

Docket: : A.15-07-019  
Exhibit Number : ORA - \_\_\_\_\_  
Commissioner : M. Florio  
Administrative Law  
Judge : G. Weatherford  
ORA Witnesses : E. Odell



# **REPORT AND RECOMMENDATIONS ON CAL AM'S REQUEST TO MODIFY ITS RATE DESIGN IN PHASE I**

**Application 15-07-019**

**San Francisco, California  
November 13, 2015**

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Attachment 1: Qualifications of Witness, Eileen Odell

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Attachment 7: CAW Response to ORA DR EO2-001, Q001, *Single Family Res Bills Under Proposed Rate Design Attachment 5.xlsx, MultiFamily Bills Under Proposed Rate Design Attachment 7.xlsx, Low Inc Bills Under Proposed Rate Design.xlsx*

Attachment 8: CAW Response to ORA DR EO2-003, Q004, 2014 Sample Bills

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2  
3 **MEMORANDUM**

4 A team of auditors and regulatory analysts from the California Public Utilities  
5 Commission’s (Commission) Office of Ratepayer Advocates (ORA) examined the  
6 requests and data contained in Application (A.) 15-07-019 in order to provide the  
7 Commission with recommendations that represent the interests of ratepayers for safe,  
8 reliable and affordable service. Ms. Eileen Odell<sup>1</sup> is ORA’s project coordinator for the  
9 proceeding and the author of this report. Mr. Richard Rauschmeier is ORA’s oversight  
10 supervisor. Ms. Kerriann Sheppard is ORA’s legal counsel.

11 As a result of its examination, ORA recommends that the Commission authorize  
12 California American Water Company (Cal Am) to eliminate its outdoor landscaping  
13 allocation. Although ORA made every effort to comprehensively review, analyze and  
14 provide the Commission with recommendations on each ratemaking and policy aspect  
15 presented in Cal Am’s application, the absence from ORA’s report of any particular issue  
16 does not necessarily constitute ORA’s endorsement or acceptance of the underlying  
17 request, methodology, or policy position related to that issue.

18 **I. INTRODUCTION**

19 Cal Am filed A.15-07-019 on July 16, 2015. In its application, Cal Am requests  
20 authorization to modify its rate design, to change its water revenue adjustment  
21 mechanism (WRAM) and modified cost balancing account (MCBA) surcharge  
22 collection, and to revise its Rule 14.1.1 Conservation and Rationing Plan.<sup>2</sup> All requests  
pertain to Cal Am’s Monterey District, often referred to as its Central Division.<sup>3</sup>

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<sup>1</sup> Attachment 1, Qualifications of Witness.

<sup>2</sup> Application (“A.”) 15-07-019, Application of California American Water Company (U-210W) for Authorization to Modify the Conservation and Rationing Plan, Rate Design, and Other Related Issues for the Monterey District. Filed July 16, 2015.

<sup>3</sup> The requests pertain specifically to the Monterey Main, Bishop, Hidden Hills, and Ryan Ranch systems. “The Application is not applicable to the sub-systems of Toro, Ambler Park, Chualar, Ralph Lane or Garrapata.” Id. at 1, n. 1.

1           This testimony addresses the single issue posed for Phase I of this proceeding: the  
2 request to eliminate one aspect of Cal Am’s current rate design, the outdoor landscaping  
3 allotment, or “lot size adjustment.” Phase II of this proceeding includes review of  
4 significant additional changes to Cal Am’s rate design, including a request for authority  
5 to eliminate the entire customized allotment system and to replace it with a standardized  
6 inclining block design. Cal Am requested that the change to the outdoor landscaping  
7 allocation be considered earlier than all other aspects of its application, as the outdoor  
8 landscaping allocation is effective only during the summer months; expedited review will  
9 allow the Commission to issue a decision on this request before summer, 2016, when the  
10 next outdoor allocation would potentially come into effect.

11 **II. SUMMARY OF RECOMMENDATIONS**

12           The Commission should authorize Cal Am to eliminate its outdoor landscaping  
13 allocation. Additionally, the Commission should require Cal Am to notify customers of  
14 the potential impacts the elimination of the allocation may have on their particular bills at  
15 least two months before this change occurs.<sup>4</sup> This notice should be customized, showing  
16 the effects the change may have on the customer’s bill with reference to the customer’s  
17 actual allotments and historic usage.

18           The outdoor landscaping allocation is, effectively, a discount for water allocated to  
19 residential customers with larger lots for discretionary outdoor use during the summer  
20 months. Eliminating this discount (1) increases equity in rates offered to Cal Am’s  
21 residential customers (those with smaller lots versus those with larger lots) and (2) aligns  
22 Cal Am’s rates’ price signals with California conservation policy discouraging  
23 discretionary water use.<sup>5</sup> The Monterey Peninsula has long-standing supply problems,

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<sup>4</sup> Cal Am estimates that the outdoor landscaping allocation would be eliminated by May 2016, should the Commission authorize this modification to its rate design.

<sup>5</sup> See e.g. Cal. Exec. Order No. B-29-15 (Apr. 1, 2015) [calling for implementation of mandatory production reductions through reduction in outdoor landscaping uses].

1 recently exacerbated by drought conditions in California.<sup>6</sup> Eliminating the outdoor  
2 landscaping allocation encourages conservation by removing the discount intended for  
3 discretionary outdoor use. Authorizing the request increases equity within Cal Am's  
4 residential class by pricing water similarly for all customers, regardless of lot size.

5 The Commission should require Cal Am to send individualized notice to  
6 customers explaining the elimination of the outdoor landscaping allocation. Cal Am's  
7 rate design is complicated and highly customer-specific. The effects of this change on an  
8 individual customer's bill can vary widely, based on two factors: the customer's  
9 individual allotment profile and the customer's consumption. The Commission should  
10 require Cal Am to notify customers of the change and use these two customer-specific  
11 factors to meaningfully inform customers of the effects the change may have on their  
12 own bills, using customer-specific allotment profiles and historic consumption data to  
13 show potential volumetric charge changes.

14 Finally, the Commission should authorize Cal Am to eliminate the outdoor  
15 landscaping allocation on an expedited basis, before Cal Am's additional rate design  
16 requests are reviewed. This is reasonable because it allows Cal Am to implement rate  
17 design changes that would send additional conservation pricing signals to its customers  
18 *before* May, 2016, when the next outdoor landscaping allocations would otherwise affect  
19 customer billing. These pricing signals should encourage customers to limit outdoor  
20 discretionary use during the dry months when such use typically increases.

### 21 **III. DISCUSSION**

22 The Commission should authorize Cal Am to eliminate its outdoor landscaping  
23 allocation. Eliminating the outdoor landscaping allocation will achieve greater equity  
24 amongst Cal Am's residential customers and would align Cal Am's rate design's pricing

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<sup>6</sup> Cal Am faces potential violations of the State Water Resources Control Board (SWRCB) Cease and Desist Order WR 2009-0060, which requires Cal Am to reduce diversions from the Carmel River by specified amounts each year, and to completely halt diversion by December 31, 2016. The SWRCB issued the CDO years after it found Cal Am was illegally diverting water from the Carmel River in excess of its rights, and had ceased to curtail its illegal diversions. *See* SWRCB WR 95-10. Cal Am must also find replacement water sources in order to meet required reductions in groundwater pumping from the Seaside Basin. *See* Cal Am Direct Testimony of Eric J. Sabolsice at 8.

1 signals with the Monterey Peninsula’s conservation needs. The Commission should  
2 require Cal Am to use customer-specific allotment profiles and historic consumption data  
3 to provide customers with meaningful customer notice of the potential effects this change  
4 will have on volumetric charges.

5 This section begins by describing Cal Am’s current residential rate design,  
6 focusing on the allocation system and how allocations affect volumetric charges. The  
7 section continues by showing how the outdoor landscaping allocation in particular affects  
8 volumetric charges, and how this creates an unjustified inequity within Cal Am’s  
9 residential customer class. This section is concluded with an analysis of the effects the  
10 elimination of the outdoor landscaping analysis may have on customer bills.

11 The section describing Cal Am’s rate design should make clear how two variables,  
12 the specific customer allocation profile and individual customer consumption, dictate the  
13 potential effects Cal Am’s request will have on individual residential ratepayers. ORA’s  
14 final section recommends a format for customer notification of the change in rate design  
15 to ensure that personalized, meaningful notice of the change is provided.

16 **A. Cal Am’s Current Rate Design**

17 Rate design is the process of setting prices for utility service at a level which  
18 permits the utility to collect its total authorized revenue requirement. In a normal general  
19 rate case proceeding, after calculation of a utility’s revenue requirement, a rate design  
20 that incorporates estimates of the number of customers and their future consumption level  
21 is used to determine the actual rates that the utility’s customers will be charged for utility  
22 service. Cal Am has forecasted no change in its number of customers, forecasted  
23 consumption or overall revenue requirement as a result of the Phase I changes to rate  
24 design. Thus, the rates charged to customers will not change as a result of this request.<sup>7</sup>

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<sup>7</sup> Because, as explained in full below, approval of Cal Am’s request removes what is essentially a discount on water, Cal Am’s revenues will be greater than projected if, as Cal Am has stated, consumption does not decrease. Phone call with David Stephenson, etc., Cal Am, September 25, 2015. ORA requested from Cal Am an estimate of the increase in revenues that would be expected under two scenarios: if customers displayed the same consumption in May and August, 2016, without an outdoor allocation, that Cal Am recorded in May, 2014 and in August, 2014, when the allocation was in effect. ORA DR EO2-004, Q001. Cal Am used an analysis of the average change that would be seen at each

1 Cal Am has separate rate designs for non-residential<sup>8</sup> and residential customers<sup>9</sup> in  
2 its Monterey District. Cal Am’s request to eliminate its outdoor allocation requirement  
3 applies only to residential customers since non-residential customers do not receive an  
4 allocation of water specifically for outdoor usage. Thus, the residential rate design is the  
5 focus of this testimony.

6 Cal Am’s residential customer bill totals may be separated into three types of  
7 charges: meter charges, volumetric charges, and surcharges. Residential customers pay a  
8 flat, monthly meter charge, or service charge, based on the size of their meter. Because a  
9 customer’s meter size does not generally change from month-to-month, the meter charge  
10 remains the same each month. Surcharges are special charges approved by the  
11 Commission for various purposes, such as conservation program expenses, and will be  
12 covered more extensively in Phase II of this proceeding.

13 Residential volumetric charges, or quantity charges, are assessed per unit of  
14 consumption. The rate of the quantity charge per unit of consumption is based on an  
15 inclining-block (or “tiered”) rate design, where the price per-unit of water for all  
16 residential consumers begins with the Block 1 rate, and increases as consumption  
17 increases. Cal Am has five blocks, thus there are five rates at which water is priced. Cal  
18 Am is not requesting a change to current rates in this Phase of this proceeding. Cal Am’s  
19 current rates (at the time A.15-07-019 was filed) per block are as follows:<sup>10</sup>

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quartile of bills to estimate that revenue could increase by \$150,000 in the lower-use summer months to almost \$290,000 in the greater-use summer months, under these two monthly consumption scenarios. Attachment 2, CAW Response to ORA DR EO2-004 Q001 *May Aug 2014 No Lot Allowance.xlsx*.

<sup>8</sup> Briefly, non-residential customers are placed into one of four Divisions, based on characteristics such as whether the business is water-dependent, the proportion of the business’s property that is irrigated, and whether the customer is best-management practice (“BMP”) compliant. Each division pays a different flat rate per CGL used, making up that customer’s *quantity charge* or *volumetric charge*. The customer’s *service* or *meter charge* is a monthly flat rate based on the size of the customer’s meter.

<sup>9</sup> Cal Am’s current rate design treats single family and multi-family residential customers the same. Thus, here, “residential customers” refers to single family, multi-family, and low income customers.

<sup>10</sup> Cal Am Direct Testimony of Sherrene Chew at 21. Note that after filing A.15-07-019, Cal Am posted new rate tariffs with residential increased rates, effective August 7, 2015.

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**Table 1: Tiered Rates as stated in A. 15-07-019**

<b>Block</b>	<b>Rate per 10s of CF (74.8 gallons)</b>	<b>Rate per CGL (100 gallons)</b>
1	\$0.4528	\$0.6054
2	\$0.6793	\$0.9081
3	\$1.6768	\$2.4217
4	\$3.6229	\$4.8434
5	\$4.5286	\$6.0543

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While each unit of water consumed in each block is priced at the same rate, the “width” of each block can vary widely. The block’s “width” is the amount of water that a customer can purchase at each specific rate before additional consumption bumps them into the next rate block. Each customer is allotted a certain amount of water in each block, setting the width of the block, based on three customer characteristics: the number of people residing in the household, the number of large animals present on the lot, and the size of the lot. Block widths for an individual customer are determined by adding all three applicable adjustments. The tables below list block adjustments made for each allocation category.<sup>11</sup>

**Table 2: Household Size Block Width Adjustment**

<b>Household Size</b>	<b>Allotted 10 CFS per Month in All Blocks</b>	<b>Equivalent CGL per Month</b>	<b>~Equivalent Gallons per Day</b>
<b>1 person</b>	15	11.22	37.5
<b>2</b>	30	22.44	75
<b>3</b>	45	33.66	112.5
<b>4</b>	60	44.88	150
<b>5</b>	75	56.10	187.5
<b>6</b>	90	67.32	225
<b>7</b>	105	78.55	262.5

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<sup>11</sup> California Public Utilities Commission Decision (“D.”) 13-07-041, Adopting the Settlement Agreement Between the California-American Water Company, the Division of Ratepayer Advocates, the Monterey Peninsula Water Management District, et al, on A.10-07-007 Phase 2 Issues, July 25, 2013, Attachment A at 10-11.

**Table 3: Large Animal Block Width Adjustment**

<b>Number of Large Animals</b>	<b>Allotted 10 CFS per Month in All Blocks</b>	<b>Equivalent CGL per Month</b>	<b>~Equivalent Gallons per Day</b>
<b>1-2</b>	5	3.74	12.5
<b>3-5</b>	10	7.48	25
<b>6-10</b>	15	11.22	37.5
<b>11-20</b>	20	14.96	50
<b>&gt;20</b>	25	18.70	62.5

**Table 4: Outdoor Landscaping Block Width Adjustment**

<b>Lot Size</b>	<b>Allotted 10 CFS per Month in Blocks 3 &amp; 4 only, May-October</b>	<b>Equivalent CGL per Month</b>	<b>~Equivalent Gallons per Day</b>
<b>No outside space</b>	0	0	0
<b>Up to ¼ acre</b>	10	7.48	25
<b>Over ¼ acre, up to ½ acre</b>	20	14.96	50
<b>Over ½ acre, up to 1 acre</b>	20	14.96	50
<b>Over 1 acre, up to 2 acres</b>	30	22.44	75
<b>Over 2 acres, up to 3 acres</b>	30	22.44	75
<b>Over 3 acres, up to 4 acres</b>	30	22.44	75
<b>Greater than 4 acres</b>	30	22.44	75

The outdoor landscaping adjustment is the only allocation that is not applied evenly to all blocks; rather, the landscaping allocation only increases the amount of water allowed in Blocks 3 and 4, as shown above. This allocation increases the amount of water the customer may use in Block 3 before moving into Block 4-priced consumption; similarly, the allocation increases the amount of water the customer may use in Block 4 before moving into Block 5-priced consumption.

Thus, for example, a customer with a three-person household, with no large animals and a ¼ to 1 acre lot<sup>12</sup> would be allotted the following amount of water in each block.<sup>13</sup>

<sup>12</sup> While ¼ acre to ½ acre lot sizes are differentiated from ½ to 1 acre lot sizes on Cal Am’s tariffs, Schedule No. MO-1, both subsets are allotted the same amount of water: 20 10cfs per month in Blocks 3 and 4.

<sup>13</sup> According to Cal Am, “[t]his profile is the most representative of our single family customer base and

**Table 5: Single Family Residential Representative Total Block Widths**

Block	Winter Allotments (Nov.-Apr.) in 10s of CF	Summer Allotments (May-Oct.) in 10s of CF
1	45	45
2	45	45
3	45	65
4	45	65
5	(all consumption > 180)	(all consumption > 220)

The volumetric charges for the hypothetical customer noted above, with a three-person household, with no large animals and with a ¼ to 1 acre lot, who consumes 49.47 10s of CFs (37 CGL)<sup>14</sup> in December (when no outdoor landscaping allocation is in effect) would be as follows:

**Table 6: Single Family Residential “Representative Customer” Volumetric Charges**

Block	Rate per 10s of CF <sup>15</sup>	Use in 10s of CF	Total
1	\$0.4528	45	\$20.38
2	\$0.6793	4.47	\$3.04
3	\$1.6768	0	\$0
4	\$3.6229	0	\$0
5	\$4.5286	0	\$0
TOTAL		49.47	\$23.42

If this customer used the same amount of water during the summer months, when additional water is allotted for outdoor landscaping, the total bill would be the same, as the customer did not exceed 45 10s of CFs in Block 3, when the discount would begin to take effect, as shown in Table 5, above.

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has been used in other proceedings to reflect the average residential single family customer.” CAW Direct Testimony of Sherrene Chew at 31, n.14.

<sup>14</sup> According to Cal Am, “[t]his customer profile gives an average consumption for single family customers with a 5/8” meter, 37 CGLs in for the full year [sic].” CAW Direct Testimony of Sherrene Chew at 31.

<sup>15</sup> CAW Direct Testimony of Sherrene Chew at 21.

1                   **1. Monterey’s Residential Class and Prevalence of the**  
2                   **Outdoor Landscaping Allocation**

3           In 2014, Cal Am had an annual average of 34,508 residential customers,<sup>16</sup> of which  
4   33,183 were single family residential customer and 1,325 were multi-family residential  
5   customers. Cal Am submitted information on the 2014 allotment profiles for 33,139  
6   single family residential customers.<sup>17</sup> Cal Am submitted data on the 2014 allotment  
7   profiles for 1,717 multi-family customers.<sup>18</sup> In 2014, 92.34 percent of single family  
8   residential customers had outdoor landscaping allotments. Table 7, below, shows the  
9   prevalence of the various lot sizes claimed by Monterey residents, as shown in data Cal  
10   Am provided.

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<sup>16</sup> Attachment 3, CAW Supplemental Response to ORA DR EO2-002, Q002.

<sup>17</sup> Attachment 4, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Single Family Spreadsheet 2014* CONFIDENTIAL. Cal Am’s allotment data is organized by premise codes. Each premise code represents a location at which an allotment survey was filed; thus some premises contain multiple entries in Cal Am’s data, either because multiple customers have had accounts at that premise, or because a single customer changed his allotment survey response while occupying that premise. For 2014, Cal Am submitted 51,541 single family allotment survey entries, representing 33,139 unique single family premises. Unexpectedly, Cal Am’s data shows, on a number of occasions, single family premises whose lot adjustments have changed. 14,123 premises entries had variable lot adjustment entries. As lots typically do not expand or contract, this phenomenon illustrates another instance in which Cal Am’s customized allotment rate design requires more thorough verification procedures than have been in place.

<sup>18</sup> Note that Cal Am and ORA were unable to “scrub” the data such that the removal of duplicate premise entries yielded a total number of allotment surveys equaling Cal Am’s stated single-family and multi-family customer counts for 2014. Cal Am stated that in 2014, it had 1,325 multi-family customers, yet when ORA requested allotment profiles for these customers Cal Am responded with allotment profiles for a total multi-family customer count of 1,717. The single-family allotment profile count was closer to that provided in Attachment 3, CAW Supplemental Response to ORA DR EO2-002, Q001. Attachment 5, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Multi Family Spreadsheet 2014* CONFIDENTIAL.

**Table 7: Distribution of Lot Sizes, 2014**

<b>Lot Size</b>	<b>Single Family Customers<sup>19</sup></b>	<b>Multi-Family Customers<sup>20</sup></b>	<b>Total Residential</b>	<b>Percent Residential</b>
No Outside Space	2,521	214	2,735	7.85%
Up to ¼ Acre	10,072	344	10,416	29.88%
> ¼ - ½ Acre	13,193	698	13,891	39.85%
> ½ - 1 Acre	4,437	229	4,666	13.39%
> 1-2 Acres	1,759	123	1,882	5.40%
> 2-3 Acres	632	41	673	1.93%
> 3-4 Acres	196	9	205	0.59%
> 4 Acres	310	59	607	1.06%
No data <sup>21</sup>	19	0	19	0.05%
<b>TOTAL</b>	<b>33,139</b>	<b>1,717</b>	<b>34,856</b>	<b>100.00%</b>

As noted in Table 4: Outdoor Landscaping Block Width Adjustments, some *lot adjustments* are the same though the *lot size* may vary. For example, the block width adjustment for both the ¼ - ½ and ½ - 1 acre survey response categories is 20 10s of CF. Thus the distribution of outdoor landscaping adjustments by *water quantity* allotted is as follows:

**Table 8: Distribution and Amount of Outdoor Landscaping Allotments, 2014**

<b>OLA in 10s of CF</b>	<b>Single Family<sup>22</sup></b>	<b>Multi Family<sup>23</sup></b>	<b>Total Residential</b>	<b>Percent Residential</b>	<b>10s of CF Allotted</b>
0	2,540	214	2,754	7.90%	0
10	10,072	344	10,416	29.88%	104,160
20	17,630	927	18,557	53.24%	371,140
30	2897	232	3,129	8.98%	93,870
<b>TOTAL</b>	<b>33,139</b>	<b>1,717</b>	<b>34,856</b>	<b>100.00%</b>	<b>569,170</b>

<sup>19</sup> Attachment 4, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Single Family Spreadsheet 2014* CONFIDENTIAL.

<sup>20</sup> Attachment 5, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Multi Family Spreadsheet 2014* CONFIDENTIAL.

<sup>21</sup> Some customer entries contained no information as to lot size adjustment. ORA treats these customers as though they have no lot size adjustment.

<sup>22</sup> Attachment 4, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Single Family Spreadsheet 2014* CONFIDENTIAL.

<sup>23</sup> Attachment 5, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Multi Family Spreadsheet 2014* CONFIDENTIAL.

1 Table 7 describes how many customers have each block width adjustment available under  
2 the outdoor landscaping allocation. This data shows that, in 2014, Cal Am allotted at  
3 least 569,170 10s of CF at a discounted rate under the outdoor landscaping adjustment.  
4 While the amount *allotted* does not necessarily equal the amount of water *purchased* at  
5 the discounted rate, this amounts to 1.8-2 percent of the total annual residential  
6 consumption actually measured in 2014.<sup>24</sup>

7 **B. Eliminating the Lot Adjustment Increases Equity within**  
8 **Cal Am’s Residential Class**

9 The Commission should authorize Cal Am to eliminate its outdoor landscaping  
10 allocation because it will result in greater equity within its residential customer class. Cal  
11 Am’s conservation-oriented rate design pressures its residents to conserve by increasing  
12 the price of increased consumption.<sup>25</sup> However, the outdoor landscaping allocation sends  
13 a different, dampened price signal to a subset of residential customers with larger lots.  
14 The adjustment allows customers with larger lot sizes to use increased amounts of water  
15 at a discounted rate. “Under a properly designed increasing block rate structure, no  
16 customer within a given class and using similar amounts of water should be rewarded  
17 more or less than another customer for saving water.”<sup>26</sup> Cal Am’s rate design should  
18 price increased consumption similarly for all residential customers, regardless of lot size.

19 ORA found that a small subset of residential customers with larger lots receives  
20 significant discounts via the outdoor landscape allocation when exhibiting above-average

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<sup>24</sup> In response to an ORA data request, CAW originally reported 2014 total residential consumption as 2,286,978 in Thousand Gls (TGls), (30,574,837 10s of CF). Attachment 6, CAW Original Response to ORA DR EO2-002, Q002. ORA requested that Cal Am supplement its initial response, breaking residential consumption into single-family residential and multi-family residential consumption data; Cal Am responded with a new 2014 total residential consumption amount that was 10.8% less than the original estimate (2,038,998 TGls or 27,259,332 10s of CF). Attachment 3, CAW Supplemental Response to ORA DR EO2-002, Q002. These numbers also vary from the 2014 residential consumption estimate supplied by Cal Am in its 2014 annual report, submitted to the Division of Water and Audits (21,914,650 CGls, or 29,297,660 10s of CF). ORA here uses the original estimate provided in response to ORA data requests and the amount reported in Cal Am’s 2014 annual report as the range for this estimate.

<sup>25</sup> BILL ZIEBURTZ, MANUAL OF WATER SUPPLY PRACTICES (M-1): PRINCIPLES OF WATER RATES, FEES, AND CHARGES 113 (American Water Works Association, 2012) (1954).

<sup>26</sup> *Id.*

1 consumption. The following table summarizes the effects the outdoor landscaping  
 2 allocation has on residential bills under varying levels of consumption. ORA used one,  
 3 two, three, and four-person household allotment profiles (accounting for 80 percent of all  
 4 single family residential customers in 2014)<sup>27</sup> with ¼ acre to 1 acre lots and no large  
 5 animals to estimate the effects on individual bills the outdoor landscaping allocation may  
 6 have at various consumption levels. The consumption estimates chosen represent single  
 7 family usage at each quarter percentile, 90<sup>th</sup> percentile and average consumption from  
 8 May, 2014.<sup>28 29</sup>

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<sup>27</sup> Attachment 4, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Single Family Spreadsheet 2014* CONFIDENTIAL

<sup>28</sup> Cal Am provided consumption data for 1,271 multi-family and 28,967 single family residential customers, as well as 2,864 low-income customers (33,102 total residential customers, again, short of the 34,508 total residential customers Cal Am states as the current total) for May, 2014. ORA uses single family consumption data as illustrative of average consumption patterns, as single family residential customers make up the vast majority of Cal Am’s residential class. Attachment 7, CAW Response to ORA DR EO2-001, Q001, *Single Family Res Bills Under Proposed Rate Design Attachment 5.xlsx*, *MultiFamily Bills Under Proposed Rate Design Attachment 7.xlsx*, *Low Inc Bills Under Proposed Rate Design.xlsx*.

<sup>29</sup> For May, 2014, the month for which Cal Am provided individual customer consumption data, the average single family residential consumption was 55.48 10s of CF. Individual customer consumption fell into the following percentiles:

Percentile	Usage (10s of CF)	Usage (CGI)
25	24.06	18.00
50	44.12	33.00
[AVERAGE]	55.48	41.5
75	69.52	52.00
90	105.61	79.00
100	2,012.17	1,505.1

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**Table 9: Comparison of Volumetric Charges with and without Outdoor Landscape Adjustment (OLA), Single Family “Representative” Allocation Profile**

Consumption (10s of CF)	Volumetric Charges with OLA	Volumetric Charges without OLA	Dollar Difference	Percent Discount
<b>Four Person Household</b>				
24.06	\$10.90	\$10.90	\$0	0
44.12	\$19.98	\$19.98	\$0	0
55.48	\$25.12	\$25.12	\$0	0
69.52	\$33.64	\$33.64	\$0	0
105.61	\$58.15	\$58.15	\$0	0
2,012.17	\$8,347.00	\$8,419.45	\$72.45	0.86%
<b>Three Person Household</b>				
24.06	\$10.90	\$10.90	\$0	0
44.12	\$19.98	\$19.98	\$0	0
55.48	\$27.50	\$27.50	\$0	0
69.52	\$37.03	\$37.03	\$0	0
105.61	\$79.24	\$79.24	\$0	0
2,012.17	\$8,520.23	\$8,592.67	\$72.45	0.84%
<b>Two Person Household</b>				
24.06	\$10.90	\$10.90	\$0	0
44.12	\$23.18	\$23.18	\$0	0
55.48	\$30.90	\$30.90	\$0	0
69.52	\$51.21	\$51.21	\$0	0
105.61	\$116.60	\$144.88	\$28.28	19.52%
2,012.17	\$8,693.44	\$8,765.89	\$72.45	0.83%
<b>One Person Household</b>				
24.06	\$12.95	\$12.95	\$0	0
44.12	\$42.55	\$42.55	\$0	0
55.48	\$63.14	\$82.12	\$18.98	23.11%
69.52	\$96.76	\$141.60	\$44.84	31.67%
105.61	\$232.62	\$305.06	\$72.44	23.75%
2,012.17	\$8,866.66	\$8,939.10	\$72.44	0.81%

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5  
6  
7

As illustrated in the table above, a small subset of residential customers with larger lots, particularly those in one-person households, may receive significant discounts from the outdoor landscaping allocation. Over 80 percent of one-person single family

1 households have outdoor allotments.<sup>30</sup> The smaller the household-size allocation, the  
2 larger the impact the outdoor landscaping allocation has on total volumetric charges as  
3 consumption increases.

4 Two-person and three-person households (accounting for nearly 50 percent of  
5 residential customers for which Cal Am provided allotment data) do not begin to see  
6 savings resulting from the outdoor landscaping adjustment until consumption reaches the  
7 90<sup>th</sup> percentile of single-family use. That is, only those two-person and three-person  
8 households that consume more water than 90 percent of all single-family residential users  
9 will trigger the outdoor landscaping adjustment discount. However, one-person  
10 households, accounting for nearly 15 percent of the residential customers for which  
11 Cal Am provided allotment data,<sup>31</sup> benefit from a discount of 23.11 percent when  
12 consuming the average amount of water in the sample month, 31.67 percent when in the  
13 75<sup>th</sup> percentile and 23.75 percent when in the 90<sup>th</sup> percentile of consumption in the  
14 sample month.

15 The outdoor landscaping allocation allows lower per-person households to  
16 increase water use with less monetary repercussions than larger per-person households  
17 during the summer months. This is unreasonable. The Commission should authorize Cal  
18 Am to eliminate its outdoor allocation to achieve greater equity and increase  
19 standardization in price paid per unit of water within Cal Am's residential customer class.

## 20 **1. Effects of Recommendation on Residential Bills**

21 In the event that consumption does not decrease as a result of the elimination of  
22 the outdoor landscaping allocation, customers who formerly benefitted from the  
23 allocation will see an increase in their monthly bills. Because Cal Am's rate design is  
24 tailored to the individual customer's allocation survey responses, it would be impractical  
25 to detail the effect of removing outdoor landscape allocations on each individual  
26 customer. Table 9, above, illustrates the effect that eliminating the outdoor landscaping

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<sup>30</sup> Attachment 4, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Single Family Spreadsheet 2014* CONFIDENTIAL.

<sup>31</sup> *Id.*

1 allocation could have on “representative” customer profiles. For example, the table uses  
2 the four most common household sizes, the most common lot size adjustment and the  
3 most common response to the allocation survey regarding large animals (“no large  
4 animals”).

5 Certain customers would see little to no effect on their monthly bills as a result of  
6 the proposed change. Because the outdoor landscaping allocation effectuates a discount  
7 for consumption in Blocks 3 and 4, those customers with lower consumption, who do not  
8 typically reach consumption levels priced in these blocks, will see no change in their  
9 monthly bills, should their consumption patterns remain consistent. Additionally, as  
10 customers consume more and more water in Block 5, the effect of the discount dampens  
11 (see, for example, in Table 9, how a one-person household whose consumption reaches  
12 106 units sees less of a percentage-discount than they would see if their consumption  
13 leveled off at 70 units). Thus, a customer who uses significant amounts of water at Block  
14 5 rates will see less of an effect on their overall bill.

15 The recommendation to remove outdoor landscape allocations would have the  
16 greatest rate effect on customers with the largest landscaping block width adjustments  
17 and fewest per-person and large animal adjustments, and who use all of the water  
18 allocated to them under all of their allotments in Blocks 1-4. This assumes that these  
19 customers are also unable to decrease consumption as the recommendation to remove the  
20 outdoor landscape allocation goes into effect.<sup>32</sup> The proportional effect on this  
21 customer’s bill is magnified if, as described above, the customer does not currently  
22 consume much water under Block 5 rates.

23 A one-person household with greater than 1 acre (note that, per Table 4, above, the  
24 block width adjustment, an additional 30 10s of CF per month in Blocks 3 and 4, is the  
25 same for a customer with greater than 1 acre and a customer with greater than 4 acres, so  
26 this analysis applies to all customers with lots greater than 1 acre) and no large animals is  
27 allotted the following amounts in each block:

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<sup>32</sup> Cal Am anticipates no change in customer consumption as a result of the elimination of the outdoor landscaping allocation. Phone call with David Stephenson, etc., Cal Am, September 25, 2015.

**Table 11: Most-Affected Customer<sup>33</sup> Total Block Widths**

<b>Block</b>	<b>Winter Allotments (Nov.-Apr.) in 10s of CF</b>	<b>Summer Allotments (May- Oct.) in 10s of CF</b>
1	15	15
2	15	15
3	15	45
4	15	45
5	(all consumption > 60)	(all consumption > 120)

**Table 12: Most-Affected Customer Volumetric Charges,  
With and Without Outdoor Landscaping Allocation**

<b>Consumption (10s of CF)</b>	<b>Volumetric Charges with OLA</b>	<b>Volumetric Charges without OLA</b>	<b>Dollar Difference</b>	<b>Percent Increase</b>
<b>One Person Household, Greater than 1 Acre, No Large Animals</b>				
24.06	\$12.95	\$12.95	\$0	0%
44.12	\$42.55	\$42.55	\$0	0%
55.48	\$63.14	\$82.12	\$18.98	30.06%
69.52	\$88.57	\$141.60	\$53.03	59.87%
105.61	\$209.40	\$305.06	\$95.66	45.68%
2,012.17	\$8,830.41	\$8,939.10	\$108.69	1.23%

These tables illustrate some of the most drastic changes a Cal Am customer may see on his bill as a result of the elimination of the outdoor landscaping allocation, including a potential nearly 60 percent increase for one-household customers with large lot allocations. As described below, each customer should be notified of potential changes to his or her bill.

**C. Customized Notification of Elimination of Lot Size Adjustment**

If the Commission authorizes Cal Am to eliminate its outdoor landscaping allocation, the Commission should also direct Cal Am to send customized notice to each residential customer regarding the change and the potential effects of the change on

<sup>33</sup> In 2014, less than one percent of single family residential customers had this allocation profile. Attachment 4, CAW Second Supplemental Response to ORA DR EO2-002, Q003s – *Single Family Spreadsheet 2014* CONFIDENTIAL.

1 customer bills, sixty days before such changes would take effect. Because the  
2 recommendation, in essence, effectuates a rate change by removing a discount, Cal Am  
3 should be required to send customer notice. However, as illustrated above, elimination of  
4 the outdoor landscaping allocation will have variable effects on different customers due  
5 to the highly individualized nature of Cal Am's rate design. Thus, the notice should be  
6 customer-specific, citing the individual customer's 2014 average summer use (or use  
7 from a given month) and specific current allotment profile. The notice should illustrate  
8 the charges by tier with the allotment in effect and charges by tier if the allotment is  
9 removed. The notice should provide this level of detailed information as well as total-bill  
10 effects.

11 Cal Am's current bill lists the receiving customer's block widths at the bottom  
12 portion of the bill.<sup>34</sup> Cal Am's notice should similarly list the receiving customer's  
13 current allocation block widths. Cal Am's notice should include the total quantity  
14 charge, by tier, which would result from the customer's given historic usage. The notice  
15 should then include the customer's block widths *after* the outdoor landscaping allocation  
16 has been removed, with similar tiered quantity charges and total billed amount if the  
17 individual customer consumes the same amount as his or her historic 2014 usage amount  
18 without the lot size adjustment.

19 Cal Am has supplied customers with somewhat similar individualized notice in  
20 other proceedings. For example, when certain previously un-metered Sacramento  
21 customers were switching to a metered rate design, Cal Am sent personalized notification  
22 helping each customer understand the personal effects the change would have on his or  
23 her monthly bills. Such notices provide practical and meaningful information to  
24 customers on the most tangible effects that these somewhat technical changes will have  
25 on their day-to-day lives. The Commission should require Cal Am to provide such  
26 meaningful notice in this case as well.

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<sup>34</sup> Attachment 8, CAW Response to ORA DR EO2-003, Q004, 2014 Sample Bills.

1 **IV. CONCLUSION**

2           The Commission should approve Cal Am’s request to eliminate its outdoor  
3 landscaping allocation. The allocation is effectively a discount that has inequity within  
4 Cal Am’s residential customer class and runs contrary to current Commission  
5 conservation policy, encouraging reductions in discretionary use. The Commission  
6 should require Cal Am to send customized notice to its residential customers affected by  
7 the change in rate design, providing meaningful, personalized information regarding the  
8 effects the change will have on monthly bills.

# **ATTACHMENT 1**

## **QUALIFICATIONS OF WITNESS**

**QUALIFICATIONS AND PREPARED TESTIMONY  
OF  
EILEEN ODELL**

Q.1 Please state your name and business address.

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

Q.2 By whom are you employed and in what capacity?

A.2 I am employed by the California Public Utilities Commission (CPUC) in its Office of Ratepayer Advocates (ORA) as a Public Utilities Regulatory Analyst.

Q.3 Briefly describe your pertinent educational background.

A.3 I graduated from the University of California, San Diego with a Bachelor of Arts degree in International Studies and Political Science. I later graduated from the Juris Doctor program at the University of California, Hastings College of the Law.

Q.4 Briefly describe your professional experience.

