

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIAApplication of California-American Water
Company (U210W) To Modify Decision 03-02-030.Application 08-02-018
(Filed February 25, 2008)**DECISION MODIFYING DECISION 03-02-030 AUTHORIZING
PRE-RATIONING COSTS TO BE TRACKED****Summary**

This decision modifies Decision 03-02-030 and authorizes California American Water Company (Cal-Am) to track, through its existing memorandum account, costs for implementing pre-rationing procedures in its Monterey District. Cal-Am is required to coordinate its pre-rationing activities with Application (A.) 07-12-010, and A.08-01-027 and report the actual monthly balance and projected balance of its rationing memorandum account to the service lists of this proceeding, A.07-12-010, and A.08-01-027. This proceeding is closed.

Background

In Decision (D.) 03-02-030, the Commission authorized California American Water Company (Cal-Am) to establish a memorandum account to track its rationing-related expenses related to Monterey Peninsula Water Management District (MPWMD) Ordinance 92.¹ In giving Cal-Am authorization

¹ D.06-11-050 continued that authorization.

to establish a rationing memorandum account, the Commission noted that “authorization to establish and make entries into the account is not intended to assure that any or all expenditures booked in it are recoverable in rates; the Commission will make that determination, and the method for any such recovery, only after it has received Cal-Am’s subsequent request and reviewed its justification.”²

In this application, Cal-Am seeks authorization to modify its rationing memorandum account to track costs for the following activities:

1. Modification to Cal-Am’s bill design and billing systems to:
 - a) track customers’ actual consumptions against the rationing allowances on a monthly basis;
 - b) calculate customers’ banked balances; and
 - c) track flow restrictor installations and removals resulting from rationing.
2. Development of a process to give MPWMD access to individual customer consumption and bill information without violating company and Commission privacy policies.

Concurrent with its request for memorandum account authorization, Cal-Am filed a motion for an expedited review and *ex parte* order of its application.

On April 30, 2008, the Administrative Law Judge (ALJ) issued a ruling in this proceeding requesting Cal-AM to provide additional information:

1. Justification for the request for the expedited review of Cal-Am’s application for memorandum account authorization for pre-rationing costs.

² D.03-02-030, Ordering Paragraph 5.

2. An estimate of the amount of time it would require Cal-Am to implement the pre-rationing procedures noted in its application.
3. An estimate of the cost of pre-rationing activities.
4. Justification as to why Cal-Am's request for pre-rationing activities shall not be handled in Cal-Am's application for conservation and rationing, A.07-12-010 or Cal-Am's general rate case, A.08-01-027.

Both A.07-12-010 and A.08-01-027 address rationing- related issues.

A.07-12-010 addresses Cal-Am conservation and rationing programs and A.08-01-027 addresses Cal-Am's general rate case issues. On April 30, 2008, the ALJ in A.07-12-010 issued a ruling requesting Cal-Am to provide additional information for the Commission's consideration in reviewing its water rationing implementation program proposal. The ruling stated that given the dollar amount of Cal-Am's request, it would be beneficial to have information on other water rationing programs in California, and requested that Cal-Am contact the Santa Cruz City Water Department for information on the cost and effectiveness of its rationing program.

In addition, the assigned Commissioner and the ALJs in A.08-01-027 and A.07-12-010 issued a ruling on May 9, 2008, asking for coordination between the various Cal-Am's rationing-related proceedings. The joint ruling stated that:

"We have serious concerns about the conservation and rationing proposals as presented by Cal-Am. Therefore, we are adopting a special process to coordinate the review of these proposals. The objective of this review is to (1) comprehensively identify all of Cal-Am's proposed conservation and rationing programs, with particular focus on projected costs; (2) critically assess the data offered to demonstrate the proposal will result in verifiable water savings; (3) evaluate each program proposal based on cost and verifiable water savings; (4) rank projects based on these factors; and (5) bring forward a proposal most likely to result in actual water savings. We have provided some questions to begin this process in Attachment 1."

The joint ruling assigned retired ALJ James C. McVicar as the lead to help the parties comprehensively examine the proposed conservation and rationing programs to potentially develop alternatives that best achieve our goal of actual water savings at a reasonable cost.

Discussion

Cal-Am claims it needs to change its billing system to be able to implement the rationing requirements of Tariff Rule 14.1 and MPWMD Ordinance 92.³ Cal-Am states that its billing system currently does not allow it to track actual consumption against the rationing allowance on a monthly basis, calculate the banked balance or excess usage on a monthly basis, or track flow restrictor installations and removals resulting from rationing, and that “without these capabilities, Cal-Am and MPWMD will not be able to implement rationing should the need arise.”⁴ Cal-Am, therefore, requests authorization to track the costs associated with billing system modifications into its existing rationing memorandum account.

We fully recognize the urgency of implementing a rationing program and agree that Cal-Am may need to implement certain pre-rationing procedures in advance of a rationing. We authorize Cal-Am to extend the memorandum account authorized by D.03-02-030 to record costs associated with pre-rationing procedures and activities under the conditions described below. Cal-Am’s rationing program is under a comprehensive review at the Commission. The

³ Cal-Am has an existing Rule 14.1 rationing program for the Monterey District. It has proposed changes to this program in A.07-12-010.

