

Decision 11-05-004 May 5, 2011

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation to consider policies to achieve the Commission's conservation objectives for Class A water utilities.

Investigation 07-01-022
(Filed January 11, 2007)

And Related Matters.

Application 06-09-006
Application 06-10-026
Application 06-11-009
Application 06-11-010
Application 07-03-019

**DECISION RESOLVING PHASE 2 CONSERVATION GOALS AND
MODIFYING TRACKING OF CONSERVATION AND LOW-INCOME DATA**

TABLE OF CONTENTS

Title	Page
DECISION RESOLVING PHASE 2 CONSERVATION GOALS AND MODIFYING TRACKING OF CONSERVATION AND LOW-INCOME DATA	1
1. Summary	2
2. Background.....	3
3. Issues Before the Commission	5
4. Discussion and Analysis	6
4.1. The Commission’s Conservation Goals	7
4.1.1. Parties’ Positions	7
4.1.2. Discussion.....	8
4.2. Class A Water Utilities’ Conservation Data Reporting	11
4.2.1. Parties’ Positions on Conservation Data Reporting.....	11
4.2.2. Conservation Data Reporting Workshop.....	13
4.2.3. Discussion.....	17
4.3. Conservation Programs and Low-Income Customers.....	23
4.3.1. Parties’ Positions	23
4.3.2. Discussion.....	25
4.4. Best Management Practices.....	27
4.4.1. Parties’ Positions	28
4.4.2. Discussion.....	29
4.5. Rebate Programs.....	31
4.6. Metering and Monthly Billing	33
4.6.1. Parties’ Positions	33
4.6.2. Discussion.....	35
5. Comments on Proposed Decision	36
6. Assignment of Proceeding.....	36
Findings of Fact	36
Conclusions of Law.....	40
ORDER	42
Attachment 1 - Annual Report, Schedule E-3 Description of Water Conservation Programs	
Attachment 2 - Information-Only Filing Conservation Data Report*	
Attachment 3 - Information-Only Filing Low-Income Data Report	

DECISION RESOLVING PHASE 2 CONSERVATION GOALS AND MODIFYING TRACKING OF CONSERVATION AND LOW-INCOME DATA

1. Summary

This decision resolves Phase 2 of this proceeding and adopts a conservation goal of a 1-2% annual reduction in consumption, per service connection and customer class in one hundred cubic feet (Ccf), for all Class A water utilities, following the adoption of their conservation rate designs, and a baseline which uses 2003-2007 average consumption. Class A water utilities also can demonstrate compliance with the Commission's goals through use of the Department of Water Resource's baseline methodology, if it includes calendar years 2003-2007, or use of a 10-year period that does not include 2003-2007 if the utility attaches supporting workpapers.

This decision modifies existing Commission-ordered conservation data reporting requirements to measure the impact of adopted conservation rate designs on customers, including low-income customers. Conservation and low-income data will be reported in separate information-only annual filings and will track consumption, compliance with the adopted reduction in consumption, disconnections for nonpayment and reconnections, Best Management Practices compliance costs, low-income program participant household size, average bill impact on participating low-income customers of surcharges resulting from amortization of Water Revenue Adjustment Mechanisms and Modified Cost Balancing Accounts, and conservation programs targeted in whole or in part to low-income program participants. This decision also modifies reporting on conservation programs in Schedule E-3 of the Annual Report in a water conservation program estimated savings report.

This decision endorses compliance with Best Management Practices, as discussed in the Commission's Water Action Plan, through compliance with the California Urban Water Conservation Council's Flex Track Option. This decision declines to mandate specific conservation programs, including rebates or targeted low-income programs, and declines to require monthly bills or itemization of conservation-related surcredits or surcharges.

2. Background

The Commission opened this investigation to address policies to achieve its conservation objectives for Class A water utilities and ordered the consolidation of four pending conservation rate design applications – Application (A.) 06-09-006 (Golden State Water Company (GSWC)), A.06-10-026 (California Water Service Company (CalWater)), A.06-11-009 (Park Water Company (Park)), and A.06-11-010 (Suburban Water Systems (Suburban)).¹ A May 29, 2007 ruling established Phases 1A and 1B and consolidated San Jose Water Company's (San Jose) application, A.07-03-019.

In Decision (D.) 08-02-036, the Phase 1A decision, the Commission adopted eight settlement agreements affecting CalWater, Park and Suburban on conservation rates, revenue adjustment mechanisms, modified cost balancing accounts, a low-income assistance program, customer education and outreach, and data collection and reporting. In D.08-08-030, the Phase 1B decision, the Commission adopted four settlement agreements for GSWC and San Jose on conservation rates, revenue adjustment mechanisms, customer education and outreach, and data collection and reporting.

¹ A January 16, 2007 ruling affirmed consolidation of the applications with the Order Instituting Investigation.

The February 8, 2008 Phase 2 scoping memo established the non-rate design conservation measures that would be considered in this phase of the proceeding. The Phase 2 scoping memo noted that the issues to be addressed in this phase of the proceeding were extensive and that the Commission might not make findings on all of them. The scope of Phase 2 was amended in four subsequent rulings, the December 30, 2008 amended scoping memo (soliciting additional comments), the June 30, 2009 second amended scoping memo (deferring several issues and notifying parties that a workshop would be set), the January 6, 2010 third amended scoping memo (setting a workshop and modifying the issues to be considered), and the July 30, 2010 fourth amended scoping memo (setting a workshop and extending the time to resolve the proceeding). Parties who filed Phase 2 comments include Consumer Federation of California (CFC), California Water Association (CWA), the Division of Ratepayer Advocates (DRA), Joint Consumers,² Park, Public Official for Water and Environmental Reform and Natural Resources Defense Council (POWER/NRDC), and Suburban.³

The Commission's Policy and Planning Division (PPD) held three Phase 2 workshops: a workshop on water recycling on June 24, 2009, a workshop on statewide water use data integration on July 20, 2009, and a workshop on water use data integration, water conservation policies, and the need for coordination

² Joint Consumers include Disability Rights Advocates, National Consumer Law Center (NCLC), and The Utility Reform Network (TURN).

³ DRA organized a meeting on May 12, 2008 with a professional facilitator and the parties to determine if there were areas of consensus.

among the state's water agencies in light of the amendments to the Water Code contained in Senate Bill SBX7-7⁴ on January 21, 2010.

The Commission's assigned Administrative Law Judge (ALJ), Division of Water and Audits (DWA) and PPD held two additional workshops on September 13 and 14 and October 20, 2010 to address a baseline for conservation/water use goals, a protocol for streamlining conservation data reporting, and steps Class A water utilities must take in their general rate cases to convert to per capita water use reporting. At the October 20, 2010 workshop, Peter Brostrom, SBX7-7 Urban Program Manager from the Department of Water Resources (DWR), presented an outline of the methodologies contained in DWR's October 1, 2020 "Methodologies for Calculating Baseline and Compliance Urban Per Capita Water Use."⁵ A draft workshop summary was submitted to the parties for edits and corrections and a December 24, 2010 ruling requested comments on the final workshop summary. CWA, DRA, and the Joint Consumers submitted comments on the workshop summary.

3. Issues Before the Commission

Phase 2 considers non-rate design conservation issues following the adoption of conservation rate designs in Phases 1A and 1B in this proceeding. Phase 2 issues considered in this decision are water conservation goals, including consistency with SBX7-7 methodologies and compliance, conservation data reporting, including low-income data and consistency with SBX7-7, Best Management Practices (BMP), conservation impacts on low-income customers,

⁴ SBX7-7 is codified as Water Code §§ 10608 *et al.*

⁵ <http://www.water.ca.gov/wateruseefficiency/sb7/docs/methodologies-urban-per-capita-water-use-10042010.pdf>.

metering and monthly billing, and rebates. Phase 2 issues deferred to subsequent proceedings include water shortage event planning including drought planning, integrated water resource management, energy savings, advanced metering, and recycled water.⁶ Conservation issues deferred to general rate cases following the adoption of conservation rates include expanding conservation rate designs to other customer classes, financial incentives when conservation goals are met, transition plans from flat rates to metering, increasing break points between tiers, and setting the first tier break point closer to average winter consumption.

