

**CALIFORNIA PUBLIC UTILITIES COMMISSION
DIVISION OF WATER AND AUDITS**

Advice Letter Cover Sheet

Utility Name: California Water Service Company **Date Mailed to Service List:** 09/28/2018
District: Bakersfield
CPUC Utility #: U-60-W **Protest Deadline (20th Day):** 10/18/2018
Advice Letter #: 2315 **Review Deadline (30th Day):** 10/28/2018
Tier: ☒ 1 ☐ 2 ☐ 3 ☐ Compliance **Requested Effective Date:** 10/1/2017
Authorization:

Rate Impact: 6.29% of adopted revenue

Description: 2017 WRAM/MCBA balance amortization for Bakersfield

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

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DWA USE ONLY		
<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

☐ APPROVED

☐ WITHDRAWN

☐ REJECTED

Signature: _____

Comments: _____

Date: _____



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

September 28, 2018

Advice Letter No. 2315

To the California Public Utilities Commission:

California Water Service Company ("Cal Water") respectfully submits this Tier 1 advice letter requesting authority to make the changes in its tariff as described below.

New/Revised CPUC			Cancelling CPUC
Sheet No.	Title of Sheet	Schedule No.	Sheet No.
xxxxx-W	Additional Surcharges/Surcredits Page 1	AS	xxxxx-W
xxxxx-W	Table of Contents Page 1	TofC Pg. 1	xxxxx-W
xxxxx-W	Table of Contents Page 5	TofC Pg. 5	xxxxx-W

Summary

This Tier 1 advice letter requests amortization of the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account ("WRAM/MCBA") net balance for calendar year 2017 for the **Bakersfield District** via a surcharge of \$0.2354 per CCF for metered customers, and a surcredit of \$1.50 per month for flat-rate customers. Cal Water requests authority to add the surcharge and surcredit to Cal Water's tariff on page 1 of Schedule AS, "Additional Surcharges and Surcredits." The surcharge and surcredit would start on October 1, 2018 and last for 18 months.

Background

On February 28, 2008, the Commission issued D.08-02-036, which in part adopted a WRAM Settlement Agreement between Cal Water, DRA, and TURN filed on June 15, 2007.

This advice letter filing proposes to respond to the following provisions of the WRAM Settlement Agreement (adopted in Ordering Paragraph 1 of D.08-02-036):

IX.3) Parties agree that, in each district, the balance in the WRAM will offset the balances in the MCBAs in the following manner:

- a. Reporting Requirements: By March 31st of each year, Cal Water will provide the Water Division (with a copy to DRA) with a written report on the status of the WRAM and MCBAs as described herein.
- b. WRAM: The written report will include a section on the WRAM in each district showing the revenue over- or under-collection with respect to the Actual (or recorded) water sales as of December 31st of the preceding calendar year. Differences between Actual



Revenues and Adopted Revenues will be tracked in the WRAM and accrue interest at the 90 day commercial paper rate.

- c. MCBA: The written report will include a section on the MCBA's in each district comparing Actual MCBA Costs with Adopted MCBA costs as of December 31st of the preceding calendar year. Differences between Actual Costs and Adopted Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.
- d. If this report shows that the combined over- or under-collection for the WRAM or the MCBAs in any district exceed 2.5% of the district's total recorded revenue requirement for the prior calendar year, Cal Water will file an advice letter within 30 days that amortizes the balance in both of the accounts in the district.

Differences from Preliminary Statement M: The adopted revenues shown on the Preliminary Statement M for each ratemaking area identify forward-looking annual revenues. This annual true-up submission addresses adopted revenue from the last calendar year. In order to have a comparison of the correct time frame, Cal Water booked the adopted revenues pro-rated for each advice letter's effective date. Additionally, the pro-rated adopted revenue reflects lag days in Cal Water's billing cycle. As a result of this pro-ration, the adopted revenue shown in Cal Water's report is different than the amount in the Preliminary statement M. The lag days are calculated based on a method previously authorized by the Commission.

MCBA Issues: The WRAM balance is allocated 100% to metered customers. The MCBA balance applies to both flat-rate and metered customers. For districts with flat-rate customers, Cal Water allocates the MCBA balance to flat-rate and metered customers using their relative share of the present revenue. The WRAM Settlement Agreement also stipulates that significant changes in water purchases, defined as a change that is greater than 10%, require additional explanations in true-up filings. The Variance Analysis for this submission is provided as Appendix 2.

