

PROPOSED RESOLUTION

Resolution W-5049
DWA

AGENDA ID #14009

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-5049
June 11, 2015

R E S O L U T I O N

(RES. W-5049), GOLDEN STATE WATER COMPANY (GSWC).
ORDER APPROVING GOLDEN STATE WATER COMPANY'S
REQUEST TO MODIFY SPECIAL CONDITION NO. 3 ON ITS RATE
SCHEDULE NO. AC-1 TO SPECIFY THAT A FLAT-RATE CUSTOMER
THAT BECOMES METERED WILL BE BILLED AT THE APPLICABLE
METER RATES AFTER ONE BILLING CYCLE.

By Advice Letter No. 1599-W filed on April 23, 2015.

SUMMARY

Golden State Water Company (GSWC), a Class A water utility subject to the jurisdiction of this Commission, seeks to modify Special Condition No. 3 on its Rate Schedule No. AC-1, General Metered Service, to specify that a newly metered, formerly flat-rate customer in the Arden-Cordova District will be billed at the applicable volumetric rates after one billing cycle.

We find GSWC's request to be just and reasonable, and approve the modification.

BACKGROUND

As of March 2015, GSWC's Arden-Cordova District serves 16,375 customers in Sacramento County, of which 2,210 do not yet have water meters.

California Public Utilities Code Section 781 requires water corporations with 500 or more service connections to install water meters on unmetered connections and to charge customers based on volume of water use. Section 781 was added to statute in 2010 per Assembly Bill No. 975 as part of the State's goal to promote water conservation by measuring consumption. To comply with this law, GSWC has installed meters on most of the service connections in its Arden-Cordova District, and continues to do so. As of January 2010, GSWC served 9,833 flat-rate customers in Arden-Cordova. Over 7,600 of these have since been converted to metered service.

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Currently, flat-rate customers in GSWC's Arden-Cordova District who have a meter installed are billed at the flat rate for up to one year after meter installation. This one-year "grace period" was implemented per California Public Utilities Code Section 781(b)(3), which reads in part:

... in order to provide customers with experience in volume-based water service charges, a water corporation ... may delay, for one annual seasonal cycle of water use, the use of meter-based charges for service connections that are being converted from nonvolume-based billing to volume-based billing.

GSWC added the special condition describing its grace period to Rate Schedule No. AC-1 in Advice Letter 1377-W-A, effective April 1, 2010. This advice letter was filed pursuant to Ordering Paragraph 3 of Resolution W-4810, dated December 17, 2009. Special Condition No. 3 for Arden-Cordova customers converting from flat rate to metered service currently reads:

3. For the benefit of the customer, GSWC will delay the billing conversion from flat-rate to consumptive rate for one annual seasonal cycle of water use. After one annual seasonal cycle of water use, GSWC will convert the account to consumptive rate during the first billing cycle immediately following the one annual season unless the customer requests an earlier conversion.

The rationale for the one year grace period was to allow formerly flat-rate customers to monitor and adjust their usage in preparation for volumetric billing, while still being charged at the flat rate. In light of California's ongoing drought and the Governor's April 1, 2015 Executive Order B-29-15 mandating a 25% reduction in potable urban water usage, GSWC no longer deems the 12-month grace period a reasonable practice. Therefore GSWC would like to shorten the grace period in Special Condition No. 3 from one year to one billing cycle.

NOTICE AND SERVICE

In accordance with General Rules 4.3 and 7.2, and Water Industry Rule 4.1, of General Order 96-B, GSWC served copies of AL 1599-W to competing and adjacent utilities and other parties requesting such notification, on April 23, 2015.

In accordance with General Rule 4.2 and Water Industry Rule 3.1 of General Order 96-B, GSWC notified all affected customers about the advice letter by first class mail on May 1, 2015.

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RESPONSE AND PROTEST

GSWC received one late-filed customer protest by email, to which the utility replied in a timely fashion. The protest was considered, but did not alter our resolution of GSWC's request.

DISCUSSION

California is experiencing a severe multi-year drought. The Governor proclaimed a State of Emergency in January 2014, and in April 2015 ordered the first ever statewide mandatory water reductions. The Commission is obligated to support actions that will maximize water conservation. Metering water use is a necessary step toward meeting reduction goals. Billing customers according to the amount of water they use has been shown to reduce water use. GSWC's request to shorten the delay in implementing volumetric billing of newly metered customers is aligned with Commission and State goals to reduce potable urban water usage in California.

The grace period for newly metered customers is intended to enable these customers to monitor and adjust their water usage before they are billed according to that usage. A grace period of one billing cycle will still give newly metered customers the necessary information to modulate their water consumption; however, the financial incentive to reduce water use will take effect much more quickly than under the one year grace period.

The language in California Public Utilities Code Section 781(b)(3) indicates that the one year delay in volumetric billing is not mandatory. Therefore changing the grace period to one billing cycle does not contravene this statute.

California Public Utilities Code Section 451 requires that all rules made by a public utility pertaining to its charges or service to the public be just and reasonable. In Executive Order B-29-15 Governor Brown directed the Commission to work with the water utilities it regulates to facilitate the adoption of rate structures and other pricing mechanisms that promote water conservation. GSWC's request to accelerate the conversion to quantity rate billing for newly metered customers is consistent with this directive.

The revised special condition in GSWC's tariff schedule AC-1 will read:

3. For the benefit of the customer, GSWC will delay the billing conversion from a flat rate to a metered rate for one billing cycle. After one billing cycle, GSWC will convert and bill the account at the applicable metered rate.

