



November 13, 2015

Proposed Resolution W-5073

Agenda ID: 14461

To: All Interested Persons

Enclosed is Proposed Resolution W-5073 of the Division of Water and Audits, which approves California-American Water Company's Advice Letter Nos. 1042-W-A and 1074-W, request to amortize the 2013 and 2014 WRAM/MCBA Balances for its Los Angeles County District totaling \$3,033,274. Proposed Resolution W-5073 is scheduled to appear on the December 17, 2015 Commission Meeting Agenda (ID#14461).

The Commission may act on this resolution or it may postpone action until later. When the Commission acts on a proposed resolution, the Commission may adopt all or part of the proposed resolution, as written, or amend or modify the proposed resolution; or the Commission may set the proposed resolution aside and prepare a different resolution. Only when the Commission acts does the resolution become binding.

Interested persons may submit comments on Proposed Resolution W-5073 via email to Water.Division@cpuc.ca.gov on or before **December 7, 2015**. Please reference **"Proposed Resolution W-5073" in the subject line**.

Interested persons must also serve a copy of their comments on the utility on the same date that the comments are submitted to the Division of Water and Audits. If email is unavailable, please submit comments to:

California Public Utilities Commission
Division of Water and Audits
505 Van Ness Avenue
San Francisco, CA 94102

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

Persons interested in receiving comments submitted may contact the Division of Water and Audits at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5073."

/s/ RAMI S. KAHLON

Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Proposed Resolution W-5073
Certificate of Service
Service List

PROPOSED RESOLUTION

Resolution W-5073
DWA

Agenda ID #14461

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5073
December 17, 2015

RESOLUTION

(RES. W-5073) THIS RESOLUTION APPROVES CALIFORNIA-AMERICAN WATER COMPANY'S ADVICE LETTER NOS. 1042-W-A and 1074-W, REQUESTS TO AMORTIZE THE 2013 and 2014 WRAM/MCBA BALANCES FOR ITS LOS ANGELES COUNTY DISTRICT TOTALING \$3,033,274.

SUMMARY

This resolution approves California-American Water Company (Cal-Am) Advice Letter Nos. (AL) 1042-W-A and 1074-W, requests to amortize the 2013 and the 2014 balances in the Water Revenue Adjustment Mechanism / Modified Cost Balancing Account (WRAM/MCBA) for the Los Angeles County District (District), respectively, totaling \$3,033,274.

Approval of the account amortization results in a surcharge of \$0.0134 per 100 gallons for the Duarte service area, a sur-credit of \$0.0134 per 100 gallons for the Baldwin Hills service area, and a \$0.0305 sur-credit for the San Marino service area, the three service areas that makeup the District.

BACKGROUND

On April 30, 2014, Cal-Am filed AL 1042-W, a Tier 1 advice letter, requesting amortization of the overcollected balance of \$418,421 in the District WRAM/MCBA.

155820777

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

The District is composed of three service areas: Baldwin Hills, Duarte and San Marino. The WRAM/MCBA undercollected balances are as follows: \$164,141 for Baldwin Hills and \$1,052,389 for Duarte. The WRAM/MCBA overcollected balance in San Marino is \$1,634,951. As a Tier 1 advice letter, AL 1042-W went into effect on the date it was filed and Cal-Am started collecting surcharges and refunding surcredits as of April 30, 2014.

On September 4, 2014, DWA rejected AL 1042-W. The rejection letter recommended that Cal-Am file a new advice letter that increases the balance in the San Marino MCBA by \$148,203, and reduces the adopted sales quantity by 47,237 ccf in the Baldwin Hills service area. DWA also requested verification of the existing 2012 WRAM/MCBA balance by showing the recorded sales and applicable surcharges. In addition, the disposition letter requested Cal-Am to cease implementation of the surcharges / surcredits proposed in AL 1042-W.

On September 17, 2014, Cal-Am filed an appeal of DWA's disposition. Cal-Am argues that the rejection was unwarranted as Cal-Am was willing to supplement the advice letter to make the adjustments to the San Marino MCBA and to the Baldwin Hills sales quantity. Cal-Am provides the 2012 WRAM/MCBA balance in a CD attached to the appeal. Cal-Am argues the stopping the implementation of the surcharge / surcredit is unreasonable given that it is a consolidation of the historical balances and collections and continues the surcharge / surcredit pending disposition of its appeal by the Commission.

On April 30, 2015, Cal-Am filed AL 1074-W, a Tier 1 advice letter, requesting the recovery of the WRAM/MCBA balances as of December 31, 2014. Because no resolution of Cal-Am's September 17, 2014 appeal had been made by the date of filing of AL 1074-W, Cal-Am consolidated the 2014 WRAM/MCBA balances with the 2013 WRAM/MCBA balances. AL 1074-W included an adjustment to increase San Marino's MCBA over-collection by \$148,203, as requested by DWA.

In AL 1074-W, Cal-Am requests amortization of the over-collected balance of \$3,033,274 in the District's WRAM/MCBA as follows; \$418,014 over-collection for Baldwin Hills, \$452,253 under-collection in Duarte, and \$3,067,513 over-collection in San Marino.

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

On October 30, 2015, Cal-Am filed a supplement to AL 1042-W, AL 1042-A-W, to make the changes requested by DWA in its letter of September 4, 2014.

NOTICE

Service of AL 1042-W, AL 1042-A-W, and AL 1074-W, were delivered to the advice letter distribution list of the District and other parties of interest in accordance with General Order (G.O.) 96-B Water Industry Rule 4.1.

