



CALIFORNIA WATER SERVICE COMPANY
1720 NORTH FIRST STREET
SAN JOSE, CA 95112 • (408) 367-8200 • F (408) 367-8428

September 25, 2014

Advice Letter No. 2140

CALIFORNIA WATER SERVICE COMPANY (U 60 W)

To The Public Utilities Commission of the State of California:

California Water Service Company (“Cal Water”) hereby transmits for filing the following changes in its tariffs, applicable to all districts:

CPUC Sheet No.	Title of Sheet	Schedule No.	Cancelling CPUC Sheet No.
10454-W	Additional Surcharges/Surcredits Page 2	AS	-
10455-W	Table of Contents (Page 2)	Not Applicable	10401-W
10456-W	Table of Contents (Page 1)	Not Applicable	10453-W

Purpose

On August 14, 2014, the Commission resolved Cal Water 2012 General Rate Case for new rates beginning on January 1, 2014. Due to the delay in resolving the proceeding, the Commission authorized Cal Water to open a “2012 GRC Interim Rate Memorandum Account” or “2012 IRMA.”

Cal Water requests authorization to amortize the 2012 IRMA and to undertake other related activities. In particular, Cal Water requests authorization to:

- (1) Issue surcharges to true interim rates up to final rates for the interim period of 1/1/14 – 8/28/14;
- (2) Issue credits to true the LIRA and RSF benefits provided in the interim period up to the final adopted benefits; and
- (3) Transfer the remaining balances of the sub-accounts tracked in the 2012 IRMA during the interim period to the following memo and balancing accounts: LIRA, RSF, Conservation Expense (for 2014-2016), Pension Cost (for 2014-2016), and Health Cost (for 2014-2016).

Cal Water requests that this Tier 1 advice letter become effective on September 30, 2014.



Background

With the issuance of D.14-08-011 on August 14, 2014, the Commission resolved Cal Water's 2012 General Rate Case for new rates for the period of 1/1/14 thru 12/31/16. In an ALJ ruling dated December 19, 2013,¹ Cal Water received authority to open a memorandum account to track interim rates. In Advice Letter 2117, Cal Water was authorized to open the "2012 GRC Interim Rate Memorandum Account," or "2012 IRMA," and add Preliminary Statement AK to its tariff.

As reflected in Preliminary Statement AK, the 2012 IRMA tracks:

- (1) The difference between the interim rates for all ratemaking areas ("districts") effective on January 1, 2014, and the final adopted rates for all districts that the California Public Utilities Commission ("Commission") authorized in Decision (D).14-08-011 on August 14, 2014;
- (2) In the Interim LIRA Sub-Account and the Interim RSF Sub-Account, the difference between the benefits under the former and currently adopted modifications for the Low-Income Ratepayer Assistance ("LIRA") and Rate Support Fund ("RSF") programs; and
- (3) In the interim sub-accounts for conservation expenses, pension costs, health costs, and Chromium-6-related costs, debit and credit entries consistent with the proposed preliminary statements for those accounts in the Settlement Agreement, as if they had been authorized and in effect as of January 1, 2014.

Prior to the Commission's issuance of D.14-08-011, Cal Water obtained authority to open the Chromium-6 Memorandum Account (Preliminary Statement AI) in Advice Letter 2128 because California adopted a final Maximum Contaminant Level for chromium-6. This advice letter therefore does not address the interim sub-account for chromium-6.

In D.14-08-011, the Commission acknowledged the creation of the 2012 IRMA on page 9 under Section 2.10. In Ordering Paragraph 19, the Commission also approved the three new balancing accounts referenced in the 2012 IRMA that are for the GRC period of 2014-2016: a Conservation Expense Balancing Account (CEBA2), a Pension Cost Balancing Account (PCBA2), and a Health Cost Balancing Account (HCBA2).

Ordering Paragraph 45 of D.14-08-011 authorizes amortization of the 2012 IRMA via a Tier 1 advice letter within 60 days of the decision:

"Within 60 days of adoption of this decision, California Water Service Company is authorized to file a Tier 1 advice letter to amortize the 2012 Interim Rate Memorandum Account to true-up interim rates to the final rates adopted in this decision. Consistent with the December 19, 2013 Administrative Law Judge's Ruling Granting California Water Service Company's Motion for Interim Rates, Cal

¹ Administrative Law Judge's Ruling Granting California Water Service Company's Motion for Interim Rates (December 19, 2013).



