



August 30, 2016

Proposed Resolution W-5111

Agenda ID: 15125

To: All Interested Persons

Enclosed is Proposed Resolution W-5111 of the Water Division, which authorizes California-American Water Company the establishment of the Placer County Water Agency Special Facilities Fee and a Special Facilities Fee Memorandum Account to track all fees collected and costs associated with purchasing additional units of water from Placer County Water Agency. Proposed Resolution W-5111 is scheduled to appear on the September 29, 2016 Commission Meeting Agenda (ID# 15125).

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-5111 via email to Water.Division@cpuc.ca.gov on or before **September 19, 2016**. Please reference **"Proposed Resolution W-5111"** 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
Water Division
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 Water Division at Water.Division@cpuc.ca.gov or (415) 703-1133. Please reference "Proposed Resolution W-5111."

/s/ RAMI S. KAHLON

Rami S. Kahlon, Director
Division of Water and Audits

Enclosures: Proposed Resolution W-5111
Certificate of Service
Service List

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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION

RESOLUTION W-5111
September 29, 2016

RESOLUTION

(RES. W-5111), CALIFORNIA-AMERICAN WATER COMPANY (Cal-Am). ORDER AUTHORIZING THE ESTABLISHMENT OF THE PLACER COUNTY WATER AGENCY SPECIAL FACILITIES FEE AND A SPECIAL FACILITIES FEE MEMORANDUM ACCOUNT TO TRACK ALL FEES COLLECTED AND COSTS ASSOCIATED WITH PURCHASING ADDITIONAL UNITS OF WATER FROM PLACER COUNTY WATER AGENCY.

By Advice Letter 1124, filed April 15, 2016.

SUMMARY

By Advice Letter (AL) 1124, filed on April 15, 2016, California-American Water Company (Cal-Am) seeks to establish Special Facilities Fees and an associated memorandum account. This Resolution authorizes Cal-Am to establish a Special Facilities Fee, which will pass through the cost of new service connections to Cal-Am ratepayers, as per Cal-Am's agreement with Placer County Water Agency (PCWA) for water supply. This Resolution also authorizes Cal-Am to establish a memorandum account for the limited purpose of tracking all fees collected and offset by the costs associated with purchasing additional units of water from PCWA if water demand from Cal-Am customers reaches certain thresholds.

BACKGROUND

On September 5, 2002, Cal-Am and PCWA signed water purchase agreement, which has since expired on December 31, 2015. In the 2002 agreement, PCWA directly charged new Cal-Am service connections a fee to supply water into Cal-Am's service territory, if those new service connections fell within a specific area as defined in the agreement.

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On July 1, 2013, Cal-Am submitted its General Rate Case (GRC) Application (A.) 13-07-002. In A. 13-07-002, Cal-Am requested to establish a memorandum account to track costs associated with the Sacramento/Placer County purchased water supply agreement in anticipation of the expiration of its 2002 purchased water agreement with PCWA, as Special Request No. 23. In Decision (D.) 15-04-007, issued on April 10, 2015, the Commission rejected Special Request No. 23 because the request did not meet the four-pronged criteria given in Standard Practice (SP) U-27-W.

On July 6, 2015, Cal-Am and PCWA signed a new water purchase agreement, which specifies that Cal-Am will pay PCWA all charges necessary to serve customers within the specified service area. The 2015 agreement states that for each new service connection, Cal-Am must pay PCWA a capacity charge. The capacity charge covers the following components required to purchase one Unit of Capacity:¹ (1) a treatment component, to cover the capital costs for treatment plants, clearwell storage, and facilities for delivering untreated water to treatment plants; (2) a transmission component, to cover the costs of regional transmission facilities; and (3) a planning component, to cover the costs of regional planning efforts.

Furthermore, if customers within the service area defined by the 2015 agreement generate demand that reaches 80% of either the Maximum Delivery Rate (MDR)² or the Maximum Day Demand (MDD)³, Cal-Am shall purchase additional Units of Capacity and/or provide PCWA with a plan and implementation schedule to prevent exceeding the MDR and MDD. The cost to purchase a Unit of Capacity for new service connections or for additional supply is \$14,149.

¹ A Unit of Capacity is defined as the amount of water needed for a 5/8" meter in Zone 1 with a Maximum Day Demand of 1,150 gallons.

