

## 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. 1197, filed on March 30, 2018, regarding your requesting recovery of the 2017 WRAM and MCBA balances for the Ambler Park service area in the Monterey 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>
8788-W	Schedule No. MO –ARC- 1(continued) Monterey County District Tariff Area Ambler Park, Ralph Lane, and Chualar Service Area GENERAL METERED SERVICE
8789-W	TABLE OF CONTENTS Page 3
8790-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  
Water Division

Enclosures

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

**Advice Letter Cover Sheet**

**Utility Name:** California American Water  
**District:** Monterey District – Ambler  
**CPUC Utility #:** U210W  
**Advice Letter #:** 1197  
**Tier:**  1    2    3    Compliance  
**Authorization:** D.09-07-021, D.12-04-048,  
D.13-07-041  
**Description:** 2017 WRAM & MCBA

**Date Mailed to Service List:** May 30, 2018  
**Protest Deadline (20<sup>th</sup> Day):** April 19, 2018  
**Review Deadline (30<sup>th</sup> Day):** April 29, 2018  
**Requested Effective Date:** March 31, 2018  
**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:** Nancy Hollingsworth  
**Phone:** 916-568-4209  
**Email:** nancy.hollingsworth@amwater.com

**Utility Contact:** Melody Singh  
**Phone:** 916-568-4246  
**Email:** [melody.singh@amwater.com](mailto: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WITHDRAWN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

March 30, 2018

ADVICE LETTER NO. 1197

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 Ambler Park service area in its Monterey District which are attached hereto:

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
8788-W	Schedule No. MO –ARC- 1(continued) Monterey County District Tariff Area Ambler Park, Ralph Lane, and Chualar Service Area GENERAL METERED SERVICE	8672-W
8789-W	TABLE OF CONTENTS (PAGE 3)	8782-W
8790-W	TABLE OF CONTENTS (PAGE 1)	8787-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.09-07-021, D.12-04-048, and D.13-07-041.

### **BACKGROUND**

On July 9, 2009 the Commission issued Ordering Paragraph 28 of D.09-07-021 which adopted a settlement agreement between Cal-Am and the Division of Ratepayer Advocates (“DRA”) to establish a Pilot Program for a conservation rate structure in Monterey district;

*28. The Settlement Agreement as to Rate Design issues is approved. The parties shall comply with the agreement.*

As part of the amended settlement, Cal-Am was to establish a WRAM and MCBA as outlined below from pages 16 and 17 of the agreement dated November 24, 2008;

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

- 1. A Water Revenue Adjustment Mechanism (WRAM) in the Monterey District (“Monterey WRAM”) and a WRAM in Ambler Park (“Ambler Park WRAM”).*

2. *A Modified Cost Balancing Account (MCBA) for the Monterey District ("Monterey MCBA") and an MCBA in Ambler Park ("Ambler Park MCBA"). The Monterey MCBA and Ambler Park MCBA will replace existing cost balancing accounts for purchased power. California American Water does not currently have pump taxes or purchased water expenses in the Monterey District, but if it did, these variable costs would also be tracked in the MCBAs.*
3. *Together, the Monterey WRAM and the Monterey MCBA combination as well as the Ambler Park WRAM And Ambler Park MCBA combination 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 Ambler Park WRAM will track the difference between the total quantity charge revenues authorized by the Commission ("Total Adopted Quantity Revenues") for Ambler Park, and the total revenues actually recovered through the quantity charge based on actual sales, excluding private fire protection service and miscellaneous charges.*

Cal-Am implemented the Pilot Program for the Ambler subsystem on September 1, 2009 via Advice Letters 799 and 780. This report is being filed in accordance with page 8 of the settlement agreement which states;

1. *By March 31<sup>st</sup> 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 (Monterey Main System and Ambler) and MCBAs (Monterey Main System and Ambler) as discussed herein. The WRAM/MCBA for the Monterey Main system, Hidden Hills, Bishop and Ryan Ranch tracks certain revenues for those systems. The Ambler Park WRAM/MCBA is separate because Ambler Park has a separate rate design and separate water supply.*
  - a. *WRAMs: The written report will include a section on the WRAM in each district showing the revenue over- or under-collection with respect to actual (or recorded) water sales, by customer class, as of December 31<sup>st</sup> of the preceding calendar year. Differences between the Total Adopted Quantity Revenues and Total Actual Quantity Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.*
  - b. *MCBAs: The written report will include a section on the MCBA in each service area comparing Total Adopted MCBA costs with Total Actual MCBA costs as of December 31<sup>st</sup> of the preceding calendar year. Differences between Total Adopted MCBA costs and Total Actual MCBA costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.*

- c. *The written report will include a section listing the monthly balance in the Monterey WRAM, Monterey MCBA and the net balance. The purpose of these balances is to track whether the over or under collections were due to conservation rates, emergency conservation rates, or rationing rates.*

The settlement<sup>1</sup> adopted in Decision D.13-07-041 did not make any modifications to the Ambler system WRAM/MCBA on page 12:

1. *The Ambler Park service area WRAM/MCBA mechanism, as currently operating, will remain in place.*

Historically, these types of advice letters were submitted by April 30<sup>th</sup> 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*

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<sup>1</sup> The settlement agreement between California American Water Company, the Division of Ratepayer Advocates, the Monterey Peninsula Water Management District, the City of Pacific Grove, the Coalition of Peninsula Businesses, the Monterey County Hospitality Association, the Independent Reclaimed Water Users Group, and the Pebble Beach Company on A.10-07-007 Phase II Issues

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 31<sup>st</sup> to the previous November 30<sup>th</sup>, and to include nine months of recorded data through September 30<sup>th</sup> 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 11/30/2017. The report contained recorded balances 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.

