

June 17, 2024

ADVICE LETTER NO. 1447

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Purpose:

The purpose of this advice letter is to update cost per AF rate from \$3,793 to \$4,177 to match the notice California American Water received from MPWMD as well as to request Commission approval of an increase in rates of \$611,856 to offset increased purchased power costs in California American Water's Central Division.

California American Water requests authority pursuant to Decision 16-09-021, General Order (GO) 96-B, Water Industry Rules, Section 7.3.1, and section 454 of the Public Utilities Code to offset purchased water expenses it incurs from the Monterey Peninsula Water Management District related to the Pure Water Monterey project.

In accordance with Section 4.3 of General Order No. 96-B, a copy of this advice letter is being sent to those entities listed in Exhibit 1.

Background:

On September 22, 2016, California American Water entered into a Revised Water Purchase Agreement (RWPA) with Monterey Peninsula Water Management District (MPWMD) and Monterey One Water (collectively "the public agencies") per Decision (D.)16-09-021. The currently effective purchased water surcharge of \$0.4757 per 100 gallons for the Pure Water Monterey project was approved through Advice Letter 1413 filed June 23, 2023.

The Commission approved RWPA provides for the following process:¹

At least six (6) months prior to the Performance Start Date, at least one time between May 1 and June 1 of every year thereafter, and at any time throughout the term of this Agreement the District deems necessary, the District shall provide the Company with written notice of the Company Water Rate, supported by detailed information relating to the Fixed Project Costs and the estimated Operation and Maintenance Expenses to be incurred in the upcoming Fiscal Year that were used to determine the Company Water Rate. Within sixty (60) days following receipt of the written notice containing the Company Water Rate, the Company shall file a Tier 1 advice letter for rate recovery with the CPUC to update its rates and tariffs, and in doing so establish a surcharge rate to reflect the Company Water Rate.

¹ RWPA, pg 13

All changes to the Company Water Rate resulting from annual increases or decreases to the Fixed Project Costs or Project Operation and Maintenance Expenses, as reflected in the Company Water Rate, shall be requested for rate recovery through a Tier 1 advice letter in accordance with Section 3.2 of Water Industry Rules in General Order 96-B, as amended from time to time, for processing expense offset rate changes. The rate change will be applied to the surcharge to ensure that the Company's customer rates remain aligned with the Company Water Rate under the Agreement.

On June 6, 2024, California American Water received notice from the public agencies that the Company Water Rate for FY 2024-25 would increase to \$4,177 based on a company allotment of 3,500 AF, representing a 9% increase over the current Company Water Rate of \$3,793 per AF. This increase in rates charged by MPWMD results in a \$1,344,000 annual increase in purchased water expenses to California American Water's Monterey Service Area, plus a corresponding \$6,877 increase in uncollectible, for a total expense increase of \$1,350,877. This increase is directly related to water consumption and thus should be applied to the quantity rate.

The resulting increase provides a surcharge of \$4.2582 per hundred cubic feet (ccf) or \$0.5693 per hundred gallons (cgl).

In accordance with Section 7.3.1 of the Water Industry Rules under General Order (GO) 96-B and section 454 of the Public Utilities Code, California American Water is seeking authority to offset purchased power expenses in its Central Division.

The composite purchased power cost of \$0.2015 per kilowatt-hour (kwh) was established for the Central Division in D.21-11-018. Actual composite cost per kwh for the 12-month period ending April 30, 2024, was \$0.2330 per kwh. The increase to power rates results in a \$608,741 annual increase to purchased power expense to California American Water, plus a corresponding increase of \$3,115 in uncollectible expense for a total increase of \$611,856. The increase is directly related to water consumption and thus should be applied to the quantity rate. This results in a final purchased power surcharge of \$0.2723 per ccf (\$0.0364 per 100 gallons) for the Central Division.

The production expense offsets requested represent an annual increase of \$1,962,733 or 2.05% over the latest revenue requirement approved by the Commission in AL 1424.

Request:

California American Water requests authorization to adjust the existing purchased water surcharge totaling \$3.5585 to \$4.2582 per ccf (\$0.5693 per 100 gallons) for Monterey Service Area customers. California American Water requests authorization to implement a purchased power surcharge totaling \$0.2723 per ccf (\$0.0364 per 100 gallons) for Central Division.

Tier Designation:

This advice letter is submitted pursuant to General Order No. 96-B and is designated as a Tier 1 filing.

Effective Date:

California American Water requests an effective date of July 1, 2024.

Notice and Service List:

In accordance with General Order 96-B, General Rule 4.3 and 7.2 and Water Industry Rule 4.1, a copy of this advice letter will be transmitted electronically to interested parties having requested such notification. ***Please note that this advice letter will only be distributed electronically.***

Response or Protest²

Anyone may respond to or protest this advice letter. 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 advice letter. A **protest** objects to the advice letter 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;
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 shall provide citations or proofs where available to allow staff to properly consider the protest.

