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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.

A.16-07-002
(Filed July 1, 2016)

**CALIFORNIA-AMERICAN WATER COMPANY'S (U-210-W) MOTION
TO INCLUDE POST-APPLICATION MODIFICATIONS CONCERNING
MEADOWBROOK WATER IN
THE 100-DAY UPDATE**

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I. INTRODUCTION

Pursuant to Rule 11.1 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure¹ and D.07-05-062,² California-American Water Company (“California American Water” or the “Company”) submits this motion seeking approval to make certain post-application modifications (“Motion”) to California American Water’s 2016 General Rate Case (“GRC”) Application in this proceeding.

In a separate proceeding, A.15-12-016, the Commission was asked to approve California American Water’s acquisition of the Meadowbrook Water Company of Merced, Inc. (U-204-W) (“Meadowbrook Water”). All parties to that proceeding, including the Office of Ratepayer Advocates (“ORA”), entered a settlement agreement that would authorize California American Water to purchase Meadowbrook Water.

¹ Unless otherwise stated, all further references in this Motion to a “Rule” shall refer to the Commission’s Rules of Practice and Procedure.

² D. 07-05-062, *Opinion Adopting Revised Rate Case Plan for Class A Water Utilities*, dated May 24, 2007, at p. A-9 of Appendix A.

The settlement would affect the purchase price and rate base for the Meadowbrook service area. It would consolidate that area into a preexisting California American Water District, and calls for new rates to be set for that area in this GRC proceeding. Because of timing issues, including the fact the settlement was not signed by all parties to it until after the filing of California American Water’s 2016 GRC Application, the parties to the settlement recognized that it was not possible to include all calculations and testimony in the filing of the GRC Application. Those parties, including ORA, agreed that California American Water should – post-filing of the GRC Application – be able to provide updated testimony and calculations concerning the Meadowbrook acquisition in this GRC proceeding.

In this Motion, therefore, California American Water requests permission to provide updated calculations and serve supplemental testimony in order to include important information regarding the Meadowbrook acquisition, including as to the rate impact of the acquisition.³ As is set forth below, the nature of the information California American Water seeks to provide meets the standards for post-application modifications.

II. BACKGROUND

A. The Meadowbrook Acquisition

i. The Application

On December 21, 2015, in A.15-12-016, California American Water and Meadowbrook Water applied to the Commission for an order authorizing California American Water to purchase all of Meadowbrook Water’s stock as well as certain other related actions (“Joint

³ On October 10, 2016, California American Water served the Supplemental Direct Testimony of Richard Svindland re Meadowbrook Acquisition, the Supplemental Direct Testimony of Sherrene Chew re the Meadowbrook Acquisition, and the Supplemental Direct Testimony of F. Mark Schubert re the Meadowbrook Acquisition. California American Water also updated calculations in the Results of Operation model (“RO Model”).

Meadowbrook Application”).⁴ Meadowbrook Water is located in Merced County, California and serves approximately 1,638 connections.⁵ ORA filed a Protest to the Joint Meadowbrook Application,⁶ served data requests, conducted in-person interviews with Meadowbrook representatives, and undertook a detailed review of Meadowbrook’s books and records.⁷

ii. The Settlement

In July 2016, California American Water, Meadowbrook Water, and ORA entered a settlement agreement in A.15-12-016 (“Settlement”). If adopted by the Commission, the Settlement resolves all issues in that proceeding. Those parties then filed an all-party joint motion asking the Commission to approve the Settlement.⁸ The motion is currently pending. On September 28, 2016, Administrative Law Judge Gary Weatherford wrote to the parties, advising them “the target mailing date for the Proposed Decision in... [A.15-12-016] is November 1 [, 2016] for the December 1 agenda.” California American Water will endeavor to keep the Administrative Law Judge in this GRC proceeding apprised of developments in A.15-12-016.

