

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$55,771,300 or 18.71% in the year 2024, by \$19,565,300 or 5.50% in the year 2025, and by \$19,892,400 or 5.30% in the year 2026.

Application 22-07-XXX

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

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**BEFORE THE PUBLIC UTILITIES COMMISSION
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Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$55,771,300 or 18.71% in the year 2024, by \$19,565,300 or 5.50% in the year 2025, and by \$19,892,400 or 5.30% in the year 2026.

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

Pursuant to Section 454 of the Public Utilities Code, Rule 3.2 of the Commission’s Rules of Practice and Procedure (“Rules”), and as directed by the California Public Utilities Commission (“Commission”) under the Rate Case Plan for Class A Water Companies (“Rate Case Plan”) adopted in Decision (“D.”) 07-05-062, California-American Water Company (“California American Water” or “Applicant”) respectfully 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. California American Water’s focus in this GRC includes: (1) balancing the need for system improvements with what our customers pay for water service, all while working with regulators on efforts to support operational excellence and efficiency; (2) ensuring water and wastewater systems are sufficiently designed, operated, and financed to provide safe and reliable services to all customers; (3) working to address emerging trends and threats, including wildfire and climate change, and being adaptive and forward-looking in order to build and

operate a more resilient system; and (4) addressing issues of affordability through proposals for rate consolidation, customer assistance programs, and hardship funds.

I. SUMMARY OF REQUESTED REVENUE REQUIREMENT AND RATE BASE CHANGES [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION I.A]

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 districts¹ in order to realize the increased revenue in **Table 1** below.²

TABLE 1

Northern Division			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Northern Division	2024	\$19,905.1	24.37%
	2025	\$8,449.4	8.17%
	2026	\$8,745.5	7.82%

¹ California American Water’s individual divisions/districts are as follows: (1) Northern Division, (2) Central Division, (3) Monterey Wastewater, and (4) Southern Division.

² California American Water anticipates that, subsequent to the filing of the Application and prior to the issuance of a decision by the Commission, California American Water may file one or more advice letter request(s) to offset unanticipated increases in expenses that may be incurred by any of California American Water’s respective districts, or to file one or more advice letter(s) requesting recovery of captured balancing in its various memorandum or balancing accounts. Any such offset rate increases requested by advice letter will be in addition to the increase in rates requested in the Application.

Central Division			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Central Division	2024	\$12,923.2	14.93%
	2025	\$2,424.3	2.44%
	2026	\$3,475.5	3.41%

Monterey Wastewater			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Monterey Wastewater	2024	\$727.5	19.45%
	2025	\$150.9	3.38%
	2026	\$147.5	3.20%

Southern Division			
District/Area	Year	Revenue Increase (in 000's)	Percentage Increase
Southern Division	2024	\$22,215.6	17.61%
	2025	\$8,540.7	5.75%
	2026	\$7,523.9	4.79%

Table 2 compares the proposed amounts to the last adopted and last recorded amounts to show the difference in dollars and percentages by district to show the difference in dollars and percentages by district.

TABLE 2

Northern Division				
District/ Area	Category	Last Test Year Adopted 2021	Last Recorded Year 2021	Proposed Test Year 2024
Northern Division	Total Rev. Req. (\$, in 000's)	\$72,718.4	\$68,855.9	\$100,179.7
	Rate Base (\$, in 000's)	\$213,770.2	\$216,502.5	\$329,725.4
	Rate Base (%)	N/A	1.28%	54.24%
	Operating Exp. (\$, in 000's)	\$38,336.4	\$36,612.4	\$48,467.7
	Operating Exp. (%)	N/A	(4.50)%	26.43%
	Rate of Return	7.61%	7.40%	7.61%

Central Division				
District/ Area	Category	Last Test Year Adopted 2021	Last Recorded Year 2021	Proposed Test Year 2024
Monterey County	Total Rev. Req. (\$, in 000's)	\$72,739.3	\$69,297.7	\$98,697.0
	Rate Base (\$, in 000's)	\$228,884.6	\$225,737.7	\$280,326.7
	Rate Base (%)	N/A	(1.37)%	22.48%
	Operating Exp. (\$, in 000's)	\$39,302.1	\$38,271.8	\$57,453.7
	Operating Exp. (%)	N/A	(2.62)%	46.18%
	Rate of Return	7.61%	7.52%	7.61%

