



**FILED**  
1-02-15  
04:59 PM

A1501001

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Park Water )  
Company (U 314 W) for Authority to Increase )  
Rates Charged for Water Service by \$2,918,800 ) APPLICATION NO. \_\_\_\_\_  
or 8.72% in 2016, \$2,422,093 or 6.63% in 2017, )  
and \$1,598,099 or 4.08% in 2018. )  
\_\_\_\_\_ )

APPLICATION OF

PARK WATER COMPANY (U 314 W)

Edward N. Jackson  
Director of Revenue Requirements  
Park Water Company  
9750 Washburn Road  
P. O. Box 7002  
Downey, CA 90241-7002  
Phone: (562) 923-0711  
Fax: (562) 861-5902  
E-mail: [ed.jackson@parkwater.com](mailto:ed.jackson@parkwater.com)

January 2, 2015

## CONTENTS

<b>I.</b>	<b>INTRODUCTION</b> .....	1
<b>II.</b>	<b>PRELIMINARY MATTERS</b> .....	1
	A. Test Period .....	1
	B. SB 960 Scoping Memorandum.....	1
	C. Summary of the Requested Increase and Rate Base Changes .....	2
	D. Results of Operation .....	3
	E. Primary Cost Increases .....	4
	F. List of Issues of Controversy .....	4
	1. Sales Forecasts. ....	5
	2. Working Cash Allowance, Revenue Lag. ....	5
	3. Non-Tariffed Products & Services (“NTPS”).....	6
<b>III.</b>	<b>SUMMARY OF CONTENTS</b> .....	6
	A. Basic Information.....	6
	B. Regulated Plant In Service.....	6
	C. Revenue Requirement: Operations and Maintenance, Administrative and General, General Office .....	7
	D. Revenue Requirement: Water Sales and Production .....	7
	E. Rate Base .....	7
	F. Supply and Distribution Infrastructure Status and Planning .....	7
	G. Conservation and Efficiency.....	7
	H. Water Quality.....	7
	I. Service Quality.....	7
	J. Transactions with Corporate Affiliates .....	8
	K. Unregulated Transactions .....	8
	L. Real Property Subject to Water Infrastructure Improvement Act of 1996 .....	8
	M. Rate Design.....	9
	N. Low-Income Assistance Program .....	10
	O. Balancing Accounts .....	11
	P. Memorandum Accounts.....	13
	Q. Cost of Capital .....	14
	R. Special Requests .....	14

<b>IV. PROCEDURAL MATTERS</b> .....	15
A. Filings .....	15
B. Proposed Schedule .....	15
C. Proposed Notice to Customers.....	15
D. Inquiries .....	15
<b>V. CONCLUSION</b> .....	16
Appendix A - Schedule .....	18
Appendix B - Customer Notice .....	19

## **I. INTRODUCTION**

Park Company (U 314 W) (“Park” or “Applicant”) hereby files its application for a general rate increase (“Application”). Park, a California corporation, is a Class A Public Utility Water Company regulated by the California Public Utilities Commission (“Commission”) providing regulated water utility service in and near Los Angeles County. A general description of Park’s property and its field of operation, the original cost of its property and equipment, by class, and the cost thereof, to Park and the depreciation and amortization reserves applicable to such property and equipment, by class, are contained in Park’s Annual Reports to the Commission. A certified copy of Park’s Articles of Incorporation, as amended and restated and filed with the Secretary of State of California on December 19, 2011, has been previously filed with the Commission as Exhibit C to Application 12-05-001, filed on May 1, 2012, and is incorporated herein by reference.

Over the last few years, Park has undertaken measures to reduce its overall cost of providing service to its customers by improving operational efficiencies. Some of the operational efficiencies achieved have been offset by the necessity for capital improvements and the replacement of aging infrastructure dedicated to providing water service. The rates proposed in this Application are necessary to recover the costs of providing high quality water and reliable service on a sustained basis that is essential for the health, safety, and well-being of the community served by Park.

## **II. PRELIMINARY MATTERS**

### **A. Test Period**

The test period for the rate increase is Test Year 2016 with 2017 and 2018 selected as the Escalation Years. This is consistent with the rate case plan adopted by the Commission by D.07-05-062 (“RCP”).

### **B. SB 960 Scoping Memorandum**

This Application is a general rate increase proceeding and is therefore a “Rate Setting” proceeding. Evidentiary hearings will be necessary because of factual disputes that may arise on material issues such as water sales, operating revenue, operation and maintenance expenses,

utility plant, depreciation, taxes, and revenue requirements. A proposed schedule for completing the proceeding is contained in Appendix A.

**C. Summary of the Requested Increase and Rate Base Changes**

The requested revenue increase for Park for 2016 above revenues generated by present rates is \$2,918,800 or 8.72%. At this time, Park is only requesting specific rates for Test Year 2016. Pursuant to the escalation year increase methodology adopted by the RCP, D.07-05-062 (Appendix A, page A-19), Park will file advice letters setting out its calculations and supporting analysis for the escalation year rates 45 days prior to the first day of each escalation year. For the sole purpose of providing customer notification, Park has estimated the impact of the escalation methodology for 2017 and 2018. The estimated revenue increase for 2017 is \$2,422,093, or 6.63% above the proposed revenue increase for Test Year 2016. The estimated revenue increase for 2018 is \$1,598,099, or 4.08% above the estimated revenue requirement for 2017. Park estimates that the requested increase will produce a rate of return on equity of 9.79% and a return on Park's estimated rate base for Test Year 2016 of 9.07%. The requested return on equity and return on rate base is the cost of capital adopted by the Commission for Park by D.13-05-027 in its most recent Cost of Capital application (A.12-05-001). The requested rate increase is necessary because the present rates are insufficient, unjust, and unreasonable in that they do not produce adequate revenue to yield to Park a fair, just, and reasonable return on capital invested and to be invested in plant, property, and other equipment devoted to providing utility service.

