STATE OF CALIFORNIA EDMUND G. BROWN JR., Governor
PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

August 9, 2013

Draft Resolution W- 4959
Agenda ID #12283

TO: All Interested Persons

Enclosed is the Revised Proposed Resolution W-4959 of the Division of Water and Audits rejection of Advice Letter (AL) 944 and its supplements and order approving, in part, AL 944-B for the transfer of $417,512 to rate base pursuant to Decision 10-12-016. The modifications to the original resolution sent on August 5, 2013, have been indicated on this draft. The Commission may act on this resolution or it may postpone action until later.

When the Commission acts on a draft resolution, the Commission may adopt all or part of the draft resolution, as written, or amend or modify the draft resolution; or the Commission may set the draft resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on the draft Resolution W-4959. An original of the comments with a certificate of service, should be submitted to:

Division of Water and Audits, Fourth Floor
Attention: Ravi Kumra
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Division of Water and Audits, Fourth Floor
Attention: Rami Kahlon
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Interested persons must serve a written or electronic copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. Interested persons may submit comments on or before August 29, 2013.

Comments should focus on factual, legal, or technical errors or policy issues in the draft resolution.

Persons interested in receiving comments submitted to the Division of Water and Audits may write to Ravi Kumra, email him at rkk@cpuc.ca.gov, or telephone him at (415) 703-2571.

/s/ RAMI S. KAHLON
Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Draft Resolution W-4959
Certificate of Service
Service List

PROPOSED RESOLUTION **Item #**

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS **RESOLUTION NO. W-4959**
Water and Sewer Advisory Branch **September 5, 2013**

R E S O L U T I O N

(RES. W-XXXX), CALIFORNIA AMERICAN WATER COMPANY (CAL-AM). ORDER AFFIRMING THE DIVISION OF WATER AND AUDITS' (DWA'S) REJECTION OF ADVICE LETTER (AL) 944 AND ITS SUPPLEMENTS; ORDER APPROVING, IN PART, AL 944-B FOR THE TRANSFER OF $417,512 TO RATE BASE PURSUANT TO DECISION (D.) 10-12-016 AND DISALLOWING $66,190 OF CLAIMS IN AL 944-B WITHOUT PREJUDICE.

By AL 944 filed May 15, 2012, AL 944-A filed June 22, 2012 and AL 944-B filed October 9, 2012.

SUMMARY

This Resolution affirms the Division of Water and Audit's rejection, without prejudice, of California American Water Company Advice Letter 944 filed on May 15, 2012, Advice Letter 944-A filed on June 22, 2012 and Advice Letter 944-B filed on October 9, 2012 (Advice Letter 944 and its supplements).[1] This Resolution approves, in part, California American Water Company's request to transfer to rate base $417,512. The Resolution does not authorize in rates $66,190 for unsupported project invoices, labor overhead, labor and pro-rated Allowance for Funds Used During Construction expenses. This Resolution affirms the Division of Water and Audit's "Letter of Disposition" and approves California American Water Company's request to defer the implementation of rate changes ordered by Resolution W-4940 by 30 days following issuance of this Resolution.

I. CAL-AM AL No. 944 AND ITS SUPPLEMENTS

1. BACKGROUND

In Advice Letter (AL) 944, filed on May 15, 2015, California American Water Company (Cal-Am) requested authority to implement a rate change authorized by the California Public Utilities Commission (CPUC) in Decision (D.) 10-12-016 for Cal-Am's Monterey District. The purpose

[1] AL 944 and its supplements were filed as Tier 2 filings per D. 10-12-016. Tier 2 filings are usually subject to review and disposition by the operating Division. AL 944 and its supplements were rejected by the Division of Water and Audits (DWA) through a "Letter of Disposition". Cal-Am requested the Commission to review DWA's disposition of AL 944 and its supplements.

of the rate increase was to implement rate base plant additions for Cal-Am-owned facilities to construct, operate, and maintain pipeline, conveyance, and pumping facilities necessary to deliver the Monterey County Desalination Project water to its customers consistent with a settlement agreement that was adopted in D.10-12-016. The costs were incurred from November 1, 2011 through April 30, 2012. The increase in revenue requirement requested is $67,462 as a result of the increase in rate base of $533,238 including an Allowance for Funds Used During Construction (AFUDC) of $7,094. AL 944 revenue requirement was incorporated into rates on July 1, 2012.

