



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

**FILED**

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Application of California-American Water Company (U210W) for Authorization to increase its Revenues for Water Service by \$4,134,600 or 2.55% in the year 2011, by \$33,105,800 or 19.68% in the year 2012, by \$9,897,200 or 4.92% in the year 2013, and by \$10,874,600 or 5.16% in the year 2014.

A.10-07-007  
(Filed July 1, 2010)

and Related Matter

A.11-09-016  
(Filed September 23, 2011)

**MOTION OF THE NATURAL RESOURCES DEFENSE COUNCIL, CALIFORNIA-AMERICAN WATER COMPANY, UTILITY REFORM NETWORK AND DIVISION OF RATEPAYER ADVOCATES TO ADOPT A SETTLEMENT ON RATE DESIGN ISSUES**

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Dated: July 19, 2012

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**ATTACHMENT 1:** Settlement Agreement Between California-American Water Company, the Division of Ratepayer Advocates, Natural Resources Defense Council, and the Utility Reform Network on Rate Design Issues, dated July 19, 2012.

**ATTACHMENT 2:** Rate Design Stipulation of the Utility Reform Network, Natural Resources Defense Council, California-American Water Company and the Division of Ratepayer Advocates, dated Aug. 9, 2011.

**ATTACHMENT 3:** Sample Bills Comparison

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**I. INTRODUCTION**

Pursuant to Rule 12 of the Rules of Practice and Procedure, the Utility Reform Network (“TURN”), Natural Resources Defense Council (“NRDC”), the Division of Ratepayer Advocates (“DRA”) and California-American Water Company (“California American Water”) (hereinafter referred to collectively as “the Parties”) file this Motion to request approval and adoption of a settlement agreement among the Parties related to residential rate design. The settlement agreement is included as Attachment 1 to this Motion (“Settlement Agreement”).

Specifically, the Parties represent to the California Public Utilities Commission (“Commission”) as follows: (1) that the Settlement Agreement has the sponsorship of the Parties; (2) that the Parties are fairly representative of the affected interests; (3) that no terms of

the Settlement Agreement contravene any statutory provision or any decision of the Commission; and, (4) that the Settlement Agreement, together with the record in this proceeding, conveys to the Commission sufficient information to permit the Commission to discharge its regulatory obligations on the issues addressed by the Settlement Agreement.

The Settlement Agreement is reasonable in light of the entire record, and it fulfills the criteria that the Commission requires for approval of such a settlement. The Parties respectfully request that the Commission grant this Motion and approve the Settlement Agreement without modification.

## **II. PROCEDURAL HISTORY**

Pursuant to the schedule set forth in Decision (“D.”) 07-05-062, California American Water filed its general rate case (“GRC”) application, Application (“A.”) 10-07-007, in July 2010. On August 2, 2010, California American Water filed and served its rate design proposals, covering all but two of its districts.<sup>1</sup> DRA served testimony in response to the rate design proposals on January 21, 2011 and intervenors, including TURN and NRDC, served responsive testimony on February 4, 2011.

Pursuant to a Notice of All-Party Settlement served by DRA on March 29, 2011, the Parties entered into settlement discussions on April 4, 2011. Rate design issues were also part of the agenda. The Parties participated in settlement negotiations. Although a global settlement was not reached on rate design, as a result of settlement discussions, DRA, NRDC and TURN entered into a Joint Proposal which was served on the service list on May 20, 2011. During hearings on June 28, 2011, Administrative Law Judge (“ALJ”) Rochester entered the Joint Proposal into the record as a hearing exhibit (“Joint Exhibit 001”) and it was subject to cross examination.

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<sup>1</sup> See *California-American Water Company (U210W) Rate Design Compliance Filing*, dated Aug. 2, 2010.

After the hearings, the Parties met for further settlement discussions and, with approval from ALJ Rochester, on August 9, 2011, the Parties filed and served their Stipulation.<sup>2</sup> The Stipulation is included hereto as Attachment 2 and is incorporated by reference. In light of progress made during these discussions, the Parties filed the Stipulation to memorialize the intent of the parties to the Stipulation to develop a final rate design and rates for certain districts' residential customers upon the authorization of a revenue requirement in each district in Phase 1 of this proceeding.

On December 12, 2011, Commissioner Michel Peter Florio, ALJ Rochester, and ALJ Long issued a *Joint Revised Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judges* ("Dec. 12 Scoping Memo") which denied, without prejudice, the Parties' motion to adopt a stipulation on rate design. The ALJs and Commissioner reasoned that "[t]he [S]tipulation is premature since rate design will be determined in Phase 2."<sup>3</sup> The schedule adopted in the Dec. 12 Scoping Memo required the Parties to submit a rate design settlement upon the authorization of a revenue requirement in each district.<sup>4</sup>

Shortly after the issuance of a Proposed Decision by ALJ Rochester on revenue requirement issues on April 23, 2012, the Parties met to discuss the possibility of settlement on rate design issues. The Parties continued to meet after the Commission adopted D.12-06-016 on June 7, 2012, setting the revenue requirement for California American Water's six districts for 2011-2014. The Parties finalized and executed the

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<sup>2</sup> See *Motion of the Utility Reform Network, Natural Resources Defense Council, California-American Water Company and Division of Ratepayer Advocates to Adopt a Stipulation on Rate Design*, dated Aug. 9, 2011, Attachment A.

<sup>3</sup> Dec. 12 Scoping Memo, p. 3.

<sup>4</sup> See *Id.* at 9.

Settlement Agreement and now submit the Settlement Agreement for approval by the Commission.

### **III. OVERVIEW OF THE SETTLEMENT AGREEMENT**

The Settlement Agreement addresses issues related to residential rate design for 2012-2014 for four of California American Water's districts and a service area in Monterey. The Settlement Agreement sets forth seven principles that the Parties agree create a framework for effective rate design including the importance of any rate design to encourage water conservation, maintain affordability and revenue neutrality and to be practical and understandable for customers. Further, the Settlement Agreement adopts a set of parameters specifically applicable to California American Water's four districts and service area in Monterey including the number and break point for consumption tiers, the percentage of fixed costs borne by the service charge, and the distribution of the rate in each tier based on the Single Quantity Rate developed for each district. By applying these principles and parameters, the Parties developed a rate design that will allow California American Water to meet its revenue requirement based on the agreed upon forecast in Phase 1 of the docket as well as the other agreed-upon principles.

A comprehensive record supports the attached Settlement Agreement. As part of this proceeding, the Parties served extensive testimony on rate design issues including California American Water's direct supplemental testimony specifically on rate design, DRA's direct testimony, TURN's direct testimony, NRDC's direct testimony, California American Water's rebuttal testimony, and Joint Exhibit 001 filed by TURN, NRDC and DRA.

The Settlement Agreement also relies on the Stipulation filed by the Parties on August 9, 2011. In the Stipulation, the Parties set forth: (1) the original positions of the Parties on rate design issues; (2) the differences between the Parties' positions; and (3) the set of agreed-upon

principles and rate design parameters that would serve as the underlying support for a future settlement agreement on rate design once the revenue requirement for each district was finalized.

