

ATTACHMENT A

**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 No. 15-07-019
(Filed, July 14, 2015)

**PHASE 1 SETTLEMENT AGREEMENT TO ELIMINATE SUMMER OUTDOOR
WATERING ALLOTMENTS**

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Dated: December 16, 2015

**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 No. 15-07-019
(Filed, July 14, 2015)

**PHASE 1 SETTLEMENT AGREEMENT TO ELIMINATE SUMMER OUTDOOR
WATERING ALLOTMENTS**

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), California-American Water Company ("California American Water"), Coalition of Peninsula Businesses, Monterey Peninsula Water Management District ("MPWMD"), Office of Ratepayer Advocates ("ORA"), and Public Water Now (collectively, the "Parties") have agreed to the terms of this Phase 1 Settlement Agreement to Eliminate Summer Outdoor Watering Allotments ("Settlement Agreement"), which they now submit for approval.

RECITALS

A. On July 14, 2015, California American Water filed an application for authorization to modify the conservation and rationing plan, rate design, and other related issues for the Monterey District ("Application"). California American Water requested the modifications to the conservation and rationing plan to ensure the Monterey District can comply with the current and future modified conditions of the State Water Resource Control Board ("SWRCB") Cease and Desist Order ("CDO"). California American Water also requested modification of the rate design and other related mechanisms for the Monterey District.

B. In its Application, California American Water requested to eliminate summer outdoor watering allotments for tiers 3 and 4 in the Monterey District on an expedited basis. California American Water stated that the outdoor watering allotments should be eliminated on an expedited basis because of the current drought conditions and need to conserve as well as to ensure compliance with the CDO and the State's expectations of reductions in water use during the drought.

C. On November 4, 2015, the Assigned Commissioner issued a Scoping Memo and Ruling which bifurcated the proceeding into two separate phases. Phase 1 would address the elimination of summer outdoor watering allotments in the upper rate tiers while Phase 2 would address all other remaining issues.

D. On November 13, 2015, ORA, MPWMD, and Stone Creek & Regulatory Liaisons, Inc. served testimony regarding Phase 1 issues.

E. ORA's testimony recommends that the Commission authorize California American Water to eliminate its outdoor landscaping allocation. ORA's testimony also states that the Commission should require California American Water to provide customized notice to customers of the potential impacts the elimination of the allocation may have on their particular bills at least two months before the change occurs.

F. MPWMD served testimony which supports California American Water's request for an expedited rate design change to eliminate residential summer outdoor watering allotments in the upper rate tiers.

G. Stone Creek Village & Regulatory Liaisons, Inc. served joint testimony objecting to the bifurcation of the proceeding and recommending against making any decision to eliminate outdoor watering allotments independent of a decision on overall rate design and rate issues.

H. Notice of a settlement conference on Phase 1 issues was served to all parties by California American Water on November 20, 2015, and the settlement conference was held on November 30, 2015 by telephone. Settlement discussions continued after the settlement conference.

I. In recognition that the December 2016 deadline to meet the restrictions of the CDO is rapidly approaching and that California American Water must diligently implement actions to comply with the CDO and terminate its unlawful diversions from the Carmel River, the Parties have agreed to the terms and conditions set forth herein. This Settlement Agreement is a complete and final resolution to the issues in Phase 1 of A.15-07-019.

AGREEMENT

1. GENERAL PROVISIONS AND RESERVATIONS

- 1.1. The Parties have agreed on the terms of this Settlement Agreement, which they now submit for approval. The Parties, desiring to avoid the expense, inconvenience and the uncertainty attendant to litigation of the matters in dispute between them have agreed on this Settlement Agreement, which they now submit for approval.
- 1.2. Because this Settlement Agreement represents a compromise by them, the Parties have entered into the Settlement Agreement on the basis that its 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 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. (Rule 12.5, Commission's Rules of Practice and Procedure.)
- 1.3. This Settlement Agreement is limited to the sole issue of whether the summer outdoor watering allotments for the Monterey District should be eliminated, defined as Phase 1

in A.15-07-019. The Settlement does not address overall rate design, conservation and rationing, revenue adjustment mechanisms, and other matters that are the subject of Phase 2 of A.15-07-019. Nothing in this Settlement Agreement is intended to bind parties on issues in Phase 2 of this proceeding.

