ATTACHMENT A

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Golden State Water Company (U 133 W) for Authority to Implement Changes in Ratesetting Mechanisms and Reallocation of Rates for Its Region I Service Area	Application No. A.08-09-010

SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES AND GOLDEN STATE WATER COMPANY ON WRAM & CONSERVATION RATE DESIGN ISSUES

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December 11, 2008

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I. GENERAL

A. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") and Golden State Water Company ("GSWC" collectively, "the Parties") have agreed on the terms of this Settlement Agreement which they now submit for approval. This Settlement Agreement addresses conservation-oriented increasing block rates and related decoupling mechanisms for GSWC's Region I such as a Water Revenue Adjustment Mechanism ("WRAM") and Modified Cost Balancing Accounts ("MCBA") already approved in decision D.08.08-030.

B. Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)

C. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the

Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement.

D. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

II. BACKGROUND

A. GSWC provides service to approximately 250,000 customers in three Regions which are comprised of nine ratemaking areas. This settlement pertains to Region 1, which includes roughly 55,600 customers in seven ratemaking areas including Arden Cordova, Bay Point, Clearlake, Los Osos, Ojai, Santa Maria, and Simi Valley.

B. Each of GSWC's ratemaking areas has a tariff, but not all customers in a ratemaking area pay the same rate.

C. Conservation rates have been authorized for Region II and Region III on August 25, 2008 in D.08-08-030. As directed in D.08-08-030, GSWC filed similar conservation rate structures for its Region I ratemaking areas (A.08-09-010). This is a settlement between DRA and GSWC on GSWC's conservation rate proposal in A.08-09-010. The conservation rate design for each ratemaking area within Region 1, except Clearlake, includes a water revenue adjustment mechanism ("WRAM") and a modified cost balancing account ("MCBA"), as previously approved by the Commission in D.08-08-030.

III. PILOT PROGRAM

A. The Parties agree that the conservation rate design and previously authorized revenue decoupling mechanism (WRAM and MCBA) constitutes a Pilot Program to become effective 90 days after a Commission decision adopting the proposed settlement.

    1. The 90 day period will allow for the distribution of information regarding conservation rates to customers.

B. This Pilot Program will be reviewed in the next company-wide general rate case ("GRC") filing in July 2011. At that time, conservation rate design will be reviewed for all of GSWC's ratemaking areas. The filing date is pursuant to the decision in the Commission's Rate Case Plan rulemaking proceeding, D.07-05-062.

1. GSWC's next Region I general rate case filing will be in January of 2010. Parties do not recommend reviewing Region I conservation rate design at that time for the following reasons:

    a. The Region I pilot program for conservation rate would be implemented for less than one year at the time of the 2010 Region I general rate case filing.
    b. Less than one year worth of data will not allow parties to conduct a complete review of the conservation rate in the Region I pilot program.

C. If implementation of the proposed Pilot Program results in a disparate impact on ratepayers or shareholders, the Parties agree to meet to discuss adjustments to the proposed Pilot Program.

IV. CONSERVATION RATE DESIGN

A. Overview

1. The Parties proposed conservation rate designs to be for six of the seven GSWC Region 1 ratemaking areas. The six ratemaking areas are Arden Cordova, Bay Point, Los Osos, Santa Maria, Simi Valley and Ojai.

    a. The proposed conservation rate designs are based on calendar years 2003-2007 data evaluated by the Parties using bill frequency analysis (consumption analysis) using meter readings from each of the ratemaking areas. Consequently, the proposed conservation rate designs will differ across ratemaking areas as described below.

2. The Parties propose excluding one ratemaking area, Clearlake, from conservation rate design in this proposal as discussed below in Section C.

3. In Bay Point, Los Osos, Santa Maria and Simi Valley, customers were classified as residential and non-residential and will have different tariffs depending on their classification.

    a. For residential customers, the proposed conservation rates consist of a reduced service charge and increasing block rate with three tiers.

    b. For non-residential customers, the proposed conservation rates will consist of a reduced service charge and a uniform quantity charge (a single quantity/volumetric rate) that recovers a greater percentage of fixed costs than the single

quantity/volumetric rate which results from the standard rate design currently in place.

4. In Ojai, the proposed conservation rates will consist of a reduced service charge and an increased quantity charge for all general metered customers.

    a. Ojai will keep its current three-tier rate structure and tier thresholds.

