

Docket: : A.12-07-007
Exhibit Number : _____
Commissioner : Catherine Sandoval
Administrative Law Judge : Robert Mason
DRA Project Coordinators : Yoke Chan; Pat Ma



DRA
DIVISION OF RATEPAYER ADVOCATES



DIVISION OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

REPORT
ON THE RESULTS OF OPERATIONS
OF CALIFORNIA WATER SERVICE COMPANY
ANTELOPE VALLEY DISTRICT

General Rate Case Application 12-07-007
Test Year 2014
Escalation Years 2015 and 2016

For authority to increase water rates
in its Antelope Valley District serving
Lancaster, Leona Valley, Lake Hughes and Fremont
Valley in Kern and Los Angeles Counties

San Francisco, California
March 1, 2013

MEMORANDUM

This report is prepared by the *Division of Ratepayer Advocates - Water Branch*. Senior Utilities Engineers Yoke Chan and Pat Ma serve as project coordinators, under the supervision of Program and Project Supervisors Ting Pong-Yuen and Lisa Bilir and Program and Project Manager Danilo Sanchez. Selina Shek and Marian Peleo serve as DRA legal counsels in this general rate case. Listed below are DRA witnesses and their contributions to this report.

Ch.	Description	DRA Witness
1	Introduction & Summary (RO tables)	Yoke Chan, Pat Ma & Josefina Montero
2	Sales, Revenues & Rate Design	Patrick Hoglund
3	Operations & Maintenance Expenses	Pat Esule
4	Administrative & General Expenses	Pat Esule
5	Taxes Other Than Income	Jose Cabrera
6	Income Taxes	Jose Cabrera
7	Plant In Service	Pat Ma
8	Depreciation	Sung Han
9	Rate Base	Victor Chan
10	Customer Service	Toni Canova
11	Water Quality	Jenny Au

**Division of Ratepayer Advocates
RESULTS OF OPERATIONS REPORT
ANTELOPE VALLEY DISTRICT
CWS General Rate Case A.12-07-007**

Table of Contents

CHAPTER 1: INTRODUCTION & SUMMARY	1-1
A. INTRODUCTION	1-1
B. SUMMARY OF RECOMMENDATIONS	1-1
C. KEY RECOMMENDATIONS	1-2
CHAPTER 2: SALES, REVENUES AND RATE DESIGN	2-1
A. INTRODUCTION	2-1
B. SUMMARY OF RECOMMENDATIONS	2-1
C. DISCUSSION	2-5
D. CONCLUSION	2-10
CHAPTER 3: OPERATIONS & MAINTENANCE EXPENSES	3-1
A. INTRODUCTION	3-1
B. SUMMARY OF RECOMMENDATIONS	3-1
C. DISCUSSION	3-1
1) OPERATION EXPENSES	3-2
2) MAINTENANCE EXPENSES	3-12
D. CONCLUSION	3-13
CHAPTER 4: ADMINISTRATIVE & GENERAL EXPENSES	4-1
A. INTRODUCTION	4-1
B. SUMMARY OF RECOMMENDATIONS	4-1
C. DISCUSSION	4-1
1) ADMINISTRATIVE & GENERAL EXPENSES	4-2
2) PURCHASED SERVICES	4-3
D. CONCLUSION	4-5
CHAPTER 5: TAXES OTHER THAN INCOME	5-1
A. <i>See Chapter 5: Taxes Other Than Income in DRA’s Company-Wide Report of Results of Operations of California Water Service Company (General Rate Case A.12-07-007) for analysis and recommendations.</i>	5-1
CHAPTER 6: INCOME TAXES	6-1
A. <i>See Chapter 6: Income Taxes in DRA’s Company-Wide Report of Results of Operations of California Water Service Company (General Rate Case A.12-07-007) for analysis and recommendations.</i>	6-1
CHAPTER 7: PLANT IN SERVICE	7-1
A. INTRODUCTION	7-1
B. SUMMARY OF RECOMMENDATIONS	7-1

C. DISCUSSION	7-5
1) Carryover Projects	7-6
2) Projects 20700, 20707, 63016 and 66789– Replace Service Lines	7-10
3) Projects 20709, 20712 and 20712 – Replace Gate Valves in Lancaster, Leona Valley and Fremont Valley, respectively.	7-11
4) Projects 63033, 63034 and 63036 – Replace Two Valves and Two Hydrants Per Year in 2013, 2014 and 2015.	7-11
5) Project 21127 – Replace 1,530’ of Main on Albyn & Delvyn Court	7-12
6) Project 21285 – Replace Electrical Equipment – Station 1 (Lancaster)	7-12
7) Project 64138 – Install Variable Frequency Drive on Booster Pump at Station 1	7-12
8) Projects 61958 and 64217– Tank Painting	7-12
9) Project AVD090 for 2014 and 2015 – Routine Meter Replacement	7-13
10) Main, Services and Hydrant Replacement Projects	7-13
11) Projects 64333 – Replace 53,000-Gallon Tank at Station 4 (Leona Valley)	7-15
12) Projects 63018 – Replace Pump/Motor at Well 1-01 (Lancaster)	7-17
13) Projects 75615 – Replace Booster Pump 1B (Lancaster)	7-18
14) Project 68831 – Two-way Voice Radio System	7-18
15) Vehicle Replacements, 2012 – 2015	7-19
16) Project 79955 - RAMCAP Vulnerability Assessments	7-20
17) Non-Specific Capital Budgets, 2012 to 2015	7-20
D. CONCLUSION	7-23
CHAPTER 8: DEPRECIATION	8-1
A. <i>See Chapter 8: Depreciation in DRA’s Company-Wide Report of Results of Operations of California Water Service Company (General Rate Case A.12-07-007) for analysis and recommendations.</i>	8-1
CHAPTER 9: RATE BASE	9-1
A. <i>See Chapter 9: Rate Base in DRA’s Company-Wide Report of Results of Operations of California Water Service Company (General Rate Case A.12-07-007) for analysis and recommendations.</i>	9-1
CHAPTER 10: CUSTOMER SERVICE	10-1
A. <i>See Chapter 10: Customer Service in DRA’s Company-Wide Report of Results of Operations of California Water Service Company (General Rate Case A.12-07-007) for analysis and recommendations.</i>	10-1
CHAPTER 11: WATER QUALITY	11-1
A. INTRODUCTION	11-1
B. SUMMARY OF RECOMMENDATIONS	11-1
C. DISCUSSION	11-2
D. CONCLUSION	11-2

1 **CHAPTER 1: INTRODUCTION & SUMMARY**

2 **A. INTRODUCTION**

3 This Report on the Results of Operations presents the Division of Ratepayer
4 Advocates’ (“DRA”) analysis and recommendations on the operations of the Antelope
5 Valley District. DRA addresses requests made in the general rate case application 12-07-
6 007 (GRC A.12-07-007) filed by the California Water Service Company (“CWS”) in
7 July 2012 for the Test Year 2014 and Escalation Years 2015 and 2016.

8 DRA’s team of engineers, auditors, analysts and consultants reviewed the filing,
9 performed discovery and inspection of the district’s facilities, and provided the detailed
10 analysis and recommendations in this Report. This report together with the following
11 form DRA’s comprehensive response to CWS’s GRC application:

- 12 ° Report on the General Office of CWS,
- 13 ° Report on the Balances on Balancing Accounts & Memorandum Accounts,
- 14 ° Report on Conservation Program and Expenses, and
- 15 ° Report on the Company-Wide Results of Operations (Company-Wide Report).

16 **B. SUMMARY OF RECOMMENDATIONS**

17 Table 1-A below presents estimated revenue increases proposed by CWS and by
18 DRA. Key differences between DRA’s and CWS’s estimates are summarized in the next
19 section. Attachment A at the end of this chapter presents the parties’ results of
20 operations (“RO”) estimates in further details.

21 **Table 1-A. Comparison of Revenue Increases.**

REVENUE INCREASES		DRA	CWS	CWS > DRA
1.	Test Year 2014 Increase (in dollars)	\$500,745	\$1,156,966	\$656,220
2.	Test Year 2014 Increase	28.2%	59.7%	31.5%
3.	Escalation Year 2015 Increase	0.7%	2.4%	1.7%
22	4. Escalation Year 2016 Increase	0.7%	2.3%	1.6%

1 **C. KEY RECOMMENDATIONS**

2 Rate of Return: DRA applies the authorized rate of return of 7.94% for Test Year 2014,¹
3 whereas CWS uses 8.24%, the rate that was effective at the time of its GRC application
4 filing. DRA does not expect this to be a contentious issue.

5 Plant Investment: DRA’s estimates for plant additions are significantly lower than
6 requested by CWS, as shown below. (*Chapter 7 of this report and DRA’s Company-*
7 *Wide Report*)

8 **Table 1-B. Comparison of Plant Additions.**

	2012	2013	2014	2015	Annual Average
DRA	\$ 1,424,981	\$ 217,136	\$ 235,031	\$ 285,604	\$ 540,688
CWS	\$ 3,866,705	\$ 2,371,901	\$ 616,785	\$ 724,712	\$ 1,895,026
CWS > DRA	\$ 2,441,723	\$ 2,154,765	\$ 381,754	\$ 439,108	\$ 1,354,338
DRA as % of CWS	37%	9%	38%	39%	29%

9
10 Conservation Expenses: DRA recommends only \$8,300 out of CWS’s requested
11 \$23,000. DRA supports maintaining ongoing conservation efforts and the State’s water
12 conservation goals, however, these goals can be achieved at DRA’s lower cost estimates.
13 (*Report on Conservation Program and Expenses*)

14 General Office Expenses & Ratebase: CWS’s General Office expenses and rate base are
15 allocated to individual districts based on a four-factor allocation. DRA examined
16 expenses and capital investments of the CWS’s general office operations and
17 recommends substantial adjustments that include among other things: disallowance of 20
18 of CWS’s new employee requests, 35 requested vehicles and related transportation
19 expenses, removal of the costs included in the pension component for the Supplemental
20 Executive Retirement Plan and exclusion of those costs from the pension balancing
21 account beginning in January 2014, and removal of expense included by CWS in
22 Administrative and General salaries for stock awards granted to executive officers.
23 (*Report on the General Office*)

¹ Advice Letter 2085.

1 Income Taxes: In addition to the adjustments to correspond to other results of operations
2 estimates (such as revenues, expenses and plant), DRA’s tax calculations more accurately
3 reflect the Repair Cost and the extension of the Bonus Depreciation to 2013. DRA
4 worked cooperatively with CWS to incorporate these recent tax law changes in its
5 estimates and does not expect this to be a controversial issue.

6 Depreciation: For depreciation expenses, DRA uses lower depreciation rates for mains
7 and services that do not include cost of removal. (*DRA’s Company-Wide Report,*
8 *Chapter 8*)

9 Rate Base: DRA adjusts a number of components, in addition to plant balances, that
10 make up the weighted average rate base on which the company can earn a return. These
11 include contributions in aid of construction, materials and supplies average lead/lag days.
12 (*DRA’s Company-Wide Report*)

13 Operating Expenses: DRA estimates lower total Operating and Maintenance expenses
14 and Administrative and General expenses that reflect among other things: reductions in
15 pumping expense and employee benefits. (*Chapters 3 and 4*)

16 Sales Forecasts: DRA estimates lower residential sales per customer and DRA
17 recommends a 5.5% of unaccounted for water rate. (*Chapter 2*)

18 In addition to adjustments to the company’s Test Year and Escalation Year
19 forecasts, DRA also present its findings and where appropriate recommendations on
20 customer service (*Chapter 10, Company-Wide Report*) and water quality (*Chapter 11 of*
21 *this Report*).

22 DRA considered CWS’s 21 separate “Special Requests,” listed in Table 1-C
23 below. Those requests include rate design- and billing-related proposals that have direct
24 and significant impact on customers in this district include:

25 Special Request #5 – Expand the Rate Stabilization Fund (“RSF”) to Include Oroville.

26 CWS requests to expand the RSF program to include the Oroville district and the

1 remaining ratemaking areas (Leona Valley, Lancaster and Lake Hughes) of Antelope
2 Valley district should be permitted.

3 Special Request # 6 – Phase-in of rates in 14 districts. CWS requests Commission
4 authority to phase-in rates in certain districts if a set of criteria is met. Based on DRA’s
5 recommended revenue requirement and phase-in criteria, phase-in rates will not be
6 applicable.

7 Special Request # 16 – Balanced Payment Plan. CWS requests Commission authority to
8 offer a “Balanced Payment Plan” option to its customers. DRA recommends CWS’s
9 balanced payment plan proposal be approved by the Commission on the condition that
10 CWS offers it to all of its customers. For more details on the above and other Special
11 Requests, please see DRA’s Company-Wide Report unless otherwise indicated.

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Table 1-C. Special Requests by CWS.

Special Request Number	CWS's Special Request	DRA's Recommendation
1	Additional Rate Design Phase	Allow
2	Coordination with Open Proceedings	Allow with condition
3	Rate Design Pilot	Allow with clarification
4	Sales Reconciliation Mechanism	Disallow
5	Expand Rate Stabilization Mechanism	Allow with modifications
6	Phase-in of Rates in 14 Districts	Disallow
7	Waiver of Notice for Escalation Years	Disallow
8	Subsequent Offset Increases	Allow with condition
9	Apply Salinas Tariff to Buena Vista	Allow
10	Apply Kernville Tariff to James Water	Allow
11	Closing Balancing Accounts and Memorandum Accounts	See Report on the Balances of Memorandum and Balancing Accounts
12	Continuing Balancing Accounts and Memorandum Accounts	See Report on the Balances of Memorandum and Balancing Accounts
13	Health Cost Balancing Account (New)	Disallow
14	Water Quality Findings	See each Water Quality chapter in DRA's Report on Results of Operations for each district.
15	Customer Service Rule Change	Disallow
16	Balanced Payment Plan	Allow with conditions
17	Credit Card Program	Disallow
18	Chromium 6 Memo Account (New)	Disallow
19	Cross-Connection Rule 16 Change	Allow with reporting
20	Lot and Transmission Fee Modifications	Allow
21	Tariff For Residential Fire Service	Disallow

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1 Recommendation regarding non-compliance with Commission’s Order: Ordering
 2 Paragraph 33 in D. 10-12-017 (CWS’s last GRC) states the following:

3 “California Water Service Company shall, as part of its next
 4 general rate case application for the Antelope Valley District,
 5 include a comprehensive affirmative showing regarding the
 6 reasonableness of the projects opposed by Leona Valley and
 7 listed in Section 8.3 of this decision. For each project, the
 8 showing shall demonstrate the need for the replacements and the
 9 reasonableness of the recorded costs, including the unit costs.”

10 CWS provided a table in its Report on the Results of Operation for Antelope
 11 Valley district ² and DRA requested and received updated information as of 2/19/13 for
 12 the table shown below:

Project	From D.10-12-017				Powerplant as of 5/5/12		Powerplant as of 2/19/13		Capital Project Update as of 2/19/2013	
	CWS cost (\$)	DRA cost (\$)	Settlement cost (\$)	Leona Valley cost (\$)	PP Status	PP Charges	PP Status	PP Charges	Final Cost / (Estimated)	Completion Date / (Estimated)
2009										
17499	227,800	227,800	227,800	110,022	Open	30,441	Open	111,942	227,800	03/2013
17501	61,400	61,400	61,400	18,100	Posted to CPR	61,300	Posted to CPR	61,300	61,300	04/2012
17503	61,400	61,400	61,400	18,100	Initiated	0	Open	0	61,400	09/2013
17506	19,200	19,200	19,200	7,328	Posted to CPR	20,615	Posted to CPR	20,615	20,615	03/2012
17507	19,200	19,200	19,200	7,328	Initiated	0	Posted to CPR	22,111	22,111	01/2013
17508	19,200	19,200	19,200	7,328	Initiated	0	Posted to CPR	19,075	19,075	01/2013
17509	15,200	15,200	15,200	10,600	Initiated	0	Open	0	15,200	05/2013
17510	15,200	15,200	15,200	7,950	Initiated	0	Open	0	15,200	04/2013
2010										
20496	70,200	70,200	70,200	13,565	Open	38,137	Posted to CPR	74,704	74,704	10/2012
20500	16,000	16,000	16,000	10,600	Open	0	Open	0	16,000	05/2013
20501	20,200	20,200	20,200	7,328	Initiated	0	Posted to CPR	19,889	19,889	01/2013
20509	16,000	16,000	16,000	7,950	Open	0	Open	1,384	16,000	04/2013
20559	20,200	20,200	20,200	7,328	Open	0	Open	0	20,200	04/2013
20573	16,000	16,000	16,000	7,950	Open	0	Open	5,179	16,000	05/2013
20574	20,200	20,200	20,200	7,328	Open	0	Posted to CPR	19,428	19,428	01/2013
21110	258,300	258,300	258,300	127,000	Open	21,487	Open	33,438	258,300	07/2013
2011										
20585	73,800	73,800	73,800	14,500	Initiated	0	Open	18,590	73,800	07/2013
20587	16,800	16,800	16,800	11,128	Initiated	0	Open	0	16,800	05/2013
20589	21,200	21,200	21,200	7,484	Initiated	0	Posted to CPR	29,281	29,281	01/2013
20596	36,900	36,900	36,900	5,500	Initiated	0	Initiated	0	36,900	08/2013
20599	16,800	16,800	16,800	5,564	Initiated	0	Open	0	16,800	04/2013
20643	21,200	21,200	21,200	7,484	Initiated	0	Posted to CPR	27,890	27,890	08/2012
20644	16,800	16,800	16,800	2,650	Initiated	0	Open	0	16,800	05/2013
20646	21,200	21,200	21,200	0	Initiated	0	Posted to CPR	19,306	19,306	01/2013
21119	218,900	218,900	218,900	119,000	Open	17,403	Open	18,444	218,900	09/2013
2012										
20700	77,400	77,400	77,400	15,000	Initiated	0	Initiated	0	77,400	12/2013
20707	77,400	77,400	77,400	6,000	Initiated	0	Initiated	0	77,400	12/2013
20709	17,600	17,600	17,600	11,688	Initiated	0	Initiated	0	17,600	05/2013
20711	17,600	17,600	17,600	5,844	Initiated	0	Initiated	0	17,600	04/2013
20712	17,600	17,600	17,600	2,922	Initiated	0	Cancelled	0	17,600	2012
20716	22,200	22,200	22,200	7,858	Initiated	0	Initiated	0	22,200	07/2013
20723	22,200	22,200	22,200	7,858	Initiated	0	Initiated	0	22,200	07/2013
21127	233,300	233,300	233,300	121,000	Open	5,427	Open	18,334	233,300	12/2013
29288	22,600	22,600	22,600	0	Not in PP		Not in PP		22,609	07/2013

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² Page 34.

1 CWS provides a table that only shows the recorded and the unit costs of these
2 projects. CWS, however, failed to comply with Ordering Paragraph No. 33 to
3 *“demonstrate the need for the replacements and the reasonableness of the recorded*
4 *costs, including the unit costs.”* In Commission Resolution W-4799, Appendix A
5 contains specified violations and penalty schedules for Class A, B, C and D utilities.
6 CWS is in violations for not complying with Commission Ordering Paragraphs.
7 Therefore, DRA recommends CWS be fined for up to \$10,000 in accordance with the
8 penalty schedule in Appendix A of Resolution W-4799.³

³ Page 2 of Appendix A.

