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Exhibit Number	:	ORA - ____
Commissioner	:	Michael Picker
Administrative Law Judges	:	Rafael Lirag Douglas Long
ORA Witness	:	Roy Keowan

ORA
OFFICE OF RATEPAYER ADVOCATES

OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

REPORT ON
BALANCING AND MEMORANDUM ACCOUNTS
Golden State Water Company
Test Year 2016 General Rate Case
A.14-07-006

San Francisco, California
March 6, 2015

MEMORANDUM

This Report on Balancing and Memorandum Accounts is prepared by Roy Keowan of the *Office of Ratepayer Advocates (ORA) - Water Branch,* and under the general supervision of Program and Project Manager Danilo Sanchez, and Program & Project Supervisor Lisa Bilir. Mr. Keowan's Statement of Qualifications can be found in ORA's Company-Wide Report on the Results of Operations in this proceeding, A.14-07-006. Shanna Foley and Kerriann Sheppard serve as ORA legal counsels.

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SPECIAL REQUEST # 1 – AMORTIZATION & CONTINUATION OF BALANCING AND MEMORANDUM ACCOUNTS

A. INTRODUCTION

In this chapter, ORA addresses GSWC Special Request #1, which sets forth GSWC's proposed actions for each memorandum and balancing account.[1] Mr. Ronald Moore's testimony presents GSWC's proposed disposition for 32 balancing and memorandum accounts. For each account, GSWC includes a report on the status of each account, a summary of each account (including the description), current balance, and the proposed action (for instance; amortization, continuation, closure, etc.). The total net under-collection as of May 31, 2014 of GSWC's 32 accounts included in Special Request # 1 is $42,237,244.79.[2]

ORA uncovered a memorandum account that GSWC did not list in the testimony of Ronald Moore (Income Tax Repair Regulations Implementation Memorandum Account) and confirmed this with GSWC on November 5, 2014. Subsequently, ORA requested the balance in each of GSWC's memorandum and balancing accounts, not just the accounts listed in Ronald Moore's testimony.[3] In response, GSWC identified seven residual balances not previously reported that total a refund to customers of $1,828,800. It is unclear which balancing or memorandum account each of these residual balances reside in. Additionally, ORA uncovered three accounts with a zero balance that were not previously reported: Low-Income Customer Data Sharing Memorandum Account, First 5 LA Memorandum Account, and Credit Card Payment Program Memorandum Account. ORA also uncovered an additional Water Conservation Reserve Account that was not reported until GSWC responded to further questions from ORA on January 5, 2015.

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[1] Application 14-07-006, p. 25.

[2] GSWC Prepared Testimony of Ronald Moore, July 2014, Schedule 2.

[3] GSWC Response to ORA Data Request RK2-005, Question 1.

ORA utilized the same item numbering and naming of the balancing/memorandum accounts as identified in Ronald Moore's testimony. However, ORA addresses the Income Tax Repair Regulations Implementation Memorandum account in its discussion of Item 4 (Tangible Property Regulations Collateral Consequences Memorandum Account), and addresses the Water Conservation Reserve Account in its discussion of Item 18 (Water Conservation Memorandum Account). Thus, ORA reviewed 34 memorandum and balancing accounts in this proceeding. GSWC should be required to present the details of the seven additional residual balances and the three additional accounts with zero balances along with all the memorandum and balancing account balances with full support in the next GRC as described further below.

ORA examined each of the 34 accounts in the current GRC from the date the account became effective. Larkin and Associates, ORA's consultant, conducted the review in the last GRC and generally examined account balances though September 30, 2011, which was a net under-collection of $40,209,942 on that date.[4] ORA examined the balances of the accounts previously reviewed by Larkin and Associates from the last review date. ORA's balancing and memo account review consisted of an evaluation by ORA of account balances and transactions for the period of September 30, 2011 through June 30, 2014 with a reported net under-collection of $41,850,932.[5]

In its review, ORA presents each account separately, except for the California Alternative Rates for Water Balancing Account (CARWBA) and the Conservation One-Way Balancing Account (CEOWBA), where the discussion is combined for Regions 1, 2, and 3. The Region 2 and Region 3 Interim Rates Memorandum Accounts are identified as one account in GSWC's Preliminary Statements. However, these accounts are addressed as two separate accounts in

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[4] A.11-07-017, DRA Testimony on Special Request #4, Amortization & Continuation of Balancing and Memorandum Accounts, dated February 6, 2012. ORA consultant Larkin and Associates reviewed the balances in all 32 Balancing and Memorandum Accounts presented in the Testimony of Ronald Moore in the present GRC other than the American Recovery and Reinvestment act of 2009 Balancing Account, Bay Point Mandatory Conservation Rationing Implementation Memorandum Account, Tangible Property Regulations Collateral Consequences Memorandum Account, Region 3 and 2 Interim Rate Memorandum Account, Region 3 Rate Base Surcharge and Folsom Refund Residual.

[5] The balance provided in response to PR1-001 was $41,932,416. GSWC updated the balance of the ARRABA in response to RK2-003 Q.2 resulting in a new cumulative balance of $41,850,932.

GSWC's testimony. ORA spot checked interest calculations for each applicable account with no discrepancies noted. For each item, ORA presents:

a) The account background, which covers the relevant history for each account;

b) Review scope and objectives, which define ORA's review procedures;

c) Review procedures and results, which describe ORA's review process; and

d) Findings and recommendations, which present ORA recommendations based on the results of the review procedures.

Unless otherwise noted, the balances for each account are the cumulative net balance as of June 30, 2014. ORA recommends that GSWC amortize account balances in accordance with Standard Practice U-27-W and General Order 96-B. ORA's recommendations are summarized in **Table 1** below:

1 **TABLE 1: GSWC Balancing and Memorandum Account Summary Table**

Item #	ACCOUNT NAME	RECOMMENDATION	GSWC 6/30/2014 BALANCE	PERCENT OF TOTAL	ORA 6/30/3014 RECOM-MENDED BALANCE	DIFF-ERENCE
1	**COSMA**	AMORTIZE AND CONTINUE	$ (382,719)	-0.91%	$ (382,719)	$ -
2	**ARRABA**	CONTINUE AMORTIZATION AND CONTINUE	$ 60,866	0.15%	$ 60,866	$ -
3	**BPMCRIMA**	AMORTIZE AND CLOSE	$ 12,164	0.03%	$ 8,396	$ 3,768
4	**TPRCCMA**	TPRCCMA: CORRECT, THE BALANCE TO $0 AS OF JULY 2014 AND CONTINUE THE ACCOUNT THROUGH YEAR-END 2018. ITRRIMA: CONTINUE THE ACCOUNT THROUGH 1/1/2016, CREDIT THE ACCOUNT THE $900,000 COLLECTED IN RATES AND REFUND THE BALANCE WITHIN 30 DAYS OF 1/1/2016.	$ 418,497	1.00%	$ -	$ 418,497
5	**OSMA**	AMORTIZE THE BALANCE LESS ANY PREVIOUSLY AUTHORIZED AMORTIZATIONS AND CONTINUE THE ACCOUNT	$ 165,483	0.40%	$ 165,483	$ -
6	**OCAMA**	AMORTIZE AND CONTINUE THROUGH YEAR-END 2018	$ 54,278	0.13%	$ 54,278	$ -
7	**COIIMA**	AMORTIZE AND CLOSE	$ 616,433	1.47%	$ (54,874)	$ 671,307
8	**SMSMA**	NO CHANGE TO ONGOING SURCHARGE AND ADDRESS RESIDUAL BALANCES THROUGH THE ADVICE LETTER PROCESS.	$ 892,827	2.13%	$ 892,827	$ -
9	**LOISJMA**	AMORTIZE THE BALANCE LESS ANY PREVIOUSLY AUTHORIZED AMORTIZATIONS AND CONTINUE THE ACCOUNT	$ 204,481	0.49%	$ 204,481	$ -
10	**SMSRPMA**	AMORTIZE AND CONTINUE	$ 49,140	0.12%	$ 49,140	$ -
11	**LOAMA**	AMORTIZE AND CONTINUE	$ 275,917	0.66%	$ 275,917	$ -
12	**GOMMA**	AMORTIZE AND CLOSE	$ 20,310	0.05%	$ 20,310	$ -
13	**BWAMA**	AMORTIZE AND CONTINUE	$ 66,939	0.16%	$ 66,939	$ -
14	**WSBA**	DISALLOW	$ 375,586	0.90%	$ -	$ 375,586
15	**PBBA**	AMORTIZE	$ 3,578,177	8.55%	$ 3,578,177	$ -
16	**OCCSSMA**	AMORTIZE AND CONTINUE	$ 72,031	0.17%	$ 72,031	$ -
17	**OTSCMA**	ADDRESS ANY RESIDUAL BALANCE THROUGH THE ADVICE LETTER PROCESS	$ 236,171	0.56%	$ 236,171	$ -
18	**WCMA**	DENY INTEREST	$ 674,595	1.61%	$ 674,595	$ -
19	**BPWQMA**	AMORTIZE AND CLOSE	$ 5,640	0.01%	$ 5,640	$ -
20	**CARWBA**	AMORTIZE LESS ANY PREVIOUS AMORTIZATIONS AND CONTINUE	$ 9,481,392	22.66%	$ 9,479,801	$ 1,592
21	**SMWRBA**	CONTINUE	$ 1,184,011	2.83%	$ 1,184,011	$ -
22	**SMWRMA**	CONTINUE	$ 1,770,219	4.23%	$ 1,770,219	$ -
23	**RBBA**	CONTINUE	$ 3,435,434	8.21%	$ 3,435,434	$ -
24	**CEOWBA**	FILE TIER 3 ADVICE LETTER TO REFUND ANY BALANCES	$ 121,783	0.29%	$ 121,783	$ -
25	**COTBA**	AMORTIZE AND CLOSE	$ 88,220	0.21%	$ 88,220	$ -
26	**AEROJET**	CONTINUE AMORTIZATION, INCLUDE IN PRELIMINARY STATEMENT	$ 14,302,164	34.17%	$ 14,302,164	$ -
27	**CEMA-BWA**	AMORTIZE AND CONTINUE	$ 14,257	0.03%	$ 14,257	$ -
28	**CPMA**	AMORTIZE AND CLOSE	$ 3,480	0.01%	$ 3,480	$ -
29	**R3IRMA**	AMORTIZE, CLOSE AND INCLUDE IN PRELIMINARY STATEMENT	$ 2,438,111	5.83%	$ 2,438,111	$ -
30	**R2IRMA**	AMORTIZE AND CLOSE	$ 1,547,073	3.70%	$ 1,547,073	$ -
31	**RATE BASE**	AMORTIZE, CLOSE AND INCLUDE IN PRELIMINARY STATEMENT	$ 99,817	0.24%	$ 99,817	$ -
32	**FOLSOM**	REFUND, CLOSE AND INCLUDE IN PRELIMINARY STATEMENT	$ (31,843)	-0.08%	$ (34,706)	$ 2,863
	TOTAL:		**$ 41,850,932**	**100.00%**	**$ 40,377,319**	**$ 1,473,613**

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The analysis presented on account balances in this chapter is on the historical account balances; other ORA witnesses address the account policy and corresponding surcharges going forward. Mr. Eric Duran will present policy discussions regarding the CARWBA and the AEROJET accounts, and Ms. Julia Ende will present policy discussions regarding the CEOWBA and the Water Revenue Adjustment Mechanism/Modified Cost Balancing Account (WRAM/MCBA). Mr. Mehboob Aslam addresses the continuation of the PBBA account and Mr. Michael Conklin addresses the WSBA entirely.

B. SUMMARY OF RECOMMENDATIONS

1) The Commission should require GSWC to use the same account names for reporting account balances that are found on GSWC's preliminary statements as this reduces the opportunity for errors and provides for a more efficient and accurate review. See further discussion of this recommendation under the COSMA account.

2) The Commission should require GSWC to revise its preliminary statements to include all memorandum and balancing accounts. This ensures full transparency and disclosure of this information to the Commission, customers, and the public. See further discussion of this recommendation under item 26 AEROJET ACCOUNT, item 29 R3IRMA, item 31 RATE BASE, and item 32 FOLSOM.

3) The Commission should require GSWC to develop internal procedures, described below, in order to maintain and report accurate lists of accounts and balances in those accounts.

In California Water Service Company's (Cal Water) recent GRC, Cal Water agreed in settlement to procedures that will help improve clarity and consistency of reported balancing and memo account balances. Since GSWC revised many of its balancing and memo account balances as well as revising several of the balancing and memorandum accounts reported during this review, ORA recommends that GSWC adopt similar procedures to those agreed upon for Cal Water.[6] Those procedures include:

[6] D.14-08-011, Appendix B, pp. 35-36.

a) A detailed description of the step-by-step process of recording transactions in the memorandum and balancing accounts;

b) Detailed instructions for the process of determining which transactions are eligible to be included (e.g., effective date that transactions can begin being recorded in the accounts, types of costs, etc.);

c) A detailed discussion of how certain departments will coordinate with respect to memorandum and balancing accounts that require different types of costs to be captured (e.g., engineering (plant expenditures), legal costs, etc.);

d) A finalized approach for storing and organizing legal invoices and detailed instructions as to how the legal invoices will be recorded and/or allocated to the litigation memorandum accounts;

e) A detailed discussion of how to ensure that expenses that are already included in rates are not also double-counted in the memorandum and balancing accounts (e.g., internal labor, overhead costs, legal expense, etc.);

f) Identification of any special reporting GSWC is required to make in association with each memorandum and balancing account (e.g., litigation status reports, conservation reports, etc.);

g) A process for systematically updating the guidelines and spreadsheets every GRC cycle and periodically in between GRC cycles to account for any new changes in the existing accounts as well as the addition/deletion of accounts.

GSWC should report these procedures to the Commission in the next GRC. See further discussion of this recommendation under the TPRCCMA and WCMA accounts.

