

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



January 29, 2018

Jeffrey T. Linam  
Director – Rates & Regulation  
California-American Water Company  
4701 Beloit Dr.  
Sacramento, CA 95838-2434

Dear Mr. Linam,

The Commission has approved California-American Water Company's Advice Letter No. 52-S, filed on December 29, 2017, regarding establishing the 2018 Tax Accounting Memorandum Account to track the impact on Commission-jurisdictional revenue requirements caused by changes in the business tax rate and other potential tax code changes from the 2018 Federal Tax Law.

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>
220-S	Preliminary Statement
221-S	Preliminary Statement Summary Table
222-S	Table of Contents (Page 1)

Please contact Jim Boothe at 415-703-1748, 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**

<b>Utility Name:</b> California American Water	<b>Date Mailed to Service List:</b> December 29, 2017
<b>District:</b> All Districts	
<b>CPUC Utility #:</b> U210W	<b>Protest Deadline (20<sup>th</sup> Day):</b> January 18, 2018
<b>Advice Letter #:</b> 52-S	<b>Review Deadline (30<sup>th</sup> Day):</b> January 28, 2018
<b>Tier</b> <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> Compliance	<b>Requested Effective Date:</b> January 1, 2018
<b>Authorization</b> GO 96-B	
<b>Description:</b> Changes in Federal Tax Rates for 2018	<b>Rate Impact:</b> \$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 Singh  
**Phone:** 916-568-4233  
**Email:** lakhjit.singh@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](mailto: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WITHDRAWN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

December 29, 2017

ADVICE LETTER NO. 52-S

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (California American Water) (U210W) submits this advice letter, including the following tariff sheet applicable to all of its waste water customers.

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
220-S	PRELIMINARY STATEMENT	NEW
221-S	PRELIMINARY STATEMENT Summary Table	176-S
222-S	TABLE OF CONTENTS (Page 1)	219-S

**Purpose:**

Pursuant to the December 22, 2017 letter from California Public Utilities Commission (“Commission”) Water Division Director Rami Kahlon, which ordered “all Class A and B water and sewer utilities ... to file Tier 1 advice letters to establish and add a 2018 Tax Accounting Memorandum account to the preliminary statements in the tariffs”<sup>1</sup> –California American Water (“Cal-Am”) submits this Tier 1 advice letter requesting Commission authorization to establish a 2018 Tax Accounting Memorandum Account.

**Request:**

Based on the Water Division’s December 22, 2017 letter, through this advice letter, Cal-Am requests authorization to establish the 2018 Tax Accounting Memorandum Account to track the impact on Commission-jurisdictional revenue requirements caused by changes in the business tax rate and other potential tax code changes from the 2018 Federal Tax Law.

Pursuant to Commission Standard Practice U-27-W, an advice letter requesting a new memorandum account must address the following:

1. The expense is caused by an event of an unexceptional nature that is not under the utility’s control.

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<sup>1</sup> Emphasis from original omitted.

- a. Here, the 2018 Federal Tax Law may significantly change the federal tax rate for businesses for the tax year beginning January 1, 2018. Cal-Am does not have authority or control over the federal tax rates. Thus, the event is exceptional in nature and not under Cal-Am's control.
2. The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled case.
    - a. Here, the 2018 Federal Tax Law was not enacted and its contents and impact would have been, at best, merely speculative at the time of Cal-Am's last general rate case. Thus, the impact of the 2018 Federal Tax Law could not have been reasonably foreseen in Cal-Am's last general rate case. Moreover, the changes from the 2018 Federal Tax Law will be effective January 1, 2018, which occurs before Cal-Am's next general rate case.
  3. The expense is of a substantial nature as to the amount of money involved when any offsetting cost decreases are taken into account.
    - a. Here, the 2018 Federal Tax Law may significantly reduce the federal tax rate for businesses. Thus, the tax rate may drop and this could lead to other changes.
  4. The ratepayers will benefit by the memorandum account treatment.
    - a. Here, as a result of possible reduction in the federal tax rate for businesses, any over collection will be used to offset the WRAM balance or given back to the customers. Thus, customers will benefit by the account.

In Accordance with the Commission Standard Practices U-27-W and based on the Water Division's directive in its December 22, 2017 letter, Cal-Am requests to establish the 2018 Tax Accounting Memorandum Account to track the aforementioned unanticipated changes.

**Tier Designation:**

This advice letter is submitted pursuant to General Order No. 96-B and the Water Division's December 22, 2017 letter, and is designated as a Tier 1 filing.

**Effective Date:**

California American requests an effective date of January 1, 2018.

**RESPONSE OR PROTEST<sup>2</sup>**

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 grounds<sup>3</sup> are:

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<sup>2</sup> G.O. 96-B, General Rule 7.4.1

<sup>3</sup> G.O. 96-B, General Rule 7.4.2

- (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](mailto:Water.Division@cpuc.ca.gov)

**Mailing Address:**

CA Public Utilities Commission  
Division of Water and Audits  
505 Van Ness Avenue  
San Francisco, CA 94102

On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to Cal-Am at:

**Email Address:**

[melody.singh@amwater.com](mailto:melody.singh@amwater.com)

**Mailing Address:**

4701 Beloit Drive  
Sacramento, CA 95838

[sarah.leeper@amwater.com](mailto:sarah.leeper@amwater.com)

555 Montgomery Street, Suite 816  
San Francisco, CA 94111

[lakhjit.singh@amwater.com](mailto:lakhjit.singh@amwater.com)

4701 Beloit Drive  
Sacramento, CA 95838

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform DWA, 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.

