**PUBLIC UTILITIES COMMISSION**505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298**FILED**

05/01/18

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May 1, 2018

Agenda ID #16483

Ratesetting

TO PARTIES OF RECORD IN APPLICATION 15-07-019:

This is the proposed decision of Administrative Law Judge Gary Weatherford. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's May 31, 2018 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, ex parte communications are prohibited pursuant to Rule 8.3(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:lil

Attachment

Decision PROPOSED DECISION OF ALJ WEATHERFORD (Mailed 5/1/2018)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of California-American Water Company (U-210W) for Authorization to Modify Conservation and Rationing Rules, Rate Design, and Other Related Issues for the Monterey District.

Application 15-07-019

**DECISION ADOPTING PHASE 3A SETTLEMENT AGREEMENT****Summary**

This decision grants the February 24, 2017 motion for adoption of a Settlement Agreement specifically with respect to the Phase 3A Settlement Agreement filed March 8, 2017. This resolves all Phase 3A issues. Phase 3A involves consideration of an annual consumption true-up pilot program. In particular, the program establishes a process for adjusting rates annually based on updated consumption and production data to (a) improve the likelihood of California-American Water Company collecting its authorized revenue requirement and (b) moderate balances in the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account.

The proceeding is closed.

**1. Background**

California-American Water Company (Cal-Am or Applicant) faces particularly challenging water supply, cost, rate, rate design, and conservation issues in its Monterey District. It is necessary to first review these and related items in order to understand this decision and place it in context. In particular,

this review includes supply constraints, the procedural history of this proceeding, evidence and findings in our December 2016 decision (Decision (D.) 16-12-003) relative to the true-up pilot program, and the scope of Phase 3A.

### **1.1. Supply Constraints and This Proceeding**

Applicant has been, and is, subject to a series of orders from the State Water Resources Control Board (SWRCB) to cease unlawful diversions from the Carmel River.<sup>1</sup> For example, in 1995 the SWRCB ordered Applicant to cease unlawful diversions or be subject to fines. In 2009 the SWRCB issued a cease and desist order (CDO) that compelled Applicant to reduce its draws from the Carmel River by about 66% no later than December 31, 2016, or be subject to sanctions and penalties. In 2016 the SWRCB amended the CDO, deferring full compliance to December 31, 2021 and including specific milestone requirements each year beginning in 2016 with severe sanctions and penalties for noncompliance.

Cal-Am is also under a Monterey County Superior Court order to ramp-down its draws from the Seaside Groundwater Basin. That order requires a reduction by about 63% no later than December 31, 2021.<sup>2</sup>

Cal-Am seeks authorization in another proceeding before this Commission to provide the necessary replacement water. (See Application (A.) 12-04-019.) In this application, Cal-Am seeks authorization to modify its conservation and

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<sup>1</sup> See SWRCB Orders WR 95-10 (July 6, 1995), WR 2009-0060 (October 20, 2009), and WR 2016-0016 (July 19, 2016).

<sup>2</sup> Applicant Opening Brief at 8, citing *California American Water Company v. City of Seaside*, Case No. M66343, Decision (Monterey Cnty. Sup. Ct. March 27, 2006). Applicant must reduce its takes by about 2,528 acre-feet per year (AFY), from 4,000 AFY to 1,472 AFY. (2,528/4,000 = 63.2%.)

rationing plan, rate design, and other related issues for the Monterey District.<sup>3</sup> Its proposals here, according to Cal-Am, present a comprehensive approach to address supply, conservation, rationing, financial stability, and rate design issues. Among the proposals is an annual consumption true-up pilot program (ACPP). The goal of this program is to adjust rates annually based on updated actual sales in order to stabilize revenues and moderate future Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) balances.

### **1.2. Procedural History**

The application was filed on July 14, 2015. A prehearing conference to determine parties, issues, schedule and other matters was held on September 8, 2015. On November 4, 2015, the assigned Commissioner's Scoping Memo and Ruling was filed.

Two public participation hearings were held in Seaside on January 25, 2016. The two hearings were well attended, and statements were made on the record by 53 persons. The general consensus among public speakers was that rate levels are too high, there is rate inequity between customer classes and meter sizes, and customers have exceeded conservation mandates but are still facing increasing rates.<sup>4</sup>

The Scoping Memo scoped ten issues to be addressed in two phases. Phase 1 addressed the request for an expedited rate design change to eliminate

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<sup>3</sup> Applicant says all proposed changes will be applicable to what is known as its Monterey Main system, including those systems that can produce or receive water from the Seaside Basin and/or Carmel River (including Ryan Ranch, Bishop, and Hidden Hills). The proposals are not applicable to the sub-systems of Toro, Ambler, Chualar, Ralph Lane, or Garrapata.

<sup>4</sup> See D.16-12-003 at 9-10 for more details.

summer outdoor watering allotments in the upper rate tiers. Those allotments were eliminated by a Commission decision adopted in March 2016. (*See* D.16-03-014.)

Phase 2 covered all remaining issues. Phase 2 issues were resolved by a Commission decision adopted in December 2016. (*See* D.16-12-003.) The Commission did not, however, adopt the ACPP. The proceeding was kept open in a third phase to consider two issues: (a) an improved consumption true-up pilot program, if proposed within 60 days, and (b) a possible penalty for failure by Applicant to reasonably administer its tariffs. Applicant and other parties were encouraged to file a motion for consideration of an improved pilot program, incorporating enhancements discussed in the Commission's decision.

On December 22, 2016, the assigned Commissioner filed an Amended Scoping Memo and Ruling Regarding Phase 3 Issues and Extended Deadline. The Amended Scoping Memo established two phases: (a) Phase 3A to address the true-up mechanism and (b) Phase 3B to address a possible penalty. Phase 3A was categorized as ratesetting with eventual resolution by a Proposed Decision (PD). Phase 3B was categorized as adjudicatory with eventual resolution by a Presiding Officer's Decision (POD).<sup>5</sup> The original deadline for this proceeding was May 4, 2017. The Amended Scoping Memo extended the deadline to December 31, 2017.

Consistent with the 60-day deadline, on January 30, 2017, a motion was filed for adoption of a revised partial ACPP Settlement Agreement (SA) by

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<sup>5</sup> *See* Pub. Util. Code §§ 1701.1, 1701.2, and 1701.3 regarding the different procedures and timeframes for reaching a Commission decision in ratesetting compared to adjudicatory matters.

two parties: Applicant and the Monterey Peninsula Water Management District (MPWMD). On February 24, 2017, a motion for adoption of a SA regarding all Phase 3A and 3B issues was filed by four parties: Applicant, MPWMD, Coalition of Peninsula Businesses, and the Commission's Office of Ratepayer Advocates (ORA), collectively "Settling Parties." The motion included a request to suspend the schedule and consider the SA using the record in Phases 1 and 2. On March 8, 2017, a compliance filing was made to separate the SA into the portion dealing with Phase 3A and the portion dealing with Phase 3B (thereby facilitating Commission consideration of SA elements that are in the ratesetting portion of the proceeding separately from those in the adjudicatory portion of the proceeding).

On March 27, 2017, joint comments in support of the Phase 3A SA were filed timely by the Settling Parties, and comments in opposition were filed by Public Trust Alliance (PTA). On March 28, 2017, the motion to suspend the schedule was denied and hearing dates were set. The motion was denied because the SAs were not all-party settlements, issues were in dispute, and "there is insufficient information upon which to judge the SAs..."<sup>6</sup> On April 5, 2017 joint comments in opposition to the SA were filed by Public Water Now (PWN) and Regulatory Liaisons (RL). On April 13, 2017 reply comments in opposition to the SA were filed by PTA.

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<sup>6</sup> See March 28, 2017 Ruling at 10.

Eight days of evidentiary hearings were held between April 13 and November 29, 2017.<sup>7</sup> By Amended Scoping Memo and Ruling on November 21, 2017, the statutory deadline was extended to September 30, 2018.<sup>8</sup>

Opening briefs were filed on January 22, 2018 by five parties.<sup>9</sup> Reply Briefs were filed on February 12, 2018 by four parties.<sup>10</sup>

On February 12, 2018, PWN/RL moved for permission to file an updated Phase 3 Opening Brief. The motion was opposed by Applicant and CWA. On February 23, 2018, the motion was granted.<sup>11</sup>

The proceeding was submitted for decision on February 26, 2018, upon receipt of all briefs. This decision is the PD addressing Phase 3A issues. A separate POD was filed to address Phase 3B issues.

### **1.3. Evidence in Phase 2, D.16-12-003, and Scope of Phase 3A**

Cal-Am's July 2015 application included a proposed annual consumption true-up pilot program, or ACPP. On June 17, 2016 (after the filing of Phase 2

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<sup>7</sup> The eight days were: April 13, 14, and 17; August 17 and 18; September 12; November 27 and 29, 2017.

