

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

WATER DIVISION

RESOLUTION W-5183

January 10, 2019

**RESOLUTION**

**(RES. W-5183), CALIFORNIA WATER SERVICE COMPANY,  
ORDER AUTHORIZING EXPENSES TO RECOVER \$3,639,658 OR  
0.55% OF AUTHORIZED REVENUES, COLLECTED IN THE  
DROUGHT MEMORANDUM ACCOUNT FOR THE PERIOD OF  
2016 THROUGH 2017.**

**By Advice Letter No. 2301 filed on March 30, 2018**

**SUMMARY**

This resolution grants California Water Service Company (Cal Water) the authority to recover in rates \$3,639,658 or 0.55% of authorized revenues for the amounts spent in the Drought Memorandum Account (DRMA). From January 2016 through December 2017, Cal Water has spent the following amounts on conservation for the twenty-one districts below:

<b><u>District</u></b>	<b><u>Expenditures</u></b>
Bay Area Region	\$ 348,724
Bakersfield	\$ 441,487
Bear Gulch	\$ 242,338
Chico	\$ 199,208
Dixon	\$ 29,409
Dominguez	\$ 336,849
East Los Angeles	\$ 193,374
Hermosa Redondo	\$ 152,739
Kern River Valley	\$ 57,797
Livermore	\$ 123,460
Los Altos	\$ 127,769
LA Region	\$ 225,036
Marysville	\$ 50,148
Monterey Region	\$ 227,863

<u>District</u>	<u>Expenditures</u>
Oroville	\$ 40,826
Selma	\$ 55,469
Stockton	\$ 293,727
Visalia	\$ 381,955
Willows	\$ 40,066
Westlake	\$ 70,725
Grand Oaks	\$ 691

The twelve-month surcharge for recovery of the DRMAs will be spread across all utility service districts that have benefited from the money spent and booked to these memorandum accounts as shown in the following:

<u>District</u>	<u>Increase / Ccf</u>	<u>Increase / Flat Serv</u>	<u>Rate Impact</u>
Bay Area Region	\$0.0387		0.40%
Bakersfield	\$0.0158	\$0.63/month	0.57%
Bear Gulch	\$0.0464		0.44%
Chico	\$0.0217		0.85%
Dixon	\$0.0627		0.89%
Dominguez	\$0.0210		0.46%
East Los Angeles	\$0.0299		0.54%
Hermosa Redondo	\$0.0332		0.50%
Kern River Valley	\$0.2002		0.89%
Livermore	\$0.0311		0.51%
Los Altos	\$0.0244		0.32%
LA Region	\$0.0292		1.17%
Marysville	\$0.0632		1.30%
Monterey Region	\$0.0298		0.61%
Oroville	\$0.0386		0.79%
Selma	\$0.0291	\$0.98/month	1.01%
Stockton	\$0.0282		0.58%
Visalia	\$0.0300		1.29%
Willows	\$0.0850		1.64%
Westlake	\$0.0232		0.35%
Grand Oaks	\$0.0610		3.65%

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## **BACKGROUND**

Cal Water, a California corporation, is a Class A utility and a subsidiary of California Water Service Group. As one of California's largest Commission-regulated water utilities, it serves approximately 460,000 customers with 21 districts throughout the state. On January 17, 2014, the Governor of California declared a State of Emergency due to severe drought conditions. On April 1, 2014, Cal Water filed Advice Letter (AL) 2124 to establish the DRMA's to track the incremental costs related to implementing the requirements of Rule 14 and Schedule 14.1. Water Division approved AL 2124 on April 28, 2014, with an effective date of May 1, 2014. On October 12, 2016, Cal Water filed AL 2226 to amortize expenses of \$2,945,166 associated with drought activities in 2014-2015 tracked in the DRMA and the Commission adopted Resolution W-5122 on December 15, 2016 approving Cal Water's proposed DRMA surcharges effective January 1, 2017.

As of December 31, 2017, Cal Water had recorded an additional \$3,639,658 in the DRMA's for the period January 2016 through December 2017 plus the unrecovered amounts authorized for amortization in Resolution W-5122. On March 30, 2018, Cal Water filed AL 2301 requesting to amortize this amount. Pursuant to General Order 96-B (GO 96-B), Water Industry Rule 7.3.3(7), Cal Water filed AL 2301 as a Tier 3 filing. On April 27, 2018, Water Division suspended Cal Water's AL 2301 because additional time was required.

## **NOTICE AND PROTESTS**

Consistent with GO 96-B, General Rule 4.2 and Water Industry Rule 3.1, Cal Water provided notice of this request in customer bills.

In accordance with General Order 96-B, General Rules 4.3 and 7.2, and Water Industry Rule 4.1, Cal Water mailed or electronically transmitted a copy of this advice letter on March 30, 2018 to competing and adjacent utilities and other utilities or interested parties having requested such notification.

Several protests by customers were received on the grounds that inadequate notice was given, the request should require a formal hearing, and the request is unreasonable and unjust.

Cal Water responded that it followed Commission requirements for customer notice as per General Order 96-B General Rule 4.2. The utility stated that it is willing to work with the Commission to consider options to allow for timely customer protests and

responses. Cal Water also stated that 2014-2015 DMRA expenses have been granted recovery by Commission Resolution W-5122 and the full Commission will likewise be evaluating the 2016-2017 DRMA recovery requested by AL 2301.

We find that that Cal Water properly served notice of the request as per GO 96-B General Rule 4.2.