4) In addition to the above requirements, GSWC should provide a minimum amount of information pertaining to each of its balancing and memo accounts with its application to reduce the amount of time spent requesting basic account information. Doing so will improve the quality of ORA review, and improve the consistency of reported account balances. The information GSWC should provide with its application should, at a minimum, include:

a) An itemized list of all balancing and memorandum accounts, whether or not GSWC is seeking disposition of the account.

b) The net cumulative balance of each account.

c) Dollar amount of costs incurred since the last Commission review and the associated dates, broken down by month.

d) A workpaper showing all entries to the account.

e) A separate workpaper showing interest calculations.

f) The status of any amortization that has occurred since the last account review including the date when amortization began and when amortization will expire.

g) A workpaper showing monthly amortizations.

h) The document that authorized the account including page reference to the actual language.

i) Where in the Company's Preliminary Statement the account can be located.

j) If there have been any other Commission filings that may affect the account.

k) List any associated expense account.

l) Indicate if the account is treated as a regulatory asset and if it is recorded on the GSWC's balance sheet.

m) Indicate any balance associated with a balancing or memo account that is in a reserve account.

To recover costs recorded in balancing and memo accounts, the burden of proof is on the Company. GSWC provided minimal information in its application leading to a time-consuming review process. ORA's recommended procedures and requirements above will aid the review process, increase transparency, and ensure that ratepayers only pay for prudently incurred costs.

C. ANALYSIS AND RECOMMENDATIONS BY ACCOUNT

1. ITEM 1: COST OF SERVICE MEMORANDUM ACCOUNT (COSMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
1	COSMA	$ (382,719)	$ (382,719)	$ -

a. Background

This section addresses ORA's review and recommendations related to the Cost of Service Memorandum Account (COSMA). The purpose of the COSMA is to track, on a revenue requirement basis: (a) decreases in each impacted utility's revenue requirement resulting from

increases in its deferred tax reserve; and (b) other direct changes in revenue requirement resulting from taking advantage of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (also known as the *2010 Tax Relief Act*).[7] The COSMA was created via CPUC Resolution L-411 on April 15, 2011 to track the tax savings resulting from additional bonus depreciation allowed by the 2010 Tax Relief Act. The 2010 Tax Relief Act allows for 50% bonus depreciation on qualifying assets placed in service between January 1, 2010 and September 7, 2010, and in 2012. The Act also allows for 100% bonus depreciation for qualifying assets placed in service between September 8, 2010 and December 31, 2011. The benefits of the 2010 Tax Relief Act would not have been factored into GSWC current rates since the impacts could not have been determined in the prior GRC. In this GRC, GSWC is requesting to review and close the account.[8] The refund from this account would be applicable to all GSWC's ratepayers.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding balance to ensure that the refund balance was not understated.

c. Review Procedures and Results

ORA requested that GSWC provide the June 30, 2014 balance and all debit and credit ledger entries supporting the account balance. GSWC provided workpapers showing how the balance was derived. ORA reviewed the workpapers and conducted a phone conference to walk-through the calculations with GSWC executives. Additionally, ORA compared plant placed in service to the difference in plant in service reported in GSWC's 2011 and 2012 Annual Reports, and did not note any discrepancies. The workpapers appeared to be calculated in accordance with methods prescribed in Resolution L-411, dated April 15, 2014.

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[7] Enacted on December 17, 2010.

[8] GSWC Prepared Testimony of Ronald Moore, p. 3.

Finally, GSWC reported this account as the COSMA in this application and in the previous GRC, but there is no such account on GSWC's Preliminary Statements. GSWC has identified the COSMA as the 2010 Tax Act Memorandum Account in its Preliminary Statements.

d. Findings and Recommendations

ORA recommends that GSWC amortize the refund balance as of June 30, 2014 of $382,719. For clarity in future GRC requests and reviews, the Commission should require GSWC to use the same account names that are found on GSWC's Preliminary Statements. GSWC's request to close the account should be denied. Please see ORA's Report on the General Office, Chapter 3 for the recommendation regarding account disposition.

2. ITEM 2: AMERICAN RECOVERY AND REINVESTMENT ACT BALANCING ACCOUNT (ARRABA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
2	ARRABA	$ 60,866	$ 60,866	$ -

a. Background

This section discusses ORA's review and recommendations for GSWC's American Recovery and Reinvestment Act Balancing Account (ARRABA). The ARRABA collects a surcharge from customers in the Arden Cordova ratemaking area to repay the outstanding balance of a loan GSWC received from the California Department of Public Health (CDPH).[9] In 2009, GSWC received a $9,000,000 loan from the CDPH under the Safe Drinking Water State Revolving Fund (SDWSRF) and the American Recovery and Reinvestment Act of 2009 (ARRA). GSWC was to use the loan proceeds for the installation of meters and connection retrofitting of 7,358 flat-rate customers in the Arden-Cordova CSA to comply with California Water Code § 527(a)(1). Under the terms of the ARRA, GSWC needed to repay half of the $9,000,000 loan it received and the other half of the loan is forgiven. The account was established on December 17, 2009 via

[9] The responsible unit is now the Division of Drinking Water under the State Water Resources Control Board.

Advice Letter (AL) 1341-W in order to collect a surcharge from customers to repay the loan amount due for repayment. Resolution W-4810, dated December 17, 2009 authorized the establishment of the balancing account. Resolution W-4810 specifies that "Golden State Water Company shall establish a balancing account wherein it shall credit revenues collected through the surcharge and interest on deposits, and charge payments of principal and interest, and any fiscal agent or other loan-related fees or costs."[10] GSWC began making payments on the loan in 2013. The remaining balance on the loan as of June 30, 2014 is $7,802,651. GSWC requests to continue the account.

b. Review Scope and Objectives

ORA's objective was to evaluate the balance and to determine whether the account should continue.

c. Review Procedures and Results

ORA requested information on the cumulative account balance, amortization schedule, proof of payments, and bank statements to support the account balance in the ARRABA. GSWC provided all requested documents supporting the outstanding balance as of June 30, 2014. GSWC revised the June 30, 2014 balance to $60,886.[11] ORA reviewed the amortization schedule, ledger entries showing amounts collected from customers through surcharges, and semi-annual repayment schedule. ORA did not note any unusual or unexpected transactions. There were no additional expenses recorded in the ARRABA. ORA confirmed that the balance as of June 30, 2014 should be $60,886.

GSWC did not establish the balancing account in its Preliminary Statements until it filed AL-1570 in June 30, 2014. However, GSWC has been collecting surcharges from customers in accordance with the terms set forth in AL-1341 and Resolution W-4810.

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[10] Resolution W-4810, Ordering Paragraph No. 5.

[11] GSWC's response to Data Request RK2-003, Q.2 ARRA Balancing account 09 30 14 v1.xlsx.

d. Findings and Recommendations

The balance appears to be reported accurately and the loan payments are being made in accordance with AL-1341 and Resolution W-4810. ORA does not object to GSWC's request to continue the account.

3. ITEM 3: BAY POINT MANDATORY CONSERVATION RATIONING IMPLEMENTATION MEMORANDUM ACCOUNT (BPMCRIMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
3	BPMCRIMA	$ 12,164	$ 8,396	$ 3,768

a. Background

This section discusses ORA's review and recommendations related to GSWC's request to amortize and close the Bay Point Mandatory Conservation and Rationing Implementation Memorandum Account (BPCRIMA). The BPCRIMA was established because the Contra Costa Water District (CCWD) Conservation Plan requested that GSWC decrease its purchased water by 15%.[12] The CCWD would have issued a penalty if GSWC exceeded average historical use. The account was established by AL 1321-WA and tracks incremental operating costs, administration costs associated with Schedule No. 14.1-BY, penalty charges imposed by the CCWD, and any revenues generated from the implementation of Schedule 14.1-BY. The costs described above were recorded in this account from May 2009 through May 2010. Surcharges will apply to Bay Point customers only. This account was not addressed in the last GRC. GSWC requests amortization of the $12,164 account balance and closure of the account once the balance reaches zero.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding balance of costs recorded in the account.

[12] Advice Letter 1321-WA, Background.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the balance as of June 30, 2014 in the BPCRIMA. ORA reviewed invoices for a randomly selected three-month test period. Invoices from July, August, and September of 2010 were evaluated to ensure that they relate to the operating and administrative costs of implementing rationing in Bay Point as well as used to ensure the monthly ledger balances were properly supported. Schedule No. 14.1-BY was deactivated effective May 1, 2010, and therefore no costs should be recorded in the BPMCRIMA after May 1, 2010.[13] The invoices GSWC provided for review tied to and supported the BPMCRIMA balance presented in GSWCs Response to ORA Data Request PR1-001. However, the costs should not be included in the recoverable balance since they were recorded after Schedule No. 14.1-BY had been deactivated. Costs recorded after the May 1, 2010 totaled $3,768.[14] The remaining BPMCRIMA June 30, 2010 balance is $8,396.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the ORA-adjusted June 30, 2014 balance of $8,396. The remaining $3,768 recorded in BPMCRIMA was incurred after Schedule No. 14.1-BY was no longer in effect and therefore not eligible for recovery. ORA does not oppose GSWC's request to close the account once fully amortized.

4. ITEM 4: TANGIBLE PROPERTY REGULATIONS COLLATERAL CONSEQUENCES MEMORANDUM ACCOUNT (TPRCCMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
4	TPRCCMA	$ 418,497	$ -	$ 418,497

a. Background

This section discusses ORA's review and recommendations concerning GSWC's Tangible Property Regulations Collateral Consequences Memorandum Account (TPRCCMA). The

[13] E-mail from Ronald Moore of GSWC to Roy Keowen of ORA (October 21, 2014 11:01 AM PT) (on file with author).

[14] GSWC Response to ORA Data Request PR1-001, PR1-001 Analysis.xlsx, Tab 18.

TPRCCMA was established in D.13-05-011 to track costs related to GSWC's implementation of the United States Department of Treasury's proposed changes that would modify Section 1.263(a)-0 through Section 1.263(a)-3(h)(2) of the Treasury Regulations relating to the capitalization of certain repairs and replacements of plant property.[15] The account is set to remain in effect until January 1, 2016 when new rates are set in this GRC. GSWC requests to continue the account until December 31, 2018.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding balance of the TPRCCMA, and determine whether the account should continue.

c. Review Procedures and Results

During the review of GSWC's Preliminary Statements, ORA discovered that GSWC had created two related memo accounts. Resolution W-4932 dated September 27, 2012 authorized GSWC to create a memo account to track implementation costs of the new repair regulations, track $900,000 in unspent implementation funds that had been included in rates in the previous GRC, and track any tax impacts because of the new IRS repair regulations. In a phone conference held on November 5, 2014, GSWC clarified that it had created: (1) the Income Tax Repair Regulations Implementation Memorandum Account (ITRRIMA) to track the costs of implementing the new regulations, audit defense, and any unspent funds collected in rates; and (2) the TPRCCMA to track the revenue requirement impacts of the new regulations on deferred taxes. In the phone conference, GSWC stated that its application testimony and workpapers should have reflected the balance in the TPRCCMA as zero, since GSWC had not yet implemented the new IRS repair regulations. GSWC stated the balance reported in the application for the TPRCCMA was in error and the reported balance should actually have been attributed to the ITRRIMA. GSWC stated that costs tracked in the ITRRIMA are approximately $426,000 as of September 30, 2014.

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[15] A.11-07-017, Direct Testimony of Thomas S. Catlin, On behalf of The Utility Reform Network, p.19, February 20, 2012.

d. Findings and Recommendations

GSWC has requested both the ITRRIMA and TPRCCMA remain open for 2016, 2017, and 2018. GSWC states that the new tax repair regulations will be fully implemented and costs related to implementation will be known by year-end 2015. However, GSWC requests the ITRRIMA remain open to track audit defense costs in the event of an IRS audit. However, the possibility of an IRS audit exists independently of the newly implemented repair regulations and has existed ever since GSWC began filing federal taxes. The protection offered by the ITRRIMA for extraordinary circumstances should not extend beyond the originally authorized date of January 1, 2016 and should not cover any audit defense costs.

For the ITRRIMA, GSWC revised its Data Request RK2-001 response, which originally stated that the balance in the account was $463,252. The reported balance excludes the $900,000 credit for implementation costs GSWC was authorized to collect through rates in the last GRC.[16] Per GSWC's Preliminary Statements, monthly costs will be debited while monthly ITRRIMA-related revenues will be credited to the ITRRIMA.[17] However, GSWC has not recorded any revenues or credits to the ITRRIMA account. GSWC should adjust the ITRRIMA account balance to reflect the $900,000 credit authorized to be recovered in rates by the last GRC decision. Within 30 days of the account's expiration date, January 1, 2016, GSWC should file an advice letter to refund the account balance to ratepayers.

In regards to the TPRCCMA and its tracking of the impacts on deferred taxes, GSWC stated that the tax consequences of the new repair regulations will be fully known once GSWC files its 2014 taxes in 2015. Since the consequences will not be known in time to be addressed in this GRC, ORA agrees that this account should remain open through year-end 2018.

Moreover, the incorrect balances GSWC reported in the TPRCCMA and the lack of disclosure of the ITRRIMA indicate a problem with GSWC's accounting and reporting procedures for tracking its memorandum and balancing accounts as well as maintaining accurate and timely balances in those accounts. GSWC should develop internal procedures to ensure that it

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[16] D.13-05-011 adopted Settlement Agreement, pp. 111-112.

[17] GSWC Preliminary Statements, p. 56, Section CCC, 2.

maintains and reports these accounts accurately in the future. Please see recommendation 3 above and further discussion in the WCMA account.

5. ITEM 5: OUTSIDE SERVICES MEMORANDUM ACCOUNT (OSMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
5	OSMA	$ 165,483	$ 165,483	$ -

a. Background

This section discusses ORA's review and recommendations related to the Outside Services Memorandum Account (OSMA). This account was authorized in D.04-08-053. The OSMA tracks costs related to working with public agencies[18] on water supply reliability and rate issues. In D.13-05-011, GSWC was ordered to amortize the outstanding balance as of September 30, 2011, and to convert the OSMA to a balancing account. In response to Data Request PR1-001, GSWC identified the OSMA balance as of June 30, 2014 at $165,483, which includes amounts currently being amortized, residual balances and new account entries. GSWC has requested to amortize the outstanding balance and continue the account. This account affects Region 2 ratepayers.

b. Review Scope and Objectives

ORA's objectives were to verify balances of the OSMA, and determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing credit and debit entries, and invoices supporting the requested account balance. GSWC provided the requested support for the balance as of June 30, 2014. ORA used a three-month test period, selected at random, to evaluate the accuracy of the costs tracked in the account and support the balances provided in the ledger. ORA reviewed invoices from May 2012, November 2012, and February 2014 and did

[18] The Water Replenishment District (WRD) and WRD Technical Advisory Committee, Central and West Basin Municipal Water Districts, Metropolitan Water District, West Basin Water Association, and Central Basin Water Association.

not note any anomalies or discrepancies. The balance as of June 30, 2014 of $165,482 is properly supported.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the outstanding June 30, 2014 balance of $165,483 less any amounts GSWC will recover from amortizations authorized in the last GRC. ORA does not oppose GSWC's request to continue the account.