- 1.4. The Parties agree that no signatory to the 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.
- 1.5. The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement. If the Commission adopts the Settlement Agreement with modifications, all Parties must consent to the modifications or the Settlement Agreement is void.
- 1.6. The Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

2. SETTLEMENT OF PHASE 1 ISSUES

- 2.1. The Parties hereby agree that California American Water shall eliminate the summer outdoor watering allotment in the upper rate tiers 3 and 4 for the Monterey District, beginning May 1, 2016.
- 2.2. The Parties agree that the resolution of Phase 1 issues does not preclude any party from raising the rate impacts of the elimination of outdoor watering allotments on the overall rate design and total customer bills in Phase 2 of A.15-07-019.
- 2.3. The Parties agree that the impacts of the elimination of summer outdoor watering allotments for the Monterey District may be reviewed in California American Water's future general rate cases.
- 2.4. California American Water agrees to notify customers in its Monterey District of the elimination of outdoor watering allotments in the upper rate tiers through direct mail. See Attachment 1 for the agreed-upon components of the customer notice. In order to provide sufficient time to mail the notice to customers, the Parties request that the Commission issue a decision on the Settlement Agreement by mid-March, 2016.

Respectfully submitted,

Dated: December ¹⁶, 2015

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Dated: December , 2015

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Dated: December , 2015

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Dated: December , 2015

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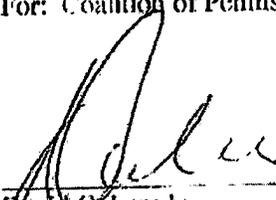
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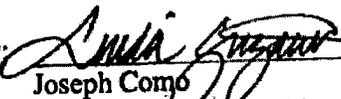
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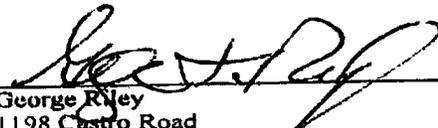
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Dated: December ¹⁶, 2015

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Dated: December 13, 2015

By:


George Riley
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ATTACHMENT 1

Dear CUSTOMER,

On July 14, 2015, California American Water submitted an application to the California Public Utilities Commission (Application 15-07-019) for changes to the present rate design, the emergency conservation and rationing plan, and recovery of prior unrecovered revenues for water customers in its Monterey County service district, excluding those in Toro, Ambler Park¹, Chualar, Ralph Lane, and Garrapata. Given the statewide drought and threatened water cutbacks from the State Water Resources Control Board, California American Water also requested that the proposed change in rate design to eliminate the summer outdoor water use allotment in tiers 3 and 4 be addressed on an expedited basis so that the change can be implemented before the summer of 2016.

The Commission granted California American Water's request to eliminate the summer outdoor watering allotments for tiers 3 and 4 for the Monterey District in Decision 16-XX-XXX.

How will California American Water's changes to the outdoor allotment affect me?

Below is a representative example of how the elimination of summer outdoor watering allotments in tiers 3 and 4 could impact your total water bill. The first table presents the volumetric portion of your base water bill from September 2015 (for water used since your last bill in August), incorporating your actual use during that monthly billing period, as well as your specific allotments in each block for your actual September bill including the summer outdoor allotment. The second table shows how that same bill would change when the summer outdoor watering allotment is eliminated.

Table 1 - With Summer Outdoor Allotment - Actual September 2015 Billed Water Charges Only

Block	Winter Allotments (in hundred gallons)	Summer Allotments (in hundred gallons)	Rate (per hundred gallon)	Usage (in hundred gallons)	Charges
BLOCK1	78.54	78.54	0.6054	78.54	47.55
BLOCK2	78.54	78.54	1.3097	78.54	102.86
BLOCK3	78.54	100.98	3.3751	100.98	340.82
BLOCK4	78.54	100.98	6.8591	100.98	692.63
BLOCK5	Remainder	Remainder	8.8990	2.24	19.93
Total				361.28	\$1203.79

¹ The recovery of prior unrecovered revenues in Ambler Park is now going to be addressed in this proceeding by order of the Administrative Law Judge. No change to Ambler Park's rate design is being proposed in this application.

Table 2 - Without Summer Outdoor Allotment - Actual September Billed Water Charges Only

Block	Winter Allotments (in hundred gallons)	Summer Allotments (in hundred gallons)	Rate (per hundred gallon)	Usage (in hundred gallons)	Charges
BLOCK1	78.54	78.54	0.6054	78.54	47.55
BLOCK2	78.54	78.54	1.3097	78.54	102.86
BLOCK3	78.54	78.54	3.3751	78.54	265.08
BLOCK4	78.54	78.54	6.8591	78.54	538.71
BLOCK5	Remainder	Remainder	8.8990	47.12	419.32
Total				361.28	\$1373.52

How do I find out more about this change to my summer water bills?

If you have any questions about the change to the summer outdoor watering allotments, please contact California American Water at (831) 646-3205.

