

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

**Advice Letter Cover Sheet**

**Utility Name:** California American Water  
**District:** All District's Service Area  
**CPUC Utility #:** U210W  
**Advice Letter #:** 1399  
**Tier:** 1 2 3  Compliance  
**Authorization:** Resolution M-4866  
**Description:** Update CPUC User Fee - 2023

**Date Mailed to Service List:** December 22, 2022  
**Protest Deadline (20<sup>th</sup> Day):** January 11, 2023  
**Review Deadline (30<sup>th</sup> Day):** January 21, 2023  
**Requested Effective Date:** January 1, 2023  
**Rate Impact:** \$See AL  
See AL%

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:** Chase Grady

**Phone:**

**Email:** [chase.grady@amwater.com](mailto:chase.grady@amwater.com)

**Utility Contact:** Jonathan Morse

**Phone:** 916-568-4237

**Email:** [Jonathan.morse@amwater.com](mailto:Jonathan.morse@amwater.com)

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

DATE

STAFF

COMMENTS

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

APPROVED

WITHDRAWN

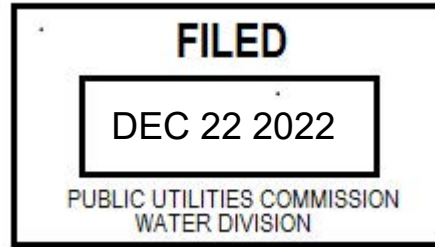
REJECTED

**Signature:** \_\_\_\_\_

**Comments:** \_\_\_\_\_

**Date:** \_\_\_\_\_

\_\_\_\_\_



520 Capitol Mall, Suite 630  
Sacramento, CA 95814  
[www.amwater.com](http://www.amwater.com)

P (916) 568-4237

December 22, 2022

ADVICE LETTER NO. 1399

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California-American Water Company (U210W) (California American Water) submits this advice letter applicable to all its water customers.

**Purpose:**

By this advice letter, California American Water requests to revise Schedule No. UF, Surcharge to Fund Public Utilities Commission Reimbursement Fee.

**Background:**

On December 15, 2022 the Public Utilities Commission issued Resolution M-4866 which adopted the following Public Utilities Commission Utilities Reimbursement Account ("PUCURA) user fees as follows:

Electric Corporations	0.0013	\$/kwh
Gas Corporations	0.003	\$/therm
Heat Corporations	0.005	\$/thousands lbs. steam
Water System Corporations	0.008 (0.8 percent)	x Revenue
Sewer System Corporations	0.008 (0.8 percent)	x Revenue
Telecommunications Corporations	0.0075 (0.75 percent)	X Revenue

**Request:**

This advice letter requests a decrease to the surcharge from 1.43% to 0.8% per Resolution M-4866.

**Tier Designation:**

This advice letter is submitted pursuant to General Order No. 96-B and Resolution M-4866 and is designated as a Tier 1 filing.

**Effective Date:**

California American Water requests an effective date of January 1, 2023.

**Notice:**

Pursuant to Section 4.3 of General Order No. 96-B, a copy of this advice letter is being provided to those entities listed in the attached "SERVICE LIST PURSUANT TO SECTION 4.3 OF G.O. NO. 96-B." Per guidance from the California Public Utilities Commission's Water

Division, during the COVID-19 pandemic, advice letters will only be delivered electronically to the service list.

### **RESPONSE OR PROTEST**<sup>1</sup>

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 grounds<sup>2</sup> 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 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](mailto: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 California American Water at:

**Email Address:**  
[chase.grady@amwater.com](mailto:chase.grady@amwater.com)

**Mailing Address:**  
520 Capital Mall, Suite 630  
Sacramento, CA 95814

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<sup>1</sup> G.O. 96-B, General Rule 7.4.1

<sup>2</sup> G.O. 96-B, General Rule 7.4.2

[sarah.leeper@amwater.com](mailto:sarah.leeper@amwater.com)

555 Montgomery Street, Suite 816  
San Francisco, CA 94111

[jonathan.morse@amwater.com](mailto:jonathan.morse@amwater.com)

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 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.

**REPLIES**<sup>3</sup>

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 Jonathan Morse at (916) 568-4237.

CALIFORNIA-AMERICAN WATER COMPANY

*/s/ Chase Grady*

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Chase Grady  
Associate Rates & Regulatory Analyst

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<sup>3</sup> G.O. 96-B, General Rule 7.4.3

**Cal P.U.C.  
Sheet No.**

**Title of Sheet**

**Cancelling  
Cal P.U.C.  
Sheet No.**

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XXXXX-W

Schedule No. UF  
SURCHARGE TO FUND PUBLIC UTILITIES COMMISSION  
REIMBURSEMENT FEE  
Sheet 1

10315-W

Schedule No. UF  
SURCHARGE TO FUND PUBLIC UTILITIES COMMISSION  
REIMBURSEMENT FEE

Sheet 1

**APPLICABILITY**

This surcharge applies to all water bills rendered under all tariff rate schedules authorized by the Commission.

**TERRITORY**

This schedule is applicable within the entire territory served by the utility.

**RATES**

A 0.8% surcharge shall be added to all customer bills.