6. ITEM 6: ORANGE COUNTY ANNEXATION MEMORANDUM ACCOUNT (OCAMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
6	OCAMA	$ 54,278	$ 54,278	$ -

a. Background

This section discusses ORA's review and recommendations pertaining to the Orange County Annexation Memorandum Account (OCAMA). The OCAMA was authorized and established via Advice Letter 1240-W with an effective date of April 21, 2007. The purpose of the account is to track costs to defend GSWC's water rights from proposed annexations by the Orange County Water District. The account expires at year-end 2015. The balance as of September 30, 2011 was $94,760.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding balance to ensure costs recorded in the account are related to defending water rights from proposed annexations by the Orange County Water District, and to determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all credit and debit entries, and a sample of three months with invoices for review. GSWC provided a ledger report and a sample of invoices for three months. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA evaluated invoices for May 2012, March 2013, and July 2014 to ensure costs booked to the account were related to defending water rights from proposed annexations by the Orange County Water District, and to

verify that the sum of invoices supported ledger balances. ORA did not note any discrepancies. Based on the sample reviewed, the outstanding balance as of June 30, 2014 of $54,277 was adequately supported.

ORA verified the amount of surcharge collected by GSWC by using the authorized surcharge rate and volumetric sales data to estimate the amount GSWC collected from its customers. The estimated amount was subtracted from the amount GSWC was previously authorized to amortize. The remaining balance was compared to the outstanding June 30, 2014 balance presented in GSWS's Response to ORA's Data Request PR1-001. No material discrepancies were noted.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the June 30, 2014 balance of $54,278. ORA does not oppose GSWC's request to continue the account for the years 2016, 2017, and 2018.

7. ITEM 7: CONSEVATION ORDER INSTITUTING INVESTIGATION MEMORANDUM ACCOUNT (COIIMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
7	COIIMA	$ 616,433	$ (54,874)	$ 671,307

a. Background

This section addresses ORA's review and recommendation in regards to the Conservation Order Instituting Investigation Memorandum Account (COIIMA). The COIIMA was authorized in D.08-02-036 and D.10-04-001 and established in Advice Letter 1273-W with an effective date of April 28, 2008. The purpose of the COIIMA is outlined in Ordering Paragraph 5 of Decision 08-02-036:

> A memorandum account is authorized for Suburban and other Class A water utilities to track legal and related expenses incurred in participating in this proceeding from the date of issuance of this order instituting investigation (OII). Costs of preparing applications consolidated with this proceeding, whether incurred prior or subsequent to the issuance of the OII, shall not be tracked in the authorized memorandum accounts. Suburban's request to track legal and consulting expenses incurred prior to the issuance of this OII is denied.

In the previous GRC, GSWC was permitted to amortize the September 30, 2011 balance of $734,926, continue the account, and convert the account to balancing account[19]. In this GRC, GSWC requests to amortize and close the account.

b. Review Scope and Objectives

The objectives of ORA were to verify the outstanding balance to ensure costs recorded in the account were related to legal and related expenses incurred in participating in the Water Conservation OII proceeding (I.07-01-022), and determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report as of June 30, 2014 showing all credit and debit entries, and a sample of invoices for review. GSWC provided a ledger report showing a balance of $734,926. In its response to ORA's Data Request RK2-001, GSWC corrected the amount that it had presented in its application to $115,251 for Region 1 as of June 30, 2014 and a combined residual balance of -$54,874 for Regions 2 and 3.

GSWC stated in its response to ORA's inquiry that "Golden State's Regions 2 and 3 were included in the industry wide proceeding; Golden State issued a separate Application for its Region 1 conservation rates."[20] GSWC identified the Region 1 Application as A.08-09-010.[21] GSWC stated further that "[t]he charges included in tab 3b are for Golden State's Region 1 and were not reviewed in the last GRC."[22] The charges referenced in tab 3b total to $115,251.20.

Because the authorization for this account per D.08-02-036 extends to legal and related costs of participating in the Water Conservation OII, and the costs related to Region 1 were incurred in proceeding A.08-09-010, which is a separate proceeding not consolidated with the Water

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[19] D.13-05-011 adopting the Settlement Agreement between Golden State Water Company, The Division of Ratepayer Advocates of the California Public Utilities Commission and The Utility Reform Network, p.201

[20] E-mail from John Garon of GSWC to Roy Keowen of ORA (December 5, 2014 2:27PM PT) (on file with author).

[21] E-mail from John Garon of GSWC to Roy Keowen of ORA (December 5, 2014 2:27PM PT) (on file with author).

[22] Ibid.

Conservation OII, these costs are not properly booked to the COIIMA account. ORA excludes the $115,251.20 from the COIIMA account.

d. Findings and Recommendations

The amount provided by GSWC in the application is in error. The amount provided by GSWC in its attempt to correct the error is also inappropriate. $115,251 for Region 1 should be excluded from this account. ORA recommends that the Commission authorize GSWC to amortize the outstanding June 30, 2014 balance of -$54,874 and close the account once fully amortized.

8. ITEM 8: SANTA MARIA STIPULATION MEMORANDUM ACCOUNT (SMSMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
8	SMSMA	$ 892,827	$ 892,827	$ -

a. Background

This section discusses ORA's review and recommendations pertaining to the Santa Maria Stipulation Memorandum Account (SMSMA). AL-1246-W established the account on October 11, 2007. The purpose of the account is to track expenses related to the Twitchell Management Authority and Nipomo Mesa Management Area. Resolution W-4962 dated October 31, 2013 authorized GSWC to recover the final balance through a 36-month surcharge. The final account balance on December 31, 2012 was $1,072,210.

b. Review Scope and Objectives

ORA's objective was to evaluate the appropriateness of continued amortization of the account.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all credit and debit entries supporting the outstanding balance. ORA reviewed the ledger and the final account balance of $892,827 as of June 30, 2014. The balance appears to be properly supported and no extraneous entries were detected. The final account balance has been previously approved for recovery via Resolution W-4962 and no other costs have been booked to the account since December 31, 2013.

ORA verified the amount of surcharge collected by GSWC by using the authorized surcharge rate and volumetric sales data to estimate the amount GSWC collected from its customers. The estimated amount was subtracted from the amount GSWC was previously authorized to amortize. The remaining balance was compared to the outstanding June 30, 2014 balance presented in GSWC's Response to ORA's Data Request PR1-001. No material discrepancies were noted.

d. Findings and Recommendations

ORA does not object to GSWC's request to continue to amortize the balance through no change to the ongoing surcharge, and to address any residual balance through the advice letter process once the current surcharge expires on November 5, 2016.

9. ITEM 9: LOS OSOS INTERLOCUTORY STIPULATED JUDGEMENT MEMORANDUM ACCOUNT (LOISJMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
9	LOISJMA	$ 204,481	$ 204,481	$ -

a. Background

This section addresses ORA's review and recommendations related to the Los Osos Interlocutory Stipulated Judgment Memorandum Account (LOISJMA). AL 1294-WA established the LOISJMA effective October 9, 2008. The account tracks a portion of costs for technical studies needed to develop a "Basin Management Plan" for the Los Osos Groundwater Basin. Per the stipulation agreement, GSWC is responsible for 37% of the cost of the studies. In the last GRC, the account balance of $77,166 as of September 30, 2011 was found to be accurate and the account was allowed to continue. In this GRC, GSWC is requesting to amortize the outstanding balance and to continue the account.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding account balance and to determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the balance as of June 30, 2014 in the LOISJMA. GSWC provided a ledger report and three months of invoices that were selected at random by ORA. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA reviewed invoices for August 2013, December 2013, and March 2014. The invoices were evaluated to ensure that they were related to technical studies needed to develop a "Basin Management Plan" for the Los Osos Groundwater Basin as well as used to ensure the monthly ledger balances were properly supported. ORA did not note any discrepancies. ORA found that the $204,481 balance as of June 30, 2014 was properly supported. The Basin Management Plan has not been fully implemented at this time, so the account should remain open for the next GRC cycle.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the outstanding June 30, 2014 balance of $204,481 less any amounts GSWC will recover from amortizations authorized in the last GRC. ORA does not object to GSWC's request to continue the account for 2016, 2017, and 2018.

10. ITEM 10: SANTA MARIA STEELHEAD RECOVERY PLAN MEMORANDUM ACCOUNT (SMSRPMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
10	SMSRPMA	$ 49,140	$ 49,140	$ -

a. Background

This section discusses ORA's review and recommendations in regards to the Santa Maria Steelhead Recovery Plan Memorandum Account (SMSRPMA) The settlement agreement adopted in D.10-12-059 authorized the SMSRPMA and the account became effective on January 1, 2011 via AL 1442-W. The SMSRPMA tracks outside services including consultant and legal expenses related to the Santa Maria Steelhead Recovery Plan. In the last GRC, the account was allowed to continue with a balance of $44,728 as of September 30, 2011. GSWC has requested to amortize and continue the account. The account balance as of June 30, 2014 is $49,140.

b. Review Scope and Objectives

ORA's objectives were to verify the accuracy of the outstanding account balance and to determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the balance in the SMSRPMA as of June 30, 2014. ORA reviewed invoices for a three-month test period selected at random. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA evaluated invoices from April 2012, May 2012, and November 2012 to ensure that they were related to outside services for the Santa Maria Steelhead Recovery Plan and to ensure that the monthly ledger balances were properly supported. ORA did not find any discrepancies. The account should continue because the Steelhead Recovery Plan is still ongoing.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the June 30, 2014 balance of $49,140 and to continue the account.

11. ITEM 11: LOS OSOS GROUND WATER ADJUDICATION MEMORANDUM ACCOUNT (LOAMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
11	LOAMA	$ 275,917	$ 275,917	$ -

a. Background

This section discusses the review and recommendations related to the Los Osos Groundwater Adjudication Memorandum Account (LOAMA). D.10-12-059 authorized the LOAMA, which became effective on January 1, 2011 through AL 1441. The LOAMA tracks costs related to the Los Osos Groundwater Interlocutory Stipulated Judgment process in order to draft, negotiate, implement, and defend the establishment of a Basin Management Plan.[23] In the last GRC,

[23] AL 1441-W.

GSWC was allowed to recover $180,317 and continue the account through 2015 with an annual cap of $200,000. The balance as of June 30, 2014 was $275,917. In this GRC, GSWC has requested to amortize and continue the account.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding account balance to ensure costs were adequately supported and determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the balance as of June 30, 2014 in the LOAMA. GSWC provided a ledger report and three months of invoices selected at random by ORA. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA reviewed the invoices from June 2013, August 2013, and September 2013, which were evaluated to ensure that the costs were related to the drafting, negotiation, implementation, or defense of the Basin Management Plan, and verify that the monthly ledger balances were properly supported. ORA did not note any discrepancies and found that the $275,917 balance as of June 30, 2014 appears to be properly supported.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the outstanding June 30, 2014 balance of $275,917 and continue the account under the same annual cap of $200,000 adopted in D.13-05-011.[24]

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[24] D.13-05-011 adopting the Settlement Agreement between Golden State Water Company, The Division of Ratepayer Advocates of the California Public Utilities Commission and The Utility Reform Network, pp.181-182.

12. ITEM 12: GENERAL OFFICE MAINTENANCE MEMORANDUM ACCOUNT (GOMMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
12	GOMMA	$ 20,310	$ 20,310	$ -

a. Background

This section discusses ORA's review and recommendations related to the General Office Maintenance Memorandum Account (GOMMA). The GOMMA was authorized and became effective on May 6, 2011 via AL 1435-W. The GOMMA tracks costs related to GSWC's remediation efforts to renovate and repair detected damage caused by water and moisture, as well as all necessary renovation and repair of the damage to GSWC's General Office in San Dimas, CA.[25] In the last GRC, the Commission authorized this account to remain open to track costs to pursue insurance proceeds that may offset costs tracked in the account. In this GRC, GSWC has requested to amortize the balance and close the account.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding balance to ensure that costs are related to General Office remediation and repair in San Dimas and that no insurance proceeds were excluded from the account balance and to determine if the account should be closed.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all credit and debit entries to support the cumulative outstanding balance in the account as of June 30, 2014. GSWC provided a screenshot of a ledger account in response to ORA's Data Request PR1-001(Q.1, Tab 38).[26] All entries appeared to be related to a law firm specializing in insurance recovery.

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[25] AL 1435-W.

[26] This is an example of the time consuming review process for memorandum and balancing accounts during this rate case proceeding. For example, ORA noticed that the entries appeared to be from another account. GSWC confirmed the information was incorrect and provided a corrected ledger report, as well as a list of all the invoices and invoice amounts supporting the requested account balance.

ORA inquired about the status of any insurance proceeds recovered.[27] GSWC stated that it has used all paths to recover costs from the insurance companies but does not expect to receive any proceeds and does not plan to pursue insurance proceeds any further.[28] ORA requested that GSWC provide any correspondence or assessment from GSWC's attorneys supporting its claim. GSWC provided letters from each insurance company (ACE Insurance Co., American Electric & Gas Insurance Services Limited, and National Union Fire Insurance Company), stating that GSWC's insurance claims did not qualify for reimbursement under their respective policies. ORA reviewed the denial letters, which appear to support GSWC's claim that it will not receive any insurance proceeds that would be recorded in the GOMMA.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the June 30, 2014 balance of $20,310, and to close the account once fully amortized. Given that GSWC did not provide an adequate description of the account status in its application, ORA further recommends that GSWC develop more consistent and accurate account and reporting procedures related to its balancing and memo accounts. Please see recommendation 3 above.

13. ITEM 13: BARSTOW WATER ALERT MEMORANDUM ACCOUNT (BWAMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
13	BWAMA	$ 66,939	$ 66,939	$ -

a. Background

This section discusses ORA's review and recommendations related to the Barstow Water Alert Memorandum Account. AL 1426-W established the account on January 21, 2011. The purpose of the BWAMA is to track the incremental costs related to warning customers not to drink the water due to possible contamination in GSWC's Barstow Customer Service Area. In the last GRC, the Commission authorized GSWC to continue the account. ORA reviewed the account

[27] E-mail from Roy Keowen of ORA, to John Garon of Golden State Water Company (November 26, 2014 8:52 AM PT) (on file with author).

