



Delta-Sierra Group
 Mother Lode Chapter
 P.O. Box 9258, Stockton
 CA 95208

Submitted via email 5.29.19

California Public Utilities Commission
 Administrative Law Judges: Eric Wildgrube and Charles Ferguson
 Public Advisors Office
 via: public.advisor@cpuc.ca.org

RE: California Water Service Rate Application: Proceeding Number A.18-07-001

The Delta-Sierra Group of the Sierra Club has reviewed documentation related to the California Water Service Infrastructure Improvement Plan associated with the California Water Service Rate Application: Proceeding Number A.18-07-001. We have also reviewed The Public Advocates Office Water Testimony regarding California Water Service Rate Application: Proceeding Number A.18-07-001¹, The Delta-Sierra Group supports the three Public Advocates Office recommendation specific to Stockton’s rates including:

- 1) Require increase outreach and provide documentation of the outreach for the low-income rate assistance (LIRA) program;
- 2) Deny Calwater’s request to consolidated Dixon with Stockton because it is not in the public interest;
- 3) Reduce the Calwater’s proposed 2020-2023 rates to better reflect necessary maintenance activities.

Require Increased Outreach and Documentation for the Low-Income Rate Assistance Program

The Water Ratemaking presentation² to the California Public Utilities Commission dated April 21, 2018 described the income criteria for Low Income Rates Assistance Program which is like that applied by the energy low-income programs: 200% of Federal Poverty Guidelines or \$50,200 for a 2017 family of four. According to the Public Advocates Office Testimony, currently, there are only 39% of Stockton customers and 26% of Dixon customers that are participating in the LIRA program. Stockton customer participation in the LIRA program could increase based on the widespread economic indicators of disadvantaged communities within Calwater’s service boundaries. An independent news organization CalMatters recently published an analysis of income and zip code based on California Franchise Tax Board information regarding tax liability. A summary of relevant information related to Stockton and Dixon Districts including income and zip code maps below:

CalMatters Taxes and Income by Zip Code in Areas Wholly or Partially Served by Calwater

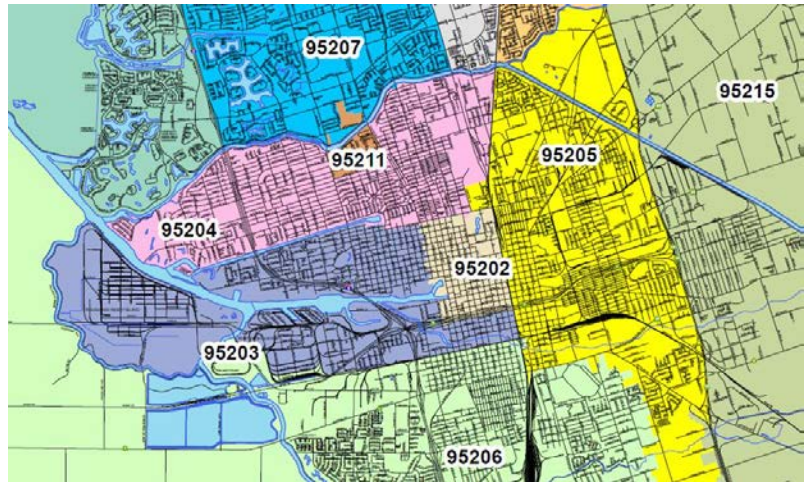
District	Zip Code	Number of Tax Returns	Average Tax Liability	Average Income
Stockton	95207	20234	1357	46353
	95206	26837	638	38537
	95205	14584	367	31969
	95215	8722	1111	43779
	95204	12662	1646	51250
	95203	5999	866	38193
	95202	1715	724	30928
Dixon	95620	9942	2540	66795

<https://calmatters.org/articles/how-much-do-you-neighbors-pay-california-state-taxes/>

¹ <https://www.publicadvocates.cpuc.ca.gov/general.aspx?id=2676>

² <https://www.cpuc.ca.gov/General.aspx?id=6752>

Calwater Stockton Service Boundary -



https://www.calwater.com/docs/rates/maps/STK_SAM_2016.pdf City of Stockton ZipCode Map <http://www.stocktongov.com/files/ZipcodeMap.pdf>

According to the Calwater 2016 Urban Water Management Plan³:

The Stockton District was formed in 1927 with the purchase of the water system from Pacific Gas and Electric Company. The District delivers a combination of local groundwater and surface water purchased from the Stockton East Water District, which is imported from the New Melones and New Hogan Reservoirs. The District operates 23 groundwater wells, 17 booster pumps, 12 storage tanks, and hundreds of miles of pipeline. Over the last five years, the District delivered an average of 23 million gallons of water per day to more than 42,000 service connections.

