of concern for this scoped issue—Cal PA's belief that the Company's PFAS projects should have been submitted in this GRC.*[85]

c) Scoped Issue #10: The PD orders CWS to develop a new PFAS and Emerging Contaminants Compliance Plan due to concerns raised by Cal PA about compliance with drinking water standards and GO 103-A. *As discussed below, Cal PA alleged a single area of concern for this scoped issue—whether CWS" distribution system flushing is consistent with best management practices*.[86]

d) Scoped Issue #11: The PD requires that CWS include a new "ESJ Implementation Summary" in its next GRC because Cal PA identified a lack of quantifiable metrics that merits tracking of several ESF-related activities. *As discussed below, Cal PA alleged a single area of concern for this scoped issue—whether capital projects not located within ESJ communities can qualify as supporting the CPUC's ESJ goals.*[87]

e) Scoped Issue #21: The PD requires Tier 3 advice letter treatment for even routine balancing accounts

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[84] *Partial Settlement Agreement of the Public Advocates Office, California Water Service Company (U-60-W), California Water Association, and the National Association of Water Companies* (August 4, 2025), with Exh. Joint-02 (List of Undisputed Issues and Partially Resolved Capital Projects) included as Attachment 1.

[85] Cal PA Opening Brief, pp. 115-117.

[86] *Id.*, pp. 122-124.

[87] *Id.*, p. 124.

based on purported arguments by Cal PA for stronger annual reporting requirements and such Tier 3 advice letter requirements. *As discussed below, while it did make other arguments regarding such balancing and memorandum accounts, Cal PA never made the arguments in its testimony described.*[88]

2. Scoped Issues #6, 10, 11, and 21

It is essential for the CPUC to conduct a close review of Sections 4.6, 4.10, and 4.11 of the PD, and as discussed above parts of Section 4.12, to eliminate allegations and conclusions that have no basis in this evidentiary record. This is not a matter of having different interpretations of existing evidence; it is a matter of references and citations to evidence that does not exist in A.24-07-003 (or even in past CWS GRCs). While it is difficult to demonstrate the complete absence of evidence in a voluminous record, and particularly for assertions in the PD for which no citations are provided, a review of the citations provided in these sections will show that the topics discussed in the PD are not addressed on the pages cited in either briefs or testimony.

Fortunately, these sections are largely unrelated to the revenue requirement components under review in this proceeding. Correcting this oversight by removing material from these sections would not have revenue implications. Left to stand as-is, however, the numerous references to alleged procedural failures and lack of documentation on many topics that are discussed in these areas would effectively generate a record upon which parties and future CPUCs could erroneously rely. CWS is proud of its commitment to compliance with CPUC requirements, and the Company's efforts to be transparent if there are missteps. To allow into a final decision any statements or implications contained in these sections of the PD that have no evidentiary basis would tarnish CWS's reputation and be a profound discouragement for CWS staff responsible for regulatory compliance.

With respect to compliance with CPUC orders in Scoped Issue #6, the PD misstates the positions of both CWS and Cal PA. The PD begins the section with statements attributed to CWS that have citations to CWS's briefs where CWS is addressing unrelated topics.[89] The PD then states that Cal PA has asserted "that Cal Water has not demonstrated complete compliance with certain directives, particularly those related to conservation reporting, balancing-account transparency, and project-timeline documentation."[90] Based upon this assertion and Cal PA's purported recommendation on this topic, the PD goes on to impose a web of supplemental reporting spanning multiple topics.[91] However, Cal PA never made such a recommendation in this proceeding.

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[88] *Id.*, pp. 124-133.

[89] PD, pp. 84-85 (citing CWS Opening Brief, pp. 109-112 and 129, and CWS Reply Brief, pp. 85-87). Also cited are Exh. CWS-45 and Exh. CWS-46, which are documents that substantiate CWS's requests for capital projects in the Travis and Visalia Districts, respectively.

[90] PD, p. 85 (citing Cal PA's Opening Brief, pp. 120-222, where Cal PA addresses decoupling and water quality rather than the conservation, balancing accounts, or project timelines, and Exh. CalPA-18, which does not exist because the last Cal PA exhibit is Exh. CalPA-10).

[91] PD, p. 88.

The sole issue raised by Cal PA relating to *Scoped Issue #6* is the unsupported implication that CWS's formal application for PFAS treatment projects (in A.25-06-001) is inappropriate in some way and that it should be consolidated into this proceeding. Therefore, none of the recommendations or allegations that the PD attributes to Cal PA were raised in in this proceeding.[92] The PD also repeatedly references D.19-05-044 and D.21-11-018 in its discussion of this topic, asserting that CWS has not complied with the procedural requirements of those decisions.[93] However, D.19-05-044 is a decision resolving the GRC for Golden State Water Company and D.21-11-018 is a decision resolving the GRC for California-American Water Company, neither of which are applicable to CWS.

