



**california
water**

August 15, 2006

Mr. Jonathan Tom
Water Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

601 Van Ness Avenue, Suite #E3-608
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Re: California Water Association Reply Comments on Rate Case Plan for
Class A Water Utilities

Dear Mr. Tom:

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In accordance with the July 7, 2006 letter from Mr. Kevin Coughlan, California Water Association ("CWA") hereby replies to a number of the opening comments on proposals for improving the Rate Case Plan ("RCP") for Class A Water Utilities adopted in D.04-06-018 and for implementing the Water Action Plan adopted by the Commission in December 2005.

1. New Rulemaking Proceeding.

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Many of the opening comments assumed that the Commission will institute a new rulemaking proceeding to consider generic changes to the RCP. CWA concurs that a rulemaking proceeding is the proper procedural vehicle to consider and adopt changes to the RCP. However, the overall purpose and scope of a new rulemaking proceeding need to be carefully considered. In its opening comments, the Division of Ratepayer Advocates ("DRA") suggests a combined Rate Case Plan/Water Action Plan rulemaking. CWA believes that such a combined rulemaking may prove to be too broad a proceeding and recommends that the focus of a new rulemaking proceeding should be on improving the RCP.

Bob Kelly
Suburban Water Systems

Kevin Tilden
American Water

Stan Ferraro
California Water Service Company

CWA's recommendation for a RCP-focused rulemaking is based on two principal concerns. First, CWA notes that the Water Action Plan ("WAP") already has been adopted by the Commission and represents a statement of broad, fundamental Commission policy objectives regarding the regulation of water utilities. As broad, fundamental Commission policy, the WAP does not need to be refined any further, especially since much of the WAP is being implemented in individual company GRCs, pursuant to the company's individual needs. Rather, any improvements considered for the RCP need to conform to Commission policy as expressed in the WAP. Therefore, the new rulemaking should focus on improvements to the procedural aspects of the RCP, with the WAP as the underlying blueprint.

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Second, it must be recognized that the Class A water utilities represent a relatively diverse group of utilities. Some are multi-district companies serving hundreds of thousands of customers. Others serve many fewer customers in more limited geographic areas through one or two districts. While standardizing as much as possible the general rate case application process for all Class A companies may be desirable and useful, translating fundamental Commission policy into a “one-size-fits-all” regulatory framework is not. In other words, fundamental Commission policy should provide sufficient flexibility to accommodate the individual – and sometimes disparate – circumstances of each of the Class A companies.

Thus, while CWA agrees that a new rulemaking proceeding to improve the RCP needs to incorporate consideration of the principles on which the WAP is based, the purpose of such a rulemaking should not be to transform the WAP into a single regulatory framework into which all Class A utilities must fit. The Commission should not foreclose achieving WAP objectives through separate company applications, including GRC applications, or separate OIRs or OIIs.

2. Specific Issues for New Rulemaking Proceeding.

Regarding improvements to the RCP, CWA is pleased to note its agreement with several proposals made by DRA, including consolidating GRC filings for some multi-district companies, limiting cost of capital review to once every three years and applying the rate to all districts of a multi-district company, developing consensus proposals where no real differences exist, and generally optimizing the overall GRC schedule. CWA also is pleased with DRA’s willingness to work with the utilities to revise the deficiency letter process and the Master Data Request (“MDR”), which CWA’s members believe is overly broad and burdensome and which requires a large amount of information that is neither used in nor relevant to the GRC process.

While confident that cooperative efforts on the issues noted above will produce positive results, CWA must also note its disagreement with some of DRA’s suggestions, including the following:

Standardizing GRC Applications and Results of Operations Tables: CWA believes that the GRC applications have been standardized about as much as they should be standardized, given the differences in circumstances among various Class A companies. Again, “one-size-fits-all” regulation should not be a goal of Commission regulation, nor should it be synonymous with the streamlining of regulatory decision making. However, a non-mandatory Results of Operations template may be useful.

Minimizing Updates and Changes Water Companies May Submit: CWA believes the existing RCP is already sufficiently restrictive regarding the types of updates and changes a water utility may submit in the course of a GRC.

Limiting Rebuttal: CWA believes the existing RCP is already sufficiently restrictive (perhaps too much so) in the limited time permitted for preparation of rebuttal testimony. This suggestion (as well as the one proposing to limited updates and changes) only serves to limit a water company's opportunity to ensure that its rates for water service are just and reasonable.

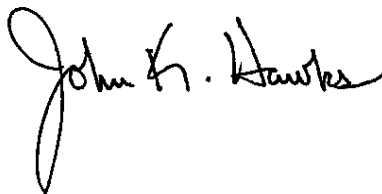
Negative Presumption Related to Discovery: DRA's proposal to "impute a presumption" if responses to discovery are not timely provided cannot be adopted. Focused, targeted discovery will ensure timely, relevant responses and enable the current GRC schedule to stay on course.

3. Workshops.

CWA believes that the various comments and reply comments to Mr. Coughlan's letters will prove adequate opportunity for the Commission to craft a new rulemaking order regarding improvements to the RCP that is focused on appropriate issues and poses appropriate questions. Workshops are not needed at this point because the OIR will properly identify the issues to be addressed. Once we are in the mode of seeking end results, a workshop may be more useful. Therefore, CWA agrees that once a new OIR is issued and initial comments thereto are filed, one or a limited number of workshops may be helpful in reaching consensus among OIR respondents on improvements to the RCP with which they all can agree or at least in defining the points of continuing disagreement that the Commission will need to resolve.

CWA very much appreciates the opportunity to offer comments and reply comments on the proposals to improve the RCP and looks forward to participating further in this process.

Sincerely,

A handwritten signature in black ink that reads "John K. Hawks". The signature is written in a cursive style with a large, looped initial "J".

John K. Hawks