Compliance with D.12-04-048: In April 2012, the Commission adopted a decision modifying various aspects of the true-up process, in response to changes proposed by Cal Water and other companies. D.12-04-048 allows companies the option to amortize a net balance (positive or negative) that is less than 2% of a ratemaking area's last adopted revenue requirement. If the combined net balance deviates by 2% or more in either direction, however, the company is required to amortize the balance as follows:

Net balances of 2%-5%: 12-month amortization.

Net balances of 5%-15%: 18-month amortization.

Net balances of 15%-30%: an amortization period of between 19 and 36 months.

Net balances over 30%: 36-month amortization.



CALIFORNIA WATER SERVICE COMPANY

Advice Letter 2315, WRAM/MCBA Amortization for Bakersfield Only

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Furthermore, Ordering Paragraph 3 of D.12-04-048 applies “a cap on total net WRAM/MCBA surcharges of 10% of the last authorized revenue requirement.” For Cal Water, this cap begins to apply to WRAM/MCBA balances incurred in calendar year, 2014.¹ The proposed amortizations in this submission are consistent with all of these aspects of D.12-04-048, as discussed below.

Discussion

Information-Only WRAM Submission: On November 30, 2017, Cal Water made an Information-Only filing, IF #43, detailing the WRAM and MCBA data for nine months. This filing includes an updated twelve months of WRAM and MCBA data along with the variance analysis.

Advice Letter 2303: Advice Letter 2303 first submitted on April 9, 2018 requested approval to amortize the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account (“WRAM/MCBA”) net balances for calendar year 2017, but did not include the Bakersfield District. Cal Water hereby submits this Tier 1 Advice Letter seeking authorization to apply surcharges to Bakersfield customers, **effective October 1, 2018**, in order to amortize the net WRAM/MCBA balance for 2017. Cal Water has determined that the total net WRAM/MCBA balance for which recovery is requested in the Bakersfield District is less than 10% of that district’s last authorized revenue requirement, and is therefore below the cap established by D.12-04-048.

Net Impact: Note that there are existing WRAM/MCBA surcharges in the Bakersfield District that will end on September 30, 2018 – a surcharge of \$0.0894 per CCF for metered customers, and a credit of \$0.28 per month for flat-rate customers.

Therefore, on a net basis beginning October 1, 2018, metered customers will experience a total increase of \$0.1460 in WRAM/MCBA charges per CCF (\$0.2354 surcharge minus \$0.0894 surcharge), and flat-rate customers will experience a net credit of \$1.22 per month (\$1.50 credit minus \$0.28 surcharge). For a metered residential customer with 18 CCF per month of water usage, this results in a net bill increase of \$2.63, or 4.93%. For flat customers, the change results in an additional bill decrease of 1.22%, or 2%.

Workpaper Calculations: Included in the workpapers for this filing is a table detailing the net balances for the WRAM/MCBA accounts for Bakersfield district as of December 31, 2017. Cal Water is authorized to accrue interest on this balance based on the 90-day commercial paper rate, and to continue to earn interest on the uncollected balance. The amount used to determine the surcredit and surcharge calculation is the net balance on December 31, 2017, plus compounded interest amounts accrued over the duration of the amortization.

¹ OP 3 states that “WRAM/MCBA account balances incurred prior to calendar year, 2014, continue to be amortized under the adopted amortization schedule without being subject to the surcharge cap.” D.12-04-048 on p.42.



CALIFORNIA WATER SERVICE COMPANY

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In addition to the net WRAM and MCBA balances for calendar year 2017, Cal Water proposes including the following:

- (1) Uncollected revenue from the existing surcharges for the 2013, 2014 and 2015 true-up balance due to sales decline; and
- (2) Over/under-collected balances from 2012, 2013, and 2014 true-up where the billing stopped after the specified amortization period.
 - a. Cal Water receives Commission authority to amortize accounts over a specific time period. Cal Water's billing system then implements the surcharge or credit for the given duration. When the system stops billing the surcharge or credit, there will be an under-collected or over-collected balance due to deviations in actual sales from adopted sales. These balances are different from those described in Item (1), above. While Item (1) addresses under/over-collected revenues associated with existing surcharges and credits, Item (2) addresses under/over-collected revenues associated with surcharge and credits that have already stopped.

Consistent with Ordering Paragraph 3 of D.12-04-048, Cal Water has determined the amortization window for the 2017 WRAM/MCBA net balance in this Advice Letter.

