

# **ATTACHMENT 2**

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

Application of California-American Water Company  
(U 210 W) for an Order Authorizing a Special  
Conservation Program and Modifications to Its Rate  
Design in Its Monterey District, and Authorization to  
Increase Its Rates for Water Service in Its Monterey  
District

A.07-12-010  
(Filed December 14, 2007)

**PARTIAL INTERIM SETTLEMENT AGREEMENT BETWEEN  
THE DIVISION OF RATEPAYER ADVOCATES,  
CALIFORNIA-AMERICAN WATER COMPANY, AND THE MONTEREY  
PENINSULA WATER MANAGEMENT DISTRICT**

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October 10, 2008

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

Application of California-American Water Company (U210W) for an Order Authorizing a Special Conservation Program and Modifications to its Rate Design in its Monterey District, and Authorization to Increase its Rates for Water Service in its Monterey District.

A.07-12-010  
(Filed December 14, 2007)

**PARTIAL INTERIM SETTLEMENT AGREEMENT BETWEEN  
THE DIVISION OF RATEPAYER ADVOCATES,  
CALIFORNIA-AMERICAN WATER COMPANY, AND THE MONTEREY  
PENINSULA WATER MANAGEMENT DISTRICT**

**1. GENERAL**

1.1 Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA"), California-American Water Company ("California American Water"), and the Monterey Peninsula Water Management District ("MPWMD") (collectively, "the Parties") have agreed on the terms of this Settlement Agreement, which they now submit, for approval. The Parties, desiring to avoid the expense, inconvenience and the uncertainty attendant to litigation of the matters in dispute between them have agreed on this Settlement Agreement, which they now submit for approval.

1.2 Because 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.)

1.3 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.

1.4 The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated

package such that the Parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement. If the Commission adopts the Settlement Agreement with modifications, all Parties must consent to the modifications or the Settlement Agreement is void.

1.5 The Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

1.6 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.

1.7 The Parties recognize execution of this Settlement Agreement by the General Manager of MPWMD is required by law to be subject to the later ratification of the Board.

## **2. OVERVIEW OF SETTLEMENT**

2.1 This Settlement Agreement recommends adoption of emergency conservation rates for Hidden Hills, Ryan Ranch, and Bishop (collectively the "Subsystems") during Stage 3 of California American Water's Rule 14.1 Conservation Plan and sets forth a plan for California American Water to try to reduce the water usage of customers that receive "free water" service by deed or contract.

## **3. APPLICABILITY**

3.1 The emergency conservation rates and the Emergency Water Revenue Adjustment Mechanism addressed in Section 5 and 6 of this Settlement Agreement are effective during the interim period between the effective date of a decision adopting this Agreement in Phase 1 of A.07-12-010 and the date California American Water implements the permanent emergency conservation rates and rate design resulting from a decision in its Monterey District General Rate Case A.08-01-027.

3.2 The Parties agree that issues relating to permanent emergency conservation rates, rate consolidation and rate design for each Subsystem are being considered in California American Water's Monterey District General Rate Case (A.08-01-027).

3.3 The emergency conservation rates set forth in Section 5 of this Settlement Agreement take effect when California American Water implements Stage 3 water conservation and implements emergency conservation rates for Monterey District Main System customers.

**4. ALLOTMENTS FOR NON-RESIDENTIAL HIDDEN HILLS, RYAN RANCH AND BISHOP CUSTOMERS**

4.1 California American Water agrees to establish monthly allotments for all non-residential Subsystem customers, except private fire service and private fire hydrant customers ("fire service customers"), using surveys or water audits as done for Monterey District Main System customers.

4.2 California American Water agrees to notify non-residential Subsystem customers, excluding fire service customers, of their annual allotment and a description of how monthly allotments are calculated.

**5. EMERGENCY CONSERVATION RATES IN HIDDEN HILLS, RYAN RANCH AND BISHOP**

5.1 During Stage 3 conservation, California American Water will charge Subsystem customers emergency conservation rates as set forth in paragraphs 5.2, 5.3 and 5.4. California American Water will notify customers no less than 30 days before they are charged any increased rates resulting from implementation of emergency conservation rates.

