

**Exhibit A**

**SETTLEMENT AGREEMENT**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, for an order (1) authorizing it to increase rates for water service by \$94,838,100 or 16.5% in test year 2017, (2) authorizing it to increase rates by \$22,959,600 or 3.4% on January 1, 2018, and \$22,588,200 or 3.3% on January 1, 2019, in accordance with the Rate Case Plan, and (3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 15-07-015  
Filed July 9, 2015

**SETTLEMENT OF CALIFORNIA WATER SERVICE COMPANY (U-60-W),  
THE OFFICE OF RATEPAYER ADVOCATES, THE CALIFORNIA WATER UTILITY COUNCIL  
(THE UTILITY WORKERS UNION OF AMERICA, AFL-CIO), THE CITY OF VISALIA,  
THE COUNTY OF KERN, THE COUNTY OF LAKE, TIMOTHY GROOVER-MERRICK,  
THE LEONA VALLEY TOWN COUNCIL, AND JEFFREY YOUNG**

September 2, 2016

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1           **CHAPTER 1. GENERAL ISSUES**

2           **A. OVERVIEW**

3           This Settlement Agreement addresses the new rates and tariffs to be established  
4 for the twenty-three districts of California Water Service Company (“Cal Water”) for  
5 calendar years 2017 through 2019. Pursuant to Article 12 of the Rules of Practice and  
6 Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), this  
7 Settlement Agreement is submitted for Commission approval by Cal Water, the Office of  
8 Ratepayer Advocates (“ORA”), and the parties below as specified:

- 9           • **The California Water Utility Council - the Utility Workers Union of**  
10           **America, AFL-CIO ("CWUC")** (representing approximately 665 operations,  
11           construction, maintenance, and clerical employees of Cal Water). The  
12           CUWC supports the portions of this Agreement relating to employee  
13           wages, the pension plan, 401(k), and employee "on-call" premiums.
- 14           • **The City of Visalia** (located in the Visalia District). It is the Parties’  
15           understanding that staff is recommending that the City of Visalia  
16           generally support this Agreement, but not the rate increase proposed for  
17           the Visalia District under the Agreement. This recommendation must be  
18           brought before the governing body of the City of Visalia.
- 19           • **The County of Kern** (for ratepayers in the Kern River Valley and  
20           Bakersfield Districts). It is the Parties’ understanding that staff is  
21           recommending that the County of Kern generally support this  
22           Agreement, but not the rate increase proposed for the Kern River Valley  
23           and Bakersfield Districts under the Agreement. This recommendation  
24           must be brought before the governing body of the County of Kern.
- 25           • **Mr. Timothy Groover-Merrick** (customer in the Kern River Valley  
26           District). Mr. Groover-Merrick generally supports this Agreement but  
27           does not support the rate increase proposed for the Kern River Valley  
28           District under the Agreement.
- 29           • **The Leona Valley Town Council ("LVTC")** (for customers located in the  
30           separately-tariffed Leona Valley area in the Antelope Valley District).  
31           LVTC supports the portions of this Agreement relating to affordability,  
32           consolidation, main replacement, and issues specific to Leona Valley.
- 33           • **Mr. Jeffrey Young** (customer in the Coast Springs area of the Redwood  
34           Valley District). Mr. Young supports the portions of this Agreement

1 relating to affordability, consolidation, main replacement, and issues  
2 specific to Coast Springs.

- 3 • In addition, the **County of Lake** (“Lake County”) (for ratepayers in  
4 portions of the Lucerne ratemaking areas of the Redwood Valley District)  
5 actively participated in confidential settlement discussions on certain  
6 issues, and it is the Parties’ understanding that this Agreement will soon  
7 be brought before the governing body of the County of Lake, and the  
8 official outcome will be conveyed to the service list.

9 **B. CONSOLIDATED REGIONS**

10 As discussed in Chapter 2 of this Agreement, Parties agree to consolidate six  
11 districts into three “regions:”

12 **(1) The Bay Area Region**

- 13 ○ Bayshore District  
14 ○ Redwood Valley District (consisting of 3 ratemaking areas – Coast  
15 Springs, Lucerne, and Unified)  
16

17 **(2) The Los Angeles County Region**

- 18 ○ Palos Verdes District  
19 ○ Antelope Valley District (consisting of 3 tariff areas – Fremont  
20 Valley/Lake Hughes, Lancaster, and Leona Valley)  
21

22 **(3) The Monterey Region**

- 23 ○ Salinas District  
24 ○ King City District

25 **C. REVENUE IN-/DECREASES REFLECTED IN AGREEMENT<sup>1</sup>**

26 If approved, this Settlement Agreement would result in the changes shown  
27 below.

28 **1) Settlement Revenue In-/Decreases As Compared to Last Adopted Revenue**

29 Column “2017 Change” in **Table 1** below shows the change from the revenue  
30 requirement most recently adopted by the Commission (“Last Adopted Revenue”) to

---

<sup>1</sup> The Grand Oaks water system is excluded from this filing because it is treated as a stand-alone Class D water company pursuant to Ordering Paragraph 3 of D.07-05-053.

1 the 2017 revenue requirement under the Settlement Agreement. The subsequent  
 2 columns show the estimated additional revenue under the Settlement Agreement for  
 3 2018 and 2019.

4

**Table 1. Settlement Change from Last Adopted Revenue - with Consolidated Districts\* (\$ in 1,000s)**

District	Settlement Revenue	Last Adopted Revenue	2017 Change	2017 % Change	2018 Change	2018 % Change	2019 Change	2019 % Change
Bay Area Region*	\$ 85,353.5	\$ 84,822.1	\$ 531.4	0.6%	\$ 2,144.5	2.5%	\$ 1,462.1	1.7%
Bakersfield	\$ 76,671.8	\$ 72,535.1	\$ 4,136.6	5.7%	\$ 3,139.0	4.1%	\$ 3,096.0	3.9%
Bear Gulch	\$ 54,151.0	\$ 50,302.2	\$ 3,848.8	7.7%	\$ 1,359.0	2.5%	\$ 1,317.1	2.4%
Chico	\$ 23,353.6	\$ 21,873.5	\$ 1,480.1	6.8%	\$ 527.2	2.3%	\$ 518.1	2.2%
Dixon	\$ 3,427.0	\$ 3,073.5	\$ 353.5	11.5%	\$ 20.8	0.6%	\$ 20.4	0.6%
Dominguez	\$ 70,456.4	\$ 62,092.8	\$ 8,363.6	13.5%	\$ 851.4	1.2%	\$ 816.5	1.1%
East Los Angeles	\$ 34,359.2	\$ 34,905.3	\$ (546.1)	-1.6%	\$ 1,417.0	4.1%	\$ 1,380.3	3.9%
Hermosa Redondo	\$ 29,712.0	\$ 29,982.1	\$ (270.2)	-0.9%	\$ 285.5	1.0%	\$ 286.0	1.0%
Kern River Valley	\$ 6,717.6	\$ 6,248.6	\$ 469.0	7.5%	\$ 89.6	1.3%	\$ 66.6	1.0%
Livermore	\$ 24,363.3	\$ 23,153.5	\$ 1,209.8	5.2%	\$ 457.9	1.9%	\$ 457.2	1.8%
Los Altos	\$ 35,761.7	\$ 29,273.4	\$ 6,488.3	22.2%	\$ 1,251.7	3.5%	\$ 1,259.2	3.4%
L.A. County Region*	\$ 49,525.7	\$ 47,681.3	\$ 1,844.4	3.9%	\$ 952.5	1.9%	\$ 996.7	2.0%
Marysville	\$ 3,953.8	\$ 3,737.8	\$ 216.0	5.8%	\$ 63.7	1.6%	\$ 63.9	1.6%
Monterey Region*	\$ 37,623.9	\$ 32,181.3	\$ 5,442.7	16.9%	\$ 1,316.7	3.5%	\$ 1,316.7	3.4%
Oroville	\$ 5,222.6	\$ 4,515.4	\$ 707.2	15.7%	\$ 135.2	2.6%	\$ 135.6	2.5%
Selma	\$ 5,631.4	\$ 5,100.2	\$ 531.2	10.4%	\$ 28.0	0.5%	\$ 25.8	0.5%
Stockton	\$ 48,888.2	\$ 41,710.2	\$ 7,178.0	17.2%	\$ 2,180.7	4.5%	\$ 2,120.4	4.2%
Visalia	\$ 29,554.7	\$ 26,865.1	\$ 2,689.6	10.0%	\$ 748.9	2.5%	\$ 756.7	2.5%
Westlake	\$ 18,380.7	\$ 18,167.4	\$ 213.4	1.2%	\$ 135.8	0.7%	\$ 136.0	0.7%
Willows	\$ 2,467.8	\$ 2,383.9	\$ 83.9	3.5%	\$ 53.6	2.2%	\$ 53.3	2.1%
<b>Total</b>	<b>\$ 645,575.9</b>	<b>\$ 600,604.6</b>	<b>\$ 44,971.3</b>	<b>7.5%</b>	<b>\$17,158.7</b>	<b>2.7%</b>	<b>\$ 16,284.7</b>	<b>2.5%</b>

5

6 **2) Settlement Revenue In-/Decreases As Compared to Revenue at Current**  
 7 **Rates**

8 Column “Change” in **Table 2** below shows the difference between the 2017  
 9 revenue requirement under the Settlement Agreement and the revenue that would be  
 10 collected in 2017 if water service rates do not change from the rates currently in effect  
 11 (“2017 Revenue at Current Rates”).

CHAPTER 1. GENERAL ISSUES

1 The “2017 Revenue at Current Rates” uses the water sales (consumption) and  
 2 the number of services (customers) that the Parties forecast Cal Water will have in  
 3 2017,<sup>2</sup> and applies current rates (as of September 1, 2016) to those amounts.<sup>3</sup>

4

<b>Table 2. Settlement Change from Revenue at Current Rates (\$ in 1,000s)</b>				
<b>District</b>	<b>2017 Revenue at Current Rates</b>	<b>2017 Revenue under Settlement</b>	<b>Change</b>	<b>Change %</b>
Bay Area Region	\$81,632.9	\$85,353.5	\$3,720.6	4.6%
Bakersfield	\$75,142.1	\$76,671.8	\$1,529.7	2.0%
Bear Gulch	\$52,642.0	\$54,151.0	\$1,509.0	2.9%
Chico	\$24,765.4	\$23,353.6	(\$1,411.8)	-5.7%
Dixon	\$3,256.2	\$3,427.0	\$170.8	5.2%
Dominguez	\$65,120.1	\$70,456.4	\$5,336.3	8.2%
East Los Angeles	\$36,031.9	\$34,359.2	(\$1,672.7)	-4.6%
Hermosa Redondo	\$29,026.5	\$29,712.0	\$685.4	2.4%
Kern River Valley	\$6,450.9	\$6,717.6	\$266.7	4.1%
Livermore	\$23,332.3	\$24,363.3	\$1,031.0	4.4%
Los Altos	\$34,793.6	\$35,761.7	\$968.1	2.8%
Los Angeles County Region	\$47,595.2	\$49,525.7	\$1,930.5	4.1%
Marysville	\$3,564.4	\$3,953.8	\$389.4	10.9%
Monterey Region	\$32,885.6	\$37,623.9	\$4,738.3	14.4%
Oroville	\$5,747.4	\$5,222.6	(\$524.7)	-9.1%
Selma	\$5,083.2	\$5,631.4	\$548.2	10.8%
Stockton	\$44,858.8	\$48,888.2	\$4,029.4	9.0%
Visalia	\$29,535.7	\$29,554.7	\$19.1	0.1%
Westlake	\$18,251.7	\$18,380.7	\$129.1	0.7%
Willows	\$2,357.4	\$2,467.8	\$110.4	4.7%
<b>Total</b>	<b>\$622,073.3</b>	<b>\$645,575.9</b>	<b>\$23,502.6</b>	<b>3.8%</b>

5

---

<sup>2</sup> See Chapter 8 of this Agreement.

<sup>3</sup> By contrast, the “last adopted revenue” (in Table 1) is the revenue requirement from the latest approved advice letters as of September 1, 2016.



1           **3) Detailed Information About Revenue In-/Decreases**

2           **Attachment 1** to this Agreement provides the **Summary of Earnings** for each  
3 district and consolidated region. **Attachment 2** provides **Rate Base** tables for each  
4 district and consolidated region.

5           In general, this Settlement Agreement provides information according to the  
6 “districts” that were in effect during the 2014-2016 rate case period. Under  
7 consolidation, however, the Parties propose that the Commission adopt **regional** values  
8 (revenues, expenses, rate base, etc.) for some of those districts. Therefore, any  
9 information about individual districts subject to the proposed consolidations is provided  
10 solely for informational purposes. Where relevant, consolidated information is also  
11 provided by region.

12

13

[END OF CHAPTER]

1       **CHAPTER 2. AFFORDABILITY ISSUES**

2       **A. REGIONAL CONSOLIDATION**

3           Cal Water Position: In its GRC Application, Cal Water proposed to consolidate  
4 the following existing districts into regional districts for ratemaking purposes and  
5 eliminate the Rate Support Fund (“RSF”) mechanism:

- 6           (i) Northern Region – Chico, Oroville, Marysville, and Willows
- 7           (ii) Bay Area Region – Bayshore and Redwood Valley (Lucerne, Unified, Coast  
8           Springs)
- 9           (iii) Kern County Region – Bakersfield and Kern River Valley
- 10          (iv) Los Angeles County Region – Palos Verdes and Antelope Valley  
11          (Lancaster, Leona Valley, Fremont Valley, Lake Hughes)
- 12          (v) Monterey Region – Salinas and King City

13           In its Application, Cal Water proposed that the rate base and Summary of  
14 Earnings for the districts within each region be combined for ratemaking purposes  
15 effective upon Commission approval. Cal Water did not propose to establish a single set  
16 of tariffs for each of the five consolidated regions. Instead, Cal Water proposed that  
17 tariff base rates (service charges and quantity charges) for the smaller service areas  
18 within a region (*e.g.*, King City in the proposed consolidated Monterey Region) increase  
19 in the Test Year (from the base rates in effect immediately prior to implementation of  
20 the new GRC rates) by a Consumer Price Index (“CPI”) factor. The balance of the  
21 revenue increase needed in the Test Year would be applied to the larger service area  
22 (*e.g.*, Salinas in the Monterey Region). After that point, rate base offsets, purchased  
23 water offsets, escalation, Sales Reconciliation Mechanism (“SRM”) adjustments,  
24 WRAM/MCBA surcharges and surcredits, and other charges and credits that would have  
25 previously affected a part of the consolidated region would instead be applied across  
26 the consolidated region equally. Cal Water believed that by doing this, rates between  
27 the different service areas would begin to converge over time, and at the time of  
28 convergence, the separate tariffs could be eliminated. For reference, Cal Water  
29 asserted that continuing the RSF without Cal Water’s proposed consolidations to

1 address higher-cost service areas would never facilitate convergence with the rates of  
2 larger districts, so the subsidy with Cal Water's proposed consolidation would be shorter  
3 in duration than continuing with RSF unchanged. (See Exhibit CWS-2, pages 119-139.)

4 ORA Position: In its Report, ORA made the following recommendations:

5 1. The Commission should deny Cal Water's requests for district consolidations  
6 because they are not in the public interest.

7 2. In lieu of consolidating districts, the Commission should address continuing  
8 problems with some districts' high rates via the following modifications to the RSF

9 (Exhibit ORA-4, pages 1-9):

10 a. The RSF is currently applied as credits to usage rates effectively increasing the  
11 percentage of revenue recovered from fixed service charges and decreasing  
12 the percentage of usage-based revenue after RSF discounts. Lowering the  
13 percentage of revenue recovered from usage-based rates has an adverse  
14 effect on conservation incentives. This is of particular concern for districts  
15 with limited water supplies where conservation is critical to maintaining safe,  
16 reliable service. To resolve this, ORA recommends replacing usage-based  
17 subsidies with subsidies applied to service charges. The Commission should  
18 modify the RSF program so that the RSF subsidy applies to service charges,  
19 not to quantity rates.

20 b. When practical, a customer's subsidy should not exceed the customer's  
21 monthly service charge to ensure the subsidy does not disrupt conservation  
22 price signals.

23 c. The surcharge necessary to fund the RSF should be calculated in as  
24 conservative a manner as possible to minimize its negative financial impact on  
25 those who must pay surcharges. Under ORA's proposal, the customers of  
26 Redwood Valley District's Coast Springs and Lucerne service areas will receive  
27 subsidies that exceed their service charges. Moreover, in these districts Low  
28 Income Rate Assistance customers' subsidies will exceed the monthly service  
29 charges by a larger amount with a further 50% reduction to the service  
30 charge.

31 RESOLUTION: After extensive discussion on Consolidation and Affordability,  
32 including significant back and forth on different potential ways to address consolidation,  
33 ORA and Cal Water agree to the following settlement positions.

1           **1) Proposed Northern and Kern County Regions**

2           In this rate case, Cal Water and ORA agree to not consolidate the Bakersfield and  
3 Kern River Valley Districts (Kern County Region), and the Chico, Marysville, Oroville and  
4 Willows Districts (the Northern Region).

5           **2) Proposed Monterey and Los Angeles County Regions**

6           ORA and Cal Water agree to full consolidation of the Salinas and King City  
7 Districts into the Monterey Region, and the Palos Verdes and Antelope Valley Districts  
8 into the Los Angeles County Region. Under this consolidation, tariffs and rates are the  
9 same for similar customer classes in each Region. Rate design (in particular, the  
10 consumption blocks for tiered residential quantity rates) for all service areas in the  
11 Monterey Region is based on the Salinas District’s rate design, and for all service areas  
12 in the Los Angeles County Region is based on the Palos Verdes District’s rate design.

13           ORA and Cal Water agree to no longer apply the RSF program subsidies to any  
14 areas in the Antelope Valley District.

15           **3) Proposed Bay Area Region**

16           ORA and Cal Water agree to transitional consolidation of the Bay Area Region  
17 (Bayshore/Redwood Valley Districts). Under this transitional consolidation, tariffs and  
18 rates are the same for similar customer classes in the Region. Rate design for the  
19 consolidated service areas in the Bay Area Region is based on the Bayshore District’s  
20 rate design (including the consumption blocks for tiered residential rates). Cal Water  
21 and ORA agree that the transitional nature of this consolidation shall be in place only  
22 during the three years of this rate case cycle, and that parties to the next rate case and  
23 the Commission may revisit the approach established in this rate case.

## CHAPTER 2. AFFORDABILITY ISSUES

1 Before calculating consolidated rates, the revenue requirements for the  
2 Redwood Valley District areas will first be reduced by: (1) an RSF subsidy amount; (2) an  
3 annual \$50,000 synergy credit; and (3) Capacity Surcharge amounts to be collected from  
4 Coast Springs customers.

5 *RSF Subsidy:* Under the transitional consolidation, funds tracked in the RSF  
6 Balancing Account in the amount of \$993,015 will be applied to reduce the revenue  
7 requirements of the areas in the Redwood Valley District for each of the three years  
8 during this rate case cycle; however, the Redwood Valley District areas would no longer  
9 be identified as an “RSF District” in the Rate Support Fund tariff. Customers in the  
10 Redwood Valley District areas would no longer see an explicit RSF subsidy on their bills  
11 because an RSF subsidy will be built into their base rates. The amount of RSF funds in  
12 support of the Redwood Valley areas’ base rates will equal the recorded amount of RSF  
13 subsidies credited to customers of the Redwood Valley District areas in 2015.

14 *Synergy Credit:* Under the transitional consolidation, recognizing that the full  
15 time equivalent hours required to maintain and file separate tariffs and related  
16 documentation for consolidated districts is less than non-consolidated districts, Cal  
17 Water agrees to apply a \$50,000 per year synergy credit to reduce the revenue  
18 requirements for the Redwood Valley District areas.

19 *Capacity Surcharges for Coast Springs:* Customers in the Coast Springs service  
20 area will be assessed a Capacity Surcharge of \$20.00 per CCF (100 cubic feet) for all  
21 usage at and above 5 CCF per month. In other words, a customer using 4 CCF or fewer  
22 per month will not have to pay the Capacity Surcharge. The Capacity Surcharge revenue  
23 will be considered “other revenue” and not Water Revenue Adjustment Mechanism  
24 (WRAM) revenue. The estimated Capacity Surcharge revenue will be applied toward the  
25 Coast Springs revenue requirement.

26 *Customer Bills:* Customer bills in Redwood Valley service areas will have a  
27 message that indicates that the customers are receiving a subsidy from the RSF program  
28 embedded in their rates. This customer message in Redwood Valley bills will continue

1 for the duration of this GRC cycle. The RSF tariff will disclose that the RSF is subsidizing  
2 the Redwood Valley District.

3 *SRF Loans:* Within the proposed Bay Area Region, Lucerne, Coast Springs, and  
4 Rancho Del Paradiso (part of Unified) service areas previously obtained State Revolving  
5 Fund (SRF) loans for construction of treatment plants to serve those communities.  
6 Portions of these loans are still outstanding and the terms of the loans are that the  
7 communities who are beneficiaries of the loan are obligated to repay the loan amount  
8 to the State. As a result, Parties agree to continue to assess the State Revolving Fund  
9 loan surcharges on the original service areas.

10 **4) Provisions Applicable to All Three Proposed Consolidated Regions**

11 *WRAM/MCBA<sup>4</sup> Balances:* ORA and Cal Water agree to combine the  
12 WRAM/MCBA balances of the individual areas within each of the consolidated regions  
13 for all new charges effective January 1, 2017, but WRAM/MCBA balances incurred prior  
14 to January 1, 2017 will continue to be assessed on the original service areas giving rise  
15 to those prior balances. The Parties also agree that other district-specific  
16 balancing/memorandum accounts will be combined for all new charges effective  
17 January 1, 2017, but balances incurred prior to January 1, 2017 will continue to be  
18 assessed on the original service areas giving rise to those prior balances. Additionally, if  
19 there are any unanticipated impacts of consolidation on balancing or memorandum  
20 accounts that do not fit into this framework, Cal Water will file a Tier 2 advice letter and  
21 work with ORA to reach a mutually-agreeable decision regarding any resolution.

22 *Analytics:* For analytical purposes, Cal Water agrees to track plant additions and  
23 plant related items (including advances and contributions), and revenue requirements  
24 for each district (and for ratemaking areas, such as Coast Springs) within each region  
25 separately for the next three years and report these items in its next GRC. Cal Water  
26 agrees to forecast sales separately for each district (and for ratemaking areas) within  
27 combined regions in the next GRC.

---

<sup>4</sup> Water Revenue Adjustment Mechanism/Modified Cost Balancing Account.

