

**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 No. 16-07-002

(Filed July 1, 2016)

**COMMENTS OF THE CITY OF THOUSAND OAKS
ON PROPOSED DECISION ADOPTING
THE 2018, 2019, AND 2020 REVENUE REQUIREMENT
FOR CALIFORNIA-AMERICAN WATER COMPANY**

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**SUBJECT INDEX OF RECOMMENDED CHANGES
(Rule 14.3(b))**

<u>Subject</u>	<u>Pages in PD</u>
Grant unopposed motion filed by City of Thousand Oaks to reopen record, filed after filing of partial settlement by California-American Water Company and City of Coronado	PD, p. 16, beginning with “LA County” PD, p. 298, between current Ord. §§ 7 and 8 p. 325, immediately before current Ord. § 44
Extend the time to protest the advice letter that includes California-American Water Company’s 2019 escalation as well as final rates for 2018 to 40 days and the effective date of that advice letter to 65 days after filing, and to require that advice letter to include all calculations and documentation necessary to support the 2019 escalation of rates and final rates for 2018.	PD, p. 263, first sentence PD, p. 264, beginning at top of page Ord. §§ 40 and 41, pp. 324-325
Include ordering paragraphs specifically denying California-American Water Company’s Southern Division Consolidation Proposal and its Southern Division rate design proposal, and stating that California-American Water Company’s existing rate designs for all the districts in its Southern Division remain in effect.	PD, p. 35. Conclusions of Law 20 and 21, p. 299 PD, pp. 316, after current Ord. § 8

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In accordance with Rule 14.3¹ of the California Public Utility Commission’s Rules of Practice and Procedure, the City of Thousand Oaks (“CTO”) files these Comments on Proposed Decision Adopting the 2018, 2019, and 2020 Revenue Requirement for California-American Water Company.²

CTO’s interest in this proceeding has been primarily in Cal-Am’s proposal to consolidate for ratemaking purposes its Southern California districts into one Southern Division.³ CTO was active in the proceeding and opposed consolidation as proposed by Cal-Am. After the record closed, Cal-Am entered into a partial settlement agreement⁴ with the City of Coronado (“Coronado”) under which the settling parties agreed Cal-Am’s consolidation was in theirs and the public’s best interest. The settling parties thus purported to settle an issue Coronado had not previously addressed, and to do so on behalf of the entire affected public. CTO opposed sections 4.1 and 4.2 of the Coronado Settlement as well.

The PD denies Cal-Am’s both Cal-Am’s proposal to consolidate the Southern Division

¹ Citations to Rules in these comments are to the Commission’s Rules of Practice and Procedure, unless otherwise stated.

² California-American Water Company will hereafter be referred to as “Cal-Am.” The referenced Proposed Decision will hereafter be referred to as “PD.”

³ The Southern Division is made up of the Baldwin Hills, Duarte, San Diego, San Marino, and Ventura districts.

⁴ Partial Settlement Agreement Between California-American Water Company and the City of Coronado on San Diego Issues in the General Rate Case, filed August 18, 2017 (“Coronado Settlement”).

and the joint motion to adopt the Coronado Settlement.⁵ CTO supports both results. CTO comments on the PD to address three issues. First, CTO urges the Commission to grant CTO's unopposed motion to reopen the record,⁶ filed in conjunction with CTO's opposition to the Coronado Settlement. Second, since final rates will not be available for review and analysis until Cal-Am's escalation advice letter for 2019 is filed, CTO urges the Commission to lengthen the period to protest the escalation advice letter that files revised tariffs for authorized rates from the standard 20 days to 40 days, so that parties have the opportunity to fully understand those rates and if necessary alert the Commission to any errors in their generation. Since the 2019 escalation cannot be applied until after rates are approved, the protest period for the entire advice letter should be extended. As a result, the effective date for the advice letter should also be extended by 20 days, from 45 to 65 days. Third, CTO requests the Commission to include ordering paragraphs effectuating language in the body of the Proposed Decision and proposed Conclusions of Law concerning denial of Southern Division consolidation. These ordering paragraphs would deny Cal-Am's Southern Division consolidation proposal and state Cal-Am's current rate design for its Ventura District remains in effect.

A. The Final Decision Should Grant CTO's Unopposed Motion to Reopen the Record, Which Presents Evidence That Supports the Denial of the Joint Motion.

The Motion to Reopen requested the Commission to set aside submission and reopen the record to receive information received in discovery from Cal-Am after the Joint Motion was filed. Cal-Am agreed that information was relevant.⁷ The proffered information concerned the rate impact of the Coronado Settlement's consolidation rate design.⁸

The Motion to Reopen demonstrated that it met the requirements of Rule 13.14(b).⁹ In addition, not only did neither Cal-Am, Coronado, nor any other party file an opposition to the Motion to Reopen, Cal-Am cited to the Motion to Reopen and its Attachment B ("Attachment

⁵ Joint Motion for Adoption of a Partial Settlement Agreement Between California-American Water Company and the City of Coronado on San Diego Issues in the General Rate Case, filed August 18, 2017 ("Joint Motion").