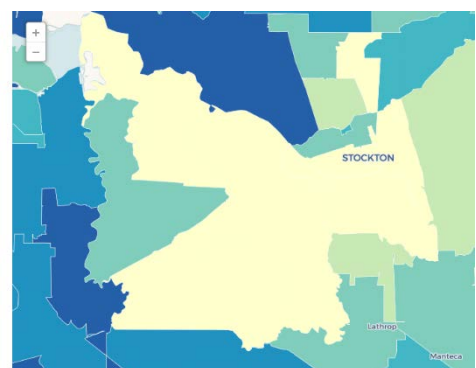
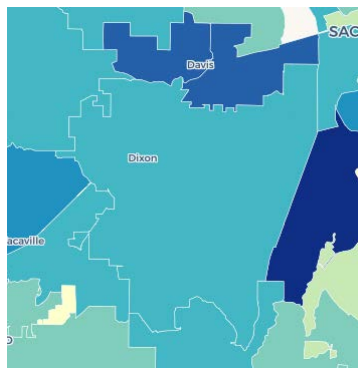
A Dixon District map was not located on either on the main map page: <https://www.calwater.com/rates/maps/> or on the Dixon District web page: <https://www.calwater.com/about/district-information/dix/> where the following description of Dixon's water supply:

To meet the needs of our Dixon customers, we utilize nine wells, two storage tanks, and 32 miles of pipeline to pump and deliver one million gallons of local groundwater per day. Cal Water proactively maintains and upgrades our facilities to ensure a reliable, high-quality supply.

CalMatters Interactive Map showing tax liability by Color Code



Most all of the City of Stockton served by the California Water Service have incomes well below levels that should be assisted with the Low-Income Rate Assistance Program.



According to this data showing that Stockton customers have access to much reduced financial resources, the Delta-Sierra Club supports the Public Advocates Office recommendation that California Water Services increases outreach and provides documentation of the outreach for the Low-Income Rate Assistance (LIRA) program. Further, the Delta-Sierra Group recommends that documentation be provided based on zip code to verify that those in most need are being assisted pursuant to program requirements.

³ [https://www.calwater.com/docs/uwmp2015/stk/2015_Urban_Water_Management_Plan_Final_\(STK\).pdf](https://www.calwater.com/docs/uwmp2015/stk/2015_Urban_Water_Management_Plan_Final_(STK).pdf)

Deny Calwater's request to consolidated Dixon with Stockton because it is not in the public interest

The Public Advocates Office's recommendation that the CPUC deny the Stockton-Dixon Calwater consolidation request are summarized in Chapter 2 of the Report on Special Requests³. The Public Advocates Office recommended, that in the future, requests for consolidation be submitted one year before the next general rate case (GRC). The Public Advocates Office used several different methodologies to consider the public good of consolidation. There is no fixed methodology to use when considering consolidation. In 1992, the CPUC previously required consideration of four categories which were considered by both the Public Advocates Office and Calwater: Proximity, Rate Comparability, Water Supply, and Operations. Other public interest factors that were also considered include: balancing investment, conservation, and affordability. Calwater did not include a high-cost and affordability screening analysis in the consolidation proposal. Calwater did not include data to support the designation of Dixon as a high cost district with affordability issues. The consolidation proposal information did not include Stockton and Dixon demographic/economic data to evaluate these aspects of public interest. The CPUC states in D.14-10-047 that utilities must propose one or more intra-utility solution only when both high cost and affordability problems exists or when an affordability problem exists.

