CALIFORNIA PUBLIC UTILITIES COMMISSION DIVISION OF WATER AND AUDITS

Advice Letter Cover Sheet

Date Mailed to Service List: September 19, 2018

Protest Deadline (20th Day): October 9, 2018

Review Deadline (30th Day): October 19, 2018

Requested Effective Date: January 1, 2019

Rate Impact: \$See AL

See AL%

Utility Name: California American Water

District: Sacramento District

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projects Chromium VI – Sacramento and Dunnigan (I15-600081 and I15-630001)

Description: Filing for Sacramento District Advice letter

oxtimes Compliance

CPUC Utility #: U210W

Tier □1

Authorization D.15-04-007

Advice Letter #: 1214

	ne for this advice letter is 20 days from the section in the advice letter for more inform		vas mailed to the service list. Please
Utility Contact:	Kamilah Jones	Utility Contact:	Melody Singh
Phone:	916-568-4232	Phone:	916-568-4246
Email:	Kamilah.Jones@amwater.com	Email:	Melody.Singh@amwater.com
DWA Contact:	Tariff Unit		
Phone:	(415) 703-1133		
Email:	Water.Division@cpuc.ca.gov		
	DWA USE O	NLY	
<u>DATE</u>	STAFF	CON	MMENTS
	[]WITHD		[] REJECTED

www.amwater.com



September 19, 2018

ADVICE LETTER NO. 1214

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company ("Cal-Am") (U210W) hereby submits for review this advice letter including the following tariff sheets applicable to its Sacramento District which are attached hereto:

C.P.U.C.	Title of Chart	Canceling
Sheet No.	<u>Title of Sheet</u> Schedule No. SC-1	Sheet No.
XXXX-W	Sacramento District Tariff Area GENERAL METERED SERVICE	XXXX-W
XXXX-W	Schedule No. SC-1 (Continued) Sacramento District Tariff Area GENERAL METERED SERVICE	XXXX-W
XXXX-W	Schedule No.CA-LIRA Sacramento District Tariff Area LOW INCOME RATEPAYER ASSISTANCE SERVICE	XXXX-W
XXXX-W	Schedule No. SC-DU-1F Sacramento District Tariff Area - Dunnigan FLAT RATE SERVICE	XXXX-W
XXXX-W	Schedule No. SC-DU-1 (Continued) Sacramento District Tariff Area FLAT RATE SERVICE	XXXX-W
XXXX-W	TABLE OF CONTENTS (Continued) (Page 3)	XXXX-W
XXXX-W	TABLE OF CONTENTS (Continued) (Page 2)	XXXX-W
XXXX-W	TABLE OF CONTENTS (Continued) (Page 1)	XXXX-W

Purpose:

This advice letter filing requests the recovery of costs associated with Hexavalent Chromium treatment projects in the Sacramento (Project I15-600081) and Dunnigan (Project I15-630001) service areas. Specifically, California American Water (Cal-Am) seeks recovery of \$10,647,396 of capital and \$8,880 of annual incremental operating expenses. Cal-Am seeks recovery of the \$859,144 of incremental revenue requirement and expenses tracked in the Chromium 6 Memorandum Accounts through August 31, 2018, and recovery of \$1,390,271 in revenue related to total project costs in rates going forward effective January 1, 2019.

Background:

In August of 2013, as part of an ongoing rulemaking process, the California Department of Public Health (CDPH) proposed a maximum contaminant level (MCL) for hexavalent chromium (chrome-6) of 10 micro grams per liter. On November 14, 2013, Cal-Am filed Advice Letter (AL) 1020 seeking authority from the California Public Utilities Commission (CPUC) to establish a memorandum account to track Cal-Am's compliance costs for the final drinking water standard or MCL. On December 16, 2013, the CPUC authorized a Los Angeles Count and Sacramento Districts Chromium-6 Memorandum Accounts (Hexavalent Chromium) Memorandum Account. On April 15, 2014, the CDPH submitted a hexavalent chromium chrome-6 regulations package to the Office of Administrative Law (OAL) for review. On May 28, 2014 the OAL approved the regulations, establishing the MCL at 10 micro-grams per liter, which became effective on July 1, 2014.

