

**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 \$34,559,200 or 16.29% in the year 2018, by \$8,478,500 or 3.43% in the year 2019, and by \$7,742,600 or 3.03% in the year 2020.

A.16-07-\_\_\_\_  
(Filed July 1, 2016)

**APPLICATION OF CALIFORNIA-AMERICAN  
WATER COMPANY (U210W) TO INCREASE REVENUES IN EACH OF ITS  
DISTRICTS STATEWIDE**

Sarah E. Leeper  
Nicholas A. Subias  
California-American Water Company  
555 Montgomery Street, Suite 816  
San Francisco, CA 94111  
(415) 863-2960  
sarah.leeper@amwater.com  
nicholas.subias@amwater.com

Lori Anne Dolqueist  
Nossaman LLP  
50 California Street  
34th Floor  
San Francisco, CA 94111  
(415) 398-3600  
ldolqueist@nossaman.com

Attorneys for Applicant California-American Water Company

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DISTRICTS STATEWIDE**

As directed by the California Public Utilities Commission (“Commission”) in D.07-05-062, California-American Water Company (“California American Water” or “Applicant”) hereby submits its Application to increase rates for water and/or wastewater service in each of its districts statewide. California American Water has spent considerable time and effort in developing its requests in this general rate case (“GRC”), with the primary focus on providing our customers with safe, reliable, water and wastewater service. Specifically, California American Water’s focus in this GRC includes: 1) maintaining and improving service to our customers, 2) efficiently and effectively investing capital to maintain and improve reliability and plan for future needs, and 3) providing leadership in policy development that balances the needs of all customers and furthers the goals of the Commission and our customers. California American Water is also focused on the security of its system infrastructure as well as the safety of its customers and employees.

## I. STATEMENT OF RELIEF SOUGHT

Pursuant to Section 451 *et seq.* of the California Public Utilities Code, California American Water seeks a general increase in rates for water and/or wastewater service in its consolidated divisions/individual districts<sup>1</sup> in order to realize the increased revenue in Table 1 below.<sup>2</sup>

**Table 1**

<b>Northern Division – Phased In Consolidation</b>			
<b>District/Area</b>	<b>Year</b>	<b>Revenue Increase (in 000's)</b>	<b>Percentage Increase</b>
Larkfield	2018	\$367.2	12.44%
	2019	\$0	0%
	2020	\$0	0%
Sacramento	2018	\$14,849.6	31.47%
	2019	\$1,259.6	2.01%
	2020	\$1,837.9	2.89%
<b>Northern Division – Stand Alone</b>			
Larkfield	2018	\$522.9	17.72%
	2019	\$68.5	1.97%
	2020	\$69.7	1.96%

<sup>1</sup> California American Water's individual districts are as followed: 1) Larkfield, 2) Sacramento, 3) Monterey County, 4) Monterey Wastewater, 5) Los Angeles County, 6) San Diego County, and 7) Ventura County.

<sup>2</sup> California American Water anticipates that, subsequent to the filing of the Application and prior to the issuance of a decision by the Commission, it may file one or more advice letter requests relating to offset unanticipated increases in expenses that may be incurred by any of California America Water's respective districts, or to file one or more advice letters requesting recovery of captured balances in its various memorandum or balancing accounts. Any such offset rate increases requested by advice letter will be in addition to the increases in rates requested in the Application.

Sacramento	2018	\$14,693.9	31.14%
	2019	\$1,026.0	1.64%
	2020	\$1,534.6	2.41%

<b>Central Division</b>			
Monterey Main	2018	\$5,644.1	8.59%
	2019	\$2,546.7	3.73%
	2020	\$1,803.1	2.57%
Small Systems Consolidation	2018	\$157.1	11.15%
	2019	\$127.6	8.86%
	2020	\$41.4	2.64%
Monterey Wastewater	2018	\$360.6	10.84%
	2019	\$99.0	2.66%
	2020	\$96.2	2.52%
<b>Southern Division - Consolidated</b>			
<b>District/Area</b>	<b>Year</b>	<b>Revenue Increase (in 000's)</b>	<b>Percentage Increase</b>
N/A	2018	\$13,180.6	13.56%
N/A	2019	\$4,610.7	4.17%
N/A	2020	\$4,197.7	3.65%

<b>Southern Division – Stand Alone<sup>3</sup></b>			
Los Angeles County	2018	\$8,232.7	26.49%
	2019	\$2,277.0	5.80%
	2020	\$2,164.9	5.21%
San Diego County	2018	\$2,142.3	7.38%
	2019	\$1,286.3	4.12%
	2020	\$1,134.6	3.49%
Ventura County	2018	\$2,885.7	7.77%
	2019	\$959.4	2.40%
	2020	\$902.0	2.20%

Table 2 compares the proposed amounts to the last adopted and last recorded amounts to show the difference in dollars and percentages by consolidated divisions and individual districts.

