

# Notice of Public Participation Hearing: California American Water's Request to Increase Water Rates in its General Rate Case Application No. A.16-07-002 Northern Division

**Wednesday, December 7, 2016, at 1:00 p.m. and 6:00 p.m.  
Rancho Cordova City Hall Chambers  
2729 Prospect Park Drive  
Rancho Cordova, CA 95670**

The California Public Utilities Commission (CPUC) wants to hear from you. Public Participation Hearings (PPHs) have been scheduled for customers in the Northern Division at the date, times, and location noted above to receive your comments about California American Water's General Rate Case (GRC) application (A.16-07-002).

A CPUC Administrative Law Judge (Judge) will preside at the PPHs to listen to concerns, comments, and opinions on the proposed application. One or more Commissioners may attend, but no decisions will be reached at these hearings. All public comments from the PPHs will be included in the formal record of this proceeding and become public record.

The hearing location is wheelchair accessible. If you need a non-English language translator or special assistance, please contact the CPUC's Public Advisor's Office (PAO) at the address listed at the bottom of this notice at least five days in advance of the hearing date. If you cannot attend the PPH, you may submit your comments via a letter or email to the PAO.

### **The Application**

The CPUC requires California American Water to file a GRC every three years to ensure that water rates reflect the cost of providing water service. On July 1, 2016, California American Water filed a GRC requesting overall revenue increases of \$34,559,200 (or 16.29%) for 2018, \$8,478,500 (or 3.43%) for 2019, and \$7,742,600 (or 3.03%) for 2020. The GRC includes revenue requirement information, the anticipated cost to run the water company's systems, new infrastructure investments, a request to increase rates to cover anticipated costs, and other requests the water company deems necessary to run its business. If approved, rates for this GRC would increase beginning January 1, 2018.

### **Rate Consolidation**

As part of this GRC, California American Water proposes to consolidate rates in each of its three State Divisions. This would include the Northern Division and consolidate multiple service districts in that Division for rate-making and operations purposes. Such consolidation is expected to benefit customers by spreading costs of large infrastructure projects over time and over a larger base of customers.

### **Northern Division**

The consolidation proposal for Northern California would phase-in consolidation of the Larkfield (Sonoma County) District with the Sacramento District. The Sacramento District currently includes the Dunnigan system that was approved in D.15-11-012. It may also include the Geyserville and Meadowbrook systems, if the CPUC approves the pending settlements in proceedings A.15-08-024 and A.15-12-016.

The Sacramento and Larkfield Districts are primarily served with local groundwater (some systems also receive purchased wholesale water). These Districts already share common management and administrative support staff. The Larkfield system is proposed to be consolidated in phases. Larkfield's revenues would remain the same through 2020. The consolidation timing and guidelines will be re-examined in California American Water's next GRC, which is expected to be filed in 2019 and cover the years 2021 through 2023.

#### **A. With Consolidation**

California American Water's revenue proposals for the Sacramento District, with a consolidation, are shown by customer class in the chart below.

<b>Sacramento District - Proposed Revenue Changes WITH Consolidation</b>							
	<b>2018</b>		<b>2019</b>		<b>2020</b>		<b>All Three Years</b>
<b>CUSTOMER CLASS</b>	<b>\$ Increase</b>	<b>% Increase</b>	<b>\$ Increase</b>	<b>% Increase</b>	<b>\$ Increase</b>	<b>% Increase</b>	<b>\$ Change</b>
<b>Residential</b>	\$9,419,944	32.7%	\$812,628	2.1%	\$1,185,755	3.0%	\$11,418,327
<b>Commercial</b>	\$4,510,708	32.9%	\$363,773	2.0%	\$530,804	2.9%	\$5,405,286
<b>Industrial</b>	\$265,828	41.2%	\$17,506	1.9%	\$25,544	2.8%	\$308,877
<b>Public Authority</b>	\$809,887	34.7%	\$62,217	2.0%	\$90,785	2.9%	\$962,889
<b>Other</b>	\$14,762	10.7%	\$3,440	2.3%	\$5,020	3.2%	\$23,222
<b>Private Fire</b>	(\$171,553)	-12.6%	\$0	0.0%	\$0	0.0%	(\$171,553)
<b>TOTAL</b>	<b>\$14,849,576</b>		<b>\$1,259,564</b>		<b>\$1,837,908</b>		<b>\$17,947,048</b>

#### **Customer Impact**

If California American Water's proposed consolidation of the Northern Division is approved, a typical residential customer's monthly water bills (with a 5/8-inch meter size) would resemble those below. The 2018 examples shown below are calculated using current rates as of October 2016. In accordance with decision D. 13-07-002, rates will increase in January 2017. This amount has yet to be determined. This may lead to different typical customer bills than the examples shown below. **Amounts shown include fees, taxes and surcharges.**

<b>Sacramento Average Residential Bill WITH Consolidation</b>						<b>Dunnigan Average Residential Bill WITH Consolidation</b>					
<b>YEAR</b>	<b>Avg Use (CGL)<sup>1</sup></b>	<b>Current Bill</b>	<b>\$ Increase</b>	<b>Proposed Bill</b>	<b>% Increase</b>	<b>YEAR</b>	<b>Avg Use (CGL)<sup>1</sup></b>	<b>Current Bill<sup>2</sup></b>	<b>\$ Increase</b>	<b>Proposed Bill</b>	<b>% Increase</b>
<b>2018</b>	81.0	\$51.33	\$8.76	\$60.09	17.07%	<b>2018</b>	45.6	\$26.66	\$12.18	\$38.84	45.69%
<b>2019</b>	81.0	\$60.09	\$1.21	\$61.30	2.01%	<b>2019</b>	45.6	\$38.84	\$0.78	\$39.62	2.01%
<b>2020</b>	81.0	\$61.30	\$1.77	\$63.07	2.89%	<b>2020</b>	45.6	\$39.62	\$1.15	\$40.77	2.89%

<sup>1</sup> CGL= 100 gallons

<sup>2</sup> Current bill for Dunnigan customers is unmetered.

