

**EXHIBIT 4-A**

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

Application of California-American Water Company (U210W) for an Order Authorizing a Special Conservation Program and Modifications to its Rate Design in its Monterey District, and Authorization to Increase its Rates for Water Service in its Monterey District.

A.07-12-010  
(Filed December 14, 2007)

**SETTLEMENT AGREEMENT BETWEEN  
THE DIVISION OF RATEPAYER ADVOCATES,  
CALIFORNIA-AMERICAN WATER COMPANY, AND THE MONTEREY  
PENINSULA WATER MANAGEMENT DISTRICT, AS TO THE CONSERVATION  
BUDGET FOR THE MONTEREY DISTRICT**

**1. GENERAL**

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), the Division of Ratepayer Advocates ("DRA"), California-American Water Company ("California American Water"), and the Monterey Peninsula Water Management District ("MPWMD") (collectively, the "Parties") have agreed on the terms of this Settlement Agreement, which they now submit for approval. The Parties, desiring to avoid the expense, inconvenience and the uncertainty attendant to litigation of the matters in dispute between them have agreed on this Settlement Agreement, which they now submit for approval.

Because this Settlement Agreement represents a compromise by them, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement Agreement by the Commission not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding. (Rule 12.5, Commission's Rules of Practice and Procedure.)

The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission.

The Parties agree that this Settlement Agreement is an integrated agreement, so that if the Commission rejects any portion of this Settlement Agreement, each Party has the right to withdraw. Furthermore, the Settlement Agreement is being presented as an integrated package such that the Parties are agreeing to the Settlement as a whole, as opposed to agreeing to specific elements of the Settlement. If the Commission adopts the Settlement Agreement with modifications, all Parties must consent to the modifications or the Settlement Agreement is void.

The Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

The Parties recognize execution of this Settlement Agreement by the General Manager of MPWMD is required by law to be subject to the later ratification of the Board.

## 2. OVERVIEW OF SETTLEMENT

This Settlement Agreement recommends adoption of a three-year conservation budget of \$2,424,678 for California American Water and \$1,156,000 for MPWMD for the Monterey District. California American Water and MPWMD agree to coordinate conservation programs undertaken by each entity to assure no duplication of effort and to maximize effectiveness by utilizing shared resources.

Water Savings Goal: The goal of the conservation measures outlined in this Settlement Agreement from 2009-2011 is to reduce per customer consumption at least three to six percent over three years. This is consistent with the goal that the Commission established in D.08-02-036 (p. 11) for all Class A water utilities. This is equivalent to total consumption reduction of 397 – 794 Acre Feet (“AF”) over the period 2009-2011.<sup>1</sup> Additional water savings are expected to occur from the change in conservation rate design addressed in A.08-01-027.

Compliance with Best Management Practices: Through the measures outlined herein, California American Water aims to satisfy its California Urban Water Conservation Council (“CWUCC”) requirements for Best Management Practices (“BMP”) 1-3, 5-9, and 11-14. Table 1, BMP Summary Table, sets forth the positions of California American Water and DRA and summarizes the Settlement Agreement terms for each of the budget categories related to California American Water’s direct implementation of these BMPs.

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<sup>1</sup> Based on A.08-01-027, Exhibit A, Chapter 5, Section 2, Table 2A and 2B, five-year average consumption is 13,223 AFY.

Through the measures outlined herein, California American Water and MPWMD will collaborate in satisfying CUWCC requirements for BMPs 1-3, 5- 9, and 11-14. Table 3, Summary Table - MPWMD 3-year budget summarizes the Settlement Agreement terms for each of the budget categories related to these BMPs.

California American Water Conservation Budget: Table 2, Functional Summary Table - California American Water 3-year Budget sets forth the positions of California American Water and DRA and the terms of this Settlement Agreement as it relates to California American Water's three-year conservation budget for the Monterey District. The Settlement Agreement establishes a budget for the following programs:

(a) Rebate Program: The budget for the Rebate Program is \$974,925, \$50,000 of which will be applied to the Weather Based Irrigation Controller ("WBIC") Pilot Study Program. The rebate program will include rebates for High Efficiency Clothes Washers (HECW), toilets, WBICs, large landscape, and other residential rebates, and CII rebates. MPWMD will continue to administer the Rebate Program. Rebates included in each of the budget categories in Table 1 will be capped at a total of \$974,925 over three years. Section 5 of this Settlement Agreement and Tables 1 and 2 below provide additional detail on the rebate program. California American Water will not pursue the WBIC Study it proposed (\$431,828) in this proceeding, and instead will pursue the limited residential and large landscape WBIC Pilot Study Program (\$50,000). Section 6 of this Settlement Agreement provides additional detail on the WBIC Pilot Study Program.

