

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, for an order (1) authorizing it to increase rates for water service by \$140,558,101 or 17.1% in test year 2026, (2) authorizing it to increase rates on January 1, 2027 by \$74,162,564 or 7.7%, (3) authorizing it to increase rates on January 1, 2028 by \$83,574,190 or 8.1% in accordance with the Rate Case Plan, and (4) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 24-07-____
Filed July 8, 2024

APPLICATION

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Dated: July 8, 2024

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In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, for an order (1) authorizing it to increase rates for water service by \$140,558,101 or 17.1% in test year 2026, (2) authorizing it to increase rates on January 1, 2027 by \$74,162,564 or 7.7%, (3) authorizing it to increase rates on January 1, 2028 by \$83,574,190 or 8.1% in accordance with the Rate Case Plan, and (4) adopting other related rulings and relief necessary to implement the Commission’s ratemaking policies.

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APPLICATION

I. AUTHORITY FOR FILING

Pursuant to Rule 3.2 of the California Public Utilities Commission’s (“Commission’s”) Rules of Practice and Procedure (“Rules”) and Sections 454 *et. Seq.* of the California Public Utilities (“PU”) Code, and in compliance with Ordering Paragraph 4 of D.07-05-062 and its Appendix (the Rate Case Plan or “RCP”), California Water Service Company (“Cal Water”) respectfully submits this Application¹ for a general rate increase in its 19 existing Class A ratemaking areas.²

II. STATEMENT OF RELIEF SOUGHT

By this Application, Cal Water seeks general rate relief and specific findings, conclusions, and orders from the Commission. Cal Water presents the requests and materials in this GRC in

¹ Cal Water was prepared to file this Application on July 1, 2024 until Cal Water was informed on June 28, 2024 that the Public Advocates Office at the California Public Utilities Commission (“Cal Advocates”) considered the absence of capital projects proposed to meet compliance was the Maximum Contaminant Level (“MCL”) for Polyfluoroalkyl Substances (“PFAS”) to constitute a “deficiency” with regard to the Rate Case Plan’s Minimum Data Requirements (“MDRs”), therefore preventing Cal Water from filing its Application. In response to Cal Water’s June 29, 2024 appeal of the alleged deficiency, the Commission’s Executive Director granted Cal Water’s appeal on July 3, 2024 with the condition that Cal Water file an application for PFAS compliance by December 2, 2024.

² The Grand Oaks water system (near Antelope Valley) is excluded from this filing because it is regulated as a stand-alone Class D water company pursuant to Ordering Paragraph 3 of D.07-05-053.

accordance with its longstanding goal of continuing to provide safe and water service to its customers at the lowest possible just and reasonable rates. In particular, Cal Water has focused on the following goals for this GRC, which have help guide the proposals made in this

Application:

- **Enhancing Affordability** – Affordability of utility rates is a top concern for Cal Water. In this GRC, Cal Water presents multiple proposals aimed at enhancing the affordability of water service for customers. Cal Water has proposed a new program to decouple the connection between volumetric sales and revenue that makes rates for low-income low water users more affordable through a progressive rate design that recovers a greater portion of the revenue requirement from larger water users. Cal Water is also proposing a new ratemaking consolidation that will mitigate the high rates of a small district, updating the Rate Support Fund to assist customers located in high-cost areas, proposing an innovative rate design plan that benefits low-income customers, offset capital costs with state grant funds and more.
- **Promoting Water Conservation** – Consistent with the State’s goal of making water conservation a California way of life, Cal Water offers a range of programs and ratemaking mechanisms to promote water conservation by customers. In particular, Cal Water is presenting a detailed plan prepared by its consultant M.Cubed to achieve water savings consistent with state regulations and policies. Investments in conservation also reduce costs in both the short and long term. The customer savings resulting from investments in conservation across Cal Water’s districts are demonstrated in the Alliance for Water Efficiency report titled “The Economic Value of Efficiency for California Water Service: Lower Water Bills”.
- **Protecting Customer Health** – As a public water provider, the health and safety of Cal Water’s customers comes first. In addition to continuing its rigorous water quality testing program and making necessary capital plant investments to meet existing state and federal water quality standards, Cal Water is proactive in taking the necessary steps to comply with the State Water Boards July 2024 backflow and cross connection control handbook policies to ensure that customers are protected from existing and new emerging contaminants such as hexavalent chromium, microplastics and per- and polyfluoroalkyl substances (PFAS). Customers deserve to have a safe and reliable water service every day – it is critical for Cal Water to be proactive in this area rather than only reacting when problems arise.
- **Ensuring Reliability and Resiliency** – Cal Water’s goal is to provide safe and reliable service to customers in the face of emerging trends and threats. To achieve this goal, Cal Water is adaptive and forward-looking in the capital plant investments proposed in this GRC. This allows the company to build and operate a more resilient system by mitigating risks appropriately. For example, Cal Water continues to implement critical wildfire hardening projects and pursue an ambitious climate change

adaptation strategy. These efforts will help to ensure that customers continue to have a reliable supply of safe, high-quality water.

