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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$34,559,200 or 16.29% in the year 2018, by \$8,478,500 or 3.43% in the year 2019, and by \$7,742,600 or 3.03% in the year 2020.

Application 16-07-002
(Filed July 1, 2016)

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This Scoping Memo and Ruling sets forth the issues, category, need for hearing, schedule, and other matters necessary to scope this proceeding pursuant to Public Utilities Code § 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.¹

1. Background

On July 1, 2016, California-American Water Company (Cal-Am) filed Application (A.) 16-07-002 seeking to increase revenues for water and wastewater service in each of its districts statewide for the years 2018 through 2020. The application also seeks approval of 19 special requests, which include requests for authorization for various fees, surcharges, programs, mechanisms, balancing and memorandum accounts, district consolidations, and tariff modifications.

¹ All references to a Rule or Rules are to the Commission's Rules of Practice and Procedure. (Cal. Code of Regs., tit. 20, div. 1, ch. 1.)

The Office of Ratepayer Advocates (ORA) and the Las Palmas Wastewater Committee filed timely protests to the application. In their protests, both parties stated that they intend to examine a number of issues during this proceeding but neither protest set forth any objections to the application.

The assigned Administrative Law Judge (ALJ or Judge) held a prehearing conference (PHC) on September 12, 2016, to determine the parties and to discuss the scope of the proceeding, the schedule, and other procedural matters.

2. Scope of the Proceeding

The purpose of this proceeding is primarily to establish just and reasonable rates for Cal-Am in each of its districts statewide for the period from January 2018 through December 2020, and to make all other necessary orders for Cal-Am to offer safe and reliable service. The issues in this General Rate Case are broad, encompassing a comprehensive review of all aspects of Cal-Am's operations, including:

1. Cal-Am's revenue requirement and proposed revenue increases to address forecasted changes in consumption and number of customers;
2. Cal-Am's estimate of its operation & maintenance, and administrative & general expenses, including payroll, and conservation spending;
3. Cal-Am's plant and proposed additions to plant, including construction work in progress, and the safety of existing and proposed operations and services;
4. The used and useful status of existing plant proposed by Cal-Am to be included in rate base earning an authorized rate of return;
5. Cal-Am's proposed recovery of balancing and memorandum accounts, including the appropriateness of requests for new accounts and the appropriateness of continuing existing accounts;

6. Cal-Am's estimate of tax liabilities, depreciation rates, and other items affecting overall revenue requirements;
7. Cal-Am's proposed revenue recovery by class, and Cal-Am's proposed rate designs and their ability to promote fairness and equity among different customer classes while also achieving state goals;
8. Cal-Am's provision of Non-Tariffed Products and Services, as well as affiliate transactions, including the allocations of costs for shared services; and
9. Any issues related to safety or Cal-Am's ability to furnish and maintain safe, efficient, and reliable water or wastewater service to its customers at just and reasonable rates.

In addition, Cal-Am's application includes 19 special requests. No parties objected to including these special requests within the scope of this proceeding.

The following special requests are included within the scope of this proceeding:

- Special Request #2: Authorization for Group Insurance Balance Account;
- Special Request #3: Authorization to place all franchise fees on tariffs consistently in all districts, including acquisitions;
- Special Request #4: Authorization to eliminate Sand City Desalination Plant Surcharge and, instead, fold that surcharge into base rates;
- Special Request #5: Authorization to remove current 10% cap on the amortization of its Water Revenue Adjustment Mechanism (WRAM) balancing accounts;
- Special Request #7: Authorization to establish a new credit card program;
- Special Request #10: Authorization to provide recycled water tariffs;
- Special Request #11: Authorization to amortize costs associated with the San Clemente Dam removal project;
- Special Request #12: Authorization for a bonus depreciation memorandum account;

- Special Request #13: Authorization to consolidate the Larkfield and Sacramento Districts for ratemaking purposes; to consolidate the fixed costs for the Los Angeles County, San Diego County, and Ventura County Districts for ratemaking purposes; and to consolidate all Monterey small water systems for ratemaking and billing purposes;
- Special Request #14: Authorization to establish a Monterey Active Wastewater System High Cost Fund or, alternatively, to consolidate rate base with the Monterey County rate base;
- Special Request #15: Treatment of pension and other post-employment benefits;
- Special Request #16: Authorization to revise operational tariffs, specifically Rules 15 and 16;
- Special Request #17: Authorization to change its cross-connection tariff (Rule 16); and
- Special Request #18: Authorization for a memorandum account to record costs for complying with the Sustainable Groundwater Management Act.

The following special requests are excluded from the scope of this proceeding:

- Special Request #1: Authorization to implement an Annual Consumption True-Up Pilot Program. The Commission is currently considering the issue of implementation of an annual consumption true-up pilot program for Cal-Am's Monterey District as part of A.15-07-019. The Commission is also considering in Rulemaking (R.) 11-11-008 the issue of allowing all Class A and B water utilities to request a Sales Reconciliation Method (SRM). There is no need to consider Special Request #1 while these matters are still pending in A.15-07-019 and R.11-11-008.
- Special Request #6: Authorization for a waiver for additional customer notices. Customers should receive appropriate notice of rate changes consistent with General Order 96-B and other laws, even if they may be unable to provide additional input regarding those changes.