(b) Audits: The Parties agree to \$150,000 for the three-year budget for Commercial, Industrial, and Institutional ("CII") indoor audits and \$70,827 for the three-year budget for residential audits. California American Water will use in-house staff, and if necessary hire consultants to conduct indoor audits. Section 7 of this Settlement Agreement provides additional detail on the audit program.

(c) Residential Plumbing Retrofits: The Parties agree to \$79,938 for the three-year budget for residential plumbing retrofit.

(d) Large Landscape Upgrade Grants for Schools, Parks and Cities: The Parties agree to a budget of \$75,000 for three years for California American Water's incentive grant program for large landscape customers that are cities, schools and parks.

(e) Conservation Intern Program: The Parties agree to a budget of \$90,000 for three years for a conservation intern program.

(f) Low Income Program: California American Water originally proposed a low income program for up to \$50,000 per year and DRA recommended that California American Water request the proposed funding via advice letter when California American Water is ready to implement the program. The Parties agree that issues related to California American Water's proposed low income program will be considered separately from this proceeding. The Parties also agree that California American Water may apply for authorization of its low income program by advice letter.

(g) Public Outreach & Education: The Parties agree to a cap of \$901,488 for the total authorized three-year budget for conservation public outreach and education in the Monterey District, plus the possibility of additional \$100,000 for emergency public outreach. California American Water's projected 2009 public outreach and education is approximately \$300,496, based upon its four-year average spending, excluding \$100,000 for emergency conservation advertising in 2006. Sections 10 and 11 of this Settlement Agreement provide additional detail on the additional funding for public outreach and the funding mechanism. A portion of this budget will be used for website development. California American Water and MPWMD agree to develop a website to make conservation information available to Monterey District customers. California American Water and MPWMD agree to revise the rebate and audit forms to obtain additional feedback that will be useful in evaluating the effectiveness of outreach spending.

(h) School Education: The Parties agree to \$58,500 for the three-year budget for School Education, which includes \$11,200 annually for the school education program through ZunZun, \$800 annually for staff efforts, and \$7,500 annually for the Water Awareness Committee to use for K-12 education in the Monterey District service area. The \$2,000 annual membership fee for the Water Awareness Committee is included in A.08-01-027, California American Water Company's GRC for the Monterey District. No conservation program funding shall be used for California American Water to participate in WaterWise, Living Wise or any other program that distributes water-saving devices to children.

TABLE 1: BMP SUMMARY TABLE – California American Water 3-year Budget

Budget Category	CAW Original Position	DRA Original Position	Settlement Amount	Notes
BMP 1 - Residential Audits	\$71,017	\$70,827	\$70,827	
WBIC Study	\$431,828	\$0	\$0	
BMP 1, 2 -Residential Rebate Incentives (other than HECW/Toilets)	\$300,375	\$300,375	*(rebates)	
BMPs 1, 5- Limited Residential and Large Landscape WBIC Program	N/A	N/A	\$50,000*	Dedicated irrigation accounts
Residential Low Income	\$150,000	\$0	\$0	
BMPs 2 - Residential Plumbing Retrofit	\$124,435	\$79,938	\$79,938	
BMP 5 - Large Landscapes	\$210,350	\$61,500	*(rebates) + \$75,000 (upgrade grants)	Upgrade grants for: Schools/parks/cities

BMP 6 - HECW Rebates (residential)	\$368,250	\$219,000	* (rebates)	
BMP 7 - Public Outreach and Education	\$1,498,800	\$450,000	\$901,488	Cap of \$901,488 plus possibility of advice letter for \$100,000 for emergency public outreach when (a) California American Water's production of water is within 2% of its legally authorized year-to-date production limits set forth in Table 1 of the proposed Revised Rule 14.1, Water Conservation Plan, Monterey District filed with the Commission on October 10, 2008 ("Rule 14.1"), or (b) an escalation to the conservation stages under Rule 14.1 have been triggered (e.g., Stage 1 to Stage 2; Stage 2 to Stage 3).
BMP 8 - School Education	\$173,250	\$0	\$58,500	
BMP 9 - CII (audits, rebates, marketing)	\$799,041	\$188,625	* (rebates) + \$24,000 (marketing) + \$150,000 (indoor audits)	
BMP 12 - Conservation Coordinator & Training	\$147,900	\$0	\$90,000	
BMP 14 - Residential Toilet Incentives	\$504,000	\$120,000	* (rebates)	
<b>TOTAL</b>	<b>\$4,605,996</b>	<b>\$1,490,265</b>	<b>\$2,424,678</b>	

\* Rebates, which are included in each of these categories, will be capped at a total among all the categories of \$974,925 over three years. This number was calculated by subtracting the direct install amount from California American Water's original proposal (\$1,224,675 - \$249,750). The limited residential and large landscape WBIC program is closely associated with the rebate program, and is included in the cap.