[28] Response to RK2-007, Question 1.c.iii.

balance, which was $35,490 as of September 30, 2011. In this GRC, GSWC has requested to amortize the balance and to continue the account for the years 2016, 2017, and 2018. Costs tracked in this account are related to costs tracked in the Catastrophic Event Memorandum Account – Barstow Water Alert CEMA-BWA. The distinction between the two accounts is that Water Alert costs for approximately one month time-period between the detection of contaminates and the establishment of the BWAMA were recorded in the CEMA-BWA,[29] whereas Water Alert costs after the establishment of BWAMA were all recorded in the BWAMA.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding account balance to ensure the costs booked to the account are related to the Barstow Water Alert, and to determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the BWAMA's balance as of June 30, 2014. GSWC provided a ledger report and three months of invoices selected at random by ORA. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA evaluated the ledger report and invoices for November 2011, May 2012, and December 2012. These documents were evaluated to ensure that costs were related to the water alert, as well as to confirm the monthly ledger balances were properly supported. ORA found no discrepancies and found the outstanding balance as of June 30, 2014 for $66,939 to be properly supported.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the June 30, 2014 of $66,939 and to continue the account for 2016, 2017 and 2018.

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[29] Per phone discussion between Ronald Moore of GSWC and Roy Keowen of ORA on October 1, 2014.

14. ITEM 14: WELL STUDY BALANCING ACCOUNT (WSBA)

ORA presents its analysis and recommendations on the Well Study Balancing Account in its Report on the General Office (Chapter 3) in this proceeding.

15. ITEM 15: PENSION AND BENEFITS BALANCING ACCOUNT (PBBA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
15	PBBA	$ 3,578,177	$ 3,578,177	$ -

a. Background

This section discusses ORA's review and recommendations related to the Pension and Benefits Balancing Account (PBBA). D.10-11-035 authorized the PBBA, which was then established in AL 1419-W with an effective date of November 19, 2010.[30] The purpose of this two-way balancing account is to track the difference between the pension and benefits expenses authorized in rates and the actual costs calculated in accordance with Accounting Standards Codification 715-10 (ASC 715-10), Compensation – Retirement Benefits (formerly known as SFAS 87). In the last GRC, ORA recommended that the recorded 2010 balance in the PBBA be reduced from $1,822,877 to $1,621,064 due to inclusion of GSWC's affiliate payments in the requested balance. In this GRC, GSWC has requested to amortize the current balance and to continue the account for 2016, 2017, and 2018.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding balance.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all debit and credit entries to the account supporting the outstanding balance as of June 30, 2014. GSWC provided ORA with a ledger report to review and a workpaper showing how the account entries are calculated. ORA did not note any unusual or unexpected ledger entries. ORA reviewed the workpaper calculations, which require GSWC to remove overhead allocations to affiliates. To verify the

[30] Ordering Paragraph No. 8.

monthly balances, ORA compared adopted amounts authorized in the last GRC to actual pension and benefits expense per the actuarial report prepared by GSWC's actuary Mercer. ORA verified the net difference against the ledger entries and found no discrepancies.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the June 30, 2014 balance of $3,578,177 less any amounts GSWC will recover from amortizations authorized in the last GRC. Please refer to ORA's Report on Labor and Pension & Benefits for recommendations regarding the future disposition of the Pension and Benefits Balancing Account.

16. ITEM 16: OMEGA CHEMICAL CORPORATION SUPERFUND SITE MEMORANDUM ACCOUNT (OCCSSMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
16	OCCSSMA	$ 72,031	$ 72,031	$ -

a. Background

This section discusses ORA's review and recommendations regarding the Omega Chemical Corporation Superfund Site Memorandum Account (OCCSSMA). The OCCSSMA was authorized and established via AL 1431-W with an effective date of September 9, 2010. The account tracks various ongoing costs related to the United States Environmental Protection Agency's (US EPA) investigation into the groundwater impacts from the Omega Chemical Corporation Superfund site located in Whittier, CA.[31] The account was allowed to continue in the last GRC with an outstanding balance of $36,708 on September 30, 2011. In this GRC, GSWC requests to amortize the outstanding balance of $72,031, and to continue the account. The balance is comprised of the previous balance of $36,708 and $35,323 in costs recorded from October 1, 2011 through June 30, 2014.

[31] AL 1413-W.

b. Review Scope and Objectives

ORA's objectives were to verify the outstanding balance and determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the balance as of June 30, 2014 in the OCCSSMA. GSWC provided a ledger report and three months of invoices selected at random by ORA. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA reviewed the provided invoices from August 2012, October 2012, and December 2013, which were evaluated to ensure that they were related to the EPA's investigation into groundwater impacts from the Omega Chemical Corporation Superfund site. ORA also reviewed the invoices to ensure that the monthly ledger balances were properly supported. ORA found no discrepancies and found the balance of $72,031 to be properly supported.

ORA reviewed EPA documents pertaining to the Omega Chemical Corporation Superfund Site to determine if there was a need for the account to continue through this rate case cycle. Based on EPA reports, it appears there are ongoing actions by the EPA that justify GSWC's request to continue the account for 2016, 2017, and 2018.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the outstanding balance through June 30, 2014 of $72,031 and to continue the account for 2016, 2017, and 2018.

17. ITEM 17: ORACLE TECHNICAL SUPPORT COSTS MEMORANDUM ACCOUNT (OTSCMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
17	OTSCMA	$ 236,171	$ 236,171	$ -

a. Background

This section discusses ORA's review and recommendations related to the Oracle Technical Support Costs Memorandum Account (OTSCMA). The purpose of the account is to track technical support costs to maintain GSWC's Customer Care and Billing (CC&B) system for

2011 and 2012, and the associated reduction in Operation and Maintenance expenses and technical support costs for its former customer service system. In the last GRC, there was no balance in the account since the CC&B had not yet been implemented at the time of the review. The account was continued until year-end 2012. On March 28, 2014, GSWC filed AL 1555-WA and the Commission issued Resolution No. W-4982 authorizing GSWC to implement a surcharge to recover $236,171, which was the ending account balance. The 12-month surcharge expires in June 2015.

b. Review Scope and Objectives

ORA's objectives were to verify the appropriateness of amortizing any residual balances once the temporary surcharge expires through a separate advice letter or the next GRC.

c. Review Procedures and Results

In its testimony, GSWC states that the outstanding balance in this account has already been authorized for recovery though Resolution W-4982. As such, there were no costs for ORA to review in this GRC. GSWC states it will address any potential residual balance that may result once the temporary surcharge expires in June 2015. Since ORA cannot predict what the residual balance will be, if any, the appropriate disposition of the balance cannot be determined at this time. Any remaining account balances should be addressed through an advice letter or in the next GRC.

d. Findings and Recommendations

Any residual balance in the OTSCMA should be addressed once the surcharge implemented in Resolution W-4892 expires either through the advice letter process, or in the next GRC. No further costs should be recorded in the accounts since GSWC has already been authorized to recover recorded balances, and any future costs should be included in forecasted rates. The account should be closed once GSWC amortizes the balance.

18. ITEM 18: WATER CONSERVATION MEMORANDUM ACCOUNT (WCMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
18	WCMA	$ 674,595	$ 674,595	$ -

a. Background

This section discusses ORA's review and recommendations related to the Water Conservation Memorandum Account (WCMA). AL 1284-W established the WCMA, which became effective on August 18, 2008. The WCMA tracked the extraordinary expenses and revenue shortfall associated with conservation measures in conjunction with the declared drought of 2008 in California.[32] In accordance with Resolution W-4840, dated September 23, 2010, GSWC implemented a 12-month temporary surcharge to recover the final account balance of $1,227,490 for Region 1. The Commission ordered GSWC to address any remaining balances in the next rate case, which would have been the GRC filed in July 2011.[33] GSWC is requesting to amortize the residual balance of $674,595 and to close the account once fully amortized. Of this amount, only $342,442 applies to Region 1.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding residual balances and to recommend the appropriate disposition of this account.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all debit and credit entries in the account. GSWC provided a report showing the beginning and ending balance not only for Region 1, but for Region 2, and Region 3 as well.[34] However, GSWC did not provide any information pertaining to the Region 2 and Region 3 WCMA in its testimony for the balancing and memo accounts.[35]

ORA requested that GSWC provide information supporting the amounts included in the application request. GSWC provided AL-1316 and AL-1317, which authorized WCMA

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[32] Advice Letter No. 1284-W.

[33] Resolution W-4840 dated 9/28/2010, "Golden State Water Company (GSWC) Region I. Order Authorizing Surcharges to Recover $1,227,490 For GSWC's Region I Service Area For Lost Revenues From Reduced Water Consumption By Customers" -- Ordering Paragraph No. 4.

[34] Response to Data Request PR1-001, Q.1. GSWC presented the Region 1 balance as a single balance, as opposed to separate balances for each Customer Service Area.

[35] A.14-07-006, Testimony of Ronald Moore, p.16, July 2014.

accounts for Region 2 and 3, and Resolution W-4751, dated April 16, 2009, which authorized GSWC to recover $1,041,462 for Region 2 and $943,562 for Region 3 in its WCMAs. The surcharges to recover the Region 2 and Region 3 WCMA balances expired in April 2010, leaving residual balances of $157,702 and $174,450 in each account, respectively. Thus, the total account balance reported by GSWC of $674,595 includes residual balances for each Region. Specifically, the total account balance is made up of $342,442 for Region 1, $157,702 for Region 2, and $174,450 for Region 3. Those balances represent residual amounts from surcharges that expired in April 2010 for Regions 2 and 3, and October 2011 for Region 1.

The Region 2 and 3 surcharges to recover balances in the WCMA expired prior to when GSWC filed its last GRC. In the last GRC, GSWC described the Region 1 WCMA only and presented a zero balance in the account.[36] In the Settlement Agreement adopted in D.13-05-011, GSWC and ORA agreed that the account balance was zero. However, GSWC presented contradictory information in this GRC. Specifically, in the present proceeding, GSWC provided information stating that the account balance was $674,595 and demonstrating that at the time of the June 2012 Settlement Agreement, each region – including Region 1 – had residual balances. Thus, the balance for the Region 1 WCMAs could not have been zero at the time of the D.13-05-011 settlement. However, GSWC did not disclose that information at the time.

ORA requested an explanation of how the account balance could have been zero in June 2012 and then $674,595 as of June 30, 2014 with no new costs related to the drought of 2008. GSWC responded:

> When the residual balances were converted to Reserve Account, in theory, the WCMA is deemed closed with a zero balance. The WCMA surcharges for Region 2 and Region 3 expired in April 2010, the Bay Point WCMA surcharge expired in October 2012 and the other Region 1 district WCMA surcharges expired in October 2011. Although Region 2 and Region 3 residuals occurred prior to the 9/30/11 (ORA's review cut-off in A.11-07-017), the WCMA was reviewed as one memorandum account. Even though the reserve account was not reviewed in the A.11-07-017, GSWC is entitled to recover the full

[36] A.11-07-017, Testimony Ronald Moore, p.18, July 2011.

amounts authorized in Resolutions W-4751 and W-4840. GSWC is therefore asking the Commission to review the reserve account balances in this GRC.[37]

Essentially, GSWC claims that it did not report the WCMA balances in the last GRC because GSWC had converted the account to a reserve account and the memo account was deemed closed with a zero balance.

If it is true that GSWC converted the residual balances to a reserve account, and the WCMA had a zero balance in the last GRC (A.11-07-017), GSWC should not have reported a balance of $674,595 in the WCMA in the present application.[38] Furthermore, GSWC should have corrected this balance in its listing of balancing and memorandum account balances in response to data request PR1-001. However, instead of reporting a zero balance in the WCMA and showing the WCMA as closed, GSWC reported a balance of $674,594.61 in the WCMA on August 28, 2014 in response to ORA's data request. GSWC had another opportunity to correct this balance in response to data request RK2-005 Question 1.[39] Moreover, GSWC never reported any balance in the WCMA reserve account and continued to report a $674,594.61 balance in the WCMA in response to the data request RK2-005, Question 1 on November 17, 2014. It was not until ORA continued to ask questions about these balances that GSWC provided the new explanation listed above regarding the contradictory information on WCMA's zero dollar balance on January 5, 2015.

ORA and the Commission rely on information reported by utilities to inform decision-making. GSWC needs to provide accurate account balances in order for the Commission to make informed decisions regarding appropriate disposition of account balances. In data request RK2-005, ORA asked GSWC to provide a full listing of all memorandum and balancing account balances. GSWC did not disclose the existence of a Water Conservation Reserve Account in its application or in response to this data request. If GSWC did not disclose this account that has a residual balance of $674,595 in the present application, in response to ORA's data request, or in

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[37] See Appendix BAMA-A: E-mail from Ronald Moore of GSWC to Roy Keowen of ORA (January 12, 2015 1:51 PM PT), at the end of this report.

[38] GSWC Prepared Testimony of Ronald Moore, July 2014, p. 16p

[39] See Appendix BAMA-B: GSWC Response to ORA Data Request RK2-005.

the previous GRC Application 11-07-017, there could be other balances in accounts that GSWC has not disclosed. The Commission should require GSWC to report accurate listings of balancing and memorandum accounts and accurate up-to-date balances in those accounts, and in all future filings with the Commission.

d. Findings and Recommendations

The Commission should uphold its standards of requiring accurate and complete information from utilities by not allowing GSWC to recover interest out of the $674,595. Regions 2 and 3 have had residual balances since April 2010 and Region 1 has had a residual balance since October 2011. GSWC should have requested to amortize these account balances in the last GRC or through an advice letter instead of allowing the accounts to accumulate interest. Because GSWC did not accurately report the WCMA balance during proceeding A.11-07-017, the settlement agreement in that proceeding did not appropriately address the WCMA residual balance of $674,595. Because this residual balance was not addressed at the time, additional interest has been allowed to accrue in this account. Had GSWC accurately reported the WCMA balance at the time of the A.11-07-017 settlement, ratepayers would not now be expected to pay this additional interest.

To prevent inaccurate account balances from being reported in the future, GSWC should develop internal procedures to ensure that amounts are timely booked into the correct accounts and reported to the Commission accurately. Please see recommendation 3 of this report regarding the development of internal procedures to improve GSWC account and reporting for its balancing and memo accounts.

