

Decision _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of California-American Water Company (U 210 W) for Authorization to Implement a Low Income Assistance Program in its Sacramento and Larkfield Districts.

Application 06-01-014
(Filed January 25, 2006)
(Amended February 28, 2006)

OPINION AUTHORIZING CALIFORNIA-AMERICAN WATER COMPANY TO IMPLEMENT A LOW-INCOME RATEPAYER ASSISTANCE PROGRAM IN ITS SACRAMENTO AND LARKFIELD DISTRICTS

1. Summary

California-American Water Company (Cal-Am) is authorized to implement a Low-Income Ratepayer Assistance (LIRA) program in its Sacramento and Larkfield Districts.¹ This proceeding is closed.

2. Background

Pub. Util. Code Section 739.8² states that:

- (a) Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost.
- (b) The commission shall consider and may implement programs to provide rate relief for low-income ratepayers.

¹ Cal-Am did not refer specifically to its low-income program as a "LIRA" program. We refer to it here as a "LIRA" program for consistency with the term used for the low-income programs of other water utilities.

² All statutory references to the Public Utilities Code unless otherwise stated.

- (c) The commission shall consider and may implement programs to assist low-income ratepayers in order to provide appropriate incentives and capabilities to achieve water conservation goals.
- (d) In establishing the feasibility of rate relief and conservation incentives for low-income ratepayers, the commission may take into account variations in water needs caused by geography, climate and the ability of communities to support these programs.

We have authorized other water utilities to develop low-income ratepayer assistance programs. (*See, e.g.*, Decision (D.) 05-05-015, authorizing a low-income assistance program for San Gabriel Valley Water Company (San Gabriel), and D.06-10-034, adopting a California Alternative Rates for Water program for Park Water Company (Park)). The issues raised in those proceedings will serve as guidelines for discussion in this proceeding.

Cal-Am initially requested authority to implement a low-income program for Sacramento and Larkfield (Sonoma County) in Application (A.) 04-04-040 and A.04-04-041, both general rate increase proceedings for those districts. D.05-09-020 adopted the general rate increases, but denied the low-income program and instead directed Cal-Am to propose a revised low-income program in a new application. The new program was to be similar to that adopted for San Gabriel in D.05-05-01, noted above, and was to include information on the number of low-income indirect customers in each district, and an analysis of any subsidy these customers would provide. Cal-Am filed the subject application in response.

3. Procedural Issues

Cal-Am filed the subject application on January 25, 2006. After consultation with the Commission's Division of Ratepayer Advocates (DRA), Cal-Am amended its application on February 28, 2006, to modify program

elements regarding: 1) eligibility standards, 2) a self-verification process, 3) clarification of program tracking and accounting, 4) cost recovery methods, and 5) estimates of program participants. The application, as amended, is unopposed.

4. Low-Income Discount Proposal

Under the LIRA program, Cal-Am will provide a credit to qualifying customers of \$5.00/month in the Sacramento District, and \$8.50/month in the Larkfield District. These amounts are approximately 15% of the monthly bills for customers in each district.

To fund the program, Cal-Am presently is not requesting a surcharge to be authorized, but instead requests approval to open a Water Revenue Adjustment Mechanism (WRAM) account to track the program. Any undercollections or lost revenues would be recovered in Cal-Am's next general rate case (GRC).

Adjustments to the LIRA discount would also be made in the GRC's, but in no event be greater than 15% of the average customer bills. Cal-Am is requesting a flat discount because of the flat rate service in its Sacramento District, and notes that its proposed 15% discount is about mid-point of that approved for San Gabriel (11-19%).

4.1 Assessment of Need and Eligibility Criteria

Cal-Am serves approximately 57,000 customers in its Sacramento District, and 2,600 in its Larkfield District. Cal-Am could not accurately estimate the participation rate of its proposed LIRA. Cal-Am does note that: 1) the federal poverty rate in Sacramento County is 14%; 2) that CARE program income requirements are above the federal poverty level limits; 3) not all residents will participate in the program; and 4) for comparison, the federal poverty limit in Monterey County is 13.5%, while only 1.44% of Cal-Am's customers participate

in its low-income program already established in its Monterey District.³ Cal-Am is directed to provide a more detailed description of the participation rates for its LIRA program in the Sacramento and Larkfield Districts, similar to that now provided for its program in its Monterey District, in its next GRC.

To be eligible for program assistance, customers must meet the same income levels and other requirements as for the California Alternative Rates for Energy (CARE) program of Pacific Gas and Electric Company (PG&E).⁴ Some Cal-Am customers reside in Sacramento Municipal Utility District (SMUD) service territory (for energy service) and are therefore eligible for SMUD's low-income energy program. PG&E's CARE program and the SMUD low-income program differ somewhat. To avoid confusion, Cal-Am will use the income requirements provided in PG&E's CARE program for all of its customers, regardless of residence location, energy utility service territory, and whether or not the customer is enrolled in either the CARE program or SMUD's low-income program.

Cal-Am shall not offer its LIRA program to master-metered / sub-metered customers. We see no way to ensure that discounts would be properly credited.

