

CHAPTER 1 – EXECUTIVE SUMMARY

A. INTRODUCTION

In this Company-Wide Report on the Results of Operations, the Office of Ratepayer Advocates (ORA) presents its analysis and recommendations on requests made in the General Rate Case Application 15-07-015 (GRC A.15-07-015) filed by the California Water Service Company (CWS or Cal Water) in July 2015 for the Test Year 2017 and Escalation Years 2018 and 2019.

ORA’s team of engineers, auditors, analysts reviewed the filing, performed discovery and inspection of CWS’s records and facilities, and provided the detailed analysis and recommendations in this Report. The following reports form ORA’s comprehensive response to CWS’s GRC application.

ORA Report	Test Year 2017 GRC A.15-07-015
1	Company-Wide Report on the Results of Operations (“Company-Wide Report”)
2	Report on Sales and Rate Design
3	Report on Operating Expenses (Districts and General Office)
4	Report on Payroll and Benefits (Public version)
4C	Report on Payroll and Benefits (Confidential version)
5	Report on Special Requests 1 & 2 (District Consolidation & RSF Program), 5, 11, 17 & 23 (Selected Balancing and Memorandum Accounts)
6	Report on Plant – Customer Support Services/General Office (Public version)
6C	Report on Plant – Customer Support Services/General Office (Confidential version)
7	Report on Plant – Common Issues (Public version)
7C	Report on Plant – Common Issues (Confidential version)
8	Report on Plant – Bakersfield, Kern River Valley, King City, Salinas, Selma and Visalia Districts (Public version)
8C	Report on Plant – Bakersfield, Kern River Valley, King City, Salinas, Selma and Visalia Districts (Confidential version)
9	Report on Plant – Antelope Valley, Dominguez, East Los Angeles, Hermosa-Redondo, Palos Verdes and Westlake

	Districts (Public version)
9C	Report on Plant – Antelope Valley, Dominguez, East Los Angeles, Hermosa-Redondo, Palos Verdes and Westlake Districts (Confidential version)
10	Report on Plant – Dixon, Livermore, Marysville, Oroville, Los Altos and Willows Districts (Public version)
10C	Report on Plant – Dixon, Livermore, Marysville, Oroville, Los Altos and Willows Districts (Confidential version)
11	Report on Plant – Bayshore, Bear Gulch, Chico, Redwood Valley and Stockton Districts (Public version)
11C	Report on Plant – Bayshore, Bear Gulch, Chico, Redwood Valley and Stockton Districts (Confidential version)

1 In this Company-Wide Report, ORA presents its analysis and recommendations that are
2 common across CWS’s General Office and 23 districts. They cover areas such as taxes,
3 bonus depreciation and escalation filings. Appendix RO in this report includes ORA’s
4 recommended Results of Operations for this GRC proceeding. The report is organized as
5 follows:

Chapter	Company-Wide Report on the Results of Operations	ORA Witness
1	Executive Summary	Yoke Chan & Jenny Au
2	Non-Tariffed Products and Services (NTP&S) Revenue and Affiliate Transactions	Mukunda Dawadi
3	Taxes	Josefina Montero
4	Bonus Depreciation Memo. Acct.	Josefina Montero
5	Rate Base	Yoke Chan
6	Escalation and Attrition Filings	Yoke Chan
7	Statements of Qualifications	All ORA Witnesses
Appendix RO	Results of Operations Tables	Josefina Montero

6 **B. SUMMARY OF RECOMMENDATIONS**

7 Table 1-A below presents estimated revenue increases proposed by CWS and by ORA
8 for CWS’s 23 districts.

1

Table 1-A: Comparison of Revenue Increases

Line	District	ORA				CWS				CWS > ORA			
		2017 Increase (\$000)	2017 Inc (%)	2018 Inc (%)	2019 Inc (%)	2017 Increase (\$000)	2017 Inc (%)	2018 Inc (%)	2019 Inc (%)	2017 Increase (\$000)	2017 Inc (%)	2018 Inc (%)	2019 Inc (%)
1	Antelope Valley	401	16.4%	-0.6%	-0.6%	960	39.2%	0.8%	0.8%	559	22.8%	1.4%	1.4%
2	Bakersfield	(2,467)	-3.4%	0.5%	0.4%	7,853	10.9%	4.3%	4.0%	10,320	14.3%	3.8%	3.6%
3	Bayshore	(24)	0.0%	0.4%	0.4%	6,352	8.3%	1.6%	1.5%	6,376	8.3%	1.2%	1.1%
4	Bear Gulch	1,901	4.0%	-0.3%	-0.3%	7,421	15.6%	3.8%	3.6%	5,520	11.6%	4.1%	3.9%
5	Chico	305	1.4%	0.6%	0.6%	4,147	19.1%	1.6%	2.7%	3,842	17.7%	1.0%	2.1%
6	Dixon	170	5.6%	-1.1%	-1.1%	800	26.2%	3.4%	3.3%	630	20.6%	4.5%	4.4%
7	Dominguez	8,588	14.2%	-0.4%	-0.4%	13,252	21.8%	2.3%	2.2%	4,663	7.7%	2.7%	2.6%
8	East Los Angeles	(1,250)	-3.8%	-0.2%	-0.1%	4,505	13.5%	3.5%	3.4%	5,755	17.3%	3.6%	3.5%
9	Hermosa Red.	(1,415)	-4.9%	-0.6%	-0.6%	1,636	5.6%	6.2%	5.8%	3,051	10.5%	6.7%	6.4%
10	Kern River Valley	(258)	-4.1%	-1.5%	-1.5%	628	10.0%	0.2%	0.3%	886	14.2%	1.7%	1.7%
11	King City	122	3.7%	2.2%	2.1%	761	23.2%	6.5%	6.1%	639	19.5%	4.3%	4.0%
12	Livermore	59	0.3%	0.7%	0.7%	2,364	11.7%	2.4%	2.3%	2,306	11.4%	1.7%	1.7%
13	Los Altos	5,506	21.0%	1.7%	1.7%	7,421	28.3%	2.2%	1.7%	1,915	7.3%	0.6%	0.1%
14	Marysville	151	4.2%	0.4%	0.4%	594	16.3%	1.8%	1.0%	442	12.2%	1.5%	0.6%
15	Oroville	165	3.6%	1.5%	1.5%	829	18.2%	2.8%	2.0%	664	14.6%	1.2%	0.5%
16	Palos Verdes	669	1.5%	-1.3%	-1.3%	5,541	12.6%	6.5%	6.1%	4,872	11.1%	7.8%	7.4%
17a	RWV-Coast Spr.	4	0.7%	0.1%	0.1%	44	8.5%	2.6%	2.5%	41	7.8%	2.5%	2.4%
17b	RWV-Lucerne	236	10.7%	-0.9%	-0.7%	822	37.1%	-1.5%	-1.5%	586	26.5%	-0.6%	-0.8%
17c	RWV-Unified	(53)	-6.6%	-1.2%	-1.2%	69	8.6%	4.5%	4.3%	121	15.2%	5.7%	5.5%
18	Salinas	3,241	11.6%	0.2%	0.2%	8,959	31.9%	4.3%	4.1%	5,718	20.4%	4.1%	3.9%
19	Selma	212	4.2%	0.1%	0.1%	1,243	24.6%	2.2%	2.2%	1,032	20.4%	2.1%	2.1%
20	Stockton	3,486	9.6%	-0.9%	-0.9%	8,857	24.3%	7.0%	6.5%	5,371	14.7%	7.9%	7.4%
21	Visalia	405	1.5%	0.2%	0.2%	7,219	26.9%	1.6%	0.5%	6,813	25.4%	1.4%	0.3%
22	Westlake	276	1.6%	0.0%	0.0%	1,586	9.1%	0.8%	0.8%	1,309	7.5%	0.9%	0.9%
23	Willows	(70)	-3.0%	0.1%	0.1%	975	41.5%	1.4%	3.2%	1,044	44.4%	1.4%	3.2%
24	TOTAL COMPANY	20,362	3.54%	-0.01%	-0.01%	94,838	16.51%	3.43%	3.26%	74,476	12.96%	3.44%	3.27%