² The MDR is defined as the maximum instantaneous rate of flow that Cal-Am may require PCWA to deliver to serve Cal-Am's customers in the specified service area. As of March 31, 2015, the MDR in effect is 1,684 gallons per minute. The MDR shall be modified if Cal-Am purchases additional capacity, which would be triggered if customer demand met 80% of either the MDR or MDD.

³ The MDD is the maximum amount of water that Cal-Am may require PCWA to deliver to Cal-Am in any day to serve Cal-Am's customers in the specified service area. As of March 31, 2015, the MDD in effect is 2,020,983 gallons per day. The MDD shall be modified if Cal-Am purchases additional capacity, which would be triggered if customer demand met 80% of either the MDR or MDD.

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Although the Commission had rejected Cal-Am's request to establish a memorandum account for costs associated with pursuing a water purchase agreement with PCWA in D. 15-04-007, Cal-Am has requested again to establish a memo account for the same purposes, now that a water purchase agreement has been made with PCWA. As such, Cal-Am filed AL 1124 as a Tier 2 AL to request to 1) establish a Special Facilities Fee to pass-through connection costs to customers with new connections within the designated area, and 2) establish a memorandum account to track all fees collected and offset by the costs associated with purchasing additional capacity from PCWA.

NOTICE AND PROTESTS

In accordance with General Rules 4.3 and 7.2, and Water Industry Rule 4.1, of General Order (GO) 96-B, Cal-Am served copies of AL 1124 to adjacent utilities and other parties requesting such notification, on April 15, 2016. In accordance with Water Industry Rule 3.3, Cal-Am also posted the advice letter on its website.

One protest was received on May 4, 2016 by the Office of Ratepayer Advocates (ORA).

ORA recommends rejection of AL 1124 and recommends that the requested relief sought in AL 1124 is considered in Cal-Am's next General Rate Case (GRC) for the following reasons:

1) The relief requested in AL 1124 would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;

In A. 13-07-002, Cal-Am requested to establish a memorandum account to track costs associated with the Sacramento/Placer County purchased water supply. The Commission rejected Cal-Am's request in D. 15-04-007 because it did not meet the requirements set in SP U-27-W for establishing a memorandum account. Cal-Am's request to establish the same memorandum account again in AL 1124 would violate the Commission's order in D. 15-04-007.

2) The relief requested in AL 1124 is inappropriate for the advice letter process as a Tier 2 Advice Letter.

AL 1124 requests both to establish a memorandum account and establish a new tariff to reflect the capacity charge. Although the request for a new memorandum account is

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appropriate as a Tier 2 AL, under Industry Rule 7.3.2 of GO 96-B, Cal-Am's request to propose a new tariff is not appropriate for a Tier 2 AL, and should at minimum, be processed by a Tier 3 AL.

DISCUSSION

Based on ORA's protest and Water Division's (WD) review of AL 1124, WD has determined that Cal-Am's requests to establish a Special Facilities Fee and an associated memorandum account should be treated as a Tier 3 AL for the following reasons:

- 1) In accordance with Industry Rule 7.3.2 of GO 96-B, Cal-Am's request to implement a Special Facilities Fee must be processed as a Tier 3 AL;
- 2) Cal-Am's request to establish a memorandum account associated with Placer County purchased water agreements was previously rejected in D. 15-04-007 as Special Request No. 23. As of July 6, 2015, Cal-Am has a new purchased water agreement with PCWA, which changes how Cal-Am meets the criteria to establish a memorandum account given in SP U-27-W. The new purchased water agreement between Cal-Am and PCWA and the ensuing request to establish a memorandum account warrants review by the Commission. Furthermore, since the issues addressed in the memorandum account are tied to the requested Facilities Fee, the relief requested in AL 1124 should be processed as a Tier 3 AL; and
- 3) A Tier 3 AL is the most efficient and timely way to process Cal-Am's request, while providing sufficient Commission's review of the relief requested.