Attachments: This filing is supported by the following attachments and will be provided to Commission staff:

- Appendix 1: Net WRAM/MCBA Balance work paper
- Appendix 2: Purchased Water Costs Variance Analysis
- Appendix 3: Operating Statements
- Appendix 4: WRAM and MCBA Reports

Additional information is available upon request.

Requested Effective Date

Under General Order 96-B, Water Industry Rule 7.3.1, as modified by Resolution W-4664, this is a Tier 1 advice letter. The effectiveness is subject to refund pending the Commission staff's determination that the filing complies with the standard practice and that the surcharge/surcredit calculations are correct. Cal Water requests an effective date of **October 1, 2018**.

Notice

Customer Notice – Customer notice of Tier 1 advice letters is not required under General Order 96-B, General Rule 7.3.1.

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 28, 2018, 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 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, Water Division 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:

Natalie Wales
California Water Service Company
1720 North First Street,
San Jose, California 95112
Fax 408/367-8566 or
Nwales@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.



CALIFORNIA WATER SERVICE COMPANY

Advice Letter 2315, WRAM/MCBA Amortization for Bakersfield Only

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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

/s/

Natalie Wales

Director of Regulatory Policy and Compliance

cc: Ting-Pong Yuen, ORA

Revised

Canceling

CPUC Sheet No. XXXXX-W

CPUC Sheet No. 11637-W

Table of Contents - Page 1

The following listed tariff sheets contain all effective rates and rules affecting the rates and service of the Utility together with information relating thereto:

<u>Sheet</u>	<u>Subject Matter</u>	<u>Service Area</u>	<u>Schedule No.</u>	<u>CPUC Sheet No.</u>
Title Page				5613-W
Table of Contents				
Page 1	Table of Contents			XXXXX-W (C)
Page 2	Preliminary Statements			11615-W
Page 3	Preliminary Statements			11614-W
Page 4	Preliminary Statements			11627-W
Page 5	Rate Schedules - All Districts			XXXXX-W (C)
Page 6	Rate Schedules - District Specific			11635-W
Page 7	Rate Schedules - District Specific			11634-W
Page 8	Rate Schedules - District Specific			11633-W
Page 9	Rate Schedules - District Specific			11632-W
Page 10	Rate Schedules - District Specific			11631-W
Page 11	Service Area Maps			11618-W
Page 12	Rules			11621-W
Page 13	Rules			11304-W
Page 14	Sample Forms			11409-W
Page 15	Sample Forms			2926-W

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(To be inserted by utility)
Advice Letter No. 2315
Decision No.

Issued by
PAUL G. TOWNSLEY
Name
Vice President
TITLE

(To be inserted by CPUC)
Date Filed
Effective
Resolution No.

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Rate Schedules

<u>Sheet Subject Matter</u>	<u>Service Area</u>	<u>Schedule No.</u>	<u>CPUC Sheet No.</u>
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Rate Schedules:

ALL DISTRICTS

Service to Company Employees	ED-1	5168-W
Surcharge to Fund Public Utilities Commission Reimbursement Fee	UF	11332-W
Rate Support Fund	RSF	11623-W
Low Income Ratepayer Assistance		
Page 1	LIRA	11325-W
Page 2	LIRA	10371-W
Page 3	LIRA	11517-W
PBOP Surcharge	PB	7049-W
Additional Surcharges/Surcredits		
Page 1	AS	XXXXXX-W (C)
Page 2	AS	XXXXXX-W
Page 3	AS	11126-W
Page 4	AS	11125-W
Page 5	AS	11460-W
Page 6	AS	11394-W
Fire Flow Testing Charge	FF	8597-W
Construction and Temporary Metered Service		
Page 1	9-CM	11514-W
Page 2	9-CM	11513-W
Schedule 14.1		
Page 1	14.1	11052-W
Page 2	14.1	10760-W
Page 3	14.1	11051-W
Page 4	14.1	10758-W
Page 5	14.1	10757-W
Page 6	14.1	10756-W
Page 7	14.1	11050-W
Page 8	14.1	11049-W
Page 9	14.1	11048-W
Page 10	14.1	11047-W
Page 11	14.1	11046-W
Page 12	14.1	11045-W
Page 13	14.1	11044-W
Page 14	14.1	11043-W
Page 15	14.1	11122-W
Page 16	14.1	11041-W
Private Fire Protection Service		
Page 1	AA-4	11629-W
Page 2	AA-4	11630-W

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(To be inserted by utility)
Advice Letter No. 2315
Decision No. _____