2

3

1 **C. KEY RECOMMENDATIONS**

2 **1. Affordability**

3 Affordability among CWS’s customers is of utmost importance. ORA addresses
4 affordability through modifications to CWS’s Rate Support Fund (RSF) and Low Income
5 Ratepayer Assistance (LIRA) programs. CWS’s LIRA program provides bill reductions
6 for qualifying low-income customers and ORA supports increasing the caps for the
7 credit, but not removing the cap entirely. ORA’s Report on Sales and Rate Design,
8 Chapter 2 discusses this recommendation in detail. The RSF program provides bill
9 reductions for all customers in rate areas where customers have both inordinately high
10 bills and affordability problems. In crafting its recommendations, ORA followed the
11 affordability framework the Commission outlined in the industry-wide rulemaking
12 regarding setting rates that balance investment, conservation and affordability¹and
13 recommends certain modifications to CWS’s RSF program. In considering funding
14 levels for both the LIRA Program and the RSF program there is a balance between
15 providing additional funding to alleviate affordability issues for qualifying customers and
16 mitigating bill impacts for customers who must pay for the programs. The Commission
17 should deny CWS’s requests for district consolidations because they are not in the public
18 interest. Accordingly, ORA recommends that the Commission reject CWS’s proposed
19 district consolidations and, in lieu of this, approve ORA’s recommended modifications of
20 the RSF. ORA further discusses these recommendations in *ORA’s Report on Special*
21 *Requests 1 & 2 (District Consolidation and RSF Program)*, 5, 11, 17 & 23 (*Selected*
22 *Balancing and Memorandum Accounts*).

¹ Decision 14-10-047, Attachment A, pp. 22-23.

1 **2. Conservation Expenses**

2 ORA supports maintaining ongoing conservation efforts to achieve the State’s water
3 conservation goals. However, these goals can be achieved at ORA’s lower cost
4 estimates. Funding for drought programming is separate and is tracked through
5 mechanisms approved in CPUC Resolution W-4976 and reaffirmed in Resolution W-
6 5082. ORA recommends a budget of \$5,450,923 for conservation program expenses in
7 Test Year 2017 including conservation staff costs. ORA’s estimate is based upon
8 escalating CWS’s past spending and adding funding for CWS’s proposed home reports
9 and water loss control program. The difference between authorized and actual
10 conservation expenses should continue to be tracked in a one-way balancing account for
11 each district separately with any unspent funds refunded to ratepayers at the end of the
12 rate case cycle (see ORA Report on Operating Expenses (Districts and General Office),
13 Chapter 4 – Conservation).

14 **3. Employee Compensation**

15 To estimate payroll expenses, ORA used 2014 as the recorded base year and removed the
16 portion of salaries for new hires that exceed the amount approved in the previous rate
17 case and removed salaries associated with five requested positions that CWS added to the
18 base year salary. Regarding Executive Compensation, executive incentive award
19 expenses should be removed from revenue requirement because the focus of the
20 incentives is stockholder interests, not ratepayers. Regarding employee benefits, ORA
21 recommends the Commission only require ratepayers to fund pension expenses in line
22 with CWS’s market competitors. Specifically, ORA reduces pension expenses funded by
23 ratepayers to exclude the cost of providing the pension plan to new employees hired after
24 January 1, 2017, estimates an amount of employer contribution, and excludes the
25 Supplemental Executive Retirement Plan costs from the pension expenses funded by
26 ratepayers. ORA’s recommended pension expense is \$11,778,000 compared to CWS’s
27 request of \$23,465,000.

1 **4. Company-Wide Capital Budget**

2 On a company wide basis, CWS proposes to construct an average of \$238.1 million of
3 projects per year. ORA recommends an annual average of \$55 million or 23% of CWS’s
4 request. ORA’s specific recommendations are contained in the Report on Plant –
5 Common Issues, the Report on Plant for the Customer Support Services, and four
6 separate Reports on Plant for 23 districts.

