



# Public Works Department

2100 Thousand Oaks Boulevard • Thousand Oaks, CA 91362  
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November 1, 2017

Jay T. Spurgin  
Public Works Director

Brian A. Barreto, External Affairs Manager  
California American Water Company  
8657 Grand Ave.  
Rosemead, CA 91770

Via email to [brian.barreto@amwater.com](mailto:brian.barreto@amwater.com)

**RE: California American Water Rate Case A.16-07-002**

Dear Mr. Barreto:

The City is in receipt of your October 23, 2017 letter to the City of Thousand Oaks Mayor and City Council regarding your General Rate Case filed in July 2016 for new water rates from 2018 to 2020 (copy attached). Mayor Bill-de la Peña has asked me to respond on behalf of the City Council.

Your letter is misleading, as it misrepresents the facts and misstates the City's position in this case. For instance, although you are accurate in stating that Cal Am's current request before the CPUC would result in a 4.76% increase for the average Thousand Oaks customer for 2018 (referring to the proposed Coronado settlement), your statements both at the September 19, 2017 City Council meeting and in your October 23, 2017 letter misleads the public as to the full range of water rate increases. In fact, the proposed Coronado settlement would result in higher rate increases (ranging from 5.42% to 25.55%, depending on water usage) for customers using less or more water than the average. This was pointed out by City staff at the September 19, 2017 City Council meeting, and confirmed by Cal Am representatives, after you had put forth the average customer rate increase figure alone. The full range of rate increase impacts from the proposed Coronado settlement have been posted on the City website for affected residents to review.

Your letter also states that the City did not take issue with any of Cal Am's proposed infrastructure investments or expenses, and that the City supports your proposed stand-alone rates. This misstates the City's position – which has been, and continues to be – that Cal Am should be able to operate within the same rate increases recently approved for California Water Service Company and the City Water System, the other two water purveyors in Thousand Oaks. Those rate increases were approved by the CPUC for California Water (1% increase per year [for 2017 – 2019], not including purchased water pass-through) and by the City Council for the City system (3% increase per year [for 2016 – 2017] and 1% increase per year [for 2018 – 2019], not including purchased water pass-through). All of Cal Am's proposed rate increases, the original consolidation, stand-alone, and the proposed Coronado settlement, are too high, which the City has and continues to oppose. Cal Am has not provided justification for any of its proposed rate increases



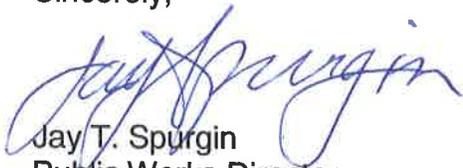
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against the context of purchasing the same imported water at the same cost, maintaining similar infrastructure of the same age, and operating a water distribution system proportional to the other water purveyors in Thousand Oaks.

Your letter further states that the proposed Coronado settlement addresses the concerns of the City of Thousand Oaks and the CPUC Office of Rate Payer Advocates. However, both the City and the CPUC Office of Rate Payer Advocates, along with the County of Los Angeles, are on record opposing this proposed settlement. A single party to this GRC (the City of Coronado) that did not oppose Cal Am's original consolidation proposal, cannot and should not represent the best interests of all affected customers throughout Southern California. In fact, Coronado customers will significantly benefit from this proposed settlement, from a modest 2.64% rate increase to a more than 19% rate decrease (depending on water usage) – much lower rate increases than any other district in Cal Am's Southern Division.

In the interest of full disclosure to Thousand Oaks residents affected by this rate case, the City will post Cal Am's October 23, 2017 letter and this response on its webpage.

Sincerely,



Jay T. Spurgin  
Public Works Director

c: City Council

Enclosure

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CITY OF THOUSAND OAKS  
2017 OCT 26 A 4:07  
PUBLIC WORKS DEPT.

October 23, 2017

Honorable Claudia Bill-de la Peña & Members of the Council  
City of Thousand Oaks  
2100 Thousand Oaks Boulevard  
Thousand Oaks, CA 91362

Re: California American Water General Rate Case, 2018-2020

Dear Mayor & Councilmembers:

Thank you for taking the time to hear about our proposed water rate changes at your September 19<sup>th</sup> Council meeting. As you are aware, California American Water files its general rate cases with the California Public Utilities Commission once every three years, and the Commission approves, modifies, or rejects the request. We filed our recent application on July 1, 2016, to become effective January 1, 2018 setting rates for 2018. Rates for 2019 and 2020 are set through separate advice letter filings with information from the rate case.

Our current application includes proposed cost and capital expenditures requested to comply with new regulations, replace aging facilities, and maintain a high level of service at the lowest cost to our customers. The current request before the Commission seeks at most a 4.6% rate increase for the average residential customer bill in 2018 for Ventura County customers, not a 32% increase for 2018, or the over 40% increase for 2018-2020 referenced in the September 19, 2017 City of Thousand Oaks Public Works Department Staff Report. As noted at the Council meeting, numbers are updated throughout the rate case process, and while 32% was proposed more than a year ago, the current proposal is for a 4.6% increase in the average residential customer bill. Historically, the Commission has approved a revenue requirement less than the amount California American Water requested, which would further lower this percentage increase.