(R)

\*In 1982 the Legislature established a Public Utilities Commission Reimbursement Fee to be paid by all water and sewer system corporations to fund their regulation by the Commission. Public Utilities (PU) Code Sections 401-442. The surcharge to defray the cost of that fee is ordered by the Commission under authority granted by PU Code section 403.

(Continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

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

Advice 1399

J. T. LINAM

Date Filed \_\_\_\_\_

Decision

DIRECTOR - Rates & Regulatory

Effective \_\_\_\_\_

Resolution \_\_\_\_\_

**ALL DISTRICTS SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**

**BY MAIL:**

	Noland, Hamerly, Etienne & Hoss 333 Salinas Street Salinas, CA 93901	Mark Brooks Utility Workers Union Of America 521 Central Ave. Nashville, TN 37211
Maxine Harrison California Public Utilities Commission Executive Division 320 West 4th Street Suite 500 Los Angeles, CA 90013	Wallin, Kress, Reisman & Krantz, LLP 11355 West Olympic Blvd., SUITE 300 Los Angeles, CA 90064	Ann Camel City Clerk City of Salinas 200 Lincoln Avenue Salinas, CA 93901
Gregory J. Smith, County Clerk County of San Diego County Administration Center 1600 Pacific Highway, Room 260 San Diego, CA 92101	Barbara Delory 4030 Bartlett Avenue Rosemead, CA 91770-1332	Carol Nickborg POB 4029 Monterey, CA 93942
Jim Sandoval, City Manager City of Chula Vista 276 Forth Avenue Chula Vista, CA 91910	Gary E. Hazelton County Clerk – Recorder Santa Cruz County 701 Ocean Street, Room 210 Santa Cruz, CA 95060	Steven J. Thompson 5224 Altana Way Sacramento, CA 95814
Sacramento County WMD 827 7th Street, Room 301 Sacramento, CA 95814	Henry Nanjo Department of General Services Office of Legal Services, MS-102 PO Box 989052 West Sacramento, CA 95798-9052	Hatties Stewart 4725 S. Victoria Avenue Los Angeles, CA 90043
Citrus Heights Water District 6230 Sylvan Road Citrus Heights, CA 95610 <a href="mailto:rchurch@chwd.org">rchurch@chwd.org</a>	City of Chula Vista Director of Public Works 276 Forth Avenue Chula Vista, CA 91910	Anne Moore, City Attorney City of Chula Vista 276 Forth Avenue Chula Vista, CA 91910
San Gabriel County Water District 8366 Grand Ave Rosemead, CA 91770	City of Camarillo 601 Carmen Drive Camarillo, CA 93010	Karen Crouch City Clerk, Carmel-By-The-Sea PO Box CC Carmel-by-the-Sea, CA 93921
Louis A. Atwell Director of Public Works City of Inglewood One W. Manchester Blvd. Inglewood, CA 90301	Los Angeles Docket Office California Public Utilities Commission 320 West 4th Street, Suite 500 Los Angeles, CA 90013	Marcus Nixon Asst. Public Advisor 320 W. 4th Street, Suite 500 Los Angeles, CA 90013

**ALL DISTRICTS SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**

James R. Lough, City Attorney  
City of Imperial Beach  
825 Imperial Beach Blvd.  
Imperial Beach, CA 91932

Robert C. Baptiste  
9397 Tucumcari Way  
Sacramento, CA 95827-1045

Mario Gonzalez  
111 Marwest Commons Circle  
Santa Rosa, CA 95403

William M. Marticorena  
Rutan & Tucker, LLP  
611 Anton Blvd., 14th Floor  
Costa Mesa, CA 92626-1931

James L. Markman  
Richards, Watson & Gershon  
355 South Grand Avenue, 40th Floor  
Los Angeles, CA 90071-3101

Rex Ball  
SR/WA, Senior Real Property MGMT  
County of Los Angeles  
222 South Hill Street, 3rd Floor  
Los Angeles, CA 90012

City of San Gabriel  
City Clerk  
425 S. Mission Drive  
San Gabriel, CA 91776

Michelle Keith  
City Manager  
City of Bradbury  
600 Winston Avenue  
Bradbury, CA 91008

Ventura County Waterworks District  
7150 Walnut Canyon Road  
P.O. Box 250  
Moorpark, CA 93020

Michelle Keith  
City Manager  
City of Bradbury  
600 Winston Avenue  
Bradbury, CA 91008

City of Sand City  
City Hall  
California & Sylvan Avenues  
Sand City, CA 93955  
Attn: City Clerk

Yazdan Enreni, P.E.  
Public Works Director  
Monterey County DPW  
168 West Alisal Steet, 2nd Floor  
Salinas, CA 93901-4303

Fruitridge Vista Water Company  
P.O. Box 959  
Sacramento, CA 95812

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

Carol Smith  
6241 Cavan Drive, 3  
Citrus Heights, CA 95621

Anthony La Bouff, County Counsel  
Placer County  
175 Fulweiler Avenue  
Auburn, CA 95603

Temple City  
City Clerk  
9701 Las Tunas Dr.  
Temple City, CA 91780

City of Los Angeles  
Department of Water and Power  
111 North Hope Street  
Los Angeles, CA 90012  
Attn: City Attorney

Darryl D. Kenyon  
Monterey Commercial Property Owners  
Association  
P.O. Box 398  
Pebble Beach, CA 93953