<sup>8</sup> The statutory deadline was extended in particular due to the amount of time required to complete discovery and the evidentiary portion of the proceeding. In short, the nature of the litigation plus the needs and availabilities of the parties and the Commission required hearings over the course of 2017, and a briefing schedule lasting into February 2018. (See November 21, 2017 Ruling to Extend Deadline at 7-8.) Non-settling parties were given every reasonable opportunity plus an abundant amount of time to engage in discovery, develop disputed issues, present all necessary evidence, testify, cross-examine opposing witnesses, and prepare briefs.

<sup>9</sup> The five parties are: Applicant, MPWMD, California Water Association (CWA), and jointly by PWN/RL.

<sup>10</sup> The four parties are: applicant, CWA, and jointly by PWN/RL.

<sup>11</sup> The motion was granted because the updates did not fundamentally change any of the substantive content. Rather, they updated the Table of Authorities, added footnotes, and corrected exhibit numbers within the text.

reply briefs), applicant and MPWMD moved for adoption of a SA that included refinements to the ACPP. To differentiate it from ACPP, the refined approach was called the consumption adjustment mechanism true-up pilot-program, or CAM.

The Commission declined to adopt the CAM SA on the basis that it was not consistent with the record, lacked a precisely stated methodology, and included inaccurate or imprecise terms. (D.16-12-003 at 63-64; and Finding of Fact 38 at 97.) It also declined to adopt the ACPP on the basis that it was stated in general terms (making its implementation unacceptably vulnerable to dispute) and did not include improvements proposed in CAM. (D.16-12-003 at 65-66; and Finding of Fact 39 at 97.) Nonetheless, the Commission saw merit in a pilot program to adjust rates in the Monterey District to reflect more current sales data, help stabilize revenue collections, and reduce WRAM under-collections. (D.16-12-003 at 66; and Finding of Fact 40 at 97.) The Commission encouraged parties to propose an improved annual consumption true-up pilot program (called ACPP/CAM) to address infirmities noted in D.16-12-003. If parties elected to do so, the Commission required that the proposal be made by motion filed no later than 60 days from the date of the decision. Parties did so, as noted above.

The December 22, 2016 Amended Scoping Memo scoped the Phase 3A (Issue 11) as:

11. True-Up Mechanism: Should an improved annual consumption true-up pilot program be adopted (if a motion for one is filed in this proceeding by January 30, 2017)? If so, what are the specifics of how the program should work? How does the proposed improved program incorporate the elements addressed in D.16-12-003 (see pages 72-73 and Conclusion of Law 25.)?



## 2. Discussion

Our consideration of an improved ACPD focuses on the February 24, 2017 motion for Commission adoption of a SA, and in particular the Phase 3A SA filed March 8, 2017, with the benefit of the Phase 3A record.

The Phase 3A SA was proposed by the four Settling Parties. It was initially opposed by PTA, PWN, and RL. PTA's concerns were addressed, and it removed its opposition during the evidentiary hearings.<sup>12</sup> While PNW/RL initially commented in opposition to the Phase 3A SA, they did not present any evidence in Phase 3A, and do not argue any objections in their briefs.<sup>13</sup> In fact, the PWN/RL Joint Opening Brief (at 4) says: "We have nothing to contribute to the True-Up program." Therefore, the Phase 3A SA is unopposed.

We first summarize the Phase 3A SA. We then state the tests used by the Commission to determine whether or not to approve a SA, and assess whether or not the Phase 3A SA meets those tests. We conclude it does.

### 2.1. Summary of Phase 3A SA

The Phase 3A SA is contained in Attachment 1. The key elements are:

- a. Applicability: The ACPD/CAM is a pilot program limited to specified customers in specific parts of Applicant's Monterey Main system.<sup>14</sup> It will be evaluated in a subsequent general

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<sup>12</sup> Reporter's Transcript (RT) Vol. 8 at 1370.

<sup>13</sup> We do not address matters here that are not briefed by parties. That is, we address and resolve disputes to the extent briefed by parties at the conclusion of the proceeding. We do not identify and resolve each and every other dispute between parties that occurred over the course of the matter. While not a dispute, we address the lack of record on one issue in our discussion of whether the Phase 3A SA is reasonable in light of the record.

<sup>14</sup> This is the Monterey Main system, including the Ryan Ranch, Bishop, and Hidden Hills subsystems, but excluding the Toro, Ambler Park, Chualar, Ralph Lane, and Garrapata subsystems. The program does not apply to customers who are billed under rates and tariffs

*Footnote continued on next page*

rate case, and Cal-Am will provide actual consumption data for the first full year following its implementation for that evaluation.

- b. Process: Applicant will file a Tier 2 advice letter on or before November 15. The advice letter will provide actual recorded monthly consumption by classification and by tier from October 1 of the prior year through September 30 of the current year, along with the legal and court ordered production limitations, covered by the ACPP/CAM for the applicable Monterey Main system customers. Upon approval of the Tier 2 advice letter, Applicant will file a Tier 1 advice letter to implement new rates January 1 of the subsequent year. The approved data will then replace the adopted quantities beginning January 1 of the subsequent year and be used for future rate adjustments during that year.
- c. Consumption Data: Current rates are to be modified as provided in the SA. Proposed rates in the escalation and attrition years will be based on actual recorded consumption or, if lower, the production limit set by court order or legal restrictions.
- d. Methodology: Four appendices provide more particulars: (1) detailed customer classifications, (2) a sample calculation based on consumption, (3) a sample calculation based on production limits, and (4) a sample calculation of adjustments to volumetric based surcharges.
- e. Tracking and Changes: Cal-Am will track incremental differences with respect to revenues and production costs, and will recalculate consumption based surcharges.
- f. Notice: Cal-Am will give notification, conduct community outreach, and provide an annual notice of the effect on rates to all affected customers.

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not subject to tracking and revenue adjustment under the WRAM/MCBA mechanism (such as resale and/or other special use customers).

**2.2. Tests to Approve a Settlement**

The Commission will not approve a settlement, whether contested or uncontested, unless the settlement meets three criteria: (a) is reasonable in light of the whole record, (b) consistent with law, and (c) in the public interest. (Rule 12.1(d) of the Commission's Rules of Practice and Procedure.) Settlements are generally favored by the Commission when they meet these tests.<sup>15</sup> For the reasons stated below, we find the evidence supports the adoption of the Phase 3A SA.

**3. Reasonable in Light of the Whole Record**

The Phase 3A SA is reasonable in light of the whole record. For example, the Commission identified specific concerns with respect to CAM and ACPP. (D.16-12-003 at 63 – 73.) These included the lack of a precisely stated methodology, use in some cases of inaccurate or imprecise terms, errors or inconsistency in sample calculations, and potential inequitable treatment between classes. The Phase 3A SA addresses these concerns. The Phase 3A SA includes a detailed discussion of the process and method for calculating the true-up. The terms have been revised or eliminated to provide clarity and consistency. Improved details and sample calculations are attached. To address potential inequitable treatment between classes, Cal-Am clarifies that the intent of the ACPP/CAM is not to change any decision related to revenue allocation.<sup>16</sup> At the evidentiary hearing, ORA confirmed that the Phase 3A SA contains the necessary information.<sup>17</sup>

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<sup>15</sup> See D.88-12-032, D.07-03-044, and D.11-06-023.

<sup>16</sup> Cal-Am Opening Brief at 14.

<sup>17</sup> RT Vol. 8 at 1352.

The record identifies several concerns that are specific to Cal-Am's Monterey District such as supply, large WRAM/MCBA balances, and revenue instability. The Phase 3A SA is tailored to the unique and complex issues in the Monterey District, in particular the continuing water supply constraints and revenue variability inherent in the steeply tiered conservation rate design. Moreover, the Phase 3A SA gives Cal-Am a mechanism that should moderate WRAM/MCBA balances.

Concerns were expressed in comments on the Phase 3A SA that the proposed true-up mechanism was fatally flawed.<sup>18</sup> In particular, the comments identified alleged fatal flaws from the failure to address forecasting accuracy. According to these comments, Cal-Am had "failed to account for water demand stimulation & [sic] destruction by"<sup>19</sup> multiple factors including drought, minor weather variations, price change, consumption trends, conservation programs, mass media conservation campaigns, and deep discount pricing for non-residential customers. The comments stated that "demand forecasting taking this list of factors as inputs is particularly easy to create and materially enhances the result of an Annual True-Up program such as ACP/CAM."<sup>20</sup> No evidence, however, was presented by any party in Phase 3A showing ways to improve upon the data or method. In particular, no evidence was presented to show that demand forecasting can easily take these factors into account and materially enhance the results.

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<sup>18</sup> April 5, 2017 Response of PWN/RL to Phase 3A SA.

<sup>19</sup> April 5, 2017 Response of PWN/RL to Phase 3A SA at 3.

<sup>20</sup> April 5, 2017 Response of PWN/RL to Phase 3A SA at 3.

As a result, we conclude that the Phase 3A SA is reasonable in light of the whole record.