1            *Modification to Consolidation:* Cal Water agrees to provide communication to  
2 affected regional customers in the Monterey Region and Bayshore District before  
3 upcoming Public Participation Hearings (“PPHs”) including customer notice informing  
4 them of the bill impacts. Cal Water agrees to provide communication to customers in  
5 the Redwood Valley District within 90 days after the filing date of this Agreement. In  
6 addition, because there is no formal PPH scheduled for the Palos Verdes service area in  
7 this rate case, Cal Water and ORA agree to host an Informal Meeting for that service  
8 area to explain the proposed Los Angeles region consolidation. Cal Water agrees to  
9 provide communication to Palos Verdes customers before the Informal Meeting  
10 including customer notice informing them of the bill impacts. The Parties agree to  
11 revisit or terminate the Region consolidation settlement, dependent upon customer  
12 feedback at PPHs or through other means, and also agree to propose alternative  
13 consolidation and/or rate design approaches or terminate the consolidation settlement  
14 if final customer impact estimates are higher than Cal Water’s customer notices of this  
15 GRC application. Any modification of this section of the settlement agreement is subject  
16 to Commission approval.

17            **B. RATE SUPPORT FUND (“RSF”) PROGRAM**

18            ORA and Cal Water agree that the Kern River Valley District (“KRV”) will continue  
19 to be identified as an “RSF District” and that KRV customers will continue to receive the  
20 RSF Credit specified in Cal Water’s RSF Tariff. The mechanism for giving the RSF credit  
21 and collecting RSF surcharges to fund the program will remain the same.

22            *RSF Credits:* KRV customers will pay a lower rate (the “RSF Index Rate”) for  
23 usage up to 10 CCF, and will pay the regular tariff rate for usage above 10 CCF. For this  
24 rate case period, however, the **RSF Index Rate will be \$5.28** (rather than the current RSF  
25 Index Rate of \$4.52). This RSF Index Rate is calculated by applying 150% to Cal Water’s  
26 system-wide average residential rate (total residential usage revenues divided by total  
27 residential sales quantity).

1           *RSF Surcharge:* ORA and Cal Water agree that all customers should be assessed  
2 an RSF surcharge to fund the program, except for LIRA customers in RSF areas and fire  
3 protection services, which are the same as the current exclusions. The RSF surcharge  
4 will be applied as a percentage of a customer’s bill for base rates (the total of the service  
5 charge plus all quantity charges).<sup>5</sup> The RSF Surcharge for Test Year 2017 will be  
6 decreased from 0.502% to **0.354%**, and may be recalculated annually as provided in the  
7 Preliminary Statement AM (as modified) for the RSF Balancing Account (discussed in  
8 Chapter 7 of this Agreement).

9           *RSF Balancing Account and RSF Surcharge Updates:* The RSF program will  
10 continue to be subject to the RSF Balancing Account discussed in Chapter 7 of this  
11 Agreement.

### 12           **C. LOW-INCOME RATEPAYER ASSISTANCE (“LIRA”) PROGRAM**

13           As part of a settlement of the affordability issues in this rate case, the Parties  
14 agree to the below LIRA program. See **Attachment 6** for the modified “Schedule No.  
15 LIRA” tariff.

- 16           1. LIRA program eligibility will continue unchanged from current standards, and  
17           will continue to be offered in all districts.
- 18           2. The LIRA benefit (credit) is equal to 50% of the monthly service charge;  
19           however, the current benefit caps of \$18.00 for non-RSF Districts and \$30.00  
20           for RSF Districts is increased to \$48.00. This resolves Special Request #3 as  
21           discussed in Chapter 6.
- 22           3. The **LIRA program will be funded by an estimated surcharge of 1.542%**  
23           applied only to a customer’s monthly service charge and quantity charges.  
24           The LIRA surcharge applies to all customers in all districts, except for LIRA  
25           customers, and for customers for raw water delivery along the Powers Canal  
26           (Oroville District) and fire protection services. The amount of the surcharge

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<sup>5</sup> The RSF Surcharge is not applied to other fees, surcharges and credits that may appear on a customer’s bill.



1 will be set sufficient to fund the LIRA program. Cal Water should be  
2 authorized to add to its tariff via a Tier 1 advice letter a preliminary  
3 statement that is substantially similar to the draft for the Schedule LIRA in  
4 **Attachment 6** of this Agreement.

- 5 4. A LIRA Balancing Account (LIRA BA) (Preliminary Statement AJ) will track and  
6 true-up the credits and surcharges of the LIRA program. See the discussion  
7 in Chapter 7 regarding the LIRA BA.
- 8 5. A LIRA Memorandum Account (LIRA MA) (Preliminary Statement H) to track  
9 administrative costs associated with the LIRA program remains open subject  
10 to the conditions discussed in Chapter 7. Also see **Attachment 7** for the  
11 modified preliminary statement associated with the LIRA MA.

12  
13 [END OF CHAPTER]

1           **CHAPTER 3. RATE DESIGN ISSUES**

2           In general, once the revenue requirement for a rate case has been finalized, a  
3           determination is made in regards to apportioning the revenue requirement among  
4           different customer classes: residential, non-residential, flat-rate, fire service, etc. Once  
5           that apportionment is made, a determination is made within a customer class as to  
6           what portion of the revenue requirement is obtained from fixed monthly charges and  
7           what portion of the revenue requirement is obtained from variable usage charges. In  
8           this rate case, Cal Water and ORA agree that there should be no change in the  
9           apportionment of revenue requirement between customer classes, and no change in  
10          the allocation of revenue requirement within a customer class between fixed and  
11          variable charges, except as noted in this Chapter.

12          **A. MERGING NON-RESIDENTIAL QUANTITY RATES**

13          In all Cal Water districts except for the Stockton and Visalia Districts, the tariff for  
14          non-residential customers has a single consumption-based rate.

15                 **1) Stockton District**

16                 ISSUE: The non-residential tariff in the Stockton District has a two-tier  
17                 decreasing block quantity rate structure. There is one quantity rate for usage of 1-300  
18                 CCF, and a second quantity rate that is slightly lower for usage over 300 CCF. Currently,  
19                 the difference between the rates is less than one cent.

20                 While Cal Water did not propose any changes to these rates, ORA proposed to  
21                 eliminate the second tier so that all usage is charged at the Tier 1 rate (Exhibit ORA-3,  
22                 pages 18-19).

23                 RESOLUTION: Cal Water and ORA agree that the Tier One and Tier Two quantity  
24                 rates should be merged into a single quantity rate for all non-residential usage, such  
25                 that the total revenue attributed to the non-residential customer class (under proposed

1 settlement rates) remains unchanged from what it would be if the rates were not  
2 merged.

3 **2) Visalia District**

4 ISSUE: The non-residential tariff in the Visalia District has one quantity rate for  
5 meters up to 6", and a lower quantity rate for meters that are 8" and higher. Currently,  
6 there is a 13-cent difference between the two rates.

7 While Cal Water did not propose any change in this rate design, ORA proposed  
8 to eliminate the tiers so that all usage is charged at a rate that is slightly lower than the  
9 quantity rate for meters up to 6" (Exhibit ORA-3, pages 18-20).

10 RESOLUTION: Cal Water and ORA agree to begin to merge the non-residential  
11 quantity rates into a single quantity rate for all non-residential meter sizes. For this rate  
12 case, Cal Water and ORA agree to take a step that would bring the small-meter quantity  
13 rate and the large-meter quantity rate half-way towards a single rate; the small meter  
14 quantity rate and the large meter quantity rate would still be different from each other  
15 in this rate case but would be closer together. Cal Water and ORA agree that this step  
16 would not result in a change in the total revenue attributed to the non-residential  
17 customer class from what it would be if the rates were not adjusted closer together.

18 **B. RESIDENTIAL AND NON-RESIDENTIAL SERVICE CHARGES**

19 ISSUE: Since 2008, most of Cal Water's districts have had different service  
20 charges for residential and non-residential customers.<sup>6</sup> Cal Water did not propose any  
21 change in this rate design.

22 ORA recommended that Cal Water modify the service charges so that they are  
23 equal for both the residential customers and non-residential customers in each  
24 individual district. (See Exhibit ORA-3, pages 14-18.)

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<sup>6</sup> In a small number of service areas, there is only a "General Service" tariff, rather than a "Residential" tariff and a "Non-Residential" tariff.

1            RESOLUTION: As part of this Settlement, ORA agrees to withdraw its proposal to  
2 equalize the residential and non-residential service charges within a given district, and  
3 instead agrees to keep the currently residential and non-residential service charge rate  
4 design in place for this GRC period. Cal Water and ORA agree that the rate design for  
5 service charges may be reviewed in Cal Water’s next GRC.

6            **C. KERN RIVER VALLEY DISTRICT RATES**

7            In the Kern River Valley District (“KRV District”), revenues are collected through  
8 the fixed service charge and the consumption-based quantity rates at a ratio of  
9 approximately 50:50.

10           In order to increase the conservation incentive in the KRV District, more revenue  
11 should be shifted into the quantity rates. ORA and Cal Water agree to modify the rate  
12 design so that approximately 40% of the revenue requirement is obtained from the  
13 service charge, and approximately 60% of the revenue requirement is obtained from the  
14 quantity rates.

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[END OF CHAPTER]

1           **CHAPTER 4. CONSERVATION PROGRAM**

2           “Parties” in this chapter refers to Cal Water and ORA, with the exception that  
3 when addressing conservation related to Cal Water’s Visalia District “Parties” also  
4 includes the City of Visalia.

5           **A. ISSUES**

6           Cal Water and ORA both used a targeted approach to conservation funding for  
7 each district in this GRC. With multiple regulatory and legal requirements to reduce  
8 consumption, Parties agree that it is prudent for Cal Water to have a program in this  
9 GRC cycle to reduce water use that will enable compliance with Senate Bill X7-7.<sup>7</sup> The  
10 Parties also used methodologies that generally result in the most cost-effective best  
11 management practices, while creating comprehensive opportunities for all customer  
12 classes. Cal Water and ORA originally differed on the Turf Buy-Back Program,  
13 conservation staffing, and program flexibility. These items accounted for most of the  
14 difference between the Parties’ positions.

15           **B. RESOLUTION**

16           **1) Summary of Resolution**

17           The Parties worked together to develop a three-year conservation program that  
18 establishes overall district budgets, criteria for the flexible use of conservation funding,  
19 a one-way balancing account to ensure any unspent balance is refunded to the  
20 ratepayers, and annual reporting requirements. Finally, the Parties agree to fund two  
21 additional conservation staff out of the administrative/research budget to help  
22 implement and measure the success of programs.

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<sup>7</sup> The Water Conservation Act of 2009 (SB X7-7), Chapter 4, 2009 Cal. Stat. 93.

1           **2) Settlement Budget**

2           Cal Water and ORA agree to an average annual conservation budget of  
 3           \$7,307,766 for Test Year 2017, Escalation Year 2018, and Escalation Year 2019 for a total  
 4           three-year budget that shall not exceed \$21,923,298. These budgets are excluded from  
 5           escalation and instead use the average annual budget in calculating the allowed revenue  
 6           requirement for Test Year 2017, Escalation Year 2018, and Escalation Year 2019.

7           Budgets may be used in a district at any time during the three-year rate case cycle as  
 8           long as the total amount spent over the three years does not exceed the total three-  
 9           year budget. Funds are not transferrable across districts. Table 1 below provides the  
 10          average annual budget for each district.

<b>Table 1: Average Annual Conservation Budget (2017-2019)</b>	
<b>District</b>	<b>Average Annual Budget</b>
Antelope Valley	\$25,829
Bakersfield	\$648,762
Bayshore	\$940,380
Bear Gulch	\$489,961
Chico	\$275,329
Dixon	\$35,465
Dominguez	\$757,152
East Los Angeles	\$391,241
Hermosa Redondo	\$516,635
Kern River Valley	\$39,503
King City	\$18,198
Livermore	\$427,201
Los Altos	\$309,427
Marysville	\$42,102
Oroville	\$39,337
Palos Verdes	\$517,166
Redwood Valley	\$20,919
Salinas	\$548,281
Selma	\$69,459

CHAPTER 4. CONSERVATION PROGRAM

<b>Table 1: Average Annual Conservation Budget (2017-2019)</b>	
<b>District</b>	<b>Average Annual Budget</b>
Stockton	\$478,062
Visalia	\$430,457
Westlake	\$267,397
Willows	\$19,503
<b>Total</b>	<b>\$7,307,766</b>

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The following conditions apply to the average annual conservation budget:

1. The budgets are separated into four categories of spending: Administrative/Research, Public Information, School Education, and Programs;
2. All administrative costs, including those for program activities, shall be part of the Administrative/Research Budget;
3. All marketing costs, including those for program activities, shall be part of the Public Information Budget;
4. The Administrative /Research, Public Information, and School Education budgets are capped at the amounts requested by Cal Water in their application. These amounts are included in Table 2;
5. Budgets allocated for Administrative/Research, Public Information, and School Education may also be used for Programs;
6. Budgets allocated for Programs shall not be used for Administrative/Research, Public Information, and School Education;
7. Budgets or balances for each district cannot be transferred to other districts;
8. A one-way balancing account will be established for each district;
9. Any unspent monies left from the total three-year budget for each district (3 times the amounts outlined in Table 1) will be refunded to the ratepayers at the end of this GRC cycle.

<b>Table 2: Average Annual Spending Caps</b>			
<b>District</b>	<b>Administrative/Research</b>	<b>Public Information</b>	<b>School Education</b>
Antelope Valley	\$7,697	\$6,897	\$2,238
Bakersfield	\$175,307	\$92,161	\$50,980

CHAPTER 4. CONSERVATION PROGRAM

<b>Table 2: Average Annual Spending Caps</b>			
<b>District</b>	<b>Administrative/Research</b>	<b>Public Information</b>	<b>School Education</b>
Bayshore	\$202,435	\$112,000	\$58,869
Bear Gulch	\$112,428	\$56,972	\$32,694
Chico	\$77,818	\$41,661	\$22,630
Dixon	\$7,508	\$7,503	\$2,183
Dominguez	\$175,465	\$90,923	\$51,026
East Los Angeles	\$107,446	\$65,466	\$31,246
Hermosa Redondo	\$120,046	\$65,974	\$34,910
Kern River Valley	\$7,981	\$7,570	\$2,321
King City	\$8,616	\$7,543	\$2,506
Livermore	\$94,516	\$50,055	\$27,486
Los Altos	\$85,367	\$47,282	\$24,825
Marysville	\$7,761	\$7,444	\$2,257
Oroville	\$8,649	\$8,102	\$2,515
Palos Verdes	\$125,172	\$66,071	\$36,400
Redwood Valley	\$4,722	\$5,660	\$1,373
Salinas	\$118,997	\$67,733	\$34,605
Selma	\$13,601	\$12,135	\$3,955
Stockton	\$95,399	\$83,215	\$27,742
Visalia	\$121,725	\$65,907	\$35,398
Westlake	\$85,138	\$42,748	\$24,758
Willows	\$7,164	\$6,834	\$2,083
<b>Total</b>	<b>\$1,770,958</b>	<b>\$1,017,856</b>	<b>\$515,000</b>

1           **3) Conservation Program Activities**

2           The following conditions apply to conservation program activities:

- 3                   a. Any measure that is implemented, and not specifically included in the
- 4                   programs identified in Cal Water’s original proposal, must be at least
- 5                   as cost-effective as the least cost-effective program included in Cal
- 6                   Water’s original proposal for that specific district. Cal Water will
- 7                   submit documentation of the cost-effectiveness of such measures in
- 8                   its annual report.



## CHAPTER 4. CONSERVATION PROGRAM

- b. Cal Water may implement programs it deems beneficial and that are consistent with the California Urban Water Conservation Council (CUWCC) Memorandum of Understanding (MOU) and industry best practices following the parameters set forth in condition #1 listed in Section 2 – Settlement Budget above, except Turf Buy-Back.
- c. Turf Buy-Back spending is excluded from the conservation budget.

### 4) One-Way Balancing Account

The Parties agree that Cal Water will track its authorized conservation expenses in each district in a separate, one-way balancing account subject to refund so that any unspent funds will be refunded to ratepayers via surcredits at the end of this GRC cycle. The one-way balancing account will track the difference between total actual conservation expenses and total authorized conservation expenses.

Expenditures and reimbursements related to grant funding will be tracked as of the date the expenditure or reimbursement occurs.

The Parties agree that settlement of the conservation expenses is contingent upon the authorization and establishment of a separate one-way balancing account for each district. The one-way balancing account will go into effect on the effective date of new rates adopted in this Agreement.

### 5) Annual Reporting Requirement

Cal Water agrees to file an annual report in accordance with the requirements of Schedule E-3 included in D.11-05-004. In addition to individual programs, annual reporting will provide separate categories for Administrative/Research, Public Information, and School Education.

[END OF CHAPTER]

1           **CHAPTER 5. AFFILIATE TRANSACTIONS AND NON-TARIFFED**  
2           **SERVICES**

3           **A. AFFILIATE TRANSACTIONS**

4           Cal Water has six affiliates, of which three are unregulated affiliates and three  
5 are regulated affiliates. The three unregulated affiliates are: (a) California Water Service  
6 Group (“CWS Group”), a parent company, (b) CWS Utility Services (CWSUS), and (c)  
7 Hawaii Water Service Utility Services (HWSUS). The three regulated affiliates are: (a)  
8 Washington Water Service Company, Hawaii Water Service Company, and New Mexico  
9 Water Service Company (Exhibit CWS-6, pages 1-2 ).

10           Any charges directly attributable to affiliates are billed to the respective affiliate.  
11 For indirect costs attributable to affiliate operations, general expenses are allocated to  
12 affiliates based on a modified four-factor calculation. Cal Water allocated additional  
13 expenses to out-of-state affiliates by estimating the portion of General Office (Customer  
14 Support Services or CSS) departmental expenses that are general in nature, and  
15 therefore may benefit out-of-state operations.

16           After reviewing the transactions between Cal Water and its affiliates, ORA  
17 concluded that Cal Water appears to be in compliance with the accounting procedures  
18 for segregating transactions between Cal Water and affiliated entities (Exhibit ORA-1,  
19 page 39).

20           **B. NON-TARIFFED PRODUCTS AND SERVICES**

21           Consistent with the Commission’s rules regarding the provision of “non-tariffed”  
22 or unregulated products and services (“NTP&S”) by water companies, formerly referred  
23 to as activities conducted using regulated “excess capacity,” Cal Water has developed a  
24 methodology for allocating costs to unregulated activities and sharing 10% of “active”  
25 gross revenue and 30% of “passive” gross revenue with ratepayers. The detailed  
26 methodology is provided in Cal Water’s Report on Unregulated Activities, July 2015  
27 (“Unregulated Report”) (Exhibit CWS-6).

1            ISSUE: In reviewing Cal Water’s forecasting methodology for NTP&S revenue,  
2 ORA found that Cal Water used different methodologies across 11 districts (Exhibit ORA-  
3 1, pages 31-33). This was inconsistent with the methodology described in Cal Water’s  
4 Unregulated Report, and resulted in an under-estimation of NTP&S revenues (Exhibit  
5 ORA-1, page 34). ORA recommended consistent use of the method described in Cal  
6 Water’s testimony. ORA also recommended that Cal Water use escalation factors  
7 determined by the Utility Workers Union of America (UWUA) in forecasting NTP&S  
8 revenue sharing to ratepayers, instead of using inflation factors published by the Energy  
9 Cost of Service (ECOS) and Water branches of ORA, because the majority of Cal Water’s  
10 contracts for unregulated services have a provision to adjust service charges based on  
11 UWUA factors.

12            RESOLUTION: Cal Water agrees with ORA’s recommendations.

13

14

[END OF CHAPTER]

## CHAPTER 6. SPECIAL REQUESTS

### A. OVERVIEW

This Settlement resolves all Special Requests (SR) in Cal Water’s Application. Cal Water’s request for the consolidation of certain districts into five regional areas (SR #1), as well as for phasing out of the Rate Support Fund (“RSF”) (SR #2), are discussed in Chapter 2 (Affordability Issues) of this Settlement. Unless otherwise specified, issues relating to balancing and memorandum accounts (SR #23) are addressed in Chapter 7 (Balancing and Memorandum Accounts) in this Settlement.

### B. SPECIAL REQUEST #3: CAP ON LOW-INCOME RATEPAYER ASSISTANCE (“LIRA”) CREDITS

ISSUE: The Low-Income Ratepayer Assistance (“LIRA”) benefit provided to customers is a 50% discount off of the service charge for a residential customer with a 5/8” meter (this is regardless of the actual size of a given LIRA customer’s meter). Currently, this monthly benefit is capped at a dollar amount –\$30 in Rate Support Fund districts, and \$18 in all other districts. In its Application, Cal Water proposed removing this cap entirely in order to further assist qualified customers. (See Exhibit CWS-2, pages 140-141.) ORA opposed eliminating the cap entirely, but recommended instead that the monthly cap on LIRA benefits be increased based on a methodology that considers median household income and estimated LIRA monthly bills. Based upon Cal Water’s proposed rates, ORA recommended a cap of \$48 for all districts. (See Exhibit ORA-3, pages 26-31.) In Rebuttal, Cal Water supported the outcome recommended by ORA. (See Exhibit CWS-109, page 137.)

RESOLUTION: ORA and Cal Water agree to retain the overall benefit methodology that provides a discount of 50% of the 5/8” residential service charge. In addition, the Parties agree to increase the cap on the monthly benefit to \$48 for all districts for this GRC cycle. See **Attachment 6** of this Agreement for proposed modifications to the “Schedule No. LIRA” tariff.

1           **C. SPECIAL REQUEST #4: ADDITIONAL PROCESS FOR TARIFF DEVELOPMENT**

2           Cal Water requested additional scheduling steps in this proceeding to ensure  
3 that the rates, tariffs, and tables that support and accompany a final decision in this  
4 proceeding are accurate and consistent with the Commission’s policies. In particular, Cal  
5 Water recommended a separate process in which Cal Water and ORA are able to  
6 develop and validate the necessary tariff schedules, rules, and preliminary statements  
7 that should be attached to a final Commission decision. Cal Water noted that the timing  
8 and specifics of such a process depends upon how and when contested issues are  
9 decided – through a proposed settlement presented to the Commission, through  
10 evidentiary hearings and briefs, or through some combination.

11           Cal Water described one possible approach in which, prior to issuance of a  
12 proposed decision, a ruling is issued requiring parties to work together to develop  
13 needed data (rates, tariffs, tables, etc. referenced above). In that event, Cal Water  
14 urged the Commission to give parties at least one month to prepare and validate a joint  
15 submission, the contents of which could be included in a proposed decision, therefore  
16 ensuring that the joint submission is subject to public review and comment. (See Exhibit  
17 CWS-2, pages 185-186.)

18           In its Report, ORA observed that the Scoping Memo in this case does not  
19 approve Cal Water’s request, but does allow the parties to consider a schedule to  
20 accommodate Cal Water’s concerns at a later time. ORA committed to working  
21 collaboratively with all parties if and when such a time period is established. (See  
22 Exhibit ORA-1, page 18.)

23           RESOLUTION: This proposed Settlement Agreement addresses almost all  
24 issues that have been contested between Cal Water and ORA, as well as most of  
25 the concerns raised by Intervenors. GRC decisions generally include attachments  
26 with proposed tariff sheets and extensive tables. The Parties propose to file drafts  
27 of those tariff sheets and tables for the Commission’s review within 30 days of  
28 filing this Settlement Agreement.