Monterey Wastewater				
District/ Area	District/ Area	District/ Area	District/ Area	District/ Area
Monterey Wastewater	Total Rev. Req. (\$, in 000's)	\$3,549.3	\$3,336	\$4,469.9
	Rate Base (\$, in 000's)	\$2,982.3	\$3,820.2	\$5,526.9
	Rate Base (%)	N/A	28.09%	85.32%
	Operating Exp. (\$, in 000's)	\$2,905.1	\$3,070.2	\$3,475.4
	Operating Exp. (%)	N/A	5.68%	19.63%
	Rate of Return	7.61%	0.74%	7.61%

Southern Division				
District/ Area	Category	Last Test Year Adopted 2021	Last Recorded Year 2021	Proposed Test Year 2024
Southern	Total Rev. Req. (\$, in 000's)	\$122,990.8	\$101,863.6	\$147,886.0
	Rate Base (\$, in 000's)	\$221,994.6	\$240,978.5	\$305,426.6
	Rate Base (%)	N/A	0.76%	37.58%
	Operating Exp. (\$, in 000's)	\$91,368.5	\$5,103.5	\$99,026.2
	Operating Exp. (%)	N/A	(5.99)%	8.38%
	Rate of Return	7.61%	3.11%	7.61%

II. NECESSITY FOR GENERAL RATE RELIEF AND PRIMARY COST INCREASES [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION I.B]

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 Commission's and State's water goals and will result in the streamlining of Commission decision-making.

On a company aggregate basis, the main drivers of the rate increase are necessary support for new capital investment (\$40.2M), increased labor expense (\$7.5M), inflationary pressure (\$6.1M), reduction in demand (\$1.7M), and small system consolidation support (\$3.3M). These cost drivers are offset in part by decreasing costs in other areas and/or by increased revenues from acquisitions, improved efficiencies stemming from acquisitions, increased sales, and organic customer growth.

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 District, to which the Larkfield, Meadowbrook, Hillview, Fruitridge and several other small service areas have been incorporated

for operational and rate base/revenue requirement ratemaking purposes. The main drivers of the proposed rate increase of \$19.9 million are necessary support for new capital investment (\$13.9M), increased depreciation (\$4.1M), inflationary increases (\$2.3M), increased labor expense (\$2.3M), and small system consolidation support (\$1.7M). These cost drivers are offset in part by decreasing costs in other areas and/or by increased revenues from acquisitions, increased sales, and organic customer growth.

B. Central Division

The Central Division is made up of the Monterey Service Area and the Central Satellites.³ The main drivers of the proposed rate increase of \$12.9 million are necessary support for new capital investment (\$5.8M), increased labor expense (\$1.7M), inflationary increases (\$1.8M), reduction in forecasted water sales (\$0.4M) and small system consolidation support (\$0.7M). These cost drivers are offset in part by decreasing costs in other areas.

C. Monterey Wastewater

The main drivers of the proposed rate increase of \$728K are increased labor expenses (\$239K), increased chemical costs (\$182K), increased purchased power cost (\$73k), necessary support for new capital investment (\$260k), and inflationary increases (\$147K). These cost drivers are offset in part by decreasing costs in other areas.

D. Southern Division

The Southern Division is made up of the Los Angeles County, San Diego County, and Ventura County Districts. The main drivers of the proposed rate increase of \$22.2 million are

³ Pursuant to D.18-12-021, the Ambler, Toro, Ralph Lane, and Garrapata systems have been consolidated into the Monterey County District for ratemaking and tariff purposes.

necessary support for new capital investment (\$13.5M), increased labor expense (\$3.1M), inflationary increases (\$1.8M), small system consolidation support (\$1.2M), and reduction in demand (\$3.6M). These cost drivers are offset in part by decreasing costs in other areas and/or by increased revenues from new customers and increased sales.

