

Decision 09-05-005 May 7, 2009

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Golden State Water Company (U133W) for Authority to Implement Changes in Ratesetting Mechanisms and Reallocation of Rates for its Region I Service Area.

Application 08-09-010  
(Filed September 15, 2008)

**DECISION APPROVING SETTLEMENT AGREEMENT AND AUTHORIZING CHANGES IN RATE DESIGN AND RATESETTING MECHANISMS**

**1. Summary**

This decision adopts a two-party settlement between Golden State Water Company (Golden State) and the Commission's Division of Ratepayer Advocates over the opposition of one protestant. The settlement, documented in the Settlement Agreement as modified by the signatories, resolves all issues in this proceeding. Golden State is authorized to implement a rate design that establishes different rates based on levels of consumption in order to promote conservation and that decouples sales from revenues in several of its ratemaking areas within Region I.

Customers in the Bay Point, Los Osos, Santa Maria and Simi Valley ratemaking areas will be classified as residential and non-residential customers. Residential customers will see a reduced monthly or bi-monthly service charge with a consumption rate (also called the quantity rate) that increases based on quantity consumed (commonly called increasing block rate) and that is broken into three tiers. (*See* Table 1 below.) The non-residential customers will see a

reduced monthly or bi-monthly service charge and a single rate regardless of the quantity of water consumed. The reduced service charge for both classes of customers will mean that a higher proportion of Golden State's fixed costs will be recovered based on the water consumed.

The Ojai ratemaking area, which already has a three-tiered conservation rate design, will have a reduction in the service charge and increases in the current three-tiered quantity rate. (*See Table 2 below.*) For the Arden Cordova area a reduction of the service charge and an increase in the current single quantity rate will comprise an interim rate design, with a provision for the later filing of a conservation rate design that is to be consistent with the Settlement Agreement. Clearlake, an area with few customers and low consumption on the average, is excluded from the settlement.

For each of the six relevant ratemaking areas water sales and revenue collection will be decoupled through a water revenue adjustment mechanism and a modified cost balancing account.

## **2. Background**

The application on which this proceeding is based, Application (A.) 08-09-010, has several relevant antecedents. First, Golden State filed A.06-09-006 on September 5, 2006, seeking authority to implement changes in ratesetting mechanisms and for reallocation of rates for all of Golden State's regions, including Region I that is the subject of the instant proceeding.<sup>1</sup> Second, A.06-09-006 was consolidated with Investigation 07-01-022 and other water conservation proceedings for Class A water companies (OII Proceedings). Third,

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<sup>1</sup> Golden State consists of three regions which include multiple distinct ratemaking areas. In total, Golden State has nine ratemaking areas.

an amended A.06-09-006 was filed on April 23, 2007, in which Golden State focused its request variously on a water revenue adjustment mechanism (WRAM)<sup>2</sup> decoupling sales and revenues, increasing block rates with reduced service charges, and a modified cost balancing account (MCBA). Fourth, a settlement agreement in A.06-09-006 (as amended on March 21, 2008, in ways immaterial here) between Golden State and the Commission's Division of Ratepayer Advocates (DRA) was among the settlement agreements in Phase 1B of the OII Proceedings that were adopted in Decision (D.) 08-08-030. That adopted settlement provides for a pilot program containing a conservation rate design and related decoupling mechanisms. Four<sup>3</sup> of the seven ratemaking areas within Golden State's Region I were designated for the pilot program, with implementation of the program delayed pending the determination of a new revenue requirement in Region I. (A precedent General Rate Case (GRC) for Golden State's Region I concluded on January 31, 2008, with D.08-01-043.) The settlement adopted in D.08-08-030 provided that each ratemaking area in

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<sup>2</sup> If revenues are coupled with sales, reduced sales resulting from reduced consumption can result in reduced revenues. Water revenue adjustment mechanisms are means of decoupling revenues and sales, enabling revenue requirements to be met in the face of changing patterns of consumption. Differences between authorized revenue (based on forecasts) and actual revenue are tracked in such accounts, allowing any over-collection or under-collection of revenues, plus interest, to be either recovered from ratepayers or refunded to them.

<sup>3</sup> Bay Point, Los Osos, Santa Maria and Simi Valley. The three ratemaking areas excluded were Ojai, Arden Cordova and Clearlake, subject to reconsideration in the next General Rate Case for Region I.

