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FILED

03/21/23

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

REG. MAIL

A2207001

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$55,771,300 or 18.71% in the year 2024, by \$19,565,300 or 5.50% in the year 2025, and by \$19,892,400 or 5.30% in the year 2026.

Application 22-07-001

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This Scoping Memo and Ruling (Scoping Memo) sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Public Utilities (Pub. Util.) Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Procedural Background

On July 1, 2022, California-American Water Company (Cal-Am) filed Application (A.) 22-07-001 for authorization to increase revenues for water and wastewater services in each of its districts statewide for the years 2024 through 2026. An Updated Application was filed on January 27, 2023. The application, as updated, also seeks approval of 20 special requests, which include authorization for various fees, surcharges, programs, mechanisms, balancing and memorandum accounts, consolidations, and changes to reporting requirements.

On January 1, 2023, Senate Bill 1469 took effect. The bill amended Pub. Util. Code Section 727.5, authorizing the Commission to grant qualifying water companies' authority to implement a mechanism separating (decoupling)

corporate revenues from water sales. The updated application reflects Cal-Am's request for a decoupling mechanism.

A timely protest was filed by the Commission's Public Advocates Office (Cal Advocates). In the protest, Cal Advocates raised general concerns regarding the magnitude of the rate increase and capital funding. Cal Advocates raised specific objections to special requests 7 and 8. Cal Advocates filed a protest to the updated application on February 6, 2023. Cal-Am filed a reply to the protest on February 10, 2023.

The Monterey Peninsula Water Management District (MPWMD) and the City of Thousand Oaks (Thousand Oaks) were granted party status on August 22 and September 9, 2022, respectively. The National Association of Water Companies (NAWC) was granted party status on February 9, 2023. NAWC filed a response to the updated application on February 6, 2023.

A prehearing conference (PHC) was held on September 12, 2022, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The parties submitted a joint statement addressing scheduling and other matters on December 5, 2022. After considering the application, protest, motion, and discussion at the prehearing conference and the other documents described above, I have determined the issues and initial schedule of the proceeding to be set forth in this scoping memo.

2. Issues

The issues to be determined or otherwise considered are:

1. Cal-Am's costs related to the production, treatment, storage, distribution, and sale of water;
2. Cal-Am's forecast of sales, expenses, and rate base including proposed capital projects;

3. Cal-Am's revenue requirements, rate design, and rate increases for the Test and Escalation Years, includes sales revenue, consumption, and number of customers;
4. Cal-Am's proposed recovery of balancing and memorandum accounts, including the propriety of requests for new accounts and the propriety of continuing existing accounts;
5. Cal-Am's rates and charges for general metered water service, low-income residential service, private fire services, construction service, recycled water metered service, and facilities fees;
6. Cal-Am's return on investment in utility plants;
7. Cal-Am's projected capital budgets, including utility plant addition and improvements;
8. All safety issues that arise from this application and that are related to the production, treatment, storage, distribution, and sale of water;
9. Whether the Commission should approve the following 18 Special requests in the Application:

Special Request No. 1: Authorization of a Water Resources Sustainability Plan (WRSP) Decoupling Mechanism or Monterey-Style Water Revenue Adjustment Mechanism (M-WRAM)

Cal-Am requests authorization of an WRSP as decoupling mechanism pursuant to Pub. Util. Code Section 727.5. Cal-Am requests an M-WRAM as an alternative if the Commission does not grant the decoupling mechanism.

Special Request No. 2: Full Cost Balancing Account (FCBA) and Incremental Cost Balancing Account (ICBA)

If the WRSP decoupling mechanism is not authorized, Cal-Am requests authorization to establish ICBA's for its San Diego and Ventura County Districts and FCBA's for its Monterey, Los Angeles, Sacramento, and Larkfield Districts.

Special Request No. 3: Annual Consumption Adjustment Mechanism (ACAM)

Cal-Am requests a modified version of the ACAM previously authorized by the Commission, with the modifications varying depending upon the resolution of Special Request 1.

