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DRA'S ATTACHMENT 1

MODIFICATIONS TO APPLICANTS' PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

ORIGINAL DOCUMENT WAS PREPARED BY APPLICANTS
REDLINES SHOWN ARE BY DRA

ATTACHMENT A

**PROPOSED FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS
IN A.10-09-017**

Proposed Findings of Fact

1. Absent specific direction in the WRAM Decisions as to the timing for amortization of WRAM and MCBA account balances, DWA has applied the rules specified in Standard Practice U-27- W ~~as well as, the decisions resulting from R.01-12-009, including D.03-06-072, related to amortization of memorandum and balancing accounts, with resultant delays in the recovery of under collected balances.~~

~~2. Delays in the recovery of under collected balances have caused significant cash flow and accounting problems for Applicants and intergenerational inequities for customers.¹~~

~~3.2.~~ Applicants proposed to amortize WRAM/MCBA balances up to 5% of the last authorized revenue requirement over a 12 month period and to amortize balances above the 5% limit over 18 months.

~~4.3.~~ Applicants' alternative proposal, applicable to WRAM/MCBA balances between 15% and 30%, was to amortize such balances through surcharges equal to or less than 10% of the last authorized revenue requirement by ~~setting limiting~~ the ~~term of the~~ amortization ~~at the smallest duration to the shortest period~~ between 19 and 36 months consistent with the 10% limit, with a maximum amortization term of 36 months, as provided below:

¹ DRA recommends deleting this proposed finding of fact since this statement is not sufficiently supported by the record.

Percent Range of Last Authorized Revenue Requirement			Months
0%	to	< 2%	12 (optional)
2%	to	< 5%	12
5%	to	< 15%	18
15%	to	< 16%	19
16%	to	< 17%	20
17%	to	< 18%	22
18%	to	< 19%	23
19%	to	< 20%	24
20%	to	< 21%	25
21%	to	< 22%	26
22%	to	< 23%	28
23%	to	< 24%	29
24%	to	< 25%	30
25%	to	< 26%	31
26%	to	< 27%	32
27%	to	< 28%	34
28%	to	< 29%	35
29% or higher			36

5.4. The utilities' annual reports on their WRAM/MCBA balances will be most useful if submitted well in advance of their annual related advice letter filings.

6.5. The Water Industry Rule 7.3.1(1)s of General Order 96-~~A-B~~ allows requests to amortize balancing accounts by Tier 1 advice letter.

7.6. For the sake of consistency with the Commission's prior balancing account decisions and intergenerational equity, Applicants and DRA proposed that Applicants be required to amortize WRAM/MCBA balances at or above 2% of the last authorized revenue requirement and be permitted to amortize balances below that percentage, on an annual basis.

8.7. Amortization of most water utility balancing accounts is achieved by surcharges on quantity charges and surcredits on service charges and consistency in this regard ~~will be beneficial~~ is desired. -However, under exceptional circumstances, such as in the case of Cal-Am's Monterey District, other options may be warranted.

~~9. Applicants agreed with DRA that the Commission need not dictate a utility's choice of specific accounting treatments, such as the First In/First Out ("FIFO") method, is not relevant to ratemaking determinations regarding WRAM/MCBA balances, and that the Commission need not dictate such accounting procedures.~~

~~10.8. Although more monitoring of the WRAM/MCBA is possible, it would be overly complex and burdensome to require utilities to maintain separate surcharges or surcredits for each WRAM/MCBA year's over and under-amortized amounts and it is simpler and more efficient to allow utilities to include under-amortized or over-amortized amounts from ongoing surcharges or surcredits in their annual WRAM/MCBA filings while allowing previously authorized surcharges or surcredits to run their course.~~

~~11. WRAM/MCBA balances remaining from 2010 present accounting problems for the utilities that can be addressed by accelerated amortization.~~

~~9. The majority of WRAM/MCBA balances are under-collections, not over-collections.~~

~~10. The high volatility experienced with the WRAM/MCBA net balances does not comport with the Commission's expectations.~~

~~11. While the WRAM/MCBA mechanism appears to be removing disincentives from utilities to implement conservation rates and conservation programs, it is also capturing the effects from other factors impacting sales including: economic conditions, shut-offs due to non-payment, conversion from flat to metered billing, drought, and conservation.~~

~~12. High under-collections in districts with a low number of customers lead to a high per customer surcharges which would be exacerbated with a shortened amortization period.~~

~~13. A consistent approach to WRAM/MCBA amortization across all Class A water utilities that have a full revenue decoupling WRAM/MCBA, including Cal-Am and Valencia Water Company, is desirable.~~

~~14. Continued examination of the WRAM/MCBA mechanism and conservation pilot programs is needed, particularly in ratemaking districts with an under-collection of 15% or greater.~~

Proposed Conclusions of Law

1. It is reasonable for the utilities, ~~by ratemaking district and for each WRAM/MCBA balance for which a surcharge or surcredit has not already been authorized to~~

~~amortize WRAM/MCBA balances that are not currently governed by a surcharge or surcredit~~ to amortize WRAM/MCBA balances up to 5% of the last authorized revenue requirement over a 12 month period; ~~for balances to amortize balances~~ above 5% and up to 15% of the last authorized revenue requirement, ~~the amortization period should be~~ over 18 months; ~~to amortize balances~~ and for balances above 15% and up to 30% of the last authorized revenue requirement ~~through~~ surcharges equal to or less than 10% of the last authorized revenue requirement ~~may be used to amortize the WRAM/MCBA balance~~ by ~~setting the amortization at the smallest duration~~ limiting the amortization period to the shortest number of months (between 19 and 36 months) consistent with the 10% limit, with a maximum amortization term of 36 months applicable to balances above 30% of the last authorized revenue requirement.

