

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 6, 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. 1196, filed on March 30, 2018, regarding your requesting recovery of the 2017 WRAM and MCBA balances for the Los Angeles County (Los Angeles) 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>
8784-W	Schedule No. LA-1 (continued) Los Angeles District Tariff Area GENERAL METERED SERVICE
8785-W	Schedule No. LA-1 (continued) Los Angeles District Tariff Area GENERAL METERED SERVICE
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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



4701 Beloit Drive
Sacramento, CA 95838
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P (916) 568-4251
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March 30, 2018

ADVICE LETTER NO. 1196

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (California American Water) (U210W) hereby submits for filing the following tariff sheets applicable to its Los Angeles County (Los Angeles) District which are attached hereto:

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
8784-W	Schedule No. LA-1 (continued) Los Angeles District Tariff Area GENERAL METERED SERVICE	8685-W
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PURPOSE

The purpose of this advice letter filing is to request recovery of the 2017 Water Revenue Adjustment Mechanism (“WRAM”) and Modified Cost Balancing Account (“MCBA”). This request is in compliance with authorizations of the California Public Utilities Commission (“CPUC”) as detailed in D.08-06-002, D.12-04-048, and D.13-07-041.

BACKGROUND

On June 12, 2008 the Commission issued Ordering Paragraph 1 of D.08-06-002 which adopted a settlement agreement between Cal-Am, the Division of Ratepayer Advocates (DRA) and the City of Duarte to establish a Pilot Program for a conservation rate structure in the Baldwin Hills, Duarte and San Marino service areas of the Los Angeles County District;

- 1. The March 25, 2008 settlement attached as Appendix A is adopted.*

As part of the amended settlement, Cal-Am was to establish a WRAM and MCBA as outlined below from page 6 of the agreement dated March 24, 2008;

Decoupling for California-American Water will be accomplished through both of the following mechanisms:

- 1. A Water Revenue Adjustment Mechanism (WRAM) for each service area in the Los Angeles District.*
- 2. A Modified Cost Balancing Account (MCBA) for each service area. MCBAs will replace existing cost balancing accounts for purchased power, and purchased water (pump taxes are tracked in the purchased water balancing account for each service area).*
- 3. Together, these decoupling mechanisms will ensure recovery of the adopted fixed costs recovered through the quantity charge, and the actual variable costs for purchased power, purchased water and pump taxes. The fixed costs not included in these accounts will be recovered through the service charge, which is a monthly charge that customers pay regardless of consumption.*
- 4. In accordance with established Commission practice, the WRAM and MCBA accounts will accrue interest at the 90-day commercial paper rate.*

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:

- 1. Revenue from Private Fire Protection Service and;*
- 2. Revenue from the "Other" class of general metered customers.*

Cal-Am implemented the Pilot Program on November 1, 2008 via Advice Letter 710.

Historically, this report was submitted by March 31st each year per the settlement agreement adopted in D.08-06-002;

- 1. By March 31st of each year, California-American Water will provide the Water Division (with a copy to DRA) with a written report on the status of the WRAMs and MCBAs as described herein.*

Provided the WRAM/MCBA balance exceeded a 2.5% threshold, California American Water would file an advice letter seeking to amortize the balance;

- 1. The WRAM and MCBA accounts for each service area will always be considered together for purposes of determining the need for additional revenue recovery from, or for refund to, ratepayers in that service area, and will be netted prior to any refund or recovery.*
- 2. California-American Water will track revenues in the WRAM account in each service area by customer class for analysis purposes, but implementation of a surcharge or surcredit will be done considering the net balance of the WRAM and MCBA accounts for all customer classes in each service area.*
- 3. If the annual report shows that the combined over- or under-collection for the WRAM or the MCBA in any service area exceeds 2.5% of the service area's total recorded revenue requirement for the prior calendar year, California-*

American Water will file an advice letter within 30 days that amortizes the balance in all of the WRAM and MCBA accounts in the service area.

- 4. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.*

On July 25, 2013, modifications to the reporting 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 on November 30, 2017. The report contained recorded balances for January 1 through October 31, 2017 and forecasted balances for the period November 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
Baldwin Hills			
Prior Year Balance	(\$438,258)	(\$5,880)	(\$444,138)
Current Year Balance	(\$775,150)	(\$4,453)	(\$779,603)
Total Balance Requested	(\$1,213,408)	(\$10,333)	(\$1,223,741)
2017 Adopted Revenue			\$6,439,746
Total Balance % of Revenue			19.0%
Duarte			
Description	WRAM/MCBA Over/(Under) Collection	Cumulative Interest Earned/ Accrued	Balance
Prior Year Balance	(\$1,449,435)	(\$19,019)	(\$1,468,454)
Current Year Balance	(\$496,121)	(\$2,833)	(\$498,955)
Total Balance Requested	(\$1,945,556)	(\$21,852)	(\$1,967,409)
2017 Adopted Revenue			\$7,976,808
Total Balance % of Revenue			24.7%
San Marino			
Description	WRAM/MCBA Over/(Under) Collection	Cumulative Interest Earned/ Accrued	Balance
Prior Year Balance	(\$791,855)	(\$10,842)	(\$802,697)
Current Year Balance	(\$1,241,256)	(\$10,012)	(\$1,251,268)
Total Balance Requested	(\$2,033,111)	(\$20,854)	(\$2,053,965)
2017 Adopted Revenue			\$17,183,535
Total Balance % of Revenue			12.0%

Based on the above balances and the adopted amortization schedule per Appendix A of D.12-04-048, California American Water requests that a volumetric surcharge of \$0.0621 per 100 gallons over 23 months for Baldwin Hills, \$0.0474 per 100 gallons over 30 months for Duarte and a volumetric surcharge of \$0.0513 per 100 gallons over a 14 month period for San Marino be added to the Company's tariffs.

