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ATTACHMENT B



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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| Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities. |
| In the Matter of the Application of Golden State Water Company (U 133 E) for Authority to Implement Changes in Ratesetting Mechanisms and Reallocation of Rates. |
| Application of California Water Service Company (U 60 W), a California Corporation, requesting an order from the California Public Utilities Commission Authorizing Applicant to Establish a Water Revenue Balancing Account, a Conservation Memorandum Account, and Implement Increasing Block Rates. |
| Application of Park Water Company (U 314 W) for Authority to Implement a Water Revenue Adjustment Mechanism, Increasing Block Rate Design and a Conservation Memorandum Account. |
| Application of Suburban Water Systems (U 339 W) for Authorization to Implement a Low Income Assistance Program, an Increasing Block Rate Design, and a Water Revenue Adjustment Mechanism. |
| Application of San Jose Water Company (U 168 W) for an Order Approving its Proposal to Implement the Objectives of the Water Action Plan. |

06-15-07
Investigation 07-01-022
(Filed January 11, 2007)

Application 06-09-006
(Filed September 6, 2006)

Application 06-10-026
(Filed October 23, 2006)

Application 06-11-009
(Filed November 20, 2006)

Application 06-11-010
(Filed November 22, 2006)

Application 07-03-019
(Filed March 19, 2007)

AMENDED SETTLEMENT AGREEMENT BETWEEN THE UTILITY REFORM NETWORK, THE DIVISION OF RATEPAYER ADVOCATES, AND CALIFORNIA WATER SERVICE COMPANY

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**AMENDED SETTLEMENT AGREEMENT BETWEEN THE UTILITY
REFORM NETWORK, THE DIVISION OF RATEPAYER ADVOCATES,
AND CALIFORNIA WATER SERVICE COMPANY
ON WRAM & CONSERVATION RATE DESIGN ISSUES**

I. GENERAL

- 1) Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), The Utility Reform Network ("TURN"), the Division of Ratepayer Advocates ("DRA") and California Water Service Company ("Cal Water" collectively, "the Parties") have agreed on the terms of this Settlement Agreement which they now submit for approval. This Settlement Agreement addresses conservation-oriented increasing block rates and related decoupling mechanism such as Water Revenue Adjustment Mechanism ("WRAM") and Modified Cost Balancing Accounts (MCBAs).

- 2) Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)
- 3) The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement.
- 4) This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

II. BACKGROUND

- 1) Cal Water provides service to approximately 450,000 customers in twenty-four districts.
- 2) All of the residential customers in 15 districts have metered service connections, while the other 9 districts also have residential customers with flat-rate service connections. Attachment 1 shows all of Cal Water's districts and indicates the frequency of billing and the numbers of metered and flat rate residential customers.

III. TRIAL PROGRAM

- 1) The Parties agree that the conservation rate design and related decoupling mechanisms (WRAM and MCBA) constitute a Trial Program to become effective 90 days after a Commission decision adopting the proposed settlement.
- 2) This Trial Program will be reviewed in the next general rate case ("GRC") filing for each district. The filing dates are pursuant to the proposed decision in the Commission's Rate Case Plan rulemaking proceeding, D.07-05-062.

IV. RATE DESIGN – RESIDENTIAL CUSTOMERS

- 1) Overview: For the purposes of designing conservation rates for residential customers, Cal Water's 24 districts were separated into three groups.

- a. Group 1 districts have conservation rate designs that include tiered rates and a decreased meter charge.¹
- b. Group 2 districts have conservation rate designs that include only tiered rates, with no change in meter charge.
- c. Group 3 districts do not have conservation rates under this Trial Program as explained below.
- d. The following summary table shows the Amended Settlement residential grouping

Amended Settlement - Residential Customer Groups

| Group 1 - Districts with Reduced Meter Charges and Two or Three Tired Quantity Rates | Group 2 - Part A Districts with Two or Three Tired Quantity Rates, Flat and Metered Customers | Group 2 - Part B Districts with Two or Three Tired Quantity Rates, All Metered Customers | Group 3 - Districts with no Proposed Rate |
|---|--|---|--|
| Bakersfield | Chico | Antelope Valley | Antelope Valley |
| Bear Gulch | Marysville | Lancaster | Freemont |
| East Los Angeles | Groville | Leona | Kern River |
| Los Altos | Salina | Dixon | Redwood |
| Palos Verdes | Visalia | Dominguez | Coast Springs |
| Salinas | Willows | Hermosa | Lucerne |
| Stockton | | King City | United |
| | | Livermore | |
| | | Mid Peninsula | |
| | | San Francisco | |
| | | West Lake | |

¹Two Tiers, all others are three tiers

2) District Groups:

- a. Residential Group 1 consists of the following districts identified by TURN, which have relatively large populations (as defined by number of connections) and meter charges above \$10.00 under a traditional rate design (see Attachment 1):
 1. Bakersfield
 2. Bear Gulch
 3. East LA
 4. Los Altos
 5. Palos Verdes
 6. Salinas
 7. Stockton
- b. Residential Group 2 is subdivided into Parts A and B in order to differentiate between districts with a mix of metered and flat rate

¹ The meter charge, or service charge, is a fixed monthly charge that is assessed on every customer. It is a readiness-to-serve charge that varies by meter size but customers pay it even if they do not consume water.

customers and those districts where all consumption is metered (see **Attachment 2**). Group 2 consists of the districts not included in Groups 1 and 3 (see **Attachment 2**). The conservation rate designs for these districts are unchanged from those in the original Settlement Agreement between Cal Water and DRA filed on April 23, 2007.

- c. Residential Group 3 consists of two small districts, Kern River Valley and Redwood Valley, plus the Fremont Valley sub-district in Antelope Valley. (No conservation rate designs are proposed for these districts at this time, as in the original Settlement Agreement between CalWater and DRA filed on April 23, 2007.)

3) Residential GROUP 1 – Reduced Meter Charges.

- a. Meter charges are used to recover a portion of fixed costs (in traditional rate design, meter charges recover approximately 50% of the fixed costs in a district).
- b. The meter charges in the districts of Residential Group 1 are reduced by various percentages (see **Attachment 1**).

4) Residential GROUPS 1 and 2 – Tiered Quantity Charges.

- a. These districts have two-tiered and three-tiered increasing block rates. The tiers are based on the consumption patterns and seasonality of each district. For developing the tiers a proxy for indoor water consumption was used.
- b. Three-tiered districts – consists of districts with consumption patterns that show significant seasonal differences in which the average summer use is more than twice the average winter use:
 - i. Tier 1 – From zero to the midpoint between winter average and winter median consumption (this is the proxy for indoor water use). This ensures that consumers at low and average levels of consumption stay within Tier 1.
 - ii. Tier 2 – From the top of Tier 1 to the mid-point between weather adjusted average monthly annual consumption and average summer consumption.
 - iii. Tier 3 – All consumption above the top of Tier 2.
- c. Two-tiered districts – consists of districts with consumption patterns that show less significant seasonal differences in which average summer use is less than twice average winter use.
 - i. Tier 1 – From zero to the winter average² (this is the proxy for indoor water use). This ensures that consumers at low and average

² Winter average was measured by calculating the winter mode, which is a statistical measurement of the most common level of consumption during the winter.

- levels of consumption stay within Tier 1. (The same as Tier 1 above in the three-tiered districts of Group 1.)
- ii. Tier 2 –All consumption above the top of Tier 1.
- d. RATES for three-tiered districts – the general principles used are:
- i. The rate for the first tier (which approximates indoor water use) is discounted relative to the single quantity rate that would be needed to recover the target revenue.
 - ii. The rate for the second tier is set at the current single quantity rate, except:
 1. The rate is adjusted up or down to achieve revenue neutrality. Revenue neutrality is defined as having projected revenues from the increasing block quantity charges that are within 1% of the portion of the revenue target to be recovered through the quantity charge.
 - iii. The rate for the third tier is set at approximately 20% above the second tier rate.
 - iv. If the general criteria above do not achieve target revenues, the first tier is adjusted until revenues balance.³
- e. RATES for two-tiered districts – the general principles used are:
- i. The rate for the first tier (which approximates indoor water use) is discounted relative to the single quantity rate that would be needed to recover the target revenue. The rate of discount for Tier 1 varies by district and is in the range of 89.75% and 92.1%. The rate for the first tier (which approximates indoor water use) is discounted relative to the single quantity rate that would be needed to recover the target revenue.
 - i. The rate for the second tier is approximately 18% to 20% greater than the first tier rate.
 - ii. If the general criteria above do not achieve target revenues, the first tier is adjusted until revenues balance.
- f. Districts in Residential Groups 1 and 2 with metered and flat rate customers:
- i. Because these districts have a mix of flat rate and metered rate customers, increasing block rates cannot provide conservation price signals to all customers.
 - ii. As customers are transitioned from flat to metered rates, more customers will encounter a conservation price signal.
 - iii. The percent difference between the first and last tier is minimized to account for the price signal that customers will encounter when transitioning from flat to metered rates.

³ For example, in the West Lake district, the initial settings of 0.95, 1.03, and 1.2 resulted in over-recovery of revenue. Reducing the first tier to 0.85 and the second to 1.00 resulted in revenue recovery of 100.60%.

- 5) Residential GROUP 3: Areas with Small Numbers of Customers
- For the Kern River Valley, Redwood Valley, and the Fremont Valley sub-district in Antelope Valley, this Trial Program retains standard rate design, and does not propose increasing block rates or changes in the meter charge.
 - The number of customers in these areas and their consumption is small relative to the size of the utility.
 - Per customer average consumption is extremely low in these districts. In addition, existing single quantity rates are significantly high such that further conservation incentives through rate design are not necessary at this time to motivate customers to reduce their usage.
 - The Commission recently adopted a Rate Support Fund (RSF) in D.06-08-011 to address water affordability in these districts where critical water infrastructure improvements are stressing the ability of these predominantly lower income communities to pay.⁴ Implementing the RSF along with conservation rates could be confusing to customers and send conflicting price signals. It also makes developing a conservation rate design prohibitive within the timeline set in this proceeding. Parties agree to revisit this issue in the next GRC.
 - The districts in group 3 are shown in the table below:

Residential Group 3 - Districts with no Proposed Changes to Rate Design

| District | Customers | | Winter Average | Summer Average | Current Rates | |
|---------------------------|-----------|---------|----------------|----------------|--|------------------------|
| | Flat | Metered | | | Meter Charge \$/ft ³ x 3/4" | Quantity Rate (\$/Ccf) |
| Antelope Valley - Fremont | - | 283 | 10 | 28 | \$25.00 | \$2.3733 |
| Kern River | 16 | 4,285 | 8 | 18 | \$24.00 | \$3.5631 |
| Redwood | | | | | | |
| Coast Springs | - | 238 | 4 | 8 | \$28.00 | \$14.0238 |
| Lucerne | - | 1,249 | 9 | 22 | | |
| Unified | | 455 | 9 | 20 | \$54.75 | \$8.5784 |
| Total | 16 | 6,327 | | | | |

V. RATE DESIGN – NON-RESIDENTIAL CUSTOMERS

- For non-residential customers in all districts, with the exception of Stockton,⁵ parties propose that a single quantity rate design be retained, with a reduction in the service charge which results in an increase in the quantity charge. Where appropriate, the single quantity rate for non-residential customers is based on meter size as explained below.

⁴ The RSF provides rate assistance subsidies of \$20 per customer per month in Kern River Valley district, \$8.50 per customer per month in the Fremont Valley service area, and in the Redwood Valley District it provides \$17 per customer per month in the Lucerne rate area, \$6.05 per Ccf (one-hundred cubic feet) in the Coast Springs rate area, and \$1.76 per Ccf in the Unified rate area.

⁵ Stockton customers currently have a two tier rate structure. The proposed non residential rate design lowers the service charges and increases the quantity charge, and results in two new Tier 1 and Tier 2 quantity rates, keeping the adopted proportion between Tier 1 and Tier 2.

- a. For the purposes of this Trial Program, non-residential customers are categorized into two rate groups:
 - i. customers with meters 6" diameter and under, and;
 - ii. customers with meters 8" diameter and over.⁶
- b. Service charges are reduced by approximately 10% to 25%, with corresponding increases in the quantity rate to achieve revenue recovery neutrality.
- c. Service charge reductions are calculated by reducing the meter charge to a point where no more than a 15% increase in the quantity rate for either of the two rate groups results.

2) Recovering more fixed costs in the quantity charge:

- a. For the purposes of designing conservation rates for non-residential customers, districts were separated into two groups based on the California Urban Water Conservation Council's (CUWCC's) Best Management Practices 11 (BMP 11)⁷ threshold of a rate structure being conservation-oriented if more than 70% of revenue comes from the quantity charge.
- b. Non-Residential Group I consists of districts in which more than 70% of revenue comes from the quantity charge, and the existing quantity rate is more than \$1.005/Ccf:
 - i. For Group I districts, the reduction in the meter service charge ranges from 10% to 25%.
 - ii. Group I rate design and bill impact are shown for each district in Attachments 1 or 2 as indicated in the table below.
- c. Non-Residential Group II consists of districts in which less than 70% of revenue comes from the quantity charge, and the existing quantity rate is low, defined as less than \$1.005/Ccf:
 - i. For Group II districts, the reduction in the meter service charge ranges from 12% to 15%.
 - ii. Group II rate design and bill impact are shown for each district in Attachments 1 or 2 as indicated in the table below.
- d. The following table provides a summary of how non-residential customers were grouped, and how they cross-reference to the residential grouping.

⁶ In three districts, customers with 8" meters are included with the smaller meter sizes (those 6" or under). In these three districts, there were only 1 to 3 customers in the 8" meter group, and their consumption was low, even when compared to the consumption of customers with smaller (6" or less) meters.

⁷ Best Management Practice 11, Conservation Pricing.

Amended Settlement - Cross Reference Table on Residential and Non Residential Groups

| Residential Group 1 - | | Residential Group 2 - Part A | | Residential Group 2 - Part B | |
|-----------------------|-----------------------|------------------------------|-----------------------|------------------------------|-----------------------|
| District | Non-Residential Group | District | Non-Residential Group | District | Non-Residential Group |
| Bakersfield | Group I | Chico | Group II | Antelope Valley | |
| Bear Gulch | Group I | Marysville | Group II | Lancaster | Group I |
| East Los Angeles | Group I | Crowville | Group I | Leona | Group I |
| Los Altos | Group I | Salinas | Group I | Dixon | Group II |
| Palos Verdes | Group I | Visalia | Group I | Dominguez | Group I |
| Salinas | Group I | Willows | Group II | Hemlock | Group I |
| Stockton | Group I | | | King City | Group II |
| | | | | Livermore | Group I |
| | | | | Mid Peninsula | Group I |
| | | | | So. San Francisco | Group I |
| | | | | West Lake | Group I |

- 3) Other customer classes. Parties agree that rates for the following classes will not change: residential flat rate service, service to privately owned fire protection systems, metered recycled water service, and reclaimed metered service.

VI. MECHANISMS FOR DECOUPLING SALES AND REVENUE

- 1) Goals of the decoupling mechanisms in the Trial Program:
- Sever the relationship between sales and revenue to remove any disincentive for the utility to implement conservation rates and conservation programs.
 - Ensure cost savings resulting from conservation are passed on to ratepayers.
 - Reduce overall water consumption by Cal Water ratepayers.
- 2) Decoupling for Cal Water will be accomplished through both of the following mechanisms:
- A Water Revenue Adjustment Mechanism (WRAM) for each district.
 - A Modified Cost Balancing Account (MCBA) for each district. MCBAs will replace existing cost balancing accounts for purchased power, purchased water, and pump tax.

VII. WATER REVENUE ADJUSTMENT MECHANISM (WRAM)

- 1) Each district will have a separate WRAM. The WRAM for each district will ensure recovery of the portion of Cal Water's fixed costs that are recovered

through the quantity charge, and certain variable costs not included in the MCBA.⁸

- a. The fixed costs not included in the WRAM are recovered through the meter charge, which are monthly charges that customers pay regardless of consumption.
 - b. The variable costs included in the WRAM are variable costs other than purchased power, purchased water, and pump tax.
- 2) More specifically, the WRAM will track the difference between Adopted Revenue and Actual Revenue, excluding:
- a. Fire service revenue
 - b. Unmetered Service revenue
 - c. Other non-general metered service revenue
- 3) Using the Bear Gulch district, the table below provides an example of how the Parties intend for the WRAM and MCBA to operate. All supporting calculations are included in Attachment 1.

**Amended Settlement - Summary Calculations on Proposed Decoupling Mechanisms
District: Bear Gulch**

Negative balance is over collection, Positive balance is under collection

| | Adopted | Actual (f) | Difference | |
|------------------------------------|---------------|---------------|---------------|---|
| Quantities (Ccf) | 8,203,400 Ccf | 5,987,204 Ccf | 2,216,196 Ccf | |
| Revenue Requirement | \$ 19,656,037 | \$ 19,408,948 | \$ 247,149 | Actual is adopted revenue requirement with MCBA adjustments |
| Quantity charge revenue | \$ 10,363,950 | \$ 15,684,650 | \$ 499,110 | Billed consumption |
| MCBA (Purchased water and power) | 6,959,826 | 6,712,578 | \$ 247,149 | Adopted minus actual, positive number is over collection |
| Service Charge Revenue | 3,272,137 | 3,272,137 | \$ | Service charge revenue target, WRAM does not adjust for SC |
| Revenue | \$ 19,656,037 | \$ 19,158,997 | \$ 497,140 | Adopted minus actual, positive number is under collection |
| Balancing Accounts | | | | |
| WRAM balance | \$ | \$ 499,110 | | positive is under collection (see WRAM table for detail) |
| MCBA adjustment | | (247,149) | | negative balance is over collection (See MCBA table for detail) |
| WRAM surcharge | \$ | \$ 251,960 | | amount to be surcharged on a 3Ccf basis Surcharge shown as a separate line item on bills when account balance is amortized |
| Revenue received by utility | | | | |
| Quantity charge revenue | | \$ 15,684,650 | | billed consumption |
| Service Charge Revenue | | \$ 3,272,137 | | Adopted value used as actual since WRAM does not adjust for SC |
| WRAM surcharge (credit) | | 251,960 | | see above |
| Total revenue received by utility | | \$ 19,408,948 | | |

¹ Actual refers to projections modeled in the Bear Gulch example included in Attachment 1 of the Amended Settlement. This Summary Calculations table is an illustration of the proposed decoupling in the Amended Settlement. This illustration is based on demand change assumptions used in the Bear Gulch Example. The Bear Gulch example consists of 10 tables in Attachment 1 of the Amended Settlement.

⁸ The MCBA will ensure recovery of actual costs for purchased water, purchased power and pump tax (see Section VIII) and must be used in conjunction with the WRAM to accomplish revenue decoupling.

VIII. MODIFIED COST BALANCING ACCOUNT (MCBA)

- 1) The Modified Cost Balancing Accounts (MCBAs) will capture the cost savings and cost increases associated with purchased water, purchased power, and pump taxes.
 - a. The costs of purchased water, purchased power, and pump taxes associated with the production of water can vary due to changes in unit cost or consumption amount.
- 2) In particular, the MCBAs will track the difference between Actual Variable Costs and Adopted Variable Costs for the following variable costs (which are recovered through the quantity charge under both the current and proposed rate designs): purchased water, purchased power, and pump tax.
- 3) An MCBA will replace each of the current balancing accounts, now referred to as Incremental Cost Balancing Accounts (ICBAs)
 - a. Cal Water currently has ICBAs for purchased water, purchased power, and pump taxes.
 - b. ICBAs track cost changes attributable to changes in unit price, and not to changes in the amount of consumption.
 - c. MCBAs track cost changes attributable to all changes in consumption (including changes in unit price).

IX. RECOVERY AND REFUND OF BALANCING ACCOUNTS

- 1) Parties agree that conservation rates may cause the amount of water consumed, and thus the cost of water production, to vary significantly.
- 2) Parties agree that the desired outcome and purpose of using WRAMs and MCBAs is to ensure that the utility and ratepayers are proportionally affected when conservation rates are implemented.
 - a. In the context of this agreement, a proportional impact means that, if consumption is over or under the forecast level, the effect on either the utility or ratepayers (as a whole) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility or ratepayers are harmed, or benefit, at the expense of the other party.
- 3) Parties agree that, in each district, the balance in the WRAM will offset the balances in the MCBAs in the following manner:
 - a. Reporting Requirements: By March 31st of each year, Cal Water will provide the Water Division (with a copy to DRA) with a written report on the status of the WRAM and MCBAs as described herein.
 - b. WRAM: The written report will include a section on the WRAM in each district showing the revenue over- or under-collection with respect to

actual (or recorded) water sales as of December 31st of the preceding calendar year. Differences between Actual Revenues and Adopted Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.

- c. MCBA: The written report will include a section on the MCBAs in each district comparing Actual MCBA Costs with Adopted MCBA Costs as of December 31st of the preceding calendar year. Differences between Actual Costs and Adopted Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.
 - d. If this report shows that the combined over- or under-collection for the WRAM or the MCBAs in any district exceeds 2.5% of the district's total recorded revenue requirement for the prior calendar year, Cal Water will file an advice letter within 30 days that amortizes the balance in both of the accounts in the district.
- 4) Surcharges and surcredits: Recovery of under-collections and refunds of over-collections will be passed on to ratepayers through volumetric surcharges and surcredits.
 - 5) In each general rate case filing, Cal Water will address and request amortization of any remaining amounts in the WRAM and MCBAs.

X. MAINTAINING LEAST-COST WATER MIX

- 1) With regard to changes in the water mix that result in changes in variable costs tracked in the MCBAs, Cal Water stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources.
- 2) If there are significant changes in purchased water in a district that has multiple sources (which in turn affects the amount of purchased power and pump tax):
 - a. Cal Water will make a showing in the district's next GRC filing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that the significant change in water purchases was reasonable.
 - b. For the purpose of this Trial Program, significant changes in water purchases are defined as when the annual volume of purchased water in a district is greater than 10% of the purchased water adopted in the most recent GRC for that district.

XI. SCHEDULES

- 1) Attachment 1 provides rate design and bill information for residential and non-residential customers for each of the seven districts in GROUP 1.

The Bear Gulch district appears first, and contains four additional worksheets than the other districts (Worksheets 4 through 7). For Bear Gulch, there are a total of

eleven worksheets, with the name and number of each worksheet appearing on the top right-hand corner of each page, and the label "Bear Gulch Example" appearing on the top left-hand corner of each page.

- a. Worksheet 1 (Rate Design) shows the proposed rate design for residential customers in the district. Bear Gulch is a GROUP 1 district, so the proposed rate design includes a reduced meter charge and two- or three-tiered quantity charges. (Example: "Worksheet 1 BG Rate Design.")
- b. Worksheet 2 (Typical Bills) shows the typical bills for six different residential customer profiles (low usage, annual, winter and summer averages and large and largest usage). The profiles show what a customer fitting that profile will experience under the proposed conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 2 BG Typical Bills.")
- c. Worksheet 3 (Bills by Consumption) shows what residential customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 3 BG Bills by Consumption.")
- d. Worksheet 4 (MCBA) shows the proposed Modified Cost Balancing Account assuming the demand change shown in Worksheet 7, Demand Change. (Example: "Worksheet 4 BG MCBA.")
- e. Worksheet 5 (WRAM) shows the proposed Water Revenue Adjustment Mechanism assuming the demand change shown in Worksheet 7, Demand Change. (Example: "Worksheet 5 BG WRAM.")
- f. Worksheet 6 (Decoupling) shows the summary calculation for the proposed decoupling of the Bear Gulch District based on the assumptions of the other worksheets. (Example: "Worksheet 6 BG Decoupling.")
- g. Worksheet 7 (Demand Change) shows the projected demand change used in the Bear Gulch example along with the assumptions of the other worksheets. (Example: "Worksheet 7 BG Demand Change.")
- h. Worksheet 8 (Total Bills) is a chart showing the change in the total bills for residential customers, comparing current and proposed rates. (Example: "Worksheet 8 BG TB")

- i. Worksheet 9 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Example: "Worksheet 9 BG AC".)
 - j. Worksheet 10 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Example: "Worksheet 10 BG MC.")
 - k. Worksheet 11 (Non-Residential) shows the proposed rate design for non-residential customers. The worksheet also shows the consumption analysis and sales by block projections used to develop a conservation rate design. (Example: "Worksheet 11 BG NR RD.")
- 2) For the other six districts in GROUP 1 (all districts except for Bear Gulch), Attachment 1 provides rate design and bill information for residential and non-residential customers as follows.

Each district has seven worksheets, with the name and number of the worksheet appearing on the top right-hand corner of each page, and the name of the particular district appearing on the top left-hand corner of each page. The worksheets appear alphabetically. The names of the worksheets for the Bakersfield district are provided as examples.

- a. Worksheet 1 (Rate Design) shows the proposed rate design for residential customers in the district. Bakersfield is a GROUP 1 district, so the proposed rate design includes a reduced meter charge and two- or three-tiered quantity charges. (Example: "Worksheet 1 RD Bakersfield Rate.")
- b. Worksheet 2 (Typical Bills) shows the typical bills for six different residential customer profiles (low usage, annual, winter and summer averages and large and largest usage). The profiles show what a customer fitting that profile will experience under the proposed conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 2 B Typical Bills.")
- c. Worksheet 3 (Bills by Consumption) shows what residential customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different

consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 3 B Bills by Consumption.")

- d. Worksheet 4 (Total Bills) is a chart showing the change in the total bills for residential customers, comparing current and proposed rates. (Example: "Worksheet 4 B TB.")
 - e. Worksheet 5 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Example: "Worksheet 5 BB AC".)
 - f. Worksheet 6 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Example: "Worksheet 6 B MC.")
 - g. Worksheet 7 (Non-Residential) shows the proposed rate design for non-residential customers. The worksheet also shows the consumption analysis and sales by block projections used to develop a conservation rate design. (Example: "Worksheet 7 B NR RD.")
- 3) Attachment 2 contains the schedules for each of the districts in GROUP 2, which is subdivided into Parts A and B in order to differentiate between districts with a mix of metered and flat rate customers, and districts where all consumption is metered.

Each district has seven worksheets, with the name and number of the worksheet appearing on the top right-hand corner of each page, and the name of the particular district appearing on the top left-hand corner of each page. The worksheets appear alphabetically. The names of the worksheets for the Chico district are provided as examples.

- a. Worksheet 1 (Bills By Consumption – All Charges) shows what residential customers will experience under the water conservation rate design as compared with the uniform single quantity rate for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollar and percent changes in total bills (at different consumption levels) comparing the current rate design to the proposed rate design. (Example: "Worksheet 1 Chico.")
- b. Worksheet 2 (Bills By Consumption – Quantity Charge Only) shows what residential customers will experience under the water conservation rate design as compared with the uniform single quantity rate for the volumetric-based (quantity charges only) portion of their bill. In particular, this worksheet shows the dollar and percent changes in the

- quantity (volumetric-based) portion of bills (at different consumption levels) comparing the current rate design to the proposed rate design. (Example: "Worksheet 2 CQOnly.")
- c. Worksheet 3 (Total Bills) is a chart showing the change in the total bills for residential customers, comparing current and proposed rates. (Example: "Worksheet 3 C1.")
 - d. Worksheet 4 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Example: "Worksheet 4 C2".)
 - e. Worksheet 5 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Example: "Worksheet 5 CMC.")
 - f. Worksheet 6 (Rate Design) shows the proposed rate design for residential customers. For GROUP 2, the proposed rate design includes a reduced meter charge and two or three tiered quantity charges. (Example: "Worksheet 6 R RD Chico.")
 - g. Worksheet 7 (Non-Residential) shows the proposed rate design for non-residential customers. The worksheet also shows the consumption analysis and sales by block projections used to develop a conservation rate design (Example: "Worksheet 7 NR RD Chico.").
- 4) Attachment 3 provides CalWater's current rates and the frequency of billing in each district. There is only one worksheet in Attachment 3.

XII. MONITORING AND DATA COLLECTION

DRA and Cal Water will develop a Memorandum of Understanding prior to implementing the increasing block rate design to address the collection of data, such as billing and usage data by meter size by month, class of customer, for use in analyzing customer response to increasing block rate design.

XIII. RETURN ON EQUITY

- 1) The Parties were not able to agree on Cal Water's assertion that:
 "Given the Commission's policies in implementing revenue decoupling for energy utilities, the Commission should not impose a return on equity

(ROE) adjustment with implementation of revenue decoupling for water utilities."⁹

- 2) Parties agree that the impact of the Trial Program (decoupling and conservation rate design) on ROE is not part of this settlement.
- 3) Parties agree to defer to the Commission's decision on any impact on ROE if at all.

Respectfully submitted,

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June 15, 2007

⁹ Prepared Testimony of David Morse on Decoupling Revenues, Conservation Programs, and Rate Design Policy (October 23, 2006) at 21.