Special Request No. 4: Partial Consolidation of Transmission and Distribution Net Plant Costs

Cal-Am requests authorization to consolidate all transmission and distribution (T&D) net plant assets for all ratemaking districts. The T&D net plant assets would be combined into a central pool to be allocated back to each tariff area based on the number of customers in that ratemaking area, with an initial consolidation of 25 percent of net T&D in 2024 and 50 percent in 2025.

Special Request No. 5: Acquisition Rate Base Normalization

Cal-Am requests authorization to normalize the rate base of four acquired systems (East Pasadena, Bellflower, Warring, and Bass Lake) by allocating a portion of acquisition rate base statewide.

Special Request No. 6: Catastrophic Event Cost Normalization

Cal-Am requests that cost recovery associated with recent and future catastrophic event costs be done on a statewide basis.

Special Request No. 9: Placer County Water Agency (PCWA) Capacity Cost Recovery

Cal-Am requests clarification that the appropriate interest rate or carrying costs on investments in water supply capacity from PCWA should be at Cal-Am's authorized rate of return.

Special Request No. 10: Rate Mitigation Plan for Recently Acquired Systems

Cal-Am requests that certain elements of its approved consolidation of Meadowbrook customers onto the Northern Division tariff and rates be delayed mitigating rate impact. Cal-Am also requests that certain existing and proposed surcharges be made applicable to recently acquired systems.

Special Request No. 11: Alignment of Operations and Expense Recovery

Cal-Am requests that the authorized level of necessary and prudent regulatory expenses be amortized over 27 months instead of 36. It also proposes recovery for regulatory expenses be authorized for 3 months of the test year with the remaining amount recovered equally in the Escalation and Attrition years.

Special Request No. 12: Subsequent Rate Changes

Cal-Am requests that the Commission authorize it to incorporate into new rates any changes that occurred after this proceeding opened. Cal-Am also requests that those changes be placed into present rates for the determination of the actual rate increase by the application.

Special Request No. 13: Chemical Cost Balancing Account

Cal-Am requests authority to establish a balancing account for chemical costs based upon changes in the actual amount charged.

Special Request No. 14: Extension of Existing 15 percent Cap on Water Revenue Adjustment Mechanism (WRAM) Amortization

Cal-Am requests that the current 15 percent cap on the annual amortization of WRAM/Modified Cost Balancing Account (MCBA) authorized in Decision (D.) 18-12-021 and extended in D.21-11-018 continue so long as there are WRAM/MCBA balances to be recovered. As part of the WRSP, Cal-Am proposes to maintain the 15 percent cap, but seeks authorization to collect

balances beyond the 15 percent cap in extraordinary circumstances where balances grow large enough that they cannot be recovered in less than 24 months.

Special Request No. 15: Elimination of the Monterey Joint Annual Conservation Report

Cal-Am requests that the Commission eliminate the requirement that Cal-Am and the Monterey Peninsula Water Management District submit an Annual Joint Conservation Report because it is duplicative of other Cal-Am conservation reporting.

Special Request No. 16: Low-Income Conservation Program and Credit/Debit Card Bill Payment Expense Recovery

Cal-Am requests authority to add credit/debit card expenses and Low-Income Water/Energy-Direct Install program expenses to its Customer Assistance Program (CAP) Balancing Account and to recover these costs from non-CAP customers through the CAP surcharge.

Special Request No. 17: Operational Tariff Modifications

Cal-Am proposes operational tariff modifications to clarify responsibilities between the customer and the utility.

Special Request No. 18: Monterey Wastewater Phase-In

Cal-Am requests that the authorized revenue requirement increase for test-year 2024 for active and passive wastewater customers be phased-in over the entirety of the of the three-year period 2024-2026.

Special Request No. 19: Paperless Billing Opt-Out Pilot

Cal-Am proposes a pilot program to increase participation in paperless billing.

Special Request No. 20: Changes to Late Payment Fees

Cal-Am proposes to eliminate residential late payment fees.

10. Impacts on environmental and social justice communities, including the extent to which the application impacts achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan.