The Settlement contained several terms, including reductions in the purchase price and rate base, consolidation of the Meadowbrook service area into another California American Water District, and provisions recognizing how to address the acquisition in California American Water’s 2016 GRC. If approved by the Commission, the Settlement would reduce the purchase price and ratebase from what the application had proposed.⁹ It would consolidate Meadowbrook

⁴ A.15-12-016, *Joint Application for an Order Authorizing the Sale of All Outstanding Shares of Meadowbrook Water Company of Merced, Inc., (U-204-W), as Well as Certain Real Property Not Owned by That Company, to California-American Water Company (U-210-W)*, filed Dec. 21, 2015.

⁵ *Id.* at p. 3.

⁶ A.15-12-016, *Protest of the Office of Ratepayer Advocates*, filed Jan. 25, 2016.

⁷ A. 15-12-016, *All Party Joint Motion to Approve Settlement Agreement Concerning Purchase and Sale of Utility*, filed July 6, 2016, at Section 6.2 of Attachment B.

⁸ A. 15-12-016, *All Party Joint Motion to Approve Settlement Agreement Concerning Purchase and Sale of Utility*, filed July 6, 2016.

⁹ A. 15-12-016, *All Party Joint Motion to Approve Settlement Agreement Concerning Purchase and Sale of Utility*,

Water's current customers and service territory into California American Water's Northern Division for operational purposes and Sacramento District (which is part of the Northern Division) for ratemaking purposes.¹⁰ And the Settlement would authorize California American Water to operate the system in Meadowbrook under Meadowbrook's current rates, with new rates established in California American Water's 2016 GRC.¹¹ The motion seeking approval of the Settlement also contained a proposed notice to be sent to Meadowbrook customers informing them of the consolidation with the Sacramento District.¹²

In negotiating the agreement, the parties to A.15-12-016 recognized that, because of time constraints, it was not possible to include all of the necessary detail concerning the Meadowbrook acquisition in California American Water's 2016 GRC Application, filed July 1, 2016. Yet, those settling parties also recognized that the Settlement would be "premised on the inclusion and resolution of ratemaking for the Meadowbrook Water acquisition in California American Water's 2016 GRC." To resolve this issue, the parties to the Settlement in A.15-12-016, including ORA, agreed that information concerning the Meadowbrook acquisition would be included in California American Water's July 1, 2016 GRC Application. They also agreed in the Settlement that – although it may not be the ordinary practice under the Rate Case Plan – California American Water would provide updated calculations and testimony subsequent to the filing of the GRC Application.¹³ Through this Motion, California American Water now seeks permission to do just that.

filed July 6, 2016, at p.4, Section 8.1 of Attachment B.

¹⁰ *Id.* at p. 4, Section 8.1(e) of Attachment B.

¹¹ *Id.* at p. 5, Section 8.1(i) of Attachment B.

¹² *Id.* at Attachment A.

¹³ *Id.* at p. 6, Section 8.3(i) of Attachment B.

B. California American Water's 2016 GRC

On July 1, 2016, California American Water filed its 2016 GRC Application. That Application specifically noted California American Water, in a pending proceeding, already requested consolidation of the area currently served by Meadowbrook Water into the Sacramento District for ratemaking purposes.¹⁴ Testimony California American Water served with its GRC Application also discussed the Meadowbrook acquisition, including how notice regarding the requested consolidation would be provided to current Meadowbrook customers. The testimony also stated “California American Water will provide an update to its July 1, 2016 GRC filing that may provide additional calculations relating to the Meadowbrook Water acquisition as well as supplemental testimony concerning the acquisition.”¹⁵ This Motion seeks permission to provide those calculations and certain supplements to testimony to update information on the impact of the proposed Meadowbrook acquisition.

III. DISCUSSION

A. The Standard for Post-Application Modifications

The standard for post-application modifications of the nature this Motion seeks approval of is set forth in D.07-05-062, which adopts the revised rate case plan for Class A water utilities. A motion seeking permission for such modifications must show the addition (1) causes material changes in revenue requirement; (2) results from unforeseeable events; (3) is not off-set by other cost changes; and (4) can be fairly evaluated with proposed schedule changes that have been agreed to by all parties.¹⁶ The addition of updated information concerning the Meadowbrook

¹⁴ A.16-07-002, *Application of California-American Water Company (U210W) to Increase Revenues in Each of Its Districts Statewide*, filed July 1, 2016, at p. 16.