GO and Districts (\$000)	2015	2016	2017	2018	Average
ORA's Recommended	\$ 65,755	\$ 63,381	\$ 45,818	\$ 51,653	\$ 55,024
CWS's Request	\$ 223,471	\$ 195,757	\$ 200,215	\$ 333,150	\$ 238,148
CWS>ORA	\$ 157,716	\$ 132,376	\$ 154,397	\$ 281,497	\$ 183,124
ORA as% of CWS	29%	32%	23%	16%	23%

7
8 In 2015, CWS’s customers have made unprecedented efforts to conserve and used 26.8%
9 less water than in 2013. Yet, CWS is proposing to add new wells in many districts,
10 resulting in rate increases for its customers. The Commission should deny the majority
11 of CWS’s new well proposals because customer usage, when it rebounds, is unlikely to
12 return to pre-2008 levels and data from 10 years ago should not be used during this rate
13 cycle as the basis for determining the need for new wells.

14 The drought may be temporary, but customer behavior is not. Many changes that
15 customers have implemented such as replacing lawn with artificial turf and drought
16 tolerant plants, and installing low flow plumbing fixtures are changes that will remain
17 even after the drought. Furthermore, water usage has been on a decreasing trend since
18 2008, following the implementation of conservation rate structures.

19 During this rate cycle, CWS should not continue to base its needs for new wells on
20 outdated usage data from 10 years ago, prior to the impact of conservation rate structures.
21 Moreover, CWS’s planning process lacks consideration of the current state of water
22 usage in its districts. Even if the drought is declared over later this year, it will take some
23 time for water usage to rebound and it is unlikely to return to pre-2008 levels. CWS’s
24 customers have made great strides in their conservation efforts and it is appropriate to

1 temporarily delay new wells during this rate cycle to allow some temporary relief from
2 rate increases.

3 **5. Common Plant Issues**

4 ORA's Report on Plant – Common Issues addresses plant issues that are common to all
5 of CWS's districts. ORA's Report on Plant – Common Issues includes ORA's analysis
6 and recommendations that affect estimated plant additions and consequently rate base
7 estimates for 2015 – 2018 in ORA's Report on Plant for each district and in the Report on
8 Plant - General Office. Selected key recommendations from ORA's Report on Plant –
9 Common Issues are as follows:

10 **Water Quality:** The Commission should adopt a finding that CWS's water systems are
11 in compliance with water quality standards.

12 **2016 to 2018 Non-Specific Capital Budget:** The Commission should ensure that non-
13 specific capital budgets are only used for projects that are unanticipated, emergency, or
14 required by regulation for immediate compliance.

15 **Pipeline Replacement Program:** The Commission should adopt a more comprehensive
16 and conditional based program that includes consideration of such criteria as system
17 pressure management and active leakage control.

18 **Flat To Meter Program:** The Commission should adopt ORA's more moderate FTM
19 program which is consistent with the California Water Code §527 and §521(g), and
20 strikes a reasonable balance between water savings, costs and rate impacts.

21 **Automated Meter Reading (AMR) Pilot:** CWS should not be authorized to expand its
22 Dominguez AMR pilot because CWS has not performed a comprehensive assessment of
23 ratepayer impacts or CWS's ability to implement AMR successfully, in a transparent
24 manner, at the least possible cost. ORA is open to working with CWS and interested
25 parties in this proceeding to develop a cost-effective, measured approach to testing AMR
26 technology in Dominguez in a way that would not expose ratepayers to unnecessary risks.

1 **Advanced Metering Infrastructure (AMI) and AMR Requests:** CWS’s requests for
 2 AMI projects in Bakersfield and AMR projects in Bear Gulch, Los Gatos, Palos Verdes,
 3 and Salinas are incomplete and not justified with true cost data, valid cost/benefit analysis
 4 or appropriate consideration for customers’ rate impacts, safety, (cyber) security and
 5 service.

6 **Supervisory Control And Data Acquisition (SCADA):** CWS should not be allowed to
 7 prematurely replace the entire SCADA system (platform and components) in the GO and
 8 Districts before CWS completes its pilot study, evaluates the pilot results and provides
 9 evidence that the proposed SCADA project is cost-effective.

10 **CWS Acquired Systems:** For future acquisitions, the Commission should require CWS
 11 to make a showing that it has exhausted every effort to pursue grants and loans to fund
 12 the infrastructure needs of the acquired systems to lessen rate impacts on existing
 13 customers.

14 **Operating Energy Efficiency Program Memorandum Account (OEEP MA):** ORA
 15 recommends that the OEEP MA be closed and the partially depreciated balance of the
 16 project costs added to rate base in the Bakersfield, Chico, and Visalia Districts.

17 **6. General Office Rate Base**

18 ORA recommends capital budgets for General Office for 2015 through 2018 as follows:

(\$000)	2015	2016	2017	2018	Annual Average
ORA's Recommended	\$ 8,981.9	\$ 9,972.8	\$ 2,186.6	\$ 5,216.2	\$ 6,589.4
CWS's Request	\$ 31,701.0	\$ 20,536.9	\$ 11,769.4	\$ 26,829.2	\$ 22,709.1
CWS > ORA	\$ 22,719.1	\$ 10,564.1	\$ 9,582.8	\$ 21,613.0	\$ 16,119.8
ORA as % of CWS	28%	49%	19%	19%	29%

19
 20 Approximately 60% of the total GO capital expenditure is for Information Technology
 21 (IT) related costs. CWS’s spending on IT is the highest when compared to several other
 22 Class A water utilities (Golden State Water Company, San Jose Water Company,
 23 Suburban Water Systems and San Gabriel Valley Water Company), and is higher than a

1 benchmark for the utility industry across the US. Furthermore, CWS's proposed IT
2 capital budget puts too much of a financial burden on CWS's ratepayers, especially those
3 customers in the LIRA program. ORA removed many CWS IT and other GO project
4 budget requests where CWS failed to provide sufficient cost benefit analysis supporting
5 the investment. Detailed cost benefit analysis is needed to demonstrate that each project
6 will provide a quantifiable level of benefit to CWS's ratepayers within a reasonable time
7 frame. For several projects (such as Project 69930 Distribution Map Conversion to
8 Geographic Information System, and Project 99377 Upgrade and Update of the Invoice
9 Document Management Software System), ORA included the project costs in the capital
10 budgets on the condition that the expected costs savings associated with the projects are
11 also incorporated into either the Test Year or Escalation Year expense projections.