4. Discussion and Analysis

The Commission has adopted conservation rate design pilot programs for Class A water utilities in this proceeding and in separate applications. To ensure the success of these programs, the Commission must monitor water savings achieved through these and other conservation programs. Data compiled to track water conservation achieved by the implementation of conservation rates and other water conservation measures should effectively track the savings associated with water conservation. The Commission also must measure the impact of adopted conservation rate designs on customers, including low-income customers. Data compiled to measure the impact of conservation rate designs and programs on customers should assist in determining whether these measures have unintended impacts on those customers. Finally, the Commission must determine whether other initiatives can assist in achieving adopted conservation goals.

⁶ The Commission opened a water recycling rulemaking, Rulemaking (R.) 10-11-014.

4.1. The Commission's Conservation Goals

The Commission established a tentative conservation goal of a 1-2% annual reduction in consumption in D.08-02-036. Subsequent statewide mandates required a 20% reduction by 2020. In light of the adoption of SBX7-7, the Commission should ensure its adopted conservation goal at least meets the 20% urban water consumption reduction by 2020 established in SBX7-7. Through a public process, the DWR developed methodologies to ensure consistent implementation of SBX7-7.

4.1.1. Parties' Positions

The parties generally support the 20% statewide reduction. DRA recommends the Commission adopt an initial goal of a 20% reduction to be determined in general rate cases. Joint Consumers recommend specific conservation goals for non-price conservation programs. POWER/NRDC recommend a 20% reduction be a point of departure. POWER/NRDC recommend that the baseline for measuring the achievement of water saving targets be set at the average of water production and delivery during water years 2003 through 2007, because it includes wet and dry years but generally no extreme events. During this period no Class A water utility, with the exception of California-American Water Company's (California American) Monterey district, has implemented robust conservation programs. POWER/NRDC supports measurement using gallons per capita per day (GPCD) but supports gallons per service connection per day as an interim measure. Reporting should conform to other utilities' reporting if legislation is enacted.

CWA recommends that a percentage reduction be consistent. Because consumption reductions vary by region, any goals should be flexible. Three elements, regional or utility specific goals, weather normalization and past

conservation efforts, must be considered. To comply with the 2020 requirement, CWA also recommends that the Commission establish a base year.

At the September 13, 2010 workshop, the parties supported conservation goals and a baseline consistent with those established by SBX7-7, expressed in gallons per capita per day. However, the parties also concurred that water utilities should continue to report consumption per service connection and customer class, in Ccf (one hundred cubic feet), as required by the Commission's Rate Case Plan and Minimum Data Requirements.

4.1.2. Discussion

We must ensure that the adopted conservation goal at least meets the statewide goal, 20% reduction in consumption by 2020, embodied in SBX7-7. Achieving consistency between the Commission's tentative conservation goal and the statewide mandated 20% reduction by 2020 presents several hurdles. Although the Class A water utilities are required to achieve the 2020 target, that schedule is not consistent with the various general rate case cycles. The calculation of water use reduction using GPCD is inconsistent with calculation of water use by Ccf for rate cases. The methodologies adopted by DWR permit the choice of parameters for a 10-year baseline to calculate daily per capita water use and generally require a continuous 10-year period ending no earlier than December 31, 2004 and no later than December 31, 2010.

The Class A water utilities have rate case cycles that will not coincide with the 2015 and 2020 targets. If each Class A chooses a different 10-year baseline, it will not be easy to compare achievement of a 1-2% reduction in consumption among the Class A water utilities. The DWR methodologies include a maximum allowable GPCD target and four methods to achieve the 2020 target. Each Class A water utility can choose a different method, including a regional target. The

Commission-approved conservation rate designs are district and company specific.

Finally, the Class A water utilities requested the opportunity to inform the Commission on the status of their SBX7-7 goals compliance plans but did not provide any information on those plans in the record of this proceeding. Several Class A water utilities discussed preliminary plans to meet SBX7-7 goals at the October 19, 2010 workshop. A December 24, 2010, ruling requested comments on those plans. In response to that ruling, CWA's January 14, 2011 comments state, "[t]he Class A water utilities are currently in the process of finalizing their UWMPs [Urban Water Management Plans], which include their strategies for meeting SBX7-7 baseline and target water use goals. The UWMPs will be available for external review upon their submission to DWR."⁷ Given the unavailability of the Class A water utilities' plans to comply with SBX7-7 goals, we cannot dismiss any of the concerns discussed above.

The differences in methodologies and methods to achieve conservation goals make full reliance on the DWR methodologies insufficient for the Commission's purposes. Instead, we will finalize Commission goals in a manner consistent with the statewide mandate.

⁷ In comments on Commissioner Peevey's proposed decision, CWA states the Commission could order a Class A water utility with a rate case cycle outside the 2015 and 2020 target dates to follow the normalization process being developed by DWR. However, at no time prior to these comments has CWA explained how Methodology 8: Criteria for Adjustments to Compliance Daily Per Capita Water Use, an optional adjustment contained in Water Code § 10608.24(d) and based on substantial changes in water use and differences in rainfall in baseline and compliance reporting periods, would apply to rate case cycle differences from target dates.

We will finalize the tentative conservation goal of reducing consumption 1-2% annually per each general rate case cycle. To measure achievement of that annual reduction requires a baseline. For the Commission's purposes, the baseline should be consistent to permit comparable assessment of Class A water utilities' pilot programs and ongoing conservation efforts. If we adopt DWR's 10-year baseline methodology with a range of options, including the option to set a baseline through the 2010 calendar year, it could be difficult to compare results for all Class A water utilities and the baseline would include years after some pilot programs became effective. A second option is to set the baseline using the 2003-2007 average. That period precedes adoption of the pilot programs and does not include any years with extreme weather cycles. Since the DWR baseline permits use of years after the Commission approved conservation rate designs, the default baseline should be 2003-2007. If a Class A water utility chooses a 10-year baseline using the DWR methodology and the baseline only uses calendar years prior to the implementation of its conservation rate design and includes calendar years 2003-2007, it also can be used as the Commission's baseline. If the Class A prefers to use a 10-year baseline using the DWR methodology, which does not include calendar years 2003-2007, the company should attach supporting workpapers on the development of that baseline.

The 1-2% annual reduction can be achieved through conservation rates and non-price conservation programs. Although statewide reporting of the 2015 and 2020 targets will be in GPCD, the parties recommend using Ccf as required under the general rate case plan and minimum data requirements. We will use Ccf to measure the 1-2% annual reduction. We anticipate the Class A water utilities can demonstrate compliance with the Commission's conservation goals

through the urban water management plan reporting to DWR that will address compliance with the 2015 and 2020 targets.

Although the statewide mandate calls for a 20% reduction by 2020, the Commission did not adopt a date when the 1-2% reduction in annual consumption would cease. With the disparate rate case cycles, a firm date to cease measuring reduction in consumption is not workable for all Class A water utilities. Absent knowledge of initiatives that will reduce consumption, including water recycling and use of gray water, it is premature to set a date by which the Class A water utilities should cease to reduce consumption by 1-2% annually for each general rate case cycle. The Commission's water conservation goals should be reviewed in 2020, once the statewide targets have been achieved.

4.2. Class A Water Utilities' Conservation Data Reporting

The Commission has ordered conservation data reporting for some Class A water utilities, and the Joint Consumers entered into individual settlement agreements with different provisions on conservation data reporting with Suburban, GSWC and San Jose. This decision evaluates the need for ongoing Commission-ordered conservation data reporting for all Class A water utilities.

4.2.1. Parties' Positions on Conservation Data Reporting

The consumer groups generally support robust data collection. DRA proposes that Class A water utilities submit additional conservation data. DRA recommends that the Commission supplement the current conservation data requirements with data included in minimum data requirements that is sufficient to thoroughly analyze conservation programs. DRA recommends that additional data requirements be considered in a workshop. Joint Consumers support DRA's additional conservation data and workshop proposals.

