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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 \$25,999,900 or 10.60% in the year 2021, by \$9,752,500 or 3.59% in the year 2022, and by \$10,754,500 or 3.82% in the year 2023.

Application 19-07-004

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This Scoping Memo and Ruling sets forth the category, issues to be addressed, and schedule of the proceeding pursuant to Public Utilities (Pub. Util) Code § 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure.¹

1. Procedural Background

California American Water Company (Cal-Am) filed its Application to increase revenues in each of its service areas² on July 1, 2019. On July 29, 2019, Central Coast Coalition of Communities for Wastewater Equality filed a protest. On July 30, 2019, the City of Duarte filed a protest. On August 2, 2019, Monterey Peninsula Water Management District filed a protest. On August 5, 2019, the Public Advocates Office of the Public Utilities Commission filed a protest. On

¹ All future references to rules refer to the Commission's Rules of Practice and Procedure, unless stated otherwise.

² Cal-Am's divisions and/or districts are currently the Northern Division, Central Division, Monterey Wastewater, Los Angeles County, San Diego County and Ventura County.

August 15, 2019, Cal-Am filed a consolidated reply to all protests. On September 4, 2019, Cal-Am filed its Rule 3.2 Compliance filing.

The Application was filed pursuant to § 454 of the Pub. Util. Code, Rule 3.2, and the Rate Case Plan for Class A Water Companies adopted by the Commission in Decision (D.) 07-05-062.

In total, the Application seeks to increase rates as follows:

\$25,999,900 or 10% in 2021

\$9,752,500 or 3.59 % in 2022

\$10,754,500 or 3.82% in 2023

The Application seeks to increase rates in each individual division and/or district as follows:

District/Area	Year	Revenue Increase	Percentage Increase
Northern Division	2021	\$5,588,100	8.36%
	2022	\$4,144,200	5.71%
	2023	\$3,828,000	4.99%

District/Area	Year	Revenue Increase	Percentage Increase
Central Division	2021	\$2,985,300	4.35%
	2022	\$2,916,500	4.07%
	2023	\$2,483,000	3.33%

District/Area	Year	Revenue Increase	Percentage Increase
Monterey Wastewater	2021	\$531,700	16.00%
	2022	\$120,400	3.13%
	2023	\$128,500	3.24%

Southern Division – Consolidated Version Includes San Diego, Los Angeles and Ventura Counties			
District/Area	Year	Revenue Increase	Percentage Increase
Southern Division Consolidated	2021	\$16,894,800	15.88%
	2022	\$2,571,400	2.08%
	2023	\$4,314,900	3.42%

Southern Division – Stand Alone			
District/Area	Year	Revenue Increase	Percentage Increase
Los Angeles County	2021	\$7,135,900	18.59%
	2022	\$1,434,000	3.15%
	2023	\$2,374,900	5.06%
San Diego County	2021	\$3,510,600	11.56%
	2022	\$1,308,400	3.85%
	2023	\$894,700	2.54%
Ventura County	2021	\$6,191,500	16.44%
	2022	(\$224,200)	-0.51%
	2023	\$1,098,600	2.51%

A prehearing conference (PHC) was held on September 19, 2019 to discuss the issues of law and fact and determine the need for hearing and schedule for resolving the matter. After considering the Application, Protests, and discussions at the PHC, I have determined the issues and schedule of the proceeding to be as set forth in this Scoping Memo.

2. Issues

The issues to be determined are³:

1. Whether the Commission should authorize Cal-Am's request for a general rate increase for water and/or wastewater service in its consolidated divisions and/or individual districts?⁴
2. Whether the Commission should approve the following 17 Special Requests in the Application:

Special Request No. 1: Southern Division Tariff Area Consolidation

Cal-Am requests authorization to consolidate its Los Angeles County, Ventura County and San Diego County Districts together for ratemaking purposes to create a single Southern Division tariff area.

Special Request No. 2: Catastrophic Event Cost Impact Normalization

Cal-Am requests authorization to recover costs associated with recent and future catastrophic event costs on a statewide basis.