19. ITEM 19: BAY POINT WATER QUALITY MEMORANDUM ACCOUNT (BPWQMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
19	BPWQMA	$ 5,640	$ 5,640	$ -

a. Background

This section discusses ORA's review and recommendations related to the Bay Point Water Quality Memorandum Account (BPWQMA). The BPWQMA was established in AL 1281-W with an effective date of July 7, 2008. The purpose of the account is to record the difference

between additional purchased water costs and the adopted purchased water costs from the Contra Costa Water District due to high levels of Total Organic Carbon in raw water. ORA reviewed the account in the last GRC. As a result, the account was authorized to be amortized and closed once fully amortized. GSWC implemented a surcharge to recover $77,628 in accordance with D.13-05-011. GSWC is requesting to recover the residual balance and close the account once fully amortized in this GRC.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding residual balances and to recommend the appropriate disposition of this account.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all the credit and debit entries in the account. GSWC provided an Excel workpaper showing the monthly balances in the account. ORA reviewed monthly balances and did not find any large variations in monthly recovery amounts recorded in the account. ORA estimated the total amount of surcharges collected using actual volumetric sales data and the surcharge rate. ORA did not note any material discrepancy.

d. Findings and Recommendations

ORA recommends that GSWC be allowed amortize the June 30, 2014 balance of $5,640 through a one-time surcharge on the service charge and the account will be closed once fully amortized pursuant to the decision in the previous GRC.

20. ITEM 20: CALIFORNIA ALTERNATIVE RATES FOR WATER BALANCING ACCOUNTS (CARWBA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
20	CARWBA	$ 9,481,392	$ 9,479,801	$ 1,592

a. Background

This section discusses the ORA's review and recommendations related to the California Alternative Rates for Water Balancing Account (CARWBA). There is a CARWBA for each Region, however, they are addressed as one account in this discussion. The CARWBA was initially authorized in D.02-01-034 and established via AL 1109-W with an effective date of

May 01, 2002. The purpose of the California Alternative Rates for Water (CARW) program is to provide a discount to low-income customers. Low-income customers receive a discount of 15% of the adopted average customer bill in their respective Region. The program is funded through a volumetric surcharge imposed on all metered customers who are not CARW customers. Any difference between total CARW discounts and CARW funding collected from the surcharge is recorded in the CARWBA. The last GRC reviewed the account balance of $5,022,096 through September 30, 2011 with no discrepancies noted. In this GRC, GSWC requests to have the current balance reviewed, have CARW surcharges recalibrated, and to continue the account for the years 2016, 2017, and 2018.

b. Review Scope and Objectives

ORA's objectives are to verify the outstanding balance and to determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all ledger entries that supported the cumulative balance in the CARWBAs as of June 30, 2014. GSWC provided the requested information in its response to Data Request PR1-001.

To verify the accuracy of the ledger report, ORA sampled two months from Region 2 in 2013 and vouched (verified) them to the account source documents. Region 2 was selected because it appeared to have the largest monthly under-collections and enough data in 2013 was readily available to verify ledger amounts. The ledger entries are based on calculations of program costs and program revenues. ORA reviewed the calculations and inputs for the calculations. Sample customer bills were reviewed to ensure that program discounts and surcharges were properly applied.[40] The source documents include customer bills and relevant Advice Letters. ORA noted a discrepancy in the account calculations. The number of customers that GSWC provided a discount for did not reconcile with actual sales data provided in response to Data Request ED3-004. ORA calculated the difference for years 2012 and 2013. The total two-year difference

[40] Samples were provided in GSWC Response to ORA Data Request JE1-001.

estimated by the ORA is approximately $93,128 lower that what was reported in GSWC's Annual Reports.[41] Aside from this discrepancy, all data tied properly to the general ledger report.

For each month in 2012 and 2013, ORA calculated the dollar value of the CARW discount provided by multiplying the number of CARW customers provided in response to ED3-004 Q.1 and the authorizing CARW discount. ORA compared its calculated CARW dollar value to the total CARW discount reported on Schedule E-2 of GSWC's annual reports. The figures did not match. For Region 2, the total discrepancy in discounts provided for 2012 and 2013 was $93,128.

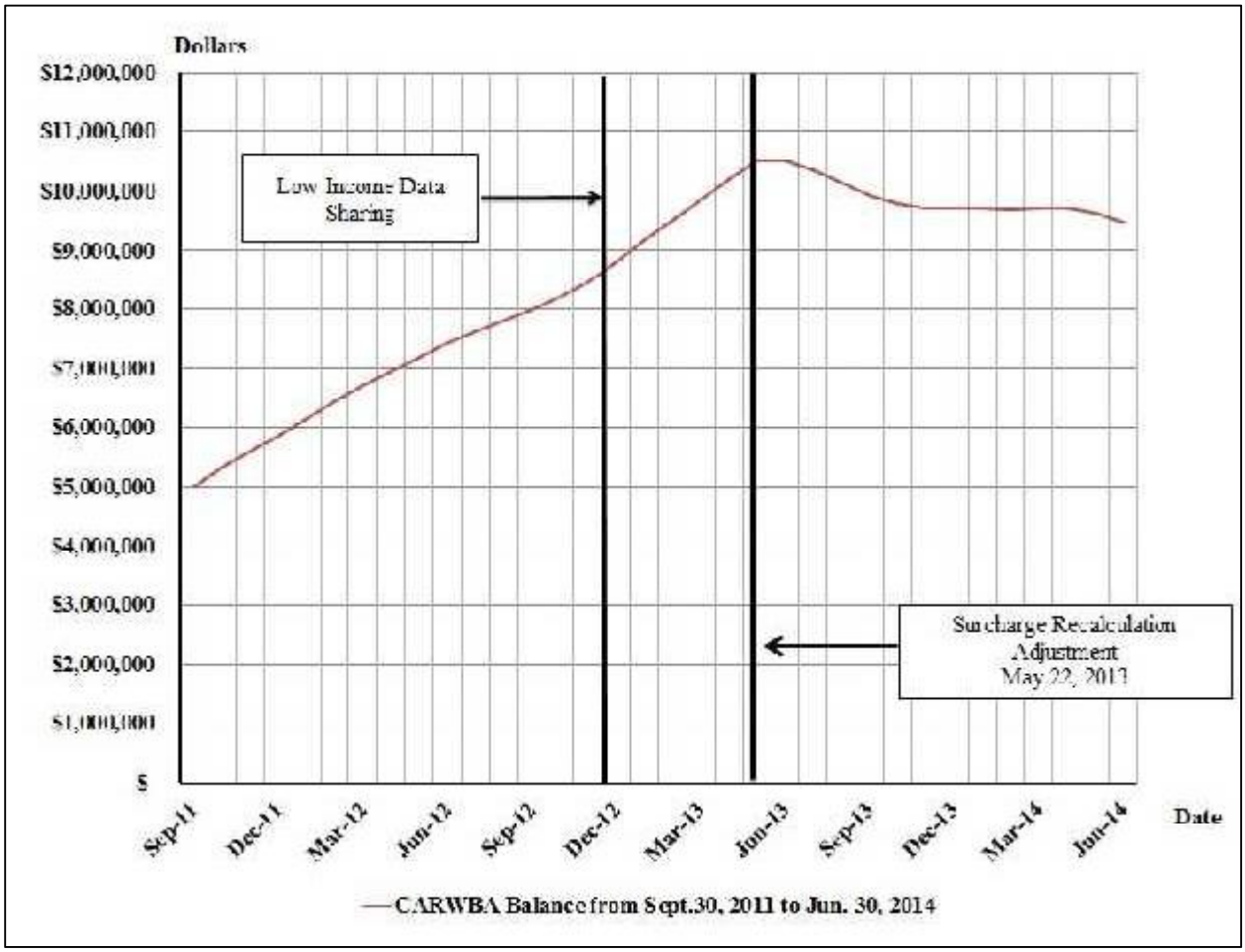
When asked to address the discrepancy, GSWC responded that the discrepancy was due to errors in the billing data provided in response to ED3-004, Q.1. GSWC stated that the errors were due to: 1) customers with no North American Industry Classification System (NAICS) Code, 2) residential customers with no usage, 3) non-residential customers (mobile home parks or any master-metered customers), and 4) proration of the CARW discount due to variation in billing periods. GSWC provided a reconciliation workpaper for the discrepancy in the number of customers presented in ED3-004, Q.1 and GSWC's Annual Reports for ORA to review. ORA reviewed the reconciliation workpaper, which supports the number of customers based on GSWC's annual reports. ORA accepted GSWC explanation of the discrepancy and associated reconciliation.

ORA noted the low-income program was significantly under-funded until May of 2013, particularly in Region 2. GSWC filed Advice Letters in May 2013 to adjust the surcharge funding the program, resulting in a reduction in the overall cumulative account balance. Although there was a reduction in the overall cumulative account balance, Region 1 Customer Service Areas (CSAs) continued to experience under-collections, though not as large as those experienced prior to the surcharge adjustment. The incremental increase in the CARWBA balance since the account was last reviewed is $4,459,096. **Figure A** below shows an increase

[41] Schedule E-2

of 47% from September 30, 2011 to June 30, 2014, the dates of low-income data sharing and the surcharge adjustment.[42]

Figure A: Cumulative CARW Balance from September 30, 2011 to June 30, 2014



The surcharge paid by non-CARW customers to fund the program was insufficient to balance the program costs until May 22, 2013, the date the new surcharges were effective from GSWC's last GRC via Advice Letter 1518. A review of the calculations showed the program revenues to be inadequate to cover program costs. For example, in March 2013 CARW discounts totaled

[42] The difference in the balance as of September 30, 2011 of $5,022,296 and the balance as of June 30, 2014 of $9,481,392 is $4,459,096. The percentage of change (($9,481,392 - $5,022,296)/$5,022,296) is 47%.

1 $375,899 while CARW surcharges only totaled $42,762.[43] The median monthly recorded under-
2 collections for the period between September 2011 and May 2013, when the surcharge was
3 recalculated, was $238,607 per month.[44] **Figure B** below shows that once CARW surcharges
4 were adjusted in May 2013, the recorded monthly under-collections were significantly reduced.

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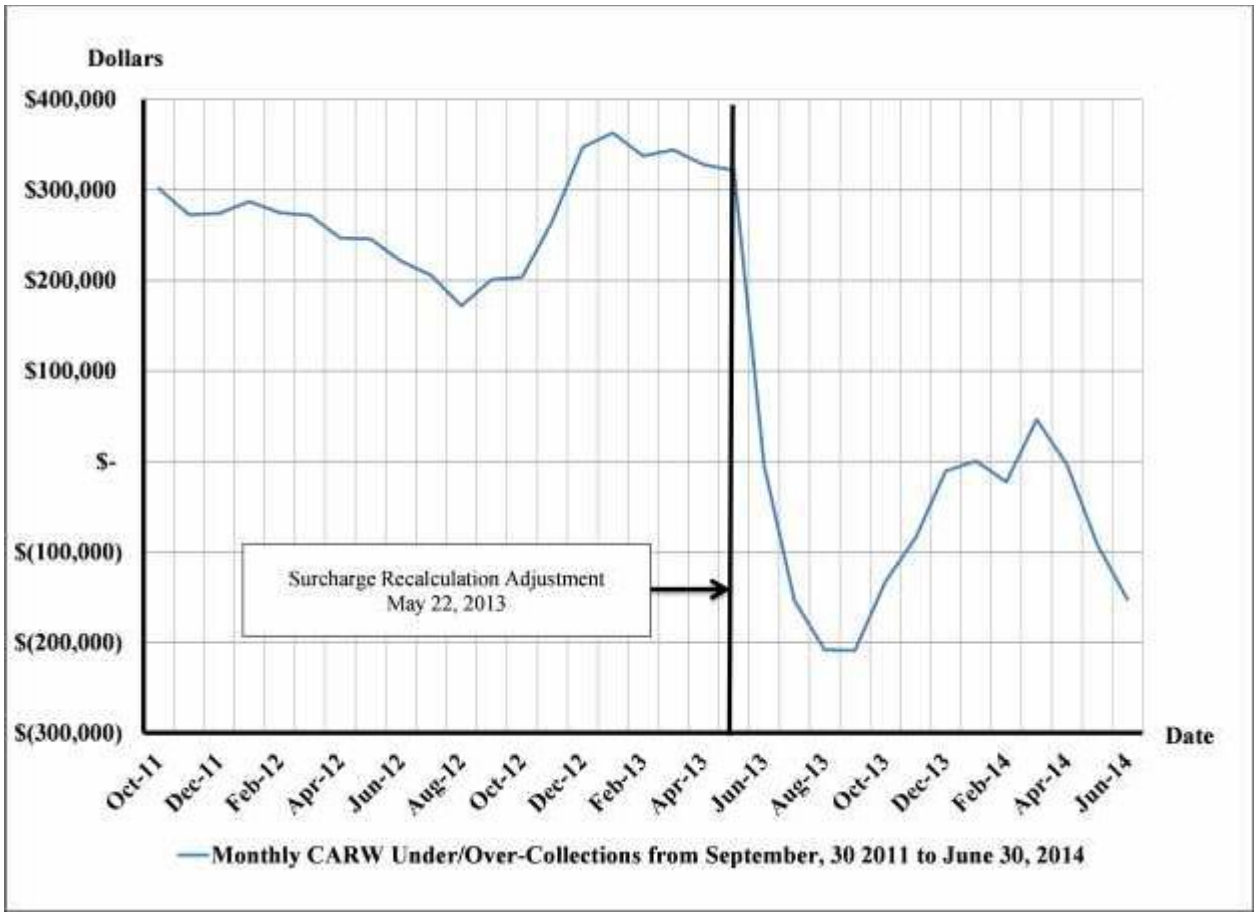
[43] CARW program discounts for Regions 1, 2, and 3 were $74,427, $184,416 and $117,056, respectively, totaling $375,899. CARW program revenues for Regions 1, 2 and 3 were $29,274, $8,734 , and $4,754, respectively, totaling $42,762. The total difference is $333,137. Data from GSWC 2013 Annual Report, Schedule E-2, Attachment B.