A.4 With the Office of Ratepayer Advocates' Communications and Water Policy branch, I have worked on one prior rate case, analyzing revenues and rate design, and have reviewed advice letters pertaining to Class A water utilities' conservation and rationing plans. Prior to joining the CPUC, I was employed by the Office of Sonoma County Counsel for one year, serving as a Senior Law Clerk. I also was employed by San Francisco Public Utilities Commission for one year. I have served as a Law Clerk for the City Attorney of San Francisco, in its Land Use and Environment team as well as its Public Utilities Commission team.

Q.5 What is your responsibility in this proceeding?

A.5 I am the lead analyst for ORA's review of Application 15-07-019 and am responsible for providing testimony on California-American Water Company's request to eliminate its outdoor landscaping allocation.

Q.6 Does that conclude your testimony?

A.6 Yes.

## **Attachment 2**

**CAW Response to ORA DR EO2-004, Q001**  
*May Aug 2014 No Lot Allowance.xlsx*



# **Attachment 3**

**CAW Supplemental Response to ORA DR EO2-002, Q002**

**Response Provided By:** Bentley Erdwurm  
**Title:** Financial Analyst III - Rates & Regulatory  
**Address:** 4701 Beloit Drive  
 Sacramento, CA 95838  
**ORA Request:** ORA EO2-002  
**Company Number:** ORA-CAW-003-Q001s\_EO2-002  
**(Supplemental Request)**  
**Date Received:** September 25, 2015  
**Date Response Due:** October 1, 2015  
**Subject Area:** Monterey Main System

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**ORA QUESTION:**

1. **Supplemental Request:** Cal Am will supplement the responses to ORA Q001 and Q002 to provide customer count and consumption data for single family and multi-family residential customers, separately.

**COMPANY RESPONSE:**The customer counts have been updated to reflect a split between single family and multi-family residential. Please note that the 2010-2012 numbers have been updated to reflect residential customers in Bishop, Hidden Hills, and Ryan Ranch, which are also included in the 2013 and 2014 customer counts.

**CUSTOMER COUNT**

Class	2010	2011	2012	2013	2014
Residential	33,257	33,238	33,296	33,335	33,183
Multi-Res	1,296	1,391	1,426	1,288	1,325
Total	34,553	34,629	34,722	34,623	34,508

Below is the table for consumption by year split between single family and multi-family residential.

**USAGE (in 1,000 gallons)**

Class	2010	2011	2012	2013	2014
Residential	1,789,353	1,764,117	1,797,809	1,830,464	1,585,517
Multi-Res	448,567	500,645	524,098	451,603	453,481
Total	2,237,920	2,264,762	2,321,907	2,282,067	2,038,998

## **Attachment 4**

**CAW Second Supplemental Response to ORA  
DR EO2-002, Q003s – *Single Family Spreadsheet 2014*  
*CONFIDENTIAL***

**[Attachment on Confidential CD filed with Commission]**

# **Attachment 5**

**CAW Second Supplemental Response to ORA  
DR EO2-002, Q003s – Multi Family Spreadsheet 2014  
CONFIDENTIAL**

**[Attachment on Confidential CD filed with Commission]**

# **Attachment 6**

**CAW Original Response to ORA DR EO2-002, Q002**

**California-American Water Company**

**APPLICATION NO. A.15-07-019  
CAW RESPONSE TO ORA DATA REQUEST EO2-002**

**Response Provided By:** Bentley Erdwurm  
**Title:** Financial Analyst III - Rates & Regulatory  
**Address:** 4701 Beloit Drive  
 Sacramento, CA 95838  
**ORA Request:** ORA EO2-002  
**Company Number:** ORA-CAW-003-Q002\_EO2-002  
**Date Received:** September 2, 2015  
**Date Response Due:** September 11, 2015  
**Subject Area:** Monterey Main System

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**ORA QUESTION:**

2. Provide the total annual consumption by customer class within Your Monterey Main system for the past five years.

**COMPANY RESPONSE:**

USAGE (in 1,000 gallons)

Class	2010	2011	2012	2013	2014
Residential	1,789,353	1,764,117	1,797,809	2,137,064	2,286,978
Multi-Res	448,567	500,645	524,098	(Note 1)	(Note 1)
Commercial & Irrigation	799,447	871,253	847,817	846,281	878,598
Industrial	34,338	16,653	16,876	10,692	10,844
Public Auth	236,272	153,498	189,730	168,988	179,016
Golf Courses	35,535	37,107	40,847	34,473	0
Viscaino Reclamation	0	0	0	-	-
Private Fire	1,392	1,699	1,321	1,102	2,910
Construction	3,673	2,054	3,483	(Note 2)	(Note 2)
Sales for Resale	114,241	0	0	(Note 2)	(Note 2)
Other	0	0	0	9,484	15,134
<b>Total</b>	<b>3,462,818</b>	<b>3,347,026</b>	<b>3,421,981</b>	<b>3,208,085</b>	<b>3,277,967</b>

Note 1: Residential Category for 2013 and 2014 includes PAR and Multi-Residential.

Note 2: Golf Courses category also includes Construction and Sales for Resale.

## **Attachment 7**

**CAW Response to ORA DR EO2-001, Q001,  
*Single Family Res Bills Under Proposed Rate Design  
Attachment 5.xlsx, MultiFamily Bills Under Proposed Rate Design  
Attachment 7.xlsx, Low Inc Bills Under Proposed Rate Design.xlsx***

**[Attachment on CD filed with Commission]**

# **Attachment 8**

**CAW Response to ORA DR EO2-003, Q004  
2014 Sample Bills**

**[Attachment on CD filed with Commission]**