

Decision 11-04-020 April 14, 2011

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 in its Larkfield District \$648,100 or 23.38% in the year 2010; and by \$140,200 or 4.07% in the year 2011 and to increase its Revenues for Water Service in its Los Angeles District by \$7,886,200 or 41.29% in the year 2010; and \$1,100,000 or 4.09% in the year 2011 and to increase its Revenues for Water Service in its Sacramento District by \$17,537,800 or 51.29% in the year 2010; and \$5,339,800 or 10.25% in the year 2011.

Application 09-01-013
(Filed January 23, 2009)

And Related Matters.

Application 09-05-008
(Filed May 11, 2009)

Application 09-07-002
(Filed July 2, 2009)

**DECISION GRANTING CALIFORNIA AMERICAN WATER COMPANY'S
PETITION TO MODIFY DECISION 10-06-038**

Summary

This decision approves California American Water Company's request to modify Decision 10-06-038 to allow the 2011 escalation year increase to go into effect before July 1, 2011 and eliminate the 2012 escalation year increase.

Background

California American Water Company's general rate case Application (A.) 09-01-013 for the Larkfield, Los Angeles and Sacramento districts was filed on January 23, 2009. The rates resulting from Decision (D.) 10-06-038 in A.09-01-013 became effective on July 1, 2010, with escalation years' rates scheduled to become effective on July 1, 2011 and July 2012.

California American Water Company (Cal Am) filed the Petition to Modify D.10-06-038 on December 10, 2010. The Petition to Modify requests that the Commission allow the 2011 escalation year increase to go into effect before July 1, 2011 and eliminate the July 1, 2012 escalation year as the rates for 2012 will be determined in Cal Am's first statewide general rate case, A.10-07-007, filed July 1, 2010. There were no protests to Cal Am's Petition to Modify.

Discussion

The original Rate Case Plan (D.04-06-018)¹ required Cal Am to file general rate cases each January, staggering the districts so that Cal Am filed a general rate case application for each of its districts every three years. In D.07-05-062, the Commission adopted a significantly revised Rate Case Plan. One of the revisions required that multi-district water utilities eventually file general rate cases for all districts at the same time every three years. The revised Rate Case Plan included a transition schedule that gradually aligned the staggered schedule into a new single-date filing schedule. Pursuant to the revised Rate Case Plan, Cal Am's first statewide, single-date general rate case was filed in July 2010, with an

¹ D.04-06-018 approved a Rate Case Plan schedule for all Class A water utilities.

expected decision in December 2011. The anticipated December 2011 decision would adopt rates that become effective on January 1, 2012.

A.09-01-013, Cal Am's general rate case filing for the Larkfield, Los Angeles and Sacramento districts was Cal Am's final general rate case filing prior to transitioning all its districts to the single-date statewide general rate case filing schedule. The decision in A.09-01-013, D.10-06-038 was issued on June 29, 2010. D.10-06-038 should have aligned the effective dates of rates in the Larkfield, Los Angeles and Sacramento districts with the effective dates of rates in all Cal Am's other districts. D.10-06-038 was the final step in the transition that should allow the rates adopted in Cal Am's first statewide general rate case decision to become effective for all Cal Am districts on January 1, 2012.

Ordering Paragraph 4 in D.10-06-038 states:

For escalation years 2011 and 2012, California-American Water Company shall file Tier 2 advice letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules for each district and rate procedures set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities and shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than July 1, 2011 and July 1, 2012, respectively and shall apply to service rendered on and after their effective dates.

D.10-06-038 adopted test year rates that became effective on July 1, 2010 and as indicated above, escalation year rates that would become effective July 1, 2011 and July 1, 2012. The 2011 escalation year effective date is incorrect. The test year rates should have been effective July 1, 2010 through December 31, 2010, with the 2011 escalation year rates becoming effective January 1, 2011. The application did not seek 2012 escalation year rates, therefore, Ordering Paragraph 4 should not have included any reference to a

2012 escalation year effective date. Also, the Rate Case Plan and General Order 96-B allow Tier 1 Advice Letters for Escalation year filings rather than Tier 2. Rates for 2012 for all Cal Am districts will result from a decision in Cal Am's first statewide general rate case, A.10-07-007, which was filed July 1, 2010 and is ongoing.

The transition to single-date statewide general rate case filings and the resulting partial year rates created confusion. The mistakes in Ordering Paragraph 4 were not brought to the Commission's attention during the comment period for D.10-06-038 that would have allowed corrections to be made in a more timely manner. However, for the reasons stated above, Cal Am's Petition to Modify D.10-06-038 to allow 2011 escalation year rates to go into effect before July 1, 2011 and to eliminate the requirement for 2012 escalation rates should be granted. Cal Am may file the Escalation year rates as a Tier 1 Advice Letter.

Categorization and Need for Hearing

In Resolution ALJ 176-3228 dated January 29, 2009, the Commission preliminarily categorized this application as ratesetting, and preliminarily determined that hearings are necessary. Because there were no protests to Cal Am's petition to modify D.10-06-038, hearings are not necessary.

Waiver of Comment Period

This is an uncontested matter. Accordingly, pursuant to Pub. Util. Code § 311(g)(3), the 30-day public review and comment period does not apply.

Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Linda A. Rochester is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. A.09-01-013, Cal Am's general rate case filing for the Larkfield, Los Angeles and Sacramento districts was Cal Am's final general rate case filing prior to transitioning all districts to the single-date statewide general rate case filing schedule, in compliance with the revised Rate Case Plan.

2. D.10-06-038, the decision in A.09-01-013, should have aligned the effective dates of rates in the Larkfield, Los Angeles and Sacramento districts with the effective dates of rates in all Cal Am's other districts, allowing the rates adopted in Cal Am's first statewide general rate case to become effective for all Cal Am districts on January 1, 2012.

3. D.10-06-038 adopted test year rates that became effective on July 1, 2010 and escalation year rates that are scheduled to become effective July 1, 2011 and July 1, 2012.

4. The effective dates of the escalation year rates are incorrect.

5. Tier 1 Advice Letters may be used for Escalation year filings.

Conclusions of Law

1. Cal Am's request to modify D.10-06-038 to allow the 2011 escalation year increase to go into effect before July 1, 2011, should be approved.

2. Cal Am's request to eliminate the requirement that an advice letter be filed to implement the 2012 escalation year increase should be approved.

3. Cal Am should file a Tier 1 Advice Letter for its Escalation year filing.

O R D E R

IT IS ORDERED that:

1. Ordering Paragraph 4 of Decision 10-06-038 is modified to read:

For escalation year 2011, California American Water Company shall file a Tier 1 advice letter in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules for each district and rate procedures set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities and shall include appropriate supporting workpapers. The revised tariff schedules shall take effect upon filing with the Commission's Division of Water and Audits and shall apply to service rendered on and after their effective dates. The revenue requirements and rates shall be reviewed by the Commission's Division of Water and Audits. The Division of Water and Audits shall inform the Commission if it finds that the revised rates do not conform to the Rate Case Plan, this order, or other Commission decisions.

2. Application (A.) 09-01-013, A.09-05-008, and A.09-07-002 are closed.

This order is effective today.

Dated April 14, 2011, at San Francisco, California.

MICHAEL R. PEEVEY

President

TIMOTHY ALAN SIMON

MICHEL PETER FLORIO

CATHERINE J.K. SANDOVAL

MARK FERRON

Commissioners