Region I is to have a separate WRAM<sup>4</sup> and a separate MCBA,<sup>5</sup> and required conservation rate designs for Region I to be proposed within 20 days of the decision's issuance. The instant application was filed on September 15, 2008, in response to this requirement.<sup>6</sup>

On November 10, 2008, a prehearing conference was held before Administrative Law Judge (ALJ) Jonathan Lakritz to determine parties, identify issues, consider the schedule, and address other matters as necessary to proceed with this application. An all-party telephonic settlement conference was held on November 21, 2008, and a joint Motion to Approve the Settlement Agreement between the Division of Ratepayer Advocates and Golden State Water Company on WRAM & Conservation Rate Design Issues was filed on December 11, 2008, with the settlement agreement (Settlement Agreement) attached.<sup>7</sup> Protestant Trimble filed comments on the Settlement Agreement on January 5, 2009, to which the joint proponents replied on January 27, 2009. On January 15, 2009, the proceeding was reassigned to ALJ Gary Weatherford.

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<sup>4</sup> A water revenue adjustment mechanism is a ratemaking account used to track the differences between an authorized revenue requirement and actual revenues collected from customers.

<sup>5</sup> A modified cost balancing account is a ratemaking account used to track the difference between adopted costs and actual costs of purchased water, purchased power and pump taxes, and to recover related changes in prices and quantities.

<sup>6</sup> Golden State's testimony in support of the application is identified as Exhibit 1 and was received into evidence on April 1, 2009.

<sup>7</sup> The adjusted rate schedules to the Settlement Agreement may be viewed at <http://docs.cpuc.ca.gov/EFILE/MOTION/100389.htm>. (See Attachments 1-6 to the efiled motion.)

On February 11, 2009, assigned Commissioner Bohn issued a Scoping Memo that among other things denied Protestant Trimble's motions to set aside a prehearing ruling and to conduct public participation hearings.

Commissioner Bohn concluded that there would be no hearing on the proposed settlement because the contested issues were ones of law, not of material facts that presently could be adjudicated.

By joint motion, DRA and Golden State<sup>8</sup> have sought to adjust the conservation rates that were set forth in the Settlement Agreement. The recalculation was prompted by a change in escalation factors in connection with Commission-approved 2009 revenue requirements. The adjustment results generally in equal or lower rates<sup>9</sup> compared to those contained in the schedules attached to the Settlement Agreement. The joint motion is hereby granted.<sup>10</sup> Table 1 and Table 2 herein reflect the rate adjustments. References hereafter to the settlement or Settlement Agreement are to the settlement or Settlement Agreement as so modified.

### **3. Standard for Reviewing Settlements**

Rule 12.1(d) of the Commission's Rules of Practice and Procedure provides:

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<sup>8</sup> Joint Motion of the Division of Ratepayer Advocates and Golden State Water Company to Update Escalation Factors and Tables, served April 27, 2009.

<sup>9</sup> The one slight exception relates to Ojai. In order to round up the proposed service charge for Ojai to the closest five-cent increment, the adjustment resulted in a rate increase of one cent.

<sup>10</sup> The joint motion to have the decision in this proceeding reflect the rate adjustments also sought a shortening of time for responding to the motion. That relief was granted on April 29, 2009, setting May 4, 2009, as the due date for responses.

“The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.”

This is the standard of review for this settlement. The proposing parties have the burden of proof as to whether the settlement should be adopted by the Commission.

#### **4. Discussion of the Settlement**

The settlement resolves all of the issues between two of the parties, Golden State and DRA. All remaining issues, including those posed by protestant Trimble, are resolved in this decision.

##### **4.1. Summary of Settlement Agreement**

The Settlement Agreement calls for a pilot program (Pilot Program) for six of the seven ratemaking areas in Region I.<sup>11</sup> The Pilot Program is composed of a conservation rate design and previously authorized WRAM and MCBA revenue decoupling mechanisms. It will become effective 90 days after adoption of the Settlement Agreement by the Commission. Experience with the Pilot Program will be reviewed in the next company-wide GRC filing in July 2011.

##### **4.1.1. Specific Ratemaking Areas**

###### **4.1.1.1. Bay Point, Los Osos, Santa Maria, and Simi Valley**

Customers in these four areas are classified as residential and non-residential customers. The residential customers will have a reduced service charge and an increasing block rate quantity rate with three tiers. (See Table 1 on page 7.) The non-residential customers will have a reduced service charge and a

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<sup>11</sup> D.08-08-030 authorized conservation rates for Regions II and III.

single quantity rate. For both classes of customers the reduced service charge will mean that a higher proportion of Golden State's fixed costs will be recovered from quantity charges.<sup>12</sup>

The residential three-tier increasing block rate structure reflects patterns of seasonality and consumption based on a five-year averaging of meter readings, using the 2003-2007 period. Individual consumption patterns of metered usage between ratemaking areas will result in different tier thresholds in each ratemaking area. Tier 1 would include usage from zero units to the average winter usage. Tier 2 would include from the top of Tier 1 to the midpoint between the annual average usage and the summer average usage, which is the highest usage period. Tier 3 captures consumption above Tier 2. The difference in rates between adjacent tiers is designed to approximate 15%.