⁶ Motion of the City of Thousand Oaks to Set Aside Submission and Reopen the Record to Admit Discovery Responses of California-American Water Company as Exhibits CTO-16 and CTO-17, filed September 14, 2017 ("Motion to Reopen").

⁷ Second page of Attachment A to Motion to Reopen, final ¶ on page, third line; Motion to Reopen, p. 3.

⁸ Motion to Reopen, p. 1.

⁹ Motion to Reopen, pp. 2-3.

B”) numerous times in replying to CTO’s opposition to the Coronado Settlement.¹⁰

The Coronado Settlement asserts that under the rate design proposed in the Coronado Settlement, “the average customer in Thousand Oaks will now see a decrease in the overall bill as compared to what the bill would be under the current standalone rate design.”¹¹ However, the table in Attachment B proved the consolidation rate design was not consistent with law, nor in the public interest. Specifically, Ventura customers would fare badly under the Coronado Settlement, as they would have under Cal-Am’s application. Attachment B shows that in 2018 under the Coronado Settlement, the average Ventura residential customer has the highest percentage bill impact, at 4.76%,¹² and the next highest average increase is for customers in Cal-Am’s Duarte district, at 3.56%.¹³ In contrast, in the San Diego District, where Coronado is located, the average rate decreases by 4.21%.¹⁴ In fact, Attachment B shows only the lowest water users see a percentage increase in San Diego.¹⁵

Attachment B also demonstrates that under the Coronado Settlement rate design, consistently throughout all five districts in the Southern Division, residential customers using the least amount of water would have the highest bill impacts under the Partial Settlement,¹⁶ with the exception of very high water users, such as those in the 95th percentile for all five Districts and

¹⁰ See, e.g., Reply Comments in Support of Motion for Adoption of a Partial Settlement Agreement Between California-American Water Company and the City of Coronado on San Diego Issues in the General Rate Case, filed October 3, 2017, pp. 4, 9, 11, 12, 13.

¹¹ Coronado Settlement, p. 9. Despite this purported benefit, Cal-Am admits the average customer in Thousand Oaks would still face a 4.76% increase in rates under the Coronado Settlement. Reply Comments in Support of Motion for Adoption of a Partial Settlement Agreement Between California-American Water Company and the City of Coronado on San Diego Issues in the General Rate Case, p. 4.

¹² Attachment B, Ventura Table, first row, final column; see also Comments of the City of Thousand Oaks Contesting Consolidation and Consolidated Rate Design Sections of Partial Settlement Agreement Between California-American Water Company and the City of Coronado on San Diego Issues in the General Rate Case, filed September 18, 2017 (“Opposition to Coronado Settlement”), p. 18.

¹³ Attachment B, Duarte Table, first row, final column; see also Opposition to Coronado Settlement, p. 18.

¹⁴ Attachment B, San Diego Table, first row, final column; see also Opposition to Coronado Settlement, p. 18.

¹⁵ Attachment B, San Diego Table, second row, final column; see also Opposition to Coronado Settlement, p. 18.

¹⁶ Attachment B, second row, final column in tables for all five districts; see also Opposition to Coronado Settlement, p. 17.

those for the 75th percentile for San Marino.¹⁷ For San Diego, that high bill impact on the 95th percentile is a decrease, not increase, of 19.45%.¹⁸

The PD does not discuss the Motion to Reopen, which apparently is denied under the general language of Ordering Paragraph 44. It is important that these admittedly relevant facts proffered in the unopposed Motion to Reopen be in the record, as they support the finding in the PD that the Coronado Settlement does not meet the requirements of Rule 12.1.¹⁹ CTO therefore requests that the Final Decision in this proceeding include the following Ordering Paragraph granting the Motion to Reopen, to be inserted immediately before current Ordering Paragraph 44 on page 325:

____. The Motion of the City of Thousand Oaks to Set Aside Submission and Reopen the Record to Admit Discovery Responses of California-American Water Company as Exhibits CTO-16 and CTO-17 is granted.

B. The Portion of the Cal-Am Advice Letter That Submits Tariff Schedules With Authorized Rates Should Have a Protest Period of 40 Days.

The PD does not set forth the rates Cal-Am will charge going forward, nor does it attach tariff schedules for such rates.²⁰ Instead, Ordering Paragraph 41 directs Cal-Am to file tariff schedules with authorized rates in 2018 as part of the Tier 1 advice letter escalation filings for 2019 required by Ordering Paragraph 40, with those rate schedules subsumed within the 2019 escalation advice letter.²¹ Under current Ordering Paragraph 40, the effective date of that advice letter is to be 45 days after its filing.