12 **7. Depreciation**

13 ORA's Report on Plant for Bayshore, Bear Gulch, Chico, Redwood Valley and Stockton
14 districts recommends different depreciation accrual rates for the asset accounts in the
15 following districts:

- 16 • Antelope Valley: depreciation accrual rate of 10.01% for the Water Treatment
17 Equipment asset account and 7.59% for the Meter asset account.
- 18 • Bayshore: depreciation accrual rate of 2.25% for the Transmission and
19 Distribution asset account.
- 20 • Bear Gulch: depreciation accrual rate of 2.11% for the Transmission and
21 Distribution asset account.
- 22 • Livermore: depreciation accrual rate of 2.14% for the Transmission and
23 Distribution asset account.
- 24 • Redwood Valley- Coast Springs: depreciation accrual rate of 2.03% for the
25 Transmission and Distribution asset account.
- 26 • Redwood Valley- Lucerne: depreciation accrual rate of 0.37% for the Meters
27 asset account.
- 28 • Westlake: depreciation accrual rate of 4.62% for the Services asset account.

1 **8. Rate Base**

2 ORA’s Special Request #7 addresses ORA’s disallowances on CWS’s estimated
3 Construction Work in Progress balances.

4 **9. Operation Expenses**

5 ORA’s Report on Operating Expenses (Districts and General Office) addresses ORA’s
6 recommendations on Operation and Maintenance and Administrative and General
7 expenses. ORA generally developed expense forecasts using historical data ranging from
8 last recorded year (2014) to historical 2 to 5 year averages. ORA’s estimates include
9 correction of errors, removal of one-time or non-reoccurring costs from historical data.
10 ORA also made adjustments where CWS used hard coded data. Two specific
11 adjustments in Operations and Maintenance Expenses are for purchased services where
12 the Commission should deny CWS’s request to recover \$4,676,312 in past design costs
13 for the unbuilt South Bakersfield treatment plant and for enhanced maintenance where
14 the Commission should deny further funding for CWS’s pilot program for Enhanced
15 Maintenance in Bear Gulch, Bayshore, Los Altos, and Palos Verdes districts.

16 **10. Sales**

17 ORA accepted many of CWS’s forecasts for number of customers and sales forecasts per
18 customer. However, for number of customers, CWS should use the 5-year average
19 growth whether it is positive or negative and not limit growth to only positive numbers in
20 most instances. ORA’s sales forecasts per customer do not differ from CWS’s for
21 residential, multi-family and business. However, for the industrial, irrigation, public
22 authority and other customer classes ORA recommends a consistent calculation approach
23 of 4-year average of sales per connection, given the unique characteristics of this case
24 and the timing related to the ongoing drought (see ORA Report on Sales and Rate
25 Design, Chapter 1).

1 **11. Rate Design**

2 ORA recommends three key changes in rate design as follows: 1) CWS should modify
3 the service charges to ensure that they remain equal across all customer classes within a
4 district. Currently, non-residential customers receive a lower service charge rate than
5 residential customers. However, all customers with a given meter size should pay the
6 same amount in the monthly readiness-to-serve charge. 2) In Stockton and Visalia non-
7 residential rate design includes two tiers that provides a quantity discount in Stockton and
8 a discount for larger meter sizes in Visalia. These discounts are not consistent with the
9 Commission’s policies to encourage conservation. Non-residential quantity charges in
10 Stockton and Visalia should be merged into a single quantity rate in each of these
11 districts, respectively. 3) The Antelope Valley district includes three service areas that
12 share a revenue requirement but each have their own rate schedules and separate rates.
13 The revenue allocation across the three service areas should match the allocation of water
14 sales across the three service areas. This recommendation should be phased-in over three
15 rate cycles to avoid rate-shock (see ORA Report on Sales and Rate Design, Chapter 1)

16 **12. Confidential Information**

17 CWS designated a majority of the information in its project justification (PJ) reports as
18 confidential.² CWS states that this is to maintain safety and security.³ The Commission

² This information includes, for example, maps and facility locations, criticality of certain infrastructure, pipelines CWS identified for replacement, a water system or facility’s capacity, site plans, locations, photos of sites, water quality impacts and clean-up alternatives, and support for capital budget overruns and delays.

³ Prehearing Conference Reporter’s Transcript, p. 26, line 12, September 21, 2015.

1 allowed CWS to take this approach in the present GRC,⁴ and ORA diligently carries
2 forward CWS's confidential designations where required. However, ORA does not agree
3 with marking the information confidential. It is in the public interest to make available
4 much of the information CWS seeks to keep confidential.

5 During the time-period for discovery in this GRC, ORA worked with CWS to resolve
6 instances of information marked confidential that ORA needed to reference that should
7 not be treated as confidential. A majority of the information that CWS treated as
8 confidential in its PJ reports was later determined by CWS at ORA's questioning as not
9 posing a safety or security threat if made public. Although no individual confidentiality
10 issue rose to the level of being escalated to the ALJ or Commissioner in this proceeding,
11 as a whole, dealing with the volume of information marked confidential consumed both
12 ORA and CWS's time and resources during the discovery process. This time and
13 resources could have been dedicated to more pressing matters under the limited GRC
14 timeline. In CWS's next GRC the Commission should require CWS to work with ORA
15 to resolve proposed treatment of confidential information prior to the GRC pre-
16 application and allow ORA additional time to redact the information before ORA issues
17 its reports. Additionally, the Commission should require CWS to maintain a consistent
18 approach⁵ to the treatment of confidential information and ensure that the information
19 CWS seeks to retain as confidential in a GRC application has a sound basis in benefitting
20 public health and safety and is not publicly available elsewhere.

