

Docket: : A.13-07-002
Exhibit Number : _____
Commissioner : C.J. Peterman
Admin. Law Judge : W.A. Colbert
ORA Witness(es) : J.R. Roberts
: J.C. Montero



ORA
OFFICE OF RATEPAYER ADVOCATES



OFFICE OF RATEPAYER ADVOCATES
CALIFORNIA PUBLIC UTILITIES COMMISSION

**ORA Analysis and Recommendations on
ADMINISTRATIVE & GENERAL EXPENSES,
PAYROLL and
SPECIAL REQUEST 17
of
California American Water Company
Application 13-07-002**

PUBLIC VERSION

San Francisco, California
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Table of Contents

<u>CHAPTER 1: ADMINISTRATIVE AND GENERAL EXPENSES</u>	
<u>(COMPANYWIDE SUMMARY)</u>	1-1#
A. INTRODUCTION	1-1#
B. SUMMARY OF RECOMMENDATIONS	1-1#
C. DISCUSSION	1-2#
1)# General Forecasting Methodology	1-2#
2)# Office Supplies & Other Expenses	1-4#
3)# Property Insurance	1-5#
4)# Worker’s Comp, Injuries & Damages	1-6#
5)# Employee Pension & Benefits	1-6#
6)# Regulatory Expense	1-7#
7)# Outside Services	1-8#
8)# Miscellaneous General Expense	1-12#
9)# General Plant	1-13#
D. CONCLUSION	1-13#
<u>CHAPTER 2: ADMINISTRATIVE AND GENERAL EXPENSES</u>	
<u>(LARKFIELD DISTRICT)</u>	2-1#
A. INTRODUCTION	2-1#
B. SUMMARY OF RECOMMENDATIONS	2-1#
C. DISCUSSION	2-1#
1)# General Forecasting Methodology	2-1#
2)# Office Supplies & Other Expenses	2-1#
3)# Property Insurance	2-1#
4)# Worker’s Comp, Injuries & Damages	2-1#
5)# Employee Pension & Benefits	2-2#
6)# Regulatory Expense	2-2#
7)# Outside Services	2-2#
8)# Miscellaneous General Expense	2-2#
9)# General Plant	2-3#
10)# Rents	2-4#
D. CONCLUSION	2-4#
<u>CHAPTER 3: ADMINISTRATIVE AND GENERAL EXPENSES</u>	
<u>(LOS ANGELES DISTRICT)</u>	3-1#
A. INTRODUCTION	3-1#
B. SUMMARY OF RECOMMENDATIONS	3-1#
C. DISCUSSION	3-1#
1)# Forecasting Methodology	3-1#
2)# Office Supplies & Other Expenses	3-1#
3)# Property Insurance	3-1#
4)# Worker’s Comp, Injuries & Damages	3-1#

5)# Employee Pension & Benefits	3-2#
6)# Regulatory Expense	3-3#
7)# Outside Services	3-3#
8)# Miscellaneous General Expense	3-4#
9)# General Plant	3-5#
10)# Rents	3-5#
D. CONCLUSION	3-5#
CHAPTER 4: ADMINISTRATIVE AND GENERAL EXPENSES	4-1#
(MONTEREY DISTRICT)	4-1#
A. INTRODUCTION	4-1#
B. SUMMARY OF RECOMMENDATIONS	4-1#
C. DISCUSSION	4-1#
1)# General Forecasting Methodology	4-1#
2)# Office Supplies & Other Expenses	4-1#
3)# Property Insurance	4-2#
4)# Worker's Comp, Injuries & Damages	4-2#
5)# Employee Pension & Benefits	4-2#
6)# Regulatory Expense	4-4#
7)# Outside Services	4-4#
8)# Miscellaneous General Expense	4-4#
9)# General Plant	4-7#
10)# Rents	4-7#
D. CONCLUSION	4-7#
CHAPTER 5: ADMINISTRATIVE AND GENERAL EXPENSES	5-1#
(MONTEREY WASTE WATER DISTRICT)	5-1#
A. INTRODUCTION	5-1#
B. SUMMARY OF RECOMMENDATIONS	5-1#
C. DISCUSSION	5-1#
1)# Forecasting Methodology	5-1#
2)# Office Supplies & Other Expenses	5-1#
3)# Employee Pension & Benefits	5-1#
4)# Outside Services	5-1#
5)# Miscellaneous General Expense	5-2#
6)# Rents	5-3#
D. CONCLUSION	5-3#
CHAPTER 6: ADMINISTRATIVE AND GENERAL EXPENSES	
(SACRAMENTO DISTRICT)	6-1#
A. INTRODUCTION	6-1#
B. SUMMARY OF RECOMMENDATIONS	6-1#
C. DISCUSSION	6-1#
1)# General Forecasting Methodology	6-1#
2)# Office Supplies & Other Expenses	6-1#
3)# Property Insurance	6-2#

4)# Worker’s Comp, Injuries & Damages	6-2#
5)# Employee Pension & Benefits	6-2#
6)# Regulatory Expense	6-3#
7)# Outside Services	6-3#
8)# Miscellaneous General Expense	6-4#
9)# General Plant	6-6#
10)# Rents	6-6#
D. CONCLUSION	6-7#

CHAPTER 7: ADMINISTRATIVE AND GENERAL EXPENSES (SAN DIEGO COUNTY DISTRICT) **7-1#**

A. INTRODUCTION	7-1#
B. SUMMARY OF RECOMMENDATIONS	7-1#
C. DISCUSSION	7-1#
1)# General Forecasting Methodology	7-1#
2)# Office Supplies & Other Expenses	7-1#
3)# Property Insurance	7-2#
4)# Worker’s Comp, Injuries & Damages	7-2#
5)# Employee Pension & Benefits	7-2#
6)# Regulatory Expense	7-3#
7)# Outside Services	7-3#
8)# Miscellaneous General Expense	7-4#
9)# General Plant	7-5#
10)# Rents	7-5#
D. CONCLUSION	7-5#

CHAPTER 8: ADMINISTRATIVE AND GENERAL EXPENSES (VENTURA DISTRICT) **8-1#**

A. INTRODUCTION	8-1#
B. SUMMARY OF RECOMMENDATIONS	8-1#
C. DISCUSSION	8-1#
1)# Forecasting Methodology	8-1#
2)# Office Supplies & Other Expenses	8-1#
3)# Property Insurance	8-1#
4)# Worker’s Comp, Injuries & Damages	8-2#
5)# Employee Pension & Benefits	8-2#
6)# Regulatory Expense	8-2#
7)# Outside Services	8-2#
8)# Miscellaneous General Expense	8-3#
9)# General Plant	8-4#
10)# Rents	8-4#
D. CONCLUSION	8-4#

CHAPTER 9: PAYROLL (COMPANYWIDE SUMMARY) **9-1#**

A. INTRODUCTION	9-1#
B. SUMMARY OF RECOMMENDATIONS	9-1#

C. DISCUSSION	9-1#
1)# Union and Non-Union Payrolls	9-2#
2)# Incentive Pay	9-4#
3)# Overtime (OT)	9-5#
4)# Payroll Reserve	9-6#
5)# Other Labor Adjustment	9-7#
D. CONCLUSION	9-8#
CHAPTER 10: PAYROLL	10-1#
(LARKFIELD DISTRICT)	10-1#
A. INTRODUCTION	10-1#
B. SUMMARY OF RECOMMENDATIONS	10-1#
D. CONCLUSION	10-2#
CHAPTER 11: PAYROLL	11-1#
(LOS ANGELES DISTRICT)	11-1#
A. INTRODUCTION	11-1#
B. SUMMARY OF RECOMMENDATIONS	11-1#
C. DISCUSSION	11-1#
D. CONCLUSION	11-2#
CHAPTER 12: PAYROLL	12-1#
(MONTEREY DISTRICT)	12-1#
A. INTRODUCTION	12-1#
B. SUMMARY OF RECOMMENDATIONS	12-1#
C. DISCUSSION	12-1#
D. CONCLUSION	12-2#
CHAPTER 13: PAYROLL	13-1#
(MONTEREY WW DISTRICT)	13-1#
A. INTRODUCTION	13-1#
B. SUMMARY OF RECOMMENDATIONS	13-1#
C. DISCUSSION	13-1#
D. CONCLUSION	13-2#
CHAPTER 14: PAYROLL	14-1#
(SACRAMENTO DISTRICT)	14-1#
A. INTRODUCTION	14-1#
B. SUMMARY OF RECOMMENDATIONS	14-1#
C. DISCUSSION	14-1#
D. CONCLUSION	14-2#
CHAPTER 15: PAYROLL	15-1#
(SAN DIEGO COUNTY DISTRICT)	15-1#
A. INTRODUCTION	15-1#
B. SUMMARY OF RECOMMENDATIONS	15-1#
C. DISCUSSION	15-1#
D. CONCLUSION	15-1#
CHAPTER 16: PAYROLL	16-1#

(VENTURA DISTRICT)	16-1#
A. INTRODUCTION	16-1#
B. SUMMARY OF RECOMMENDATIONS	16-1#
C. DISCUSSION	16-1#
D. CONCLUSION	16-2#
<u>CHAPTER 17: SPECIAL REQUEST #17: RATE CASE EXPENSE RECOVERY</u>	17-1#
A. INTRODUCTION	17-1#
B. SUMMARY OF RECOMMENDATIONS	17-1#
C. DISCUSSION	17-2#
D. CONCLUSION	17-5#
<u>CHAPTER 18: DIRECT TESTIMONY AND QUALIFICATIONS OF JOSEFINA MONTERO</u>	18-1#
<u>CHAPTER 19: DIRECT TESTIMONY AND QUALIFICATIONS OF JEFFREY ROBERTS</u>	19-1#
<u>CHAPTER 20: ATTACHMENTS FOR CHAPTER 1</u>	20-1#
<u>CHAPTER 21: ATTACHMENTS FOR CHAPTER 2</u>	21-1#
<u>CHAPTER 22: ATTACHMENTS FOR CHAPTER 3</u>	22-1#
<u>CHAPTER 23: ATTACHMENTS FOR CHAPTER 4</u>	23-1#
<u>CHAPTER 24: ATTACHMENTS FOR CHAPTER 5</u>	24-1#
<u>CHAPTER 25: ATTACHMENTS FOR CHAPTER 6</u>	25-1#
<u>CHAPTER 26: ATTACHMENTS FOR CHAPTER 7</u>	26-1#
<u>CHAPTER 27: ATTACHMENTS FOR CHAPTER 8</u>	27-1#
<u>CHAPTER 28: ATTACHMENTS FOR CHAPTER 9</u>	28-1#
<u>CHAPTER 29: ATTACHMENTS FOR CHAPTER 10</u>	29-1#
<u>CHAPTER 30: ATTACHMENTS FOR CHAPTER 17</u>	30-1#

1 **C. DISCUSSION**

2 **1) General Forecasting Methodology**

3 Cal Am generally used an adjusted five-year average of 2008 to 2012
4 recorded data to forecast Test Year 2015 A&G expenses. Cal Am also adjusts its
5 projections for inflation, customer growth and sales tax increase (for 2013 only).
6 Cal Am includes customer growth in historic years 2008 to 2012 to derive the
7 restatement factors. Though Cal Am labelled these factors as “restatement factors”
8 in its spreadsheets, they are the same as escalation factors. For uniformity, ORA
9 will use “restatement factor” throughout this report.¹

10 ORA generally used a five-year average of 2008 to 2012 recorded data to
11 derive its A&G expense estimates. ORA removed unusual and non-reoccurring
12 expenses appearing in recorded data. ORA applied inflation factors only to derive
13 Test Year 2015 and Escalation Year 2016 A&G accounts. ORA does not adjust
14 for customer growth to derive the Test Year estimates for the districts. ORA’s
15 witness sponsoring this recommendation is Terence Shia. For a detailed
16 discussion, see ORA’s Operation and Maintenance (“O&M”) Report.

17 Both Cal Am and ORA use the Estimates of Non-Labor and Wage
18 Escalation Rates for 2013 through 2017 and Compensation per Hour published by
19 ORA Energy Cost of Service (“ECOS”) and Water Branches dated May, 2013
20 (from IHS Global Insight). However, for any settlement on A&G expenses, the
21 Comparison Exhibit should reflect the latest available estimates of Non-Labor and
22 Wage Escalation Rates and Compensation per Hour.

23 Cal Am used the composite index for its A&G expenses. ORA likewise
24 used the composite index for most of the A&G accounts except for the accounts

¹ See Cal Am’s Expense spreadsheets.

1 Employee Pension and Benefits and Outside Services where ORA used the labor
2 index as provided in the Rate Case Plan.²

3 In the process of reviewing Cal Am’s responses to ORA’s data requests,
4 ORA found that there were erroneous descriptions of entries in Cal Am’s general
5 ledger accounts. These erroneous descriptions generated much confusion
6 especially when ORA was evaluating the breakdown of the sub-accounts
7 comprising each Commission account in the A&G spreadsheets for the years 2008
8 to 2012. Three examples are noted below. Cal Am recognizes the problem as it
9 stated in the revised response to JM2-017: “The Company is modifying its
10 procedures to correct the issue going forward.” Examples include:

11 a. In account Worker’s Comp, Injuries & Damages, a number of
12 transactions were described as “Pension Expenses” in the Sacramento,
13 San Diego County and Larkfield Districts. When asked to explain, Cal
14 Am admitted that:

15 “The general ledger entries recorded in the Workers Compensation
16 account erroneously included a description of pension expense. .
17 .There is no pension expense included in the Workers Compensation
18 account. . . . See a revised JM2-007 Q001 with accurate
19 descriptions.”³

20
21 To date, Cal Am has not provided the revised JM2-007 Q001 “with
22 accurate descriptions.”

23 b. In sub-account Transportation Expense - Other Oper A&G under
24 account Miscellaneous General Expenses, a number of transactions
25 were described as “Accumulated Depreciation - Utility Plant in
26 Service,” “Common Stock - Subs Intercompany,” “Paid - In Capital -
27 Subs Intercompany,” “Reg Asset - Coastal Water Project Surcharge,” “

² D. 04-06-018, pages 10 to 14.

³ Cal Am revised response to JM2-017 QB002 (a)-(b)-(c).

1 Reg Asset - Purch Power & Water Balancing Acct,” “Residential Sales
2 Billed” and “Residential Sales Billed Unmetered.” When asked to
3 explain, Cal Am stated:

4 “Our original attachment JM2-015 Q4 (a) pulled the wrong
5 descriptions for the above amounts. The correct descriptions are
6 included in the second tab of “DRA-A.13-07-002. JM2-022 QB002
7 Attachment.”⁴

8
9 Cal Am has corrected the wrong descriptions.

10
11 c. In account Rent, two sub-accounts have a number of transactions
12 described as “Temporary Labor” in the Sacramento District. Cal Am
13 stated:

14 “The general ledger entries in the Rents – Real Property – T&D
15 account erroneously included a description of temporary labor
16 expense. The entries should have had a description for rent expense.
17 There is no temporary labor included in the Rents – Real Property –
18 T&D account. The wrong description field was included on some
19 transactions when the transactions were processed in batch. The
20 costs were appropriately posted into ledger accounts; however,
21 wrong descriptions were included with some transaction line entries.
22 The company will provide an update JM2-001 item 6.”⁵

23 The updated JM2-001 item 6 that Cal Am provided still has the
24 “Temporary Labor” descriptions.

25 **2) Office Supplies & Other Expenses**

26 ORA excluded payments to the Chamber of Commerce from recorded
27 expenses for sub-account Dues and Membership totaling \$3,050.

28 ORA asked Cal Am to explain the purpose of this category of expense.
29 Portions of Cal Am’s responses stated:

⁴ See response to JM2-022 Question B 2.

⁵ See responses to JM2-019 Questions 3(b) and 3(c).

1 “Membership in the Chamber of Commerce allows management to hear
2 from businesses that are customers in the communities in which we serve,
3 and to learn how to better meet the needs of the customers.”⁶
4

5 Additionally, Cal Am stated that:

6 The Mark West Chamber of Commerce represents business and the
7 community in the Larkfield-Wikiup-Fulton area served by California
8 American Water. The Santa Rosa Chamber of Commerce represents the
9 greater region, including the Larkfield service area. Both charges are
10 membership dues for the organizations. . . . membership in the Chamber
11 allows us to meet and interact with our business customers to discuss rates,
12 investment, and conservation.⁷
13

14 In D.96-01-011, the Commission disallowed inclusion of Chamber of
15 Commerce dues stating that it is “a long-standing policy not to allow recovery in
16 rates of dues to chamber of commerce and service clubs. In Pacific Tel. & Tel.
17 Co. v. Public Util. Comm (1965) 62 Cal.2d 634,669, the California Supreme Court
18 upheld this policy.”

19 Consistent with Commission policy, ORA excluded Chamber of Commerce
20 expense from its A&G estimates.

21 **3) Property Insurance**

22 ORA generally agrees with Cal Am’s Property Insurance expense
23 estimates. ORA’s estimate is a total of \$13,241 for its districts for Test Year 2015
24 which is \$149 less than Cal Am’s estimate. Any differences from Cal Am’s
25 estimates are due to the inclusion by Cal Am of customer growth to derive the
26 restatement factor. As previously mentioned, ORA does not adjust for customer
27 growth to derive the Test Year estimates for the districts.

⁶ See response to JM2-010 Question 1.

⁷ See response to JM2-011 Q1.

1 **4) Worker’s Comp, Injuries & Damages**

2 ORA generally agrees with Cal Am’s Worker’s Comp, Injuries & Damages
3 expense estimates except for the San Diego District, where ORA removed a one-
4 time expense of \$13,000 in 2011 from sub-account Injuries and Damages that
5 represented an employee-related settlement.⁸ ORA’s estimate is a total of \$27,718
6 for its districts for Test Year 2015 which is \$3,011 less than Cal Am’s estimate.

7 As noted in account Property Insurance, the differences between ORA and
8 Cal Am’s estimates for Test Year 2015 for the other districts are due to the
9 inclusion by Cal Am of customer growth to derive the restatement factor, which
10 ORA removes for developing its test year estimate.

11 **5) Employee Pension & Benefits**

12 ORA and Cal Am use the five year average of 2008 to 2012 recorded data
13 for most sub-accounts in Employee Pension & Benefits except for 401K and
14 Defined Contribution Plan (“DCP”), which are both linked to the labor estimates.

