

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 \$80,484,801 or 11.1% in test year 2023, (2) authorizing it to increase rates on January 1, 2024 by \$43,582,644 or 5.4% January 1, 2025 \$43,197,258 or 5.1% in accordance with the Rate Case Plan, and (3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 21-07-____
Filed July 1, 2021

APPLICATION

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Dated: July 1, 2021

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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 Application for a general rate increase in 21 existing ratemaking areas.¹

II. STATEMENT OF RELIEF SOUGHT

By this Application, Cal Water seeks general rate relief and specific findings, conclusions, and orders from the Commission.

¹ These are considered to be the “Class A” ratemaking areas in California. The Grand Oaks water system (near Antelope Valley) is excluded from this filing because it is treated as a stand-alone Class D water company pursuant to Ordering Paragraph 3 of D.07-05-053. In an application pending before the Commission, Cal Water has also requested authority for a Certificate of Public and Convenience to provide service in a new Madera County development (A.21-01-012). If approved, the area would be called the Millerton District and initial rates would be established in that proceeding.

A) General Relief

Cal Water seeks general increases in revenues in its existing and proposed ratemaking areas as shown in the table below.² The table below includes the following regional consolidations proposed in this rate case: **North Valley Region** (Chico District and Oroville District),³ and the **South Bay Region** (Dominguez District and the Hermosa-Redondo District).⁴

2021 GRC Revenue Increases Summary						
District/Region	2023 \$ change	2023 % change	2024 \$ change	2024 % change	2025 \$ change	2025 % change
Bakersfield	\$8,843,225	10.9%	\$4,829,498	5.4%	\$4,622,909	4.9%
Bay Area Region	\$14,531,566	15.6%	\$4,319,626	4.0%	\$4,266,293	3.8%
Bear Gulch	\$9,124,293	15.7%	\$4,965,987	7.4%	\$4,924,237	6.8%
Dixon	\$657,963	10.9%	\$249,184	3.7%	\$241,574	3.5%
East Los Angeles	\$2,643,328	6.6%	\$1,346,851	3.2%	\$1,019,829	2.3%
Kern River Valley	\$789,892	11.0%	\$490,838	6.2%	\$497,888	5.9%
Livermore	\$2,967,641	11.1%	\$1,776,916	6.0%	\$1,793,280	5.7%
Los Altos	\$2,133,127	4.9%	\$4,306,895	9.5%	\$4,291,379	8.6%
Los Angeles Co. Region - AV	\$98,389	5.2%	\$97,434	4.9%	\$94,704	4.6%
Los Angeles Co. Region - PV	\$5,427,531	8.7%	\$2,544,453	3.8%	\$2,466,932	3.5%
North Valley Region	\$3,385,233	10.5%	\$1,973,902	5.5%	\$1,933,939	5.1%
Marysville	\$463,749	10.6%	\$267,922	5.5%	\$265,968	5.2%
Salinas Valley Region	\$5,033,525	13.0%	\$2,373,096	5.4%	\$2,357,108	5.1%
Selma	(\$348,597)	-5.9%	\$271,840	4.9%	\$274,524	4.7%
South Bay Region	\$11,900,837	11.0%	\$5,749,706	4.8%	\$6,198,687	4.9%
Stockton	\$8,526,936	15.0%	\$3,901,345	6.0%	\$3,865,335	5.6%
Travis	\$1,436,025	73.0%	\$1,261,878	37.1%	\$1,255,832	26.9%
Visalia	\$2,271,916	7.4%	\$2,350,218	7.1%	\$2,323,542	6.6%
Westlake	\$490,016	2.2%	\$376,083	1.7%	\$378,478	1.7%
Willows	\$108,206	2.7%	\$128,971	3.1%	\$124,822	2.9%
Total	\$80,484,801	11.1%	\$43,582,644	5.4%	\$43,197,258	5.1%

² In D.16-12-042, the Commission authorized regional ratemaking consolidations as follows: the Bay Area Region is a consolidation of the Bayshore (BAY) and Redwood Valley (RDV) Districts; the Los Angeles County Region is a consolidation of the Palos Verdes (PV) and Antelope Valley (AV) Districts, and; the Salinas Valley Region is a consolidation of the Salinas (SLN) and King City (KC) Districts.

