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Exhibit Number	:	<u>Cal Adv - #</u>
Commissioner	:	<u>Genevieve Shiroma</u>
Admin. Law Judge	:	<u>Amin Nojan</u>
Public Advocates	:	<u>Herbert Merida</u>
witness		



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

REPORT
ON
REVENUE, RATE DESIGN AND SPECIAL REQUEST #9

Los Angeles, California
February 27, 2024

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MEMORANDUM

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The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) examined application material, data request responses, and other information presented by Golden State Water Company (GSWC) in Application (A.) 23-08-010 to provide the California Public Utilities Commission (Commission or CPUC) with recommendations in the interests of ratepayers for safe and reliable service at the lowest cost. Mr. Mehboob Aslam is Cal Advocates' project lead for this proceeding. This report is prepared by Mr. Herbert Merida. Mr. Victor Chan is the oversight supervisor. Ms. Crystal Yu and Mr. Brett Palmer are the legal counsels.

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Although every effort was made to comprehensively review, analyze, and provide the Commission with recommendations on each ratemaking and policy aspect presented in the Application, the absence from Cal Advocates' testimony of any particular issue connotes neither agreement nor disagreement of the underlying request, methodology, or policy position related to that issue.

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CHAPTER 1 WATER CONSUMPTION AND PRESENT RATE REVENUES

I. INTRODUCTION

This chapter presents analysis and recommendations on GSWC’s average number of customers, water sales per customer, operating revenues, and other revenues at present rates for Test Year (TY) 2025. GSWC’s Revenue Requirement Report, supporting workpapers, data request responses, and methods of estimating water consumption and operating revenues were reviewed.

II. SUMMARY OF RECOMMENDATIONS

For TY 2025, the Commission should:

- Adopt Cal Advocates’ projected total customer average of 265,479.
- Adopt the Water Sales per Customer forecast that is based on a five-year average of historical amounts for all customer classes and reject GSWC’s econometric and four-year average estimates.
- Adopt the total Operating Revenues forecast of \$\$388,984,539 and reject GSWC’s estimate of \$378,476,497.
- Adopt the Other Revenues forecast of \$939,739 and reject GSWC’s estimated amount of \$934,735.

III. ANALYSIS

An accurate forecast of customers and water consumption is required to determine revenues at present rates and designing reasonable water rates for TY 2025 with revenue neutrality.¹ The revenue requirement comprises total estimated expenses, including tax, and a reasonable return on rate base. Comparing the revenue at present rates with the revenue requirement yields the overall change in average system rates.

¹ Revenue neutral rate design is achieved when the utility collects the same amount of revenue with multiple quantity rates as it would collect under a single quantity rate, as indicated in the sales forecast.

1 As per the Rate Case Plan (RCP), utilities must forecast customer growth using a
2 five-year average of the change in the number of customers by customer class.² A utility
3 may adjust the five-year average if an unusual event occurs, or is expected to occur, such
4 as implementation or removal of a limitation on the number of customers.³ Further, a
5 utility must calculate consumption by using multiple regression to forecast per-customer
6 usage for the residential and commercial customer classes in general rate cases, based on
7 the New Committee Method.⁴ This method relies on Standard Practice No. U-2 and
8 “Supplement to Standard Practice No. U-25.”⁵

9 Because the estimated number of customers and consumption are the basis for
10 revenue forecasts, this report’s present rate revenue amount is higher than GSWC’s.

11 **A. Average Number of Customers**

12 The Commission should adopt Cal Advocates’ average number of water service
13 customers for the Test Years as presented in Table 1-1 below.

14 **Table 1-1: Projected Average Number of Total Customers**

Test Year	Cal Adv Recommended	GSWC Requested	Cal Adv > GSWC
2025	265,479	265,478	1
2026	266,357	266,356	1
2027	267,223	267,222	1

15 GSWC’s service areas consist of a variety of customer classes including
16 residential, commercial, and industrial properties. Residential customers generate most
17 of GSWC’s revenue since they comprise 82% of GSWC’s total customers, as shown in
18 Figure 1-1:

² Decision (D.)07-05-062, *Rate Case Plan and Minimum Data Requirements for Class A Water Utilities General Rate Applications* (Rate Case Plan) Appendix A, at A-20.

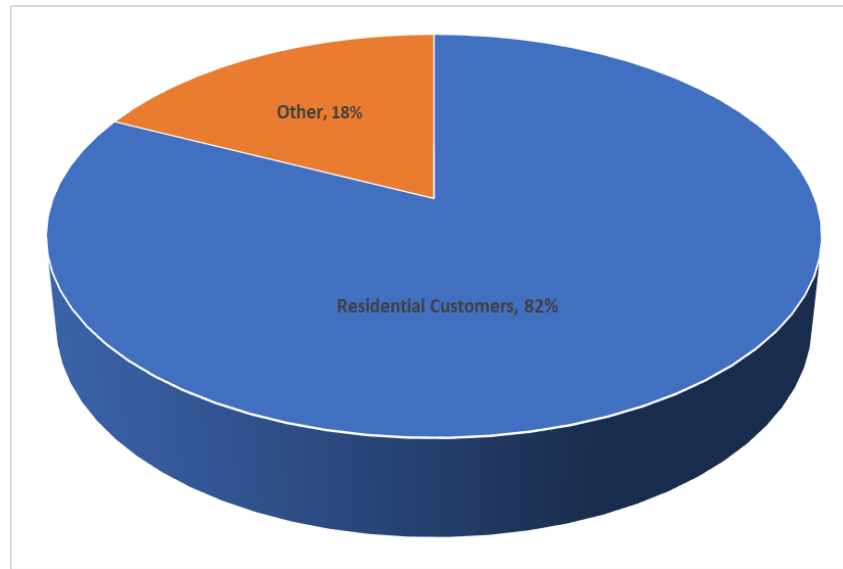
³ Rate Case Plan Appendix A, at A-23.

⁴ Rate Case Plan Appendix A, at A-26.

⁵ Rate Case Plan Appendix A at p. A-23, fn. 4.

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Figure 1-1: GSWC Total Customers Breakdown for all Service Areas

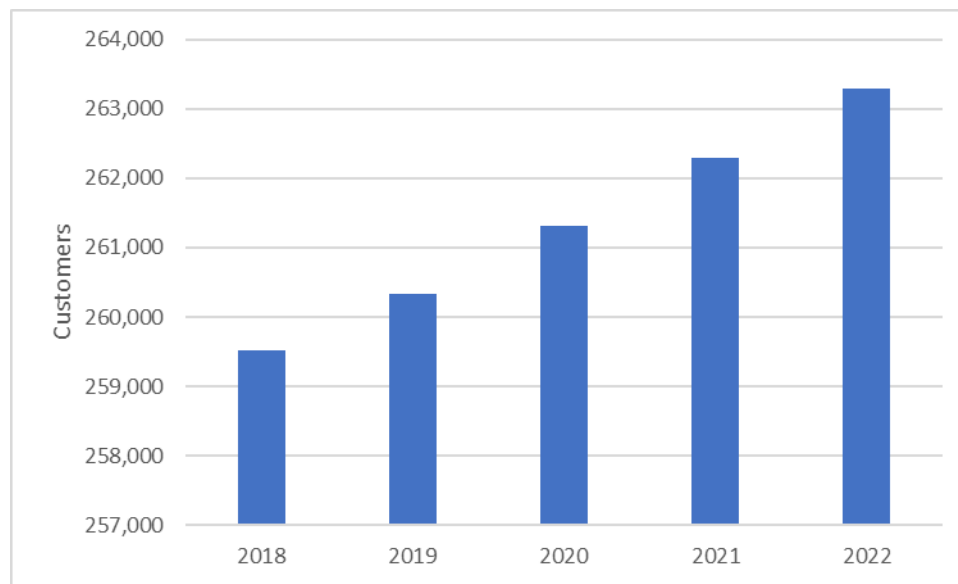


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3 Historically, GSWC’s total customers have slowly but steadily increased at
4 approximately 0.36% annually. We see this trend in Figure 1-2:

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Figure 1-2: GSWC Total Customers for all Service Areas



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GSWC’s customer growth rate is calculated by averaging five years of previously recorded data, unless the service area or customer class was affected by an “uncommon occurrence” such as implementation or removal of a limitation on

1 the number of customers.⁶ There are exceptions in the Arden Cordova, Clearlake,
2 and Region III service areas. For Arden Cordova, the historical change in
3 customers is adjusted to account for the conversion of customers from flat services
4 to metered services.⁷ For Clearlake, the historical change in customers is adjusted
5 to include 24 customers that were acquired in the Crescent Bay acquisition, which
6 was approved by the Commission on July 13, 2023.⁸⁹ In Region III, 1
7 commercial customer was added to reflect the addition of the Desert View Mobile
8 Home Park to the Barstow Water System customer count.¹⁰

9 **B. Water Sales per Customer**

10 The Commission should adopt Cal Advocates' water sales per customer
11 recommendations in Tables 1-2 and 1-4. These recommendations differ from GSWC's
12 forecast methodology, developed by David Mitchell, because of the unusual events
13 discussed below.

