



Notice of Public Participation Hearing: California American Water’s Request to Increase Water Rates in its General Rate Case Application No. A.16-07-002 Southern Division

Wednesday, January 18, 2017, at 6:00 p.m.
Courtyard Marriott Hotel – Salon B
700 W. Huntington Drive
Monrovia, CA 91016

The California Public Utilities Commission (CPUC) wants to hear from you. A Public Participation Hearing (PPH) has been scheduled for customers in the Southern Division at the date, time, and location noted above to receive your comments about California American Water’s General Rate Case (GRC) application (A.16-07-002).

A CPUC Administrative Law Judge (Judge) will preside at the PPH to listen to concerns, comments, and opinions on the proposed application. One or more Commissioners may attend, but no decisions will be reached at the hearing. All public comments from the PPH will be included in the formal record of this proceeding and become public record.

The hearing location is wheelchair accessible. A Spanish language translator will be at the PPH for those who need it. If you need a different non-English language translator or special assistance, please contact the CPUC’s Public Advisor’s Office (PAO) at the address listed at the bottom of this notice at least five days in advance of the hearing date. If you cannot attend the PPH, you may submit your comments via a letter or email to the PAO.

The Application

The CPUC requires California American Water to file a GRC every three years to ensure water rates reflect the cost of providing water service. On July 1, 2016, California American Water filed a GRC requesting overall revenue increases of \$34,599,200 (or 16.29%) for 2018, \$8,478,500 (or 3.43%) for 2019, and \$7,742,600 (or 3.03%) for 2020. The GRC includes revenue requirement information, the anticipated cost to run the water company’s systems, new infrastructure investments, a request to increase rates to cover anticipated costs, and other requests the water company deems necessary to run its business. If approved, rates for this GRC would increase beginning January 1, 2018.

Rate Consolidation

As part of this GRC, California American Water proposes to consolidate rates in each of its three State Divisions. This would include the Southern Division and would consolidate multiple service districts in that division for rate-making and operations purposes. Such consolidation is expected to benefit customers by spreading costs of large infrastructure projects over time and over a larger base of customers.

Southern Division

The consolidation proposal for Southern California would consolidate the Los Angeles, San Diego and Ventura County Districts with a timed phase-in of certain variable costs.

The three Los Angeles service areas (Baldwin Hills, Duarte, San Marino) are primarily served with local groundwater with some systems receiving limited purchased wholesale water (other systems in the Southern Division rely entirely on purchased water). These service areas already share common management and administrative support staff.

A. With Consolidation

California American Water’s revenue proposals for the Southern California Districts, **with** a consolidation, are shown by customer class in the chart below.

Southern Division - Proposed Revenue Changes <u>WITH</u> Consolidation							
	2018		2019		2020		All Three Years
CUSTOMER CLASS	\$ Change	% Change	\$ Increase	% Increase	\$ Increase	% Increase	\$ Change
Residential	\$7,748,138	13.0%	\$2,986,361	4.4%	\$2,684,969	3.8%	\$13,419,467
Commercial	\$2,760,996	11.3%	\$1,124,385	4.1%	\$1,010,909	3.6%	\$4,896,289
Industrial	\$715,042	17.5%	\$170,098	3.5%	\$152,931	3.1%	\$1,038,071
Public Authority	\$865,638	10.8%	\$338,352	3.8%	\$304,204	3.3%	\$1,508,194
Sale for Resale	\$833	15.7%	\$462	7.5%	\$415	6.2%	\$1,710
Construction/Other	\$20,799	11.2%	\$9,092	4.7%	\$8,175	4.0%	\$38,066
Irrigation	\$99,604	94.3%	\$11,775	5.8%	\$10,587	4.9%	\$121,966
Private Fire	(\$31,332)	-4.1%	\$0	0.0%	\$0	0.0%	(\$31,332)
TOTAL	\$12,179,717		\$4,640,524		\$4,172,189		\$20,992,431

Customer Impact

If California American Water’s proposed consolidation of the Southern Division is approved, a typical residential customer’s monthly water bills (with a 5/8-inch meter size) would resemble those below. The 2018 examples shown below are calculated using current rates as of October 2016. In accordance with Decision D. 15-04-007, rates will increase in January 2017. The amount of the increase has yet to be determined and may lead to different typical customer bills than the examples shown below. **Amounts shown include fees, taxes and surcharges.**

Los Angeles District – Baldwin Hills Average Residential Bill <u>WITH</u> Consolidation						Los Angeles District - Duarte Average Residential Bill <u>WITH</u> Consolidation					
YEAR	Avg Use (CGL) ¹	Current Bill	\$ Change	Proposed Bill	% Change	YEAR	Avg Use (CGL) ¹	Current Bill	\$ Increase	Proposed Bill	% Increase
2018	110.2	\$68.83	(\$3.70)	\$65.13	-5.37%	2018	130.0	\$65.76	\$12.28	\$78.04	18.68%
2019	110.2	\$65.13	\$2.75	\$67.88	4.22%	2019	130.0	\$78.04	\$3.29	\$81.34	4.22%
2020	110.2	\$67.88	\$2.47	\$70.35	3.64%	2020	130.0	\$81.34	\$2.96	\$84.30	3.64%

Los Angeles District – San Marino Average Residential Bill <u>WITH</u> Consolidation					
YEAR	Avg Use (CGL) ¹	Current Bill	\$ Increase	Proposed Bill	% Increase
2018	157.8	\$68.76	\$17.48	\$86.24	25.42%
2019	157.8	\$86.24	\$3.64	\$89.88	4.22%
2020	157.8	\$89.88	\$3.27	\$93.15	3.64%

¹: CGL= 100 gallons

B. Without Consolidation

California American Water’s revenue proposals for the Southern California Districts, **without** a consolidation, for the Los Angeles Districts are shown in the chart below by customer class.

