

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Draft Resolution No. W-4776  
Agenda ID #8665

June 30, 2009

TO: All Interested Parties in California American Water Company's Advice Letter No. 743

Enclosed is draft Resolution W-4776 of the Division of Water and Audits. It will be on the Commission's July 30, 2009 agenda. The Commission may then act on this Resolution or it may postpone action until later.

When the Commission acts on the draft resolution, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare a different resolution. Only when the Commission acts does the resolution become binding on the parties.

Parties to this matter may file comments on this draft resolution. An original and 2 copies of the comments, with a certificate of service, should be submitted to:

Division of Water and Audits, Third Floor  
Attention: Seaneen M. Wilson  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Parties may submit comments on or before July 20, 2009. The date of submission is the date the comments are received by the Division of Water and Audits. Parties must serve a copy of their comments on all persons on the service list attached to the draft Resolution, on the same date that the comments are submitted to the Division of Water and Audits.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft resolution, a table of authorities and appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal, or technical errors in the draft resolution, and shall make specific reference to the record or applicable law. Comments which fail to do so will be accorded no weight and are not to be submitted.

/s/ RAMI KAHLON  
Rami Kahlon, Director  
Division of Water and Audits

Enclosures: Draft Resolution W-4776  
Certificate of Service  
Service List

DWA/RSK/ SMW

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER & AUDITS  
Utility Audit, Finance and Compliance BranchRESOLUTION NO. W-4776  
July 30, 2009R E S O L U T I O N

(RES. W-4776), CALIFORNIA AMERICAN WATER COMPANY, (Cal Am), LOS ANGELES DIVISION (LA Division). ORDER AUTHORIZING CAL AM TO RECOVER BALANCE IN ITS DISTRIBUTION SYSTEM IMPROVEMENT CHARGE (DSIC) BALANCING ACCOUNT

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**SUMMARY**

This resolution approves, with modifications, Cal Am's revised Advice Letter (AL) No. 743, originally filed on April 7, 2009, and revised on June 18, 2009. Cal Am filed this AL pursuant to Resolution No. (Res.) W-4734. In AL 743, Cal Am requests recovery of the balance in its DSIC balancing account over the next three quarters, of \$337,308. We authorize Cal Am to recover \$337,308 over the next three quarters - collecting \$112,436, or 2.36% in each quarter.

**BACKGROUND**

Cal Am's LA Division serves approximately 27,200 customers in three physically separated subsystems, San Marino, Duarte, and Baldwin Hills. The district is served by wells and irrigation water utilizing Cal Am's groundwater rights and purchases from municipal wholesalers.

In AL 743, Cal Am requests recovery of the balance in its DSIC balancing account for the total DSIC authorized in Res. W-4734 of \$337,308. Cal Am proposes to collect \$112,569, or 2.37%, in each of the next three quarters. Cal Am made revisions to certain tariff language in its AL, at the request of Division of Water and Audits (DWA).

In Res. W-4734, we authorized Cal Am, in part, to collect over-under collections of its DSIC in a balancing account.

**DISCUSSION**

In order to ensure compliance with all terms and conditions for recovery from its DSIC balancing account, the DWA:

- 1) Verified that the balance in the balancing account is correct;
- 2) Reviewed Cal Am's proposed tariff language; and
- 3) Verified that the allocation over three quarters is calculated correctly.

DWA found that the balance and allocation of balancing account dollars was correct. DWA requested that Cal Am revise selected proposed tariff language, in order to be in compliance with Res. W-4734, which Cal Am did.

*Implementation and Recovery*

Based on the revisions to Cal Am's calculations so that they would be in compliance and alignment with those authorized in W-4734, the surcharge amount recoverable by Cal Am for AL 743 is \$337, 708, allocated over three quarters, at \$112,436 per quarter.

*Other Matters*

By approving Cal Am's DSIC and tariffs by this resolution we are not making a determination as to the reasonableness of the infrastructure projects or their costs. As required by the Decision, prior to inclusion in rate base, these infrastructure projects will be reviewed in Cal Am's next General Rate Case (GRC).