³ For the North Valley Region, Cal Water proposes one consolidated area for *ratemaking* purposes. Due to the current discrepancy between the existing rates of the Chico District and the Oroville District, however, Cal Water does not propose one set of rates. Instead, Chico and Oroville customers would continue to have separate sets of tariffed rates.

⁴ For the South Bay Region, Cal Water propose one consolidated area for both ratemaking and tariff purposes so that Dominguez and Hermosa-Redondo customers are subject to the same set of tariffs.

In the event the proposed consolidations are not approved, the table **below** reflects the proposed revenue increases at the individual district level:

2021 GRC Revenue Increases Summary						
Info only Districts	2023 \$ change	2023 % change	2024 \$ change	2024 % change	2025 \$ change	2025 % change
Chico	\$2,768,533	10.4%	\$1,618,283	5.5%	\$1,581,596	5.1%
Oroville	\$615,280	11.0%	\$358,429	5.7%	\$351,852	5.3%
Dominguez	\$8,709,081	11.7%	\$4,000,332	4.8%	\$4,441,352	5.1%
Hermosa Redondo	\$3,232,127	9.5%	\$1,744,382	4.7%	\$1,743,897	4.5%

B) Current Ratemaking Area Summary Tables

The tables below comply with the Section I.A of the Commission’s “Minimum Data Requirements” by comparing the proposed revenue, rate base, and expense changes to the last adopted data for 2020 and the last recorded data for 2020.⁵ These comparisons are only provided for existing ratemaking areas.⁶

Bakersfield District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$79,994,069	\$82,050,884	\$90,055,562
Rate Base \$	\$183,797,813	\$174,700,746	\$256,011,279
Rate Base \$ Difference	n/a	(\$9,097,067)	\$72,213,465
Rate Base % Difference	n/a	-4.9%	39.3%
Operating Expenses	\$66,245,993	\$70,324,019	\$70,905,918
Operating Expense \$ Difference	n/a	\$4,078,026	\$4,659,925
Operating Expense % Difference	n/a	6.2%	7.0%
Rate of Return	7.48%	6.71%	7.48%

⁵ 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).

⁶ For ratemaking purposes, Cal Water also provides data for a theoretical “district” consisting solely of one capital project: the Palos Verdes Peninsula Water Reliability Project. In D.20-12-007, the parties agreed that this would be an acceptable regulatory mechanism to calculate the additional rates that should be applied to Palos Verdes customers (and not to other customers in the Los Angeles County Region) because only they benefit from the project, which was of an unprecedented size.

Bay Area Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$92,043,643	\$91,920,496	\$107,477,631
Rate Base \$	\$174,460,298	\$164,893,800	\$266,182,211
Rate Base \$ Difference	n/a	(\$9,566,498)	\$91,721,913
Rate Base % Difference	n/a	-5.5%	52.6%
Operating Expenses	\$78,994,013	\$79,357,116	\$87,567,202
Operating Expense \$ Difference	n/a	\$363,103	\$8,573,189
Operating Expense % Difference	n/a	0.5%	10.9%
Rate of Return	7.48%	7.62%	7.48%

Bear Gulch District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$56,914,288	\$56,365,434	\$67,251,950
Rate Base \$	\$139,810,586	\$126,014,831	\$205,691,999
Rate Base \$ Difference	n/a	(\$13,795,755)	\$65,881,413
Rate Base % Difference	n/a	-9.9%	47.1%
Operating Expenses	\$46,456,456	\$49,826,846	\$51,866,188
Operating Expense \$ Difference	n/a	\$3,370,390	\$5,409,733
Operating Expense % Difference	n/a	7.3%	11.6%
Rate of Return	7.48%	5.19%	7.48%