Edward W. O'Neill  
Davis Wright Tremaine LLP  
505 Montgomery Street  
San Francisco, CA 94111-6533

Marc J. Del Piero  
4062 El Bosque Drive  
Pebble Beach, CA 93953-3011

Barbara Morris Layne  
36652 Hwy 1, Coast Route  
Monterey, CA 93940

Irvin L. Grant  
Deputy County Counsel  
County of Monterey  
168 W. Alisal Street, 3rd floor  
Salinas, CA 93901-2680

Deborah Mall, City Attorney  
City of Monterey  
512 Pierce Street  
Monterey, CA 93940



**ALL DISTRICTS SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**

Penngrove/Kenwood Water Co  
4984 Sonoma Hwy  
Santa Rosa, CA 95409

Will and Carol Surman  
36292 Highway One  
Monterey, CA 93940

City of Thousand Oaks Water Dept.  
2100 E. Thousand Oaks Blvd.  
Thousand Oaks, CA 91362

City of Monrovia  
City Clerk  
415 South Ivy Ave  
Monrovia, CA 91016

Don Jacobson  
115 Farm Road  
Woodside, CA 94062-1210

Rio Linda Water District  
730 L Street  
Rio Linda, CA 95673

City of Rosemead  
City Clerk  
8838 E. Valley Blvd  
Rosemead, CA 91770

Jose E. Guzman, Jr.  
Guzman Law Offices  
288 Third Street, Ste. 306  
Oakland, CA 94607

Robert A. Ryan, Jr.  
County of Sacramento  
Downtown Office  
700 H Street, Suite 2650  
Sacramento, CA 95814

Alco Water Service  
249 Williams Road  
Salinas, CA 93901

Sacramento Suburban Water District  
3701 Marconi Avenue, Suite 100  
Sacramento, CA 95821-5303

Valerie Ralph, Clerk of the Board  
County of Monterey  
P.O. Box 1728  
Salinas, CA 93902

**BY E-MAIL:**

Public Advocates Office  
California Public Utilities Commission  
[dra\\_water\\_al@cpuc.ca.gov](mailto:dra_water_al@cpuc.ca.gov)

Lori Ann Dolqueist  
Nossaman LLP  
50 California Street, 34<sup>th</sup> Floor  
San Francisco, CA 94111  
[ldolqueist@nossaman.com](mailto:ldolqueist@nossaman.com)

Johanna Canlas, City Attorney  
City of Coronado  
501 West Broadway, Suite 1600  
Coronado, CA 92101  
[jcanlas@bwslaw.com](mailto:jcanlas@bwslaw.com)

Sunnyslope Water Company  
1040 El Campo Drive  
Pasadena, CA 91109  
[sswc01\\_jcobb@sbcglobal.net](mailto:sswc01_jcobb@sbcglobal.net)

Richard Rauschmeier  
California Public Utilities Commission  
PAO - Water Branch, Rm 4209  
505 Van Ness Ave  
San Francisco, CA 94102  
[rra@cpuc.ca.gov](mailto:rra@cpuc.ca.gov)

Ms. Lisa Bilir  
California Public Utilities Commission  
Public Advocates Office  
505 Van Ness Avenue  
San Francisco, CA 94102  
[Lwa@cpuc.ca.gov](mailto:Lwa@cpuc.ca.gov)

East Pasadena Water Company  
3725 Mountain View  
Pasadena, CA 91107  
[larry@epwater.com](mailto:larry@epwater.com)

Christina Baker, City Clerk  
City of San Marino  
2200 Huntington Drive, 2nd floor  
San Marino, CA 91108  
[cityclerk@cityofsanmarino.org](mailto:cityclerk@cityofsanmarino.org)

**ALL DISTRICTS SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**

Annette Juarez, City Clerk  
City of Duarte  
1600 Huntington Drive  
Duarte, CA 91010  
[ajuarez@accessduarte.com](mailto:ajuarez@accessduarte.com)

B. Tilden Kim  
Attorney At Law  
Richards Watson & Gershon  
355 South Grand Avenue, 40th Floor  
Los Angeles, CA 90071  
[tkim@rwglaw.com](mailto:tkim@rwglaw.com)

Monterey Peninsula Water Mgmt Dist.  
Chief Financial Officer  
P.O. Box 85  
Monterey, CA 93942  
[suresh@mpwmd.net](mailto:suresh@mpwmd.net)  
[arlene@mpwmd.net](mailto:arlene@mpwmd.net)  
Rates Department  
California Water Service Company  
1720 North First Street  
San Jose, CA 95112  
[rateshelp@calwater.com](mailto:rateshelp@calwater.com)

Laura Nieto  
City of Irwindale  
Chief Deputy City Clerk  
5050 North Irwindale Avenue  
Irwindale, CA 91706  
[lnieto@IrwindaleCA.gov](mailto:lnieto@IrwindaleCA.gov)

Dana McRae  
County Counsel  
County of Santa Cruz  
701 Ocean Street, Room 505  
Santa Cruz, CA 95060  
[dana.mcrae@co.santa-cruz.ca.us](mailto:dana.mcrae@co.santa-cruz.ca.us)