14 GSWC forecasts average sales per service using three methods. For the
15 residential, commercial, private authority, and irrigation customer classes, GSWC
16 forecasts average sales per service with econometric models of average sales contingent
17 on certain handpicked parameters by GSWC such as customer-level monthly billing and
18 bi-monthly billing data, season and weather, marginal cost of water, drought-related
19 restrictions on water use, effect of the COVID-19 pandemic (pre and post vaccine), and

⁶ Per the RCP, a utility may make an adjustment to the five-year customer average if an unusual event occurs, or is expected to occur, such as implementation or removal of a limitation on the number of customers. *See* Rate Case Plan Appendix A at A-23.

⁷ Prepared Testimony of Hilda Wahhab, at 3-4.

⁸ Prepared Testimony of Hilda Wahhab, at 4.

⁹ Golden State Water Company, <https://www.gswater.com/clearlake>, accessed on December 13, 2023.

¹⁰ GSWC Response-Cal Advocates DR HMC-007 at Q.1.

1 customer-specific differences.^{11 12} GSWC uses a five-year average for the other/misc.,
2 SFR/contract, company usage, and fire service customer classes, while using a four-year
3 average for the industrial customer class. GSWC makes some exceptions to these
4 customer classes as discussed in the following sections.¹³

5 GSWC's unit consumption methodology does not include all the specific sales
6 forecast factors from D.20-08-047 (Order Instituting Rulemaking Evaluating the
7 Commission's 2010 Water Action Plan).¹⁴ One example of this is that GSWC'S
8 econometric method includes and distinguishes only between what GSWC considers pre-
9 vaccine (March 1, 2020 to December 31, 2020) and post-vaccine (January 1, 2021 to
10 December 31, 2022) as the COVID-19 variable.¹⁵ Thus, GSWC excludes recorded water
11 consumption prior to March 1, 2020. Also, GSWC's econometric methodology differs
12 from the New Committee Method outlined in the RCP. Utilities are permitted to use a
13 forecasting method different from the New Committee Method, if proven more
14 accurate.¹⁶

15 Cal Advocates' methodology also deviates from the New Committee Method and
16 is more accurate than GSWC's approach as described in the next sections.

¹¹ Econometric models use mathematical methods (especially statistics) in describing economic systems.

¹² Prepared Testimony of David Mitchell, Attachment 2, at 21, 32.

¹³ Prepared Testimony of David Mitchell, Attachment 2, at 21.

¹⁴ In D.20-08-047, Ordering Paragraph No. 1 states: 1. In any future general rate case applications filed after the effective date of this decision, a water utility must discuss how these specific factors impact the sales forecast presented in the application: a) Impact of revenue collection and rate design on sales and revenue collection, b) Impact of planned conservation programs, c) Changes in customer counts, d) Previous and upcoming changes to building codes requiring low flow fixtures and other water-saving measures, as well as any other relevant code changes, e) Local and statewide trends in consumption, demographics, climate population density, and historic trends by ratemaking area; and f) Past Sales Trends.

¹⁵ Prepared Testimony of David Mitchell, Attachment 2, at 21, 36.

¹⁶ D.16-12-026 at p. 84.

1 **1. Residential**

2 The Commission should adopt Cal Advocates’ recommended residential unit
3 water consumption levels for the districts shown in Table 1-2 because a five-year average
4 more accurately reflects usage trends based on economic and other factors.

5 **Table 1-2: Region I Residential Unit Consumption in hundred cubic feet (CCF)**

District	Cal Adv Recommended	Cal Adv Methodology	GSWC Requested	GSWC Methodology	Cal Adv > GSWC
Arden Cordova	158.0	5-year avg	134.3	Econometric	23.7
Bay Point	88.9	5-year avg	85.7	Econometric	3.2
Clearlake	59.3	5-year avg	57.1	Econometric	2.2
Los Osos	68.7	5-year avg	65.1	Econometric	3.6
Santa Maria	168.0	5-year avg	152.2	Econometric	15.8
Simi Valley	140.2	5-year avg	128.0	Econometric	12.2
Region II	111.6	5-year avg	104.8	Econometric	6.8
Region III	143.5	5-year avg	143.4	Econometric	0.1

6 The pandemic results in an increase in the number of people working from home.
7 35% of Californians work remotely all the time or have a mix of some work from home
8 and some outside the home at the workplace.¹⁷ Thus, more people spend time in their
9 homes and consume more water.¹⁸

10 Additionally, because of the most recent rainfall season, the state stopped asking
11 residents to cut their water use by 15%.¹⁹ There is presently no drought in California and

¹⁷ Public Policy Institute of California, *Remote Work Is Here to Stay*, 11/29/23, <https://www.ppic.org/blog/remote-work-is-here-to-stay/>, accessed on December 13, 2023.

¹⁸ Water Finance & Management, *Getting California Water Consumption Back to Pre-Pandemic Levels*, 3/13/23, <https://waterfm.com/getting-california-water-consumption-back-to-pre-covid-19-levels/>, accessed on December 13, 2023.

¹⁹ Office of Governor Gavin Newsom, *Governor Newsom Eases Drought Restrictions*, 3/24/23, <https://www.gov.ca.gov/2023/03/24/governor-newsom-eases-drought-restrictions/>, accessed on December 13, 2023.

1 the major water supply reservoirs are currently at 119% of their historical average levels
 2 with a projected wet winter awaiting the state.^{20 21 22}

3 GSWC also filed multiple rate change Advice Letters in November 2023
 4 regarding the sales reconciliation mechanism adjustment for six districts.²³ These filings
 5 show a revised adopted 2022 residential consumption that, on average, is 6.5% higher
 6 than the recorded 2022 residential consumption.²⁴ The Table 1-3 below shows details of
 7 the average 6.5% increase in consumption.

8 **Table 1-3: Residential 2022 Consumption in CCF**

District	Advice Letter	AL 2022 Consumption	GRC 2022 Consumption	AL > GRC	AL > GRC %
Arden Cordova	1925-W	2,394,600	2,081,397	313,203	15.0%
Los Osos	1915-W	206,700	207,478	(778)	-0.4%
Santa Maria	1917-W	2,343,100	2,285,287	57,813	2.5%
Simi Valley	1919-W	1,755,700	1,599,972	155,728	9.7%
Region II	1921-W	8,395,000	7,815,646	579,354	7.4%
Region III	1923-W	12,677,600	12,123,432	554,168	4.6%
TOTAL		27,772,700	26,113,212	1,659,488	6.5%

²⁰ U.S. Drought Monitor, *California*, 2/8/24, <https://droughtmonitor.unl.edu/CurrentMap/StateDroughtMonitor.aspx?CA>, accessed on February 12, 2024.

²¹ The Washington Post, *California is drought-free for first time in years. What it means.*, 11/8/23, <https://www.washingtonpost.com/weather/2023/11/08/california-is-drought-free-first-time-years-what-it-means/>, accessed on December 13, 2023.

²² California Data Exchange Center, California Department of Water Resources, *Current Conditions: Major Water Supply Reservoirs*, 2/12/24, <https://cdec.water.ca.gov/resapp/RescondMain>, accessed on February 12, 2024.

²³ GSWC Advice Letter Sales Reconciliation Mechanism Adjustment Rate Change Filings (AL 1915-W, AL 1917-W, AL 1919-W, AL 1921-W, AL 1923-W, AL 1925-W), filed 11/15/23.

²⁴ GSWC Advice Letter Sales Reconciliation Mechanism Adjustment Rate Change Filings (AL 1915-W, AL 1917-W, AL 1919-W, AL 1921-W, AL 1923-W, AL 1925-W), filed 11/15/23.

1 As a result of the increase of working from home, decrease in calls for
 2 conservation, and GSWC’s revised 2022 consumption amounts, there is little justification
 3 to adopt a consumption forecast that is less than what has been observed over the most
 4 recent five years.

5 **2. Other Customer Classes**

6 The Commission should adopt the per-unit consumption methodologies for TY
 7 2025 shown in Table 1-4 below for GSWC’s other customer classes. GSWC uses
 8 separate econometric models to estimate the commercial, public authority, and irrigation
 9 service classes. For a few of the other service classes (other/misc., SFR/contract,
 10 company usage, and fire service) GSWC’s forecasts are primarily derived from average
 11 use statistics for the last five years, while GSWC used a four-year average for the
 12 industrial customer class.

13 Cal Advocates recommends a five-year average that captures most of the overall
 14 trends for the commercial, public authority, irrigation, and industrial customer classes,
 15 thus, more accurately representing the unit consumption levels moving forward.