The Settlement Agreement contains a summary of the principles and parameters used to guide the Parties to agreement on rate design for the districts at issue in Phase 1, as well as discussion of the importance of addressing the possibility of impacts on the utility's Water Revenue Adjustment Mechanism balances and the utility's efforts to comply with state-wide water conservation legislation. Exhibit A to the Settlement Agreement contains proposed tariffs reflecting the Parties' agreed-upon rate design.

#### **IV. THE SETTLEMENT AGREEMENT IS FAIR AND REASONABLE AND IN THE PUBLIC INTEREST**

Rule 12.1(d) requires that Commission approval of a settlement be based upon a finding that "the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest." The Settlement Agreement meets these requirements and should be adopted without change.

##### **A. The Settlement Agreement is Reasonable in Light of the Whole Record**

The rate design and resulting proposed tariff sheets set forth in the Settlement Agreement reflect substantial compromise by the Parties. Included as Attachment 3 is a table comparing sample bills in each district under the prior rate design structure with the rates structure proposed under this Settlement Agreement. The Settlement Agreement appropriately resolves all of the contested issues related to residential rate design in this proceeding based upon extensive independent analysis of the issues performed by each Party with expertise in the area of rate design. The Parties looked at the characteristics of each district individually, including current usage patterns, demographics, water sources and prior rate structure to determine the proper rate structure for the revised revenue requirement. However, the Parties also considered how each

district's needs factored into a company-wide framework to ensure that California American Water had the resources it needed to offer services throughout its serving territory. The result is a settlement that is reasonable and fair.

**B. The Settlement Agreement is Consistent with the Law**

In accordance with Rule 12.1(d), the Settlement Agreement is consistent with the law. The Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the proposed Settlement Agreement. Indeed, the Settlement Agreement is consistent with the Commission's policy objectives as set forth in the 2010 Water Action Plan and is intended to advance the Water Action Plan's objective of balancing investment, conservation, and affordability. The Settlement Agreement also advances California American Water's work to comply with the Water Conservation Act of 2009 and its work to meet the Best Management Practices from the California Urban Water Conservation Council. The issues resolved in the Settlement Agreement are also within the scope of the above-captioned proceeding.

**C. The Settlement Agreement is in the Public Interest**

In this proceeding, the primary public interest is the delivery of safe and reliable water service at reasonable rates in a manner that advances water conservation and efficiency. The Settlement Agreement is in the public interest because it advances those interests by creating a fair and balanced rate design that appropriately distributes the costs of providing services through rates and consumption tiers, and furthers the Commission's conservation goals through tiered rates and limited fixed charges. Finally, the Settlement Agreement adjusts tier break points and rates for each tier to attempt to avoid customer confusion and unreasonably large changes in current rates for the customers of these districts.

In addition, the Parties agree that the Settlement Agreement benefits ratepayers by sparing the expense and time of litigating each of the settled items. Commission approval of the proposed Settlement Agreement 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.”<sup>5</sup>

## **V. CONCLUSION**

For the reasons state above, the Parties respectfully request that the Commission conclude that the Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest. On that basis, the Parties jointly request that the Commission adopt the Settlement Agreement in its entirety as a complete resolution of the issues set forth therein.

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<sup>5</sup> D.88-12-083, *Re Pacific Gas and Elec. Co.*, 30 CPUC 2d 189, 99 P.U.R. 4th 141, 1988 WL 391219 (Cal.P.U.C.).

July 19, 2012

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July 19, 2012

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July 19, 2012

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Christine Mailloux, Staff Attorney

July 19, 2012

NATURAL RESOURCES DEFENSE COUNCIL

By: /s/ Doug Obegi  
Doug Obegi, Staff Attorney

# Attachment 1

**BEFORE THE PUBLIC UTILITIES COMMISSION  
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**SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER  
COMPANY, THE DIVISION OF RATEPAYER ADVOCATES, NATURAL  
RESOURCES DEFENSE COUNCIL, AND THE UTILITY REFORM NETWORK  
ON RATE DESIGN ISSUES**

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July 19, 2012

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**EXHIBIT A:** Tariff Sheets

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A.11-09-016  
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**SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER COMPANY, THE DIVISION OF RATEPAYER ADVOCATES, NATURAL RESOURCES DEFENSE COUNCIL, AND THE UTILITY REFORM NETWORK ON RATE DESIGN ISSUES**

**I. GENERAL**

A. Pursuant to Article 12 of the Commission’s Rules of Practice and Procedure, the Division of Ratepayer Advocates (“DRA”), California-American Water Company (“California American Water”), the Natural Resources Defense Council (“NRDC”), and The Utility Reform Network (“TURN”) (collectively, “the Parties”), desiring to avoid the expense and uncertainty attendant to litigation of the matters in dispute between them, have agreed on the terms of this Settlement Agreement on Rate Design<sup>1</sup> (“Settlement Agreement”) which they now submit for review, consideration, and approval by the California Public Utilities Commission (“Commission”).

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<sup>1</sup> This Settlement Agreement finalizes a new rate design and rates for certain districts’ residential customers, including Larkfield, Ventura County, San Diego County, Toro, Duarte, San Marino, and Baldwin Hills, and adopts a single quantity rate (“SQR”) for customer classes other than residential, but this Settlement Agreement does not include rate design for non-residential customers. This Settlement Agreement does not apply to any other parts of the Monterey County District (except Toro) or Sacramento District.

B. 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.

C. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedy pertaining to this Settlement Agreement.

D. The Parties agree that the Settlement Agreement is an integrated agreement such that if the Commission rejects or modifies any portion of this Settlement Agreement, each Party must consent to the Settlement Agreement as modified, or any Party may withdraw from the Settlement Agreement. Such consent may not be unreasonably withheld. As between the Parties, this Settlement Agreement may be amended or changed only by a written agreement signed by all of the Parties.

E. 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 Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

F. 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. Each of the Parties hereto and their respective counsel and advocates have contributed to the preparation of this Settlement Agreement. Accordingly, the Parties agree that no provision of this Settlement Agreement shall be construed against any Party because that Party or its counsel drafted the provision.

G. This Settlement Agreement does not supersede other rate design-related issues outside of the rate design covered by this Settlement Agreement which are addressed in other settlement documents or have been litigated in Phase 1 of this docket. This Settlement Agreement

supersedes any prior agreement, commitments, representations, or discussions between the Parties – regarding each stipulation contained herein – made with respect to the Stipulation that the Parties filed and served on August 9, 2011.<sup>2</sup>

## **II. BACKGROUND**

A. California American Water served supplemental testimony on rate design on August 2, 2010. The supplemental testimony included requests relating to residential rate design, as well as other issues not addressed in this Settlement Agreement. California American Water proposed a number of changes to the existing residential rate design in each district or service area addressed in the above-captioned proceeding. California American Water proposed changing from the current three-tier rate design to a five-tier rate design in its Larkfield and Ventura County Districts. In its Los Angeles County District, California American Water’s workpapers contained greater differentials between the tiers, resulting in a steeper rate design. In its San Diego County District, California American Water proposed modifying the break points in the existing three-tier design. In its Toro service area, California American Water proposed changing the current uniform rate to a five-tier rate design.

