

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



April 25, 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. 1191, filed on March 30, 2018, regarding authorization to establish a Cost of Capital Memorandum Account.

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>
8755-W	Preliminary Statement Summary Table
8756-W	Preliminary Statement
8757-W	Table of Contents

Please contact Kevin Truong at 415-703-1353, 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> March 30, 2018
<b>District:</b> All Districts	
<b>CPUC Utility #:</b> U210W	<b>Protest Deadline (20<sup>th</sup> Day):</b> April 19, 2018
<b>Advice Letter #:</b> 1191	<b>Review Deadline (30<sup>th</sup> Day):</b> April 29, 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> A.17-04-002	
<b>Description:</b> 2018 Cost of Capital Interim Rate True-Up Memo Account	<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 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](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WITHDRAWN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  
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P (916)-568-4251  
F (916) 568-4260

March 30, 2018

ADVICE LETTER NO. 1191

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 water customers.

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
8755-W	PRELIMINARY STATEMENT SUMMARY TABLE (continued)	8718-W
8756-W	PRELIMINARY STATEMENT (continued)	NEW
8757-W	TABLE OF CONTENTS (Page 1)	8754-W

**Purpose:**

By this advice letter, California American Water (“Cal-Am”) requests authorization from the California Public Utilities Commission (“Commission”) to establish a Cost of Capital Memorandum Account (“CCMA”).

**Background:**

On December 15, 2017, the Office of Ratepayer Advocates (“ORA”) filed a motion requesting that the Commission require Cal-Am, plus the three other Class A water companies whose applications were consolidated in the Cost of Capital proceeding A.17-04-001, to establish memorandum accounts to track the difference between water rates currently in effect and water rates that will go into effect upon resolution of the proceeding. On February 21, 2018, an *Administrative Law Judge’s Ruling Directing Parties to Establish Memorandum Accounts* (“Ruling”) issued, granting ORA’s motion and ordering the memorandum accounts be effective as of January 1, 2018. On March 22, 2018, the Commission issued Decision 18-03-035, *Decision Fixing Cost of Capital for Calendar Years 2018, 2019, and 2010 for California Water Service Company, California-American Water Company, Golden State Water Company and San Jose Water Company* (the “Decision”), which adopted “the ratemaking capital structures, costs of equity, costs of debt and overall rates of return for the three-year period commencing January 1, 2018 through December 31, 2020 for all four applicants.”

**Request:**

In compliance with the Ruling, Cal-Am requests, through this advice letter, authorization to establish a CCMA to track the difference between water rates currently in effect and water rates that will go into effect because of the Decision. The CCMA is applicable to all areas served.

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 exceptional nature that is not under the utility's control.
  - a. Cal-Am does not and did not have authority or control over the timing of the Decision. Therefore, 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 rate case.
  - b. The impact of lower Cost of Capital could not have been reasonably foreseen in Cal-Am's last general rate case. Finally, the changes to Cal-Am's cost of capital ordered in the Decision 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.
  - c. The reduced cost of capital is expected to reduce Cal-Am's revenue.
4. The ratepayers will benefit by the memo account treatment.
  - d. As a result of the reduction in Cal-Am's cost of capital, any over collection will likely need to be credited back to the customers. Therefore, customers will benefit from the account.

In Accordance with the Commission Standard Practice U-27-W, Cal-Am requests to establish a memorandum account to track the aforementioned unanticipated costs.

**Tier Designation:**

This advice letter is submitted pursuant to General Order No. 96-B and is designated as a Tier 1 filing.

**Effective Date:**

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

**RESPONSE OR PROTEST<sup>1</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.**

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<sup>1</sup> G.O. 96-B, General Rule 7.4.1

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>2</sup> 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](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.thind@amwater.com](mailto:lakhjit.thind@amwater.com)

4701 Beloit Drive  
Sacramento, CA 95838

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<sup>2</sup> G.O. 96-B, General Rule 7.4.2

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>3</sup>

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

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<sup>3</sup> G.O. 96-B, General Rule 7.4.3

PRELIMINARY STATEMENT  
SUMMARY TABLE  
(Continued)

Sheet 3

**Reference**

**Account**

**Tariff**

BJ	Tax Cuts and Jobs Act Memorandum Account	8717-W
BK	General Rate Case Interim Rate True-up Memorandum Accounts	8751-W
BL	Cost of Capital Memorandum Account	8756-W

(N)

(Continued)

(TO BE INSERTED BY UTILITY)

Advice 1191

Decision

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

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

Date Filed 03/30/2018

Effective 01/01/2018

Resolution \_\_\_\_\_





