

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



February 1, 2018

Jeffrey T. Linam
Director – Rates & Regulation
California-American Water Company
4701 Beloit Dr.
Sacramento, CA 95838-2434

Dear Mr. Linam,

The Commission has approved California-American Water Company's Advice Letter No. 1189, filed on December 29, 2017, regarding establishing the 2018 Tax Accounting Memorandum Account to track the impact on Commission-jurisdictional revenue requirements caused by changes in the business tax rate and other potential tax code changes from the 2018 Federal Tax Law.

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

<u>P.U.C. Sheet No.</u>	<u>Title of Sheet</u>
8717-W	PRELIMINARY STATEMENT (continued)
8718-W	PRELIMINARY STATEMENT Summary Table (continued)
8719-W	TABLE OF CONTENTS (Page 1)

Please contact Jim Boothe at 415-703-1748, if you have any questions.

Thank you,

/s/ROBIN BRYANT

Robin Bryant
Water & Sewer Advisory Branch
Division of Water and Audits

Enclosures

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

Advice Letter Cover Sheet

Utility Name: California American Water	Date Mailed to Service List: December 29, 2017
District: All Districts	
CPUC Utility #: U210W	Protest Deadline (20th Day): January 18, 2018
Advice Letter #: 1189	Review Deadline (30th Day): January 28, 2018
Tier: <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input type="checkbox"/> Compliance	Requested Effective Date: January 1, 2018
Authorization: GO 96-B	Rate Impact: \$See AL See AL%
Description: Changes in Federal Tax Rates for 2018	

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: Lakhjit Singh
Phone: 916-568-4233
Email: lakhjit.singh@amwater.com

Utility Contact: Melody Singh
Phone: 916-568-4246
Email: melody.singh@amwater.com

DWA Contact: Tariff Unit
Phone: (415) 703-1133
Email: Water.Division@cpuc.ca.gov

DWA USE ONLY

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____

APPROVED

WITHDRAWN

REJECTED

Signature: _____

Comments: _____

Date: _____



4701 Beloit Drive
Sacramento, CA 95838
www.amwater.com

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

December 29, 2017

ADVICE LETTER NO. 1189

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

<u>C.P.U.C. Sheet No.</u>	<u>Title of Sheet</u>	<u>Canceling Sheet No.</u>
8717-W	PRELIMINARY STATEMENT (continued)	NEW
8718-W	PRELIMINARY STATEMENT Summary Table (continued)	NEW
8719-W	TABLE OF CONTENTS (Page 1)	8716-W

Purpose:

Pursuant to the December 22, 2017 letter from California Public Utilities Commission (“Commission”) Water Division Director Rami Kahlon, which ordered “all Class A and B water and sewer utilities ... to file Tier 1 advice letters to establish and add a 2018 Tax Accounting Memorandum account to the preliminary statements in the tariffs”¹ –California American Water (“Cal-Am”) submits this Tier 1 advice letter requesting Commission authorization to establish a 2018 Tax Accounting Memorandum Account.

Request:

Based on the Water Division’s December 22, 2017 letter, through this advice letter, Cal-Am requests authorization to establish the 2018 Tax Accounting Memorandum Account to track the impact on Commission-jurisdictional revenue requirements caused by changes in the business tax rate and other potential tax code changes from the 2018 Federal Tax Law.

Pursuant to Commission Standard Practice U-27-W, an advice letter requesting a new memorandum account must address the following:

1. The expense is caused by an event of an unexceptional nature that is not under the utility’s control.

¹ Emphasis from original omitted.

- a. Here, the 2018 Federal Tax Law may significantly change the federal tax rate for businesses for the tax year beginning January 1, 2018. Cal-Am does not have authority or control over the federal tax rates. Thus, the event is exceptional in nature and not under Cal-Am's control.
2. The expense cannot have been reasonably foreseen in the utility's last general rate case and will occur before the utility's next scheduled case.
 - a. Here, the 2018 Federal Tax Law was not enacted and its contents and impact would have been, at best, merely speculative at the time of Cal-Am's last general rate case. Thus, the impact of the 2018 Federal Tax Law could not have been reasonably foreseen in Cal-Am's last general rate case. Moreover, the changes from the 2018 Federal Tax Law will be effective January 1, 2018, which occurs before Cal-Am's next general rate case.
 3. The expense is of a substantial nature as to the amount of money involved when any offsetting cost decreases are taken into account.
 - a. Here, the 2018 Federal Tax Law may significantly reduce the federal tax rate for businesses. Thus, the tax rate may drop and this could lead to other changes.
 4. The ratepayers will benefit by the memorandum account treatment.
 - a. Here, as a result of possible reduction in the federal tax rate for businesses, any over collection will be used to offset the WRAM balance or given back to the customers. Thus, customers will benefit by the account.