A response must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

² G.O. 96-B, General Rule 7.4.1

³ G.O. 96-B, General Rule 7.4.2

Tariff Unit, Water Division, 3rd floor
California Public Utilities Commission,
505 Van Ness Avenue, San Francisco, CA 94102
water_division@cpuc.ca.gov

In the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to us, addressed to:

Email Address:

chase.grady@amwater.com

sarah.leeper@amwater.com

ca.rates@amwater.com

Mailing Address:

520 Capital Mall, Suite 630
Sacramento, CA 95814

555 Montgomery Street, Suite 816
San Francisco, CA 94111

520 Capital Mall, Suite 630
Sacramento, CA 95814

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, 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.

If you have not received a reply to your protest within 10 business days, please contact Chase Grady at (916) 568-4241.

CALIFORNIA-AMERICAN WATER COMPANY

/s/ Chase Grady

Chase Grady
Associate Rates & Regulatory Analyst

Cal P.U.C. Sheet No.	Title of Sheet	Cancelling Cal P.U.C. Sheet No.
XXXXX-W	Schedule No. CEN-SAT Central Satellite Tariff Area GENERAL METERED SERVICE Sheet 4	11014-W
XXXXX-W	Schedule No. MO-1C GENERAL METERED SERVICE in the Monterey Service Area Tariff Area NON-RESIDENTIAL CUSTOMERS Sheet 8	11012-W
XXXXX-W	Schedule No. MO-1-MF GENERAL METERED SERVICE in the Monterey Service Area Tariff Area MULTI-FAMILY RESIDENTIAL CUSTOMERS Sheet 5	11011-W
XXXXX-W	Schedule No. MO-1O GENERAL METERED SERVICE in the Monterey Service Area Tariff Area OTHER CUSTOMERS Sheet 6	11013-W
XXXXX-W	Schedule No. MO-1-SF GENERAL METERED SERVICE in the Monterey Service Area Tariff Area SINGLE FAMILY RESIDENTIAL CUSTOMERS Sheet 5	11010-W

Schedule No. CEN-SAT
Central Satellite Tariff Area
GENERAL METERED SERVICE

Sheet 4

CENTRAL DIVISION TARIFF AREA (Continued)

SPECIAL CONDITIONS

Fees and Surcharges (Continued):

ALL CENTRAL SATELLITE SERVICE AREA (Continued)

- 5. Per Advice Letter 1440, a surcharge is included in each bill to recover the net under-collection in the Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA). For the period ending December 31, 2023, the net under-collection totals \$997,334 including interest. The surcharge of \$0.2888 per 100 gallons is set to recover the under-collection at a rate equal to 15% of the authorized revenue requirement as approved by D.21-11-018, will be collected over 36 months beginning April 1, 2024. The Chualar service area is excluded from this surcharge.
- 6. Per Advice Letter 1442 and D.21-11-018 a surcharge of \$0.0083 per cgl will be collected from customers for the 2019 General Rate Case interim rate true-up. The surcharge will be collected over 9 months beginning upon approval of Advice Letter 1442. The Chualar service area is excluded from this surcharge.
- 7. Per Advice Letter 1447, a surcharge is applied to each bill to offset increases in purchased power costs in the Central Division. This offset results in a needed increase of \$611,856. The surcharge of \$0.0364 per cgl is added to the quantity rate beginning July 1, 2024. The Chualar service area is excluded from this surcharge. (C)
(I)
(I)(C)

CHUALAR SERVICE AREA ONLY

- 1. Per Advice Letter 1379 and D.21-11-018 a surcharge of \$0.0073 per cgl will be collected from customers for the 2019 General Rate Case interim rate true-up. The surcharge will be collected until December 31, 2023.

(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice 1447	S. W. OWENS	Date Filed _____
Decision	SR. DIRECTOR - Rates & Regulatory	Effective _____
		Resolution _____

Schedule No. MO-1C

GENERAL METERED SERVICE in the Monterey Service Area Tariff Area
NON-RESIDENTIAL CUSTOMERS

CENTRAL DIVISION TARIFF AREA (Continued)

SPECIAL CONDITIONS:

Fees and Surcharges:

Monterey Service Area (Continued)

- 6. Per Advice letter 1366, the under-collected balance in the Monterey Service Area Consolidated Expense Balancing Account will be recovered through a quantity-based surcharge of \$0.1458 per 100 gallons over 36 months, beginning May 11, 2022.
- 7. Per Advice Letter 1447, a surcharge is applied to each bill to offset increases in purchased water costs imposed by Monterey Peninsula Water Management District (MPWMD). The offset results in a needed revenue requirement increase of \$1,350,877. The surcharge of \$0.5693 per cgl is added to the quantity charge beginning July 1, 2024. (C)
(I)
(C)
- 8. Per D.18-12-021 a meter-based bill credit for the 2020 Excess Plant Related Accumulated Deferred Income Tax will be refunded to customers over the 12-months periods beginning November 1, 2021, as shown in the table below.