ATTACHMENT C



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| Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities. |
| In the Matter of the Application of Golden State Water Company (U 133 E) for Authority to Implement Changes in Ratesetting Mechanisms and Reallocation of Rates. |
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- Investigation 07-01-022
(Filed January 11, 2007)

- Application 06-09-006
(Filed September 6, 2006)

- Application 06-10-026
(Filed October 23, 2006)

- Application 06-11-009
(Filed November 20, 2006)

- Application 06-11-010
(Filed November 22, 2006)

- Application 07-03-019
(Filed March 19, 2007)

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

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Project Manager for
PARK WATER COMPANY

June 15, 2007

Before the Public Utilities Commission of the State of California

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

1. GENERAL

1.1 Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") and Park Water Company ("Park" collectively, "the Parties") have agreed on the terms of this Settlement Agreement which they now submit for approval. This Settlement Agreement addresses the principles of conservation-oriented increasing block rates and related decoupling mechanism such as the Water Revenue Adjustment Mechanism ("WRAM") and Modified Cost Balancing Accounts ("MCBAs").

1.2 Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission

or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)

1.3 The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission.

1.4 The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement.

1.5 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.

2. BACKGROUND

2.1 Park provides service to approximately 27,000 customers billed on a bi-monthly basis. All of Park's customers are metered. As directed by Ordering Paragraph 2 of Commission Decision 06-08-015 dated August 24, 2006, Park filed an application, A. 06-11-009, for approval of a Water Revenue Adjustment Mechanism ("WRAM"). In addition, Park's application requested authority to implement an increasing block rate design and a conservation memorandum account. On December 22, 2006, DRA filed a protest to the Application and identified several issues of concern.

2.2 In the Commission order opening this proceeding, the Order Instituting Investigation to Consider Policies to Achieve the Commission's Conservation Objectives for Class A Water Utilities adopted on January 11, 2007 ("the OII"), the Commission consolidated A.06-11-009 and several other applications for conservation rates into the above-captioned proceeding.

3. TRIAL PROGRAM

3.1 The Parties agree that the conservation rate design and related decoupling mechanisms (WRAM and MCBA) constitute a Trial Program to become effective 90 days following a Commission decision adopting the proposed settlement.

3.2 This Trial Program will be reviewed in Park's next general rate case ("GRC") pursuant to the schedule in the final decision in the Commission's Rate Case Plan rulemaking proceeding, D.07-05-062.

4. RATE DESIGN – RESIDENTIAL CUSTOMERS

4.1 The proposed rate design recovers more fixed costs in the quantity charge than in the current rate design. The Parties used the California Urban Water Conservation Council's ("CUWCC") Best Management Practices 11 ("BMP 11") proposed threshold of a rate structure being conservation-oriented if more than 70% of revenue (excluding revenues from fees, fire protection service and temporary service) comes from the quantity charge.

- a. The settlement rate design is set such that 75% of revenue (excluding revenues from fees, fire protection service and temporary service) comes from the quantity charge. The Parties have reduced the service charges by approximately 18%, with a corresponding increase in the single quantity rate (effective average rate) of approximately 8%, to achieve revenue recovery neutrality. The effective average rate is the single quantity charge that would be required to meet the target revenue requirement under the proposed rate design.

4.2 The Parties agree to implement increasing block rates for Park's residential customers. The effective average rate is "tiered," or broken into consumption blocks.

4.3 The proposed rate design includes two blocks with the break points between blocks set based on consumption patterns.

- a. Block 1 includes consumption up to the midpoint between the median and the average winter consumption (this is the proxy for indoor water use).
- b. Block 2 includes all usage beyond the top of Block 1.
- c. The Parties agree to a two-block rate design, as opposed to the three-block rate design originally proposed by Park, because the difference between summer and winter usage is not significant enough to make a third block necessary or meaningful.
- d. Additionally, until Park has had the opportunity to gather more data, the parties are concerned that a third block might have a harmful impact on low-income customers with high consumption, specifically low income customers in large households. Similarly, the parties considered explicit seasonal rates, and instead took seasonality into account in the calculation of the usage break points.

4.4 The volumetric rates for Block 1 and Block 2 are set with a differential price of 10% such that, when applied to the portion of adopted sales that fall into each block, the average effective commodity rate for the residential class is equal to the single block commodity rate proposed for the non-residential classes (consistent with the proposal that all classes would have the same service charges). The volumetric rate for Block 1 is reduced to be approximately 96.5% of what the single quantity rate would be under a single-tier standard rate design with the same reduced service charges. The volumetric rate for Block 2 is approximately 10.4% greater than the first tier rate.

5. RATE DESIGN – NON-RESIDENTIAL CUSTOMERS

5.1 For non-residential customers, the Parties propose that a single quantity rate design be retained, with a reduction in the service charge that results in an increase in the quantity charge. For the purposes of this Trial Program, all non-residential customers (except Other customer classes – see Section 5.4) are subject to the same rate schedule.

5.2 The Parties have reduced the service charges by approximately 18%, with a corresponding increase in the single quantity rate of approximately 8%, to achieve revenue recovery neutrality. The service charges proposed for non-residential customers are the same as those proposed for residential.

5.3 The proposed rate design recovers more fixed costs in the quantity charge than in the current rate design. For the purposes of designing conservation rates for non-residential customers, the Parties used the CUWCC BMP11 proposed threshold that states that a rate structure is conservation-oriented if more than 70% of revenue (excluding revenues from fees, fire protection service and temporary service) comes from the quantity charge. The settlement rate design is set such that 75% of revenue (excluding revenues from fees, fire protection service and temporary service) comes from the quantity charge.

5.4 The Parties have maintained the rates authorized by D.06-08-015 for service to privately owned fire sprinkler systems and hydrants, and reclaimed water service.

6. MECHANISMS FOR DECOUPLING SALES AND REVENUE

6.1 Goals of the decoupling mechanisms in the Trial Program:

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

6.2 Decoupling for Park will be accomplished through both of the following mechanisms:

- a. A Water Revenue Adjustment Mechanism (WRAM).
- b. A Modified Cost Balancing Account (MCBA). The MCBA will replace existing cost balancing accounts for purchased power, purchased water, and pump tax.

7. WATER REVENUE ADJUSTMENT MECHANISM (WRAM)

7.1 The WRAM, in conjunction with the MCBAs, will ensure recovery of the portion of Park's adopted fixed costs that are recovered through the quantity charge, and certain adopted variable costs not included in the MCBAs.¹

- a. The fixed costs not included in the WRAM are recovered through the meter charge, which are monthly charges that customers pay regardless of consumption.
- b. The revenue tracked in the WRAM associated with the variable costs of purchased power, purchased water, and pump tax is offset by the MCBAs.

7.2 More specifically, the WRAM will track the difference between Adopted Revenue and Actual Revenue, excluding revenue from:

- a. Fire service
- b. Un-metered Service
- c. Reclaimed Water metered service
- d. Fees (reconnection fees, late fees, etc.)

8. MODIFIED COST BALANCING ACCOUNT (MCBA)

8.1 The Modified Cost Balancing Accounts (MCBAs) will capture the cost savings and cost increases associated with purchased water, purchased power, and pump taxes.

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

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

8.3 An MCBA will replace each of the current balancing accounts, now referred to as Incremental Cost Balancing Accounts (ICBAs)

- a. Park currently has ICBAs for purchased water, purchased power, and pump taxes.
- b. ICBAs track cost changes attributable to changes in unit price, and not to changes in the amount of consumption.
- c. MCBAs track cost changes attributable to all changes in consumption (including changes in unit price).

¹ The MCBA will ensure recovery of actual costs for purchased water, purchased power, and pump tax (see Section 8) and must be used in conjunction with the WRAM to accomplish revenue decoupling.

9. RECOVERY AND REFUND OF BALANCING ACCOUNTS

9.1 Parties agree that the desired outcome and purpose of using WRAMs and MCBAs is to ensure that the utility and ratepayers are proportionally affected by the impact of conservation.

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

9.2 Parties agree that the balance in the WRAM will offset the balances in the MCBAs computed as follows.

- a. Reporting Requirements: By March 31st of each year, Park will provide the Water Division (with a copy to DRA) a written report on the status of the WRAM and MCBA as described herein.
- b. WRAM: The written report will include a section on the WRAM showing the revenue over- or under-collection with respect to actual (or recorded) water sales as of December 31st of the preceding calendar year. Differences between Actual Revenues and Adopted Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.
- c. MCBA: The written report will include a section on the MCBAs comparing Actual Costs with Adopted Costs as of December 31st of the preceding calendar year. Differences between Actual Costs and Adopted Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.
- d. If this report shows that the combined over- or under-collection for the WRAM and the MCBAs exceeds 2.0% of Park's total recorded revenue requirement for the prior calendar year, Park will file an advice letter within 30 days that amortizes the combined balance of all of the accounts.

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

9.4 In each general rate case filing, Park will address and request amortization of any remaining amounts in the WRAM and MCBAs.

10. MAINTAINING LEAST-COST WATER MIX

10.1 In each general rate case filing, Park will address and request amortization of any remaining amounts in the WRAM and MCBAs.

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

10.3 Park has multiple sources: purchased water and pumped water. If there are significant changes in purchased water (which in turn affects the amount of purchased power and pump tax):

- a. Park will make a showing in its next GRC filing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that the significant change in water purchases was reasonable.
- b. For the purpose of this Trial Program, significant changes in a district are defined as when the annual volume of purchased water is greater than 10% of the purchased water adopted in the most recent GRC for that district.

11. CUSTOMER EDUCATION AND OUTREACH

11.1 Park will develop a customer education and outreach program associated with implementing the new conservation rate design. Park agrees to work with DRA and other consumer organizations. The program will include notices in English, Spanish, and in other languages prominently used by Park's customers. Park will make conservation rate information available on its website in the same languages. Park agrees to use accessible means of communication to meet the needs of hearing and/or vision-impaired customers. Park agrees to meet with disability rights advocates to determine the best way to make this information accessible to customers with disabilities.

11.2 Park will provide a notice to Community Based Organizations (including organizations representing the interests of persons with disabilities) within its service areas so that they can publicize the conservation rate design.

11.3 Park will provide copies of the customer notices to DRA for review prior to distribution. Park will submit notices to the Commission's Public Advisor Office for approval.

12. MONITORING AND DATA COLLECTION

12.1 The Parties agree that Park will collect data in an electronic format such as Microsoft Excel or Access that includes billing and usage data by meter size by month, for future use in analyzing customer response to increasing block rate design. Park will collect additional data that the Commission deem necessary.

13. SCHEDULES

13.1 Attachment 1 provides information for the proposed conservation rate design for residential customers.

- a. Worksheet 1 shows a bill impact analysis for what customers will experience, at various usage levels, under the proposed water conservation rate design as compared with the current uniform single quantity rate. The worksheet consists of a table showing dollar and percent changes in total bills from current to proposed rate design.
- b. Worksheet 2 consists of a table showing the change in bills and comparison of the current and proposed rate design.
- c. Worksheet 3 consists of a chart (or graph) depicting the current and proposed total bills at various levels of consumption resulting from current and proposed rates at the typical residential meter size.
- d. Worksheet 4 shows the average unit cost analysis and represents the effective per unit cost a customer pays at various usage levels by taking the total amount paid in quantity/volumetric charges and dividing it by the usage level.
- e. Worksheet 5 is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes.

13.2 Attachment 2 provides information for the proposed conservation rate design for non-residential customers.

- a. Worksheet 1 shows a bill impact analysis for what customers will experience, at various usage levels, under the proposed water conservation rate design as compared with the current uniform single quantity rate. The worksheet consists of tables showing dollar and percent changes in total bills from current to proposed rate design for each of the non-residential customer classes at typical meter sizes for each class.
- b. Worksheet 2 consists of tables showing the change in bills and comparison of the current and proposed rate designs for each of the non-residential customer classes at typical meter sizes for each class.
- c. Worksheet 3 consists of charts (or graphs) depicting the typical current and proposed total bills at various levels of consumption resulting from current and proposed rates for each non-residential customer class at typical meter sizes for each class.

14. IMPLEMENTATION COSTS

14.1 The Parties agree that the Commission should authorize Park to establish a implementation cost memorandum account to track the costs related to implementation of the increasing block rates. This would apply only to costs incurred after a Commission decision authorizing the memorandum account.

15. UNRESOLVED ISSUES NOT INCLUDED IN SETTLEMENT

15.1 Return On Equity (ROE)

The Parties were not able to agree on the impact that the WRAM and rate design will have on return on equity and, therefore, it is not part of this settlement. DRA and/or Park may address that topic by submitting written testimony on this issue for consideration by the Commission as part of this proceeding.

15.2 Conservation Expense Memorandum Account

The Parties were not able to agree on Park's request to establish a conservation expense memorandum account to track the costs related to the expansion of Park's conservation programs and, therefore, it is not part of this settlement. DRA and/or Park may address that topic by submitting written testimony on this issue for consideration by the Commission as part of this proceeding.

Respectfully submitted,

Respectfully submitted,

/s/ DANA S. APPLING

/s/ EDWARD N. JACKSON

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June 15, 2007

ATTACHMENT D

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



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

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

I. GENERAL

- A. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") and Golden State Water Company ("GSWC") collectively, "the Parties") have agreed on the terms of this Settlement Agreement which they now submit for approval. This Settlement Agreement addresses conservation-oriented increasing block rates and related decoupling mechanisms such as a Water Revenue Adjustment Mechanism ("WRAM") and Modified Cost Balancing Accounts ("MCBA").
- B. Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this

proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)

- C. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement.
- D. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

II. BACKGROUND

- A. GSWC provides service to approximately 250,000 customers in three Regions which are comprised of nine ratemaking areas. Table I shows GSWC's ratemaking areas grouped by Region.

TABLE I -- Ratemaking Areas by Region

| | Region I | Region II | Region III |
|-------------------|--|--|--|
| Ratemaking Areas: | Arden Cordova Bay Point Clearlake Los Osos Ojai Santa Maria Sun Valley | Region-Wide, one ratemaking area | Region-Wide, one ratemaking area |

- B. Each of GSWC's ratemaking areas has a tariff but not all customers in a ratemaking area pay the same rate.
- C. All of the residential customers in the three Regions with the exception of the Arden Cordova ratemaking area in Region I and the Calipatria service area in Region III have metered service connections. Attachment 3 shows all of GSWC's ratemaking areas and indicates the frequency of billing and the numbers of metered and flat rate customers.

III. PILOT PROGRAM

- A. The Parties agree that the conservation rate design and related decoupling mechanisms (WRAM and MCBA) constitute a Pilot Program to become effective 90 days after a Commission decision adopting the proposed settlement.

- a. The 90 day period will allow for the distribution of information regarding conservation rates to customers.
- B. This Pilot Program will be reviewed in the next general rate case ("GRC") filing for each Region. The filing dates are pursuant to the proposed decision in the Commission's Rate Case Plan rulemaking proceeding, D.07-05-062.
- C. If implementation of the proposed Pilot Program results in a disparate impact on ratepayers or shareholders, the Parties agree to meet to discuss adjustments to the proposed Pilot Program.

IV. CONSERVATION RATE DESIGN

A. Overview

1. Conservation rate designs are proposed for six of the nine GSWC's ratemaking areas (Table 1 shows all GSWC ratemaking areas grouped by Region):
 - a. The proposed conservation rate designs are based on calendar year 2006 data evaluated by the Parties using bill frequency analysis (consumption analysis) using meter readings from each of the ratemaking areas. Consequently, the proposed conservation rate designs will differ across ratemaking areas as described below.
2. The Parties propose excluding three ratemaking areas in Region I (Ojai, Arden-Corby and Clearlake) and two service areas in Region III (Wrightwood and Desert) from conservation rate design in this proposal as discussed below in Section C.
3. The Parties propose interim conservation rate design for remaining ratemaking areas in Region I (Bay Point, Simi Valley, Los Osos, and Santa Maria) as discussed below in Section D.
 - a. Following resolution of the pending Region I general rate case in which the Commission will adopt a revenue requirement for all of the ratemaking areas in Region I, GSWC will file an application with revised conservation rates to replace the interim conservation rates proposed in this settlement. These revised conservation rates would be part of the Pilot Program. See Section D.
4. In Regions II and III, the proposed conservation rates for residential customers consist of a reduced service charge and increasing block rates with two tiers.
 - a. For non-residential customers, the proposed conservation rates will consist of a reduced service charge and a uniform quantity charge (a single

quantity/volumetric rate) that recovers a greater percentage of fixed cost than the single quantity/volumetric rate which results from the standard rate design currently in place.

B. Conservation Rate Design Grouping

1. For the purpose of designing conservation rates, ratemaking areas were grouped along the existing Regions I, II and III.
2. For Regions II and III, customers were classified as residential or non-residential.
3. Region I residential and non-residential customers will share the same conservation rate design and tariff schedule.
4. Three ratemaking areas in Region I and two service areas in Region III were excluded from conservation rate design in this proposal as discussed in Section C.

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

1. Ojai (Region I)

- a. The Ojai ratemaking area is excluded because Ojai currently has an increasing three-tier tariff in place that will continue during the proposed FICF Program.
- b. The Parties are satisfied that the existing three-tier tariff sufficiently encourages conservation.

2. Arden Cordova (Region I)

- a. The Arden Cordova ratemaking area is excluded because a majority of its customers are unmetered and receive service under a flat rate.
- b. The current percentage of flat rate customers is roughly 72% vs. 28% metered.
- c. GSWC has a transition plan in place to fully meter the Arden Cordova area.

3. Clearlake (Region I)

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

4. Wrightwood (Region III)

- a. The Wrightwood service area is a small area (serves approximately 2600 customers) with groundwater as its sole source of supply.
- b. The Wrightwood service area is excluded because the Commission ordered in D.00-05-075 that the rates in this high-cost service area remain frozen until the rates in the other Region III service areas reach

a similar level and because Wrightwood has experienced water supply constraints that may necessitate a significant capital investment in the near future.

5. Desert (Region III)

- a. The Desert service area, which includes Apple Valley and Morongo Valley, is excluded because the Commission ordered in D.00-06-075 that the rates in this high-cost service area remain frozen until the rates in the other Region III service areas reach a similar level.

6. The Parties agree to re-evaluate the excluded ratemaking and service areas in the next GRC for each Region.

D. The Parties agree to delay implementation of revised conservation rates in the remaining ratemaking areas in Region I (i.e., Bay Point, Los Osos, Santa Maria and Simi Valley) pending the determination of a new revenue requirement for Region I. These revised conservation rates would be part of the Pilot Program. The Parties also agree as follows:

1. In accordance with the Rate Case Plan (RCP) for Class A Water Utilities adopted in D.04-06-018, GSWC filed a General Rate Case application for the seven ratemaking areas in Region I in January 2007. The proceeding is progressing in a timely fashion. However, a final decision determining the Region I revenue requirement is not anticipated until the end of 2007.
2. For the Bay Point, Los Osos, Santa Maria and Simi Valley service areas in Region I, the Parties propose an interim conservation rate design consisting of a reduced service charge and a uniform quantity charge (a single quantity/volumetric rate) that recovers a greater percentage of fixed cost than the single quantity/volumetric rate that would result from the standard rate design currently in place.
 - a. The proposed interim conservation rates would apply to residential and non-residential customers.
 - b. The proposed interim conservation rate design meets the requirements of the California Urban Water Conservation Council's ("CUWCC") Best Management Practices (BMP) 1.1.
3. Within 90 days of the resolution of the pending Region I GRC, GSWC shall file an application proposing revised conservation rates to replace the interim conservation rates for the Bay Point, Los Osos, Santa Maria and Simi Valley service areas in Region I, as proposed in this settlement.
 - a. The application shall propose conservation rates in a manner consistent with those proposed in this settlement.
 - b. With respect to its application, GSWC will evaluate if more fixed charges can be moved to the quantity charge consistent with conservation rates proposed in this settlement.

E. Region II and Region III Residential Customers' - General Rate Design Parameters

1. Service Charges - Conservation Rate Design Parameters

- a. Service charges are used to recover a portion of fixed costs (in traditional rate design, service charges recover approximately 50% of the fixed costs in a service area).
- b. The proposed conservation rate design reduces the amount of fixed cost recovered in the service charge (Table 2 shows the reduction for each ratemaking area).
 - i. To evaluate how much the service charge could be reduced (how much fixed cost could move to the quantity charge), the Parties considered cash flow and ratepayer impact.
 - ii. Cash flow refers to GSWC's ability to meet its existing bond covenants given the ratemaking changes and anticipated demand change that would result from implementation of the proposed Pilot Program.

TABLE 2 - Reduction in Fixed Cost Recovery Resulting From Reduction in Service Charge

| Ratemaking Areas | Amount Reduced (\$) | Percent Reduced |
|-------------------|---------------------|-----------------|
| Bay Point | \$708,934 | 12% |
| Los Osos | \$349,894 | 37% |
| Santa Maria | \$949,817 | 31% |
| Sierra Valley | \$220,480 | 10% |
| Region II | | |
| -Residential | \$3,278,714 | 20% |
| -Non-Residential | \$594,409 | 7% |
| Region III | | |
| -Residential | \$4,058,925 | 21% |
| -Non-Residential | \$643,789 | 6% |

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

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

- a. Quantity (volumetric) charges are used to recover a portion of fixed costs and 100% of the variable cost (in traditional rate design, quantity

¹ The proposed rates for Region II in the Settlement Agreement are based upon the revenue requirements set forth in the proposed decision in GSWC's Region II and General Office Rate Case (A. D6-02-023). The revenue requirements with respect to the General Office will also affect Region III revenue requirements. The decision in the Region II and General Office Rate Case recently was finalized. The Parties will submit updated schedule worksheets in this proceeding to adjust the Region II and Region III customer rates to reflect the new revenue requirements set forth in the final decision.

- charges recover approximately 50% of the fixed costs and 100% of the variable cost in a service area).
- b. The Parties propose a two tier-rate structure to replace the single quantity charge.
 - i. Due to movement of additional fixed costs to the quantity charge, a greater percentage of the total revenue requirement comes from volumetric charges.
 - c. To evaluate where to set the break points for the tiers, the Parties considered cash flow and ratepayer impact.
 - i. Cash flow refers to GSWC's ability to meet its existing bond covenants given the ratemaking changes and anticipated demand change that would result from implementation of the proposed Pilot Program.
 - ii. Ratepayer impact was evaluated through bill impact analysis as described in the Schedules section below.
 - d. The proposed rate design is based on the seasonality and consumption in each ratemaking area as determined by a consumption (bill frequency) analysis. Attachment 5 provides a description of the consumption (bill frequency) analysis and the summary statistics used to design the proposed conservation rates.
 - i. The source data for the consumption (bill frequency) analysis used was meter readings from calendar year 2006.
 - ii. The 2006 data was compared to historical data to ensure it was representative of the historical pattern of consumption.
 - iii. Within each service area, customers receiving service on the General Metered Service tariff schedule were classified as residential or non-residential.
 - a. Residential customers are all metered customers with classification code "1" representing single residence with one dwelling unit.
 - b. Non-Residential customers are all other metered customers with classification code greater than "1". Attachment 4 provides a complete listing of GSWC Customer Classification Code.
 - e. The proposed conservation rate design in Regions II and III consists of a two-tier increasing block rate structure that is based on seasonal averages which are determined to be a proxy for indoor (low use months) water consumption.
 - i. Tier 1 - Metered usage from zero units to the average winter usage (low use months) which the Parties agree provides a proxy for indoor water use and ensures consumers at low and average levels of consumption stay within Tier 1.
 - ii. Tier 2 - All consumption above the top of Tier 1.

- iii. The tiered rates were designed to be revenue neutral, ensuring that the proposed two-tier rates will result in a sales revenue that is within 1% of what a single quantity rate generates given the same amount of fixed and variable costs allocated to the volumetric charges.
- iv. The rate for Tier 1 (which approximates indoor water use) was designed to be approximately 15% less than Tier 2.
- v. If the general criteria above do not achieve target revenues, Tier 1 will be adjusted until revenues are within 1% of what a single quantity rate would result in given the same amount of fixed and variable costs allocated to the volumetric charges.

F. Region II and Region III Non-Residential Customers²

1. The Parties agree that the conservation rate design proposed for residential customers is currently not feasible for non-residential customers for the following reasons:
 - a. Requires reclassification of customers.
 - b. Reclassification will require customer and consumption data not available at this time.
2. The Parties propose an interim conservation rate design for non-residential customers in Regions II & III consisting of a reduced service charge and a uniform quantity charge (a single quantity/volumetric rate) that recovers a greater percentage of fixed cost than the single quantity/volumetric rate that would result from the standard rate design currently in place consistent with the following:
 - a. The amount of fixed cost moved to the quantity charge will be based on the bill impact to customers in each service area.
 - b. Service charges will be reduced by approximately 5% to 10%, with corresponding increases in the quantity rate to achieve revenue recovery neutrality.
 - c. Service charge reduction shall be calculated to achieve no more than a 10% increase in the quantity rate for either of the two non-residential customer quantity rate groupings.

G. Other Customer Classes

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

² See footnote 1.

V. MECHANISMS FOR DECOUPLING SALES AND REVENUE

- A. The goals of the decoupling mechanisms in the Pilot Program are as follows:
1. Sever the relationship between sales and revenue to remove any disincentive for GSWC to implement conservation rates and conservation programs.
 2. Ensure cost savings resulting from conservation are passed on to ratepayers.
 3. Reduce overall water consumption by GSWC ratepayers.
- B. Decoupling for GSWC will be accomplished through both of the following mechanisms:
1. A Water Revenue Adjustment Mechanism (WRAM) for each ratemaking area.
 2. A Modified Cost Balancing Account (MCBA) for each ratemaking area. MCBA's will replace existing cost balancing accounts for purchased power, purchased water, and pump tax.
 3. In accordance with established Commission practice, the WRAM and MCBA accounts will accrue interest at the 90-day commercial paper rate.

VI. WATER REVENUE ADJUSTMENT MECHANISM (WRAM)

- A. Each ratemaking area will have a separate WRAM. The WRAM for each ratemaking area will ensure recovery of the portion of GSWC's fixed costs that are recovered through the quantity charge, and all variable costs not included in the MCBA.
1. The fixed costs not included in the WRAM shall be recovered through the service charge, which are monthly charges that customers pay regardless of consumption.
 2. The variable costs included in the WRAM are variable costs other than purchased power, purchased water, and pump tax.
- B. The WRAM will track the difference between Adopted Revenue and Actual Revenue, excluding:
1. Fire service revenue;
 2. Unmetered Service revenue;

¹ The MCBA will ensure recovery of actual costs for purchased water, purchased power and pump tax (see Section VII) and must be used in conjunction with the WRAM to accomplish revenue decoupling.

3. Other non-general metered service revenues

- C. Using Region III Worksheets 4 through 7 in Attachment 1 provides an example of how the Parties intend for the WRAM and MCBA to operate.

VII. MODIFIED-COST BALANCING ACCOUNT (MCBA)

- A. The Modified Cost Balancing Accounts (MCBAs) will capture the cost savings and cost increases associated with purchased water, purchased power, and pump taxes.
1. The costs of purchased water, purchased power, and pump taxes associated with the production of water can vary due to changes in unit cost, supply mix or consumption amount.
- B. In particular, the MCBAs will track the difference between Actual Variable Costs and Adopted Variable Costs for the following variable costs (which are recovered through the quantity charge under both the current and proposed rates designs): purchased water, purchased power, and pump tax.
- C. An MCBA will replace each of the current balancing accounts, now referred to as Supply Cost Balancing Accounts.
1. GSWC currently has a Supply Cost Balancing Account for purchased water, purchased power, and pump taxes.
 2. The Supply Cost Balancing Account tracks cost changes attributable to changes in unit prices, but not changes in the amount of consumption.
 3. MCBAs track changes in price and quantity.

VIII. MAINTAINING LEAST-COST WATER MIX

- A. With regard to changes in the water mix that result in changes in variable costs tracked in the MCBAs, GSWC stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources.
1. Parties agree that the MCBA will track significant changes in purchased water (which in turn affects the amount of purchased power and pump tax).
 2. GSWC will make a showing in the applicable Region's next GRG filing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that any significant change in water purchases was reasonable.

3. For the purpose of this Pilot Program, significant changes in water purchases are defined as when the annual volume of purchased water in a Region is greater than 10% of the purchased water adopted in the most recently adopted test year for that Region.