With respect to *Scoping Issue #10* regarding water quality compliance, the PD states that "Cal Advocates raises concerns regarding the timeliness of customer notification and urges the Commission to require a forward-looking Emerging Contaminants Monitoring Plan that includes PFAS, manganese, and hexavalent chromium."[94] Cal PA never made such a recommendation in this proceeding. The authorities cited in footnotes 189-191 supporting the discussion of this issue in the PD do not reflect the statements made on this topic. For example, the pages of Cal PA's opening brief cited by the PD only discuss issues relating to distribution system flushing practices—there is no recommendation for such an "Emerging Contaminants Monitoring Plan" as the PD asserts nor is there any such proposal made in testimony.[95] Thus, there is no evidentiary basis for requiring an Emerging Contaminants Monitoring Plan. CWS respectfully requests that the text on pages 91-96 of the PD be substantially reduced to focus on the issue in dispute,[96] eliminate the burdensome compliance requirements unsupported by the record, and conclude based on the evidence that CWS's water quality meets all applicable state and federal drinking water standards and other provisions of GO 103-A.[97]

With respect to *Scoping Issue #11* regarding ESJ Action Plan compliance, the PD asserts that "Cal Advocates contends that Cal Water fails to present measurable or enforceable metrics for evaluating whether proposed projects meaningfully advance ESJ outcomes."[98] However, Cal PA never made such recommendations in its brief or in its testimony. The portions of Cal PA's opening brief dealing with the ESJ Action Plan only ask the CPUC to "find that approximately 50% of Cal Water's capital projects intended to meet the Commission's Environmental and Social Justice (ESJ) Goals are within ESJ communities as defined by CalEnviroScreen 4.0

[92] Cal PA Opening Brief, pp. 116-117.
[93] PD, pp. 86-87.
[94] *Id.*, p. 94.
[95] The PD also cites to "Exh. CalPA-14" in footnote 189 and "Exh. CalPA-15" in footnote 190, neither of which exist (Cal PA's exhibits only go up to Exh. CalPA-10).
[96] The parties address Scoping Issue #10 in CWS Opening Brief, p. 131, and Cal PA Opening Brief, pp. 122-124.
[97] CWS recommends that the CPUC revise footnotes 179 and 180 of the PD to instead cite to "Exh. CWS-03, pp. 75-150" in which CWS provided its direct testimony on water quality issues.
[98] PD, p. 97. *Also see id.*, p. 100.

census tracts."[99] Nevertheless, the PD proceeds to impose new reporting requirements based upon purported recommendations that Cal PA did not make.[100]

Finally, regarding reauthorization of three balancing accounts addressed in *Scoped Issue #21*, the PD states, without citation, that "Cal Advocates also urges stronger annual reporting requirements and a requirement for Tier 3 advice letters documenting account activity, to prevent these balancing accounts from becoming long-term cost-recovery mechanisms without timely Commission review."[101] While Cal PA opposes reauthorization of the Health Care Balancing Account, CWS cannot find any evidence that Cal PA has requested "stronger annual reporting requirements" or documentation of "account activity" for these or any other balancing or memo accounts. It is particularly unlikely that Cal PA would call for "Tier 3 advice letters documenting account activity" given that a Tier 3 advice letter is only submitted when the CPUC must make a determination on something that requires approval via a CPUC resolution, and is not used for the purpose of having unspecified reporting of "account activity" submitted in the absence of both a standard of review and a consequence resulting from such a review. This misunderstanding about Cal PA's recommendations regarding balancing and memo accounts appears to be the basis for the requirement in OP 38 that would require an authorized amortization to "remain subject to subsequent reasonableness review by the Commission consistent with the standards established in Decision (D.) 94-06-033, D.09-03-025, and D.19-03-046." Two of the decisions cited – D.94-06-033 and D.19-03-046 – do not exist, however, and D.09-03-025 resolves an SCE GRC that does not establish any relevant standards. The CPUC should eliminate this unprecedented and unsupported requirement from OP 38.

In sum, it is unclear where the material for these compliance issues in the sections of the PD discussed above came from, but they do not reflect the record in this proceeding. Because the arguments and recommendations the PD attributes to Cal PA are not reflective of the evidence in this case the CPUC should substantially revise or eliminate the erroneous discussions on these issues contained in the PD, and eliminate in their entirety the numerous unwarranted reporting requirements imposed as shown in **Appendix B**.

J. Summary of the technical and factual errors shown in Appendix A.

Appendix A to these opening comments identifies the technical and factual errors in the FoFs, CoLs, and OPs in the PD that CWS believe should be addressed to effectuate the policies and positions currently represented in the PD. To minimize confusion, changes to FOFs, COLs, and OPs needed to modify outcomes in the PD as

[99] Cal PA Opening Brief, p. 124.

[100] PD, pp. 101-102. Additionally, similar to water quality compliance, the various exhibits cited by the PD for ESJ Action Plan compliance do not exist. Certain CPUC decisions cited and discussed in this section of the PD also do not reflect what the PD describes them to be, including D.20-08-046 and D.18-08-013.

[101] PD, p. 109.

advocated by CWS are provided separately in Attachment B. Below is a summary of the corrections shown in **Appendix A** that CWS believes should be made to ensure consistency with the record, even if no substantive outcomes in the PD are modified as a result of parties' comments.

