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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 in its Larkfield District by \$648,100 or 23.38% in the year 2010, and by \$140,200 or 4.07% in the Year 2011 and to increase its Revenues for Water Service In its Los Angeles District by \$7,886,200 or 41.29% in the Year 2010 and \$1,100,000 or 4.09% in the year 2011 and To increase its Revenues for Water Service in its Sacramento District by \$17,537,800 or 51.29% in the year 2010 and \$5,339,800 or 10.25% in the year 2011

And Related Matters

**Application 09-01-013
(Filed January 23, 2009)**

**Application 09-05-008
Application 09-07-002**

**MARK WEST AREA COMMUNITY SERVICES COMMITTEE COMMENTS
ON THE PROPOSED DECISION**

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June 14, 2010

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**MARK WEST AREA COMMUNITY SERVICES COMMITTEE’S COMMENTS
ON THE PROPOSED DECISION**

1. Introduction:

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure the Mark West Area Community Services Committee (MWACSC) files these comments on the Proposed Decision (PD) of the assigned Administrative Law Judge (ALJ) dated May 25, 2010 in the above referenced proceedings. The PD is entitled **“DECISION ADOPTING THE 2010 AND 2011 REVENUE REQUIREMENT AND RATES FOR CALIFORNIA AMERICAN WATER COMPANY IN THE LARKFIELD, LOS ANGELES, AND SACRAMENTO DISTRICTS, AND RESOLVING THE DRY CREEK DEVELOPERS SPECIAL FACILITIES FEE AND PENSION BALANCING ACCOUNT ISSUES.”**

2. Background:

On January 23, 2009 Cal-Am filed rate case A.09-01-013 in its Larkfield, Sacramento and Los Angeles Districts. Application A.09-05-008 was filed on May 11, 2009 requesting

an order authorizing adjustment of the Dry Creek special facilities fee. On August 10, 2009 these two applications were consolidated by ALJ ruling.

Application A.09-07-002 was filed on July 2, 2009 requesting a balancing account to track pension and other post-retirement benefit costs. On August 19, 2009 Application A.09-07-002 was consolidated with A.09-01-013 and with A.09-05-008 by ALJ ruling.

Settlement Discussions were held between October 20, 2009 and November 5, 2009.

Evidentiary Hearings were scheduled for November 2 – 6, 2009. Because DRA and Cal-Am believed that most, if not all, issues had been settled. Evidentiary Hearings for this proceeding were not held. Witnesses prepared testimony and other exhibits were received into the record without cross examination.

DRA and Cal-Am requested and received two one week extensions of time in which to submit the Settlement Agreement moving the date for submittal of the Settlement Agreement to December 18, 2009.

Cal-Am forwarded draft copies of the Settlement Agreement to DRA on December 4, 2009. Intervenors were not provided with copies of the Settlement Agreement until Tuesday December 15, 2009. Three days before the date for final submittal.

Intervenors Duarte, Bradbury and MWACSC all declined to enter into the Settlement Agreement because they were not afforded sufficient time to review the agreement and to affect changes where necessary.

MWACSC's comments on the Settlement Process in this Rate Case is contained in its Opening Brief filed January 19, 2010 at pages 2 – 4.

3. MWACSC's Comments

3.1 Five Tier Rate Design

The current Three Tier Conservation Rate Design in the Larkfield District includes only residential customers. Commercial customers (including apartment dwellings), Industrial and Public Authority customers are not included in any conservation rate design.

In rate case A.07-01-037 MWACSC advocated that Cal-Am implement a five tier rate design that would include all classes of customers. The Settlement Agreement dated June 27, 2008 and adopted by the Commission in Decision D.08-11-023 on November 10, 2008 did

provide that Cal-Am would “consider” a five tier rate design in its next rate case¹. In filing its next rate case (This rate case - A.09-01-013) Cal-Am requested more time to “consider” a five tier rate design for the Larkfield District.

In the Settlement Agreement dated December 18, 2009 the Parties agreed to extend the current conservation rate design pilot program and recommend to the Commission that the proposed rate design changes for all Cal-Am Districts be addressed as a part of the second phase in the next GRC to be filed July 1, 2010.²

Cal-Am’s agreement to “consider” a five tier rate design for the Larkfield District is so vague as to be meaningless. Consider is a thought process that does not necessarily produce any tangible results.

There is no means to determine if Cal-Am has actually “considered” a five tier rate design short of calling out the thought police.

If that is the wording we must depend upon to establish a meaningful conservation rate design for Larkfield it may as well be stricken from the agreement and decision. It would not be expected to produce any real results.

3.2 Faught Road Well.

The PD states that MWACSC incorrectly characterized the settlement reached on the Faught Road Well and Well No. 6.³

We do not agree that we have incorrectly characterized the settlement reached on the Faught Road Well.