B. DRA served testimony on January 21, 2011. DRA supported California American Water’s proposal for changes to the residential rate design in its Larkfield District. In the Los Angeles County, San Diego County, Ventura County Districts and Toro service area, DRA opposed California American Water’s proposals for changes to the residential rate design and recommended retaining the existing rate design.

C. NRDC and TURN served testimony on February 4, 2011. Both intervenors’ testimony proposed new residential rate designs for all districts distinct from California American Water’s proposals.

D. Pursuant to a Notice of All-Party Settlement served by DRA on March 29, 2011, the Parties entered into settlement discussions on April 4, 2011. Rate design issues were also part of

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<sup>2</sup> See *Motion of TURN, NRDC, California American Water and DRA to Adopt a Stipulation on Rate Design*, dated Aug. 9, 2011, [Attachment A](#).

the agenda. The Parties participated in settlement negotiations.

E. NRDC, TURN, and DRA served Joint Exhibit 001 on Rate Design (“Joint Exhibit”) on May 20, 2011. The Joint Exhibit contained a jointly developed set of rate design principles and rate designs for each of California American Water’s districts at issue in Phase 1 of the proceeding. The Joint Exhibit was later entered into the record by assigned Administrative Law Judge (“ALJ”) Rochester on June 28, 2011.

F. On August 9, 2011, with the permission of the assigned ALJ, the Parties filed and served the Stipulation. The purpose of the Stipulation was to memorialize the intent of the Parties to the Stipulation to develop a final rate design and rates for certain districts’ residential customers upon the authorization of a revenue requirement in each district for which rate design was addressed in Phase 1 of this proceeding.

G. On December 12, 2011, the assigned ALJs and assigned Commissioner issued *Joint Revised Scoping Memo of the Assigned Commission and Administrative Law Judges* (“Dec. 12 Scoping Memo”) which denied, without prejudice, the Parties’ motion to adopt the Stipulation on rate design. The ALJs and Commissioner reasoned that “[t]he stipulation is premature since rate design will be determined in Phase 2.”<sup>3</sup>

H. On June 7, 2012, the Commission adopted Decision (“D.”) 12-06-016 setting the revenue requirement for California American Water’s six districts for 2011-2014.

The Parties now file this Settlement Agreement on rate design.

### **III. OVERVIEW OF THE SETTLEMENT AGREEMENT ON CONSERVATION RATE DESIGN**

#### **A. Scope of Settlement Agreement on Conservation Rate Design**

This Settlement Agreement includes rate design<sup>4</sup> and specific rates for residential single-

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<sup>3</sup> Dec. 12 Scoping Memo, p. 3.

<sup>4</sup> Rate design refers to the manner in which rates are set to equal the revenue requirement in any given district. Since late 2008 (Los Angeles County) and early 2009 (Larkfield, Ventura County, and San Diego County), the districts addressed in this exhibit have had conservation rate design pilot programs. These programs include shifting a portion of revenues traditionally captured through the meter, or service charge to the volumetric, or quantity charge; inverted block rates for residential customers – that is, an increasing rate at higher levels of consumption;

family dwelling(s) in four of California American Water districts and a service area in Monterey for 2012-2014. Pursuant to the Dec. 12 Scoping Memo in this proceeding and subsequent ALJ Rulings, this Settlement Agreement does not address rate design issues in California American Water's Sacramento or Monterey County districts, other than the Toro service area in Monterey County. Worksheets attached as Exhibit A to this Settlement Agreement show the residential rate design for each district/service area included in this Settlement Agreement (Larkfield, Ventura County, San Diego County, Toro service area, and the Duarte, San Marino, and Baldwin Hills service areas within Los Angeles County).<sup>5</sup>

B. General Principals for Conservation Rate Design

In developing this Settlement Agreement and parameters discussed below, the Parties agreed on the following general principles for rate design in each district:

- Encourage water conservation and efficient use;
- Maintain affordability for essential levels of indoor water use;
- Practical, easy to implement, and understandable for customers;
- Maintain revenue neutrality;
- Adhere to the principle of gradualism, giving residential customers the opportunity to adjust to new price signals from the rate design, in addition to higher rates due to increased revenue requirements;
- Bear a reasonable relationship to the cost of service; and
- Fair in their treatment of diverse groups of customers.

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and a revenue decoupling mechanism, the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account ("WRAM/MCBA"). The WRAM/MCBA tracks the difference between adopted and actual volumetric revenues as well as the difference between adopted and actual variable costs. When the balances in these two accounts reach a certain percentage of total operating revenues, the company may net the balances and seek to recover any negative balances from customers, or refund any positive balances.

<sup>5</sup> Duarte, San Marino and Baldwin Hills are all service areas of the Los Angeles County District. Toro is a service area in the Monterey County District.

C. Additional Considerations Agreed Upon By the Parties

The Parties also are cognizant of the challenges related to a large portion of adopted revenues being tracked in the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account (“WRAM/MCBA”).<sup>6</sup> The Parties recognized that the WRAM/MCBA issues are being addressed in Phase 2 of this proceeding. The Parties also considered California American Water’s need to comply with the Water Conservation Act of 2009.<sup>7</sup> Another consideration was the existence of any restrictions placed on California American Water by California American Water’s wholesale water suppliers, which could create an extra need to reduce consumption.<sup>8</sup> This Settlement Agreement is intended to advance the Commission’s Water Action Plan objective of balancing investment, conservation, and affordability.

D. Parameters Set By Parties For Each District Rate Design

Using the general principles discussed above, the Parties agreed to several parameters to help guide the rate design in each district. The Parties used their best efforts to create a final rate design in each district that adheres to the parameters while still meeting the revenue requirement set forth in D.12-06-016 for those districts and the forecast agreed to by the Parties in the adopted Partial Settlement Agreement on Revenue Requirement Issues.<sup>9</sup> In some limited instances strict adherence to the parameters was not possible and the Parties negotiated modifications to the parameters for a particular district or tier.

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<sup>6</sup> See *supra* text accompanying note 4.

<sup>7</sup> In November 2009, the California State Legislature passed Senate Bill x7-7, which requires urban water suppliers to reduce per capita consumption by 20% by 2020, with a compliance target of 10% by 2015 (Direct Testimony of Ed Osann, p. 3; Water Action Plan, p. 17).

<sup>8</sup> In Southern California, two of California American Water’s districts (San Diego County and Ventura County) are entirely supplied by purchased water and the local supplies of its third district (Los Angeles County) are supplemented with substantial purchases. Purchased water in Southern California is *imported* water, supplied by the Metropolitan Water District of Southern California from the Sacramento and Colorado River basins, both of which are experiencing long-term resource reliability issues. Similarly, in Northern California, the local supplies of the Larkfield District are supplemented by purchased water imported from the Russian River basin, which also experiences resource constraints that periodically impinge on reliability.

<sup>9</sup> See *Partial Settlement Agreement Between DRA, TURN, and California American Water on Revenue Requirement Issues*, dated July 28, 2011, p. 10.

