



## Suburban Water Systems

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### VIA ELECTRONIC MAIL

July 31, 2006

Mr. Jonathan P. Tom  
Water Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 904102

Re: Comments of Suburban Water Systems  
on Rate Case Plan for Class A Water Utilities

Dear Mr. Tom:

Suburban Water Systems ("Suburban") is pleased to respond to the July 7, 2006 letter from Mr. Kevin Coughlan, Director, Water Division, regarding generic changes to the Rate Case Plan for Class A Water Utilities, adopted by the Commission in D.04-06-018.

More particularly, Suburban's comments here are limited to Mr. Coughlan's follow-up July 19, 2006 letter and the document that was attached titled "Check List".

Conceptually Suburban supports the idea of a checklist to be included with GRC filings. Checklists would help to track the filing of needed information and documents concerning water quality and conservation. Many of the checklist items, particularly in the section "Conservation" appear to be derived from the Water Action Plan. We believe that it is important that the Water Action Plan be interpreted as written, allowing in many instances substantial latitude for alternative and innovative solutions. To be effective the required checklist should be composed only of items that necessarily apply to all water utilities, and further, should not overly constrain the kinds of information that utilities are allowed to provide.

An example is the checklist item "Increasing block rates (Submit a proposal)". There are other kinds of conservation rates that have been shown to be effective, such as seasonal rates. The Water Action Plan was careful not to restrict conservation rate structures to only increasing block rates.<sup>1</sup> We suggest that this item be relabeled "Conservation rates (Submit a proposal)".

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<sup>1</sup> Water Action Plan, p. 8, "4. Encourage increasing conservation and efficiency rate designs (*such as increasing block rates*) where feasible to promote greater conservation", emphasis supplied.

We suggest two other checklist items be deleted. One is “Decoupling sales from revenues (Submit a proposal)”. The Water Action Plan was careful not to make de-coupling water utility sales from earnings mandatory.<sup>2</sup> There are methods other than decoupling for reflecting predictable declines in water demand in rates

Another checklist item we suggest be deleted is “Distribution System Improvement Charge (Submit a Plan)”. This ratemaking method, originally pioneered in Pennsylvania, may not be applicable to all utilities. Here again the Water Action Plan was careful not to make the DSIC charge mandatory, only a regulatory tool among many others to be considered.<sup>3</sup>

Suburban appreciates this opportunity to comment on potential improvements to the Rate Case Plan for Class A Water Utilities and looks forward to participating further in this process.

Sincerely,



Robert Kelly

cc: Mr. Kevin Coughlan

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<sup>2</sup> Water Action Plan, p. 9, “Because water utilities recover their costs through sales, there is a disincentive associated with demand side management: a successful campaign to reduce water use leads to less revenue and less profit. The Commission will *consider* de-coupling water utility sales from earnings in order to eliminate current disincentives associated with conservation.”, emphasis supplied.

<sup>3</sup> Water Action Plan, p. 12, “2. *Consider* authorization of a Distribution System Improvement Charge to promote infrastructure improvements”, emphasis supplied.