

Decision _____

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

Application 10-07-007
(Filed July 1, 2010)

And Related Matter.

Application 11-09-016

**DECISION GRANTING INTERVENOR COMPENSATION CLAIM OF
THE UTILITY REFORM NETWORK FOR CONTRIBUTION TO
DECISION 12-11-006.**

Intervenor: The Utility Reform Network (TURN)	For contribution to Decision (D.) 12-11-006
Claimed (\$): \$131,195.21	Awarded (\$): \$131,315.21
Assigned Commissioner: Michel Peter Florio	Assigned Administrative Law Judge (ALJ): Douglas Long

PART I: PROCEDURAL ISSUES

A. Brief Description of Decision: The Final Decision adopts a rate design settlement for most residential customers of California American Water (Cal-Am) for the 2011 to 2014 rate cycle. The decision finds the settlement to be “practical and understandable” and in the public interest. The approved settlement was a joint settlement between Cal-Am, the Office of

Ratepayer Advocates (ORA)¹, the Natural Resources Defense Council (NRDC) and TURN.

B. Intervenor must satisfy intervenor compensation requirements set forth in Public Utilities Code §§ 1801-1812:

	Intervenor	CPUC Verified
Timely filing of notice of intent to claim compensation (NOI) (§ 1804(a)):		
1. Date of Prehearing Conference:	August 26, 2010	Verified
2. Other Specified Date for NOI:	N/A	
3. Date NOI Filed:	September 27, 2010	Verified
4. Was the NOI timely filed?		
Showing of customer or customer-related status (§ 1802(b)):		
5. Based on ALJ ruling issued in proceeding number:	Application (A.) 09-09-013	Yes
6. Date of ALJ ruling:	January 7, 2010	Yes
7. Based on another CPUC determination (specify):		
8. Has the Intervenor demonstrated customer or customer-related status?		Yes
Showing of "significant financial hardship" (§ 1802(g)):		
9. Based on ALJ ruling issued in proceeding number:	Petition (P.) 10-08-016	A.09-09-018
10. Date of ALJ ruling:	November 22, 2010	January 7, 2010
11. Based on another CPUC determination (specify):		
12. Has the Intervenor demonstrated significant financial hardship?		Yes

¹ The Division of Ratepayer Advocates was renamed the Office of Ratepayer Advocates effective September 26, 2013, pursuant to Senate Bill No. 96 (budget act of 2013), which was approved by the Governor on September 26, 2013.

Timely request for compensation (§ 1804(c)):		
13. Identify Final Decision:	D.12-11-006	Verified
14. Date of Issuance of Final Order or Decision:	November 14, 2012	Verified
15. File date of compensation request:	January 14, 2013	Verified
16. Was the request for compensation timely?		Yes

C. Additional Comments on Part I (use line reference # as appropriate):

#	Intervenor	CPUC	Comment
5.9	XX		TURN understands that the ALJ Division has adopted a practice of only issuing a formal ruling on an intervenor's notice of intent if the intervenor is seeking to demonstrate significant financial hardship, rather than relying on the rebuttable presumption created by an earlier finding of hardship. TURN's showing on financial hardship (relying on the rebuttable presumption) and customer status was contained in our Notice Of Intent (NOI). TURN has previously been found to satisfy these two standards -- for example see ALJ ruling on January 3, 2012 in Ratesetting (R.) 11-11-008.
		X	TURN's NOI established a rebuttable presumption based on a ruling issued on April 22, 2009 in A.08-05-023. That rebuttable presumption standard was upheld in a ruling issued on January 7, 2010 in A.09-09-013.

PART II: SUBSTANTIAL CONTRIBUTION**A. Claimant's contribution to the final decision (see § 1802(i), § 1803(a) & D.98-04-059):**

Intervenor's Claimed Contribution(s)	Specific References to Intervenor's Claimed Contribution(s)	Showing Accepted by CPUC
This was the first statewide general rate case for California American Water Company (Cal-Am). This request for compensation covers the issues resolved in the Rate Design phase of the docket in D.12-11-006.	Final Decision at pg. 8, Conclusions of Law 2. Direct Testimony of Scott J. Rubin on Behalf of TURN Concerning Rate Design, TURN Exhibit 003, February 4, 2011.	Yes

<p>TURN submitted testimony addressing several issues related to rate design. In addition, TURN worked with the other active parties in the docket to achieve a settlement on rate design.</p> <p>TURN, ORA, NRDC and Cal-Am submitted a Joint Settlement that develops a residential rate design for the majority of Cal-Am’s districts throughout the state.² The Settlement not only sets forth specific tiered rates and meter charges for each district and sub-district, but also sets forth a set of agreed-upon principles that the Joint Parties used to develop the tiered rates. In addition, the Joint Settlement details additional considerations that the parties took into account when setting the specific tiers and breakpoints.</p> <p>TURN was an active and integral part of the Joint Settlement and the Commission should find that the resulting settlement reflects TURN’s substantial contribution on each of the TURN-disputed issues covered by the settlement, as listed below. As is often the case for a General Rate Case (GRC) settlement, due to the number and range of disputed issues the settlement does not</p>	<p>Motion of the NRDC, Cal-Am, TURN and ORA to Adopt a Settlement on Rate Design Issues, filed July 19, 2012, Exhibit A. (“Joint Settlement”)</p>	<p>Yes</p>
--	---	------------

² The rate design for Cal-Am’s Monterey and Sacramento districts was not included in the scope of this phase of the docket.