1. Service Charges in each District

The Parties agree that the monthly meter charges should be set in each district so the total annual service charge revenues equal 25% of total applicable fixed costs.

2. Number of Tiers in each District

The Parties agree to use a four-tier residential rate design in all districts so that a tail tier can be established to capture the very highest levels of use and more effectively incentivize customer actions to improve water efficiency. This enables a steeper tier structure than a three-tier structure alone would allow. Limiting consumption and projected revenues in the highest-priced tier also intends to minimize WRAM balances from this aspect of the rate design by having less consumption priced well above the SQR,<sup>10</sup> where a price response from affected customers is most likely.

3. Break Points between Tiers in each District

The Parties agree to use the following break points between tiers in each district:

- Tier 1 / Tier 2: The Parties used the winter median, which serves as a proxy for indoor use, as recommended by NRDC. This is generally consistent with TURN's recommendation to move toward having the first tier approximate statewide indoor water consumption goals of approximately 50 to 70 gallons per capita per day.
- Tier 2 / Tier 3: The Parties used the summer median, which captures a moderate amount of irrigation and other outdoor use, in addition to indoor use, as recommended by NRDC.
- Tier 3 / Tier 4: The Parties selected a break point that would result in 3-5% of water usage occurring in the top tier in order to capture consumption by highest-use customers and provide an incentive for such high-use residential customers to locate and correct leaks and invest in more water efficient landscaping and other practices.

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<sup>10</sup> The single quantity rate is the rate that would be charged in a uniform rate structure.

The final break points between tiers in each district are specified in the worksheets attached hereto as Exhibit A.

#### 4. Tiered Rates in each District

The Parties agree to set each tier's rate at a percentage of the SQR, based on the final revenue requirement that was authorized by the Commission.

- The Tier 1 rate will be set at a level of between 70-90% of the SQR. The Parties agree to use the current Tier 1 rate<sup>11</sup> as a floor below which the final Tier 1 rate as a result of a settlement will not fall so that customers will not see a decrease from the current rate.
- Tier 2 will be set equal to the SQR.
- Tier 3 will be set at 115% - 150% of the SQR.
- Tier 4 will be set at 170% - 200+% of the SQR, while ensuring that no more than 10% of consumption revenues are recovered in Tier 4.

The final rates for each tier in each district are provided on the worksheets attached hereto as Exhibit A.

#### **IV. FINAL RATE DESIGN FOR EACH DISTRICT**

The Parties agree on final residential rate designs for each of the districts, using the principles described above as applied to the approved revenue requirement for each district.<sup>12</sup>

The final rate designs conform to all of these principles and parameters, unless adherence with parameters or principles was impossible. Worksheets showing the residential rate design for each of the districts are attached hereto as Exhibit A and are incorporated by reference into this Settlement Agreement.<sup>13</sup> Rates for customers other than residential customers are based on the

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<sup>11</sup> The current Tier 1 rate is the rate that would be in place at the beginning of Test Year 2012, absent the revenue requirement authorized in this case.

<sup>12</sup> See D.12-06-016, issued June 14, 2012.

<sup>13</sup> The attached worksheets in Exhibit A also show the rates for customers other than residential customers, but those

calculated service charges and SQR of the residential customers and overall revenue requirement increase percentages applied to other than metered rates.

**V. CONCLUSION**

This Settlement Agreement was executed by the Parties as of the date first set forth below.

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rate designs are not part of this settlement. Rates for customers other than residential shown on Exhibit A are based on the calculated service charges and SQR of the residential customers and overall revenue requirement increase percentages applied to other than metered rates.

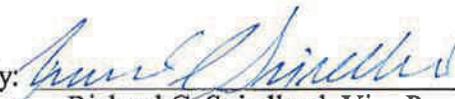
July 19, 2012

DIVISION OF RATEPAYER ADVOCATES

By:  For Joe Como  
Joe Como, Acting Director

July 9, 2012

CALIFORNIA-AMERICAN WATER COMPANY

By:   
Richard C. Svindland, Vice President –  
Engineering

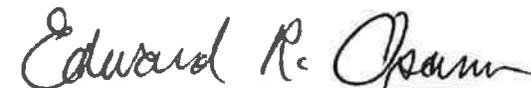
July 19, 2012

THE UTILITY REFORM NETWORK

By:   
Christine Mailloux, Staff Attorney

July 19, 2012

NATURAL RESOURCES DEFENSE COUNCIL

By:   
Edward R. Osann, Senior Policy Analyst

# Exhibit A

Schedule No. LA-1  
 Los Angeles County District Tariff Area  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Baldwin Hills Service Area consisting of Baldwin Hills, Windsor Hills, View Park, Ladera Heights, and vicinity, Duarte Service Area consisting of Bradbury, Duarte, portions of Irwindale, Monrovia, and vicinity, and San Marino Service Area consisting of San Marino, Rosemead, portions of San Gabriel, Temple City, and vicinity, Los Angeles County.

RATES

Quantity Rates:

	Winter (Nov – Apr) Base Rate	Summer (May – Oct) Base Rate	
	Per ccf	Per ccf	
<u>Baldwin Hills Service Area:</u>			
<b><u>Residential Customers:</u></b>			
For the first 10 ccf.....	\$2.4177	\$2.4177	(R)
For the next 7 ccf.....	\$2.9484	\$3.0958	(I)
For the next 23 ccf.....	\$3.8329	\$4.0245	(N)
For all water delivered over 40 ccf .....	\$5.3071	\$5.5723	(I)
 <b><u>All Other Customers:</u></b>			
For all water delivered, per 100 cu. ft.....	\$2.9484	\$3.0958	(I) (D) (D)
 <u>Duarte Service Area:</u>			
<b><u>Residential Customers:</u></b>			
For the first 12 ccf.....	\$1.9617	\$1.9617	(R)
For the next 10 ccf.....	\$2.4521	\$2.5747	(I)
For the next 190 ccf.....	\$2.9670	\$3.1154	(N)
For all water delivered over 212 ccf .....	\$4.5364	\$4.7510	(I)
 <b><u>Commercial, Public Authority and Industrial Customers:</u></b>			
For all water delivered, per 100 cu. ft.....	\$2.4521	\$2.5747	(I) (D) (D)

(Continued)

(TO BE INSERTED BY UTILITY)  
 ADVICE LETTER NO. \_\_\_\_\_

ISSUED BY  
 D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
 DATE FILED \_\_\_\_\_

DECISION NO. \_\_\_\_\_

DIRECTOR – Rates & Regulatory  
TITLE

EFFECTIVE \_\_\_\_\_  
 RESOLUTION \_\_\_\_\_

Schedule No. LA-1 (Continued)  
Los Angeles County District Tariff Area  
GENERAL METERED SERVICE

RATES (Continued)

Quantity Rates:

	Winter (Nov – Apr) Base Rate Per ccf	Summer (May – Oct) Base Rate Per ccf	
<u>San Marino Service Area:</u>			
<b><u>Residential Customers:</u></b>			
For the first 14 ccf.....	\$2.0024	\$2.0024	(R)
For the next 16 ccf.....	\$2.6931	\$2.8278	(I)
For the next 70 ccf.....	\$3.9589	\$4.1568	(N)
For all water delivered over 100 ccf .....	\$5.2515	\$5.5140	(I)
<b><u>All Other Customers:</u></b>			
For all water delivered, per 100 cu. ft.....	\$2.6931	\$2.8278	(I)

Service Charge: General Metered

	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	\$7.58	
For 3/4-inch meter.....	\$11.36	
For 1-inch meter.....	\$18.94	
For 1-1/2-inch meter .....	\$37.88	
For 2-inch meter.....	\$60.61	
For 3-inch meter.....	\$113.64	
For 4-inch meter.....	\$189.39	
For 6-inch meter.....	\$378.79	
For 8-inch meter.....	\$606.06	
For 10-inch meter.....	\$871.21	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all general metered service and to which is added the charge for water used computed at the Quantity Rates.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. \_\_\_\_\_

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_

DECISION NO. \_\_\_\_\_

DIRECTOR – Rates & Regulatory  
TITLE

EFFECTIVE \_\_\_\_\_  
RESOLUTION \_\_\_\_\_

Schedule No. LA-3M
Los Angeles County District Tariff Area
MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured service for irrigation purposes as defined in the special conditions below. Applicable only to premises serviced under Schedule No. LA-3M on a continued basis on and after January 1, 1969.

TERRITORY

Bradbury, Duarte, portions of Irwindale, Monrovia, and vicinity, Los Angeles County.

RATES

Quantity Rates:

Table with 3 columns: Description, Base Rate Per ccf, and Unit. Rows include Pressure service and Gravity service all water per 100 cu. ft.

Service Charge: General Metered

Table with 3 columns: Description, Per Meter Per Month, and Unit. Rows include service charges for 1-inch, 1-1/2-inch, 2-inch, 3-inch, and 4-inch meters.

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the charge for water used computed at the Quantity Rates.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO.

ISSUED BY
D. P. STEPHENSON
NAME

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

DECISION NO.

DIRECTOR - Rates & Regulatory
TITLE

EFFECTIVE
RESOLUTION

Schedule No. LA-4  
Los Angeles County District Tariff Area  
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Baldwin Hills Service Area consisting of Baldwin Hills, Windsor Hills, View Park, Ladera Heights, and vicinity, Duarte Service Area consisting of Bradbury, Duarte, portions of Irwindale, Monrovia, and vicinity, and San Marino Service Area consisting of San Marino, Rosemead, portions of San Gabriel, Temple City and vicinity, Los Angeles County.

RATE

	<u>Per Month</u>	
For each inch of diameter of private fire protection Service, monthly minimum charge based on 4" service .....	\$12.46	(l)

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the Utility or under the Utility's direction. Cost of the entire fire protection installation shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The installation housing, the detector type check valve and meter and appurtenances, thereto, shall be in a location mutually agreeable to the applicant and the Utility. Normally such installation shall be located on the premises of applicant, adjacent to the property line. The expense of maintaining all facilities which are the sole property of the applicant (including the vault, meter detector type check valves, backflow device and appurtenances) shall be paid for by the applicant.
3. All facilities paid for by the applicant, excluding the connection at the main and any service pipe located in a public right-of-way, shall be the sole property of the applicant. The utility and its duly authorized agents shall have the right to ingress to and egress from the premises for all purposes relating to said facilities.

(Continued)

(TO BE INSERTED BY UTILITY)	ISSUED BY	(TO BE INSERTED BY C.P.U.C.)
ADVICE LETTER NO. _____	D. P. STEPHENSON _____	DATE FILED _____
	<small>NAME</small>	EFFECTIVE _____
DECISION NO. _____	DIRECTOR – Rates & Regulatory _____	RESOLUTION _____
	<small>TITLE</small>	

Schedule No. LK-1  
Larkfield District Tariff Area  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated areas known as the Larkfield and Wikiup subdivisions and the community of Fulton, three miles north of Santa Rosa, Sonoma County.

RATES

Quantity Rates:

	Base Rate Per ccf	
<b><u>Residential Customers:</u></b>		
For the first 7 ccf .....	\$5.1760	(I)
For the next 7 ccf .....	\$6.4704	(I)
For the next 24 ccf .....	\$9.3730	(N)
For all water delivered over 38 ccf .....	\$12.6880	(I)
<b><u>All Other Customers:</u></b>		
For all water delivered, per 100 cu. ft.....	\$6.4704	(I)

Service Charge: General Metered

	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$17.67	(I)
For 3/4-inch meter.....	\$26.51	
For 1-inch meter.....	\$44.18	
For 1-1/2-inch meter .....	\$88.35	
For 2-inch meter.....	\$141.37	
For 3-inch meter.....	\$265.06	
For 4-inch meter.....	\$441.77	
For 6-inch meter.....	\$883.54	
For 8-inch meter.....	\$1,413.66	

The Service Charge is a readiness-to-serve charge which is applicable to all general metered services and to which is added the charge for water used computed at the Quantity Rates.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. \_\_\_\_\_

ISSUED BY  
**D. P. STEPHENSON**  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_

DECISION NO. \_\_\_\_\_

**DIRECTOR – Rates & Regulatory**  
TITLE

RESOLUTION NO. \_\_\_\_\_

Schedule No. LW-4  
Larkfield District Tariff Area  
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection system.

TERRITORY

Larkfield Estates and vicinity located approximately three miles north of the City of Santa Rosa, Sonoma County.

RATES

	Per Month	
For each 1 1/2-inch connection.....	\$10.62	(l)
For each 4-inch connection.....	\$20.91	(l)
For each 6-inch connection.....	\$31.40	(l)
For each 8-inch connection.....	\$41.86	(l)
For each 10-inch connection.....	\$52.33	(l)

SPECIAL CONDITIONS

1. The fire protection service will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
2. If the distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
3. Service hereunder is for private fire protection system to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. \_\_\_\_\_

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_

DECISION NO. \_\_\_\_\_

DIRECTOR – Rates & Regulation  
TITLE

RESOLUTION NO. \_\_\_\_\_

Schedule No. SD-1  
San Diego County District Tariff Area  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

Coronado, Imperial Beach, and portions of San Diego, and vicinity San Diego County.

RATES

Quantity Rates:

	Base Rate	
	Per ccf	
<b><u>Residential Customers:</u></b>		
For the first 8 ccf .....	\$3.3490	(I)
For the next 9 ccf .....	\$3.7215	(I)
For the next 13 ccf .....	\$5.5820	(N)
For all water delivered over 30 ccf .....	\$6.9314	(I)
<b><u>All Other Customers:</u></b>		
For all water delivered, per 100 cu. ft.....	\$3.7215	(I)
For all water delivered, per 1000 gallons .....	\$4.9749	(I)

Service Charge: General Metered

	Per Meter	
	Per Month	
For 5/8 x 3/4-inch meter.....	\$5.89	(I)
For 3/4-inch meter.....	\$8.84	
For 1-inch meter.....	\$14.73	
For 1-1/2-inch meter .....	\$29.47	
For 2-inch meter.....	\$47.14	
For 3-inch meter.....	\$88.40	
For 4-inch meter.....	\$147.33	
For 6-inch meter.....	\$294.65	
For 8-inch meter.....	\$471.44	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all general metered services and to which is added the charge for water used computed at the Quantity Rates.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. XXX

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_

DECISION NO. D.xx-xx-xxx

DIRECTOR – Rates & Regulatory  
TITLE

RESOLUTION NO. \_\_\_\_\_

Schedule No. SD-4  
San Diego County District Tariff Area  
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection system.