IX. RECOVERY AND REFUND OF BALANCING ACCOUNTS

- A. The Parties agree that conservation rates may cause the amount of water consumed, and thus the cost of water production, to vary significantly.
- B. The Parties agree that the desired outcome and purpose of using WRAMs and MCBA's is to ensure that the utility and ratepayers are proportionally affected when conservation rates are implemented.
 1. In the context of this Settlement Agreement, a proportional impact means that, if consumption is over or under the forecast level, the effect on either the utility or ratepayers (as a whole) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility or ratepayers are harmed, or benefited, at the expense of the other party.
- C. The Parties agree that, in each ratemaking area, the balance in the WRAM will offset the balances in the MCBA in the following manner:
 1. Reporting Requirements: By March 31st of each year, GSWC will provide the Water Division (with a copy to DRA) with a written report on the status of the WRAMs and MCBA's as described herein.
 2. WRAM: The written report will include a section on the WRAM in each ratemaking area showing the revenue over- or under- collection with respect to actual (or recorded) water sales as of December 31st of the preceding calendar year. Differences between Actual Revenues and Adopted Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.
 3. MCBA: The written report will include a section on the MCBA in each ratemaking area comparing Actual MCBA Costs with Adopted MCBA Costs as of December 31st of the preceding calendar year. Differences between Actual Costs and Adopted Costs will be tracked in the MCBA and accrue interest at the 90-day commercial paper rate.
 4. If this report shows that the combined over- or under- collection for the WRAM or the MCBA in any ratemaking area exceeds 2.5% of the ratemaking area's total recorded revenue requirement for the prior calendar year, GSWC will file an advice letter within 30 days that amortizes the balance in both of the accounts in the district.

5. The WRAM and MCBA for each ratemaking area will always be considered together for the purposes of seeking recovery or providing refunds to ratepayers and will be netted prior to any refund or recovery.
6. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.

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

X. SCHEDULES

A. Attachment 7 provides rate design and bill impact analysis information for residential and non-residential customers for Regions II & III. Region III appears first and contains four more worksheets than Region II (Worksheets 4 through 7). For Region III, there are a total of ten worksheets, with the name and number of each worksheet appearing on the top right-hand corner of each page, and the label "Region III Example" appearing at the top left-hand corner of each page. Region II will have six worksheets.

1. Worksheet 1 (Rate Design) shows the proposed rate design for residential and non-residential customers. (Example: "Worksheet 1 RIII Rate Design.")
2. Worksheet 2 (Typical Bills) shows the typical bills for six different residential customer profiles (low usage, annual, winter and summer averages and large and largest usage). The percent of bills with usage at or below each profile is also shown. The profiles show what a customer fitting that profile will experience under the proposed conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 2 RIII Typical Bills.")
3. Worksheet 3 (Bills by Consumption) shows what residential customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 3 RIII Bills by Consumption.")
4. Worksheet 4 (MCBA) shows the proposed Modified Cost Balancing Account, assuming the demand change shown in Worksheet 7, Demand & Revenue Change. This worksheet is only available for Region III. (Example: "Worksheet 4 RIIIMCBA.")

5. Worksheet 5 (WRAM) shows the proposed Water Revenue Adjustment Mechanism assuming the demand change shown in Worksheet 7, Demand & Revenue Change. This worksheet is only available for Region III. (Example: "Worksheet 5 RIII WRAM.")
 6. Worksheet 6 (Decoupling) shows the summary calculation for the proposed decoupling of the Region based on the assumptions of the other worksheets. This worksheet is only available for Region III. (Example: "Worksheet 6 RIII Decoupling.")
 7. Worksheet 7 (Demand & Revenue Change) shows the projected demand and revenue change projected along with the assumptions of the other worksheets. This worksheet is only available for Region III. (Example: "Worksheet 7 RIII Demand & Revenue Change.")
 8. Worksheet 8 (Total Bills) is a chart showing the change in the total bills for residential customers, comparing current and proposed rates. (Example: "Worksheet 8 RIII TB.")
 9. Worksheet 9 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Example: "Worksheet 9 RIII AC.")
 10. Worksheet 10 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Example: "Worksheet 10 RIII MC.")
- B. Attachment 2 contains the schedules for the four ratemaking areas in Region I (Bay Point, Los Osos, Santa Maria and Simi Valley) that will have interim rates as discussed above in Section IV(D). Region I has 4 worksheets per ratemaking area (for a total of 16 worksheets), with the name and number of the worksheet appearing on the top right-hand corner of each page, and the name of the particular ratemaking area appearing on the top left-hand corner of each page. The worksheets appear alphabetically by ratemaking area.
1. Worksheet 1 (Rate Design) shows the proposed rate design. (Example: "Worksheet 1 BY Rate Design.")
 2. Worksheet 2 (Typical Bills) shows the typical bills for six different residential customer profiles (low usage, annual, winter and summer averages and large and largest usage). The percent of bills with usage at or below each profile is also shown. The profiles show what a customer fitting that profile will experience under the proposed

conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 2 BY Typical Bills.")

3. Worksheet 3 (Bills by Consumption) shows what customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 3 BY Bills by Consumption.")
4. Worksheet 4 (Total Bills) is a chart showing the change in the total bills for customers, comparing current and proposed rates. (Example: "Worksheet 4 BY Total Bills").

- C. Attachment 3 provides GSWC's current rates and the frequency of billing in each Region/rate-making area. There is only one worksheet in Attachment 3.
- D. Attachment 4 provides GSWC's current Customer Classification Codes used in categorizing customers as residential and non-residential for Region II and Region III.
- E. Attachment 5 provides a description of the consumption analysis used to design the proposed conservation rates.

XI. MONITORING AND DATA COLLECTION

- A. DRA and GSWC will develop a Memorandum of Understanding prior to implementing the increasing block rate design to address the collection of data, such as billing and usage data by meter size by month, class of customer, for use in analyzing customer response to increasing block rate design.

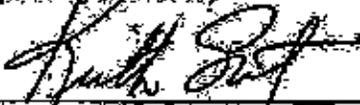
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XII. RETURN ON EQUITY

- A. The Parties were not able to agree on the impact of the Pilot Program (decoupling and conservation rate design) on return on equity (ROE).
- B. The Parties agree that the impact of the Pilot Program (decoupling and conservation rate design) on ROE is not part of this settlement.
- C. The Parties agree to defer to the Commission's decision on any impact on ROE if at all.

Respectfully submitted,

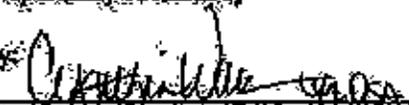
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October 19, 2007

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October 19, 2007

Attachment 1

Proposed Settlement Rate Design and Revenue Check Model
District: Golden State Region III

| Proposals: | | | |
|---|---------------|---------------|--------------------------|
| Reduce Percent of Fixed Cost Recovered (through Meter/Service Charge) | | | |
| Keep two - tiered rate design in GSWC's amended application | | | |
| Standard/Current | Residential | Non-Rate | Total |
| Rate Design | | | |
| 5/8" x 3/4" Equivalent Units (EUs) | 109,468 | 60,819 | 170,087 |
| Mtr chg revenue | \$ 19,375,835 | \$ 10,729,475 | \$ 30,105,311 |
| Mtr chg \$/mo per EU | \$ 14.76 | \$ 14.75 | \$ 14.75 |
| Adopted Sales cdf | | | |
| Current V target rev | \$ 17,408,943 | \$ 12,888,253 | \$ 30,295,196 |
| \$/Ccf/Single Quantity Rate | \$ 30,028,982 | \$ 22,677,874 | \$ 53,306,957 |
| EPM 11 Threshold Test | | | |
| Services Charge % revenue | 38.75% | 32.12% | 38.09% |
| Quantity Charge % revenue | 61.25% | 67.88% | 63.91% |
| Total | 100.00% | 100.00% | 100.00% |
| | 1.7598 Ccf | 1.7598 Ccf | 1.7598 Ccf |
| Rate Summary | | | |
| Total Rev Req | \$ 50,004,828 | \$ 33,407,449 | \$ 83,412,277 |
| Mtr chg \$/EU/mo | \$ 14.75 | \$ 14.75 | \$ 14.75 |
| SQR | \$ 1,760 | \$ 1,760 | \$ 1,7598 |
| | \$ 1,760 | \$ 1,760 | \$ 1,7598 |
| | | | lit is here to check SQR |
| Service Charges | | | |
| 5/8" x 3/4" | Residential | Non-Rate | Demand Capacity Ratio |
| 3/4" | \$ 14.75 | \$ 14.75 | 1.00 |
| 1" | \$ 22.10 | \$ 22.10 | 1.50 |
| 1.5" | \$ 38.85 | \$ 38.85 | 2.50 |
| 2" | \$ 73.65 | \$ 73.65 | 5.00 |
| 3" | \$ 118.00 | \$ 118.00 | 8.00 |
| 4" | \$ 221.00 | \$ 221.00 | 15.00 |
| 5" | \$ 368.00 | \$ 368.00 | 25.00 |
| 6" | \$ 737.00 | \$ 737.00 | 50.00 |
| 8" | \$ 1,178.00 | \$ 1,178.00 | 80.00 |
| 10" | \$ 1,694.00 | \$ 1,694.00 | 115.00 |
| Quantity Charges | | | |
| Any usage level \$/Ccf | Residential | Non-Rate | |
| | \$ 1,7598 | \$ 1,7598 | |

Proposed Settlement Rate Design and Revenue Check Model
District: Golden State Region III

Proposal: Reduce Percent of Fixed Cost Recovered through Meter/Service Charge
 Keep two-tiered rate design in GSWC's amended application

District: Golden State Region III
Testing Proposed Changes to the Rate Design
Reduce Meter Charge

| | Residential | Non-Res | Total |
|---|---|-------------------|-------------------|
| Proposed | | | |
| Reduce meter charge by | 21% | 6% | |
| Results in adding these \$ to Q rev lar | \$ 4,088,925 | \$ 843,768 | \$ 4,712,894 |
| | feeder cell results in lower meter charge | | |
| Equivalent Units | Residential | Non-Res | Total |
| Mtr chg rev | 109,486 | 60,619 | 170,087 |
| Mtr chg simo per EU | \$ 15,306,910 | \$ 10,065,707 | \$ 25,392,617 |
| Adopted Sales cct | \$ 11.65 | \$ 13.87 | \$ 12.44 |
| New Y target rev | \$ 17,406,943 Ccf | \$ 12,889,253 Ccf | \$ 30,295,196 Ccf |
| New SQR | \$ 34,697,818 | \$ 23,324,743 | \$ 58,019,660 |
| BMP 11 Threshold Total | \$ 1,993 | \$ 1,810 | \$ 1,916 |
| Service Charge % revenue | 30.61% | 30.19% | 30.44% |
| Quantity Charge % revenue | 69.39% | 69.81% | 69.56% |
| Total | 100.00% | 100.00% | 100.00% |

| | Residential | Non-Res | Total |
|--|---------------|---------------|---------------|
| Rate Summary | | | |
| Total Rev Req | \$ 60,004,826 | \$ 33,407,449 | \$ 93,412,277 |
| Mtr chg \$/EU/mo | \$ 11.65 | \$ 13.87 | \$ 12.44 |
| Q rate if SQR | \$ 1,993 | \$ 1,810 | \$ 1,915 |
| Tiered Q rates - blocks are different for res and non res, see rate detail below | | | |
| Block 1 | \$ 1,910 | \$ 2,095,307 | \$ 0.069 |
| Block 2 | \$ 2,168 | | |

**Proposed Settlement Rate Design and Revenue Check Model
District: Golden State Region III**

Proposal: Reduce Percent of Fixed Cost Recovered through Meter/Service Charge
Keep two - tiered rate design in GSWC's amended application

| Rate Detail Size | Residential | Non-Res | Ratio |
|---------------------|-------------|-------------|--------|
| 5/8" x 3/4" | \$ 11.85 | \$ 13.87 | 1.00 |
| 3/4" | \$ 17.48 | \$ 20.80 | 1.50 |
| 1" | \$ 28.13 | \$ 34.66 | 2.50 |
| 1.5" | \$ 58.26 | \$ 69.33 | 6.00 |
| 2" | \$ 93.22 | \$ 110.92 | 6.00 |
| 3" | \$ 174.76 | \$ 207.98 | 15.00 |
| 4" | \$ 291.31 | \$ 348.63 | 25.00 |
| 6" | \$ 582.63 | \$ 693.26 | 50.00 |
| 8" | \$ 932.20 | \$ 1,109.20 | 80.00 |
| 10" | \$ 1,340.04 | \$ 1,584.48 | 115.00 |
| 12" | \$ 1,922.68 | \$ 2,287.73 | 185.00 |
| 14" | \$ 2,621.81 | \$ 3,119.53 | 225.00 |

Quantity/Volumetric Based Rates \$(/Ccf)

| | |
|----------------------|---------------|
| Residential SQR | \$ 1,9933 |
| New Q Revenue Target | \$ 34,697,918 |

Residential rate design

| | |
|-------------|-----------|
| Top of Tier | 0 to 16 |
| Tier 1 | 17 and up |
| Tier 2 | 18 |

Top of Tier - Break points

| | | | | | | |
|-----------------------------|---------------|----|---------|--------|-----------------------------|-----------------------------|
| Non Residential SQR | \$ 1,8095 | \$ | 1.10170 | 2.1861 | Ccf estimate sales in block | Rev estimate sales in block |
| New Q Revenue Target | \$ 23,321,743 | | | | 10,539,904 Ccf | \$ 20,127,186 |

All Meters

| | |
|---|---------------|
| New Variable Revenue Target (Includes move of fixed cost to reduce meter charge) | \$ 58,019,650 |
| Total Variable Revenue | \$ 58,526,361 |

Revenue Neutrality Check (New V revenue target - Total (Res & Non- Res) (QR sales) \$ diff)
Revenue Neutrality Check (New V revenue target - Total (Res & Non- Res) (QR sales) as % of New variable rev req)
 \$ (509,700) -0.87%

Residential Customer Bill Impact Analysis
Golden State Region III
Typical bill comparisons current to proposed for 5/8" x 3/4" Customers
Based on Meter/Service Charge Plus Quantity Charges Times Consumption

| | Meter Chg | Q Charge |
|--------------|-----------|-----------|
| Current | \$ 14.75 | \$ 1.7586 |
| Proposed | \$ 11.65 | |
| | Block 1 | \$ 1.9096 |
| | Block 2 | \$ 2.1961 |
| Tier 1 Block | 16 ccf | |

| <i>small usage</i> | | consumption | 5 ccf/mo | annual avg | consumption | 18 ccf/mo | |
|--------------------|-----------|------------------------|----------|--------------------|-------------|------------------------|----------|
| Current bill block | \$ 23.55 | rate | bill | Current bill block | \$ 46.42 | bill | |
| 0 to 16 | \$ 1.9096 | 5 | \$ 9.55 | 0 to 16 | \$ 1.9096 | 16 | |
| 17 and up | \$ 2.1961 | 0 | \$ - | 17 and up | \$ 2.1961 | 2 | |
| | | total bill | \$ 21.20 | | | total bill | \$ 46.60 |
| | | Percent change in bill | -9.97% | | | Percent change in bill | 0.38% |

| <i>Average Winter</i> | | consumption | 16 ccf/mo | Average summer | consumption | 23 ccf/mo | |
|-----------------------|-----------|------------------------|-----------|--------------------|-------------|------------------------|----------|
| Current bill block | \$ 42.80 | rate | bill | Current bill block | \$ 55.22 | bill | |
| 0 to 16 | \$ 1.9096 | 16 | \$ 30.55 | 0 to 16 | \$ 1.9096 | 16 | |
| 17 and up | \$ 2.1961 | 0 | \$ - | 17 and up | \$ 2.1961 | 7 | |
| | | total bill | \$ 42.21 | | | total bill | \$ 60.68 |
| | | Percent change in bill | -1.62% | | | Percent change in bill | 9.86% |

| <i>Large user</i> | | consumption | 100 ccf/mo | largest user | consumption | 1000 ccf/mo | |
|--------------------|-----------|------------------------|------------|--------------------|-------------|------------------------|-------------|
| Current bill block | \$ 180.71 | rate | bill | Current bill block | \$ 1,774.33 | bill | |
| 0 to 16 | \$ 1.9096 | 18 | \$ 30.55 | 0 to 16 | \$ 1.9096 | 18 | |
| 17 and up | \$ 2.1961 | 84 | \$ 184.47 | 17 and up | \$ 2.1961 | 984 | |
| | | total bill | \$ 226.68 | | | total bill | \$ 2,203.13 |
| | | Percent change in bill | 18.86% | | | Percent change in bill | 24.17% |

Region 3 Example

Bill Impact Analysis at Various Usage Levels
 Golden State Region III
 Change in Bills for Residential Customers with 5/8" x 3/4" Connections

| Usage Ccf/Par Month | Typical Bills Under Current Rates | | | Typical Bills Under Proposed Rates | | | Change In Bills | |
|---------------------------|-----------------------------------|----------|---------------|------------------------------------|------------------|----------------------------|---------------------------|---------------------------|
| | Meter Chg Charge \$1,7586 | Qty Rate | Total Bill | Meter Chg Charge \$1,9066 | Tier 1 Tier 2 | Proposed Avg Total Bill | Dollar (\$) Difference | Percent (%) Difference |
| 0 | 14.75 | 0.00 | 14.75 | 0.00 | 0.00 | 11.55 | -3.10 | -21.00% |
| 1 | 14.75 | 1.76 | 16.51 | 1.91 | 1.91 | 13.56 | -2.95 | -17.85% |
| 2 | 14.75 | 3.52 | 18.27 | 3.82 | 3.82 | 15.47 | -2.80 | -15.31% |
| 3 | 14.75 | 5.28 | 20.03 | 5.73 | 5.73 | 17.38 | -2.65 | -13.22% |
| 4 | 14.75 | 7.04 | 21.79 | 7.64 | 7.64 | 19.29 | -2.50 | -11.48% |
| 5 | 14.75 | 8.80 | 23.55 | 9.55 | 9.55 | 21.20 | -2.35 | -9.97% |
| 7 | 14.75 | 12.32 | 27.07 | 13.37 | 13.37 | 25.02 | -2.05 | -7.56% |
| 8 | 14.75 | 15.84 | 30.59 | 17.19 | 17.19 | 28.84 | -1.75 | -5.71% |
| 10 | 14.75 | 20.15 | 34.90 | 21.85 | 21.85 | 33.66 | -1.71 | -4.90% |
| 17 | 14.75 | 29.91 | 44.66 | 30.55 | 30.55 | 44.40 | -1.93 | -4.32% |
| 20 | 14.75 | 35.19 | 49.94 | 33.55 | 33.55 | 50.99 | -1.97 | -3.94% |
| 25 | 14.75 | 43.99 | 58.74 | 35.55 | 35.55 | 61.97 | -2.01 | -3.41% |
| 30 | 14.75 | 52.79 | 67.54 | 37.55 | 37.55 | 72.95 | -2.04 | -3.01% |
| 32 | 14.75 | 56.31 | 71.06 | 39.55 | 39.55 | 77.34 | -2.05 | -2.89% |
| 34 | 14.75 | 59.83 | 74.58 | 41.55 | 41.55 | 81.74 | -2.05 | -2.74% |
| 38 | 14.75 | 66.86 | 81.61 | 43.55 | 43.55 | 86.14 | -2.08 | -2.55% |
| 40 | 14.75 | 70.38 | 85.13 | 45.55 | 45.55 | 90.52 | -2.08 | -2.44% |
| 45 | 14.75 | 79.18 | 93.93 | 47.55 | 47.55 | 94.91 | -2.09 | -2.23% |
| 50 | 14.75 | 87.98 | 102.73 | 49.55 | 49.55 | 99.30 | -2.10 | -2.04% |
| 60 | 14.75 | 105.59 | 120.33 | 51.55 | 51.55 | 103.69 | -2.12 | -1.76% |
| 75 | 14.75 | 131.97 | 146.72 | 53.55 | 53.55 | 108.08 | -2.13 | -1.50% |
| 100 | 14.75 | 175.86 | 190.71 | 55.55 | 55.55 | 112.47 | -2.15 | -1.17% |
| 125 | 14.75 | 219.85 | 234.70 | 57.55 | 57.55 | 116.86 | -2.16 | -0.96% |
| 150 | 14.75 | 263.94 | 278.69 | 59.55 | 59.55 | 121.25 | -2.17 | -0.80% |
| 175 | 14.75 | 307.93 | 322.68 | 61.55 | 61.55 | 125.64 | -2.17 | -0.67% |
| 200 | 14.75 | 351.92 | 366.67 | 63.55 | 63.55 | 130.03 | -2.17 | -0.58% |
| 400 | 14.75 | 703.83 | 718.58 | 65.55 | 65.55 | 134.42 | -2.18 | -0.30% |
| 800 | 14.75 | 1407.67 | 1422.42 | 67.55 | 67.55 | 138.81 | -2.18 | -0.15% |
| 1000 | 14.75 | 1759.58 | 1774.33 | 69.55 | 69.55 | 143.20 | -2.18 | -0.12% |
| 1500 | 14.75 | 2639.38 | 2654.13 | 71.55 | 71.55 | 147.59 | -2.18 | -0.08% |

- 1 - Total current bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
- 2 - Average unit cost is calculated as usage times current quantity rate (which is a uniform/single quantity rate) divided by usage
- 3 - Total proposed bill includes meter charge plus usage times quantity rate which is a two tier increasing block quantity rate
- 4 - Average unit cost is calculated as usage times proposed quantity rates (which are tiered rates) divided by usage
- 5 - Change in bills refers to dollar and percent difference from current total to proposed total bills

Golden State Region III
Proposed Modified Cost Balancing Account
Balances Adopted Quantities and Unit Price to Actual Quantity and Unit Price
At Year End of When Threshold is Met the Account Balance is used with the WRAM Balance to Adjust Adopted Revenues to Actual Revenues

| Decision | 200807 | | | | | | | | | | | | |
|-----------|------------|------------------------|-----------------------|---------------------------|------------|-----------------------|--------------|-------------|-----------------|-----------------------|----------------------------|--|----------------------|
| | Month | Adopted Production CCF | Actual Production CCF | Quantities (Sales) In Ccf | Met/Actual | Below (above) Adopted | Adopted Rate | Actual Rate | Price in \$/cft | Below (above) Adopted | VC recovered through rates | Actual Variable Cost Incurred by Utility | Adopted Minus Actual |
| Jan | 2,028,593 | 1,898,511 | 1,854,053 | 48,050 | 0.7134 | 0.7134 | 1,452,858 | 1,418,686 | 33,278 | 1,402,153 | 1,369,071 | 33,082 | (34,276) |
| Feb | 1,935,477 | 1,919,105 | 1,788,340 | 48,372 | 0.7134 | 0.7134 | 1,292,775 | 1,262,274 | 30,501 | 1,447,158 | 1,410,014 | 34,143 | (30,604) |
| March | 1,812,166 | 1,768,401 | 1,649,769 | 42,735 | 0.7134 | 0.7134 | 1,784,117 | 1,742,024 | 42,093 | 2,099,320 | 2,056,790 | 42,530 | (42,083) |
| April | 2,028,553 | 1,880,702 | 1,848,772 | 47,881 | 0.7134 | 0.7134 | 2,551,898 | 2,481,789 | 60,210 | 2,802,720 | 2,470,843 | 328,877 | (60,210) |
| May | 2,600,898 | 2,441,893 | 2,276,779 | 59,004 | 0.7134 | 0.7134 | 2,809,350 | 2,736,694 | 66,126 | 2,809,350 | 2,264,866 | 544,484 | (54,486) |
| June | 2,892,735 | 2,873,308 | 2,879,021 | 68,428 | 0.7134 | 0.7134 | 2,001,483 | 1,954,262 | 47,221 | 1,827,830 | 1,589,622 | 238,208 | (47,221) |
| July | 3,577,281 | 3,492,881 | 3,268,702 | 84,400 | 0.7134 | 0.7134 | 23,302,210 | 22,752,434 | 549,776 | | | | (549,776) |
| August | 3,548,924 | 3,483,240 | 3,229,065 | 83,693 | 0.7134 | 0.7134 | | | | | | | |
| September | 3,826,731 | 3,838,039 | 3,576,658 | 92,892 | 0.7134 | 0.7134 | | | | | | | |
| October | 3,237,147 | 3,160,772 | 2,847,049 | 78,379 | 0.7134 | 0.7134 | | | | | | | |
| November | 2,805,693 | 2,739,400 | 2,564,169 | 86,183 | 0.7134 | 0.7134 | | | | | | | |
| December | 2,251,961 | 2,228,123 | 2,077,483 | 53,839 | 0.7134 | 0.7134 | | | | | | | |
| Totals | 32,664,023 | 31,893,374 | 28,738,828 | 770,652 | | | | | | | | | |

Region 3 Example

Projected WRAM Balance District Golden State Region III

WRAM balance \$ 859,943

| | Total | Residential | Non-Res |
|-------------------------------------|---------------|---------------|---------------|
| Adopted Q revenue target | \$ 68,019,660 | \$ 34,697,918 | \$ 23,321,743 |
| Actual revenue | 57,359,717 | 34,302,792 | 23,056,926 |
| WRAM Balance - Adopted minus Actual | \$ 659,943 | \$ 395,126 | \$ 264,817 |
| difference as % of adopted | 1.14% | 1.14% | 1.14% |

| | Total | Residential | Non-Res |
|----------------------------|----------------|----------------|----------------|
| Adopted quantity | 30,295,196 Ccf | 17,406,940 Ccf | 12,888,253 Ccf |
| Actual quantity | 29,736,828 Ccf | 16,984,921 Ccf | 12,741,908 Ccf |
| difference as % of adopted | 1.84% | 2.37% | 1.14% |

Adopted rate \$ 1.9151 refers to the single quantity rate needed to recover the quantity charge revenue target

| Projected Revenue \$ | Monthly Consumption Spread | Total Sales | | Total Revenue | | Total Revenue | |
|----------------------|----------------------------|----------------|----------------|---------------|---------------|---------------|------------|
| | | Adopted | Actual | Adopted | Actual | Adopted | Actual |
| Jan | 6.23% | 1,888,867 Ccf | 1,894,053 Ccf | \$ 3,617,462 | \$ 3,578,305 | \$ 41,147 | \$ 39,710 |
| Feb | 6.02% | 1,622,939 Ccf | 1,789,340 Ccf | \$ 3,491,180 | \$ 3,451,480 | \$ 39,700 | \$ 36,613 |
| March | 5.55% | 1,680,737 Ccf | 1,649,759 Ccf | \$ 3,218,852 | \$ 3,182,240 | \$ 36,613 | \$ 40,985 |
| April | 6.21% | 1,981,449 Ccf | 1,946,772 Ccf | \$ 3,928,224 | \$ 3,862,261 | \$ 65,963 | \$ 66,000 |
| May | 7.88% | 2,319,530 Ccf | 2,276,779 Ccf | \$ 4,442,234 | \$ 4,391,706 | \$ 50,528 | \$ 50,528 |
| June | 9.01% | 2,729,326 Ccf | 2,679,021 Ccf | \$ 5,227,050 | \$ 5,167,595 | \$ 59,455 | \$ 59,455 |
| July | 10.55% | 3,317,853 Ccf | 3,256,702 Ccf | \$ 6,354,166 | \$ 6,281,690 | \$ 72,476 | \$ 72,476 |
| August | 10.86% | 3,289,897 Ccf | 3,228,065 Ccf | \$ 6,300,243 | \$ 6,228,581 | \$ 71,662 | \$ 71,662 |
| September | 12.03% | 3,643,815 Ccf | 3,576,656 Ccf | \$ 6,976,431 | \$ 6,899,055 | \$ 77,376 | \$ 77,376 |
| October | 9.91% | 3,002,388 Ccf | 2,947,049 Ccf | \$ 5,750,000 | \$ 5,684,697 | \$ 65,303 | \$ 65,303 |
| November | 8.59% | 2,502,128 Ccf | 2,554,169 Ccf | \$ 4,983,450 | \$ 4,926,766 | \$ 56,684 | \$ 56,684 |
| December | 8.99% | 2,118,471 Ccf | 2,077,463 Ccf | \$ 4,053,347 | \$ 4,007,242 | \$ 46,105 | \$ 46,105 |
| | 100.00% | 30,295,196 Ccf | 29,736,828 Ccf | \$ 58,019,660 | \$ 57,359,717 | \$ 659,943 | \$ 659,943 |

Settlement - Summary Calculations on Proposed Decoupling Mechanisms
District: Golden State Region II

Negative balance is over collection. Positive balance is under collection

| | Adopted | Actual(1) | Difference |
|----------------------------------|----------------|----------------|--|
| Quantities (Ccf) | 30,285,198 Ccf | 29,736,828 Ccf | 548,368 Ccf |
| Revenue Requirement | \$ 83,412,277 | \$ 82,862,501 | \$ 549,776 Actual is adopted revenue requirement with MCBA adjustments |
| Quantity charge revenue | \$ 59,019,660 | \$ 57,359,717 | \$ 1,659,943 Billed consumption |
| MCBA (Purchased water and power) | \$ 23,802,210 | \$ 22,752,434 | \$ 1,049,776 Adopted minus actual, positive number is over collection |
| Service Charge Revenues | \$ 25,392,617 | \$ 25,392,617 | \$ - Adopted value used as actual since WRAM does not adjust for SC |
| Revenue | \$ 83,412,277 | \$ 82,752,334 | \$ 659,943 Adopted minus actual, positive number is under collection |

Balancing Accounts

| | |
|-----------------|--------------|
| WRAM balance | \$ 659,943 |
| MCBA adjustment | \$ (549,776) |
| WRAM surcharge | \$ 110,167 |

positive is under collection (see WRAM table for detail)
 negative balance is over collection (See MCBA table for detail)
 amount to be surcharged on a 3/Ccf basis

