



MP6/ek4 5/31/2018

**FILED**

05/31/18  
02:00 PM

**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.

Application 16-07-002

**ASSIGNED COMMISSIONER'S SECOND AMENDED  
SCOPING MEMO AND RULING**

**Summary**

Pursuant to Public Utilities Code § 1701.5(b), this Second Amended Scoping Memo and Ruling revises the procedural schedule to examine the impacts of the Tax Cuts and Jobs Act on this proceeding and extends the resolution date of this proceeding to the end of 2018.

**1. Background**

In Application (A.) 16-07-002, California-American Water Company (Cal-Am) requests authority to increase revenues for water and wastewater service in each of its districts statewide for the years 2018 through 2020. The purpose of this proceeding is primarily to establish just and reasonable rates for Cal-Am in each of its districts statewide for the period from January 2018 through December 2020, and to make all other necessary orders for Cal-Am to offer safe and reliable service. The issues in this proceeding include, among other things, the recovery of the estimated costs of Cal-Am's tax liabilities.

The assigned Commissioner issued a Scoping Memo and Ruling on October 17, 2016 (Scoping Ruling), which set, among other things, the scope of

issues and the schedule of the proceeding. The scope and schedule of the proceeding was later modified in an Amended Scoping Memo and Ruling (Amended Scoping Ruling), dated January 13, 2017.

Since the issuance of the Scoping Ruling and the Amended Scoping Ruling, the Tax Cuts and Jobs Act (TCJA) was signed into law on December 22, 2017. The TCJA has a significant impact on Cal-Am's revenue requirement for the 2018 test year and the following attrition years. The TCJA changes the corporate tax rate from 35% to 21%, which effectively changes the estimated costs of Cal-Am's tax liabilities and deferred taxes.

On January 22, 2018, Administrative Law Judge (ALJ) Park issued an e-mail ruling that directed parties to meet and confer on a proposed schedule for additional written testimony, evidentiary hearing, and briefing concerning the impacts of the TCJA. On February 13, 2018, the assigned ALJs issued a ruling to set a schedule to review the impacts of the TCJA. This schedule was revised by a ruling on March 28, 2018. The March 2018 ruling also directed Cal-Am to submit Supplemental Testimony on the TCJA impacts and set a Technical Workshop.

On April 17, 2018, the technical workshop was held, during which Cal-Am presented the impacts of the TCJA on its Application. On April 17-18, 2018, evidentiary hearings were held to examine only the issues pertaining to the impacts of the TCJA. At the evidentiary hearings, the assigned ALJs directed Cal-Am to submit additional information on the calculation of specific TCJA impacts.

## **2. Tax Cuts and Jobs Act (TCJA)**

The TCJA has significant impacts on Cal-Am's tax liabilities, deferred taxes, and revenue requirement. Evaluating the impacts of the TCJA on this proceeding requires additional time and effort, beyond that which was set

originally for the procedural schedule in the October 17, 2016 Scoping Ruling and later modified in the January 13, 2017 Amended Scoping Ruling. To thoroughly examine the TCJA impacts, the procedural schedule has been revised and the proceeding time frame shall be extended. Pursuant to Public Utilities Code § 1701.5(b), the resolution date of this proceeding shall be extended to December 31, 2018.

### **3. Additional Technical Conference**

It will be necessary for the Commission's Water Division to host an additional technical conference to review the ratemaking models used by the parties in this proceeding. The technical conference will be held on Tuesday, July 10, 2018 from 9:30 a.m. to 4:00 p.m. at the State Office Building, 505 Van Ness Avenue, Room 2204, San Francisco, CA 94102. A call-in number for the technical conference is available at: 1-866-767-5101, Passcode: 8634118.

For questions regarding the technical conference, please contact Bradley Leong at [Bradley.Leong@cpuc.ca.gov](mailto:Bradley.Leong@cpuc.ca.gov) or (415) 703-2307.

### **4. Updated Procedural Schedule**

The following is the updated procedural schedule.

EVENT	DATE
Application Filed/Testimony Served	July 1, 2016
Update of Applicant's Showing	October 10, 2016
Public Participation Hearings	December 2016 – February 2017
ORA and Other Parties' Testimony Served	February 13, 2017
Rebuttal Testimony Served	March 29, 2017
ADR Process or Settlement Begins	April 4 – 24, 2017
Deadline for Submitting Settlement Status Report	April 24, 2017
Evidentiary Hearings	May 2 – 12, 2017

EVENT	DATE
Opening Briefs Filed and Served	June 6, 2017
Motion for Interim Rates	June 6, 2017
Mandatory Status Conference (if Motion for Interim Rates filed)	June 7, 2017
Reply Briefs Filed and Served (includes Comparison Exhibit)	June 16, 2017
Water Division Technical Conferences	November 14, 2017 and November 28, 2017
Cal-Am's revised Results of Operations (RO) model incorporating the TCJA Impacts Served	February 14, 2018
Cal-Am's Prepared Testimony on the TCJA Impacts Served	February 23, 2018
Intervenors' Prepared Testimony on the TCJA Impacts Served	March 9, 2018
Cal-Am's Rebuttal Testimony on the TCJA Impacts Served	March 16, 2018
Cal-Am's Supplemental Testimony on the TCJA Impacts Served	April 6, 2018
Intervenors' Responses to Cal-Am's April 2018 Supplemental Testimony Served	April 13, 2018
Technical Workshop (Cal-Am's 2018 GRC Federal Tax Changes)	April 17, 2018
Evidentiary Hearings (TCJA Impacts)	April 17-18, 2018
Concurrent Opening Briefs (TCJA Impacts) Filed and Served	May 4, 2018
Concurrent Reply Briefs (TCJA Impacts) Filed and Served	May 14, 2018
Cal-Am provides ORA with draft work papers for the Updated Reasonable Estimate of Unprotected Reserve Balance (Exhibit CAW-61)	May 23, 2018
Cal-Am's CAW-61 Served	May 30, 2018
Objections to CAW-61 Filed and Served. Absent a timely objection, CAW-61 shall be deemed admitted into evidence as of the date	June 4, 2018

EVENT	DATE
of service.	
Water Division Technical Conference	July 10, 2018 9:30 a.m. – 4:00 p.m.
Proposed Decision	Fourth Quarter 2018
Final Decision	Fourth Quarter 2018

The assigned Commissioner or assigned ALJs may modify this schedule as necessary to promote the efficient management and fair resolution of this proceeding. Pursuant to Public Utilities Code § 1701.5(b), the proceeding is expected to be resolved by December 31, 2018.

**IT IS RULED that:**

1. The updated proceeding schedule is as set forth in Section 4 of this ruling to examine the impacts of the Tax Cuts and Jobs Act.
2. Considering the additional time and effort to examine the impacts of the Tax Cuts and Jobs Act, the resolution date of the proceeding is extended to December 31, 2018, pursuant to Public Utilities Code § 1701.5(b).
3. With the exception of the proceeding schedule updated by this ruling, all provisions of the Scoping Memo and Ruling issued on October 17, 2016 and the Amended Scoping Memo and Ruling issued on January 13, 2017 remain unaltered and in full force.

Dated May 31, 2018, at San Francisco, California.

/s/ MICHAEL PICKER

Michael Picker  
Assigned Commissioner