TERRITORY

Coronado, Imperial Beach, and portions of San Diego, and vicinity, San Diego County, all as set forth on Service Area maps on file with the California Public Utilities Commission.

RATES

	<u>Per Month</u>	
For each 4-inch connection or smaller.....	\$22.82	(I)   (I)
For each 6-inch connection.....	\$47.78	
For each 8-inch connection.....	\$70.68	
For each 10-inch connection.....	\$105.14	
For each 12-inch connection.....	\$153.16	

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(TO BE INSERTED BY UTILITY)

ADVICE LETTER NO. XXX

ISSUED BY

D. P. STEPHENSON

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

DATE FILED \_\_\_\_\_

NAME

EFFECTIVE \_\_\_\_\_

DECISION NO. D.XX-XX-XXX

DIRECTOR – Rates & Regulatory

RESOLUTION NO. \_\_\_\_\_

TITLE

Schedule No. SD-4H  
San Diego County District Tariff Area  
PRIVATE FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service furnished for fire hydrant service.

TERRITORY

Coronado, Imperial Beach, and portions of San Diego, and vicinity, San Diego County, all as set forth on Service Area maps on file with the California Public Utilities Commission.

RATES

	<u>Per Month</u>	
Private Fire Hydrant Service Installed at Cost of Applicant:		
For each Fire Hydrant Installed.....	\$13.44	(l)

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. xxx

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_

DECISION NO. D.xx-xx-xxx

DIRECTOR – Rates & Regulatory  
TITLE

RESOLUTION NO. \_\_\_\_\_

Schedule No. MO-TO-1  
Monterey County District Tariff Area  
Toro Service Area  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service .

TERRITORY

Toro sub-unit, Monterey County .

RATES

Quantity Rates:

	Base Rate	
	Per 10 cf	
<b><u>Residential Customers:</u></b>		
For the first 80 10 cu.ft .....	\$0.3766	(I)(N)
For the next 100 10 cu. ft .....	\$0.5384	
For the next 970 10 cu. ft .....	\$0.6195	
For all water delivered over 1,150 10 cu.ft.....	\$0.9204	
<b><u>All Other Customers:</u></b>		
For all water delivered, per 10 cu.ft.....	\$0.5384	(I)(N)
<b><u>Meter Charge:</u></b>		
	Per Meter	
	Per Month	
For 5/8 x 3/4-inch meter .....	\$9.16	(I)
For 3/4-inch meter .....	\$13.74	
For 1-inch meter .....	\$22.90	
For 1-1/2-inch meter .....	\$45.80	
For 2-inch meter .....	\$73.27	(I)

The Meter Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

(L)

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(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. \_\_\_\_\_

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_

DECISION NO. \_\_\_\_\_

DIRECTOR – Rates & Regulatory  
TITLE

EFFECTIVE \_\_\_\_\_  
RESOLUTION \_\_\_\_\_

Schedule No. VN-1  
Ventura County District Tariff Area  
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Thousand Oaks, Newbury Park, an area adjacent to Camarillo, and vicinity, Ventura County .

RATES

Quantity Rates:

	Base Rate	
	Per ccf	
<b><u>Residential Customers:</u></b>		
For the first 12 ccf .....	\$2.9110	(I)
For the next 10 ccf .....	\$3.8303	(I)
For the next 78 ccf .....	\$5.1709	(N)
For all water delivered over 100 ccf .....	\$7.7110	(I)
<b><u>All Other Customers:</u></b>		
For all water delivered, per 100 cu.ft.....	\$3.8303	(I)
<b>Service Charge: General Metered</b>		(L)
	Per Meter	
	Per Month	
For 5/8 x 3/4-inch meter .....	\$7.77	(I)
For 3/4-inch meter .....	\$11.66	
For 1-inch meter .....	\$19.44	
For 1-1/2-inch meter.....	\$38.87	
For 2-inch meter .....	\$62.19	
For 3-inch meter .....	\$116.61	
For 4-inch meter .....	\$194.36	
For 6-inch meter .....	\$388.72	
For 8-inch meter .....	\$621.94	
For 10-inch meter .....	\$894.05	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all general metered services and to which is added the charge for water used computed at the Quantity Rates.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. xxx

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_

DECISION NO. D.xx-xx-xxx

DIRECTOR – Rates & Regulatory  
TITLE

RESOLUTION NO. \_\_\_\_\_

Schedule No. VN-4  
Ventura County District Tariff Area  
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Portions of Thousand Oaks, Newbury Park and areas adjacent to Camarillo, and vicinity,  
Ventura County.

RATE

	<u>Per Month</u>	
For each inch of diameter of service connection minimum charge based on 4" service .....	\$8.79	(l)

The rates for private fire service are based upon the size of the service and no additional charges will be made for fire hydrants, sprinklers, hose connections or standpipes connected to and supplied by such private fire service.

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the Utility or under the Utility's direction. Cost of the entire fire protection installation shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The installation housing the detector type check valve and meter and appurtenances thereto shall be in a location mutually agreeable to the applicant and the Utility. Normally such installation shall be located on the premises of applicant, adjacent to the property line. The expense of maintaining all facilities which are the sole property of the applicant (including the vault, meter, detector type check valves, backflow device and appurtenances) shall be paid for by the applicant.
3. All facilities paid for by the applicant, excluding the connection at the main and any service pipe located in a public right-of-way, shall be the sole property of the applicant. The Utility and its duly authorized agents shall have the right to ingress to and egress from the premises for all purposes relating to said facilities.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. XXX

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_

DECISION NO. D.xx-xx-xxx

DIRECTOR – Rates & Regulatory  
TITLE

RESOLUTION NO. \_\_\_\_\_

Schedule No. VN-9MC  
Ventura District Tariff Area  
METERED CONSTRUCTION SERVICE

APPLICABILITY

Applicable to all water service furnished for construction purposes.

TERRITORY

Portions of Thousand Oaks, Newbury Park, an area adjacent to Camarillo, and vicinity, Ventura County.