Revenue received by utility

| | |
|-----------------------------------|---------------|
| Quantity charge revenue | \$ 57,359,717 |
| Service Charge Revenues | \$ 25,392,617 |
| WRAM surcharge/(credit) | \$ 110,167 |
| Total revenue received by utility | \$ 82,862,501 |

Surcharge shows as a separate line item on bills when account balance is amortized
 billed consumption
 Adopted value used as actual since WRAM does not adjust for SC
 see above

**Demand & Revenue Change Projections
Golden State Region III**

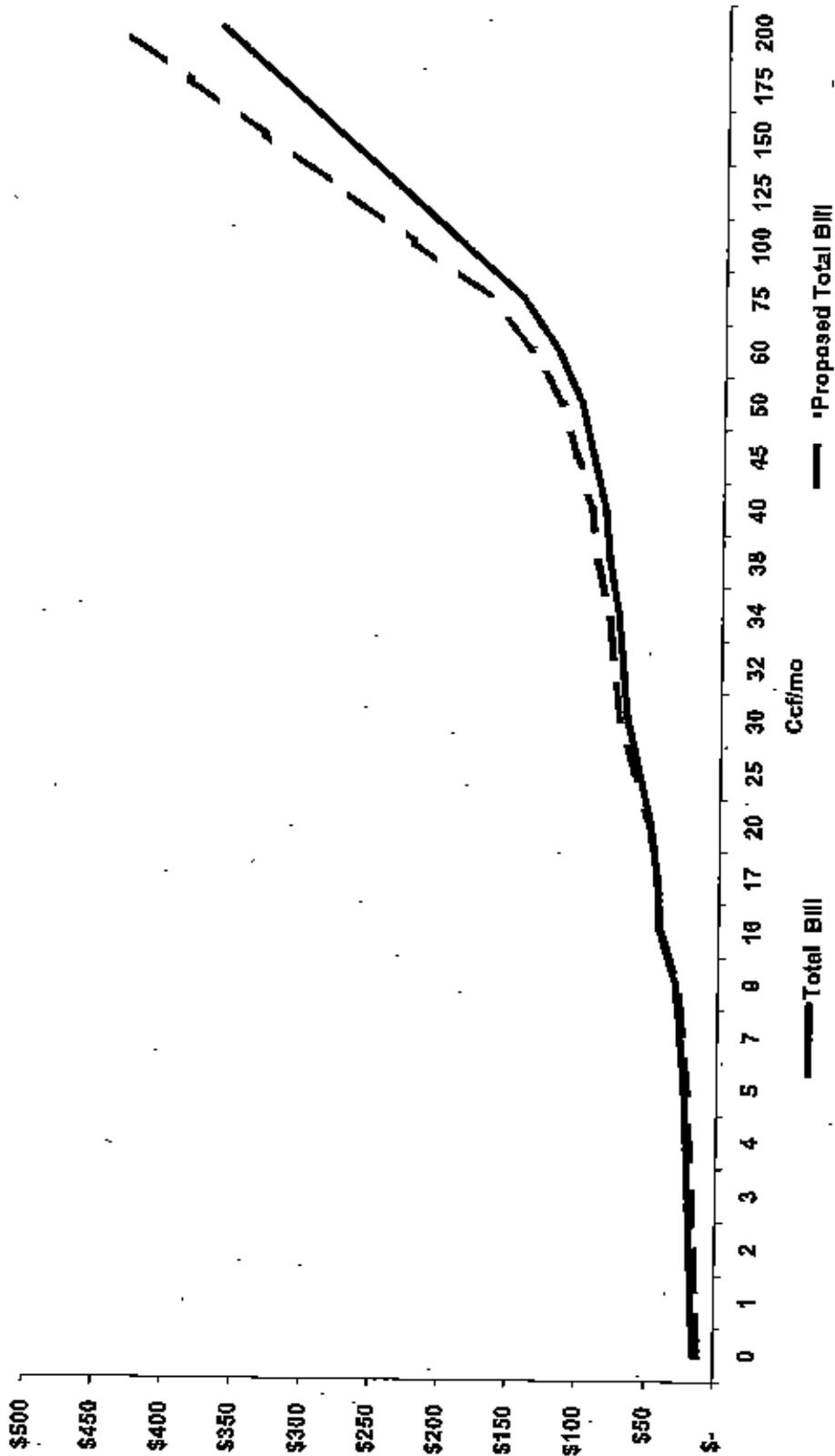
| Projected Revenue | Total Adopted Revenue | | Residential Revenue - Projected Actuals | | | Non-Residential Revenue - Projected Actuals | | Total Actual Revenue | | Adopted Minus Actual |
|-------------------|-----------------------|------------|---|------------|------------|---|------------|----------------------|------------|----------------------|
| | Jan | Feb | Jan | Feb | Mar | Jan | Feb | Jan | Feb | |
| 1,888,897 Ccf | 3,917,462 | 3,491,180 | 1,059,912 | 1,254,904 | 863,631 | 2,139,735 | 764,442 | 1,437,870 | 3,678,505 | 41,147 |
| 1,822,939 Ccf | 3,491,180 | 3,216,892 | 1,022,927 | 1,211,104 | 852,982 | 2,094,066 | 759,713 | 1,397,394 | 3,451,480 | 39,710 |
| 1,881,448 Ccf | 3,491,180 | 3,216,892 | 1,055,451 | 1,118,829 | 786,443 | 1,803,073 | 708,904 | 1,276,167 | 3,182,249 | 39,913 |
| 2,316,500 Ccf | 4,442,234 | 4,442,234 | 1,301,204 | 1,641,024 | 880,860 | 2,130,336 | 791,322 | 1,431,025 | 3,692,281 | 40,985 |
| 2,729,325 Ccf | 6,227,050 | 6,227,050 | 1,631,060 | 1,813,276 | 1,277,095 | 3,000,373 | 1,147,831 | 1,765,337 | 4,381,708 | 50,528 |
| 3,317,869 Ccf | 8,354,186 | 8,354,186 | 1,881,241 | 2,204,276 | 1,662,478 | 3,768,765 | 1,395,481 | 2,077,222 | 5,187,585 | 69,458 |
| 3,289,897 Ccf | 8,300,240 | 8,300,240 | 1,843,448 | 2,195,572 | 1,539,302 | 3,724,874 | 1,383,818 | 2,028,106 | 5,228,581 | 71,962 |
| 3,643,815 Ccf | 9,378,431 | 9,378,431 | 2,040,098 | 2,420,838 | 1,704,865 | 4,125,437 | 1,532,658 | 2,503,707 | 6,389,053 | 79,376 |
| 3,602,388 Ccf | 9,750,000 | 9,750,000 | 1,684,270 | 1,894,882 | 1,404,884 | 3,389,568 | 1,282,778 | 2,285,041 | 5,684,687 | 65,403 |
| 2,802,128 Ccf | 4,693,440 | 4,693,440 | 1,498,739 | 1,728,773 | 1,217,377 | 2,846,359 | 1,094,433 | 1,890,415 | 4,025,768 | 84,834 |
| 2,118,471 Ccf | 4,053,347 | 4,053,347 | 1,187,293 | 1,408,118 | 890,331 | 2,399,448 | 880,170 | 1,610,784 | 4,007,242 | 46,105 |
| 30,285,196 Ccf | 88,019,680 | 88,019,680 | 16,884,921 | 20,137,168 | 14,175,608 | 34,902,782 | 12,741,808 | 23,058,926 | 87,359,717 | 559,945 |

| Projected Consumption Ccf | Total Adopted Sales | | Projected Sales | Residential Revenue - Projected Actuals | | | Non-Residential Revenue - Projected Actuals | | Total Actual Sales | | Adopted Minus Actual |
|---------------------------|---------------------|----------|-----------------|---|----------------|----------------|---|----------------|--------------------|-------------|----------------------|
| | Jan | Feb | | Jan | Feb | Mar | Jan | Feb | Jan | Feb | |
| 1,888,897 Ccf | 6,233% | 6,023% | 1,088,301 Ccf | 667,150 Ccf | 402,462 Ccf | 1,059,612 Ccf | 801,585 Ccf | 794,442 Ccf | 1,437,870 Ccf | 34,814 Ccf | |
| 1,822,939 Ccf | 6,023% | 5,855% | 1,047,490 Ccf | 634,273 Ccf | 389,415 Ccf | 1,022,697 Ccf | 775,619 Ccf | 769,713 Ccf | 1,397,394 Ccf | 33,989 Ccf | |
| 1,881,448 Ccf | 6,233% | 6,023% | 1,081,039 Ccf | 654,740 Ccf | 398,116 Ccf | 1,042,855 Ccf | 715,023 Ccf | 708,904 Ccf | 1,382,299 Ccf | 34,877 Ccf | |
| 2,316,500 Ccf | 7,095% | 7,095% | 1,322,769 Ccf | 1,566,209 Ccf | 1,001,204 Ccf | 1,055,401 Ccf | 801,411 Ccf | 791,322 Ccf | 1,431,025 Ccf | 42,781 Ccf | |
| 2,729,325 Ccf | 8,011% | 8,011% | 1,806,394 Ccf | 2,048,551 Ccf | 1,317,439 Ccf | 1,631,090 Ccf | 1,181,136 Ccf | 1,147,831 Ccf | 2,077,222 Ccf | 50,304 Ccf | |
| 3,317,869 Ccf | 10,957% | 10,868% | 2,490,188 Ccf | 2,843,304 Ccf | 1,941,241 Ccf | 2,448,448 Ccf | 1,411,488 Ccf | 1,395,481 Ccf | 2,503,707 Ccf | 61,191 Ccf | |
| 3,289,897 Ccf | 10,868% | 10,868% | 2,463,855 Ccf | 2,817,708 Ccf | 1,914,098 Ccf | 2,404,098 Ccf | 1,396,611 Ccf | 1,383,818 Ccf | 2,503,707 Ccf | 60,832 Ccf | |
| 3,643,815 Ccf | 12,003% | 12,003% | 3,002,388 Ccf | 3,427,708 Ccf | 2,404,098 Ccf | 3,002,388 Ccf | 1,850,180 Ccf | 1,850,180 Ccf | 3,228,085 Ccf | 87,199 Ccf | |
| 3,602,388 Ccf | 11,911% | 11,911% | 2,975,128 Ccf | 3,396,238 Ccf | 2,384,238 Ccf | 2,975,128 Ccf | 1,822,778 Ccf | 1,822,778 Ccf | 3,228,085 Ccf | 66,337 Ccf | |
| 2,802,128 Ccf | 8,291% | 8,291% | 1,485,126 Ccf | 1,728,773 Ccf | 1,217,377 Ccf | 1,485,126 Ccf | 1,094,433 Ccf | 1,094,433 Ccf | 2,554,189 Ccf | 47,969 Ccf | |
| 2,118,471 Ccf | 6,084% | 6,084% | 1,118,471 Ccf | 1,318,471 Ccf | 890,331 Ccf | 1,118,471 Ccf | 880,170 Ccf | 880,170 Ccf | 2,077,463 Ccf | 39,006 Ccf | |
| 30,285,196 Ccf | 100,000% | 100,000% | 17,408,843 Ccf | 20,539,104 Ccf | 14,175,608 Ccf | 34,902,782 Ccf | 12,741,808 Ccf | 23,058,926 Ccf | 87,359,717 Ccf | 559,945 Ccf | |

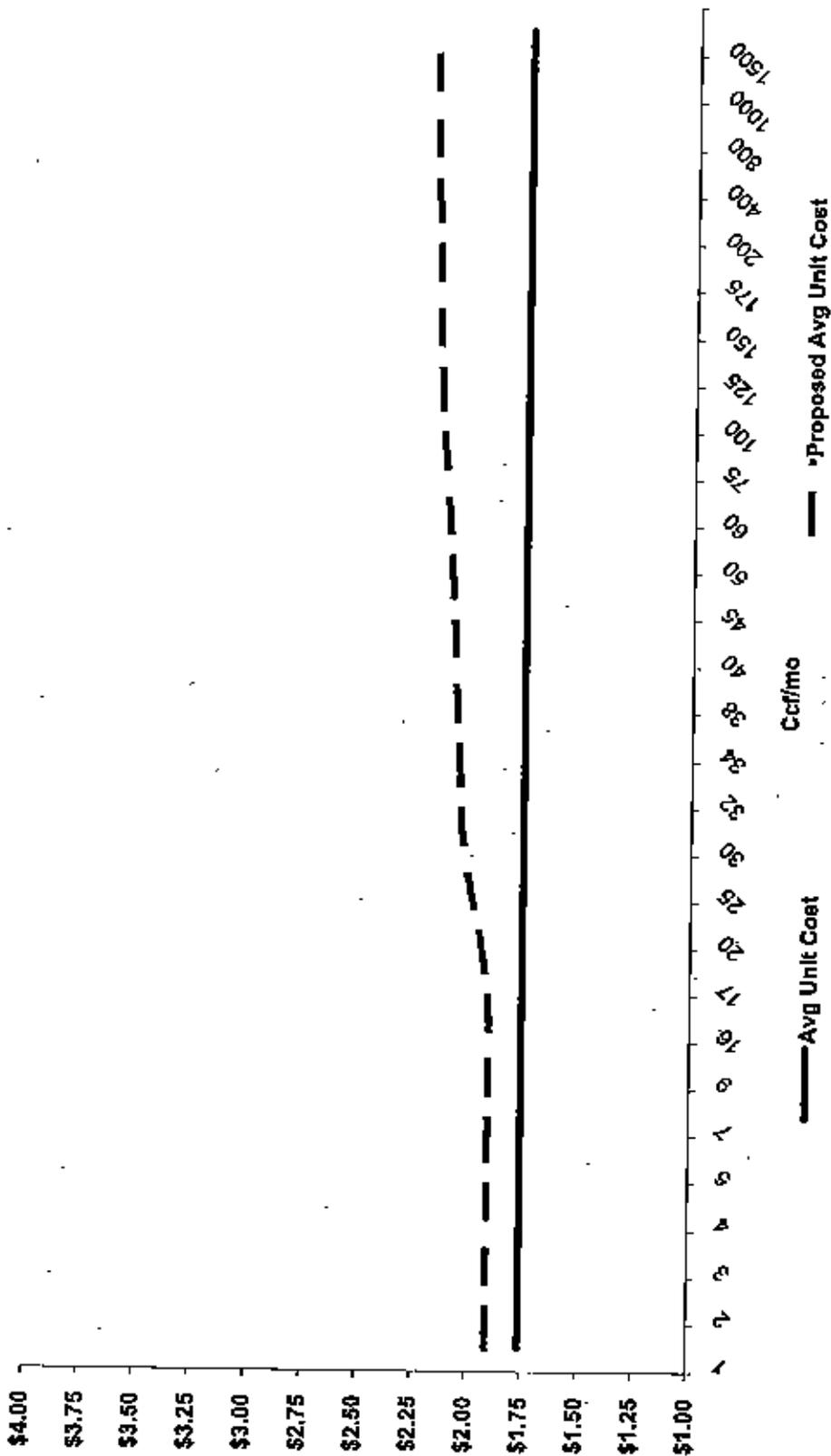
Residential BOR = Single quantity rate \$ 1.963
 Residential Tier 1 0.98 \$
 Residential Tier 2 1.10 \$
 Non-Residential BOR = Single quantity rate \$ 1.810
 Non-Residential All Meters 1.810 \$

Price chng from BOR -4.36%
 Price chng from BOR 10.17%
 % diff from base 16.00%
 % diff from base 2.84%
 D chng from 0.4
 D chng from 4.00%
 D chng from 4.14%

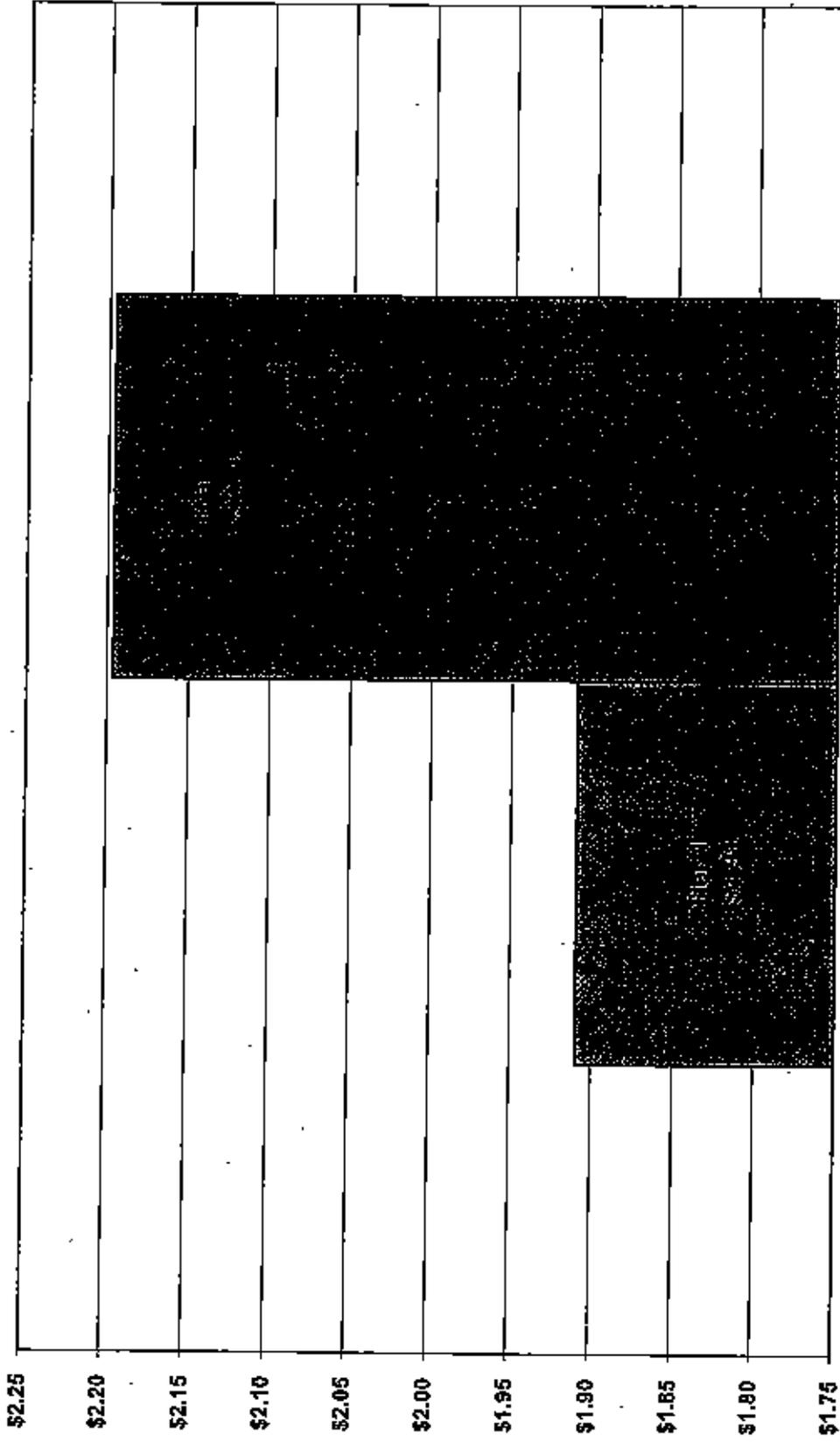
Region III
Total Bills for Residential Customers
Comparing Current and Proposed Rates
(shows 5/8" x 3/4" meter/service charge and quantity rates (times usage))



**Region III
Average Unit Cost
Comparing Current and Proposed Rates
(shows quantity rates times usage divided by usage)**



Region III
Proposed Tiered Rates/Marginal Cost



Proposed Settlement Rate Design and Revenue Check Model
District: Golden State Region I

| Proposal: | | | | |
|---|---------------|---------------|---------------|---------------------------|
| Reduce Percent of Fixed Cost Recovered through Meter/Service Charge | | | | |
| Keep two - tiered rate design in GSWC's amended application | | | | |
| Standard/Current | Residential | Non-Res | Total | |
| Rate Design | | | | |
| 5/8" x 3/4" Equivalent Unile (Eus) | 81,061 | 79,695 | 160,826 | |
| Mtr chg revenue | \$ 16,380,570 | \$ 16,088,007 | \$ 32,478,577 | |
| Mtr chg \$/mo per EU | \$ 16.85 | \$ 16.85 | \$ 16.85 | |
| Adopted Sales ccf | 11,702,758 | 17,403,110 | 29,105,868 | |
| Current V target rev | \$ 24,808,444 | \$ 38,892,508 | \$ 61,700,950 | |
| \$/Ccf/Single Quantity Rate | 2,120 Ccf | 2,120 Ccf | 2,120 Ccf | |
| BMP 11 Threehold check | | | | |
| Service Charge % revenue | 39.76% | 30.37% | 34.49% | |
| Quantity Charge % revenue | 60.22% | 69.63% | 65.51% | |
| Total | 100.00% | 100.00% | 100.00% | |
| Rate Summary | | | | |
| Total Rev Req | \$ 41,199,014 | \$ 62,880,513 | \$ 94,179,527 | |
| Mtr chg \$/EU/mo | \$ 16.85 | \$ 16.85 | \$ 16.85 | |
| SQR | \$ 2,120 | \$ 2,120 | \$ 2,120 | |
| | \$ 2,120 | \$ 2,120 | \$ 2,120 | this is here to check SQR |
| Service Charges | | | | |
| 5/8" x 3/4" | Residential | Non-Res | Demand | Capacity Ratio |
| 3/4" | \$ 16.85 | \$ 16.85 | | 1.00 |
| 1" | \$ 25.25 | \$ 25.25 | | 1.50 |
| 1.5" | \$ 42.10 | \$ 42.10 | | 2.50 |
| 2" | \$ 84.20 | \$ 84.20 | | 5.00 |
| 3" | \$ 134.75 | \$ 134.75 | | 9.00 |
| 4" | \$ 252.25 | \$ 252.25 | | 15.00 |
| 5" | \$ 421.40 | \$ 421.40 | | 25.00 |
| 6" | \$ 841.80 | \$ 841.80 | | 50.00 |
| 8" | \$ 1,346.80 | \$ 1,346.80 | | 80.00 |
| 10" | \$ 1,935.85 | \$ 1,935.85 | | 115.00 |
| Quantity Charges | Residential | Non-Res | | |
| Any usage level \$/Ccf | \$ 2,199 | \$ 2,199 | | |

Proposed Settlement Rate Design and Revenue Check Model
District: Golden State Region II

Proposal: Reduce Percent of Fixed Cost Recovered through Meter/Service Charge
 Keep two - tiered rate design in OSWC's amended application

District Golden State Region II
Testing Proposed Changes to the Rate Design
Reduce Meter Charge

| Proposed | Residential | Non-Res | Total |
|---|--------------|------------|--------------|
| Reduce meter charge by | 20% | 5% | |
| Results in adding these \$ to Q rev lar | \$ 3,276,114 | \$ 804,400 | \$ 4,082,514 |

feeder cell results in lower meter charge

| | Residential | Non-Res | Total |
|----------------------|----------------|----------------|----------------|
| Equivalent Units | 81,061 | 79,595 | 160,626 |
| Mtr chg rev | \$ 13,112,458 | \$ 15,283,607 | \$ 28,396,063 |
| Mtr chg \$/mo per EU | \$ 13.49 | \$ 18.01 | \$ 14.73 |
| Adopted Sales ccf | 11,702,768 Ccf | 17,403,110 Ccf | 29,105,869 Ccf |
| New V target rev | \$ 28,098,558 | \$ 37,696,908 | \$ 65,793,464 |
| New SCR | \$ 2,400 | \$ 2,168 | \$ 2,260 |

Meter connections expressed as number of std 5/8" meters

9/mo per 6/8" equivalent unit

Feeder cell changes Q rates

| BMP 11 Threshold check | | |
|---------------------------|---------|---------|
| Service Charge % revenue | 31.83% | 29.85% |
| Quantity Change % revenue | 69.17% | 71.15% |
| Total | 100.00% | 100.00% |

Rate Summary

| | | | |
|--|---------------|---------------|---------------|
| Total Rev Req | \$ 41,199,014 | \$ 52,980,513 | \$ 94,179,527 |
| Mtr chg \$/EU/mo | \$ 13.48 | \$ 16.01 | \$ 14.73 |
| Q rate if SCR | \$ 2,400 | \$ 2,168 | \$ 2,260 |
| Tiered Q rates - blocks are different for res and non res, see rate detail below | | | |
| Block 1 | \$ 2,304 | \$ 2,168 | \$ 2,354,488 |
| Block 2 | \$ 2,650 | \$ 2,168 | |

Residential Customer Bill Impact Analysis
Golden State Region II
Typical bill comparisons current to proposed for 5/8" x 3/4" Customers
Based on Meter/Service Charge Plus Quantity Charges Times Consumption

| | Meter Chg | Q Charge |
|--------------|--------------------|------------|
| Current | \$ 16.65 | \$ 2,119.8 |
| Proposed | \$ 13.48 | |
| | Block 1 \$ 2,304.0 | |
| | Block 2 \$ 2,649.6 | |
| Tier 1 Block | 12 ccf | |

| small usage | consumption | 5 ccf/mo | annual avg | consumption | 13 ccf/mo |
|--------------------|------------------------|---------------|--------------------|------------------------|---------------|
| Current bill block | \$ 27.45 rate | | Current bill block | \$ 44.41 rate | \$ 40.00 bill |
| 0 to 12 | \$ 2,304.0 consum | \$ 11.52 bill | 0 to 12 | \$ 2,304.0 consum | 12 \$ 27.65 |
| 13 and up | \$ 2,649.6 consum | \$ 25.00 bill | 13 and up | \$ 2,649.6 consum | 1 \$ 2.65 |
| | total bill \$ | | | total bill \$ | 43.78 |
| | Percent change in bill | -8.92% | | Percent change in bill | -1.42% |

| Average Winter | consumption | 12 ccf/mo | Average summer | consumption | 15 ccf/mo |
|--------------------|------------------------|---------------|--------------------|------------------------|-------------|
| Current bill block | \$ 42.29 rate | | Current bill block | \$ 46.85 rate | |
| 0 to 12 | \$ 2,304.0 consum | \$ 27.65 bill | 0 to 12 | \$ 2,304.0 consum | 12 \$ 27.65 |
| 13 and up | \$ 2,649.6 consum | \$ 41.13 bill | 13 and up | \$ 2,649.6 consum | 3 \$ 7.95 |
| | total bill \$ | | | total bill \$ | 62.45 |
| | Percent change in bill | -2.74% | | Percent change in bill | 7.81% |

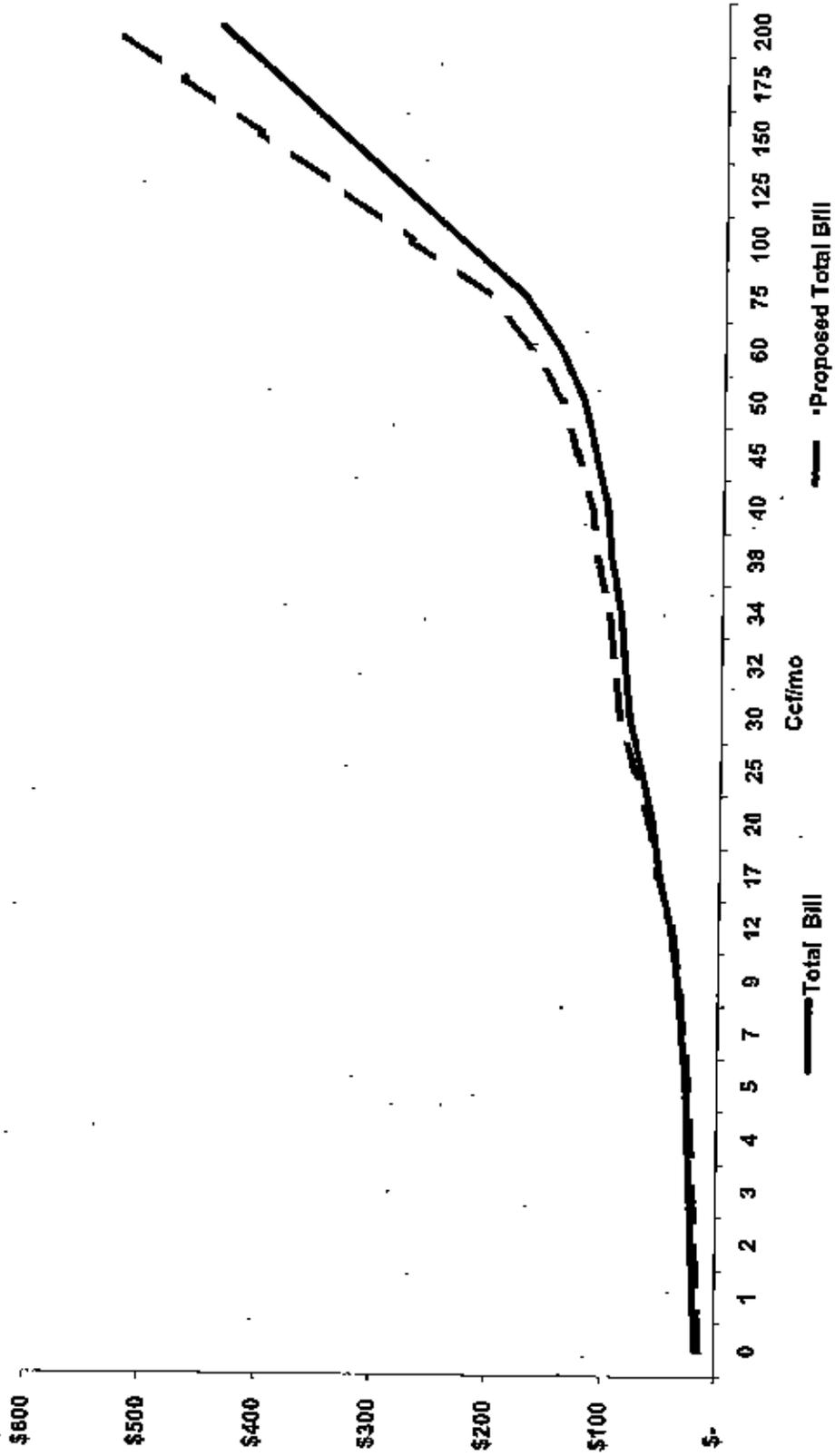
| Large user | consumption | 100 ccf/mo | largest user | consumption | 1000 ccf/mo |
|--------------------|------------------------|----------------|--------------------|------------------------|-----------------|
| Current bill block | \$ 228.94 rate | | Current bill block | \$ 2,136.73 rate | |
| 0 to 12 | \$ 2,304.0 consum | \$ 27.65 bill | 0 to 12 | \$ 2,304.0 consum | 12 \$ 27.65 |
| 13 and up | \$ 2,649.6 consum | \$ 233.16 bill | 13 and up | \$ 2,649.6 consum | 988 \$ 2,617.80 |
| | total bill \$ | 274.29 | | total bill \$ | 2,658.93 |
| | Percent change in bill | 19.88% | | Percent change in bill | 24.44% |