16 **Table 1-4: Other Classes Unit Consumption Methodology**

Customer Class	Cal Adv Recommended	GSWC Requested
Commercial	5-year avg	Econometric
Public Authority	5-year avg	Econometric
Irrigation	5-year avg	Econometric
Industrial	5-year avg	4-year avg
Other/Misc	5-year avg	5-year avg
SFR/Contract	5-year avg	5-year avg
Fire Service	5-year avg	5-year avg
GSWC	5-year avg	5-year avg

1 **C. Operational Revenue**

2 GSWC’s historical company-wide revenues have had a general upward trend for
 3 the last few years, and the adopted revenue requirement has generally been higher than
 4 recorded revenues, as shown in Figure 1-3:

5 **Figure 1-3: GSWC Historical Company Wide Revenues**



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 7 GSWC uses the customer and sales forecasts to calculate the operational revenue.
 8 Cal Advocates’ increased forecasts for operational revenue reflect the increases in
 9 consumption detailed previously. Cal Advocates’ and GSWC’s proposed sales and
 10 customer forecasts result in the operational revenues found in Table 1-5 below.

11 **Table 1-5: TY 2025 Operational Revenue Forecasts at Present Rates**

District	Cal Adv Recommended	GSWC Requested	Cal Adv > GSWC
Arden Cordova	\$18,130,088	\$16,735,626	\$1,394,462
Bay Point	\$7,258,347	\$7,248,372	\$9,975
Clearlake	\$2,882,443	\$2,859,992	\$22,451
Los Osos	\$4,826,089	\$4,698,998	\$127,091
Santa Maria	\$16,854,440	\$15,852,713	\$1,001,726
Simi Valley	\$16,500,464	\$15,424,478	\$1,075,986

Region II	\$167,156,308	\$162,274,166	\$4,882,142
Region III	\$155,376,360	\$153,382,152	\$1,994,208
TOTAL	\$388,984,539	\$378,476,497	\$10,508,042

1 **D. Other Revenues**

2 The Commission should adopt Cal Advocates’ recommendation on ‘Other
3 Revenues’ amount of \$939,739 for TY 2025. Other Revenue (which include Non-
4 Tariffed Products and Services (NTP&S)) sources include, but are not limited to,
5 Miscellaneous Service Revenues, Other Water Revenue, Courtesy Adjustments and
6 Rents.²⁵

7 Decision (D.)10-10-019 (as modified by D.11-10-034 and revised by D.12-01-
8 042) adopted rules related to NTP&S revenue, which provide guidelines to the Class A
9 and B water utilities for sharing of NTP&S revenue between ratepayers and investors.
10 As a Class A water utility, GSWC is subject to the rules set by D.10-10-019. Rule X of
11 the decision relates to the provision of NTP&S and provides a uniform methodology for
12 tracking and accounting for NTP&S activities provided by Class A and Class B water
13 utilities using regulated resources to generate additional revenues.

14 Per Rule X.C, gross revenue from NTP&S projects, which is forecasted in each
15 general rate case, should be shared between utility’s shareholders and ratepayers. The
16 rule provides criteria for the classification of NTP&S revenues as active or passive
17 revenues.²⁶ This rule requires 10% of gross revenue from active NTP&S projects and
18 30% of gross revenue from passive NTP&S projects to be accrued to the benefit of
19 ratepayers (Rules X.C.1 and X.C.2.). D.10-10-019 also established a minimum sharing
20 threshold. Specifically, Rule X.C.5 requires “[f]or those utilities with annual Other
21 Operating Revenue (OOR) of \$100,000 or more, revenue sharing shall occur only for

²⁵ Prepared Testimony of Hilda Wahhab, at 7.

²⁶ Rule X.C.3 states an activity be designated as “active” provided the activity incurs an incremental shareholder investment in excess of \$125,000. Otherwise, activity is classified as passive. (Appendix A of D.10-10-019)

1 revenues in excess of that amount. All NTP&S revenue below that level shall accrue to
2 the benefit of ratepayers.”²⁷ Therefore, the first \$100,000 of unregulated revenue derived
3 from all NTP&S activity must go entirely to the benefit of the ratepayers. The revenues
4 above this threshold should then be shared according to active and passive revenue
5 sharing between the utility’s shareholders and ratepayers.

6 Other Revenues should be estimated using best available data.²⁸ In general, a five-
7 year average of recorded revenues utilizes the best available data, unless there is a
8 compelling reason to utilize a different method. For all Other Revenue items (except for
9 the Region II Rents category) GSWC’s forecast is based on a five-year average adjusted
10 for the proposed increase in Fire Flow Testing and Reconnection fees (Special Request
11 #7 which is addressed in the prepared Cal Advocates testimony of Kerrie Evans).²⁹
12 GSWC set the Region II Rents category to zero because GSWC expected the ABC
13 Roofing contract to expire in 2025.³⁰

14 In forecasting Other Revenue, the Rate Case Plan states “Estimate other revenues
15 using the best available data.”³¹ Cal Advocates recommends using the five-year average
16 for each service area including for the Region II Rents category. In a data request
17 response GSWC confirmed that the ABC Roofing contract is still ongoing.³² The
18 Commission should adopt Cal Advocates’ recommended estimates for Other Revenue.
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²⁷ D.10-10-019, Rule X.C.5.

²⁸ D.07-05-062, p. A-23.

²⁹ Prepared Testimony of Hilda Wahhab, at 7.

³⁰ GSWC Response-Cal Advocates DR HMC-005 at Q.1.

³¹ D.07-05-062, p. A-23.

³² GSWC Response-Cal Advocates DR HMC-005 at Q.1.

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Table 1-6: Other Revenues Test Year 2025

District	Cal Adv Recommended	GSWC Requested	Cal Adv > GSWC
Arden Cordova	\$40,824	\$40,824	\$0
Bay Point	\$36,380	\$36,380	\$0
Clearlake	\$10,132	\$10,132	\$0
Los Osos	\$7,762	\$7,762	\$0
Santa Maria	\$38,618	\$38,618	\$0
Simi Valley	\$46,334	\$46,334	\$0
Region II	\$478,023	\$473,019	\$5,004
Region III	\$281,668	\$281,668	\$0
TOTAL	\$939,739	\$934,735	\$5,004

2 **IV. CONCLUSION**

3 For TY 2025 the Commission should:

- 4 1. Adopt Cal Advocates’ projected total customer average of 265,479.
- 5 2. Adopt the Water Sales per Customer forecast that is based on a five-year
- 6 average of historical amounts for all customer classes and reject GSWC’s
- 7 econometric and four-year average estimates.
- 8 3. Adopt the total Operating Revenues forecast of \$388,984,539 and reject
- 9 GSWC’s estimate of \$378,476,497.
- 10 4. Adopt the Other Revenues forecast of \$939,739 and reject GSWC’s
- 11 estimated amount of \$934,735.

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CHAPTER 2 RATE DESIGN

I. INTRODUCTION

A well-designed rate structure collects authorized revenues and achieves state policy, including the promotion of conservation and the affordability and equity of water rates for all customers—especially lower and middle-income residents who are enrolled in the Customer Assistance Program (CAP). This chapter presents the analysis and recommendation for GSWC’s rate design and CAP program.

II. SUMMARY OF RECOMMENDATIONS

The Commission should adopt the following recommendations concerning rate design and the CAP program:

- The ratio of recovering fixed costs from meter charges and fixed costs from quantity charges should be set at 30/70 for all service areas except for the Clearlake service area where the 50/50 split should be maintained; and
- The meter service charge ratios from Standard Practice U-7-W for all service areas and the meter charge amounts recommended in Attachment 2-1; and
- The monthly tier breakpoints for residential customers recommended in Attachment 2-2; and
- The standard quantity rate as the Tier 2 residential rate; and
- The quantity charge for all other Tiers as detailed in Attachments 2-5, 2-8, and 2-11; and
- CAP credits/discounts and surcharges (that include the CAP surcharge for the Private Fire Service customers) which are based on Cal Advocates’ revenue neutral proposed rate design.

III. ANALYSIS

A well-constructed rate design aligns the costs of operating a water system equitably across all its customers. The following is Cal Advocates’ analysis and corresponding recommendations of GSWC’s rate designs, which reflect the adoption of Special Request #5 - consolidating Arden Cordova and Clearlake into one ratemaking

1 area (the analysis and testimony of Cal Advocates’ witness Edward Scher addresses
2 Special Request #5).

3 **A. Revenue Recovery: Meter Charges vs. Quantity Charges**

4 GSWC currently collects 30% of its revenue requirements from meter charges and
5 70% of revenue requirements from quantity charges for all service areas except
6 Clearlake. In this GRC, GSWC is proposing a rate design that maintains the same split
7 between meter charges vs. quantity charges for the revenue requirement recovery. If
8 GSWC’s proposed application rate design (based on the adoption of the Water
9 Conservation Advancement Plan (WCAP)) is not adopted, then GSWC proposes a rate
10 design based on the adoption of a Monterey Style Water Revenue Adjustment
11 Mechanism (M-WRAM).³³ The WCAP would function identically to the Water Revenue
12 Adjustment Mechanism (WRAM), which was eliminated in two Commission decisions
13 (D.20-08-047 and D.21-09-047).³⁴

14 GSWC is erroneously arguing that higher fixed charges would be necessary under
15 M-WRAM.³⁵ The Commission’s recent guidance regarding the percentage of all revenue
16 that is reasonable to collect via fixed charges, which was a reaction to the high surcharges
17 resulting from the effects of the full-WRAM, ordered Class A water utilities to consider
18 in their next GRC a shift to more fixed charges, with a floor of 40% of revenues collected
19 from fixed charges, and up to 50% fixed charges.^{36 37} Thus, GSWC is creating a false
20 comparison on fixed charges between full-WRAM and M-WRAM. In the same decision,
21 the Commission also indicated that service charges should increase in a gradual

³³ Prepared Testimony of David Mitchell, at 26-27.