Subsequent to the establishment of the MCL, CPUC Decision (D.) 15-11-012 authorized Cal-Am to purchase the public utility assets of Dunnigan Water Works and to consolidate the Dunnigan service territory with Cal-Am's Sacramento service area for ratemaking purposes. In this Decision the CPUC further provided authority to establish a memorandum account to track the costs of addressing hexavalent chromium in the Dunnigan service territory. On December 4, 2015, Cal-Am filed AL 1101 including the Dunnigan service area within the existing Chrome-6 Memo Account. This request was approved with an effective date of December 4, 2015. The approved memo account description provided that Dunnigan related improvements should be included within the Sacramento district filing.

Cal-Am's last general rate case (GRC) application was filed in July of 2016 as A.16-07-002. At that time the combined Sacramento and Dunnigan chrome-6 project details and costs had not been developed to a level sufficient for inclusion in that GRC. Specifically, as noted above the Dunnigan feasibility study was not finalized until October of 2016, more than 3 months after Cal-Am filed the 2016 GRC. Thus, Cal-Am could not have provided information sufficient to perform a reasonableness review in the 2016 GRC, could not have provided a reasonable forecast of costs, and could not have been certain that such costs would have been incurred starting January 1st of the 2018 test year. Thus, the combined Sacramento and Dunnigan chrome-6 projects were kept separate from the GRC filing with costs booked to the approved memorandum account.

On May 31, 2017, the Superior Court of Sacramento County issued a judgement invalidating the chrome-6 MCL, finding that CDPH failed to properly consider the economic feasibility of complying with the MCL. The court further ordered the State Water Board to adopt a new MCL for chrome-6. The chrome-6 MCL was eliminated as of September 11, 2017 and the State Water Board subsequently began the process of adopting a new MCL. At that time, the Board anticipated regulation development would take between 18 and 24 months.

In the period between the establishment of the MCL and the subsequent invalidation of the MCL Cal-Am moved forward with design and implementation of chrome-6 treatment projects in the Sacramento and Dunnigan service areas. In the period while a new MCL is promulgated the Board has encouraged public water systems that have already installed and operated the treatment systems, as Cal-Am has, to continue to operate these facilities. ¹ Thus, as directed by the Board, Cal-Am will continue to operate the treatment facilities.

California-American Water Company submits this request to recover project costs for the Sacramento and Dunnigan Hexavalent Chromium Treatment projects. Project details and cost breakdown are provided in the Hexavalent Chromium – Sacramento and Dunnigan Project Completion Memoranda (Project Memo). As described in the memo account, and as further detailed below, Cal-Am is requesting a) inclusion of the revenue requirements for the authorized projects in rates going forward, and b) a surcharge to recover the incremental revenue requirement and expenses tracked in the memo accounts. Additionally, Cal-Am requests that the Chrome-6 memo account remain open to track incremental revenue requirement and expenses incurred for the period between September 1, 2018 and the effective date of this advice letter. This Advice Letter is designated as Tier 3 in compliance with the regulatory procedures outlined within the memo account.

Regulatory Procedures

The chrome-6 memo account details "Regulatory Procedure" that must be followed in relation to this advice letter filing. Cal-Am has complied with the identified regulatory procedures as follows:

- a. Required Justifications
 - Feasibility analyses are provided as California American Water: Hexavalent Chromium Treatment Implementation Study, dated May 5, 2015, and California American Water: Hexavalent Chromium Compliance Evaluation - Dunnigan Water System, dated October 7, 2016. These reports are provided as an attachment to the Project Memo.
- b. Recovery through Advice Letter Filing
 - Cal-Am hereby files only one Tier 3 advice letter for the Sacramento/Dunnigan service areas.
 - On June 29, 2018, when the final components of the project were nearing completion, and more than one month prior to this filing, Cal-Am alerted the CPUC's Office of Ratepayer Advocates of this advice letter filing.
 - Cal-Am requests (a) inclusion of the revenue requirements for the authorized projects in rates going forward; and (b) a surcharge to recover the incremental revenue requirements for the authorized projects in rates going forward. Revenue recovery is detailed below.
- c. Recovery in a GRC Not applicable

Request:

¹https://pubapps.waterboards.ca.gov/drinking_water/certlic/drinkingwater/documents/chromium 6/chrome 6 faqs.pdf. FAO #3

In compliance with the Regulatory Procedures outlined in the memorandum account description, and assuming the requested effective date of January 1, 2019, Cal-Am hereby requests authorization for recovery as follows:

- a) Inclusion of the revenue requirements for the authorized projects in rates going forward. Cal-Am here by requests authorization to increase the rates in the Sacramento and Dunnigan service areas to reflect a revenue requirement increase of \$1,390,271 or 2.45% of currently authorized revenue requirement. D.15-11-012 approved consolidation of the Dunnigan service area with the Sacramento service area for ratemaking treatment. Cal-Am's pending GRC (A.16-07-002) has an unopposed request to consolidate Dunnigan rates with Sacramento rates, however the CPUC has not yet issued a Decision in this Application. Thus, in order to spread the costs of the Dunnigan related projects Cal-Am has spread requested costs based on service connections in the Sacramento and Dunnigan service areas.
- b) A surcharge to recover the incremental revenue requirement and expenses tracked in the memo accounts. Cal-Am here by requests authorization to recover the \$859,144 of incremental revenue requirement and expenses tracked in the memorandum account through August 31, 2018 via a surcharge of \$.0084 per 100 gallons for customers in the Sacramento County District and \$1.2286 per connection per month for customers in the Dunnigan service area.

Cal-Am further requests the Chrome-6 advice letter remain open to track incremental revenue requirement and operating expenses incurred between Sept 1st, 2018 through the effective date of the advice letter for reviewing in the next GRC filing.

Tier Designation:

Pursuant to the Regulatory Procedure provided in the approved memorandum account, this advice letter is submitted with a Tier 3 designation.

Effective Date:

California American Water requests an effective date of January 1, 2019.

Notice:

In accordance with Section 4.3 of General Order 96-B, a copy of this advice letter has been served upon all interested and affected parties as shown in Exhibit A.

In accordance with Section 4.2 of General Order 96-B, Cal-Am shall give affected customers at least 30 days notice before the requested effective date of January 1, 2019. Said notice will be provided via bill insert.

RESPONSE OR PROTEST²

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.

² G.O. 96-B, General Rule 7.4.1

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 grounds³ 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;
- 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.
- 7. 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 (<u>or</u> postal mail) within 20 days of the date the AL is filed. When submitting a response or protest, <u>please include the utility name and</u> advice letter number in the subject line.

The addresses for submitting a response or protest are:

Email Address: Mailing Address:

Water.Division@cpuc.ca.gov CA Public Utilities Commission

Division of Water and Audits 505 Van Ness Avenue San Francisco, CA 94102

On the same day the response or protest is submitted to DWA, the respondent or protestant shall send a copy of the protest to California American Water at:

Email Address: Mailing Address:

ca.rates@amwater.com 4701 Beloit Drive

Sacramento, CA 95838

<u>legalteamca@amwater.com</u> <u>555 Montgomery Street, Ste. 816</u>

San Francisco, CA 94111

kamilah.jones@amwater.com 4701 Beloit Drive

Sacramento, CA 95838

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³ G.O. 96-B, General Rule 7.4.2

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.

REPLIES⁴

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.

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

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

CALIFORNIA-AMERICAN WATER COMPANY
/s/ Wes Owens
Wes Owens
Engineering Manager, Asset Planning

⁴ G.O. 96-B, General Rule 7.4.3

655 W. Broadway, Suite 1410 San Diego, CA 92101

Revised Cancelling Revised

Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

XXXX-W XXXX-W

Schedule SC-DU-1F Sacramento District Tariff Area- Dunnigan FLAT RATE SERVICE

Sheet 2

APPLICABILITY

Applicable to flat rate water service furnished on a monthly basis.

TERRITORY

Dunnigan, along both sides of Interstate 5, between County Roads 2 on the north and County Road 9 on the south, Yolo County.

RATES

Per Service Connection
Per Month

For each Mobile Home residential unit
For each Recreational Vehicle unit
For Commercial Business Unit

Per Service Connection
(I)

\$28.92

\$28.92
(I)

SPECIAL CONDITIONS:

- 1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.
- 2. A late charge will be imposed per Schedule No. CA_FEES.
- 3. The above General Flat Rate Service applies to a service connection not larger than one-inch in diameter.
- 4. An additional single-family residential unit shall qualify for additional charge only if such a residential unit includes cooking and bathing facilities.
- 5. For service covered by the above classification, if the utility so elects, a meter shall be installed and service provided under Schedule No. SC-DU-1, General Metered Service, effective as of the first day of the following calendar month. Where the flat rate charge for a period has been paid in advance, refund of the prorated difference between such flat rate payment and the metered service charge for the same period shall be made on or before that day.

