

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



March 27, 2019

Jeffrey T. Linam  
Vice President of Rates & Regulatory  
California-American Water Company  
4701 Beloit Drive  
Sacramento, CA 95838-2434

Dear Mr. Linam,

The Commission has approved California-American Water Company's Advice Letter No. 1229, filed on February 19, 2019, regarding request to create the Group Insurance Balancing Account.

Enclosed are copies of the following revised tariff sheets for the utility's files:

<b>P.U.C.</b>	
<b>Sheet No.</b>	<b>Title of Sheet</b>
8886-W	Preliminary Statement
8887-W	Table of Contents (Page 1)

Please contact Bradley Leong at 415-703-2307, if you have any questions.

Thank you,

/s/ROBIN BRYANT

Robin Bryant  
Water & Sewer Advisory Branch  
Water Division

Enclosures

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

**Advice Letter Cover Sheet**

**Utility Name:** California American Water

**Date Mailed to Service List:** February 19, 2019

**District:** All Districts

**CPUC Utility #:** U210W

**Protest Deadline (20<sup>th</sup> Day):** March 11, 2019

**Advice Letter #:** 1229

**Review Deadline (30<sup>th</sup> Day):** March 21, 2019

**Tier**     1     2     3     Compliance

**Requested Effective Date:** March 21, 2019

**Authorization** D.18-12-021

**Rate Impact:** \$See AL

**Description:** Request to create the Group Insurance  
Balancing Account

See AL%

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

**Utility Contact:** Kamilah Jones

**Utility Contact:** Jonathan Morse

**Phone:** 916-568-4232

**Phone:** 916-568-4237

**Email:** Kamilah.Jones@amwater.com

**Email:** Jonathan.Morse@amwater.com

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
<hr/>	<hr/>	<hr/>
<hr/>	<hr/>	<hr/>

[ ] APPROVED

[ ] WITHDRAWN

[ ] REJECTED

**Signature:** \_\_\_\_\_

**Comments:** \_\_\_\_\_

**Date:** \_\_\_\_\_

\_\_\_\_\_



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P (916)-568-4251  
F (916) 568-4260

February 19, 2019

ADVICE LETTER NO. 1229

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (Cal-Am) (U210W) submits this advice letter, including the following tariff sheet applicable to all of its water customers.

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
8886-W	PRELIMINARY STATEMENT (Continued)	NEW
8887-W	TABLE OF CONTENTS (Page 1)	8885-W

**Purpose:**

This advice letter filing is to comply with Decision (D.) 18-12-021, Ordering Paragraph 30, which requires Cal-Am to establish a two-way Group Insurance Balancing Account.

**Background:**

In A.16-07-002, Special Request #2, Cal-Am requested authorization to establish a two-way balancing account to track the difference between the total requested net group insurance costs and the actual level of group insurance costs incurred.

In D.18-12-021, the Commission granted Cal-Am's request subject to certain modifications. Specifically, Ordering Paragraph 30, provides as follows.

30. Within 60 days of the issuance of this decision, California-American Water Company (Cal-Am) shall establish a two-way Group Insurance Balancing Account by filing a Tier 2 advice letter with Water Division. In the advice letter filing, Cal-Am shall propose tariff language for this two-way Group Insurance Balancing Account, which shall include the following terms and conditions:

- a) The initial account balance shall be \$0 as of January 1, 2018 as D.18-12-021 was retroactive to this date. The 2019 group insurance expense shall be the approved 2018 expense escalated by the 2019 (2.6%) escalation factor. The 2020 group

insurance expense shall be the approved 2019 expense escalated by the 2020 (2.3%) escalation factor. The 2019 and 2020 escalation factors shall be the labor escalation factors from the "Office of Ratepayer Advocates: Estimates of Non-labor and Wage Escalation Rates for 2018 through 2022 from the August 2018 IHS Global Insight U.S. Economic Outlook" dated September 4, 2018.

- b) Cal-Am shall record in the account the annual difference between total approved net group insurance costs and the actual level of net group insurance costs starting January 1, 2018. Net group insurance costs are the total incurred costs less reimbursements.
- c) The next general rate case proceeding shall review and determine the appropriate disposition of the balance in the Group Insurance Balancing Account and shall also review whether this two-way balancing account is still necessary.

**Request:**

In compliance with Decision D.18-12-021 Ordering Paragraph 30, California American Water requests authority to establish the two-way Group Insurance Balancing Account pursuant to the proposed tariff sheets.

**Tier Designation:**

This advice letter is submitted pursuant to General Order No. 96-B and D.18-12-021 and is designated as a Tier 2 filing.

**Effective Date:**

California American requests an effective date of January 1, 2018.

**RESPONSE OR PROTEST<sup>1</sup>**

Anyone may submit a response or protest for this AL. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

A **response** supports the filing and may contain information that proves useful to the Commission in evaluating the AL. A **protest** objects to the AL in whole or in part and must set forth the specific grounds on which it is based. These grounds<sup>2</sup> are:

- (1) The utility did not properly serve or give notice of the AL;
- (2) The relief requested in the AL would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the AL contain material error or omissions;
- (4) The relief requested in the AL is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the AL requires consideration in a formal hearing, or is otherwise inappropriate for the AL process; or
- (6) The relief requested in the AL is unjust, unreasonable, or discriminatory, provided that such a protest may not be made where it would require relitigating a prior order of the Commission.