III. OTHER REQUESTS AND RECOMMENDATIONS

A. Special Request No. 1: Authorizing the Monterey-Style WRAM (“M-WRAM”)

In D.20-08-047, the Commission prohibited companies with a decoupling WRAM/MCBA, including California-American Water, from including the WRAM/MCBA in their next general rate case filing. California American Water and others filed applications for rehearing of D.20-08-47, but the Commission denied rehearing in D.21-09-047. On October 27, 2021, California American Water filed a petition for writ of review of D.20-08-047 and D.21-09-047 with the California Supreme Court. Several other parties also filed petitions. On May 18, 2022, the California Supreme Court issued the writ of review, consolidated the petitions into Case No. S269099, *Golden State Water Company v. Public Utilities Commission*, and directed the parties to file briefs. Briefing is currently expected to conclude in December 2022.

The Commission also stated in D.20-08-047, that utilities may “propose to use Monterey-Style Water Revenue Adjustment Mechanisms.”⁴ California American Water therefore proposes in Special Request #1 to implement M-WRAMs in all of its ratemaking districts. This is discussed in Mr. Linam’s testimony, Section IV.

If, while this general rate case is pending, the California Supreme Court issues an opinion that vacates or overturns D.20-08-047 and D.20-09-047, California American Water expects to

⁴ D.20-08-047, p. 106, Ordering Paragraph 3.

withdraw Special Request Nos. 1 and 2 in this proceeding. At that time, California American Water will determine whether any other action with respect to this general rate case is necessary. Senate Bill No. 1469 (“SB 1469”) is currently before the Legislature. If passed by the Legislature, it could be signed by the Governor by September 30, 2022, and would go into effect January 1, 2023. SB 1469. SB 1469 would, upon application by a water utility, require the Commission to consider, and authorize the Commission to authorize, implementation of a decoupling mechanism. If this legislation is enacted, California American Water may file an amended application in this general rate case requesting implementation of the decoupling mechanism and would withdraw Special Request Nos. 1 and 2 if the Commission authorized the mechanism. At that time, California American Water would also consider whether any other action with respect to this GRC case is necessary.

B. Special Request No. 2: Full Cost Balancing Account (“FCBA”) and Incremental Cost Balancing Account (“ICBA”)

California American Water requests Commission authorization to (1) establish incremental cost balancing accounts (“ICBAs”) for its San Diego and Ventura County districts and (2) establish full cost balancing accounts (“FCBAs”) for its Monterey, Los Angeles, Sacramento, and Larkfield districts. This is discussed in Mr. Linam’s testimony, Section IV.

C. Special Request No. 3: Annual Consumption Adjustment Mechanism (“ACAM”)

California American Water requests retention of the ACAM pilot program for all its districts and the permanent program in the Monterey Service Area. California American Water is also proposing three modifications to the current ACAM mechanism. This is discussed in Mr. Linam’s testimony, Section IV.

D. Special Request No. 4: Partial Consolidation of Transmission and Distribution Net Plant Costs

California American Water is proposing that the Commission authorize all water transmission and distribution (“T&D”) net plant assets to be consolidated for all rate-making districts. This request would combine all water T&D net plant assets into a central pool to be allocated back to each tariff area based on the number of customers in that rate making area. California American Water requests to initially consolidate 25% of the net T&D plant assets into a central pool for test year 2024 and to increase that percentage to 50% beginning in 2025. This is discussed in Mr. Linam’s testimony, Section IV.

E. Special Request No. 5: Acquisition Rate Base Normalization

California American Water requests Commission authorization to normalize the rate base of four acquired systems – East Pasadena, Bellflower, Warring, and Bass Lake – by allocating a portion of acquisition rate base statewide. This is discussed in Mr. Owens’ (Section XI) and Mr. Linam’s (Section IV) testimonies.

F. Special Request No. 6: Catastrophic Event Cost Normalization

California American Water requests that the cost recovery associated with recent and future catastrophic event costs be done on a statewide basis. This is discussed in Mr. Linam’s testimony, Section IV.

G. Special Request No. 7: Memo Account to Ensure Consistent Treatment of Acquisitions Throughout the GRC Cycle

California American Water requests establishment of the Acquisition Contingency Memorandum Account (“ACMA”). The ACMA would record the differences between revenues billed at current rates based on pre-acquisition rate base for customers of acquired water systems

and revenues that would have been billed based on the new, post-acquisition rate bases and revenue requirements of those systems. This would apply to any acquisition subsequently approved by the Commission after a decision is issued in this GRC. This is discussed in Mr. Linam's testimony, Section IV.

