

Docket : A.16-01-002
Exhibit Number : ORA-
Commissioner : Liane Randolph
Admin. Law Judge : Pat Tsen
ORA Project Mgr. : Mehboob Aslam
ORA Witnesses : Mehboob Aslam
: Jose Cabrera
Raymond Charvez
Jeffrey Roberts



ORA
OFFICE OF RATEPAYER ADVOCATES



Office of Ratepayer Advocates
CALIFORNIA PUBLIC UTILITIES COMMISSION

ERRATA
REPORT ON GENERAL OFFICE,
MEMORANDUM/BALANCING ACCOUNTS
AND SPECIAL REQUESTS
San Gabriel Valley Water Company
Test Year 2017-2018 General Rate Case
A.16-01-002

Los Angeles, California
July 25, 2016

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1 **MEMORANDUM**

2 The Office of Ratepayer Advocates (“ORA”) of the California Public Utilities
3 Commission (“Commission”) prepared this report presenting its analysis and
4 recommendations in the San Gabriel Valley Water Company’s (“SGVWC”) general rate
5 case (“GRC”) A.16-01-002. In this GRC, SGVWC requests rate increases in its two
6 divisions: Los Angeles County Division and Fontana Water Company Division along
7 with its General Office (“GO”) allocations. More specifically, SGVWC **requests**
8 **authorization to increase rates charged for water service in its Los Angeles County**
9 **Division by \$14,476,800 or 24.8% in July 2017, \$3,599,800 or 5.0% in July 2018, and**
10 **\$4,778, 200 or 6.4% in July 2019, and in its Fontana Water Company Division by**
11 **\$20,607,600 or 38.6% in July 2017, \$1,760,400 or 2.3% in July 2018, and \$2,664,800**
12 **or 6.4% in July 2019.** SGVWC requests using a rate of return on rate base of 8.49%.
13 The Commission adopted these rates in D.13-05-027 in its most recent Cost of Capital
14 application (A.12-05-002).

15 Mehboob Aslam serves as ORA’s project coordinator in this proceeding and is
16 responsible for the overall coordination in the preparation of this report. ORA’s
17 witnesses prepared testimony on SGVWC’s GRC requests. Appendix A of this report
18 contains ORA’s witnesses’ qualifications.

19 ORA’s Legal Counsels for this case are Selina Shek and Paul Angelopulo.
20

1 **EXECUTIVE SUMMARY**

2 In Application A.16-01-002 filed on January 4, 2016, SGVWC requests
3 authorization to increase rates charged for water service in its Los Angeles County
4 Division by \$14,476,800 or 24.8% in July 2017, \$3,599,800 or 5.0% in July 2018, and
5 \$4,778, 200 or 6.4% in July 2019, and in its Fontana Water Company Division by
6 \$20,607,600 or 38.6% in July 2017, \$1,760,400 or 2.3% in July 2018, and \$2,664,800 or
7 6.4% in July 2019. SGVWC uses a Fiscal Test Year from July 1, 2017 – June 30, 2018
8 and the effective date of new rates from this GRC is July 1, 2017. ORA in this report
9 presents its analysis and recommendations that result in an estimated increase of
10 \$4,116,518 or 6.4% in the July 2017, an estimated increase of \$1,134,515 or 1.67%% in
11 July 2018, and \$1,135,679 or 1.65% in July 2019 in SGVWC’s Los Angeles County
12 Division, and an estimated increase of \$9,944,454 or 17.2% in July 2017 an estimated
13 increase of \$1,081,807 or 1.60% in July 2018, and \$1,554,850 or 2.26% in SGVWC’s
14 Fontana Water Company Division.

15 **Key Recommendations**

16
17 **Chapter-2:**

18 The Commission should adopt the following recommendations:

- 19 ● Lower Forecasted Regulatory Commission Expense from \$165,031 to
20 \$29,173 in TY 2017-2018.
- 21 ● Lower Bank Charges from \$144,132 to \$127,956 in TY 2017-2018.
- 22 ● Lower Postage Expense from \$736,440 to \$564,361 in the Customer
23 Account, and from \$24,978 to \$19,214 in the A & G account in TY
24 2017-2018.
- 25 ● Remove SGVWC’s proposed \$140,000 for AMR integration costs from
26 GO expenses.
- 27 ● Remove SGVWC’s proposed \$224,000 in expenses for the AMI Pilot
28 Program from GO expenses, and require SGVWC to track these costs in
29 the approved memorandum account instead.
- 30 ● Require the AMI Pilot Program to result in the collection of all
31 necessary data to facilitate the creation of a robust business case model
32 and quantitative cost-benefit analysis for AMI.

- 1 ● Lower Workers' Compensation Insurance Expense from \$131,246 to
- 2 \$128,644 in TY 2017-2018.
- 3 ● Require SGVWC to continue to take steps to mitigate the cost to
- 4 ratepayers of the decisions of long-term employees to optimize their
- 5 workers' compensation "system" for their own benefit.
- 6 ● Lower Health Insurance expense from \$1,306,149 to \$900,223 in
- 7 TY 2017-2018.
- 8 ● Lower Vision Insurance from \$8,728 to \$8,411 for TY 2017-2018.
- 9 ● Lower Benefits for New Staff Positions from \$268,935 to \$25,467 for
- 10 TY 2017-2018.
- 11 ● Lower Total Employee Pensions and Benefits from \$3,970,789 to
- 12 \$3,334,784 in TY 2017-2018.
- 13 ● Disallow the new positions for: Programmer, IT Project Manager, Field
- 14 Engineer, Assistant Engineer, GIS Manager, GIS Specialist, GIS
- 15 Developer, and the 4 positions related to new Business System
- 16 Upgrades in General Office.
- 17 ● Allow the new position of Project Administrator.

18 **Chapter-3:**

- 19 ● ORA recommends that the entire requested \$5,751,600 for the proposed
- 20 Finance Management Information System ("FMIS") Information
- 21 Technology ("IT") upgrade be disallowed.
- 22 ● ORA removed the AMR meter costs of \$140,000 from the Workpaper
- 23 Tab GP1 Plant entry for 2017 as SGVWC erroneously included in plant.

24 **Chapter 4:**

- 25 ● ORA recommends that an additional 15% of direct labor attributable to
- 26 affiliate services be added to the fully loaded labor costs, using the most
- 27 recently available 2014 time summaries, to arrive at the cost of services
- 28 attributable to work performed for affiliates. The total 2017-2018 TY
- 29 escalated estimate for the Account 812 Administrative Overhead
- 30 Transferred Credit should be increased from \$(45,671) to \$(64,597).

31 **Chapter 5:**

- 32 ● ORA recommendations for SGVWC's various memorandum and
- 33 balancing accounts are as follows:

34 **Memorandum and Balancing Accounts in Los Angeles County Division**

- 35 ● Cost of Cost of Capital Litigation Memorandum Account---ORA
- 36 recommends that this account should be amortized over a three year
- 37 period per D.11-11-018 and a transportation cost of \$5,063 and the

- 1 employee transportation costs are not includable in the balancing
2 account.
- 3 ● Plant F23 Perchlorate Facilities Balancing Account ---ORA agrees with
4 SGVWC's request to amortize \$730,974.05 for this account over the
5 three years in this GRC.
 - 6 ● ORA recommends not combining the Los Angeles County Divisions'
7 Purchase Water and the Pumped Water balancing account into a Single
8 Water Production Balancing account. Additionally, SGVWC has not
9 filed a tariff for these two balancing accounts at this time. An Advice
10 Letter needs to be filed with the Commission providing Tariff sheets for
11 these two balancing accounts.
 - 12 ● Income Tax Repair Regulations Implementation Memo Account
13 ("ITRRI-MA") ---ORA recommends the Commission deny SGVWC
14 recovery of the \$119,022 balance in the ITRRI-MA and the account be
15 closed.
 - 16 ● Pump Water Balancing Account ---ORA recommends that SGVWC
17 should not be allowed recovery balance of this account until a tariff for
18 this balancing account is filed and approved.
 - 19 ● Purchase Water Balancing Accounts---ORA recommends that SGVWC
20 should not be allowed recovery of the balance of this account until a
21 tariff for this balancing account is filed and approved.
 - 22 ● Conservation Program Balancing Accounts---ORA recommends the balance in
23 this account be returned to ratepayers during this current GRC proceeding. As
24 of June 30 2015, SGVWC recorded an over-collection of \$326,709 for the Los
25 Angeles District Conservation Balancing Accounts.
 - 26 ● Water Quality Litigation Memorandum Account (Plaintiff)---ORA
27 recommends that SGVWC file an Advice Letter no later than 30 days from the
28 effective date of this GRC to refund the \$7,637,573 balance in this account to
29 its customers.
 - 30 ● Water Quality Litigation Account (Defense)---ORA recommends that SGVWC
31 file an Advice Letter no later than 30 days from the effective date of this GRC
32 to collect its under collection of \$332,918 in this account.
 - 33 ● Cost of Capital Interim Rates Memorandum Account---ORA recommends that
34 SGVWC file an advice letter for this account which has a credit balance of
35 \$45,828.
 - 36 ● 2010 Tax Act Memorandum Account---ORA recommends closing this account
37 which has \$0 balance as of June 30, 2015.

- 1 ● Catastrophic Event Memorandum Account---ORA recommends that SGVWC
2 continue to maintain this account.
- 3 ● Payment Option Memorandum Account---ORA recommends that SGVWC
4 continue to maintain this account since it was authorized recently on February
5 30, 2016.
- 6 ● Drought Lost Revenue Memorandum Account (“DLRMA”)---ORA has not
7 audited DLRMA at this time since the balance does not meet the 2% of gross
8 revenue criteria.
- 9 ● Section 790 Memorandum Account---ORA has reviewed SGVWC’s filed tariff
10 and determined that the tariff requirements for this account are not being
11 followed at this time. SGVWC needs to follow its approved tariffs. The utility
12 stated that it has a \$0 balance because all property proceeds are immediately
13 reinvested in new company assets.

14 **Memorandum and Balancing Accounts in Fontana Water Company Division**

- 15 ● Water Production Balancing Account---ORA recommends that SGVWC
16 should not be authorized recovery of under collections of \$3,946,087 within
17 this account until a tariff is filed and approved.
- 18 ● Purchase Power Balancing Account---ORA recommends that SGVWC file an
19 Advice Letter within 30 days from the day a decision on this application is
20 issued to return the over collection of \$1,604,502 in its Purchase Power
21 Balancing Account. Additionally, recovery of any subsequent under collection
22 should not be authorized until a tariff is filed and approved.
- 23 ● Water Revenue Adjustment Mechanism (“WRAM”) Memorandum Account---
24 As of June 30, 2015 there is a \$1,487,418 under collection balance in
25 SGVWC’s WRAM Memorandum Account. The balance in the memorandum
26 account shall be amortized by a Tier 1 advice letter whenever the balance
27 exceeds 2% of the authorized revenue requirement for the preceding calendar
28 year.
- 29 ● California Alternative Rates for Water (“CARW”)---SGVWC filed the Advice
30 Letter 475 to amortize an amount of \$3,180,314 in its California Alternative
31 Rates for Water (“CARW”) Balancing Account as of July 31, 2015 and the
32 Commission’s Division of Water and Audits did not object to this filing.
- 33 ● Water Action Plan Objectives (“WAP”) Balancing Account---ORA
34 recommends that this account should be closed. This account has a \$0 balance
35 and is no longer in use.
- 36 ● Water Quality Litigation Memorandum Account—The purpose of this
37 memorandum account is to record outside legal and consulting expenses for
38 water quality litigation, as well as contamination proceeds that are not reflected
39 in base rates and any amortization of those recorded balances in accordance

1 with Resolution W-4094. SGVWC filed Advice Letter 459 on March 4, 2015
2 to amortize the balance in this memorandum account as of December 31, 2014
3 of \$2,992,274.00 over a 12 month period. Resolution W-5064 dated October
4 22, 2015 authorized SGVWC to amortize a net of \$2,259,469 over a 12 month
5 period. ORA did not audit this account at this time as SGVWC has not
6 requested recovery in this GRC.

- 7 ● Land Parcel #215 and #221 Memorandum Account---ORA believes that the
8 cost reflected in this account should be properly recorded in account 100.4:
9 Utility Plant Held For Future Use (Uniform System of Accounts for Water
10 Utilities – Class A) Prescribed by the Public Utilities Commission of the State
11 of California.
- 12 ● Department of Health Services (DOHS)/Environmental Protection Agency
13 (“EPA”) Memorandum Account—The purpose of this memorandum account is
14 to track charges for water quality testing. This memorandum account has been
15 closed to new water quality testing costs as of 2002. The memorandum as of
16 June 30, 2015 has an under collection of \$2,807. ORA recommends that this
17 account should be closed as this memorandum account has been closed to new
18 water quality testing costs as of 2002.
- 19 ● Mains Project Memorandum Account---This account was established to track
20 the recorded costs for mains in excess of the allowance based on the City of
21 Fontana’s Capital Improvement Plan. However, SGVWC seems to track its
22 revenue requirement cost. Thus, ORA recommends that SGVWC strictly
23 comply with its tariff starting with the effective date of this tariff.
- 24 ● Catastrophic Event Memorandum Account---ORA recommends that SGVWC
25 continue to maintain this account.
- 26 ● Sandhill Project Memorandum Account—The purpose of this memorandum
27 account is to track the revenue increases resulting from the inclusion of the
28 Sandhill Project in rate base via advice letter and which revenue increase shall
29 be subject to refund. As of May 2016, the unamortized balance in the account
30 is \$1,578,805; this current surcredit is to expire on July 2017.
- 31 ● Payment Option Memorandum Account--ORA recommends that SGVWC
32 continue to maintain this account since this memorandum account was
33 authorized in February 2016.
- 34 ● Drought Lost Revenue Memorandum Account---ORA has not reviewed this
35 account because SGVWC filed AL 475 requesting recovery of the balance in
36 this account as of January 2016. This advice letter was approved in June 2016.
- 37 ● Section 790 Memorandum Account---ORA reviewed SGVWC’s filed tariff
38 and determined that the tariff requirements are not being followed and
39 SGVWC needs to comply at this time. The utility has stated that it has a \$0

1 balance because all property proceeds are immediately reinvested in new
2 company assets.

- 3 ● Conservation Program Balancing Accounts---ORA recommends the balance in
4 this account be returned to ratepayers during this current GRC proceeding. As
5 of June 30 2015, SGVWC recorded an over-collection of \$400,665 for the
6 Fontana Water Company Division Conservation Balancing Accounts.

7 **Memorandum and Balancing Accounts in Los Angeles County Division**

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9 recommends that this account should be amortized over a three year
10 period per D.11-11-018 and a transportation cost of \$5,063 and the
11 employee transportation costs are not includable in the balancing
12 account.
- 13 ● Plant F23 Perchlorate Facilities Balancing Account ---ORA agrees with
14 SGVWC's request to amortize \$730,974.05 for this account over the
15 three year in this GRC.
- 16 ● ORA recommends not to combine the Los Angeles County Divisions'
17 Purchase Water and the Pumped Water balancing account into a Single
18 Water Production Balancing account. Additionally, SGVWC has not
19 filed a tariff for these two balancing accounts at this time. An Advice
20 Letter needs to be filed with the Commission providing Tariff sheets for
21 these two balancing accounts.
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21 filed tariff and determined that the tariff requirements for this account
22 are not being followed at this time. SGVWC needs to follow its
23 approved tariffs. The utility stated that it has a \$0 balance because all
24 property proceeds are immediately reinvested in new company assets.