Chico District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$26,446,196	\$26,664,152	\$29,359,833
Rate Base \$	\$69,388,827	\$66,116,997	\$81,532,338
Rate Base \$ Difference	n/a	(\$3,271,830)	\$12,143,511
Rate Base % Difference	n/a	-4.7%	17.5%
Operating Expenses	\$21,255,912	\$22,334,393	\$23,261,214
Operating Expense \$ Difference	n/a	\$1,078,481	\$2,005,302
Operating Expense % Difference	n/a	5.1%	9.4%
Rate of Return	7.48%	6.55%	7.48%

Dixon District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$6,030,985	\$6,038,262	\$6,692,963
Rate Base \$	\$21,777,330	\$20,268,316	\$23,839,483
Rate Base \$ Difference	n/a	(\$1,509,014)	\$2,062,153
Rate Base % Difference	n/a	-6.9%	9.5%
Operating Expenses	\$4,402,040	\$4,135,428	\$4,909,770
Operating Expense \$ Difference	n/a	(\$266,612)	\$507,730
Operating Expense % Difference	n/a	-6.1%	11.5%
Rate of Return	7.48%	9.39%	7.48%

Dominguez District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$71,087,645	\$71,942,275	\$83,059,781
Rate Base \$	\$117,876,708	\$89,399,033	\$144,746,548
Rate Base \$ Difference	n/a	(\$28,477,676)	\$26,869,839
Rate Base % Difference	n/a	-24.2%	22.8%
Operating Expenses	\$62,270,468	\$66,314,982	\$72,232,739
Operating Expense \$ Difference	n/a	\$4,044,515	\$9,962,272
Operating Expense % Difference	n/a	6.5%	16.0%
Rate of Return	7.48%	6.29%	7.48%

East Los Angeles District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$38,096,978	\$39,042,107	\$42,726,128
Rate Base \$	\$103,093,017	\$113,752,448	\$133,632,616
Rate Base \$ Difference	n/a	\$10,659,430	\$30,539,598
Rate Base % Difference	n/a	10.3%	29.6%
Operating Expenses	\$30,385,620	\$32,398,749	\$32,730,408
Operating Expense \$ Difference	n/a	\$2,013,129	\$2,344,788
Operating Expense % Difference	n/a	6.6%	7.7%
Rate of Return	7.48%	5.84%	7.48%

Hermosa Redondo District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$32,846,431	\$32,997,737	\$37,119,893
Rate Base \$	\$60,192,672	\$52,664,072	\$72,976,328
Rate Base \$ Difference	n/a	(\$7,528,600)	\$12,783,656
Rate Base % Difference	n/a	-12.5%	21.2%
Operating Expenses	\$28,344,019	\$30,059,763	\$31,661,264
Operating Expense \$ Difference	n/a	\$1,715,744	\$3,317,245
Operating Expense % Difference	n/a	6.1%	11.7%
Rate of Return	7.48%	5.58%	7.48%

Kern River Valley District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$7,159,277	\$6,784,106	\$7,954,792
Rate Base \$	\$19,924,758	\$18,611,010	\$24,585,583
Rate Base \$ Difference	n/a	(\$1,313,749)	\$4,660,825
Rate Base % Difference	n/a	-6.6%	23.4%
Operating Expenses	\$5,668,905	\$6,038,795	\$6,115,790
Operating Expense \$ Difference	n/a	\$369,890	\$446,885
Operating Expense % Difference	n/a	6.5%	7.9%
Rate of Return	7.48%	4.00%	7.48%

Livermore District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$25,155,111	\$25,435,510	\$29,749,441
Rate Base \$	\$49,208,121	\$50,172,072	\$75,287,144
Rate Base \$ Difference	n/a	\$963,950	\$26,079,023
Rate Base % Difference	n/a	2.0%	53.0%
Operating Expenses	\$21,474,343	\$22,730,972	\$24,117,962
Operating Expense \$ Difference	n/a	\$1,256,628	\$2,643,619
Operating Expense % Difference	n/a	5.9%	12.3%
Rate of Return	7.48%	5.39%	7.48%