A) General Relief

Cal Water seeks general increases in revenues in its nineteen (19) Class A ratemaking areas as shown in the table below.³

³ While Cal Water addresses 19 ratemaking areas (“RMAs”) in this rate case, several RMAs have two tariff areas (sets of rates) according to historical geographic boundaries. When tariff areas within in an RMA are different, the table shows the revenue of each tariff area separately to correspond with the separate customer rates.

2024 GRC (July) Proposed Revenue Increase Summary (in thousands)								
Proposed Tariff Areas	2026 Revenue (at Present Rates)	2026 Proposed \$ change	% change	2027 Proposed \$ change"	% change	2028 Proposed \$ change"	% change	Current Adopted Revenue
Bakersfield	\$97,603.5	\$18,880.9	19.3%	\$9,873.5	8.5%	\$11,529.2	9.1%	\$100,786.8
Bay Area Region (BAY, RDV)	\$108,983.9	\$16,653.9	15.3%	\$9,699.8	7.7%	\$10,342.8	7.6%	\$114,539.6
Bear Gulch	\$68,133.2	\$11,858.9	17.4%	\$5,415.8	6.8%	\$5,943.5	7.0%	\$71,759.9
Diablo Ranch Region - DIX *	\$6,743.8	(\$61.1)	-0.9%	\$262.1	3.9%	\$290.5	4.2%	\$7,095.8
Diablo Ranch Region - LIV *	\$28,757.9	\$8,039.4	28.0%	\$2,776.2	7.5%	\$3,149.8	8.0%	\$30,834.1
East Los Angeles	\$42,896.1	\$8,989.8	21.0%	\$3,168.1	6.1%	\$3,762.8	6.8%	\$43,319.2
Kern River Valley	\$9,126.1	\$182.3	2.0%	\$1,054.2	11.3%	\$1,183.3	11.4%	\$8,051.4
Los Altos	\$49,345.9	\$9,070.5	18.4%	\$6,542.8	11.2%	\$6,965.6	10.7%	\$56,012.7
Los Angeles Co. Region	\$61,158.9	\$8,842.9	14.5%	\$4,386.5	6.3%	\$5,508.0	7.4%	\$64,567.4
Palos Verdes Pipeline	\$11,428.8	\$1,468.4	12.8%	(\$244.0)	-1.9%	(\$244.0)	-1.9%	\$11,839.3
Los Angeles Co. Region - AV	\$2,241.08	\$324.0	14.5%	\$160.7	6.3%	\$201.8	7.4%	\$2,365.98
Los Angeles Co. Region - PV	\$70,346.67	\$9,987.3	14.2%	\$3,981.7	5.0%	\$5,062.2	6.0%	\$74,040.7
Marysville	\$4,510.6	\$978.4	21.7%	\$662.8	12.1%	\$737.4	12.0%	\$5,072.8
North Valley Region - CH	\$30,062.1	\$7,770.7	25.8%	\$3,409.4	9.0%	\$4,075.1	9.9%	\$31,877.02
North Valley Region - ORO	\$6,101.5	\$1,157.6	19.0%	\$398.6	5.5%	\$479.0	6.3%	\$6,469.88
Salinas Valley Region (SLN, KC)	\$44,949.6	\$10,102.0	22.5%	\$5,647.3	10.3%	\$6,395.3	10.5%	\$46,200.4
Selma	\$6,091.6	\$1,617.8	26.6%	\$692.9	9.0%	\$851.3	10.1%	\$6,011.7
South Bay Region (DOM, HR)	\$117,053.6	\$7,664.5	6.5%	\$8,239.1	6.6%	\$8,789.7	6.6%	\$124,462.9
Stockton	\$67,382.0	\$10,355.0	15.4%	\$5,462.0	7.0%	\$5,944.7	7.1%	\$70,052.7
Travis	\$3,273.0	\$1,066.3	32.6%	\$600.4	13.8%	\$646.5	13.1%	\$3,273.0
Visalia	\$33,930.1	\$10,727.0	31.6%	\$4,686.3	10.5%	\$5,373.4	10.9%	\$34,558.9
Westlake	\$21,674.1	\$4,447.1	20.5%	\$1,114.5	4.3%	\$1,477.0	5.4%	\$23,791.9
Willows	\$4,076.0	\$744.2	18.3%	\$315.6	6.5%	\$372.9	7.3%	\$4,256.4
Total	\$823,282.4	\$140,558.1	17.1%	\$74,162.6	7.7%	\$83,574.2	8.1%	\$864,833.9
* Proposed revenue requirement consolidation								

In the event the proposed consolidation of the Dixon and Livermore Districts is not approved, the table below reflects the proposed revenue increases at the district level.

