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APPENDIX C

Settlement between California American Water and Las Palmas Wastewater Committee



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

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$25,999,900 or 10.60% in the year 2021, by \$9,752,500 or 3.59% in the year 2022, and by \$10,754,500 or 3.82% in the year 2023.

A.19-07-004
(Filed July 1, 2019)

**JOINT MOTION FOR ADOPTION OF A PARTIAL SETTLEMENT AGREEMENT
BETWEEN CALIFORNIA-AMERICAN WATER COMPANY AND LAS PALMAS
WASTEWATER COMMITTEE ON MONTEREY WASTEWATER ISSUES IN THE
GENERAL RATE CASE**

ATTACHED –PARTIAL SETTLEMENT AGREEMENT

Sarah Leeper
Cathy Hongola-Baptista
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
(415) 863-2960
sarah.leeper@amwater.com
cathy.hongola-baptista@amwater.com

Attorneys for Applicant California-American
Water Company

Sara Senger
Las Palmas Wastewater Committee
25374 Jasmine Ct.
Salinas, CA 93908
(831) 646-5424
sarasenger@comcast.net

Attorney for Las Palmas Wastewater
Committee

January 25, 2021

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I. INTRODUCTION

Pursuant to Rule 12.1 of the California Public Utilities Commission’s (“Commission”) Rules of Practice and Procedure, California-American Water Company (“California American Water”) and the Las Palmas Wastewater Committee (“LPWC”) (collectively, the “Parties”)¹ have agreed on resolution of the issues set forth in the *Partial Settlement Agreement Between California-American Water Company And Las Palmas Wastewater Committee On Monterey Wastewater Issues In The General Rate Case* (hereinafter, the “Settlement Agreement”), attached as Exhibit A. To the extent a comparison exhibit is required by Rule 12.1, the Parties refer the Commission to Attachment F-1 of the *Settlement Agreement Between California-American Water Company, Public Advocates Office, City of Duarte, City of San Marino and City of Thousand Oaks*² and Attachment 6 to the *Rebuttal Testimony of Jeffrey T. Linam, Errata Version*, dated July 13, 2020. Accordingly, the Parties hereby submit the attached Settlement Agreement for Commission approval and adoption.

¹ California American Water files this Motion on behalf of LPWC and provides electronic signatures in accordance with Rule 1.8 of the Commission’s Rules of Practice and Procedure.

² The impacts of the resolutions reached in the Settlement Agreement between California American Water and LPWC are reflected in the settlement positions of Attachment F-1.

The Parties mutually and jointly support the Settlement Agreement as reasonable, consistent with the law, and in the public interest. Accordingly, the Commission should grant this Joint Motion and adopt the Settlement Agreement

II. PROCEDURAL BACKGROUND

On July 1, 2019, California American Water filed its 2019 general rate case (“GRC”), Application (“A.”) 19-07-004, requesting authority to increase rates charged for water and wastewater service in the Test Year 2021 and Escalation Years 2022 and 2023. Administrative Law Judge (“ALJ”) Gerald F. Kelly was assigned to this proceeding.

On August 5, 2019, Cal Advocates protested California American Water’s Application. Protests to California American Water’s Application were also received from Central Coast Coalition of Communities for Wastewater Equity, City of Duarte, and Monterey Peninsula Water Management District (“MPWMD”). Motions for Party Status were filed by the City of Thousand Oaks, Coalition of Peninsula Businesses, City of San Marino, Butterfield-Riviera East Community Association (“BRECA”), Pacific Institute for Studies in Development, Environment, and Security, Las Palmas Wastewater Committee (“Las Palmas”), Nina Beety and Environment Now. All Motions for Party Status were granted with the exception of Ms. Beety’s Motion on the grounds many of the issues raised were not within the scope of this proceeding.

On September 19, 2019, a Prehearing Conference was held.

On October 14, 2019, California American Water filed its 100-day update to the application and filed a motion to include in its 100-day update post-application modifications to reflect operating expense for acquired systems.

The *Assigned Commissioner’s Scoping Memo and Ruling* (“Scoping Memo”) issued on November 8, 2019, establishing the scope and category of the proceeding, setting the procedural schedule, providing direction for Alternative Dispute Resolution (“ADR”) process, and identified dates and locations of Public Participation Hearings, among other items.

Pursuant to the procedural schedule set forth in the Scoping Memo, Cal Advocates served its testimony on February 14, 2020. MPWMD served testimony on February 27, 2020. BRECA, City of Duarte, City of San Marino, and Las Palmas served testimony on February 28, 2020. California American Water served its reply testimony on March 30, 2020.

An *E-Mail Ruling Amending Procedural Schedule* issued on April 2, 2020 (“April 2,

2020 Email Ruling”), stating it was necessary to amend the procedural schedule due to the impacts of the COVID-19 public health crisis. The procedural schedule was again amended due to the impacts of the COVID-19 public health crisis by the May 22, 2020 *E-Mail Ruling Amending Schedule* and the July 16, 2020 *E-Mail Ruling Suspending Procedural Schedule and Providing Additional Directives to the Parties* (“July 16, 2020 Email Ruling”).

On May 5, 2020, in accordance with the Scoping Memo and the April 2, 2020 Email Ruling, California American Water noticed an all-party settlement conference for May 13, 2020. The settlement conference took place as scheduled. Following the settlement conference, California American Water diligently engaged in settlement discussions with, among others, MPWMD.

On August 12, 2020, ALJ Katherine K. MacDonald and ALJ Eric Wildgrube were assigned to handle ADR issues as Neutral ALJs. On September 9, 2020, the Neutral ALJs hosted an initial kick-off mediation session for all parties. Thereafter, the Neutral ALJs scheduled separate individual meetings with each interested party.

On November 16, 2020, pursuant to the July 16, 2020 Email Ruling, California American Water filed a joint Status Conference Statement on behalf of active parties regarding the status of ADR, settlements and factual and material issues remaining in dispute. At the time the Status Conference Statement was filed only MPWMD believed evidentiary hearings were required.

A status conference was held December 3, 2020. On December 16, 2020, ALJ Kelly issued an *E-Mail Ruling Setting Evidentiary Hearings for January 27 and 28, 2021 via Webex and Instructions for Parties* (“December 16, 2020 Email Ruling”). The December 16, 2020 Email Ruling ordered, among other items, that any “Settlement Agreements shall be filed in this proceeding as soon as possible once they are finalized.” On the same day, MPWMD indicated that evidentiary hearings were no longer necessary and that any remaining issues between itself and California American Water could be briefed.

On December 17, 2020, the Commission issued Decision (“D.”) 20-12-046, *Order Extending Statutory Deadline*, which extends the statutory deadline to complete this proceeding to September 30, 2021.

On December 21, 2020, evidentiary hearing dates were vacated and deadlines for opening and reply briefs were set in the *Email Ruling Vacating Evidentiary Hearings and Setting Due*

*Dates for Opening and Reply Briefs.*³ This motion is timely.

III. OVERVIEW OF THE SETTLEMENT AGREEMENT

The Settlement Agreement resolves all the disputed issues between California American Water and LPWC. LPWC was formed by residents of the Las Palmas I and Las Palmas II housing communities, which are served by a treatment plant and collection system. California American Water currently serves 1,728 active wastewater customers and 764 passive wastewater customers in Monterey County. LPWC is served by the active wastewater system. As reflected in Section 3.1 of the Settlement Agreement, California American Water agrees to withdraw Special Request No. 17, Monterey Wastewater High Cost Fund, which proposed that all non-low-income California American Water customers (water and wastewater) that are not in the high cost area pay a flat surcharge of \$0.29 per month to fund an offset to the high cost area. The Parties also agree in Section 3.1 of the Settlement Agreement that the issue of the high rates in the wastewater active systems is partially systematic of the small size of the system and the attendant cost to operate. The Parties additionally agree that it may first be more appropriate to address the high rates in the area through a revision of previously determined cost allocation factors.

Section 3.2 of the Settlement Agreement reflects the Parties' agreement on changing cost allocation factors to reach a more equitable allocation of costs for the 2021-2023 test year period. Specifically, the Parties agree as follows:

- Reduce General Office and Service Company allocated costs to 50% of the level previously established. Upon a high-level review, it appears that many administrative and service functions are not nearly as related to wastewater service as they are to water service. These include call center operations, laboratory services and legal services;
- Use a more systematic approach to overall allocation of wastewater costs where the basis of total cost allocation is customers. We propose to keep waste disposal, power and chemical costs separate between the passive and active systems as they are the larger costs within the two systems; and

³ A joint motion to admit exhibits into the record will be separately filed.

- We further propose that labor cost allocation be based on an 80% to active and 20% to passive split to acknowledge the additional labor time necessary in treatment facilities.⁴

To further address the impact of wastewater rates on low-income customers, the Parties also agreed to increase the low-income discount for Monterey active wastewater customers from 20% to 35%.⁵ LPWC also expresses its support for necessary capital improvements and an acknowledgement of the need to work cooperatively to address additional improvements required by the Central Coast Regional Water Board.⁶ The Parties believe these resolutions are the best and most equitable short-term solutions to address the issue of high rates in the active wastewater system, and that the Commission should, therefore, adopt the Settlement Agreement.

IV. THE SETTLEMENT AGREEMENT IS FAIR AND REASONABLE AND ITS ADOPTION WILL SERVE THE PUBLIC INTEREST

Rule 12.1(d) requires that Commission approval of a settlement be based upon a finding that “the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.”⁷ The Settlement Agreement meets these requirements.

A. The Settlement Agreement is Reasonable in Light of the Whole Record

The Settlement Agreement is reasonable in light of the whole record. The parties to this proceeding submitted extensive testimony and conducted extensive discovery. The Commission also held PPHs in which the public was heard. Settlement conferences and ADR took place with multiple parties participating and engaging in settlement discussions and negotiations. The Parties have a thorough understanding of the issues and all the underlying assumptions and data and were therefore able to make informed decisions in the settlement process. Each party has accepted adjustments to their initial positions to reach resolutions on the issues set forth in the Settlement Agreement, but those adjustments do not jeopardize California American Water’s ability to provide adequate service to its customers.

The terms and requirements proposed in the Settlement Agreement are just and

⁴ Settlement Agreement, Section 3.2.

⁵ Settlement Agreement, Section 3.3.

⁶ Settlement Agreement, Section 3.4.

⁷ D.09-03-007, *Decision Authorizing General Rate Increases for Suburban Water Systems and Approving a Related Settlement Agreement with the Division of Ratepayer Advocates*, 2009 Cal. PUC Lexis 148, *15.

reasonable and will benefit California American Water's Monterey wastewater customers.

B. The Settlement Agreement is Consistent with the Law

The Settlement Agreement is also consistent with the law. The Parties are aware of no statutory provision or prior Commission decision that would be contravened or compromised by the proposed Settlement Agreement. Moreover, the issues resolved in the Settlement Agreement are within the scope of the proceeding.

C. The Settlement Agreement is in the Public Interest

The Settlement Agreement is in the public interest. The Commission has expressed a "strong public policy" in favor of settlements.⁸ This policy supports many worthwhile goals, including the reduction of litigation expenses, conservation of scarce Commission resources, and reducing risk relating to unknown and potentially unacceptable or unreasonable litigation outcomes.⁹ Commission approval of this Settlement Agreement will provide such benefits while reasonably resolving many of the issues contested between California American Water and LPWC in this proceeding.

The agreement's public benefits are consistent with the Commission's policy objectives as articulated in the Water Action Plan.¹⁰ The Settlement Agreement's public benefits are also consistent with the goals and objectives identified in Attachment A to Decision ("D.") 16-12-026 because the Settlement Agreement, among other items, provides protections for low-income customers and balances investment with affordability. The Settlement Agreement should, therefore, be adopted

V. CONCLUSION

For the reasons stated above, the Parties respectfully request that the Commission conclude that the Settlement Agreement is reasonable in light of the whole record, consistent with the law, and in the public interest. On that basis, the Parties jointly request that the

⁸ D.05-03-022, *Decision Allocating Southern California Edison Company's Revenue Requirement of \$9.2 Billion*, dated March 17, 2005, pp.8-9.

⁹ D.08-01-043, *Opinion Granting Rate Increases for Seven Districts in The Region I Service Area of Golden State Water Company*, dated January 31, 2008, p.10.

¹⁰ *Water Action Plan*, California Public Utilities Commission, Oct. 28, 2010, available at <http://docs.cpuc.ca.gov/PUBLISHED/Graphics/125501.PDF>.

Commission adopt the Settlement Agreement in its entirety as a complete resolution of the issues set forth therein.

Respectfully Submitted,

Dated: January 25, 2021

By: /s/ Sarah E. Leeper
Sarah E. Leeper
California-American Water Company
555 Montgomery Street, Suite 816
San Francisco, CA 94111
Attorney for Applicant
California-American Water Company

Dated: January 25, 2021

By: /s/ Sara Senger
Sara Senger
Las Palmas Wastewater Committee
25374 Jasmine Ct.
Salinas, CA 93908
Attorney for Las Palmas Wastewater Committee

EXHIBIT A

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

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$25,999,900 or 10.60% in the year 2021, by \$9,752,500 or 3.59% in the year 2022, and by \$10,754,500 or 3.82% in the year 2023.

A.19-07-004
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**PARTIAL SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN
WATER COMPANY AND LAS PALMAS WASTEWATER COMMITTEE ON
MONTEREY WASTEWATER ISSUES IN THE GENERAL RATE CASE**

Richard Svindland
California-American Water Company
655 W. Broadway, Suite 1410
San Diego, CA 92101
Telephone: 619 446-4761
Email: Richard.Svindland@amwater.com
For: California-American Water Company

Sara Senger
25374 Jasmine Court
Salinas, CA 93908
Telephone: (831) 646-5424
Email: sarasenger@comcast.net
For: Las Palmas Wastewater Committee

January 25, 2021

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A.19-07-004
(Filed July 1, 2019)

**PARTIAL SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN
WATER COMPANY AND LAS PALMAS WASTEWATER COMMITTEE ON
MONTEREY WASTEWATER ISSUES IN THE GENERAL RATE CASE**

1. GENERAL PROVISIONS

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), California-American Water Company (“CAW” or “Company”) and Las Palmas Wastewater Committee (“LPWC”) have agreed on the terms of this settlement agreement (the “Settlement Agreement”), which they now submit for approval. This Settlement Agreement embodies the entire understanding and agreement of the Parties with respect to the matters described herein.¹

The Parties, desiring to avoid the expense, inconvenience, and the uncertainty attendant to litigation of matters in dispute between them, have agreed on this Settlement Agreement, which they now submit for approval.

Because the Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (*See* Rule 12.5, Commission’s Rules of Practice and Procedure.)

The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement Agreement as a whole, as

¹ Hereinafter, CAW and LPWC are referred to as the “Parties.”

opposed to agreeing to specific elements of the Settlement Agreement. If the Commission adopts the Settlement Agreement with modification, all the Parties must consent to the modifications or the Settlement Agreement is void and all Parties reserve all rights set forth in Rule 12.4 of the Commission's Rules of Practice and Procedure. As between the Parties, this Settlement Agreement may be amended or changed only by a written agreement signed by the Parties.

This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument. Each of the Parties hereto and their respective counsel and advocates have contributed to the preparation of this Settlement Agreement. Accordingly, the Parties agree that no provision of this Settlement Agreement shall be construed against any Party because that Party or its counsel drafted the provision.

The Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

2. SUMMARY OF SETTLEMENT

The Settlement Agreement addresses many issues relating to CAW's Monterey Wastewater district.

A comprehensive record supports the Settlement Agreement. As part of this general rate case ("GRC"), the Parties have submitted testimony concerning the issues that are the subject of the Settlement Agreement, including, but not limited to, CAW's direct testimony submitted with the application, intervenor testimony, and CAW's rebuttal testimony.

CAW may file additional settlement agreements and briefing on issues not addressed in the Settlement Agreement.

3. LPWC WASTEWATER ISSUES

LPWC was formed by residents of the Las Palmas I and Las Palmas II housing communities. Las Palmas wastewater customers are served by a treatment plant and collection system. LPWC was part of the Amended Settlement Agreement to CAW's 2013 GRC (A.13-07-002), which was approved in D.15-04-007. CAW and LPWC also entered into a settlement agreement in CAW's 2016 GRC (A.16-07-002), but the settlement agreement was not approved.

REFERENCES: Exh. CAW-2, *Direct Testimony of Christopher Cook*, dated July 1, 2019 ("Cook Direct"), pp. 4, 15-19; Exh. CAW-3, *Direct Testimony of Ian C. Crooks*, dated July 1, 2019 ("Crooks Direct"), Section XV.E.2., pp. 213-215, Attachment 1; D.15-04-007, *Decision Adopting the 2015, 2016, and 2017 Revenue Requirement For California-American Water Company*, dated April 9, 2015 ("D.15-04-007"), Attachment A, Amended Settlement Agreement, pp. 132-133.

3.1. Special Request #17 – Monterey Wastewater High Cost Fund

CAW POSITION:

In A.16-07-002, CAW proposed a high cost fund for its active wastewater system. An alternate proposal for cost allocation was made in a settlement filed in that proceeding (A.16-07-002) by CAW, LPWC and the Monterey Peninsula Water Management District (“MPWMD”). The Commission declined to accept that settlement. The conditions that existed in A.16-07-002 remain. The proposed rate increases in this proceeding are significant. In the decision in CAW’s 2013 GRC, D.15-04-007, the Commission approved a settlement, which stated:

CAW is currently participating in a proceeding for an Order Instituting Rulemaking ("OIR") considering the establishment of high-cost maintenance funds. As part of this Settlement Agreement, CAW shall continue to make good faith efforts to participate in the OIR proceeding for the purpose of establishing a mechanism to request a high-cost maintenance fund for Las Palmas. If the OIR proceeding results in a change that would allow CAW to seek a high-cost maintenance fund for Las Palmas prior to its next general rate case, then CAW shall make reasonable efforts to establish one.

The Company proposes that all non-low-income CAW customers (water and wastewater) that are not in the high-cost area have a flat surcharge of \$0.29 per month added to their bills to fund an offset to the high cost area. Based on about \$159,918 non-low-income customers at \$0.29 per bill per month, this would yield an annual fund balance of \$563,432. Based on a proposed revenue requirement for the active systems, this fund would reduce the 2021 proposed base rate of approximately \$142 per month per EDU to approximately \$115 per month, equal to \$27 per month less than the proposed rate. At a rate of \$115 per month per EDU, the active rate would be less than double that of a passive service, whose 2021 proposed base rate is about \$73 per month.

LPWC RESPONSE:

LPWC noted in its testimony that CAW has proposed creating a high cost fund to offset the proposed rate increases. This fund would come from spreading our rate increase among all CAW’s statewide customers at the small amount of \$.29 per month. According to CAW’s latest notice, with the high cost funds, active-system customers would see their rates decrease by 4.67% in 2021, with a projected increase of 2.81% in 2022 and a 2.51% increase in 2023. LPWC supports the creation of the high cost fund.

CAW REBUTTAL:

CAW’s proposed high cost fund addresses present costs to active system customers and the near-term need for significant capital investment in this wastewater district. CAW, LPWC and MPWMD previously proposed a revision to cost allocation factors between the water and

wastewater service, and between active and passive wastewater customers in Monterey County as part of a proposed partial settlement in CAW's prior GRC A.16-07-002. CAW argues that cost allocation factors for the active and passive wastewater systems adopted in 2009 may need to be updated at this time.

RESOLUTION:

The issue of the high rates in the wastewater active systems is partially systematic of the small size of the system and the attendant cost to operate. While Parties continue to support the High Cost Fund as an important component of a long-term solution, Parties agree to withdraw the High Cost Fund proposed in this general rate case. However, the Parties also agree that it may first be more appropriate to address the high rates in the area through a revision of previously determined cost allocations factors.

REFERENCES: Exh. CAW-6, *Direct Testimony of Jeffrey T. Linam*, dated July 1, 2019 ("Linam Direct"), pp. 91-94, Attachment 9; Exh. CAW-20, *Rebuttal Testimony of Jeffrey T. Linam, Errata Version*, dated July 13, 2020 ("Linam Errata Rebuttal"), pp. 88-94, Attachment 6; Exh. CAW-2, Cook Direct, pp. 15-17; Exh. CAW-16, Cook Rebuttal, pp. 7-9, Attachment 1; Exh. LPWC-1, *Testimony of the Las Palmas Wastewater Committee*, dated February 28, 2020 ("Senger Testimony"), pp. 2-3.

3.2. Wastewater Cost Allocation

CAW POSITION:

CAW currently serves 1,728 active wastewater customers and 764 passive wastewater customers in Monterey County. The number of wastewater customers is small relative to the number of water customers in CAW's Monterey District, and the number of customers that CAW serves overall.

In A.16-07-002, CAW, LPWC and MPWMD submitted a settlement that proposed to revise the cost allocation factors between the water and wastewater service, and between active and passive wastewater customers in Monterey. The proposal was as follows:

1. Reduce General Office and Service Company allocated costs to 50% of the level previously established. Upon a high-level review, it appears that many administrative and service functions are not nearly as related to wastewater service as they are to water service. These include call center operations, laboratory services and legal services.
2. Use a more systematic approach to overall allocation of wastewater costs where the basis of total cost allocation is customers. We would propose to keep waste disposal, power and chemical costs separate between the passive and active systems as they are the larger costs within the two systems.

We would further propose that labor cost allocation be based on an 80% to active and 20% to passive split to acknowledge the additional labor time necessary in treatment facilities.

Although the Commission in D.18-12-021 rejected the proposed cost allocation revisions, it concluded that “[i]f justified... revision of the cost allocation factors may be one appropriate approach for addressing some of the affordability issues in the active wastewater system. Cal-Am may put forth such a proposal in its next GRC if it can provide sufficient justification for such a request.”

The request to revise cost allocation factors is justified because the original distinction between active and passive wastewater systems was adopted in 2009, in D.09-07-022, and the adopted factors are less relevant today.

First, many administrative and service functions are not nearly as related to wastewater service as they are to water service. These include call center operations, laboratory services, and legal services. Therefore, the proposal is to reduce General Office and Service Company allocated costs to 50% of the level previously established.

Second, the proposed modification uses a more systematic approach to overall allocation of wastewater costs where the basis of total cost allocation is customers. The proposal is to keep waste disposal, power, and chemical costs separate between the passive and active systems, as they are larger costs within the two systems. The proposal also allocates the labor cost based on an 80% to active, and 20% to passive, split, to acknowledge the additional labor time necessary in treatment facilities.

Thus, the proposed modifications to the allocation factors are meant to reach a more equitable allocation of costs among categories of customers based on updated assumptions. The proposed cost allocation modifications are a short term solution for the 2021-2023 test year period.

LPWC RESPONSE:

LPWC agrees that it may first be more appropriate to address the high rates in the area through a revision of previously determined cost allocations factors. One way to keep Las Palmas’ rates lower would be to reallocate some of the costs to the so-called “passive wastewater customers”. Currently, the passive wastewater customers pay about \$55 a month, less than half of what the active system customers pay. This is not fair, equitable or sustainable. Customers of both types of systems receive the same essential service: when they flush the toilet, their waste is disposed of. It should not matter how that sewage is treated after that--their rates should be the same. Prior to 2007, both active and passive system customers paid the same---about \$50 a month. Then, in 2007, after passive customers complained, the CPUC ruled that passive system customers should pay less than active system customers. As a result, passive system customers started paying about \$40 a month, while the active system customer’s rate skyrocketed to around \$90 a month. This was done without the knowledge or consent of the active system customers. We believe that

this inequity must be addressed so that both active and passive customers are paying a fair and reasonable amount.

RESOLUTION:

LPWC and CAW agree that the issue of the high rates in the wastewater active systems is partially systematic of the small size of the system and the attendant cost to operate. However, the Parties also agree that it may first be more appropriate to address the high rates in the area through a revision of previously determined cost allocations factors. Established many years ago, the factors may be less appropriate at this time. Because of the evaluation and analyzation time necessary to develop precise new factors, the Parties to this Settlement have agreed in this proceeding to the following:

- Reduce General Office and Service Company allocated costs to 50% of the level previously established. Upon a high-level review, it appears that many administrative and service functions are not nearly as related to wastewater service as they are to water service. These include call center operations, laboratory services and legal services;
- Use a more systematic approach to overall allocation of wastewater costs where the basis of total cost allocation is customers. We propose to keep waste disposal, power and chemical costs separate between the passive and active systems as they are the larger costs within the two systems; and
- We further propose that labor cost allocation be based on an 80% to active and 20% to passive split to acknowledge the additional labor time necessary in treatment facilities.

With the above-proposed changes in allocations, the cost to active wastewater customers will be less than \$134.20 per EDU per month. The cost to passive wastewater customers will be less than \$90.06 per EDU per month.

REFERENCES: Exh. CAW-20, Linam Errata Rebuttal, pp. 89-92, Attachment 6; Exh. CAW-2, Cook Direct, pp. 15-17; Exh. CAW-16, Cook Rebuttal, pp. 7-9, Attachment 1; Exh. LPWC-1, Senger Testimony, pp. 2-3.

3.3. Low Income Discount

CAW POSITION:

CAW proposes to increase the low-income discount for Monterey wastewater customers under its Customer Assistance Program ("CAP") tariffs to 30% of the total bill. This is a modest proposal that would have a minimal impact to non-CAP customers and is targeted towards assisting Monterey wastewater customers that may be experiencing affordability issues.

LPWC RESPONSE:

Those who reside in inclusionary housing are low income and are already struggling to pay their wastewater bills. Currently, CAW offers a 20% discount to customers who apply and qualify for their "low income discount". Even with a discount, at current rates, low income customers are paying about \$100 a month. LPWC is concerned that these customers are unable to afford their wastewater bills, and requests that a method be devised so that these customers can afford to pay them.

RESOLUTION:

LPWC and CAW agree that the low-income discount for Monterey active wastewater customers should be increased from the existing 20% to 35% of the monthly bill and support providing a letter and application to all active and passive wastewater customers regarding CAW's CAP.

REFERENCES: Exh. CAW-20, Linam Errata Rebuttal, pp. 92-93; Exh. LPWC-1, Senger Testimony, pp. 2-3.

3.4. Future Capital Needs/Regulatory Compliance

CAW POSITION:

While the wastewater team was able to make significant progress with safety and maintenance of the plants in 2018, there are still more safety, maintenance, and automation improvements required than are available in the annual wastewater budget. CAW does not want to change rates significantly to address these needs without adequate planning and notice to customers. Consequently, in the short-term, CAW is only requesting a limited increase to the wastewater budget, allowing the most time-sensitive maintenance and improvement projects to take place. Critical capital projects include replacing trickling filters at Las Palmas, which are no longer structurally sound. Additionally, replacement of old sewer main piping at Spreckels is required to address the potential for leaks.

For the passive wastewater systems, Spreckels and Oak Hills will require the most significant long-term improvements. During several site visits, Central Coast Regional Water Board expressed concerns about Spreckels wastewater facility having exceedances of permit requirements with no treatment process. Central Coast Regional Water Board also mentioned concerns about potential impact to groundwater with percolation. To address these concerns, they have requested the lining of the Spreckels pond with additional treatment. Given the cost of lining the large pond with an additional treatment system, CAW would also explore a second

option of extending a pipe over or under the adjacent Salinas river to connect Spreckels directly to Las Palmas for treatment.

For the active wastewater systems, Indian Springs and Las Palmas will require the most significant near-term improvements. Indian Springs will likely require additional nutrient removal when Central Coast Regional Water Board revises the permit. Additionally, the chlorination facility no longer has structural integrity. With these required improvements and the overall plant being at the end of its useful life, the most likely options would be either to simply replace the entire plant or directly connect it to Las Palmas treatment plant.

Once these additional capital improvements projects described above are completed and included in a future rate case, the high cost of improvements coupled with the low number of wastewater customers will result in significantly higher rates. Consequently, the high cost fund with a greater number of customers and small individual impact is still the best long-term solution.

LPWC RESPONSE:

LPWC did not address this issue in its prepared testimony.

RESOLUTION:

LPWC and CAW agree that a revision to the Monterey Wastewater cost allocation mitigates the high cost issue in this GRC but acknowledge the need to work collaboratively in the next GRC to address the Central Coast Regional Water Board's ("Regional Water Board") proposed application of the Water Discharge Requirements ("WDR") into a general permit. This action would result in significant future capital improvements for existing wastewater facilities to meet these discharge requirements.

For the passive wastewater systems, the Regional Water Board has requested the lining of the Spreckels pond with additional treatment. Alternatives may include extending a pipe over or under the adjacent Salinas river to connect Spreckels directly to Las Palmas for treatment.

For the active wastewater systems, Indian Springs will likely require additional nutrient removal based on the likely revised permit. Additionally, the chlorination facility no longer has structural integrity.

The parties, therefore, support the investments proposed in this GRC cycle (2021-2023), which for the passive system include the Spreckles sewer main replacement with a requested budget of \$310,000 and for the active system include replacing the Las Palmas ground trickling filter with MBBR filters at a requested budget of \$612,918.

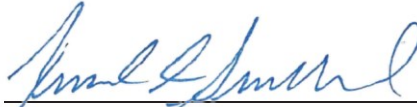
CAW intends to request funding in the next GRC for an engineering study to review the different options once additional information is known from the Regional Water Board.

CAW also agrees to semi-annual meetings with LPWC to address future concerns regarding the Las Palmas wastewater collection system.

REFERENCES: Exh. CAW-6, Linam Direct, pp. 91-94, 101 - 103, Attachment 9; Exh. CAW-20, Linam Errata Rebuttal, pp. 89-92, Attachment 6; Exh. CAW-2, Cook Direct, pp. 15-17; Exh. 16, Cook Rebuttal, pp.7-9, Attachment 1; Exh. CAW-3, Crooks Direct, Section XV.E, pp. 212-215.

Dated: January 25, 2021

By:



Richard Svendland

For: California-American Water Company

Dated: _____, 2020

By:

Sara Senger

For: Las Palmas Wastewater Committee

REFERENCES: Exh. CAW-6, Linam Direct, pp. 91-94, 101 - 103, Attachment 9; Exh. CAW-20, Linam Errata Rebuttal, pp. 89-92, Attachment 6; Exh. CAW-2, Cook Direct, pp. 15-17; Exh. 16, Cook Rebuttal, pp.7-9, Attachment 1; Exh. CAW-3, Crooks Direct, Section XV.E, pp. 212-215.

Dated: _____, 2020

By: _____

Richard Svindland

For: California-American Water Company

Dated: 12/13, 2020

By: _____

Sara Senger

Sara Senger

For: Las Palmas Wastewater Committee

(END OF ATTACHMENT C)