The Commission should Reject California American Water's Proposal to Consolidate the Larkfield and Sacramento Districts

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Background

- As part of its 2007 GRC Application California American Water requested authority to consolidate its Sacramento and Larkfield districts for ratemaking purposes.

Consolidation Proposal Undermines the Commission's Efforts to Encourage Water Conservation

- Conflicts with the Water Action Plan's key principal of "efficient use of water."
- Potentially undermines the efforts of the Conservation OII (I.07-01-022).
- Breaks link between rates and cost of service, sending the wrong signal to consumers regarding conservation.

Consolidation Proposal Breaks the Link between Rates and Cost of Service.

- Linking rates and cost of service is a requirement set forth in Section 701.10(f) of the PU Code.
- Cost of service dissimilar in Larkfield and Sacramento.
  - 120 miles apart.
  - Environmental factors such as climate, physical terrain and amount of rainfall differ due to geographical locations, leading to different costs of service.
  - Different water sources and water quality issues affect the cost of service.

Consolidation Proposal Fails to Satisfy 4 of 5 of the DRA Guidelines

- **Proximity**: Districts should be no more than **10** miles apart.
  - Sacramento and Larkfield are **120** miles apart.
- **Rate Comparability**: Rate difference should be **<25%.**
  - The current average bill for a metered customer in Larkfield is **83%** higher than in Sacramento.
- **Water Supply**: Sources of water supply should be similar.
  - Sacramento and Larkfield have different water supply sources and water quality issues.
- **Subsidization**: No districts should be consolidated for the express purpose of subsidization.
  - The Consolidation Proposal would **reduce** the average Larkfield bill by $53.11 (61.8%) by **increasing** the bills of Sacramento ratepayers.

Public Opinion in Both Districts is Opposed to Consolidation

- Despite the large mailing/canvassing campaign in Larkfield soliciting support for consolidation, Larkfield customers oppose consolidation.
  - At the Larkfield public participation hearing, 98% of attendees expressed opposition to consolidation.
  - Numbers of supporters cited by Cal Am in the letter to Commissioner Bohn are highly overstated.
- Sacramento customers also oppose consolidation.
  - No campaigning done in Sacramento.
  - Cal Am did not request input from Sacramento customers on consolidation.

Approval of the Consolidation Proposal would Set a Bad Precedent

- Other Water Utilities would consider approval a green light to request consolidation of districts spread across the state.
- Approval of a consolidation proposal that does not even come close to satisfying the DRA Guidelines would effectively eliminate the DRA Guidelines.
- The Commission already denied two prior identical consolidation requests by Cal Am (D.04-05-023; D.05-09-020).