1           **D. SPECIAL REQUEST #5: MONTHLY CROSS-CONNECTION FEE**

2           ISSUE: Cal Water proposed applying a monthly fee of \$1.50 to residential and  
3 commercial customers with an installed cross-connection assembly to fund several  
4 elements - a Manager for Cal Water’s Cross-Connection Control program, as well as  
5 costs such as postage for customer mailings and administrative fees to ensure  
6 compliance with Title 17 cross-connection control regulations.

7           Because ORA was of the opinion that all customers benefit from an enhanced  
8 cross connection control program, not just customers with an installed cross-connection  
9 assembly, ORA instead recommended inclusion of a salary for a Cross-Connection  
10 Control Manager in CSS payroll expense.

11           RESOLUTION: The Parties agree to include a Cross-Connection Control Manager’s  
12 salary of \$125,000 in CSS payroll expense for 2017.

13           **E. SPECIAL REQUEST #6: RECYCLED WATER TARIFF IN THE EAST LOS ANGELES**  
14           **DISTRICT**

15           ISSUE: Cal Water proposed creation of a new recycled water tariff to serve  
16 customers in its East Los Angeles District in order to purchase recycled water from the  
17 local wholesaler, the Central Basin Municipal Water District (“Central Basin”), and resell  
18 it to irrigation and industrial customers in its service area who are currently using  
19 potable water. Cal Water proposed that the meter charge for the recycled water tariff  
20 be set equal to the meter charges for non-residential customers (Tariff EL-1-NR). For  
21 quantity rates, Cal Water proposed a recycled water rate per hundred cubic feet (CCF)  
22 that would be Central Basin’s recycled water rate, plus the margin between Cal Water’s  
23 current weighted average potable water rate and Central Basin’s potable water rate.  
24 (See Exhibit CWS-2, pages 193-194.)

25           In its Report, ORA recommended approving Cal Water’s request with  
26 modifications to the calculation. ORA indicates that the recycled water rate should be  
27 calculated using the non-residential quantity rate, rather than a blended quantity rate  
28 based on both residential and non-residential. Additionally, ORA recommended that

1 the adopted rate be updated to reflect adopted non-residential rates and Central  
2 Basin's most current recycled water rate. Finally, ORA recommended including a  
3 recycled water sales forecast for the purposes of accurate rate design and revenue  
4 generation. (See Exhibit ORA-3, pages 32-35.)

5 RESOLUTION: The Parties agree to calculate the recycled water rate using  
6 the non-residential service charge rate that is in effect at that time. The recycled  
7 water quantity rate will be calculated based on Central Basin's recycled water  
8 rate, plus the difference between Cal Water's non-residential potable water rate  
9 and Central Basin's potable water rate. In addition, the new recycled water rates,  
10 anticipated number of customers, and forecasted sales will be reflected in the  
11 workpapers upon which the new GRC rates in this district will be based. Cal Water  
12 should be authorized to file a Tier 1 advice letter to add a new recycled water  
13 tariff for East Los Angeles that is substantially similar to the draft provided in  
14 **Attachment 6** of this Agreement.

15 **F. SPECIAL REQUEST #7: CONSTRUCTION WORK IN PROGRESS (CWIP) IN RATE**  
16 **BASE**

17 This issue is addressed in Chapter 12 (Global Plant Issues).

18 **G. SPECIAL REQUEST #8: WRAM AMORTIZATION CAP OF 10% OF REVENUES**

19 ISSUE: In Ordering Paragraph 3 of D.12-04-008, the Commission imposed a cap  
20 on the annual district amortization of the Water Revenue Adjustment  
21 Mechanism/Modified Cost Balancing Account (WRAM/MCBA). This cap limits the total  
22 WRAM/MCBA amount that may be surcharged in a given year to 10% of a district's last  
23 authorized revenue requirement. For Cal Water, the cap first began to apply to  
24 WRAM/MCBA balances incurred in calendar year 2014. In its Application, Cal Water  
25 requested elimination of this cap (See Exhibit CWS-2, pages 146-151.) ORA opposed Cal  
26 Water's request in order to retain this ratepayer protection against extraordinary rate  
27 shock. (See Exhibit ORA-3, pages 36-39.)

1            RESOLUTION: For the purposes of settlement, Cal Water agrees to  
2 withdraw its request to eliminate the existing annual cap on WRAM/MCBA  
3 amortization.

4            **H. SPECIAL REQUEST #9: SALES RECONCILIATION MECHANISM (SRM)**

5            ISSUE: In its Application, Cal Water made two proposals to modify the Sales  
6 Reconciliation Mechanism (SRM) approved by the Commission in Cal Water's last rate  
7 case (Exhibit CWS-2, pages 152-156):

- 8            1. Adjust escalation year rates by 100% of the difference between the  
9            actual sales and adopted sales, rather than by only 50% of the  
10            difference;<sup>8</sup> and
- 11           2. Eliminate the trigger for the SRM which requires that there be a difference  
12           of 5% or higher between actual and adopted sales before escalation year  
13           rates can be adjusted under the mechanism.

14           In response, ORA's Report made five proposals regarding the SRM (ORA-3, pages  
15 40-56):

- 16           1. The SRM should continue as a pilot program for this rate case period;
- 17           2. The SRM modifications proposed by Cal Water should not be approved  
18           at this time;
- 19           3. The Commission should adopt a formal process for filing SRM  
20           adjustments separate from the escalation year adjustment process;
- 21           4. The SRM should be limited to years of drought only, while remaining  
22           frozen (inactive) during non-drought years; and
- 23           5. Cal Water's request to eliminate the SRM Balancing Account should  
24           be approved.

25           RESOLUTION: In order to settle the issue in this rate case, Cal Water and  
26 ORA withdraw their proposals to modify the drought SRM approved in Cal Water's  
27 last GRC, and instead agree to keep the currently approved drought SRM  
28 methodology in place as a pilot for this GRC period. The drought SRM will be  
29 reviewed in the next GRC. In addition, the Parties agree to eliminate the SRM

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<sup>8</sup> When evaluating whether rates should be adjusted by the SRM for an escalation year, the time period for comparing actual and adopted sales is October of the prior year to September of the current year.



1 Balancing Account (Preliminary Statement AR) from Cal Water’s tariff.

2 **I. SPECIAL REQUEST #10: CONTINUED BALANCED PAYMENT PLAN AUTHORITY**

3 ISSUE: Cal Water seeks to extend the authorization received in D.14-08-011 to  
4 implement a Balanced Payment Plan (BPP) for customers under the similar conditions to  
5 those specified in the 2012 GRC Settlement.<sup>9</sup> A BPP will allow CWS’s customers to sign  
6 up for the plan and receive bills equal to their 12-month average bill, or a representative  
7 neighborhood bill if their consumption history is shorter than twelve months. Cal Water  
8 was unable to implement the BPP during the 2014-2016 rate case cycle for several  
9 reasons. In seeking continued authorization for this rate case cycle, Cal Water sought  
10 one clarification – Cal Water requested flexibility to roll out a BPP to subsets of its  
11 customers, such as just to its residential customers, if appropriate. (See Exhibit CWS-2,  
12 pages 157-158.)

13 ORA does not oppose this request, but stipulated that Cal Water should be  
14 required to request a new BPP in its next GRC if the program is not implemented in this  
15 GRC cycle (2017-2019). (See Exhibit ORA-1, pages 19-20.)

16 RESOLUTION: The Parties agree that Cal Water should continue to have  
17 authority to implement a Balanced Payment Plan with the same conditions  
18 specified in the 2012 GRC Settlement, as follows:

- 19 • The Parties agree that Cal Water should be authorized to file a Tier 2  
20 advice letter to implement the BPP with minor changes to Cal Water’s  
21 original proposal, and to add to its tariff provisions language that is  
22 substantially similar to those provided for the Balanced Payment Plan in  
23 Attachment 3 (Draft Modifications to Customer Service Rules) of [the  
24 2012 GRC] Agreement. In addition, the advice letter will include a  
25 discussion of the procedures for how customers may remove themselves,  
26 or be removed from, the program, such as the following:
- 27 ○ A customer may end enrollment in the BPP by informing Cal  
28 Water by phone, or by submitting a form in person, by mail, or by  
29 email.

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<sup>9</sup> D.14-08-011, Exhibit A (Settlement Agreement) at 26-27.

- 1                   ○ Cal Water may end a customer’s enrollment in the BPP as follows:  
2                   After a bill becomes delinquent, the next customer bill will  
3                   provide notice of the delinquency, and a warning that a continued  
4                   failure to pay will result in water shut-off and removal from the  
5                   BPP program. If the customer fails to pay within 10 days of the  
6                   notice, Cal Water will include the same warning with its standard  
7                   termination letter for nonpayment.
- 8                   ○ If water is turned back on, the customer’s next bill will indicate  
9                   that the customer was removed from the BPP due to non-  
10                  payment, and that they may not re-enroll unless their account is  
11                  in good standing for at least 12 consecutive months (12 regular  
12                  cycles or 6 bi-monthly cycles).
- 13                  ○ The accounts of customers who enroll in the BPP will be  
14                  electronically tagged with a special identifier. For continuing  
15                  customers who sign up, Cal Water will retain one year’s worth of  
16                  historical usage and billing data for that specific customer for later  
17                  analysis. For program evaluation purposes, Cal Water agrees to  
18                  monitor the success of the BPP program and provide a report in  
19                  its next GRC. The report will include enrollment rates, water  
20                  consumption, bill delinquencies, and service shutoffs. The report  
21                  will also discuss major incremental costs incurred to initiate and  
22                  maintain the program, and major cost savings that could be  
23                  attributed to the program. Cal Water will also discuss whether  
24                  further adjustments to the program may make it more cost  
25                  effective.<sup>10</sup>

26                  Cal Water also agrees that, in the event that it does not implement a Balanced  
27                  Payment Plan in this GRC cycle, Cal Water must re-justify in its next GRC any request for  
28                  authority to implement a BPP.

29                  **J. SPECIAL REQUEST #11: INCREASE IN WATER SUPPLY FEES**

30                  ISSUE: Cal Water proposed modifications relating to the special facilities fee in  
31                  Tariff Rule 15. Modifications included an increase in the lot fees (or water supply fees)  
32                  for the Bakersfield, Chico, Dixon, Marysville, Salinas, Selma, Visalia, and Willows  
33                  Districts, as well as clarification on the language used in Rule 15, Section C.1.e.

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<sup>10</sup> Id.

CHAPTER 6. SPECIAL REQUESTS

1           ORA agreed that the water supply fees should be updated and that the language  
2 proposed was suitable.

3           RESOLUTION: The Parties agree to the Water Supply Fees summarized in Item  
4 1, below, and to integrate the language in Items 2 and 3, below, into Rule 15.

5           1. The affected districts and new amounts applicable:  
6

District	Water Supply Fee
Bakersfield	\$5,500
Chico	\$2,000
Dixon	\$2,800
Marysville	\$2,350
Salinas	\$2,200
Selma	\$2,100
Visalia	\$1,500
Willows	\$4,250

7           2. Modifications of tariff language (fees)

8           Rule 15.C.1.e. currently reads:

9                     A special facilities fee for water supply will be included in the advance in  
10                     lieu of any domestic water supply requirement covered under Section  
11                     C.1.b. in some areas. The districts and fees applicable are shown below.

12  
13           The proposed language integrates the new fee terminology discussed above,  
14 such that it will now read:

15                     In some areas, in lieu of any domestic water supply requirement covered  
16                     under Section C.1.b., a special facilities fee for water supply will be  
17                     included in the advance to the utility. The special facilities fee for water  
18                     supply is sometimes referred to as a lot fee or water supply fee. The  
19                     districts and fees applicable are shown below.

20           3. Modifications of tariff language (discount)

21           The discounted rate for Califarming in the Bakersfield District, and the related  
22 explanatory note, will be eliminated because it is outdated.

1 Cal Water should be authorized to file a Tier 1 advice letter to add a modified  
2 Rule 15 that is substantially similar to the draft provided in **Attachment 6** of this  
3 Agreement.

4 **K. SPECIAL REQUEST #12: FUTURE BUILDING-RELATED APPLICATIONS**

5 ISSUE: In its Application, Cal Water described four building construction or  
6 improvement projects in the Bear Gulch, Livermore, Los Altos, and Visalia Districts that  
7 are not being proposed as capital projects in this rate case, but that Cal Water believes  
8 may be appropriate as separate applications filed outside of its general rate case cycle.  
9 Cal Water described the proposed projects, the need for each project, and the reasons  
10 for not including them in this GRC application. The building projects are at various  
11 stages of planning and design. (See Exhibit CWS-2, pages 217-224.) In past rate cases,  
12 Commission decisions have adopted settlements in which the parties have agreed that  
13 Cal Water can (or should) request cost recovery for a given large project through an  
14 application process separate from a GRC.

15 Observing that Cal Water did not provide a specific time period for filing the  
16 separate applications, ORA stated that it considers this special request as “information  
17 only,” and that Cal Water should “file its applications when it considers appropriate to  
18 pursue this request or in the next GRC.” (See Exhibit ORA-1, page 20-21.)

19 RESOLUTION: The Parties agree that resolution of this special request in  
20 this Settlement Agreement does not constitute approval of the projects to  
21 construct or improve buildings in the Bear Gulch, Livermore, Los Altos, and Visalia  
22 Districts, and does not give Cal Water specific authority to file separate application  
23 for those projects. The Parties nevertheless agree that Cal Water has informed  
24 ORA and the Commission of these possible applications in the broader context of  
25 a rate case, and is not precluded from pursuing such projects via separate  
26 application even though recovery for the projects was not specifically discussed in  
27 this GRC.

1           **L. SPECIAL REQUEST #13: WAIVER OF ADDITIONAL CUSTOMER NOTICE**

2           ISSUE: Cal Water requested an order from the Commission waiving the notice  
3 requirement under Rule 3.2(c-d) or General Order 96B if the actual escalation year  
4 increase in a given district exceeds the rates reflected in the notices given to customers  
5 about this GRC Application. (See Exhibit CWS-1, page 17.) ORA opposed this request.  
6 (See Exhibit ORA-1, page 22.)

7           RESOLUTION: Cal Water agrees to withdraw this special request.

8           **M. SPECIAL REQUESTS #14 & 16: COORDINATION WITH OPEN COMMISSION**  
9           **PROCEEDINGS AND RECOGNIZING SUBSEQUENT OFFSETS**

10          ISSUE: In its Application, Cal Water requested that the final decision in this  
11 proceeding reflect the outcomes of other open proceedings to the extent that  
12 they are resolved in a timely manner (Special Request #14) (Exhibits CWS-1, page  
13 17; CWS-4, pages 11-12). Due to the multi-year GRC process, Cal Water frequently  
14 has other formal and informal filings pending resolution before the Commission.  
15 To the extent that outcomes in other matters before the Commission may impact  
16 the rates or tariffs adopted in this rate case, this Special Request sought explicit  
17 authorization to incorporate those outcomes into the tariffs implemented for this  
18 GRC.

19          Cal Water also requested that any rate increases authorized between the filing  
20 of its July 2015 GRC Application, and the effective date of new rates, be included in new  
21 rates (Special Request #16) (Exhibit CWS-1, page 18; CWS-2, page 195). Water  
22 companies are allowed to change rates in between rate cases to reflect increased water  
23 production costs (“offsettable expenses”), the completion of certain capital projects (  
24 “rate base offsets”), and other defined changes (which can result in an increase or  
25 decrease in rates). Any rate changes authorized via advice letter prior to Cal Water’s  
26 filing of its July 2015 GRC Application were incorporated into Cal Water’s proposed  
27 rates. However, if the Commission has authorized rate changes since then, those  
28 subsequent offsets should also be reflected in new rates.

1 In sum, in Special Requests #14 and #16, Cal Water therefore sought explicit  
2 Commission authorization to incorporate into new rates any rate changes that occurred  
3 after the July 2015 GRC Application was filed (hereinafter referred to as “subsequent  
4 rate changes”).

5 ORA expressed concerns about the cumulative impact of reflecting the outcome  
6 of other proceedings and subsequent offsets in final GRC rates. Specifically, the  
7 inclusion of other proceedings and offsettable expenses could potentially lead to the  
8 perception that Cal Water is obtaining a higher revenue change than what Cal Water has  
9 requested in its filing. ORA recommends Cal Water notify its customers explaining the  
10 resulting increase and the reason for the increase after the Commission’s final decision  
11 (Exhibit ORA-1, pages 22-24).

12 RESOLUTION: The Parties agree that revenue requirement changes that the  
13 Commission approved after the July 2015 filing of Cal Water’s GRC Application should be  
14 incorporated into the calculation of new rates. The Parties agree that there are two  
15 components for integrating subsequent rate changes into new GRC rates. The first  
16 component is to correct the “present adopted revenue requirement” that will appear in  
17 the Commission’s final decision (for the purposes of comparing “present adopted  
18 revenue requirement” against the newly adopted revenue requirement). The second  
19 component is to ensure that the revenue requirement model used to calculate the new  
20 rates includes the rate changes that have been approved since the July 2015  
21 Application. For example, since offsettable expense filings reflect an increase in the unit  
22 cost for wholesale water purchases, that unit cost must be incorporated into the  
23 estimated test-year production costs to reflect true operating costs going forward. For  
24 the rates proposed in this settlement, the revenue requirement changes approved  
25 outside of this case that have been incorporated into revenue requirement are provided  
26 in **Attachment 10** to this Settlement.

27 Finally, to help customers better understand the rates that will be implemented  
28 as a result of a Commission decision in this case, Cal Water will include a bill insert that  
29 contains notification language similar to the following:

1 This bill includes a revenue adjustment authorized by the California Public  
2 Utilities Commission (CPUC) reflecting its final decision in Cal Water’s 2015  
3 General Rate Case (GRC). This revenue change may be different from that filed  
4 in our 2015 application due to projects being deferred or cost estimates being  
5 refined during the GRC process. Other revenue changes made during the 18-  
6 month review process, such as increased purchased water or pump tax costs,  
7 infrastructure project completions not previously completed, and inflationary  
8 increases, also affect the difference between the rates originally estimated, and  
9 the approved rates shown.

10 **N. SPECIAL REQUEST #15: PERMANENT “CONSERVATION” RATE DESIGN**

11 ISSUE: Cal Water requested adoption of the Conservation Rate Design Pilot  
12 (“Pilot”) as a permanent component of Cal Water’s rate structure. First established in  
13 D.08-02-036, the attributes of the conservation rate design program include the  
14 following for each ratemaking area: tiered residential quantity rates, single quantity  
15 rates for non-residential customer (with greater revenue collection shifted to quantity  
16 rates), an enhanced water conservation program, full Water Revenue Adjustment  
17 Mechanisms (“WRAMs”), and Modified Cost Balancing Accounts (“MCBAs”). (See  
18 Exhibit CWS-2, pages 173-175.) ORA did not oppose retaining these general features,  
19 but indicated that rate design should continue to be open to modification in this and  
20 future rate cases as needed. (See Exhibit ORA-3, pages 3 and 24.) ORA recommended  
21 some specific changes that would be implemented within the framework of the existing  
22 conservation rate design. (See Exhibit ORA-3, pages 13-24.)

23 RESOLUTION: The Parties agree that the “pilot” conservation rate design  
24 that has been in effect for Cal Water since 2008 should be considered permanent  
25 going forward, without limiting the possibility for future modifications and  
26 improvements. Specific rate design modifications are discussed in Chapter 3 of  
27 this Settlement Agreement.

28 **O. SPECIAL REQUEST #17: PERMANENT CREDIT CARD PROGRAM**

29 ISSUE: In its Application, Cal Water requested approval to make its current  
30 credit card/debit card pilot program, which allows customers to pay their water bills

1 without a per-transaction fee, into a permanent program, and to eliminate the  
2 associated Credit Card Pilot Program Memorandum Account (Preliminary Statement J2).  
3 (See Exhibit CWS-2, pages 176-180.)

4 In its Report, ORA noted that the balance in the memo account was \$74,307,  
5 reflecting a net savings for the program that should be returned to ratepayers. With the  
6 refund of this balance, ORA supported approval of the Credit Card Program on a  
7 permanent basis. (See Exhibit ORA-4, page 19 and 43.)

8 RESOLUTION: The Parties agree that the net savings of \$74,307 in the  
9 Credit Card Pilot Program Memorandum Account should be returned to  
10 customers as a credit via the filing of a Tier 2 advice letter. The Parties also  
11 support permanent authorization of Cal Water’s credit/debit card payment  
12 program, and elimination of the related memo account after amortization of the  
13 memo account. When the amortization period is complete, and remaining  
14 amounts are rolled over into the District-Specific Balancing Accounts, Cal Water  
15 may file a Tier 1 advice letter to eliminate Preliminary Statement J2.

16 **P. SPECIAL REQUEST #18: TEMPORARY METERED SERVICE TARIFF**

17 ISSUE: Cal Water requested the inclusion of a new tariff for metered water  
18 service for customers engaged in temporary activities, such as construction, within its  
19 service areas.

20 ORA supported Cal Water’s request for a new tariff.

21 RESOLUTION: The Parties agree to include a new temporary metered service  
22 tariff which allows for the collection of a \$2,400 deposit for a hydrant meter with  
23 backflow assembly. Cal Water should be authorized to file a Tier 1 advice letter to add a  
24 tariff for temporary metered service, via, that is substantially similar to the draft  
25 provided in **Attachment 6** of this Agreement.

26 **Q. SPECIAL REQUEST #19: DEADLINE FOR INTERVENTION**

27 ISSUE: Cal Water requested that the Assigned Administrative Law Judge provide



1 guidelines to potential intervenors to submit their motions to intervene preferably  
2 before December 1, 2015. Cal Water also proposed that the Commission only allow  
3 limited intervention, tailored to the schedule and needs of this proceeding, in the event  
4 that this special request was not granted. (See Exhibit CWS-2, pages 196-197.)

5 ORA stated that this issue is moot because intervenors were directed to file their  
6 motions to intervene by April 1, 2016 in the Scoping Memo and Ruling of Assigned  
7 Commissioner and Administrative Law Judge issued on January 7, 2016. (See Exhibit  
8 ORA-1, page 24.)

9 RESOLUTION: The Parties agree that this issue is moot.

10 **R. SPECIAL REQUEST #20: PUBLIC AND PRIVATE FIRE PROTECTION TARIFFS**

11 ISSUE: Cal Water requested authority to eliminate legacy tariffs for public fire  
12 hydrant charges which are obsolete. In addition, Cal Water requested changes to its  
13 existing tariffs for privately owned fire protection systems to standardize the rates and  
14 add clarifying language. (Exhibit CWS-2, pages 190-192)

15 ORA supported Cal Water's request (Exhibit ORA-1, pages 24-25).

16 RESOLUTION: Parties agree to eliminate the Public Fire Hydrant Tariffs and to  
17 consolidate all other Fire Protection Tariffs under a single Schedule. Cal Water agrees to  
18 cancel remaining district-specific fire hydrant tariffs as well as existing district-specific  
19 privately owned fire protection tariffs. Cal Water agrees to create a new tariff,  
20 applicable to all areas, for fire protection service that applies to all fire protection  
21 services for governmental and privately owned properties receiving service for on-site  
22 fire sprinklers, stand pipes, fire hydrants or any other fire protection system not owned  
23 and maintained by Cal Water but connected to the water system for fire protection  
24 purposes only.