2024 GRC Revenue Increase Summary as Individual District								
Info Only Districts	2026 Revenue (at Present Rates)	2026 Proposed \$ change	% change	2027 Proposed \$ change"	% change	2028 Proposed \$ change"	% change	Current Adopted Revenue
Dixon	\$6,743.8	\$182.5	2.7%	\$564.5	8.2%	\$648.7	8.7%	\$7,095.8
Livermore	\$28,757.9	\$7,903.4	27.5%	\$2,443.1	6.7%	\$2,753.4	7.0%	\$30,834.1

B) Current Ratemaking Area Summary Tables [MDR I.A]

The tables below comply with the Section I.A of the Commission’s Minimum Data Requirements (“MDRs”)⁴ by comparing the proposed revenue, rate base, and expense changes to the last adopted data for 2023 and the last recorded data for 2023 for each ratemaking area.⁵

Total California Water Service			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$822,443,745	\$702,999,062	\$963,840,491
Rate Base \$	\$1,964,751,063	\$1,910,254,799	\$2,753,399,714
Rate Base \$ Difference	n/a	(\$54,496,264)	\$788,648,651
Rate Base % Difference	n/a	-2.8%	40.1%
Operating Expenses	\$683,339,370	\$635,046,033	\$758,436,872
Operating Expense \$ Difference	n/a	(\$48,293,337)	\$75,097,502
Operating Expense % Difference	n/a	-7.1%	11.0%
Rate of Return	7.08%	3.56%	7.46%

Bakersfield District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$95,008,085	\$76,737,881	\$116,484,362
Rate Base \$	\$240,346,982	\$224,100,147	\$320,795,646
Rate Base \$ Difference	n/a	(\$16,246,836)	\$80,448,664
Rate Base % Difference	n/a	-6.8%	33.5%
Operating Expenses	\$77,991,519	\$74,417,040	\$92,553,007
Operating Expense \$ Difference	n/a	(\$3,574,479)	\$14,561,488
Operating Expense % Difference	n/a	-4.6%	18.7%
Rate of Return	7.08%	1.04%	7.46%

⁴ D.07-05-062, *Opinion Adopting Revised Rate Case Plan for Class A Water Utilities* (May 24, 2007), Appendix A (Rate Case Plan and Minimum Data Requirements for Class A Water Utilities, General Rate Case Applications).

⁵ For ratemaking purposes, Cal Water also provides data for a theoretical “district” consisting of capital projects related to the Palos Verdes Peninsula Water Reliability Project (“PV Pipeline”). This regulatory mechanism allows rates based solely on those projects to be calculated and applied solely to Palos Verdes customers (and not to other customers in the Los Angeles County Region) because only they benefit from the projects, the total of which is of an unprecedented magnitude in terms of cost compared to other Cal Water projects.

Bay Area Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$111,694,644	\$94,755,456	\$125,637,829
Rate Base \$	\$246,556,329	\$226,047,473	\$334,329,687
Rate Base \$ Difference	n/a	(\$20,508,856)	\$87,773,359
Rate Base % Difference	n/a	-8.3%	35.6%
Operating Expenses	\$94,238,456	\$84,987,262	\$100,696,835
Operating Expense \$ Difference	n/a	(\$9,251,194)	\$6,458,379
Operating Expense % Difference	n/a	-9.8%	6.9%
Rate of Return	7.08%	4.32%	7.46%

Bear Gulch District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$68,430,171	\$61,480,800	\$79,992,130
Rate Base \$	\$176,535,399	\$172,886,206	\$249,738,008
Rate Base \$ Difference	n/a	(\$3,649,193)	\$73,202,609
Rate Base % Difference	n/a	-2.1%	41.5%
Operating Expenses	\$55,931,465	\$53,706,221	\$61,361,675
Operating Expense \$ Difference	n/a	(\$2,225,244)	\$5,430,210
Operating Expense % Difference	n/a	-4.0%	9.7%
Rate of Return	7.08%	4.50%	7.46%

Dixon District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$6,749,453	\$3,864,629	\$6,926,303
Rate Base \$	\$23,335,596	\$23,465,944	\$27,350,694
Rate Base \$ Difference	n/a	\$130,348	\$4,015,098
Rate Base % Difference	n/a	0.6%	17.2%
Operating Expenses	\$5,097,293	\$3,775,290	\$4,885,941
Operating Expense \$ Difference	n/a	(\$1,322,003)	(\$211,351)
Operating Expense % Difference	n/a	-25.9%	-4.2%
Rate of Return	7.08%	0.38%	7.46%

East Los Angeles District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$42,524,348	\$38,723,993	\$51,885,873
Rate Base \$	\$130,168,421	\$129,517,774	\$160,652,485
Rate Base \$ Difference	n/a	(\$650,647)	\$30,484,064
Rate Base % Difference	n/a	-0.5%	23.4%
Operating Expenses	\$33,308,424	\$31,810,265	\$39,901,198
Operating Expense \$ Difference	n/a	(\$1,498,160)	\$6,592,774
Operating Expense % Difference	n/a	-4.5%	19.8%
Rate of Return	7.08%	5.34%	7.46%

