

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



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

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

and Related Matter

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

MOTION OF CALIFORNIA-AMERICAN WATER COMPANY, THE DIVISION OF RATEPAYER ADVOCATES, AND NATURAL RESOURCES DEFENSE COUNCIL TO ADOPT A SETTLEMENT ON INCREASING THE LOW INCOME SURCREDIT

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September 5, 2012

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ATTACHMENT 1: Settlement Agreement between California-American Water Company, the Division of Ratepayer Advocates, and the Natural Resources Defense Council on Low Income Surcredit, dated August XX, 2012.

ATTACHMENT 2: Table with the estimated number of customers affected by the low income surcredit increase and estimated revenue foregone.

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**MOTION OF CALIFORNIA-AMERICAN WATER COMPANY, THE DIVISION OF
RATEPAYER ADVOCATES, AND NATURAL RESOURCES DEFENSE COUNCIL
TO ADOPT A SETTLEMENT ON LOW INCOME SURCREDIT**

I. INTRODUCTION

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

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

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

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

II. PROCEDURAL HISTORY

Pursuant to the schedule set forth in Decision (“D.”) 07-05-062, California American Water filed its general rate case (“GRC”) application, Application (“A.”) 10-07-007, on July 1, 2010. On August 2, 2010, California American Water served supplemental testimony, including testimony on the low income surcredit. DRA served testimony on January 21, 2011, and NRDC served responsive testimony on February 4, 2011.

On May 19, 2011, NRDC and California American Water filed a motion to adopt a partial settlement agreement on certain issues presented in the general rate case. This partial settlement agreement sought to increase the low income surcredit to the equivalent of a 20% discount on the average residential bill in the Larkfield, Los Angeles County, Sacramento, San Diego County, and Ventura County Districts, and in the Ambler Park, Ralph Lane, and Toro Service areas of the Monterey County District. The partial settlement agreement proposed to recover the costs of the low income assistance program on a statewide basis via a meter surcharge on all non-low income customers.

On June 7, 2012, the Commission adopted Decision (“D.”) 12-06-016, which denied the partial settlement agreement with respect to increasing the low income surcredit and moved it to Phase II of this proceeding.

On July 23, 2012, California American Water served all parties on the service list with a notice of settlement conference on the low income surcredit. Pursuant to that notice, a settlement conference was held on July 27, 2012. The Parties finalized and executed the Settlement Agreement and now submit the Settlement Agreement for approval by the Commission.

III. OVERVIEW OF THE SETTLEMENT AGREEMENT

The Settlement Agreement increases the low income surcredit to the equivalent of a 20% discount on the average residential bill for low income residential customers receiving water or wastewater service in the Larkfield, Los Angeles County, Monterey Water (except Chualar), Monterey Wastewater, Sacramento, San Diego County, and Ventura County Districts, and in the Ambler Park, Ralph Lane, and Toro Service areas of the Monterey County District. The existing low income surcredit provides an approximate 15% discount of an average residential bill. The revenues that will be foregone as a result of the increased low income surcredit will be collected in a memorandum account in each district for later collection in that same district.

A comprehensive record supports the attached Settlement Agreement. As part of this proceeding, the Parties served testimony on low income issues, including increasing the low income surcredit, including NRDC’s direct testimony and California American Water’s supplemental testimony. **Exhibit A** to the Settlement Agreement contains proposed tariff sheets reflecting the Parties’ agreed upon increase in the low income surcredit.

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

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

A. The Settlement Agreement is Reasonable in Light of the Entire Record

The increase in the low income surcredit reflects a compromise by the Parties. Included as Attachment 2 is a table with the estimated number of customers who will be affected by the increase and estimated revenue foregone as a result of the increase in the low income surcredit. The Settlement Agreement appropriately resolves all of the contested issues regarding the low income surcredit in this proceeding, based on the independent analysis of the issues performed by the Parties. The result is a settlement that is fair and reasonable.

B. The Settlement Agreement is Consistent with the Law

In accordance with Rule 12.1(d), the Settlement Agreement is consistent with the law. The Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the proposed Settlement Agreement. Indeed, the Settlement Agreement is consistent with the Commission’s policy objectives as set forth in the 2010 Water Action Plan and is intended to advance the Water Action Plan’s objective of increasing the affordability of water service for low income customers, as well as advancing the Water Action Plan’s objective of balancing investment, conservation, and affordability.

