

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



July 17, 2019

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 Water Service Company's Advice Letter No. 1237, filed on March 27, 2019, regarding the Phase 3A Settlement Agreement – 2019 Consumption Adjustment Mechanism.

Enclosed is a copy of the advice letter with an effective date of January 1, 2019 for the utility's files.

Please contact Bradley Leong at 415-703-2307, if you have any questions.

Thank you,

/s/ROBIN BRYANT

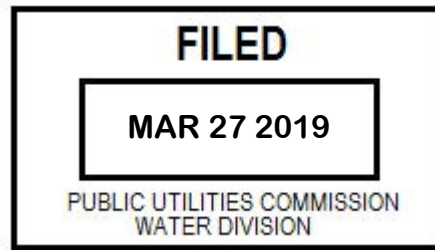
Robin Bryant
Water & Sewer Advisory Branch
Water Division

Enclosures



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March 27, 2019

ADVICE LETTER NO. 1237

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (Cal-Am) (U210W) submits this advice letter applicable to its Monterey District water customers.

Purpose:

This advice letter filing is to comply with Decision (D.) 18-05-027, which adopted the *Settlement Agreement between California-American Water Company, the Office of Ratepayer Advocates, Monterey Peninsula Water Management District, and Coalition of Peninsula Businesses on Phase 3A Issues* (Phase 3A Settlement Agreement). Pursuant to the Phase 3A Settlement Agreement Cal-Am is required to file an annual Tier 2 advice letter that provides the actual recorded consumption and legal and court ordered production limitations for the Monterey Main system customer classes that are covered by the process defined and detailed in the Phase 3A Settlement Agreement.

Background:

Cal-Am provides metered water service to approximately 38,500 customers in its Monterey Main system, which is comprised of the Monterey Main system, Hidden Hills, Ryan Ranch and Bishop. Currently, all Monterey County District water customers are billed on a monthly basis. In A.15-07-019, Cal-Am proposed, among other actions, an annual consumption true-up pilot program (ACPP). The ACPP was later refined and referred to as the consumption adjustment mechanism true-up pilot-program (CAM). As noted in D.18-05-027, the “goal of this program is to adjust rates annually based on updated actual sale in order to stabilize revenues and moderate future Water Revenue Adjustment Mechanism (“WRAM”)/Modified Cost Balancing Account (“MCBA”) balances.

The Parties to the Phase 3A Settlement Agreement supported the ACPP/CAM because, due to continuing supply constraints and unexpectedly large variances in consumption forecasts, and there was a need for a reliable and timely process for adjusting the authorized consumption and production forecasts for each annual escalation and attrition year in Monterey. This process would ensure the likelihood that the conservation rates developed for those annual periods will collect the annual authorized revenue requirement and WRAM/MCBA balances will be moderated. The settling parties believed that utilizing a more current consumption forecast could allow customers to better budget their annual water costs, provide the right pricing signals so that all conservation and use restriction signals are timely and consistently provided to customers, address inter-generational equity concerns in the timely recovery of costs in rates and lower rates to customers by shortening the period that accounts accrue interest.

The Commission agreed with the settling parties and adopted the Phase 3A Settlement Agreement in D.18-05-027. The Commission found the ACP/CAM:

- “provides a reliable and timely process for adjusting the authorized consumption and production forecasts used in setting rates for each escalation and attrition year; and the adjusted rates increase the likelihood of collecting the authorized revenue requirement and moderating WRAM/MCBA balances;”¹
- “provide[s] more rate and bill stability, allow customers to improve their budgets for annual water costs, improve the timeliness and consistency of price information, address intergenerational equity concerns, and reduce interest costs recovered in rates.”²

The Phase 3A Settlement Agreement adopted by the Commission in A.15-07-019 provides the implementation details for the ACP/CAM covering residential and non-residential customers in the Monterey Main system subject to WRAM/MCBA true-ups. As summarized in D.18-05-027 at pages 7-8, the key elements are:

- a. **Applicability:** The ACP/CAM is a pilot program limited to specified customers in specific parts of Applicant’s Monterey Main system.¹⁴ It will be evaluated in a subsequent general rate case, and Cal-Am will provide actual consumption data for the first full year following its implementation for that evaluation.
- b. **Process:** Applicant will file a Tier 2 advice letter on or before November 15. The advice letter will provide actual recorded monthly consumption by classification and by tier from October 1 of the prior year through September 30 of the current year, along with the legal and court ordered production limitations, covered by the ACP/CAM for the applicable Monterey Main system customers. Upon approval of the Tier 2 advice letter, Applicant will file a Tier 1 advice letter to implement new rates January 1 of the subsequent year. The approved data will then replace the adopted quantities beginning January 1 of the subsequent year and be used for future rate adjustments during that year.
- c. **Consumption Data:** Current rates are to be modified as provided in the SA. Proposed rates in the escalation and attrition years will be based on actual recorded consumption or, if lower, the production limit set by court order or legal restrictions.
- d. **Methodology:** Four appendices provide more particulars: (1) detailed customer classifications, (2) a sample calculation based on consumption, (3) a sample calculation based on production limits, and (4) a sample calculation of adjustments to volumetric based surcharges.
- e. **Tracking and Changes:** Cal-Am will track incremental differences with respect to revenues and production costs, and will recalculate consumption based surcharges.
- f. **Notice:** Cal-Am will give notification, conduct community outreach, and provide an annual notice of the effect on rates to all affected customers.

¹ D.18-05-027, Finding of Fact 9, p.13.

² D.18-05-027, Finding of Fact 10, p.14.

On November 7, 2018, because of the timing of Cal-Am's last general rate case decision, the Commission's Executive Director granted Cal-Am an extension of time to make this filing.

Request:

In compliance with Decision D.18-05-027, Cal-Am requests authority to replace the adopted consumption with the actual consumption and production data (from October 1, 2017 through September 30, 2018) beginning January 1, 2019 to be used for future rate adjustments, including all annual step and offset filings, in 2019 until the adopted consumption is updated the following year.

Tier Designation:

This advice letter is submitted pursuant to General Order No. 96-B and D.18-05-027 and is designated as a Tier 2 filing.

Effective Date:

California American requests an effective date of January 1, 2019.

RESPONSE OR PROTEST³

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 grounds⁴ 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 relitigating a prior order of the Commission.

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:

³ G.O. 96-B, General Rule 7.4.1

⁴ G.O. 96-B, General Rule 7.4.2

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 Cal-Am at:

Email Address:

nancy.hollingsworth@amwater.com

sarah.leeper@amwater.com

jonathan.morse@amwater.com

Mailing Address:

4701 Beloit Drive
Sacramento, CA 95838

555 Montgomery Street, Suite 816
San Francisco, CA 94111

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.

REPLIES⁵

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.

The actions requested in this advice letter are not now the subject of any formal filings with the California Public Utilities Commission, including a formal complaint, nor action in any court of law.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

If you have not received a reply to your protest within 10 business days, please contact Nancy Hollingsworth at (916) 568-4209.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Nancy Hollingsworth

Nancy Hollingsworth
Financial Analyst - Rates & Regulatory

⁵ G.O. 96-B, General Rule 7.4.3