15 ORA excluded \$78,384 in total for gift cards, food for holiday lunch,
16 clothing, and toys from recorded expenses for sub-accounts Other Welfare Exp
17 Oper A&G, Safety Incentive, and Employee Awards.

18 ORA asked Cal Am to explain the purposes of these categories of expenses.
19 Cal Am stated that:

20 “These expenses are primarily for small appreciation awards, holiday lunch
21 or company t-shirts for employees. . . . These small appreciation awards
22 boost employee morale and help reduce costly turnover of our skilled
23 workforce.”⁹

24
25 “Safety recognition activities such as these appreciation awards are part of
26 California American Water’s Strategic Safety Plan which recognizes
27 employees for working safe. The cost of accidents ultimately falls upon

⁸ See response to JM2-007 B 4.

⁹ See response to JM2-014 Question A 1 (a).

1 ratepayers - therefore, decreasing this risk by incentivizing employees
2 benefits ratepayers.”¹⁰

3

4 “The \$6,843 [gift cards] and \$198 [toys] charges are primarily used for
5 appreciation awards.”¹¹

6

7 “Small tokens of appreciation such as an end-of-year appreciation awards
8 are used to thank employees for their dedication and service in providing
9 high quality potable water and service to our customers. These appreciation
10 awards boost employee morale, help reduce costly turnover of employees,
11 and allow the Company to recognize and hold out as examples employees it
12 considers to be exceptional.”¹²

13

14 The Commission has previously denied utility requests for social activities.
15 In D.93-12-043, the Commission denied SoCalGas rate recovery for: “Disneyland
16 trips, Christmas turkey checks, employee volunteer program information and
17 retiree gift checks and luncheons.” The Commission found that “Disneyland trips
18 and Christmas turkey checks may be reasonable employee benefits but ratepayers
19 should not be required to pay for them. SoCalGas, of course, may continue to
20 offer these benefits at shareholder expense.”¹³

21 Consistent with Commission policy, ORA excluded gift cards, food for
22 holiday lunches, clothing, and toys from recorded A&G expenses totaling
23 \$78,384.

24 **6) Regulatory Expense**

25 Regulatory Expense is accounted for in the General Office and there is no
26 Regulatory Expense at the district level. This is consistent with the provision in
27 D.12-06-016, which adopted a settlement agreement requiring recovery of

¹⁰ See response to JM2-014 Question A 2 (b).

¹¹ See response to JM2-014 C 6 (b).

¹² See response to JM2-014 C 9.

¹³ D.93-12-043, page 31.

1 regulatory expense for water districts to be recorded in a General Office expense
2 account for allocation to districts.¹⁴

3 In Cal Am’s GRC filing however, Sacramento has \$1,200 and Monterey
4 has \$800 of Regulatory Expenses for Test Year 2015. These figures are a result of
5 Cal Am’s use of a five-year average of historical 2008 to 2012 expenses. Since
6 these districts have recorded expenses in 2008 for a depreciation study which
7 ended in that year, the use of the five-year average resulted in the figures in Cal
8 Am’s GRC filing. This is inconsistent with the provision of a settlement
9 agreement between Cal Am, ORA and TURN adopted in D.12-06-016 as cited
10 above and therefore excluded by ORA. Except for these two districts, there are no
11 Regulatory Expense estimates for Test Year 2015 for Cal Am’s other districts.

12 7) Outside Services

13 ORA excludes all recorded expenses related to the Comprehensive
14 Planning Study (CPS) and Geographic Information Systems (GIS) from sub-
15 account 531000.16 “Contract Svc-Eng Oper A&G.” As stated in response to Data
16 Request PR1-024 Question 4: “The entire CPS and GIS budget needed going
17 forward is included in PUC 756. If any CPS or GIS expenses were inadvertently
18 included in the 5-year average in account 798, they can be removed.” Please refer
19 to the district reports for the amounts excluded for each district.

20 ORA excludes all A&G expense estimates in the districts pertaining to the
21 Arc Flash Study in sub-account Contract Svc – Eng Oper A&G for the following
22 reasons:

- 23 a. **ORA could not find any basis or need for the \$2.52 Million**
24 **requested by Cal Am to conduct the Arc Flash Study. Cal Am**
25 **further proposed to phase in the study over a five year period to**
26 **minimize the financial impact.**
27

¹⁴ Partial Settlement Agreement Between the Division of Ratepayer Advocate, the Utility Reform Network and California American Water Company on Revenue Requirement Issues, A.10-10-007 at page 54.

1 An Arc Flash Study is a comprehensive and intensive study done to assess
2 any risks associated with employees working with high voltage electrical
3 equipment. The study is a written report that calculates electrical incident energy
4 at each point in the electrical system. The study also provides updated warning
5 labels that include the incident energy and the proper personal protective
6 equipment used when employees are working with high voltage equipment.¹⁵

7 Cal Am believes that the company needs the arc flash study to be in compliance
8 with existing laws. As stated in response to JR6-016 Q001, Cal Am believes the
9 Arc Flash Study: “protects Cal Am and ratepayers for potential costs associated
10 with these injuries, such as personnel harm, OSHA fines, legal costs, possible
11 service disruptions, and the damage to or failure of equipment that could impact
12 operations.”

13 There are no specific OSHA laws regarding Arc Flash Hazards or incident
14 energy. There are however, laws related to electrical equipment markings as
15 outlined in Occupational Safety and Health Standards, subsection “Electrical”
16 1910.303(e)(1), which states:

17 “Marking --
18 1910.303(e)(1) - Identification of manufacturer and ratings. Electric
19 equipment may not be used unless the following markings have been
20 placed on the equipment:
21 1910.303(e)(1)(ii) - Other markings giving voltage, current, wattage, or
22 other ratings as necessary.”¹⁶

23
24 Review of photos from ORA’s site visits shows that Cal Am facilities
25 already have the applicable label noting the voltage of the equipment with a
26 warning about arc flash hazard. These labels demonstrate compliance with
27 OSHA’s law regarding electrical equipment marking.

¹⁵ See response to JR6-016 Q5.

¹⁶ 29 C.F.R. § 1910.303(e)(1)-(e)(1)(ii)

1 Cal Am states that it wants to be in compliance with “NFPA 70E Standards
2 for electrical safety in the workplace” because OSHA “can issue fines under the
3 general duty clause of the Occupational Safety and Health Act, 29 U.S.C. §
4 654(a)1, for not meeting such standards”¹⁷ The NFPA 70E standards outline safe
5 work practices to protect personnel by reducing exposure to major electrical
6 hazards. The principles outlined in NFPA 70E are considered the highest standard
7 of electrical safety practices. ORA asked why ratepayers should pay for a highly
8 detailed and more costly safety plan when Cal Am has demonstrated compliance
9 with OSHA requirements.

10 Cal Am responded that:

11
12 Although many of Cal Am's existing equipment components have general
13 arc flash warning labels, they do not include all of the required information
14 based on current NFPA 70E guidelines. OSHA refers to NFPA guidelines
15 as a generally accepted industry practice, and can issue fines under the
16 general duty clause of the Occupational Safety and Health Act, 29 U.S.C. §
17 654(a)(1), for not meeting such standards.¹⁸

18
19 Upon review of OSHA’s general duty clause, the law encompasses many
20 different aspects of occupational safety and does not address NFPA 70E
21 guidelines. Fines issued under the general duty clause include issues related to
22 indoor air quality, workplace violence, and even musculoskeletal disorders from
23 lifting. One example of this includes a citation issued to Pepperidge Farms in 1988
24 for injuries related to putting together sandwich cookies.¹⁹ Considering the wide
25 scope of the general duty clause, ORA does not find sufficient evidence to link
26 NFPA 70E standards to OSHA Law. Additionally, ORA could not find any
27 examples of a company being cited for not complying with NFPA 70E standards.

¹⁷ See Response to JR6-016 Q1; see 29 U.S.C. § 654 (OSHA’s “general duty” clause)

¹⁸ See Response to JR6-016 Q1

¹⁹ Secretary of Labor v Pepperidge Farm, Inc. OSHRC Docket No. 89-0265

1 In an attempt to find out what Cal Am’s basis was for asking for this study in this
2 ratecase, ORA asked the company whether or not they have been cited by a local,
3 state, or federal agency for non-compliance with the NFPA 70E arc flash
4 standards. Cal Am responded to JR6-016 that it is not aware of any local, state, or
5 federal agency citations for non-compliance with the updated arc flash
6 standards.²⁰

7 **b. Cal Am’s cost estimates for the Arc Flash Study are company**
8 **generated and should not be considered an independent estimate.**

9 Cal Am estimates that the total cost of the Arc Flash Study is *** BEGIN
10 CONFIDENTIAL [REDACTED] END CONFIDENTIAL ***.²¹ When asked who
11 provided the price quote for the study, Cal Am’s response was that this quote was
12 “based on American Water Business Services Engineering project bidding
13 experience for each facility that would require the study.”²²

14 In the GRC filing, the cost estimates for the Arc Flash Study comes from
15 American Water and Cal Am did not provide a price comparison to determine that
16 the estimated costs were the most competitive available. ORA would expect Cal
17 Am to provide at least three bids from outside companies other than American
18 Water in order to justify the cost estimate. *** BEGIN CONFIDENTIAL [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED] END CONFIDENTIAL ***.²³

²⁰ See response to JR6-016 Q2

²¹ See response to JR6-016 Q6 (CONFIDENTIAL)

²² See response to JM2-017 F (5).

²³ See responses to JM2-022 C (5) (CONFIDENTIAL) and C (6).

1 For the reasons cited above, ORA excludes all costs related to the Arc Flash
2 Study.

3 **8) Miscellaneous General Expense**

4 ORA made the following adjustments:

5 a. ORA excluded payments to the Chamber of Commerce from recorded
6 expenses totaling \$38,409 for sub-accounts Charitable Contributions,
7 Community Relations, Co Dues/Membership and Employee Expense
8 for the reasons cited in account Office Supplies & Other Expenses.

9 b. ORA excluded various transportation expense amounts in various
10 districts in 2012 following adjustments made by Cal Am to correct the
11 company's erroneous entries. In response to JM2-002 item 3 (b), Cal
12 Am stated:

13 "Per review of the transportation expenses, this account was
14 inadvertently included and should be \$0. Other transportation
15 expenses in other districts should be reduced or increased by the
16 amounts shown in the following table."²⁴
17

18 c. ORA excluded payment for Marketing Consulting from recorded
19 expenses totaling \$148,136 for sub-accounts Community Relations and
20 Advertising.

21 According to Cal Am:

22 "Things of this nature were conducted in 2010 through 2012 to
23 encourage conservation and reach out to customers to educate
24 them."²⁵
25

26 Cal Am had not provided sufficient justification why it should charge
27 ratepayers with the cost for Marketing Consulting.

²⁴ See response to JM2-002 Q003 (b).

²⁵ See response to JM2-010 Question 2.

1 d. ORA excluded gift cards from recorded expenses totaling \$3,615 for
2 sub-accounts Employee Expense and Charitable Contributions for the
3 reasons cited in account Employee Pension and Benefits.

4 According to Cal Am:

5 “The first amount was for small end-of-year appreciation awards to thank
6 employees.”²⁶

7 **9) General Plant**

8 ORA generally agrees with Cal Am’s General Plant related expense
9 estimates. ORA’s estimate is a total of \$66,798 for its districts for Test Year 2015
10 which is \$281 less than Cal Am’s estimate.

11 As noted in account Property Insurance, the differences between ORA and
12 Cal Am’s estimates for Test Year 2015 are due to the inclusion by Cal Am of
13 customer growth to derive the restatement factor, which ORA removed to develop
14 its test year estimate.

15 **D. CONCLUSION**

16 ORA recommends that the Commission adopt ORA’s A&G expense
17 estimates for Cal Am’s districts for Test Year 2015.

18 ORA recommends that the Commission require Cal Am to demonstrate and
19 document process improvements for describing accounting transactions to avoid
20 confusion regarding erroneous descriptions of accounting entries. Cal Am should
21 be required to submit written documentation on how it can “modify its procedures
22 to correct the issue going forward.”

²⁶ See response to JM2-010 Question 4 (a).

1 **5) Employee Pension & Benefits**

2 ORA estimates Test Year 2015 Employee Pension & Benefits of \$21,492.
3 Cal Am's estimate is \$23,210 which exceeds ORA's estimate by \$1,718.

4 ORA excludes \$186 in total for Non-Catered Food & Beverages spent at
5 the River Rock Casino²⁷ from recorded expenses for sub-account Safety Incentive
6 A&G. The \$186 represents 10% of total 2008 to 2012 recorded expenses for this
7 sub-account. The Commission denied utility requests for appreciation awards and
8 social activities in the past. Refer to the Company-wide A&G Report sections on
9 Employee Pension & Benefits and Miscellaneous General Expenses.

10 **6) Regulatory Expense**

11 ORA agrees with Cal Am that there is no Regulatory Expense in the
12 districts.

13 **7) Outside Services**

14 ORA estimates Test Year 2015 Outside Services of \$9,892. Cal Am's
15 estimate is \$36,218 which exceeds ORA's estimate by \$26,326.

16 ORA excludes all recorded expenses related to Comprehensive Planning
17 Study (CPS) and Geographic Information Systems (GIS) from sub-account
18 Contract Svc-Eng. Oper: \$50,040 in 2010; \$7,105 in 2011 and \$398 in 2012.

19 ORA excludes \$14,000 from Test Year 2015 for the Arc Flash Study in
20 sub-account Contract Svc – Eng Oper A&G.

21 **8) Miscellaneous General Expense**

22 ORA estimates Test Year 2015 Miscellaneous General Expenses of
23 \$81,981. Cal Am's estimate is \$87,385 which exceeds ORA's estimate by \$5,404.

24 ORA excludes the following from recorded expenses:

²⁷ See response to JM2-014 C 11.

1 a. From sub-account Transportation Expense - Other Oper A&G: \$13,237
2 in 2012. In response to JM2-003 item B. 3 (d), Cal Am made this
3 adjustment to correct the company's erroneous entries:

4 "The 2012 amount inadvertently included \$13,237 that it should
5 have excluded."²⁸
6

7 b. From sub-account Charitable Contributions: \$100 in 2009 for donations
8 to the Special Olympics; \$100 in 2010 for donations to Goodwill; \$32 in
9 2011 for entry tickets to the Sonoma County Fair and Expo. ORA also
10 removed unsupported recorded expenses of \$1,790 in 2012.

11 In D.10-11-034, the Commission denied Great Oak's charitable and
12 political contributions when it stated:

13 "Based on Commission policy, as affirmed by the California
14 Supreme Court, dues, donations, and charitable contributions are not
15 recoverable in rates."
16

17 Consistent with Commission policy, ORA excludes charitable
18 contributions from A&G recorded expenses.

19
20 c. From sub-account Relocation Expenses: \$500 in 2009. Except for 2009,
21 there are no recorded expenses for the other years. ORA removed this
22 one-time expense from the recorded expenses.

23 **9) General Plant**

24 ORA agrees with Cal Am's estimates of \$21 for General Plant expense for
25 Test Year 2015.

²⁸ See response to JM2-003 B. 3 (d). Refer to DRA-JM2-003_Q 3(d).pdf.

1 **10)Rents**

2 ORA generally agrees with Cal Am's Rent expense estimate. ORA's
3 estimate is \$29,387 for Test Year 2015. Cal Am's estimate is \$29,869 which
4 exceeds ORA's estimate by \$482.

5 As noted in the Company-wide A&G Report section on Property Insurance,
6 the differences between ORA and Cal Am's estimates for Test Year 2015 are due
7 to the inclusion by Cal Am of customer growth to derive the restatement factor,
8 which ORA removed to develop its test year estimate.

9 **D. CONCLUSION**

10 ORA recommends that the Commission adopt ORA's A&G expense
11 estimates for the Larkfield District.

3 **CHAPTER 3: ADMINISTRATIVE AND GENERAL**
4 **EXPENSES**

4 **(LOS ANGELES DISTRICT)**

5 **A. INTRODUCTION**

7 This Chapter presents ORA’s analysis and recommendation on
8 Administrative and General (“A&G”) expenses for the Los Angeles District.

10 ORA analyzed Cal Am’s reports, supporting workpapers, responses to both
11 the Minimum Data Requirements and Supplemental Data Requests, and methods
12 of estimating A&G expenses.

11 **B. SUMMARY OF RECOMMENDATIONS**

13 ORA’s estimate for total A&G expenses is \$696,648. Cal Am’s estimate is
14 \$868,927, which exceeds ORA’s estimate by \$172,279.

14 **C. DISCUSSION**

15 **1) Forecasting Methodology**

18 Refer to ORA’s companywide A&G report (Chapter 1) for a discussion of
19 the forecasting methodology ORA used to derive the A&G expense estimates for
20 Test Year 2015 for each district for each of the following categories 2 - 10.

19 **2) Office Supplies & Other Expenses**

21 ORA estimates Test Year 2015 Office Supplies & Other Expenses of \$428.
22 Cal Am’s estimate is \$430 which exceeds ORA’s estimate by \$2.

22 **3) Property Insurance**

24 ORA estimates Test Year 2015 property insurance expense of \$959. Cal
25 Am’s estimate is \$961 which exceeds ORA’s estimate by \$2.

25 **4) Worker’s Comp, Injuries & Damages**

28 ORA estimates Test Year 2015 worker’s comp, injuries & damages
29 expense of negative (\$482). Cal Am’s estimate is negative (\$481) which exceeds
30 ORA’s estimate by \$1.

1 **5) Employee Pension & Benefits**

2 ORA estimates Test Year 2015 Employee Pension & Benefits of \$65,960.
3 Cal Am’s estimate is \$82,820, which exceeds ORA’s estimate by \$16,860.

4 ORA excludes the following from recorded expenses:

5 a. From sub-account Other Welfare Exp Oper A&G:

6 i. Dodgers Suite & Tickets \$5,481 in 2012. When asked, Cal Am
7 responded:

8 “The \$5,481.49 was incurred to take employees to a Dodgers game to
9 recognize employees for their hard work and dedication in providing high quality
10 water and service to customers.”²⁹

11 ORA encourages water utilities to recognize employees hard work, but this
12 cost should be borne by the company and not ratepayers.