<p>address each and every issue or proposal put forth by TURN or other parties in any level of detail. In some instances the settled outcome may represent a combination or blending of issues to create a mutually acceptable agreement.</p> <p>D.12-11-006 approves the settlement and declares that the settlement is “reasonable, because it fairly balances the interests of the various districts’ ratepayers with those of Cal-Am to ensure it has the resources it needs to provide service throughout its territory.”</p>		
<p><i>Collaborative Process</i></p> <p>TURN was an active participant in the entire settlement process. While it is often times difficult to reach a substantive, multi-party settlement on these issues, this settlement process followed an unusual procedural path generating several pre-settlement and settlement documents. It took a truly collective effort to generate each document. There were numerous meetings, hours of data analysis and several interim steps before the parties reached a final settlement proposal. At each step TURN provided specific input, through its advocates and witness, on the specifics of a tiered rate design as well as more general principles and parameters used in developing the rate design.</p>	<p>Joint Proposal Of NRDC, ORA and TURN Regarding Rate Design, Joint Exhibit 001, submitted May 20, 2011 (“Joint Proposal”);</p> <p>Motion Of TURN, NRDC, Cal-Am And ORA To Adopt A Stipulation On Rate Design, filed August 9, 2011 (“Joint Stipulation”) (December 12th Scoping Memo subsequently ordered parties to file a Joint Settlement upon approval of a Cal-Am revenue requirement);</p> <p>Motion Of The NRDC, Cal-Am, TURN And ORA To Adopt A Settlement On Rate Design Issues, filed July 19, 2012 (“Joint Settlement”)</p> <p>Final Decision, FOF 4.</p>	<p>Yes</p>

<p>The Final Decision notes that the, “proposed settlement is a balance between the original positions as otherwise litigated in the prepared testimony of the parties,” thus demonstrating the active participation of each party.</p>		
<p><i>Principles of Rate Design</i></p> <p>TURN’s witness, Mr. Rubin, prefaced his recommendations with a discussion of proposed rate design principles. He urged the Commission to use these principles to generally guide the adopted rate design and to explicitly set out justifications for decisions made when principles may be in conflict or infeasible to achieve.</p> <p>As part of the settlement process, the parties agreed that a statement of principles should be included in the document to allow the Commission to understand the parties’ intent and goals for the proposed rate design. Each party came to the negotiations with different sets of principles as proposed in direct testimony and the parties created a compromise list of principles. The Joint Proposal included a list of principles based on TURN’s testimony and the Joint Stipulation adopted those principles. The Joint Settlement’s set of principles reflect several of the principles proposed by Mr. Rubin, as well as the other parties, including nondiscrimination,</p>	<p>Rubin Direct Testimony, pg. 6; NRDC Exh 1, Testimony of NRDC, February 4, 2011 at pg. 4 (NRDC Direct Testimony); Joint Proposal at pg. 1; Joint Stipulation at pg. 4; Joint Settlement at Attachment 1, pg.5; and Final Decision at pg. 3.</p>	<p>Yes</p>

<p>open a rulemaking docket to review several elements of the Commission’s current water rate design policies.</p> <p>Subsequently, the settlement itself adopts seven general principles that create a framework for “effective rate design.” One of those principles is that the rate design must “bear a reasonable relationship to the cost of service.” Further the parties highlight the Joint Settlement’s achievement of “appropriately distribute[ing] the costs of providing services through rates and consumption tiers.”</p> <p>Further, parties to the Joint Settlement (and the Joint Proposal and Joint Stipulation) relied on Mr. Rubin’s labor-intensive analysis of copious amounts of data from Cal-Am to create the Cost of Service Analysis for each district to then develop the specific tiered rate proposals in those documents.</p>		
<p><i>Bill Frequency Analysis</i></p> <p>TURN closely analyzed the Bill Frequency Analysis (BFA) performed by Cal-Am and used in its rate design proposal for residential customers. TURN concluded, through Mr. Rubin’s data-intensive analysis, that Cal-Am’s Bill Frequency Analysis contained errors in consumption data and flaws in methodology that result in over-recovery of its proposed revenue requirement from</p>	<p>Rubin Direct at pg. 20-30; Joint Settlement, Motion at pg. 4; and Final Decision, pg. 3, COL 2.</p>	<p>Yes</p>

<p>the residential class in each district, totaling over \$2.3 million. Because Cal-Am’s workpapers did not provide enough detail or data to correct the errors, TURN conducted extensive discovery to correct the Bill Frequency Analysis and identify the over-recovery and propose an alternative rate design structure that would properly allocate the revenue requirement.</p> <p>During settlement discussions, each party conducted their own extensive data analysis to analyze the various tiered rate proposals. TURN relied on Mr. Rubin’s analysis to make its proposals. However, all the parties specifically relied upon data analysis from NRDC and TURN witnesses Farenkopf and Rubin, including Mr. Rubin’s adjustments to the Bill Frequency Analysis, to ensure that the proposed rate design in the Joint Settlement properly allocated Cal-Am’s revenue requirement to ensure it was fair to a diverse group of customers.</p>		
<p><i>Price Elasticity</i></p> <p>TURN, through Mr. Rubin’s testimony, objected to Cal-Am’s requested price elasticity mechanism arguing that including such a factor is unnecessary to protect Cal-Am against consumption fluctuations based on price because the Commission has adopted other rate adjustment mechanisms. Further, price</p>	<p>Rubin Direct at 30-31; ORA Exhibit 10, pg. 2-6; and NRDC Exhibit 1, pg. 6.</p>	<p>Yes</p>

<p>elasticity would be inappropriate because water consumption fluctuations cannot be attributed solely to price fluctuations and therefore including an elasticity factor could over-compensate Cal-Am.</p> <p>While ORA presented the same position as TURN, NRDC suggested that Cal-Am’s -0.2 price elasticity factor is on the low end of the industry standard range and proposes that elasticity should be applied to expenses as well as demand and revenue projections to be fair and consistent and avoid overreliance on other adjustment mechanisms.</p> <p>In the Joint Settlement, parties did not apply a price elasticity factor. The Final Decision is silent on this specific issue.</p>		
<p><i>WRAM Issues</i></p> <p>In its testimony, TURN noted that the Commission has adopted various “adjustment mechanisms” to ensure that Cal-Am recovers its revenue requirement despite actual consumption figures that significantly vary from the forecasted estimates used to develop the revenue requirement. One such adjustment mechanism is the Water Revenue Adjustment Mechanism (“WRAM”). Although not directly addressing WRAM, Mr. Rubin explained that</p>	<p>Rubin Direct at pg. 31; Joint Stipulation at pg. 4; Joint Settlement, Attachment 1, pg. 6; and Final Decision pg. 4.</p>	<p>Yes</p>