The following special requests are excluded from this proceeding:

Special Request No. 7: Memo Account to Ensure Consistent Treatment of Acquisitions Throughout the GRC Cycle

Cal-Am requests authorization to establish an Acquisition Contingency Memorandum Account (ACMA). ACMA would record differences between revenues billed at current rates based upon the pre-acquisition rate base for customers of acquired water systems and revenues that would have been billed based on the new, post-acquisition rate bases and revenue requirements of those systems.

Special Request No. 8: Utility Transaction Cost Memorandum Account

Cal-Am requests authority to establish a single Utility Transaction cost Memorandum Account to track costs of future acquisitions.

The Commission is currently considering the issue of authorizing the type of memorandum accounts proposed in Special Requests 7 and 8 in water utility acquisition transaction in Rulemaking (R.) 22-04-003. Accordingly, these subjects need not be litigated in this proceeding.

3. Need for Evidentiary Hearing

Issue numbers 1 through 10 are potentially contested, material issues of fact. Accordingly, we will allow parties to present evidence on these issues and evidentiary hearings are needed.

4. Schedule

The following schedule is adopted here and may be modified by the administrative law judge (ALJ) as required to promote the efficient and fair resolution of the application/complaint/rulemaking/investigation:

Event	Date
Updated Application Filed/ Testimony Served	January 27, 2023
Protests and Responses to the Updated Application	February 6, 2023
Reply to the Updated Application Protests and Responses	February 10, 2023
Public Participation Hearings	<i>See 4.1 Below</i>
Cal Advocates Testimony	March 27, 2023
Other Parties Testimony	April 3, 2023
Rebuttal Testimony	May 8, 2023
ADR Process/Settlement	May 8-June 8, 2023
Rule 13.9 Meet and Confer	No Later Than May 18, 2023
Mandatory Status Conference	May 23, 2023
Evidentiary Hearings	June-July 2023
Opening Briefs	To Be Determined
Motion For Interim Rates	To Be Determined
Mandatory Status Conference	To Be Determined
Reply Beliefs	To Be Determined
Water Division Technical Conference	To Be Determined
Proposed Decision Mailed	90 days after the record closes
Concurrent Comments on Proposed Decision	20 days from issuance of the Proposed Decision (Rule 14.3(d))
Reply Comments on Proposed Decision	5 days from the Opening Comments on the Proposed Decision (Rule 14.3(d))
Commission Decision	To Be Determined

The purpose of the mandatory status conference is to ascertain whether, pursuant to Rule 13.8(c), the parties stipulate to the receipt of prepared testimony into evidence without direct or cross examination or other need to convene an evidentiary hearing or, in the alternative, the parties' resources, readiness and needs for the effective remote conduct of the evidentiary hearing, including estimates of time requested for cross-examination and identification of anticipated exhibits.

The proceeding will stand submitted upon the filing of reply briefs, unless the ALJ requires further evidence or argument. SB 1469 necessitated an updated filing and other delays. As a result, the proceeding will not be resolved within 18 months as required by Pub. Util. Code Section 1701.5. The deadline for resolution is therefore extended to June 30, 2024.

4.1. Public Participation Hearings (PPHs)

4.1.1. Schedule

PPHs are being conducted at various locations within Cal-Am's Service Territory and remotely via videoconference. The date, time, location, and other details for the PPHs are detailed below. Two sessions will be held each day at each location, one at 2 p.m. and the other at 6 p.m.¹

April 11, 2023-Remote 2 p.m.

English Call-In

Toll-Free: 1-(800) 857-1917

Access Code for Public Comment: 1767567#

Spanish Call-In

Toll-Free: (800) 857-1917

Access Code for Spanish Public Comment: 3799627#

Webcast: www.adminmonitor.com/ca/cpuc/hearing/20230411/

¹ Cal-Am shall work with the Commission's Public Advisor's Office to ensure proper notice is provided to its customers concerning the PPH schedule.

April 11, 2023-Remote 6 p.m.

English Call-In

Toll-Free: (800) 857-1917

Access Code for Public Comment: 1767567#

Spanish Call-In

Toll-Free: (800) 857-1917

Access Code for Spanish Public Comment: 3799627#

Webcast: www.adminmonitor.com/ca/cpuc/hearing/202304112/

April 13, 2023-Rancho Cordova 2 p.m. and 6 p.m.

