BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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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)

NOTICE OF EX PARTE COMMUNICATION BY THE DIVISION OF RATEPAYER ADVOCATES

In accordance with Article 8, Rule 8.2 and 8.4 of the California Public Utilities Commission's Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") respectfully submits this notice of ex parte communication.

On April 16, 2012, at 10:30 a.m., Mr. Danilo Sanchez, DRA Water Branch Manager, Ms. Mandy Rasmussen, DRA Utilities Engineer, and Ms. Martha Perez, DRA counsel met with Ms. Lauren Saine, Advisor to Commissioner Timothy Simon, at the Commission's offices at 505 Van Ness Avenue, in San Francisco, Ca 94102. Mr. Sanchez initiated the meeting, which lasted approximately 30 minutes.

During the meeting, Mr. Sanchez provided a history of the WRAM/MCBA mechanism, explaining when water conservation programs were implemented in 2008 and the difference between utilities with a full-decoupling WRAM and a Monterey-style WRAM. Mr. Sanchez and Ms. Rasmussen discussed DRA's support for the Proposed Decision ("PD") of Administrative Law Judge Christine Walwyn in A.10-09-017.

DRA pointed out that the PD provides safeguards by establishing a limit on annual WRAM/MCBA surcharges. Ms. Rasmussen described DRA's three proposed

modifications to the PD, including its recommendation for a GRC customer notice requirement, changes to the PD's Finding of Fact to remove language indicating the utilities have an "incentive" to agree to a high sales forecast, and a technical correction to clarify a statement in the PD describing which revenues are captured in the WRAM/MCBA mechanisms. Ms. Rasmussen explained that DRA's recommendation for a customer notice requirement consisted of having a line-item on the customer's bill that identifies a separate surcharge. DRA explained that these proposed modifications are fully presented in its April 9, 2012 opening comments.

DRA then gave a brief description of Appendix D to the PD (provided to Ms. Saine during the meeting as Table 1). Ms. Rasmussen pointed to the districts with the highest undercollection balances, explained that different things are happening in each district (including Cal Am's Monterey district which was pulled out of this proceeding), and that the PD's safeguard will impact only a few districts.

DRA provided Ms. Saine written materials during the meeting. They are attached to this notice of ex parte communication.

Copies of this Notice and the attachments can be obtained by calling or sending e-mail to Sue Muniz at sam@cpuc.ca.gov or (415) 703-1858.

Respectfully submitted,

/s/ MARTHA PEREZ

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April 19, 2012

ATTACHMENT 1

Contact: Cheryl Cox, DRA Policy Advisor - (415) 703-2495 - cxc@cpuc.ca.gov

PROCEEDING NO: A.10.09.017
Commission Agenda: April 19, 2012

April 2012

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

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