POWER/NRDC recommend that companies submit their annual reports to California Urban Water Conservation Council (CUWCC or Council) every year instead of every two years in order to coordinate with the Commission's three year rate case cycle. The data already are compiled so no additional work is involved. They recommend that all Class A water companies compute their avoided cost of water to establish a clear value for the water to be saved by conservation efforts. The Council's avoided cost model should be used because it incorporates both short-run and long-run capital costs. Avoided costs should be updated every three years.

The water utilities are concerned about additional data reporting. CWA opposes DRA's recommendation for additional data and new reporting requirements. CWA urges the Commission to first integrate data collected by the Commission and other state agencies and work toward formatting the data it collects so that it is complementary to the data gathered by other state water agencies. Suburban urges caution with new data reporting and argues that the data provided on conservation in annual reports, general rate cases and the data collection settlements are sufficient to monitor conservation in the early stages. Suburban points out that many factors influence conservation, including weather, geographic location, and customer characteristics; all these factors would need to be evaluated.

Park recommends that reports generated for compliance with CUWCC membership be retained by the utility for two general rate case cycles and be made available to the staff upon request. Park submits that the water revenue adjustment mechanism (WRAM) will provide a reasonable proxy of conservation over time, and that it is virtually impossible to measure customers' response to non-price signals such as conservation advertising. Instead of

requiring additional reporting, Park recommends that Commission staff request copies of reports submitted in compliance with membership in CUWCC.

Joint Consumers note that they reached settlement agreements with some utilities on data collection to track the impact of conservation programs on low income consumers and recommend that the Commission require each utility that has implemented conservation rates to track and report on arrearages and service terminations for non-payment. Joint Consumers tentatively support DRA's reporting proposals on low-income and assert that a needs assessment should look at the number of low-income households in the districts to give information on usage patterns, low-income residents' understanding of conservation issues, and potential leaks or outdated equipment. Joint Consumers propose tracking low income ratepayer assistance data to determine the effectiveness of conservation programs on low-income customers. CWA argues that measuring the impact of conservation programs on low income customers, especially those in multi-family unit housing, is impractical, frustrating efforts at data collection.

4.2.2. Conservation Data Reporting Workshop

The conservation data workshop examined parties' and DWA's proposals for additional data reporting and streamlining data collection. The parties agreed that conservation data is reported to the Commission in a variety of forms, including general rate cases, annual reports furnished to the Commission, annual conservation program reports (for some but not all utilities), and WRAM balancing account filings.

Conservation data reported in general rate cases is submitted as required by:

- Water Rate Case Plan Minimum Data Requirements for general rate case applications and testimony;
- Adopted settlement agreement requirements (reported to DRA and DWA);
- Commission-imposed requirements in conservation decisions, including low income, price and non price reporting; and
- DRA data requests.

Conservation and low-income data reported in the Annual Report furnished to the Commission is submitted as required by:

- Schedules E-2 and E-3; and
- Supplements to Schedule E-3 required by settlement agreements (reported to DRA and DWA).

Conservation data in annual conservation program reports required by Commission decisions or subject to settlement agreements include:

- Adopted settlement agreement requirements (reported to DRA and DWA);
- Conservation Program Activities involving education, public information, rebates, and retrofits;
- Financial costs and impacts of Conservation Programs; and
- Estimated Water savings in Ccf of Conservation Programs.

Conservation data reported in the WRAM-related filings include:

- Annual information-only filings on differences between adopted revenues and actual revenues collected; differences between adopted variable costs and actual collected variable costs; and differences between revenue collected under conservation rates versus uniform rate design; and
- Advice Letter filings requesting amortization of above-mentioned differences.

Conservation data requirements ordered by the Commission in D.08-02-036 and D.08-08-030 were designed to evaluate the pilot programs adopted in those decisions.⁸ California American is not required to comply with those requirements because it has separate settlement agreements, and a modified version of the requirements was adopted for San Gabriel Valley Water Company (San Gabriel). The parties disagreed on whether these reporting requirements should cease after review of the pilot programs in the next general rate cases.

The parties agreed that ongoing conservation data reporting should be reported in the Annual Report, including Schedule E-3, and the parties mostly agreed that some conservation data reporting should be reported in the water rate case plan Minimum Data Requirements. DRA advised against modifying

⁸ Conservation data reporting ordered by the Commission in D.08-02-036 (Ordering Paragraph 6) and D.08-08-030 (Ordering Paragraph 2) includes: monthly or bimonthly (depending on the billing cycle) per customer or service connection changes in consumption by district, separated by meter size and customer class, following the implementation of the conservation rate design trial program; surcredits or surcharges by district and customer class implemented in amortizing water revenue adjustment mechanisms and modified cost balancing accounts or Monterey-style water revenue adjustment mechanisms or pricing adjustment mechanism; increase or decrease in disconnecting low-income program participants for nonpayment by district after adoption of conservation rate designs; increase or decrease in low-income program participation by district after adoption of conservation rate designs; increase or decrease in residential disconnections for nonpayment by district after adoption of conservation rate designs; identification of any weather or supply interruption that might contribute to consumption changes in districts; and any other district-specific factor that might contribute to consumption changes. The Commission ordered a modified version of these requirements for GSWC's Region 1 in D.09-05-005 (Ordering Paragraph 2) and for San Gabriel in D.10-04-031 (Ordering Paragraph 6). These data reporting requirements were not contained in any settlement agreements adopted in D.08-02-036, D.08-08-030, and D.09-05-005.

the Minimum Data Requirements in this proceeding. The parties agreed that the Annual Report should include data on increases or decreases in residential disconnections for nonpayment by district after adoption of conservation rate designs.

The parties agreed that Schedule E-3 of the Annual Report should be modified concerning conservation program information. Schedule E-3 should be modified to permit water utilities to submit conservation program information in a table, including amounts spent and saved, and to substitute a copy of any other report that provides the required information. The specific revisions are contained in Attachment 1 to this decision.

The parties, with the exception of DRA, agreed that the Minimum Data Requirements should add the following data requirements:

- Average estimated monthly or bimonthly (depending on billing cycle) per customer or service connection consumption by district, separated by customer class (parties stated that separation by meter size would prove too difficult); and
- Any other district-specific factor (such as changes in weather) that might contribute to consumption changes.

The Joint Consumers (NCLC and TURN) presented their conservation data requirements proposal. Sources for the proposal include adopted settlement agreements and new proposals; water utilities' perspectives on the proposal; low-income single family customers and high users; the definition of disadvantaged communities; and the impact of tiered rates on low-income customers and large households. The Joint Consumers proposal would track customer usage by tracking monthly changes in consumption by ratemaking division, separated by meter size and customer class; monthly customer usage

by service area and customer class; and biannual reporting of the top water usage accounts, including usage data, disconnections, arrearages and Low-Income Ratepayer Assistance (LIRA) participation. Joint Consumers support collecting usage data by meter size. If meter size is not used, their view is that at a minimum the data must be broken down by customer class, district and rate tier or block. High usage customer information would permit analysis of consumption patterns and assist in the development of rate designs. The proposal also would track account history for all customers and LIRA customers by monthly tracking of accounts, disconnections, and restorations of service. In addition, the proposal requires monthly tracking of LIRA customers entering or leaving the program and obtaining the household size of LIRA customers upon enrollment. Collection of data on household size would help address the needs of low income households that may have high water usage due to a larger than average household size.

No consensus was reached on whether Schedule E-2 could be used to report low-income data and if an information-only filing could be used for more detailed/voluminous data. The parties disagreed on whether household size data could or should be gathered, and if so, whether it could or should be gathered for all large households or just low-income households.

4.2.3. Discussion

The Commission's existing conservation data reporting requirements are not required for all Class A water utilities. A standard set of conservation data reporting requirements would permit the Commission to assess the impact of conservation rate designs on all Class A water utilities' customers, including

low-income customers. The parties disagree on whether existing reporting requirements are sufficient or excessive.⁹

The existing data requirements adopted in D.08-02-036 and D.08-08-030 for some conservation pilot programs are a starting point for examining reporting requirements to measure the impact of all Class A water utilities' conservation rate designs on customers. In those decisions, the Commission required the reporting of changes in consumption; surcharges and surcredits for WRAMs and Modified Cost Balancing Accounts (MCBA), if applicable; increases in participation and disconnections for low-income program participants; increases in disconnections for all customers; and other impacts on consumption changes. The parties agree on measuring changes in consumption by district and customer class and reporting other factors that might contribute to consumption changes. The parties disagree on whether reporting should continue by meter size and whether household size information should be reported for low-income program participants.