13 ii. Reimburse Vacation Cost \$1,500 in 2008. When asked about this,
14 Cal Am responded:

15 “This expense was for reimbursing an employee for pre-paid vacation
16 expenses incurred by the employee. Due to work requirements that came up prior
17 to/during the scheduled vacation, the employee was not able to take the
18 vacation.”³⁰

19 Ratepayers should not be compensating employee vacations due to
20 scheduling errors.

21 b. From sub-account Employee Awards: \$4509 in 2008 Gift Cards.

22 c. From sub-account Safety Incentive: \$18,121 Gift Cards from years 2009
23 through 2011.

²⁹ JR6-012 Q1

³⁰ JR6-012 Q2

1 d. From sub-account Training A&G: \$8,468 UPA-Engineering Transfer,
2 Cal Am provided insufficient support for this expense. When asked
3 about this specific expense Cal Am stated:

4 “This cost was originally capitalized as UPA but was then properly
5 reclassified to training expense in PUC 795. The costs relate to training for GIS
6 modeling.”³¹

7 Cal Am provided no support for this expense and did not justify its
8 placement in expenses related to Pensions.

9 e. From sub-account Training-Safety A&G: \$15,204 in 2008 and \$12,177
10 in 2009 for North Valley Compliance. Cal Am no longer needed the
11 company’s services beyond 2009 since “California American Water
12 hired a Senior Specialist ORM Training to provide these services going
13 forward.”³²

14 **6) Regulatory Expense**

15 Both ORA and Cal Am estimate Test Year 2015 Regulatory Expense at \$0.

16 **7) Outside Services**

17 ORA estimates Test Year 2015 Outside Services of \$36,981. Cal Am’s
18 estimate is \$152,746 which exceeds ORA’s estimate by \$115,765.

19 The following were removed from the recorded expenses:

20 a. ORA excludes \$57,000 from Test Year 2015 for the Arc Flash Study in
21 sub-account Contract Svc – Eng Oper A&G.

22 b. ORA excludes all recorded expenses related to Comprehensive Planning
23 Study (CPS) and Geographic Information Systems (GIS) from sub-

³¹ See response to JR6-012 Q4

³² See response to JR6-008 Q5

1 account Contract Svc-Eng Oper: \$150,230 in 2010; \$152,769 in 2011;
2 and \$9,397 in 2012.

3 **8) Miscellaneous General Expense**

4 ORA estimates Test Year 2015 Miscellaneous General Expenses of
5 \$527,292. Cal Am's estimate is \$566,808, which exceeds ORA's estimate by
6 \$39,516.

7 ORA excludes the following from recorded expenses:

8 a. From sub-account Mat'l Supplies Oper A&G \$19,534 from year 2008
9 2009, 2011, 2012: Remove Coffee Service.

10 b. From sub-account Transportation Expense – Other Oper A&G \$85,502
11 for being an erroneous expense. Cal Am's response to JR6-001 Q6e
12 stated, "Per review of the transportation expenses, this account was
13 inadvertently included and should reduced."

14 c. From sub-account Misc Exp Oper A&G: \$9,918 for coffee service.

15 d. From sub-account Community Relations:

16 i. Donations \$51,542 in years 2008 through 2012.

17 ii. \$5,995 from years 2009 through 2011, upon review of source
18 documents, the total was less than was stated in the summary
19 resulting in a correction.

20 e. From sub-account Employee Expense A&G

21 i. Gift Card \$107.

22 ii. Personal charges \$526. The charges are listed as WM
23 SUPERCENTER" and "Target." ORA could not determine the
24 validity of these charges so they are removed from recorded
25 expenses.

26 f. From sub-account janitorial A&G: \$882 coffee service.

1 **9) General Plant**

2 ORA estimates Test Year 2015 general plant expense of \$8,175 Cal Am's
3 estimate is \$8,210 which exceeds ORA's estimate by \$35.

4 **10)Rents**

5 ORA estimates Test Year 2015 Rent of \$57,333. Cal Am's estimate is
6 \$57,434, which exceeds ORA's estimate by \$101.

7 **D. CONCLUSION**

8 ORA analyzed each sub account against source documentation and
9 investigated each account thoroughly for individual expenses that were unusual
10 and non-recurring. ORA recommends that the Commission adopt ORA's A&G
11 expense estimates for the Los Angeles District.

1 b. From sub-account Outplacement: \$2,500 in 2012. Other than 2012,
2 there are no recorded expenses for the other years. ORA removes this
3 one-time expense.

4 **3) Property Insurance**

5 Both ORA and Cal Am estimate Test Year 2015 property insurance
6 expense of \$201.

7 **4) Worker’s Comp, Injuries & Damages**

8 ORA estimates Test Year 2015 worker’s comp, injuries & damages
9 expenses of \$15,316. Cal Am’s estimate is \$15,373, which exceeds ORA’s
10 estimate by \$57.

11 **5) Employee Pension & Benefits**

12 ORA estimates Test Year 2015 Employee Pension & Benefits of \$229,657.
13 Cal Am’s estimate is \$261,548 which exceeds ORA’s estimate by \$31,891.

14 ORA excludes the following from recorded expenses:

15 a. From sub-account Training A&G: NON-catered Food & Beverage
16 totaling \$768 for years 2008 through 2010, Cal Am failed to show
17 benefit to ratepayers of this expense item.³⁴

18 b. From sub-account Employee Awards: \$4,664 since this is a miscoded
19 expense. In response to the initial data request inquiring about an
20 expense labeled “O&M WBS Settlements”, Cal Am stated:

21 “Those expenses were part of an Employee Recognition Program,
22 designed to award employees with outstanding service.”³⁵

23 Upon further inquiry in JR6-009, Cal Am changed their position and
24 stated:

³⁴ Cal Am Response to JR6-008 Q1

³⁵ Cal Am Response to JR6-005 Q9

1 “The items were originally mis-identified as awards for an Employee
2 Recognition Program. Upon further investigation, the amount of
3 \$4,664 was discovered to be for a reclassification of relocation
4 taxes.”³⁶

5 Upon review of the supplemental documentation the expenses had no
6 relevance to Employee Awards and thus removed from the recorded
7 expenses.

8 c. From sub-account Safety Incentive A&G:

- 9 i. Laptop Computer “APL APPLE ONLINE STORE” \$905;
- 10 ii. Entry Tickets for events “Monterey Lanes” \$3,081;
- 11 iii. Gift Cards (\$29,092) to various establishments coded under expense
12 items (USAIRWAYS, NORTHRIDGE MALL, CARMEL PLAZA,
13 BEST BUY etc.). The breakdown per year is as shown:

- 14 - \$7,290 in 2008
- 15 - \$5,875 in 2009
- 16 - \$8,420 in 2010
- 17 - \$5,482 in 2011
- 18 - \$2,025 in 2012

- 19 d. From sub-account Training A&G: \$39,061 in 2008 and \$38,334 in 2009
20 for North Valley Compliance. Cal Am no longer needed the company’s
21 services beyond 2009 since “California American Water hired a Senior
22 Specialist ORM Training to provide these services going forward.”³⁷

³⁶ Cal Am response to JR6-009 Q3.

³⁷ Cal Am response to JR6-008 Q5

1 **6) Regulatory Expense**

2 ORA estimates Test Year 2015 Regulatory Expense of \$0. Cal Am’s
3 estimate is \$775, which exceeds ORA’s estimate by \$775. This is due to an
4 amortized depreciation study that ended in 2008.

5 **7) Outside Services**

6 ORA estimates Test Year 2015 Outside Services of \$465,110. Cal Am’s
7 estimate is \$855,921, which exceeds ORA’s estimate by \$390,811.

8 The following were removed from the recorded expenses:

9 a. ORA excludes all recorded expenses related to Comprehensive Planning
10 Study (CPS) and Geographic Information Systems (GIS) from sub-
11 account Contract Svc-Eng Oper: \$173,607 in 2009; \$247,720 in 2010;
12 \$107,263 in 2011; and \$239,771 in 2012.

13 b. From sub-account “Contract Svc – Other Oper A&G” \$108,300 as a
14 one-time expense. When asked about this expense, Cal Am responded:

15 “This is one-time cost that provided benefits of fair and accurate
16 billings to customers in the Monterey County District.”³⁸

17 Cal Am agreed to remove this expense from the revenue requirement.³⁹

18 c. ORA excludes \$199,000 from Test Year 2015 for the Arc Flash Study
19 in sub-account Contract Svc – Eng Oper A&G.

20 **8) Miscellaneous General Expense**

21 ORA estimates Test Year 2015 Miscellaneous General Expenses of
22 \$1,819,964. Cal Am’s estimate is \$2,038,743 which exceeds ORA’s estimate by
23 \$218,779.

24 ORA excludes the following from recorded expenses:

³⁸ Cal Am response JR6-008 Q25

³⁹ See CAW_2013 GRC Application update Item H

- 1 a. From sub-account Mat'l Supplies Oper A&G: \$22,477 for coffee
2 service from years 2008 to 2012. When asked about this, Cal Am
3 responded:
- 4 "The expense items referred to are for the purchase of coffee and
5 coffee related services for facilities."⁴⁰
- 6 Cal Am's explanation is inadequate justification for ratepayer's
7 responsibility for these expenses.
- 8 b. From sub-account Transportation Expense –Other Oper A&G:
- 9 i. \$204,859 for being an erroneous expense. When asked about this
10 Cal Am's responded to stated "Per review of the transportation
11 expenses, this account was inadvertently included and should be
12 \$0."⁴¹
- 13 ii. Upon review of the source documents, a fuel rebate totaling \$18,539
14 was not included by Cal Am in year 2009. When included, the total
15 expenses in 2009 are lowered from \$6,894 to negative (\$11,645).⁴²
- 16 c. From sub-account Brochures & Handouts \$38,879 from years 2008 and
17 2010 for marketing consulting.
- 18 d. From sub-account Charitable Contributions - Deductible: \$103,126 in
19 total from years 2008 through 2012. According to Cal Am:
- 20 "I am not aware of a Commission decision or order allowing the
21 company to pass these expenses to ratepayers. I agree that charitable
22 donations be removed from the calculation of the revenue
23 requirement."⁴³

⁴⁰ Cal Am response to JR6-010 Q1

⁴¹ Cal Am response to JR6-001 Q6e

⁴² Cal Am response to JR6-001 Q6a

⁴³ Cal Am response to JR6-010 Q9

1 The Commission has denied utility request for charitable and political
2 contributions in the past. In D.10-11-034, the Commission denied Great
3 Oak’s charitable and political contributions when it stated:

4 “Based on Commission policy, as affirmed by the California
5 Supreme Court, dues, donations, and charitable contributions are not
6 recoverable in rates.”

- 7 e. From sub-account Community Relations:
 - 8 i. Donations \$25,584 in years 2008, 2010, and 2011.
 - 9 ii. Service Awards and Premiums \$2,078 from 2008 through 2012.
10 Service awards should not be present in community relations.
 - 11 iii. Marketing Consulting \$53,976 from 2008, 2010, 2011, and 2012.
- 12 f. From sub-account Co Dues/Membership: \$400, no supporting
13 documentation provided for 2010.
- 14 g. *** BEGIN CONFIDENTIAL [REDACTED]

15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]

22 [REDACTED].⁴⁴ END CONFIDENTIAL *** ORA found these costs to be
23 neither reasonable nor justifiable. More importantly, as a non-recurring
24 item this expense should be removed from forecasts.

⁴⁴ Data compiled from forty separate documents beginning “JR6-013 Q1 2009-2012”

1 h. From sub-account Cell Phone A&G: \$6,012, Cal Am stated expenses
2 for 2009 were \$52,691, upon review of the source documentation, only
3 \$46,679 could be verified resulting in a deduction of \$6,012.⁴⁵
4

5 ORA increased the capital credits in sub-account Transportation Expense –
6 Cap Credits in 2008 by (\$370,294). As shown in “DRA-JR6-001 Q6(a)
7 Attachment PUC 799 transactions-Monterey,” the 2008 Transportation
8 Expense – Cap Credits should be (\$587,688). Cal Am only recorded
9 (\$217,394).

10 **9) General Plant**

11 ORA estimates Test Year 2015 general plant expense of \$48,967. Cal
12 Am’s estimate is \$49,068 which exceeds ORA’s estimate by \$101

13 **10) Rents**

14 ORA estimates Test Year 2015 Rent of \$500,918. Cal Am’s estimate is
15 \$500,982 which exceeds ORA’s estimate by \$64. As noted in account Workers
16 Comp, Injuries, Damages, the difference is due to the inclusion of customer
17 growth to derive the reinstatement factor.

18 The majority of Rent expense is Cal Am’s new lease in Pacific Grove for
19 administrative and general staff. ORA reviewed the triple net lease Cal Am signed
20 in 2010 and found the costs to be reasonable. Site visits showed the space is
21 utilized effectively.

22 **D. CONCLUSION**

23 Process improvements should be explored by Cal Am in order to provide
24 better descriptions of transactions that are recorded to general ledger accounts.
25 Additionally, similar cost items have been found recorded to different PUC

⁴⁵ DRA-JR6-001_Q_6(a)_Attachment_-_PUC_799_transactions-Monterey(1)

1 accounts and sub-accounts. Cal Am should develop better cost allocation practices
2 to prevent this practice from continuing.

3 ORA examined the sub-accounts for each A&G account and was able to
4 cross reference the totals with the summary tables for consistency. However,
5 ORA found expense items that were inconsistent with those that are normally
6 allowed for in rates. ORA recommends that the Commission adopt ORA's A&G
7 expense estimates for the Monterey District.

- 1 a. ORA excludes \$35,000 from Test Year 2015 for the Arc Flash Study in
2 sub-account Contract Svc – Eng Oper A&G;
- 3 b. ORA excludes all recorded expenses related to Comprehensive Planning
4 Study (“CPS”) and Geographic Information Systems (“GIS”) from sub-
5 account Contract Svc-Eng Oper: \$178,961 in 2009; \$224,228 in 2010;
6 \$47,656 in 2011; and \$6,629 in 2012.

7 **5) Miscellaneous General Expense**

8 ORA estimates Test Year 2015 Miscellaneous General Expenses of
9 \$60,411. Cal Am’s estimate is \$73,997, which exceeds ORA’s estimate by
10 \$13,586.

11 ORA excludes the following from recorded expenses:

- 12 a. From sub-account Transportation Expense – Other Oper A&G
- 13 i. \$8,170 from years 2008 to 2011. Upon review of the source
14 expenses, the totals of the source expenses totaled less than what
15 was stated by Cal Am. The deduction reflects the discrepancy.
- 16 ii. \$32,103. This amount was inadvertently included and should be
17 deducted out.⁴⁶
- 18 b. From sub-account Penalties – Nondeductible \$10,241 in 2011 and 2012.
19 Penalties are not allowed to be recovered in rates.
- 20 c. Sub accounts “M&S Expense (O&M)” & “M&S Oper AG” were
21 inadvertently included and were deducted out; \$8,293 and \$2,963
22 respectively. Cal Am stated:
- 23 “After some research, it was determined that this account and
24 amount should not have been included in the request/workpapers and
25 there is no corresponding amount for 2008-2011.”⁴⁷

⁴⁶ Cal Am response to JR6-001 Q6e

⁴⁷ Cal Am response to JR6-002 Q4r

1 **6) Rents**

2 Both ORA and Cal Am estimate Test Year 2015 Rent of \$30,217. This
3 amount was allocated from Monterey Water district with no deductions.

4 **D. CONCLUSION**

5 ORA examined accounts and sub accounts for individual expenses that
6 were unusual and non-recurring. ORA recommends that the Commission adopt
7 ORA's A&G expense estimates for the Monterey WW District.

1 Cal Am had not shown how \$15,666 worth of coffee, tea, and related
2 items benefit ratepayers. ORA likewise excludes \$5,627 in 2012 which
3 is described as a “Labor Natural Account.” By Cal Am’ own admission:

4 “The general ledger entries recorded in the Office & Admin Supplies
5 account erroneously included a description of labor expenses. The
6 entries should have had a description for office supplies expenses.
7 There is no labor expense included in the Office & Admin Supplies
8 account.”⁴⁹

9 b. From sub-account Outplacement: \$4,200 in 2011- Except for 2011, there
10 are no recorded expenses for the other years. ORA removes this one-
11 time expense.

12 **3) Property Insurance**

13 ORA estimates Test Year 2015 Property Insurance expense of \$3,889. Cal
14 Am’s estimate is \$3,973 which exceeds ORA’s estimate by \$84.

15 **4) Worker’s Comp, Injuries & Damages**

16 ORA estimates Test Year 2015 Worker’s Comp, Injuries & Damages
17 expense of \$8,950. Cal Am’s estimate is \$9,093 which exceeds ORA’s estimate by
18 \$143.

19 **5) Employee Pension & Benefits**

20 ORA estimates Test Year 2015 Employee Pension & Benefits of \$224,130.
21 Cal Am’s estimate is \$244,802 which exceeds ORA’s estimate by \$20,672.

22 ORA excludes the following from recorded expenses:

23 a. From sub-account Other Welfare Exp Oper SS: \$90 in 2008 - Except for
24 2008, there are no recorded expenses for the other years. ORA excludes
25 this one-time expense.

⁴⁹ Ibid

1 b. From sub-account Other Welfare Exp Oper A&G: \$39,687 in 2009
2 representing one-time employee severance pay.⁵⁰

3 **6) Regulatory Expense**

4 There is no Regulatory Expense at the district level. Regulatory expense is
5 accounted for in the General Office. This is consistent with the provision in the
6 Partial Settlement Agreement between the Office of Ratepayer Advocates, the
7 Utility Reform Network, and California American Water Company on Revenue
8 Requirement Issues in proceeding A.10-07-007, where it was stated that recovery
9 of regulatory expense for water districts will be recorded in a General Office
10 expense account for allocation to districts.⁵¹ Cal Am, however, estimated
11 Regulatory Expense of \$1,158 for Test Year 2015. Cal Am based the \$1,158 on
12 the five-year average of a depreciation study whose amortization ended in 2008.
13 In other words, there were no more recorded expenses after 2008. Therefore, there
14 should be no projected Regulatory Expense for Test Year 2015.

15 **7) Outside Services**

16 ORA estimates Test Year 2015 Outside Services of \$256,698. Cal Am's
17 estimate is \$566,539 which exceeds ORA's estimate by \$309,841.

18 a. ORA excludes all recorded expenses related to Comprehensive Planning
19 Study (CPS) and Geographic Information Systems (GIS) from sub-
20 account Contract Svc-Eng Oper: \$332,252 in 2010; \$288,253 in 2011
21 and \$76,721 in 2012.

