

# **APPENDIX A**

## APPENDIX

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of  
CALIFORNIA-AMERICAN WATER  
COMPANY (U 210 W) for an order  
authorizing it to increase its rates for water  
service in its Los Angeles District to increase  
revenues by \$2,020,466 or 10.88% in the year  
2007; \$634,659 or 3.08% in the year 2008;  
and \$666,422 or 3.14% in the year 2009

A.06-01-005  
(Filed January 9, 2006)

**AMENDED SETTLEMENT AGREEMENT BETWEEN  
THE DIVISION OF RATEPAYER ADVOCATES,  
THE CITY OF DUARTE, AND CALIFORNIA-AMERICAN WATER  
COMPANY ON CONSERVATION RATE DESIGN ISSUES**

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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of Application of CALIFORNIA-AMERICAN WATER COMPANY (U 210 W) for an order authorizing it to increase its rates for water service in its Los Angeles District to increase revenues by \$2,020,466 or 10.88% in the year 2007; \$634,659 or 3.08% in the year 2008; and \$666,422 or 3.14% in the year 2009

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THE CITY OF DUARTE, AND CALIFORNIA-AMERICAN WATER COMPANY  
ON CONSERVATION RATE DESIGN ISSUES**

**I. GENERAL**

- A. Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Division of Ratepayer Advocates (“DRA”), the City of Duarte, and California-American Water Company (collectively, “the Parties”) have agreed on the terms of this Settlement Agreement which they now submit for approval. This Settlement Agreement addresses conservation-oriented increasing block rates and the related decoupling mechanisms, Water Revenue Adjustment Mechanisms (“WRAMs”) and Modified Cost Balancing Accounts (“MCBAs”).
- B. Since this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in 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 on Practice and Procedure.)
- C. 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. Furthermore, the Settlement Agreement is being presented as an integrated package such that parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement.

- D. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

## II. BACKGROUND

- A. California-American Water provides service to approximately 27,600 customers (including Private Fire Service) in its Los Angeles District, which is comprised of three service areas; the Baldwin Hills, Duarte, and San Marino Service Areas.
- B. The three California-American Water service areas share the same tariff sheets. These tariff sheets are listed below, and include General Metered Service, Measured Irrigation Service, and Private Fire Protection Service. The tariff sheets are attached to the Phase 1 decision in this proceeding D.07-11-014 (“Order Modifying Decision 07-08-030”) as Exhibit C and include:
1. Schedule No. LA-1; General Metered Service
  2. Schedule No. LA-3M; Measured Irrigation Service
  3. Schedule No. LA-4; Private Fire Protection Service
- C. All of the residential, commercial, industrial, public authority and “other” customers<sup>1</sup> in the three areas have metered service connections. These customers are generally billed on a bimonthly basis. There are some customers in the cities of Bradbury and Duarte that receive measured irrigation service. These customers pay a service charge and a quantity charge per ccf. The only flat rate customers are privately owned fire protection connections in each service area

## III. PILOT PROGRAM

### A. Overview:

1. The Parties agree that the conservation rate design and related decoupling mechanisms (WRAM and MCBA) constitute a Pilot Program to become effective within 90 days after a Commission decision adopting the proposed settlement. This period will allow for the distribution of information regarding conservation rates to customers.
2. This Pilot Program will be reviewed in the next general rate case (“GRC”) filing. The filing dates for the next GRC are pursuant to D.07-05-062 in the Commission’s Rate Case Plan proceeding.
3. Disparate Impact: If implementation of the proposed Pilot Program results in a disparate impact on ratepayers or shareholders, the Parties agree to meet to discuss adjustments to the proposed Pilot Program.

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<sup>1</sup> “Other” metered customers are those with private fire hydrant service. This is distinct from private fire protection service, which is provided under a separate tariff, Schedule No. LA-4.

