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Exhibit Number : Cal Adv - #  
Commissioner : Genevieve Shiroma  
Administrative Law Judge : Jacob Rambo  
Public Advocates Office  
Witness : Mukunda Dawadi



**PUBLIC ADVOCATES OFFICE**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**REPORT ON THE MEMORANDUM AND  
BALANCING ACCOUNTS  
&  
SPECIAL REQUESTS 2, 3, 6, 13, 14, AND 16**

**CALIFORNIA AMERICAN WATER COMPANY**  
**General Rate Case Application 22-07-001**  
**Test Year 2024**

San Francisco, California  
April 13, 2023

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## MEMORANDUM

1  
2 The Public Advocates Office at the California Public Utilities Commission (“Cal  
3 Advocates”) examined application material, data request responses, and other  
4 information presented by California American Water Company (“Cal Am”) in  
5 Application (“A.”) 22-07-001 to provide the California Public Utilities Commission  
6 (“Commission” or “CPUC”) with recommendations in the interests of ratepayers for safe  
7 and reliable service at the lowest cost. Mr. Cortney Sorensen is Cal Advocates’ project  
8 lead for this proceeding. This Report is prepared by Mr. Mukunda Dawadi. Mr.  
9 Mukunda Dawadi is the oversight supervisor. Ms. Angela Wuerth and Ms. Emily Fisher  
10 are the legal counsel.

11 Although every effort was made to comprehensively review, analyze, and provide  
12 the Commission with recommendations on each ratemaking and policy aspect presented  
13 in the Application, the absence from Cal Advocates’ testimony of any particular issue  
14 connotes neither agreement nor disagreement of the underlying request, methodology, or  
15 policy position related to that issue.

Chapter #	Description	Witness
1	Memorandum and Balancing Accounts	Mukunda Dawadi
2	Special Requests 2, 3, 6, 13, 14, and 16	Mukunda Dawadi

1           **CHAPTER 1 MEMORANDUM AND BALANCING ACCOUNTS**

2   **I.     INTRODUCTION**

3           Cal Am requests continuance, recovery, and closure of various memorandum and  
4 balancing accounts in this proceeding. The total amount requested for recovery was a net  
5 over collection of \$4,834,457, as of May 31, 2022, to be returned to ratepayers via  
6 refund.<sup>1</sup> However, Cal Am made an error in its original filing and subsequently revised  
7 the total to a net under collection of \$10,616,827 to be levied on ratepayers via a  
8 surcharge.<sup>2</sup> Additionally, Cal Am requests to continue 49 accounts, and close seven  
9 accounts.<sup>3</sup>

10 **II.    SUMMARY OF RECOMMENDATIONS**

11           Cal Am did not satisfactorily meet Commission standards to justify recovery for  
12 many accounts in this proceeding. There are many errors and inconsistencies in Cal Am’s  
13 filing. The Commission should authorize a net over collection of \$992,234 to be returned  
14 to ratepayers via a refund.<sup>4</sup>

15           Additionally, Cal Am did not adequately demonstrate a continued need for at least  
16 31 of its memorandum and balancing accounts. The Commission should close those  
17 accounts following the individual recommendations presented in Sections B, C, and D of  
18 this chapter. Table 1-1 summarizes the recommendations made in this chapter.

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<sup>1</sup> Clarke Direct Testimony Attachment 1. Sum of accounts annotated “Transfer to CEBA for recovery.”

<sup>2</sup> Amended request in the 100-day update resulting from data request JR6-02.

<sup>3</sup> Clarke Direct Testimony Attachment 1.

<sup>4</sup> See Total Cal Advocates Recommended Recovery in Table 1-1.

**Table 1-1: Summary of Balancing and Memorandum Accounts<sup>5</sup>**

Account Name	Cal Am Tracked Balance: 100-Day Update	Cal Am Tracked Balance: Initial Request, Clarke Direct Testimony Attachment 1	Difference Initial Testimony to 100-day Update	Cal Am Close or Continue?	Cal Am Request for Recovery 100-Day Update	Cal Advocates Close or Continue?	Cal Advocates Recommended Recovery	Difference
Consolidated Expense Balancing Account	(11,690,987)	(11,690,987)	0	Continue	n/a	Continue	n/a	n/a
Water Revenue Adjustment Mechanism (WRAM) & Modified Cost Balancing Accounts (MCBA)	(20,338,766)	(20,338,766)	0	Continue	NR	Continue	n/a	n/a
School Lead Testing Memorandum Account	(1,144)	(1,144)	0	Continue	(1,144)	Continue	0	1,144
Two-Way Tax Memorandum Account	35,622,161	35,622,161	0	Continue	NR	Continue	n/a	n/a
Customer Assistance Program (CAP) Balancing Account	2,954,881	2,954,881	0	Continue	NR	Continue	n/a	n/a
California American Water Conservation Surcharge Balancing Account	1,574,356	1,574,356	0	Close	1,574,356	Close	1,574,356	0
Credit Card Memorandum Account	(1,142,344)	(1,142,344)	0	Continue	(1,142,344)	Close	(1,142,344)	0
Water Contamination Litigation Expense Memorandum Account	0	0	0	Continue	NR	Close	n/a	n/a
Catastrophic Event Memorandum Account	(9,467,577)	5,983,707	(15,451,284)	Continue	(9,467,577)	Continue	0	9,467,577
Group Insurance Balancing Account	(562,859)	(562,859)	0	Continue	(562,859)	Close	(562,859)	0
Pension Balancing Account	(66,220)	(66,220)	0	Continue	(66,220)	Close	0	66,220
Other Post-Employment Benefits (OPEB) Balancing Account	2,392,920	2,392,920	0	Continue	2,392,920	Close	0	(2,392,920)
Purchased Water, Purchased Power and Pump Tax Balancing Account	0	0	0	Continue	NR	Close	n/a	n/a
Monterey Wastewater Purchased Power Expense Balancing Account	105,938	105,938	0	Continue	105,938	Close	0	(105,938)
Affiliate Transaction Memorandum Account	12,357	12,357	0	Continue	12,357	Continue	0	(12,357)
GRC Interim Rate True-Up Memorandum Account	(12,242,876)	(12,242,876)	0	Continue	NR	Continue	n/a	n/a
Chromium 6 Memorandum Account	(857,628)	(857,628)	0	Continue	(857,628)	Close	(857,628)	0
West Placer Memorandum Account	(9,117,565)	(5,761,000)	(3,356,565)	Continue	NR	Continue	n/a	n/a
Sustainable Groundwater Management Act Memorandum Account	(863,321)	(863,321)	0	Continue	(863,321)	Close	(863,321)	0
Garrapata Safe Drinking Water State Revolving Fund (SDWSRF) Loan Repayment Balancing Account	(19,945)	(19,945)	0	Continue	NR	Continue	n/a	n/a
Water-Energy Nexus Program Memorandum Account	(4,204)	(4,204)	0	Continue	(4,204)	Close	0	4,204
Public Safety Power Shut-off (PSPS) Memorandum Account	(375,493)	(375,493)	0	Continue	(375,493)	Close	(375,493)	0
Special Facilities Fee Memorandum Account	(1,529,925)	17,399,351	(18,929,276)	Continue	NR	Continue	n/a	n/a
Central Basin Contamination Memorandum Account	0	0	0	Continue	NR	Close	n/a	n/a
Drought Memorandum Account	(136,460)	(136,460)	0	Continue	NR	Continue	n/a	n/a
Drinking Water Fees Memorandum Account	0	0	0	Continue	NR	Close	n/a	n/a
TCP Litigation Proceeds Memorandum Account	3,657,555	3,657,555	0	Continue	NR	Continue	3,657,555	3,657,555
National Oceanic & Atmospheric Endangered Species Act (NOAA/ESA) Memorandum Account	(1,112,400)	(1,112,400)	0	Continue	NR	Continue	n/a	n/a
San Clemente Dam Balancing Account	(61,875,056)	(61,875,056)	0	Continue	NR	Continue	n/a	n/a
Endangered Species Act (ESA) Memorandum Account	(510,117)	(510,117)	0	Continue	(510,117)	Close	0	510,117
Coastal Water Project Memorandum Account	(11,788,816)	(196,143,043)	184,354,227	Continue	NR	Continue	n/a	n/a
Seaside Groundwater Basin Memorandum Account	0	0	0	Continue	NR	Close	n/a	n/a
Seaside Groundwater Basin Balancing Account	203,091	203,091	0	Continue	203,091	Close	0	(203,091)
Emergency Rationing Costs Incurred by California American Water Memorandum Account	0	0	0	Continue	NR	Continue	n/a	n/a
Monterey Cease and Desist Order Memorandum Account	(219,005)	(219,005)	0	Continue	(219,005)	Continue	0	219,005
Monterey One-Way Leak Adjustment Balancing Account	0	0	0	Close	NR	Close	n/a	n/a
Cease and Desist Order - Penalties and Fines Memorandum Account	0	0	0	Continue	0	Close	0	0
MPWSP Phase I Project Cost Memorandum Account	(196,420,072)	0	(196,420,072)	Continue	NR	Continue	n/a	n/a
MPWSP Operations and Maintenance Memorandum Account	0	0	0	Continue	NR	Continue	n/a	n/a
Memorandum Account for Environmental Compliance Issues for Acquisitions	0	0	0	Continue	0	Close	0	0
Dunnigan Consulting Memorandum Account	(397,545)	(397,545)	0	Close	(397,545)	Close	0	397,545
Hillview Safe Drinking Water State Revolving Fund (SDWSRF) Loan Repayment Balancing Account	(23,615)	(23,615)	0	Continue	NR	Continue	n/a	n/a
Fruitridge Safe Drinking Water State Revolving Fund (SDWSRF) Loan Repayment Balancing Account	(344,637)	(344,637)	0	Continue	NR	Continue	n/a	n/a
Hillview Grant Tax Balancing Account	(86,129)	(86,129)	0	Continue	NR	Continue	n/a	n/a
Hillview Tariffed Balancing Account	12,520	12,520	0	Close	12,520	Close	12,520	0
Hillview Purchased Power Balancing Account	(21,930)	(21,930)	0	Close	(21,930)	Close	(21,930)	0
Hillview Water Testing Cost Memorandum Account	20,193	20,193	0	Close	20,193	Close	20,193	0
Hillview Water Treatment Cost Memorandum Account	52,513	52,513	0	Close	52,513	Close	52,513	0
Rio Plaza Groundwater Management Memorandum Account	(36,028)	(36,028)	0	Continue	(36,028)	Continue	(36,028)	0
Rio Plaza Transaction Memorandum Account	(22,578)	(22,578)	0	Continue	(22,578)	Close	(22,578)	0
Meadowbrook Contribution in Aid of Construction Account	259,478	259,478	0	Continue	NR	Continue	n/a	n/a
Fruitridge Vista Transaction Memorandum Account	(416,865)	(416,865)	0	Continue	(416,865)	Close	(416,865)	0
East Pasadena Transaction Memorandum Account	(25,857)	(25,857)	0	Continue	(25,857)	Close	(25,857)	0
East Pasadena Purchased Power Balancing Account	0	0	0	Continue	0	Close	0	0
East Pasadena Purchased Water Balancing Account	0	0	0	Continue	0	Close	0	0
East Pasadena Pumping Assessment Cost Balancing Account	0	0	0	Continue	0	Close	0	0
<b>Total</b>	<b>(294,850,001)</b>	<b>(245,047,031)</b>	<b>(49,802,970)</b>		<b>(10,616,827)</b>		<b>992,234</b>	<b>11,609,061</b>

\*NR Denotes Not Requested to Recover

Cal Am		Cal Advocates	
Continue	49	Continue	25
Close	7	Close	31

1

2

1 **III. ANALYSIS**

2 This chapter will first discuss general issues and concerns found with Cal Am’s  
3 memorandum and balancing accounts requests, followed by a section dedicated to  
4 addressing Cal Am’s individual account requests.<sup>6</sup>

5 **A. Cal Am Demonstrates Substandard Administration of Memorandum and**  
6 **Balancing Accounts**

7 There are many inconsistencies in Cal Am’s memorandum and balancing account  
8 requests. These inconsistencies include data errors, testimony errors, accounting  
9 discrepancies, and requests to recover inappropriate expenses.<sup>7</sup> These repeated  
10 inconsistencies demonstrate a pattern of substandard administration of memorandum and  
11 balancing accounts.

12 **1. Errors found in Cal Am’s memorandum and**  
13 **balancing account request.**

14 Cal Am’s General Rate Case (“GRC”) filing contains a material  
15 error in the Catastrophic Event Memorandum Account (“CEMA”) that  
16 significantly understates the total amount Cal Am requests to recover from  
17 ratepayers in this GRC. In a data request response, Cal Am admitted it had  
18 erroneously reported one component of the CEMA as an over collection  
19 instead of an under collection to be corrected in the 100-day update.<sup>8</sup> The

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<sup>5</sup> Balances are as of May 31, 2022. Balances are sorted by district in Cal Am’s filing but combined and totaled in this table for readability.

<sup>6</sup> Cal Am’s authorized memorandum and balancing accounts listed in the preliminary statement provided on the company’s [website](#). The accounts Cal Am requests for recovery are annotated by “transfer to CEBA for recovery” in Clarke Direct Testimony Attachment 1. Cal Advocates presents a summary of its recommendations, by individual account, in Table 1-1, in the summary of recommendations.

<sup>7</sup> See Section A.1-3 and B.9 of this Chapter.

<sup>8</sup> “The May 31, 2022 balance originally provided was incorrect and shown as an over-collection of \$7,209,114. This was corrected in Attachment 4 to the 100 Day Update to show a balance of (\$8,242,170), a total error of (\$15,451,284).” See Attachment 1-2 Excerpt from Cal Am’s Response to

amount reported in 100-day update was also incorrect.<sup>9</sup> Table 1-2 shows the amounts requested for recovery in the original filing and the amounts reported in the 100-day update.

**Table 1-2: CEMA Balance, as of May 31, 2022, Presented in the Application Filing in July 2022 and in 100-Day Update in October 2022**

	<b>Over/(Under) Collection Balance Presented in July 2022<sup>10</sup></b>	<b>Over/(Under) Collection Balance Presented in October 2022<sup>11</sup></b>
All CA - Opex	\$35,856	\$35,856
All CA - Capex	\$7,209,114	(\$8,242,170)
Pandemic	(\$1,261,263)	(\$1,261,263)
<b>Refund</b>	<b>\$5,983,707</b>	<b>(\$9,467,577)</b>

The new balance provided in the 100-day update juxtaposed with the balance in Cal Am’s initial filing represents a \$15,451,284 error. This error also causes Cal Am’s total recovery request to be a net surcharge instead of a net refund, a significant departure from the original filing.<sup>12</sup>

Cal Am is required by statute to administer its accounts correctly and to provide accurate data to the Commission.<sup>13</sup> Cal Am’s failure to accurately administer this account led the Commission and the parties in

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Cal Adv JR6 06.

<sup>9</sup> Over-collection of \$7,209,114 in application filings in July 2022 versus under-collection of \$8,242,170 in 100-day updates in October 2022.

<sup>10</sup> Clarke Direct Testimony Attachment 1 A-9 (filed on July 1, 2022).

<sup>11</sup> A2207001 GRC 100-Day update Attachment 4 A-9 (filed on October 10, 2022).

<sup>12</sup> The total amounts requested to be transferred to the CEBA, as presented in Clarke Direct Testimony Attachment 1, result in a net refund of \$4,834,457.

<sup>13</sup> Public Utilities Code sections 581, 582, and 584 require that the utility provide timely, complete, and accurate data to the CPUC.



1 this proceeding to believe that Cal Am’s request was to return a net refund  
2 to ratepayers instead of a net surcharge. This material modification to Cal  
3 Am’s request midway through the GRC process impedes the Commission’s  
4 review process and creates a lack of transparency for Cal Am’s customers.

5 **2. Cal Am erroneously provided testimony for**  
6 **accounts that did not exist or requested recovery**  
7 **for accounts with a \$0 balance.**

8 Cal Am included a request for continuance and recovery of the  
9 Purchased Water, Purchased Power, and Pump Tax Balancing Account  
10 (“PWPPPT”) balance that no longer exist.<sup>14</sup> In its initial filing, Cal Am  
11 requested to transfer the balance of the PWPPPT to the CEBA for recovery  
12 and to continue the account.<sup>15</sup> However, during discovery, Cal Am realized  
13 that this account was included in the direct testimony of Michael Clarke in  
14 error.<sup>16</sup>

15 Additionally, for two accounts, Cal Am erroneously requests  
16 authorization to transfer balances to the CEBA for recovery for which the  
17 company records a \$0 balance.<sup>17</sup>

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<sup>14</sup> The PWPPPT balancing account was closed in Advice Letter 1377.

