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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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

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

**COMPLIANCE FILING OF CALIFORNIA-AMERICAN WATER
(U210W)**

Sarah E. Leeper
Olivia Para
333 Hayes Street, Suite 202
San Francisco, CA 94102
Telephone: (415) 863-2960
Facsimile: (415) 863-0615
Email: sarah.leeper@amwater.com

Dated: June 17, 2011

Attorneys for Applicant
California-American Water Company

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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

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COMPLIANCE FILING OF CALIFORNIA-AMERICAN WATER COMPANY (U210W)

I. INTRODUCTION

California-American Water Company (U210W) (“California American Water”) respectfully submits this Compliance Filing in response to the directive of assigned Administrative Law Judge (ALJ) Christine Walwyn to indicate whether there are any disputed material facts regarding immediate measures to address the past and ongoing under-collection of revenues resulting in a large balance in the Monterey Water Revenue Adjustment Mechanisms (WRAM) and Modified Cost Balancing Accounts (MCBA) for the Monterey County District.¹ As set forth below, California American Water believes that evidentiary hearings on the discrete issue of interim relief in the first phase of the proceeding is unnecessary and will only impede the

¹ In the *Assigned Commissioner and Administrative Law Judge’s Ruling and Scoping Memo* (“Scoping Memo”), dated June 8, 2011, California American Water and DRA were directed to inform the Commission of any disputed issues of material fact requiring evidentiary hearing on the interim measure to address the under-collection in the WRAM/MCBA in the Monterey District. See email from assigned Administrative Law Judge Christine Walwyn, dated June 13, 2011, granting an extension until Friday, June 17, 2011 for DRA and California American Water to submit their written filing. DRA had previously requested an extension until June 17, 2011 to provide the written filing and until July 18, 2011, for a prehearing conference to set an expedited schedule for the Monterey District.

Commission's ability to provide immediate relief. In addition, California American Water provides draft customer notices to alert customers to the proposed relief for the Monterey County District, including its proposal for both the Monterey WRAM and the Ambler Park WRAM.²

II. NO EVIDENTIARY HEARINGS ARE NECESSARY FOR THE LIMITED, INTERIM MEASURES UNDER CONSIDERATION FOR THE MONTEREY COUNTY DISTRICT

California American Water believes that it is unnecessary to hold evidentiary hearings on the immediate measures for the Monterey County District that are under consideration in the first phase of the proceeding, especially with the very limited scope of the request. Given the limited nature of the requested relief and the limited duration, none of the factual disputes that have arisen in the proceeding (e.g., whether the relief requested will have a chilling effect on conservation efforts on the utilities, disproportionate effect of WRAM/MCBA mechanism on ratepayers, such as low-income ratepayers) will necessitate evidentiary hearings. If the Commission does not expeditiously move forward with adopting interim measures to address the under-collection of the WRAM/MCBA balances for Monterey, the request becomes moot.

The bifurcated proceeding as it relates to California American Water's Monterey County District is intended to address the recovery period for the under-collected WRAM/MCBA balances accrued through the end of 2010 and the continuing large undercollections in the WRAM/MCBA balance for 2011. According to the Scoping Memo, DRA's proposal to modify the WRAM for the Monterey County District is outside the scope of

² California American Water's Monterey WRAM/MCBA covers the Monterey main system, as well as the Bishop, Hidden Hills and Ryan Ranch subsystems (referred to in this Compliance Filing as the "Monterey Main WRAM/MCBA"); California American Water's Ambler Park WRAM/MCBA covers only the Ambler Park subsystem (referred to in this Compliance Filing as the "Ambler WRAM/MCBA"). The Ambler WRAM/MCBA was implemented in 2009, whereas the Monterey WRAM/MCBA was not implemented until 2010.

the proceeding and would “lead to a very limited implementation period for 2011.”³ Similarly, DRA’s proposals to modify the rate design or change forecasted consumption for the Monterey County District, most recently authorized in D.09-07-021, are outside the scope of the proceeding. California American Water maintains that permanent, long-term modifications to the WRAM/MCBA for the Monterey County District (other than the specific nine requests in the second phase of the proceeding) should be addressed in another proceeding. Furthermore, as noted by DRA, California American Water has requested that Commission address certain issues in its pending general rate case (A.10-07-007). In particular, the manner of recovery for all California American Water WRAM/MCBA balances after January 1, 2012 is appropriately addressed in California American Water’s general rate case.