Water is also authorized to open the following balancing accounts with an effective date of January 1, 2014, and to transfer balances from the 2012 Interim Rate Memorandum Account to their respective, newly-authorized accounts:

- *Conservation Expense Balancing Account (Preliminary Statement Z2);*
- *Pension Cost Balancing Account (Preliminary Statement AA2; and*
- *Health Care Balancing Account (Preliminary Statement AB2)."*

Discussion

Cal Water is submitting this advice letter in compliance with Ordering Paragraph 45 of D.14-08-011 to implement the surcharges and credits provided on the attached Additional Surcharges ("AS") schedule, which are described in greater detail below, and to transfer amounts tracked in the designated sub-accounts of the 2012 IRMA to the appropriate balancing accounts.

Interim Rate Surcharge Calculation:

To true-up the interim rates Cal Water tracked the difference between the rates billed to customers and the rates authorized by D.14-08-011; the difference was tracked between January 1, 2014 and August 28, 2014, which is the date before the newly authorized D.14-08-011 rates became effective in Advice Letter 2136. The difference was calculated by applying the new rates to the actual consumption reflected on customer bills from 1/1/2014 through 8/28/2014, and determining the difference between the new bills and the old bills. All interim rate surcharges, separated by district, are shown on the AS schedule.

Cal Water does not propose any modifications to the preliminary statement M filed in Advice Letter 2138, as these interim rate surcharges reflect revenue that should have been collected with the new authorized rates in effect as of January 1, 2014.

Each Cal Water district has a different undercollection percentage. Therefore the amortization periods vary between one, two, and three years depending on the specific district undercollection percentage consistent with the following provision of Standard Practice U-27-W:

"Reserve and memo account amortization surcharges shall be spread over one year for undercollections of less than 5% of gross revenues, over two years for undercollections of 5% to 10% of gross revenues and over three years for undercollections over 10% of gross revenues."

LIRA Credit Calculation:

As part of the calculation to true up Interim Rates, existing LIRA customers will benefit from a Retroactive LIRA Credit. This Retro LIRA Credit will be district-specific based on the individual district's adopted customer service charge and LIRA cap. All LIRA credits, separated by district, are shown on the AS schedule.

The total Retro LIRA Credit for a given district is calculated as follows:



Retro LIRA Credit = (new LIRA discount – old LIRA discount) x (number of months and partial months during which the Interim Rates were in effect)

The total Retro LIRA Credit for each district will be applied to LIRA customers' bills via a fixed Monthly LIRA Adjustment over the same amortization period of the interim rate surcharge approved for that district. For each billing period, the Monthly LIRA Adjustment will only be applied to customers who are in the LIRA program during that billing period, regardless of whether they were LIRA customers when Interim Rates were in effect. Similarly, it will not be credited to customers who are no longer LIRA customers as of the effective date of the Monthly LIRA Adjustment.

Cal Water will transfer the district-specific Retro LIRA Credit balance tracked in the 2012 IRMA to the LIRA Balancing Account (Preliminary Statement AJ), which is trued up on an annual basis.

RSF Credit Calculation:

As part of the calculation to true up Interim Rates, RSF customers will benefit from a Retroactive RSF Credit. This Retro RSF Credit is district-specific based on the individual district's adopted quantity rate discount. All RSF credits, separated by district, are shown on the AS schedule.

The total Retro RSF Credit for a given district is calculated as follows:

Retro RSF Credit = (new RSF discount – old RSF discount) x (number of months and partial months during which the Interim Rates were in effect)

The total Retro RSF Credit for each RSF district will be applied to RSF customers' bills via using a Monthly RSF Adjustment that spreads the Retro RSF Credit onto bills over the same amortization period of the interim rate surcharge approved for that district. For each billing period, the Monthly RSF Adjustment will only be applied to customers who are in the RSF district during that billing period, regardless of whether they were in the RSF district when Interim Rates were in effect. Similarly, it will not be credited to customers who are no longer in an RSF district as of the effective date of the Monthly RSF Adjustment.

The RSF credits will be applied to the enlarged group of RSF Districts, authorized by D.14-08-011:

- Antelope Valley – Fremont Valley and Lake Hughes
- Antelope Valley – Leona Valley
- Kern River Valley
- Redwood Valley – Lucerne
- Redwood Valley – Coast Springs
- Redwood Valley – Unified

Cal Water will transfer the district-specific Retro RSF Credit balance tracked in the 2012 IRMA to the RSF Balancing Account (approved in D.14-08-011 and filed in Advice Letter 2139), which is amortized as indicated in Preliminary Statement AM.