<sup>15</sup> “California American Water recommends transferring the balances to the CEBA.” Clarke Direct Testimony p.13.

<sup>16</sup> “The Purchased Water, Purchased Power and Pump Tax Balancing account was included in the direct testimony of Witness Michael Clarke in error.” See Attachment 1-3, Cal Am’s Response to Cal Advocates’ Data Request JR6-05.

<sup>17</sup> Cal Am erroneously requests to transfer the CEBA for recovery balances from the Cease-and-Desist Order – Penalties and Fines Memorandum Account and the Memorandum Account for Environmental Compliance Issues for Acquisitions. These two accounts are discussed in Section C (#37) and Section D of this Chapter. Further, see zero balances noted in GRC 100 Day Update, Attachment 4: B-10 (Cease-and-Desist Order – Penalties and Fines Memorandum Account) and C-1 (Memorandum Account for Environmental Compliance Issues for Acquisitions).

1                   These errors are part of a pattern exhibited throughout this filing that  
2                   can create confusion and misperception for Cal Am’s customers and the  
3                   Commission.

4                   **3. Cal Am did not substantiate or verify the amounts**  
5                   **for many memorandum and balancing accounts**  
6                   **requested for recovery.**

7                   Amounts in Cal Am’s memorandum and balancing account  
8                   testimony and workpapers should be supported by individual general ledger  
9                   transaction data or detailed calculations. Failure to provide adequate data  
10                  necessitates the denial of recovery of the account. For example, if Cal Am  
11                  requests recovery of a balance of \$1,000,000 tracked in a memorandum  
12                  account, but the general ledger transaction or calculation methodology  
13                  results in a total of \$500,000, there is insufficient data to support the  
14                  balance requested and the balance should not be authorized for recovery.

15                  During review, Cal Advocates requested five years of supporting  
16                  transaction entries (sometimes referred to as the general ledger) comprising  
17                  each of Cal Am’s balancing and memorandum account recovery requests.<sup>18</sup>  
18                  Cal Am provided the data; however, the summed total of individual  
19                  transactions did not match the amounts Cal Am requested for recovery in at  
20                  least 13 instances.<sup>19</sup> For those instances where the amounts did not match,  
21                  Cal Advocates requested updated general ledger data to reconcile the  
22                  discrepancies.<sup>20</sup> Cal Am provided updated general ledgers for a few  
23                  missing accounts, but for the accounts whose totals did not match, Cal Am  
24                  instead referred back to the initial general ledger data with additional

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<sup>18</sup> See Attachment 1-4 Cal Am’s Response to Cal Advocates’ Data Request JR6-02, Q.1.

<sup>19</sup> See Table 1-3 in this Chapter.

<sup>20</sup> See Attachment 1-2 Cal Am’s Response to Cal Advocates’ Data Request JR6-06.

1 instructions that would ostensibly match the balances shown in testimony.<sup>21</sup>  
2 However, after review, the balances generally did not match the amounts  
3 presented in Cal Am's testimony.<sup>22</sup>

4 To illustrate the discrepancies found in Cal Am's memorandum and  
5 balancing accounts, Table 1-3 below details 1) the balances as of May 31,  
6 2022 reported in Cal Am's filed testimony,<sup>23</sup> 2) the updated balances as of  
7 July 1, 2022 provided in data request response to JR6-02,<sup>24</sup> 3) the summed  
8 total derived from the accounts respective general ledger, and 4) the  
9 summed total using Cal Am's instructions provided in response to data  
10 request JR6-06.<sup>25</sup>

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<sup>21</sup> California American Water has provided the general ledger activity that totals to and matches the amounts in Column 1 and Column 2. If the Public Advocates Office starts with the beginning balance as of January 1, 2018, which was provided in response to Data Request response JR6-02, and adds the activity from January 1, 2018 through June 30, 2022, provided in response to Data Request JR6-02, the balances agree to the ending balance as of July 1, 2022. Similarly, if the activity through May 31, 2022 is added to the January 1, 2018 beginning balance, it will tie to the balances provided as of May 31, 2022. See Attachment 1-2, Cal Am's Response to Cal Advocates' Data Request JR6-06.

<sup>22</sup> Cal Advocates' discovery requests for memorandum and balancing account individual transaction data took a long time for Cal Am to respond to.

<sup>23</sup> See Clarke Direct Testimony Attachment 1.

<sup>24</sup> See Attachment 1-4: Cal Am's Response to Cal Advocates' Data Request JR6-02;

<sup>25</sup> See Attachment 1-2 Cal Am's Response to Cal Advocates' Data Request JR6 06. Support for the amounts presented in Table 1-3 are from the general ledger details. The general ledger details provided in JR6-02 for some accounts exceeded 200,000 transaction entries and could not reasonably be provided as an attachment.

1 **Table 1-3: Memorandum and Balancing Account General Ledger Discrepancies**

Account Name	Clarke Direct Testimony Balance as of May 31, 2022	Balance as of July 1, 2022	General Ledger Response to JR6-02 Total	Updated Instructions Response to JR6-06
School Lead Testing MA	(1,144)	(1,144)	(3,444)	(3,444)
Two-Way Tax MA	35,622,161	35,622,161	Not Provided	35,622,161
Customer Assistance Program BA	2,954,881	2,830,978	(5,972,849)	(6,120,079)
Conservation Surcharge BA	1,574,357	Not Provided	Not Provided	1,574,357
Credit Card MA	(1,142,344)	(1,212,889)	1,212,889	n/a
Catastrophic Event MA				
All CA - Opex	35,856	32,386	Not Provided	(101,812)
All CA - Capex	7,209,114	(8,631,830)	8,288,183	8,209,564
Pandemic	(1,261,263)	(1,372,050)	Not Provided	(1,372,050)
Group Insurance BA	(562,859)	(531,956)	531,956	n/a
Pension Expense BA	(66,220)	(75,620)	6,003,628	5,983,854
OPEB BA	2,392,920	2,423,486	(2,280,383)	(2,249,818)
Monterey Wastewater Purchased Power BA	105,938	114,388	(382,060)	(373,610)
Affiliate Transaction BA	12,357	88,065	61,167	61,167
Chromium 6 MA				
OpEx	(857,628)	(858,372)	858,372	n/a
CapEx	Not Provided	(10,397,809)	Not Provided	(10,397,809)
West Placer Memo Account	(5,761,000)	(5,761,100)	(5,761,100)	n/a
Sustainable Groundwater Management Act MA	(863,321)	(863,321)	863,321	n/a
Garrapata SDWSRF Loan Repayment BA	(19,945)	(19,949)	4,860	4,860
Water Energy Nexus BA	(4,204)	(4,204)	(242,304)	(242,304)
Public Safety Power Shutoff MA	(375,493)	(402,533)	402,533	n/a
Special Facilities Fees MA				
Purchases	9,469,650	9,469,650	Not Provided	9,469,650
Collections	7,849,712	(7,849,712)	Not Provided	(7,859,712)
Interest	79,989	78,816	(79,989)	n/a
Drought MA	(136,460)	(314,952)	314,952	n/a
TCP Litigation Proceeds MA	3,657,555	3,657,555	(3,657,555)	n/a
Endangered Species Act MA	(510,117)	(510,117)	(1,192,073)	(1,228,278)
Seaside Groundwater Basin BA	203,091	200,299	812,164	809,372
Monterey CDO MA	(219,005)	(219,284)	(3,700,985)	(3,701,003)
Dunnigan Consulting MA	(397,545)	(397,545)	72,593	72,593
<b>Legend</b>				
		Total did not match General Ledger		
		Total did not match General Ledger w/ updated instructions		
		Updated instructions resolved discrepancy		

1                   There are a few things to note in Table 1-3 above. The accounts  
2 marked 'n/a' in the last column are where the general ledger matched the  
3 balances as of either May 31, 2022, or July 1, 2022.<sup>26</sup> The amounts  
4 highlighted in orange did not reconcile. This demonstrates that Cal Am was  
5 able to provide sufficient general ledger support for some accounts but not  
6 others.

7                   The Commission's rules and standard practice dictate that a utility is  
8 allowed an opportunity to recover balances tracked in a memorandum  
9 account, but recovery is not guaranteed.<sup>27</sup> Further, the Commission  
10 General Orders require that any revenue or rate request be reasonable with  
11 the burden of proof lying heavily with the utility.<sup>28</sup> Because Cal Am did  
12 not provide supporting data to match the amounts provided in its testimony,  
13 recovery would not be consistent with these rules and principles. Thus, the  
14 Commission should deny Cal Am's request for recovery for any account  
15 with a discrepancy. Table 1-4 below outline the accounts that should not be  
16 granted recovery.

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<sup>26</sup> Support for the amounts presented in Table 1-3 are provided via general ledger excerpts. The general ledgers provided in JR6-02 for some accounts exceeded 200,000 transaction entries and could not reasonably be provided as an attachment.

<sup>27</sup> "The establishment of a memo account does not guarantee that the utility will recoup the tracked amount" *See* Standard Practice U-27-W Section B.6.

<sup>28</sup> Public Utilities Code section § 451 requires that the CPUC determine whether a utility's proposed rates, services, and charges are just and reasonable. Public Utilities Code Section § 454 requires utilities to demonstrate to the Commission that any proposed new rates are justified. The burden is on the utility to establish the reasonableness of the proposed new rates. The utility has the burden of proving by "clear and convincing evidence, the reasonableness of all the expenses it seeks to have reflected in rate adjustments." *Re Southern California Edison Company 11 CPUC 2d 474, 475 (D.83-05-036)*. It is the fundamental principle of public utility regulation that "the burden rests heavily upon a utility to prove it is entitled to rate relief and not upon the Commission, its staff or any interested party . . . to prove the contrary." (*Id.*)

1 **Table 1-4: Memorandum and Balancing Accounts with Discrepancies (\$)**

	<b>Account Name</b>	<b>Cal Am's Recovery Request Over/(Under) Collection as of 100-Day Update</b>	<b>General Ledger Support</b>	<b>Cal Advocates Recommendation</b>
1	School Lead Testing Memorandum Account	(1,144)	(3,444)	No Recovery
2	Catastrophic Event Memorandum Account	(9,467,577)	6,735,703	No Recovery
3	Pension Expense Balancing Account	(66,220)	5,983,854	No Recovery
4	OPEB Balancing Account	2,392,920	(2,249,818)	No Recovery
5	Monterey Wastewater Purchased Power BA	105,938	(373,610)	No Recovery
6	Affiliate Transaction Balancing Account	12,357	61,167	No Recovery
7	Water Energy Nexus Balancing Account	(4,204)	(242,304)	No Recovery
8	ESA Memorandum Account	(510,117)	(1,228,178)	No Recovery
9	Seaside Groundwater Basin Balancing Account	203,091	809,372	No Recovery
10	Monterey CDO Memorandum Account	(219,005)	(3,701,003)	No Recovery
11	Dunnigan Consulting Memorandum Account	(397,545)	72,593	No Recovery

2

3 **B. Discussion of Individual Memorandum and Balancing Account Requests**

4 **1. Consolidated Expense Balancing Account**

5 The Consolidated Expense Balancing Account (“CEBA”) is used to  
6 consolidate the amortized balances of Commission-approved balancing and  
7 memorandum accounts where appropriate.<sup>29</sup> Cal Am requests this account  
8 be continued in this proceeding.<sup>30</sup> Cal Advocates does not oppose this  
9 request. As mentioned in Table 1-1 in the Summary of Recommendations

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<sup>29</sup> Preliminary Statement Part L.

<sup>30</sup> Clarke Direct Testimony p.3

1 portion of this chapter, the Commission should only authorize the following  
 2 balancing and memorandum account balances to be transferred to the  
 3 CEBA account for recovery or refund.

4 **Table 1-5: Recommended Accounts Balances to be Transferred to CEBA**

<b>Balancing and Memorandum Accounts</b>	<b>Cal Advocates Recommended Refund (Recovery) Amounts</b>	<b>Cal Am Requested Refund (Recovery) as per 100-Day Update</b>	<b>Cal Advocates &gt; Cal Am</b>
California American Water Conservation Surcharge Balancing Account	\$1,574,356	\$1,574,356	\$0
Credit Card Memorandum Account	(\$1,142,344)	(\$1,142,344)	\$0
Group Insurance Balancing Account	(\$562,859)	(\$562,859)	\$0
Chromium 6 Memorandum Account	(\$857,628)	(\$857,628)	\$0
Sustainable Groundwater Management Act Memorandum Account	(\$863,321)	(\$863,321)	\$0
Public Safety Power Shut-off (PSPS) Memorandum Account	(\$375,493)	(\$375,493)	\$0
TCP Litigation Proceeds Memorandum Account	\$3,657,555	\$0	\$3,657,555
Hillview Tariffed Balancing Account	\$12,520	\$12,520	\$0
Hillview Purchased Power Balancing Account	(\$21,930)	(\$21,930)	\$0
Hillview Water Testing Cost Memorandum Account	\$20,193	\$20,193	\$0
Hillview Water Treatment Cost Memorandum Account	\$52,513	\$52,513	\$0
Rio Plaza Groundwater Management Memorandum Account	(\$36,028)	(\$36,028)	\$0
Rio Plaza Transaction Memorandum Account	(\$22,578)	(\$22,578)	\$0
Fruitridge Vista Transaction Memorandum Account	(\$416,865)	(\$416,865)	\$0
East Pasadena Transaction Memorandum Account	(\$25,857)	(\$25,857)	\$0
<b>Total Refund (Surcharge):</b>	<b>\$992,234</b>		

1  
2 **2. Water Revenue Adjustment Mechanism and**  
3 **Modified Cost Balancing Accounts**

4 Cal Am proposes various modifications to this account, including  
5 authorization of Fixed Cost and Incremental Cost Balancing Accounts with  
6 a request to implement a Water Resource Sustainability Plan (“WRS  
7 Plan”). These requests are detailed in Cal Am’s Special Requests #1 and  
8 #2. Special Request #1 is addressed in Cal Advocate’s witness Richard  
9 Rauschmeier’s testimony, and Special Request #2 is addressed in Chapter 2  
10 of this testimony.

11 **3. School Lead Testing Memorandum Account**

12 This account tracks the incremental expenses associated with  
13 conducting lead monitoring at schools within Cal Am’s service area.<sup>31</sup> Cal  
14 Am requests continuance of this account and authorization to transfer the  
15 outstanding under-collected balance of \$1,144 to the CEBA for recovery.<sup>32</sup>

16 Cal Advocates does not oppose continuance of the account, but the  
17 Commission should reject Cal Am’s recovery request. As discussed in  
18 detail in Section A.3 above, Cal Am’s requested recovery amounts did not  
19 reconcile with the underlying data. Therefore, the Commission should not  
20 authorize the recovery of this account in this GRC. The account should  
21 remain open to allow Cal Am the opportunity to track expenses and request  
22 recovery in the future.

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<sup>31</sup> Preliminary Statement Part AG.

<sup>32</sup> Clarke Direct Testimony at 4; 100-Day Update Clarke Direct Testimony Attachment 1.



1                   **4. Two-Way Tax Memorandum Account**

2                   Cal Am requests a continuance of the Two-Way Tax Memorandum  
3                   Account (“TMA”) to track only excess Accumulated Deferred Income  
4                   Taxes (“ADIT”) payback.<sup>33</sup> This account should remain open to keep track  
5                   of the excess ADIT and ensure the amounts are correctly applied to the tax  
6                   portion of the RO model. Cal Advocates does not oppose this request.

7                   **5. Customer Assistance Program Balancing Account**

8                   This account tracks revenues and recoveries associated with Cal  
9                   Am’s Customer Assistance Program (“CAP”) discounts and surcharges.<sup>34</sup>  
10                  Cal Am requests to continue this account. Cal Am also seeks to include in  
11                  this account costs incurred from customers using credit and debit bank  
12                  cards for bill payments.<sup>35</sup> Additionally, Cal Am proposes to include the  
13                  costs associated with the Low-Income Water/Energy Direct Install Program  
14                  to the recovery for this account to ensure CAP customers are not funding  
15                  this program.<sup>36</sup>

16                  Cal Am has correctly noted that low-income customers should be  
17                  exempt from costs associated with the Water/Energy Direct Install program  
18                  and credit/debit card fees used for bill payments. However, Cal Am’s  
19                  proposed solution to include the exempt costs for recovery in this account is  
20                  incorrect. Tracking and recovering the exempt costs in a balancing account  
21                  would exclude these program costs from the budgeting and expense  
22                  forecasting process. Essentially, if these items were included in this

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<sup>33</sup> Clarke Direct Testimony at 5.