Facilities Fee Request

Cal-Am requests that the Facilities Fee is set at \$14,149 per Unit of Capacity. As per the water purchase agreement between Cal-Am and PCWA, a Unit of Capacity will be purchased by Cal-Am whenever a new service connection is established. Several Units of Capacity will be purchased by Cal-Am if customer demand reaches 80% of either the MDR or MDD. Accordingly, the MDR and MDD will be adjusted if Cal-Am purchases additional capacity. The MDR and MDD defined in the purchased water agreement does not require Cal-Am to pay for additional capacity if the additional capacity is being used for emergency and maintenance purposes, including but not limited to fire flows, pipeline breaks, flushing flows, and testing flows.

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Typically, PCWA charges its customers for capacity based on the required meter size and several cost components described in PCWA Rules Section 40901, which include treatment, storage, transmission, planning, and groundwater. PCWA's typical capacity charge for a Unit of Capacity is \$17,307.

Under the 2015 purchased water agreement, PCWA will be waiving the storage and groundwater cost components of supplying water, since PCWA will not be providing Cal-Am with additional distribution system storage capacity or groundwater capacity. PCWA will reduce the planning cost component, and assess a transmission capital improvement surcharge of \$563 per Unit of Capacity that Cal-Am purchases, to pay for PCWA's investment in infrastructure needed to wheel water through the City of Roseville's water system to Cal-Am's point of connection. With such changes, PCWA will be charging Cal-Am \$14,149 for each Unit of Capacity, which is \$3,158 less than what PCWA charges its customers for Units of Capacity.

Under the 2015 purchased water agreement, Cal-Am and PCWA have not distinguished different capacity charges for differing customer classes or for differing meter sizes. Instead, Cal-Am has proposed to charge each new service connection a capacity charge of \$14,149. Similarly, when 80% of the MDD or MDR is triggered, Cal-Am will purchase several Units of Capacity, where each unit costs \$14,149.

WD examined 2015 customer consumption data for Cal-Am's Sacramento District and found that the average residential customer uses approximately 438 gallons per day in July. Since the assumed MDD for a Unit of Capacity is 1,150 gallons per day, WD found that it would be unlikely that demand from the average residential customer would trigger the need for Cal-Am to purchase additional Units of Capacity. However, WD found that the average non-residential customer in July might use upwards of 2,238 gallons per day, which exceeds the assumed MDD for a Unit of Capacity.

Accordingly, WD does not find it reasonable for Cal-Am to charge the same amount for each new service connection regardless of meter size and customer class, since the MDD may vary significantly depending on the intended use of water.

Based on 2015 customer consumption data for Cal-Am's Sacramento District, the average residential customer uses approximately 438 gallons per day in July, regardless of meter size. Therefore, WD finds that the capacity charge of \$14,149 is reasonable for all residential customers seeking new service connection in service territory outlined in 2015 purchased water agreement.

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For non-residential customers, WD consulted PCWA's 2016 Rules, Regulations, Rates, and Charges Governing the Distribution and Use of Water, and determined that the following ratios should be used to assess capacity charges for new non-residential service connections for meters larger than 1":⁴

Meter Size	Ratio	New Capacity Charge	New MDD (gallons per day)
1-1/2"	5	\$70,745	5,750
2"	8	\$113,192	9,200
3"	16	\$226,384	18,400
4"	25	\$353,725	28,750

It is not possible to predict whether non-residential customers with meter sizes larger than 1" will exceed the MDD or MDR of a Unit of Capacity, let alone the adjusted MDD based on the ratios issued by PCWA. Since customer usage cannot be predicted, it would be unreasonable for Cal-Am to expend additional revenue from non-residential customers with meter sizes over 1" on additional Units of Capacity to meet the corresponding ratio if the additional Units of Capacity purchased will not be used.

Therefore, additional payments received shall be recorded in the Special Facilities Fee Memorandum Account. Cal-Am shall use the Memorandum Account balances to either 1) purchase additional Units of Capacity when customer demand exceeds 80% of the MDD or MDR, or 2) invest in programs intended to lower demand in the designated service area. Cal-Am bears the burden of proof to show which method is the most effective, just, and reasonable when the memorandum account balance is reviewed in future general rate case proceedings.

⁴ See Sections 40903 and 40904 of Placer County Water Agency's 2016 Rules, Regulations, Rates, and Charges Governing the Distribution and Use of Water for the recommended ratios.