2. NOTICE

Cal-Am served AL 944 in accordance with General Order 96-B (GO 96-B) to adjacent utilities, persons on its GO 96-B Monterey District Service List, and parties to D. 10-12-016. Cal-Am also provided appropriate customer notification of the AL filing as required by GO 96-B.

3. DRA's PROTEST AND RESPONSES

On June 4, 2012, The Division of Ratepayer Advocates (DRA) timely protested AL 944. In its protest, DRA stated that DWA should reject AL 944 because:

1. The relief requested in the AL is pending before the Commission in a formal proceeding.
2. The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies.
3. The relief requested in the AL is unjust and unreasonable.
4. The analysis, calculations, or data in the AL contain material error or omissions.

DRA requested that at a minimum, it needs time to conduct discovery, to obtain supporting documentation and clarification, and to complete an audit of Cal-Am's AL 944.

On June 15, 2012, DWA suspended AL 944 to permit Cal-Am to submit a supplemental AL and for DRA to complete a review of the costs requested in AL 944.

Cal-Am filed AL 944-A on June 22, 2012. In that AL filing, Cal-Am sought authority to update the tariffs to reflect in rates the revenue requirements authorized in D.12-06-016 and filed in AL 945 on June 12, 2012. Like AL 944, Cal-Am requested in AL 944-A a $67,462 revenue requirement increase caused by an increase in rate base of $533,238, including an AFUDC of $7,094 at the authorized rate of 4%.

Subsequent to Cal-Am's withdrawal from the Regional Desalination Project (RDP) on January 17, 2012, the Commission closed A.04-09-019 and issued D.12-07-008. Ordering Paragraph 2 of that Decision permits Cal-Am to continue to recover certain costs incurred prior to its January 17, 2012 withdrawal date (cut-off date).

On October 9, 2012, Cal-Am filed AL 944-B to comply with D. 12-07-008 by modifying AL 944-A to include only costs that were incurred from November 1, 2011 through January 17, 2012. In AL 944-B, Cal-Am seeks authorization to add to rate base a downward revised amount of $483,703, which includes a total of $6,873 of AFUDC. The corresponding increase in

revenue requirement is $59,488 for the Monterey District. The adjusted AL 944-B revenue requirement was incorporated into rates on October 12, 2012.

4. IMPLEMENTATION OF RATES BY CAL-AM PURSUANT TO AL 944 AND ITS SUPPLEMENTS

D.10-12-016 permits Cal-Am to transfer to rate base and modify its associated incremental revenue requirement for prudently expended costs, for Cal-Am-only facilities, subject to true-up, if the Commission staff has not completed its prudency review of Cal-Am's filing within 45 days of that filing.[2] Since Staff was unable to complete its prudency review within 45 days of filing of AL 944 and its supplements, Cal-Am transferred to rate base $533,238, including $7,094 for AFUDC. The corresponding revenue requirement is $67,462. Cal-Am increased its rates accordingly effective July 1, 2012. Rates were subsequently modified per AL 944-B on October 12, 2012.[3]

5. REVIEW OF AL 944 AND ITS SUPPLEMENTS

DRA filed the results of its review of AL 944 and its supplements on January 9, 2013. DRA found that $415,219, including AFUDC of $6,168, of Cal-Am's claim is appropriate. DRA recommended that $68,484, including AFUDC of $705, should be disallowed. The disallowed amounts consist of: (1) project overhead of $54,391 because of lack of documentation; (2) improperly claimed invoices of $12,859; and (3) labor costs of $528 claimed for costs incurred after 1/17/2012, the cut-off date. DRA's recommended revenue requirement was $51,066.

DWA reviewed the work papers submitted by Cal-Am and DRA and makes the following determinations: Claims for $417,512, including AFUDC of $5,932 are appropriate, while claims for $66,190, including AFUDC of $941, are inappropriate and should be disallowed. The disallowed claims include: (1) project overhead expenses of $54,391 that lack backup computation support; (2) labor expenses of $238 that were incurred after the cut-off date; and (3) project invoices of $10,620 without adequate support. DWA's recommended revenue requirement was $51,327. See Table 1 for details.

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[2] D. 10-12-016, Section 13.2.4.2 states in relevant part:
"…. As envisioned by the settling parties, Commission staff would have 45 days to review the advice letter for "prudency" and the rates would go into effect, subject to true-up if the review could not be completed during that timeframe…."

* * *

"We agree with Cal-Am and the settling parties that it is reasonable to allow semi-annual advice letter filings and that a true-up is reasonable…."

