

EXECUTIVE SUMMARY

In Application A.15-01-001, Park Water Company requests increases of \$2,918,800 or 8.72 % in 2016, \$2,422,093 or 6.63% in 2017, and \$1,598,099 or 4.08% in 2018. As shown in the table below, ORA recommends an increase of \$621,470 or 1.87% in 2016, \$760,000 or 2.24% in 2017, and \$590,000 or 1.70% in 2018.

Year	Park Requested Amount	Park Requested Percent	ORA Recommended Amount	ORA Recommended Percent
2016	\$2,918,800	8.72%	\$621,470	1.87%
2017	\$2,422,093	6.63%	\$760,000	2.24%
2018	\$1,598,099	4.08%	\$590,000	1.70%

ORA provides the following major recommendations in its testimony:

Sales Forecast

ORA recommends 59,097 ccf lower sales forecast than Park based on the most recent recorded sales of 2014 and the recent announcement of Executive Order B-29-15 by the Governor to require statewide water reduction of 25%. The lower sales forecast has resulted in approximately \$298,000 in revenue reduction.

Expenses

ORA recommends a reduction of \$1,060,163 in Operation & Maintenance and Administrative & General Expenses which comprised the following major adjustments:

- 1) adjusting the COLA and Merit assumptions for payroll, imputing a 4.6% historic vacancy rate in calculating payroll, reduce salary and over time and elimination of a new position have resulted in approximately \$462,000 adjustment;
- 2) reducing supply expenses and water rights have resulted in about \$160,000 adjustment;

- 3) reducing conservation program by about \$294,000;
- 4) reducing regulatory expenses by \$29,000 per year or \$87,000 for three years;
- 5) reducing employee benefits amount by about \$233,000; and
- 6) reducing insurance expenses by about \$83,000.

Capital Plant Additions

ORA recommends \$26,745,625 as capital project expenditures for 2015 to 2017, compared to \$45,336,000 proposed by Park, a reduction of \$18,590,375 or 41%. Table below compares the amount between Park's requested and ORA's recommended amounts.

Year	Park Requested Amount	ORA Recommended	Amount Difference	Percent Difference
2015	\$15,048,700	\$9,348,361	\$5,700,339	37.9%
2016	\$15,095,700	\$9,942,824	\$5,152,876	34.1%
2017	\$15,191,600	\$7,454,440	\$7,737,160	50.9%
Total	\$45,336,000	\$26,745,625	\$18,590,375	41.0%

Policy Recommendations

- 1) Level payment plan- disallowed due to lack of justification and support;
- 2) Low Income Assistance Program- CARW benefit to remain at \$6.65 as compared to Park's request of \$8.02;
- 3) Perchlorate Memorandum Account- the request is premature and uncertain;
- 4) Subsequent Offsets prior to Final Decision- ORA agrees with this request in order to streamline the regulatory process, improve

customer service and save both Park and Commission staff's time and resources;

- 5) Sales Reconciliation Mechanism for Escalation Years- disallowed because such request deviates from the general rate case process and ORA has concern over verification and accountability of the rate increases;
- 6) Modification to WRAM/MCBA- ORA recommends that reclaimed water remain outside of WRAM and therefore costs associated with reclaimed water be excluded from the MCBA. ORA also recommends leased water rights be excluded from the MVBA but allow chemical costs to be included;
- 7) Employee and Retiree Healthcare Balancing Account- disallowed due to lack of support and justification;
- 8) Group Pension Balancing Account- Disallowed due to lack of support and justification; and
- 9) Phase-In of Test Year Increase – Disallowed because Park's increase does not meet the Commission guideline and it is not in the interest of the ratepayers.