The Commission should continue to collect the type of conservation data it currently collects, with some modifications. The Commission adopted these reporting requirements in this proceeding and recently applied similar reporting requirements to GSWC for Region 1 in D.09-05-005 and to San Gabriel in D.10-04-031. There is a continuing need to assess the impact of the adoption of conservation rate designs on customers, including low-income customers, and

⁹ Parties expressed concerns that a review of the Commission-required conservation data reporting requirements would impact settlement agreements. In this decision, we do not consider any reporting requirements adopted in settlement agreements, either between the Joint Consumers and Class A water utilities, or between DRA and the water utilities.

the adopted reporting requirements assist in that assessment. Data furnished under these requirements permit monitoring of changes in consumption, which will permit assessment of compliance with the required reduction in consumption.

We will continue to collect consumption data and will require reporting of yearly and total decreases in consumption from the adopted baseline. We will continue to collect consumption data per service connection and customer class in Ccf. We will continue to require reporting of other factors, including weather and economic factors, which affect consumption. As proposed by the Joint Consumers, we will collect data on disconnections for nonpayment and reconnections for all customers in order to measure the impact of adopted conservation rate designs. We also will require reporting of consumption by tier and block in order to further assess the impact of adopted conservation rate designs.

We will discontinue separately collecting data on surcharges and surcredits imposed as a result of amortizing WRAMs and MCBAs. The WRAM-related information-only filings contain these data, and we see no need for a duplicate filing even though the carriers report significant under-collection of revenues in WRAMs and MCBAs for many districts.¹⁰

We agree that meter size is not a good proxy for larger households, because Class A water utilities classify larger households differently. However,

¹⁰ In A.10-09-017, the five Class A water utilities with WRAMs/MCBAs report that they have under-collections exceeding 10% of revenues in some districts and seek amortization of those accounts in two years rather than the three year amortization schedule the Commission requires. The Commission adopted a WRAM/MCBA for Valencia Water Company (Valencia) in D.10-12-029.

collection of consumption data by meter size permits a more rigorous analysis of consumption patterns for residential customers, who generally have meters ranging from 5/8" to 1", since consumption tends to increase by meter size.¹¹ The Commission required the Class A water utilities to collect consumption data by meter size in this proceeding. In addition, Class A water utilities submit background workpapers in general rate cases, which track consumption by meter size. Continuing to require reporting of data by meter size will permit a more accurate comparison of consumption by billing period and annually. We will continue to require reporting of consumption data by meter size. The Class A water utilities may extrapolate from the consumption data they provide in general rate case workpapers in providing data by meter size.

CWA notes water recycling is a significant component of water conservation. The water recycling rulemaking, R.10-11-014, is just underway, so it cannot provide guidance on how recycled water should fit goals established in this proceeding. In the interim, recycled water should be viewed as another factor that affects consumption. If increases in recycled water blunt conservation efforts, the utility can provide supporting information in the Conservation Data Report.

We will adopt the conservation data reporting requirements set forth in Attachment 2 for Class A water utilities with conservation rate designs. Class A water utilities with reporting requirements adopted in D.08-02-036, D.08-08-030,

¹¹ For example, Suburban's WRAM/LIRA report shows that average water consumption for a residential customer with a 1" meter is approximately 40% higher than that of a customer with a 5/8 x 3/4" meter, the smallest size available. The difference in consumption increases steeply for a customer with a 3" meter, to almost nine times the usage under a 5/8 x 3/4" meter.

D.09-05-005, and D.10-04-031 and Class A water utilities with no conservation data reporting requirements will commence collecting conservation data in the format adopted in this decision no later than 60 days after the issuance of this decision. These adopted data reporting requirements supersede the reporting requirements adopted in D.08-02-036 (Ordering Paragraph 6) and D.08-08-030 (Ordering Paragraph 2). The adopted reporting requirements supersede comparable reporting requirements adopted in D.09-05-005 (Ordering Paragraph 6) and D.10-04-031 (Ordering Paragraph 6). GSWC and San Gabriel will continue to collect data on meter errors, as provided in those decisions, and San Gabriel will continue to collect data on the unfair impact of the two-tier rate design on large households. Notwithstanding the commencement of reporting 60 days following the issuance of this decision, baseline and consumption estimates to measure compliance with the Commission's adopted conservation goals will be reported as required in this decision and consistent with the effective date of adopted conservation rate designs. The Conservation Data Report will be filed annually as an information-only filing concurrent with the filing of the Annual Report.

We will require a separate information-only filing for low-income data, as set forth in Attachment 3. The low-income report will include conservation data adopted herein and other data requirements adopted in the low-income information sharing rulemaking, R.09-12-017. In the low-income report, we will continue to monitor increased or decreased participation in low-income programs and disconnections for nonpayment. We also will collect data on low-income reconnections following disconnection for nonpayment in order to assess whether disconnections exceed reconnections. We will request data on low-income program participants' household size to facilitate a more precise

estimate of the impact of conservation programs on low-income households. Low-income program applications and recertifications include household size information, and Class A water utilities should report this information prospectively as they obtain the information from the application and recertification forms. Class A water utilities should ensure that household size is requested from all participants/applicants in the application and recertification process, regardless of qualification option. We will monitor consumption for large households, households of five or more.¹² Class A water utilities with reporting requirements adopted in D.08-02-036, D.08-08-030 and D.10-04-031 and Class A water utilities with no conservation data reporting requirements will commence collecting low-income data in the adopted format no later than 60 days after the issuance of this decision. The Low-Income Data Report will be filed annually as an information-only filing concurrent with the filing of the Annual Report. Household size data will be filed no later than concurrently with the 2013 Annual Report.

The parties agree on modifications to the Annual Report's Schedule E-3's reporting on conservation programs, discussed above, and we will adopt those modifications. The modified reporting requirements for conservation programs,

¹² The California Department of Housing and Community Development defines a large household as five or more individuals.

http://www.hcd.ca.gov/hpd/housing_element2/SHN_lfhhouses.php.

KEMA, Inc.'s 2007 Final Report on Phase 2 Low-Income Needs Assessment, prepared for the Commission on energy low-income programs, found the average low-income household size was 3.5 in California, compared to the overall average household size of 2.93. KEMA, Inc. also considers a large household as five or more individuals.

<http://docs.cpuc.ca.gov/published/Graphics/73106.PDF>, at 4-6 to 4-7.

attached as Attachment 1, will apply to all Class A utilities and will be reported commencing in the Annual Reports filed in 2012, and in subsequent Annual Reports.

4.3. Conservation Programs and Low-Income Customers

We have adopted conservation reporting that will measure the impact of adopted conservation rate designs on all customers, including low-income customers. We next address the potential impact of conservation rate designs on low-income ratepayer assistance programs. Finally, we examine whether conservation programs benefit all customers, including low-income customers.¹³

4.3.1. Parties' Positions

The parties disagree on whether existing flat rate low-income program discounts on the service charge, offered by some Class A water utilities, are sufficient. The issue centers on whether the adoption of tiered rates would push larger low-income households into higher tiers, negating the effect of the flat rate discount. If so, one view is that a higher discount should be considered for larger households. The contrary argument notes the flat rate discount is based on average household size and concludes that a higher discount for larger households would necessitate a lower discount for smaller households. In

¹³ Comments were received on identifying multi-family units to determine how they could benefit from conservation programs. Joint Consumers recommended identifying multi-family dwellings, if cost effective to do so. Comments also were received on coordinating with energy utilities, municipalities and community based organizations to provide conservation information and tools. Joint Consumers recommended considering the outreach approach used for the Energy Savings Assistance Program (formerly the Low Income Energy Efficiency Program). We are considering

Footnote continued on next page

addition, although percentage discounts on the total bill would provide some relief for larger households, those discounts might fail to encourage conservation.