**NOTICE**

In compliance with General Order No. (GO) 96-B, General Rule 4.2 and Water Industry Rule 3.1, Cal Am notified its Los Angeles District customers of the original DSIC surcharge via separate customer mailing on August 20, 2008. Cal Am also posted a copy of the current advice letter, AL 743, on its website.

No protests to this advice letter were received.

**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.

A draft of this Resolution was served on Cal Am and Division of Ratepayer Advocates on June 30, 2009, and posted on the CPUC website, for public review and comment.

**FINDINGS**

1. Cal Am's LA Division serves approximately 27,200 customers in three separated subsystems.
2. In Res. W-4734, we authorized Cal Am, in part, to collect over-under collections of its DSIC in a balancing account.
3. In AL 743, filed April 7, 2009, Cal Am requested recovery of the balance in its Distribution System Improvement Charge (DSIC) balancing account, over the next three quarters.
4. In AL 743, Cal Am originally requested that it recover a total balance of \$337,308, or \$112,569 in each of the next three quarters.
5. DWA verified Cal Am's the balance in the DSIC balancing account, and verified that the allocation over the next three quarters is correct.
6. DWA reviewed Cal Am's proposed tariff language and requested several revisions, which Cal Am made.
7. Based on revisions to AL 743, Cal Am requests recovery of \$112,436 in each of the next three quarters.

**THEREFORE IT IS ORDERED THAT:**

1. California American Water Company is authorized to recover the balance in its Distribution System Improvement Charge (DSIC) balancing account of \$337,308, over the next three quarters, at a rate of \$112,436 in each quarter, from customers in its Los Angeles Division.
2. As required by the Decision, prior to inclusion in rate base, the DSIC infrastructure projects shall be reviewed in the next General Rate Case (GRC).
3. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a regular conference of the Public Utilities Commission of the State of California held on July 30, 2009; the following Commissioners voting favorably thereon:

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PAUL CLANON  
Executive Director

**APPENDIX A  
TARIFF SHEETS  
AS PROPOSED  
BY CAL-AM**

**CALIFORNIA-AMERICAN WATER COMPANY**  
303 H St., Suite 250  
CHULA VISTA, CALIFORNIA 91910

Revised C.P.U.C. SHEET NO. 5065-W  
CANCELLING Original C.P.U.C. SHEET NO. 4963-W

PRELIMINARY STATEMENT  
(continued)

V. Seaside Groundwater Basin Memorandum Account

1. PURPOSE: The purpose of the Seaside Groundwater Basin ("SGB") Memorandum Account is to track payments associated with the Water Master establishment.
2. APPLICABILITY: California American Water's Monterey District.
3. ACCOUNTING PROCEDURE: California American Water was granted a memorandum account in Advice Letter 644.
  - a. A debit entry will be created to capture costs associated with the SGB.
  - b. A credit entry will be created for any surcharges or collections that offset the costs captured.

W. Interim Rate True Ups Balancing Account

1. PURPOSE: The purpose of the Interim Rate True Up Balancing Account is to track the differences between interim rates and the final rates agreed upon in each decision.
2. APPLICABILITY: Applicable districts served by California American Water.
3. ACCOUNTING PROCEDURE:
  - a. A debit entry equals the amount of difference that California American Water will seek in the true up
  - b. A credit entry equals the amount paid by customers to offset the balance of interim rates sought by Cal-Am.

X. Expense Balancing Account

1. PURPOSE: The purpose of the Expense Balancing Account is to track costs that could severely injure utilities from achieving their authorized earnings. These balancing accounts do not address rate design but rather, they address expenses.
  - a. California American Water utilizes the Purchased Water, Purchase Power, & Pump Tax Expense Balancing Accounts
2. APPLICABILITY: Applicable districts served by California American Water.
3. ACCOUNTING PROCEDURE: California American Water was granted a balancing account in Decision No. 03-08-072. Additionally, as per D.08-04-037, Class A water Utilities shall report on the status of their balancing accounts in their general rate case and shall propose adjustments to their rates in that context to amortize under- or over-collections in those accounts subject to reasonableness review. They also propose such rate adjustment by advice letter at any time that the under-or over-collection exceeds two percent (2%) of annual revenues for the utility or a ratemaking district of the utility. California American will annually file for permission to refund any over-collected balances that are at least 1% of the revenue requirements.