**Bill Impact Analysis at Various Usage Levels
Golden State Region II
Change in Bills for Residential Customers with 5/8" x 3/4" Connectors**

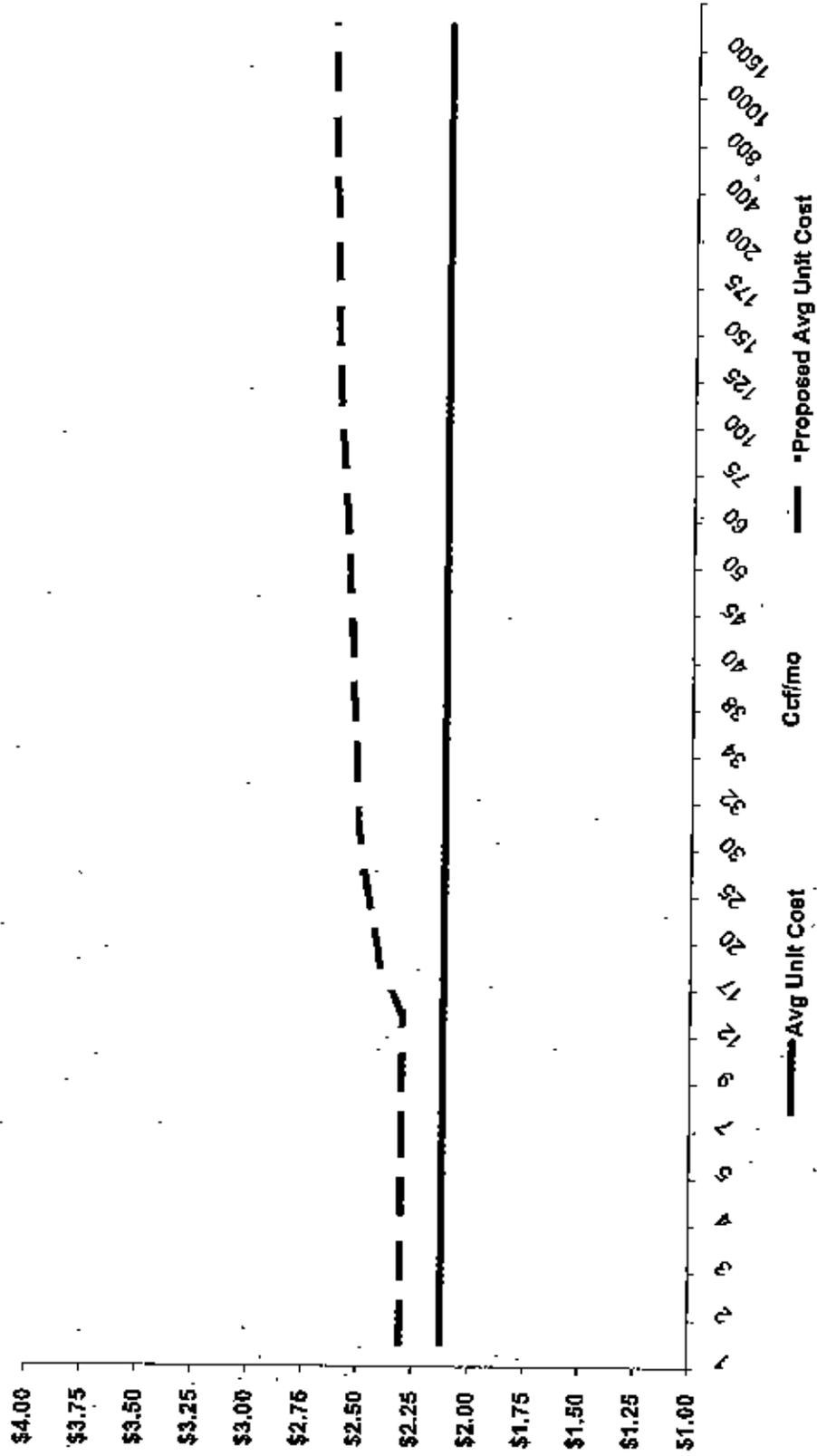
| Usage Ccf Per Month | Typical Bills Under Current Rates | | | Typical Bills Under Proposed Rates | | | Change in Bills | | |
|---------------------------|-----------------------------------|-----------------------|---------------|------------------------------------|--------------------|--------------------|---------------------------|---------------------------|---------------------------|
| | Meter Chg Charge | Unit Rate \$2.1189 | Total Bill | Meter Chg Charge | Tier 1 \$2.3040 | Tier 2 \$2.6496 | Proposed Avg Unit Cost | Dollar (\$) Difference | Percent (%) Difference |
| 0 | 16.85 | 0.00 | 16.85 | 13.48 | 0.00 | | 0.00 | -3.37 | -20.00% |
| 1 | 16.85 | 2.12 | 18.97 | 13.48 | 2.30 | | 2.30 | -0.19 | -18.79% |
| 2 | 16.85 | 4.24 | 21.09 | 13.48 | 4.61 | | 2.30 | -3.00 | -14.23% |
| 3 | 16.85 | 6.36 | 23.21 | 13.48 | 6.91 | | 2.30 | -2.82 | -12.14% |
| 4 | 16.85 | 8.48 | 25.33 | 13.48 | 9.22 | | 2.30 | -2.83 | -10.40% |
| 5 | 16.85 | 10.60 | 27.45 | 13.48 | 11.52 | | 2.30 | -2.46 | -8.92% |
| 7 | 16.85 | 14.84 | 31.69 | 13.48 | 16.13 | | 2.30 | -2.08 | -6.57% |
| 9 | 16.85 | 19.08 | 35.93 | 13.48 | 20.74 | | 2.30 | -1.71 | -4.77% |
| 12 | 16.85 | 25.44 | 42.28 | 13.48 | 27.65 | | 2.30 | -1.16 | -2.74% |
| 17 | 16.85 | 38.04 | 52.89 | 13.48 | 27.65 | 13.25 | 2.41 | 1.49 | 2.81% |
| 20 | 16.85 | 42.40 | 59.25 | 13.48 | 27.65 | 21.20 | 2.44 | 3.08 | 5.19% |
| 25 | 16.85 | 53.00 | 69.85 | 13.48 | 27.65 | 34.44 | 2.48 | 5.73 | 8.20% |
| 30 | 16.85 | 63.60 | 80.45 | 13.48 | 27.65 | 47.89 | 2.51 | 8.37 | 10.41% |
| 32 | 16.85 | 67.84 | 84.69 | 13.48 | 27.65 | 52.99 | 2.52 | 9.43 | 11.14% |
| 34 | 16.85 | 72.08 | 88.93 | 13.48 | 27.65 | 58.28 | 2.53 | 10.49 | 11.80% |
| 38 | 16.85 | 80.56 | 97.41 | 13.48 | 27.65 | 68.99 | 2.54 | 12.61 | 12.95% |
| 40 | 16.85 | 84.80 | 101.65 | 13.48 | 27.65 | 74.19 | 2.55 | 13.67 | 13.45% |
| 45 | 16.85 | 95.39 | 112.24 | 13.48 | 27.65 | 87.44 | 2.58 | 16.32 | 14.94% |
| 50 | 16.85 | 105.99 | 122.84 | 13.48 | 27.65 | 100.68 | 2.57 | 18.87 | 15.44% |
| 60 | 16.85 | 127.19 | 144.04 | 13.48 | 27.65 | 127.18 | 2.59 | 24.27 | 16.85% |
| 75 | 16.85 | 158.99 | 175.84 | 13.48 | 27.65 | 166.52 | 2.59 | 32.21 | 18.32% |
| 100 | 16.85 | 211.99 | 228.84 | 13.48 | 27.65 | 209.05 | 2.61 | 46.45 | 19.86% |
| 125 | 16.85 | 264.99 | 281.84 | 13.48 | 27.65 | 239.40 | 2.62 | 58.70 | 20.83% |
| 150 | 16.85 | 317.99 | 334.83 | 13.48 | 27.65 | 265.84 | 2.62 | 71.84 | 21.49% |
| 175 | 16.85 | 370.99 | 387.83 | 13.48 | 27.65 | 292.12 | 2.63 | 86.18 | 21.96% |
| 200 | 16.85 | 423.99 | 440.83 | 13.48 | 27.65 | 318.12 | 2.63 | 99.43 | 22.33% |
| 400 | 16.85 | 847.95 | 864.80 | 13.48 | 27.65 | 1,028.04 | 2.64 | 204.37 | 23.83% |
| 800 | 16.85 | 1,695.90 | 1,712.75 | 13.48 | 27.65 | 2,087.99 | 2.64 | 416.25 | 24.30% |
| 1000 | 16.85 | 2,119.88 | 2,136.73 | 13.48 | 27.65 | 2,617.80 | 2.65 | 522.20 | 24.44% |
| 1500 | 16.85 | 3,179.82 | 3,196.67 | 13.48 | 27.65 | 3,842.60 | 2.65 | 787.05 | 24.62% |

1 - Total current bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
 2 - Average unit cost is calculated as usage times current quantity rate (which is a uniform/single quantity rate) divided by usage
 3 - Total proposed bill includes meter charge plus usage times quantity rate which is a two tier increasing block quantity rate
 4 - Average unit cost is calculated as usage times proposed quantity rates (which are tiered rates) divided by usage
 5 - Change in bills refers to dollar and percent difference from current total to proposed total bills

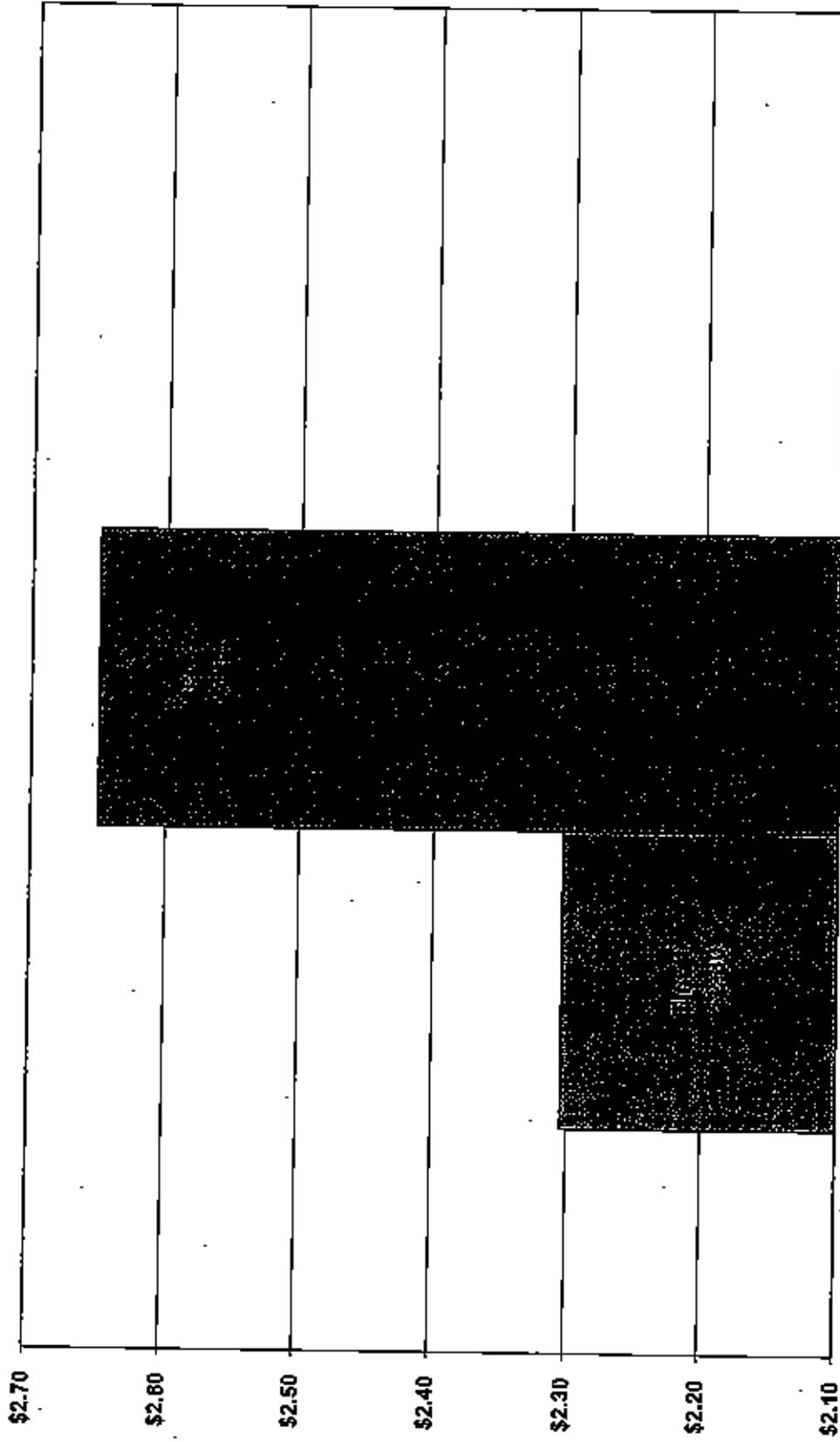
Region II
Total Bills for Residential Customers
Comparing Current and Proposed Rates
(shows 5/8" x 3/4" meter/service charge and quantity rates times usage)



Region II
Average Unit Cost
Comparing Current and Proposed Rates
(shows quantity rates times usage divided by usage)



Region II
Proposed Tiered Rates/Marginal Cost



Attachment 2

Proposed Settlement Rate Design and Revenue Check Model
District: Bay Point

Proposal: Reduce Percent of Fixed Cost Recovery through Meter/Service Charge
Keep Current Single Quantity Rate Design

| Current Rate Design | |
|------------------------------------|--------------|
| 5/8" x 3/4" Equivalent Units (Eus) | 6,122 |
| Mtr chg revenue | \$ 1,741,097 |
| Mtr chg \$/mo per EU | \$ 28.70 |
| Adopted Sales ccf | 1,122,871 |
| Current V target rev | \$ 3,381,069 |
| \$/Ccf /Single Quantity Rate | 3.011 Ccf |
| BMP 11 Threshold Check | |
| Service Charge % revenue | 33.99% |
| Quantity Charge % revenue | 66.01% |
| Total | 100.00% |

Current Rate Summary

| Meter Size | Service Charge |
|------------------------------|----------------|
| 5/8" x 3/4" | \$ 23.70 |
| 3/4" | \$ 35.60 |
| 1" | \$ 59.40 |
| 1.5" | \$ 118.95 |
| 2" | \$ 190.15 |
| 3" | \$ 356.95 |
| 4" | \$ 593.90 |
| 6" | \$ 1,188.90 |
| 8" | \$ 1,901.85 |
| 10" | \$ 2,733.80 |
| Quantity Charge (SQR) \$/Ccf | \$3.011 |

Proposed Changes to the Rate Design
Reduce Meter Charge Increase Single Quantity Rate

| Proposed | |
|---|------------|
| Reduce meter charge by | 12% |
| Results in adding these \$ to Q rev tar | \$ 208,932 |

| Equivalent Units | 8,122 |
|---------------------------|---------------|
| Mtr chg rev | \$ 1,532,165 |
| Mtr chg \$/mo per EU | \$ 20.86 |
| Adopted Sales ccf | 1,122,871 Ccf |
| New V target rev | \$ 3,689,999 |
| New SQR | \$ 3.187 |
| BMP 11 Threshold Check | |
| Service Charge % revenue | 29.91% |
| Quantity Charge % revenue | 70.09% |
| Total | 100.00% |

Proposed Rate Summary

| Meter Size | Service Charge | Ratio |
|------------------------------|----------------|--------|
| 5/8" x 3/4" | \$ 20.68 | 1.00 |
| 3/4" | \$ 31.28 | 1.60 |
| 1" | \$ 52.14 | 2.50 |
| 1.5" | \$ 104.28 | 5.00 |
| 2" | \$ 168.85 | 8.00 |
| 3" | \$ 312.84 | 15.00 |
| 4" | \$ 621.40 | 25.00 |
| 6" | \$ 1,042.80 | 50.00 |
| 8" | \$ 1,568.48 | 80.00 |
| 10" | \$ 2,398.44 | 115.00 |
| Quantity Charge (SQR) \$/ccf | \$3.187 | |

Customer Bill Impact Analysis Bay Point
Typical bill comparisons current to proposed for 5/8" x 3/4" Customers
Based on Meter/Service Charge Plus Quantity Charges Times Consumption

| | Meter Chg | Qty Charge |
|----------|-----------|------------|
| Current | \$ 23.70 | \$ 3,011.0 |
| Proposed | \$ 20.86 | \$ 3,197.2 |

| <i>small usage (ccf/mo)</i> | | <i>6 annual avg (ccf/mo)</i> | | <i>11</i> | |
|-----------------------------|-----------|------------------------------|-----------|-----------|--|
| Current bill | \$ 36.76 | Current bill | \$ 56.82 | | |
| Proposed Bill | \$ 36.84 | Proposed Bill | \$ 56.02 | | |
| Bill Difference | \$ (1.91) | Bill Difference | \$ (0.80) | | |
| % Change in bill | -4.94% | % Change in bill | -1.40% | | |

| <i>winter usage (ccf/mo)</i> | | <i>9 summer usage (ccf/mo)</i> | | <i>15</i> | |
|------------------------------|-----------|--------------------------------|-----------|-----------|--|
| Current bill | \$ 50.80 | Current bill | \$ 88.97 | | |
| Proposed Bill | \$ 49.63 | Proposed Bill | \$ 88.91 | | |
| Bill Difference | \$ (1.17) | Bill Difference | \$ (0.06) | | |
| % Change in bill | -2.30% | % Change in bill | -0.07% | | |

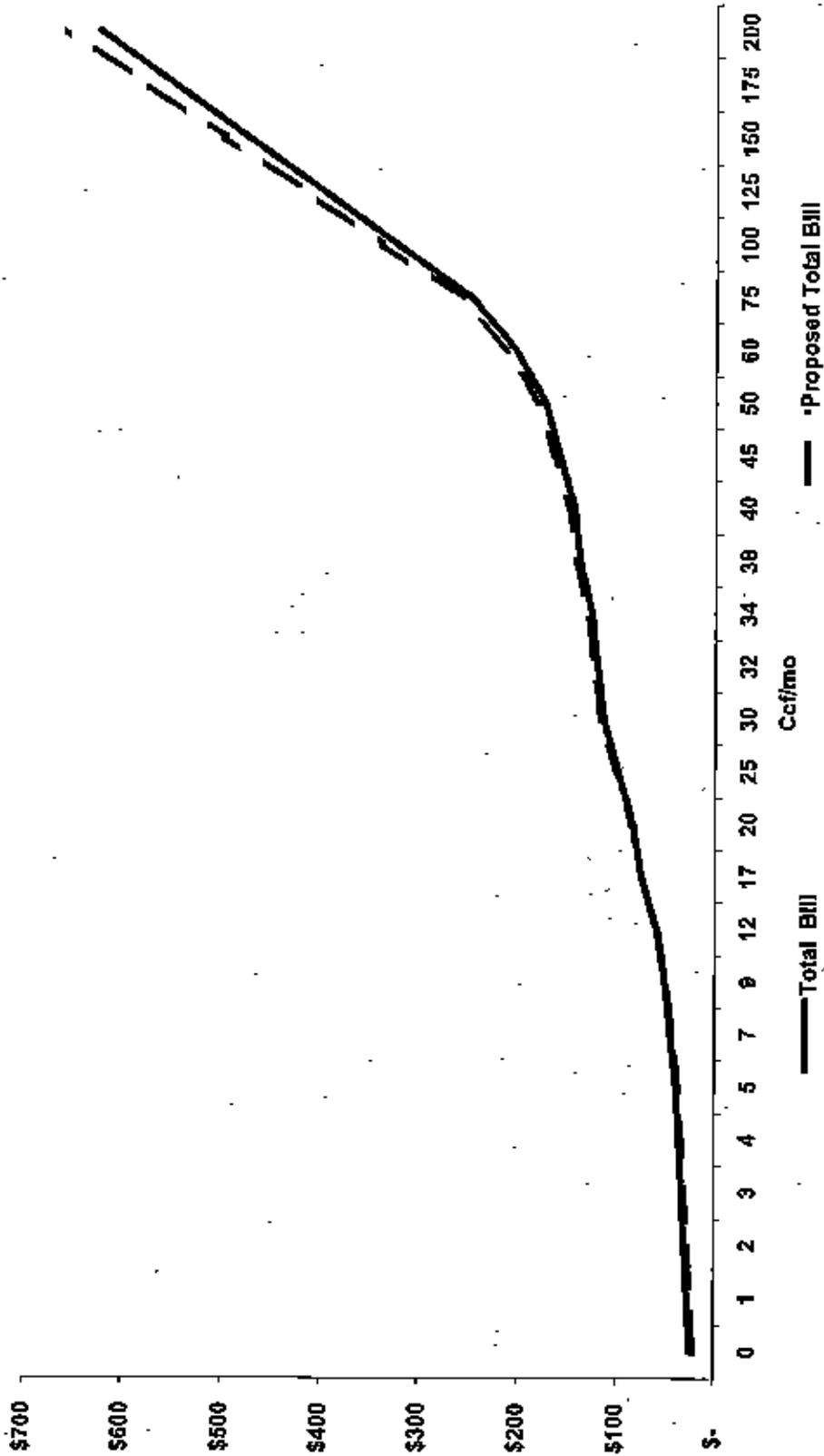
| <i>large usage (ccf/mo)</i> | | <i>100 largest avg (ccf/mo)</i> | | <i>1000</i> | |
|-----------------------------|-----------|---------------------------------|-------------|-------------|--|
| Current bill | \$ 324.80 | Current bill | \$ 3,034.70 | | |
| Proposed Bill | \$ 340.57 | Proposed Bill | \$ 3,218.02 | | |
| Bill Difference | \$ 15.77 | Bill Difference | \$ 183.32 | | |
| % Change in bill | 4.86% | % Change in bill | 6.04% | | |

**Bill Impact Analysis at Various Usage Levels
Bay Point
Change in Bills for Customers with 5/8" x 3/4" Connections**

| Usage Ccf Per Month | Typical Bills Under Current Rates | | | Typical Bills Under Proposed Rates | | | Change in Bills | | |
|---------------------------|-----------------------------------|----------------------|---------------|------------------------------------|-------------------------------------|------------------------|---------------------------|---------------------------|---------------------------|
| | Meter Chg Charge | Qty Rate \$3.0110 | Total Bill | Meter Chg Charge | Single Quantity Rate \$3.1972 | Proposed Total Bill | Proposed Avg Unit Cost | Dollar (\$) Difference | Percent (%) Difference |
| 0 | 23.70 | 0.00 | 23.70 | 20.86 | 0.00 | 20.86 | 0.00 | -2.84 | -12.00% |
| 1 | 23.70 | 3.01 | 26.71 | 20.86 | 3.20 | 24.06 | 3.20 | -2.66 | -9.95% |
| 2 | 23.70 | 6.02 | 29.72 | 20.86 | 6.38 | 27.25 | 3.20 | -2.47 | -8.32% |
| 3 | 23.70 | 9.03 | 32.73 | 20.86 | 9.56 | 30.45 | 3.20 | -2.29 | -6.88% |
| 4 | 23.70 | 12.04 | 35.74 | 20.86 | 12.79 | 33.64 | 3.20 | -2.10 | -5.87% |
| 5 | 23.70 | 15.06 | 38.76 | 20.86 | 15.99 | 36.84 | 3.20 | -1.91 | -4.94% |
| 7 | 23.70 | 21.08 | 44.78 | 20.86 | 22.38 | 43.24 | 3.20 | -1.54 | -3.44% |
| 8 | 23.70 | 27.10 | 50.80 | 20.86 | 28.77 | 49.63 | 3.20 | -1.17 | -2.30% |
| 12 | 23.70 | 36.13 | 59.83 | 20.86 | 38.37 | 59.22 | 3.20 | -0.61 | -1.02% |
| 17 | 23.70 | 51.19 | 74.89 | 20.86 | 54.35 | 75.21 | 3.20 | 0.32 | 0.43% |
| 20 | 23.70 | 60.22 | 83.92 | 20.86 | 63.94 | 84.80 | 3.20 | 0.88 | 1.05% |
| 25 | 23.70 | 75.28 | 98.98 | 20.86 | 76.93 | 100.78 | 3.20 | 1.81 | 1.83% |
| 30 | 23.70 | 90.33 | 114.03 | 20.86 | 95.91 | 116.77 | 3.20 | 2.74 | 2.40% |
| 32 | 23.70 | 96.35 | 120.05 | 20.86 | 102.31 | 123.17 | 3.20 | 3.11 | 2.59% |
| 34 | 23.70 | 102.37 | 126.07 | 20.86 | 108.70 | 129.56 | 3.20 | 3.49 | 2.76% |
| 38 | 23.70 | 114.42 | 136.12 | 20.86 | 121.49 | 142.35 | 3.20 | 4.23 | 3.08% |
| 40 | 23.70 | 120.44 | 144.14 | 20.86 | 127.88 | 148.74 | 3.20 | 4.60 | 3.19% |
| 45 | 23.70 | 135.50 | 159.20 | 20.86 | 143.57 | 164.79 | 3.20 | 5.53 | 3.48% |
| 50 | 23.70 | 150.55 | 174.25 | 20.86 | 159.86 | 180.71 | 3.20 | 6.46 | 3.71% |
| 60 | 23.70 | 180.66 | 204.36 | 20.86 | 191.83 | 212.69 | 3.20 | 8.33 | 4.07% |
| 75 | 23.70 | 226.83 | 249.53 | 20.86 | 239.79 | 260.64 | 3.20 | 11.12 | 4.48% |
| 100 | 23.70 | 301.10 | 324.80 | 20.86 | 319.72 | 340.57 | 3.20 | 15.77 | 4.86% |
| 125 | 23.70 | 376.08 | 400.08 | 20.86 | 389.65 | 420.50 | 3.20 | 20.43 | 5.11% |
| 150 | 23.70 | 451.55 | 475.35 | 20.86 | 479.57 | 500.43 | 3.20 | 25.08 | 5.28% |
| 175 | 23.70 | 526.93 | 550.63 | 20.86 | 559.50 | 580.36 | 3.20 | 29.73 | 5.40% |
| 200 | 23.70 | 602.20 | 625.90 | 20.86 | 639.43 | 660.29 | 3.20 | 34.39 | 5.48% |
| 400 | 23.70 | 1204.40 | 1228.10 | 20.86 | 1278.88 | 1299.72 | 3.20 | 71.62 | 5.83% |
| 800 | 23.70 | 2408.80 | 2432.60 | 20.86 | 2557.70 | 2578.58 | 3.20 | 146.08 | 6.01% |
| 1000 | 23.70 | 3011.00 | 3034.70 | 20.86 | 3187.16 | 3218.02 | 3.20 | 183.32 | 6.04% |
| 1500 | 23.70 | 4516.50 | 4540.20 | 20.86 | 4795.74 | 4816.60 | 3.20 | 276.40 | 6.09% |

