

**DATE OF ISSUANCE: 03/24/2023**

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

**WATER DIVISION**

**RESOLUTION W-5256**

**March 16, 2023**

**RESOLUTION**

**(RES. W-5256), CALIFORNIA-AMERICAN WATER COMPANY, ORDER AFFIRMING WATER DIVISION'S APPROVAL OF CALIFORNIA-AMERICAN WATER COMPANY'S REQUEST FOR APPROVAL OF 2022 ESCALATION YEAR RATES FOR CENTRAL DIVISION AND REQUEST TO IMPLEMENT THE ANNUAL CONSUMPTION ADJUSTMENT MECHANISM FOR 2022.**

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**By Advice Letter AL 1357, filed January 18, 2022,  
and Advice Letter AL 1360, filed January 18, 2022.**

**SUMMARY**

By Advice Letter (AL) 1357, filed on January 18, 2022, California-American Water Company (Cal-Am) seeks authority for adoption of 2022 escalation year rates for Cal-Am's Central Division service area, in compliance with Decision (D.) 21-11-018. By Advice Letter 1360, filed on January 18, 2022, Cal-Am seeks authority to implement its Annual Consumption Adjustment Mechanism (ACAM) and adopt actual consumption data for use in 2022, also in compliance with D.21-11-018. Water Division approved AL 1357 on March 25, 2022, and approved AL 1360 on April 5, 2022. Mr. Lucido protested AL's 1357 and 1360 on April 25, 2022. On July 18, 2022, Water Division filed a disposition addressing Mr. Lucido's protest that affirms approval of AL 1357 and AL 1360. On August 5, 2022, Mr. Lucido filed a request for Commission review of Water Division's disposition. This Resolution affirms Water Division's approval of Cal-Am's request for authorization of 2022 escalation year rates through AL's 1357 and 1360. This Resolution also affirms Water Division's approval of Cal-Am's request for authorization to implement its ACAM and adopt actual consumption data for use in 2022 through AL's 1357 and 1360.

## **BACKGROUND**

Through Application (A.) 19-07-004 and Decision (D.) 21-11-018, the Commission authorized Cal-Am to file 2022 escalation advice letters:

Ordering Paragraph 5. Decision 07-05-062 requires escalation filings to be filed no later than 45 days prior to the start of the escalation year. Considering the effective date of this decision, California-American Water Company shall submit its 2022 escalation advice letters within 60 days from the effective date of this decision. The 2022 escalation advice letters shall be effective 45 days from the date of filing.

Cal-Am accordingly filed advice letter (AL) 1357 to request 2022 escalation year rates for Cal-Am's Central Division service area.

Through A.19-07-004 and D.21-11-018, the Commission also authorized Cal-Am to submit Annual Consumption Adjustment Mechanism (ACAM) filings for 2022:

Ordering Paragraph 7. The Annual Consumption Adjustment Mechanism (ACAM) filings for 2022 shall be filed concurrently with the 2022 Escalation filings via Tier 2 advice letters as approved in Settlement 1. The ACAM filings shall be submitted 60 days from the effective date of this decision. Upon approval of the Tier 2 advice letter, California American Water will file a Tier 1 advice letter to implement new rates effective 45 days after the Tier 2 filing.

Cal-Am accordingly filed advice letter 1360 to implement the ACAM for 2022.

Water Division approved AL 1360 on April 5, 2022. Water Division approved AL 1357 on March 25, 2022.

## **NOTICE AND PROTESTS**

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

In accordance with GO 96-B, General Rules 4.3 and 7.2, and Water Industry Rule 4.1, Cal-Am mailed or electronically transmitted a copy of ALs 1357 and 1360 on January

18, 2022, to competing and adjacent utilities and other utilities or interested parties having requested such notification.

On April 25, 2022, Mr. Lucido submitted a protest of AL 1357 and AL 1360 on the grounds that the utility did not properly serve notice of the advice letter to him, the advice letter contains material error or omissions, and the relief requested is unjust, unreasonable, and discriminatory. Water Division determined that Cal-Am did not properly serve notice of the advice letters to Mr. Lucido and granted him consideration of a late-filed protest.

On May 18, 2022, Cal-Am filed a response to Mr. Lucido's protest. Cal-Am states that the protest makes claims and objects to D.21-11-018 and contains no facts or law that preclude the approval of AL 1357 or AL 1360 and should be rejected.

On July 18, 2022, Water Division filed a disposition addressing Mr. Lucido's protest that affirms approval of AL 1357 and AL 1360. Water Division found that Cal-Am's request in AL 1357 and AL 1360 comply with D.21-11-018 and all calculations are correct.

On August 5, 2022, Mr. Lucido filed a request (Request) for Commission review of Water Division's disposition.