## **B. Conservation Rates:**

1. Conservation rate designs are proposed for all customer classes except “Other” and private fire protection service.<sup>2</sup> The customer classes included are: residential, commercial, industrial, and public authority, and in the Duarte Service Area, pressure irrigation and gravity irrigation.
2. Quantity Rates for Residential Customers: Residential customers will have an increasing quantity (or block) rate design with a seasonal adder. (Quantity or volumetric rates are used to recover a portion of fixed costs and 100% of the variable cost. In traditional rate design, quantity charges recover approximately 50% of the utility’s fixed costs and 100% of the utility’s variable costs.)
3. Quantity Rates for Non-Residential Customers (except private fire service and private hydrant service):<sup>3</sup> The following customer classes will have single quantity rates with seasonal adders: commercial, industrial, public authority, pressure irrigation, and gravity irrigation.
4. Service Charges: Additional fixed costs will be moved from the meter charge into the quantity charge for the following customer classes: commercial, industrial, public authority, gravity irrigation, and pressure irrigation. (Service or meter charges are used to recover a portion of fixed costs. In traditional rate design, service charges recover approximately 50% of the utility’s fixed costs.)

## **C. Rate Design Parameters:**

1. Revenue Requirement: The revenue requirement for each service area and customer class will be the same under conservation rates as they are under the current rate structure.
2. Consumption Data: The proposed conservation rate designs are based on consumption data from 2006 and 2007 because it is the most recent data available. The Parties evaluated this data using bill frequency analysis (consumption analysis) using meter readings from each of the service areas.
3. To evaluate how much the service charge could be reduced (how much fixed cost could move to the quantity charge), the Parties considered conservation goals, such as consistency with Best Management Practices 11 of the California Urban Water Conservation Council,<sup>4</sup> and ratepayer impact. Ratepayer impact was evaluated through bill impact analysis as described in the Schedules section below.

## **D. Related Accounting Mechanisms:**

1. A Water Revenue Adjustment Mechanism (WRAM) will be authorized for each service area.

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<sup>2</sup> The proposed rates in the Settlement Agreement are based upon the revenue requirements set forth in the proposed decision in Phase 1 of this proceeding (D.07-08-030, and D.07-11-014).

<sup>3</sup> As defined in Section V.A.

<sup>4</sup> Memorandum of Understanding Regarding Urban Water Conservation in California. Best Management Practice 11, Retail Conservation Pricing. June 2007. pg 53-58. California Urban Water Conservation Council. 1/31/08 <<http://www.cuwcc.org/uploads/memorandum/MOU-07-06-13.pdf>>

2. Modified Cost Balancing Accounts (MCBAs) for purchased water and purchased power will be authorized for each service area.<sup>5</sup>

#### IV. RESIDENTIAL CUSTOMERS

##### A. Service Charges

1. The portion of fixed cost recovered in the service charge is reduced to 50% of what was recovered under the traditional rate design.
2. Due to the movement of additional fixed costs to the quantity charge, a greater percentage of the total revenue requirement comes from the quantity charges.

##### B. Quantity Charges and Consumption Blocks

1. The Parties propose a three-tiered increasing block rate structure to replace the single quantity charge.
2. Consumption Blocks: To evaluate where to set the consumption break points between tiers, the Parties considered ratepayer impact, maintained revenue neutrality, and followed guidelines in the CUWCC Handbook,<sup>6</sup> and AWWA M1 manual.<sup>7</sup>
3. The three tiers of consumption blocks are based on seasonal averages as follows:
  - a. Tier 1 – Metered usage from zero units to the median usage in the lowest usage month (February), which the Parties agree provides a proxy for indoor water use and ensures consumers at low and average levels of consumption stay within Tier 1.
  - b. Tier 2 – Metered usage from the top of Tier 1 to one standard deviation above the midpoint between mean and median “summer” usage (May through October).
    - i. In the Duarte Service Area, the number of customers using more than 100 ccfs per month is much greater than in the San Marino and Baldwin Hills Service Areas. In calculating summer mean, median, and standard deviation to determine the top of Tier 2 for Duarte, the Parties excluded from the data customers using more than 100 ccfs in Duarte.<sup>8</sup> This modification increases the percentage of customers in Duarte’s Tier 3 to a level that is comparable to the percentages of customers in Tier 3 for San Marino and Baldwin Hills.
  - c. Tier 3 – All consumption above the top of Tier 2.

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<sup>5</sup> Pump taxes are tracked in the purchased water balancing account for each service area.