1 - Total current bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
 2 - Average unit cost is calculated as usage times current quantity rate (which is a uniform/single quantity rate) divided by usage
 3 - Total proposed bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
 4 - Average unit cost is calculated as usage times proposed single quantity rates divided by usage
 5 - Change in bills refers to dollar and percent difference from current total to proposed total bills

**Bay Point
Total Bills for Customers
Comparing Current and Proposed Rates
(shows 5/8" x 3/4" meter/service charge and quantity rates times usage)**



Proposed Settlement Rate Design and Revenue Check Model
District: Los Osos

Proposal: Reduce Percent of Fixed Cost Recovery through Meter/Service Charge
Keep Current Single Quantity Rate Design

| Standard/Current Rate Design | |
|------------------------------------|--------------|
| 5/8" x 3/4" Equivalent Units (EUs) | 4,127 |
| Mtr chg revenue | \$ 945,661 |
| Mtr chg \$/mo per EU | \$ 19.10 |
| Adopted Sales ccf | 579,481 |
| Current V target rev | \$ 1,063,856 |
| \$/Ccf /Single Quantity Rate | \$ 1.836 |
| BMP 11 Threshold Test | |
| Service Charge % revenue | 47.06% |
| Quantity Charge % revenue | 52.94% |
| Total | 100.00% |

Current Rate Summary

| Meter Size | Service Charge |
|------------------------------|----------------|
| 5/8" x 3/4" | \$ 19.10 |
| 3/4" | \$ 28.80 |
| 1" | \$ 47.70 |
| 1.5" | \$ 95.40 |
| 2" | \$ 153.00 |
| 3" | \$ 236.00 |
| 4" | \$ 477.00 |
| 6" | \$ 954.00 |
| 8" | \$ 1,526.00 |
| 10" | \$ 2,194.00 |
| Quantity Charge (SQR) \$/Ccf | \$ 1.8360 |

Proposed Changes to the Rate Design
Reduce Meter Charge Increase Single Quantity Rate

| Proposed | |
|---|------------|
| Reduce meter charge by | 37% |
| Results in adding these \$ to Q rev tar | \$ 349,894 |

| | |
|-------------------------------|--------------|
| Equivalent Units | 4,127 |
| Mtr chg rev | \$ 695,768 |
| Mtr chg \$/mo per EU | \$ 12.03 |
| Adopted Sales ccf | 579,481 Ccf |
| New V target rev | \$ 1,413,750 |
| New SQR | \$ 2.440 |
| BMP 11 Threshold Check | |
| Service Charge % revenue | 29.65% |
| Quantity Charge % revenue | 70.35% |
| Total | 100.00% |

Proposed Rate Summary

| Meter Size | Service Charge | Ratio |
|-------------------------------|----------------|--------|
| 5/8" x 3/4" | \$ 12.03 | 1.00 |
| 3/4" | \$ 18.04 | 1.50 |
| 1" | \$ 30.07 | 2.50 |
| 1.5" | \$ 60.15 | 5.00 |
| 2" | \$ 96.24 | 8.00 |
| 3" | \$ 180.45 | 15.00 |
| 4" | \$ 300.75 | 25.00 |
| 6" | \$ 601.49 | 50.00 |
| 8" | \$ 962.39 | 80.00 |
| 10" | \$ 1,383.43 | 115.00 |
| Quantity Charge (SQR) \$/ccf: | \$ 2.440 | |

Customer Bill Impact Analysis
Typical bill comparisons current to proposed for 5/8" x 3/4" Customers
Based on Meter/Service Charge Plus Quantity Charges Times Consumption

Los Osos

| | Meter Chg | Q Charge |
|----------|-----------|-----------|
| Current | \$ 19.10 | \$ 1.8360 |
| Proposed | \$ 12.03 | \$ 2.440 |

| <i>small usage (ccf/mo)</i> | | 5 | <i>annual avg (ccf/mo)</i> | | 11 |
|-----------------------------|----|---------|----------------------------|----|--------|
| Current bill | \$ | 28.28 | Current bill | \$ | 39.29 |
| Proposed Bill | \$ | 24.23 | Proposed Bill | \$ | 38.87 |
| Bill Difference | \$ | (4.05) | Bill Difference | \$ | (0.42) |
| % Change in bill | | -14.31% | % Change in bill | | -1.08% |

| <i>winter usage (ccf/mo)</i> | | 10 | <i>summer usage (ccf/mo)</i> | | 12 |
|------------------------------|----|--------|------------------------------|----|-------|
| Current bill | \$ | 37.46 | Current bill | \$ | 41.13 |
| Proposed Bill | \$ | 36.43 | Proposed Bill | \$ | 41.31 |
| Bill Difference | \$ | (1.03) | Bill Difference | \$ | 0.18 |
| % Change in bill | | -2.75% | % Change in bill | | 0.44% |

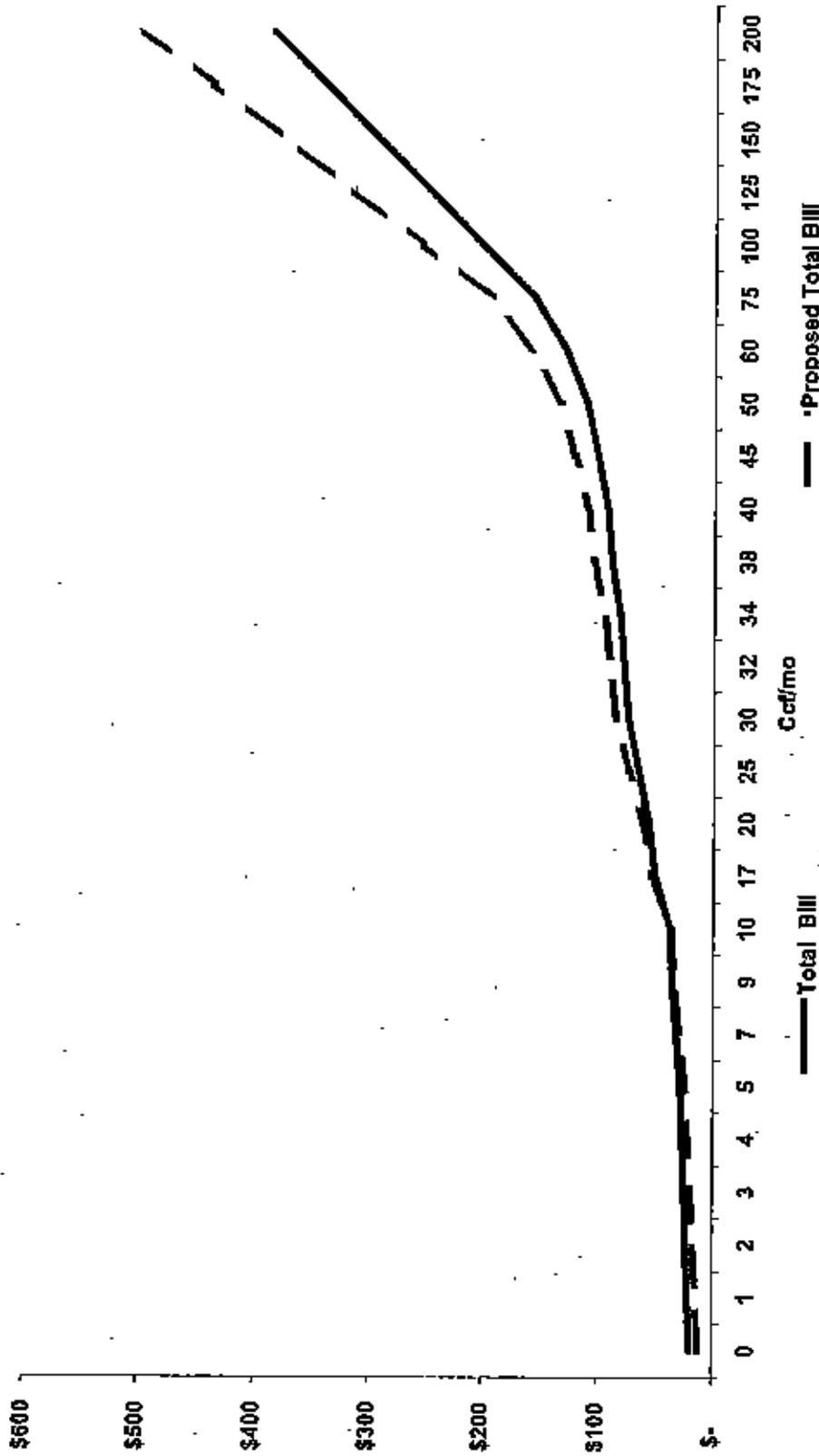
| <i>large usage (ccf/mo)</i> | | 100 | <i>largest avg (ccf/mo)</i> | | 1000 |
|-----------------------------|----|--------|-----------------------------|----|----------|
| Current bill | \$ | 202.70 | Current bill | \$ | 1,855.10 |
| Proposed Bill | \$ | 256.00 | Proposed Bill | \$ | 2,451.71 |
| Bill Difference | \$ | 53.30 | Bill Difference | \$ | 596.62 |
| % Change in bill | | 26.30% | % Change in bill | | 32.16% |

**Los Osos
Bill Impact Analysis at Various Usage Levels
Change in Bills for Residential Customers with 5/8" x 3/4" Connections**

| Usage Cst Per Month | Typical Bills Under Current Rates | | | Typical Bills Under Proposed Rates | | | Change in Bills | |
|---------------------------|-----------------------------------|----------|---------|------------------------------------|-----------------|---------------------|---------------------------|---------------------------|
| | Meter Chg Charge | Qty Rate | Total | Meter Chg Charge | Single Qty Rate | Proposed Total Bill | Dollar (\$) Difference | Percent (%) Difference |
| 0 | 19.10 | 0.00 | 19.10 | 12.03 | 0.00 | 12.03 | -7.07 | -37.00% |
| 1 | 19.10 | 1.84 | 20.93 | 12.03 | 2.44 | 14.47 | -6.46 | -30.87% |
| 2 | 19.10 | 3.67 | 22.77 | 12.03 | 4.68 | 16.71 | -5.86 | -26.73% |
| 3 | 19.10 | 5.51 | 24.60 | 12.03 | 7.32 | 19.35 | -5.25 | -21.38% |
| 4 | 19.10 | 7.34 | 26.44 | 12.03 | 9.76 | 21.78 | -4.65 | -17.59% |
| 5 | 19.10 | 9.18 | 28.28 | 12.03 | 12.20 | 24.23 | -4.05 | -14.31% |
| 7 | 19.10 | 12.85 | 31.95 | 12.03 | 17.08 | 29.11 | -2.84 | -8.89% |
| 9 | 19.10 | 16.52 | 35.62 | 12.03 | 21.96 | 33.88 | -1.83 | -4.58% |
| 10 | 19.10 | 18.36 | 37.46 | 12.03 | 24.40 | 36.43 | -1.03 | -2.75% |
| 17 | 19.10 | 31.21 | 50.31 | 12.03 | 41.47 | 53.50 | 3.20 | 6.36% |
| 20 | 19.10 | 36.72 | 55.82 | 12.03 | 48.79 | 60.82 | 5.01 | 8.97% |
| 25 | 19.10 | 45.90 | 65.00 | 12.03 | 60.99 | 73.02 | 8.03 | 12.35% |
| 30 | 19.10 | 55.08 | 74.18 | 12.03 | 73.19 | 85.22 | 11.05 | 14.89% |
| 32 | 19.10 | 58.75 | 77.85 | 12.03 | 76.07 | 88.10 | 12.25 | 15.74% |
| 34 | 19.10 | 62.42 | 81.52 | 12.03 | 82.65 | 94.88 | 13.46 | 16.51% |
| 38 | 19.10 | 69.77 | 88.88 | 12.03 | 92.71 | 104.74 | 15.87 | 17.86% |
| 40 | 19.10 | 73.44 | 92.54 | 12.03 | 97.58 | 109.62 | 17.08 | 18.46% |
| 45 | 19.10 | 82.62 | 101.72 | 12.03 | 108.78 | 121.82 | 20.10 | 19.76% |
| 50 | 19.10 | 91.80 | 110.90 | 12.03 | 121.88 | 134.01 | 23.12 | 20.85% |
| 60 | 19.10 | 110.15 | 129.26 | 12.03 | 146.38 | 158.41 | 28.16 | 22.56% |
| 75 | 19.10 | 137.70 | 156.80 | 12.03 | 182.98 | 195.01 | 38.21 | 24.37% |
| 100 | 19.10 | 183.60 | 202.70 | 12.03 | 243.97 | 258.00 | 53.30 | 26.30% |
| 125 | 19.10 | 229.50 | 249.60 | 12.03 | 304.96 | 318.99 | 68.40 | 27.51% |
| 150 | 19.10 | 275.40 | 294.50 | 12.03 | 365.95 | 377.88 | 83.49 | 28.35% |
| 175 | 19.10 | 321.30 | 340.40 | 12.03 | 426.94 | 438.97 | 98.58 | 28.98% |
| 200 | 19.10 | 367.20 | 386.30 | 12.03 | 487.94 | 499.97 | 113.67 | 29.43% |
| 400 | 19.10 | 734.40 | 753.50 | 12.03 | 975.87 | 987.90 | 234.41 | 31.11% |
| 600 | 19.10 | 1488.80 | 1487.80 | 12.03 | 1951.75 | 1963.78 | 475.88 | 31.98% |
| 1000 | 19.10 | 1888.00 | 1855.10 | 12.03 | 2439.88 | 2451.71 | 595.62 | 32.16% |
| 1600 | 19.10 | 2754.00 | 2773.10 | 12.03 | 3659.52 | 3671.55 | 898.48 | 32.40% |

1 - Total current bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
 2 - Average unit cost is calculated as usage times current quantity rate (which is a uniform/single quantity rate) divided by usage
 3 - Total proposed bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
 4 - Average unit cost is calculated as usage times proposed single quantity rate divided by usage
 5 - Change in bills refers to dollar and percent difference from current total to proposed total bills

**Los Osos
Total Bills for Customers
Comparing Current and Proposed Rates
(shows 5/8" x 3/4" meter/service charge and quantity rates times usage)**



Proposed Settlement Rate Design and Revenue Check Model
District: Simi Valley

Proposal: Reduce Percent of Fixed Cost Recovery through Meter/Service Charge
Keep Current Single Quantity Rate Design

| Current Rate Design | |
|------------------------------------|--------------|
| 5/8" x 3/4" Equivalent Units (EUs) | 16,703 |
| Mtr chg revenue | \$ 2,204,796 |
| Mtr chg \$/mo per EU | \$ 11.00 |
| Adopted Sales cdf | 3,311,621 |
| Current V target rev | \$ 8,216,934 |
| \$/Ccf /Single Quantity Rate | 1.877 Ccf |
| BMP 11 Threshold Check | |
| Service Charge % revenue | 26.18% |
| Quantity Charge % revenue | 73.82% |
| Total | 100.00% |

Current Rate Summary

| Meter Size | Service Charge |
|-------------------------------------|----------------|
| 5/8" x 3/4" | \$ 11.00 |
| 3/4" | \$ 15.50 |
| 1" | \$ 27.50 |
| 1.5" | \$ 55.10 |
| 2" | \$ 68.15 |
| 3" | \$ 164.95 |
| 4" | \$ 276.95 |
| 6" | \$ 550.95 |
| 8" | \$ 891.05 |
| 10" | \$ 1,267.55 |
| Quantity Charge (SCR) \$/Ccf | \$1.877 |

Proposed Changes to the Rate Design
Reduce Meter Charge Increase Single Quantity Rate

| Proposed | |
|---|------------|
| Reduce meter charge by | 40% |
| Results in adding these \$ to Q rev tar | \$ 220,480 |

| | |
|-------------------------------|---------------|
| Equivalent Units | 16,703 |
| Mtr chg rev | \$ 1,984,318 |
| Mtr chg \$/mo per EU | \$ 9.00 |
| Adopted Sales cdf | 3,311,621 Ccf |
| New V target rev | \$ 6,437,414 |
| New SCR | \$ 1.944 |
| BMP 11 Threshold Check | |
| Service Charge % revenue | 23.56% |
| Quantity Charge % revenue | 76.44% |
| Total | 100.00% |

Proposed Rate Summary

| Meter Size | Service Charge | Ratio |
|--------------------------------------|----------------|--------|
| 5/8" x 3/4" | \$ 9.90 | 1.00 |
| 3/4" | \$ 14.85 | 1.50 |
| 1" | \$ 24.75 | 2.50 |
| 1.5" | \$ 49.50 | 5.00 |
| 2" | \$ 79.20 | 8.00 |
| 3" | \$ 148.50 | 15.00 |
| 4" | \$ 247.50 | 25.00 |
| 6" | \$ 495.00 | 50.00 |
| 8" | \$ 792.00 | 80.00 |
| 10" | \$ 1,138.50 | 115.00 |
| Quantity Charge (SCR) \$/ccf: | \$1.944 | |

Customer Bill Impact Analysis
Typical bill comparisons current to proposed for 5/8" x 3/4" Customers
Based on Meter/Service Charge Plus Quantity Charges Times Consumption

Siml Valley

| | Meter Chg | Q Charge |
|----------|-----------|------------|
| Current | \$ 11.00 | \$ 1,877.3 |
| Proposed | \$ 9.90 | \$ 1,943.9 |

| <i>small usage (ccf/mo)</i> | | 5 | annual avg (ccf/mo) | 17 |
|-----------------------------|----|--------|---------------------|----------|
| Current bill | \$ | 20.39 | Current bill | \$ 42.91 |
| Proposed Bill | \$ | 19.62 | Proposed Bill | \$ 42.95 |
| Bill Difference | \$ | (0.77) | Bill Difference | \$ 0.03 |
| % Change in bill | | -3.76% | % Change in bill | 0.07% |

| <i>winter usage (ccf/mo)</i> | | 16 | summer usage (ccf/mo) | 21 |
|------------------------------|----|--------|-----------------------|----------|
| Current bill | \$ | 41.04 | Current bill | \$ 50.42 |
| Proposed Bill | \$ | 41.00 | Proposed Bill | \$ 50.72 |
| Bill Difference | \$ | (0.03) | Bill Difference | \$ 0.30 |
| % Change in bill | | -0.08% | % Change in bill | 0.59% |

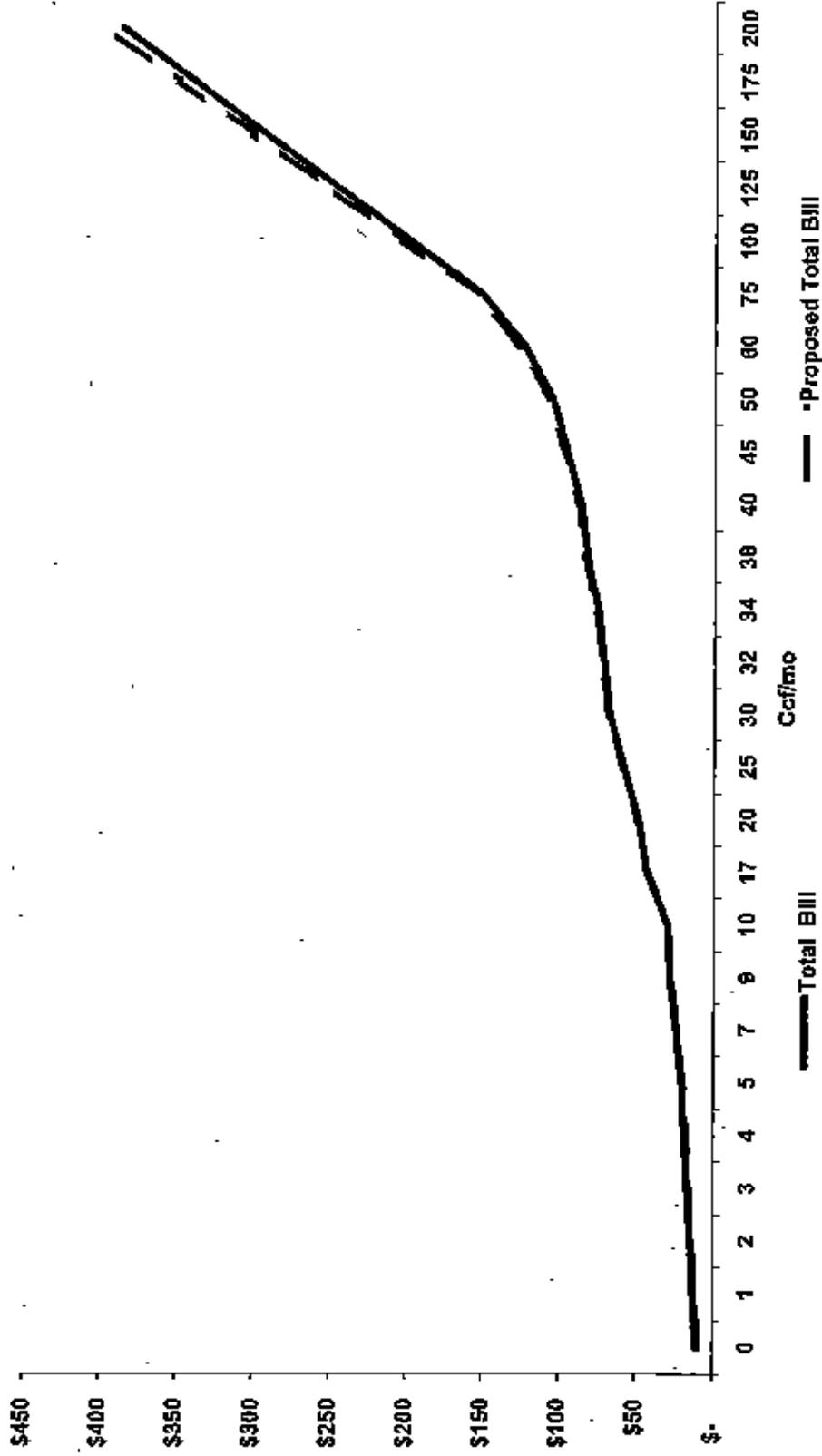
| <i>large usage (ccf/mo)</i> | | 100 | largest avg (ccf/mo) | 1000 |
|-----------------------------|----|--------|----------------------|-------------|
| Current bill | \$ | 198.73 | Current bill | \$ 1,888.31 |
| Proposed Bill | \$ | 204.29 | Proposed Bill | \$ 1,953.79 |
| Bill Difference | \$ | 5.56 | Bill Difference | \$ 65.48 |
| % Change in bill | | 2.80% | % Change in bill | 3.47% |

**Bill Impact Analysis at Various Usage Levels
Simi Valley
Change in Bills for Customers with 5/8" x 3/4" Connections**

| Usage Ccf Per Month | Typical Bills Under Current Rates | | | Typical Bills Under Proposed Rates | | | Change in Bills | | |
|---------------------------|-----------------------------------|----------------------|---------------|------------------------------------|---------------------|----------------------------------|---------------------------|---------------------------|---------------------------|
| | Meter Chg Charge | Qty Rate \$1.8773 | Total Bill | Avg Unit Cost | Meter Chg Charge | Single Quantity Rate \$1.9439 | Proposed Avg Unit Cost | Dollar (\$) Difference | Percent (%) Difference |
| 0 | 11.00 | 0.00 | 11.00 | 0.00 | 9.90 | 0.00 | 9.90 | -1.10 | -10.00% |
| 1 | 11.00 | 1.99 | 12.99 | 1.88 | 9.90 | 1.84 | 11.84 | -1.03 | -8.03% |
| 2 | 11.00 | 3.75 | 14.75 | 1.88 | 9.90 | 3.89 | 13.78 | -0.97 | -6.55% |
| 3 | 11.00 | 5.63 | 16.63 | 1.88 | 9.90 | 5.83 | 15.73 | -0.90 | -5.41% |
| 4 | 11.00 | 7.51 | 18.51 | 1.88 | 9.90 | 7.78 | 17.68 | -0.83 | -4.50% |
| 5 | 11.00 | 9.39 | 20.39 | 1.88 | 9.90 | 9.72 | 19.62 | -0.77 | -3.76% |
| 7 | 11.00 | 13.14 | 24.14 | 1.88 | 9.90 | 13.61 | 23.51 | -0.63 | -2.63% |
| 9 | 11.00 | 16.90 | 27.90 | 1.88 | 9.90 | 17.48 | 27.39 | -0.50 | -1.80% |
| 10 | 11.00 | 18.77 | 29.77 | 1.88 | 9.90 | 19.44 | 28.34 | -0.43 | -1.46% |
| 17 | 11.00 | 31.91 | 42.91 | 1.88 | 9.90 | 33.05 | 42.95 | 0.03 | 0.07% |
| 20 | 11.00 | 37.55 | 48.55 | 1.88 | 9.90 | 38.88 | 48.78 | 0.23 | 0.48% |
| 25 | 11.00 | 46.93 | 57.93 | 1.88 | 9.90 | 48.60 | 58.50 | 0.58 | 0.97% |
| 30 | 11.00 | 56.32 | 67.32 | 1.88 | 9.90 | 66.32 | 68.22 | 0.90 | 1.33% |
| 32 | 11.00 | 60.07 | 71.07 | 1.88 | 9.90 | 62.20 | 72.10 | 1.03 | 1.45% |
| 34 | 11.00 | 63.83 | 74.83 | 1.88 | 9.90 | 68.09 | 75.99 | 1.16 | 1.58% |
| 38 | 11.00 | 71.34 | 82.34 | 1.88 | 9.90 | 73.87 | 80.77 | 1.43 | 1.74% |
| 40 | 11.00 | 75.09 | 86.09 | 1.88 | 9.90 | 77.78 | 87.66 | 1.66 | 1.82% |
| 45 | 11.00 | 84.48 | 95.48 | 1.88 | 9.90 | 87.47 | 97.37 | 1.90 | 1.98% |
| 50 | 11.00 | 93.87 | 104.87 | 1.88 | 9.90 | 97.19 | 107.08 | 2.23 | 2.13% |
| 60 | 11.00 | 112.64 | 123.64 | 1.88 | 9.90 | 118.63 | 126.53 | 2.89 | 2.34% |
| 75 | 11.00 | 140.80 | 151.80 | 1.88 | 9.90 | 145.79 | 155.69 | 3.89 | 2.59% |
| 100 | 11.00 | 187.73 | 198.73 | 1.88 | 9.90 | 194.39 | 204.29 | 5.56 | 2.80% |
| 125 | 11.00 | 234.66 | 245.66 | 1.88 | 9.90 | 242.99 | 252.89 | 7.22 | 2.94% |
| 150 | 11.00 | 281.60 | 292.60 | 1.88 | 9.90 | 291.69 | 301.48 | 8.89 | 3.04% |
| 176 | 11.00 | 328.53 | 339.53 | 1.88 | 9.90 | 340.18 | 350.08 | 10.55 | 3.11% |
| 200 | 11.00 | 375.46 | 386.46 | 1.88 | 9.90 | 388.78 | 388.68 | 12.22 | 3.18% |
| 400 | 11.00 | 750.92 | 761.92 | 1.88 | 9.90 | 777.55 | 787.45 | 25.53 | 3.35% |
| 800 | 11.00 | 1501.85 | 1512.85 | 1.88 | 9.90 | 1555.11 | 1565.01 | 52.16 | 3.45% |
| 1000 | 11.00 | 1877.31 | 1888.31 | 1.88 | 9.90 | 1943.69 | 1953.79 | 65.48 | 3.47% |
| 1500 | 11.00 | 2815.98 | 2826.98 | 1.88 | 9.90 | 2815.83 | 2825.73 | 88.77 | 3.49% |

- 1 - Total current bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
- 2 - Average unit cost is calculated as usage times current quantity rate (which is a uniform/single quantity rate) divided by usage
- 3 - Total proposed bill includes meter charge plus usage times quantity rate which is a uniform/single quantity rate
- 4 - Average unit cost is calculated as usage times proposed single quantity rates divided by usage
- 5 - Change in bills refers to dollar and percent difference from current total to proposed total bills

**Siml Valley
Total Bills for Customers
Comparing Current and Proposed Rates
(shows 5/8" x 3/4" meter/service charge and quantity rates times usage)**



Proposed Settlement Rate Design and Revenue Check Model
District: Santa Maria

Proposal: Reduce Percent of Fixed Cost Recovery through Meter/Service Charge
Keep Current Single Quantity Rate Design

| Standard/Current Rate Design | | |
|------------------------------------|----|-----------|
| 5/8" x 3/4" Equivalent Units (EUs) | | 15,838 |
| Mtr chg revenue | \$ | 3,192,941 |
| Mtr chg \$/mo per EU | \$ | 18.80 |
| Adopted Sales ccf | | 4,010,882 |
| Current V target rev | \$ | 4,133,896 |
| V/Ccf /Single Quantity Rate | | 1.031 Ccf |
| BMP 11 Threshold Check | | |
| Service Charge % revenue | | 43.58% |
| Quantity Charge % revenue | | 56.42% |
| Total | | 100.00% |