1 **CHAPTER 1, ATTACHMENT A**

2 *ANTELOPE VALLEY DISTRICT*

3 *DRA'S RESULTS OF OPERATIONS TABLES*

4 *Index*

5 *Page 2 Table 1-1: SUMMARY OF EARNINGS - TEST YEAR*

6 *Page 3 Table 1-2: SUMMARY OF EARNINGS - ESCALATION YEARS*

7 *Page 4 Table 2-1: WATER SALES PER CUSTOMER (OR PER CONNECTION)*

8 *Page 5 Table 2-2: AVERAGE NUMBER OF CUSTOMERS (SERVICE CONNECTIONS)*

9 *Page 6 Table 2-3: TOTAL SALES AND SUPPLY*

10 *Page 7 Table 2-4: OPERATING REVENUES AT PRESENT RATES*

11 *Page 8 Table 3-1: OPERATIONS & MAINTENANCE EXPENSES - TEST YEAR*

12 *Page 9 Table 4-1: ADMINISTRATIVE & GENERAL EXPENSES*

13 *Page 10 Table 5-1: TAXES OTHER THAN INCOME*

14 *Page 11 Table 6-1: TAXES BASED ON INCOME - TEST YEAR AT PRESENT RATES*

15 *Page 12 Table 6-2: TAXES BASED ON INCOME - TEST YEAR AT PROPOSED RATES*

16 *Page 13 Table 7-1: UTILITY PLANT IN SERVICE*

17 *Page 14 Table 8-1: DEPRECIATION RESERVE & EXPENSE*

18 *Page 15 Table 9-1: WEIGHTED AVERAGE RATE BASE - TEST YEAR*

19 *Page 16 Table 9-2: WEIGHTED AVERAGE RATE BASE - ESCALATION YEAR*

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**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 1-1
SUMMARY OF EARNINGS - TEST YEAR**

Test Year 2014 (\$000)		DRA- Present Rates	CWS- Present Rates	CWS > DRA	
1a	Operating Revenues	1,777.6	1,938.0	160.4	9.0%
	<u>Operating Expenses:</u>				
2a	Operation & Maintenance	525.6	541.5	16.0	3.0%
3a	Administrative & General	138.7	150.4	11.7	8.5%
4a	Payroll	310.6	352.5	41.9	13.5%
5a	General Office - <i>prorated expenses</i>	162.3	205.7	43.4	26.7%
6a	Depreciation Expense	316.0	487.7	171.8	54.4%
7a	Taxes Other Than Income	102.9	141.3	38.4	37.3%
8a	California Corporate Franchise Tax	2.0	(21.8)	(23.8)	-1179.9%
9a	Federal Income Tax	13.4	(74.7)	(88.1)	-657.9%
10a	Total Operating Expenses	1,571.4	1,782.6	211.2	13.4%
11a	Net Operating Revenues	206.2	155.4	(50.8)	-24.6%
12a	Weighted Average Rate Base	6,399.4	10,323.1	3,923.7	61.3%
13a	Return on Rate Base	3.22%	1.51%	-1.72%	-53.3%
Test Year 2014 (\$000)		DRA- Proposed Rates	CWS- Proposed Rates	CWS > DRA	
1b	Operating Revenues *	2,278.4	3,095.0	816.6	35.8%
	<u>Operating Expenses:</u>				
2b	Operation & Maintenance	529.3	550.3	20.9	4.0%
3b	Administrative & General	138.7	150.4	11.7	8.5%
4b	Payroll	310.6	352.5	41.9	13.5%
5b	General Office - <i>prorated expenses</i>	162.3	205.7	43.4	26.7%
6b	Depreciation Expense	316.0	487.7	171.8	54.4%
7b	Taxes Other Than Income	103.3	142.4	39.0	37.8%
8b	California Corporate Franchise Tax	45.9	79.6	33.7	73.4%
9b	Federal Income Tax	163.9	275.6	111.7	68.1%
10b	Total Operating Expenses	1,770.1	2,244.1	474.1	26.8%
11b	Net Operating Revenues	508.3	850.9	342.6	67.4%
12b	Weighted Average Rate Base	6,399.4	10,323.1	3,923.7	61.3%
13b	Return on Rate Base	7.94%	8.24%	0.30%	3.8%
14	Increase in Operating Revenues (1b - 1a)	500.7	1,157.0	656.2	131.0%

*Totals from CWS Table 11-B and CWS Table 4-F do not match; use total from CWS Table 11-B.

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2

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 1-2
SUMMARY OF EARNINGS - 2nd ESCALATION YEAR 2016**

For Illustrative Purposes (\$000)	DRA 2015	DRA 2016	2015-2016 Increase	
1 <u>Operating Revenues</u>	2,313.7	2,344.7	30.9	1.3%
2 <u>Operating Expenses:*</u>				
3 Operation & Maintenance	551.1	563.5	12.3	2.2%
4 Administrative & General	138.6	141.7	3.1	2.2%
5 Payroll	316.4	322.4	6.0	1.9%
6 G.O. Prorated Expenses	164.3	167.9	3.7	2.2%
7 Depreciation Expense	322.9	330.1	7.2	2.2%
8 Taxes Other Than Income	104.0	106.3	2.3	2.2%
9 California Corporate Franchise Tax	47.7	47.42	(0.3)	-0.7%
10 Federal Income Tax	162.5	161.25	(1.3)	-0.8%
11 Total Operating Expenses	1,807.6	1,840.7	33.1	1.8%
12 Net Operating Revenues	506.1	504.0	(2.2)	-0.4%
13 Weighted Average Rate Base	6,371.8	6,344.2	(27.6)	-0.4%
14 Return on Rate Base	7.94%	7.94%	0.0	0.0%

* Assumed escalation factors of 2.24% for composite and 1.90% for labor.

Net-to-Gross (NTG) Multiplier for 2 nd Escalation Year & Other Offset Filings	with income tax effect	w/o income tax effect	Calculations
1 Uncollectibles Rate	0.75535%	0.75535%	
2 100% - Uncollectibles Rate	99.24465%	99.24465%	100% - [1]
3 Franchise Tax Rate	0.51532%	0.51532%	
4 Franchise Tax	0.51143%	0.51143%	[2] x [3]
5 Business License Rate	0.00000%	0.00000%	
6 Business License cost	0.00000%	0.00000%	[2] x [5]
7 Subtotal	1.26678%	1.26678%	[1+4+6]
8 100% - Subtotal	98.73322%	98.73322%	100% - [7]
9 California Corporate Franchise Tax Rate	8.84%		
10 California Corporate Franchise Tax	8.72802%		[8] x [9]
11 American Jobs Creation Act Rate	9.00%		
12 American Jobs Creation Act deductions *	6.27574%		[8-1]x[11]xprod%
13 Federal Income Tax Rate	35.00%		
14 Federal Income Tax	29.30531%		[8-10-12] x 13
15 Total Taxes Paid	39.30011%	1.26678%	[7+10+14]
16 Net After Taxes	60.69989%	98.73322%	100% - [15]
17 NTG Multiplier	1.64745	1.01283	1 / [16]

<u>Capital Structure</u>	<u>NTG Multiplier</u>		
18 Debt	46.6%	1.01283	0.47198
19 Equity	53.4%	1.64745	0.87974
20 Total	100.0%		1.35172

* prod% = ratio of total well and surface water to total water supply.

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 2-1
WATER SALES PER CUSTOMER (OR PER CONNECTION)**

Test Year 2014 (CCF/connection/year)*		DRA	CWS	CWS > DRA	
1a	Residential	561.7	262.1	(299.6)	-53.3%
2a	Business	1,284.8	476.1	(808.7)	-62.9%
3a	Multiple Family	203.2	99.8	(103.4)	-50.9%
4a	Industrial	0.0	0.0	0.0	0.0%
5a	Public Authority	970.6	797.0	(173.6)	-17.9%
6a	Other	0.0	0.0	0.0	0.0%
7a	Irrigation	0.0	0.0	0.0	0.0%
8a	Recycled	0.0	0.0	0.0	0.0%
9a	Residential Flat	0.0	0.0	0.0	0.0%
10a	Private Fire Protection	0.0	0.0	0.0	0.0%
11a	Public Fire Protection	0.0	0.0	0.0	0.0%
Escalation Year 2015 (CCF/connection/year)*		DRA	CWS	CWS > DRA	
1b	Residential	561.7	262.1	(299.6)	-53.3%
2b	Business	1,284.8	476.1	(808.7)	-62.9%
3b	Multiple Family	203.2	99.8	(103.4)	-50.9%
4b	Industrial	0.0	0.0	0.0	0.0%
5b	Public Authority	970.6	797.0	(173.6)	-17.9%
6b	Other	0.0	0.0	0.0	0.0%
7b	Irrigation	0.0	0.0	0.0	0.0%
8b	Recycled	0.0	0.0	0.0	0.0%
9b	Residential Flat	0.0	0.0	0.0	0.0%
10b	Private Fire Protection	0.0	0.0	0.0	0.0%
11b	Public Fire Protection	0.0	0.0	0.0	0.0%
* Hundred cubic feet per connection per year.					

1

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 2-2
AVERAGE NUMBER OF CUSTOMERS (SERVICE CONNECTIONS)**

Test Year 2014		DRA	CWS	CWS > DRA	
<u>Metered Connections:</u>					
1a	Residential	1,314	1,314	0	0%
2a	Business	35	35	0	0%
3a	Multiple Family	5	5	0	0%
4a	Industrial	0	0	0	0%
5a	Public Authority	14	14	0	0%
6a	Other	0	0	0	0%
7a	Irrigation	0	0	0	0%
8a	Recycled	0	0	0	0%
9a	Total Number of Metered Connections	1,368	1,368	0	0%
<u>Unmetered Connections:</u>					
10a	Residential Flat	0	0	0	0%
11a	Private Fire Protection	0	0	0	0%
12a	Public Fire Protection	0	0	0	0%
13a	Total Number of Unmetered Connections	0	0	0	0%
<u>Total Number of Connections:</u>					
14a	Including Fire Protection	1,368	1,368	0	0%
15a	Excluding Fire Protection	1,368	1,368	0	0%
Escalation Year 2015		DRA	CWS	CWS > DRA	
<u>Metered Connections:</u>					
1b	Residential	1,315	1,315	0	0%
2b	Business	35	35	0	0%
3b	Multiple Family	5	5	0	0%
4b	Industrial	0	0	0	0%
5b	Public Authority	14	14	0	0%
6b	Other	0	0	0	0%
7b	Irrigation	0	0	0	0%
8b	Recycled	0	0	0	0%
9b	Total Number of Metered Connections	1,369	1,369	0	0%
<u>Unmetered Connections:</u>					
10b	Residential Flat	0	0	0	0%
11b	Private Fire Protection	0	0	0	0%
12b	Public Fire Protection	0	0	0	0%
13b	Total Number of Unmetered Connections	0	0	0	0%
<u>Total Number of Connections:</u>					
14b	Including Fire Protection	1,369	1,369	0	0%
15b	Excluding Fire Protection	1,369	1,369	0	0%

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 2-3
TOTAL SALES AND SUPPLY**

Test Year 2014 (KCCF)		DRA	CWS	CWS > DRA	
<u>Metered Connections' Sales:</u>					
1a	Residential	738.1	344.4	(394)	-53.3%
2a	Business	45.0	16.7	(28)	-62.9%
3a	Multiple Family	1.0	0.5	(1)	-50.9%
4a	Industrial	0.0	0.0	0	0.0%
5a	Public Authority	13.6	11.2	(2)	-17.9%
6a	Other	0.0	0.0	0	0.0%
7a	Irrigation	0.0	0.0	0	0.0%
8a	Recycled	0.0	0.0	0	0.0%
9a	Total Metered Connections' Sales	797.6	372.7	(425)	-53.3%
10a	Total Unmetered Connections' Sales	0.0	0.0	0	0.0%
11a	Total Sales	797.6	372.7	(425)	-53.3%
12a	<i>Unaccounted For Water Rate</i>	<i>5.5%</i>	<i>20.0%</i>	<i>14.4%</i>	<i>260.5%</i>
13a	Unaccounted For Water (UAF)	46.8	92.9	46	98.8%
14a	Total Requirement (Sales + UAF) *	844.4	465.6	(379)	-44.9%
15a	Total Requirement in Acre Feet	1,938.5	1,069.0	(870)	-44.9%
<u>WATER SUPPLY MIX:</u>					
16a	Company Owned Wells	654.2	275.4	(379)	-57.9%
17a	Purchased Water - AVEK / LACO	190.2	190.2	0	0.0%
19a	Total Supply *	844.4	465.6	(379)	-44.9%
Escalation Year 2015 (KCCF)		DRA	CWS	CWS > DRA	
<u>Metered Connections' Sales:</u>					
1b	Residential	738.6	344.6	(394)	-53.3%
2b	Business	45.0	16.7	(28)	-62.9%
3b	Multiple Family	1.0	0.5	(1)	-50.9%
4b	Industrial	0.0	0.0	0	0.0%
5b	Public Authority	13.6	11.2	(2)	-17.9%
6b	Other	0.0	0.0	0	0.0%
7b	Irrigation	0.0	0.0	0	0.0%
8b	Recycled	0.0	0.0	0	0.0%
9b	Total Metered Connections' Sales	798.2	373.0	(425)	-53.3%
10b	Total Unmetered Connections' Sales	0.0	0.0	0	0.0%
11b	Total Sales	798.208	373.0	(425)	-53.3%
12b	<i>Unaccounted For Water Rate</i>	<i>5.5%</i>	<i>20.0%</i>	<i>14.4%</i>	<i>260.5%</i>
13b	Unaccounted For Water	46.8	93.0	46	98.8%
14b	Total Requirement (Sales + UAF) *	845.0	466.0	(379)	-44.9%
15b	Total Requirement in Acre Feet	1,939.9	1,069.7	(870)	-44.9%
<u>WATER SUPPLY MIX:</u>					
16b	Company Owned Wells	654.8	275.8	(379)	-57.9%
17b	Purchased Water - AVEK / LACO	190.2	190.2	0	0.0%
19b	Total Supply *	845.0	466.0	(379)	-44.8%
<i>* Total Requirement and Total Supply may differ slightly due to rounding.</i>					

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 2-4
OPERATING REVENUES AT PRESENT RATES**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
<u>Metered Revenues:</u>					
1a	Residential	817.1	985.7	168.5	20.6%
2a	Business	52.8	49.8	(3.1)	-5.8%
3a	Multiple Family	2.1	2.0	(0.1)	-3.7%
4a	Industrial	0.0	0.0	0.0	0.0%
5a	Public Authority	43.4	38.3	(5.0)	-11.6%
6a	Other	0.0	0.0	0.0	0.0%
7a	Irrigation	0.0	0.0	0.0	0.0%
8a	Recycled	0.0	0.0	0.0	0.0%
9a	Total Metered Revenues	915.5	1,075.9	160.4	17.5%
<u>Unmetered Revenues:</u>					
10a	Service Charge	861.9	861.9	0.0	0.0%
11a	Residential Flat	0.0	0.0	0.0	0.0%
12a	Total Unmetered Revenues	861.9	861.9	0.0	0.0%
<u>Other Revenues:</u>					
13a	Private Fire Protection	0.0	0.0	0.0	0.0%
14a	Public Fire Protection	0.0	0.0	0.0	0.0%
15a	Other	0.3	0.3	0.0	0.0%
16a	Total Other Revenues	0.3	0.3	0.0	0.0%
17a	Total Revenues at Present Rates, Test Year 2014	1,777.6	1,938.0	160.4	9.0%
Escalation Year 2015 (\$000)		DRA	CWS	CWS > DRA	
<u>Metered Revenues:</u>					
1b	Residential	675.3	1,157.2	481.9	71.4%
2b	Business	44.4	58.3	13.9	31.3%
3b	Multiple Family	1.0	2.1	1.1	114.6%
4b	Industrial	0.0	0.0	0.0	0.0%
5b	Public Authority	36.1	44.8	8.7	24.2%
6b	Other	0.0	0.0	0.0	0.0%
7b	Irrigation	0.0	0.0	0.0	0.0%
8b	Recycled	0.0	0.0	0.0	0.0%
9b	Total Metered Revenues	756.9	1,262.5	505.6	66.8%
<u>Unmetered Revenues:</u>					
10b	Service Charge	1,285.2	1,285.2	0.0	0.0%
11b	Residential Flat	0.0	0.0	0.0	0.0%
12b	Total Unmetered Revenues	1,285.2	1,285.2	0.0	0.0%
<u>Other Revenues:</u>					
13b	Private Fire Protection	0.0	0.0	0.0	0.0%
14b	Public Fire Protection	0.0	0.0	0.0	0.0%
15b	Other	0.1	0.1	0.0	0.0%
16b	Total Other Revenues	0.1	0.1	0.0	0.0%
17b	Total Revenues at Present Rates, Escal. Year 2015	2,042.2	2,547.8	505.6	24.8%

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 3-1
OPERATIONS & MAINTENANCE EXPENSES - TEST YEAR**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
<u>Operations Expenses:</u>					
1	Purchased Water	30.2	30.2	0.0	0.0%
2	Groundwater Charges	0.0	0.0	0.0	0.0%
3	Purchased Power	123.4	68.0	(55.3)	-44.9%
4	Purchased Chemicals	3.2	1.0	(2.1)	-67.5%
5	Payroll	255.3	289.8	34.5	13.5%
6	Postage	5.3	5.3	0.0	0.0%
7	Transportation	86.6	86.6	0.0	0.0%
<u>Purchased Services:</u>					
8	Source of Supply	0.9	4.3	3.4	377.8%
9	Pumping	29.8	83.8	54.0	181.2%
10	Water Treatment	48.9	48.9	0.0	0.0%
11	Transmission & Distribution	47.3	47.3	0.0	0.0%
12	Customer Accounting	38.4	38.4	0.0	0.0%
13	Conservation	8.3	23.0	14.7	177.0%
14	Total Operations Exp. excluding Uncollectibles	677.6	726.8	49.2	7.3%
<u>Maintenance Expenses:</u>					
15	Payroll	30.5	34.6	4.1	13.4%
16	Transportation	-	-	0.0	0.0%
17	Stores	0.6	0.6	0.0	0.0%
18	Contracted Maintenance *	89.2	89.3	0.1	0.1%
19	Total Maintenance Expenses	120.3	124.5	4.2	3.5%
<u>At Present Rates</u>					
20	Operating Revenues	1,777.6	1,938.0	160.4	9.0%
21	Uncollectible Rate	0.7554%	0.7554%	0.0000%	0.0%
22	Uncollectibles Expense	13.4	14.6	1.2	9.0%
23	Total O&M Expenses including Uncollectibles	811.4	865.9	54.6	6.7%
<u>At Proposed Rates</u>					
25	Operating Revenues	2,278.4	3,095.0	816.6	35.8%
26	Uncollectible Rate	0.7554%	0.7554%	0.0000%	0.0%
27	Uncollectibles Expense	17.2	23.4	6.2	35.8%
28	Total O&M Expenses including Uncollectibles	815.1	874.7	59.5	7.3%
*Totals from CWS Table 11-B and CWS Table 4-F do not match; use total from CWS Table 11-B.					
* DRA estimate include amortization of tank painting costs; CWS capitalizes tank painting costs.					