Kern River Valley District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$7,879,672	\$6,808,775	\$9,308,444
Rate Base \$	\$23,690,873	\$18,886,930	\$27,436,348
Rate Base \$ Difference	n/a	(\$4,803,943)	\$3,745,474
Rate Base % Difference	n/a	-20.3%	15.8%
Operating Expenses	\$6,202,358	\$6,143,776	\$7,261,692
Operating Expense \$ Difference	n/a	(\$58,582)	\$1,059,334
Operating Expense % Difference	n/a	-0.9%	17.1%
Rate of Return	7.08%	3.52%	7.46%

Livermore District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$28,763,826	\$25,140,359	\$36,661,345
Rate Base \$	\$67,414,604	\$63,623,122	\$102,142,786
Rate Base \$ Difference	n/a	(\$3,791,482)	\$34,728,182
Rate Base % Difference	n/a	-5.6%	51.5%
Operating Expenses	\$23,990,872	\$23,132,492	\$29,041,493
Operating Expense \$ Difference	n/a	(\$858,380)	\$5,050,620
Operating Expense % Difference	n/a	-3.6%	21.1%
Rate of Return	7.08%	3.16%	7.46%

Los Altos District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$52,203,814	\$43,100,567	\$58,416,393
Rate Base \$	\$106,877,877	\$102,403,788	\$171,743,380
Rate Base \$ Difference	n/a	(\$4,474,089)	\$64,865,503
Rate Base % Difference	n/a	-4.2%	60.7%
Operating Expenses	\$44,636,860	\$39,721,866	\$45,604,337
Operating Expense \$ Difference	n/a	(\$4,914,994)	\$967,477
Operating Expense % Difference	n/a	-11.0%	2.2%
Rate of Return	7.08%	3.30%	7.46%

Los Angeles County Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$62,131,548	\$57,272,228	\$70,001,804
Rate Base \$	\$92,945,573	\$83,557,207	\$139,469,494
Rate Base \$ Difference	n/a	(\$9,388,366)	\$46,523,920
Rate Base % Difference	n/a	-10.1%	50.1%
Operating Expenses	\$55,551,001	\$50,378,451	\$59,597,380
Operating Expense \$ Difference	n/a	(\$5,172,550)	\$4,046,379
Operating Expense % Difference	n/a	-9.3%	7.3%
Rate of Return	7.08%	8.25%	7.46%

Palos Verdes Pipeline District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$11,359,447	\$331,274	\$12,897,231
Rate Base \$	\$90,231,394	\$103,240,640	\$98,402,381
Rate Base \$ Difference	n/a	\$13,009,245	\$8,170,986
Rate Base % Difference	n/a	14.4%	9.1%
Operating Expenses	\$4,971,065	\$1,244,671	\$5,556,413
Operating Expense \$ Difference	n/a	(\$3,726,393)	\$585,348
Operating Expense % Difference	n/a	-75.0%	11.8%
Rate of Return	7.08%	-0.88%	7.46%

Marysville District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$4,746,866	\$4,117,006	\$5,488,975
Rate Base \$	\$15,286,286	\$14,379,470	\$18,166,670
Rate Base \$ Difference	n/a	(\$906,816)	\$2,880,384
Rate Base % Difference	n/a	-5.9%	18.8%
Operating Expenses	\$3,664,597	\$3,608,851	\$4,133,742
Operating Expense \$ Difference	n/a	(\$55,746)	\$469,145
Operating Expense % Difference	n/a	-1.5%	12.8%
Rate of Return	7.08%	3.53%	7.46%

North Valley Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$36,456,406	\$31,441,171	\$45,092,888
Rate Base \$	\$94,500,376	\$98,378,833	\$142,033,897
Rate Base \$ Difference	n/a	\$3,878,458	\$47,533,522
Rate Base % Difference	n/a	4.1%	50.3%
Operating Expenses	\$29,765,779	\$28,920,696	\$34,497,160
Operating Expense \$ Difference	n/a	(\$845,083)	\$4,731,381
Operating Expense % Difference	n/a	-2.8%	15.9%
Rate of Return	7.08%	2.56%	7.46%

Salinas Valley Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$43,045,138	\$38,993,176	\$55,051,571
Rate Base \$	\$137,219,946	\$138,788,304	\$198,294,232
Rate Base \$ Difference	n/a	\$1,568,358	\$61,074,286
Rate Base % Difference	n/a	1.1%	44.5%
Operating Expenses	\$33,329,966	\$32,148,713	\$40,258,822
Operating Expense \$ Difference	n/a	(\$1,181,253)	\$6,928,856
Operating Expense % Difference	n/a	-3.5%	20.8%
Rate of Return	7.08%	4.93%	7.46%

Selma District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$5,608,681	\$5,341,486	\$7,709,430
Rate Base \$	\$12,348,635	\$16,685,347	\$23,254,359
Rate Base \$ Difference	n/a	\$4,336,711	\$10,905,724
Rate Base % Difference	n/a	35.1%	88.3%
Operating Expenses	\$4,734,397	\$4,792,242	\$5,974,655
Operating Expense \$ Difference	n/a	\$57,845	\$1,240,258
Operating Expense % Difference	n/a	1.2%	26.2%
Rate of Return	7.08%	3.29%	7.46%