5. For Arden Cordova, the Parties agree to propose an interim conservation rate design for all its general metered custmers.

    a. The proposed rate design will consist of a reduced service charge and an increase in quantity charge for all metered customers.
    b. The proposed design will keep the current single quantity rate structure.
    c. This conservation rate proposal will be made via a Tier 2 Advice Letter as discussed in Section IV.G below.

B. Conservation Rate Design Grouping

1. For Bay Point, Los Osos, Santa Maria, and Simi Valley, customers are classified as residential or non-residential and will have different tariff schedules.
2. Ojai and Arden Cordova residential and non-residential customers will have the same conservation rate design and tariff schedule.
3. Clearlake is excluded from conservation rate design in this proposal as discussed in Section C.

C. Ratemaking areas excluded from the conservation rate design settlement.

1. Clearlake

    a. The Clearlake ratemaking area is excluded because average consumption is low in this ratemaking area.
    b. Clearlake is an impoverished ratemaking area that has a very small number of customers.
    c. The Parties agree that the existing single quantity rates and local economic conditions are such that further conservation incentives through rate design are not necessary at this time to motivate customers to reduce their usage.

D. Bay Point, Los Osos, Santa Maria and Simi Valley **Residential** Customers – General Rate Design Parameters

1. Service Charges - Conservation Rate Design Parameters

a. Service charges are used to recover a portion of fixed costs (in traditional rate design, service charges recover approximately 50% of the fixed costs in a service area).
b. The proposed conservation rate design reduces the amount of fixed cost recovered in the service charge as shown in Table 1 below.
    i. To evaluate how much the service charge could be reduced (how much fixed cost could move to the quantity charge), the Parties considered conservation potential and ratepayer impact.
    ii. Service charge revenue reductions are needed to bring each ratemaking area toward the requirements of the California Urban Water Conservation Council's ("CUWCC") Best Management Practices (BMP) 11 to recover 30 percent of its total revenue from service charge and 70 percent from quantity charge.
    iii. Table 1 below shows the percentage of revenues recovered through service charges from residential and non-residential customers to achieve the BMP 11's 30/70 threshold for overall revenue recovery through service charge and quantity charge:

TABLE 1 – Percentage of Revenue Recovered in Monthly Service Charge Present vs. Proposed

	Residential		Non-Residential		Overall	
Ratemaking Areas	Present	Proposed	Present	Proposed	Present	Proposed
Bay Point	40%	35%	21%	20%	33%	30%
Los Osos[2]	45%	30%	54%	43%	47%	33%
Santa Maria	42%	30%	41%	33%	42%	30%
Simi Valley	23%	22%	23%	21%	23%	22%

c. Ratepayer impact was evaluated through bill impact analysis as described in the Schedules section below.

2. *Quantity (Volumetric) Charges - Conservation Rate Design Parameters*

a. Quantity (volumetric) charges are used to recover a portion of fixed costs and 100% of the variable cost (in traditional rate design, quantity charges recover approximately 50% of the fixed costs and 100% of the variable cost in a service area).
b. The Parties propose a three-tier rate structure to replace the single quantity charge.

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[2]. Because the service charges were so high in Los Osos, parties agreed to phase in progress to meeting the BMP 11 goals of collecting only 30% of the fixed charges through the meter rates. Parties achieved a 32% reduction in the residential meter charge ($331,258) and a 20% reduction in the non-residential meter charge ($80,292). This results in an overall reduction in the percentage of fixed costs recovered from the meter charges from 47% to 33%. In future revisions of these rates, GSWC agrees to continue to shift revenue recovery from the service charge to the quantity charges until the BMP 11 target is met.

i. Due to movement of additional fixed costs to the quantity charge, a greater percentage of the total revenue requirement comes from volumetric charges.

c. To evaluate where to set the break points for the tiers, the Parties considered conservation potential and ratepayer impact.
   i. Conservation potential refers to considering the rate impact on customers at different usage levels (low, winter average, average, summer average, high) to project the anticipated effect of the conservation rates. The goal is to ensure that all customers, particularly high usage customers, will receive effective price signals to conserve.
   ii. Ratepayer impact was evaluated through bill impact analysis as described in the Schedules section below.