**Table 2**

<b>Northern Division – Per District</b>				
<b>District/ Area</b>	<b>Category</b>	<b>Last Test Year</b>	<b>Last Recorded</b>	<b>Proposed Test Year</b>
Larkfield	Total Rev. Req. Before Phased In Consolidation (\$, in 000's)	\$3,322.4	\$3,233.5	\$3,474.6
	Rate Base (\$, in 000's)	\$7,132.4	\$7,357.6	\$7,570.3
	Rate Base (%)	N/A	3.16%	6.14%
	Operating Exp. (\$, in 000's)	\$2,485	\$2,311	\$2,566.8

<sup>3</sup> This is presented on a stand-alone basis and approximately equals the Southern Division in total but may not equal individual bill increases on a consolidated basis.

	Operating Exp. (%)	N/A	-7.00%	3.29%
	Rate of Return	8.41%	8.82%	8.41%
	Total Rev. Req. After Phased In Consolidation (\$, in 000's)	N/A	N/A	\$3,318.9
Sacramento	Total Rev. Req. (\$, in 000's)	\$52,799.1	\$54,288.4	\$61,881.0
	Rate Base (\$, in 000's)	\$146,930.7	\$145,058.9	\$165,004.3
	Rate Base (%)	N/A	-1.27%	12.30%
	Operating Exp. (\$, in 000's)	\$35,610.0	\$33,133.9	\$41,807.0
	Operating Exp. (%)	N/A	-6.95%	17.40%
	Rate of Return	8.41%	10.12%	8.41%
	Total Rev. Req. After Phased In Consolidation (\$, in 000's)	N/A	N/A	62,036.8

<b>Central Division</b>				
<b>District/ Area</b>	<b>Category</b>	<b>Last Test Year</b>	<b>Last Recorded</b>	<b>Proposed Test Year</b>
Monterey Main	Total Rev. Req. <sup>4</sup> (\$, in 000's)	\$53,491	\$51,725	\$65,740.2
	Rate Base (\$, in 000's)	\$145,282	\$134,839	\$151,783.2
	Rate Base (%)	N/A	-7.19%	4.47%
	Operating Exp. (\$, in 000's)	\$38,022	\$36,732	\$49,460.8

<sup>4</sup> Last test year and last recorded adjusted to shift revenue associated with revenues for small systems into the small system consolidation section.

	Operating Exp. (%)	N/A	-3.39%	30.08%
	Rate of Return	8.41%	6.40%	8.41%
Small Systems Consolidation <sup>5</sup>	Total Rev. Req. (\$, in 000's)	\$1,336.3	\$1,335	\$1,566.5
	Rate Base (\$, in 000's)	Included above	Included above	Included above
	Rate Base (%)	N/A	N/A	N/A
	Operating Exp. (\$, in 000's)	Included above	Included above	Included above
	Operating Exp. (%)	N/A	N/A	N/A
	Rate of Return	N/A	N/A	N/A

Monterey Wastewater	Total Rev. Req. (\$, in 000's)	\$3,534	\$3,340	\$3,686.1
	Rate Base (\$, in 000's)	\$1,590	\$2,026	\$2,195.2
	Rate Base (%)	N/A	27.48%	38.06%
	Operating Exp. (\$, in 000's)	\$3,286	\$2,778	\$3,416.9
	Operating Exp. (%)	N/A	-15.45%	3.98%
	Rate of Return	8.41%	17.72%	8.41%

<b>Southern Division</b>				
<b>District/ Area</b>	<b>Category</b>	<b>Last Test Year</b>	<b>Last Recorded</b>	<b>Proposed Test Year</b>
N/A	Total Rev. Req. (\$, in 000's)	N/A	N/A	\$110,395.0
N/A	Rate Base (\$, in 000's)	N/A	N/A	\$167,329.3
N/A	Rate Base (%)	N/A	N/A	N/A

<sup>5</sup> Includes Ambler, Toro, Ralph Lane, and Garrapata systems.