⁴ Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, p. 8.

⁵ CWS's treatment of confidential information is inconsistent. CWS's PJ reports contained generalized blanket confidential designations while CWS's responses to ORA's data requests for the same information are not identified as confidential. For example, information regarding a district's demand and supply is treated as confidential in the PJ reports while CWS's responses containing the same information are not treated as confidential. CWS's PJ Report, page SLN PJ-8. CWS's Response to ORA's DR A1507015, SN2-008, Question 3.

1 Information that CWS requested to maintain as confidential should be publicly available
2 in future GRCs to promote transparency in CPUC's regulation of utilities and because it
3 is available from other public sources in some instances and because it is in the public
4 interest for the reasons discussed below. While ratepayers are asked to pay for a costly
5 rate increase to fund CWS' plan to replace at least 0.5% of the pipeline per year, with
6 CWS's redactions, ratepayers are not allowed access to the information that forms the
7 basis for its replacement need. In future GRCs, ratepayers should have full disclosure
8 and the right to access the data that CWS provided to show the different needs in their
9 districts. Similarly, ratepayers are asked to fund water quality cleanup in rates.
10 However, CWS has stamped information confidential regarding pollutants in the water,
11 treatment methods CWS considered, and why a certain method was chosen to clean up
12 the water. CWS and any water provider are required by the Division of Drinking Water
13 to disclose information regarding water quality in its annual consumer confidence report
14 to its customers. There is no reason for CWS to treat information on water quality as
15 confidential in the GRC process as this just provides an additional hurdle for customers to
16 overcome in gaining access to information that affects their health. Although CWS
17 provides an explanation for cost overruns and project schedule delays, the information is
18 identified as confidential, which limits ratepayers access to the information. A majority
19 of the general reasons provided for cost overruns includes additional work required not
20 originally planned, underestimation of cost, increase in overhead rate, and increase in
21 labor cost. Allowing access to such information increases transparency and
22 accountability in ratemaking.

23 Information CWS designated as confidential where similar information is available from
24 other public sources. For example, CWS's Urban Water Management Plans are available
25 to the public online and contain information on supply and demand. Additionally, similar

1 information on site plans, locations, and photos are available on CWS’s website.⁶ For
2 CWS to identify such information as “confidential” in its rate case filings when the same
3 type of information is available to the public elsewhere will not increase customers’
4 health and safety and will only serve to hamper access to information in the ratemaking
5 process.

6 **13. Special Requests**

7 See next section.

8 **D. SPECIAL REQUESTS**

9 CWS submitted a total of 23 Special Requests in this GRC. ORA addresses Special
10 Requests #4, 10, 12, 13, 14, 16, 19 and 20 in this chapter. Special Request #23 on
11 existing balancing and memorandum accounts is addressed in its Report on Balancing
12 and Memorandum Accounts and Reports on Plant. The following Table 1-B summarizes
13 ORA’s recommendations on CWS’s Special Requests; as shown below, ORA assigns a
14 number to each of CWS’s Special Request for easy reference.

⁶ https://www.calwater.com/docs/districts/bg/BG_Sta_13_ASCC_Presentation.pdf, accessed 2/17/2016. This same type of information is in the PJ Report for Bear Gulch pp. 270, 272-273, 496, and 528 and is marked as confidential.

1

Table 1-B: Summary of CWS's Special Requests and ORA's Recommendations

Special Request #	CWS's Special Request	ORA Recommendation	ORA Witness
1	District Consolidation	Disallow	James Simmons
2	Phase out the Rate Support Fund program	Disallow; instead, recalculate RSF subsidies	James Simmons
3	Remove cap on LIRA benefits	Disallow	Eric Duran
4	Additional process for tariff development	Allow	Yoke Chan
5	Implement monthly cross-connection fee	Allow with condition	James Simmons
6	Establish recycled water tariff for East Los Angeles district	Allow with condition	Eric Duran
7	Include CWIP in rate base	Disallow	Brian Yu
8	Eliminate 10% cap on WRAM amortization	Disallow	Eric Duran
9	Continue SRM – 100% of the variance	Disallow	Eric Duran
10	Continue authorization for Balanced Payment Plan	Allow with condition	Yoke Chan
11	Increase Water Supply Fees in Bakersfield, Chico, Dixon, Marysville, Salinas, Selma, Visalia and Willows districts	Allow	James Simmons
12	Separate applications for building improvement in Bear Gulch, Los Altos, Livermore and Visalia	See discussion in section below	Yoke Chan
13	Waiver of additional notice	Disallow	Yoke Chan
14	Coordination with open Commission Proceedings	Allow	Yoke Chan
15	Permanent conservation rate design	Allow with condition	Eric Duran
16	Recognize subsequent offsets in final rates	Allow	Yoke Chan
17	Permanent credit card program	Allow	Jim Simmons
18	Temporary metered service tariff	Allow	Pat Esule
19	Deadline for intervention	N/A	Yoke Chan
20	Public and private fire protection tariffs	Allow	Yoke Chan
21	Rule 15 (Main Ext.) clarifications	Disallow	Pat Esule
22	Water quality findings	See ORA's Report on Plant – Common Issues	Jenny Au
23	Balancing and Memo. Accounts	See Table 1-C below	Jim Simmons & others

1

Table 1-C: CWS's Balancing and Memorandum Accounts (part 1 of 2)