d. The proposed rate design is based on the seasonality and consumption in each ratemaking area as determined by a consumption (bill frequency) analysis. Attachment 4 provides a description of the consumption (bill frequency) analysis and the summary statistics used to design the proposed conservation rates.
   i. The source data for the residential customers consumption (bill frequency) analysis used was meter readings from calendar years 2003-2007.
   ii. A five-year average was used to reduce or eliminate the skewing effect that outstanding factors (i.e. bi-monthly billing and extreme weather conditions) can have on the data.
   iii. Within each ratemaking area, customers receiving service on the General Metered Service tariff schedule are classified as residential or non-residential.
      (a) Residential customers are all metered customers with classification code "1" representing single residence with one dwelling unit.
      (b) Non-Residential customers are all other metered customers with classification code greater than "1". Attachment 5 provides a complete listing of GSWC Customer Classification Code.

e. The proposed conservation rate design in Bay Point, Los Osos, Santa Maria, and Simi Valley consists of a three-tier increasing block rate structure that is based on seasonal averages which are determined to be a proxy for indoor (low-use months) water consumption. Different rate making areas will have different tier thresholds dependent on their individual consumption patterns.
   i. Tier 1 – Metered usage from zero units to the average winter usage (low-use months), which the Parties agree provides a proxy for indoor water use and ensures consumers at low and average levels of consumption stay within Tier 1.

ii. Tier 2 – Metered usage between the top of Tier 1 and the midpoint between the annual average usage and the summer average usage (high-use months).
iii. Tier 3 – All consumption above the top of Tier 2.
iv. The tiered rates were designed to ensure that the proposed three-tier rates result in sales revenues that are within 2% of what the single quantity rate generates given the same amount of fixed and variable costs allocated to volumetric charges.[1]
v. The rate differential between Tiers was designed to be approximately 15%. Rates in Tier 3 are 15% higher than rates in Tier 2, and rates in Tier 2 are 15% higher than rates in Tier 1. The choice of differentials between the tiers is consistent with the framework established in the decision D.08-08-030 for Regions II and III.
vi. If the general criteria above did not achieve target revenues, Tier 1 was adjusted until quantity revenues were within 2% of what the single quantity rate generates given the same amount of fixed and variable costs allocated to volumetric charges.

E. Bay Point, Los Osos, Santa Maria, and Simi Valley **Non-Residential** Customers.

1. The Parties agree that the conservation rate design proposed for residential customers is currently not feasible for non-residential customers for the following reason:

    a. Requires reclassification of customers. The latter reclassification will require customer and consumption data which are not available at this time.

2. The Parties propose an interim conservation rate design for non-residential customers in these ratemaking areas consisting of a reduced service charge and a uniform quantity charge (a single quantity/volumetric rate) that recovers a greater percentage of fixed cost than the single quantity/volumetric rate that would result from the standard rate design currently in place consistent with the following:

    a. The amount of fixed cost moved to the quantity charge will be based on the bill impact to customers in each service area.
    b. Service charges will be reduced by approximately 5% to 20%, with corresponding increases in the quantity rate to achieve revenue recovery neutrality.

[1] Because of the previously high service charges in Los Osos, and the need to phase in reductions in those service charges while maintaining reasonable conservation signals for customers, parties were not able to meet the 2% revenue neutrality target in Los Osos. However, target revenues in Los Osos are within 3% of what the single quantity rate generates given the same amount of fixed and variable costs allocated to the volumetric charges.

c. Service charge reduction shall be calculated to achieve no more than a 25% increase in the quantity rate for any of the four ratemaking areas' non-residential customer quantity rate groupings.
d. Refer to Table 1 above for non-residential customers' percent of current revenue recovery through service charge vs. proposed.

F. Ojai General Metered Customers' Conservation Rate.

1. The Parties propose conservation rates consisting of a reduced service charge and an increase in Ojai's current three-tier quantity rate charge.

a. Currently Ojai recovers 41% of overall revenue from the service charge. With the proposed rate Ojai will reduce the revenue recovery from the service charge to 35%.
b. Reduction in service charge and increase in quantity charge will bring Ojai closer to BMP 11's 30/70 target.

G. Arden Cordova Metered Customers' Conservation Rate

1. The Parties propose an interim conservation rate consisting of a reduced service charge and an increase in Arden Cordova's current single quantity charge.

a. Currently, Arden Cordova recovers 45% of its overall revenue from the service charge. With the proposed rate Arden Cordova will reduce its revenue recovery from the service charge to 35%.
b. Reduction in the service charge and increase in the quantity charge will bring Arden Cordova closer to BMP 11's 30/70 target.

