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ATTACHMENT 1



Class A Water Utilities' Application to Shorten the Amortization Period for WRAM/MCBA Balancing Accounts

DRA Position: The Commission should adopt the Proposed Decision (PD) with modifications.

Background

- The Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Accounts (MCBA) were first implemented in 2008 and were developed as part of a pilot program to promote water conservation.
- In September 2010, the Class A water utilities with WRAMs/MCBAs filed Application (A.)10-09-017 requesting changes to nine accounting related issues, including a shortened time period for amortization of WRAM/MCBA net balances.
- PD implements a safeguard that establishes a limit on WRAM/MCBA surcharges of 7.5% a year (or 22.5% over 3 years) with review and recovery of residual amounts in each applicant's GRC.
 - ▶ PD's safeguard will allow review of high WRAM/MCBA balances on a district-by-district basis.
 - ▶ Safeguard provides an ability to set unique terms beyond 36 months such as the number of additional months of amortization and also how the surcharge is applied.
 - ▶ The safeguard is consistent with the language in Public Utilities Code § 739.8 (c) and (d):
 - ◆ *739.8(c): The Commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals.*
 - ◆ *739.8(d): In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.*
- Balancing Accounts have a *presumption of reasonableness* and adjustments to a remaining balance would only be considered in extraordinary situations.

(over)



DRA Proposed Modifications

1. **Add a Requirement:** If the pending amounts held in the WRAM/MCBA balancing accounts will be reviewed in the GRC, those amounts should specifically be included in the GRC customer notices.

- ▶ Such notice is not currently provided to customers.

2. **Change Finding of Fact 9:** *~~"The adopted sales forecasts may have played a significant role in causing the high WRAM/MCBA undercollections. These forecasts were are typically included as part of settlements in the GRCs. With a WRAM/MCBA mechanism in place, the applicants would have an incentive to agree to a settlement that included a high sales forecast. If actual sales revenue fell below authorized revenue requirement (which is likely to happen given a high sales forecast), applicants would return the following year(s) of the GRC cycle to seek surcharges through the Advice Letter process."~~* [PD, p. 32]

- ▶ The PD's assertion is not supported in the record, and it is not consistent with what DRA has observed in recent rate cases where sales forecasts have generally been settled at very low levels.

3. **Correct the statement:** *"While we understood the WRAM/MCBA mechanisms would capture the effects of all changes between adopted and actual quantity revenues, we expected the mechanisms to operate in a similar manner to our electric utilities' revenue adjustment mechanism."* [PD, p. 12]

- ▶ The WRAM/MCBA mechanism was implemented as part of the conservation pilot programs and was developed to capture only those revenues impacted by conservation.

ATTACHMENT 2



Table 1 – Applicants’ districts in order of greatest 2010 percent undercollection

Applicant and District Name	2010 % Undercollection ^a	Approx. Number of Customers ^b	Surcharge (\$ per ccf (Tier 1 only, if applicable) ^c
Cal-Am Monterey (w Ambler Park)	27.40%	38,573	not provided
Cal-Water Redwood Valley – Unified	**RSF** 27.31%	<i>463</i>	1.4206
Golden State Region I - Bay Point	26.49%	<i>4,767</i>	0.702
Cal-Water Kern River Valley	**RSF** 26.38%	<i>1,012</i>	0.9936
Cal-Water Redwood Valley – Lucerne	**RSF** 22.24%	<i>1,246</i>	0.727
Cal-Am Larkfield	19.88%	<i>2,354</i>	0.3808
Cal-Am LA Duarte	17.68%	<i>7,324</i>	not provided
Golden State Region I - Los Osos	17.17%	<i>3,265</i>	0.339
Cal-Water Dixon	16.02%	<i>2,902</i>	0.7841
Cal-Am LA San Marino	15.13%	13,903	not provided
Golden State Region I - Ojai	11.50%	<i>2,880</i>	0.192
Cal-Water Salinas	11.33%	<i>23,828</i>	0.1264
Golden State Region I - Santa Maria	11.21%	<i>13,355</i>	0.088
Golden State Region I - Simi Valley	10.76%	<i>13,139</i>	0.126
Cal-Water Oroville	10.00%	<i>3,346</i>	0.1189
Cal-Water Antelope Valley	**RSF** 9.65%	<i>617</i>	0.1607
Golden State Region I - Arden Cordova	9.27%	<i>15,986</i>	0.141
Apple Valley Ranchos	8.72%	<i>19,658</i>	0.143
Golden State Region III	8.61%	<i>98,776</i>	0.183
Cal-Am Coronado	8.58%	<i>18,332</i>	0.1366
Cal-Water Hermosa Redondo	7.87%	<i>26,364</i>	0.1639
Cal-Water Redwood Valley - Coast Springs	**RSF** 7.81%	<i>249</i>	1.2389
Cal-Water Westlake	7.51%	<i>6,924</i>	0.1377
Park Water Company	7.38%	<i>27,380</i>	0.172
Cal-Water Bear Gulch	6.83%	<i>18,510</i>	0.1553
Cal-Water Palos Verdes	6.28%	<i>23,985</i>	0.1143
Cal-Water Stockton	6.21%	<i>42,205</i>	0.0731
Cal-Water Selma	6.10%	<i>3,549</i>	0.0614
Cal-Water Bayshore	5.68%	<i>52,077</i>	0.1201
Cal-Water Chico-Ham City	5.60%	<i>19,738</i>	0.0556
Cal-Am LA Baldwin Hills	5.37%	<i>6,195</i>	not provided
Cal-Water Marysville	5.04%	<i>1,765</i>	0.1923
Cal-Water Dominguez	4.61%	<i>32,860</i>	0.1249
Cal-Am Village	2.77%	<i>21,542</i>	0.0917
Golden State Region II	2.68%	<i>99,615</i>	0.138
Cal-Water Visalia	2.25%	<i>32,518</i>	0.0352
Cal-Water Bakersfield	-4.46%	<i>37,741</i>	(0.1020)

3 a – Bold values indicate being greater than 15%
 4 b – Italicized values indicate being less than 10,000 customers
 5 c – as presented in Appendix A of the scoping memo