Citrus Heights Water District  
6230 Sylvan Road  
Citrus Heights, CA 95610  
[hstraus@chwd.org](mailto:hstraus@chwd.org)

Johnny Yu  
5356 Arnica Way  
Santa Rosa, CA 95403  
[johnnyyu@sbcglobal.net](mailto:johnnyyu@sbcglobal.net)

Lisa Travis  
Deputy County Counsel  
County of Sacramento  
600 8th Street  
Sacramento, CA 95814  
[travisl@saccounty.net](mailto:travisl@saccounty.net)

Barry Gabrielson  
[bdgabriel1@aol.com](mailto:bdgabriel1@aol.com)

John Corona  
Utilities Superintendent  
City of Arcadia Water Dept.  
Arcadia, CA 91006  
[jcorona@arcadiaca.gov](mailto:jcorona@arcadiaca.gov)

San Gabriel Valley Water Company  
11142 Garvey Blvd.  
El Monte, CA 91734  
[dadellosa@sgvwater.com](mailto:dadellosa@sgvwater.com)

City of Inglewood  
City Hall  
One W. Manchester Blvd.  
Inglewood, CA 90301  
[brai@cityofinglewood.org](mailto:brai@cityofinglewood.org)

James Bouler  
Larkfield/Wikiup Water District Advisory  
133 Eton Court  
Santa Rosa, CA 95403  
[jbouler@comcast.net](mailto:jbouler@comcast.net)

Tim & Sue Madura  
411 Firelight Drive  
Santa Rosa, CA 95403  
[suemadura@sbcglobal.net](mailto:suemadura@sbcglobal.net)

City of Sacramento, Water Division  
1391 35th Avenue  
Sacramento, CA 95822  
[utilities@cityofsacramento.org](mailto:utilities@cityofsacramento.org)

Cliff Finley, PE  
Director of Public Works  
City of Thousand Oaks  
2100 Thousand Oaks Blvd  
Thousand Oaks, CA 91363  
[cfinley@toaks.org](mailto:cfinley@toaks.org)

Placer County Water Agency  
Customer Service Department  
[customerservices@pcwa.net](mailto:customerservices@pcwa.net)

John K. Hawks  
Executive Director  
California Water Association  
601 Van Ness Avenue, Suite 2047  
San Francisco, CA 94102-3200  
[jhawks\\_cwa@comcast.net](mailto:jhawks_cwa@comcast.net)

Mary Martin  
4611 Brynhurst Ave.  
Los Angeles, CA 90043  
[Marymartin03@aol.com](mailto:Marymartin03@aol.com)

Brent Reitz  
Capital Services  
P.O. Box 1767  
Pebble Beach CA 93953  
[reitzb@pebblebeach.com](mailto:reitzb@pebblebeach.com)

Marvin Philo  
3021 Nikol Street  
Sacramento, CA 95826  
[mhphilo@aol.com](mailto:mhphilo@aol.com)

Jim McCauley, Clerk-Recorder  
Placer County  
2954 Richardson Drive  
Auburn, CA 95603  
[skasza@placer.ca.gov](mailto:skasza@placer.ca.gov)

Jim Heisinger  
P.O. Box 5427  
Carmel, CA 93921  
[hbm@carmellaw.com](mailto:hbm@carmellaw.com)

**ALL DISTRICTS SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**

Florin County Water District  
P.O. Box 292055  
Sacramento, CA 95829  
[fcwd@sbcglobal.net](mailto:fcwd@sbcglobal.net)

George Riley  
Citizens for Public Water  
1198 Castro Road  
Monterey, CA 91940  
[georgetriley@gmail.com](mailto:georgetriley@gmail.com)

City of Del Rey Oaks  
City Hall  
650 Canyon Del Rey Road  
Del Rey Oaks, CA 93940  
Attn: City Clerk  
[citymanager@delreyoaks.org](mailto:citymanager@delreyoaks.org)  
[kminami@delreyoaks.org](mailto:kminami@delreyoaks.org)

David C. Laredo and Fran Farina  
Attorneys at Law  
DeLay & Laredo  
606 Forest Ave  
Pacific Grove, CA 93950  
[dave@laredolaw.net](mailto:dave@laredolaw.net)

City of El Monte  
Chief Deputy City Clerk  
11333 Valley Blvd  
El Monte CA 91731-3293  
[Cityclerk@elmonteca.gov](mailto:Cityclerk@elmonteca.gov)

County of Ventura  
800 South Victoria Avenue  
Ventura, CA 93009  
[wspc@ventura.org](mailto:wspc@ventura.org)

Jennifer Ekblad, MMC, CPM  
City Clerk  
City of Coronado  
1825 Strand Way  
Coronado, CA 92118  
[cityclerk@coronado.ca.us](mailto:cityclerk@coronado.ca.us)

Amy Van, City Clerk  
City of Citrus Heights  
6237 Fountain Square Drive  
Citrus Heights, CA 95621  
[avan@citrusheights.net](mailto:avan@citrusheights.net)

Yvonne Zepeda, Deputy City Clerk  
City of Isleton  
P.O. Box 716  
Isleton, CA 95641  
[Yvonne.zepeda@cityofisleton.com](mailto:Yvonne.zepeda@cityofisleton.com)