⁴ Cal-Am’s response to ALJ’s ruling requesting additional information, May 9, 2008.

rationing program may change as a result of that process. Some pre-rationing steps may also require revising if the rationing program is changed. While we cannot predict whether the pre-rationing billing modifications that Cal-Am is discussing in its application would require any revisions, we believe it would be unreasonable to permit Cal-Am to embark on a course that the Commission may either alter or abandon altogether. Therefore, to avoid implementing any pre-rationing procedure that may be potentially revised, we require Cal-Am to coordinate with the ongoing review process prior to engaging in any pre-rationing activities. Cal-Am should take necessary steps to update its procedures and justify the need for its pre-rationing activities based on the new information and developments in the rationing review process. In the event the rationing program is revised, Cal-Am should adjust its pre-rationing activities and tailor the implementation details to reflect those changes.

We also require Cal-Am to coordinate with A.07-12-010 regarding pre-rationing activities related to developing a process to give MPWMD access to customer consumption information. As noted above, the Commission is reviewing Cal-Am's conservation and rationing programs in A.07-12-010. At the prehearing conference held on March 20, 2008, in that proceeding, the release of individual customers' consumption information to MPWMD was discussed. Subsequently, the ALJ in that proceeding requested additional testimony on this issue. Because the Commission will examine the need for release of customer information to MPWMD in A.07-12-010, we require Cal-Am to coordinate with that proceeding before implementing any related pre-rationing procedures. Cal-Am will be allowed to track the costs associated with implementing those pre-rationing activities in the rationing memorandum account, consistent with A.07-12-010.

In addition, we require Cal-Am to provide monthly account balance information to the service list for this proceeding, A.07-12-010, and A.08-01-027. Cal-Am estimates the cost of implementation of pre-rationing activities could run as high as \$400,000.⁵ Given the estimated amount, it would be beneficial to know the actual and the projected monthly balances of the memorandum account.

Authorization to make entries to the memorandum account is not intended to assure that any or all expenditures booked in the memorandum account are recoverable in rates. All entries to the memorandum account will be subject to further review for reasonableness and to ensure that Cal-Am took all necessary steps to implement only pre-rationing activities that were necessary for rationing, consistent with A.07-12-010, and in concert with the review of the rationing program.

Cal-Am's Motion: Cal-Am requests an expedited and *ex-parte* relief in this proceeding for the following reasons:

1. Evidentiary hearings are not needed;
2. Potential parties like Division of Ratepayer Advocates and MPWMD have been advised of the application previously, and will not be prejudiced by shortening the response time; and
3. If approval is not granted, Cal-Am may be forced to incur costs related to the implementation of its rationing program that cannot be recovered in the future.⁶

⁵ Cal-Am's response to ALJ's ruling requesting additional information, May 9, 2008.

⁶ Cal-Am's Motion for expedited, *ex parte* relief, February 25, 2008.

This application is uncontested, as described below, the comment period is waived, and the decision is being considered as expeditiously as possible. Therefore, Cal-Am's motion is denied as moot.

Categorization and Need for Hearing

In Resolution ALJ-176-3210, dated March 13, 2008, the Commission preliminarily determined that the category of this proceeding is ratesetting, and that hearings are not necessary. We affirm those determinations today.

Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2) of the Commission's Rules of Practice and Procedure, the otherwise applicable 30-day period for public review and comment is waived.

Assignment of Proceeding

John A. Bohn is the assigned Commissioner and Maryam Ebke is the assigned ALJ in this proceeding.

Findings of Fact

1. Cal-Am may need to implement certain pre-rationing activities in advance of a rationing.
2. The Commission is in the process of reviewing Cal-Am's rationing program.
3. Some pre-rationing steps may need to be revised if the rationing program is changed.
4. It would be unreasonable to permit Cal-Am to implement pre-rationing activities when the review of the rationing program is underway.

5. The release of individual customers' consumption information to MPWMD is being reviewed in A.07-12-010.

Conclusions of Law

1. Cal-Am should coordinate its pre-rationing activities with A.07-12-010 and the review of the rationing program that is taking place in A.08-01-027.

2. Cal-Am should be allowed to track the costs associated with developing a mechanism for access to customer consumption data if it receives authorization for that activity in A.07-12-010.

3. All entries to the memorandum account should be subject to further review for reasonableness.

4. Cal-Am should provide the monthly actual and projected balance of the rationing memorandum account.

5. D.03-02-030 should be modified as set forth in this order.

6. Today's decision should be made effective immediately.

O R D E R

IT IS ORDERED that:

1. Decision (D.) 03-02-030 is modified as described above.

2. California American Water Company (Cal-Am) is authorized to track the costs associated with its pre-rationing procedures, under the conditions described above, in its rationing memorandum account established in D.03-02-030.

3. The motion of Cal-Am for expedited, *ex parte* relief is denied as moot.

4. Application 08-02-018 is closed.

This order is effective today.

Dated _____, at San Francisco, California.