

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

Advice Letter Cover Sheet

Utility Name: California Water Service Company Bay Area Region, Bear Gulch and	Date Mailed to Service List: 06/30/2023
District: Stockton	
CPUC Utility #: U-60-W	Protest Deadline (20th Day): 07/20/2023
Advice Letter #: 2486	Review Deadline (30th Day): 07/30/2023
Tier: <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> Compliance	Requested Effective Date: 05/05/2023
Authorization:	Rate Impact: Various
Description: Adjustment to the 2022 WRAM/MCBA balance for Bay Area Region, Bear Gulch, and Stockton.	

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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DATE	STAFF	COMMENTS
_____	_____	_____
_____	_____	_____

[] APPROVED [] WITHDRAWN [] REJECTED

Signature: _____ **Comments:** _____
Date: _____



CALIFORNIA WATER SERVICE COMPANY

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June 30, 2023

Advice Letter No. 2486

To the California Public Utilities Commission:

California Water Service Company (Cal Water) respectfully submits this Tier 1 advice letter requesting authority to adjust the 2022 Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Accounts (MCBA) balances for its Bay Area Region, Bear Gulch, and Stockton ratemaking areas.

Summary

This advice letter requests adjustments to the 2022 MCBA balances for three ratemaking areas – the Bay Area Region, the Bear Gulch District, and the Stockton District – without seeking modifications to the net WRAM/MCBA surcharges approved in Advice Letter 2477-A. The adjustments reflect charges and credits issued in 2023 relating to wholesale water purchased in 2022 or earlier.

Background

In August 2020, the Commission adopted Ordering Paragraph 3 in D.20-08-047,¹ which states that several utilities including Cal Water “shall not propose continuing existing Water Revenue Adjustment Mechanisms/Modified Cost Balancing Accounts but may propose to use Monterey-Style Water Revenue Adjustment Mechanisms and Incremental Cost Balancing Accounts.”² Accordingly, Cal Water lacked authority to request a WRAM/MCBA in its 2021 rate case (A.21-07-002) for Test Year 2023.

Historically, when Cal Water has received MCBA adjustments relating to prior years, Cal Water has folded them into the MCBA balance of the current year because outstanding balances are always rolled over year-after-year. As a result of D.20-08-047, however, calendar year 2022 is the last year Cal Water can track costs and revenues in a full decoupling WRAM/MCBA mechanism.

Cal Water submitted Advice Letter 2477 on March 30, 2023 to amortize the 2022 net WRAM/MCBA balances for all Class A ratemaking areas (except Travis which does not have a WRAM/MCBA). Subsequently, Cal Water filed a supplement to AL 2477 to sync up various rate changes on May 5,

¹ Order Instituting Rulemaking Evaluating the Commission’s 2010 Water Action Plan Objective of Achieving Consistency between Class A Water Utilities’ Low-Income Rate Assistance Programs, Providing Rate Assistance to All Low-Income Customers of Investor-Owned Water Utilities, and Affordability, *Decision and Order*, R.17-06-024 (August 27, 2020) (“LIRA Phase 1 Decision”).

² Note that Senate Bill 1469 amended Public Utilities Code Section 727.5 and became effective January 1, 2023. SB 1469 allows large water companies to propose a full decoupling WRAM/MCBA either in a general rate case or, with the consent of the Commission, a separate application. In addition, Cal Water and other water company representatives filed Petitions for Writ of Review of D.20-08-047 before the California Supreme Court, and the case is pending (Case Nos. S269009 and S271493).



2023, and help balance the Cal Water's revenue recovery with the affordability of Cal Water's customers.

Discussion

After seeking amortization on March 30, 2023 for WRAM/MCBA balances incurred in 2022 and earlier, Cal Water received additional charges and a credit relating to purchased water. As discussed below, Cal Water proposes that these amounts be added to the 2022 WRAM/MCBA accounts for future disposition.