Clerk of the Board  
County of Monterey  
P.O. Box 1728  
Salinas, CA 93902  
[cob@co.monterey.ca.us](mailto:cob@co.monterey.ca.us)

Bernardo R. Garcia  
PO Box 37  
San Clemente, CA 92674-0037

Mike Niccum  
General Manager  
Pebble Beach Community Svcs. District  
3101 Forest Lake Road  
Pebble Beach, CA 93953  
[mniccum@pbcsd.org](mailto:mniccum@pbcsd.org)

Carmel Area Wastewater District  
3945 Rio Road  
Carmel, CA 93923  
[buikema@cawd.org](mailto:buikema@cawd.org)

Monterey Peninsula Water Mgmt Dist.  
Chief Financial Officer  
P.O. Box 85  
Monterey, CA 93942  
[suresh@mpwmd.net](mailto:suresh@mpwmd.net)

Laura L. Krannawitter  
California Public Utilities Commission  
Executive Division, Rm 5303  
505 Van Ness Avenue  
San Francisco, CA 94102  
[Laura.krannawitter@cpu.ca.gov](mailto:Laura.krannawitter@cpu.ca.gov)

City of Monterey  
City Hall  
Monterey, CA 93940  
Attn: City Clerk  
[connolly@ci.monterey.ca.us](mailto:connolly@ci.monterey.ca.us)

City of Seaside, City Hall  
Seaside, CA 93955  
Attn: City Clerk  
[dhodgson@ci.seaside.ca.us](mailto:dhodgson@ci.seaside.ca.us)  
[to'halloran@ci.seaside.ca.us](mailto:to'halloran@ci.seaside.ca.us)  
[cityvatty@ix.netcom.com](mailto:cityvatty@ix.netcom.com)  
[cityattorney@ci.seaside.ca.us](mailto:cityattorney@ci.seaside.ca.us)

City of Salinas  
Christopher A. Callihan, Esq.  
City Attorney  
200 Lincoln Avenue  
Salinas, CA 93901  
[chrisc@ci.salinas.ca.us](mailto:chrisc@ci.salinas.ca.us)

Audrey Jackson  
Golden State Water Company  
630 E. Foothill Blvd.  
San Dimas, CA 91773  
[afjackson@gswater.com](mailto:afjackson@gswater.com)

David Heuck  
Accounting  
2700 17 Mile Drive  
Pebble Beach, CA 93953  
[heuckd@pebblebeach.com](mailto:heuckd@pebblebeach.com)

Mara W. Elliott, City Attorney  
City of San Diego  
1200 Third Avenue, Suite 1620  
San Diego, CA 92101  
[cityattorney@sandiego.gov](mailto:cityattorney@sandiego.gov)

**ALL DISTRICTS SERVICE LIST**  
**CALIFORNIA-AMERICAN WATER COMPANY**

Thomas Montgomery, County Counsel  
County of San Diego  
County Administration Center  
1600 Pacific Highway, Room 260  
San Diego, CA 92101  
[thomas.montgomery@sdcounty.ca.gov](mailto:thomas.montgomery@sdcounty.ca.gov)

Sheri Damon  
City of Seaside, City Attorney  
440 Harcourt Avenue  
Seaside, CA 93955  
[cityatty@ix.netcom.com](mailto:cityatty@ix.netcom.com)  
[cityattorney@ci.seaside.ca.us](mailto:cityattorney@ci.seaside.ca.us)

Rafael Lirag  
California Public Utilities Commission  
Administrative Law Judge  
505 Van Ness Avenue Room 4101  
San Francisco, CA 94102-3214  
[Rafael.lirag@cpuc.ca.gov](mailto:Rafael.lirag@cpuc.ca.gov)

Jacqueline M. Kelly, MMC  
City Clerk  
City of Imperial Beach  
825 Imperial Beach Blvd.  
Imperial Beach, CA 91932  
[jkelly@imperialbeachca.gov](mailto:jkelly@imperialbeachca.gov)

Susan Sommers  
City Of Petaluma  
P.O. Box 61  
Petaluma, CA 94953  
[suesimmons@ci.petaluma.ca.us](mailto:suesimmons@ci.petaluma.ca.us)

Elizabeth Maland, City Clerk  
City of San Diego  
202 C Street, 2<sup>nd</sup> Floor  
San Diego, CA 92101  
[cityclerk@sandiego.gov](mailto:cityclerk@sandiego.gov)

Jon Giffen  
City Attorney  
City of Carmel-By-The-Sea  
P.O. Box 805  
Carmel-By-The-Sea, CA 93921  
[jgiffen@kaglaw.net](mailto:jgiffen@kaglaw.net)

CALIFORNIA-AMERICAN WATER COMPANY  
ADVICE LETTER 1399  
SUPPORTING DOCUMENTATION FOR STAFF

Update CPUC User Fee - 2023  
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Date of Issuance  
**December 16, 2022**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ADMINISTRATIVE SERVICES DIVISION**

**RESOLUTION M-4866**  
**December 15, 2022**

**R E S O L U T I O N**

**Resolution M-4866. Adopts Public Utilities Commission Utilities Reimbursement Account User Fees, effective January 1, 2023.**

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**SUMMARY**

This Resolution adopts Public Utilities Commission Utilities Reimbursement Account (PUCURA), Fund 0462, user fees as follows:

Electric Corporations	0.0013	\$/kwh
Gas Corporations	0.003	\$/therm
Heat Corporations	0.005	\$/thousands lbs. steam
Water System Corporations	0.008 (0.8 percent)	x Revenue
Sewer System Corporations	0.008 (0.8 percent)	x Revenue
Telecommunication Corporations	0.0075 (0.75 percent)	x Revenue

**BACKGROUND**

The California Public Utilities Commission (CPUC or Commission) uses Public Utilities Code as the basis for its methodology to annually assess user fees for energy, water, sewer, and telecommunication utilities.