## **DISCUSSION**

In the Request, Mr. Lucido states that the residential fire protection service (RFPS) rates were established to reduce the monthly service charge for customers who have a larger meter size due to fire protection systems. Mr. Lucido also states that at one point, Pre-2015 implementation of the Water Revenue Adjustment Mechanism (WRAM), meter-based surcharges were incorrectly billed using a larger meter size for RFPS customers and AL 1248 previously revised the RFPS tariff to correct the error. Mr. Lucido further states that Cal-Am replaced the RFPS rates with the meter-based Multi-use Sur-credit in order to produce the same effect while simplifying rate design.

Mr. Lucido alleges that the Multi-use Sur-credits in the Central Division are discriminatory because higher meter factors are used, compared to other districts, for determining monthly service charges and the resulting Multi-use Sur-credits.

In D.21-11-018, the Commission found Cal-Am's Joint Settlement between Cal-Am, Cal-Advocates, and the Cities of Duarte, San Marino, and Thousand Oaks (the Settlement), as it relates to Special Request #15 to eliminate RFPS meter charges across all districts, to be reasonable in light of the whole record of the proceeding, consistent with the law, and in the public interest.<sup>1</sup> The Commission approved and adopted the Settlement in Ordering Paragraph 2 of D.21-11-018.

Meter factors and Multi-use Sur-credits were agreed upon in the Settlement in lieu of RFPS meter charges and as such, have been approved and adopted by the Commission in D.21-11-018. Cal-Am does not request any changes to meter factors in AL 1357, 1360, or any of its districts in the 2022 escalation filings - AL 1356, 1357, 1358, 1359, 1360, 1361, 69-S, or 70-S.

The Multi-use Sur-credits are calculated in AL 1357 for the Central Division using the same calculations utilized in D.21-11-018, with the addition of 2022 escalation rates, as authorized by Ordering Paragraph 5. Cal-Am's request in 1357 does not introduce any deviations from D.21-11-018 that produce, or could produce, discrimination as alleged by Mr. Lucido. A protest may not rely on policy objections to an advice letter where the relief requested follows directions established by Commission order.

We find that the Multi-use Sur-credits are correctly calculated in AL 1357 and do not discriminate against Central Division customers compared to other Cal-Am Districts.

Monthly service charges, and subsequently the Multi-use Sur-credits, are unchanged by Cal-Am's request in Cal-Am's AL 1360 to implement Cal-Am's Annual Consumption Adjustment Mechanism. As such, Mr. Lucido's allegations regarding the meter-based Multi-Use Sur-credit are not applicable to AL 1360 and should be rejected.

Mr. Lucido also states that the adopted number of meters in the Central Division is incorrect.

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<sup>1</sup> Application 19-07-004, Special Request #15 includes a proposal to eliminate Residential Fire Protection Service (RFPS) meter charges for all districts and add a meter-based sur-credit that would produce the same effect.

The number of adopted meters used in the calculations for AL 1357 matches the authorized amount in D.21-11-018. We find that the adopted number of meters in the Central Division used in AL 1357 is correct.

We find that the requests made by Cal-Am in AL 1357 and 1360 are reasonable, in compliance with D.21-11-018, and Water Division's denial of Mr. Lucido's protests should be affirmed.

## **AFFORDABILITY OF PROPOSED RATES**

In February 2019, the Commission adopted an Environmental and Social Justice Action Plan (ESJ Action Plan) to serve as a roadmap to expand public inclusion in Commission decision-making processes to targeted communities across California. The ESJ Action Plan establishes a series of goals related to health and safety, consumer protection, program benefits, and enforcement in all the sectors the Commission regulates. On April 7, 2022, the Commission adopted Version 2.0 of the Plan to guide its decisions and make sure its broad regulatory authority continues to advance equity throughout the state. With this Resolution, the Commission addresses Goal #1 of the ESJ Action Plan, "Consistently integrate equity and access considerations throughout Commission regulatory activities."

With this Resolution, the Commission assesses whether Cal-Am's request in AL 1357 and 1360 introduce discrimination or inequity into customer water rates even though Cal-Am's Central Division service area is not classified as a disadvantaged community. The California Communities Environmental Health Screening Tool, Version 4 (CalEnviroScreen 4.0)<sup>2</sup> provided by the Office of Environmental Health Hazard Assessment (OEHHA), identifies disadvantaged communities by collecting multiple metrics and calculating a single value for the census tract scale. The request in AL 1357 makes a focused change to water rates by applying 2022 inflation rates that have been agreed upon by the Commission. These changes have been correspondingly requested across Cal-Am's service territories in AL 1356, 1357, 1358, 1359, 1360, 1361, 69-S, and 70-S. The relief requested does not introduce discrimination or inequity into customer water rates.