<sup>34</sup> Clarke Direct Testimony at 6.

<sup>35</sup> Pilz Direct Testimony at 38 lines 24 to 26 and at 39 lines 7 to 11 (Special Request #16).

<sup>36</sup> Pilz Direct Testimony at 39.

1 balancing account, Cal Am would not have to exercise any spending  
2 restraint or budgetary discipline as to the credit card fees and installation  
3 program costs because Cal Am would still recover the difference between  
4 forecasted amounts adopted in the GRC and the actual recorded amounts  
5 later, when the balancing account is recovered. For example, Cal Am could  
6 choose a credit card merchant with the highest credit card processing fees  
7 or choose the highest-priced contractors for toilet installs and bear no  
8 financial burden for those decisions as any difference would ultimately be  
9 picked up in the CAP Balancing Account.

10 Rather than adding the proposed costs to the CAP Balancing  
11 Account, the Commission should keep the costs for these programs in base  
12 rates and allow Cal Am to increase the surcharge on non-CAP customers to  
13 ensure CAP customers do not incur exempt amounts. Adopting this  
14 recommendation would promote transparency and allow the Commission to  
15 review spending for these CAP-related programs within GRC proceedings.

## 16 **6. Conservation Surcharge Balancing Account**

17 The Conservation Surcharge Balancing account is a one-way  
18 balancing account approved to track conservation-related expenses and  
19 surcharges. The conservation surcharge has since been included in  
20 forecasted expenses and in base rates outlined in D.21-11-018. Thus, there  
21 is no longer a need for this account. The residual over-collected balance of  
22 \$1,574,356 should be transferred to the CEBA for refund, and this account  
23 should be closed, consistent with Cal Am's request.<sup>37</sup>

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<sup>37</sup> Clarke Direct Testimony at 6:25-28.

1                   **7.     Credit Card Memorandum Account**

2                   This account tracks credit card fees that have been waived for  
3                   customers that may result from the use of a credit card.<sup>38</sup> Cal Am requests  
4                   to transfer the outstanding under-collected balance of \$1,142,344 to the  
5                   CEBA for recovery and for the account to stay open until December 31,  
6                   2023, to be recovered in the next GRC.<sup>39</sup>

7                   With the enactment of Public Utilities Code section 755.5 (AB 1058)  
8                   credit card fees are a routine business expense that Cal Am should forecast  
9                   and include in base rates.<sup>40</sup> Thus, this account no longer meets the criteria  
10                  outlined in Commission Standard Practice U-27-W, and the Commission  
11                  should close the account.<sup>41</sup>

12                  **8.     Water Contamination Litigation Expense**  
13                  **Memorandum Account**

14                  The purpose of the Water Contamination Litigation Expense  
15                  Memorandum Accounts (“WCLEMA”) is to track costs associated with  
16                  litigating water contamination legal cases.<sup>42</sup> Cal Am requests to continue  
17                  this account.<sup>43</sup>

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<sup>38</sup> Preliminary Statement Part AE. As addressed in Section B.5 of this Chapter, credit card fees should not be levied on low-income non-CAP customers.

<sup>39</sup> Clarke Direct Testimony p.7:13-15.

<sup>40</sup> Pub. Util. Code section 755.5 took effect on January 1, 2022. *See* <https://openstates.org/ca/bills/20212022/AB1058/>

<sup>41</sup> Standard Practice U-27-W requires a memorandum account to track events of “an exceptional nature” that a) are not under the utilities control, b) could not have been reasonably foreseen in the utility's last general rate case, c) that will occur before the utility's next scheduled rate case, d) are of a substantial nature in that the amount of money involved is worth the effort of processing a memo account and e) have ratepayer benefits.

<sup>42</sup> Preliminary Statement Part Z.

<sup>43</sup> Clarke Direct Testimony at 7:20-25. The Commission originally authorized this account in Resolution

1 Cal Am tracks a WCLEMA balance of \$0 and there has been no  
2 account activity since Cal Am’s 2013 GRC.<sup>44</sup> Since the WCLEMA has had  
3 no activity for an extended period, the Commission should close this  
4 account without prejudice. Cal Am may request a new WCLEMA in the  
5 future if there is a need to track contamination litigation expenses that meet  
6 the criteria for memorandum account treatment.

7 **9. Catastrophic Event Memorandum Account**  
8 **(“CEMA”)**

9 The purpose of this account is to recover costs resulting from a  
10 catastrophic disaster or state of emergency.<sup>45</sup> Cal Am records costs to the  
11 CEMA associated with the fires in the Larkfield district and financial  
12 impacts due to the COVID-19 pandemic.<sup>46</sup> Cal Am requests to transfer the  
13 under-collected CEMA balance of \$9,467,577<sup>47</sup> to the CEBA for recovery  
14 and to continue the account. However, Cal Am’s request presents serious  
15 accounting and reporting issues.

16 First, as shown in Table 1-2 in Section A.1, Cal Am’s filing  
17 contained a material error in the form of a \$15,451,284 discrepancy  
18 between 100-day updates and application filings.<sup>48</sup> This error significantly

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W-4084 in 1998 and authorized all water utilities to establish this account at that time.

<sup>44</sup> See Attachment 1-3, Cal Am’s Response to Cal Advocates’ Data Request JR6-05, Q.1. In response Cal Am states, “California American Water undertook a review of Advice Letters and GRC proceedings since 2010. Based on this review, California American Water requested recovery of balances in its 2010 GRC (A.10-07-007); 2013 GRC (A.13-07-002); and through Advice Letter 905.”

<sup>45</sup> Preliminary Statement Part G

<sup>46</sup> Clarke Direct Testimony at pp. 8-11.

<sup>47</sup> All CA – Opex \$35,856, All CA – Capex (\$8,242,170), Pandemic (\$1,261,263). Total: (\$9,467,577) See GRC 100 Day Update at 586, A-9.

<sup>48</sup> The \$15,451,284 discrepancy between 100-day updates and application filings is discussed in detail in section A.1 of this chapter.

1 understated the total dollar amount requested and obscured Cal Am's  
 2 overall recovery request in this proceeding.

3 Second, Cal Am included inappropriate expenses in its request for  
 4 recovery. A review of the general ledger for CEMA capital expenditures  
 5 shows that Cal Am seeks recovery of inappropriate expenses, such as  
 6 employee expenses for a car wash, a convenience store, McDonalds, Big  
 7 Boys Buns Burger, Starbucks, Uber Eats, and even a bill for Apple iTunes.  
 8 Table 1-7 highlights the transactions that were found in the general ledger  
 9 for this account.

10 **Table 1-7: CEMA General Ledger Entries**

Document Date	Document Number	Cost element description	Val/COArea Crcy	Name
2/21/18	1006217976	Employee Expenses	\$197.96	BEST WESTERN DRY
3/12/18	1006218636	M & S (O&M) - Nat Account	\$52.97	BIG BOYS BUNS BURGER
8/13/18	1006629750	Meals Deductible	\$6.55	MCDONALDS F31576
8/16/18	1006630547	Meals Deductible	\$6.15	MCDONALDS F13226
8/24/18	1006631897	Meals Deductible	\$6.81	MCDONALDS F36903
9/3/18	1006708850	Meals Deductible	\$19.56	BIG BOYS BUNS BURGER
9/6/18	1006727331	Meals Deductible	\$6.48	MCDONALDS F14729
9/14/18	1006778436	Meals Deductible	\$6.97	MCDONALDS F7543
9/24/18	1006781795	M & S (O&M) - Nat Account	\$13.13	LARKFIELD LIQUOR & DELI
9/24/18	1006812223	Meals Deductible	\$19.56	BIG BOYS BUNS BURGER
10/15/18	1006845625	Employee Expenses	\$206.00	HOTELTONIGHTOXFORD SU
10/24/18	1006886269	Employee Expenses	\$206.00	HOTELTONIGHTOXFORD SU
10/24/18	1006886194	Meals Deductible	\$6.58	MCDONALDS F10551
11/19/18	1006973101	Employee Expenses	\$810.84	HOTEL TRIO FD
8/2/18	1006595852	M & S (O&M) - Nat Account	\$25.00	STARBUCKS
8/6/18	1006596328	M & S (O&M) - Nat Account	\$25.00	STARBUCKS
8/15/18	1006630365	M & S (O&M) - Nat Account	\$25.00	STARBUCKS
8/23/18	1006631756	M & S (O&M) - Nat Account	\$25.00	STARBUCKS
12/14/18	1007087466	Meals Deductible	\$27.25	BIG BOYS BUNS BURGER
8/9/18	1006629502	M & S (O&M) - Nat Account	\$2.99	APL*ITUNES.COM/BILL
8/6/18	1006596188	Employee Expenses	\$37.99	SUNDANCE CAR WASH

11

1                   These improperly recorded costs present two main issues. Primarily,  
2 these expenses are inappropriate to include in an account that is dedicated  
3 to tracking catastrophic events, such as natural disasters, and ratepayers  
4 should not be asked to fund such expenses. Secondly, these are employee  
5 and miscellaneous expenses. Cal Am’s accounting procedures should not  
6 have allowed these expenses to be included in a capital account. Notably,  
7 the above transactions were discovered through sampling; a full audit could  
8 uncover many more inappropriate expenses.

9                   Any one deficiency would justify the Commission’s denial of Cal  
10 Am’s request for CEMA recovery, but the combination of deficiencies  
11 necessitates that Cal Am’s request to transfer the balance of the CEMA to  
12 the CEBA for recovery should be denied. The CEMA should remain open.

#### 13                   **10. Group Insurance Balancing Account**

14                   This account tracks the difference between the Commission  
15 authorized budget and actual costs of group insurance costs.<sup>49</sup> Cal Am  
16 requests to continue this account and to transfer the outstanding under-  
17 collected balance of \$562,859 to the CEBA for recovery.<sup>50</sup>

18                   The Commission should grant Cal Am’s recovery request for the  
19 Group Insurance Balancing Account, but the account should be closed.  
20 Group insurance expenses should be in the expense forecast and included in  
21 base rates because the use of a true-up mechanism such as a balancing  
22 account removes Cal Am’s incentive to control costs and can obscure the  
23 true cost of service decided in this GRC.<sup>51</sup> Additionally, this account does

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<sup>49</sup> Preliminary Statement Part AS.

<sup>50</sup> Clarke Direct Testimony p.12:4-6

<sup>51</sup> For example, if the Commission authorizes a balancing account and \$1,000,000 in group insurance expense, but Cal Am actually spent \$1,500,000; the revenue requirement in the GRC was \$500,000 lower than what it should have been and ratepayers end up with higher bill than what was presented in public

1 not meet the “exceptional nature” criteria outlined in Commission Standard  
2 Practice U-27-W. For these reasons, the Commission should close the  
3 account.

#### 4 **11. Pension Balancing Account**

5 This account tracks the difference between Commission-authorized  
6 pension costs and actual pension payments.<sup>52</sup> Cal Am requests to transfer  
7 the under-collected balance of \$66,220 to the CEBA for recovery and to  
8 continue the account.<sup>53</sup> The Commission should deny recovery of this  
9 account because Cal Am’s requested recovery amounts did not reconcile  
10 with the underlying data.<sup>54</sup>

11 Additionally, like the Group Insurance Balancing Account, Cal Am  
12 should forecast pension expenses in the GRC application filings and  
13 include them in base rates. No true-up adjustment mechanism, such as a  
14 balancing account, should be utilized for this expense because it removes  
15 Cal Am’s incentive to control costs and can obscure the true cost of service  
16 decided in this GRC. Additionally, this account does not meet the  
17 “exceptional nature” criteria outlined in Commission Standard Practice U-  
18 27-W. For these reasons, the Commission should close the account.

#### 19 **12. Other Post-Employment Benefits Balancing** 20 **Account**

21 This account tracks the difference between Commission-authorized  
22 Other Post-Employment Benefits (“OPEB”) costs and actual OPEB

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hearings and notices. Also, because and costs are eventually recovered in the balancing account, there is no incentive for Cal Am to shop around for a lower insurance cost.

<sup>52</sup> Preliminary Statement Part U.

<sup>53</sup> Clarke Direct Testimony at 12 and Attachment 1.

<sup>54</sup> See detailed discussion of reconciliation issues in Section A.3 of this chapter.

1 payments.<sup>55</sup> Cal Am requests to transfer the over-collected balance of  
2 \$2,392,920 to the CEBA for refund and continue the account.<sup>56</sup>

3 The Commission should deny recovery of this account. Cal Am’s  
4 requested recovery amounts did not reconcile with the underlying data.<sup>57</sup>  
5 Therefore, the Commission should not authorize the recovery of this  
6 account in this GRC.

7 Like the Group Insurance and Pension balancing accounts, Cal Am  
8 should forecast OPEB expenses and include them in base rates. No true-up  
9 adjustment mechanism, such as a balancing account, should be utilized for  
10 this expense because it removes Cal Am’s incentive to control costs and  
11 can obscure the true cost of service decided in this GRC. Additionally, this  
12 account does not meet the “exceptional nature” criteria outlined in  
13 Commission Standard Practice U-27-W. For these reasons, the Commission  
14 should close the account.

15 **13. Purchased Water, Purchased Power and Pump Tax**  
16 **Balancing Accounts**

17 This account was closed in Advice Letter 1377 as part of Cal Am’s  
18 preliminary statement cleanup.<sup>58</sup> Cal Am originally included a request for  
19 this account in testimony, but later noted that the request was in error and  
20 should not have been included.<sup>59</sup> This error reflects a pattern of errors

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<sup>55</sup> Preliminary Statement Part T.

<sup>56</sup> Clarke Direct Testimony p.12-13.

<sup>57</sup> See detailed discussion in Section A.3 of this chapter.

<sup>58</sup> See Attachment 1-3, Cal Am’s Response to Cal Advocates’ Data Request JR6-02, Q.4.

<sup>59</sup> “The Purchased Water, Purchased Power and Pump Tax Balancing account was included in the direct testimony of Witness Michael Clarke in error.” See Attachment 1-3, Cal Am’s Response to Cal Advocates’ Data Request JR6-05, Q.4.



1 uncovered in Cal Am’s administration of its memorandum and balancing  
2 accounts as discussed in Section A.2 of this chapter.

3 **14. Monterey Wastewater Purchased Power Balancing**  
4 **Account**

5 This account tracks the difference in purchased power based upon  
6 changes in recorded unit prices versus adopted.<sup>60</sup> Cal Am requests to  
7 transfer an over-collected balance of \$105,938 to the CEBA for refund and  
8 to continue the account.

9 Cal Am’s requested recovery amounts for this account did not  
10 reconcile with the underlying data.<sup>61</sup> Specifically, the general ledger shows  
11 an over-collected balance of \$373,610 (instead of \$105,938). Therefore, the  
12 Commission should not authorize recovery of this account.

13 Additionally, with Cal Am’s request to implement a Monterey Style  
14 WRAM (“M-WRAM”) and associated Incremental Cost Balancing  
15 Account (“ICBA”), there is no need for a separate purchased power  
16 balancing account for Monterey Wastewater. The ICBA tracks unit costs  
17 changes in purchased power. If the Commission grants Cal Am’s request to  
18 transition to an M-WRAM and ICBA, which Cal Advocates does not  
19 oppose, the Commission should add Monterey wastewater to the ICBA and  
20 close this account.

21 **15. Affiliate Transaction Rule IV.D.2 Memorandum**  
22 **Account**

23 This account tracks the fees paid to the utility for the transfer,  
24 assignment, or employment of an employee by an affiliate in compliance

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<sup>60</sup> Preliminary Statement AZ.

<sup>61</sup> See detailed discussion in Section A.3 of this chapter.

1 with Affiliate Transaction Rule IV.D.2.<sup>62</sup> Cal Am requests to transfer an  
2 over-collected balance of \$12,357 to the CEBA and to continue the  
3 account.<sup>63</sup>

4 Cal Am's requested amounts for this account did not reconcile with  
5 the underlying data.<sup>64</sup> Specifically, the general ledger shows an over-  
6 collected balance of \$61,167 (instead of \$12,357). Therefore, the  
7 Commission should not authorize Cal Am to transfer the Affiliate  
8 Transaction Rule memorandum account balance to the CEBA. This account  
9 should remain open.

10 **16. GRC Interim Rate True-Up Memorandum**  
11 **Account**

12 The GRC Interim Rate True-Up account tracks the differences  
13 between revenues billed at interim rates and revenues that should have been  
14 billed under the final rates granted in Cal Am's last GRC A.19-07-004.<sup>65</sup>  
15 Once the final computation is complete, Cal Am will file an advice letter to  
16 surcharge customers for the final amount.<sup>66</sup> Cal Am requests to continue  
17 this account for future GRCs. Cal Advocates does not oppose this request.