Los Altos District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$41,631,358	\$41,544,642	\$45,337,227
Rate Base \$	\$76,868,232	\$77,213,111	\$115,292,633
Rate Base \$ Difference	n/a	\$344,879	\$38,424,401
Rate Base % Difference	n/a	0.4%	50.0%
Operating Expenses	\$35,881,614	\$37,139,362	\$36,713,338
Operating Expense \$ Difference	n/a	\$1,257,748	\$831,724
Operating Expense % Difference	n/a	3.5%	2.3%
Rate of Return	7.48%	5.71%	7.48%

Los Angeles County Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$53,406,908	\$54,843,357	\$58,039,733
Rate Base \$	\$75,600,419	\$68,119,057	\$101,457,585
Rate Base \$ Difference	n/a	(\$7,481,363)	\$25,857,166
Rate Base % Difference	n/a	-9.9%	34.2%
Operating Expenses	\$47,751,997	\$50,606,866	\$50,450,706
Operating Expense \$ Difference	n/a	\$2,854,870	\$2,698,709
Operating Expense % Difference	n/a	6.0%	5.7%
Rate of Return	7.48%	6.22%	7.48%

Marysville District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$4,182,997	\$4,168,555	\$4,844,526
Rate Base \$	\$11,462,822	\$12,599,679	\$16,571,094
Rate Base \$ Difference	n/a	\$1,136,858	\$5,108,273
Rate Base % Difference	n/a	9.9%	44.6%
Operating Expenses	\$3,325,578	\$3,607,565	\$3,605,008
Operating Expense \$ Difference	n/a	\$281,987	\$279,430
Operating Expense % Difference	n/a	8.5%	8.4%
Rate of Return	7.48%	4.45%	7.48%

Oroville District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$5,453,704	\$5,489,455	\$6,233,751
Rate Base \$	\$13,176,630	\$13,860,579	\$17,940,837
Rate Base \$ Difference	n/a	\$683,950	\$4,764,208
Rate Base % Difference	n/a	5.2%	36.2%
Operating Expenses	\$4,468,092	\$4,878,801	\$4,891,776
Operating Expense \$ Difference	n/a	\$410,709	\$423,684
Operating Expense % Difference	n/a	9.2%	9.5%
Rate of Return	7.48%	4.41%	7.48%

Palos Verdes Pipeline District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$0	\$2,627,007	\$11,654,687
Rate Base \$	\$0	\$42,091,610	\$90,236,797
Rate Base \$ Difference	n/a	\$42,091,610	\$90,236,797
Rate Base % Difference	n/a	n/a	n/a
Operating Expenses	\$0	\$0	\$4,904,975
Operating Expense \$ Difference	n/a	\$0	\$4,904,975
Operating Expense % Difference	n/a	n/a	n/a
Rate of Return	#DIV/0!	6.24%	7.48%

Salinas Valley Region			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$37,956,811	\$37,559,993	\$43,778,725
Rate Base \$	\$120,381,444	\$114,262,225	\$148,287,475
Rate Base \$ Difference	n/a	(\$6,119,219)	\$27,906,031
Rate Base % Difference	n/a	-5.1%	23.2%
Operating Expenses	\$28,952,279	\$30,287,452	\$32,686,822
Operating Expense \$ Difference	n/a	\$1,335,173	\$3,734,543
Operating Expense % Difference	n/a	4.6%	12.9%
Rate of Return	7.48%	6.36%	7.48%

Selma District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$5,840,057	\$6,031,509	\$5,549,703
Rate Base \$	\$14,812,050	\$13,791,779	\$13,427,854
Rate Base \$ Difference	n/a	(\$1,020,271)	(\$1,384,196)
Rate Base % Difference	n/a	-6.9%	-9.4%
Operating Expenses	\$4,732,116	\$4,915,171	\$4,545,300
Operating Expense \$ Difference	n/a	\$183,056	(\$186,816)
Operating Expense % Difference	n/a	3.9%	-4.0%
Rate of Return	7.48%	8.09%	7.48%

Stockton District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$56,576,422	\$56,508,694	\$65,207,936
Rate Base \$	\$151,505,748	\$138,436,575	\$194,559,829
Rate Base \$ Difference	n/a	(\$13,069,173)	\$43,054,082
Rate Base % Difference	n/a	-8.6%	28.4%
Operating Expenses	\$45,243,792	\$48,521,530	\$50,654,860
Operating Expense \$ Difference	n/a	\$3,277,738	\$5,411,068
Operating Expense % Difference	n/a	7.2%	12.0%
Rate of Return	7.48%	5.77%	7.48%

Travis District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$1,967,192	\$1,963,713	\$3,403,216
Rate Base \$	\$2,914,809	\$1,974,852	\$11,766,802
Rate Base \$ Difference	n/a	(\$939,957)	\$8,851,993
Rate Base % Difference	n/a	-32.2%	303.7%
Operating Expenses	\$1,749,164	\$1,980,195	\$2,523,060
Operating Expense \$ Difference	n/a	\$231,031	\$773,896
Operating Expense % Difference	n/a	13.2%	44.2%
Rate of Return	7.48%	-0.83%	7.48%

Visalia District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$29,325,859	\$29,238,261	\$32,935,373
Rate Base \$	\$61,228,962	\$59,547,598	\$78,642,543
Rate Base \$ Difference	n/a	(\$1,681,365)	\$17,413,580
Rate Base % Difference	n/a	-2.7%	28.4%
Operating Expenses	\$24,745,932	\$25,847,470	\$27,052,911
Operating Expense \$ Difference	n/a	\$1,101,538	\$2,306,979
Operating Expense % Difference	n/a	4.5%	9.3%
Rate of Return	7.48%	5.69%	7.48%

Westlake District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$20,503,930	\$20,916,616	\$22,554,916
Rate Base \$	\$22,981,929	\$31,294,274	\$38,309,323
Rate Base \$ Difference	n/a	\$8,312,345	\$15,327,394
Rate Base % Difference	n/a	36.2%	66.7%
Operating Expenses	\$18,784,882	\$19,465,795	\$19,689,378
Operating Expense \$ Difference	n/a	\$680,913	\$904,497
Operating Expense % Difference	n/a	3.6%	4.8%
Rate of Return	7.48%	4.64%	7.48%

Willows District			
Comparison Between Proposed Last Adopted, Last Recorded and Proposed Test Year			
(Dollars in Thousands)			
	Last Test Year Adopted (2020)	Last Recorded Year 2020	Proposed Test Year 2023
Total Revenue Requirement	\$3,881,920	\$3,980,182	\$4,159,294
Rate Base \$	\$11,358,020	\$12,173,865	\$13,803,415
Rate Base \$ Difference	n/a	\$815,845	\$2,445,395
Rate Base % Difference	n/a	7.2%	21.5%
Operating Expenses	\$3,032,340	\$2,944,923	\$3,126,798
Operating Expense \$ Difference	n/a	(\$87,418)	\$94,458
Operating Expense % Difference	n/a	-2.9%	3.1%
Rate of Return	7.48%	8.50%	7.48%

C) Special Requests

1. Special Request #1: Enhancing Affordability through Consolidation

To continue addressing more immediate affordability concerns of its customers, Cal Water proposes to consolidate the Chico and Oroville Districts into a “North Valley Region.” Additionally, Cal Water proposes to consolidate the Dominguez and Hermosa-Redondo Districts into a “South Bay Region” to improve operational reliability, address low water pressure and resiliency in the areas, and enhance long-term affordability.

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 CAP customers in the Kern River Valley District. In this GRC, Cal Water proposes to retain the RSF subsidies for all three districts – Dixon, Kern River Valley, and Willows – with updated amounts.

3. Special Request #3: Authorizing Monterey-Style WRAM and ICBA

In response to the Commission’s decision in D.20-08-047 to preclude any request to continue the full decoupling WRAM/MCBA, Cal Water is proposing a Monterey-Style WRAM (“M-WRAM”) for each ratemaking area. While not a decoupling tool, the M-WRAM is a rate design tool intended to address the uncertainty associated with the increasing block rates (tiered rates) for residential customers.

In accordance with Public Utilities Code Section 792.5, Cal Water also proposes Incremental Cost Balancing Accounts (“ICBA”) for purchased water, purchased power and pump taxes, as applicable, for each ratemaking area. Additionally, for the Purchased Power ICBA, Cal Water is proposing a simplified methodology to reduce the administrative burden on the company and Commission staff.

4. Special Request #4: Re-Authorizing Sales Reconciliation Mechanism (“SRM”)

Cal Water proposes to retain the Sales Reconciliation Mechanism program with no changes to the methodology adopted in the 2018 GRC. Cal Water believes the SRM is working as designed by making real time adjustments to forecasted sales for the next year based on changes in sales during the previous year. Cal Water has implemented SRM adjustments every year for a significant number of its districts in all of its escalation years (2015, 2016, 2018, 2019, and 2021) since its original approval in August 2014.

5. Special Request #5: Authorizing Multi-GRC Capital Projects

Cal Water has certain capital projects that, if addressed with proper forethought and planning, necessarily span multiple general rate case cycles. In this case, there are several projects that Cal Water considers to be essential to maintain a safe, dependable water supply, but that will not be completed until the next rate case cycle. In this rate case, Cal Water proposes that the Commission approve them as “conditional” advice letter projects to allow them to continue to move forward, if merited, without delay. They would not be included in base rates, however, until they are used and useful in 2025 or later or as otherwise determined in Cal Water’s 2024 GRC proceeding. The customer notice of Cal Water’s 2024 GRC Application would in any case include the revenue increase associated with these projects. This approach has benefit of allowing interested parties to review the projects at multiple stages, while minimizing the delays and inefficiencies that would otherwise result from waiting for project approval through the next GRC process.

6. Special Request #6: 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.

7. Special Request #7: Taxable Grants – Affordability Proposal

Among the federal tax law changes adopted in the Tax Cuts and Jobs Acts of 2017 is the imposition of federal income taxes on government grants. This law impacts investor-owned utilities if they receive funds directly from a public agency to offset costs that would otherwise be borne by their customers. Cal Water believes it is in the best interest of its customers to continue to pursue grants to fund necessary plant improvements and additions, especially in its smaller districts. Cal Water is proposing that it be allowed to include the taxes paid on a grant in the rate base of CSS as a means to minimize the revenue impact to the district receiving the grant.

8. Special Request #8: Request to Update 2021 GRC Application for Significant Changes in Federal Tax Law

If implemented, the “Made in America Tax Plan” (“Tax Plan”) currently under discussion will significantly increase federal income taxes on public utilities. As the Tax Plan was just published by the U.S. Department of the Treasury in April 2021, it is unknown what changes will be adopted and when they will become effective. When the changes of the Tax Plan are known and finalized, Cal Water requests the opportunity to update its 2021 GRC application (in consultation with Cal Advocates) to reflect those changes in future rates.

9. Special Request #9: Memo Account for Palos Verdes Pipeline Disputed Claims

Despite the August 2020 completion of the Palos Verdes Peninsula Water Reliability Project (“PVPWRP” or “PV Pipeline”), which consists of two projects that are vital for conveying water throughout the Palos Verdes area, Cal Water is in negotiations with its contractor regarding who should bear certain unanticipated costs incurred for construction of the mainlines. While all undisputed costs associated with the PV Pipeline have been included in Cal Water’s proposed revenue requirement in this case, there are significant unresolved issues that may result in additional costs. Due to the uncertainty and sensitivity related to the company’s ongoing negotiations regarding the disputed claims, Cal Water requests authority to open a memorandum account to track all incremental capital-related costs (depreciation expense, ad

valorem and income taxes, and return), legal costs, and other expenses associated with bringing the matter to a resolution, starting January 1, 2023.

10. Special Request #10: Memo Account for Groundwater Charges

Cal Water requests authority to open a Sustainable Groundwater Management Act Memorandum Account (“SGMA MA”). With the formation of groundwater sustainability agencies (“GSAs”), Cal Water may be subject to assessments in areas where we pump groundwater for water supply. Cal Water is currently being assessed minor administrative fees in a few of its districts which are generally included in base rates. However, GSAs may implement significant assessments to fund region wide large capital projects to meet sustainability goals imposed by the state.

11. Special Request #11: Extending Certain Balancing and Memo Accounts

Cal Water proposes to extend the 2018 Tax Accounting Memorandum Account (“TAMA”) and the Asbestos Litigation Memorandum Account (“ALMA”) because the reasons for originally opening these accounts are still present. With regard to the TAMA, federal tax laws aimed at incentivizing infrastructure improvements will create opportunities for Cal Water to pursue grant opportunities, however the taxes on those grants should continue to be tracked in the TAMA for later Commission consideration. With regard to the ALMA, Cal Water continues to be faced with asbestos lawsuits. For both of these accounts, Cal Water proposes to extend them to December 31, 2025, the end of this rate case period.

12. Special Request #12: Amortizing Certain Balancing and Memo Accounts

The Commission has expressed concerns recently about multiple authorized rate changes that occur between general rate cases, other than those due to escalation. Accordingly, Cal Water requests approval in this GRC application to amortize the balances in the following balancing and memo accounts via Tier 1 and 2 advice letters: Conservation Expense Balancing Account (“CEBA 4”), Pension Cost Balancing Account (“PCBA 4”), Healthcare Cost Balancing Account (“HCBA 4”), General District Balancing Account (“District BA”), Lead Service Line Memorandum Account (“LSL MA”), and Chromium 6 Memorandum Account (“Cr6 MA”).

13. Special Request #13: Re-Authorizing Balancing and Memo Accounts

For the rate case period of 2023-2025, Cal Water requests re-authorization of the following balancing accounts: Conservation Expense Balancing Account (“CEBA5”), Pension Cost Balancing Account (“PCBA5”), Health Cost Balancing Account (“HCBA5”). These accounts have been re-authorized in several of Cal Water’s previous GRCs.

14. Special Request #14: Using Capital Projects “In Service” for Earnings Test

Once a capital project becomes used and useful, Cal Water’s accounting system reclassifies the capital project from “Open” to In-service,” and stops accruing amounts for AFUDC (Allowance for Funds During Construction). Cal Water will then wait until all accounting and administrative processes are completed before reclassifying the capital projects from “In-Service” and “Closed” to a fixed asset as defined by the Uniform System of Accounts (ie. Well, pump, water mainline). This last process can last months. Traditionally, regardless of the fact that an “In-service” capital project is used and useful, Cal Water has not included it as part of utility plant in its earning test calculations until it is “Closed” to a fixed assets.

For the earnings test required for escalation increases authorized in its GRC decisions, Cal Water requests approval to include in utility plant all used and useful capital additions, regardless of their accounting definition.

15. Special Request #15: Updating Escalation Factors for Final Rates

The Commission publishes escalation rates on a monthly basis. Cal Water files its application in July 2021 using escalation factors published in April 2021. 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. Recent economic forecasts are projecting increases in inflation that could more than double that of current rates. Cal Water requests that the Water Division use the most current Commission escalation rates when calculating the final revenue requirement and rates for the final decision in this proceeding.

16. Special Request #16: 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.

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 CPUC located in 21 ratemaking area throughout the state.
- C. Cal Water currently has an outstanding request for a CPCN before the Commission to provide service to a proposed Millerton District in Madera County as an additional regulated ratemaking area (A.21-01-012).
- D. 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.
- E. Applicant's most recent financial statements are in the 2021 Proxy Statement provided as **Attachment B** to this Application.
- F. 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
Vice-President, California Rates
California Water Service Company
1720 N. First Street
San Jose, California 95112
Telephone: (408) 367-8498
gmilleman@calwater.com

With copies to:

Natalie D. Wales
Director of Regulatory Policy
California Water Service Company
1720 N. First Street
San Jose, California 95112
Telephone: (408) 367-8566
nwales@calwater.com

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), however suggests that Cal Water and the California Public Advocates Office develop and submit a joint proposed schedule in advance of the Prehearing Conference in this case.

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	
2021 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	Company-Wide Reports (Witness)	Short Title
1	General Report (Milleman)	General Report
2	Additional Testimony Book (various)	Additional Testimony
3	Unregulated and Affiliate Operations Report (Milleman)	Unregulated Report
4	M.Cubed Reports – Conservation, Sales and Services, and Rate Design (M.Cubed)	M.Cubed Reports
5A	Metro Districts Depreciation Study as of December 31, 2019 (Robinson) (consists of 3 books)	Depreciation Reports
5B	Valley Districts Depreciation Study as of December 31, 2019 (Robinson) (consists of 3 books)	
6	Minimum Data Requirements Book (Milleman)	MDR Book
7	Report on Lead-Lag Study (Milleman)	Lead-Lag Study
Area-Specific Reports (Witness)		Short Title
8 (22 total)	Results of Operations Reports ⁷ (Milleman) Att. A: RO Workpapers and Plant Tables Att. B: Plant Additions for 5 Recorded Years Att. C: Additional Capital Project Justifications Att. D: Details of ACB Projects Below Threshold Att. E: Details of Non-Specific Carryover Projects	RO Reports

⁷ There are RO Reports for the following areas: BAR, BKD, BG, CHI, DIX, DOM, ELA, HR, KRV, LIV, LAR, LAS, MRL, ORO, SEL, STK, SVR, TRA, VIS, WLK, WIL, and CSS.

	Att. F: O&M and A&G by USOA Att. G: Current & Proposed Depreciation Rates [Note: Area-specific issues are included in some RO Reports as Attachment H]	
9 (24 total)	Urban Water Management Plans ⁸	UWMPs
10 (25 total)	Capital Project Justification Books ⁹ (Devries)	PJ Books
11 (24 total)	Public* Water Supply & Facilities Master Plans ¹⁰	WS&FMPs

* 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:

1. The present rates authorized for Cal Water’s 21 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.

⁸ There are Urban Water Management Plans 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.

⁹ There are public Capital Project Justification 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, and Common Plant. In addition, there are public and **confidential** versions of the Physical Security Project Justification books.

¹⁰ There are Water Supply & Facilities Master Plans 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.

Respectfully Submitted,

//s//

GREG A. MILLEMAN
1720 N. First Street
San Jose, California 95112
Telephone: (408) 367-8498
gmilleman@calwater.com

Vice-President, California Rates
California Water Service Company

Dated: July 1, 2021

//s//

NATALIE D. WALES
1720 North First Street
San Jose, California 95112
Phone: (408) 367-8566
nwales@calwater.com

Director, Regulatory Policy & Compliance
California Water Service Company

VERIFICATION

I, Greg A. Milleman, declare and say that I am an officer, to wit, Vice President, California Rates, of California Water Service Company, a California corporation. I make this verification on behalf of said corporation that I know the contents of the company's 2021 General Rate Case Application, submitted to the California Public Utilities Commission on July 1, 2021 pursuant to the Rate Case Plan (D.07-05-062), and that the contents of the Application are true and complete to the best of my knowledge.

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

Executed on July 1, 2021 in San Jose, California.

/s/ GREG A. MILLEMAN

Greg A. Milleman
Vice President, California Rates
California Water Service Company