

PRELIMINARY STATEMENT
(Continued)

Sheet 1

BQ. Central Satellite Service Area- Cost Allocation Tariff

(N)

1. PURPOSE:

As requested by California American Water A.19-07-004 and pursuant to D. 21-11-018, the test year revenue requirement for the Central Satellite Service Area, including Chualar, will be established by escalating the Central Satellite and Chualar revenue requirement by the lower of the total Monterey County District revenue requirement increase or the applicable annual compounded Consumer Price Index (CPI). Additionally, as authorized by the CPUC, the entire revenue requirement of all the various systems have been consolidated for ratemaking purposes, resulting in only one cost of service and summary of earnings for the entire Central Division.

The application of the CPI to determine the test year revenue requirement for the Chualar tariff area has been in effect for many years, recognizing the unique socioeconomic issues of the Chualar service area. As the costs for the other Central Satellite Division become separated from the water supply issues on the Monterey Peninsula, it is appropriate that the cost allocation follow a similar approach.

2. EFFECTIVE DATE/DUARTION:

The Central Satellite Cost Allocation process was established effective January 1, 2021 by the Commission and shall be effective until modified by further Commission action.

3. APPLICABILITY:

Applicable to California American Water's Central Satellite Service Area, which includes customers in Ambler, Toro, Ralph Lane, Garrapata and Chualar.

4. RATEMAKING PROCEDURE:

The revenue in the Monterey Main system (total system minus the Satellite systems) must be captured and accounted for separately from the revenues in the Satellite systems. Within the Central Satellite systems, the revenues for Chualar must be kept separate from the revenues of the remainder of the Central Satellite systems.

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(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1353	J. T. LINAM	Date Filed	<u>12/23/2021</u>
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			Resolution	<u> </u>

PRELIMINARY STATEMENT
(Continued)

Sheet 2

BQ. Central Division-Satellite System - Cost Allocation Tariff (Continued)

(N)

6. RATEMAKING PROCEDURE:

The revenue requirements for the entire Central Division water system must first be determined in any rate change process (GRC and Advice Letter). To develop the cost of service at present rates in a proposed Test, Escalation or Attrition year, the revenues for the three separate rate areas (Monterey Main, Chualar, remainder of Satellite Systems) must be developed by multiplying the then present rates by the Test, Escalation or Attrition year average customers and projected annual average consumption. For Test Year purposes, the total revenues at present rates in the Satellite systems, including Chualar, will be escalated by the lower of the overall Central Division system proposed increase, or the CPI projected increase for the Test Year. Subtracting the projected proposed rate revenues of the Chualar system and other Satellite systems from the total Central Division revenue requirement will produce the Monterey Main system projected revenue requirement.

This same process will be followed for all Escalation and Attrition year purposes, wherein the lower of the Annual CPI or the overall Central Division authorized rate increase will be used to escalate the satellite system revenue requirements.

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