Y. LA DSIC Balancing Account

1. PURPOSE: The purpose of the LA DSIC Balancing Account is to track differences between Commission authorized DSIC revenue and the actual DSIC revenues collected.
2. APPLICABILITY: California American Water's LA District.
3. ACCOUNTING PROCEDURE:
  - a. A debit entry equals the amount that California American Water is authorized to recover on DSIC projects.
  - b. A credit entry equals the amount collected from customers.

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(C)

(continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
ADVICE LETTER NO. 743	D. P. STEPHENSON	DATE FILED
Res. W-4734	NAME	EFFECTIVE
DECISION NO. D. 07-08-030	Director - Rates & Regulation	RESOLUTION NO.
	TITLE	

CALIFORNIA-AMERICAN WATER COMPANY  
303 H St., Suite 250  
CHULA VISTA, CALIFORNIA 91910

Revised C.P.U.C. SHEET NO. 5066-W

Cancelling Revised C.P.U.C. SHEET NO. 5060-W

Schedule No. LA-DSIC  
Los Angeles District Tariff Area  
DSIC Rate Tariff

APPLICABILITY

The tariff rate specified herein shall be applicable to all bills for water service on or after the effective date noted below for the duration of the pilot authorized in D.07-08-030, August 23, 2007.

PURPOSE

The purpose of this tariff is to provide a mechanism to recover the fixed costs of replacement capital projects completed in the Los Angeles District on or after January 1, 2007. The eligible capital projects to be included in this charge are detailed below.

RATE

DSIC Surcharge Rate is calculated as shown in ELIGIBLE PLANT 8, and is effective when a DSIC advice letter is filed with the Commission, subject to refund when the Commission issues its resolution on the advice letter.	<u>Percent of Total Water Bill</u> 4.29%
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Per Resolution W-4734, Cal Am shall track all DSIC surcharges in a balancing account and compare the amounts collected versus authorized for later recovery or refund. Cal Am may request a higher DSIC rate up to the quarterly and annual cap limitations to reduce or eliminate any under-collections. For the period April 1, 2008 to December 31, 2008, the total amount under collected was \$337,308. This amount will be recovered through a quarterly surcharge rate of:

<u>2.38%</u>	(N)
<b>TOTAL DSIC Surcharge</b>	<b>6.65%</b> (N)

This percentage is applied to all bills for water service on or after the effective date which shall be the date the advice letter is filed with the Commission, and which is noted hereon.

SPECIAL CONDITIONS APPLICABLE TO THE CHARGE

1. The charge is applicable to all water service billed under tariff rate Schedules LA-1, LA-3M and LA-4.
2. The charge above shall be applied to all bills rendered on or after the effective of this tariff.
3. The charge will not be applicable to Special Condition Surcharges.
4. The charge is subject to the PUC reimbursement fee set forth in Schedule No. UF.
5. Any charge in effect as a result of D.07-08-030 will be reset to zero at the time of the approval of new rates from the next Los Angeles District rate case to be filed in November 2008.

DEFINITION OF TERMS

1. DSIC – Distribution System Improvement Charge
2. Mass Property – All items replaced under a general category where the replacement cost is less than \$20,000.

(L)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
ADVICE LETTER NO. <u>743</u>	<u>D. P. STEPHENSON</u>	DATE FILED _____
	<small>NAME</small>	EFFECTIVE _____
DECISION NO. <u>D. 07-08-030</u> <u>&amp; Res. W-4734</u>	<u>DIRECTOR - RATES &amp; REVENUES</u>	RESOLUTION NO. _____
	<small>TITLE</small>	

CALIFORNIA-AMERICAN WATER COMPANY  
303 H St., Suite 250  
CULVER VISTA, CALIFORNIA 91910

Revised C.P.U.C. SHEET NO. 5067-W  
Cancelling Original C.P.U.C. SHEET NO. 4702-W

Schedule No. LA-DSIC (continued)

Los Angeles District Tariff Area

DSIC Rate Tariff

DEFINITION OF TERMS (Continued)

3. Rehabilitation – refers to substantial repairs to facilities that are eligible for capitalization under the National Association of Regulated Utility Commissioners Plant accounting guidelines. This would include for example, well relining, cement coating of mains, installation of distribution tank liners, etc.