TABLE 2: FUNCTIONAL SUMMARY TABLE – California American Water 3-year Budget

Budget Category	CAW Original Position	DRA Original Position	Settlement Amount
<b>Rebates</b>			
Rebates including HECW, Toilets, Other Residential, Large Landscape and CII	\$63,300 (large landscape) + \$219,000 (HECW) + \$197,625 (CII) + \$180,000 (toilets) + \$330,375 (residential) = <b>\$990,300</b>	\$61,500 (large landscape) + \$219,000 (HECW) + \$188,625 (CII) + \$120,000 (toilets) + \$300,375 (residential) = <b>\$889,500</b>	\$924,925
<b>WBIC Pilot Program</b>	\$0	\$0	\$50,000
<b>WBIC Study</b>	\$431,828	\$0	\$0
<b>Audits</b>			
Residential Audits	\$71,017	\$70,827	\$70,827
Indoor CII Audits	\$285,376 <sup>2</sup>	\$0	\$150,000
<b>Retrofits</b>	\$124,435	\$79,938	\$79,938
<b>Large Landscape Grants for schools, parks and cities</b>	\$75,000	\$0	\$75,000
<b>Conservation Intern</b>	\$147,900	\$0	\$90,000
<b>Low Income Program</b>	\$150,000	\$0	\$0
<b>Public Outreach and Education</b>			
Public Outreach and Education including Rebate Program Marketing	\$1,498,800	\$450,000	\$901,488
CII Marketing	\$150,000	\$0	\$24,000
<b>School Education</b>	\$173,250	\$0	\$58,500
<b>Other</b>	\$681,340	-	-
<b>TOTAL</b>	<b>\$4,605,996</b>	<b>\$1,490,265</b>	<b>\$2,424,678</b>

MPWMD Budget: Table 3, Summary Table - MPWMD 3-year budget sets forth the components of the MPWMD budget.

<sup>2</sup> \$117,188 requested for small CII site consultant audits and \$40188 for additional consultant costs; \$90,000 requested for large CII site consultant audits and \$38,000 for additional consultant costs for a total of \$285,376.

TABLE 3: SUMMARY TABLE – MPWMD 3-year budget

Budget Category	Settlement Amount
BMP 1, 5, 7, 9 - Water Auditor Training	\$15,000
BMP 1, 2, 5-9, 12-14 - Conservation Representative	\$278,000
BMP 5, 7, 8, 9 - Outreach	
Advertising in partnership with California American Water	\$0
Landscaping for Drought Seminar	\$5,000
Living with Limited Water Seminar	\$5,000
Gardensoft CD reprints	\$3,000
Super Saver Recognition Program	\$15,000
BMP 1, 3, 5, 7, 9, 11, 13 - Water Audits/Budgets – Stage 2	\$475,000
BMP 1, 2 – Rebate Program Administration	\$0
BMP 7, 9 - Linen/Towel Reuse Program	\$9,000
BMP 5, 7, 9, 11 CIMIS Station Annual Maintenance	\$6,000
BMP 2 - School retrofits	\$225,000
Cash for Grass (Incentive program for turf removal)	\$45,000
BMP 1, 2, 9 - Water Conservation Devices	\$45,000
BMP 7 - Water Conservation Printed Material	\$30,000
BMP 13 – Water Waste Prohibitions (See MPWMD Regulation XV)	\$0
Total	\$1,156,000

(i) Water Auditor Training: Annual local training in auditing landscapes and establishing water budgets, including certification testing.

(j) Water Conservation Representative: MPWMD received Board approval in its FY 2007-2008 budget to fund one Conservation Representative position (with an emphasis on water waste enforcement) utilizing part of the conservation surcharge approved in D.06-11-050. This item continues funding for the position.

(k) Outreach: This category includes seminars that cover topics related to drought tolerant landscaping and xeriscaping and ways to utilize technology and appliances to reduce water consumption. The Super Saver Recognition program would implement a similar program to [www.watersavingshero.com](http://www.watersavingshero.com) for the Monterey Peninsula area. The printed material program acquires, updates and distributes water conservation materials to the public via local retailers, organizations, and other means of notification.

(l) Water Audits/Budgets – Stage 2: This item funds completion of the remaining required Large Landscape irrigation audits and budgets to achieve compliance with the requirement of Regulation XV. The audits will include Large Landscape customers in the Monterey Main system and the Ryan Ranch, Hidden Hills and Bishop systems.

MPWMD contracts with Certified Landscape Irrigation Auditors to perform audits and prepare water budgets.

(m) Rebate Program Administration: MPWMD administers the rebate program, including processing rebates and maintaining program records.

(n) Linen/Towel Reuse Program: Funding will allow MPWMD to maintain supply of available water conservation signage for the local hospitality industry. Program promotes delay in changing sheets and towels in hotel rooms and provides required notification to restaurant visitors that water is only served upon request.