<p>adjustment mechanisms based on price changes fails to take into account other reasons for reductions in consumption that may be wholly unrelated to activities by the Commission or the utility.</p> <p>As noted in the Joint Proposal, Joint Stipulation and Joint Settlement, WRAM balances and the recovery of those balances has a direct impact on the effectiveness of an adopted rate design because the surcharges resulting from recovery of WRAM balances impact the customer’s bill and interfere with the balance created by the rate design to ensure affordability and send a conservation signal.</p> <p>The future of Cal-Am’s WRAM became an important part of the settlement discussions, including WRAM amortization and the impact of resulting from those surcharges on the rate design proposals in the settlement. The Joint Proposal, Joint Stipulation and Joint Settlement each addressed WRAM issues. For example, the Joint Settlement stated that limiting consumption in highest tiers minimizes WRAM balance because consumption is likely to be more variable at the higher rates/tiers. Parties also agreed that minimizing WRAM balances is an important goal to limit the surcharges that make customers’ bills less predictable and threaten affordability.</p>		
--	--	--

<p><i>Tiered Rates</i></p> <p>TURN included a detailed residential tiered rate proposal in its Direct Testimony. Mr. Rubin used his cost of service analysis and bill frequency analysis to create a tiered rate proposal for each district in Cal-Am’s territory except Monterey and Sacramento that meets the industry standard rate design principles discussed above. TURN’s proposal included three tiers in most instances with overall lower Tier 1 quantity rates and larger Tier 1 consumption levels than Cal-Am generally proposed. TURN proposed a Tier 1 breakpoint moving toward approximate statewide indoor water consumption, although TURN noted that some districts may not be able to get to that point in this GRC.</p> <p>TURN opposed Cal-Am’s proposed rate design which set out five tiers for most districts with relatively “flat” tiers that, TURN argued, limited the conservation message and recovered significant revenue from lower usage tiers.</p> <p>NRDC provided a detailed tier rate analysis, but did not propose a specific rate design for district. Instead it provided what it termed “illustrative examples” for four districts for the purpose of comparison with Cal-Am’s proposal. ORA provided a detailed analysis, but did not provide a</p>	<p>Rubin Direct at pg. 37, Attachments 13-17; NRDC Direct at pgs. 16-26; Joint Proposal at pgs. 4-7; Joint Settlement at Attachment 1, Attachment 3; and Final Decision at pg. 8 and COL 2.</p>	<p>Yes</p>
--	---	------------

<p>specific rate design proposal for any of the Cal-Am districts. Instead, in all but one district, ORA either recommended adoption of the Cal-Am proposed rate design or, in some districts, recommended the Commission retain the current tier rate structure.</p> <p>NRDC, TURN and ORA created a Joint Proposal that also provided a detailed rate design based on Cal-Am’s proposed revenue requirement.</p> <p>Subsequently, the parties created the Joint Settlement that encourages water conservation and maintains affordability for low usage customers as well as adhering to other rate design principles, by implementing lower quantity rates at the lower tier levels and overall “wider” Tier 1 breakpoints than originally proposed by Cal-Am to help assure affordability at the lower “indoor” usage levels. The Joint Settlement states that the parameters used, “[are] generally consistent with TURN’s recommendation to move toward having the first tier” at indoor water consumption goals. In addition it sets the rate at slightly less than the Standard Quantity Rate, which rewards those customers who conserve and preserves affordability. The conservation impact of 4 steeper and higher priced tiers, in addition to a</p>		
--	--	--

<p>winter/summer differential in Los Angeles, also move the Settlement closer to TURN’s proposal that at least 15% of consumption fall within the higher priced tiers.</p> <p>The Final Decision recognized that the Joint Settlement produced a rate design that is a “balance between the original positions as otherwise litigated in the prepared testimony of the parties” and, as a result, “allows Cal-Am to recover its revenue requirement while encouraging water conservation and maintain affordability and revenue neutrality.”</p>		
--	--	--

B. Duplication of Effort (§§ 1801.3(f) & 1802.5):

	Intervenor’s Assertion	CPUC Discussion
<p>a. Was the Office of Ratepayer Advocates (ORA) a party to the proceeding?</p>	<p>Yes</p>	<p>Verified</p>
<p>b. Were there other parties to the proceeding with positions similar to yours?</p>	<p>Yes</p>	<p>Verified</p>
<p>c. If so, provide name of other parties:</p> <p>There were several intervenors in this rate case. However, the majority of these intervenors were representing groups from specific Cal-Am serving areas and as such focused on narrow issues relating to those communities. For example, several groups and municipal agencies from the Monterey area intervened in this docket, but did not actively participate in the rate design issues for districts other than Monterey. The Mark West Area Community Services Committee and a representative from the City of San Mario also attended some rate design discussions, but did not actively participate.</p>		<p>Verified</p>

<p>The only other intervenor group with a broader interest in the docket was the NRDC who was an active participant on rate design issues.</p>	
<p>d. Describe how you coordinated with ORA and other parties to avoid duplication or how your participation supplemented, complemented, or contributed to that of another party:</p> <p>In light of the scope of the proceeding and the magnitude of the requested rate increase, TURN worked especially hard to coordinate with NRDC and ORA and, as a result, achieve maximum coverage for ratepayers. Our time records include a number of entries (usually coded as “COORD”) for efforts that were primarily devoted to communicating with NRDC and ORA about procedural strategies and issue area allocation. Also, during settlement discussions (hours coded as “SETT”) parties closely coordinated through phone calls and emails discussing strategy and substantive issues.</p> <p>TURN worked very closely with NRDC and ORA to avoid undue duplication of effort while maximizing each group’s effectiveness and to ensure consistency and efficiency of work effort. Each of these parties prepared rate design testimony and rate design proposals that significantly varied from each other. TURN filed rate design testimony from a consultant with national experience on rate design and significant experience with American Water in other states. TURN’s testimony focused on general principles of rate design, proposals for the Commission to conduct rate design analyses and an extremely detailed and data intensive analysis of each Cal-Am district and an equally detailed rate design proposal that balanced several competing interests. NRDC’s testimony was also extensive but as they state, “The primary objective of NRDC in this rate case is to illuminate the potential for greater water savings that can result from enhanced conservation rate designs that are at once both fair and efficient.” <i>NRDC Direct at pg. 4.</i> ORA’s testimony was also extensive, but emphasized prior work with Cal-Am on rate design, the Commission’s policy of tiered rates, and took the position that the Commission should maintain Cal-Am’s current rate design in most districts.</p> <p>TURN’s staff and witnesses regularly communicated with ORA’s and NRDC’s witnesses to share discovery and avoid duplication of effort. Especially during settlement negotiations, these groups closely</p>	<p>Verified.</p>