C. The Settlement Agreement is in the Public Interest

In this GRC, the primary public interest is the delivery of safe and reliable water service at reasonable rates in a manner that advances water conservation and efficiency. This Settlement Agreement is in the public interest because it advances those interests by increasing the affordability of water service for low income customers while maintaining a price structure that provides the incentive to use water efficiently. In addition, the Parties agree that the Settlement Agreement benefits ratepayers by sparing the expense and time of litigating each of the settled items. Commission approval of the proposed Settlement Agreement will provide speedy resolution of contested issues, will save unnecessary litigation expense, and will conserve Commission resources. The Commission has acknowledged that, “[t]here is a strong public policy favoring the settlement of disputes to avoid costly and protracted litigation.”

V. CONCLUSION

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

September 5, 2012

DIVISION OF RATEPAYER ADVOCATES

By: /s/*Martha Perez*
Martha Perez, Staff Attorney

September 5, 2012

CALIFORNIA-AMERICAN WATER COMPANY

By: /s/*Sarah E. Leeper*
Sarah E. Leeper, Vice President – Legal,
Regulatory

September 5, 2012

NATURAL RESOURCES DEFENSE COUNCIL

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

Attachment 1

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

and Related Matter

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(Filed July 1, 2010)

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

**SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER
COMPANY, THE DIVISION OF RATEPAYER ADVOCATES, AND NATURAL
RESOURCES DEFENSE COUNCIL ON INCREASING THE LOW INCOME
SURCREDIT**

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August 30 , 2012

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

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

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

and Related Matter

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

SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER COMPANY, THE DIVISION OF RATEPAYER ADVOCATES, AND NATURAL RESOURCES DEFENSE COUNCIL ON INCREASING THE LOW INCOME SURCREDIT

I. GENERAL

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

B. Because this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval

by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.

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

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

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

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

II. BACKGROUND

A. California American Water served supplemental testimony addressing several issues, including the low income surcredit, on August 2, 2010. California American Water

recommended recalculating current district-specific surcredits to ensure meeting the intent of the original 15% percent reduction of the average residential bill.

B. DRA served testimony on January 21, 2011. DRA's testimony did not propose any increases in the low income surcredit.

C. NRDC served testimony on February 4, 2011. NRDC's testimony proposed increasing the surcredit for low income customers from 15% to 20%, particularly in districts where the average monthly bill is greater than \$50.00.

D. On May 19, 2011, NRDC and California American Water filed a motion to adopt a partial settlement agreement on certain issues presented in the general rate case. This partial settlement agreement sought to increase the low income surcredit to the equivalent of an approximate 20% discount on the average residential bill in the Larkfield, Los Angeles County, Sacramento, San Diego County, and Ventura County Districts, and in the Ambler Park, Ralph Lane, and Toro Service areas of the Monterey County District. The partial settlement agreement proposed to recover the costs of the low income assistance program on a statewide basis via a meter surcharge on all non low-income customers.

E. On June 7, 2012, the Commission adopted Decision ("D.") 12-06-016, which denied the partial settlement agreement with respect to increasing the low income surcredit and moved the issue of increasing the low income surcredit to Phase II of this proceeding.

F. On July 23, 2012, California American Water electronically served all parties on the service list with a notice of settlement conference on increasing the low income surcredit.

Pursuant to that notice, a settlement conference was held on July 27, 2012.

The Parties now file this Settlement Agreement on increasing the low income surcredit.

III. LOW INCOME SURCREDIT

A. Residential Customers in Water Service Areas

1. The low income surcredit for low income residential customers in the Larkfield, Los Angeles County, Monterey Water (except Chualar), Sacramento, San Diego County, and Ventura County Districts, is increased to the equivalent of an approximately 20% discount on the average monthly residential bill in that district and/or service area. The maximum discount provided under this low income surcredit shall not exceed any participating customer's total monthly water charges. Worksheets attached as **Exhibit A** to this Settlement Agreement show the low income surcharge in each district/service area included in this Settlement Agreement.
2. The foregone revenue as a result of this increase in the low income surcharge shall be tracked in an existing memorandum account for later recovery from all non-low income customers, either at the time the balance reaches 2% of the revenue requirement, or in the next general rate case.