The relief requested in AL 1357 and 1360 will provide the utility the necessary revenues to continue to provide safe and reliable water service to its customers. The water served by Cal-Am meets all applicable water quality standards set-forth by the

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<sup>2</sup> <https://oehha.ca.gov/calenviroscreen/report/calenviroscreen-40>

State Water Resource Control Board's Division of Drinking Water. Therefore, we conclude Cal-Am is meeting the ESJ Action Plan's goal of providing access to high-quality water for all its customers.

## **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 for public comment.

No comments were received.

## **FINDINGS AND CONCLUSIONS**

1. On January 18, 2022, California-American Water Company (Cal-Am) filed Advice Letter (AL) 1357 requesting authority for adoption of 2022 escalation year rates for Cal-Am's Central Division service area.
2. On January 18, 2022, Cal-Am filed Advice Letter 1360 requesting authority to implement its Annual Consumption Adjustment Mechanism (ACAM) and adopt actual consumption data for use in 2022.
3. Water Division approved AL 1360 on April 5, 2022.
4. Water Division approved AL 1357 on March 25, 2022.
5. On April 25, 2022, Mr. Lucido submitted a protest of AL 1357 and AL 1360 on the grounds that the utility did not properly serve notice of the advice letter to him, the advice letter contains material error or omissions, and the relief requested is unjust, unreasonable, and discriminatory.
6. Water Division determined that Cal-Am did not properly serve notice of the advice letters to Mr. Lucido and granted him consideration of a late-filed protest.
7. On May 18, 2022, Cal-Am filed a response to Mr. Lucido's protest.

8. Cal-Am states that the protest makes claims and objects to D.21-11-018 and contains no facts or law that preclude the approval of AL 1357 or AL 1360 and should be rejected.
9. On July 18, 2022, Water Division filed a disposition of Mr. Lucido's protest that affirms approval of AL 1357 and AL 1360.
10. Water Division's disposition found Cal-Am's request in AL 1357 and AL 1360 to be in compliance with D.21-11-018 and all calculations to be correct.
11. On August 5, 2022, Mr. Lucido filed a request (Request) for Commission review of Water Division's disposition.
12. In Mr. Lucido's Request, Mr. Lucido alleges that Central Division customers are not treated equally compared to other districts due to a higher meter factor for determining monthly service charges for customers with residential fire protection services (RFPS).
13. Mr. Lucido's Request states that the adopted number of meters in the Central Division is incorrect.
14. In D.21-11-018, the Commission approved Cal-Am's methodology for calculating a sur-credit (Multi-use Sur-credit) for customers who have oversized meters due to the need for residential fire protection services (RFPS).
15. In compliance with D.21-11-018, Ordering Paragraph 5, Cal-Am filed AL 1357 to implement 2022 escalation year rates and update the Multi-use Sur-credits for RFPS customers accordingly.
16. We find that the Multi-use Sur-credits are correctly calculated in AL 1357 for the Central Division using the correct methodology utilized in D.21-11-018, with the addition of 2022 escalation rates, as authorized by Ordering Paragraph 5.
17. Cal-Am's request in AL 1357 does not introduce any deviations from D.21-11-018 that produce discrimination as alleged by Mr. Lucido.
18. We confirm that the number of adopted meters used in the calculations for AL 1357 is correct as authorized in D.21-11-018.

19. We find that meter-based Multi-use Sur-credits are unaffected by the relief requested in Cal-Am's AL 1360 to implement Cal-Am's Annual Consumption Adjustment Mechanism.
20. Mr. Lucido's meter-based allegations in his Request are not applicable to AL 1360 and should be rejected.
21. We find that the requests made by Cal-Am in AL 1357 and 1360 are reasonable, in compliance with D.21-11-018, and Water Division's denial of Mr. Lucido's protests should be affirmed.

**THEREFORE, IT IS ORDERED THAT:**

1. Water Division's disposition approving California-American Water Company's Advice Letter 1357 request for approval of 2022 escalation year rates for the Central Division in Accordance with Decision 21-11-018 and denying Mr. Lucido's protest is affirmed.
2. Water Division's disposition approving California-American Water Company's Advice Letter 1360 request to implement 2022 Annual Consumption Adjustment Mechanism changes to consumption for the Monterey service area and denying Mr. Lucido's protest is affirmed.

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 March 16, 2023; the following Commissioners voting favorably thereon:

*/s/RACHEL PETERSON*

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Executive Director

ALICE BUSCHING REYNOLDS  
President  
GENEVIEVE SHIROMA  
DARCIE L. HOUCK  
JOHN REYNOLDS  
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