



California's Regulation of Investor-Owned Water Companies The Water Action Plan

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Stephen St Marie
Advisor on Policy and Planning
Office of Commissioner Catherine J K Sandoval
California Public Utilities Commission





★ THE CALIFORNIA PUBLIC UTILITIES COMMISSION ★

100 YEARS

RESPONSIBILITY ★ VISION ★ SUCCESS ★ PASSION ★ SERVICE ★ STRENGTH

EFFICIENCY STANDARDS ★ UTILITY OVERSIGHT ★ ENVIRONMENT ★ SAFETY

100 YEARS OF LEADERSHIP ★
CONSUMER PROTECTION ★ ADVANCEMENT





CALIFORNIA PUBLIC UTILITIES COMMISSION

2010
WATER ACTION
PLAN



October 2010





Four Key Principles

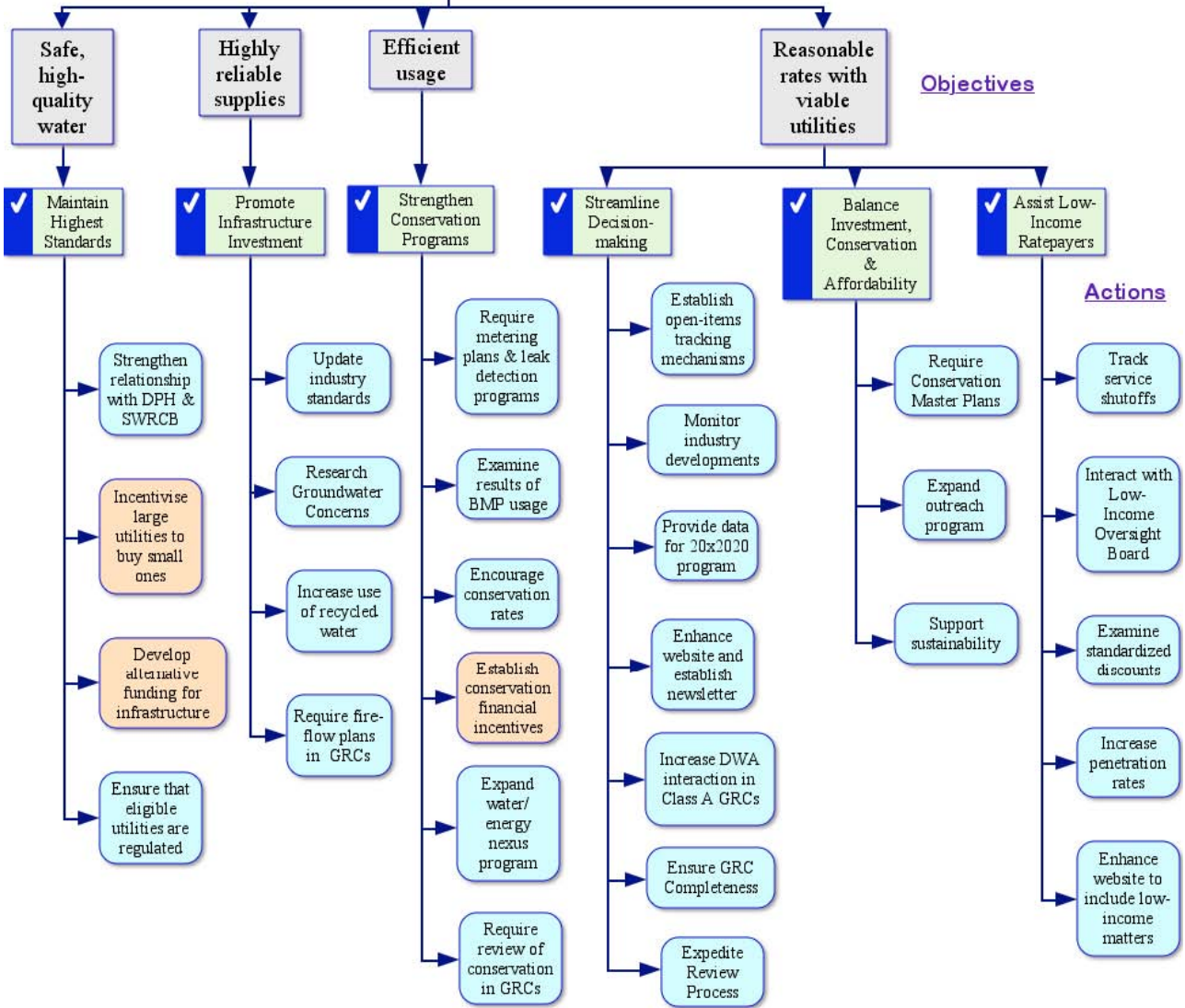
- Safe, high-quality water
- Highly reliable Water supplies
- Efficient use of water
- Reasonable rates and viable utilities





WAP 2010

Principles





Safe High Quality Water

- Maintain Highest Standards of Regulation
 - Incentivize larger utilities to purchase smaller utilities
 - Ensure that eligible utilities are regulated
 - Central Water System – Was to be sold to Del Oro Water, instead sold to Plainview Mutual
 - Keene Water (Union Pacific) was found to be in public service, upgraded, high rates, everyone moved out.
 - Stewart Water Co was exempted from jurisdiction after it was found that it was purchased by a mutual eight years ago





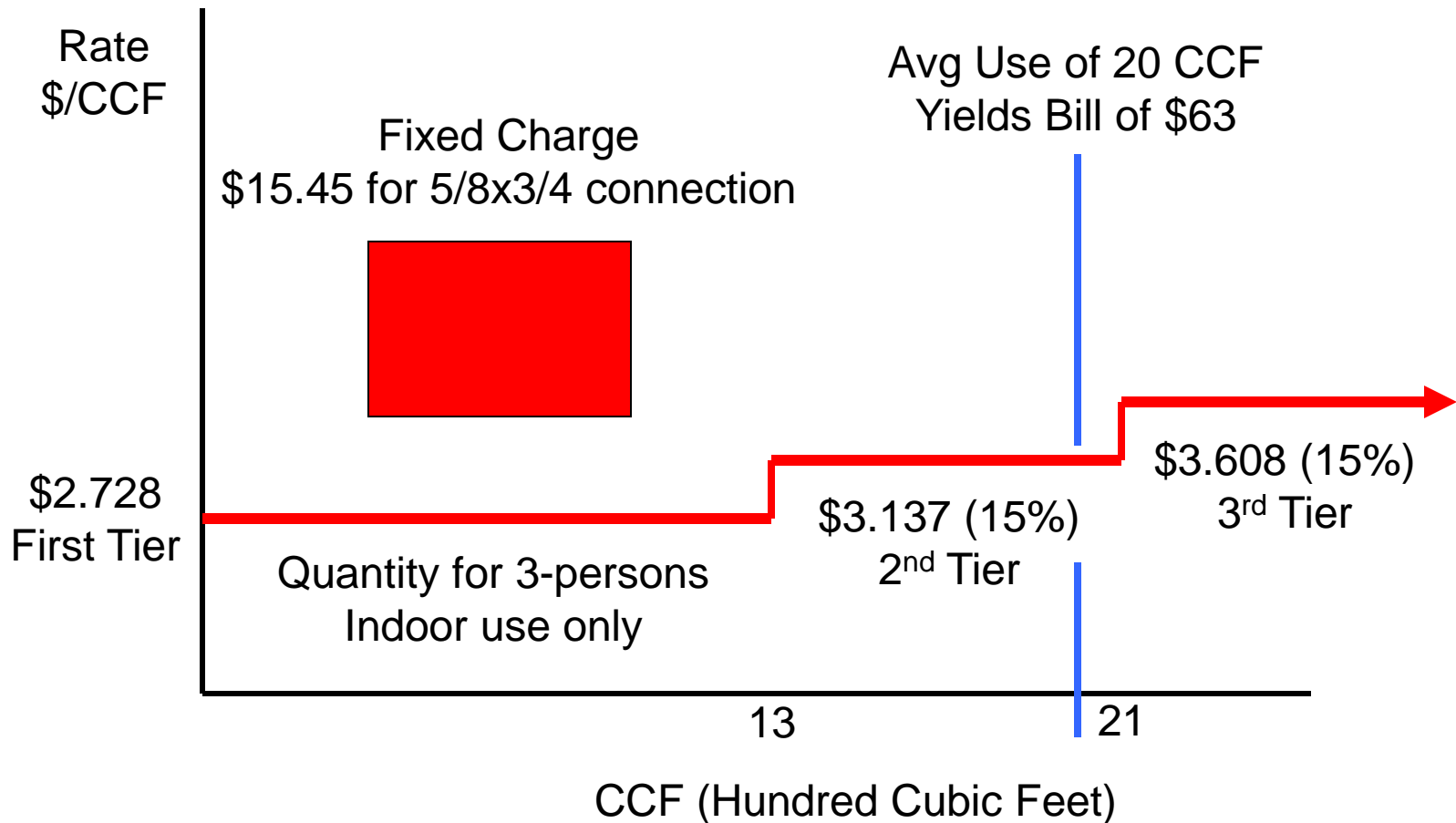
Efficient Usage

- Strengthen Conservation Programs
 - Require metering plans and leak detection programs
 - Encourage Conservation Rates
 - Establish conservation financial incentives
 - Require review of conservation in General Rate Cases



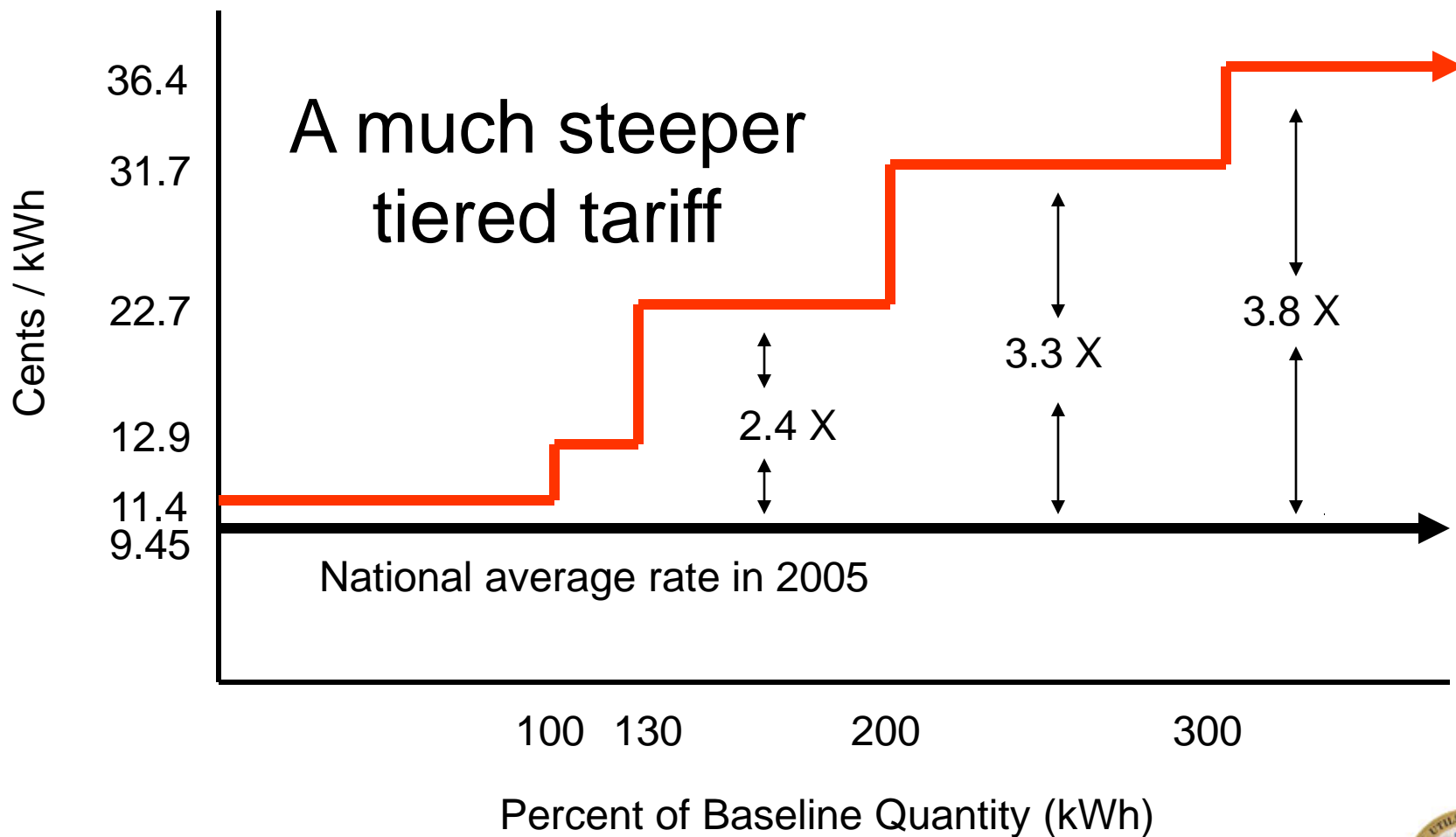


“Conservation” Rates – Tiers





Electric Residential Example





Turn Over a New Leaf



Lavender: A great water wise perennial

Grow a Water Wise Garden this Spring.

Turn over a new leaf this year with a low-water garden. Plants needing little water save you money while protecting natural resources.

Dozens of water-saving flowers, plants, and shrubs are available to beautify your home. Lavender from your local nursery or home improvement store is just one of many choices for color and a pleasing aroma around your yard.

We're Here to Help.

You can pick up a free guide to low-water gardens at our office at 511 Forest Lodge Road in Pacific Grove. When you're here, you can also select free water saving devices like low-flow showerheads, kitchen and bath aerators, hose nozzles, and more.

En esta primavera, cultive un Jardín de mínimo regadío. Las plantas que necesitan poca agua le ahorran dinero y a la vez protegen los recursos naturales.

**Conserving water is a shared responsibility for our company and our customers – a goal we can achieve together.
We're here to help.**



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Reasonable Rates With Viable Utilities

- Streamline Decision-making
 - Increase DWA interaction in Class A GRCs
- Balance Investment, Conservation and Affordability
 - Require Conservation Master Plans
 - Expand outreach programs
 - Support sustainability





Reasonable Rates With Viable Utilities

- Assist Low-Income Ratepayers
 - Track service shut-offs
 - Credit Card Payment Options
 - Low-Income Oversight Board participation
 - Increase Program Penetration Rates
 - Examine Standardized Low-Income Programs





Low-Income Program Penetration Rates

- Electric Utilities: 25% of residential customers participate in Low-Income rates
- Water Utilities Much Less
 - Generic proceeding – Guidelines for Sharing Low-Income Information, Decision May 2011
 - Petition to modify Low-Income Rate Assistance program





Standardize Low-Income Programs

- Low-Income Rate Assistance Programs have been specific to individual utilities
 - Percent off from Total Bill
 - Percent off from Fixed Service Charge
 - Dollar amount off from Total Bill
- Should we Strive for Consistency?





Rulemaking on Consolidation And (More) Uniform Rates

- Should water utilities have a set of rates for each district?
- Proximity, Cost Comparability, Water Supply, and Operation
- Aiming for Rate Consolidation, maybe even Single-Tariff Pricing?





Water Revenue Adjustment Mechanisms (W-RAMS)

- Excellent programs in theory
- Having some difficulties in Practice
- Latest Decision
 - Cap of 10% of Revenue Requirement on Balances
 - More Vigorous Review of the Mechanism in each General Rate Case





The Reason for Decoupling

- In spite of the “best” forecasts, we do not know how much water will be sold in any future period
- We want customers to conserve – and we have programs to encourage savings
- We cannot engage in Retro-Active Ratemaking





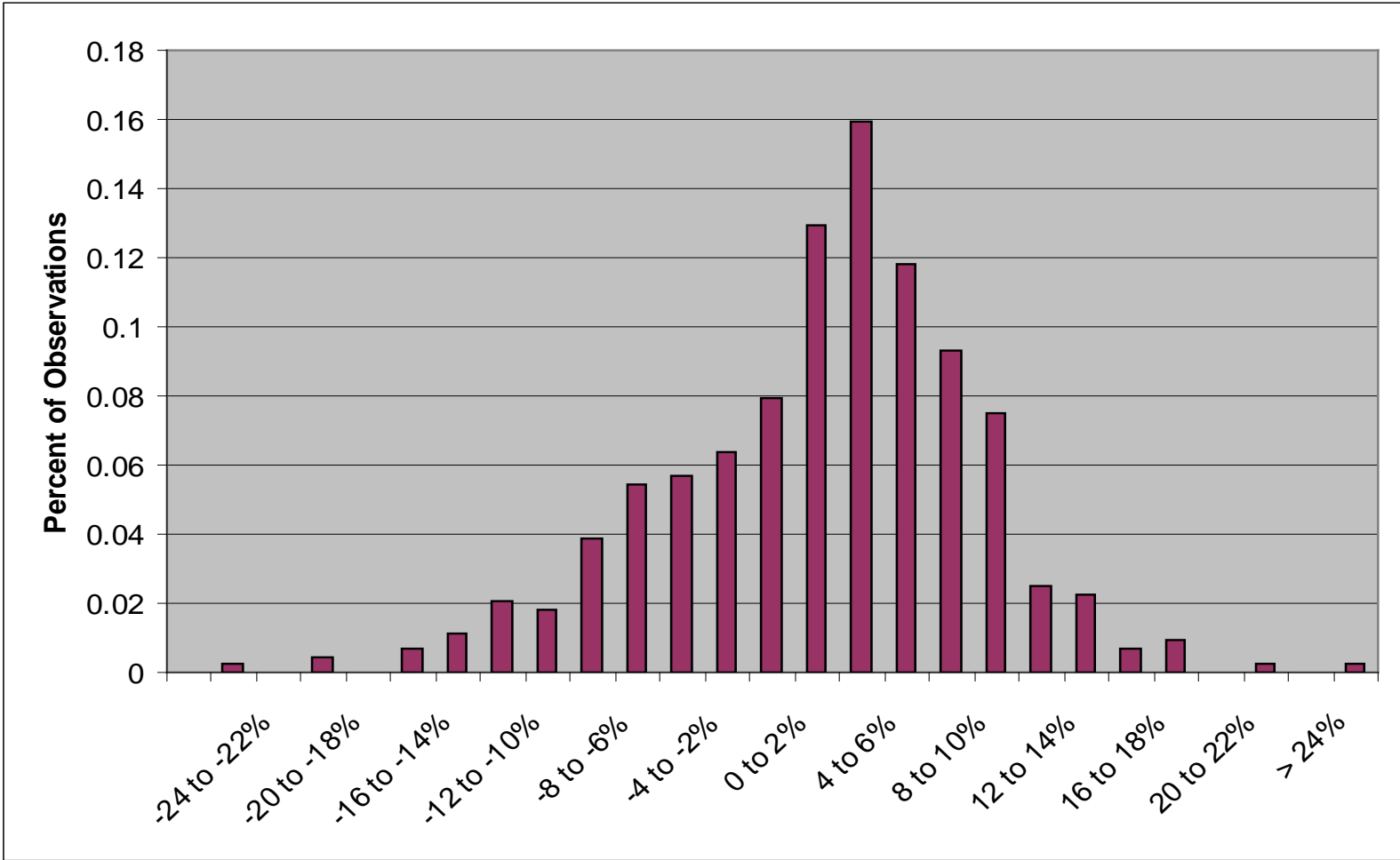
The Questions about Decoupling

- Appropriate de-coupling mechanism may recoup the revenue losses due to conservation. ***But***
 - Is it conservation or something else?
 - What if it is a lot of money? Or reverse? Or “Forecast Error”?
 - What if the Company does not show “effort”?





Water Usage Changes from Year to Year





Two types of Mechanisms

- Monterey-Style WRAM
 - Tracks revenue difference due to rate design
 - *Assures that the Average Price is maintained*
- Full WRAM
 - Tracks difference between *Adopted Q* revenue v *Actual Q* revenue
 - *Assures that the Fixed Revenue is maintained*





Thank you!
For Additional Information:
www.cpuc.ca.gov
SST@cpuc.ca.gov
415-703-5173

