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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

APPLICATION OF GOLDEN STATE  
WATER COMPANY (U 133 W) FOR  
AUTHORITY TO IMPLEMENT CHANGES  
IN RATESETTING MECHANISMS AND  
REALLOCATION OF RATES FOR ITS  
REGION I SERVICE AREA

**A.08-09-010**

**PROTEST OF GERALD TRIMBLE  
TO THE APPLICATION OF GOLDEN STATE WATER COMPANY  
FOR AUTHORITY TO IMPLEMENT  
WATER REVENUE ADJUSTMENT MECHANISMS**

**1. INTRODUCTION AND RECOMMENDATION**

Pursuant to Rule 2.6(a) of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, Gerald Trimble (GSWC ratepayer) submits this protest to Application (A.) 08-09-010 in which Golden State Water Company (GSWC) seeks Commission approval for the authority to implement changes in the rate setting mechanism in its Region 1 area.

This proceeding concerns water conservation mechanisms where California Public Utilities Code Section 701.10(c) mandates the following:

*Provide appropriate incentives  
to water utilities and customers  
for conservation of water resources.*

1 This PUC Code Section refers to both utility and customer incentives.

2  
3 The GSWC application requests approval of several conservation  
4 mechanisms including the WRAM (Water Revenue Adjustment Mechanism).  
5 All GSWC referenced documents consider the WRAM de-coupling of utility  
6 revenue-from-sales issue, which itself is not a utility incentive to conserve  
7 water *per se*, and ignores the WRAM consumer water incentive issue.

8  
9 Apparently unnoticed, WRAM provides a strong incentive to the consumer to  
10 increase water consumption by adding surcharges when lower water usage  
11 occurs and “rebates” when greater consumption occurs.

12 For this reason, the WRAM portion of the requested mechanisms should be  
13 denied as not consistent with the intent of law or WAP (Commission’s Water  
14 Action Plan) and not in the public interest.

## 15 16 **2. BACKGROUND**

17 This GSWC application requests authorization to implement changes in rate  
18 setting mechanisms including the WRAM, but surprisingly then states that  
19 Decision 08-08-030 has already authorized the WRAM mechanism as follows:

20 Application, pg 21, ¶1, last 2 sentences

21 *The Phase IB Decision authorized implementation of WRAMs and MCBAs. The*  
22 *authorized WRAMs and MCBAs are an integral part of GSWC's proposed conservation*  
23 *rate designs.*

24 Neither Decision 08-08-030 nor the settlement agreement between GSWC  
25 and DRA constitutes authorization for the implementation of these rate  
26 making mechanisms<sup>1</sup>. That is the subject of this proceeding.

27  
28 Further, this application seeks to alter the terms of the settlement agreement

29  

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<sup>1</sup> Decision 08-08-030 recognized and validated several settlement agreements.

1 beyond what was approved by Decision 08-08-030 (pg 6, last two ¶s) easing  
2 the sanctity of its original content. Acceptance of any change inherently  
3 means the burden of reasonableness of the settlement agreement's final form  
4 is within the purview of this proceeding.

5  
6 If such is the case it would seem reasonable and appropriate that any serious  
7 agreement discrepancy relating to the mechanisms could (and should) be  
8 addressed within this proceeding before implementation.

9  
10 With this in mind Trimble is herein including one very serious deficiency in the  
11 original agreement concept which should be considered. This change is very  
12 much aimed at enhancing conservation by avoiding a misstep perceived to  
13 accomplish the same end but which in fact would do the opposite.

### 14 **3. DISCUSSION OF ISSUES**

15 Mechanisms for enhancing water conservation are the issues of this  
16 proceeding.

17  
18 The effect of lowering the service charge with increases in volumetric rates  
19 and the implementation of tiers of increasing block rates are potentially valid  
20 incentives to promote customer conservation. Meter reading errors should be  
21 addressed with tiered block rates, since billing offset corrections may not  
22 occur as they would for flat rates.