The Settlement Agreement states that there is insufficient customer and consumer data in those four ratemaking areas to consider an increasing block rate structure for non-residential customers. The settling parties believe that a reclassification of customers would be required, demanding customer and consumption data not now available, in order for such a structure to be feasible.

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<sup>12</sup> The Commission is seeking generally to move Class A water utilities toward the 30/70 service/quantity charge ratio required by Best Management Practice 11 of the California Urban Water Conservation Council. *See e.g.*, D.08-08-030 at 16, pertaining to Golden State's Regions II and III.

**TABLE 1<sup>13</sup>**  
**PROPOSED RESIDENTIAL RATES FOR**  
**BAY POINT, LOS OSOS, SANTA MARIA & SIMI VALLEY**

RATEMAKING AREA	CURRENT SERVICE (METER) CHARGE	PROPOSED SERVICE (METER) CHARGE	CURRENT QUANTITY RATE (\$/ccf)	PROPOSED QUANTITY RATE			AVERAGE ANNUAL CONSUMPTION	CONSUMPTION AT WHICH NEW BILL WOULD EXCEED CURRENT BILL
				TIER I	TIER II	TIER III		
				RATE (\$/ccf)	RATE (\$/ccf)	RATE (\$/ccf)		
				CONSUMPTION (ccf)	CONSUMPTION (ccf)	CONSUMPTION (ccf)		
BAY POINT	\$27.60	\$24.30	3.275	3.3460	3.8480	4.4250	12 ccf	~ 14 ccf
				0 - 8 ccf	9 - 14 ccf	15 ccf and up		
LOS OSOS	\$28.40	\$19.30	2.731	3.185	3.663	4.212	12 ccf	~ 15 ccf
				0 - 8 ccf	9 - 14 ccf	15 ccf and up		
SANTA MARIA	\$19.65	\$13.95	1.267	1.422	1.635	1.881	23 ccf	~ 25 ccf
				0 - 15 ccf	16 - 27 ccf	28 ccf and up		
SIMI VALLEY	\$11.60	\$11.00	2.3030	2.1910	2.5197	2.8980	18 ccf	~ 25 ccf
				0 - 13 ccf	14 - 20 ccf	21 ccf and up		

<sup>13</sup> Explanation of symbols: "ccf" means "100 cubic feet," and "~" means "is approximately equal to."

**4.1.1.2. Ojai**

Ojai already has a three-tiered conservation rate design. The settlement reduces the service charge and increases the quantity rates in each tier. (See Table 2.)

**TABLE 2**

**PROPOSED RESIDENTIAL RATES FOR OJAI**

RATEMAKING AREA	CURRENT SERVICE (METER) CHARGE	PROPOSED SERVICE (METER) CHARGE	CURRENT QUANTITY RATES			PROPOSED QUANTITY RATES			AVERAGE ANNUAL CONSUMPTION	CONSUMPTION AT WHICH NEW BILL WOULD EXCEED CURRENT BILL
			TIER I	TIER II	TIER III	TIER I	TIER II	TIER III		
			RATE (\$/ccf)			RATE (\$/ccf)				
			CONSUMPTION (ccf)			CONSUMPTION (ccf)				
OJAI	\$29.20	\$24.25	2.347	2.527	2.952	2.638	2.841	3.319	30 ccf	~ 20 ccf
			0 – 5 ccf	6 – 20 ccf	21 ccf and up	0 – 5 ccf	6 – 20 ccf	21 ccf and up		

#### **4.1.1.3. Arden Cordova**

Reduction of the service charge and an increase in the current single quantity rate are proposed on an interim basis for Arden Cordova. Consistent with the Settlement Agreement, GSWC will submit the proposed interim single quantity conservation rate by advice letter, within 10 days of the issuance of a final decision in the instant proceeding. Whether Arden Cordova should have multi-tier or increasing block conservation rates will be considered in the next company-wide GRC in July 2011.

