

Decision 09-05-029 May 21, 2009

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

Application of California-American Water Company (U210W) for an Order Authorizing a Special Conservation Program and Modifications to its Rate Design in its Monterey District, and Authorization to Increase its Rates for Water Service in its Monterey District.

Application 07-12-010  
(Filed December 14, 2007)

**DECISION ADOPTING SETTLEMENT AGREEMENT ON THE CONSERVATION BUDGET FOR THE MONTEREY DISTRICT**

**1. Summary**

This decision adopts a Settlement Agreement (Settlement) among California-American Water Company (Cal-Am), the Division of Ratepayer Advocates (DRA) and the Monterey Peninsula Water Management District (MPWMD). The Settlement, which is attached as Appendices A and B to this decision, includes (1) a three-year conservation budget of \$2,424,678 for Cal-Am and \$1,156,000 for MPWMD for the Monterey District, (2) spending caps for specific conservation program categories as well as the overall budget, (3) a volumetric surcharge to fund the conservation budget, with separate one-way balancing accounts for Cal-Am's and MPWMD's budgets, (4) a memorandum

account for Cal-Am's rationing-related expenditures, and (5) specific monitoring and reporting requirements for each conservation program.<sup>1</sup>

In comments on the Settlement, the Independent Reclaimed Water Users Group, a group representing the Monterey Peninsula Country Club, the Cypress Point Club and the Poppy Hills Golf Course, recommends two modifications to the Settlement. We find the requested modifications are outside the scope of this proceeding; these issues are under consideration in the Monterey District general rate case, Application (A.) 08-01-027, and the Coastal Water Project proceeding, A. 04-09-019.

The Settlement before us today is the third settlement between Cal-Am, DRA, and MPWMD. On February 25, 2009, in D.09-02-006, the Commission adopted a settlement that revised the conservation requirements of Cal-Am's Rule 14.1 Water Conservation Plan, and a second settlement that adopted interim emergency rates for the Bishop, Hidden Hills, and Ryan Ranch sub-systems.<sup>2</sup>

## **2. Procedural Background**

Cal-Am filed this application separately from its Monterey general rate case (GRC) A.08-01-027. Protests were timely filed by DRA and MPWMD. Public participation hearings were held in the Monterey District on May 28 and

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<sup>1</sup> Conservation funding for MPWMD programs serving Cal-Am customers was first adopted in Decision (D.) 06-11-050 and has proven to be effective. A formal agreement exists with Cal-Am and the Commission maintains regulatory oversight through reporting requirements.

<sup>2</sup> In D.09-02-006, we also resolved all issues regarding Cal-Am's sharing of customer-specific data with MPWMD.

May 29, 2008. Following the PPHs, the Hidden Hills Subunit Ratepayers Association received intervenor status in this proceeding.<sup>3</sup>

In its application, Cal-Am requests authority to nearly quadruple the annual budget for its conservation programs, and to also spend an additional \$2.9 million per year for rationing implementation costs. The total request for test year 2009 is \$5.3 million. Recognizing that the conservation and water rationing programs are complex and expensive, and that Cal-Am is additionally asking for very substantial rate increases in its pending GRC proceeding, the assigned Commissioner issued a May 9, 2008 ruling adopting an early evaluation process to coordinate the review of this application and A.08-01-027.<sup>4</sup>

The assigned Commissioner and ALJ confirmed that good cause exists to consider Cal-Am's conservation and rationing programs in this proceeding, separate from the pending GRC application, in the June 27, 2008 Scoping Memo. The Scoping Memo also adopted a two-phase procedural schedule, with Phase 1 addressing proposed changes to Rule 14.1, interim emergency conservation rates, and procedures for sharing customer consumption data with MPWMD.<sup>5</sup>

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<sup>3</sup> See Administrative Law Judge (ALJ) ruling on June 13, 2008.

<sup>4</sup> In its Monterey District GRC filing, Cal-Am requests an 80.30% or \$24,718,200 increase in 2009, an 11.72% increase in 2010, and a 12.25% increase in 2011. (See June 27, 2008 Scoping Memo in A.08-01-027, p. 6.)

<sup>5</sup> Cal-Am's proposed Rule 14.1 contains three stages of mandatory conservation measures and four stages of mandatory rationing measures that Cal-Am will implement under specific conditions in order to maintain its production of water from the Monterey Peninsula Water Resource System below the legal limits set by the State Water Resource Control Board and the Monterey District Court.