<sup>6</sup> Chesnutt, Thomas; Beecher, Janice; Mann, Patrick; Clark, Don; Hanemann, Michael; Raftelis, George; McSpadden, Casey; Pekelney, David; Christianson, John; and Krop, Richard, Designing, Evaluating, and Implementing Conservation Rate Structures. A Handbook Sponsored by the California Urban Water Conservation Council (1997), Chapter 6 (Conservation Rate Design).

<sup>7</sup> American Water Works Association, Principles of Water Rates, Fees, and Charges, AWWA Manual M1, Fifth Edition, Denver (2000), Section III (Rate Design), Chapter 12 (Increasing Block Rates).

<sup>8</sup> These customers were not excluded from any other calculations.

4. The three tiers of quantity charges with seasonal adders are as follows:
  - a. In winter (November 1 – April 30):
    - i. The rate for Tier 1 is approximately 15-20% higher than the current single quantity rate.
    - ii. The rate for Tier 2 is designed to be approximately 10% greater than the rate for Tier 1.
    - iii. The rate for Tier 3 is designed to be approximately 20% greater than the rate for Tier 1.
  - b. In summer (May 1 – October 31):
    - i. The rate for Tier 1 is approximately 15-21% higher than the current single quantity rate.
    - ii. The rate for Tier 2 is designed to be approximately 15% greater than the rate for Tier 1.
    - iii. The rate for Tier 3 is designed to be approximately 25% greater than the rate for Tier 1.
  - c. The three tiers of seasonal rates are designed to be revenue neutral for each customer class and in each service area.

## **V. NON-RESIDENTIAL CUSTOMERS**

- A. For the commercial, industrial, public authority, gravity irrigation, and pressure irrigation customer classes, the Parties propose a conservation rate design consisting of a reduced service charge and a single (uniform) quantity charge for each customer class.
- B. Quantity and Service Charges: The single quantity charge will recover a greater percentage of fixed cost than the single quantity charge that would result from the standard rate design currently in place consistent with the following:
  1. Service charges will be reduced by approximately 50%, with corresponding increases in the quantity rate to achieve revenue recovery neutrality.
- C. Seasonal Adder: For the non-residential customers described in paragraph A, above, customer classes and metered irrigation customers, there will also be a seasonal adder that will increase quantity rates during the summer months to reduce peak demand.
  1. There will be a 10% differential between winter and summer rates.
- D. The Parties agree that rates for “Other” and Private Fire Protection Service will not change.

## **VI. MECHANISMS FOR DECOUPLING SALES AND REVENUE**

- A. The goals of the decoupling mechanisms in the Pilot Program are as follows:

1. Sever the relationship between sales and revenue to remove any disincentive for California-American Water to implement conservation rates and conservation programs.
  2. Ensure cost savings resulting from conservation are passed on to ratepayers.
  3. Reduce overall water consumption by California-American Water ratepayers.
- B. Decoupling for California-American Water will be accomplished through both of the following mechanisms:
1. A Water Revenue Adjustment Mechanism (WRAM) for each service area in the Los Angeles District.
  2. A Modified Cost Balancing Account (MCBA) for each service area. MCBAs will replace existing cost balancing accounts for purchased power, and purchased water (pump taxes are tracked in the purchased water balancing account for each service area).
  3. Together, these decoupling mechanisms will ensure recovery of the adopted fixed costs recovered through the quantity charge, and the actual variable costs for purchased power, purchased water, and pump taxes.<sup>2</sup> The fixed costs not included in these accounts will be recovered through the service charge, which is a monthly charge that customers pay regardless of consumption.
  4. In accordance with established Commission practice, the WRAM and MCBA accounts will accrue interest at the 90-day commercial paper rate.

## **VII. WATER REVENUE ADJUSTMENT MECHANISM (WRAM)**

- A. The WRAM will track the difference between the total quantity charge revenues authorized by the Commission (“Total Adopted Quantity Revenues”), and the total revenues actually recovered through the quantity charge based on actual sales (“Total Actual Quantity Revenues”), excluding:
1. Revenue from Private Fire Protection Service (Schedule No. LA-4), and;
  2. Revenue from the “Other” class of general metered customers.
- B. Worksheets 5 from the Baldwin Hills Service Area on page 13 of the Attachment provides an example of how the Parties intend for the WRAM and MCBAs to operate.
- C. The Parties agree that there will be no net change in taxes associated with the WRAM accounts.