**REPLIES**<sup>4</sup>

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<sup>4</sup> G.O. 96-B, General Rule 7.4.3

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.

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

If you have not received a reply to your protest within 10 business days, please contact me at (916) 568-4255.

CALIFORNIA-AMERICAN WATER COMPANY

*/s/ Jeffrey T. Linam*

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Jeffrey T. Linam  
Vice President of Rates & Regulatory

PRELIMINARY STATEMENT

Sheet 1

J. 2018 Tax Accounting Memorandum Account.

1. Purpose: The 2018 Tax Accounting Memorandum Account (Memo Account) tracks on a CPUC-jurisdictional revenue requirement basis the impacts of the 2018 Federal Tax Law not otherwise reflected in rates from January 1, 2018 until the effective date of the revenue requirement changes in the Utility's next General Rate Case (Memo Account Period).
2. General Information. The Utility shall record in this Memo Account realized increases or decreases in its CPUC-jurisdictional revenue requirement resulting from the 2018 Federal Tax Law. The Memo Account shall be used in determining whether any rate adjustment is necessary to reflect impacts of the 2018 Federal Tax Law during the Memo Account Period.
3. Memo Account Entries. The entries in the Memo Account may include the following:
  - a. Realized decreases in revenue requirement resulting from the 2018 Federal Tax Law during the Memo Account Period.
  - b. Realized increases in revenue requirement resulting from the 2018 Federal Tax Law during the Memo Account Period.
  - c. Balances in the Memo Account will accrue interest at the 90-day commercial paper rate.
4. Disposition of Memo Account Balance. In the Utility's next General Rate Case, or at such other time as ordered by the CPUC, the balance in the Memo Account shall be addressed and rates shall be adjusted accordingly, as appropriate.

(N)

(N)

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	52	J. T. LINAM	Date Filed	<u>12-29-2017</u>
Decision		DIRECTOR - Rates & Regulatory	Effective	<u>1-1-2018</u>
			Resolution	<u></u>

**PRELIMINARY STATEMENT**  
 Summary Table

Sheet 2

<b>Reference</b>	<b>Account</b>	<b>Tariff</b>
A	Territory Served by Utility	4-S
B	Types and Classes of Service	4-S
C	Description of Service	4-S
D	Procedure to Obtain Service	4-S
E	Symbols	5-S
F	Affiliate Transaction Rule IV.D.2 Memorandum Account (ATMEMO)	177-S
G	Low Income Customer Data Sharing Memorandum Account	178-S
H	General Rate Case Interim Rate True Up Memorandum Accounts	179-S
I	Monterey Wastewater Purchased Power Expense Balancing Account	180-S
J	Tax Cuts and Jobs Act Memorandum Account	220-S

(N)

(Continued)

(Continued)

(TO BE INSERTED BY UTILITY)  
 Advice 52  
 Decision

ISSUED BY  
 J. T. LINAM  
 DIRECTOR - Rates & Regulatory

(TO BE INSERTED BY C.P.U.C.)  
 Date Filed 12-29-2017  
 Effective 1-1-2018  
 Resolution



**TABLE OF CONTENTS**

Sheet 3

The following listed tariff sheets contain all effective rates and rules affecting the charges and service of the utility, together with other pertinent information:

<u>SUBJECT MATTER OF SHEET</u>	<u>C.P.U.C. SHEET NO.</u>	
<u>RATE SCHEDULES (Continued):</u>		
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Service Area Maps	6-S, 64-S, 65-S, 8-S, 57-S, 58-S, 9-S, 59-S, 194-S	(N)
<u>Rate Schedules:</u>		
Schedule No. SP – Passive Sewer Service	205-S	
Schedule No. SA – Active Sewer Service	203-S, 204-S	
Schedule No. UF	208-S	
Schedule No. WW-LIRA	206-S, 210-S, 171-S, 172-S, 199-S	
Schedule No. WW-DU	193-S	
<u>FEES, CONTRACTS &amp; DEVIATIONS</u>		
<u>Rules:</u>		
No. 1 Definitions	174-S	
No. 2 Description of Service	158-S	
No. 3 Application for Service	89-S, 13-S	
No. 4 Contracts	14-S	
No. 5 Special Information Required on Forms	15-S, 90-S	
No. 6 Establishment and Reestablishment of Credit	16-S	
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No. 10 Disputed Bills	23-S	
No. 11 Discontinuance and Restoration of Service	24-S, 25-S, 26-S, 175-S	
No. 12 Information Available to Public	27-S, 28-S	
No. 13 Temporary Service	29-S, 30-S, 31-S	
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No. 15 Main Extensions	34-S	
No. 16 Service Connections, Meters, and Customer's Facilities	35-S	
No. 17 Measurement of Service	36-S	
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No. 19 Service to Separate Premises and Multiple Units and Resale of Sewer Service	41-S	
No. 20 Limitation on Wastes Discharged into the Utility's Sewer System	42-S, 43-S, 44-S, 45-S	
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<u>Sample Forms:</u>		
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No. 2 Customer's Deposit Receipt	49-S	
No. 3 Bill for Service	50-S	
No. 4 Main Extension Contract	51-S, 52-S	
No. 5 Main Extension Contract (Individuals)	53-S, 54-S 55-S	

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	52	J. T. LINAM	Date Filed	<u>12-29-2017</u>
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