1

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 4-1
ADMINISTRATIVE & GENERAL EXPENSES**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
<u>Administrative & General Expenses:</u>					
1a	Payroll	24.8	28.1	3.3	13.3%
2a	Benefits	111.9	120.7	8.9	7.9%
3a	Transportation Expenses	0.0	0.0	0.0	0.0%
<u>Purchased Services:</u>					
4a	Rents, Acct. 8110	9.3	9.3	0.0	0.0%
5a	Admin. Charges Transferred, Acct. 8120	(0.7)	(0.3)	0.3	-52.0%
6a	Workers' Compensation	4.7	4.7	0.0	0.0%
7a	Non-Specifics	8.4	10.9	2.5	29.8%
8a	Subtotal	158.4	173.4	15.0	9.5%
<u>Miscellaneous Expenses</u>					
9a	Amortization of Limited Term Investment	5.1	5.1	0.0	0.0%
<u>Ratemaking Adjustments</u>					
10a	Dues & Donations Adjustments	0.0	0.0	0.0	0.0%
11a	Total A&G and Miscellaneous Adjustments	163.5	178.5	15.0	9.2%

1

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 5-1
TAXES OTHER THAN INCOME**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
1a	Ad Valorem Taxes	88.9	125.5	36.6	41.2%
2a	Payroll Taxes	12.3	13.9	1.7	13.5%
2aa	Business License-Present Rates	0.0	0.0	0.0	0.0%
<u>At Present Rates</u>					
3a	Operating Revenue <i>EXCLUDING</i> Uncollectibles *	1,777.6	1,938.0	160.4	9.0%
4a	<i>Effective Local Franchise Tax Rate</i>	<i>0.515%</i>	<i>0.515%</i>	<i>0.000%</i>	<i>0.0%</i>
5a	Franchise Taxes on applicable op. revenues	1.7	1.8	0.2	9.0%
6a	Total Taxes Other Than Income, At Present Rates	102.9	141.3	38.4	37.3%
<u>At Proposed Rates</u>					
7a	Operating Revenue <i>EXCLUDING</i> Uncollectibles *	2,278.4	3,095.0	816.6	35.8%
8a	<i>Effective Local Franchise Tax Rate</i>	<i>0.515%</i>	<i>0.515%</i>	<i>0.000%</i>	<i>0.0%</i>
9a	Franchise Taxes on applicable op. revenues	2.1	2.9	0.8	35.8%
9aa	Business License-Proposed Rates	0.0	0.0	0.0	0.0%
10a	Total Taxes Other Than Income, At Proposed Rates	103.3	142.4	39.0	37.8%

1
2

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 6-1
TAXES BASED ON INCOME - TEST YEAR AT PRESENT RATES**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
1	Operating Revenues at Present Rates	1,777.6	1,938.0	160.4	9.0%
	<u>Common Deductions:</u>				
2	O&M Expenses less Uncollectibles Expense	797.9	851.3	53.4	6.7%
3	Uncollectibles Expense	13.4	14.6	1.2	9.0%
4	A&G Expenses	163.5	178.5	15.0	9.2%
5	G.O. Prorated Expenses	162.3	205.7	43.4	26.7%
6	G.O. Book Depreciation (to be excluded)	(22.2)	(27.5)	(5.3)	23.9%
7	Transportation Deprec. Expense (to be excluded)	(0.7)	(0.9)	(0.2)	23.6%
8	Taxes On Other Than Income	102.9	141.3	38.4	37.3%
9	Interest Expense	183.2	296.6	113.3	61.9%
10	Total Common Deductions	1,400.3	1,659.5	259.2	18.5%
	<u>Calif. Corporation Franchise Tax Deductions</u>				
11	Book Depreciation - District	320.1	475.2	155.1	48.4%
12	Book Depreciation - G.O.	34.4	50.0	15.6	45.4%
13	Subtotal	354.5	525.2	170.7	48.1%
14	Total State Deductions, incl. Common Deductions	1,754.8	2,184.7	429.9	24.5%
	<u>Federal Tax Deductions</u>				
16	Book Depreciation - District	316.0	487.7	171.8	54.4%
17	Book Depreciation - G.O.	21.0	26.1	5.1	24.1%
18	Domestic Production Activity Deductions	0.0	0.0	0.0	0.0%
19	Calif. Corporation Franchise Tax (current year)	2.0	(21.8)	(23.8)	-1179.9%
20	Subtotal	339.0	492.0	153.0	45.1%
21	Total Fed. Deductions, incl. Common Deductions	1,739.4	2,151.6	412.2	23.7%
	<u>California Corporate Franchise Tax (CCFT)</u>				
22	Taxable Income for CCFT	22.8	(246.7)	(269.5)	-1179.9%
23	<i>CCFT Rate</i>	8.84%	8.84%		
24	Total CCFT	2.0	(21.8)	(23.8)	-1179.9%
	<u>Federal Income Tax (FIT)</u>				
25	Taxable Income for FIT	38.3	(213.6)	(251.8)	-657.9%
26	<i>FIT Rate</i>	35.00%	35.00%		
27	Total FIT	13.4	(74.7)	(251.8)	(6.6)
28	Adjustment to FIT, Regulatory Liability	0.0	0.0	0.0	0.0%
29	Total FIT, with Adjustment	13.4	(74.7)	(88.1)	-657.9%
30	Total Income Taxes for Revenues at Present Rates	15.4	(96.6)	(112.0)	-726.2%

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 6-2
TAXES BASED ON INCOME - TEST YEAR AT PROPOSED RATES**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
1	Operating Revenues at Proposed Rates	2,278.4	3,095.0	816.6	35.8%
<u>Common Deductions:</u>					
2	O&M Expenses less Uncollectibles Expense	797.9	851.3	53.4	6.7%
3	Uncollectibles Expense	17.2	23.4	6.2	35.8%
4	A&G Expenses	163.5	178.5	15.0	9.2%
5	G.O. Prorated Expenses	162.3	205.7	43.4	26.7%
6	G.O. Book Depreciation (to be excluded)	(22.2)	(27.5)	(5.3)	23.9%
7	Transportation Deprec. Expense (to be excluded)	(0.7)	(0.9)	(0.2)	23.6%
8	Taxes On Other Than Income	103.3	142.4	39.0	37.8%
9	Interest Expense	183.2	296.6	113.3	61.9%
10	Total Common Deductions	1,404.6	1,669.4	264.8	18.9%
<u>Calif. Corporation Franchise Tax Deductions</u>					
11	Book Depreciation - District	320.1	475.2	155.1	48.4%
12	Book Depreciation - G.O.	34.4	50.0	15.6	45.4%
13	Subtotal	354.5	525.2	170.7	48.1%
14	Total State Deductions, incl. Common Deductions	1,759.1	2,194.5	435.5	24.8%
<u>Federal Tax Deductions</u>					
16	Book Depreciation - District	316.0	487.7	171.8	54.4%
17	Book Depreciation - G.O.	21.0	26.1	5.1	24.1%
18	Domestic Production Activity Deductions	22.7	44.9	22.2	98.1%
19	Calif. Corporation Franchise Tax (current year)	45.9	79.6	33.7	73.4%
20	Subtotal	405.6	638.3	232.7	57.4%
21	Total Fed. Deductions, incl. Common Deductions	1,810.2	2,307.7	497.6	27.5%
<u>California Corporate Franchise Tax (CCFT)</u>					
22	Taxable Income for CCFT	519.3	900.5	381.1	73.4%
23	<i>CCFT Rate</i>	8.84%	8.84%		
24	Total CCFT	45.9	79.6	33.7	73.4%
<u>Federal Income Tax (FIT)</u>					
25	Taxable Income for FIT	468.2	787.3	319.1	68.1%
26	<i>FIT Rate</i>	35.00%	35.00%		
27	Total FIT	163.9	275.6	111.7	68.1%
28	Adjustment to FIT, Regulatory Liability	0.0	0.0	0.0	0.0%
29	Total FIT, with Adjustment	163.9	275.6	111.7	68.1%
30	Total Income Taxes for Revenues at Proposed Rates	209.8	355.2	145.4	69.3%

1
2

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 7-1
UTILITY PLANT IN SERVICE**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
1a	Plant in Service - Beginning of Year	9,841.4	14,141.2	4,299.8	43.7%
2a	Adjustments	710.0	710.0	0.0	0.0%
<u>Gross Additions:</u>					
3a	Company-funded plant	235.0	614.8	379.8	161.6%
4a	Advances	0.0	0.0	0.0	0.0%
5a	Contributions	10.8	7.1	(3.7)	-34.3%
6a	Total Gross Additions	245.8	621.9	376.1	153.0%
7a	Construction Overhead Adjustment	8.9	(16.4)	(25.3)	-283.4%
8a	Retirements	(38.4)	(38.4)	0.0	0.0%
9a	Net Additions	216.3	567.1	350.8	162.2%
10a	Plant in Service - End of Year	10,767.7	15,418.3	4,650.6	43.2%
11a	<i>Plant Weighting Factor</i>	23.00%	22.91%	-0.10%	-0.4%
12a	Weighted Average Plant in Service	10,601.2	14,981.1	4,379.9	41.3%
Escalation Year 2015 (\$000)		DRA	CWS	CWS > DRA	
1b	Plant in Service - Beginning of Year	10,057.7	14,708.3	4,650.6	46.2%
2b	Adjustments	710.0	710.0	0.0	0.0%
<u>Gross Additions:</u>					
3b	Company-funded plant	285.6	722.8	437.1	153.1%
4b	Advances	0.0	0.0	0.0	0.0%
5b	Contributions	10.8	7.1	(3.7)	-34.3%
6b	Total Gross Additions	296.4	729.8	433.4	146.2%
7b	Construction Overhead Adjustment	14.7	(4.2)	(18.9)	-128.2%
8b	Retirements	(38.4)	(38.4)	0.0	0.0%
9b	Net Additions	272.7	687.2	414.6	152.0%
10b	Plant in Service - End of Year	11,040.4	16,105.5	5,065.1	45.9%
11b	<i>Plant Weighting Factor</i>	23.00%	22.91%	-0.10%	-0.4%
12b	Weighted Average Plant in Service	10,830.4	15,575.7	4,745.3	43.8%

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**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 8-1
DEPRECIATION RESERVE & EXPENSE**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
1a	Depreciation Reserve - Beginning of Year	3,130.6	3,202.0	71.4	2.3%
	<u>Accruals:</u>				
2a	Transportation Equipment	0.0	0.0	0.0	0.0%
3a	Contributed Plant	15.1	16.6	1.5	9.9%
4a	Depreciation Accrual *	315.7	487.5	171.8	54.4%
5a	Total Accruals	330.8	504.1	173.3	52.4%
	<u>Retirements and Adjustments:</u>				
6a	Net Retirements	35.9	35.9	0.0	0.0%
7a	Adjustments	0.0	0.0	0.0	0.0%
8a	Total Retirement and Adjustments	35.9	35.9	0.0	0.0%
9a	Net Additions	279.8	451.6	171.8	61.4%
10a	Depreciation Reserve - End of Year	3,410.4	3,653.5	243.2	7.1%
11a	<i>Depreciation Reserve Weighting Factor</i>	50.00%	50.00%	0.00%	0.0%
12a	Weighted Average Depreciation Reserve	3,270.5	3,427.7	157.3	4.8%
13a	<i>* Deprec. expense for summary of earnings calc. (does not include depreciation for transportation, etc.)</i>	316.0	487.7	171.8	54.4%
Escalation Year 2015 (\$000)		DRA	CWS	CWS > DRA	
1b	Depreciation Reserve - Beginning of Year	3,410.4	3,653.5	243.2	7.1%
	<u>Accruals:</u>				
2b	Transportation Equipment	0.0	0.0	0.0	0.0%
3b	Contributed Plant	15.6	17.1	1.5	9.8%
4b	Depreciation Accrual *	322.6	512.5	189.8	58.8%
5b	Total Accruals	338.2	529.5	191.4	56.6%
	<u>Retirements and Adjustments:</u>				
6b	Net Retirements	35.9	35.9	0.0	0.0%
7b	Adjustments	0.0	0.0	0.0	0.0%
8b	Total Retirement and Adjustments	35.9	35.9	0.0	0.0%
9b	Net Additions	286.7	476.5	189.8	66.2%
10b	Depreciation Reserve - End of Year	3,697.1	4,130.1	433.0	11.7%
11b	<i>Depreciation Reserve Weighting Factor</i>	50.00%	50.00%	0.00%	0.0%
12b	Weighted Average Depreciation Reserve	3,553.7	3,891.8	338.1	9.5%
13b	<i>* Deprec. expense for summary of earnings calc. (does not include depreciation for transportation, etc.)</i>	322.9	512.7	189.8	58.8%

**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 9-1
WEIGHTED AVERAGE RATE BASE - TEST YEAR**

Test Year 2014 (\$000)		DRA	CWS	CWS > DRA	
1	Weighted Average Plant In Service	10,601.2	14,981.1	4,379.9	41.3%
2	Weighted Average Depreciation Reserve	(3,270.5)	(3,427.7)	(157.3)	4.8%
3	Net Utility Plant	7,330.7	11,553.3	4,222.6	57.6%
<u>Deductions from Rate Base:</u>					
4	Contribution In Aid of Construction	341.2	332.4	(8.9)	-2.6%
5	Advances in Construction	313.1	313.1	0.0	0.0%
6	Reserve for Amortization of Intangibles	23.8	23.8	0.0	0.0%
7	Deferred Taxes	561.2	943.9	382.8	68.2%
8	Unamortized Investment Tax Credits	2.6	2.6	0.0	0.0%
9	Total Deductions from Rate Base	1,241.9	1,615.8	373.9	30.1%
<u>Additions to Rate Base:</u>					
Working Capital:					
10	Materials & Supplies	9.6	14.8	5.2	54.1%
11	Working Cash, Lead-Lag	89.0	109.7	20.8	23.3%
12	Amount Withheld from Employees	(0.6)	(0.6)	0.0	0.0%
13	Total Working Capital	98.0	123.9	25.9	26.5%
15	Taxes on Advances	3.5	3.5	0.0	0.0%
16	Taxes on Contributions	25.7	24.7	(1.1)	-4.2%
17	Total Additions to Rate Base	127.2	152.1	24.9	19.6%
18	Weighted Average Rate Base, District	6,216.0	10,089.6	3,873.6	62.3%
19	Weighted Average Rate Base, G.O. Allocation	183.4	233.5	50.1	27.3%
20	Total Weighted Average Rate Base	6,399.4	10,323.1	3,923.7	61.3%
<u>Interest Calculation (for Tax Deductions):</u>					
21	Weighted Avg. Rate Base, excl. Working Capital	6,301.4	10,199.2	3,897.8	61.9%
22	Weighted Cost of Debt	2.91%	2.91%	0.00%	0.0%
23	Interest Expense	183.2	296.6	113.3	61.9%
* CWS's amount was incorrectly calculated & based on incorrect rate base amount.					

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**ANTELOPE VALLEY DISTRICT
CALIFORNIA WATER SERVICE COMPANY A.12-07-007**

**TABLE 9-2
WEIGHTED AVERAGE RATE BASE - ESCALATION YEAR**

Escalation Year 2015 (\$000)		DRA	CWS	CWS > DRA	
1	Weighted Average Plant In Service	10,830.4	15,575.7	4,745.3	43.8%
2	Weighted Average Depreciation Reserve	(3,553.7)	(3,891.8)	(338.1)	9.5%
3	Net Utility Plant	7,276.7	11,683.9	4,407.2	60.6%
<u>Deductions from Rate Base:</u>					
4	Contribution In Aid of Construction	336.7	322.6	(14.1)	-4.2%
5	Advances in Construction	293.8	293.8	0.0	0.0%
6	Reserve for Amortization of Intangibles	28.9	28.9	0.0	0.0%
7	Deferred Taxes	558.7	932.7	374.0	66.9%
8	Unamortized Investment Tax Credits	2.0	2.0	0.0	0.0%
9	Total Deductions from Rate Base	1,220.0	1,579.9	359.9	29.5%
<u>Additions to Rate Base:</u>					
Working Capital:					
10	Materials & Supplies	9.6	14.8	5.2	54.1%
11	Working Cash, Lead-Lag	90.9	115.9	25.0	27.6%
12	Amount Withheld from Employees	(0.6)	(0.6)	0.0	0.0%
13	Total Working Capital	99.8	130.0	30.2	30.3%
15	Taxes on Advances	3.4	3.4	0.0	0.0%
16	Taxes on Contributions	25.1	23.7	(1.4)	-5.6%
17	Total Additions to Rate Base	128.4	157.2	28.8	22.4%
18	Weighted Average Rate Base, District	6,185.1	10,261.2	4,076.1	65.9%
19	Weighted Average Rate Base, G.O. Allocation	186.7	241.0	54.3	29.1%
20	Total Weighted Average Rate Base	6,371.8	10,502.2	4,130.4	64.8%
<u>Interest Calculation (for Tax Deductions):</u>					
21	Weighted Avg. Rate Base, excl. Working Capital	6,272.0	10,372.1	4,100.2	65.4%
22	Weighted Cost of Debt	2.91%	2.91%	0.00%	0.0%
23	Interest Expense	182.4	301.6	*	119.2 65.4%
* CWS's amount was incorrectly calculated & based on incorrect rate base amount.					

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1 **CHAPTER 2: SALES, REVENUES AND RATE DESIGN**

2 **A. INTRODUCTION**

3 This chapter presents DRA’s analysis and recommendations regarding the
4 forecasted number of customers, water sales and operating revenues for CWS’ Antelope
5 Valley district. Antelope Valley had an average of 1,360 service connections in 2011; the
6 Antelope Valley district includes the communities of Lancaster, Leona Valley, Lake
7 Hughes, and Fremont Valley. DRA reviewed CWS’ data responses, testimony,
8 application, and workpapers before formulating its own estimates.

9 **B. SUMMARY OF RECOMMENDATIONS**

10 DRA generally adhered to the methods outlined in the Rate Case Plan (“RCP”) in
11 DRA’s analysis of sales forecast and revenues, whereas the CWS’ sales forecasting
12 method differed from the RCP. CWS proposes the use of the 2011 weather normalized
13 sales to forecast sales in 2014. In certain instances, due to the availability of data,
14 changes in customer classifications, or significant changes in usage that led to poor
15 statistics, DRA and CWS used averages of recent years’ usage to determine a forecast for
16 2014 usage. The number of years used to calculate the average may vary depending on
17 usage patterns. This may apply to all customer classes. These occurrences are discussed
18 individually. The Commission should uphold the methods outlined in the RCP by
19 adopting DRA’s recommendations presented in this report and the resulting levels of
20 customers, sales quantities, and revenues. DRA’s recommended operating revenues at
21 present rates are shown in Chapter 1 of this report.

22 **1) Average Active Service Connections**

23 The Commission should adopt DRA’s recommended number of service
24 connections. CWS proposes forecasting the annual change in the number of customers
25 using the five-year (2008-2011) average change for all customer classes. DRA agrees.

1 The only forecasted growth is for an additional residential customer in the Lancaster
2 community. There is no other customer growth forecasted for Antelope Valley.