N/A	Operating Exp. (\$, in 000's)	N/A	N/A	\$89,989.9
N/A	Operating Exp. (%)	N/A	N/A	N/A
N/A	Rate of Return	N/A	N/A	8.41%

<b>Southern Division – Without Proposed Consolidation</b>				
<b>District/ Area</b>	<b>Category</b>	<b>Last Test Year</b>	<b>Last Recorded</b>	<b>Proposed Test Year</b>
Los Angeles County	Total Rev. Req. (\$, in 000's)	\$29,260	\$25,525	\$39,308.6
	Rate Base (\$, in 000's)	\$75,870	\$69,406	\$92,092.2
	Rate Base (%)	N/A	-8.52%	21.38%
	Operating Exp. (\$, in 000's)	\$20,410	\$19,155	\$27,992.8
	Operating Exp. (%)	N/A	-6.15%	37.15%
	Rate of Return	8.41%	5.39%	8.41%
San Diego County	Total Rev. Req. (\$, in 000's)	\$27,289	\$24,811	\$31,156.8
	Rate Base (\$, in 000's)	\$23,676	\$20,574	\$25,667.6
	Rate Base (%)	N/A	-13.10%	8.41%
	Operating Exp. (\$, in 000's)	\$24,379	\$21,132	\$28,020
	Operating Exp. (%)	N/A	-13.32%	14.93%
	Rate of Return	8.41%	11.90%	8.41%
Ventura County	Total Rev. Req. (\$, in 000's)	\$36,433	\$33,936	\$40,009.7
	Rate Base (\$, in 000's)	\$45,736	\$40,984	\$49,569.5
	Rate Base (%)	N/A	-10.39%	8.38%

	Operating Exp. (\$, in 000's)	\$30,869	\$28,447	\$33,976.6
	Operating Exp. (%)	N/A	-7.85%	10.07%
	Rate of Return	8.41%	9.23%	8.41%

**II. NECESSITY FOR GENERAL RATE RELIEF**

California American Water’s main focus is our customers. In order to accomplish the customer-centric goals in this GRC, California American Water asks the Commission to take into account the collective proposals set forth in the Application and supporting testimony. California American Water understands the need to invest in capital to maintain and improve reliability and plan for future customer needs. This understanding is reflected in the overall request made in this Application.

Authorizing the requests made in this Application not only accomplishes the customer-centric goals outlined above, it also serves the public interest. The requests outlined herein will further the key principles the Commission set forth in the Water Action Plan and will result in the streamlining of Commission decision-making.

On a company aggregate basis, the main drivers of the rate increase are declining sales of \$13.7 million, necessary capital-related items of \$10.1 million, labor and benefits costs of \$4.3 million, costs to treat Chromium 6 of \$2.1 million, and the Advanced Metering Infrastructure (“AMI”) capital project in the Central and Southern Divisions of \$1.6 million.

As required by the Rate Case Plan, California American Water includes a summary of the primary factors behind its request for increased rates in this Application by district.

**A. Northern Division**

The Northern Division is made up of the Sacramento and Larkfield Districts. The main drivers of the proposed rate increase of approximately \$15.2 million are reduced water sales, capital investments, and Chromium 6 expense. On a percentage basis, the main drivers are as follows. Declining sales causes 49.5% of the increase. The necessary support for new capital

investment causes 21.6% of the increase. The need to comply with Chromium 6 water quality requirements causes 8.2% of the increase. Operating and maintenance costs increased due to higher labor costs, which caused 6.4% of the increase. Income and general taxes comprise 5.1% of the increase. Together, these explain over 90% of the overall increase for Northern Division.

### **1. Larkfield District**

The main drivers of the proposed rate increase of \$0.5 million on a stand-alone basis are reduced water sales and capital investment, offset by slight reductions in operating expenses. On a percentage basis, the main drivers are as follows. Declining sales causes 70.2% of the increase. The necessary support for new capital investment causes 31.51% of the increase. These increases are offset by a 1.7% reduction to operational and administrative expenses. Under the phased consolidation proposal, Larkfield's proposed rate increase would lower from \$0.5 million to \$0.4 million.