That the PD does not include rates is to be expected, given issues with Cal-Am's results of operations model and the determination to hold a technical conference to review the rates generated by that model on rate design on December 10, 2018.²²

¹⁷ As to 95th percentile, see fifth row, final column in table for all five districts. As to the 75th percentile in San Marino, see San Marino Table, fourth row, final column. See also Opposition to Coronado Settlement, p. 17.

¹⁸ Attachment B, San Diego Table, fifth row, final column; see also Opposition to Coronado Settlement, p. 18.

¹⁹ PD, pp. 17, 18. Under Rule 12.1(d), a settlement will not be approved unless it is "reasonable in light of the whole record, consistent with law, and in the public interest."

²⁰ Appendices E and F to the PD contain other proposed tariff rules, but not customer rates.

²¹ PD, pp. 324-325; see pp. 263-264.

²² See Administrative Law Judges' Ruling Setting an All-Party Meeting to Review the Results of Operations Model, issued November 15, 2018, at p. 1 (setting an all-party meeting "to validate the results generated by California-American Water Company (Cal-Am)'s Results of Operations (RO) model"); Administrative Law Judges' Ruling Noticing Water Division Technical Conference, issued November 28, 2018.

However, as a result, customers and their representatives will not have the opportunity to meaningfully review rate tariffs until those tariffs are filed by advice letter as called for in Ordering Paragraph 41, as part of Cal-Am's 2019 escalation filing. CTO respectfully urges that the standard protest period of 20 days²³ for the advice letter required by Ordering Paragraphs 40 and 41 be lengthened to 40 days. Even with the upcoming technical conference on rates, it is likely customers and their representatives will first see the final rates when the advice letter files those rate tariffs. It will take time to review the calculations and documentation supporting the new rate tariffs and escalation for 2019 to determine whether the rates properly proceed from the revenue requirement under the rate design to the rates stated in the tariffs, which will then be escalated for 2019. The standard 20-day period may well not be enough time to conduct that review, determine whether a protest should be filed, and draft and file that protest. Since the escalation of rates for 2019 must proceed after the rates are approved, the protest period for the entire advice letter should be extended to 40 days. CTO therefore requests the Commission to exercise its authority under General Order 96-B, General Rule 1.3, to direct the protest period after the filing of the advice letter be 40 days instead of the standard 20 days. With this extension of the protest period, the effective date of the advice letter also should be extended by 20 days, from the 45 days currently in Ordering Paragraph 40 to 65 days.

Finally, the final decision should reflect the requirement in Appendix A to D.07-05-062 that the escalation advice letter filing "include all calculations and documentation necessary to support the requested rate change."²⁴ Under these circumstances, where the escalation filing will subsume the filing of rate tariffs, the calculations and documentation that accompany the advice letter should include those that support the rate tariffs being filed for 2018.

To effectuate these changes, CTO suggests current Ordering Paragraphs 40 and 41 be revised as follows:

40. California-American Water Company (Cal-Am) is directed to file escalation filings for attrition years 2019 and 2020 through appropriate Tier 1 advice letter filings in conformance with General Order 96-B and the advice letter procedures found in Section VII of Appendix A attached to Decision (D.) 07-05-062 for every district where there is a projected decrease in rates. Cal-Am may also file escalation filings for 2019 and 2020 pursuant to these procedures for every district where there is a projected increase in rates. D.07-05-062 requires escalation filings to be

²³ General Order 96-B, General Rule 7.4.1.

²⁴ D.07-05-062, *mimeo*, App. A, § 7, p. A-19.

filed no later than 45 days prior to the start of the escalation year. In light of the effective date of this decision, any escalation filing for attrition year 2019 shall instead be filed within 30 days from the effective date of this decision and shall be effective **4565** days from the date of filing.

41. California-American Water Company is authorized to revise tariff schedules, and to concurrently cancel its present schedules for such service upon the effective date of its 2019 escalation filing. The revision of tariff schedules for authorized rates in 2018 shall be included and subsumed in California-American Water Company's escalation filing for attrition year 2019. **The protest period for the advice letter making California-American Water Company's escalation filing for attrition year 2019, including tariff schedules for authorized rates in 2018, shall be 40 days from the date of the advice letter's filing and service. That advice letter shall include all calculations and documentation necessary to support the requested rate changes for both authorized 2018 rates and their escalation for 2019.**

C. The Final Decision Should Include Ordering Paragraphs Denying Cal-Am's Southern Division Consolidation and Stating the Existing Cal-Am Rate Designs for Southern Division Districts Remain in Place.

The text of the PD denies Cal-Am's Southern Division consolidation proposal, stating on page 35:

[W]e deny Cal-Am's proposal to consolidate its Southern Division. Given that we do not adopt Cal-Am's proposal to consolidate the Southern Division, we also do not adopt Cal-Am's proposed rate design for the consolidated Southern Division.