- Special Request #8: Authorization to establish an Advanced Metering Infrastructure (AMI)/Leak Adjustment balancing account. This request is premature as the Commission has not yet authorized an AMI program for Cal-Am and even if one is authorized in this proceeding, it will take some time for the program to be implemented. Moreover, the matter is being considered in R.11-11-008 and should not be re-litigated here.
- Special Request #9: Authorization to recover rate case expense over 27 months instead of 36. The general rate case covers a 3-year period. Therefore, it is appropriate for the rate case expense to be spread out over a 3-year period rather than over a shorter 27-month period.
- Special Request #19: Authorization to timely recover 2015 and 2016 net WRAM/Modified Cost Balancing Account (MCBA) balances for residential and non-residential customers in the Monterey Main system. One of the issues included within the scope of A.15-07-019 is Cal-Am's request that it be allowed to recover remaining historical WRAM/MCBA balances as of the date of the final decision in that proceeding. A final decision has not yet been issued in A.15-07-019 and may address the 2015 and 2016 balances. Moreover, Cal-Am has already filed Advice Letter 1121-A seeking recovery of its 2015 WRAM/MCBA balances and may file an advice letter to seek recovery of its 2016 WRAM/MCBA balances. Therefore, Special Request #19 will not be considered in this proceeding.

3. Categorization

In Resolution 176-3381 issued on July 14, 2016, the Commission preliminarily categorized this proceeding as ratesetting. This ruling confirms the categorization. Any party that disagrees with this categorization may file an appeal of the categorization no later than ten days after the date of this ruling. (Rule 7.6.)

4. Need for Hearing

In Resolution 176-3381 issued on July 14, 2016, the Commission preliminarily determined that hearings are required. This ruling confirms that hearings are necessary.

5. Assigned Commissioner; Presiding Officer

Michael Picker is the assigned Commissioner and Sophia J. Park is the assigned Judge. Pursuant to Public Utilities Code § 1701.3 and Rule 13.2, Judge Sophia J. Park is designated as the Presiding Officer.

6. Ex Parte Communications

In a ratesetting proceeding such as this one, *ex parte* communications with the assigned Commissioner, other Commissioners, their advisors, and the Judge are only permitted as described at Public Utilities Code § 1701.3(c) and Article 8 of the Rules.

7. Discovery

Discovery may be conducted by the parties consistent with Article 10 of the Commission's Rules. Nothing in Article 10 limits the rights of the Commission or its staff under Public Utilities Code §§ 309.5 and 314. (Rule 10.1.)

In an effort to avoid duplicative data requests, parties may serve notice to all parties on the official service list stating that they wish to receive copies of all data requests and responses. Thereafter, subject to any applicable confidentiality or non-disclosure requirements, any party issuing or responding to a discovery request shall serve a copy of the request or response on all parties who have provided such notice.

A responding party may provide its data response to the propounding party (and other parties requesting a copy) via e-mail or other mutually agreed-upon method. Deadlines for responses may be determined by the parties.

Parties are encouraged to work together to identify reasonable response times. If the parties have discovery disputes they are unable to resolve by meet-and-confer sessions, they shall raise these disputes under the Commission’s Law and Motion procedure as soon as possible to avoid unnecessary delay in the proceeding. (See Rule 11.3.)

8. Schedule

The schedule for this proceeding is as follows:

Event	Date
Application Filed/Testimony Served	July 1, 2016
Update of Applicant’s Showing	October 10, 2016
Public Participation Hearings	To be set by separate ruling.
ORA and Other Parties’ Testimony Served	February 6, 2017
Rebuttal Testimony Served	March 22, 2017
ADR Process or Settlement Begins	March 28 – April 17, 2017
Deadline for Submitting Settlement Status Report	April 17, 2017
Evidentiary Hearings	May 1 - May 12, 2017 at 10:00 a.m. Commission Courtroom 505 Van Ness Avenue San Francisco, CA 94102
Opening Briefs Filed and Served	June 6, 2017
Motion for Interim Rates	June 6, 2017

Event	Date
Mandatory Status Conference (if Motion for Interim Rates filed)	June 7, 2017
Reply Briefs Filed and Served (includes Comparison Exhibit)	June 16, 2017
Water Division Technical Conference	July 11, 2017
Proposed Decision Mailed	Fourth Quarter 2017
Commission Meeting	Fourth Quarter 2017

The assigned Commissioner or Judge may adjust the schedule as necessary for the efficient and fair resolution of this proceeding.

Consistent with Public Utilities Code § 1701.5, it is expected that this proceeding will be resolved within 18 months of the issuance of this Scoping Memo. This deadline may be extended by order of the Commission. (Public Utilities Code § 1701.5(a).)

If there are any meetings or workshops in this proceeding, or meetings or workshops related to this proceeding, that may be attended by a decisionmaker or an advisor, notices of such meetings or workshops will be posted on the Commission's Daily Calendar to inform the public that a decisionmaker or an advisor may be present at these meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.

9. Alternative Dispute Resolution (ADR) and Settlements

All active parties in this proceeding must participate in at least one mandatory settlement conference. While the schedule includes a date range for

settlement negotiations, parties are not precluded from meeting at other times provided notice is given consistent with the Commission's Rules.

The Commission's ADR program offers mediation, early neutral evaluation, and facilitation services, and uses judges who have been trained as neutrals. At the parties' request, the assigned Judge can refer this proceeding to the Commission's ADR Coordinator. Additional information regarding the Commission's ADR program is available on the Commission's website.²

The schedule set forth in this Scoping Memo includes a date for the completion of settlement talks. No later than this date, the parties shall file and serve a status report of their settlement efforts, identifying agreements reached and unresolved issues requiring hearing.

10. Final Oral Argument

Pursuant to Rule 13.13(b), a party in a ratesetting proceeding in which a hearing is held has the right to make a final oral argument (FOA) before the Commission provided that the party makes such request in its closing brief. Any party that intends to request FOA shall first attempt to coordinate with other parties to determine a recommended scope of issues and schedule for the FOA. Each party making a request for a FOA in its closing brief shall include a proposed scope of issues to be addressed, order of presentation by parties, subjects to be addressed by each party, and any other information the Commission needs to make a fully informed decision on the request to ensure the FOA is conducted efficiently and equitably.

² <http://www.cpuc.ca.gov/puc/adr>.

11. Intervenor Compensation

Pursuant to Public Utilities Code § 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation no later than 30 days after the September 12, 2016 PHC. An amended notice may be filed and served within 15 days of the date of this Scoping Memo and Ruling. (*See* Rule 17.1(b).)

12. Filing, Service, and Service List

The official service list for this proceeding is available on the Commission's website. Parties should confirm that their information on the service list is correct, and serve notice of any errors on the Commission's Process Office, the service list, and the assigned Judge. Persons may become a party pursuant to Rule 1.4.

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocols set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date service is scheduled to occur. Parties are reminded, when serving copies of documents, the document format must be consistent with the requirements set forth in Rules 1.5 and 1.6. Additionally, Rule 1.10 requires service on the Judge of a paper copy of each document served by electronic mail.

Rules 1.9 and 1.10 govern service of documents only and do not change the Rules regarding the tendering of documents for filing with the Commission's Docket Office. Rule 1.13 governs the tendering of documents for filing. Parties can find additional information about electronic filing of documents at: www.cpuc.ca.gov/PUC/efiling. All documents formally filed with the

Commission's Docket Office must include the caption approved by the Docket Office.

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or who has questions about the electronic filing procedures should contact the Commission's Public Advisor at (866) 849-8390 or (415) 703-2074 or (866) 836-7825 (TTY-toll free), or send an e-mail to public.advisor@cpuc.ca.gov.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at process_office@cpuc.ca.gov to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f). Alternatively, persons may monitor the proceeding by subscribing to receive electronic copies of documents in this proceeding that are published on the Commission's website. There is no need to be on the official service list in order to use the subscription service. Instructions for enrolling in the subscription service are available on the Commission's website at <http://subscribecpuc.cpuc.ca.gov/>.

IT IS RULED that:

1. The scope of the issues for this proceeding is as set forth in "Section 2. Scope of the Proceeding" of this ruling.
2. The category of this proceeding is ratesetting. Parties may file and serve an appeal of the categorization pursuant to Rule 7.6 of the Commission's Rules of Practice and Procedure.
3. Evidentiary hearings are needed.
4. Administrative Law Judge Sophia J. Park is designated as the Presiding Officer.

5. With limited exceptions that are subject to reporting requirements, *ex parte* communications are prohibited. (See Public Utilities Code § 1701.3(c); Article 8 of the Commission's Rules of Practice and Procedure.)

6. Parties may serve notice to all parties on the official service list stating that they wish to receive copies of all data requests and responses. Thereafter, subject to any applicable confidentiality or non-disclosure requirements, any party issuing or responding to a discovery request shall serve a copy of the request or response on all parties who have provided such notice.

7. The schedule for the proceeding is as set forth in "Section 8. Schedule" of this ruling. The assigned Commissioner or Administrative Law Judge may adjust this schedule as necessary for efficient management and fair resolution of this proceeding.

8. All active parties in this proceeding must participate in at least one mandatory settlement conference. No later than April 17, 2017, the parties shall file and serve a status report of their settlement efforts, identifying agreements reached and unresolved issues requiring hearing.

Dated October 17, 2016, at San Francisco, California.

/s/ MICHAEL PICKER

Michael Picker
Assigned Commissioner