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PAUL G. TOWNSLEY
Name
Vice President
TITLE

(To be inserted by CPUC)
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CALIFORNIA WATER SERVICE COMPANY
1720 North First Street, San Jose, CA 95112
(408) 367-8200

Revised
Canceling

CPUC Sheet No. XXXXX-W
CPUC Sheet No. XXXXX-W

Schedule No. AS
ADDITIONAL SURCHARGES/SURCREDITS

Page 1

1. WRAM/MCBA Surcharges and Surcredits

The purpose of the Water Revenue Adjustment Mechanisms (WRAMs) and Modified Cost Balancing Accounts (MCBAs) (together, WRAM/MCBA) is to track water revenues and production-related costs as part of a comprehensive conservation framework adopted by the Commission and implemented in 2008. A net balance in a WRAM/MCBA account conservation framework adopted by the Commission and implemented in 2008. A net balance in a WRAM/MCBA account represents an over-collection or under-collection of the revenues authorized by the Commission.

Each year, the net WRAM/MCBA balance for an area may be "amortized," meaning that surcharges or surcredits may be applied to customer bills to bring the balance back to zero.

The "WRAM surcharge" for metered customers is a charge that is applied to each 100 cubic feet (or Ccf) of water usage.

The "WRAM surcredit" is a fixed credit that is applied on a monthly basis, and is identified in the table below as a negative number.

District	WRAM/MCBA Surcharges and Surcredits Associated with Amortization of:	
	2016 Balance	2017 Balance
Antelope Valley	Apr. 15, 2017 - Feb. 14, 2020	Apr 15, 2018 - Apr 14, 2019
	AL 2258 - 34 mos \$0.8548/CCF	AL 2303 - 12 mos \$0.0404 /CCF
Bakersfield	(D)	Oct 1, 2018 - Mar 31, 2020 (N)
	(D)	AL 2303 - 18 mos \$0.2354 /CCF (N)
Flat-Rate Customers	(D)	Oct 1, 2018 - Mar 31, 2020 (N)
	(D)	AL 2303 - 18 mos -\$1.50 /mon (N)
Bayshore		Apr. 15, 2018 - Apr 14, 2019
		AL 2303 - 12 mos \$0.2723 /CCF
Bear Gulch		Apr. 15, 2018 - Oct 14, 2019
		AL 2303 - 18 mos \$0.5514 /CCF
Chico	Apr. 15, 2017 - Oct. 14, 2018	Apr. 15, 2018 - Apr 14, 2019
	AL 2258 - 18 mos \$0.1180/CCF	AL 2303 - 12 mos \$0.1996 /CCF
Dixon		Apr. 15, 2018 - Apr 14, 2020
		AL 2303 - 24 mos \$0.7352 /CCF
Dominguez	Apr. 15, 2017 - Oct. 14, 2018	Apr. 15, 2018 - Oct 14, 2019
	AL 2258 - 18 mos \$0.2897/CCF	AL 2303 - 18 mos \$0.2762 /CCF
East Los Angeles		Apr. 15, 2018 - Oct. 14, 2019
		AL 2303 - 18 mos \$0.2582 /CCF
Hermosa-Redondo		Apr. 15, 2018 - Oct 14, 2019
		AL 2303 - 18 mos \$0.3943 /CCF
Kern River Valley	Apr. 15, 2017 - Jan. 14, 2019	Apr. 15, 2018 - Apr 14, 2019
	AL 2258 - 21 mos \$1.9362/CCF	AL 2303 - 12 mos \$0.6360 /CCF
King City	Apr. 15, 2017 - Oct. 14, 2018	Apr. 15, 2018 - Oct 14, 2019
	AL 2258 - 18 mos \$0.2965/CCF	AL 2303 - 18 mos \$0.2621 /CCF
Livermore	Apr. 15, 2017 - Oct. 14, 2018	Apr. 15, 2018 - Apr 14, 2019
	AL 2258 - 18 mos \$0.3294/CCF	AL 2303 - 12 mos \$0.4338 /CCF
Los Altos		Apr. 15, 2018 - Oct 14, 2019
		AL 2303 - 18 mos \$0.3766 /CCF

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Advice Letter No. 2315
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Issued by
PAUL G. TOWNSLEY
Name
Vice President
Title

(To be inserted by CPUC)
Date Filed
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Resolution No.



Bakersfield District

ADVICE LETTER FILING MAILING LIST
PER SECTION III (G) OF GENERAL ORDER NO. 96-A

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