Preliminary Statement, Abbreviation	REGULATORY ACCOUNT	ORA's Recommendation	CWS Balance as of 6/30/2015	Per- cent of Total	ORA- Recomm. Bal. as of 6/30/2015	ORA > (<) CWS
AJCA	American Job Creation Act Mechanism	Close account upon expiration; transfer residual amounts to General District Balancing Accounts	\$ (184,200)	-0.3%	\$ (184,200)	0
F MTBE MA	MTBE Memo Account	Close this account upon reconciliation	\$ (4,900,151) *	-6.7%	\$ (4,900,151)	0
H LIRA MA	Low-Income Ratepayer Assistance Memo Account	Amortize and close	\$ 198,478	0.3%	\$ 198,478	0
J2 CCPP MA	Credit Card Pilot Program Memo Account (Modified)	Amortize and close this account	\$ (74,307)	-0.1%	\$ (74,307)	0
K WMA	Wausau Memo Account	Reconcile and Close when PCE MA is resolved	- *		-	0
M WRAM/MCBA	Water Revenue Adj. Mech. /Modified Cost Bal. Acct	Keep open; ongoing	\$ 47,922,176	65.6%	\$ 47,922,176	0
P DTSC MA	Dept of Toxic Substances Control Memo Account	Close this account upon reconciliation	\$ 718,479 *	1.0%	\$ 718,479	0
Q HomeServe MA	A.08-05-019 Memo Account (HomeServe)	Transfer residual balances to the District Balancing Accounts and close	\$ 40,806	0.1%	\$ 40,806	0
S WCCM	Water Cost of Capital Adjustment Mechanism	Keep Open; this is a cost of capital trigger mechanism	-		-	0
T LCBA	Lucerne Balancing Account	Keep open for the term of the loan	\$ 5,780,936	7.9%	\$ 5,780,936	0
U TLMA	Tort Litigation Memo Account	Close this account; Memorandum Account is not needed as CWS estimates ongoing Litigation Expense in GRC	- *		-	0
V PCE LMA	PCE Litigation Memo Account	Close this account upon reconciliation	- *		-	0
W TCP MA	TCP Litigation Memo Account	Keep open, pending adoption of a TCP MCL, completion of the TCP litigation, and remediation of damages.	- *		-	0
X OEEP MA	Oper. Energy Efficiency Program Memo Account	Amortize below-the-line and close, per ORA's recommended disallowance of associated plant.	\$ 185,769 (r)	0.3%	-	\$(185,769)
Z1 CEBA1	Conservation Expense One-Way Balancing Account 1	Close account upon expiration; transfer residual amounts to General District Balancing Accounts	\$ (655,619)	-0.9%	\$ (655,619)	0
Z2 CEBA2	Conservation Expense One-Way Balancing Account 2	Amortize and close account as of 12/31/16	\$ (3,975,438) *	-5.4%	\$ (3,975,438)	0
AA1 PCBA1	Pension Cost Balancing Account 1	Amortize and close account as of 1/29/16	\$ 1,872,065	2.6%	\$ 1,872,065	0
AA2 PCBA2	Pension Cost Balancing Account 2	Amortize as of 12/31/16; extend; conform calculations for: 1) effect of escalation on expense recovery; and 2) consistency with capitalization ratio in adopted expense forecast	\$ (2,340,643) *	-3.2%	\$ (2,340,643)	0
AB2 HCBA	Health Cost Balancing Account	Amortize as of 12/31/16; extend; conform calculations for: 1) effect of escalation on expense recovery; and 2) consistency with capitalization ratio in adopted expense forecast	\$ 2,468,803 *	3.4%	\$ 2,468,803	0

2

1

Table 1-C: CWS's Balancing and Memorandum Accounts (part 2 of 2)

Preliminary Statement, Abbreviation	REGULATORY ACCOUNT	ORA's Recommendation	CWS Balance as of 6/30/2015	Per- cent of Total	ORA- Recomm. Bal. as of 6/30/2015	ORA > (<) CWS
AC PRV MA	Pressure Reducing Valve Memo Account	CWS to provide an accounting of its PRV Projects; keep account open, pending project completion	- *		-	0
AD SLMA	Stockton East Litigation Memo Account	Close this account pending completion of litigation and CWS's reconciliation	\$ (400,272) *	-0.5%	\$ (400,272)	0
AE Bonus Tax MA	Bonus Tax Depreciation Memo Account	Approve refund via CWS' filing a Tier 1 Advice Letter; balance shown is as of 12/31/2013	\$ (1,840,467)	-2.5%	\$ (1,840,467)	0
AG CEMA	Catastrophic Event Memo Account	Keep open as authorized by PUC Section 454.9	-		-	0
AI CR6 MA	Chromium-6 Memo Account	Keep this account open until research is done and CWS reconciles and accounts for all grants; ongoing.	\$ 18,223 *	0.0%	\$ 18,223	0
AJ LIRA BA	LIRA Balancing Account	Approve by rolling balance into 2016 LIRA surcharge; ongoing.	\$ 2,449,181 *	3.4%	\$ 2,449,181	0
AK 2012 IRMA	2012 GRC Interim Rate Memo Account	Keep open; upon surcharge expiration transfer residual balances to the District Balancing Accounts and close.	\$ 20,273,335 *	27.8%	\$ 20,273,335	0
AL DRMA	Drought Memo Account	Review after CWS's completion of internal review and reconciliation; keep open until drought ends.	\$ 1,483,656 *	2.0%	\$ 1,483,656	0
AM RSF BA	Rate Support Fund Balancing Account	Effective. 1/1/2017, annually recalculate 2017 RSF surcharge and subsidies for RSF Program changes.	\$ 424,236 *	0.6%	\$ 424,236	0
AN Infra MA	Infrastructure Act Memo Account	Keep account open	-		-	0
AO Water Contam MA	Water Contamination Lit. Memo Account	Keep this generically authorized account open	-		-	0
AP Gen BA	General District Balancing Accounts	Keep account open; ongoing	\$ 524,271	0.7%	\$ 524,271	0
AQ ELAMA	East Los Angeles Memo Account	Keep account open; ORA does not recommend approval of ELA Memo Account Projects at this	\$ 1,624,535 (r) (1)	2.2%	\$ 1,624,535	0
AR SRM	Sales Reconciliation Mechanism Bal Account	Close this account	-		-	0
AS ALMA	Asbestos Memo Account	Amortize, subject to Review of CWS's reconciliation; keep open, ongoing	\$ 73,118 *	0.1%	\$ 73,118	0
IFRS MA	International Financial Reporting Standards MA	Keep open, awaiting SEC trigger	-		-	0
Various	Old Interim Rate Surcharge Residuals	Amortize, keep open until expiration	\$ 1,161,591	1.6%	\$ 1,161,591	0
TOTAL:			\$ 73,032,761	100.0%	\$ 72,846,992	\$ (185,769)

Notes: (*) Subject to ORA's Review.