Calwater acknowledged that two of the four 1992 guidelines do not support the consolidation argument including proximity and comparable rates, but that all of the other public interest factors do support consolidation. The Public Advocates Office evaluated the guidelines and found that while Dixon may be a high cost district due to the necessity to treat naturally occurring Chrome 6, the affordability criteria was not met.

Proximity. Districts should be nearby within 10 miles. The Dixon office is approximately 50 miles away from the Stockton Office and while the Stockton Office is closer than Los Altos (69 miles) or Livermore (100 miles) and that given today's technology the proximity guidelines may be less relevant.

Comparable Rates. Rates that are within 25% of each other are considered comparable. Currently, present rates for a 5/8-inch monthly service charge are 35% different and the proposed rates would have a difference of 80%. Quantity rate difference currently vary from 27.5% to 34.1% and the proposed rates would have a difference uniformly of 67%. Even with the proposed \$1.2 million transitional rate stabilizing fund subsidy (all rate payers chip in) and \$16 monthly Dixon surcharge for the chrome 6 treatment, Stockton customers would cross-subsidize a significant portion of Dixon's revenue requirement⁴.

Water Supply. Sources of Supply should be similar. Dixon relies primarily on groundwater while Stockton's water supply is a combination of wells and purchased water from the Stockton East Water District. Stockton's water supply mix is forecasted to be over 80% purchased water and this percentage has increased over time. Calwater operations staff indicated to Public Advocate staff that purchased water is now close to 95% of its water mix. The agreement with Stockton East is a take or pay contract. The amount of payment is set at the beginning of each year and is paid monthly for the year regardless of the quantity taken according to Calwater³. Aside from the recent chrome 6 treatment costs incurred by the Dixon District, Stockton District's reliance on surface water purchases creates high cost variability. Dixon is located within the Sacramento Valley Solano Subbasin which is not a critically overdrafted basin as is the case for the Stockton District that is located within the Eastern San Joaquin Subbasin which is critically overdrafted.

Operations. Districts should be operated similarly. Calwater stated that the Dixon and Stockton Districts have similar customer expectations for service and water quality, share similar climates, and that there is a history of staff sharing begin the Districts. Calwater identified the activities but did not provide data to show that Dixon's employees provide any support to Stockton. Various districts have provided support for the Dixon office including from Stockton (approx. 6000 hours from 2013-2017), Livermore (approximately 900 hours from 2012-2013), Chico (24 hours in 2017), and Salinas (24 hours in 2017). Calwater states that historically Stockton provides support to Dixon on Mondays and Fridays and provides vacation, training, and sick leave coverage. Calwater did not present information whether any efficiencies or labor savings would be achieved as a result of district consolidation.

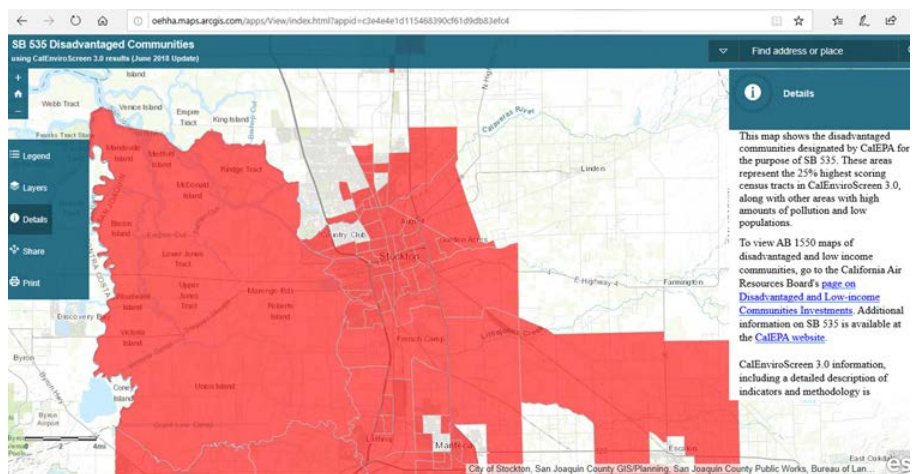
⁴ See attached Tables from the Notification of Application No A.18-07-001