25 A universal rate of \$8.50 per month per inch diameter of service connection shall  
26 be assessed under the new tariff. This rate was developed by evaluating existing  
27 district-specific private fire protection service tariffs. Across all districts, the rates range  
28 from approximately \$6.48 to \$13.69 per month, per inch diameter of service

1 connection. The average is \$8.64 and the median is \$8.45. Given the restrictions  
2 imposed by the special conditions, a universal rate of \$8.50 per month, per inch  
3 diameter of service connection, appears reasonable. Cal Water should be authorized to  
4 file a Tier 1 advice letter to revise/add its tariffs for Public/Private Fire Protection that is  
5 substantially similar to the draft provided in **Attachment 6** of this Agreement. (Exhibit  
6 CWS-109, page 155-156.)

7 **S. SPECIAL REQUEST #21: RULE 15 (MAIN EXTENSIONS) CLARIFICATIONS**

8 ISSUE: Cal Water requested modifications to the language in Rule 15 to clarify  
9 confusing and contradictory language. Specifically, the areas for which clarifications are  
10 sought are:

11 1) Applicability

12 Under the General Provisions and Definitions, the current Rule 15 appears to  
13 exclude extensions primarily for fire hydrant or private fire protection:

14 extensions primarily for fire hydrant, private fire protection, resale,  
15 temporary, standby, or supplemental service shall not be made under  
16 this rule.<sup>11</sup>

17 The existing Rule 15 does not specify how these types of extensions should be  
18 completed and in Section D and the Rule provides conflicting information on Extensions  
19 Designed to Include Fire Protections. Proposed changes to Rule 15 clarify the provisions  
20 concerning main extensions designed to include incidental fire protection and those  
21 extensions that are designed primarily for fire protection.

22 2) Conservation

23 Rule 15 section A.4.e.1 sets forth conservation and the specific minimum  
24 requirements for interior plumbing fixture flow rates. Current language in section  
25 A.4.e.1 cites specific flushing and flow requirements for bath and kitchen plumbing. Cal  
26 Water has not updated this section since 1994. Proposed changes re-word this section

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<sup>11</sup> Cal Water Rule 15, CPUC Tariff Sheet 4803-W, page 1, Section A.1.b (emphasis added).

1 to reference the most current versions of local building codes and California Urban  
2 Water Council best management practices.

3 3) Designing Without Charge

4 With respect to small extensions under 100 feet, Section A.5.a requires that the  
5 utility provide preliminary sketches and rough estimates to potential applicants  
6 “without charge.”<sup>12</sup> Parties agree that such costs may have been small in the past,  
7 however due to varied local requirements for engineering and specifications including  
8 traffic control plans, and permitting, such costs may no longer be de minimus and  
9 should not be borne by the existing ratepayers. Parties agree that a deposit equal to the  
10 estimated cost should be provided to the utility. Should a main extension contract be  
11 initiated within 180 days after the utility furnishes the detailed plans and specifications  
12 the deposit shall become part of the advance and shall be refunded in accordance with  
13 the terms of the main extension contract. The deposit covering the cost of preparing  
14 plans, specifications, and cost estimates shall be forfeited if the proposed applicant does  
15 not execute the main extension contract or execute the contract within 180 days after  
16 the detailed plans and specifications were provided to the applicant.

17 4) Closure of Loopholes for Small Extensions

18 In Cal Water’s 2005 GRC, Rule 15 was revised to allow the company to collect lot  
19 fees to fund extensions serving more than 4 residential lots. However, this provision  
20 created a loophole for subdivisions of more than 1 service but fewer than 5. Another  
21 loophole for small extensions exists when a future connection is made under the  
22 existing Rule 15.B extension which states:

23 If subsequent applicants for water service are connected directly to the  
24 main extension contributed by the original individual customer, such  
25 subsequent applicants shall pay the utility an amount equal to the cost of  
26 100 feet of the original extension. Such amounts shall be immediately

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<sup>12</sup> Cal Water Rule 15, CPUC Tariff Sheet 4805-W, page 3, Section A.5.a.

1                   refunded by the utility to the initial customer who originally paid for and  
2                   contributed the main extension to the utility.<sup>13</sup>

3                   This provision as currently written makes the second customer responsible for  
4                   the cost of 100 feet of the original main extension. Parties agree that the language  
5                   should be modified to include a provision where subsequent applicants would only pay  
6                   50% of the cost of the original extension if the length of the original extension is less  
7                   than 200 feet. Additionally, Parties agree that for extensions constructed due to  
8                   individuals or groups of individual wells going dry and the extensions are funded by  
9                   State or Federal grants, these extensions should not be refundable to prevent an  
10                  unintended windfall of revenue to the applicant. Parties also agree that with respect to  
11                  lot fees, the multifamily fee amount noted in Rule 15 should utilize the service  
12                  equivalency chart based on Commission meter factors rather than the existing 1-inch  
13                  service, per multifamily unit basis.

14                  5) Taxes

15                  ISSUE: Rule 15 currently references specific tax rates for Contributions in aid of  
16                  Construction (CIAC) that were in effect at the time of the adoption of the rule. Parties  
17                  agree that the specific rates should be eliminated and replaced with language specifying  
18                  the CIAC tax rates in existence at the time the extension is initiated.

19                  ORA expressed concern that a GRC proceeding is not the appropriate vehicle to  
20                  modify a rule that was established by a prior decision and equally applicable to other  
21                  water companies.

22                  RESOLUTION: After careful review, ORA and Cal Water agree that numerous  
23                  changes to the existing Rule 15 will make clearer the applicability and requirements for  
24                  Main Extensions. The proposed changes provide clarification of confusing and  
25                  contradictory language, close unintended loopholes, and update sections for  
26                  conservation and taxes. The Parties acknowledge that modifications to Rule 15 in this  
27                  GRC do not preclude the issue from being addressed in an industry-wide proceeding,

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<sup>13</sup> Cal Water Rule 15, CPUC Tariff Sheet 4807-W, page 5, Section B.2.

1 and agree to modify Rule 15 with language that clarifies the rule. Cal Water should be  
2 authorized to file a Tier 1 advice letter to add a modified Rule 15 that is substantially  
3 similar to the draft provided in **Attachment 6** of this Agreement.

4 **T. SPECIAL REQUEST #22: WATER QUALITY FINDING**

5 ISSUE: In its Application, Cal Water requested a finding from the Commission  
6 that all of its operating districts provide water service that meets or exceeds state and  
7 federal drinking water standards, and meet the requirements of General Order 103-A.  
8 (See Exhibit CWS-1, page 22.) That request was consistent with the Commission’s  
9 statement in D.07-05-062 (page 26):

10 We also will incorporate water quality into the MDRs and require that  
11 any proposed decision in a GRC proceeding make specific findings and  
12 recommendations concerning the utility’s water quality compliance.

13 Cal Water provided detailed testimony demonstrating its compliance with all  
14 water quality requirements in each of its districts. (See Exhibit CWS-2, pages 30-90.)

15 In addition, Ordering Paragraphs 7 and 8 respectively of D.07-05-062 require the  
16 Water Division to appoint a water quality expert, and the Commission presiding officer  
17 to rely on the testimony of the expert in support of a water quality finding. On March 1,  
18 2016, the Administrative Law Judge added an Informal Water Quality Report (“Informal  
19 Report”) to the record. Prepared by the Water Division and issued on November 16,  
20 2015, the Informal Report reviewed Cal Water’s historical water quality compliance and  
21 evaluated three capital projects proposed by Cal Water that related directly to water  
22 quality. The Informal Report concluded that Cal Water was out of compliance in two  
23 instances for allowing untreated water into the drinking water distribution system and  
24 that Cal Water was subsequently in full compliance with federal and state safe drinking  
25 water laws at the time of the Informal Report. The Informal Report also and expressed  
26 support for two of the three proposed capital projects.

27 ORA separately evaluated Cal Water’s water quality showing, contacted the  
28 State Water Resources Control Board’s Division of Drinking Water (“DDW”) to review  
29 that agency’s inspection reports and appraisals of Cal Water’s systems, and provided

## CHAPTER 6. SPECIAL REQUESTS

1 testimony on five DDW notices of violations. (See Exhibit ORA-6, pages 5-9.) While  
2 ORA's opinions on the reasonableness of the three proposed capital projects diverged  
3 from the conclusions in the Informal Report, ORA determined that the company  
4 appeared to be in compliance with all applicable water quality standards, and indicated  
5 that Cal Water's water systems are in compliance with its permit provisions as  
6 determined by the DDW.

7        RESOLUTION: No party alleges that there are violations of General Order  
8 103-A that Cal Water has failed to address. The Parties agree that the Commission  
9 should grant Cal Water's Special Request by finding in this GRC's decision that Cal  
10 Water meets all applicable state and federal water quality requirements.

11  
12

[END OF CHAPTER]

1           **CHAPTER 7. BALANCING AND MEMORANDUM ACCOUNTS**

2           **A. OVERVIEW**

3           ISSUE: Cal Water provided a report on its existing balancing and memorandum  
4 accounts (“BAMAs” or “accounts”) in its General Report submitted with its Application  
5 (Exhibit CWS-1, pages 20-37). Each BAMA is generally governed by a “preliminary  
6 statement” in Cal Water’s tariffs that generally describes the purpose of the account, its  
7 applicability, accounting requirements, appropriate ratemaking treatment (if any), and  
8 the future disposition of the account.

9           In the General Report and in Direct Testimony (Exhibit CWS-2, pages 181-184),  
10 Cal Water also requested authority to modify the preliminary statements of some  
11 accounts, amortize the balances in some accounts, eliminate other accounts, and create  
12 certain new accounts. In addition, Cal Water requested disposition of residual amounts  
13 from “interim rate surcharges” that have been tracked in a balancing account that does  
14 not have a preliminary statement.

15           ORA conducted a review of Cal Water’s existing balancing and memorandum  
16 accounts and their balances, and provided recommendations on whether they should  
17 continue, and whether any modifications are needed. In addition, ORA analyzed Cal  
18 Water’s requests for authority to take specific actions relating to the accounts.

19           RESOLUTION: The Parties have reached agreement on the status and  
20 appropriate disposition of Cal Water’s balancing and memo accounts, including  
21 modification or elimination as appropriate. All of the accounts are listed in the tables  
22 that follow. In cases where the Parties agree that no Commission action is needed at  
23 this time, the accounts are not discussed further in this Settlement. The balancing and  
24 memo accounts that are discussed later in this chapter are identified in the tables.

CHAPTER 7. BALANCING AND MEMORANDUM ACCOUNTS

<b>Cal Water's Balancing and Memorandum Accounts (Table 1 of 2)</b>			
<b>Prel. St. &amp; Abbrev.</b>	<b>REGULATORY ACCOUNT</b>	<b>Issues Raised in Proceeding</b>	<b>Summary of Settlement</b>
AJCA	Amer. Job Creation Act	No issues to resolve.	No CPUC action needed.
F MTBE MA	MTBE Memo Account	CWS' request to allocate net proceeds 75/25 (shareholders/ratepayers)	See discussion. Apply additional MTBE litigation proceeds to offset the additional estimated costs of capital additions in Bayshore District and allocate remainder 75/25 (shareholders/ratepayers).
H LIRA MA	LIRA Memo Account	CWS' request to recover admin costs of \$267K via Tier 1, and later costs via Tier 2.	Recover \$198K via a Tier 1 AL, and any other costs via Tier 3.
J2 CCPP MA	Credit Card Pilot MA (Modified)	CWS' request to amortize balance, close account, and adopt permanent program (see SR #17).	See discussion. Refund balance to ratepayers and close account; make Credit Card Payment Program permanent.
K WMA	Wausau Memo Account	No issues to resolve.	No CPUC action needed.
M WRAM/MCBA	WRAM/MCBA	CWS' request to eliminate 10% cap on WRAM amortization (SR #18).	See SR #18 discussion. As part of settlement, CWS withdraws request to eliminate cap.
P DTSC MA	Dept of Tox. Subs. Cont. MA	No issues to resolve.	No CPUC action needed.
Q HomeSer MA	A.08-05-019 MA (HomeSer)	No issues to resolve.	No CPUC action needed.
S WCCM	Water CoC Adjust. Mech.	No issues to resolve.	No CPUC action needed.
T LCBA	Lucerne BA	No issues to resolve.	No CPUC action needed.
U TLMA	Tort Litigation Memo Account	No issues to resolve. (CWS to close account without amortization.)	No CPUC action needed.
V PCE MA	PCE Litigation Memo Account	No issues to resolve.	No CPUC action needed.
W TCP MA	TCP Litigation Memo Account	CWS' request to expand to apply to any districts with TCP contamination, and to recover capital projects costs quickly.	Expand Preliminary Statement to apply to all districts. CWS may seek recovery for completed projects once every 12 months.
X OEEP MA	Oper. Energy Efficiency Program MA	CWS' request to put plant in rates and recover carrying costs.	Put depreciated plant into rates, but include carrying costs through end of 2014.
Z1 CEBA1	Conservation Expense One-Way BA 1	No issues to resolve.	No CPUC action needed.
Z2 CEBA2	Conservation Expense One-Way BA 2	(1) CWS' request to modify prelim to offset costs with grant money; (2) CWS' request to open new CEBA with same terms.	(1) Modify prelim to offset costs with grant money; (2) Authorize new CEBA under same terms.
AA1 PCBA1	Pension Cost Balancing Account 1	No issues to resolve.	No CPUC action needed.

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CHAPTER 7. BALANCING AND MEMORANDUM ACCOUNTS

<b>Cal Water's Balancing and Memorandum Accounts (Table 2 of 2)</b>			
<b>Prel. St., Abbrev.</b>	<b>REGULATORY ACCOUNT</b>	<b>Issues Raised in Proceeding</b>	<b>Settlement</b>
<b>AA2 PCBA2</b>	Pension Cost Balancing Account 2	(1) ORA's request to adjust recovery calculations; (2) CWS' request to open new PCBA with same terms.	(1) Adjust calculations; (2) Open new PCBA excluding SERP.
<b>AB2 HCBA</b>	Health Cost Balancing Account 2	(1) ORA's request to adjust recovery calculations; (2) CWS' request to open new HCBA with same terms.	(1) Adjust calculations; (2) Open new HCBA.
<b>AC PRV MA</b>	Pressure Reducing Valve MA	No issues to resolve.	No CPUC action needed.
<b>AD SLMA</b>	Stockton East Litigation MA	No issues to resolve.	No CPUC action needed.
<b>AE Bonus Tax MA</b>	Bonus Tax Depreciation MA	CWS' request to refund corrected amounts.	Refund corrected amounts to customers.
<b>AG CEMA</b>	Catastrophic Event MA	No issues to resolve.	No CPUC action needed.
<b>AI CR6 MA</b>	Chromium-6 Memo Account	No request in Application, but see Rebuttal.	Modify to allow account to continue.
<b>AJ LIRA BA</b>	LIRA Balancing Account	CWS' request to eliminate cap on LIRA credit (see SR #3).	No CPUC action needed.
<b>AK 2012 IRMA</b>	2012 GRC Interim Rate MA	No issues to resolve.	No CPUC action needed.
<b>AL DRMA</b>	Drought Memo Account	CWS' request to recover amounts via Tier 1 and Tier 2.	CWS sought partial recovery through Tier 3 on 7/15/16, so requests are moot.
<b>AM RSF BA</b>	Rate Support Fund BA	(1) CWS' request to annually recalculate surcharge; (2) Parties' proposals to phase out or modify program (see SR #2).	(1) Agree to annual re-calculation; (2) See discussion of Special Request #2.
<b>AN Infra MA</b>	Infrastructure Act MA	No issues to resolve.	No CPUC action needed.
<b>AO Contam MA</b>	Water Contamination Lit. MA	No issues to resolve.	No CPUC action needed.
<b>AP Gen BA</b>	General District BAs	No issues to resolve.	No CPUC action needed.
<b>AQ ELAMA</b>	East Los Angeles Memo Account	CWS' request to put capital projects into rates and recover carrying costs.	Put depreciated value of capital projects into rate base; recovery carrying costs; defer Phase 2 building improvements.
<b>AR SRM</b>	Sales Recon. Mech. BA	CWS' request to eliminate account.	Eliminate account.
<b>AS ALMA</b>	Asbestos Memo Account	No issues to resolve.	No CPUC action needed.
<b>IFRS MA</b>	Int'l Financial Rep Stds MA	(Has not been triggered.)	Agree to let account lapse.
<b>[none]</b>	Old Interim Rate Surch. Residuals	CWS' request to move residual balances into District-specific Balancing Accounts.	Agree to amortize high balances and credits again, and to transfer low balances to District BAs.

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1        **B. PRELIMINARY STATEMENT (“PRELIM”) F: MTBE MEMO ACCOUNT (MTBE MA)**

2        ISSUE:

3        Procedural Background

4        California established a binding Maximum Contaminant Level (MCL) for Methyl  
5 Tertiary Butyl Ether (MTBE) in 2000. Due to Cal Water’s large number of wells and  
6 extensive use of groundwater, the company was severely impacted by MTBE  
7 contamination, spurring the company to take immediate action to comply with the MCL  
8 and maintain its water supply capacity. Cal Water constructed a surface water  
9 treatment plant, installed treatment on groundwater wells, abandoned impacted wells,  
10 and constructed new wells.

11        Cal Water’s timely response fully complied with MTBE regulations but at  
12 significant costs. The significant costs prompted Cal Water to take legal action against  
13 potentially responsible parties. In 2005, Cal Water filed a lawsuit in California Superior  
14 Court to recoup its MTBE-related damages, *California Water System Company v. Atlantic*  
15 *Richfield Co., et al.* (San Mateo County Superior Court No. CIV 443990).<sup>14</sup> The complaint  
16 focused on manufacturers of MTBE and vertically integrated oil companies by asserting  
17 numerous claims, including design defect product liability, and failure to warn,  
18 negligence, nuisance, trespass, and others (“MTBE Litigation”).

19        Pursuant to Resolution No. W-4094, Cal Water requested a memorandum  
20 account in Advice Letter 1701 (filed February 2, 2005) to track MTBE Litigation costs and  
21 proceeds recovered through MTBE Litigation. The MTBE Memorandum Account (MTBE  
22 MA) was authorized with an effective date of August 15, 2005.

23        In 2008, Cal Water and other plaintiffs entered into a two-part settlement with  
24 12 defendants (“MTBE Settlement”), with litigation still pending against three other  
25 defendants. Under the first part of the Settlement, Cal Water received \$49,716,872 for

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<sup>14</sup> Cal Water and American Water Works Company (California-American Water) were the only investor-owned utilities (IOU) in California to undertake legal action. Unlike in other states, neither the State of California (“State”) nor any State agency took legal action on behalf of water purveyors. MTBE costs were significant.

1 damages. Under the second part of the MTBE Settlement Cal Water may receive future  
2 payments for damages by MTBE contamination occurring in other wells<sup>15</sup> during a 20-  
3 year period. This provision allows Cal Water to recover damages associated with a new  
4 well affected by MTBE contamination without having to file a new lawsuit. Even though  
5 such recovery will not cover all the costs of MTBE contamination, it will maximize the  
6 net recovery.

7 On May 7, 2009, Cal Water with other plaintiffs settled with Lyondell Chemical  
8 Worldwide and received its proportionate share of approximately \$53,000, resulting in  
9 total settlement proceeds of \$49,769,872.

10 On July 8, 2009, Cal Water filed A.09-07-011 requesting that the Commission  
11 determine the allocation of net MTBE proceeds in accordance with prior Commission  
12 decisions, D.07-04-046 and D.06-05-041. The Commission adopted a settlement  
13 reached between Cal Water and the then Division of Ratepayer Advocates, which Cal  
14 Water believed directed Cal Water to amend its MTBEMA to track the use of funds to  
15 construct treatment and replacement facilities (D.10-04-037).<sup>16</sup> Cal Water believed  
16 that, under the decision, all funds, available for investment or other purposes, were to  
17 be used for the construction or purchase of MTBE treatment and replacement  
18 facilities.<sup>17</sup> On May 2, 2012, Cal Water dismissed its civil case against the two remaining  
19 MTBE defendants for the waiver of costs.

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<sup>15</sup> The first part of the MTBE Settlement stipulated to damages associated with all Cal Water's wells with detection of MTBE on or before April 2008.

<sup>16</sup> The proceeding was bifurcated into two phases due to two other relevant Commission proceedings, an industry-wide examination of Contamination Proceeds) and Cal Water's GRC (A.09-07-001). In the industry-wide contamination proceeds proceeding (R.09-03-014), the Commission issued D.10-10-018 on October 14, 2010 and D.10-12-058 on December 16, 2010, which set forth the Commission's policies, a framework for analysis, and proposed rules to govern the accounting and ratemaking treatment for water supply contamination damage awards. Among other requirements, D.10-10-018 ordered that proceeds from damage awards and settlements that fund replacement plant should be treated as CIAC. D.10-10-018 also set forth the definition of "Net Proceeds" and listed factors to inform the allocation of Net Proceeds, which include contamination occurrence, impact and response, cost and damage recovery efforts, claims and events.

<sup>17</sup> After the completion of the industry-wide proceeding on Contamination Proceeds, the Commission issued a Phase II decision that deferred the remaining issues to a general rate case and closed the proceeding (D.11-03-043).

1           Cal Water’s Proposal in this Rate Case

2           Of the total MTBE proceeds, Cal Water has applied \$28,545,976 as Contribution  
3 in Aid of Construction (CIAC) for completed MTBE remediation projects, and has  
4 earmarked an additional \$1,410,000 for an outstanding MTBE-designated project, a  
5 proposed treatment plant in South San Francisco (Project ID 21064, 61596, and 61654).  
6 In this proceeding, Cal Water proposed that the MTBE MA be terminated, with the  
7 remaining MTBE proceeds allocated 75% to shareholders and 25% to ratepayers  
8 consistent with the Commission’s criteria for the treatment of contamination proceeds.

9           Cal Water stated that this allocation is appropriate because, even though the  
10 Commission approved the MTBE MA, the risk of litigation was still Cal Water’s legal  
11 responsibility. While the Commission approved a memorandum account, Cal Water was  
12 never certain of costs recovery.<sup>18</sup> In addition, Cal Water took an aggressive tax  
13 approach that was beneficial to ratepayers. Cal Water was able to permanently defer  
14 federal and state income taxes on the recovered proceeds by treating all recovered  
15 proceeds from the MTBE Litigation under Internal Revenue Code § 1033 Election,  
16 Involuntary Conversion (“§ 1033”). As a result, approximately \$10,917,246 and  
17 \$3,024,774 in federal and state income taxes, respectively, were avoided, and Cal Water  
18 was able to increase the amount of CIAC available to offset MTBE-related infrastructure  
19 investment.<sup>19</sup> Cal Water stated that the MTBE Litigation, election of § 1033, and  
20 incurrence of unreimbursed expenses exposed Cal Water’s stockholders to risk above  
21 and beyond risk ordinarily incurred in regulated utility operations, and that the  
22 proposed 75%/25% allocation of the remaining MTBE proceeds to shareholders and

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<sup>18</sup> The disposition of amounts tracked in memorandum accounts is subject to a reasonableness review by the Commission, and does not guarantee recovery.

