

October 5, 2006

Kevin Coughlan  
Director Water Division  
California Public Utilities Commission  
505 Van Ness Ave.  
San Francisco, CA 94102

Re: Matrix Issues of OIR on the Rate Case Plan

Dear Coughlan:

Park Water Company (Park) greatly appreciates the opportunity to provide input on the scoping of the forthcoming Order Instituting Rulemaking (OIR) on the Rate Case Plan (RCP).

Park's priorities on the matrix issues are based upon the guidelines you outlined during the Workshop of September 27, 2006. An A priority means that Park believes the issue should be included in this OIR, a C priority means that Park believes the issue should not be included in this OIR and a B priority means we do not have a strong opinion either way. To avoid any misinterpretation of how Park has established its priorities it should be noted that there are numerous C priorities items that we think are very important, however, we believe another proceeding (e.g., OIR or GRC) or process (e.g., collaboration with Water Branch & DRA) would be more appropriate for consideration of the issue and/or working out the details. Furthermore, Park's priority setting was generally independent from the position we may take in future proceedings and does not indicate support or opposition to the issue.

During the workshop participants expressed some generic concerns as follows:

1. One OIR for all or majority of the issues is likely to be problematic.
  - a. Too many diverse issues causes lack of focus and it will likely take a longer time to reach resolution of issues.
  - b. For clarity its better to have decisions focused on a major area of concern to the Commission versus combining unrelated issues into a RCP decision.
  - c. Potential inconsistencies between this proceeding and current proceedings before the Commission.

- d. It would be inappropriate to deal with certain issues (or portions of issues) on a generic basis due to district or company specific characteristics. Also, the level of complexity of the issues increases due to district or company specific characteristics resulting in slower progress of current applications which are in different stages before the Commission.
2. What proceeding or process, as mentioned above, would be appropriate to deal with issues if they are not covered in the RCP OIR?
3. The Joint Signatories proposal on conservation was prepared and negotiated between a minority of Class A water utilities and certain environmental groups; the majority of the Class A water utilities had no opportunity to participate. Consequently, the details underlying the proposals have not been discussed or reviewed in any meaningful way. The result being that the proposals may not be well understood and, more importantly, issues of concern to non-participants have not been addressed whatsoever.

Attached is a copy of the matrix provided by Steve Haine on Oct. 2, 2006 that reflects Park's prioritization of each of the issues.

The following are selected comments associated with those items that we hope will help the Commission determine the scope of this OIR and any other proceeding it deems appropriate for the issues in the matrix.

**I. Park's A Priorities (Issues that should be included in Rate Case Plan OIR)**

a. Improve Efficiency of GRC Process

1. GRC #1 – Streamline and Standardize
2. GRC #6 – Deficiency
3. GRC #7 – Interim Rates

b. Specification of Reporting Required in the GRC Application

Park would expect that the OIR Decision would give the general reporting requirements Park recommends, wherever possible, that other reporting requirements (e.g. Department of Health Services or California Urban Water Conservation Council, etc.) be used to satisfy the GRC Application reporting requirements. Furthermore, Park would expect that the utilities would be responsible for determining how to present the details of its systems and issues in its GRC application that would meet or exceed the requirements established by the Commission.

1. GRC #18 – Water Quality Report
2. Water Quality #1 – Meeting with DHS
3. Water Quality #3 – Report in GRC
4. GRC #21 – WAP Checklist (Water Quality Reporting Section)

c. Multi-district (3 or more) Filing Requirements or Option Filing Requirements

Any changes in scheduling of GRC's for the effected multi-district companies should not be mandatory and should not negatively impact other Class A water utilities or change the existing schedule for other Class A water utilities without their consent.

1. GRC #2 – Consolidated Filings
2. GRC #5 – Number of Filings
3. GRC #3 – Rate of Return and Cost of Capital

d. Cost Recovery (Infrastructure and Expenses)

1. GRC #10 – Cost Recovery
2. GRC #21 – WAP Checklist (Infrastructure Investment Section)
3. Water Quality #2 – Memorandum Accounts
4. Infrastructure Improvement #1 – Funding
5. Infrastructure Improvement #5 – Memorandum Accounts
6. Ratemaking #3 and 4a – Escalation Year Earnings Test
7. Ratemaking #4b – Escalation Years Earnings Test Rate of Return

e. Miscellaneous

1. GRC #20 – Alternative Dispute Resolution
2. WAP #3 – How to Implement

**II. Park's C Priorities (Issues that should not be included in the OIR)**

**1) Issues that should be eliminated from further consideration**

a. Consensus Issues of Workshop Participants

1. GRC #4 – Schedule (Implementation of proposals would require changing California law. Inclusion of proposals in any OIR, at this time, is premature and not worthy of the Commission's resources.)
2. GRC #12 – Discovery Process
3. GRC #14 – CPUC Staff Training
4. GRC #17 – Scoping Memo
5. Conservation #4 – Reply comment not an issue
6. Conservation #5 – Header information not an issue
7. Conservation #13 – Company wide Tariffs (Unique issue that should be covered in Golden State's application)
8. Ratemaking #1 – Objectives (This item was not intended as an issue rather just a heading for comments)

