

**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> October 4, 2019
<b>District:</b> Northern Division District	
<b>CPUC Utility #:</b> U210W	<b>Protest Deadline (20<sup>th</sup> Day):</b> October 3, 2019
<b>Advice Letter #:</b> 1263-A	<b>Review Deadline (30<sup>th</sup> Day):</b> October 23, 2019
<b>Tier</b> <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input checked="" type="checkbox"/> Compliance	<b>Requested Effective Date:</b> September 24, 2019
<b>Authorization</b> D.08-11-023, D.12-04-048, D.13-07-041, D.19-12-021	
<b>Description:</b> Supplemental filing to revise 2018 Northern Division WRAM & MCBA	<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.

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**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APPROVED                                       WITHDRAWN                                       REJECTED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:** \_\_\_\_\_  
**Date:** \_\_\_\_\_

**Comments:** \_\_\_\_\_  
 \_\_\_\_\_



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October 4, 2019

ADVICE LETTER NO. 1263-A

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (California American Water) (U210W) hereby submits for review this advice letter including the following tariff sheets applicable to its Northern Division District which are attached hereto:

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
XXXX-W	Schedule No. ND-1 (continued) Northern Division Tariff Area GENERAL METERED SERVICE	9165-W
XXXX-W	Schedule No. ND-1 (continued) Northern Division Tariff Area GENERAL METERED SERVICE	9166-W
XXXX-W	TABLE OF CONTENTS Page 3	XXXX-W
XXXX-W	TABLE OF CONTENTS Page 1	XXXX-W

**PURPOSE**

The purpose of this supplemental filing is to revise the WRAM & MCBA balance for the Northern District. Dunnigan wastewater and Meadowbrook areas were not incorporated into the rate design in D.18-12-021. Advice Letter 1230-B implemented the new rates based on a rate design that included Dunnigan wastewater and Meadowbrook and therefore California American Water adjusted the revenue generated by authorized rates accordingly in the Northern Division. The original WRAM & MCBA filing did not incorporate the adjusted rate design implemented in Advice Letter 1230-B and this supplement corrects that.

The purpose of this advice letter filing is to request recovery of the 2018 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, D.13-07-041 and D.18-12-021.

**BACKGROUND**

On November 6, 2008, the Commission issued Ordering Paragraph 1 in D.08-11-023 which adopted a settlement agreement between California American Water and the

Division of Ratepayer Advocates (“DRA”) to establish a Pilot Program for a conservation rate structure in the Northern Division District;

*The June 28, 2007 settlement for the Coronado and Village districts, attached to Appendix A, is adopted and the motion to reduce the comment period is granted.*

As part of the settlement, California American Water was to establish a WRAM as outlined below from pages 5 and 6 of the agreement.

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

- 1. A Water Revenue Adjustment Mechanism (WRAM) for the Coronado and Village districts.*
- 2. This decoupling mechanism, along with California American Water’s Incremental Cost Balancing Accounts (ICBA)<sup>1</sup>, 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.*
- 3. In accordance with established Commission practice, the WRAM account 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.*

California American Water implemented the Pilot Program on February 1, 2009 via Advice Letter 717-A.

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 California American Water’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:*

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The Modified Cost Balancing Account (MCBA) replaced the ICBA through the issuance of D.12-06-016.

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 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.*

In addition, D.189-12-021 increases the cap on amortization of the WRAM/MCBA balances:

#### *Ordering Paragraph*

151. *The cap on amortization of WRAM/MCBA balances should not be eliminated but should be increased to 15% of the last authorized revenue requirement for each of California American Water's districts.*

On November 7, 2018, prior to issuance of D.18-12-020, California American Water obtained an extension of time to able to file its 2018 WRAM/MCBA annual report and its Tier 1 annual request for amortization of net 2018 WRAM/MCBA balances. Without knowing the interim rate true-up, California American Water was not able to make the necessary calculations to submit these 2018 WRAM/MCBA filings. On August 8, 2019, California American Water received a second extension, to September 23, 2019.

### **REQUEST**

The balances for the WRAM and MCBA are summarized in the table below.

<b>Recovery of WRAM/MCBA Balances</b>				
Description	WRAM/MCBA Over/(Under) Collection	Cumulative Interest Earned/ Accrued	Cumulative Surcharge Collections	Balance
<b>Larkfield</b>				
AUTHORIZED PRIOR BALANCES REMAINING	(\$1,327,000)	(\$25,619)	\$222,919	(\$1,129,700)
ESTIMATED BALANCE NOT YET APPROVED	\$72,005	\$22	\$0	\$72,027
BALANCE ALL YEARS				(\$1,057,673)
2018 Adopted Revenue				\$3,085,285
2017 Balance % of Revenue				2.3%
Net Balance % of Revenue				34.3%
<b>Sacramento</b>				
AUTHORIZED PRIOR BALANCES REMAINING	(\$19,029,622)	(\$354,650)	\$4,528,801	(\$14,855,472)
BALANCE NOT YET APPROVED FOR YEAR	\$1,910,246	\$20,077	\$0	\$1,930,323
BALANCE ALL YEARS				(\$12,925,149)
2018 Authorized Revenue				\$51,666,049
2018 % of Revenue				3.7%
Net Balance % of Revenue				25.0%

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 \$0.0890 over a 20-month period for Larkfield, and of \$0.1882 over a 27-month period for Sacramento be added to the Company's tariffs.