Joint Consumers endorse increasing the low income ratepayer assistance discount based on household size because water consumption directly correlates with household size. DRA continues to support flat rate discounts for predictability and because the amount of the discount does not increase with usage. Park asserts that low-income program discounts assume an average household size and would have to decrease for smaller households if the flat discount were adjusted for larger households. CWA states low-income ratepayer assistance flat discounts should not increase with household size because they are based on total bills or service charges, and that fixed and percentage discounts can be used to promote conservation.

The parties also disagree on whether programs should be targeted to low-income customers. Joint Consumers note that no or low-cost programs targeted to low income customers present a low barrier to entry. They argue that low-income conservation programs must cover the cost of devices and the cost of installation. The Energy Savings Assistance Program provides energy audits and energy savings measures for free. Joint Consumers support targeting a portion of a conservation budget to support programs for low-income consumers and note that few of the programs provided by CWA members appear to target or support low-income customer participation. Joint Consumers disagree with Park's suggestion to target single family homes, and assert that some programs

coordination with energy utilities in R.09-12-017 and will address identifying low-income customers and outreach in that proceeding.

should target multi-unit dwellings with an understanding that end users' incentives may be different. DRA opposes allocating a pro rata share of water conservation for low income because many low-income customers are not direct customers of the water utility and it would be impossible to track the revenue contributed by those customers.

CWA notes plumbing retrofit programs targeting low income customers have proven to be effective. CWA asserts a specific percentage of a utility's conservation budget should not be allocated for low income customers. CWA recommends that each utility describe its information sharing/joint outreach activities, propose additional programs, and if necessary request additional funding in its general rate case. Existing coordinated programs as of January 2009 are described for CalWater, California American, San Jose, GSWC, and San Gabriel.¹⁴

4.3.2. Discussion

The Commission has adopted low-income assistance programs in general rate cases and has adopted proposals for both flat and percentage discounts. In Phase 1A, the Commission considered Suburban and DRA's proposal for a flat discount and the Joint Consumers' proposal for a percentage discount. The Commission adopted Suburban's and DRA's proposal, because the flat discount was consistent with the proposed conservation rate design and the parties believed a percentage discount would blunt the conservation effects of the rate design. We have no comparable information on the effect of the adopted discounts, whether flat or a percentage of the total bill, on the adopted

¹⁴ CWA's Supplemental Comments, Appendix A.

conservation rate designs for the other Class A water utilities. However, we are concerned that surcharges in districts with large WRAM/MCBA balances will blunt the effect of flat discounts. CWA asserts the discount is based on average household size. However, in the Commission's experience the average low-income household is larger.¹⁵ Although we are increasing Commission monitoring of the impact of conservation rate designs on low-income customers, we also will require Class A water utilities to assess the impact of balancing account surcharges on participating low-income customers by providing average bill impacts for WRAM/MCBA surcharges, compared with the same bill under the uniform/standard rate, in the low-income report.¹⁶ The bill impact should separately identify bill components, including applicable rates, WRAM/MCBA surcharge(s), and low-income assistance program discount, calculated at average consumption for the typical meter size.

Pub. Util. Code § 739.8(c) provides that the Commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals. This proceeding sought information on current low-income conservation programs and proposals for low-income conservation programs. Although we decline to adopt targeted conservation programs for low-income customers or a budget for including low-income customers in existing programs, we are concerned that

¹⁵ California American's Monterey district has a flat discount that increases with household size, which was adopted in D.09-07-021.

¹⁶ Although the proposed decision recommended that relief be implemented in the amortization of WRAM/MCBA surcharges, that process is handled through compliance Tier 1 advice letters, which are not the appropriate vehicle for proposing low-income assistance program relief.

low-income customers may not be sufficiently included in existing conservation programs offered by Class A water utilities, since it appears few offered programs would benefit low-income customers. However, we have insufficient information in this proceeding on low-income customer consumption patterns that would assist in determining whether specific programs or a low-income budget would be helpful to encourage conservation by low-income customers. To determine whether low-income customers are receiving the benefit of conservation programs, we will require Class A water utilities to track the inclusion of low-income customers in existing and future conservation programs in the low-income information-only filing, attached to this decision as Attachment 3. The Class A water utilities should describe the water conservation program by ratemaking district(s), specify how low-income customers specifically are targeted by or included in the program, describe outreach efforts used to reach low-income program participants (application, re-certification, separate outreach), state how long the program has been offered and what criteria are used to establish the success of the program, and identify whether the program is offered with a third party and, if so, whether any leveraging of costs is accomplished (i.e., cost of installation, product or outreach provided by the third party).

4.4. Best Management Practices

The 2005 Water Action Plan provided guidance for Class A and B water utilities to participate in the CUWCC and to implement CUWCC's BMPs. In 2008, CUWCC amended its BMP program to include a Flex Track Program through which participating utilities can meet their BMP requirements by choosing to fulfill existing BMPs or selecting from a menu of options designated in a Flex Track Menu prescribed for Residential, Commercial, Industrial, and

Institutional and Landscape sectors. Comments were requested on whether the Flex Track Option offered an equal or better opportunity to comply with the BMPs. We determine the Class A water utilities' compliance with Flex Track is the preferred means of complying with CUWCC's BMPs.

4.4.1. Parties' Positions

DRA recommends that utilities submit a modified CUWCC scorecard in their annual reports. Joint Consumers support DRA's position that the Commission adopt a policy that endorses each BMP but leaves to the utilities' general rate cases which BMPs should be implemented. CFC states BMPs that are cost effective should be implemented.

POWER/NRDC state the Commission should fashion specific solutions and not rely on CUWCC. They argue that implementation of BMPs might not be sufficient to achieve an adopted quantitative goal, and that it is easy for CUWCC members to self-declare exemptions to voluntary BMPs. POWER/NRDC describe that CUWCC exemptions can be based on a number of factors: not cost-effective, no legal authority to implement, budget constraints or another program is at least as effective as the BMP. The Commission, however, can review exemptions and establish an approval process for them. Water companies should certify they are CUWCC members in good standing and they are on track in implementing BMPs, except for those for which they have filed an exception with the Commission or are pursuing other options that are at least as effective as alternatives. Certain BMPs are foundational such as metering and volumetric pricing and POWER/NRDC submit that their implementation should be individually monitored and assessed. They submit that the Commission should use the Flex Track Menu in combination with a savings target the Commission selects. The Flex Track Menu is a powerful product that will serve

as a robust guideline for current best practices as well as the method for reporting data for each conservation practice implemented by the water company and tracking savings derived from those practices.

CWA asserts it is not necessary for the Commission to mandate compliance with all BMPs. CWA notes all Class A water utilities are signatories to the memorandum of understanding and are in compliance or are moving into compliance with the 14 BMPs. The principal impediment to full compliance in a short time frame is cost. CWA further notes some water utilities include a cost benefit analysis of proposed water conservation programs in their general rate case applications, with the exception of public information and school education programs. CWA submits that for utilities that are building on their conservation programs a strict adherence to a cost benefit analysis might be appropriate. For those with more developed conservation programs, attempting to determine the cost effectiveness might be more difficult and less equitable depending on the benefits to customer classes. CWA states Flex Track options will accelerate BMP implementation. Park argues the Commission should not require Class A water utilities to implement all the BMPs, because not all apply to retail water utilities, not all are cost effective, not all revenues from successful conservation activities can be recovered, and the CUWCC BMP compliance requirements are being considered for revision of the water savings measured in order to better reflect an agency's overall performance.

4.4.2. Discussion

The 2005 Water Action Plan required the Class A and B water utilities to demonstrate adherence to cost-effective BMPs and permitted recovery of costs

associated with compliance in general rate cases.¹⁷ The 2010 Water Action Plan committed the Commission to working with CUWCC to evaluate the effectiveness of BMPs.¹⁸ The Flex Track residential menu includes the following options, in addition to the foundational (utility operations and education programs) and programmatic BMPs (residential, commercial, industrial, and institutional and landscape):

- High bill contact with single-family and multi-family customers;
- Educate residential customers about the behavioral aspects of water conservation;
- Notify residential customers of leaks on the customer's side of the meter;
- Provide bill or surcharge refunds for customers to repair leaks on the customer's side of the meter;
- Provide unique water saving fixtures that are not included in the BMP list above;
- Install residence water use monitors;
- Participate in programs that provide residences with school water conservation kits; and
- Implement an automatic meter reading program for residential customers.¹⁹

Use of the Flex Track Option requires water savings greater than or equal to savings achieved by the BMPs alone. The Flex Track Option covers a range of options, provides flexibility, and assists in ensuring that only cost-effective BMPs

¹⁷ December 12, 2005 Water Action Plan, at 8.