Public Utilities Code Section 431:

- (a) The commission shall annually determine a fee to be paid by every electrical, gas, telephone, telegraph, water, sewer system, and heat corporation and every other public utility providing service directly to customers or subscribers and subject to the jurisdiction of the commission other than a railroad, except as otherwise provided in Article 2 (commencing with Section 421)
- (b) The annual fee shall be established to produce a total amount equal to that amount established in the authorized commission budget for the same year, including adjustments for increases in employee compensation, other increases appropriated by the Legislature, and an appropriate reserve to regulate public utilities less the amount to be paid from special accounts or funds pursuant to

Section 402, reimbursements, federal funds, and any other revenues, and the amount of unencumbered funds from the preceding year.

(c) This article shall not apply to any electrical cooperative as defined in Chapter 5 (commencing with Section 2776) of Part 2.

(d) On and after January 1, 1985, this article shall apply to radiotelephone utilities as defined in Section 4902 as those provisions read on December 31, 1984.

(e) This section shall become operative on January 1, 2020.

#### Public Utilities Code Section 432:

The commission shall establish the fee pursuant to Section 431 with the approval of the Department of Finance and in accordance with all of the following:

(a) In its annual budget request, the commission shall specify both of the following:

(1) The amount of its budget to be financed by the fee.

(2) The dollar allocation of the amount of its budget shall be financed by the fee by each class of public utility subject to the fee. The fee allocation among classes of public utilities shall reflect expenditures by the commission on regulatory and other authorized activities affecting each respective class, and shall bear the same ratio that the commission's workload for each class of public utility subject to the fee bears to the commission's total workload for all public utilities subject to the fee.

(b) The commission may establish different and distinct methods of assessing fees for each class of public utility, if the revenues collected are consistent with paragraph (2) of subdivision (a), except that the commission shall establish a uniform charge per kilowatt hour for sales in kilowatt hours for the class of electrical corporations and a uniform charge per therm for sales in therms for the class of gas corporations.

(c) Within each class of public utility subject to the fee, the commission shall allocate among the members of the class the amount of its budget to be financed by the fee using the following methods:

(1) For electrical corporations, the ratio that each corporation's sales in kilowatt hours bears to the total sales in kilowatt hours for the class.

(2) For gas corporations, the ratio that each corporation's sales in therms bears to the total sales in therms for the class.

(3) For telephone and telegraph corporations, the ratio that each corporation's gross intrastate revenues bears to the total gross intrastate revenues for the class. If the commission determines that there is a need for consultants or advisory services to assist in determining the reasonableness of capital expenditures for a telephone corporation, the commission may adjust the fees within the class so that the expenses for the consultants and advisory services are fully allocated to that telephone corporation.

- (4) For water and sewer system corporations, the ratio that each corporation's gross intrastate revenues bears to the total gross intrastate revenues for the class.
- (5) For all other public utilities, an appropriate measurement methodology determined by the commission.
- (d) Every public utility belonging to more than one class shall be subject to the fee for each class of which it is a member.
- (e) For every public utility with annual gross intrastate revenues of seven hundred fifty thousand dollars (\$750,000) or less, the commission shall annually establish uniform fees to be paid by each such public utility, if the revenues collected thereby are consistent with paragraph (2) of subdivision (a) and subdivision (c).

## **DISCUSSION**

### *Revenue and Expenditure Analysis*

The Governor's Budget structures PUCURA's authorized expenditures by Program and Subprogram, as shown below in Table 1. Subtasks, the most granular level of detail by utility class (electricity, gas, sewer, steam), are not displayed in the Governor's Budget but tracked internally by the CPUC.

**Table 1: Governor's budget structure, PUCURA**

<b>Program</b>	<b>Subprogram</b>	<b>Subtask (Utility Class)</b>
Regulation of Utilities (6680)	Energy (6680055)	Electric Corporations Gas Corporations Steam Corporations
	Water (6680064)	Water Corporations Sewer Corporations
	Communications (6680073)	Telephone and Telegraph Corporations Video Franchise

In addition to the CPUC's budgeted expenditures from PUCURA, the fund supports expenditures of the Public Advocate's Office (PUBADV) within the CPUC, the Office of Energy Infrastructure Safety (Org 3355), the Energy Resources Conservation and Development Commission (Org 3360), the Air Resources Board (Org 3900), the Office of Environmental Health and Hazard Assessment (Org 3980), and statewide fund assessments.

Table 2 shows PUCURA's 2022-23 current level expenditures and 2022-23 Fund Assessments, distributed by Utility Class per Table 1.