Current Rate Summary

| Meter Size | | Service Charge |
|------------------------------|---------|----------------|
| 5/8" x 3/4" | \$ | 18.80 |
| 3/4" | \$ | 25.15 |
| 1" | \$ | 41.85 |
| 1.5" | \$ | 839.00 |
| 2" | \$ | 134.00 |
| 3" | \$ | 252.00 |
| 4" | \$ | 419.00 |
| 6" | \$ | 839.00 |
| 8" | \$ | 1,342.00 |
| 10" | \$ | 1,929.00 |
| Quantity Charge (SQR) \$/Ccf | \$1.031 | |

Proposed Changes to the Rate Design

Reduce Meter Charge Increase Single Quantity Rate

| Proposed | | Residential |
|---|----|-------------|
| Reduce meter charge by | | 31% |
| Results in adding those \$ to Q rev lar | \$ | 989,812 |

| Equivalent Units | | 15,838 |
|---------------------------|----|---------------|
| Mtr chg rev | \$ | 2,203,128 |
| Mtr chg \$/mo per EU | \$ | 11.59 |
| Adopted Sales ccf | | 4,010,882 Ccf |
| New V target rev | \$ | 5,123,618 |
| New SQR | \$ | 1.277 |
| BMP 11 Threshold Check | | |
| Service Charge % revenue | | 30.07% |
| Quantity Charge % revenue | | 69.93% |
| Total | | 100.00% |

Proposed Rate Summary

| Meter Size | | Service Charge | Ratio |
|-------------------------------|---------|----------------|--------|
| 5/8" x 3/4" | \$ | 11.59 | 1.00 |
| 3/4" | \$ | 17.39 | 1.50 |
| 1" | \$ | 28.98 | 2.50 |
| 1.5" | \$ | 57.96 | 5.00 |
| 2" | \$ | 92.74 | 8.00 |
| 3" | \$ | 173.88 | 15.00 |
| 4" | \$ | 289.80 | 25.00 |
| 6" | \$ | 579.60 | 50.00 |
| 8" | \$ | 927.38 | 80.00 |
| 10" | \$ | 1,333.08 | 115.00 |
| Quantity Charge (SQR) \$/Ccf: | \$1.277 | | |

Customer Bill Impact Analysis Santa Maria
Typical bill comparisons current to proposed for 5/8" x 3/4" Customers
Based on Meter/Service Charge Plus Quantify Charges Times Consumption

| | Meter Chg | Q Charge |
|----------|-----------|-----------|
| Current | \$ 16.80 | \$ 1,0306 |
| Proposed | \$ 11.59 | \$ 1,2774 |

| small usage (ccf/mo) | | 5 annual avg (ccf/mo) | 22 |
|-----------------------------|-----------|------------------------------|-----------|
| Current bill | \$ 21.95 | Current bill | \$ 39.47 |
| Proposed Bill | \$ 17.98 | Proposed Bill | \$ 39.70 |
| Bill Difference | \$ (3.97) | Bill Difference | \$ 0.22 |
| % Change in bill | -18.10% | % Change in bill | 0.56% |

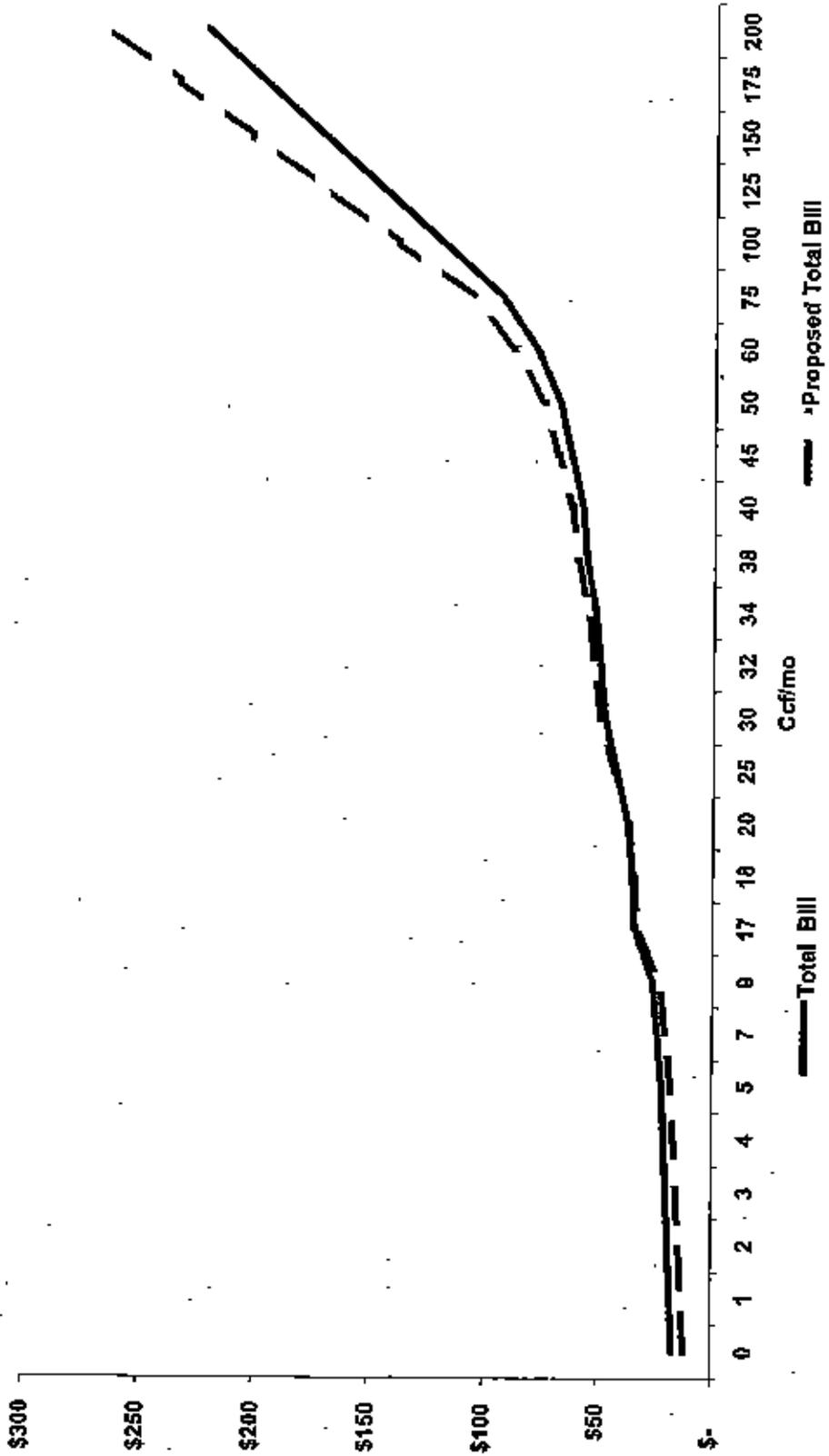
| winter usage (ccf/mo) | | 18 summer usage (ccf/mo) | 30 |
|------------------------------|-----------|---------------------------------|-----------|
| Current bill | \$ 35.35 | Current bill | \$ 47.72 |
| Proposed Bill | \$ 34.59 | Proposed Bill | \$ 49.91 |
| Bill Difference | \$ (0.77) | Bill Difference | \$ 2.20 |
| % Change in bill | -2.17% | % Change in bill | 4.60% |

| large usage (ccf/mo) | | 100 largest avg (ccf/mo) | 1000 |
|-----------------------------|-----------|---------------------------------|-------------|
| Current bill | \$ 119.86 | Current bill | \$ 1,047.45 |
| Proposed Bill | \$ 139.33 | Proposed Bill | \$ 1,289.02 |
| Bill Difference | \$ 19.47 | Bill Difference | \$ 241.57 |
| % Change in bill | 16.24% | % Change in bill | 23.06% |

Bill Impact Analysis at Various Usage Levels
Santa Maria
Change in Bills for Customers with 5/8" x 3/4" Connections

| Usage Ccf Per Month | Typical Bills Under Current Rates | | | Typical Bills Under Proposed Rates | | | Change in Bill | | |
|---------------------------|-----------------------------------|----------|---------------|------------------------------------|-------------------------|------------------------|---------------------------|---------------------------|---------------------------|
| | Meter Chg Charge | Qty Rate | Total Bill | Meter Chg Charge | Single Quantity Rate | Proposed Total Bill | Proposed Avg Unit Cost | Dollar (\$) Difference | Percent (%) Difference |
| 0 | 16.80 | 0.00 | 16.80 | 11.59 | \$1.2774 | 11.59 | 0.00 | -5.21 | -31.00% |
| 1 | 16.80 | 1.03 | 17.83 | 11.59 | 1.28 | 12.87 | 1.28 | -4.98 | -27.82% |
| 2 | 16.80 | 2.06 | 18.86 | 11.59 | 2.65 | 14.15 | 1.28 | -4.71 | -25.00% |
| 3 | 16.80 | 3.09 | 19.89 | 11.59 | 3.83 | 15.42 | 1.28 | -4.47 | -22.46% |
| 4 | 16.80 | 4.12 | 20.92 | 11.59 | 5.11 | 16.70 | 1.28 | -4.22 | -20.17% |
| 5 | 16.80 | 5.15 | 21.95 | 11.59 | 6.39 | 17.98 | 1.28 | -3.87 | -18.10% |
| 6 | 16.80 | 6.18 | 22.98 | 11.59 | 7.67 | 19.26 | 1.28 | -3.48 | -16.49% |
| 7 | 16.80 | 7.21 | 24.01 | 11.59 | 8.94 | 20.53 | 1.28 | -2.99 | -14.45% |
| 8 | 16.80 | 8.24 | 25.04 | 11.59 | 10.22 | 21.80 | 1.28 | -1.01 | -2.85% |
| 9 | 16.80 | 9.27 | 26.07 | 11.59 | 11.50 | 23.07 | 1.28 | -0.77 | -2.17% |
| 10 | 16.80 | 10.30 | 27.10 | 11.59 | 12.77 | 24.34 | 1.28 | -0.27 | -0.73% |
| 11 | 16.80 | 11.33 | 28.13 | 11.59 | 14.05 | 25.61 | 1.28 | 0.96 | 2.26% |
| 12 | 16.80 | 12.36 | 29.16 | 11.59 | 15.32 | 26.88 | 1.28 | 2.20 | 4.60% |
| 13 | 16.80 | 13.39 | 30.19 | 11.59 | 16.60 | 28.15 | 1.28 | 2.68 | 5.40% |
| 14 | 16.80 | 14.42 | 31.22 | 11.59 | 17.87 | 29.42 | 1.28 | 3.18 | 6.14% |
| 15 | 16.80 | 15.45 | 32.25 | 11.59 | 19.15 | 30.69 | 1.28 | 4.68 | 7.45% |
| 16 | 16.80 | 16.48 | 33.28 | 11.59 | 20.42 | 31.96 | 1.28 | 5.90 | 9.04% |
| 17 | 16.80 | 17.51 | 34.31 | 11.59 | 21.70 | 33.23 | 1.28 | 7.13 | 10.44% |
| 18 | 16.80 | 18.54 | 35.34 | 11.59 | 22.97 | 34.50 | 1.28 | 8.60 | 12.21% |
| 19 | 16.80 | 19.57 | 36.37 | 11.59 | 24.25 | 35.77 | 1.28 | 10.47 | 14.13% |
| 20 | 16.80 | 20.60 | 37.40 | 11.59 | 25.52 | 37.04 | 1.28 | 12.64 | 16.24% |
| 21 | 16.80 | 21.63 | 38.43 | 11.59 | 26.80 | 38.31 | 1.28 | 15.11 | 17.61% |
| 22 | 16.80 | 22.66 | 39.46 | 11.59 | 28.07 | 39.58 | 1.28 | 17.88 | 19.56% |
| 23 | 16.80 | 23.69 | 40.49 | 11.59 | 29.35 | 40.85 | 1.28 | 21.05 | 19.28% |
| 24 | 16.80 | 24.72 | 41.52 | 11.59 | 30.62 | 42.12 | 1.28 | 24.62 | 19.80% |
| 25 | 16.80 | 25.75 | 42.55 | 11.59 | 31.90 | 43.39 | 1.28 | 28.59 | 21.78% |
| 26 | 16.80 | 26.78 | 43.58 | 11.59 | 33.17 | 44.66 | 1.28 | 32.96 | 22.85% |
| 27 | 16.80 | 27.81 | 44.61 | 11.59 | 34.45 | 45.93 | 1.28 | 37.73 | 23.06% |
| 28 | 16.80 | 28.84 | 45.64 | 11.59 | 35.72 | 47.20 | 1.28 | 42.90 | 23.35% |
| 29 | 16.80 | 29.87 | 46.67 | 11.59 | 37.00 | 48.47 | 1.28 | 48.47 | 23.35% |
| 30 | 16.80 | 30.90 | 47.70 | 11.59 | 38.27 | 49.74 | 1.28 | 54.44 | 23.35% |
| 31 | 16.80 | 31.93 | 48.73 | 11.59 | 39.55 | 51.01 | 1.28 | 60.81 | 23.35% |
| 32 | 16.80 | 32.96 | 49.76 | 11.59 | 40.82 | 52.28 | 1.28 | 67.58 | 23.35% |
| 33 | 16.80 | 33.99 | 50.79 | 11.59 | 42.10 | 53.55 | 1.28 | 74.75 | 23.35% |
| 34 | 16.80 | 35.02 | 51.82 | 11.59 | 43.37 | 54.82 | 1.28 | 82.32 | 23.35% |
| 35 | 16.80 | 36.05 | 52.85 | 11.59 | 44.65 | 56.09 | 1.28 | 90.29 | 23.35% |
| 36 | 16.80 | 37.08 | 53.88 | 11.59 | 45.92 | 57.36 | 1.28 | 98.66 | 23.35% |
| 37 | 16.80 | 38.11 | 54.91 | 11.59 | 47.20 | 58.63 | 1.28 | 107.43 | 23.35% |
| 38 | 16.80 | 39.14 | 55.94 | 11.59 | 48.47 | 59.90 | 1.28 | 116.60 | 23.35% |
| 39 | 16.80 | 40.17 | 56.97 | 11.59 | 49.75 | 61.17 | 1.28 | 126.17 | 23.35% |
| 40 | 16.80 | 41.20 | 58.00 | 11.59 | 51.02 | 62.44 | 1.28 | 136.14 | 23.35% |
| 41 | 16.80 | 42.23 | 59.03 | 11.59 | 52.30 | 63.71 | 1.28 | 146.51 | 23.35% |
| 42 | 16.80 | 43.26 | 60.06 | 11.59 | 53.57 | 64.98 | 1.28 | 157.28 | 23.35% |
| 43 | 16.80 | 44.29 | 61.09 | 11.59 | 54.85 | 66.25 | 1.28 | 168.45 | 23.35% |
| 44 | 16.80 | 45.32 | 62.12 | 11.59 | 56.12 | 67.52 | 1.28 | 180.02 | 23.35% |
| 45 | 16.80 | 46.35 | 63.15 | 11.59 | 57.40 | 68.79 | 1.28 | 191.99 | 23.35% |
| 46 | 16.80 | 47.38 | 64.18 | 11.59 | 58.67 | 70.06 | 1.28 | 204.36 | 23.35% |
| 47 | 16.80 | 48.41 | 65.21 | 11.59 | 59.95 | 71.33 | 1.28 | 217.13 | 23.35% |
| 48 | 16.80 | 49.44 | 66.24 | 11.59 | 61.22 | 72.60 | 1.28 | 230.30 | 23.35% |
| 49 | 16.80 | 50.47 | 67.27 | 11.59 | 62.50 | 73.87 | 1.28 | 243.87 | 23.35% |
| 50 | 16.80 | 51.50 | 68.30 | 11.59 | 63.77 | 75.14 | 1.28 | 257.84 | 23.35% |
| 51 | 16.80 | 52.53 | 69.33 | 11.59 | 65.05 | 76.41 | 1.28 | 272.21 | 23.35% |
| 52 | 16.80 | 53.56 | 70.36 | 11.59 | 66.32 | 77.68 | 1.28 | 286.98 | 23.35% |
| 53 | 16.80 | 54.59 | 71.39 | 11.59 | 67.60 | 78.95 | 1.28 | 302.15 | 23.35% |
| 54 | 16.80 | 55.62 | 72.42 | 11.59 | 68.87 | 80.22 | 1.28 | 317.72 | 23.35% |
| 55 | 16.80 | 56.65 | 73.45 | 11.59 | 70.15 | 81.49 | 1.28 | 333.69 | 23.35% |
| 56 | 16.80 | 57.68 | 74.48 | 11.59 | 71.42 | 82.76 | 1.28 | 349.06 | 23.35% |
| 57 | 16.80 | 58.71 | 75.51 | 11.59 | 72.70 | 84.03 | 1.28 | 364.83 | 23.35% |
| 58 | 16.80 | 59.74 | 76.54 | 11.59 | 73.97 | 85.30 | 1.28 | 380.90 | 23.35% |
| 59 | 16.80 | 60.77 | 77.57 | 11.59 | 75.25 | 86.57 | 1.28 | 397.27 | 23.35% |
| 60 | 16.80 | 61.80 | 78.60 | 11.59 | 76.52 | 87.84 | 1.28 | 413.94 | 23.35% |
| 61 | 16.80 | 62.83 | 79.63 | 11.59 | 77.80 | 89.11 | 1.28 | 430.91 | 23.35% |
| 62 | 16.80 | 63.86 | 80.66 | 11.59 | 79.07 | 90.38 | 1.28 | 448.18 | 23.35% |
| 63 | 16.80 | 64.89 | 81.69 | 11.59 | 80.35 | 91.65 | 1.28 | 465.75 | 23.35% |
| 64 | 16.80 | 65.92 | 82.72 | 11.59 | 81.62 | 92.92 | 1.28 | 483.62 | 23.35% |
| 65 | 16.80 | 66.95 | 83.75 | 11.59 | 82.90 | 94.19 | 1.28 | 501.79 | 23.35% |
| 66 | 16.80 | 67.98 | 84.78 | 11.59 | 84.17 | 95.46 | 1.28 | 520.26 | 23.35% |
| 67 | 16.80 | 69.01 | 85.81 | 11.59 | 85.45 | 96.73 | 1.28 | 538.93 | 23.35% |
| 68 | 16.80 | 70.04 | 86.84 | 11.59 | 86.72 | 98.00 | 1.28 | 557.80 | 23.35% |
| 69 | 16.80 | 71.07 | 87.87 | 11.59 | 88.00 | 99.27 | 1.28 | 576.87 | 23.35% |
| 70 | 16.80 | 72.10 | 88.90 | 11.59 | 89.27 | 100.54 | 1.28 | 596.14 | 23.35% |
| 71 | 16.80 | 73.13 | 89.93 | 11.59 | 90.55 | 101.81 | 1.28 | 615.61 | 23.35% |
| 72 | 16.80 | 74.16 | 90.96 | 11.59 | 91.82 | 103.08 | 1.28 | 635.28 | 23.35% |
| 73 | 16.80 | 75.19 | 91.99 | 11.59 | 93.10 | 104.35 | 1.28 | 655.15 | 23.35% |
| 74 | 16.80 | 76.22 | 93.02 | 11.59 | 94.37 | 105.62 | 1.28 | 675.22 | 23.35% |
| 75 | 16.80 | 77.25 | 94.05 | 11.59 | 95.65 | 106.89 | 1.28 | 695.49 | 23.35% |
| 76 | 16.80 | 78.28 | 95.08 | 11.59 | 96.92 | 108.16 | 1.28 | 715.96 | 23.35% |
| 77 | 16.80 | 79.31 | 96.11 | 11.59 | 98.20 | 109.43 | 1.28 | 736.63 | 23.35% |
| 78 | 16.80 | 80.34 | 97.14 | 11.59 | 99.47 | 110.70 | 1.28 | 757.50 | 23.35% |
| 79 | 16.80 | 81.37 | 98.17 | 11.59 | 100.75 | 111.97 | 1.28 | 778.57 | 23.35% |
| 80 | 16.80 | 82.40 | 99.20 | 11.59 | 102.02 | 113.24 | 1.28 | 799.84 | 23.35% |
| 81 | 16.80 | 83.43 | 100.23 | 11.59 | 103.30 | 114.51 | 1.28 | 821.31 | 23.35% |
| 82 | 16.80 | 84.46 | 101.26 | 11.59 | 104.57 | 115.78 | 1.28 | 842.98 | 23.35% |
| 83 | 16.80 | 85.49 | 102.29 | 11.59 | 105.85 | 117.05 | 1.28 | 864.85 | 23.35% |
| 84 | 16.80 | 86.52 | 103.32 | 11.59 | 107.12 | 118.32 | 1.28 | 886.92 | 23.35% |
| 85 | 16.80 | 87.55 | 104.35 | 11.59 | 108.40 | 119.59 | 1.28 | 909.19 | 23.35% |
| 86 | 16.80 | 88.58 | 105.38 | 11.59 | 109.67 | 120.86 | 1.28 | 931.66 | 23.35% |
| 87 | 16.80 | 89.61 | 106.41 | 11.59 | 110.95 | 122.13 | 1.28 | 954.33 | 23.35% |
| 88 | 16.80 | 90.64 | 107.44 | 11.59 | 112.22 | 123.40 | 1.28 | 977.20 | 23.35% |
| 89 | 16.80 | 91.67 | 108.47 | 11.59 | 113.50 | 124.67 | 1.28 | 1000.27 | 23.35% |
| 90 | 16.80 | 92.70 | 109.50 | 11.59 | 114.77 | 125.94 | 1.28 | 1023.54 | 23.35% |
| 91 | 16.80 | 93.73 | 110.53 | 11.59 | 116.05 | 127.21 | 1.28 | 1046.91 | 23.35% |
| 92 | 16.80 | 94.76 | 111.56 | 11.59 | 117.32 | 128.48 | 1.28 | 1070.48 | 23.35% |
| 93 | 16.80 | 95.79 | 112.59 | 11.59 | 118.60 | 129.75 | 1.28 | 1094.15 | 23.35% |
| 94 | 16.80 | 96.82 | 113.62 | 11.59 | 119.87 | 131.02 | 1.28 | 1117.92 | 23.35% |
| 95 | 16.80 | 97.85 | 114.65 | 11.59 | 121.15 | 132.29 | 1.28 | 1141.79 | 23.35% |
| 96 | 16.80 | 98.88 | 115.68 | 11.59 | 122.42 | 133.56 | 1.28 | 1165.76 | 23.35% |
| 97 | 16.80 | 99.91 | 116.71 | 11.59 | 123.70 | 134.83 | 1.28 | 1189.83 | 23.35% |
| 98 | 16.80 | 100.94 | 117.74 | 11.59 | 124.97 | 136.10 | 1.28 | 1213.90 | 23.35% |
| 99 | 16.80 | 101.97 | 118.77 | 11.59 | 126.25 | 137.37 | 1.28 | 1238.07 | 23.35% |
| 100 | 16.80 | 103.00 | 119.80 | 11.59 | 127.52 | 138.64 | 1.28 | 1262.34 | 23.35% |
| 101 | 16.80 | 104.03 | 120.83 | 11.59 | 128.80 | 139.91 | 1.28 | 1286.71 | 23.35% |
| 102 | 16.80 | 105.06 | 121.86 | 11.59 | 130.07 | 141.18 | 1.28 | 1311.18 | 23.35% |
| 103 | 16.80 | 106.09 | 122.89 | 11.59 | 131.35 | 142.45 | 1.28 | 1335.75 | 23.35% |
| 104 | 16.80 | 107.12 | 123.92 | 11.59 | 132.62 | 143.72 | 1.28 | 1360.42 | 23.35% |
| | | | | | | | | | |

**Santa Maria
Total Bills for Customers
Comparing Current and Proposed Rates
(shows 5/8" x 3/4" meter/service charge and quantity rates times usage)**



Attachment 3

4,698 (Meter)

| | Region 1 | | | | | Region 2 | Region 3 |
|---|--------------------------------|--------------------------|--------------------------|-------------------------|--|---------------------------|------------------------------|
| | Ardan Cordova | Bay Point | Clearlake | Log Oca | Ojai | | |
| Quantity Rate | 80.461 | \$3.011 | \$3.636 | \$1,836 | Tier 1 - \$1,684 Tier 2 - \$2,032 Tier 3 - \$2,381 | \$2,120 | \$1,760 |
| Number of Customers Flat and Metered ** June 07 data | 11,011 (Flat) 4,698 (Meter) | No Flat 4,600 (Meter) | No Flat 2,159 (Meter) | No Flat 3269 (Meter) | No Flat 2,626 (Meter) | No Flat 88,934 (Meter) | 840 (Flat) 96,148 (Meter) |
| Frequency of Bill | Monthly & Bimonthly | Monthly | Monthly | Bimonthly | Bimonthly | Monthly & Bimonthly | Monthly & Bimonthly |
| Service Charge | | | | | | | |
| 5/8" x 3/4" | \$7.70 | \$23.70 | \$36.85 | \$19.10 | \$19.55 | \$16.80 | \$14.75 |
| 3/4" | \$11.55 | \$35.80 | \$51.85 | \$28.60 | \$28.30 | \$25.15 | \$22.10 |
| 1" | \$18.20 | \$59.40 | \$82.55 | \$47.70 | \$48.85 | \$41.95 | \$36.85 |
| 1 1/2" | \$38.40 | \$118.05 | \$169.85 | \$95.40 | \$97.75 | \$83.80 | \$73.85 |
| 2" | \$81.50 | \$190.15 | \$250.85 | \$163.00 | \$156.00 | \$134.00 | \$118.00 |
| 3" | \$115.00 | \$356.95 | \$484.85 | \$286.00 | \$293.00 | \$252.00 | \$221.00 |
| 4" | \$182.00 | \$593.90 | \$770.95 | \$477.00 | \$489.00 | \$419.00 | \$368.00 |
| 5" | \$384.00 | \$1,188.90 | \$1,535.85 | \$954.00 | \$977.00 | \$839.00 | \$737.00 |
| 6" | \$615.00 | \$1,901.85 | \$2,452.85 | \$1,526.00 | \$1,594.00 | \$1,342.00 | \$1,178.00 |
| 10" | \$984.00 | \$2,733.80 | \$3,623.85 | \$2,187.00 | \$2,248.25 | \$1,829.00 | \$1,584.00 |

Attachment 4

**Golden State Water Company
Customer Classification Survey Codes
(Other than NAICS)**

- 1-4 Residences**
 - 1 Single Residence-One Dwelling Unit individually metered
 - 2 Two, Three or Four Dwelling Units served by one meter
 - 3 Five to Twenty Dwelling Units served by one meter
 - 4 Twenty-one or more Dwelling Units served by one meter

- 11-17 Irrigation/Landscaping**
 - 11 Commercial Irrigation/Landscaping
 - 12 Industrial Irrigation/Landscaping
 - 13 Parks and City Irrigation/Landscaping
 - 14 Schools and Other Institutions Irrigation/Landscaping
 - 15 Homeowner's Associations and Other Residential Irrigation/Landscaping
 - 16 Other Irrigation/Landscaping
 - 17 Vacant Lot

- 21-22 Mobile Homes**
 - 21 Master Metered
 - 22 Master Metered with Sub-meters

- 31-38 Fire Protection**
 - 31 Residential 1-Fire Protection
 - 32 Residential 2-Fire Protection
 - 33 Residential 3-Fire Protection
 - 34 Residential 4-Fire Protection
 - 35 Homeowner's Associations and Mobile Home Parks-Fire Protection
 - 36 Commercial Fire Protection
 - 37 Industrial Fire Protection
 - 38 Institutional

- 41-46 Pools-Individually metered**
 - 41 Residential 1-Pool
 - 42 Residential 2-Pool
 - 43 Residential 3-Pool
 - 44 Residential 4-Pool
 - 45 Homeowner's Associations and Mobile Home Parks-Pool
 - 46 Other-Pool