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27 SGVWC should not be authorized recovery of under collections of
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31 application is issued to return the over collection of \$1,604,502 in its
32 Purchase Power Balancing Account. Additionally, recovery of any
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15 Letter 459 on March 4, 2015 to amortize the balance in this
16 memorandum account as of December 31, 2014 of \$2,992,274.00 over a
17 12 month period. Resolution W-5064 dated October 22, 2015
18 authorized SGVWC to amortize a net of \$2,259,469 over a 12 month
19 period. ORA did not audit this account at this time as SGVWC has not
20 requested recovery in this GRC.
 - 21 ● Land Parcel #215 and #221 Memorandum Account---ORA believes that
22 the cost reflected in this account should be properly recorded in account
23 100.4: Utility Plant Held For Future Use (Uniform System of Accounts
24 for Water Utilities – Class A) Prescribed by the Public Utilities
25 Commission of the State of California.
 - 26 ● Department of Health Services (DOHS)/Environmental Protection
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29 memorandum account has been closed to new water quality testing costs
30 as of 2002. The memorandum as of June 30, 2015 has an under
31 collection of \$2,807. ORA recommends that this account should be
32 closed as this memorandum account has been closed to new water
33 quality testing costs as of 2002.
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35 track the recorded costs for mains in excess of the allowance based on
36 the City of Fontana’s Capital Improvement Plan. However, SGVWC
37 seems to track its revenue requirement cost. Thus, ORA recommends
38 that SGVWC strictly comply with its tariff starting with the effective
39 date of this tariff.

- 1 ● Catastrophic Event Memorandum Account---ORA recommends that
2 SGVWC continue to maintain this account.
- 3 ● Sandhill Project Memorandum Account—The purpose of this
4 memorandum account is to track the revenue increases resulting from
5 the inclusion of the Sandhill Project in rate base via advice letter and
6 which revenue increase shall be subject to refund. As of May 2016, the
7 unamortized balance in the account is \$1,578,805; this current surcredit
8 is to expire on July 2017.
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11 account was authorized in February 2016.
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14 balance in this account as of January 2016. This advice letter was
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17 tariff and determined that the tariff requirements are not being followed
18 and SGVWC needs to comply at this time. The utility has stated that it
19 has a \$0 balance because all property proceeds are immediately
20 reinvested in new company assets.
- 21 ● Conservation Program Balancing Accounts---ORA recommends the
22 balance in this account be returned to ratepayers during this current
23 GRC proceeding. As of June 30 2015, SGVWC recorded an over-
24 collection of \$400,665 for the Fontana Water Company Division
25 Conservation Balancing Accounts.

26 **Chapter 6:**

27 ORA recommendations for SGVWC's Special Requests are as follows:

- 28 ● ORA agrees that the Commission should incorporate the rate changes
29 resulting from other proceedings subsequent to January 1, 2016 so that the
30 rates ordered in this GRC proceeding reflects all such rate changes.
- 31 ● ORA recommends that the Commission issue a Finding of Fact that the
32 utility is in full compliance with all applicable water quality standards and
33 regulations throughout the period from the last GRC decision through the
34 submission of the evidentiary record in this proceeding.
- 35 ● ORA agrees that the Commission should reflect in the adopted Test Year
36 2017-2018 revenue requirement and rate design the revised Cost of Capital
37 for SGVWC presently scheduled to become effective in January 2018,
38 however, with the exception that the Cost of Capital for Fiscal Test Year
39 2017-2018 should be appropriately prorated.

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- ORA recommends that for its Fontana Water Company Division rate design, SGVWC should continue to use the current ratio of service charge: quantity charge revenue 28:72 as adopted in D.10-04-031 in order to maintain the Commission’s water conservation objective.
 - ORA recommends that for its Fontana Water Company Division, SGVWC should continue to use the current ratio of 28:72 as adopted in D.10-04-031 in order to maintain the Commission’s water conservation objective .
 - ORA recommends that because SGVWC failed to fully normalize the tax benefit effects of the new Tangible Property Repairs regulations as instructed by Resolution W-4945, SGVWC be denied recovery of the \$119,022 balance in its Income Tax Regulation Implementation Memorandum Account.
 - ORA recommends amortization of the Cost of Capital Litigation Memorandum Account; however, takes exception with the amount of \$5,063 for SGVWC employees’ transportation as per the tariffs, employee incremental costs are not includable in the balancing account. In addition, SGVWC requests amortizing the balance in the account over a 12 month period, but D.11-11-018 requires a 3 year period.
 - ORA recommends amortization of \$730,974.05 in Plant F23 Perchlorate Facilities Balancing Account.
 - ORA agrees with SGVWC’s request to increase the facilities fees except the amount should be \$8,000, not \$7,000 for the 5/8-inch and 3/4 -inch meters. ORA also agrees with SGVWC on using the same ratios in calculating the fees for the larger size meters.

Organization of Report

Chapter Number	Description	Witness
-	Executive Summary	Mehboob Aslam
1	Introduction	Jose Cabrera
2	General Office Expenses	Jose Cabrera/Jeffrey Roberts/Michael Conklin
3	General Office Rate Base	Jose Cabrera
4	Cost Allocations (Affiliates & 4-Factors)	Jeffrey Roberts
5	Balancing and Memorandum Accounts	Raymond Charvez
6	Special Requests	Mehboob Aslam
Appendix A	Qualifications	All

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CHAPTER 1 : INTRODUCTION

This report presents ORA’s investigation, analysis and recommendations for San Gabriel Water Company’s (“SGVWC”) request in General Rate Case (“GRC”) Application, A.16-01-002 for the General Office Division (“GO”), 2017-2018 Test Year (“TY”).

SGVWC’s GO expenses are divided into three major categories: Operations & Maintenance, Customer Account Expense, and Administrative and General Expenses. Expenses such as Maintenance of Meters, General Insurance, Pensions and Benefits, and Postage are booked in the GO and allocated to FWC and LA Divisions using the Four-Factor allocation formula. Plant accounts such as Meters and Electronic Data Processing Equipment (such as the proposed Information Systems Upgrade project) are also booked in the GO then allocated out using the same Four-Factor formula.

SGVWC is a California corporation engaged in the business of producing, treating, storing, distributing, and selling water in Los Angeles and San Bernardino Counties to 93,963 customers as of December 31, 2014. As of December 31, 2014 the LA Division had 48,308 customers including private fire services. As of December 31, 2014, the FWC Division had 45,655 customers including private fire services. The GO is located at 11142 Garvey Avenue, El Monte, California 91734.

In general, SGVWC averaged its five years of recorded historical expenses, and applied an escalation factor to arrive at the TY estimates. In some cases, only the last recorded year (2015) was escalated to arrive at the 2017-2018 forecasts. In general, SGVWC used the Commission’s Energy Cost of Service and Natural Gas Branch (“ECOS”) Memorandum dated April 8, 2016 escalation factors as did ORA. However, in some cases, SGVWC used escalation factors derived from its own sources.

ORA reviewed SGVWC’s testimony, workpapers, and responses to ORA Data Requests as well as met with the company at their GO office on March 17, 2016. Details of ORA’s analysis, conclusions and recommendations on the GO expenses are discussed

1 in Chapter 2, the ratebase addition for the proposed Information System Upgrade in
2 Chapter 3, and Cost Allocations in Chapter 4.

3 In addition, Chapter 5 addresses the overview and recommendation regarding
4 SGVWC's various balancing and memorandum accounts. Chapter 6 is comprised of
5 ORA's recommendations regarding SGVWC's various Special Requests.

CHAPTER 2 : GENERAL OFFICE EXPENSES

A. SUMMARY OF RECOMMENDATIONS

1.) Forecasted Regulatory Commission Expense should be lowered from \$165,031 to \$29,173 in the 2017-2018 TY.

2.) Bank Charges should be lowered from \$144,132 to \$127,956 in the 2017-2018 TY.

3.) Postage Expense should be lowered from \$736,440 to \$564,361 in the Customer Account, and from \$24,978 to \$19,214 in the A & G account in the 2017-2018 TY.

4.) ORA recommends that the proposed \$140,000 for AMR integration costs be removed from GO expenses.

5.) ORA recommends that the proposed \$224,000 in expenses for the AMI Pilot Program be removed from GO expenses, and that SGVWC be required to track these costs in the Water Energy Nexus memorandum account up to the cap of \$224,000.

6.) The AMI Pilot Program should result in the collection of all necessary data to facilitate the creation of a robust business case model and quantitative cost-benefit analysis for AMI.

7.) Workers' Compensation Insurance Expense should be lowered from \$131,246 to \$128,644 in the 2017-2018 TY.

8.) ORA recommends that SGVWC continue to take steps to mitigate the cost to ratepayers of the decisions of long-term employees optimizing their workers' compensation "system" for their own benefit.

9.) ORA recommends that Health Insurance be lowered from \$1,306,149 to \$900,223 in the TY 2017-2018.

10.) Other Employee Benefits: For Vision Insurance, SGVWC proposes \$8,728 while ORA recommends \$8,411 for the 2017-2018 TY.

1 11.) Pensions and Benefits for New Staff Positions: ORA recommends \$25,467
2 for the 2017-2018 TY compared to SGVWC's estimate of \$268,935.

3 12.) Total Employee Pensions and Benefits: ORA recommends a total of
4 \$3,334,784 in the 2017-2018 TY, compared to SGVWC's estimate of \$3,970,789.

5 13.) New positions: ORA recommends disallowance of all but one new position of
6 Project Administrator.

7 14.) ORA recommends that dues estimated for the California Water Association
8 ("CWA") and the National Association of Water Companies ("NAWC") should be
9 reduced by 29% and 14% respectively.

10 **B. DISCUSSION**

11 **1. Regulatory Commission Expenses**

12 Forecasted regulatory expenses are comprised of outside legal fees, outside expert
13 witness fees, document related costs and a variety of other miscellaneous costs, including
14 travel, related to SGVWC's filing and processing this GRC, and anticipated other
15 regulatory proceedings where the anticipated resulting expenses fall in the test and
16 escalation years covered in this GRC. In the GO, SGVWC estimated a total of \$495,000
17 in Regulatory Commission Expense, or \$165,000 in each year, 2016, 2017, and 2018.
18 The total \$495,000 is comprised of (a) \$275,000 for anticipated costs for a Cost of
19 Capital ("COC") proceeding beginning in 2017, and (b) \$220,000 for four anticipated
20 OIR's and OII proceedings at a projected cost of \$55,000 each.

21 SGVWC asserts that during the last GO rate case cycle, the CPUC initiated eight
22 proceedings all of which SGVWC was an active participant.¹ According to SGVWC,
23 each of the eight proceedings were "unanticipated."² However, SGVWC also asserts that
24 four of the eight were forecasted during the last GO rate case cycle, suggesting that four

¹ SG-4, Batt, Page 5.

² SG-4, Batt, Attachment A, Page 4.

1 were anticipated, while four were “unanticipated.”³ Therefore, it is unclear how many
2 proceedings were anticipated and how many were not. What is clear though is how
3 impossible it is for SGVWC to identify proceedings in which it will participate in the
4 future.⁴

5 In regards to the 2012 COC proceeding, the Commission allowed SGVWC to
6 open a memorandum account to track attendant costs. The total cost incurred for this
7 proceeding was \$116,670 well below the current forecast of \$275,000.

8 In regards to OIRs, most of the work is usually done by the California Water
9 Association (“CWA”), and although SGVWC may participate in them, the only
10 incremental cost incurred is legal, since the attendant payroll costs of the employees
11 participating in the proceedings are already covered in rates.

12 Below is a list of OIRs that required IOU participation.⁵ In some of the OIRs
13 SGVWC did not get involved directly and was represented by CWA. In those
14 proceedings, the cost to SGVWC is already embedded in the CWA monthly dues.

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³ SGVWC Response to ORA Data Request JRC-001, Q.5.

⁴ Ibid., Q.5.

⁵ Investor Owned Utility.

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Table 2.1: List of Past OIR and OII Proceedings

OIRs			
R.06-12-016	Revising Rate Case Plan		
R.07-12-015	Revising Go 103		CWA
R.09-03-014	Contamination Proceeds		
R.09-04-012	Affiliate Transaction		
R.09-12-017	Low Income Info Sharing		CWA
R.10-11-014	Recycle Water		
R.11-11-008	Balanced Rates		
R.13-12-011	Water Energy Nexus		CWA
R.15-11-014	Revisions USOA		CWA
R.11-11-014	Balanced Rates-Phase II		
# Since 2015		12	
12	OIRs Per Year	0.83	

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5 At this time there are only two OIRs where SGVWC could incur some legal costs
6 depending on the level of its participation. If these proceedings close by the end of 2016
7 or before the beginning of the TY in this GRC, there will be no cost incurred in the TY
8 2017-2018. Further, the activity in the Water/Energy-Nexus (R.13-12-011) is low since
9 the Commission has already issued a decision and will be adopting AMI pilot programs.⁶
10 In this OIR, CWA is representing the IOUs.

11 The other two remaining proceedings are R.15-11-014 and Phase II in
12 R.11-11-008. Although SGVWC is expected to participate in these proceedings, ORA
13 does not expect them to remain open beyond 2017. In short, ORA views SGVWC's
14 forecasted cost of \$55,000 per OIR/OII as excessive.

15 Below are the historical recorded Regulatory Expenses for each of the indicated
16 years:⁷

17

⁶ D.16-06-010.

⁷ From SGVWC's April 2016 Update.

Table 2.2: SGVWC’s Historic Regulatory Expense---GO

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
\$30,439	\$30,841	\$30,195	\$6,244	\$29,221

Forecasted expenses are not commensurate with historical expenses. ORA recommends that forecasted Regulatory Expense be based on historical costs escalated into the 2017-2018 TY.⁸ Total forecasted Regulatory Commission Expense should be lowered to \$29,173 from \$165,031 for the 2017-2018 TY.⁹

2. Bank Charges

Forecasted bank charges consist of monthly fees charged to SGVWC by its bank for maintaining each bank account, processing deposits and disbursements to and from the accounts, and informational reports provided by the bank to SGVWC. SGVWC forecasted the TY expense by applying a 4% escalation factor to each year starting with the 2014 recorded year, and is based on a Javelin Strategy & Research article showing a 20% increase in such fees for the five years ending in 2012, or 4% per year. The pertinent section of the February 2012 article states that basic demand deposit account (“DDA”) fee components of monthly account fees, in-network ATM fees and out-of-network ATM fees increased more than 20% over the past five years (2007-2011). There was no forecast of *future* trends in such bank fee components which banks are under pressure from regulators to keep down.¹⁰

SGVWC did not update its forecasted bank charges when it submitted its GRC update in April 2016. This is pertinent because the updated historical amounts for years 2011-2015 generally showed a decrease in bank fees as compared to the originally filed

⁸ Comp/Hour Rate.

² Total Regulatory Expense includes a de minimis amount for materials and supplies.

¹⁰ U.S. News and World Report, “10 Banking Trends for 2016,” January 7, 2016.

1 historical amounts. Below is a comparison of the historical recorded amounts with the
2 updated expenses for 2011-2015:

3 **Table 2.3: Comparison of SGVWC’s Historic v. Updated Bank Expenses**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
April 2016 Update	\$103,230	\$137,232	\$106,764	\$121,722	\$122,999
Originally Filed	\$104,411	\$111,307	\$113,679	\$125,620	\$130,645

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5 ORA applied the non-labor composite escalation rates starting with the 2015
6 updated historical year amount of \$122,999 to arrive at the TY estimate. This is because
7 this number is commensurate to the average of all updated historical years, or \$118,389.
8 ORA found SGVWC’s article to be insufficient corroboration for the 4% proposed
9 expected annual increase because it is dated February 2012 and lacked a forecast of the
10 future. Further, the DDA components mentioned in the article mostly apply to individual
11 retail customers and not Class A water utilities.¹¹ ORA recommends lowering Bank
12 Charges from \$144,132 to \$127,956 in the 2017-2018 TY.