In April 2023, Cal Water was advised of a billing error by the San Francisco Public Utilities Commission (SFPUC) relating to charges from the Bay Area Water Supply and Conservation Agency (BAWSCA) related to wholesale water Cal Water purchased in May 2022 through December 2022. Actual charges were higher than those previously accrued and reflected for the Bay Area Region and the Bear Gulch District in AL 2477-A. Cal Water accordingly seeks authority to add the following amounts to the 2022 WRAM/MCBA accounts: \$49,591 for the Bay Area Region and \$35,645 for the Bear Gulch District.³

In a similar manner, the Stockton East Water District (SEWD) assessed additional charges on Cal Water as part of its true-up process in 2023 for water purchased by Cal Water from October 2022 through March 2023. Cal Water requests authority to add the \$1,007,809 associated with October 2022 through December 2022 to the 2022 WRAM/MCBA balance for the Stockton District.⁴

Lastly, in May 2023, SEWD credited an amount of \$1.5 million to Cal Water pursuant to a 2001 Settlement Agreement involving Cal Water and SEWD that resolved litigation relating to purchased water for the Stockton District. While the WRAM/MCBA accounts were not implemented until 2008, Cal Water previously had a Full Cost Balancing Account (FCBA) in the Stockton District which would have tracked the purchased water amounts in Stockton and included the amount that is now being credited. Cal Water believes the \$1.5 million refund should be applied in full to decrease Stockton's 2022 WRAM/MCBA because it relates to purchased water for which Stockton customers have already paid.

The above-described charges and credit were unknown at the time of Cal Water's request for amortization. The adjustments described above would result in new 2022 WRAM/MCBA balances for the Bay Area Region, Bear Gulch, and Stockton ratemaking areas, and the adjustment amounts would be addressed in the same manner as the residual amounts left over after the amortizations authorized in AL 2477-A are completed.

³ There were also higher charges for the period of January 2023 through April 2023 that are not addressed here because water production costs incurred after December 31, 2022 cannot be tracked in the full decoupling WRAM/MCBA accounts.

⁴ The additional charges for January 2023 through March 2023 are not addressed here because water production costs incurred after December 31, 2022 cannot be tracked in the full decoupling WRAM/MCBA account.



Workpapers

The workpapers for this filing provide a table detailing the net balances for the Bay Area Region, Bear Gulch, and Stockton WRAM/MCBA accounts as of December 31, 2022 with the adjustments described above. 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. At this time, Cal Water does not propose changing the interest or surcharges that were filed in Advice Letter 2477-A.

Balances Included in this Filing: In addition to the net WRAM and MCBA balances for calendar year 2022, Cal Water proposes including the following:

- (1) 2021 WRAM/MCBA deferrals;
- (2) Uncollected revenue from the existing surcharges for the 2020 and 2021 true-up balance due to sales decline;
 - 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 is 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 surcharges and credits that have already stopped.
- (3) For Stockton, the SEWD adjustments for water purchased in October to December 2022, and the SEWD settlement credit; and
- (4) For the Bay Area Region and Bear Gulch, the additional BAWSCA assessment and administrative fees for water purchased in May to December 2022.

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 calculations are correct. Cal Water requests that the MCBA adjustments discussed herein be considered effective as of **May 5, 2023**, the date amortization began for the 2022 WRAM/MCBA balances at the time, as approved in Advice Letter 2477-A. This will allow future interest calculations to begin on the same day for all balances in the accounts.

Notice

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

Service List – 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 transmitted **electronically** on **June 30, 2023** 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. When submitting a response or protest, please include the utility name and advice letter number in the subject line. 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 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 Water Division within 20 days of the date this advice letter is filed. 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 Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to Cal Water at the following address:

Natalie Wales
California Water Service Company
1720 North First Street,
San Jose, California 95112
E-mail: cwsrates@calwater.com

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

Replies: The utility shall reply to each protest and may reply to any response. Each reply must be received by the Water Division 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



CALIFORNIA WATER SERVICE COMPANY

Advice Letter 2486, 2022 WRAM/MCBA Balance Amendment (BAR, BG, and STK)

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received a reply to your protest within 10 business days, contact California Water Service Company at (408) 367-8200, and ask for the Rates Department.

CALIFORNIA WATER SERVICE COMPANY

/s/

Melody Singh, Regulatory Program Manager

cc: Syreeta Gibbs (Public Advocates Office), PublicAdvocatesWater@cpuc.ca.gov



Bayshore District (Bay Area Region)

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

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Bear Gulch District

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

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Redwood Valley District (Bay Area Region)

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

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Stockton District

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PER SECTION III (G) OF GENERAL ORDER NO. 96-A

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