Special Request No. 3: Acquisition Support for Purchased Water Systems

Cal-Am requests authorization to establish the Acquisition Contingency Memorandum Account, which would record the differences between revenues billed at current rates based on pre-acquisition rate base for customers of acquired water system and revenues that would have been billed based on the new, post-acquisition rate base and revenue requirement, to be applicable

³ At the PHC the Public Advocates Office requested that this proceeding address the issue of elimination of the WRAM. In order for the Commission to have a uniform approach as it relates to the WRAM, this issue is better suited for a Commission Rulemaking and not each regulated water utilities General Rate Case. Therefore, this issue is not included in the scope of this proceeding.

⁴ Included in this issue is the analysis as to the reasonableness of rates and revenue requirements, capital investments, and whether the evidence supports these requests.

to any acquisition subsequently approved by the Commission after a decision is issued in this GRC.

Special Request No. 4: Leak Adjustment Policy and Recovery

Cal-Am requests authorization to continue its leak adjustment policy, but to move recovery of leak adjustments into the Water Revenue Adjustment Mechanism (“WRAM”) and to close the existing Leak Adjustment Memo Account.

Special Request No. 5: Modification of 15% Cap on WRAM/MCBA Amortization

Cal-Am requests authorization for the current 15% cap on the annual amortization of the Water Revenue Adjustment Mechanism and the Modified Cost Balancing Account (“WRAM/MCBA”), authorized by D.18-12-021, to be increased to 25% effective for balances amortized after January 1, 2021.

Special Request No. 6: Incentivizing Taxable Grants, Advances and Contributions

Cal-Am requests authorization to recover the federal tax imposed upon contributions-in-aid-of-construction and advances for construction pursuant to the 2017 Tax Cut and Jobs Act through rate base and, to the extent that grants received are taxable, that the tax portion be included in rate base.⁵

Special Request No. 7: Alignment and Simplification of District Specific Tariffs

Cal-Am requests authorization to reduce the number of WRAM/MCBAs from the current 11 today down to 4 to better align with its current and proposed consolidated tariffs.

Special Request No. 8: Meadowbrook Rate Design Consolidation Deferral

⁵ Cal-Am is proposing that Method 3 as described in D.87-09-026 be used rather than Method 5.

Cal-Am requests authorization to delay certain elements of the approved consolidation of Meadowbrook customers onto the Northern Division tariff and rates in order to mitigate the rate impact.

Special Request No. 9: Rate Case Expense Recovery

Cal-Am requests authorization to amortize the authorized level of rate case expense over 27 months instead of 36, specifically that the recovery be authorized for 3 months of the Test Year with the remaining amount recovered equally in the Escalation and Attrition years.

Special Request No. 10: Subsequent Rate Changes

Cal-Am requests authorization to incorporate into new rates any rate changes that occur after this proceeding opens and acknowledges that these changes will also need to be placed into present rates for the determination of the actual rate increase caused by this application.

Special Request No. 11: Acquisition Revenue Requirement Normalization

Cal-Am requests authorization to normalize the rate base of the four acquisitions by spreading the utility plant acquisition adjustment related to these acquisitions statewide either partially, as is the case with the Bellflower Municipal Water System acquisition, or entirely, as is the case with the Rio Plaza Water Company, Fruitridge Vista Water Company, and Hillview Water Company acquisitions.

Special Request No. 12: Annual Consumption Adjustment Mechanism

Cal-Am requests authorization to make permanent the Annual Consumption Adjustment Mechanism in the Monterey County District and to request a similar pilot program for the Northern Division.

Special Request No. 13: Consolidating Conservation Program Statewide

Cal-Am requests authorization to consolidate its Conservation program into a statewide, rather than district, funded program where up to 50% of individually authorized conservation budget funds can be shifted between the various Company's service areas.

Special Request No. 14: Elimination of Duplicative or Unnecessary Reporting

Cal-Am requests authorization to cease (1) making the Monterey District rebate and audit reports required by D.09-05-029, and (2) the customer complaint reports required by D.06-11-050.

Special Request No. 15: Proposed Operational Tariff Modifications

Cal-Am requests authorization for operational tariff modifications intended to improve the customer experience by clarifying responsibilities between the customer and Applicant and by reducing inequities between customers.