³⁴ The analysis and testimony of Cal Advocates’ witness Sam Lam addresses GSWC’s proposals for the WCAP and the M-WRAM.

³⁵ Prepared Testimony of Keith Switzer, at 4.

³⁶ D.16-12-026 at p. 6.

³⁷ D.16-12-026, p.8.

1 transition.^{38 39} To promote conservation, there is no reason why the same fixed charge
 2 ratio and adopting the identical conservation rate design cannot be used whether under
 3 both full-WRAM and M-WRAM. Therefore, the Commission should adopt a rate
 4 design, which incentivizes conservation, based on recovering 30% of its revenue
 5 requirement from meter charges and 70% of the revenue requirement from quantity
 6 charges except for the Clearlake service area where the present split of 50% between
 7 meter charges vs. 50% quantity charges for the revenue requirement recovery is
 8 maintained. Table 2-1 below shows the comparison details of the split between meter
 9 charges vs. quantity charges for the revenue requirement recovery.

10 **Table 2-1: Revenue Recovery Charges⁴⁰**

Service Area	Cal Advocates' Recommended		GSWC Present and Requested		GSWC M-WRAM	
	Meter Revenue	Quantity Revenue	Meter Revenue	Quantity Revenue	Meter Revenue	Quantity Revenue
Arden Cordova	30%	70%	30%	70%	45%	55%
Bay Point	30%	70%	30%	70%	46%	54%
Clearlake	50%	50%	50%	50%	48%	53%
Los Osos	30%	70%	30%	70%	48%	52%
Santa Maria	30%	70%	30%	70%	45%	55%
Simi Valley	30%	70%	30%	70%	44%	56%
Region II	30%	70%	30%	70%	45%	55%
Region III	30%	70%	30%	70%	45%	55%

³⁸ “Water utility fixed costs compromise about 70 percent of total costs. Fixed charges recover only about 30 percent of total revenue. This misalignment leads to economic inefficiencies. This proceeding will permit a gradual move towards a more balanced rate structure.” D.16-12-026, p.55.

³⁹ “We also agree with CWA that service charges should increase but in a gradual transition.” D.16-12-026, p.56.

⁴⁰ Prepared Testimony of David Mitchell, Attachment 4, at 3.

1 **B. Meter Service Charge**

2 The Commission’s Standard Practice (SP) U-7-W for water utility rate design
3 reflects industry standards pertaining to the setting of fixed rates for different sized water
4 service connections.⁴¹ Although the actual rates charged by a water utility may vary
5 based on the cost of service, the ratio of any given meter charge to the smallest meter
6 charge is defined by engineering calculations and does not vary per industry standards.
7 As meter size increases, the proportional increase in charges recognizes the increased
8 capabilities (and potential demands and therefore costs) of the service.

9 The following Table 2-2 compares GSWC’s proposed meter charge ratios that
10 conform to industry standards, including those found in Commission Standard Practice
11 U-7-W.

12 **Table 2-2: Residential Meter Service Charge Ratios**

Meter Size / Service Connection	GSWC Current and Requested	Industry Standard & CPUC SP U-7
5/8"	1	1
0.75"	1.5	1.5
1"	2.5	2.5
1.5"	5	5
2"	8	8
3"	15	15
4"	25	25
6"	50	50
8"	80	80
10"	115	115

13 As stated previously, GSWCs proposed meter service charge ratios conform to the
14 Commission’s Standard Practice U-7-W guidance for meter ratios. The Commission
15 should adopt GSWC’s meter charge ratios. The tables in Attachment 2-1 show a

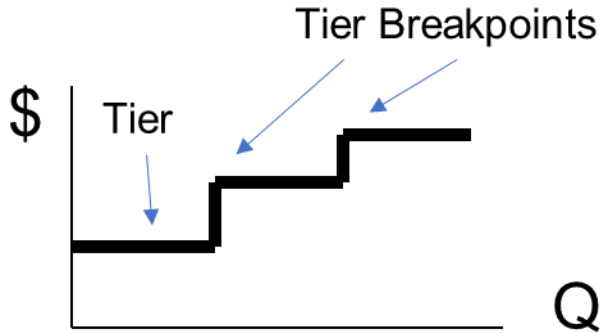
⁴¹ Standard Practice U-7-W, para.7.

1 comparison of GSWC’s current monthly meter charges, proposed monthly meter charges
2 for TY 2025, and this report’s recommended monthly meter charges for TY 2025.

3 **C. Residential Customer Rate Design**

4 The residential customer class comprises about 82% of all GSWC customers and
5 has conservation increasing block rate designs comprised of three tiers.⁴² The focus of
6 this report is on developing revenue neutral rate designs.⁴³ This includes residential tier
7 rates based on the actual water consumption patterns of the last recorded twelve months
8 (August 2022 to July 2023), and the 6 CCFs per month that the Commission has
9 established as the necessary quantity for basic service. GSWC based its rate design on
10 customer-level monthly and bi-monthly billing data spanning the years 2012 through
11 2022.⁴⁴ Figure 2-1 below shows an illustrative example of an increasing block rate
12 design.

13 **Figure 2-1: Example of Three Tier Increasing Block Rate Design**



14

⁴² Clearlake service area has a flat rate design.

⁴³ Revenue neutral rate design is achieved when the utility collects the same amount of revenue with multiple quantity rates as it would collect under a single quantity rate, as indicated in the sales forecast.

⁴⁴ Prepared Testimony of David Mitchell, Attachment 2, at 21.

1 **1. Tier Break Points**

2 To develop Cal Advocates’ tier breakpoints per service area, the percentage of all
3 residential customers that use 6 CCF of water per month or less is calculated and then the
4 percentages for subsequent tiers based on the last recorded twelve months of water usage
5 (August 2022 to July 2023) is determined.⁴⁵

6 The tables in Attachment 2-2 compare Cal Advocates’ recommended and
7 GSWC’s proposed monthly tier breakpoints and water consumption ratios per tier. As
8 seen in these tables, GSWC’s proposed tier breakpoints do not conform to the
9 Commission’s guidance on the necessary water quantity for basic service, nor do they
10 reflect a reasonable distribution of anticipated water usage across tiers.^{46 47}

11 **2. Tier Rates**

12 GSWC assigns a percentage of the standard quantity rate (SQR) for each tier in its
13 rate design. The SQR is the average rate necessary to collect the estimated volumetric
14 revenue. It is calculated simply as the amount of volumetric revenue to be collected,
15 divided by the total estimated consumption. Analysis of each service area is detailed
16 below.

17 **a. Region I**

18 The percentages of the SQR that GSWC assigns for each tier in the Region I rate
19 designs are shown below in Table 2-3 (the Clearlake’s present flat rate will remain

⁴⁵ Analysis of GSWC’s monthly residential usage data provided in 15 excel spreadsheets by GSWC in response to Cal Advocates’ data request HMC-001, Question 1.

⁴⁶ D.20-07-032, at.22, setting essential water service at 600 cubic feet (6 CCF) per household per month.

⁴⁷ D.20-08-047, at 76-77, Water utilities should consider and provide analysis for establishing a baseline not set below both the Essential Indoor Usage of 600 cubic feet (6 CCF) per household per month, as stated in the Affordability Rulemaking (R.18-07-006) and the average winter use in each ratemaking district.)

1 unchanged in this GRC cycle per the adoption of Special Request #5 - consolidating
 2 Arden Cordova and Clearlake into one ratemaking area):⁴⁸

3 **Table 2-3: Region I Rate Percentage of SQR**

Tier	Arden Cordova	Bay Point	Los Osos	Santa Maria	Simi Valley
1	95%	96%	96%	95%	96%
2	109%	110%	111%	110%	110%
3	126%	127%	128%	126%	127%

4 The tables in Attachment 2-3 for GSWC’s Region I show the results of GSWC’s
 5 proposed rate design but using the actual water consumption patterns of the last recorded
 6 twelve months (August 2022 to July 2023).⁴⁹

7 GSWC’s proposed rate design results in three overcollections and two
 8 undercollections of volumetric revenues for the service areas in Region I. GSWC’s
 9 proposed rate design will differ (by combining the overcollected volumetric revenues
 10 with the proposed meter charge) from the estimated total revenue requirement allocated
 11 to residential customers by the per-CCF amounts shown in the following Table 2-4:

12 **Table 2-4: Northern Division Over/Under Collection (using application**
 13 **amounts)**

Service Area	Per CCF Over/Under Collection
Arden Cordova	\$0.1668
Bay Point	(\$0.0001)
Los Osos	\$0.2129
Santa Maria	(\$0.0238)
Simi Valley	\$0.0794

⁴⁸ The analysis and testimony of Cal Advocates’ witness Edward Scher addresses Special Request #5.