### **2. Sacramento District**

The main drivers of the proposed rate increase of \$14.7 million on a stand-alone basis are declining sales, capital investment, Chromium 6 expense, labor and benefits, and taxes. On a percentage basis, the main drivers are as follows. Declining sales causes 48.4% of the increase. The necessary support for new capital investment causes 21.1% of the increase. The need to comply with Chromium 6 water quality requirements causes 8.5% of the increase. Operating and maintenance costs increased due to higher labor costs, which caused 6.6% of the increase. Income and general taxes comprise 5.6% of the increase. Under the phased consolidation proposal, Sacramento's proposed rate increase would raise from \$14.7 million to \$14.8 million.

## **B. Central Division**

The Central Division is comprised of the Monterey Main System and several satellite systems. If the Commission grants California American Water's consolidation proposal, the non-Seaside Basin/Carmel River aquifer systems in Monterey will be consolidated into a single tariff area for ratemaking and billing purposes. The main drivers for the proposed increase

are set forth for the system as a whole.

**1. Monterey Main (with Toro and Garrapata)**

The main drivers of the proposed rate increase of \$5.8 million are declining sales, San Clemente Dam, AMI capital project and related operating expenses, and income and general taxes. On a percentage basis, the main drivers are as follows. Declining sales causes 50.6% of the increase. The inclusion of the San Clemente Dam amortization constitutes 31.6% of the increase. The necessary support for the new AMI program causes 8.2% of the increase.

**C. Monterey Wastewater District**

The main drivers of the proposed rate increase of \$0.4 million are plant and depreciation, other operating and administrative costs, and labor and benefits. On a percentage basis, the main drivers are as follows. Capital investment causes 47.7% of the increase. Other operating and administrative costs causes 28.1% of the increase. An increase to pensions and benefits, offset by a small decrease to labor costs make up 15.4% of the increase.

**D. Southern Division**

The Southern Division is made up of Los Angeles County, San Diego County, and Ventura Districts. The main drivers of the \$13.2 million proposed rate increase on a consolidated basis are capital investments, reduced water sales, labor and benefits, AMI, and Chromium 6. On a percentage basis, the main drivers are as follows. The necessary support for new capital investment causes 36.2% of the increase. Declining sales causes 24.5% of the increase. Operating and maintenance costs increased due to higher labor costs, which caused 10.1% of the increase. The necessary support for the new AMI program causes 8.6% of the increase. The need to comply with Chromium 6 water quality requirements causes 6.7% of the increase.

**1. Los Angeles County District**

The main drivers of the \$8.2 million proposed rate increase on a stand alone basis are new capital investments, reduced water sales, labor and benefits, Chromium 6 expenses, and AMI capital and expense. On a percentage basis, the main drivers are as follows. The necessary

support for new capital investment causes 31.4% of the increase. Declining sales causes 18.9% of the increase. The need to comply with Chromium 6 water quality requirements causes 10.9% of the increase. Operating and maintenance costs increased due to higher labor costs, which caused 11.3% of the increase. The necessary support for the new AMI program causes 3.7% of the increase.

## **2. San Diego County District**

The main drivers of the increase of \$2.1 million on a stand alone basis are capital investment, AMI, and operating and maintenance costs. On a percentage basis, the main drivers are as follows. The necessary support for new capital investment causes 64.7% of the increase. The necessary support for the new AMI program causes 13.8% of the increase. Administrative and general costs cause 14.2% of the increase.

## **3. Ventura County District**

The main drivers of the increase of \$2.9 million on a stand alone basis are capital investment, reduced water sales, and AMI. On a percentage basis, the main drivers are as follows. Declining sales causes 48.1% of the increase. The necessary support for new capital investment causes 32.4% of the increase. AMI causes 18.4% of the increase.

### **III. OTHER REQUESTS AND RECOMMENDATIONS**

Special Request #1: California American Water requests authorization to implement an Annual Consumption True Up Pilot Program. Jeffrey T. Linam's testimony supports this special request.

Special Request #2: California American Water requests authorization to continue its Group Insurance Balancing Account. Jeffrey T. Linam's testimony supports this special request.