The issue of whether the Commission should implement a limited duration 35% surcharge to quantity rates, as submitted in its February 22, 2011 compliance filing, does not raise material factual issues that require evidentiary hearings. Similarly, accelerating the recovery of the 2010 balance during 2011 is limited in nature. The Commission need not hold evidentiary hearings to implement this emergency relief, which California American Water believes is the fastest, most effective way to immediately address the under-collection issue in Monterey.

California American Water maintains its position that implementing a 35% surcharge to quantity rates, as submitted in its February 22, 2011 compliance filing, is the preferable mechanism. California American Water believes this is the fastest, most effective way to address the 2011 under-collection issue in Monterey without modification to the rate design settlement authorized in D.09-07-021. California American Water agreed to the

³ Scoping Memo, p. 13.

APPENDIX A

FOR A SPANISH VERSION OF THIS BILL INSERT YOU MAY VISIT OUR WEBSITE AT
www.californiaamwater.com

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**NOTICE OF APPLICATION FILING BY CALIFORNIA AMERICAN WATER COMPANY TO
REVIEW THE RECOVERY PERIOD
FOR THE WATER REVENUE ADJUSTMENT MECHANISM(S) (WRAM)
AND MODIFIED COST BALANCING ACCOUNT(S) (MCBA) OF
THE CALIFORNIA AMERICAN WATER COMPANY**

**TEMPORARY SURCHARGE ADJUSTMENT
MONTEREY DISTRICT**

Application No. 10-09-017

The California Public Utilities Commission (CPUC) is seeking public comment on proposed Application 10-09-017 filed on September 20, 2010 by Class A water utilities: California American Water Company, California Water Service Company, Park Water Company, Apple Valley Ranchos Water Company, and Golden State Water. Class A water utilities have more than 10,000 customers. Each water company is providing separate bill insert notices to their own customers.

The purpose of the proposed application is to shorten to 18 months the time periods over which balances in two CPUC-approved regulatory accounts are recovered through bill surcharges. The two regulatory accounts, Water Revenue Adjustment Mechanisms (WRAMs) and Modified Cost Balancing Accounts (MCBAs), track the differences between actual and adopted water sales and production costs as part of a water conservation program.

California American Water is also requesting to implement a 35% surcharge to customer bills in order to reduce the under-collection expected in the 2011 WRAM/MCBA. The surcharge would be applied to the base water charge for Monterey Main, Hidden Hills/Ryan Ranch and Bishop customers and remain in effect through December 31, 2011.

On May 27, 2011, California American Water filed Advice Letter 903 to implement recovery of its 2010 WRAM/MCBA under-collection. The sample illustrative chart below reflects the rate increase a typical residential customer would see and includes 1) the surcharge as filed under Advice Letter 903 based on current recovery time periods and 2) the additional temporary surcharge of 35% to address the large under-collections accumulating in the 2011 WRAM/MCBA.

For example, the average monthly base bill of a residential customer using 70 units in the **Monterey District** is \$31.78 before any surcharges are applied. A 35% surcharge would result in an additional temporary monthly charge of \$8.01 through December 31, 2011.

Average Monthly Bill for Residential Customers With 35% Surcharge for 2011 WRAM/MCBA (5/8" meter size, assuming 3 people on a 3/8 acre lot with winter usage)

Line No.	Charge Description	Under Current Amortization	Under Proposed Amortization	2011 Proposed Under Current Amortization & 35% Surcharge	2011 Proposed Under Accelerated Amortization & 35% Surcharge
1	Water Charge	\$22.88	\$22.88		
2	Meter Charge	\$8.90	\$8.90		
3	Subtotal	\$31.78	\$31.78		
4	Other Current Surcharges ⁽¹⁾	\$5.06	\$5.06		
5	Average Monthly Bill Before WRAM Surcharges	\$36.84	\$36.84	\$36.84	\$36.84
6	Surcharge to Recover 2010 WRAM	\$1.17	\$2.34	\$1.17	\$2.34
7	Surcharge to Minimize 2011 WRAM ⁽²⁾			\$8.01	\$8.01
8	Duration of 2011 Surcharge ⁽³⁾			through 12/31/11	through 12/31/11
9	Total Monthly Bill With WRAM Surcharge	\$38.01	\$39.18	\$46.02	\$47.19
10	Total surcharge collected related to 2011 ⁽³⁾			\$48.05	\$48.05
Impact of Temporary Surcharge Adjustment					
11	Monthly increase (in dollars)			\$8.01	\$8.01
12	Monthly increase (as percentage of bill)			21.74%	21.74%

(1) Includes other CPUC-authorized charges, including conservation, Coastal Water Project, & Seaside Basin. Other applicable taxes and charges may apply.