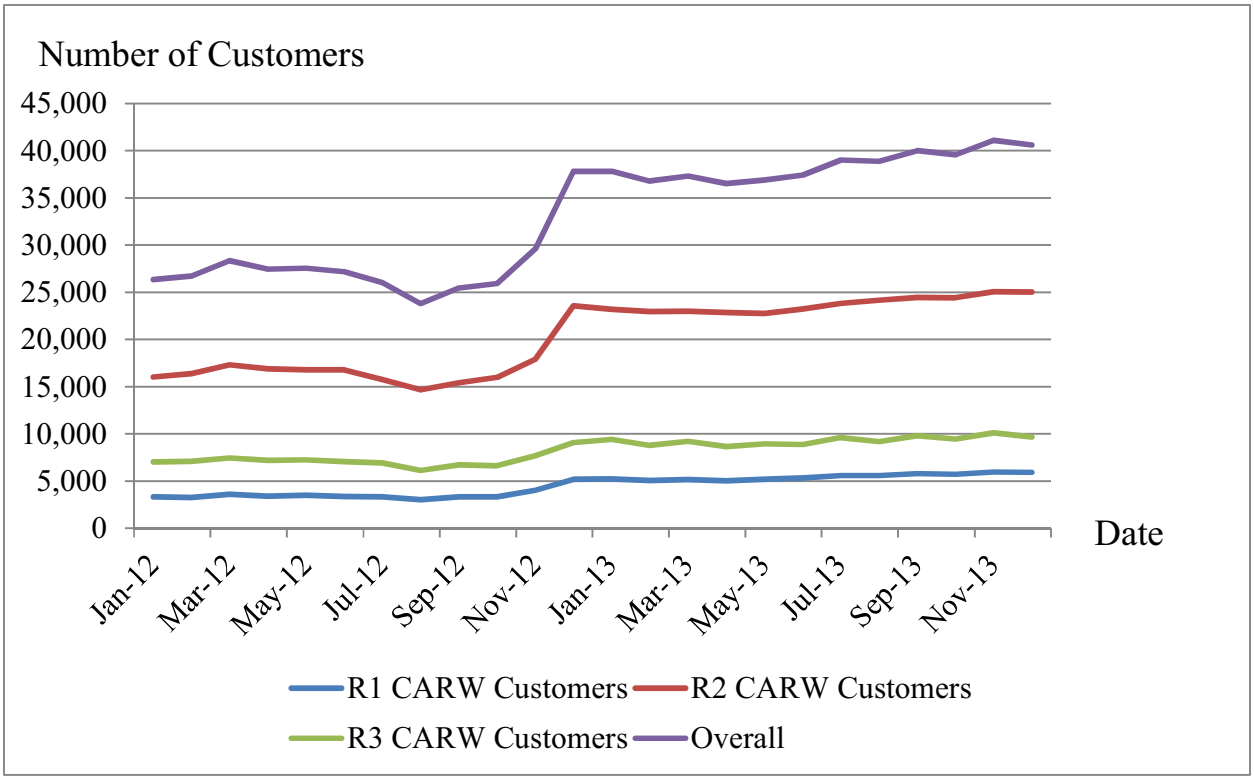
[44] Median was used instead of average since there were many small adjustments to the account, which would have skewed the average.

Figure B: Monthly CARW Under/Over Collections from September 30, 2011 to June 30, 2014.



There was an increase in the number of CARW customers near year-end 2012 due to low-income customer information sharing with electric utilities. ORA looked at the number of recorded program participants for each region to see if there were any significant changes in program participation rates. **Figure C** below presents the increase near the end of 2012 and continuing into 2013.

Figure C: Increase in CARW Customer Participation Due to Low-Income Data Sharing.



From 2012 to 2013, the average number of CARW customers increased for all three regions.

At the time the account was reviewed by ORA in the last GRC, CARWBA program revenues were inadequate to cover the cost of the discount provided, which continued until May 22, 2013 when revenue surcharges were recalculated based on amounts authorized in D.13-05-011. Increases in CARW customer participation exasperated program revenue shortfalls near the end of 2012, although by that point in time, the CARWBA account balance had already grown significantly, almost twice the September 30, 2011 balance. Recalculation of the surcharge aided in reducing overall under-collections. However, the effect was not enough to correct the large under-collections that had accumulated since the last review.

In its review of account entries, ORA also noticed one entry dated June 29, 2012 for $1,591.77 described as "Comfort Inn Adjustment" that should not be recorded in the account.

d. Findings and Recommendations

ORA reviewed the CARWBA balance through June 30, 2014 and recommends GSWC be authorized to amortize $9,479,801 (requested $9,481,392 less $1,592) to reflect the adjustments

for the unauthorized "Comfort Inn Adjustment" entry. The amount should also exclude any amounts GSWC will recover from amortizations authorized in the last GRC. ORA does not object to GSWC's request to continue the account for 2016, 2017, and 2018. ORA recommendations regarding program policy of the CARWBA are addressed in the testimony of Mr. Eric Duran.

21. ITEM 21: SANTA MARIA WATER RIGHTS BALANCING ACCOUNT (SMWRBA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
21	SMWRBA	$ 1,184,011	$ 1,184,011	$ -

a. Background

This section discusses ORA's review and recommendations related to the Santa Maria Water Rights Balancing Accounts (SMWRBA). The Commission authorized the SMWRBA in D.07-05-041 and GSWC established the account via AL 1244-WA with an effective date of July 27, 2007. The SMWRBA tracks the recovery of litigation costs associated with the defense of groundwater rights in the Santa Maria Groundwater Basin. The settlement adopted in D.07-05-041 authorized GSWC to recover $2,754,211 in the SMWRBA (see Item 22 in this report) over a 10-year period for costs incurred prior to January 1, 2006.[45] GSWC recalculates the surcharge annually in November through an advice letter, pursuant to D.07-05-041. In the last GRC, the Commission allowed the account to continue. In this GRC, GSWC requested to continue the account.

b. Review Scope and Objectives

ORA's objective was to determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all credit and debit entries into the account supporting the outstanding balance as of June 30, 2014. GSWC provided ORA with a ledger report for review. The previous account balance as of September 30, 2011 had been

[45] D.07-05-041, Ordering Paragraph No. 1.

authorized for amortization in D.07-05-041. As such, ORA conducted a cursory review of the ledger entries to ensure no additional costs had been included subsequent to the cutoff date of December 31, 2005. There were no additional expenses or unusual entries in the account. The reported June 30, 2014 balance of $1,184,011 appears to be properly supported. ORA reviewed AL 1545 one of the annual advice letter filings GSWC must submit every November to adjust the surcharge as prescribed in D.07-05-041 and GSWC is in compliance.

d. Findings and Recommendations

ORA does not oppose GSWC's request to continue the account and re-calculate the surcharge annually as authorized in D.07-05-041.[46]

22. ITEM 22: SANTA MARIA WATER RIGHTS MEMORANDUM ACCOUNT (SMWRMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
22	SMWRMA	$ 1,770,219	$ 1,770,219	$ -

a. Background

This section discusses ORA's review and recommendations related to the Santa Maria Water Rights Memorandum Account (SMWRMA). The SMWRMA was authorized in D.07-05-041 and established via AL 1244-WA effective on July 27, 2007. The purpose of the SMWRMA is to track costs associated with the defense of groundwater rights in the Santa Maria Groundwater Basin incurred after December 31, 2005. The account balance is authorized to be recovered over a 10-year period, subject to Commission review. In the last GRC, the balance as of September 30, 2011 was $1,796,805 and the account was authorized to continue. Since the last GRC decision in May 2013, GSWC has amortized $176,245. GWSC has incurred $149,658 in additional costs and accrued interest since September 30, 2011. In this GRC, GSWC has requested the account be continued and to recalculate surcharges pursuant to D.07-05-041.

[46] Ordering Paragraph No. 1 adopting the Settlement Agreement.

b. Review Scope and Objectives

ORA's objectives were to verify outstanding account balance for accuracy and determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the balance in the SMWRMA as of June 30, 2014. GSWC provided a ledger report and a three-month sample of invoices that ORA selected randomly. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA reviewed invoices from May 2012, June 2012, and February 2014 to ensure costs were related to the defense of groundwater rights in the Santa Maria Groundwater Basin and verify the monthly ledger balances were properly supported. ORA did not find any discrepancies. The balance of $1,770,219 appears to be properly supported.

d. Findings and Recommendations

ORA does not oppose GSWC's request to continue the account and recalculate surcharges annually.

23. ITEM 23: RANDALL-BOLD BALANCING ACCOUNT (RBBA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
23	RBBA	$ 3,435,434	$ 3,435,434	$ -

a. Background

This section presents ORA's review and recommendation related to the Randall-Bold Balancing Account (RBBA). Resolution W-4877 authorized the RBBA, which the Commission made effective on June 9, 2011 via Advice Letter AL-1450-W. The purpose of RBBA is to track the $4.7 million in payments for the use of the Randall-Bold Water Treatment Plant and the engineering construction cost index escalation as required by Section 1.2.2 of the Asset Lease Agreement with the Contra Costa Water District. In the last GRC, the balance as of September 30, 2011 was $4,889,102 and the account was allowed to continue with no new costs added to the account, except for interest. In this GRC, GSWC is requesting to continue amortizing the account balance, which as of June 30, 2014 is $3,435,434. The RBBA surcharge is set to expire

in September of 2017 at which time GSWC proposes to address the residual balance via advice letter.

b. Review Scope and Objective

ORA's objective was to evaluate the balance and to determine whether the account should continue.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all credit and debit entries recorded in the account. GSWC provided workpapers showing the initial balance as of September 29, 2011 and an amortization schedule supporting the remaining balance as of June 30, 2014. No additional costs were recorded in the account and the amortization appeared to be accurate. GSWC appears to be in compliance with the terms set in Resolution W-4877. The surcharge currently in effect will expire in September 2017, prior to the next GRC. ORA does not oppose GSWC's request to use the advice letter process, if necessary, to amortize any residual balance.

d. Findings and Recommendations

ORA does not oppose GSWC's request to continue amortization of the account and to address any residual balance through the advice letter process.

24. ITEM 24: CONSERVATION EXPENSES ONE-WAY BALANCING ACCOUNT (CEOWBA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
24	CEOWBA	$ 121,783	$ 121,783	$ -

a. Background

This section discusses the ORA's review and recommendations related to the Conservation Expenses One-Way Balancing Account (CEOWBA). D.13-05-011 authorized GSWC to recover balances in the account through December 31, 2012 and then close the account.[47] The

[47] D.13-05-011 adopted Settlement Agreement, pp. 178-179.

Settlement Agreement adopted by D.13-05-011 instructs GSWC to add a new balancing account to track conservation expenses for 2013-2015.[48] GSWC filed AL 1521-W to establish the new CEOWBA for each of GSWC's ratemaking areas. The effective date of the account is January 1, 2013. Pursuant to Section 10.5 of the Settlement Agreement adopted in D.13-05-011, any unspent conservation funds must be refunded to ratepayers. Total authorized conservation expenses for all regions in 2013 were $998,732 with escalation applied for 2014 and 2015. GSWC reports the balance as of June 30, 2014 as $121,783.[49] GSWC spent more in 2013 and 2014 than had been anticipated, and $121,783 represents the balance carried over from those years. As indicated in the introduction, ORA reviewed the recorded balance in this account as one balance instead of separate balances for each ratemaking area.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding balance as of June 30, 2014.

c. Review Procedures and Results

ORA requested that GSWC provide ledger entries and invoices supporting the balance as of June 30, 2014 in the CEOWBA. GSWC provided a workpaper showing dollar amounts expended for various conservation programs and three months of invoices selected at random by ORA. If any of the randomly selected months did not have any associated invoices, GSWC provided the next month with recorded invoices. ORA reviewed invoices from March 2013, June 2013, and June 2014 to ensure funds were related to conservation programs as well as to confirm the expenses were properly supported. ORA found no discrepancies and the recorded costs of $121,783 to be properly supported. The account automatically expires on December 31, 2015 so final account balances cannot be determined at this time.

d. Findings and Recommendations

ORA finds the balance of $121,783 to be supported, and recommends to continue the account through December 31, 2015, and to close it at that time. If there are unspent conservation funds

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[48] D.13-05-011 adopted Settlement Agreement, pp. 126-127.

[49] GSWC Response to ORA Data Request PR1-001, Q. 1.

for any of the ratemaking areas as of December 31, 2015, GSWC should file a Tier 3 advice letter to refund any unspent funds to ratepayers in their respective ratemaking areas. ORA finds the costs recorded in the account as of June 30, 2014 supported. Any costs recorded in this account should be reviewed for reasonableness after the account expires. For more information regarding the CEOWBA, please see ORA testimony of Ms. Julia Ende.

25. ITEM 25: CITY OF TORRANCE BALANCING ACCOUNT (COTBA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
25	COTBA	$ 88,220	$ 88,220	$ -

a. Background

This section addresses ORA's review and recommendations related to the City of Torrance Balancing Account (COTBA). D.10-11-035 authorized the COTBA. The purpose of the account is to track the costs being allocated to ASUS (a GSWC affiliate), in the event the contract GSWC had with the City of Torrance terminated prior to December 31, 2012. The contract did terminate in 2011 resulting in a COTBA balance of $116,033 as of October 31, 2011. Per D.13-05-011, the COTBA was allowed to continue until December 31, 2012. GSWC filed to recover $377,386 through a 12-month surcharge implemented via AL 1526-W. The surcharge expired on August, 28, 2014 leaving a residual balance of $18,748. GSWC proposes to recover residual balances through an advice letter.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding balances and to recommend the appropriate disposition of the account.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all debit and credit entries supporting the balance as of June 30, 2014. GSWC provided workpapers showing the beginning balance and all amortization that has occurred resulting a residual balance of $88,220. ORA reviewed AL 1526-W and the workpapers GSWC provided and did not note any unusual or unexpected account entries.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the June 30, 2014 residual balance of $88,220 less any amounts GSWC will recover or has already recovered from amortizations authorized in the last GRC. GSWC should close the account once the balance is fully amortized.

