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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch**

**RESOLUTION NO. W-4812
December 17, 2009**

R E S O L U T I O N

(RES. W-4812), GOLDEN STATE WATER COMPANY (GOLDEN STATE). ORDER APPROVING REQUEST TO DISCONTINUE FLAT-RATE WATER SERVICE FOR THE CALIPATRIA-NILAND CUSTOMER SERVICE AREA, TRANSFER ALL FLAT-RATE CUSTOMERS TO METERED RATES UNDER EITHER TARIFF SCHEDULE NO. R3-1-R OR R3-1-NR, AND REMOVE TARIFF SCHEDULE NO. R3-2.

By Advice Letter No. 1362-W, filed on November 16, 2009.

SUMMARY

This Resolution grants Golden State Water Company (Golden State) the authority requested in Advice Letter 1362-W to: (1) discontinue flat-rate water service to customers in the Calipatria-Niland customer service area; (2) transfer all flat-rate customers to metered rates under Tariff Schedule No. R3-1-R for residential service or Schedule No. R3-1-NR for non-residential service; and (3) remove the flat-rate Tariff Schedule No. R3-2 from its tariffs.

Golden State initially submitted Advice Letter 1360-W on November 2, 2009 requesting authority to discontinue flat-rate water service and transfer all flat-rate customers to metered rates in the Calipatria-Niland customer service area. Advice Letter 1360-W was filed as a Tier 1 filing and was not noticed on the affected customers. The Division of Water and Audits rejected Advice Letter 1360-W on November 4, 2009 as inconsistent with the procedural and notice requirements of General Order 96-B (GO 96-B), Water Industry Rule 7.3.3(11) and General Rule 4.2.

Golden State submitted Advice Letter 1362-W with a Tier 3 designation in accordance with GO 96-B, Water Industry Rule 7.3.3(11) for withdrawal of service. Pursuant to Section 4.2 of GO 96-B, Golden State sent a notice of Advice Letter No. 1362-W to all affected customers in the Calipatria-Niland customer service area. This followed an earlier letter to each flat-rate customer and a meeting on October 29, 2009 to

communicate the reason for the transfer from flat rate to metered service, the impact on each customer's average winter and summer bills, and what customers can do to prevent high bills under the metered service rate schedule.

BACKGROUND

The Commission in Decision (D.) 97-05-061 adopted a Settlement resolving a complaint arising out of an earlier Golden State (then known as Southern California Water Company) effort to move to metered service by refusing to provide flat-rate service to new customers. The Settlement required Golden State to complete the task of metering all service in the Calipatria-Niland customer service area at the earlier of: (1) time when 90% of the services are metered or (2) the year 2010. Golden State reports that earlier in 2009 it completed meter installation to all customers in the Calipatria-Niland customer service area.

The Settlement and D.97-05-061 provide that once all services are metered Golden State will apply to the Commission to discontinue its flat-rate service, and once approved, all customers will receive water service under a metered rate. By Advice Letter No. 1362-W, Golden State seeks Commission authorization to discontinue its flat-rate service, Tariff Schedule No. R3-2, and move all customers to metered service. Golden State is requesting that Advice Letter 1362-W be made effective January 1, 2010 to coincide with the rate changes expected in its current general rate case for Region 3 (A.08-07-010) that includes the Calipatria-Niland customer service area.

DISCUSSION

In D.97-05-061, the Commission concluded that:

The plan for installing water meters throughout the District by 2010 is in the public interest since metering could allow the utility to defer long-term capital investment to meet future increased customer demand and more stringent water quality standards. (Conclusion of Law No. 4)

This conclusion remains as valid today as when D.97-05-061 was issued. One of the objectives outlined in our December 2005 *Water Action Plan* is to strengthen water conservation programs. We identified metered water service when coupled with increasing block rate design as the principal means to strengthen water conservation incentives. The existing increasing block rates for metered residential water service in Golden State's Region 3 when combined with moving customers to metered service in the Calipatria-Niland customer service area will strengthen water conservation efforts in this service area.

The Commission also concluded in D.97-05-061 that:

Since parties have on their own accord agreed on a plan for installing water meters throughout the District by the year 2010, there is no requirement for the Commission to make [Public Utilities Code] § 781 findings with regard to the proposed plan. (Conclusion of Law No. 3)

Section 781 requires the Commission to make certain findings before ordering the installation of water meters. Since the meters have now been installed there is no need to make any findings under that section at this time.¹ Furthermore, pursuant to Water Code § 527 (a)(2)(A), and subject to certain exceptions, Golden State should “[c]harge each customer that has a service connection for which a water meter has been installed based on the actual volume of deliveries as measured by the water meter, beginning on or before January 1, 2010.”

