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APPENDIX A

DRA

California Public Utilities Commission
DIVISION OF RATEPAYER ADVOCATES

August 20, 1992

TO: ALL CLASS A WATER UTILITIES

Subject: Combining of Water Utility Districts

RECEIVED
AMERICAN WATER WORKS ASSOCIATION

AUG 21 1992

SERVICE COMPANY
WESTERN REGION

Gentlemen:

In an effort to decrease the work load associated with the large number of rate cases each year, the staff of the Division of Ratepayer Advocates and representatives of Class A water utilities have met and developed the criteria and procedures for combining districts of Class A water utilities. Enclosed is the "Guidelines for Combining of Water Districts."

It is requested that multi-district Class A water utilities perform surveys for the purpose of combining districts according to the Guidelines and inform the staff by October 1992, of your intent and the names of those districts that will be combining.

The draft of the justification and comparative data of the proposed combining districts should be ready for discussion in the November 1992 CWA Meeting.

If you have any questions, please call Han Ong, Supervisor of Large Water Utilities Section, at (415) 703-1138.

Very truly yours,



JOHN YAGER, Manager
Energy and Water O/C Branch

Enclosure

cc: Joe Young, CWA President
Daniel Conway
Joel Dickson
Stan Ferraro
John Barker
Han Ong

GUIDELINES
FOR
COMBINING OF WATER UTILITY DISTRICTS
FOR RATE-MAKING AND
PUBLIC UTILITIES COMMISSION REPORTING PURPOSES

Background

At the present time, the majority of Class A Water Utilities consist of several districts for rate-making and Public Utilities Commission reporting purposes. Many of these district boundaries are the result of smaller companies being purchased by the larger companies with the original smaller company becoming a district of the acquiring company.

In an effort to decrease the regulatory case load associated with the large number of rate-making districts, the Public Utilities Commission DRA Staff has suggested that utilities consider combining several of their present rate-making districts. Several of the companies have also indicated an interest in combining districts. Therefore, on June 11, 1992, representatives of the water utilities met with Mr. Han Ong of the DRA Staff to establish the criteria and procedures for combining districts as discussed below.

Criteria For Combining Districts

The following were established as the four criteria to be met when considering the combining of districts:

1. Proximity

The districts must be within close proximity to each other.

It would not be a requirement that the districts be

districts often consist of separate systems which are not connected. It was suggested that districts within 10 miles of each other would meet the location criteria.

2. Rate Comparability

Present and projected future rates should be relatively close with rates of one district no more than 25% greater than rates in the other district or districts. To lessen the rate impact of combining districts it may be necessary to phase-in the new rates over several years.

3. Water Supply

Sources of supply should be similar. If one district is virtually dependent upon purchased water, while another district has its own source of supply, future costs could change by a greater percent for one district versus the other. This could result in significantly different rates in the future even if present rates were quite similar.

4. Operation

The districts should be operated in a similar manner. For example, if a single district manager presently operates two or more districts and the billing system is common to the same districts, such an operation would support the combination of the districts.

It was agreed that no districts would be combined for the express purpose of having one district subsidize another. It was also agreed that there was no specific intent in developing a single statewide rate for any of the multi-district water

reduce the regulatory case load for both the Public Utilities Commission Staff and the individual water utilities without adverse affect on the utilities' customers.

Procedures for Combining Districts

All water utilities are first requested to review their existing districts to determine which meet the criteria discussed above. For those districts which do meet the criteria, the following procedure is to be followed. This procedure is based on the Commission approving the combination of two or more districts as part of a general rate case filing.

1. At lease nine months prior to the scheduled Notice of Intent filing date, the utility should request DRA Staff approval, by letter, for combining districts. This letter should be accompanied by documentation as required to show compliance with the criteria discussed above.
2. Within six months of the scheduled Notice of Intent filing date, the DRA Staff, by letter, will either approve or disapprove the combination.
3. If DRA Staff approves the combination, the utility will be allowed to file its Notice of Intent and rate case application based on the revenue requirement for the newly combined district, and the DRA Staff will not oppose the combination in the rate case proceeding. However, the company must be prepared to support its request if any intervenor should challenge the request.

individual district until such time as the Commission approves that the districts be combined. The annual report to the Commission for the calendar year in which the combination was approved should be made on a combined district basis.

5. It is expected in some cases it may be necessary to blend the implementation of new identical rates. This could result from the rates in one district having a proportionately larger or smaller service charge component than the other or rates in one district being higher or lower than the other. To accommodate such a possibility it will be necessary to provide separate water use forecasts for the districts being combined, until the rates have been combined.

APPENDIX B

Low-Income for Class A Water Companies

Name	Average customer Savings	Discount Description	Financial Mechanism for Program Funding	Number of Participating Customers (2011)	Number of Participating Customers (2010)
Apple Valley	\$5.83		Surcharge in combination with a surcredit of \$6.93	1,731	1,674
California American Water					
Monterey	\$8.00 - \$16.00	Fixed discount	Included in Rates		
Larkfield	\$8.50	Fixed discount	Costs tracked in		
Ventura	\$8.50	Fixed discount	Memorandum	5,375	5,195
Los Angeles	\$6.50	Fixed discount	account -		
Coronado	\$5.50	Fixed discount	amortized through		
Sacramento	\$5.00	Fixed discount	GRC or Advice		
Cal Water	Varies by ratemaking district's metered service charge, with a maximum monthly subsidy of \$12.00 per customer per month'	50% of the 5/8" x 3/4" service charge for single family residential service. Cal-Water also offers a "rate support fund" to assist certain high cost districts, which is separate to the company wide low-income program.	\$0.27 to \$0.41 depending on district and flat rate surcharge ranges from \$0.24 to \$0.41 per monthly depending on service area	43,080	40,998
Golden State Water					
Region I					
Arden Cordova	\$3.00				
Bay Point	\$7.00				
Clearlake	\$16.00				
Los Osos	\$18.00				
Ojai	\$14.00				
Sata Maria	\$12.00				
Simi Valley	\$6.00				
Region II	\$8.00	Fixed Discount 15% reduction on pre-conservation/tiered rate monthly bill using average 15 Ccf for 5/8 and 3/4 inch customers	\$ 0.033 per CCF on all water sold to non-participating customers	30,808	28,394
Region III	\$8.00		\$ 0.0056 per CCF on all water sold to non-participating customers		
Region III	\$8.00		\$ 0.0035 per CCF on all water sold to non-participating customers		

Great Oaks	\$7.95	50% of Service Charge	Booked to balancing account and amortized	325	304
Park	\$5.50	Fixed Discount	Surcharge suspended and surcredit established due to overcollections	2,137	2,094
San Gabriel					
Los Angeles	\$10.02	50% off Service Charge 1" or smaller	Memorandum Account offset by costs included in rates (revenue deficit due to discounts spread over other rates). Difference of subsidies provided and subsidies estimated in rates are tracked in memo account.	21,944	20,401
	\$15.03				
\$25.05					
\$8.60					
\$12.90					
Fontana	\$21.50				
San Jose	\$8.26	15% of total water bill		7,633	8,342
Suburban	\$6.50	Fixed Discounts	\$0.031 per CCF for all non CARW metered customers (20 CCF ave)	3,823	3,862
Valencia	\$4.25	50% off Service Charge 1" or smaller	Surcharge per customer per month	387	362
	\$6.38				
	\$11.92				

APPENDIX C

Memorandum

date : February 22, 1983

To : Professional Staff

From : Public Utilities Commission — San Francisco -- W. R. Ahern, Director, Utilities Division
B. A. Davis, Director, Revenue Requirements Div. WRD

File No.:

Subject: CAPS Standard Procedure

Purpose

The purpose of this memorandum is to provide the Commission staff and interested parties with a standardized procedure to implement the Commission's adopted policy on CAPS (deferral of a portion of a general rate increase) for water utilities.