Conservation, Pension, and Health Cost Sub-Accounts:



Consistent with Ordering Paragraph 45 of D.14-08-011, Cal Water will transfer the balances in the Interim Conservation Expense Balancing Sub-Account, Interim Pension Cost Balancing Sub-Account, and Interim Health Cost Balancing Sub-Account to the newly authorized accounts reflected in Cal Water's tariff in Preliminary Statements Z2, AA2, and AB2, respectively. Cal Water submitted these preliminary statements in Advice Letter 2139, effective September 25, 2014.

Tier Designation

Cal Water is submitting this advice letter as a Tier 1 compliance filing pursuant to General Order 96-B, Water Industry Rule 7.3.1(3) and in accordance with Ordering Paragraph 45 of D.14-08-011.

Requested Effective Date

Pursuant to General Order 96-B, General Rule 7.3.2, Cal Water requests that this advice letter become effective on September 30, 2014.

Notice

Customer Notice – Notices of the surcharges and credits in this advice letter will be provided as a bill message on the first bill to impacted customers.

Service Lists – In accordance with General Order 96-B, General Rule 4.3 and 7.2 and Water Industry Rule 4.1, a copy of this advice letter will be mailed or electronically transmitted on September 25, 2014, to competing and adjacent utilities and other utilities or interested parties having requested such notification.

Response or Protest

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission.)

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. A response or protest must be made in writing or by electronic mail and must be received by the Division of Water and Audits within 20 days of the date this advice letter



CALIFORNIA WATER SERVICE COMPANY

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is filed. The advice letter process does not provide for any responses, protests or comments, except for the utility's reply, after the 20-day comment period. The address for mailing or delivering a protest is:

Tariff Unit, Division of Water and Audits, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
water_division@cpuc.ca.gov

On the same date the response or protest is submitted to the Division of Water and Audits, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

Tess Cayas
California Water Service Company
1720 North First Street,
San Jose, California 95112
Fax 408/367-8430 or
E-mail tcayas@calwater.com

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Division of Water and Audits, within the 20-day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

Replies

The utility shall reply to each protest and may reply to any response. Each reply must be received by the Division of Water and Audits within 5 business days after the end of the protest period, and shall be served on the same day to the person who filed the protest or response. If you have not received a reply to your protest within 10 business days, contact California Water Service Company at 408/367-8200.

CALIFORNIA WATER SERVICE COMPANY

A handwritten signature in black ink, appearing to read "Tess Cayas".

Tess Cayas
Manager of Rates

Enclosures

cc: Ting-Pong Yuen, ORA

**CALIFORNIA PUBLIC UTILITIES
COMMISSION
DIVISION OF WATER AND AUDITS
Advice Letter Cover Sheet**

(Date Filed / Received Stamp by CPUC)

AL #2140	Date Mailed to Service List: September 25, 2014	Requested Effective Date: September 30, 2014	Requested Tier: <input checked="" type="checkbox"/> Tier 1 Tier 2 Tier 3	
Replacing AL#:	Authorized by: D.14-08-011	Compliance Filing? <input checked="" type="checkbox"/> Yes No	Rate Impact	\$ Various % Various

The public has 20 days from Date Mailed (above) to protest this advice letter. If you chose to protest or respond to the advice letter, send Protest and/or Correspondence within 20 days to:

Director
Division of Water and Audits
505 Van Ness Ave.
San Francisco, CA 94102

and if you have email capability, also email to:

water_division@cpuc.ca.gov

Your protest also must be served on the Utility

(see attached advice letter for more information and grounds for protest)

Company Name: California Water Service Company	CPUC Utility Number: WTA U-60-W
Address: 1720 North First Street	
City, State, Zip: San Jose, CA 95112	

	Contact Name:	Phone No.	Fax No.	Email Address:
Filer	TESS CAYAS	408-367-8200	408-367-8340	tcayas@calwater.com
Alternate	SHREYA RAMESH	408-367-8508	408-367-8426	sramesh@calwater.com

Description:

In this space or on the back of this form:

1. Explain justification for requested Tier – Ordering Paragraph 45 of D.14-08-011
2. Describe service affected and how it is affected – Surcharges and credits to true-up interim rates to final rates adopted in the GRC.
3. Describe differences from related Advice Letters (Similar service, replacement filing) – n/a

(FOR CPUC USE ONLY)

WTS Budget/Activity/Type _____ / _____ / _____		Process as:	Tier 1	Tier 2	Tier 3
		20th Day	<input type="text"/>	30th Day	<input type="text"/>
Project Manager:	<input type="text"/>	Suspended on:			
Analyst:	<input type="text"/>	Extended on:			
Due Date:	<input type="text"/>	Resolution No.:			
Completion Date:	<input type="text"/>	AL/Tariff Effective Date:			