H. Special Request No. 8: Utility Transaction Cost Memorandum Account

California American Water requests establishment of a single Utility Transaction Cost Memorandum Account ("UTCMA") for all future California American Water acquisitions. As with any cost tracked in a memorandum account, the UTCMA would not guarantee recovery of the transaction cost. It simply permits tracking it. Recovery would then occur only after the Commission, such as in a GRC proceeding, reviews each of the tracked costs and determines each is reasonable and was prudently incurred. This is discussed in Mr. Linam's testimony, Section IV.

I. Special Request No. 9: Placer County Water Agency ("PCWA") Capacity Cost Recovery

California American Water requests the Commission's clarification that the appropriate interest rate or carrying costs on its investment in water supply capacity from PCWA should be at the Company's authorized rate of return. This is discussed in Mr. Linam's testimony, Section IV.

J. Special Request No. 10: Rate Mitigation Plan for Recently Acquired Systems

Special Request #10 has two parts. First, California American Water requests that certain elements of the approved consolidation of Meadowbrook customers onto the Northern Division tariff and rates be delayed in order to mitigate the rate impact. Second, California American

Water requests that certain existing and proposed surcharges be made applicable to its recently acquired systems. This is discussed in Mr. Linam's testimony, Section IV.

K. Special Request No. 11: Alignment of Operations and Expense Recovery

California American Water requests that the authorized level of necessary and prudent regulatory expenses be amortized over 27 months instead of 36. California American Water proposes that the recovery for regulatory expenses be authorized for 3 months of the test year with the remaining amount recovered equally in the Escalation and Attrition years. This is discussed in Mr. Linam's testimony, Section IV.

L. Special Request No. 12: Subsequent Rate Changes

California American Water requests explicit Commission authorization to incorporate into new rates any rate changes that occurred after this proceeding opened and acknowledgement that these changes will also need to be placed into present rates for the determination of the actual rate increase caused by this application. This is discussed in Mr. Linam's testimony, Section IV.

M. Special Request No. 13: Chemical Cost Balancing Account

California American Water requests that the Commission authorize it to establish a balancing account for chemical costs that is based on changes in the actual amount charged to the Company. This is discussed in Mr. Owens' testimony, Section IX.

N. Special Request No. 14: Extension of Existing 15% Cap on WRAM Amortization

California American Water requests that the current 15% cap on the annual amortization of the WRAM/MCBA, authorized by D.18-12-021 and extended in D.21-11-018, should remain

in place as long as there are WRAM/MCBAs balances to be recovered. This is discussed in Mr. Morse's testimony, Section IV.

O. Special Request No. 15: Monterey Joint Annual Conservation Report

California American Water requests elimination of the requirement to submit the Annual Joint Conservation Report, which the Commission previously directed California American Water to complete with the Monterey Peninsula Water Management District. The Annual Joint Conservation Report is duplicative of other conservation reporting done by California American Water. This request is discussed in Mr. Pilz's testimony, Section XI.

P. Special Request No. 16: Low Income Conservation Program and Credit/Debit Card Bill Payment Expense Recovery

California American Water requests authorization to add (1) credit/debit card expenses and (2) Low-Income Water/Energy Direct Install program expenses to the Customer Assistance Program ("CAP") Balancing Account, and to recover these costs from non-CAP customers through the CAP surcharge. This is discussed in Mr. Pilz's testimony, Section XII.

Q. Special Request No. 17: Proposed Operational Tariff Modifications

California American Water requests proposed operational tariff modifications which are intended to improve the customer experience by clarifying responsibilities between the customer and utility and by reducing inequities between customers. Specifically, the proposals discussed in Mr. Hofer's testimony, Section X, are designed to address areas of the Company's tariffs that have caused customer confusion.

R. Special Request No. 18: Monterey Wastewater Phase-In

California American Water requests that the authorized revenue requirement increase approved by the Commission for test-year 2024 for its active and passive wastewater customers

be phased-in over the entirety of the applicable rate case three-year period (2024-2026). This is discussed in Mr. Linam’s testimony, Section IV.

