



Making Safe, Clean, Affordable and Accessible Water a Reality

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Presentation Outline

- California Water Association Overview
- CPUC Solutions
 - Regulatory/TMF Assistance
 - Low-Income Customer Assistance
 - Consolidation Permutations
- CWA/Regulated Utility Cooperation





CWA Overview

- 101 Regulated Water IOUs
 - 9 Class A water utilities (> 10,000 connections)
 - 5 Class B water utilities (>2,000)
 - 23 Class C water utilities (> 500)
 - 64 Class D water utilities (< 500)
- 1.5 Million Customers
- \$1.4 Billion Annual Revenues
- 6 Million Served





Small System Commonality

- Most Are Barely Solvent
- Most Have Subsidized Their Systems
- Most Have Depreciated Systems
- Most Are Reluctant to Invest/Raise Rates
- Most Are Sincere about Water Quality Compliance
- Most Are Uncomfortable with Regulatory Agencies
- Most Need Regulatory Assistance
- Most Are Not Millennials, Gen Xers or Late Baby Boomers – 21st Century Communications Not Their Friend





CPUC Solutions

Regulatory/TMF Assistance

- General Rate Case Applications Processed Quickly
- Mini GRCs; Opportunities to Recover Costs (Tracking Accounts)
- Special Tariff Conditions
- Fixed Cost Recovery
- Annual COL/CPI Increases
- Simplified Rate of Return; Rate of Margin Option
- Interface w/DDW on Compliance Issues



Low-Income Customer Assistance

- All Class A Utilities Have LIRA Programs
- 230,000 Customers Enrolled
- 19% of all Residential Customers
- Average Monthly Discount: \$9.50
- Annual Discount: \$26 Million
- Combination of Discount on Meter Charge or % Reduction Off Meter + Quantity Charge
- Low Income Rulemaking (R.17-04-026)





CPUC Solutions

Small System Consolidation

- Public Water System Investment and Consolidation Act of 1997
 - Public Utilities Code Sections 2718 – 2720
 - Needs of Water Utilities: Infrastructure; Capital; Scale; Incentives
 - Use Fair Market Value for Rate Base Valuation
 - Can Exceed Reproduction Cost
 - Reliability/Health and Safety/Economies of Scale Benefits
 - Effect on Customers: “fair and reasonable”



Small System Consolidation

- Rulemaking 97-10-048 – “Guidelines for the Acquisition and Mergers of Water Companies”
 - Decision 99-10-064 – Issued October 21, 1999
 - Adopted Settlement Between ORA and Class A Utilities
 - Rate Base Valuation, Timelines, Incentives, Notices
- Rulemaking 11-11-008 “Balanced Rates”
 - D.14-10-047 (10/22/14) and D.16-12-026 (12/9/16)
 - Called for Solutions to High-Cost Districts – e.g., rate consolidation, cost consolidation, rate base consolidation, operational consolidation, other rate design considerations





CWA/Regulated Utility Cooperation

- Regulated Utilities Consolidated 19 Systems Since 2011 (Other IOUs, Mutual Systems, CSDs, Small Municipalities)
- Regulatory Assistance Program (GRCs, Annual Reports, Audits, Advice Letter Filings)
 - Contract GRC Consultant
 - Regulatory Instruction Modules
 - Financings/Liability Insurance/Valuations/System Sales
- Grant/Loan Application Program
- Water Quality Compliance
- Customer Communications
- Spring and Fall Conference Seminars

