

Joint Proposals¹ for Revisions to Proposed Rate Case Plan for Class A Water Utilities²
(R.06-12-016)

1. 14 Month Processing Schedule for Single District Company GRCs (OIR, Appendix A, Section III.)

The OIR provides for a 14 month processing schedule for single district water company general rate case (GRC) applications. The Parties agree with a 14-month processing schedule for these GRCs, but propose a slightly different 14-month schedule for single district companies. The proposed revised 14-month processing schedule is attached to this Attachment 1 as Exhibit A. The proposed revisions are relatively minor and include, for example, moving the beginning of the ADR/settlement process back slightly so that it begins after rebuttal testimony is filed.

2. Deviations From Schedule (OIR, Appendix A, Section V.)

The OIR provides for waiver of a Class A water utility's triennial GRC filing until its next scheduled GRC filing (*i.e.*, for a full three-year GRC cycle; Appendix A, Section V.1.). The OIR also provides for the filing by a utility, under specified conditions, of an advice letter in lieu of a GRC application (Appendix A, Section V.2.). If the specified conditions for filing an advice letter in lieu of a GRC application are not met, the OIR provides a process by which the Commission, in its discretion, can approve a utility request to file an advice letter in lieu of a GRC application (Appendix A, Section V.3.).

The Parties propose that the Commission modify the waiver provisions of the RCP to (1) allow a utility to waive a triennial GRC filing for a period that is less than three years if there is a written agreement between the Class A water utility and DRA, and (2) allow a utility that does not meet the specified conditions in Appendix A, Section V.2. to file its GRC by advice letter, only if there is a written agreement between the Class A water utility and DRA.

3. Reduction for Unaccounted for Water (OIR, Pg. 4)

The OIR notes the current use of the California Urban Water Conservation Council's (CUWCC) Best Management Practices 3 (BMP3) to address unaccounted for water losses. The CUWCC is considering revisions to BMP3 that are scheduled to be distributed to member agencies in the June 2007 plenary session with a vote on the proposed changes anticipated for December 2007.

However, the proposed revisions to BMP3 do not adequately account for the limited capital planning horizon of investor-owned utilities. CWA plans to file comments in the June 2007

¹ The parties proposing these revisions to the Rate Case Plan are the Division of Ratepayer Advocates, California Water Association, its member Class A water utilities, and Park Water Company.

² Individual utilities and other parties may have additional comments on issues addressed in this Joint Proposal that are set forth in their separate comments to the OIR.

plenary session of the CUWCC presenting its concerns about the proposed revisions to BMP3 and recommending that the proposed changes account for the differences in the capital planning horizon for IOUs or that the CUWCC establish an alternate test for Economically Recoverable Real Losses (ERRL) appropriate for IOUs. The Parties propose that unless and until these revisions are made or an alternate test is developed, the Class A water utilities will continue water loss audits as they currently do using existing BMP3.

4. Alternate Dispute Resolution (ADR) Process/Settlements (OIR, Appendix A, Pg. 9)

The OIR proposes an ADR process that includes the appointment of an ALJ neutral to oversee the ADR process throughout the GRC. An initial meeting among the active participants in the GRC and the ALJ neutral is made mandatory. The Parties generally agree with the ADR proposal in the RCP but propose that after the initial meeting ADR is optional and only be conducted if both DRA and the water utility agree to the ADR process. The Parties believe that unless both DRA and the utility desire to utilize an ADR process, it will not be a useful or successful undertaking.

5. Water Quality

The OIR authorizes the assigned ALJ to appoint, at the utility's expense, an independent expert witness to offer evidence in the GRC concerning the water utility's water quality compliance. The Parties agree that an expert witness is desirable and will be useful in the GRC process. In addition to various qualified expert witnesses, the Parties also agree that the expert witness could be either an appropriate representative from the State Department of Health Services or a water quality expert consultant recommended by DHS.

6. Addition of Technical Conference (OIR, Appendix A, Pg. 10)

The Parties agree that a technical conference is needed to ensure that the Water Division and other parties understand the utility's ratemaking models.

7. Notice of Rate Increases for Utilities With Bimonthly Billing (OIR, Pg. 2)

The Parties agree that the rate case schedule should allow adequate time for notifying customers of utilities with bimonthly billing.