13 **3. Postage Costs**

14 SGVWC estimated its TY postage expense by applying a 6.5217% escalation
15 factor to *each* year starting in 2016. This escalation rate is based on a rate increase from
16 46 cents to 49 cents in May 31, 2015. SGVWC asserts that because of a new system of
17 ratemaking adopted by the Postal Regulatory Commission, postage rates now increase on
18 a regular and predictable schedule, as often as annually, based on changes in the CPI-U.
19 According to SGVWC, if planned annual rate increases meet limitations of CPI-U
20 increases, postal rates may be increased after only a 45-day public notice of the planned
21 increase.¹²

22 ORA applied a postage rate decrease of 4.08% to each year (2016-2018) to arrive
23 at the TY estimate, (as SGVWC applied an increase to each year). The decrease is based

¹¹ In/Out-Network ATM fees were two of three categories discussed in addition to monthly account fees.

¹² SG-4, Batt, Page 6.

1 on the actual decrease in the first-class postage rate from 49 cents to 47 cents which
2 began on April 10, 2016. The reduction is part of a pre-arranged agreement with
3 Congress. The Post Office was able to increase the price of stamps by 3 cents in 2014,
4 but the increase was only set to last for two years. Congress has pegged stamp price
5 increases to inflation, which has barely budged over the past decade.¹³

6 Postage expense appears in both Customer Account and Administrative and
7 General expenses. ORA adjusted postage expense in both of these categories. ORA
8 recommends lowering the 2017-2018 TY estimate from \$736,440 to \$564,361 in the
9 Customer Account, and from \$24,978 to \$19,214 in the A & G account for the 2017-2018
10 TY.

11 **4. Advanced Meter Reading Project (Expenses)**

12 In addition to requesting a company-wide metering infrastructure program capital
13 budget, SGVWC also requests GO expense totaling \$140,000 over the three year period
14 2017-2019 (\$46,667 each year) to recover costs associated with computer programming
15 services needed for integration of AMR data with its billing system and development of
16 databases to store and retrieve metering data.

17 The proposed \$140,000 costs (\$46,667 in each of the three years, Workpaper Tab
18 GEX3) were removed from SGVWC's original request when it filed its update in April
19 2016.¹⁴ The \$140,000 is now removed from both the plant and expense account entries.
20 See Chapter 3, GO Ratebase.

21 ORA recommends that the \$140,000 AMR integration costs be removed from GO
22 expenses, and this is consistent with the same ORA recommendations made in the FWC
23 and LA Divisions.

¹³ Stamp Prices Set to Go Down, CNN Money, February, 26, 2016.

¹⁴ However, ORA included it in this report for informational purposes.

1 **5. Shared Network Advanced Meter Infrastructure (“AMI”)**
2 **Pilot Program with Southern California Gas Company**

3 In addition to the metering infrastructure program discussed above, SGVWC
4 requests in its GO: 1) expenses associated with its participation in a one-year pilot
5 program (“Pilot”) in partnership with the Southern California Gas Company (“SCG”) as
6 well as 2) upon completion of the SCG shared AMI network pilot program, SGVWC
7 requests authorization to file a separate application seeking CPUC approval of full
8 deployment of AMI utilizing SCG’s shared network based on the results of the pilot
9 program.¹⁵ SGVWC states that the purpose of the Pilot is to evaluate the feasibility of
10 using SCG’s existing AMI network to remotely collect and transmit hourly water usage
11 data from a sample population of 500 existing water customers, 250 in each Division.
12 SGVWC requests in this GRC total costs of \$224,000 over the three year period,
13 2016-2018 (\$74,667 per year) to conduct the study with SCG. In D.16-06-010, the
14 Commission approved SCG to implement a pilot to gather data from water meters
15 associated with SGVWC and transmit that data over the existing SCG network that
16 includes an analytics component for identification and evaluation of potential hot water
17 leaks based on analysis of anomalous gas consumption patterns, and behavioral analytics
18 on the combined gas and water usage data.¹⁶

19 ORA discussed the proposed Pilot with SGVWC at great length during the GO
20 visit in March 2016, as well as reviewed SGVWC’s responses to data request(s).
21 D.15-09-023¹⁷ authorized SGVWC to record costs for Water Energy Nexus Programs.
22 ORA learned that SGVWC already has this memorandum account in place to track these
23 costs. Further, ORA pointed out that it was inappropriate to track these costs in the
24 memorandum account and at the same time, request rate recovery in this GRC as

¹⁵ Direct Testimony of Robert J. DiPrimo, January 2016, Page 3, lines 10-16.

¹⁶ D.16-06-010, Ordering Paragraph 4. SCG’s portion of the funding for the joint pilot is authorized to come from the Energy Efficiency Emerging Technologies Program, see D.16-06-010, Ordering Paragraph 5.

¹⁷ Water Energy Nexus OIR Decision.

1 SGVWC has done. It should be one or the other, not both. Requesting the same costs as
2 GO expenses in this GRC eliminates the opportunity for ORA to review the eventual
3 costs as they arise before actual recovery is authorized. ORA recommends that the
4 \$224,000 in expenses for the Pilot be removed from GO expenses. SGVWC should be
5 required to track these costs in the approved memorandum account as provided by
6 D.15-09-023, and that the amount tracked be capped at SGVWC's estimate of \$224,000.
7 This will give the Commission the opportunity to review the Pilot as it evolves in terms
8 of its scope, cost, and benefits to ratepayers.

9 ORA would be willing to provide input to SGVWC to help ensure that the pilot
10 program collects data to facilitate the creation of a robust business case model and
11 quantitative cost-benefit analysis for AMI.¹⁸ The data resulting from the pilot should go
12 beyond qualitative claims about potential savings by proving that AMI technologies are
13 cost-effective. The cost-effectiveness should include as one component of an objective
14 demonstration in terms of water savings as compared to the traditional methods of water
15 conservation measures.¹⁹ ORA reserves the right to analyze the results and develop its
16 own independent evaluation and conclusions of the Pilot results.

17 SGVWC's request for authorization to file a separate application seeking CPUC
18 approval of full deployment of AMI utilizing SCG's shared network based on the results
19 of the pilot program should be rejected. Instead of filing an application for full
20 deployment of AMI, ORA recommends that SGVWC instead submit the results of the
21 AMI pilot program including all the above information in its next GRC (January 2019).
22 This will ensure the Commission has the opportunity to review the pilot results in terms
23 of the cost and benefits to ratepayers and the potential for AMI to save water and energy
24 to further the State's conservation and efficiency goals, before allowing SGVWC to seek
25 filing an application for full implementation.

¹⁸ ORA has been advocating in both the Water Energy Nexus OIR and the Consolidated Rates OIR for the AMI Pilots to include quantitative goals and a robust cost-benefit analysis.

¹⁹ Such as Public Outreach, low water use fixtures and appliances and leak detection and prevention efforts.

1 **6. Insurance Costs**

2 **a. General Insurance**

3 SGVWC’s general package insurance covers general liability, employment
4 practices liability, automobile, property damage, etc. The one year policies renew each
5 year on March 1. The projected premium increases applied by SGVWC were not
6 unreasonable and in line with actual provider increases. Further, adopted general
7 insurance expense in previous general rate cases was commensurate with actual
8 (historical) recorded expenses.

9 **b. Workers’ Compensation Insurance**

10 SGVWC’s workers’ compensation insurance is renewed each year on July 1. The
11 company’s premium rates are based on an annual rating called the Experience
12 Modification Rate (“EMR”). This means that that premium costs will increase or
13 decrease as the number, and cost of claims also increase or decrease.²⁰

14 The projected premium increases applied by SGVWC included actual provider
15 increases. Further, adopted workers’ compensation insurance expense in previous
16 general rate cases was commensurate with actual (historical) recorded expenses as well
17 with actual decreases in the company’s annual experience modification rate.

18 SGVWC experienced a spike in its EMR in 2015 as it was added to the 3 year
19 historical period and this year showed a sharp increase in the number and cost of claims.
20 This will cause the EMR to be relatively high through the end of 2018 until this poor loss
21 year drops off the EMR formula.²¹

22 While SGVWC’s projected increases in Workers’ compensation insurance
23 expense are not unreasonably calculated, ORA is quite concerned over why the company
24 experienced such losses, and the effect that insurance claims by current and retired

²⁰ Annual injuries are reported to the Workers’ Compensation Insurance Rating Bureau which publishes an annual EMR. Part of the EMR calculation is based on 3 years of prior loss information. Each year, the oldest of the 3 years drops off and a new year is added.

²¹ Lockton Insurance Brokers, Letter dated September 29, 2015.

1 employees may have on ratepayers. SGVWC projected a 26.7% annualized increase in
2 2016, and 5% in each of 2017 and 2018. These escalation rates are based on a
3 combination of an actual 62% increase in July of 2015 and a 5% escalation rate projected
4 by the company’s insurance broker for 2017 and 2018.²²

5 ORA is concerned over the reason for the spike in the EMR because it is generally
6 understood that the primary cost driver of workers’ compensation insurance is the
7 number of claims and the average cost of these claims.²³ Yet, as discussed below,
8 SGVWC asserts that the number of claims was not significantly higher in 2015.

9 SGVWC asserts that although the number of work-related injuries was not
10 significantly higher than normal in 2015, several of the injuries that contributed to the
11 spike in the EMR were sustained by long-term employees claiming cumulative injuries.
12 Further, several of these employees were at or near retirement age, allowing them to carry
13 their Workers’ Compensation benefit(s) into their retirement. This resulted in higher
14 dollar amounts paid on claims.²⁴

15 SGVWC further asserts that the types of claims, rather than the number, were the
16 primary cost driver (injuries sustained by long-term employees) who claimed “continuous
17 trauma,” and this significantly increased the dollar value of such claims and in the
18 company’s EMR.²⁵

19 To mitigate these types of costly claims, SGVWC’s asserts that its safety manager
20 has specifically reviewed these claims. In addition to the safety manager’s regular
21 meetings with the Workers’ Compensation carrier’s Loss Control Division, the safety
22 manager has focused his internal safety meetings and training on proper work techniques

²² Lockton Insurance Brokers.

²³ According to the 2015 Report of the Workers’ Compensation Insurance Rating Bureau of California, “the cost of workers’ compensation benefits is primarily driven by the number of claims incurred and the average cost associated with those claims.”

²⁴ SGVWC Response to ORA Data Request JRC-002, Q.7.

²⁵ SGVWC Response to ORA Data Request JRC-003, Q.9.

1 to prevent such types of work-related injuries in the future.²⁶ In addition, SGVWC
2 recently implemented a “Return to Work” program for workers returning to work after
3 being injured. Under the program, employees are offered a temporary position outside of
4 their department which best utilizes the employees’ skills, training and experience.
5 Supervisors have regular safety meetings with all employees, and have been instructed to
6 focus extra attention on retraining and instructing injured employees.²⁷

7 ORA recommends an escalation rate of 12.23% be applied to each year starting in
8 2016 (to 2018) which is the average of the proposed projected increases of 26.7%, 5%,
9 5% in the same years. This approach normalizes the double digit increase over three
10 years. ORA also recommends that SGVWC continue to take steps to mitigate the cost to
11 ratepayers of the decisions of long-term employees to optimize their workers’
12 compensation “system” for their own benefit.

13 Workers’ Compensation Insurance Expense should be lowered to \$128,644 from
14 \$131,246 in the 2017-2018 TY.

15 **7. Employee Pensions and Benefits**

16 **a. Retirement Plan**

17 SGVWC offers a Defined Contribution 401(k) pension plan (“Plan”) whereby
18 eligible employees make discretionary contributions to their own retirement account.
19 SGVWC’s contributes to the Plan in two ways: (1) an annual contribution to each
20 eligible employee’s account at the rate of 6% of the 401(k) eligible payroll; and
21 (2) matching contributions where SGVWC matches 50% of each employee’s eligible
22 salary deferrals (contributions) into their own accounts. Since salary deferrals into an
23 employee’s 401(k) plan account are capped at 6% of an employee’s eligible salary,
24 SGVWC’s cost is also capped at 3%.

²⁶ SGVWC Response to ORA Data Request JRC-002, Q.7.

²⁷ SGVWC Response to ORA Data Request JRC-003, Q.10.

1 A Defined Contribution plan as this one avoids the cost and uncertainty associated
2 with a more expensive Defined Benefit Plan, as it eliminates the need to make actuarial
3 assumptions over life expectancy, and estimates about the expected growth rates in the
4 retirement plan's assets. SGVWC's pension cost is driven by payroll costs.

5 There were no methodological differences in forecasted 401(k) expense between
6 ORA and SGVWC, and any difference are due to differing estimates in payroll costs.

7 **b. Health Insurance**

8 SGVWC's health benefit insurance is purchased from two carriers; Anthem/Blue
9 Cross, and Kaiser. The premium rates charged are experienced rated which means that
10 each July 1 when the policies are renewed, the premium increases are based on the loss
11 ratio of the previous twelve months. Other underwriting factors that are considered at
12 renewal time include ongoing large claims, healthcare trends, and costs associated with
13 healthcare reform.²⁸ Further, total health insurance costs are driven by the number of
14 eligible employees participating in the plan(s).

15 SGVWC asserts that the projected premium increases are partly based on the
16 known Kaiser increase of 10.72% in July 2015.²⁹ This is contrary to the actual increase
17 reflected in the Attachment E of SG-5³⁰ which shows an increase of 9.71% for Kaiser.
18 The latter escalation rate is, however, mathematically carried through to determine the
19 annualized projected increases of 20.88% in 2016, 16.67% in 2017, and 10% in 2018 for
20 both Kaiser and Anthem/Blue Cross. Another inconsistency is that SGVWC also bases
21 these increases on the historical average rate increases for Kaiser of 9.91% for the years
22 2010-2014.³¹ The 2013 year on page 19 of SG-5 where the 9.91% average is calculated
23 shows an actual 9.53% increase. However, Attachment E, page 3 shows a 3.98% actual

²⁸ SG-5, DiPrimio, p. 19.

²⁹ Ibid., p. 18.

³⁰ SG-5, DiPrimio Testimony.

³¹ Ibid., Page 19.

1 rate increase in 2013 for Kaiser. According to Attachment E, Anthem/Blue Cross
2 premiums increased 10.82% in July 2015.

3 The one factor contributing the most to the projected increases (of 20.88% in
4 2016, 16.67% in 2017, and 10% in 2018) is the 25% increase SGVWC's insurance health
5 broker, Stone Tapert recommended. The projection is largely based on the assertion that
6 health insurers typically want a loss ratio of 75-80% in order to pay claims and cover all
7 costs. According to Stone Tapert, for the twelve months ended June 1, 2015, SGVWC's
8 loss ratio is 111.01%. Further, according to Stone Tapert, the disparity in the desired and
9 actual loss ratios indicates that SGVWC should expect a "very substantial increase in
10 2016." After this substantial increase, SGVWC should expect future increases at or
11 around historical averages. According to Stone Tapert, these have ranged from 5.7% to
12 12% since 2003.³²

13 While the Stone Tapert letter and attached Segal Health Plan Cost Trend Survey
14 ("Survey") make for interesting reading, ORA is not persuaded that a 25% increase is
15 reasonable. In fact, it is largely unsubstantiated. A close reading of the Survey shows
16 that it actually recommends a number of cost mitigating strategies that employers should
17 undertake in order to control costs.³³

18 ORA applied the Labor escalation rates of 0.10%, 0.80%, and 2.30% for the years
19 2016-2018, respectively, to arrive at the test year estimate.³⁴ ORA notes that in the 2015
20 base year, the higher premiums are already built in, so it is appropriate to apply the Labor
21 escalation factors for Pensions and Benefits as provided for in the Rate Case Plan. ORA

³² SG-5, Attachment E, Page 2, Stone Tapert Letter, undated. The letter also cites the Segal Health Plan Cost Trend Survey which was included in Attachment E.