(o) CIMIS Station: The CIMIS station calculates local evapotranspiration rates and uploads the data to the State's California Irrigation Management Information System. Data is available to local Smart Irrigation Controllers to manage outdoor watering schedules.

(p) School Retrofits: Provides funding to local educational facilities to upgrade high water use areas and water fixtures with new technology. This program would be directed primarily toward schools that have limited budgets and could not otherwise afford to upgrade toilets, urinals, food service facilities and landscaping devices to water-efficient levels.

(q) Cash for Grass: This is an incentive program that offers eligible water users in the residential, commercial, industrial, and institutional sectors cash per square foot to convert established grass into a water-smart landscape.

(r) Water Conservation Devices: free giveaways of residential plumbing devices to local water users. Devices purchased under this program are closely coordinated with California American Water.

(s) Water Conservation Printed Material: Material includes books, brochures, videos, and other documentation that promotes water conservation and offers methods for saving water inside and out for both residential and non-residential water users.

(t) Water Waste Prohibitions: This ongoing program includes an enforcement and education element to reduce water waste and non-essential water use. MPWMD has authority to issue citations to flagrant water wasters.

### 3. COMMUNICATION AND COOPERATION

The Parties agree that communication and cooperation is an essential component of effectively implementing and running the conservation program.



#### 4. REPORTING REQUIREMENTS

##### Applicability:

(a) The reporting requirements in this section shall apply to the California American Water and MPWMD programs funded by this decision.

(b) MPWMD shall provide its invoices to California American Water for reporting purposes.

(c) California American Water will report on behalf of MPWMD, and MPWMD will collaborate with California American Water to provide necessary information.

(d) If no money has been spent in the reporting period, California American Water shall report that it has spent no money on the program.

##### Information to be Reported in the Next Monterey District General Rate Case:

(e) In its next general rate case ("GRC") for the Monterey District, California American Water shall provide a spreadsheet in electronic format with the following information:

For each customer receiving an audit or a rebate or a retrofit:

- i. Estimated savings from the installed equipment
- ii. 12 months of prior usage for the customer and 12 months of usage after a customer receives an audit or rebate. This information will include meter read dates.
- iii. whether the customer is low income or multi-family residential
- iv. climate zone
- v. size of lot (if customer is residential)
- vi. number of people in the residence (if customer is residential)
- vii. features used to calculate allotment (if customer is non-residential)

For each customer audited:

- viii. date audit completed
- ix. number of staff hours required to complete audit
- x. number and type of water consumption fixtures installed
- xi. date follow-up action was taken from the audit
- xii. recommendations from audit for fixture replacement

For customers who refuse an audit, California American Water shall note the reason, if known

(f) In the same spreadsheet, California American Water shall provide the following information for customers who receive rebates:

- xiii. date rebate was given to the customer

- xiv. type of appliance the rebate is for
- xv. dollar amount of rebate
- xvi. whether the customer previously received a rebate.
- xvii. Specific reporting requirements for the WBIC program are including in Section 6 of this Settlement Agreement.

(g) For each direct install of water saving devices, California American Water shall provide, in addition to the information listed above, the following information:

- xviii. any contractor-related expenses for the retrofit
- xix. justification for full retrofit
- xx. date of revisit to ensure proper installation

(h) California American Water will modify the customer survey to add a question about whether the customer has a common area laundry facility if the property is an apartment or multi-family complex. California American Water will then track this data on a going forward basis and provide the data in the next GRC.

(i) Estimated water savings: In its next GRC, California American Water shall include estimated water savings for each device offered through California American Water and MPWMD's conservation programs funded through the budgets within this Settlement Agreement. California American Water and MPWMD agree to establish consistent water saving estimates.

(j) Actual water savings: In its next GRC California American Water shall provide actual water usage prior to each device install and after each device install.

**Annual Summary Report:**

(k) California American Water agrees to continue to provide the annual summary report that is required in D.06-11-050, Settlement, pp. 28-29, with the modification herein that the annual summary report will show which conservation activities California American Water and MPWMD undertook through California American Water's operating budget and MPWMD's operating budget and the one-way balancing account. D.06-11-050, Special Request #7, Settlement pp. 30-31, provides:

"CAW agrees it will file an annual summary report with the Commission and ORA showing which conservation activities CAW undertook (out of their normal operating budget) and which activities MPWMD undertook and the costs of each. MPWMD activities shall be broken out into those funded under MPWMD's current budget, those funded via the Ordinance 92 memorandum account identified in Special Request #6, and those funded via the surcharge proposed in this special request. This annual Monterey water conservation report shall include a brief explanation of the need for each activity, and the nature of the activity, measurable goals, and the results and achievements of each program (i.e. number

of units distributed or installed, estimated water – and energy if quantifiable – savings in Ccfs and dollars, etc.). It shall also include a summary of the conservation plan for the following year with timelines, implementation plans, whether to be implemented by CAW or MPWMD and budgeted amounts for each type of activity. This report would be supplemental to the required Urban Water Management Plan filed by CAW in its GRC per D.92-09-084.”