#### **4. Consistent with Law**

The Phase 3A SA is consistent with law. The issues resolved therein are within the scope of the proceeding. No party identifies any statutory provision or prior Commission decision that would be contravened or compromised, and we are aware of none. The Phase 3A SA specifically addresses contemporaneously adjusting variable water costs along with rates based on sales forecasts to provide compatibility with the law.<sup>21</sup> As a result, we conclude that the Phase 3A SA is consistent with law.

#### **5. In the Public Interest**

The Phase 3A SA is in the public interest. Cal-Am's Monterey District has a history of WRAM/MCBA under-collections that must be addressed in a more timely way. The proposed true-up mechanism provides a reliable and timely process for adjusting the authorized consumption and production forecasts used in setting rates for each escalation and attrition year. The adjusted rates increase the likelihood of collecting the authorized revenue requirement and moderating WRAM/MCBA balances.

To the extent the ACP/CAM is able to moderate large rate adjustments in WRAM/MCBA balances compared to existing procedures, the updated rates will provide more rate and customer bill stability, and allow customers to

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<sup>21</sup> By ALJ Ruling on March 3, 2007 (at page 8), the concern was raised that revising rates based on adopting a revised sales forecast without contemporaneously adjusting the variable water production costs would result in rates that would likely not be just and reasonable, as required by Pub. Util. Code § 451. Settling Parties addressed this by including a specific item addressing costs. (See § 4.7.2 of the Phase 3A SA filed on March 8, 2017.)

improve their ability to plan for their annual water cost budgets. The updated rates will also provide improved price information so that use-reduction (conservation) rate signals are more timely and consistently provided to customers. They will address intergenerational equity concerns by the more timely recovery of costs in rates (e.g., not deferring cost recovery via large WRAM/MCBA balances to future customers, but improving the alignment of that cost recovery with current customers). They will reduce interest costs recovered in rates by shortening the period that WRAM/MCBA accounts accrue interest.

It is reasonable for ACP/CAM to use the latest annual consumption numbers because usage has been, and continues to be, unpredictable. This is due to many factors including aggressive overall conservation activities and customer response to tiered pricing. The true-up adjustment process will use updated consumption data (both overall and by tiers) to improve revenue recovery and stabilize rates (both overall and by tiers) compared to existing procedures. It should also moderate WRAM/MCBA balances that in particular are driven here by the unique rate design and amount of revenue recovered in the upper tiers.

The Phase 3A SA resolves disputed issues and provides regulatory certainty. The settlement negotiations were conducted at arm's length and there is no evidence to suggest any collusion or undue influence. The Settling Parties were adequately represented by experienced counsel.

The Phase 3A SA provides that Cal-Am will provide notice to all affected customers, will provide community outreach, and will notify ORA and MPWMD of its efforts to notify customers. (Phase 3A SA § 4.8.1.) It also provides that Cal-Am will provide an annual notice to customers of the effect on rates of any

changes that occur as a result of the annual consumption adjustment due to the true-up mechanism. (Phase 3A SA § 4.8.2.) We note two items here.

First, Cal-Am should consult with the Commission's Public Advisor regarding these notices. Applicant should do so because of concerns expressed by Monterey District customers with rate levels and rate adjustments, the relatively complex adjustment mechanisms involved, and the sensitive nature of these communications.

Second, we understand "conduct community outreach" (Phase 3A SA § 4.8.1) means that Cal-Am will hold public meetings to explain ACPP/CAM and bill impacts to Monterey District customers. Cal-Am should consult with the Commission's Public Advisor on the number and location of these public meetings, and anything else reasonably necessary to make the community outreach successful.

For all these reasons, we conclude that the Phase 3A SA is in the public interest.

## **6. Conclusion**

The Phase 3A SA is reasonable in light of the whole record, consistent with law, and in the public interest. It should be adopted.

## **7. Comments on Proposed Decision**

The proposed decision of ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on \_\_\_\_\_, and reply comments were filed on \_\_\_\_\_ by \_\_\_\_\_.

**8. Assignment of Proceeding**

Liane M. Randolph is the assigned Commissioner and Gary Weatherford is the assigned Administrative Law Judge in this proceeding.

**Findings of Fact**

1. Cal-Am is under SWRCB orders to cease unlawful diversions from the Carmel River by December 31, 2021; and a Monterey County Superior Court order to ramp-down its draws from the Seaside Groundwater Basin by December 31, 2021.
2. D.16-12-003 kept this proceeding open to address two issues, one being an improved annual consumption true-up pilot program, if proposed within 60 days.
3. Two parties moved within the required 60 days for adoption of an improved ACPP.
4. On February 24, 2017, four parties filed a motion for adoption of a Settlement Agreement; the portion of the SA dealing with Phase 3A was filed as a compliance filing on March 8, 2017.
5. The Phase 3A SA addresses the concerns with ACPP and CAM identified by the Commission in D.16-12-003, and no party presented evidence in Phase 3A regarding ways to improve upon the data or methods in the proposed true-up mechanism.
6. The Phase 3A SA is reasonable in light of the whole record.
7. The Phase 3A SA resolves issues within the scope of this proceeding, no party identifies any statutes or Commission decisions that would be contravened, and the Phase 3A SA specifically addresses contemporaneous adjustment of costs with rates to provide compatibility with law.



8. Cal-Am's Monterey District has a history of WRAM/MCBA under-collections that must be addressed in a more timely way.

9. The proposed true-up mechanism provides a reliable and timely process for adjusting the authorized consumption and production forecasts used in setting rates for each escalation and attrition year; and the adjusted rates increase the likelihood of collecting the authorized revenue requirement and moderating WRAM/MCBA balances.

10. Updated rates resulting from the true-up mechanism will, compared to existing procedures, provide more rate and bill stability, allow customers to improve their budgets for annual water costs, improve the timeliness and consistency of price information, address intergenerational equity concerns, and reduce interest costs recovered in rates.

11. Community outreach includes Cal-Am conducting public meetings to explain ACPP/CAM and bill impacts to Monterey District customers.

12. The Phase 3A SA is in the public interest.

### **Conclusions of Law**

1. The Phase 3A SA is consistent with law.

2. Cal-Am should consult with the Commission's Public Advisor regarding the customer notices and community outreach provided in the Phase 3A SA.

3. The February 24, 2017 motion for the adoption of the Phase 3A SA should be granted with respect to the Phase 3A SA filed on March 8, 2017.

4. This decision should be effective today in order to resolve issues promptly, provide certainty, and establish the true-up mechanism without delay.

**O R D E R**

**IT IS ORDERED** that:

1. The February 24, 2017 motion for adoption of the Settlement Agreement is granted with respect to the Phase 3A Settlement Agreement filed on March 8, 2017.
2. California-American Water Company shall consult with the Commission's Public Advisor regarding the customer notices and community outreach in Section 4.8 of the Phase 3A Settlement Agreement.
3. Application 15-07-019 is closed.

This order is effective today.

Dated \_\_\_\_\_, at San Francisco, California.

# **ATTACHMENT 1**

## **SETTLEMENT AGREEMENT ON PHASE 3A ISSUES**

Filed on March 8, 2017

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

Application of California-American Water Company  
(U210W) for Authorization to Modify Conservation  
and Rationing Rules, Rate Design, and Other Related  
Issues for the Monterey District.

Application 15-07-019  
(Filed July 14, 2015)

**SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER  
COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, MONTEREY PENINSULA  
WATER MANAGEMENT DISTRICT, AND COALITION OF PENINSULA  
BUSINESSES ON PHASE 3A ISSUES**

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March 8, 2017

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

Application of California-American Water Company (U210W) for Authorization to Modify Conservation and Rationing Rules, Rate Design, and Other Related Issues for the Monterey District.

Application 15-07-019  
(Filed July 14, 2015)

**SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER COMPANY, THE OFFICE OF RATEPAYER ADVOCATES, MONTEREY PENINSULA WATER MANAGEMENT DISTRICT, AND COALITION OF PENINSULA BUSINESSES ON PHASE 3A ISSUES**

**1. GENERAL PROVISIONS**

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), California-American Water Company (“Cal-Am” or the “Company”), the Office of Rate Payer Advocates (“ORA”), Monterey Peninsula Water Management District (“MPWMD”) and the Coalition of Peninsula Businesses (hereinafter, “the Parties”) have agreed on the terms of this settlement agreement (the “Phase 3A Settlement Agreement”), which they now submit for approval. This Phase 3A Settlement Agreement supersedes the revised settlements filed by Cal-Am and MPWMD on January 30, 2017 and February 24, 2017 and embodies the entire understanding and agreement of the Parties with respect to the matters described herein.

The Parties, desiring to avoid the expense, inconvenience, and uncertainty attendant to litigation of matters in dispute between them, have agreed on this Phase 3A Settlement Agreement, which they now submit for approval.