4.2 Notice and Eligibility Renewal

For its LIRA program, Cal-Am followed the same Commission notice requirements as for rate increase applications (publish notice in local newspapers

³ As authorized by D.96-02-005, which we do not view as precedent in this case because it is outdated, in light of newer policies a programs now in place.

⁴ CARE eligible customers generally are those with income levels at or below 200% of the federal poverty level (D.05-10-044).

within 10 days, and mail individual notices to customers within 45 days of filing the application). Cal-Am will also mail annual reminders to all customers and provide program information on its web-site.

To be eligible for CARE, qualifying customers must re-qualify every two years. Cal-Am will allow eligible customers not enrolled in CARE to self-verify eligibility by providing residency, income and utility bill information directly to Cal-Am.

Within 30 days of the effective date of today's decision, Cal-Am will mail a description of the program and an application form, printed in English and Spanish, to all affected customers. Eligible customers may apply for LIRA discounts once the program description and applications have been mailed.

4.3 Accounting, Reporting Practices and Rates

As mentioned above, Cal-Am proposes to reconcile its LIRA program discounts, costs and expenses through its WRAM account and propose any impacts to customer rates in its next GRC. Although we approve the general accounting approach, we instead approve a simple memorandum account rather than a WRAM. Cal-Am should account for LIRA credits, surcharge revenues, incremental costs, franchise fees, uncollectible accounts, and monthly interest, in a memorandum account as described in its Preliminary Statement for this specific purpose.

5. Discussion

The structure of Cal-Am's proposed discount program for low-income customers is consistent with other previously authorized low-income programs (San Gabriel and Park), and with § 739.8. Although Cal-Am now is not requesting a cost recovery mechanism for its Sacramento and Larkfield LIRA programs such as a surcharge on non-eligible customers, its memorandum

account will account fully for all program costs, and any cost-recovery structure will be fully reviewed in Cal-Am's GRC. Additionally, the Commission's Water Division shall monitor Cal-Am's LIRA program for conformity with this decision and compliance with related program directives such as those in the Water Action Plan.⁵ Overall, we find Cal-Am's proposed LIRA program for its Sacramento and Larkfield Districts reasonable.

6. Comments on Proposed Decision

Cal-Am's application, as amended, is uncontested and this decision grants the relief requested. Accordingly, as provided by Rule 14.6(c)(2) of our Rules of Practice and Procedure, we waive the otherwise applicable 30-day comment period for this decision.

7. Categorization and Need for Hearings in this Proceeding

In Resolution ALJ-176-3167, dated February 16, 2006, we preliminarily determined this to be a ratesetting proceeding, with no hearings required. Upon review of the record, we find that this proceeding was properly categorized as ratesetting, and that hearings are unnecessary. No parties object to this categorization, and no parties have requested a hearing be held.

8. Assignment of Proceeding

John A. Bohn is the assigned Commissioner, and Kenneth Koss is the assigned ALJ in this proceeding.

⁵ The Water Action Plan, issued in December 2005, outlines our water policy directives.

Findings of Fact

1. Cal-Am's LIRA program for its Sacramento and Larkfield Districts is consistent with the low-income programs of other water companies found to satisfy the directives in § 739.8.
2. The proposed program discounts and related recovery mechanisms are reasonable and do not conflict with the policies outlined in our Water Action Plan.
3. The subject application, as amended, is unopposed and this decision grants the relief requested.

Conclusions of Law

1. The Commission should authorize Cal-Am's proposed LIRA program for its Sacramento and Larkfield Districts, to be effective within 30 days from the effective date of today's order.
2. The Commission should authorize the LIRA discounts for eligible customers of \$5.00/month in the Sacramento District, and \$8.50/month in the Larkfield District, as described herein.
3. Cal-Am should be authorized to establish a memorandum account to track the discounts and expenses of its LIRA program.
4. Cal-Am should account for its LIRA program discounts and costs in its next GRC.
5. A public hearing is unnecessary.
6. Pursuant to Rule 14.6(c)(2), the 30-day comment period may be waived.
7. Application 06-01-014 should be closed.
8. Today's decision should be effective immediately.

O R D E R

IT IS ORDERED that:

1. California-American Water Company (Cal-Am) is authorized to implement a Low-Income Ratepayer Assistance (LIRA) program in its Sacramento and Larkfield Districts, effective within 30 days of the effective date of this order, as described herein.
2. Cal-Am shall offer discounts to qualifying customers of \$5.00 per month in its Sacramento District, and \$8.50 per month in its Larkfield District.
3. Cal-Am is authorized to add a memorandum account to its Preliminary Statement to record the initial and ongoing expenses of the low-income assistance program. This account shall be audited for reasonableness at the next general rate case (GRC) proceeding.
4. The memorandum account and related GRCs shall be reviewed by the Commission's Water Division for conformity with this decision. The Water Division shall reject the advice letter if it finds the proposed increase does not comply with this decision or other Commission requirements.
5. A public hearing is unnecessary.
6. The 30-day comment period is waived.
7. Application 06-01-014 is closed.

This order is effective today.

Dated _____, at San Francisco, California.