RATES

Quantity Rates:

	<u>Per Month</u>	
For all water delivered, per 100 cu. ft. ....	\$3.2944	(l)

Minimum Charge:

	<u>Per Day</u>	
For all sizes of meters .....	\$29.76	(l)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

(Continued)

(TO BE INSERTED BY UTILITY)  
ADVICE LETTER NO. xxx

ISSUED BY  
D. P. STEPHENSON  
NAME

(TO BE INSERTED BY C.P.U.C.)  
DATE FILED \_\_\_\_\_  
EFFECTIVE \_\_\_\_\_

DECISION NO. D.xx-xx-xxx

DIRECTOR – Rates & Regulatory  
TITLE

RESOLUTION NO. \_\_\_\_\_

# Attachment 2

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

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$4,134,600 or 2.55% in the year 2011, by \$33,105,800 or 19.68% in the year 2012, by \$9,897,200 or 4.92% in the year 2013, and by \$10,874,600 or 5.16% in the year 2014.

A.10-07-007  
(Filed July 1, 2010)

**RATE DESIGN STIPULATION OF THE UTILITY REFORM NETWORK,  
NATURAL RESOURCES DEFENSE COUNCIL, CALIFORNIA-AMERICAN  
WATER COMPANY AND DIVISION OF RATEPAYER ADVOCATES**

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Ratepayer Advocates

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Attorney for California-American Water  
Company

**Dated: August 9, 2011**

## INTRODUCTION:

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Natural Resources Defense Council (“NRDC”), Division of Ratepayer Advocates (“DRA”), The Utility Reform Network (“TURN”) and California-American Water Company (“California American Water”) (collectively, “the Stipulating Parties”) have agreed on the terms of stipulation (“Stipulation”), which they now submit for approval.

This document is a Stipulation memorializing the intent and commitment of the Stipulating Parties to finalize a rate design and rates for certain districts’ residential customers upon the authorization of a revenue requirement in each district for which rate design was addressed in this proceeding.<sup>1</sup> This Stipulation contains parameters for the residential rate design, as well as guidelines that Stipulating Parties agree to follow in finalizing such rate design. This Stipulation contains guidelines for determining residential rate design for Larkfield, all three sub-systems of Los Angeles, San Diego and Ventura districts, as well as Toro, a sub-system in the Monterey District. It does not apply to any other parts of the Monterey District or Sacramento District. This Stipulation does not supersede other rate design-related issues outside of residential conservation rate design that are addressed in other settlement documents or have been litigated and are addressed in briefs.<sup>2</sup> This Stipulation addresses the differences related to rate design presented by the testimony and exhibits submitted into evidence by the Stipulating Parties.

This Stipulation embodies the entire understanding of the Stipulating Parties with respect to the matters described herein. Moreover, the Stipulating Parties agree that they will begin to draft a settlement agreement, pursuant to the terms of this Stipulation, as soon as practicable after the issuance of a proposed decision relating to California American Water’s revenue requirement. The Stipulating Parties will negotiate in good faith to complete and file a settlement agreement in a timely manner that will include a rate design and agreed upon rates for each relevant district pursuant to the terms of this Stipulation. With consent from all of the signatories to the settlement, the settlement agreement may be filed prior to the adoption of a final revenue requirement, however, the rates in such an agreement would be contingent upon a Commission decision approving

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<sup>1</sup> In A.10-07-007, California American Water submitted supplemental testimony on residential rate design for Larkfield, Los Angeles, San Diego, Toro, and Ventura. This testimony related specifically to inclining block rates for residential, single family customers. While the proceeding addressed other rate design-related issues in these and other districts, this Stipulation does not address those issues.

<sup>2</sup> California American Water and NRDC filed a partial settlement agreement on May 20, 2011 which addressed conversion to monthly meter reading, domestic irrigation only service and rates, bill formats, evaluation of advanced metering infrastructure, low income rate consolidation, the low income sur-credit, Sacramento WRAM, volumetric billing of wastewater service, and non-revenue water loss reporting. DRA filed comments on this partial settlement on June 20, 2011. Rate design for the Duarte irrigation customers was addressed in the settlement agreement among California American Water, DRA, and TURN, filed on July 28, 2011. Nonrevenue water issues were further addressed in a partial settlement agreement among California American Water, DRA, and NRDC, filed on July 28, 2011. Special Request #5, California American Water’s request for a WRAM in Sacramento, was litigated and addressed in opening briefs, filed July 25, 2011, and reply briefs, filed August 8, 2011.

the relevant settlement agreements and adopting a final revenue requirement. Desiring to avoid the expense, inconvenience, and the uncertainty attendant to briefing rate design issues, the Stipulating Parties submit this Stipulation with the permission of the assigned Administrative Law Judge.<sup>3</sup>

Because this stipulation represents a compromise by them, the Stipulating Parties have entered into this Stipulation on the basis it not be considered by the Commission or anyone else as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Stipulating Parties intend that both this Stipulation and any approved settlement agreement based upon this Stipulation not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (*See* Rule 12.5, Commission's Rules of Practice and Procedure.)

The Stipulating Parties agree that no signatory to this Stipulation assumes any personal liability as a result of their agreement. All rights and remedies of the Stipulating Parties are limited to those available before the Commission. As between the Stipulating Parties, this Stipulation may be amended or changed only by a written agreement signed by all Parties. If the Commission grants the Motion and Stipulation with modification, all Parties to the Stipulation must consent to those modifications in writing or the Stipulation is void and all Parties reserve all rights set forth in Rule 12.4 of the Commission's Rules of Practice and Procedure.

This Stipulation may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument. Each of the Stipulating Parties hereto and their respective counsel and advocates have contributed to the preparation of this Stipulation. Accordingly, the Stipulating Parties agree that no provision of this Stipulation shall be construed against any Party because that Party or its counsel drafted the provision.

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

#### **CALIFORNIA AMERICAN WATER REQUEST:**

California American Water submitted supplemental testimony on rate design on August 1, 2010. The supplemental testimony included requests relating to residential rate design, as well as other issues not addressed in this Stipulation. California American Water proposed a number of changes to the existing residential rate design in each district addressed in this proceeding.

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<sup>3</sup> By email, dated July 21, 2011, assigned Administrative Law Judge Linda Rochester directed the Stipulating Parties to file a stipulation on rate design via motion.

California American Water proposed changing from the current three tier rate design to a five tier rate design in Larkfield and Ventura. In Los Angeles, California American Water's workpapers contained greater differentials between the tiers, resulting in a steeper rate design. In San Diego, California American Water proposed modifying the breakpoints in the existing three-tier design. In Toro, California American Water proposed changing the current uniform rate to a five tier rate design.

#### **NRDC, TURN, AND DRA POSITION:**

DRA submitted testimony on January 21, 2011. DRA supported California American Water's proposal for changes to the residential rate design in Larkfield. In Los Angeles, San Diego, Toro, and Ventura, DRA opposed California American Water's proposals for changes to the residential rate design and recommended retaining the existing rate design.

NRDC and TURN submitted testimony on February 4, 2011. Both interveners' testimony proposed new residential rate designs for all districts distinct from California American Water's proposals.

NRDC, TURN, and DRA ("Joint Parties") served Joint Exhibit 001 on Rate Design ("Joint Exhibit") on May 20, 2011. Joint Exhibit 001 was later entered into the record by ALJ Rochester on June 28, 2011. The Joint Exhibit was the product of extensive negotiations among the Joint Parties and reflects their best efforts to reach a compromise that is consistent with each of their views of fundamental rate design principles while recognizing that strict adherence to all principles in each district may not be possible.