S. Special Request No. 19: Paperless Billing Opt-Out Pilot

California American Water is proposing a pilot to increase customer participation in paperless billing that would target all (non low-income) customers that are not on paperless billing but who are participating (at the onset of the pilot) in California American Water’s online myWater portal and have provided an email address to California American Water. This is discussed in Mr. Pilz’s testimony, Section XIII.

T. Special Request No. 20: Changes to Late Payment Fees

California American Water proposes to eliminate late payment fees for residential customers only. Non-residential customers would continue to be assessed late payment fees for payments made after the bill due date. This is discussed in Mr. Pilz’s testimony, Section XIV.

IV. ISSUES OF CONTROVERSY [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION I.C]

The Rate Case Plan requires California American Water to identify any “contentious issues.”⁵ Below, California American Water describes the contention 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.

⁵ D.07-05-062, Appendix, p. A-22.

A. Contentious Issues

1. Revenue Recovery and Loss of the Decoupling WRAM

In D.20-08-047, the Commission directed California American Water and other water utilities to eliminate the decoupling WRAM/MCBA in their next GRCs. The decoupling WRAM/MCBA is one of the most effective conservation tools for Commission-regulated utilities, and its loss undermines critical conservation efforts made by California American Water. In response, California American Water is proposing modifications to its rate design, an M-WRAM, ICBA for its San Diego and Ventura County districts, and an FCBA for its Monterey, Los Angeles, Sacramento, and Larkfield districts.

In the Monterey, Los Angeles, Sacramento, and Larkfield districts, water supply limitations restrict California American Water's ability to prioritize the purchase or production of water based on cost. The FCBA is intended to protect customers from changes to water supplies that are beyond the control of California American Water. FCBA's do not, however, address revenue volatility due to conservation measures which are mandated by the State.

Consistent with the "gradual phase-out" of the decoupling WRAM contemplated in D.20-08-047, California American Water is proposing that its existing WRAM/MCBA accounts would be in effect and continue to track costs until new rates in this GRC are implemented, at which time the M-WRAM will begin to track costs moving forward from that point. The amortization of each respective account would be implemented in accordance with the procedures set forth in the applicable preliminary statement approved by the Commission.

The testimony of Mr. Linam provides details of how the FCBA and other proposed mechanisms will provide some limited protection against water supply and revenue volatility in the absence of a decoupling WRAM/MCBA. Because of the many variables involved in these proposals, the revenue requirement impact is not accurately quantifiable at this time.

2. Consolidation

California American Water is seeking to partially consolidate its T&D net plant assets for all rate-making districts. Consolidating T&D net plant assets as California American Water has proposed - initially consolidate 25% of the net T&D plant assets into a central pool for test year 2024 and to increase that percentage to 50% beginning in 2025 – is in the public interest because it benefits the long-term stability of rates in all service areas. This request mitigates the volatility of rate changes over time and supports the Commission’s Water Action Plan policy goals of delivering the best, most efficient service to the largest number of customers at the lowest overall rates. Benefits of a more consolidated system of rates include: (1) improved affordability; (2) utilization of economies of scale to address water quality challenges; (3) more robust and resilient systems through broadening of the customer base; and (4) improved incentives for customers to conserve through strengthening of conservation signaling.

Additionally, California American Water has several pending applications before the Commission for the acquisition of water systems (including for the Bellflower, Warring, and Bass Lake systems), and a recently approved acquisition of a water system (East Pasadena). California American Water is requesting Commission authorization to normalize the rate base of the four acquisitions by including a portion of the Commission authorized rate base of each of the four acquisitions in Corporate Office rate base, which is then allocated statewide to each district on a customer proportional basis. California American Water is also requesting 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 to any acquisition

subsequently approved by the Commission after a decision is issued in this GRC. These special requests relating to acquisitions would help to facilitate consolidation of water system in line with Commission and State policy goals.

These issues are addressed in Mr. Linam's Direct Testimony. Because these issues also relate to how cost recovery occurs, and not the magnitude of cost recovery, there is no associated revenue impact.