Meter Size	Refunds by Meter Equivalents
5/8 x 3/4	\$0.28
3/4	\$0.41
1	\$0.69
1 1/2	\$1.38
2	\$2.21
3	\$4.14
4	\$6.90
6	\$13.79
8	\$22.07
10	\$31.72

- 9. Per Advice Letter 1442 and D.21-11-018 a surcharge of \$0.0214 per cgl will be collected from customers for the 2019 General Rate Case interim rate true-up. The surcharge will be collected over 9 months beginning upon approval of Advice Letter 1442.
- 10. Per Advice Letter 1447, a surcharge is applied to each bill to offset increases in purchased power costs in the Central Division. This offset results in a needed increase of \$611,856. The surcharge of \$0.0364 per cgl is added to the quantity rate beginning July 1, 2024. (C)
(I)
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(TO BE INSERTED BY UTILITY)

ISSUED BY

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

Advice 1447

S. W. OWENS

Date Filed _____

Decision

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Effective _____

Resolution _____

Schedule No. MO-1-MF
GENERAL METERED SERVICE in the Monterey Service Area Tariff Area
MULTI-FAMILY RESIDENTIAL CUSTOMERS

CENTRAL DIVISION TARIFF AREA (Continued)

SPECIAL CONDITIONS:

Fees and Surcharges:

Monterey Service Area

- 6. Per Advice Letter 1366, the under-collected balance in the Monterey County District Consolidated Expense Balancing Account will be recovered through a quantity-based surcharge of \$0.1458 per 100 gallons over 36 months, beginning May 11, 2022. This total amount will be recovered from all classes of customers.
- 7. Decision 12-06-040 authorized Carmel River Reroute and San Clemente Dam Removal Project costs to be included in the San Clemente Dam balancing account. Per Decision 18-12-021, California American Water will recover the regulatory asset / San Clemente Dam balancing account in base rates over a 20-year period starting January 1, 2018. Current authorized recovery of \$6,245,448 per annum is included in base rates.
- 8. Per Advice Letter 1447, a surcharge is applied to each bill to offset increases in purchased water costs imposed by Monterey Peninsula Water Management District (MPWMD). The offset results in a needed revenue requirement increase of \$1,350,877. The surcharge of \$0.5693 per cgl is added to the quantity charge beginning July 1, 2024. (C)
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Advice	1447	S. W. OWENS	Date Filed	_____
Decision		SR. DIRECTOR - Rates & Regulatory	Effective	_____
			Resolution	_____

Schedule No. MO-10

Sheet 6

GENERAL METERED SERVICE in the Monterey Service Area Tariff Area

OTHER CUSTOMERS

CENTRAL DIVISION TARIFF AREA (Continued)

SPECIAL CONDITIONS (Continued):

Fees and Surcharges

Monterey Service Area (Continued)

6. Per Advice Letter 1366, the under-collected balance in the Monterey County District Consolidated Expense Balancing Account will be recovered through a quantity-based surcharge of \$0.1458 per 100 gallons over 36 months, beginning May 11, 2022. This total amount will be recovered from all classes of customers.
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8. Per Advice Letter 1447, a surcharge is applied to each bill to offset increases in purchased water costs imposed by Monterey Peninsula Water Management District (MPWMD). The offset results in a needed revenue requirement increase of \$1,350,877. The surcharge of \$0.5693 per cgl is added to the quantity charge beginning July 1, 2024. (C)
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(I)
(I)(C)

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<p>(TO BE INSERTED BY UTILITY)</p> <p>Advice 1447</p> <p>Decision</p>	<p>ISSUED BY</p> <p>S. W. OWENS</p> <p>SR. DIRECTOR - Rates & Regulatory</p>	<p>(TO BE INSERTED BY C.P.U.C.)</p> <p>Date Filed _____</p> <p>Effective _____</p> <p>Resolution _____</p>
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Schedule No. MO-1-SF

Sheet 5

GENERAL METERED SERVICE in the Monterey Service Area Tariff Area
SINGLE FAMILY RESIDENTIAL CUSTOMERS

CENTRAL DIVISION TARIFF AREA (Continued)

SPECIAL CONDITIONS (Continued):

Fees and Surcharges:

Monterey Service Area (Continued)

- 6. Per Advice Letter 1366, the under-collected balance in the Monterey County District Consolidated Expense Balancing Account will be recovered through a quantity-based surcharge of \$0.1458 per 100 gallons over 36 months, beginning May 11, 2022. This total amount will be recovered from all classes of customers.
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(TO BE INSERTED BY C.P.U.C.)

Advice 1447

S. W. OWENS

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Decision

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Resolution _____

CENTRAL DIVISION SERVICE LIST
CALIFORNIA-AMERICAN WATER COMPANY

BY MAIL:

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California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA 90013

Monterey Regional Water Pollution
Control Agency (MRWPCA)
5 Harris Court Road. Bldg D.
Monterey, CA 93940

City of Pacific Grove
c/o Community Development Department
Attention: Sarah Hardgrave
300 Forest Ave., 2nd floor
Pacific Grove, CA 93950

City of Sand City
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Sand City, CA 93955
Attn: City Clerk

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