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ATTACHMENT 1



Class A Water Utilities' Application to Shorten the Amortization Period for WRAM/MCBA Balancing Accounts

DRA Position: The Commission should adopt the Proposed Decision (PD) with modifications.

Background

- The Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Accounts (MCBA) were first implemented in 2008 and were developed as part of a pilot program to promote water conservation.
- In September 2010, the Class A water utilities with WRAMs/MCBAs filed Application (A.)10-09-017 requesting changes to nine accounting related issues, including a shortened time period for amortization of WRAM/MCBA net balances.
- PD implements a safeguard that establishes a limit on WRAM/MCBA surcharges of 7.5% a year (or 22.5% over 3 years) with review and recovery of residual amounts in each applicant's GRC.
 - ▶ PD's safeguard will allow review of high WRAM/MCBA balances on a district-by-district basis.
 - ▶ Safeguard provides an ability to set unique terms beyond 36 months such as the number of additional months of amortization and also how the surcharge is applied.
 - ▶ The safeguard is consistent with the language in Public Utilities Code § 739.8 (c) and (d):
 - ◆ 739.8(c): *The Commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals.*
 - ◆ 739.8(d): *In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.*
- Balancing Accounts have a *presumption of reasonableness* and adjustments to a remaining balance would only be considered in extraordinary situations.

(over)

DRA Proposed Modifications

1. **Add a Requirement:** If the pending amounts held in the WRAM/MCBA balancing accounts will be reviewed in the GRC, those amounts should specifically be included in the GRC customer notices.
 - ▶ Such notice is not currently provided to customers.

2. **Change Finding of Fact 9:** ~~"The adopted sales forecasts may have played a significant role in causing the high WRAM/MCBA undercollections. These forecasts were typically included as part of settlements in the GRCs. With a WRAM/MCBA mechanism in place, the~~



~~applicants would have an incentive to agree to a settlement that included a high sales forecast. If actual sales~~

~~revenue fell below authorized revenue requirement (which is likely to happen given a high sales forecast), applicants would return the following year(s) of the GRC cycle to seek surcharges through the Advice Letter process.” [PD, p. 32]~~

- ▶ The PD’s assertion is not supported in the record, and it is not consistent with what DRA has observed in recent rate cases where sales forecasts have generally been settled at very low levels.

3. Correct the statement: *“While we understood the WRAM/MCBA mechanisms would capture the effects of all changes between adopted and actual **quantity** revenues, we expected the mechanisms to operate in a similar manner to our electric utilities’ revenue adjustment mechanism.” [PD, p. 12]*

- ▶ The WRAM/MCBA mechanism was implemented as part of the conservation pilot programs and was developed to capture only those revenues impacted by conservation.