Background

At the Commission Conference on February 4, 1982, the Commission approved a staff recommended policy limiting rate increases for water utilities (Attachment No. 1). This policy provided for deferral of that portion of general rate increases in excess of 50% for large water utilities and 100% for the smaller water utilities. This policy was adopted to mitigate the impact of a large rate increase on the utility's customers.

At the Commission Conference on August 18, 1982, the Commission approved a staff recommended policy on CAPS that the rates be reduced to the adopted level as soon as the deferred revenues are provided to the utilities (Attachment No. 2). This modification of the CAPS policy insures that the rates to recover the deferred revenues plus interest would be above the adopted level for the minimum period of time.

Citizens Utilities Company petitioned for a rehearing on the method of computation of interest on the deferred revenues contending that the monthly compounding method should be used instead of the simple annual method. The Commission in Decision 82-11-054, dated November 17, 1982, affirmed the simple annual method of compensation shown on Appendix E of the following decisions: 82-03-023, 82-04-009, 82-04-017, 82-05-038, and 82-05-076.

The recommended standard procedures to implement CAPS were distributed for analysis, review, and comments. The following standard procedure is a consensus of the reviewing Commission staff.

Criteria/Ground Rules

The following basic criteria (or ground rules) shall be used for rate increases in excess of 50% for large (Class A) water utilities or 100% for small water utilities. The procedures in this Memorandum are equally applicable to smaller (Class B, C, and D) water utilities by substituting 100% where the text reads 50%.

1. The initial increase shall not exceed 50% except: (1) in the case where the total deferred revenue including interest cannot be recovered in three years with the 50% limitation, and (2) in the case where the 50% limit would be insufficient to meet operating expenses. In the first case, approximately equal percentage increases should be used for the initial increase and the succeeding annual step increases. In the second case, the increase should be sufficient to eliminate a negative return. In all cases, the recovery should occur in three years to permit filing for further relief as prescribed in the Water Regulatory Lag Plan.
2. Step rates for both deferred revenues and attrition shall be authorized at 12-month intervals effective on the first of the month following the anniversary date of the decision authorizing the rate increase. This deviation from the present policy of attrition step rates being effective on January 1 shall only be applicable where there is a CAP on the amount of the annual rate increase.

3. Interest on the deferred rate increase (deferred revenues) shall be computed as simple interest on an annual basis. The annual interest rate shall be the authorized rate of return on rate base or such other rate as the Commission finds as reasonable in the decision authorizing the rate increase.
4. In cases with multiple test years, any attrition allowance (step rate increases) shall be included in the CAP of 50% in any one year. However, any increase in gross annual revenues associated with adopted levels of customer growth shall be excluded in the CAP of 50% in any one year.
5. The deferred rate increase revenues including interest shall be recovered in the first step rate increase, provided that the gross increase does not exceed 50%; otherwise, the balance of the deferred revenue plus interest will extend into a second step (year).
6. The decision shall provide for a final step to reduce the rates to the level of the adopted gross revenues for the latest test year.
7. The incremental rates (deferred revenue including interest) that are greater than the adopted revenues shall not be used in the summary of earnings filed with advice letter filings for attrition step rate increases.

Sample Computations

Sample computations for some typical rate case situations are shown on Attachments Nos. 3, 4, and 5. These examples are not meant to be all inclusive. Each rate case, where the 50% CAP is implemented, will ultimately be handled on a case-by-case basis using the criteria and ground rules contained herein.

Attachment No. 3 shows an example of the Appendix to Commission decisions for the following conditions:

1. Single test year
2. No attrition
3. No adopted customer growth
4. Two-year deferred revenue recovery period.

Attachment No. 4 shows an example of the Appendix to Commission decisions for the following conditions:

1. Three test years
2. Attrition step rates
3. Adopted customer growth in second and third test years
4. Two-year deferred revenue recovery period

Attachment No. 5 shows an example of the Appendix to Commission decisions for the following conditions:

1. Very large (123.5%) increase for Class A utility
2. Single test year
3. No attrition
4. No adopted customer growth
5. Three-year deferred revenue recovery period

RHB:KL

Attachments

Memorandum

January 23, 1982
 (for February 4 Conference)

COMMISSIONERS

To: J. E. Bryson, President
 R. D. Gravelle
 L. M. Grimes
 G. Galvo
 P. C. Green

J. E. Kerr, General Counsel
 I. R. Alderson, Chief ALJ
 W. R. Ahern, Director, Util. Div.
 S. A. Davis, Director, Pub. Req. Div.
 B. Barkovich, Director, Policy Div.

From: Public Utilities Commission — San Francisco

File No.: 076

Subject: "Caps" for water Utility Rate Increases (for Commission consideration at the February 4, 1982 Conference)

RECOMMENDATIONS: The following policy be established as a guideline to staff in water utility rate proceedings:

1. For the large utilities that regularly file for rate relief, the staff will recommend that relief be granted with step increases for recommended increases in excess of 50%.
2. For the smaller utilities that file infrequently for rate relief, a cap of 100% should be used, with deviations granted in accordance with criteria specified below.

DISCUSSION: In response to a discussion at the conference of January 5, 1982, staff indicated that it would provide the Commission with a recommendation on "caps" for water company increases.

The primary advantage of a cap is that the burden placed on consumers in any year would be limited and rate increases would occur in a more orderly manner. Consumers would thereby be better able to budget for utility increases during this period of rapid inflation. The main disadvantage of an imposed cap is the question of fairness and proper notice, especially since such a cap would inflict the greatest hardship on the smaller water companies. Another disadvantage is the possibility that the smaller companies would react by seeking rate increases at shorter time intervals and more frequent rate cases would increase the staff workload to levels that may be difficult to manage and impose higher average rates to consumers.

To determine the extent of the problem, rate increase requests over the last two years were reviewed. The larger water utilities filed 26 applications for rate increases, of which 7 were authorized increases in excess of 50%. Six of these were applications by PG&E for a 1980 test year, and rate relief was authorized as step increases in view of the lengthy period since the prior filings. The other was the increase authorized for Park Water Company for one of its small districts in November 1981.

The smaller water companies filed 63 advice letters for general rate increases, of which only 1 in excess of 100% was granted. Spring Crest Water and Power Company, which serves 15 customers near Palm Desert, Riverside County, was authorized a rate increase of 233% on October 8, 1980. However, this increase produced only \$2,520 in additional revenue and still resulted in a negative rate of return. It should also be noted that 9 companies were authorized increases of 100% and that some of these were influenced by the staff to temper their requests.

- 2 -

In view of the potential problems if the Commission issued a notice prescribing a cap for water increases, we recommend that the Commission establish the following policy:

Except for unusual circumstances which will be completely documented, staff will recommend step increases for the larger utilities for any rate requests in excess of 50%. Any attrition allowance will be subject to this cap of 50% in any one year.

For the smaller utilities filing advice letters or formal applications for general rate increases, staff will not recommend increases in excess of 100% unless:

1. A larger increase would be required to eliminate a negative rate of return or out of pocket loss.
2. A large increase is based on large investment for new facilities primarily to improve service.

EJT/WRA:st

c: J. E. Bodovitz
Division Directors

Memorandum

Date: Conference of August 18, 1982

To: President Bryson
Commissioner Gravelle
Commissioner Grimes
Commissioner Calvo
Commissioner Gray

From: Public Utilities Commission — San Francisco -- J. E. Kerr, General Counsel
W. R. Ahern, Director, Utilities Div.
B. A. Davis, Director, Rev. Req. Div.
B. Barkovich, Director, Policy Div.