The settlement proposes allowing only \$147,082 of prior expenditures on the Faught Road Well to be treated as Construction Work in Progress and seeks approval of a special facilities fee to recover the remaining costs from new customers.

The Settlement also proposes that Cal-Am be authorized to file for recovery of costs beyond \$147,082 via a Tier III Advice Letter when the project is used and useful for utility service.⁴

¹ D.08-11-023, Appendix B page 3

² Settlement Agreement Dated December 18, 2009 page 94

³ Proposed Decision page 35

⁴ Settlement Agreement page 54

In short, Cal-Am is being given full authority to proceed with construction of the well and to recover the costs in rates. There can be no further discussion of need for the well, The Commission is refusing to examine why GO103-A more than doubles the claimed deficit in supply even though there are fewer customers. The Commission is also refusing to consider whether this 150 gpm well and plant expansion at over \$2,000,000 is cost effective.

The Special Facilities Fee will provide some relief to ratepayers in the Larkfield District. However upon approval of the Tier III advice letter the full cost of the well will be added to the rate base and rates will be adjusted according to that cost.

It is only after new customers are added to the system that the Special Facilities Fee will be collected and ultimately subtracted from the rate base. In the meantime ratepayers pay the full amount.

It is unlikely that the full cost of this plant expansion will be recovered by means of the Special Facilities Fee. Larkfield is nearing total build out. There is not sufficient vacant land in the Larkfield Area to accommodate 720 new connections⁵.

Section 451 of the California Public Utilities Code requires that;

“All charges demanded or received by any public utility or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered shall be just and reasonable.”

In Exhibit 202 MWACSC showed that water from the Faught Road Well would cost ratepayers \$1,608.38 per acre foot.⁶ This must be compared \$746.55 per acre foot from the Sonoma County Water Agency.

MWACSC also showed that Cal-Am has an additional 300 acre feet of water available from the Sonoma County Water agency that is not now being utilized.⁷ This brings into question whether the cost of the Faught Road well is “Reasonable and Just”.

MWACSC is saddened, shocked and even angry that both DRA and the PD ignores the question of whether these costs are “Reasonable and Just..” We would be very interested to learn what rationale, if any, was used to allow this horribly expensive well to continue.

⁵ Joint Motion for Adoption of Partial Settlement Agreement Between the Division of Ratepayer Advocates and California American Water Company on Issues Presented in the General Rate Case, Exhibit A, page 54

⁶ A.09-01-013 et al. Exhibit 202 page 9

⁷ Ibid. page 6

4. Conclusion

The wording in the Settlement Agreement that Cal-Am will “consider” a five tier rate design in its next rate case is so vague as to be meaningless. As such it is recommended that it be removed from the agreement.

The Faught Road Well was justified on the basis of a General Order 103-A calculation. In its Opening Brief MWACSC pointed out that GO103-A results in a more than two fold increase in the claimed deficit in water supply over the GO 103 Calculation even with a reduction in the number of customers.⁸

General Order 103-A uses the highest maximum day demand in the past 10 years to determine the maximum day demand for GO103-A calculation. This does not take into account more recent trends in water consumption nor does it take into account the effects of conservation. Further, GO103-A does not allow credit for water in storage in its calculation. In all GO-103-A drastically distorts the maximum day demand and should be revised to more realistically reflect the current demands of the system.

Respectfully Submitted

/S/ JAMES M. BOULER

James M. Boulter

Mark West Area Community Services committee

⁸ A.09-01-013 et. al. Opening Brief of the Mark West Area Community Services Committee page 5

CERTIFICATE OF SERVICE

I hereby certify that I have this day, June 14, 2010, served the within

**MARK WEST AREA COMMUNITY SERVICES COMMITTEE'S COMMENTS
ON THE PROPOSED DECISION**

on the interested parties in this action by transmitting this document electronically from my home at 133 Eton Court, Santa Rosa, California 95403 to the electronic e-mail addresses listed on the attached e-Mail service list and have forwarded two copies by United States Mail to the attached U.S. Mail Service List.

In addition to the e-mail service list I have filed the above document, in PDF/A format, electronically by transmitting the same to the Docket Office of the California Public Utilities Commission at [HTTP://EFILE.CPUC.CA.GOV](http://efile.cpuc.ca.gov) .

I hereby certify that the original, signed copy of the above document is available for review and copying at the request of the Commission or any party.

Executed at Santa Rosa, California, June 14, 2010

/S/ JAMES M. BOULER
James M. Bouler

PUC E-Mail Service List
A.09-01-013, A.09-05-008, A.09-07-002
Updated June 8, 2010

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