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NOTICE OF PUBLIC PARTICIPATION HEARINGS ON THE APPLICATION OF CALIFORNIA AMERICAN WATER COMPANY FOR AUTHORIZATION TO MODIFY CONSERVATION AND RATIONING RULES, RATE DESIGN, AND RELATED ISSUES FOR THE MONTEREY DISTRICT (A. 15-07-019)

WEDNESDAY, JANUARY 27, 2016

2 p.m. and 7 p.m.

Oldemeyer Center – Laguna Grande Hall

986 Hilby Avenue

Seaside, CA 93955

ABOUT PUBLIC PARTICIPATION HEARINGS

The California Public Utilities Commission (CPUC) wants to hear from you! Public Participation Hearings (PPHs) are scheduled on the date and times underlined above **to receive your comments** on the application of California American Water Company. In its application, California American Water proposes to change its present rate design, revenue recovery processes, and emergency conservation and rationing plans for customers in its Monterey County service district (excluding those in Toro, Chualar, Ralph Lane and Garrapata).

The hearing’s location is wheelchair accessible. If you need a non-English language interpreter or special assistance, please contact the CPUC’s Public Advisor’s Office (PAO) at the address listed at the bottom of this notice at least five days in advance of the hearing date. If you cannot attend the PPH you may submit your comments via a letter or email to the PAO.

A CPUC Administrative Law Judge (Judge) will preside at these PPHs to listen to your concerns, comments, and opinions on the application. Your comments will be transcribed and included in the record of this proceeding. One or more Commissioners may attend, but no decisions will be reached at this hearing. All public comments from this PPH are public record.

ABOUT THE APPLICATION AND BACKGROUND

On July 14, 2015, California American Water filed an application (A. 15-07-019) with the CPUC. The company seeks to modify its rate design, revenue collection processes, and emergency conservation and rationing plan for its water customers on the Monterey Peninsula. In this proceeding, the CPUC will review the proposed changes, assess customer impacts, and consider whether the changes conform to State and Commission drought rules and policies. The proposed changes will also be evaluated to assess compliance with public safety. Further, the proceeding will include a review of four pending Water Revenue Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) advice letters for the Monterey and Ambler Park systems. The WRAM tracks the difference between the amount of revenue approved by the CPUC and the actual revenue collected. The MCBA tracks the difference between CPUC approved costs for purchased water and power and pump taxes, and the actual costs for these items.

Major proposed changes to the rate design and revenue collection processes include:

Proposed Rate Design Changes

- Change from an allocation-based rate design (where rates are based on the number of residents in the home, lot size, and number of large animals) to a standardized inclining block rate design (where rates will be based on actual customer water consumption from the previous year).
- Adjust the rates to reduce impacts from the different tiers.
- Create a separate rate design structure and rates for multi-unit residential customers as compared to single unit residential customers.
- Increase the service charge to recover 30% of residential fixed costs (compared to a 15% recovery currently).
- Increase the meter charge ratios, which adjust how fixed costs are recovered from each meter size as follows:

Meter Size	Current	Proposed
5/8”	1.0	1.0
3/4”	1.5	1.8
1”	2.5	3.5
1-1/2”	5.0	11.0
2”	8.0	18.7
3”	15.0	35.1
4”	25.0	61.4
6”	50.0	131.6
8”	80.0	210.6

\*Each ratio is multiplied by the 5/8” meter charge

- Increase discounts for the Low Income Credit Program to ensure the proposed rate design changes do not disproportionately affect low income customers.

Proposed Changes to Revenue Recovery Processes

- Change the current method in which the WRAM and MCBA surcharges are collected. The proposed change would apply a uniform surcharge to all units of water, similar to the approach used in other California American Water districts.
- Establish a 20-year fixed meter charge to recover past under-collections of authorized revenue. The proposed monthly charges (which are in addition to other charges) are shown in the table below:

Meter Size	Residential	Non-Residential
5/8”	\$7.16	\$2.86
3/4”	\$14.31	\$5.72
1”	\$21.47	\$8.58
1-1/2”	\$35.78	\$14.30
2”	\$57.25	\$22.88
3”	\$107.34	\$42.90
4”	\$178.89	\$71.51
6”	\$357.78	\$143.01
8”	\$572.46	\$228.82

- Implement an annual consumption true-up pilot program for both residential and non-residential customers.

Major proposed changes to the Emergency Conservation and Rationing Plan include:

- Decrease the number of conservation and rationing stages from seven to four.
- Change the Stage 3 rate structure by eliminating the rationing rate and replacing it with two conservation rates.
- Align the Emergency Conservation and Rationing Plan to be consistent with changes to the Monterey Peninsula Water Management Districts’ Rules and Ordinances and the proposed changes in rate design described earlier in the notice.