¹⁵ A.16-07-002, Direct Testimony of Sherrene P. Chew, served July 1, 2016 (but not filed), at p. 14.

¹⁶ D. 07-05-062, *Opinion Adopting Revised Rate Case Plan for Class A Water Utilities*, dated May 24, 2007, at p. A-9 of Appendix A.

acquisition satisfies these four requirements. It focuses on how Meadowbrook will change the rate base requirements and how it will be integrated into California American Water's Sacramento District. Thus, this Motion should be granted.

B. The Requested Modifications Are Appropriate and Necessary

i. The New Information Materially Changes the Revenue Requirement and Is Not Off-Set by Other Cost Changes

Adding Meadowbrook Water's service area and customers to California American Water's current footprint will materially change the revenue requirement in a manner not off-set by other cost changes. While the decision in A.15-12-016 is expected to consolidate Meadowbrook into California American Water's Northern Division for operational purposes, it also calls for Meadowbrook's rates to remain the same until rate consolidation occurs between Meadowbrook and California American Water's Sacramento District in the 2016 GRC. The additional calculations to revise the "RO" Model and the addition of supplemental testimony on Meadowbrook are important to accomplishing this.

California American Water's current 2016 GRC Application requests authorization to increase its revenues for water service by \$34,559,200 in 2018, \$8,478,500 in 2019, and \$7,742,600 in 2020. With the addition of Meadowbrook, those figures necessarily increase. Based on that increase, California American Water because of the Meadowbrook acquisition will now request \$34,724,500 in 2018, \$8,622,600 in 2019, and \$7,887,300 in 2020. The difference amounts to approximately \$454,100, or close to a half million dollars, over the three year period. This is a material change in the revenue requirement, and there is no indication it is off-set by other charges. The modifications to the 2016 GRC Application pertaining to the Meadowbrook acquisition, therefore, should be permitted.

ii. The New Information Results from Unforeseeable Events

The new calculations and information relating to the Meadowbrook acquisition constitute an unforeseeable event. The Settlement in A.15-12-016 resulted from arm's length negotiations between three different parties – California American Water, Meadowbrook Water, and ORA. The Settlement reflected both a reduction in the possible purchase price as well as a change in rate base to reflect a rebalancing based upon allocations for contributions in aid of construction.¹⁷ The Settlement was not signed by all of the parties until days after the filing of California American Water's 2016 GRC Application.¹⁸ The result of the negotiations in A.15-12-016 and ultimate Settlement could not be known ahead of time, and were therefore unforeseeable. Thus, the new information results from unforeseeable events, so this Motion seeking permission to update the 2016 GRC Application should be granted.

iii. No Schedule Changes Are Necessary to Accommodate the New Information

In accordance with the requirements of the Settlement in A.15-12-016, California American Water California American Water has already provided ORA with drafts of the proposed supplements to testimony as well as updated calculations reflecting the impact of the Meadowbrook acquisition.¹⁹ No other parties have thus far submitted data requests concerning matters relating to Meadowbrook or indicating they are reviewing such information. Thus, even with the addition of new information concerning the Meadowbrook acquisition, no changes to the current schedule for processing California American Water's 2016 GRC Application are necessary or warranted. As such, this Motion should be granted.

¹⁷ A. 15-12-016, *All Party Joint Motion to Approve Settlement Agreement Concerning Purchase and Sale of Utility*, filed July 6, 2016, at p.4, Section 8.1 of Attachment B.

¹⁸ *Id.* at p. 8 of Attachment B.

¹⁹ *See id.* at p. 6, Section 8.3 of Attachment B.

IV. CONCLUSION

For the foregoing reasons, California American Water respectfully requests that the Commission grant this Motion in its entirety and allow California American Water to make the necessary post-filing modifications to the 2016 GRC Application.

Dated: October 10, 2016

Respectfully submitted,

By: /s/ Sarah E. Leeper

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