23  
24 WRAM is actually an incentive for customers to consume water and the  
25 decision by GSWC to exempt Ojai, where a three-tier block rate (without a  
26 WRAM) has been in use for many years<sup>2</sup>, contradicts the premise that tiered  
27

28 \_\_\_\_\_  
29 <sup>2</sup> In use well before 2000 based on conformed copy of Application #NOI #Tend0800 of March 21,  
2000

1 rate revenue volatility is a legitimate concern justifying the WRAM or that its  
2 conservation incentive is not sufficient<sup>3</sup>.

### 3 4 **3a. WRAM CONCEPTUAL DETAILS**

5  
6 Part of the Commission's WAP appears to have been one motivation for the  
7 creation of WRAM as follows:

8 Page 9, last ¶, WAP (Commission's Water Action Plan)

9 *Because water utilities recover their costs through sales, there is a disincentive associated with*  
10 *demand side management: a successful campaign to reduce water use leads to less revenue*  
*and less profit. The Commission will **consider** de-coupling water utility sales from earnings in*  
*order to eliminate current disincentives associated with conservation.*

11 Again, Public Utilities Code §701.10(c)<sup>4</sup> references both water utilities and  
12 customers in relating to conservation and this GSWC Application, its  
13 referenced settlement agreements and decisions have omitted the effect of  
14 WRAM on customers.

15 The WRAM is exclusively a utility sales/revenue de-coupling mechanism. It  
16 may serve as a disincentive for the utility to promote consumption but not as  
17 an incentive to promote conservation *per se*. No evidence of any GSWC  
18 successful promotions of water consumption has been offered to support any  
19 need for this decoupling mechanism.

20  
21 As the introduction states, WRAM acts as a customer incentive to promote  
22 consumption, in that it discourages water conservation by imposing increased  
23 surcharges for lower water usage and provides consumer "rebates" during  
24 periods of greater water consumption (due to excess utility revenue)<sup>5</sup>.

25  
26  
27 <sup>3</sup> Pg 3, last ¶, Application - *Ojai was excluded because it already had an increasing three-tier tariff, and the*  
*parties were satisfied then that the existing tariff sufficiently encouraged conservation.*

28 <sup>4</sup> Chapter 4, Article 1, §701.10(c) *Provide appropriate incentives to water utilities and customers for*  
*conservation of water resources*

29 <sup>5</sup> Page 16 of Decision 08-08-030 - *Combined under collections will be passed through as surcharges on*  
*volumetric charges; combined over-collections will be passed through as surcredits on volumetric charges.*

1 A parallel to this scenario would be a consumer using the “big box store” to  
2 buy in larger quantities at a higher total outlay with rebates to lower the unit  
3 price. The success of using rebates to promote sales is indisputable.

4  
5 The WRAM consumer incentive is opposite to that intended by the WAP or by  
6 PUC Code Section 701.10(c) and will dwarf any effect of utility disincentive.

7  
8 Other WRAM considerations are as follows:

- 9  
10 • The WRAM is discriminatory by its placement of all (revenue) risk on  
11 the unorganized consumer party and none on the private corporate  
12 management party, in conflict with the suggestion of Article XII, Section  
13 4 of the California Constitution to ***prohibit discrimination***.
- 14  
15 • The WRAM actual rates are unknown at any point in time, inconsistent  
16 with the suggestion of California Constitution Article XII, Section 4 to ***fix***  
17 ***rates***<sup>6</sup>.
- 18  
19 • The WRAM allows the customers of a subsequent year to be billed for  
20 a portion of the prior year customers’ payment shortfall in conflict with  
21 Public Utilities Code §701.10 (d)<sup>7</sup>.
- 22  
23 • The WRAM provides no means of accounting for changes in customer  
24 base size. A precipitous drop in customer base size exposes  
25 remaining customers to drastic rate increases in potential conflict with  
26 Public Utilities Code §701.10 (e)<sup>8</sup>. *If everybody leaves town but me*  
27 *then I must pay the whole bill.*

28 <sup>6</sup> While the Constitution uses the word “may” when it refers to ***fix rates*** and to ***prohibit discrimination*** the  
presence of these recommendations sets a standard of behavior that should not be arbitrary.