Special Request #3: California American Water requests authorization to place all franchise fees on tariffs consistently in all districts, including acquisitions. Jeffrey T. Linam's testimony supports this special request.

Special Request #4: California American Water requests authorization to

eliminate its Sand City Desalination Plant Surcharge and, instead, fold that surcharge into base rates. The testimony of Jeffrey T. Linam supports this request.

Special Request #5: California American Water requests authorization to remove the current 10% cap on the amortization of its Water Adjustment Mechanism (“WRAM”) Balancing Accounts. Jeffrey T. Linam’s testimony supports this special request.

Special Request #6: California American Water requests authorization for a waiver for additional customer notices. Jeffrey T. Linam’s testimony supports this special request.

Special Request #7: California American Water requests authorization establish a new credit card program. Jeffrey T. Linam’s testimony supports this special request.

Special Request #8: California American Water requests authorization establish an AMI/Leak Adjustment balancing account. Jeffrey T. Linam’s testimony supports this special request.

Special Request #9: California American Water requests authorization to recover rate case expense over 27 months instead of 36. Jeffrey T. Linam’s testimony supports this special request.

Special Request #10: California American Water requests authorization to provide recycled water tariffs. Jeffrey T. Linam’s testimony supports this special request.

Special Request #11: California American Water requests authority to amortize costs associated with the San Clemente Dam removal project. Jeffrey T. Linam’s testimony supports this special request.

Special Request #12: California American Water requests authorization for a bonus depreciation memorandum account. Jeffrey T. Linam’s testimony supports this special request.

Special Request #13: California American Water requests authorization to consolidate the Larkfield and Sacramento Districts for ratemaking purposes; to consolidate the fixed costs for the Los Angeles County, San Diego County, and Ventura County Districts for

ratemaking purposes; and to consolidate all Monterey small water systems for ratemaking and billing purposes. Sherrene Chew’s testimony supports this special request.

Special Request #14: California American Water requests authorization to establish a Monterey Active Wastewater System High Cost Fund or, alternatively, to consolidate rate base with the Monterey County rate base. Sherrene Chew’s testimony supports this special request.

Special Request #15: California American Water addresses the treatment of pension and other post-employment benefits (“OPEB”). Todd Pray’s testimony supports this request.

Special Request #16: California American Water requests authorization to revise its operational tariffs, specifically Rules 15 and 16. Richard Svindland’s testimony supports this special request.

Special Request #17: California American Water requests authorization to change its cross-connection tariff (Rule 16). Richard Svindland’s testimony supports this special request.

Special Request #18: California American Water is seeking a memorandum account to record costs for complying with the Sustainable Groundwater Management Act (“SGMA”). Richard Svindland’s testimony supports this special request.

Special Request #19: California American Water is seeking timely recovery of the 2015 and 2016 net WRAM/MCBA balances for residential and non-residential customers in the Monterey Main system. Jeffrey T. Linam’s testimony supports this special request.

#### **IV. REQUIRED INFORMATION**

##### **A. Applicant Information**

Applicant’s legal name is California-American Water Company. California American Water’s corporate office and post office address is 1033 B Avenue, Suite 200 Coronado, California 92118. California American Water is a California corporation organized under the laws of the State of California on December 7, 1965. California American Water is a

Class A regulated water utility organized and operating under the laws of the State of California. California American Water provides water and wastewater service in various areas in the following California counties: Los Angeles, Monterey, Placer, Sacramento, San Diego, Sonoma, and Ventura. Included as Exhibit E to this Application is a chart summarizing the corporate structure of California American Water, and its relationship with its parent company, American Water, and American Water subsidiaries.

A certified copy of California American Water's articles of incorporation was filed with the Commission on January 6, 1966 in connection with Application 48170. A certified copy of an amendment to California American Water's articles of incorporation was filed with the Commission on November 30, 1989 in connection with Application 89-11-036. A certified copy of an Amendment to California American Water's Articles of Incorporation dated October 3, 2001 and filed with the office of the California Secretary of State on October 4, 2001, was filed with the Commission on February 28, 2002, in connection with Application 02-02-030. The Articles of Incorporation have not been subsequently amended.

None of the persons described in Section 2 of General Order No. 104-A has a material financial interest in any transaction involving the purchase of materials or equipment or the contracting, arranging, or paying for construction, maintenance work, or service of any kind to which Applicant has been a party during the period subsequent to the filing of California American Water's last Annual Report with this Commission or to which California American Water proposed to become a party at the conclusion of the year covered by said Annual Report.