Section 40904 states that "the assessed Units of Capacity for customers requiring 1-1/2 inch and larger meters shall be the ratio of the estimated maximum day demand in gallons to the value defined under a single Unit of Capacity". Although ratios are provided for 3/4" and 1" meters, PCWA does not mention that the MDD should scale with the ratio. Therefore, WD recommends that the capacity charges for a 3/4" and 1" meter remain the same as that of a 5/8" meter.

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Memorandum Account Request

In D. 15-04-007 as Special Request No. 23, Cal-Am's requested to establish a memorandum account to track costs associated with the Sacramento/Placer County purchased water supply, including capacity charges assessed in a new purchased water agreement to cover the costs of capital investment. These costs include amounts attributed to negotiation, development, and implementation of a new water supply agreement. At the time of Special Request No. 23, Cal-Am had requested the memorandum account in anticipation of the expiration of its 2002 purchased water agreement with PCWA. The Commission rejected Special Request No. 23 because it did not meet the four-pronged criteria given in SP U-27-W:

1) The expense is caused by an event of an exceptional nature that is not under the utility's control;

The Commission determined that the expense is partially under Cal-Am's control because Cal-Am can bring "a plethora of resources and industry experience to the bargaining table".

2) The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case;

The Commission determined that the expense could've reasonably been foreseen because Cal-Am has bargained with Placer County before and can estimate what the future costs might be.

3) The expense is of a substantial nature as to the amount of money involved when any offsetting costs decreases are taken into account; and

The Commission stated that Cal-Am had not identified any particular costs or projected capital expenditures that are likely to be incurred, and therefore cannot determine whether the costs will be substantial or not.

4) The ratepayers will benefit by the memorandum account treatment.

Cal-Am states that ratepayers will benefit because the memorandum account will allow them to serve water to customers in Placer County. The Commission found Cal-Am's statement to be true in the general sense, but found that Cal-Am hasn't proposed to

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stop negotiating with PCWA and stop the delivery of water to customers in the event that a memorandum account isn't authorized.

As of July 6, 2015, Cal-Am signed a purchased water agreement with PCWA. Due to the nature of the agreement, Cal-Am again requests establishment of a memorandum account to track all fees collected and offset by the costs associated with purchasing additional units of water from PCWA if water demand from Cal-Am customers reaches 80% of either the MDR or MDD.

Cal-Am states that the circumstances for requesting to establish a memorandum account are different now because the costs that were requested to be tracked per Special Request No. 23 were amounts attributed to negotiation, development, and implementation of the new agreement. Cal-Am states that under the 2015 water purchase agreement, Cal-Am is expecting to purchase many Units of Capacity for new service connections and demand, since significant growth is expected within the Placer County service area, and states that it meets the following criteria:

1) The expense is caused by an event of an exceptional nature that is not under the utility's control;

The expense is exceptional in nature because Cal-Am cannot project if or when customer water demands will exceed 80% of the established MDR or MDD due to water usage.

2) The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled rate case;

The expense couldn't have been reasonably foreseen in Cal-Am's last GRC filed in 2013, because there were no instances that required Cal-Am to purchase additional water from PCWA at the time, since the 2002 purchased water agreement was still in effect. The 2015 purchased water agreement was signed on July 6, 2015, so the expenses will occur prior to a decision in Cal-Am's 2016 GRC.

3) The expense is of a substantial nature as to the amount of money involved when any offsetting costs decreases are taken into account; and

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Cal-Am will pay PCWA \$14,149 for each Unit of Capacity purchased. Cal-Am states that the expenses will be substantial since Cal-Am is anticipating significant growth within the Placer County service area.

4) The ratepayers will benefit by the memorandum account treatment.

By establishing a memorandum account, Cal-Am can track all costs associated with purchasing additional Units of Capacity due to customer demand. By doing so, Cal-Am can meet customer needs and ensure that customers have access to clean potable surface water.

Like ORA, WD disagrees with Cal-Am's assertion that Special Request No. 23 in D. 15-04-007 was to specifically track amounts attributed to negotiation, development, and implementation of the new agreement. D. 15-04-007 states that the requested memorandum account was to also track capacity charges assessed in the agreement to cover the costs of capital investment.

Nevertheless, we find that the requested relief in AL 1124 is reasonable because the expenses that will be incurred are not within Cal-Am's control and will be substantial, due to anticipated customer growth and demand within the area designated by the purchased water agreement. However, WD disagrees that all Sacramento District customers are responsible for the amortization of the memorandum account.