[3] Per e-mail from Stacey Fulter, Cal-Am, to Ravi Kumra, DWA, dated January 29, 2013.

Table 1: Disposition of claims for Cal-Am's Advice Letter 944-B

Item	AL 944-A	AL 944-B		DRA Recommendation			DWA Recommendation		
	Claimed Amount		Note	Approved Amt.	Disallowed Amt	Note	Approved Amt	Disallowed Amt	Note
	a	b		c	d=b-c		e	f=b-e	
Project invoices	$422,593	$ 403,672		$ 390,813	$ 12,859	2	$ 393,052	$ 10,620	5
Project Overhead	$ 54,391	$ 54,391		$ -	$ 54,391	3	$ -	$ 54,391	3
Labor	$ 36,144	$ 14,400		$ 13,872	$ 528	4	$ 14,162	$ 238	6
Labor Overhead	$ 13,015	$ 4,366		$ 4,366	$ -		$ 4,366	$ -	
Total (Excluding AFUDC)	$526,144	$ 476,830		$ 409,051	$ 67,779		$ 411,580	$ 65,250	
AFUDC	$ 7,094	$ 6,873	1	$ 6,168	$ 705		$ 5,932	$ 941	7
Total claimed costs	$533,238	$ 483,703		$ 415,219	$ 68,484		$ 417,512	$ 66,190	
Revenue Requirement	$ 67,462	$ 59,488		$ 51,066			$ 51,327		

Notes

1 Per e-mail from Cal-Am to DRA dated January 4, 2013, AFUDC should be $7,150. Claimed costs were not modified.

2 Disallowances consist of: $10,074.31 for invoices from RBF Consulting without any indication that costs were associated with approved projects; $2,239.39 for invoice after January 17, 2012 cut-off date per D. 12-07-008; $545.71 for overcharges.

3 No back up computations provided.

4 Labor costs were incurred after January 17, 2012 cut-off date per D. 12-07-008.

5 Amount adjusted for $2,239 in consulting costs that were incurred prior to the Jan 17, 2012 cut-off period but were billed after the cut-off date. .

6 Amount pro-rated for period prior to the cut-off date.

7 Amount pro-rated per allowed amounts.

6. DWA's DISPOSITION OF AL 944 AND ITS SUPPLEMENTS

On January 18, 2013, DWA issued a Letter of Disposition pursuant to GO 96-B, Rule 7.6.1, to Cal-Am's AL 944 and its supplements.[4] On February 8, 2013, DWA issued a Revised Letter of Disposition replacing the January 18, 2013 letter. In both letters, DWA rejected Cal-Am's AL 944 and its supplements without prejudice and directed Cal-Am to reduce the amount to be transferred to rate base from $533,238 (including AFUDC of $7,094) to $417,512 (including AFUDC of $5,932) and to reduce its requested increase in Revenue requirement to $51,327 pursuant to D.10-12-016 and D.12-07-008.[5]

The Revised Letter of Disposition authorized Cal-Am to file a Tier 1 AL no later than March 1, 2013 to adjust rates based on the approved revenue requirement of $51,327. If it did so, Cal-Am was directed to refund the difference between these new rates and what had been collected in rates pursuant to AL 944 and its supplements up until the date rates were changed. This refund would be through a one-time sur-credit to appear on all bills rendered on or after

[4] "Letter of Disposition" of Cal-Am's AL 944, 944-A and 944-B from Bruce DeBerry, Program Manager, Division of Water and Audits to David P. Stephenson, Director-Rates and Regulation, January 18, 2013.

[5] In DWA's "Letter of Disposition" of January 18, 2013, Cal-Am was directed to choose from the following two options:

1. If Cal-Am disagrees with DWA's disposition, then it should file a Tier 1 AL within 10 days removing the revenue requirement increase put in rates by AL 944 and its supplements AND refund all monies collected in rates pursuant to AL 944 and its supplements up until the date it is removed from rates through a one-time refund.

   OR

2. If Cal-Am agrees with DWA' disposition, then it should file a Tier 1 AL within 10 days to adjust rates based on the new approved revenue requirement ($51,327) going forward AND refund the difference between what is approved and what has been collected in rates pursuant to AL 944 and its supplements up until the date rates are changed consistent with DWA's disposition through a one-time refund.

March 1, 2013. The filing of this AL would be without prejudice to appealing DWA's disposition rejecting a portion of the requested increase.