#### **4.1.1.4. Exclusion of Clearlake**

Clearlake, a ratemaking area with few customers and low average consumption, is excluded from the proposed settlement.

#### **4.1.2. Decoupling Mechanisms**

Water sales and revenue collection will be decoupled through a water revenue adjustment mechanism and a modified cost adjustment account in each of the six ratemaking areas covered by the Settlement Agreement. With minor exclusions, the difference between the total quantity rate revenues authorized by the Commission and the total quantity rate revenues actually recovered via the quantity charge will be tracked by the water revenue adjustment mechanism. The difference between adopted and actual costs for purchased water, purchased power and pump tax is to be tracked by the modified cost balancing account. That account will replace Golden State's current supply cost balancing account which does not track changes tied to consumption.

Golden State must submit a written report on the revenue over- or under-collected relative to actual water sales in each of the ratemaking areas during the calendar year by March 31 of the following year. The report must show the difference between actual costs and adopted costs in the modified cost balance account, a difference that accrues interest at the 90-day commercial rate. If the

over - or under-collection in the combined water revenue adjustment and modified cost balancing accounts for any ratemaking area exceeds 2.5% of that area's total authorized revenue requirement<sup>14</sup> for the preceding calendar year, an advice letter is to be filed within 30 days by Golden State that amortizes the balance in both accounts. If the percentage is 2.5 or less, the balancing accounts will be amortized in the next GRC.

#### **4.1.3. Least-Cost Water Mix**

In the Settlement Agreement, Golden State "stipulates that it will exercise due diligence in ensuring the least-cost water mix of its water sources."<sup>15</sup> Significant changes<sup>16</sup> in the water mix causing changes in variable costs are to be tracked in the modified cost balancing accounts.

#### **4.2. Protestant's Comments**

Protestant Trimble contends that the Settlement Agreement disregards directives of D.08-08-030 and the settlement adopted therein by

- not having residential and non-residential customers share the same rate design and tariff schedule;<sup>17</sup>

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<sup>14</sup> The Settlement Agreement at 11 uses the phrase, "recorded revenue requirement," in this connection, but we are assuming that "authorized revenue requirement" was intended.

<sup>15</sup> Settlement Agreement at 10.

<sup>16</sup> We interpret the definition of "significant changes" to mean when the annual volume of purchased water in Region I deviates by more than 10% from the volume of purchased water adopted in the most recently adopted test year for Region I. Settlement Agreement at 10-11.

<sup>17</sup> Comments of Gerald Trimble on the Settlement Agreement Between Golden State Water Company and the Division of Ratepayer Advocates (Comments) at 3-8.

- inconsistently proposing three-tier increasing block rates for Region I when two-tier increasing block rates were settled on for Regions I and II;<sup>18</sup>
- subjecting customers to being over-billed when meter-reading errors cause a crossing of tier boundaries;<sup>19</sup> and
- not addressing adjustments to recorded revenue levels.<sup>20</sup>

Golden State and DRA replied (Joint Reply)<sup>21</sup> to Trimble's Comments. We address the Comments and the Joint Reply on the merits in the discussion that follows.

### **4.3. Application of Standard for Reviewing Settlements**

The state-wide public interest in water conservation is not in question.<sup>22</sup> At issue is whether this settlement is "reasonable in light of the whole record, consistent with law, and in the public interest." (Rule 12.1(d).) The Commission concludes that it is, for the following reasons.

As to the conservation rate design for Bay Point, Los Osos, Santa Maria and Simi Valley, reduction of the service charge furthers the goal of increasing the portion of fixed cost recovery that is assumed by the quantity rates paid by the customer. This approach generally has been followed in the Class A water

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<sup>18</sup> Comments at 8-10.

<sup>19</sup> Comments at 10-13 and at Attachment.

<sup>20</sup> Comments at 12-13.

<sup>21</sup> Joint Reply of Golden State Water Company and the Division of Ratepayer Advocates to Comments of Gerald Trimble on the Settlement Agreement between Golden State Water Company and the Division of Ratepayer Advocates.

<sup>22</sup> See the Commission's Water Action Plan (December 15, 2005) at 7-11; also, Governor Schwarzenegger's Executive Order S-06-08 (June 4, 2008) "strongly encouraged" water agencies "to take aggressive, immediate action to reduce water consumption locally and regionally for the remainder of 2008 and prepare for potential worsening water conditions in 2009."

company conservation rate design proceedings, consistent with the Commission's commitment to Best Management Practice 11 of the California Urban Water Conservation Council.