- FOF 9, COLs 23 & 25, OP 9: The PD repeatedly refers to M.Cubed's "Normal Scenario" sales forecast, implying that M.Cubed provided such a forecast. This should be corrected because the accurate term for the PD's selected sales forecast, if attributable to M.Cubed, is "Unrestricted."[102]
- FOF 15: The PD should also include reference to Exh. CWS-03 (Att. E-G), which provided testimony supporting CWS's AMI proposals.
- FOF 25: Not all districts have a four-tiered rate design; KRV still as a single-quantity rate design, and ELA has a three-tiered rate design, so "in most districts" should be added to the finding.
- FOFs 37, 38, and 45; COLs 41, 42, 47, and 50; OPs 26 and 31: As discussed in Section II.I (Roman Numeral II, Section I) of these comments, **Appendix A** strikes out the elements of these provisions that are not supported by the record.[103]
- FOF 41, OPs 27-30: The tiered RSF program only applies to KRV, and all customers in KRV receive the benefits, not just residential customers.[104]
- FOF 49, COL 56, OP 38: The Settlement Agreement indicates that the General District Balancing Accounts should be amortized through a Tier 2 advice letter, as do the preliminary statements for the PCBA and the HCBA, so this finding should be expanded to allow for Tier 2 treatment.[105]
- COL 49, OP 31: Eliminate all references to an Arrearage Management Program ("AMP"). CWS does not have an AMP and there is no discussion of one in the record.[106]
- COL 57, OP 38: Eliminate references to expanding or modifying CWS's CEMA since CWS did not request either.[107]
- COL 8: Eliminate sweeping statement that all BAMAs "must operate symmetrically" because the parties agree that the current CEBA is a one-way balancing account in favor of customers, and that it should be reauthorized.[108]
- OPs 4, 7, 9, 12, 20, 23, 24, 26, 33, 34, 38, 41-45: Because utilities "submit" advice letters to industry divisions like the Water Division but do not "file" them under GO 96-B, language in these OPs should be modified. "Filed" documents are those that are submitted to the CPUC's Docket Office, so relevant language should be corrected. Note also that GO 96-B orders advice letters to be served on the official

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[102] Exh. CWS-02, Attachment G, p. 58. Language relating to this issue should also be modified on page 33 of the PD.
[103] Language relating to this issue should also be eliminated on pages 84-89 of the PD.
[104] Settlement Agreement, pp. 3-4. Language relating to this issue should also be modified on pages 119-120 of the PD.
[105] Exh. Joint-02, p. 5 (providing stipulated position of the parties that "Amortization of the General District Balancing Accounts reflecting the balances in the accounts when the advice letter is submitted via a Tier 2 advice letter. "). See discussion in Section II.A.4, above. Language relating to this issue should also be modified on pages 106-107 of the PD.
[106] Language relating to this issue should also be eliminated on page 97 of the PD.
[107] Exh. CWS-03, pp. 9-10. Language relating to this issue should also be eliminated on pages 106-108 of the PD.
[108] See discussion of the CEBA in Section II.B.1 of these opening comments. Language relating to this issue should also be eliminated on pages 104 and 112 of the PD.

advice letter service list maintained by the utility, not the CPUC-maintained service list created for each formal proceeding.[109]

- OP 11: As explained in Section II.C, if AMI is not authorized, the capital budgets of impacted ratemaking areas should then be increased to allow for standard meter replacement programs.
- OP 12: The list in OP 12 is incomplete, and should be modified to reflect the comprehensive list on page 56 of the PD. In addition, the status of projects in progress is provided in CWS-51, Appendix F, not CWS-01.
- OP 16: On page 45, the PD states, "To ensure accurate modeling in the adopted revenue requirement, the Commission clarifies that only "plant in service" as of the end of 2024 (consistent with recorded plant balances used in Ex. CWS-01, Workpapers Volume 1) may be included in the beginning-of-test-year rate base." This OP should be updated to reflect that clarification. Note also that the status of projects in progress after the end of 2024 is contained in CWS-51, Appendix F, not CWS-01. CWS-01 was submitted in July 2024.
- OP 23: The referenced preliminary statements provide the relevant dollar amounts needed to calculate amortization at a later time, but do not include any rate design details.
- OP 25: As explained in Section II.F, the PD should be revised regarding the SRM and LRMA.
- OP 38: As discussed in Section II.A.4, the references to D.94-06-033, D.09-03-025, and D.19-03-046 should be eliminated because they are erroneous, and amortization for all accounts should be addressed.

Finally, in addition to the corrections in **Appendix A**, CWS requests that a final decision include a full set of appendices that include information such as the specific depreciation rates and capital projects approved by the CPUC. The appendices attached to the current PD appear to be missing such information.

III. CONCLUSION

CWS respectfully requests that the CPUC revise the PD as described in the above comments.

Date: April 2, 2026

Respectfully submitted,

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[109] GO 96-B, p. 10 ("On or before the date an advice letter is submitted, and unless otherwise directed by Commission order, the utility shall serve the advice letter and cover sheet (1) on the utility's advice letter service list, and (2) on any other third parties as specified by statute or other Commission order."). Language relating to this issue should also be eliminated on page 111 of the PD.