<sup>19</sup> Cal Water applied for an Internal Revenue Service (IRS) Private Letter Ruling (“PLR”); however, the IRS withheld issuing a PLR. Without a PLR, Cal Water still elected §1033 treatment of recovered proceeds. Cal Water also extended the replacement period under §1033 for several years, qualifying all MTBE recovered proceeds to be accounted for under §1033. The IRS audited Cal Water for the tax years 2010 and 2011. Cal Water’s § 1033 election and treatment of MTBE proceeds were examined, and the IRS agreed with Cal Water’s tax treatment.

1 ratepayers, respectively, appropriately reflects that risk. (See Exhibits CWS-2, pages  
2 225-242; CWS-109, pages 162-171.)

3 ORA's Recommendations in this Rate Case

4 ORA recommended postponing the disposition of net MTBE proceeds until Cal  
5 Water had completed construction of all MTBE treatment and replacement facilities,  
6 citing concerns expressed by the Commission about the premature allocation of net  
7 proceeds between ratepayers and shareholders (Exhibit ORA-4, pages 34-42). ORA  
8 also stated that Cal Water had not tracked operational treatment costs for the  
9 coordinated treatment of contaminants with MTBE as D.10-10-018 requires, and that  
10 Cal Water needed to consider MTBE operational costs in its calculation of net litigation  
11 proceeds. ORA recommended that Cal Water calculate the discounted net present  
12 value of MTBE treatment costs for a long period of time (i.e. over a 30 year period) and  
13 deduct that amount from litigation proceeds prior to arriving at the amount net  
14 litigation proceeds available to be split between ratepayers and shareholders.

15 RESOLUTION: The Parties agree that, after MTBE remediation projects have  
16 been offset 100% by MTBE proceeds in the amount of \$28,558,431 (as CIAC), and the  
17 removal of MTBE litigation expenses, the remaining balance in the MTBE MA is  
18 \$2,947,630. See table below:

<b>MTBE Balance</b>	
Litigation proceeds	\$ 49,716,872.0
Less attorney's fees	\$ (15,499,964.8)
Litigation check received	\$ 34,216,907.2
Add:	
Interest expenses recorded	\$ 334,470.2
Additional proceeds received	\$ 562,119.2
Total Additions	\$ 896,589.5
Less:	
Additional expenses for phase II of litigation	\$ (1,960,184.4)
Funds applied to CIAC	\$ (28,545,976.4)
Payment not booked in GL	\$ (249,705.9)
Funds reserved for Bayshore (SSF) project	\$ (1,410,000.0)
Total Deductions	\$ (32,165,866.7)
MTBE Balance	\$ 2,947,629.9

19  
20

CHAPTER 7. BALANCING AND MEMORANDUM ACCOUNTS

1 The Parties agree that the proposed South San Francisco water treatment  
 2 facilities (PIDs 21064, 61596, and 61654, i.e. “the SSF project”) are subject to a  
 3 \$5,813,200 cap, based on Cal Water’s revised estimated project costs as presented in its  
 4 Rebuttal Testimony (Exhibit CWS-111, page 65-66).

5 After review and discussion of the results of Cal Water’s aggressive litigation and  
 6 tax approaches, and the significant benefits ratepayers are receiving from the bulk of  
 7 the net proceeds, the Parties agree that the remaining proceeds should be allocated  
 8 75% to shareholders and 25% to ratepayers, subject to the following conditions: Cal  
 9 Water agrees to apply an additional \$1,010,348 of the net MTBE proceeds as CIAC to  
 10 reflect the increased estimated costs of the authorized South San Francisco MTBE  
 11 project that is still under construction. To address ORA’s concern that cost overruns for  
 12 the project could be put into rate base in the future, thereby diluting the net proceeds  
 13 allocated to ratepayers in this proceeding, Cal Water agrees to write off the amount of  
 14 any cost overruns as a charge to below-the-line earnings. In the case of a cost under-  
 15 run, Cal Water will nevertheless record the currently estimated increase in costs of  
 16 approximately \$1,010,348 as an additional credit to CIAC, funded by an additional  
 17 transfer of MTBE litigation proceeds to CIAC applicable to the South San Francisco MTBE  
 18 project.

19 With the removal of \$1,010,348 from the original net proceeds amount of  
 20 \$2,947,630, the agreed-upon net proceeds available for allocation are \$1,937,282 under  
 21 this Settlement Agreement. Using a 75/25 split, the result is an allocation of \$1,452,961  
 22 to shareholders, and an additional allocation of \$484,320 to ratepayers, as reflected in  
 23 the table below.

Description	Total		Ratepayers	Shareholders
Net Proceeds	\$ 2,947,630			
Less: Apply CIAC to Excess SSF Costs	\$ 1,010,348		\$1,010,348	
Net Proceeds Subtotal	\$ 1,937,282			
Amount Attributable to Shareholders	\$ 1,452,961	75.0%		\$1,452,961
Amount Attributable to Ratepayers	\$ 484,320	25.0%	\$484,320	
Total Benefit to Ratepayers			\$1,494,668	\$1,452,961

1 Finally, the Parties agree that the \$484,320 allocation to ratepayers shall be  
2 credited as CIAC to impacted districts in the same proportions as previously-allocated  
3 MTBE funds, resulting in the following CIAC credits: \$144,979 for the Bakersfield District;  
4 \$236,344 for the Salinas District; \$62,251 for the Marysville District; and \$40,746 for  
5 South San Francisco (Bayshore District). The Parties also agree that the proceeds  
6 allocated to stockholders are not restricted and may be used for an equity infrastructure  
7 investment in any Cal Water district.

8 Cal Water should be authorized to file a Tier 1 advice letter to eliminate  
9 Preliminary Statement F from its tariff when the conditions in this section have been  
10 met.

11 **C. PRELIM H: LOW-INCOME RATEPAYER ASSISTANCE MEMO ACCOUNT (LIRA MA)**

12 ISSUE: Cal Water requested authority to amortize via a Tier 1 advice letter the  
13 incremental administrative costs tracked in the LIRA Memo Account (Preliminary  
14 Statement H) for the period of 1/1/2012 to 12/31/2014, and provided a preliminary  
15 estimate of \$267,281. (See Exhibit CWS-4, pages 21-22.) Cal Water also noted its  
16 expectation that fewer administrative costs would need to be recovered through the  
17 LIRA MA because the implementation of the program had stabilized such that more  
18 administrative costs would be reflected in the expense forecasts in this GRC. For  
19 example, a permanent employee whose time is partially dedicated to overseeing the  
20 LIRA program was hired in 2014, and that salary is included in the payroll forecast for  
21 Customer Support Services (CSS).

22 During discovery, Cal Water further reviewed its cost estimate, and reported that  
23 the incremental costs appropriate for recovery for the period of 1/1/2012 to 6/30/2015  
24 were instead \$198,478. ORA did not oppose amortization of these tracked costs  
25 through a Tier 1 advice letter. ORA recommended, however, that the LIRA MA be closed  
26 because there was no continuing need for the account. (See Exhibit ORA-4, pages 42-  
27 43.) In Rebuttal, Cal Water disagreed, citing changes to LIRA program requirements that

1 the Commission has made in the past that required Cal Water to incur new incremental  
2 administrative costs. (See Exhibit CWS-109, page 171.)

3 RESOLUTION: The Parties agree to the following conditions relating to the  
4 amortization of administrative costs through the end of 2016:

- 5 • Cal Water may file a Tier 1 Advice Letter to amortize the balance of \$198,478  
6 in the LIRA MA for the period 1/1/2012 through 6/30/15.
- 7 • To recover any administrative costs incurred from July 1, 2015 through the  
8 end of 2016, Cal Water must file a Tier 3 advice letter.
- 9 • The LIRA MA will remain open to track only the incremental costs of any new  
10 Commission requirements that impact the LIRA program. ORA and Cal Water  
11 agree that the administrative costs associated with the current LIRA program  
12 are included in the expense forecast in this GRC.

13 The preliminary statement for the LIRA MA should be modified to track only  
14 those costs consistent with the resolution described above. Accordingly, ORA and Cal  
15 Water agree that:

- 16 • Cal Water may file a Tier 1 advice letter to replace LIRA MA Preliminary  
17 Statement H in its tariff with a preliminary statement that is substantially  
18 similar to the draft for the LIRA MA included in **Attachment 7** of this  
19 Agreement.

20 **D. PRELIM X: OPERATIONAL ENERGY EFFICIENCY PROGRAM MEMO ACCOUNT**  
21 **(OEEP MA)**

22 ISSUE: The Operational Energy Efficiency Program Memo Account (OEEP MA)  
23 (Preliminary Statement X) tracked the costs of capital pilot programs to improve energy  
24 efficiency for well pumps and booster pumps. Cal Water installed variable frequency  
25 drives in three districts: (1) PID 36947 in Bakersfield for \$61,434; (2) PID 10950 in Chico  
26 for \$143,561; and (3) PID 28649 in Visalia for \$82,695. In its Application, Cal Water  
27 requested inclusion of the projects in rate base and recovery of the carrying costs  
28 tracked in the account. (See Exhibit CWS-4, page 26 and Attachment I.)

29 ORA objected to full recovery of the OEEP projects and associated carrying costs.  
30 Noting that the Commission had authorized Cal Water to recover the costs for these  
31 projects in D.14-08-011 via a Tier 3 advice letter filed within 120 days of that decision,



1 ORA argued that Cal Water’s failure to file the advice letter should preclude the  
 2 company from amortizing the OEEP MA, and that only the partially depreciated balance  
 3 of the OEEP projects as of 1/1/17 should be allowed into rate base. (See Exhibit ORA-4,  
 4 pages 49-50; ORA-6, pages 210-213.) Cal Water disagreed with ORA’s punitive  
 5 approach, asserting that its inadvertent oversight did not harm ratepayers or result in  
 6 gain by the company (Exhibit CWS-109, pages 175-177).

7 **RESOLUTION:** The Parties agree that Cal Water may recover the carrying  
 8 costs of the OEEP projects incurred through the end of 2014, rather than the end  
 9 of 2016, and may include the depreciated plant balances in rate base beginning  
 10 January 1, 2017. Cal Water also agrees to corrections to the carrying cost  
 11 calculations made by ORA. Cal Water should be authorized to recover the  
 12 “Settlement” carrying costs identified below via a Tier 1 advice letter.

OEEP MA Projects	OEEP MA Projects Carrying Costs (through end of 2014)	
	CWS's Request	Settlement
<b>BK PID 36947</b>	\$ 42,993.4	\$ 23,805.8
<b>Chico PID 10950</b>	\$ 98,082.1	\$ 60,731.1
<b>Visalia PID 28649</b>	\$ 55,722.4	\$ 28,315.6

13 **E. PRELIM W: TCP MEMO ACCOUNT (TCP MA)**

14 **ISSUE:** Cal Water’s TCP Litigation Memo Account (TCP MA) (Preliminary  
 15 Statement W) was authorized via Advice Letter 1971, and became effective December  
 16 29, 2009. The account tracks litigation costs associated with pursuing parties potentially  
 17 responsible for TCP contamination, any settlement proceeds and/or litigation awards,  
 18 and the costs for TCP remediation.<sup>20</sup> With the upcoming Maximum Contaminant Level  
 19 (MCL) for TCP that the State Water Resources Control Board is scheduled to adopt, Cal  
 20 Water provided information in its Application about capital projects that would likely be  
 21 needed to comply with the MCL, but did not include those project costs in the revenue

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<sup>20</sup> TCP is 1,2,3-trichloropropane.

1 requirement requested in this GRC.<sup>21</sup>

2 In anticipation that numerous TCP projects will need to be completed  
3 quickly, Cal Water requested modification of the TCP MA to specifically allow  
4 project costs to be recovered through the memo account as they are completed  
5 (Exhibits CWS-2, page 181; CWS-4, pages 25-26).

6 ORA did not oppose modifying Preliminary Statement W to allow for cost  
7 recovery as individual projects are completed, but expressed concern that recovery be  
8 coordinated so that there is a fair allocation of any litigation proceeds among affected  
9 districts (Exhibit ORA-4, pages 47-49). In Rebuttal, Cal Water recognized the need to  
10 maintain comprehensive data across districts regarding all TCP-related capital and  
11 expense costs that are to be incurred, as well as any amounts that might be in rates, to  
12 ensure the proper disposition of all costs and proceeds (Exhibit CWS-109, page 174).

13 Cal Water also identified in Rebuttal that the TCP MA originally adopted was only  
14 applicable to six of Cal Water's districts. Given that the need for TCP remediation will  
15 fluctuate over time, and that TCP contamination has since been found in districts other  
16 than those specifically identified in Preliminary Statement W, Cal Water requested  
17 modifications to allow the TCP MA to apply to TCP contamination found in any of its  
18 regulated districts (Exhibit CWS-109, pages 174-175).

19 **RESOLUTION:** The Parties agree that Cal Water should be authorized to file  
20 for recovery of TCP costs via a Tier 3 advice letter filing only for projects that  
21 become operational and go into service, but that such a filing may not occur more  
22 often than once every 12 months. Subject to these conditions, amortization of  
23 costs tracked in the TCP MA may occur prior to formal establishment of an MCL  
24 for TCP. In addition, Cal Water agrees to track all remediation costs (as debits)  
25 and litigation proceeds (as credits) in the TCP MA by district, and will file for  
26 approval of a comprehensive allocation (or re-allocation, if necessary) of all costs  
27 and proceeds upon completion of all litigation and remediation work. Cal Water

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<sup>21</sup> See Exhibits CWS-40, 58, and 60.

1 should be authorized file a Tier 1 advice letter to add to its tariff a preliminary  
2 statement that is substantially similar to the draft for the modified TCP MA in  
3 **Attachment 7** of this Agreement.

4 **F. PRELIM Z2: CONSERVATION EXPENSE BALANCING ACCOUNT 2 (CEBA2)**

5 ISSUE: In the 2012 GRC, the Commission adopted a conservation budget and  
6 Conservation Expense Balancing Account (CEBA2) (Preliminary Statement Z2) for the  
7 period of 2014-2016. Cal Water reported on this account in its Application without  
8 requesting any action (see Exhibit CWS-4, page 26), and ORA reviewed Cal Water's  
9 report (see Exhibit ORA-4, page 50-51. In Rebuttal, however, Cal Water noted that it  
10 applies for various water conservation-related grants to offset authorized conservation  
11 program costs. Cal Water proposed that reimbursements received from those grants be  
12 tracked in the currently active CEBA. (See Exhibit CWS-109, pages 177-178.)

13 RESOLUTION: The Parties agree that Preliminary Statement Z2 should be  
14 modified to explicitly allow grant reimbursements to be tracked in the CEBA2 to  
15 offset conservation expenses. Accordingly, Cal Water should be authorized to add  
16 to its tariff via a Tier 1 advice letter a preliminary statement that is substantially  
17 similar to the draft for the CEBA2 in **Attachment 7** of this Agreement.

18 **G. PRELIM Z3: CONSERVATION EXPENSE BALANCING ACCOUNT 3 (CEBA3)**

19 As discussed in Chapter 4 of this Settlement Agreement, the Parties agree  
20 on a conservation budget for 2017-2019, and creation of an associated one-way  
21 Conservation Expense Balancing Account (CEBA3). Cal Water should be  
22 authorized to add to its tariff via a Tier 1 advice letter a preliminary statement that  
23 is substantially similar to the draft for the CEBA3 in **Attachment 7** of this  
24 Agreement.

25 **H. PRELIM AA2: PENSION COST BALANCING ACCOUNT 2 (PCBA2)**

26 ISSUE: The Commission authorized the Pension Cost Balancing Account 2

1 (PCBA2) (Preliminary Statement AA2) in Cal Water’s 2012 GRC as a two-way balancing  
2 account to track the difference between authorized and actual pension expenses for  
3 2014-2016. Cal Water reported on the PCBA2 in its Application, but did not have a  
4 request for any Commission action. (See Exhibit CWS-4, page 28.)

5 After reviewing the balance in the PCBA2, ORA disagreed with Cal Water’s  
6 application of escalation factors to pension expenses in districts that had escalation year  
7 increases for 2015 and/or 2016 rates. ORA stated that balancing accounts are not  
8 subject to escalation, and recommended that Cal Water correct for this error when it  
9 files to amortize the balance in the PCBA2 at the end of the 2014-2016 rate case period.  
10 ORA also objected to the capitalization ratios that Cal Water applies for the “actual”  
11 pension costs being tracked in the PCBA2. Regardless of what capitalization ratios Cal  
12 Water is actually using for accounting purposes, ORA stated that the final balance  
13 calculated for the PCBA2 should use the capitalization ratios applied in the Test Year  
14 2014 adopted pension expenses. (See Exhibit ORA-4, pages 52-53.) Cal Water did not  
15 object to these recommendations. (See Exhibit CWS-109, page 178.)

16 RESOLUTION: The Parties agree that Cal Water’s filing to amortize the  
17 PCBA2 will incorporate the following adjustments:

- 18 (1) To the extent that Cal Water increased pension costs in an escalation year  
19 filing, that increase should also be applied to the “adopted” pension costs for  
20 the purposes of calculating the difference between adopted and actual  
21 pension costs; and  
22 (2) In calculating “actual” pension costs, Cal Water should apply the  
23 capitalization ratios that were used for the adopted pension costs for Test  
24 Year 2014.

25 **I. PRELIM AA3: PENSION COST BALANCING ACCOUNT 3 (PCBA3)**

26 ISSUE: Cal Water requested continuation of the Pension Cost Balancing Account  
27 that the Commission approved in D.14-08-011 stating that there will likely be continued  
28 volatility in pension funding requirements on a year-to-year basis. Cal Water noted that  
29 this volatility is outside of Cal Water’s control in that discount rates and investment  
30 returns are largely the result of outside factors (Exhibit CWS-2, page 113).

1 ORA supported substantial revisions to the terms of the Pension Cost Balancing  
2 Account for this GRC including a cost sharing provision if actual expenses differ from  
3 adopted expenses, exclusion of the Supplemental Executive Retirement Plan (“SERP”)  
4 from the account, and clarification that the capitalized portion of pension costs at the  
5 adopted capitalization ratio is to be excluded (Exhibit ORA-5, page 49). With the  
6 exception of the recommended clarification for capitalized pension costs, Cal Water  
7 opposed ORA’s recommended modifications (Exhibit CWS-109, pages 48-49).

8 RESOLUTION: The Parties agree to exclude Supplemental Executive  
9 Retirement Plan (SERP) costs from the Pension Cost Balancing Account 3 (PCBA3)  
10 adopted for 2017-2019. For the reasons discussed in this Settlement Agreement  
11 regarding the PCBA2, the preliminary statement for the PCBA3 will also be  
12 modified to ensure use of the 2017 adopted capitalization ratio in the account. In  
13 addition, Cal Water agrees that pension costs will not be subject to escalation. Cal  
14 Water should be authorized to use a Tier 1 advice letter to add a Preliminary  
15 Statement AA3 to its tariff that is substantially similar to the draft for the PCBA3  
16 provided in **Attachment 7** of this Agreement.

17 **J. PRELIM AB2: HEALTH COST BALANCING ACCOUNT 2 (HCBA2)**

18 ISSUE: The Commission authorized the Health Cost Balancing Account 2  
19 (HCBA2) (Preliminary Statement AB2) in Cal Water’s 2012 GRC as a two-way balancing  
20 account to track the difference between authorized and actual health care expenses for  
21 2014-2016, with 85% of that difference tried up as a surcharge or credit to ratepayers  
22 after the rate case period ends. Cal Water reported on the HCBA2 in its Application, but  
23 did not have a request for any Commission action. (See Exhibit CWS-4, page 28.)

24 ORA expressed the same concerns about the HCBA2 as it did about the PCBA2 –  
25 the inappropriate use of escalation to balancing account expenses and the use of a  
26 capitalization ratio that is different from that adopted for the test year. (See Exhibit  
27 ORA-4, pages 53-56.) Cal Water did not object to these recommendations. (See Exhibit  
28 CWS-109, page 178.)

1            **RESOLUTION:** The Parties agree that Cal Water’s filing to amortize the  
2 HCBA2 will incorporate the following adjustments:

- 3            (1) To the extent that Cal Water increased health care costs in an escalation year  
4            filing, that increase should also be applied to the “adopted” health care costs  
5            for the purposes of calculating the difference between adopted and actual  
6            health care costs; and  
7            (2) In calculating “actual” health care costs, Cal Water should apply the  
8            capitalization ratios that were used for the adopted health care costs for Test  
9            Year 2014.

10           **K. PRELIM AB3: HEALTH COST BALANCING ACCOUNT 2 (HCBA3)**

11           **ISSUE:** Cal Water requested continuation of the Health Cost Balancing Account  
12 that the Commission approved in D.14-08-011 that allows a true-up for 85% of the  
13 difference between actual and adopted health care costs (Exhibit CWS-2, page 116).  
14 ORA did not object to continuation of the Health Cost Balancing Account for this GRC  
15 period but recommended the clarification that the capitalized portion of health costs at  
16 the adopted capitalization ratio is to be excluded from the account (Exhibit ORA-5,  
17 pages 54-55).

18           **RESOLUTION:** For the reasons discussed in this Settlement Agreement  
19 regarding the HCBA2, the preliminary statement for the HCBA3 will be modified to  
20 ensure use of the 2017 adopted capitalization ratio in the account. In addition, Cal  
21 Water agrees that health care costs will not be subject to escalation. Cal Water  
22 should be authorized to file a Tier 1 advice letter to add a Preliminary Statement  
23 AB3 to its tariff that is substantially similar to the draft for the HCBA3 provided in  
24 **Attachment 7** of this Agreement.

25           **L. PRELIM AE: BONUS TAX DEPRECIATION MEMO ACCOUNT (L-411 MA)**

26           **ISSUE:** The Bonus Depreciation Memorandum Account (Preliminary Statement  
27 AE) was created to track the impacts of the Tax Relief, Unemployment Insurance  
28 Reauthorization, and Job Creation Act of 2010 (“New Tax Law” or “Tax Relief Act”). All  
29 cost-of-service utilities rate-regulated by the Commission that did not address the New

1 Tax Law in a 2011 or 2012 test year General Rate Case proceeding were required to  
2 open this one-way memorandum account pursuant to Resolution L-411A.

3 The impact of 2014 bonus depreciation is reflected in the company's beginning  
4 balance of its GRC Application. For the years 2011-2013, Cal Water proposed returning  
5 \$1.8 million to ratepayers and closure of the Bonus Depreciation Memorandum Account  
6 (Exhibit CWS-4, page 29 and Attachment I). ORA supported Cal Water's request (Exhibit  
7 ORA-4, pages 58-59).