**Table 2. PUCURA Expenditures**

Utility Class	CPUC Estimated Expenditures <sup>1</sup>	PUBADV Estimated Expenditures <sup>2</sup>	Other Departments Estimated Expenditures <sup>3</sup>	Total Estimated Expenditures 2022-23
Electric	\$126,925,000	\$33,205,000	\$31,607,000	\$191,737,000
Gas	28,360,000	7,419,000	6,834,000	42,613,000
Steam	3,000	1,000	1,000	5,000
Water	17,154,000	3,593,000	-	20,747,000
Sewer	261,000	55,000	-	316,000
Telco.	41,220,000	9,136,000	-	50,356,000
<b>Total</b>	<b>\$213,923,000</b>	<b>\$53,409,000</b>	<b>\$38,442,000</b>	<b>\$305,774,000</b>

Table 3 shows comparison between 2022-23 estimated user fee revenue at current rates and 2022-23 total estimated expenditures, distributed by Utility Class per Table 1. Assuming no changes are made, the estimated user fee revenue at current rates are not aligned to match the estimated level of expenditures by utility class and maintain the necessary minimum fund reserve balance.

Per Public Utilities Code section 431(a), water companies and sewer companies are recognized as two separate class of utilities. CPUC has determined that separate rates must be established by utility class to maintain equity in the user fees collected for regulation of water systems and sewer systems. For this resolution, the Commission will maintain the same rates for water systems and sewer systems with an intent to calculate separate rates for each utility class in future resolutions.

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<sup>1</sup> From the 2022-23 Enacted Governor's Budget; estimated expenditures include fund assessments allocated by utility class.

<sup>2</sup> From the 2022-23 Enacted Governor's Budget; PUBADV (Fund 3089) estimated expenditures includes fund assessments allocated by utility class.

<sup>3</sup> From the 2022-23 Enacted Governor's Budget; estimated expenditures for other departments.

**Table 3. PUCURA User Fees and Expenditures Projected for 2022-23 (No Fee Change)**

Utility Class	Estimated User Fee Revenue 2022-23 (a) <sup>4</sup>	Total Estimated Expenditures 2022-23 (b)	Estimated Revenues Less Estimated Expenditures (a-b)
Electric	\$206,172,000	\$191,737,000	\$14,435,000
Gas	59,914,000	42,613,000	17,301,000
Heat (Steam)	30,000	5,000	25,000
Water	27,814,000	20,747,000	7,067,000
Sewer	46,000	316,000	(270,000)
Telephone	28,831,000	50,356,000	(21,525,000)
<b>Total</b>	<b>\$322,807,000</b>	<b>\$305,774,000</b>	<b>\$17,033,000</b>

*Fund Reserve Analysis*

The CPUC's fund reserve policy for PUCURA requires a fund reserve of 25 percent of expenditures. At the expected level of expenditures and projected revenues, FY 2022-23 overall estimated fund reserve is sufficient to meet the minimum requirement. However, when distributed by utility class, a couple utilities classes do not meet the 25 percent fund reserve requirement.

*Fee Change Analysis*

Based on the analysis the CPUC has completed on revenues to expenditures and fund reserve requirements by utility class, the CPUC proposes the below necessary rate adjustments.

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<sup>4</sup> Amounts in Column (a) represent the estimated user fee revenues using user fee rates from the PUCURA Resolution M-4841.

**Table 4. User Fee Rates Comparison, Current vs Proposed**

Utility Class	Current User Fee Rates	Proposed User Fee Rates	Base	Difference	percent Change
Electric	0.00130	0.0013	\$/ kwh	0	0 percent
Gas	0.00577	0.003	\$/therm	-0.00277	-48.01 percent
Steam	0.05535	0.005	\$/thousands lbs. steam	-0.05035	-90.97 percent
Water	0.01430	0.008	x Revenue	-0.0063	-44.06 percent
Sewer	0.01430	0.008	x Revenue	-0.0063	-44.06 percent
Telco	0.00519	0.0075	x Revenue	0.00231	44.51 percent

### **COMMENTS AND RESPONSES ON DRAFT RESOLUTION**

The Draft Resolution was mailed or emailed to all affected regulated entities on November 10, 2022 in accordance with Public Utilities Code section 311(g)(1).

On November 30, 2022, California-American Water Company sent a comment via email asking the Commission to revise the Draft Resolution M-4866 to create a combined Water and Sewer System user fee consistent with the CPUC's historical practice.

California American Water Company's comment states that the resolution separates the rates for sewer systems and water systems, contrary to historical practice, which significantly increases the rates applicable to the sewer systems. California American Water Company argues that the Water Division investigates water and sewer system service quality issues, analyzes, and processes utility rate change requests and is responsible for ensuring California investor-owned water utilities deliver clean, safe, and reliable water and sewer service to their customers at reasonable rates. California American Water Company asserts that Water and Sewer Systems have been considered one industry by CPUC and have been regulated as such; therefore, there should be a singular user fee that is applicable to both water and sewer systems.

CPUC recognizes California American Water Company's argument that Water and Sewer Systems are regulated by the Water Division as a combined industry and the proposed change to separate the rates for water systems and sewer systems is contrary to historical practice. However, per Public Utilities Code section 431(a), water companies and sewer companies are recognized as two separate class of utilities. A majority of the water companies and sewer companies are separate entities which do not have combined water and sewer systems. As such, CPUC has determined that separate rates must be

established by utility class to maintain equity in the user fees collected for regulation of water systems and sewer systems.

