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 $18,473,900 or 9.55% in the year 2015, by $8,264,700 or 3.90% in the year 2016, and by $6,654,700 or 3.02% in the year 2017.	A.13-07-002 (Filed July 1, 2013)

JOINT MOTION FOR THE ADOPTION OF PARTIAL SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER COMPANY, CITY OF PACIFIC GROVE, LAS PALMAS WASTEWATER COMMITTEE, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, AND THE OFFICE OF RATEPAYER ADVOCATES ON REVENUE ISSUES IN THE GENERAL RATE CASE

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For Las Palmas Wastewater Committee

Dated: July 25, 2014

JOINT MOTION FOR THE ADOPTION OF PARTIAL SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER COMPANY, CITY OF PACIFIC GROVE, LAS PALMAS WASTEWATER COMMITTEE, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, AND THE OFFICE OF RATEPAYER ADVOCATES ON REVENUE ISSUES IN THE GENERAL RATE CASE

I. INTRODUCTION AND SUMMARY OF REQUESTED RELIEF

Pursuant to Rule 12.1 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, California-American Water Company ("Cal-Am"), City Of Pacific Grove ("Pacific Grove"), Las Palmas Wastewater Committee ("LPWC"), Monterey Peninsula Water Management District ("MPWMD"), and the Office Of Ratepayer Advocates ("ORA") (collectively, the "Parties") [1] have agreed on resolution of the issues set forth in the *Settlement Agreement Between California-American Water Company, City Of Pacific Grove, Las Palmas Wastewater Committee, Monterey Peninsula Water Management District, and the Office Of Ratepayer Advocates* (hereinafter, the "Settlement Agreement"), attached as Exhibit A. Accordingly, the Parties hereby submit the attached Settlement Agreement for Commission approval and adoption.

In particular, the Parties represent to the Commission as follows: (1) that the Settlement Agreement commands the sponsorship of the Parties; (2) that the Parties are fairly representative of the affected interests;[2] (3) that no terms of the Settlement Agreement

[1] Pursuant to Commission Rule 1.8(d), Pacific Grove, LPWC, MPWMD, and ORA authorize Cal-Am's representative to file and sign this motion.

[2] The parties include Pacific Grove, which represents the interests of residents served by Cal-Am; LPWC, which represents the interests of Las Palmas active wastewater customers serviced by Cal-Am; MPWMD, which represents a combined population of 104,129 in Carmel, Monterey, Pacific Grove, Seaside, Del Rey Oaks, Sand City, and unincorporated portions of Monterey County; and ORA, which represents the interests of ratepayers, including particularly residential and small business customers.

contravene any statutory provision or any decision of the Commission; and (4) that the Settlement Agreement, together with the record in the 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 Commission should grant this Motion and authorize the Settlement Agreement.

II. PROCEDURAL BACKGROUND

Cal-Am filed its statewide general rate case ("Statewide GRC") for all its districts on July 1, 2013. Cal-Am filed an update to the application on October 9, 2013 to provide updated and corrected information regarding employee salaries and staffing numbers, specials fees and contributions in aid of construction estimates, construction work in progress, Monterey County wastewater study estimates, provision of benefits to ratepayers for non-tariffed products and services, and district vehicle maintenance expense, as well as the removal of wastewater penalties, among other things.

On March 28, 2014, Cal-Am noticed an all-party settlement conference for April 4, 2014. The settlement conference took place as scheduled, with multiple parties participating in settlement meetings. Since that time, Cal-Am has diligently engaged in settlement discussions with all parties to this agreement. On June 19, 2014, during the evidentiary hearings in this proceeding, Cal-Am and ORA distributed a document summarizing settlement in principle, which was subsequently altered by the Parties to better reflect their views and compromises. Also on June 19, 2014, Administrative Law Judge Colbert directed

the Parties to submit any settlement agreements to the Commission no later than July 25, 2014. In accordance with Administrative Law Judge Colbert's order, the parties now submit the Settlement Agreement.

III. OVERVIEW OF THE SETTLEMENT AGREEMENT

The Settlement Agreement addresses the new rates to be established for California American Water's service areas in the Larkfield, Los Angeles County, Monterey County Water, Monterey Wastewater, Sacramento, San Diego County, and Ventura County districts for calendar year 2015, and sets parameters to file for escalation and attrition allowances in 2016 and 2017.[3] As part of the Settlement Agreement, Cal-Am and ORA have agreed to most of the significant elements of the Statewide GRC revenue requirement and rate design, including number of customers, usage per customer, rate base, operating expenses, utility plant additions, depreciation expense, income taxes, and most special requests. Additionally, Cal-Am and ORA have reached an agreement on forward-looking interpretation of Minimum Data Request II.D.5, which was the subject of alleged Rule 1 violations.