9. Reporting Requirement #1 – Water Supply Questionnaire (Water Branch has drafted a proposal to modify the Questionnaire Great Oaks could use this opportunity to make their recommendation)
  10. WAP #4 – Participants agreed that this should be deleted in favor of a response on the checklist you have provided
- b. Proposals Limiting DRA’s Ability to Support its Charter of Representing Ratepayers or Utility’s Ability to Support its Application and Meet its Burden of Proof

These proposals (both from DRA and the Utilities) limit parties, in a GRC proceeding, ability to perform their function in a manner detrimental to their responsibilities. Park believes that streamlining the GRC is a laudable goal; however, any proposals that abridge the utilities ability to make accurate rate case estimates, support its positions or meet its burden of proof must be discarded. Similarly, proposals that impair DRA’s ability to represent the ratepayers should be discarded. Regardless of the reasons for the proposals they are inappropriate. However it would be reasonable, if the parties agree, for discussions to occur between the parties to address concerns that led to the proposals to determine if there is any common ground that can improve the GRC process.

1. GRC #8 – Master Data Request
  2. GRC #11 – Update Rules (Issue covered in D.04-06-018)
  3. GRC #13 – Limiting Rebuttal (DRA’s Report which is the subject of rebuttal testimony is unlimited – if scope of rebuttal is inappropriate DRA can request it be stricken during hearing and ALJ will make a ruling about its admissibility)
  4. GRC #19 – Staff Report (see DRA’s matrix comment)
- c. Proposals with Other Simple Solutions
1. GRC #15 – Public Participation Hearings (As PPH is optional under the RCP the utilities and/or DRA should specifically request a hearing instead of assuming ALJ will require hearing)
  2. Water Quality #4 – Designated PUC Contact (Can be decided by Water Branch – if unsure of why the recommendation was made or why some parties gave it a high priority they can solicit input.)
- d. Single Party Issues

1. structure Improvement #s 2-4
2. Ratemaking #6 – Reimbursement of CWIP

These are issues that are not of great interest to most parties. These are all Cal-Am proposals, Park believes it would be warranted to consider these issues in Cal-Am’s GRC applications but should not be covered in this or any other OIR at this time.

**2) Issues that may warrant further consideration**

a. Miscellaneous

1. Water Quality #5 - Small Companies
2. WAP #6 & #7 – Drafting & Using an OIR (Park believes that this may become academic given other recommendations; however, these may be appropriate should the Commission determine that a stand-alone OIR is necessary for any WAP items not covered elsewhere)

**3) Issues that require other proceedings or process**

a. All Conservation Proposals (except #4, 5 & 13 – see above and #16 see below) and WAP #5 and GRC #21 (Conservation Section)

These issues are important to the utilities, environmental groups and the Commission thus warranting a high priority. The issues in this area are complex and diverse warranting its own process and/or proceeding that allows environmental groups to focus attention on the issues important to them without being drawn into numerous other issues and wasting their time.

Park recommends that the Joint Signatories schedule a meeting with all Class A Water Utilities that were not invited to participate in the negotiations to explain the Agreement and hold an open discussion of issues of concern to the non-participants. After which Comments and Reply Comments could be provided on the various matrix issues and any others that arise allowing the Commission to determine the best course of action.

b. Both Low Income Proposals and Conservation Proposal #16 and GRC #21 (Low Income Ratepayer Assistance Section)

The Clean Water Action representative to the workshop expressed a high priority for the low income statewide pool item. While the low income issues differ from conservation, there may be some commonality and overlap (i.e., being un-metered so conservation pricing is less effective) and it may be appropriate to consider these areas jointly.

Kevin Coughlan  
Director Water Division – CPUC

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We appreciate the opportunity to provide input. Park intends to continue its participation in all related proceedings on these issues.

Very truly yours,

PARK WATER COMPANY

EDWARD N. JACKSON  
Director Revenue Requirements

Enclosure

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