3 **2) Metered Sales and Supply**

4 The Commission should require CWS to use the method proposed by DRA, in
5 accordance with the RCP, going forward, and should also adopt DRA’s estimates for
6 metered sales and supply in this case. DRA uses the same general methodology as CWS
7 to estimate multiple regression equations in accordance with the RCP and the “New
8 Committee Method” (“NCM”). As is outlined in the NCM, rain, temperature and time
9 are included in the regression model, where possible. The main difference between DRA
10 and CWS’ forecasts is that CWS used the regression equations to calculate weather-
11 adjusted recorded usage from 2011 and used this as its estimated sales for 2014 where the
12 regression yielded satisfactory statistics. DRA used the regression equations when they
13 yielded satisfactory statistics to calculate forecasted sales for 2014 based on the 30-year
14 average rain and temperature. CWS’ Report on Forecasts, prepared by Wendy
15 Illingsworth, presents three summary tables of forecasts. CWS prepared a summary table
16 of the 2014 forecast based on the regression models, a summary table of 2011 weather
17 normalized sales, and a third summary table that incorporates a 5% conservation
18 adjustment to the 2011 weather normalized sales to reach a 2014 forecast. The
19 conservation adjustment is made to account for CWS’ conservation programs that aim to
20 reduce consumption by 5% from 2011 weather normalized levels in 2014. CWS did not
21 select the conservation-adjusted forecast values for use in its calculations of sales and
22 revenues. Instead, CWS selected the weather normalized 2011 sales as the 2014 forecast.
23 DRA’s and CWS’ sales forecasts are shown in Table 2-1, Water sales Per Customer (or
24 Per Connection), in Chapter 1.

25 **3) Operating Revenues**

26 The Commission should adopt DRA’s estimates for proposed operating revenues
27 at present rates. CWS calculates operating revenue at present rates for metered residential
28 customers by (1) taking the sum of estimated quantity revenues calculated for each meter

1 size, for each month and for each tier of the increasing block rate design based on the
2 three-year average sales patterns (2) adding the service charge revenues, calculated by
3 taking the average number of customers each year and multiplying it by the service
4 charge. DRA does not recommend any changes to this method. The differences between
5 CWS' and DRA's estimates in Antelope Valley are primarily the result of different
6 forecasted per customer usage. DRA also notes that there is a formula error in CWS'
7 Antelope Valley workpapers that understates sales leading to differences between CWS'
8 and DRA's estimates.

9 CWS calculates operating revenues for Business, Multifamily, Public Authority,
10 and Industrial customer classes by calculating total forecasted usage for all the non-
11 residential customer classes together, and multiplying that by the uniform rate to get total
12 revenue at present rates for non-residential customers. Then, to distribute that revenue
13 across each non-residential customer class, CWS multiplies the total revenue at present
14 rates for non-residential customers by the three-year average ratio of usage for each non-
15 residential customer class to the total non-residential class usage. CWS then adds the
16 service charge revenues, calculated by multiplying the forecasted average number of
17 customers by the meter charges. DRA recommends that CWS not apportion the revenues
18 across customer classes using this ratio. This unnecessarily complicates and distorts the
19 revenue allocation based upon the forecasted amounts by customer classes. This
20 recommendation is discussed further in DRA's Bakersfield District Report Attachment A
21 to Chapter 2. DRA's and CWS' forecasted revenues at present authorized rates are shown
22 in Table 2-4, Operating Revenues at Present Rates, in Chapter 1.

23 **4) Unaccounted for Water**

24 CWS estimates 5.54% unaccounted for water in Antelope Valley. In the last GRC
25 the Commission adopted a rate of 5.02%. DRA accepts CWS' estimate of 5.54%.

26 **5) Rate Design**

27 CWS states that it is not proposing changes to the tier breaks or any other
28 substantial modifications to the rate design structure initially adopted in the settlement

1 agreement in the Conservation OII (D.08-02-036 in I.07-07-022).⁴ However, CWS states
2 that “because the service charge component of the adopted rate design was calculated to
3 recover approximately 35% of fixed costs of a district, and ministerial rate design
4 changes since the Conservation OII decision have caused some rate designs to stray from
5 this principle, Cal Water does propose minor adjustments to reestablish the appropriate
6 proportions for fixed cost recovery in a few districts.”⁵ CWS explained that it used
7 judgment to adjust the average flat rate customers portion of revenue recovery to ensure
8 equity between the flat rate customers’ rates and the metered customers’ rates as well as
9 to try to bring the service charge revenues to a level that recovers closer to 35% of the
10 fixed cost for each district.⁶ CWS also analyzes the concept of increasing block rates
11 (IBRs) for non-residential customers and concludes that IBRs “are not a useful rate
12 design tool for Cal Water’s non-residential customers.”⁷ In CWS’s testimony on non-
13 residential rate design, CWS cites the rate design principles of cost-based rates,
14 simplicity, stable rates, conservation, fairness, avoidance of undue discrimination in rate
15 relationships and effectiveness in yielding total revenue requirements, as articulated by
16 Professor Bonbright in the text “Bonbright, Danielsen, Kamerschen, *Principles of Public*
17 *Utility Rates*, second edition, 1988.”⁸

18 DRA agrees with the rate design principles of cost-based rates, simplicity, stable
19 rates, conservation, fairness, avoidance of undue discrimination in rate relationships and
20 effectiveness in yielding total revenue requirements. DRA also seeks to ensure the
21 implementation of rate designs in each district that are revenue neutral and distribute
22 revenue equitably across customer classes. DRA plans to work collaboratively with

⁴ General Report of California Water Service Company, GRC Company Report #1, July 2012, P. 27.

⁵ General Report of California Water Service Company, GRC Company Report #1, July 2012, P. 27. CWS also proposes special requests related to rate design and DRA addresses these special requests in DRA’s Company-Wide Report on the Results of Operations of CWS.

⁶ Telephone conference with Tu Rash on February 7, 2013.

⁷ Non-Residential Rate Design Testimony In Compliance with Ordering Paragraph 13 in D.10-12-017, Prepared Testimony of David Morse, P. 19.

⁸ Non-Residential Rate Design Testimony In Compliance with Ordering Paragraph 13 in D.10-12-017, Prepared Testimony of David Morse, P. 2, 4, 17, and 20.

1 CWS and other parties during settlement to reach agreement on rate designs for CWS to
2 implement during this GRC cycle.

3 **C. DISCUSSION**

4 **1) Average Active Service Connections**

5 Customer growth is the forecasted growth of a customer base in a given area.
6 CWS and DRA use customer growth to project revenues for 2014-2015. The RCP,
7 adopted in D.07-05-062 requires the number of customers to be forecast using a five-year
8 average of the change in the number of customers by customer class, unless an unusual
9 event occurs, in which case an adjustment to the five-year average may be made.⁹

10 **a) Residential, Business, Multifamily, and Public Authority**

11 CWS proposes forecasting the annual change in the number of customers using the
12 four-year (2008-2011) average change for all customer classes. DRA agrees. The only
13 forecasted customer growth is the addition of a single residential customer each year in
14 Lancaster.

15 **2) Metered Sales and Supply**

16 Table 2-1, Water Sales Per Customer (Or Per Connection) in Chapter 1
17 summarizes DRA's and CWS' proposed metered sales in Antelope Valley District for
18 each customer class in 2014 and 2015, respectively. The differences in forecasting
19 methodology are discussed in Attachment A to Chapter 2 of the DRA's Bakersfield
20 District Report.

21 **a. Residential**

22 **Fremont**

23 CWS did not adopt the recommendation of its forecasting consultant for the
24 Fremont residential customer class. CWS proposes using the recorded 2011 usage. DRA
25 calculates its forecast using the unconstrained regression model to arrive at a forecasted

⁹ D.07-05-062, Appendix A: RCP, p. A-23, footnote 4.

1 usage per customer. The following table summarizes DRA and CWS'
2 recommendations:

3 Table 2-a (Fremont): Forecasted Residential Metered Sales (ccf¹⁰/service)

	DRA	CWS	% difference
2014	83.1	84.6	-1.77%
2015	83.1	84.6	-1.77%

4 **Lancaster**

5 CWS did not adopt the recommendation of its forecasting consultant for the
6 Lancaster residential customer class. CWS proposes using the recorded 2011 usage.
7 DRA calculates its forecast using the unconstrained regression model to arrive at a
8 forecasted usage per customer. The following table summarizes DRA and CWS'
9 recommendations:

10 Table 2-a (Lancaster): Forecasted Residential Metered Sales (ccf¹¹/service)

	DRA	CWS	% difference
2014	286.1	342.6	-16.5%
2015	286.1	342.6	-16.5%

11 **Leona Valley**

12 CWS did not adopt the recommendation of its forecasting consultant for the Leona
13 Valley residential customer class. CWS proposes using the recorded 2011 usage. DRA
14 uses the weather-adjusted regression model shown in Wendy Illingworth's testimony for
15 its estimate. The non-weather adjusted regression model returned a result that was
16 unreasonably low. The following table summarizes DRA's and CWS' recommendations:

17 Table 2-a (Leona Valley): Forecasted Residential Metered Sales (ccf¹²/service)

	DRA	CWS	% difference
2014	192.5	246.1	-21.78%
2015	192.5	246.1	-21.78%

18 **b. Business**

19 **Lancaster**

¹⁰ 100 cubic feet.

¹¹ 100 cubic feet.

¹² 100 cubic feet.

1 CWS did not adopt the recommendation of its forecasting consultant for the
2 Lancaster residential customer class. CWS proposes using the recorded 2011 usage.
3 DRA calculates its forecast using the two-year average recorded class usage for 2011.
4 The regression model returned a result that appeared unreasonably low. The following
5 table summarizes DRA and CWS' recommendations:

6 Table 2-b (Lancaster): Forecasted Metered Business Sales (ccf/service)

	DRA	CWS	% difference
2014	853.9	804.6	6.13%
2015	853.9	804.6	6.13%

7 **Leona Valley**

8 CWS did not adopt the recommendation of its forecasting consultant for the
9 Lancaster residential customer class. CWS proposes using the recorded 2011 usage.
10 DRA used the unconstrained regression model to forecast sales. The following table
11 summarizes DRA and CWS' recommendations:

12 Table 2-b (Leona Valley): Forecasted Metered Business Sales (ccf/service)

	DRA	CWS	% difference
2014	311.6	264.7	17.71%
2015	311.6	264.7	17.71%

13 **c. Multifamily**

14 Multifamily customers accounted for .13% of metered sales for the Antelope
15 Valley district in 2011. The customers are all located in the Fremont community. There
16 are five years of recorded sales data. CWS proposes using the most recent recorded sales
17 as the forecast for 2014 and 2015. DRA recommends using the five-year average of
18 recorded sales.

19 Table 2-c: Forecasted Average Multifamily Sales (ccf/service)

	DRA	CWS	% difference
2014	103.6	99.8	3.80%
2015	103.6	99.8	3.80%

20

1 **d. Public Authority**

2 **Lancaster**

3 Public Authority customers in the Antelope Valley district accounted for 3.02% of
4 metered sales in 2011. CWS utilizes the recorded 2010 sales to forecast sales for
5 Lancaster Public Authority. The recorded data for 2011 was unusually low. DRA
6 utilizes the three-year average of recorded sales for its forecast for 2014 and 2015. The
7 following table summarizes DRA and CWS’ recommendations:

8 Table 2-d (Lancaster): Forecasted Public Authority Class Sales (Kccf/year)

	DRA	CWS	% difference
2014	7.7	7.3	5.48%
2015	7.7	7.3	5.48%

9 **Leona Valley**

10 CWS utilizes the recorded 2011 sales to forecast sales for Lancaster Public
11 Authority. DRA utilizes the five-year average for its estimate as this better reflects
12 anticipated sales for 2014 and 2015. The following table summarizes DRA and CWS’
13 recommendations:

14 Table 2-d (Leona Valley): Forecasted Public Authority Class Sales (Kccf/year)

	DRA	CWS	% difference
2014	4.8	3.9	23.07%
2015	4.8	3.9	23.07%

15 **3) Operating Revenue at Present Rates**

16 DRA and CWS use present authorized rates at proposed quantities to show
17 operating revenues at present rates for 2014. Differences between DRA’s and CWS’
18 revenues are due to differences in forecasted quantities and are shown in Table 2-4
19 Operating Revenues at Proposed Rates in Chapter 1 of this report. Both DRA and CWS
20 agree on the methodology for calculating operating revenues with regard to the
21 Residential class. But DRA and CWS disagree on the methodology of calculating
22 operating revenues with regard to the Non-Residential class.

1 CWS calculates operating revenues at present rates for the non-residential classes
2 by calculating total forecasted usage for all the non-residential customer classes and
3 multiplying this total by the uniform rate to get the total revenue at present rates for non-
4 residential customers. This figure is then multiplied by the three-year average ratio of
5 usage for each non-residential class to calculate each class's proportion of the revenue at
6 present rates. DRA recommends that CWS not apportion the revenues across customer
7 classes using this ratio and simply generate the revenue at present rates for each of the
8 non-residential customer class by multiplying the forecasted usage for each class by the
9 forecasted number of customers for that class by the present rates for the class to get the
10 operating revenue at present rates for that class. To the extent that CWS uses this same
11 method to apportion proposed revenues across non-residential customer classes, DRA
12 recommends CWS determine the proportion of revenue to recover from each non-
13 residential customer class by taking the forecasted sales per customer class as a
14 percentage of total forecasted sales for the non-residential customer classes.

15 **a. Residential**

16 The CWS methodology is outlined in detail in Attachment A of Chapter 2 in
17 DRA's Bakersfield Report. DRA does not recommend any changes to this methodology.

18 **b. Business**

19 CWS' method is outlined in detail in Attachment A to Chapter 2 of DRA's
20 Bakersfield Report. DRA proposes changes that are outlined in Attachment A to Chapter
21 2 of DRA's Bakersfield Report. The difference in DRA's and CWS' revenue at present
22 rates is due to the difference in forecasted sales per business service connection and the
23 methodology used to calculate revenues at present rates in the non-residential customer
24 classes.

25 **c. Multifamily**

26 CWS follows the same method to calculate operating revenues at present rates for
27 Multifamily customers as for Business customers. DRA proposes changes that are

1 outlined in Attachment A to Chapter 2 of DRA’s Bakersfield report. The difference in
2 DRA’s and CWS’ revenue at present rates is due to the difference in methodology used
3 to calculate revenues at present rates in the non-residential customer classes.

4 **d. Public Authority**

5 CWS follows the same method to calculate operating revenues at present rates for
6 Public Authority customers as for Business customers. DRA proposes changes that are
7 outlined in Attachment A to Chapter 2 of DRA’s Bakersfield report. The difference in
8 DRA’s and CWS’ revenue at present rates is due to the difference in forecasted sales for
9 the Public Authority class of customers and the methodology used to calculate revenues
10 at present rates in the non-residential customer classes.

11 **4) Unaccounted for Water**

12 CWS estimates 5.54% unaccounted for water in Antelope Valley based on a five-
13 year average of the percentage of unaccounted for water from 2007-11. In the last GRC
14 the Commission adopted a rate of 5.02%. DRA accepts CWS’ estimate of 5.54%.

15 **D. CONCLUSION**

16 **1) Average Active Service Connections**

17 The Commission should adopt DRA’s recommended number of service
18 connections.

19 **2) Metered Sales and Supply**

20 DRA recommends adherence to the RCP and NCM for forecasting metered sales
21 and supply.

22 **3) Operating Revenues**

23 DRA accepts CWS’ method for calculating operating revenues at present rates
24 except for the method of calculating operating revenues at present rates for each non-
25 residential customer class. DRA’s recommended changes are discussed in DRA’s
26 Bakersfield District Report Attachment A to Chapter 2.

1 **4) Unaccounted for Water**

2 CWS estimates 5.54% unaccounted for water in Antelope Valley. In the last GRC
3 the Commission adopted a rate of 5.02%. DRA accepts CWS' estimate of 5.54%.

4 **5) Rate Design**

5 DRA plans to work collaboratively with CWS and other parties during settlement
6 to reach agreement on rate designs for CWS to implement during this GRC cycle.

1 **CHAPTER 3: OPERATIONS & MAINTENANCE EXPENSES**

2 **A. INTRODUCTION**

3 This Chapter presents DRA’s analysis and recommendations on Operations and
4 Maintenance (“O&M”) expenses in the Antelope Valley District of California Water
5 Service Company (“CWS”). For many expense items, CWS uses the historical average
6 expense adjusted for inflation. Other expense line items include the addition of new
7 expenses that CWS proposes in the new rate cycle. In order to recommend an appropriate
8 level of expense, DRA reviewed historical and forecasted data, as well as information
9 gathered in discovery and during DRA’s field visits. CWS seeks significant increases in
10 various expenses including Source of Supply to include a new Water Discharge
11 Permitting Fee and Pumping Expense to include the installation of new pumping
12 equipment.

13 **B. SUMMARY OF RECOMMENDATIONS**

14 For Test Year 2014, Table 3-A shows a comparison of total expense estimates at
15 present rates for 2014.

16 **Table 3-A: Comparison of O&M Expense Estimates Test Year 2014**

Items	DRA	CWS	CWS exceeds DRA
O&M Expenses	\$811,400	\$865,900	\$54,600 or 6.7%

17 **C. DISCUSSION**

18 DRA conducted an independent analysis of CWS’s workpapers and methods of
19 estimating the O&M Expenses for Test Year 2014. Methods used by CWS to project
20 Test Year 2014 Expenses include: historical averages adjusted for inflation, last recorded
21 year, and unit costs multiplied by production.

22 DRA examined each Expense item and the methodology used by CWS to assess
23 the reasonableness of CWS’s estimates.

1 Both DRA and CWS apply the escalation factors established by the DRA Energy
2 Cost of Service and Natural Gas Branch (“ECOS”) Memorandum published on April 30,
3 2012. Table 3-1 in chapter 1 summarizes the O&M expenses DRA recommends and
4 compares them with those CWS requests for Test Year 2014. Each expense item listed is
5 discussed below.

6 **1) OPERATION EXPENSES**

7 **a) PURCHASED WATER**

8 CWS estimates water sales and supply of 465.6 KCcf (hundred thousand cubic
9 feet) for Test Year 2014. CWS proposes to meet its supply needs through groundwater
10 from 7 company owned wells, and water purchased from the Antelope Valley-East Kern
11 Water Agency (AVEK). CWS will complete a new AVEK connection in 2013 that is
12 anticipated to provide between 224 gallons per minute (“gpm”) and 900 gpm. However,
13 CWS has not included this new supply in its water mix for the Test Year. CWS indicates
14 that it used a three-year average of the production data from 2009 through 2011 to
15 estimate the AVEK production in Test Year 2014.

16 Purchased water costs are based on the average contracted unit cost of \$365 per
17 acre foot (“AF”) of water. The unit cost effective January 1, 2012 is as follows: Winter
18 rate \$330/AF, Summer rate \$400/AF $(\$330+400)/2= \365 Avg.

19 DRA finds CWS’s unit costs and methodology are reasonable when compared
20 with historical figures. Any differences in CWS’s and DRA’s estimates for Purchased
21 Water Expense are due to DRA’s recommended sales forecast.

22 **b) PURCHASED POWER**

23 Purchased Power is the cost of electricity needed to operate the district, including
24 the power used in pumping and delivering water. The estimate of Purchased Power
25 varies with the quantity of water delivered. In its application, CWS requests \$68,100 for
26 Purchased Power in Test Year 2014.