South Bay Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$118,763,546	\$107,715,190	\$124,718,179
Rate Base \$	\$196,142,785	\$164,002,915	\$266,354,618
Rate Base \$ Difference	n/a	(\$32,139,870)	\$70,211,833
Rate Base % Difference	n/a	-16.4%	35.8%
Operating Expenses	\$104,876,637	\$98,971,635	\$104,848,125
Operating Expense \$ Difference	n/a	(\$5,905,002)	(\$28,512)
Operating Expense % Difference	n/a	-5.6%	0.0%
Rate of Return	7.08%	5.33%	7.46%

Stockton District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$65,535,915	\$53,448,798	\$77,736,934
Rate Base \$	\$185,897,142	\$201,021,708	\$272,034,777
Rate Base \$ Difference	n/a	\$15,124,565	\$86,137,635
Rate Base % Difference	n/a	8.1%	46.3%
Operating Expenses	\$52,374,397	\$45,950,861	\$57,443,139
Operating Expense \$ Difference	n/a	(\$6,423,536)	\$5,068,742
Operating Expense % Difference	n/a	-12.3%	9.7%
Rate of Return	7.08%	3.73%	7.46%

Travis District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$2,880,276	\$1,896,759	\$4,339,298
Rate Base \$	\$7,117,497	\$3,738,158	\$12,634,059
Rate Base \$ Difference	n/a	(\$3,379,339)	\$5,516,562
Rate Base % Difference	n/a	-47.5%	77.5%
Operating Expenses	\$2,376,358	\$2,272,111	\$3,396,798
Operating Expense \$ Difference	n/a	(\$104,247)	\$1,020,440
Operating Expense % Difference	n/a	-4.4%	42.9%
Rate of Return	7.08%	-10.04%	7.46%

Visalia District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$31,948,294	\$30,512,239	\$44,657,125
Rate Base \$	\$71,035,437	\$76,541,560	\$124,597,100
Rate Base \$ Difference	n/a	\$5,506,123	\$53,561,663
Rate Base % Difference	n/a	7.8%	75.4%
Operating Expenses	\$26,918,985	\$28,192,415	\$35,362,182
Operating Expense \$ Difference	n/a	\$1,273,430	\$8,443,197
Operating Expense % Difference	n/a	4.7%	31.4%
Rate of Return	7.08%	3.03%	7.46%

Westlake District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$22,536,934	\$18,301,926	\$26,121,198
Rate Base \$	\$33,744,041	\$35,379,681	\$48,903,115
Rate Base \$ Difference	n/a	\$1,635,641	\$15,159,074
Rate Base % Difference	n/a	4.8%	44.9%
Operating Expenses	\$20,147,856	\$17,785,332	\$22,473,026
Operating Expense \$ Difference	n/a	(\$2,362,524)	\$2,325,170
Operating Expense % Difference	n/a	-11.7%	11.5%
Rate of Return	7.08%	1.46%	7.46%

Willows District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2023)	Last Recorded Year (2023)	Proposed Test Year (2026)
Total Revenue Requirement	\$4,176,682	\$3,015,348	\$4,820,243
Rate Base \$	\$13,355,869	\$13,609,592	\$16,256,107
Rate Base \$ Difference	n/a	\$253,722	\$2,900,238
Rate Base % Difference	n/a	1.9%	21.7%
Operating Expenses	\$3,231,086	\$3,085,844	\$3,607,537
Operating Expense \$ Difference	n/a	(\$145,242)	\$376,451
Operating Expense % Difference	n/a	-4.5%	11.7%
Rate of Return	7.08%	-0.52%	7.46%

C) Special Requests

1. Special Request #1: Enhancing Affordability through Consolidation

In this GRC, Cal Water proposes to remove the Rate Support Fund subsidy (discussed below) that is currently embedded in the rates for Dixon customers, and to instead address the affordability concerns of the area by consolidating Dixon’s revenue requirements with that of the Livermore Districts. In this new consolidated region, currently proposed as the “Diablo Ranch Region,” Dixon and Livermore customers would still have different rates, but more revenues would be allocated to Dixon customers in the form of a “transitional assessment” that will help alleviate the impact of consolidation on Livermore customers.

In the North Valley Region, a revenue requirement consolidation of the Chico and Oroville Districts approved in D.24-03-042 that also reflects a transitional assessment, Cal Water proposes to retain the two separate tariff areas for this GRC period, but to gradually decrease the amount of the transitional assessment on Oroville customers year-over-year, which will bring Oroville rates closer to those of Chico.

2. Special Request #2: Updating the Rate Support Fund (“RSF”)

The Rate Support Fund (“RSF”) currently provides a rate subsidy to customers in the Dixon District, the Kern River Valley District, and the Willows District, all of which are small, high-cost areas. The program is funded by all Cal Water customers except for those in Cal Water’s Customer Assistance Program (“CAP”). In this GRC, Cal Water proposes to (a) retain the

RSF subsidies for two districts –Kern River Valley and Willows; (b) eliminate the annual subsidy of \$1.7 million currently provided to the Dixon District (and instead consolidate it with the Livermore District as referenced above); and (c) apply an annual RSF subsidy of \$500,000 to decrease the revenue requirement and mitigate bill impacts for customers in the small, economically disadvantaged Selma District.