26. ITEM 26: AEROJET WATER LITIGATION MEMORANDUM ACCOUNT (AEROJET)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
26	AEROJET	$ 14,302,164	$ 14,302,164	$ -

a. Background

This section discusses ORA's review and recommendations related to Aerojet Water Litigation Memorandum Account (AEROJET). This account is not found in GSWC's Preliminary Statements. The AEROJET account was authorized on July 21, 2005 in D.05-07-045. The purpose of the account is to record costs incurred by GSWC (then Southern California Water Company) associated with water contamination in the Arden-Cordova CSA. GSWC was permitted to recover the balance over a 20-year period.[50] D.05-07-045 directs recalculation of the surcharge in each subsequent GRC. In the last GRC, the surcharge was recalculated and the account was continued. In this GRC, GSWC has requested to recalculate the surcharge and continue the account as ordered in D.05-07-045.

b. Review Scope and Objectives

ORA's objective in this audit was to verify the outstanding balance to ensure that the balance is supported. This review does not address recalculation of the surcharge. See ORA testimony by Mr. Eric Duran for the recalculation (Special Request #4).

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all debits and credits to support the outstanding balance. GSWC provided a workpaper showing the amount of surcharge revenues

[50] D.05-07-045, Finding of Fact No. 14, p. 35.

GSWC received to reduce the outstanding balance.[51] ORA reviewed the workpaper and noted hard-coded surcharge revenues. ORA attempted to reconcile the hard-coded surcharge revenues with actual volumetric sales multiplied by the applicable Aerojet surcharge.[52] However there were discrepancies. ORA inquired with GSWC about the discrepancy. GSWC stated that discrepancy was due to the conversion of flat-rate customers to metered customers. ORA accepted GSWC's explanation since the discrepancy coincided with GSWC's receipt of ARRABA funds to retrofit flat rate customers to a meter. It should be noted that while this account is identified as a memorandum account GSWC does not present this account in its Preliminary Statements.

d. Findings and Recommendations

ORA recommends GSWC continue to amortize the outstanding June 30, 2014 balance of $14,302,164 in accordance with D.05-07-045. GSWC should revise its Preliminary Statements to include this account. This account's surcharge recalculation is discussed in the Testimony of Mr. Eric Duran.

27. ITEM 27: CEMA-BARSTOW WATER ALERT (CEMA-BWA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
27	CEMA-BWA	$ 14,257	$ 14,257	$ -

a. Background

This section discusses ORA's review and recommendations related to the Catastrophic Event Memorandum Account (CEMA). It is important to note that the account referred to as the CEMA-BWA is the CEMA. BWA stands for the "Barstow Water Alert" to note that the costs recorded in this account are attributed to efforts to inform customers in the Barstow area of possible water contamination. The purpose of the CEMA is to track costs associated with a catastrophic event. Costs related to a catastrophic event may include restoring service to utility

[51] In response to Data Request PR1-001, Q.1.

[52] Volumetric sales from Response to Data Request ED3-004, Q.1.

customers, repairing, replacing or restoring damaged utility facilities, and complying with governmental orders. This account was authorized in accordance with Public Utilities Code § 454.9. GSWC filed AL 1562-W with an effective date of April 27, 2014 to establish the account.

In the last GRC, GSWC was permitted to recover $660,560, the balance as of September 30, 2011. GSWC filed AL 1520-W to implement a 12-month surcharge to recover the balance. The reported account balance as of June 30, 2014 is $14,257. In this GRC, GSWC is requesting to recover the residual balance, and to close the account when fully amortized.

b. Review Scope and Objectives

The objective of ORA was to verify the outstanding balance and to recommend the appropriate disposition of this account.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report supporting the outstanding balance of $14,257 as of June 30, 2014. The balance in this account was authorized to be fully amortized in the last GRC. As such, the extent of ORA's review was to review the amortizations recorded in the account. ORA reviewed the ledger entries and found the outstanding residual balance to be accurate.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the outstanding June 30, 2014 balance of $14,257 less any amounts GSWC will recover from amortizations authorized in the last GRC. The account should be closed once fully amortized.

28. ITEM 28: CALIPATRIA PRISON MEMORANDUM ACCOUNT (CPMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
28	CPMA	$ 3,480	$ 3,480	$ -

a. Background

This section discusses the ORA's review and recommendations related to the Calipatria Prison Memorandum Account (CPMA). The CPMA was authorized under Resolution W-4601 and established via AL 1213-W effective on July 21, 2006. The purpose of the account is to track the

revenue shortfall associated with the discounted service to the California Department of Corrections and Rehabilitations (CDC) for the Calipatria State Prison. In the last GRC, GSWC was permitted to recover $348,716. GSWC filed AL-1520-W dated May 17, 2013 to implement a 12-month surcharge to recover the balance. The surcharge expired in May 2014 leaving a residual balance as of June 30, 2014 of $3,480. In this GRC, GSWC is requesting to recover the residual balance and to close the account once fully amortized.

b. Review Scope and Objectives

The objective of ORA was to verify the outstanding balance and to recommend the appropriate disposition of the account.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger report showing all debit and credit entries supporting the balance as of June 30, 2014. GSWC provided workpapers showing the beginning balance and all amortization resulting in residual balance of $3,840. ORA did not note any discrepancies.

d. Findings and Recommendations

ORA recommends GSWC be allowed to amortize the June 30, 2014 balance of $3,480 through a one-time surcharge on the service charge and close the account once fully amortized. GSWC should update their Preliminary Statements to remove the account.

29. ITEM 29: REGION 3 INTERIM RATE MEMORANDUM ACCOUNT (R3IRMA)

ITEM NUMBER REF	DESCRIPTION	GSWC JUNE 30, 2014 BALANCE	ORA RECOMMENDED BALANCE	DIFFERENCE
29	R3IRMA	$ 2,438,111	$ 2,438,111	$ -

a. Background

This section discusses ORA's review and recommendations related to the Region 3 Interim Rates Memorandum Account (R3IRMA). Public Utilities Code § 455.2 provides for interim rate relief when the Commission is unable to issue its final decision on a GRC application in a time-frame

that ensures authorized rates will be effective on the first day of the test year. The Commission authorized GSWC to implement interim rates and track the difference in previously authorized rates in the R3IRMA.[53] Here, GSWC requests to amortize the outstanding balance and to close the account once fully amortized. The balance consists of residual balances from GSWC's interim rates from its 2007 and 2010 GRCs in the amount of $319,942 and $2,118,169 respectively. AL-1422 effective January 1, 2011 was approved to recover $12,319,496 through a 24-month temporary surcharge, leaving a January 1, 2013 residual balance of $2,118,169. GSWC requests to recover this residual balance along with a residual balance from 2007 of $319,942. The residual balance from 2007 was not addressed in the last GRC for Region 3.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding balance for accuracy and to recommend the appropriate disposition of the account.

c. Review Procedures and Results

ORA requested GSWC to provide a ledger showing all debit and credit entries into the account supporting the balance as of June 30, 2014. GSWC provided workpapers showing an amortization schedule showing the beginning balance and monthly amortizations, and ending balances. ORA reviewed the amortization schedule and did not note any unusual or unexpected amounts. To verify the account balance, ORA estimated the amount of amortization GSWC has already collected from its Region 3 customers. ORA used the surcharge authorized in AL 1422-W and multiplied it by actual volumetric sales data provided in this application to get an estimate of the aggregate dollar value of amortization GSWC has already recovered in the selected years of 2008, 2009, 2011 and 2012. The amount of ORA estimated amortization appears to match the workpaper GSWC provided for review.

This account is combined with R2IRMA on GSWC's Preliminary Statements and is identified as the R2R3IRMA on GSWC's Preliminary Statements.

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[53] D.10-11-035, Ordering Paragraph 11.

d. Findings and Recommendations

ORA recommends that GSWC be allowed to amortize the June 30, 2014 residual balance of $2,438,111. ORA agrees the account should be closed once fully amortized. GSWC is reporting the R2IRMA and R3IRMA as separate accounts and should update its Preliminary Statements to reflect Commission authorizations.

30. ITEM 30: REGION 2 INTERIM RATES MEMORANDUM ACCOUNT (R2IRMA)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
30	R2IRMA	$ 1,547,073	$ 1,547,073	$ -

a. Background

This section discusses ORA's review and recommendations related to the Region 2 Interim Rates Memorandum Account (R2IRMA). Public Utilities Code § 455.2 provides for interim rate relief under certain conditions when the Commission is unable to issue its final decision on a GRC application in a manner that ensures authorized rates become effective on the first day of the application's test year. D.10-11-035 authorized GSWC to implement interim rates and track the difference between previously authorized rates and interim rates in the R2IRMA.[54] AL 1372-WA established the account with an effective date of January 1, 2010. GSWC is requesting to amortize the residual balance and close the account once fully amortized. The balance consists of residual balances from GSWC's interim rates from its 2007 and 2010 GRCs in the amount of $499,139 and $1,047,933, respectively. AL-1269-W implemented a 24-month surcharge for interim rates of $4,687,995 effective February 15, 2008, which resulted in a residual balance of $499,139. AL 1421-W, effective January 1, 2011, implemented a 24-month surcharge to recover $7,177,277, which resulted in a residual balance of $1,047,933. This account was not addressed in the last GRC.

[54] D.10-11-035, Ordering Paragraph 11.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding balance and to recommend the appropriate disposition of the account.

c. Review Procedures and Results

ORA requested GSWC to provide a ledger showing all debit and credit entries in the account supporting the balance as of June 30, 2014. GSWC provided workpapers showing an amortization schedule with the beginning balances, monthly amortizations, and ending balances. ORA reviewed the amortization schedule and did not note any unusual or unexpected amounts. To verify the account balance, ORA estimated the amount of amortization GSWC has already collected from its Region 2 customers for the 2010 GRC interim rates. ORA used the surcharge authorized in AL 1421-W, which established the recovery surcharge rate and multiplied it by actual volumetric sales data provided in the application to get an estimate of the aggregate dollar value of amortization GSWC has already recovered. ORA's estimated amortization amount appears to match the workpaper GSWC provided for review. Therefore, ORA accepts the residual balance. This account is combined with R3IRMA on GSWC's Preliminary Statements. This account is identified as the R2R3IRMA on GSWC's Preliminary Statements.

d. Findings and Recommendations

ORA recommends that GSWC amortize the June 30, 2014 residual balance of $1,547,073 ORA agrees that the account should be closed once fully amortized.

31. ITEM 31: REGION 3 RATE BASE SURCHARGE (RATE BASE)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
31	RATE BASE	$ 99,817	$ 99,817	$ -

a. Background

This section discusses ORA's review and recommendations related to the Region 3 Rate Base Surcharge (RATE BASE). RATE BASE was authorized by D.08-07-027 and established by AL 1292-W with an effective date of August 12, 2008. The purpose of the account is to allow GSWC to collect $540,555 to reflect an adjustment to capital additions in the 2005 GRC for Region 3. The 12-month temporary surcharge left a residual balance of $99,817. This account

was not addressed in the last GRC. In this GRC, GSWC is seeking to recover the residual balance.

b. Review Scope and Objectives

ORA's objective was to verify the outstanding balance and to recommend the appropriate disposition of the account.

c. Review Procedures and Results

ORA requested that GSWC provide a ledger showing all debit and credit entries in the account supporting the balance as of June 30, 2014. GSWC provided workpapers showing the beginning balance, monthly amortizations, and ending balances. ORA reviewed these workpapers and did not note any discrepancies. To verify the account balance, ORA estimated the amount of amortization GSWC has already collected from its Region 3 customers. ORA used the surcharge authorized in AL 1292-W and multiplied it by actual volumetric sales data provided in this application to get an estimate of the aggregate dollar value of amortization GSWC has already recovered. The amount of ORA estimated amortization appears to match the workpaper GSWC provided for review. Therefore, ORA accepted the residual balance. This account is not described in GSWC's Preliminary Statements.

d. Findings and Recommendations

ORA reviewed the balances through June 30, 2014 and recommends that GSWC be allowed to amortize the residual balance of $99,817. ORA agrees with GSWC's request to close the account once fully amortized. GSWC should update its Preliminary Statements to show the Region 3 Rate Base Surcharge.

32. ITEM 32: FOLSOM REFUND RESIDUAL (FOLSOM)

ITEM NUMBER REF	ACCOUNT NAME	GSWC JUNE 30, 2014 BALANCE	ORA JUNE 30, 2014 RECOMMENDED BALANCE	DIFFERENCE
32	FOLSOM	$ (31,843)	$ (34,706)	$ 2,863

a. Background

This section discusses ORA's review and recommendations related to the Folsom Refund Residual (FOLSOM). In 1994, GSWC (then Southern California Water Company) reallocated 5,000 acre-feet per-year of its entitlement to water from the South Fork of the American River to

the City of Folsom. As a result, D.04-03-039 found that GSWC violated Public Utilities Code § 851 and ordered it to refund $5,178,620 over a nine-year period to customers in the Arden Cordova CSA. In this GRC, GSWC requests to refund a residual balance of $31,843.

b. Review Scope and Objectives

ORA's objective was to review the outstanding balance and to recommend the appropriate disposition of the account

c. Review Procedures and Results

ORA requested GSWC to provide a ledger showing all debit and credit entries in to the account supporting the balance as of June 30, 2014. GSWC provided workpapers showing the beginning balance, monthly amortizations, and ending balances. ORA reviewed these workpapers and noted that the refund balance is understated by $2,863.55, based on actual sales data provided by GSWC in response to Data Request ED3-003. Further, this account is not described in GSWC's Preliminary Statements.

d. Findings and Recommendations

ORA recommends that GSWC refund the outstanding balance as of June 30, 2014 in the amount of $34,706 ($31,843+$2,863). GSWC should update its Preliminary Statements to include this account.

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[55] GSWC Response to ORA Data Request PR1-001 Q.1, Analysis, Tab 27, Cell DB62.

1 **APPENDIX BAMA-A:**

2 E-mail from Ronald Moore of GSWC to Roy Keowen of ORA (January 12, 2015 1:51 PM PT).

Bilir, Lisa

From: Moore, Ronald K. <RKMOORE@gswater.com>
Sent: Monday, January 12, 2015 1:51 PM
To: Keowen, Roy
Cc: Garon, John; Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.
Subject: RE: WCMA Questions.

Good afternoon Roy:

When the residual balances were converted to Reserve Account, in theory, the WCMA is deemed closed with a zero balance. The WCMA surcharges for Region 2 and Region 3 expired in April 2010, the Bay Point WCMA surcharge expired in October 2012 and the other Region 1 districts WCMA surcharges expired in October 2011. Although Region 2 and Region 3 residuals occurred prior to the 9/30/11 (ORA's review cut-off in A.11-07-017), the WCMA was reviewed as one memorandum account. Even though the reserve account was not reviewed in the A.11-07-017, GSWC is entitled to recover the full amounts authorized in Resolutions W-4751 and W-4840. GSWC is therefore asking the Commission to review the reserve account balances in this GRC.

