

BEFORE THE PUBLIC UTILITIES COMMISSION OF  
THE STATE OF CALIFORNIA



**FILED**  
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Application Of CALIFORNIA-AMERICAN WATER COMPANY (U-210-W), CALIFORNIA WATER SERVICE COMPANY (U-60-W), GOLDEN STATE WATER COMPANY (U-133-W), PARK WATER COMPANY (U-314-W) AND APPLE VALLEY RANCHOS WATER COMPANY (U-346-W) 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)

**RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES**

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the Division of Ratepayer Advocates ("DRA") files this response to Application ("A.") 10-09-017 of CALIFORNIA-AMERICAN WATER COMPANY ("Cal Am"), CALIFORNIA WATER SERVICE COMPANY ("Cal Water"), GOLDEN STATE WATER COMPANY ("Golden State"), PARK WATER COMPANY ("Park") and APPLE VALLEY RANCHOS WATER COMPANY ("Apple Valley") (together, "Applicants") 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. In A.10-09-017, Applicants seek Commission approval to have the option of amortizing a net WRAM/MCBA balance over a period of 18 months or less to ensure recovery within a

24-month period,<sup>1</sup> and to make a series of other proposed modifications to the process for WRAM/MCBA amortization. Cal Water originally made a related request in its General Rate Case Application A.09-07-001, Special Request number 29. Parties settled the issue in that case by agreeing that: “Cal Water realized this was a larger issue involving situations and factors beyond the triggering mechanism. Therefore, Cal Water is addressing this issue as part of its anticipated petition to modify D.08-02-036. Therefore there is no need for the Commission to address this issue in the general rate case proceeding.”<sup>2</sup>

While DRA generally does not oppose the proposals outlined in A.10-09-017, DRA would like to conduct additional discovery regarding how changes to the timelines for amortizing existing 2009 WRAM/MCBA net balances will impact bills.

The Applicants filed their application on September 20, 2010 and it first appeared in the Commission’s daily calendar on September 27, 2010. DRA’s response is timely filed.

## **I. ISSUES**

### **A. General Issues**

DRA does not oppose the Applicants’ nine issues and associated proposals presented in A.10-09-017, with the following clarifications of those proposals. DRA would like to pursue additional analysis and discovery on Issue 9 to determine how customer bills will be affected by the proposed changes in the 2008 and 2009 surcharges. Further review may identify additional issues. Additionally, DRA seeks to clarify that the amortization procedures for the full decoupling WRAM/MCBA adopted by the Commission in this proceeding should also apply to all Class A water utilities who are not a party to this proceeding but may have a WRAM/MCBA in the future. DRA prefers a consistent policy for all Class A’s with full-decoupling WRAM/MCBAs to a case-by-

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<sup>1</sup> A. 10-09-017, p. 4, line 13 – 15.

<sup>2</sup> Settlement of California Water Service Company (U-60-W), the Division of Ratepayer Advocates, Mr. Jeffrey Young, Mr. Jack Chacanaca, and the Leona Valley Town Council; this settlement is pending before the Commission in A.09-07-001.

case approach. For example, DRA and Valencia Water Company have a settlement regarding WRAM/MCBA pending before the Commission.<sup>3</sup>

Issue 3 (A.10-09-017, p. 20): The Applicants clarified that they are proposing to continue the existing process that allows amortization only one time per year, and the request for such amortization would be submitted between January 1<sup>st</sup> and March 31<sup>st</sup>:

“Applicants have not proposed a modification to the existing process that only allows amortization one time per year. Thus, under Applicants’ current proposal, amortization of a WRAM/MCBA balance for a ratemaking unit would only occur once a year at most, and the request for such amortization would be submitted between January 1<sup>st</sup> and March 31<sup>st</sup>.”<sup>4 5</sup>

Additionally, Applicants clarified that they propose to group WRAM/MCBA balances on a calendar year basis:

“To clarify, Applicants propose to group WRAM/MCBA balances on a calendar year basis. This will enable Applicants to better handle balances in a manner that is consistent with EITF 92-7. EITF 92-7 specifies that revenues should “be collected within 24 months following the end of the annual period in which they are recognized,” and Applicants “recognize” WRAM revenues on a calendar year basis.”<sup>6</sup>

With this understanding, DRA does not oppose this request.

Issue 5 (A.10-09-017, p. 21-22): In response to DRA’s question about this issue, the Applicants responded:

“Applicants are requesting an annual amortization via advice letter for all cumulative WRAM/MCBA balances. For

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<sup>3</sup> See Application 10-01-006, “Supplemental Settlement Agreement Between The Division of Ratepayer Advocates and Valencia Water Company,” filed 8/13/2010.

<sup>4</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 1.(a).

<sup>5</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 2 clarified that the correct date is March 31<sup>st</sup>, and that the reference to February 28<sup>th</sup> in footnote 64 is an error, and should instead refer to March 31<sup>st</sup>.