<p>coordinated although there was not necessarily agreement on rate design issues among them. Indeed, these three parties held their own negotiations, without Cal-Am, to produce a Joint Proposal on rate design, submit it as an exhibit and present their witnesses as a panel at the rate design hearing. While this took extensive coordination and preparation, each member of that panel emphasized different points and issues.</p> <p>In sum, the Commission should find that TURN's participation was efficiently coordinated with the participation of other intervenors wherever possible, so as to avoid undue duplication and to ensure that any such duplication served to supplement, complement, or contribute to the showing of the other intervenor.</p>	
---	--

PART III: REASONABLENESS OF REQUESTED COMPENSATION

A. General Claim of Reasonableness (§§ 1801 & 1806):

<p>a. Concise explanation as to how the cost of Intervenor’s participation bears a reasonable relationship with benefits realized through participation (include references to record, where appropriate)</p>	<p>CPUC Discussion</p>
<p>TURN’s request for \$131,195.21 reflects a significant amount of work in this rate design phase of the docket that produced tangible benefits for Cal-Am ratepayers. In its Phase 1 Request for Compensation, TURN calculated that its work saved ratepayers over \$4 million dollars. As the Commission turned to the rate design phase, ratepayers in every district benefitted from TURN’s advocacy resulting in a fair and balanced rate design and ensured that Cal-Am’s recovery of its revenue requirement through the rate design was accurate.</p> <p>Although the direct impact of the various rate design proposals in the record is difficult to quantify, TURN’s requested compensation represents a fraction of the overall savings produced by the Final Decision’s adoption of the Joint Settlement. TURN compared Cal-Am’s proposed rate design with its rate design proposal from its testimony and, if one also compares the resulting Joint Settlement, it is clear that customers realized benefit from TURN’s participation. Further, Attachment 3 to the Joint Settlement compares the Joint Settlement rate design with the rate design in place in Cal-Am districts in August 2010,</p>	<p>Yes</p>

adjusted for the adopted revenue requirement from D.12-06-016. Attachment 3 clearly demonstrates the benefits to consumers, especially lower usage consumers, due to lower rates across the board in Tier 1 usage, a larger Tier 1 consumption allowance and lower meter charges. In addition, by narrowing the tiers in the higher usage categories it minimizes the amount of usage subject to the highest quantity rates. This design should, in turn, minimize the balances in Cal-Am's WRAM and thus stabilize customer's bills by limiting high surcharges for recovery of those balances. *Rubin Direct at pg. 37, Attachments 13-17; Joint Settlement at Attachment 3; Final Decision at pg. 8 and COL 2. Joint Settlement, Attachment 1, pg. 7.*

Not only did the resulting settlement create savings for low-usage, TURN's Direct Testimony identifies where Cal-Am's rate design proposal resulted in over-recovery of its proposed revenue requirement by \$2 million. After extensive data analysis and review of the numbers by TURN in its Direct Testimony, the Joint Settlement does not contain the same errors. *Rubin Direct Testimony at pgs. 23-30.*

It is also the case that the Joint Settlement properly balances the Commission's goals of affordability and conservation to comply with the Commission's Water Action Plan. Clearly, the Commission has dedicated significant effort to the goals of conservation because of the benefits to consumers. While those benefits may be difficult to quantify, TURN's work in moving the Joint Settlement toward that goal, in turn, provides benefit to consumers. *Joint Settlement, Attachment 1, pg. 5-6 and Final Decision at pg. 8.*

The Commission should therefore conclude that TURN's overall request is reasonable in light of the substantial benefits to Cal-Am ratepayers that were directly attributable to TURN's participation in the case.

<p>b. Reasonableness of Hours Claimed</p> <p>TURN Hours</p> <p>TURN’s attorneys and consultants recorded a significant number of hours for work on this phase of Cal-Am’s general rate case. TURN submits that the hours claimed are reasonable in light of the significance of this case. This overall level of work effort is consistent with TURN’s work on other rate design phases of general rate cases. Even within the umbrella issue of rate design, we tend to address a broad range of sub-topics typically second only to ORA in terms of breadth of coverage. TURN devotes substantial time and effort to careful issue identification, preparing and reviewing discovery, coordination efforts with other parties, detailed testimony preparation, hearing participation and substantial briefs on rate design issues.</p> <p>The rate design phase of this docket took some procedural turns and twists that required additional hours to navigate. This process also took extensive coordination with other parties to be able to ultimately reach a settlement. Due to these considerations, it is valuable to understand the chain of events surrounding the settlement in order to understand the settlement itself and effort required of each party.</p> <p>This GRC began with the expectation that rate design would be part of the revenue requirement phase. Parties began settlement talks on rate design issue at the same time as settlement on the other issues. Indeed, rate design was often mixed in with other issues such as forecasting and WRAM balances. During the initial settlement discussions, parties were unable to reach a settlement and agreed to hold at least a single day of hearings on rate design.</p> <p>In preparation for the hearing, NRDC, ORA and TURN created a Joint Proposal on rate design to reflect the progress made by these parties toward settlement on rate design. The three parties submitted this Joint Proposal as a Joint Exhibit and presented a panel of experts during the hearing to be crossed on the Joint Proposal. Cal-Am submitted rebuttal testimony in response to the Joint Proposal.</p>	<p>Yes. We found TURN’s work on the WRAM issues to be particularly helpful during this phase of the proceeding.</p> <p>We approve both the hours and hourly rates claimed, but update the 2013 hourly rates, as discussed below.</p>
--	--

After the hearings, parties again met to attempt settlement on rate design. This time, parties were willing to come to an agreement but only if that agreement would be considered interim pending final revenue requirement figures. ORA, TURN, NRDC and Cal-Am received permission from the ALJ to file a “rate design stipulation” that would serve as an agreement to agree once final numbers are released. The parties, including TURN, assured the ALJ that the Stipulation would help to memorialize the several aspects of the settlement including the principles and tier rate considerations so that once parties were ready to meet to finalize a settlement, that process would be much quicker and more efficient. Parties filed the Stipulation in August 2011. However, on December 12, 2011 the ALJ and Assigned Commissioner denied the parties’ request to enter the Stipulation into the record as moot and made an explicit finding that rate design will be further considered in Phase 2 thus assuring the parties that they could discuss and finalize a settlement at that time.