Because the Phase 3A Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Phase 3A Settlement Agreement on the basis that the Agreement’s 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 Phase 3A 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. (See Rule 12.5, Commission's Rules of Practice and Procedure.)

The Parties agree that no signatory to the Phase 3A 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 Parties originally reached the Phase 3A Settlement Agreement as an integrated package both as to the contents of that Agreement as well as and in combination with the contents of the Phase 3B Settlement, as opposed to agreeing to specific elements of the Phase 3A and 3B Settlement Agreements separately. If the Commission adopts the Phase 3A and 3B Settlement Agreements with modifications (which would include adopting one Agreement but not the other), all the Parties must consent to the modifications or the Phase 3A and 3B Settlement Agreements are void, and all Parties reserve all rights set forth in Rule 12.4 of the Commission's Rules of Practice and Procedure. As between the Parties, this Phase 3A Settlement Agreement may be amended or changed only by a written agreement signed by the Parties.

This Phase 3A 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 Phase 3A Settlement Agreement. Accordingly, the Parties agree that no provision of this Phase 3A Settlement Agreement shall be construed against any Party because that Party or its counsel drafted the provision.

The Phase 3A Settlement Agreement supersedes any prior agreement, commitments, representations, or discussions between the Parties concerning the issues agreed to herein. The Phase 3A Settlement Agreement does not alter the rate design or revenue requirement approved in Decision (“D.”) 16-12-003.

The Parties agree to use their best efforts to obtain Commission approval of the Phase 3A Settlement Agreement. The Parties shall request that the Commission approve the Phase 3A

Settlement Agreement without change and find the Phase 3A Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

## **2. BACKGROUND**

Phase 3 of this proceeding addresses two issues: (A) an annual consumption true-up pilot program (Annual Consumption Pilot Program (“ACPP”)/Consumption Adjustment Mechanism (“CAM”)) for the Monterey County District, and (B) Cal-Am’s administration of its allotment based residential tariffs for the Monterey County District. In addition to the Phase 3A Settlement Agreement here, the Parties submitted a separate settlement agreement to address the issues in Phase 3B.

## **3. SUMMARY OF SETTLEMENT**

This Phase 3A Settlement Agreement addresses the first of the issues to be addressed in Phase 3 of this proceeding: (A) an annual consumption true-up pilot program (Annual Consumption Pilot Program (“ACPP”)/Consumption Adjustment Mechanism (“CAM”)) for the Monterey County District. The Parties recognize the substantial record that has already been developed in Phase 1 and Phase 2 of this proceeding and believe that this record is sufficient to justify the settlement terms below.

## **4. PHASE 3A – ANNUAL CONSUMPTION TRUE-UP PILOT PROGRAM**

### **4.1 Overview**

4.1.1 Cal-Am provides metered water service to approximately 38,500 customers in its Monterey Main system, which is comprised of the Monterey Main system, Hidden Hills, Ryan Ranch and Bishop. Currently, all Monterey County District water customers are billed on a monthly basis. The Phase 3A Settlement Agreement provides the implementation details for the ACPP/CAM covering residential and non-residential customers in the Monterey Main system subject to Water Revenue Adjustment Mechanism (“WRAM”)/Modified Cost Balancing Account (“MCBA”) true-ups.

4.1.2 Due to continuing supply constraints and unexpectedly large variances in consumption forecasts, parties request a reliable and timely process for adjusting the authorized

consumption and production forecasts for each annual escalation and attrition year in Monterey so that the rates developed for those annual periods ensure the likelihood that conservation rates will collect the annual authorized revenue requirement and WRAM/MCBA balances will be moderated. Parties believe that utilizing a more current consumption forecast could allow customers to better budget their annual water costs, provide the right pricing signals so that all conservation and use restriction signals are timely and consistently provided to customers, address inter-generational equity concerns in the timely recovery of costs in rates and lower rates to customers by shortening the period that accounts accrue interest. The process that is defined in this Phase 3A Settlement Agreement is tailored to the unique and complex issues in Monterey.

#### **4.2 Need for ACP/CAM**

4.2.1 Parties support the ACP/CAM because of urgent needs to address the timely recovery of the WRAM balances in Monterey, which have been impacted by the legal and regulatory restrictions on Cal-Am's water supply that stem from the State Water Resources Control Board ("SWRCB") Order No. WR 95-10, a superior court decision in the Seaside Ground Water Basin adjudication in 2006, and finally the SWRCB Order No. WR 2009-0060, a Cease and Desist Order ("CDO") issued in 2009.

4.2.2 Parties believe that it is reasonable to use the latest annual consumption numbers in Monterey because the usage is unpredictable due to aggressive conservation activities and tiered pricing, and there has been a continual unpredictable decline in usage and usage per customer on the Monterey Peninsula. Parties support the need to adjust overall consumption, but equally or perhaps, more importantly, to adjust the consumption by tier because of the unique rate design and the amount of revenue that is recovered in the upper tiers in Monterey.

4.2.3 The Parties agree that any legal or court ordered reductions that are prospectively to take place within the time period of the projections developed in the annual ACP/CAM filing must be considered and the total annual production for the annual projected



period must be limited to the maximum production allowed under any current CDO and basin adjudication.

4.2.4 Parties support the ACPP/CAM in Monterey because of the strict use restrictions and the amended CDO deadline, which will continue to place downward pressure on, and require strict demand limits in the future. Parties support the ACPP/CAM in Monterey because the successful financing of the Monterey Peninsula Water Supply Project (“MPWSP”) (Application (“A.”) 12-04-019) could benefit from more stable revenue. The identified funding mechanisms for the MPWSP including Surcharge 2, State Revolving Funds (“SRF”) and the securitized debt all rely on the timely collection of authorized revenue. Unpredictability in the timely recovery of revenue can be a concern for capital markets and may result in lower credit ratings, or worse – the inability to use some or all of the innovative financing tools identified for the water supply project in order to hold down costs to ratepayers.

### **4.3 Applicability**

4.3.1 The ACPP/CAM covers residential and non-residential customers in the Monterey Main system subject to WRAM/MCBA true-ups, which includes Ryan Ranch, Bishop and Hidden Hills but excludes the satellite systems of Toro, Ambler Park, Ralph Lane, Garrapata and Chualar. The ACPP/CAM would apply to most metered customers in these areas only.<sup>1</sup> The proposed ACPP/CAM is a pilot program limited to the Monterey County District and is appropriate to address the unique issues facing Cal-Am’s Monterey County District. The ACPP/CAM agreed to in this settlement will be evaluated in the 2019 general rate case (with rates effective January 1, 2021) following the current general rate case (A.16-07-002). When it becomes available, Cal-Am will provide the actual consumption data for the first full year following the implementation of the ACPP/CAM to ORA for that evaluation.

<sup>1</sup> It would not apply to customers who are billed under rates and tariffs not subject to tracking and revenue adjustment under a WRAM/MCBA mechanism such as resale customers and/or other special use customers.

4.3.2 The current tariff sheets that would be wholly or partially covered under the ACP/CAM include those listed in the table below for Cal-Am's Monterey County District and includes General Metered Service for the residential, mixed use and most non-residential customers.

MO-1	Monterey County District Tariff Area	General Metered Service	Residential Customers
CA-LIRA	California American Water Low Income Ratepayer Assistance Program	General Metered Service	Monterey Low Income Residential Customers
MO-1MU	Monterey County District Tariff Area	General Metered Service	Mixed Use Customers
MO-1C	Monterey County District Tariff Area	General Metered Service	Non-Residential Customers

#### 4.4 Process

The Parties agree that this process would apply to most customers in the three billing classifications in the Monterey Main System, Bishop, Hidden Hills and Ryan Ranch areas. The Parties agree that the ACP/CAM would adjust rates on a prospective basis through the following proposed process:

4.4.1 Cal-Am would be required to file an annual Tier 2 advice letter on or before November 15. The advice letter would provide the actual recorded consumption and legal and court ordered production limitations for the Monterey Main system customer classes that are covered by the process defined and detailed in this settlement. Further, the information provided will be monthly data by affected classification and by tier from October 1 of the prior year through September 30 of the current year. This data will be exactly the same data as will be presented in the annual required WRAM/MCBA report that is required to be filed on an annual basis.

4.4.2 With approval of the Tier 2 advice letter by the Commission's Water Division, a Tier 1 advice letter would be filed to implement new rates on January 1 of the subsequent year.

4.4.3 This consumption and production data would then replace the adopted quantities beginning January 1 of the subsequent year and would be used for future rate adjustments, including all annual step and offset filings, in that calendar year until the adopted quantities are updated the following year.

#### **4.5 Consumption Data**

4.5.1 Current rates are based on the adopted average annual consumption, as determined in D.15-04-007. These current rates are to be modified by the use of actual 2015 consumption data by rate class and by tier as ordered in D.16-12-003. This would include the use of consumption by tier by customer classification for residential customers and by division for non-residential customers. For example, new Tariffs filed by Cal-Am per Advice Letter 1148 with a proposed effective date of March 1, 2017, will reflect 2015 consumption data by rate class and by tier, consistent with D.16-12-003.