ELIGIBLE PLANT

1. The DSIC Surcharge is applicable to the replacement or rehabilitation of existing supply, production, water treatment, and transmission and distribution facilities that are revenue-neutral (non-revenue producing, non-expense reducing), are generally for "in-kind" replacements of deteriorated facilities that have reached the end of their useful lives.
2. In particular the DSIC surcharge is applicable to the following facilities:

Item #	PJC Plant Account	Description of Plant Item
1	311	Source of Supply Structures and Improvements
2	312	Collecting and Impounding Reservoirs
3	313	Lake, River and Other Intakes
4	314	Springs and Tunnels
5	315	Wells
6	316	Supply Mains
7	321	Pumping Plant Structures and Improvements
8	324	Pumping Equipment
9	325	Other Pumping Plant
10	331	Water Treatment Structures and Improvements
11	332	Water Treatment Equipment
12	341	Transmission and Distribution Structures and Improvements
13	342	Reservoirs and Tanks
14	343	Mains
15	344	Fire Mains
16	345	Services
17	346	Meters
18	347	Meter Installations
19	348	Hydrants
20	349	Other Transmission and Distribution Equipment

3. The DSIC surcharge is not to be used for facilities preeminently for customer growth.
4. The DSIC surcharge is not to be used in conjunction with project to be financed by developers, or projects financed by grants, low interest loan, State Revolving Funds, or other non-Company funded projects.

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(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
ADVICE LETTER NO. <u>743</u>	<u>D. P. STEPHENSON</u>	DATE FILED _____
<u>Res. W-4734</u>	<u>NAME</u>	EFFECTIVE _____
DECISION NO. <u>D. 07-08-030</u>	<u>DIRECTOR - RATES &amp; REVENUES</u>	RESOLUTION NO. _____
	<u>TITLE</u>	

CALIFORNIA AMERICAN WATER COMPANY 303 H Street Suite 250 CHULA VISTA, CALIFORNIA 91910	CANCELING	Revised	C.P.U.C. SHEET NO.	5068-W
		Revised	C.P.U.C. SHEET NO.	5063-W

TABLE OF CONTENTS

The following listed tariff sheets contain all effective rates and rules affecting the charges and services of the Utility, together with other pertinent information:

<u>SUBJECT MATTER OF SHEET</u>	<u>C.P.U.C. SHEET NO.</u>	
TITLE PAGE	4107-W	
TABLE OF CONTENTS	5068-W, 5069-W, 5059-W 5006-W, 4981-W, 4046-W, 4617-W, 4618-W	(C)
PRELIMINARY STATEMENTS	4957-W, 4144-W, 4958-W, 4959-W 4960-W, 4981-W, 5012-W, 5065-W 4964-W, 4965-W	(C)
SERVICE AREA MAP		
California-American Water Company	4129-W	
Baldwin Hills	995-W, 996-W	
Cronado	2235-W	
Duarte	1833-W, 941-W, 942-W	
Felton	4130-W	
Larkfield	4313-W	
Monterey Peninsula	5040-W, 2740-W, 2741-W 2742-W, 5041-W, 2744-W 2745-W, 4315-W, 4293-W, 944-W, 945-W, 947-W/955-W, 957-W/964-W, 965-W/969-W, 971-W/984-W, 4042-W, 4043-W	
Sacramento	4133-W, 4530-W, 4529-W, 4136-W 4137-W, 4138-W, 4139-W, 4140-W 4141-W, 4142-W,	
San Marino	935-W/937-W, 513-W, 1986-W	
Village	2607-W	

(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
ADVICE LETTER NO. 743	D. P. STEPHENSON	DATE FILED _____
DECISION NO. D. 07-08-050 & Res. W-4734	DIRECTOR- RATES & REGULATION	EFFECTIVE RESOLUTION NO. _____

CALIFORNIA-AMERICAN WATER COMPANY  
303 H Street Suite 250  
CHULA VISTA, CALIFORNIA 91910

CANCELING

Revised C.P.U.C. SHEET NO. 5069-W

Revised C.P.U.C. SHEET NO. 5064-W

TABLE OF CONTENTS (continued)