B. Residential Customers of Wastewater Service in the Monterey County Wastewater District

1. A low income surcredit for low income residential customers who receive wastewater service in the Monterey County Wastewater District is increased to an approximately 20% discount on the average monthly wastewater bill in that service area. Worksheets attached as **Exhibit A** to this Settlement Agreement show the low income surcharge in this Settlement Agreement.

2. The foregone revenue as a result of this increase in the low income surcharge shall be collected in an existing memorandum account for later recovery from all non-low income customers, either at the time the balance reaches 2% of the revenue requirement, or in the next general rate case.

IV. CONCLUSION

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

August __, 2012

DIVISION OF RATEPAYER ADVOCATES

By: _____
Joseph P. Como, Acting Director

August __, 2012

CALIFORNIA-AMERICAN WATER COMPANY

By: _____
Sarah Leeper Vice President-Legal,
Regulatory

August __, 2012

NATURAL RESOURCES DEFENSE COUNCIL

By: _____
Edward R. Osann, Senior Policy Analyst

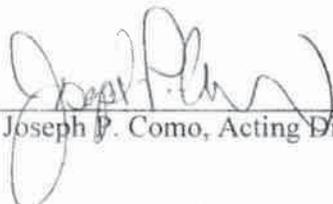
2. The foregone revenue as a result of this increase in the low income surcharge shall be collected in an existing memorandum account for later recovery from all non-low income customers, either at the time the balance reaches 2% of the revenue requirement, or in the next general rate case.

IV. CONCLUSION

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

September 4
August 1, 2012

DIVISION OF RATEPAYER ADVOCATES

By: 
Joseph P. Como, Acting Director

August 31, 2012

CALIFORNIA-AMERICAN WATER COMPANY

By: 
Sarah Leeper Vice President-Legal,
Regulatory

August 31, 2012

NATURAL RESOURCES DEFENSE COUNCIL

By: 
Edward R. Osann, Senior Policy Analyst

Exhibit A

Schedule No. CA-LIRA
California American Water
LOW INCOME RATEPAYER ASSISTANCE PROGRAM

APPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

All territories served by California American Water Company

RATES

	Surcredit Per Month	
Larkfield District		
Low Income Discount	\$19.00	(I)
Los Angeles County District		
Low Income Discount – Baldwin Hills Area	\$9.50	
Low Income Discount – Duarte Area	\$9.50	
Low Income Discount – San Marino Area	\$12.00	(I)
Monterey County District		
Low Income Discount – 1-4 Individuals	\$10.00	
Low Income Discount – 5-8 Individuals	\$15.00	
Low Income Discount – over 8 Individuals	\$20.00	
Low Income Discount – Ambler Park Area	\$21.00	(I)
Low Income Discount – Ralph Lane Area	\$11.50	
Low Income Discount – Toro Area	\$25.50	
Sacramento District		
Low Income Discount – Metered Customers	\$10.00	
Low Income Discount – Flat-Rate Customers	\$10.00	
San Diego County District		
Low Income Discount	\$7.00	(I)
Ventura County District		
Low Income Discount	\$14.00	

The Low-income discount is a fixed monthly surcredit applicable to qualifying low-income residential customers.

(Continued)

(TO BE INSERTED BY UTILITY)
ADVICE LETTER NO. 954

ISSUED BY
D. P. STEPHENSON
NAME

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

DECISION NO. D.12-06-016

DIRECTOR – Rates & Regulatory
TITLE

EFFECTIVE
RESOLUTION

Schedule No. WW LIRA
Monterey County Sewer Service
LOW-INCOME RATEPAYER ASSISTANCE PROGRAM

APPLICABILITY

Applicable to all sewer furnished on a metered basis.

TERRITORY

Subdivisions of Oak Hills and Indian Springs, the community of Spreckels, in the vicinity of Salinas, Monterey County, and Monterey County.

RATES

	<u>Surcredit Per Month</u>	
Low-Income Discount – Passive Systems – Rate Schedule S	\$11.00	(I)
Low-Income Discount – Active Systems – Rate Schedule SP	\$24.50	(I)

The low-income discount is a fixed monthly surcredit applicable to qualifying low-income residential customers.

