



Coalition of Peninsula Businesses

Success with water rates - \$ millions saved!

The Coalition of Peninsula Businesses has had some success with water rates. Administrative Law Judge issued his proposed decision on Cal Am's latest rate case filing (PUC case A. 15-07-019) and it shows a major victory for the Coalition on the issue of recovery of uncollected but approved revenues!

The biggest parts of the rate case victory are these: residential water rates will now be collected based on consumption instead of allotments, recovery of uncollected revenue is somewhat reduced and is spread more to temporary meter charges, and the interest rate Cal Am can charge on its uncollected revenue is substantially reduced.

Cal Am asked to recover over \$40 million from ratepayers for required revenues approved by the PUC in prior rate proceedings but not collected for a variety of reasons.

The most prominent reason for the under-collection is Cal Am's consistent misestimating how much less water it would sell residential water users due to conservation efforts. So when the PUC determines how much revenue Cal Am is entitled to receive, that amount is divvied up among rate payers by category and anticipated water consumption level within each category. Cal Am consistently overestimated how much it would collect from residential water users, especially higher level users who pay higher rates for water. When those folks use less, revenue from that category of user falls and Cal Am ends up with less revenue than the PUC allowed. Under PUC rules, Cal Am is entitled to get that uncollected revenue back but it has to include that amount in a rate case.

The proposed decision reduces the amount Cal Am will collect from over \$40 million to \$39 million, but – the proposed decision drastically reduces interest rate Cal Am can charge on its undercollections and the undercollection will be made in substantial part by increasing the fixed meter charges to stabilize the revenue stream.

The Coalition joined with the PUC's Office of Ratepayer Advocates (ORA) in opposing Cal Am's attempt to charge 8.4% interest on the undercollections over 20 years, which would have tripled the \$40 million to almost \$120 million. Instead, the proposed decision recommends collection over five years (the Coalition's recommendation) at a commercial paper rate of interest (currently about .73%). The Coalition and ORA recommended no interest since there is no risk to Cal Am, but the commercial rate is probably a good compromise because it recognizes the time value of money.

The proposed decision, if adopted, will save ratepayers millions of dollars over the next twenty years and substantially improve equity among residential ratepayers while substantially maintaining the balance between what residential users pay and what non-residential users, mostly commercial users, pay – a principal the Coalition fought hard for in the rate case previous to this one.