³³ The Survey discusses at pages 5-6, several cost mitigation measures, among them are: (1) Setting appropriate cost sharing parameters, (2) Selecting the "Right" network providers, and (3) Emphasizing prevention, wellness and early detection.

³⁴ April 2016 ECOS escalation rate memorandum. Rate Case Plan D.04-06-018, modified by D.07-05-062 provides that the Labor rate be used for Pensions and Benefits.

1 recommends that Health Insurance for the TY 2017-2018 be lowered from \$1,306,149 to
2 \$900,223.

3 **c. Other Benefits**

4 Differences between ORA and SGVWC for Uniforms and Vision Insurance are
5 due to differing escalation rates. For Vision Insurance, SGVWC proposes \$8,728 while
6 ORA recommends \$8,411 for the 2017-2018 TY. Differences between ORA and
7 SGVWC for Life Insurance, Vacation, Holiday and Sick Pay are due to differing payroll
8 estimates.

9 **d. Pension and Benefits for New Staff Positions**

10 ORA recommends \$25,467 for the 2017-2018 TY compared to SGVWC's
11 estimate of \$268,935. New staff positions are discussed in the Payroll chapter 5 for the
12 LA and FWC Divisions' reports.

13 **e. Summary of Pensions and Benefits**

14 ORA recommends a total of \$3,334,784 in the 2017-2018 TY, compared to
15 SGVWC's estimate of \$3,970,789.

16 **8. General Division: New Positions**

17 The following analysis for the request of 13 new positions in General Office is
18 prepared by ORA's witness for overall Payroll expenses, Jeffery Roberts.

19 **Programmer**

20 The company fails to adequately support this request with detailed documentation.
21 To illustrate this inadequacy, the company states:

22 An additional programmer position is required to enable San
23 Gabriel's Data Processing Department to successfully
24 complete a significant number of technology projects required
25 to support both business and regulatory requirements.³⁵

³⁵ Direct Testimony of Robert DiPrimio, Page 23.

1 SGVWC never includes, or cites to an attachment, a list of the specific business
2 and regulatory requirements. The company had five years to do so. Additionally, the
3 company says “the IT staff has struggled in the last several years with the ever increasing
4 demand of the technical projects requiring new development of and modifications to the
5 company’s application systems.”³⁶ ORA contends that if the IT staff were struggling as
6 the company says, a programmer would have been hired outside the rate case cycle. The
7 company also could have provided the current overtime log sheets of other employees
8 with programming duties to document this staffing inadequacy.

9 Finally, the company states in testimony that it has been forced to regularly engage
10 contract programmers to supplement its current staff.³⁷ The company did not provide any
11 invoices for contracted services to support this claim. In addition, the company provides
12 no comparison or benefit to ratepayers with a reciprocal decrease in expenses if this
13 position were allowed to be forecasted into rates. Because the company failed to discuss
14 and cite these above concerns, ORA recommends removing it from the payroll forecast.

15 **IT Project Manager**

16 The company did not successfully support this new position request. In testimony
17 the company outlines its position:

18 The project Manager position will enable San Gabriel’s IT
19 Department to effectively manage an increasing number of
20 technology projects in order to achieve successful and
21 predictable results.³⁸

22 The company currently staffs an IT Department Manager; the company fails to
23 differentiate the duties already engaged in by the department manager from the job duties
24 of the newly requested position. Further, the company fails to demonstrate why the
25 department manager cannot already achieve successful and predictable results. While the

³⁶ Direct Testimony of Robert DiPrimio, Page 23.

³⁷ Direct Testimony of Robert DiPrimio Page 24.

³⁸ Direct Testimony of Robert DiPrimio, Page 25.

1 company outlines eight different projects the new IT manager will undertake, the
2 company does not discuss why these tasks were not being done before. Ultimately, the
3 company outlines this position in theory, but did not demonstrate it in practice by hiring
4 the new position outside of the GRC cycle. ORA questions why ratepayers should bear
5 the entire risk in hiring this new position.

6 **Field Engineer**

7 The company supports its request stating that the new field engineer will lighten
8 the workload of the currently staffed field engineer, increase safety, reduce project costs,
9 and improve overall engineering department efficiency.³⁹ Additionally, the company
10 states this new field engineer will be able to take more measurements and monitor
11 construction more consistently.⁴⁰

12 ORA is unaware of existing quality control issues, or safety issues present within
13 the engineering department. If there are such issues the company should have provided
14 documentation as this could pose more than just financial harm to ratepayers. ORA
15 could not find any citation or attachments supporting the company's claim. The company
16 also states that it will realize cost savings in engineering consulting, yet the application is
17 deficient in this documentation. Additionally, the company has not forecasted a cost
18 savings in the expense workpapers showing a reduction in consulting costs related to this
19 new position request. As far as safety concerns, ORA recommends augmenting the
20 company's safety department from two employees to three. This added position will
21 provide safety expertise and thus alleviate safety concerns. This new position allowance
22 is discussed in ORA's Los Angeles County Division report on the Results of Operation,
23 Section (j). Overall, the company does not adequately demonstrate the benefit to
24 ratepayers and the need to hire a second field engineer.

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³⁹ Direct Testimony of Robert DiPrimio, Pages 26-28.

⁴⁰ Direct Testimony of Robert DiPrimio, Page 26.

1 **Assistant Engineer**

2 SGVWC currently staffs one Assistant Engineer position. This employee’s duties
3 are mainly focused around preparing various designs and reports for the engineering
4 department. The company currently relies on “Designer 1” employees to relieve the
5 workload experienced by the current assistant engineer, and thus requests an additional
6 position to complete these duties.⁴¹ Additionally, the company states that since some
7 complex design projects are completed by consultants, there will be cost savings
8 associated with the hiring of an additional assistant engineer.

9 According to company testimony, the new Assistant Engineer position will be
10 tasked with design duties. It can also be reasonably assumed that Designer 1 employees
11 are tasked with design duties. As duties naturally overlap for both positions, the
12 company cannot use this as support for a new position. It is ordinary for job tasks to
13 overlap. Further, the company states there will be a reduction consulting costs when this
14 position is hired, yet no reciprocal adjustment was found in expenses for outside services.

15 In addition, the company failed to provide a detailed list of current or future
16 projects the Assistant Engineer would be tasked with. Nor was a cost benefit analysis
17 provided to compare alternate labor options. This lack of documentation and specificity
18 necessitates the denial of this request.

19 **Project Administrator**

20 SGVWC provided adequate support and documentation in its request for a new
21 Project Administrator position. The company currently staffs a project assistant &
22 designer trainee to fulfill the duties required of this requested position. Company
23 testimony spans four pages and provides in-depth detail on specific tasks required of the
24 new employee. This is in addition to descriptions of the current predicaments
25 experienced not having the project administrator currently employed. Included in this

⁴¹ Direct Testimony of Robert DiPrimio, Page 29.

1 detail was an eleven bullet point list of job duties expected of the employee; the detail
2 mimicked that of an official employment advertisement.⁴²

3 This description and detail is what ORA expects to see in rate case filings. While
4 the company did not demonstrate a need so great as to hire this position outside of the
5 rate case cycle, the company provided thorough enough documentation to support this
6 request. Thus ORA recommends authorizing the position of Project Administrator.

7 **GIS Positions**

8 The company requests 3 new positions in its engineering department to support the
9 Geographical Information System (“GIS”); GIS manager, GIS Specialist, and GIS
10 Developer. Testimony details the capabilities of the GIS system with a discussion on
11 specific amount of users, abilities of the system, and variety of industry tools potentially
12 available to the company. The core support for these positions lies in the company’s
13 desire to no longer rely on outside consultants for GIS related tasks.⁴³

14 ORA is concerned by the language in testimony. First it clearly states the
15 company has already “completed the development and implementation” of its GIS
16 system.⁴⁴ There is no discussion as to why the company’s current GIS staff, who built
17 and implemented the system, are no longer sufficient to maintain the system. Second,
18 GIS systems are ever-evolving. The company could conceivably continue to add new
19 features without substantive discussion as to how they fit within the provision of safe &
20 reliable water service. There was no discussion of GIS capabilities and how they relate to
21 ratepayers. Third, these systems are inherently complex. The company cannot guarantee
22 that these new positions will eliminate the need for consultants. A piece of poor code,
23 databases errors, hardware problems are just a few examples of unforeseen circumstances
24 warranting expensive consulting costs in the future. Fourth, as learned during a site visit
25 to the company headquarters; the company is aware of GIS support offered directly by

⁴² Direct Testimony of Robert DiPrimio, Pages 31-33.

⁴³ Direct Testimony of Robert DiPrimio, Pages 33-35.

⁴⁴ Direct Testimony of Robert DiPrimio, Page 33.

1 the software developer but did not provide a cost benefit analysis discussing the cost
2 effectiveness of utilizing that service. Lastly, the company based its argument on the
3 reduction of consulting costs, yet no reciprocal reduction is found in the expense forecast.

4 Lastly and most importantly, the company could have, at any time in a five year
5 period, shifted expenses from GIS consulting to GIS payroll to hire any one of the
6 requested positions, but didn't. That fact alone gives ORA enough reason to seriously
7 question the merits of this request. These concerns give the Commission ample reason to
8 deny this request.

9 **Senior Regulatory Vice President**

10 This new position is covered in the executive compensation chapter of ORA's
11 report on the Results of Operations for Los Angeles Division and Fontana Water
12 Company Division, Chapter 6.

13 **Business System Upgrade General Division Request**

14 The company requested 4 new positions for the proposed Business System
15 Upgrade in the General Office Plant request. In that report ORA recommends the project
16 be disallowed. Therefore, because those positions were part of that request, ORA
17 recommends these four positions be denied. For a more detailed discussion on business
18 system upgrade please see Chapter 3 of this report.

19 **9. Dues and Membership Fees**

20 ORA's witness for Income Taxes expenses, Michael Conklin conducted the
21 analysis for the dues and membership fees in the General Office Division.

22 Dues and Membership expenses that are recoverable in rates typically consist of
23 fees paid to industry service organizations that are shown to closely relate to the utility's
24 business *and* to provide ratepayer benefits. Because the Commission has a long-standing
25 practice of disallowing ratepayer recovery of dues in professional organizations that have
26 not been shown to provide ratepayer benefits, as well as lobbying expenses, ORA
27 reviewed SGVWC's membership dues request in detail.

1 SGVWC made an adjustment to remove 23% the amount of its dues to the
2 California Water Association (“CWA”). However, SGVWC made no similar adjustment
3 to remove lobbying activities from the dues for the National Association of Water
4 Companies (“NAWC”). ORA recommends that TY forecasted CWA and NAWC dues
5 fees both be reduced based on the ratio of dues-to-lobbying expenses indicated in each
6 organizations’ 2014 IRS Form 990.

7 Because the NAWC and CWA are both tax-exempt 501(c) 6 organization, they are
8 required to file a publicly available Form 990 with the IRS, which is similar to a balance
9 sheet, only for a tax-exempt entity. ORA reviewed NAWC’s 2014 IRS Form 990 which
10 shows that NAWC spent 14% of its dues on lobbying and political activity.⁴⁵ Therefore,
11 ORA recommends reducing the forecast for NAWC dues by 14% instead of SGVWC’s
12 zero reduction.

13 ORA also reviewed CWA’s 2014 IRS Form 990, which shows that the CWA
14 spent 29% of its dues on lobbying and political activity.⁴⁶ Therefore, ORA recommends
15 reducing the forecast for CWA dues fees by 29% instead of SGVWC’s 23% reduction.

16 Because the Commission has a long-standing policy of disallowing ratepayer
17 recovery of lobbying-related expenses, ORA respectfully requests the Commission adopt
18 its recommendation to remove these lobbying-related fees for the CWA and NAWC.

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⁴⁵ NAWC 2014 Form 900, Schedule C, Part III-B shows (\$537,135 non-deductible lobbying expense/\$3,836,975 dues revenue).

⁴⁶ CWA 2014 Form 900, Schedule C, Part III-B shows (\$483,192 non-deductible lobbying expense/\$1,666,178 dues revenue).

Table 3.1: Cost Estimates for FMIS Project (3-Year Phase)

Year	Estimated Amount
1	\$1,670,000
2	\$2,940,800
3	\$1,140,800
Total	\$5,751,600

SGVWC requests two actions in this GRC. First, it requests that the Commission “find it necessary for SGVWC to replace its CIS, FMIS, and WMIS systems.”

Secondly, it requests that the Commission authorize the entire cost of the FMIS system and to place it into rate base in each of the corresponding years of this GRC.⁴⁸ In addition to the aforementioned costs, SGVWC requests the costs of new employees that will be needed to implement and operate the FMIS.⁴⁹

SGVWC proposes that the estimated entire project cost of \$14 million be incurred over several rate cases, and it anticipates incurring only \$5,751,600, (plus the hiring of four additional employees) in this rate case.⁵⁰ SGVWC asserts that once it embarks on the IT upgrade project, it will commit itself to the entire project costing an estimated \$14 million. SGVWC requests that the Commission find it necessary for it to replace its CIS, FMIS, and WMIS systems so that in the next GRC, it does not have to make any such requests, and so the only issue will be the forecasted cost of the systems remaining to be implemented.⁵¹

ORA discussed the proposed IT upgrades with SGVWC at great length during the G.O. visit in March 2016, read the AAC Report, conducted a phone conference with

⁴⁸ SG-4, Batt, Page 31.

⁴⁹ AAC recommends that SGVWC will need 5 to 7 new employees to implement the FMIS. SGVWC is requesting four new employees at an incremental cost of \$484,400 in this GRC. This is discussed in a separate section for Payroll costs.

⁵⁰ SGVWC’s response to ORA Data Request JRC-001, Q.10(i). ORA interpreted the word “incurring” as meaning “requesting.”

⁵¹ Ibid.

1 AAC on April 5, 2016, as well as studied SGVWC’s responses to data request(s). ORA
2 does not question the need for the proposed IT upgrades, and from all the information
3 reviewed, it appears that the upgrades are necessary. However, SGVWC has not
4 presented a robust request that would include: 1.) A firm commitment to cap its overall
5 cost estimates at \$14,000,000; 2.) Quantifiable cost savings; and 3.)A list of selected
6 vendors and suppliers with a selection schedule.

7 **1. Cost Commitment**

8 The lack of SGVWC’s commitment to the total cost of \$14,000,000 is a crucial
9 factor in authorizing this capital intensive project in the current GRC. SGVWC’s refusal
10 to commit to the total cost estimate of \$14,000,000 exposes its captive ratepayers to
11 subsequent future rate hikes. ORA is concerned that approval of the FMIS phase can
12 easily be turned into the proverbial camel in the tent and once approved, the rollback
13 would not be possible and the captive ratepayers would be utterly exposed to future cost
14 increases.

15 On the other hand, SGVWC’s outside consultant, AAC assured ORA during our
16 phone conference⁵² that their total cost estimates are reasonable and based on their
17 extensive database of other customers to whom they have helped with IT projects similar
18 in scope. However, on the face of such assurances from its own consultant, the
19 SGVWC’s refusal to commit to these total cost estimates is unreasonable and raises grave
20 concerns that SGVWC’s ratepayers could be made hostage to the future rate increases.

21 **2. Quantifiable Cost Savings**

22 SGWC has not demonstrated cost savings from the project, nor has it made a case
23 for reasonable cost certainty. At this time, due to the absence of SGVWC’s commitment
24 to the overall cost estimate of \$14,000,000, the current proposal amounts to an “open
25 checkbook” in which ratepayers will be asked to pay whatever amount of costs that

⁵² Phone conference on April 5, 2016.