Cal-Am's and MPWMD's proposed conservation programs were scheduled for Phase 2 in order to provide DRA and other parties additional time to comprehensively review the proposals.

Evidentiary hearings on Phase 2 conservation programs were held on November 12-14, 2008. Prior to the hearings, Cal-Am, DRA, and MPWMD served all parties with an agreement in principle. On January 16, 2009, Cal-Am, DRA, and MPWMD submitted this Settlement, which addresses all Phase 2 issues. On February 17, 2009, the Independent Reclaimed Water Users Group (IRWUG) submitted comments on the Settlement; Cal-Am responded to these comments on March 4, 2009.

On March 10, 2009, the same parties submitted another settlement that addresses the rationing stages of Rule 14.1; this proposed settlement will be considered in a later decision.

### **3. Proposed Settlement**

The Settlement is included as Appendices A and B to this decision. In this Settlement, Cal-Am, DRA, and MPWMD propose a specific three-year conservation budget for 2009 through 2011, accompanied by monitoring and reporting requirements for each budgeted program, and a surcharge funding mechanism.

#### **3.1. Standard of Review for Settlements**

We review the Settlement under the requirements set forth in Rule 12.1(d) of the Commission's Rules of Practice and Procedure. The rule provides that, prior to approval, the Commission must find a settlement "reasonable in light of the whole record, consistent with law, and in the public interest."

### **3.2. Terms of the Settlement**

The Settlement recommends adoption of a three-year conservation budget of \$2,424,678 for Cal-Am and \$1,156,000 for MPWMD for calendar years 2009-2011.<sup>6</sup> In the Settlement, specific budgets are provided for each conservation program category, and some categories have a spending cap and special reporting requirements.

The settling parties state that the goal of the Settlement is to reduce per customer consumption at least three to six percent over three years. This goal does not include additional water savings expected to occur from Cal-Am's pending general rate case for the Monterey District.

The Settlement breaks out conservation funding for both Cal-Am and MPWMD by category of programs and also by which of the Best Management Practices (BMPs) each program is designed to meet. The BMPs are established by the California Urban Water Conservation Council (CUWCC), a non-profit partnership of water suppliers, environmental groups, and others interested in conserving water; a full description of each BMP can be found at <http://www.cuwcc.org>.

#### **3.2.1. Cal-Am Conservation Programs**

The largest category of program spending is for a customer rebate program. The Settlement provides that this funding will be used solely for rebate dollars to customers and will be capped at \$924,925 over three years, with a provision that would allow Cal-Am to request additional funding up to

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<sup>6</sup> Cal-Am's existing conservation efforts are funded through its general revenue requirement and MPWMD's are funded by a separate Commission-approved

*Footnote continued on next page*

\$250,000 by Advice Letter if after one year Cal-Am has spent more than one-third of the amount or after two years it has spent more than two-thirds of the amount. MPWMD will administer the rebate program and will use its staff time to cover administrative needs of the program. The dollars and the types of rebates in this category are generally consistent with the original testimony sponsored by both Cal-Am and DRA.

The rebate program includes an additional \$50,000 for a residential and large landscape Weather Based Irrigation Controller (WBIC) pilot study program. This represents a compromise position between Cal-Am's original request for a \$431,828 WBIC study and DRA's recommendation that no funding be provided.<sup>7</sup>

The second highest category of proposed funding is for public outreach and education programs. This category is capped at \$901,488 for the three-year period, a compromise between Cal-Am's requested \$1,498,800 and DRA's recommended \$450,000.<sup>8</sup> The proposed public outreach funding averages approximately \$300,000 per year and this funding level is consistent with Cal-Am's last four-year average, excluding \$100,000 for emergency conservation advertising in 2006.

Cal-Am's proposed public outreach budget for 2009 is included in the Settlement. The largest categories of funding are for direct mailings to customers

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surcharge. The Settlement proposes that both funding sources be replaced by a single volumetric surcharge.

<sup>7</sup> The \$50,000 for WBIC pilot program is in addition to the \$924,925 overall rebate budget.

<sup>8</sup> There is also a provision for an Advice Letter request for an additional \$100,000 for emergency conservation advertising under specific provisions.

and print advertising. As part of the Settlement, Cal-Am agrees to evaluate the effectiveness of its outreach program and to also develop, in collaboration with MPWMD, a comprehensive conservation website for customers.