⁵⁰ Cal Am response to JM2-014 Question B 2 (b).

⁵¹ Partial Settlement Agreement Between the Division of Ratepayer Advocate, the Utility Reform Network and California American Water Company on Revenue Requirement Issues, A.10-07-007 at page 54.

- 1 b. ORA excludes \$69,043 from 2008 recorded expenses for sub-account
2 Contract Svc – I/C AWM. Except for 2008, there are no recorded
3 expenses for the other years. ORA excludes this one-time expense.
- 4 c. ORA excludes \$157,000 from Test Year 2015 for the Arc Flash Study
5 in sub-account Contract Svc – Eng Oper A&G.

6 **8) Miscellaneous General Expense**

7 ORA estimates Test Year 2015 Miscellaneous General Expenses of
8 \$1,309,487. Cal Am’s estimate is \$1,386,203 which exceeds ORA’s estimate by
9 \$76,716.

10 ORA excludes the following from recorded expenses:

- 11 a. From sub-account Transportation Expense - Other Oper A&G: \$791.93
12 in 2010 for Accident Repairs. Ratepayers should not be made to pay for
13 these kinds of expenses even if Cal Am says the following:

14 “The accident repairs . . . occurred during the normal course
15 of business.”⁵²

16 There is no incentive to avoid these accidents if Cal Am is allowed to
17 recover the costs of repairs from ratepayers.

- 18 b. From sub-account Relocation Expenses: \$10,661 in 2010 - Except for
19 2010, there are no recorded expenses for the other years.⁵³ ORA
20 excludes this one-time expense.

- 21 c. From sub-account Charitable Contributions: \$104,481 in total for
22 Operation Gobble Turkey. According to Cal Am:

23 Every year, many families in the districts we serve go hungry during
24 the holiday season. Operation Gobble – Turkey is an annual effort
25 throughout the state to help feed hungry families. . . . This public
26 outreach effort builds community ties, strengthens employee morale,
27 encourages their participation in an important public endeavor, and

⁵² Cal Am response to JM2-015 Question 5 (b).

⁵³ See Cal Am response to JM2-001 Question 4 (i).

1 helps to provide food during the holiday season to people who
2 genuinely need it.⁵⁴

3

4 The Commission has denied utility requests for charitable and political
5 contributions in the past. In D.10-11-034, the Commission denied Great Oak's
6 charitable and political contributions when it stated, "[i]t is established
7 Commission policy that dues, donations, charitable contributions, and political
8 contributions are not permitted to be recovered from ratepayers."⁵⁵

9

10 d. From sub-account Co Dues/Membership: \$465 for the City of
11 Sacramento Sports in 2008.

12 In D.96-01-011, the Commission disallowed inclusion of dues to service
13 clubs:

14 We have a long-standing policy not to allow recovery in rates of
15 dues to chamber of commerce and service clubs. In Pacific Tel. &
16 Tel. Co. v. Public Util. Comm (1965) 62 Cal.2d 634,669, the
17 California Supreme Court upheld this policy.⁵⁶

18

19 Moreover, the City of Sacramento Sports has no relationship to water utility
20 business nor has Cal Am justified the benefit to ratepayers for paying membership
21 to this organization.

22 From sub-account Employee Expense: \$8,925 for Hornblower Cruises
23 in 2012. According to Cal Am: The Hornblower Cruise and Events was
24 also an end-of-year gathering to thank employees.⁵⁷

25

⁵⁴ Cal Am response to JM2-010 Question 1.

⁵⁵ D.10-11-034, pg. 32.

⁵⁶ D.96-01-011, pg. 134.

⁵⁷ Cal Am response to JM2-010 Question 4 (a).

1 Based upon previous disallowances by the Commission for utility social
2 activities, ORA has removed these recorded expenses from recommended
3 forecasts.

4 **9) General Plant**

5 ORA estimates Test Year 2015 General Plant expense of \$7,497. Cal Am's
6 estimate is \$7,635 which exceeds ORA's estimate by \$138.

7 **10) Rents**

8 ORA estimates Test Year 2015 Rent of \$16,157. Cal Am's estimate is
9 \$17,363 which exceeds ORA's estimate by \$1,206.

10 ORA excludes the following from recorded expenses:

11 a. From sub-account Rents-Equipment Oper: \$2,506 in 2009. Other than
12 2009, there are no recorded expenses for the other years. This is a one-
13 time expense for the rental of compressor for the Walnut Grove
14 facility.⁵⁸

15 b. From sub-accounts Rents – Real Property T&D and Rents – Real
16 Property SS: \$377 in 2008 and \$960 in 2009 respectively. Both these
17 amounts are described as “Temporary Labor” in the transaction listing
18 for the Rent account. When asked to explain, Cal Am stated:

19 The general ledger entries in the Rents – Real Property – T&D
20 account erroneously included a description of temporary labor
21 expense. The entries should have had a description for rent expense.
22 There is no temporary labor included in the Rents – Real Property –
23 T&D account. The wrong description field was included on some
24 transactions when the transactions were processed in batch. The
25 costs were appropriately posted into ledger accounts; however,
26 wrong descriptions were included with some transaction line entries.
27 The company will provide an update JM2-001 item 6.⁵⁹

⁵⁸ Cal Am response to JM2-019 Question 1.

⁵⁹ Cal Am response to JM2-019 Questions 3(b) and 3(c).

1 The updated JM2-001 item 6 that Cal Am provided still has the
2 “Temporary Labor” descriptions.⁶⁰

3 **D. CONCLUSION**

4 ORA recommends that the Commission adopt ORA’s A&G expense
5 estimates for the Sacramento District.

⁶⁰ See DRA-A 13-07-002 JM2-001 Q006 Attachment_Revised

1 Without clear benefit to ratepayers in paying for membership in Costco,
2 ORA has removed this expense. Moreover, in D.96-01-011, the Commission
3 disallowed inclusion of dues to service clubs:

4 We have a long-standing policy not to allow recovery in rates of
5 dues to chamber of commerce and service clubs. In Pacific Tel. &
6 Tel. Co. v. Public Util. Comm (1965) 62 Cal.2d 634,669, the
7 California Supreme Court upheld this policy.⁶²

8 **3) Property Insurance**

9 ORA estimates Test Year 2015 Property Insurance expense of \$2,361. Cal
10 Am's estimate is \$2,379 which exceeds ORA's estimate by \$18.

11 **4) Worker's Comp, Injuries & Damages**

12 ORA estimates Test Year 2015 Worker's Comp, Injuries & Damages
13 expense of \$1,810. Cal Am's estimate is \$4,616 which exceeds ORA's estimate
14 by \$2,806.

15 ORA removed one-time expense of \$13,000 in 2011 from sub-account
16 Injuries and Damages which represented an employee related settlement in the
17 San Diego district.⁶³

18 **5) Employee Pension & Benefits**

19 ORA estimates Test Year 2015 Employee Pension & Benefits of \$61,579.
20 Cal Am's estimate is \$69,922 which exceeds ORA's estimate by \$8,343.

21 a. ORA excludes \$493 in donations for 20 turkeys in 2010 from sub-
22 account Other Welfare Exp. Oper. A&G.

23 When asked what these expenses are for, a portion of Cal Am's response
24 states, "Every year, many families in the districts we serve go hungry during the

⁶² D.96-01-011, pg. 134.

⁶³ Cal Am response to JM2-007 B 4.

1 holiday season. The donation of turkeys is an annual effort throughout the state to
2 help feed hungry families.”⁶⁴

3 ORA removes costs associated with charitable contributions consistent with
4 Commission policy. In D.10-11-034, the Commission denied Great Oak’s
5 charitable and political contributions when it stated:

6 Based on Commission policy, as affirmed by the California Supreme
7 Court, dues, donations, and charitable contributions are not
8 recoverable in rates.⁶⁵
9

10 b. ORA excludes \$3,000 from sub-account Training A&G for a Customer
11 Service Program conducted in 2010. When asked what these expenses
12 are for, Cal Am’s response states:

13 For 2010, the majority of increased expense was due to a customer
14 service improvement program that was initiated by human resources.
15 The increase also resulted from Operator Certification programs –
16 which program are normally only implemented when multiple
17 employees are eligible to test together in order to reduce costs, so
18 year over year costs may be variable.⁶⁶
19

20 ORA excludes this one-time expense from recorded expenses for 2010.

21 **6) Regulatory Expense**

22 ORA agrees with Cal Am that there is no Regulatory Expense in the
23 districts.

24 **7) Outside Services**

25 ORA estimates Test Year 2015 Outside Services of \$15,705. Cal Am’s
26 estimate is \$43,711 which exceeds ORA’s estimate by \$28, 006.

27 a. ORA excludes the following one-time expenses from recorded
28 expenses:

⁶⁴ Cal Am response to JM2-014 C 6 (b).

⁶⁵ D.10-11-034, pg. 75 (Conclusions of Law #13).

⁶⁶ Cal Am responses to JM2-006 B 10 and JM2-014 B 8.

- 1 i. From sub-account Contract Svc – Legal Oper A&G: \$5,178 in 2008
2 for legal costs for asbestos litigation. All the recorded expenses for
3 2008 were due to this litigation.⁶⁷
- 4 ii. From sub-account Contract Svc – Other Oper A&G: \$7,441 in 2008
5 for bacteria analysis. Cal Am clarified that, “[c]ertain bacteria
6 analysis samples have to be tested within a certain time frame that
7 does not allow us to use Belleville Labs.”⁶⁸
- 8 b. ORA excludes all recorded expenses related to Comprehensive Planning
9 Study (CPS) and Geographic Information Systems (GIS) from sub-
10 account Contract Svc-Eng Oper: \$61,462 in 2011 and \$5,008 in 2012.
- 11 c. ORA excludes \$18,000 from Test Year 2015 for the Arc Flash Study in
12 sub-account Contract Svc – Eng Oper A&G.

13 **8) Miscellaneous General Expense**

14 ORA estimates Test Year 2015 Miscellaneous General Expenses of
15 \$218,466. Cal Am’s estimate is \$242,136 which exceeds ORA’s estimate by
16 \$23,670.

17 ORA excludes the following from recorded expenses:

- 18 a. From sub-account Transportation Expense - Lease Maintenance: \$189
19 in 2008 for Accident Repairs. Ratepayers should not be made to pay for
20 these kinds of expenses. There is no incentive to avoid these accidents if
21 Cal Am is allowed to recover the costs of repairs from ratepayers.
- 22 b. From sub-account Community Relations: \$17,000 in total for the US
23 Open Sandcastle Committee, \$429 for Advertisement in newspaper in
24 2011 and \$605 for Printing products for advertisement in 2008.

⁶⁷ Cal Am response to JM2-021 B 3 (a).

⁶⁸ Cal Am response to JM2-021 B 3 (b).

1 Cal Am's payment to the US Open Sandcastle Committee is payment
2 for social activity which the Commission denied in the past. Refer to the
3 Company-wide A&G Report section on Employee Pension and
4 Benefits.

5 Advertisement in newspaper and Printing products for advertisement are
6 one-time expenses which should be removed.

7 c. From sub-account Penalties - Non-deductible: \$120 in 2008 - Except for
8 2008, there are no recorded expenses for the other years. ORA removes
9 this one-time expense.

10 d. From sub-account Wtr & Waste Wtr Exp A&G: \$453 in 2009 - Except
11 for 2009, there are no recorded expenses for the other years. ORA
12 excludes this one-time expense.

13 **9) General Plant**

14 ORA estimates Test Year 2015 General Plant expense of \$1,800. Cal Am's
15 estimate is \$1,821 which exceeds ORA's estimate by \$21.

16 **10) Rents**

17 ORA estimates Test Year 2015 Rent of \$184,924. Cal Am's estimate is
18 \$202,593 which exceeds ORA's estimate by \$17,669.

19 ORA agrees with Cal Am regarding the need for a new operations center.
20 According to Cal Am, the new location on Palm Avenue will address all the
21 problems in the current operations center. ORA recommends an annual rent of
22 \$138,192 (\$11,516 x 12) starting in 2014 for this new location. ORA also
23 recommends removal from rate base of the book value of the current office at
24 Cherry Avenue. With the operations office housed at the new location on Palm
25 Avenue, the old office at Cherry Avenue is no longer used and useful.

26 **D. CONCLUSION**

27 ORA recommends that the Commission adopt ORA's A&G expense
28 estimates for the San Diego County District.

1 **4) Worker’s Comp, Injuries & Damages**

2 ORA estimates Test Year 2015 worker’s comp, injuries & damages
3 expense of \$1,645. Cal Am’s estimate is \$1,649 which exceeds ORA’s estimate by
4 \$4.

5 **5) Employee Pension & Benefits**

6 ORA estimates Test Year 2015 Employee Pension & Benefits of \$53,403.
7 Cal Am’s estimate is \$63,578 which exceeds ORA’s estimate by \$10,175.

8 ORA excludes the following from recorded expenses:

- 9 a. From sub-account Training A&G: \$10,804 in 2008 and \$7,667 in 2009
10 for North Valley Compliance. Cal Am no longer needed the company’s
11 services beyond 2009 since “California American Water hired a Senior
12 Specialist ORM Training to provide these services going forward.”⁶⁹

13 **6) Regulatory Expense**

14 ORA agrees with Cal Am’s estimate of Test Year 2015 Regulatory
15 Expense of \$0.

16 **7) Outside Services**

17 ORA estimates Test Year 2015 Outside Services of \$40,256. Cal Am’s
18 estimate is \$70,236 which exceeds ORA’s estimate by \$29,980.

19 The following were removed from the recorded expenses:

- 20 a. ORA excludes all recorded expenses related to Comprehensive Planning
21 Study (CPS) and Geographic Information Systems (GIS) from sub-
22 account Contract Svc-Eng Oper: \$173,607 in 2009; \$247,720 in 2010;
23 \$107,263 in 2011; and \$239,771 in 2012
24 b. ORA excludes \$24,000 from Test Year 2015 for the Arc Flash Study in
25 sub-account Contract Svc – Eng Oper A&G:

⁶⁹ Cal Am response to JR6-008 Q5

1 **8) Miscellaneous General Expense**

2 ORA estimates Test Year 2015 Miscellaneous General Expenses of
3 \$299,214. Cal Am’s estimate is \$352,830, which exceeds ORA’s estimate by
4 \$53,616.

5 ORA excludes the following from recorded expenses:

6 a. From sub-account Mat’l & Supplies Oper A&G \$5,897 coffee service
7 from years 2008-2012.

8 b. From sub-account Transportation Expense – Other Oper A&G \$43,045
9 as an erroneous expense. Cal Am’s response to JR6-001 Q6e stated,
10 “[p]er review of the transportation expenses, this account was
11 inadvertently included and should reduced.”

12 c. From sub-account Misc Exp Oper A&G

13 i. MCC Settle Offer \$140,011 as a one-time expense. When asked
14 about this in JR6-012, Cal Am responded “This is a one-time
15 expense”⁷⁰

16 ii. Donations of \$3,200 are removed.

17 Oilfield Electric & Motor \$16,498 as a one-time expense. This was a major repair
18 of an electric motor. Cal Am stated, “[t]his expense is for service repair on a pump
19 and a system installation. It was incurred as part of routine recurring operations
20 and is not a one-time expense.”⁷¹

21 Cal Am did not provide enough justification for this cost. Additionally,
22 expenses related to pumps and distribution should be recovered in O&M.

23 d. From sub-account Brochures & Handouts: \$10,937 one-time expense.
24 No other similar expenses were found and no other expenses are
25 forecasted.

⁷⁰ Cal Am response to JR6-012 Q12 (Cal Am labelled this response as being to JR6-012 question 1)

⁷¹ Cal Am response to JR6-012 Q13 (Cal Am labelled this response as being to JR6-012 question 1)

1 e. From sub account Community Relations: \$11,969 Marketing
2 consulting.

3 f. From sub-account Meals – Deductible P/R JE’s Claim Jumper
4 restaurant \$933, this expense was for an end of year holiday luncheon.⁷²

5 **9) General Plant**

6 ORA estimates Test Year 2015 general plant expense of \$339, Cal Am’s
7 estimate is \$324 which increases ORA’s estimate by \$15.

8 **10) Rents**

9 ORA estimates Test Year 2015 Rent of \$335,408, Cal Am’s estimate is
10 \$337,912 which exceeds ORA’s estimate by \$2,504.

11 **D. CONCLUSION**

12 ORA recommends that the Commission adopt ORA’s A&G expense
13 estimates for the Ventura District.

⁷² Cal Am response to JR6-012 Q15 (Cal Am labelled this response as being to JR6-012 question 2)

2 **CHAPTER 9: PAYROLL (COMPANYWIDE SUMMARY)**

3 **A. INTRODUCTION**

7 This Chapter summarizes ORA’s analysis and recommendation on Payroll
8 expenses for Cal Am’s districts for Test Year 2015. Detailed explanation of
9 ORA’s adjustments to Payroll expenses for individual Cal Am districts is
10 presented in subsequent chapters.

10 ORA analyzed Cal Am’s testimony, reports, supporting workpapers,
11 responses to both the Minimum Data Requirements and Supplemental Data
12 Requests, and methods of estimating payroll expense.

11 **B. SUMMARY OF RECOMMENDATIONS**

15 ORA’s estimate for total payroll expense for all Cal Am districts for Test
16 Year 2015 is \$14,023,163. Cal Am’s estimate is \$15,123,591 which exceeds
17 ORA’s estimate by \$1,100,428. Table 1-1 shows the comparison of payroll
18 expense estimates per district for Test Year 2015.

16 **Table 1-1**

18 **Net Payroll Expenses for Cal Am Districts for Test Year 2015**

	ORA	Cal Am	Cal Am > ORA	ORA as % of Cal Am
Larkfield	\$ 366,043	\$ 399,516	\$ 33,474	92%
Los Angeles	\$ 1,716,427	\$ 1,866,745	\$ 150,317	92%
Monterey Water	\$ 5,095,665	\$ 5,369,449	\$ 273,784	95%
Monterey Waste Water	\$ 930,678	\$ 1,027,797	\$ 97,119	91%
Sacramento	\$ 3,519,826	\$ 3,755,386	\$ 235,560	94%
San Diego	\$ 1,270,592	\$ 1,413,259	\$ 142,667	90%
Ventura	\$ 1,123,932	\$ 1,291,439	\$ 167,507	87%
Total	\$ 14,023,163	\$ 15,123,591	\$ 1,100,428	93%

19 **C. DISCUSSION**

21 There are five categories comprising Cal Am’s payroll expense: Union
22 Payroll, Non-Union Payroll, Incentive Pay, Overtime, and Payroll Reserve.