(2) 35% surcharge applied to base water charge in Line 1 above.

(3) Assume surcharge begins 7/1/2011 and lasts through 12/31/11.

Obtaining a Copy of the Application

The Application and related exhibits may be inspected at your local California American Water office located at 511 Forest Lodge Road #100, Pacific Grove CA 93950. It may also be inspected at the CPUC's Central Files Office in San Francisco at 505 Van Ness Avenue, San Francisco, California 94102 between the hours of 8:00 a.m. and noon daily. If you need additional information, you may call California American Water at (888) 237-1333.

Evidentiary Hearings

The CPUC may schedule formal Evidentiary Hearings (EH's) whereby formal parties of record provide testimony and are subject to cross examination before the CPUC's Administrative Law Judge (ALJ). These hearings are open to the public to listen, but only those who are formal parties of record are allowed to participate. The CPUC has their own court reporters who will take the comment of those formal parties of record participating in the EH's. The water companies that submitted the proposed Application will provide testimony at the hearings. The Division of Ratepayer Advocates (DRA) consists of engineers, accountants, economists and attorneys who independently evaluate the proposals of utilities for and present their analyses and recommendations for the CPUC at EH's. Once hearings are completed, the ALJ will consider all of the evidence presented and release the proposed draft decision. When the CPUC issues a final decision, it may adopt, amend, or modify all or part of the ALJ's draft decision. The final decision may differ from the requests in the proposed applications filed by each water utility listed above.

Public Comments

If you wish to comment on this proposed application filing or informally protest this filing as a customer of California American Water, you may do so by contacting the CPUC's Public Advisor's Office (PAO). Written public comment by California American Water customers is very much desired by the CPUC and may be sent to the Public Advisor's Office at 505 Van Ness Avenue, San Francisco, California 94102, or via e-mail to public.advisor@cpuc.ca.gov. Please state that you are writing about California American Water's Application 10-09-017 when sending your written correspondence or e-mail. All public comments become part of the formal public comment file. These public comments will be circulated to the assigned Administrative Law Judge (ALJ), the assigned Commissioner and appropriate line Division CPUC staff for review.

Public Advisor's Phone number:

415-703-2074

Toll Free: 1-866-849-8391

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APPENDIX B

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THE CALIFORNIA AMERICAN WATER COMPANY**

**TEMPORARY SURCHARGE ADJUSTMENT
MONTEREY DISTRICT – AMBLER SUBDIVISION**

Application No. 10-09-017

The California Public Utilities Commission (CPUC) is seeking public comment on proposed Application 10-09-017 filed on September 20, 2010 by Class A water utilities: California American Water Company, California Water Service Company, Park Water Company, Apple Valley Ranchos Water Company, and Golden State Water. Class A water utilities have more than 10,000 customers. Each water company is providing separate bill insert notices to their own customers.

The purpose of the proposed application is to shorten to 18 months the time periods over which balances in two CPUC-approved regulatory accounts are recovered through bill surcharges. The two regulatory accounts, Water Revenue Adjustment Mechanisms (WRAMs) and Modified Cost Balancing Accounts (MCBAs), track the differences between actual and adopted water sales and production costs as part of a water conservation program.

This proposed Application requests approval to reduce the time period for recovery of the net WRAM and MCBA balances that are at or over 5% to 18 months or less. This is necessary to ensure that, consistent with Generally Accepted Accounting Principles (GAAP), the balances tracked during the year are collected within 24 months from the end of that year. Existing CPUC policy mandates recovery of some balances over periods of up to 36 months. If approved, the proposed Application affects how customers are billed, but does not affect the total amount that is to be recovered. Reducing the length of time for recovery will result in a **higher surcharge** (temporary rate increase) that lasts for a shorter time period. **Existing surcharges are lower**, but last for a longer time period. Annual net WRAM and MCBA balances that are less than 5% of a district's annual revenue requirement will not be affected. In addition, future bill surcredits (or refunds) that may result from over-collections of revenue tracked in the WRAM and MCBA accounts will not be affected.

On May 27, 2011, California American Water filed Advice Letter 904 to implement recovery of its 2009 and 2010 WRAM/MCBA under-collection. The existing methodology used by Cal-Am will result in an increasing level of volumetric surcharge for Ambler residential customers for all tiered usage and other customer classes. A complete rate schedule comparison is attached to this notice.

