

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking on the Commission's Own Motion into Addressing the Commission's Water Action Plan Objective of Setting Rates that Balance Investment, Conservation, and Affordability for the Multi-District Water Utilities of: California-American Water Company (U210W), California Water Service Company (U60W), Del Oro Water Company, Inc. (U61W), Golden State Water Company (U133W), and San Gabriel Valley Water Company (U337W).

Rulemaking 11-11-008
(Filed November 10, 2011)

**OFFICE OF RATEPAYER ADVOCATES' REPLY COMMENTS
REGARDING THE ALTERNATE PROPOSED DECISION OF
PRESIDENT PEEVEY**

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I. INTRODUCTION

Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission (the "Commission"), The Office of Ratepayer Advocates ("ORA") hereby submits the following Reply Comments Regarding the Alternate Proposed Decision ("APD") of President Michael Peevey served on August 11, 2014, in the above-captioned proceeding. ORA responds here to the comments of the other parties to this proceeding.

II. ANALYSIS

A. California Water Service Company

The comments of California Water Service Company ("Cal Water")'s comments support adoption of the APD.¹ Cal Water's comments, which are brief, are nonetheless

¹ Comments of Cal Water on APD, at 2.

flawed in two important ways. First, Cal Water’s comments reflect a mistaken belief that the 1992 guidelines did not allow the Commission to analyze and balance investment, conservation, and affordability.² Second, Cal Water’s comments inappropriately conflate the issues of affordability for low-income ratepayers and cross-subsidization to normalize statewide water rates.³

In fact, the 1992 guidelines that refer to four factors — proximity, rate comparability, water supply, and operation — are intimately connected to investment, conservation, and affordability. The supply and distribution of water, as recognized in the APD,⁴ inherently reflects more localized concerns than the supply and distribution of electricity. Because of the importance of local conditions, proximity, water supply, and operation are all key factors in investment. If discarding those guidelines in this proceeding leads the Commission to abandon consideration of those factors when consolidation is proposed, then it will actually become more difficult for the Commission to accurately analyze and balance investment, which depends on local conditions.

Conservation is an important state-wide goal, but that goal is even more important in the districts with the tightest water supply constraints. Rate comparability and water supply allow the Commission to objectively analyze the unique conservation needs of each district proposed for a consolidation. Eliminating the guidelines could make the Commission less likely to consider rate comparability and water supply, which in turn would risk sending price signals that discourage conservation in the most parched portions of California. In light of ongoing drought concerns, such an approach is misguided.

² See Comments of Cal Water on APD, at 2.

³ See Comments of Cal Water on APD, at 2 (“Cal Water is sensitive to the affordability concerns that customers continue to express, despite the recent expansions of its LIRA [low-income affordability] and Rate Support Fund [cross-subsidization to normalize rates] programs.”).

⁴ See APD, at 6 (“The traditional approach is attributable largely to the significant variability in supply and distribution costs for different water utilities and for different districts within multi-district water utilities (based on the different costs linked to local or imported water sources, water quality protection and contamination remediation, infrastructure needs, etc.).”).

Finally, it is, of course, important for the Commission to ensure the affordability of water service. As Cal Water alludes, Low Income Ratepayer Assistance programs have been a key contributor to that goal in water utility ratemaking. Rather than throw out the 1992 guidelines that have repeatedly helped the Commission frame its consolidation decisions, the Commission can simply analyze affordability impacts in any proposed consolidation. As noted in ORA’s opening comments, higher water costs do not necessarily mean less affordability.⁵ In fact, if the Commission abandons the 1992 guidelines it could be less likely to consider rate comparability and risk increasing unaffordability by consolidation of districts with significantly divergent rates. In other words, rate comparability serves as a check that limits the likelihood of lower income customers with lower water rates subsidizing the rates of more affluent customers who have higher water rates.

B. National Consumer Law Center

The National Consumer Law Center (“NCLC”) opposes the APD and advocates adoption of the Proposed Decision (“PD”) of Commissioner Sandoval.⁶ NCLC’s comments accurately reflect the major risks that would accompany the APD and correctly recognizes that the PD’s approach to consolidation guidelines “is more likely to result in non-discriminatory outcomes for both utilities and consumers.”⁷

C. The Utility Reform Network

The Utility Reform Network (“TURN”) opposes the APD and supports adoption of Commissioner Sandoval’s PD. TURN’s comments correctly indicate that the APD “ignores the vast majority of the record that supported an amended set of the guidelines

⁵ ORA’s Comments on APD, at 3 (D.08-05-018 denied Cal Am’s request to consolidate rates for its Larkfield and Sacramento districts. If [the consolidation were approved], the results would have likely had the lower income customers of Sacramento subsidizing the rates of the affluent Larkfield district where rates were high, but not necessarily unaffordable.”).

⁶ NCLC Comments on APD, at 2.

⁷ NCLC Comments on APD, at 2.

and argued that consolidation should not be the ‘preferred’ solution over other options to balance investments, conservation, and affordability.”⁸

III. CONCLUSION

For the foregoing reasons, as well as the reasons presented in the APD comments submitted by ORA, TURN, and NCLC, the Commission should reject the APD, and adopt Commissioner Sandoval’s PD, subject to ORA’s previously filed comments on the PD.

Respectfully submitted,

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⁸ TURN Comments on APD, at 1.