1 Employees in the Larkfield and San Diego County districts do not belong to any
2 unions, hence these two districts have only 4 categories comprising payroll
3 expense. In the current GRC, Cal Am is not making a request for new employees
4 in any of its districts.

5 **1) Union and Non-Union Payrolls**

6 Cal Am starts with hard-coded 2013 Base Salary for both union and non-
7 union employees and states that those salaries are what Cal Am employees are
8 receiving as of March 26, 2013. Cal Am then escalates the 2013 Base Salaries by
9 3% every year to 2016. When asked for the basis of the 3% increase starting in
10 2014, Cal Am’s response was: “The 3% was the estimated average annual merit
11 increase that our planning department used for 2013 budgeting purposes.”⁷³

12 ORA requested from Cal Am the actual 2012 pay for each of the positions
13 in the GRC Labor file both in dollar amount and as a percentage difference
14 between actual 2012 amounts and budgeted 2013 amounts.⁷⁴ By having the 2012
15 Base Salaries, ORA expected to be able to trace those numbers back to the Annual
16 Report.⁷⁵ In response to ORA’s data request, Cal Am provided a table listing all
17 positions with both 2012 and 2013 salaries for each position. For the districts,
18 ORA used the 2012 Salaries in this table and compared them with Cal Am’s
19 original GRC Labor file for 2013.

20 2012 is the last recorded year at the time Cal Am filed its general rate case
21 application. 2012 actual payroll expense, not a hard-coded 2013 estimate, should
22 be the starting point for escalation purposes to derive Test Year 2015 payroll
23 estimates.

⁷³ Cal Am response to JM2-005 1 (g).

⁷⁴ Cal Am response to JM2-005 1 (a) (CONFIDENTIAL).

⁷⁵ The Division of Water and Audits (“DWA”) requires water utilities to file their financial statement of the previous year by March 31 of the succeeding year.

1 While Cal Am uses a 3% annual increase in payroll expense for all
2 positions, ORA uses the escalation rates specified in the existing union contracts
3 to escalate payroll expense starting with the recorded salaries for the base year
4 2012. Please refer to each district’s payroll chapter for the wage escalations used
5 as specified in the existing union contracts, if any.

6 In the absence of any union contract, particularly in the case of non-union
7 employees and in those years in the rate case cycle not covered by union contracts
8 for union employees, ORA uses the labor inflation index published by ORA
9 Energy Cost of Service & Natural Gas and Water Branches dated September 2013:
10 2.1% for 2013, 1.5% for 2014, 1.5% for 2015 and 1.6% for 2016.⁷⁶

11 Where reasonable and appropriate, the actual provisions of union contracts
12 should take precedence over the subjective salary escalation estimates used by Cal
13 Am. For example, in the Sacramento District, ORA asked Cal Am why it used a
14 3% escalation to estimate 2014 payroll expenses when the Union Agreement
15 between Cal Am and the International Union of Operating Engineers (Local 39)
16 provided for only a 2.25% salary adjustment effective February 1, 2014.⁷⁷ In its
17 response to ORA’s inquiry, Cal Am acknowledged that an adjustment was
18 necessary: “The 2.25% will replace the 3% estimate for 2014 Sacramento union
19 employees.”⁷⁸ In the 100-Day update filing for the Sacramento District, Cal Am
20 did replace the 3% with 2.25% effective February 1, 2014 for union employees.⁷⁹
21 For the other districts with unions, Cal Am also replaced the 3% with the wage
22 escalation specified in the union contract for union employees.

⁷⁶ ORA issues two escalation memoranda monthly which the water utilities have access to: the Estimates of Non-Labor and Wage Escalation Rates and Compensation per Hour. For payroll escalation purposes, ORA used the September, 2013 memoranda.

⁷⁷ Cal Am response to JM2-013 Q1 (b).

⁷⁸ Cal Am response to JM2-013 Q1 (b).

⁷⁹ See Cal Am’s 100 Day Update for excel file “Sac Labor.”

1 The Commission has previously found ORA’s proposed method to be
2 reasonable when adopting past settlements. Specifically, the Commission in
3 approving the Settlement on Wage Escalation for the 2010 GRC, found the use of
4 the labor inflation index published by ORA to project payroll expense for non-
5 union employees and for the years in the rate case cycle not covered by union
6 contracts to be reasonable:

7 [O]RA, TURN and California American Water agree to the following for
8 purposes of escalating labor costs for 2011:

- 9 • Ventura union employees and Sacramento union employees will be
10 escalated based on the amounts specified in the respective union
11 contracts for 2011; and
- 12 • All remaining districts will be escalated at 2.8% for 2011.
- 13 • Labor costs for each of the remaining years in the rate case cycle
14 will be escalated based on the most recent labor inflation factors
15 published by [O]RA.⁸⁰

16 This decision is a persuasive reference, and ORA recommends the same
17 method here.

18 **2) Incentive Pay**

19 Cal Am explains Incentive Pay or Annual Incentive Pay (“AIP”) as a

20 “. . . program which seeks to give employees an opportunity to earn
21 a cash award that recognizes their contributions to the company’s
22 success in providing high-quality water and wastewater service to
23 our customers. This program is designed to challenge and motivate
24 employees to perform at their highest level, and promote the creation
25 of value to the customer (i.e. a lower level of efficient employees is
26 more cost efficient than a higher level of inefficient employees).
27 Financial, safety, customer satisfaction, environmental compliance

⁸⁰ Partial Settlement Agreement Between the Division of Ratepayer Advocate, the Utility Reform Network and California American Water Company on Revenue Requirement Issues, A.10-07-007 (July 28, 2011) at page 50.

1 and customer service quality measures typically determine the award
2 amount.”⁸¹

3 The 2013 Annual Incentive Plan is measured from three metrics, Diluted
4 Earnings Per Share (“DEPS”) targets (55%), Business Transformation completion
5 (25%), and Operational (20%). Cal Am assumes that it will meet all goals
6 described in its 2013 AIP and therefore uses 100% to determine Incentive Pay.
7 However, based upon AIP’s targets and the beneficiaries of Cal Am achieving
8 those targets, ratepayer funding of the AIP program should be limited to only the
9 operational metrics portion (20%) of the program: Environmental Compliance
10 (5%), Safety Performance (5%), Service Quality (5%), and Customer Satisfaction
11 (5%). ORA’s witness sponsoring this recommendation is Michael Conklin. For a
12 detailed discussion, see ORA’s General Office (GO) Report.

13 **3) Overtime (OT)**

14 Cal Am uses the average hourly rate of union employees multiplied by the
15 average forecasted OT hours worked to derive overtime estimate for Test Year
16 2015. The average forecasted hours were based on the two-year average of 2011
17 and 2012 recorded OT hours.

18 ORA agrees with the use of the two-year average of 2011 and 2012
19 recorded OT hours. However, the average hourly rate changes as a result of ORA’s
20 two aforementioned recommendations to (1) use 2012 as the base year from which
21 to escalate labor expense into Test Year 2015, and (2) incorporate actual union
22 contract provisions and ORA published labor inflation indexes for wage escalation
23 instead of the 3% used by Cal Am.

24 In the Monterey District, ORA found two employees that consistently
25 logged over 1,000 hours of overtime each year.⁸² To put this in perspective, one

⁸¹ Cal Am response to JM2-005, Q3.

⁸² See Workpapers ‘Mo W Labor’ tab ‘OT’ cells ‘I37’ & ‘I42’

1 employee that drew a *** BEGIN CONFIDENTIAL [REDACTED] END
2 CONFIDENTIAL *** ⁸³ yearly base salary was able to collect approximately ***
3 BEGIN CONFIDENTIAL [REDACTED] END CONFIDENTIAL *** ⁸⁴ in
4 overtime compensation for a total yearly compensation of over *** BEGIN
5 CONFIDENTIAL [REDACTED] END CONFIDENTIAL ***. *** BEGIN
6 CONFIDENTIAL [REDACTED]
7 [REDACTED], ⁸⁵ [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED] ⁸⁶ [REDACTED]
12 [REDACTED]
13 [REDACTED] ⁸⁷
14 [REDACTED]
15 [REDACTED]
16 [REDACTED] END
17 CONFIDENTIAL ***

18 **4) Payroll Reserve**

19 Cal Am includes an additional payroll item called a “Payroll Reserve”
20 computed as 0.5% of the total dollar amount of Union/Non-Union Payroll,
21 Overtime, and Incentive Pay. Cal Am did not provide the basis for the 0.5% factor

⁸³ Cal Am Response to JM2-005

⁸⁴ [REDACTED]

⁸⁵ Cal Am response to JR6-015 Q4

⁸⁶ Data from ‘Mo W Labor’

⁸⁷ JR6-015 Q004a Attachment CONFIDENTIAL pg. 3

1 used in the computation of Payroll Reserve. ORA asked Cal Am to explain the
2 purpose of this category of expense. Cal Am's response stated:

3 Payroll Reserve is used to cover promotions and raises outside of the
4 normal merit increase (i.e. an employee obtains a certification and
5 therefore his or her pay is increased). It also covers increases in pay
6 due to turnover if a new employee's skills and experience require a
7 higher rate of pay than the last employee who held the position.⁸⁸

8 ORA removed all Payroll Reserve. There is no justifiable need for this
9 additional cushion of forecasted payroll expense to be shouldered by ratepayers.
10 The items Cal Am includes in its definition of Payroll Reserve are already included
11 in the other payroll categories discussed above: Union/Non-Union Payroll,
12 Overtime, and Incentive Pay. For example, promotions are covered by either the
13 Union or Non-Union Payroll depending on the promoted employees' designation or
14 membership in a union, while raises outside of the normal merit increases are
15 covered by the wage escalation increases included in the computation of
16 Union/Non-Union Payroll, Overtime, and Incentive Pay. Operational efficiency
17 improvements can also cover the Payroll Reserve.

18 **5) Other Labor Adjustment**

19 As detailed in ORA's separate report on Non-Tariffed Product and Services
20 ("NTP&S"), Cal Am's workpapers contain a labor adjustment with which ORA
21 agrees. Cal Am removed the labor associated with the provision of NTP&S from
22 the revenue requirement. When asked to provide a complete list of all employees
23 (by position) that participated in providing non-tariffed services, Cal Am
24 responded: "The equivalent of one full-time Water Treatment Operator III
25 provides this non-tariffed service. The labor associated is not included in the
26 revenue requirement for the Sacramento District. Please see line 50 of workpaper

⁸⁸ Cal Am response to JM2-005, Question 3.

1 EXP 200 pages 10 and 11 which reflect the exclusion of the salary for this
2 position.”⁸⁹

3 Excluding labor associated with NTP&S from revenue requirements is
4 required under Rule X.D (Cost Allocation) of the Affiliate Transaction Rules
5 (D.10-10-019 and D.11-10-034), which provides that:

6 All costs, direct and indirect, including all taxes, incurred due to NTP&S
7 projects shall not be recovered through tariffed rates. These costs shall be
8 tracked in separate accounts and any costs to be allocated between tariffed
9 utility services and NTP&S shall be documented and justified in each
10 utility’s rate case. More specifically, all incremental investments, costs, and
11 taxes due to non-tariffed utility products and services shall be absorbed by
12 the utility shareholders, i.e., not recovered through tariffed rates.

13 **D. CONCLUSION**

14 As a result of using more reasonable growth estimates and a verifiable base
15 from which to escalate labor expense into test years, ORA recommends that the
16 Commission adopt ORA’s payroll expense estimates for Cal Am’s districts for
17 Test Year 2015.

⁸⁹ Cal Am response to JM2-004 D. (6).

1 **D. CONCLUSION**

2 ORA recommends that the Commission adopt ORA's payroll expense
3 estimates of \$366,043 for the Larkfield District for Test Year 2015.

1 **D. CONCLUSION**

2 ORA recommends that the Commission adopt ORA's payroll expense
3 estimates of \$1,716,427 for the Los Angeles District for Test Year 2015.

1 **D. CONCLUSION**

2 ORA recommends that the Commission adopt ORA's payroll expense
3 estimates of \$5,095,665 for the Monterey District for Test Year 2015.

1 **D. CONCLUSION**

2 ORA recommends that the Commission adopt ORA's payroll expense
3 estimates of \$930,678 for the Monterey WW District for Test Year 2015.

1 **D. CONCLUSION**

2 ORA recommends that the Commission adopt ORA's payroll expense
3 estimates of \$3,519,826 for the Sacramento District for Test Year 2015.

2 **CHAPTER 15: PAYROLL**
3 **(SAN DIEGO COUNTY DISTRICT)**

4 **A. INTRODUCTION**

6 This Chapter presents ORA’s analysis and recommendation on Payroll
7 expense for the San Diego County District for Test Year 2015.

9 ORA analyzed Cal Am’s testimony, reports, supporting workpapers,
10 responses to both the Minimum Data Requirements and Supplemental Data
11 Requests, and methods of estimating payroll expense.

10 **B. SUMMARY OF RECOMMENDATIONS**

13 ORA’s estimate for total payroll expense for Test Year 2015 for the San
14 Diego County District is \$1,270,592. Cal Am’s estimate is \$1,413,259 which
15 exceeds ORA’s estimate by \$142,667.

14 **C. DISCUSSION**

17 Refer to ORA’s companywide Payroll Chapter for a discussion of the
18 methodology ORA uses to derive the payroll expense estimates for Test Year 2015
19 for each district.

23 There are no union employees in the San Diego County District.⁹² As
24 mentioned in the Company-wide Payroll Report, in the absence of any union
25 contract or where there are only non-union employees, ORA uses the labor
26 inflation index published by ORA Energy Cost of Service & Natural Gas and
27 Water Branches dated September 2013: 2.1% for 2013, 1.5% for 2014, 1.5% for
28 2015 and 1.6% for 2016.

24 **D. CONCLUSION**

⁹² Cal Am response to JM2-005 Question 1(h).

1 ORA recommends that the Commission adopt ORA's payroll expense
2 estimates of \$1,270,592 for the San Diego County District for Test Year 2015.

1 **D. CONCLUSION**

2 ORA recommends that the Commission adopt ORA's payroll expense
3 estimates of \$1,123,932 for the Ventura District for Test Year 2015.

3 **CHAPTER 17: SPECIAL REQUEST #17: RATE CASE**
4 **EXPENSE RECOVERY**

4 **A. INTRODUCTION**

11 In Special Request #17, Cal Am requests authorization to amortize the
12 authorized level of rate case expense over three months of the Test Year with the
13 remaining amount recovered equally in the Escalation and Attrition Years. In
14 particular, Cal Am reasons that “At present, California American Water incurs
15 very little rate case expenses in the Test Years”⁹³ and wants to properly match
16 costs incurred with revenues. This Chapter presents ORA’s analysis and
17 recommendation on Special Request #17.

14 ORA analyzed Cal Am’s testimony, reports, supporting workpapers,
15 responses to both the Minimum Data Requirements and Supplemental Data
16 Requests.

15 **B. SUMMARY OF RECOMMENDATIONS**

26 ORA does not agree with Cal Am on the need to change the amortization
27 period for the approved level of rate case expense and instead proposes
28 continuation of the current treatment of equal amortization over the rate case
29 cycle. A strong possibility exists that allowing Cal Am’s request would distort the
30 escalation and attrition year filings and result in a misleading calculation that it
31 was under-earning in these years. Cal Am was also not able to provide supporting
32 documents, e.g., actual invoices, to support its claim that it incurs very little rate
33 case expenses in the Test Year and more in the Escalation and Attrition Years. Cal
34 Am’s own work papers show the opposite. That is, recorded Test Year rate case
35 expenses were actually more than actual rate case expenses recorded in the
36 majority of the escalation and attrition years.

⁹³ David Stephenson Testimony, pg. 56:6-7

1 **C. DISCUSSION**

2 As will be discussed below, Cal Am’s inability to justify this special
3 request provides ample reason for the Commission to deny the request, but
4 consideration of the potential implications of this request make the request
5 imprudent.

6 Cal Am’s main argument for its proposal to amortize the authorized level of
7 rate case expense over three months of the Test Year with the remaining amount
8 recovered equally in the Escalation and Attrition Years is because “California
9 American Water incurs very little rate case expenses in Test Years.”⁹⁴ ORA
10 requested that Cal Am provide actual invoices to support this position. Cal Am’s
11 response to ORA discovery stated:

12 In the 2010 Statewide Rate Case \$360,963 was spent in 2009 and in
13 the 2013 Statewide Rate Case \$174,753 was spent in 2012. When
14 you average the two it comes out to \$267,858 which is comparable
15 to the \$279,600 test year request in this case.⁹⁵

16 Despite ORA’s request, Cal Am did not provide any actual invoices that
17 ORA could review to verify Cal Am’s assertion that the company spent less in
18 Test Years 2009 and 2012 as compared with the escalation and attrition years. To
19 the contrary, the workpapers submitted by Cal Am as part of the Minimum Data
20 Requirements in A.13-07-002 show that recorded Test Year rate case expenses
21 were actually more than the actual rate case expenses that were recorded in the
22 majority of the escalation and attrition years.⁹⁶ The chart below, which is copied
23 directly from Cal Am workpaper,⁹⁷ shows recorded rate case expenses for the last

⁹⁴ David Stephenson Testimony, pg. 56:6-7

⁹⁵ Cal Am response to JM2-028 Q1

⁹⁶ Cal Am ExA-CC Ch3 Table1, item 9

⁹⁷ Cal Am ExA-CC Ch3 Table1, item 9

1 authorized test year for each of the last two rate case cycles, (2009 and 2012) and
 2 two previous escalation or attrition years (2008, and 2010).