3. Special Request #3: Authorizing Decoupling and Sales Reconciliation Mechanism

Cal Water is requesting a new decoupling program to fully decouple revenues from sales in accordance with Public Utilities Code Section 727.5(d). The proposed decoupling program includes 1) a Safe Infrastructure Balancing Account (“SIBA”) to track the difference between actual and adopted revenues; 2) a Supply Cost Balancing Account (“SCBA”) to track the difference between actual and adopted production expenses; 3) a proposal to amortize net decoupling program balances in base rates using the adopted rate design (as opposed to separate surcharges or surcredits); and 4) reinstating and modifying the Sales Reconciliation Mechanism (“SRM”). The proposed decoupling program creates a viable regulatory framework to support the co-equal beneficial goals of affordability and conservation while providing a reasonable opportunity to timely recover authorized revenue requirements. The SRM is an important mechanism allowing for timely sales forecast adjustments over the GRC period using a prescribed methodology to stabilize decoupling program balances while supporting co-equal affordability and conservation objectives. The SRM is a valuable complement to the proposed revenue decoupling program and effectively worked as designed for the period when the mechanism was previously in effect.

4. Special Request #4: Authorizing Annual Sales and Services Forecasts

Cal Water is proposing discrete annual sales and services forecasts over the GRC period to reflect the continuing trend of declining water use. Cal Water’s proposed annual sales and services forecasts demonstrate a commitment to water end use efficiency, compliance with state conservation mandates, and send appropriate price signals to customers to conserve.

5. Special Request #5: Incorporating Subsequent Rate Changes into Final Rates

Cal Water anticipates that, prior to issuance of a final GRC decision by the Commission, the Commission will approve rate and revenue changes in other proceedings, or through the informal advice letter process, that will become effective prior to, or concurrently with, revenue changes adopted in this proceeding. Cal Water requests approval to incorporate such rate and revenue changes into the calculations of the final rates adopted in this proceeding.

6. Special Request #6: Updating Escalation Factors for Final Rates

The Commission publishes escalation rates on a monthly basis. Cal Water files its application in July 2024 using escalation factors published in April 2024. Cal Advocates then generally updates the escalation rates based on the most current as of December of that year for a report to be submitted in (approximately) February of the following year. Since this is a long period from the time of filing to the time of the decision, Cal Water requests that the Water Division use the most current Commission escalation rates for expenses and capital when calculating the final revenue requirement and rates for the final decision in this proceeding.

7. Special Request #7: Payroll Escalation Based on Union Contract

Cal Water is seeking Commission authorization to calculate the labor expenses for its escalation and attrition year step filings using the company's actual union contract annual wage increases as opposed to the generic labor inflation factors issued by Cal Advocates' Energy Branch. This special request is important for Cal Water to achieve its goals of maintaining its strong union-represented workforce to serve customers effectively and efficiently.

8. Special Request #8: Amortizing Balancing Accounts

Cal Water requests approval in this GRC application to amortize the balances in the following balancing and memo accounts within 90 days or more of a final decision: Conservation Expense Balancing Account ("CEBA 5"), Pension Cost Balancing Account ("PCBA 5"), Healthcare Cost Balancing Account ("HCBA 5"), General District Balancing Account ("District BA"), Catastrophic Event Memorandum Account ("CEMA"), Asbestos Litigation Memorandum

Account (“ALMA”), Public Safety Shut-Off Memorandum Account (“PSPS MA”), and Drinking Water Fees Balancing Account (“DWFBA”).

9. Special Request #9: Reauthorizing Balancing Accounts

For the rate case period of 2026-2028, Cal Water requests re-authorization of the following balancing accounts: Conservation Expense Balancing Account (“CEBA”), Pension Cost Balancing Account (“PCBA”), Health Cost Balancing Account (“HCBA”). These accounts have been re-authorized with some variations in several of Cal Water’s previous GRCs.

10. Special Request #10: Request for Liability Insurance Balancing Account

There continues to be a steady upward pressure on insurance premiums, with Cal Water’s premium costs increasing around 16% per year for the last five years (2018-2023). The Rate Case Plan adopted by D.07-05-062 only allows for one test year and two attrition years for expenses. Per the Plan, liability insurance costs in attrition years are escalated using CPI-U. The use of CPI-U will not allow Cal Water to recover the increase in costs for liability insurance that Cal Water will incur as a result of current market trends. Therefore, Cal Water is requesting the establishment of a two-way balancing account for liability insurance costs (Liability Insurance Balancing Account). The Liability Insurance Balancing Account will track the difference between the liability insurance expense (third party premium amounts for general liability, excess liability and umbrella policies) included in the revenue requirement and the actual liability insurance expense Cal Water incurs.

11. Special Request #11: Request for Water Contamination Remediation Memo Account

With the continuing emergence of new water quality contaminants and the decreasing concentrations at which treatment is required, approval of a Contamination Remediation Memorandum Account in place of multiple, contaminant-specific memo accounts would allow

Cal Water to track incremental costs and consider responding more quickly to customer concerns without the need for contaminant-specific memo accounts.