1 To estimate Test Year 2014 Purchased Power expense, CWS used the 2011
 2 recorded 951,440 KWh. In calculating the recorded 2011 KWh per unit of production,
 3 CWS used 422 KCcf production to arrive at 2,255.9 Kwh/production (951,440/422).
 4 CWS uses the 2011 recorded rate 0.0648 per KWh of 0.0648. For 2014, CWS calculated
 5 the Purchased Power Expense by multiplying the 2014 forecasted production 465.6 KCcf
 6 by 2,256 KWh to estimate a total 1,050,347 KWhs. Total KWhs are then multiplied by
 7 the estimated rate per KWh of \$0.0648 to estimate \$68,100 for Test Year 2014. Table 3-
 8 B below shows CWS's calculation for Purchased Power.

9 Table 3-B
 10 CWS Antelope Valley Purchased Power

YEAR	ESTIMATED PURCHASED POWER			
	2012	2013	2014	2015
a) PRODUCTION -KCCF	465	465.3	465.6	465
b) KILOWATT HOURS per KCCF	2,255.9	2,255.9	2,255.9	2,255.9
c) KILOWATT HOURS (computed = a*b)	1,048,994	1,049,670	1,050,347	1,048,994
d) COST PER KWh	\$0.0648	\$0.0648	\$0.0648	\$0.0648
e) PURCHASED POWER - (D*C)(\$000)	\$68.0	\$68.0	\$68.1	\$68.0

11
 12 DRA examined CWS calculations and found that in estimating KWh per KCcf
 13 (production of water), the historical production amount for 2011 of 422 KCcf used by
 14 CWS differed from the recorded 2011 production shown on CWS's workpaper, Table 4-
 15 C, which showed 515.6 KCcf.¹³ DRA inquired of CWS as to the difference and was
 16 advised that CWS inadvertently provided incorrect data when preparing its workpapers.
 17 On December 4, 2012, CWS provided revised workpapers for all impacted areas
 18 including Supply, unaccounted for water, Purchased Power, and Purchased Chemicals.

19 According to the revised workpapers, Total Production for Test Year 2014 should
 20 be 394.5 KCcf. Using the revised Total Production of 394.5 KCcf results in a reduction in

¹³ California Water Service Company GRC Report No. 3 (for District No. 129) Table 4-C, Total Water Supply for 2011.

1 CWS's request for Purchased Power Expense for Test Year 2014 from \$68,100 to
2 \$57,700.

3 DRA's Table 3-C below shows the corrected Purchased Power calculation using
4 CWS's estimated production. DRA's estimate uses this methodology and DRA's
5 recommended production based on DRA's sales forecast.

6 Table 3-C
7 DRA Purchased Power

YEAR	ESTIMATED PURCHASED POWER			
	2012	2013	2014	2015
a) PRODUCTION (KCCF)	394	394.2	394.5	394.9
b) KILOWATT HOURS per KCCF	2,255.9	2,255.9	2,255.9	2,255.9
c) KILOWATT HOURS (computed = a*b)	888,825	889,276	889,953	890,855
d) COST PER KWh	\$0.0648	\$0.0648	\$0.0648	\$0.0648
e) PURCHASED POWER - (D*C)(\$000)	\$57.6	\$57.6	\$57.7	\$57.7

8 c) PURCHASED CHEMICALS

9 For Purchased Chemicals to treat groundwater, CWS based its request of \$1,000
10 on the five-year (2007-2011) inflation adjusted average historical unit costs. DRA adopts
11 CWS's methodology. Any difference is due to DRA's recommended sales forecast.

12 d) OPERATIONS PAYROLL

13 Payroll Expense is allocated into three components, Operations Payroll,
14 Maintenance Payroll, and Administrative Payroll. For Operations Payroll, CWS requests
15 \$289,800 in Test Year 2014. Operations Payroll is 82.21% of total payroll in the
16 Antelope Valley District. CWS based its request on the total recorded Payroll for 2011,
17 plus 3.25% union negotiated wage increase to escalate 2011 Payroll to 2012. For 2013
18 through 2015, CWS used the Compensation per hour rate published in DRA's ECOS
19 Memorandum dated April 30, 2012. CWS provided no reason or support for using the
20 Compensation per hour rate.

21 CWS added one new part-time Serviceperson/Inspector in January 2012. This
22 position was authorized in D.10-12-017 at a salary of \$28,300. CWS filled the position at

1 a salary of \$33,207. According to CWS’s response to DRA’s Data Request PE-001,
2 concerning the difference in the authorized versus the actual salary, CWS responded as
3 follows; “*Cal Water adopted a set salary for several union and non-union positions since*
4 *the union negotiations were still underway at the time; the fixed dollars were included in*
5 *rates in the 2009 GRC. The actual salaries awarded for union positions were based upon*
6 *the negotiated union agreement.*” DRA accepts CWS adjustment to the authorized salary
7 for the part-time position added in 2012. CWS requests no new employees in this rate
8 cycle.

9 DRA estimates \$255,300 for Operations Payroll in Test Year 2014. (*Total payroll*
10 *for Antelope Valley District is estimated at \$310,500, whereas CWS’s estimate for total*
11 *payroll is \$352,500, a difference of \$42,000.*) DRA’s estimate is based on CWS’s 2011
12 recorded Payroll escalated to 2012 using the 3.25% union wage increase. For 2013
13 through 2015, DRA used the Labor rate published April 30, 2012 by the ECOS Branch
14 instead of the Compensation per hour rate used by CWS. Additionally, in reviewing
15 CWS’s calculations for Payroll, DRA found that CWS inadvertently included the salary
16 for the new Serviceperson/Inspector twice on its workpaper Table 5-B1 for 2012. CWS
17 acknowledged the error in discussions with DRA. DRA corrected the 2012 Payroll by
18 removing the duplicate salary of \$33,207.¹⁴ The Commission should adopt DRA’s
19 corrected Operations Payroll amount as it is more accurate and reasonable than CWS’s
20 estimate.

21 e) POSTAGE EXPENSE

22 CWS’s estimate for Postage expense is \$5,300 in Test Year 2014. To estimate
23 Postage expense, CWS uses the recorded 2011 expense, (plus 2.30% increase in postal
24 rates effective January 1, 2012) to determine the average cost per service which is then
25 multiplied by the number of service connections.

¹⁴DRA’s correction of total Payroll affects all three components, Operations, Maintenance, and Administrative Payroll.

1 DRA examined whether CWS’s calculations included postage for customers who
2 do not receive paper bills. DRA reviewed records of postage expense and the increase in
3 customers opting for e-billing to find that electronic bills are excluded from the recorded
4 data upon which CWS’s estimate is based. DRA accepts CWS estimate as reasonable
5 and recommends that it be adopted by the Commission.

6 f) TRANSPORTATION EXPENSE-OPERATIONS

7 Transportation Expense is also allocated into three components, Operations,
8 Maintenance, and Administrative. CWS allocates 100% of its Transportation Expense to
9 Operations in Antelope Valley District. CWS’s estimate of \$86,600 for Test Year 2014
10 is based on the historical five-year average expense, adjusted for inflation. DRA believes
11 that the five-year average captures all fluctuations in fuel costs. CWS operates 4 vehicles
12 in the Antelope Valley District and does not request any additional vehicles during this
13 rate cycle.

14 DRA reviewed all calculations and assumptions used to arrive at the proposed
15 level of expense and recommends that the Commission adopt CWS’s request.

16 g) UNCOLLECTIBLES

17 CWS’s estimate for Uncollectible Expenses is \$19,200 in Test Year 2014. CWS’s
18 estimate is based on a five-year (2007-2011) average Uncollectible rate of 0.755%.

19 DRA agrees with the use of this 5-year average rate. Any difference between
20 CWS’s and DRA’s estimates is due to differences in estimated Operating Revenues.

21 h) SOURCE OF SUPPLY EXPENSE

22 For Test Year 2014, CWS estimates \$4,300 for Source of Supply Expenses. For
23 2015, CWS increases its request to \$9,500. CWS’s estimate is based on the inflation
24 adjusted five-year (2007-2011) average expense. Added to the five-year average is a new
25 request for \$10,000 to be collected over the three-year rate cycle beginning in 2014, for
26 “Water Discharge Permitting Fee”. CWS requests \$9,500 for 2015 because it adds
27 another \$5,000 per year for an Annual Permit Fee required by the State Water Resources

1 Control Board (“SWRCB”) for the discharge of well water into the storm drain. DRA
2 discusses each permit fee separately.

3 Beginning in Test Year 2014, CWS requests new “Water Discharge Permitting
4 Fees” to be included in Source of Supply for Antelope Valley District and in 18 other
5 districts. The amount requested per district ranges from \$10,000 for smaller districts to
6 \$80,000 for the larger districts. The total request for all 19 districts is \$800,000.

7 In its filed application and testimony, CWS provided no clear information to
8 describe or support its request for this “fee.” It appears that CWS seeks to obtain a
9 General Permit in six of the nine Regional Water Quality Control Boards (“RWQCB”) to
10 discharge non-storm water in the operation of its water systems. However, at present
11 there is no such requirement by any of the RWQCBs. On November 29, 2012, DRA met
12 with a Los Angeles RWQCB representative who advised DRA that while there had been
13 discussions regarding these permits for water utilities in the past, there was no consensus
14 or agreement to design or require a General Permit for the discharge of non-storm water
15 by water utilities. There is also currently no General Permit requirement for water utilities
16 to discharge non-storm water required by the State Water Resources Control Board
17 (“SWRCB”).

18 Under the Clean Water Act, the RWQCBs, operating under the SWRCB, regulate
19 storm water discharges under the National Pollutant Discharge Elimination System
20 (“NPDES”) Permit system. The RWQCB grants the NPDES Permit to cities and other
21 jurisdictions that operate storm water systems, as well as specific industrial activity sites,
22 and some construction sites. Cities and counties operating Municipal Separate Storm
23 Sewer Systems (“MS4s”) used to collect or convey storm water have jurisdiction over
24 non-storm water releases from potable water sources. Generally, water utilities are
25 allowed non-storm water releases under waivers or exemptions issued by the MS4.
26 Requirements of each MS4 for non-storm water discharge vary due to the unique
27 differences and requirements within each RWQCB for regulation of that specific
28 watershed. Failure to comply with the requirements of the governing MS4 may result in a
29 violation of local water discharge ordinances.

1 In 2009 and 2010, CWS received notices of violation from the San Francisco Bay
2 Region RWQCB and San Joaquin Public Works Water Resources/Storm water
3 Management. In the case of San Francisco Region RWQCB, CWS received a letter from
4 the RWQCB dated May 19, 2009 regarding a Complaint for Administrative Civil
5 Liability alleging that CWS discharged potable chloraminated water into Polhemus Creek
6 in 2007. The complaint included a fine in the amount of \$199,350. In the case of the San
7 Joaquin County violation, CWS received a letter dated April 5, 2010 from the San
8 Joaquin County Department of Public Works stating that CWS violated the County's
9 Storm water and Discharge Ordinance prohibiting non-storm water from being
10 discharged into the storm drain system unless properly permitted and with the consent of
11 the County. CWS wrote to the Central Valley RWQCB on June 24, 2010 to request a
12 formal determination of Legal Discretionary Authority that City of Stockton and San
13 Joaquin County have over types of discharges allowed under the MS4 Permit because
14 according to the letter, CWS was told by the City of Stockton and San Joaquin County
15 that CWS needed a separate NPDES permit directly from the RWQCB to be allowed to
16 continue discharging into the storm drain conveyance system.

17 While these events necessitated that CWS take some action to resolve the
18 violations, the requirements of the two RWQCBs with jurisdiction over the areas where
19 the events occurred do not govern other unique RWQCBs in which CWS operates. CWS
20 must comply with the unique requirements to discharge non-storm water into each storm
21 water conveyance systems wherein it operates. However, CWS has provided no evidence
22 that it is required to obtain a Water Discharge Permit in any district other than that that
23 was required in 2010 by San Joaquin County which is in the Central Valley RWQCB.

24 CWS indicates to DRA that currently CWS uses the MS4 Permit issued to cities
25 and counties but that water boards are now looking to have all potable water discharges
26 be covered by permits within the next three to five years.¹⁵ CWS provided no support for
27 this statement.

¹⁵ CWS response to DRA data request PE 016, Question No.4

1 As for the amount CWS requested, CWS provided no support for its estimate
2 other than the cost for obtaining a permit for its Stockton District in 2010/2011, obtained
3 to resolve the violation alleged by San Joaquin County discussed previously. No Request
4 for Proposal, contracts, or bids were provided to describe the scope of the work necessary
5 to meet specific requirements of the prevailing RWQDB, City, County, or MS4 operator.

6 Based on CWS's failure to show that a General Water Discharge Permit or Water
7 Discharge Permitting fee is required by any entity governing storm water discharge at
8 this time, and its failure to provide a detailed estimate of costs based on the scope of work
9 necessary, the Commission should disallow CWS's request for the \$10,000 Water
10 Discharge Permitting for the Antelope Valley District, as well as similar requests for its
11 other 18 districts.

12 As for the \$5,000 for an Ongoing Permit fee added in 2015, CWS states that it
13 currently pays \$1,943 for annual permit fees per well for discharging well water into the
14 storm drain. According to CWS, beginning in 2015, CWS will pay a flat \$5,000 annually
15 for a system-wide permit. CWS operates 8 wells in Antelope Valley District which
16 would result in an annual expense of \$15,544 (\$1,943 x 8). CWS's recorded Source of
17 Supply Expense does not support its claim that it currently pays \$1,943 per well. If CWS
18 is paying \$1,943 per well, better tracking is necessary for this expense. CWS's historical
19 expense for the period 2007 through 2011 is as follows:

20
21 Table 3-D
22 Antelope Valley District
23 Source of Supply¹⁶ (\$000)

2007	2008	2009	2010	2011
\$0.0	\$1.3	\$0.8	\$2.6	\$0.0

24 DRA also requested that CWS provide documentation to support its request for the
25 increase to a \$5,000 Ongoing Permit fee. CWS failed to provide any letter or notice from
26 SWRCB to support CWS's statement that there is a change in the fee. The only support

¹⁶ CWS Report No. 3 for District No. 129, Expense and Ratebase Workpapers, Antelope Valley, Table 5-B4a.
Amounts shown are in 2011 dollars.

1 provided was an internal company e-mail dated April 6, 2012 stating, “*Currently we have*
2 *been paying \$1,943 annual fees for our permits which is per well. Since this will be a*
3 *system wide permit we anticipate the annual fee to be no more than \$5,000 per year*
4 *going forward in 2015 and beyond.*”

5 Because CWS has failed to support its claims of a change in the ongoing permit
6 fee, to \$5,000 per year, DRA recommends that the \$5,000 be excluded from rates due to
7 lack of justification. For Test Year 2014, DRA recommends a budget of \$900 per year in
8 Source of Supply Expense based on CWS’s recorded five-year average expenditure
9 adjusted for inflation.

10 i) PUMPING EXPENSE

11 For Test Year 2014, CWS requests \$83,800 for Pumping Expenses. CWS based
12 its request on the five-year (2007-2011) average expenditure adjusted for inflation.
13 Added to the five-year average is \$162,000 amortized over three years at \$54,000 per
14 year. According to CWS’s work paper Table 5-B4b, CWS proposes to install a new
15 pump at Station 1-01 in Lancaster. Usually, pump equipment installations are capitalized
16 and depreciated over a number of years. CWS indicates in its workpaper and in an
17 internal e-mail dated June 20, 2012 that it includes the new pump installation in Pumping
18 Expense because the pump will likely need to be replaced every 2-3 years because
19 sanding in the well causes the pumps reach the end of their useful lives much sooner.

20 DRA attempted to verify CWS’s intention regarding inclusion of the pumping
21 equipment as an Operating Expense in Data Request SN-002. In response to DRA’s
22 inquiry, CWS stated that inclusion of the pumping equipment as an expense was in error.
23 “*This is a capital item and is requested as a capital addition for the GRC.*”¹⁷ Therefore,
24 DRA removed this Pumping Expense.

¹⁷ CWS’ response to DRA data request SN-002, No. 1

1 DRA’s estimate of \$29,800 for Test Year 2014 is based on the inflation adjusted
2 five-year (2007-2011) average expenditure. The Commission should adopt DRA’s
3 recommendation as it is more reasonable than CWS’s estimate.

4 j) WATER TREATMENT EXPENSE

5 Water Treatment Expenses include water sampling at wells, laboratory expense,
6 bacterial laboratory expense, lab fees, and miscellaneous. CWS requests \$48,900 for
7 Test Year 2014. CWS’s request is based on the five-year (2007-2011) historical average
8 expenditure adjusted for inflation. DRA found that CWS’s estimate is reasonable and
9 recommends that it be adopted.

10 k) TRANSMISSION AND DISTRIBUTION EXPENSE

11 Transmission and Distribution (“T&D”) expenses include supervision and
12 engineering, flushing, T&D lines, turn on and turn off of services, installation, and
13 miscellaneous expenses. For Test Year 2014, CWS requests \$47,300. CWS’s request is
14 based on the five-year (2007-2011) historical average expenditure adjusted for inflation.
15 DRA found that CWS’s estimate is reasonable and recommends that it be adopted.

16 l) CUSTOMER ACCOUNTING EXPENSE

17 For Customer Accounting Expense, CWS’s estimate is \$38,400 for Test Year
18 2014. CWS’s estimate is based on the five-year (2007-2011) historical average adjusted
19 for inflation.

20 DRA finds that CWS’s estimate is reasonable and recommends that the
21 Commission adopt CWS’s estimate.

22 m) CONSERVATION EXPENSE

23 For Test Year 2014, CWS estimates \$23,045 for Conservation Expense. DRA
24 estimates \$8,320. Please refer to DRA’s Report on Conservation Program and Expenses
25 for DRA’s analysis and recommendation.

1 2) MAINTENANCE EXPENSES

2 a) MAINTENANCE PAYROLL

3 As stated previously, Payroll is allocated into Operations Payroll, Maintenance
4 Payroll, and Administrative Payroll. Maintenance Payroll is approximately 9.8% of total
5 Payroll. CWS estimates \$34,600 for Maintenance Payroll for Test Year 2014.

6 DRA's recommendation for Maintenance Payroll is \$30,500. DRA's adjustment to
7 Maintenance Payroll is similar to that discussed in Operations Payroll. DRA recommends
8 that the Commission adopt DRA's estimate as it is more accurate and more reasonable
9 than CWS's.

10 b) MAINTENANCE STORES

11 Maintenance Stores consists of inventory components of various accounts
12 associated with maintenance, including service line material, pipeline repair material,
13 replacement meters, meter boxes, and meter lids. For 2014, CWS estimates \$600 for
14 Maintenance Stores. CWS bases its estimate on the five-year (2007-2011) historical
15 average expenditure adjusted for inflation. DRA finds that CWS estimate is reasonable
16 and recommends that the Commission adopt CWS's estimate.

17 c) CONTRACTED MAINTENANCE

18 For Contracted Maintenance Expense, CWS requests \$91,100 in 2013 and
19 \$89,300 for Test Year 2014. CWS's estimates are based on the five-year (2007-2011)
20 historical average adjusted for inflation. However, in 2013, CWS includes an additional
21 \$3,900 for Pressure Tank Inspections to be completed in 2013. According to CWS, in the
22 past eight years it has experienced catastrophic failures of two of its welded steel hydro-
23 pneumatic pressure vessels. Following pressure tank failure in 2011, CWS began to
24 implement a formal inspection program.