Balancing Investment. Calwater states that because Dixon has to treat for Chrome 6 and that the new treatment infrastructure causes Dixon to be high cost and that the preferred alternative to reduce Dixon’s capital investments is by spreading the cost over a larger customer baseline through consolidation with Stockton. Prior to the chrome 6 treatment costs incurred in 2016 the Public Advocates Office found no evidence that Calwater ever postponed or did not meet the necessary capital investment needs of the Dixon District. The proposed consolidation also includes using rate stabilizing funds and a Dixon surcharge of \$16 to soften the impact on Stockton customers. Stockton’s 2020 rate base per service customer is expected to reach 125% of the system average in part due to Stockton’s higher projected growth rate 15% which is higher than Dixon’s less than 1% over the same period. Once the transitional rate stabilizing fund subsidy ends in 2022, Stockton’s customers will be paying a greater cross-subsidy for Dixon customers.

Conservation. The Public Advocate did not include any effects of consolidation on Stockton’s conservation efforts which during the drought surpassed all other urban users in San Joaquin County. The Public Advocates Office did analyze the effect on Dixon’s conservation efforts if consolidation were to be approved and showed that the proposed rates changes, and current rates are not uniformly progressive. For example, under the stand alone alternative without consolidation or rate stabilizing funds that those Dixon customers using 5 CCF will have their bill increased 53% while those using 15 CCF will have their bill increased only 43%. The Public Advocates Office has proposed a Dixon recommended rate with 600,000 rate stabilizing funds which is progressive as would be expected in a tiered water rate which encourages conservation.

High Cost and Affordability. The Public Advocates Office analyzed Calwater’s assertion that Dixon is a high cost district and that the large increase will create financial hardship. The Public Advocates Office did find that using residential data that Dixon could be considered as a high cost district, but other factors needed to be considered before finding that Dixon customers would have a financial hardship. The Stockton District is not currently considered high cost but if costs associated with surface water continues to increase that designation may be met in the near future. Affordability is the second component considered by the Public Advocates Office. The water service affordability criterion recommends that no more than 2.5% of the median household income be spent for water. The affordability screen of 2.5% was used and showed that while Dixon would be considered a high cost district it does not meet the affordability criteria. According to the Public Advocates Office recommendation, consolidation would further reduce the percent Dixon customers pay related to the fact that Dixon’s median household income (\$74,900) is 39% higher than Stockton’s (\$45,829). Dixon’s median household income also exceeds the California median household income by 4.4%. Another factor to consider is Stockton’s high unemployment rate that was 6.4% in November 2018 as compared with Dixon’s 3.1%. The Public Advocates Office evaluated this economic disparity further and found in addition to median income and unemployment that accord to the U.S. Census Bureau nearly 23% of Stockton’s population lives in poverty much higher than California’s rate of 13.3% and higher than Dixon’s 12.2 %.

The adjacent map shows SB 535 disadvantaged communities in the Stockton area.⁵ No SB535 disadvantaged communities were identified in the Dixon area. As noted in the SB 535 disadvantaged community map, the Country Club area of the county is not so designated (part of Zip Code 95204) and is not within the City of Stockton boundary but within land San Joaquin County manages and served by the California Water Service.



⁵ <http://oehha.maps.arcgis.com/apps/View/index.html?appid=c3e4e4e1d115468390cf61d9db83efc4>

Any costs to Stockton that consolidation will cause creates an unreasonable burden on Stockton ratepayers. The Delta-Sierra Group requests that the CPUC deny the California Water Service Dixon – Stockton Districts consolidation.

Reduce the Calwater’s proposed 2020-2023 rates to better reflect necessary maintenance activities

The Public Advocates Office proposed reduced rates for Stockton based on an evaluation of operations and proposed improvements⁶. A very detailed analysis of Calwater’s proposal is included in the Public Advocates Office Report on Plants including Stockton. These results were used to develop Public Advocates Office proposed rates. Below is a summary of rates proposed by the Public Advocates Office without consolidation. The Delta-Sierra Group supports the Public Advocates Office proposed rates.