5.2 During Stage 3 conservation, California American Water will charge non-residential Subsystem customers the current quantity rate (per their respective tariff sheets) for each unit of water delivered up to the customer's monthly allotment and \$19.10 for each unit of water delivered over the customer's monthly allotment.

5.3 During Stage 3 conservation, California American Water will charge all residential customers in Bishop the following quantity rates:

- Usage from 0 to 24 Ccf per month will be charged at the current rate of \$2.3477 per Ccf.
- Usage from 25 to 40 Ccf per month will be charged at the 4<sup>th</sup> block emergency rate for Monterey Main System customers which is currently \$13.7524 per Ccf.
- Usage of 41 Ccf and above per month will be charged at the 5<sup>th</sup> block emergency rate for Monterey Main System customers which is currently \$27.5048 per Ccf.

5.4 During Stage 3 conservation, California American Water will charge all residential customers in the Hidden Hills the following quantity rates:

- Usage from 0 to 8 Ccf per month will be charged at the current rate of \$2.8639 per Ccf.
- Usage from 9 to 24 Ccf per month will be charged at current rate of \$3.8185 per Ccf.
- Usage from 25 to 40 Ccf per month will be charged at the 4<sup>th</sup> block emergency rate for Monterey Main System customers which is currently \$13.7524 per Ccf.
- Usage of 41 Ccf and above per month will be charged at the 5<sup>th</sup> block emergency rate for Monterey Main System customers which is currently \$27.5048 per Ccf.

## 6. SEPARATE EMERGENCY WRAM FOR EACH SUBSYSTEM

6.1 California American Water will establish a separate Emergency Water Revenue Adjustment Mechanism ("Emergency WRAM") for each Subsystem if Stage 3 emergency conservation is implemented. Each of the three Emergency WRAMs would be a balancing account that would track the difference between the revenues collected in each Subsystem from charging emergency conservation rates less the revenues collected in each Subsystem from charging current authorized rates (according to Schedule No. MO-1-68 for Hidden Hills and Ryan Ranch, and Schedule No. MO-1AB for Bishop).

6.2 Funds collected in each Subsystem Emergency WRAM earn interest at the 90 day commercial paper rate.

6.3 Funds collected in each Subsystem Emergency WRAM will be returned to customers within that Subsystem. Funds will be held in each Emergency WRAM until the end of the emergency (as indicated by California American Water returning to Conservation Stages 1 or 2) or January 1, 2010 which ever comes first.

6.4 California American Water will refund the money collected and interest in each WRAM to customers in each Subsystem through a one-time customer bill credit. The money will be refunded as follows within each Subsystem:

6.4.a One-half of the amount collected plus interest will be distributed to those customers in the Subsystem who paid higher rates due to consuming water in the blocks affected by the emergency conservation rates which are blocks 3 and 4 for Hidden Hills residential customers; blocks 2 and 3 for Bishop residential customers; and block 2 for non-residential customers. The refund will be divided among those customers in proportion to the amount of collections each paid.

6.4.b One-half of the amount collected plus interest will be distributed to all customers in the Subsystem, excluding fire service customers, based upon meter size.<sup>1</sup>

6.5. California American Water shall file an advice letter to implement the Emergency WRAM refund. The advice letter shall show the total amount collected from each Subsystem, the interest earned, and the total refund given to each class of customers in each Subsystem.

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<sup>1</sup> Commission regulators and the industry have a standard method that looks to the flow characteristics of each meter size to determine "meter equivalents" that are then used for purposes such as allocating charges to each meter size. That method would be used here.

**7. CONSERVATION PROGRAM ACCESS**

7.1 California American Water shall make all non-price conservation programs available to its Monterey District Main System customers to Hidden Hills, Ryan Ranch and Bishop Subsystem customers.