If Cal-Am did not file the Tier 1 advice letter described in the preceding paragraph, Cal-Am was directed to file an alternative Tier 1 advice letter no later than March 1, 2013, removing the entire revenue requirement increase put into rates by AL 944 and its supplements AND refund all monies collected in rates pursuant to AL 944 and its supplements up until the date it was removed from rates through a one-time refund. This refund would be made through a one-time sur-credit to appear on all bills rendered on or after March 1, 2013.

7. CAL-AM RESPONSE TO DWA's LETTER OF DISPOSITION

On January 25, 2013, Cal-Am requested and received a 10 day extension to file a request for review by the Commission of DWA's Letter of Disposition of January 18, 2013. Cal-Am also requested and received an extension of 30 days to comply with any requirements to make refunds contained in the January 18, 2013 Letter of Disposition.[6]

II. RESOLUTION W-4940

Resolution (Res.) W-4940, issued in response to AL 932, authorized Cal-Am to transfer $517,213 (including an AFUDC of $8,781) with a corresponding increase in revenue requirement of $65,435. That Resolution directed Cal-Am to remove from rate base the excess amount of $199,408 (including AFUDC of $3,382), and refund to ratepayers $26,767,[7] including interest on excess amounts collected from ratepayers from January 1, 2012 through December 31, 2012, plus excess amounts collected from January 1, 2013 through the effective date of a Supplement to AL 932.[8] The refund would be through a one-time sur-credit to all affected customers. Cal-Am was permitted to seek recovery of the disallowed amounts, through a subsequent filing subject to prudency review for reasonableness, pursuant to D.12-07-008, Ordering Paragraph No. 2.

III. REVIEW OF DWA'S LETTER OF DISPOSITION AND MOTION TO STAY REFUNDS

On February 7, 2013, Cal-Am filed a motion for the Commission to review DWA's January 18, 2013 Letter of Disposition of AL 944 and its supplements along with a motion to stay refunds.[9] Cal-Am stated that the Commission should permit recovery of the amounts requested in AL 944 as supplemented because the amounts requested by Cal-Am, but disallowed by DWA, are correct and recoverable and DWA's disposition contradicts D. 12-06-016. Furthermore, the Commission should disregard DWA's disposition as to refunds as a precondition of this appeal, because requiring the refund of these proceeds, prior to the resolution of this appeal violates Cal-Am's due process rights and is contrary to the Commission's Orders in D. 10-12-016. Regardless of whether the Commission upholds DWA's Disposition or agrees with Cal-Am that

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[6] Letter from Paul Clanon, Executive Director to Javier E. Naranjo, Corporate Counsel, California-American Water Company, dated January 25, 2013.

[7] Revenue requirement is based on AL 932 ($92,202) less authorized revenue requirement ($65,435).

[8] On January 1, 2012, Cal-Am transferred $716,621 (including an AFUDC of $12,163) to rate base. That was the amount claimed in AL 932. The corresponding Revenue Requirement was $92,202.

[9] "Review of Industry Division Disposition and Motion to Stay Refunds", filed by Cal-Am on February 7, 2013.

it must obtain full recovery, refunding all the monies will raise retroactive ratemaking issues once the appeal is resolved.

By letter of February 15, 2013, Cal-Am requested the Commission to reschedule the date of compliance with Res. W-4940 to 30 days after the Commission resolves its February 7, 2013 request to review DWA's Letter of Disposition of AL's 944 and its supplements. Cal-Am believes that this will avoid customer confusion from implementation of multiple Commission directives.[10] On February 26, 2013, Cal-Am requested the Commission to consolidate the review of DWA's "Letters of Disposition "of January 18 and February 8, 2013.[11]

By letter of February 27, 2013, the Commission's Executive Director informed Cal-Am that DWA's Letter of Disposition of AL 944 and its supplements will be reviewed and the Commission will resolve any outstanding issues through a Resolution. The letter also granted Cal-Am's request for an extension of time to implement Res. W-4940 to 30 days after the disposition of AL 944 and its supplements. This was because the issues associated with AL 944 and its supplements and Res.. W-4940 are similar and it is more efficient to address the two rate changes together. Reconsideration of compliance with Res.W-4940 was not authorized.