Stockton	Cal Public Advocates				Calif Water Service (CWS) without consolidation with the Dixon Office				CWS > Cal Public Advocates			
	2020 Increase (\$000)	2020 Inc (%)	2021 Inc (%)	2022 Inc (%)	2020 Increase (\$000)	2020 Inc (%)	2021 Inc (%)	2022 Inc (%)	2020 Increase (\$000)	2020 Inc (%)	2021 Inc (%)	2022 Inc (%)
	650.32	1.3%	2.7%	2.8%	6,630.17	13.2%	5.5%	5.4%	5,979.86	11.9%	2.8%	2.6%

Sustainable Groundwater Management

The Delta-Sierra Group has been participating in the development of a Groundwater Sustainability Plan for the Eastern San Joaquin Subbasin which is critically overdrafted. There was reference to a regulatory requirement fee of \$34,900 estimated based on SWRCB’s default intervention fees.⁷ This fee estimate was based on wells and operations in only a portion of the Stockton District that is outside of the City of Stockton boundary. The area of the Stockton District within the City of Stockton boundary is managed by the City of Stockton Groundwater Sustainability Agency. The City of Stockton paid the Groundwater Sustainability Plan development fee wholly for area within the City of Stockton boundary.

Calwater as an investor owned utility is prohibited to become a groundwater sustainability agency under the Sustainable Groundwater Management Act. It was very important to Calwater that they be a voting member of the Eastern San Joaquin Subbasin Groundwater Authority (ESJGA) which would only be allowed by SGMA if sponsored by a public agency. The County developed and entered into an MOA with Calwater forming the San Joaquin County GSA No. 2. A copy of the MOA was submitted to the Court during the February 2019 Stockton Hearing.

Calwater paid the initial assessment of \$5000 but then took SJ County Zone 2 Groundwater Investigation Funds that were paid by SJC taxpayers for part of their assessment for the development of the Groundwater Sustainability Plan. The Delta-Sierra Group objected that Zone 2 money be used to fund any part of Calwater assessment. The ESJGA was awarded a disadvantaged community local share cost reduction grant for the development of the Plan. The public money that Calwater took would be better served doing public outreach and education of disadvantaged communities in our sub-basin with domestic or small water system well. Calwater’s regulatory budget includes regulatory costs so Calwater ratepayers paid for their privilege to participate as a voting member first when water bills were paid and second when San Joaquin County property owners paid their SJC Zone 2 assessment. Calwater has not distributed the full amount of the \$34,900 to the ESJGA. The City of Stockton has not approved a particular fee schedule to pay for the implementation of the Groundwater Sustainable Plan, now under development for January 2020 submittal to the Department of Water Resources. Each Groundwater Sustainability Agency must monitor conditions within their regulatory boundary so Calwater

⁶ PUBLIC ADVOCATES OFFICE CALIFORNIA PUBLIC UTILITIES COMMISSION *** PUBLIC VERSION (Redacted) *** REPORT ON PLANT FOR DIXON, KING CITY, LIVERMORE, SALINAS, AND STOCKTON DISTRICTS California Water Service Company Test Year 2020 General Rate Case A.18-07-001

⁷ <https://calwater.box.com/v/2018GRC-CWS-AddlTestimony>

should be prepared to pay implementation fees associated with the operation of wells both within the San Joaquin County GSA No. 2 and City of Stockton GSA.

The Delta-Sierra Group requests that future rate considerations include an irrigation rate in the rate structure. The Stockton area has a need for more community farms to help our largely disadvantaged community have access to fresh vegetables. Many areas of Stockton are located within Urban Food deserts. Efforts to implement an Urban Farming Ordinance will not be available to the low income areas that are served by Calwater which has higher rates than areas served by City of Stockton MUD. Current top tier Calwater 2019 rates for 748 gallons are \$4.12 residential and \$3.41 non-residential. Top tier City of Stockton 2019 rates are \$2.76 residential, \$2.29 non-residential, \$2.62 irrigation, and \$2.14 multi-family rate.

Thank you for considering our comments during the 2019 Calwater Rate Hearings.

Sincerely,

A handwritten signature in black ink, appearing to read "MEHRS".

