

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: California American Water
District: Northern Division
CPUC Utility #: U210W
Advice Letter #: 1288
Tier: 1 2 3 Compliance
Authorization: D.08-11-023, D.12-04-048,
D.13-07-041, D.18-12-021
Description: 2019 Northern Division WRAM & MCBA

Date Mailed to Service List: April 7, 2020
Protest Deadline (20th Day): April 27, 2020
Review Deadline (30th Day): May 7, 2020
Requested Effective Date: March 31, 2020
Rate Impact: \$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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Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

<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WITHDRAWN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. 1288

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	9443-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 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)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. California American Water 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 California American Water'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	Cumulative Surcharge Collections	Balance
Larkfield				
AUTHORIZED PRIOR BALANCES REMAINING AT 12/31/2019	(\$1,057,673)	(\$20,899)	\$303,434	(\$775,138)
BALANCE NOT YET APPROVED FOR YEAR 2019	(\$181,810)	(\$5,698)	\$0	(\$187,508)
BALANCE ALL YEARS				(\$962,646)
2019 Adopted Revenue				\$3,078,816
2019 Balance % of Revenue				6.1%
Net Balance % of Revenue				31.3%
Sacramento				
Description	WRAM/MCBA Over/(Under) Collection	Cumulative Interest Earned/ Accrued	Cumulative Surcharge Collections	Balance
AUTHORIZED PRIOR BALANCES REMAINING AT 12/31/2019	(\$12,925,149)	(\$241,141)	\$5,383,261	(\$7,783,029)
BALANCE NOT YET APPROVED FOR YEAR 2019	\$282,113	(\$278)	\$0	\$281,835
BALANCE ALL YEARS				(\$7,501,194)
2019 Authorized Revenue				\$53,172,021
2019 % of Revenue				0.5%
Net Balance % of Revenue				14.1%

Based on the above balance and 15% cap outlined in D.18-12-021, California American Water requests a volumetric surcharge of \$0.1875 over an 18-month period for Larkfield², and of \$0.0906 over a 11-month period for Sacramento be added to the Company's tariffs.

² The 2019 balance reflects \$255,646 of revenue adjustments based on authorized consumption for the customers impacted by the 2017 fire in the Larkfield district. However, due to the 15% cap established in D.18-12-021, the surcharge does not reflect the incremental adjustment and therefore will not be collected as part of this filing. These adjustments were approved for 2017 and 2018 advice letters 1198 on July 6, 2018 and 1263-B on December 30, 2019, respectively.

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 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 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 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.

³ G.O. 96-B, General Rule 7.4.1

⁴ G.O. 96-B, General Rule 7.4.2

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:

Nancy.Hollingsworth@amwater.com

Mailing Address:

4701 Beloit Drive
Sacramento, CA 95838

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.

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.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Jeffrey T. Linam

Jeffrey T. Linam
Vice President of Rates & Regulatory

⁵ G.O. 96-B, General Rule 7.4.3

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

Sheet 7

SPECIAL CONDITIONS (Continued):
Fees and Surcharges

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, 2019, the net under-collection totals \$7,501,194 including interest. The surcharge of \$0.0906 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.

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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.
- 2. Per Advice Letter 1252, the under-collected balance in the Larkfield District Consolidated Expense Balancing Account (CEBA) will be recovered through a quantity based surcharge of \$0.0617 per 100 gallons over 36 months effective September 22, 2019. The total amount will be recovered from all classes of customers.
- 3. 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, 2019, the net under-collection totals \$962,646 including interest. The surcharge of \$0.1875 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.
- 4. 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.

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(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1288	J. T. LINAM	Date Filed	_____
Decision		DIRECTOR - Rates & Regulatory	Effective	_____
			Resolution	_____

LARKFIELD DISTRICT SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1288

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Redwood Valley District
14034 Armstrong Woods Rd
Guerneville 95446

Maria D. Duddy
2184 Teakwood Ct.
Hollister, CA 95023

Penngrove/Kenwood Water Co
4984 Sonoma Hwy
Santa Rosa 95409

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SACRAMENTO DISTRICT SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY
ADVICE LETTER 1288

BY MAIL:

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Carol Smith 6241 Cavan Drive, 3 Citrus Heights, CA 95621	Sacramento County WMD 827 7th Street, Room 301 Sacramento, CA 95814	
Steven J. Thompson 5224 Altana Way Sacramento, CA 95841	Fruitridge Vista Water Company P.O. Box 959 Sacramento, CA 95812	Robert C. Baptiste 9397 Tucumcari Way Sacramento, CA 95827-1045
Anthony La Bouff, County Counsel Placer County 175 Fulweiler Avenue Auburn, CA 95603	Rio Linda Water District 730 L Street Rio Linda, CA 95673	
	Richard Rauschmeier California Public Utilities Commission DRA - Water Branch, Rm 4209 505 Van Ness Ave San Francisco, CA 94102 rra@cpuc.ca.gov	Heather Hernandez Sacramento Suburban Water District 3701 Marconi Avenue, Suite 100 Sacramento, CA 95821-5303 HHernandez@sswd.org
<u>BY E-MAIL:</u>		
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Florin County Water District P.O. Box 292055 Sacramento, CA 95829 fcwd@sbcglobal.net	Linda Garcia, City Clerk City of Isleton P.O. Box 716 Isleton, CA 95641 lgarcia@cityofisleton.com	Placer County Water Agency Customer Service Department customerservices@pcwa.net