File No.:

Subject: Implementation of "Caps" for Water Utility Rate Increases (for Commission Consideration at the August 18, 1982 Conference)

RECOMMENDATION: The staff recommends that rates for water utilities subject to a cap be reduced to the adopted level as soon as the revenues deferred due to the cap are provided to the utilities.

DISCUSSION: At the February 4, 1982 Conference, the Commission approved a general policy limiting annual rate increases to 50% for large water utilities and 100% for small water utilities. The Commission further indicated that any deferred revenues would be provided to the utilities with interest. In attempting to implement this policy, a pivotal issue emerged. After the deferred revenues are returned to a utility, should the rates be reduced back to the adopted level or be allowed to remain at the level set to provide the deferred revenues and interest (authorized level). The attachment presents a graphical representation of the two methods.

The advantage of the staff method is that the rates would be above the proper adopted level for the shortest time. The disadvantage would be the possibility of rate instability if the deferred revenues are repaid in year 2, rates are reduced to the adopted level in year 3 and the utility files for and receives another rate increase beginning in year 4. If the utility does not file for a rate increase in year 3, however, and the higher rates are not reduced after the revenues are returned, the customers would be paying an unauthorized rate increase beginning in year 4. Utilities do not automatically file for rate increases every three years, and they might have an incentive not to file if the authorized revenues were larger than the proposed increases. This would be another advantage of the staff method.

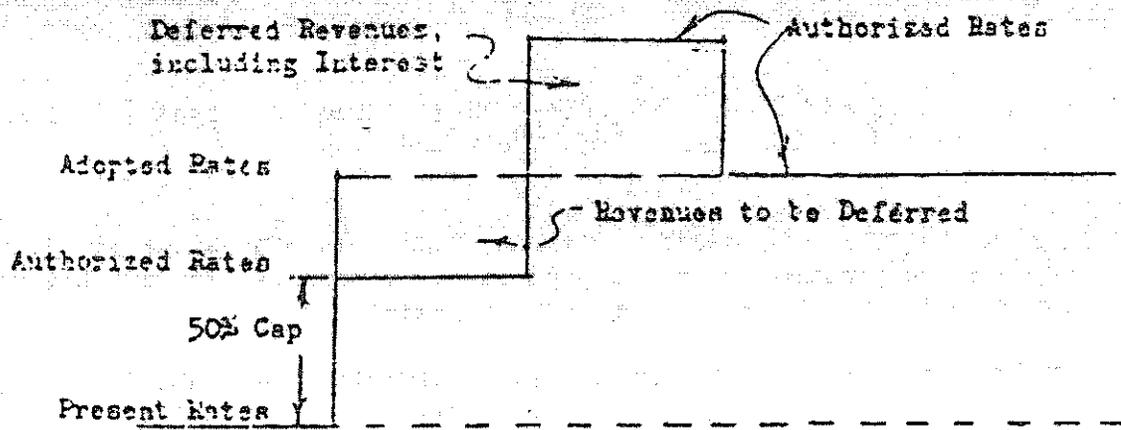
ALTERNATIVE: The initial decision draft in Application No. C0253 used the staff recommended method in ordering the recovery of deferred revenues in one year and then reducing the rates to the adopted level in year 3. However, at the conference of May 18, 1982, the Commission, in issuing Decision No. 82-05-076 in that proceeding, selected the alternative method of spreading the deferred revenues equally over years 2 and 3 and keeping the rates at this higher level for year 4. This results in more stable rates for those years, assuming that the utility receives a rate increase in the fourth year.

EJT:AM
Attachment

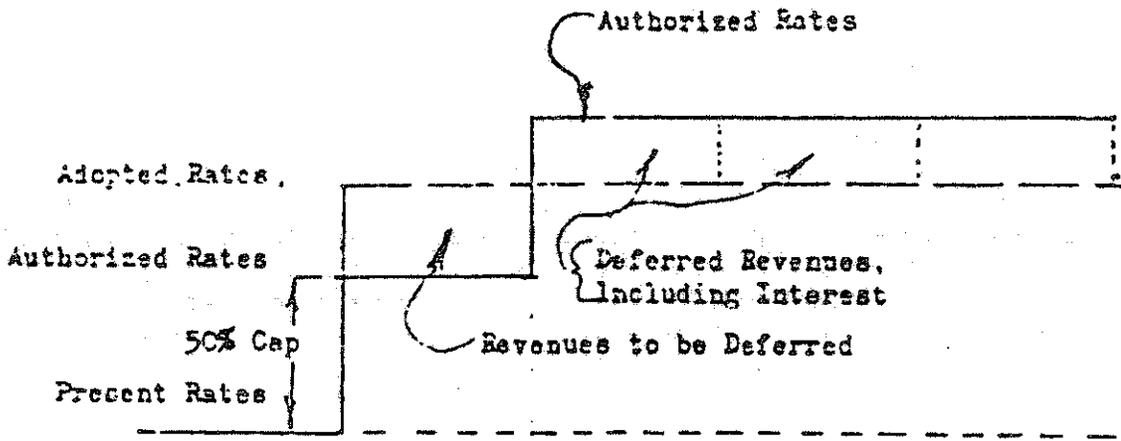
cc: J. D. Reader
M. J. Purcell
W. E. Franklin

Test Year Year 2 Year 3 Year 4

Recommended Method



Alternate Method



Authorized level represents the adopted revenues plus the deferred revenues, including interest in Year 2 and Year 3.

NO ATTRITION - SINGLE TEST YEAR
 DECISION DATE - MARCH 20, 1983; EFFECTIVE DATE - APRIL 1, 1983
 (Dollars in Thousands)

	<u>Adopted</u>	<u>Adjustment</u>	<u>CAPS</u>
<u>1983</u>	Effective Date - April 1, 1983		
Present	\$438.5		\$ 438.5
Adopted	787.9		657.8
Increase	349.4	79.7%	219.3 50%
<u>1984</u>	Effective Date - April 1, 1984		
Present	787.9		657.8
Adopted	787.9	[\$130.1 + \$15.6]	933.6
Increase	-		275.8 41.9%
<u>1985</u>	Effective Date - April 1, 1985		
Present	787.9		933.6
Adopted	787.9		787.9
Increase (Decrease)	-		(145.7)(15.6%)

COMPUTATIONSDeferred Amount

$$\$349.4 - \$219.3 = \$130.1$$

Interest

$$\$130.1 \times (12.0\%) = \$15.6$$

Accumulated Revenues

	<u>Adopted</u>	<u>CAPS</u>	<u>Difference</u>
1983-85	\$2,363.7	\$2,379.3	\$15.6

ATTRITION - THREE TEST YEARS

DECISION DATE - MARCH 20, 1983; EFFECTIVE DATE - APRIL 1, 1983
(Dollars in Thousands)

	<u>Adopted</u>	<u>Adjustment</u>	<u>CAPS</u>
<u>1983</u> Effective Date - April 1, 1983			
Present	\$438.5		\$438.5
Adopted	787.9		657.8
Increase	349.4	79.7%	219.3 50%
<u>1984</u> Effective Date - April 1, 1984			
Present	791.2 *		660.2 *
Adopted	842.8 **	130.1 + 15.6	988.5
Increase	51.6	6.5%	328.3 49.7%
<u>1985</u> Effective Date - April 1, 1985			
Present	847.8 *		992.1
Adopted	902.8 **		902.8
Increase/(Decrease)	55.0	6.5%	(89.3) (9.0%)

* The following increases results from customer growth:

<u>Year</u>	<u>Adopted</u>	<u>Distribution</u>
1984	\$3.3	\$2.4
1985	\$5.0	\$3.6

** The following increases results from attrition:

<u>Year</u>	<u>Attrition</u>
1984	\$51.6 (\$842.8 - \$791.2)
1985	\$55.0 (\$902.8 - \$847.8)

COMPUTATIONSDeferred Amount

$$\$349.4 - \$219.3 = \$130.1$$

Interest

$$\$130.1 \times (12.0\%) = \$15.6$$

Accumulated Revenues

	<u>Adopted</u>	<u>CAPS</u>	<u>Difference</u>
1983-1985	\$2,533.5	\$2,549.1	\$15.6

Note: Note that the total dollar amount of deferred revenue and payback (interest) are not affected by customer growth and attrition. However, the percentage amount of the annual increases are changed. (See Attachment No. 3).