The actions requested in this advice letter are not now the subject of any formal complaint with the California Public Utilities Commission or action in any court of law.

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 re-litigating a prior order of the Commission.
7. 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.**

¹ G.O. 96-B, General Rule 7.4.1

² G.O. 96-B, General Rule 7.4.2

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

On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to California American Water at:

Email Address:

melody.singh@amwater.com

Mailing Address:

4701 Beloit Drive
Sacramento, CA 95838

sarah.leeper@amwater.com

555 Montgomery Street, Ste. 916
San Francisco, CA 94111

lakhjit.thind@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.

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.

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. LA-1
Los Angeles County District Tariff Area
GENERAL METERED SERVICE

SPECIAL CONDITIONS:

General Items:

1. Qualifying low-income customers can receive a discount on their bill. Customers must apply with the Company for acceptance into the low-income program. For additional details, please see Tariff Schedule CA-LIRA.
2. Any customer paying for service at a premise where a Residential Fire Protection Service (RFPS) is required/requested to be installed by local fire and building codes shall be allowed to have their monthly service charge modified in accordance with the monthly costs for RFPS service charges. Provided, however, that the RFPS rate has been requested by the customer and verified by the Company that the smaller size of meter would be large enough to provide adequate service for the property in absence of the additional demand necessary to supply water to the sprinkler system. The RFPS will not be considered a fire service by the Company, but as an oversized general metered service. As such the rules and conditions of service for general metered service shall apply.

Fees and Surcharges:

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF
2. A surcharge is included on each bill to collect franchise taxes and/or business license fees paid to various municipalities. The amount collected is based on a percentage of the gross revenues of each bill. The percentages are as follows: City of San Marino 1.143%; City of San Gabriel 2.0%; City of Rosemead 1.183%; County of Los Angeles 2.417%; City of Duarte 1.966%; and City of Bradbury 1.959%. Franchise taxes in the Baldwin Hills District are 2.00% per customer on a monthly basis.
3. Per Advice Letter 1072, a surcharge of \$0.0039 per hundred gallons will be applied to each bill to fund conservation efforts. The surcharge will remain in effect until otherwise directed by the Commission.
4. Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) Surcharges.

a. **Baldwin Hills:**

- i. For the Baldwin Hills service area, a surcharge is included on each bill to recover the net under-collection in the WRAM and MCBA of \$1,223,741, including interest, as of December 31, 2017. The surcharge is \$0.0621 per 100 gallons and will remain effective for 23 months beginning March 31, 2018. (C)
(I)
(C)

b. **Duarte:**

- i. For the Duarte service area, a surcharge is included on each bill to recover the net under-collection in the WRAM and MCBA of \$1,967,409, including interest, as of December 31, 2017. The surcharge is \$0.0474 per 100 gallons and will remain effective for 30 months beginning March 31, 2018. (C)
(I)
(C)

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1196	J. T. LINAM	Date Filed	03/30/2018
Decision		DIRECTOR - Rates & Regulatory	Effective	03/31/2018
			Resolution	

Schedule No. LA-1
Los Angeles County District Tariff Area
GENERAL METERED SERVICE

Sheet 5

SPECIAL CONDITIONS:

Fees and Surcharges: (Continued)

- 4. Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) Surcharges. (Continued)

- c. **San Marino:**

- For the San Marino service area, a surcharge is included on each bill to recover the net under-collection in the WRAM and MCBA of \$2,053,964, including interest, as of December 31, 2017. The surcharge is \$0.0513 per 100 gallons and will remain effective for 14 months beginning March 31, 2018.

(C)
(I)
(C)

- 5. Per Advice Letter 1141-A, a surcharge of \$ 1.21 for the Low-Income Ratepayer Assistance Program ("LIRAP") Balancing Account will be collected from all non-low income water and wastewater customers.
- 6. Per Advice Letter 1114-A, the under-collected balance in the Los Angeles County District Consolidated Expense Balancing Account (CEBA) will be recovered through a quantity based surcharge, as shown in the below table effective February 1, 2016. The total amount will be recovered from all classes of customers.

Service Area	Consolidated Expense Balance Account Surcharge per 100 gallon	Number of Months Applicable From Effective Date
Baldwin Hills	\$0.0237	36
Duarte	\$0.0025	12
San Marino	\$0.0232	24

(Continued)

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Advice 1196
Decision

J. T. LINAM
DIRECTOR - Rates & Regulatory

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