CALIFORNIA AMERICAN WATER							
CALIFORNIA CORPORATE - 2012 GENERAL RATE CASE							
DETAILS OF O&M EXPENSES PER 1000 CUSTOMERS							
AUTHORIZED - RECORDED - PROPOSED							
			RECORDED YEARS				LAST AUTHORIZED TEST YEAR
Line No.	Description	2008	2009	2010	2011	2012	2012
Ref.							
CC EXP 108	9. Rate Case Expenses	1,527.9	5,577.7	803.3	(502.0)	1,008.3	2,252.1

3 ORA asked Cal Am to explain the trend in actual recorded rate case
 4 expense that seems to contradict Cal Am’s assertions made in testimony and
 5 received the following response:

6 In order to understand why 2009 and 2012 are bigger one
 7 needs to understand the history of how rate case expenses
 8 were treated during the 5 years shown. D.09-07-021 stated:
 9 Prior to a decision in 2009, rate case expenses were deferred
 10 and amortized over the rate period they were setting rates for.
 11 As quoted above, absent a memorandum account, the
 12 Commission may not grant a “three-year amortization period
 13 for regulatory expenses use in this proceeding” as requested
 14 by Cal Am. The Commission’s task is to forecast regulatory
 15 expense for the upcoming three-year rate period.” Once this
 16 decision was adopted California American Water had to write
 17 off all deferred rate case expenses on our balance sheet. This
 18 caused a large expense in 2009.

19 During 2011, California American Water reached a
 20 settlement with ORA to defer and amortize rate case expenses
 21 again, similar to the practice prior to 2008. California
 22 American Water then restored all rate case expenses for the
 23 2010 statewide rate case as the settlement allowed us to
 24 amortize them over 2012-2014; this created a negative
 25 expense in 2011. The ALJ in the 2010 Statewide Rate Case
 26 then changed our statewide settlement to allow what we

1 Due to the methodology utilized by Cal Am to calculate escalation and attrition
2 year rate increases, a strong possibility exists that authorizing rate case expenses
3 for these years greater than what the record supports would distort the escalation
4 and attrition year filings and result in a misleading calculation that it was under-
5 earning. ORA's detailed analysis and recommendations regarding Cal Am's
6 escalation and attrition year process can be found in ORA's report on Escalation
7 and Attrition

8 **D. CONCLUSION**

9 There is no reasonable basis to grant Cal Am's request for a different
10 amortization method for rate case expenses. Despite ORA's request that it do so,
11 Cal Am was unable to demonstrate that it was actually incurring more expenses in
12 the escalation and attrition years than it does in the test year. Granting Cal Am's
13 request would create a more complicated process than needed for a relatively
14 straightforward treatment of an expense item and run the risk of artificially
15 inflating escalation and attrition year rate calculations. The Commission should
16 deny Special Request #17.

1 responsible for the Company-wide A&G and Payroll Reports and Special Request
2 17.

3 Q4. Does this conclude your prepared direct testimony?

4 A4. Yes, it does.

CHAPTER 20: ATTACHMENTS FOR CHAPTER 1

California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. A.13-07-002
DATA REQUEST REVISED RESPONSE

Response Provided By: Dave Sousa
Title: Financial Analyst II
Address: 1033 B Ave. Suite 200
 Coronado, CA 92118
DRA Request: JM2-017-004-
Company Number: CAW-DRA-A.13-07-002. JM2-017 QB002(a) REVISED
Date Received: September 24, 2013
Date Response Due: October 2, 2013
Subject Area: Outside Services & Worker's Comp.

DRA QUESTION:

B. Worker's Compensation (PUC Acct. 794)

2. The following refers to responses to data request JM2-007 item 1:
 - a. For the Sacramento District, why is there "Pension Expense" of \$41,403.96 in 2012?

COMPANY REVISED RESPONSE:

The general ledger entries recorded in the Workers Compensation account erroneously included a description of pension expense. The entries should have had a description for workers compensation expense. There is no pension expense included in the Workers Compensation account.

The wrong description was placed on some transactions when the transactions were processed in batch. The costs were appropriately posted into ledger accounts; just wrong descriptions were attached to some transaction line entries. The company is modifying its procedures to correct the issue going forward.

See a revised JM2-007-Q001 with accurate descriptions.

California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. A.13-07-002
DATA REQUEST REVISED RESPONSE

Response Provided By: Dave Sousa
Title: Financial Analyst II
Address: 1033 B Ave. Suite 200
Coronado, CA 92118
DRA Request: JM2-017-004-
Company Number: CAW-DRA-A.13-07-002. JM2-017 QB002(b) REVISED
Date Received: September 24, 2013
Date Response Due: October 2, 2013
Subject Area: Outside Services & Worker's Comp.

DRA QUESTION:

B. Worker's Compensation (PUC Acct. 794)

2. The following refers to responses to data request JM2-007 item 1:
 - b. For the San Diego County District, why is there "Pension Expense" of \$16,099.79 in 2012?

COMPANY REVISED RESPONSE:

The general ledger entries recorded in the Workers Compensation account erroneously included a description of pension expense. The entries should have had a description for workers compensation expense. There is no pension expense included in the Workers Compensation account.

The wrong description was placed on some transactions when the transactions were processed in batch. The costs were appropriately posted into ledger accounts; just wrong descriptions were attached to some transaction line entries. The company is modifying its procedures to correct the issue going forward.

See a revised JM2-007-Q001 with accurate descriptions.

California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. A.13-07-002
DATA REQUEST REVISED RESPONSE

Response Provided By: Dave Sousa
Title: Financial Analyst II
Address: 1033 B Ave. Suite 200
Coronado, CA 92118
DRA Request: JM2-017-
Company Number: CAW-DRA-A.13-07-002. JM2-017 QB002(c) REVISED
Date Received: September 24, 2013
Date Response Due: October 2, 2013
Subject Area: Outside Services & Worker's Comp.

DRA QUESTION:

B. Worker's Compensation (PUC Acct. 794)

2. The following refers to responses to data request JM2-007 item 1:
 - c. For the Larkfield District, why is there "Pension Expense" of \$3,667.39 in 2012?

COMPANY REVISED RESPONSE:

The general ledger entries recorded in the Workers Compensation account erroneously included a description of pension expense. The entries should have had a description for workers compensation expense. There is no pension expense included in the Workers Compensation account.

The wrong description was placed on some transactions when the transactions were processed in batch. The costs were appropriately posted into ledger accounts; just wrong descriptions were attached to some transaction line entries. The company is modifying its procedures to correct the issue going forward.

See a revised JM2-007-Q001 with accurate descriptions.

California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. A.13-07-002
DATA REQUEST RESPONSE

Response Provided By: Jesus Sanchez
Title: Maintenance Service Manager
Address: 511 Forest Lodge Rd, Suite 100
Pacific Grove, CA 93950

DRA Request: A.13-07-002.JM2-017-
Company Number: CAW-DRA-A.13-07-002.JM2-017 QA005
Date Received: September 24, 2013
Date Response Due: October 2, 2013
Subject Area: Outside Services & Worker's Comp.

DRA QUESTION:

Subject: Arc Flash Study under OUTSIDE SERVICES (PUC Acct. 798) for All Cal Am Districts and Worker's Compensation (PUC Acct. 794) for Sacramento, San Diego County and Larkfield Districts.

F. Arc Flash Study under OUTSIDE SERVICES (PUC Acct. 798)

5. "DRA-JR6-001 Q5b Attachment Arc Flash Question Answer" provided cost breakdown by type of facility. Who provided the price quote? Was there a price comparison to determine that these costs were the cheapest ones available?

COMPANY RESPONSE:

The estimated cost are based on American Water Business Services Engineering project bidding experience for each facility that would require the study. California American Water will pick the cheapest contractor that has the right qualifications.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-022
Company Number: CAW-DRA-A.13-07-002.JM2-022 QB002
October 10, 2013
Date Response Due: October 21, 2013
Subject Area: Various A & G Expenses Items

DRA QUESTION:

Subject: VARIOUS A&G EXPENSE ITEMS

B. Transportation

- (2). In response to data request JM2-015 Q 4 (a), Cal Am provided "DRA-A.13-07-002.JM2-015 Q004 (a) Attachment". Please explain what the following expenses are for.

	2008	2009	2010	2011	2012	Total
Accum Depreciation - Utility Plant In Service		\$33,388.55				\$33,388.55
Common Stock - Subs Intercompany		1,278.70				1,278.70
Paid-In Capital - Subs Intercompany			\$1,226.15	\$2,143.97		3,370.12
Req Asset - Coastal Water Project Surcharge			3,766.47	2,088.28		5,854.75
Req Asset - Purch Power & Water Balancing Acct					\$8,886.09	8,886.09
Residential Sales Billed			3,142.76	2,601.30	28,566.74	34,310.80
Residential Sales Billed Unmetered			597.02			597.02
	\$0.00	\$34,667.25	\$8,732.40	\$6,833.55	\$37,452.83	\$87,686.03

COMPANY RESPONSE:

Our original attachment JM2-015 Q4(a) pulled the wrong descriptions for the above amounts. The correct descriptions are included in the second tab of "DRA-A.13-07-002.JM2-022 QB002 Attachment."

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CONFIDENTIAL ATTACHMENT

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California-American Water Company
Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-019
Company Number: CAW-DRA-A.13-07-002.JM2-019 Q003(c)
September 27, 2013
Date Response Due: October 7, 2013
Subject Area: RENTS (PUC ACCT 811) for Sacramento, San Diego
County and Larkfield Districts

DRA QUESTION:

For all rent sub-accounts, provide breakdown of recorded rent expense for 2008 to 2012 for each contract.

Sacramento

- (3). The following refers to responses to data request JM2-001, item 6.
- (c). For Rents – Real Property – SS, please explain why there is Temporary Labor of \$960.00 in this rent sub-account.

COMPANY RESPONSE:

The general ledger entries recorded in the Rents – Real Property – T&D account erroneously included a description of temporary labor expense. The entries should have had a description for rent expense. There is no temporary labor included in the Rents – Real Property – T&D account.

The wrong description field was included on some transactions when the transactions were processed in batch. The costs were appropriately posted into ledger accounts; however, wrong descriptions were included with some transaction line entries. The company will provide an updated JM2-001 item 6.

California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-010
Company Number: DRA-A.13-07-002.JM2-010 Q001
Date Received: August 14, 2013
Date Response Due: August 23, 2013
Subject Area: SACRAMENTO DISTRICT A&G

DRA QUESTION:

The following refers to the responses to data requests JM2-001.

1. For Charitable Contributions – Deductible, please explain what the following expenses are and justify why ratepayers should pay for them:

	8	9	10	11	12	Total
Chamber of Commerce	1,300.00					1,300.00
Operation Gobble -Turkey	22,344.00	35,034.80	28,533.58	27,327.00		113,239.38

COMPANY RESPONSE:

Every year, many families in the districts we serve go hungry during the holiday season. Operation Gobble – Turkey is an annual effort throughout the state to help feed hungry families. The Company buys turkeys during the month of November and distributes them to lower income households usually in the communities it serves. Company employees also volunteer their time, including helping to serve meals to families in need. This public outreach effort builds community ties, strengthens employee morale, encourages their participation in an important public endeavor, and helps to provide food during the holiday season to people who genuinely need it.

Membership in the Chamber of Commerce allows management to hear from businesses that are customers in the communities in which we serve, and to learn how to better meet the needs of those customers. It also allows provides a forum for the Company to convey the needs of its residential customers to those businesses.

**California-American Water Company
Statewide GRC Test Year 2015**

**APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE**

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
 Suite 200
 Coronado, CA 92118
DRA Request: JM2-010
Company Number: DRA-A.13-07-002.JM2-010 Q002
Date Received: August 14, 2013
Date Response Due: August 23, 2013
Subject Area: SACRAMENTO DISTRICT A&G

DRA QUESTION:

The following refers to the responses to data requests JM2-001.

2. For Community Relations, please explain what the following expenses are for

	10	11	12	Total
Printing products for adverti				2,110.50
Chamber of Commerce - Rancho C				1,260.00
Printing Bill Inserts				5,264.47
Marketing consulting	54,107.13	32,623.51	4,324.87	91,055.51
Stamps/Postage				12,900.00
				112,590.48

COMPANY RESPONSE:

The expenses in these categories were associated with various programs to educate customers about the Sacramento meter retrofit program. This included a public outreach programs that included brochures and meter conversion response mailers. Also included were items such as holiday fire safety brochures and inserts, office conservation posters, and Suburban Meter Retrofit letters. Things of this nature were conducted in 2010 through 2012 to encourage conservation and reach out to customers to educate them.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-010
Company Number: DRA-A.13-07-002.JM2-010 Q004(a)
Date Received: August 14, 2013
Date Response Due: August 23, 2013
Subject Area: SACRAMENTO DISTRICT A&G

DRA QUESTION:

The following refers to the responses to data requests JM2-001.

4. For Employee Expense

	8	9	10	11	12	Total
Gift Cards	3,438.30	20				3,458.30
CITRUS HEIGHTS CHAMBER OF	950.00					950.00
HORNBLLOWER CRUISES & EVEN					8,924.71	8,924.71

(a) Please explain what the foregoing expenses are and justify why ratepayers should pay for them.

COMPANY RESPONSE:

The first amount was for small end-of-year appreciation awards to thank employees. The Hornblower Cruise and Events was also an end-of-year gathering to thank employees. The Citrus Heights Chamber of Commerce charge was for annual dues.

Employee year end recognition was attained through appreciation awards and recognition events. Small tokens of appreciation such as an end-of-year appreciation awards or gathering are used to thank employees for their dedication and service in providing high-quality potable water and service to our customers. These gatherings and small tokens of appreciation boost employee morale and comradery, help reduce costly turnover of employees, and allow the Company to recognize and hold out as examples employees it considers to be exceptional.

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California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: Evan Jacobs
Title: Community Relations Manager
Address: 4701 Beloit Dr.
Sacramento, CA 95838
DRA Request: JM2-011
Company Number: DRA-A.13-07-002.JM2-011 Q001
Date Received: August 30, 2013
Date Response Due: September 11, 2013
Subject Area: LARKFIELD DISTRICT A&G

DRA QUESTION:

The following refers to the responses to data requests JM2-003.

1. For Dues/Membership under **PUC Account 792 (Office Supplies & Other Expenses)**, please explain what the following expenses are and justify why ratepayers should pay for them:

				8	9	10	11	12	Total
Chamber of Commerce - Mark Wes				\$ 175.00					\$ 175.00
SR CHAMBER OF COMMERCE							\$ 575.00		\$ 575.00

COMPANY RESPONSE:

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

The Mark West Chamber of Commerce represents businesses and the community in the Larkfield-Wikiup-Fulton area served by California American Water. The Santa Rosa Chamber of Commerce represents the greater region, including the Larkfield service area. Both charges are membership dues for the organizations. As an unincorporated community, the Mark West Chamber serves as a primary organizing influence in the community – many members of the Chamber are also active with the Mark West Community Services Committee (which regularly intervenes in our rate applications). Membership in the Chamber provides a valuable platform to educate customers about rates, investments and conservation through annual trade shows, monthly socials and newsletter. The Santa Rosa Chamber is a larger regional organization, and some local businesses choose to hold membership in that Chamber. Again, membership in the Chamber allows us to meet and interact with our business customers to discuss rates, investment, and conservation.

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California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-007
Company Number: CAW-DRA-A.13-07-002.JM2-007 Q004
Date Received: July 31, 2013
Date Response Due: August 9, 2013
Subject Area: **WORKER'S COMPENSATION, INJURIES & DAMAGES (Acct. 794) for Sacramento, San Diego County, and Larkfield Districts**

DRA QUESTION:

B. San Diego County District

4. JDE numbers 558000.001 and 575490.16 are both titled "Injuries and Damages." How are they different? For JDE number 575490.16, what caused the \$13,000 expense in 2011?

COMPANY RESPONSE:

There was a linking issue with the descriptor for account 558000.001 – it should read "Insurance – Workman's Comp – Cap Credit."

The \$13,000 expense in the Injuries and Damages account was for a settlement related to an employee in the San Diego district.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst II
Address: 1033 B Ave. suite 200
Coronado, CA 92118
DRA Request: JM2-014
Company Number: CAW-DRA-A.13-07-002.JM2-014 Q001(a)
Date Received: September 17, 2013
Date Response Due: September 26, 2013
Subject Area: A&G Expenses

DRA QUESTION:

Subject: PENSIONS (Acct. 795) for Sacramento, San Diego County and Larkfield Districts

The following refers to responses to data request JM2-006. All spreadsheets included below were provided in response to data request JM2-006.

A. Sacramento District

1. Other Welfare Exp Oper A&G

- (a). Please explain what the expenses below are for and justify why ratepayers should pay for them

Clothing		\$ 968.29
Gift Cards		\$ 2,450.00
Food for Holiday Lunch		\$ 3,267.52
		\$ 6,685.81

COMPANY RESPONSE:

These expenses are primarily for small appreciation awards, holiday lunch or company t-shirts for employees. Small appreciation awards such as these are used to thank employees for their dedication and service in providing high-quality potable water and service to our customers. These small appreciation awards boost employee morale and help reduce costly turnover of our skilled workforce.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst II
Address: 1033 B Ave. suite 200
 Coronado, CA 92118
DRA Request: JM2-014
Company Number: CAW-DRA-A.13-07-002.JM2-014 Q002(b)
Date Received: September 17, 2013
Date Response Due: September 26, 2013
Subject Area: A&G Expenses

DRA QUESTION:

2. Safety Incentive

From: SACRAMENTO EXPENSES							
504640.16	Safety Incentive	\$ 146.74	\$ 150.38	\$5,299.53	\$9,407.87	\$ 10,262.03	\$ 25,266.55
	Net Expense	\$ 146.74	\$ 150.38	\$5,299.53	\$9,407.87	\$ 10,262.03	\$ 25,266.55
From: DRA -A.13-07-002.JM2-006 Q001 Attachment SAC							
504640							
16		\$ 146.74	\$ 150.38	\$5,299.53	\$9,407.87	\$ 1,088.23	\$ 16,092.75
Difference between 2 sources		\$ -	\$ -	\$ -	\$ -	\$ 9,173.80	\$ 9,173.80

(b) Please explain what the expenses below are for and justify why ratepayers should pay for them:

	10	11	12	Total
Gift Cards	\$ 595.00	\$5,680.10	\$ 204.93	\$ 6,480.03
Toys		\$ 116.51		\$ 116.51
	\$ 595.00	\$5,796.61	\$ 204.93	\$ 6,596.54

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

COMPANY RESPONSE:

Safety recognition activities such as these appreciation awards are part of California American Water's Strategic Safety Plan which recognizes employees for working safe. The cost of accidents ultimately falls upon ratepayers – therefore, decreasing this risk by incentivizing employees benefits ratepayers.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst II
Address: 1033 B Ave. suite 200
Coronado, CA 92118
DRA Request: JM2-014
Company Number: CAW-DRA-A.13-07-002.JM2-014 Q005(b)
Date Received: September 17, 2013
Date Response Due: September 26, 2013
Subject Area: A&G Expenses

DRA QUESTION:

C. San Diego County District

6. Other Welfare Exp Oper A&G

b. Please explain what the expenses below are for and justify why ratepayers should pay for them:

Donations	20 Turkeys	\$ 493.00
Gift Cards		\$ 6,843.48
Toys		\$ 198.46

COMPANY RESPONSE:

Every year, many families in the districts we serve go hungry during the holiday season. The donation of turkeys is an annual effort throughout the state to help feed hungry families. The Company buys turkeys during the month of November and distributes them to lower income households usually in the communities it serves. Company employees also volunteer their time, including helping to serve meals to families in need. This public outreach effort builds community ties, strengthens employee morale, encourages their participation in an important public endeavor, and helps to provide food during the holiday season to people who genuinely need it.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

The \$6,843 and \$198 charges are primarily used for appreciation awards. Small tokens of appreciation such as an end-of-year appreciation awards are used to thank employees for their dedication and service in providing high-quality potable water and service to our customers. These small tokens of appreciation boost employee morale and help reduce costly turnover of skilled employees.