18 **17. Chromium 6 (Hexavalent Chromium)**  
19 **Memorandum Account**

20 For the Sacramento service area, the Chromium 6 (CrVI)  
21 memorandum account tracks the incremental costs incurred to comply with

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<sup>62</sup> Preliminary Statement Part F.

<sup>63</sup> Clarke Direct Testimony at 15 and Attachment 1.

<sup>64</sup> See detailed discussion in Section A.3 of this chapter.

<sup>65</sup> Preliminary Statement Part AO; A.19-07-004.

<sup>66</sup> Clarke Direct Testimony at 15.

1 the final CrVI Maximum Contaminant Level or drinking water standard  
2 adopted by the California Department of Public Health.<sup>67</sup> Cal Am requests  
3 a seven-month residual under-collected balance of \$858,372, consisting of  
4 deferred depreciation, allowance for funds used during construction  
5 (“AFUDC”), and ad valorem taxes from June 1, 2019, through December  
6 31, 2019, to be transferred to the CEBA for recovery.<sup>68</sup>

7 Cal Advocates does not oppose this request. However, since the CrVI  
8 project is now included in rates, the Commission should close this account.

9 **18. West Placer Memorandum Account**

10 The purpose of the West Placer Memorandum Account is to track  
11 the construction costs, AFUDC and post-construction carrying costs at the  
12 Commission’s authorized pre-tax rate of return, and the Special Facilities  
13 Fees collected from developers in the West Placer County service area of  
14 the Sacramento Service Area.<sup>69</sup> Cal Am requests to continue this account.  
15 Cal Advocates does not oppose this request.

16 **19. Sustainable Groundwater Management Act**  
17 **Memorandum Account**

18 This account tracks the cost of complying with the Sustainable  
19 Groundwater Management Act Regulations, signed into law September 16,  
20 2014, which set forth a framework for regulating groundwater.<sup>70</sup> Cal Am

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<sup>67</sup> Preliminary Statement part K.

<sup>68</sup> Clarke Direct Testimony p.16.

<sup>69</sup> Preliminary Statement part AA.

<sup>70</sup> Preliminary Statement part AR.

1 requests to transfer an under-collected balance of \$863,321 to the CEBA for  
2 recovery and to continue the account.<sup>71</sup>

3 Cal Advocates does not oppose transfer of the requested balance to the  
4 CEBA. However, the Sustainable Groundwater Management Act Regulations  
5 have been in effect for nearly a decade now. Cal Am should incorporate these  
6 costs in its expense forecast and include them in base rates in future GRC  
7 application filings. Thus, the Commission should close this account.

8 **20. Garrapata Safe Drinking Water State Revolving**  
9 **Fund (SDWSRF) Loan Repayment Balancing**  
10 **Account**

11 “The purpose of the SDWSRF Loan Repayment Balancing Account  
12 is to track recovery of the balance on the SDWSRF loan provided under the  
13 American Recovery and Reinvestment Act of SDWSRF projects authorized  
14 by Resolution W-4788, dated September 24, 2009.”<sup>72</sup> Cal Am requests  
15 authorization to continue this account.<sup>73</sup>

16 Cal Advocates does not oppose this request.

17 **21. Water-Energy Nexus Program Memorandum**  
18 **Account**

19 The purpose of the Water-Energy Nexus Memorandum Account  
20 (WENMA) is to track expenses for water-energy nexus projects.<sup>74</sup> Cal Am  
21 requests to transfer an under-collected balance of \$4,204 to the CEBA for  
22 recovery and to continue the account.<sup>75</sup>

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<sup>71</sup> Clarke Direct Testimony p.17.

<sup>72</sup> Preliminary Statement P.

<sup>73</sup> Clarke Direct Testimony p.18.

<sup>74</sup> Preliminary Statement Part AJ.

<sup>75</sup> Clarke Direct Testimony at 18.

1 Cal Am's requested recovery amount for this account did not  
2 reconcile with the underlying data.<sup>76</sup> Therefore, the Commission should  
3 not authorize recovery of this account.

4 Additionally, Cal Am should include costs related to this program in  
5 its expense forecast and incorporate them in base rates in future GRC  
6 applications. Thus, the Commission should close this account.

7 **22. Public Safety Power Shut-Off Memorandum**  
8 **Account**

9 This account records the incremental Operation and Maintenance  
10 (O&M) expenses and carrying costs of the new facilities costs, not  
11 otherwise covered in California American Water's revenue requirement, to  
12 address public safety needs in the event of a proposed or declared Public  
13 Safety Power Shut-Off (PSPS) event by any of the electric utilities that  
14 provide electric service to California American Water's ratemaking areas,  
15 including advanced preparation costs.<sup>77</sup> Cal Am seeks to transfer the under-  
16 collected balance of \$375,493 to the CEBA for recovery and continue the  
17 account.

18 Cal Advocates does not oppose the amount transferred to the CEBA.  
19 However, Cal Am has had adequate time to adjust to the new PSPS event  
20 framework and should forecast and include this expense in base rates in  
21 future GRC applications. Thus, the Commission should close this account.

22 **23. Special Facilities Fee Memorandum Account**

23 This account records all costs associated with purchasing additional  
24 capacity from Placer County Water Agency (PCWA) and is offset by the

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<sup>76</sup> See detailed discussion in Section A.3 of this chapter.

<sup>77</sup> Preliminary Statement Part AN.

1 total amount of the contributions made to the company by customers.<sup>78</sup> Cal  
2 Am requests to keep this account open and to modify the interest  
3 calculation from the 90-day commercial paper rate to the authorized cost of  
4 capital as discussed in Special Request #9.<sup>79</sup>

5 Cal Advocates does not oppose keeping this account open; however,  
6 this account should earn interest at the 90-day commercial paper rate as  
7 described in Cal Advocates' witness Cortney Sorensen's testimony on  
8 Special Request #9.

9 **24. Central Basin Contamination Memorandum**  
10 **Account**

11 The purpose of the Central Basin Contamination Memorandum  
12 Account ("CBCMA") is to track all costs incurred by California American  
13 Water associated with replacing the Granulated Activated Carbon filter  
14 media for water treatment at the Arlington and 48<sup>th</sup> Street Well sites in its  
15 Baldwin Hills service area in the Los Angeles County District.<sup>80</sup> Cal Am  
16 requests to keep this account open.<sup>81</sup>

17 This account should be closed because replacing filter media for a  
18 water treatment plant is a routine business expense which does not meet the  
19 "exceptional nature" standard as provided in Commission Standard Practice  
20 U-27-W.<sup>82</sup> Cal Am should forecast and include this expense in base rates in  
21 future GRC applications. The Commission should close this account.

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<sup>78</sup> Preliminary Statement Part AK.

<sup>79</sup> Clarke Direct Testimony at 19.

<sup>80</sup> Preliminary Statement Part BH.

<sup>81</sup> Clarke Direct Testimony at 20.

<sup>82</sup> "The expense is caused by an event of an exceptional nature that is not under the utility's control"  
Standard Practice U-27-W 44.a.

1                   **25. Drought Memorandum Account**

2                   The purpose of the Drought Memorandum Account (DRMA) is to  
3 track costs and penalties associated with the implementation of Rule 14.1  
4 and Schedules 14.1 and Rule 14.1.1 and Schedule 14.1.1 consistent with  
5 Resolution W-4976 in which the Commission adopted Drought  
6 Procedures.<sup>83</sup> Cal Am requests to continue this account.<sup>84</sup>

7                   Cal Advocates does not oppose this request.

8                   **26. Drinking Water Fees Memorandum Account**

9                   The purpose of the Drinking Water Fees Memorandum Account  
10 (DWFMA) is to track the difference between all actual drinking water fees  
11 charged by the State Water Resources Control Board (“SWRCB”) (based  
12 upon the revised fee schedule adopted by the State Water Board on  
13 September 22, 2021) and the drinking water fees authorized in rates.<sup>85</sup> Cal  
14 Am requests to continue this account.<sup>86</sup>

15                  There is no balance tracked in this account, and the Commission  
16 should close this account as of the effective date of rates for this application  
17 consistent with the language set forth in the preliminary statement.<sup>87</sup>

18                  **27. TCP Litigation Proceeds Memorandum Account**

19                  The purpose of the TCP Litigation Proceeds Memorandum Account  
20 (“TCPLMA”) is to track litigation awards and settlement proceeds with

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<sup>83</sup> Preliminary Statement Part BI.

<sup>84</sup> Clarke Direct Testimony at 20.

<sup>85</sup> Preliminary Statement Part BO.

<sup>86</sup> Clarke Direct Testimony at 21.

<sup>87</sup> “The DWFMA shall sunset with the effective date of the Utility’s rates from its 2022 general rate case application.” Preliminary Statement Part BO.

1 respect to litigation against “potentially responsible parties” (PRPs) that  
2 manufactured and distributed products containing 1,2,3 trichloropropane  
3 (TCP) in California. In addition, Cal Am will track application of funds  
4 received towards investments in replacement and treatment property.<sup>88</sup> Cal  
5 Am requests to keep this account open.<sup>89</sup>

6 Cal Am has an over-collected balance of \$3,657,555 in this account  
7 and this amount should be returned to ratepayers. The Commission’s  
8 accounting rules for contamination proceeds holds that “cost recovery can  
9 occur when whichever of the following occurs first, reaching the monetary  
10 threshold of 2% of revenue requirement or the elapsing of three years from  
11 the date the memorandum account was established.”<sup>90</sup> This balance does  
12 not currently reach the 2% threshold. However, three years will likely  
13 elapse during this GRC proceeding. The TCPLMA was established in  
14 March 2022, meaning that three years will have elapsed as of March  
15 2025.<sup>91</sup> Cal Am’s most recent GRC took two years and four months from  
16 initial application date to a final decision.<sup>92</sup> Assuming similar timing in the  
17 present GRC, a final decision would issue sometime in late 2024 or early  
18 2025. Implementation of the decision via Advice Letter would follow a  
19 month or two afterwards and be in proximity or after the three-year  
20 threshold.

21 The alternative—allowing Cal Am to defer its request to the next  
22 GRC—could mean funds would not be returned to ratepayers until or

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<sup>88</sup> Preliminary Statement Part BP.

<sup>89</sup> Clarke Direct Testimony at 21.

<sup>90</sup> D.10-12-058 Conclusion of Law 5.  
[https://docs.cpuc.ca.gov/PublishedDocs/WORD\\_PDF/FINAL\\_DECISION/128646.PDF](https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/128646.PDF)

<sup>91</sup> Preliminary Statement Part BP; effective date March 4, 2022

<sup>92</sup> A.19-07-004 Filed on July 1, 2019, Final Decision D.21-11-018 Issued November 18, 2021.



1 later;<sup>93</sup> directly contrary to the Commission’s goal of “reduc[ing] delays in  
2 cost recovery of contamination-related litigation expenses in memorandum  
3 accounts...”<sup>94</sup> Thus, the Commission should require the balance in this  
4 account to be transferred to the CEBA in this proceeding to reduce any  
5 delays.

### 6 **C. Monterey Memorandum and Balancing Accounts**

#### 7 **28. National Oceanic and Atmospheric Administration** 8 **Endangered Species Act (“NOAA/ESA”)** 9 **Memorandum Account**

10 The purpose of the NOAA Memorandum Account is to track  
11 compliance payments made by California American Water to the United  
12 States Department of Commerce National Oceanic Atmospheric  
13 Administration (“NOAA”), or its designated payee, for Federal Endangered  
14 Species Act (“ESA”) mitigation. Cal Am requests to continue this account  
15 and will continue to seek recovery of the balance through Advice Letter  
16 filings.<sup>95</sup>

17 Cal Advocates does not oppose this request.

#### 18 **29. San Clemente Dam Balancing Account**

19 This account tracks all the authorized and actual expenditures as  
20 they are incurred for the Carmel River Reroute and San Clemente Dam  
21 Removal Project.<sup>96</sup> Cal Am notes that the revenue requirement related to  
22 San Clemente Dam Balancing Account balance would have to be updated

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<sup>93</sup> Assuming the timeline for decision would be similar to Cal Am’s previous GRC.

<sup>94</sup> D.10-12-058 Conclusion of Law 5.

<sup>95</sup> Clarke Direct Testimony p.23.

<sup>96</sup> Preliminary Statement Part V.

1 based upon the Commission’s decision on the ongoing cost of capital  
2 proceeding A.21-05-001.<sup>97</sup>

3 Cal Advocates does not oppose this request.

4 **30. Endangered Species Act Memorandum Account**

5 The purpose of the Endangered Species Memorandum Account  
6 (“ESA”) is to track costs incurred for compliance with ESA requirements,  
7 except for ESA compliance costs associated with the San Clemente Dam.<sup>98</sup>  
8 Cal Am requests to transfer the under-collected balance of \$510,117 to the  
9 CEBA for recovery and continue the account.<sup>99</sup>

10 Cal Am’s requested recovery amounts for this account did not  
11 reconcile with the underlying data.<sup>100</sup> Therefore, the Commission should  
12 not authorize recovery of this account in this GRC.

13 Complying with federal legislation is not a new or unforeseeable  
14 expense and is part of routine operation of a utility. This legislation is not  
15 new or unknown to Cal Am and does not meet the “exceptional nature”  
16 prescribed by Commission Standard Practice U-27-W. Therefore, the  
17 Commission should close this account.

18 **31. Coastal Water Project Memorandum Account**

19 The purpose of the Coastal Water Project Memorandum Account is  
20 to track costs associated with the development of a new water supply in the  
21 Monterey Service Area.<sup>101</sup> Cal Am asserts that this account needs to remain

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<sup>97</sup> Clarke Direct Testimony at 23-24.

<sup>98</sup> Preliminary Statement Part N.

<sup>99</sup> Clarke Direct Testimony at 25 and Attachment 1.

<sup>100</sup> See detailed discussed in Section A.3 of this chapter.

<sup>101</sup> Preliminary Statement Part W.

1 open until resolution of all legal issues occurs, consistent with D.10-08-  
2 008.<sup>102</sup>

3 Cal Advocates does not oppose this request. However, Cal  
4 Advocates' has not reviewed any balances recorded in this account since  
5 Cal Am did not request recovery of any balances in this account.

### 6 **32. Seaside Groundwater Basin Memorandum Account**

7 This account was closed in Cal Am's previous GRC Decision (D.)  
8 21-11-018. However, the settlement agreement approved in D.21-11-018  
9 allowed Cal Am to reestablish the account if it expects to incur costs from  
10 the Seaside Basin Water Master for replenishment water.<sup>103</sup> Cal Am  
11 recognizes that this account is closed, however requests authorization to  
12 reestablish this account when needed.<sup>104</sup>

13 While Cal Am is correct that the settlement agreement in the  
14 previous GRC allowed for the re-establishment of this account, there is no  
15 apparent need to reestablish the account in this proceeding. If Cal Am  
16 expects to incur costs from the Seaside Basin Watermaster, it may forecast  
17 such costs in purchased water expense for inclusion in base rates for the  
18 Commission's review in this proceeding. An open-ended memorandum  
19 account for a routine business expense is improper.

### 20 **33. Seaside Groundwater Basin Balancing Account**

21 This account tracks costs associated with Administrative and other  
22 payments made to the Seaside Basin Water Master, as well as recovery of

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<sup>102</sup> Clarke Direct Testimony p.25.

<sup>103</sup> D.21-22-018 at 120.

<sup>104</sup> Clarke Direct Testimony at 26.

1 such payments from customers in the Monterey Service Area.<sup>105</sup> Cal Am  
2 requests to transfer an over-collected balance of \$203,091 to the CEBA for  
3 refund.

4 As discussed in detail in Section A.3, Cal Am’s requested recovery  
5 amounts for this account did not reconcile with the underlying data. The  
6 general ledger recorded a much larger over collection due back to  
7 ratepayers of \$809,372. Therefore, the Commission should not authorize  
8 recovery of this account.

9 Additionally, the Commission should close this account because  
10 payments made to a watermaster are a routine business expense for a water  
11 utility and do not meet the “exceptional nature” requirement of Standard  
12 Practice U-27-W. Cal Am should forecast and include this expense in base  
13 rates in future GRC applications.