2. GSWC will file a Tier 2 Advice Letter within 10 days of a final decision on its Region I conservation rate designs in this proceeding (A.08-09-010) to ask for implementation of the proposed conservation rate in Arden Cordova.

a. The conservation rate to be proposed in that advice letter is to be consistent with the points set out in this settlement at Section IV.G.1.
b. The previously approved WRAM and MCBA will be implemented with the conservation rate.
c. Attachment 3 gives an estimate of what rates would look like for Arden Cordova if the interim conservation rate as proposed in Section IV.G.1 is adopted.

H. Other Customer Classes

1. The Parties agree that rates for the following classes will not change: Other Sales and Services, other utilities for resale, and reclaimed/recycled, and flat rate customers.

V. MECHANISMS FOR DECOUPLING SALES AND REVENUE

A. The goals of the decoupling mechanisms in the Pilot Program are as follows:

   a. Sever the relationship between sales and revenue to remove any disincentive for GSWC to implement conservation rates and conservation programs.
   b. Ensure cost savings resulting from conservation are passed on to ratepayers.
   c. Reduce overall water consumption by GSWC ratepayers

B. Decoupling for GSWC will be accomplished through both of the following mechanisms:

   a. A WRAM for each ratemaking area in Region 1 except Clearlake.
   b. An MCBA for each ratemaking area in Region 1 except Clearlake. MCBAs will replace existing cost balancing accounts for purchased power, purchased water, and pump taxes.

C. Together, these decoupling mechanisms will ensure recovery of the adopted fixed costs recovered through the quantity charge and the actual variable costs for purchased water, purchased power, and pump taxes.[2] The fixed costs not included in these accounts will be recovered through the service charge, which is a monthly charge that customers pay regardless of consumption.

D. In accordance with established Commission practice, the WRAM and MCBA accounts will accrue interest at the 90-day commercial paper rate.

VI. WATER REVENUE ADJUSTMENT MECHANISM (WRAM)

A. For each ratemaking area in Region 1, except Clearlake, the WRAM will track the difference between the total quantity charge revenues authorized by the Commission ("Total Adopted Quantity Revenues") and the total revenues actually recovered through the quantity charge based on actual sales("Total Actual Quantity Revenues"), excluding:

   1. Fire service revenue;

   2. Unmetered Service revenue;

   3. Other non-general metered service revenue.

[2] The revenue decoupling mechanisms also ensure recovery of other variable costs (such as chemicals and uncollectible), which are de minimus, at adopted levels.

C. Using Bay Point, Worksheets 4 through 7 in Attachment 1 provide an example of how the Parties intend for the WRAM and MCBA to operate

VII. MODIFIED COST BALANCING ACCOUNT (MCBA)

A. The MCBAs for each ratemaking area, except Clearlake, will capture the cost savings and cost increases associated with purchased water, purchased power, and pump taxes. In accordance with established Commission practice, the MCBA accounts will accrue interest at the 90-day commercial paper rate.

1. The costs of purchased water, purchased power, and pump taxes associated with the production of water can vary due to changes in unit cost, supply mix or consumption amount.

B. In particular, the MCBAs will track the difference between Actual Variable Costs and Adopted Variable Costs for the following variable costs (which are recovered through the quantity charge under both the current and proposed rate designs): purchased water, purchased power, and pump tax.

C. An MCBA will replace each of the current balancing accounts, now referred to as Supply Cost Balancing Accounts.

1. GSWC currently has a Supply Cost Balancing Account for purchased water, purchased power, and pump taxes.

2. The Supply Cost Balancing Account tracks cost changes attributable to changes in unit price, but not changes in the amount of consumption.

3. MCBAs track changes in price and quantity.

VIII. MAINTAINING LEAST-COST WATER MIX

A. With regard to changes in the water mix that result in changes in variable costs tracked in the MCBAs, GSWC stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources.

1. Parties agree that the MCBA will track significant changes in purchased water (which in turn affects the amount of purchased power and pump tax).

2. GSWC will make a showing in its next Region I GRC filing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that any significant change in water purchases was reasonable.