- 55 Water Hauler**

- 9995 Hydrant/Construction Meter**

- 9999 Idle Service-Inactive**

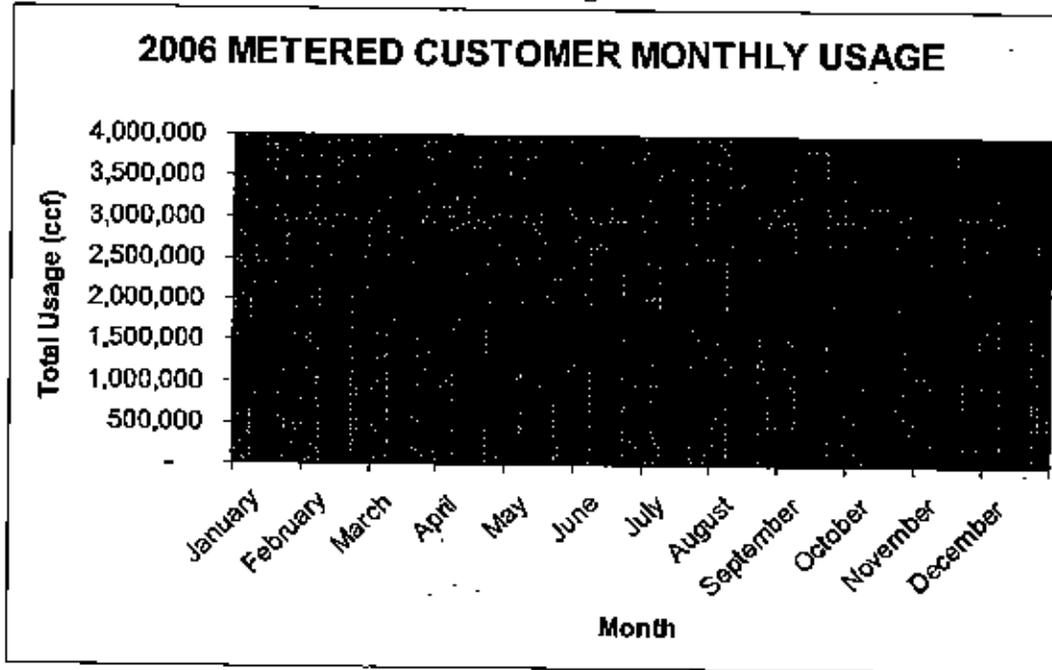
Attachment 5

GOLDEN STATE WATER COMPANY CONSUMPTION ANALYSIS

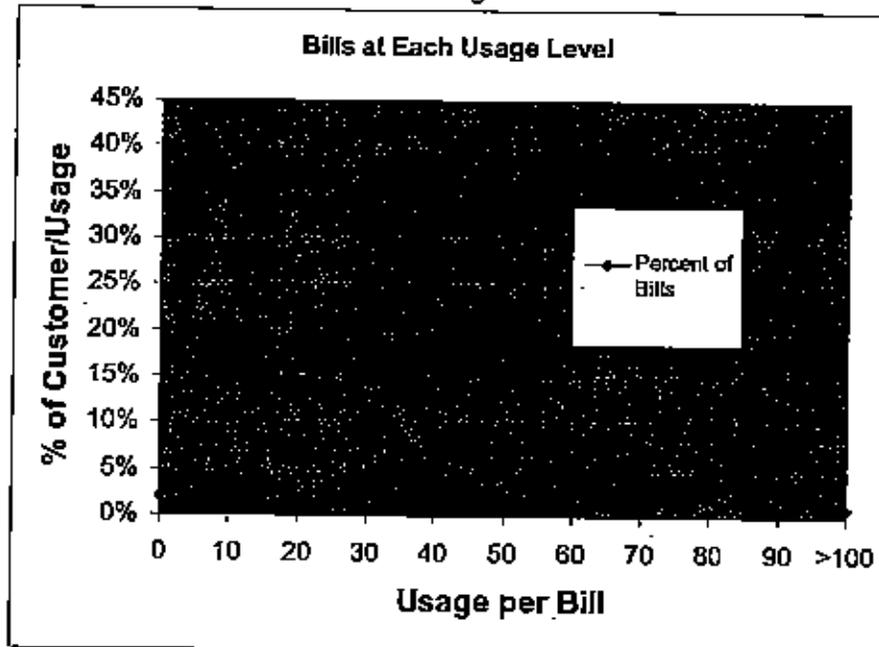
- Describe the data used in consumption analysis.
 - The data represents 2006 consumption and bill count (normalized).
 - The data is used to set tiers for residential customers.
 - All meter sizes within Customer Classification Survey Code "1" are considered.
 - GSWC used data generated from Customer Service Center.
- Describe classification of customer in systems that were used for consumption analysis.
 - Customers were categorized as residential or non-residential customers depending on their Customer Classification Survey Code.
 - Residential customers are all customers with Customer Classification Survey Code "1".
 - 1: Single Family household
 - Non-residential customers are all customers with Customer Classification Survey Code greater than "1".
 - 2: Two, Three or Four Dwelling Units served by one meter
 - 3: Two, Five to Twenty Dwelling Units served by one meter
 - 4: Twenty-one or more Dwelling Units served by one meter
 - 11 – 17: Irrigation/Landscaping
 - 21 – 22: Mobil Homes
 - 31 – 38: Fire Protection
 - 41 – 46: Pools-Individually metered
 - 55: Water Hauler
 - 9995: Hydrant/Construction Meter
 - 9999: Idle Service-Inactive
- Describe any "clean up" process applied to the consumption data.
 - Bill counts and usage are given for each usage block of two ccfs.
 - Bills are "normalized" meaning that bimonthly bills are converted into monthly bills. Example: one bimonthly bill is considered as two monthly bills.
 - Consumption and usage data for residential customers was collected for each customer service area in every meter size. Some addition is done for the Region 2 and Region 3 ratemaking areas because they have multi-customer service areas.

Consumption Tables:

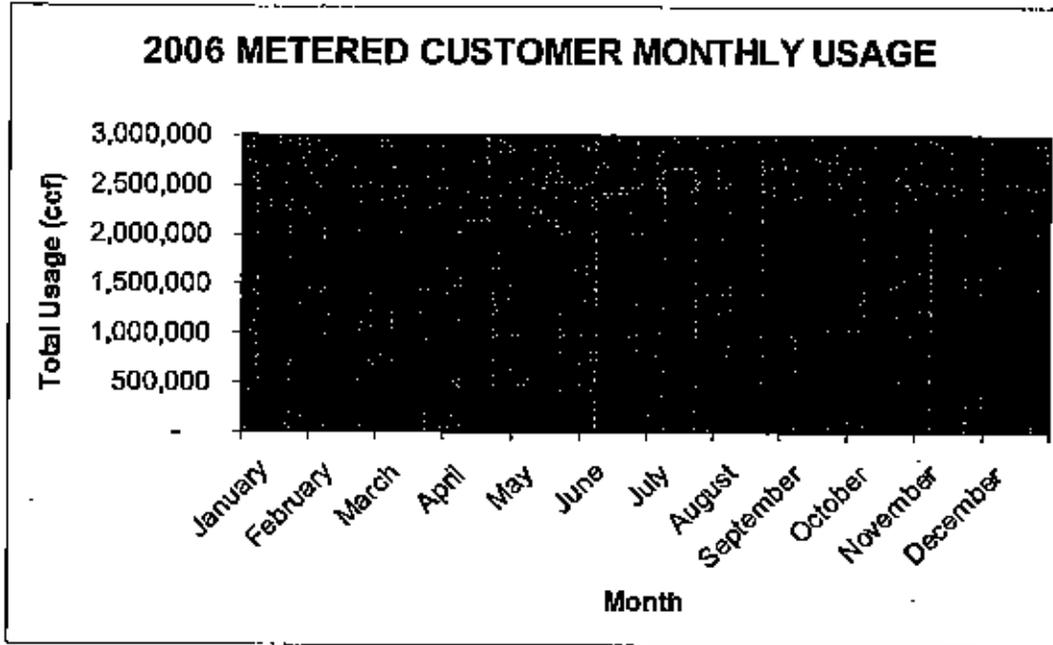
Region 3: 2006 Monthly Metered Customer Usage Data



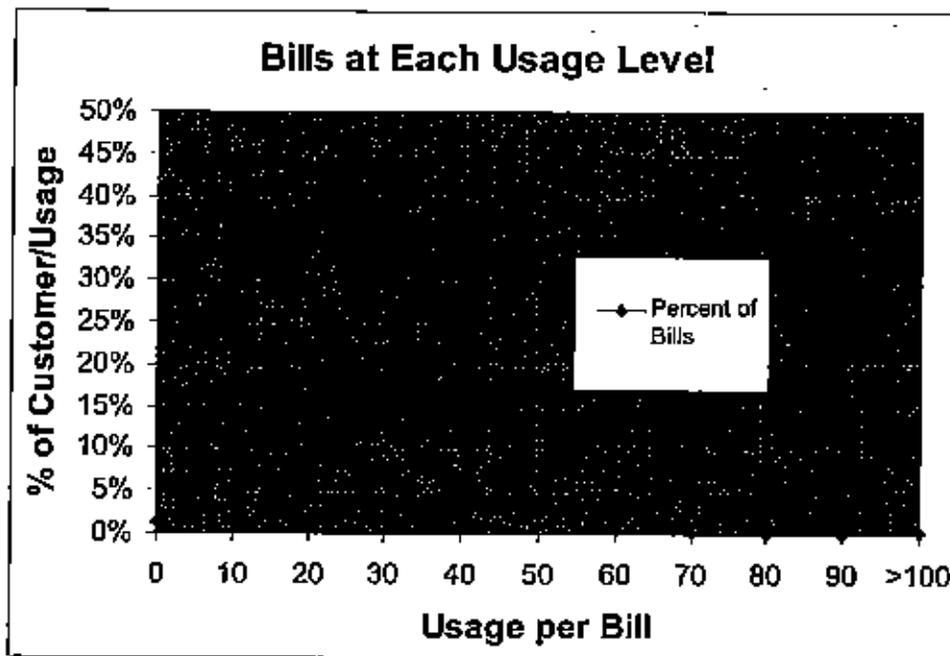
Region 3: Percent of Bills at Each Usage Level



Region 2: 2006 Monthly Metered Customer Usage Data



Region 2: 2006 Percent of Bills at Each Usage Level



ATTACHMENT E

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



Application of Golden State Water Company
(U 133 W) for Authority to Implement Changes in
Ratesetting Mechanisms and Reallocation of Rates
for Its Region I Service Area

Application No. A.08-09-010

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

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December 11, 2008

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

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

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

I. GENERAL

- A. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA") and Golden State Water Company ("GSWC" collectively, "the Parties") have agreed on the terms of this Settlement Agreement which they now submit for approval. This Settlement Agreement addresses conservation-oriented increasing block rates and related decoupling mechanisms for GSWC's Region I such as a Water Revenue Adjustment Mechanism ("WRAM") and Modified Cost Balancing Accounts ("MCBA") already approved in decision D.08.08-030.
- B. Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules on Practice and Procedure.)
- C. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the

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

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

II. BACKGROUND

- A. GSWC provides service to approximately 250,000 customers in three Regions which are comprised of nine ratemaking areas. This settlement pertains to Region I, which includes roughly 55,600 customers in seven ratemaking areas including Arden Cordova, Bay Point, Clearlake, Los Osos, Ojai, Santa Maria, and Simi Valley.
- B. Each of GSWC's ratemaking areas has a tariff, but not all customers in a ratemaking area pay the same rate.
- C. Conservation rates have been authorized for Region II and Region III on August 25, 2008 in D.08-08-030. As directed in D.08-08-030, GSWC filed similar conservation rate structures for its Region I ratemaking areas (A.08-09-010). This is a settlement between DRA and GSWC on GSWC's conservation rate proposal in A.08-09-010. The conservation rate design for each ratemaking area within Region I, except Clearlake, includes a water revenue adjustment mechanism ("WRAM") and a modified cost balancing account ("MCBA"), as previously approved by the Commission in D.08-08-030.

III. PILOT PROGRAM

- A. The Parties agree that the conservation rate design and previously authorized revenue decoupling mechanism (WRAM and MCBA) constitutes a Pilot Program to become effective 90 days after a Commission decision adopting the proposed settlement.
 - 1. The 90 day period will allow for the distribution of information regarding conservation rates to customers.
- B. This Pilot Program will be reviewed in the next company-wide general rate case ("GRC") filing in July 2011. At that time, conservation rate design will be reviewed for all of GSWC's ratemaking areas. The filing date is pursuant to the decision in the Commission's Rate Case Plan rulemaking proceeding, D.07-05-062.

1. GSWC's next Region I general rate case filing will be in January of 2010. Parties do not recommend reviewing Region I conservation rate design at that time for the following reasons:
 - a. The Region I pilot program for conservation rate would be implemented for less than one year at the time of the 2010 Region I general rate case filing.
 - b. Less than one year worth of data will not allow parties to conduct a complete review of the conservation rate in the Region I pilot program.
- C. If implementation of the proposed Pilot Program results in a disparate impact on ratepayers or shareholders, the Parties agree to meet to discuss adjustments to the proposed Pilot Program.

IV. CONSERVATION RATE DESIGN

A. Overview

1. The Parties proposed conservation rate designs to be for six of the seven GSWC Region I ratemaking areas. The six ratemaking areas are Arden Cordova, Bay Point, Los Osos, Santa Maria, Simi Valley and Ojai.
 - a. The proposed conservation rate designs are based on calendar years 2003-2007 data evaluated by the Parties using bill frequency analysis (consumption analysis) using meter readings from each of the ratemaking areas. Consequently, the proposed conservation rate designs will differ across ratemaking areas as described below.
2. The Parties propose excluding one ratemaking area, Clearlake, from conservation rate design in this proposal as discussed below in Section C.
3. In Bay Point, Los Osos, Santa Maria and Simi Valley, customers were classified as residential and non-residential and will have different tariffs depending on their classification.
 - a. For residential customers, the proposed conservation rates consist of a reduced service charge and increasing block rate with three tiers.
 - b. For non-residential customers, the proposed conservation rates will consist of a reduced service charge and a uniform quantity charge (a single quantity/volumetric rate) that recovers a greater percentage of fixed costs than the single

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

4. In Ojai, the proposed conservation rates will consist of a reduced service charge and an increased quantity charge for all general metered customers.
 - a. Ojai will keep its current three-tier rate structure and tier thresholds.
5. For Arden Cordova, the Parties agree to propose an interim conservation rate design for all its general metered customers.
 - a. The proposed rate design will consist of a reduced service charge and an increase in quantity charge for all metered customers.
 - b. The proposed design will keep the current single quantity rate structure.
 - c. This conservation rate proposal will be made via a Tier 2 Advice Letter as discussed in Section IV.G below.

B. Conservation Rate Design Grouping

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

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

1. Clearlake

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

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

1. Service Charges - Conservation Rate Design Parameters

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

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

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

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

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

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

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

- i. Due to movement of additional fixed costs to the quantity charge, a greater percentage of the total revenue requirement comes from volumetric charges.
 - c. To evaluate where to set the break points for the tiers, the Parties considered conservation potential and ratepayer impact.
 - i. Conservation potential refers to considering the rate impact on customers at different usage levels (low, winter average, average, summer average, high) to project the anticipated effect of the conservation rates. The goal is to ensure that all customers, particularly high usage customers, will receive effective price signals to conserve.
 - ii. Ratepayer impact was evaluated through bill impact analysis as described in the Schedules section below.
 - d. The proposed rate design is based on the seasonality and consumption in each ratemaking area as determined by a consumption (bill frequency) analysis. Attachment 4 provides a description of the consumption (bill frequency) analysis and the summary statistics used to design the proposed conservation rates.
 - i. The source data for the residential customers consumption (bill frequency) analysis used was meter readings from calendar years 2003-2007.
 - ii. A five-year average was used to reduce or eliminate the skewing effect that outstanding factors (i.e. bi-monthly billing and extreme weather conditions) can have on the data.
 - iii. Within each ratemaking area, customers receiving service on the General Metered Service tariff schedule are classified as residential or non-residential.
 - (a) Residential customers are all metered customers with classification code "1" representing single residence with one dwelling unit.
 - (b) Non-Residential customers are all other metered customers with classification code greater than "1". Attachment 5 provides a complete listing of GSWC Customer Classification Code.
 - e. The proposed conservation rate design in Bay Point, Los Osos, Santa Maria, and Simi Valley consists of a three-tier increasing block rate structure that is based on seasonal averages which are determined to be a proxy for indoor (low-use months) water consumption. Different rate making areas will have different tier thresholds dependent on their individual consumption patterns.
 - i. Tier 1 - Metered usage from zero units to the average winter usage (low-use months), which the Parties agree provides a proxy for indoor water use and ensures consumers at low and average levels of consumption stay within Tier 1.

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

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

1. The Parties agree that the conservation rate design proposed for residential customers is currently not feasible for non-residential customers for the following reason:
 - a. Requires reclassification of customers. The latter reclassification will require customer and consumption data which are not available at this time.
2. The Parties propose an interim conservation rate design for non-residential customers in these ratemaking areas consisting of a reduced service charge and a uniform quantity charge (a single quantity/volumetric rate) that recovers a greater percentage of fixed cost than the single quantity/volumetric rate that would result from the standard rate design currently in place consistent with the following:
 - a. The amount of fixed cost moved to the quantity charge will be based on the bill impact to customers in each service area.
 - b. Service charges will be reduced by approximately 5% to 20%, with corresponding increases in the quantity rate to achieve revenue recovery neutrality.

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

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

F. Ojai General Metered Customers' Conservation Rate.

1. The Parties propose conservation rates consisting of a reduced service charge and an increase in Ojai's current three-tier quantity rate charge.
 - a. Currently Ojai recovers 41% of overall revenue from the service charge. With the proposed rate Ojai will reduce the revenue recovery from the service charge to 35%.
 - b. Reduction in service charge and increase in quantity charge will bring Ojai closer to BMP 11's 30/70 target.

G. Arden Cordova Metered Customers' Conservation Rate

1. The Parties propose an interim conservation rate consisting of a reduced service charge and an increase in Arden Cordova's current single quantity charge.
 - a. Currently, Arden Cordova recovers 45% of its overall revenue from the service charge. With the proposed rate Arden Cordova will reduce its revenue recovery from the service charge to 35%.
 - b. Reduction in the service charge and increase in the quantity charge will bring Arden Cordova closer to BMP 11's 30/70 target.
2. GSWC will file a Tier 2 Advice Letter within 10 days of a final decision on its Region I conservation rate designs in this proceeding (A.08-09-010) to ask for implementation of the proposed conservation rate in Arden Cordova.
 - a. The conservation rate to be proposed in that advice letter is to be consistent with the points set out in this settlement at Section IV.G.1.
 - b. The previously approved WRAM and MCBA will be implemented with the conservation rate.
 - c. Attachment 3 gives an estimate of what rates would look like for Arden Cordova if the interim conservation rate as proposed in Section IV.G.1 is adopted.

H. Other Customer Classes

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

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

VII. MODIFIED COST BALANCING ACCOUNT (MCBA)

- A. The MCBAs for each ratemaking area, except Clearlake, will capture the cost savings and cost increases associated with purchased water, purchased power, and pump taxes. In accordance with established Commission practice, the MCBA accounts will accrue interest at the 90-day commercial paper rate.
1. The costs of purchased water, purchased power, and pump taxes associated with the production of water can vary due to changes in unit cost, supply mix or consumption amount.
- B. In particular, the MCBAs will track the difference between Actual Variable Costs and Adopted Variable Costs for the following variable costs (which are recovered through the quantity charge under both the current and proposed rate designs): purchased water, purchased power, and pump tax.
- C. An MCBA will replace each of the current balancing accounts, now referred to as Supply Cost Balancing Accounts.
1. GSWC currently has a Supply Cost Balancing Account for purchased water, purchased power, and pump taxes.
 2. The Supply Cost Balancing Account tracks cost changes attributable to changes in unit price, but not changes in the amount of consumption.
 3. MCBAs track changes in price and quantity.

VIII. MAINTAINING LEAST-COST WATER MIX

- A. With regard to changes in the water mix that result in changes in variable costs tracked in the MCBAs, GSWC stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources.
1. Parties agree that the MCBA will track significant changes in purchased water (which in turn affects the amount of purchased power and pump tax).
 2. GSWC will make a showing in its next Region I GRC filing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that any significant change in water purchases was reasonable.
 3. For the purpose of this Pilot Program, significant changes in water purchases are defined as when the annual volume of purchased water in

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

IX. RECOVERY AND REFUND OF BALANCING ACCOUNTS

- A. The Parties agree that conservation rates may cause the amount of water consumed, and thus the cost of water production, to vary significantly.
- B. The Parties agree that the desired outcome and purpose of using WRAMs and MCBAs are to ensure that the utility and ratepayers are proportionally affected when conservation rates are implemented.
 - 1. In the context of this Settlement Agreement, a proportional impact means that, if consumption is over or under the forecast level, the effect on either the utility or ratepayers (as a whole) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility or ratepayers are harmed, or benefited, at the expense of the other party.
- C. The Parties agree that, in each ratemaking area, the balance in the WRAM will offset the balance in the MCBAs in the following manner:
 - 1. Reporting Requirements: By March 31st of each year, GSWC will provide the Water Division (with a copy to DRA) with a written report on the status of the WRAM and MCBAs as described herein.
 - 2. WRAM: The written report will include a section on the WRAM in each ratemaking area showing the revenue over- or under-collection with respect to actual (or recorded) water sales as of December 31st of the preceding calendar year. Differences between Actual Revenues and Adopted Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.
 - 3. MCBA: The written report will include a section on the MCBAs in each ratemaking area comparing Actual MCBA Costs with Adopted MCBA Costs as of December 31st of the preceding calendar year. Differences between Actual Costs and Adopted Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.
 - 4. If this report shows that the combined over- or under-collection for the WRAM or the MCBAs in any ratemaking area exceeds 2.5% of the ratemaking area's total recorded revenue requirement for the prior calendar year, GSWC will file an advice letter within 30 days that amortizes the balance in both of the accounts.

5. The WRAM and MCBA for each ratemaking area will always be considered together for the purposes of seeking recovery or providing refunds to ratepayers and will be netted prior to any refund or recovery.
 6. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.
- D. Surcharges and surcredits: Recovery of under-collections and refunds of over-collections will be passed on to ratepayers through volumetric surcharges and surcredits.

X. SCHEDULES

- A. Attachment 1 provides rate design and bill impact analysis information for residential and non-residential customers for Bay Point, Los Osos, Santa Maria, and Simi Valley.³ Bay Point appears first, and contains four more worksheets than other ratemaking areas (Worksheets 4 through 7 which present the WRAM and the MCBA approved in D.08-08-030). For Bay Point, there are a total of ten worksheets, with the name and number of each worksheet appearing on the top right-hand corner of each page, and the label "BY Example" appearing at the top left-hand corner of each page. The other ratemaking areas (Los Osos, Santa Maria, and Simi Valley) have six worksheets.
1. Worksheet 1 (Rate Design) shows the proposed rate design for residential and non-residential customers. (Example: "Worksheet 1 BY Rate Design.")
 2. Worksheet 2 (Typical Bills) shows the typical bills for six different residential customer profiles (low usage, annual, winter and summer averages and large and largest usage). The percent of bills with usage at or below each profile is also shown. The profiles show what a customer fitting that profile will experience under the proposed conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Example: "Worksheet 2 BY Typical Bills.")
 3. Worksheet 3 (Bills by Consumption) shows what residential customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting

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

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

4. Worksheet 4 (MCBA) shows the proposed Modified Cost Balancing Account assuming the demand change shown in Worksheet 7, Demand & Revenue Change. This worksheet is only available for BY. (Example: "Worksheet 4 BY MCBA.")
 5. Worksheet 5 (WRAM) shows the proposed Water Revenue Adjustment Mechanism assuming the demand change shown in Worksheet 7, Demand & Revenue Change. This worksheet is only available for Bay Point. (Example: "Worksheet 5 BY WRAM.")
 6. Worksheet 6 (Decoupling) shows the summary calculation for the proposed decoupling of the Region based on the assumptions of the other worksheets. This worksheet is only available for Bay Point. (Example: "Worksheet 6 BY Decoupling.")
 7. Worksheet 7 (Demand & Revenue Change) shows the projected demand and revenue change projected along with the assumptions of the other worksheets. This worksheet is only available for Bay Point. (Example: "Worksheet 7 BY Demand & Revenue Change.")
 8. Worksheet 8 (Total Bills) is a chart showing the change in the total bills for residential customers, comparing current and proposed rates. (Example: "Worksheet 8 BY TB").
 9. Worksheet 9 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Example: "Worksheet 9 BY AC").
 10. Worksheet 10 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Example: "Worksheet 10 BY MC.")
- B. Attachment 2 contains the schedules for Ojai which had a different rate design than the other ratemaking areas mention in Attachment 1. Rate design for Ojai was discussed above in Section IV (F). Ojai has four worksheets with the name and number of the worksheet appearing on the top right-hand corner of each page.
1. Worksheet 1 (Rate Design) shows the proposed rate design. (Worksheet Labeled: "Worksheet 1 OJ Rate Design.")

V. MECHANISMS FOR DECOUPLING SALES AND REVENUE

- A. The goals of the decoupling mechanisms in the Pilot Program are as follows:
- a. Sever the relationship between sales and revenue to remove any disincentive for GSWC to implement conservation rates and conservation programs.
 - b. Ensure cost savings resulting from conservation are passed on to ratepayers.
 - c. Reduce overall water consumption by GSWC ratepayers
- B. Decoupling for GSWC will be accomplished through both of the following mechanisms:
- a. A WRAM for each ratemaking area in Region 1 except Clearlake.
 - b. An MCBA for each ratemaking area in Region 1 except Clearlake. MBAs will replace existing cost balancing accounts for purchased power, purchased water, and pump taxes.
- C. Together, these decoupling mechanisms will ensure recovery of the adopted fixed costs recovered through the quantity charge and the actual variable costs for purchased water, purchased power, and pump taxes.² The fixed costs not included in these accounts will be recovered through the service charge, which is a monthly charge that customers pay regardless of consumption.
- D. In accordance with established Commission practice, the WRAM and MCBA accounts will accrue interest at the 90-day commercial paper rate.

VI. WATER REVENUE ADJUSTMENT MECHANISM (WRAM)

- A. For each ratemaking area in Region 1, except Clearlake, the WRAM will track the difference between the total quantity charge revenues authorized by the Commission ("Total Adopted Quantity Revenues") and the total revenues actually recovered through the quantity charge based on actual sales ("Total Actual Quantity Revenues"), excluding:
1. Fire service revenue;
 2. Unmetered Service revenue;
 3. Other non-general metered service revenue.

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

2. Worksheet 2 (Bills by Consumption) shows what customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Worksheet Labeled: "Worksheet 2 OJ Bills by Consumption.")
 3. Worksheet 3 (Total Bills) is a chart showing the change in the total bills for customers, comparing current and proposed rates. (Worksheet Labeled: "Worksheet 3 OJ Total Bills").
 4. Worksheet 4 (Average Cost) is a chart showing the average unit cost at various consumption levels, comparing current and proposed rates. The average unit cost is defined as total quantity (volumetric-based) charges divided by usage. (Worksheet Labeled "Worksheet 4 OJ AC).
 5. Worksheet 5 (Marginal Cost) is a chart showing the marginal cost curve of the proposed rate structure (the unit rate as it changes from tier to tier). The chart graphically depicts the steps in the rate structure as the price by block changes. (Worksheet Labeled: "Worksheet 5 OJ MC.")
- C. Attachment 3 contains the schedules for Arden Cordova, which has a different rate design than the other ratemaking areas covered in Attachment 1. Rate design for Arden Cordova was discussed above in Section IV,G. Arden Cordova has three worksheets with the name and number of the worksheet appearing on the top right-hand corner of each page.
1. Worksheet 1 (Rate Design) shows the proposed rate design. (Worksheet Labeled: "Worksheet 1 AC Rate Design.")
 2. Worksheet 2 (Bills by Consumption) shows what customers will experience under the water conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs. (Worksheet Labeled: "Worksheet 2 AC Bills by Consumption.")
 3. Worksheet 3 (Total Bills) is a chart showing the change in the total bills for customers, comparing current and proposed rates. (Worksheet Labeled: "Worksheet 3 AC Total Bills").
- D. Attachment 4 provides a description of the consumption analysis and summary statistics used to design the proposed conservation rates

- E. Attachment 5 provides GSWC's current Customer Classification Codes used in categorizing customers as residential and non-residential for Bay Point, Los Osos, Santa Maria, and Simi Valley
- F. Attachment 6 provides summary of 2009 rates for Bay Point, Los Osos, Ojai, Santa Maria, and Simi Valley if this settlement is approved and implemented

XI. MONITORING AND DATA COLLECTION

- A. Specifically, for Bay Point, Los Osos, Santa Maria and Simi Valley, GSWC will collect data in the categories identified below for use in analyzing customer response to increasing block rate designs so that it is readily available to the Commission and the Parties to evaluate the results of the Pilot Project for use in designing future increasing block rate designs:
 - 1. GSWC will collect monthly consumption data, namely bill and usage data by meter. The data collection will start when the conservation rates agreed to in this settlement are implemented.
 - 2. GSWC will present customer usage data in a table (in Excel format) showing how much water customers used in each class (i.e. residential and non-residential) annually and monthly by ccf level for the 12 months prior to conservation rates being implemented and for each month since the rates were implemented. For Residential customers consumption data will be broken out by customers who consume in each tier (tier 1, tier 2, and tier 3).
 - 3. For the residential customer class, GSWC will report separately the consumption data in the same method described in #2 above for low income customers who are participating in the CARW (California Alternative Rate for Water) program.
 - 4. GSWC will provide this data in the July 2011 company-wide general rate case application.

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

Dated: December 11, 2008

/s/ Keith Switzer

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Dated: December 11, 2008

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