The proposed three-tier structure for residential customers in these four ratemaking areas is reasonable for the Pilot Program. The fact that it differs from the two-tier structure adopted for Regions II and III in D.08-08-030 does not make it unreasonable. Changes and refinements over time between pilot or interim programs are a reasonable aspect of the overall conservation rate initiative launched by the Commission. Varying conditions between ratemaking areas can justify different treatment. Use of three tiers in this instance is for the purpose of shifting higher use customers in Tier 3 toward reduced usage and providing monetary incentive to stay within the lower rates of Tier 2.<sup>23</sup> The 15% differential in rates between the tiers is reasonable, building as it does upon the tier differential of 15% occurring in the Phase 1B settlement adopted in D.08-08-030. The 2.5% threshold for triggering the amortization of combined balances tracked in the water revenue adjustment and modified cost balancing accounts likewise matches the threshold adopted in the Phase 1B settlement.

Trimble notes that the D.08-08-030 settlement agreement (2007) contained the statement that Region I "residential and non-residential customers will share the same conservation rate design and tariff schedule."<sup>24</sup> What is unclear from that single statement, however, is whether it applied to the "interim"

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<sup>23</sup> See Proposed Testimony of Nancy Tran in Support of Golden State Water Company's Application for Authority to Implement Changes in Ratesetting Mechanisms and Reallocation of Rates for Its Region I Service Area (September 2008) at 14-15.

<sup>24</sup> Settlement Agreement between the Division of Ratepayer Advocates and Golden State Water Company on WRAM & Conservation Rate Design Issues, October 19, 2007, at 4.

conservation rate design proposed to be in effect until a decision issued in the then pending General Rate Case for Region I or applied to the “revised” conservation rate design required in the instant proceeding, or possibly both. We are persuaded by the context in which the statement occurs and by other portions of the 2007 settlement agreement<sup>25</sup> that the statement applied only to the “interim” rate proposal which was not adopted in D.08-08-030.

Trimble argues that the tiered increasing block rate structure creates a potential for meter-reading errors<sup>26</sup> which could cause a customer to be either over-billed by being pushed into a higher tier or under-billed, harming other customers.<sup>27</sup> Trimble proposes replacing the monthly tier level with an annualized one that would allegedly reduce the opportunity for error and facilitate a once-a-year billing adjustment. We find no present basis for accepting Trimble’s statement of the problem or of a solution. The potential for the meter-reading errors and the results Trimble sees is speculative at this juncture both as to frequency and scale. We will require Golden State to keep a record of meter-reading errors pertaining to tiered rates so that there will be data for the consideration of this issue in the company-wide General Rate Case filing in July 2011.

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<sup>25</sup> See Joint Reply at 4-7.

<sup>26</sup> Protest of Gerald Trimble to the Application of Golden State Water Company at 7. Trimble cites erroneous manual reading, substitute estimates, and early and late meter reading as potential sources of problems.

<sup>27</sup> Trimble argues that the WRAM/MCBA accounts cannot correct the problem he foresees. He states, for example, that the loss imposed on some customers through over-billing will be redistributed by the WRAM to provide a subsidy for all of the customers. Comments at 11.

The types of meter reading error data GSWC is to collect are: (1) manual reading errors brought to its attention by a customer; (2) substitute estimate errors; and (3) early and/or late meter reading errors. For purposes of determining and tracking whether there is an error due to an early/late meter reading, resulting in an unjustified crossing of tiers or retention within a tier, a monthly bill that contains anywhere from 27 to 33 billing days is not considered early or late.

While the Application in this proceeding (A.08-09-010 at 21) stated that WRAM adjustments to recorded revenues would include deductions for franchise fees and uncollectibles, no such provision is in the Settlement Agreement nor is one sought,<sup>28</sup> removing grounds for one of Trimble's concerns.

As to the non-residential customers in Bay Point, Los Osos, Santa Maria and Simi Valley, reducing the service charge, with corresponding increases in the quantity rate, and not applying a tiered increasing block structure is reasonable and consistent with the outcome reached for Regions II and III in D.08-08-030. The proportional shift in revenue recovery from service charge to quantity rate is in keeping with the Commission's recent ratemaking actions concerning Class A water utilities.

The reduction of the service charge and the increasing of the current three-tiered quantity rate for Ojai is reasonable for the same reasons noted above. On an interim basis, reducing the service charge and increasing the rate for all consumption is reasonable for Arden Cordova pending the filing of a

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<sup>28</sup> Joint Reply at 16: "The parties do not seek approval of an adjustment to recorded revenue for franchise fees and uncollectibles as part of the Motion and approval of the Settlement Agreement."

conservation rate by advice letter shortly after the issuance of a final decision herein.