Under other program categories, the settling parties agree to \$150,000 for Commercial, Industrial, and Institutional (CII) customer audits and \$70,827 for residential audits over the three-year period. Cal-Am will primarily use in-house staff for these indoor audits. As part of the Settlement, reductions were made in Cal-Am's proposed funding for CII audits and marketing, school education programs, and residential plumbing retrofits. Cal-Am also removed its request for funding for a residential retrofit program targeted to low-income customers and will instead work with the Low Income Oversight Board and then apply for funding through the advice letter process.

### **3.2.2. MPWMD Conservation Programs**

The Settlement provides MPWMD \$1,156,000 in funding over the three-year period. The largest funding amount, \$475,000, will be to complete its large landscape irrigation audits and water budgets for customers in Monterey's main system and to initiate audits for applicable customers in the Ryan Ranch, Hidden Hills and Bishop subsystems.<sup>9</sup> The two other large budget categories are (1) \$278,000 in continued funding for a water conservation representative, whose

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<sup>9</sup> In D.09-02-006, the Commission added these subsystem customers to Cal-Am's Rule 14.1 requirements because the customers derive their source of water supply from the Laguna Seca Subarea of the Seaside Basin.

duties include water waste enforcement, and (2) \$225,000 in funding for school retrofits.<sup>10</sup>

### **3.2.3. Monitoring and Reporting Requirements**

The Settlement includes detailed monitoring requirements, with reporting annually in Cal-Am's summary report and in greater detail in its next GRC filing. Cal-Am will expand its monitoring and reporting to include estimated water savings calculations for each device offered through its conservation programs and for each customer receiving an audit, rebate, or retrofit.

Also included in the annual summary report will be Cal-Am's evaluation of the effectiveness of its public outreach programs. One means Cal-Am will use in its evaluation is to survey its customers on how they learned about Cal-Am's programs; MPWMD will place similar questions on the customer rebate forms. The annual report will be submitted to the Division of Water and Audits, with copies served on this service list, and due on May 1 of the succeeding calendar year for all activity of the prior calendar year.

### **3.2.4. Funding and Accounting Mechanisms**

The Settlement includes a volumetric surcharge to fund the conservation programs adopted here, with Cal-Am and MPWMD spending tracked in separate one-way balancing accounts. The one-way balancing account for efforts undertaken by Cal-Am is capped at \$2,424,678 for three years and the one-way balancing account for efforts undertaken by MPWMD is capped at \$1,156,000 for three years. Consistent with this proposal, the existing "MPWMD Special

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<sup>10</sup> The school retrofit program will be directed primarily toward schools that have limited budgets and could not otherwise afford to upgrade toilets, urinals, food service facilities and landscaping devices to water-efficient levels.

Conservation Balancing Account” established pursuant to D.06-11-050 (Special Request 7) and the corresponding surcharge should be closed.

The Settlement also provides that Cal-Am will retain its rationing memorandum account to track its own rationing-related expenditures. The language the Commission previously authorized for this memorandum account in D.03-02-030 and D.08-07-010 continues to apply. Finally, the parties agree that the memorandum account for expanded conservation and rationing costs billed by MPWMD established pursuant to D.06-11-050 (Special Request 6) shall be closed.

### **3.3. Comments on the Settlement**

Pursuant to Rule 12.2 of our Rules of Practice and Procedure, IRWUG timely submitted comments on the Settlement. IRWUG states that while it supports a number of the modifications to Cal-Am’s initially proposed programs and the reduction in proposed program expenditures, it finds significant deficiencies remain. These asserted deficiencies are that (1) the Settlement commits to only 397-794 acre feet per year (AFY) in water savings over the three year period when as much as 2,006 AFY may be needed, and (2) the Settlement does not consider the additional conservation that could be achieved through adoption of IRWUG’s conservation rate design proposal in the pending GRC proceeding, A.08-01-027.