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<sup>2</sup> As discussed in footnote 9, *infra*, the revenue decoupling mechanisms also ensure recovery of other variable costs (such as chemicals and uncollectibles), which are *de minimus*, at adopted levels.

## VIII. MODIFIED COST BALANCING ACCOUNT (MCBA)

- A. A Modified Cost Balancing Account (MCBA) will replace any “incremental cost balancing accounts” (ICBAs) that California-American Water currently has in its Los Angeles District.
  - 1. The costs of purchased water, purchased power, and pump taxes associated with the production of water can vary due to changes in unit cost, supply mix, or consumption amount.
  - 2. An ICBA tracks cost changes attributable to changes in unit price, but not changes in the amount of consumption.
  - 3. An MCBA tracks changes in price and quantity (amount of consumption), and will capture both cost savings and cost increases.
- B. The MCBAs will capture the cost savings and cost increases associated with purchased water, purchased power, and pump taxes (all of which are recovered through the quantity charge under both the current and proposed rate designs).
- C. Each of California-American Water’s three service areas in the Los Angeles District will have its own set of balancing accounts, and each service area will have a separate balancing account for purchased power and purchased water. Pump taxes are tracked in the purchased water balancing account for each service area.
- D. In particular, for purchased water, purchased power, and pump taxes, the MCBAs will track the difference between the total variable costs authorized by the Commission (“Total Adopted Variable MCBA Costs”), and the total variable costs actually incurred (“Total Actual Variable MCBA Costs”).<sup>10</sup>

## IX. MAINTAINING LEAST-COST WATER MIX

- A. With regard to changes in the water mix that result in changes in variable costs tracked in the MCBAs, California-American Water stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources.
- B. Parties agree that the MCBA will track significant changes in purchased water (which in turn affects the amount of purchased power and pump taxes).
- C. California-American Water will make a showing in the next GRC filing demonstrating that it has exercised due diligence in ensuring the least-cost mix for its water sources, and that any significant change in water purchases was reasonable.
- D. For the purpose of this Pilot Program, significant changes in water purchases are defined for each service area as follows:

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<sup>10</sup> The other *de minimus* variable costs described in footnote 8, *supra*, are not tracked in the MCBAs because they are a small amount and do not vary significantly. Recovery of these other variable costs at adopted levels is ensured, however, because any under- or over-collection of the revenues associated with these costs is included in the WRAM balance. *See* Section VII, *infra*.

- a. Baldwin Hills - if production from the Central Basin varies by more than 5% from the adjudicated production right.
- b. San Marino - when the annual volume of purchased water in the San Marino Service Area is greater than 10% of the purchased water adopted in the most recently adopted test year for the district.
- c. Duarte - this requirement does not apply because there is no purchased water for this service area.

## **X. RECOVERY AND REFUND OF BALANCING ACCOUNTS**

- A. The Parties agree that conservation rates may cause the amount of water consumed, and thus the cost of water production, to vary from adopted levels.
- B. The Parties agree that the desired outcome and purpose of using WRAMs and MCBAs is to ensure that the utility and ratepayers are proportionally affected when conservation rates are implemented.
  1. In the context of this Settlement Agreement, a proportional impact means that, if consumption is over or under the forecast level, the effect on either the utility or ratepayers (as a whole) should reflect that the costs or savings resulting from changes in consumption will be accounted for in a way such that neither the utility or ratepayers are harmed, or benefited, at the expense of the other party.
- C. Reporting and Interest Accrual Requirements: The Parties agree that the amounts in the WRAM and MCBA accounts will be reported as follows:
  1. By March 31<sup>st</sup> of each year, California-American Water will provide the Water Division (with a copy to DRA) with a written report on the status of the WRAMs and MCBAs as described herein.
  2. WRAMs: The written report will include a section on the WRAM in each service area showing the revenue over- or under-collection with respect to actual (or recorded) water sales, by customer class, as of December 31st of the preceding calendar year. Differences between Total Adopted Quantity Revenues and Total Actual Quantity Revenues will be tracked in the WRAM and accrue interest at the 90-day commercial paper rate.
  3. MCBAs: The written report will include a section on the MCBA in each service area comparing Total Adopted MCBA Costs with Total Actual MCBA Costs as of December 31st of the preceding calendar year. Differences between Total Adopted MCBA Costs and Total Actual MCBA Costs will be tracked in the MCBAs and accrue interest at the 90-day commercial paper rate.
- D. The Parties agree that the net balances of the WRAM and MCBA accounts will be resolved in the following manner:
  1. The WRAM and MCBA accounts for each service area will always be considered together for the purposes of determining the need for additional revenue recovery from, or for refunds to, ratepayers in that service area, and will be netted prior to any refund or recovery.