NO ATTRITION - SINGLE TEST YEAR

DECISION DATE - MARCH 20, 1983; EFFECTIVE DATE - APRIL 1, 1983
(Dollars in Thousands)

	<u>Adopted</u>	<u>Adjustment</u>	<u>CAPS</u>
<u>1983</u> Effective Date - April 1, 1983			
Present	\$170.0		\$170.0
Adopted	380.0		255.0
Increase	210.0	123.5%	85.0--50%
<u>1984</u> Effective Date - April 1, 1984			
Present	380.0		255.0
Adopted	380.0	$\sqrt{2.2 + 0.37}$	382.5
Increase	-		127.5--50% ^{1/}
<u>1985</u> Effective Date - April 1, 1985			
Present	380.0		382.5
Adopted	380.0	$\sqrt{122.8 + 29.57}$	532.3
Increase	-		149.8--39.2%
<u>1986</u> Effective Date - April 1, 1986			
Present	380.0		532.3
Adopted	380.0		380.0
Increase/(Decrease)	-		(152.3)--(28.6%)

COMPUTATIONSDeferred Amount

$$\$210 - \$85.0 = \$125.0$$

Distribution

$$1984 - \$ (255.0 \times 1.5 - 380.0) + 1.12^{\frac{2}{2}} = \$2.2$$

$$1985 - \$ 125.0 - 2.2 = \$122.8$$

Interest

$$1984 - 2.2 \times 12\% = \$0.3$$

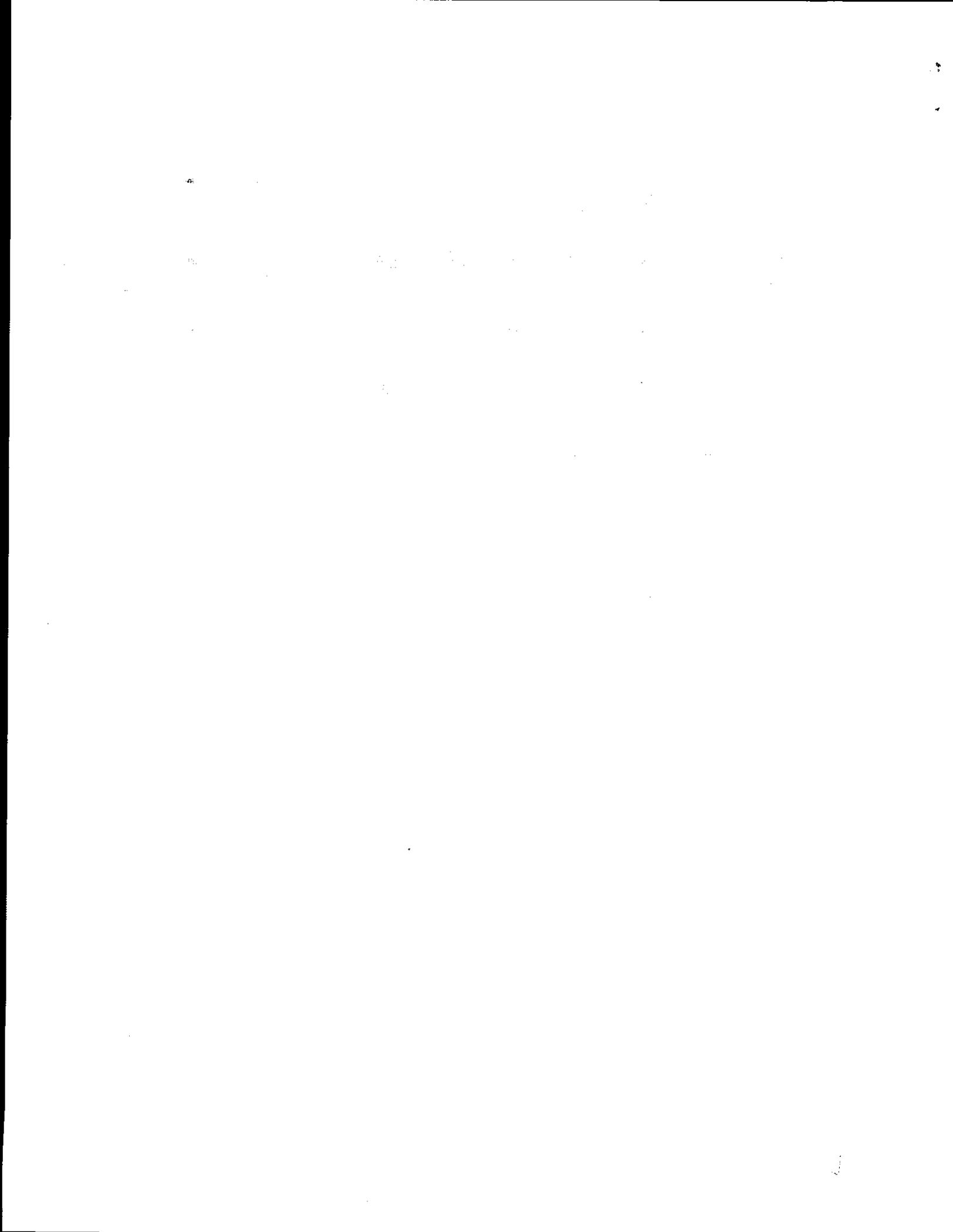
$$1985 - 122.8 \times 12\% \times 2 \text{ yrs.} = \$29.5$$

Accumulated Revenues

	<u>Adopted</u>	<u>CAPS</u>	<u>Difference</u>
1983-1986	\$1,520.0	\$1,549.8	\$29.8

^{1/} Note that the 50% CAP for Test Year 1984 requires that the deferred revenue is recovered in Test Year 1985.

^{2/} The factor 1.12 is a combination of principal (1.0) plus interest (12.0%).



APPENDIX D

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of California Water Service Company (U 60 W), a corporation, for an order authorizing it to increase rates charged for water service in the Antelope Valley District by \$437,218 or 36.94% in fiscal 2006-2007, by \$145,000 or 8.94% in fiscal 2007-2008, and by \$145,000 or 8.21% in fiscal 2008-2009.

And Related Matters

Application 05-08-006

Application 05-08-007
Application 05-08-008
Application 05-08-009
Application 05-08-010
Application 05-08-011
Application 05-08-012
Application 05-08-013

(Filed August 8, 2005)

**JOINT MOTION OF CALIFORNIA WATER SERVICE COMPANY (U-60-W) AND
THE DIVISION OF RATEPAYER ADVOCATES TO APPROVE STIPULATION
CONCERNING RATE BASE EQUALIZATION ACCOUNT (RBEA) SETTLEMENT**

DIVISION OF RATEPAYER ADVOCATES
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Dated: March 2, 2006

Attorneys for California Water Service Company

I. INTRODUCTION

Pursuant to Rules 51.1 *et seq.* of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), applicant California Water Service Company (U 60 W) (“Cal Water”) and the Division of Ratepayer Advocates (“DRA”) hereby move on behalf of all parties that the Commission grant this motion seeking approval of a stipulation concerning the Rate Base Equalization Account (RBEA) Settlement (“Settlement”).¹ The Settlement is attached to this motion as Attachment A. The Settlement fulfills the criteria that the Commission requires for approval of such stipulations. As explained below, the Settlement is reasonable in light of the whole record, consistent with the law, and in the public interest. Moreover, the Settlement commands the unanimous support of all parties in this consolidated proceeding. For these reasons, the Commission should grant this motion and adopt the Settlement in its decision in this matter.