NOTICE AND PROTESTS

In compliance with Section 4.2 of GO 96-B, a notice of Advice Letter 1362-W was mailed to all affected customers in the Calipatria-Niland customer service area by first-class mail on November 16, 2009. Advice Letter 1362-W was served on Golden State’s GO 96-B service list. Sixty-six form-letter protests were timely received on December 7, 2009. Fourteen late-filed form-letter protests were received on December 9, 2009 and will be accepted. The protests oppose the change from flat-rate to metered service because of the potential financial burden placed on a low-income, high-unemployment area. One additional timely protest letter was received on December 7, 2009 that raised concerns that customers were not aware of the actual financial consequences of being moved from flat-rate to metered service

Customers whose water use is at or below the average usage should not see an adverse financial impact from moving from flat-rate to metered service.² However, moving from flat-rate to metered service will eliminate the existing subsidy high-volume water users have received from customers whose use is less than the average under flat-rate service. As such, high volume water users will see their water bills increase under metered rates, unless they reduce their use. In this regard, Golden State has provided information on conservation measures customers can use to reduce their water usage

¹ Under Assembly Bill 975 (Ch. 495, 2009-2010 Session) effective January 1, 2010, the findings previously required by Public Utilities Code § 781 will only apply only to Class D water companies (those with 500 or fewer service connections) that are not subject to the requirements of Section 526, 527, or 528 of the Water Code. See Public Utilities Code § 781.5, effective January 1, 2010.

² The current monthly flat rate for a ¾-inch service is \$55.20 per month. A customer using 1,600 cubic feet of water (12,817 gallons) per month through a ¾-inch meter would see its monthly bill under current metered rates fall to \$53.08.

and their water bills. Finally, under Golden State's water revenue adjustment mechanism, moving customers from flat-rate to metered service will not result in any increased income for the Company. For these reasons, we conclude that there should be no undue financial burden on customers, and that customers are being informed about how to avoid high bills.

COMMENTS

Public Utilities Code § 311(g)(1) provides that resolutions must generally be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. This Resolution was mailed on November 19, 2009 to parties based on the service list attached to Advice Letter 1360, Golden State's earlier request in this matter. Interested persons were provided 20 days until December 9, 2009 to submit comments. In the meantime, a number of protests to Advice Letter 1362-W were received. Therefore, in order to provide protestants an opportunity to comment on a draft of the resolution, a revised draft resolution was mailed to the utility and all those who filed timely protests on December 9, 2009. Comments on this revised draft will be due on December 15, 2009.

The Commission has shortened the comment period pursuant to Rule 14.6(c)(9) of its Rules of Practice and Procedure, in order to allow this matter to be considered in conjunction with Golden State's general rate case proceeding, which is on the December 17, 2009 Commission agenda. This resolution merely implements the Commission's previous decision in D.97-05-061 that found installing meters in the Calipatria-Niland customer service area in the public interest. Furthermore, in anticipation of moving the Calipatria-Niland customers from flat to metered service, as contemplated by D.97-05-061, the proposed decision in Golden State's general rate case (GRC) has not designed rates for a flat-rate service. That GRC decision is for Test Year 2010, with rates planned to take effect on January 1, 2010. These facts all weigh in favor of shortening the comment period so this matter can be considered at the Commission's final meeting in 2009, on December 17th. Protestants have been given an opportunity to comment on Golden State's request to discontinue flat-rate service and transfer all flat-rate customers to metered service in their protests to Advice Letter 1362-W which have been considered in this draft resolution. Accordingly, we find that the public interest in considering this matter with a shortened comment period outweighs the public interest in having a full comment period. Comments were received from Golden State on December 14, 2009. Golden State noted that the transfer of flat-rate customers to metered service will be done under either of two Tariff Schedules, R3-1-R for residential service or R3-1-NR for non-residential service. We have made the necessary changes to the resolution to note that the transfer from flat-rate service includes Tariff Schedule No. R3-1-NR for non-residential service.