Rancho Cordova City Hall, Council Chambers

2729 Prospect Park Drive

Rancho Cordova, California

April 25, 2023-Seaside 2 p.m. and 6 p.m.

Seaside City Hall, Council Chambers

440 Harcourt Avenue

Seaside, California

May 2, 2023-Thousand Oaks 2 p.m. and 6 p.m.

Thousand Oaks City Hall, 3rd Floor Boardroom

2100 East Thousand Oaks Boulevard

Thousand Oaks, California

4.1.2. General Participation Information

Please note that a quorum of commissioners may attend but no decisions will be made or voted on at the PPHs.

Members of the public must use the in-person or phone number options to provide verbal comments. When it is time for comments, the Administrative Law Judge (ALJ) will make an announcement. Participants using the phone options who wish to make a comment must press *1, unmute their phone, and provide their name when prompted. Participants wishing to make a comment in person should sign-up at the Public Advisor's Office's table. Public officials wishing to speak should provide their name, title, and governmental entity prior to

speaking. Based on the number of speakers wishing to provide comments, the ALJ may limit speakers' time so that all speakers have an opportunity to comment, and to promote an orderly hearing.

The Commission's court reporters will record the statements made during the hearing and post the transcript on the Commission's website at the Docket Card for this proceeding.

If you need a language interpreter, please contact the CPUC's Public Advisor's Office at least five business days before the hearing, using one of the following methods:

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074

Mail: CPUC Public Advisor's Office,
505 Van Ness Avenue San Francisco, CA 94102

E-mail: Public.Advisor@cpuc.ca.gov

In addition to the April 11, 13, 25, and May 2, 2023 PPHs, customers may submit written public comments at any time during the proceeding and read other public comments via the Commission's website at the Docket Card for this proceeding, using the Public Comment tab: app.cpuc.ca.gov/c/A2207001. Your participation by providing your thoughts on the utilities' request can help the Commission make an informed decision.

4.1.3. Directives to Cal-Am

For the remote PPH on April 11, 2023, Cal-Am shall prepare the name, title, and telephone number of at least one senior customer service representative who can be reached by customers during the hearing for individual service or billing issues and one representative prepared to respond to specific questions about the material in their Applications. Cal-Am shall provide this information to the Public Advisor's Office no later than seven days before the PPH. This information may be posted for the public during the hearing.

For the in-person PPHs on April 13, 25, and May 2, 2023, Cal-Am shall have a customer service representative in person who can assist customers with service and billing issues. Cal-Am will also have at least one representative prepared to respond to specific questions about the material in this Application in person at the hearing.

Pursuant to Rule 13.1(b) and (c), Cal-Am are directed to take, at a minimum, the below actions to ensure that customer notice regarding the PPHs is distributed in a comprehensive manner:

- Post notice of the public PPH in at least one newspaper in each geographic region in its service territory. In a geographic region with a notable number of non-English speaking customers, post notice of the PPH in a regional newspaper in those languages and secure radio advertising broadcasted in non-English languages;
- Include notice of the PPH in mailed bill to customers that currently receive bills via the United States Postal Service;
- Send e-mail messages to all customers that have provided Cal-Am with an e-mail address and the subject line of this e-mail must clearly advise the recipient of the date, time, and location of each PPH held in this proceeding. The body of the e-mail must include the same information as approved by the Commission's Public Advisor's Office in the bill notice. In addition, e-mail messages shall not be combined with an e-mail electronic bill but, instead, be sent separately from a customer's electronic bill;
- Cal-Am shall prominently publicize all information for PPH on all social media platforms they use;
- Cal-Am shall post notice of their PPHs on their respective website in a prominent location so that customers easily access the notice/information; and
- Each of the notices described above shall include each of the remote and in-person PPHs regardless of customer location.

- Ensure all the above communication methods are compatible with electronic or remote access and clearly state hearing can be accessed remotely or attended in-person.

Not later than seven days prior to the PPH, Cal-Am shall file and provide the Commission's Public Advisor's Office a letter verifying that they have complied with the above directives. This letter shall state the dates when the referenced types of notices were sent to customers, the methods used, and the approximate number of customers notified by each method. Cal-Am shall also provide the dates and locations of publication and posting. A copy of their respective PPH notice shall be attached to this filing.