Finally, after the revenue requirement Proposed Decision was released, the parties to the Joint Stipulation met to work out a final residential rate design settlement. TURN, NRDC, ORA and Cal-Am filed the Joint Settlement on July 19, 2012.

WRAM

As discussed above, the future of Cal-Am’s WRAM mechanism became an important part of the rate design discussions. In addition, TURN addressed Cal-Am’s Special Request 34 in hearing and briefing. The issue of where to litigate issues relating to WRAM was an ongoing discussion during Phase 1, including settlement talks relating to rate design. Ultimately, the ALJ determined that WRAM issues, including Special Request 34, would be part of Phase 2. The Commission has not yet issued a final decision in Phase 2. TURN has monitored Phase 2, including review of parties’ testimony on WRAM and Monterey rate design. After determining that consumer interests were well-represented and due to limited resources, TURN has not participated actively in Phase 2. Therefore, TURN is requesting compensation for the hours it spent on WRAM issues up to the issuance of D.12-11-006.

Although there has been no final decision in Phase 2, TURN urges the Commission to find a substantial contribution to WRAM issues, generally as it relates to rate design. TURN will not issue a compensation request in Phase 2 of this docket.

TURN Attorneys and Advocates:

Christine Mailloux was TURN's lead attorney for this phase of the case. She was responsible for coordinating work between the other attorneys and consultants working for TURN. In addition she was primarily responsible for coordinating TURN's work with the other intervenors. She assisted the consultants in discovery preparation and represented TURN in discovery discussions, clarifications and disputes with the Company. For example, Ms. Mailloux's time reflects a discussion with Cal-Am over TURN's request for specific billing data to perform Mr. Rubin's cost of service analysis and bill frequency analysis. Another example of a coordination issue included in Ms. Mailloux's time is the discussion and development of a Joint Stipulation, including discussions with TURN staff and the Administrative Law Judge to understand the procedural effect of the Stipulation. This too took significant time to sort out, including the involvement of not only the assigned ALJ but also the Assigned Commissioner's office. Ms. Mailloux, along with Ms. Suetake and Mr. Rubin, also spent time working on procedural matters such as Cal-Am's Motion to File Supplemental Testimony on Monterey Rate Design and a Joint Motion to Strike Cal-Am testimony. Ms. Mailloux was also an integral part of the settlement process, including spending significant time working with ORA, NRDC and Cal-Am to draft and finalize the settlement documents.

Nina Suetake is a staff attorney with significant general rate case experience on energy issues. Ms. Suetake brought that experience to bear when she participated in several conference calls and discussions about rate design strategy and settlement. Ms. Suetake took the lead role in drafting TURN's response to Cal-Am's procedural Motion. Ms. Suetake also heavily participated in rate design settlement discussions in part to avoid the need for Ms. Mailloux (who lives in San Diego) to travel for

the settlement talks. So, on those issues where it was important that TURN have a person in the room, particularly on those issues where TURN had testimony, Ms. Suetake was TURN's main representative.

Regina Costa is TURN's research director and an integral part of this phase of the case. Her hours reflect that the fact that the main task of working with TURN's consultant to analyze the Cal-Am application and discovery, as well as reviewing ongoing rate design discovery of other parties, fell to her expertise as research director, resulting in a higher level of hours coded as "GP" and "DIS" than the other advocates on this case. Due to her integral role in both settlement and preparation for rate design hearings, Ms. Costa was called upon to be generally familiar with the issues in the phase of the case and to work closely with the consultants on case strategy, settlement and hearing preparation. However, as the issues in this phase narrowed and settlement with Cal-Am became more likely, Ms. Costa minimized her hours to general review of the documents.

Bob Finkelstein: Mr. Finkelstein had a small consulting role in this case, including assisting with this request for compensation. His limited number of hours generally consisted of discussing litigation and settlement strategy with the more active attorneys on the case. His extensive experience in energy GRCs before this Commission made him a valuable resource for such purposes.

Mr. Rubin was indispensable in assisting in TURN's efforts, working with the other parties to the case, ensuring success on TURN's issues, and ultimately benefitting Cal-Am's ratepayers. Mr. Rubin extensively reviewed the Cal-Am Application, including rate design and low income issues and conducted discovery to assist TURN in case strategy and issue identification. TURN relied on his experience with American Water in other states to help identify issues in addition to review and analysis of Cal-Am and California rate design policies. Mr. Rubin drafted testimony and worked closely with TURN staff on all phases of settlement. He was called as a witness to testify, as part of a panel, on the Joint Proposal of TURN, ORA and NRDC in

addition to assisting TURN with cross examination questions and other hearing preparation. Mr. Rubin was also a resource during all of the settlement talks. He worked closely with ORA, Cal-Am and especially NRDC and its consultant, to extensively analyze billing data, consumption figures and other data to develop a mutually acceptable rate design for settlement purposes.

There are some hourly entries that reflect meetings attended by two or more of TURN's attorneys and expert witnesses. In past compensation decisions the Commission has on occasion deemed such entries as reflecting internal duplication that is not eligible for an award of intervenor compensation. This is not the case here. As discussed above, for the meetings that were among TURN's attorneys and expert witnesses, such meetings are essential to the effective development and implementation of TURN's strategy for this proceeding. None of the attendees are there in a duplicative role because each advocate and consultant has his or her own expertise and knowledge of certain issues and procedures to bring to the discussion. In addition, due to limited resources and out of town workers, each staff person had to be familiar enough with the issues to attend meetings and conference calls as a lone TURN representative. As a result of this collaborative process, TURN is able to identify new and unique issues and angles that would almost certainly never come to mind individually.