2. The utilities should be required to submit their annual reports on their WRAM/MCBA balances to DWA, with copies to DRA, by November 30 of each year, with data through the previous September 30, and should be permitted to request amortization of WRAM/MCBA balances as of December 31 by Tier 1 advice letters filed on or before March 31 of the succeeding year.

3. Applicants should be required to amortize WRAM/MCBA balances at or above 2% of their last authorized revenue requirement and should be permitted to amortize balances below that percentage, on an annual basis.

4. Under-collected WRAM/MCBA balances should be amortized by surcharges to quantity rates, while over-collected WRAM/MCBA balances should be amortized by surcredits to service charges except in extraordinary circumstances.

~~5. Applicants should have the discretion to choose whether to use FIFO to determine revenue recognition for financial accounting purposes.~~

~~6.5.~~ Notwithstanding Conclusion of Law 1, Applicants should be allowed to include under-amortized or over-amortized amounts from ongoing surcharges or surcredits in their annual WRAM/MCBA filings while previously authorized surcharges or surcredits run their course.

~~6. Applicants should be allowed to recover WRAM/MCBA balances remaining from 2010 by accelerated amortization.~~

~~7.~~ Examination of the WRAM/MCBA mechanism and conservation pilot programs should be conducted in each utilities' general rate case, including in a Phase 2 of this proceeding, to focus on districts that have an under-collection of 15% or greater and to address the broader policy issues associated with revenue decoupling mechanisms.

7. ~~8~~D.08-02-036, D.08-08-030, D.08-09-026, and D.09-05-005 should be modified in order to implement the changes in WRAM/MCBA amortization procedures adopted in this decision.

Proposed Ordering Paragraphs

1. Cal Water, Golden State, Park, and AVR each is authorized, for each ratemaking district and for each WRAM/MCBA balance for which a surcharge or surcredit has not already been authorized, to amortize WRAM/MCBA balances that are up to 5% of its last authorized revenue requirement over a 12 month period, to amortize balances that are above 5% and up to 15% of its last authorized revenue requirement over 18 months, to amortize balances that are above 15% and up to 30% of its last authorized revenue requirement through surcharges equal to or less than 10% of the last authorized revenue requirement by ~~setting-limiting the amortization period to the shortest number of months the amortization at the smallest duration~~ (between 19 and 36 months) consistent with the 10% limit and to amortize balances that are above 30% of its last authorized revenue requirement over a 36 month period.

2. Cal Water, Golden State, Park, and AVR each shall submit its annual report on its WRAM/MCBA balances to DWA, with copies to DRA, by November 30 of each year, with data through the previous September 30, while submitting any requests to amortize WRAM/MCBA balances as of December 31 on or before March 31 of the succeeding year. Such requests may be submitted by Tier 1 advice letter and are mandatory for any ratemaking district if the net WRAM/MCBA balance is at or above 2% of the last authorized revenue requirement for that district.

3. Under-collected WRAM/MCBA balances shall be amortized by surcharges to quantity rates, while over-collected WRAM/MCBA balances shall be amortized by surcredits to service charges.

~~4. Applicants have the discretion to choose whether to use FIFO to determine revenue recognition for financial accounting purposes.~~

5.4. Notwithstanding any limitation stated in Ordering Paragraph 1, Cal Water, Golden State, Park, and AVR may include under-amortized or over-amortized amounts from ongoing surcharges or surcredits in their annual WRAM/MCBA filings while previously authorized surcharges or surcredits run their course.

~~6.5. Cal Water, Golden State, Park, and AVR each may file a Tier 1 advice letter to accelerate the amortization of any WRAM/MCBA balances remaining from 2010 in order to complete the recovery of such balances by the end of 2012.~~

5. ~~6. Pursuant to Ordering Paragraph 3(1) of D.10-12-029, the WRAM/MCBA amortization procedures adopted in this Decision shall also apply to Valencia Water Company.~~

~~6. A pre-hearing conference will be convened in a Phase 2 of this proceeding to focus on districts that have an under-collection of 15% or greater following the filing of Applicants' 2011 WRAM/MCBA report and amortization requests expected by March 31, 2012.~~

