

Decision 00-03-053 March 16, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the California-American Water Company (U210W) for an Order Authorizing it to Increase its Rates for Water Service in its Monterey Division.

Application 99-04-003
(Filed April 1, 1999)

Lenard G. Weiss, Attorney at Law, and David P. Stephenson, for California-American Water Company, applicant.

David A. McCormick, Attorney at Law, for United States Department of Defense and Federal Executive Agencies; David C. Laredo, Attorney at Law, for Monterey Peninsula Water Management District; David Dilworth, for Responsible Consumers of the Monterey Peninsula; and George T. Krieger, for himself; interested parties.

Peter Fairchild, Attorney at Law, for Ratepayer Representation Branch of the Commission's Water Division.

OPINION

Summary

By this decision the Commission adopts an uncontested settlement agreement covering all general rate case issues except rate design, proffered by California-American Water Company (CalAm), Ratepayer Representation Branch of the Commission's Water Division (RRB), Monterey Peninsula Water Management District (MPWMD) and the US Department of Defense and Federal Executive Agencies (DOD/FEA). CalAm is authorized a general rate increase in its Monterey Division of \$875,000 (3.9%) for test year 2000, \$444,500 (2.0%) for test

year 2001 and \$508,300 (2.2%) for attrition year 2002. After considering the parties' positions and the Monterey Peninsula's critical water conservation needs, we order increased rates be patterned on the current rate design but with additional high-usage blocks to discourage waste. For use during future periods during which CalAm is at imminent risk of violating State Water Resources Control Board (SWRCB) water production limitations, we authorize a new, per capita rate structure intended to be implemented only after notice and an accelerated customer education campaign.

Background

CalAm is a California corporation and one of the Western Region companies of American Water Works Company, Inc., its corporate parent. CalAm provides public utility water service in various areas in San Diego, Los Angeles, Ventura and Monterey counties. This general rate proceeding involves only its Monterey Division.¹

CalAm's Monterey Division

Monterey Division serves approximately 37,600 customers on the Monterey Peninsula and vicinity, encompassing the cities of Carmel-by-the-Sea, Pacific Grove, Monterey, Sand City, Del Rey Oaks and part of Seaside, much of the Carmel Valley, the Highway 68 corridor, and several other nearby unincorporated areas. The last general rate increase for Monterey Division was authorized by Decision (D.) 96-12-005; there have been various other rate adjustments since that time.

¹ Monterey Division and Monterey District are terms used interchangeably throughout the Application and the parties' presentations.

According to MPWMD, CalAm supplies approximately 85% of the Monterey Peninsula's water. CalAm develops its supply from Carmel River surface water and wells in the Carmel Valley, Seaside basin and along the Highway 68 corridor. Because the issues of this general rate case (GRC) are so intertwined with the area's longstanding critical water supply problems, we present an introductory overview here.

CalAm's Monterey Peninsula Water Supplies

CalAm has two large storage facilities on the Carmel River, San Clemente Dam (1921) and Los Padres Dam (1947). Since it arrived on the scene in 1966, CalAm has been aware of and publicized to its customers that its water supplies were vulnerable in the event of a prolonged drought, but the economics prevented any serious effort on its part to construct new, major storage facilities during those early years. A serious flood in 1969 precipitated a U.S. Army Corps of Engineers flood and water supply study begun in 1970. In 1975, the Commission, responding to issues of supply and distribution system inadequacy, ordered a moratorium on new connections until CalAm improved its capacity to transport water from the Carmel River to the urbanized areas of the Monterey Peninsula. The drought of 1976-1977 brought water rationing and heightened public awareness of the Peninsula's vulnerability. By 1976, the Corps of Engineers had developed estimates for a proposed New San Clemente Dam, but local opposition to costs higher than those initially expected left it unfulfilled. As the drought worsened and water rationing was tightened in 1977, the state enacted the Monterey Peninsula Water Management District Law, followed in 1978 by local voters' approval creating MPWMD.

MPWMD's mission is to "manage, augment, and protect water resources for the benefit of the community and the environment" of the greater Monterey Peninsula area. Its charges include managing and regulating water use, reuse,

reclamation and conservation, and financing water public works projects. Almost all of CalAm's Monterey Division water system lies within MPWMD's 170 square mile jurisdiction. In 1984, MPWMD began developing an annual forward looking water supply strategy which included projected demands and proposed targets for CalAm's various production sources. In 1989, MPWMD stepped this up to a quarterly exercise and, as part of a larger, ongoing effort to restore the Carmel River, reduced CalAm's annual surface water diversions to no more than 29% of total system production, the remainder to be derived from subsurface water in the Carmel Valley and Seaside. Today the quarterly strategy and water budget values are developed jointly by CalAm, MPWMD and the California Department of Fish and Game in conformance with an annual memorandum of agreement intended to balance fish and wildlife resource requirements and CalAm customers' needs, considering projected storage and inflow conditions for the year.

It eventually became apparent that despite the best efforts of CalAm, MPWMD, the local community and others, during periods of drought there is simply not sufficient water to satisfy fully both environmental requirements and unrestrained municipal water demands.

And then in 1995 the SWRCB added a major new legal constraint to the Monterey Peninsula's physical water supply limitations. SWRCB, following hearings begun in 1992, acted on complaints alleging that CalAm's Carmel River water use was without valid rights and adversely impacted environmental and public trust values. In Order WR 95-10, it directed CalAm to cut its Carmel River diversions to 14,106 acre-feet annually and implement conservation measures to bring that figure down by 20% more (to 11,285 acre-feet) beginning with the 1997 water year.

To further complicate matters, two Carmel River animal species have recently been listed as threatened, bringing the possibility of further regulatory limits imposed under the federal Endangered Species Act.

In November, 1995, voters turned down MPWMD's proposal to improve supplies by financing approximately \$116.5 million to construct a 24,000 acre-foot New Los Padres Dam on the Carmel River. MPWMD has since "directed its staff to re-examine non-dam alternatives, while at the same time taking all necessary action to preserve and maintain the permits and approvals already obtained" for the dam project.

CalAm characterizes the SWRCB in Order WR 95-10 as having, "in essence, directed CalAm to solve the water supply problem." According to CalAm:

To correct the unauthorized diversion, the Order directed CalAm to either "(1) obtain appropriative permits for water being unlawfully diverted from the Carmel River, (2) obtain water from other sources of supply... and/or (3) contract with another agency having appropriative rights to divert and use water from the Carmel River" [i.e., the MPWMD per SWRCB Decision 1632].

In response, CalAm has proposed constructing a new facility, the Carmel River Dam and Reservoir Project, "physically identical the New Los Padres Project previously proposed by MPWMD, except no water is dedicated for growth." CalAm currently has pending before the Commission Application (A.) 97-03-052 for the certificate of public convenience and necessity it would need to proceed.

In a further effort to reduce demand, CalAm proposed in its test year 1997 GRC, A.96-03-008, a temporary, three-year experimental rate design that would greatly increase conservation incentives by lowering, and for some low-income customers eliminating, residential service charges, and establishing tiered usage rates with a high consumption surcharge. MPWMD supported the new rate structure and the Commission authorized it in D.96-12-005. At the same time, the Commission ordered CalAm to perform a study of the experimental rate design's

effectiveness and submit it in its 1999 GRC filing, or not later than December 31, 1999. CalAm has included that study in this application.

CalAm was able to meet the SWRCB-mandated cutback during the first water year ending September 30, 1996 following Order WR 95-10. It was unable to meet the cutback in the second year, however, and the SWRCB levied a \$168,000 fine on CalAm for the violation. When early figures made it appear that consumption would be too high in the third year, CalAm filed four applications seeking Commission authority to take steps aimed at helping it better ensure compliance with Order WR 95-10 over the short term until a long term solution to the water supply problem could be achieved. The Commission dismissed all four applications without prejudice and directed CalAm to pursue relief in this GRC application we address today.² Specifically, we directed CalAm to:

(1) establish a memorandum account for the water years ending September 30, 1998 and 1999 to record any fines resulting from failure to meet the Order WR 95-10 cutback requirement, saying we would consider in this GRC whether to extend the memorandum account to fines in future years; (2) seek GRC authorization for a mandatory conservation plan, an associated balancing account, and a specific rationing plan for water supply emergencies; (3) seek GRC authorization to implement a connection moratorium during water supply emergencies; and (4) include in this GRC a comprehensive short term contingency plan for managing water shortages, to include mandatory conservation, rationing and moratorium components, and a long term contingency plan for addressing water shortages should its proposed Carmel River Dam not go forward. With respect to points (2) and (3), we expressed our

² D.98-08-036 in A.98-05-008, A.98-05-009, A.98-05-010 and A.98-05-011.

strong preference that CalAm work cooperatively to propose measures consistent with complementary measures to be developed by MPWMD. MPWMD has since enacted Ordinance No. 92 effective March 1, 1999, establishing an expanded water conservation and standby rationing plan, and CalAm has included these required items in this GRC as part of a series of "Special Requests" listed below.

CalAm's Application

CalAm's application requests the overall rate increases shown in Table 1 to compensate it for increased expenses and capital investment costs in excess of increased revenues over time. In addition, it seeks Commission approval of fourteen so-called Special Requests, some of the rate effects of which are not included in the Table 1 figures, and three other requests:

Special Request #1: Accept CalAm's effectiveness study of its temporary, three-year experimental rate design, submitted in compliance with D.96-12-005, Ordering Paragraph No. (OP) 10 (no associated revenue requirement).

Special Request #2: Authorize CalAm to adopt as its conservation and standby rationing plan (Tariff Rule 14.1) MPWMD Ordinance No. 92; to track in a balancing account and recover through a surcharge its expenses of maintaining and operating the plan (\$550,000 estimated annual revenue requirement) and its costs for a system water loss audit (\$100,000 estimated revenue requirement); and to establish a memorandum account³ to track costs required to implement water-loss reduction measures to be determined following the system water loss audit (no immediate

³ Commission approval for memorandum account treatment conveys authority to track, and later seek to recover, amounts relating to some stated purpose. It carries no implication of Commission pre-approval of reasonableness for later recovery. Before utilities may recover in rates amounts booked to memorandum accounts, they must request and receive additional Commission authorization. Balancing account treatment goes further, generally implying Commission pre-approval of reasonableness to track and recover (or refund) amounts meeting pre-established criteria. Balancing account entries may still be subject to examination to ensure the specific amounts were necessary and properly classified.

revenue requirement). These requests relate to D.96-12-005, OP2 and OP3.

Special Request #3: Authorize CalAm to establish a memorandum account to track costs related to compliance with the federal Endangered Species Act (no immediate revenue requirement).

Special Request #4: Authorize CalAm to recover \$167,524 in operating and maintenance expenses and \$103,440 in capital expenditures resulting from flooding in early-1998 and recorded in CalAm's Catastrophic Event Memorandum Account (revenue requirement included in CalAm's requested results of operations (R/O) figures).

Special Request #5: Authorize CalAm to record AFUDC (Allowance for Funds Used During Construction) for California Department of Health Services required improvements at its two Carmel Valley water treatment plants (revenue requirement included in requested R/O figures).

Special Request #6: Authorize CalAm to close to plant in service capital expenditures through December 31, 1999 on its San Clemente Dam Retrofit Project and the Carmel River Dam Project (revenue requirement included in requested R/O figures), and continue to accrue AFUDC on future such expenditures thereafter (no immediate revenue requirement).

Special Request #7: Allow CalAm to transfer amounts from six conservation-related and SWRCB Order 95-10 related memorandum accounts to its expense balancing account (revenue requirement included in Special Request #9 below), and \$195,000 to plant accounts (revenue requirement included in requested R/O figures).

Special Request #8: Authorize CalAm to roll its WRAM (Water Rate Adjustment Mechanism) balancing account undercollections (\$551,624 as of December 31, 1998) over into its proposed new WRAM balancing account (no immediate revenue requirement).

Special Request #9: Authorize CalAm to recover by means of a quantity surcharge over 30 months beginning July 1, 2000, the December 31, 1999 accumulated balance in its expense balancing

account (\$2.1 million estimated revenue requirement recovered over 30 months).

Special Request #10: Renew the Commission's now-expired authorization for CalAm to recover from customers any future fines imposed by SWRCB, until a permanent water supply solution is in place (no immediate revenue requirement).

Special Request #11: Authorize CalAm to establish a balancing account for all charges to CalAm from MPWMD for MPWMD's expenses related to Ordinance No. 92 (no immediate revenue requirement).

Special Request #12: Authorize CalAm to establish a memorandum account to track costs it would incur should MPWMD declare a water supply emergency and impose rationing under Ordinance No. 92 (no immediate revenue requirement).

Special Request #13: Authorize CalAm to establish a memorandum account to track costs it incurs due to the development of a contingency plan to be used in the event the Carmel River Dam project is not implemented (no immediate revenue requirement).

Special Request #14: Authorize CalAm to establish a memorandum account to track any sublease income and new lease expense pending a long-term solution for housing its Monterey Division administration and operations (no immediate revenue requirement).

New Rate Structure: Authorize a new, accelerating-block rate structure (the July 1, 2000 per capita rate design described below) intended to address the Monterey Peninsula's critical water conservation needs.

Hidden Hills and Ryan Ranch Rate Structure: Authorize a rate design for customers in the Highway 68 corridor which is the current experimental three-year rate design increased by the overall percentage of increase requested in the GRC. These customers are served by supplies independent of the Carmel River system.

Non-Domestic Fire Service: Authorize new Tariff Schedule No. MO-NDFS to cover all water furnished for non-domestic fire service.

CalAm prepared its GRC request using a 10.59% return on common equity, producing 9.03% and 9.01% rates of return on rate base for test years 2000 and 2001.

Procedural History

CalAm filed the application on April 1, 1999, and the Commission in Resolution ALJ 176-3014 preliminarily determined this to be a ratesetting proceeding expected to go to hearing. Assigned Commissioner Henry Duque's June 9, 1999 scoping ruling confirmed the category and need for hearing, defined the issues, established a schedule, and designated assigned Administrative Law Judge (ALJ) McVicar as the principal hearing officer and thus the presiding officer.

ALJ McVicar conducted public participation hearings in Pacific Grove and Seaside on May 27, 1999. Customer attendance was moderate in both locations, with water planning, conservation rate design, and general rate levels drawing the greatest customer attention. Many speakers commented on different aspects of water planning, including CalAm's current and historical Carmel River proposals and expenditures; reclaimed water and desalinated water as supply alternatives; CalAm's role in SWRCB's Order 95-10 requirements and penalties; the need to limit new users, particularly golf courses; and the need for CalAm to pursue alternative water rights. Several speakers supported increasing rate block tiers, saying they are working and reward customers who conserve, while others denounced them as unfair to gardeners and those with landscaping. One characterized CalAm's proposal as "conservation by gouging," one suggested that conservation rate design should only be addressed by the state legislature, and several simply expressed their frustration at not being able to understand

the proposed new rate design and its effect on them. Not surprisingly, the general consensus seemed to be against raising rates, with comments that CalAm needs to tighten its belt, improve productivity, keep increases at or below inflation levels, better manage pipe breaks, reduce its overall lost water percentage, eliminate treatment chemicals, and absorb any SWRCB fines and Endangered Species Act costs. Many of the speakers' public participation hearing topics are being addressed directly or indirectly as part of this decision and the Settlement described below, or have been or will be addressed by the Commission in other proceedings completed or pending.

Parties David Dilworth and George T. Krieger filed formal appearances at the Public Participation hearings but, other than Krieger's comments on the proposed decision, did not again attend or participate during the remainder of the proceeding.

The ALJ held a prehearing conference on June 3, 1999. Evidentiary hearings were convened on August 9th, at which time the active parties (CalAm, RRB, MPWMD and DOD/FEA) announced they had reached firm agreement on all issues and were in the process of reviewing a draft settlement document. Evidentiary hearings were continued to September 1st to allow the parties to complete and file their settlement proposal. At the September 1st evidentiary hearing, the active parties announced they had not been able to reach closure on rate design and desired to present evidence on that issue alone. The parties' pre-served prepared testimony on all issues was admitted by mutual agreement and rate design evidence was taken on September 1st and 2nd.

At the close of hearings the proceeding was submitted upon receipt of concurrent briefs due October 1, 1999. The active parties filed their Motion for Adoption of Partial Settlement with an accompanying settlement document on September 23, 1999, and served it on all parties. Neither of the inactive parties,

who did not join in the settlement, submitted comments as permitted under Rule 51.4.

In early-November it was determined that there were certain errors and discrepancies in the settlement document as filed, and the parties subsequently informed the ALJ that they would file a revised settlement. On December 8, 1999, the active parties filed a Petition to Set Aside Submission, a new Motion for Adoption of Settlement, and the Settlement included in this decision as Appendix D. By ruling dated December 13, 1999 the ALJ granted the motion, set aside submission, accepted the new Settlement into the record, and submitted the proceeding anew as of that date. Because the primary revisions were minor adjustments to the underlying results of operations figures and revenue accounting shifts, and because the revisions caused an insignificant overall revenue requirement decrease, the ALJ ruled that the revised settlement introduced no new issues that would justify reopening the Rule 51.4 comment period. For purposes of this decision, only the more-recently filed Settlement will be referred to.

The Settlement

The Settlement is Appendix D to this decision. The Settlement's Appendix A, 48 pages of detailed tables comparing the initial and settled positions of the parties, has been omitted from decision Appendix D due to its volume, but pertinent parts are summarized in Table 2 below and in decision Appendix C, Adopted Quantities and Calculations. Likewise, to reflect the rate design outcome we reach below, Settlement Appendix B, Rate Structure Section Including 4th Tier, is included while Settlement Appendix C, Rate Structure Section Excluding 4th Tier, is not.

Settlement Terms

Table 1 compares CalAm's and RRB's initial positions on revenue requirement change for each test year and the attrition year with what they propose in the Settlement. MPWMD and DOD/FEA did not advocate a specific revenue requirement.

Table 1
Requested vs. Adopted Increases

	2000		2001		2002	
	\$ (000)	%	\$ (000)	%	\$ (000)	%
CalAm Requested	2,594.6	11.7	1,041.6	4.2	893.3	3.5
RRB Recommended	(3,005.5)	(13.4)	132.8	0.7	201.6	0.9
Settlement/Adopted	875.0	3.9	444.5	2.0	508.3	2.2

The Settlement indicates each of the areas of major difference between the parties' initial positions and summarizes how those differences were resolved. Final revenue requirements were based on an agreed-upon 9.95% return on equity each year, which combined with capital ratios and cost of debt gives returns on rate base of 8.84%, 8.73%, and 8.71% for 2000, 2001 and 2002.

The active parties ask the Commission to adopt the summary of earnings in Table 2.

Table 2

California-American Water Company
Monterey Division
Adopted Summary of Earnings
(Dollars in Thousands)

	2000	2001
Operating Revenues		
Metered	\$ 22,782.6	\$ 23,218.3
Flat Rate	297.4	303.4
Other	33.2	35.8
Construction	84.9	87.3
Misc. Service	6.9	6.9
Rents	10.1	10.5
Deferred Rev. CIAC	20.5	20.2
Total Operating Revenues	\$ 23,235.6	\$ 23,682.4
Operating Expenses		
Source of Supply Operation Expenses	42.7	43.4
Source of Supply Maintenance Expenses	98.7	101.1
Purchased Power	1,437.8	1,437.9
Payroll/Labor	3,353.3	3,418.4
Pumping Operation Expenses	141.9	144.7
Pumping Maintenance Expenses	148.0	150.0
Water Treatment Operation Expenses	78.4	74.4
Water Treatment Maintenance Expenses	59.0	60.5
Chemicals	326.4	326.4
Storage Facilities Expenses	21.4	22.1
Transmission & Distribution Operation Expenses	197.9	202.7
Transmission & Distribution Maintenance Expenses	544.1	588.4
Customer Accounts Operation Expense	23.3	23.8
Uncollectibles	66.6	67.9
Subtotal O & M Expenses	6,539.5	6,661.7
Administrative & General Expenses	5,015.8	5,041.7
Depreciation Expense	3,151.5	3,377.1
Ad Valorem Taxes	683.6	681.8
Payroll Taxes	260.1	265.3
State Income Taxes	438.5	432.2
Federal Income Taxes	1,539.8	1,491.8
Total Operating Expense	\$ 17,628.8	\$ 17,951.6
Net Operating Revenue	\$ 5,606.8	\$ 5,730.8
Average Rate Base	\$ 63,376.1	\$ 65,577.2
Return on Rate Base	8.84%	8.73%

The parties' agreed outcome on each of the numbered Special Requests summarized above is set forth in the Settlement at Section 12 and will not be repeated here.

Despite their failure to come to closure on rate design, the active parties were able to agree on several important aspects as described in the Settlement's Section 11. They agree that CalAm's current rate design should form the base for increased rates to be implemented in 2000. RRB and CalAm differ, however, on CalAm's proposal to append additional, higher rate blocks to the current design to curb excessive consumption by CalAm's highest residential and commercial users. They also agree that a new, per capita rate design with a structure resembling that which CalAm has proposed is needed to address future periods of water shortage. Where CalAm's Application anticipated putting the per capita design permanently into effect in July, 2000, the parties have agreed to later implementation triggered by CalAm's notification to the Commission if and when it has exceeded its SWRCB-permitted draw for the water year to date from Carmel River diversions, followed by reversion to the current rate design when the shortage subsides. A fuller description of the parties' rate design positions and our discussion of this sole remaining issue are set forth in a later section.

Settlement Discussion

The active parties have tendered an "uncontested settlement" as defined in Rule 51(f), *i.e.*, a "... settlement that (1) is filed concurrently by all parties to the proceeding in which such... settlement is proposed for adoption by the Commission, or (2) is not contested by any party to the proceeding within the comment period after service of the ...settlement on all parties to the proceeding." Rule 51.1(e) requires that settlement agreements be reasonable in light of the whole record, consistent with law, and in the public interest. (See also *San Diego Gas & Electric*, 46 CPUC2d 538 (1992), for elaboration on the

Commission's policy on all-party settlement proposals). The Settlement represents a resolution of all issues among the active parties except certain aspects of rate design, as specified.

RRB's charge is to represent utility ratepayers, and it has earnestly upheld that purpose here. MPWMD's mission is to manage, augment and protect water resources for the benefit of the community and the environment of the greater Monterey Peninsula area, and it has participated in the proceeding and the Settlement to that end. DOD/FEA represents the consumer interest of the Department of Defense and other affected Federal Executive Agencies, including the Presidio of Monterey which alone has annual CalAm water billings in excess of \$330,000. CalAm has vigorously pursued its interests and those of its stockholders. The Settlement commands the sponsorship of all four active parties to this proceeding, and those parties are fairly reflective of the affected interests.

CalAm's application and supporting exhibits set out its initial position and its justification for the increases sought. RRB, MPWMD and DOD/FEA in turn prepared direct evidentiary presentations that established and supported their positions on the record, participated in evidentiary hearings, and filed briefs. The Settlement with attached comparative tables, along with the parties' comparison exhibits and other evidentiary material, defines the solution the parties have reached. Where they were unable to reach complete agreement on rate design, they developed their positions in the evidentiary hearings, briefed them, and submitted the unsettled issues to the Commission for determination. It is clear that the parties have arrived at a reasonable agreement in light of the whole record.

Likewise, the record in this proceeding provides sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.

Pub. Util. Code § 454 provides no public utility shall change any rate except upon a showing before the Commission and a finding by the Commission that the new rate is justified. In this case, the parties have explained their initial positions and what adjustments each has made to arrive at the summaries of earnings and revenue requirements in the Settlement. The resulting rates will bring CalAm's revenues up to necessary levels in test year 2000 and the succeeding two years. We have no hesitation in finding both the rates and their supporting revenue requirements justified by the parties' showings. No provision of the Settlement is in violation of any statute or Commission decision or rule.

We thus conclude that the Settlement meets the requirements of Rule 51.1(e) in that it is reasonable in light of the whole record, consistent with law, and in the public interest.

Rate Design

Rate design remains the sole issue not entirely settled among the active parties. Settlement Section 11 provides background and explains those aspects of rate design the active parties have been able to come to closure on, and lays out the remaining issue for the Commission's consideration.

CalAm's Application Rate Design Proposals

In its test year 1997 GRC, CalAm proposed and the Commission authorized a temporary, three-year experimental rate design intended to increase conservation incentives. For the past three years, residential customers have been billed in three quantity blocks with rates set at 75%, 100% and 200% of a "standard" quantity rate; apartments and multi-family premises billed in a single

block at 75%; and commercial customers billed in a single block at 100%. Residential customers' service charges have been set at a level to recover 25% of fixed costs; low-income customers pay no service charges; and apartment, multi-family and commercial customers pay a service charge set at the 50% of fixed costs level, consistent with the Commission's long-established rate design policy. Revenue foregone through lowered service charges to the first two groups has been collected through a quantity surcharge on those groups' usage. In the Commission-ordered conservation effectiveness study submitted in this proceeding, CalAm found that implementing higher rate blocks did have the desired effect on at least 50% of the targeted customers. CalAm concluded that additional, higher rate blocks would extend the conservation response to more customers.

In this Application, CalAm initially proposed that the current rate design remain in effect, its structure unmodified, until June 30, 2000. The company would bill customers at rates increased proportionately to meet whatever higher revenue requirement the Commission were to approve. CalAm would also generate special information-only bills for the first six months to let customers know what they would have been charged under a new, per capita rate design to be implemented July 1, 2000.

Under the Application-proposed per capita rate design, beginning July 1, 2000, all customers would be billed according to a new, five quantity block structure at increasing rates of 75%, 100%, 150%, 200% and 400% of the standard quantity rate. For residential customers, the usage level at which each quantity rate would apply would be determined by number of residents and lot size. For non-residential customers, the same standard quantity rate and percentages would apply to customer-specific usage blocks defined based on historic usage, water audits, MPWMD allocations, comparisons to like properties and other

factors as necessary. Service charges would be determined as they were before July 1, 2000, except that apartment and multi-family would move to the residential service charge rate. The Settlement at Section 11.01 capsulizes CalAm's motivation for requesting a per capita rate design:

This design was prepared in response to Order WR 95-10 of the State Water Resource Control Board ("SWRCB") and MPWMD's Ordinance No. 92. SWRCB's Order 95-10 mandates that Cal-Am reduce its production from the Carmel Valley to 11,285 acre feet annually or suffer potentially large fines. Ordinance No. 92 was adopted both to limit production to comply with SWRCB's Order 95-10 and to limit production during the time of physical drought. The main purpose of Cal-Am's proposed design is to take a proactive response to the legal restrictions imposed by SWRCB's Order No. 92 and [it] was the product of an extensive set of public hearings and workshops and the joint product of MPWMD, Cal-Am, and community representatives and organizations.

As noted earlier, CalAm also proposed a separate rate design for customers in the Highway 68 corridor, termed the Hidden Hills and Ryan Ranch areas. Because these customers are served by supplies independent of the Carmel River system, they are isolated from the problems affecting other Monterey Division users. No party took issue in the proceeding with CalAm's proposal to base Hidden Hills and Ryan Ranch customers' rate design on the current experimental three-year rate design increased by the overall percentage of increase requested in the GRC, and the remainder of this rate design discussion does not apply to those customers.

RRB's Initial Rate Design Position

In pre-served direct testimony, RRB initially took an ambiguous position with respect to CalAm's Application-proposed per capita rate design. On the one hand, it faulted it as unneeded because the current rate design has achieved its conservation goals and kept CalAm within SWRCB's Carmel River production

limits for the past two water years; its per capita allocations would place hardship on many customers and prove very difficult to implement; the household survey raises privacy concerns and would be very difficult to verify; and the program would be difficult to administer and enforce. RRB also suggested both general and specific revisions to the allocation formulas and a possible summer/winter allowance adjustment. On the other hand, it acknowledged, "In principle, CalAm's proposals for revised rate design would promote greater conservation and meet the requirements of MPWMD Ordinance No. 92, which mandates that CalAm prepare a per capita based tariff." And, RRB concluded, "The proposed changes could be introduced on a trial basis for a year."

CalAm's Modified Rate Design Proposals

At the September 1st evidentiary hearing, CalAm introduced for the first time modified rate design proposals represented as being its response to reservations RRB had expressed during rate design settlement negotiations. It included major changes to the current rate design proposal that it had intended to retain until June 30, 2000, and less significant modifications to the July 1, 2000 proposal. CalAm proposed to drop the July 1, 2000 automatic cutover date and move to the stricter, per capita rate design only during periods when high water production placed it in danger of violating SWRCB's Carmel River extraction limit. The triggering requirement was later incorporated into the Settlement, Section 11.02.01:

The Per Capita Design based on an allotment to each customer would be implemented within ten days of notification by CalAm to the Water Division that CalAm has as of any month-end exceeded the production goal for the Carmel River Water Resource System (as defined by the MPWMD) for the water-year to date. Once implemented, the Per Capita Design would remain in place for the remainder of that water-year and then

revert to the normal design if production from the Carmel River Water Resource System is below the goal for each of the first two months of the succeeding water-year, in which case return to the normal design would be implemented for each bill issued on or after December 1 of the succeeding water-year.

Besides the per capita triggering provision, the major change CalAm sought was to add additional quantity blocks to its modified current rate design proposal for all customers to discourage excessive consumption. Specifically, residential customers would have a fourth block added that charged all usage over 32 ccf (hundred cubic feet) per month at 400% of the standard rate. Multi-residential customers (i.e., all residential customers who are not individually metered), who currently have a single block set at 75% of the standard quantity rate, would see additional blocks of 100% over 4 ccf, 200% over 8 ccf, and 400% for all usage over 12 ccf, and service charges set at the residential rate. Non-residential customers, who are currently charged 100% of the standard quantity rate for all usage, would receive an allotment as in the per capita rate design, pay 100% of the standard rate for all usage up to their allotment, and 200% of the standard rate for all additional consumption. Low income residential customers would continue to pay no monthly service charge.

CalAm's per-capita rate design proposal introduced in hearings to take effect July 1, 2000 was structurally similar but not identical to the proposed per capita rate design in its application, and very close to the same as that the active parties have agreed to. The agreed-upon per capita rate design is covered at Section 11.02 in the Settlement, and the rate design provisions as we understand them are summarized in somewhat different form in Appendix A-2 to this decision.

RRB's, MPWMD's and DOD/FEA's Positions

MPWMD and DOD/FEA support both CalAm's Application rate design proposals and its modified rate design proposals. MPWMD sees CalAm's proposals as impelled by unique circumstances, consistent with the requirements of MPWMD's Ordinance No. 92, and an integral part of MPWMD's comprehensive water management plan.

RRB agrees with the need for and structure of CalAm's per capita rate design. RRB opposes CalAm's proposal to add higher rate blocks to its current rate design, that rate design which would remain in effect until a per capita rate design is triggered by water production approaching SWRCB's Carmel River extraction limit. Adding higher rate blocks is the sole unsettled issue the active parties have referred to the Commission for determination.

Rate Design Discussion

While the rate designs we are asked to consider are complex, the parties' arguments surrounding the unsettled issue of adding higher blocks to the current rate design are straightforward. CalAm, supported by MPWMD and DOD/FEA, would add higher blocks to dissuade customers from excessive use and thus minimize the possibility of once again running afoul of SWRCB's Carmel River extraction limits and the attendant fines. RRB, however, points out that CalAm's proposal varies in several ways from our standard rate design policy set forth in D.86-05-064, and argues that it produces anomalies when applied to some customers' situations, has not been sufficiently developed or supported, and would be fundamentally unfair.

While CalAm would prefer its initial, Application-proposed rate design, it agreed in the Settlement to keep the current design in place with certain modifications and to move to a new, per capita design only when triggered by excessive water usage. CalAm feels strongly, however, that there must be some

move in the shorter term to continue pressuring its customers to curb excessive use. To do otherwise, it argues, would send an erroneous, overly optimistic signal to its ratepayers and significantly increase the chances of incurring future SWRCB fines when a dryer weather cycle occurs. Toward that end, it proposes to add an additional tail block to the current design for all users. RRB disagrees, and the active parties have agreed to submit that proposal to the Commission for decision.

The high rates in the proposed tail blocks are aimed at what CalAm characterizes as a "water abusing minority." Each year CalAm renders about 480 monthly residential statements showing water use above 32 ccf. Citing generally the results of its Commission-ordered rate design effectiveness study, CalAm estimates that approximately one-half of these customers would respond to the new price signals, resulting in cutbacks in the range of 25% to 30% of the 800 acre-feet used annually in this block by residential customers. Considering that CalAm's Carmel River excess production in water year 1996-1997 when SWRCB fined it \$168,000 was 1,500 acre-feet, the reduction this measure could produce is significant. There would be additional conservation produced by adding the second block for commercial customers, but no party attempted to quantify those savings.

RRB points out that CalAm's proposed design would run counter to our standard water rate design policy which states that we do not expect a customer's total water bill to be increased substantially more than the total system increase; a customer's total water bill should not be reduced except under circumstances where the utility's revenue requirement is reduced; and the number of commodity blocks should be limited to no more than three. For residential customers, CalAm's addition would be a fourth block, and for commercial customers, a second. CalAm acknowledges that some low-usage

multi-residential customers may actually see their bills decrease as their group is merged with residential, and that the very highest users in all categories would see increases substantially in excess of the first year 3.9% system average increase. It characterizes the decreases as an incentive to those low users to continue to conserve, while the highest users are motivated to reduce the excessive consumption that put them in those new, higher blocks.

We agree with CalAm. In Monterey Division CalAm faces extraordinary water supply challenges and needs tools to address them beyond those we ordinarily would support. What RRB regards as rate shock, MPWMD correctly characterizes as "...an abrupt imposition for high water users to create an awareness of their conduct [and] not intended to soften consumer reaction." With an inverted block structure, customers have strong incentives to conserve, and those who respond appropriately need not be disadvantaged.

Under the CalAm proposal we are adopting, commercial customers will see a second quantity block that begins when they have exceeded their assigned allotment. CalAm will set customers' allotments using MPWMD-developed criteria that take into account the needs of each type of commercial customer. CalAm and MPWMD assert that no commercial customer need exceed an allocation and be thrown into the second block. A commercial customer who consumes more than the allocated amount may request a best management practices audit, and if the audit shows they are using the best water management practices applicable to them, their allocation will be adjusted accordingly. A customer will be able to appeal to CalAm and MPWMD if they disagree with their allocation, and, if still dissatisfied, to the Commission.

We have summarized in Appendix A-1 the 2000 rates we are adopting in this decision for immediate implementation, and the accompanying 2001 and 2002 step rate increases. Appendix B shows the effects these increases will have

on typical customers' bills. Appendix A-2 summarizes the agreed-upon per capita rate design to be implemented during water shortages. For future ratemaking reference, we also adopt the standard quantities and calculations set forth in Appendix C which form the bases for the adopted summaries of earnings.

**Comments on Proposed Decision, and
CalAm's Motion to Reduce Waiting Period**

The principal hearing officer's proposed decision was filed February 8, 2000 with the Commission and served on all parties in accordance with Section 311(d) of the Public Utilities Code and Rule 77.1 of the Rules of Practice and Procedure.

After unsuccessfully soliciting voluntary waivers from the parties, CalAm on February 7 filed a motion to reduce the 30-day waiting period required under Section 311(d). MPWMD and DOD/FEA supported a reduction; RRB, Dilworth and Krieger did not. CalAm's motion is now moot.

Krieger filed timely comments on the proposed decision. There were no other comments filed, and no replies to comments. Krieger's comments were primarily argument against the Settlement, the confidential negotiation process that gave rise to it, and a perceived lack of support in it for the outcome it reaches. Under Rule 51.5, any failure by a party to file comments during the Rule 51.4 settlement comment period constitutes a waiver by that party of all objections to a settlement. Krieger did not respond during the comment period and may not now object to the Settlement. After careful review, minor changes have been made to the Procedural History section of the proposed decision to reflect Krieger's comments.

Findings of Fact

1. Parties George T. Krieger and David Dilworth did not participate actively in this proceeding.
2. CalAm, RRB, MPWMD and DOD/FEA have entered into a settlement which resolves every issue among them in this proceeding except certain aspects of rate design.
3. The Settlement commands the sponsorship of all active parties.
4. The active parties are fairly reflective of all of the affected interests in this proceeding.
5. No term of the Settlement contravenes statutory provisions or prior Commission decisions.
6. The Settlement, together with the record in this proceeding, conveys sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.
7. There is no known opposition to approving the Settlement.
8. The summaries of earnings presented in Table 2 and the quantities and calculations included as Appendix C which underlie them are reasonable for ratemaking purposes.
9. The 2000 rates and 2001 and 2002 step increases in Appendix A-1 have been designed to produce revenues consistent with Monterey Division's adopted summaries of earnings.
10. CalAm faces extraordinary water supply challenges in its Monterey Division that call for strong water conservation measures, and that justify variations from our standard water rate design policy.
11. Implementing additional rate blocks with higher quantity rates will induce high-usage customers to conserve who have not previously responded to calls for conservation, and will result in significant water savings.

12. The per capita rate design and associated implementation conditions addressed in Settlement Section 11.02 are reasonable and necessary to reduce Monterey Division water usage during times when CalAm is at risk of exceeding its State Water Resources Control Board-mandated Carmel River production limits.

Conclusions of Law

1. The Settlement is an "uncontested settlement" as defined in Rule 51(f).
2. The Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.
3. The Settlement should be adopted.
4. The revised rates and step increases set forth in Appendix A-1 are justified.
5. CalAm's proposed modified-current rate design, including additional rate blocks with higher quantity rates, should be adopted.
6. This decision should be made effective immediately to enable CalAm to implement its new rate design and rates without delay.

O R D E R

IT IS ORDERED that:

1. The revised Settlement (Appendix D to this order) by California-American Water Company (CalAm), Ratepayer Representation Branch of the Commission's Water Division (RRB), Monterey Peninsula Water Management District (MPWMD) and the US Department of Defense and Federal Executive Agencies (DOD/FEA) is adopted.
2. CalAm is authorized to file in accordance with General Order 96 and make effective on not less than five days' notice tariffs containing the test year 2000

increases and revisions shown in Appendix B to the Settlement. The revised rates shall apply to service rendered on and after the tariffs' effective date.

3. CalAm is authorized to file in accordance with General Order 96 and make effective on not less than 30 days' notice and not sooner than January 1, 2001, and January 1, 2002, tariffs implementing the 2001 and 2002 step rate increases shown in Appendix A-1 to this order. The revised rates shall apply to service rendered on and after the tariffs' effective date.

4. The summaries of earnings presented in Table 2, and the quantities and calculations included as Appendix C to this order which underlie them, are adopted.

5. The Commission adopts the per capita rate design structure addressed in Settlement Section 11.02, as summarized in Appendix A-2 to this order, and the associated implementation conditions for use during times when CalAm is at risk of exceeding its State Water Resources Control Board-mandated Carmel River production limits.

6. Application 99-04-003 is closed.

This order is effective today.

Dated March 16, 2000, at San Francisco, California.

RICHARD A. BILAS
President
HENRY M. DUQUE
JOSIAH L. NEEPER
CARL W. WOOD
LORETTA M. LYNCH
Commissioners

APPENDIX A-1
PAGE 1 of 7

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-1

	<u>Rates for</u> <u>2000</u>	<u>Step Rate</u> <u>Increase</u> <u>01/01/01</u>	<u>Step Rate</u> <u>Increase</u> <u>01/01/02</u>
Quantity Rates:			
Elevation Surcharge:			
Elevation Zone 1, per 100 cu. ft.	\$0.1774	\$0.00	\$0.00
Elevation Zone 2, per 100 cu. ft.	\$0.4036	\$0.00	\$0.00
Residential and PAR Customers:			
For the first 800 cu. ft., per 100 cu. ft.	\$1.8374	\$0.00	\$0.00
For the next 800 cu. ft., per 100 cu. ft.	\$2.4498	\$0.00	\$0.00
For the next 1,600 cu. ft., per 100 cu. Ft.	\$4.8996	\$0.00	\$0.00
Over 3,200 cu. ft., per 100 cu. ft.	\$9.7992	\$0.00	\$0.00
Service Charge Surcharge, per 100 cu. ft:	\$0.6000	\$0.04	\$0.05
Multi-Residential Customers (per dwelling unit):			
For the first 400 cu. ft., per 100 cu. ft.	\$1.8374	\$0.00	\$0.00
For the next 400 cu. ft., per 100 cu. ft.	\$2.4498	\$0.00	\$0.00
For the next 400 cu. ft., per 100 cu. ft.	\$4.8996	\$0.00	\$0.00
Over 1,200 cu. ft., per 100 cu. ft.	\$9.7992	\$0.00	\$0.00
Service Charge Surcharge, per 100 cu. ft:	\$0.6000	\$0.04	\$0.05
Other Special Use Customers:			
For all water delivered, per 100 cu. ft.	\$3.6747	\$0.00	\$0.00
All Other Customers:			
For all units delivered up to monthly allotment Per 100 cu. ft.	\$2.4498	\$0.00	\$0.00
For all units delivered over monthly allotment Per 100 cu. ft.	\$4.8996	\$0.00	\$0.00

APPENDIX A-1
PAGE 2 of 7

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-1

PAR Customers

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
Service Charges:			
For 5/8 x 3/4 - inch meter	\$0.00	\$0.00	\$0.00
For 3/4 - inch meter	\$0.00	\$0.00	\$0.00
For 1 - inch meter	\$0.00	\$0.00	\$0.00
For 1-1/2 - inch meter	\$0.00	\$0.00	\$0.00
For 2 - inch meter	\$0.00	\$0.00	\$0.00
For 3 - inch meter	\$0.00	\$0.00	\$0.00
For 4 - inch meter	\$0.00	\$0.00	\$0.00
For 6 - inch meter	\$0.00	\$0.00	\$0.00
For 8 - inch meter	\$0.00	\$0.00	\$0.00

**Residential &
Multi-Residential Customers
Authorized**

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
Service Charges:			
For 5/8 x 3/4 - inch meter	\$6.11	\$0.35	\$0.41
For 3/4 - inch meter	\$9.16	\$0.53	\$0.61
For 1 - inch meter	\$15.26	\$0.87	\$1.02
For 1-1/2 - inch meter	\$30.53	\$1.75	\$2.03
For 2 - inch meter	\$48.84	\$2.80	\$3.24
For 3 - inch meter	\$91.58	\$5.25	\$6.08
For 4 - inch meter	\$152.63	\$8.75	\$10.13
For 6 - inch meter	\$305.25	\$17.50	\$20.25
For 8 - inch meter	\$488.40	\$28.00	\$32.40

APPENDIX A-1
PAGE 3 of 7

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-1

All Other Customers

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
Service Charges:			
For 5/8 x 3/4 - inch meter	\$12.21	\$0.70	\$0.81
For 3/4 - inch meter	\$18.32	\$1.05	\$1.22
For 1 - inch meter	\$30.53	\$1.75	\$2.03
For 1-1/2 - inch meter	\$61.05	\$3.50	\$4.05
For 2 - inch meter	\$97.68	\$5.60	\$6.48
For 3 - inch meter	\$183.15	\$10.50	\$12.15
For 4 - inch meter	\$305.25	\$17.50	\$20.25
For 6 - inch meter	\$610.50	\$35.00	\$40.50
For 8 - inch meter	\$976.80	\$56.00	\$64.80

**APPENDIX A-1
PAGE 4 of 7**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-1-68**

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
Quantity Rates:			
Residential Customers:			
For the first 800 cu. ft., per 100 cu. ft.	\$2.2410	\$0.00	\$0.00
For the next 2,200 cu. ft., per 100 cu. Ft.	\$2.8534	\$0.00	\$0.00
Over 3,000 cu. ft., per 100 cu. ft.	\$5.3032	\$0.00	\$0.00
Service Charge Surcharge:	\$0.7822	\$0.0449	\$0.0448
All Other Customers:			
For all water delivered, per 100 cu. ft.	\$2.8534	\$0.00	\$0.00

APPENDIX A-1

PAGE 5 of 7

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-1-68**

PAR Customers

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
Service Charges:			
For 5/8 x 3/4 - inch meter	\$0.00	\$0.00	\$0.00
For 3/4 - inch meter	\$0.00	\$0.00	\$0.00
For 1 - inch meter	\$0.00	\$0.00	\$0.00
For 1-1/2 - inch meter	\$0.00	\$0.00	\$0.00
For 2 - inch meter	\$0.00	\$0.00	\$0.00
For 3 - inch meter	\$0.00	\$0.00	\$0.00
For 4 - inch meter	\$0.00	\$0.00	\$0.00
For 6 - inch meter	\$0.00	\$0.00	\$0.00
For 8 - inch meter	\$0.00	\$0.00	\$0.00

**Residential &
Multi-Residential Customers Authorized**

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
Service Charges:			
For 5/8 x 3/4 - inch meter	\$6.11	\$0.35	\$0.41
For 3/4 - inch meter	\$9.16	\$0.53	\$0.61
For 1 - inch meter	\$15.26	\$0.87	\$1.02
For 1-1/2 - inch meter	\$30.53	\$1.75	\$2.03
For 2 - inch meter	\$48.84	\$2.80	\$3.24
For 3 - inch meter	\$91.58	\$5.25	\$6.08
For 4 - inch meter	\$152.63	\$8.75	\$10.13
For 6 - inch meter	\$305.25	\$17.50	\$20.25
For 8 - inch meter	\$488.40	\$28.00	\$32.40

APPENDIX A-1
PAGE 6 of 7

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-1-68

All Other Customers

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
Service Charges:			
For 5/8 x 3/4 - inch meter	\$12.21	\$0.70	\$0.81
For 3/4 - inch meter	\$18.32	\$1.05	\$1.22
For 1 - inch meter	\$30.53	\$1.75	\$2.03
For 1-1/2 - inch meter	\$61.05	\$3.50	\$4.05
For 2 - inch meter	\$97.68	\$5.60	\$6.48
For 3 - inch meter	\$183.15	\$10.50	\$12.15
For 4 - inch meter	\$305.25	\$17.50	\$20.25
For 6 - inch meter	\$610.50	\$35.00	\$40.50
For 8 - inch meter	\$976.80	\$56.00	\$64.80

APPENDIX A-1
PAGE 7 of 7

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DIVISION
AUTHORIZED RATES AND STEP RATE INCREASES
SCHEDULE NO. MO-4 & MO-4H

	Rates for <u>2000</u>	Step Rate Increase <u>01/01/01</u>	Step Rate Increase <u>01/01/02</u>
SCHEDULE NO. MO-4, PRIVATE FIRE PROTECTION SERVICE			
For each 4 - inch connection and smaller	\$22.98	\$0.44	\$0.47
For each 6 - inch connection	\$46.51	\$0.90	\$0.96
For each 8 - inch connection	\$73.55	\$1.41	\$1.52
For each 10 - inch connection	\$104.12	\$1.99	\$2.16
SCHEDULE NO. MO-4H, PRIVATE FIRE HYDRANT SERVICE			
For each fire hydrant installed	\$22.19	\$0.42	\$0.46

(END OF APPENDIX A-1)

**APPENDIX A-2
PAGE 1 OF 3**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

AUTHORIZED PER CAPITA RATE DESIGN FOR USE DURING WATER SHORTAGES

RESIDENTIAL CUSTOMERS

(Includes PAR & Multi-Residential; excludes Hidden Hills service area)

TABLE NO A-2-1

BLOCK	USAGE	RATES
1	up to 1 ECU	50% of standard rate
2	from 1 ECU to 2 ECUs	100% of standard rate
3	from 2 ECUs to 3 ECUs	150% of standard rate
4	from 3 ECUs to 4 ECUs	200% of standard rate
5	above 4 ECUs	400% of standard rate

ALL OTHER CUSTOMERS

TABLE NO A-2-2

USAGE	RATES
Up to allotment	100% of standard rate
Above allotment	300% of standard rate

Each customer within the Monterey District, with the exclusion of customers in the Hidden Hills service area, will be assigned a monthly water allotment. Monthly water allotments for residential customers are outlined in the following section. All other customers will be assigned a monthly water allotment in accordance with criteria established by Monterey Peninsula Water Management District (MPWMD) based on the particular business type and individual water needs. The Per Capita water rates are based upon these allotments. The standard rate for residential, PAR (Program for Alternative Rates), and multi-residential customers is the rate charged in the second quantity block (as authorized in Appendix A-1). The standard rate for all other customers is the rate charged in the first quantity block (as authorized in Appendix A-1).

The Per Capita rates will become effective upon ten days notification by California-American to the Commission's Water Division that California-American has exceeded the month-end production goals set forth in MPWMD's Ordinance No. 92.

Once triggered, the Per Capita rates will remain in effect for the remainder of the water-year. Rates will revert to those of the normal rate design (Appendix A-1) for bills issued on and after December 1 if the month-end production goal is met during the first two months of the following water-year.

**APPENDIX A-2
PAGE 2 OF 3**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

AUTHORIZED PER CAPITA RATE DESIGN FOR USE DURING WATER SHORTAGES

RESIDENTIAL MONTHLY WATER ALLOTMENT & RATES DETERMINATION
(Includes PAR & Multi-Residential; excludes Hidden Hills service area)

First, determine monthly water allotment:

- 1. Determine base allotment using Table A-2-3.**
- 2. Apply lot size adjustment for Winter or Summer to determine total units allotted.**

Next, divide total units allotted by 2 to get the Equivalent Consumption Unit (ECU).

Then use Table A-2-1 to determine appropriate rates to be applied.

Example: Residential Customer with 3 people, 1 acre of land, and 1 large animal.

Base allotment is 8 units (7+1).

Winter adjustment is 1 unit, therefore winter allotment is 9 units (8+1).

Winter ECU is 4.5 Ccf.

Summer adjustment is 5 units $([2 \times 3] - 1)$, therefore summer allotment is 13 units (8+5).

Summer ECU is 6.5 Ccf.

For this example, the effective rates are:

BLOCK	WINTER USAGE	SUMMER USAGE	RATES
1	up to 4.5 Ccf	up to 6.5 Ccf	50% of standard rate
2	next 4.5 Ccf	next 6.5 Ccf	100% of standard rate
3	next 4.5 Ccf	next 6.5 Ccf	150% of standard rate
4	next 4.5 Ccf	next 6.5 Ccf	200% of standard rate
5	over 18 Ccf	Over 26 Ccf	400% of standard rate

**APPENDIX A-2
PAGE 3 OF 3**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

AUTHORIZED PER CAPITA RATE DESIGN FOR USE DURING WATER SHORTAGES

TABLE A-2-3

NUMBER OF PEOPLE	UNITS PER MONTH
1 Person	3
2 People	5
3 People	7
4 People	9
5 People	10
6 People	12
7 People	13
8 People	14
9 People	15
10 People	16
11 People	17
12 People	18
SIZE OF LOT	
No outside space	0
Up to ¼ acre	1
Over ¼, up to ½ acre	2
Over ½, up to 1 acre	3
Over 1 acre, up to 2 acres	4
Over 2 acres, up to 3 acres	6
Over 3 acres, up to 4 acres	8
Greater than 4 acres	10
ALLOTMENT FOR LARGE ANIMALS	
1 or 2 large animals	1
3 to 5 large animals	2
6 to 10 large animals	3
11 to 20 large animals	4
Over 20 large animals	5

WINTER (NOVEMBER TO APRIL) ADJUSTMENT:

No outside space: no adjustment

Outside space: add 1 unit

SUMMER (MAY TO OCTOBER) ADJUSTMENT:

No outside space: no adjustment

Outside space: add twice the units allotted for outside space minus 1 unit

(END OF APPENDIX A-2)

**APPENDIX B
PAGE 1 OF 5**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

**BILL COMPARISON
TEST YEAR 2000, and 2001 & 2002 Step Increases**

Comparison of typical bills for residential metered customers (in Elevation Zone 1) of various usage levels and average level at present and authorized rates for 2000, 2001, and 2002.

PUC Reimbursement Surcharge is not included in these figures.

**General Metered Service
(5/8 x 3/4-inch meters)**

Monthly Usage (cubic feet)	Present Rates	2000 Authorized Rates	Percent Increase	2001 Authorized Step Rates	Percent Increase	2002 Authorized Step Rates	Percent Increase
0	\$5.92	\$6.11	3.2%	\$6.46	5.7%	\$6.87	6.3%
500	\$20.03	\$19.18	-4.2%	\$19.73	2.9%	\$20.39	3.3%
794 (avg.)	\$28.33	\$26.87	-5.2%	\$27.54	2.5%	\$28.35	2.9%
1000	\$35.37	\$33.48	-5.3%	\$34.23	2.2%	\$35.14	2.7%
2000	\$79.52	\$75.55	-5.0%	\$76.70	1.5%	\$78.11	1.8%
3000	\$138.37	\$132.32	-4.4%	\$133.87	1.2%	\$135.78	1.4%
5000	\$256.07	\$334.06	30.5%	\$336.41	0.7%	\$339.32	0.9%
10000	\$550.32	\$862.89	56.8%	\$867.24	0.5%	\$872.65	0.6%

**APPENDIX B
PAGE 2 OF 5**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

**BILL COMPARISON
TEST YEAR 2000, and 2001 & 2002 Step Increases**

Comparison of typical bills for a multi-residential metered customer with 5 dwelling units (in Elevation Zone 1) at various usage levels at present and authorized rates for the test years 2000, 2001, and 2002.

PUC Reimbursement Surcharge is not included in these figures.

**General Metered Service
(1-inch meters)**

Monthly Usage (cubic feet)	Present Rates	2000 Authorized Rates	Percent Increase	2001 Authorized Step Rates	Percent Increase	2002 Authorized Step Rates	Percent Increase
0	\$14.79	\$15.26	3.2%	\$16.13	5.7%	\$17.15	6.3%
500	\$24.53	\$28.33	15.5%	\$29.40	3.8%	\$30.67	4.3%
1000	\$34.26	\$41.41	20.9%	\$42.68	3.1%	\$44.20	3.6%
2000	\$53.74	\$67.56	25.7%	\$69.23	2.5%	\$71.25	2.9%
3000	\$73.21	\$99.83	36.4%	\$101.90	2.1%	\$104.42	2.5%
5000	\$112.16	\$188.87	68.4%	\$191.74	1.5%	\$195.26	1.8%
10000	\$209.52	\$668.70	219.2%	\$673.57	0.7%	\$679.59	0.9%

**APPENDIX B
PAGE 3 OF 5**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

**BILL COMPARISON
TEST YEAR 2000, and 2001 & 2002 Step Increases**

Comparison of typical bills for PAR residential metered customers (in Elevation Zone 1) of various usage levels and average level at present and authorized rates for the test years 2000, 2001, and 2002.

PUC Reimbursement Surcharge is not included in these figures.

**General Metered Service
(5/8 x 3/4-inch meters)**

Monthly Usage (cubic feet)	Present Rates	2000 Authorized Rates	Percent Increase	2001 Authorized Step Rates	Percent Increase	2002 Authorized Step Rates	Percent Increase
0	\$0.00	\$0.00	0.0%	\$0.00	0.0%	\$0.00	0.0%
500	\$14.11	\$13.07	-7.4%	\$13.27	1.5%	\$13.52	1.9%
604 (avg.)	\$17.05	\$15.79	-7.4%	\$16.03	1.5%	\$16.34	1.9%
1000	\$29.45	\$27.37	-7.1%	\$27.77	1.5%	\$28.27	1.8%
2000	\$73.60	\$69.44	-5.7%	\$70.24	1.2%	\$71.24	1.4%
3000	\$132.45	\$126.21	-4.7%	\$127.41	1.0%	\$128.91	1.2%
5000	\$250.15	\$327.95	31.1%	\$329.95	0.6%	\$332.45	0.8%
10000	\$544.40	\$856.78	57.4%	\$860.78	0.5%	\$865.78	0.6%

**APPENDIX B
PAGE 4 OF 5**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

**BILL COMPARISON
TEST YEAR 2000, and 2001 & 2002 Step Increases**

Comparison of typical bills for Hidden Hills residential metered customers (in Elevation Zone 2) of various usage levels and average level at present and authorized rates for the test years 2000, 2001, and 2002.

PUC Reimbursement Surcharge is not included in these figures.

**General Metered Service
(5/8 x 3/4-inch meters)**

Monthly Usage (cubic feet)	Present Rates	2000 Authorized Rates	Percent Increase	2001 Authorized Step Rates	Percent Increase	2002 Authorized Step Rates	Percent Increase
0	\$5.92	\$6.11	3.2%	\$6.46	5.7%	\$6.87	6.3%
500	\$21.02	\$21.23	1.0%	\$21.80	2.7%	\$22.43	2.9%
1000	\$37.34	\$37.57	0.6%	\$38.37	2.1%	\$39.22	2.2%
1501 (avg.)	\$55.54	\$55.78	0.4%	\$56.81	1.8%	\$57.89	1.9%
2000	\$73.67	\$73.92	0.3%	\$75.17	1.7%	\$76.48	1.7%
3000	\$109.99	\$110.28	0.3%	\$111.98	1.5%	\$113.73	1.6%
5000	\$231.64	\$231.99	0.2%	\$234.58	1.1%	\$237.23	1.1%
10000	\$535.75	\$536.26	0.1%	\$541.10	0.9%	\$545.99	0.9%

**APPENDIX B
PAGE 5 OF 5**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

**BILL COMPARISON
TEST YEAR 2000, and 2001 & 2002 Step Increases**

Comparison of typical bills for Ryan Ranch residential metered customers (in Elevation Zone 2) of various usage levels and average level at present and authorized rates for the test years 2000, 2001, and 2002.

PUC Reimbursement Surcharge is not included in these figures.

**General Metered Service
(2-inch meters)**

Monthly Usage (cubic feet)	Present Rates	2000 Authorized Rates	Percent Increase	2001 Authorized Step Rates	Percent Increase	2002 Authorized Step Rates	Percent Increase
0	\$47.32	\$48.84	3.2%	\$51.64	5.7%	\$54.88	6.3%
500	\$61.10	\$63.96	4.7%	\$66.98	4.7%	\$70.44	5.2%
1000	\$74.89	\$80.30	7.2%	\$83.55	4.0%	\$87.23	4.4%
1875 (avg.)	\$99.01	\$112.11	13.2%	\$115.75	3.2%	\$119.83	3.5%
2000	\$102.46	\$116.65	13.9%	\$120.35	3.2%	\$124.49	3.4%
3000	\$130.03	\$153.01	17.7%	\$157.16	2.7%	\$161.74	2.9%
5000	\$185.17	\$274.72	48.4%	\$279.76	1.8%	\$285.24	2.0%
10000	\$323.01	\$578.99	79.2%	\$586.28	1.3%	\$594.00	1.3%

(END OF APPENDIX B)

APPENDIX C
PAGE 1 of 4

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT

ADOPTED QUANTITIES
TEST YEARS 2000 & 2001

Net-to-Gross Multiplier	1.7905
Uncollective Rate	0.2869%
Federal Tax Rate	35.00%
State Tax Rate	8.84%

	<u>2000</u>	<u>2001</u>
1. <u>PURCHASED POWER</u>		
PG&E		
Effective Date - 1/1/98		
Production (kCcf)	6,596,800	6,597,500
Total kWh	12,891,617	12,892,199
Kwh/Ccf	1.9542	1.9541
Unit Cost (\$/kWh)	\$0.111530	\$0.111533
Total Purchased Power Cost (\$000)	\$1,437.8	\$1,437.9
2. <u>PURCHASED WATER</u>	\$0.0	\$0.0
3. <u>CHEMICALS (\$000)</u>	\$326.4	\$326.4
4. <u>NUMBER OF METERED SERVICES</u>		
<u>Meter Size</u>	<u>No. of Services</u>	<u>No. of Services</u>
5/8 x 3/4-inch meter	31,325	31,327
3/4 -	125	125
1 -	3,779	3,779
1 -1/2 -	730	730
2 -	584	584
3 -	42	42
4 -	37	37
6 -	9	9
8 -	5	5
Total Metered Services	36,636	36,638

APPENDIX C
PAGE 2 of 4

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT

ADOPTED QUANTITIES
TEST YEARS 2000 & 2001

5. WATER CONSUMPTION

<u>Classification</u>	<u>2000</u>			<u>2001</u>		
	<u>Services</u>	<u>Usage (Ccf/Cust.)</u>	<u>Consumption (kCcf)</u>	<u>Services</u>	<u>Usage (Ccf/Cust.)</u>	<u>Consumption (kCcf)</u>
Metered Service						
Residential	31,204	95.3	2,973.7	31,206	95.3	2,973.9
PAR Customers	246	72.5	17.8	246	72.4	17.8
Multi-Residential	1,409	543.3	765.5	1,409	543.3	765.5
Commercial	3,017	474.5	1,431.6	3,017	474.5	1,431.6
Hidden Hills	368	180.1	66.3	368	180.1	66.3
Ryan Ranch	120	225.0	27.0	123	225.0	27.7
Industrial	6	8,318.8	49.9	6	8,318.8	49.9
Public Authority	474	1,155.5	547.7	474	1,155.5	547.7
Golf Course	12	10,675.8	128.1	12	10,675.8	128.1
Viscaino Reclamation Tank	1	25,000.0	25.0	1	25,000.0	25.0
Sale for Resale	1	3,614.0	3.6	1	3,614.0	3.6
Other	0	0.0	0.0	0	0.0	0.0
Construction	20	833.1	16.7	20	833.1	16.7
Subtotal	36,878		6,052.9	36,883		6,053.8
Non-Domestic Fire Service	2		0	2		0
Private Fire Hydrants	719		0	719		0
Public Fire Hydrants	13		0	13		0
Total Connections	37,612			37,617		
Unaccounted Water, kCcf (8.2%)			540.8			540.8
Other			0.9			0.9
Total Water Produced			6,594.6			6,595.5
Total Water Production			6,594.6			6,595.5
Surface Water (kCcf)			1,045.2			1,045.4
Well Water (kCcf)			5,549.3			5,550.1

**APPENDIX C
PAGE 3 of 4**

**CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT**

**ADOPTED RATE BASE
TEST YEARS 2000 & 2001**

	<u>2000</u> (\$000)	<u>2001</u> (\$000)
Wtd. Average Utility Plant in Service	109,371.1	114,447.6
Plus Additions To Rate Base		
Materials and Supplies	167.7	169.5
Working Cash, Operational	1,648.5	1,858.3
Working Cash, Lead-Lag	1,142.6	1,119.7
Subtotal Additions	<u>2,958.8</u>	<u>3,147.5</u>
Less Deductions From Rate Base		
Wtd. Avg. Reserve for Depreciation	33,738.8	36,608.4
Advances for Construction	167.5	151.1
Contributions in Aid of Construction	8,584.9	8,684.9
General Office Allocation	(916.3)	(1,037.2)
ACRS & MACRS Depreciation		
Unamortized ITC	0.0	0.0
Capitalized Items	0.0	0.0
Silver	0.0	0.0
Deferred Revenues	0.0	0.0
Accum. Deferred FIT	6,835.7	7,024.5
Accum. Deferred SIT	543.2	586.2
Subtotal Deductions	<u>48,953.8</u>	<u>52,017.9</u>
Average Rate Base	63,376.1	65,577.2

APPENDIX C
PAGE 4 of 4

CALIFORNIA-AMERICAN WATER COMPANY
MONTEREY DISTRICT

INCOME TAX CALCULATIONS
TEST YEARS 2000 & 2001

	<u>2000</u> (\$000)	<u>2001</u> (\$000)
Revenues		
Operating Revenues	23,215.1	23,662.3
Revenues from Contributions	20.5	20.2
Total Taxable Operating Revenues	<u>23,235.6</u>	<u>23,682.5</u>
Deductions:		
O & M Expenses	6,539.6	6,661.7
A & G Expenses	5,015.9	5,041.7
Depreciation & Amortization	3,151.5	3,377.1
Taxes Other Than Income	943.7	947.1
Book Depreciation	0.0	0.0
Interest Expense	2,580.9	2,723.1
Total Deductions	<u>18,231.6</u>	<u>18,750.7</u>
Taxable Income	5,004.0	4,931.8
<u>STATE INCOME TAX</u>		
State Tax Depreciation	0.0	0.0
Taxable Income for California Corporation Franchise Tax (CCFT)	5,004.0	4,931.8
Current CCFT Rate	8.84%	8.84%
CCFT	442.4	436.0
Less Deferred Taxes	3.8	3.8
Total State Income Tax Expense	<u>438.6</u>	<u>432.2</u>
<u>FEDERAL INCOME TAX</u>		
Federal Tax Deductions	373.4	438.6
Taxable income for Federal Income Tax	4,630.6	4,493.2
Current FIT Rate	35.00%	35.00%
FIT	1,620.7	1,572.6
Less:		
ITC	44.7	44.7
Deferred Taxes	20.1	20.1
Amortization of Reg. Assets	16.1	16.1
Total Federal Income Tax	<u>1,539.8</u>	<u>1,491.7</u>
TOTAL INCOME TAX EXPENSE	1,978.4	1,923.9

(END OF APPENDIX C)

A.99-04-003 ALJ/JCM/tcg

APPENDIX D

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 In the Matter of the Application of California-)
 American Water Company (U210W) for an) Application 99-04-003
 Order Authorizing it to Increase Rates for Water)
 Service for its Monterey Division.)

SETTLEMENT

1.00 GENERAL

- 1.01 The Parties to this Settlement before the California Public Utilities Commission (Commission) are California-American Water Company ("Cal-Am"), the Ratepayer Representation Branch ("RRB") of the Water Division, the Monterey Peninsula Water Management District ("MPWMD"), and the Department of Defense on behalf of the Presidio of Monterey – collectively, "the Parties." The Parties, desiring to avoid the expense, inconvenience, and uncertainty attendant to litigation of the matters in dispute between them have agreed on this Settlement which they now submit for approval.
- 1.02 In addition, since this Settlement represents a compromise by them, the Parties have entered into each Stipulation on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding.
- 1.03 The Parties agree that no signatory to this Settlement or any member of RRB assumes any personal liability as a result of their agreement. The Parties agree that no legal action may be brought by any Party in any state or federal court, or any other forum, against any individual signatory representing the interests of RRB, attorneys representing RRB, or the RRB itself related to this Settlement. All rights and remedies of the Parties are limited to those available before the Commission.
- 1.04 No Party to this Settlement should provide, either privately or publicly, before this Commission any rationale or strategy for support of any compromise reached herein beyond that stated herein unless otherwise agreed to by the Parties.
- 1.05 All issues among the Parties, except for certain issues relating to the design of rates, have been resolved. The Settlement between the Parties would result in an increase in rates for Cal-Am of \$875,000, or 3.92%, in 2000; \$444,500, or 1.99%, in 2001; and \$508,300, or 2.15%, in 2002.

1.06 The following discussion addresses the items settled by the Parties. Attached as Appendix A to this Settlement are tables which show RRB's and Cal-Am's stipulated estimates.

1.07 Differences between Cal-Am's and RRB's estimates are, for the most part (except as specifically noted), due to the findings in RRB's audit and, in some instances, due to later data available to RRB. Some stipulated expenses are the consequence of additional discussion between RRB and Cal-Am, with results which are no greater than Cal-Am's estimates but greater than RRB's estimates.

2.00 Cost of Capital

RRB and Cal-Am agree to a ratio of 54% debt to 46% equity for Test Year 2000, and 56% debt to 44% equity for Test Year 2001 and Attrition Year 2002. RRB and Cal-Am agree to a cost of debt of 7.88% for Test Year 2000, 7.77% for Test Year 2001 and 7.73% for Attrition Year 2002. RRB and Cal-Am agree to a cost of equity of 9.70%, plus 0.25% to recognize a portion of the savings ratepayers receive from the relatively high proportion of debt, resulting in a total cost of 9.95% for each Test Year. The original positions of RRB and Cal-Am are listed below.

Cal-Am's Original Position - Return on Common Equity	10.59%
RRB's Original Position - Return on Common Equity	8.88%
Settlement - Return on Common Equity	9.95%

Table JS-1, attached, sets forth the positions of RRB and Cal-Am

3.00 General Office

3.01 Office L - Expenses

RRB and Cal-Am had similar estimates for most expenses of Office L. Cal-Am agrees to all estimates made by RRB for Office L, except for the following items:

3.01.01 Salaries

RRB sought to disallow the positions of Corporate Counsel and Legal Secretary. Cal-Am was able to demonstrate, however, that the Corporate Counsel was well versed in environmental law and does not duplicate the services provided by outside counsel and that the Legal Secretary also serves as a secretary for the Human Resources Department. Cal-Am and RRB agree that salaries should be increased to reflect the level of salaries for qualified executives as if the Management Incentive Program had not been in effect. Cal-Am and RRB agree that wages should be increased by 2% for Test Years 2000 and 2001.

*

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$2,524.0	\$2,251.3	\$2,478.4
2001	\$2,587.2	\$2,298.3	\$2,514.3

3.01.02 **Rent**

Cal-Am intends to build and occupy a new Corporate Office, replacing currently leased space. Cal-Am projects to occupy the new office in late 2001. RRB and Cal-Am agree that the new office should be included in ratebase upon its completion by filing an advice letter. As a result, total rental expense should be allowed for Test Year 2001 and split 50/50 between Office L and Office C. See Sections 3.02.03 and 3.06.01, below.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$203.8	\$203.8	\$203.8
2001	\$248.2	\$169.1	\$208.1

3.01.03 **Maintenance**

RRB and Cal-Am agree that maintenance in 2001 should be adjusted to reflect the exclusion of the new office in ratebase until its completion.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$57.5	\$57.8	\$58.0
2001	\$88.0	\$58.6	\$58.8

3.01.04 **Group Insurance and Other Post Employment Benefits**

RRB and Cal-Am agree that Group Insurance should be calculated according to current rates, which have increased since Cal-Am's original filing, and based upon the stipulated level of employees and wages. RRB accepts Cal-Am's revised calculations for Other Post-Retirement Employment Benefits ("OPEB") of \$162,200 for Test Years 2000 and 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$293.6	\$133.4	\$352.8
2001	\$297.1	\$136.1	\$355.8

3.01.05 **Depreciation**

RRB and the Cal-Am agree that Depreciation is calculated correctly by Cal-Am in its application.

*

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$324.4	\$324.4	\$324.4
2001	\$330.8	\$239.4	\$330.8

3.01.06 **Federal Insurance Compensation Act**

RRB accepts Cal-Am's methodology in calculating expenses relating to the Federal Insurance Compensation Act ("FICA") according to the stipulated level of employees and wages for the Test Years.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$165.8	\$123.7	\$165.0
2001	\$171.2	\$127.1	\$168.8

Table JS-2.2, attached, sets forth the positions of RRB and Cal-Am relating to Office L.

3.02 **Office C - Expenses**

RRB and Cal-Am had similar estimates for most expenses of Office C. Cal-Am agrees to all estimates made by RRB for Office C, except for the following items:

3.02.01 **Salaries**

RRB sought to disallow four positions from Office-C: a) Director - New Business, b) Director - Communications, c) Customer Service Superintendent - Conservation, and d) Customer Service Representative. Cal-Am and RRB agree that the salary for the Director-New Business should not be charged to ratepayers. RRB allows the Director - Communications based on the showing by Cal-Am that this employee performs tasks previously performed by: 1) Los Angeles Community Relations Manager, 2) Monterey Division Community Relations Manager, and 3) Benefits Administrator, along with other responsibilities of the position. RRB also allows the Conservation Superintendent based on Cal-Am's showing that this position is necessary to implement its programs relating to conservation. Cal-Am and RRB agree that a Customer Service Representative should be eliminated due to the implementation of a new system. Cal-Am and RRB agree that wages should be increased by 2% for Test Years 2000 and 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$1,323.6	\$1,089.0	\$1,217.5
2001	\$1,367.8	\$1,109.6	\$1,240.7

*

3.02.02 **Group Insurance and OPEB**

RRB and Cal-Am agree that Group Insurance should be calculated according to current rates, which have increased since Cal-Am's original filing, and the stipulated level of employees and wages. RRB accepts Cal-Am's revised OPEB of \$145,300 for Test Years 2000 and 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$269.2	\$141.4	\$280.6
2001	\$274.9	\$143.2	\$285.5

3.02.03 **Rent**

RRB and Cal-Am agree that the new office should be included in ratebase upon its completion by the filing of an advice letter. As a result, rental expense for Test Year 2001 should be based on a full year and split 50/50 between Office L and Office C.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$194.1	\$195.7	\$195.7
2001	\$138.0	\$169.1	\$198.4

3.02.04 **General Office**

RRB and Cal-Am agree that General Office should be adjusted to reflect the exclusion of operating costs of the new office until it is complete and recognized for ratemaking.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$327.2	\$282.0	\$310.5
2001	\$344.3	\$285.2	\$314.4

3.02.05 **Dues and Memberships**

RRB agrees to Cal-Am's estimate of dues and memberships. Additionally, RRB and Cal-Am agree that dues and memberships for the following items should reflect the following percentages as nonrecoverable expense: a) 50% of National Association of Water Companies, b) 62% of California Water Association, and c) 62% of Chamber of Commerce.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$124.1	\$56.2	\$107.3
2001	\$126.6	\$56.7	\$108.8

*

3.02.06 **Depreciation**

RRB and Cal-Am agree that Depreciation should be adjusted based on stipulated plant for Office C.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$221.6	\$170.9	\$216.9
2001	\$281.5	\$185.5	\$258.9

3.02.07 **FICA**

RRB accepts Cal-Am's methodology in calculating expenses relating to FICA according to the stipulated level of employees and wages for the Test Years.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$101.3	\$67.5	\$93.1
2001	\$104.9	\$67.5	\$94.9

3.02.08 **General Taxes**

RRB agrees with Cal-Am that general taxes for Cal-Am's parcel of land for the new office should be allowed in rates.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$27.6	\$3.4	\$27.6
2001	\$28.1	\$3.4	\$28.1

Table JS-2.3, attached, sets forth the positions of RRB and Cal-Am.

3.03 **Office R1 (Los Angeles Laboratory) - Expenses**

RRB and Cal-Am had similar estimates for most expenses of Office R1. Cal-Am agrees to all estimates made by RRB for Office R1, except for the following items:

3.03.01 **Salaries**

Cal-Am and RRB agree that wages should be increased by 2% of current compensation for Test Years 2000 and 2001. RRB accepts that the employee who works at the Los Angeles Laboratory but is classified as an employee of the corporate office should be included in the Los Angeles Laboratory.

*

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$111.4	\$56.8	\$110.5
2001	\$115.3	\$58.0	\$112.8

3.03.02 **Group Insurance and OPEB**

RRB and Cal-Am agree that Group Insurance should be calculated according to current rates, which have increased since Cal-Am's original filing, and the stipulated level of employees and wages. RRB also accepts Cal-Am's revised OPEB of \$7,900 and \$8,000 for Test Years 2000 and 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$18.7	\$6.1	\$20.5
2001	\$19.1	\$6.1	\$20.8

3.03.03 **Depreciation**

RRB and Cal-Am agree that Depreciation should be adjusted based on the stipulated additions for Office R1.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$14.3	\$8.5	\$14.3
2001	\$15.9	\$9.9	\$15.7

3.03.04 **FICA**

RRB accepts Cal-Am's methodology in calculating expenses relating to FICA according to the stipulated level of employees and wages for the Test Years.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$8.5	\$3.5	\$8.5
2001	\$8.8	\$3.6	\$8.6

Table JS-2.4, attached, sets forth the positions of RRB and Cal-Am on these expenses.

3.04 **Office R2 (Monterey Laboratory) - Expenses**

RRB and Cal-Am had similar estimates for most expenses of Office R2. Cal-Am agrees to all expense estimates made by RRB for Office R2, except for the following items:

*

3.04.01 **Salaries**

Cal-Am and RRB agree that wages should be increased by 2% for Test Years 2000 and 2001. Cal-Am and RRB agree to the current level of employees.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$114.7	\$113.0	\$113.8
2001	\$118.7	\$115.7	\$116.1

3.04.02 **Group Insurance and OPEB**

RRB and Cal-Am agree that Group Insurance should be calculated according to current rates, which have increased since Cal-Am's original filing, and the stipulated level of employees and wages. RRB also accepts Cal-Am's revised OPEB of \$7,900 and \$8,000 for Test Years 2000 and 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$18.3	\$11.8	\$20.1
2001	\$18.7	\$12.0	\$20.5

3.04.03 **Depreciation**

RRB and Cal-Am agree that Depreciation is calculated correctly by Cal-Am.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$40.6	\$34.9	\$40.6
2001	\$43.0	\$36.7	\$42.7

3.04.04 **FICA**

RRB accepts Cal-Am's methodology in calculating expenses relating to FICA according to the stipulated level of employees and wages for the Test Years.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$8.7	\$6.4	\$8.7
2001	\$8.9	\$6.6	\$8.9

Table JS-2.5, attached, sets forth the positions of RRB and Cal-Am on these expenses.

*

3.05 Belleville Laboratory - Expenses

RRB accepts Cal-Am's level of expense for Test Year 2000. Expense for Test Year 2001 should be determined by applying RRB's factors for inflation to the stipulated level of expense for Test Year 2000.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$209.5	\$169.5	\$209.5
2001	\$213.7	\$171.5	\$212.6

3.06 General Office - Plant in Service, Depreciation, and Ratebase

RRB agrees to all of Cal-Am's proposed additions, except for the following items:

3.06.01 Corporate Office

RRB and Cal-Am agree that the Corporate Office should not be included in ratebase for this proceeding. RRB and Cal-Am agree that Cal-Am should file an advice letter upon the completion of the project to include in ratebase the total cost of the building and its furnishings, not to exceed \$1,746,000. RRB also agrees that the land previously acquired for the office at a cost of \$410,000 should be transferred from Plant Held for Future Use and into Plant in Service and Ratebase as of January 1, 2000.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
Total	\$1,960.0	\$1,230.0	\$1,746.0

3.06.02 Furniture

Cal-Am accepts RRB's estimates for furniture for Test Years 2000 and 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$6.0	\$2.0	\$2.0
2001	\$12.0	\$2.0	\$2.0

3.06.03 Computers and Peripherals

RRB and Cal-Am agree that peripherals as well as personal computers should be capitalized. The amount agreed to by RRB and Cal-Am reflects the current cycle of replacement.

*

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$0.0	\$16.0	\$31.0
2000	\$55.0	\$16.0	\$31.0
2001	\$55.0	\$16.0	\$31.0

3.06.04 **Software**

RRB accepts Cal-Am's estimates for Test Years 1999 and 2000 to reflect the inclusion of ORCOM. Cal-Am agrees to RRB's estimates for Test Year 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$407.0	\$205.0	\$407.0
2000	\$330.0	\$330.0	\$330.0
2001	\$231.0	\$227.5	\$227.5

3.06.05 **Equipment**

Cal-Am accepts RRB's estimate for Test Year 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$10.0	\$10.0	\$10.0
2001	\$35.0	\$27.5	\$27.5

3.06.06 **Computers**

RRB accepts Cal-Am's estimates for Test Year 2000 and 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$2.5	\$1.0	\$2.5
2001	\$2.5	\$1.0	\$2.5

Tables JS-2.7 through JS-2.9, attached, set forth the stipulations of RRB and Cal-Am on these expenditures.

3.07 **Future Applications**

Cal-Am and RRB agree to apply the terms of this Settlement to the General Office for Cal-Am's next two applications scheduled to be filed for Cal-Am's other Divisions in 2000 and 2001. Accordingly, Cal-Am and RRB agree to estimate plant and expenses for the General Office by escalating the expenses shown in the attached Tables JS-2.2A through JS-2.5A by the appropriate rates for escalating labor, non-labor and composite non-labor. The appropriate escalation, which RRB develops from Data Resources, Inc., should be determined in future proceedings for Cal-Am's other Divisions.

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4.00 **Average Consumption per Customer and Total Production**

Cal-Am accepts RRB's estimates of average consumption for customers in the following classes: Residential, Program for Alternative Rates (PAR), Hidden Hills, Industrial, Public Authority, and Golf Course. RRB accepts Cal-Am's estimates of average consumption for Resale. RRB and Cal-Am agree on the average consumption for Multi-Residential, Commercial, and Ryan Ranch. The original and stipulated estimates are set forth in Table B-1 and Table B-2.

Cal-Am accepts RRB's estimated production for Test Years 2000 and 2001.

Unaccounted Water

RRB and Cal-Am have agreed on a percentage for Unaccounted Water of 8.2% for Test Years 2000 and 2001. Cal-Am's average from 1993 to 1998 for Unaccounted Water is 8.76% and was the rate Cal-Am used in its application. RRB used 7.0% as the rate for Unaccounted Water, which is the amount set forth as a goal by MPWMD in its Ordinance 92. This figure includes only unknown losses due to inaccurate meters and other unknown and nonquantified leaks. Cal-Am's broader definition of Unaccounted Water includes those items plus all known quantities of water used for other purposes, such as Cal-Am's own usage, identified leaks, flushing of mains, hydrants, and water supplied to free services. Known usage in 1997 and 1998 averaged over 1%.

5.00 **Operation and Maintenance**

Cal-Am accepts RRB's estimates for Operation and Maintenance, except for the following items:

5.01 **Purchased Power**

RRB and Cal-Am agree that Purchased Power should be adjusted to reflect stipulated production for Test Years 2000 and 2001 using Cal-Am's methodology. RRB and Cal-Am also agree that Cal-Am should be authorized to file an advice letter if the Purchased Power Balancing Account exceeds 1% of the Monterey Division's operating revenues due to changes in rates charged by Pacific Gas and Electric as a result of the recovery of stranded costs or if Cal-Am finds a new supplier with lower rates.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$1,435.6	\$1,301.7	\$1,437.8
2001	\$1,454.2	\$1,318.5	\$1,437.9

*

5.02 Chemicals

RRB and Cal-Am agree that Chemicals should be adjusted to reflect the stipulated levels of production and RRB's cost per unit of production.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$461.8	\$323.6	\$326.4
2001	\$478.0	\$328.1	\$326.4

5.03 Maintenance of Pumping

Cal-Am accepts RRB's estimates, with one exception, because they better represent current trends. The exception is that the RRB's projection for telemetry should be increased by \$10,000 to reflect the recent installation of System Control and Data Acquisition.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$209.2	\$126.2	\$136.2
2001	\$216.0	\$128.0	\$138.0

5.04 Maintenance of Reservoirs and Tanks

RRB accepts Cal-Am's estimates except for the amortization of deferred painting of tanks and deferred maintenance as to which the RRB and Cal-Am stipulate to an adjustment for seismic evaluation and painting.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$193.5	\$156.6	\$182.8
2001	\$234.3	\$173.1	\$220.6

5.05 Allowance for Uncollectibles

RRB and Cal-Am agree that the Allowance for Uncollectibles should be adjusted to reflect stipulated revenues.

	<u>Original Positions @ Proposed</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$69.9	\$72.0	\$66.6
2001	\$72.9	\$75.0	\$67.9

5.06 Testing of Pumps

RRB acknowledges that Cal-Am performs tests on a regular basis for larger pumps that are efficient to test and that pumps that have not been tested are for the most part small in size or inefficient to test.

Table F-1 and Table F-2, attached, set forth the stipulations of RRB and Cal-Am on the above expenses.

6.00 Administrative and General Expenses

RRB agrees to all of Cal-Am's Administrative and General Expenses, except for the following items:

6.01 Payroll

RRB agrees to Cal-Am's level of 76 employees. Additionally, to recognize the inherent lag to replace employees, Cal-Am and RRB agree to a vacancy of 1% for payroll. Cal-Am and RRB agree to apply inflation of 2% to determine payroll. RRB and Cal-Am agree that the Monterey Division Manager's salary should be adjusted to reflect annual increases not received due to the impact of Cal-Am's Management Incentive Plan, which is not to be included as part of payroll.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$3,404.0	\$2,685.2	\$3,353.3
2001	\$3,503.3	\$2,474.4	\$3,418.4

6.02 Pensions and Benefits

RRB and Cal-Am agree that Pensions and Benefits should be calculated according to the actual expenses and level of employees and wages. RRB agrees to Cal-Am's revised OPEB of \$302,325 for Test Year 2000 and \$308,371 for Test Year 2001.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$671.2	\$300.8	\$641.7
2001	\$676.3	\$304.9	\$649.1

6.03 Regulatory Expense

Cal-Am and RRB agree that Cal-Am's estimate should be reduced based on the Parties' ability to reach this Settlement.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$80.8	\$38.4	\$45.0
2001	\$80.8	\$38.4	\$45.0

6.04 Outside Services

Cal-Am and RRB agree that Outside Services should be decreased to adjust for prior expenditures incurred to educate the public regarding the Carmel River Dam Project.

*

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$139.7	\$50.5	\$70.0
2001	\$142.5	\$51.2	\$71.1

6.05 **Rental Expense**

RRB agrees to Cal-Am's estimates of rental expense in Test Year 2000. RRB and Cal-Am stipulate that Cal-Am should be allowed 75% of the rental expense, adjusted for inflation, in 2001 to account for the possibility that Cal-Am will complete a partial sublease on a portion of its current rental space. For Test Year 2002, the amount allowed should be 50% of the current rental expense, adjusted for inflation.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$342.1	\$153.9	\$342.1
2001	\$352.1	\$156.0	\$270.0

Table G-1 and Table G-2, attached, set forth the positions of RRB and Cal-Am.

7.00 **Taxes Other than Income**

7.01 **Ad Valorem**

Cal-Am and RRB agree that ad valorem taxes should be adjusted to reflect the stipulated level of additions.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$742.8	\$673.7	\$683.6
2001	\$761.9	\$683.4	\$681.8

7.02 **Payroll**

Cal-Am and RRB agree that taxes on payroll should be adjusted to reflect the number of employees stipulated by RRB and Cal-Am.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$262.4	\$205.0	\$260.1
2001	\$269.9	\$215.9	\$265.3

7.03 **Franchise**

RRB agrees that Franchise Taxes should be recovered from the customers in each jurisdiction imposing the tax.

Table H, attached, sets forth the positions of RRB and Cal-Am.

8.00 **Plant in Service**

RRB agrees to all of Cal-Am's estimates of Plant in Service, except for the following items where a stipulation was reached:

8.01 **Item C - Services**

RRB and Cal-Am agree on estimates for Test Years 2000 and 2001. RRB accepts Cal-Am's revised estimate for 1999 based on experience to date.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$231.0	\$414.9	\$454.9
2000	\$536.0	\$536.0	\$536.0
2001	\$540.0	\$540.0	\$540.0

8.02 **IP 97089 - Mesa Booster Station**

Cal-Am accepts RRB's estimate for the Mesa Booster Station for 1999 of \$527,300. Based on the stipulated expenditure for 1999, total costs allowed would be \$716,300, of which \$189,000 was incurred in prior years.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$561.0	\$527.3	\$527.3

8.03 **IP 98084 - Distribution Monitoring Systems**

Cal-Am accepts RRB's lower estimates for SCADA for Test Year 2000 of \$998,300 and for Test Year 2001 of \$499,200. Based on the stipulated expenditures for 2000 and 2001, total costs for these years should be \$1,497,500.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$1,000.0	\$998.3	\$998.3
2001	\$500.0	\$499.2	\$499.2

8.04 **IP 98091 - Reconfiguration of Upper Carmel Valley Wells**

Cal-Am and RRB agree that expenditures for Test Year 2000 should be reduced by \$75,000. The total cost of the project for 1999 and Test Year 2000 should be \$829,000, of which \$7,000 was incurred in a prior year.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$497.0	\$497.0	\$497.0
2000	\$400.0	\$325.0	\$325.0

*

8.05 IP 99083 - Begonia Iron Removal Plant

Cal-Am and RRB agree that expenditures for the Begonia Iron Removal Plant in Test Year 2000 should be reduced by \$5,000. The total allowed cost of the project should be \$2,395,000, of which \$267,000 was incurred in prior years.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$633.0	\$633.0	\$633.0
2000	\$1,500.0	\$1,495.0	\$1,495.0

8.06 IP 99084 - Transmission Main Control Valve Station

Cal-Am accepts RRB's lower estimate for the Transmission Main Control Valve in Test Year 2000 of \$247,500. Based on the stipulated expenditures for Test Year 2000, total allowed costs of the project should be \$297,500.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$50.0	\$50.0	\$50.0
2000	\$250.0	\$247.5	\$247.5

8.07 IP 99085 - Carmel Valley Filter Plant (Clearwell Project)

Cal-Am accepts RRB's estimate to account for a reduction in Cal-Am's original estimated overhead from 90% to 40% and in related travel.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$3,600.0	\$3,502.7	\$3,502.7

8.08 IP 99086 - Lower Toyon Tank

Cal-Am and RRB agree that Cal-Am's original estimate should be reduced by \$21,000 to reflect a reduction in engineering. Total allowed costs should be \$279,000.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$30.0	\$30.0	\$30.0
2000	\$270.0	\$245.0	\$249.0

8.09 IP 00084 - Distribution Map Automation

Cal-Am accepts RRB's lower estimate of \$143,700 for Test Years 2000 and 2001. The reduction is due to a stipulated decrease in estimated overhead and travel.

*

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
1999	\$150.0	\$143.7	\$143.7
2000	\$150.0	\$143.7	\$143.7

8.10 IP 99087 - Corona and Lower Walden Booster Stations

Cal-Am and RRB agree that Cal-Am's original estimate should be reduced by \$25,000 due to a decrease in Cal-Am's estimated overhead and travel. The reduction changes overall cost to \$375,000.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$75.0	\$62.0	\$75.0
2001	\$325.0	\$268.0	\$300.0

8.11 Advice Letters

RRB and Cal-Am agree that the following projects should be included in ratebase upon filing and acceptance of an advice letter: a) Realignment of Pressure Zones in Carmel and Pebble Beach; b) Pressure and Fire Protection Improvements in the Presidio Tank Zone; and c) Wastewater Clarifier and Sludge Drying Beds at Begonia Water Treatment Plant. The advice letters for realigning the pressure zones in Carmel and Pebble Beach and for Pressure and Fire Protection in the Presidio Tank Zone would be filed in the year 2000. The advice letter for the Wastewater Clarifier Project will be filed in the year 2001 with a maximum cost of \$2,225,000. Any costs in excess of the established cap for the Wastewater Clarifier Project may be requested in the next application for a general increase in rates for the Monterey Division.

8.12 Allowance for Funds Used During Construction

Cal-Am and RRB agree that Cal-Am should continue to accrue and accumulate interest on both the San Clemente Dam Project and the Carmel River Dam Project based on the standard rate for 90-day commercial paper. See the discussion in Special Rate Request No. 6, Section 12.06, below.

Table J-1 and Table J-2, attached, set forth the positions of RRB and Cal-Am.

9.00 Depreciation

RRB and the Cal-Am agree that Depreciation should be based on the stipulated level of expenditures for Test Years 2000 and 2001. As a result, stipulated depreciation for the Test Years is as follows:

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$3,221.7	\$1,874.0	\$3,151.5
2001	\$3,503.7	\$2,042.7	\$3,377.1

*

Tables K-1 and K-2, attached, set forth the positions of RRB and Cal-Am.

10.00 Ratebase

RRB and Cal-Am agree that most Ratebase for Test Years 2000 and 2001 is determined by the results of stipulated issues as follows:

10.01 Weighted Average Plant in Service

RRB accepts Cal-Am's factor of 37.51% to calculate Weighted Average Plant in Service.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$115,033.1	\$108,783.0	\$109,371.1
2001	\$121,555.1	\$112,067.8	\$114,447.6

10.02 Working Cash

RRB accepts Cal-Am's amount based on the stipulated revenues and expenses. RRB also accepts Cal-Am's estimate of Working Cash which is based on prepaid items, deferred maintenance, painting of tanks, and deferred costs related to the Catastrophic Event Memorandum Account.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$2,546.0	\$2,221.5	\$2,791.1
2001	\$2,820.1	\$2,279.1	\$2,978.0

10.03 Weighted Average Accumulated Depreciation

RRB accepts Cal-Am's factor of 51.69% to calculate Weighted Average Depreciation Reserve. RRB also accepts Cal-Am's methodology of calculating depreciation based on the applicable rate of depreciation for each type of asset.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$33,799.3	\$32,509.8	\$33,738.8
2001	\$36,768.2	\$34,501.2	\$36,608.4

10.04 Deferred Federal and State Taxes on Income

RRB accepts Cal-Am's estimates based on the stipulated level of expenditures and deferrals for Test Years 2000 and 2001 using Financial Accounting Standard 109 issued by the Financial Accounting Standards Board.

	<u>Original Positions (000s)</u>		<u>Settlement (000s)</u>
	<u>Cal-Am</u>	<u>RRB</u>	
2000	\$7,260.9	\$6,935.0	\$7,378.9
2001	\$7,455.5	\$6,964.9	\$7,610.7

*
Table L-1 and Table L-2, attached, set forth the positions of RRB and Cal-Am.

11.00 **Design of Rates**

11.01 **Background**

Cal-Am requested that a new design ("Per Capita Design") be implemented in the Monterey Division based on an individual allowance for each customer including factors such as number of people, size of lot, commercial needs, and comparable uses. This design was prepared in response to Order WR 95-10 of the State Water Resource Control Board ("SWRCB") and MPWMD's Ordinance No. 92. SWRCB's Order 95-10 mandates that Cal-Am reduce its production from the Carmel Valley to 11,285 acre feet annually or suffer potentially large fines. Ordinance No. 92 was adopted both to limit production to comply with SWRCB's Order 95-10 and to limit production during the time of physical drought. The main purpose of Cal-Am's proposed design is to take a proactive response to the legal restrictions imposed by SWRCB's Order No. 92 and was the product of an extensive set of public hearings and workshops and the joint product of MPWMD, Cal-Am, and community representatives and organizations.

RRB agrees with the need for and structure of Cal-Am's requested design but wants its implementation deferred until notification to the Commission triggered by Cal-Am's exceeding any month-end goal for its source of supply for the Carmel Valley for the water-year to date. Cal-Am has agreed to that modification.

Pending such notification and implementation of the per capita design, RRB and Cal-Am agree to maintain Cal-Am's existing design with certain modifications. The Parties disagree, however, on Cal-Am's recommended higher blocks for both residential and commercial customers. That issue was litigated before the Commission on September 1 and 2, 1999 and will be submitted to the Commission for resolution upon the filing of concurrent briefs.

11.02 **Stipulated Design to be Effective only on Further Notice to the Commission**

11.02.01 **Implementation of Per Capita Design**

The Per Capita Design based on an allotment to each customer would be implemented within ten days of notification by Cal-Am to the Water Division that Cal-Am has as of any month-end exceeded the production goal for the Carmel River Water Resource System (as defined by the MPWMD) for the water-year to date. Once implemented, the Per Capita Design would remain in place for the remainder of that water-year and then revert to the normal design if production from the Carmel River Water Resource System is below the goal for each of the first two months of the succeeding water-year, in which case return to the normal design would be implemented for each bill issued on or after December 1 of the succeeding water-year.

Given the ten days to implement this design, Cal-Am would necessarily have to blitz the Monterey Area with information at an estimated cost, including an individual mailer to each customer, of \$140,000. The cost of the effort, up to the \$140,000, would be charged to Cal-Am's Conservation Memorandum Account. This cost is in addition to other annual charges as approved for the Memorandum Account described in Section 12.02, below. The following table is a summary of the expected charges:

Television - Produce Spots (2 Commercials)	\$25,000
Television - Run Spots, 600 Gross Rating Points	\$40,000
Radio - Produce 3 Spots	\$ 6,000
Radio Buy - Run Spots	\$20,000
Newspaper - Produce Ads (3 Different Ads)	\$ 7,000
Newspaper - Run 3 Ads in 5 Newspapers	\$12,000
Direct Mail to Customers - Design	\$ 6,000
Direct Mail to Customers - Printing & Postage	\$24,000
TOTAL	\$140,000

11.02.02 **Background of the Modified Per Capita Design**

Per agreement with RRB, Cal-Am would not implement a modified per capita design until production for the water-year to date from the Carmel River Water Resource System exceeds limits set forth in MPWMD's Ordinance No. 92.

Residential customers are considered to include PAR and Multiresidential Customers. Residential customers in Hidden Hills are excluded from this design. The design for all other customers would be based on criteria established by the Monterey Peninsula Water Management District based on each customer business type and needs for water. These customers would receive an allotment and pay the Standard Rate for all units up to their monthly allotment, and 300% of the Standard Rate for all units over their monthly allotment. A monthly charge would be billed at the full monthly rate for each meter.

11.02.03 **Proposed Design**

The proposed Per Capita Design is based on the following criteria:

1. A monthly allotment for residential customers is based on the following factors:

Table 1

Number of People	Units Per Month
1 Person	3
2 People	5
3 People	7
4 People	9
5 People	10
6 People	12
7 People	13
8 People	14
9 People	15
10 People	16
11 People	17
12 People	18
Size of Lot	
No Outside Space	0
Less Than ¼ Acre	1
¼ to ½ Acre	2
½ to 1 Acre	3
Greater Than 1 Acre, Less Than 2 Acres	4
Greater Than 2 Acres, Less Than 3 Acres	6
Greater Than 3 Acres, Less Than 4 Acres	8
Greater Than 4 Acres	10
Allotments for Large Animals	
Less than 3 Large Animals	1
3 to 5 Large Animals	2
5 to 10 Large Animals	3
10 to 20 Large Animals	4
Over 20 Large Animals	5

The factors in Table 1 would be added to determine the specific allotment for each residential customer. The allotment would not limit the total water that each customer can consume. This allotment would also be modified for usage during summer and winter. The specific factors for the cutoff are determined as shown on Table 2, below. All other customers have an allotment based on historic usage, audits, allocations by the MPWMD, comparisons to like properties, and other factors as necessary.

The total allotment for each customer is divided in half to determine its Equivalent Consumption Units (ECU).

2. The residential design would be as follows:

Table 2

Blocks	Percentage of Standard Rate
1	50%
2	100%
3	150%
4	200%
5	400%

3. The ECU determines the allotment for each block for each customer. For example, a home with 3 people on a one acre lot would have an ECU of 5 (7 plus 3, divided by 2). In this example, the customer would be billed for the first five units at 50%, the next 5 units at the 100%, etc.

4. For Winter, each customer who has an outside space would be allowed only 1 unit of water per month. Winter is defined as November through April.

5. For Summer, each customer who has outside space would be allowed twice its allotment, as determined by its size of lot (per Table 1), less one unit. Summer is defined as May through October. For example, a customer with a lot ½ acre in size could use 3 units (2 times 2, minus 1), in addition to its per capita allotment, without penalty.

6. The method for recovery of the standard monthly Service Charge should not be altered under this proposed design and would still be recovered as per the Stipulated Design in this Settlement.

7. The current tariff for PAR would remain in place. As a result, those qualifying customers would not be billed a monthly Service Charge.

11.03 Stipulated Allocation for Additional Revenue Generated by the Fourth Rate Block if Adopted by the Commission.

The Parties agree that, if a fourth block for residential customers is adopted by the Commission, the expected annual revenue should be offset by a like reduction in another rate. The Parties have estimated that the fourth block would cause the Water Rate Adjustment Mechanism (WRAM) Balancing Account to be over collected by

\$700,000 annually and the rate which should be used to reduce the Service Charge Surcharge in the amounts of \$0.1822 in 2000, \$0.1871 in 2001, and \$0.1819 in 2002. Based on the proposed Standard Rates per this Settlement and the adoption of the fourth block for residential customers, the annual Service Charge Surcharge would be \$0.60 in 2000, \$0.64 in 2001, and \$0.69 in 2002.

11.04 Rates

If the Commission adopts the Standard Rates as proposed by the Cal-Am, including the fourth block for residential customers and the second block for commercial customers, the tariffs as set forth in Appendix B should be used. If the Commission adopts the Standard Rates as proposed by RRB, excluding the fourth block for residential customers and the second block for commercial customers, the tariffs as set forth in Appendix C should be used.

12.00 Special Requests

12.01 Special Request # 1 - Design Authorized for the Monterey Division in Decision 96-12-005

RRB and Cal-Am agree that Cal-Am has fulfilled its obligations under Ordering Paragraph 10 of Decision 96-12-005 in which Cal-Am was ordered to show the effects of the new design on residential customers and whether the design promotes conservation.

12.02 Special Request # 2 - Adoption of Ordinance No. 92 as Cal-Am's Plan for Conservation

RRB and Cal-Am agree to the adoption of MPWMD's Ordinance No. 92 as part of Cal-Am's interim program to comply with SWRCB's Order WR95-10. To effectuate the Plan, estimated annual expenditures by Cal-Am includes 1) two employees, 2) employment of an outside contractor for large audits, 3) notifications, 4) advertising, 5) miscellaneous programs, 6) retrofitting of toilet and 7) employment of an outside consultant to perform an audit of Cal-Am's production, transmission, and distribution. Cal-Am and RRB have also agreed on total annual expenditures of \$550,000 to be authorized in the Conservation Memorandum Account.

12.03 Special Request # 3 - Memorandum Account for Endangered Species Act

Cal-Am and RRB agree that Cal-Am should be authorized to establish a memorandum account to track expenses incurred to comply with the Endangered Species Act. The memorandum account would become effective on the effective date of this Decision. Estimated expenses for Test Year 2000 are \$125,000, and amounts in excess of \$125,000 will be included Test Year 2001. Annual expenses could equal \$25,000.

12.04 **Special Request # 4 - Recovery of Catastrophic Event Memorandum Account**

Cal-Am and RRB agree to the recovery in rates in equal amounts in each of the Test Years 1/3 of the total amount accumulated by Cal-Am in its Catastrophic Event Memorandum Account.

12.05 **Special Request # 5 - Capitalization of Interest Costs on Emergency Water Treatment Projects**

Cal-Am has agreed to RRB's position that it should not accrue Allowance for Funds Used During Construction on the Clearwell Project and the Begonia Iron Removal Plant Renovation Project prior to the date a final decision is effective in this proceeding.

12.06 **Special Request # 6 - AFUDC for the San Clemente Dam and the Carmel River Dam Projects**

Cal-Am has agreed with RRB not to include any further expenditures related to these two projects in plant in service until they are completed and new rates related to them are approved. The San Clemente Dam Project is to be reviewed under an Advice Letter and the Carmel River Dam Project is the subject of Application 97-03-052. AFUDC at the rate for 90-day commercial paper will continue to be accrued on both of these projects until they are approved in rates.

Cal-Am has informed RRB that the San Clemente Dam Project will not be completed until 2002. Cal-Am should file an Advice Letter at the time of completion as approved in Ordering Paragraph 6c of Decision 89-02-067 and Ordering Paragraph 8 of Decision 93-10-038.

12.07 **Special Request # 7 - Recovery of Memorandum Accounts**

Cal-Am and RRB agree that Cal-Am should be authorized to transfer actual expenditures accrued to its State Water Resources Control Board Memorandum Account and the Conservation Memorandum Accounts into the Expense Balancing Account or to Plant in Service after all charges to the accounts are finalized at the end of 1999 and audited by RRB.

12.08 **Special Request # 8 - Recovery of the WRAM Balancing Account**

Cal-Am and RRB agree that the Water Rate Adjustment Mechanism Balancing Account should be continued for the undercollection or overcollection of revenues due to the design of rates for the Monterey Division. RRB and Cal-Am agree that only differences caused by the design should accrue to the account and that differences caused by variations in consumption are not appropriately accrued to the account. Cal-Am must file for recovery of the account when the balance exceeds 5% of gross revenues in the Monterey Division.

12.09 Special Request # 9 - Recovery of the Expense Balancing Account

Cal-Am and RRB agree that a surcharge on all units of water consumed by each customer should be effective July 1, 2000, for recovery of all expenditures approved through Special Request #7. The approved balance should be recovered from customers by a uniform surcharge for 30 months on all units of water sold.

12.10 Special Request # 10 - State Water Resource Control Board Fines

Cal-Am and RRB have agreed that Cal-Am should be allowed to recover any fines imposed by the SWRCB due to overpumping of the Carmel River Water Resources System, but only if the actions taken by Cal-Am that resulted in the fines were reasonable in light of Cal-Am's obligation to serve its customers. Cal-Am will be allowed to file for the memorandum account upon receipt of notice from the SWRCB of an impending fine.

12.11 Special Request #11 - Recovery of Charges Imposed by MPWMD for Conservation and Rationing

MPWMD may impose charges on Cal-Am for expenses incurred to further the effectiveness of Ordinance No. 92 as it pertains to limiting use of water to meet the limits of the SWRCB's Order WR 95-10. Cal-Am will be authorized to establish a memorandum account for charges up to an annual limit of \$100,000 imposed by MPWMD.

In the event that rationing becomes necessary in the Monterey Division, Cal-Am may file for and will be entitled to establish a separate Rationing Memorandum Account to accrue all expenses billed to it by the District. RRB and Cal-Am also agree that RRB has the right to review the proposed expenses to be charged to the Rationing Memorandum Account. RRB and Cal-Am also agree that rationing can be declared on short notice by MPWMD and that it could be required to expend funds applicable to Cal-Am's ratepayers on very short notice. In this regard, RRB and Cal-Am agree that Cal-Am should be allowed to accrue expenses to the Rationing Memorandum Account from the date Cal-Am first requests authority to establish this account. Actual charges to the account will be subject to review by RRB.

12.12 Special Request #12 - Memorandum Account for Rationing Expenses

Cal-Am and RRB agree that Cal-Am should be allowed to establish a memorandum account for other expenses related to rationing if rationing is declared in the Monterey Division. RRB and Cal-Am agree that RRB has the right to review the proposed expenses to be charged to the memorandum account. RRB and Cal-Am agree that rationing can be declared on short notice by MPWMD and that Cal-Am could be required to expend funds on very short notice. In this regard, the RRB and Cal-Am agree that Cal-Am should be allowed to accrue expenses to the memorandum account from the date that Cal-Am first requests authority to establish this account. Actual charges to the account will be subject to review by RRB.

*

12.13 Special Request #13 - Memorandum Account for Expenses of "Plan B"

In accordance with the Resolution W-4131, Cal-Am is authorized to establish a memorandum account to track expenses related to the study of alternatives to Cal-Am's proposed Carmel River Dam. The memorandum account may not exceed \$750,000 unless authorized by the Commission.

12.14 Special Request #14 - Memorandum Account for Savings of Subleasing of the Monterey General Office

The Monterey Division leases space for an administration center. Cal-Am has recently consolidated Customer Service in its regional center in Chula Vista which developed some unused space in the Monterey General Office. The Monterey Division is proposing to sublease either a portion or all of its General Office. Cal-Am and RRB agree that Cal-Am should establish a memorandum account to track any savings from subleasing of the Monterey General Office. Savings will be produced if the income exceeds any new expense and the difference between the actual current lease of the current general office and the amount allowed in this Settlement. The annual costs for the General Office per this Settlement are \$317,000 in 2000, \$245,000 in 2001, and \$173,000 in 2002, and are described in Section 6.05, above. Any income greater than 1) any costs of the new office in 2000, 2) \$81,700 plus any costs of the new office in 2001, and 3) \$173,000 plus any costs of the new office in 2002 will be accumulated in this memorandum account.

**RATEPAYER REPRESENTATION
BRANCH OF THE WATER DIVISION**

**CALIFORNIA-AMERICAN WATER
COMPANY**

By /s/ SUNG B. HAN

Sung B. Han

Project Manager for Ratepayer Representation
Branch of the Water Division

State of California
Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-1578

Dated: December 8, 1999

By: /s/ DAVID P. STEPHENSON

David P. Stephenson

Assistant Treasurer for California-American
Water Company

California-American Water Company
880 Kuhn Drive
Chula Vista, CA 91914
(619) 656-2436

Dated: December 7, 1999

**MONTEREY PENINSULA WATER
MANAGEMENT DISTRICT**

By /s/ DAVID C. LAREDO
David C. Laredo for Delay & Laredo
Attorney for Monterey Peninsula Water
Management District

DeLay & Laredo
606 Forest Avenue
Pacific Grove, CA 93950
(831) 646-1502

Dated: December 8, 1999

DEPARTMENT OF DEFENSE

By: /s/ DAVID A. MCCORMICK
David A. McCormick
Attorney for Department of Defense
on behalf of the Presidio of Monterey

Department of the Army
Office of Judge Advocate General
901 North Stuart Street, Room 713
Arlington, VA 22203-1837
(703) 696-1646

Dated: December 8, 1999

Appendix D (Continued)

**Appendix – B
To Settlement (Appendix D)**

**Rate Structure Section
Including 4th Tier**

Schedule No. MO-1

Monterey District Tariff Area

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

The incorporated cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, a portion of Seaside, and certain unincorporated areas in the County of Monterey.

RATES

Quantity Rates:

Per Ccf**Elevation Zone Surcharge:**

Elevation Zone 1, per 100 cu. ft.,	\$0.1774
Elevation Zone 2, per 100 cu. ft.,	0.4036

Residential & PAR Customers:

For the first 800 cu. ft.,	
per 100 cu. ft.	1.8374
For the next 800 cu. ft., per 100 cu. ft.	2.4498
For the next 1,600 cu. ft., per 100 cu. ft.	4.8996
Over 3,200 cu. ft., per 100 cu. ft.	9.7992

Service Charge, per 100 cu. ft.	0.6000
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Multi-Residential Customers:

For the first 400 cu. ft., per 100 cu. ft., per dwelling unit ...	1.8374
For the next 400 cu. ft., per 100 cu. ft., per dwelling unit ...	2.4498
For the next 400 cu. ft., per 100 cu. ft., per dwelling unit ...	4.8996
Over 1,200 cu. ft., per 100 cu. ft., per dwelling unit	9.7992

Service Charge, per 100 cu. ft.,	0.6000
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Other Special Use Customers:

For all water delivered, per 100 cu. ft.	3.6747
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All Other:

For all units delivered up to monthly allotment, per 100 cu. ft.	2.4498
For all units delivered over monthl allotment, per 100 cu. ft.	4.8996

(continued)

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice Letter No. _____

D.P. STEPHENSON

Date Filed _____

NAME

Decision No. _____

DIRECTOR RATES & REVENUES

Effective _____

Resolution No. _____

TITLE

Schedule No. MO-1 (continued)

Monterey District Tariff Area

GENERAL METERED SERVICERATES (continued)

Meter Charge:

			<u>Per Meter Per Month</u>		
			<u>Residential</u>	<u>Program for</u>	<u>All Other</u>
			<u>Customers</u>	<u>Alternate Rates</u>	<u>Customers</u>
For	5/8 x 3/4-inch	meter	\$6.11	\$0.00	\$12.21
For	3/4-inch	meter	9.16	0.00	18.32
For	1-inch	meter	15.26	0.00	30.53
For	1-1/2-inch	meter	30.53	0.00	61.05
For	2-inch	meter	48.84	0.00	97.68
For	3-inch	meter	91.58	0.00	183.15
For	4-inch	meter	152.63	0.00	305.25
For	6-inch	meter	305.25	0.00	610.50
For	8-inch	meter	488.40	0.00	976.80

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

NEW SPECIAL CONDITIONS

1. For All Other Customers, no customer will have an allotment set lower than 4 units per month. Customers with seasonal variations in usage will have their annual allotment spread by their particular use pattern on a monthly basis. No customer will be billed at the 200% block until after they have been given the opportunity for an audit.
2. Any residential customer who has seven (7) or more full-time equivalent residents will have their high block start at 50 units instead of 32 units.
3. Residential customers with multiple rate uses on their property (for example, they may have a business on the premises), may request a water audit to establish a monthly allotment and then be billed at the rate applicable to "All Other Customers". To be eligible for this special use treatment, customers must have 50% or more of their water use apply to non-domestic uses.

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice Letter No. _____

D. P. STEPHENSON

Date Filed _____

NAME

Decision No. _____

DIRECTOR - RATES & REVENUES

Effective _____

Resolution No. _____

TITLE:

880 Kuhn Drive

Schedule No. MO-1-68
Monterey District Tariff Area
Hidden Hills and Ryan Ranch Subdivision

GENERAL METERED SERVICE
PROPOSED RATES AT PROPOSED RATE DESIGN
FOR YEAR 2000

APPLICABILITY

Applicable to all water furnished on a metered basis.

TERRITORY

Hidden Hills and Ryan Ranch Subdivision.

RATES

Quantity Rates:

Per Ccf

Residential:

For the first 800 cu. ft., per 100 cu. ft.	2.2410
For the next 2,200 cu. ft., per 100 cu. ft.	2.8534
Over 3,000 cu. ft., per 100 cu. ft.	5.3032
Service Charge, per 100 cu. ft.	0.7822

All Other:

For all water delivered, per 100 cu. ft.	2.8534
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Meter Charge:

Per Meter Per Month

	Residential Customers	Program for Alternate Rates	All Other Customers
For 5/8 x 3/4-inch meter	\$6.11	\$0.00	\$12.21
For 3/4-inch meter	9.16	0.00	18.32
For 1-inch meter	15.26	0.00	30.53
For 1-1/2-inch meter	30.53	0.00	61.05
For 2-inch meter	48.84	0.00	97.68
For 3-inch meter	91.58	0.00	183.15
For 4-inch meter	152.63	0.00	305.25
For 6-inch meter	305.25	0.00	610.50
For 8-inch meter	488.40	0.00	976.80

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the Quantity Rates.

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice Letter No. _____ D.P. STEPHENSON _____ Date Filed _____

NAME

Decision No. _____ DIRECTOR RATES & REVENUES _____ Effective _____ Resolution No. _____

TITLE

Schedule No. MO-4

Monterey Peninsula District Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for private fire protection systems.

TERRITORY

The incorporated cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, a portion of Seaside and certain unincorporated areas in the County of Monterey.

RATES

Per Month

For each 4-inch connection and smaller	\$22.98	(l)
For each 6-inch connection	46.51	
For each 8-inch connection	73.55	
For each 10-inch connection	104.12	(l)

The rates for private fire service are based upon the size of the service and no additional charges will be made for fire hydrants, sprinklers, hose connections or standpipes connected to and supplied by such private fire service.

NEW SPECIAL CONDITIONS

- Customers who use Cal-Am's system to provide for fireflow, but do not receive their domestic supply from Cal-Am, will pay a special Private Fire Service rate equal to either the higher of the standard rate for their size service or a rate equal to to the sum of the standard monthly Service Charges that would be billed for all the properties served by the Private Fire Service if they did receive domestic service. All fire service to nondomestic customers will be considered private fire service. If a new public fire hydrant is required to be installed for a nondomestic customer and other customers will benefit, no fee will be charged.

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice Letter No. _____ D.P. STEPHENSON _____ Date Filed _____
 NAME
 Decision No. _____ DIRECTOR-RATES & REVENUES _____ Effective _____
 TITLE Resolution No. _____

Schedule No. MO-4H

Monterey Peninsula District Tariff Area

PRIVATE FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service furnished for private fire hydrant service.

TERRITORY

The incorporated cities of Monterey, Pacific Grove, Carmel-by-the-Sea, Del Rey Oaks, Sand City, a portion of Seaside and certain unincorporated areas in the County of Monterey.

RATES

Per Month

Private Fire Hydrant Service Installed at Cost of Applicant:

For each Fire Hydrant Installed \$22.19 (l)

NEW SPECIAL CONDITIONS

1. Customers who use Cal-Am's system to provide for fire flow, but do not receive their domestic supply from Cal-Am, will pay a special Private Fire Service rate equal to either the higher of the standard rate for their size service or a rate equal to the sum of the standard monthly Service Charges that would be billed for all the properties served by the Private Fire Service if they did receive domestic service. All fire service to non domestic customers will be considered private fire service. If a new public fire hydrant is required to be installed for a non domestic customer and other customers will benefit, no fee will be charged.

(TO BE INSERTED BY UTILITY)

ISSUED BY

(TO BE INSERTED BY C.P.U.C.)

Advice Letter No. 531

D.P. STEPHENSON

Date Filed

NAME

Decision No.

DIRECTOR-RATES & REVENUES

Effective

Resolution No.

TITLE

(END OF APPENDIX D)