3. For the purpose of this Pilot Program, significant changes in water purchases are defined as when the annual volume of purchased water in

Region I is greater than 10% of the purchased water adopted in the most recently adopted test year for Region I.

IX. RECOVERY AND REFUND OF BALANCING ACCOUNTS

A. The Parties agree that conservation rates may cause the amount of water consumed, and thus the cost of water production, to vary significantly.

B. The Parties agree that the desired outcome and purpose of using WRAMs and MCBAs are to ensure that the utility and ratepayers are proportionally affected when conservation rates are implemented.

1. In the context of this Settlement Agreement, a proportional impact means that, if consumption is over or under the forecast level, the effect on either the utility or ratepayers (as a whole) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility or ratepayers are harmed, or benefited, at the expense of the other party.

C. The Parties agree that, in each ratemaking area, the balance in the WRAM will offset the balance in the MCBAs in the following manner:

1. Reporting Requirements: By March 31st of each year, GSWC will provide the Water Division (with a copy to DRA) with a written report on the status of the WRAM and MCBAs as described herein.

2. WRAM: The written report will include a section on the WRAM in each ratemaking area showing the revenue over- or under-collection with respect to actual (or recorded) water sales as of December 31st of the preceding calendar year. Differences between Actual Revenues and Adopted Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.

3. MCBA: The written report will include a section on the MCBAs in each ratemaking area comparing Actual MCBA Costs with Adopted MCBA Costs as of December 31st of the preceding calendar year. Differences between Actual Costs and Adopted Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.

4. If this report shows that the combined over- or under-collection for the WRAM or the MCBAs in any ratemaking area exceeds 2.5% of the ratemaking area's total recorded revenue requirement for the prior calendar year, GSWC will file an advice letter within 30 days that amortizes the balance in both of the accounts.

5. The WRAM and MCBA for each ratemaking area will always be considered together for the purposes of seeking recovery or providing refunds to ratepayers and will be netted prior to any refund or recovery.

6. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.

D. Surcharges and surcredits: Recovery of under-collections and refunds of over-collections will be passed on to ratepayers through volumetric surcharges and surcredits.

X. SCHEDULES

A. Attachment 1 provides rate design and bill impact analysis information for residential and non-residential customers for Bay Point, Los Osos, Santa Maria, and Simi Valley.[3] Bay Point appears first, and contains four more worksheets than other ratemaking areas (Worksheets 4 through 7 which present the WRAM and the MCBA approved in D.08-08-030). For Bay Point, there are a total of ten worksheets, with the name and number of each worksheet appearing on the top right-hand corner of each page, and the label "BY Example" appearing at the top left-hand corner of each page. The other ratemaking areas (Los Osos, Santa Maria, and Simi Valley) have six worksheets.

1. Worksheet 1 (Rate Design) shows the proposed rate design for residential and non-residential customers. (Example: "Worksheet 1 BY Rate Design.")

2. Worksheet 2 (Typical Bills) shows the typical bills for six different residential customer profiles (low usage, annual, winter and summer averages and large and largest usage). The percent of bills with usage at or below each profile is also shown. The profiles show what a customer fitting that profile will experience under the proposed conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 2 BY Typical Bills.")

3. Worksheet 3 (Bills by Consumption) shows what residential customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting

[3] The rates utilized in the preparation of the Attachments to this Settlement Agreement are based upon escalation factors utilized by GSWC in 2009 escalation step rate increase Advice Letters (GSWC AL 1303-W to 1308-W). Protests have been filed regarding the escalation factors utilized in these Advice Letters. If the Commission requires GSWC to utilize a different escalation factor than the one filed by GSWC in these advice letters, the Parties agree to amend the affected Attachments to the Settlement Agreement within 20 days of a decision on this matter to comport with the required escalation factor.

of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 3 BY Bills by Consumption.")

4. Worksheet 4 (MCBA) shows the proposed Modified Cost Balancing Account assuming the demand change shown in Worksheet 7, Demand & Revenue Change. This worksheet is only available for BY. (Example: "Worksheet 4 BY MCBA.")

5. Worksheet 5 (WRAM) shows the proposed Water Revenue Adjustment Mechanism assuming the demand change shown in Worksheet 7, Demand & Revenue Change. This worksheet is only available for Bay Point. (Example: "Worksheet 5 BY WRAM.")