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Once this resolution has been adopted, newly metered customers in GSWC's Arden-Cordova District will be billed at volumetric rates after one billing cycle. This applies to customers who have been newly metered within the last year as well as to customers who have not yet been metered. Golden State should notify all customers affected by the change in the grace period.

SAFETY

Metering water use and implementing financial incentives to reduce consumption promote conservation of potable water. In this extended drought period, this revision will help to ensure that California has sufficient water supplies, including safe drinking water, to provide for the safety and welfare of its citizens.

COMMENTS

Public Utilities Code Section 311 (g)(2) provides that the 30-day public review period may be reduced or waived for an uncontested matter in which the decision grants the relief requested. Because the single protest was received after the deadline, the matter is considered uncontested. Accordingly, this draft Resolution was not mailed for public comment.

FINDINGS AND CONCLUSIONS

1. On April 23, 2015 Golden State Water Company (GSWC) filed Advice Letter 1599-W requesting authorization to modify Special Condition No. 3 on its tariff schedule AC-1 to reduce the delay in conversion from flat rate to metered billing from one year to a single billing cycle.
2. GSWC had established the special condition in Advice Letter No. 1377-W-A, effective on April 1, 2010, pursuant to Resolution No. W-4810.
3. The proposed rewording of Special Condition No. 3 maintains compliance with California Public Utilities Code Section 781.
4. The Division of Water and Audits finds that GSWC's request to shorten the grace period from one year to one billing cycle is in line with efforts to reduce water consumption in light of the ongoing drought in California.
5. The Commission finds that accelerating the conversion to quantity rate billing for newly metered customers is just and reasonable, and serves the public interest by promoting water conservation.

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6. Water conservation is necessary to ensure an adequate supply of safe drinking water for Californians.

THEREFORE IT IS ORDERED THAT:

1. Golden State Water Company is authorized to modify Special Condition No. 3 on its tariff schedule AC-1 to read, "3. For the benefit of the customer, GSWC will delay the billing conversion from a flat rate to a metered rate for one billing cycle. After one billing cycle, GSWC will convert and bill the account at the applicable metered rate."
2. Golden State shall notify all affected customers by bill insert in the next bill informing them of the change in the grace period.
3. The tariff sheet attached in Appendix A to this Resolution is approved.

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This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on June 11, 2015; the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

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APPENDIX A

Schedule No. AC-1
Arden-Cordova District
GENERAL METERED SERVICE

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SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
2. Service with 5/8 x 3/4-inch meters and 3/4-inch meters is available only to customers served with 5/8 x 3/4-inch and 3/4-inch meters as of May 31, 1995.
3. For the benefit of the customer, GSWC will delay the billing conversion from a flat rate to a metered rate for one billing cycle. After one billing cycle, GSWC will convert and bill the account at the applicable metered rate. (T)
(T)
4. Pursuant to Decision 05-07-045, to recover the balance as of January 31, 2005 in the Water Quality Litigation Memorandum Account, a surcharge of \$0.200 per Ccf is to be added to the quantity rate for 20 years. The surcharge amount will be recalculated once in every rate cycle, or more frequently if in any year the receipt of Water Availability Fee (WAF) monies will permit a reduction of \$0.50 or more in the monthly bill under Tariff AC-2.
5. Pursuant to Decision No. 13-05-011, a surcharge of \$0.054 per Ccf will be applied to all metered Customer bills excluding customers that are receiving the CARW credit. This surcharge will offset the CARW credits and CARW administrative program costs recorded in the CARW Balancing Account.
6. As authorized by the California Public Utilities Commission, a surcharge will be applied to customer bills for a 20-year period, beginning on the effective date of Advice Letter No. 1510-W. This surcharge will repay the \$43 million loan Golden State Water Company received from the California Department of Public Health to fund the Meter Installation and Retrofit Program in the Arden Cordova District, pursuant to Commission Resolution W-4810.

The table below shows the surcharge, by meter size, for each 10 year period:

	<u>Years 1-10</u>	<u>Years 11-20</u>
For 5/8 x 3/4-inch meter.....	\$ 0.75/mo.	\$ 0.70/mo.
For 3/4-inch meter.....	1.13/mo.	0.85/mo.
For 1-inch meter.....	1.88/mo.	1.40/mo.
For 1 1/2-inch meter.....	3.75/mo.	3.50/mo.
For 2-inch meter.....	6.00/mo.	5.60/mo.
For 3-inch meter.....	11.25/mo.	10.50/mo.
For 4-inch meter.....	18.75/mo.	17.50/mo.
For 6-inch meter.....	37.50/mo.	35.00/mo.
For 8-inch meter.....	60.00/mo.	56.00/mo.
For 10-inch meter.....	86.25/mo.	80.50/mo.

7. As authorized by the California Public Utilities Commission in D.13-05-011, an amount of \$0.0085 per Ccf is to be added to the Quantity Rates for a period of 12 months, beginning on the effective date of Advice Letter 1555-WA. This surcharge will recover the undercollection recorded in the Oracle Technical Support Costs Memorandum Account. *This surcharge will be in effect from July 1, 2014 through June 30, 2015.*
8. As authorized by the California Public Utilities Commission, an amount of \$0.136 per Ccf based on an 12 months amortization period, is to be added to the Quantity Rate, beginning on the effective date of Advice Letter 1595-WA, which is March 6, 2015. The surcharge may be recalibrated annually, if necessary. This surcharge will recover the undercollection in the WRAM&MCBA Balancing Accounts.

END OF APPENDIX A

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GOLDEN STATE WATER COMPANY ADVICE LETTER NO. 1599-W SERVICE LIST

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