II. STATEMENT OF FACTS

A. Procedural Background

As the Commission knows, Cal Water filed eight rate applications last August for its Antelope Valley, Bear Gulch, Dominguez-South Bay, Hermosa-Redondo, Kern River Valley, Marysville, Palos Verdes, and Redwood Valley Districts. As part of these applications, Cal Water proposed a Rate Base Equalization Account (“RBEA”) for the Antelope Valley, Kern River Valley and Redwood Valley Districts. (*See, e.g.*, Exhibit E-AV at 41-43). DRA protested the applications on September 9.

At the prehearing conference, Administrative Law Judge (“ALJ”) McVicar consolidated the eight applications and discussed the numerous issues raised in the proceeding, including the proposed RBEA and low income assistance programs. (Transcript at 43:16-46:28; 49:4-50:15). At the prehearing conference, it was agreed that Cal Water should provide notice of the proposed RBEA to customers in all twenty-four of its districts since customers in all districts would be potentially impacted if the proposal were adopted. (*Id.* at 52:15-53:14). After consulting with the Commission

¹ Because the Settlement resolves only one issue raised in this proceeding, it is technically a stipulation under Rule 51.

concerning the contents of the notice, Cal Water provided notice of its proposed RBEA to all customers. On September 26, the Commission issued a Scoping Memo and Ruling of Assigned Commissioner (“Scoping Memo”) which identified the issues raised in the applications, including the proposed RBEA. Scoping Memo at 2.

Several organizations and individuals intervened in the proceeding last Autumn, including the Lucerne Community Water Organization (“LCWO”) in the Lucerne division of Redwood Valley, Jeff Young (“Young”), a property owner in the Coast Springs division of Redwood Valley, Marcos Pareas (“Pareas”), another property owner in Coast Spring, Jack Miller (“Miller”) in the Unified Service Area of Redwood Valley, and the Leona Valley Cherry Growers Association (“LVCGA”) in Antelope Valley.²

During the week of December 19, 2005, ORA submitted its reports and testimony, including Exhibit DRA-11 relating solely to the proposed RBEA. On January 9, 2006, Cal Water served its rebuttal testimony, including Exhibit CWS-4 which responded to ORA’s exhibit concerning the RBEA.

Settlement discussions began in mid-November and have continued since then. Cal Water, DRA and all of the Intervenors participated in portions of the settlement discussions relating to the RBEA initially proposed by Cal Water. These discussions also took place during the evidentiary hearings which were held at the Commission from January 24 to January 31. As a result of these discussions, an agreement has been reached to resolve the RBEA issue raised in the company’s applications. The parties documented their agreement in the attached Settlement.

B. Rate Support Fund

All of the parties agree that some form of rate assistance is appropriate for the Antelope Valley, Kern River Valley, and Redwood Valley Districts, based upon consideration of the affordability of rates and public comment. However, instead of adopting Cal Water’s originally proposed RBEA, the parties have instead agreed to a

² Where appropriate, LCWO, Young, LVCGA, Pareas and Miller will be collectively referred to as the “Intervenors.”

Rate Support Fund (“RSF”) mechanism.³ As set forth in Attachment A, the RSF will support two types of benefits: (1) a general rate assistance benefit to all customers in the Redwood Valley, Kern River Valley and Fremont Valley area in Antelope Valley; and (2) a targeted benefit to qualifying low income customers in all three RBEA proposed districts – Antelope Valley, Kern River Valley and Redwood Valley (Lucerne, Coast Springs, and Unified). (Agreement at 2.) The RSF will be funded via a volumetric surcharge on every unit of water sold by Cal Water in all twenty four of its districts, or a per customer charge for un-metered customers on a flat rate. (*Id.* at 5.) The duration of the RSF is this general rate case cycle. The RSF credits and surcharges will be booked in a single balancing account by Cal Water. (*Id.*) The precise details of the parties’ agreement are spelled out in the attached Settlement.

Based upon this all party agreement to implement the proposed RSF, Cal Water and DRA have filed this joint motion on behalf of all parties requesting the Commission approve a stipulation adopting the Settlement. All parties have now executed the attached Settlement. As the Settlement provides, “The Parties, by signing this Agreement, acknowledge that they pledge support for Commission approval and subsequent implementation of all the provisions of the Agreement.” Settlement at 1.⁴ Thus, Cal Water and DRA are filing and signing this motion on behalf of all parties.

III. DISCUSSION

Rule 51.1(e) requires that a stipulation or settlement be “reasonable in light of the whole record, consistent with law, and in the public interest.” Also, because the Settlement is sponsored by all parties, the standard articulated in *Re San Diego Gas & Elec.*, D. 92-12-019, 46 CPUC 2d 538, 552-553 (1992), applies as well. Under that standard, the Commission will approve settlements where (1) they are sponsored by all

³ While Cal Water and DRA analyzed the impact of high rate base per customer in their reports, it was only one of the factors used to decide which districts should be eligible for a benefit. As explained in the Settlement, actual numerical recommendations for rate assistance are based on a per customer benefit and are not tied to rate base. (Settlement at 2.)

⁴ The Settlement also provides that, “The Parties shall use their best efforts to obtain Commission approval of the Agreement. The Parties shall jointly request that the Commission: (1) approve the Agreement without change; and (2) find the Agreement to be reasonable, consistent with law and in the public interest.” (Settlement at 6, ¶ 12.)

active parties, (2) those parties are fairly representative of the affected interests, (3) the settlement does not contravene the law, and (4) the settlement documents provide the Commission with the information needed to discharge its regulatory obligations. (*Id.*) The Settlement here satisfies the criteria in both Rule 51.1(e) and D. 92-12-019. The Commission should approve this motion and stipulation, and adopt the Settlement which is supported by each party.

A. The Settlement Is Reasonable

The reasonableness of the Settlement is supported by DRA's reports and testimony, by the testimony, reports and rebuttal testimony of Cal Water, and by the testimony and exhibits offered by the Intervenors in this proceeding. In addition, the parties considered the affordability of the rates in the districts (*i.e.*, income levels, usage levels, rate base per customer, availability of public loan funds, and average bills), public comments at the Public Participation Hearings, letters to the Commission and DRA, as well as the impact of extraordinary water quality problems. (Settlement at 1-2.) The parties fully considered the facts and the law. Following extensive settlement negotiations, the parties reached a reasonable compromise on the RBEA issue which was in contention. The settlement negotiations were accomplished at arm's length over the course of numerous days.

B. The Settlement Is Lawful

The parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the Settlement. Indeed, the Settlement here moves water rates towards affordability for the Fremont Valley, Kern River Valley, and Redwood Valley Cal Water customers. The Commission's recent Water Action Plan provides that the Commission, "will develop options to increase affordability of water service for [low income] customers . . ." (Water Action Plan at 5.) The issues resolved in the Settlement are clearly within the scope of the proceeding. Moreover, the Settlement if adopted would result in just and reasonable rates.

C. The Settlement Serves The Public Interest

Also, the Settlement is in the public interest. The Commission has explained that a settlement which "commands broad support among participants fairly reflective of the affected interests" and "does not contain terms which contravene statutory provisions or

prior Commission decisions” well serves the public interest. *Re San Diego Gas & Elec.*, D. 92-12-019, 46 CPUC 2d at 552. In this proceeding, all of the parties have agreed on the RSF after extensive negotiations. The parties fairly represent the affected interests. Cal Water provides water service to the customers in the relevant districts, and DRA is statutorily mandated with representing ratepayers in California, including those districts not directly at issue in this consolidated proceeding. Also, the Intervenors are Cal Water ratepayers and they come from Cal Water districts that the proposed RSF would benefit.