29 <sup>7</sup> (d) *Provide for equity between present and future users of water service.*

<sup>8</sup> (e) *Promote the long-term stabilization of rates in order to avoid steep increases in rates*

1 CPUC regulation does not mean guaranteed profits. When mistakes are  
2 made such as the GSWC State Water debacle in 1992, the company and its  
3 stockholders must be responsible and shoulder the costs, as was amplified by  
4 the denial by the CPUC of GSWC's second attempt to recover its State Water  
5 investment via Application 92-06-044 in Decision 93-03-066.

6  
7 As a mechanism, the WRAM is a façade for the removal of risk from decision  
8 makers as well as being a customer incentive to consume rather than  
9 conserve and neither serves the Commission's intent nor is it in the public  
10 interest.

### 11 **3b. EXCLUSION OF OJAI CONTRADICTS ARGUMENTS FOR A WRAM**

12  
13 Ojai's three tiered tariff (plus service charge) has been excluded from  
14 consideration from the application of a WRAM for the reason it has been  
15 declared sufficiently conservation oriented<sup>9</sup>. This contradicts assertions that a  
16 WRAM is even necessary or that the use of tiered block rates induces  
17 unmanageable consequences as the following statements allude to:

18 Decision 08-08-030, Pg 14, §3.2, ¶2

19 *GSWC and DRA state that without a WRAM a rate design that is intended to promote  
20 conservation could substantially reduce GSWC's earnings.*

21 Decision 08-08-030, Pg 14 last ¶

22 *With a WRAM, GSWC's earnings and revenue requirement would not be subject to the  
23 fluctuation of sales resulting from reducing service charges and recovering the costs  
24 captured in that portion of the service charges in quantity rates. (See generally Exhibit 1,  
25 pp. 13-14, 17.) Increasing block rates also increase volatility in sales, sales forecasts,  
26 and earnings. The proposed WRAM eliminates that volatility. (Id. at 14-15.)*

27 Decision 08-08-030, Pg 15 last ¶

28 *We conclude the record sufficiently demonstrates GSWC is at risk for any revenue  
29 losses associated with adoption of the conservation rate design. Although the proposed  
conservation rate design was modeled to be revenue neutral, there is no guarantee it will  
achieve that result.*

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<sup>9</sup> Pg 3 last ¶ of Application

1 **3c. THE NONLINEAR TIER EFFECT OF METER READING ERRORS**

2  
3 The introduction of tiered rates introduces a problem which requires  
4 consideration and solution. The utility practice of manually recording water  
5 usage is plagued by several accuracy problems as follows:

- 6
- 7 • an estimate is substituted for an actual meter reading
  - 8 • the meter is read late providing a high measure of water usage for the  
9 current month
  - 10 • meter is read early providing a high measure of usage for the  
11 subsequent month
  - 12 • the meter is incorrectly read potentially biasing high either the current  
13 or subsequent month's charges

14 In each of these instances billing could allow unfair errors in a monthly charge  
15 that will not be offset by an adjacent month's charge in that the tier level may  
16 have been incorrectly crossed.

17  
18 To justify this problem as trivial is to beg the question as well as ignore  
19 thousands of dollars of unjustified extra income to the utility unfairly removed  
20 from the rate payer's pocket. It is also easy to suggest that such be corrected  
21 when caught. For every one detected hundreds are missed.

22  
23 It is recognized that enforcement of a stricter meter reading schedule and  
24 procedure is easier said than accomplished.

25  
26 Billing software could accumulate tier-1 credits (ccf deficits below tier shift  
27 levels) to subtract from any tier-2 level charges to remove potential meter  
28 reading errors. Averaging water savings over the year rather than restricting  
29 it to monthly spans could enhance consumer conservation incentive.

## 4. Conclusions

1  
2  
3 Whereas, WRAM undermines consumer conservation by providing surcredits  
4 or “rebates” for periods of greater water consumption;

5  
6 Whereas, it is indisputable that rebates are a purchasing incentive for  
7 potential customers;

8  
9 Whereas, WRAM undermines consumer conservation by levying surcharges  
10 for periods when water is conserved;

11  
12 Whereas, the Ojai rate model with triple tier block rates without WRAM was  
13 accepted by GSWC as sufficiently conservation oriented;

14  
15 Whereas, the Ojai rate model being deemed acceptable by GSWC,  
16 contradicts assertions that block rate volatility necessitates a WRAM;