For example, the average monthly bill of a residential customer using 150 units in the **Ambler Subdivision** of the Monterey District is \$55.36 not including a surcharge for the 2009 and 2010 WRAM and MCBA balances. The sample illustrative Table 1 reflects the rate increase a typical residential customer would have to pay. Under the CPUC's current rules, an additional monthly

surcharge of \$8.82 (13.74% of the total monthly bill) for the same usage would end after 36 months. If the Application is approved, the additional monthly surcharge would be \$17.64 (24.16% of the bill) for the same usage, but would end after 18 months. This is illustrated by Table 1 below.

Table 1: Average Monthly Bill for Residential Customers if WRAM/MCBA Balance Recovered Over Shorter Time Period (5/8” meter size, assuming 3 people on a 3/8 acre lot with winter usage)

	Current	After 36 months	Proposed	After 18 months
Average Monthly Bill	\$55.36	\$55.36	\$55.36	\$55.36
Surcharge	\$8.82	-	\$17.64	-
Duration	for 36 months		for 18 months	
Total Monthly Bill	\$64.18	\$55.36	\$73.00	\$55.36
Total surcharge collected		\$317.52		\$317.52
Impact of Temporary Surcharge Adjustment				
Monthly increase (in dollars)			\$8.82	
Monthly increase (as percentage of bill)			15.93%	

The large undercollection of the WRAM/MCBA Accounts continues in 2011 for the Ambler Subdivision. California American Water therefore requests to implement a 35% surcharge to customer bills in order to reduce the under-collection expected in the 2011 WRAM/MCBA. The surcharge would be applied to the base water charge for Ambler customers and remain in effect through December 31, 2011 as illustrated in Table 2 below.

For example, the average monthly base bill of a residential customer using 150 units is \$55.36 before any WRAM/MCBA-related surcharges are applied. A 35% surcharge would result in an additional temporary monthly charge of \$15.49 through December 31, 2011.

Table 2: Average Monthly Bill for Residential Customers With 35% Surcharge for 2011 WRAM/MCBA (5/8" meter size, assuming 3 people on a 3/8 acre lot with winter usage)

Line No.	Charge Description	Under Current Amortization	Under Proposed Amortization	2011 Proposed Under Current Amortization & 35% Surcharge	2011 Proposed Under Accelerated Amortization & 35% Surcharge
1	Water Charge	\$44.25	\$44.25		
2	Meter Charge	\$8.90	\$8.90		
3	Subtotal	\$53.15	\$53.15		
4	Other Current Surcharges ⁽¹⁾	\$2.21	\$2.21		
5	Average Monthly Bill Before WRAM Surcharges	\$55.36	\$55.36	\$55.36	\$55.36
6	Surcharge to Recover 2010 WRAM	\$8.82	\$17.64	\$8.82	\$17.64
7	Surcharge to Minimize 2011 WRAM ⁽²⁾			\$15.49	\$15.49
8	Duration of 2011 Surcharge ⁽³⁾			through 12/31/11	through 12/31/11
9	Total Monthly Bill with WRAM Surcharges	\$64.18	\$73.00	\$79.67	\$88.49
10	Total surcharge collected related to 2011 ⁽³⁾			\$92.93	\$92.93
Impact of 35% Temporary Surcharge Adjustment					
11	Monthly increase (in dollars)			\$15.49	\$15.49
12	Monthly increase (as percentage of bill)			27.98%	27.98%

(1) Includes other CPUC-authorized charges, such as conservation. Other applicable taxes and charges may apply.

(2) 35% surcharge applied to base water charge in Line 1 above.

(3) Assume surcharge begins 7/1/2011 and lasts through 12/31/11.

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Public Advisor's Phone number:

415-703-2074

Toll Free: 1-866-849-8391

Attachment

Ambler System (Schedule No. MO-1A)	Current Quantity Rate	Existing WRAM Surcharge	Proposed WRAM Surcharge
	Per tens of cfs	Per tens of cfs	Per tens of cfs
Quantity Rates:			
Residential Customers			
Block 1: For the first 80 cfs delivered, per 10 cu. ft.	\$0.2553	\$0.0509	\$0.1020
Block 2: For the next 160 cfs delivered, per 10 cu. ft.	\$0.3404	\$0.0679	\$0.1360
Block 3: For all water delivered over 240 cfs, per 10 cu. ft.	\$0.8510	\$0.1696	\$0.3400
Non-Residential Customers			
For all water delivered, per 10 cu. ft.	\$0.3404	\$0.0679	\$0.1360

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