1. DISCUSSION

Cal-Am filed AL 944 and its supplements as Tier 2 filings. Tier 2 filings are usually subject to review and disposition by the operating Division. DWA staff met with Cal-Am staff to review the amounts at issue in AL 944 and its supplements. No new convincing evidence was presented to justify modification of the allowable costs to be included in rate base. Neither was any evidence presented that demonstrated that DWA's recommended disallowed amounts contradicted D.12-06-016. The unauthorized amounts claimed by Cal-Am were correctly identified and disallowed in DWA's "Revised Letter of Disposition" and should be removed from rate base. Cal-Am's arguments that DWA's disposition letter violate the rule against retroactive ratemaking and its due process rights are without merit.

As a general rule, the Commission has the power to prescribe rates prospectively only. However, the prohibition against retroactive ratemaking applies only to final rates that have been *approved* by the Commission. *Southern California Edison Company v. Public Utilities Commission* (1978) 20 Cal.3d 813, 816. Cal-Am's incremental revenue requirement is based on amounts transferred to rate base that include amounts unauthorized by the Commission. As a result, Cal-Am has collected more than the rates approved by the Commission. Cal-Am should refund the excess amounts collected from ratepayers. Returning the unauthorized excess amounts collected by Cal-Am from ratepayers does not constitute retroactive ratemaking.

Due process requires, at a minimum, notice and an opportunity to be heard. In its revised letter of disposition, DWA rejected Cal-Am's AL 944 and its supplements without prejudice. The increase in revenue requirements in those Advice Letter filings was also rejected without prejudice. Cal-Am was directed to file a Tier 1 advice letter to adjust rates based on the approved revenue requirements going forward and refund the difference between the new rates

[10] Letter from Javier E. Naranjo, Corporate Counsel, California-American Water Company, to Paul Clanon, Executive Director, dated February 15, 2013.
[11] Request for review and consolidation of Revised Industry Division Disposition, dated February 26, 2013.

and what had been collected pursuant to AL 944 and its supplements. The filing of the Tier 1 advice letter would be without prejudice to appealing DWA's disposition rejecting a portion of the requested increase. As an alternative, if Cal-Am elected to not file the Tier 1 advice letter, Cal-Am was directed to remove revenue requirements increase put in rates by AL 944 and its supplements and refund all monies collected in rates pursuant to those advice letters through a one-time refund. Cal-Am is on notice of DWA's disposition of the disallowed amounts, and has the right to appeal DWA's disposition, giving it an opportunity to be heard. Cal-Amtherefore has not demonstrated that its due process rights were violated by DWA's Revised Letter of Disposition. DWA's Revised Letter of Disposition of February 8, 2013 is reasonable and is affirmed.

Cal-Am transferred to rate base a total of $1,200,324 plus accrued interest pursuant to AL 944-B and its supplements and AL 932. This is comprised of $483,703 for AL 944-B[12] and $716,621 per Resolution W-4940. The total authorized amount that should have been transferred to rate base is $934,725 plus accrued interest. This is comprised of $417,512 authorized for AL 944-B and $517,213 authorized in Res. W-4940. The total excess amount of $265,598 plus accrued interest is unauthorized and should be removed from rate base. See Table 3 for details.

AL 944 and its supplements and Res. W-4940 deal with the same issues. Therefore, to avoid customer confusion, it is appropriate to authorize Cal-Am to reduce rate base by the amounts that were disallowed by Res. W-4940 and DWA's Revised Letter of Disposition to be effective at the same time. Similarly, customer refunds should be based on the total excess amounts collected pursuant to AL 944 and its supplements and Res. W-4940.

It is reasonable to require Cal-Am to file a supplement to AL 944-B adopting the rates shown in Appendix A. Additionally, within 30 days of the effective date of this Resolution, Cal-Am should file a Tier 1 AL implementing the refund of the excess amounts collected from ratepayers and modify the currently approved amounts to be added to rate base consistent with the direction in the Executive Director's letter of February 27, 2013. To reduce customer confusion, the over-collected amounts, up until the date they are removed from rates, should be refunded through a one-time sur-credit to appear on all bills rendered on or after 30 days from the effective date of this Resolution.

IV. COMMENTS

Public Utilities Code § 311(g)(1) generally requires that resolutions must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, the draft resolution was mailed to Cal-Am, DRA, and one protestant for comments.

V. FINDINGS AND CONCLUSIONS

[12] Cal-Am transferred $533,238 to rate base pursuant to AL 944-A on July 1, 2012. On October 12, 2012, the rates were modified based on a rate base addition of $483,703 pursuant to AL 944-B. Table 3 shows rate base additions pursuant to AL 944-B.