17  
18 Whereas, the WRAM decoupling of revenue from sales is not a utility  
19 incentive to conserve water;

20  
21 Whereas, no evidence has been offered that GSWC has ever successfully  
22 promoted water consumption to validate a need for WRAM “decoupling”;

23  
24 Whereas, WRAM, being an incentive for consumption, would subvert the  
25 clarity of pilot results of ‘sensible’ incentives to conserve;

26  
27 Whereas, WRAM conceals the current real price of water to consumers in  
28 contrast to the Constitution’s suggestion to fix rates;

1 Whereas, WRAM subjects new customers to the shortfall debt of prior  
2 customers in contradiction to PUC Code;

3  
4 Whereas, WRAM discriminates by transferring all revenue risk from utility  
5 management to unorganized rate payers;

6  
7 And whereas, WRAM is a disincentive to utility management to improve  
8 efficiency and rectify poor judgments;

9  
10 it is therefore proposed that the WRAM concept be abandoned for the pilot  
11 project or any other program as requested in the subject application.

12  
13 It is also proposed that the pilot program include a billing mechanism which  
14 eliminates tier meter reading error's nonlinear effect of over-billing rate  
15 payers.

## 16 17 **5. Effect on Complainant**

18  
19 The protestant, a GSWC customer (account #317879-5), would be directly  
20 affected by the approval of any rate change mechanism and exposed to the  
21 discriminatory risk and damaging effects of the WRAM.

## 22 23 24 **6. Schedule and need for Hearings**

25  
26 No objection to the application proposed schedule is offered and the  
27 necessity for hearings, while not anticipated at this time, is reserved until a  
28 later date.  
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October 7, 2008

respectfully submitted,

A handwritten signature in cursive script, appearing to read "Gerald Trimble", is written over a horizontal line.

Gerald Trimble  
4586 Cameo Place  
Santa Maria, CA 93455  
(805) 937-2518  
jerryT@linkline.com

1 **APPENDIX A**

2 **Notice of Availability**

3 Title:

4 **PROTEST OF GERALD TRIMBLE**  
5 **TO THE APPLICATION OF GOLDEN STATE WATER COMPANY**  
6 **FOR AUTHORITY TO IMPLEMENT**  
7 **WATER REVENUE ADJUSTMENT MECHANISMS**

8 Contents:

9 The Protest includes a single file in PDF/A format at the following link/URL.

10 Link/URL

11 <http://personal.linkline.com/trimble/Protest-A0809010.pdf>

12 Date available:

13 10/07/08

14 Name and contact information:

15 Gerald Trimble

16 805-937-2518

17 [jerryt@linkline.com](mailto:jerryt@linkline.com)

1  
2  
3  
4 **Certificate of Service**  
5

6 I hereby certify that I have this day served a copy of the

7 **PROTEST OF GERALD TRIMBLE**  
8 **TO THE APPLICATION OF GOLDEN STATE WATER COMPANY**  
9 **FOR AUTHORITY TO IMPLEMENT**  
10 **WATER REVENUE ADJUSTMENT MECHANISMS**

11 on all known parties to A.08-09-010 by sending a Notice of Availability via  
12 electronic mail and by mailing a properly addressed CDROM copy by first-class  
13 mail with postage prepaid to each party named in the official service list without  
14 an electronic mail address.

15 Executed on October 7, 2008 at Santa Maria, California.

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20 \_\_\_\_\_  
21 Gerald Trimble  
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1 **Proceeding: A0809010 - GOLDEN STATE WATER C**  
2 **Filer: GOLDEN STATE WATER COMPANY (U133W)**  
3 **List Name: LIST**  
4 **Last changed: September 19, 2008**

5 All persons herein listed were served by Notice of Availability on 10/07/08.

6 **Parties**

7 KEITH SWITZER  
8 VICE PRESIDENT OF REGULATORY AFFAIRS  
9 GOLDEN STATE WATER COMPANY  
10 630 EAST FOOTHILL BOULEVARD  
11 SAN DIMAS, CA 91773  
12 FOR: GOLDEN STATE WATER COMPANY

13 **Information Only**

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24 **State Service**

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