⁴⁹ It is important to note that while total consumption might fluctuate from year to year, the distribution pattern of usage is relatively stable.

1 To achieve revenue neutrality using GSWC’s proposed SQRs for each service area
 2 in Region I, the Commission should adopt the rate structure parameters as shown in the
 3 following Table 2-5:

4 **Table 2-5: Cal Advocates Proposed Rate Structure per Tier**

Tier	Arden Cordova	Bay Point	Los Osos	Santa Maria	Simi Valley
1	75% of SQR	85% of SQR	85% of SQR	75% of SQR	80% of SQR
2	SQR	SQR	SQR	SQR	SQR
3	Goal Seek ⁵⁰	Goal Seek	Goal Seek	Goal Seek	Goal Seek

5 The tables in Attachment 2-4 show Cal Advocates’ TY 2025 proposed rate designs
 6 using GSWC’s proposed SQR (based on GSWC’s proposed revenue requirement,
 7 consumption forecast, fixed meter charge revenue recovery, etc.) and the actual water
 8 consumption patterns of the last recorded twelve months. The results confirm revenue
 9 neutrality since the total rate of the recommended rate designs equals the SQR.

10 Table 2-6 below compare differences only due to rate designs. As seen in this
 11 Table, Cal Advocates’ recommended rate design achieves revenue neutrality, and results
 12 in rate decreases for all the Region I service areas for TY 2025 compared to the average
 13 monthly residential customer bill using GSWC’s application amounts.

14 **Table 2-6: Region I Average Monthly Bill Comparison (using application amounts)**

Service Area	Average Monthly Residential Customer Usage	At Cal Advocates Recommended Rates	At GSWC Requested Rates	Cal Adv < GSWC % Change
Arden Cordova	8.44 CCF	\$31.62	\$34.95	-9.5%
Bay Point	6.91 CCF	\$69.88	\$74.61	-6.3%
Los Osos	4.90 CCF	\$98.32	\$107.23	-8.3%
Santa Maria	11.98 CCF	\$79.85	\$84.81	-5.9%

⁵⁰ The Goal Seek Excel function (often referred to as What-if-Analysis) is a method of solving for a desired output by changing an assumption that drives it. In the case of rate design, this function is used to ensure revenue neutrality by having the SQR as the basis.

Simi Valley	9.90 CCF	\$69.57	\$73.75	-5.7%
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*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

1 Using Cal Advocates' recommended revenue requirement and the actual water
 2 consumption patterns of the last recorded twelve months (August 2022 to July 2023), the
 3 tables in Attachment 2-5 show the TY 2025 revenue neutral residential rate design.

4 Table 2-7 shows the average monthly bill comparison for TY 2025 based on Cal
 5 Advocates' recommended revenue neutral rate designs and with Cal Advocates'
 6 recommended revenue requirements to that of the average monthly residential customer
 7 bill using GSWC's application amounts and excluding applicable surcharges and CPUC
 8 fees.

9 **Table 2-7: Region I Average Monthly Bill Comparison**

Service Area	Average Monthly Residential Customer Usage	At Cal Advocates Recommended Rates	At GSWC Requested Rates	Cal Adv < GSWC % Change
Arden Cordova	8.44 CCF	\$25.34	\$34.95	-27.5%
Bay Point	6.91 CCF	\$65.88	\$74.61	-11.7%
Los Osos	4.90 CCF	\$83.31	\$107.23	-22.3%
Santa Maria	11.98 CCF	\$66.57	\$84.81	-21.5%
Simi Valley	9.90 CCF	\$65.05	\$73.75	-11.8%

*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

10 **b. Region II**

11 The percentages of the SQR that GSWC assigns for each tier in the Region II rate
 12 design are shown in the following Table 2-8:

13

1

Table 2-8: Region II Rate Percentage of SQR

Tier	Region II
1	96%
2	110%
3	127%

2

The tables in Attachment 2-6 for GSWC’s Region II show the results of GSWC’s proposed rate design but using the actual water consumption patterns of the last recorded twelve months (August 2022 to July 2023).

3

4

5

GSWC’s proposed rate design results in an overcollection of volumetric revenues for the Region II service area. GSWC’s proposed rate design will differ (by combining the overcollected volumetric revenues with the proposed meter charge) from the estimated total revenue requirement allocated to residential customers by the per-CCF amount shown in the following Table 2-9:

6

7

8

9

10

Table 2-9: Region II Over Collection (using application amounts)

Service Area	Per CCF Over-Collection
Region II	\$0.0051

11

To achieve revenue neutrality using GSWC’s proposed SQRs for Region II, the Commission should adopt the rate structure parameters as shown in the following Table 2-10:

12

13

14

Table 2-10: Cal Advocates Proposed Rate Structure per Tier

Tier	Region II
1	85% of SQR
2	SQR
3	Goal Seek

15

The table in Attachment 2-7 shows this report’s TY 2025 proposed rate design using GSWC’s proposed SQR (based on GSWC’s proposed revenue requirement, consumption forecast, fixed meter charge revenue recovery, etc.) and the actual water

16

17

1 consumption patterns of the last recorded twelve months. The results confirm revenue
 2 neutrality since the total rate of the recommended rate design equals the SQR.

3 Table 2-11 below compares differences only due to rate designs. As seen in this
 4 Table, this report’s recommended rate design achieves revenue neutrality and results in a
 5 rate decrease for the Region II service area for TY 2025 compared to the average
 6 monthly residential customer bill using GSWC’s application amounts.

7 **Table 2-11: Region II Average Monthly Bill Comparison (using application amounts)**

Service Area	Average Monthly Residential Customer Usage	At Cal Advocates Recommended Rates	At GSWC Requested Rates	Cal Adv < GSWC % Change
Region II	8.48 CCF	\$75.49	\$79.22	-4.7%

*Based on a residential customer with 5/8 x 3/4" meter size.
 Excludes applicable surcharges and PUC fees.

8 Using Cal Advocates’ recommended revenue requirement and the actual water
 9 consumption patterns of the last recorded twelve months (August 2022 to July 2023), the
 10 tables in Attachment 2-8 show the proposed TY 2025 revenue neutral residential rate
 11 design.

12 Table 2-12 shows the average monthly bill comparison for TY 2025 based on Cal
 13 Advocates’ recommended revenue neutral rate design and using Cal Advocates’
 14 recommended revenue requirement to the average monthly residential customer bill using
 15 GSWC’s application amounts and excluding applicable surcharges and CPUC fees.

16 **Table 2-12: Region II Average Monthly Bill Comparison**

Service Area	Average Monthly Residential Customer Usage	At Cal Advocates Recommended Rates	At GSWC Requested Rates	Cal Adv < GSWC % Change
Region II	8.48 CCF	\$63.66	\$79.22	-19.6%

*Based on a residential customer with 5/8 x 3/4" meter size.
 Excludes applicable surcharges and PUC fees.

17

1 **c. Region III**

2 The percentages of the SQR that GSWC assigns for each tier in the Region III rate
3 design are shown below in Table 2-13:

4 **Table 2-13: Region III Rate Percentage of SQR**

Tier	Region III
1	95%
2	110%
3	126%

5 The tables in Attachment 2-9 for GSWC’s Region III show the results of GSWC’s
6 proposed rate design but using the actual water consumption patterns of the last recorded
7 twelve months (August 2022 to July 2023).

8 GSWC’s proposed rate design results in an overcollection of volumetric revenues
9 for the Region III service areas. GSWC’s proposed rate design will differ (by combining
10 the overcollected volumetric revenues with the proposed meter charge) from the
11 estimated total revenue requirement allocated to residential customers by the per-CCF
12 amount shown in the following Table 2-14:

13 **Table 2-14: Region III Over Collection (using application amounts)**

Service Area	Per CCF Over-Collection
Region III	\$0.0419

14 To achieve revenue neutrality using GSWC’s proposed SQRs for Region III, the
15 Commission should adopt the rate structure parameters as shown in the following table:

16 **Table 2-15: Cal Advocates Proposed Rate Structure per Tier**

Tier	Region III
1	75% of SQR
2	SQR
3	Goal Seek

1 The table in Attachment 2-10 shows this report’s TY 2025 proposed rate design
 2 using GSWC’s proposed SQR (based on GSWC’s proposed revenue requirement,
 3 consumption forecast, fixed meter charge revenue recovery, etc.) and the actual water
 4 consumption patterns of the last recorded twelve months. The results confirm revenue
 5 neutrality since the total rate of the recommended rate design equals the SQR.

6 As shown in Table 2-16 below, which compares differences only due to rate
 7 designs, Cal Advocates’ recommended rate design achieves revenue neutrality and results
 8 in a rate decrease for the Region III service area for TY 2025 compared to the average
 9 monthly residential customer bill using GSWC’s application amounts.

