

**CALIFORNIA-AMERICAN WATER COMPANY
CALIFORNIA WATER SERVICE COMPANY
GOLDEN STATE WATER COMPANY
SAN JOSE WATER COMPANY**

January 15, 2014

VIA ELECTRONIC MAIL

Mr. Paul Clanon, Executive Director
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Re: Joint Request for Postponement of 2014 Cost of Capital Filings

Dear Mr. Clanon:

Pursuant to Rule 16.6 of the Commission's Rules of Practice and Procedure, California-American Water Company, California Water Service Company, Golden State Water Company, and San Jose Water Company (referred to collectively as the "Joint Parties"), hereby request an extension of the date by which each Class A Utility must file the 2014 Cost of Capital Application.

Joint Parties are required by the Rate Case Plan¹ to file their cost of capital applications on a triennial basis starting in 2008 with the next scheduled filing to take place by March 31, 2014.² As provided in the Rate Case Plan, the Joint Parties hereby request approval to postpone this filing date one year until March 31, 2015, with a corresponding effective date that follows the Rate Case Plan.

Postponing the filing one year will (1) alleviate administrative processing costs on the four Class A utilities as well as the Commission staff, and (2) provide relief for both Commission and utility resources already strained by numerous proceedings. With regards to the administrative costs, all four utilities, and most likely the Office of Ratepayer Advocates ("ORA"), will need to incur the expense to engage outside expert witnesses. In addition, most of the utilities will also incur expenses related to outside legal counsel. And, there will be the other administrative costs associated with any proceeding such as newspaper notices, billing inserts, and travel expense. The combined costs to the Joint Parties could easily exceed one million dollars.

The Joint Parties believe that the current economic environment is such that a change from currently adopted rates is unlikely. Moreover, the Water Cost of Capital Mechanism ("WCCM") adopted by the Commission provides protection to both the utilities and ratepayers from any unexpected movement in interest rates should one occur during the requested one-year extension. Regarding the constraint of utility and Commission staff resources, the Joint Parties are currently engaged in multiple proceedings, including Rulemaking 11-11-008 regarding affordable rates. It is our understanding that the Commission intends to initiate a second phase of that proceeding which could potentially address numerous ratemaking issues and require substantial utility and Commission staff resources to participate.

¹ The Rate Case Plan was adopted in Decision ("D.") 04-06-018, and subsequently modified in D.07-05-062.

² While the Joint Parties' deadline for filing their next cost of capital applications would be May 1, 2014 under the Rate Case Plan (D.07-05-062, Appendix A at A-3), the Commission modified this deadline to March 31, 2014 (only for the Joint Parties) (D.12-07-009 at 21, Ordering Paragraph 3).

When the Joint Parties filed their previous individual applications in 2011, the annual marketable interest rate³ was 2.4% and interest rates continue to remain at stable levels around 2.0% as of December 2013. The Moody's Bond Yield Average for AA Rated Public Utilities⁴ remains within 60 basis points of the May 2, 2011 level, while the United States Treasury Constant Maturity Inflation Indexed – 10 Year⁵ rate is within 21 basis points of its May 2, 2011 rate. In fact, during the period since the Commission issued D.12-07-009, the most recent cost of capital decision involving the Joint Parties, the standing WCCM, which adjusts the authorized return on equity for changes in interest rates, has functioned as designed. At the end of 2012, utilities with A or AA or higher credit ratings triggered the WCCM and lowered the authorized return on equity for 2013 mirroring the movement in the financial market. Thus, with this balanced regulatory mechanism in place, the need for active cost of capital proceedings during times of a stable financial market becomes less urgent.

For these reasons the Joint Parties believe that a request for a postponement of the cost of capital filing date from March 31, 2014 to March 31, 2015 is prudent and in the best interests of both ratepayers and the utilities.

Very truly yours,

/s/
Jeffrey Linam, Vice President of Finance
California-American Water Company
1033 B Avenue, Suite 200
Coronado, CA 92118
619-522-6360

/s/
Paul Townsley, Vice President of Regulatory
Matters and Corporate Communications
California Water Service Company
1720 N. 1st Street
San Jose, CA 95112
(408) 367-8200

/s/
Keith Switzer, Vice President of Regulatory
Affairs
Golden State Water Company
630 E. Foothill Blvd.
San Dimas, CA 91773
(800) 999-4033

/s/
Palle Jensen, Senior Vice President of
Regulatory Affairs
San Jose Water Company
110 W. Taylor Street
San Jose, CA 95110
(408) 279-7800

cc: Parties of record, D.09-05-019
Administrative Law Judge Division
Danilo Sanchez, ORA

³ Marketable interest rate is the average interest rate for Treasury Bills, Treasury Bonds, Treasury Notes, Treasury Inflation-Protected Securities, and Federal Financing Bank. The rates are obtained from <http://www.treasurydirect.gov/govt/rates/pd/avg/avg.htm>.

⁴ The Moody's Bond Yield Average for AA Rated Public Utilities was obtained from Standard & Poor's Capital IQ service as of January 9, 2014. The yield as of May 2, 2011 was 5.19% as compared to the rate on December 31, 2013 of 4.59%.

⁵ The United States Treasury Constant Maturity Inflation Index – 10 Year was obtained from Standard & Poor's Capital IQ service as of January 9, 2014. The rate as of May 2, 2011 was 1.01% as compared to the rate on December 31, 2013 of 0.80%.