The Settlement Agreement also addresses Cal-Am's settlements with various intervenors. Specifically, the Settlement Agreement addresses Cal-Am's agreement with MPWMD on various issues related to conservation, utility plant additions in Monterey, and with MPWMD and Pacific Grove on certain special requests, as well as Cal-Am's agreement with LPWC regarding Monterey wastewater issues. ORA supports Cal-Am's agreements with LPWC, MPWMD, and Pacific Grove. Further, LPWC has no objection to any aspect of the Settlement Agreement, including Cal-Am's revenue requirement agreements with ORA.

[3] With the exception of two litigated issues on escalation and attrition and two litigated special requests, all of which await Commission decision.

MPWMD and Pacific Grove have no objection to any aspect of the settlement except for CAW and ORA's resolution regarding Special Request 18, which concerns a memorandum account request for State Water Resources Control Board Cease and Desist Order penalties and fines. The resolution is set forth in Section 21-18 of the Settlement Agreement.

A comprehensive record supports the Settlement Agreement. As part of this Statewide GRC, the Parties have submitted extensive testimony concerning the issues that are the subject of the Settlement Agreement, including, but not limited to, Cal-Am's direct testimony submitted with the application, ORA's Report, Cal-Am's rebuttal testimony, and the testimony of other intervenors. Additionally, the Commission held five days of hearings in this proceeding, during which witnesses offered a significant amount of additional testimony that further supplements the record. The tables embedded in the Settlement Agreement set forth (1) the original positions of the Parties on various elements of revenue requirement, (2) the differences between the Parties' positions, and (3) the settlement terms.

ORA and Cal-Am have not reached an agreement on (1) Special Requests 23 and 30,[4] through which Cal-Am requests authorization to establish a memorandum account associated with the Placer County purchased water supply contract and track costs associated with ongoing peaking charges imposed by Placer County for later recovery if such charges are found reasonable and prudent, (2) ORA's proposal that Cal-Am should be required to file 2016 and 2017 escalation year filings for each and every district, and (3) ORA's proposal that recorded rate base, up to but not exceeding authorized rate base, should be used to calculate Cal-Am's rate base for 2017. Additionally, as noted above, Cal-Am has not

[4] As set forth in the Settlement Agreement, ORA and Cal-Am agree that Special Request 31 is duplicative of Special Request 23 and therefore only two Special Requests are in dispute.

reached a resolution with MPWMD and Pacific Grove regarding Special Request 18. All of these disputes have been briefed separately.

IV. THE SETTLEMENT AGREEMENT IS FAIR AND REASONABLE AND ITS ADOPTION WILL SERVE 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 law, and in the public interest."[5] The Settlement Agreement meets these requirements.

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

The Settlement Agreement is reasonable in light of the whole record, as required by Rule 12.1(d). Each party has accepted adjustments to their initial position to reach a resolution on the revenue issues set forth in the agreement, but those adjustments do not jeopardize Cal-Am's ability to provide adequate service to its customers. The terms and requirements proposed in the Settlement Agreement are just and reasonable and will benefit Cal-Am's customers.

B. The Settlement Agreement is Consistent with the Law and in the Public Interest

In accordance with Rule 12.1(d), the Settlement Agreement is consistent with the law and will serve the public interest. The Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the proposed Settlement Agreement. The issues resolved in the Settlement Agreement are within the scope of the proceeding.

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[5] D.09-03-007, *Decision Authorizing General Rate Increases for Suburban Water Systems and Approving a Related Settlement Agreement with the Division of Ratepayer Advocates*, 2009 Cal. PUC Lexis 148, *15.

The Settlement Agreement is in the public interest. The Settlement Agreement will benefit customers by establishing clear policies and targets for reducing water losses in a cost-effective manner. For example, the Settlement Agreement authorizes a three-year combined budget total of $3,551,802 for conservation. The settlement agreement also authorizes Cal-Am to continue: tracking conservation expenses in a capped, one-way balancing account with any unspent funds refunded to ratepayers; maintaining a non-revenue water loss penalty/reward program for Monterey; and, using multi-tiered block rate designs in several districts. The agreement's public benefits are consistent with the Commission's policy objectives as articulated in the Water Action Plan.[6]

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.

Dated: July 25, 2014

Respectfully submitted

By: *_/s/ Sarah Leeper_*
Sarah Leeper

Attorney for Applicant
California-American Water Company

[6] *Water Action Plan*, California Public Utilities Commission, Oct. 28, 2010, available at <http://docs.cpuc.ca.gov/PUBLISHED/Graphics/125501.PDF>.