¹⁸ October 2010 Water Action Plan, at 18.

¹⁹ <http://www.cuwcc.org/resource-center/mou/flex-track-menu.aspx>.

should be implemented. Thus, Class A water utilities' use of the Flex Track Option is the preferred means of ensuring compliance with BMPs. Compliance will be tracked by requiring the Class A water utilities to submit a modified CUWCC BMP compliance report in their Annual Reports. The modified CUWCC BMP compliance report will be reviewed in general rate cases, consistent with review of costs to comply with BMPs, and is in addition to the conservation goals established in this decision. Costs to comply with the Flex Track Option and BMPs will be tracked in the information-only Conservation Data Report, attached to this decision as Attachment 2.²⁰

4.5. Rebate Programs

Rebate programs for water conservation currently are used by the water utilities. Consumer groups generally support targeted rebate programs, while the water utilities assert that rebate programs should be company-specific.

Joint Consumers recommend that water utilities may be able to co-sponsor programs with energy utilities, thereby lowering administrative costs.

POWER/NRDC state that although rebate programs have been successful, they need to be attuned to product saturation. Successful programs include direct install. For example, Santa Clara Valley Water Agency surveyed commercial sector bathrooms and did a direct install on demonstrated high use bathrooms with high efficiency toilets and realized significant water savings. In addition,

²⁰ Some Class A water utilities include BMP compliance costs in one way conservation balancing costs. CalWater tracked BMP compliance in an authorized memorandum account. Its advice letter to amortize the memorandum account was authorized in Resolution W-4780.

the commercial pre-rinse spray valve program for dishwashing installations reached a 50% statewide saturation within two years.

CWA notes that Class A water utilities already participate in and/or provide rebate programs either individually or through their wholesale water agencies. CWA notes that the Commission could enhance these efforts by institutionalizing additional conservation for these programs as it did in D.07-06-024, which authorized Valencia's residential weather based controller rebate program. Three of the four Class B water utilities are discussing with energy utilities funding for water conservation projects that will also save energy. Park recommends that no industry wide requirement should be established to participate in or provide rebate programs, because rebates involve company specific concerns.

Class A water utilities provide rebate programs, either in conjunction with other agencies or on their own initiative. Rebate programs have been used for a significant period of time, so they may be less effective unless they are targeted to classes of customers without prior opportunities to participate in rebate programs. This proceeding has not addressed targeted programs. Although direct install programs have been successful, mandating such programs would require a more extensive analysis of the efficacy of such programs for the Class A water utilities than has been done in this proceeding. Finally, although the Commission has approved rebate programs in the context of approving settlement agreements (Valencia), the Commission has not adopted any policy on rebate programs in general. It is not clear that focusing the Commission's resources on identifying optimal rebate programs or establishing a policy on such programs would be the best use of our resources to assist in achieving conservation goals. Although rebate programs are successful in achieving water

conservation, the Commission should not mandate participation in rebate programs in this proceeding. Instead, consistent with the flexibility we have authorized for compliance with BMPs, water utilities are encouraged to participate in rebate programs with other agencies and utilities as one means of achieving conservation goals. In particular, programs such as direct install for commercial classes could assist those classes of customers in achieving conservation goals as conservation rate designs are developed for classes of customers other than residential customers. Specific rebate programs should be reviewed on a case-by-case basis in general rate cases. We also will review targeted conservation programs, as necessary, in general rate cases.

4.6. Metering and Monthly Billing

This proceeding examined the transition to metered service. Subsequently, Pub. Util. Code § 781 was repealed and a new version enacted to require conversion from unmetered to metered service by January 1, 2025 and volumetric pricing after January 1, 2015.²¹

The proceeding addressed whether Class A water utilities should convert to monthly bills and examined costs and benefits of listing conservation charges as line items on consumer bills. We decline to require monthly billing at this time.

4.6.1. Parties' Positions

The parties support Commission efforts to require metering. DRA states historically metering has been decided in general rate cases and varies greatly for

²¹ Consideration of policies on advanced metering was removed from the scope of this proceeding and deferred to a later date in the January 6, 2010 ruling and amended Phase 2 scoping memo.

Commission-regulated water companies. Joint Consumers recommend that the cost analysis, timeframe and further process to satisfy Pub. Util. Code § 781 and look at connections that pre-date 1979 should be done in general rate cases. CWA recommends the Commission continue to authorize and encourage water utilities in their ongoing metered service conversion programs.

The parties are divided on whether the Commission should require a monthly bill. Joint Consumers assert a monthly bill is a more powerful conservation tool, because it would give the customer and the utility more data points to analyze water usage for seasonal trends and leak detection and provide a more immediate price signal to the customer. Joint Consumers recommend that the Commission consider a goal of monthly billing for Class A and B water utilities, assuming the benefits outweigh the costs. Joint Consumers also recommend that direct conservation charges, tiered rates or surcharges for a specific conservation program should be identified on the customer's bill. They state that other conservation charges, such as costs to implement a rebate program, to improve recycled water usage or to conduct water audits, should not be identified in the monthly bill but should instead be rolled into rates. POWER/NRDC also recommends that all Class A water utilities provide monthly bills and be directed to implement monthly billing in their next general rate case.

Park agrees that monthly billing provides a better price signal but notes that the costs of converting are significant. Advanced meters would make monthly billing much easier. Park sees no benefit for itemizing conservation charges on customers' bills and notes there would be additional costs.

4.6.2. Discussion

Metering and monthly billing support conservation. Metered service gives customers conservation signals. Monthly billing supports conservation through a regular update on usage.

Pub. Util. Code § 781, effective January 1, 2010, requires most water utilities to convert unmetered service to metered service by January 1, 2025.²² Volumetric pricing also is required. The transition to metered service and the incorporation of costs associated with the conversion to meters into rates is being considered for Class A water utilities in their general rate cases. Class B water utilities do not have a comparable rate case cycle.²³

Although monthly bills assist in permitting customers to more frequently monitor usage, to require Class A water utilities to provide monthly bills without considering the overall cost of such a requirement for each utility is not prudent at this time. We similarly decline to require that Class A water utilities incur the expense of itemizing conservation-related charges. Most conservation-related balancing accounts are addressed in general rate cases and would be difficult to itemize. The WRAMs/MCBAs authorized as part of adopted conservation rate designs include more than conservation-related increases or decreases in

²² Exceptions include utilities with fewer than 500 service connections and those subject to Water Code §§ 525 through 528. In addition, new service connections must be metered.

²³ General Order 103-A, Section IV(1)(A) refers to the prior version of § 781 under metering: [c]onsistent with the requirements of Public Utilities Code Section 781, which generally requires the Commission to hold a hearing and make certain findings before customers who were unmetered on January 1, 1979 can be required to have a meter, all water provided by a utility shall be metered, except that the utility may, after authorization has been obtained from the Commission, provide flat rate or estimated service.

adopted revenue requirements. It would be inaccurate to characterize surcharges or surcredits resulting from the amortization of those balancing accounts as conservation-related charges.

5. Comments on Proposed Decision

The proposed decision of the assigned Commissioner 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 21, 2011, by CWA and Joint Consumers, and reply comments were filed on April 27, 2011, by CWA, DRA, and Joint Consumers.

6. Assignment of Proceeding

Michael R. Peevey is the assigned Commissioner and Janice Grau is the assigned ALJ in this proceeding.

Findings of Fact

1. The Commission established a tentative conservation goal of a 1-2% annual reduction in consumption through price and non-price programs in D.08-02-036.
2. SBX7-7 established a statewide urban water consumption reduction of 20% by 2020.
3. The methodologies adopted by DWR to implement SBX7-7 include a 10-year baseline ending no earlier than December 31, 2004 and no later than December 31, 2010, and four methods to achieve the 2015 and 2020 targets, including a regional target.
4. Some Class A water utilities' conservation rate designs were adopted prior to December 31, 2010 and Class A water utilities' general rate case cycles do not coincide with the 2015 and 2020 target years.