There were also meetings with other parties (particularly in the settlement discussion setting) and hearings at which more than one attorney or advocate represented TURN on occasion. TURN's requested hours do not include any for any TURN attorney or expert witness where his or her presence at a meeting was not necessary in order to achieve the meeting's purpose. As discussed above, TURN also has the unique situation where the case manager could not attend many of the meetings in person, leaving those in San Francisco to participate more fully while Ms. Mailloux monitored by phone. The exception was that Ms. Mailloux's in-person attendance at the one day of rate design hearings was critical because she was TURN's lead attorney on rate design issues and was involved in the settlement talks that

resulted in the Joint Proposal at issue in the hearings. TURN submits that such meetings can be part of an intervenor's effective advocacy before the Commission, and that intervenor compensation can and should be awarded for the time of all participants in such meetings where, as here, each participant needed to be in the meeting to advance the intervenor's advocacy efforts.

TURN submits that the recorded hours are reasonable, both for each TURN staff member and expert witness and in the aggregate. Given some of the different circumstances present here including the extensive settlement discussions, several "settlement" filings and a day of hearing and several procedural issues that had to be addressed, TURN's hours are reasonable. Therefore, TURN seeks compensation for all of the hours recorded by our staff members and outside consultants as included in this request.

Compensation Request Preparation Time: TURN is requesting compensation for approximately 14 hours devoted to preparation of this request for compensation. While slightly higher than the number of hours TURN tends to seek for compensation-related matters in a proceeding of this magnitude, this is a reasonable figure in light of the size and complexity of the request for compensation itself. Ms. Mailloux was solely responsible for drafting this request with some oversight from Mr. Finkelstein who has extensive knowledge of TURN's intervenor compensation experience, particularly with GRC compensation requests. TURN took it upon itself to delete some hours that it felt excessive and represented the fact that TURN had a learning curve of sorts in this case (TURN's first water GRC). As a result, while the compensation-related hours are a bit higher than typical for TURN, the Commission should find this amount reasonable under the circumstances.

Hourly Rates of TURN Staff and Consultants

TURN's request for compensation covers work performed in 2010, 2011 and 2012. For Christine Mailloux, the Commission has previously approved continued use of the hourly rate of \$390 first approved for work she performed in 2008 to work she performed

in 2010 as well. (D.10-09-040, in R.09-05-006). Consistent with Resolution ALJ-267, TURN seeks compensation for her 2011 work at the same previously-approved hourly rate.

For 2012, TURN is requesting a Cost of Living Adjustment and a step increase. In Res. ALJ-281, the Commission adopted a COLA adjustment of 2.2% for 2012, and continued the previously adopted policy of “step increases” for 2008 and beyond. Res. ALJ-281, pg. 6, Finding #2. In D.08-04-010, the Commission had provided for up to two annual 5% “step increases” in hourly rates within each experience level for all intervenor representatives, and specifically explained that an attorney would be eligible for additional step increases upon reaching the next higher experience level. D.08-04-010, pgs. 2, 11-12.

Therefore, TURN seeks an hourly rate of \$420 for Ms. Mailloux’s work in 2012. This figure represents the hourly rate previously adopted for her work in 2011 (in D.12-03-053) escalated by the 2012 COLA of 2.2% and a 5% step increase (rounded to the nearest \$5 increment). Ms. Mailloux is a 1993 law school graduate. In 2008, TURN sought and was awarded an hourly rate of \$390, in the lower half of the range set for attorneys with 13+ years of experience. D.09-09-024, pg. 17 (adopting the requested rate), and D.08-04-010, pg. 5 (setting the ranges for 2008). TURN seeks here the first step increase for Ms. Mailloux in the 13+ years experience level.³

Ms. Mailloux’s only hours for 2013 relate to work on this compensation request. TURN calculated those hours using half of the hourly rate it is requesting for 2012.

³ TURN’s showing in support of this requested increase is based on and consistent with the showing TURN made in R.10-02-005 and R.05-06-040 in support of the requested step increase for its attorneys’ hourly rates in those proceedings. The Commission approved the requested increase in D.10-12-015 (p. 16) and D.12-05-033 (p. 8), respectively.

For Nina Suetake, the Commission has previously authorized an hourly rate of \$280 for work performed in 2010 (D.11-05-044, in A.08-09-023) and \$295 for work performed in 2011 (D.12-06-036, in R.09-08-009). Ms. Suetake has no hours for 2012.

For Regina Costa, pursuant to Resolution ALJ-247 (in 2010) and Resolution ALJ-267 (in 2011), TURN uses here the previously authorized hourly rate of \$275 that was first adopted for her work in 2008 (D.09-08-020 in R.08-01-005).

This was TURN's first general rate case for a Class A water utility. TURN hired an experienced consultant to assist in case preparation, litigation strategy and testimony on rate design issues. Mr. Rubin does not have a previously approved rate from this Commission. Relative to his level of expertise and years of experience, his hourly rate is extremely reasonable and should be approved.

Mr. Rubin holds a Bachelors Degree from Pennsylvania State University and a Juris Doctorate from George Washington University. Early in his career he worked for the Pennsylvania Office of Consumer Advocate from 1983 to 1994 where he was a supervisory attorney and helped set policy on water and electric matters. He testified as an expert witness on behalf of the Office of Consumer Advocate on rate design and cost of service issues. Since 1994, Mr. Rubin has worked as an independent consultant and attorney on matters affecting the public utility industry.

In addition to extensive expert witness experience on water and electric matters for over twenty years, Mr. Rubin has published and presented on the issues extensively. He has served as faculty for the Institute for Public Utilities at Michigan State University and for the American Water Works Association and he served as chair of the Water Committee for the National Association of State Utility Consumer Advocates. He has also worked at National Regulatory Research Institute.

