



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

FILED

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Application Of CALIFORNIA-AMERICAN WATER COMPANY (U-210-W), CALIFORNIA WATER SERVICE COMPANY (U-60-W), GOLDEN STATE WATER COMPANY (U-133-W), PARK WATER COMPANY (U-314-W) AND APPLE VALLEY RANCHOS WATER COMPANY (U-346-W) to Modify D.08-02-036, D.08-06-002, D.08-08-030, D.08-09-026, D.08-11-023, D.09-05-005, D.09-07-021, and D.10-06-038 regarding the Amortization of WRAM-Related Accounts.

A.10-09-017
(Filed September 20, 2010)

COMPLIANCE FILING OF THE DIVISION OF RATEPAYER ADVOCATES FOR THE TIMELINE FOR A RESPONSE TO THE APRIL 15, 2011 FILING WITH POSSIBLE SCOPE OPTIONS

At the January 24th prehearing conference (“PHC”), Administrative Law Judge (“ALJ”) Walwyn discussed the need for additional data to address the Applicants’ requests regarding amortization of the Water Revenue Adjustment Mechanism and Modified Cost Balancing Accounts (“WRAM/MCBA”) in this proceeding. ALJ Walwyn directed parties to provide information in order for the Commission to evaluate why the WRAM/MCBA undercollections are so large, whether those undercollections are anticipated to continue, and to understand the volatility associated with the WRAM/MCBA and evaluate whether to agree to this level of rate volatility.¹ Pursuant to ALJ Walwyn’s direction, the Applicants provided a proposal for a data structure by

¹ Reporter’s transcript, January 24, 2011, PHC-2, p. 80, line 24 through p. 81, line 2.

February 10 and this was discussed at the February 17th PHC. At the February 17th PHC ALJ Walwyn directed the applicants to file the additional data that the ALJ specified during the PHC by April 15.th Additionally, ALJ Walwyn directed DRA to submit by April 29th a proposed schedule for responding to the Applicants' April 15th filing.²

On April 22nd, California American Water Company ("Cal Am") filed a motion requesting a scoping memo in this proceeding. During the subsequent April 25th PHC, Judge Walwyn directed the parties to file responses to that motion by May 9th. Pursuant to Judge Walwyn's direction, each party's response to the motion will include recommendations regarding the scope and schedule of this proceeding.³ Additionally, during the PHC on April 25th, ALJ Walwyn specified that DRA should still file its April 29th response and stated that DRA's April 29th filing differs from its May 9th response to Cal Am's motion. Specifically, this April 29th filing is not a direct response to the Applicants' April 15th filing, rather it should provide a heads-up on what it plans to do with the April 15th filing and DRA's potential scheduling needs, depending on the final scope of the proceeding.⁴

Here DRA provides a review of options for the scope of the proceeding and DRA's anticipated scheduling needs associated with those options. DRA will submit its response to Cal Am's April 22nd motion including scoping and scheduling recommendations on May 9th.

Based on the PHCs and filings in this proceeding to date, it is DRA's understanding that the Commission will require several items in the scope of this proceeding in order to reach a decision on the Applicants' proposals regarding WRAM/MCBA amortization.⁵ Below are three distinct options for scoping this proceeding and DRA's scheduling needs for each.

² Reporter's transcript, February 17, 2011, PHC-3, p. 118, line 25 through p. 119, line 22.

³ Reporter's transcript, April 25, 2011, PHC-4, p. 138, lines 1-5.

⁴ Reporter's transcript, April 25, 2011, PHC-4, p. 140, lines 7-13, and 25 – 28, and p. 141, 1 – 6.

⁵ For example, reporter's transcript, January 24, 2011, PHC-2, p. 80, line 24 through p. 81, line 2.

1) **Limited Scope:** Specifically, any scope in this proceeding will at least contain the following items: compliance with prior decisions such as Decision (“D.”)08-06-002, compliance with other WRAM/MCBA decisions including safeguards, review of the nine issues listed by the Applicants in A.10-09-017,⁶ which includes the amortization of recorded WRAM/MCBA balances to date⁷ including an evaluation of the questions and topics ALJ Walwyn has identified as necessary for the Commission to evaluate the Applicants’ requests.