1 exceed AAC estimates. In fact, SGVWC is not planning to upgrade its business systems
2 to save costs, but rather to gain needed functionality for operating and managing a
3 modern water system. Instead of cost savings, SGVWC asserts that costs will actually
4 increase.⁵³ Further, AAC also admitted during the phone conference in April 2016 that
5 there are no cost savings, and that it is typical to see an *increase* in costs associated with
6 more personnel needed to mitigate risk of system crashes as the old and new systems
7 interface.

8 **3. Vendor Selection**

9 SGVWC agrees that it has not yet decided on which vendors will work on the
10 various phases of software, implementation, and monitoring. Further, SGVWC asserts
11 that it will not engage in the process of vendor selection until Commission approval is
12 granted.⁵⁴ AAC stated during the April 2016 phone conference that the vendor selection
13 process, typically referred to as Request For Proposals (“RFP”) can take nine months.

14 Based on aforementioned concerns, ORA recommends that the entire requested
15 \$5,751,600 for the proposed FMIS system IT upgrade be disallowed. SGVWC needs to
16 corroborate its request with robust cost savings, more finite cost estimates, as well as
17 specific plans for vendor identification and selection, a schedule for doing so, and a list of
18 proposed vendors that will respond to SGVWC’s RFPs.

19 **2. Advanced Meter Reading Project (Meters)**

20 SGVWC plans to install Automated Meter Reading (“AMR”) meters in place of
21 manual read meters in both of its operating divisions. It plans to replace its aged manual
22 read water meters with AMR meters as part of its regular meter replacement program,
23 and install AMR meters for new customer connections.⁵⁵ For a full discussion of these

⁵³ SGVWC response to ORA Data Request JRC-001, Q.10(f).

⁵⁴ Ibid., Q.10(k).

⁵⁵ SG-5, DiPrimio, Page 2.

1 plant additions and their attendant costs, please see the Plant in Service Chapter 7 in the
2 LA and FWC Divisions' reports.

3 During the GO office visit in March 2016, ORA determined that SGVWC
4 erroneously included the same \$140,000 in both the plant section of the GO Workpapers
5 for 2017 (Tab GP1) and in Account 799 forecasted expenses for AMR Integration. ORA
6 removed the \$140,000 from the Workpaper Tab GP1 Plant entry for 2017. Also see
7 Chapter 2, GO Expenses.

1 **CHAPTER 4 : COST ALLOCATIONS (AFFILIATES & 4-FACTOR)**

2 **A. RECOMMENDATIONS**

3 1.) ORA recommends that an additional 15% of direct labor attributable to
4 affiliate services be added to the fully loaded labor costs, using the most recently
5 available 2014 time summaries, to arrive at the cost of services attributable to work
6 performed for affiliates. The total 2017-2018 TY escalated estimate for the Account 812
7 Administrative Overhead Transferred Credit should be increased from \$(45,671) to
8 \$(64,597).

9 **B. DISCUSSION**

10 **1. Allocation of Administrative Salaries and Other Costs to**
11 **Affiliated Companies**

12 SGVWC has four affiliated companies in which eight of its corporate officers
13 provide services.⁵⁶ SGVWC has a written Services Agreement pursuant to D.93-09-036
14 which requires SGVWC to track time spent rendering services to these affiliates by
15 corporate officers and support personnel. Time spent on affiliate matters is made
16 pursuant to the Services Agreement and time spent on these matters is tracked on an
17 hourly basis. SGVWC accounts for administrative expenses recorded in Accounts 791
18 and 792 as specified in the instructions for Account 812, Administrative Expenses
19 Transferred-Cr, in the Uniform System of Accounts. Monthly time sheets for each
20 officer are accumulated and an invoice prepared for each affiliate, based on each
21 employee’s hourly labor rate and multiplied by their time spent, plus an additional rate
22 for fringe benefits, plus a further 10% addition for overheads. Corporate officers and
23 support personnel record their respective time spent on affiliate matters and this time is
24 priced out and removed from regulated expenses of SGVWC through Account 812.

25 Affiliate transactions are governed by Commission decision D.10-10-019.
26 Appendix A of this decision contains the specific rules (“Rule”) applicable to a variety of
27 categories of affiliate transactions. Specifically, Rule IV.D.3(a) provides in pertinent

⁵⁶ Utility Investment Company, Arizona Company, Rosemead Properties, and United Resources.

1 part, that “*when the affiliate obtains the services of an executive employee, compensation*
2 *to the utility shall be priced at a minimum of the greater of fully loaded cost plus 15% of*
3 *direct labor cost, or fair market value.*”⁵⁷ The term “fully loaded costs” is defined at
4 Rules Section II (Definitions), at II.F (Costs). Section II.F (4) defines “fully-loaded
5 costs” as the total cost of the activity, which is the sum of: 1. Direct Costs, 2. Direct
6 Overhead Costs, and 3. Indirect Overhead Costs, as these terms are further defined at
7 Rules sections II.F.1, 2 and 3.

8 ORA determined that SGVWC’s allocation of corporate officer and support
9 personnel to affiliates was reasonably accounted for based on the summaries of time
10 spent rendering services to its affiliates. Further, corporate officer and support time did
11 not equal or exceed the requisite threshold of 30% as mandated by Rule IV.D.3.

12 ORA determined that SGVWC did not properly apply the affiliate transactions
13 Rule IV.D.3 by not adding the requisite additional 15% of the officer’s direct labor costs.
14 SGVWC did add an overhead factor of 10% to the respective direct labor hourly rates.
15 However, this overhead addition is only one step in arriving at the “fully loaded labor
16 costs.” Pursuant to Rule IV.D. (3), an additional 15% of officers’ direct labor cost must
17 be added to the fully loaded labor rate.

18 ORA recommends that an additional 15% of direct labor attributable to affiliate
19 services be added to the fully loaded labor costs, using the most recently available 2014
20 time summaries. This adjustment will result in the Account 812 Overhead to Affiliates to
21 increase by \$5,049 for the 2014 year solely attributable to the 15% adder. After factoring
22 in the ORA recommended hourly direct labor rates, (see ORA’s testimony on Payroll and
23 Executive Compensation, Chapters 5 and 6, respectively, in the LA and FWC Divisions’
24 reports), the net change is \$4,121. Starting with 2014 as a base year, then escalating to
25 2015-2018, the total 2017-2018 TY escalated estimate for the Account 812
26 Administrative Overhead Transferred changes from \$(45,671) to \$(64,597).

⁵⁷ D.10-10-019, Appendix A, Page A-6.

1 **2. Four Factor (“4-Factor”) Allocation**

2 SGVWC allocates GO expenses and ratebase using a long-established 4 Factor
3 allocation formula. The 2015 4-Factor rates of 48.64% for the LA Division and 51.36%
4 for the FWC Division were applied by both SGVWC and ORA in all forecasted years in
5 this GRC.

6 4-Factors are developed each year from recorded information from the prior
7 calendar year, according to criteria established by the Commission. The formula itself
8 remains the same from year to year and only the recorded input information changes.⁵⁸

9 There were no adjustments made to the 4-Factor for this GRC.

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⁵⁸ SGVWC Response to ORA Data Request JRC-002, Q.3.

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Table 4.1: Common Operating Expenses

SAN GABRIEL VALLEY WATER COMPANY				
General Office Division				
COMMON OPERATING EXPENSES				
Item	ORA	Utility	SGVWC Exceeds ORA	
	Test Year 2017-2018		Amount	Percent
	(A)	(B)		
<u>Common O & M Expenses</u>				
Payroll	\$64.0	\$73.5	\$9.5	14.9%
Materials & Supplies	\$17.4	\$17.4	\$0.0	0.2%
Outside Services	\$0.4	\$0.4	\$0.0	3.3%
Utilities & Rents	\$9.2	\$9.2	(\$0.0)	-0.3%
Miscellaneous	\$22.7	\$22.7	\$0.0	0.0%
Total	\$113.6	\$123.1	\$9.5	8.3%
<u>Common Customer Account Expense</u>				
Payroll	\$642.6	\$738.1	\$95.5	14.9%
Materials & Supplies	\$27.5	\$27.5	\$0.0	0.1%
Outside Service	\$0.3	\$0.3	(\$0.0)	-13.1%
Utilities & Rents	\$3.2	\$3.2	(\$0.0)	-0.1%
Postage	\$566.4	\$736.4	\$170.0	30.0%
Miscellaneous	\$2.6	\$2.6	\$0.0	0.4%
Total	\$1,242.7	\$1,508.2	\$265.5	21.4%
<u>Common A & G Expense</u>				
Payroll	\$4,527.7	\$5,200.6	\$672.9	14.9%
Materials & Supplies	\$127.2	\$127.2	(\$0.0)	0.0%
Transportation	\$93.6	\$93.6	(\$0.0)	0.0%
Outside Service	\$297.6	\$297.6	(\$0.0)	0.0%
Utilities & Rents	\$138.6	\$138.6	(\$0.0)	0.0%
Postage	\$19.2	\$25.0	\$5.8	30.1%
Dues & Subscriptions	\$273.8	\$273.8	\$0.0	0.0%
Miscellaneous	\$3,436.5	\$4,517.7	\$1,081.2	31.5%
Total	\$8,914.2	\$10,674.1	\$1,759.9	19.7%
Total Payroll	\$5,234.3	\$6,012.2	\$777.9	14.9%
Depreciation Expense	\$597.0	\$774.1	\$177.1	29.7%
Ad valorem Tax	\$34.7	\$36.0	\$1.3	3.7%
Payroll Tax	\$502.2	\$553.7	\$51.5	10.2%
Bank Charges	\$128.0	\$144.1	\$16.1	12.6%
Total Common Operating Expense	\$11,532.4	\$13,813.3	\$2,280.9	19.8%
<u>Four Factor Allocation</u>				
Los Angeles Division Allocation (%)	49.85%	49.85%		
Fontana Division Allocation (%)	50.15%	50.15%		

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1 **CHAPTER 5 : BALANCING AND MEMORANDUM ACCOUNTS**

2 **A. INTRODUCTION**

3 San Gabriel Water Company (“SGVWC”) in A.16-01-002 identified all of its 41
4 balancing and memorandum accounts as of June 30, 2015. The Los Angeles County
5 Division has 17 and the Fontana Water Company has 24 balancing and memorandum
6 accounts. SGVWC submitted the following requests related to its balancing and
7 memorandum accounts in this application:

- 8 1) SGVWC requests amortization of its Cost of Capital Litigation
9 Memorandum Account.
- 10 2) SGVWC requests amortization of the plant F23 Perchlorate Facilities
11 Balancing Account.
- 12 3) SGVWC requests to combine its Los Angeles County Division
13 Purchased Water and Pumped Water balancing accounts into a single
14 Water Production Balancing account.
- 15 4) SGVWC requests amortization of its Income Tax Repair Regulations
16 Implementation Memorandum Account.

17 **B. DISCUSSION**

18 **1. ORA’s Response To SGVWC’s Requests In This Current GRC:**

- 19 1) *Cost of Capital Litigation Account:* SGVWC requests amortizing, over a 12
20 month period, the balance in its Cost of Cost of Capital Litigation Memorandum
21 Account. This account was authorized by Commission Decision No. 11-11-018;
22 wherein it authorized SGVWC to include incremental costs incurred limited to
23 non-employee resources engaged in litigating the 2012 cost of capital proceeding.
24 These costs would be eligible for recovery in SGVWC’s next GRC and amortized
25 over the three-year rate case cycle after the utility makes a persuasive showing that
26 the cost were incremental, reasonable, and prudently managed. ORA reviewed
27 this account and takes exception to the inclusion of employee transportation costs
28 included in this account amounting to \$ 5,063.00 plus interest because, per the
29 tariffs, employee incremental costs are not includable in the balancing account. In

1 addition, SGVWC requests amortizing the balance in the account over a 12 month
2 period, but D.11-11-018 requires a 3 year period.

3 2) ***For Plant F23 Perchlorate Facilities Balancing Account:*** SGVWC requests to
4 amortizing the unamortized account balance of \$730,974.05⁵⁹ as of June 2015.
5 The Commission in D.14-05-001 authorized this balance account to track the
6 construction cost of perchlorate related facilities at Plant F23. SGVWC has since
7 built various perchlorate treatment facilities, such as an ion-exchange treatment
8 system, two reservoirs, booster station & related piping, pavement & grading, and
9 security fence etc. costing a total of \$7,273,152. It should be noted that the
10 requested unamortized amount of \$730,974.05 represents the revenue requirement
11 up to June-2015. The memorandum account will continue to track the revenue
12 requirement amount till June-2017; and SGVWC will file an advice letter to
13 collect the remaining revenue between the period of July-2015 through June-2017.
14 ORA's witness regarding SGVWC's Special Request also discusses this issue.
15 Please refer to ORA's General Office report, Chapter 6. ORA agrees with
16 SGVWC's request and recommends that the Commission allow the amortization
17 of \$730,974.05 over the three year period in this GRC.

18 3) ***SGVWC requests combining the Los Angeles County Divisions' Purchase Water***
19 ***and the Pumped Water balancing account into a Single Water Production***
20 ***Balancing account.*** However, no testimony was provided for staff to review to
21 determine whether there is merit to the proposal to combine the two balancing
22 accounts into a single Water Production Balancing Account. ORA recommends
23 not combining these two accounts at this at this time. Additionally, SGVWC has
24 not filed a tariff for these two balancing accounts at this time. An Advice Letter
25 needs to be filed with the Commission providing Tariff sheets for these two
26 balancing accounts.

⁵⁹ Per SGVWC's response to ORA's Data Request, AMX-002, question 3(b).

1 4) *Income Tax Repair Regulations Implementation Memorandum Account:*

2 On December 23, 2011, the Treasury Department issued new tangible property
3 repairs regulations (“TPR”) and the IRS issued related guidance in March 2012.
4 Because these new regulations provide significant tax benefits to San Gabriel and
5 its ratepayers, on April 4, 2013 the Commission passed Resolution W-4945
6 allowing SGVWC to establish the Income Tax Repair Regulations Implementation
7 Memo Account (“ITRRI-MA”). ORA’s witness on income tax related issues has
8 reviewed this memo account and his findings can be found in Chapter 6 of this
9 report. Because SGVWC failed to fully normalize the tax benefit effects of the
10 new Tangible Property Repairs regulations as instructed by Resolution W-4945,
11 ORA recommends the Commission deny SGVWC recovery of the \$119,022
12 balance in the ITRRI-MA and the account be closed.

13 **SAN GABRIEL VALLEY WATER COMPANY BALANCING AND**
14 **MEMORANDUM ACCOUNTS BY DIVISION**

15 **1. Los Angeles County Division:**

16 *Pump Water Balancing Account*— The purpose of this account is to capture
17 the costs for pumping water. ORA reviewed the recorded costs and takes exception
18 to the inclusion of Facilities Fee and Uncollectible as a part of the total cost until
19 SGVWC justifies the reasonableness for this added cost. Additionally, SGVWC
20 does not have a filed tariff for this balancing account. ORA recommends that
21 SGVWC not be allowed recovery until a tariff for this balancing account is filed
22 and approved.

23 *Purchased Water Balancing Account*—The purpose of this account is to
24 capture the costs of purchased water. ORA reviewed the recorded costs and takes
25 exception to the inclusion of Facilities Fee and Uncollectible as a part of the total
26 cost until SGVWC can justify the reasonableness for this added cost. Additionally,
27 SGVWC does not have a filed tariff for this balancing account. ORA recommends

1 that SGVWC not be allowed recovery until a tariff for this balancing account is
2 filed and approved.

3 *Purchased Power Balancing Account*—The purpose of this account is to
4 capture the cost of power. ORA reviewed the recorded costs and takes exception to
5 the inclusion of FF and U as a part of the total costs until SGVWC justifies the
6 reasonableness for this added cost. Additionally, SGVWC does not have a filed
7 tariff for this balancing account. ORA recommends that SGVWC not be allowed
8 recovery until a tariff for this balancing account is filed and approved.