3. Chemical Cost Balancing Account and Inflationary Pressures

California American Water requests Commission approval to establish a balancing account for chemical costs which have increased dramatically – an average of 19% – in the last year. With the expected changes in chemical prices and the expected current increases in costs, California American Water must be given the opportunity to ensure that neither customers (if pricing decreases) nor the company (if prices continue to outstrip inflation) are treated unfairly. The dramatic increase in chemical costs has been caused by a combination of bad weather, COVID-19 pandemic delays, the economic fallout from COVID-19 impacts to production and transportation, and oil and fuel price increases, all of which are outside the control of California American Water. Generally, inflation levels are at their highest in decades and prices are surging in many sectors. The request for a balancing account is, therefore, warranted.

Because these issues also relate to how cost recovery occurs, and not the magnitude of cost recovery, there is no associated revenue impact. This issue is addressed in Mr. Owens' Direct Testimony, Section I.X.

4. Rate Design

California American Water is proposing some changes to its rate design that balance affordability, conservation, and customer equity. The most noteworthy change is the proposed

increase in the portion of fixed costs recovered in the meter charge. California American Water is also proposing further consolidation of purchased water costs in the Southern Division and changes to the rate designs of recently acquired systems to implement conservation rates.

The increase in the portion of fixed costs recovered in the meter charge is addressed in the Direct Testimony of Bahman Pourtaherian, Section X. The Direct Testimony of David Mitchell, Attachment 3, further provides rate design scenarios that were considered in determining the final rate design parameters and details. Because of the many variables involved in these proposals, the revenue requirement impact is not accurately quantifiable at this time.

B. Safety Considerations

California American Water has long been committed to employee and customer safety. Ensuring the health and safety of its employees and customers and protecting its product are the top priorities for the Company and are critical to its success. With the safety of employees, customers, contractors, and the general public in mind, California American Water approaches safety with a focus on continuous improvement by implementing a proven safety management system. California American Water is also committed to securing assets across our system and recognizes the importance of protecting our water sources, treatment plants, infrastructure, and data from malevolent acts, which is demonstrated by our robust security and cyber security programs. Further discussion of California American Water's safety approaches, plans, and programs can be found in the Direct Testimony of Garry Hofer, Section V.

California American Water is also addressing long-term safety through improving its system reliability and resiliency, including with respect to wildfire risk, other natural disasters, and the impacts of climate change. To accomplish these goals, California American Water has

proposed a capital improvement plan aimed at meeting the infrastructure needs to ensure our systems remain safe and reliable, completed a High-Risk Asset Management analysis, and completed a seismic evaluation of our tanks in the Ventura and Los Angeles districts. California American Water also completed risk and resilience studies in compliance with the Water Infrastructure Act of 2018 and is completing an assessment of the wildfire risk to assets in areas identified by Cal Fire as high wildfire risk zones. As part of the risk assessment and plan, California American Water addresses high-risk assets that may be impacted by wildfires. The intent is to identify the most critical and vulnerable assets and develop an emergency protection plan. The studies will produce a list of recommendations that will help protect our assets as well as ensure that our customers receive the best possible service during an emergency wildfire event. Further discussion of these long-term safety efforts can be found in the Direct Testimony of Ian Crooks, Section X.V.I. C, who discusses California American Water's risk assessment and associated capital projects.

V. PROPOSED NOTICE TO CUSTOMERS [RATE CASE PLAN MINIMUM DATA REQUIREMENTS SECTION I.D]

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

In accordance with Rule 3.2(b), and within twenty 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 draft customers 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. ADDITIONAL REQUIRED INFORMATION

A. Description of Applicant [Rule 2.1(a) and Rule 2.2]

California American Water's exact legal name is California-American Water Company. California American Water, a California corporation organized under the laws of the State of California on December 7, 1965, is a Class A public utility water and wastewater company regulated by the Commission. California American Water provides regulated water and/or wastewater utility services in parts of San Diego, Los Angeles, Ventura, Monterey, Sonoma, Yolo, Sacramento, Merced, and Placer counties. California American Water's principal place of business is 655 W. Broadway, Suite 1410, San Diego, CA 92101-8494. Included as **Exhibit D** to this Application is a chart summarizing the corporate structure of California American Water, and its relationship with its parent company, American Water.