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice 1214	J. T. LINAM	Date Filed
Decision	DIRECTOR - Rates & Regulatory	Effective
		Resolution

Original

Cal. P.U.C. Sheet No.

XXXX-W

655 W. Broadway, Suite 1410 San Diego, CA 92101

Schedule SC-DU-1F (Continued) Sacramento District Tariff Area - Dunnigan FLAT RATE SERVICE

Sheet 3

Surcharges and Fees:

1. Per Advice Letter 1214, the balance accrued in the Sacramento Districts, including Dunnigan, Chromium-6 Memorandum Account through August 31, 2018 will be recovered through a surcharge of \$1.2286 per customer per month for a 12-month period. The effective date for the surcharge is January 1, 2019.

(N)

(11)

(TO BE IN	SERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1214	J. T. LINAM	Date Filed	
Decision		DIRECTOR - Rates & Regulatory	Effective	
			Resolution	

655 W. Broadway, Suite 1410 San Diego, CA 92101

Revised Cancelling Revised Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

Base Rate

XXXX-W XXXX-W

Schedule No. SC-1 Sacramento District Tariff Area GENERAL METERED SERVICE

Sheet 1

APPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

The unincorporated communities, subdivisions, and adjacent areas generally known as Cordova, Rosemont, Parkway Estates, Lindale, Foothill Farms, Arlington Heights, Linwood, Loretto Heights, Arden Highlands, Arden Estates, Sunrise Security Park and Ox-Bow. A part of the City of Citrus Heights and the communities of Antelope and Sabre City in Sacramento and Placer counties. The city of Isleton and vicinity and the unincorporated community of Walnut Grove in Sacramento County. The lower southwestern portion of Placer County including the areas Known as Morgan Creek, Doyle Ranch, Sun Valley Oaks and Riolo Greens.

RATES

Quantity Rates:

Residential Customers:	Per 100 gal (CGL)	
For the first 142.1 CGL		(1)
For all water delivered over 142.1 CGL	\$0.4645	(l)
All Other Customers:		
For all water delivered, per CGL	\$0.4341	(I)
Service Charge: General Metered		
	Per Meter	
	Per Month	
For 5/8 x 3/4-inch meter	\$13.58	(I)
For 3/4-inch meter	\$20.37	
For 1-inch meter	\$33.96	
For 1-1/2-inch meter	\$67.92	
For 2-inch meter		
For 3-inch meter		
For 4-inch meter	\$339.58	
For 6-inch meter		
For 8-inch meter		
For 10-inch meter		
For 12-inch meter		(I)
	• ,	,

The Service Charge is a readiness-to-serve charge which is applicable to all general metered services and to which is added the charge for water used computed at the Quantity Rates.

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice 1214	J. T. LINAM	Date Filed
Decision	DIRECTOR - Rates & Regulatory	Effective
		Resolution

655 W. Broadway, Suite 1410 San Diego, CA 92101 Cancelling F

Revised Revised Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

XXXX-W XXXX-W

Schedule No. SC-1 (Continued) Sacramento District Tariff Area GENERAL METERED SERVICE Sheet 4

SPECIAL CONDITIONS:

- 8. Per Advice Letter 1187, a surcharge is applied to each bill to offset increases in purchased water costs imposed by the City of Sacramento. This offset results in a needed revenue increase of \$295,243 or 0.52%. The surcharge of \$0.0029 per 100 gallons is added to the quantity rate effective December 22, 2017.
- 9. Per Advice Letter 1214, the balance accrued in the Sacramento Districts Chromium-6 Memorandum Account through August 31, 2018 will be recovered through a quantity based surcharge of \$0.0084 per 100 gallons for a 12-month period. The effective date for the surcharge is January 1, 2019.

(N)

(N)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice 1214	J. T. LINAM	Date Filed
Decision	DIRECTOR - Rates & Regulatory	Effective
		Resolution

655 W. Broadway, Suite 1410 San Diego, CA 92101

Revised Cancelling Revised

Cal. P.U.C. Sheet No. Cal. P.U.C. Sheet No.