9 *Water Revenue Adjustment Mechanism Memorandum Account*—the
10 purpose of this memorandum is to track the Quantity Rate revenues for collected
11 under SLA-1C tiered rates against the revenues that would have been collected
12 under a single block Quantity Rates. ORA did not review the recorded costs for
13 this memorandum account. SGVWC filed a tier 1 Advice Letter (AL 450)
14 requesting a 12 month amortization period requesting a starting date of December
15 3, 2014 and ending date of December 3, 2015. The balance to be amortized was
16 \$1,432,005. The review of this Advice letter was completed by the Commission’s
17 Division of Water and Audits and they did not object to Advice Letter 450.

18 *California Alternative Rates for Water (“CARW”) Balancing Account*—
19 The purpose of the balancing account is to track the cost of the program against the
20 estimates reflected in rates, until sufficient experience with the CARW program is
21 attained that such costs can be reliably forecast in a general rate case proceeding.
22 SGVWC filed Advice Letter 468 to amortize the balance as of 7-31-15 with a 12
23 month amortization beginning September 2, 2015 and ending September 1, 2016.
24 ORA did not review this balance because a review was completed by the
25 Commission’s Division of Water and Audits. The Division did not object to this
26 filing.

27 *Conservation Program Balancing Account (LA and FWC Divisions)*—The
28 purpose of this one way Balancing Account is to track the actual versus authorized

1 expenditures over the three-year general rate case cycle so that any unspent funds
2 collected through rates can be returned to ratepayers. As of June 30 2015, SGVWC
3 recorded an over-collection of \$326,709 for the Los Angeles District and an over-
4 collection of \$400,665 in Fontana Water Company Division. SGVWC contends that the
5 balances should be amortized after the conclusion of the current GRC. ORA recommends
6 the balance in both accounts be returned to ratepayers during this current GRC
7 proceeding.

8 ORA's witness on O&M and A&G expense related issues has reviewed these
9 balancing accounts and his findings are as follows: As of December 31, 2015, SGVWC
10 recorded an over-collection of \$298,491 for the Los Angeles Division⁶⁰ and \$287,815 for
11 Fontana Division⁶¹ in the company's conservation balancing accounts. SGVWC
12 contends that the balances should be amortized after the conclusion of the current GRC.
13 ORA recommends the balance in both accounts be returned to ratepayers during this
14 current GRC proceeding.

15 This balancing account was first authorized in SGVWC's previous Los Angeles
16 GRC proceeding.⁶² In that rate case, ORA had found the amounts authorized for
17 conservation were vastly underspent in the previous Test & Escalation Years. To protect
18 ratepayers against forecasted expenses not spent, but recovered through general tariffs
19 rates, ORA advocated for a one-way balancing account to track conservation expenses
20 with the amount unspent to be returned to ratepayers.⁶³ Both parties agreed in settlement
21 to this stipulation. Regarding the timeframe by which the company is to refund the over-
22 collection, the settlement states:

23 Within 60 days after July 1 2014 or the effect date of new
24 rates under the 2013 GRC, whichever is later, San Gabriel

⁶⁰ RAC-001 (4) (part 1) Page 23 Dec Ending Balance.

⁶¹ RAC-001 (4) (part 2) Page 19 Dec Ending Balance.

⁶² D.11-11-018 Ordering Paragraph 1.

⁶³ A.10-07-019 ORA Report on the Results of the operations of SGVWC LA Division Page 21.

1 shall file an advice letter with the Commission demonstrating
2 its revenues collected, its costs, and the over-collection if
3 any.⁶⁴

4 Because the company is two years late in filing its GRC, the language is
5 ambiguous. ORA reached out to the company and asked:

6 In regards to the language used in the prior GRC's, what is
7 SG's understanding of when the balance tracked in the
8 Conservation Balancing Account should be amortized
9 through an advice letter?

10 The company responded:

11 Regarding the Los Angeles County Division, because the
12 filing date for the 2013 GRC was extended until January
13 2016, San Gabriel is to file an advice letter with the
14 Commission showing any over-collection within 60 days of
15 the effect date of the new rates in the current GRC.⁶⁵

16 Shortly after the LA GRC, the Fontana Division filed their rate case application.
17 Citing similar issues surrounding authorized dollars going unspent, ORA advocated for a
18 balancing account to track conservation expenses for the Fontana district as well.⁶⁶ In
19 settlement, both parties agreed to this stipulation.⁶⁷ The specific language reads:

20 San Gabriel agrees with DRA's recommendation to continue
21 tracking expenses in a capped, one-way balancing account
22 with any unspent funds returned to ratepayers after the end of
23 the rate case period⁶⁸

24 Similar to the LA district, the language authorizing the balancing account is
25 ambiguous considering the current rate case filing was delayed by two years. When
26 ORA asked what the company understanding as to when the balances should be
27 amortized, the company responded:

⁶⁴ D.1111018 Appendix E Page 15.

⁶⁵ Email "RE: Conservation Email Follow-Up" dated 6/8/2016.

⁶⁶ A1107005 Report on operations Page 14-3

⁶⁷ D1405001 Appendix A Settlement Agreement between DRA & SGVWC Page 6.

⁶⁸ D1405001 Appendix A Settlement Agreement between DRA & SGVWC Page A-3.

1 Regarding the Fontana Water Company Division, San
2 Gabriel’s understanding is that any unspent conservation
3 funds remaining in the one-way balancing account shall be
4 refunded to the customers after the conclusion of the current
5 GRC⁶⁹.

6 Because this current GRC was delayed by two years, and since these amounts in
7 the balancing account have been idling for such a long period of time, the Commission
8 should order San Gabriel to amortize the amounts in these accounts as of December 31,
9 2015 within 60 days of a final decision in this proceeding. Additionally, ORA showed
10 there was ambiguity regarding the date SGVWC must file for amortization of the
11 balancing accounts. The Commission should order the balances in conservation
12 balancing accounts to be amortized every three years, or within 60 days of a final
13 decision for the subsequent GRC; whichever comes first to avoid this problem in the
14 future.

15 *Previously Authorized Balancing Account (“PABBA”)*—The purpose of this
16 balancing account is to consolidate and track the amortization of balances originating in
17 all other balancing and memorandum accounts after those balances have been reviewed
18 and approved by the Commission. This balancing account will automatically retain for
19 later resolution any under or over-amortizations that may exist after the authorized
20 surcharges or surcredits have expired. As of June 30, 2015, this balancing account has a
21 \$0 balance since there have been zero transfers into this account to date. Resolution
22 W-5043 on July 25, 2015 authorized this balancing account. All balancing and
23 memorandum accounts SGVWC is authorized to amortize must be transferred to this
24 account after July 25, 2015.

25 *Water Quality Litigation Memorandum Account (Plaintiff)*—The purpose of this
26 memorandum account is to track the plaintiff-related outside legal and consulting
27 expenses of pursuing polluters and the proceeds recovered. This account has had a credit
28 balance since 2004. It is now time to refund these monies to the ratepayers. ORA

⁶⁹ Email “RE: Conservation Email Follow-Up” dated 6/8/2016.

1 recommends that SGVWC file an Advice Letter no later than 30 days from the effective
2 date of this GRC to refund the \$7,637,573 balance in this account to its customers.

3 *Water Quality Litigation Memorandum Account (Defense)*—The purpose of this
4 memorandum account is to track the defense related to outside legal and consulting
5 expenses of defending against water quality claims against the company. The
6 memorandum account also tracks defense-related outside legal costs incurred by the
7 company to pursue insurance coverage for such water quality claims. The balance in this
8 account is \$332,918 at June 30, 2015. ORA recommends that SGVWC file an Advice
9 Letter no later than 30 days from the effective date of this GRC to collect its under
10 collection of \$332,918 balance in this account.

11 *Cost of Capital Interim Rates Memorandum Account*—The purpose of this
12 memorandum account is to track the difference in each division between the revenues
13 billed under the currently authorized rates and revenues that would have been billed
14 under the rates adopted by the Commission in the consolidated Cost of Capital
15 proceeding, A.12-05-001, et al. D.11-11-018 was issued on 11/10/2011. ORA
16 recommends that SGVWC file an advice letter at this time, since a decision on that
17 application has been issued. The account shows a credit balance of \$45,828.

18 *2010 Tax Act Memorandum Account*—As of June 30, 2015 the balance in this
19 memorandum account is \$0. ORA recommends closing this account.

20 *Catastrophic Event Memorandum Account*—The purpose of this memorandum
21 account is to track the cost associated with a catastrophic event. This memorandum
22 account has a \$0 balance at June 30, 2015. ORA recommends that SGVWC continue to
23 maintain this memorandum account.

24 *Water Conservation Memorandum Account (“WCMA”)*—The balance in this
25 balancing account is \$51,348. Costs recorded in the WCMA are placed into the rates
26 only after a request by San Gabriel, a showing of reasonableness, and approval by the
27 Commission. Such a request may be by a formal application specifically for this purpose,

1 by inclusion in a subsequent general rate case, or other rate setting request, as detailed in
2 G.O. 96-B and Standard Practices.

3 *Payment Option Memorandum Account*—The purpose of this memorandum
4 account is to track the costs and savings resulting from new customer bill payment
5 options authorized in Resolution W5023, dated February 12, 2016 (i.e. a credit or debit
6 card or electronic check through a third party vender for a fee) until the general rate case
7 scheduled to be filed in January 2016. Any net balance shall be refunded to customers.
8 The balance in this account as of June 30, 2016 is \$0. ORA recommends that SGVWC
9 continue to maintain this memorandum account since it was authorized February 30,
10 2016.

11 *Drought Lost Revenue Memorandum Account (“DLRMA”)*—The purpose of this
12 balancing account is to track impacts of mandatory conservation on quantity rate
13 revenues from potable water sales for future disposition. The Commission has
14 determined that this mechanism is appropriate in coordination with increasing water
15 conservation activities or mandatory conservation required by outside governmental
16 agencies or entities. The water revenues subject to this include and are limited to those
17 which may be affected by Rule 14.1. If the accumulated balance in DLRMA exceeds 2%
18 of the total authorized revenue requirement as of the end of the prior calendar year,
19 SGVWC will submit an advice letter to amortize the balance. The balance in this account
20 is \$528,879. Additionally, the DLRMA balancing account has a sunset date. It will
21 remain in effect until the water shortage is over and the mandatory conservation
22 mandates are no longer required. ORA has not audited this account at this time since the
23 balance does not meet the 2% criteria.

24 *Section 790 Memorandum Account*—The purpose of this memorandum account is
25 to track the net proceeds from sale of pending reinvestment in real property that is
26 necessary or useful to the company for public utility purposes pursuant to the Water
27 Utility Infrastructure Improvement Act of 1995, Public Utilities Code 789 et seq. The
28 balance in this account as of June 30, 2015 is \$0. ORA has reviewed SGVWC’s filed

1 tariff and determined that the tariff requirements are not being followed at this time.
2 SGVWC needs to follow its approved tariffs. The utility stated that it has a \$0 balance
3 because all property proceeds are immediately reinvested in new company assets.

4 **2. Fontana Water Company Division**

5 *Water Production Balancing Account*—The purpose of this account is to record
6 the costs related to the cost of water. ORA has done a cursory review of this balancing
7 account, but did not perform a complete audit since SGVWC Advice Letter 461
8 requested amortization of \$3,946,087 under collection at the end of March 2016.
9 SGVWC was authorized recovery of this balance over a three-year period ending May 5,
10 2016. Additionally, SGVWC did not have a filed tariff for this balancing account. ORA
11 recommends that SGVWC not be authorized recovery of under collections until a tariff is
12 filed and approved.

13 *Purchase Power Balancing Account*—The purpose of this balancing account is to
14 record the power related costs. SGVWC has an over collection in this balancing account
15 of \$1,064,502 as of June 30, 2015. ORA recommends that SGVWC File an Advice
16 Letter within 30 days from the day a decision on this application is issued to return these
17 monies back to its ratepayers. Additionally, ORA recommends SGVWC not be
18 authorized recovery of under collections until a tariff is filed and approved.

19 *Water Revenue Adjustment Mechanism (“WRAM”) Memorandum Account*—The
20 purpose of this memorandum account is to track the Quantity Rate revenues collected
21 under SLA-1C tired rates against the revenues that would have been collected under a
22 single block Quantity Rates. The balance as of June 30, 2015 shows a \$1,487,418 under
23 collection. The balance in the memorandum account shall be amortized by a Tier 1
24 advice letter whenever the balance exceeds 2% of the authorized revenue requirement for
25 the preceding calendar year. If the balance is below 2%, SGVWC shall propose its
26 amortization in a general rate case. The memorandum account will terminate when so
27 ordered by the CPUC.

1 *California Alternative Rates for Water (“CARW”) Balancing Account*—The
2 purpose of the balancing account is to track the cost of the program against the estimates
3 reflected in rates, until sufficient experience with the CARW program is attained that
4 such costs can be reliably forecast in a general rate case proceeding. SGVWC filed
5 Advice Letter 475 to amortize as of July 31, 2015. The balance in the account of
6 \$3,180,314 was a under collection over a three year amortization ending February 21,
7 2018. ORA did not review this balancing account since it was reviewed for
8 reasonableness by the Commission’s Division of Water and Audits. The Division of
9 Water and Audits did not object to this filing.

10 *Previously Authorized Balancing Accounts*—The purpose of this account is to
11 consolidate and track the amortization of balances originating in all other balancing and
12 memorandum accounts after those balances have been reviewed and approved by the
13 Commission. This balancing account will automatically remain for later resolution any
14 under or over amortization that may exist after the authorized surcharges or surcredits
15 have expired. As of June 30, 2015, this balancing account has a \$0 balance since there
16 have been zero transfers into this account to date. This balancing account was authorized
17 by Resolution W-5043 on July 25, 2015. All balancing and memorandum accounts
18 SGVWC is authorized to amortize must be transferred to this account after July 25, 2015.

19 *Implementation of Water Action Plan Objectives (WAP) Balancing Account*—The
20 temporary, one-way balancing account is established in accordance with Decision No.
21 08-08-018 in Application No. 07-08-017 to track amounts collected via the conservation
22 expense surcharge component and conservation expenses incurred up to an annualized
23 limit. The prorated limit is the prorated portion of the \$305,000 annual budget. ORA
24 recommends that this balancing account be terminated. This account has a \$0 balance
25 and is no longer in use.

26 *Water Quality Litigation Memorandum Account*—The purpose of this
27 memorandum account is to record outside legal and consulting expenses for water quality
28 litigation, as well as contamination proceeds that are not reflected in base rates and any

1 amortization of those recorded balances in accordance with Resolution W-4094 incurred
2 after March 26, 1998, the effective date of Resolution W-4094. SGVWC filed Advice
3 Letter 459 on March 4, 2015 to amortize the balance in this memorandum account as of
4 December 31, 2014 of \$2,992,274 over a 12 month period. Resolution W-5064 dated
5 October 22, 2015 authorized SGVWC to amortize a net of \$2,259,469 over a 12 month
6 period. There were two adjustment made as a result of the Division of Water and Audits
7 reasonableness review: 1) SGVWC did not provide sufficient documentary evidence in
8 support of the reasonableness of its request to amortize \$523,516 in political consultant
9 fees plus interest and 2) SGVWC did not provide sufficient documentary evidence in
10 support of the reasonableness of its request to amortize \$94,652 in public relations fees,
11 plus interest in the Fontana WQLMA. As of June 30, 2015, the account balance is
12 \$100,934. ORA did not audit this account because SGVWC has not requested recovery
13 in this GRC.