4.5.2 Proposed rates in the escalation and attrition year (e.g., 2019 and 2020 of the current general rate case (A.16-07-002)) would be based on the actual recorded consumption and consumption by tier for residential and by division for non-residential customers for the 12-month period ended September 30, unless such recorded consumption is greater than the court ordered or legally restricted limits to be in place during the projected period, in which case the production limit will be set at the maximum limitations of the court order and legal restrictions. (See Appendix B for the sample calculation).

#### **4.6 Appendix Descriptions**

4.6.1 Appendix A provides a list of all detailed customer classifications that will be subject to the annual true-up process.

4.6.2 Appendix B provides a sample calculation of how the ACPP/CAM would work to establish rates for the subsequent year based on the recorded consumption for the

previous 12 month period ending on September prior to the annual period in which the current adjustment is to be effective for Rate Schedule MO-1, CA-LIRA (for Monterey), MO-1MU and MO-1C for applicable residential, mixed use and non-residential customers, respectively.

4.6.3 Appendix C provides a sample calculation of how the ACP/CAM would work to establish the appropriate level of consumption for the subsequent year based on production limitations for the prospective annual period in which the current adjustment is to be effective for Rate Schedule MO-1, MO-1MU and MO-1C for applicable residential, mixed use and non-residential customers, respectively.

4.6.4 Appendix D provides a sample calculation of how the ACP/CAM would adjust volumetric based surcharges for the subsequent year based on recorded consumption for the previous 12-month period.

#### **4.7 Tracking and Changes**

4.7.1 Parties agree that Cal-Am will track the incremental difference between the revenue that should be collected in a given year under the ACP/CAM and the incremental actual revenues collected.


4.7.2 Parties agree that Cal-Am will track the incremental difference between the production costs that were authorized in a given year under the ACP/CAM and the actual production costs that were incurred in that year.

4.7.3 The Parties agree that any consumption based surcharges that are in place in the Monterey Main system, as defined above, will be recalculated to take into account the new annual consumption forecast resulting through the ACP/CAM.

#### **4.8 Notice**

4.8.1 The Parties agree that Cal-Am will provide notifications to all affected customers in the Monterey County District, including a description of the ACP/CAM and will conduct community outreach to explain how the ACP/CAM changes affect customers. Cal-Am agrees that it will notify ORA and MPWMD of its efforts to notify its customers.

4.8.2 The Parties agree that the Company will provide an annual notice to customers of the effect on rates of any changes that occur as a result of the annual consumption adjustment made effective due to the ACPP/CAM.

By: /s/   
Richard Svindland, Vice President of  
Operations

For California-American Water Company

By: /s/ \_\_\_\_\_  
Elizabeth Echols, Director

For Office of Ratepayer Advocates

By: /s/ \_\_\_\_\_  
David Stoldt, General Manager

For Monterey Peninsula Water Management  
District

By: /s/ \_\_\_\_\_  
Bob McKenzie, Water Issues Consultant

For Coalition of Peninsula Businesses

By: /s/ \_\_\_\_\_  
Richard Svindland, Vice President of  
Operations  
For California-American Water Company

By: /s/ *Elizabeth Echols for* \_\_\_\_\_  
Elizabeth Echols, Director  
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By: /s/ \_\_\_\_\_  
David Stoldt, General Manager  
For Monterey Peninsula Water Management  
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By: /s/ \_\_\_\_\_  
Bob McKenzie, Water Issues Consultant  
For Coalition of Peninsula Businesses

By: /s/

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By: /s/

Elizabeth Echols, Director

For Office of Ratepayer Advocates

By: /s/

  
David Stoldt, General Manager

For Monterey Peninsula Water Management  
District

By: /s/

Bob McKenzie, Water Issues Consultant


For Coalition of Peninsula Businesses

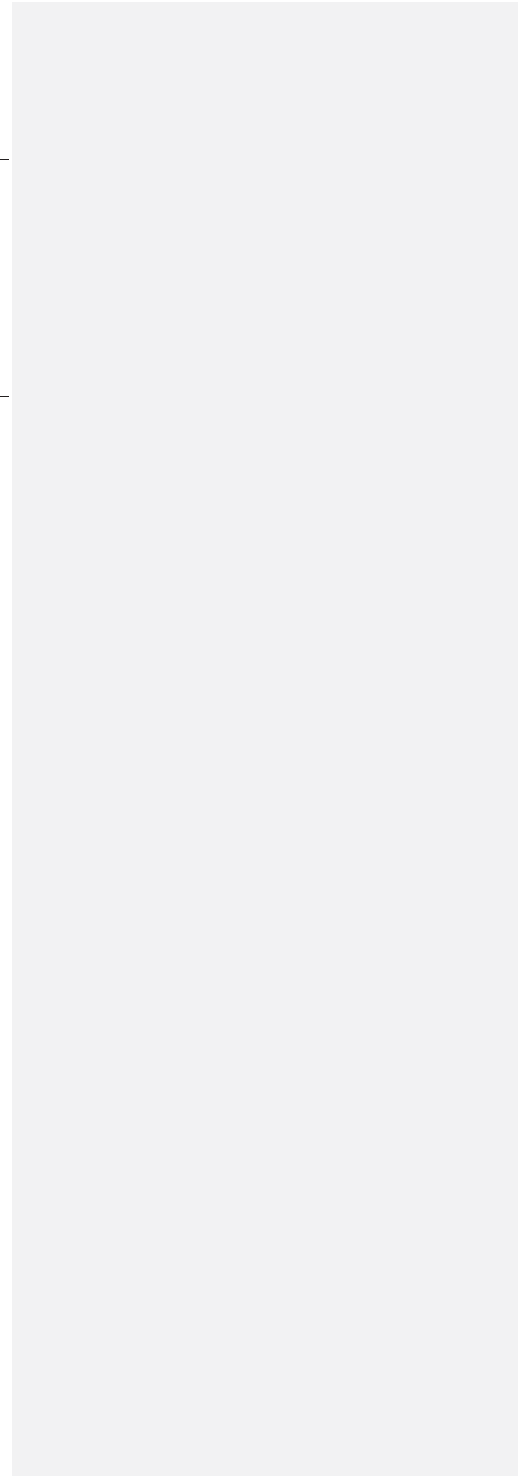


By: /s/ \_\_\_\_\_  
Richard Svindland, Vice President of  
Operations  
For California-American Water Company

By: /s/ \_\_\_\_\_  
Elizabeth Echols, Director  
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David Stoldt, General Manager  
For Monterey Peninsula Water Management  
District

By: /s/  \_\_\_\_\_  
Bob McKenzie, Water Issues Consultant  
For Coalition of Peninsula Businesses



# **APPENDIX A**

**CALIFORNIA AMERICAN WATER COMPANY  
MONTEREY COUNTY DISTRICT (A.15-07-019)**

**APPENDIX A: LIST OF CUSTOMER CLASSIFICATIONS SUBJECT TO ANNUAL TRUE-UP PROCESS**

By Customer Class

Residential Single Family (including low income)<sup>1</sup>

Residential Multi-Family

Non-Residential (including commercial, irrigation, public authority, industrial, golf, industrial)

Mixed Use

By System

Monterey Main (including Bishop, Hidden Hills, Ryan Ranch)

Customer Classes/Systems not Subject to the CAM

Resale

Construction

Other Special Use

Ralph Lane

Chualar

Garrapata

Ambler

Toro

<sup>1</sup> Low income customers are included as they are billed at regular rates for revenue requirement purposes with the discount applied

# **APPENDIX B**

**CALIFORNIA AMERICAN WATER COMPANY  
MONTEREY COUNTY DISTRICT (A.15-07-019)**

**APPENDIX B: CONSUMPTION ADJUSTMENT MECHANISM (CAM) EXAMPLE**

Note: Based on Actual October 1, 2015 - through - September 30, 2016 recorded data

**Single Family Residential Consumption by Tier<sup>(1)</sup>**

tens of cfs	Recorded		% Change
	Adopted Calendar Yr 2017 <sup>(3)(4)</sup>	10/1/15 - 9/30/16 <sup>(1)(5)</sup>	
Tier 1	12,056,752	11,757,894	-2.5%
Tier 2	5,108,628	4,459,438	-12.7%
Tier 3	2,343,724	1,857,813	-20.7%
Tier 4	931,618	727,524	-21.9%
Tier 5	756,024	653,904	-13.5%
<b>Total</b>	<b>21,196,747</b>	<b>19,456,572</b>	

**Multi-Family Residential Consumption by Tier**

tens of cfs	Recorded		% Change
	Adopted Calendar Yr 2017 <sup>(3)(4)</sup>	10/1/15 - 9/30/16 <sup>(5)</sup>	
Tier 1	3,379,682	3,519,069	4.1%
Tier 2	1,750,449	1,613,518	-7.8%
Tier 3	472,893	372,768	-21.2%
Tier 4	280,855	240,407	-14.4%
Tier 5	178,701	379,024	112.1%
<b>Total</b>	<b>6,062,580</b>	<b>6,124,785</b>	