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California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst II
Address: 1033 B Ave. suite 200
Coronado, CA 92118
DRA Request: JM2-014
Company Number: CAW-DRA-A.13-07-002.JM2-014 Q009
Date Received: September 17, 2013
Date Response Due: September 26, 2013
Subject Area: A&G Expenses

DRA QUESTION:

C. **Larkfield District**

9. **Other Welfare Exp Oper A&G**

Please explain why ratepayers should pay for Gift Cards worth \$153 (5% of total 5- year expense for this sub-account)?

COMPANY RESPONSE:

Small tokens of appreciation such as an end-of-year appreciation awards are used to thank employees for their dedication and service in providing high-quality potable water and service to our customers. These appreciation awards boost employee morale, help reduce costly turnover of employees, and allow the Company to recognize and hold out as examples employees it considers to be exceptional.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. A.13-07-002

DATA REQUEST RESPONSE

Response Provided By: Jesus Sanchez
Title: Manager of Maintenance
Address: 511 Forest Lodge Rd, Ste. 100, Pacific Grove, CA 93950
DRA Request: JR6-016
Company Number: CAW-ORA-A.13-07-002.JR6-016 Q005
Date Received: 12/18/2013
Date Response Due: 1/9/2014
Subject Area: Arc Flash Study

ORA QUESTION:

5. What are the deliverables from the Arc Flash Study?

COMPANY RESPONSE:

There are numerous progress submittal requirements to help ensure that Arc Flash Hazard Analyses (AFHA) are being conducted using a consistent methodology. However, final submittal requirements include:

- A written report summarizing the results of the AFHA study
- An electronic copy of the power system distribution model that was used to determine the available incident energy at all points in the system
- Arc Flash Warning labels that comply with the latest version of NFPA 70E for all electrical equipment.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. A.13-07-002
DATA REQUEST RESPONSE

Response Provided By: Jesus Sanchez
Title: Manager of Maintenance
Address: 511 Forest Lodge Rd, Ste. 100, Pacific Grove, CA 93950
DRA Request: JR6-016
Company Number: CAW-ORA-A.13-07-002.JR6-016 Q001
Date Received: 12/18/2013
Date Response Due: 1/9/2014
Subject Area: Arc Flash Study

ORA QUESTION:

1. Site visit photos show that electrical panels already displayed the required arc flash hazard warning labels. It can be concluded that Cal Am is already in compliance with OSHA regulations. Since OSHA does not adopt the NFPA 70E guidelines requiring detailed arc flash labels, why should ratepayers pay for a more costly safety plan when Cal Am is already in compliance with OSHA requirements?

COMPANY RESPONSE:

Although many of Cal Am's existing equipment components have general arc flash warning labels, they do not include all of the required information based on current NFPA 70E guidelines. OSHA refers to NFPA guidelines as a generally accepted industry practice, and can issue fines under the general duty clause of the Occupational Safety and Health Act, 29 U.S.C. § 654(a)(1), for not meeting such standards. More importantly, American Water and Cal Am believe that current NFPA requirements for arc flash labeling based on site-specific hazard analysis represent an advancement in worker protection that will further reduce the exposure of our employees and contractors to potential injuries from electrical hazards. This, in turn, protects Cal Am and ratepayers for potential costs associated with these injuries, such as personnel harm, OSHA fines, legal costs, possible service disruptions, and the damage to or failure of equipment that could impact operations.

Additionally, Cal Am believes that compliance with NFPA 70E - 2012 will lower the risk to arc flash incidents. Calculations and analysis are the definitive method for determining safeguards that lower risk to employees and ensure operational integrity at Cal Am's individual sites.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. A.13-07-002

DATA REQUEST RESPONSE

Response Provided By: Jesus Sanchez
Title: Manager of Maintenance
Address: 511 Forest Lodge Rd, Ste. 100, Pacific Grove, CA 93950
DRA Request: JR6-016
Company Number: CAW-ORA-A.13-07-002.JR6-016 Q002
Date Received: 12/18/2013
Date Response Due: 1/9/2014
Subject Area: Arc Flash Study

ORA QUESTION:

2. Are there any updated arc flash regulations besides the marking standards listed in OSHA 29 CFR 1910.303(e)? Has Cal Am been cited by any local, state, or federal agency for non-compliance with any arc flash regulations?

COMPANY RESPONSE:

Cal Am would not describe OSHA 29 CFR 1910.303(e) as a marking standard that addresses arc flash. We are not aware of any other regulations dealing with arc flash besides NFPA 70E standards. Cal Am is not aware of any local, state, or federal agency citations for non-compliance with the updated arc flash standards. NFPA standards are referenced by OSHA and would be used in the evaluation and investigation of any incidents involving employee injury.

The 2012 Edition of NFPA 70E increased arc flash labeling requirements by specifying that the actual available incident energy be included on the arc flash warning label. Thus, the default labels currently in use at Cal Am's facilities are not in full conformance with current NFPA arc flash standards. Present labeling requirements state that warning labels notify workers of the following:

1. Safe working distances based on the potential arc flash energy;
2. Requirements for Personal Protection Equipment (PPE) to be worn when workers are exposed to live electrical parts;
3. Available incident energy.

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CONFIDENTIAL ATTACHMENT

REDACTED

**California-American Water Company
Statewide GRC Test Year 2015**

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
 Suite 200
 Coronado, CA 92118
DRA Request: JM2-002
Company Number: DRA-A.13-07-002.JM2-002 Q003(b)
Date Received: July 18, 2013
Date Response Due: July 29, 2013
Subject Area: SAN DIEGO DISTRICT A&G

DRA QUESTION:

(3) For PUC Account No. 799 (Miscellaneous General Expense):

- (b) For Transportation Expense O&M (JDE number 5500000), why are there no recorded amounts prior to 2012. Were the recorded expenses taken up elsewhere in other account(s) prior to 2012? If so, provide the account number(s) and the recorded amounts for 2008 to 2011.

COMPANY RESPONSE:

Per review of the transportation expenses, this account was inadvertently included and should be \$0. Other transportation expenses in other districts should be reduced or increased by the amounts shown in the following table.

	Amounts to Exclude in 2012		Amounts to Include in 2012	
	Amount	Exclude (reduce) from Acct.	Amount	Include (increase) in Acct.
CA-Coronado	\$ 82,816	55000000		
CA-Monterey	\$ 204,859	55000016		
CA-Monterey WW	\$ 32,103	55000016		
CA-Toro	\$ 2,385	55000016		
CA-Los Angeles	\$ 85,502	55000016		
CA-Village	\$ 43,045	55000000		
CA-Sacramento	\$ 143,915	55000016	\$ 119,347	55010200
CA-Larkfield	\$ 13,237	55000016		

CHAPTER 21: ATTACHMENTS FOR CHAPTER 2

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By:	David Sousa
Title:	Financial Analyst II
Address:	1033 B Ave. suite 200 Coronado, CA 92118
DRA Request:	JM2-014
Company Number:	CAW-DRA-A.13-07-002.JM2-014 Q011
Date Received:	September 17, 2013
Date Response Due:	September 26, 2013
Subject Area:	A&G Expenses

DRA QUESTION:

C. Larkfield District

11. Safety Incentive

Please explain why ratepayers should pay \$186 (10% of total 5- year expense for this sub-account) for Non-Catered Food & Beverages paid to River Rock Casino?

COMPANY RESPONSE:

Safety recognition activities such as this award are part of California American Water's Strategic Safety Plan which recognizes employees for working safe. The cost of accidents ultimately falls upon ratepayers – therefore, decreasing this risk by incentivizing employees is a benefit to ratepayers.

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CHAPTER 22: ATTACHMENTS FOR CHAPTER 3

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002 DATA REQUEST RESPONSE

Response Provided By: Jim Bozman
Title: Financial Analyst III
Address: 131 Woodcrest Road
Cherry Hill , NJ 08003
DRA Request: JR6-012
Company Number: CAW-DRA-A.13-07-002.JR6-012 Q001
Date Received: October 28, 2013
Date Response Due: November 6, 2013
Subject Area: PUC Account 795,799 (LA, Monterey WW, Ventura)

DRA QUESTION:

1. In PUC account 795 (Pensions), Account 504500, please explain expense item "Dodger Tickets LLC" and "DODGER STD-STE" totaling \$5,481.49 in 2012.

COMPANY RESPONSE:

The \$5,481.49 was incurred to take employees to a Dodgers game to recognize employees for their hard work and dedication in providing high quality water and service to customers.

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California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: Jim Bozman
Title: Financial Analyst III
Address: 131 Woodcrest Road
Cherry Hill , NJ 08003
DRA Request: JR6-012
Company Number: CAW-DRA-A.13-07-002.JR6-012 Q002
Date Received: October 28, 2013
Date Response Due: November 6, 2013
Subject Area: PUC Account 795,799 (LA, Monterey WW, Ventura)

DRA QUESTION:

1. In PUC account 795 (Pensions), Account 504500, please explain expense item "Employee welfare" : "Tanaka Richard" "Reimbursed Vacation Cost" in the amount of \$1,500 in 2008

COMPANY RESPONSE:

This expense was for reimbursing an employee for pre-paid vacation expenses incurred by the employee. Due to work requirements that came up prior to/during the scheduled vacation, the employee was not able to take the vacation.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: Jim Bozman
Title: Financial Analyst III
Address: 131 Woodcrest Road
Cherry Hill , NJ 08003
DRA Request: JR6-012
Company Number: CAW-DRA-A.13-07-002.JR6-012 Q004
Date Received: October 28, 2013
Date Response Due: November 6, 2013
Subject Area: PUC Account 795,799 (LA, Monterey WW, Ventura)

DRA QUESTION:

1. In PUC account 795 (Pensions), Account 504670, please explain expense item "BPCORR R/C from CWIP to EXP" : "UPA Engineering Transfer" in the amount of \$8467.86 in 2009. Since this is a training account, was this expense improperly coded? Please provide justification.

COMPANY RESPONSE:

This cost was originally capitalized as UPA but was then properly reclassified to training expense in PUC 795. The costs relate to training for GIS modeling.

California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-008
Company Number: CAW-DRA-A.13-07-002.JR6-008 Q005
October 9, 2013
Date Response Due: October 18, 2013
Subject Area: MONTEREY DISTRICT A & G

DRA QUESTION:

MONTEREY DISTRICT

5. In PUC Account 795 Pensions, account 504671, please explain expense items "North Valley Compliance Associ" totaling \$77,397 incurred between 2008 and 2009. What sort of services did they provide? Why does the Cal-Am no longer use their services? Are these one-time expenses?

COMPANY RESPONSE:

North Valley Compliance Association provided safety training services and services to help establish a comprehensive health and safety file, provide health and safety handbooks, collect files for a material safety data sheet, conduct hazard assessments and mock OSHA inspections, repair, resolve or abate all violations or discrepancies. California American Water hired a Senior Specialist ORM Training to provide these services going forward.

2 **CHAPTER 23: ATTACHMENTS FOR CHAPTER 4**

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4 **CONFIDENTIAL ATTACHMENT**

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California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-008
Company Number: CAW-DRA-A.13-07-002.JR6-008 Q001
October 9, 2013
Date Response Due: October 18, 2013
Subject Area: MONTEREY DISTRICT A & G

DRA QUESTION:

MONTEREY DISTRICT

1. In PUC Account 795 Pensions, account 504670, please explain the following expense items related to "NON-catered Food & Beverage":
2008 - \$343.63
2009 - \$206.94
2010 - \$217.76

COMPANY RESPONSE:

The official name of NARUC account 795 is Employees Pensions and Benefits. It includes other benefits besides pensions. The Company provides onsite training events included in Account 504670-Training. The above expenses are for food and beverages that are sometimes purchased locally from a store or vendor for these training sessions.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-005
Company Number: CAW-DRA-A.13-07-002.JR6-005 Q009
September 30, 2013
Date Response Due: October 9, 2013
Subject Area: Monterey A&G

DRA QUESTION:

(9). In PUC Account 795 Pensions, account 504500.14 (employee awards), please explain expense "O&M WBS Settlements" in the amount of \$4664.40.

COMPANY RESPONSE:

"O&M WBS Settlements" is simply the SAP term used to describe an expense which has been appropriately identified and categorized. Those expenses were part of an Employee Recognition Program, designed to award employees with outstanding service.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-005
Company Number: CAW-DRA-A.13-07-002.JR6-009 Q003
October 15, 2013
Date Response Due: October 24, 2013
Subject Area: Follow up to JR6-005 Monterey A & G

DRA QUESTION:

Follow Up to JR6-005

(3.) JR6-005, Question #9 asked:

In PUC Account 795 Pensions, account 504500.14 (employee awards), please explain expense "O&M WBS Settlements" in the amount of \$4664.40.

CR: "O&M WBS Settlements" is simply the SAP term used to describe an expense which has been appropriately identified and categorized. Those expenses were part of an Employee Recognition Program, designed to award employees with outstanding service.

Please provide a breakdown of this sub expense "O&M WBS Settlements."
Include individual payouts with employee names, dates, and specific awards.

COMPANY RESPONSE:

The items were originally mis-identified as awards for an Employee Recognition Program. Upon further investigation, the amount of \$4,664.40 was discovered to be for a reclassification of relocation taxes. See "JR6-009 Q3 Attachment," which supports for these relocation taxes.

California-American Water Company
Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-008
Company Number: CAW-DRA-A.13-07-002.JR6-008 Q005
October 9, 2013
Date Response Due: October 18, 2013
Subject Area: MONTEREY DISTRICT A & G

DRA QUESTION:

MONTEREY DISTRICT

5. In PUC Account 795 Pensions, account 504671, please explain expense items "North Valley Compliance Associ" totaling \$77,397 incurred between 2008 and 2009. What sort of services did they provide? Why does the Cal-Am no longer use their services? Are these one-time expenses?

COMPANY RESPONSE:

North Valley Compliance Association provided safety training services and services to help establish a comprehensive health and safety file, provide health and safety handbooks, collect files for a material safety data sheet, conduct hazard assessments and mock OSHA inspections, repair, resolve or abate all violations or discrepancies. California American Water hired a Senior Specialist ORM Training to provide these services going forward.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-008
Company Number: CAW-DRA-A.13-07-002.JR6-008 Q025
October 9, 2013
Date Response Due: October 18, 2013
Subject Area: MONTEREY DISTRICT A & G

DRA QUESTION:

MONTEREY DISTRICT

25. In PUC Account 798 Outside Transactions, account 535000, please explain expense item "DP Consulting" "Vertex Business Services – Wir" in the amount of \$107,775. Include in your explanation the benefit to ratepayers, what services this firm provided, and why it is not a one-time expense.

COMPANY RESPONSE:

These expenses were incurred for the Monterey Rate Design changes. This is one-time cost that provided benefits of fair and accurate billings to customers in the Monterey County District. California American Water removed these costs from the revenue requirement in the 100-day update as explained in JR6-001 Q5d.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-010
Company Number: CAW-DRA-A.13-07-002.JR6-010 Q001
October 21, 2013
Date Response Due: October 30, 2013
Subject Area: Monterey District A & G

DRA QUESTION:

MONTEREY DIST

- (1). For PUC account 799 (A&G Misc Transactions), account 520100.16, please explain expense items "Non-catered Food & Beverage": "Farmer Brothers Coffee" totaling \$22,477.26 from years 2008 to 2012.

COMPANY RESPONSE:

The expense items referred to are for the purchase of coffee and coffee related services for facilities.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-010
Company Number: CAW-DRA-A.13-07-002.JR6-010 Q009
October 21, 2013
Date Response Due: October 30, 2013
Subject Area: Monterey District A & G

DRA QUESTION:

MONTEREY DIST

- (9). For PUC account 799 (A&G Misc Transactions), account 575140, please explain items "Charitable Contributions-Deductible" totaling \$103,126. Please detail the benefit to ratepayers, and please cite the Commission decision or order allowing the company to pass these expenses to ratepayers. Additionally, explain expense item "Do Not Use" "PTP5" in the amount of \$23,500.

COMPANY RESPONSE:

These expenses are sponsorships and donations within the County of Monterey. Sustainability Academy and Meals on Wheels are examples. The "Do Not Use" "PTP 5" expenses were accruals for invoices to assist Seaside's and Pacific Grove's Boys and Girls Club. I am not aware of a Commission decision or order allowing the company to pass these expenses to ratepayers. I agree that charitable donations be removed from the calculation of the revenue requirement.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: Stacey Fulter
Title: Financial Analyst II
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JR6-001
Company Number: CAW-DRA-A.13-07-002.JR6-001 Q006(a)
Date Received: July 31, 2013
Date Response Due: August 9, 2013
Subject Area: **MONTEREY DISTRICT A&G**

DRA QUESTION:

- (6) For PUC Account No. 799 (Miscellaneous General Expense):
- (a) Provide the breakdown for all sub-accounts comprising PUC Account No. 799 for the years 2008 to 2012. Identify which expenses are one-time or non-reoccurring expenses.

COMPANY RESPONSE:

Please see DRA-JR6-001 Q6(a) Attachment. Also, please refer to JR6-001 Q6 (o) wherein the 2012 penalty expense should have been removed, and JR6-001 Q6 (g) describing the expenses which were removed from the calculation of the test year amount.