(END OF ATTACHMENT A)

ATTACHMENT B

**OVERVIEW OF CALIFORNIA AMERICAN WATER COMPANY RATES
WITH REGARD TO OUTDOOR WATERING ALLOTMENT FOR THE
MONTEREY DISTRICT**

Phase 1 of Application 15-07-019

California-American Water Company (Cal-Am) has separate rate designs in its Monterey District for non-residential and residential customers. Non-residential customers do not receive an outdoor watering allocation. Cal-Am's request to eliminate its outdoor watering allocation applies only to its residential customers.

Cal-Am's residential customer bills are composed of three types of charges: meter charges, surcharges, and volumetric (quantity) charges. Residential customers pay a flat, monthly meter charge (also called a service charge) based on the size of their meter. Surcharges are special charges approved by the Commission for various purposes, such as conservation program expenses.

Residential volumetric (quantity) charges are assessed per unit of consumption. The quantity charge per unit of consumption is based on an inclining-block (or "tiered") rate design. Cal-Am's quantity rates are assessed in five blocks. That is, there are five blocks at which water is priced, each block has its own rate, and the rate in each block is higher than the one in the prior block. Cal-Am is not requesting a change to current rates in this Phase of this proceeding.

Each unit of water consumed in a block is priced at the same rate, but the amount of water allowed in each block can vary. Once the amount of water allowed for a block is consumed, the customer moves to the next block, at a higher rate.

Each customer is allotted a certain amount of water in each block. The allotments are based on three customer characteristics:

- the number of people residing in the household,
- the number of large animals present on the lot, and
- the size of the lot.

Block allotments for each customer are determined by adding all three applicable allotments.

The outdoor watering allotment is based on the size of the customer’s lot. It is the only allocation that is not applied evenly to all blocks, and applies only for a limited time each year (May through October). That is, the landscaping allocation only increases the amount of water allowed in Blocks 3 and 4, and only applies in May through October each year. During these six months, the watering allocation increases the amount of water the customer may use in Block 3 before moving into Block 4, and the amount of water the customer may use in Block 4 before moving into Block 5.

The rates, block allocations, and an typical customer example are summarized below:

TABLE 1: TIERED RATES (as stated in A.15-07-019)

BLOCK	RATE PER TENS OF CUBIC FEET (74.8 GALLONS)	RATE PER 100 GALLONS
1	\$0.4528	\$0.6054
2	\$0.6793	\$0.9081
3	\$1.6768	\$2.4217
4	\$3.6229	\$4.8434
5	\$4.5286	\$6.0543

TABLE 2: HOUSEHOLD SIZE BLOCK ALLOCATION

HOUSEHOLD SIZE (persons)	ALLOTTED TENS OF CUBIC FEET PER MONTH IN ALL BLOCKS	APPROXIMATE EQUIVALENT GALLONS PER DAY
1	15	37.5
2	30	75
3	45	112.5
4	60	150
5	75	187.5
6	90	225
7	105	262.5

TABLE 3: LARGE ANIMAL BLOCK ALLOCATION

NUMBER OF LARGE ANIMALS	ALLOTTED TENS OF CUBIC FEET PER MONTH IN ALL BLOCKS	APPROXIMATE EQUIVALENT GALLONS PER DAY
1-2	5	12.5
3-5	10	25
6-10	15	37.5
11-20	20	50
Over 20	25	62.5

TABLE 4: OUTDOOR WATERING BLOCK ALLOCATION

LOT SIZE	ALLOTTED TENS OF CUBIC FEET PER MONTH, ONLY IN BLOCKS 3 AND 4, ONLY MAY - OCTOBER	APPROXIMATE EQUIVALENT GALLONS PER DAY
No outside space	0	0
Up to ¼ acre	10	25
Over ¼ acre, up to ½ acre	20	50
Over ½ acre, up to 1 acre	20	50
Over 1 acre, up to 2 acres	30	75
Over 2 acres, up to 3 acres	30	75
Over 3 acres, up to 4 acres	30	75
Greater than 4 acres	30	75

TABLE 5: TYPICAL CUSTOMER EXAMPLE

BLOCK	WINTER ALLOTMENT (November - April) IN TENS OF CUBIC FEET	SUMMER ALLOTMENT (May - October) IN TENS OF CUBIC FEET
1	45	45
2	45	45
3	45	65
4	45	65
5	All consumption over 180	All consumption over 220

The typical customer here is a three-person household, with no large animals, on a ¼ to 1 acre lot. Cal-Am states this is most representative of its single family customer base.

(END OF ATTACHMENT B)