4.1.4. Party Participation During PPHs

Each party shall be allotted no more than 3 minutes to present introductory remarks at each PPH. Parties may utilize audio or visual aids during their presentation. The parties must ensure that any audio or visual aids are set-up in advance and ready for immediate use. Time will not be extended for audio/visual issues. Parties wishing to participate in the PPHs shall provide the name, position, e-mail address, and phone number of the individual who will be conducting the presentation, and any slides to be used during the presentation. This information shall be e-mailed to the assigned ALJ, copying the service lists, no later than seven days prior to the PPH in which the party seeks to present. An e-mail will be sent to the party presenters with their allotted time limit following the aforementioned deadline for receiving presentation requests. For the remote PPHs, a separate WebEx link and speaker code will also be emailed to each designated party presenter prior to the event.

5. Alternative Dispute Resolution (ADR) Program and Settlements

The Rate Case Plan for Class A Water Utilities² requires the appointment of an ALJ neutral to meet with the parties as needed throughout the proceeding. The ALJ neutral and the parties will plan and schedule the specific ADR processes that are appropriate for this proceeding, which may include mediation, early neutral evaluation, or other ADR processes as agreed to by the parties. All active parties must participate in an initial session of ADR and each active party must have an official at such meeting with decision-making authority. For additional information on the Commission's ADR program, *see* Resolution ALJ-185. Parties are directed to submit their request for an ADR neutral to the Assigned ALJ as soon as practicable to accommodate competing schedules.

The schedule set forth in this Scoping Memo includes a date for the completion of settlement talks. No later than this date, the parties will submit to the assigned ALJ a status report of their efforts, identifying agreements reached and unresolved issues requiring hearing. Any settlements between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law, and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

² *See* D.07-05-062, Appendix A.

6. Category of Proceeding and Ex Parte Restrictions

This ruling confirms the Commission's preliminary determination³ that this is a ratesetting proceeding. Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Rules.

7. Public Outreach

Pursuant to Pub. Util. Code Section 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and business that subscribe to it and posted on the Commission's website.

8. Intervenor Compensation

Pursuant to Pub. Util. Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by October 12, 2022, 30 days after the PHC.

9. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the "Add Public Comment" button on the "Public Comment" tab of the online docket card for the proceeding.

10. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's

³ Resolution ALJ 176-3512.

Public Advisor at 1-866-849-8390 or 1-866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

11. Filing, Service, and Service List

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission's Process Office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.⁴

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents. However, the requirement of service on the ALJ of a paper copy is not required in this proceeding.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at

⁴ The form to request additions and changes to the Service list may be found at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/additiontoservicelisttranscriptordercompliant.pdf>

process_office@cpuc.ca.gov to request addition to the “Information Only” category of the official service list pursuant to Rule 1.9(f).

The Commission encourages those who seek information-only status on the service list to consider the Commission’s subscription service as an alternative. The subscription service sends individual notifications to each subscriber of formal e-filings tendered and accepted by the Commission. Notices sent through subscription service are less likely to be flagged by spam or other filters. Notifications can be for a specific proceeding, a range of documents and daily or weekly digests.

12. Receiving Electronic Service from the Commission

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive e-mails from the Commission. Please add “@cpuc.ca.gov” to your e-mail safe sender list and update your e-mail screening practices, settings and filters to ensure receipt of e-mails from the Commission.

13. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Jacob L. Rambo is the assigned ALJ and the Presiding Officer for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described above and is adopted.
2. The schedule of this proceeding is set forth above and is adopted.
3. Parties shall request the appointment of an Administrative Law Judge neutral as soon as practicable.
4. Evidentiary hearing is needed.

5. The Presiding Officer is Administrative Law Judge Jacob L. Rambo.
6. The category of the proceeding is ratesetting.

This order is effective today.

Dated March 21, 2023, at San Francisco, California.

/s/ GENEVIEVE SHIROMA

Genevieve Shiroma
Assigned Commissioner