25 DRA estimates \$91,000 for 2013 and \$89,200 for Test Year 2014. DRA agrees
26 with CWS's need to inspect its tanks and also based its estimate on the five-year
27 historical average. The difference in DRA and CWS estimates are due to DRA's

1 correction of CWS’s calculation to inflate the historical average to current dollars. In
2 calculating inflation, CWS included the new \$3,900 expense with the historical average
3 then added inflation. DRA inflated the historical average without the additional \$3,900
4 since it was not a part of the historical expenses and should not have included inflation.
5 DRA recommends that the Commission adopt DRA’s corrected estimates.

6 d) TANK PAINTING

7 As recommended by DRA’s witness Sung Han (see Chapter 8 of DRA’s
8 Company-Wide Report on Results of Operations), tank painting should be amortized over
9 a 15 year period. Accordingly, DRA includes the amortized amounts reflecting tank
10 painting projects, if any, recommended by DRA’s plant witness, as part of the
11 “Contracted Maintenance” expense estimate for the purposes of developing revenue
12 requirement for this rate case.

13 **D. CONCLUSION**

14 In reviewing CWS’s estimates for Operation and Maintenance Expenses, DRA
15 found that in many areas the company made sound requests based on its historical level
16 of spending. In other area where additional dollars were requested, DRA found that
17 CWS’s request often lacked sufficient justification and support. CWS’s request for
18 increased spending in Source of Supply Expense to obtain a General Water Discharge
19 Permit had no verifiable support or justification. It would be burdensome to ratepayers to
20 allow an increase in spending for a permit that is not required in the Antelope Valley
21 District at this time.

22 Based on DRA’s analysis of CWS’s requests, supporting workpapers and
23 justifications, the Commission should adopt DRA’s recommendations as they are more
24 reasonable and in the best interest of ratepayers.

1 **CHAPTER 4: ADMINISTRATIVE & GENERAL EXPENSES**

2 **A. INTRODUCTION**

3 This Chapter presents DRA’s analysis and recommendations on Administrative
4 and General Expenses (“A&G”) in the Antelope Valley District of California Water
5 Service Company (“CWS”). A&G Expenses include Administrative Payroll, Benefits,
6 Rents, Workers’ Compensation and other miscellaneous or non-specific accounts.
7 CWS’s estimates are based on historical data as well as vendor or consultant quotes.
8 DRA reviewed historical and forecasted data, as well as information gathered in
9 discovery and during DRA’s field visits. For Benefits and Workers’ Compensation,
10 DRA relied on analysis provided by its consultant, Donna Ramas. These items are
11 addressed in DRA’s Report of the General Office of CWS.

12 **B. SUMMARY OF RECOMMENDATIONS**

13 For Test Year 2014, Table 4-A shows a comparison of total expense estimates at
14 present rates for 2014.

15 **Table 4-A: Comparison of A&G Expense Estimates Test Year 2014**

Items	DRA	CWS	CWS exceeds DRA
A&G Expenses	\$163,500	\$178,500	\$15,000 or 9.2%

16 **C. DISCUSSION**

17 DRA conducted an independent analysis of CWS’s workpapers and methods of
18 estimating the A&G Expenses for Test Year 2014. Methods used by CWS to project Test
19 Year 2014 Expenses include: historical averages adjusted for inflation, last recorded year,
20 and vendor quotes.

21 DRA examined each expense item and the methodology used by CWS to assess
22 the reasonableness of CWS’s estimates. Both DRA and CWS apply the escalation factors
23 established by the DRA Energy Cost of Service Branch (“ECOS”) published on April 30,
24 2012. The ECOS Branch has been renamed as Energy Cost of Service and Natural Gas

1 Branch. Table 4-1 in chapter 1 summarizes the A&G expenses DRA recommends and
2 compares them with those CWS requests for Test Year 2014. Each expense account listed
3 is discussed below.

4 **1) ADMINISTRATIVE & GENERAL EXPENSES**

5 a) **ADMINISTRATIVE PAYROLL**

6 Administrative Payroll is approximately 7.9% of total Payroll. CWS estimates
7 Administrative Payroll of \$28,100 for Test Year 2014. CWS's estimate is based on the
8 recorded 2011 Payroll. For 2012, CWS added to the recorded 2011 Payroll 3.25% union
9 negotiated wage increase. For 2013 through 2015, CWS used the Compensation per hour
10 published by DRA's ECOS Branch on April 30, 2012.

11 DRA estimates \$24,800 for Test Year 2014. As discussed in Chapter 3, Section 1)
12 item d), Operations Payroll, DRA used the recorded 2011 total Payroll and for 2012
13 applied the same union wage increase of 3.25%. DRA used the ECOS Labor rate rather
14 than the Compensation per hour rate used by CWS to escalate payroll for 2013 through
15 2015. The Commission should adopt DRA's corrected Operations Payroll amount
16 because it is more accurate than CWS's estimate.

17 b) **BENEFITS**

18 Employee Benefits include Health Insurance, Survivor Benefits, Pension Funding,
19 401K matching, and retiree Group Health Insurance. According to CWS's General Office
20 Report on Operations, "*Cal Water accounts for all Company benefits in general*
21 *operations and allocates this cost by the four-factor method to each district with other*
22 *general costs.*" CWS further states that benefits costs may vary either based on
23 employee payroll or the number of employees, among other factors. For Antelope Valley
24 District, CWS estimates \$120,700 for Test Year 2014.

25 CWS and DRA estimate 2 full-time positions and 1 part-time employee in Test
26 Year 2014. CWS does not request any new employees. DRA's witness on Benefits,

1 Donna Ramas, estimates \$111,900 for Test Year 2014. Please refer to DRA’s Report on
2 the General Office of CWS for a thorough discussion of DRA’s recommendation.

3 c) A&G TRANSPORTATION EXPENSE

4 CWS estimates \$0 A&G Transportation Expense. DRA adopts CWS’s estimate.

5 2) PURCHASED SERVICES

6 a) RENTS

7 For the Antelope Valley District, CWS estimates \$9,300 for Test Year 2014.
8 CWS’s estimate is based on the 2011 recorded amount adjusted for inflation. CWS has a
9 long-term lease for its Antelope Valley District.

10 DRA reviewed CWS’s estimate and finds that the amount requested is reasonable
11 and should be adopted by the Commission.

12 b) ADMINISTRATION CHARGES TRANSFER

13 Administration Charges Transfer represents credits for unregulated activity.
14 CWS’s estimate for Test Year 2014 is (\$300). DRA estimates (\$653). Please refer to
15 DRA’s Report on the Company-Wide Results of Operations, Chapter 2 - Non-Tariffed
16 Products and Services for DRA’s analysis and recommendation.

17 c) WORKERS’ COMPENSATION

18 CWS estimates Workers’ Compensation insurance based on actuarial expectations
19 described in the guidance from actuaries at Milliman USA (“Milliman”). CWS states in
20 its General Office Report on Operations that an assumption embedded in the estimate is a
21 provision to account for Workers’ Compensation to include expected future payments
22 from current employment.¹⁸ CWS estimates \$4,700 for Test Year 2014.

23 DRA adopts CWS estimate for Test Year 2014 but estimates \$4,777 for 2015.
24 Please refer to DRA’s Report on the General Office for analysis and discussion of this
25 item.

¹⁸ GRC Company Report #1, General Report of California Water Service Company, p.57

1 d) NONSPECIFICS

2 Nonspecific Expense generally represents miscellaneous administrative and
3 general expenditures. The Nonspecific account contains various sub-accounts. However,
4 CWS does not provide estimated amounts for each sub-account for future years. Instead,
5 it provides a combined amount for Nonspecific Expenses for the 2014 Test Year of
6 \$10,900 based on the five-year (2007-2011) historical average adjusted for inflation.

7 DRA estimates \$8,400 for Test Year 2014. DRA's estimate is based on an
8 adjusted five-year average for 2007-2011, plus inflation. In DRA Data Request PE 036,
9 DRA requested an itemization of nonspecific expenses by Sub-Account for each year
10 during the most recent five years (2007-2011). DRA requested that CWS identify all one-
11 time or non-recurring expenses. CWS identified one such non-recurring expense in Sub-
12 Account 798100 Legal Expense in 2010 of \$9,200. According to CWS's this was a one-
13 time legal expense that should have been capitalized.

14 When comparing the Nonspecific Expense line item on CWS's workpaper Table
15 6-A with CWS's response to Data Request PE 036, DRA found that the annual totals for
16 2007-2011 shown in the workpaper were inconsistent with the totals reported in response
17 to PE 036. For example, CWS workpaper Table 6-A shows a negative annual total for
18 2007 of (\$9,200) and CWS responded to PE 036 that it had expenses totaling \$63,947 in
19 2007. The aggregate amount for the five years (2007-2011) according to CWS's Table 6-
20 A totaled \$31,400, while the aggregate total reported in response to PE 036 for 2007-
21 2011 was \$106,428.

22 CWS provided no explanation for the disparity in the amounts reported in the
23 workpapers versus the amounts reported in response to DRA's data request. CWS's
24 tracking of its Nonspecific Expenses are inconsistent and should be improved. The
25 Commission should adopt DRA's estimate because it is more reasonable than CWS's
26 estimate.

1 e) AMORTIZATION OF LIMITED TERM INVESTMENT

2 This expense includes the amortization of any intangible assets, such as
3 Vulnerability Assessments. CWS estimates \$5,100 for Amortization of Limited Term
4 Investment for Test Year 2014. CWS bases its estimate from the general method for this
5 expense shown on CWS's amortization schedule. DRA adopts the methodology used by
6 CWS. Any differences are attributed to adjustment to plant.

7 f) DUES AND DONATIONS ADJUSTMENTS

8 CWS estimates \$0 Dues and Donations Adjustments for Test Year 2014. DRA
9 recommends that the Commission adopt CWS's estimate.

10 **D. CONCLUSION**

11 DRA's review and analysis of each request of CWS's for Administrative and
12 General Expenses results in a level of expense that affords the company necessary funds
13 to conduct the provision of utility service and at the same time provides the ratepayer
14 protection from burdensome rates. DRA recommends that the Commission adopt DRA's
15 recommendations.

1

CHAPTER 5: TAXES OTHER THAN INCOME

2

A. See Chapter 5: Taxes Other Than Income in DRA's Company-Wide Report of

3

Results of Operations of California Water Service Company (General Rate Case

4

A.12-07-007) for analysis and recommendations.

1

CHAPTER 6: INCOME TAXES

- 2 ***A. See Chapter 6: Income Taxes in DRA’s Company-Wide Report of Results of***
3 ***Operations of California Water Service Company (General Rate Case A.12-07-007)***
4 ***for analysis and recommendations.***

1 **CHAPTER 7: PLANT IN SERVICE**

2 **A. INTRODUCTION**

3 Table 7-1 in Chapter 1 (Attachment A) of this report shows DRA’s and CWS’s
4 estimates for the Antelope Valley District Plant in Service for Test Year 2014 and
5 Escalation Year 2015.

6 DRA reviewed and analyzed CWS’s testimony, application, Minimum Data
7 Requirements, work papers, capital project details, estimating methods, Urban Water
8 Management Plan (“UWMP”), Water Supply & Facilities Master Plan (“WSFMP”), and
9 responses to various DRA data requests. DRA also conducted a field investigation of
10 CWS facilities and proposed projects before making its own independent estimates,
11 including adjustments where appropriate.

12 **B. SUMMARY OF RECOMMENDATIONS**

13 Based on DRA’s review and analysis of CWS’s requested plant additions, DRA
14 recommends disallowance, adjustment, deferral or Advice Letter treatment to CWS’s
15 “carryover” projects, newly proposed projects, main, service and hydrant replacement
16 programs, and annual budgets for “non-specific” projects.

17 These recommendations form the basis of DRA’s estimates for gross plant
18 additions as presented in Table 7-A below. Important and significant differences
19 between DRA’s and CWS’s plant addition estimates are attributed to the items listed in
20 Table 7-B. (Carryover projects’ costs are presented as annual totals, and not listed
21 individually in Table 7-B.)

1 **Table 7-A. Antelope Valley District - Gross Plant Additions, Including Carryovers**
 2 **and Non-Specifics Projects**

	2012	2013	2014	2015	Annual Average
DRA	\$ 1,424,981	\$ 217,136	\$ 235,031	\$ 285,604	\$ 540,688
CWS	\$ 3,866,705	\$ 2,371,901	\$ 616,785	\$ 724,712	\$ 1,895,026
CWS > DRA	\$ 2,441,723	\$ 2,154,765	\$ 381,754	\$ 439,108	\$ 1,354,338
DRA as % of CWS	37%	9%	38%	39%	29%

4 **Table 7-B. Antelope Valley District - Specific Projects**

2012	Project #	Description	DRA	CWS	CWS > DRA	DRA as % of CWS
1	00021127	1,530' 6"PVC; 10 1" Services; 4 Hydrants -	\$ 233,300	\$ 233,300		
2	00021285	Replace Electrical Equipment - Sta. 1 - Lancaster	\$ -	\$ 168,000	\$ 168,000	0%
3	00020709	Replace 2 6" Gate Valves - Lancaster	\$ -	\$ 17,600	\$ 17,600	0%
4	00020711	Replace 2 6" Gate Valves - Leona	\$ -	\$ 17,600	\$ 17,600	0%
5	00020712	Replace 2 6" Gate Valves - Fremont	\$ -	\$ 17,600	\$ 17,600	0%
6	00020700	20 1" Services - Lancaster	\$ 68,102	\$ 77,400	\$ 9,298	88%
7	00020707	20 1" Services - Lancaster	\$ 68,102	\$ 77,400	\$ 9,298	88%
8	AVD0900	Meter Replacement Program	\$ 1,600	\$ 1,600	\$ -	100%
9	00020716	Replace 2 Hydrants - Lancaster	\$ 22,200	\$ 22,200	\$ -	100%
10	00020723	Replace 2 Hydrants - Leona	\$ 22,200	\$ 22,200	\$ -	100%
11	00020734	Field - Large Power Tools	\$ 5,400	\$ 5,400	\$ -	100%
12	00029288	2 Hydrants - Fremont	\$ 22,609	\$ 22,609	\$ -	100%
Specifics - Total			\$ 443,513	\$ 682,909	\$ 239,396	65%
Non-Specific - Total			\$ 82,500	\$ 82,500	\$ -	100%
Carry-Overs - Total			\$ 898,968	\$ 3,101,295	\$ 2,202,327	29%
TOTAL			\$ 1,424,981	\$ 3,866,705	\$ 2,441,723	37%

5

2013	Project #		DRA	CWS	CWS > DRA	DRA as % of CWS
1	00021127	1,530' 6" PVC; 10 1" Services: 4 Hydrants -	\$ 233,300	\$ 233,300	\$ -	100%
2	00074794	Replace Anodes - Leona Valley Sta. 5 Tank 1 □	\$ 6,257	\$ 6,257	\$ -	100%
3	AVD0900	Meter Replacement Program	\$ 1,100	\$ 1,100	\$ -	100%
4	00063033	Replace Two Valves and Two Hydrants	\$ 27,000	\$ 43,200	\$ 16,200	63%
5	00063013	Field - New Handhelds for Meter Reading	\$ 13,464	\$ 13,464	\$ -	100%
6	00063492	Field - GPS Unit	\$ 7,000	\$ 7,000	\$ -	100%
7	00063493	Field - Large Power Tools including Jackhammers. Air	\$ 6,120	\$ 6,120	\$ -	100%
8	00065545	Vehicle - 1 Ton C&C with Service Body□	\$ 64,260	\$ 64,260	\$ -	100%
9	00065546	Vehicle - 1 Ton C&C with Service Body□	\$ -	\$ 64,260	\$ 64,260	0%
10	00068831	Field - Two-Way Voice Radio System	\$ -	\$ 15,874	\$ 15,874	0%
11	00064138	VFD on Booster Pump at Sta 1	\$ -	\$ 60,000	\$ 60,000	0%
12	00066846	1500' 6"PVC; 20 Services; 4 Hydrants - Elizabeth Lake	\$ -	\$ 285,600	\$ 285,600	0%
13	00061958	Paint Interior & Exterior Complete - Sta. 1 Tank 1	\$ -	\$ 111,278	\$ 111,278	0%
14	00061961	Upgrade CP System - Sta. 1 Tank 1 Leona Valley	\$ 7,584	\$ 7,584	\$ -	100%
Specifics - Total			\$ 132,785	\$ 685,997	\$ 553,212	19%
Non-Specific - Total			\$ 84,351	\$ 90,700	\$ 6,349	93%
Carry-Overs - Total			\$ -	\$ 1,595,204	\$ 1,595,204	0%
TOTAL			\$ 217,136	\$ 2,371,901	\$ 2,154,765	9%

1

2014	Project #		DRA	CWS	CWS > DRA	DRA as % of CWS
1	00063016	Replace 20 faulty service lines	\$ -	\$ 85,976	\$ 85,976	0%
2	AVD0900	Meter Replacement Program	\$ 1,100	\$ 11,800	\$ 10,700	9%
3	00063034	Hydrants and Valves	\$ 27,000	\$ 43,200	\$ 16,200	63%
4	00063494	Field - Large Power Tools including Jackhammers, Air	\$ 6,120	\$ 6,120	\$ -	100%
5	00063692	Seismic Retrofit - Sta. 3 Tank 1 Lakes Hughes	\$ 34,513	\$ 34,513	\$ -	100%
6	00067553	Replace Pump and Motor - Sta. 1 A	\$ 77,280	\$ 77,280	\$ -	100%
7	00064333	53K Gallon Bolted Steel Tank - Sta. 4 - Leona Valley	\$ -	\$ 220,396	\$ 220,396	0%
8	00066789	Replace 10 service service lines	\$ -	\$ 42,000	\$ 42,000	0%
Specifics - Total			\$ 146,013	\$ 521,285	\$ 375,272	28%
Non-Specific - Total			\$ 89,018	\$ 95,500	\$ 6,482	93%
Carry-Overs - Total			\$ -	\$ -	\$ -	n/a
TOTAL			\$ 235,031	\$ 616,785	\$ 381,754	38%

1

2015	Project #		DRA	CWS	CWS > DRA	DRA as % of CWS
1	AVD0900	Meter Replacement Program	\$ 1,100	\$ 12,100	\$ 11,000	9%
2	00063036	2 Hydrants and Valves	\$ 27,000	\$ 43,200	\$ 16,200	63%
3	00063495	Field - Large Power Tools including Jackhammers, Air	\$ 6,120	\$ 6,120	\$ -	100%
4	00061954	Replace Interior Safety Climb - Sta. 1 Tank 3 - Lancaster	\$ 3,282	\$ 3,282	\$ -	100%
5	00064951	Paint Interior Complete - Sta. 1 Tank 2 - Lancaster	\$ -	\$ 88,224	\$ 88,224	0%
6	00063018	Pump Replacement - Sta. 01-01 Lancaster	\$ -	\$ 162,000	\$ 162,000	0%
7	00075615	Replace Pump & motor. Existing equipment leaks and	\$ -	\$ 103,800	\$ 103,800	0%
8	00064110	Seismic Retrofit - Sta. 5 Tank 1 - Leona Valley System	\$ 78,434	\$ 78,434	\$ -	100%
9	00064217	Seismic Retrofit - Sta. 6 Tank 1 - Leona Valley	\$ 78,434	\$ 78,434	\$ -	100%
10	00079955	Cal Water RAMCAP Vulnerability Assessments	\$ -	\$ 51,017	\$ 51,017	0%
Specifics - Total			\$ 194,371	\$ 626,612	\$ 432,241	31%
Non-Specific - Total			\$ 91,233	\$ 98,100	\$ 6,867	93%
Carry-Overs - Total			\$ -	\$ -	\$ -	n/a
TOTAL			\$ 285,604	\$ 724,712	\$ 439,108	39%

C. DISCUSSION

The Antelope Valley District has recorded average gross plant additions of \$667,700 in the past five years (2007-2011) and \$883,400 per year in the past three years (2009-2011).¹⁹ CWS's average plant addition request for 2012-2015 is much higher than CWS's historical level of capital expenditures in this district – almost \$1.9 million per year. This request represents a 185% and 115% increase over the district's 2007-2011 average and 2009-2011 average, respectively.