14 Facilities Fee Memorandum Account—The purpose of this memorandum account
15 is to track facilities fees collected from developers until they are invested in Utility Plant
16 and credited to Contributions in Aid of Construction. The cost recorded in this
17 memorandum account as of June 30, 2015 is \$11,091,450. ORA has reviewed
18 SGVWC's response to our informal data request and is satisfied that the balance
19 currently reflects the level of facilities of fee received to date.

20 *Land Parcels #215 and #221 Memorandum Account*—The purpose of this
21 memorandum account is to track the investment in land parcels#215 and #221 be held for
22 future use. ORA however, believes that the cost reflected in this balancing account
23 should be properly recorded in account 100.4 Utility Plant Held For Future Use (Uniform
24 System of Accounts for Water Utilities – Class A) Prescribed by the Public Utilities
25 Commission of the State of California.

26 *Interim Rates Memorandum Account*—The purpose of this memorandum account
27 is to track the difference between the revenues billed under the interim rates and revenues
28 that would have been billed under the rates adopted by the Commission in A.11-07-005.

1 ORA did a cursory review of this memorandum account. SGVWC filed for interim rates
2 on February 2015 which ends on September 2017.

3 *Cost of Capital Interim Rates Memorandum Account*—The purpose of this account
4 is to track the difference in each division between the billed revenues under the currently
5 authorized rates and the revenues that would have been billed under the rates adopted by
6 the Commission in the consolidated Cost of Capital Proceeding. A 12-05-002, et al...
7 Ruling Granting Interim, dated December 18, 2012. ORA *passes* on reviewing this
8 balance at this time (\$19,393).

9 *Department of Health Services (DOHS)/Environmental Protection Agency (EPA)*
10 *Memorandum Account*—The purpose of this memorandum account is to track charges for
11 water quality testing. This memorandum account has been closed to new water quality
12 testing costs as of 2002. The memorandum as of June 30, 2015 has an under collection
13 of \$2,807. ORA recommends that this account be closed and the balance transferred to
14 the Previously Authorized Balancing Account.

15 *Plant F23 Project Memorandum Account*—The purpose of this memorandum
16 account, as authorized D.14-05-001 in A.11-07-005 is to track the recorded costs required
17 by the City of Fontana’s Conditional Use Permit for the Plant F23 project. After plant
18 F23 is placed in service, SGVWC will submit an advice letter, supported by specific
19 records which clearly document the expenditures, to reflect rates the balance of costs
20 recorded in this memorandum account. The balance in this account as of June 30, 2015 is
21 an under collection of \$187,571. Because SGVWC will be submitting an advice Letter
22 requesting recovery of this balance in July 2016, ORA did not audit this memorandum
23 account.

24 *Mains Project Memorandum Account*—The purpose of this memorandum account,
25 as authorized by D.14-05-001, is to track the recorded costs for mains work in excess of
26 the allowance based on the City of Fontana’s Capital Improvement Plan. ORA has
27 reviewed this memorandum account and concludes that SGVWC did not track the costs,
28 but instead they accrued the revenue requirement amount for their completed mains

1 projects. As indicated in paragraph S of SGVWC’s Preliminary Statement (effective July
2 23, 2015), a utility is required to track recorded costs in this memorandum account and to
3 make an annual advice letter filing to reflect the recorded balance in rates. ORA
4 recommends that SGVWC comply with its tariff starting with the effective date of this
5 tariff.

6 *Catastrophic Event Memorandum Account*—The purpose of this memorandum
7 account is to track the costs associated with a catastrophic event. This account shows a
8 \$0 balance as of June 30, 2015. ORA recommends SGVWC continue to maintain this
9 memorandum account.

10 *Water Conservation Memorandum Account*—The purpose of this memorandum
11 account is to track recorded costs associated with conservation measures per Governor
12 Brown’s January 17, 2014 Drought Emergency Declaration calling for a 20 percent
13 reduction in water usage. See April 25, 2014 Proclamation of Continued State of
14 Emergency, the California Public Utilities Commission’s (Commission) Resolution No.
15 W-4976 adopting drought procedures for voluntary and mandatory water conservation
16 measures related to both Rule 14.1 voluntary water Conservation and Schedule 14.1
17 mandatory rationing efforts and Commission Resolution No. 5000 adopting emergency
18 regulations for state-wide urban water consumption. The balance in this account is
19 \$48,006. ORA has not reviewed this under collection at this time because it was
20 considered immaterial.

21 *Sandhill Project Memorandum Account*—The purpose of this memorandum
22 account is to track the revenue increases resulting from the inclusion of the Sandhill
23 Project in rate base via advice letter and which revenue increase shall be subject to
24 refund. Decision 15-11-028 dated November 19, 2015 corrected a refund obligation to
25 \$6,217,420. ORA has not reviewed the balance due to ratepayers which is \$1,578,805 as
26 of May 2016. This current surcredit is due to expire in July 2017.

27 *Payment Option memorandum Account*—The purpose of this memorandum
28 account is to track the costs and savings resulting from new customer bill payment

1 options authorized in Resolution W 5023, dated February 12, 2016 i.e., a credit or debit
2 card or electronic check through a third party vendor for a fee until the general rate case
3 scheduled to be filed in January 2016. Any net balance shall be refunded to customers.
4 The balance in this account as of June 30, 2015 is \$0. ORA recommends that SGVWC
5 continue to maintain this memorandum account since it was authorized in February 2016.

6 *Drought Lost Revenue Memorandum Account*—The purpose of this memorandum
7 account is to track impacts of mandatory conservation on quantity rate revenues from
8 potable water sales for future disposition. The Commission has determined that his
9 mechanism is appropriate in coordination with increasing water conservation activities or
10 mandatory conservation required by outside governmental agencies or entities. The
11 water revenues subject to this account include, but are not limited to those which may be
12 affected by Rule 14.1. ORA has not reviewed this account because SGVWC filed AL
13 475 requesting recovery of the balance in this account as of January 2016. This advice
14 letter was approved in June 2016.

15 *Section 790 Memorandum Account* – *The purpose of this memorandum* account is
16 to track net proceeds from the sale of pending reinvestment in real property that is
17 necessary or useful to the company for public utility purposes pursuant to the Water
18 Utility Infrastructure Improvement Act of 1995. Public Utilities Code 789, et seq. The
19 balance in this account as of June 30, 2015 is \$0. ORA reviewed SGVWC’s filed tariff
20 and determined that the tariff requirements are not being followed and SGVWC needs to
21 comply at this time. SGVWC needs to follow its filed tariff. The utility has stated that it
22 has a \$0 balance because all property proceeds are immediately reinvested in new
23 company assets.

1 **CHAPTER 6 CHAPTER 6: SPECIAL REQUESTS**

2 **A. INTRODUCTION**

3 This chapter presents the results of ORA’s analysis of SGVWC’s special request
4 items. SGVWC requests eight different items ranging from a simple request for the
5 Commission to incorporate in its final decision any rate changes resulting from other
6 proceedings, such as advice letters and other pending resolutions, to such items as
7 amortization of a few memorandum accounts. In order to evaluate these special requests,
8 ORA has reviewed SGVWC’s testimony, workpapers, and responses to ORA’s data
9 requests.

10 **B. SUMMARY OF RECOMMENDATIONS**

11 Out of the eight special request items, ORA agrees with most of the items. ORA
12 will individually discuss these special request items in the section below.

13 **C. DISCUSSION**

14 **1. The Commission’s final decision should incorporate rate**
15 **changes resulting from other proceedings subsequent to**
16 **January 1, 2016**

17 SGVWC has expressed concerns that there might be other proceedings pending
18 that may affect its rates after the final decision sets the rates in this General Rate Case
19 (“GRC”) at the particular levels. Thus, incorporating these rate changes resulting from
20 the other Commission proceedings, such as advice letters would avoid confusion for the
21 ratepayers who otherwise see more rate changes subsequent to the rate changes set by the
22 current GRC application.

23 ORA agrees that in order to avoid any confusion for the ratepayers, the
24 Commission should incorporate the rate changes resulting from other proceedings
25 subsequent to January 1, 2016 so that the rates ordered in this GRC proceeding reflect all
26 such rate changes.

1 **2. SGVWC requests the Commission issue a Finding of Fact**
2 **that the utility is in full compliance with all applicable**
3 **water quality standards and regulations throughout the**
4 **period from the last GRC decision through the submission**
5 **of the evidentiary record in this proceeding.**

6 SGVWC has provided multiple reports and documents such as its Interim Report
7 on Water Quality---Los Angeles Division, Annual Report to the Drinking Water
8 Program---Fontana Division, and multiple consumer confidence reports to facilitate the
9 Commission’s review of SGVWC’s water quality standards. ORA’s witness for water
10 quality (see Chapter 13 of ORA’s report for Los Angeles and Fontana Divisions) has also
11 reviewed the various Annual Reports and finds that SGVWC’s systems are currently in
12 compliance with the requirements established by the State Water Resources’ Division of
13 Drinking Water (“DDW”), applicable federal drinking water requirements, and General
14 Order 103-A. Therefore, ORA recommends that the Commission issue a Finding of Fact
15 reflecting this compliance.

16 **3. The Commission should reflect in the adopted Test Year**
17 **2017-2018 revenue requirement and rate design the**
18 **revised Cost of Capital for SGVWC presently scheduled**
19 **to become effective in January 2018.**

20 SGVWC requests that the Commission should adopt the revised Cost of Capital
21 scheduled to become effective in January 2018. ORA agrees with the exception that as
22 the Test Year is a fiscal year (2017-2018), any such adoption of a revised Cost of Capital
23 is assessed on the latter half of the Test Year, i.e. beginning of 2018 till June 30th.
24 Therefore, the Cost of Capital for Fiscal Test Year 2017-2018 should be appropriately
25 prorated.

26 **4. The Commission should adopt the rate design where the**
27 **65% and 70% of metered revenues in the LA Division and**
28 **Fontana Division are recovered through quantity rates,**
29 **respectively.**

30 ORA’s witness for rate design in both the LA (Chapter 14) and Fontana Divisions
31 (Chapter 14) has reviewed this request and recommends that in the LA Division the
32 quantity rates should be collected at 64.6% (rounding to 65%). The Commission in

1 D.10-04-031 authorized SGVWC a service charge to recover 35.4% of the total revenue
2 requirement and the quantity-rate is designed to recover 64.6% of the total revenue
3 requirement.

4 However, with the Fontana Division, the quantity rates were set at 72.03%
5 pursuant to D.14-05-001. SGVWC’s justification for this change is that the Commission
6 (in Phase 2 of R.11-11-008) and the California Urban Water Conservation Council
7 (“CUWCC”) have been reviewing the 70% target to possibly bring it more in line with
8 actual variable cost ratios. SGVWC acknowledged that the outcomes of these reviews
9 have not been completed.

10 ORA disagrees with SGVWC as its request to change the service charge to a
11 quantity charge ratio from the current 28:72 to 30:70 is simply rearguing a decision that
12 the Commission already made in D.10-04-031. In that decision, the Commission found
13 that San Gabriel’s proposed steps toward the minimum CUWCC revenue ratio of 30:70 is
14 too modest. The Commission further stated that “*the 28:72 ratio, slightly surpassing the*
15 *CUWCC 30:70 threshold, is “reasonably achievable in one step and will further the*
16 *water conservation objectives of the Commission.”*⁷⁰ The Commission is clear that the
17 use of 28:72 is more appropriate than 30:70 ratios in San Gabriel’s conservation rate
18 design.

19 Since the current review by the Commission in Phase 2 of R.11-11-008 and
20 CUWCC regarding modification of the service charge to quantity charge ratio are still
21 on-going, San Gabriel’s proposed change is premature and unnecessary at this time.
22 Accordingly, ORA recommends that San Gabriel to continue to use the current ratio of
23 28:72 as adopted in D.10-04-031 in order to maintain the Commission’s water
24 conservation objective.

25

⁷⁰ Page 27 of D.10-04-031.

1 **5. The Commission should authorize the amortization of the**
2 **Income Tax Regulation Implementation Memorandum**
3 **Account, The Cost of Capital Litigation Memorandum**
4 **Account, and the Plant F23 Perchlorate Facilities**
5 **Balancing Account.**

6 As SGVWC’s request relates to three distinct memorandum and balancing accounts,
7 ORA’s various witnesses have reviewed these requests in their respective areas.

8 **i) Tax Regulation Implementation Memorandum Account:**

9 The Tax Regulation Implementation Memorandum Account (“ITRRI-MA”) is
10 discussed by ORA’s witness for Income Taxes, Michael Conklin and his findings and
11 recommendations are as follows:

12 On December 23, 2011, the Treasury Department issued new tangible property
13 repairs regulations (“TPR”) and the IRS issued related guidance in March 2012. Because
14 these new regulations provide significant tax benefits to SGVWC and its ratepayers, on
15 April 4, 2013 the Commission passed Resolution W-4945 allowing SGVWC to establish
16 the Income Tax Repair Regulations Implementation Memo Account (ITRRI-MA).

17 The purpose of the ITRRI-MA is “to reconcile the timing disconnect between the
18 need to incur costs now in order to implement the repair regulations as soon as possible.
19 These costs will be tracked in the ITRRI-MA each month and will be subject to a
20 reasonableness review as part of San Gabriel’s next GRC.”⁷¹ This chapter presents the
21 results of ORA’s reasonableness review as directed by the Resolution, and ORA’s related
22 recommendation.

23 For ratemaking purposes, the tax benefits of the TPR are realized in two main
24 ways:

- 25 1. A one-time retroactive adjustment commonly referred to as a Sec. 481(a)
26 adjustment. This allows the taxpayer to take a large tax deduction based on

⁷¹ Resolution W-4945, Page 2.

1 past items that used to be capitalized but now would be retroactively
2 expensed.

- 3 2. Going forward, for tax considerations an additional amount will be
4 expensed immediately rather than capitalized and depreciated over its
5 useful life.

6 For both items above, SGVWC (and its investors) benefits by decreased real-
7 world state and federal tax liabilities, while ratepayers in turn benefit by an increased
8 Deferred Income Tax balance (which reduces rate base). Importantly, the TPR benefits
9 apply for both Federal Income Tax filings with the IRS, and State Income Tax filings
10 with the California Franchise Tax Board.

11 ORA examined Commission Resolutions, SGVWC’s tax filings, responses to
12 discovery, Grant Thornton invoices and Statements of Work while performing its
13 reasonableness review. As discussed below, based on its review, ORA recommends the
14 Commission deny SGVWC recovery of the \$119,022 in the ITRRI-MA.

15 Resolution W-4945 clearly stated when approving the ITRRI-MA:

16 San Gabriel will fully normalize the effects of the anticipated
17 net tax benefits as they are realized in accordance with the
18 normalization requirements of the Internal Revenue Code.⁷²
19 [Emphasis added.]

20 However, SGVWC did not fully normalize the effects of the tax benefits. Despite
21 the fact that the State of California allows for a one-time Sec. 481(a) adjustment,
22 SGVWC admits it did not normalize the Sec. 481(a) adjustment for State Income Tax
23 (“CCFT”):

24 California does not follow federal normalization rules for
25 either current or onetime retroactive adjustments under
26 § 481(a). Thus, San Gabriel used the flow-through method of

⁷² Resolution W-4945 Finding and Conclusion 5.

1 accounting for the § 481(a) one-time tax adjustment and will
2 continue to do so in future years.⁷³

3 Furthermore, according to SGVWC when requesting the ITRRI-MA, it relied on
4 seeking similar treatment as authorized for Golden State Water Company:

5 San Gabriel submitted Advice Letter 423, dated January 14,
6 2013 to the Commission requesting similar treatment as that
7 authorized by Resolution W-4932, approving Golden State
8 Water Company’s Advice Letter No. 1498-WB to track costs
9 incurred to implement the U.S. Treasury Department’s
10 Regulations on December 23, 2011 (T.D. 9564).⁷⁴

11 However, unlike SGVWC, Golden State Water Company chose to comply with
12 Resolution W-4932 and fully normalized the effects of the tax benefits, including the Sec.
13 481(a) one-time adjustment for CCFT. SGVWC’s assertion that “California does not
14 follow federal normalization rules” does not simply absolve it from following
15 Commission instruction under the regulatory ratemaking paradigm.