SPECIAL CONDITIONS APPLICABLE TO LOW INCOME

1. Low-Income Ratepayer Assistance Program (LIRA): As reflected in this tariff, qualifying customers receive a surcredit, as noted above, per month per qualifying residential customer. Customers must apply with the Company for acceptance into the low income program. Qualification criteria are outlined below. This program is also known as the H2O Help to Others Program.
 - a. LIRA Household: A LIRA Household is a household where the total gross income from all sources, including total income from all persons living full-time in the household, is less than shown on the table below based on the number of persons in the household. Total gross income shall include both taxable and non-taxable income. Persons who are claimed as a dependent on another person's income tax return are not eligible for this program. The California American Water bill must be in the customer's name.

Income Guidelines (Effective June 1, 2010 to May 31, 2011)	
<u>No. of Persons</u>	<u>Total Gross</u>
<u>in Household</u>	<u>Annual Income</u>
1 or 2	\$31,300
3	\$36,800
4	\$44,400
5	\$52,000
6	\$59,600
For households with more than six persons	Add \$7,600 annually for each additional person residing in the household.

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

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

ADVICE LETTER
NO. _____

D. P. STEPHENSON

DATE FILED _____

NAME

DECISION NO. _____

Director – Rates & Regulation

EFFECTIVE _____
RESOLUTION NO. _____

Attachment 2

	CCFs										Total \$	Cur Discount	20% Rounding	Proposed	Increase
	Aver Con	Per Month	5/8"	Tier 1	Tier 2	Tier 3	Monthly	Yearly	current customers						
Larkfield	126.1	11.00	\$ 17.67	\$ 50.23	\$ 25.88		\$ 93.78	\$ 1,125.40	67	\$ 75,402.01	\$ 14.50	\$ 18.76	\$ 19.00	\$ 4.50	
LA Duarte	216.4	18.00	\$ 7.58	\$ 23.54	\$ 15.45		\$ 46.57	\$ 558.82	483	\$ 269,911.61	\$ 8.50	\$ 9.31	\$ 9.50	\$ 1.00	
LA San Marino	260	22.00	\$ 7.58	\$ 28.03	\$ 22.62		\$ 58.24	\$ 698.83	609	\$ 425,588.69	\$ 10.50	\$ 11.65	\$ 12.00	\$ 1.50	
LA Baldwin Hills	185.4	15.00	\$ 7.58	\$ 24.18	\$ 15.48		\$ 47.24	\$ 566.83	151	\$ 85,591.63	\$ 8.50	\$ 9.45	\$ 9.50	\$ 1.00	
San Diego	124.5	10.00	\$ 5.89	\$ 26.80	\$ 7.44		\$ 32.69	\$ 392.22	494	\$ 193,757.87	\$ 6.00	\$ 6.54	\$ 7.00	\$ 1.00	
Ventura	226	19.00	\$ 7.77	\$ 34.93	\$ 26.81		\$ 69.51	\$ 834.17	365	\$ 304,471.76	\$ 14.00	\$ 13.90	\$ 14.00	\$ -	
Sacramento	173.1	14.00	\$ 15.47	\$ 32.19			\$ 47.66	\$ 571.93	2968	\$ 1,697,474.37	\$ 9.00	\$ 9.53	\$ 10.00	\$ 1.00	
Monterey Par	70.6	6.00	\$ 9.72	\$ 17.61			\$ 27.33	\$ 327.96	1345	\$ 441,106.20	\$ 10.00	\$ 5.47	\$ 10.00	\$ -	
Chular**															
Toro	253.9	21.00	\$ 22.90	\$ 30.13	\$ 53.84	\$ 18.59	\$ 125.45	\$ 1,505.44	\$ -	\$ -	\$ 23.00	\$ 25.09	\$ 25.50	\$ 2.50	
Ralph Lane	123.5	10.00	\$ 6.37	\$ 24.45	\$ 7.34		\$ 38.15	\$ 457.85		Current Lira	\$ 11.50	\$ 7.63	\$ 11.50	\$ -	
Ambler Park	226.5	19.00	\$ 9.72	\$ 32.84	\$ 60.20		\$ 102.76	\$ 1,233.16			\$ 13.00	\$ 20.55	\$ 21.00	\$ 8.00	
Mont. W.W. SP							\$ 54.21	\$ 650.52	NEW	None	\$ 9.00	\$ 10.84	\$ 11.00	\$ 2.00	
Mont. W.W. SA							\$ 120.74	\$ 1,448.88	NEW	None	\$ 20.00	\$ 24.15	\$ 24.50	\$ 4.50	

Aver Con = average residential consumption from settlement
Percent estimates are based on average residential monthly bill.