1. Commission Decision (D.)10-12-016, Ordering Paragraph (OP) Number 7, authorized five Cal-Am owned project facilities for the Regional Desalination Project (RDP).

2. D.10-12-016 permitted Cal-Am to file for recovery in rates amounts for the five Cal-Am owned project facilities for the Regional Desalination Project (RDP) through semi-annual Tier 2 Advice Letter (AL) filings with the Commission.

3. Cal-Am filed AL 944 on May 15, 2012 seeking authority to implement a rate base change of $533,238 including $7,094 in Allowance for Funds Used During Construction (AFUDC) for Commission authorized projects pursuant to D.10-12-016. Costs were incurred from November 11, 2011 through April 30, 2012.

4. The Division of Ratepayer Advocates (DRA) protested AL 944 on June 4, 2012 and requested that Cal-Am's claim should be denied because the requested relief is pending before the Commission in a formal proceeding, violates a statute or Commission orders, is unjust and unreasonable, and is based on erroneous information.

5. The Division of Water and Audits (DWA) suspended AL 944 on June 15, 2012 to permit Cal-Am to submit a supplemental AL and for DRA to complete a review of AL 944.

6. Cal-Am filed AL 944-A on June 22, 2012, updating tariffs to reflect increase in rates due to an increase in rate base of $533,238, including an AFUDC of $7,094, and Incremental revenue requirements of $67,462 for the Monterey District.

7. On July 12, 2012, the Commission closed A.04-09-019 and issued D.12-07-008.

8. D.12-07-008, Ordering Paragraph 2, permits Cal-Am to continue to recover certain costs incurred prior to January 17, 2012, the date Cal-Am formally withdrew from the Regional Desalination Project.

9. Cal-Am filed AL 944-B on October 9, 2012, replacing 944-A, to seek authority to implement a rate base change of $483,703, including $6,873 of AFUDC, and a revenue requirement increase of $59,488 for the Monterey District. The costs were incurred between November 1, 2011 and January 17, 2012, the cutoff date established by D.12-07-008.

10. DRA submitted results of its review of Cal-Am's AL 944, 944-A and 944-B (AL 944 and its supplements) on January 9, 2013.

11. DWA appropriately concluded that $66,190 of claimed expenses were unauthorized because they lacked proper justification.

12. Cal-Am transferred to rate base $533,238, including $7,094 of AFUDC, the amount sought in AL 944-A on July 1, 2012. That amount is subject to "true-up" based on a prudency review by Commission staff.

13. The correct amount to be transferred to rate base should be $417,512 including AFUDC of $5,932.

14. It is reasonable for Cal-Am to adjust the rate base addition due to AL 944 and its supplements to $417,512.

15. Cal-Am recovered in rates from ratepayers based on a revenue requirement of $67,462 from July 1, 2012 to October 11, 2012.

16. Cal-Am modified its revenue requirement to $59,488 effective October 12, 2012.

17. The correct revenue requirement subject to recovery in rates is $51,327 from ratepayers effective July 1, 2012.

18. DWA issued a Letter of Disposition, pursuant to General Order 96-B Rule 7.6.1, of AL 944 and its supplements on January 18, 2013, rejecting AL 944 and its supplements without prejudice because of noted deficiencies.

19. On January 25, 2013, the Executive Director granted Cal-Am's request for a 10 day extension to file a request for review of DWA's Letter of Disposition of January 18, 2013 and a 30 day extension to comply with any requirements to make refunds contained in that letter.

20. On February 7, 2013, Cal-Am requested a formal Commission review of DWA's Disposition of AL 944 and its supplement and a motion to stay the refunds. Cal-Am requested the Commission to permit the recovery of all amounts requested in AL 944 as supplemented because the disposition letter contradicted D.12-06-016. Cal-Am further requested to stay the effectiveness of the refunds because it violates Cal-Am's due process rights and the doctrine of retroactive ratemaking.

21. DWA issued a Revised Letter of Disposition on February 18, 2013 replacing the "Letter of Disposition" of January 18, 2013.

22. In both letters of disposition, DWA rejected AL 944 and its supplements without prejudice and authorized Cal-Am to (1) transfer to rate base $417,512, including AFUDC of $5,932; (2) modify revenue requirements to $51,327; (3) refund excess amounts collected from ratepayers; (4) revise rates based on the approved amounts transferred to rate base and; (5) file a Tier 1 AL removing the revenue requirement increase put into rates by AL 944 and its supplements.