Similarly, Conclusions of Law 20 and 21 state:

20. Cal-Am's proposal to consolidate its Southern Division should be denied.

21. Cal-Am's proposed rate design for the proposed consolidated Southern Division should not be adopted.²⁵

"Under [Public Utilities Code] § 454, public utilities must make a showing to the Commission that any proposed rate change is justified, and receive a finding by the Commission to that effect, before making such change."²⁶ Since under the PD Cal-Am's proposed Southern Division rate design is not adopted, the existing rate designs for the five districts making up the Southern Division must remain in place.

However, the PD does not include an Ordering Paragraph effectuating the language in the PD's text and the quoted conclusions of law, nor an Ordering Paragraph explicitly stating the

²⁵ PD, p. 299.

²⁶ D.05-12-020, *mimeo*, p. 4; Pub. Util. Code § 454(a).

APPENDIX OF PROPOSED CHANGES

(Rule 14.3(b))

Revisions to Text

PD, p. 16, § 4.2, second paragraph, beginning with “LA County”: Add as new first and second sentences: **“On September 14, 2017, CTO filed its Motion of the City of Thousand Oaks to Set Aside Submission and Reopen the Record to Admit Discovery Responses of California-American Water Company as Exhibits CTO-16 and CTO-17. No oppositions to that motion were filed.”**

PD, p. 263, first sentence on page: Revise to read as follows: “In light of the effective date of this decision, any escalation filing for attrition year 2019 shall instead be filed within 30 days from the effective date of this decision and shall be effective **4565** days from the date of filing.”

PD, p. 264, beginning top of page: Revise to read as follows: “Therefore, we find reasonable and grant Cal-Am’s requests in its motion for transitional rate relief except we find that: (1) the 2019 escalation filing shall be filed within 30 days from the effective date of this decision, **(2) the protest period for the advice letter making the 2019 escalation filing and filing rate tariffs for approved 2018 rates shall be extended to 40 days; (3) that advice letter shall include all calculations and documentation necessary to support the 2019 escalation of rates and final rates for 2019; (4) the effective date of that advice letter shall be 65 days from its filing, and** ~~(25)~~ the tariff implementing the interim true-up surcharge shall be filed by Tier 2 advice letter within 45 days after 2019 rates have been implemented.”

Proposed Conclusion of Law

PD, p. 298: Add new Conclusion of Law between current Conclusions of Law 7 and 8 stating

____.The unopposed Motion of the City of Thousand Oaks to Set Aside Submission and Reopen the Record to Admit Discovery Responses of California-American Water Company as Exhibits CTO-16 and CTO-17 should be granted.

Proposed Ordering Paragraphs

PD, p. 316: Add new Ordering Paragraph after current Ordering Paragraph 8:

____. **Cal-Am’s proposal to consolidate its Southern Division is denied.**

____. **Cal-Am’s proposed rate design for the proposed consolidated Southern Division is not adopted, and Cal-Am’s existing rate designs for all the districts in the Southern Division remain in effect.**

PD, pp. 324-325: Revise Ordering Paragraphs 40 and 41 as follows:

40. California-American Water Company (Cal-Am) is directed to file escalation filings for attrition years 2019 and 2020 through appropriate Tier 1 advice letter filings in conformance with General Order 96-B and the advice letter procedures found in Section VII of Appendix A attached to Decision (D.) 07-05-062 for every district where there is a projected decrease in rates. Cal-Am may also file escalation filings for 2019 and 2020 pursuant to these procedures for every district where there is a projected increase in rates. D.07-05-062 requires escalation filings to be filed no later than 45 days prior to the start of the escalation year. In light of the effective date of this decision, any escalation filing for attrition year 2019 shall instead be filed within 30 days from the effective date of this decision and shall be effective ~~45~~**65** days from the date of filing.

41. California-American Water Company is authorized to revise tariff schedules, and to concurrently cancel its present schedules for such service upon the effective date of its 2019 escalation filing. The revision of tariff schedules for authorized rates in 2018 shall be included and subsumed in California-American Water Company’s escalation filing for attrition year 2019. **The protest period for the advice letter making California-American Water Company’s escalation filing for attrition year 2019, including tariff schedules for authorized rates in 2018, shall be 40 days from the date of the advice letter’s filing and service. That advice letter shall include all calculations and documentation necessary to support the requested rate changes for both authorized 2018 rates and their escalation for 2019.**

PD, p. 325: Add new Ordering Paragraph immediately before current Ordering Paragraph 44:

____. The Motion of the City of Thousand Oaks to Set Aside Submission and Reopen the Record to Admit Discovery Responses of California-American Water Company as Exhibits CTO-16 and CTO-17 is granted.