TABLE 4: Recovery of WRAM/MCBA Balances				
DESCRIPTION	Authorized WRAM/MCBA Over/(Under) Collection	Cumulative Interest Earned/ Accrued	Cumulative Surcharge Collections	Balance
Prior Year Balance	(\$805,973)	(\$8,023)	\$137,114	(\$676,882)
Current Year Balance	(\$164,361)	(\$1,255)	\$0	(\$165,616)
UAW Penalty/(Reward)				(\$19,370)
2017 Balance				(\$184,986)
Balance All Years				(\$861,868)
2017 Adopted Revenue				\$570,876
2017 Balance % of Revenue				32.4%
Net Balance % of Revenue				151.0%

Due to the 10% cap on recovery outlined in D.13-07-041, California American Water requests approval of the balance and the associated tariff language but is not requesting an amortization and placement into rates at this time. Under this current guideline, the amortization of the 2017 balance will begin when the 2016 surcharge collects its entire balance or upon its expiration. After cessation of the 2016 surcharge, a separate Tier 1

filing will be made at that time to update the tariff language with the then current charge. If the 2017 WRAM/MCBA was billed based on the above balances, the current authorized consumption, and the adopted amortization schedule per D.12-04-048 Appendix A, the volumetric surcharges would be \$0.0995 per 100 gallon over 36 months.

In compliance with D.16-12-003, a notice approved by the Commission's Public Advisor will be issued to customers through a bill insert. The requested effective date of March 31, 2018 will allow adequate time for protests within the normal 20-day period.

### **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 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:

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

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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

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 California American Water 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, Ste. 916  
San Francisco, CA 94111

[nancy.hollingsworth@amwater.com](mailto:nancy.hollingsworth@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>

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*

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Jeffrey T. Linam  
Vice President of Rates & Regulatory

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



Schedule No. MO-ARC-1 (Continued) Sheet 5  
Ambler Park, Ralph Lane, and Chualar Service Area in the Monterey County District Tariff Area  
Ambler Park, Ralph Lane, and Chualar Service Area

SPECIAL CONDITIONS (continued):

5. Per Advice Letter 1174-B, amounts related to the Monterey County District Consolidated Expense Balancing Account will be recovered through a quantity based surcharge, as shown in the below table. The effective date for the surcharge/surcredit is September 30, 2017 and will be recovered or refunded from all customer classes in all service areas.

Service Area	Consolidated Expense Balance Account Surcharge per 100 gallon	Number of Months Applicable From Effective Date
Ralph Lane	\$0.0816	36

Ambler Park Service Area	Consolidated Expense Balance Account surcredit per bill	Number of Months Applicable From Effective Date
5/8-Inch Meter	\$2.16	12
3/4-Inch Meter	\$3.25	12
1-Inch Meter	\$5.41	12
1 1/2-Inch Meter	\$10.82	12
2-Inch Meter	\$17.31	12
3-Inch Meter	\$32.45	12
4-Inch Meter	\$54.09	12
6-Inch Meter	\$108.18	12
8-Inch Meter	\$173.08	12
10-Inch Meter	\$248.81	12

6. Per Advice Letter 1197, the balance of the 2017 WRAM/MCBA is \$184,986. D.13-07-041 places a cap on the WRAM/MCBA surcharges of 10% of the last authorize revenue requirement. Since existing 2015 surcharge (Special Condition #6) meets this cap, there is no charge on the bill at this time. If the WRAM/MCBA was billed based on the balance, the current authorized consumption, and the adopted amortization schedule per D. 12-04-048 Appendix A, the volumetric surcharges would be \$0.0995 per 100 gallon over 36 months. After cessation of the 2016, a separate Tier 1 filing will be made at that time to update the tariff language with the current surcharge.

(N)  
|  
(N)

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**SUBJECT MATTER OF SHEET**

**C.P.U.C. SHEET NO.**

RATE SCHEDULES (Continued):

*(Ambler Park, Ralph Lane & Chualar Service Areas)*

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*(Toro)*

MO-TO-1	General Metered Service	8740-W, 8775-W, 8019-W, 7644-W
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*(Garrapata)*

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

SC-1	General Metered Service	8726-W, 8727-W, 8781-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
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San Diego County District

SD-1	General Metered Service	8733-W, 8734-W, 8699-W, 8778-W, 8013-W, 7624-W
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Ventura County District

VN-1	General Metered Service	8735-W, 8736-W, 8772-W, 8014-W, 7627-W
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VN-9MC

Metered Construction Service	8737-W, 8549-W, 8015-W, 7629-W
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(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

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

Advice 1197

J. T. LINAM

Date Filed 03/30/2018

Decision

DIRECTOR - Rates & Regulatory

Effective 03/31/2018

Resolution \_\_\_\_\_

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(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

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

Advice 1197

J. T. LINAM

Date Filed 03/30/2018

Decision

DIRECTOR - Rates & Regulatory

Effective 03/31/2018

Resolution \_\_\_\_\_