2. California-American Water will track revenues in the WRAM account in each service area by customer class for analysis purposes, but implementation of a surcharge or surcredit will be done considering the net balance of the WRAM and MCBA accounts for all customer classes in each service area.
3. If the annual report shows that the combined over- or under-collection for the WRAM or the MCBA in any service area exceeds 2.5% of the service area's total recorded revenue requirement for the prior calendar year, California-American Water will file an advice letter within 30 days that amortizes the balance in all of the WRAM and MCBA accounts in the service area.
4. If the 2.5% threshold is not met, these balancing accounts will be amortized in the next GRC.
5. Recovery of under-collections and refunds of over-collections will be passed on to ratepayers through volumetric surcharges and surcredits.

## **XI. SCHEDULES**

The Attachment provides rate design and bill information for residential and non-residential customers for each of the three service areas in the Los Angeles District.<sup>11</sup>

- A. The Baldwin Hills Service Area: The eight worksheets for Baldwin Hills include one additional worksheet (Worksheet 5) that is not included for the other service areas.
  1. Worksheet 1 "Rate Design" shows the proposed rate design for residential, commercial, public authority, industrial, and other customers in the service area. A description of the rate design changes appear at the top of each page of this worksheet.
  2. Worksheet 2 "Typical Bills" shows the typical bills for six different residential customer profiles (small (25th percentile of customers), annual average, winter average, summer average, large (90th percentile of customers) and largest (largest recorded monthly use in 2006-2007)). The profiles show what a customer fitting that profile would experience under the proposed conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs.
  3. Worksheet 3 "Bills by Consumption" shows what residential customers will experience under the water conservation rate design during the summer and the winter, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs.

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<sup>11</sup> The name and number of each worksheet appear on the top right-hand corner of each page, and the name of the service area appears on the top left-hand corner of each page.

4. Worksheet 4 “Total Non-Res Bills” shows the typical bills and the impact of the proposed conservation rate design for four different non-residential customer profiles (small (25<sup>th</sup> percentile of customers), average summer, average winter, and large (90<sup>th</sup> percentile of customers)) for each customer class included in the rate design changes (commercial, public authority, industrial, pressure irrigation, gravity irrigation).
  5. Worksheet 5 “WRAM MCBA Example” shows an example of the way the Parties intend for the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account to work together to decouple revenues from sales. This example assumes 10 percent water conservation is achieved.
  6. Worksheet 6 “Total Bills” is a chart showing the change in the total bills for residential customers comparing current and proposed rates in the winter and summer.
  7. Worksheet 7 “Average Cost” is a chart showing the average unit cost per Ccf at various consumption levels, comparing current and proposed rates in the winter and summer for residential customers.
  8. Worksheet 8 “Marginal Cost” is a chart showing the marginal cost structure of the proposed rate structure in the summer and winter (the unit cost per Ccf as a customer moves from tier to tier). The chart graphically depicts the steps in the rate structure as the price by tier changes.
- B. The Duarte and San Marino Service Areas: There are seven worksheets for each service area.
1. Worksheet 1 “Rate Design” shows the proposed rate design for residential, commercial, public authority, industrial, and other customers in the service area. A description of the rate design changes appear at the top of each page of this worksheet.
  2. Worksheet 2 “Typical Bills” shows the typical bills for six different residential customer profiles (small (25<sup>th</sup> percentile of customers), annual average, winter average, summer average, large (90<sup>th</sup> percentile of customers) and largest (largest recorded monthly use in 2006-2007)). The profiles show what a customer fitting that profile would experience under the proposed conservation rate design, as compared with the current uniform single quantity rate, for their total bill (consisting of the meter charge and the quantity charges). In particular, this worksheet shows the dollars and percent changes in total bills (at different consumption levels) between the current and the proposed rate designs.
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- percentile of customers)) for each customer class included in the rate design changes (commercial, public authority, industrial, pressure irrigation, gravity irrigation).
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  7. Worksheet 7 “Marginal Cost” is a chart showing the marginal cost structure of the proposed rate structure in the summer and winter (the unit cost per Ccf as a customer moves from tier to tier). The chart graphically depicts the steps in the rate structure as the price by tier changes.