B. Without Consolidation

The proposed revenue increases **without** a consolidation for the Sacramento District are shown in the chart below by customer class.

Sacramento District - Proposed Revenue Changes <b>WITHOUT</b> Consolidation							
CUSTOMER CLASS	2018		2019		2020		All Three Years
	\$ Increase	% Increase	\$ Increase	% Increase	\$ Increase	% Increase	\$ Change
Residential	\$9,313,513	32.3%	\$656,187	1.7%	\$981,466	2.5%	\$10,951,166
Commercial	\$4,470,747	32.6%	\$300,982	1.7%	\$450,182	2.4%	\$5,221,911
Industrial	\$263,987	40.9%	\$14,504	1.6%	\$21,694	2.3%	\$300,185
Public Authority	\$803,101	34.4%	\$51,493	1.6%	\$77,018	2.4%	\$931,612
Other	\$14,338	10.4%	\$2,834	1.9%	\$4,240	2.7%	\$21,412
Private Fire	(\$171,785)	-12.6%	\$0	0.0%	\$0	0.0%	(\$171,785)
<b>TOTAL</b>	<b>\$14,693,900</b>		<b>\$1,026,000</b>		<b>\$1,534,600</b>		<b>\$17,254,500</b>

Customer Impact

If California American Water’s proposed consolidation of the Northern Division is **not approved**, a typical residential customer’s monthly water bills (with a 5/8-inch meter size) would resemble those below. The 2018 examples shown below are calculated using current rates as of October 2016. In accordance with decision D. 13-07-002, rates will increase in January 2017. This amount has yet to be determined. This may lead to different typical customer bills than the examples shown below. **Amounts shown include fees, taxes and surcharges.**

Sacramento Average Residential Bill <b>WITHOUT</b> Consolidation						Dunnigan Average Residential Bill <b>WITHOUT</b> Consolidation					
YEAR	Avg Use (CGL) <sup>1</sup>	Current Bill	\$ Increase	Proposed Bill	% Increase	YEAR	Avg Use (CGL) <sup>1</sup>	Current Bill <sup>2</sup>	\$ Increase	Proposed Bill	% Increase
2018	81.0	\$51.33	\$8.62	\$59.95	16.79%	2018	45.6	\$26.66	\$11.95	\$38.61	16.79%
2019	81.0	\$59.95	\$0.98	\$60.93	1.64%	2019	45.6	\$38.61	\$0.63	\$39.24	1.64%
2020	81.0	\$60.93	\$1.47	\$62.40	2.41%	2020	45.6	\$39.24	\$0.95	\$40.19	2.41%

<sup>1</sup> CGL= 100 gallons

<sup>2</sup> Current bill for Dunnigan customers is unmetered.

Primary Drivers of Rate Increase

California American Water has worked to keep expenses low. However, there is an ongoing need to invest in the infrastructure for each district. Revenue increases are being requested to make investments to improve water quality, comply with new water treatment and environmental regulations, and install water meters on unmetered customers. Customer conservation and the drought have led to reduced sales revenue for California American Water. Due to this reduction and projected declining sales, California American Water requests an increase to the price per unit of water. The proposed rate increases will also allow California American Water to sustain new infrastructure investments, higher depreciation, higher costs for purchased water, higher operating and maintenance costs, information technology and laboratory costs, as well as higher taxes.

Obtaining a Copy of the Application

A copy of California American Water’s proposed GRC application and related exhibits may be reviewed at the following California American Water office:

- Sacramento Area – 4701 Beloit Drive, Sacramento, CA 95838

Copies of the proposed application are also available to review at the CPUC’s Central Files Office in San Francisco by appointment. For more information, please contact them at [alcentralfilesid@cpuc.ca.gov](mailto:alcentralfilesid@cpuc.ca.gov) or (415) 703-2045.

The CPUC’s Process

After considering all proposals and all evidence that may be presented during the formal hearing process, the Judge will issue a proposed decision determining whether to adopt California American Water’s request, modify it, or deny it. Any of the five CPUC Commissioners may sponsor an alternate decision. The proposed decision and any alternate decisions will be discussed and voted on at a scheduled CPUC Voting Meeting.

The Office of Ratepayer Advocates (ORA) has reviewed this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting, and engineering. For more information about ORA, please call (415) 703-1584, e-mail [ora@cpuc.ca.gov](mailto:ora@cpuc.ca.gov), or visit ORA’s website at [www.ora.ca.gov](http://www.ora.ca.gov).

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If you would like to learn how you can participate in the proceeding, provide informal comments, or have questions about the CPUC’s processes, you may access the CPUC’s Public Advisor’s webpage at <http://consumers.cpuc.ca.gov/pao/>. You may also contact the Public Advisor as follows:

Email: [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov)

Write: Public Advisor’s Office, 505 Van Ness Avenue, San Francisco, CA 94102

Call: Toll free 1-866-849-8390; TTY toll free 1-866-836-7825

Please reference **California American Water’s GRC Application No. 16-07-002** in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and be made available for review by the assigned Judge, the Commissioners, and appropriate CPUC staff.