CUSTOMER IMPACT

The table below presents the proposed monthly bill impacts for the average customers’ bill using a 5/8” meter, by customer class, if approved by the CPUC.

**Note:** The July 2015 application and initial customer notices reported bill impacts using rates at that time. The chart below updates the bill impacts to reflect rates as of October 2015, including changes in base rates and the expiration of the Coastal Water Project surcharge. No significant rate design change is being proposed by California American Water at this time for non-residential customers.

Base Bill					Total Bill <sup>(1)</sup>			
Customer Class	Current	Proposed	Change in \$	Change in %	Current	Proposed	Change in \$	Change in %
Single Family <sup>(2)</sup>	\$34.90	\$45.20	\$10.30	29.5%	\$45.49	\$63.88	\$18.39	40.4%
Multi-Family <sup>(3)</sup>	\$22.71	\$27.88	\$5.17	22.8%	\$29.77	\$42.65	\$12.88	43.3%
Low Income <sup>(4)</sup>	\$36.22	\$46.35	\$10.13	28.0%	\$38.05	\$49.41	\$11.36	29.9%
Non-Residential Division 1 <sup>(5)</sup>	\$88.27	\$76.38	(\$11.89)	-13.5%	\$104.85	\$95.03	(\$9.82)	-9.4%

- (1) Total bill includes applicable surcharges and taxes.
- (2) Assumes 3-person household, on a ¼ to 1 acre lot, average consumption of 37 hundred gallons (cgl's) per month.
- (3) Assumes 1 dwelling unit, average consumption of 21 cgl's per month.
- (4) Assumes 3-person household, on a ¼ to 1 acre lot, average consumption of 38 cgl's per month.
- (5) Assumes average consumption of 50 cgl's per month. There are no rate design changes. Bill impacts above reflect modifications due to WRAM recovery.

TO OBTAIN A COPY OF THE APPLICATION

If you would like a copy of California American Water’s application and exhibits, please write to California American Water at the address below:

California American Water  
511 Forest Lodge Road, Suite 100  
Pacific Grove, CA 93950

A copy of California American Water’s application and exhibits is also available for review at the CPUC’s Central Files Office by appointment. For more information you may contact [aljcentralfilesid@cpuc.ca.gov](mailto:aljcentralfilesid@cpuc.ca.gov) or (415) 703-2045. The application (without exhibits) is available on the CPUC’s website at [www.cpuc.ca.gov](http://www.cpuc.ca.gov). Click on “Docket Card” from the Proceeding Information Menu and search for A. 15-07-019.

CPUC PROCESS

As a party of record, the Office of Ratepayer Advocates (ORA) has reviewed this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers to obtain the lowest possible rate for service consistent with reliable and safe service levels. ORA has a multi-disciplinary staff with expertise in economics, finance, accounting and engineering. For more information about ORA, please call (415) 703-1584, e-mail [ora@cpuc.ca.gov](mailto:ora@cpuc.ca.gov) or visit the Office of Ratepayer Advocate’s website at: <http://ora.ca.gov>.

This application has been assigned to a Judge. The Judge will hear from the public and the parties, including the receipt of formal evidence and related documents necessary to establish an evidentiary record upon which the Commission can base its decision. Evidentiary Hearings (EHs) will be held where utilities, consumer advocacy groups, and other entities which have been given official status as “parties,” will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties may participate. The hearings and documents submitted in the proceeding become part of the formal record that the Judge relies upon when writing a proposed decision to present to the Commissioners for their consideration.

After considering all proposals and all evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision, determining whether to adopt California American Water’s request, modify it, or deny it. Any of the CPUC’s Commissioners may sponsor an alternate decision. The proposed decision, and any alternate decisions, will be discussed and voted upon at a scheduled Commission Voting Meeting.

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If you would like to learn how you can participate in this proceeding, if you have informal comments, or if you have questions about the CPUC process, you may access the CPUC’s Public Advisor’s webpage at [www.cpuc.ca.gov/puc](http://www.cpuc.ca.gov/puc) and click on “Public Advisor” from the CPUC Information Menu. You may also contact the Public Advisor as follows:

Write: CPUC Public Advisor’s Office  
505 Van Ness Avenue  
San Francisco, CA 94102

Email: [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov)

Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074  
1-866-836-7825 (toll-free) or TTY 1-415-703-5282

Please reference **California American Water’s Application No. 15-07-019** in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review for the assigned Judge, the Commissioners, and appropriate CPUC staff.