8 In Rebuttal, Cal Water explained that a subsequent review of its calculations  
9 revealed that the impact of the Qualified Production Activities Deduction (QPAD, or  
10 what is popularly known as Section 199 deductions) had not been properly reflected.  
11 Cal Water's tax group incorporated the QPAD impact, interest as well as effect of  
12 decreased working capital and calculated that the correct balance in the account was  
13 \$676,365, rather than \$1.8 million. (See Exhibit CWS-109, pages 178-180.)

14 RESOLUTION: Cal Water provided the workpapers supporting the  
15 corrected recalculation to ORA. The Parties agree that Cal Water should be  
16 ordered to file a Tier 1 advice letter to return \$676,365 to ratepayers as surcredits.

17 **M. PRELIM AI: CHROMIUM 6 MEMO ACCOUNT (CHROMIUM-6 MA)**

18 ISSUE: Approved in Advice Letter 2128 and effective May 30, 2014, Cal Water's  
19 Chromium-6 Memo Account tracks the incremental costs for complying with the state's  
20 Maximum Contaminant Level (MCL) for chromium-6 (or hexavalent chromium).  
21 Preliminary Statement AI provides that the account will close on December 31,  
22 2016and, to the extent that Cal Water seeks recovery through the advice letter process,  
23 only one Tier 3 advice letter is allowed per district.

24 Cal Water reported on the status of this account in its Application (Exhibit  
25 CWS-4, page 9). While noting that Cal Water did not include any chromium-6  
26 projects in its requested revenue requirement, ORA emphasized that cost  
27 recovery eventually sought through the Chromium-6 MA must nevertheless be  
28 reduced by the amount of project costs or operational expenses already included

1 in Revenue Requirements, and offset by grant money received for chromium-6  
2 treatment (Exhibit ORA-4, pages 59-60).

3 Cal Water provided an update on chromium-6 treatment projects in Rebuttal,  
4 stating that some projects will not be completed before December 31, 2016. In  
5 addition, cost reimbursements from Proposition 50 grant money that had been awarded  
6 to the company for the Willows District would still be coming in after that date as well.  
7 Cal Water therefore requested an extension of the Chromium-6 MA to accommodate  
8 these changes. (See Exhibit CWS-109, page 180.)

9 RESOLUTION: The Parties agree to extend the Chromium-6 MA, and to allow Cal  
10 Water to file two Tier 3 advice letters in the Willows District so that all grant money  
11 reimbursements are reflected in the disposition of the account. Cal Water should  
12 therefore be authorized file a Tier 1 advice letter to add to its tariff a preliminary  
13 statement that is substantially similar to the draft for the modified Chromium-6 MA in  
14 **Attachment 7** of this Agreement.

15 **N. PRELIM AL: DROUGHT MEMO ACCOUNT (DRMA)**

16 ISSUE: In Resolution W-4976, the Commission authorized water companies to file  
17 for a memo account to track incremental costs incurred to implement drought  
18 procedures. Cal Water's Drought Memo Account (DRMA) (Preliminary Statement AL)  
19 was approved via Advice Letter 2124, and became effective May 1, 2014. In its current  
20 Application, Cal Water requested authority to amortize certain DRMA costs via Tier 1  
21 and 2 advice letters. (See Exhibit CWS-2, pages 181-182 and Exhibit CWS-4, page 32.)  
22 ORA stated its interest in ensuring that expenses recovered through the DRMA do not  
23 duplicate normal operating expenses included in rates, and opposed amortization via  
24 anything other than a Tier 3 advice letter. (See Exhibit ORA-4, pages 61-62.)

25 RESOLUTION: On July 15, 2016, Cal Water filed a Tier 3 advice letter (AL  
26 2226) seeking authority to amortize incremental DRMA costs incurred in 2014 and  
27 2015, largely rendering Cal Water's requests moot. Cal Water requested recovery  
28 in the amount of \$4,243,266 through a surcharge of \$0.0315 per CCF on all



1 customer classes for a 12-month period. The Parties agree that ORA and Cal  
2 Water will work together to facilitate ORA's analysis of the incremental costs  
3 requested through AL 2226, as compared to Customer Service Expense forecasts  
4 in this and future GRCs, to prevent double recovery. In AL 2226, Cal Water stated  
5 that if amortization of these non-payroll costs is granted, Cal Water will remove  
6 them from the averages used to calculate rates in its general rate cases. Given  
7 that AL 2226 is still pending, Cal Water and ORA agree not to remove the non-  
8 payroll costs in the settlement workpapers.

9 **O. PRELIM AM: RATE SUPPORT FUND BALANCING ACCOUNT (RSF BA)**

10 ISSUE: The Rate Support Fund Balancing Account (RSF BA) (Preliminary  
11 Statement AM) tracks all of the credits given to customers in RSF areas, and all of the  
12 surcharges to fund the program, which are applied to the bills of all customers (except  
13 for LIRA customers in RSF areas). The RSF surcharge is currently 0.502% of a customer's  
14 basic water charges (the monthly and flat rate service charges plus the usage-based  
15 quantity rate charges). An RSF surcharge recalculated based on the rates and revenues  
16 adopted in this case will become effective at the same time as the new GRC rates. Cal  
17 Water also proposed the gradual consolidation of certain districts into 5 regional  
18 ratemaking areas, and a corresponding phase-out of the Rate Support Fund. Finally, in  
19 order to prevent significant over- and under-collections in the RSF BA, Cal Water  
20 requested authority to recalculate the RSF surcharge on an annual basis using the same  
21 true-up mechanism adopted for Cal Water's LIRA Balancing Account. (See Exhibit CWS-  
22 2, pages 182-183; Exhibit CWS-4, pages 32-33.)

23 ORA opposed Cal Water's proposal to partially consolidate the revenue  
24 requirements of certain larger districts with smaller, high-cost districts and proposed  
25 modifications to the RSF program in response to Cal Water's "affordability" Special  
26 Requests #1 and #2. ORA also recommended that any balance in the RSF BA as of  
27 12/31/2016 should be amortized via a Tier 2 advice letter, and supported an annual  
28 filing to update the RSF surcharge. (See ORA Exhibit ORA-4, pages 62-63.)

1            **RESOLUTION:** See Chapter 2 of this Settlement Agreement for the  
2 discussion of modifications to the existing RSF program that the Parties agree  
3 should be undertaken to address broader issues relating to affordability. In  
4 addition, the Parties agree to modify Preliminary Statement AM to allow for an  
5 annual recalculation of the RSF surcharge funding the program, if necessary. Cal  
6 Water should be authorized to file a Tier 1 advice letter to add to its tariff a  
7 preliminary statement that is substantially similar to the draft for the RSF BA in  
8 **Attachment 7** of this Agreement.

9            **P. PRELIM AQ: EAST LOS ANGELES MEMO ACCOUNT (ELA MA)**

10           **ISSUE:** The East Los Angeles Memo Account (ELA MA) (Preliminary Statement  
11 AQ) was authorized in the 2012 Settlement Agreement adopted in D.14-08-011.<sup>22</sup> In Cal  
12 Water’s 2012 GRC, Cal Water and ORA disagreed on the appropriateness of Cal Water’s  
13 property purchase in its East Los Angeles District at 2000 Tubeway Avenue (the  
14 “Tubeway Property,” PID 50350) in the amount of \$6.8M to construct two new  
15 groundwater wells and to move its customer and operations centers to the Tubeway  
16 Property. ORA also opposed \$1.235M in “Phase 1” building improvements (PID 57791)  
17 that Cal Water made to an existing warehouse on the property to allow the Customer  
18 Service Center at 3316 West Beverly Boulevard to be relocated to the Tubeway  
19 Property.

20           As part of the 2012 GRC Settlement, the Parties agreed that 50% of the Tubeway  
21 Property purchase could be included in rate base to account for the total land cost for  
22 the wells at this site. The remaining 50% (in the amount of \$3,411,313, to account for  
23 the warehouse building), and the full amount of the Phase 1 building improvements  
24 (\$1,235,313), could be tracked in the ELA MA, along with the related carrying costs  
25 (consisting of the return on investment, ad valorem taxes, and depreciation). Cal Water  
26 also agreed to defer Phase 2 of the building improvement project (for relocation of the

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<sup>22</sup> D.14-08-011, Exhibit A (Settlement Agreement) at 227-230.

1 Operations Center to the Tubeway property as well) to a later GRC. Recovery of any  
2 amounts in the ELA MA in the future would require a full justification.<sup>23</sup>

3 In this GRC Application, Cal Water requested inclusion of the depreciated  
4 amount (\$2,757,571) of the \$4,646,626 in capital costs tracked in the ELA MA in rate  
5 base for 1/1/17 rates, and amortization of carrying costs in the amount of \$1,627,008  
6 (for 1/1/14-12/31/16). (See Exhibit CWS-1, pages 34-36.) In its Advance Capital Budget  
7 (ACB), Cal Water also proposed a Phase 2 building improvement project (PID 99374) to  
8 allow the transfer of the Operations Center to Tubeway. (See Exhibit CWS-46, page 335  
9 et seq.)

10 In its Report, ORA opposed any recovery of the capital and carrying costs tracked  
11 in the ELA MA because Cal Water failed to fully justify the remaining 50% of the  
12 Tubeway Property purchase or the Phase 1 building improvements in this GRC  
13 Application. ORA also concluded that the proposed Phase 2 building improvements  
14 requested as ACB would not be cost-effective. (See Exhibit ORA-11, pages 78-79 and  
15 152-159.)

16 **RESOLUTION:** As part of a comprehensive settlement, the Parties agree to:

- 17 1. Include the depreciated capital amounts (\$2,757,571) associated with the  
18 property purchase (PID 50350) and Phase 1 building improvements (PID  
19 57791) in rate base;
- 20 2. Amortize the carrying costs recorded in the ELA MA;
- 21 3. Exclude the Phase 2 building improvement project (PID 99374) proposed  
22 as ACB from this GRC (see discussion in Chapter 21 of this Settlement);  
23 and
- 24 4. Close the ELA MA after amortization is completed.

25 **Q. PRELIM AR: SALES RECONCILIATION MECHANISM BALANCING ACCOUNT (SRM**  
26 **BA)**

27 **ISSUE:** See the discussion of Special Request #9 in Chapter 6 of this Agreement.

28 **RESOLUTION:** As discussed in Chapter 6 of this Agreement, Cal Water

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<sup>23</sup> *Id.* at 229-330. Any recovery of carrying costs would also need to be offset by \$50,000 per year in rent at the Sheila Avenue facility that was allowed into rates for 2014-2016.

1 should be authorized to file via a Tier 1 advice letter to remove Preliminary  
2 Statement AR (Sales Reconciliation Mechanism Balancing Account) from its tariff.

3 **R. OLD INTERIM RATE RESIDUALS**

4 ISSUE: In its Application, Cal Water reported on residual balances for eighteen  
5 of its ratemaking areas due to “interim rate GRC surcharges” that were implemented  
6 when Cal Water transitioned from having one rate case per year for a subset of Cal  
7 Water’s districts, to one consolidated rate case (all districts) every three years. In some  
8 ratemaking areas, the residual is an amount to be returned to ratepayers; in others, the  
9 residual amount must be collected from ratepayers. While not part of a formal memo  
10 or balancing account, the residual balances must be disposed of. Cal Water proposed  
11 that they be rolled over into the District-Specific Balancing Accounts authorized in the  
12 2012 GRC, and subsequently amortized with other balances in those accounts. (See  
13 Exhibit CWS-4, pages 36-37 and Appendix I.)

14 ORA recommended that Cal Water promptly amortize the balances. (See Exhibit  
15 ORA-4, page 66.) In Rebuttal, Cal Water proposed that residual balances that were large  
16 (as compared to a district’s revenue requirement) undergo another round of  
17 amortization immediately, with smaller balances instead transferred to their respective  
18 District-Specific Balancing Account. (See Exhibit ORA 109, page 186.)

19 RESOLUTION: The Parties agree that Cal Water should be authorized to re-  
20 amortize the large residual balances through a Tier 1 advice letter, and transfer  
21 the smaller balances to the respective District-Specific Balancing Account, as  
22 follows:

Residuals from Old Interim Rate True-Ups				
Dept	District	Balance as of 5/31/2015	Re-Amortize?	Balance as % of Revenue Requirement
101	Bakersfield	\$ 10,293		0.0%
134	Kern River Valley	\$ 36,867		0.6%
113	Oroville	\$ 36,029		0.8%
<b>148</b>	<b>Redwood - UNI</b>	<b>\$ (15,643)</b>	<b>Yes</b>	<b>-2.0%</b>
118	Bayshore	\$ 8,782		0.0%
123	Westlake	\$ 42,035		0.2%
<b>128</b>	<b>Dominguez</b>	<b>\$ (1,096,820)</b>	<b>Yes</b>	<b>-1.8%</b>
108	Hermosa Redondo	\$ (21,093)		-0.1%
<b>122</b>	<b>Palos Verdes</b>	<b>\$ (321,374)</b>	<b>Yes</b>	<b>-0.7%</b>
117	Selma	\$ 38,167		0.8%
121	Willows	\$ 34,926		1.2%
<b>129</b>	<b>Antelope Valley</b>	<b>\$ 63,609</b>	<b>Yes</b>	<b>2.6%</b>
<b>102</b>	<b>Bear Gulch</b>	<b>\$ (342,132)</b>	<b>Yes</b>	<b>-0.7%</b>
105	Dixon	\$ 47,801		1.6%
109	King City	\$ 38,023		1.2%
<b>112</b>	<b>Marysville</b>	<b>\$ 90,396</b>	<b>Yes</b>	<b>2.5%</b>
<b>149</b>	<b>Redwood - COS</b>	<b>\$ 28,718</b>	<b>Yes</b>	<b>5.5%</b>
<b>147</b>	<b>Redwood - LUC</b>	<b>\$ 159,824</b>	<b>Yes</b>	<b>7.2%</b>
	<b>Grand Total</b>	<b>\$ (1,161,591)</b>		

1

2 **S. INTERNATIONAL FINANCIAL REPORTING STANDARDS MEMO ACCOUNT (IFRS**  
3 **MA)**

4 ISSUE: In D.14-08-011, the Commission approved continuation of a memo  
5 account to track costs required to comply with International Financial Reporting  
6 Standards (IFRS) if and when they are adopted. The account can only be opened if the  
7 Securities and Exchange Commission (SEC) provides clear guidance on the timelines and  
8 actions necessary to comply with the IFRS.<sup>24</sup> Thus far, the IFRS MA has not been  
9 triggered.

<sup>24</sup> D.14-08-011, Attachment A (Settlement Agreement) at 53.



1           **CHAPTER 8. SALES AND SERVICES**

2           **A. METERED SALES**

3  
4           Cal Water follows the estimating methodology for sales spelled out in Appendix  
5 A, page A-23 of D. 07-05-062 (Revised Rate Case Plan for Class A Water Utilities),  
6 footnote 5 which follows:

7           Forecast water sales for all classes of customers for utilities that are under  
8 government-mandated production limitations based on that limitation and  
9 consideration of unaccounted for water and historical production reserves while  
10 under the imposed limitation. Water sales for customer classes other than  
11 residential, multifamily, and business (such as industrial, irrigation, public  
12 authority, reclaimed, and other) will be forecast on total consumption by class  
13 using the best available data.

14  
15           ISSUE: In its application (A. 15-07-015), Cal Water used a regression analysis  
16 based on the provisions of the Rate Case Plan (RCP) excluding 2014 data due to water  
17 use restrictions in place due to drought. Cal Water estimated consumption for  
18 residential, business and multi-family classes by multiplying the consumption per  
19 customer by the forecasted number of customers for the same category and forecasted  
20 consumption for classes other than residential, business and multi-family using a three-  
21 year average total consumption (2011-2013). In its report (Exhibit ORA-3, pages 9-12),  
22 ORA accepts the results of the analysis to estimate water consumption for the  
23 residential, business and multi-family classes. ORA recommended using a four-year  
24 average (2010-2013) use per service for all categories. In rebuttal (Exhibit CWS-109,  
25 pages 22-25), Cal Water argues that ORA’s proposed methodology for estimating  
26 consumption for classes other than residential, business and multi-family is not in  
27 compliance with the Rate Case Plan.

28           RESOLUTION: Parties agree to use ORA’s sales estimates per customer for  
29 residential, business, and multi-family for 2017 as shown in Table 1 below. Parties agree  
30 to generally use a four-year average total consumption by class for classes other than

CHAPTER 8. SALES AND SERVICES

- 1 residential, business and multi-family. Table 2 below summarizes the agreed total
- 2 consumption by class per district for 2017.

Table 1			
Consumption per customer (CCF)	Residential	Business	Multi-Family
Antelope Valley	260	432	117
Bayshore	118	524	1,079
Bakersfield	276	941	1,285
Bear Gulch	303	410	991
Chico	251	709	1,366
Dixon	160	253	1,284
Dominguez	141	1,293	1,574
East Los Angeles	162	443	565
Hermosa Redondo	126	348	486
Kern River Valley	77	222	519
King City	152	645	913
Livermore	195	664	2,683
Los Altos	257	946	1,734
Marysville	141	327	987
Oroville	151	482	1,275
Palos Verdes	275	1,818	1,074
Redwood - Coast Springs	25	125	-
Redwood - Lucerne	58	132	967
Redwood - Unified	66	312	738
Salinas	155	807	1,462
Selma	264	523	2,464
Stockton	149	792	1,632
Visalia	240	885	766
Westlake	348	1,455	610
Willows	174	341	1,116

3



CHAPTER 8. SALES AND SERVICES

Table 2					
Total Sales (KCCF)	Industrial	Public Authority	Other	Irrigation	Recycled
Antelope Valley	-	13	-		-
Bayshore	352	475	55		-
Bakersfield	23	2,759	55		-
Bear Gulch	2	141	9		-
Chico	193	467	11		-
Dixon	0	32	0		-
Dominguez	4,546	601	32		2,835
East Los Angeles	538	693	5		-
Hermosa Redondo	273	228	3		49
Kern River Valley	-	10	-		-
King City	33	75	7		-
Livermore	-	414	4		-
Los Altos	8	228	6		-
Marysville	1	97	3		-
Oroville	219	117	4	46	-
Palos Verdes	-	371	6		-
Redwood - Coast Springs	-	0	-		-
Redwood - Lucerne	-	2	-		-
Redwood - Unified	-	0	-		-
Salinas	558	384	11		-
Selma	26	145	3		-
Stockton	865	1,047	13		-
Visalia	138	1,149	28		-
Westlake	-	120	2		222
Willows	-	45	2		-

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**B. SERVICES**

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Cal Water has both metered and flat rate services. Metered services are grouped into eight classes: residential, business, multi-family, industrial, public authority, recycled, irrigation and other. Generally, Cal Water estimates the number of customers for the years leading to the test year using a five-year historical average of the change in number of customers in the class.

1 In its report (Exhibit ORA-3, pages 3-8), ORA pointed out three methodological  
2 differences in calculating estimated number of services as follows:

3  
4 **Estimated growth for Bakersfield and Visalia Districts**

5 ISSUE: In its application (A. 15-07-015), Cal Water estimated natural growth by  
6 taking the five-year average of incremental changes plus estimated number of services  
7 coming on line based on planned housing developments. ORA recommended netting  
8 the incremental changes for the combined metered and flat services to estimate natural  
9 growth for both districts. In addition, ORA did not agree to the additional growth  
10 estimated for both districts.

11 RESOLUTION: Parties agree to use ORA's estimate for natural growth in these  
12 districts.

13  
14 **Flat-to-meter conversions for Bakersfield, Marysville and Selma Districts**

15 ISSUE: Cal Water estimated flat-to-meter conversions based on the proposed  
16 annual advance capital budget. ORA's capital witnesses agreed with the proposed  
17 advance capital budgets for Marysville and Selma Districts. However, ORA disagreed  
18 with the accelerated annual conversion of 5,200 flat rate customers in the Bakersfield  
19 District.

20 RESOLUTION: Parties agree to 250 annual conversions for Marysville, 750 (for  
21 2015 and 2016) and 250 (for 2017) conversions in Selma and 3,720 annual conversions  
22 in Bakersfield.

23  
24 **Limiting negative growth to zero**

25 ISSUE: In districts where there are instances of declining number of services, Cal  
26 Water proposed limiting the growth to zero. ORA recommended removing this  
27 limitation in estimating growth to determine test year number of services.

CHAPTER 8. SALES AND SERVICES

1           **RESOLUTION:** Upon further review, Parties agree on the estimated number of  
 2 services for 2017 presented below. Table 3 summarizes estimated number of metered  
 3 services and Table 4 summarizes estimated number of flat-rate customers.

**Table 3**

Settlement	Residential	Business	Multi-Family	Industrial	Public Authority	Other	Irrigation	Recycled	Total Metered Services
Antelope Valley	1,314	38	5	-	14	-	-	-	1,371
Bayshore	45,317	5,288	899	152	517	58	-	-	52,231
Bakersfield	50,268	6,280	1,268	30	719	80	-	-	58,645
Bear Gulch	17,101	1,359	90	1	119	18	-	-	18,688
Chico	24,317	2,982	988	29	416	31	-	-	28,763
Dixon	2,653	160	28	3	20	2	-	-	2,866
Dominguez	28,760	2,889	772	159	286	46	-	25	32,937
East Los Angeles	20,332	4,556	805	108	349	16	-	-	26,166
Hermosa Redondo	22,371	1,829	1,872	27	364	10	-	21	26,494
Kern River Valley	3,940	104	7	-	15	-	-	-	4,066
King City	2,134	315	39	18	60	6	-	-	2,572
Livermore	16,815	1,013	97	-	234	9	-	-	18,168
Los Altos	16,995	1,168	164	4	209	40	-	1	18,581
Marysville	2,673	482	138	1	27	2	-	-	3,323
Oroville	2,658	622	95	17	57	6	7	-	3,462
Palos Verdes	22,807	676	225	-	270	20	-	-	23,998
Redwood - Coast Springs	244	5	-	-	2	-	-	-	251
Redwood - Lucerne	1,127	40	14	-	9	-	-	-	1,190
Redwood - Unified	411	6	3	-	3	-	-	-	423
Salinas	24,787	2,551	454	31	285	19	-	-	28,127
Selma	5,128	436	59	20	116	6	-	-	5,765
Stockton	38,247	3,826	439	79	314	54	-	-	42,959
Visalia	38,148	2,976	1,022	64	831	38	-	-	43,079
Westlake	6,175	519	125	-	89	13	-	16	6,937
Willows	2,038	253	34	-	46	6	-	-	2,377
<b>Total</b>	<b>396,760</b>	<b>40,373</b>	<b>9,642</b>	<b>743</b>	<b>5,371</b>	<b>480</b>	<b>7</b>	<b>63</b>	<b>453,439</b>

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<b>Table 4</b>			
<b>Settlement</b>	<b>Residential Flat</b>	<b>Fire Protection</b>	<b>Total</b>
Antelope Valley	-	7	7
Bayshore	-	1,560	1,560
Bakersfield	12,174	943	13,117
Bear Gulch	-	369	369
Chico	-	489	489
Dixon	-	46	46
Dominguez	-	1,184	1,184
East Los Angeles	-	681	681
Hermosa Redondo	-	379	379
Kern River Valley	-	4	4
King City	-	60	60
Livermore	-	405	405
Los Altos	-	415	415
Marysville	370	67	437
Oroville	-	104	104
Palos Verdes	-	180	180
Redwood - Coast Springs	-	-	-
Redwood - Lucerne	-	6	6
Redwood - Unified	-	-	-
Salinas	-	754	754
Selma	573	107	680
Stockton	-	865	865
Visalia	-	771	771
Westlake	-	141	141
Willows	-	30	30
<b>Total</b>	<b>13,117</b>	<b>9,537</b>	<b>22,654</b>

1

2

[END OF CHAPTER]

1           **CHAPTER 9. CUSTOMER SUPPORT SERVICES & DISTRICT**  
2           **EXPENSES**

3           **A. PAYROLL**

4           **1) Customer Support Services (CSS) Payroll**

5           ISSUE: In its payroll forecast for Customer Support Services (formerly known as  
6 General Office or GO), Cal Water included 23.5 positions authorized in the last GRC  
7 (A.12-07-007), and 10 additional positions filled due to changes in business needs that  
8 were not authorized in the last GRC.