California American Water filed a certified copy of its articles of incorporation with the Commission on January 6, 1966, in Application 48170. California American Water filed a certified copy of an amendment to its articles of incorporation with the Commission on November 30, 1989, in Application 89-11-036. California American Water filed a certified copy of a further amendment to its articles of incorporation with the Commission on February 28, 2002, in Application 02-02-030. California American Water filed a certified copy of an additional amendment to its articles of incorporation with the Commission on April 3, 2017, in Application 17-04-003. Since the filing of A.17-04-003, California American Water has not subsequently amended its articles of incorporation.

None of the persons described in Section 2 of General Order 104-A has a material financial interests 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 of which the Company 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 [Rule 2.1(b)]

California American Water requests that copies of all communications and correspondence regarding this Application be sent to:

Sarah E. Leeper
Nicholas A. Subias
Cathy Hongola-Baptista
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
Tel: (415) 863-2960
Fax: (415) 397-1586
Email: sarah.leeper@amwater.com

With copies sent to:

Lori Anne Dolqueist
Willis Hon
Nossaman LLP
50 California Street 34th Floor
San Francisco, CA 94111
Tel: (415) 398-3600
Fax: (415) 398-2438
Email: ldolqueist@nossaman.com

C. Category, Hearing, Issues, and Proposed Schedule [Rule 2.1(c)]

California American Water proposes the category for this proceeding is ratesetting.

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 requirement.

The issue in this proceeding is whether California American Water's proposed revenue requirement and associated rate 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, which have been summarized above in Section IV of the Application. California American Water also addresses relevant safety considerations in Section 4 of the Application above, as required by Rule 2.1(c).

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

TABLE 3

Event	20-Month Schedule (Day)	Dates⁶
Application Filed/Testimony Served	0	July 1, 2022
Prehearing Conference Start Date	10-75	
Update of Applicant’s Showing	100	October 10, 2022
Public Participation Hearings	10-190	
Public Advocates Office Testimony	206	January 23, 2023
Other Parties Serve Testimony	220	February 6, 2023
Rebuttal Testimony	264	March 23, 2023
ADR Processes or Settlement Begins	270-290	
Evidentiary Hearings	290-310	
Opening Briefs Filed and Served	340	June 5, 2023
Motion for Interim Rates	340	June 5, 2023
Mandatory Status Conference	341	June 8, 2023
Reply Briefs Filed and Served (Including Comparison Exhibit)	350	June 15, 2023
Water Division Technical Conference	370	July 6, 2023
Proposed Decision Mailed	460	October 5, 2023

⁶ For each date that falls on a Saturday, Sunday, holiday, or other day when the Commission offices are closed, the date listed in Table 3 is the first day thereafter pursuant to Rule 1.15.

Comments on Proposed Decision	480	October 23, 2023
Reply Comments	485	October 28, 2023
Commission Meeting	500	November 2023

VII. SUPPORT FOR THE APPLICATION

In support of its rate request, California American Water will rely upon the Application, exhibits, work papers, Minimum Data Requirements, and other data response, copies of which have been or will be delivered the Public Advocates Office and Commission staff. California American Water will also provide written and oral direct and rebuttal testimony in support of its requests.

A. Exhibits

Annexed 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** – Proposed Customer Notice
- **Exhibit D** – Corporate Structure Chart

B. Testimony

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

TABLE 4

Witness Name	Title	Subject of Testimony
Witness Name	Title	Subject of Testimony
Cullen, Scott	American Water Service Co. Inc. – Director of Tax Reporting and Compliance	Mr. Cullen will address income taxes, the Tax Cuts and Jobs Act, and the Average Rate Assumption Method.
Clarke, Michael	American Water Service Co. Inc. - Senior Manager, Accounting with Corporate Accounting	Mr. Clarke will address Balancing and Memo Accounts.
Cook, Christopher	California American Water –Central Division Director of Operations	Mr. Cook will address Central Division water service operations, including water supply constraints and water quality. Mr. Cook will also discuss wastewater service operational issues.
Crooks, Ian	California American Water – Vice President of Engineering	Mr. Crooks will address all engineering issues, including: Investment Projects (“IP”) projects, Strategic Capital Expenditure Plan (“SCEP”), tank painting, Comprehensive Planning Study (“CPS”)/geographic information system (“GIS”) expenses, engineering overhead, recurring projects (“RP”), certain agreed-upon capital projects, and construction work in progress.
Hofer, Garry	California American Water – Vice President of Operations	Mr. Hofer will address Northern Division and Southern Division operational issues, including acquisitions, water supply, water quality, and growth assumptions. Mr. Hofer will also address safety, efficiency, staffing and performance-based compensation. Mr. Hofer additionally provides support for Special Request No. 17.
Linam, Jeffrey	California American Water – Senior Director of Rates & Regulatory	Mr. Linam will address Special Request Nos. 1 – 12 and 18, connection to policy direction, and interaction with other proceedings.