CPUC recognizes that utilities with combined water and sewer systems may not have been given appropriate time to update practices or billing systems in advance of this proposed change from past practice. In order to give sufficient time, the CPUC will maintain the same rates for water and sewer utilities for this resolution, with an intent to change to two separate rates in future resolutions.

**THEREFORE IT IS ORDERED THAT:**

1. Effective January 1, 2023, the current PUCURA user fees shall be revised as follows:

Electric Corporations	0.0013	\$/kwh
Gas Corporations	0.003	\$/therm
Heat Corporations	0.005	\$/thousands lbs. steam
Water System Corporations	0.008 (0.8 percent)	x Revenue
Sewer System Corporations	0.008 (0.8 percent)	x Revenue
Telephone and Telegraph Corporations	0.0075 (0.75 percent)	x Revenue

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on December 15, 2022; the following Commissioners voting favorably thereon:

/s/ RACHEL PETERSON

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Rachel Peterson  
Executive Director

ALICE REYNOLDS  
President  
CLIFFORD RECHTSCHAFFEN  
GENEVIEVE SHIROMA  
DARCIE HOUCK  
JOHN R.D. REYNOLDS  
Commissioners

**APPENDIX A**  
**0462 Public Utilities Commission Utilities Reimbursement Account**  
**Fund Condition Statement with current rates**

	<b>FY 2021-22</b>	<b>FY 2022-23</b>
BEGINNING BALANCE	\$113,336,000	\$202,276,000
Prior Year Adjustments	13,676,000	-
Adjusted Beginning Balance	127,012,000	202,276,000
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>		
Revenues:		
Quarterly Public Utilities Commission Fees	363,423,000	308,482,000
Other Regulatory Fees	3,558,000	1,500,000
Other Regulatory Licenses and Permits	2,000	-
Document Sales	59,000	-
Misc. Services to the Public	-	-
Escheat of Unclaimed Checks, Warrants, Bonds and Coupons	520,000	350,000
Income from Surplus Money Investments	8,000	5,000
Miscellaneous Revenue	10,000	5,000
Transfers:		
Revenue Transfer to Ratepayer Advocate Account (3089) per Item 8660-011-0462, Various Budget Acts	(48,028,000)	(53,409,000)
Operating Transfers from Coronavirus Relief Fund 8505 per EO E20/21-250 CS 11.90	2,351,000	
Transfer to General Fund per EO E 21/22-276, Sec. 20825.1	(5,394,000)	
Revenue Transfer from Propane Safety Inspection and Enforcement Program Trust Fund (0051) to Public Utilities Commission Utilities Reimbursement Account (0462) per Public Utilities code Section 4458	100,000	
Total Revenues, Transfers, and Other Adjustments	316,609,000	256,933,000
Total Resources	443,621,000	459,200,000
<b>EXPENDITURES AND EXPENDITURE ADJUSTMENTS</b>		
Expenditures:		
Public Utilities Commission State Operations	175,462,000	201,268,000
Office of Energy Infrastructure Safety (State Ops)	48,661,000	37,006,000
3360 Energy Resources Conservation and Development Commission (State Operations)	3,069,000	1,020,000
3900 Air Resources Board	118,000	203,000
3980 Office of Environmental Health & Hazard Assessment	198,000	213,000
Supplemental Pension Payments	3,314,000	3,314,000
Statewide General Admin Expense (Pro Rata)	10,532,000	9,341,000
Total Expenditures and Expenditure Adjustments	241,354,000	252,365,000
FUND BALANCE	\$202,267,000	\$206,835,000

*The projected Fund Condition Statement is based on estimated used fees revenue based on the rates proposed in this Resolution.*

*The projected Fund Condition Statement will not match to the 2023-24 Governor's Budget as the updated revenue projections are not reflected in the 2023-24 Governor's Budget.*

**CALIFORNIA-AMERICAN WATER COMPANY**

655 W. Broadway, Suite 1410  
San Diego, CA 92101

Cancelling Revised  
Revised

Workpaper 2-1

Cal. P.U.C. Sheet No. 10315-W  
Cal. P.U.C. Sheet No. 9626-W

Schedule No. UF  
SURCHARGE TO FUND PUBLIC UTILITIES COMMISSION  
REIMBURSEMENT FEE

Sheet 1

**APPLICABILITY**

This surcharge applies to all water bills rendered under all tariff rate schedules authorized by the Commission.

**TERRITORY**

This schedule is applicable within the entire territory served by the utility.

**RATES**

A 1.43% surcharge shall be added to all customer bills.

\*In 1982 the Legislature established a Public Utilities Commission Reimbursement Fee to be paid by all water and sewer system corporations to fund their regulation by the Commission. Public Utilities (PU) Code Sections 401-442. The surcharge to defray the cost of that fee is ordered by the Commission under authority granted by PU Code section 403.

(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
Advice 1353	J. T. LINAM	Date Filed <u>December 23, 2021</u>
Decision	DIRECTOR - Rates & Regulatory	Effective <u>March 4, 2022</u>
		Resolution <u>Canceled</u>