In this GRC, DRA recommends \$481,000 per year in average gross plant additions for 2012-2015. The following subsections present DRA's analysis and recommendations on projects, beginning with Section 1 which covers "carryover" projects that CWS

¹⁹ Gross plant additions include company funded plant additions as well as contributions and advance deposits for specific plant. Amounts are from CWS's workpapers ANTELOPE RATEBASE JULY 2012.xls.

1 included as part of its 2012-2013 capital budgets; Section 2 and subsequent sections
2 cover new, proposed projects for the years 2012-2015.

3 **1) Carryover Projects**

4 CWS requests over \$4.7 million in “carryover” projects in this rate case --
5 \$3,101,295 in 2012 and \$1,595,204 in 2013.²⁰ **It is important to note that these**
6 **extraordinarily large sums are in addition to CWS’s newly proposed projects for the**
7 **years 2012 and 2013.** These large carryover amounts are made up of a whole host of
8 projects – all incomplete and some not even initiated. The list includes projects not
9 previously authorized by the Commission and Advice Letter projects. It also includes
10 projects that were authorized and included in rate base in prior GRCs, and therefore being
11 recovered in current rates, but CWS never completed as planned.

12 Based on CWS’s response to DRA data request (DR) PPM-004²¹ on carryover
13 projects and DRA’s careful review of each project included in this catch-all list, DRA
14 estimates a carryover capital budget of \$898,968 in 2012 and \$0 in 2013, totaling
15 \$898,968. DRA calculated its carryover estimate by first subtracting Advice Letter
16 projects from the carryover totals. This is because the Advice Letter projects still have
17 uncertain costs and/or completion dates, or may not occur at all.²² Next, DRA reviewed
18 specific projects for reasonableness and made appropriate adjustments, including, but not
19 limited to, permanent removal from the authorized budget, cost adjustments, or Advice
20 Letter treatment.

21 **(a) Advice Letter Projects**

22 CWS includes Advice Letter projects in its carryover project list for this district:
23 (1) **Project 10391** – AVEK²³ System Interconnection (\$810,000); (2) **Project 20642** –
24 Drill, Develop and Equip New Well in the Fremont System. DRA removes the dollars
25 associated with these Advice Letter projects from the projected plant additions. DRA

²⁰ Amounts are from CWS’s workpapers *ANTELOPE RATEBASE JULY 2012.xls*.

²¹ DRA requested CWS to provide additional information on all carryover projects included in this GRC.

²² Advice Letter projects are handled separately though a rate base offset.

²³ Antelope Valley East Kern Water Agency.

1 recommends that Project 10391 and Project 20642 maintain their Advice Letter status,
2 previously authorized deadlines and respective budgetary caps. This is because, as
3 mentioned earlier, the Advice Letter projects still have uncertain costs and/or completion
4 dates, or may not occur at all.

5 Furthermore, it is important to note that the deadline for submitting these Advice
6 Letter projects for rate recovery is the effective date of rates in the current rate case,
7 which is scheduled to be January 1, 2014. The Commission should require CWS to
8 resubmit these projects in a future GRC for Commission consideration of the need and
9 cost of these projects if CWS does not meet the filing deadline of January 1, 2014 for
10 these projects, but still wishes to proceed with the projects and receive rate recovery.

11 Lastly, DRA notes that CWS has cancelled Advice Letter Project 14467 –
12 Chloramination Conversion (\$108,000) because it no longer deems the project
13 necessary.²⁴

14 **(b) Project 17664 – Construct New Well at Station 1 (Leona Valley)**

15 CWS requested \$387,220 in 2013 for the construction of a well at Station 1 in the
16 Leona Valley system. CWS started this project in 2007 using non-specific funding (i.e.,
17 not authorized in GRC prior to construction). The well was constructed in 2008, and as
18 of December 2012, it is still not providing potable water to customers. The well is
19 connected to the system, but it is used for fire protection only.

20 According to CWS, the California Department of Public Health (“CDPH”) did not
21 allow the well to be connected to the system for two reasons: (1) the well location was
22 near a field where horses were kept; and (2) the well produces water with a concentration
23 of nitrates that exceeds allowable levels.²⁵ CWS states that it plans to meet CDPH
24 requirements and put the well into service. However, DRA questions the likelihood of
25 success because the well has been constructed for four years and its operating status still

²⁴ CWS’s response to DRA DR PPM-004. In the response, CWS states in its status report for this project: “*project was part of joint effort with another local agency. Ultimately the other party decided against chloramination, hence this project was no longer deemed necessary.*”

²⁵ CWS’s response to DRA DR PPM-004.

1 remains unclear. Although the well can provide water for fire protection, CWS did not
2 provide documentation showing that this well's supply is indeed needed for fire
3 protection. Therefore, DRA recommends that this project be excluded from rate base
4 until CWS can demonstrate that the well produces potable water as originally intended.
5 At such time, CWS can file for rate recovery via the Advice Letter process. The cap for
6 this project should be \$387,220.

7 **(c) Projects 20503, 20491 and 20566– Automatic GenSet Transfer Switch,**
8 **Station 1 (Leona Valley, Lancaster and Fremont Valley, respectively)**

9 CWS requests \$43,200 each for these three projects and presents them as a
10 carryover project, authorized in the last GRC. The switches were scheduled to be
11 installed by 2010, but as of December 2012, there have been no charges recorded and no
12 new estimated completion dates.²⁶ The long delay is a strong indication that either CWS
13 has no urgent need for these projects or there is no longer a need for them. Therefore,
14 DRA removes these three projects, totaling \$139,600, from the carryover project list in
15 this GRC. If CWS wishes to continue with these projects, it should resubmit its requests
16 in the next GRC. Furthermore, the costs of the projects should not be included in
17 recorded plant balance in the next GRC without full justification in that GRC application.

18 **(d) Project 20701 – Install 150,000-Gallon Tank (Lake Hughes)**

19 CWS includes in its 2013 capital budget \$397,984 to build a 150,000-gallon tank
20 and presents it as a carryover project authorized in the last GRC. The tank was scheduled
21 to be installed by 2010, but as of December 2012, CWS is still in the process of obtaining
22 the permit from the USDA-Forest Service and further indicates that "*other permits may*
23 *be required prior to final design.*"²⁷ Given the delay to date and apparent uncertainties
24 involved in permitting, DRA recommends that this project be put on Advice Letter status
25 with the original cap authorized in the last GRC. Accordingly, DRA removes the
26 estimated cost of this project from the carryover project list. Furthermore, if CWS does

²⁶ CWS's response to DRA DR PPM-004.

²⁷ CWS's response to DRA DR PPM-004.

1 not file for rate recovery via Advice Letter by the time it submits its next GRC
2 application, the company must resubmit this tank request for Commission consideration
3 of the need and costs of the project.

4 **(e) Projects 14131 and 14290 – Litigation Charges**

5 CWS presents this project as a “Non-Specific” project. As explained later in this
6 chapter (see section on Non-Specific Budgets), DRA removes all dollars associated with
7 projects that are designated as “Non-Specific” in the list of carryover projects. However,
8 Projects 14131 and 14290 - \$216,134 in 2012 and \$336,860 in 2014, respectively, have
9 relatively large estimated costs, and therefore are worth discussing briefly herein.

10 These projects are for the litigation charges related to the Antelope Valley
11 District’s ground water rights and adjudication issues. According to the CWS Antelope
12 Valley District Results of Operations Report, large agricultural landowners filed a quiet
13 title action in the Los Angeles County Superior Court in 1999 to claim superior water
14 rights to that of the public water suppliers (“PWS”) in the area. In 2003, the PWS filed a
15 cross-complaint. Since the litigation in this case is still ongoing and the “completion”
16 time, resolution and costs are uncertain, it is not appropriate to build projected costs into
17 rates at this time. CWS should have considered requesting a memorandum account to
18 track this type of costs and request for recovery once the litigation is resolved and cost
19 impacts are known. If CWS chooses to do so, it must also demonstrate that the projects’
20 legal costs have not been booked in any other accounts whose totals are used for expense
21 forecasting purposes in this or any prior GRCs. It must also explain why the costs are
22 eligible to book as capital investment and amortized expense,

23 **(f) Project 06113 – Replace 2 Booster Pumps at Station 1 (Lake Hughes)**

24 CWS presents this project as a “Non-Specific” project. As explained later in this
25 chapter (see section on Non-Specific Budgets), DRA removes all dollars associated with
26 projects that are designated as “Non-Specific” in the list of carryover projects. Also,
27 CWS mistakenly included this project, estimated at \$110,940, twice in its carryover

1 budget. Therefore, DRA removes a total amount of \$221,880 from CWS's carryover
2 budget.

3 **(g) Project 20110 – Replace 1,615' of Main on Elizabeth Lake Road**

4 CWS includes in its 2012 capital budget request \$258,300 to replace 1,615 feet
5 of main and associated services and hydrants on Elizabeth Lake Road. CWS presents
6 this project as being authorized in the last GRC and scheduled to be completed in 2010
7 (i.e., in estimated rate base and earning a return for CWS since 2010). Yet, in response to
8 DRA's inquiry, CWS reported that as of December 2012, it had not started the project.²⁸
9 The company cited difficulties in obtaining encroachment permits from Los Angeles
10 County. Given the long delay from the intended start date (three years since 2010) and
11 the uncertainty in obtaining the necessary permits, DRA recommends removal of this
12 project from this GRC's capital budget. If CWS wishes to proceed and complete this
13 project, it may file for rate recovery via the Advice Letter process. The project should
14 maintain the cost cap originally authorized in the last GRC.

15 **2) Projects 20700, 20707, 63016 and 66789– Replace Service Lines**

16 Beginning with this subsection, DRA presents specific projects and budgets
17 proposed by CWS in this GRC (i.e., not carryover projects.)

18 CWS includes in its 2012 and 2014 capital budget requests the above listed
19 projects, for a total cost of \$282,776 (\$154,800 for 2012 and \$127,976 for 2014), to
20 replace service lines at unspecified locations. In response to DRA's inquiry, CWS
21 showed that it has recorded \$136,024 in 2012 for service line replacements (Projects
22 20700 and 20707); DRA accepts that amount for 2012 and adjusts the 2012 requests
23 downward to reflect the actual amounts expended.²⁹

24 DRA however recommends disallowing the amount requested for 2014 (Projects
25 63016 and 66789). This is because in the four-year period between 2008 and 2011, CWS
26 spent an average of about \$17,000 per year in service replacements. In the subsequent

²⁸ CWS's response to DRA's DR PPM-004.

²⁹ CWS's response to DRA's DR SN-012.

1 four-year period, 2012-2015, with the above 2012 expenditures it will have spent an
2 average of \$34,000 per year or twice as much as the previous four years' annual average.
3 Allowing the request in 2014 would bring the 2012-2015 annual average expenditure to
4 \$71,000, or four times the historical replacement level. Including the 2012 requests and
5 excluding the 2014 request would result in an annual average expenditure that is closer to
6 CWS's recorded service replacement expenditure level in recent recorded years, 2007-
7 2011.

8 **3) Projects 20709, 20712 and 20712 – Replace Gate Valves in Lancaster,**
9 **Leona Valley and Fremont Valley, respectively.**

10 For each of the above listed system, CWS includes in its 2012 capital budget
11 request \$17,600 to replace two Gate Valves (total of 6 replacements at a total cost of
12 \$52,800). The company never installed these gate valves in 2012.³⁰ DRA also notes that
13 CWS only spent a total of \$13,167 in the last 5 years in gate valve replacements.³¹ Given
14 these findings, DRA recommends disallowance of all three gate valve replacement
15 projects.

16 **4) Projects 63033, 63034 and 63036 – Replace Two Valves and Two Hydrants**
17 **Per Year in 2013, 2014 and 2015.**

18 CWS includes in its 2013-2015 capital budget requests \$43,200 per year to
19 “*Replace Two Valves and Two Hydrants.*”³² For the same reason stated above, DRA
20 removes the cost for the two valves. For the hydrant portion, DRA recommends \$27,000
21 per year which is the average annual expenditures in the last 6 years.³³ Accordingly,
22 DRA adjusts these project costs from \$43,200 to \$27,000 per year.

³⁰ CWS's response to DRA's data request SN-12.

³¹ Ibid.

³² CWS's workpapers ANTELOPE RATEBASE JULY 2012.xls.

³³ CWS's response to DRA's data request SN-12.

1 **5) Project 21127 – Replace 1,530’ of Main on Albyn & Delvyn Court**

2 CWS includes in its 2012 capital budget request \$233,300 to replace this section
3 of mains. Upon DRA’s inquiry, CWS states that it has started the project but will not be
4 able to complete it until July 2013.³⁴ DRA does not object to this project but shifts the
5 project to the 2013 capital budget to reflect the delay.

6 **6) Project 21285 – Replace Electrical Equipment – Station 1 (Lancaster)**

7 CWS includes in its 2012 capital budget request \$168,000 to replace electrical
8 equipment at Station 1 (Lancaster). Upon DRA’s inquiry, CWS states that this project
9 was cancelled because it was “*incorrectly written within the Powerplant system.*”³⁵ DRA
10 therefore removes the project from its plant estimates.

11 **7) Project 64138 – Install Variable Frequency Drive on Booster Pump at**
12 **Station 1**

13 CWS includes in its 2013 capital budget request \$60,000 to install a Variable
14 Frequency Drive (“VFD”) at Station 1. Upon DRA’s inquiry, CWS states that based on
15 new information the company is no longer pursuing this project.³⁶ DRA therefore
16 removes the project and associate cost from its plant estimates.

17 **8) Projects 61958 and 64217– Tank Painting**

18 CWS requests \$111,278 in 2013 to paint the interior and exterior of Tank 1 at
19 Station 1 (Project 61958, Leona Valley). It also requests \$88,224 in 2015 to paint the
20 interior of Tank 2 at Station 1 (Project 64217, Lancaster). DRA does not oppose these
21 projects. DRA, however, recommends that all tank painting projects be removed from
22 plant addition estimates (Account 342.10 Tank Painting), treated as recoverable
23 regulatory asset, and amortized over a 15-year period. The basis for DRA’s
24 recommended ratemaking treatment of tank painting costs is presented in DRA witness
25 Sung Han’s testimony (see Chapter 9 of DRA’s Company-Wide Report).

³⁴ CWS’s response to DRA’s DR SN-025.

³⁵ Ibid.

³⁶ Ibid.

1 **9) Project AVD090 for 2014 and 2015 – Routine Meter Replacement**

2 CWS includes in its 2014 and 2015 capital budget requests \$11,800 and \$12,100,
3 respectively, for meter replacements. This is a ten-fold increase from its requests for
4 2012 and 2013 (\$1,600 and \$1,100, respectively). The requests are also about ten times
5 the average recorded expenditures for the period from 2007 to 2012. DRA recommends
6 a meter replacement budget that is in line with recorded levels, as well as with the
7 requested level for 2013. Accordingly, DRA includes \$1,100 per year for the 2014 and
8 2015 meter replacement budgets.

9 **10) Main, Services and Hydrant Replacement Projects**

10 CWS requests a total of \$1.1 million for 2012-2015 in Mains, Service, and
11 Hydrant replacement projects, as shown in Table 7-C below:

12 **Table 7-C. Mains, Streets, Services and Hydrants Replacement Costs (in dollars)**

	2012	2013	2014	2015	Totals
Mains	223,300	180,000	0	0	403,300
Services	187,200	72,000	127,976	0	387,176
Hydrants	97,409	76,800	43,200	43,200	260,609
TOTAL	507,909	328,800	171,176	43,200	1,051,086

13
14 CWS’s current main replacement program aims to replace “*steel mains, all*
15 *mains where there are corrosion and leak problems, and mains sized smaller than 6-inch*
16 *diameter that need replacement due to substandard fire flow and service pressure.*”³⁷ In
17 response to DRA’s data request JG4-008, CWS states that its district staff prioritizes
18 main replacements through a “*developed personal knowledge of...leak histories of*
19 *specific mains...as well as a sense of the likelihood of main problems in specific areas*
20 *based on factors such as material of the mains and quality of construction and*
21 *installation.*” In the 2009 GRC, both DRA and CWS agreed that a Condition Based
22 Assessment (“CBA”) program should be implemented for prioritizing main replacement
23 projects.³⁸ CWS initiated a pilot program in its Stockton District in June 2011 and plans

³⁷ CWS General Report, p. 42.

³⁸ CWS General Report, Attachment F.

1 to implement the program across its other districts. CWS plans to use the CBA in
2 addition to existing criteria to prioritize main replacements for all districts in its next
3 GRC filing.

4 According to CWS, each district has a specified contractor for 6” and 8”
5 diameter main replacement projects under a master contract agreement. The contract is
6 awarded through a competitive bidding process every four years, and renewed annually
7 with pricing negotiated based on construction cost indicators such as construction
8 material cost indexes, CWS/contractor labor experiences, and Consumer Price Indices
9 (“CPI”).³⁹ Each contract specifies pricing on a range of services and materials to be
10 completed by the contractor.⁴⁰ Eight-inch and larger main replacement projects are
11 competitively bid on an individual basis.

12 DRA reviewed each proposed main replacement project for reasonableness and
13 based its analysis on CWS’s project justifications and responses to DRA’s data requests,
14 as well as information gathered by DRA engineers on field visits. Based on its review,
15 DRA recommends the following adjustment to the proposed main replacement project(s).
16 It should be noted that DRA also recommends adjustment to the two main replacement
17 projects in CWS’s carryover list.

18 **(a) Project 66846 – Replace 1,500’ Main on Elizabeth Lake Road**

19 CWS includes in its 2013 capital budget request \$285,600 to replace 1,500 feet
20 of main and associated services and hydrants on Elizabeth Lake Road. When asked,
21 CWS was not able to provide any leak history reports on the proposed project.⁴¹ CWS
22 claimed in its project justifications that this section of main does not provide adequate
23 water flow and pressure and lacks hydrants for fire protection. However, in response to
24 DRA’s inquiry, the company stated the local fire department has not requested additional

³⁹ CWS’s response to DRA DR JG4-005, q.1.

⁴⁰ CWS Livermore District RO Report, p. 197. Examples of services and materials include but are not limited to: size of pipe being installed per lineal foot, equipment move on rate, backhoe rate, hand or machine tamping of trench lines, import backfill requirements of trench line for compaction, new service installations based on size and length, existing service reconnections based on size, number of “tie-ins” to existing mains based on size, material pricing on pipes, gate valves, fittings, service saddles, valve box and cover assemblies, paving, cutting or sawing, temporary and permanent asphalt, rock base, and slurry sealing.

⁴¹ CWS’s response to DRA’s DR SN-002.

1 fireflow or hydrants.⁴² CWS’s request is without adequate support, and therefore DRA
2 recommends complete disallowance of Project 66846.