23. DWA's Revised Letter of Disposition, issued on February 8, 2013, was appropriately issued.

24. It is reasonable for Cal-Am to modify additions to rate base as directed by DWA's Revised Letter of Disposition.

25. It is reasonable for Cal-Am to refund the excess amounts collected from ratepayers from July 1, 2012 through when rates are adjusted pursuant to this Resolution through a one-time sur-credit to all affected customers.

26. Cal-Am should be permitted seek recovery of $66,190, the amount disallowed from AL 944-B without prejudice, as directed by the Commission through a subsequent filing, subject to prudency review for reasonableness, pursuant to D.12-07-008, Ordering Paragraph No. 2.

27. Res.W-4940 issued on February 13, 2013 directs Cal-Am to remove $199,408 plus accrued interest from rate base and refund $26,767plus accrued interest and excess amounts collected from January 1, 2012, through the date of this Resolution.

28. The Executive Director granted Cal-Am's request for an extension of 30 days from the effective date of this Resolution to implement Res. W-4940 to avoid customer confusion from implementing multiple rate changes from AL 944 and its supplements and Res. W-4940.

31. It is reasonable to grant Cal-Am an extension to implement Res. W-4940.

32. It is reasonable to permit Cal-Am to modify and file a Supplement to AL 932 to include revisions to Tariff Sheets for the Monterey District Tariff Area that reflect the transfer to rate base of the amount authorized in findings 2 through 6 of Res. W-4940 with an effective date of 30 days after the adoption of this Resolution.

33. It is reasonable for Cal-Am to refund the excess amounts collected from ratepayers from January 1, 2012 through December 31, 2012, plus excess amounts collected from January 1, 2013, through the effective date of the Supplement to AL 932 through a one-time sur-credit to all affected customers.

34. It is reasonable for Cal-Am to refund the excess amounts collected from ratepayers plus accrued interest from July 1, 2012 the effective date of the Supplement to AL 944-B through a one-time sur-credit to all affected customers.

35. It is reasonable for Cal-Am to combine the excess amounts due customers as computed in Finding Numbers 33 and 34 above and refund the total through a one-time sur-credit to all affected customers.

36. Cal-Am should file a Tier 1 AL showing the amounts refunded through a sur-credit, the excess amounts collected from ratepayers in Finding Number 35 above with an effective date of 30 days from the effective date of this Resolution.

THEREFORE IT IS ORDERED THAT:

1. The Division of Water and Audits' Revised Letter of Disposition rejecting California American Water Company's Advice Letters 944, 944-A and 944-B is affirmed.

2. California American Water Company's request for amounts requested in Advice Letter 944-B is hereby affirmed in part and rejected in part per Ordering Paragraphs 3 and 4 below.

3. California American Water Company may transfer to rate base $417,512, which includes Allowance for Funds Used during Construction (AFUDC) of $5,932.

4. California American Water Company's request for $66,190, including $941 for AFUDC, to be added to rate base is disallowed without prejudice.

5. Within 5 days of the effective date of this Resolution, California American Water Company is authorized to file a Supplement to Advice Letter 944-B incorporating the following Tariff Sheets shown in Attachment A for the Monterey District Tariff Area: 1) Schedule No. MO-1: General Metered Service; and 2) Schedule MO-1-LIRA, Low-Income Ratepayer Assistance Program to reflect the transfer to rate base of the amount authorized in Ordering Paragraph No. 3. New rates are to be effective 30 days after the filing of the Supplement to Advice Letter No. 944-B subject to approval or rejection by the Division of Water and Audits consistent with this Resolution.

6. Within 5 days of the effective date of this Resolution, California American Water Company is authorized to file a Supplement to Advice Letter 932 as ordered in Resolution W-4940. New rates are to be effective 30 days after the filing of the Supplement to Advice Letter No. 932 subject to approval or rejection by the Division of Water and Audits consistent with this Resolution.

7. Within 30 days of the effective date of this Resolution, California American Water Company is ordered to file a Tier 1 Advice Letter implementing a one-time refund of the excess amount collected from customers pursuant to: (1) Advice Letter Numbers 944-A and 944-B from July 12, 2012 through the effective date of the Supplement to Advice Letter 944-B; and (2) Advice Letter Number 932 from January 1, 2012 through the effective date of the Supplement to Advice Letter 932 in Ordering Paragraph No. 5 of Resolution W-4940.
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8. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 5, 2013; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

ATTACHMENT A

Schedule No. MO-1 Monterey
County District Tariff Area
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

The incorporated cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, a portion of Seaside, Hidden Hills and Ryan Ranch subdivisions, Bishop subdivision including the area known as Laguna Seca Ranch Estates and vicinity and certain unincorporated areas in the County of Monterey.