9           ORA in its report (Exhibit ORA-5, pages 6 to 15) recommended the following:

- 10           1. Disallowance of five (5) positions that had not been specifically  
11           authorized in D.14-08-011 – Director of Compensation and Benefits,  
12           Human Resource Business Partner, Employee Development Specialist,  
13           Disability Case Manager and Landscape Specialist (to be funded by the  
14           conservation budget).<sup>25</sup>
- 15           2. Decrease of \$270,251 from the 2014 base payroll to remove the  
16           difference between the amounts authorized in the D. 14-08-011 and the  
17           actual payroll of eleven (11) employees.
- 18           3. Addition of \$125,000 in payroll for a cross-connection control manager  
19           related to Special Request #15, in which Cal Water had proposed to fund  
20           such a position through monthly fees on customers with backflow  
21           prevention devices. See Chapter 6 for additional discussion of this issue.

22           In Rebuttal Testimony, Cal Water continued to support all but one (Landscape  
23 Specialist) of the proposed positions from its Direct Testimony. For the remaining  
24 positions, Cal Water explained the importance of paying market salaries. Cal Water  
25 also noted that the payroll amounts agreed to in the last settlement represented the  
26 parties' best estimates to fill authorized positions at the time. (See Exhibit CWS-109,  
27 pages 30-37.)

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<sup>25</sup> The salary for Landscape Program Specialist position hired in 2015 is excluded from CSS/GO payroll and expenses and is included in the Conservation budget.

1            RESOLUTION: During settlement negotiations, there was extensive discussion  
2 between the Parties regarding the Company's need for the employees and salaries that  
3 ORA had proposed to disallow. The result of these discussions is that ORA and Cal  
4 Water agree on a compromise position whereby Customer Support Services payroll will  
5 reflect the following:

- 6            • A salary of \$94,328 for the Human Resource Business Partner;
- 7            • A salary of \$91,250 for the Director of Compensation and Benefits;
- 8            • A salary of \$66,643 for the Employee Development Specialist, with a  
9            reduction in outside services expense of \$80,000 to reflect savings in training  
10           costs;
- 11           • A salary of \$124,000 for the Disability Case Manager, with a reduction in  
12           workers' compensation expenses of \$211,000 to reflect cost savings;
- 13           • An overall 2014 base year payroll decrease of \$107,908; and
- 14           • An addition of \$125,000 for the salary of a new cross-connection control  
15           manager.

16           As a result of the above, the Parties agree to a total Customer Support Services  
17 expensed payroll of \$26,269,550 in Test Year 2017. Parties agree to a total Customer  
18 Support Services and District employee complement of 991 in Test Year 2017. District  
19 payroll is discussed below.

## 20            **2) District Payroll**

21            ISSUE: To arrive at its forecast for district payroll, Cal Water began with the  
22 payroll recorded for 2014, and added a combination of union-negotiated wage  
23 escalation, adjustments for Dominguez-Cal Water merger synergies, expenses for "on-  
24 call" premium pay, and flat-to-meter adjustments. Cal Water did not request any  
25 additional positions for district payroll.

26            ORA made adjustments to district payroll to correct some errors, but the primary  
27 issue contested by ORA was Cal Water's inclusion of certain costs associated with a  
28 modified "on-call" program (also referred to as an after-hours "call-out" program). For  
29 2014, Cal Water's forecast included \$44,750 to reflect the bonuses given to employees  
30 who volunteered for multiple call-outs under the old program. For 2015, Cal Water

CHAPTER 9. CUSTOMER SUPPORT SERVICES & DISTRICT EXPENSES

1 increased district payroll by \$477,606 to reflect the estimated costs for substantial  
 2 changes to the after-hours on-call program. ORA opposed the \$477,606 addition for  
 3 “on-call premium costs.” (See Exhibit ORA-5, pages 19-24.)

4 Cal Water explained in Rebuttal Testimony that Cal Water originally signed a  
 5 Letter of Understanding (LOU) with the union in 2011 with the goal of increasing the  
 6 incentive for operational employees to volunteer to be on-call after working hours. Cal  
 7 Water created a rotating list of potential responders and, in addition to standard  
 8 overtime rates, provided a \$250 bonus to those who responded to at least ten call outs  
 9 a year. Cal Water continued to have problems with this approach, and renegotiated  
 10 with the union to develop a more structured, tiered program implemented in 2015. The  
 11 modified program provides larger financial incentives, but also applies penalties for  
 12 those who sign up to be on-call and fail to respond to a call-out request. (See Exhibit  
 13 CWS-109, pages 37-40.)

14 RESOLUTION: Cal Water agrees with ORA’s corrections to various payroll  
 15 amounts. Cal Water and ORA agree to include \$432,856 in payroll expenses for the call-  
 16 out program. The following is a district breakdown of the agreed-upon Test Year  
 17 amounts for on-call expense and total expensed payroll.

District	On Call Expense Settlement	Total Expensed Payroll Settlement
Antelope Valley	\$9,210	\$311,100
Bakersfield	\$55,258	\$6,107,130
Bayshore	\$46,049	\$3,306,865
Bear Gulch	\$18,419	\$2,373,523
Chico	\$9,210	\$2,996,713
Dixon	\$9,210	\$321,824
Dominguez	\$18,174	\$3,487,452
East Los Angeles	\$27,629	\$3,276,073
Hermosa Redondo	\$14,604	\$2,047,846
Kern River Valley	\$9,210	\$815,356
King City	\$9,210	\$403,145
Livermore	\$9,210	\$1,232,097
Los Altos	\$18,419	\$1,803,102
Marysville	\$9,210	\$562,193
Oroville	\$9,210	\$805,663
Palos Verdes	\$13,271	\$2,311,215
Redwood Coast Springs	\$0	\$56,800

CHAPTER 9. CUSTOMER SUPPORT SERVICES & DISTRICT EXPENSES

District	On Call Expense Settlement	Total Expensed Payroll Settlement
Redwood Valley Lucerne	\$9,210	\$530,775
Redwood Unified	\$9,210	\$81,927
Salinas	\$36,839	\$3,423,898
Selma	\$9,210	\$617,037
Stockton	\$36,839	\$4,145,742
Visalia	\$27,629	\$3,849,230
Westlake	\$9,210	\$844,393
Willows	\$9,210	\$373,936
Total	\$432,856	\$46,085,035

1 **B. TRANSPORTATION**

2           Transportation expenses are expenses related to the company’s fleet of vehicles  
3 including depreciation, liability insurance, fuel, vehicle registration, repairs and  
4 maintenance. These expenses are booked to a clearing account and then allocated to  
5 appropriate expense accounts based on mileage driven. Cal Water’s methodology is to  
6 use a five-year inflation-adjusted average plus incremental expenses relative to the  
7 number of total vehicles for additional vehicles. ORA agreed with Cal Water’s  
8 methodology.

9           ISSUE: In its report (Exhibit ORA-2, pages 28-31), ORA noted calculation errors  
10 for the Rancho Dominguez (Dominguez, Hermosa Redondo and Palos Verdes) and  
11 Westlake Districts. In addition, ORA proposed to disallow four additional vehicles (PIDs  
12 97235, 76213, 76217 and 99418) in Customer Support Services (CSS/GO). In rebuttal  
13 (Exhibit CWS-109, pages 58-59), Cal Water agreed to correct the errors in the Rancho  
14 Dominguez and Westlake Districts and argued that CSS PID 97235 is already purchased  
15 in 2015 and should be included in the revenue requirement.

16           RESOLUTION: After discussions with ORA’s plant witness, Parties agree to  
17 include CSS PIDs 97235 and 99418 and exclude PIDs 76213 and 76217 in calculating test  
18 year estimates. The table below summarizes transportation expenses for the 2017 test  
19 year.



CHAPTER 9. CUSTOMER SUPPORT SERVICES & DISTRICT EXPENSES

Transportation (In \$1,000)				
District	Operations	Maintenance	A&G	Total
Antelope Valley	\$84.6	\$2.0	\$0.0	\$86.6
Bayshore	\$259.5	\$87.0	\$0.0	\$346.5
Bakersfield	\$607.4	\$195.7	\$0.0	\$803.1
Bear Gulch	\$198.0	\$84.9	\$0.0	\$282.9
Chico	\$208.2	\$47.7	\$2.1	\$258.1
Dixon	\$29.8	\$14.6	\$0.0	\$44.4
Dominguez	\$223.9	\$98.4	\$1.0	\$323.3
East Los Angeles	\$175.7	\$110.1	\$27.4	\$313.2
Hermosa Redondo	\$146.1	\$62.8	\$0.6	\$209.5
Kern River Valley	\$132.5	\$3.7	\$0.0	\$136.2
King City	\$25.7	\$10.6	\$0.0	\$36.3
Livermore	\$105.0	\$40.1	\$0.0	\$145.1
Los Altos	\$163.5	\$44.3	\$0.0	\$207.8
Marysville	\$43.2	\$10.7	\$0.0	\$53.9
Oroville	\$88.4	\$7.2	\$0.0	\$95.6
Palos Verdes	\$173.3	\$73.4	\$0.6	\$247.2
Redwood - Coast Springs	\$4.5	\$2.2	\$0.0	\$6.7
Redwood - Lucerne	\$29.1	\$7.4	\$0.1	\$36.6
Redwood - Unified	\$11.0	\$6.7	\$0.0	\$17.7
Salinas	\$265.6	\$107.9	\$0.0	\$373.5
Selma	\$50.6	\$24.9	\$0.0	\$75.5
Stockton	\$311.8	\$117.9	\$7.8	\$437.5
Visalia	\$316.4	\$98.9	\$33.7	\$449.0
Westlake	\$50.2	\$35.1	\$0.0	\$85.2
Willows	\$16.3	\$4.8	\$0.0	\$21.1
CSS	\$248.9	\$35.5	\$666.6	\$951.0
<b>Total</b>	<b>\$3,968.9</b>	<b>\$1,334.6</b>	<b>\$739.9</b>	<b>\$6,043.5</b>

1

2 **C. PURCHASED WATER**

3 Purchased water expenses are calculated by multiplying the water wholesaler's  
 4 price per acre foot by the purchased water quantities estimated for this proceeding,  
 5 plus any service charges.

6 **ISSUE:** There is no contested issue in this category. Parties agree to use most  
 7 current rates (as of August 1, 2016) charged by the wholesaler in calculating the test  
 8 year estimate for purchased water expenses.

9 **RESOLUTION:** The table below summarizes purchased water expenses for the  
 10 2017 test year.

District	Purchased Water (in \$1,000)
Antelope Valley	\$60.3
Bayshore	\$45,972.8
Bakersfield	\$11,587.6
Bear Gulch	\$26,940.6
Dominguez	\$39,190.4
East Los Angeles	\$6,225.7
Hermosa Redondo	\$12,151.0
Kern River Valley	\$39.3
Livermore	\$11,302.9
Los Altos	\$9,891.3
Oroville	\$304.9
Palos Verdes	\$25,581.9
Redwood - Coast Springs	\$5.7
Redwood - Lucerne	\$19.3
Redwood - Unified	\$16.0
Stockton	\$12,853.5
Westlake	\$10,508.5
<b>Total</b>	<b>\$212,651.9</b>

1 **D. PURCHASED POWER**

2 Purchased power expenses capture the cost for pumping, boosting and  
3 distributing water throughout the system. Cal Water's estimates are based on the most  
4 recent composite rates charged by the power providers multiplied by the estimated  
5 kWh/KCCF (kilowatt hours used per 100,000 cubic feet of water).

6 ISSUE: In its report (Exhibit ORA-2, page 10), ORA generally accepts Cal Water's  
7 methodology except for an error found in the Dixon District. In rebuttal (Exhibit CWS-  
8 109, page 57), Cal Water agreed with ORA's proposed correction. Parties agree to use  
9 most current rates (as of August 1, 2016) charged by the wholesaler in calculating the  
10 test year estimate for purchased power expenses.

11 RESOLUTION: The table below summarizes purchased power expenses for the  
12 2017 test year.

CHAPTER 9. CUSTOMER SUPPORT SERVICES & DISTRICT EXPENSES

District	Purchased Power (in \$1,000)
Antelope Valley	\$124.6
Bayshore	\$543.2
Bakersfield	\$6,757.4
Bear Gulch	\$748.7
Chico	\$1,940.7
Dixon	\$127.4
Dominguez	\$876.2
East Los Angeles	\$745.0
Hermosa Redondo	\$380.9
Kern River Valley	\$318.7
King City	\$128.5
Livermore	\$619.6
Los Altos	\$1,327.8
Marysville	\$169.5
Oroville	\$143.8
Palos Verdes	\$2,955.2
Redwood - Coast Springs	\$9.0
Redwood - Lucerne	\$113.9
Redwood - Unified	\$14.0
Salinas	\$2,079.3
Selma	\$393.5
Stockton	\$689.1
Visalia	\$2,057.4
Westlake	\$300.1
Willows	\$110.9
<b>Total</b>	<b>\$23,674.3</b>

1

2 **E. PUMP TAX**

3 Pump tax or water replenishment fee is based on the estimated groundwater  
4 pumped quantity multiplied by the assessment rate.

5 ISSUE: There is no contested issue in this category. Parties agree to use most  
6 current assessment rates (as of August 1, 2016) in calculating the test year estimate for  
7 pump tax expenses.

1            RESOLUTION: The table below summarizes pump tax expenses for the 2017 test  
 2 year.

District	Pump Tax (in \$1,000)
Bakersfield	\$1,542.5
Dominguez	\$3,660.4
East Los Angeles	\$2,947.7
Hermosa Redondo	\$609.8
Los Altos	\$6,694.4
Salinas	\$71.1
Stockton	\$5,206.0
Visalia	\$485.8
<b>Total</b>	<b>\$21,217.8</b>

3 **F. CHEMICALS**

4            Cal Water purchases chemicals to treat ground water, surface water, and raw  
 5 purchased water.

6            ISSUE: There is no contested issue in this category. The differences in estimates  
 7 are due to differences in sales estimates.

8            RESOLUTION: The table below summarizes chemical expenses for the 2017 test  
 9 year.

District	Chemicals (in \$1,000)
Antelope Valley	\$1.1
Bayshore	\$77.8
Bakersfield	\$842.6
Bear Gulch	\$107.8
Chico	\$141.7
Dixon	\$12.8
Dominguez	\$484.7
East Los Angeles	\$140.8
Hermosa Redondo	\$76.8
Kern River Valley	\$81.3
King City	\$50.3
Livermore	\$94.9
Los Altos	\$88.2
Marysville	\$16.6
Oroville	\$48.4
Palos Verdes	\$0.0

District	Chemicals (in \$1,000)
Redwood - Coast Springs	\$3.9
Redwood - Lucerne	\$36.7
Redwood - Unified	\$1.6
Salinas	\$237.9
Selma	\$19.5
Stockton	\$134.2
Visalia	\$88.7
Westlake	\$0.2
Willows	\$7.1
<b>Total</b>	<b>\$2,795.6</b>

1 **G. POSTAGE**

2 Postage expense is the cost of mailing customer bills and notices. Cal Water  
 3 estimates postage expenses by calculating a cost per service multiplied by the estimated  
 4 number of services for the test year.

5 ISSUE: In its report (Exhibit ORA-2 pages 24-28), ORA generally agrees with this  
 6 methodology except for six districts – Chico, Los Altos, Marysville, Oroville, Visalia and  
 7 Willows. Cal Water estimated a 2% increase in postage and added this to the test year  
 8 estimate in error. In rebuttal (Exhibit CWS-109, page 64), Cal Water agrees with ORA to  
 9 remove the incremental 2% in the test year estimates.

10 RESOLUTION: The table below summarizes postage expenses for the 2017 test  
 11 year.

District	Postage (in \$1,000)
Antelope Valley	\$5.7
Bayshore	\$221.4
Bakersfield	\$298.2
Bear Gulch	\$78.5
Chico	\$120.5
Dixon	\$12.0
Dominguez	\$139.7
East Los Angeles	\$113.2
Hermosa Redondo	\$110.2
Kern River Valley	\$18.2
King City	\$10.8
Livermore	\$77.1

District	Postage (in \$1,000)
Los Altos	\$78.0
Marysville	\$15.5
Oroville	\$14.8
Palos Verdes	\$99.0
Redwood - Coast Springs	\$1.0
Redwood - Lucerne	\$5.3
Redwood - Unified	\$1.9
Salinas	\$120.0
Selma	\$27.5
Stockton	\$181.8
Visalia	\$181.1
Westlake	\$29.2
Willows	\$9.9
<b>Total</b>	<b>\$1,970.5</b>

1 **H. UNCOLLECTIBLES**

2 Uncollectible rate is the percent of revenue expected to be uncollected.

3 ISSUE: Cal Water generally estimates uncollectible rates by using a historical  
 4 five-year average except for the King City, Los Altos and Redwood Valley Districts. In its  
 5 report (Exhibit ORA-2, pages 30-32), ORA accepts Cal Water’s estimated uncollectible  
 6 rates in some districts but recommended different rates for the following districts:  
 7 Bayshore, Chico, Dixon, Dominguez, East Los Angeles, Los Altos, Marysville and  
 8 Westlake.

9 RESOLUTION: After discussions, the Parties agree to the following uncollectible  
 10 rates to estimate uncollectible expenses for the 2017 test year.

District	Uncollectible Rate
Antelope Valley	0.755%
Bayshore	0.082%
Bakersfield	0.632%
Bear Gulch	0.078%
Chico	0.176%
Dixon	0.353%
Dominguez	0.184%
East Los Angeles	0.195%
Hermosa Redondo	0.081%

District	Uncollectible Rate
Kern River Valley	0.714%
King City	0.406%
Livermore	0.124%
Los Altos	0.029%
Marysville	0.259%
Oroville	0.514%
Palos Verdes	0.068%
Redwood - Coast Springs	0.034%
Redwood - Lucerne	0.723%
Redwood - Unified	0.717%
Salinas	0.251%
Selma	0.314%
Stockton	0.887%
Visalia	0.357%
Westlake	0.064%
Willows	0.412%

1 **I. SOURCE OF SUPPLY**

2 Source of supply expenses are expenses incurred in the operation of source of  
 3 supply facilities including but not limited to supplies and supply mains, removing  
 4 sediment and organic growth, patrolling and inspection, compilation of records and  
 5 reports including water level reports. Cal Water generally uses an inflation-adjusted  
 6 five-year average to estimate the test year source of supply expenses.

7 ISSUE: In its report (Exhibit ORA-2, pages 32-35), ORA proposed adjustments for  
 8 the Bear Gulch, Dominguez, Redwood Valley (Coast Springs), Salinas, and Visalia  
 9 Districts, to correct linking errors that Cal Water identified through the discovery  
 10 process. In rebuttal (Exhibit CWS-109, page 62), Cal Water agreed with ORA’s proposed  
 11 adjustments.

12 RESOLUTION: The table below summarizes source of supply expenses for the  
 13 2017 test year.

District	Source of Supply (in \$1,000)
Antelope Valley	\$0.5
Bayshore	\$45.4

District	Source of Supply (in \$1,000)
Bakersfield	\$0.8
Bear Gulch	\$23.2
Dominguez	\$56.0
East Los Angeles	\$22.0
Hermosa Redondo	\$18.4
Livermore	\$104.2
Marysville	(\$0.2)
Oroville	\$32.9
Palos Verdes	\$10.9
Redwood - Coast Springs	\$0.6
Redwood - Lucerne	\$1.4
Redwood - Unified	\$0.5
Salinas	(\$0.2)
Visalia	\$2.6
Westlake	\$0.3
CSS	\$1.3
<b>Total</b>	<b>\$320.6</b>

1 **J. PUMPING**

2 Pumping expenses include expenses incurred in the operation of pumping  
 3 facilities and auxiliary equipment. Cal Water generally uses an inflation-adjusted five-  
 4 year average to estimate the test year pumping expenses.

5 ISSUE: Based on Cal Water’s responses to ORA’ data requests, ORA proposed  
 6 adjustments for the Dominguez, Redwood Valley – Coast Springs and Lucerne and  
 7 Salinas Districts.. (See Exhibit ORA-2, pages 35-38.) In rebuttal, Cal Water agreed with  
 8 ORA’s proposed adjustments. (See Exhibit CWS-109, page 63-64.)

9 RESOLUTION: The table below summarizes pumping expenses for the 2017 test  
 10 year.

District	Pumping (in \$1,000)
Antelope Valley	\$19.9
Bayshore	\$228.6
Bakersfield	\$203.6
Bear Gulch	\$83.5
Chico	\$138.7
Dixon	\$32.3



District	Pumping (in \$1,000)
Dominguez	\$78.3
East Los Angeles	\$56.6
Hermosa Redondo	\$73.8
Kern River Valley	\$23.2
King City	\$25.6
Livermore	\$60.9
Los Altos	\$62.3
Marysville	\$15.0
Oroville	\$9.3
Palos Verdes	\$95.0
Redwood - Coast Springs	\$1.3
Redwood - Lucerne	\$0.7
Redwood - Unified	\$19.1
Salinas	\$237.5
Selma	\$38.7
Stockton	\$92.3
Visalia	\$174.0
Westlake	\$46.4
Willows	\$13.2
CSS	\$27.8
<b>Total</b>	<b>\$1,857.5</b>

1 **K. WATER TREATMENT**

2 Water treatment expenses include the cost operating water treatment plants,  
 3 chlorination equipment, water sampling at wells, outside laboratory expenses, in-house  
 4 laboratory expenses and other miscellaneous treatment costs. Cal Water generally uses  
 5 an inflation-adjusted five-year average to estimate the test year water treatment  
 6 expenses.

7 In its report (Exhibit ORA-2, pages 38-44), ORA agrees with Cal Water’s estimates  
 8 except for the following.

9 **1) Bakersfield – Mercury Abatement Expenses**

10 ISSUE: In its report (Exhibit ORA-2, page 40), ORA recommended exclusion of  
 11 \$143,274 from 2014 recorded data because this represented payments to Patriot  
 12 Environmental Services to clean up mercury spilled during panelboard pressure meter

1 repair. ORA stated that this is a one-time expense and should be excluded in the  
2 forecast. In rebuttal (Exhibit CWS-109, page 66), Cal Water clarified that the mercury  
3 spill was not caused by the employees. Cal Water further explained what actions were  
4 taken when mercury was detected. Mercury is still widely used in meters so whenever  
5 these meters break, a mercury spill can occur which poses a potential risk to anybody  
6 around the area.