**Non-Residential Consumption by Division**

tens of cfs	Recorded		% Change
	Adopted Calendar Yr 2017 <sup>(3)</sup>	10/1/15 - 9/30/16	
Division 1	6,728,655	9,895,738	47.1%
Division 2	42,867	1,012,869	2262.8%
Division 3	8,262,946	1,587,054	-80.8%
Division 4	503,034	501,535	-0.3%
	<b>15,537,502</b>	<b>12,997,196</b>	
<b>System Total<sup>(2)</sup></b>	<b>42,796,829</b>	<b>38,578,554</b>	

1) Includes low income

2) Includes Monterey Main, Bishop, Ryan Ranch, Hidden Hills

3) This is actual recorded data for October 2015 - September 2016

4) Tier Data has been adjusted to correspond to usage per block under rate design adopted in D.16-12-003

5) This is actual recorded data for the period and has been adjusted to correspond to the necessary data by block adopted by the new rate design approved in D.16-12-003

**CALIFORNIA AMERICAN WATER COMPANY  
 MONTEREY COUNTY DISTRICT (A.15-07-019)  
 APPENDIX B: CONSUMPTION ADJUSTMENT MECHANISM (CAM) EXAMPLE  
 PRODUCTION COST ADJUSTMENT**

	UNDER	UNDER	Based on Cons as for
	D.15-04-007 <sup>(1)</sup>	D.16-12-003	10/1/15-9/30/16
Total Authorized Production	4,768,262	4,679,143	4,257,315
Authorized Power Cost	2,303,248	2,260,200	2,056,442
 RATE	 0.483037	 0.483037	 0.483037
 Variable Cost Reduction		Difference	 <b>\$ 203,758</b>

ASR Production Requirements 399460

<sup>(1)</sup> The total authorized production includes production from ASR Wells that have to be included in determining Purchased Power Costs

Consumption Percentage Changes <sup>(2)</sup>	Percentage of Change
Residential	41.25% \$ 84,056.91
Multi-Residential	-1.47% \$ (3,004.74)
Non-Residential	60.22% \$ 122,706.21
Variable Cost Reduction	100.00% <b>\$ 203,758</b> <sup>(3)</sup>

<sup>(2)</sup> The percentage figures shown in this example are determined by the change in usage as shown on page 1 of this Appendix

<sup>(3)</sup> This amount is the total reduction necessary to capture the change in variable costs due to the change in production

CALIFORNIA-AMERICAN WATER COMPANY  
 MONTEREY COUNTY DISTRICT (A.15-07-019)  
 APPENDIX B: ADJUSTMENTS TO RATE DESIGN TO REFLECT THE CAM

Note: The following schedules are meant to show volumetric rates would be adjusted under the CAM. The numbers presented are for illustrative purposes only and do not necessarily reflect the final outcome of Decision D.16-12-003 in this proceeding or other submittals before the Commission. The conservation rate design that is used in this schedule under the Previously Adopted and under the CAM are as adopted in D.16-12-003. The consumption figures shown in the below schedules under the adopted scenario are all adjusted to conform to the new rate design by eliminating allocations. The total consumption figure as shown under the CAM is the actual usage for the 12 month period. The usage by block in the CAM schedule has been adjusted to eliminate allocations and reflect the same total usage but by the adopted block design in D.15-07-003.

**SINGLE FAMILY UNDER PREVIOUSLY ADOPTED CONSUMPTION**

Standard Components			Standard Rate Design per D.86-05-064			Conservation Rate Design as adopted in D.16-12-003		
Meter Size	Avg Number of Meters	50% Meter Revenues	30% Meter Rate	Meter Revenues	30% Meter Rate	Meter Revenues	Factor	Conservation Qty Rate
5/8 x 3/4	28,527	\$32.20	\$16.53	\$5,658,616	\$16.53	\$5,658,616	100%	\$0.5128
3/4	261	\$11,021,368	\$16.53	\$90,655	\$16.53	\$90,655	100%	\$0.5128
1	3,923	\$48.29	\$28.94	\$1,151,255	\$28.94	\$1,151,255	150%	\$0.7692
1-1/2	375	\$80.49	\$67.84	\$2,722,876	\$67.84	\$2,722,876	350%	\$1.7948
2	97	\$160.98	\$181.33	\$816,006	\$181.33	\$816,006	650%	\$3.3333
3	0	\$257.57	\$309.48	\$360,232	\$309.48	\$360,232	800%	\$4.1025
4	0	\$482.94	\$580.27	\$0	\$580.27	\$0		
6	0	\$804.89	\$1,015.47	\$0	\$1,015.47	\$0		
8	0	\$1,609.79	\$2,176.02	\$0	\$2,176.02	\$0		
TOTAL	33,183	\$2,575.66	\$3,481.63	\$9,648,385	\$3,481.63	\$9,648,385		
Consumption (10cfs)			Volume Revenues	Standard Base Qty Rate	Volume Revenues	Conservation Qty Rate	Factor	Conservation Qty Rate
Block 1	12,056,752	\$8,070,484	\$0.6694	\$6,182,873	\$0.6694	\$6,182,873	100%	\$0.5128
Block 2	5,108,628	\$3,419,586	\$0.6694	\$3,929,665	\$0.6694	\$3,929,665	150%	\$0.7692
Block 3	2,343,724	\$1,568,830	\$0.6694	\$1,206,632	\$0.6694	\$1,206,632	350%	\$1.7948
Block 4	931,618	\$623,602	\$0.6694	\$3,105,356	\$0.6694	\$3,333,333	650%	\$3.3333
Block 5	756,024	\$506,064	\$0.6694	\$3,101,600	\$0.6694	\$4,102,500	800%	\$4.1025
TOTAL	21,196,747	\$14,188,566	\$0.6694	\$20,526,128	\$0.6694	\$20,526,128		
TOTAL REVENUES (vol + mtr)			\$30,174,511	\$30,174,511	\$30,174,511	\$30,174,511		\$20,526,128 <-Only Rate Target
			\$5,582,089	\$5,582,089	\$5,582,089	\$5,582,089		\$0.3735

**MULTI-FAMILY UNDER PREVIOUSLY ADOPTED CONSUMPTION**

Standard Components			Standard Rate Design per D.86-05-064			Conservation Rate Design as adopted in D.16-12-003		
Meter Size	Avg Number of Meters	50% Meter Revenues	30% Meter Rate	Meter Revenues	30% Meter Rate	Meter Revenues	Factor	Conservation Qty Rate
5/8 x 3/4	742	\$32.20	\$16.53	\$286,671	\$16.53	\$147,183	100%	\$0.3735
3/4	3,379,682	\$48.29	\$28.94	\$580	\$28.94	\$237,375	150%	\$0.5693
1	342	\$80.49	\$67.84	\$330,328	\$67.84	\$239,362	350%	\$1.3073
1-1/2	110	\$160.98	\$181.33	\$212,492	\$181.33	\$239,362	650%	\$2.4278
2	112	\$257.57	\$309.48	\$346,168	\$309.48	\$20,890	800%	\$2.9881
3	3	\$482.94	\$580.27	\$17,386	\$580.27	\$20,890		
4	3	\$804.89	\$1,015.47	\$28,976	\$1,015.47	\$36,557		
6	6	\$1,609.79	\$2,176.02	\$115,905	\$2,176.02	\$156,673		
8	6	\$2,575.66	\$3,481.63	\$185,447	\$3,481.63	\$250,677		
TOTAL	1,325	\$1,523,952	\$1,523,952	\$1,523,952	\$1,505,003	\$1,505,003		
Consumption (10cfs)			Volume Revenues	Standard Base Qty Rate	Volume Revenues	Conservation Qty Rate	Factor <td>Conservation Qty Rate</td>	Conservation Qty Rate
Block 1	3,379,682	\$2,262,273	\$0.6694	\$1,262,340	\$0.6694	\$1,262,340	100%	\$0.3735
Block 2	1,750,449	\$1,171,706	\$0.6694	\$980,711	\$0.6694	\$980,711	150%	\$0.5693
Block 3	472,863	\$316,543	\$0.6694	\$618,204	\$0.6694	\$618,204	350%	\$1.3073
Block 4	280,955	\$187,997	\$0.6694	\$681,061	\$0.6694	\$681,061	650%	\$2.4278
Block 5	178,701	\$119,618	\$0.6694	\$533,970	\$0.6694	\$533,970	800%	\$2.9881
TOTAL	6,062,580	\$4,056,137	\$0.6694	\$4,077,086	\$0.6694	\$4,077,086		
TOTAL REVENUES (vol + mtr)			\$5,582,089	\$5,582,089	\$5,582,089	\$5,582,089		\$4,077,086 <-Only Rate Target
			\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs		\$0.3735