Sheet 1

XXXX-W XXXX-W

Schedule No. CA-LIRA California American Water **LOW INCOME RATEPAYER ASSISTANCE PROGRAM**

APPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

All territories served by California American Water Company

RATES:

Northern Division: Sacramento District

Quantity Rates:	Base Rate	
	Per 100 gal (CGL)	
For the first 142.1 CGL	\$0.3410	(I)
For all water delivered over 142.1 CGL	\$0.3716	(l)

Service Charge: General Metered

	Per Meter	
	Per Month	
For 5/8 x 3/4-inch meter	\$10.87	(I)
For 3/4-inch meter	\$16.30	1
For 1-inch meter	\$27.17	
For 1-1/2-inch meter	\$54.33	
For 2-inch meter	\$86.93	
For 3-inch meter	\$163.00	
For 4-inch meter	\$271.67	
For 6-inch meter	\$543.33	
For 8-inch meter	\$869.33	
For 10-inch meter	\$1,249.66	I
For 12-inch meter	\$1,793,00	(1)

Larkfield District

Quantity Rates:	Base Rate
	Per 100 gal (CGL)
For the first 52.4 CGL	\$0.5954
For the next 52.4 CGL	\$0.6843
For the next 139.4 CGL	\$1.1108
For all water delivered over 243.9 CGL	\$1.4542

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice 1214	J. T. LINAM	Date Filed
Decision	DIRECTOR - Rates & Regulatory	Effective
		Resolution

SACRAMENTO DISTRICT SERVICE LIST CALIFORNIA-AMERICAN WATER COMPANY ADVICE LETTER 1214

EMAIL

California Public Utilities
Commission
Division of Ratepayer
Advocates
dra_water_al@cpuc.ca.gov

Citrus Heights Water District 6230 Sylvan Road Citrus Heights CA 95610 rchurch@chwd.org

City of Sacramento, Water Division 1391 35th Avenue Sacramento CA 95822 dsherry@cityofsacramento.co m

Florin County Water District P.O. Box 292055 Sacramento CA 95829 fcwd@sbcglobal.net

Amy Van
City Clerk
City of Citrus Heights
6237 Fountain Square Drive
Citrus Heights CA 95621
avan@citrusheights.net

Jim McCauley Clerk-Recorder Placer County 2954 Richardson Drive Auburn CA 95603 skasza@placer.ca.gov

Linda Garcia
City Clerk
City of Isleton
P.O. Box 716
Isleton CA 95641
Igarcia@cityofisleton.com

Lisa Blair
California Public Utilities
Commission
Office of Ratepayer Advocates
505 Van Ness Avenue
Room 3200
San Francisco CA 94102
Iwa@cpuc.ca.gov

Marvin Philo 3021 Nikol Street Sacramento CA 95826 mhphilo@aol.com

Richard Rauschmeier

California Public Utilities Commission ORA - Water Branch 505 Van Ness Avenue Room 4209 San Francisco CA 94102-3214 rra@cpuc.ca.gov

VP - Legal, Regulatory
CA American Water Co.
555 Montgomery St.
Suite 816
San Francisco CA 94102
sarah.leeper@amwater.com

Sarah E. Leeper

MAIL

CA Dept of Health Services
Div of Drinking Water &
Environmental Mgt
P.O. Box 997416
#Sacramento CA 95899-7413

Fruitridge Vista Water Co. 1108 2nd St Sacramento CA 95814 Placer County Water Agency P.O. Box 6570 Auburn CA 95804

Rio Linda Water District 730 L Street Rio Linda CA 95673

Sacramento County WMD 827 7th Street, Room 301 Sacramento CA 95814

Sacramento Suburban Water District 3701 Marconi Avenue Suite 100 Sacramento CA 95821-5303

Anthony La Bouff County Counsel Placer County 175 Fulweiler Avenue Auburn CA 95603

Carol Smith 6241 Cavan Drive, 3 Citrus Heights CA 95621

Mark Norris County Clerk-Recorder County of Sacramento 600 8th Street Sacramento CA 95814

Robert Baptiste 9397 Tucumcari Way Sacramento CA 95827-1045

SACRAMENTO DISTRICT SERVICE LIST CALIFORNIA-AMERICAN WATER COMPANY ADVICE LETTER 1214

Robert Ryan, Jr.
County of Sacramento
Downtown Office
700 H Street, Suite 2650
Sacramento CA 95814

Steven Thompson 5224 Altana Way Sacramento CA 95841

Walt Shannon 8356 Auberry Drive Sacramento CA 95828

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