Special Request No. 16: Lead Service Line Replacement Program

Cal-Am requests authorization to create a Lead Service Line Replacement Program as part of its ongoing main replacement program that would replace the entire lead portion of the service line (both Company and customer-owned) when service lines containing lead are discovered.

Special Request No. 17: Monterey Wastewater High Cost Fund

Cal-Am requests authorization to establish a high-cost fund to offset the high monthly cost of active wastewater service in the Monterey Wastewater District.

3. Whether the Commission should approve the Advanced Metering Infrastructure (AMI) for Ventura County and Central Division service areas with an estimated cost of \$3.7 million.
4. Evaluate the adequacy of Cal-Am's Customer Service.
5. Evaluate whether Cal-Am follows all statutory and regulatory requirements.
6. Evaluate what impact these rate increases will have on low-income residents and how to best address the impact.
7. Whether there are any safety issues which the Commission needs to address.

3. Need for Evidentiary Hearing

Administrative Law Judge Resolution 176-3441 issued on July 11, 2019, preliminarily determined that hearings would be needed in this proceeding. This Scoping Ruling affirms the initial determination that hearings are needed.

4. Schedule

The following schedule is adopted here and may be modified by the Administrative Law Judge (ALJ) as required to promote the efficient and fair resolution of the Application:

Public Participation Hearings	See, 4.1 Below
Final Update of Cal-Am's Application	October 14, 2019
Public Advocates Testimony ⁶	February 14, 2020
Other Intervenor's Testimony	February 28, 2020
Prepared rebuttal testimony served	March 30, 2020
Settlement and Mandatory Alternative Dispute Resolution (ADR)	March 31, 2020 through April 17, 2020
Witness List and Cross Examination Estimates	April 13, 2020
Evidentiary Hearings	April 20, 2020 through May 12, 2020 Starting at 10:00 a.m. Commission's Hearing Room San Francisco, California
Opening briefs	June 5, 2020
Motion for Interim Rates	June 9, 2020
Mandatory Settlement Conference	June 10, 2020
Reply briefs [matter submitted]	June 26, 2020
Water Division Technical Conference	July 16, 2020
Proposed decision	Within 90 days of being submitted
Concurrent Comments on Proposed Decision	20 days from the issuance of the Proposed Decision pursuant to Rule 14.3(a)
Reply Comments on Proposed Decision	5 days from the Opening Comments on the Proposed Decision pursuant to Rule 14.3(d)
Commission decision	60-90 days of the Proposed Decision

⁶ At the PHC, the Public Advocates requested that its testimony be due after the completion of the Public Participation Hearings (PPH). Every effort was made to accommodate this request. At the PHC, the ALJ set the due date for testimony of the Public Advocates as January 31, 2020. However, as noted in Section 4.1 below, it was not possible to find locations for all the PPHs prior to this date, the date has been extended to allow the Public Advocates additional time to incorporate public comments into its testimony. If Public Advocates wishes to provide a supplement to its testimony following the Seaside PPH, arrangements will be made to allow this. Public Advocates shall advise the ALJ at the conclusion of the Seaside PPH if it desires to provide a supplement to its testimony based on comments received at the Seaside PPH.

The proceeding will stand submitted upon the filing of reply briefs, unless the ALJ requires further evidence or argument. Based on this schedule, the proceeding will be resolved within 18 months as required by Pub. Util. Code § 1701.5.

4.1 Public Participation Hearings

Public Participation Hearings (PPH) are being conducted at various locations within Cal-Am's Service Territory. Below is a list of the locations, dates, and times of each of the PPHs in this proceeding.⁷

December 3, 2019 – Larkfield at 6:00 p.m.

Luther Burbank Center for the Arts
50 Mark West Springs Rd
Santa Rosa, CA 94503

January 9, 2020 – Imperial Beach at 6:00 p.m.

Imperial Beach Council Chambers
825 Imperial Beach Blvd
Imperial Beach, CA 91932

January 14, 2020 – Sacramento 6:00 p.m.

2729 Prospect Park Drive
Rancho Cordova, CA 95670

January 29, 2020 – Durate at 6:00 p.m.