(l) California American Water agrees to include in its annual summary report the estimated water savings as outlined in section 4.e and 4.i above.

(m) MPWMD agrees to track and provide DRA with a report in the next GRC for the Monterey District detailing the amount of water saved through the rebate program that was reinvested through the water credit program. If this amount of water exceeds 0.5 AF in any year, DRA expects MPWMD to revise its ordinances so that customers receiving credits must refund the money received from ratepayers through the rebate program, in order for MPWMD to receive further rebate funding.

(n) The annual report will be due on May 1 of the succeeding calendar year for all activity of the prior calendar year.

(o) Evaluation of effectiveness of the Outreach Program: The Parties agree that California American Water shall attempt to evaluate the effectiveness of its outreach program. California American Water agrees to revise its audit and other customer forms and MPWMD agrees to revise its rebate form in order to obtain additional feedback from customers so as to determine how they learned about conservation programs to assist it in evaluating the effectiveness of its outreach spending. California American Water will analyze this information and present the information in the annual summary report. Additionally, California American Water will continue to conduct an annual analysis of the weather-adjusted consumption in the Monterey District and will provide this information in the annual summary report.

## 5. REBATES

a) The Parties agree that the total budget for the rebate program shall be \$924,925, plus an associated \$50,000 per year for the limited WBIC study for residential customers, schools, parks and cities.

b) The Parties agree that one hundred percent of the \$924,925 budget, plus the associated \$50,000 per year for the limited WBIC study, will be used for rebate dollars given to customers.

c) The account will be capped at \$924,925 over three years. If after one year California American Water has spent more than 1/3 of this amount, or after two years California American Water has spent more than 2/3 of this amount, and projects that it will overspend in this category, it may file an advice letter to increase the budget by the rate of overspending, or \$250,000 which ever is smaller. MPWMD administers the rebate program and uses its staff time to cover administrative needs of this program.

d) The WBIC Pilot Study Program is separately capped at \$50,000 and is excluded from the advice letter treatment for additional funding if California American Water projects spending to exceed the rebate program of \$924,925.

e) MPWMD agrees to continue to revise and update the value of the rebates for each type of device using its current ordinance process. Rebates for new water saving technologies with proven cost-effective water savings (e.g. pint urinals, synthetic turf, boilerless steamers, etc.) may be added to the program. The ordinance process includes Board committee review, Technical Advisory Committee review, and a minimum of two public hearings before the MPWMD Board.

f) MPWMD agrees to continue to provide rebate forms at appliance stores and to work with vendors to ensure consistent customer notification of rebate availability.

## **6. WBIC PROGRAM**

a) California American Water will provide direct install of WBIC devices for up to 40 customers. There are four reference evapotranspiration zones and each zone will have ten customers with devices installed.

b) California American Water and MPWMD agree to collaborate to choose the customers to participate in the program.

c) These customers will be selected through the audit program and California American Water or MPWMD must complete an audit for each customer prior to enrollment in the WBIC program.

d) Customers participating in the program will be dedicated irrigation meter customers.

e) Customers participating in the program will not be eligible to receive a water credit for the WBIC retrofit from MPWMD.

f) In the next GRC, California American Water will report data on the program. If there is not usage data on cost effectiveness by the time California American Water files the next GRC, it will provide the account number and site information for customers who have been enrolled in the program, and will file usage data updates as part of the 100 day update allowed in the GRC rate case plan.

## **7. AUDITS**

### **CII Indoor audits:**

(a) California American Water agrees to attempt to conduct approximately 39 indoor audits per year for small CII properties with in-house staff.

(b) California American Water will utilize in-house staff and if necessary hire consultants to conduct indoor audits in large and small CII properties. It will

spend up to \$30,000 on large CII audits, and up to \$20,000 on small CII audits. If by the end of the third quarter of the year, California American Water has not used a significant amount of the \$20,000 for small CII audits and if California American Water has attempted to find small businesses to audit but there has been no demand beyond the number completed by internal staff, California American Water will be able to use the small CII budget dollars for large audits.

(c) California American Water will make reasonable efforts to find a least-cost vendor to conduct the audits.

#### Water Audits/Budgets:

(d) The Parties agree that the landscape Water Audits/Budgets required by MPWMD Regulation XV, Stage 2, will be funded by MPWMD.

(e) California American Water and MPWMD will make reasonable efforts to disseminate CII rebate and audit information when conducting Large Landscape audits of customers that qualify as CII (mixed use or dedicated irrigation accounts).

