



ORA

Office of Ratepayer Advocates
California Public Utilities Commission

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January 17, 2014

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

Re: January 15, 2013 Letter of Joint Request for Postponement of 2014 Cost of Capital Filings

Dear Mr. Clanon:

The Office of Ratepayer Advocates does not support the joint request of California-American Water Company, California Water Service Company, Golden State Water Company, and San Jose Water for a one-year postponement in filing the 2014 Cost of Capital Application.

The reasons provided by the four utilities in their joint request to postpone the proceeding lack merit and will likely exacerbate the very problems that they purportedly aim to solve. The postponement of the proceeding will not “alleviate” costs as claimed in the utilities’ request. The costs of filing have already been forecasted and built into customer rates through the General Rate Case process. Therefore, postponing the filings by one-year will not result in any savings to ratepayers.

In regard to the utilities’ claim that delaying the proceeding would “provide relief for both Commission and utility resources already strained by numerous proceedings,” the opposite would likely be true. Coordinated schedules currently exist for general rate cases and cost of capital proceedings. Delaying the schedule for this one proceeding by one year without altering the schedules for other proceedings would result in a pancake-effect that would only double the pressure upon Commission resources at some later date. For example, cost of capital applications for the smaller Class A water utilities are scheduled to be filed May 1, 2015.¹ Allowing the larger Class A water utilities to delay filing their cost of capital applications until March 31, 2015 as requested would create a direct overlap of two large and significant multi-party water proceedings.

This delay would result in Commission resources being doubly burdened for a period of time, and place ORA at a significant disadvantage in needing to review eight (8) costs of capital applications simultaneously during this time—twice the number that would be reviewed and

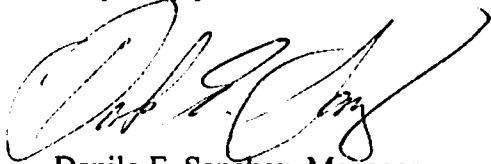
¹ Page A-18, D.07-05-062

analyzed under the existing schedule.. Furthermore, based upon the Commission's contracting process, ORA has already solicited bids for the regularly scheduled cost of capital proceedings and is expecting consultant responses to arrive within the next week.

Although the four utilities "believe the current economic environment is such that a change from currently adopted rates is unlikely," it is precisely the purpose of the cost of capital proceeding to assess the validity of these types of assertions. More importantly, the claim that the water cost of capital mechanism (WCCM) "has functioned as designed" is only relevant if the WCCM is allowed to function as designed on a going forward basis. Per design, the WCCM trigger is to be reset during the first year of establishing a new cost of capital. Granting the utilities' request to delay the proceeding by one year, thereby changing the design and period of applicability of the WCCM, would result in an additional year of automatically higher returns if the WCCM were to trigger anytime during 2014.

In light of the above concerns, ORA recommends denying the request of the joint parties. In the alternative and guided by equity, ORA would strongly recommend that granting the request of the four utilities to postpone the cost of capital proceeding be conditioned upon their agreement to postpone adjustments to the WCCM by one year and the agreement of the other Class A Water Utilities to postpone their 2015 Cost of Capital Proceeding by one year.

Very truly yours,



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Cc: Parties of Record, D.09-05-019
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