

CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS

Advice Letter Cover Sheet

Utility Name: California American Water

Date Mailed to Service List: April 7, 2020

District: Los Angeles County

CPUC Utility #: U210W

Protest Deadline (20th Day): April 27, 2020

Advice Letter #: 1287

Review Deadline (30th Day): May 7, 2020

Tier 1 2 3 Compliance

Requested Effective Date: March 31, 2020

D.08-11-023, D.12-04-048,

Authorization D.13-07-041, D.18-12-021

Rate Impact: \$See AL

Description: 2019 Los Angeles WRAM & MCBA

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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DWA Contact: Tariff Unit

Phone: (415) 703-1133

Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

DATE

STAFF

COMMENTS

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



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April 7, 2020

ADVICE LETTER NO. 1287

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 Los Angeles County 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. LA-1 (continued) Ventura County District Tariff Area GENERAL METERED SERVICE	9330-W
XXXX-W	TABLE OF CONTENTS Page 3	XXXX-W
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PURPOSE

The purpose of this advice letter filing is to request recovery of the 2019 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.

On March 24, 2020 California American Water requested a two-week extension to file the Tier 1 annual request for amortization for net WRAM/MCBA balances. On April 2, 2020 the Commission granted this extension request.

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 Los Angeles 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)¹, 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 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 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:

- 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;*

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

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.*

In addition, D.18-12-021 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 Cal-Am's districts.*

California American Water submitted its annual report with DWA on 11/30/2019. The report contained recorded balances January 1 through October 31, 2019 and forecasted balances for the period November 1 through December 31, 2019.

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	(\$1,011,081.91)	(\$31,138)	(\$1,042,220)
Current Year Balance	(\$1,451,967)	(\$14,682)	(\$1,466,650)
Total Balance Requested	(\$2,463,049)	(\$45,820)	(\$2,508,869)
2019 Adopted Revenue			6,875,810
Total Balance % of Revenue			36.5%
Duarte			
Prior Year Balance	(\$1,103,766.36)	(\$35,470)	(\$1,139,237)
Current Year Balance	(\$416,701)	(\$4,420)	(\$421,121)
Total Balance Requested	(\$1,520,467)	(\$39,890)	(\$1,560,357)
2019 Adopted Revenue			\$9,179,656
Total Balance % of Revenue			17.0%
San Marino			
Prior Year Balance	(\$379,753.98)	(\$14,916)	(\$394,670)
Current Year Balance	\$236,743	(\$1,902)	\$234,840
Total Balance Requested	(\$143,011)	(\$16,818)	(\$159,830)
2019 Adopted Revenue			\$18,614,484
Total Balance % of Revenue			0.9%

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 \$0.1697 per 100 gallons over a 29-month period for Baldwin Hills, \$0.0844 per 100 gallons over a 13-month period for Duarte, and \$0.0051 per 100 gallons over a 12-month period for San Marino 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

Cal-Am submits this as a Tier 1 advice letter per D.13-07-041 and requests an effective date of March 31, 2020.

NOTICE

Pursuant to Section 4.3 of General Order No. 96-B, a copy of this advice letter is being provided to those entities listed in the attached "SERVICE LIST PURSUANT TO SECTION 4.3 OF G.O. NO. 96-B." Per guidance from the California Public Utilities Commission's Water Division, during the COVID-19 pandemic advice letters will only be delivered electronically to the service list. Hardcopy advice letters will be mailed as soon as administrative staff are able to return to California American Water offices.

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
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:

² G.O. 96-B, General Rule 7.4.1

³ G.O. 96-B, General Rule 7.4.2

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

Sheet 5

SPECIAL CONDITIONS

Fees and Surcharges (Continued):

1. Per Advice Letter 1251, 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 October 1, 2019. 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	\$0.0244	36
Duarte	\$0.0152	24
San Marino	\$0.0202	12

2. Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) Surcharges.
 - a. 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 \$2,508,869 including interest, as of December 31, 2019. The surcharge of \$0.1697 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.
 - b. For the **Duarte** service area, a surcharge is included on each bill to recover the net under-collection in the WRAM and MCBA of \$1,560,357, including interest, as of December 31, 2019. The surcharge of \$0.0844 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.
 - a. 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 \$159,830, including interest, as of December 31, 2019. The surcharge of \$0.0051 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.
3. A surcharge is applied to each bill to offset increases in purchase water costs for the Los Angeles County District.

(C)

(C)

Service Area	Purchased Water Surcharge Per 100 Gallon	Effective Date	Advice Letter
Baldwin Hills	\$0.0269	May 11, 2019	1243
Duarte	\$0.0928	May 11, 2019	1243
San Marino	\$0.0292	May 11, 2019	1243

(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

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

Advice 1287

J. T. LINAM

Date Filed _____

Decision

DIRECTOR - Rates & Regulatory

Effective _____

Resolution _____

LOS ANGELES COUNTY DISTRICT SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1287

BY MAIL:

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Los Angeles Docket Office California Public Utilities Commission 320 West 4th Street, Suite 500 Los Angeles, CA 90013	Sunnyslope Water Company 1040 El Campo Drive Pasadena, CA 91109	San Gabriel County Water District P.O. Box 2227 San Gabriel, CA 91776
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David E. Morse 1411 W. Covell Blvd., Suite 106-292 Davis, CA 95616-5934	Wallin, Kress, Reisman & Krantz, LLP 11355 West Olympic Blvd., SUITE 300 Los Angeles, CA 90064	Andrew Jackson Golden State Water Company 630 E. Foothill Blvd. San Dimas, CA 91773 afjackson@gswater.com
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James L. Markman Richards, Watson & Gershon 355 South Grand Avenue, 40th Floor Los Angeles, CA 90071-3101	City of Los Angeles Department of Water and Power 111 North Hope Street Los Angeles, CA 90012 Attn: City Attorney	Veronica Ruiz, City Clerk City of San Marino 2200 Huntington Dr, 2 nd Floor San Marino, CA 91108 vrui@cityofsanmarino.org
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LOS ANGELES COUNTY DISTRICT SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1287

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Richard Rauschmeier
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