### **8. LARGE LANDSCAPE UPGRADE GRANTS FOR SCHOOLS, PARKS AND CITIES**

(a) The Parties agree to a budget of \$75,000 for California American Water's incentive grant program for large landscape customers that are cities, schools or parks. California American Water requested \$20,000 (2009), \$25,000 (2010) and \$30,000 (2011) for funding assistance ("upgrade grants") Funding totals \$75,000 for three years.

(b) Customers participating in the Large Landscape Upgrade program will not be eligible to receive a water credit for the Large Landscape Upgrade retrofit from MPWMD.

(c) For each customer who receives an incentive grant, California American Water shall provide prior usage and usage after installation

(d) California American Water shall identify and provide estimated savings from the devices on each property that receives an incentive grant.

(e) California American Water shall provide information about each additional measure taken with the grant money.

### **9. CONSERVATION INTERN**

(a) The Parties agree that California American Water's \$30,000 per annum may be applied to the costs associated with student conservation interns or temporary conservation labor (non-California American Water staff, through staffing agency). The summary of duties of the conservation intern position would include: Help with California American Water's conservation booth at community events and scheduled residential water audits; complete pre-audit phone surveys with customers; enter customer information and

generate needed reports and program analysis; assist in entering and gathering data and information for the annual BMP program reports; assist in the development and implementation of new conservation programs; assist with general administrative tasks associated with the various conservation programs and special grant projects.

#### 10. LOW INCOME PROGRAM

(a) Nothing in this Settlement Agreement excludes low income customers from participating in the programs agreed to in this Settlement Agreement.

(b) The Parties agree that California American Water may propose its low income program and apply for funding by a tier 3 advice letter. California American Water will work with the low income oversight board, Pacific Gas & Electric Company ("PG&E"), and DRA in developing its program. California American Water may file a proposal that includes but is not limited to the following budgeted items that it has removed from this proceeding: Residential Low Income program – BMP 1 and 2 (\$150,000), HECW Program – BMP 6 (\$189,000), Residential Toilet Incentives – BMP 14, assistance with high efficiency toilet replacements (\$60,750). This Settlement Agreement does not preclude California American Water from proposing a low income program that differs from the program it originally proposed in this proceeding. DRA will evaluate the program components and funding for reasonableness at the time California American Water files the advice letter. This Settlement Agreement does not preclude DRA from opposing the programs set forth above and DRA can protest the advice letter if it does not fully agree with California American Water's proposed program or funding request.

#### 11. PUBLIC OUTREACH AND EDUCATION

Section 11 provides additional detail on the funding mechanism for the public outreach and education costs.

(a) Budget: The Parties agree to a cap of \$901,488 for California American Water's three-year budget for conservation public outreach and education in the Monterey District, plus the possibility of additional \$100,000 for emergency public outreach if the criteria in section 11 (i) are met. Appendix B to the motion for adoption of this Settlement Agreement sets forth California American Water's current public outreach budget for 2009. This budget has not been agreed to by the Parties. California American Water proposes that Appendix B is an outreach plan and that it may need to modify its outreach plan to respond to the circumstances in the Monterey District. Nothing in this Settlement Agreement prevents California American Water from using its discretion to determine which outreach activities are reasonable and necessary to promote conservation in the Monterey District throughout the recovery period.

(b) California American Water will not spend a majority of the budget on one promotional campaign or in one quarter.

(c) The outreach budget is targeted at providing information; on all aspects of the conservation program, as to when to turn on and off outside irrigation systems

and how to set those systems for minimum usage, on new conservation water rates and how to manage to your allotments, how to apply for and receive rebates for water saving devices.

(d) Parties agree that all conservation ads and outreach contain a local phone number for the Monterey conservation department.

(e) All outreach material related to programs authorized by this Settlement Agreement shall include contact information and logos for both California American Water and MPWMD.

(f) Parties agree that all conservation ads and outreach contain the website address for the joint conservation website listed in section (j) below.

(g) California American Water and MPWMD agree to collaborate on the content of local public outreach and education funded by this settlement agreement.

(h) Parties agree that none of the conservation outreach budget will be used for satellite system survey allotment letters, or commercial allotment surveys.

(i) Advice Letter treatment: The Parties agree that California American Water shall be able to file an advice letter for an additional \$100,000 of funding if needed for emergency public outreach when (a) California American Water's production of water is within 2% of its legally authorized year-to-date production limits set forth in Table 1 of the proposed Revised Rule 14.1, Water Conservation Plan, Monterey District filed with the Commission on October 10, 2008 ("Rule 14.1"), or (b) an escalation to the conservation stages under Rule 14.1 have been triggered (Stage 1 to Stage 2 or Stage 2 to Stage 3). The advice letter is capped at \$100,000 and shall not include costs incurred for pre-rationing and rationing activities. At such time that the advice letter goes into effect, California American Water shall place a notice on the customer bill stating that it is a water conservation emergency and that customers should help conserve water.