16 SGVWC’s decision to use flow-through treatment for this adjustment instead of
17 normalization appears to be at odds with the directive set forth within Resolution W-4945
18 where the Commission approved the ITRRI-MA. SGVWC’s decision to ignore
19 Resolution W-4945 and use flow-through treatment for the CCFT Sec. 481(a) adjustment
20 resulted in a one-time State Income Tax deduction of \$6,539,750 in 2014 that ratepayers
21 did not receive the benefit of.⁷⁵ At a CCFT tax rate of 8.84%, this deduction had a
22 potential value of \$578,114 that benefited SGVWC shareholders, while SGVWC
23 ratepayers realized no benefit whatsoever.

24 Furthermore, in 2014, SGVWC filed for the same one-time Sec. 481(a) adjustment
25 when it filed its State Income Tax return as it did with its Federal return, even using the

⁷³ SGVWC Testimony of David Batt, Page 23.

⁷⁴ SGVWC Testimony of David Batt, Page 23.

⁷⁵ SGVWC’s response to Data Request MC8-001, q. 4. c.

1 same IRS Form 3115⁷⁶. Yet because SGVWC was in between GRCs, the benefit of this
2 one-time tax deduction did not “flow-through” to ratepayers. At that time, SGVWC
3 ratepayers were funding over \$2 million company-wide in CCFT expense in rates⁷⁷ while
4 SGVWC’s Annual Report revealed that the company’s CCFT expense was only
5 \$274,789 in 2014⁷⁸ due in part to this large deduction.

6 Because SGVWC failed to fully normalize the tax benefit effects of the new
7 Tangible Property Repairs regulations as instructed by Resolution W-4945, ORA
8 recommends SGVWC be denied recovery of the \$119,022 balance in the ITRRI-MA and
9 the account be closed.

10 **ii) Cost of Capital Litigation Memorandum Account:**

11 The Cost of Capital Litigation Memorandum Account has a current balance of
12 \$116,294.95. ORA’s witness for Memorandum and Balancing Account has discussed
13 this account in detail (See Chapter of this report). ORA takes exception with an amount
14 of \$5,063 for SGVWC employees’ transportation as per the tariffs, employee incremental
15 costs are not includable in the balancing account. In addition, SGVWC requests
16 amortizing the balance in the account over a 12 month period, but D. 11-11-018 requires
17 a 3 year period.

18 **iii) Plant F23 Perchlorate Facilities Balancing Account:**

19 For Plant F23 Perchlorate Facilities Balancing Account, SGVWC requests
20 amortizing the unamortized account balance of \$730,974.05⁷⁹ as of June 2015. The
21 Commission in D.14-05-001 authorized this balancing account to track the construction
22 cost of perchlorate-related facilities at Plant F23. SGVWC has since built various

⁷⁶ SGVWC’s response to Data Request MC8-002, q. 5. b.

⁷⁷ AL 440-C adopts \$1,067,700 CCFT expense for Fontana and AL 450-B adopts \$1,090,900 CCFT expense for Los Angeles.

⁷⁸ SGVWC 2014 Annual Report to the Commission, p. 7.

⁷⁹ Per SGVWC’s response to ORA’s Data Request, AMX-002, question 3(b).

1 perchlorate treatment facilities, such as an ion-exchange treatment system, two reservoirs,
2 booster station & related piping, pavement & grading, and security fence etc. costing a
3 total of \$7,273,152.

4 The Department of Defense under Environment Security Technology Certification
5 Program (“ESTCP”) contributed \$1,548,262. An additional \$1,166,582 was required
6 under City of Fontana Conditional Use Permit (“CUP”), which the Commission
7 authorized to be tracked in a separate memorandum account per D.14-05-001. Therefore,
8 the revenue requirement is only assessed on the remaining \$4,558, 230, and that revenue
9 requirement is booked in the balancing account. In response to ORA’s data request,
10 AMX-002, SGVWC was able to show the assessment of its revenue requirement
11 pursuant to D.14-05-001. It should be noted that the requested unamortized amount of
12 \$730,974.05 represents the revenue requirement up to June 30, 2015. The memorandum
13 account will continue to track the revenue requirement amount till June 30, 2017. After
14 June 30, 2017 SGVWC will collect the related revenue requirement in rates through its
15 ratebase and will file an advice letter to collect the remaining revenue between the period
16 of July 1, 2015 through May 31, 2017.

17 **6. The Commission should authorize SGVWC to close**
18 **Schedule No. FO-9CL (Service Tract Houses During**
19 **Construction) and to replace the fixed charges in Schedule**
20 **No. FO-9C (Construction and Tank Truck Service) with a**
21 **quantity rate.**

22 SGVWC currently maintains two construction tariffs for the Fontana Division.
23 These tariffs consist of FO 9C and FO 9CL applicable to temporary water service
24 furnished for construction purpose and for water delivered to tank trucks from fire
25 hydrants or other outlets. These schedules contain many fixed charges (e.g., per 100
26 lineal feet of street curb construction, etc.), which San Gabriel no longer charges. These
27 fixed charges also do not promote water conservation because the rate charged to
28 customers is not based on the quantity usage.

1 SGVWC's proposal to eliminate both the fixed charges on Schedule 9C and
2 Schedule 9CL with the language from Condition 3 of Schedule 9C, which allows a use
3 quantity rate will promote water conservation during construction activities. ORA agrees
4 and urges the Commission to approve SGVWC's request.

5 **7. The Commission should authorize SGVWC to close**
6 **Schedule No. LA-9CL (Service Tract Houses During**
7 **Construction) and to replace the fixed charges in Schedule**
8 **No. LA-9C (Construction and Tank Truck Service) with a**
9 **quantity rate.**

10 SGVWC currently maintains two construction tariffs for the Los Angeles
11 Division. These tariffs consist of LA 9C and LA 9CL applicable to temporary water
12 service furnished for construction purpose and for water delivered to tank trucks from fire
13 hydrants or other outlets. These schedules contain many fixed charges (e.g., per 100
14 lineal feet of street curb construction, etc.), which San Gabriel charges. These fixed
15 charges also do not promote water conservation because the rate charged to customers is
16 not based on the quantity usage.

17 ORA's rate design witness for the Fontana Division reviewed this request (see
18 ORA's Report on LA Division, Chapter 14) and recommends that the Commission
19 should approve SGVWC's proposal to eliminate both the fixed charges on Schedule 9C
20 and Schedule 9CL with the language from Condition 3 of Schedule 9C as allowing a use
21 of quantity rate will promote water conservation during construction activities.

22 **8. The Commission should authorize SGVWC to increase its**
23 **Facilities Fees set forth on Schedule N. FO-FF, and**
24 **applicable to the Fontana Division.**

25 ORA's rate design witness for the Fontana Division reviewed this request (see
26 ORA's Report on FWC Division, Chapter 14) and recommends that the Commission
27 should not only approve SGVWC's request to increase the facilities fee in Fontana, but
28 also the amount increased must also be higher than what SGVWC requested.

29 San Gabriel proposes increasing its facilities fees collected from developers from
30 the current \$5,000 to \$7,000 for the 5/8 x 3/4-inch meter. The fee is to pay for additional

1 capacity needed to serve new customers so that existing customers are not being
 2 burdened by the cost of new development. All fees collected will be recorded in a
 3 memorandum account and be credited to CIAC at the time the fees are spent for
 4 additional plant. The current facilities fees have not increased since they were adopted
 5 eight years ago in D.07-04-046.

6 To support the increase, San Gabriel prepared a study by comparing the
 7 Company’s current facilities fees applied to standard meter sizes ranging from ¾-inch up
 8 to 10-inch with those from three neighboring water agencies, including private fire
 9 service connections. For example, the study shows that on average the neighboring
 10 utilities are charging \$7,917 for ¾-inch meter while SGVWC charges \$5,000.

11 ORA agrees with SGVWC’s request to increase the facilities fees except the
 12 amount should be \$8,000, not \$7,000 for the 5/8-inch and ¾ -inch meters based on the
 13 average fees charged by three neighboring water suppliers, which is \$7,917. ORA also
 14 agrees with SGVWC on using the same ratios in calculating the fees for the larger size
 15 meters. The following table provides a comparison of the facilities fees San Gabriel
 16 proposed and those ORA recommended.

17 **Table 16.1: Comparison for Facilities Fee---SGVWC v. ORA**

Service Connection	Current Facilities Fees	Ratio	San Gabriel Proposed Facilities Fees	ORA Proposed Facilities Fees
5/8 x 3/4-inch	\$5,000	1	\$7,000	\$8,000
3/4-inch	\$5,000	1	\$7,000	\$8,000
1-inch	\$6,650	1.33	\$9,310	\$10,640
1.5-inch	\$10,000	2	\$14,000	\$16,000
2-inch	\$13,350	2.67	\$18,690	\$21,360
3-inch	\$20,000	4	\$28,000	\$32,000
4-inch	\$26,650	5.33	\$37,310	\$42,640
6-inch	\$40,000	8	\$56,000	\$64,000
8-inch	\$53,350	10.67	\$74,690	\$85,360
10-inch	\$66,650	13.33	\$93,310	\$106,640
12-inch	\$80,000	16	\$112,000	\$128,000
14-inch	\$93,350	18.67	\$130,690	\$149,360

18

1 **CONCLUSION**

2 ORA requests that the Commission adopt ORA's recommendations for SGVWC's

3 Special Requests.

1

2

3

4

5

APPENDIX-A

6

7

QUALIFICATIONS OF WITNESSES

8

1 **QUALIFICATIONS AND PREPARED TESTIMONY**
2 **OF**
3 **MEHBOOB ASLAM**
4

5 Q.1. Please state your name and business address.

6 A.1. My name is Mehboob Aslam. My business address is 320 west 4th Street, Suite
7 500, Los Angeles, CA 90013.
8

9 Q. 2. By whom are you employed and in what capacity?

10 A. 2. I am employed by the California Public Utilities Commission as a Utility Engineer.
11

12 Q. 3. Please briefly describe your educational background and work experience.

13 A. 3. I graduated from the University of Engineering & Technology, Lahore, Pakistan
14 with a Bachelor of Science Degree in Mechanical Engineering, and also graduated
15 from Western Kentucky University with a Master of Science Degree, in Business
16 Administration with an emphasis in Accounting and Finance.

17 I have been employed by the CPUC since 2001. From 2001 through 2002, I was a
18 member of the Consumer Protection and Safety Division, where I studied energy
19 utilities' operating practices to enforce the rules and regulations relating to safe
20 use of the plant and workforce. I Performed engineering reviews, and conducted
21 incident investigations for both gas and electric utilities. I have also helped resolve
22 customers' complaints.

23 From 2002 through present, I have been working for Division of Ratepayer
24 Advocates in its Water Branch; mostly dealing with Class-A water utilities. I have
25 performed evaluations of public utility plant and properties, regulation of utility
26 tariffs and rates, studies of cost of service, and studies of the utility's operating
27 practices to enforce the rules and regulations relating to ratemaking. I have
28 presented my findings and recommendations as an expert witness at public
29 hearings before the Commission. I have also been actively involved with few of
30 Commission's OIR/OII proceedings.

1 Q. 4. What is your area of responsibility in this proceeding?

2 A. 4. I am the Project Lead in the San Gabriel Valley Water Company GRC. I am also
3 responsible for evaluating San Gabriel Valley Water Company's Special Request,
4 Chapter 6 in ORA's General Office Report.

5

6 Q. 5. Does this conclude your prepared testimony?

7 A. 5. Yes, it does.

8

1 **QUALIFICATIONS AND PREPARED TESTIMONY**
2 **OF**
3 **JOSE R. CABRERA**
4

5 Q.1 Please state your name and address.

6 A.1 My name is Jose R. Cabrera. My business address is 505 Van Ness Avenue, 3rd
7 floor, San Francisco, California 94102.
8

9 Q.2 By whom are you employed and in what capacity?

10 A.2. I am employed by the California Public Utilities Commission as a Public Utilities
11 Regulatory Analyst V in the Office of Ratepayer Advocates' Water Branch.
12

13 Q.3 Please briefly describe your educational background and work experience.

14 A.3 I am a graduate of California State University, Sacramento, with a Bachelor of
15 Science Degree in Accounting. I also hold a Master of Science Degree in
16 Taxation from Golden Gate University, San Francisco. Prior to the Commission,
17 I worked for the Department of the Treasury, Internal Revenue Service, for 5-1/2
18 years as an Internal Revenue Agent, and in public accounting with a certified
19 public accountancy firm.
20

21 I joined the Commission in 1985, and participated in financial and compliance
22 examinations as well as performed a variety of financial analysis and advisory
23 work in the former Commission Advisory and Compliance Division for three
24 years. From 1988 to 1992 I was a part-time Lecturer of Accounting in the
25 Department of Accounting, School of Business, at California State University, San
26 Francisco. I joined ORA in 1988 and since then have worked on a variety of
27 water, telecommunication and energy matters in general rate cases and other
28 formal proceedings. I have served as the sole lead regulatory tax witness
29 responsible for federal & state income forecasts and tax policy recommendations
30 in general rate cases, advocated regulatory tax policy in other proceedings, as well
31 as provided a variety of advisory work for other divisions within the Commission
32 on matters related to Commission regulatory tax policy. I have been in the Water
33 Branch since 2006, and participate in the analysis of test year expense forecasts
34 and policy issues in general rate cases, policy issues in merger and acquisition
35 applications, and a variety of other matters of Class A Water Companies.

36 Q.4 What is your area of responsibility in this proceeding?

37 A.4 I am responsible for the General Division Report, chapters 1 through 4.
38

39 Q.5 Does that complete your prepared testimony?

40 A.5 Yes, it does.

1 **QUALIFICATION AND PREPARED TESTIMONY**
2 **OF**
3 **JEFFREY ROBERTS**

4 Q.1. Please state your name, business address, and position with the California Public
5 Utilities Commission (“Commission”).

6 A.1. My name is Jeffrey Roberts and my business address is 320 W 4th Street, Los
7 Angeles, CA 90028. I am a Public Utilities Regulatory Analyst (PURA) in the
8 Water Branch of the Office of Ratepayer Advocates (ORA).

9
10 Q.2. Please summarize your educational background and professional experience.

11 A.2. I received a Bachelor of Science Degree in Finance from the Richard Stockton
12 College of New Jersey in 2011. In April of 2013 I joined the Commission, where I
13 worked as a Regulatory Analyst on a variety of assignments including advice
14 letters, application filings, and general rate case proceedings. My experience
15 includes duties as project coordinator for Great Oaks Water Company application
16 for debt issuance (A.14-01-023), analyzing portions of A&G expenses and payroll
17 for the Cal-Am GRC (A.13-07-002), review of payroll, income taxes, and
18 memorandum accounts for the Suburban GRC (A.14-02-004), and the review of
19 sales, revenues, and rate design for the Park Water GRC (A.15-01-001). Prior to
20 my role at the commission; I worked as an analyst preparing investment
21 prospectuses for an early-stage green energy company.

22
23 Q.3. What is your responsibility in this proceeding?

24 A.3. I am responsible for O&M Expenses (Chapter 3) A&G Expenses (Chapter 4)
25 Payroll Forecast (Chapter 5 LA/FWC report & Chapter 2 of GO report) and
26 Executive Compensation (Chapter 6).

27
28 Q.4. Does this conclude your prepared direct testimony?

29 A.4. Yes, it does.
30
31
32
33