The principal public interest affected by this proceeding is the delivery of safe, reliable water service at reasonable rates. The Settlement advances this interest. In addition, Commission approval of the Settlement will provide speedy resolution of contested issues, will save unnecessary litigation expense, and will conserve Commission resources. The Commission has acknowledged that “[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.” *Re PG&E*, D. 88-12-083, 30 CPUC 2d 189, 221.

D. The Settlement Conveys Sufficient Information

In addition, the parties believe that the Settlement conveys sufficient information for the Commission to discharge its future regulatory obligations.

Thus, taken as a whole, the Settlement satisfies the Commission’s standards for approving stipulations presented to it.

IV. CONCLUSION

For the reasons stated above, Cal Water and DRA request on behalf of all parties that the Commission grant this motion and adopt the Settlement attached hereto.

Dated: March 2, 2006:

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of “**JOINT MOTION OF CALIFORNIA WATER SERVICE COMPANY (U-60-W) AND THE DIVISION OF RATEPAYER ADVOCATES TO APPROVE STIPULATION CONCERNING RATE BASE EQUALIZATION ACCOUNT (RBEA) SETTLEMENT**” in Application 05-08-006, et al. by using the following service:

[X] **E-MAIL SERVICE:** sending the entire document as an attachment to an e-mail message to all know parties of record to this proceeding who provided e-mail addresses.

[X] **U.S. MAIL SERVICE:** mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed in San Francisco, California, on the 2nd day of March, 2006.

/s/ ANGELITA F. MARINDA
Angelita F. Marinda

NOTICE

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address and/or e-mail address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

California Water Service Company (U 60-W), for Authority to Increase Rates Charged for Water Service in the Antelope Valley District by \$437,218 or 36.94% in Fiscal Year 2006-2007; by \$145,000 or 8.94% in Fiscal Year 2007-2008; and by \$145,000 or 8.21% in Fiscal Year 2008-2009.

Application 05-08-006
(Filed August 8, 2005)

And Related Matters.

Application 05-08-007
Application 05-08-008
Application 05-08-009
Application 05-08-010
Application 05-08-011
Application 05-08-012
Application 05-08-013
(Filed August 8, 2005)

RATE BASE EQUALIZATION ACCOUNT (RBEA)
SETTLEMENT

GENERAL

The Parties to this Settlement before the California Public Utilities Commission (Commission or CPUC) are California Water Service Company (CWS), the Division of Ratepayer Advocates (DRA), Lucerne Community Water Organization, Intervener Jack Miller from Armstrong in the Redwood Valley Unified District, Interveners Jeffrey Young and Marcos Pareas from the Redwood Valley Coast Springs District and the Leona Valley Cherry Growers Association -- collectively, Parties. The Parties, desiring to avoid the expense and inconvenience attendant to the litigation before the Commission, have agreed on this Settlement, which they now submit for adoption.

In consideration of the mutual obligations, covenants and conditions contained herein, the Parties agree to the terms of this Agreement. Nothing in this Agreement shall be deemed to constitute an admission or an acceptance by any Party of any fact, principle, or position contained herein and this Agreement is subject to the limitations described in Section 13 with respect to the express limitation on precedent. The Parties, by signing this Agreement, acknowledge that they pledge support for Commission approval and subsequent implementation of all the provisions of the Agreement.

SETTLEMENT TERMS

This agreement was reached taking into account Parties original positions, the affordability of the rates (district income levels, usage levels, rate base per customer, availability of public loan funds, and average bills in each district) and public comment at the Public Participation Hearings and in letters to the CPUC and DRA. In addition,

Parties weighed the impact of any extraordinary water quality problems in reaching this settlement.

Parties agreed on the need to provide some form of rate assistance for Antelope Valley, Kern River Valley, and Redwood Valley but did not agree on the RBEA as proposed by CWS. Parties instead propose use of a different subsidy mechanism, which they name the **Rate Support Fund (RSF)**. While CWS and DRA analyzed the impact of the very high rate base per customer in their respective reports, it was just one of the factors used in selecting which districts should be eligible for a benefit. Actual numerical recommendations for rate assistance are based on a per customer benefit and not tied to rate base.

1. Rate Support Fund (RSF).

The parties agree that the RSF will be used to support two types of benefits: (1) a general rate assistance benefit to all customers in eligible districts; and, (2) a targeted benefit to qualifying low income customers in all three of the RBEA proposed districts -- Antelope Valley, Kern River Valley and Redwood Valley (Lucerne, Coast Springs, and Unified).

2. Eligible districts.

Parties agree that Kern River, Redwood Valley-Lucerne, Redwood Valley-Coast Springs, and Redwood Valley-Unifid are all eligible for a general district-wide or division-wide rate assistance benefit from the RSF.¹ In addition, Parties agree that the customers in the very impoverished and low water usage area of Fremont Valley in Antelope Valley are also eligible for a general rate assistance benefit, but agree that Antelope Valley as a district should only be eligible for the more targeted low income benefit described below. This agreement was reached taking into account Parties original positions, the affordability of the rates -- district income levels, usage levels, rate base per customer, availability of public loan funds, and average bills in each district. In addition, Parties weighed the impact of any extraordinary water quality problems in the proposed districts.

In addition, Parties agree that qualifying low income customers in Antelope Valley, Kern River Valley, and Redwood Valley (Lucerne, Coast Springs, and Unified) are all eligible to participate in a special low income rate assistance program designed to provide additional targeted rate relief to those most in need of assistance.

¹ Redwood Valley has three divisions -- Lucerne, Coast Springs and Unified.

3. Amount of total support subsidy.

Parties agree to the following RSF subsidy amounts for rate assistance:

District	General Rate Assistance	Low Income Rate Assistance	Total
Kern River	\$1,034,006	\$108,000	\$1,142,006
Lucerne	264,447	41,160	305,607
RV – Coast Springs	50,795	1,200	51,995
RV – Unified	89,965	8,880	98,845
Antelope Valley	0	12,600	12,600
AV - Fremont Valley 93501	12,546	4,080	16,626
Total	\$1,451,760	\$175,920	\$1,627,680

These amounts assume that CWS gets a \$4 million zero interest State Revolving Fund (SRF) loan for Lucerne. The net reduction in revenue requirement provided by this loan to Lucerne customers is approximately \$23/month.² Lucerne customers will not see this \$23/customer reduction on their bills, because it is a net reduction over what bills would have been without the SRF loan. Parties recognize that Lucerne customers will be receiving this \$23 net benefit once the loan is finalized, which when combined with the RSF rate assistance benefit described herein of \$17/customer, results in combined rate support of approximately \$40/customer per month from CWS ratepayers and the SRF loan program.

The benefit for the Fremont Valley area of Antelope Valley is targeted to a unique situation. In general, Antelope Valley is of average income with average residential water usage of 33.5 Ccfs/month. When usage is normalized and compared across districts at 10 Ccfs per month, proposed Antelope Valley bills are comparable or less than existing bills in Kern River Valley and Redwood Valley. However, the Fremont Valley sub-area is different. Over 50% of the households are at or below 200% of federal poverty guidelines, and average usage is 7 Ccfs per month. Parties agreed to provide general rate support to all households in this specific area.

See attached tables for a summary of CWS and DRA original positions and for settlement amounts as a proportion of revenue requirement. These amounts represent a compromise on the part of both CWS and DRA, as well as the other interveners.

4. Customer benefits and type of support.

a. General Support – Customer benefits.