14 **34. Emergency Rationing Costs Incurred by California**  
15 **American Water Memorandum Account**

16 The purpose of this memorandum account is to track increased  
17 expenses that California American Water would incur in its Monterey  
18 Service Area in the event that rationing is implemented under the Monterey  
19 Peninsula Water Management District’s (MPWMD) Ordinance No. 92.<sup>106</sup>  
20 Cal Am does not record a balance in this account, but requests that this  
21 account remain open in the event emergency rationing is implemented.<sup>107</sup>

22 Cal Advocates does not oppose this request.

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<sup>105</sup> Preliminary Statement Part Y.

<sup>106</sup> Preliminary Statement Part M.

<sup>107</sup> Clarke Direct Testimony at 27.

1                   **35. Monterey Cease and Desist Order Memorandum**  
2                   **Account**

3                   The purpose of the Cease-and-Desist Order Memorandum Account  
4                   (“CDOMA”) is to track costs related to the SWRCB’s Cease-and-Desist  
5                   Order (“CDO”) for unauthorized diversion of water from the Carmel River  
6                   in the Monterey Service Area.<sup>108</sup> Cal Am requests to continue this account  
7                   and transfer the under-collected balance of \$219,005 to the CEBA for  
8                   recovery.<sup>109</sup>

9                   Cal Am’s requested recovery amounts for this account did not  
10                  reconcile with the underlying data.<sup>110</sup> Therefore, the Commission should  
11                  not authorize recovery of this account in this GRC. However, Cal  
12                  Advocates does not oppose Cal Am’s request to continue the account.

13                  **36. Monterey One-Way Leak Adjustment Balancing**  
14                  **Account**

15                  This account was closed as of January 1, 2021,<sup>111</sup> and Cal Am does  
16                  not have a related request in this proceeding.<sup>112</sup>

17                  **37. Cease and Desist Order – Penalties and Fines**  
18                  **Memorandum Account**

19                  The purpose of the CDO Penalties and Fines Memorandum Account  
20                  is to track all penalties and fines that could be assessed due to a violation of  
21                  the SWRCB CDO for unauthorized diversion of water from the Carmel

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<sup>108</sup> Preliminary Statement Part I.

<sup>109</sup> Clarke Direct Testimony p.28 and Attachment 1.

<sup>110</sup> See detailed discussion in Section A.3 of this chapter.

<sup>111</sup> D.21-11-018, p.133.

<sup>112</sup> Clarke Direct Testimony p.28.

1 River in the Monterey Service Area.<sup>113</sup> Cal Am requests to continue the  
2 account and transfer a balance of \$0 to the CEBA for recovery.<sup>114</sup>

3 Cal Am’s request appears to be in error as there is no balance to be  
4 recovered. The Commission should not authorize a transfer to the CEBA  
5 because Cal Am does not track a balance to be transferred. This account  
6 should be closed and Cal Am may request a new account for this purpose  
7 should a future need arise.

8 **38. MPWSP Phase 1 Project Cost Memorandum**  
9 **Account**

10 The purpose of this account is to record and track the capital cost  
11 associated with the desalination plant and the Remaining California-  
12 American Water Only Facilities (Phase 1 project) as approved in D.18-09-  
13 017.<sup>115</sup> Cal Am requests to continue this account.<sup>116</sup>

14 Cal Advocates does not oppose this request.

15 **39. MPWSP Operations and Maintenance**  
16 **Memorandum Account**

17 The MPWSP Operations and Maintenance Memorandum Account is  
18 established in compliance with Ordering Paragraph 20 of D.18-09-017 and  
19 will track the differences between estimated costs adopted through the Tier  
20 2 advice letter process and actual Operations and Maintenance (“O&M”)  
21 costs incurred during the period of time from the beginning of operation of  
22 the plant until the time an estimate of future costs is determined as part of a

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<sup>113</sup> Preliminary Statement Part J.

<sup>114</sup> Clarke Direct Testimony p.29

<sup>115</sup> Preliminary Statement Part AV.

<sup>116</sup> Clarke Direct Testimony at 29.

1 future general rate case application.<sup>117</sup> Cal Am requests authorization to  
2 continue this account.<sup>118</sup>

3 Cal Advocates does not oppose this request.

#### 4 **D. Acquisition Related Memorandum and Balancing Accounts**

##### 5 **40. The Memorandum Account for Environmental** 6 **Compliance Issues for Acquisitions**

7 The purpose of the account is to track costs associated with required  
8 improvements related to environmental and compliance issues in Cal Am's  
9 Dunningan, Geyserville, Meadowbrook, Rio Plaza, Fruitridge Vista,  
10 Hillview, East Pasadena, Piru (Warring), and Bellflower service  
11 territories.<sup>119</sup> Cal Am requests to transfer the tracked amounts to the CEBA  
12 for recovery and to continue the account.<sup>120</sup>

13 Cal Am's request appears to be in error as there is no tracked  
14 balance to be transferred or recovered.<sup>121</sup> Additionally, this account should  
15 be closed because regulatory compliance is a foreseeable cost in  
16 undertaking an acquisition. Cal Am's shareholders derive financial benefit  
17 through acquisitions via increased investment returns from a larger rate  
18 base. The ratepayers should not be required to fund both the financial  
19 shareholder benefit and shoulder all the financial compliance risk. Thus, the  
20 Commission should close this account.

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<sup>117</sup> Preliminary Statement Part AW.

<sup>118</sup> Clarke Direct Testimony at 30.

<sup>119</sup> Preliminary Statement Part AH.

<sup>120</sup> Clarke Direct Testimony at 31.

<sup>121</sup> A.22-07-001 Cal Am 100-Day Update, Attachment 4: C-1

1                   **41.   Dunnigan Consulting Memorandum Account**

2                   The purpose of the account is to track consulting costs resulting from  
3                   the settlement between Cal Am, Grant Park Development, and Cal  
4                   Advocates for a period of six years following the close of the transaction.<sup>122</sup>  
5                   Cal Am requests to transfer the under-collected balance of \$397,545 to the  
6                   CEBA for recovery and to close the account.<sup>123</sup>

7                   Cal Am’s requested recovery amounts for this account did not  
8                   reconcile with the underlying general ledger accounting data provided to  
9                   Cal Advocates.<sup>124</sup> The general ledger tracks a much lower balance of  
10                  \$72,593 for recovery. Therefore, the Commission should not authorize  
11                  recovery of this account.

12                  However, Cal Advocates does not oppose Cal Am’s request to close  
13                  the account.

14                   **42.   Hillview Safe Drinking Water State Revolving**  
15                   **Fund Loan Repayment Balancing Account**

16                  This account tracks recovery of the balance on the SDWSRF loan  
17                  provided under the American Recovery and Reinvestment Act of SDWSRF  
18                  projects authorized by Decision 02-11-015 and Resolution W-4633. Cal  
19                  Am requests to add this balancing account to its preliminary statement.<sup>125</sup>

20                  Cal Advocates does not oppose this request.

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<sup>122</sup> Preliminary Statement Part AI.

<sup>123</sup> Clarke Direct Testimony at 31 and Attachment 1.

<sup>124</sup> See detailed discussion in Section A.3 of this chapter.

<sup>125</sup> Clarke Direct Testimony at 31.



1                   **43.   Fruitridge Safe Drinking Water State Revolving**  
2                   **Fund Loan Repayment Balancing Account**

3                   The purpose of this account is to track recovery of the balance on the  
4                   SDWSRF loan provided under the American Recovery and Reinvestment  
5                   Act of 2009 SDWSRF projects authorized by Decision 10-05-043. Cal Am  
6                   requests to add this Fruitridge balancing account to its preliminary  
7                   statements.<sup>126</sup>

8                   Cal Advocates does not oppose this request.

9                   **44.   Hillview Grant Tax Balancing Account**

10                  This account tracks customer surcharges related to tax liability that  
11                  arose from grant funding received for Hillview plant assets. Cal Am  
12                  requests authorization to continue using this account to track customer  
13                  surcharges, amortization of the deferred tax liability and any future interest  
14                  or penalties generated, plus interest.<sup>127</sup> Cal Am provides the under-  
15                  collected balance of \$86,129 (as of May 31, 2022) in its testimony but does  
16                  not request recovery of this balance.<sup>128</sup> Because Cal Am does not request  
17                  recovery of the balance, Cal Advocates did not review the detailed  
18                  transactions recorded in this account.

19                  The Commission should grant Cal Am authorization to track in this  
20                  account customer surcharges, amortization of the deferred tax liability and  
21                  any future interest or penalties generated from this tax liability, and interest.

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<sup>126</sup> Clarke Direct Testimony at 32.

<sup>127</sup> Clarke Direct Testimony p.33.

<sup>128</sup> Clarke Direct Testimony, Attachment 1.

1                   **45. Hillview Tariffed Balancing Account**

2                   This account accumulated costs authorized for recovery for  
3 Hillview, which were included with Cal Am’s acquisition of the water  
4 system. Cal Am recommends the residual over-collected balance of  
5 \$12,520 be included in the CEBA for refund and that this account be  
6 closed.<sup>129</sup>

7                   The Commission should authorize Cal Am to transfer an over-  
8 collected balance of \$12,520 to the CEBA account and close the Hillview  
9 Tariffed Balancing Account.

10                   **46. Hillview Purchased Power Balancing Account**

11                   This account, included in Cal Am’s acquisition of Hillview, tracks  
12 the difference between actual unit costs of electricity and adopted unit costs  
13 of electricity. Cal Am requests the outstanding under-collected balance of  
14 \$21,930 be transferred to the CEBA for recovery, and that this account be  
15 closed.<sup>130</sup>

16                   The Commission should authorize Cal Am to transfer under-  
17 collected balance of \$21,930 to the CEBA account and close Hillview  
18 Purchased Power Balancing Account.

19                   **47. Hillview Water Testing Cost Memorandum**  
20                   **Account**

21                   This account, included in Cal Am’s acquisition of Hillview, captures  
22 the difference between actual water testing costs and adopted costs  
23 collected in base rates. Cal Am requests authorization to transfer any

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<sup>129</sup> Clarke Direct Testimony p.33 and Attachment 1.

<sup>130</sup> Clarke Direct Testimony p.34 and Attachment 1.

1 outstanding over-collected balance of \$20,193 to the CEBA for refund and  
2 that this account be closed.<sup>131</sup>

3 The Commission should authorize Cal Am to transfer the over-  
4 collected balance of \$20,193 to the CEBA account and close Hillview  
5 Water Testing Cost Memorandum Account.

6 **48. Hillview Water Treatment Cost Memorandum**  
7 **Account**

8 This account, included in Cal Am’s acquisition of Hillview, captures  
9 the difference between actual water treatment costs and adopted costs  
10 collected in base rates. Cal Am requests authorization to transfer over-  
11 collected balance of \$52,513 to the CEBA for refund and that this account  
12 be closed.<sup>132</sup>

13 The Commission should authorize Cal Am to transfer over-collected  
14 balance of \$52,513 to the CEBA account for refund and close Hillview  
15 Water Treatment Cost Memorandum Account.

16 **49. Rio Plaza Groundwater Management**  
17 **Memorandum Account**

18 This account, included in Cal Am’s acquisition of Rio Plaza,  
19 captured deferred costs for extraction fees imposed by the Fox Canyon  
20 Groundwater Management Agency.<sup>133</sup> <sup>134</sup> Cal Am requests that this  
21 account remain open to capture future costs.<sup>135</sup> Cal Am requests

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<sup>131</sup> Clarke Direct Testimony p.34 and Attachment 1.

<sup>132</sup> Clarke Direct Testimony p.35 and Attachment 1.

<sup>133</sup> Clarke Direct Testimony p.35.

<sup>134</sup> Preliminary Statement AT

<sup>135</sup> Clarke Direct Testimony p.35.

1 authorization to transfer the under-collected balance of \$36,028 (as of May  
2 31, 2022) to the CEBA for recovery and that the account remains open.<sup>136</sup>

3 The Commission should authorize Cal Am to transfer under-  
4 collected balance of \$36,028 to the CEBA account for recovery. Rio Plaza  
5 Groundwater Management Memorandum Account should remain open for  
6 the current GRC period.

#### 7 **50. Rio Plaza Transaction Memorandum Account**

8 This account tracks all costs resulting from the purchase of Rio Plaza  
9 Water Company.<sup>137</sup> Cal Am requests to transfer under-collected balance of  
10 \$22,578, as of May 31, 2022, to the CEBA for recovery and for this  
11 account to remain open.<sup>138</sup>

12 While Cal Advocates does not oppose transferring the under-  
13 collected balance of \$22,578 to the CEBA for recovery, the account should  
14 be closed because the acquisition of Rio Plaza Water Company is  
15 completed and hence the purpose of Rio Plaza Transaction Memorandum  
16 Account is also completed.

17 Additionally, Cal Am has not provided reasonable support for its  
18 request to keep this account open. Cal Am requests to keep this account  
19 open because it wants to consolidate this account with a blanket account  
20 requested in special request #8.<sup>139</sup> Since Special Request #8 is not within  
21 the scope of the proceeding, Cal Am's request to consolidate this account is  
22 moot.

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<sup>136</sup> Clarke Direct Testimony p.35 and Attachment 1.

<sup>137</sup> Preliminary Statement Part AU.

<sup>138</sup> Clarke Direct Testimony p.36

<sup>139</sup> Clarke Direct Testimony p.36.

1 Cal Am may request a separate transaction memorandum account in  
2 any future acquisitions, or it can forecast transaction costs normally going  
3 forward in the expenses portion of the revenue requirement for inclusion in  
4 base rates. Thus, the Commission should close the Rio Plaza Transaction  
5 Memorandum Account.

6 **51. Meadowbrook Contribution in Aid of Construction**  
7 **Account**

8 The Purpose of Meadowbrook Contribution on Aid of Construction  
9 (“CIAC”) account is to track the \$575,000 expense as part of the total  
10 purchase price of Meadowbrook Water Company of Merced to be  
11 recovered by customers in the Sacramento and Meadowbrook Service  
12 Areas of the Northern Division.<sup>140</sup> Cal Am requests authorization to  
13 continue this account until the remaining balance is collected.<sup>141</sup> As of May  
14 31, 2022, Cal Am has collected \$259,478 surcharges from ratepayers.<sup>142</sup> On  
15 July 17, 2022, the Commission authorized Cal Am to collect remaining  
16 balance through \$0.26 surcharge per bill from Sacramento and  
17 Meadowbrook customers, and the surcharges went into effect from June 17,  
18 2022 for 16 months.<sup>143</sup>

19 Since Cal Am does not request the balance of \$259,478 to refund or  
20 recovery, this account has not been reviewed. The Commission should  
21 close this account as soon as Cal Am collects a total of \$575,000 in this  
22 account.

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<sup>140</sup> Preliminary Statement Part AX.

<sup>141</sup> Clarke Direct Testimony p.37.

<sup>142</sup> Clarke Direct Testimony, Attachment 1.

<sup>143</sup> Advice Letter 13

1                   **52. Fruitridge Vista Transaction Memorandum**  
2                   **Account**

3                   Cal Am requests to transfer the under-collected balance of \$416,865  
4                   to the CEBA for recovery and for this account to remain open.<sup>144</sup> Ordering  
5                   paragraph 7 of the Commission Decision 19-12-038 authorized Cal Am that  
6                   it may file Tier 1 Advice Letters to establish transaction costs memorandum  
7                   accounts to track costs associated with the Fruitridge Vista Water Company  
8                   acquisition.<sup>145</sup>

9                   While Cal Advocates does not oppose transferring the under-  
10                  collected balance of \$416,865 to the CEBA for recovery, the account  
11                  should be closed because the acquisition of Fruitridge Vista Water  
12                  Company is completed and hence the purpose of this Memorandum  
13                  Account is also completed.

14                  Additionally, Cal Am has not provided reasonable support for its  
15                  request to keep this account open. Cal Am requests to keep this account  
16                  open because it wants to consolidate this account with a blanket account  
17                  requested in special request #8.<sup>146</sup> Since Special Request #8 is not within  
18                  the scope of the proceeding, Cal Am's request to consolidate this account is  
19                  moot.

20                  Cal Am may request a separate transaction memorandum account in  
21                  any future acquisitions, or it can forecast transaction costs normally going  
22                  forward in the expenses portion of the revenue requirement for inclusion in  
23                  base rates. Thus, the Commission should close the Fruitridge Vista  
24                  Transaction Memorandum Account.

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<sup>144</sup> Clarke Direct Testimony p.36

<sup>145</sup> Preliminary Statement Part AU.

<sup>146</sup> Clarke Direct Testimony p.37.

1                   **53.    East Pasadena Transaction Memorandum Account**

2                   This account tracks transactional costs associated with the purchase  
3                   of East Pasadena Water Company.<sup>147</sup> <sup>148</sup> Cal Am requests to transfer the  
4                   under-collected balance of \$25,857 to the CEBA for recovery and for this  
5                   account to remain open.<sup>149</sup>

6                   The account should be closed because the acquisition of East  
7                   Pasadena Water Company is completed and hence the purpose of this  
8                   Memorandum Account is also completed.