**B. Application Correspondence**

Correspondence and communications concerning this Application should be addressed to the following person:

Jeffrey T. Linam  
Director of Rates  
California-American Water Company  
1033 B Avenue, Suite 200  
Coronado, CA 92118  
(619) 435-7421  
Jeffrey.linam@amwater.com



Copies of such correspondence and communications should be sent to:

Sarah E. Leeper  
Nicholas A. Subias  
California-American Water Company  
555 Montgomery Street, Suite 816  
San Francisco, CA 94111  
(415) 863-2960  
sarah.leeper@amwater.com  
nicholas.subias@amwater.com

Lori Anne Dolqueist  
50 California Street, 34th Floor  
San Francisco, CA 94111  
(415) 398-3600  
ldolqueist@nossaman.com

**C. Category**

Rule 1.3(e) of the Commission’s Rules of Practice and Procedure defines ratesetting proceedings as those in which “the Commission sets or investigates rates for a specifically named utility (or utilities), or establishes a mechanism that in turn sets the rates for a specifically named utility (or utilities).” The Commission should categorize this general rate case proceeding as ratesetting.

**D. Evidentiary Hearings**

Evidentiary hearings will likely be necessary to address factual disputes on material issues, such as water sales and operating revenues, operation and maintenance expenses, utility plant, rate base, taxes, and revenue requirements.

**E. Issues**

The issue in this proceeding is whether California American Water’s proposed revenue requirement and associated rates and related requests are “just and reasonable” as required by Section 451 of the Public Utilities Code. The Rate Case Plan also requires

California American Water to identify any “contentious issues.”<sup>6</sup> Below California American Water describes the contentious issues, shows the estimated revenue requirement impact of each issue, and indicates the testimony that provides additional support and/or information about the issue. As required by Rule 2.1(c) of the Commission’s Rules of Practice and Procedure, California American Water will also address safety considerations.

**1. Contentious Issues**

**a. Consolidation**

California American Water has several consolidation proposals in this GRC. The first is to consolidate the Larkfield District into the already-Commission-approved consolidated regional rates of the Sacramento and Dunnigan service areas. Applications for Commission approval of California American Water’s acquisition of Geyserville Water Works (A.15-08-024) and Meadowbrook Water Company of Merced, Inc. (A.15-12-016) are pending, and all-party settlements in each would consolidate those newly acquired areas into the consolidated regional rates of Sacramento and Dunnigan.

The second is to consolidate all the non-Seaside Basin/Carmel River aquifer systems in Monterey into a single tariff ratemaking area. The third is to consolidate all the Southern Districts together for rate making. California American Water also included a proposal to consolidate the Monterey Wastewater District rate base with the Monterey County District as an alternative to its request for a Monterey Active Wastewater System High Cost Fund. The requests made in this application are, in part, driven by D.14-10-047, which required an analysis of high costs and affordability issues in districts that could be addressed through mechanisms such as consolidation. Generally, the proposal is being made to better align the rates in the various regions so that high quality water can continuously be provide to customers at the most reasonable rates that meet demands, affordability and signal to the greatest extent possible that conservation is not an option, but a necessity. This issue is addressed in the testimony of

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<sup>6</sup> See D.04-06-018, Appendix, p. 6.

Sherrene Chew. Under a phased in consolidation, the estimated revenue requirement impact in the Northern Division is a \$0.2 million reduction to Larkfield's revenue requirement increase and an increase to Sacramento's revenue requirement of \$0.2 million. Under the high cost fund proposal, Monterey wastewater's total operating revenue would decrease \$0.5 million and be recovered from all other non-low income customers as a monthly \$0.25 surcharge.

**b. AMI Project**

California American Water is proposing to implement a two-way, AMI system in four California American Water service districts: San Diego County, Ventura County, Monterey County, and Los Angeles County. These districts encompass approximately 108,600 residential, commercial and industrial retail water customers. California American Water is proposing this AMI deployment to achieve improvements in its operations and to enhance customer services by providing improved and more accurate billing, hourly and daily water usage information to customers through a web portal and mobile app, customer premise leakage notifications and alerts, and other features like customizable usage limits. This issue is addressed in the testimony of Richard Svindland. The revenue requirement impact of this issue is \$1.6 million.