In Accordance with the Commission Standard Practices U-27-W and based on the Water Division's directive in its December 22, 2017 letter, Cal-Am requests to establish the 2018 Tax Accounting Memorandum Account to track the aforementioned unanticipated changes.

Tier Designation:

This advice letter is submitted pursuant to General Order No. 96-B and the Water Division's December 22, 2017 letter, and is designated as a Tier 1 filing.

Effective Date:

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

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.**

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:

² G.O. 96-B, General Rule 7.4.1

³ G.O. 96-B, General Rule 7.4.2

- (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.

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:

Email Address:

Water.Division@cpuc.ca.gov

Mailing Address:

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 Cal-Am at:

Email Address:

melody.singh@amwater.com

Mailing Address:

4701 Beloit Drive
Sacramento, CA 95838

sarah.leeper@amwater.com

555 Montgomery Street, Suite 816
San Francisco, CA 94111

lakhjit.singh@amwater.com

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.

REPLIES⁴

⁴ G.O. 96-B, General Rule 7.4.3

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.

If you have not received a reply to your protest within 10 business days, please contact me at (916) 568-4255.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Jeffrey T. Linam

Jeffrey T. Linam
Vice President of Rates & Regulatory

PRELIMINARY STATEMENT

Sheet 69

BJ. 2018 Tax Accounting Memorandum Account.

(N)

1. Purpose: The 2018 Tax Accounting Memorandum Account (Memo Account) tracks on a CPUC-jurisdictional revenue requirement basis the impacts of the 2018 Federal Tax Law not otherwise reflected in rates from January 1, 2018 until the effective date of the revenue requirement changes in the Utility's next General Rate Case (Memo Account Period).
2. General Information. The Utility shall record in this Memo Account realized increases or decreases in its CPUC-jurisdictional revenue requirement resulting from the 2018 Federal Tax Law. The Memo Account shall be used in determining whether any rate adjustment is necessary to reflect impacts of the 2018 Federal Tax Law during the Memo Account Period.
3. Memo Account Entries. The entries in the Memo Account may include the following:
 - a. Realized decreases in revenue requirement resulting from the 2018 Federal Tax Law during the Memo Account Period.
 - b. Realized increases in revenue requirement resulting from the 2018 Federal Tax Law during the Memo Account Period.
 - c. Balances in the Memo Account will accrue interest at the 90-day commercial paper rate.
4. Disposition of Memo Account Balance. In the Utility's next General Rate Case, or at such other time as ordered by the CPUC, the balance in the Memo Account shall be addressed and rates shall be adjusted accordingly, as appropriate.

(N)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1189	J. T. LINAM	Date Filed	December 29, 2017
Decision		DIRECTOR - Rates & Regulatory	Effective	1/1/2018
			Resolution	

PRELIMINARY STATEMENT
Summary Table

Sheet 3

Reference	Account	Tariff
BJ	Tax Cuts and Jobs Act Memorandum Account	8717-W

(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice 1189	J. T. LINAM	Date Filed <u>December 29, 2017</u>
Decision	DIRECTOR - Rates & Regulatory	Effective <u>1/1/2018</u>
		Resolution _____

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Sheet 1

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<u>SERVICE AREA MAP:</u> California-American Water Company	5470-W
Larkfield	6569-W
Los Angeles County	6570-W
Baldwin Hills	6571-W, 6572-W,
Duarte	6578-W
San Marino	6573-W, 6574-W, 6575-W, 6576-W, 8211-W
Monterey County	7053-W, 6580-W, 6581-W, 6582-W, 6583-W, 6584-W, 6585-W, 6586-W, 6587-W, 6588-W, 6589-W, 6590-W, 944 -W, 945 -W, 947 -W, 948 -W, 949 -W, 950 -W, 951 -W, 952 -W, 953 -W, 954 -W, 955 -W, 957 -W, 958 -W, 959 -W, 960 -W, 961 -W, 962-W, 963 -W, 964 -W, 966 -W, 967 -W, 968 -W, 969 -W, 971 -W, 972 -W, 973 -W, 974 -W, 975 -W, 976 -W, 977 -W, 978 -W, 979 -W, 980 -W, 981 -W, 982 -W, 983 -W, 984 -W, 7054-W

(Continued)

(TO BE INSERTED BY UTILITY)		ISSUED BY	(TO BE INSERTED BY C.P.U.C.)	
Advice	1189	J. T. LINAM	Date Filed	December 29, 2017
Decision		DIRECTOR - Rates & Regulatory	Effective	1/1/2018
			Resolution	