(1) CWS Estimated as of 12/31/16.

(r) Subject to ORA's recommendation on related Rate Base.

2

3

1 **1. Special Request #4 – Additional process for tariff development**

2 CWS requests an additional scheduling step in this proceeding to ensure that the rates,
3 tariffs, and tables that support and accompany a final decision are accurate and
4 consistent. CWS suggested approach is for the ALJ to issue a ruling requiring CWS and
5 ORA to work together and develop the requested data before a proposed decision is
6 released.⁷ CWS recommends that such a ruling allow the company and ORA at least one
7 month to develop and review a joint submission. CWS states that this request is needed
8 if parties reach a settlement or if the entire case is fully litigated. CWS also recommends
9 that the intervenors in this case be included in this process to review the draft tariffs and
10 tables for accuracy and inclusion of settled items.

11 This request was denied in the scoping memo⁸ for its lack of clarity on how “the timing
12 and form of the Commission’s order would be made.” The scoping memo, however,
13 allows CWS and parties to propose a more precise schedule on this particular request.
14 Looking at the procedural schedule in the scoping memo, ORA is equally unclear on
15 when this CWS requested scheduling step could take place, presumably after the Water
16 Division Technical Conference but before the scheduled Proposed Decision mailing date
17 of October 6, 2016. Once such procedural step is in place, however, ORA agrees to
18 work collaboratively with CWS and other parties in this proceeding to jointly work on all
19 issues to ensure the rates, tariffs, and tables that support and accompany a final decision
20 in this proceeding are accurate and consistent with the Commission’s expressed policies.

⁷ CWS application, p.14.

⁸ Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, p.18.

1 **2. Special Request #10 – Continue authorization for Balanced Payment Plan**

2 CWS seeks to extend the authorization received in D.14-08-011 to implement a Balanced
3 Payment Plan (BPP) for customers under the similar conditions discussed in the 2012
4 GRC Settlement.⁹ A BPP will allow CWS’s customers to sign up for the plan and
5 receive bills equal to their 12-month average bill, or a representative neighborhood bill if
6 their consumption history is shorter than twelve months.

7 In 2012 CWS GRC, ORA agreed with CWS that the BPP offers ratepayers another
8 option to make their water service payment and allow them to better manage their bills.
9 The plan has the potential to reduce call volumes, but requires additional data to
10 determine if it would have an impact on water conservation. ORA recommended that the
11 Commission approve the plan on the condition that it has to be offered to all customers,
12 not just to those who are current on their bills. ORA also recommends that CWS be
13 required to track the costs and monitor the success of the program and report them to the
14 Commission in its next GRC.

15 As stated in Mr. Duncan’s testimony,¹⁰ CWS has not yet implemented a BPP due to
16 several challenges: (1) CWS is in the process of transferring between two billing systems
17 and (2) whether drought surcharges that penalize customers for exceeding monthly water
18 allocations should be used to calculate the rolling 12-month average that determines the
19 BPP. CWS states that there are pros and cons of including the drought surcharges and
20 both approaches introduce complications that are difficult to explain to the customers.

⁹ CWS application, p.16.

¹⁰ CWS Direct Testimony of Darin Duncan, page 157, line 7.

1 CWS seeks to retain the authorization to implement a BPP once its new billing system is
2 in place and when circumstances are more favorable for a BPP.

3 Since CWS has made progress to ensure that it has the technical and administrative
4 resources needed to implement a BPP, ORA does not oppose its request. However, if
5 CWS doesn't implement its BPP within this GRC cycle, CWS should be required to
6 request a new the BPP in its next GRC.

7 **3. Special Request #12 – Separate applications for building improvement in Bear**
8 **Gulch, Los Altos, Livermore and Visalia districts**

9 CWS requests to file applications outside of this proceeding for new buildings or building
10 improvement in Bear Gulch, Livermore, Los Altos and Visalia districts.¹¹ For each new
11 building or building improvement, CWS determined that it would not be appropriate to
12 pursue this request at this time. However, CWS does not provide a specific time frame
13 for a separate application.

14 For Bear Gulch district, CWS stated that the existing buildings were constructed in the
15 1980s and they are not up to the current California Building Energy Code requirements
16 and California Seismic Standards. In addition, CWS needs more usable work space for
17 its staff, a separate meeting room and adequate storage. To improve the district's
18 facilities, alternatives were considered and the preferred option is to build a new facility
19 on site. CWS is currently focusing on high priority items such as including three new
20 storage tanks, main replacements, booster pump station rebuilds, new wells and other
21 system improvements.

¹¹ CWS application, p. 16.

1 For Livermore district, CWS leases an office for customer service and owns an
2 operations facility. CWS claims that the leased office is inadequate and does not meet
3 the needs of the district. CWS's consultant recommendation was to renew the leased
4 office and make improvements.

5 For Los Altos district, CWS claims that its Operations Center at 1555 Miramonte Avenue
6 is overcrowded and does not meet current earthquake retrofit standards. CWS has
7 considered remodeling the building but has determined that it will not be cost effective
8 and a remodel would not meet the needs for space. CWS's studies recommended
9 utilizing the existing properties in 1555 and 1579 Miramonte Avenue to build a new
10 facility. 1579 Miramonte Avenue parcel was purchased without Commission's approval
11 and in 2012 GRC, CWS agreed to remove the 1579 Miramonte Avenue parcel which
12 was included in its 2012 beginning plant balance with the amount of \$2.426 million.
13 CWS claims that 1579 Miramonte Avenue is now used for employee and customer
14 parking pending the construction of a new building.