10 **Table 2-16: Region III Average Monthly Bill Comparison (using application amounts)**

Service Area	Average Monthly Residential Customer Usage	At Cal Advocates Recommended Rates	At GSWC Requested Rates	Cal Adv < GSWC % Change
Region III	9.25 CCF	\$70.11	\$76.62	-8.5%

*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

11 Using Cal Advocates’ recommended revenue requirement and the actual water
 12 consumption patterns of the last recorded twelve months (August 2022 to July 2023), the
 13 tables in Attachment 2-11 show Cal Advocates’ proposed TY 2025 revenue neutral
 14 residential rate design.

15 The following Table 2-17 shows the average monthly bill comparison for TY 2025
 16 based on this report’s recommended revenue neutral rate design and using Cal
 17 Advocates’ recommended revenue requirement to that of the average monthly residential
 18 customer bill using GSWC’s application amounts and excluding applicable surcharges
 19 and CPUC fees.

1

Table 2-17: Region III Average Monthly Bill Comparison

Service Area	Average Monthly Residential Customer Usage	At Cal Advocates Recommended Rates	At GSWC Requested Rates	Cal Adv < GSWC % Change
Region III	9.25 CCF	\$60.13	\$76.62	-21.5%

*Based on a residential customer with 5/8 x 3/4" meter size.

Excludes applicable surcharges and PUC fees.

2 Cal Advocates’ recommended tiered rate designs are more equitable, provide
3 relief to residential customers, maintain intended conservation signals, and rate neutrality
4 as opposed to GSWC’s proposed rate designs.

5 **3. Customer Assistance Program**

6 GSWC’s Customer Assistance Program (CAP) has 43,500 participants as of
7 2022.⁵¹ For income-qualified qualifying customers, CAP provides a fixed monthly credit
8 on customer bills. A fixed monthly credit is calculated to represent a 20% discount for a
9 residential customer bill with usage equal to the average monthly usage of CAP
10 customers in the ratemaking area. The CAP credits received by customers and the
11 administration costs of the Credit Card Payment Program (CCPP) (the analysis and
12 testimony of Cal Advocates’ witness Lauren Cunningham addresses the CCPP) are
13 recorded in a CAP Balancing Account and subsequently offset by CAP surcharge
14 revenues funded by non-CAP customers. The CAP surcharge is based on an estimate of
15 CAP credits for the upcoming rate cycle as well as the balance in the CAP Balancing
16 Account remaining from the previous GRC rate cycle. GSWC is proposing to assess the
17 CAP surcharge to the Private Fire customer class. The following Table 2-18 shows
18 GSWC’s proposed CAP discounts/credits and surcharges by ratemaking area (adopting
19 the Arden Cordova and Clearlake consolidation):⁵²

⁵¹ RO Model file “W_Reports_All,” tabs “CAP” and “CAP Consolidated”, cells K18.

⁵² Prepared Testimony of Hilda Wahhab, at 17-18.

1

Table 2-18: GSWC Requested CAP Credits and Surcharges

Service Area	Credit	Surcharge
Arden Cordova	\$8.00	\$0.158
Bay Point	\$20.00	\$0.158
Clearlake	\$32.00	\$0.158
Los Osos	\$38.00	\$0.158
Santa Maria	\$15.00	\$0.158
Simi Valley	\$15.00	\$0.158
Region I - Private Fire		\$0.170
Region II	\$21.00	\$0.296
Region II - Private Fire		\$0.220
Region III	\$16.00	\$0.138
Region III - Private Fire		\$0.120

2

The following Table 2-19 shows the CAP discounts/credits and surcharges under

3

Cal Advocates' proposed rate design and CAP recommendation:

4

Table 2-19: Cal Advocate Recommended CAP Credits and Surcharges

Service Area	Credit	Surcharge
Arden Cordova	\$5.00	\$0.118
Bay Point	\$17.00	\$0.118
Clearlake	\$32.00	\$0.118
Los Osos	\$29.00	\$0.118
Santa Maria	\$11.00	\$0.118
Simi Valley	\$12.00	\$0.118
Region I - Private Fire		\$0.150
Region II	\$16.00	\$0.222
Region II - Private Fire		\$0.200
Region III	\$12.00	\$0.107
Region III - Private Fire		\$0.110

5

The Commission should adopt Cal Advocates' CAP credits/discounts and

6

surcharges (that include the CAP surcharge for the Private Fire Service customers) which

7

are based on this report's revenue neutral proposed rate design and achieve the balance

8

between total collection and total discount.

1 The following Tables 2-20 and 2-21 show the bill decreases under the proposed
 2 rate design and CAP recommendations on the average non-CAP and CAP residential
 3 customer bills:⁵³

4 **Table 2-20: Non-CAP Average Monthly Bill**

Average Monthly Bill Non-CAP			
Service Area	Cal Adv Recommended	GSWC Requested	GSWC> Cal Adv
Arden Cordova	\$25.26	\$34.87	\$9.61
Bay Point	\$64.86	\$73.59	\$8.73
Clearlake	\$100.47	\$100.52	\$0.04
Los Osos	\$85.33	\$109.98	\$24.64
Santa Maria	\$68.05	\$86.59	\$18.53
Simi Valley	\$64.99	\$73.62	\$8.63
Region II	\$62.63	\$78.07	\$15.43
Region III	\$60.01	\$76.51	\$16.49

5 **Table 2-21: CAP Average Monthly Bill**

Average Monthly Bill CAP			
Service Area	Cal Adv Recommended	GSWC Requested	GSWC> Cal Adv
Arden Cordova	\$22.25	\$29.36	\$7.11
Bay Point	\$51.98	\$57.81	\$5.83
Clearlake	\$71.48	\$71.48	\$0.00
Los Osos	\$43.01	\$53.81	\$10.80
Santa Maria	\$49.88	\$63.09	\$13.21
Simi Valley	\$53.95	\$59.78	\$5.83
Region II	\$50.63	\$61.68	\$11.05
Region III	\$49.06	\$61.68	\$12.62

6 Under Cal Advocates' recommendations and based upon the CAP discounts, CAP
 7 customers will receive additional rate relief than the average residential user. These

⁵³ GSWC Response-Cal Advocates DR HMC-001 at Q.3 and Q4.

1 recommendations are consistent with the Commission’s Environment and Social Justice
2 Action Plan (ESJ Plan), specifically goal number three, to strive to improve access to
3 high-quality water for ESJ communities.⁵⁴

4 **IV. CONCLUSION**

5 The Commission should adopt the following recommendations concerning rate
6 design and the CAP program:

- 7 • The ratio of recovering fixed costs from meter charges and fixed costs from
8 quantity charges should be set at 30%/70% for all service areas except for
9 the Clearlake service area where the 50%/50% split should be maintained;
10 and
- 11 • The meter service charge ratios from Standard Practice U-7-W for all
12 service areas and the meter charge amounts recommended in Attachment 2-
13 1; and
- 14 • The monthly tier breakpoints for residential customers recommended in
15 Attachment 2-2; and
- 16 • The standard quantity rate as the Tier 2 residential rate; and
- 17 • The quantity charge for all other Tiers as detailed in Attachments 2-5, 2-8,
18 and 2-11; and
- 19 • The Cal Advocates CAP credits/discounts and surcharges (that include the
20 CAP surcharge for the Private Fire Service customers) which are based on a
21 revenue neutral proposed rate design.

22
23

⁵⁴ CPUC’s Nine Goals of the ESJ Action plan see: <https://www.cpuc.ca.gov/esjactionplan/>

1 **CHAPTER 3 SPECIAL REQUEST #9 - SUPPLY MIX**
2 **ADJUSTMENT MECHANISM**

3 **I. INTRODUCTION**

4 GSWC proposes that the Commission authorize Special Request # 9 - Supply Mix
5 Adjustment Mechanism for this rate case cycle.

6 **II. SUMMARY OF RECOMMENDATIONS**

7 The Commission should deny GSWC’s request for Special Request #9 because the
8 Supply Mix Adjustment Mechanism:

- 9 • Is unnecessary; and
10 • Is a single-issue ratemaking mechanism lacking transparency; and
11 • Shifts forecasting risks to the ratepayers.

12 **III. ANALYSIS**

13 **A. Special Request #9 - Supply Mix Adjustment Mechanism**

14 The Commission should deny GSWC’s request for the Supply Mix Adjustment
15 Mechanism (SMAM) because it is an unnecessary alternative ratemaking mechanism
16 that shifts risks of sales forecasting from GSWC to ratepayers and can result in increased
17 customer bills with decreased transparency.