FINDINGS AND CONCLUSIONS

1. Golden State Water Company requests authority to: (1) discontinue flat-rate water service to customers in the Calipatria-Niland customer service area; (2) transfer all flat-rate customers to metered rates under Tariff Schedule No. R3-1-R or R3-1-NR; and (3) remove the flat-rate Tariff Schedule No. R3-2 from its tariffs.
2. Golden State Water Company, a Class A water utility, has approximately 1200 service connections in the Calipatria-Niland customer service area.
3. Golden State Water Company filed Advice Letter No. 1360-W on November 2, 2009 as a Tier 1 filing without notice to the affected customers.
4. The Division of Water and Audits rejected Advice Letter No. 1360-W on November 4, 2009 as inconsistent with the procedural and notice requirements of General Order 96-B, Water Industry Rule 7.3.3(11) and General Rule 4.2.
5. Golden State Water Company filed Advice Letter No. 1362-W on November 16, 2009 as a Tier 3 filing pursuant to General Order 96-B, Water Industry Rule 7.3.3(11) for withdrawal of service.
6. Pursuant to Section 4.2 of General Order 96-B, Golden State Water Company sent a notice of Advice Letter 1362-W on November 16, 2009 to all affected customers in the Calipatria-Niland customer service area.
7. Decision 97-05-061 adopts a Settlement that requires Golden State Water Company to meter all service in the Calipatria-Niland customer service area by 2010.
8. Golden State Water Company has completed its meter installation program in the Calipatria-Niland customer service area.
9. Ordering Paragraph No. 3 of Decision 97-05-061 provides that once all services are metered, Golden State shall apply to the Commission to discontinue its flat-rate service, and once approved, all customers will receive water service under a metered rate.
10. Golden State Water Company is subject to the provisions of Water Code Section 527 (a) (2) (A) requiring customers with meters to be charged based on actual volume of water deliveries.
11. Moving customers to metered service in the Calipatria-Niland customer service area will strengthen water conservation efforts in this service area.
12. Customers using at or below average water use will see their water bills decrease under metered service.
13. Moving customers from flat-rate to metered service will eliminate the existing subsidy high-volume water users receive from low volume water users under flat-rate service.

14. High-volume water users will see their water bills increase under metered service, unless they reduce their usage.
15. Golden State Water Company makes available information on conservation measures customers can use to reduce their water use and their water bills under metered water service.
16. Under Golden State Water Company's water revenue adjustment mechanism, the Company's income will be unaffected by moving customers from flat-rate to metered service.
17. Golden State Water Company's request to discontinue flat-rate service throughout the Calipatria-Niland customer service area and transfer existing flat-rate customers to metered service is consistent with the Commission's December 2005 Water Action Plan and in the public interest since metering water service could allow the utility to defer long-term capital investment to meet future increased customer demand and more stringent water quality standards.
18. This is a contested matter subject to the public notice comment pursuant to Public Utilities Code § 311(g) (1).
19. This Resolution merely implements the Commission's previous decision in D.97-05-061 that found installing meters in the Calipatria-Niland customer service area in the public interest.
20. In anticipation of moving the Calipatria-Niland customers from flat to metered service, as contemplated by D.97-05-061, the proposed decision in Golden State's general rate case has not designed rates for a flat-rate service. That general rate case decision is for Test Year 2010, with rates planned to take effect on January 1, 2010.
21. Protestants have been given an opportunity to comment on Golden State's request to discontinue flat-rate service and transfer all flat-rate customers to metered service in their protests to Advice Letter 1362-W which have been considered in this draft resolution.
22. Public Necessity requires the shortening of the comment period as the public interest in considering this matter on a shortened comment period outweighs the public interest in having a full comment period.
23. The comment period has been shortened pursuant to Rule 14.6(c)(9) of the Commission's Rules of Practice and Procedure.
24. Golden State Water Company's Advice Letter No. 1362-W should be approved.
25. Golden State Water Company's Tariff Schedule No. R3-2 for flat-rate service in the Calipatria-Niland customer service area should be discontinued and existing flat-rate customers should be transferred to metered rates under Tariff Schedule No. R3-1-R or R3-1-NR effective January 1, 2010.

THEREFORE, IT IS ORDERED THAT:

1. Golden State Water Company's Advice Letter No. 1362-W is approved.
2. Effective January 1, 2010, Golden State Tariff Schedule No. R3-2, flat-rate service, is discontinued and all existing flat-rate customers in the Calipatria-Niland customer service area shall be transferred to either residential metered service under Schedule No. R3-1-R or non-residential service under Schedule No. R3-1-NR.
3. This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 17, 2009; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

RACHELLE B. CHONG

TIMOTHY ALAN SIMON

Commissioners