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<sup>1</sup> G.O. 96-B, General Rule 7.4.1

<sup>2</sup> G.O. 96-B, General Rule 7.4.2

A protest may not rely on policy objections to an AL where the relief requested in the AL follows rules or directions established by statute or Commission order applicable to the utility. A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

DWA must receive a response or protest via email (or postal mail) within 20 days of the date the AL is filed. When submitting a response or protest, **please include the utility name and advice letter number in the subject line.**

The addresses for submitting a response or protest are:

<b>Email Address:</b> <a href="mailto:Water.Division@cpuc.ca.gov">Water.Division@cpuc.ca.gov</a>	<b>Mailing Address:</b> CA Public Utilities Commission Division of Water and Audits 505 Van Ness Avenue San Francisco, CA 94102
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On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to Cal-Am at:

<b>Email Address:</b> <a href="mailto:Kamilah.Jones@amwater.com">Kamilah.Jones@amwater.com</a>	<b>Mailing Address:</b> 4701 Beloit Drive Sacramento, CA 95838
<a href="mailto:sarah.leeper@amwater.com">sarah.leeper@amwater.com</a>	555 Montgomery Street, Suite 816 San Francisco, CA 94111
<a href="mailto:Jonathan.Morse@amwater.com">Jonathan.Morse@amwater.com</a>	4701 Beloit Drive Sacramento, CA 95838

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

### **REPLIES**<sup>3</sup>

The utility shall reply to each protest and may reply to any response. Any reply must be received by DWA within five business days after the end of the protest period, and shall be served on the same day on each person who filed the protest or response to the AL.

The actions requested in this advice letter are not now the subject of any formal filings with the California Public Utilities Commission, including a formal complaint, nor action in any court of law.

This filing will not cause the withdrawal of service, nor conflict with other schedules or rules.

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<sup>3</sup> G.O. 96-B, General Rule 7.4.3

If you have not received a reply to your protest within 10 business days, please contact Kamilah Jones at (916) 568-4232.

CALIFORNIA-AMERICAN WATER COMPANY

*/s/ Kamilah Jones*

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Kamilah Jones  
Financial Analyst - Rates & Regulatory

PRELIMINARY STATEMENT  
(Continued)

Sheet 62

BB. Group Insurance Balancing Account (“GIBA”) (N)

1. PURPOSE:

The purpose of the Group Insurance Balancing Account (“GIBA”) is to track the difference between Commission-authorized net Company costs on a per employee basis and the actual level of net Company costs incurred on a per employee basis in relation to group insurance costs. California American Water was granted authority to establish this account in Decision D.18-12-021. The initial balance shall be the approved group insurance expense for 2018. The 2019 group insurance expense shall be the approved 2018 expense escalated by the 2019 escalation factor. The 2020 group insurance expense shall be the approved 2019 expense escalated by the 2020 escalation factor. The 2019 and 2020 escalation factors shall be the labor escalation factors from the “Office of Ratepayer Advocates: Estimated Rates for 2018 through 2022 from August 2018 HIS Global Insight US Economic Outlook” dated September 4, 2018, for that year.

Year	Escalation Factor
January 2018	0%
January 2019	2.6%
January 2020	2.3%

2. APPLICABILITY:

All areas served by California American Water.

3. ACCOUNTING PROCEDURE:

The following entries shall be recorded to the balancing account:

- a. The GIBA shall be calculated monthly. The calculation shall be the expense difference of the net approved costs and the net actual costs incurred on a per employee basis. Net group insurance costs are defined as total incurred costs less all reimbursements from those participating in the plan as adjusted for capitalized costs.
- b. A debit or credit entry will be created each month to record the expense difference discussed above.
- c. A debit or credit entry equal to interest on the balance in the account at the beginning of the month and half the balance after the above entries, at a rate equal to one-twelfth of the rate on 90 day Commercial Paper, as reported in the Federal Reserve Statistical Release, H.15 or its successor.

4. RATEMAKING PROCEDURE:

There is currently no ratemaking component to the balancing account. Requests for recovery of any balance are to be processed according to General Order 96-B and Standard Practices or otherwise determined in a Commission decision. Upon Commission review and approval, balances shall be transferred to the appropriate district CEBA’s for recovery/refund.

(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice 1229

J. T. LINAM

Date Filed 02/19/2019

Decision

DIRECTOR - Rates & Regulatory

Effective 03/21/2019

Resolution \_\_\_\_\_

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Sheet 1

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<b><u>SERVICE AREA MAP:</u></b> California-American Water Company	5470-W	
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(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice      1229	J. T. LINAM	Date Filed <u>02/19/2019</u>
Decision	DIRECTOR - Rates & Regulatory	Effective <u>03/21/2019</u>
		Resolution      _____