6. Worksheet 6 (Decoupling) shows the summary calculation for the proposed decoupling of the Region based on the assumptions of the other worksheets. This worksheet is only available for Bay Point. (Example: "Worksheet 6 BY Decoupling.")

7. Worksheet 7 (Demand & Revenue Change) shows the projected demand and revenue change projected along with the assumptions of the other worksheets. This worksheet is only available for Bay Point. (Example: "Worksheet 7 BY Demand & Revenue Change.")

8. Worksheet 8 (Total Bills) is a chart showing the change in the total bills for residential customers, comparing current and proposed rates. (Example: "Worksheet 8 BY TB").

9. Worksheet 9 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Example: "Worksheet 9 BY AC").

10. Worksheet 10 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Example: "Worksheet 10 BY MC.")

B. Attachment 2 contains the schedules for Ojai which had a different rate design than the other ratemaking areas mention in Attachment 1. Rate design for Ojai was discussed above in Section IV (F). Ojai has four worksheets with the name and number of the worksheet appearing on the top right-hand corner of each page.

1. Worksheet 1 (Rate Design) shows the proposed rate design. (Worksheet Labeled: "Worksheet 1 OJ Rate Design.")

2. Worksheet 2 (Bills by Consumption) shows what customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Worksheet Labeled: "Worksheet 2 OJ Bills by Consumption.")

3. Worksheet 3 (Total Bills) is a chart showing the change in the total bills for customers, comparing current and proposed rates. (Worksheet Labeled: "Worksheet 3 OJ Total Bills").

4. Worksheet 4 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Worksheet Labeled "Worksheet 4 OJ AC).

5. Worksheet 5 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Worksheet Labeled: "Worksheet 5 OJ MC.")

C. Attachment 3 contains the schedules for Arden Cordova, which has a different rate design than the other ratemaking areas covered in Attachment 1. Rate design for Arden Cordova was discussed above in Section IV,G. Arden Cordova has three worksheets with the name and number of the worksheet appearing on the top right-hand corner of each page.

1. Worksheet 1 (Rate Design) shows the proposed rate design. (Worksheet Labeled: "Worksheet 1 AC Rate Design.")

2. Worksheet 2 (Bills by Consumption) shows what customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Worksheet Labeled: "Worksheet 2 AC Bills by Consumption.")

3. Worksheet 3 (Total Bills) is a chart showing the change in the total bills for customers, comparing current and proposed rates. (Worksheet Labeled: "Worksheet 3 AC Total Bills").

D. Attachment 4 provides a description of the consumption analysis and summary statistics used to design the proposed conservation rates

E. Attachment 5 provides GSWC's current Customer Classification Codes used in categorizing customers as residential and non-residential for Bay Point, Los Osos, Santa Maria, and Simi Valley

F. Attachment 6 provides summary of 2009 rates for Bay Point, Los Osos, Ojai, Santa Maria, and Simi Valley if this settlement is approved and implemented

XI. MONITORING AND DATA COLLECTION

A. Specifically, for Bay Point, Los Osos, Santa Maria and Simi Valley, GSWC will collect data in the categories identified below for use in analyzing customer response to increasing block rate designs so that it is readily available to the Commission and the Parties to evaluate the results of the Pilot Project for use in designing future increasing block rate designs:

1. GSWC will collect monthly consumption data, namely bill and usage data by meter. The data collection will start when the conservation rates agreed to in this settlement are implemented.

2. GSWC will present customer usage data in a table (in Excel format) showing how much water customers used in each class (i.e. residential and non-residential) annually and monthly by ccf level for the 12 months prior to conservation rates being implemented and for each month since the rates were implemented. For Residential customers consumption data will be broken out by customers who consume in each tier (tier 1, tier 2, and tier 3).

3. For the residential customer class, GSWC will report separately the consumption data in the same method described in #2 above for low income customers who are participating in the CARW (California Alternative Rate for Water) program.

4. GSWC will provide this data in the July 2011 company-wide general rate case application.

B. In addition, GSWC will keep track of revenues by customer class (residential and non-residential). GSWC will keep track of how much is refunded and surcharged through the WRAM/MCBA by customer class so that the information can be evaluated in the July 2011 GRC to determine if the rate design and WRAM/MCBA mechanism is reasonable.

Dated: December 11, 2008

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(END OF ATTACHMENT A)