5. POWER/NRDC proposed a 2003-2007 baseline, which includes wet and dry years and no extreme weather events.

6. Several Class A water utilities provided preliminary plans to comply with SBX7-7 goals at the October 19, 2010 workshop.

7. The Class A water utilities did not provide specific information on plans to comply with SBX7-7 goals in their January 14, 2011 comments.

8. Conservation data is reported in general rate cases, annual reports furnished to the Commission, annual conservation program reports (for some but not all utilities), and WRAM balancing account filings.

9. At the conservation data workshop, the parties agreed that Schedule E-3 of the Annual Report should be modified concerning conservation program information to include information in a table and to substitute a copy of any other report that provides the required information.

10. At the conservation data workshop, the Joint Consumers (NCLC and TURN) presented their conservation data requirements proposal that would track customer usage by tracking monthly changes in consumption by ratemaking division, separated by meter size and customer class, monthly customer usage by service area and customer class and biannual reporting of the top water usage accounts, including usage data, disconnections, arrearages and low-income program participation.

11. The parties at the workshop did not reach a consensus on whether the annual report or an information-only filing should be used for low-income data.

12. At the workshop, the parties agreed on measuring changes in consumption by district and customer class and reporting other factors that might contribute to consumption.

13. The parties agreed that consumption should be reported per service connection and customer class in Ccf.

14. The parties at the workshop disagreed on whether reporting should continue by meter size and whether household size information should be reported for low-income program participants.

15. Consumption generally increases by meter size and residential customers generally have 5/8 x 3/4" and 1" meters.

16. The Commission adopted conservation data reporting requirements in D.08-02-036, D.08-08-030, D.09-05-005, and D.10-04-031. The Commission required reporting of changes in consumption by meter size, district and customer class, surcharges and surcredits for WRAMs and MCBAs, if applicable, increases in participation and disconnections for low-income program participants, increases in disconnections for all customers and other impacts on consumption changes. Not all Class A water utilities have conservation data reporting requirements.

17. Surcharge and surcredit information for WRAMs and MCBAs is found in the WRAM information-only filings.

18. Consumption data permits assessment of compliance with required reductions in consumption.

19. A standard set of conservation data reporting requirements for all Class A water utilities would permit assessment of the impact of conservation rate designs on all Class A water utilities' customers, including low-income customers.

20. Low-income program applications and recertifications include household size information.

21. A large household is defined as five or more individuals by the California Department of Housing and Community Development.

22. A low-income data report would include reporting requirements adopted in the low-income information sharing rulemaking, R.09-12-017.

23. The record does not include information on the effect of adopted low-income program discounts on Class A water utilities' conservation rate designs.

24. Few programs provided by CWA members as of January 2009 appear to target low-income customer participation.

25. The record does not include information on whether specific programs targeted to low-income customers or a low-income budget would encourage conservation.

26. The 2005 Water Action Plan provided guidance for Class A and B water utilities to participate in the CUWCC and to implement CUWCC's BMPs.

27. In 2008, CUWCC amended its BMP program to include the Flex Track Program through which participating utilities can meet their BMP requirements by choosing to fulfill existing BMPs or selecting from a menu of options designated in a Flex Track Menu.

28. The Flex Track menu includes foundational (utility operations and education programs) and programmatic BMPs (residential, commercial, industrial, and institutional and landscape).

29. The Flex Track residential menu includes the following options: high bill contact with single-family and multi-family customers; educate residential customers about the behavioral aspects of water conservation; notify residential customers of leaks on the customer's side of the meter; provide bill or surcharge refunds for customers to repair leaks on the customer's side of the meter; provide

unique water saving fixtures that are not included in the BMP list above; install residence water use monitors; participate in programs that provide residences with school water conservation kits; and implement an automatic meter reading program for residential customers.

30. The CUWCC BMP compliance report tracks compliance with BMPs.

31. Joint Consumers recommend that direct conservation charges, tiered rates and surcharges for a specific conservation program be identified on the customer's bill.

32. WRAM/MCBA balancing accounts include more than conservation-related changes in revenue requirements.

33. The issues in the Assigned Commissioner and Administrative Law Judge's Phase 1 Scoping Memo and Ruling (March 8, 2007), the Amended Phase 1 Scoping Memo and Ruling (July 9, 2008), the Phase 2 Scoping Memo and Ruling (February 8, 2008), the amended Phase 2 Scoping Memo and Ruling (June 30, 2009), the second amended Phase 2 Scoping Memo and Ruling (June 30, 2009), the third amended Phase 2 Scoping Memo and Ruling (January 6, 2010), and the fourth amended Phase 2 Scoping Memo and Ruling (July 30, 2010) have been addressed.

Conclusions of Law

1. It is reasonable for Class A water utilities to annually reduce consumption per service connection and customer class in Ccf by 1-2% for each general rate case cycle through price and non-price programs.

2. It is reasonable for each Class A water utility to use 2003-2007 as the baseline to measure annual reductions in consumption or, in the alternative, to use the DWR 10-year baseline methodology if it includes 2003-2007 and only uses years prior to the adoption of the Class A water utility's conservation rate

design or to use the DWR 10-year baseline methodology without calendar years 2003-2007 if supporting workpapers are included with Conservation Data Report.

3. The modifications to Schedule E-3 of the Annual Report, Description of Water Conservation Programs, attached to this decision as Attachment 1, are a reasonable response to the record and should be adopted. They should be effective for the Annual Reports filed in 2012.

4. The Information-Only Conservation Data Report, attached to this decision as Attachment 2, is a reasonable response to the record and should be adopted. Class A water utilities should commence using the format in Attachment 2 no later than 60 days after the issuance of this decision. Class A water utilities should report consumption data from the effective date of conservation rate designs.

5. The Information-Only Low-Income Data Report, attached to this decision as Attachment 3, is a reasonable response to the record and should be adopted. Class A water utilities should commence using the format in Attachment 3 no later than 60 days after the issuance of this decision.

6. The Information-Only Data Reports should be filed as information-only filings concurrent with the Annual Reports. Household size data should be filed no later than concurrently with the 2013 Annual Report.

7. It is reasonable for Class A water utilities to have the alternative of complying with BMPs through use of CUWCC's Flex Track Option, to demonstrate compliance by submitting a modified CUWCC BMP compliance report in their Annual Reports, and to track compliance costs in the Conservation Data Report (Attachment 2).

8. It is reasonable to decline to order Class A water utilities to itemize conservation-related charges on customers' bills.

9. This decision should be effective today to permit timely implementation of the adopted goals and reporting requirements.

O R D E R

IT IS ORDERED that:

1. The conservation goal of a 1-2% annual reduction in consumption per service connection and customer class in one hundred cubic feet, through price and non-price programs for each general rate case cycle following the adoption of a conservation rate design, is adopted for Class A water utilities. Apple Valley Ranchos Water Company, California-American Water Company, California Water Service Company, Golden State Water Company, Great Oaks Water Company, Park Water Company, San Gabriel Valley Water Company, San Jose Water Company, Suburban Water Systems, and Valencia Water Company shall use 2003-2007 as a baseline to determine compliance with the 1-2% annual reduction or, in the alternative, shall use a 10-year baseline using the Department of Water Resource's methodology if a) that baseline only uses calendar years prior to the implementation of their conservation rate designs and includes 2003-2007; or b) the utility attaches supporting workpapers to justify use of the Department of Water Resource's methodology.

2. The modifications to Schedule E-3 of the Annual Report, Description of Water Conservation Programs, attached to this decision as Attachment 1, are adopted. Apple Valley Ranchos Water Company, California-American Water Company, California Water Service Company, Golden State Water Company,

Great Oaks Water Company, Park Water Company, San Gabriel Valley Water Company, San Jose Water Company, Suburban Water Systems, and Valencia Water Company shall provide the required information in their 2012 Annual Reports.