Witness Name	Title	Subject of Testimony
Mitchell, David	M.Cubed – Partner	Mr. Mitchell will address rate design, demand forecasts, and econometric models and affordability metrics.
Morse, Jonathan	California American Water – Senior Manager of Rates & Regulatory	Mr. Morse will address exemplary tariffs, surcharges, and Special Request No. 14 to extend the current 15% cap on the annual amortization of the Water Revenue Adjustment Mechanism (“WRAM”) / Modified Cost Balancing Account (“MCBA”).
Owens, Stephen Wes	California American Water – Director of Rates & Regulatory	Mr. Owens will provide an overall summary of the Application and address the Rate Case Plan, Minimum Data Request content and referencing, Uniform System of Accounts regulatory accounts for operations and maintenance and administrative and general expenses, request for a chemical cost balancing account (Special Request No. 13), regulatory compliance issues, uncollectibles, earthquake insurance, corporate headquarters relocation, and allocations to Hawaii-American Water Company.
Pilz, Patrick	California American Water – Senior Manager of Field Operations	Mr. Pilz will address conservation programs, elimination of the Monterey Joint Annual Conservation Report (Special Request No. 15), customer assistance conservation program recovery (Special Request No. 16), paperless billing opt-out pilot program (Special Request No. 19), customer assistance programs, expansion of hardship benefit program, changes to late payment fees (Special Request No. 20), customer assistance program data sharing program, and water loss performance standards.

Witness Name	Title	Subject of Testimony
Pourtaherian, Bahman	Blue Planet Consulting – Vice President of Regulatory Affairs	Mr. Pourtaherian will address operating revenues, customer count, other revenues, consumption, production costs (purchased water, power, pump taxes, chemicals), Results of Operation (“RO”) model, rate base components, lead/lag and operational working capital, property taxes, rate design modeling and customer rates.
Simon, Edward	California American Water – Director of Business Performance, and Officer, Business Development, Supplier Diversity and Inclusion and Diversity	Mr. Simon will address transportation costs; California American Water’s carbon-free fleet goals; inclusion, diversity and equity efforts; and the Commission’s Environmental and Social Justice Plan.
Tilden, Kevin	California American Water – President	Mr. Tilden will address policy direction and witness responsibilities.
Watkins, John	American Water Service Co. Inc. - Senior Director of Regulatory Services	Mr. Watkins will address Service Company costs.

VIII. REQUEST FOR RELIEF

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

- a. The revenue requirements and associated rates proposed and requested by California American Water are fair, just and reasonable;
- b. California American Water be granted its Special Requests;
- c. California American Water be authorized to publish, file and make effective, as of January 1, 2024, the proposed revenue requirement 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

- d. Granting such further, additional, and other relief as may be deemed by the Commission to be necessary or proper.

Dated: July 1, 2022

Respectfully submitted,

By: /s/ Sarah E. Leeper

Sarah E. Leeper

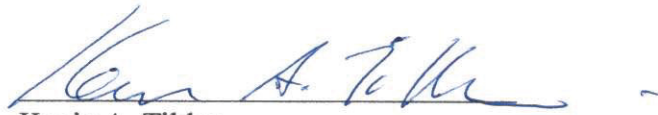
Sarah E. Leeper
Attorney for Applicant
California-American Water Company

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 1, 2022 at San Diego, California

A handwritten signature in blue ink, appearing to read "Kevin A. Tilden", written over a horizontal line.

Kevin A. Tilden
President