18 GSWC requests to implement a pilot SMAM for Region II that will trigger if the
19 recorded well production volume in Region II deviates from the adopted production level
20 by more than 5%. If the trigger threshold is met, the adopted well production volume
21 will be adjusted by 50% of the deviation, with an offsetting increase or decrease, as
22 appropriate, in other adopted production sources, consistent with the forecasting
23 methodology originally used to set the adopted supply mix. The triggering of the SMAM

1 would have offsetting adjustments in the adopted purchased water volumes and chemical
2 costs.⁵⁵

3 The Commission should deny GSWC’s request for the SMAM for the following
4 reasons:

5 **1. The Supply Mix Adjustment Mechanism is**
6 **Unnecessary**

7 The Supply Mix Adjustment Mechanism is unnecessary because GSWC is
8 prematurely taking four wells offline in Region II, citing the presence of PFAS in four
9 wells and the presence of Benzene in another well. GSWC is applying its own stringent
10 water quality monitoring standards at these sites that are not approved by the state or
11 federal authorities. McKinley Well 3 is an example of a well that has levels of PFAS
12 below the PFAS response levels as established by the State Water Resources Control
13 Board, Division of Drinking Water (DDW). GSWC had the option to increase
14 production from GSWC’s Hollydale System Century Well #1 (which GSWC is not fully
15 utilizing) while Mckinley Well 3 was temporarily offline.⁵⁶ In the case of Dace Well, the
16 level of Benzene detected stayed within the maximum contaminant level (MCL) for any
17 of the samples taken from Dace Well, yet GSWC exercised its management discretion
18 and took the well offline and built a \$4.6 million dollar treatment plant without prior
19 Commission authorization.^{57 58} Thus, GSWC caused the well production issue when it
20 chose to prematurely disconnect these wells in Region II and installed expensive
21 treatment that is not needed.⁵⁹ The analysis and testimony of Cal Advocates’ witness

⁵⁵ Prepared Testimony of Jenny Darney-Lane, at 20, 23.

⁵⁶ Testimony of Cal Advocates’ witness Cortney Sorensen, Chapter 3, Section III B. 5.

⁵⁷ <https://sdwis.waterboards.ca.gov/PDWW>

⁵⁸ Testimony of Cal Advocates’ witness Cortney Sorensen, Chapter 3, Section III A.

⁵⁹ Testimony of Cal Advocates’ witness Cortney Sorensen, Chapter 3.

1 Cortney Sorensen recommends that the Commission deny treatment systems at these sites
2 in Region II.

3 **2. The Supply Mix Adjustment Mechanism is a**
4 **Single-Issue Ratemaking Mechanism Lacking**
5 **Transparency**

6 There are several other fundamental problems with the Supply Mix Adjustment
7 Mechanism. The SMAM decreases the transparency of customer rates and bill impacts.
8 The SMAM would allow GSWC to implement bill changes outside of the GRC
9 forecasting process based solely upon a variance in well production forecasts.

10 The SMAM is also an example of single-issue ratemaking. Single-issue
11 ratemaking oversimplifies the rate calculation process by looking at a single component
12 (in this case, the difference between water production) as the basis for the recalculation of
13 rates. The SMAM would allow GSWC to increase base rates outside of the GRC's
14 normal forecasting process and prevents the Commission from examining other aspects
15 of the utility's operation which may negate the need for the rate change indicated by
16 looking at water production alone.

17 **3. The Supply Mix Adjustment Mechanism Shifts**
18 **Forecasting Risks to the Ratepayers**

19 The SMAM would penalize ratepayers for any inaccurate water production and
20 rewards GSWC by allowing GSWC to increase water rates between GRCs. GSWC
21 instead should improve the accuracy of its water production forecasts. In any case,
22 forecasting is a business risk that should be borne by the utility, not the customers.

23 The Commission should assert its role as a substitute for competition⁶⁰ by denying
24 the SMAM and making GSWC accountable for improper monitoring of the water quality
25 of its wells, taking them offline without justification, and inaccurate forecasting—a risk
26 that a business operating in a competitive environment would assume.

⁶⁰ “Our objective through regulation is to act as a substitute for competition.” D.96-04-050 citing D.86-08-083.

1 **IV. CONCLUSION**

2 For the reasons stated above, the Commission should deny GSWC's request for
3 the SMAM. GSWC has been taking its wells in Region II offline prematurely and
4 installing expensive treatment that is not needed nor approved by the Commission. Also,
5 the SMAM shifts the forecasting risk of water production from the utility to ratepayers
6 and allows SMAM to collect unearned revenue resulting from inaccurate forecasting.
7 The Commission should instead adopt a forecast in this GRC that sets rates reflecting
8 more recent consumption trends (as proposed in Chapter 2), as expressed in D.16-12-026.

Attachments

1

2

Qualifications of Witness

QUALIFICATIONS AND PREPARED TESTIMONY
OF
HERBERT MERIDA

Q.1 Please state your name and address.

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

Q.2 By whom are you employed and what is your job title?

A.2 I am a Public Utilities Regulatory Analyst IV in the Water Branch of the Public Advocates Office.

Q.3 Please describe your educational and professional experience.

A.3 I graduated from San Francisco State University with a Bachelor of Science Degree in International Business Management, a minor in Economics, and a Master of Business Administration Degree. Regarding my professional experience, I have been employed by the Commission for over 16 years and have worked on many general rate case proceedings. Also, I have held a variety of positions at Levi Strauss & Co., Siemens A.G., the Employment Development Department, the State Compensation Insurance Fund, and most recently the Commission.

Q.4 What is your area of responsibility in this proceeding?

A.4 I am responsible for the Water Consumption and Revenues, Rate Design, and Special Request #9 chapters in this proceeding.

Q.5 Does that complete your prepared testimony?

A.5 Yes, it does.

**Attachment 2-1: Monthly Meter Charges
Test Year 2025**

1

Arden Cordova Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$9.25	\$10.31
0.75"	\$13.88	\$15.47
1"	\$23.13	\$25.78
1.5"	\$46.25	\$51.55
2"	\$74.00	\$82.48
3"	\$138.75	\$154.65
4"	\$231.25	\$257.75

2

Bay Point Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$23.06	\$23.78
0.75"	\$34.59	\$35.67
1"	\$57.65	\$59.45
1.5"	\$115.30	\$118.90
2"	\$184.48	\$190.24
3"	\$345.90	\$356.70

3

Clearlake Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$53.93	\$53.93
0.75"	\$80.90	\$80.90
1"	\$134.83	\$134.83
1.5"	\$269.65	\$269.65
2"	\$431.44	\$431.44

1

Los Osos Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$28.14	\$31.96
0.75"	\$42.21	\$47.94
1"	\$70.35	\$79.90
1.5"	\$140.70	\$159.80
2"	\$225.12	\$255.68

2

Santa Maria Main Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$21.53	\$23.97
0.75"	\$32.30	\$35.96
1"	\$53.83	\$59.93
1.5"	\$107.65	\$119.85
2"	\$172.24	\$191.76
3"	\$322.95	\$359.55

3

Simi Valley Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$23.39	\$23.35
0.75"	\$35.09	\$35.03
1"	\$58.48	\$58.38
1.5"	\$116.95	\$116.75
2"	\$187.12	\$186.80

1

2

Region II Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$20.66	\$23.16
0.75"	\$30.99	\$34.74
1"	\$51.65	\$57.90
1.5"	\$103.30	\$115.80
2"	\$165.28	\$185.28
3"	\$475.18	\$532.68

3

Region III Meter Service Charges Comparison

Meter Size / Service Connection	Cal Adv Recommended Rates	GSWC's Requested Rates
5/8"	\$20.33	\$22.79
0.75"	\$30.50	\$34.19
1"	\$50.83	\$56.98
1.5"	\$101.66	\$113.96
2"	\$162.66	\$182.33
3"	\$304.98	\$341.87

4

**Attachment 2-2: Tier
Breakpoints/Consumption Ratios TY 2025**

1

Arden Cordova Tier Breakpoints and Consumption Ratios

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	GSWC Requested	GSWC Requested Consumption Ratio
1	0 to 6 CCF	24.3%	0 to 13 CCF	69.0%
2	7 to 40 CCF	56.5%	14 to 46 CCF	27.9%
3	Over 40 CCF	19.2%	Over 46 CCF	3.1%

2

Bay Point Tier Breakpoints and Consumption Ratios

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	GSWC Requested	GSWC Requested Consumption Ratio
1	0 to 6 CCF	67.1%	0 to 8 CCF	78.2%
2	7 to 12 CCF	22.9%	9 to 15 CCF	15.9%
3	Over 12 CCF	9.9%	Over 15 CCF	5.9%

3

Los Osos Tier Breakpoints and Consumption Ratios

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	GSWC Requested	GSWC Requested Consumption Ratio
1	0 to 6 CCF	67.1%	0 to 8 CCF	80.7%
2	7 to 16 CCF	22.8%	9 to 18 CCF	14.4%
3	Over 16 CCF	10.0%	Over 18 CCF	4.9%

4

Santa Maria Tier Breakpoints and Consumption Ratios

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	GSWC Requested	GSWC Requested Consumption Ratio
1	0 to 6 CCF	44.0%	0 to 14 CCF	71.5%
2	7 to 26 CCF	46.4%	15 to 42 CCF	24.4%
3	Over 26 CCF	9.6%	Over 42 CCF	4.1%

1

2

Simi Valley Tier Breakpoints and Consumption Ratios

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	GSWC Requested	GSWC Requested Consumption Ratio
1	0 to 6 CCF	51.3%	0 to 10 CCF	75.2%
2	7 to 21 CCF	39.4%	11 to 22 CCF	21.4%
3	Over 21 CCF	9.3%	Over 22 CCF	3.5%