The basis of the Joint Exhibit was an overall mutual goal to develop rates that adhere to the following Principles:

- Encourage water conservation and efficient use;
- Maintain affordability for essential levels of indoor water use;
- Practical, easy to implement, and understandable for customers;
- Maintain revenue neutrality;<sup>4</sup>
- Adhere to the principle of gradualism, giving residential customers the opportunity to adjust to new price signals from the rate design, in addition to higher rates due to increased revenue requirements;
- Bear a reasonable relationship to the cost of service; and
- Fair in their treatment of diverse groups of customers.

The Joint Parties agreed that clear criteria should guide the selection of number of tiers, location of breakpoints, and pricing for tiers, although these criteria need not necessarily be applied uniformly in all districts. In the Joint Exhibit, the Joint Parties developed

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<sup>4</sup> Revenue neutrality means that the rate design will generate the same revenue as a uniform rate would, at the same level of consumption.

breakpoints, data, and rate differentials that are reflected in the “Resolution” section below.

**RESOLUTION:**

The Stipulating Parties agree to uphold the Principles outlined in the Joint Exhibit filed by NRDC, TURN, and DRA, listed above, and to make their best efforts to create a final rate design in each district that adheres to the parameters outlined below. However, Parties note that in some instances, strict adherence to all parameters may not be possible. In such cases, Parties agree to negotiate modifications to the parameters to the extent necessary to develop a feasible rate design that addresses the Principles articulated in the Joint Exhibit and above.

Rate Design Parameters

- Number of tiers: Parties agree to use a four-tier residential rate design in all districts so that a tail tier can be established to capture the very highest levels of use and more effectively incent customer actions to improve water efficiency. This enables a steeper tier structure than a three-tier structure alone would allow. Limiting consumption, and projected revenues, in the highest-priced tier also intends to minimize WRAM balances from this aspect of the rate design by having less consumption priced well above the single quantity rate (“SQR”)<sup>5</sup>, where a price response from affected customers is most likely.
- Breakpoints: Parties agree to retain the breakpoints laid out in the Joint Exhibit for each district, as shown in Table 1. However, if the application of updated consumption data (addressed below) results in less than 3% or more than 6% of consumption falling in tier 4, the tier 3 / tier 4 breakpoint will be modified upward or downward to keep tier 4 consumption within this range.

**Table 1: Breakpoints for each district in Ccf per month**

	Larkfield	LA-BH	LA-DU	LA-SM	San Diego	Toro	Ventura
Tier 1	0-7	0-10	0-12	0-14	0-8	0-8	0-12
Tier 2	>7-14	>10-17	>12-22	>14-30	>8-17	>8-18	>12-22
Tier 3	>14-38	>17-45	>22-212	>30-100	>17-30	>18-100	>22-195
Tier 4	>38	>45	>212	>100	>30	> 100	>195

- Data: The distribution of consumption across the new tiers, calculated from residential billing data from October 2009 through September 2010, will be applied to the test year consumption forecast adopted by the Commission to

<sup>5</sup> The single quantity rate is the rate that would be charged in a uniform conservation rate structure. The SQR is not intended to be the same as the uniform quantity rate calculated under the methodologies detailed in D.86-05-064, which has developed into what is known as the PUC Standard Rate Design.

calculate consumption in each tier for the purpose of determining rates that achieve revenue neutrality.

- Service charge revenues: The Stipulating Parties agree that the monthly meter charges should be set in each district so the total annual service charge revenues equal 25% of total applicable fixed costs.<sup>6</sup> This calculation will hold unless it results in a reduction in meter charges below the current fixed charge rates, or causes the company to fall out of compliance with Best Management Practice (“BMP”) 1.4.<sup>7</sup> If setting the monthly meter charges in the manner described above results in a reduction to the current monthly fixed charge rates, then the monthly meter rates will be set at the same level as in existence at the time of a decision in this proceeding. If setting the monthly meter charges in the manner described above results in violation of BMP 1.4, service charge revenues shall be adjusted downward until compliance is achieved.
- Quantity rate differentials: The Stipulating Parties agree to set each tier’s rate at a percentage of the SQR. In this Stipulation, the Stipulating Parties agree to a range of percentages in which the final rate may fall. Final rates in each district will be based on the final revenue requirement authorized.
  - The tier 1 rate will be set at a level of between 70-90% of the SQR. The Stipulating Parties agree to use the current tier 1 rate<sup>8</sup> as a floor below which the final tier 1 rate as a result of a settlement will not fall so that customers will not see a decrease from the current rate.
  - Tier 2 will be set equal to the SQR
  - Tier 3 will be set at 115% - 150% of the SQR
  - Tier 4 will be set at 170% - 200+% of the SQR, while ensuring that no more than 10% of consumption revenues are recovered in tier 4.
- Overall District Rate Determinations: The Stipulating Parties agree that the final rate design settlement will contain an explanation of how revenues are distributed and rates are determined for all customer classes in each district.

**REFERENCES:** CAW Exh. (Supplemental Testimony of Dave Stephenson, Sherenne Chew, Rodney L. Jordan, Supplemental Direct Testimony of Andrew Soule, Supplemental Direct Testimony of Patrick Pilz, Supplemental Direct Testimony of Craig Anthony, and Supplemental Direct Testimony of Todd Brown); DRA Exh. 10, Ch. 1, 2, 4, 5, 6, 7, 8, and 9; NRDC Exh. 1, Ch. 1 and 2; TURN Exh. 003; NRDC, TURN, and DRA Joint Exhibit (001)

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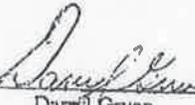
<sup>6</sup> Applicable fixed costs are identified in the “Cost of Svc” tabs of each district’s Chapter 3 revenue workpapers, except for LA, where they are identified in a spreadsheet entitled revenue workpapers.

<sup>7</sup> The California Urban Water Conservation Council’s (“CUWCC”) BMP 1.4 states that service charge revenues shall comprise no more than 30% of total revenues.

<sup>8</sup> The current tier 1 rate is the rate that would be in place at the beginning of Test Year 2012, absent the revenue requirement authorized in this case.

Dated: August 9, 2011

Respectfully submitted,

By:   
Darryl Gruen

Staff Counsel,  
Division of Ratepayer Advocates  
California Public Utilities Commission

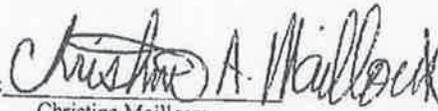
Dated August 9, 2011

Respectfully submitted,

By:   
Sarah E. Leeper  
Vice-President-Legal, Regulatory  
California American Water Company

Dated: August 9, 2011

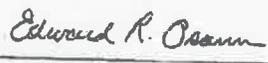
Respectfully submitted,

By:   
Christine Mailloux

Attorney  
The Utility Reform Network

Dated: August 9, 2011

Respectfully submitted,

By:   
Edward R. Osann  
Senior Policy Analyst  
Natural Resources Defense Council

# Attachment 3