3 **11) Projects 64333 – Replace 53,000-Gallon Tank at Station 4 (Leona Valley)**

4 CWS includes in its 2014 capital budget request \$220,396 to demolish a 60,000-
5 gallon tank at Station 4 (Tank 004-T1) in the Leona Valley water system, and replace it
6 with a 53,000-gallon bolted steel tank. It should be noted that CWS presented two
7 different capacity values for Tank 004-01 – its response to DRA’s DR SN-001 presents
8 the tank capacity of 66,000 gallons, while its Antelope Valley Justifications Report and
9 the Water Supply and Facilities Master Plan indicate 60,000 gallons. For its analysis,
10 DRA uses the 60,000-gallon amount.

11 Station 4 in Leona Valley currently has two tanks: the aforementioned Tank 004-
12 T1, constructed in 1965, and Tank 004-T2, a 53,000-gallon tank, constructed in 2007.
13 According to the Justifications Report, in 2011 a tank inspection was performed by
14 CWS’s internal maintenance group.⁴³ According to the company, its tank inspection
15 indicates that Tank 004-T1 is in poor condition. DRA does not question the condition of
16 the tank as presented by CWS, but has determined that the system does not need the
17 storage capacity from this tank, as explained below.

18 The Maximum Day Demand (“MDD”) and Average Day Demand (“ADD”) have
19 been decreasing – 2011 MDD is only 47% of the 2007 level.

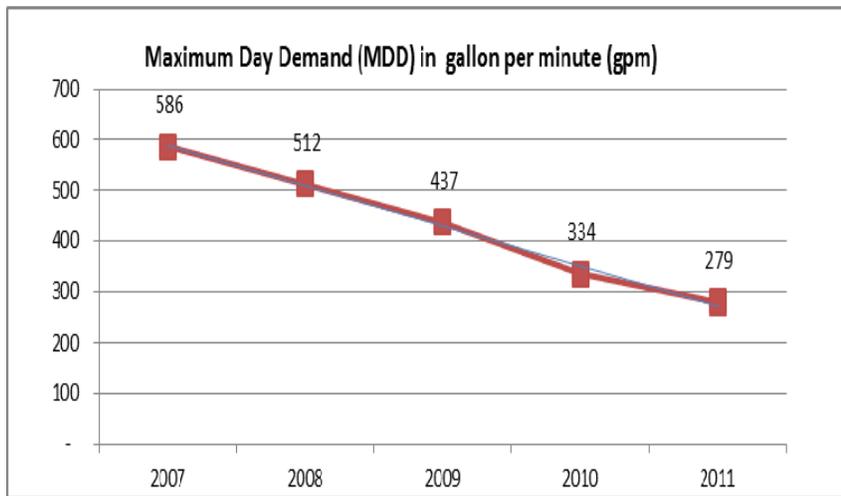
20 The historical MDD and ADD levels have been steadily decreasing since 2007.⁴⁴
21 Figure 7-A illustrates the MDD’s steady decline, showing the 2011 MDD at less than
22 50% of the 2007 level. Therefore, DRA believes that it is more reasonable to evaluate
23 the system’s storage needs using the most recent MDD of 279 gallons per minute
24 (“gpm”), and an ADD of 112 gpm.

⁴² Ibid.

⁴³ CWS’s response to DRA’s DR SN-001.

⁴⁴ CWS’s response to DRA’s DR SN-001 and follow-up communications.

Figure 7-A: Leona Valley system's MDD



1 CWS understated its available storage capacity.

2 CWS's Justifications Report states that the Leona Valley system has five tanks
3 with a total storage capacity of 513,000 gallons. Its Antelope Valley Results of
4 Operations Report (page 16) also presents the system as having five tanks with a
5 combined capacity of 588,000 gallons. However, DRA's investigation revealed that the
6 system in fact has six tanks. DRA received confirmation from CWS that there exists a
7 sixth tank with a 103,000-gallon capacity.⁴⁵ With this sixth, previously unaccounted for
8 tank, the total storage capacity is 691,000 gallons.⁴⁶ If Tank 004-01 is taken off-line, the
9 system would still have 631,000 gallons of storage capacity. This is more than what
10 CWS claimed to have, and, therefore, presumably more than enough to meet the system's
11 current demand.

12 Moreover, the Leona Valley system has one existing interconnection to AVEK
13 which supplies the system with 900 gpm and has a 2-Million Gallon ("MG") storage
14 tank. The June 2009 Antelope Valley Water Supply and Facilities Master Plan states that
15 the 2-MG of AVEK storage is available for CWS to use if needed.⁴⁷ The Plan further

⁴⁵ September 7, 2012 conference call between DRA and CWS Antelope Valley's District Manager.

⁴⁶ 588,000 gallons per RO Report plus 103,000 gallons from the sixth tank.

⁴⁷ WS&FMP, page 113.

1 indicates that with the 2-MG storage available from AVEK, the Leona Valley system's
2 existing storage would be adequate to serve even the 2030 demand, estimated by CWS to
3 be at 303 gpm in ADD and 708 gpm in MDD (2.5 times the 2011 MDD of 279 gpm).

4 CWS does not need to replace Tank 4-001 with a new tank.

5 As discussed above, because the Leona Valley system has adequate storage
6 capacity even with the absence of Tank 004-T1, it is not necessary to replace it with a
7 new tank. If CWS is concerned about the conditions of the tank, DRA recommends
8 taking it offline, without replacing it with unneeded storage capacity of a replacement
9 tank. Thus, DRA recommends that the Commission disallow CWS's request of \$220,396
10 in 2014 for this tank replacement project.

11 **12) Projects 63018 – Replace Pump/Motor at Well 1-01 (Lancaster)**

12 CWS includes in its 2015 capital budget request \$162,000 to replace the
13 pump/motor at Well 1-01 in the Lancaster water system. According to the Justifications
14 Report, pump/motors installed at this well in recent years have failed prematurely.
15 CWS's request is based on its expectation that the pump/motor that was installed in 2011
16 will fail in 2015 (four year life expectancy).

17 DRA is concerned that CWS opts to continue to install new pumps and motors at
18 this well instead of addressing the supposed underlying conditions that cause this
19 equipment to fail prematurely. It is not evident that the company has considered more
20 cost effective and long-lasting solutions, or changes to its system operations. Therefore,
21 DRA recommends the removal of this project from the planned, premature replacement
22 of the pump/motor at this well. DRA is agreeable to allowing CWS to file for rate
23 recovery via the Advice Letter process if it meets these conditions: (1) if the pump does
24 fail, (2) if CWS's system demands require its replacement, and (3) if CWS can
25 demonstrate that it has reasonably explored options to mediate premature pump/motor
26 failure. DRA recommends a cap of \$152,800, which excludes the \$9,200 capitalized
27 interest component in CWS's estimate of \$162,000.

1 **13) Projects 75615 – Replace Booster Pump 1B (Lancaster)**

2 CWS includes in its 2015 capital budget request \$103,800 to replace a booster
3 pump at Station 1 in the Lancaster water system. According to the Justifications Report,
4 Booster Pump 1B has been in service for over 30 years and is in poor condition.

5 DRA reviewed the hydraulic test result report performed by Southern California
6 Edison (“SCE”). The report shows the overall plant efficiency (“OPE”) of 60% for this
7 pump.⁴⁸ That level of OPE is considered “Fair” pursuant to the Commission’s Standard
8 Practice U-3-SM.⁴⁹ SCE’s report also indicates that replacing the pump could improve
9 the OPE from 60 % to 72%, resulting in a potential *annual* savings of \$446 in purchased
10 power cost.⁵⁰ This level of potential savings does not justify the replacement of this
11 pump,⁵¹ particularly in light of the fact that Pump 1B is not the primary pump at this
12 station. Indeed, DRA does not oppose CWS’s request to replace Pump 1A, the primary
13 pump, at the same station in 2014 (Project 67553) which will lessen the need for Pump
14 1B replacement. To justify that project, CWS stated that “[r]eplacement pump 1A in
15 2014 would limit the use of the other booster pump at station 1, pump 1B.”⁵² Based on
16 all these considerations, DRA recommends full disallowance of Project 75615.

17 **14) Project 68831 – Two-way Voice Radio System**

18 CWS includes in its 2013 capital budget request \$15,874 for the Two-way Voice
19 Radio System. CWS claims that the new digital radio system would allow each district to
20 operate on a separate frequency and would allow the general office to communicate with
21 every district office simultaneously. CWS also claims that the current analog radio
22 system is not reliable with skip signals, dead spots, and the limited availability of low-
23 band radio equipment. However, CWS conducted a functional radio test in its
24 Bakersfield district to test the reliability of the radio reception.

⁴⁸ CWS’s December 20, 2012 response to DRA’s email inquiry.

⁴⁹ Standard Practice U-3-SM; see http://docs.cpuc.ca.gov/word_pdf/REPORT/83111.pdf.

⁵⁰ CWS’s December 20, 2012 response to DRA’s email inquiry.

⁵¹ This project would results in an estimated \$17,000 increase in annual revenue requirement.

⁵² CWS’s workpapers ANTELOPE RATEBASE JULY 2012.xls, AV Adv Cap Budget tab.

1 In its project justifications, CWS projected that the new radio system would
2 replace approximately 75 percent of the existing cell phones resulting in significant cost
3 savings, estimated to be about \$51,000 per year for the Bakersfield District alone.⁵³ DRA
4 was curious about the projected savings for the other districts as CWS has not projected
5 the savings from switching to the new radio system for other districts, including Antelope
6 Valley. In addition, CWS also noted that the actual reduction in issued cell phones
7 experienced during the Bakersfield pilot is closer to 45 or 50 percent.⁵⁴ The uncertainty
8 of the number of cell phones that need to be replaced will affect the overall price of the
9 project. CWS plans to perform a radio functionality test for each district prior to
10 implementing the system into the district, but the cost of the functionality test is
11 embedded in the labor cost and it also depends on the geography and complexity of the
12 system.⁵⁵ The results from this radio functionality test will determine the economic
13 feasibility of the project and the projected cost savings of the project in a district.
14 Therefore, DRA recommends that this project be deferred to a future GRC where a
15 reasonable review can be conducted based on actual results.

16 **15) Vehicle Replacements, 2012 – 2015**

17 CWS includes in its 2013 capital budget request \$64,260 each for Projects 65545
18 and 65546. The requests are for the purchase of two apparently identical vehicles
19 described as “1-ton C&C with Service Body.”⁵⁶ One of these is intended to be for the
20 district’s superintendent.⁵⁷ DRA notes that the superintendent already received a new
21 vehicle in 2011 (Project 20937 for \$35,700, as shown in CWS’s carryover project list).
22 This employee should not need another vehicle a mere two years later, and certainly not
23 an equipped truck costing \$64,260. DRA recommends disallowing Project 65546, which
24 is attributable to the superintendent’s vehicle replacement.

⁵³ Chico Project Justifications Report, pg.354.

⁵⁴ CWS’s response to data request JMI-003, q.3 (a).

⁵⁵ Follow up meeting on data request JMI-003 with DRA and CWS held on October 22.

⁵⁶ CWS’s workpapers *ANTELOPE RATEBASE JULY 2012.xls*, WP8B2-Vehicle Details tab.

⁵⁷ Ibid.

1 **16) Project 79955 - RAMCAP Vulnerability Assessments**

2 CWS includes in its 2015 capital budget request \$51,017 to prepare an evaluation
3 of its infrastructure in anticipation of terrorist attacks. DRA recommends removal of this
4 project from estimated plant additions. The basis for DRA’s recommendation is
5 presented in DRA witness Justin Menda’s testimony (see Chapter 7 – Plant in Service of
6 DRA’s Result of Operations Report for the Chico District).

7 **17) Non-Specific Capital Budgets, 2012 to 2015**

8 CWS proposes \$88,500, \$87,711, \$89,551 and \$91,493 for 2012, 2013, 2104 and
9 2015, respectively, for non-specific capital budgets (a total of \$357,225 for 2012-2015).
10 CWS uses these budgets to complete projects that “*cannot be anticipated prior to a*
11 *General Rate Case filing, but by nature must be completed due to unforeseen*
12 *requirements.*”⁵⁸ According to CWS, these projects typically involve emergency
13 replacement of failed components in pumping equipment, main line replacement, and
14 improvement or relocation of projects in conjunction with a governmental agency’s
15 improvements. CWS states that the company “*relies on historical spending to project the*
16 *level of anticipated spending in this category.*” CWS’s non-specific budget estimates are
17 based on a 10-year average expenditure escalated to 2012 dollars using DRA’s Energy
18 Cost of Service and Natural Gas Branch’s (“ECOS”) December 2011 Escalation Memos.
19 This 2012 amount is then escalated, using composite escalation factors from the same
20 memo, to arrive at the proposed 2013-2015 annual budgets.

21 DRA’s review of past budgeted and expended amounts in this category indicates
22 CWS’s historical over-spending its budgeted and authorized amount. Company-wide
23 data between 2002 and 2011 in Table 7-D below shows that CWS consistently and
24 continually overspent in this category by as much as 116%. Some districts did
25 underspend their budgets but these occurrences are rare.

⁵⁸ CWS Report on Results of Operations, Bakersfield District, p. 43.

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Table 7-D. Company-Wide Non-specific Budgets.

Company-wide Non-specific Budget			
Year	Expenditure	Budget	% Overspent
2002	\$27,547,755	\$12,756,327	116%
2003	\$19,047,725	\$13,112,419	45%
2004	\$23,600,627	\$13,908,189	70%
2005	\$25,909,741	\$15,809,932	64%
2006	\$26,531,862	\$16,318,715	63%
2007	\$23,039,408	\$18,065,465	28%
2008	\$27,492,773	\$17,159,074	60%
2009	\$26,382,679	\$18,672,715	41%
2010	\$23,776,404	\$18,390,922	29%
2011	\$33,808,900	\$17,011,721	99%
Average 10-Yr	\$25,713,787	\$16,120,548	60%

2 The purpose of setting a budget in a business is to establish targets and standards
3 in order to control expenditures. By allowing its districts’ expenditures to consistently
4 and continuously exceed the established budgets, CWS exhibits no desire to control cost
5 or improve efficiency. This is a blatant disregard for the budgeting and GRC application
6 process. It defeats the purpose of seeking the Commission’s approval of an operating
7 budget if CWS is allowed to spend and book into rate base beyond the amount of its
8 budgets without justification.

9 Although emergency situations do arise beyond a utility’s control, which require
10 some adjustments, such occurrences usually do not occur consistently over a period of 10
11 years. The following provide examples of some of the reasons that CWS exceeds its
12 budgets. In 2009, CWS booked over \$600,000 in this category for the cost to update the
13 Bakersfield’s Water Study and Facility Master Plan. In 2012 for the Bakersfield District,
14 the list of “carry-over” projects in this category includes some items that do not appear to
15 be urgent or unanticipated replacement, such as \$166,000 to remodel the Bakersfield
16 Office, \$286,000 to purchase a 2-way radio, and \$468,000 for a tank painting project at
17 Station 216. In 2012 for the Stockton District, the list of “carry-over” projects in this
18 category includes some items that do not appear to be urgent or unanticipated

1 replacement, such as \$1.15 million for the Phase II construction of the new Customer
2 Service Center. These are not minor projects that require immediate action for the
3 continual operation of a water system. DRA and the Commission do not have the
4 opportunity to review and determine the need and reasonableness of these “non-specific”
5 projects prior to their construction/implementation because the projects were not
6 specifically identified and justified in CWS’s GRC filing. Although DRA does not seek
7 to micromanage CWS’s operations, DRA believes that it is important for a water utility
8 to adhere to an approved budget.

9 In this GRC, DRA forecasts the non-specific budget for 2013 through 2015 by
10 escalating CWS’s 2012 non-specific budget which results in budgets that are
11 approximately 93% of CWS’s requests. It should be noted that CWS’s 2012 request of
12 \$88,500 for the Antelope Valley District is pursuant to the 2009 GRC Settlement. DRA
13 recommends that the Commission adopt DRA’s estimates, shown in Table 7-E below, for
14 the non-specific category. Additionally, the Commission should require that CWS
15 provide reasonable justification for any spending in excess before the company can be
16 allowed to include the cost in recorded years’ plant balances in the next rate case.

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Table 7-E. Antelope Valley District - Non-Specific Budgets.

Year	CWS's Request	DRA's Recommendation
2012	\$88,500	\$83,500
2013	\$89,500	\$83,400
2014	\$91,400	\$85,100
2015	\$93,400	\$86,900

2 In addition, DRA also recommends removal of all dollars associated with projects
3 identified as using “non-specific” funding in CWS’s list of carry-over projects. CWS
4 should be able to fund those projects out of the non-specific annual budgets
5 recommended by DRA above. DRA recommends that CWS spend only “within its
6 means” and stay within its budgets compared to its current, imprudent practice of over-
7 spending its non-specific budgets as discussed above.

8 **D. CONCLUSION**

9 DRA’s recommendations have been incorporated in the calculations for DRA’s
10 recommended Plant in Service as shown in Table 7-1 in Chapter 1 (Attachment A) of this
11 Report.

1

CHAPTER 8: DEPRECIATION

- 2 *A. See Chapter 8: Depreciation in DRA’s Company-Wide Report of Results of*
3 *Operations of California Water Service Company (General Rate Case A.12-07-007)*
4 *for analysis and recommendations.*

1

CHAPTER 9: RATE BASE

- 2 *A. See Chapter 9: Rate Base in DRA’s Company-Wide Report of Results of*
3 *Operations of California Water Service Company (General Rate Case A.12-07-007)*
4 *for analysis and recommendations.*

CHAPTER 10: CUSTOMER SERVICE

A. See Chapter 10: Customer Service in DRA's Company-Wide Report of Results of Operations of California Water Service Company (General Rate Case A.12-07-007) for analysis and recommendations.

1 **CHAPTER 11: WATER QUALITY**

2 **A. INTRODUCTION**

3 This Chapter presents DRA’s analysis and recommendations on water quality for
4 California Water Service Company (“CWS”). CWS operates five water systems in the
5 Antelope Valley District under permits from the California Department of Public Health
6 (“CDPH”). CWS’s main water supply comes from 9 groundwater wells and purchased
7 water from the Antelope Valley East Kern Water Agency (“AVEK”).⁵⁹

8 Investor owned water utilities are required to submit information about water
9 quality as part of each utility’s General Rate Case (“GRC”) application.⁶⁰ In accordance
10 with these requirements, CWS submitted water quality information in its Minimum Data
11 Requirements (“MDR”). In developing its recommendation for water quality, DRA
12 reviewed CWS’s testimony, application, working papers, and the most recent CDPH
13 inspection reports available for CWS’s water systems. DRA also contacted CDPH
14 representatives for the agency’s appraisal of CWS’s water system.

15 **B. SUMMARY OF RECOMMENDATIONS**

16 Based upon the information provided by CWS and CDPH, it appears that CWS’s
17 water systems are currently in compliance with CDPH water quality regulations, all
18 applicable federal drinking water requirements, and General Order 103-A.

⁵⁹ CWS’s Chet Auckly’s Testimony, p. 2-5 and CDPH’s Correspondences to CWS dated October 2008 and January 2011.

⁶⁰ See D.04-06-018 (adopting revised Rate Case Plan (“RCP”)); see also D.07-05-062, (adopting changes to the RCP including improved oversight of water quality data through the use of Minimum Data Requirements (“MDR”) pertaining to water quality that must be completed by the utility as part of its GRC testimony and cost of capital testimony).