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CHAPTER 24: ATTACHMENTS FOR CHAPTER 5

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002 DATA REQUEST RESPONSE

Response Provided By:	David Sousa
Title:	Financial Analyst
Address:	1033 B Avenue Suite 200 Coronado, CA 92118
DRA Request:	JR6-001
Company Number:	CAW-DRA-A.13-07-002.JR6-002 Q004(r) August 13, 2013
Date Response Due:	August 22, 2013
Subject Area:	MONTEREY WASTE WATER DISTRICT A&G

DRA QUESTION:

(4). For PUC Account No. 799 (Miscellaneous General Expense):

(r). For sub-account "M&S Oper AG," please explain the expense in 2012, and provide data for 2008-2011.

COMPANY RESPONSE:

After some research, it was determined that this account and amount should not have been included in the request/workpapers and there is no corresponding amount for 2008-2011.

CHAPTER 25: ATTACHMENTS FOR CHAPTER 6

**California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE**

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
 Suite 200
 Coronado, CA 92118
DRA Request: JM2-021
Company Number: CAW-DRA-A.13-07-002.JM2-021 QA001(a)
 October 11, 2013
Date Response Due: October 17, 2013
Subject Area: A & G Expenses

DRA QUESTION:

Subject: OFFICE SUPPLIES (PUC ACCT 792), OUTSIDE SERVICES (PUC ACCT 798) AND EMPLOYEE PENSION & BENEFITS (PUC ACCT 795) for Sacramento, San Diego County and Larkfield Districts

A. Sacramento

1. Office Supplies (PUC Acct 792):
 - a. For Office & Admin Supplies (JDE Number 575620.16), please explain what the following expenses are for:

	8	9	10	11	12	Grand Total
Labor Natural Account					5,627.00	5,627.00
NON-Catered Food & Beverages	1,611.55	1,702.99	3945.96	5,669.31	2,736.02	15,665.83

COMPANY RESPONSE:

The majority of these costs are for food-related office supplies such as coffee, tea and related items.

The general ledger entries recorded in the Office & Admin Supplies account erroneously included a description of labor expenses. The entries should have had a description for office supplies expenses. There is no labor expense included in the Office & Admin Supplies account.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst II
Address: 1033 B Ave. suite 200
Coronado, CA 92118
DRA Request: JM2-014
Company Number: CAW-DRA-A.13-07-002.JM2-014 Q001(b)
Date Received: September 17, 2013
Date Response Due: September 26, 2013
Subject Area: A&G Expenses

DRA QUESTION:

Subject: PENSIONS (Acct. 795) for Sacramento, San Diego County and Larkfield Districts

The following refers to responses to data request JM2-006. All spreadsheets included below were provided in response to data request JM2-006.

B. Sacramento District

2. Other Welfare Exp Oper A&G

- (b). The response to JM2-006 A.3. stated that "The increase was due to severance pay for an employee in 2009." How much was the severance pay for this particular employee?

COMPANY RESPONSE:

The severance for this employee was \$39,686.50.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst II
Address: 1033 B Ave. Suite 200
Coronado, CA 92118
DRA Request: JM2-015
Company Number: CAW-DRA-A.13-07-002.JM2-015 Q004(b)
Date Received: September 20, 2013
Date Response Due: October 1, 2013
Subject Area: Transportation Expenses

DRA QUESTION:

Sacramento District

The following refers to responses to data request JM2-001. All spreadsheets included below were provided in response to data request JM2-001.

5. Transportation Expense – Other Oper A&G

- b. Please explain what the expenses below are for and justify why ratepayers should pay for them.

Accident Repairs	\$ 791.93
Artistic services	\$ 2,191.00
Towing Services	\$ 425.98
Utility Truck	\$ 3,549.18

COMPANY RESPONSE:

The accident repairs, towing services and utility truck are for expenses that occurred during the normal course of business. The artistic services expenses were for California American Water decals and paint-work on company vehicles to properly identify them.

CHAPTER 26: ATTACHMENTS FOR CHAPTER 7

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002 DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
 Suite 200
 Coronado, CA 92118
DRA Request: JM2-008
Company Number: DRA-A.13-07-002.JM2-008 Q001
Date Received: August 09, 2013
Date Response Due: August 20, 2013
Subject Area: San Diego A&G

DRA QUESTION:

The following refers to the responses to data requests JM2-002.

1. For sub-account Dues/Membership Deduct (JDE Number 575280.16) of **PUC Account No. 792 (Office Supplies & Other Expenses)**, please explain what dues and memberships are being paid to the following entities: HSBC Business Solutions Remit, South County Economic Development, RC Barclays P-Card chrgs, and Costco.

COMPANY RESPONSE:

The HSBC Business Solutions Remit expense is for the annual dues for California American Water's 2008 Costco membership. The additional Costco expense is for California American Water's 2009 membership dues. In 2008, Costco used HSBC for its billing purposes.

The South County Economic Development is a business group similar to a chamber of commerce. The Barclays P-Card charges were for a subscription fee that they charge in order for California American Water to receive updates on reports for Title 17 California Public Health changes, as well as Title 22 and 23 Environmental Health codes and Rules and Regulations.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-007
Company Number: CAW-DRA-A.13-07-002.JM2-007 Q004
Date Received: July 31, 2013
Date Response Due: August 9, 2013
Subject Area: **WORKER'S COMPENSATION, INJURIES & DAMAGES (Acct. 794) for Sacramento, San Diego County, and Larkfield Districts**

DRA QUESTION:

B. San Diego County District

4. JDE numbers 558000.001 and 575490.16 are both titled "Injuries and Damages." How are they different? For JDE number 575490.16, what caused the \$13,000 expense in 2011?

COMPANY RESPONSE:

There was a linking issue with the descriptor for account 558000.001 – it should read "Insurance – Workman's Comp – Cap Credit."

The \$13,000 expense in the Injuries and Damages account was for a settlement related to an employee in the San Diego district.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst II
Address: 1033 B Ave. suite 200
Coronado, CA 92118
DRA Request: JM2-014
Company Number: CAW-DRA-A.13-07-002.JM2-014 Q005(b)
Date Received: September 17, 2013
Date Response Due: September 26, 2013
Subject Area: A&G Expenses

DRA QUESTION:

C. San Diego County District

6. Other Welfare Exp Oper A&G

- b. Please explain what the expenses below are for and justify why ratepayers should pay for them:

Donations	20 Turkeys	\$ 493.00
Gift Cards		\$ 6,843.48
Toys		\$ 198.46

COMPANY RESPONSE:

Every year, many families in the districts we serve go hungry during the holiday season. The donation of turkeys is an annual effort throughout the state to help feed hungry families. The Company buys turkeys during the month of November and distributes them to lower income households usually in the communities it serves. Company employees also volunteer their time, including helping to serve meals to families in need. This public outreach effort builds community ties, strengthens employee morale, encourages their participation in an important public endeavor, and helps to provide food during the holiday season to people who genuinely need it.

California-American Water Company
Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-006
Company Number: DRA-A.13-07-002.JM2-006 Q(B)(10)
Date Received: July 30, 2013
Date Response Due: August 08, 2013
Subject Area: Pensions

DRA QUESTION:

B. San Diego County District

10 For Training A&G (JDE Number 504670.16), what caused the over 2,000% and 500% increases in 2010 and 2012 respectively?

COMPANY RESPONSE:

For 2010, the majority of increased expense was due to a customer service improvement program that was initiated by human resources. The increase also resulted from Operator Certification programs – which program are normally only implemented when multiple employees are eligible to test together in order to reduce costs, so year over year costs may be variable.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-021
Company Number: CAW-DRA-A.13-07-002.JM2-021 QB003(a)
October 11, 2013
Date Response Due: October 17, 2013
Subject Area: A & G Expenses

DRA QUESTION:

Subject: OFFICE SUPPLIES (PUC ACCT 792), OUTSIDE SERVICES (PUC ACCT 798) AND EMPLOYEE PENSION & BENEFITS (PUC ACCT 795) for Sacramento, San Diego County and Larkfield Districts

B.San Diego County

3. Outside Service (PUC Acct 798)::

(a). For Contract Svc – Legal Oper A&G (JDE Number 533000.16), how much is the legal costs for asbestos litigation for 2008?

COMPANY RESPONSE:

All of the 2008 costs were from the asbestos litigation.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-021
Company Number: CAW-DRA-A.13-07-002.JM2-021 QB003(b)
October 11, 2013
Date Response Due: October 17, 2013
Subject Area: A & G Expenses

DRA QUESTION:

Subject: OFFICE SUPPLIES (PUC ACCT 792), OUTSIDE SERVICES (PUC ACCT 798) AND EMPLOYEE PENSION & BENEFITS (PUC ACCT 795) for Sacramento, San Diego County and Larkfield Districts

B.San Diego County

3. Outside Service (PUC Acct 798)::

(b). For Contract Svc – Other Oper A&G (JDE Number 535000.16), how much is the costs for bacteria analysis conducted by Clarkson Lab and Supply for 2008?

COMPANY RESPONSE:

The amount paid to Clarkson Lab and Supply was \$7,441.00 in 2008. Certain bacteria analysis samples have to be tested within a certain time frame that does not allow us to use Belleville Labs.

CHAPTER 27: ATTACHMENTS FOR CHAPTER 8

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002 DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
 Suite 200
 Coronado, CA 92118
DRA Request: JR6-008
Company Number: CAW-DRA-A.13-07-002.JR6-008 Q005
 October 9, 2013
Date Response Due: October 18, 2013
Subject Area: MONTEREY DISTRICT A & G

DRA QUESTION:

MONTEREY DISTRICT

5. In PUC Account 795 Pensions, account 504671, please explain expense items "North Valley Compliance Associ" totaling \$77,397 incurred between 2008 and 2009. What sort of services did they provide? Why does the Cal-Am no longer use their services? Are these one-time expenses?

COMPANY RESPONSE:

North Valley Compliance Association provided safety training services and services to help establish a comprehensive health and safety file, provide health and safety handbooks, collect files for a material safety data sheet, conduct hazard assessments and mock OSHA inspections, repair, resolve or abate all violations or discrepancies. California American Water hired a Senior Specialist ORM Training to provide these services going forward.

California-American Water Company
Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: Jim Bozman
Title: Financial Analyst III
Address: 131 Woodcrest Road
Cherry Hill , NJ 08003
DRA Request: JR6-012
Company Number: CAW-DRA-A.13-07-002.JR6-012 Q012
Date Received: October 28, 2013
Date Response Due: November 6, 2013
Subject Area: PUC Account 795,799 (LA, Monterey WW, Ventura)

DRA QUESTION:

1. In PUC account 799 (A&G Misc), Account 575000, please explain expense item "Reserve MCC Equip Settle Offer" in the amount of \$140,011 in 2010. Why is this not a one-time expense?

COMPANY RESPONSE:

The \$140,011 is a one-time expense.

California-American Water Company
Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: Jim Bozman
Title: Financial Analyst III
Address: 131 Woodcrest Road
Cherry Hill , NJ 08003
DRA Request: JR6-012
Company Number: CAW-DRA-A.13-07-002.JR6-012 Q013
Date Received: October 28, 2013
Date Response Due: November 6, 2013
Subject Area: PUC Account 795,799 (LA, Monterey WW, Ventura)

DRA QUESTION:

1. In PUC account 799 (A&G Misc), Account 575000, please explain expense item "High-voltage cable inst" : "Motor" : "Oilfield Electric & Motor" totaling \$16,498.41 in 2008. Why is this not a one-time expense?

COMPANY RESPONSE:

This expense is for service repair on a pump and a system installation. It was incurred as part of routine recurring operations and is not a one-time expense.

California-American Water Company
Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: Jim Bozman
Title: Financial Analyst III
Address: 131 Woodcrest Road
Cherry Hill , NJ 08003
DRA Request: JR6-012
Company Number: CAW-DRA-A.13-07-002.JR6-012 Q015
Date Received: October 28, 2013
Date Response Due: November 6, 2013
Subject Area: PUC Account 795,799 (LA, Monterey WW, Ventura)

DRA QUESTION:

2. In PUC account 792 (A&G Misc), Account 575350, "NON-Catered Food & Beverage" Please provide receipts for the following:
 - "Famous Daves" \$438.95 in 2011
 - "Old New York Deli" \$269.63 in 2011
 - "Claim Jumper-Thsnd Oak" \$932.85 in 2011
 - "Country Harvest Restaurant" \$500.71 in 2012

COMPANY RESPONSE:

Please see JR6-012 Q015 Attachment.pdf for the support/receipts. As indicated on the support the above costs are for large group during safety, year-end holiday meals or other staff meetings.

CHAPTER 28: ATTACHMENTS FOR CHAPTER 9

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By:	David Sousa
Title:	Financial Analyst
Address:	1033 B Avenue Suite 200 Cornado, CA 92118
DRA Request:	JM2-005
Company Number:	CAW-DRA-A.13-07-002.JM2-005 Q001(g)
Date Received:	July 25, 2013
Date Response Due:	August 19, 2013
Subject Area:	DISTRICT PAYROLLS

DRA QUESTION:

- (1) Tabs "Union" and "ANNUAL NON/Non-Union" in each district's Payroll spreadsheet ("Sac Labor.xls for the Sacramento District) show Base Salary for each Union and Non-Union position starting with 2013:
- (g) Provide the basis for the 3% merit increase used in all the district payrolls starting in 2013.

COMPANY RESPONSE:

The 3% was the estimated average annual merit increase that our planning department used for 2013 budgeting purposes.

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002

DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
Suite 200
Coronado, CA 92118
DRA Request: JM2-013
Company Number: DRA-A.13-07-002.JM2-013 Q001(b)
Date Received: September 12, 2013
Date Response Due: September 23, 2013
Subject Area: District Payroll

DRA QUESTION:

1. The Union Agreement between Cal Am and the International Union of Operating Engineers provided for a:
 - (b). 2.25% salary adjustment effective February 1, 2014. Why was the 2.25% not used to project 2014 payroll expense?

COMPANY RESPONSE:

This union is specific to the Sacramento district. The 2.25% will replace the 3% estimate for 2014 Sacramento union employees.

CHAPTER 29: ATTACHMENTS FOR CHAPTER 10

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. 13-07-002
DATA REQUEST RESPONSE

Response Provided By: David Sousa
Title: Financial Analyst
Address: 1033 B Avenue
 Suite 200
 Cornado, CA 92118

DRA Request: JM2-005
Company Number: CAW-DRA-A.13-07-002.JM2-005 Q001(h)
Date Received: July 25, 2013
Date Response Due: August 19, 2013
Subject Area: **DISTRICT PAYROLLS**

DRA QUESTION:

- (1) Tabs "Union" and "ANNUAL NON/Non-Union" in each district's Payroll spreadsheet ("Sac Labor.xls for the Sacramento District) show Base Salary for each Union and Non-Union position starting with 2013:
- (h) Please confirm that there are no Union employees in the San Diego and Larkfield Districts.

COMPANY RESPONSE:

There are no union employees employed at the San Diego County and Larkfield district offices.

CHAPTER 30: ATTACHMENTS FOR CHAPTER 17

California-American Water Company

Statewide GRC Test Year 2015

APPLICATION NO. A.13-07-002 DATA REQUEST RESPONSE

Response Provided By: Jeffrey Dana
Title: Sr. Manager of Rates
Address: 1033 B Ave, Suite 200, Coronado, CA 92118
DRA Request: JM2-028
Company Number: CAW-ORA-A.13-07-002.JM2-028 A-Q001
Date Received: 12/2/2013
Date Response Due: 12/11/2013
Subject Area: Special Request #17 and Non-tariffed Products & Services

DRA QUESTION:

A. Special Request 17 (Recover Rate Case Expense Annually)

- 1 In CC EXP 108 Rate Case Expenses (please refer to ExA-CC Ch3 Table 1), recorded expenses in Test Years 2009 and 2012 are bigger than in the escalation and attrition years. How can these recorded numbers be reconciled with David Stephenson’s testimony on Rate Case Expense Recovery (pages 55 to 57) which states: “At present, California American Water incurs very little rate case expenses in Test Years. This is because work is usually just beginning at this time and the work that is beginning on the next case can, for the most part, be performed by internal rate case staff. Normally we retain outside consultants late in the test year and employ their services through the end of hearings - which is in the Attrition year. Legal costs and employee expenses are mostly incurred just before until just after evidentiary hearings.” Provide recorded rate case expenses supported by actual invoices to back up Mr. Stephenson’s testimony.

COMPANY RESPONSE:

In order to understand why 2009 and 2012 are bigger one needs to understand the history of how rate case expenses were treated during the 5 years shown. D.09-07-021 stated:

California-American Water Company
Statewide GRC Test Year 2015
APPLICATION NO. A.13-07-002
DATA REQUEST RESPONSE

Prior to a decision in 2009, rate case expenses were deferred and amortized over the rate period they were setting rates for. As quoted above, absent a memorandum account, the Commission may not grant a "three-year amortization period for regulatory expenses used in this proceeding" as requested by Cal-Am.¹ The Commission's task instead is to forecast regulatory expense for the upcoming three-year rate period.

Once this Decision was adopted California American Water had to write off all deferred rate case expenses on our balance sheet. This caused a large expense in 2009.

During 2011, California American Water reached a settlement with ORA to defer and amortize rate case expenses again, similar to the practice prior to 2008. California American Water then restored all rate case expenses for the 2010 statewide rate case as the settlement allowed us to amortize them over 2012-2014, this created a negative expense in 2011. The ALJ in the 2010 Statewide Rate Case then changed our settlement to allow what we settled upon but to also begin recovering for the 2013 statewide rate case over 2012-2014. So, the 2012 expense includes 1/3 of the amortization for the 2010 statewide case, plus whatever was spent on the 2013 statewide case during 2012. Since amortization expense is a non-cash item, it makes 2012 appear to have more expense than it would otherwise have if it just counted the 2013 statewide case expenses.

In the 2010 Statewide Rate Case \$360,963 was spent in 2009 and in the 2013 Statewide Rate Case \$174,753 was spent in 2012. When you average the two it comes out to \$267,858 which is comparable to the \$279,600 test year request in this case.

¹ *Id.*, at p. 4; see also, Hearing Exh. 55 at p. 14, ("Charges to rate case expense are deferred charges incurred in the processing of a case, amortized to expense over the rate case effective period.")