

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
04-16-12
04:59 PM

Application of California-American Water Company (U210W), California Water Service Company (U60W), Golden State Water Company (U133W), Park Water Company (U314W) and Apple Valley Ranchos Water Company (U346W) 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.

Application 10-09-017
(Filed September 20, 2010)

**REPLY COMMENTS OF THE DIVISION OF RATEPAYER ADVOCATES
ON THE PROPOSED DECISION OF
ADMINISTRATIVE LAW JUDGE WALWYN**

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April 16, 2012

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I. INTRODUCTION

Pursuant to Rule 14.3 of the Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") respectfully submits these reply comments regarding the March 19, 2012 Proposed Decision ("PD") of Administrative Law Judge ("ALJ") Christine M. Walwyn that addresses amortization of the Water Revenue Adjustment Mechanisms ("WRAM") and Modified Cost Balancing Accounts ("MCBA") and grants in part modifications to Decisions ("D.") 08-02-036, D.08-06-002, D.08-08-030, D.08-09-026, and D.09-05-05. These reply comments respond to the April 6, 2012 comments of applicants California Water Service Company, Golden State Water Company, Park Water Company, and Apple Valley Ranchos Company (collectively, hereinafter referred to as the "Applicants").¹ In particular, these comments respond to the Applicants' characterization of DRA's position set forth in the Applicants comments.

II. DISCUSSION

A. The approach adopted by the PD implementing a cap on WRAM surcharges is reasonable.

As DRA stated in its opening comments, the Commission should adopt the PD with certain clarifications and modifications, including the PD's implementation of an annual Advice Letter ceiling on WRAM/MCBA surcharges with review and recovery of residual amounts to be done in each of the Applicants' general rate cases ("GRC").² The Applicants comments contend that DRA's position is in accord with the Applicants' proposed modification to "allow annual recovery of WRAM/MCBA balances up to 10% of revenue requirement."³ DRA originally found the Applicants' counterproposal reasonable based on the WRAM/MCBA balances DRA had seen through 2011 (which were all less than 30%), partly because DRA had proposed requiring that the Commission

¹ DRA does not comment here on every issue the commenting Applicants raise. Silence on a particular issue should not be construed as assent with the positions taken by the commenting Applicants.

² DRA Comments, pp. 1, 4.

³ Applicants Comments, p. 2.

schedule a Prehearing Conference (“PHC”) in April 2012 to address districts which had balances greater than 15%. As DRA recommended in its testimony, a level of protection is needed for ratepayers, in particular those in communities where affordability would be an issue when the WRAM/MCBA undercollection balances reach levels greater than 15%.⁴ As specifically recommended by DRA, ratepayers would be protected if the Commission were “... to implement a formal review process as a safeguard for the WRAM/MCBA mechanism when the undercollection is greater than 15 percent.”⁵

The PD did not adopt a formal review process as recommended by DRA, but rather implemented what is likely to serve as an alternative safeguard. Specifically, the PD “placed a ceiling on annual and cumulative WRAM/MCBA surcharge increases at a level that will not require additional PHCs as a safeguard to address potential future massive undercollections.”⁶ With this alternative safeguard in place, the PD establishes protection for small districts and establishes protection for unique districts such as Monterey. In addition, the PD will allow recovery of high balances on a district-by-district basis and will provide an ability to set unique terms beyond 36 months that would establish how the surcharge is applied. Subject to DRA’s minor modification recommending that the Commission require the Applicants to provide sufficient customer notice of rate increases associated with WRAM/MCBA surcharge balances in their respective GRCs, DRA supports the PD’s implementation of a cap as an alternative safeguard.⁷

⁴ DRA testimony, Exhibit (Exh.) 3, p. 21, lines 1-6.

⁵ Id. at 21, lines 4-9.

⁶ PD, p. 22.

⁷ Because DRA supports the PD’s approach, any and all references representing DRA’s position regarding the PD made in the Applicants comments should be disregarded. For instance, pages 2-3, 11-12, including subject heading V of the Applicants comments, describe what is deemed reasonable and acceptable to DRA. To the extent the references are made to represent DRA’s position regarding the PD, the statements misrepresent DRA’s actual position, since as DRA stated in its comments and reiterates here, DRA supports the PD’s annual surcharge cap on amortizing WRAM/MCBA undercollections.

B. The Commission should clarify that the WRAM/MCBA mechanisms in no way induce the Applicants to agree to a high sales forecast.

DRA agrees with the Applicants that, “there is no basis and no logical support”⁸ in the PD’s finding that the “WRAM/MCBA mechanisms may provide applicants an incentive to make or to agree to high GRC sales forecast.”⁹ As DRA stated in its opening comments, what DRA has observed in recent proceedings is that sales forecasts have generally been settled at very low levels.¹⁰ The Applicants make a similar argument and point out in their opening comments that, “in recent GRC’s for all Applicants, [footnote removed] adopted or proposed settlements have reflected the lowest sales forecasts proposed by any party in the case.”¹¹ Thus, as DRA recommended in its opening comments, the Commission should exclude language in the PD that indicates that the WRAM/MCBA mechanisms induce Applicants to agree to high sales forecasts since this is not consistent with what the Applicants and DRA have experienced in recent rate cases.

III. CONCLUSION

DRA’s reply comments focus on clarifications necessary to help the Commission understand DRA’s position given what has been set forth in the Applicants comments. The PD is well-reasoned and well-supported, and the Commission should adopt it with the clarifications and modifications supported by DRA.

⁸ Applicants Comments, p. 10.

⁹ PD, p. 16.

¹⁰ DRA Comments, pp. 5-6.

¹¹ Applicants Comments, p. 10.

Respectfully submitted,

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