

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. 1198, filed on March 30, 2018, regarding your requesting recovery of the 2017 WRAM and MCBA balances for the Larkfield 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>
8791-W	Schedule No. LK-1 (continued) Larkfield District Tariff Area GENERAL METERED SERVICE
8792-W	TABLE OF CONTENTS Page 2
8793-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



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

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

March 30, 2018

ADVICE LETTER NO. 1198

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 Larkfield District which are attached hereto:

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
8791-W	Schedule No. LK-1 (continued) Larkfield District Tariff Area GENERAL METERED SERVICE	8683-W
8792-W	TABLE OF CONTENTS (continued) Page 2	8786-W
8793-W	TABLE OF CONTENTS Page 1	8790-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 Larkfield district;

The June 30, 2008 settlement for the Larkfield 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 Larkfield 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 11/30/2017. The annual report contained recorded and estimated balances from 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	Cumulative Surcharge Collections	Balance
AUTHORIZED PRIOR BALANCES REMAINING AT 12/31/2017	(\$1,255,781)	(\$11,943)	\$282,920	(\$984,804)
TOTAL BALANCE REQUESTED FOR 2017	(\$237,451)	(\$1,766)	\$0	(\$239,217) ¹
BALANCE ALL YEARS				(\$1,224,021)
2017 Adopted Revenue				\$3,045,090
Net Balance % of Revenue				40.2%

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 \$0.1069 per 100 gallons over a 36 month period be added to the Company's tariffs.

¹ The 2017 balance reflects \$102,805 of revenue adjustments based on authorized consumption for the customers impacted by the 2017 fire in the Larkfield district. However, due to the 10% cap established in D.12-04-048, the surcharge does not reflect the incremental adjustment and therefore will not be collected as part of this filing.

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 PROTEST²

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 grounds³ 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.**

The addresses for submitting a response or protest are:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

CA Public Utilities Commission

² G.O. 96-B, General Rule 7.4.1

³ G.O. 96-B, General Rule 7.4.2

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:

Mailing Address:

melody.singh@amwater.com

4701 Beloit Drive
Sacramento, CA 95838

sarah.leeper@amwater.com

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

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.

REPLIES⁴

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

⁴ G.O. 96-B, General Rule 7.4.3

Schedule No. LK-1
Larkfield District Tariff Area
GENERAL METERED SERVICE

Sheet 3

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 fees and/or business license fees paid to the County of Sonoma. The amount collected is based on a percentage of the gross revenues of each bill. The percentage is as follows: Larkfield Franchise Fee – 1.00%
3. Per Advice Letter 1072-B, a surcharge of \$0.0120 per 100 gallons will be applied to each bill to fund conservation efforts. The surcharge will remain in effect until otherwise directed by the Commission.
4. Per Advice Letter 1137-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.
5. 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 \$1,224,021 including interest. The surcharge is \$0.1069 per 100 gallons and will remain effective for 36 months beginning March 31, 2018.
6. Per Advice Letter 1154, the under-collected balance in the Larkfield District Consolidated Expense Balancing Account (CEBA) will be recovered through a quantity based surcharge of \$0.0437 per 100 gallons over 24 months effective June 16, 2017. The total amount will be recovered from all classes of customers.

(C)
(R)
(C)

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1198	J. T. LINAM	Date Filed	03/30/2018
Decision		DIRECTOR - Rates & Regulatory	Effective	03/31/2018
			Resolution	

TABLE OF CONTENTS

Sheet 2

SUBJECT MATTER OF SHEET

C.P.U.C. SHEET NO.

SERVICE AREA MAP (Continued):

Sacramento 8511-W, 6592-W, 6593-W, 8664-W,
6595-W, 6596-W, 7500-W, 6598-W,
6599-W, 6600-W

Sacramento- Dunnigan 8163-W

Sacramento- Geyserville 8321-W

Sacramento - Meadowbrook 8512-W

San Diego County 6601-W, 6602-W

Ventura County 6603-W, 6604-W

RATE SCHEDULES:

All Districts -- Low Income Ratepayer Assistance Program

CA-LIRA	California American Water	8745-W, 8746-W, 8747-W, 8748-W,
	Low Income Ratepayer Assistance Program	8749-W, 8750-W, 8762-W, 7724-W, 7725-W, 7726-W
CA-4	California American Water	8473-W, 8744-W, 7739-W, 7740-W,
	Private Fire Protection Service	7741-W, 8001-W, 8020-W, 8021-W, 7628-W, 7625-W, 7636-W, 7640-W, 7643-W, 7632-W, 7634-W, 8197-W, 8206-W
CA-4H	Private Fire Hydrant Service	8742-W, 7743-W, 7744-W, 8186-W, 8002-W, 8022-W, 7626-W, 7641-W
Larkfield District		
LK-1	General Metered Service	8720-W, 8721-W, 8791-W, 7995-W, (C) 8018-W, 7633-W
LK-F	Facilities Fees	7651-W
Los Angeles County District		
LA-1	General Metered Service	8722-W, 8723-W, 8724-W, 8784-W, 8785-W, 8765-W, 8016-W, 7630-W
LA-3M	Measured Irrigation Service	8725-W, 7712, 8547-W, 8766-W, 8017-W, 7631-W
Monterey County District		
<i>(Monterey Main, Hidden Hills, Ryan Ranch, & Bishop Service Areas)</i>		
MO-1-SF	General Metered Service	8573-W, 8694-W, 8441-W, 8471-W,
	Single Family Residential Customers	8560-W, 8444-W, 8399-W, 8676-W, 8023-W, 8702-W
MO-1-MF	General Metered Service	8574-W, 8695-W, 8448-W, 8473-W,
	Multi-Residential Customers	8561-W, 8451-W, 8677-W, 8703-W
MO-1C	General Metered Service	8575-W, 7673-W, 7674-W, 7675-W,
	Non-Residential Customers	7676-W, 8454-W, 8475-W, 8562-W, 8227-W, 8401-W, 8410-W, 8678-W, 7683-W, 8704-W
MO-1O	General Metered Service	8758-W, 8577-W, 7686-W, 7687-W,
	Other Customers	8477-W, 8563-W, 8457-W, 8403-W, 8679-W, 7692-W, 8705-W, 8759-W

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1198	J. T. LINAM	Date Filed	<u>03/30/2018</u>
Decision		DIRECTOR - Rates & Regulatory	Effective	<u>03/31/2018</u>
			Resolution	_____

TABLE OF CONTENTS

Sheet 1

<u>SUBJECT MATTER OF SHEET</u>	<u>C.P.U.C. SHEET NO.</u>
TITLE PAGE	8662-W
TABLE OF CONTENTS	8793-W, 8792-W, 8789-W, 8709-W, (C) 8770-W, 8068-W, 8069-W, 8593-W, 8071-W
PRELIMINARY STATEMENTS	7828-W, 8517-W, 8755-W 7748-W, 7749-W, 7750-W, 7751-W, 7752-W, 7753-W, 7754-W, 7755-W, 7756-W, 7757-W, 8079-W, 7759-W, 7830-W, 7831-W, 7832-W, 7833-W, 7834-W, 7835-W, 7836-W, 7837-W, 7838-W, 7769-W, 7770-W, 7771-W, 7772-W, 7773-W, 7774-W, 7775-W, 7776-W, 7777-W, 7778-W, 7779-W, 7780-W, 7781-W, 7782-W, 7783-W, 7784-W, 7785-W, 7786-W, 7787-W, 7788-W, 7789-W, 7790-W, 7791-W, 7792-W, 7793-W, 7794-W, 7839-W, 7796-W, 7797-W, 7798-W, 7799-W, 7800-W, 7801-W, 7802-W, 7803-W, 7804-W, 8510-W, 8081-W, 8082-W, 8178-W, 8302-W, 8459-W, 8460-W, 8516-W, 8756-W
<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
Monterey County	7053-W, 6580-W, ,6581-W, 6582-W, 6583-W, 6584-W, 6585-W, 6586-W, 6587-W, 6588-W, 6589-W, 6590-W, 944 -W, 945 -W, 947 -W, 948 -W, 949 -W, 950 -W, 951 -W, 952 -W, 953 -W, 954 -W, 955 -W, 957 -W, 958 -W, 959 -W, 960 -W, 961 -W, 962-W, 963 -W, 964 -W, 966 -W, 967 -W, 968 -W, 969 -W, 971 -W, 972 -W, 973 -W, 974 -W, 975 -W, 976 -W, 977 -W, 978 -W, 979 -W, 980 -W, 981 -W, 982 -W, 983 -W, 984 -W, 7054-W

(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

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

Advice 1198

J. T. LINAM

Date Filed 03/30/2018

Decision

DIRECTOR - Rates & Regulatory

Effective 03/31/2018

Resolution _____