PROTESTS

No protests were received for AL 1042-W, AL 1042-A-W, and AL-1074-W.

DISCUSSION

With the filing of AL 1042-A-W, Cal-Am has made the corrections requested by DWA. Because of the delay in processing the appeal of DWA's rejection of AL 1042-W, Cal-Am had to consolidate the 2013 and 2014 WRAM / MCBA balances when it filed AL-1074-W on April 30, 2015.

Cal-Am is required to file annually to request recovery of WRAM/MCBA balances in accordance with pages 8 and 9 of the settlement agreement adopted in Decision No. 08-06-002. The settlement established single WRAM and MCBA accounts that carry over uncollected balances year to year. When the time came for Cal-AM to file for recovery of the 2014 balances in AL 1074-W, Cal-Am appropriately carried over the remaining 2013 balances. But DWA was unable to approve AL 1074-W, because Cal-Am's appeal of the rejection of AL 1042-W was still pending. As such, Cal-Am filed a supplement to AL 1042-W, known as AL 1042-A-W, to make the corrections to AL 1042-W as requested by DWA. Although in AL 1074-W Cal-Am made these very same corrections, the pending appeal prevented DWA from approving AL 1074-W as filed.

In AL 1074-W, Cal-Am requests the following recovery or reimbursements; For the Baldwin Hills service area, the combined 2014 and prior net balances totals an over

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

collection \$418,014. For the Duarte service area, the net balance totals an under collection of \$452,253. For the San Marino service area, the net balance totals an over collection of \$3,067,513. For the San Marino service area, an adjustment of \$148,203 was made to increase the MCBA. The net balances reflect the continuation of the 2013 surcharge / surcredits established in AL 1042-W. DWA's review consisted of a review of authorizing documents, and a verification of the WRAM and MCBA balances. DWA found that Cal-Am's calculations of the net balances for the three service areas was correct.

Cal-Am proposes the following surcharges and surcredits (as shown in the table below) to recover the net balances. DWA verified that the resulting surcharges and surcredits requested by Cal-Am and finds them to be correct. The length of time the surcharge / sur-credit is in effect depends on the balance as a percentage of the annual revenue. Balances between 5% to 10% of annual revenue are recovered over 24 months, and balances exceeding 10% of annual revenue, are recovered of 36 months, in accordance with Commission directives.

Service Area	Balance	Amount	Type	Start date	Length
Baldwin Hills	\$418,014	\$0.0134	surcredit	April 30, 2015	36 months
Duarte	(\$452,253)	\$0.0134	surcharge	April 30, 2015	24 months
San Marino	\$3,067,513	\$0.0305	surcredit	April 30, 2015	36 months
TOTAL:	\$3,033,274				

In this resolution, the Commission approves AL 1042-W-A and AL 1074-W and thereby resolves Cal-Am's appeal for DWA's disposition of AL-1042-W.

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

SAFETY AND COMPLIANCE

There are no outstanding Commission orders for compliance in Cal-Am's Los Angeles County District. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board.

COMMENTS

Public Utilities Code Section 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 for comments.

FINDINGS

1. Cal-Am filed AL 1042-W on April 30, 2014 to request amortization of the 2013 Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA) for the Los Angeles County District.
2. DWA rejected AL 1042-W on September 4, 2014.
3. Cal-Am filed an appeal of DWA's disposition on September 17, 2014.
4. On April 30, 2015, Cal-Am filed AL 1074-W, a Tier 1 advice letter, requesting the recovery of the WRAM/MCBA balances as of December 31, 2014.
5. Cal-Am consolidated the 2014 WRAM/MCBA balances with the 2013 WRAM/MCBA balances in AL 1074-W.
6. AL 1074-W included an adjustment to increase San Marino's MCBA over-collection by \$148,203.

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

7. Cal-Am's appeal of the rejection of AL 1042-W was still pending when AL 1074-W was filed.
8. Cal-Am filed a supplement to AL 1042-W, known as AL 1042-A-W, to make the corrections to AL 1042-W.
9. In AL 1074-W, Cal-Am requests amortization of the over-collected balance of \$3,033,274 in the Los Angeles County District's WRAM/MCBA.
10. DWA verified the WRAM and MCBA balances contained in AL 1074-W and found them to be correct.
11. DWA verified that the resulting surcharges and surcredits requested by Cal-Am and finds them to be correct.

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

THEREFORE IT IS ORDERED THAT:

1. Advice Letters 1042-A-W and 1074-W are approved as filed. The tariff sheets attached to AL 1074-W are effective April 30, 2015.

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 December 17, 2015; the following Commissioners voting favorably:

TIMOTHY J. SULLIVAN
Executive Director

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

CERTIFICATE OF SERVICE

I certify that I have by either electronic mail or postal mail, this day, served a true copy of Proposed Resolution No. W-5073 on all parties in these filings or their attorneys as shown on the attached lists.

Dated November 13, 2015 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.

PROPOSED RESOLUTION

Resolution W-5073
DWA

December 17, 2015

CALIFORNIA AMERICAN WATER COMPANY ADVICE LETTER NOS. 1042, 1042-A AND 1074 SERVICE LIST

David P. Stephenson
Director – Rates & Regulation
California-American Water Company
4701 Beloit Dr.
Sacramento, CA 95838-2434

Office of Ratepayer Advocates
505 Van Ness Avenue
San Francisco, CA 94102
ora@cpuc.ca.gov

Lisa Bilir
Lisa.Bilir@cpuc.ca.gov