15 For Visalia district, CWS claims that the current district facilities at 216 N Valley Oaks
16 Drive are inadequate for serving its customers and operations, lack of usable workspace,
17 and inadequate meeting or break rooms. Both the buildings and the site are not up to
18 current California disability access standards and the current California Energy and
19 Green Building Code requirements. CWS became aware of a possible availability of the
20 building adjacent of its current facilities but firm plans and cost estimates for the building
21 work have not been undertaken.

22 According to CWS, the focus is on current drought conditions and developing the
23 resources to alleviate those conditions and CWS does not provide any specific time frame
24 for separate application addressing each of these building improvements.

25 ORA considers this special request as information only and recommends CWS to file its
26 applications when it considers appropriate to pursue this request or in its next GRC.

1 **4. Special Request #13 – Waiver of additional notice**

2 CWS requests an order from the Commission waiving the notice requirement under Rule
3 3.2(c-d) or General Order 96B if the actual escalation year increase exceeds that in the
4 customer notices.¹² CWS estimates escalation year rates using inflation factors provided
5 by the Commission Staff. CWS claims that the escalation year filings for 2018 and 2019
6 are based on future projections of inflation rates. Any increase requested at this time
7 cannot be predicative of inflation present at that time.

8 ORA opposes CWS’s request to waive the customer notice for escalations years in the
9 event that the increases in an escalation year exceed 10% or more than the customer
10 notices. CWS request bypasses the requirement of GO 96B by depriving its customers
11 the right to participate in the advice letter process. CWS’s request involves changing a
12 rule in the General Order, and such a request to change a General Order should be made
13 through an industry wide rule making proceeding.

14 **5. Special Requests #14 – Coordination with open Commission proceedings and**
15 **#16 – Recognize subsequent offsets in final rates**

16 In Special Request #14, CWS requests the Commission incorporate the results of those
17 proceedings that are likely to be resolved before new rates are scheduled to become
18 effective as a result of this proceeding in January 1, 2017.¹³ Those proceedings include:
19 1) a proposed Los Altos recycled water tariff for a new Apple campus (Advice Letter

¹² CWS application, p.16.

¹³ CWS application, p.17.

1 2158);¹⁴ 2) a request for a memorandum account for asbestos-related litigation (A. 04-09-
2 033); and 3) a request for financing (A.15-04-021, submitted April 24, 2015).

3 In a separate Special Request #16, CWS anticipates that subsequent to the filing of this
4 Application and prior to the issuance of a Commission decision, increases in water
5 production expenses in one or more districts may require the filing of a request for an
6 expense “offset” via the informal advice letter process.¹⁵ Since offsettable expense price
7 changes are not forecasted in a general rate case, CWS therefore requests that the
8 Commission formally recognizes such offset filings when new rates are approved.

9 Both special requests by CWS have an unintended consequence that if the results of other
10 proceedings or the offset expenses are included in this proceeding, it may create a
11 perception that the final revenue requirement exceeds the one requested by CWS in its
12 filing.

13 ORA agrees with CWS that the Commission should allow CWS to include the results of
14 other proceedings and the subsequent offsettable expenses that will be resolved before the
15 new rates of this proceeding become effective in January 1, 2017. This would reduce
16 customer confusion, reduce workload on both Commission and CWS staff, and
17 streamline the regulatory process. However, ORA is concerned the inclusion of other
18 proceedings and offsettable expenses could potentially lead to the perception of higher
19 revenue requirement than what CWS has requested in its original filing. ORA
20 recommends CWS to notify its customers explaining the resulting increase and the reason

¹⁴ Commission Resolution W5078 dated February 11, 2017 authorized CWS to establish a new tariff to provide recycled water to the Los Altos District.

¹⁵ CWS application, p.17.

1 for the increase after the Commission’s final decision as a condition for the approval of
2 both requests.

3 **6. Special Request #19 – Deadline for intervention**

4 CWS requests the Assigned Administrative Law Judge provide guidelines to potential
5 intervenors who are interested in becoming a party submit their motions to intervene
6 preferably before December 1, 2015.¹⁶ CWS also proposes the Commission only allow
7 limited intervention, tailored to the schedule and needs of this proceeding in the event
8 that this special request is not adopted.¹⁷

9 This issue is moot since intervenors are directed to file their motions by April 1, 2016 per
10 scoping memo dated January 7, 2016.

11 **7. Special Request #20 – Public and private fire protection tariffs**

12 CWS requests to eliminate a series of legacy and unneeded tariffs.¹⁸ These tariffs are for
13 public fire hydrant charges and they served the purpose of charging public agencies a
14 nominal monthly fee for CWS to provide public fire hydrant located with the public
15 agency’s jurisdictional limits. CWS also requests standardizing the rates for fire services
16 across all districts and adding clarifying language to its service to Privately Owned Fire
17 Protection Systems.

18 CWS stopped charging public agencies using these tariffs in all districts in response to
19 the Legislation enacted in 1980s by the State of California which precluded public
20 agencies from paying fees for having public fire hydrants located within their

¹⁶ CWS application, p. 20.

¹⁷ CWS application, p. 21.

¹⁸ CWS application, p.21.

1 jurisdiction.¹⁹ For each district, there is a public fire hydrant tariff and since CWS is no
2 longer using these tariffs, they should be eliminated.

3 In addition, CWS currently has 23 individual Privately Owned Fire Protection tariff
4 sheets and CWS proposes to use only one tariff applicable to all districts by adding
5 special condition stating that the tariff applies to all fire protection services for
6 governmental and privately owned properties.

7 ORA recommends the Commission approve CWS's request.

¹⁹ PU Code 2713.