**SINGLE FAMILY UNDER CONSUMPTION ADJUSTMENT MECHANISM**

Standard Components			Standard Rate Design per D.86-05-064			Conservation Rate Design as adopted in D.16-12-003		
Meter Size	Avg Number of Meters	50% Meter Revenues	30% Meter Rate	Meter Revenues	30% Meter Rate	Meter Revenues	Factor	Adjusted Conservation Qty Rate
5/8 x 3/4	28,527	\$32.20	\$16.53	\$5,658,616	\$16.53	\$5,658,616	100%	\$0.5856
3/4	261	\$48.29	\$28.94	\$1,151,255	\$28.94	\$1,151,255	100%	\$0.5856
1	3,923	\$80.49	\$67.84	\$2,722,876	\$67.84	\$2,722,876	150%	\$0.8784
1-1/2	375	\$160.98	\$181.33	\$816,006	\$181.33	\$816,006	350%	\$2.0495
2	97	\$257.57	\$309.48	\$360,232	\$309.48	\$360,232	650%	\$3.8062
3	0	\$482.94	\$580.27	\$0	\$580.27	\$0		
4	0	\$804.89	\$1,015.47	\$0	\$1,015.47	\$0		
6	0	\$1,609.79	\$2,176.02	\$0	\$2,176.02	\$0		
8	0	\$2,575.66	\$3,481.63	\$0	\$3,481.63	\$0		
TOTAL	33,183	\$15,985,945	\$15,985,945	\$15,985,945	\$15,985,945	\$15,985,945		
Consumption (10cfs)			Volume Revenues	Standard Base Qty Rate	Volume Revenues	Adjusted Conservation Qty Rate	Factor	Adjusted Conservation Qty Rate
Block 1	11,757,894	\$8,523,563	\$0.7249	\$6,885,102	\$0.7249	\$6,885,102	100%	\$0.5856
Block 2	4,485,436	\$3,232,747	\$0.7249	\$3,916,388	\$0.7249	\$3,916,388	150%	\$0.8784
Block 3	1,857,813	\$1,346,770	\$0.7249	\$3,807,596	\$0.7249	\$3,807,596	350%	\$2.0495
Block 4	727,524	\$527,389	\$0.7249	\$2,769,118	\$0.7249	\$2,769,118	650%	\$3.8062
Block 5	653,904	\$474,029	\$0.7249	\$3,063,265	\$0.7249	\$3,063,265	800%	\$4.6846
TOTAL	19,456,572	\$14,104,509	\$0.7249	\$20,442,069	\$0.7249	\$20,442,069		
TOTAL REVENUES (vol + mtr)			\$30,090,454	\$30,090,454	\$30,090,454	\$30,090,454		\$20,442,069 <-Only Rate Target
			\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs		\$0.5856

**MULTI-FAMILY UNDER CONSUMPTION ADJUSTMENT MECHANISM**

Standard Components			Standard Rate Design per D.86-05-064			Conservation Rate Design as adopted in D.16-12-003		
Meter Size	Avg Number of Meters	50% Meter Revenues	30% Meter Rate	Meter Revenues	30% Meter Rate	Meter Revenues	Factor	Adjusted Conservation Qty Rate
5/8 x 3/4	742	\$32.20	\$16.53	\$286,671	\$16.53	\$147,183	100%	\$0.3444
3/4	3,379,682	\$48.29	\$28.94	\$580	\$28.94	\$237,375	150%	\$0.5166
1	342	\$80.49	\$67.84	\$330,328	\$67.84	\$239,362	350%	\$1.2053
1-1/2	110	\$160.98	\$181.33	\$212,492	\$181.33	\$239,362	650%	\$2.2385
2	112	\$257.57	\$309.48	\$346,168	\$309.48	\$20,890	800%	\$2.7551
3	3	\$482.94	\$580.27	\$17,386	\$580.27	\$20,890		
4	3	\$804.89	\$1,015.47	\$28,976	\$1,015.47	\$36,557		
6	6	\$1,609.79	\$2,176.02	\$115,905	\$2,176.02	\$156,673		
8	6	\$2,575.66	\$3,481.63	\$185,447	\$3,481.63	\$250,677		
TOTAL	1,325	\$1,523,952	\$1,523,952	\$1,523,952	\$1,505,003	\$1,505,003		
Consumption (10cfs)			Volume Revenues	Standard Base Qty Rate	Volume Revenues	Adjusted Conservation Qty Rate	Factor <td>Adjusted Conservation Qty Rate</td>	Adjusted Conservation Qty Rate
Block 1	3,379,682	\$2,262,273	\$0.6694	\$1,262,340	\$0.6694	\$1,262,340	100%	\$0.3444
Block 2	1,750,449	\$1,171,706	\$0.6694	\$980,711	\$0.6694	\$980,711	150%	\$0.5166
Block 3	472,863	\$316,543	\$0.6694	\$618,204	\$0.6694	\$618,204	350%	\$1.2053
Block 4	280,955	\$187,997	\$0.6694	\$681,061	\$0.6694	\$681,061	650%	\$2.2385
Block 5	178,701	\$119,618	\$0.6694	\$533,970	\$0.6694	\$533,970	800%	\$2.7551
TOTAL	6,062,580	\$4,056,137	\$0.6694	\$4,077,086	\$0.6694	\$4,077,086		
TOTAL REVENUES (vol + mtr)			\$5,582,089	\$5,582,089	\$5,582,089	\$5,582,089		\$4,080,091 <-Only Rate Target
			\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs	\$0.6694 SBR per 10cfs		\$0.3444

<sup>11</sup> The rate shown here is the result of the goal seek function in Excel. The goal seek function works by finding the rate that, when multiplied by the various percentage factors for each block result in meeting the target quantity amount.

no change to meter calculation under the CAM

volumetric rates change as a function of the adjusted consumption

CALIFORNIA-AMERICAN WATER COMPANY  
 MONTEREY COUNTY DISTRICT (A.15-07-019)  
 APPENDIX B: ADJUSTMENTS TO RATE DESIGN TO REFLECT THE CAM

Note: The following schedules are meant to demonstrate how the CAM would adjust volumetric rates. The numbers presented are for illustrative purposes only and do not necessarily reflect the final outcome of a decision in this proceeding or other submittals before the Commission.

**NON-RESIDENTIAL UNDER PREVIOUSLY ADOPTED CONSUMPTION**

Standard Components		Standard Rate Design		Conservation Rate Design		
Meter Size	Avg Number of Meters	50% Meter Rate	Meter Revenues	60% of Std Rate (or 30% Fixed Cost Recovery) 30% Meter Rate	Meter Revenues	
5/8	2,246	\$32.20	\$867,739	\$19.32	\$520,643	
3/4	2	\$48.29	\$1,159	\$28.98	\$695	
1	762	\$80.49	\$735,994	\$48.29	\$441,596	
1 1/2	459	\$160.98	\$886,670	\$96.59	\$532,002	
2	499	\$257.57	\$1,542,303	\$154.54	\$925,382	
3	58	\$482.94	\$336,123	\$289.76	\$201,674	
4	30	\$804.89	\$289,761	\$482.94	\$173,857	
6	11	\$1,609.79	\$212,492	\$965.87	\$127,495	
8	13	\$2,575.66	\$401,803	\$1,545.39	\$241,082	
TOTAL	4,080		\$5,274,044		\$3,164,427	
	<b>Consumption (10cfs)</b>	<b>Volume Revenues</b>	<b>Standard Base Qty Rate</b>	<b>Volume Revenues</b>	<b>Factor</b>	<b>Conservation Qty Rate</b>
Division 1	6,728,655	\$4,503,991	\$0.6694	\$4,583,944	100%	\$0.6813
Division 2	42,867	\$28,694	\$0.6694	\$32,854	112.5%	\$0.7664
Division 3	8,262,946	\$5,531,006	\$0.6694	\$7,036,489	125%	\$0.8516
Division 4	503,034	\$336,718	\$0.6694	\$856,739	250%	\$1.7031
TOTAL	15,537,502	\$10,400,409		\$12,510,027		<b>\$0.6813</b>
TOTAL REVENUES (vol + mtr)		<b>\$15,674,453</b>		<b>\$15,674,453</b>		<--Qty Rate Target
		<b>\$15,674,453</b>		<b>\$15,674,453</b>		
		<b>\$0.6694</b>				