IRWUG asserts that the single greatest opportunity for significant additional water savings in the Monterey District is to transition the two golf courses that still use potable water for irrigation off of potable water and onto

alternative sources of supply; IRWUG estimates that the water savings from doing this would be approximately 255 AFY.<sup>11</sup>

For the reasons set forth in its comments, IRWUG urges the Commission to condition its approval of the Settlement on the following modifications:

(1) approval should be conditioned on Cal-Am implementing a permanent conservation rate design for the golf course class with the characteristics advocated by IRWUG in Cal-Am's pending general rate case, A.08-01-027; and (2) Cal-Am should be required to work in good faith with MPWMD, the Pacific Grove Municipal Golf Course and the Del Monte Golf Course to thoroughly evaluate alternative sources of water supply for irrigation purposes, including small scale brackish water desalinization by the Pacific Grove Municipal Golf Course and reclaimed water for the Del Monte Golf Course.

In its reply comments, Cal-Am requests that the Commission adopt the Settlement without modification. It asserts that IRWUG's proposed modifications are procedurally improper, are not supported by record evidence, and would work at cross-purposes to the important conservation efforts that other parties have agreed to undertake in the Monterey District, both in this proceeding and in the GRC proceeding, A.08-01-027. Specifically, Cal-Am asserts that IRWUG's rate design proposal is pending in A.08-01-027, its proposal to explore alternative water supplies goes beyond the scope of this proceeding, and also that IRWUG has failed to explain why the Commission should provide special incentives to golf courses to reduce their use of potable water when no such incentives are currently available to other commercial customers.

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<sup>11</sup> The estimated savings is from testimony provided by MPWMD. See IRWUG comments, page 9.

### **3.4. Discussion of Proposed Settlement**

The Settlement before us is comprehensive and reflects a thoughtful compromise among Cal-Am, DRA, and MPWMD of their initial positions; it also incorporates a website proposal that was discussed at the hearings. The total dollars being requested are substantially less than initially requested by both Cal-Am and MPWMD and the specific programs being funded have detailed measurement and reporting requirements, and in some cases funding caps.

Our primary focus in this proceeding is to adopt conservation and rationing programs that will be effective in reducing actual water consumption and efficient in delivering water savings at the lowest reasonable cost. The Monterey District has severe water supply limitations and the customers face a growing financial burden from special surcharges to fund Cal-Am's efforts to find new sources of water supply and the pending GRC request. For these reasons, as well as the cost and complexity of Cal-Am's conservation proposals, these issues are being considered here in a separate proceeding rather than as part of Cal-Am's pending Monterey GRC, A.08-01-027.<sup>12</sup>

We find the Settlement recognizes our emphasis on delivery of actual water savings at the lowest reasonable cost in several ways. First, the largest dollars are directed to rebates, a program that the parties assert is one of the most cost-effective water saving programs. Further, the dollars will be spent solely on customer rebates, not on any administrative costs; MPWMD will provide the administrative service using its own personnel.

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<sup>12</sup> See May 9, 2008 Ruling Setting Special Procedures to Develop Record on Conservation and Rationing Programs and June 27, 2008 Scoping Memo.

Second, the Settlement recognizes that public outreach is an area where more analysis is needed to ensure the funding is being spent effectively. The settling parties address this issue by having:

- the funding levels capped;
- Cal-Am prohibited from spending a majority of the budget on one promotional campaign or in one quarter;
- Cal-Am and MPWMD work in collaboration to develop and maintain a comprehensive conservation website;
- all customer bills, conservation ads and outreach contain a local phone number for the Monterey conservation department as well as a website address;
- Cal-Am evaluate the effectiveness of the outreach program and include its analysis in the annual summary report; and
- flexibility for Cal-Am to modify its outreach plan as it obtains more customer feedback.

Third, the Settlement contains detailed monitoring and reporting requirements for each customer receiving an audit, rebate, or retrofit and for each device offered through its program. Cal-Am will report this information each May in an annual summary report, in addition to its next GRC application. This will allow the settling parties and/or the Commission to review the effectiveness of programs on a timely basis and respond as needed.

Fourth, the Settlement continues the collaboration of Cal-Am and MPWMD in working together to better achieve effective and efficient conservation programs for Cal-Am's customers. The level of funding and the types of programs, together with the reporting requirements, are in the public interest and allow the Commission sufficient regulatory oversight.