Mary Elizabeth M.S., R.E.H.S.
Delta-Sierra Group Conservation Chair
Sierra Club

Para más información sobre este aviso, por favor llame al número (209) 547-7900.

**Notification of Application Filed by California Water Service to Increase
Stockton District Rates in 2020, 2021, and 2022
(Application No. A.18-07-001)**

On July 2, 2018, California Water Service (Cal Water) filed its 2018 General Rate Case (GRC) Application (A.18-07-001) with the California Public Utilities Commission (CPUC). Cal Water is requesting total company revenue increases of \$50,673,500 (or 7.6%) for 2020, \$31,461,900 (or 4.4%) for 2021, and \$33,000,700 (or 4.4%) for 2022. Cal Water is requesting this increase for infrastructure upgrades, maintenance, water quality, safety measures, business operations, and inflation. If approved by the CPUC, rates would increase beginning in January 2020.

The Application

Cal Water proposes consolidating the rates for the Dixon and Stockton Districts into a new “Central Region” to improve affordability and develop administrative efficiencies. (Revenue increases for 2021 and 2022 may vary from the provided estimates below due to the use of a CPUC-provided, inflation-based formula.)

With Consolidation – If this consolidation is approved by the CPUC as proposed, Cal Water requests an overall revenue increase of \$15,354,613 (or 30.5%) for Stockton customers over three years, as shown in the table below.

Proposed Revenue Increases for Stockton Customers **with** Consolidation

<i>Current Revenue Requirement</i>	<i>Proposed 2020 Revenue Increase</i>	<i>Proposed 2021 Revenue Increase</i>	<i>Proposed 2022 Revenue Increase</i>
\$50,266,400	\$9,195,026 18%	\$2,995,390 5%	\$3,164,198 5.1%

Proposed Revenue Increases by Type of Service **with** Consolidation**

<i>Type of Service Provided</i>	<i>Current Revenue Requirement</i>	<i>Proposed 2020 Revenue Increase</i>	<i>Proposed 2021 Revenue Increase</i>	<i>Proposed 2022 Revenue Increase</i>
Residential Metered Service	\$28,213,146	\$5,559,675 20%	\$1,844,097 5.6%	\$1,885,849 5.4%
Nonresidential Metered Service*	\$21,522,653	\$3,288,455 15%	\$1,232,988 5.2%	\$1,254,597 5.0%

*Nonresidential Metered Service applies to all customer classes that are not residential (such as business, multi-family, and public authority customers) and do not have a separate tariff. **The sum of residential and nonresidential revenues will not equal total revenue due to other revenue sources like construction meter charges, fire protection services, and recycled water.

Without Consolidation – If consolidation is not approved by the CPUC as proposed, Cal Water requests an overall revenue increase of \$12,998,847 (or 25.9%) for Stockton customers over three years, as shown in the table below.

Proposed Revenue Increases for Stockton Customers **without** Consolidation

<i>Current Revenue Requirement</i>	<i>Proposed 2020 Revenue Increase</i>	<i>Proposed 2021 Revenue Increase</i>	<i>Proposed 2022 Revenue Increase</i>
\$50,266,400	\$6,630,555 13.2%	\$3,107,758 5.5%	\$3,255,916 5.4%

Proposed Revenue Increases by Type of Service **without** Consolidation**

<i>Type of Service Provided</i>	<i>Current Revenue Requirement</i>	<i>Proposed 2020 Revenue Increase</i>	<i>Proposed 2021 Revenue Increase</i>	<i>Proposed 2022 Revenue Increase</i>
Residential Metered Service	\$28,213,146	\$4,379,980 15.5%	\$1,849,713 5.7%	\$1,945,011 5.6%
Nonresidential Metered Service*	\$21,522,653	\$1,903,679 8.8%	\$1,230,616 5.3%	\$1,287,446 5.2%

*Nonresidential Metered Service applies to all customer classes that are not residential (such as business, multi-family, and public authority customers) and do not have a separate tariff. **The sum of residential and nonresidential revenues will not equal total revenue due to other revenue sources like construction meter charges, fire protection services, and recycled water.