(j) Website:

- i. California American Water and MPWMD agree to develop a website that they jointly manage to make conservation information available to area customers. The website address and conservation department telephone number for the local Monterey office will be on California American Water's customer bills. The same telephone number for the conservation department will be on the website. California American Water and MPWMD will endeavor to complete the website by March 31, 2009.
- ii. Parties agree that there shall be links to this website from California American Water's website and from MPWMD's website.

- iii. Parties agree that there shall be links from this website to California American Water's and to MPWMD's websites.
- iv. Parties agree to include a rate calculator on this website. This may be accomplished through a link to California American Water's website
- v. Cal Am will contribute \$30,000 over three years from the outreach budget to develop and maintain the website.
- vi. Rebate information shall be included on this website including links to rebate forms.
- vii. California American Water and MPWMD agree to conduct public meetings with neighborhood and homeowner associations on available conservation programs as part of the roll out of new website

(k) CII Marketing: The Parties agree that \$24,000 will be used for marketing the CII audit program for three years.

- i. The Parties agree that mailings will be coordinated with rebate mailings to reduce postage costs.
- ii. Staff will utilize a combination of direct calls, cold call site visits, chamber meetings and events, and direct letters in targeting CII customers.

## 12. FUNDING MECHANISM FOR CONSERVATION

(a) The Parties agree that California American Water's conservation spending will be tracked in a one-way balancing account; and that MPWMD's conservation spending will be tracked in a separate one-way balancing account. The Parties agree that California American Water will assess a volumetric surcharge to fund the conservation budget. The Parties also agree that the surcharge and one-way balancing accounts will track the difference between California American Water's and MPWMD's actual conservation expenses and surcharge collections.

(b) California American Water One-Way Balancing Account: The Parties agree that the account shall be capped at \$2,424,678 for three years. The one-way balancing account shall have two internal spending caps; one on the public outreach and education budget of \$901,488 for three years, and one on the rebate budget of \$974,925 for three



years.<sup>3</sup> For the remaining \$548,265, California American Water shall make reasonable efforts to apply these funds towards the conservation budget proposed in this Settlement Agreement. In its discretion, California American Water may move the \$548,265 between its conservation programs, excluding public outreach and rebates.

(c) MPWMD One-Way Balancing Account: The Parties agree that the account for the MPWMD budget shall be capped at \$1,156,000 for three years. MPWMD shall make reasonable efforts to apply these funds towards the conservation budget proposed in this settlement.

(d) The Parties agree that the MPWMD Conservation Surcharge and Balancing Account (D.06-11-050, Special Request #7) shall be closed.

(e) California American Water agrees to make a good faith effort to spend in the categories as outlined in this Settlement Agreement.

### 13. FUNDING MECHANISM FOR RATIONING

(a) Rationing Memorandum Account: California American Water will retain its rationing memorandum account to track California American Water's own rationing-related expenditures.<sup>4</sup> The Parties agree that the language that the Commission previously authorized for this memorandum account in D.03-02-030 and D.08-08-010 shall continue to apply to the memorandum account.

(b) The Parties agree that MPWMD's Emergency Conservation and Rationing Memorandum Account (D.06-11-050, Special Request #6) shall be closed.

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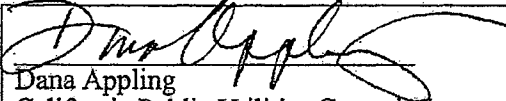
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<sup>3</sup> The total budget for the Rebate Program is \$974,925. \$50,000 of the Rebate Program will be applied to the WBIC Pilot Study Program.

<sup>4</sup> The Commission authorized this account in D.03-02-030, Ordering Paragraph 5; then in D.08-07-010 the Commission authorized the account to include costs associated with pre-rationing related activities, with the condition that California American Water coordinate its pre-rationing activities in this proceeding (A.07-12-010), including the development of a process to give MPWMD access to customer consumption information without violating customer privacy, with A.08-01-027 (California American Water's Monterey District GRC). The terms of D.08-07-010 will continue to apply to this rationing memorandum account.