**c. Consumption Forecasting and Revenue Recovery**

There are several issues related to consumption forecasting and revenue recovery that could be considered contentious issues. California American Water did not use the results of the regression analyses for the residential and commercial customer classes to project consumption per customer because it does not believe the results of the regression analysis are a reasonable indicator of future consumption levels given the decline in consumption trends, the implementation of conservation rates, conservation education, and the State of California's commitment to reducing water use by 20% by the year 2020. California American Water also used different historical data for its districts to develop its forecasts, depending on the particular issues in each district that could influence consumption. Additionally, California American Water is seeking to implement a pilot ratesetting program to true up the consumption level for all customers on an annual basis. With respect to recovery, California American Water requests that

the Commission remove the current 10% cap on the amortization of the WRAM/MCBA accounts that was imposed by D.13-07-041. California American Water is also seeking to make changes to its rate design, including shifting from a two tier to three tier design in Sacramento. The annual consumption true-up and removal of the 10% cap on WRAM/MCBA are addressed in testimony of Jeffrey Linam. The remaining issues are addressed in the testimony of Sherrene Chew. Because of the many variables of these proposals, the revenue requirement impact is not accurately quantifiable.

**2. Safety Considerations**

California American Water has always been committed to employee and customer safety. However, within the past several years, California American Water has further increased its focus on safety by making safety both a core value and a key strategy. California American Water has included with supporting testimony a report on safety, security and emergency response. The purpose of this report is to provide the Commission with an understanding of the day to day approach to providing a safe and secure workplace and responding to emergency situations as they arise. This report addresses health and safety, emergency response and security as a fundamental part of California American Water’s operations and a value supported by American Water.

**F. Schedule**

The Commission’s Rate Case Plan sets the schedule for general rate case applications. Table 3 below is a schedule for this proceeding, which California American Water based on the Rate Case Plan.

**Table 3**

<b>Event</b>	<b>20-Month Schedule (Day)</b>	<b>Dates</b>
Application Filed/Testimony Served	0	7/1/2016
Prehearing Conference Start Date	10 – 75	
Update of Applicant's Showing	100	10/9/2016
Public Participation Hearings	10 – 190	
ORA Testimony	204	1/21/2017

<b>Event</b>	<b>20-Month Schedule (Day)</b>	<b>Dates</b>
Other Parties Serve Testimony	218	2/4/2017
Rebuttal Testimony	264	3/22/2017
ADR Processes or Settlement Begins	270-290	
Evidentiary Hearings	290-310	
Opening Briefs Filed and Served	340	6/6/2017
Motion for Interim Rates	340	6/6/2017
Mandatory Status Conference	341	6/7/2017
Reply Briefs Filed and Served (includes Comparison Exhibit)	350	6/16/2017
Water Division Technical Conference	370	7/6/2017
Proposed Decision Mailed	460	10/4/2017
Comments on Proposed Decision	480	10/24/2017
Reply Comments	485	10/29/2017
Commission Meeting	500	11/13/2017

## **V. NOTICE AND SERVICE**

California American Water will serve a copy of the Application in accordance with Rule 3.2(b) and upon the attached service list.

Within ten days of the filing of the Application, California American Water will cause to be published once, in a newspaper of general circulation in the area served, a notice of the general terms of the proposed increases. California American Water will submit proof of such publication to the Commission. California American Water has provided a draft of the customer notices, included as Exhibit C to the Application, to the Public Advisors Office. California American Water will send notice of the Application to its customers in accordance with Rule 3.2(d).

## **VI. SUPPORT FOR THE APPLICATION**

In support of the rate request, California American Water will introduce the Application, exhibits, work papers, Minimum Data Requirements, and other data responses, copies of which have been or will be delivered to the Office of Ratepayer Advocates (“ORA”) and Commission staff. California American Water will also provide written and oral direct and rebuttal testimony in support of its requests.

**A. Exhibits**

Appended to this Application are the exhibits listed below, which California American Water submits in compliance with Rule 3.2(a) of the Commission’s Rules of Practice and Procedure.