An area of concern to us is the level of the water savings goal set by the parties in the Settlement. The parties commit to only a 3% to 6% reduction in per

customer consumption over the next three years. This is the existing requirement that the Commission established for all Class A water utilities in our conservation proceeding, Investigation (I.) 07-01-022. Given the serious water supply limitations of the Monterey District and the high level of funding we are approving, which amounts to over \$1,000,000 a year for a district with 39,000 customer connections, we would like to see a higher goal, one more in line with the goals of municipal water systems experiencing water supply shortages. Recognizing that higher actual water savings may still be achieved, we do not find this weakness in the Settlement sufficient to reject it. The actual water savings achieved through the Settlement's conservation programs, as well as customer demand reductions that may occur if we adopt a conservation rate design and higher revenue requirement in the GRC, will be reflected in the weather-adjusted consumption Cal-Am will report in its May 2010 annual summary report.

The Settlement's proposal to fund all conservation programs through a volumetric surcharge allows Cal-Am's customers to understand the level of funding they are providing for these programs. Given the significant level of this funding, we find good cause to adopt the surcharge. With the legal and physical constraints placed on Cal-Am's water supply for the Monterey District, we also find good cause to retain a memorandum account for rationing costs Cal-Am may incur. There is no showing of a continuing need for a rationing memorandum account for MPWMD's costs. Therefore, we find the conservation surcharge and balancing account mechanisms proposed in the Settlement to be reasonable, as is the proposal to retain Cal-Am's existing rationing memorandum account and to close the memorandum account for expanded

conservation and rationing costs billed by MPWMD that was established pursuant to D.06-11-050 (Special Request 6).

Finally, we address the modifications to the Settlement requested by IRWUG. While we share its concern with the level of actual water savings committed to in the Settlement, we find the specific remedies requested by IRWUG to be outside the scope of this proceeding. Cal-Am's conservation rate design proposal is pending in A.08-01-027 and alternative sources of water supply for the Monterey District are before the Commission in the Coastal Water Project proceeding, A.04-09-019.

Based on our discussion, we find the Settlement to be reasonable in light of the whole record, consistent with the law, and in the public interest. Therefore, we adopt the Settlement.

#### **4. Comments on Proposed Decision**

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the California Public Utilities Code and Rule 14.3 of the Commission's Rules of Practice and Procedure. Opening comments were filed on May 11, 2009 by MPWMD. For good cause shown, the assigned ALJ approved the late-filing of these comments. No reply comments were filed.

MPWMD requests a change in Ordering Paragraph 1(d) to correct a drafting error made in the Settlement and continued in the decision. In addition, the Commission adds clarifying language for the Advice Letter filing Cal-Am is directed to file under Ordering Paragraph 2.

#### **5. Assignment of Proceeding**

John A. Bohn is the assigned Commissioner and Christine M. Walwyn is the assigned ALJ in this proceeding.

### **Findings of Fact**

1. On January 16, 2009, Cal-Am, DRA, and the MPWMD submitted the Settlement at Appendices A and B to this decision.
2. On February 17, 2009, in its opening comments on the Settlement, the IRWUG requested modifications to the Settlement.
3. The Settlement is comprehensive and reflects a thoughtful compromise among Cal-Am, DRA, and MPWMD of their initial positions; it also incorporates a website proposal that was discussed at the hearings.
4. The total dollars requested in the Settlement are substantially less than initially requested by both Cal-Am and MPWMD.
5. In the Settlement, the largest funding for Cal-Am is for customer rebates, a program that parties assert is one of the most cost-effective water savings programs.
6. The Settlement recognizes that public outreach is an area where more analysis is needed to ensure the funding is being spent effectively and takes specific steps to address this need.
7. The Settlement contains detailed monitoring and reporting requirements with timely annual submissions of reports to the Commission and parties.
8. The Settlement continues the collaboration and cooperation between Cal-Am and MPWMD.
9. We are concerned that the Settlement contains a water savings goal of only 3% to 6% reduction in per customer consumption over the three-year period.
10. The conservation surcharge and balancing account mechanisms set forth in the Settlement are reasonable.
11. The existing "MPWMD Special Conservation Balancing Account" and the corresponding surcharge should be closed.

12. Cal-Am should retain its rationing memorandum account to track Cal-Am's own rationing-related expenditures, as authorized in D.03-02-030 and under the same terms as set forth in D.08-07-010.

13. The existing memorandum account for expanded conservation and rationing costs billed by MPWMD established pursuant to D.06-11-050 (Special Request 6) should be closed.

14. This proceeding should remain open for outstanding Phase 1 issues.

### **Conclusions of Law**

1. The Commission regulates water service provided by Cal-Am pursuant to Article XII of the California Constitution, the Public Utilities Code, and the rules and regulations of the Commission.