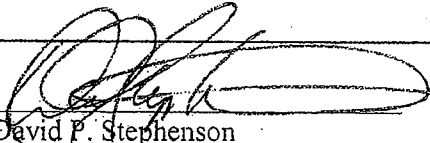
Respectfully submitted,

 Dana Appling California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102	David P. Stephenson Assistant Treasurer CALIFORNIA-AMERICAN WATER COMPANY 4701 Beloit Drive Sacramento, CA 95838
Darby Fuerst MONTEREY PENINSULA WATER MANAGEMENT DISTRICT PO Box 85 Monterey, CA 93942-0085	

January 15, 2009

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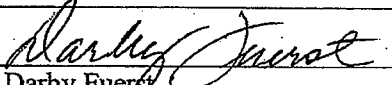
Respectfully submitted,

<p>_____ Dana Appling California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102</p>	<p> David P. Stephenson Assistant Treasurer CALIFORNIA-AMERICAN WATER COMPANY 4701 Beloit Drive Sacramento, CA 95838</p>
<p>_____ Darby Fuerst MONTEREY PENINSULA WATER MANAGEMENT DISTRICT PO Box 85 Monterey, CA 93942-0085</p>	

January 15, 2009

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Respectfully submitted,

<p>_____ Dana Appling California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102</p>	<p>_____ David P. Stephenson Assistant Treasurer CALIFORNIA-AMERICAN WATER COMPANY 4701 Beloit Drive Sacramento, CA 95838</p>
<p> _____ Darby Fuerst MONTEREY PENINSULA WATER MANAGEMENT DISTRICT PO Box 85 Monterey, CA 93942-0085</p>	

January 15, 2009

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**APPENDIX**  
**B**

## Proposed 2009 Conservation Outreach Budget

### Monterey

Budget figures are estimates and are subject to change according to availability of ad space and changes in advertising rates.

#### On-going

Residential, Multi-residential and commercial audit letters, satellite system survey allotment letters, commercial allotment survey.	Costs include printing and postage	\$10,000.00
Conservation booth displays		\$12,000.00
Comprehensive conservation brochure*	Feature all conservation programs available to customers, including information on how to read your meter and water-saving tips. Costs include design and printing.	\$20,000.00
Public radio conservation message	Promote conservation programs, water saving tips and events. 52 week schedule, approximately 1500 announcements per year	\$28,000.00
Conservation website	Post information on rebate programs, outdoor watering, water wise house calls, water audits, commercial programs, events and emergency conservation and rationing plan	\$10,000.00
Conservation bill insert	Potential for 3 inserts. Promote rebates and available conservation resources. Included in customer bills for main system, Bishop and Hidden Hills.	\$5,000.00

1st Quarter		
Customer Letter	Communicate status of water supply restrictions and new conservation programs including pending rate design changes. Promote MPWMD and CAW conservation resources. Costs include printing, data processing and postage.	\$30,000.00
Rebate brochure - direct mail	Design, printing, data processing and postage	\$46,000.00
Spring Into Action - print advertising	3 x each, Jr. Full, Spot Color in Monterey County Herald, Monterey County Weekly and Carmel Pine Cone	\$25,000.00
Spring Into Action - direct mail	Design, printing, data processing and postage	\$40,000.00
Spring Into Action - press release, bill text message	Encourage customers to delay turning on sprinklers at end of winter season while ground is still saturated from rains. Distribute press release to local media. Bill text message for main system and 68 corridor satellite system customers.	
2nd Quarter		
Event - Good 'Ol Days	Promote rebates and conservation programs including water wise house calls. Approximate attendance: 30,000. Costs include booth, fair sponsored promotion.	\$2,000.00
Customer letter re: new rates, conservation programs	Printing, data processing and postage	\$40,000.00
Public meetings re: new rates, conservation programs	Venue rental fee including A/V, refreshments, handouts	\$2,500.00
Bill text message: Water Wise House Calls	Message on bills for main system, Bishop, Ryan Ranch and Hidden Hills customers.	
3rd Quarter		
Monterey County Fair	Promote rebates and conservation programs including water wise house calls. Approximate attendance: 60,000. Costs include booth, fair sponsored promotion.	\$2,500.00
Event - Sustainability Fair	Promote rebates and conservation programs including water wise house calls. Costs include booth, fair sponsored promotion.	\$2,500.00

4th Quarter		
Press Release - End of Water Year	Report on water consumption and production for water year. Update customers on supply situation and need for conservation. Promote available conservation programs and resources. Distributed to local media, including: Monterey County Herald, Monterey County Weekly, Carmel Pine Cone, KION/KCBA TV, KSBW TV, KAZU FM, KSMS Univision TV, Chambers of Commerce	
Turn off Your Sprinklers - Print Advertising	Remind customers to turn off their sprinklers as rainy season begins. Provide information on wise outdoor water use. Promote available conservation resources. 3 x each, Jr. Full, Spot Color in Monterey County Herald, Monterey County Weekly and Carmel Pine Cone	\$25,000.00
Turn off Your Sprinklers - Bill text message, press release	Text message placed on bills of Monterey main system and 68 corridor satellite customers. Press release distributed to local media including: Monterey County Herald, Monterey County Weekly, Carmel Pine Cone, KION/KCBA TV, KSBW TV, KAZU FM, KSMS Univision TV, Chambers of Commerce	
<b>TOTAL</b>		<b>\$300,500.00</b>
* MPWMD will contribute \$10,000.00 to this project.		