RATES

Quantity Rates:

MONTEREY MAIN SYSTEM

	Base Rate Per 10 cf	
Residential & Multi-Residential Customers:		
For the first 10 cu. ft. x Customer Allotment	$0.3096	(I)
For the second 10 cu. ft. x Customer Allotment	$0.6192	
For the third 10 cu. ft. x Customer Allotment	$1.2383	
For the fourth 10 cu. ft. x Customer Allotment	$2.4766	
All Water over 40 cu. ft. x Customer Allotment	$2.9466	
Non-Residential Customers:		
Block 1: For all water delivered up to monthly allotment	$0.6192	
Block 2: For the next 15% of monthly allotment delivered	$1.8575	
Block 3: For all water delivered over Block 2	$2.9466	
Dedicated Irrigation:		
Block 1: For all water delivered up to monthly allotment	$1.2383	
Block 2: For all water delivered over monthly allotment	$2.9466	
Special Use Customers		
For all water delivered	$1.2383	(I)

(Continued)

RATES (Continued):

Quantity Rates (Continued):

HIDDEN HILLS AND RYAN RANCH SYSTEM

	Base Rate Per 10 cf	
Residential & Multi-Residential Customers:		
For the first 10 cu. ft. x Customer Allotment	$0.3096	(I)
For the second 10 cu. ft. x Customer Allotment	$0.6192	
For the third 10 cu. ft. x Customer Allotment	$1.2383	
For the fourth 10 cu. ft. x Customer Allotment	$2.4766	
All Water over 40 cu. ft. x Customer Allotment	$2.9466	
Non-Residential Customers:		
Block 1: For all water delivered up to monthly allotment	$0.6192	
Block 2: For the next 15% of monthly allotment delivered	$1.8575	
Block 3: For all water delivered over Block 2	$2.9466	
Dedicated Irrigation:		
Block 1: For all water delivered up to monthly allotment	$1.2383	
Block 2: For all water delivered over monthly allotment	$2.9466	
Special Use Customers		
For all water delivered	$1.2383	(I)

(Continued)

RATES (Continued):

Quantity Rates (Continued):

BISHOP SYSTEM

	Base Rate Per 10 cf	
Residential & Multi-Residential Customers:		
For the first 10 cu. ft. x Customer Allotment	$0.3096	(I)
For the second 10 cu. ft. x Customer Allotment	$0.6192	
For the third 10 cu. ft. x Customer Allotment	$1.2387	
For the fourth 10 cu. ft. x Customer Allotment	$1.5483	
All Water over 40 cu. ft. x Customer Allotment	$2.4774	
Non-Residential Customers:		
Block 1: For all water delivered up to monthly allotment	$0.6192	
Block 2: For the next 15% of monthly allotment delivered	$1.8575	
Block 3: For all water delivered over Block 2	$2.9466	
Dedicated Irrigation:		
Block 1: For all water delivered up to monthly allotment	$1.2383	
Block 2: For all water delivered over monthly allotment	$2.9466	
Special Use Customers		
For all water delivered	$1.2383	(I)

Meter Rates:

MONTEREY MAIN, HIDDEN HILLS, RYAN RANCH, AND BISHOP SYSTEMS

	Per Meter Per Month
For 5/8 x 3/4-inch meter	$9.72
For 3/4-inch meter	$14.59
For 1-Iinch meter	$24.31
For 1-1/2-inch meter	$48.62
For 2-inch meter	$77.79
For 3-inch meter	$145.85
For 4-inch meter	$243.08
For 6-inch meter	$486.17
For 8-inch meter	$777.87

The Meter Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rate.

(Continued)

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail this day served a true copy of Draft Resolution No. W-4959 on all parties in these filings or their attorneys as shown on the attached list.

Dated August 5, 2013, at San Francisco, California.

/s/ JENNIFER PEREZ
Jennifer Perez

Parties should notify the Division of Water and Audits, Fourth Floor, California Public Utilities Commission, 505 Van Ness Avenue, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on which your name appears.

CALIFORNIA-AMERICAN WATER COMPANY
SERVICE LIST OF DRAFT RESOLUTION W-4959

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California-American Water Company
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