Typical Customer Impact

The following table details the increase a residential customer with a 5/8”x3/4” meter would see in his or her bill if Cal Water’s proposed rates for 2020, 2021, and 2022 are approved by the CPUC as requested. In 2017, the average residential customer with a 5/8”x3/4” meter used 10 Ccf (7,480 gallons) of water per month. **These numbers do not include temporary surcharges and credits.**

Stockton Typical Residential Customer Bill Increase with Consolidation

<i>Residential Customer</i>	<i>Current Bill</i>	<i>Proposed 2020 Bill Increase</i>	<i>Proposed 2021 Bill Increase</i>	<i>Proposed 2022 Bill Increase</i>
10 Ccf (7,480 gallons)	\$50.61	\$5.85 11.6%	\$2.90 5.1%	\$2.95 5.0%

Stockton Typical Residential Customer Bill Increase without Consolidation

<i>Residential Customer</i>	<i>Current Bill</i>	<i>Proposed 2020 Bill Increase</i>	<i>Proposed 2021 Bill Increase</i>	<i>Proposed 2022 Bill Increase</i>
10 Ccf (7,480 gallons)	\$50.61	\$5.26 10.4%	\$2.93 5.2%	\$3.07 5.2%

Key Reasons for Increase

Cal Water has been providing water utility service to California communities for more than 90 years, and many of the facilities used for water service have reached the end of their useful lives. Some of the key reasons Cal Water is making this request is to:

- Continue to invest in infrastructure to enhance safety and reliability, and to manage risks that could impact customers and/or fire protection systems;
- Meet water quality and environmental regulatory requirements; and
- Secure water supplies to ensure future reliability.

Obtaining a Copy of the Application

A copy of Cal Water’s proposed GRC application and related exhibits may be reviewed at Cal Water’s office, located at 1505 East Sonora Street, Stockton, CA 95205. An electronic or paper copy of the application and related exhibits will be provided by Cal Water upon written request to California Water Service, 1720 North First Street, San Jose, CA 95112-4598.

A digital copy of the application may be reviewed on the CPUC’s Docket Card webpage at <https://apps.cpuc.ca.gov/apex/f?p=401:1:0> by typing the proceeding number, without dashes, in the Proceeding Number Search box. A hard copy can be reviewed at the CPUC’s Central Files Office by appointment. For more information, contact aljcentralfilesid@cpuc.ca.gov or (415)-703-2045.

The CPUC’s Process

This application will be assigned to an Administrative Law Judge (Judge), who will determine how to receive evidence and other related documents necessary for the CPUC to establish a record upon which to base its decision. Evidentiary Hearings (EHs) may be held, where parties of record will present their testimony and may be subject to cross-examination by other parties. These EHs are open to the public, but only those who are parties of record can participate. After considering all proposals and evidence presented during the formal hearing process, the assigned Judge will issue a proposed decision determining whether to adopt all or part of Cal Water’s request, modify it, or deny it. The CPUC Commissioners may sponsor an alternate decision, and the issue will be decided at a scheduled Commission Voting Meeting.

The Office of Ratepayer Advocates (ORA) may review this application. ORA is the independent consumer advocate within the CPUC with a legislative mandate to represent investor-owned utility customers. For more information about ORA, please call (415) 703-1584, e-mail or visit ORA’s web site at ora.ca.gov/default.aspx.

Stay Informed

The CPUC offers a free Subscription Service available on the CPUC web site at which allows you to follow this proceeding. If you would like to learn how you can participate in the proceeding, or if you have informal comments or questions about the CPUC process, you may contact the CPUC’s Public Advisor’s Office at the address noted below.

Email: public.advisor@cpuc.ca.gov
Write: CPUC Public Advisor’s Office
505 Van Ness Avenue, San Francisco, CA 94102
Phone: 1-866-849-8390 (toll-free) or 1-415-703-2074
1-866-836-7825 (toll-free) or TTY 1-415-703-5282

Please reference **Cal Water’s Application No. A.18-07-001** in any communications you have with the CPUC regarding this matter. All public comments will become part of the public correspondence file for this proceeding and made available for review for the assigned Judge, Commissioners, and appropriate CPUC staff.