12. Special Request #12: Request for Interim Decision in the Event of Settlement on Revenue Requirement Issues

In the event that parties can reach a settlement agreement on issues relating to the Test Year revenue requirement, but a final decision is not adopted prior to the first day of the Test Year, Cal Water requests that the Commission issue an interim decision allowing the company to implement interim rates at the levels adopted in the settlement agreement, subject to adjustment when a final decision is adopted for the GRC proceeding. While Cal Water is proposing a schedule for this proceeding consistent with the Revised Rate Case Plan that provides sufficient time for a final decision before the first day of the test year, this special request would help mitigate negative customer impacts associated with regulatory lag in GRC proceedings.

13. Special Request #13: Request for Conclusion of Law on Total Authorized Capital Budget

Cal Water requests that, in approving the total authorized capital budget for the GRC cycle for this proceeding, the Commission expressly include the following two Conclusion of Law in the final decision:

1. While the overall authorized capital budget amount for plant additions is justified by evidence in the record relating to individual projects forecasted, Cal Water will have the flexibility within that total authorized capital budget to re-prioritize the construction of capital projects during the course of the GRC cycle in order to best serve its customers.
2. Actual capital spending in this GRC cycle may vary from any forecast adopted by the Commission, and any variance between adopted amounts and those that actually occur would not necessarily demonstrate imprudence or unreasonableness.

This special request would help provide greater flexibility and reassurances to allow Cal Water to appropriately redirect capital to best serve its customers as new and unexpected developments arise during the course of the three-year GRC cycle.

14. Special Request #14: Attrition Year Normalization

To comply with Internal Revenue Service (“IRS”) guidance, Cal Water is requesting a deviation from the Rate Case Plan (“RCP”) to update its practice for applying deferred taxes during the attrition year (i.e., third year) of the GRC cycle to avoid a normalization violation. In 2024, Cal Water learned that the approach for estimating rate base in the attrition year from the RCP is inconsistent with IRS normalization rules. Without this consistency, Cal Water would lose the ability to claim accelerated depreciation. Cal Water is proposing a method for estimating attrition year rate base which is consistent with IRS normalization rules, allowing Cal Water and its customers to continue benefitting from accelerated depreciation.

15. Special Request #15: Deferred Tax Liability with Current Year Capital Additions

To comply with separate IRS guidance, Cal Water needs to modify its practice for prorating deferred tax liabilities for current year capital additions. When addressing the issue discussed in Special Request 14 this year, Cal Water learned that while its current calculations accurately prorate the deferred tax liability for beginning of year plant balances, the methodology used for current year plant additions is not consistent with IRS normalization proration rules. Absent compliance with normalization rules, Cal Water would lose the ability to claim accelerated depreciation. Cal Water is proposing to modify its tax schedules to conform with the normalization proration rules, allowing Cal Water and its customers to continue benefitting from accelerated depreciation.

III. DESCRIPTION OF APPLICANT

In support of its request, Cal Water represents the following:

- A. The legal name of Applicant is California Water Service Company. Its principal place of business is located at 1720 N. First Street, San Jose, California 95112.
- B. Applicant is engaged in the business of supplying and distributing water for domestic, commercial, industrial, and landscaping purposes in service territories

designated by the Commission located in 20 regulated ratemaking areas (including Grand Oaks, regulated as a Class D utility) throughout the state.

- C. Applicant is a California corporation. A copy of Applicant's Restated Articles of Incorporation, certified by the California Secretary of State, was filed with the Commission in connection with Application 96-12-029.
- D. Applicant's most recent financial statements are in the 2024 Proxy Statement provided as **Attachment B** to this Application.
- E. General descriptions of Applicant's properties and the area of its operations are provided in the Reports on the Results of Operation that are presented for each district and for Customer Support Services (formerly General Office).

IV. CONTACT INFORMATION

Correspondence and communications with respect to this Application should be addressed to Greg A. Milleman, with copies to Natalie D. Wales, as follows:

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V. PROCEDURAL MATTERS

- A. Category – This proceeding is categorized as ratesetting.
- B. Need for Hearing – Cal Water believes there may be a need for an evidentiary hearing.
- C. Issues – The issues raised in this Application include the standard issues relating to a general rate increase request, as well as certain Special Requests that are enumerated herein in Section II.
- D. Schedule – Cal Water provides a proposed schedule in this proceeding (**Attachment A** to this Application).

