

**TO:** Andrew P. Powers, City Manager

**FROM:** Jay T. Spurgin, Public Works Director

**DATE:** September 19, 2017

**SUBJECT:** California American Water Company Proposed Rate Increase – Update Report

**RECOMMENDATION:**

Receive update report.

**FINANCIAL IMPACT:**

**No Additional Funding Requested.** Costs for outside legal counsel and staff included in the adopted FY 2017-18 General Fund budget. Proposed California American Water Company (Cal-Am) rate increases would result in approximately \$4 million annual cumulative impact to City residents within its service area. City and Conejo Recreation and Park District (CRPD) impacts would be approximately \$200,000 per year. Legal counsel expenses to date are approximately \$153,000.

**BACKGROUND:**

Thousand Oaks residents and businesses are provided potable drinking water primarily from three separate water purveyors: Cal-Am, the City of Thousand Oaks Water Division, and California Water Service Company (Cal Water). Generally, Cal-Am serves about 46 percent of the City in Newbury Park, the City Water Division serves about 38 percent in central Thousand Oaks, and Cal Water serves about 16 percent in North Ranch/Westlake.

On July 1, 2016, Cal-Am filed an application with the California Public Utilities Commission (CPUC) to increase water rates for 2018, 2019, and 2020. The proposed rates include consolidation of several geographically non-contiguous water systems in Southern California. For Cal-Am's Thousand Oaks service area, the cumulative three-year water rate increase would total over 40 percent, including pass-through of higher imported water costs expected from Calleguas Municipal Water District.

At previous meetings, City Council authorized legal services by Downey Brand LLP of Sacramento to assist staff in opposing the proposed Cal-Am rate increases.

**DISCUSSION/ANALYSIS:**

The water rate increases proposed by Cal-Am would have a significant impact on City residents and businesses within its service area. Cal-Am's proposal would increase rates by an average of 14 percent per year over three years, while City rates and Cal Water rates would increase approximately seven percent and five percent per year, respectively. Accordingly, the average monthly cost of water for a typical residential customer in the Cal-Am service area would be much higher as compared to either the City or Cal Water, as shown in Table 1.

Table 1  
Residential Monthly Water Cost Comparison

Purveyor	2018 Cost (18 hcf/month)*
Cal-Am	\$131
City	\$112
Cal Water	\$118

\*Includes imported water increase

The City, and similarly CRPD, would pay about \$200,000 more per year for water within the Cal-Am service area if proposed rate increases were approved. The cumulative impact to 18,000 City residents who are Cal-Am customers is estimated to be over \$4 million per year.

The City is a Party to this CPUC proceeding. As such, on February 13, 2017, direct testimony in opposition to the proposed Cal-Am rate increases was submitted. Rebuttal testimony was submitted on March 29, 2017. Beginning in April 2017, staff and legal counsel have met and participated in conference calls with Cal-Am numerous times to discuss settlement of the City's opposition to the rate case. Ultimately, the City was unable to reach acceptable terms with Cal-Am by the August 18, 2017 settlement deadline. Cal-Am and the City of Coronado did, however, file a settlement agreement with the CPUC by the deadline. The terms of this settlement agreement include approval of consolidation and a revised rate design, but are unclear as to the impacts to customer's monthly bills. Accordingly, staff and legal counsel are preparing comments on the settlement agreement and have requested additional information from Cal-Am regarding customer impacts.

This rate case is complex, and staff and outside legal counsel have reviewed and analyzed numerous documents filed by Cal-Am, the CPUC Office of Ratepayer Advocates, and others totaling thousands of pages. Legal counsel has attended

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hearings in front of the CPUC in San Francisco. Still to come are review and comment on the draft and final decisions.

Public Outreach

The CPUC is still accepting comments from the public on this rate case. Residents who want to submit comments can contact the Public Advisors Office of the CPUC by emailing [public.advisor@cpuc.ca.gov](mailto:public.advisor@cpuc.ca.gov), or telephoning 1-866-849-8390. Reference should be made to CPUC case number A.16-07-002.

A resource page on the City website has been developed and provides relevant information to affected residents and businesses about this rate case, including links to City testimony, City Council staff reports, a timeline of City's involvement, frequently asked questions, media coverage, and how to contact the CPUC. The page can be accessed at [www.toaks.org/CalAmWater](http://www.toaks.org/CalAmWater).

**COUNCIL GOAL COMPLIANCE:**

Meets City Council Goals A and B:

- A. Provide municipal government leadership which is open and responsive to residents, and is characterized by ethical behavior, stability, promoting public trust, transparency, confidence in the future, and cooperative interaction among civic leaders, residents, business representatives, and staff, while recognizing and respecting legitimate differences of opinion on critical issues facing the City.
- B. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.