

# **ATTACHMENT B**

## **Conservation Settlement Explanation**

ALJ Thomas,

Attached please find a response to your request #2. This was jointly prepared by DRA and Cal Water.

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**Subject:** Request # 2 - Cal Water A0707001

DRA/Cal Water: Please explain how you calculated the settlement amounts for conservation. I see the budgets are based on D0712055, [http://docs.cpuc.ca.gov/word\\_pdf/FINAL\\_DECISION/76970.doc#\\_Toc184630442](http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/76970.doc#_Toc184630442), but the settlement agreement does not explain the calculation precisely.

#### **Request #4**

*DRA/Cal Water: Please explain how you calculated the settlement amounts for conservation. I see the budgets are based on D0712055, [http://docs.cpuc.ca.gov/word\\_pdf/FINAL\\_DECISION/76970.doc#\\_Toc184630442](http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/76970.doc#_Toc184630442), but the settlement agreement does not explain the calculation precisely.*

#### **Response:**

In settlement discussions, DRA was concerned about the substantial requested increase in conservation funding. Cal Water believed that a substantial increase in funding was needed to be responsive to the Commission's Water Action Plan directives. The Parties considered the recently adopted D.07-12-055, which adopted conservation budgets for other Cal Water districts based on 1% of revenues in year one and 1.5% of revenues in years two and three. DRA has opposed the usage of percent of revenues in determining water budgets and the Settlement takes no position on percent of revenues in determining a conservation budget. However, the precedent of D.07-12-055 was considered by the Parties in reaching a settlement.

The total conservation budget of \$1,480,000 is not derived from a formula; it is based on a compromise of the DRA and Cal Water positions. The conservation budget for each district is a pro-rated portion of the \$1,480,000. The pro-rated percentage is based on Cal Water's original proposed conservation budget. For example, in Cal Water's original proposal, the Chico District received approximately 9.28% of the total requested conservation budget (see table 2 below). Therefore, under the Settlement, the Chico District will receive 9.28% of the \$1,480,000 budget. Table 1 presents the Settlement Budget Proposals.

**Table 1**

<b>Conservation Expense Cal Water/ DRA Settlement</b>				
				<b>max. carry</b>
<b>DISTRICT</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2 year</b>	<b>over</b>
Chico	\$ 137,373	\$ 137,373	\$ 274,746	\$ 35,271
East LA	\$ 195,838	\$ 195,838	\$ 391,676	\$ 50,283
Livermore	\$ 119,396	\$ 119,396	\$ 238,792	\$ 30,656
Los Altos	\$ 177,463	\$ 177,463	\$ 354,926	\$ 45,565
Mid Pen	\$ 245,871	\$ 245,871	\$ 491,742	\$ 63,129
Salinas	\$ 180,168	\$ 180,168	\$ 360,335	\$ 46,259
Stockton	\$ 268,382	\$ 268,382	\$ 536,764	\$ 68,909
Visalia	\$ 155,509	\$ 155,509	\$ 311,018	\$ 39,928
<b>TOTAL</b>	<b>\$ 1,480,000</b>	<b>\$ 1,480,000</b>	<b>\$2,960,000</b>	<b>\$ 380,000</b>

The maximum carry-over amount in the Settlement of \$380,000 was calculated by taking the approximate difference between the Cal Water original conservation budget proposal at 1.5% of revenues (\$1,860,600) subtracted by the Settlement annual conservation budget of \$1,480,000. (\$1,860,600-\$1,480,000=\$380,600). The carry-over amount was pro-rated to each district based on its budget relative to the total Settlement conservation budget.

The rationale for the carry-over was a compromise recognizing each party's position and D.07-12-055. If Cal Water under-spent its budget in 2008-2009, it could carry-over a maximum of \$380,000 pro-rated to each of the eight districts. The carryover amount could be added to the respective district's conservation budget in year two, 2009-2010.

Table 2 provides a comparison of the conservation budget proposals of DRA and Cal Water.

**Table 2**

Conservation Budget comparison						
	A	B	C	D	E	F
	DRA Two Year Budgets			Cal Water Two Year Budgets		
DISTRICT	2008-'09	2009-'10	2 year total	2008-'09	2009-'10	2 year total
Chico	\$ 29,703	\$ 30,371	\$ 60,074	\$ 172,700	\$ 180,316	\$ 353,016
East LA	\$ 38,483	\$ 39,348	\$ 77,831	\$ 246,200	\$ 252,124	\$ 498,324
Livermore	\$ 108,259	\$ 111,693	\$ 219,952	\$ 150,100	\$ 155,208	\$ 305,308
Los Altos	\$ 108,096	\$ 111,526	\$ 219,622	\$ 223,100	\$ 228,634	\$ 451,734
Mid Pen	\$ 108,922	\$ 111,371	\$ 220,293	\$ 309,100	\$ 316,640	\$ 625,740
Salinas	\$ 64,234	\$ 65,678	\$ 129,912	\$ 226,500	\$ 232,877	\$ 459,377
Stockton	\$ 175,837	\$ 179,790	\$ 355,627	\$ 337,400	\$ 345,582	\$ 682,982
Visalia	\$ 74,543	\$ 76,219	\$ 150,762	\$ 195,500	\$ 206,360	\$ 401,860
<b>TOTAL</b>	<b>\$ 708,077</b>	<b>\$ 725,996</b>	<b>\$ 1,434,073</b>	<b>\$ 1,860,600</b>	<b>\$ 1,917,740</b>	<b>\$ 3,778,340</b>

**(END OF ATTACHMENT B)**