## **5. Comments on Proposed Decision**

The proposed decision of the ALJ Weatherford in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on April 27, 2009.

The joint comments of DRA and Golden State<sup>29</sup> noted an inconsistency within the proposed decision, and between the proposed decision and the Settlement Agreement, concerning the interim rate design for Arden Cordova. The proposed decision at one point erroneously indicated that the advice letter to be filed for Arden Cordova would contain a multiple-tier design whereas the Settlement Agreement provides for an increased single quantity rate for the interim period. The proposed decision has been corrected accordingly. The joint comments also requested clarification and specification as to the types of meter-reading errors concerning which Golden State would be required to collect data toward the end of avoiding unjustified crossing of tiers or retention within tiers. The proposed decision has been changed to specify the types of errors that will be monitored.

## **6. Assignment of Proceeding**

John A. Bohn is the assigned Commissioner and Gary Weatherford is the assigned ALJ in this proceeding.

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<sup>29</sup> Joint Comments of the Division of Ratepayer Advocates and Golden State Water Company on the Proposed Decision of ALJ Weatherford, served April 27, 2009.

### **Findings of Fact**

1. The settlement resolves all of the issues between two of the parties, Golden State and the DRA.
2. The overall result of the settlement lies between the initial positions of the settling parties.
3. The settling parties, although they do not comprise all of the active parties, fairly represent the affected interests.
4. The settlement results in rates that are sufficient for Golden State to provide its customers with adequate reliable service at reasonable rates.
5. The settlement provides the Commission with sufficient information to carry out its future regulatory obligations with respect to the parties and their interests.
6. The decision resolves protestant Gerald Trimble's contentions that the settlement disregards the directives of D.08-08-030, subjects customers to overbilling and fails to address adjustments to recorded revenue levels.

### **Conclusions of Law**

1. Evidentiary hearings are not needed.
2. The settlement does not violate any statute or Commission decision or rule.
3. The settlement is reasonable in light of the whole record, consistent with law and in the public interest.
4. The settlement should be approved.
5. In the company-wide General Rate Case to be filed in July 2011, Golden State Water Company should provide conservation rate and mechanism information gained in the implementation of the settlement.

## O R D E R

**IT IS ORDERED** that:

1. The Settlement Agreement, as modified by the updated conservation rates set forth in Table 1 and Table 2 herein, is approved and adopted.

2. Golden State Water Company shall provide the following information in the company-wide General Rate Case filing in July 2011:

- Monthly or bi-monthly per customer or service connection changes in consumption by ratemaking area, separated by meter size and customer class, following the implementation of the conservation rate design pilot program;
- surcredits and surcharges by ratemaking area and customer class implemented in amortizing water revenue adjustment mechanisms and modified cost balancing accounts;
- meter-reading errors (due to manual reading errors, substitute estimate errors, and early and late meter reads) that cause an unjustified crossing of tiers or retention within tiers;
- increase or decrease in disconnecting low-income program participants for nonpayment by ratemaking area after adoption of conservation rate designs;
- increase or decrease in residential disconnections for nonpayment by ratemaking area after adoption of the conservation rate designs;
- identification of any weather or supply interruption that might contribute to consumption changes in ratemaking areas; and
- any other ratemaking area-specific factor that might contribute to consumption changes.

3. Golden State Water Company shall submit to the Division of Water and Audits a written report on the revenue over-collected or under-collected relative to actual water sales in each of the six relevant ratemaking areas during the preceding calendar year by March 31 of the following year, beginning March 31, 2010. The report also shall show the differences between the authorized revenues and the actual revenues that are to accrue interest at the 90-day

commercial rate. If the combined water revenue adjustment mechanisms and modified cost balancing accounts' over-collection or under-collection for any ratemaking area exceeds 2.5% of that area's total authorized revenue requirement for the preceding calendar year, an advice letter is to be filed within 30 days by Golden State Water Company that amortizes the balance in both accounts. If the percentage is 2.5% or less, the balancing accounts are to be amortized in the next General Rate Case.

4. Golden State Water Company shall track significant changes in the cost of purchased water and make a showing in its next Region I General Rate Case filing 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.

5. Any remaining unresolved motions or requests are denied.

6. Application 08-09-010 is closed.

This order is effective today.

Dated May 7, 2009, at San Francisco, California.

MICHAEL R. PEEVEY  
President  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners