

Docket : A.22-07-001  
Exhibit Number : Cal Adv - #  
Commissioner : Genevieve Shiroma  
Administrative Law Judge : Jacob Rambo  
Public Advocates Office  
Witness(es) : Herbert Merida



**PUBLIC ADVOCATES OFFICE**  
**CALIFORNIA PUBLIC UTILITIES COMMISSION**

**REPORT ON THE RESULTS OF OPERATIONS**

**WATER CONSUMPTION, RATE DESIGN AND SPECIAL  
REQUESTS 10, 12, 17, 18, 19, AND 20**

**CALIFORNIA AMERICAN WATER COMPANY**

**General Rate Case Application 22-07-001**

**Test Year 2024**

San Francisco, California  
April 13, 2013

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1 **MEMORANDUM**

2 The Public Advocates Office at the California Public Utilities Commission (“Cal  
3 Advocates”) examined application material, data request responses, and other  
4 information presented by California American Water Company (“Cal Am”) in  
5 Application (“A.”) 22-07-001 to provide the California Public Utilities Commission  
6 (“Commission” or “CPUC”) with recommendations in the interests of ratepayers for safe  
7 and reliable service at the lowest cost. Mr. Courtney Sorensen is Cal Advocates’ project  
8 lead for this proceeding. This Report is prepared by Mr. Herbert Merida. Mr. Mukunda  
9 Dawadi is the oversight supervisor. Ms. Angela Wuerth and Ms. Emily Fisher are the  
10 legal counsel.

11 Although every effort was made to comprehensively review, analyze, and provide  
12 the Commission with recommendations on each ratemaking and policy aspect presented  
13 in the Application, the absence from Cal Advocates’ testimony of any particular issue  
14 connotes neither agreement nor disagreement of the underlying request, methodology, or  
15 policy position related to that issue.

Chapter #	Description	Witness
1	Water Consumption and Revenues	Herbert Merida
2	Rate Design	Herbert Merida
3	Special Requests 10, 12, 17, 18, 19, and 20	Herbert Merida

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**CHAPTER 1 WATER CONSUMPTION AND PRESENT RATE REVENUES**

**I. INTRODUCTION**

This chapter presents the analysis and recommendations on Cal Am’s average number of customers, water sales per customer, non-revenue water, and operating revenues at present rates for Test Year (“TY”) 2024. Cal Advocates reviewed Cal Am’s Revenue Requirement Report, supporting workpapers, data request responses, and methods of estimating water consumption and operating revenues.

**II. SUMMARY OF RECOMMENDATIONS**

For TY 2024, the Commission should:

- Adopt a projected total customer average of 197,725 and reject Cal Am’s estimated customer number of 195,317.
- Adopt a total water production of 41,885,739 hundred cubic feet (“CCF”) and reject Cal Am’s estimated total water production of 37,237,386 CCF.
- Adopt an Other Revenues amount of \$1,600,414 and reject Cal Am’s estimated amount of \$787,984.
- Discontinue Cal Am’s Monterey Non-Revenue Water Reward/Penalty Mechanism.

Using the present rates, Cal Advocates’ calculation of Cal Am’s total operating revenues for TY 2024 is \$335,647,500, compared to Cal Am’s estimate of \$307,648,213.

**III. ANALYSIS**

Determining revenues at present rates and designing reasonable water rates for TY 2024 with revenue neutrality requires an accurate forecast of customers and water consumption.<sup>1</sup> The revenue requirement is comprised of total estimated expenses

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<sup>1</sup> Revenue neutral rate design is achieved when the utility collects the same amount of revenue with multiple quantity rates as it would collect under a single quantity rate, as indicated in the sales forecast.

1 including tax plus a reasonable return on rate base. Comparing the revenue at present  
2 rates with the revenue requirement yields the overall change in average system rates.

3 As per the Rate Case Plan (“RCP”), utilities must forecast customer growth using  
4 a five-year average of the change in the number of customers by customer class.<sup>2</sup> A  
5 utility may make an adjustment to the five-year average if an unusual event occurs, or is  
6 expected to occur, such as implementation or removal of a limitation on the number of  
7 customers.<sup>3</sup> Further, the applicant utility must calculate consumption by using a multiple  
8 regression to forecast per-customer usage for the residential and commercial customer  
9 classes in general rate cases, based on the New Committee Method.<sup>4</sup> This method relies  
10 on Standard Practice No. U-2 and “Supplement to Standard Practice No. U-25.”<sup>5</sup>

11 Because the estimated number of customers and consumption are the basis for  
12 revenue forecasts, a comparison of Cal Am’s and Cal Advocate’s revenue at present rates  
13 reflects different estimates in these projections. Water supply estimates also reflect  
14 changes in estimated customers and consumption, as well as, differences in non-revenue  
15 water.

16 **A. Average Number of Customers**

17 The Commission should adopt Cal Advocates’ average number of water  
18 service customers for the Test Years as presented in Table 1-1 below.

19 **Table 1-1: Projected Average Number of Total Customers**

<b>Test Year</b>	<b>Cal Adv Recommended</b>	<b>Cal Am Requested</b>	<b>Cal Adv &gt; Cal Am</b>
2024	197,725	195,317	2,408

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<sup>2</sup> Decision (D.)07-05-062, *Rate Case Plan and Minimum Data Requirements for Class A Water Utilities General Rate Applications* (Rate Case Plan) Appendix A, at A-20.

<sup>3</sup> Rate Case Plan Appendix A, at A-23.

<sup>4</sup> Rate Case Plan Appendix A, at A-26.

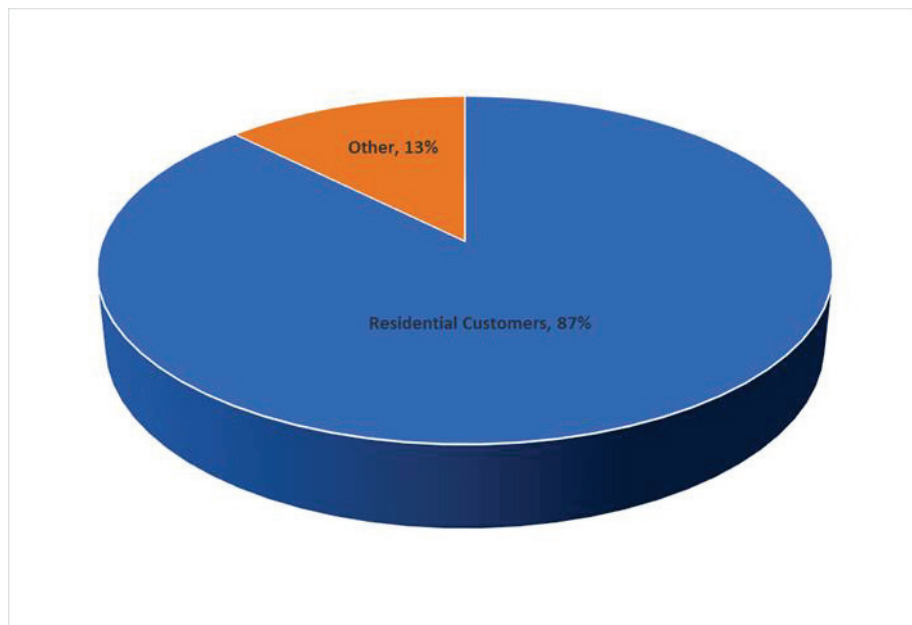
<sup>5</sup> Rate Case Plan Appendix A at p. A-23, fn. 4.



2025	199,877	196,513	3,364
2026	202,514	198,190	4,324
<b>TOTAL</b>	<b>600,116</b>	<b>590,020</b>	<b>10,096</b>

1 Cal Am’s service areas consist of a variety of customer classes including  
2 residential, multi-residential, commercial, and industrial properties. Residential  
3 customers generate most of Cal Am’s revenue since they comprise almost 90% of  
4 Cal Am’s total customers, as shown in Figure 1-1:

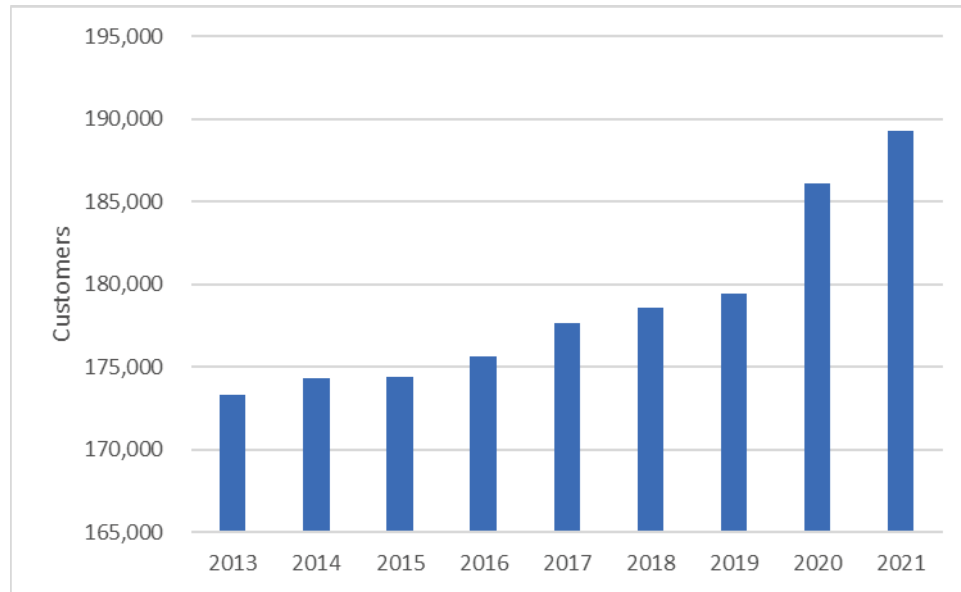
5 **Figure 1-1: Cal Am Total Customers Breakdown for all Divisions**



6  
7 Historically, Cal Am’s total customers have slowly but steadily increased at  
8 approximately 1.1% annually. We see this trend in Figure 1-2:

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**Figure 1-2: Cal Am Total Customers for all Divisions**



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The Cal Am customer growth rate was calculated by averaging five years of previously recorded data, unless the service area or customer class was affected by an “uncommon occurrence” such as implementation or removal of a limitation on the number of customers.<sup>6</sup> Limitations on new service connections affect all the districts in the Central Division, where Cal Am projects zero customer growth from 2022 to 2026 due to ongoing water supply issues in the region.<sup>7</sup> Cal Am’s zero customer growth projection in this GRC contradicts its projection for the Central Division Pure Water Monterey Groundwater Replenishment Project proceeding, where Cal Am projected customer growth in the service area.<sup>8</sup>

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<sup>6</sup> Per the RCP, a utility may make an adjustment to the five-year customer average if an unusual event occurs, or is expected to occur, such as implementation or removal of a limitation on the number of customers. *See* Rate Case Plan Appendix A at A-23.

<sup>7</sup> Direct testimony of Bahman Pourtaherian (Pourtaherian Direct Testimony), at 7.

<sup>8</sup> Application (A.)21-11-024, Phase 2, (Crooks Corrected Testimony), Attachment D.

1 Cal Am contracted with M-Cubed to assist with customer growth  
2 forecasts.<sup>9</sup> M-Cubed’s forecasts are based on the average change in the number of  
3 customers by class in five years of recorded data, with several adjustments such as  
4 due to new housing construction.<sup>10</sup>

5 In most cases, Cal Am utilizes M-Cubed’s customer growth forecasts in its  
6 RO Model.<sup>11</sup> However, Cal Am also deviated from the five-year average in some  
7 service areas such as in the Central Division as mentioned previously.

8 A more reasonable forecast incorporates the historic trend of growth that  
9 has been consistently observed over the past two, four or five years, which  
10 produced a TY 2024 forecast of 197,725 total water service customers. Cal Am  
11 forecasts 195,317 total customers for TY 2024.

12 **B. Water Sales per Customer**

13 The Commission should adopt Cal Advocates’ water sales per customer  
14 recommendations which deviate from Cal Am’s forecast methodology in Cal  
15 Am’s original application, developed by M.Cubed, because of the unusual events  
16 as mentioned subsequently below.

17 Cal Am forecasted average sales per service with econometric models of  
18 average sales conditional on customer-level monthly billing data, season and  
19 weather, marginal cost of water, drought-related restrictions on water use, effect of  
20 the COVID-19 pandemic, and customer-level attributes (so-called fixed customer-  
21 level effects).<sup>12</sup> <sup>13</sup> Cal Am states that it used this same approach to estimate  
22 average use per service connection that it used to construct the sales forecast for

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<sup>9</sup> Pourtaherian Direct Testimony, at 6:23-24.

<sup>10</sup> Direct testimony of David Mitchell (Mitchell Direct Testimony), Attachment 2, at 5-6

<sup>11</sup> RO Model file “All\_Ch03\_REV\_RO\_Sales-Customers,” tab “Proj Cust Calc WS-03,” column AC.

<sup>12</sup> Econometric models use mathematical methods (especially statistics) in describing economic systems.

<sup>13</sup> Mitchell Direct Testimony at 3:13-17.

1 the 2019 (TY 2021) GRC.<sup>14</sup> A significant difference in the current GRC  
2 compared to 2019 is the use of customer-level billing data to estimate the average  
3 use per service models as opposed to the use of the aggregated monthly service  
4 class data to estimate average use per service in the prior GRC.<sup>15</sup> Cal Am’s unit  
5 consumption methodology does not include all the specific sales forecast factors  
6 from D.20-08-047 (Order Instituting Rulemaking Evaluating the Commission’s  
7 2010 Water Action Plan.)<sup>16</sup> Also, Cal Am’s methodology differs from the New  
8 Committee Method outlined in the RCP. Utilities are permitted to use a  
9 forecasting method different from the New Committee Method, if proven more  
10 accurate.<sup>17</sup>

11 **1. Residential**

12 The Commission should adopt Cal Advocates’ recommended  
13 residential unit consumption levels for the districts shown in in Tables 1-2,  
14 1-3, and 1-4 because a five-year or two-year average more accurately  
15 reflects usage trends based on economic and other factors as further  
16 discussed below.

17 **Table 1-2: Central Division Residential Unit Consumption in Ccf**

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<sup>14</sup> Mitchell Direct Testimony, Attachment 2, at 2.

<sup>15</sup> Mitchell Direct Testimony, Attachment 2, at 2.

<sup>16</sup> In D.20-08-047, Ordering Paragraph No. 1 states: 1. In any future general rate case applications filed after the effective date of this decision, a water utility must discuss how these specific factors impact the sales forecast presented in the application: a) Impact of revenue collection and rate design on sales and revenue collection, b) Impact of planned conservation programs, c) Changes in customer counts, d) Previous and upcoming changes to building codes requiring low flow fixtures and other water-saving measures, as well as any other relevant code changes, e) Local and statewide trends in consumption, demographics, climate population density, and historic trends by ratemaking area; and f) Past Sales Trends.

<sup>17</sup> D.16-12-026 at p. 84.

District	Cal Adv Recommended	Method	Cal Am Requested <sup>18</sup>	Method	Cal Adv > Cal Am
Monterey Main	59.0	5-year avg	55.9	Econometric	3.1
Central Satellites	134.0	5-year avg	132.6	Econometric	1.4

1 **Table 1-3: Northern Division Residential Unit Consumption in Ccf**

District	Cal Adv Recommended	Method	Cal Am Requested <sup>19</sup>	Method	Cal Adv > Cal Am
Larkfield	103.8	5-year avg	99.8	Econometric	4.0
Meadowbrook	206.5	2-year avg	183.5	Econometric	23.0
Fruitridge	260.5	2-year avg	132.4	Econometric	128.1

2 **Table 1-4: Southern Division Residential Unit Consumption in Ccf**

District	Cal Adv Recommended	Method	Cal Am Requested <sup>20</sup>	Method	Cal Adv > Cal Am
San Diego	102.0	5-year avg	97.8	Econometric	4.2
Ventura	194.9	2-year avg	182.7	Econometric	12.2

3 The effects of the pandemic have resulted in an increase in the  
4 number of people working from home. Between 2019 and 2021, the  
5 number of people mainly working from home tripled from 5.7% (roughly 9  
6 million people) to 17.9% (27.6 million people).<sup>21</sup> Thus, more people spend  
7 time in their homes and consume more water.<sup>22</sup>

<sup>18</sup> RO Model file “All\_Ch03\_REV\_RO\_Sales-Customers,” tab “Projected Sales WS-04.”

<sup>19</sup> RO Model file “All\_Ch03\_REV\_RO\_Sales-Customers,” tab “Projected Sales WS-04.”

<sup>20</sup> RO Model file “All\_Ch03\_REV\_RO\_Sales-Customers,” tab “Projected Sales WS-04.”

<sup>21</sup> United States Census Bureau Press Release Number CB22-155, The Number of People Primarily Working from Home Tripled Between 2019 and 2021, 9/15/22, <https://www.census.gov/newsroom/press-releases/2022/people-working-from-home.html#:~:text=15%2C%202022%20%E2%80%93%20Between%202019%20and,by%20the%20U.S.%20Census%20Bureau>, accessed on October 20, 2022.

<sup>22</sup> Water Finance & Management, *Getting California Water Consumption Back to Pre-Pandemic Levels*, 3/13/23, <https://waterfm.com/getting-california-water-consumption-back-to-pre-covid-19-levels/>,

1                    Additionally, because of the most recent rainfall season, the state  
2 stopped asking residents to cut their water use by 15%.<sup>23</sup> As a result of  
3 increased work from home and decreased calls for conservation, there is  
4 little justification to adopt forecasted consumption in the next couple of  
5 years to be less than what has been observed over the most recent two to  
6 five years.

7                    **2. Other Customer Classes**

8                    The Commission should adopt the per-unit consumption estimates  
9 for TY 2024 shown in Tables 1-5, 1-6, and 1-7 for Cal Am’s other  
10 customer classes. Cal Am used separate econometric models to estimate  
11 the multi-residential, commercial, and public authority service classes.<sup>24</sup>  
12 For some of the other service classes (industrial, miscellaneous/other, and  
13 sales for resale) Cal Am’s forecasts are primarily derived from average use  
14 statistics for the last three years.<sup>25</sup> However, in some cases it is more  
15 reasonable to use different durations (a two, four, or five-year average) of  
16 historic usage to either capture more recent trends or to avoid recent  
17 anomalies from overly influencing the recorded averages, thus, more  
18 accurately representing the unit consumption levels moving forward.

19                    The tables below compare Cal Advocates’ recommended  
20 consumption estimates and forecasting methods with Cal Am’s requested  
21 consumption for TY 2024.

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accessed on March 20, 2023.

<sup>23</sup> [California drought restrictions lifted after winter storms | Weather | sfexaminer.com  
https://www.sfexaminer.com/news/weather/california-drought-restrictions-lifted-after-winter-storms/article\\_b5263770-ca72-11ed-ab1f-f3b5dd9a1eae.html](https://www.sfexaminer.com/news/weather/california-drought-restrictions-lifted-after-winter-storms/article_b5263770-ca72-11ed-ab1f-f3b5dd9a1eae.html)

<sup>24</sup> Mitchell Direct Testimony, Attachment 2, at 2.

<sup>25</sup> Mitchell Direct Testimony, Attachment 2, at 2.

1 **Table 1-5: Central Division Other Classes Unit Consumption in Ccf**

<b>Central Division Customer Class</b>	<b>Cal Adv Recommended</b>	<b>Method</b>	<b>Cal Am Requested</b>	<b>Method</b>	<b>Cal Adv &gt; Cal Am</b>
Monterey Main Multires	283.1	5-yr avg	266.0	Econometric	17.1
Monterey Main Industrial	1,912.4	5-yr avg	1,531.3	Econometric	381.1
Monterey Main Pub Auth	387.1	5-yr avg	377.0	Econometric	10.0
Central Satellite Pub Auth	648.0	5-yr avg	626.3	Econometric	21.7

2 **Table 1-6: Northern Division Residential Unit Consumption in Ccf**

<b>Northern Division Customer Class</b>	<b>Cal Adv Recommended</b>	<b>Method</b>	<b>Cal Am Requested</b>	<b>Method</b>	<b>Cal Adv &gt; Cal Am</b>
Sacramento Industrial	195,197.5	4-yr avg	167,518.7	3-yr avg	27,678.8
Larkfield Public Authority	923.3	5-yr avg	714.7	Econometric	208.7
Meadowbrook Commercial	1,595.9	5-yr avg	1,424.5	Econometric	171.4
Fruitridge Commercial	1,371.9	2-yr avg	753.4	Econometric	618.5
Fruitridge Public Authority	4,472.4	2-yr avg	2,481.0	Econometric	1,991.4

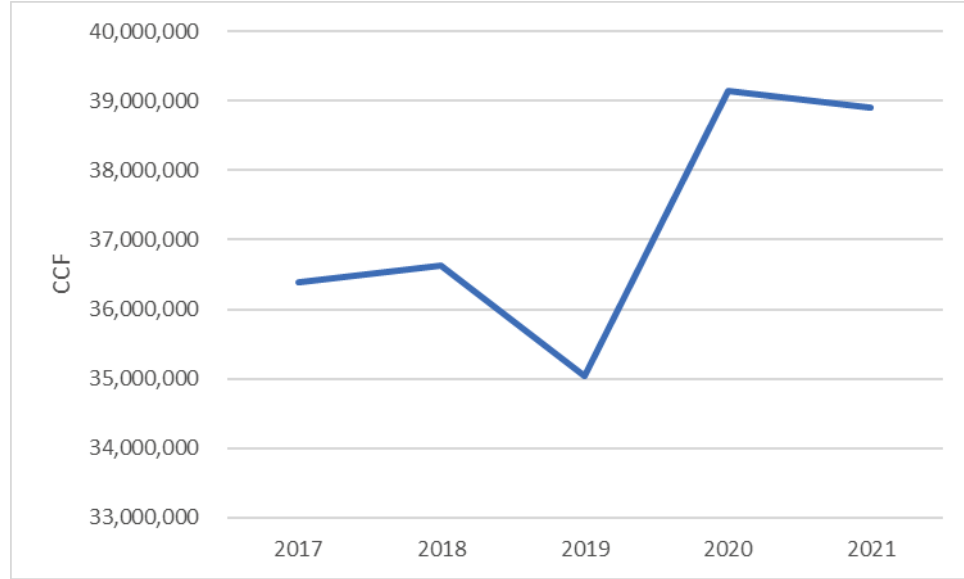
3 **Table 1-7: Southern Division Residential Unit Consumption in Ccf**

<b>Southern Division Customer Class</b>	<b>Cal Adv Recommended</b>	<b>Method</b>	<b>Cal Am Requested</b>	<b>Method</b>	<b>Cal Adv &gt; Cal Am</b>
Baldwin Hills Industrial	4,058.8	5-yr avg	2,177.7	3-yr avg	1,881.1
Duarte Commercial	1,068.6	5-yr avg	1,029.1	Econometric	39.5
Duarte Industrial	1,041.7	5-yr avg	975.7	3-yr avg	66.0
Duarte Irrigation Pressure	12,722.3	5-yr avg	0.0	Econometric	12,722.3
San Diego Commercial	704.0	5-yr avg	686.5	Econometric	17.5
San Diego Other	587.0	5-yr avg	311.3	Econometric	275.7
San Marino Commercial	592.9	5-yr avg	569.4	Econometric	23.5
San Marino Industrial	1,021.3	5-yr avg	984.9	Econometric	36.4
San Marino Public Authority	1,274.8	2-yr avg	1,221.4	Econometric	53.4
San Marino Other	281.5	5-yr avg	188.7	Econometric	92.9
Ventura Commercial	1,099.3	2-yr avg	1,075.6	Econometric	23.6
Ventura Industrial	3,244.5	5-yr avg	3,117.6	Econometric	126.9
Ventura Construction	1,038.9	2-yr avg	407.2	Econometric	631.7

1 **C. Total Water Production/Non-Revenue Water**

2 Cal Am’s historical total water production has had a general upward trend  
 3 for the last few years, as shown in Figure 1-3:

4 **Figure 1-3: Cal Am Historical Total Water Production**



5  
 6 Total water production represents the sum of water sales and non-revenue  
 7 water. For TY 2024, Cal Advocates recommends a total water production estimate  
 8 of 41,885,739 CCF, compared to Cal Am’s estimate of 37,237,386 CCF.<sup>26</sup> The  
 9 Commission should adopt Cal Advocates’ recommended total water production  
 10 and non-revenue water estimates for TY 2024 as shown in Tables 1-8 through 1-  
 11 13.

12 **Table 1-8: Central Division Water Production in Ccf**

District	Cal Adv Recommended	Cal Am Requested	Cal Adv > Cal Am
Monterey Main	4,031,500	3,891,721	139,779
Central Satellites	164,290	162,889	1,401
Monterey Chualar	42,119	42,119	(0)

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<sup>26</sup> RO Model file “All\_CH03\_REV\_RO\_Water Production,” tab “Rec Proj Wtr Prod WS-05.”



1

**Table 1-9: Northern Division Water Production in Ccf**

<b>District</b>	<b>Cal Adv Recommended</b>	<b>Cal Am Requested</b>	<b>Cal Adv &gt; Cal Am</b>
Sacramento	14,599,313	13,380,440	1,218,873
Larkfield	389,596	414,373	(24,778)
Fruitridge	1,899,987	1,089,988	809,999
Bass Lake	16,865	22,105	(5,240)

2

**Table 1-10: Southern Division Water Production in Ccf**

<b>District</b>	<b>Cal Adv Recommended</b>	<b>Cal Am Requested</b>	<b>Cal Adv &gt; Cal Am</b>
Baldwin Hills	1,296,409	1,185,902	110,507
Bellflower	291,741	291,741	0
Duarte	2,675,011	2,354,013	320,998
East Pasadena	716,534	716,534	0
San Diego	4,495,827	4,127,977	367,850
San Marino	4,412,045	3,872,802	539,243
Ventura	6,594,958	5,375,379	1,219,579
Warring	259,546	305,310	(45,764)

3

*Non-Revenue Water*

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Non-revenue water is the difference between water produced by the utility and water recorded for sales/billed to customers.<sup>27</sup> Cal Am forecasted the non-

5

revenue amounts for TY 2024 by using a five-year average of recorded years

6

(2017-2021).<sup>28</sup> Using a five-year average estimate is reasonable for most districts.

7

8

However, a two-year average of recorded years (2020-2021) is more indicative of

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9

the current trend for the Larkfield district. Due to lack of historical data for the

9

10

Bass Lake and Warring service areas, the Northern Division non-revenue water

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<sup>27</sup> American Water Works Association (AWWA), 2012, <https://www.awwa.org/Portals/0/AWWA/ETS/Resources/WLCwater-loss-control-terms-defined-awwa-updated.pdf?ver=2014-12-30-084848-790>, accessed on October 20, 2022.

<sup>28</sup> RO Model file “All\_CH03\_REV\_RO\_Water Production,” tab “Projected Wtr Prod WS-04.”

1 average should be used for Bass Lake and the Southern Division non-revenue  
 2 water average should be used for Warring since these acquisitions are planned to  
 3 be incorporated into those respective divisions.<sup>29</sup> <sup>30</sup> <sup>31</sup> The differences in non-  
 4 revenue water ratios for the other districts result from differences in total water  
 5 production for TY 2024.

6 **Table 1-11: Central Division Non-Revenue Water Percentages**

District	Cal Adv Recommended	Cal Am Requested	Cal Adv > Cal Am
Monterey Main	6.56%	6.79%	-0.23%
Central Satellites	15.31%	15.41%	-0.10%
Monterey Chualar	12.56%	12.56%	0.00%

7 **Table 1-12: Northern Division Non-Revenue Water Percentages**

District	Cal Adv Recommended	Cal Am Requested	Cal Adv > Cal Am
Sacramento	9.20%	10.04%	-0.84%
Larkfield	11.96%	21.54%	-9.58%
Fruitridge	15.50%	27.03%	-11.52%
Bass Lake	12.60%	33.32%	20.72%

8 **Table 1-13: Southern Division Non-Revenue Water Percentages**

District	Cal Adv Recommended	Cal Am Requested	Cal Adv > Cal Am
Baldwin Hills	10.73%	11.73%	-1.00%
Bellflower	4.48%	4.48%	0.00%
Duarte	13.96%	15.87%	-1.90%
East Pasadena	5.36%	5.36%	0.00%
San Diego	8.12%	8.84%	-0.72%
San Marino	9.68%	11.03%	-1.35%

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<sup>29</sup> Pourtaherian Direct Testimony at 8:19-20.

<sup>30</sup> RO Model file “All\_CH03\_REV\_RO\_Water Production,” tab “Projected Wtr Prod WS-04.”

<sup>31</sup> Pourtaherian Direct Testimony at 36:16-17.

Ventura	7.95%	9.75%	-1.80%
Warring	8.61%	22.31%	-13.70%

1           **D.     Other Revenues**

2           The Commission should adopt an ‘other revenues’ amount of \$1,600,414  
3           for TY 2024.<sup>32</sup> Other revenue sources include, but are not limited to, Method 5  
4           Revenues,<sup>33</sup> Contract Revenues, Antenna Leases, Miscellaneous Revenue, and  
5           Rents.

6           Other revenues should be estimated using best available data.<sup>34</sup> In general,  
7           a five-year average of recorded revenues utilizes the best available data, unless  
8           there is a compelling reason to utilize a different method. For all ‘other revenue’  
9           items except for antenna leases, however, Cal Am’s forecast is based on a two-  
10          year average to exclude impacts from the COVID pandemic.<sup>35</sup>

11          In forecasting other revenue, the Rate Case Plan states “Estimate other  
12          revenues using the best available data.”<sup>36</sup> In general, a five-year average of  
13          Method 5 revenues are forecast based on application of the tariffed gross-up factor  
14          applied to the forecasted applicable contributions and advances. The Commission  
15          should adopt Cal Advocates’ projected Method 5 revenues.<sup>37</sup>

16          Cal Am stated that antenna leases are forecasted based on the five-year  
17          average from 2017 through 2021 and all other items are forecasted based on the

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<sup>32</sup> Cal Am forecasts other revenues of \$860,802 for Test Year 2024 found in the “SD\_Revenues Othr Forcst” tab of RO Model file “All\_CH03\_REV\_RO\_Revenues.”

<sup>33</sup> D.87-09-026 requires Class A water utilities to use what is known as Method 5 to account for the applicable tax on contributions and advances. Under Method 5, the developer pays a gross-up related to the net over-time net present value cost difference between tax depreciation benefits and revenue requirements.

<sup>34</sup> D.07-05-062, p. A-23.

<sup>35</sup> Pourtaherian Direct Testimony at 14:6-11.

<sup>36</sup> D.07-05-062, p. A-23.

<sup>37</sup> RO Model file “All\_Ch03\_REV\_RO\_Revenues,” tab “Rec-Proj Revenues All WS-08.”

1 two-year average (2018 - 2019) as Cal Am did not charge late fees and was under  
2 a disconnection moratorium during 2020 and 2021 which would have reduced  
3 ‘other revenues’ in those years. Cal Am’s other revenues forecast also reflects  
4 Cal Am’s Special Request 20 proposal to eliminate late payment fees for  
5 residential customers.<sup>38</sup>

6 For miscellaneous service revenues, Cal Advocates recommends the  
7 unadjusted two-year average (2018 - 2019) for each service area to reflect the  
8 Special Request 20 recommendation found in Chapter 3 of this report, which Cal  
9 Advocates does not oppose.<sup>39</sup> Using the unadjusted two-year average for  
10 miscellaneous service revenues results in an increase of \$812,430 of forecasted  
11 Other Revenue for TY 2024. The Commission should adopt Cal Advocates’  
12 recommended estimates for other revenue.

13 **Table 1-14: Other Revenues Test Year 2024**

<b>Revenues</b>	<b>Cal Adv Recommended</b>	<b>Cal Am Requested</b>	<b>Cal Adv &gt; Cal Am</b>
Other Revenues	\$1,600,414	\$787,984	\$812,430

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<sup>38</sup> Pourtaherian Direct Testimony at 14:11-15.

<sup>39</sup> Cal Advocates Special Request 20 recommendation of not eliminating late payment fees for residential customers.

1           **E.     Monterey Non-Revenue Water Reward/Penalty Mechanism**

2           The Commission should discontinue Cal Am’s Monterey Non-Revenue  
3           Water Reward/Penalty Mechanism (“Monterey Non-Revenue Mechanism,” or  
4           “Mechanism”) because it is no longer necessary or effective as an incentive for  
5           reducing non-revenue water. Further, the Mechanism shifts risks of sales  
6           forecasting from Cal Am to ratepayers and can result in increased customer bills  
7           with decreased transparency.

8           In essence, the Mechanism is a water reward/penalty program that is  
9           calculated based on Cal Am’s most recent annual non-revenue water percentages  
10          and it was meant to counteract the negative effect that the WRAM could have on  
11          Cal Am's accountability for non-revenue water. The Monterey Non-Revenue  
12          Mechanism was established in Decision (D.) 09-07-021, along with the adoption  
13          of the Water Revenue Adjustment Mechanism (“WRAM”), for the Bishop,  
14          Hidden Hills, Monterey, and Ambler systems to provide Cal Am with strong  
15          financial incentives to reduce unaccounted-for water.<sup>40</sup> Because the WRAM  
16          would otherwise “fully insulate Cal Am from any financial consequences of  
17          unaccounted-for water,”<sup>41</sup> the Commission modified the Mechanism by including  
18          all districts within the Central Division and added a 5% deadband (the range  
19          through which an input can be varied without initiating an observable response).<sup>42</sup>  
20          To further moderate the effects of the Mechanism, the Commission also set a  
21          lower threshold of 5.0% for calculating rewards and an adopted upper threshold of  
22          7.0% for penalties.<sup>43</sup>

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<sup>40</sup> D.09-07-021, at 56-57.

<sup>41</sup> D.09-07-021, at 56-57 (noting that purpose of the Monterey Non-Revenue Mechanism is to counteract the negative WRAM effect of insulating Cal-Am from financial consequences of unaccounted-for water).

<sup>42</sup> D.12-06-016, at 27-29.

<sup>43</sup> D.18-12-021, at 58-61.

1           In its annual WRAM filing, Cal Am reports the difference between its  
2 systems' water production and billed water. To the extent this amount is less than  
3 the lower (reward) threshold, Cal Am earns a reward, which is included in the  
4 amount amortized to ratepayers as part of the WRAM Advice Letter filing. If the  
5 difference between production and billing is greater than the upper (penalty)  
6 threshold, then a similarly calculated penalty is offset against any amount to be  
7 collected under the WRAM.

8           The Commission should deny Cal Am's request to continue the Monterey  
9 Non-Revenue Mechanism for the following reasons:

10           **1. Non-Revenue Water Percentage is Lower Than**  
11           **When Mechanism Was Established and at Target**  
12           **Percentage Set by the Commission**

13           The Monterey County Main district provides 95% of the Central Division's  
14 total water production.<sup>44</sup> When the Commission established the Penalty/Reward  
15 Mechanism in D.09-07-021, the Monterey County Main district's non-revenue  
16 water was at 11.59%.<sup>45</sup> In Cal Am's current GRC application, the non-revenue  
17 water percentage for TY 2024 is 6.79% and the aggregate non-revenue water  
18 percentage for all districts in the Central Division is 7.19%.<sup>46</sup> D.18-12-021 set the  
19 non-revenue water percentage target at 7% for the Monterey service area. Non-  
20 revenue water percentages for Monterey Main and the Central Division in  
21 aggregate are lower than when the Mechanism was established, and are at the non-  
22 revenue water target percentage of 7.0% set by the Commission in D.18-12-021.<sup>47</sup>  
23 In addition, the Commission in 2009 authorized Cal Am to implement an annual

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<sup>44</sup> RO Model file "All\_Ch03\_REV\_RO\_Revenues," tab "Projected Wtr Prod WS-04."

<sup>45</sup> D.09-07-021, at 50.

<sup>46</sup> RO Model file "All\_Ch03\_REV\_RO\_Revenues," tab "Projected Wtr Prod WS-04."

<sup>47</sup> D.18-12-021, at 61.

1 meter replacement program to comply with GO 103 standards, as well as a  
2 supplemental program to eliminate the backlog in meter replacements,<sup>48</sup> that  
3 should also have reduced non-revenue water. Cal Am has completed those  
4 programs. Thus, the Monterey Non-Revenue Water Reward/Penalty Mechanism  
5 is not needed.

## 6 **2. Lack of Water Revenue Adjustment Mechanism**

7 As stated previously, the Commission allowed Cal Am to implement the  
8 Monterey Non-Revenue Water Reward/Penalty Mechanism to incentivize Cal Am  
9 to reduce unaccounted for water because the WRAM would otherwise fully  
10 protect Cal Am financially from any consequences of unaccounted for water (now  
11 non-revenue water). Without the WRAM, there is no longer the need for the  
12 Commission to maintain the Non-Revenue Mechanism. For Cal Advocates  
13 recommendation not to reinstitute the WRAM, please refer to the testimony of Cal  
14 Advocates' witness, Richard Rauschmeier.

## 15 **3. The Monterey Non-Revenue Mechanism is a Single-Issue** 16 **Ratemaking Mechanism Lacking Transparency**

17 There are several fundamental problems with Monterey Non-Revenue  
18 Water Reward/Penalty Mechanism. The Mechanism decreases the transparency of  
19 customer rates and bill impacts. The Mechanism allows utilities to implement  
20 automatic bill changes based solely upon a variance in non-revenue water  
21 forecasts.

22 The Mechanism is also an example of single-issue ratemaking. Single-  
23 issue ratemaking oversimplifies the rate calculation process by looking at a single  
24 component (in this case, the difference between water produced and water billed  
25 to customers) as the basis for recalculation of rates. Because the Mechanism  
26 allows for an increase in base rates outside of the GRC's normal forecasting

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<sup>48</sup> D.09-07-021, at 55.

1 process of all inputs necessary to calculate a reasonable shareholder return, it  
2 prevents the Commission from looking at other aspects of a utility’s operation  
3 (such as reduced spending or increased consumption), which may negate the need  
4 for the rate change indicated by looking at only non-revenue alone.

5 **4. The Monterey Non-Revenue Water Reward/Penalty Mechanism**  
6 **Shifts Forecasting Risks to the Ratepayers**

7 The Monterey Non-Revenue Water Reward/Penalty Mechanism penalizes  
8 ratepayers for any inaccurate water production and rewards Cal Am by allowing  
9 Cal Am to increase water rates between GRCs. The Commission has provided  
10 guidance that should result in more accurate forecasting.<sup>49 50</sup> Cal Am should  
11 follow this guidance to improve the accuracy of its sales forecasts. However, in  
12 any case, forecasting is a business risk that should be borne by the water utility,  
13 not the water customer.

14 The Commission should assert its role as a substitute for competition<sup>51</sup> by  
15 discontinuing the non-revenue Mechanism and making Cal Am accountable for  
16 inaccurate forecasting—a risk that a business operating in a competitive  
17 environment would assume.

18 **IV. CONCLUSION**

19 Based on Cal Advocates’ review and analysis, for TY 2024 the Commission  
20 should:

- 21 1. Adopt a projected total customer average of 197,725 and reject Cal Am’s  
22 estimated customer number of 195,317.

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<sup>49</sup> D.16-12-026, at 84.

<sup>50</sup> D.20-08-047, at 50-51.

<sup>51</sup> “Our objective through regulation is to act as a substitute for competition.” D.96-04-050 citing D.86-08-083.



- 1           2. Adopt a total water production of 41,885,739 CCF and reject Cal Am's
- 2           estimated total water production of 37,237,386 CCF.
- 3           3. Adopt an Other Revenues amount of \$1,600,414 and reject Cal Am's
- 4           estimated amount of \$787,984.
- 5           4. Discontinue Cal Am's Monterey Non-Revenue Water Reward/Penalty
- 6           Mechanism.

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8

1 **CHAPTER 2 Rate Design**

2 **I. INTRODUCTION**

3 A well-designed rate structure recovers authorized revenues and achieves state  
4 policy, including the promotion of conservation and the affordability and equity of water  
5 rates for all customers—especially lower and middle-income residents who are enrolled  
6 in the Customer Assistance Program (“CAP”).<sup>52</sup> This chapter presents Cal Advocates’  
7 analysis and recommendation for Cal Am’s rate design and CAP program.

8 **II. SUMMARY OF RECOMMENDATIONS**

9 The Commission should adopt the following recommendations concerning rate  
10 design and the CAP program:

- 11 • The ratio of recovering fixed costs from meter charges and fixed costs from  
12 quantity charges should be set at 40/60 for Monterey County Main and all  
13 service areas in the Northern Division, 50/50 for all service areas in the  
14 Southern Division, and 35/65 for the Central Satellites; and
- 15 • The meter service charge ratios from Standard Practice U-7-W for all  
16 service areas (except for the Monterey Main district where the ratios should  
17 be 50% of the remaining 50% gap from the ratio deviation approved by the  
18 Commission in D.16-12-003) and the meter charge amounts recommended  
19 in Attachment 2-1; and
- 20 • The monthly tier breakpoints for residential customers recommended in  
21 Attachment 2-2; and
- 22 • The standard quantity rate as the Tier 2 residential rate; and
- 23 • The quantity charge for all other Tiers as detailed in Attachments 2-5, 2-8,  
24 and 2-11; and

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<sup>52</sup> Cal Am’s CAP program was formerly known as the Low-Income Ratepayer Assistance (“LIRA”) program.

- For CAP customers, a 30% per month service charge discount for the Monterey service area and a 20% discount for all other service areas; and
- A monthly surcharge of \$2.79 for non-CAP customers to fund the CAP program.

### III. ANALYSIS

A well-constructed rate design aligns the costs of operating a water system equitably across the system's users. The following is Cal Advocates' analysis and corresponding recommendations of Cal Am's rate designs.

#### A. Revenue Recovery: Meter Charges vs. Quantity Charges

Cal Am currently collects 30% of its revenue requirements from meter charges (These meter monthly charges are also referred to as monthly, fixed, or willingness-to-serve charges) and 70% of revenue requirements from quantity charges from all service areas except for all districts in the Southern Division where it collects 20% from meter charges and 80% from quantity charges. In this GRC, except for the Central Satellite systems, Cal Am is proposing a rate design that collects 50% of its fixed costs from meter charges and 50% of the fixed cost and all variable costs from quantity charges.<sup>53</sup> For the Central Satellite systems in the Central Division, Cal Am proposes to collect 35% of its fixed costs from meter charges and 65% of the fixed cost from quantity charges.<sup>54</sup> These proposals equate to Cal Am collecting its revenue requirements through the percentage mix of meter charges and quantity charges as shown in Table 2-1.

The Commission's most recent guidance (D.16-12-026) on the percentage of all revenue that is reasonable to collect via fixed charges ordered Class A water

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<sup>53</sup> Pourtaherian Direct Testimony at 42:22-26.

<sup>54</sup> Cal Am considers all costs fixed except for private fire, purchased water, purchased power, chemical, and uncollectible costs.

1 utilities to consider a shift to more water rate collection to fixed charges, with a  
 2 floor of 40% and up to 50%.<sup>55</sup> In the same decision, the Commission also  
 3 indicated that service charges should increase in a gradual transition.<sup>56 57</sup> In  
 4 accordance with the fixed charge range recommended in D.16-12-026, the  
 5 Commission should adopt Cal Advocates’ TY 2024 rate design for Cal Am’s  
 6 Divisions and service areas as shown below in Table 2-1.

7 **Table 2-1: Revenue Recovery Charges<sup>58</sup>**

Division/ Service Area	Cal Advocates' Recommended		Cal Am Requested		Cal Am Present	
	Meter Revenue	Quantity Revenue	Meter Revenue	Quantity Revenue	Meter Revenue	Quantity Revenue
Sacramento	35%	65%	46%	54%	40%	60%
Larkfield	34%	66%	42%	58%	40%	60%
Meadowbrook	40%	60%	50%	50%	40%	60%
Central	35%	65%	48%	52%	30%	70%
Central Satellites	37%	63%	35%	65%	30%	70%
East Pasadena	38%	62%	29%	71%	40%	60%
Bellflower	39%	61%	42%	58%	40%	60%
Warring	39%	61%	40%	60%	40%	60%
Southern	22%	78%	28%	72%	20%	80%

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<sup>55</sup> D.16-12-026, *Decision Providing Guidance on Water Rate Structure and Tiered Rates* (December 1, 2016) at 8.

<sup>56</sup> D.16-12-026 at 55-56 (stating “Water utility fixed costs compromise about 70 percent of total costs. Fixed charges recover only about 30 percent of total revenue. This misalignment leads to economic inefficiencies. This proceeding will permit a gradual move towards a more balanced rate structure”).

<sup>57</sup> “We also agree with CWA that service charges should increase but in a gradual transition.” D.16-12-026, p.56.

<sup>58</sup> RO Model file “All\_CH10\_RD\_RO,” tab “Cost of Service WS-02.”

1       **B.     Meter Service Charge**

2               The Commission’s Standard Practice (SP) U-7-W for water utility rate  
3 design reflects industry standards pertaining to the setting of fixed rates for  
4 different sized water service connections.<sup>59</sup> Although the actual rates charged by a  
5 water utility may vary based on the cost of service, the ratio of any given meter  
6 charge to the smallest meter charge is defined by engineering calculations and  
7 does not vary per industry standards. As meter size increases, the proportional  
8 increase in charges recognizes the increased capabilities (and potential demands  
9 and therefore costs) of the service.

10              The following Tables compare Cal Am’s proposed meter charge ratios to  
11 industry standards, including those found in Commission Standard Practice U-7-  
12 W.

13                               **Table 2-2: Residential Meter Service Charge Ratios (except for the**  
14                               **Monterey Service Area)**

<b>Meter Size / Service Connection</b>	<b>Cal Am Current and Requested</b>	<b>Industry Standard &amp; CPUC SP U-7</b>
5/8"	1	1
0.75"	1.5	1.5
1"	2.5	2.5
1.5"	5	5
2"	8	8
3"	15	15
4"	25	25
6"	50	50
8"	80	80
10"	115	115

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<sup>59</sup> Standard Practice U-7-W, para.7.

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**Table 2-3: Residential Meter Service Charge Ratios for the Monterey Service Area**

<b>Meter Size / Service Connection</b>	<b>Cal Am Current</b>	<b>Cal Am Requested</b>	<b>Industry Standard &amp; CPUC SP U-7</b>
5/8"	1	1	1
0.75"	1.63	1.6	1.5
1"	3	2.8	2.5
1.5"	7.99	6.5	5
2"	13.36	10.7	8
3"	25.05	20.0	15
4"	43.22	34.1	25
6"	90.82	70.4	50
8"	145.31	112.7	80
10"	115	115	115

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**Table 2-4: Non-Residential Meter Service Charge Ratios**

<b>Meter Size / Service Connection</b>	<b>Cal Am Current</b>	<b>Cal Am Requested</b>	<b>Industry Standard &amp; CPUC SP U-7</b>
5/8"	1	1.5	1
0.75"	1.5	2.3	1.5
1"	2.5	3.8	2.5
1.5"	5	7.5	5
2"	8	12.0	8
3"	15	22.5	15
4"	25	37.5	25
6"	50	75.0	50
8"	80	120.0	80
10"	115	172.5	115

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**Figure 2-1: AWWA Meter Ratios**

Meter Capacity & Factors   Based on Industry Standards	Meter Size	Meter Capacity (gpm)*	Factor based on 5/8" Meter
	5/8 inch	20	(20/20) = 1.0
	3/4 inch	30	(30/20) = 1.50
	1 inch	50	(50/20) = 2.50
	1-1/2 inch	100	(100/20) = 5.0
	2 inch	160	(160/20) = 8.0
	3 inch	300	(300/20) = 15.0
	4 inch	500	(500/20) = 25.0
	6 inch	1,000	(1000/20) = 50.0
	8 inch	1,600	(1600/20) = 80.0
	10 inch	2,300	(2300/20) = 115.0

\*AWWA Manual M6 and Manual M1; WEF Manual of Practice 27. Maximum safe operating capacity. Values depend on type of meter.

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Cal Am’s proposed meter service charge ratios for Monterey Service Area residential customers and for all Cal Am non-residential customers deviate from the Commission’s Standard Practice U-7-W guidance for meter ratios and from industry standard meter charge ratios.

In D.16-12-003, the Commission authorized Cal Am to alter the standard meter ratios for residential customers in the Monterey Service Area. D.21-11-024 approved Cal Am’s proposal to close the gap by 50% between the ratios that were in place and used to develop the meters rates and standard residential meter ratios. Cal Am proposes in this GRC to close the gap by 50% of the remaining 50% gap in this GRC and will consider whether to remove the remaining 25% gap in the subsequent GRC. Lowering the meter charge ratios closer to industry standards, thus lowering the meter charges for the Monterey Service Area customers is reasonable. Table 2-5 provides a comparison of standard and historical meter service charge ratios with Cal Am’s proposed ratios for TY 2024.

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**Table 2-5: Monterey Service Area Historical Residential Meter Service Charge Ratios**

Meter Size / Service Connection	Industry Standard & CPUC SP U-7	D.16-12-003 Ratio	D.21-11-018 Ratio	Cal Am TY 2024 Ratio
5/8"	1	1	1	1
0.75"	1.5	1.8	1.63	1.57

1"	2.5	3.5	3	2.75
1.5"	5	11	7.99	6.50
2"	8	18.7	13.36	10.68
3"	15	35.1	25.05	20.03
4"	25	61.4	43.22	34.11
6"	50	131.6	90.82	70.41
8"	80	210.6	145.31	112.66
10"	115	115	115	115

1 Cal Am proposes to set monthly meter-based service fees in all systems  
2 50% higher for non-residential customers than for residential.<sup>60</sup> Cal Am states that  
3 the purpose of this proposal is to offset the impact of recovering more of the  
4 overall revenue requirement for fixed monthly fees.<sup>61 62</sup> Cal Am’s request results  
5 in an increase of revenue to be recovered from meter charges for non-residential  
6 customers. It is not necessary to change the meter charge ratios for non-residential  
7 customers to compensate for the change in revenue recovery. The rate design  
8 described in the subsequent section accomplishes this without departing from  
9 industry standards. Additionally, SP U-7-W explicitly indicates that the industry  
10 standard meter ratios should be used by all classes of service.<sup>63</sup> As previously  
11 shown, Table 2-4 compares Cal Am’s current and requested meter service charge  
12 ratios with the industry standards adopted in SP U-7-W.

13 Accordingly, the Commission should deny Cal Am’s request to deviate  
14 from industry standard non-residential meter charge ratios because Cal Advocates’  
15 proposed rate design compensates for the impact of the change in revenue  
16 recovery. The tables in Attachment 2-1 show a comparison of Cal Am’s current

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<sup>60</sup> Pourtaherian Direct Testimony at 45:23-25.

<sup>61</sup> Pourtaherian Direct Testimony at 45.

<sup>62</sup> Linam Direct Testimony CAW 2022 GRC Final App, pages 17-18.

<sup>63</sup> Standard Practice U-7-W references each class of utility fixed charges in section C.11.

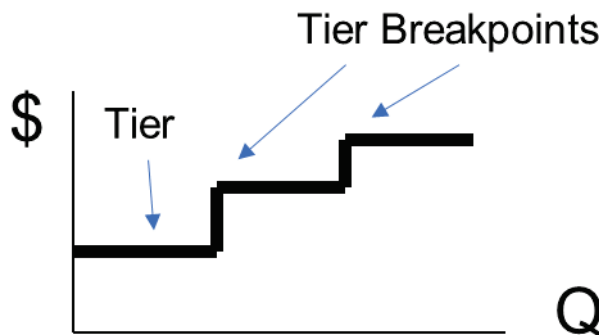


1 monthly meter charges, proposed monthly meter charges for TY 2024, and Cal  
2 Advocates' recommended monthly meter charges for TY 2024.<sup>64</sup>

### 3 C. Residential Customer Rate Design

4 The residential customer class comprises about 90% of all Cal Am  
5 customers and has conservation increasing block rate designs comprised of two,  
6 three or four tiers. The focus of this report is on developing revenue neutral rate  
7 designs,<sup>65</sup> including residential tier rates, based on the actual water consumption  
8 patterns of the last recorded twelve months (July 2021 to June 2022), the 6 ccfs  
9 per month that the Commission has established as the necessary quantity for basic  
10 service. Cal Am based its rate design on four years of customer-level single  
11 family monthly billing data spanning 2015-2018.<sup>66</sup>

12 **Figure 2-2: Example of Three Tier Increasing Block Rate Design**



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<sup>64</sup> Includes the 2023 Escalation Year Step Increase and the Annual Consumption Adjustment Mechanism (ACAM) rates. Cal Advocates' recommended monthly meter charges are based on the Commission's Standard Practice U-7-W.

<sup>65</sup> Revenue neutral rate design is achieved when the utility collects the same amount of revenue with multiple quantity rates as it would collect under a single quantity rate, as indicated in the sales forecast.

<sup>66</sup> Pourtaherian Direct Testimony at 37; Mitchell Direct Testimony, Attachment 3, at 3.

1                   **1. Tier Break Points**

2                   To develop the tier breakpoints per service area, the percentage of all  
3 residential customers that used 6 CCF of water per month or less was  
4 calculated and then the percentages for subsequent tiers based on the last  
5 recorded twelve months of water usage (July 2021 to June 2022) is  
6 determined.<sup>67</sup>

7                   Cal Am’s proposed tier breakpoints do not conform to the  
8 Commission’s guidance on the necessary water quantity for basic service,  
9 nor do they reflect a reasonable distribution of anticipated water usage  
10 across tiers.<sup>68</sup>

11                  The tables in Attachment 2-2 are comparisons of Cal Advocates’  
12 recommended and Cal Am’s proposed monthly tier breakpoints and water  
13 consumption ratios per tier.

14                   **2. Tier Rates**

15                  Cal Am assigns a percentage of the standard quantity rate (“SQR”)  
16 for each tier in its rate design. The SQR is the average rate necessary to  
17 collect the estimated volumetric revenue. It is calculated simply as the  
18 amount of volumetric revenue to be collected, divided by the total  
19 estimated consumption. Analysis of each service area is detailed below.

20                   **a. Northern Division**

21                  Cal Am’s assigned percentages of the SQR for each tier in the  
22 Northern Division rate designs are shown below in Table 2-6:

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<sup>67</sup> Analysis of Cal Am’s monthly residential usage data provided by Cal Am in response to Cal Advocates’ data request HMC-001.

<sup>68</sup> D.20-07-032, at.22, setting essential water service at 600 cubic feet per household per month.

1 **Table 2-6: Northern Division Rate Percentage of SQR**

Tier	Sacramento	Larkfield	Meadowbrook	Fruitridge
1	82%	96%	75%	68%
2	121%	100%	100%	100%
3	155%	115%	111%	128%
4	170%	119%		140%

2  
3 The tables in Attachment 2-3 for Cal Am’s Northern Division show  
4 the results of Cal Am’s proposed rate design but using the actual water  
5 consumption patterns of the last recorded twelve months (July 2021 to June  
6 2022).<sup>69</sup>

7 The result of Cal Am’s proposed rate design is an undercollection  
8 for the service areas in the Northern Division. Combining these  
9 undercollected volumetric revenues with the proposed meter charges, Cal  
10 Am’s proposed rate design will collect, per CCF, \$0.0020 less for  
11 Sacramento, \$0.0591 less for Larkfield, \$0.0139 less for Meadowbrook,  
12 and \$0.0020 less for Fruitridge than the estimated total revenue requirement  
13 allocated to residential customers.

14 **Table 2-7: Northern Division Over/Under Collection (using**  
15 **application amounts)**

Service Area	Per Ccf Over/Under Collection
Sacramento	(\$0.0020)
Larkfield	(\$0.0591)
Meadowbrook	(\$0.0139)
Fruitridge	(\$0.0020)

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<sup>69</sup> It is important to note that while total consumption might fluctuate from year to year, the distribution pattern of usage is relatively stable.

1 To achieve revenue neutrality with Cal Am’s proposed SQRs for  
 2 each service area in the Northern Division, the Commission should adopt  
 3 the following parameters to maintain revenue neutrality.

4 **Table 2-8: Cal Advocates Proposed Rate Structure per Tier**

<b>Tier</b>	<b>Sacramento, Fruitridge</b>	<b>Larkfield</b>	<b>Meadowbrook</b>
Tier 1	65% of SQR	85% of SQR	75% of SQR
Tier 2	SQR	SQR	SQR
Tier 3	214%	115% of SQR	155%
Tier 4		191%	

5 The tables in Attachment 2-4 show Cal Advocates’ recommended  
 6 TY 2024 rate design using Cal Am’s proposed SQR (based on Cal Am’s  
 7 proposed revenue requirement, consumption forecast, 50% fixed meter  
 8 charge revenue recovery, etc.) and the actual water consumption patterns of  
 9 the last recorded twelve months. The results confirm revenue neutrality  
 10 since the total rate of the recommended rate design is equivalent to the  
 11 SQR.

12 As shown in Table 2-9 below, Cal Advocates’ recommended rate  
 13 design achieves revenue neutrality and results in rate decreases for all  
 14 Northern Division service areas for TY 2024 compared to the average  
 15 monthly residential customer bill using the application amounts.

16 **Table 2-9: Northern Division Average Monthly Bill Comparison (using application amounts)**

<b>Service Area</b>	<b>Average Monthly Residential Customer Usage</b>	<b>At Cal Adv Recommended Rates</b>	<b>At Cal Am Requested Rates</b>	<b>Cal Adv &lt; Cal Am % Change</b>
Sacramento	8.91 ccf	\$57.64	\$55.55	-3.6%
Larkfield	6.52 ccf	\$65.08	\$60.50	-7.0%
Meadowbrook	14.33 ccf	\$51.59	\$49.84	-3.4%

Fruitridge	14.81 ccf	\$85.92	\$80.35	-6.5%
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\*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

1                    Using Cal Advocates’ recommended revenue requirement and the  
2                    actual water consumption patterns of the last recorded twelve months (July  
3                    2021 to June 2022). The tables in Attachment 2-5 show the proposed TY  
4                    2024 revenue neutral residential rate designs.

5                    Cal Advocates’ proposed revenue neutral rate designs, based on Cal  
6                    Advocates’ recommended revenue requirements results in the following bill  
7                    decreases for Test Year 2024 compared to the average monthly residential  
8                    customer bill using the application amounts and excluding applicable  
9                    surcharges and CPUC fees.

10                    **Table 2-10: Northern Division Average Monthly Bill Comparison**

Service Area	Average Monthly Residential Customer Usage	At Cal Adv Recommended Rates	At Cal Am Requested Rates	Cal Adv < Cal Am % Change
Sacramento	8.91 ccf	\$57.64	\$44.38	-23.0%
Larkfield	6.52 ccf	\$65.08	\$61.23	-5.9%
Meadowbrook	14.33 ccf	\$51.59	\$37.52	-27.3%
Fruitridge	14.81 ccf	\$85.92	\$63.93	-25.6%

\*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

11                    *Bass Lake Acquisition in the Northern District*<sup>70</sup>

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<sup>70</sup> A.22-03-002, *Proposed Decision Authorizing the Purchase of Water Utility Assets By California-American Water Company* (February 17, 2023) (proposing approval of Cal Am’s acquisition of the Bass Lake system).

1 Cal Am proposes to increase the present rates for the Bass Lake  
2 system by the CPI inflation rate of 8.3%.<sup>71</sup> Cal Am justifies its proposal by  
3 claiming that there is no information available to determine the actual cost  
4 of service for Bass Lake.<sup>72</sup> The Commission should allow the present rates  
5 in the Bass Lake system to increase but by the current CPI inflation rate of  
6 6.0%.<sup>73</sup>

7 **b. Central Division**

8 Table 2-11 shows Cal Am’s assigned percentages of the SQR for  
9 each tier in the Central Division:

10 **Table 2-11: Central Division Rate Percentage of SQR**

<b>Tier</b>	<b>Monterey Single Fam</b>	<b>Monterey Multi-Fam</b>	<b>Central Satellites</b>
1	150%	100%	83%
2	300%	200%	100%
3	450%	450%	134%
4	625%	625%	158%

11 Within the Monterey Main district, Cal Am established separate  
12 SQRs for the Single Family Residential and Multi-Family Residential  
13 customer classes.<sup>74</sup> Cal Am then added a single flat surcharge to ratepayers  
14 for each unit of water used to recover Pure Water Monterey costs.<sup>75</sup> A

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<sup>71</sup> Pourtaherian Testimony at 51:4-7; A.22-03-002 at 2-3, 17-18.

<sup>72</sup> Pourtaherian Testimony at 51:

<sup>73</sup> Economic News Release Consumer Price Index Summary, U.S. Bureau of Labor Statistics, 3/14/23, <https://www.bls.gov/news.release/cpi.nr0.htm>, accessed on March 20, 2023; Consumer Price Index Historical Tables for U.S. City Average, U.S. Bureau of Labor Statistics, [https://www.bls.gov/regions/mid-atlantic/data/consumerpriceindexhistorical\\_us\\_table.htm](https://www.bls.gov/regions/mid-atlantic/data/consumerpriceindexhistorical_us_table.htm), accessed March 20, 2023.

<sup>74</sup> Workpaper All\_CH10\_RPT\_MOC, tab Monterey County RD.

<sup>75</sup> Pourtaherian Direct Testimony at 43:25-27; Pure Water Monterey is a water recycling project, jointly

1 more accurate, revenue neutral determination of SQRs for Monterey Main’s  
2 Single Family Residential and Multi-Family Residential customer classes  
3 results from including the Pure Water Monterey surcharge into the SQR  
4 calculation. The tables in Attachment 2-6 for Cal Am’s Central Division  
5 show the results of Cal Am’s proposed rate design but using the actual  
6 water consumption patterns of the last recorded twelve months (July 2021  
7 to June 2022) and the revenue neutral SQRs for Monterey Main’s Single  
8 Family Residential and Multi-Family Residential customer classes. The  
9 rates for the Central Satellites also include the Chualar service area (the  
10 Chualar district has a single flat rate for the residential customer class.)<sup>76 77</sup>

11 The results of Cal Am’s proposed rate design in the Central Division  
12 are an overcollection of approximately 76% more than the necessary  
13 volumetric revenue for Monterey Single Family, and an overcollection of  
14 approximately 55% and 4% more than necessary volumetric revenue for  
15 Monterey Multi-Family and Central Satellites, respectively. Combining  
16 these overcollected volumetric revenues with the proposed meter charges,  
17 Cal Am’s proposed rate design will collect, per CCF, \$5.5624 more for  
18 Monterey Single Family, \$5.8375 more for Monterey Multi-Family and  
19 \$0.3326 more for Central Satellites than the estimated total revenue  
20 requirement allocated to residential customers, as shown in Table 2-12:

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developed by two public agencies – Monterey Peninsula Water Management District and the Monterey One Water.

<sup>76</sup> Pourtaherian Direct Testimony at 43:19-20.

<sup>77</sup> RO Model file “All\_CH10\_RD\_RO,” tab “CHLR\_RD.”

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2

**Table 2-12: Central Division Over/Under Collection (using application amounts)**

<b>Service Area</b>	<b>Per Ccf Over/Under Collection</b>
Monterey Single Fam	\$5.5624
Monterey Multi-Fam	\$5.8375
Central Satellites	\$0.3326

3  
4  
5

To achieve revenue neutrality with Cal Am’s application revenue neutral SQRs for each service area in the Central Division, the Commission should adopt the rate structure parameters as shown in Table 2-13.

6

**Table 2-13: Cal Advocates Proposed Rate Structure per Tier**

<b>Tier</b>	<b>Monterey Single Family</b>	<b>Monterey Multi-Family</b>	<b>Central Satellites</b>
Tier 1	85% of SQR	85% of SQR	65% of SQR
Tier 2	SQR	SQR	SQR
Tier 3	115% of SQR	115% of SQR	135% of SQR
Tier 4	320%	468%	201%

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The tables in Attachment 2-7 show Cal Advocates’ proposed TY 2024 rate design using Cal Am’s application revenue neutral SQRs (based on Cal Am’s proposed revenue requirement, consumption forecast, 50% fixed meter charge revenue recovery for Monterey Main and 35% for the Central Satellites, etc.) and the actual water consumption patterns of the last recorded twelve months. The results confirm revenue neutrality since the total rate of Cal Advocates’ recommended rate design is equivalent to the true SQR.

15  
16  
17

As shown in Table 2-14 below, Cal Advocates’ recommended rate design achieves revenue neutrality and results in rate decreases for the Monterey Single Family customer class, the Monterey Multi-Family



customer class and the Central Satellites for TY 2024 compared to the average monthly residential customer bill using the application amounts. The rate decreases for the Monterey Single Family customer class and the Monterey Multi-Family customer class result from the large overcollections generated by Cal Am’s proposed rate designs.

**Table 2-14: Central Division Average Monthly Bill Comparison (using application amounts)**

Service Area	Average Monthly Residential Customer Usage	At Cal Adv Recommended Rates	At Cal Am Requested Rates <sup>78</sup>	Cal Adv < AVR % Change
Monterey Single Family	4.75 ccf	\$75.02	\$93.23	-19.5%
Monterey Multi-Family	22.17 ccf	\$289.05	\$920.32	-68.6%
Central Satellites	8.19 ccf	\$74.15	\$80.61	-8.0%

\*Based on a residential customer with 5/8 x 3/4" meter size.  
Excludes applicable surcharges and PUC fees.

Using the Cal Advocates’ recommended revenue requirement and the actual water consumption patterns of the last recorded twelve months (July 2021 to June 2022), the tables in Attachment 2-8 show Cal Advocates’ recommended TY 2024 revenue neutral residential rate designs.

Cal Advocates’ proposed revenue neutral rate designs, based on Cal Advocates’ recommended revenue requirements results in two bill decreases and a minor increase for TY 2024 compared to the average monthly residential customer bill using the application amounts and excluding applicable surcharges and CPUC fees.

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<sup>78</sup> RO Model file “All\_CH10\_RD\_RO.”

1 **Table 2-15: Central Division Average Monthly Bill Comparison**

Service Area	Average Monthly Residential Customer Usage	At Cal Adv Recommended Rates	At Cal Am Requested Rates	Cal Adv < Cal Am % Change
Monterey Single Family	4.75 ccf	\$96.47	\$93.23	3.5%
Monterey Multi-Family	22.17 ccf	\$338.77	\$920.32	-63.2%
Central Satellites	8.19 ccf	\$73.83	\$80.61	-8.4%

\*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

2 Cal Am is requesting to increase the present rate revenues for the  
 3 Central Satellites and Chualar districts by the inflation rate of 8.3% to  
 4 calculate the requested revenue requirement. The calculated requested  
 5 revenue was set by Cal Am as the revenue requirement for the rate design  
 6 model to determine their requested rates.<sup>79</sup>

7 The revenue requirement for the Central Satellites and Chualar  
 8 districts has historically been calculated by applying the lower of the  
 9 overall Monterey County District revenue requirement increase, or  
 10 inflation.<sup>80</sup> Thus, the Commission should allow the present rates in the  
 11 Central Satellites and Chualar districts to increase but by the current CPI  
 12 inflation rate of 6.0%, which is the lower, to calculate the recommended  
 13 rates found in Attachment 2-7.<sup>81</sup>

14 **c. Southern Division**

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<sup>79</sup> Pourtaherian Direct Testimony at 46:12-14.

<sup>80</sup> Pourtaherian Direct Testimony CAW 2019 GRC Final App, page 47.

<sup>81</sup> Economic News Release Consumer Price Index Summary, U.S. Bureau of Labor Statistics, 3/14/23, <https://www.bls.gov/news.release/cpi.nr0.htm>, accessed on March 20, 2023.

1 Cal Am includes the purchased water retained in the Baldwin Hills,  
 2 San Diego and Ventura districts (which are part of the Southern district) in  
 3 these district's SQR development.<sup>82</sup> Cal Am's assigned percentages of the  
 4 SQR for each tier in the Southern Division rate designs are shown the table  
 5 below:

6 **Table 2-16: Southern Division Rate Percentage of SQR**

Tier	Southern	Bellflower	East Pasadena	Warring
1	88%	95%	90%	95%
2	105%	100%	115%	177%
3	120%	119%	129%	
4	141%			

7 The tables in Attachment 2-9 for Cal Am's Southern Division show  
 8 the results of Cal Am's proposed rate design but using the actual water  
 9 consumption patterns of the last recorded twelve months (July 2021 to June  
 10 2022).

11 The results of Cal Am's proposed rate design are several  
 12 overcollections and one undercollection for the service areas in the  
 13 Southern Division. Combining the overcollected and the undercollected  
 14 volumetric revenues with the proposed meter charges, Cal Am's proposed  
 15 rate design will differ from the estimated total revenue requirement  
 16 allocated to residential customers by the per-CCF amounts shown in the  
 17 following table:

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<sup>82</sup> Workpaper All\_CH10\_RD\_RO, tab Rate Design WS-04.

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**Table 2-17: Southern Division Over/Under Collection (using application amounts)**

<b>Service Area</b>	<b>Per Ccf Over/Under Collection</b>
Baldwin Hills	\$0.1068
Duarte	\$0.1022
San Diego	\$0.1459
San Marino	\$0.1022
Ventura	\$0.1226
Bellflower	(\$0.0050)
East Pasadena	\$0.0431
Warring	\$0.0568

3  
4  
5

To achieve revenue neutrality with Cal Am’s proposed SQRs for each service area in the Southern Division, the Commission should adopt the rate structure parameters as shown in the following table:

6

**Table 2-18: Cal Advocates Proposed Rate Structure per Tier**

<b>Tier</b>	<b>Baldwin Hills, Duarte, San Diego, San Marino, Ventura</b>	<b>Bellflower</b>	<b>East Pasadena</b>	<b>Warring</b>
Tier 1	75% of SQR	80% of SQR	75% of SQR	75% of SQR
Tier 2	SQR	SQR	SQR	SQR
Tier 3	125% of SQR	120%	130%	203%
Tier 4	176%			

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The tables in Attachment 2-10 show Cal Advocates’ TY 2024 proposed rate designs using Cal Am’s proposed SQR (based on Cal Am’s proposed revenue requirement, consumption forecast, 50% fixed meter charge revenue recovery, etc.) and the actual water consumption patterns of the last recorded twelve months. The results confirm revenue neutrality since the total rate of the recommended rate designs is equivalent to the SQR.

As shown in the table below, Cal Advocates’ recommended rate design achieves revenue neutrality and results in rate decreases for all the Southern Divisions service areas for TY 2024 compared to the average monthly residential customer bill using the application.

**Table 2-19: Southern Division Average Monthly Bill Comparison (using application amounts)**

Service Area	Average Monthly Residential Customer Usage	At Cal Adv Recommended Rates	At Cal Am Requested Rates	Cal Adv < Cal Am % Change
Baldwin Hills	11.35 ccf	\$77.72	\$80.65	-3.6%
Duarte	12.92 ccf	\$79.89	\$82.37	-3.0%
San Diego	7.72 ccf	\$69.89	\$74.43	-6.1%
San Marino	15.99 ccf	\$100.98	\$103.37	-2.3%
Ventura	13.58 ccf	\$100.97	\$103.06	-2.0%
Bellflower	11.44 ccf	\$53.67	\$55.62	-3.5%
East Pasadena	12.41 ccf	\$54.72	\$55.67	-1.7%
Warring	26.88 ccf	\$85.81	\$86.15	-0.4%

\*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

Using Cal Advocates’ recommended revenue requirement and the actual water consumption patterns of the last recorded twelve months (July 2021 to June 2022), the tables in Attachment 2-11 show Cal Advocates’ proposed TY 2024 revenue neutral residential rate design.

Cal Advocates’ recommended revenue neutral rate designs, based on Cal Advocates’ recommended revenue requirements results in the following bill decreases for Test Year 2024 compared to the average monthly residential customer bill using the application amounts and excluding applicable surcharges and CPUC fees.

1

**Table 2-20: Southern Division Average Monthly Bill Comparison**

Service Area	Average Monthly Residential Customer Usage	At Cal Adv Recommended Rates	At Cal Am Requested Rates	Cal Adv < Cal Am % Change
Baldwin Hills	11.35 ccf	\$69.42	\$80.65	-13.9%
Duarte	12.92 ccf	\$74.27	\$82.37	-13.1%
San Diego	7.72 ccf	\$65.12	\$74.43	-12.5%
San Marino	15.99 ccf	\$88.71	\$103.37	-14.2%
Ventura	13.58 ccf	\$91.17	\$103.06	-11.5%
Bellflower	11.44 ccf	\$47.57	\$55.62	-14.5%
East Pasadena	12.41 ccf	\$48.51	\$55.67	-12.9%
Warring	16.78 ccf	\$70.20	\$86.15	-18.5%

\*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

2                                    Cal Advocates’ recommended tiered rate designs are more equitable,  
3                                    provide needed relief to residential customers, maintains intended  
4                                    conservation signals and rate neutrality as opposed to Cal Am’s proposed  
5                                    rate designs.

**3. Customer Assistance Program**

6                                    Cal Am’s Customer Assistance Program (“CAP”) has 22,938  
7                                    participants as of June 2022.<sup>83</sup> For qualifying customers, the CAP provides  
8                                    a 20% per month discount on meter charges and Tier 1 and 2 volumetric  
9                                    charges in all service areas except for the Monterey Main district.<sup>84</sup> For  
10                                    Monterey, the discount is 30% and applies to rate tiers 1 through 3 to  
11                                    account for Monterey’s unique steeply inclining conservation rate design.<sup>85</sup>  
12

<sup>83</sup> A.22-07-001, Cal Am Response to Public Advocates Data Request HMC-001 (Cal Am Response-Cal Advocates DR HMC-001) at Q.4a, Attachment 9.

<sup>84</sup> Direct Testimony of Patrick Pilz (Pilz Direct Testimony) at 11:15-18.

<sup>85</sup> Pourtaherian Direct Testimony at 42:9-14; Linam Direct Testimony at 8:9-15; Pilz Direct Testimony at

1 CAP is currently funded by a \$1.30 per month surcharge applicable  
2 to all non-CAP customers.<sup>86</sup> Cal Am proposes to increase the discount to  
3 25% in all service areas except for Monterey, and to 35% for qualifying  
4 customers in the Monterey service area.<sup>87</sup> Considering the current state of  
5 the economy, this would provide needed relief to low-income customers.<sup>88</sup>  
6 89 90

7 **Table 2-21: CAP Discount**

Average Monthly Bill
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11:15-18.

<sup>86</sup> Cal Am Response-Cal Advocates DR HMC-001 at Q.4c.

<sup>87</sup> Pourtaherian Direct Testimony, at 42:11-14; Linam Direct Testimony, at 8:13-15

<sup>88</sup> Economic News Release Consumer Price Index Summary, U.S. Bureau of Labor Statistics, 3/14/23, <https://www.bls.gov/news.release/cpi.nr0.htm>, accessed on March 20, 2023; Consumer Price Index Historical Tables for U.S. City Average, U.S. Bureau of Labor Statistics, [https://www.bls.gov/regions/mid-atlantic/data/consumerpriceindexhistorical\\_us\\_table.htm](https://www.bls.gov/regions/mid-atlantic/data/consumerpriceindexhistorical_us_table.htm), accessed March 20, 2023.

<sup>89</sup> CalMatters, Is California’s economy headed for recession?, 10/2/22, <https://calmatters.org/commentary/2022/10/is-californias-economy-headed-for-recession/>, accessed on October 20, 2022; Forbes, Inflation vs. Recession, 8/30/22, <https://www.forbes.com/advisor/investing/inflation-vs-recession/#:~:text=High%20inflation%20rates%20can%20indicate,could%20help%20trigger%20a%20recession,> accessed on October 20, 2022; U.S. News & World Report, Leading Indicators Fall Again in February, Signaling Recession on the Horizon, 3/17/23, <https://www.usnews.com/news/economy/articles/2023-03-17/leading-indicators-fall-again-in-february-signaling-recession-on-the-horizon>, accessed on March 20, 2023; Markets Insider, Here's why the Silicon Valley Bank crash has made a recession much more likely in 2023, 3/19/23, <https://markets.businessinsider.com/news/stocks/silicon-valley-bank-crisis-recession-economy-interest-rates-fed-inflation-2023-3>, accessed on March 20, 2023.

<sup>90</sup> Insight Global, These Companies Are Preparing for a Recession with Layoffs & Hiring Freezes , 8/30/22 and updated 10/17/22, <https://insightglobal.com/blog/corporate-layoffs-hiring-freezes-2022-recession/#:~:text=The%20high%20likelihood%20of%20recession,limited%20to%20the%20financial%20sector,> accessed October 20, 2022; NBC Bay Area, Google, Meta, Amazon and Other Tech Companies Have Laid Off More Than 104,000 Employees in the Last Year, 1/18/23, <https://www.nbcbayarea.com/news/business/money-report/microsoft-amazon-and-other-tech-companies-have-laid-off-more-than-60000-employees-in-the-last-year/3132781/>, accessed on March 20, 2023; Forbes, Jobless Claims Unexpectedly Rise To 2023 High As Fed Hikes Threaten New Waves Of Layoffs, 3/9/23, <https://www.forbes.com/sites/jonathanponciano/2023/03/09/jobless-claims-unexpectedly-rise-to-2023-high-as-fed-hikes-threaten-new-waves-of-layoffs/?sh=6f93a908418e>, accessed March 20, 2023.

<b>CAP Discount</b>			
<b>Northern Division</b>	<b>Present</b>	<b>Requested</b>	<b>Increase</b>
Sacramento	\$10.28	\$14.95	\$4.66
Larkfield	\$11.59	\$15.48	\$3.90
Fruitridge	\$11.74	\$16.46	\$4.72
Meadowbrook	\$6.69	\$10.30	\$3.60
<b>Central Division</b>	<b>Present</b>	<b>Requested</b>	<b>Increase</b>
Monterey Single Family	\$20.00	\$26.42	\$6.43
Central Satellites	\$11.83	\$18.19	\$6.37
<b>Southern Division</b>	<b>Present</b>	<b>Requested</b>	<b>Increase</b>
San Marino	\$11.01	\$18.27	\$7.26
Duarte	\$10.63	\$17.65	\$7.02
Baldwin Hills	\$11.45	\$18.11	\$6.67
East Pasadena	\$11.17	\$15.05	\$3.88
San Diego	\$12.40	\$18.03	\$5.63
Ventura	\$12.44	\$19.85	\$7.41

1                   Consequently, Cal Am also proposes to increase the per month  
2 surcharge for non-CAP customers, which is forecast by Cal Am to be \$2.95  
3 in Test Year 2024.<sup>21</sup>

4                   **Table 2-22: CAP Surcharge**

<b>Non-CAP Surcharge</b>			
<b>District</b>	<b>Present</b>	<b>Requested</b>	<b>Increase</b>
All Districts	\$1.30	\$2.95	\$1.65

5                   The Commission should allow increasing the service charge  
6 discount by 35% for qualifying customers in Monterey, by 25% for all  
7 other service areas. The Commission should also allow increasing the per  
8 month surcharge but solely based on the projected CAP discounts and  
9 excluding the 2024 Projected Credit Card Fee and CAP Water/Energy

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<sup>21</sup> A.22-07-001, Cal Am Response to Public Advocates Data Request HMC-003 at Q.3.



1 Direct Install Program costs from the CAP Balancing Account. The  
 2 analysis and testimony of Cal Advocates’ witness Mukunda Dawadi  
 3 addresses the CAP Balancing Account.<sup>22</sup> Thus, based solely on Cal Am’s  
 4 projected CAP discounts for Test Year 2024, the recommended forecasted  
 5 surcharge is \$2.79 per month. These recommendations achieve the balance  
 6 between total collection and total discount.

7 The following are the bill decreases under the proposed rate design  
 8 and CAP recommendations on the average non-CAP and CAP residential  
 9 customer bills:

10 **Table 2-23: Non-CAP Average Monthly Bill**

<b>Average Monthly Bill Non-CAP</b>				
<b>Northern Division</b>	<b>Cal Adv Recommended</b>	<b>Cal Am Present</b>	<b>Cal Am Requested</b>	<b>Decrease from Requested</b>
Sacramento	\$46.86	\$50.45	\$60.69	\$13.83
Larkfield	\$64.23	\$61.65	\$67.21	\$2.98
Fruitridge	\$68.90	\$68.12	\$89.85	\$20.94
Meadowbrook	\$40.28	\$48.07	\$58.96	\$18.68
<b>Central Division</b>	<b>Cal Adv Recommended</b>	<b>Cal Am Present</b>	<b>Cal Am Requested</b>	<b>Decrease from Requested</b>
Monterey Single Fam	\$99.52	\$70.37	\$96.87	-\$2.65
Central Satellites	\$76.72	\$63.82	\$79.12	\$2.39
<b>Southern Division</b>	<b>Cal Adv Recommended</b>	<b>Cal Am Present</b>	<b>Cal Am Requested</b>	<b>Decrease from Requested</b>
San Marino	\$95.23	\$83.87	\$105.27	\$10.04
Duarte	\$79.94	\$67.75	\$88.24	\$8.30
Baldwin Hills	\$72.67	\$62.18	\$79.74	\$7.06
East Pasadena	\$51.30	\$57.15	\$63.16	\$11.86

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<sup>22</sup> The analysis and testimony of Cal Advocates’ witness Mukunda Dawadi addresses the CAP Balancing Account.

San Diego	\$68.35	\$65.42	\$77.36	\$9.01
Ventura	\$95.14	\$83.30	\$103.24	\$8.10
Warring	\$72.99	\$76.57	\$89.60	\$16.60

1 **Table 2-24: CAP Average Monthly Bill**

<b>Average Monthly Bill</b>				
<b>CAP</b>				
	<b>Cal Adv Recommended</b>	<b>Cal Am Present</b>	<b>Cal Am Requested</b>	<b>Decrease from Requested</b>
<b>Northern Division</b>				
Sacramento	\$34.72	\$41.14	\$44.84	\$10.13
Larkfield	\$44.14	\$46.35	\$46.45	\$2.32
Fruitridge	\$38.39	\$46.97	\$49.38	\$10.99
Meadowbrook	\$28.61	\$40.92	\$46.66	\$18.05
<b>Central Division</b>				
Monterey Single Fam	\$61.13	\$46.66	\$59.05	-\$2.08
Central Satellites	\$52.48	\$47.30	\$54.57	\$2.09
<b>Southern Division</b>				
San Marino	\$49.56	\$44.04	\$54.82	\$5.27
Duarte	\$47.61	\$42.52	\$52.96	\$5.36
Baldwin Hills	\$49.02	\$45.78	\$54.33	\$5.31
East Pasadena	\$36.38	\$44.68	\$45.16	\$8.78
San Diego	\$47.32	\$49.61	\$54.10	\$6.78
Ventura	\$54.23	\$49.76	\$59.55	\$5.31
Warring	\$52.65	\$76.57	\$64.98	\$12.33

2 Based upon the increase to CAP discounts, CAP customers will  
3 receive slightly more rate relief than the average residential user under Cal  
4 Advocates recommendations. These recommendations are consistent with  
5 the Commission’s Environment and Social Justice Action Plan (“ESJ  
6 Plan”), specifically goal number three, to strive to improve access to high-

1 quality water for ESJ communities.<sup>93</sup> Cal Advocates’ proposed rate design  
2 supports this goal.

### 3 IV. CONCLUSION

4 The Commission should adopt the following recommendations concerning rate  
5 designs and the CAP program:

- 6 • The ratio of recovering fixed costs from meter charges and fixed costs from  
7 quantity charges should be set at 40/60 for Monterey County Main and all  
8 service areas in the Northern Division, 50/50 for all service areas in the  
9 Southern Division, and 35/65 for the Central Satellites; and
- 10 • The meter service charge ratios from Standard Practice U-7-W for all The  
11 Commission should adopt the following recommendations concerning rate  
12 design:
  - 13 • The ratio of recovering fixed costs from meter charges and fixed costs from  
14 quantity charges should be set at 40/60 for all service areas except for the  
15 Central Satellites where it should be set at 35/65;
  - 16 • The meter service charge ratios from Standard Practice (SP) U-7-W for all  
17 service areas (except for the Monterey Main district where the ratios should  
18 be 50% of the remaining 50% gap from the ratio deviation approved by the  
19 Commission in D.16-12-003 and the meter charge amounts recommended  
20 in Attachment 2-1;
  - 21 • The monthly tier breakpoints for residential customers recommended in  
22 Attachment 2-2;
  - 23 • The SQR as the Tier 2 residential rate; and
  - 24 • The quantity charge for all other Tiers as detailed in Attachments 2-5, 2-8,  
25 and 2-11.

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<sup>93</sup> CPUC’s Nine Goals of the ESJ Action plan see: <https://www.cpuc.ca.gov/esjactionplan/>

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- For CAP customers, a 30% per month service charge discount for the Monterey service area and a 20% discount for all other service areas; and
  - A monthly surcharge of \$2.79 for non-CAP customers to fund the CAP program.

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1                                   **CHAPTER 3 SPECIAL REQUESTS 10, 12, 17, 18, 19, 20**

2   **I.       INTRODUCTION**

3           Cal Am proposes that the Commission authorize Cal Am’s Special Requests 10,  
4   12, 17, 18, 19, and 20 for this rate case cycle, with certain qualifications and adjustments.

5   **II.       SUMMARY OF RECOMMENDATIONS**

6           The Commission should adopt the following recommendations concerning Special  
7   Requests 10, 12, 17, 18, 19 and 20:

- 8           • Special Request 10 –Approve the rate mitigation plan for Cal Am’s  
9           recently acquired systems, provided that Cal Advocates’ recommended rate  
10          design structure for Meadowbrook is adopted as discussed in Chapter 2 of  
11          this testimony. Deny Cal Am’s request to include the Full Cost Balancing  
12          Account (“FCBA”) in all of its acquisitions.
- 13          • Special Request 12 – Allow subsequent rate changes, with the following  
14          stipulations: first, changes to present rate revenue (and proposed rate  
15          revenue if affected) must be included before issuance of a final decision in  
16          this GRC; second, changes to purchased water and purchased power  
17          expenses will only be allowed if there is a need to change the proposed rate  
18          revenue.
- 19          • Special Request 17 - Reject Cal Am’s Rule 10 and Rule 18 proposals that  
20          limit customers’ ability to collect refunds for billing errors when the date of  
21          the billing error is known. However, authorize proposed changes to  
22          Wastewater Rule 11 to avoid confusion over discontinuation of service for  
23          customers who receive wastewater service only.
- 24          • Special Request 18 – Deny Cal Am Charging and Receiving a Return on  
25          Unrecovered Revenue in the Monterey Wastewater District.
- 26          • Special Request 19 – Allow the paperless billing opt-out pilot; and

- Special Request 20 – Deny the elimination of late fees for residential customers.

### III. ANALYSIS

#### A. Special Request 10 - Request Related to Meadowbrook Rate Design and Other Balancing Accounts

In Special Request #10, Cal Am requests to delay certain elements of the approved consolidation of Meadowbrook customers with the Northern Division tariff and rates.<sup>24</sup> Cal Am also proposes to define the applicability of certain surcharges for Cal Am’s recently acquired systems.<sup>25</sup> Except for Cal Am’s request to establish the Full Cost Balancing Account (“FCBA”), Cal Am’s Special Request 10 is reasonable, provided that the Commission adopts the rate design recommendations for Meadowbrook presented in Chapter 2.

First, Cal Am seeks a separate stand-alone rate design for its Meadowbrook customers that mirrors its proposed three-tier rate design for the Sacramento District customer but adjusted to Meadowbrook service area’s specific consumption profile.<sup>26</sup> Cal Am requests this interim rate design to mitigate the rate impact of consolidation with the Northern District on Meadowbrook customers. Cal Am states that a customer with average Meadowbrook residential usage of 114.41 CGL would experience a 65% bill increase if Meadowbrook transitioned to Sacramento District’s rates in this GRC cycle.<sup>27</sup>

The Commission should ensure that the rate structure in Meadowbrook prioritizes conservation. The Commission approved consolidation of the Meadowbrook service area into Cal Am’s Sacramento District for ratemaking

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<sup>24</sup> Linam Direct Testimony at 70:1-3.

<sup>25</sup> Linam Direct Testimony at 70:6-8.

<sup>26</sup> Linam Direct Testimony at 72: 8-11.

<sup>27</sup> Linam Direct Testimony at 72: 3-4.

1 purposes in 2016.<sup>98</sup> However, the average consumption of Meadowbrook  
2 customers is significantly higher than that of Sacramento customers. Accordingly,  
3 when Cal Am consolidates the tariffs of these two districts, Meadowbrook  
4 customers will either have to reduce consumption or face large bill increases.<sup>99</sup>

5 To encourage conservation in the Meadowbrook service area, the  
6 Commission should adopt a three-tiered rate structure with Cal Advocates’  
7 recommended tier breakpoints and step-ups in commodity rates as presented in  
8 Chapter 2. Provided that the Commission adopts these recommendations to  
9 encourage conservation in Meadowbrook, Cal Advocates does not otherwise  
10 oppose Special Request 10.

11 Secondly, Cal Am proposes that all recent acquisitions should be eligible  
12 for its CAP, which would include the addition of a CAP surcharge to non-CAP  
13 customers. Also, Cal Am proposes to add surcharges related to its Consolidated  
14 Expense Balancing Account (“CEBA”), Monterey Style Water Revenue  
15 Adjustment Mechanism (“M-WRAM”) and Full Cost Balancing Account  
16 (“FCBA”) and Incremental Cost Balancing Account (“ICBA”). Specifically, Cal  
17 Am requests the following surcharges for its recent acquisitions:

- 18 • For Fruitridge in the Northern Division, Cal Am proposes to add the CEBA  
19 surcharge in 2024 and the M-WRAM and FCBA when fully metered in  
20 2025. The CAP surcharge is already applicable to Fruitridge customers.
- 21 • For Bass Lake, Cal Am proposes to add the CAP and CEBA surcharge in  
22 2024 and the M-WRAM and FCBA when fully metered in 2025.
- 23 • For East Pasadena, Bellflower and Warring in the Southern Division, Cal  
24 Am proposes to add the CAP, CEBA, M-WRAM and FCBA in 2024 with  
25 the implementation of new rates.

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<sup>98</sup> Linam Direct Testimony at 70:12-14.

<sup>99</sup> Linam Direct Testimony at. 70.

- For Fruitridge and Bass Lake, Cal Am proposes filing a tier 2 advice letter to implement the M-WRAM/FCBA once fully metered.

Cal Advocates does not oppose most requests in this section except for one item. The Commission should deny Cal Am’s request to establish the FCBA in all its acquisitions. The FCBA is substantially the same as the MCBA, which was barred from use in D.20-08-047.<sup>100</sup>

**B. Special Request 12 - Subsequent Rate Changes**

With certain stipulations, the Commission should approve Cal Am’s Special Request 12 regarding authorization of subsequent rate changes. Cal Am defines “subsequent rate changes” as any change to base rates that has occurred since July 1, 2022, when Cal Am filed its GRC application, up to the start of TY 2024.<sup>101</sup> Special Request 12 would allow Cal Am to incorporate rate changes during that time into present rates. Cal Am proposes two components to add the changes into the calculation of new rates.<sup>102</sup> The first is to adjust the “present rates” that will appear in the Commission’s final decision, for purposes of comparing present rates against the newly adopted rates.<sup>103</sup> The second is to confirm that the revenue requirement model for the new rates includes the rate changes made after this GRC application.<sup>104</sup> Consequently, Cal Am seeks authorization to incorporate the additional revenue requirement from subsequent rate changes into the final GRC rates for the 2024 TY.

The Commission should allow Cal Am to incorporate subsequent rate changes into present rates. If there is a need to change the proposed rate revenue,

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<sup>100</sup> The analysis and testimony of Cal Advocates’ witness Mukunda Dawadi addresses the FCBA.

<sup>101</sup> Linam Direct Testimony at 79:26-28.

<sup>102</sup> Linam Direct Testimony at 80:27-28.

<sup>103</sup> Linam Direct Testimony at 80-81:28, 1-2.

<sup>104</sup> Linam Direct Testimony at 81:2-4.



1 because of the subsequent rate changes, the Commission should only allow  
2 changes to purchased water and purchased power expenses. These changes to  
3 present and proposed rate revenue should only be allowed by the Commission  
4 prior to issuing a final decision in this GRC.

5 **C. Special Request 17 - Proposed Operational Tariff Modifications**

6 In Special Request 17, Cal Am requests establishing a “billing error” tariff  
7 for Rule 10 and modifying Rule 18 to create time limits for billing and meter  
8 errors. Cal Am also proposes to modify the tariff language in Wastewater Rule 11  
9 regarding the discontinuance of service. The Commission should deny Cal Am’s  
10 request to modify Rule 10 and Rule 18 because this would limit customers’ ability  
11 to collect refunds of overpaid billing amounts that were caused by Cal Am’s error.  
12 Cal Advocates does not oppose Cal Am’s request to modify Wastewater Rule 11.

13 Cal Am’s proposed time limits are three years for erroneous overcharges,  
14 and three months for undercharges.<sup>105</sup> Cal Am frames this request as “similar to  
15 those already included in California American Water’s Rule 18,”<sup>106</sup> claiming that  
16 it clarifies and makes consistent “the refund limitations found in Rule 18 for meter  
17 errors.”<sup>107</sup>

18 However, the proposed limitations are significantly different from those  
19 already included in Rule 18. The limitations that exist in Rule 18 are specific to  
20 situations in which a meter error is discovered “upon a test” to be running fast or  
21 slow, but the start date of the meter error is not known.<sup>108</sup> Rule 18 currently  
22 specifies: “[w]hen it is found that the error in the meter is due to some cause, **the**

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<sup>105</sup> Direct Testimony of Jonathan Morse (Morse Direct Testimony) App3, Attachment 1.

<sup>106</sup> Direct Testimony of Garry Hofer (Hofer Direct Testimony) App, p. 75.

<sup>107</sup> Direct Testimony of Garry Hofer (Hofer Direct Testimony) App, p. 76.

<sup>108</sup> Direct Testimony of Jonathan Morse (Morse Direct Testimony) App3, Attachment 1 (Rule 18B.1 and 18B.2).

1 **date of which can be fixed**, the overcharge or the undercharge will be computed  
2 back to but not beyond such a date.”<sup>109</sup>

3 When the start date of a meter error is unknown, it is reasonable that a time  
4 limit is imposed on the amount of refund a customer would receive from the meter  
5 error. However, if the date of the meter error is known, no such time limit  
6 currently exists, nor should it exist. The three other Class A water utilities closest  
7 in size to Cal Am all have identical language to Cal Am’s existing Rule 18 — time  
8 limits are only imposed when the start-date of the meter error is unknown.<sup>110</sup>

9 The same is true for Cal Am’s request for time limitations for Rule 10  
10 related to billing errors. The three other Class A water utilities closest in size to  
11 Cal Am have identical language to that proposed by Cal Am for defining a billing  
12 error (10.D.1).<sup>111</sup> However, none of the three have the additional language  
13 proposed by Cal Am that imposes a time limit on billing error recovery by  
14 customers (10.D.2 and 10.D.3).<sup>112</sup>

15 Cal Am will be immune from getting penalized, after three years, even if  
16 billing errors occur due to Cal Am’s negligence if the Rule 18 and Rule 10  
17 changes are granted. Thus, these requests will thwart the rights of ratepayers from  
18 getting refunds from undue charges.

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<sup>109</sup> Cal Am Rule 18.B.4 (current Rule 18 tariff sheet) (emphasis added),  
<https://www.amwater.com/caaw/resources/PDF/Customer-Service-Billing/Rates-Rules/Rule%2018.pdf>.

<sup>110</sup> California Water Service Company, Rule 18.B.4 (current Rule 18 tariff sheet),  
[https://www.calwater.com/docs/rates/rules/rule\\_18.pdf](https://www.calwater.com/docs/rates/rules/rule_18.pdf); Golden State Water Company Rule 18.B.4  
(current Rule 18 tariff sheet), [https://www.gswater.com/sites/main/files/file-attachments/rule\\_18.pdf?1590924370](https://www.gswater.com/sites/main/files/file-attachments/rule_18.pdf?1590924370); Suburban Water Systems Rule 18.B.4 (current Rule 18 tariff  
sheet), <https://www.swwc.com/wp-content/uploads/files/ca/tariff/tariff-rule18.pdf>.

<sup>111</sup> California Water Service Company, Rule 10 (current Rule 10 tariff sheet),  
[https://www.calwater.com/docs/rates/rules/rule\\_10.pdf](https://www.calwater.com/docs/rates/rules/rule_10.pdf); Golden State Water Company, Rule 10 (current  
Rule 10 tariff sheet), <https://www.gswater.com/sites/main/files/file-attachments/rule-10.pdf?1590923827>;  
Suburban Water Systems, Rule 10 (current Rule 10 tariff sheet), [https://www.swwc.com/wp-  
content/uploads/files/ca/tariff/tariff-rule10.pdf](https://www.swwc.com/wp-content/uploads/files/ca/tariff/tariff-rule10.pdf).

<sup>112</sup> Morse Direct Testimony CAW 2022 GRC Final App3, Attachment 1.

1 Cal Am requests to modify Wastewater Rule 11 to avoid confusion over  
2 discontinuation of service for its customers that only received wastewater service.  
3 The wastewater only customers requirement that a new property owner must open  
4 an account is not explained clearly in Cal Am’s Rule 11.<sup>113</sup> Thus, Cal Am  
5 proposes the following additional language for Rule 11.A.1:

6 “If a customer receives only sewer service from the Utility,  
7 the charges for service may be required to be paid until the  
8 requested date of the discontinuance or the date of transfer of  
9 the property to a new owner. Customer shall provide  
10 documentation showing the date of transfer. In no case shall  
11 the customer provide not less than the required two days  
12 advance notice.”<sup>114</sup>

13 This change to Rule 11 will enable Cal Am to contact the new property  
14 owner and request that the property owner establish an account while also  
15 providing notice to wastewater-only customers that they cannot simply  
16 discontinue their service.

17 The Commission should deny the rule modifications requested by Cal Am  
18 for Rule 10 and Rule 18 that limit customers’ ability to collect refunds for billing  
19 errors when the date of the billing error is known. The Commission should adopt  
20 Cal Am’s Wastewater Rule 11 modification.

21 **D. Special Request 18 - Charging and Receiving a Return on Unrecovered**  
22 **Revenue in the Monterey Wastewater District**

23 The Commission should deny Cal Am’s request to charge and receive a  
24 return on unrecovered revenue in the Monterey Wastewater service area. Cal  
25 Am’s proposal to phase-in the rate increase is not necessary because the current  
26 GRC does not meet the Commission’s CAPS (deferral of a portion of a general

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<sup>113</sup> Hofer Direct Testimony CAW 2022 GRC Final App, page 77.

<sup>114</sup> Hofer Direct Testimony CAW 2022 GRC Final App, page 78.

1 rate increase) criteria. Cal Am proposes to phase-in the rate increase authorized  
2 for TY 2024 in this proceeding for its active and passive wastewater customers  
3 over the entirety of the applicable rate case three-year period (2024-2026).<sup>115</sup>

4 Specifically, Cal Am requests that the resulting rate increase percentage for  
5 wastewater customers for the TY be limited to 5% plus one third of any authorized  
6 percentage increase above the 5% increase. The remaining two thirds of the  
7 authorized increase above the 5% increase would then be tracked in a  
8 memorandum account accruing interest at Cal Am's grossed-up authorized rate of  
9 return. In the Escalation Year, 50% of the forecasted balance of the memorandum  
10 account as of December 31, 2024, would be recovered as a proportional surcharge  
11 on all Monterey wastewater customer bills over the 12-month Escalation Year  
12 period. The remaining estimated balance as of December 31, 2025, would then be  
13 recovered as a proportional surcharge on all customer bills over the 12-month  
14 Attrition Year period.<sup>116</sup>

15 Cal Am's phase-in proposal effectively turns Cal Am from a water utility  
16 into a bank lending to ratepayers at an interest rate equal to its adopted rate of  
17 return. Furthermore, Cal Am's existing CAP (Customer Assistance Program) is  
18 specifically designed to make rates affordable for economically challenged  
19 individuals. Cal Am's rate phase-in is merely a payment plan that masks the true  
20 effectiveness of affordability programs such as CAP. This could potentially harm  
21 economically challenged ratepayers by realizing that the affordability program is  
22 not effective when a rate phase-in period is over.

23 The Commission has previously recognized the usefulness of rate phase-ins  
24 when a large rate increase is adopted. For example, in 1983, the Commission  
25 issued a memorandum describing its CAPS policy. CAPS provided a policy or

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<sup>115</sup> Linam Direct Testimony at 81; Pourtaherian Direct Testimony at 46.

<sup>116</sup> Linam Direct Testimony CAW 2022 GRC Final App, at 83-84.

1 guideline by which the Commission could phase-in a revenue requirement  
2 increase of greater than 50% for Class A water utilities with a cap on revenue  
3 requirement increases of 50% per year for up to three years.<sup>117</sup>

4 Cal Am references a decision (D.06-11-050) regarding its Felton District  
5 where the Commission imposed a limit for the rate increase of 50% of present  
6 rates in the first 12 months.<sup>118</sup> However, the current Cal Am GRC does not meet  
7 the CAPS criteria of a revenue requirement increase of greater than 50% nor is it  
8 comparable to the Felton District decision. Cal Am's proposed annual rate  
9 increase for TY 2024, escalation year 2025 and attrition year 2026 are 19.45%,  
10 3.38% and 3.20%, respectively.<sup>119</sup> Additionally, it is Cal Am's choice to request  
11 not to charge Monterey Wastewater ratepayers reasonable rates based on a  
12 reasonable cost of service. All ratepayers should not be burdened with paying a  
13 rate of return and tax on Cal Am's decision of not charging for the full cost of  
14 service to Monterey Wastewater customers in the year the service is rendered.  
15 Also, wastewater customers may eventually be paying more due to paying for a  
16 return equal to the rate of return on unrecovered rates and taxes. If Cal Am  
17 chooses not to charge wastewater ratepayers for the full cost of service, it can do  
18 so at the expense of its own investors, not customers. The Commission should  
19 deny Cal Am's Special Request 18 request to phase-in the rate increase for  
20 Monterey Wastewater service area.

21 **E. Special Request 19 - Paperless Billing opt out Pilot**

22 In Special Request 19, Cal Am is proposing a pilot to increase customer  
23 participation in paperless billing. By increasing participation in paperless billing,  
24 Cal Am will reduce paper usage, reduce postage and mailing costs, and increase

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<sup>117</sup> CPUC Memorandum – February 22, 1983 - CAPS Standard Procedure at p. 1.

<sup>118</sup> D.06-11-050, at 90.

<sup>119</sup> Linam Direct Testimony CAW 2022 GRC Final App, at 82.

1 the speed bills are delivered, which give customers more time to pay. Cal  
2 Advocates does not oppose this request.

3 **F. Special Request 20 - Changes to Late Payment Fees**

4 In Special Request 20, Cal Am is proposing to eliminate late payment fees  
5 for residential customers only. The fees of 1.5% are assessed on all open unpaid  
6 past due balances and were implemented with Advice Letter 1072 in June 2015.  
7 Cal In Special Request 20, Cal Am is proposing to eliminate late payment fees for  
8 residential customers only. The fees of 1.5% are assessed on all open unpaid past  
9 due balances and were implemented with Advice Letter 1072 in June 2015. Cal  
10 Am re-evaluated these fees and the little impact that they've had on uncollectible  
11 amounts while being negatively perceived by customers.<sup>120</sup> The Company  
12 requests to keep late payment fees for non-residential customers. Cal Am  
13 suspended late fees during the COVID pandemic.<sup>121</sup>

14 Cal Am's proposal disincentivizes residential ratepayers from paying their  
15 water bill timely which can ultimately lead to nonpayment. This can result in Cal  
16 Am undercollecting, raising rates, and ratepayers that pay their bill timely unfairly  
17 subsidizing the non-paying ratepayers. Thus, Cal Am's request is not equitable  
18 because of the risk of non-paying ratepayers not paying their fair share for the  
19 water consumed in the service that they receive. The Commission should deny  
20 Cal Am's Special Request 20.

21 **IV. CONCLUSION**

22 The Commission should adopt the following recommendations concerning Special  
23 Requests 10, 12, 17, 18, 19 and 20:

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<sup>120</sup> Pilz Direct Testimony at 42-43.

<sup>121</sup> Pilz Direct Testimony at 42-43.

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- Special Request 10 –Approve the rate mitigation plan for Cal Am’s recently acquired systems, provided that Cal Advocates’ recommended rate design structure for Meadowbrook is adopted as discussed in Chapter 2 of this testimony. Deny Cal Am’s request to include the Full Cost Balancing Account (“FCBA”) in all of its acquisitions.
  - Special Request 12 – Allow subsequent rate changes, with the following stipulations: first, changes to present rate revenue (and proposed rate revenue if affected) must be included before issuance of a final decision in this GRC; second, changes to purchased water and purchased power expenses will only be allowed if there is a need to change the proposed rate revenue.
  - Special Request 17 - Reject Cal Am’s Rule 10 and Rule 18 proposals that limit customers’ ability to collect refunds for billing errors when the date of the billing error is known. However, authorize proposed changes to Wastewater Rule 11 to avoid confusion over discontinuation of service for customers who receive wastewater service only.
  - Special Request 18 – Deny Cal Am Charging and Receiving a Return on Unrecovered Revenue in the Monterey Wastewater District.
  - Special Request 19 – Allow the paperless billing opt-out pilot; and
  - Special Request 20 – Deny the elimination of late fees for residential customers.

**Attachment 2-1: Monthly Meter Charges  
Test Year 2024**



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**Sacramento Meter Service Charges Comparison**

<b>Meter Size / Service Connection</b>	<b>Cal Adv Recommended Rates</b>	<b>Cal Am Current Rates</b>	<b>Cal Am Requested Rates</b>
5/8"	\$21.79	\$19.16	\$30.64
0.75"	\$32.68	\$28.75	\$45.97
1"	\$54.47	\$47.91	\$76.61
1.5"	\$108.95	\$95.82	\$153.22
2"	\$174.32	\$153.31	\$245.16
3"	\$326.84	\$287.47	\$459.67
4"	\$544.74	\$479.11	\$766.11
6"	\$1,089.48	\$958.22	\$1,532.22
8"	\$1,743.17	\$1,533.15	\$2,451.56
10"	\$2,505.80	\$2,203.90	\$3,524.11

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**Meadowbrook Meter Service Charges Comparison**

<b>Meter Size / Service Connection</b>	<b>Cal Adv Recommended Rates</b>	<b>Cal Am Current Rates</b>	<b>Cal Am Requested Rates</b>
5/8"	\$17.45	\$19.77	\$27.71
0.75"	\$26.18	\$29.65	\$41.57
1"	\$43.63	\$49.42	\$69.28
1.5"	\$87.27	\$98.83	\$138.55
2"	\$139.63	\$158.13	\$221.69
3"	\$261.81	\$296.49	\$415.66
4"	\$436.34	\$494.15	\$692.77
6"	\$872.69	\$988.31	\$1,385.54

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**Fruitridge Meter Service Charges Comparison**

<b>Meter Size / Service Connection</b>	<b>Cal Adv Recommended Rates</b>	<b>Cal Am Current Rates</b>	<b>Cal Am Requested Rates</b>
5/8"	\$21.79	\$15.58	\$30.64
0.75"	\$32.68	\$23.40	\$45.97
1"	\$54.47	\$38.98	\$76.61
1.5"	\$108.95	\$77.92	\$153.22
2"	\$174.32	\$124.69	\$245.16
3"	\$326.84	\$233.77	\$459.67

4"	\$544.74	\$389.66	\$766.11
6"	\$1,089.48	\$779.32	\$1,532.22
8"	\$1,743.17		\$2,451.56
10"	\$2,505.80		\$3,524.11

1

**Larkfield Meter Service Charges Comparison**

<b>Meter Size / Service Connection</b>	<b>Cal Adv Recommended Rates</b>	<b>Cal Am Current Rates</b>	<b>Cal Am Requested Rates</b>
5/8"	\$20.90	\$17.99	\$23.49
0.75"	\$31.35	\$26.99	\$35.23
1"	\$52.25	\$44.98	\$58.72
1.5"	\$104.50	\$89.96	\$117.43
2"	\$167.19	\$143.94	\$187.89
3"	\$313.49	\$269.89	\$352.29
4"	\$522.48	\$449.81	\$587.15
6"	\$1,044.96	\$899.62	\$1,174.30
8"	\$1,671.93	\$1,439.39	\$1,878.89
10"	\$2,403.40	\$2,069.13	\$2,700.90

2

**Monterey Main Meter Service Charges Comparison**

<b>Meter Size / Service Connection</b>	<b>Cal Adv Recommended Rates</b>	<b>Cal Am Current Rates</b>	<b>Cal Am Requested Rates</b>
5/8"	\$35.83	\$28.68	\$45.78
0.75"	\$53.74	\$46.76	\$71.64
1"	\$89.57	\$86.05	\$125.88
1.5"	\$179.13	\$229.19	\$297.32
2"	\$286.61	\$383.23	\$488.89
3"	\$537.40	\$718.56	\$916.66
4"	\$895.67	\$1,239.76	\$1,561.42
6"	\$1,791.33	\$2,605.17	\$3,223.09
8"	\$2,866.13	\$4,168.21	\$5,156.89
10"	\$4,120.06		\$5,264.24

1

**Central Satellites Meter Service Charges Comparison**

Meter Size / Service Connection	Cal Adv Recommended Rates	Cal Am Current Rates	Cal Am Requested Rates
5/8"	\$21.20	\$15.18	\$19.61
0.75"	\$31.81	\$22.77	\$29.41
1"	\$53.01	\$37.96	\$49.02
1.5"	\$106.02	\$75.90	\$98.04
2"	\$169.63	\$121.43	\$156.87
3"	\$318.06	\$227.69	\$294.13
4"	\$530.10	\$379.49	\$490.21
6"	\$1,060.19	\$758.97	\$980.42
8"	\$1,696.31	\$1,214.36	\$1,568.68
10"	\$2,438.44		\$2,254.98

2

**Southern Division Meter Service Charges Comparison<sup>122</sup>**

Meter Size / Service Connection	Cal Adv Recommended Rates	Cal Am Current Rates	Cal Am Requested Rates
5/8"	\$20.60	\$16.52	\$22.96
0.75"	\$30.89	\$24.78	\$34.44
1"	\$51.49	\$41.31	\$57.39
1.5"	\$102.98	\$82.62	\$114.79
2"	\$164.76	\$132.18	\$183.66
3"	\$308.93	\$247.85	\$344.37
4"	\$514.88	\$413.08	\$573.94
6"	\$1,029.77	\$826.15	\$1,147.89
8"	\$1,647.63	\$1,321.85	\$1,836.62
10"	\$2,368.47	\$1,900.15	\$2,640.14

3

**Bellflower Meter Service Charges Comparison**

Meter Size / Service Connection	Cal Adv Recommended Rates	Cal Am Current Rates	Cal Am Requested Rates
5/8"	\$20.40	\$25.23	\$29.63

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<sup>122</sup> Comprised of Baldwin Hills, Duarte, San Diego, San Marino, and Ventura.

0.75"	\$30.60	\$37.84	\$49.29
1"	\$51.00	\$63.07	\$85.37
1.5"	\$102.01	\$126.14	\$178.18
2"	\$163.21	\$201.82	\$289.61
3"	\$306.02	\$378.41	\$549.56

1

**East Pasadena Meter Service Charges Comparison**

<b>Meter Size / Service Connection</b>	<b>Cal Adv Recommended Rates</b>	<b>Cal Am Current Rates</b>	<b>Cal Am Requested Rates</b>
5/8"	\$16.19	\$17.44	\$14.59
0.75"	\$24.29	\$26.18	\$21.88
1"	\$40.48	\$43.61	\$36.47
1.5"	\$80.95	\$87.21	\$72.94
2"	\$129.52	\$139.53	\$116.70
3"	\$242.85	\$261.62	\$218.81
4"	\$404.76	\$436.03	\$364.68

2

**Warring Meter Service Charges Comparison**

<b>Meter Size / Service Connection</b>	<b>Cal Adv Recommended Rates</b>	<b>Cal Am Current Rates</b>	<b>Cal Am Requested Rates</b>
5/8"	\$25.18	\$28.40	\$30.88
0.75"	\$37.78	\$42.59	\$46.33
1"	\$62.96	\$71.01	\$77.21
1.5"	\$125.92	\$142.01	\$154.42
2"	\$201.47	\$227.31	\$247.07
3"	\$377.76	\$426.02	\$463.26
4"	\$629.60	\$710.00	\$772.11
6"	\$1,259.21	\$1,421.32	\$1,544.21

3

**Attachment 2-2: Tier  
Breakpoints/Consumption Ratios TY 2024**

1 **Sacramento and Fruitridge Tier Breakpoints and Consumption Ratios**

<b>Tiers</b>	<b>Cal Advocates Recommended</b>	<b>Cal Adv Actual Consumption Ratio</b>	<b>Cal Am Requested</b>	<b>Cal Am Requested Consumption Ratio</b>
1	0 to 6 Ccf	48.2%	0 to 10 Ccf	65.4%
2	7 to 18 Ccf	37.0%	11 to 20 Ccf	22.4%
3	Over 18 Ccf	14.8%	21 to 33Ccf	10.2%
4			Over 33 Ccf	2.0%

2 **Larkfield Tier Breakpoints and Consumption Ratios**

<b>Tier s</b>	<b>Cal Advocates Recommended</b>	<b>Cal Adv Actual Consumption Ratio</b>	<b>Cal Am Requested</b>	<b>Cal Am Requested Consumption Ratio</b>
1	0 to 6 Ccf	62.1%	0 to 5 Ccf	45.7%
2	7 to 11 Ccf	19.8%	6 to 18 Ccf	43.4%
3	12 to 17 Ccf	9.5%	19 to 25 Ccf	5.6%
4	Over 17 Ccf	8.6%	Over 25 Ccf	5.3%

3 **Meadowbrook Tier Breakpoints and Consumption Ratios**

<b>Tiers</b>	<b>Cal Advocates Recommended</b>	<b>Cal Adv Actual Consumption Ratio</b>	<b>Cal Am Requested</b>	<b>Cal Am Requested Consumption Ratio</b>
1	0 to 6 Ccf	33.4%	0 to 5 Ccf	26.0%
2	7 to 28 Ccf	51.6%	6 to 8 Ccf	15.0%
3	Over 28 Ccf	15.0%	Over 8 Ccf	59.0%

4 **Monterey Single Family Tier Breakpoints and Consumption Ratios**

<b>Tiers</b>	<b>Cal Advocates Recommended</b>	<b>Cal Adv Actual Consumption Ratio</b>	<b>Cal Am Requested</b>	<b>Cal Am Requested Consumption Ratio</b>
1	0 to 6 Ccf	74.8%	0 to 4 Ccf	58.0%
2	7 to 12 Ccf	15.5%	5 to 8 Ccf	24.1%
3	13 to 20 Ccf	4.9%	9 to 15 Ccf	11.6%

4	Over 20 Ccf	4.8%	Over 15 Ccf	6.4%
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1 **Monterey Multi-Family Tier Breakpoints and Consumption Ratios**

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	Cal Am Requested	Cal Am Requested Consumption Ratio
1	0 to 6 Ccf	74.8%	0 to 3 Ccf	68.9%
2	7 to 12 Ccf	15.5%	4 to 5 Ccf	24.8%
3	13 to 20 Ccf	4.9%	6 to 7 Ccf	3.5%
4	Over 20 Ccf	4.8%	Over 7 Ccf	2.8%

2 **Central Satellites Tier Breakpoints and Consumption Ratios**

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	Cal Am Requested	Cal Am Requested Consumption Ratio
1	0 to 6 Ccf	38.6%	0 to 8 Ccf	53.1%
2	7 to 25 Ccf	41.6%	9 to 18 Ccf	23.9%
3	26 to 43 Ccf	9.8%	19 to 44 Ccf	18.0%
4	Over 43 Ccf	10.0%	Over 44 Ccf	5.0%

3 **Baldwin Hills, Duarte, San Diego, San Marino, and Ventura Tier Breakpoints and**  
4 **Consumption Ratios**

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	Cal Am Requested	Cal Am Requested Consumption Ratio
1	0 to 6 Ccf	38.1%	0 to 11 Ccf	59.9%
2	7 to 23 Ccf	42.7%	12 to 18 Ccf	16.4%
3	24 to 40 Ccf	9.9%	19 to 40 Ccf	17.6%
4	Over 40 Ccf	9.3%	41 to 63 Ccf	4.1%
5			Over 63 Ccf	2.0%

5 **Bellflower Tier Breakpoints and Consumption Ratios**

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	Cal Am Requested	Cal Am Requested Consumption Ratio

1	0 to 6 Ccf	42.6%	0 to 11 Ccf	65.4%
2	7 to 17 Ccf	39.3%	12 to 18 Ccf	17.6%
3	Over 17 Ccf	18.0%	Over 18 Ccf	17.0%

1

**East Pasadena Tier Breakpoints and Consumption Ratios**

<b>Tiers</b>	<b>Cal Advocates Recommended</b>	<b>Cal Adv Actual Consumption Ratio</b>	<b>Cal Am Requested</b>	<b>Cal Am Requested Consumption Ratio</b>
1	0 to 6 Ccf	29.4%	0 to 18 Ccf	66.2%
2	7 to 27 Ccf	46.4%	19 to 40 Ccf	22.6%
3	Over 27 Ccf	24.2%	Over 40 Ccf	11.2%

2

**Warring Tier Breakpoints and Consumption Ratios**

<b>Tiers</b>	<b>Cal Advocates Recommended</b>	<b>Cal Adv Actual Consumption Ratio</b>	<b>Cal Am Requested</b>	<b>Cal Am Requested Consumption Ratio</b>
1	0 to 6 Ccf	38.1%	0 to 40 Ccf	93.9%
2	7 to 40 Ccf	52.7%	Over 40 Ccf	6.1%
3	Over 40 Ccf	9.3%		

3



**Attachment 2-3: Cal Am's Requested Rate Design for the Northern Division but Using the Actual Water Consumption Patterns of the Last Recorded Twelve Months (July 2021 to June 2022) for Test Year 2024**

1

**Sacramento Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-10	66.8%	\$3.4490	\$2.3048
Tier 2	11-20	20.8%	\$5.1020	\$1.0598
Tier 3	21-33	7.5%	\$6.5195	\$0.4884
Tier 4	>33	4.9%	\$7.1504	\$0.3511
<b>TOTAL</b>				\$4.2041
SQR				\$4.2061

2

**Larkfield Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-5	55.4%	\$6.3116	\$3.4987
Tier 2	6-18	36.8%	\$6.5746	\$2.4193
Tier 3	19-25	3.5%	\$7.5608	\$0.2673
Tier 4	>25	4.2%	\$7.7975	\$0.3301
<b>TOTAL</b>				\$6.5155
SQR				\$6.5746

3

**Meadowbrook Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-5	28.4%	\$1.3889	\$0.3944
Tier 2	6-8	14.0%	\$1.8519	\$0.2590
Tier 3	>8	57.6%	\$2.0560	\$1.1846
<b>TOTAL</b>				\$1.8380
SQR				\$1.8519

4

5

1

**Fruitridge Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-10	66.8%	\$3.4490	\$2.3048
Tier 2	11-20	20.8%	\$5.1020	\$1.0598
Tier 3	21-33	7.5%	\$6.5195	\$0.4884
Tier 4	>33	4.9%	\$7.1504	\$0.3511
<b>TOTAL</b>				<b>\$4.2041</b>
SQR				\$4.2061

2

**Attachment 2-4: Northern Division  
Recommended Rate Designs Using Cal Am's  
Proposed SQR and Actual Water  
Consumption Patterns of the Last Recorded  
Twelve Months (July 2021 to June 2022) TY  
2024**

1 **Cal Advocates Recommended for Sacramento (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	48.2%	\$3.1546	\$1.5208
Tier 2	7-18	37.0%	\$4.2061	\$1.5547
Tier 3	>18	14.8%	\$7.6246	\$1.1306
<b>TOTAL</b>				\$4.2061
SQR				\$4.2061

2 **Cal Advocates Recommended for Larkfield (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	62.1%	\$5.5884	\$3.4702
Tier 2	7-11	19.8%	\$6.5746	\$1.3005
Tier 3	12-17	9.5%	\$7.5608	\$0.7174
Tier 4	>17	8.6%	\$12.5819	\$1.0866
<b>TOTAL</b>				\$6.5746
SQR				\$6.5746

3 **Cal Advocates Recommended for Meadowbrook (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	33.4%	\$1.3889	\$0.4633
Tier 2	7-28	51.6%	\$1.8519	\$0.9559
Tier 3	>28	15.0%	\$2.8793	\$0.4328
<b>TOTAL</b>				\$1.8519
SQR				\$1.8519

4 **Cal Advocates Recommended for Fruitridge (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	48.2%	\$2.7340	\$1.3180
Tier 2	7-18	37.0%	\$4.2061	\$1.5547
Tier 3	>18	14.8%	\$8.9920	\$1.3334
<b>TOTAL</b>				\$4.2061
SQR				\$4.2061

5

**Attachment 2-5: Northern Division  
Recommended Rate Designs Using  
Recommended Revenue Requirement and  
Actual Water Consumption Patterns of the  
Last Recorded Twelve Months (July 2021 to  
June 2022) TY 2024**

1

**Cal Advocates Recommended for Sacramento**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	48.2%	\$2.1548	\$1.0388
Tier 2	7-18	37.0%	\$3.3151	\$1.2253
Tier 3	>18	14.8%	\$7.0875	\$1.0510
<b>TOTAL</b>				\$3.3151
SQR				\$3.3151

2

**Cal Advocates Recommended for Larkfield**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	62.1%	\$6.0976	\$3.7863
Tier 2	7-11	19.8%	\$7.1736	\$1.4189
Tier 3	12-17	9.5%	\$8.2496	\$0.7827
Tier 4	>17	8.6%	\$13.7289	\$1.1857
<b>TOTAL</b>				\$7.1736
SQR				\$7.1736

3

**Cal Advocates Recommended for Meadowbrook**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	33.4%	\$1.1729	\$0.3912
Tier 2	7-28	51.6%	\$1.5638	\$0.8072
Tier 3	>28	15.0%	\$2.4309	\$0.3654
<b>TOTAL</b>				\$1.5638
SQR				\$1.5638

4

**Cal Advocates Recommended for Fruitridge**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	48.2%	\$2.1548	\$1.0388
Tier 2	7-18	37.0%	\$3.3151	\$1.2253
Tier 3	>18	14.8%	\$7.0875	\$1.0510
<b>TOTAL</b>				\$3.3151
SQR				\$3.3151

**Attachment 2-6: Cal Am's Requested Rate  
Design for the Central Division Using the  
Actual Water Consumption Patterns of the  
Last Recorded Twelve Months (July 2021 to  
June 2022) TY 2024**



1

**Monterey Single Family Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-4	60.7%	\$9.1380	\$5.5480
Tier 2	5-8	22.1%	\$14.9158	\$3.2935
Tier 3	9-15	10.1%	\$20.6936	\$2.0990
Tier 4	>15	7.1%	\$27.4344	\$1.9374
<b>TOTAL</b>				\$12.8780
SQR				\$7.3156

2

**Monterey Multi-Family Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-3	70.5%	\$10.3574	\$7.3040
Tier 2	4-5	14.1%	\$17.3545	\$2.4488
Tier 3	6-7	5.0%	\$34.8475	\$1.7285
Tier 4	>7	10.4%	\$47.0925	\$4.9022
<b>TOTAL</b>				\$16.3835
SQR				\$10.5460

3

**Central Satellites Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-8	47.2%	\$7.2667	\$3.4293
Tier 2	9-18	24.8%	8.7551	\$2.1710
Tier 3	19-44	18.4%	11.7318	\$2.1528
Tier 4	>44	9.7%	13.8138	\$1.3345
<b>TOTAL</b>				\$9.0877
SQR				\$8.7551

4

**Attachment 2-7: Central Division  
Recommended Rate Designs Using Cal Am's  
Proposed SQR and Actual Water  
Consumption Patterns of the Last Recorded  
Twelve Months (July 2021 to June 2022) TY  
2024**

1 **Cal Advocates Recommended for Monterey Single Family (using application**  
 2 **amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	74.8%	\$6.2183	\$4.6532
Tier 2	7-12	15.5%	\$7.3156	\$1.1355
Tier 3	13-20	4.9%	\$8.4130	\$0.4112
Tier 4	>20	4.8%	\$23.4376	\$1.1158
<b>TOTAL</b>				\$7.3156
SQR				\$7.3156

3 **Cal Advocates Recommended for Monterey Multi-Family (using application**  
 4 **amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	87.7%	\$8.9641	\$7.8592
Tier 2	7-10	4.9%	\$10.5460	\$0.5165
Tier 3	11-25	4.0%	\$12.1279	\$0.4870
Tier 4	>25	3.4%	\$49.3280	\$1.6833
<b>TOTAL</b>				\$10.5460
SQR				\$10.5460

5 **Cal Advocates Recommended for Central Satellites (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.6%	\$5.6908	\$2.1987
Tier 2	7-25	41.6%	\$8.7551	\$3.6425
Tier 3	26-43	9.8%	\$11.8194	\$1.1592
Tier 4	>43	10.0%	\$17.6312	\$1.7547
<b>TOTAL</b>				\$8.7551
SQR				\$8.7551

6

**Attachment 2-8: Central Division  
Recommended Rate Designs Using  
Recommended Revenue Requirement and  
Actual Water Consumption Patterns of the  
Last Recorded Twelve Months (July 2021 to  
June 2022) TY 2024**

1

**Cal Advocates Recommended for Monterey Single Family**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-6	74.8%	\$12.7678	\$9.5543
Tier 2	7-12	15.5%	\$15.0210	\$2.3315
Tier 3	13-20	4.9%	\$17.2741	\$0.8442
Tier 4	>20	4.8%	\$48.1239	\$2.2910
<b>TOTAL</b>				\$15.0210
SQR				\$15.0210

2

**Cal Advocates Recommended for Monterey Multi-Family**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-6	87.7%	\$10.7940	\$9.4635
Tier 2	7-10	4.9%	\$12.6988	\$0.6220
Tier 3	11-25	4.0%	\$14.6036	\$0.5864
Tier 4	>25	3.4%	\$59.3977	\$2.0269
<b>TOTAL</b>				\$12.6988
SQR				\$12.6988

3

**Cal Advocates Recommended for Central Satellites**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-6	38.6%	\$5.6150	\$2.1694
Tier 2	7-25	41.6%	\$8.6385	\$3.5940
Tier 3	26-43	9.8%	\$11.6620	\$1.1438
Tier 4	>43	10.0%	\$17.3964	\$1.7313
<b>TOTAL</b>				\$8.6385
SQR				\$8.6385

4

**Attachment 2-9: Cal Am's Southern Division  
Requested Rate Design Using Actual Water  
Consumption Patterns of the Last Recorded  
Twelve Months (July 2021 to June 2022) TY  
2024**

1

**Baldwin Hills Requested (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-11	58.2%	\$5.102	\$2.9687
Tier 2	12-18	16.1%	\$6.088	\$0.9791
Tier 3	19-40	16.5%	\$6.957	\$1.1463
Tier 4	41-63	4.3%	\$8.157	\$0.3493
Tier 5	>63	5.0%	\$9.276	\$0.4611
<b>TOTAL</b>				<b>\$5.9044</b>
SQR				<b>\$5.7976</b>

2

**Duarte Requested (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-11	58.2%	4.8805	\$2.8398
Tier 2	12-18	16.1%	5.8233	\$0.9366
Tier 3	19-40	16.5%	6.6552	\$1.0965
Tier 4	41-63	4.3%	7.8032	\$0.3342
Tier 5	>63	5.0%	8.8736	\$0.4411
<b>TOTAL</b>				<b>\$5.6482</b>
SQR				<b>\$5.5460</b>

3

**San Diego Requested (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-11	58.2%	6.9673	\$4.0541
Tier 2	12-18	16.1%	8.3132	\$1.3370
Tier 3	19-40	16.5%	9.5008	\$1.5654
Tier 4	41-63	4.3%	11.1397	\$0.4770
Tier 5	>63	5.0%	12.6678	\$0.6297
<b>TOTAL</b>				<b>\$8.0632</b>
SQR				<b>\$7.9174</b>

4

5

1

**San Marino Requested (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-11	58.2%	4.8805	\$2.8398
Tier 2	12-18	16.1%	5.8233	\$0.9366
Tier 3	19-40	16.5%	6.6552	\$1.0965
Tier 4	41-63	4.3%	7.8032	\$0.3342
Tier 5	>63	5.0%	8.8736	\$0.4411
<b>TOTAL</b>				\$5.6482
SQR				\$5.5460

2

**Ventura Requested (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-11	58.2%	5.8555	\$3.4072
Tier 2	12-18	16.1%	6.9866	\$1.1237
Tier 3	19-40	16.5%	7.9847	\$1.3156
Tier 4	41-63	4.3%	9.3621	\$0.4009
Tier 5	>63	5.0%	10.6463	\$0.5292
<b>TOTAL</b>				\$6.7765
SQR				\$6.6539

3

**Bellflower Requested (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-11	66.0%	\$2.8422	\$1.8762
Tier 2	12-18	17.7%	2.9918	\$0.5298
Tier 3	>18	16.3%	3.5677	\$0.5808
<b>TOTAL</b>				\$2.9868
SQR				\$2.9918

4

**East Pasadena Requested (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-18	63.6%	\$3.3096	\$2.1045
Tier 2	19-40	21.5%	4.2289	\$0.9100
Tier 3	>40	14.9%	4.7400	\$0.7059
<b>TOTAL</b>				\$3.7204
SQR				\$3.6773



1

**Warring Requested (using application amounts)**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-40	90.7%	\$2.0645	\$1.8735
Tier 2	>40	9.3%	3.8531	\$0.3565
			<b>TOTAL</b>	\$2.2300
			SQR	\$2.1732

2

**Attachment 2-10: Southern Division  
Recommended Rate Designs Using Cal Am's  
Proposed SQR and Actual Water  
Consumption Patterns of the Last Recorded  
Twelve Months (July 2021 to June 2022) TY  
2024**

1 **Cal Advocates Recommended for Baldwin Hills (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$4.3482	\$1.6552
Tier 2	7-23	42.7%	\$5.7976	\$2.4777
Tier 3	24-40	9.9%	\$7.2470	\$0.7206
Tier 4	>40	9.3%	\$10.2029	\$0.9441
<b>TOTAL</b>				\$5.7976
SQR				\$5.7976

2 **Cal Advocates Recommended for Duarte (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$4.1595	\$1.5834
Tier 2	7-23	42.7%	\$5.5460	\$2.3702
Tier 3	24-40	9.9%	\$6.9325	\$0.6893
Tier 4	>40	9.3%	\$9.7600	\$0.9031
<b>TOTAL</b>				\$5.5460
SQR				\$5.5460

3 **Cal Advocates Recommended for San Diego (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$5.9380	\$2.2604
Tier 2	7-23	42.7%	\$7.9174	\$3.3837
Tier 3	24-40	9.9%	\$9.8967	\$0.9841
Tier 4	>40	9.3%	\$13.9332	\$1.2892
<b>TOTAL</b>				\$7.9174
SQR				\$7.9174

4 **Cal Advocates Recommended for San Marino (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$4.1595	\$1.5834
Tier 2	7-23	42.7%	\$5.5460	\$2.3702
Tier 3	24-40	9.9%	\$6.9325	\$0.6893
Tier 4	>40	9.3%	\$9.7600	\$0.9031
<b>TOTAL</b>				\$5.5460
SQR				\$5.5460

1 **Cal Advocates Recommended for Ventura (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$4.9905	\$1.8997
Tier 2	7-23	42.7%	\$6.6539	\$2.8437
Tier 3	24-40	9.9%	\$8.3174	\$0.8270
Tier 4	>40	9.3%	\$11.7098	\$1.0835
<b>TOTAL</b>				\$6.6539
SQR				\$6.6539

2 **Cal Advocates Recommended for Bellflower (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	42.6%	\$2.3934	\$1.0205
Tier 2	7-17	39.3%	\$2.9918	\$1.1764
Tier 3	>17	18.0%	\$4.4059	\$0.7949
<b>TOTAL</b>				\$2.9918
SQR				\$2.9918

3 **Cal Advocates Recommended for East Pasadena (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	29.4%	\$2.7580	\$0.8108
Tier 2	7-27	46.4%	\$3.6773	\$1.7047
Tier 3	>27	24.2%	\$4.7922	\$1.1617
<b>TOTAL</b>				\$3.6773
SQR				\$3.6773

4 **Cal Advocates Recommended for Warring (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$1.6299	\$0.6204
Tier 2	7-40	52.7%	\$2.1732	\$1.1449
Tier 3	>40	9.3%	\$4.4083	\$0.4079
<b>TOTAL</b>				\$2.1732
SQR				\$2.1732

5

**Attachment 2-11: Southern Division  
Recommended Rate Designs Using  
Recommended Revenue Requirement and  
Actual Water Consumption Patterns of the  
Last Recorded Twelve Months (July 2021 to  
June 2022) TY 2024**

1

### Cal Advocates Recommended for Baldwin Hills

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$3.7188	\$1.4156
Tier 2	7-23	42.7%	\$4.9583	\$2.1191
Tier 3	24-40	9.9%	\$6.1979	\$0.6163
Tier 4	>40	9.3%	\$8.7261	\$0.8074
<b>TOTAL</b>				\$4.9583
SQR				\$4.9583

2

### Cal Advocates Recommended for Duarte

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$3.5258	\$1.3421
Tier 2	7-23	42.7%	\$4.7010	\$2.0091
Tier 3	24-40	9.9%	\$5.8763	\$0.5843
Tier 4	>40	9.3%	\$8.2732	\$0.7655
<b>TOTAL</b>				\$4.7010
SQR				\$4.7010

3

### Cal Advocates Recommended for San Diego

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$5.3663	\$2.0428
Tier 2	7-23	42.7%	\$7.1551	\$3.0579
Tier 3	24-40	9.9%	\$8.9438	\$0.8893
Tier 4	>40	9.3%	\$12.5921	\$1.1651
<b>TOTAL</b>				\$7.1551
SQR				\$7.1551

4

### Cal Advocates Recommended for San Marino

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	38.1%	\$3.5258	\$1.3421
Tier 2	7-23	42.7%	\$4.7010	\$2.0091
Tier 3	24-40	9.9%	\$5.8763	\$0.5843
Tier 4	>40	9.3%	\$8.2732	\$0.7655
<b>TOTAL</b>				\$4.7010
SQR				\$4.7010

1

**Cal Advocates Recommended for Ventura**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-6	38.1%	\$4.3834	\$1.6686
Tier 2	7-23	42.7%	5.8446	\$2.4978
Tier 3	24-40	9.9%	\$7.3057	\$0.7265
Tier 4	>40	9.3%	10.2858	\$0.9517
<b>TOTAL</b>				<b>\$5.8446</b>
SQR				\$5.8446

2

**Cal Advocates Recommended for Bellflower**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-6	42.6%	\$2.1222	\$0.9048
Tier 2	7-17	39.3%	\$2.6527	\$1.0431
Tier 3	>17	18.0%	\$3.9060	\$0.7047
<b>TOTAL</b>				<b>\$2.6527</b>
SQR				\$2.6527

3

**Cal Advocates Recommended for East Pasadena**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-6	29.4%	\$2.2214	\$0.6531
Tier 2	7-27	46.4%	\$2.9619	\$1.3731
Tier 3	>27	24.2%	\$3.8605	\$0.9359
<b>TOTAL</b>				<b>\$2.9619</b>
SQR				\$2.9619

4

**Cal Advocates Recommended for Warring**

<b>Tier</b>	<b>Breakpoints</b>	<b>% Usage</b>	<b>Rate</b>	<b>Portion</b>
Tier 1	0-6	38.1%	\$1.3305	\$0.5065
Tier 2	7-40	52.7%	\$1.7740	\$0.9346
Tier 3	>40	9.3%	\$3.5980	\$0.3329
<b>TOTAL</b>				<b>\$1.7740</b>
SQR				\$1.7740

5

## **Attachment 3-1: Qualifications of Witness**



**QUALIFICATIONS AND PREPARED TESTIMONY**

**OF**

**HERBERT MERIDA**

Q.1 Please state your name and address.

A.1 My name is Herbert Merida. My business address is 505 Van Ness Avenue, San Francisco, California, 94102.

Q.2 By whom are you employed and what is your job title?

A.2 I am a Public Utilities Regulatory Analyst IV in the Water Branch of the Public Advocates Office.

Q.3 Please describe your educational and professional experience.

A.3 I graduated from the San Francisco State University with a Bachelor of Science Degree in International Business Management, a minor in Economics, and a Master of Business Administration Degree. Regarding my professional experience, I have been employed by the Commission for 14 years and have worked on many general rate case proceedings. Also, I have held a variety of positions at Levi Strauss & Co., Siemens A.G., the Employment Development Department, the State Compensation Insurance Fund, and most recently the Commission.

Q.4 What is your area of responsibility in this proceeding?

A.4 I am responsible for the Water Consumption and Revenues, Rate Design, and the Special Requests 10, 12, 17, 18, 19 and 20 chapters in this proceeding.

Q.5 Does that complete your prepared testimony?

A.5 Yes, it does.