The reasonableness of the request is addressed in this resolution.

## **DISCUSSION**

Cal Water seeks authorization to recover the balance in the DRMA from each of its twenty-one districts. The total recorded 2016-2017 DRMA balance in AL 2301 is \$3,639,658. The purpose of the DRMA is to track expenses directly associated with complying with and implementing mandatory conservations, which includes expenses for public relations and conservation education, as well as operations and labor expenses.

We find that Cal Water acted prudently in incurring the incremental costs recorded in the DRMAs. Cal Water incurred these costs to implement water conservation measures. These include marketing for plumbing retrofits; landscape incentives; washing machine rebates; public information; conservation programs for commercial, industrial, and institutional accounts; and ultra-low flow toilets.

Cal Water's requested recovery includes a reduction of \$2,793,383 for out-of-scope expenses and conservation expenses currently in rates.

Water Division verified the costs and reasonableness of the expenses in the DRMA balance by examining workpapers and requesting copies of invoices.

After verifying the balances of the DRMA, Water Division reviewed the calculations for the surcharges. Cal Water's surcharge calculations are correct, based on adopted consumption from Decision (D.) 16-12-042 and subsequent approved advice letters. The surcharges will be collected over an amortization period of twelve months. We concur with Water Division's findings that the DRMA balance and surcharges are accurate and Cal Water's request to amortize the DRMA is just and reasonable.

## **AFFORDABILITY OF PROPOSED RATES**

The monthly bill increases range from \$0.33 (0.32%) in Los Altos to \$1.33 (3.65%) in Grand Oaks. The median household income is \$187,656 in Los Altos and \$42,961 in Grand Oaks.

## **COMMENTS**

Public Utilities Code Section 311(g)(1) provides that resolutions generally 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 Proposed Resolution was mailed to the utility and made available for public comment on December 7, 2018 with comments due December 27, 2018

No comments were received.

## **FINDINGS AND CONCLUSIONS**

1. On March 30, 2018, California Water Service Company (Cal Water) filed Advice Letter (AL) 2301 requesting authority to amortize \$3,639,658, or 0.55% of authorized revenues, collected in the Drought Memorandum Account (DRMA). Cal Water requests to recover in rates the amount by adding surcharges to be recovered over twelve months as shown below:

<b><u>District</u></b>	<b><u>Increase / Ccf</u></b>	<b><u>Increase / Flat Serv</u></b>	<b><u>Rate Impact</u></b>
Bay Area Region	\$0.0387		0.40%
Bakersfield	\$0.0158	\$0.63	0.57%
Bear Gulch	\$0.0464		0.44%
Chico	\$0.0217		0.85%
Dixon	\$0.0627		0.89%
Dominguez	\$0.0210		0.46%
East Los Angeles	\$0.0299		0.54%
Hermosa Redondo	\$0.0332		0.50%
Kern River Valley	\$0.2002		0.89%
Livermore	\$0.0311		0.51%
Los Altos	\$0.0244		0.32%
LA Region	\$0.0292		1.17%
Marysville	\$0.0632		1.30%

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<u>District</u>	<u>Increase / Ccf</u>	<u>Increase / Flat Serv</u>	<u>Rate Impact</u>
Monterey Region	\$0.0298		0.61%
Oroville	\$0.0386		0.79%
Selma	\$0.0291	\$0.98	1.01%
Stockton	\$0.0282		0.58%
Visalia	\$0.0300		1.29%
Willows	\$0.0850		1.64%
Westlake	\$0.0232		0.35%
Grand Oaks	\$0.0610		3.65%

2. The DRMA tracks incremental expenses associated with the implementation conservation measures in Rule 14 and Schedule 14.1.
3. Protests were received for AL 2301.
4. On April 27, 2018, Water Division suspended AL 2301 for additional time.
5. Water Division finds the AL 2301 balance of the DRMA and the resulting surcharges over a period of twelve months to be just and reasonable.
6. The tariff schedules attached to Advice Letter 2301 should be supplemented.

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**THEREFORE, IT IS ORDERED THAT:**

1. California Water Service Company is authorized to recover the balance of its Drought Memorandum Account for a total of \$3,639,658 from its twenty-one districts over a period of twelve months through the following surcharges:

<u>District</u>	<u>Increase / Ccf</u>	<u>Increase / Flat Serv</u>	<u>Rate Impact</u>
Bay Area Region	\$0.0387		0.40%
Bakersfield	\$0.0158	\$0.63	0.57%
Bear Gulch	\$0.0464		0.44%
Chico	\$0.0217		0.85%
Dixon	\$0.0627		0.89%
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Willows	\$0.0850		1.64%
Westlake	\$0.0232		0.35%
Grand Oaks	\$0.0610		3.65%

2. California Water Service Company is authorized to file supplemental tariff sheets to Advice Letter 2301 within five days of the effective date of this Resolution, reflecting the surcharges authorized in Ordering Paragraph 1 and to concurrently cancel its presently effective Rate Schedules. The Rate Schedules shall be effective with the filing of the supplemental tariff sheets to Advice Letter 2301.

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 January 10, 2019; the following Commissioners voting favorably thereon:

/s/ ALICE STEBBINS

ALICE STEBBINS  
Executive Director

MICHAEL PICKER  
President

LIANE M. RANDOLPH  
MARTHA GUZMAN ACEVES  
CLIFFORD RECHTSCHAFFEN  
Commissioners



**CALIFORNIA WATER SERVICE COMPANY**  
**ADVICE LETTER NO. 2301**  
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