9                   Additionally, Cal Am has not provided reasonable support for its  
10                  request to keep this account open. Cal Am requests to keep this account  
11                  open because it wants to consolidate this account with a blanket account  
12                  requested in special request #8.<sup>150</sup> Since Special Request #8 is not within  
13                  the scope of the proceeding, Cal Am’s request to consolidate this account is  
14                  moot.

15                  Cal Am may request a separate transaction memorandum account in  
16                  any future acquisitions, or it can forecast transaction costs normally going  
17                  forward in the expenses portion of the revenue requirement for inclusion in  
18                  base rates. Thus, the Commission should close East Pasadena Transaction  
19                  Memorandum Account.

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<sup>147</sup> Preliminary Statement Part BK.

<sup>148</sup> Transactional costs include but are not limited to expenses for: outside legal services, engineering, surveying, the appraisal, customer noticing, and other professional activities necessary to complete the transaction.

<sup>149</sup> Clarke Direct Testimony pp.37-38 and Attachment 1.

<sup>150</sup> Clarke Direct Testimony p.38.

1                   **54. East Pasadena Purchased Power Balancing**  
2                   **Account**

3                   This account tracks the differences between the actual cost of power  
4                   and the cost of power authorized in the most recent General Rate Case.<sup>151</sup>  
5                   Cal Am requests to continue this account and for the balance of \$0 to be  
6                   transferred to the CEBA for recovery.<sup>152</sup>

7                   The Commission should not authorize a transfer to the CEBA  
8                   because Cal Am does not track a balance to be transferred. This account  
9                   should be closed, because tracking the difference between actual and  
10                  authorized cost for purchased power component was eliminated when the  
11                  Commission barred the use of the WRAM/MCBA mechanism in D.20-08-  
12                  047. Cal Am requests to continue this practice by including the ESBA as  
13                  part of its WRS Plan. For the reasons outlined in the testimony of Richard  
14                  Rauschmeier for Special Request #1 testimony, the Commission should  
15                  close the account. However, Cal Am may request to include East Pasadena  
16                  in the ICBA in its next GRC.

17                  **55. East Pasadena Purchased Water Balancing**  
18                  **Account.**

19                  This account tracks the differences between the actual cost of  
20                  purchased water and the cost of purchased water authorized in the most  
21                  recent General Rate Case.<sup>153</sup> Cal Am requests to continue this account and  
22                  for the balance of \$0 to be transferred to the CEBA for recovery.<sup>154</sup>

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<sup>151</sup> Preliminary Statement Part BL.

<sup>152</sup> Clarke Direct Testimony p.38.

<sup>153</sup> Preliminary Statement Part BL.

<sup>154</sup> Clarke Direct Testimony p.38.



1           The Commission should not authorize a transfer to the CEBA  
2 because Cal Am does not track a balance to be transferred. This account  
3 should be closed, because tracking the difference between actual and  
4 authorized cost for purchased power component was eliminated when the  
5 Commission barred the use of the WRAM/MCBA mechanism in D.20-08-  
6 047. Cal Am requests to continue this practice by including the ESBA as  
7 part of its WRS Plan. For the reasons outlined in the testimony of Richard  
8 Rauschmeier for Special Request #1 testimony, the Commission should  
9 close the account. However, Cal Am may request to include East Pasadena  
10 in the ICBA in its next GRC.

11           **56. East Pasadena Pumping Assessment Cost**  
12           **Balancing Account**

13           This account tracks the differences between the actual cost of  
14 pumping assessments and the pumping assessments authorized in the most  
15 recent General Rate Case.<sup>155</sup> Cal Am requests to continue this account and  
16 for the balance of \$0 to be transferred to the CEBA for recovery.<sup>156</sup>

17           The Commission should not authorize a transfer to the CEBA  
18 because Cal Am does not track a balance to be transferred. This account  
19 should be closed because tracking the difference between the actual and  
20 authorized costs for purchased power components was eliminated when the  
21 Commission barred the use of the WRAM/MCBA mechanism in D.20-08-  
22 047.

23           On January 27, 2023, Cal Am requested to continue this practice by  
24 including the Essential Service Balancing Account (“ESBA”) as part of its  
25 WRS Plan. The Commission should close the account for the reasons

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<sup>155</sup> Preliminary Statement Part BN.

<sup>156</sup> Clarke Direct Testimony p.39.

1 outlined in Special Request #1 in Cal Advocates' witness Richard  
2 Rauschmeier. However, Cal Am may request to include East Pasadena in  
3 the ICBA in its next GRC. However, Cal Am may request to include East  
4 Pasadena in the ICBA in its next GRC.

#### 5 **IV. CONCLUSION**

6 Cal Am's memorandum and balancing accounts have become unwieldy and  
7 burdensome to administer, as evidenced by Cal Am's numerous memorandum account-  
8 related errors in this filing. In addition to the specific justifications for closure of many  
9 memorandum accounts as outlined in this chapter, closure of unnecessary memorandum  
10 accounts will simplify Cal Am's future GRC filings and improve transparency for the  
11 Commission and ratepayers.

1 **CHAPTER 2 SPECIAL REQUESTS 2, 3, 6, 13, 14, AND 16**

2 **I. INTRODUCTION**

3 Cal Am includes twenty special requests in this GRC proceeding. This chapter  
4 addresses special requests 2, 3, 6, 13, 14, and 16 for the Commission’s consideration.

5 **II. SUMMARY OF RECOMMENDATIONS**

6 Cal Advocates’ recommendations are summarized in Table 2-1. below.

**Table 2-1: Summary of Special Requests**

<b>Req #</b>	<b>Request</b>	<b>Cal Advocates Recommendation</b>
SR 2	Implement ICBA for Two Districts	Approve
SR 2.1	Implement FCBA for Four Districts	Deny
SR 2.2	Implement Division-wide per kWh Rate & One Yearly Calculation	Deny
SR 3	Continue ACAM	Deny
SR 6	Normalize Catastrophic Event Costs Company Wide	N/A <sup>157</sup>
SR 13	Request for Chemical Cost Balancing Account	Deny
SR 14	Remove 15% Cap for WRAM/ESBA Amortization	Deny
SR 16	Add Credit Card Expenses to CAP Balancing Account	Modify

7  
8 **III. ANALYSIS**

9 **A. Special Request #2 - Authorization of Full Cost Balancing Account and**  
10 **Incremental Cost Balancing Account**

11 If the Commission rejects Cal Am’s proposed Water Resource Sustainability Plan  
12 (“WRS Plan”), Cal Am alternatively requests Commission authorization of incremental  
13 cost balancing accounts (“ICBA”) for its San Diego and Ventura County districts and full

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<sup>157</sup> Cal Am should not be authorized any recovery for balances tracked in the Catastrophic Events Memorandum Account. Thus, Cal Am’s Special Request #6 is moot as there are no costs to normalize.

1 cost balancing accounts (“FCBA”) for its Monterey, Los Angeles, Sacramento, and  
2 Larkfield districts.<sup>158</sup> Additionally, Cal Am proposes to calculate the purchased power  
3 component of the FCBA and ICBA with one division wide rate per kWh and one rate  
4 calculation per year.<sup>159</sup>

5 The Commission should approve Cal Am’s request to implement ICBA’s for San  
6 Diego and Ventura County Districts. However, the Commission should not approve the  
7 request for FCBA’s in Cal Am’s other districts. The FCBA mechanism tracks the  
8 difference between the actual and adopted costs of purchased water and purchased  
9 power.<sup>160</sup> This is substantially the same as the Essential Service Cost Balancing Account  
10 (“ESCBA”), part of Cal Am’s WRS Plan, which tracks the difference between actual and  
11 authorized costs of purchased water, purchased power, and pump taxes.<sup>161</sup> Consistent  
12 with the recommendation against the WRS Plan in Cal Advocates’ witness Richard  
13 Rauschmeier, the Commission should deny this request.

14 Additionally, Cal Am’s request for one division-wide per kWh and one rate  
15 calculation per year is unnecessary because the Commission’s authorization of ICBA’s for  
16 San Diego and Ventura County Districts would not require a division-wide calculation.  
17 Cal Am may use the unit rate for those specific districts.

18 **B. Special Request #3 – Re-Authorization of Annual Consumption Adjustment**  
19 **Mechanism**

20 Cal Am proposes modifications to the Annual Consumption Adjustment  
21 Mechanism (“ACAM”) as part of its WRS Plan. The modifications include 1) a new  
22 trigger mechanism, 2) a new customer consumption alignment process, 3) a weather

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<sup>158</sup> Updated Application at 14.

<sup>159</sup> Linam Direct Testimony at 28:6-7.

<sup>160</sup> See Cal Am’s Exemplary Tariffs (Preliminary Statements part BX and BY) in Attachment 1 of Morse Direct Testimony.

<sup>161</sup> See Cal Am’s Exemplary Tariffs (Preliminary Statement part CD) in the Attachment 1 of Linam Supplemental Direct Testimony.

1 adjustment for the Southern Division, 4) adjustments allowed twice a year on January 1  
2 and July 1, and 5) the ability to automatically adjust tier breakpoints to maintain sales  
3 allocations within tiers.<sup>162</sup> If the Commission rejects the WRS Plan, Cal Am requests  
4 retention of the ACAM pilot program for all its districts and the permanent program in  
5 the Monterey District.<sup>163</sup>

6 The authorization of the ACAM is problematic because it enables Cal Am to  
7 modify the sales forecast in between GRCs and thereby significantly modify the cost of  
8 service outside the GRC process. This is a significant departure from the Commission’s  
9 Rate Case Plan, which provides for significant rate changes only once every three  
10 years.<sup>164</sup> This mechanism also has the capacity to create administrative issues for the  
11 Commission. For example, a cost-of-service calculation would be performed based on the  
12 outcome of Cal Am’s GRC, then one completed each year afterwards for the ACAM. The  
13 surcharges calculated for the WRAM/MCBA would have to correctly correspond with  
14 the cost-of-service calculations. Given the large dollar amounts and numerous Cal Am  
15 districts, there is much room for error.

16 The ACAM creates issues with customer planning, forecasting, and billing,  
17 resulting in unreliable and continually adjusted water bills. Most importantly, though,  
18 before the ACAM pilot, Cal Am experienced large under-collections tracked in the  
19 WRAM/MCBA that created rate shock for ratepayers when the amounts were later  
20 surcharged. The ACAM was authorized to stabilize revenues and moderate future  
21 WRAM balances.<sup>165</sup> The similarities between Cal Am’s proposed ESBA and the  
22 WRAM are discussed in Cal Advocate’s other witness Richard Rauschmeier’s testimony.  
23 He also recommends the Commission not authorize Cal Am WRS Plan and

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<sup>162</sup> Linam Supplemental Direct Testimony at 12:20-28 and at 13:1-3.

<sup>163</sup> Cal Am’s Updated Application (January 27, 2023) at 14.

<sup>164</sup> See D.07-05-062, at 5 (stating that “The OIR proposed that all multi-district water utilities file a single general rate case for all their districts at the same time and once every three years”).

<sup>165</sup> Preliminary Statement part BT.

1 WRAM/MCBA request. Hence, the basic rationale for the ACAM has evaporated. Thus,  
2 the Commission should discontinue the ACAM for all of Cal Am’s districts.

3 **C. Special Request #6 – Catastrophic Event Cost Normalization**

4 Cal Am requests that the costs tracked in Cal Am’s Catastrophic Event  
5 Memorandum Account (“CEMA”) be recovered on a company-wide basis, rather than  
6 from the district where the catastrophic event occurred.<sup>166</sup> Cal Am also requests  
7 authority to include earthquake insurance in the CEMA.

8 Cal Advocates does not oppose the request to normalize catastrophic event costs.  
9 There are, however, serious issues in Cal Am’s tracking of costs in the CEMA that are  
10 unreasonable or improperly recorded and should therefore not be recoverable.<sup>167</sup>

11 Lastly, earthquake insurance premium should not be included in the CEMA as it is  
12 a routine business expense that Cal Am should forecast and include in base rate in future  
13 GRC applications.<sup>168</sup>

14 **D. Special Request #13 – Chemical Cost Balancing Account**

15 Cal Am requests a new balancing account that would track the actual amounts of  
16 chemical costs incurred by the company due to significant price increases.<sup>169</sup>

17 This balancing account should not be authorized because the chemical expense  
18 forecast recommended in this proceeding already reflects the price increases Cal Am  
19 indicates in testimony.<sup>170</sup> Additionally, the request does not meet Commission  
20 requirements for establishing a balancing account under Standard Procedure U-27-W.

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<sup>166</sup> Linam Direct Testimony at 43:7-8.

<sup>167</sup> See discussion in Section B.9 of the previous chapter on memorandum and balancing accounts.

<sup>168</sup> Cal Advocates' witness Isaac Gendler recommends that the Commission deny Cal Am's request to track earthquake insurance premium costs in the CEMA.

<sup>169</sup> Owens Direct Testimony p.34:3-10.

<sup>170</sup> Cal Advocates' witness Timothy Gee's testimony discusses chemical costs in more detail.

1 Chemical costs are a routine business expense for a water utility; thus, this expense does  
2 not meet the “exceptional nature” standard.<sup>171</sup> Further, Commission standard practice  
3 holds that in order to track cost in balancing account, “the expense cannot have been  
4 reasonably foreseen in the utility’s last GRC and will occur before the utility’s next  
5 scheduled rate case.”<sup>172</sup> Cal Am’s request is inconsistent with this standard because the  
6 request to reflect higher prices in the chemicals forecast may be addressed in this  
7 proceeding, and thus will occur during, not before, Cal Am’s next scheduled rate case.

8 For these reasons, the Commission should deny Cal Am’s request to establish a  
9 Chemical Cost Balancing Account.

10 **E. Special Request #14 – Extension of Existing 15% Cap on WRAM**  
11 **Amortization**

12 In supplemental testimony, Cal Am requests to remove the 15% cap on the annual  
13 amortization of the existing WRAM/MCBA balances and future ESBA balances in  
14 extraordinary circumstances.<sup>173</sup>

15 The unfair nature and considerable dollar amount of surcharges on customer bills  
16 is a frequent complaint echoed by Cal Am ratepayers. A request to remove the 15% cap  
17 means it would be possible for Cal Am to levy even higher surcharges. Removal of this  
18 cap is inconsistent with reasonable rates and the Commission should therefore deny this  
19 request.

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<sup>171</sup> Standard Practice U-27-W 25.

<sup>172</sup> Standard Practice U-27-W 25.b.

<sup>173</sup> “However, in extraordinary circumstances where the balances grow large enough that they cannot be recovered in less than 24 months, California American Water requests the ability to collect the balances beyond the 15% cap.”

1           **F. Special Request #16 – Low-Income Customer Assistance Program and**  
2           **Credit/Debit Card Bill Payment Expense Recovery**

3           Cal Am proposes to add projected credit/debit card expenses to the existing  
4 Customer Assistance Program Balancing Account (“CAP”) and recover these costs from  
5 non-CAP participating customers to comply with Assembly Bill 1058.<sup>174</sup>

6           Cal Am is correct that CAP customers should not incur credit/debit card fee  
7 expenses as required by AB 1058; however, Cal Am’s proposed solution is incorrect.  
8 Tracking and recovering debit/credit card expenses for recovery in the CAP balancing  
9 account would remove this expense from the GRC budgeting and forecasting process, as  
10 any difference between authorized and actual expenses would be picked up and recovered  
11 later. Authorizing this request would remove Cal Am’s incentive to control costs and Cal  
12 Am would not have to exercise budgetary discipline.

13           The Commission should instead require Cal Am to forecast credit/debit card  
14 expenses in base rates and increase the non-CAP surcharge commensurate with the  
15 amount authorized. This approach would satisfy the requirement in AB 1058 that CAP  
16 customers not incur credit and debit card fee expenses and would encourage Cal Am to  
17 operate within the constraints of its budget.

18           **IV. CONCLUSION**

19           The Commission should deny most of Cal Am’s special requests as described in  
20 this chapter. Many of Cal Am’s special requests are inconsistent with Commission  
21 precedent, standard practice, and statutory requirements, and do not provide benefits to  
22 ratepayers.

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<sup>174</sup> Pilz Direct Testimony at 39.



# **Attachment 1-1: Qualifications of Witness**

QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
MUKUNDA DAWADI

Q.1 Please state your name and address.

A.1 My name is Mukunda Dawadi, and my business address is 505 Van Ness Ave, California 94102.