The schedule that Cal Water is proposing for this proceeding is consistent with the Revised Rate Case Plan, which is intended to allow the Commission to reach a final decision in this proceeding prior to the first day of the test year, which in this proceeding is January 1, 2026. Cal Water appreciates the efforts of the Commission and its staff to process GRC

applications in a timely fashion, and is committed to assisting the Commission to reach a timely decision in this proceeding. As the Commission is well aware, it is critical to avoid undue delays in processing GRCs in order to avoid unintentional customer impacts that such delays cause. Lengthy delays in processing GRCs can lead to unintentional consequences where Commission-approved rate changes are compressed into shorter time periods of recovery in order to make up for delayed implementation of those new rates. This can lead to more sudden and sustained rate changes for customers that impact their cash flow as recovery of interim deficits are implemented on top of new rates only once a final decision is reached. Moreover, delays in the final GRC decision give Cal Water less time to study the effects of the Commission's policy decisions on customers and incorporate those valuable lessons into its next GRC application. To avoid unnecessarily impacting customers in this negative manner, Cal Water respectfully requests that the Commission continue to strive to reach a final decision in this GRC in a timely manner.

VI. REQUIREMENTS OF RULE 3.2 (APPLICATIONS FOR AUTHORITY TO INCREASE RATES)

- A. This Application meets the requirements of Rule 3.2 (applicable to applications other than those for general rate increases) as described below.
- B. Materials meeting the requirements of the following subsections of Rule 3.2(a) are provided in the attachments to this Application (as identified in Section VII below):
 - Rule 3.2(a)(1): Balance Sheet and Income Statement
 - Rule 3.2(a)(2): Statement of Presently Effective Rates
 - Rule 3.2(a)(4) and (5): Summary of Earnings
- C. As required by Rule 3.2(a)(3), the increases proposed by Cal Water are provided in Section II.A of this Application.
- D. Cal Water will provide the notices required by Rule 3.2, subsections (b) through (d), and file the associated proofs of compliance.

VII. CONTENTS OF THIS GENERAL RATE CASE APPLICATION

Cal Water’s general rate case filing includes the following materials:

Filed with CPUC Docket Office	
2024 General Rate Case Application	
Attachment A	Proposed Procedural Schedule
Attachment B	Proxy Statement (Including Financial Statements)
Attachment C	Summary of Earnings
Attachment D	Proposed Customer Notices
Attachment E	Current Tariffs
Attachment F	Proposed Tariffs

Supplemental Materials (to be served)		
Book	Testimony and Reports	Short Title
1	Testimony Book #1 (most revenue requirement issues)	Testimony Book #1
2	Testimony Book #2 (affordability, decoupling, rate design, sales and services, conservation)	Testimony Book #2
3	Testimony Book #3 (balancing and memo accounts, water quality, affiliated and unregulated activities, safety and emergency response, ESJ, depreciation, AMI)	Testimony Book #3
4	Minimum Data Requirements Book	MDR Book
5A	Metro Districts Depreciation Study	Depreciation Reports
5B	Valley Districts Depreciation Study	
6	Results of Operations Reports ⁶ (20 books total)	RO Books
7	Urban Water Management Plans ⁷ (24 books total)	UWMPs
8	Capital Project Justification Books ⁸ * (25 books total)	PJ Books
9	Water Supply & Facilities Master Plans ⁹ * (24 books total)	WS&FMPs
10	Witness Qualifications	Witness Qualifications

* Confidential versions are available to CPUC staff and to parties who sign a Nondisclosure Agreement (“NDA”).

VIII. PRAYER

WHEREFORE, Cal Water respectfully requests that the Commission issue its findings and orders to the effect that:

⁶ There are RO Books for the following areas: BAR, BKD, BG, DIX, ELA, KRV, LIV, LAR, LAS, MRL, NVR, SBR, SEL, STK, SVR, TRA, VIS, WLK, WIL, CSS, and an RO Book for the proposed Diablo Ranch Region.

⁷ There are UWMPs for the following areas: AV, BAY-MPS, BAY-SSF, BKD, BG, CHI, DIX, DOM, ELA, HR, KC, KRV, LIV, LAS, MRL, ORO, PV, RDV, SLN, SEL, STK, VIS, WLK, and WIL.

⁸ There are PJ Books for the following areas: BAR, BKD, BG, CHI, DIX, DOM, ELA, HR, KRV, LIV, LAR, LAS, MRL, ORO, TRA, SEL, STK, SVR, VIS, WLK, WIL, CSS/RDOM, and Common Plant. In addition, there is a PJ Book for the Travis District that is confidential, and a “Confidential Capital Project Justification Book” that contains confidential excerpts from material redacted from the public PJ books.

⁹ There are public and **confidential** versions of the WSFMPs for the following areas: BAY-MPS, BAY-SSF, RDV, BKD, BG, BG Skyline/Old La Honda, CHI, DIX, ELA, KRV, KC, LIV, LAS, MRL, ORO, RDOM (DOM, HR, PV), SLN, SEL, STK, VIS, WLK, and WIL.

1. The present rates authorized for Cal Water’s 19 major ratemaking regions are unfair, unjust, and unreasonable;
2. The rates proposed and requested by Cal Water are fair, just, and reasonable;
3. Cal Water has properly complied with prior orders of the Commission as described;
4. The requests made by Cal Water are just, reasonable, and in the public interest; and
5. Granting such further, additional and other relief as may be deemed by the Commission to be necessary or proper.

Respectfully Submitted,

/s/

/s/

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Dated: July 8, 2024