**8. FREE SERVICE CUSTOMERS**

8.1 California American Water will review the deeds and/or contracts that allow certain customers to receive "free water" service in the Monterey District and will take reasonable and necessary action to limit the customers' usage to the amount of water that is legally available to them. California American Water will also review the deeds and/or contracts to determine whether it can negotiate termination of free service and if so at what cost. California American Water will first focus its efforts on the five customers with the highest usage.

8.2 California American Water will contact "free water" service customers to encourage voluntary conservation and shall make available to each "free water" customer water audits and surveys.

8.3 California American Water will report the actions it takes pursuant to paragraphs 8.1 and 8.2 and the results of those actions in its next General Rate Case application, scheduled to be filed on July 1, 2010.

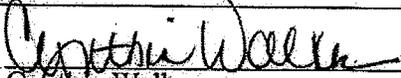
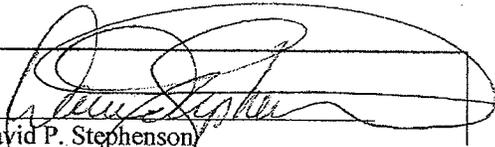
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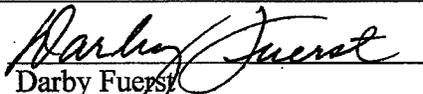
Respectfully submitted,

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October 10, 2008

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Respectfully submitted,

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October 10, 2008

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**PROOF OF SERVICE**

I, Kim O.T. Trinh, declare as follows:

I am employed in the City and County of San Francisco, California. I am over the age of eighteen years and not a party to this action. My business address is MANATT, PHELPS & PHILLIPS, LLP, One Embarcadero Center, 30th Floor, San Francisco, California 94111-3719. On October 10, 2008, I served the within:

**JOINT MOTION FOR ADOPTION OF PARTIAL, INTERIM SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER ADVOCATES, CALIFORNIA-AMERICAN WATER COMPANY, AND THE MONTEREY PENINSULA WATER MANAGEMENT DISTRICT; AND MOTION TO SHORTEN COMMENT PERIOD ON SETTLEMENT AGREEMENT**

on the interested parties in this action addressed as follows:

*See attached service list.*

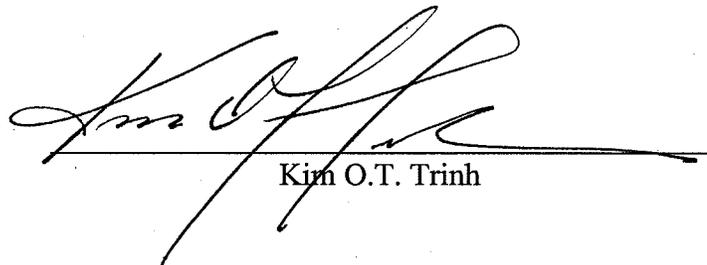


**(BY PUC E-MAIL SERVICE)** By transmitting such document electronically from Manatt, Phelps & Phillips, LLP, San Francisco, California, to the electronic mail addresses listed above. I am readily familiar with the practice of Manatt, Phelps & Phillips, LLP for transmitting documents by electronic mail, said practice being that in the ordinary course of business, such electronic mail is transmitted immediately after such document has been tendered for filing. Said practice also complies with Rule 1.10(b) of the Public Utilities Commission of the State of California and all protocols described therein.



**(BY U.S. MAIL)** By placing such document(s) in a sealed envelope, with postage thereon fully prepaid for first class mail, for collection and mailing at Manatt, Phelps & Phillips, LLP, San Francisco, California following ordinary business practice. I am readily familiar with the practice at Manatt, Phelps & Phillips, LLP for collection and processing of correspondence for mailing with the United States Postal Service, said practice being that in the ordinary course of business, correspondence is deposited in the United States Postal Service the same day as it is placed for collection.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that this declaration was executed on October 10, 2008, at San Francisco, California.



Kim O.T. Trinh

**PUC E-Mail Service List**  
**A.07-12-010**  
**[Updated October 2, 2008]**

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**U.S. Mail Service List**  
**A.07-12-010**  
**[Updated October 10, 2008]**

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