7. D.08-02-036 is hereby modified as follows:
 - a. In the 15th line on page 26, the phrase, "exceeds 2% of Park's and 2.5% of CalWater's prior year revenue requirement", should be deleted and replaced by the phrase, "is 2% or more of Park's or CalWater's last authorized revenue requirement".
 - b. In the 17th line on page 26, after the sentence ending with "amortized", the following sentence should be inserted: "Each utility also will have the discretion to amortize combined balances of less than 2% if it chooses to do so."
 - c. In the first line on page 27, the word, "volumetric", should be deleted and replaced by the words, "monthly service".
 - d. After the first paragraph on page 54, insert a new Finding of Fact 5429, reading as follows: "5429. Revisions to certain procedures related to the recovery and refund of CalWater's and Park's WRAM and MCBA accounts were subsequently proposed and justified in A.10-09-017."
 - e. In Conclusion of Law 2 on page 54, insert the following clause at the end of the sentence: ", but certain procedures related to the recovery and refund of WRAM and MCBA accounts should be revised".
 - f. At the beginning of Ordering Paragraph 1 on page 55, the word, "The", should be deleted and replaced by the words, "Subject to revisions to certain procedures related to the recovery and refund of certain WRAM and MCBA accounts authorized in A.10-09-017, the".
8. D.08-08-030 is hereby modified as follows:
 - a. In the last line of text on page 15, the phrase, "exceeds 2.5% of GSWC's prior year revenue requirement", should be deleted and replaced by the phrase, "is 2% or more of GSWC's last authorized revenue requirement".

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- b. In the first line on page 16, after the sentence ending with "amortized", the following sentence should be inserted: "GSWC also will have the discretion to amortize combined balances of less than 2% if it chooses to do so."
 - c. In the 3rd line on page 16, the word, "volumetric", should be deleted and replaced by the words, "monthly service".
 - d. After the first paragraph on page 41, insert a new Finding of Fact 22, reading as follows: "22. Revisions to certain procedures related to the recovery and refund of GSWC's WRAM and MCBA accounts were subsequently proposed and justified in A.10-09-017."
 - e. In Conclusion of Law 1 on page 41, insert the following clause at the end of the sentence: ", but certain procedures related to the recovery and refund of WRAM and MCBA accounts should be revised".
 - f. At the beginning of Ordering Paragraph 1 on page 41, the word, "The", should be deleted and replaced by the words, "Subject to revisions to certain procedures related to the recovery and refund of certain WRAM and MCBA accounts authorized in A.10-09-017, the".
9. D.08-09-026 is hereby modified as follows:
- a. After the paragraph numbered 14 on page 11, insert new Finding of Fact 15, reading as follows: "15. Revisions to certain procedures related to the recovery and refund of AVR's WRAM and MCBA accounts were subsequently proposed and justified in A.10-09-017."
 - b. In Conclusion of Law 1 on page 11, insert the following clause at the end of the sentence: “, but certain procedures related to the recovery and refund WRAM and MCBA accounts should be revised".
 - c. At the beginning of Ordering Paragraph 1 on page 12, the word, "The", should be deleted and replaced by the words, "Subject to revisions to certain procedures related to the recovery and refund of certain WRAM and MCBA accounts authorized in A.10-09-017, the",
10. D.09-05-005 is hereby modified as follows:
- a. In the 3rd line of the final paragraph on page 11, the phrase, "March 31 of the following year", should be deleted and replaced by the phrase, "November 10 of each year".

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- b. In the 2nd line of text on page 12, the phrase, "exceeds 2.5% of that area's total authorized revenue requirement", should be deleted and replaced by the phrase, "is 2% or more of that area's last authorized revenue requirement".
- c. In the 5th line on page 12, the phrase, "2.5 or less," should be deleted and replaced by the phrase, "less than 2, Golden State will have the discretion to amortize the combined balances if it chooses to do so; otherwise,".
- d. In the 12th line of the full paragraph on page 14, the phrase, "2.5% threshold for triggering the amortization", should be deleted and replaced by the phrase, "2% threshold for triggering the mandatory amortization".
- e. After the paragraph numbered 6 on page 18, insert a new Finding of Fact 7, reading as follows: "7. Revisions to certain procedures related to the recovery and refund of Golden State's WRAM and MCBA accounts were subsequently proposed and justified in A.10-09-017."
- f. In Conclusion of Law 3 on page 18, insert the following clause at the end of the sentence: ", but certain procedures related to the recovery and refund of WRAM and MCBA accounts should be revised".
- g. At the beginning of Ordering Paragraph 1 on page ~~59~~19, the word, "The", should be deleted and replaced by the words, "Subject to revisions to certain procedures related to the recovery and refund of certain WRAM and MCBA accounts authorized in A.10-09-017, the".
- h. In the 3rd line of Ordering Paragraph 3 on page 19, the phrase, "during the preceding calendar year by March 31 of the following year, beginning March 31, 2010." should be deleted and replaced by the phrase, "by November 30 of each year."
- i. In the 3rd line on page 20, the continuation of Ordering Paragraph 3, the phrase, "exceeds 2.5% of that area's total authorized revenue requirement" should be replaced by the phrase, "2% or more of that area's last authorized revenue requirement".
- j. In the 6th line on page 20, the continuation of Ordering Paragraph 3, the phrase, "2.5% or less," should be deleted and replaced by the phrase, "less than 2, Golden State will have the discretion to amortize the combined balances if it chooses to do so; otherwise."