Q.2 By whom are you employed and what is your job title?

A.2 I am a Program and Project Supervisor in the Water Branch of the Public Advocates Office of the California Public Utilities Commission.

Q.3 Please describe your educational and professional experience.

A.3 In 2012, I received a Master's of Science in Accountancy from California State University, Los Angeles. I graduated from Tribhuvan University (TU) of Nepal with a Bachelor's Degree in Business Management in 1992, Master's of Business Administration in 1998, and Bachelor's Degree in Law in 2020.

During my nine years of employment with the California Public Utilities Commission, I have conducted analysis and provided recommendations on most aspects of ratemaking for Class A Water utilities. I have supervised the work of others and represented the Public Advocates Office before the Commission and in other forums.

Q.4 What is your area of responsibility in this proceeding?

A.4 I am responsible for supervising the GRC review team and reviewing Cal Am's balancing and memorandum accounts and Special Requests 2, 3, 6, 13, 14, and 16, presented in this report.

Q.5 Does that complete your prepared testimony?

A.5 Yes, it does.

**Attachment 1-2: Cal Am's Response to Cal  
Advocates' Data Request # JR6-06**

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

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.

A.22-07-001  
(Filed July 1, 2022)

**CALIFORNIA-AMERICAN WATER COMPANY'S RESPONSE TO  
PUBLIC ADVOCATES OFFICE'S DATA REQUEST JR6 06**

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Cathy Hongola-Baptista  
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ldolqueist@nossamna.com

Attorneys for California-American Water Company

Dated: October 24, 2022

California-American Water Company (U-210- W; "California American Water," "CAW" or the "Company") hereby sets forth the following objections and responses to Public Advocates Office's ("Cal Advocates") Data Request JR6 06 ("Data Requests" or "RPD"), propounded on October 10, 2022, in A.22-07-001.

#### **RESERVATION OF RIGHTS**

1. California American Water's investigation into the Data Requests is ongoing. The Company reserves the right, without obligating itself to do so, to supplement or modify its responses and to present further information and produce additional documents as a result of its ongoing investigation.

2. Any information or materials provided in response to the Data Requests shall be without prejudice to California American Water's right to object to their admission into evidence or the record in this proceeding, their use as evidence or in the record, or the relevance of such information or materials. In addition, California American Water reserves its right to object to further discovery of documents, other information or materials relating to the same or similar subject matter upon any valid ground or grounds, including without limitation, the proprietary nature of the information, relevance, privilege, work product, overbreadth, burdensomeness, oppressiveness, or incompetence.

#### **GENERAL OBJECTIONS**

1. California American Water objects to the Data Requests as improper, overbroad, and unduly burdensome to the extent they purport to impose upon California American Water any obligations broader than those permitted by law.

2. California American Water objects to the Data Requests as improper, overbroad, and unduly burdensome to the extent they improperly seek the disclosure of information protected by the attorney-client privilege, the attorney work-product doctrine, or any other applicable privilege or doctrine, and/or the client confidentiality obligations mandated by Business and Professions Code Section 6068(e)(1) and Rule 3-100(A) of the California Rules of Professional Conduct. Such responses as may hereafter be given shall not include information protected by such privileges or

doctrines, and the inadvertent disclosure of such information shall not be deemed as a waiver of any such privilege or doctrine.

3. California American Water objects to the Data Requests to the extent that the requests are duplicative and overlapping, cumulative of one another, overly broad, and/or seek responses in a manner that is unduly burdensome, unreasonably expensive, oppressive, or excessively time consuming to California American Water.

4. California American Water objects to the Data Requests to the extent they seek documents that are and/or information that is neither relevant nor material to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence.

5. California American Water objects to the Data Requests to the extent they seek an analysis, calculation, or compilation that has not previously been performed and that California American Water objects to performing.

6. California American Water objects to the Data Requests insofar as they request the production of documents or information that are publicly available or that are equally available to Cal Advocates because such requests subject California American Water to unreasonable and undue annoyance, oppression, burden and expense.

7. California American Water objects to the Data Requests to the extent the requests are vague, ambiguous, use terms that are subject to multiple interpretations but are not properly defined for purposes of the Data Request, or otherwise provide no basis from which California American Water can determine what information is sought.

8. The objections contained herein, and information and documents produced in response hereto, are not intended nor should they be construed to waive California American Water's right to object to the Data Requests, responses or documents produced in response hereto, or the subject matter of such Data Requests, responses or documents, as to their competency, relevancy, materiality, privilege and admissibility as evidence for any purpose, in or at any hearing of this or any other proceeding.

9. The objections contained herein are not intended nor should they be construed to waive California American Water's right to object to other discovery involving or relating to the subject matter of the Data Requests, responses or documents produced in response hereto.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Michael Clarke  
**Title:** Senior Manager, Accounting  
**Address:** American Water  
1 Water Street  
Camden, NJ 08043  
**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-06  
**Company Number:** Cal ADV JR6 06 Q001  
**Date Received:** October 10, 2022  
**Date Response Due:** October 24, 2022  
**Subject Area:** Memorandum and Balancing Account  
Discrepancies

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**DATA REQUEST:**

Attachment 1 to this data request compiles memorandum and balancing account ("MABA") data provided in testimony filed in Cal Am's current GRC and responses to Cal Advocates Data Requests. Column 1 references Attachment 1 in the Direct Testimony of Michael S. Clarke ("Clarke Testimony"); Column 2 references the Excel file Cal Adv JR6 02 Q001 Attachment 1 - July 1 Balances.xlsx; and Column 3 represents the total general ledger amount based on the sum of individual transactions for the respective account. Referencing Attachment 1, please answer the following:

1. The cells in orange represent MABAs where the total sum of transactions in the general ledger do not match what was provided either in the Clarke Testimony, or in the updated July 1, 2022 balances provided in response to JR6-02. For the orange cells, please provide an updated general ledger that totals out to match the amounts in Column 1 or Column 2.

**CAL-AM'S RESPONSE**

For the Memorandum and Balancing Accounts highlighted in orange on the Public Advocates Office Attachment 1 to Data Request JR6-06, California American Water has provided the general ledger activity that totals to and matches the amounts in Column 1 and Column 2. If the Public Advocates Offices starts with the beginning balance as of January 1, 2018, which was provided in response to Data Request response JR6-02, and adds the activity from January 1, 2018 through June 30, 2022, provided in response to Data Request JR6-02, the balances agree to the ending balance as of July 1, 2022. Similarly, if the activity through May 31, 2022 is added to the January 1, 2018 beginning balance, it will tie to the balances provided as of May 31, 2022.



California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

For the Catastrophic Event Memorandum Account – All CA Capex, please see attachment Cal Adv JR06 06 Q001 Attachment 1 for total amounts.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Michael Clarke  
**Title:** Senior Manager, Accounting  
**Address:** American Water  
1 Water Street  
Camden, NJ 08043

**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-06  
**Company Number:** Cal ADV JR6 06 Q002  
**Date Received:** October 10, 2022  
**Date Response Due:** October 24, 2022  
**Subject Area:** Memorandum and Balancing Account  
Discrepancies

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**DATA REQUEST:**

Attachment 1 to this data request compiles memorandum and balancing account (“MABA”) data provided in testimony filed in Cal Am’s current GRC and responses to Cal Advocates Data Requests. Column 1 references Attachment 1 in the Direct Testimony of Michael S. Clarke (“Clarke Testimony”); Column 2 references the Excel file Cal Adv JR6 02 Q001 Attachment 1 - July 1 Balances.xlsx; and Column 3 represents the total general ledger amount based on the sum of individual transactions for the respective account. Referencing Attachment 1, please answer the following:

2. The cells in blue represent MABAs for which a general ledger was not provided. For those accounts, please provide a general ledger that supports the amounts presented in Column 1.

**CAL-AM’S RESPONSE**

**Two-Way Tax Memorandum Account** – See CAW Response Cal Adv JR06 06 Q002 Attachment 1

**California American Water Conservation Surcharge Balancing Account** – See AW Response Cal Adv JR06 06 Q002 Attachment 2

**Catastrophic Event Memorandum Account Opex** – Provided to Cal Advocates in response to JR6-02. See schedule “G - Catastrophic Event Memorandum Account 2018 through June 2022”, and filter on profit centers 1540 and 1562, and “BLANK”.

**Catastrophic Event Memorandum Account Pandemic** – Provided to Cal Advocates in response to JR6-02. See schedule “G - Catastrophic Event Memorandum Account 2018 through June 2022”, and filter on profit center 1501.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Chromium 6 Memorandum Account Capex** – See AW Response Cal Adv JR06 06 Q002 Attachment 3

**Special Facilities Fees Memorandum Account Purchases and Collections** – See AW Response Cal Adv JR06 06 Q002 Attachment 4

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Michael Clarke  
**Title:** Senior Manager, Accounting  
**Address:** American Water  
1 Water Street  
Camden, NJ 08043  
**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-06  
**Company Number:** Cal ADV JR6 06 Q003  
**Date Received:** October 10, 2022  
**Date Response Due:** October 24, 2022  
**Subject Area:** Memorandum and Balancing Account  
Discrepancies

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**DATA REQUEST:**

Attachment 1 to this data request compiles memorandum and balancing account ("MABA") data provided in testimony filed in Cal Am's current GRC and responses to Cal Advocates Data Requests. Column 1 references Attachment 1 in the Direct Testimony of Michael S. Clarke ("Clarke Testimony"); Column 2 references the Excel file Cal Adv JR6 02 Q001 Attachment 1 - July 1 Balances.xlsx; and Column 3 represents the total general ledger amount based on the sum of individual transactions for the respective account. Referencing Attachment 1, please answer the following:

3. The cells in green represent instances of a significant difference between MABA balances reported as of May 31, 2022 and balances recorded as of July 1, 2022. For those accounts, please explain why the amounts substantially differ.

**CAL-AM'S RESPONSE**

Explanations for the differences are as follows:

- **Catastrophic Event Memo Account All CA – Capex** – The May 31, 2022 balance originally provided was incorrect and shown as an over-collection. This was corrected in Attachment 4 to the 100 Day Update to show a balance of (8,242,170).
- **Affiliate Transaction Memorandum Account** – The July 1, 2022 balance originally provided in response to JR6-02 was incorrect. The correct balance, \$12,377, was provided to Cal Advocates in Cal Adv JR6 02 Q001 Second Supplemental Attachment 1 – July 1 Balances.
- **Coastal Water Project Memorandum Account** – The May 31, 2022 balance originally provided incorrectly included an amount associated with the MPWSP Phase I Project Cost Memorandum Account. Both the Coastal Water Project and MPWSP Phase I Project Cost accounts were corrected in Attachment 4 to the

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

100 Day Update to show a balance of (11,788,816) and (196,420,072), respectively.

- **Fruitridge Safe Drinking Water State Revolving Fund Loan Repayment Balancing Account** – A debt service payment is reflected in the July 1, 2022 balance.

**Attachment 1-3: Cal Am's Response to Cal  
Advocates' Data Request # JR6-05**

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

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.

A.22-07-001  
(Filed July 1, 2022)

**CALIFORNIA-AMERICAN WATER COMPANY'S RESPONSE TO  
PUBLIC ADVOCATES OFFICE'S DATA REQUEST JR6 05**

Sarah E. Leeper  
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Attorneys for California-American Water Company

Dated: October 19, 2022

California-American Water Company (U-210- W; "California American Water," "CAW" or the "Company") hereby sets forth the following objections and responses to Public Advocates Office's ("Cal Advocates") Data Request JR6 05 ("Data Requests" or "RPD"), propounded on October 5, 2022, in A.22-07-001.

**RESERVATION OF RIGHTS**

1. California American Water's investigation into the Data Requests is ongoing. The Company reserves the right, without obligating itself to do so, to supplement or modify its responses and to present further information and produce additional documents as a result of its ongoing investigation.

2. Any information or materials provided in response to the Data Requests shall be without prejudice to California American Water's right to object to their admission into evidence or the record in this proceeding, their use as evidence or in the record, or the relevance of such information or materials. In addition, California American Water reserves its right to object to further discovery of documents, other information or materials relating to the same or similar subject matter upon any valid ground or grounds, including without limitation, the proprietary nature of the information, relevance, privilege, work product, overbreadth, burdensomeness, oppressiveness, or incompetence.

**GENERAL OBJECTIONS**

1. California American Water objects to the Data Requests as improper, overbroad, and unduly burdensome to the extent they purport to impose upon California American Water any obligations broader than those permitted by law.

2. California American Water objects to the Data Requests as improper, overbroad, and unduly burdensome to the extent they improperly seek the disclosure of information protected by the attorney-client privilege, the attorney work-product doctrine, or any other applicable privilege or doctrine, and/or the client confidentiality obligations mandated by Business and Professions Code Section 6068(e)(1) and Rule 3-100(A) of the California Rules of Professional Conduct. Such responses as may hereafter be given shall not include information protected by such privileges or



doctrines, and the inadvertent disclosure of such information shall not be deemed as a waiver of any such privilege or doctrine.

3. California American Water objects to the Data Requests to the extent that the requests are duplicative and overlapping, cumulative of one another, overly broad, and/or seek responses in a manner that is unduly burdensome, unreasonably expensive, oppressive, or excessively time consuming to California American Water.

4. California American Water objects to the Data Requests to the extent they seek documents that are and/or information that is neither relevant nor material to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence.

5. California American Water objects to the Data Requests to the extent they seek an analysis, calculation, or compilation that has not previously been performed and that California American Water objects to performing.

6. California American Water objects to the Data Requests insofar as they request the production of documents or information that are publicly available or that are equally available to Cal Advocates because such requests subject California American Water to unreasonable and undue annoyance, oppression, burden and expense.

7. California American Water objects to the Data Requests to the extent the requests are vague, ambiguous, use terms that are subject to multiple interpretations but are not properly defined for purposes of the Data Request, or otherwise provide no basis from which California American Water can determine what information is sought.

8. The objections contained herein, and information and documents produced in response hereto, are not intended nor should they be construed to waive California American Water's right to object to the Data Requests, responses or documents produced in response hereto, or the subject matter of such Data Requests, responses or documents, as to their competency, relevancy, materiality, privilege and admissibility as evidence for any purpose, in or at any hearing of this or any other proceeding.

9. The objections contained herein are not intended nor should they be construed to waive California American Water's right to object to other discovery involving or relating to the subject matter of the Data Requests, responses or documents produced in response hereto.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Michael Clarke  
**Title:** Senior Manager, Accounting  
**Address:** American Water  
1 Water Street  
Camden, NJ 08043  
**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-05  
**Company Number:** Cal ADV JR6 05 Q001, First Question  
**Date Received:** October 5, 2022  
**Date Response Due:** October 19, 2022  
**Subject Area:** Memorandum and Balancing Accounts 2

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**DATA REQUEST:**

1. In the Direct Testimony of Michael S. Clarke (Clarke Testimony), Attachment 1, Cal Am reports a zero balance in the Water Contamination Litigation Expense Memorandum Account ("WCLE"). Has Cal Am ever recorded costs to the WCLE or sought recovery of recorded costs?

**CAL-AM'S RESPONSE**

California American Water has previously recorded water contamination litigation expense for which it requested recovery. Please see CAW Response Cal Adv JR6 05 Q001, Second Question, for details of the GRC proceedings and Advice Letters which requested recovery of these costs.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Jonathan Morse  
**Title:** Senior Manager Rates & Regulatory  
**Address:** California American Water  
520 Capitol Mall  
Sacramento, CA 95814  
**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-05  
**Company Number:** Cal ADV JR6 05 Q001, Second Question  
**Date Received:** October 5, 2022  
**Date Response Due:** October 19, 2022  
**Subject Area:** Memorandum and Balancing Accounts 2

---

**DATA REQUEST:**

1. In the Direct Testimony of Michael S. Clarke (Clarke Testimony), Attachment 1, Cal Am reports a zero balance in the Water Contamination Litigation Expense Memorandum Account ("WCLE"). If so, please provide the relevant Advice Letters or GRC proceeding(s) in which Cal Am requested recovery of amounts recorded in the WCLE.

**CAL-AM'S RESPONSE**

California American Water incorporates its General Objections as though each is submitted fully here. California American Water further objects to this request as overly broad and to the extent it seeks an analysis, calculation, or compilation that has not previously been performed and is therefore unduly burdensome. California American Water additionally objects to this request on the grounds that any benefit of receiving the information is outweighed by the undue burden and expense of providing that information, particularly as the account in question was first established in 1998. California American Water also objects to this request on the grounds it seeks information irrelevant to this proceeding. Subject to, but without waiving, those objections, California American Water responds as follows.