Parties agree that the above RSF subsidies are designed to provide the following amounts in monthly rate support per customer:

Kern River Valley **\$20/month/customer**

² A \$4 million reduction in rate base equates to an approximate \$36/month reduction per customer. The SRF loan payment, per customer, is estimated to be \$13/month. Therefore, the net reduction, \$36 - \$13, equals a net savings of \$23/customer.

- RV - Lucerne **\$17/month/customer**
- RV - Coast Springs **\$17/month/customer equivalent**
Parties agree that rate support in this division should be applied to the quantity rates to better target the benefit to year round permanent residents rather than vacation home customers. This equates to **\$6.05/Ccf.**
- RV - Unified **\$17/month/customer equivalent**
Parties agree that rate support in this division should also be applied to the quantity rates to better meet the needs of the community. This equates to **\$1.76/Ccf.**
- AV - Fremont Valley **\$8.50/customer/month**
Service area
(93501 zip code)

b. Additional targeted support for qualifying low income customers in Antelope Valley, Kern River Valley and Redwood Valley.

Parties also recommend that a portion of the RSF support be specifically targeted to qualifying low income customers in all three of the proposed RBEA districts - Antelope Valley, Kern River and Redwood Valley (Lucerne, Coast Springs, and Unified). Parties agree that eligible low income households should receive an additional \$10/month in low income rate assistance. Any customer who is enrolled in either the PG&E or SCE low income program, California Alternate Rates for Energy or CARE, and who presents proof of that enrollment by submitting a copy of his or her electric bill, will automatically qualify for this special low income assistance. If the customer does not have electric service, he or she must meet the CPUC CARE program income limits to qualify. The following table shows the income limits in effect through May 2006.

Household Size	LIEE Income Limit
1 to 2	\$27,700
3	\$32,500
4	\$39,200
5	\$45,900
6	\$52,600
Each additional	\$6,700

These limits are updated annually and posted on the CPUC website under "Consumer Information" and are currently based on 200% of federal poverty guidelines. CWS agrees to inform customers of this additional rate assistance twice a year via a bill insert and notices approved by the CPUC Public Advisor and DRA, and notifying Community Based Organizations (CBOs) within the districts in writing so they can also publicize the program.

Parties acknowledge that CWS has an application pending (A.05-10-035) for a company-wide low income rate assistance (LIRA) program that would apply to all CWS districts. Parties agree that low income customers in Antelope Valley, Kern River Valley and Redwood Valley should receive the higher of any low income assistance authorized in that proceeding or the low income assistance adopted in the instant proceeding, but not

both. Parties expect that in A.05-10-035 the low income assistance and corresponding surcharges authorized in this proceeding will be combined into the company-wide low income rate assistance fund and surcharge mechanism that is adopted in A.05-10-035.

c. Line item on customer bills.

Parties agree that any and all customer support will be an explicit line item on the customer bill. The direct benefit going to qualifying districts will be listed as the "Rate Support Fund Assistance" and the additional special low income assistance will be listed as "Low Income Rate Assistance".

5. Surcharge.

Parties agree to fund the RSF via a volumetric surcharge on every unit of water sold by CWS in all 24 districts, instead of a per customer surcharge. Parties estimate the volumetric surcharge to be approximately \$0.0090, or less than one penny, per Ccf of water. The surcharge for un-metered customers on a flat rate should be a per customer charge based on the average residential consumption in those districts. As shown in Attachment B, it ranges from \$0.22 to \$0.36 per customer depending on the district. Parties agree that customers enrolled in any CWS low income program should be exempt from paying this surcharge. Also, CWS has agreed to show the surcharges on customer bills.

6. Effective dates.

The Parties agree that the general RSF support and the targeted LIRA support should be implemented coincident with the effective date of the rate increases in the Redwood Valley and Antelope Valley districts. Additionally, the RSF support for the Kern River Valley district should be implemented at the same time that the rate increase associated with the infrastructure improvements to comply with the new arsenic standard become effective. DRA has recommended that the rate increase for the arsenic related facilities be implemented by advice letter after the facilities are in service. CWS does not oppose DRA's advice letter recommendation.

7. Duration.

Support approved in this GRC is for the duration of this GRC cycle. Requests for future RSF rate assistance may be made by CWS in future general rate cases. CWS also agrees to provide a summary report on RSF benefits provided and surcharges collected in the next GRC for these districts.

8. Accounting Treatment.

RSF subsidies and surcharges will be booked in a single balancing account with the subsidies recorded for each district. No later than March 31st of each year CWS agrees to notify the Commission's Water Division in writing of the status of the balancing account for the prior calendar year. Additionally, CWS agrees to file an advice letter to adjust the surcharge if the balancing account is over- or under-collected by 10% or more of total annual revenues for the districts receiving support. Balances will accrue interest at the 90 day commercial paper rate.

CWS has agreed that the rates shown on customer bills for districts receiving RSF assistance will reflect the tariff rates with the RSF and LIRA benefits separately identified as offsets to the tariff rates.

9. CAPS procedure.

Parties discussed but declined to recommend the use of the CAPS procedure for phasing in rate increases for any districts in this GRC.

10. Incorporation of Complete Agreement

This Agreement is to be treated as a complete package and not as a collection of separate agreements on discrete issues. To accommodate the interests related to diverse issues, the Parties acknowledge that changes, concessions, or compromises by a Party or Parties in one section of this Agreement resulted in changes, concessions, or compromises by the Parties in other sections. Consequently, the Parties agree to oppose any modification of this Agreement not agreed to by all Parties.

11. Signature Date And Term Of Agreement

This Agreement shall become binding on the signature date.

12. Regulatory Approval

The Parties shall use their best efforts to obtain Commission approval of the Agreement. The Parties shall jointly request that the Commission: (1) approve the Agreement without change; and (2) find the Agreement to be reasonable, consistent with law and in the public interest.

13. Compromise Of Disputed Claims

This Agreement represents a compromise of disputed claims between the Parties. The Parties have reached this Agreement after taking into account the possibility that each Party may or may not prevail on any given issue. The Parties assert that this Agreement is reasonable, consistent with law and in the public interest.

14. Non Precedent

Consistent with Rule 51.8 of the Commission's Rules of Practice and Procedure, this Agreement is not precedential in any other proceeding before this Commission, except as expressly provided in this Agreement.

15. Previous Communications

The Agreement contains the entire agreement and understanding between the Parties as to the subject matter of this Agreement, and supersedes all prior agreements, commitments, representation, and discussions between the Parties. In the event there is any conflict between the terms and scope of the Agreement and the terms and scope of the accompanying joint motion, the Agreement shall govern.

16. Non Waiver

None of the provisions of this Agreement shall be considered waived by any Party unless such waiver is given in writing. The failure of a Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of their rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

17. Effect Of Subject Headings

Subject headings in this Agreement are inserted for convenience only, and shall not be construed as interpretations of the text.

18. Governing Law

This Agreement shall be interpreted, governed and construed under the laws of the State of California, including Commission decisions, orders and rulings, as if executed and to be performed wholly within the State of California.

19. Number Of Originals

This Agreement is executed in counterparts, each of which shall be deemed an original. The undersigned represent that they are authorized to sign on behalf of the Party represented.