If customer demand in the designated service area exceeds 80% of the MDD or MDR, we find it reasonable that the customers whose demand triggers the need to purchase additional Units of Capacity are responsible for paying the surcharge.

WD recommends that customers within the service area designated by the 2015 purchased water agreement who consistently exceed 80% of the assumed MDD for their meter size on a monthly basis, should be responsible for the amortization of the Special Facilities Fee Memorandum Account. Any customers with monthly consumption exceeding the targets below for their corresponding meter size should be responsible for the Special Facilities Fee Memorandum Account surcharge. We agree.

Meter Size	Target for Surcharge (Gallons per month)
5/8"	27,600
3/4"	27,600

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1"	27,600
1-1/2"	138,000
2"	220,800
3"	441,600
4"	690,000

The Special Facilities Fee Memorandum Account should show incoming payments from Cal-Am customers for the cost of new service connections. The memorandum account should also show all expenses paid to PCWA for capacity charges for new service connections and expenses paid to PCWA for the purchase of additional Units of Capacity in event that customer demand exceeds 80% of MDD or MDR.

To ensure that additional payments received from new service connections larger than 1" are properly utilized, the balance in the Special Facilities Fee Memorandum Account should be reviewed in each future GRC, including whether it is appropriate to refund all or a portion of the balance of the Special Facilities Fee.

COMMENTS

Public Utilities Code Section 311(g) (1) provides that this resolution 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, this draft resolution was mailed to parties on August 30, 2016 for comment.

FINDINGS AND CONCLUSIONS

1. By Advice Letter (AL) 1124 filed on April 15, 2016, California-American Water Company (Cal-Am), a Class A water utility, seeks authorization to establish Special Facilities Fees to pass through the cost of new service connections to Cal-Am ratepayers from Placer County Water Agency(PCWA), and to establish an associated memorandum account for the limited purpose of tracking all fees collected and offset by the costs associated with purchasing additional units of water from PCWA if water demand from Cal-Am customers reaches certain thresholds.

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2. Industry Rule 7.3.2 of General Order (GO) 96-B, states that requests proposing new tariffs, such as a new Facilities Fee, should at minimum be processed by a Tier 3 AL.
3. Cal-Am's request for a Special Facilities Fee was improperly filed as a Tier 2 AL.
4. Cal-Am requested to establish a Special Facilities Fee Memorandum Account in its last General Rate Case (GRC) as Special Request No. 23 in Decision (D.) 15-04-007.
5. In D. 15-04-007, the Commission rejected Cal-Am's Special Request No. 23 because it did not meet the criteria for establishing a new memorandum account, as outlined in Standard Practice (SP) U-27-W.
6. One protest by the Office of Ratepayer Advocates (ORA) was received on May 4, 2016.
7. ORA's states that 1) the relief requested in AL 1124 would violate statute or Commission order because the Commission rejected Cal-Am's request to establish a memorandum account for the same purpose in Decision (D.) 15-04-007, and 2) the relief requested in AL 1124 is inappropriate for the advice letter process as a Tier 2 AL because new tariffs, such as a Facilities Fee, must be processed at minimum, by a Tier 3 AL.
8. ORA recommends that AL 1124 is rejected without prejudice, and that the relief requested in AL 1124 is incorporated into Cal-Am's upcoming GRC application.
9. The Water Division (WD) has decided to process AL 1124 as a Tier 3 AL. WD finds that 1) the request to establish a memorandum account and Facilities Fees should be treated together in the same AL since the issues are linked, 2) since the request to establish a memorandum account has been rejected previously, the request to establish the memorandum account once again under different circumstances warrants Commission review, 3) Facilities Fees require review at minimum by a Tier 3 AL, and 4) the Tier 3 AL process is the most efficient and timely way to review the relief requested in AL 1124, while providing sufficient Commission oversight.