If the scope of this proceeding is limited to the above, the Commission will seek to understand the volatility by looking at the questions identified in this proceeding to date, such as the difference between water and electric Investor-Owned Utilities (“IOU”) and the difference between municipal water agencies and investor-owned water utilities, how undercollections have been addressed in Energy Rate Adjustment Mechanisms (“ERAM”), and the differences in WRAM/MCBA balances among Class A water districts. For this scope, DRA recommends a procedural schedule with discovery, testimony, evidentiary hearings, and briefs. At this time, DRA estimates it would need 90 days to complete its testimony. DRA’s testimony would include its response to the Applicants April 15th filing within the context of this limited scope as well as a response to ALJ Walwyn’s question regarding lengthening the WRAM/MCBA amortization periods.

If the Commission includes additional items in the scope of this proceeding, DRA would require additional time as described below. The following have been proposed or discussed within this proceeding as possible additions to the scope:

2) **Comprehensive Scope:** A broader scope would include: a comprehensive review of WRAM/MCBA mechanisms including all WRAM/MCBA recorded balances,

⁶ Application 10-09-017, p. i – iv states that the nine issues included in this application are: 1) amortization period, 2) deadline for submitting report, 3) deadline for requesting amortization, 4) process for requesting amortization, 5) the “trigger” for amortization, 6) applying surcharge/surcredit, 7) accounting for amortized amounts (“first in, first out”), 8) “under-amortized” and “over-amortized” amounts, and 9) additional amortization for outstanding WRAM revenues.

⁷ Reporter’s transcript, April 25, 2011, PHC-4, p. 144, line 12 - 20.

projected 2011 balances, interim solutions on an immediate basis going forward for Monterey and/or for all districts, as well as the broader issue of how the WRAM/MCBA mechanisms operate for 2012 and beyond.

Within this scope, the Commission could evaluate the reasons for the undercollections.⁸ This is a substantial question of a controversial and complex nature that would require significant resources, including the Commission needing to hold Public Participation Hearings, DRA needing to hire consultants, and DRA needing to conduct discovery, write testimony, and participate in evidentiary hearings and briefs.⁹ In the April 15th filing, even though the Applicants have presented a lot of information, the cause of the undercollections still remains uncertain and controversial. Attributing a clear percentage of the undercollection to Class A water utilities' conservation programming is difficult and may not be feasible.

If the Commission decides on this broad scope for this proceeding, DRA needs to properly staff this project and may need to hire a consultant. In the event that DRA hires a consultant, DRA estimates it would need 45 days to bring the consultant on board after the issuance of the scoping memo.¹⁰ DRA estimates it would need 120 days to complete discovery and submit testimony including its response to the Applicants' April 15th filing within the context of this comprehensive scope.

3) Immediate Monterey Interim Issues and Limited Scope: If the Commission determines that the most immediate issue in this proceeding is the WRAM/MCBA undercollection in the Monterey District, the Commission could limit the scope to address the immediate problem of the undercollection in the Monterey District and the

⁸ Reporter's transcript, January 24, 2011, PHC-2, p. 58, lines 24 - 28.

⁹ DRA provided further discussion of the procedural schedule for a broad scope either in this proceeding or in a subsequent proceeding in its April 8 filing, p. 7 titled "*Division of Ratepayer Advocates' Recommendations to Address Undercollections in the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account Balances in California American Water Company's Monterey District.*"

¹⁰ DRA may request, if there are not sufficient funds available due to the State's budget crisis, for the Commission to allow a reimbursable contract where the Applicants cover the costs of the consultant. Additionally, if DRA needs to hire the consultant from another government agency or academia, the process may take longer, approximately 60 – 90 days.

changing of amortization periods for Monterey. If required, DRA could prepare a response within two weeks to address ALJ Walwyn's outstanding question on the option of lengthening the amortization periods for the Monterey District. Then the Commission could proceed on an expedited basis with a decision limited to the immediate issues in the Monterey District using the information that DRA and the Applicants already filed in this proceeding.

Also, the Commission could continue to examine the issue of changing the amortization periods for all other districts in this proceeding using the procedural schedule listed above in 1) Limited Scope.

The Commission could then review the broader issues of WRAM/MCBA mechanisms in a separate proceeding as suggested in 2) Comprehensive Scope above.

For the purpose of simplification, DRA has identified the three options above for the possible scopes of this proceeding. However, DRA recognizes that there are many possible variations to the scope of this proceeding and the timelines provided above may be modified based on the final scope identified in the scoping memo. The above discussion provides the range of possible options to provide all the parties and the Commission further information regarding DRA's needs.

Respectfully submitted,

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