As required by D.07-05-062 (Appendix A, page A-22), the following table compares the proposed test year data to the last adopted test year (Test Year 2013) and last recorded year (2013) data.

Comparison Between Proposed Test Year and Last Test Year Adopted and Last Recorded Year			Proposed Test Year
	Last Test Year	Last Recorded Year	
Total Rev Requirement (\$)	\$30,380,000	\$30,955,527	\$36,406,138
Rate Base (\$)	\$37,309,400	\$40,091,176	\$73,989,106
Rate Base (%)	98.31%	84.55%	
Operating Expenses (\$)	\$26,996,400	\$24,055,916	\$29,695,313
Operating Expenses (%)	10.00%	23.44%	
Rate of Return (%)	9.07%	11.83%	9.07%

**D. Results of Operation**

At this time, the Application exhibits consist of attachments entitled:

- “Balance Sheet as of September 30, 2014”;
- “Income Statement for the twelve months ended September 30, 2014” ;
- “Financial Statements as of September 30, 2014” (Exhibit A);
- “Park Water Company – Revenue Requirements Report” (Exhibit B);
- “Park Water Company – General Office Report” (Exhibit C);
- “Urban Water Management Plan Park Water Company” (Exhibit D);
- “Qualifications and Prepared Testimony” (Exhibit E); and
- “Park Water Company – Response to Minimum Data Requirements” (Exhibit F).

The above exhibits describe Park’s overall results of operation. Exhibit D is the most recent Urban Water Management Plan filed with the California Department of Water Resources.

The above-referenced exhibits and the accompanying workpapers contain explanations of all significant changes from last adopted and recorded plant amounts and capital related costs, as well as an explanation of significant changes in circumstances or assumptions affecting the expenses and customer growth. A detailed reconciliation of significant changes between the proposed Test Year 2016 expenses and the last adopted and recorded expenses has not been prepared by Park because it does not believe that this would provide any useful information. Specifically, the adopted expenses for Test Year 2013 were prepared during calendar year 2011 while the expenses proposed in this Application for Test Year 2016 were prepared during

calendar year 2014. Park does not believe that an analysis of expense estimates that were prepared three years apart for differing test periods is very useful. For a similar reason, Park does not believe that an analysis of the recorded expenses for recorded year 2013, which is three years removed from the test period in this Application, is helpful. The workpapers contain a comparison of the proposed Test Year 2016 expenses and the five-year average of recorded expenses (2010 – 2014) escalated to Test Year 2016.

**E. Primary Cost Increases**

The rates for Park were last reviewed in Application 12-01-001, a general rate case (“GRC”) filed on January 3, 2012. That application requested rates for 2013, 2014, and 2015 and resulted in D.13-09-005, dated September 5, 2013. The rates for Park also reflect the cost of capital, last reviewed in Application 12-05-001, filed May 1, 2012. That Application requested cost of capital in rates for 2013, 2014, and 2015, and resulted in D.13-05-027, dated May 30, 2013. This GRC Application proposes the rates required for Test Year 2016, including the cost of capital adopted by D.13-05-027. The proposed rates are increased over those presently in effect for the following primary reasons:

- Additional revenues to produce a fair rate of return on capital invested in property dedicated to providing utility service;
- Increased capital-related costs resulting from increased investment;
- Increases in unit costs of production;
- Inflationary increases anticipated during 2015 and the Test Year;
- Increases in payroll expense; and
- Increases in health and welfare benefits.

Detailed descriptions of the above items are contained in Exhibit B, the Revenue Requirements Report.

**F. List of Issues of Controversy**

In the previous GRC, the Commission adopted a comprehensive settlement agreement between Park and the Office of Ratepayer Advocates (“ORA”) that resolved all issues. Park has no way of anticipating the positions that ORA will take in opposition to Park’s proposed Test Year 2016 revenue requirement. It has been Park’s experience that each GRC is unique with

respect to the issues raised by ORA. Park anticipates, however, that ORA may oppose Park's proposed capital projects and payroll budget. Based on ORA positions in prior GRCs, Park anticipates that ORA also may take issue with Park's requested memorandum accounts (*see* Memorandum Accounts below) and Park's balancing accounts.

Additionally, there are a few areas where Park is proposing a difference in methodology that may create the potential for opposition from ORA. These areas include:

1. Sales Forecasts.

Although Park performed and submitted the basic regression analysis procedure for the New Committee Method of sales forecasting, Park based its consumption estimates for the residential customer group for Test Year 2016 on recorded consumption for 2013, with a continued decrease of 1½ percent per year as described in Exhibit B (Chapter III). Given actual sales levels over the last few years, Park believes that the basic sales forecast methodology does not result in reasonable estimates and, therefore, consistent with the New Committee method, Park proposes an alternate methodology. Alternate methodologies have been previously proposed and adopted by the Commission. As discussed below (*see* Special Requests), Park also proposes a Sales Reconciliation Mechanism ("SRM") to adjust the adopted consumption in each escalation year if certain conditions are met. Park believes that the SRM will: (1) improve the accuracy of the sales forecasts adopted in this proceeding; (2) reduce the potential for large balances in the Water Revenue Adjustment Mechanism ("WRAM") balancing account; and (3) reduce the temporal inequity associated with customers who receive the surcharge (or surcredit) associated with the amortization of WRAM balances.

2. Working Cash Allowance, Revenue Lag.

Traditionally, Park has calculated a revenue lag for use in the Lead-Lag Study – used to determine the Working Cash Allowance – which assumed that the full amount of the revenue in the revenue requirement would be billed and received in that year. Park's recent experience, however, is that a significant portion of the revenue requirement is not billed or received in that year but is instead captured in the WRAM and billed and received much later, in the form of surcharges. This is especially true of the escalation years since the adopted sales forecasts for the Test Year are also used for the escalation years. In this Application, Park has calculated a revenue lag for 2017 that incorporates this assumption so as to more accurately reflect the actual cash flow associated with the revenues.

3. Non-Tariffed Products & Services (“NTPS”).

For many years, predating the current NTPS Rules (Rule X of the Affiliate Transaction Rules) and the prior Excess Capacity Rules, and until this Application, Park had just one NTPS contract, an O&M contract. This contract was originally accounted for on a fully-allocated basis with no revenue sharing. With the issuance of the Excess Capacity Rules, Park began allocating 10% of the revenues to ratepayers, but did not otherwise change the accounting. Ratepayers were not harmed by this accounting and Commission Staff has not taken issue with it. However, Park believes that this is not the appropriate accounting for NTPS and has therefore revised its accounting. Testimony describing Park’s NTPS including Park’s proposed revenue sharing between the Company and its ratepayers is provided in Exhibit B (Chapter XII).

As stated above, Park cannot determine at this time what position ORA will take in response to Park’s estimates in this Application. It is therefore premature to attempt to quantify the dollar impact of the potential issues that will develop in this proceeding.

### **III. SUMMARY OF CONTENTS**

#### **A. Basic Information**

Testimony describing the basic information required by the RCP, D.07-05-062, is contained in Exhibits B, C, and F.

#### **B. Regulated Plant In Service**

Testimony, with supporting analysis and documentation, describing Park’s regulated plant in service is provided in Exhibits B (Chapter VI) and C (Chapter V). The workpapers identify and justify all capital additions and include analysis, evaluation, and overall budget. A comparison of the forecasted capital additions adopted in the last GRC and actual capital additions is contained in the accompanying workpapers. The calculation of the forecasted capital additions based on the five-year average of recorded plant additions, and the explanation of significant changes from the last adopted and recorded regulated plant in service, are contained in the accompanying workpapers.

**C. Revenue Requirement: Operations and Maintenance, Administrative and General, General Office**

Testimony, with supporting analysis and documentation, describing Park's revenue requirement related to Operations and Maintenance expense, Administrative and General expense, and General Office expense is contained in Exhibits B (Chapter IV), C (Chapter III), and F, respectively.

**D. Revenue Requirement: Water Sales and Production**

Testimony, with supporting analysis and documentation, describing Park's water sales and production is contained in Exhibits B (Chapter III) and F.

**E. Rate Base**

Testimony, with supporting analysis and documentation, describing Park's rate base is contained in Exhibits B (Chapter VIII), C (Chapter V), and F.

**F. Supply and Distribution Infrastructure Status and Planning**

Testimony, with supporting analysis and documentation, describing Park's supply and distribution infrastructure status and planning is contained in Exhibits B (Chapter II), E, and F.

**G. Conservation and Efficiency**

Testimony, with supporting analysis and documentation, describing Park's conservation and efficiency measures is contained in Exhibits B (Chapter II) and F.

**H. Water Quality**

Testimony, with supporting analysis and documentation, describing Park's water quality is contained in Exhibits B (Chapter X) and F. Park requests a Commission finding that the water service provided meets or exceeds State and Federal drinking water standards and meets the requirements of General Order 103-A.

**I. Service Quality**

Testimony describing Park's service quality is contained in Exhibit B (Chapter II).

**J. Transactions with Corporate Affiliates**

Testimony describing Park's transactions with corporate affiliates is contained in Exhibit C (Chapter I).

**K. Unregulated Transactions**

Park currently has four contracts that are subject to the Commission's Non-Tariffed Products & Services ("NTPS") Rules in D.10-10-019 (Appendix A, Rule X). Two of the contracts are third party contracts with HomeServe, a provider of service line emergency repairs insurance. One contract is for the use of Park's marks in HomeServe's marketing communications, designated as a passive activity, and the other is for billing HomeServe's service to participants in HomeServe's program who are Park's customers, designated as an active activity. Park has two maintenance contracts with Central Basin Metropolitan Water District ("CBMWD"). Park historically has had a contract to maintain a portion of the reclaimed water distribution system of CBMWD, the Century System, and in 2014 entered into a contract to maintain the remaining portion, the Rio Hondo System. The Century System contract terminates on June 31, 2015 and Park anticipates that it will not be renewed. Pursuant to the NTPS rules, Park has credited its revenue requirement with the appropriate portions of the revenue generated by contracts that are estimated to be in effect during the test period to accomplish revenue sharing between the Company and its ratepayers. Park has also included estimates of the incremental costs associated with those contracts below the line to be borne by shareholders. Testimony describing Park's NTPS, as well as the accounting for costs and revenues, is provided in Exhibit B (Chapter XII).

**L. Real Property Subject to Water Infrastructure Improvement Act of 1996**

During 2014, one pump lot (Pump Lot 13-C) with a total original cost of \$3,185.72, was determined to be no longer used and useful. As of the preparation of this Application, no disposition has occurred for this pump lot. The pump lot is being transferred to non-utility property in the year-end 2014 accounting. Park requests Commission acknowledgement that Park is in compliance with the Infrastructure Improvement Act.

**M. Rate Design**

Park requests Commission authorization to continue its existing conservation rate design program to promote water conservation. For residential customers, the proposed conservation rate design consists of increasing block rates of two tiers. Park requests that the Commission consider a minor adjustment to the residential rate design for the redistribution of the tier breakpoint. Due to the different characteristics of its non-residential customers, Park recommends retaining the single quantity conservation rate for non-residential customers (which meets the requirements of California Urban Water Conservation Council Best Management Practice Number 11), until appropriate data and analysis is available to identify customers' water needs. Appropriate increasing block rate design for non-residential classes, which encourages conservation but is not punitive to the business, industrial, and public authority customer classes, require multiple rate designs applied to subclasses and is not currently feasible. Park proposes to continue implementing other measures to promote conservation to non-residential customers.

Park proposes that the Commission consider phasing-in the rate increase authorized for the Test Year in this proceeding, providing that any portion of the adopted revenue requirement for 2016 for which recovery is deferred to a subsequent year of the rate case cycle be recoverable in that year and accrue interest at the adopted rate of return. Park makes this proposal so that the Commission can consider a mechanism that would "level out" the rate increases over the rate case cycle which, due to the methodologies adopted in the RCP, is typically much larger for the Test Year than the Escalation Years.

The Test Year increase is typically larger because a substantial portion of the Test Year increase results from "catch up" due to (1) the inadequacy of rates in the Escalation Years to produce the adopted revenue requirement and (2) the inadequacy of the Escalation Year procedure to arrive at a revenue requirement in those years that keeps pace with Park's cost increases.

The first inadequacy referred to results from the RCP requirement that the Test Year sales forecasts be used in both Escalation Years. In the current situation where conservation is being encouraged, the inability to project lower sales in the Escalation Years results in the calculation of understated rates that will not generate the revenue requirement.

The second inadequacy results from the RCP methodology for escalating expenses to the Escalation Years by escalation factors and customer growth. When the Commission decided to

include a customer growth factor in the Escalation Year methodology, the Commission noted that all expense categories do not increase with customer growth and stated:

We grant this request with the understanding that including customer growth in the escalation methodology will tend to overcompensate the utility for increased costs. We believe that this outcome will offset any issues where we make simplifying assumptions for escalation purposes that may not fully encompass all possible future cost increases.

(D.04-06-018, page 11). Park's Central Basin Division has no physical room to grow and negligible potential for customer growth. Annual customer growth is typically less than 0.2% and, therefore, there is little potential to offset the simplifying assumptions for escalation purposes that do not fully compensate for cost increases.

While the more "correct" way to level out the increases in the Test Cycle would be to put some of the "catch-up" increase for 2016 back into Escalation Years 2014 and 2015, retroactive ratemaking prohibitions and the need to modify the RCP preclude such adjustments. The Commission can, however, consider addressing this built-in disparity, especially in light of the impact of the sales forecasting, by leveling out the years through a phase-in approach as suggested above.

Testimony, with supporting analysis and documentation, describing Park's proposed rate design is contained in Exhibit B (Chapter XII).

#### **N. Low-Income Assistance Program**

In D.05-12-020, the Commission authorized the establishment of a low-income ratepayer assistance program, known as California Alternative Rates for Water ("CARW"). Park proposes continuing the existing CARW program. The CARW program authorized for Park consists of a \$6.65 per month service charge discount for qualifying customers who meet the income eligibility requirements established annually by the Commission. Park proposes to increase the current monthly service charge discount by the average percentage increase to rates authorized in this proceeding. Park also proposes increasing the existing surcharge of \$6.07 to \$7.24 per month. The surcharge offsets the CARW discounts provided to qualifying customers and the CARW program costs. The proposed surcharge reflects the significant increase in the number of

qualifying customers receiving the monthly service charge discount resulting from the Commission's data sharing program.

Testimony, with supporting analysis and documentation, describing Park's proposed low-income assistance program, is contained in Exhibit B (Chapter II).

**O. Balancing Accounts**

Pursuant to the conservation objectives contained in the Water Action Plan ("WAP"), Park requests Commission authorization to continue its existing Water Revenue Adjustment Mechanism ("WRAM")/Modified Cost Balancing Account ("MCBA"), with some minor modifications explained below. The WRAM/MCBA is the decoupling mechanisms authorized by the Commission in D.08-09-026 and continued by the Commission in D.12-09-004. The mechanisms are essentially identical to the mechanisms agreed to by Park and ORA (then "DRA") in their June 15, 2007 settlement agreement filed in the Conservation OII (I.07-01-022) for Park's Central Basin Division, authorized by the Commission in D.08-02-036 dated February 28, 2008, and continued by the Commission in D.09-12-001.

The purpose of the WRAM is to remove the financial disincentives to water conservation by decoupling water sales from revenues. As referenced in the WAP, the Commission's ratemaking mechanisms have traditionally included financial disincentives for water conservation programs. Park's WRAM tracks the full difference between actual and adopted commodity rate revenue, in conjunction with the proposed modified (production) cost balancing accounts ("MCBA") as discussed below. Park proposes to add the commodity revenues for the reclaimed water customer group to the WRAM balancing account.

Park's conservation rate design program includes a MCBA and Park proposes to continue its MCBA that captures variations in production costs (purchased power, purchased water, and pump tax or replenishment assessments) due to either changes in unit price or changes in consumption. Park proposes to add the production costs of leased water rights and chemicals to the supply costs captured by the MCBA. Park believes that it is appropriate for all production related costs to be reflected in the MCBA to avoid the potential for unintended incentives or disincentives to Park and ratepayers that otherwise might result from source mix changes. With all production costs included, the MCBA will serve to refund all production cost savings due to lower than adopted sales, or whenever actual production costs are lower than the forecasted costs

included in rates, back to ratepayers. Consistent with Park's proposal for reclaimed water revenue to be covered by the WRAM, Park further proposes to add the reclaimed purchased water production costs in the MCBA. On the effective date of tracking reclaimed purchased water costs in the MCBA, the current Incremental Cost Balancing Account for reclaimed water would terminate.

Park requests that the Commission review its California Alternative Rates for Water ("CARW") Revenue Reallocation Balancing Account for approval and amortization. Park requests Commission authorization to continue this account to track the difference between the recorded discounts provided by the CARW program and the surcharge collected to fund the CARW program.

Park requests that the Commission defer its review of the Conservation One-Way Balancing Account that tracks the difference between actual conservation program expenses and authorized conservation program expenses. Because the account covers the entire (current) rate case cycle, an audit of the account is premature at this time. Park proposes that the Commission authorize deferral of the audit until after the completion of the 2013 – 2015 rate case cycle when Park files an advice letter for resolution of the account authorized for that period.

Park requests that the Commission authorize a new balancing account to track the difference between authorized employee and retiree healthcare expense included in rates and the costs actually incurred. Park is requesting Commission authorization for the Employee and Retiree Healthcare Balancing Account because of the magnitude of the expense, the volatility of the expense, and the fact that the expense is outside of Park's control.

Park requests that the Commission authorize a new balancing account to track the difference between authorized pension expense included in rates and the costs actually incurred. Park is requesting Commission authorization for the Group Pension Balancing Account because of the magnitude of the expense, the volatility of the expense, and the fact that the expense is outside of Park's control.

The Commission has previously authorized both the Employee and Retiree Healthcare Balancing Account and the Group Pension Balancing Account for Park's AVR subsidiary (D. 12-09-004, Ordering Paragraphs No. 8 & 9).

Testimony, with supporting analysis and documentation, on Park's balancing accounts is provided in Exhibit B (Chapter XI).

**P. Memorandum Accounts**

Park requests that the Commission review the balance recorded in the Low-Income Customer Data Sharing Cost Memorandum Account as of December 31, 2014 for approval and amortization. D.11-05-020 authorized Park to track the incremental costs associated with the Commission's data sharing program between water and energy investor owned utilities.

Park requests that the Commission review the methodology used to calculate the balance recorded in the 2014 Water Conservation Memorandum Account. Resolution W-4976 authorized Park to track the incremental costs associated with compliance with the drought mitigation measures and procedures ordered by the Commission and the State of California Governor's office. Park proposes continuation of this account for this rate case cycle.

Park requests that the Commission review the estimated balance in the Credit Card Memorandum Account as of December 31, 2015 for approval and refund to customers. Resolution W-4936 authorized Park to track the costs and savings associated with providing credit/debit card payment services. Park requests that the Credit Card Memorandum Account be closed after disposition of the balance recorded in the account.

Park requests that the Commission review the balance recorded in the Income Tax Repair Regulations Implementation Memorandum Account as of December 31, 2014 for approval and amortization. Park requests Commission authorization to close the account on January 1, 2016, the effective date of the Test Year 2016 rate case cycle, since Park anticipates that all implementation costs will have been incurred by that time.

Park requests that the Commission review the estimated balance in the Tangible Property Regulations Consequences Memorandum Account as of December 31, 2014 for approval and refund to customers. Park requests Commission authorization to close the account on January 1, 2016, the effective date of the Test Year 2016 rate case cycle, as the impact of these regulations on Park's revenue requirement has been incorporated into the calculation of Park's requested revenue requirement in this Application.

Park requests that the Commission authorize a new memorandum account for the costs of potential treatment requirements of its wells to comply with new regulations associated with perchlorate. Park anticipates that the California Department of Public Health will finalize and promulgate the maximum contaminant level for perchlorate during the rate case cycle.

Testimony, with supporting analysis and documentation, on Park's memorandum accounts is provided in Exhibit B (Chapter XI).

**Q. Cost of Capital**

Pursuant to D.07-05-062, the cost of capital is determined in separate proceedings, not in applications for general rate increase. Accordingly, Park has not included in this Application testimony regarding its cost of capital. For purposes of determining the revenue requirement, Park has used the capital structure and cost of capital authorized by the Commission in the most recent cost of capital proceeding for Park, D.13-05-027. Pursuant to the RCP, as modified by the Commission's Executive Director, Park is scheduled to file a cost of capital application on May 1, 2016 for the 2017-2018 period.

**R. Special Requests**

Park proposes to offer a Level Payment Plan option to customers. This option would allow customers to pay for water service in equal bi-monthly payments based on their last 12 months average bill, or a representative bill if their consumption history is shorter than that. At the end of a 12-month period, customers will receive a settlement bill with a payment due or a credit balance.

Park anticipates filing purchased water/replenishment offset advice letters subsequent to the filing of this Application but prior to the test year. Park proposes that the Commission recognize any subsequent offsets prior to the issuance of a final decision in this GRC. A final decision in this proceeding should reflect the change in revenue requirement caused by any expense offset advice letters. Offsettable expense price changes are not forecast in a GRC. Park's proposal would minimize any potential customer confusion from repeated customer notices and additional workload for Commission Staff and Park that would be caused by Park having to repeat advice letter filings to implement the expense offset increases.

Park proposes that the Commission authorize a Sales Reconciliation Mechanism ("SRM") for the escalation years of the rate case cycle. The mechanism would adjust the adopted sales forecast for escalation years in the event that recorded sales for the previous year are more than 5% different (higher or lower) than the adopted year sales. The mechanism would make a 50% adjustment to the entire adopted sales forecast for the escalation year. The SRM would

minimize any over-collections or under-collections of revenue tracked in the WRAM/MCBAs. By re-setting rates if forecasted and actual sales diverge significantly, this approach better effectuates the goals enumerated in the WAP of providing clearer conservation rate signals to customers and by more definitely decoupling sales and revenues.

Testimony, with supporting analysis and documentation, on Park's special requests is provided in Exhibit B (Chapters XI and XII).

#### **IV. PROCEDURAL MATTERS**

##### **A. Filings**

An original signed copy and four copies of the proposed Application and supporting testimony, as well as one full paper copy set of workpapers, have been served on ORA. In addition, one copy of the proposed Application and supporting testimony has been provided to the Commission's Legal Division and the Division of Water and Audits.

##### **B. Proposed Schedule**

A proposed Schedule is attached hereto as Appendix A. This timetable corresponds with the schedule for single district filings in the RCP.

##### **C. Proposed Notice to Customers**

A Proposed Notice to Customers is attached hereto as Appendix B. The proposed notice describes the reasons for the requested increase and estimates average bill increase for a typical customer by customer class. The proposed notice has been submitted for review to the Commission's Public Advisor office.

##### **D. Inquiries**

Inquiries for clarification or additional data should be addressed to:

Edward N. Jackson, Director of Revenue Requirements  
Park Water Company  
P. O. Box 7002  
Downey, CA 90241-7002  
Phone: (562) 923-0711  
Email: [ed.jackson@parkwater.com](mailto:ed.jackson@parkwater.com)

and Leigh K. Jordan  
Park Water Company  
9750 Washburn Road  
P. O. Box 7002  
Downey, CA 90241-7002  
Phone: (562) 923-0711  
Email: [leigh@parkwater.com](mailto:leigh@parkwater.com)

with a copy to Douglas K. Martinet  
Park Water Company  
9750 Washburn Road  
P. O. Box 7002  
Downey, CA 90241-7002  
Phone: (562) 923-0711  
Email: [doug@parkwater.com](mailto:doug@parkwater.com)

And an additional copy to

Joseph H. Park  
LKP Global Law, LLP  
1901 Avenue of the Starts, Suite 480  
Los Angeles, CA 90067  
Phone: (424) 239-1890  
Email: [jpark@LKPGL.com](mailto:jpark@LKPGL.com)

## V. CONCLUSION

Applicant Park Water Company respectfully requests that the Commission approve this Application for a general rate increase.

Dated at Downey, California, January 2, 2015.

Respectfully submitted,

PARK WATER COMPANY

By:           /s/ Leigh K. Jordan          

LEIGH K. JORDAN  
Executive Vice President



APPENDIX A

PARK WATER COMPANY

Rate Case Processing Plan (RCPP) Timetable

Test Year 2016

Formal RCPP Activities:

1.	Proposed Application Filed	-60	November 3, 2014 <sup>1</sup>
2.	Deficiency Letter Mailed	-30	December 1, 2014
3.	Appeal to Executive Director	-25	December 08, 2014 <sup>1</sup>
4.	Executive Director Acts	-20	December 15, 2014 <sup>1</sup>
5.	Application Filed / Testimony Served	0	January 2, 2015
6.	Pre-Hearing Conference Start Date	10-75	January 12 <sup>1</sup> - March 16, 2015
7.	Public Participation Hearing (as needed)	10-90	January 12 <sup>1</sup> - March 31, 2015
8.	Update of Applicant's Showing	45	February 16 <sup>1</sup> , 2015
9.	ORA Testimony	97	April 7, 2015
10.	Other Parties Serve Testimony Reports	97	April 7, 2015
11.	Rebuttal Testimony	112	April 22, 2015
12.	ADR Process	115-125	April 27 <sup>1</sup> - May 5, 2015
13.	Evidentiary hearings (if required)	126-130	May 6 - 11, 2015 <sup>1</sup>
14.	Opening Briefs Filed and Served <sup>2</sup>	160	June 9, 2015
15.	Motion for Interim Rates	160	June 9, 2015
16.	Mandatory Status Conference	161	June 10, 2015
17.	Reply Briefs Filed and Served (with Comparison Exhibit)	175	June 24, 2015
18.	Water Division Technical Conference	180	June 29, 2015
19.	Proposed Decision Mailed	240	August 28, 2015
20.	Comments on Proposed Decision	260	September 17, 2015
21.	Reply Comments	265	September 22, 2015
22.	Commission Meeting	280	October 7, 2015

<sup>1</sup> Adjusted not to fall on weekend or holiday

<sup>2</sup> The detailed and complete joint comparison exhibit showing all parties' final positions shall also be filed at this time.

**PARA UNA VERSIÓN EN ESTE AVISO EN ESPAÑOL, POR FAVOR LLAME  
AL NÚMERO 1-800-727-5987**

**PARK WATER COMPANY  
NOTICE OF APPLICATION FOR A GENERAL RATE INCREASE  
APPLICATION NO. 15-01-00X**

**REQUEST FOR PUBLIC COMMENTS**

The California Public Utilities Commission (CPUC) is seeking public comments from Park Water Company's (Park) customers in the Central Basin Division service area regarding a proposed request by Park to increase rates for service in 2016, 2017, and 2018. As part of its decision-making process, the CPUC is interested in hearing from you, and invite you to provide your comments on any aspect of the company's operation including proposed rates, service quality or any other issue of concern.

Park filed Application 15-01-00X on January 2, 2015 with the CPUC requesting authority for an revenue increase of \$2,918,800 or 8.72% in 2016, an additional increase of \$2,422,093 or 6.63% in 2017, and an additional increase of \$1,598,099 or 4.08% in 2018.

**REASON FOR REQUEST**

Park is proposing this rate increase due to escalating operating expenses as well as significant water infrastructure improvements over the next several years. In order to maintain safe and reliable water service and continued compliance with all applicable safe drinking water quality standards, water infrastructure improvements such as water main and well replacements, a new water tank and existing tank upgrades, water treatment upgrades, and valve, hydrant, and service replacements are necessary.

**CUSTOMER IMPACT**

If the increases in rates are approved by the CPUC as proposed, the impact on the average residential customer with a 5/8 x 3/4 inch meter using 21.29 Ccf every two months will be as follows:

**Proposed Rate Impact on Average Residential Customer's Bi-Monthly (Every Two Months) Bill**

<u>Year</u>	<u>Current Bill</u>	<u>Increase</u>	<u>New Bill</u>	<u>% Increase</u>
2016	\$143.30	\$15.65	\$158.95	10.92%
2017	\$158.96	\$10.65	\$169.61	6.70%
2018	\$169.61	\$6.97	\$176.58	4.11%

The following table shows the increase in estimated revenues at the rates proposed spread across the customer classes that Park serves:

**Proposed Revenue Increases**

<u>Customer Class</u>	<u>2016 Increase</u>		<u>2017 Increase</u>		<u>2018 Increase</u>	
Residential	\$2,029,251	9.01%	\$1,648,509	6.70%	\$1,080,781	4.11%
Business	\$697,988	9.48%	\$536,427	6.59%	\$354,776	4.05%
Industrial	\$20,938	9.76%	\$15,447	6.56%	\$10,128	4.04%
Public Authority	\$180,024	9.39%	\$138,922	6.59%	\$91,362	4.05%
Private Fire Service	\$14,634	8.41%	\$13,583	7.09%	\$14,510	6.96%
Private Fire Hydrants	\$636	8.33%	\$589	7.12%	\$631	7.12%
Temporary	\$12,621	9.08%	\$10,812	6.62%	\$7,567	4.06%
Reclaimed	\$53,261	8.12%	\$57,016	8.04%	\$37,382	4.88%
Total Water Revenues	\$3,009,353	9.12%	\$2,421,305	6.70%	\$1,597,137	4.12%

### **OBTAINING A COPY OF THE APPLICATION**

A copy of Park's Application No. 15-01-00X and related exhibits are available for review at the Park Water Company Office, 9750 Washburn Road, Downey, CA 90241. If you need additional information, you may visit [www.parkwater.com](http://www.parkwater.com) or call toll free 1-800-727-5987, TTY 562-299-5158.

Copies of the application are also available to review at the CPUC's Central Files Office at 505 Van Ness Avenue, San Francisco, California 94102 from 8:00 a.m. to noon daily.

### **CPUC PROCESS**

This application will be assigned to an Administrative Law Judge (ALJ) who will determine how to receive evidence and other related documents, necessary for the CPUC to establish a record upon which to base its decision. Evidentiary Hearings (EH) may be held where parties of record will present their testimony and may be subject to cross-examination before the ALJ. These hearings are open to the public, but only those who are parties of record present evidence or cross-examine witnesses during EH. Members of the public may attend these hearings, but are not allowed to participate. After considering all proposals and all evidence presented during the formal hearing process, the ALJ will issue a draft decision. When the CPUC acts on this application, it may adopt all or part of Park's request, amend or modify it, or deny the application. The CPUC's final decision may be different from Park's application.

### **STAY INFORMED**

The CPUC offers a free subscription service which is available on the CPUC website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov) which allows you to follow this proceeding. Written comments by Park's customers are very much desired by the CPUC. If you would like to learn how you can participate in the proceeding, or if you have comments or questions about the CPUC process, you may contact the CPUC's Public Advisor's Office (PAO) at the address noted below.

Email: [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov)

Write: Public Advisor's Office, 5050 Van Ness Avenue  
San Francisco, CA 94102

Call: Toll Free 1-866-849-8390; TTY toll free 1-866-836-7825

Please refer to Park's Application No. 15-01-00X in any communications with the PAO. These comments will become part of the formal file under public comments. Public comments are given to the assigned ALJ, the Commissioners, and the CPUC staff working on this application for review.

### **PARK WATER COMPANY**

Park Water Company  
Balance Sheet as of September 30, 2014  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Assets and Other Debits		
Utility Plant		
Utility Plant in Service	\$ 91,788,650	\$ 84,586,311
Construction in Progress	3,358,364	3,084,289
Total Utility Plant	<u>95,147,014</u>	<u>87,670,600</u>
Reserve for Depreciation of Utility Plant	(25,172,738)	(19,193,937)
Accumulated Amortization-Plant in Service	21,147	15,210
Utility Plant Adjustments	<u>0</u>	<u>0</u>
Total Utility Plant Less Reserve	69,995,423	68,491,873
Current and Accrued Assets		
Cash	1,525,677	4,700
Temporary Investments	7,998,934	0
Receivables	4,738,504	4,647,255
Inventory	187,514	187,514
Prepays	1,955,490	410,927
Regulatory Accounts	3,115,776	3,115,776
Other Work in Progress	103,164	103,094
Nonutility Property	51,214	0
Deferred Debits and Miscellaneous	<u>1,353,227</u>	<u>156,632</u>
Total Current and Accrued Assets	21,029,500	8,625,898
Regulatory Accounts	1,614,517	1,614,517
Deferred Debits	4,496,441	619,885
Investment-Associate Company	18,491,780	189,792
Other Assets	<u>1,105,994</u>	<u>0</u>
Total Assets and Other Debits	<u>\$ 116,733,655</u>	<u>\$ 79,541,965</u>

Park Water Company  
Balance Sheet as of September 30, 2014  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Liabilities and Other Credits		
Capital Stock and Surplus		
Common Stock	\$ 10	\$ 0
Miscellaneous Paid in Capital	2,816,282	0
Earned Surplus		
Beginning of the Year	(19,113,006)	1,872,282
Current Year Net Income(Loss)	644,708	3,379,805
Dividends Paid	0	0
	<hr/>	<hr/>
Total Capital Stock and Surplus	(15,652,006)	5,252,087
Long Term Debt		
Miscellaneous Long Term Debt	80,000,000	0
Total Capitalization	64,347,994	5,252,087
Current and Accrued Liabilities		
Accounts Payable	2,610,204	889,638
Current Portion L/T Debt	1,000,000	0
Taxes Accrued	0	2,348,678
Interest Accrued	1,371,665	0
Regulatory Accounts	182,039	182,039
Other Current and Accrued Liabilities	977,742	918,671
	<hr/>	<hr/>
Total Current and Accrued Liabilities	6,141,650	4,339,026
Deferred Credits		
Advances for Construction	1,146,617	1,146,617
Advances from Associated Companies	24,051,066	48,869,363
Other Deferred Credits	14,173,734	13,062,278
	<hr/>	<hr/>
Total Deferred Credits	39,371,417	63,078,258
Contributions in Aid of Construction	6,872,594	6,872,594
Total Liabilities and Other Credits	\$ <u>116,733,655</u>	\$ <u>79,541,965</u>

Park Water Company  
Income Statement for the Nine Months ending September 30, 2014  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Operating Revenues		
Water Service Revenue		
Metered Sales to General Customers:		
Residential Sales	\$ 17,592,294	\$ 17,592,294
Commercial Sales	5,129,139	5,129,139
Sales to Public Authorities	1,401,772	1,401,772
Subtotal	<u>24,123,205</u>	<u>24,123,205</u>
Unmetered Sales to General Customers		
Residential Sales		
Private Fire Protection Service	124,036	124,036
Sales to Other Water Utilities for Resale	6,154	6,154
Regulatory Balancing Account	(2,465,144)	(2,465,144)
Subtotal	<u>(2,334,954)</u>	<u>(2,334,954)</u>
Total Water Service Revenues	21,788,251	21,788,251
Other Water Revenues		
Miscellaneous Service Revenues	137,432	137,432
Other Water Revenues	<u>701,155</u>	<u>701,155</u>
Other Operating Revenues	<u>838,587</u>	<u>838,587</u>
Total Operating Revenues	22,626,838	22,626,838
Operating Expenses		
Source of Supply Expense		
Operation:		
Purchased Water	5,792,185	5,792,185
Purchased Power	301,325	301,325
Leased Water Rights	231,108	231,108
Replenishment Charge	820,249	820,249
Chemicals	<u>57,262</u>	<u>57,262</u>
Total Source of Supply Expense	7,202,129	7,202,129
Payroll-Including Paid Time Off & Temporary Labor		
Regular	2,738,473	2,738,473
Paid Time Off	366,053	366,053
Temporary Labor - Agency	<u>31,962</u>	<u>31,962</u>
Total Payroll Including Paid Time Off & Temporary Labor	3,136,488	3,136,488
Payroll Related Costs		
Payroll Taxes	285,271	285,271
Workers' Compensation Insurance	74,217	74,217
Employees Benefits Excluding Paid Time Off	<u>898,586</u>	<u>898,586</u>
Total Payroll Related Costs	\$ 1,258,074	\$ 1,258,074

Park Water Company  
Income Statement for the Nine Months ending September 30, 2014  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Administrative & General		
Utilities	\$ 131,415	\$ 131,415
Travel & Business Meals	13,719	13,719
Training and Educational	25,982	25,982
Dues-Industry & Professional	60,488	60,488
Postage	91,588	91,588
Office Supplies	12,433	12,433
Bank Fees	21,984	21,984
Miscellaneous A & G	3,588	3,588
Professional Services	135,440	135,440
Insurance	363,895	363,895
Franchise Requirements	104,773	104,773
Regulatory Commission Expense	68,069	68,069
Administrative Transfer Credit	(608,315)	(608,315)
Corporate A & G Allocation	<u>64,493</u>	<u>64,493</u>
Total Administrative & General Expense	489,552	489,552
Operations and Maintenance Other		
Contracted Services	790,956	790,956
Materials	23,494	23,494
Operating Supplies & Parts	76,448	76,448
Permits	9,828	9,828
Uniforms	<u>29,678</u>	<u>29,678</u>
Total Operations and Maintenance Other	930,404	930,404
Customer Service and Information		
Collection Agency	10,311	10,311
Uncollectibles	79,922	79,922
Deposit Over and Under	(6,331)	(6,331)
Customer Service Forms	<u>3,490</u>	<u>3,490</u>
Total Customer Service and Information	87,392	87,392
Depreciation and Amortization		
Depreciation	1,475,804	1,475,804
Amortization	<u>1,674</u>	<u>1,674</u>
Total Depreciation and Amortization	1,477,478	1,477,478
Taxes Other Than Income		
Property Taxes	325,433	325,433
Taxes Other	<u>33,068</u>	<u>33,068</u>
Total Taxes Other Than Income	\$ 358,501	\$ 358,501

Park Water Company  
Income Statement for the Nine Months ending September 30, 2014  
(Unaudited)

	Corporate and Central Basin Division	Central Basin Division
Clearing Accounts		
Stores Excluding Labor	\$ 5,846	\$ 5,846
Transportation Excluding Labor	254,502	254,502
Tools/Work Equipment Excluding Labor	<u>12,795</u>	<u>12,795</u>
Total Clearing Accounts	273,143	273,143
Allocations		
Main Office-Four Factor	1,819,432	1,819,432
Maintenance General Plant-Downey	<u>(98,237)</u>	<u>(98,237)</u>
Total Allocations	1,721,195	1,721,195
Total Admin. & General Expense	5,337,665	5,337,665
Total Operating Expenses	16,934,356	16,934,356
Total Utility Operating Income	5,692,483	5,692,483
Non-Operating Revenue		
Income from Nonutility Operations	(409,594)	0
Investment Income	6,605	0
Miscellaneous Non-operating Revenues	<u>51,583</u>	<u>51,549</u>
Total Other Income	(351,406)	51,549
Non-Operating Expenses		
Miscellaneous Income Deductions	167,989	15,399
Interest Expense	3,936,463	150
Amortization of Debt Discount & Expense	<u>143,900</u>	<u>0</u>
Total Income Deductions	4,248,352	15,549
Net Income Before Income Taxes	1,092,725	5,728,483
Income Taxes (A)	<u>(448,017)</u>	<u>(2,348,678)</u>
Net Income (Loss)	\$ <u>644,708</u>	\$ <u>3,379,805</u>

(A) Actual income taxes will be calculated in audited financial statements.