Through Resolution W-4094 the Commission authorized all water utilities to establish memorandum accounts for water contamination litigation expenses. California American Water established this account via Advice Letter 527 in 1998.

California American Water undertook a review of Advice Letters and GRC proceedings since 2010. Based on this review, California American Water requested recovery of balances in its 2010 GRC (A.10-07-007); 2013 GRC (A.13-07-002); and through Advice Letter 905.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Kyle Heebner  
**Title:** Lead Accountant  
**Address:** American Water  
 1 Water St.  
 Camden, NJ 08102  
**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-05  
**Company Number:** Cal ADV JR6 05 Q002  
**Date Received:** October 5, 2022  
**Date Response Due:** October 19, 2022  
**Subject Area:** Memorandum and Balancing Accounts 2

**DATA REQUEST:**

2. A snapshot of general ledger "Pension True-up" transactions, provided in response to JR6-02 (filename U – 25633000 – Pension Balancing Account 2018 through 2022), is shown on page 5 of this Data Request set. Please explain and show, in Excel format, how the Pension True-up transactions shown were calculated.

Question 2: Pension True-up snapshot

#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	14,150.07 USD	Pension True-up	#530
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	40,990.18 USD	Pension True-up	#540
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	14,016.53 USD	Pension True-up	#542
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	-189.52 USD	Pension True-up	#548
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	-21.45 USD	Pension True-up	#549
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	2,315.83 USD	Pension True-up	#550
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	6,519.48 USD	Pension True-up	#551
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	37,831.22 USD	Pension True-up	#560
#015	OL	25633000	12/31/21	2021	#2	SA	#0037396	#0	3,632.20 USD	Pension True-up	#561

Question 3: OPEB Expenses snapshot

#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	16,695.62 USD	OPEB Monthly Share	#530
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	23,750.37 USD	OPEB Monthly Share	#551
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	3,455.03 USD	OPEB Monthly Share	#548
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	72,003.94 USD	OPEB Monthly Share	#550
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	40,358.79 USD	OPEB Monthly Share	#542
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	163,676.94 USD	OPEB Monthly Share	#540
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	62,041.16 USD	OPEB Monthly Share	#560
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	-3,742.07 USD	OPEB Monthly Share	#551
#015	JL	#6641000	12/31/18	2018	#2	SA	#00261370	#0	-70.85 USD	OPEB Monthly Share	#549
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-16,555.62 USD	OPEB Monthly Share	#530
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-72,003.94 USD	OPEB Monthly Share	#550
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-23,750.37 USD	OPEB Monthly Share	#551
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-3,455.03 USD	OPEB Monthly Share	#548
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-40,358.79 USD	OPEB Monthly Share	#542
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-163,676.94 USD	OPEB Monthly Share	#540
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-62,041.16 USD	OPEB Monthly Share	#560
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	70.85 USD	OPEB Monthly Share	#549
#015	JL	#6641000	12/31/18	2018	#2	SA	#00263043	#0	-3,742.07 USD	OPEB Monthly Share	#551

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**CAL-AM'S RESPONSE**

On a monthly basis the Company records amounts to its Pension Balancing Account based on the difference between authorized pension expense and actual contributions to the pension plan. For the year 2021, specifically January through November 2021, these amounts were recorded based on authorized pension expense per the last approved general rate case decision (D.18-12-021), because the authorized pension expense for 2021 was not known until general rate case Decision 21-11-018 was issued in November 2021. In December 2021, a journal entry was made to adjust the Pension Balancing Account from January to November 2021 for the difference in authorized expense between the most recent decision and the previous decision. Please see CAW Response Cal Adv JR6 Q002 Attachment 1.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Kyle Heebner  
**Title:** Lead Accountant  
**Address:** American Water  
1 Water St.  
Camden, NJ 08102  
**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-05  
**Company Number:** Cal ADV JR6 05 Q003  
**Date Received:** October 5, 2022  
**Date Response Due:** October 19, 2022  
**Subject Area:** Memorandum and Balancing Accounts 2

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**DATA REQUEST:**

3. A snapshot of Other Post-Employment Benefits (“OPEB”) Monthly Share expenses recorded in the Pension Balancing Account is shown on page 5 of this Data Request set. As shown, the OPEB expenses were subsequently reversed. Please explain why these expenses were initially recorded in the Pension Balancing Account and indicate whether these expenses were ever included in amounts transferred to the Consolidated Expense Balancing Account for recovery.

**CAL-AM’S RESPONSE**

On a monthly basis the Company records amounts to its OPEB Balancing Account based on the difference between authorized and actual OPEB expense. For the year 2018, from January through November 2018, these amounts were recorded based on authorized OPEB expense per the last approved general rate case decision (D.15-04-007), since the authorized OPEB expense for 2018 was not known until the general rate case was approved in December 2018 (D.18-12-021). In December 2018, a journal entry was made to adjust the OPEB Balancing Account from January to November 2018 for the difference in authorized expense between the most recent decision and the previous decision. However, the OPEB true up was accidentally recorded to the Pension Balancing Account. This entry reverses the original true up and re-records to the correct account. The reversed expenses were never included in amounts transferred to the Consolidated Expense Balancing Account for recovery.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Jeffrey T. Linam  
**Title:** Senior Director Rates and Regulatory  
**Address:** California American Water  
655 West Broadway, #1410  
San Diego, CA 92101  
**Cal Adv Request:** A2207001 CAL ADV DATA REQUEST # JR6-05  
**Company Number:** Cal ADV JR6 05 Q004  
**Date Received:** October 5, 2022  
**Date Response Due:** October 19, 2022  
**Subject Area:** Memorandum and Balancing Accounts 2

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**DATA REQUEST:**

4. In response to JR6-02, Question 1, Cal Am stated that the Purchased Water, Purchased Power, and Pump Tax ("PWPPPT") balancing account was "closed through Advice Letter 1377."<sup>1</sup>

- a. Please explain or resolve the following apparent discrepancies related to the PWPPPT balancing account:
  - 1) Cal Am requests continuance of the PWPPPT balancing account,<sup>2</sup> but the account appears to be closed and is not listed in Cal Am's current Preliminary Statement.
  - 2) Cal Am requests transferring balances tracked in the PWPPPT balancing account, but the account shows a zero balance.<sup>3</sup>
- b. If not fully clarified in response to question 4.a., please restate Cal Am's request(s) regarding the PWPPPT balancing account in the current GRC application and indicate whether Cal Am intends to amend the request(s).

**CAL-AM'S RESPONSE**

The Purchased Water, Purchased Power and Pump Tax Balancing account was included in the direct testimony of Witness Michael Clarke in error. D.18-12-021 allowed California American Water to continue to hold the account open but removed all applicable service areas. D.21-11-018 authorized California American Water to continue the account. However, the Company made the decision that since the account was not

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<sup>1</sup> Excel file "Cal Adv JR6 02 Q001 Attachment 1 – July 1 Balances," row 31.

<sup>2</sup> See Clarke Testimony, p.13.

<sup>3</sup> See Clarke Testimony, Attachment 1.



California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

applicable to any service areas, it was no longer required and should be closed and did so through Advice Letter 1377.

**Attachment 1-4: Cal Am's Response to Cal  
Advocates' Data Request JR6-02**

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

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.

A.22-07-001  
(Filed July 1, 2022)

**CALIFORNIA-AMERICAN WATER COMPANY'S THIRD SUPPLEMENTAL  
RESPONSE TO PUBLIC ADVOCATES OFFICE'S DATA REQUEST JR6 02  
QUESTION 1**

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Nicholas A. Subias  
Cathy Hongola-Baptista  
California-American Water Company  
555 Montgomery Street, Suite 816  
San Francisco, CA 94111  
(415) 863-2960  
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Willis Hon  
Nossaman LLP  
50 California Street  
34<sup>th</sup> Floor  
San Francisco, CA 94111  
(415) 398-3600  
ldolqueist@nossamna.com

Attorneys for California-American Water Company

Dated: August 19, 2022

California-American Water Company (U-210- W, "California American Water," "CAW" or the "Company") hereby sets forth the following objections and third supplemental response to Public Advocates Office's ("Cal Advocates") Data Request JR6 02, Question 1 ("Data Requests" or "RPD"), propounded on July 18, 2022, in A.22-07-001.

#### **RESERVATION OF RIGHTS**

California American Water's investigation into the Data Requests is ongoing. The Company reserves the right, without obligating itself to do so, to supplement or modify its responses and to present further information and produce additional documents as a result of its ongoing investigation.

Any information or materials provided in response to the Data Requests shall be without prejudice to California American Water's right to object to their admission into evidence or the record in this proceeding, their use as evidence or in the record, or the relevance of such information or materials. In addition, California American Water reserves its right to object to further discovery of documents, other information or materials relating to the same or similar subject matter upon any valid ground or grounds, including without limitation, the proprietary nature of the information, relevance, privilege, work product, overbreadth, burdensomeness, oppressiveness, or incompetence.

#### **GENERAL OBJECTIONS**

1. California American Water objects to the Data Requests as improper, overbroad, and unduly burdensome to the extent they purport to impose upon California American Water any obligations broader than those permitted by law.
2. California American Water objects to the Data Requests as improper, overbroad, and unduly burdensome to the extent they improperly seek the disclosure of information protected by the attorney-client privilege, the attorney work-product doctrine, or any other applicable privilege or doctrine, and/or the client confidentiality obligations mandated by Business and Professions Code Section 6068(e)(1) and Rule 3-100(A) of the California Rules of Professional Conduct. Such responses as

may hereafter be given shall not include information protected by such privileges or doctrines, and the inadvertent disclosure of such information shall not be deemed as a waiver of any such privilege or doctrine.

3. California American Water objects to the Data Requests to the extent that the requests are duplicative and overlapping, cumulative of one another, overly broad, and/or seek responses in a manner that is unduly burdensome, unreasonably expensive, oppressive, or excessively time consuming to California American Water.

4. California American Water objects to the Data Requests to the extent they seek documents that are and/or information that is neither relevant nor material to this proceeding nor reasonably calculated to lead to the discovery of admissible evidence.

5. California American Water objects to the Data Requests to the extent they seek an analysis, calculation, or compilation that has not previously been performed and that California American Water objects to performing.

6. California American Water objects to the Data Requests insofar as they request the production of documents or information that are publicly available or that are equally available to Cal Advocates because such requests subject California American Water to unreasonable and undue annoyance, oppression, burden and expense.

7. California American Water objects to the Data Requests to the extent the requests are vague, ambiguous, use terms that are subject to multiple interpretations but are not properly defined for purposes of the Data Request, or otherwise provide no basis from which California American Water can determine what information is sought.

8. The objections contained herein, and information and documents produced in response hereto, are not intended nor should they be construed to waive California American Water's right to object to the Data Requests, responses or documents produced in response hereto, or the subject matter of such Data Requests, responses or documents, as to their competency, relevancy, materiality, privilege and admissibility as evidence for any purpose, in or at any hearing of this or any other

proceeding.

9. The objections contained herein are not intended nor should they be construed to waive California American Water's right to object to other discovery involving or relating to the subject matter of the Data Requests, responses or documents produced in response hereto.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

**Response Provided By:** Michael Clarke  
**Title:** Senior Manager, Accounting  
**Address:** American Water  
1 Water Street  
Camden NJ 08043

**ORA Request:** A2207001 CAL ADV DATA REQUEST # JR6-02  
**Company Number:** Cal ADV JR6 02 Q001 Supplemental  
**Date Received:** July 18, 2022  
**Date Response Due:** August 1, 2022; Third Supplemental Response August 19, 2022  
**Subject Area:** Preliminary Account Data

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**DATA REQUEST:**

1. For each memorandum and balancing account listed in Cal Am's Preliminary Statement Part F through BT, please provide:  
The balance for each account as of July 1, 2022.  
The monthly historical calculations of the balances tracked in each account beginning January 1, 2018 and ending July 1, 2022 in Microsoft Excel format. This should include all requisite entries into the account with a total ending balance for each month.  
The general ledger for each account beginning January 1, 2018 and ending July 1, 2022.

**CAL-AM'S RESPONSE**

California American Water incorporates its General Objections as though each is submitted fully here. California American Water further objects to this request on the grounds it is overbroad and seek voluminous data and is therefore unduly burdensome. California American Water also objects to this request on the grounds it seeks an analysis, calculation, or compilation that has not previously been performed and is therefore unduly burdensome. California American Water also objects to this request on the grounds it seeks information irrelevant to this proceeding and because it seeks information that is publicly available or that is equally available to Cal PA. Subject to, but without waiving, those objections, California American Water responds as follows.

California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

1a. Please see Cal Adv JR6 02 Q001 Attachment 1 for the account balances as of July 1, 2022. Additionally, a correction should be made to Attachment 1 of the Direct Testimony of Michael Clarke for Item B-4 (Coastal Water Project Memorandum Account) and B-11 (MPWSP Phase 1 Project Cost Memorandum Account). The May 31, 2022 balances for Item B-4 and B-11 were reported as \$196,143,043 and \$0, respectively. The corrected May 31, 2022 balance for B-4 and B-11 is \$11,788,816 and \$192,198,321, respectively.

1b. California American Water will respond to this request on or before September 5, 2022. However, Cal Adv JR6 02 Q001 Attachment 1 provides information on a number of the Company's preliminary statements. Column E identifies the current preliminary statement accounts where transaction information is available and will be provided. Also, California American Water directs Cal Advocates to its response to data request ANU-03, Q1 from the 2019 General Rate Case (A.19-07-004) for several preliminary statement accounts, where transaction information for the period January 1, 2018 through May 31, 2019 was previously provided. This response is included here as Cal Adv JR6 02 Attachments 3 through 8. This information will be supplemented to include the historical information from June 1, 2019 through July 1, 2022. Lastly, California American Water will provide the transaction information first for those accounts where it seeks to transfer balances to the Consolidated Expense Balancing Account as referenced on Attachment 1 to the Direct Testimony of Michael Clarke. This attachment is included as Cal Adv JR6 02 Q001 Attachment 2.

1c. California American Water will respond to this request on or before September 5, 2022.

**August 5, 2022 Supplemental Response:**

California American Water supplements its earlier response to reflect that the correct amount for the Two Way Tax Memorandum Account is \$34,973,733. Please also see Cal Adv JR6 02 Q001 Supplemental Attachment 1 which reflects this corrected amount.

**August 12, 2022 Second Supplemental Responses:**

California American Water provides this supplemental response to questions 1b and 1c. Per our prior discussion and agreement with Cal Advocates, California American Water provides Attachment 9 to question 1b, which provides the requested transaction data on 19 separate memorandum and balancing accounts for the applicable period. Attachment 10 to question 1b provides the requested transaction data on 4 capital related memorandum and balancing account balances. In addition, the 13



California-American Water Company

APPLICATION NO. A.22-07-001  
DATA REQUEST RESPONSE

memorandum and balancing accounts listed below do not have activity during the time period requested. The transaction detail for the remaining memorandum and balancing accounts will be provided on or before Friday, August 19, 2022 per our joint discussion and agreement. Additionally, California American Water supplements its earlier response to reflect that the correct amount for the Affiliate Transaction Memorandum Account is \$12,377 on July 1, 2022.

Finally, California American Water provides Attachment 1 to question 1c providing the account balances for January 1, 2018 and July 1, 2022 as requested.

Account Name	Preliminary Statement Reference		January 1, 2018 Balance Over/(Under)	July 1, 2022 Balance Over/(Under)
Cease and Desist Order - Penalties and Fines Memorandum Account	J		0	0
Emergency Rationing Costs Incurred by California American Water Memorandum Account	M		0	0
Water Contamination Litigation Expense Memorandum Account	Z		0	0
Purchased Water, Purchased Power and Pump Tax Balancing Account	AF		0	0
MPWSP Operations and Maintenance Memorandum Account	AW		0	0
Sacramento District Voluntary Conservation or Mandatory Rationing Memorandum Account	BE		0	0
Hillview Memorandum Account and Deferred Income Taxes	BG		0	0
Central Basin Contamination Memorandum Account	BH		0	0
Fruitridge Vista Multifamily Meter Retrofit Memorandum Account (MFMMA)	BJ	OpEx	0	0
		CapEx	0	0
East Pasadena Purchased Power Balancing Account	BL		0	0
East Pasadena Purchased Water Balancing Account	BM		0	0
East Pasadena Pumping Assessment Cost Balancing Account	BN		0	0
Drinking Water Fees Memorandum Account	BO		0	0

**August 19, 2022 Third Supplemental Response:**

Please see attached:

1. CAW Response Cal Adv JR6 02 Q001.b Attachment 12 - Schedules.