## **XII. MONITORING AND DATA COLLECTION**

California-American Water will track data, such as billing and usage data by meter size, by month, and by class of customer, for use in analyzing customer response to the proposed conservation rates so that it is readily available to the Commission and the Parties to evaluate results of this Pilot Project.

## **XIII. COMPREHENSIVE PLANNING STUDY (CPS)/CBA**

- A. California-American Water shall provide, upon request, drafts of the Comprehensive Planning Study (CPS) and Condition-Based Assessment of Buried Infrastructure (CBA) to any city with residents who are customers of California-American Water’s Los Angeles District by July 15, 2008. Upon request, California-American Water will also meet with any city with residents who are customers of California-American Water’s Los Angeles District to discuss the draft CPS and/or draft CBA. The city or cities shall have thirty (30) days to review and provide comment on the CPS and CBA in writing before California-American Water finalizes these reports.
- B. California-American Water shall finalize its CPS and CBA for its Los Angeles District before it files its 2009 General Rate Case application for its Los Angeles District.
- C. The intent of these reports is to determine the need for system capital improvement and the replacement of aging infrastructure, address compliance with local applicable and industry standards, and to prioritize and schedule these improvements.

## **XIV. RETURN ON EQUITY**

- A. The Commission opened Investigation (“I.”) 07-01-022 (Water Conservation OII) to consider conservation rates and programs for Class A water utilities.
  1. In Phase 1A of I.07-01-022, the Commission adopted WRAM/MCBA mechanisms for California Water Service Company (CWS”) and Park Water Company (“Park”), in conjunction with conservation rate designs, in D.08-02-036. The Parties agree that

the WRAM/MCBA mechanisms proposed in this Settlement are substantially similar to the WRAM/MCBA mechanisms adopted for CWS and Park.

2. In Phase 1B of I.07-01-022, the Commission is currently considering the effect of the WRAM/MCBA mechanisms on the returns on equity (“ROEs”) of CWS and Park. The Parties agree that, through D.07-08-030 (as modified by D.07-11-014, D.07-12-058, and D.08-01-034), the Commission has deferred to I.07-01-022 the issue of the effect of the WRAM/MCBA mechanisms on the ROE of California-American Water’s Los Angeles District.
- B. If the Commission adopts a generic basis point adjustment to ROE for companies that have WRAM/MCBA mechanisms that are similar to those approved for CWS and Park in D.08-02-036 in Phase 1B of I.07-01-022, the Parties agree that the same generic ROE adjustment should be applied to California-American Water’s Los Angeles District, and:
1. The ROE adjustment shall be applied to California-American Water’s Los Angeles District when the conservation rates in the Trial Program are implemented, and shall continue for the duration of the Trial Program;
  2. If the Commission has not yet issued a decision in Phase 1B of I.07-01-022 by the time the conservation rates in the Trial Program are implemented, the conservation rates in the Trial Program shall be subject to true-up, to the date of implementation of those rates, for the purposes of implementing the ROE adjustment, and;
  3. California-American Water will consult with DRA prior to submitting an advice letter to implement the ROE adjustment.
- C. If the Commission issues a decision regarding ROE in Phase 1B of I.07-01-022 that is not consistent with the generic ROE adjustment described in this Section, the Parties agree to meet to discuss how that decision should affect California-American Water’s Los Angeles District during the Trial Program.

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