Exhibit A – Financial Information & Results of Operations

Exhibit B – Minimum Data Requirements

Exhibit C – Customer Notice

Exhibit D – Cost of Capital

Exhibit E – Corporate Structure Chart

**B. Testimony**

California American Water will serve (but not file) direct testimony in support of this Application. Table 4 is an index of witnesses and testimony issues.

**Table 4**

<b>Name</b>	<b>Title</b>	<b>Subject of Testimony</b>
Stuart Alden	Willis Towers Watson – Senior Actuary	Mr. Alden discusses group insurance and medical costs.
Sherrene Chew	California American Water – Senior Manager, Rates & Regulatory Department	Ms. Chew is responsible for the overall conduct and coordination of this Application. Ms. Chew will address the impact of acquisitions for Sacramento and Los Angeles, developer growth in Sacramento, the impact of declining sales, demand projections based on factors other than five-year average, non-revenue water, and the source of supply mix. Ms. Chew will also address rate design and consolidation.
Jeffrey M. Dana	California American Water – Senior Manager of Rates	Mr. Dana discusses current memorandum and balancing accounts and California American Water’s request for new accounts.
Edward J. Grubb	Regulatory Consultant	Mr. Grubb addresses and supports the areas of state and federal income taxes, rate base and the lead lag study.
Jeffrey T. Linam	California American Water – Director of Rates	Mr. Linam has direct responsibility for most of California American Water’s special requests, including but not limited to, group insurance balancing account, franchise fee surcharges, and rate case cost recovery. Mr. Linam discusses the coordination of this GRC with prior proceedings,

Name	Title	Subject of Testimony
		ongoing cases, and open Commission investigations.
Stephanie Locke	Water Demand Manager, Monterey Peninsula Water Management District (“MPWMD”)	Ms. Locke testifies in support of the three-year conservation budgets for MPWMD and California American Water in the Monterey District. She discusses the conservation program budget proposed by MPWMD as a partner in water conservation with California American Water and the history of MPWMD’s conservation program and the unique regulatory and enforcement functions of the MPWMD.
Robert Mustich	Willis Towers Watson – Practice Leader, Executive Compensation	Mr. Mustich discusses the Compensation Study conducted by Willis Towers Watson for California American Water. The Compensation Study examined both national and statewide perspectives.
Patrick Pilz	California American Water – Manager of Field Operations	Mr. Pilz describes aspects of California American Water’s conservation program and its customer service function
Todd J. Pray	California American Water – Senior Financial Analyst	Mr. Pray provides a general overview of California American Water’s request, including staffing. He presents the costs included in General Office for both AWWSC and California American Water Corporate (“CalCorp”). Mr. Pray describes the requested costs in each of California American Water’s districts.
Eric J. Sabolsice	California American Water – Director of Operations for the Central Division	Mr. Sabolsice provides information on audits of non-residential customers in Monterey and billing of mixed use customers. Mr. Sabolsice also explains how Sand City costs should be recovered through base rates. Mr. Sabolsice will provide information on compliance with the non-revenue water settlement and the actions California American Water is taking to comply with the settlement with Las Palmas wastewater customers.
F. Mark Schubert	California American Water – Manager of Engineering	Mr. Schubert testifies to capital expenditures, capital investment management process, infrastructure planning and recurring projects, tank painting, and mass retirements. Mr. Schubert also discusses the San Clemente Dam.
Richard Svindland	California American Water – Director of Engineering	Mr. Svindland provides an overview of California American Water’s operations in the Northern and Southern Divisions, provides an update to the Cease and Desist Order in our Central Division, discusses our AMI proposal, and addresses water quality, safety and other Special Requests.

**VII. CONCLUSION**

WHEREFORE, California American Water respectfully requests that the Commission issue its findings and an order to the effect that:

The revenue requirements and associated rates proposed and requested by California American Water are fair, just and reasonable;

California American Water be granted its Special Requests;

California American Water be authorized to publish, file and make effective, as of January 1, 2018 the proposed revenue requirements and associated rates requested or such other revenue requirements and associated rates as will result in the additional gross revenues requested in this Application; and

For such other and further relief as is just.

July 1, 2016

Respectfully submitted,

By: /s/ Sarah E. Leeper  
Sarah E. Leeper  
Attorney for Applicant  
California-American Water Company



**VERIFICATION**

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on July \_\_, 2016 at \_\_\_\_\_, California

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