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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)

**CALIFORNIA-AMERICAN WATER COMPANY'S (U210W)
COMPLIANCE FILING**

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TABLE OF CONTENTS

	Page
I. INTRODUCTION & SUMMARY OF RESPONSE	1
II. RESPONSE TO ASSIGNED ALJ’S INQUIRY ON MODIFICATIONS TO THE EXISTING MONTEREY WRAM.....	2
A. California American Water Strongly Opposes any Changes to the Scoping Memo	2
B. California American Water’s Requested Interim Surcharge Has Been Rendered Moot.....	3
C. Re-scoping the Proceeding at this Stage of the Proceeding Could Impinge Upon California American Water’s Due Process Rights.....	3
III. CONCLUSION.....	4

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I. INTRODUCTION & SUMMARY OF RESPONSE

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 the Monterey-style Water Revenue Adjustment Mechanism (“WRAM”) should be addressed in this proceeding and whether the scope of this proceeding should be modified to address that issue.¹ As described below in more detail, California American Water responds as follows:

- For the reasons set forth in California American Water’s June 23rd motion to withdraw, California American Water strongly opposes any modification to the scope of the proceeding to include potential changes to the WRAM.
- California American Water no longer seeks to implement an interim surcharge to address the growing under-collection accruing to the Monterey WRAM in 2011. Due to the significant delay in the proceeding

¹ RT 192: 1-8 (ALJ Walwyn).

and opposition from the Division of Ratepayer Advocates (“DRA”), California American Water’s request for interim relief has been rendered moot because it is highly unlikely that California American Water will be able to implement any interim measure to reduce the under-collected Monterey WRAM balance during 2011.

- If the assigned Commissioner and Administrative Law Judge deny its motion to withdraw, California American Water seeks the opportunity to present testimony, to present witnesses, and participate fully in evidentiary hearings on any issues that are included in the scope of the proceeding.

II. RESPONSE TO ASSIGNED ALJ’S INQUIRY ON MODIFICATIONS TO THE EXISTING MONTEREY WRAM

A. California American Water Strongly Opposes any Changes to the Scoping Memo

California American Water strongly opposes any modification to the scope of the proceeding to include potential changes to the WRAM. In its June 23, 2011 motion to withdraw, California American Water noted that withdrawal from the proceeding is necessary to avoid its continued participation in a proceeding that could result in conflicting decisions on issues properly within the scope of the pending GRC. The GRC is the more appropriate proceeding to resolve issues relating to the under-collection of the WRAM and the Commission has already developed a full record on factors contributing to the under-collection of the WRAM (e.g., forecasted consumption). Moreover, California American Water’s agreement to implement aggressive conservation rates for the Monterey District was predicated on the adoption of decoupling mechanisms such as the WRAM/MCBA. As such, it would be wholly inappropriate to now expand the scope of the proceeding to include the Monterey-style WRAM, especially without the full context of the factors contributing to the under-collection of the WRAM balance.

B. California American Water's Requested Interim Surcharge Has Been Rendered Moot

As described in its motion to withdraw, the significant delay in the proceeding had rendered moot any effort to minimize the continued under-collection of the 2011 WRAM balance for the Monterey. As such, California American Water no longer seeks to implement an interim surcharge to address the growing under-collection accruing to the Monterey WRAM in 2011 because this request has been rendered moot. With the current procedural schedule in this proceeding, it is clear that no resolution of this option could occur before the end of 2011. There is little or no possibility of implementing any mechanism in this proceeding to reduce the growing 2011 WRAM balances soon enough to have any meaningful impact on those 2011 balances.²

C. Re-scoping the Proceeding at this Stage of the Proceeding Could Impinge Upon California American Water's Due Process Rights

In the event that California American Water's motion is denied, California American Water seeks the opportunity to present testimony, to present witnesses, and participate fully in evidentiary hearings on any issues that are included in the scope of the proceeding. Based on the limited scope set out in the Scoping Memo, California American Water previously agreed that its request to address the Monterey situation would not require evidentiary hearings.³ However, California American Water made such statements in reliance on the findings in the Scoping Memo that (1) any review of the WRAM/MCBA mechanisms would *not* take place in

² The Scoping Memo suggests that a proper issue within the scope of this proceeding is the amortization period for of the 2010 and 2011 WRAM balances. However, the amortization period for balances accrued in 2010 and 2011 has no impact on *reducing* 2011 balances. Furthermore, as explained above, this is an issue already within the scope of California American Water's pending GRC, which seeks an annual amortization period for all deferred balances to be recovered after January 1, 2012, regardless of when the balances were accrued.

³ See California American Water's compliance filing and DRA's compliance filing, dated June 17, 2011. In fact, both DRA and California American Water initially agreed that evidentiary hearings on the under-collection of the Monterey WRAM balance would be unnecessary.