3

Region II Tier Breakpoints and Consumption Ratios

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	GSWC Requested	GSWC Requested Consumption Ratio
1	0 to 6 CCF	59.3%	0 to 9 CCF	75.3%
2	7 to 15 CCF	30.9%	10 to 21 CCF	20.4%
3	Over 15 CCF	9.7%	Over 21 CCF	4.3%

4

Region III Tier Breakpoints and Consumption Ratios

Tiers	Cal Advocates Recommended	Cal Adv Actual Consumption Ratio	GSWC Requested	GSWC Requested Consumption Ratio
1	0 to 6 CCF	44.7%	0 to 12 CCF	71.7%
2	7 to 29 CCF	45.4%	13 to 44 CCF	24.6%
3	Over 29 CCF	9.9%	Over 44 CCF	3.7%

5

Attachment 2-3: GSWC's Requested Rate Design for Region I but Using the Actual Water Consumption Patterns of the Last Recorded Twelve Months (August 2022 to July 2023) for Test Year 2025

1

Arden Cordova Requested (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-13	45.3%	\$2.9200	\$1.3240
Tier 2	14-46	39.0%	\$3.3570	\$1.3091
Tier 3	>46	15.7%	\$3.8610	\$0.6047
TOTAL				\$3.2378
SQR				\$3.0710

2

Bay Point Requested (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-8	78.4%	\$7.3540	\$5.7647
Tier 2	9-15	15.6%	\$8.4570	\$1.3171
Tier 3	>15	6.0%	\$9.7250	\$0.5871
TOTAL				\$7.6689
SQR				\$7.6690

3

Los Osos Requested (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-8	75.6%	\$15.3580	\$11.6093
Tier 2	9-18	16.0%	\$17.6610	\$2.8264
Tier 3	>18	8.4%	\$20.3110	\$1.7072
TOTAL				\$16.1429
SQR				\$15.9300

4

Santa Maria Requested (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-14	74.2%	\$5.0770	\$3.7676
Tier 2	15-42	22.1%	\$5.8390	\$1.2880
Tier 3	>42	3.7%	\$6.7150	\$0.2507
TOTAL				\$5.3062
SQR				\$5.3300

1

Simi Valley Requested (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-10	70.3%	\$5.0890	\$3.5795
Tier 2	11-22	21.2%	5.8530	\$1.2434
Tier 3	>22	8.4%	6.7300	\$0.5665
TOTAL				\$5.3894
			SQR	\$5.3100

2

3

**Attachment 2-4: Region I Recommended
Rate Designs Using GSWC's Proposed SQR
and Actual Water Consumption Patterns of
the Last Recorded Twelve Months (August
2022 to July 2023) TY 2025**

1 **Cal Advocates Recommended for Arden Cordova (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	24.3%	\$2.3033	\$0.5590
Tier 2	7-40	56.5%	\$3.0710	\$1.7357
Tier 3	>40	19.2%	\$4.0411	\$0.7762
TOTAL				\$3.0710
SQR				\$3.0710

2 **Cal Advocates Recommended for Bay Point (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	67.1%	\$6.5187	\$4.3771
Tier 2	7-12	22.9%	\$7.6690	\$1.7581
Tier 3	>12	9.9%	\$15.4489	\$1.5338
TOTAL				\$7.6690
SQR				\$7.6690

3 **Cal Advocates Recommended for Los Osos (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	67.1%	\$13.5405	\$9.0903
Tier 2	7-16	22.8%	\$15.9300	\$3.6358
Tier 3	>16	10.0%	\$31.9038	\$3.2039
TOTAL				\$15.9300
SQR				\$15.9300

4 **Cal Advocates Recommended for Santa Maria (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	44.0%	\$3.9975	\$1.7585
Tier 2	7-26	46.4%	\$5.3300	\$2.4742
Tier 3	>26	9.6%	\$11.4413	\$1.0974
TOTAL				\$5.3300
SQR				\$5.3300

5

1 **Cal Advocates Recommended for Simi Valley (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	51.3%	\$4.2480	\$2.1798
Tier 2	7-21	39.4%	\$5.3100	\$2.0938
Tier 3	>21	9.3%	\$11.1993	\$1.0363
TOTAL				\$5.3100
SQR				\$5.3100

2

3

**Attachment 2-5: Region I Recommended
Rate Designs Using Recommended Revenue
Requirement and Actual Water Consumption
Patterns of the Last Recorded Twelve
Months (August 2022 to July 2023) TY 2025**

1

Cal Advocates Recommended for Arden Cordova

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	24.3%	\$1.7390	\$0.4221
Tier 2	7-40	56.5%	\$2.3180	\$1.3101
Tier 3	>40	19.2%	\$3.0500	\$0.5859
TOTAL				\$2.3181
SQR				\$2.3180

2

Cal Advocates Recommended for Bay Point

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	67.1%	\$6.0550	\$4.0657
Tier 2	7-12	22.9%	\$7.1230	\$1.6329
Tier 3	>12	9.9%	\$14.3490	\$1.4246
TOTAL				\$7.1233
SQR				\$7.1230

3

Cal Advocates Recommended for Los Osos

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	67.1%	\$11.2580	\$7.5579
Tier 2	7-16	22.8%	\$13.2450	\$3.0230
Tier 3	>16	10.0%	\$26.5260	\$2.6639
TOTAL				\$13.2448
SQR				\$13.2450

4

Cal Advocates Recommended for Santa Maria

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	44.0%	\$3.2220	\$1.4173
Tier 2	7-26	46.4%	\$4.2960	\$1.9942
Tier 3	>26	9.6%	\$9.2220	\$0.8845
TOTAL				\$4.2960
SQR				\$4.2960

1

2

Cal Advocates Recommended for Simi Valley

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	51.3%	\$3.8290	\$1.9648
Tier 2	7-21	39.4%	\$4.7860	\$1.8872
Tier 3	>21	9.3%	\$10.0940	\$0.9340
			TOTAL	\$4.7861
			SQR	\$4.7860

3

4

**Attachment 2-6: GSWC's Requested Rate
Design for Region II Using the Actual Water
Consumption Patterns of the Last Recorded
Twelve Months (August 2022 to July 2023)
TY 2025**

1

Region II Requested (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-9	75.6%	\$6.615	\$4.9988
Tier 2	10-21	19.6%	\$7.607	\$1.4872
Tier 3	>21	4.9%	\$8.748	\$0.4270
TOTAL				\$6.9131
SQR				\$6.9080

2

**Attachment 2-7: Region II Recommended
Rate Designs Using GSWC's Proposed SQR
and Actual Water Consumption Patterns of
the Last Recorded Twelve Months (August
2022 to July 2023) TY 2025**

1 **Cal Advocates Recommended for Region II (using application amounts)**

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	59.3%	\$5.8718	\$3.4838
Tier 2	7-15	30.9%	\$6.9080	\$2.1363
Tier 3	>15	9.7%	\$13.2170	\$1.2879
TOTAL				\$6.9080
SQR				\$6.9080

2

3

**Attachment 2-8: Region II Recommended
Rate Designs Using Recommended Revenue
Requirement and Actual Water Consumption
Patterns of the Last Recorded Twelve
Months (August 2022 to July 2023) TY 2025**

1

Cal Advocates Recommended for Region II

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	59.3%	\$4.8250	\$2.8627
Tier 2	7-15	30.9%	\$5.6760	\$1.7553
Tier 3	>15	9.7%	\$10.8600	\$1.0583
			TOTAL	\$5.6763
			SQR	\$5.6760

2

**Attachment 2-9: GSWC's Region III
Requested Rate Design Using Actual Water
Consumption Patterns of the Last Recorded
Twelve Months (August 2022 to July 2023)
TY 2025**

1

Region III Requested (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-12	68.3%	5.8180	\$3.9756
Tier 2	13-44	26.6%	6.6910	\$1.7829
Tier 3	>44	5.0%	7.6950	\$0.3864
TOTAL				\$6.1449
SQR				\$6.1030

2

**Attachment 2-10: Region III Recommended
Rate Designs Using GSWC's Proposed SQR
and Actual Water Consumption Patterns of
the Last Recorded Twelve Months (August
2022 to July 2023) TY 2025**

1

Cal Advocates Recommended for Region III (using application amounts)

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	44.7%	\$4.5773	\$2.0461
Tier 2	7-29	45.4%	\$6.1030	\$2.7679
Tier 3	>29	9.9%	\$12.9609	\$1.2890
TOTAL				\$6.1030
SQR				\$6.1030

2

3

**Attachment 2-11: Region III Recommended
Rate Designs Using Recommended Revenue
Requirement and Actual Water Consumption
Patterns of the Last Recorded Twelve
Months (August 2022 to July 2023) TY 2025**

1

Cal Advocates Recommended for Region III

Tier	Breakpoints	% Usage	Rate	Portion
Tier 1	0-6	44.7%	\$3.8500	\$1.7210
Tier 2	7-29	45.4%	\$5.1330	\$2.3280
Tier 3	>29	9.9%	\$10.9010	\$1.0841
			TOTAL	\$5.1331
			SQR	\$5.1330

2