Attachment A

Comparison of CWS vs. DRA RBEA Original Positions with Settlement			
	CWS	DRA	Settlement
Type of Support	Direct subsidy support to eligible districts	Direct subsidy support to eligible districts	General rate support to all customers in eligible districts, and additional targeted support to qualifying low income customers.
Eligible Districts for Direct Subsidy Support	Antelope Valley, Kern River Valley and Redwood Valley (Lucerne, Coast Springs, and Unified)	Kern River Valley and Redwood Valley (Lucerne only).	Kern River Valley, Redwood Valley (Lucerne, Coast Springs, and Unified) and AV - Fremont Valley (93501 zip) only.
Eligible Districts for Targeted Low Income Support	NA	NA	Antelope Valley, Kern River Valley and Redwood Valley (Lucerne, Coast Springs, and Unified).
Data used for comparison purposes	CWS Results recalculated using 8.5% ROR.	DRA Results recalculated using 8.5% ROR.	NA
SRF Loan for Lucerne	CWS calculations assumed no loan.	DRA presented two scenarios, with and without SRF loan	Assumes receipt of \$4 million interest free SRF loan for Lucerne.
Rate base subsidy threshold per customer			<i>Weighted in settlement negotiations but not used as a threshold.</i>
2006-07	\$1,136	\$2,272	
2007-08	\$1,136	\$2,272	
Total rate base subsidized			<i>Weighted in settlement negotiations but not used as a threshold.</i>
2006-07	\$15,945,620	\$5,040,520	
2007-08	\$17,302,725	\$5,783,798	
Total Revenue Requirement Subsidy			
2006-07	\$2,455,626	\$776,240	\$1,627,680
2007-08	\$2,664,620	\$890,705	\$1,627,680
Benefit per customer	Varies by district. See Bill Analysis Tables	Varies by district. See Bill Analysis Tables.	
Surcharge type	Per customer	Per Ccf water sold	Per Ccf water sold
Per Customer surcharge			Not Applicable, but values provided for comparison purposes.
2006-07	\$0.47	\$0.15	\$0.31
2007-08	\$0.51	\$0.17	\$0.31
Per Ccf water surcharge			
2006-07	\$0.014	\$0.004	\$0.009
2007-08	\$0.015	\$0.005	\$0.009
Subsidizing ratepayers	All CWS ratepayers including those in districts to be subsidized.	Former Dominguez ratepayers. Shareholders should pay CWS portion. Customers enrolled in any CWS low-income water program should be excluded from paying the surcharge	All CWS ratepayers including those in districts to be subsidized, but excluding customers enrolled in any CWS low-income water program
Shareholders portion of per customer surcharge	0	80.2% (CWS customers from non-Dominguez districts.)	Not Applicable
Shareholders portion of per Ccf surcharge	0	86.6% (86.6% of water sold is to CWS customers from non-Dominguez districts.)	0

Attachment B

Proposed Settlement on CWS RBEA Proposal

DRA and CWS proposed subsidies recalculated using a standard ROR of 8.5% to eliminate this variable from results. Use of this ROR was for comparison purposes only, and does not imply endorsement of this value by either DRA or CWS.

Part I: Eligible District SRF General Subsidy

District	DRA	CWS	Settlement	Monthly Customer Subsidy*			Settlement Subsidy as % Requirement	
				DRA	CWS	Settlement	% Current	% DRA
Kern River	\$666,465	\$1,420,275	\$1,034,006	\$12.89	\$27.47	\$20.00	39.4%	31.4%
Lucerne	\$109,769	\$336,497	\$264,447	\$7.06	\$21.64	\$17.00	44.9%	21.6%
RV - Coast Springs*	\$0	\$137,600	\$50,795	\$0.00	\$46.05	\$17.00*	61.6%	24.8%
RV - Unified*	\$0	\$181,257	\$89,965	\$0.00	\$34.25	\$17.00*	28.1%	16.8%
Antelope Valley	\$0	\$380,148	\$0	\$0.00	\$23.36	\$0.00	0.0%	0.0%
AV - Fremont Valley 93501	--	--	\$12,546	--	--	\$8.50	NA	NA
Total	\$776,234	\$2,455,777	\$1,451,760					
Surcharge per Ccf	\$0.0040	\$0.014	\$0.0080	--	--			

* Parties agree that the subsidy for Coast Springs and Unified be applied to the quantity rates instead of being a per customer credit.

This results in a credit per Ccf of:

RV - Coast Springs*	\$6.05
RV - Unified*	\$1.76

Lucerne - SRF Loan	\$344,724.00	\$344,724.00	\$344,724.00	\$23.00	\$23.00	\$23.00	58.5%	28.2%
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*This analysis assumes that CWS gets a \$4 million interest free SRF loan for Lucerne. The net benefit per customer for this loan is \$23/month. (A \$4 million reduction in ratebase results in approximately \$36/month reduction/customer/month, and a loan payment of \$13/customer/month, for a net reduction of \$23/customer/month on average.) CWS states loan looks certain. If for some reason it doesn't come through, parties agreed to reconsider subsidy to Lucerne agreed to here in recognition of that.

Part II: Settlement Special Low Income Discount

District	% Discount/Customer	Estimated Customer Participation at 50%		Special Low Income Subsidy	Settlement Subsidy as % Requirement	
		of Eligible			% Current	% DRA
Kern River	\$10.00	900		\$108,000.00	4.12%	3.28%
Lucerne	\$10.00	343		\$4,116.00	6.99%	3.37%
RV - Coast Springs	\$10.00	10		\$,200.00	1.46%	0.59%
RV - Unified	\$10.00	74		\$,880.00	2.78%	1.66%
Antelope Valley	\$10.00	105		\$12,600.00	1.39%	1.11%
AV - Fremont Valley 93501	\$10.00	34		\$4,080.00	NA*	NA*
Total		1466		\$175,920		
Surcharge per Ccf				\$0.0010		

* Low Income support for Antelope Valley and AV - Fremont combined for purpose of evaluating percentage of revenue req.

Total RSF Subsidy for High Rate Base per Customer Districts

District	General Rate Assistance	Low Income Rate Assistance	Total	SRF Loan Benefit	Total
Kern River	\$1,034,006	\$108,000	\$1,142,006		
Lucerne	264,447	41,160	305,607	\$344,724	\$550,331
RV - Coast Springs	50,795	1,200	51,995		
RV - Unified	89,965	8,880	98,845		
Antelope Valley	0	12,600	12,600		
AV - Fremont Valley 93501	12,546	4,080	16,626		
Total	\$1,451,760	\$175,920	\$1,627,680		midpoint DRA - CWS \$1,613,005.56
Surcharge per Ccf	\$0.0080	\$0.0010	\$0.0090		

Flat Rate Customers only -- Monthly per customer surcharge based on average usage*

Districts with Flat Rate Customers	Average Usage	Flat Rate Surcharge
Bakersfield	40.5	\$0.36
Chico	24	\$0.22
Marysville	24.5	\$0.22
Oroville	26.5	\$0.24
Selma	38.9	\$0.35
Visalia	24.5	\$0.22
Willows	31.8	\$0.29

Surcharge per Ccf
\$0.01

*average usage x surcharge per Ccf = flat rate monthly customer surcharge

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**Intervener for Redwood Valley
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Lucerne Community Water Organization

By _____

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(760) 373-3284

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Date: _____

California Water Service Company

By Francis S. Ferraro

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Date: 2/10/06

**Interveners for Redwood Valley Coast
Springs Division**

By _____

Marcos Parcas
P.O. Box 152
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By _____

Jeffery Young
473 Woodley Place
Santa Rosa, Ca 95409

Date: _____

**Intervener for Redwood Valley
Unified Division**

By Jack Miller

Jack Miller
16471 Rio Nido Road
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(707) 869-3049

Date: 2/14/06

Lucerne Community Water Organization

By _____

Stephen R. Elias
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568 Lakeport Blvd.
Lakeport, CA 95453
(707) 263-6288

Date: _____

**Leona Valley Cherry Growers
Association**

By _____

Jack Chacanaca
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APPENDIX E

Investor-Owned Water Companies in California

Over six million people (one out of every five) in California are served by investor-owned water companies.



See the reverse side for a complete listing of A, B, C and D companies in California including the location of each company's corporate headquarters and the county or counties served.