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10. PCWA and Cal-Am signed a new water purchase agreement on July 6, 2015. The agreement states that Cal-Am will pay PCWA capacity charges for all new service connections within the designated service area defined in the agreement. Furthermore, if Cal-Am customer demand within the designated service area exceeds 80% of the Maximum Day Demand (MDD) or the Maximum Delivery Rate (MDR), Cal-Am shall pay for additional capacity if PCWA has the ability to do so.
11. Cal-Am will pay PCWA \$14,149 for each new service connection and additional Unit of Capacity required, if customer demand within the designated service area exceeds the MDR or MDD. Cal-Am requests that the Facilities Fee is \$14,149 in order to pass through the charge for new service connections to new Cal-Am customers within the designated service area. The Facilities Fee will cover the cost of treatment, transmission, and planning.
12. WD has reviewed the requested Facilities Fee and finds it reasonable and just. However, WD recommends that capacity charges for new service connections for meter sizes 1-1/2" and greater are scaled in accordance with the ratios provided by PCWA's 2016 Rules, Regulations, Rates, and Charges Governing the Distribution and Use of Water. WD recommends that the additional revenue gained from the capacity charges from larger meters should either be used to 1) purchase additional Units of Capacity when customer demand exceeds 80% of the MDD or MDR, or be used to 2) invest in programs intended to lower demand in the designated service area. Cal-Am bears the burden of proof to show which method is the most effective, just, and reasonable when the Special Facilities Fee Memorandum Account is reviewed in future GRCs.
13. Cal-Am states that its request to establish a memorandum account to track all fees collected and offset by the costs associated with purchasing additional units of water from PCWA meets the criteria to establish a memorandum account set forth in Standard Practice (SP) U-27-W: 1) the expense is exceptional in nature because Cal-Am cannot project whether customer demands will exceed 80% of the MDD or MDR and trigger the requirement to purchase additional Units of Capacity, 2) the expense could not have been reasonably foreseen in Cal-Am's 2013 GRC and will occur before Cal-Am's upcoming GRC, 3) the expense is expected to be substantial due to significant growth within the designated service area, and 4) the memorandum account will benefit customers by allowing

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Cal-Am to meet customer needs and ensure customers have an adequate supply of clean potable water.

14. WD has reviewed the requested memorandum account and finds it reasonable and just. However, WD recommends that when the memorandum account is amortized, customers in the service area designated by the 2015 purchased water agreement, with consistent monthly consumption that exceeds 80% of the MDD for their meter size, should be held responsible for paying the surcharge. The memorandum account should track expenses paid to PCWA for capacity charges for a new service connections and expenses paid to PCWA for the purchase of several Units of Capacity in event that customer demand exceeds 80% of MDD or MDR. To ensure that any additional revenues received have been utilized properly, the balance in the Special Facilities Fee Memorandum Account should be reviewed in each GRC.

15. Comments received?

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THEREFORE, IT IS ORDERED THAT:

1. California-American Water Company's Advice Letter 1124 requesting Commission authorization to establish the Special Facilities Fee Memorandum Account for its Sacramento service area is approved as set forth in this Resolution. The Preliminary Statement for the new memorandum account is attached to this Resolution as Appendix A.
2. California-American Water Company's Advice Letter 1124 requesting Commission authorization to establish the Special Facilities Fee Schedule for its Sacramento service area is approved as set forth in this Resolution. The Special Facilities Fee Schedule is attached to this Resolution as Appendix B.
3. The Special Facilities Fee Memorandum Account and Special Facilities Fee Schedule attached in Appendices A and B, respectively, are adopted. The effective date of the Memorandum Account and Special Facilities Fee Schedule is the effective date of this Resolution.
4. 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 29, 2016; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A PRELIMINARY STATEMENT

BG. Special Facilities Fee Memorandum Account.

1. **PURPOSE:** The Memorandum Account will be used to record all of the costs associated with purchasing additional capacity from Placer County Water Agency (PCWA). These costs will be offset by the total amount of the contributions made to the company by customers. If Cal-Am's customer in the service area's potable surface water demand reaches the Maximum Delivery Rate of 80 percent or Maximum Day Demand, Cal-Am can purchase additional capacity to accommodate the increased volume and flows. In addition, it will include all earnings from the allowance for funds used during construction (AFUDC).
2. **APPLICABILITY:** This schedule is applicable to the service area designated in the 2015 water purchase agreement with Placer County Water Agency in Cal-Am's Sacramento District.
3. **RATES:**
 - a. The water connection charge for a customer using a 5/8-inch meter shall be as follows:

Component:	Charges:
Treatment	\$6,321
Groundwater	\$0
Storage	\$0
Transmission	\$7,269
Planning	\$86
Transmission Surcharge	\$563
Total	\$14,149