<u>SUBJECT MATTER OF SHEET</u>	<u>C.P.U.C. SHEET NO.</u>
<b>RATE SCHEDULES:</b>	
Coronado District Tariff Area	
CO-1 General Metered Service	5007-W, 5014-W
CO-1-LIRA General Metered Service	5008-W, 4886-W, 4764-W, 4886-W 4887-W, 4888-W, 5015-W
CO-4 Private Fire Protection Service	5009-W, 4802-W, 5016-W
CO-4H Private Fire Hydrant Service	4934-W, 4805-W, 5017-W
Felton District Tariff Area	
FE-1 General Metered Service	4657-W, 4441-W, 4678-W, 4698-W
FE-1-LIRA Low Income Ratepayer Assistance Program	4604-W, 4551, 4552-W, 4553-W, 4554-W
FE-4 Private Fire Protection Service	4579-W, 4565-W
Larkfield District Tariff Area	
LW-1 General Metered Service	4937 -W, 4755-W
LW-1-LIRA Low Income Ratepayer Assistance Program	4938-W, 4686-W, 4890-W, 4891-W 4892-W, 4693-W, 4894-W
LW-4 Private Fire Protection Service	4030 -W, 4640-W
Los Angeles District Tariff Area	
LA-1 General Metered Service	4992-W, 4993-W, 5000-W
LA-1-LIRA Low Income Ratepayer Assistance Program	4994-W, 4995-W, 4895-W, 4585-W, 5001-W
LA-3M Measured Irrigation Service	4996-W, 2862-W, 4712-W
LA-4 Private Fire Protection Service	4997-W, 2920-W, 4713-W
LA-DSIC DSIC Rate Tariff	5086-W, 5087-W, 4703-W, 4704-W (C) 5081-W, 5052-W, 4707-W
Monterey Peninsula District Tariff Area	
MO-1 General Metered Service	4592-W, 4644-W, 4449-W, 5020-W, 4542-W, 5049-W
MO-1-PAR Low Income Program for Alternate Rates	4594-W, 4896-W, 4535-W 4645-W, 4537-W, 5021-W, 5050-W
MO-1AB General Metered Service Ambler Park and Bishop Service Area	4595-W, 4453-W, 4506-W, 5051-W
MO-1-68 General Metered Service Hidden Hills and Ryan Ranch Subdivision	4596-W, 4548-W, 4549-W, 5052-W
MO-1-68-PAR Low Income Program for Alternate Rates Hidden Hills and Ryan Ranch Subdivision	4597-W, 4897-W, 4545-W, 5053-W 4546-W
MO-CO-1 General Metered Service Ralph Lane and Chular Service Areas	4437-W, 4039-W

(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
ADVICE LETTER NO. <u>713</u>	<u>D. P. STEPHENSON</u>	DATE FILED _____
<u>D. 07-08-030</u>	NAME	EFFECTIVE _____
<u>&amp; Res. W-4734</u>	<u>DIRECTOR - RATES &amp; REGULATION</u>	RESOLUTION NO. _____

## CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of draft Resolution W-4776 on all parties in these filings or their attorneys as shown on the attached list.

Dated June 30, 2009, at San Francisco, California.

/s/ JOSIE R. BABARAN  
Josie R. Babaran

## NOTICE

Parties should notify the Division of Water and Audits, Public Utilities Commission, 505 Van Ness Avenue, Room 3106, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number of the service list on which your name appears.

**SERVICE LIST**  
**DRAFT RESOLUTION W-4776**

David P. Stephenson  
Manager, Rates & Regulations  
California American Water Company  
4701 Beloit Dr.  
Sacramento, CA 95838  
E-Mail: [dstephen@amwater.com](mailto:dstephen@amwater.com)

Danilo Sanchez  
Program Manager  
California Public Utilities Commission  
Division of Ratepayer Advocates  
505 Van Ness Avenue, Room 3200  
SAN FRANCISCO, CA 94102  
E-Mail: [des@cpuc.ca.gov](mailto:des@cpuc.ca.gov)