Thanks Roy.

Ronald

From: Keowen, Roy [mailto:Roy.Keowen@cpuc.ca.gov]
Sent: Friday, January 09, 2015 3:31 PM
To: Moore, Ronald K.
Cc: Garon, John; Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.
Subject: RE: WCMA Questions.

Hi Ronald,

Thank you for this. A couple of questions, it looks like the R2 and R3 amortization ended in 2010, so how come the residual balances were not addressed in the last GRC? Also, in your testimony for the last GRC (Application A.11-07-017), the 05/30/2011 balance for the WCMA is shown as $0. Can you please clarify why it is presented as a zero balance? It doesn't make sense to me how it could be a zero balance back then and now there's a residual balance to be recovered in this case. Thanks!

Best,

Roy

From: Moore, Ronald K. [mailto:RKMOORE@gswater.com]
Sent: Friday, January 09, 2015 10:05 AM
To: Keowen, Roy
Cc: Garon, John; Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.
Subject: RE: WCMA Questions.

Good morning Roy:

Attached is a spreadsheet containing the supporting data for the R2 and R3 WCMA residual balances presented in PR1-001.

Please let me know if I can assist further.

Ronald

From: Moore, Ronald K.
Sent: Thursday, January 08, 2015 4:34 PM
To: 'Keowen, Roy'; Garon, John
Cc: Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.
Subject: RE: WCMA Questions.

Of course. I'll get that information for you.

Ronald

From: Keowen, Roy [mailto:Roy.Keowen@cpuc.ca.gov]
Sent: Thursday, January 08, 2015 2:54 PM
To: Moore, Ronald K.; Garon, John
Cc: Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.
Subject: RE: WCMA Questions.

Hi Ron,

I need little bit of time to review W-4751 and AL-1316. In the meantime, could you please provide documentation supporting the R2 and R3 WCMA balance presented in PR1-001. All I can see is the account balance as of 2011 and I need to see how it got to be that amount. The language John cites below pertains to Region 1 only and the previous ORA report states [Region 1] balance is zero, so it's a little confusing that R2 and R3 would be included in the current balance. Thanks in advance.

Best,

Roy

From: Moore, Ronald K. [mailto:RKMOORE@gswater.com]
Sent: Thursday, January 08, 2015 1:16 PM
To: Garon, John; Keowen, Roy
Cc: Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.
Subject: RE: WCMA Questions.

Hi Roy:

Following up to John's email below, do I need to provide you with any additional information?

Ronald

From: Garon, John
Sent: Thursday, January 08, 2015 1:03 PM
To: 'Keowen, Roy'
Cc: Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.; Moore, Ronald K.
Subject: RE: WCMA Questions.

Hi Roy,
It looks like recovery for R2 and R3 were authorized in W-4751, AL 1316.
The settlement from the last GRC stated:

> Resolution:
> The Parties agree that when this account is fully amortized it should be closed.

I'm adding Ron Moore to this email so he can provide you the background on the current residual balances.
Please let us know if you need anything else.
John Garon
Golden State Water Company
(909) 394-3600 Ext. 679

From: Keowen, Roy [mailto:Roy.Keowen@cpuc.ca.gov]
Sent: Thursday, January 08, 2015 11:54 AM
To: Garon, John
Cc: Ma, Patricia; Bilir, Lisa; Darney-Lane, Jenny A.
Subject: WCMA Questions.

Hi John,

Could you please provide some more background information on the Region 2 and Region 3 WCMA. The sources cited in the application (Res W-4840) address Region 1 only. PR1-001 presents the balance which includes amounts from Region 2 and Region 3 and I need to make sure this is authorized. In addition, the ORA report from the last rate case states the account balance is zero, so that needs an explanation as well. Thanks in advance.

Best,

Roy

APPENDIX BAMA-B:

GSWC Response to ORA Data Request RK2-005 Q. 1., and Tab "Accounts Summary" from Attached Spreadsheet

Golden State
Water Company
A Subsidiary of American States Water Company

November 17, 2014

Roy Keowen
CALIFORNIA PUBLIC UTILITIES COMMISSION
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Data Request RK2-005 (A.14-07-006) (Invoices)
Due Date: November 17, 2014

Dear Mr. Keowen,

In response to the above referenced data request number, we are pleased to submit the following partial responses:

Question 1:
For all GSWC's memorandum and balancing accounts:

a. Provide the balance in each account as of 6/30/2014 in MS Excel format.

b. Provide the accounts general ledger entries (in MS Excel format) which support the outstanding balances in the accounts as of 6/30/2014. The accounts general ledger entries should include an itemized listing of all individual debits and credits made to the account since the time the account was last reviewed by Commission staff.

Response 1:
See attached spreadsheet.

Question 2:
When providing the balance in the ITRRI-MA account in response to question 1.a. above, provide both the debit and credit entries.

Response 2:
See Response to Question 1.

Question 3:
In the data request response to PR1-001 Q.1., GSWC provided a spreadsheet named PR1-001 Q.1.Balancing Account Response.xlsx. In Tab 38 of that spreadsheet, GSWC provided three accrued amounts on rows 23 – 25; $26,418.19, $51,235.41, and $61,723, respectively.
Provide the final amounts and associated invoices for these costs.

Response 3:
Lines 23 and 24 the amounts charged equal the amounts accrued $26,418.19, $51,235.41 respectively.
Actual invoices for the $61,723 accrual were $22,853 and $35,675.33 a difference of $3,194.67
See attached invoices.

Question 4:
Please provide invoices and all documentation that support and match the monthly ledger balances provided in response to DR PR1-001 for the months listed in the following table:

Ref	ACCOUNT NAME	ACRONYM	Review Month 1	Review Month 2	Review Month 3
1	BAY POINT MANDATORY CONSERVATION RATONING IMPLEMENTATION MEMORANDUM ACCOUNT	BPMCRIMA	~~Jul-09~~ Jul - 10	~~Mar-09~~ Aug - 10	~~Dec-10~~ Sept-10
2	OUTSIDE SERVICES MEMORANDUM ACCOUNT	OSMA	Feb-14	Nov-12	Apr-12
3	CONSEVATION ORDER INSTITUTING INVESTIGATION MEMORANDUM ACCOUNT	COIIMA – see note in response below	~~Apr-13~~ ~~Mar-13~~ Mar-09	~~Jun-13~~ Jun-09	~~Jan-12~~ Dec-08
4	LOS OSOS INTERLOCUTORY STIPULATED JUDGEMENT	LOISJMA	Dec-13	Mar-14	Aug-13
5	SANTA MARIA STEELHEAD RECOVERY PLAN MEMORANDUM ACCOUNT	SMSRPMA	~~Sep-12~~ Nov-12	Apr-12	May-12
6	LOS OSOS GROUND WATER ADJUSUCATION MEMORANDUM ACCOUNT	LOAMA	Sep-13	~~Mar-13~~ Aug-13	Jan-13

7	BARSTOW WATER ALERT MEMORANDUM ACCOUNT	BWAMA	Nov-11	May-12	Dec-12
8	WELL STUDY BALANCING ACCOUNT	WSBA	Jan-12	Feb-12	Nov-13
9	OMEGA CHECMICAL CORPORATION SUPERFUND SITE MEMORANDUM ACCOUNT	OCCSSMA	~~Sep-12~~ Aug-12	Oct-12	Dec-13
10	ORACLE TECHNICAL SUPPORT COSTS MEMORANDUM ACCOUNT	OTSCMA -	Dec-12	Mar-13	Nov-13
11	SANTA MARIA WATER RIGHTS MEMORANDUM ACCOUNT	SMWRMA	Jun-12	Feb-14	May-12
12	CONSERVATION EXPENSES ONE-WAY BALANCING ACCOUNT	CEOWBA – this account starts in January 2013	Jun-12 Jun-14	Feb-14 Mar 13	May-12 Jun 13
13	Orange County Annexation Memorandum Account	OCMA	Mar-13	Jul-13	Oct-13

Response 4:
See attached invoices.
Note: GSWC revised the amount being requested in COIIMA for its Region 1 Application in its response to RK2-001. All charges being submitted for review were incurred in 2008 and 2009.

If you have any questions, please do not hesitate to call me at (909) 394-3600, Extension 680.

Sincerely yours,

John Garon for

Keith Switzer
Vice President – Regulatory Affairs

c: Pat Ma
Lisa Bilir
Shanna Foley
Kerriann Sheppard
Joseph Karp
Matthew Narensky
Jenny Darney-Lane
John Garon

Balancing Accounts and Memorandum Accounts Summary

Description	Acronym	Balance @ : 6/30/2014	Detail Tab Reference	Comment
Outside Services Memorandum Account	OSMA	**165,482.85**	1	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-011
Orange County Annexation Memorandum Account - Pre April 2009 Charges	OCAMA	**54,277.50**	2	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-012
Orange County Annexation Memorandum Account - Post March 2009 Charges	OCAMA	**280,433.43**	2b	Entries not previoulsy reviewed
Conservation OII Memorandum Account Region 2 and 3 - OII	COIIMA	**(54,873.60)**	3a	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-012
Conservation OII Memorandum Account Region 1 - A.08-09-010	COIIMA	**115,251.20**	3b	Entries not previoulsy reviewed
Santa Maria Stipulation Memorandum Account	SMSMA	**892,826.82**	4	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-012
American Recovery and Reinvestment Act of 2009 Balancing Account	ARRABA	**$55,936.37**	5, 5a, 5b, 5c	Entries not previoulsy reviewed
Los Osos Interlocutory Judgment Memorandum Account	LOISJMA	**204,480.74**	6	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-012
Santa Maria Steelhead Recovery Plan Memorandum Account	SMSRPMA	**49,139.93**	7	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-012
Los Osos Groundwater Adjudication Memorandum Account	LOAMA	**275,917.24**	8	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-012
Barstow Water Alert Memorandum Account	BWAMA	**66,938.82**	9	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Well Study Balancing Account	WSBA	**375,586.21**	10	Entries not previoulsy reviewed
Pension and Benefits Balancing Account	PBBA	**3,578,176.67**	11	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Omega Chemical Corporation Superfund Site Memorandum Account	OCCSSMA	**72,031.02**	12	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Oracle Technical Support Costs Memorandum Account	OTSCMA	**236,171.49**	13	Residual Balance OTSCMA Entires reviewed by DWA via Advice Letter 1555
Bay Point Water Quality Memorandum Account	BPWQMA	**9,544.94**	14	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Bay Point Mandatory Conservation Rationing Implementation Memorandum Account	BPMCRIMA	**12,163.93**	18	Entries not previoulsy reviewed
Water Coservation Memorandum Account	WCMA	**674,594.61**	19	Entries not previoulsy reviewed
California Alternate Rate for Water Memorandum Account	CARW	**9,481,392.25**	20	Entries not previoulsy reviewed
Santa Maria Water Rights Balancing Account (Pre 1-1-2006)	SMWRBA	**1,184,010.79**	23 Pre-2006	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Santa Maria Water Rights Memorandum Account (Post 1-1-2006	SMWRMA	**1,770,218.61**	23 Post 2006	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Catastrophic Event Memorandum Account - Barstow Water Alert	CEMA-BWA	**14,257.13**	25	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Aerojet Water Litigation Memorandum Account	AEROJET	**14,302,163.50**	26, 26b	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Folsom Refund Residual	FOLSOM	**(31,842.88)**	27, 27b	Residual Balance, original approval AL 1150-W
Randle-Bold Balancing Account	RBBA	**3,435,433.60**	28, 28b	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Region 2 Interim Rate Memorandum Account	R2IRMA	**1,547,073.24**	29;30; 29-30b,c	Residual Balances - AL 1269; 1421
Region 3 Interim Rate Memorandum Account	R3IRMA	**2,438,111.14**	30,31	Residual Balances - AL 1270; 1422
Region 3 Rate Base Surcharge	RATE BASE	**99,816.73**	33	Residual Balances - AL 1292
Conservation Expenses One-Way Balancing Account	CEOWBA	**2,075,784.23**	32	Entries not previoulsy reviewed
City of Torrance Balancing Account	COTBA	**88,219.84**	34, 34b	Residual Balance COTBA Entires reviewed by DWA via Advice Letter 1526
Calipatria Prison Memorandum Account	CPMA	**3,479.92**	35, 35b	Entries through Sept. 2011 reveiwed in A11-04-017; D.13-05-013
Cost of Service Memorandum Account L-411	COSMA	**(382,719.31)**	37	Entries not previoulsy reviewed
Income Tax Repair Regulations Implementation Memorandum Account	ITRRI-MA	**(27,891.54)**	38, 38b	Entries not previoulsy reviewed
Tangible Property Regulations Collateral Consequences Memorandum Account	TPRCCMA	0	none	
General Office Maintenance Memorandum Account	GOMMA	**$25,352**	39	Entries not previoulsy reviewed

Residual Balances not previously reported

Residual Balance AL 1405, 1452, 1453 (Rule 14.1 Premiums net of WRAM)		**(107,283.80)**	40, 40b	Residual Balance ALs 1405, 1452, 1453
Clear Lake Supply Costs Balancing Account (Note Clearlake does not have an MCBA)		**24,972.27**	41, 41b	See "Clearlake v1 xls as of sept 2014.xls"
Region 1 Interim Rate Shortfall		**26,583.69**	42, 42b	Residual Balance AIs 1285-1291
SETTLEMENT AGREEMENT BALANCING ACCOUNT (9.5 mil)	SABA	**(1,842,553.57)**	43, 43b	Residual Balance AL 1472 - See SABA 2012, 2013, 2014
COST OF CAPITAL INTERIM RATE TRUE-UP MEMORANDUM ACCOUNT	COCIRTMA	**(27,508.74)**	44, 44b	Residual Balance AL 1507
TIRBA		**(3,977.09)**	45	Residual Balance AL 1497
2014 WATER CONSERVATION MEMORANDUM ACCOUNT (N)	2014WCMA	**110,967.16**	46	Post Jun -2014 AL 1563

Accounts with a zero balance not previously reported

LOW-INCOME CUSTOMER DATA SHARING MEMORANDUM ACCOUNT	LICDSMA	-
FIRST 5 LA MEMORANDUM ACCOUNT	F5LAMA	-
CREDIT CARD PAYMENT PROGRAM MEMORANDUM ACCOUNT	CCPPMA	-