

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 5, 2018

Jeffrey T. Linam
Vice President of Rates & Regulatory
California-American Water Company
4701 Beloit Drive
Sacramento, CA 95838-2434

Dear Mr. Linam,

The Commission has approved California-American Water Company's Advice Letter No. 1194, filed on March 30, 2018, regarding your requesting recovery of the 2017 WRAM and MCBA balances for the San Diego District.

Enclosed are copies of the following revised tariff sheets for the utility's files:

<u>P.U.C. Sheet No.</u>	<u>Title of Sheet</u>
8778-W	Schedule No. SD-1 (continued) San Diego District Tariff Area GENERAL METERED SERVICE
8779-W	TABLE OF CONTENTS Page 3
8780-W	TABLE OF CONTENTS Page 1

Please contact Bradley Leong at 415-703-2307, if you have any questions.

Thank you,

/s/ROBIN BRYANT

Robin Bryant
Water & Sewer Advisory Branch
Division of Water and Audits

Enclosures

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: California American Water
District: San Diego
CPUC Utility #: U210W
Advice Letter #: 1194
Tier 1 2 3 Compliance
D.08-11-023, D.12-04-048,
Authorization D.13-07-041
Description: 2017 WRAM & MCBA

Date Mailed to Service List: March 30, 2017
Protest Deadline (20th Day): April 19, 2017
Review Deadline (30th Day): April 29, 2017
Requested Effective Date: March 31, 2017
Rate Impact: \$See AL
See AL%

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Lakhjit Thind
Phone: 916-568-4233
Email: lakhjit.thind@amwater.com

Utility Contact: Melody Singh
Phone: 916-568-4246
Email: melody.singh@amwater.com

DWA Contact: Tariff Unit
Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



4701 Beloit Drive
Sacramento, CA 95838
www.amwater.com

P (916)-568-4251
F (916) 568-4260

March 30, 2018

ADVICE LETTER NO. 1194

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (Cal-Am) (U210W) hereby submits for review this advice letter including the following tariff sheets applicable to its San Diego District which are attached hereto:

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
8778-W	Schedule No. SD-1 (continued) San Diego District Tariff Area GENERAL METERED SERVICE	8531-W
8779-W	TABLE OF CONTENTS (continued) Page 3	8776-W
8780-W	TABLE OF CONTENTS Page 1	8777-W

PURPOSE

The purpose of this advice letter filing is to request recovery of the 2017 WRAM & MCBA balances. This request is in compliance with authorizations of the California Public Utilities Commission as detailed in D.08-11-023, D.12-04-048, and D.13-07-04714.

BACKGROUND

On November 6, 2008, the Commission issued Ordering Paragraph 2 of D.08-11-023 which adopted a settlement agreement between Cal-Am, the Division of Ratepayer Advocates (“DRA”) and the Mark West Area Community Services Committee to establish a Pilot Program for a conservation rate structure in the San Diego district;

The June 30, 2008 settlement for the San Diego district, attached as Appendix B, is adopted and the motion to waive the comment period is granted.

As part of the settlement, Cal-Am was to establish a WRAM and MCBA as outlined below from pages 2, 6 and 7 of the agreement;

The Parties agree that the conservation rate design and related decoupling mechanisms (WRAM and MCBA) constitute a Pilot Program to become effective within 90 days after a Commission decision adopting the proposed settlement...

The WRAM will track the difference between the total quantity charge revenues authorized by the Commission (“Total Adopted Quantity Revenues”), and the total revenues actually

recovered through the quantity charge based on actual sales ("Total Actual Quantity Revenues"), excluding revenue from Private Fire Protection Service (Schedule No. LW-4).

A Modified Cost Balancing Account (MCBA) will replace any "incremental cost balancing accounts" (ICBAs) that California American Water currently has in its San Diego District... The MCBA will capture the cost savings and cost increases associated with purchased water, purchased power, and pump taxes (all of which are recovered through the quantity charge under both the current and proposed rate designs)... In particular, for purchased water, purchased power, and pump taxes, the MCBA will track the difference between the total variable costs authorized by the Commission ("Total Adopted Variable MCBA Costs") and the total variable costs actually incurred ("Total Actual Variable MCBA Costs")..

Cal-Am implemented the Pilot Program on February 1, 2009 via Advice Letter 719-A.