TURN notes that Mr. Rubin has over 20 years of experience, yet his \$160 hourly rate is on the low end of the \$155 level that

<p>represents the bottom of the Commission-approved rate ranges in ALJ-267 for experts with thirteen or more years of experience. His experience level and depth of knowledge are directly on point to this rate case and are unquestionably sufficient for the Commission to approve his hourly rates.</p> <p>TURN submits that this information is more than sufficient for the Commission to grant the requested hourly rates for these three consultants.</p> <p>However, should the Commission disagree and believe that it needs more information to support the request, TURN asks that we be informed of the additional information that is necessary and given an opportunity to provide that information before a draft decision issues on this compensation request.</p> <p>Reasonableness of Expenses</p> <p>TURN requests that the Commission approve its expenses associated with its participation in this case. The expenses consist of photocopying expenses, postage, phone and a small charge for legal research conducted via Lexis/Nexis. The phone costs include conference call charges and personal phone expenses due to the lengthy calls for settlement meetings among the parties and coordination efforts among intervenors. The travel expenses cover a trip for Ms. Mailloux to attend the hearing on rate design. The Commission should find TURN's direct expenses reasonable.</p>	
<p>c. Allocation of Hours by Issue</p> <p>TURN has allocated its time entries asset for in the attachments by the following codes:</p> <p>GP General Preparation- work that generally does not vary with the number of issues that TURN addresses in the case</p> <p>GH General Hearing- Hearing related work that was not issue specific. For example, time spent waiting in the hearing room for specific witnesses, time</p>	<p>Yes</p>

PROC	<p>spent discussing witness scheduling, hearing procedure, etc.</p>	
SETT	<p>Procedure- Procedural motions such as a Motion to Strike or Motion for Supplemental Testimony.</p>	
COOR	<p>Settlement-related work including time spent discussing and coordinating settlement schedules, discussing substantive settlement issues with individual parties and TURN witnesses and attorneys, time in the settlement discussions themselves including issues that were related to TURN’s direct issues.</p>	
DIS	<p>Coordination with other parties beyond settlement including issue coordination, strategy, and some scheduling.</p>	
#	<p>Discovery- matters that did not fall into a particular issue area such as work on non-disclosure agreements, discovery disputes, preparation of discovery covering multiple issues, and review of other parties’ discovery.</p>	
PR	<p>Rate Proposal- Where ever possible, TURN allocated time to a specific issue area. However, use of this symbol indicates entries where the work on the three substantive issues was so integrated that the time cannot be broken down into individual issue codes. For example, work reviewing and finalizing testimony, certain strategy calls, early work identifying issues. TURN limited its use of this code and does not believe further allocation of this time is necessary. However, if the Commission wishes to allocate then it should apportion the time roughly among the following codes: BA- 30%; TR- 40%, WRAM-10%; PR-20%.</p>	
BA	<p>Principles of Rate Design- Work by consultants and staff to review and analyze the proper principles of rate design to present to the Commission as a basis for its rate design decisions.</p>	
	<p>Billing Analysis- TURN’s work to generate a cost of service study and bill frequency analysis using extensive Cal-Am data through discovery and to</p>	

<p>TR</p> <p>WRAM</p> <p>COMP</p>	<p>then use those analyses to critique Cal-Am and other rate design proposals.</p> <p>Tiered Rates- Work to develop and create a tiered rate proposal and analyze other tiered rate proposals including research on Commission rate design policy.</p> <p>Water Revenue Adjustment Mechanisms- time spent analyzing, briefing and discussing the impact of the WRAM and various amortization proposals on the rate design and revenue requirement allocation among tiers.</p> <p>Compensation- work on TURN’s compensation request and compensation related activities such as the NOI.</p>	
<p>TURN submits that under the circumstances this information should suffice to address the allocation requirement under the Commission’s rules. Should the Commission wish to see additional or different information on this point, TURN requests that the Commission so inform TURN and provide a reasonable opportunity for TURN to supplement this showing accordingly.</p>		

B. Specific Claim:

CLAIMED						CPUC AWARD		
ATTORNEY, EXPERT, AND ADVOCATE FEES								
Item	Year	Hours	Rate	Basis for Rate*	Total \$	Hours	Rate	Total \$
Christine Mailloux	2010	9.25	\$390	D.11-07-023	\$ 3,607.50	9.25	\$390	\$3,607.50
Christine Mailloux	2011	98.75	\$390	Res. ALJ-267	\$ 38,512.50	98.75	\$390	\$38,512.50
Christine Mailloux	2012	14.25	\$420	Res. ALJ-281, D.08-04-010	\$ 5,985.00	14.25	\$420	\$5,985
Nina Suetake	2010	1.75	\$280	D.11-05-044	\$ 490.00	1.75	\$280	\$490
Nina Suetake	2011	52.75	\$295	D.12-06-036, in R.09-08-009	\$15,561.25	52.75	\$295	\$15,561.25
Bob Finkelstein	2011	1.75	\$470	D.10-09-042, Res. ALJ- 267	\$822.50	1.75	\$470	\$822.50

CLAIMED						CPUC AWARD		
ATTORNEY, EXPERT, AND ADVOCATE FEES								
Item	Year	Hours	Rate	Basis for Rate*	Total \$	Hours	Rate	Total \$
Regina Costa	2010	22.00	\$275	D.09-08-020	\$ 6,050.00	22	\$275	\$6,050
Regina Costa	2011	94.50	\$275	Res. ALJ-267	\$ 25,987.50	94.50	\$275	\$25,987.50
Regina Costa	2012	2.50	\$275	Res. ALJ-267	\$687.50	2.50	\$285	\$712.50
Scott J. Rubin	2010	34.00	\$160	See supra, Part III. Sec. A (b)	\$5,440.00	34	\$160	\$5,440
Scott J. Rubin	2011	131.00	\$160	See supra, Part III. Sec. A (b)	\$20,960.00	131	\$160	\$20,960
Scott J. Rubin	2012	5.75	\$160	See supra, Part III. Sec. A (b)	\$920.00	5.75	\$165	\$948.75
Subtotal:					\$125,023.75	Subtotal:		\$125,077.50
OTHER FEES								
Describe here what OTHER HOURLY FEES you are Claiming (paralegal, travel **, etc.):								
Item	Year	Hours	Rate	Basis for Rate*	Total \$	Hours	Rate	Total \$
Christine Mailloux	2011	7.5	\$195	Travel time for hearings- half hourly rate	\$1,462.50	7.5	\$195	\$1,462.50
[Person 2]								
Subtotal:					\$1,462.50	Subtotal:		\$1,462.50
INTERVENOR COMPENSATION CLAIM PREPARATION **								
Item	Year	Hours	Rate	Basis for Rate*	Total \$	Hours	Rate	Total \$
Christine Mailloux	2013	13.25	\$210		\$2,782.50	13.25	\$215	\$2,848.75
Bob Finkelstein	2013	.75	\$240		\$180.00	.75	\$240	\$180
Subtotal:					\$2,962.50	Subtotal:		\$3,028.75