<sup>6</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 1.(c).

balances less than 2% of the last authorized revenue requirement, however, Applicants request that amortization occur at the option of a company, rather than being mandatory. (See issues 1(B)(ii) and 5(B)(iii), and the discussion on page 22.)<sup>7</sup>

With this understanding, DRA does not oppose this request.

Issue 9 (A.10-09-017, p. 25-26): The Applicants propose to implement an additional surcharge in those ratemaking units where any 2009 and 2008 WRAM/MCBA revenues will still be outstanding as of December 31, 2011. This proposal could have a significant effect on customers' bills if significant amounts of revenues are outstanding or if there are delays in this application. DRA supports an expedited process, and within that expedited time frame, plans to analyze the effect of these proposed changes on customer bills.

DRA also asked Applicants whether the Class A utilities will consider whether any residual 2009 balances in the WRAM/MCBA are immaterial before requesting additional surcharges through the proposed Tier 1 advice letter mechanism. In response, the Applicants clarified that if their proposals are adopted, Applicants anticipate that, in conjunction with their accountants, they will consider the amount of the relevant outstanding balances and determine whether to apply the additional surcharge, or roll those amounts over to be considered for amortization in the next annual WRAM/MCBA filing.<sup>8</sup>

Also, the Applicants specified generally that 1) the changes proposed are limited in scope to changing the WRAM/MCBA only. No other balancing account recovery will be affected.<sup>9</sup> 2) WRAM/MCBA surcharge/surcredits will be tracked in the WRAM/MCBA accounts: "The Applicants propose to continue to use the same balancing account mechanism as they are currently using to track WRAM/MCBA surcharges,

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<sup>7</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 1.(b).

<sup>8</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 7.

<sup>9</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 5.

which is to credit the WRAM/MCBA account as revenues from surcharges are received.”<sup>10</sup>

### **B. Issues specific to Cal Water**

Advice Letter (“AL”) 1984 requests a Commission resolution ruling on the question of “whether D.03-06-072 applies to the WRAM balances, or whether, in the absence of a clear connection between the two decisions, Cal Water is allowed to file for annual amortizations such as those authorized for energy utility revenue decoupling accounts.”<sup>11</sup> Cal Water clarified that while it has not withdrawn its appeal of the rejection of Advice letter 1984, it will file a letter with the Division of Water and Audits asking that its appeal be held in abeyance pending the outcome of this proceeding. Specifically, Cal Water states:

“For the districts that AL 1984 addressed, Cal Water re-filed for amortization with longer amortization periods in AL 1669, and requested surcharges be treated as interim “until a final Commission decision on these issues.” Cal Water therefore does not withdraw its appeal of the rejection of AL 1984, but notes that consideration of its appeal should be held in abeyance pending the outcome of this proceeding. Cal Water will shortly file a letter with the Division of Water and Audit asking that its appeal be suspended until Application 10-09-017 is resolved.”

The Commission should require Cal Water to withdraw its appeal of Advice Letter 1984 because the issue is going to be resolved in this application.

Additionally, Cal Water clarified that it is not seeking to accelerate the 2009 WRAM/MCBA balance recovery in its Redwood Valley District.<sup>12</sup> With this understanding DRA does not oppose Cal Water’s position on this issue.

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<sup>10</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 6.

<sup>11</sup> Advice Letter Number 1984, April 30, 2010,

<sup>12</sup> Response of Applicants to Data Request DRA-LWA-001, October 4, 2010, question 4.

## II. CATEGORIZATION AND NEED FOR HEARING

DRA agrees with the Commission's preliminary determination of this proceeding<sup>13</sup> as ratesetting. As it is unlikely that there will be material issues of fact in dispute, DRA agrees that no evidentiary hearings should be necessary. Should the parties not reach a full settlement, DRA respectfully reserves the right to brief any policy issues that may arise.

## III. SCHEDULE

Applicants have requested an expedited consideration of this Application, and urged the Commission to adopt a final decision on these issues on or before December 16, 2010. DRA recognizes the request for an expedited schedule, and does not oppose the proposed schedule, however DRA believes that a Prehearing Conference is necessary to determine categorization, and scope.

### DRA PROPOSED SCHEDULE

## IV. CONCLUSION

For the reasons stated above, DRA files this response to the application.

Respectfully submitted,

/s/ ALLISON BROWN

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October 27, 2010

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<sup>13</sup> In Resolution ALJ 176-3262, filed October 14, 2010.

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a copy of **RESPONSE OF THE DIVISION OF RATEPAYER ADVOCATES** in **A.10-09-017** by using the following service:

**E-Mail Service:** sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

**U.S. Mail Service:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **October 27, 2010** at San Francisco, California.

/s/           JOANNE LARK            
Joanne Lark

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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