There are principally two parts of a general rate case. The first is the establishment of the costs needed to invest in and operate the water system. The second is to establish the rate design, or how those costs are billed or allocated to customers. We were pleased that the City of Thousand Oaks did not take issue with any of our proposed infrastructure investments or expenses for your residents and our customers.

It is the second issue - rate design - that the City of Thousand Oaks filed testimony. Although we have not reached a settlement with the City of Thousand Oaks on

consolidated rates, we were able to reach a settlement with the City of Coronado. In a spirit of cooperation, Coronado agreed to changes that we believe address the concerns of most parties in the proceeding, including the Office of Ratepayer Advocates and the City of Thousand Oaks. In fact, the District that benefits the most from the Settlement with the City of Coronado is our Ventura County District.

The two major factors for our consolidated rates proposal are: (1) The Commission and State Water Resources Control Board have signaled they are encouraging water utilities to consolidate rates, very similar to the gas, electric and telephone utilities; (2) Over time, we believe rate consolidation protects all of our customers from volatility in rates. That is why it is supported at the state level through the water action plan, and is how other utilities (gas, cable, electric, phone) have operated for years.

In the settlement with the City of Coronado, the parties agreed that it is not only in their best interest, but more importantly, in the public's best interest that consolidation be approved to ensure greater rate stability and moderation, conservation, and continued provision of water for essential uses to lower income customers at reasonable rates. Additionally, consolidation will impose rates for non-essential uses on all customers in the consolidated area that are more comparable over the entire southern region, thereby signaling the importance of water conservation and water sustainability.

In developing a rate design to meet the consolidation goal, the City of Coronado and California American Water agreed to a set rate design that addresses various concerns raised by interveners regarding the proposed design by California American Water.

Under our current proposal for rate consolidation, the average customer in Thousand Oaks will now see a decrease in the overall bill, as compared to what the bill would be under the current standalone rate design. We do not feel this point was either adequately understood by City staff or adequately communicated in their report.

We have also taken into consideration concerns of all parties, including ORA. As a result, we have changed where the tiers in our tiered rates fall, setting the tier 2 rate at the average cost of water to better balance customer bill impacts and continue to work toward state conservation goals.

To ensure moderation of the overall rate impact, the proposal assumes that 11% of the purchased water costs in Ventura and San Diego are transferred to the Los Angeles Region, with only the remaining 89% staying with the customers in those specific areas. This provides significant benefits to our customers in the City of Thousand Oaks now and in the future as purchased water costs from Calleguas are expected to grow at a



Honorable Claudia Bill-de la Peña  
October 23, 2017

Re: California American Water General Rate Case, 2018-2020  
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higher rate than groundwater costs which will be made available to our Ventura County customers as part of the consolidation.

We are concerned that the City would ask our customers to oppose the proposed settlement using outdated data/figures from our initial July 2016 filing. The City's position (supporting stand-alone rates) means you are asking your constituents to support a rate design that potentially results in higher bills for them over our current proposal

California American Water welcomes the City's and our customer's engagement in the process and believe that their engagement has been both enlightening and constructive throughout the rate case proceedings.

We would appreciate the chance to meet to discuss the settlement that was filed with the Commission on August 18, and how it will benefit our customers in Thousand Oaks.

If you have any questions or would like additional information please contact me at (626) 614-2542 or vial email at [brian.barreto@amwater.com](mailto:brian.barreto@amwater.com).

Sincerely,

Brian A. Barreto  
External Affairs Manager

cc: Honorable Andrew Fox, Mayor Pro Tem, City of Thousand Oaks  
Honorable Al Adam, Councilmember, City of Thousand Oaks  
Honorable Rob McCoy, Councilmember, City of Thousand Oaks  
Honorable Joel Price, Councilmember, City of Thousand Oaks  
Andrew Powers, City Manager, City of Thousand Oaks  
Cynthia Rodriguez, City Clerk, City of Thousand Oaks  
Jay Spurgin, Public Works Director, City of Thousand Oaks

**California American Water  
General Rate Case Application  
Ventura County District Average Residential Bill Impact**

**Table 2**

<b>District</b>	<b>Usage (CGLs)<sup>55</sup></b>	<b>Average Residential Bill July 2016<sup>56</sup></b>	<b>Average Residential Bill Aug. 2017<sup>57</sup></b>	<b>Average Proposed Bill Stand Alone Application<sup>58</sup></b>	<b>Average Proposed Bill Consolidation Application<sup>59</sup></b>	<b>Average Proposed Bill Consolidation Settlement<sup>60</sup></b>
Ventura	135.3	\$101.41	\$105.76	\$113.81	\$126.74	\$110.79

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of California-American Water Company (U210W) for Authorization to Increase its Revenues for Water Service by \$34,559,200 or 16.29% in the year 2018, by \$8,478,500 or 3.43% in the year 2019, and by \$7,742,600 or 3.03% in the year 2020.

A.16-07-002  
(Filed July 1, 2016)

**REPLY COMMENTS IN SUPPORT OF MOTION FOR ADOPTION OF A PARTIAL  
SETTLEMENT AGREEMENT BETWEEN CALIFORNIA-AMERICAN WATER  
COMPANY AND THE CITY OF CORONADO ON SAN DIEGO ISSUES IN THE  
GENERAL RATE CASE**

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Attorneys for Applicant California-American  
Water Company

October 3, 2017