Historically, these types of advice letters were submitted by April 30th each year per the settlement agreement adopted in D.08-11-023. On July 25, 2013, modifications to the process were agreed to in D.13-07-041 as part of a settlement in Cal-Am's 2010 General Rate Case ("GRC") proceeding;

The parties agree that California American Water would use the same amortization schedules and procedures that were established for other Class A water utilities in D.12-04-048 for the WRAM/MCBA in all districts. This includes:

- 1. Amortization of net WRAM/MCBA balances at or above 2% of the last authorized revenue requirement, as described in Ordering Paragraph 2;*
- 2. The process to not initiate the cap until 2015, which is the first test year of the GRC to be filed July 1, 2013, as discussed in Ordering Paragraph 3;...*
- 3. A vigorous review of the WRAM/MCBA as well as sales forecasting to be conducted in the next GRC (Test Year 2015), as discussed in Ordering Paragraph 3;*
- 4. Cal Am will submit its annual request for amortization of net WRAM/MCBA balances by a Tier 1 advice letter on or before March 31, as described in Ordering Paragraph 5;*
- 5. California American cannot include any additional type or category of cost in their Tier 1 Advice Letters that was not included in their Annual Report as described in Ordering Paragraph 9;*
- 6. California American Water will separate the WRAM/MCBA surcharges on customer bills if it is capable of doing so with its new billing system, as discussed for other utilities in Ordering Paragraph 10.*

Additional criteria on the WRAM amortization process were outlined in D.12-04-048 as follows;

Conclusions of Law

- 7. It is reasonable to require that net WRAM/MCBA over-collections be amortized through a surcredit on a customer's service charges and that all under-collections be amortized through a surcharge on the volumetric rate.*

8. *It is reasonable to change the deadline for applicants to submit their annual WRAM/MCBA report from March 31st to the previous November 30th, and to include nine months of recorded data through September 30th in the report.*

Ordering Paragraphs

1. *We adopt the amortization schedule set forth in Appendix A with a cap on total net Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA) surcharges of 10% of the last authorized revenue requirement...WRAM balances incurred prior to the first test year referenced above continue to be amortized under the adopted amortization schedule without being subject to the surcharge cap.*

California American Water submitted its annual report with DWA on November 30, 2017. The report contained recorded balances January 1 through December 31, 2017.

REQUEST

The balances for the WRAM and MCBA are summarized in the table below.

Recovery of WRAM/MCBA Balances			
Description	WRAM/MCBA Over/(Under) Collection	Cumulative Interest Earned/ Accrued	Balance
Prior Year Balance	(\$1,452,148)	(\$20,316)	(\$1,472,464)
Current Year Balance	(\$2,975,180)	(\$19,343)	(\$2,994,522)
Total Balance Requested	(\$4,427,328)	(\$39,659)	(\$4,466,987)
2017 Adopted Revenue			\$27,176,034
Total Balance % of Revenue			16.4%

Based on the above balance and the adopted amortization schedule per D.12-04-048 Appendix A, California American Water requests a volumetric surcharge of \$0.0791 per 100 gallons over a 20 month period be added to the Company's tariffs.

SERVICE LIST

Pursuant to Section 4.3 of General Order No. 96-B, a copy of this advice letter is being sent to those entities listed in the attached service list. Copies of the detailed workpapers and the documents supporting this Advice Letter have also been furnished to the Commission Staff.

EFFECTIVE DATE

Cal-Am submits this as a Tier 1 advice letter per D.13-07-041 and requests an effective date of March 31, 2018.

RESPONSE OR PROTEST¹

Anyone may submit a response or protest for this AL. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

A **response** supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A **protest** objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds² are:

1. The utility did not properly serve or give notice of the AL;
2. The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
3. The analysis, calculations, or data in the AL contain material error or omissions;
4. The relief requested in the AL is pending before the Commission in a formal proceeding; or
5. The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
6. The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility. A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

DWA must receive a response or protest via email (**or** postal mail) within 20 days of the date the AL is filed. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

The addresses for submitting a response or protest are:

Email Address: Water.Division@cpuc.ca.gov	Mailing Address: CA Public Utilities Commission Division of Water and Audits 505 Van Ness Avenue San Francisco, CA 94102
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On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