3. The Information-Only Conservation Data Report, attached to this decision as Attachment 2, is adopted. Apple Valley Ranchos Water Company, California-American Water Company, California Water Service Company, Golden State Water Company, Great Oaks Water Company, Park Water Company, San Gabriel Valley Water Company, San Jose Water Company, Suburban Water Systems, and Valencia Water Company shall file this report as an information-only filing concurrent with their Annual Reports. These Class A water utilities shall commence collecting conservation data in the format adopted in Attachment 2 no later than 60 days after the issuance of this decision. These Class A water utilities shall report consumption data from the effective date of adopted conservation rate designs. The Information-Only Conservation Data Report supersedes the reporting requirements adopted in Decision (D.) 08-02-036 (Ordering Paragraph 6) and D.08-08-030 (Ordering Paragraph 2). The Information-Only Conservation Data Report supersedes comparable reporting requirements adopted in D.09-05-005 (Ordering Paragraph 6) and D.10-04-031 (Ordering Paragraph 6). Data reporting on meter errors, as provided in D.09-05-005 and D.10-04-031, will continue. Data reporting on the unfair impact of the two-tier rate design on large households, as provided in D.10-04-031, will continue.

4. The Information-Only Low-Income Data Report, attached to this decision as Attachment 3, is adopted. Apple Valley Ranchos Water Company, California-American Water Company, California Water Service Company,

Golden State Water Company, Great Oaks Water Company, Park Water Company, San Gabriel Valley Water Company, San Jose Water Company, Suburban Water Systems, and Valencia Water Company shall file this report as an information-only filing concurrent with their Annual Reports. These Class A water utilities shall commence collecting low-income data in the format adopted in Attachment 3 no later than 60 days after the issuance of this decision but shall report low-income household size data no later than concurrently with their 2013 Annual Reports.

5. Apple Valley Ranchos Water Company, California-American Water Company, California Water Service Company, Golden State Water Company, Great Oaks Water Company, Park Water Company, San Gabriel Valley Water Company, San Jose Water Company, Suburban Water Systems, and Valencia Water Company shall have the alternative of complying with the California Urban Water Conservation Council's Best Management Practices through compliance with the Flex Track Option. These Class A water utilities shall submit a modified California Urban Water Conservation Council Best Management Practices compliance report in their Annual Reports.

6. Apple Valley Ranchos Water Company, California-American Water Company, California Water Service Company, Golden State Water Company, Great Oaks Water Company, Park Water Company, San Gabriel Valley Water Company, San Jose Water Company, Suburban Water Systems, and Valencia Water Company shall track California Urban Water Conservation Council's Best Management Practices compliance costs in the Information-Only Conservation Data Report, adopted in Ordering Paragraph 3.

7. Apple Valley Ranchos Water Company, California-American Water Company, California Water Service Company, Golden State Water Company,

Great Oaks Water Company, Park Water Company, and Valencia Water Company shall provide the average bill impact of surcharges resulting from the amortization of Water Revenue Adjustment Mechanisms and Modified Cost Balancing Accounts on participating low-income program customers in the annual Low-Income Data Report. If a Class A water utility obtains a Water Revenue Adjustment Mechanism and Modified Cost Balancing Account after this decision issues, that Class A water utility also shall provide the average bill impact of these surcharges.

8. Investigation (I.) 07-01-022 et al. is resolved for the purpose of compliance with Public Utilities Code Section 1701.5. However, I.07-01-022 et al. remains open to address the issues raised in the Consumer Federation of California's application for rehearing of Decision 08-08-030.

This order is effective today.

Dated May 5, 2011, at San Francisco, California.

MICHAEL R. PEEVEY
President
TIMOTHY ALAN SIMON
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
MARK FERRON
Commissioners

ATTACHMENT 1
 ANNUAL REPORT, SCHEDULE E-3
 DESCRIPTION OF WATER CONSERVATION PROGRAMS

1. Brief description of each water conservation program offered by the water company, by district. This description shall include but not be limited to the type of program offered (such as provision of low-flow plumbing fixtures, leak detection, leak repair, written water conservation tips, or other similar programs to its customers), whether offered with a third party, whether direct install or rebate, and length of time the program was offered.
2. For each water conservation program described above, an estimated conservation savings report in the following basic format (if it is necessary to deviate from this table, provide estimated program savings).

A	B	C	D	E	F	G	H	I	J
Name of measure, as listed in Decision or Settlement*	Description of measure	Authorized \$	# of units / activities purchased, provided, performed	\$ per unit, activity, etc.	Total \$ spent	Designated water savings per unit per year**	Unit lifespan**	Estimated Annual measure savings** (AFY)	Estimated Lifetime measure savings** (AF)
					(D x E)			(D x G)	(I x H)
Measure A									
Measure B									
Measure C									
Total									

* If not specifically listed, state the category in which the activity falls and rationale for including this particular activity

** This may not apply to all measures, e.g., public information / education

If requested information is provided in another report or format, the water company can provide a copy of the report and note the page on which the information is found.

(END OF ATTACHMENT 1)

ATTACHMENT 2
INFORMATION-ONLY FILING
CONSERVATION DATA REPORT*

- Baseline average (from 2003-2007 or 10-year baseline if it includes 2003-2007 and only includes years prior to the adoption of a conservation rate design) estimated monthly or bimonthly (depending on billing cycle) per customer or service connection consumption by ratemaking district, separated by customer class and meter size. If the water company elects to use a baseline in reliance on the Department of Water Resources methodology developed to implement SBX7-7 without calendar years 2003-2007, the water company shall attach workpapers to support the use of that baseline;
- Average estimated monthly or bimonthly (depending on billing cycle) per customer or service connection consumption in one hundred cubic feet by ratemaking district, separated by customer class and meter size;
- Comparison table including baseline and annual average estimated consumption by ratemaking district, separated by customer class and meter size, for each year following implementation of conservation rate designs, with the percentage reduction in consumption calculated by district and by customer class and meter size within each ratemaking district;
- Average estimated monthly or bimonthly (depending on billing cycle) consumption per tier or block separated by ratemaking district, by meter size, and by customer class, and the number of customers in each sub-grouping;
- Estimated monthly or bimonthly (depending on billing cycle) number of customers by district, monthly or bimonthly number of disconnection notices generated to those customers, number of customers disconnected for non-payment, and number of customers reconnected;

- Estimated monthly Best Management Practices compliance costs, by district, separated by customer class, coverage goals or flex track menu (by measure); and
- Any other district-specific factor (such as changes in weather, increases in supply from recycled water, or economic factors) that might contribute to consumption changes.

*If requested information is provided in another report or format, the water company can provide a copy of the report and note the page on which the information is found.

(END OF ATTACHMENT 2)

ATTACHMENT 3
INFORMATION-ONLY FILING
LOW-INCOME DATA REPORT

- Average estimated monthly or bimonthly (depending on billing cycle) per customer or service connection low-income customer consumption in one hundred cubic feet by ratemaking district, separated by meter size;
- Average estimated monthly or bimonthly (depending on billing cycle) consumption per tier or block separated by ratemaking district, by meter size, and by customer class for low-income customers and the number of customers in each sub-grouping;
- Estimated monthly or bimonthly (depending on billing cycle) number of participating low-income customers by district, monthly or bimonthly number of disconnection notices generated to those customers, number of customers disconnected for non-payment and number of customers reconnected, for all low-income customers;
- Average low-income customer household size and average estimated monthly or bimonthly (depending on billing cycle) consumption by ratemaking district for low-income households of 5 or more, and the number of customers in each subgrouping;
- Average water revenue adjustment mechanism/Modified Cost Balancing Accounts (WRAM/MCBA) surcharge(s) bill impact on participating low-income customers by ratemaking district. This bill impact should be compared with the same bill under the uniform/standard rate. The bill impact should separately identify bill components, including applicable rates, WRAM/MCBA surcharge(s), and low-income assistance program discount, calculated at average consumption for the typical meter size; and
- Participating low-income customer inclusion in conservation programs offered by the water utility:

- describe the water conservation program by ratemaking district(s),
- identify whether it is offered with a third party,
- specify how low-income customers are targeted by or included in the program,
- describe outreach efforts used to reach low-income program participants (application, re-certification, separate outreach),
- how long has the program been offered, and
- what criteria are used to establish the success of the program.

(END OF ATTACHMENT 3)