- b. The water connection charges for customers using meters larger than 5/8" are as follows:

Meter Size	Water Connection Charge
3/4"	\$14,149
1"	\$14,149
1-1/2"	\$70,745
2"	\$113,192
3"	\$226,384
4"	\$353,725

4. **ACCOUNTING PROCEDURE:**
 - a. The following entries shall be recorded to the memorandum account:

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- 1) A credit entry equal to the Facilities Fees received for each new service connection in the service area designated by the 2015 water purchase agreement between Cal-Am and PCWA.
 - 2) A debit entry equal to the costs incurred for purchasing additional water capacity from PCWA.
 - 3) A debit entry equal to the expenses incurred for investment in programs intended to lower demand in the designated service area.
 - 4) A debit or credit entry equal to the interest on the balance in the account at the beginning of the month and half the balance after the above entries, at a rate equal to one-twelfth of the rate on 90 day Commercial paper, as reported in the Federal Reserve Statistical Release, H. 15 or its successor.
 - 5) Additional payments received for new service connections larger than 1" shall be recorded in the Special Facilities Fee Memorandum Account. Cal-Am shall use the Memorandum Account balances to either 1) purchase additional Units of Capacity when customer demand exceeds 80% of the MDD or MDR, or 2) invest in programs intended to lower demand in the designated service area. Cal-Am bears the burden of proof to show which method is the most effective, just, and reasonable when the memorandum account balance is reviewed in future general rate case proceedings.
 - 6) To ensure that additional payments received from new service connections larger than 1" are properly utilized, the balance in the Special Facilities Fee Memorandum Account should be reviewed in each future GRC, including whether it is appropriate to refund all or a portion of the balance of the Special Facilities Fee.
 - 7) If the balance in the Special Facilities Fee Memorandum Account is negative, Cal-Am shall levy a surcharge on customers in the service area designated by the 2015 purchased water agreement, with consistent monthly consumption that exceeds 80% of the MDD for their meter size.
5. RATEMAKING PROCEDURE
- a. The PCWA's assumed meter size and capacity require for a typical Zone 1 dwelling unit is 5/8 inch with a maximum day demand of 1,150 gallons (Unit of Capacity). The Maximum Day Demand shall be increased by 1,150 gallons per day, and the Maximum Delivery Rate shall be increased by 0.80 gallons per minute, for each unit of additional capacity purchased by Cal-Am.

END APPENDIX A

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APPENDIX B SPECIAL FACILITIES FEE SCHEDULE

APPLICABILITY

This schedule applies to all requests by individuals, groups, companies, and other parties requesting a new service connection in the service area designated by the 2015 water purchase agreement with Placer County Water Agency in Cal-Am's Sacramento District.

TERRITORY

This schedule is applicable to the service area designated in the 2015 water purchase agreement with Placer County Water Agency in Cal-Am's Sacramento District.

RATES

Meter Size	Water Connection Charge
5/8"	\$14,149
3/4"	\$14,149
1"	\$14,149
1-1/2"	\$70,745
2"	\$113,192
3"	\$226,384
4"	\$353,725

SPECIAL CONDITIONS

- 1) Facilities fees are applicable to metered rate service for the size meter shown.
- 2) Facilities fees are payable in addition to and do not limit any charges for extensions of mains that maybe applicable under Rule 15, Main Extensions.
- 3) Payments made under this schedule **are not** subject to the reimbursement fee set forth in Schedule No. UF.

END APPENDIX B

PROPOSED RESOLUTION

Resolution W-5111
WD

September 29, 2016

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-5111 on all parties in these filings or their attorneys as shown on the attached lists.

Dated August 30, 2016 at San Francisco, California.

/s/ JENNIFER PEREZ

Jennifer Perez

Parties should notify the Water Division, 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-5111
WD

September 29, 2016

CALIFORNIA-AMERICAN WATER COMPANY ADVICE LETTER NO. 1124 SERVICE LIST

By Mail:

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Division of Drinking Water &
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Sacramento Suburban Water District
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By E-Mail:

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California Public Utilities
Commission
Division of Ratepayer Advocates
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California Public Utilities Commission
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PROPOSED RESOLUTION

**Resolution W-5111
WD**

September 29, 2016

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