Recipients: Melody Singh <i>Manager of Rates & Regulatory</i>	E-Mail: melody.singh@amwater.com	Mailing Address: 4701 Beloit Drive Sacramento, CA 95838 Fax: (916) 568-4246
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¹ G.O. 96-B, General Rule 7.4.1
² G.O. 96-B, General Rule 7.4.2

Sarah E. Leeper.....	sarah.leeper@amwater.com	555 Montgomery Street, Ste. 816 San Francisco, CA 94111 Fax: (415) 863-0615
 ca.rates.....	 ca.rates@amwater.com	 4701 Beloit Drive Sacramento, CA 95838 Fax: (916) 568-4260

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the 20-day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

REPLIES³

The utility shall reply to each protest and may reply to any response. Any reply must be received by DWA within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.

The actions requested in this advice letter are not now the subject of any formal filings with the California Public Utilities Commission, including a formal complaint, nor action in any court of law.

If you have not received a reply to your protest within 10 business days, contact this person at (916) 568-4209.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Jeffrey T. Linam

Jeffrey T. Linam
Vice President of Rates & Regulatory

³ G.O. 96-B, General Rule 7.4.3

Schedule No. SD-1 Continued
San Diego County District Tariff Area
General Metered Service

Sheet 4

Fees and Surcharges (Continued):

9. Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) Surcharge.

- a. A surcharge is included in each bill to recover the net under-collection in the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA). For the period ending December 31, 2017, the net under-collection totals \$4,466,987 including interest. The surcharge is \$0.0791 per 100 gallons and will remain effective for 20 months beginning March 31, 2018.

(C)
(I)
(C)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice 1194

J. T. LINAM

Date Filed 03/30/2018

Decision

DIRECTOR - Rates & Regulatory

Effective 03/31/2018

Resolution _____

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Sheet 3

SUBJECT MATTER OF SHEET

C.P.U.C. SHEET NO.

RATE SCHEDULES (Continued):

(Ambler Park, Ralph Lane & Chualar Service Areas)

MO-ARC-1 General Metered Service 8738-W, 8739-W, 8693-W, 8519-W, 8027-W, 7642-W, 8672-W

(Toro)

MO-TO-1 General Metered Service 8740-W, 8775-W, 8019-W, 7644-W

(Garrapata)

MO-GA-2F Flat Rate Service 8741-W, 8170-W

Sacramento District

SC-1 General Metered Service 8726-W, 8727-W, 8687-W, 8028-W, 7635-W

SC-DU-1 General Metered Service 8728-W

SC-DU-1F Flat Rate Service 8729-W

SC-GY-1 General Metered Service 8730-W

SC-GY-1F Flat Rate Service 8731-W

SC-MB-1 General Metered Service 8732-W, 8522-W

San Diego County District

SD-1 General Metered Service 8733-W, 8734-W, 8699-W, 8778-W, 8013-W, 7624-W (C)

Ventura County District

VN-1 General Metered Service 8735-W, 8736-W, 8772-W, 8014-W, 7627-W

VN-9MC Metered Construction Service 8737-W, 8549-W, 8015-W, 7629-W

(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice 1194

J. T. LINAM

Date Filed 03/30/2018

Decision

DIRECTOR - Rates & Regulatory

Effective 03/31/2018

Resolution

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Sheet 1

<u>SUBJECT MATTER OF SHEET</u>	<u>C.P.U.C. SHEET NO.</u>
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<u>SERVICE AREA MAP:</u> California-American Water Company	5470-W
Larkfield	6569-W
Los Angeles County Baldwin Hills Duarte San Marino	6570-W 6571-W, 6572-W, 6578-W 6573-W, 6574-W, 6575-W, 6576-W, 8211-W
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(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice 1194
Decision

J. T. LINAM
DIRECTOR - Rates & Regulatory

Date Filed 03/30/2018
Effective 03/31/2018
Resolution

SAN DIEGO COUNTY DISTRICT SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1194

BY MAIL:

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320 West 4th Street, Suite 500
Los Angeles, CA 90013

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San Jose, CA 95161-9062

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West Sacramento, CA 95798-9052
Gregory J. Smith, County Clerk
County of San Diego
County Administration Center
1600 Pacific Highway, Room 260

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SAN DIEGO COUNTY DISTRICT SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1194

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