Los Angeles District - Proposed Revenue Changes <u>WITHOUT</u> Consolidation							
	2018		2019		2020		All Three Years
CUSTOMER CLASS	\$ Increase	% Increase	\$ Increase	% Increase	\$ Increase	% Increase	\$ Increase
Residential	\$5,268,472	23.5%	\$1,640,471	5.9%	\$1,552,778	5.3%	\$8,461,721
Commercial	\$1,543,859	23.8%	\$478,904	6.0%	\$453,304	5.4%	\$2,476,067
Industrial	\$117,801	21.0%	\$34,465	5.1%	\$32,623	4.6%	\$184,890
Public Authority	\$354,767	23.3%	\$103,812	5.5%	\$98,263	5.0%	\$556,842
Sale for Resale	\$1,504	28.3%	\$472	6.9%	\$447	6.1%	\$2,424
Construction/Other	\$5,844	26.5%	\$1,634	6.5%	\$1,546	5.7%	\$9,023
Irrigation	\$118,784	112.4%	\$13,142	5.9%	\$12,439	5.2%	\$144,365
Private Fire	\$3,968	1.4%	\$0	0.0%	\$0	0.0%	\$3,968
TOTAL	\$7,415,000		\$2,272,900		\$2,151,400		\$11,839,300

Customer Impact

If California American Water’s proposed consolidation of the Southern Division is not approved, a typical residential customer’s monthly water bills (with a 5/8-inch meter size) would resemble those below. The 2018 examples shown below are calculated using current rates as of October 2016. In accordance with Decision D. 13-07-002, rates will increase in January 2017. The increase amount has yet to be determined and may lead to different typical customer bills than the examples shown below.

Amounts shown include fees, taxes and surcharges.

Los Angeles District – Baldwin Hills Average Residential Bill <u>WITHOUT</u> Consolidation						Los Angeles District - Duarte Average Residential Bill <u>WITHOUT</u> Consolidation					
YEAR	Avg Use (CGL) ¹	Current Bill	\$ Increase	Proposed Bill	% Increase	YEAR	Avg Use (CGL) ¹	Current Bill	\$ Increase	Proposed Bill	% Increase
2018	110.2	\$68.83	\$15.44	\$84.26	22.44%	2018	130.0	\$65.76	\$17.97	\$83.74	27.33%
2019	110.2	\$84.26	\$4.92	\$89.18	5.84%	2019	130.0	\$83.74	\$4.89	\$88.63	5.84%
2020	110.2	\$89.18	\$4.66	\$93.87	5.22%	2020	130.0	\$88.63	\$4.63	\$93.25	5.22%

Los Angeles District – San Marino Average Residential Bill <u>WITHOUT</u> Consolidation					
YEAR	Avg Use (CGL) ¹	Current Bill	\$ Increase	Proposed Bill	% Increase
2018	157.8	\$68.76	\$16.84	\$85.60	24.48%
2019	157.8	\$85.60	\$5.00	\$90.60	5.84%
2020	157.8	\$90.60	\$4.73	\$95.33	5.22%

¹: CGL= 100 gallons

Primary Drivers of Rate Increase

California American Water is requesting this increase to continue to invest in the infrastructure for each district. Revenue increases are being requested to make investments to improve water quality, comply with new water treatment and environmental regulations. Customer conservation and the drought have led to reduced sales revenue for California American Water. Due to this reduction and projected declining sales, California American Water requests an increase to the price per unit of water. The proposed rate increases will also allow California American Water to sustain new infrastructure investments, higher depreciation, higher costs for purchased water, higher operating and maintenance costs, information technology and laboratory costs, as well as higher taxes.

Obtaining a Copy of the Application

A copy of California American Water’s proposed GRC application and related exhibits may be reviewed at the following California American Water office:

- Los Angeles County Area – 8657 Grand Avenue, Rosemead, CA 91770

Copies of the proposed application are also available to review at the CPUC’s Central Files Office in San Francisco by appointment. For more information, please contact them at aljcentralfilesid@cpuc.ca.gov or (415) 703-2045.

The CPUC’s Process

After considering all proposals and all evidence that may be presented during the formal hearing process, the Judge will issue a proposed decision determining whether to adopt California American Water’s request, modify it, or deny it. Any of the five CPUC Commissioners may sponsor an alternate decision. The proposed decision and any alternate decisions will be discussed and voted on at a scheduled CPUC Voting Meeting.

The Office of Ratepayer Advocates (ORA) has reviewed this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting, and engineering. For more information about ORA, please call (415) 703-1584, e-mail ora@cpuc.ca.gov, or visit ORA’s website at www.ora.ca.gov.

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If you would like to learn how you can participate in the proceeding, provide informal comments, or have questions about the CPUC’s processes, you may access the CPUC’s Public Advisor’s webpage at <http://consumers.cpuc.ca.gov/pao/>. You may also contact the Public Advisor as follows:

- Email: public.advisor@cpuc.ca.gov
- Write: Public Advisor’s Office, 505 Van Ness Avenue, San Francisco, CA 94102
- Call: Toll free 1-866-849-8390; TTY toll free 1-866-836-7825

Please reference **California American Water’s GRC Application No. 16-07-002** in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and be made available for review by the assigned Judge, the Commissioners, and appropriate CPUC staff.