Courtyard by Marriott
700 West Huntington Dr
Monrovia, CA 91016

⁷ Cal-Am shall work with the Commission's Public Advocates Office to ensure proper notice is provided to its customers concerning the PPH schedule.

January 30, 2020 – Ladera Heights at 6:00 p.m.

Los Angeles Public Library – Baldwin Hills Branch
2906 S. La Brea Ave
Los Angeles, CA 90016

February 3, 2020 – Camarillo 6:00 p.m.

Camarillo Library Community Room
4101 Las Posas Road
Camarillo, CA 93010

February 4, 2020 – Thousand Oaks 1:00 p.m. and 6:00 p.m.

Thousand Oaks Grant Brimhall Library
1401 E. Janas Road
Thousand Oaks, CA 91362

February 18, 2020 – Seaside 6:00 p.m.

Seaside Council Chambers
440 Harcourt Ave.
Seaside, CA 93950

Chualar – To be announced at a later date via a separate ruling.

5. Alternative Dispute Program

The Commission’s ADR program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. At the parties’ request, the assigned ALJ can refer this proceeding to the Commission’s ADR Coordinator. Additional ADR information is available on the Commission’s website.⁸

Any settlements between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a

⁸ See D.07-05-062, Appendix A, Section IV.O.

complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

The Rate Case Plan for Class A Water Utilities⁹ requires the appointment of an ALJ neutral to meet with the parties as needed throughout the proceeding. The ALJ neutral and the parties will plan and schedule the specific ADR processes that are appropriate for this proceeding, which may include mediation, early neutral evaluation, or other ADR processes as agreed to by the parties. All active parties must participate in an initial session of ADR and each active party must have an official at such meeting with decision-making authority. For additional information on the Commission's ADR program, see Resolution ALJ-185. Parties are directed to submit their request for an ADR neutral to the Assigned ALJ as soon as practicable to accommodate competing schedules.

The schedule set forth in this Scoping Memo includes a date for the completion of settlement talks. No later than this date, the parties will submit to the assigned ALJ a status report of their efforts, identifying agreements reached and unresolved issues requiring hearing. Any settlements between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest.

⁹ See D.07-05-062- Opinion Adopting Revised Rate Case Plan for Class A Water Utilities at Attachment A.

The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

6. Category of Proceeding/*Ex Parte* Restrictions

This ruling confirms the Commission's preliminary determination that this is a ratesetting proceeding. (Resolution ALJ 176-3441.) Accordingly, *ex parte* communications are restricted and must be reported pursuant to Article 8 of the Commission's Rules of Practice and Procedure.

7. Public Outreach

Pursuant to Pub. Util. Code § 1711(a), I hereby report that the Commission sought the participation of those likely to be affected by this matter by noticing it in the Commission's monthly newsletter that is served on communities and businesses that subscribe to it and posted on the Commission's website.

8. Intervenor Compensation

Pursuant to Pub. Util. Code § 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by October 21, 2019.

9. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <http://consumers.cpuc.ca.gov/pao/> or contact the Commission's Public Advisor at 866-849-8390 or 415-703-2074 or 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

10. Service of Documents on Commissioners and Their Personal Advisors

Rule 1.10 requires only electronic service on any person on the official service list, other than the ALJ.¹⁰

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must NOT send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

11. Assignment of Proceeding

Genevieve Shiroma is the assigned commissioner and Gerald F. Kelly is the assigned ALJ. Pursuant to Rule 13.2, I designate the ALJ as the Presiding Officer. Either the assigned Commissioner or Presiding Officer may amend the scope and schedule set out herein.

IT IS RULED that:

1. The scope of this proceeding is described above.
2. The schedule of this proceeding is as set forth above.
3. Evidentiary hearings are needed.

¹⁰ As noted at the PHC, the parties **must** provide the ALJ with a paper copy of all filed documents and testimony. Parties are reminded that all paper copies must be sent to the ALJ at the Commission's Los Angeles Office and not the San Francisco location.

4. The Presiding Officer is Administrative Law Judge Gerald F. Kelly.
5. The category of the proceeding is Ratesetting.

Dated November 8, 2019, at San Francisco, California.

/s/ GENEVIEVE SHIROMA

Genevieve Shiroma
Assigned Commissioner