CLAIMED			CPUC AWARD		
COSTS					
#	Item	Detail	Amount		Amount
	Photocopies	Cal-Am Application and related material, pleadings	\$537.00		\$537
	Atty Travel	Expenses for attendance at hearings	\$675.86		675.86
	Phone/ Conference call	Proceeding-related phone calls and multi-party conference call charges	\$533.60		\$533.60
Subtotal:			\$1,746.46	Subtotal:	\$1,746.46
TOTAL REQUEST \$:			\$131,195.21	TOTAL AWARD \$:	\$131,315.21

*We remind all intervenors that Commission staff may audit their records related to the award and that intervenors must make and retain adequate accounting and other documentation to support all claims for intervenor compensation. Intervenor’s records should identify specific issues for which it seeks compensation, the actual time spent by each employee or consultant, the applicable hourly rates, fees paid to consultants and any other costs for which compensation was claimed. The records pertaining to an award of compensation shall be retained for at least three years from the date of the final decision making the award.

**Travel and Reasonable Claim preparation time typically compensated at ½ of preparer’s normal hourly rate.

Attorney	Date Admitted to CA BAR ⁴	Member Number	Actions Affecting Eligibility (Yes/No?) If “Yes”, attach explanation
Christine Mailloux	December 10, 1993	167918	No
Nina Suetake	December 14, 2004	234769	No
Bob (Robert) Finkelstein	June 13, 1990	146391	No

C. CPUC Disallowances and Adjustments:

#	Reason
Hourly Rates for Mailloux	The 2010 hourly rate of \$390 was adopted or confirmed in D.12-03-053. The 2011 rate of \$390, the 2012 of \$420, and the 2013 rate of \$430 were adopted or confirmed in D.14-04-021.

⁴ This information may be obtained at: <http://www.calbar.ca.gov/>.

Hourly Rates for Suetake	The 2010 rate of \$280 was adopted or confirmed in D.11-09-035. The 2011 rate of \$295 was adopted or confirmed in D.14-04-021.
Hourly Rates for Finkelstein	The 2011 rate of \$470 was adopted or confirmed in D.14-04-021. The 2012 hourly rate of \$480 was adopted or confirmed in D.13-11-022. The 2013 hourly rate of \$480 was confirmed in D.14-06-027.
Hourly Rates for Costa	The 2010 hourly rate of \$275 was adopted or confirmed in D.12-09-016. The 2011 hourly rate of \$275 and the 2012 hourly rate of \$285 was adopted or confirmed in D.14-04-021.
Hourly Rates for Rubin	Resolution ALJ-267 set 2011 rates equal to the 2010 rates for intervenors. Rates for experts with 13-plus years of experience were set at \$155-\$390 per hour. Rubin has over 20 years of experience in the public utilities sector and his education and work experience warrant the hourly rate of \$160 per hour for work completed in 2010. The 2011 rate of \$160 and the 2012 rate of \$165 were adopted in D.14-04-021.
Higher award amount	The amount we award today is slightly higher than that requested because we apply the higher hourly rates awarded by Intervenor Compensation decisions in 2013.

PART IV: OPPOSITIONS AND COMMENTS

A. Opposition: Did any party oppose the Claim?	No
B. Comment Period: Was the 30-day comment period waived (see Rule 14.6(2)(6))?	Yes

FINDINGS OF FACT

1. The Utility Reform Network (TURN) made a substantial contribution to Decision (D.) 12-11-006.
2. The requested hourly rates for TURN's representatives, as adjusted herein, are comparable to market rates paid to experts and advocates having comparable training and experience and offering similar services.
3. The claimed costs and expenses are reasonable and commensurate with the work performed.

4. The total of reasonable compensation is \$131,315.21.

CONCLUSION OF LAW

The Claim, with any adjustment set forth above, satisfies all requirements of Public Utilities Code §§ 1801-1812.

O R D E R

IT IS ORDERED that:

1. The Utility Reform Network is awarded \$131,315.21.
2. Within 30 days of the effective date of this decision, California-American Water Company shall pay The Utility Reform Network (TURN) the total award. Payment of the award shall include compound interest at the rate earned on prime, three-month commercial paper as reported in Federal Reserve Statistical Release H.15, beginning March 30, 2013, the 75th day after the filing of TURN's request, and continuing until full payment is made.
3. The comment period for today's decision is waived.
4. This decision is effective today.

Dated _____, at San Francisco, California.

APPENDIX**Compensation Decision Summary Information**

Compensation Decision:		Modifies Decision?	No
Contribution Decision(s):	D1211006		
Proceeding(s):	A1007007, A1109016		
Author:	ALJ Rochester		
Payer(s):	California-American Water Company		

Intervenor Information

Intervenor	Claim Date	Amount Requested	Amount Awarded	Multiplier?	Reason Change/Disallowance
The Utility Reform Network (TURN)	1/14/2013	\$131,195.21	\$131,315.21	No	2013 Intervenor Compensation Decisions awarding higher hourly rates.

Advocate Information

First Name	Last Name	Type	Intervenor	Hourly Fee Requested	Year Hourly Fee Requested	Hourly Fee Adopted
Christine	Mailloux	Attorney	TURN	\$390	2010	\$390
Christine	Mailloux	Attorney	TURN	\$390	2011	\$390
Christine	Mailloux	Attorney	TURN	\$420	2012	\$420
Christine	Mailloux	Attorney	TURN	\$420	2013	\$430
Nina	Suetake	Attorney	TURN	\$280	2010	\$280
Nina	Suetake	Attorney	TURN	\$295	2011	\$295
Bob	Finkelstein	Attorney	TURN	\$470	2011	\$470
Bob	Finkelstein	Attorney	TURN	\$470	2013	\$480
Regina	Costa	Expert	TURN	\$275	2010	\$275
Regina	Costa	Expert	TURN	\$275	2011	\$275
Regina	Costa	Expert	TURN	\$280	2012	\$285
Scott	Rubin	Expert	TURN	\$160	2010	\$160
Scott	Rubin	Expert	TURN	\$160	2011	\$160
Scott	Rubin	Expert	TURN	\$160	2012	\$165

(END OF APPENDIX)