**BEFORE THE PUBLIC UTILITIES COMMISSION**

**OF THE STATE OF CALIFORNIA**

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| Order Instituting Rulemaking Evaluating the Commission’s 2010 Water Action Plan Objective of Achieving Consistency between Class A Water Utilities’ Low-Income Rate Assistance Programs, Providing Rate Assistance to All Low Income Customers of Investor-Owned Water Utilities, and Affordability. | Rulemaking 17-06-024(Filed June 29, 2017) |

**Comments of CAlifoRnia Water association**

**ON WATER SALES FORECASTING
AND RISING DROUGHT RISK STAFF REPORT**

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April 5, 2019

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In accordance with Rule 6.2 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”) and the instructions set forth in the *Administrative Law Judge’s Ruling Inviting Comments on Water Division Staff Report on Joint Agency Workshop; And Noticing Additional Proceeding Workshops* issued on March 20, 2019 (“Ruling”), California Water Association (“CWA”) hereby submits these comments on the *Report on Joint Agency Workshop – Water Sales Forecasting and Rising Drought Risk* (“Staff Report”). CWA makes this filing as a party to this proceeding, and on behalf of the Class A water utilities named as respondents.[[1]](#footnote-1)

**I. INTRODUCTION**

CWA is a statewide association representing the interests of investor-owned water utilities subject to the Commission’s jurisdiction that serve reliable, high-quality drinking water to more than 6 million Californians. CWA has long been an active participant in Commission proceedings on the issues of sales forecasting and drought,[[2]](#footnote-2) and appreciates the Commission’s continued commitment to ensuring that its policies and guidance in this subject area meet
current challenges and conditions. CWA and CWA-member companies attended and actively participated in the January 14, 2019 sales forecasting workshop (“Joint Workshop”) jointly hosted by the Commission and the State Water Resources Control Board (“Water Board”).

**II. COMMENTS**

**A. Overall Impressions**

The Staff Report provides a high-level summary of the day’s presentations and discussions, particularly in respect of the Commission’s concerns about the effects of drought (in the recent past and into the future in consideration of California’s changing climate) on the forecasting of water sales. Overall, the Staff Report accurately describes – in a summary fashion – positions taken by CWA and the individual water utility participants. In particular, CWA appreciates that the Staff Report properly observes the water utilities’ goal of achieving more accurate forecasts,[[3]](#footnote-3) rather than simply “reduced,” or more “conservative,” estimates – notwithstanding the fact that current climate trends and regulatory developments generally support lower customer usage. Whether the forecasts adopted in any given GRC are high, low, or somewhere in between is not dispositive of whether that forecast is good or bad. The goal for the water utilities, their customers, and the Commission is, and should continue to be, forecasts that match actual sales as closely as possible.[[4]](#footnote-4)

**B. Next Steps**

As CWA indicated in its January 22, 2019 *Comments in Response to Administrative Law Judge’s Ruling Setting Status Conference*, CWA does not believe that the Commission needs to implement any industry-wide reforms in respect of sales forecasting at this time. That there is disagreement among stakeholders about sales forecasting methodologies and related mechanisms is clear from the workshop, but those issues are better addressed on a case-by-
case basis in individual ratesetting proceedings. Instead, the Commission should build on its recent record of more accurate forecasts by:

1. Endorsing the move away from the rigid application of the New Committee Method accelerated by the adoption of D.16-12-026;
2. Affirming and continuing to support the use of new methodologies that rely on more representative data to produce particular forecasts in general rate case proceedings (“GRCs”);
3. Affirming the value of implementing Sales Reconciliation Mechanisms in individual cases; and
4. Closely monitoring the work of the Department of Water Resources (“DWR”) and the State Water Resources Control Board (“State Water Board”) in their work to develop water efficiency standards (as required by statute), which are likely to guide sales forecasts in future GRCs.

**C. Technical Corrections**

CWA respectfully requests that, for clarity and consistency, the Staff Report be revised as follows:

1. In the first paragraph of the Summary: Specify that representatives from the “investor-owned water utilities” attended the workshop (so as to make it clear that the CPUC-regulated energy utilities, for example, did not attend).
2. In the first paragraph of page 1 and the second full paragraph of page 2 of the Summary: Provide the complete company names of the Class A water utility companies that participated as panelists. Specifically, “California-American Water Company” should replace “California American Water” and “Golden State Water Company” should replace “Golden State Water.”
3. In the second full paragraph of page 2 of the Summary: “Sales reconciliation methods” should be replaced by “sales reconciliation mechanisms.”
4. In the second full paragraph of page 4 of the Summary: “PAO suggested to use a shorter time frame for the GRC to reduce over prediction, which will reduce water utilities to overbill and create more accurate forecasting.”
The wording is confusing and the use of the word “overbill” is inaccurate. Reliance on longer time frames generally has created an undercollection problem, not an overbilling problem. Accordingly, the sentence should be revised to read: “PAO suggested that a shorter time frame for GRC sales forecasts be used to reduce inaccuracies, reduce the magnitude of after-the-fact billing adjustments, and create more accurate adopted sales forecasts.”

**III. CONCLUSION**

CWA appreciates the opportunity to provide these comments on the Staff Report. For the reasons discussed above, CWA submits that the Commission has adequately examined and addressed the sales forecasting issue as scoped for Phase I of this proceeding. We look forward to the upcoming workshops on the topics of rate design and the Water Board’s Draft AB 401 Report, scheduled for later this quarter and year.[[5]](#footnote-5)

 Respectfully submitted,

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April 5, 2019

1. The Class A water utilities named as respondents to this proceeding are as follows: California Water Service Company, California-American Water Company, Golden State Water Company, Great Oaks Water Company, Liberty Utilities (Apple Valley Ranchos Water) Corp., Liberty Utilities (Park Water) Corp., San Gabriel Valley Water Company, San Jose Water Company, and Suburban Water Systems. [↑](#footnote-ref-1)
2. The proceedings to which CWA refers include the 2011-2016 “Balanced Rates” Rulemaking (“R.”) Proceeding (R.11-11-008) that generated Commission Decision (“D.”) 16-12-026, which authorized and encouraged the investor-owned water utilities to propose new and improved forecast methodologies in their general rate case (“GRC”) applications or in standalone applications to the Commission, in specific consideration of drought-impacted consumption trends. [↑](#footnote-ref-2)
3. Staff Report, p. 2, paragraph 2. [↑](#footnote-ref-3)
4. *See, e.g.,* D.16-12-026, at 6 [The Commission recognized that current methodologies produced forecasts that were “wildly off” during economic downturns and periods of drought, resulting in higher Water Revenue Adjustment Mechanism (“WRAM”) balances, and noted: “Inaccurate forecasts provide the air that balloons the WRAM and surcharges.”] [↑](#footnote-ref-4)
5. Per the electronic mail ruling of Administrative Law Judge (“ALJ”) Houck, issued on April 5, 2019, the April 12, 2019 workshop on data-sharing has been cancelled. [↑](#footnote-ref-5)