2. We reviewed the proposed Settlement under the requirements set forth in Rule 12.1(d) of the Commission's "Rules of Practice and Procedure."

3. The modifications requested by IRWUG are beyond the scope of this proceeding.

4. The Settlement at Appendices A and B is reasonable in light of the whole record, consistent with the law, and in the public interest.

5. The Settlement should be adopted, and should be effective immediately.

## **O R D E R**

**IT IS ORDERED** that:

1. The Settlement Agreement attached to this decision as Appendices A and B is adopted. Consistent with the adopted Settlement Agreement:

- a. A three-year conservation budget of \$2,424,678 for California-American Water Company and \$1,156,000 for the Monterey Peninsula Water Management District is adopted for the Monterey District.

- b. California-American Water Company shall collaborate with the Monterey Peninsula Water Management District to satisfy the California Urban Water Conservation Council requirements for Best Management Practices 1-3, 5-9, and 11-14.
- c. The spending caps for specific conservation program categories and the overall budget in Tables 1-3 of the Settlement Agreement are adopted.
- d. One hundred percent of the \$924,925 Rebate budget and the associated \$50,000 for the Weather Based Irrigation Controller pilot study shall be used for rebate dollars given to customers. If after one year California-American Water Company has spent more than one third of this amount, or after two years California-American Water Company has spent more than two-thirds of this amount, and projects that it will overspend in this category, California-American Water Company may file an advice letter to increase the budget by the rate of overspending, or \$250,000, whichever is smaller.
- e. California-American Water Company shall not spend a majority of the public outreach and education budget on one promotional campaign or in one quarter.
- f. California-American Water Company may file an advice letter requesting an additional \$100,000 for emergency public outreach if the criteria listed in Section 11(i) of the Settlement are met. At such time that the advice letter goes into effect, California-American Water Company shall place a notice on the customer bill stating that it is a water conservation emergency and that customers should help conserve water.
- g. The reporting requirements in Section 4 of the Settlement Agreement are adopted.
- h. California-American Water Company shall assess a volumetric surcharge to fund the conservation budget.
- i. A one-way balancing account for the efforts undertaken by California-American Water Company and a separate one-way balancing account for the efforts undertaken by the Monterey Peninsula Water Management District shall be used to track the difference between their actual conservation expenses and surcharge collections.
- j. The "MPWMD Special Conservation Surcharge Balancing Account" established pursuant to Decision 06-11-050 (Special Request 7) and the corresponding surcharge shall be closed.

- k. California-American Water Company shall retain its existing rationing memorandum account to track its rationing-related expenditures.
- l. The memorandum account for expanded conservation and rationing costs billed by the Monterey Peninsula Water Management District established pursuant to Decision 06-11-050 (Special Request 6) shall be closed.
- m. To the extent that the memorandum account described in the preceding paragraph has been combined with any other memorandum account in California-American Water Company's tariffs, the tariffed memorandum account shall be revised to eliminate the portion of it relating to Special Request 6 in Decision 06-11-050.

2. California-American Water Company is directed to file an Advice Letter within ten days that shall be effective on filing, subject to review by the Commission's Division of Water and Audits for compliance with this decision.

The Advice Letter shall contain tariff schedules to:

- (a) Establish on a going-forward basis a volumetric surcharge to fund the conservation programs adopted in this Order, with California-American Water Company's and Monterey Peninsula Water Management District's spending separately tracked in one-way balancing accounts. The level of the volumetric surcharge may be changed by Advice Letter on an annual basis in order to equalize collection of the three-year conservation budgets specified in Ordering Paragraph 1.
- (b) Close the existing "MPWMD Special Conservation Surcharge Balancing Account" and the corresponding surcharge.
- (c) Close the memorandum account for expanded conservation and rationing costs billed by the Monterey Peninsula Water Management District established pursuant to Decision 06-11-050 (Special Request 6) in a manner consistent with the directions contained in paragraphs l. and m. of Ordering Paragraph 1 of this decision.

3. California-American Water Company shall monitor and report the customer consumption and water savings calculations specified in Section 4 of the Settlement Agreement in Annual Summary Reports and in its next Monterey

District general rate case application. The Annual Summary Reports shall be submitted to the Commission's Division of Water and Audits, with copies served on this proceeding's service list.

4. Application 07-12-010 remains open.

This order is effective today.

Dated May 21, 2009, at San Francisco, California.

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