

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

Application of CALIFORNIA WATER SERVICE COMPANY (Applicant) (U-60-W), a California corporation, requesting an order from the California Public Utilities Commission (Commission) authorizing Applicant to establish a water revenue balancing account, a conservation memorandum account, and implement increasing block rates.

Application Number  
Filed

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**APPLICATION TO IMPLEMENT WATER ACTION PLAN  
CONSERVATION OBJECTIVE**

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LYNNE P. MCGHEE  
Attorney for California Water Service Company  
1720 North First Street  
San Jose, California 90505-5272  
Telephone: 408-367-8228  
Fax: 408-367-8430  
E-mail: lmcghee@calwater.com

October 23, 2006

## APPLICATION

### **TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA:**

This Application of CALIFORNIA WATER SERVICE COMPANY (Applicant) is filed in compliance with Decision (D.) 06-08-011. Ordering paragraph 3 of D.06-08-011 states:

Cal Water shall within 60 days file a new application that addresses the goals of the Water Action Plan by proposing an increasing block rate design for each of the districts in this general rate case for years 2007/2008 and 2008/2009, and an accompanying mechanism to decouple sales from revenues.

### **I. GENERAL STATEMENT OF AUTHORIZATION SOUGHT:**

Applicant files this application (Application) to request authorization to establish a water revenue adjustment mechanism (WRAM) and a conservation memorandum account and implement increasing block rates. This request will implement the following three items listed under the Commission's Water Action Plan water conservation objective, Strengthen Water Conservation Programs to a Level Comparable to those of Energy Utilities.

3. Direct participation by all California Class A and B water utilities in the Urban Water Conservation Council and encourage implementation of the Council's Best Conservation Management Practices.
4. Encourage increasing conservation and efficiency rate designs (such as increasing block rates) where feasible to promote greater conservation.
5. Remove current financial disincentives to water conservation.

As set forth in the accompanying exhibits and Testimony of David Morse Applicant requests that a WRAM, a memorandum account to recover increased conservation program expenditures necessary to implement the Best Conservation Management Practices (BMPs), and increasing block rates be authorized for all of its 24 ratemaking districts.

## II. BACKGROUND:

Pursuant to Rule of Practice and Procedure 2.1 (c), Applicant includes the following items in this application:

- (a) Category: This filing should be characterized as a ratesetting proceeding pursuant to Rule of Practice and Procedure 7.1 (e) (2).
- (b) Need for Hearing: Since this Application is filed in compliance with D.06-08-011 and implements a Water Action Plan Objective, hearings may not be necessary. However, Applicant is prepared to proceed immediately if hearings are warranted.
- (c) Issues: The issues are conservation rate design, conservation program expenditures, decoupling sales and revenues, and ratemaking mechanisms.
- (d) Proposed Schedule: Applicant proposes the following schedule for this proceeding pursuant to Rule of Practice and Procedure 6.

Application Filed:	October 23, 2006
Protest Deadline:	November 23, 2006
Proposed Decision:	May 1, 2007 (Assumes Hearings)
Commission Adoption	June 1, 2007 (Assumes Hearings)

## III. MISCELLANEOUS:

(1) The legal name of Applicant is California Water Service Company and its principal place of business is located at 1720 North First Street, San Jose, California 95112.

(2) Applicant is presently engaged in the business of the supply and distribution of water for domestic and industrial purposes in 24 districts through out the State of California. These systems are not integrated with each other except for routine allocation of General Operation (GO) expenses. This Application is applicable to all service areas of Applicant. Applicant's company-wide recorded earnings for the 12 months ending December 31, 2005, based upon a depreciated rate base, as evidenced by its Summary of Earnings Reports to the Commission, was 7.43%.

(3) This Application is made pursuant to the provisions of Section 454 of the Public Utilities Code of the State of California and in compliance with D.06-08-011.

(4) Applicant is a California corporation. A copy of Applicant's Restated Articles of Incorporation was filed with the Public Utilities Commission in connection with Application 96-12-029.

(5) The name and address of the person to whom correspondence or communications in regard to the Application are to be addressed is Francis S. Ferraro, 1720 North First Street, San Jose, CA 95112. Email service is welcomed at [sferraro@calwater.com](mailto:sferraro@calwater.com).

(6) The following Exhibits are marked as shown and incorporated herein by reference:

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|-----------|---|
| Exhibit A | Letter detailing Joint Recommendations of three investor-owned water utilities and various environmental groups |
| Exhibit B | Southern California Edison electric revenue adjustment mechanism (ERAM) tariff sheets                           |
| Exhibit C | Cal Water example WRAM tariff sheets  |
| Exhibit D | Detailed description of sales decoupling examples   |
| Exhibit E | Example residential rates with IQR  |
| Exhibit F | Proposed single family IQR rate schedules for all districts   |

In accordance with Rule 1.7 (b), these documents are not filed with the docket office, but will be served on the Chief Administrative Law Judge. Copies of these documents and the Testimony of David Morse, in hard copies and electronic form, will be provided to all active parties and will be presented into evidence at the hearing in this matter, if necessary.

(7) Concurrent with the filing of the Application a notice of availability of the Application is being sent to the following: (1) the State, by mailing to the Attorney General and the Department of General Services and (2) each county served by Applicant, by mailing to the

County Counsel (or District Attorney if the county has no County Counsel) and County Clerk, and each city served by Applicant, by mailing to the City Attorney and City Clerk. Additionally, the Commission's Division of Ratepayer Advocates and Water Division are being served an electronic copy of the Application.

**IV. PRAYER:**

Finally, Applicant requests the Commission to order as follows:

1. Grant Applicant's request to establish a WRAM, which decouples sales and revenues;
2. Permit Applicant to increase conservation program expenditures to a level of 1.5% of total revenues for implementing the BMPs;
3. Grant Applicant's request to establish a conservation memorandum account to track water conservation expenditures and associated administrative costs;
4. Authorize increasing block rates for single family residential customers; and
5. Grant such other and further relief as the Commission may deem to be appropriate in this matter.

DATED this 23rd day of October 2006, San Jose California :

Respectfully submitted,

CALIFORNIA WATER SERVICE COMPANY

By: /s/LYNNE P. MCGHEE  
Lynne P. McGhee  
Attorney for Applicant  
California Water Service Company

I, Francis S. Ferraro, declare and say that I am an officer, to wit, Vice President of the Applicant, a California corporation, making the foregoing Application; that I make this verification on behalf of said corporation; that I have read the Application and know the contents thereof; that the same is true of my own knowledge except as to the matters that are therein stated on information or belief, and as to those matters that I believe to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on October 23, 2006, in San Jose, California.

/s/ FRANCIS S. FERRARO

Francis S. Ferraro