### **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**

California American Water submits this as a Tier 1 advice letter per D.13-07-041 and requests an effective date of September 24, 2019.

**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 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:**

[Kamilah.Jones@amwater.com](mailto:Kamilah.Jones@amwater.com)

**Mailing Address:**

4701 Beloit Drive

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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

Sacramento, CA 95838

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

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

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. ND-1 (Continued)  
 Northern Division Tariff Area  
GENERAL METERED SERVICES

Sheet 6

**SPECIAL CONDITIONS (Continued):**

**Fees and Surcharges**

**SACRAMENTO AND MEADOWBROOK TARIFF AREAS**

3. Per Advice Letter 1230-B, the under-collected balance in the Sacramento County District Consolidated Expense Balancing Account (CEBA) will be recovered through a quantity based surcharge of \$0.0133 per 100 gallons over 12 months effective, May 1, 2019. The total amount will be recovered from all classes of customers.
4. Per D.18-12-021 a meter based bill credit for the Excess Non-Plant Accumulated Deferred Income Tax will be refunded to customers over the 24-month period beginning August 1, 2019.

Meter Size	Refunds by Meter Equivalents
5/8 x 3/4	\$0.99
3/4	\$1.48
1	\$2.46
1 1/2	\$4.93
2	\$7.88
3	\$14.78
4	\$24.63
6	\$49.26
8	\$78.82
10	\$113.30

**SACRAMENTO TARIFF AREA**

1. 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, 2018, the net under-collection totals \$12,925,149 including interest. The surcharge of \$0.0890 per 100 gallons is set to recover the under-collection at a rate equal to 15% of the authorized revenue requirement as approved by D.18-12-021.

(C)  
 |  
 (C)

(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

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

Advice 1263-A

J. T. LINAM

Date Filed \_\_\_\_\_

Decision

DIRECTOR - Rates & Regulatory

Effective \_\_\_\_\_

Resolution \_\_\_\_\_



Schedule No. ND-1 (Continued)  
Northern Division Tariff Area  
GENERAL METERED SERVICES

Sheet 7

**Fees and Surcharges**

**LARKFIELD TARIFF AREA**

1. D.18-12-021 authorized a three-year conservation budget of \$45,700 for 2018-2020 for the Larkfield District. Per AL 1230-B, a surcharge of \$0.0190 per hundred gallons will be applied to each bill to fund California American Water conservation efforts.
1. Per Advice Letter 1230-B, the under-collected balance in the Larkfield District Consolidated Expense Balancing Account (CEBA) will be recovered through a quantity based surcharge of \$0.0508 per 100 gallons over 24 months effective May 1, 2019. The total amount will be recovered from all classes of customers.
2. 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, 2018, the net under-collection totals \$1,057,673 including interest. The surcharge of \$0.1882 per 100 gallons is set to recover the under-collection at a rate equal to 15% of the authorized revenue requirement as approved by D.18-12-021. (C)
3. Per Advice Letter 1243, a surcharge is applied to each bill to offset increases in purchased water costs imposed by the Sonoma County Water Agency. This offset results in a needed increase of \$40,026 or 1.26%. The surcharge of \$0.0162 per cgl is added to the quantity rate beginning May 11, 2019.
4. Per D.18-12-021 a meter based bill credit for the Excess Unprotected Accumulated Deferred Income Tax will be refunded to customers over the 24-month period beginning August 1, 2019. (C)

Meter Size	Refunds by Meter Equivalents
5/8 x 3/4	\$ 0.93
3/4	\$ 1.40
1	\$ 2.34
1 1/2	\$ 4.67
2	\$ 7.48
3	\$ 14.02
4	\$ 23.37
6	\$ 46.73
8	\$ 74.77
10	\$ 107.48

(Continued)

(TO BE INSERTED BY UTILITY)  
Advice 1263-A  
Decision

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

(TO BE INSERTED BY C.P.U.C.)  
Date Filed \_\_\_\_\_  
Effective \_\_\_\_\_  
Resolution \_\_\_\_\_

**LARKFIELD DISTRICT SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**  
**ADVICE LETTER 1263-A**

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**SACRAMENTO DISTRICT SERVICE LIST**  
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**ADVICE LETTER 1263-A**

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