**NON-RESIDENTIAL UNDER CONSUMPTION ADJUSTMENT MECHANISM**

Standard Components		Standard Rate Design		Conservation Rate Design		
Meter Size	Avg Number of Meters	50% Meter Rate	Meter Revenues	60% of Std Rate (or 30% Fixed Cost Recovery) 30% Meter Rate	Meter Revenues	
5/8	2,246	\$32.20	\$867,739	\$19.32	\$520,643	
3/4	2	\$48.29	\$1,159	\$28.98	\$695	
1	762	\$80.49	\$735,994	\$48.29	\$441,596	
1 1/2	459	\$160.98	\$886,670	\$96.59	\$532,002	
2	499	\$257.57	\$1,542,303	\$154.54	\$925,382	
3	58	\$482.94	\$336,123	\$289.76	\$201,674	
4	30	\$804.89	\$289,761	\$482.94	\$173,857	
6	11	\$1,609.79	\$212,492	\$965.87	\$127,495	
8	13	\$2,575.66	\$401,803	\$1,545.39	\$241,082	
TOTAL	4,080		\$5,274,044		\$3,164,427	
	<b>Adjusted Consumption (10cfs)</b>	<b>Volume Revenues</b>	<b>Adjusted Standard Base Qty Rate</b>	<b>Volume Revenues</b>	<b>Factor</b>	<b>Adjusted Conservation Qty Rate</b>
Division 1	9,895,738	\$7,825,184	\$0.7908	\$8,588,439	100%	\$0.8679
Division 2	1,012,869	\$800,940	\$0.7908	\$988,945	112.5%	\$0.9764
Division 3	1,587,054	\$1,254,983	\$0.7908	\$1,721,740	125%	\$1.0849
Division 4	501,535	\$396,595	\$0.7908	\$1,088,197	250%	\$2.1697
TOTAL	12,997,196	\$10,277,703		\$12,387,320		<b>\$0.8679</b> <sup>1)</sup>
TOTAL REVENUES (vol + mtr)		<b>\$15,551,747</b>		<b>\$15,551,747</b>		<--Qty Rate Target
		<b>\$15,551,747</b>		<b>\$15,551,747</b>		
		<b>\$0.7908</b>				

no change to meter calculation under the CAM

volumetric rates change as a function of the adjusted consumption

<sup>1)</sup> The rate shown here is the result of the goal seek function in Excel. The goal seek function works by finding the rate that, when multiplied by the various percentage factors for each block result in meeting the target quantity amount



# APPENDIX C

CALIFORNIA-AMERICAN WATER COMPANY  
 MONTEREY COUNTY DISTRICT (A-15-07-019)  
 APPENDIX C: PRODUCTION LIMITATIONS

Note: Figures shown may be for illustrative purposes only<sup>(1)</sup>

**PRODUCTION COMPARISON NECESSARY FOR CAM**

Latest Authorized Production Limits as Adopted<sup>(2)</sup>

Authorized Consumption (Escalation Year)	10 CF
Residential	21,196,747
Multi-Residential	6,062,580
Commercial	11,893,502
Public Authority	2,719,000
Industrial	360,000
Golf Course	565,000

TOTAL 42,796,829

Non-Revenue Water	
Monterey Main	5,405,000
Bishop/Hidden Hills/Ryan Ranch	159,000
TOTAL	5,564,000

TOTAL AUTHORIZED PRODUCTION 48,360,829

Production Limits for 2015 <sup>(3) (4)</sup>	10 CF
Seaside Basin	10,114,444
Sand City Desal	1,237,104
Carmel River	35,376,165
Production Limit	46,727,713

Projection of Production Over Production Limitations

**CONSUMPTION ESTIMATE TO BE USED IN CAM IF THE ACTUAL PRODUCTION IN THE RECORDED PERIOD IS GREATER THAN LEGAL/REGULATORY LIMITATIONS**

Latest Usage as Shown in Appendix B Page 1

Per Above	10 CF
Residential	19,456,572
Multi-Residential	6,124,785
Non-Residential	12,997,196
<b>TOTAL</b>	<b>38,578,554</b>
<b>Non-Revenue Water</b>	<b>5,564,000</b>
<b>Production</b>	<b>44,142,554</b>
Production Limitation	43,351,548
<b>Necessary Reduction to CAM Level of Consumption</b>	<b>791,006</b>

97.950% Necessary Reduction to CAM Level of Consumption

Latest Usage as Shown in Appendix B Page 1

Residential	19,456,572
Multi-Residential	6,124,785
Non-Residential	12,997,196

38,578,554

Monterey Main	5,405,000
Bishop/Hidden Hills/Ryan Ranch	159,000
TOTAL	5,564,000

TOTAL ACTUAL CONSUMPTION PLUS AUTHORIZED NON-REVENUE WATER<sup>(5)</sup> 44,142,554

Production Limits for 2015 <sup>(3) (6)</sup>	10 CF
Seaside Basin	10,114,444
Sand City Desal	1,237,104
Carmel River	35,376,165
Production Limit	46,727,713

EXEMPLARY Production Limitations 791,006

Latest Usage as Shown in Appendix B Page 1

Residential	19,456,572
Multi-Residential	6,124,785
Non-Residential	12,997,196

38,578,554

Monterey Main	5,405,000
Bishop/Hidden Hills/Ryan Ranch	159,000
TOTAL	5,564,000

TOTAL ACTUAL CONSUMPTION PLUS AUTHORIZED NON-REVENUE WATER<sup>(5)</sup> 44,142,554

EXEMPLARY Production Limitations	10 CF
Seaside Basin	10,114,444
Sand City Desal	1,237,104
Carmel River <sup>(6)</sup>	<b>32,000,000</b>
Production Limit	43,351,548

791,006

1) Based on the above determination that shows the production limit is less than the prior 12 month recorded amounts. These production limits are the amounts that would be used in the CAM for Escalation or Attrition Year purposes to insure that Production Limitation is not exceeded in the development of Projected Test Period sales forecasts

2) In the case of this example, the production limits are noted in D.15-04-007, on page 534 of Attachment A - the Adopted settlement Agreement. It should be noted that only the values do not include any usage or non-revenue water for Chualar, Ralph Lane, Toro, Garraipata or Amblar.

3) Production Limits are provided in the legal and SWRCB documents and for the rate case are presented in Chapter 3 Table 14

4) In the Case of the authorized levels of Production and Production Limitations - the actual authorized is lower than the Production Limitations

5) In the case of actual use data and production Limitations, the actual usage plus authorized non-revenue water is less than the production Limitations

6) This change in production Limitations is shown as an example only. This process must be gone through in each CAM filing to cover changes to production limits that may occur in the future.

# APPENDIX D

**CALIFORNIA-AMERICAN WATER COMPANY  
MONTEREY COUNTY DISTRICT (A.15-07-019)**

**APPENDIX D: ADJUSTMENTS TO SURCHARGES EMBEDDED IN THE BASE RATES TO REFLECT THE CAM**

Note: The following schedule is meant to demonstrate how the CAM would adjust surcharges embedded in the base rates. The numbers presented are for illustrative purposes only and do not necessarily reflect the final outcome of a decision in this proceeding or other submittals before the Commission. The approach below would be applied to each of the surcharges that are embedded in CAW's base rates at the time the CAM is assessed.

**PREVIOUSLY ADOPTED SAN CLEMENTE DAM SURCHARGE<sup>(1)</sup>**

Standard Components		Conservation Rate Design		
Block	Consumption (10cfs)	Volume Revenues	Factor	SCD Qnty Surcharge
Block 1 <sup>(2)</sup>	12,056,752	\$0		\$0.0000
Block 2	5,108,628	\$2,090,739	150%	\$0.4093
Block 3	2,343,724	\$2,238,097	350%	\$0.9549
Block 4	931,618	\$1,652,174	650%	\$1.7734
Block 5	756,024	\$1,650,176	800%	\$2.1827
TOTAL	21,196,747	\$7,631,186		<b>\$ 0.2728</b> <sup>(3)</sup>
TOTAL SURCHARGE		<b>\$7,631,186</b>	\$7,631,186 <--Qnty Rate Target	

**SAN CLEMENTE DAM UNDER CONSUMPTION ADJUSTMENT MECHANISM**

Standard Components		Conservation Rate Design		
Block	Adjusted Consumption (10cfs)	Volume Revenues	Factor	Adjusted SCD Qnty Surcharge
Block 1 <sup>(2)</sup>	11,757,894	\$0		\$0.0000
Block 2	4,459,438	\$2,204,864	150%	\$0.4944
Block 3	1,857,813	\$2,143,287	350%	\$1.1537
Block 4	727,524	\$1,558,730	650%	\$2.1425
Block 5	653,904	\$1,724,305	800%	\$2.6369
TOTAL	19,456,572	\$7,631,186		<b>\$ 0.3296</b> <sup>(3)</sup>
TOTAL SURCHARGE		<b>\$7,631,186</b>	\$7,631,186 <--Qnty Rate Target	

1) Recovery of San Clemente Dam as a volumetric surcharge was approved in Advice Letters 955 and 968.

2) The San Clemente Dam surcharge is currently not assessed on Tier 1 consumption.

3) The rate shown here is the result of the goal seek function in Excel. The goal seek function works by finding the rate that, when multiplied by the various percentage factors for each block (i.e. 150% for block 2, 350% for block 3, etc.) will achieve the revenue target of \$7.6 million