7 RESOLUTION: Due to the number of meters containing mercury still in  
8 operation in Bakersfield, ORA agreed that incidents may occur during the test year and  
9 agreed that the expense should be included in the calculation of test year expenses.

## 10 **2) Bakersfield – Delinquent Charges**

11 ISSUE: In its report Exhibit ORA-2, pages 39-40), ORA recommended exclusion of  
12 \$154,365 from 2014 recorded data because these charges were for delinquent charges  
13 from North River Sanitary District. ORA argued that these charges are unlikely to  
14 reoccur in the test year and therefore should be excluded in the forecast. In rebuttal  
15 (Exhibit CWS-109, page 66), Cal Water explained that these were not delinquent  
16 charges. These charges were retroactive adjustments of the service charges from 2011-  
17 2014. The original bills sent to Cal Water were paid in full and on time.

18 RESOLUTION: After extensive discussions, Parties agree to include the true-up  
19 charges from North River Sanitary District and mercury abatement charges in calculating  
20 the test year estimate.

## 21 **3) Bakersfield – South Bakersfield Treatment Plant**

22 ISSUE: In Cal Water’s Results of Operations Report for the Bakersfield District,  
23 Cal Water proposed amortization of \$3.3 million over a 10-year period, with  
24 unamortized balances earning the cost of debt, for costs incurred for the South  
25 Bakersfield Treatment Plant (“SBTP”). (See Exhibit CWS-14, Attachment A, Workpapers  
26 WP5B7 and WP5B7a on pages 92-93.)

## CHAPTER 9. CUSTOMER SUPPORT SERVICES & DISTRICT EXPENSES

1 Cal Water proposed the South Bakersfield Treatment Plant project prior to the  
2 2009 GRC in A.06-07-017 and again in A09-07-001. In D.10-12-017, Cal Water and ORA  
3 agreed that construction of the project should be presented in a separate application  
4 from the GRC. Prior to filing a separate application, Cal Water performed a supply  
5 study, feasibility reports, hydraulic modeling evaluations, conceptual plans, geotechnical  
6 reports, and studies of the existing canal system that would be used to serve the South  
7 Bakersfield Treatment Plant. Cal Water also conducted site specific design work.

8 When the economy and housing slowed, the City of Bakersfield backed out of  
9 the project in December of 2011, but this was after \$4.6 million of design, investigation,  
10 and permitting costs had already been incurred. In the 2012 GRC, the SBTP design costs  
11 were designated as “plant held for future use” and Cal Water earned a return on the  
12 investment starting in 2014. Before filing the 2015 GRC, Cal Water reviewed the status  
13 of future use for this project and determined that, since the partnership with the City of  
14 Bakersfield had ended and water quality issues remained, it was determined that there  
15 may be more cost effective ways to accomplish supply objectives and it did not make  
16 sense to continue to hold the project for future use. In this GRC, Cal Water asked to  
17 recover \$3.3 million over a 10-year amortization period, with unamortized balances  
18 earning the cost of debt.

19 ORA opposed recovery of the incurred costs as an extraordinary loss amortized  
20 over 10 years. Due to Cal Water not providing a full history of the project during  
21 discovery, ORA incorrectly indicated that Cal Water did not seek Commission  
22 authorization to construct the SBTP in either the 2009 or 2012 GRC. (See Exhibit ORA-2,  
23 page 38 *et seq.*) As noted previously, Cal Water was authorized to file a separate  
24 application for the project in D. 10-12-017.

25 RESOLUTION: In order to settle this issue, Cal Water and ORA agree that Cal  
26 Water should be allowed to amortize \$1.6 million over 10 years, with the unamortized  
27 balance earning Cal Water’s cost of debt. The \$1.6 million is about half of the \$3.3  
28 million amount requested by Cal Water in its Application. (See Exhibit CWS-14,  
29 Workpaper WP5B7a.)

1           **4) Dixon, Salinas and Willows – Incremental Expenses for the Chrome-6**  
 2           **Treatment Plants**

3           ISSUE: In its report (Exhibit ORA-2, pages 43-44), ORA recommended exclusion  
 4 of incremental expenses for the Chrome-6 treatment plants in the Dixon, Salinas and  
 5 Willows Districts. ORA further recommended that these costs continue to be tracked in  
 6 the Chrome-6 Memorandum Account established in D. 14-08-011.

7           RESOLUTION: Parties agree to revise the preliminary statement and extend the  
 8 memo account. For additional information, see Chapter 7 – Balancing and  
 9 Memorandum Accounts.

10           The table below summarizes water treatment expenses for the 2017 test year.

District	Water Treatment (in 1,000)
Antelope Valley	\$48.8
Bayshore	\$102.2
Bakersfield	\$706.0
Bear Gulch	\$79.7
Chico	\$108.3
Dixon	\$49.0
Dominguez	\$206.8
East Los Angeles	\$433.0
Hermosa Redondo	\$76.4
Kern River Valley	\$155.4
King City	\$31.1
Livermore	\$56.6
Los Altos	\$102.1
Marysville	\$71.1
Oroville	\$35.3
Palos Verdes	\$49.5
Redwood - Coast Springs	\$73.8
Redwood - Lucerne	\$126.7
Redwood - Unified	\$22.5
Salinas	\$1,580.4
Selma	\$42.9
Stockton	\$120.1
Visalia	\$234.1
Westlake	\$40.1
Willows	\$22.3
CSS	\$356.9
<b>Total</b>	<b>\$4,931.0</b>

1 **L. TRANSMISSION AND DISTRIBUTION**

2 Transmission and Distribution (“T&D”) expenses include supervision and  
 3 engineering, flushing, transmission and distribution lines, turn-on and turn-off for  
 4 services, installation and miscellaneous expenses. Cal Water generally uses an inflation-  
 5 adjusted five-year average to estimate the test year T&D expenses.

6 ISSUE: In its report (Exhibit ORA-2, page 45), ORA proposed removing \$92,155,  
 7 expenses related to the CSS/GO building remodel. ORA also recommended  
 8 disallowance of \$135,954 paid to the Centers for Medicare and Medicaid Services for  
 9 annual enrollment into the Affordable Care Act Transitional Reinsurance Program. This  
 10 expense was misapplied and should have been recorded as Administrative and General  
 11 Expenses as health care cost. In rebuttal (Exhibit CWS-109, page 71), Cal Water agreed  
 12 to exclude the cost related to the CSS building remodel. However, Cal Water disagreed  
 13 with the exclusion of the annual enrollment cost for the Affordable Care Act Transitional  
 14 Reinsurance Program. Cal Water argued that this is a legitimate and prudent expense,  
 15 and therefore, should be included in revenue requirement.

16 RESOLUTION: After discussions, Parties agree to exclude the annual enrollment  
 17 from T&D expense and add it to the group health expense. The table below summarizes  
 18 T&D expenses for the 2017 test year.

District	Transmission and Distribution (in \$1,000)
Antelope Valley	\$43.9
Bayshore	\$218.0
Bakersfield	\$461.7
Bear Gulch	\$253.7
Chico	\$125.9
Dixon	\$23.1
Dominguez	\$154.6
East Los Angeles	\$197.9
Hermosa Redondo	\$75.1
Kern River Valley	\$246.4
King City	\$17.0
Livermore	\$71.5
Los Altos	\$238.9
Marysville	\$23.7

District	Transmission and Distribution (in \$1,000)
Oroville	\$40.2
Palos Verdes	\$196.1
Redwood - Coast Springs	\$5.9
Redwood - Lucerne	\$14.0
Redwood - Unified	\$6.6
Salinas	\$158.2
Selma	\$34.9
Stockton	\$280.5
Visalia	\$134.9
Westlake	\$34.7
Willows	\$22.4
CSS	\$200.7
<b>Total</b>	<b>\$3,280.5</b>

1 **M. CUSTOMER ACCOUNTING**

2 Customer accounting expenses include customer records maintenance, meter  
3 reading expenses, billing expenses, telephone service, supplies and equipment and  
4 equipment and other miscellaneous expenses related to customer service. Cal Water  
5 generally uses an inflation-adjusted five-year average to estimate the test year customer  
6 accounting expenses.

7 ISSUE: In its report (Exhibit ORA-2, pages 46-47), ORA proposed the following  
8 adjustments –

- 9
- 10 • Exclusion of incremental expenses related to AMI installations in the  
11 Bakersfield District and imputation of AMR-related savings in the  
12 Dominguez District.; these adjustments are consistent with ORA’s  
13 recommendations on the proposed AMI/AMR projects (Exhibit ORA-6,  
14 page 67).
  - 15 • Inclusion of imputed savings for several IT projects that Cal Water is  
16 planning for completion in 2016 and 2017.

17 RESOLUTION: Consistent with the agreement on the Bakerfield District’s AMI  
18 projects and the Dominguez District’s AMR projects (Chapter 12 – Global Plant Issues),  
19 Parties agree to exclude the AMI-related incremental costs in Bakersfield from Cal

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1 Water’s expense estimates, and to remove ORA’s imputation of AMR-related expense  
 2 savings in Dominguez. Also consistent with the agreement on select IT projects (Chapter  
 3 13 – Customer Support Services Plant), Parties agree to include imputed savings of  
 4 \$358,434 for several IT projects in CSS. The table below summarizes customer  
 5 accounting expenses for the 2017 test year.

District	Customer Accounting (in \$1,000)
Antelope Valley	\$45.9
Bayshore	\$306.4
Bakersfield	\$394.3
Bear Gulch	\$223.4
Chico	\$219.0
Dixon	\$51.9
Dominguez	\$269.9
East Los Angeles	\$222.2
Hermosa Redondo	\$118.2
Kern River Valley	\$92.8
King City	\$72.2
Livermore	\$148.6
Los Altos	\$164.6
Marysville	\$62.2
Oroville	\$65.0
Palos Verdes	\$185.6
Redwood - Coast Springs	\$14.8
Redwood - Lucerne	\$66.0
Redwood - Unified	\$27.6
Salinas	\$315.8
Selma	\$97.9
Stockton	\$321.9
Visalia	\$280.9
Westlake	\$69.2
Willows	\$45.8
CSS	\$2,988.1
<b>Total</b>	<b>\$6,870.2</b>

6 **N. CONSERVATION**

7 For a detailed discussion, please see Chapter 4 of this document. The table

1 below summarizes annual conservation expenses for the 2017 test year.

2

District	Conservation (in \$1,000)
Antelope Valley	\$25.8
Bayshore	\$940.4
Bakersfield	\$648.8
Bear Gulch	\$490.0
Chico	\$275.3
Dixon	\$35.5
Dominguez	\$757.2
East Los Angeles	\$391.2
Hermosa Redondo	\$516.6
Kern River Valley	\$39.5
King City	\$18.2
Livermore	\$427.2
Los Altos	\$309.4
Marysville	\$42.1
Oroville	\$39.3
Palos Verdes	\$517.2
Redwood - Coast Springs	\$2.4
Redwood - Lucerne	\$14.5
Redwood - Unified	\$4.0
Salinas	\$548.3
Selma	\$69.5
Stockton	\$478.1
Visalia	\$430.5
Westlake	\$267.4
Willows	\$19.5
CSS	\$0.0
<b>Total</b>	<b>\$7,307.8</b>

3 **O. MAINTENANCE - STORES**

4 Maintenance Stores expense include inventory charges for various accounts  
 5 associated with the maintenance of Cal Water's facilities, including service lines and  
 6 pipeline repair materials, replacement of meters, meter boxes and meter lids.

7 ISSUE: There is no contested issue in this category.



1            RESOLUTION: The table below summarizes Maintenance Stores expenses for the  
 2 test year.

<b>District</b>	<b>Stores (in \$1,000)</b>
Antelope Valley	\$0.5
Bayshore	\$101.6
Bakersfield	\$376.8
Bear Gulch	\$109.4
Chico	\$97.7
Dixon	\$8.0
Dominguez	\$128.4
East Los Angeles	\$130.0
Hermosa Redondo	\$96.0
Kern River Valley	\$0.2
King City	\$2.3
Livermore	\$49.5
Los Altos	\$62.8
Marysville	\$9.8
Oroville	\$12.9
Palos Verdes	\$170.4
Redwood - Coast Springs	\$0.0
Redwood - Lucerne	\$0.1
Redwood - Unified	\$0.0
Salinas	\$115.3
Selma	\$18.3
Stockton	\$207.3
Visalia	\$78.8
Westlake	\$6.9
Willows	\$4.5
CSS	\$0.1
<b>Total</b>	<b>\$1,787.7</b>

3 **P. CONTRACTED MAINTENANCE**

4            Cal Water’s estimate for Contracted Maintenance is generally based on the five-  
 5 year historical average adjusted for inflation. In addition to the inflation-adjusted  
 6 estimates, Cal Water adds amortization for tank painting projects, well rehabilitation  
 7 projects and incremental expenses related to the construction of Chrome-6 treatment

1 plants. In its report (Exhibit ORA-2, pages 49-62), ORA had proposed the following  
2 adjustments:

3 **1) Enhanced Maintenance Program for Bayshore and Bear Gulch Districts**

4 ISSUE: In D. 14-08-011, Cal Water was authorized to implement an Enhanced  
5 Maintenance Program for the Bear Gulch and Bayshore. ORA recommended to  
6 discontinue future funding for the pilot program and remove related expenses from  
7 2014 recorded numbers to estimate test year expenses. In rebuttal (Exhibit CWS-109,  
8 pages 84-85), Cal Water agreed to discontinue future funding but argued to keep  
9 expended amounts in the forecast because these reflect routine maintenance activities  
10 for Cal Water's facilities.

11 RESOLUTION: After extensive discussions, Parties agree to include Bayshore  
12 expenditures and exclude Bear Gulch expenditures in calculating the test year  
13 estimates.

14 **2) Incremental Expenses Related to the Construction of Chrome-6 Treatment  
15 Plants – Dixon, Salinas and Willows Districts**

16 ISSUE: In its report (See Exhibit ORA-2, pages 43-44), ORA recommended  
17 exclusion of incremental expenses for the Chrome-6 treatment plants in the Dixon,  
18 Salinas and Willows Districts. ORA further recommended that these costs continue to  
19 be tracked in the Chrome-6 Memorandum Account established in D. 14-08-011.

20 RESOLUTION: Cal Water agrees with ORA's recommendation of excluding  
21 incremental expenses. Parties agree to revise the preliminary statement and extend the  
22 memo account. For additional information, see Chapter 7 – Balancing and  
23 Memorandum Accounts.

24 **3) Tank Painting Expenses**

25 ISSUE: There is no methodology issue in this category. The differences in  
26 estimates are due to differences in projected tank painting projects.

27 RESOLUTION: Estimated contracted maintenance expenses related to tank

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1 painting is based on the agreed list of tank painting districts.  
 2 The table below summarizes contracted maintenance expenses for the 2017 test  
 3 year.

District	Contracted Maintenance (in \$1,000)
Antelope Valley	\$103.8
Bayshore	\$989.1
Bakersfield	\$1,829.3
Bear Gulch	\$856.6
Chico	\$316.8
Dixon	\$60.2
Dominguez	\$922.0
East Los Angeles	\$475.7
Hermosa Redondo	\$233.9
Kern River Valley	\$142.7
King City	\$30.1
Livermore	\$282.3
Los Altos	\$516.6
Marysville	\$34.7
Oroville	\$83.0
Palos Verdes	\$400.1
Redwood - Coast Springs	\$12.9
Redwood - Lucerne	\$80.8
Redwood - Unified	\$33.8
Salinas	\$755.2
Selma	\$76.6
Stockton	\$534.5
Visalia	\$644.5
Westlake	\$109.2
Willows	\$69.8
CSS	\$243.8
<b>Total</b>	<b>\$9,838.2</b>

4 **Q. RENT**

5 ISSUE: In its report (Exhibit ORA-2, pages 81-82), ORA proposed adjustments to  
 6 the Redwood Valley (Lucerne and Unified Area) and Westlake Districts. In rebuttal  
 7 (Exhibit CWS-109, page 82), Cal Water agreed with ORA’s proposed adjustments.

1            RESOLUTION: The table below summarizes the rent expense for the test year  
 2    2017.

District	Rent (in \$1,000)
Antelope Valley	\$13.8
Bayshore	\$2.2
Bakersfield	\$7.4
Bear Gulch	\$98.8
Chico	\$1.5
Dixon	\$15.7
Dominguez	\$190.3
East Los Angeles	\$0.0
Hermosa Redondo	\$0.0
Kern River Valley	\$2.3
King City	\$31.0
Livermore	\$34.5
Los Altos	\$80.0
Marysville	\$0.0
Oroville	\$49.4
Palos Verdes	\$0.0
Redwood - Coast Springs	\$0.0
Redwood - Lucerne	\$0.0
Redwood - Unified	\$8.5
Salinas	\$69.8
Selma	\$35.8
Stockton	\$0.0
Visalia	\$0.6
Westlake	\$49.2
Willows	\$15.0
CSS	\$185.7
<b>Total</b>	<b>\$891.5</b>

### 3    **R. ADMINISTRATIVE CHARGES**

4            The Administrative Charges Transferred account represents revenue sharing  
 5    credit to the customers for Cal Water's provision of unregulated services. The current  
 6    sources of Cal Water's NTP&S revenues are operation and maintenance contracts,  
 7    meter reading and billing contracts, laboratory services and property leases.

8            ISSUE: There is no contested issue in this category.

1            **RESOLUTION:** The table below summarizes Administrative Charges for the 2017  
 2 test year.

<b>District</b>	<b>Administrative Charges (in \$1,000)</b>
Antelope Valley	(\$0.7)
Bayshore	(\$266.5)
Bakersfield	(\$1,041.5)
Bear Gulch	(\$10.2)
Chico	(\$139.7)
Dixon	(\$2.1)
Dominguez	(\$230.1)
East Los Angeles	(\$345.3)
Hermosa Redondo	(\$177.1)
Kern River Valley	(\$11.3)
King City	(\$4.1)
Livermore	(\$149.2)
Los Altos	(\$120.2)
Marysville	(\$3.5)
Oroville	(\$1.6)
Palos Verdes	(\$193.6)
Redwood - Coast Springs	\$0.0
Redwood - Lucerne	\$0.0
Redwood - Unified	\$0.0
Salinas	(\$58.2)
Selma	(\$2.5)
Stockton	(\$31.2)
Visalia	\$0.0
Westlake	(\$7.9)
Willows	(\$1.7)
CSS	(\$14.9)
<b>Total</b>	<b>(\$2,813.2)</b>

3

4 **S. AMORTIZATION OF LIMITED TERM INVESTMENT**

5 This account includes amortization of intangible plant and tank painting costs.

6 **ISSUE:** There is no contested issue in this category.

7 **RESOLUTION:** The table below summarizes amortization expenses for the 2017

1 test year.

District	Amortization (in \$1,000)
Antelope Valley	\$5.1
Bayshore	\$113.7
Bakersfield	\$91.6
Bear Gulch	\$176.5
Chico	\$23.2
Dixon	\$44.5
Dominguez	\$83.3
East Los Angeles	\$41.4
Hermosa Redondo	\$36.5
Kern River Valley	\$8.0
King City	\$27.7
Livermore	\$16.0
Los Altos	\$1.2
Marysville	\$17.8
Oroville	\$23.2
Palos Verdes	\$39.2
Redwood - Lucerne	\$4.5
Redwood - Unified	\$1.5
Salinas	\$106.8
Selma	\$33.6
Stockton	\$93.6
Visalia	\$35.8
Westlake	\$23.4
Willows	\$27.5
CSS	\$202.3
<b>Total</b>	<b>\$1,277.8</b>

2 **T. ADJUSTMENT FOR UNALLOWABLE DUES AND DONATIONS**

3 For ratemaking purposes, Cal Water adjusts out non-allowable dues and  
4 donations to calculate revenue requirement.

5 ISSUE: In its report (Exhibit ORA-2, pages 89-90), ORA recommended  
6 adjustments for the Bayshore, Dominguez, Hermosa Redondo, Livermore and Los Altos  
7 Districts. In rebuttal (Exhibit CWS-109, pages 90-91), Cal Water agreed with ORA's  
8 proposed recommendations for the Bayshore, Livermore and Los Altos Districts. Cal

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1 Water disagreed with ORA’s proposed adjustment for dues paid to West Basin Water  
 2 Association (WBWA). ORA argued that WBWA is involved in lobbying activities, which  
 3 are not allowed for ratemaking purposes. Cal Water explained that these payments are  
 4 a mixture of dues and assessments. Cal Water stated that these assessments are Cal  
 5 Water’s share of legal expenses in the amendment to the adjudication, which is a  
 6 benefit to the ratepayers.

7 RESOLUTION: Parties agree to include adjustments of -\$3,700 and -\$2,300 for  
 8 Dominguez and Hermosa Redondo, respectively. The adjustments reflect the lobbying  
 9 portion of the dues associated with WBWA. The table below summarizes dues and  
 10 donation adjustments for the 2017 test year.

District	Adjustments (in \$1,000)
Antelope Valley	\$0.0
Bayshore	(\$2.5)
Bakersfield	(\$0.6)
Chico	(\$2.1)
Dixon	(\$0.3)
Dominguez	(\$3.7)
East Los Angeles	(\$1.0)
Hermosa Redondo	(\$2.3)
Kern River Valley	(\$0.1)
King City	(\$0.1)
Livermore	(\$3.5)
Los Altos	(\$2.0)
Marysville	(\$0.5)
Oroville	(\$0.3)
Palos Verdes	(\$0.7)
Salinas	(\$0.8)
Selma	(\$0.3)
Stockton	(\$5.7)
Visalia	(\$1.7)
CSS	(\$259.0)
<b>Total</b>	<b>(\$287.2)</b>

11

1 **U. PURCHASED SERVICES**

2 **1) District A&G Non-Specifics**

3 A&G non-specific expenses generally include miscellaneous administrative and  
 4 general expenditures encompassing multiple sub-accounts. Cal Water’s estimates are  
 5 based on an inflation-adjusted five-year average.

6 ISSUE: In its report (Exhibit ORA-2, Page 83), ORA recommended the following  
 7 adjustments to the recorded numbers before calculating the five-year average –

- 8 • Removing bank fees from 2011-2012 recorded numbers: ORA argued  
 9 that these charges are no longer re-occurring charges for the districts  
 10 because the charges are booked to CSS starting in 2013.
- 11 • Removing legal fee amounts of \$204,268 from the recorded 2013-2014  
 12 amount for East Los Angeles and \$41,667 from the recorded 2014  
 13 number for Westlake: ORA argued that these charges are non-recurring  
 14 expenses and should be removed for forecasting purposes.

15 RESOLUTION: After extensive discussions, the Parties reached a compromise  
 16 position. Parties agree to exclude bank fees at the district level but include them in CSS  
 17 recorded numbers to calculate the five-year average. For forecasting purposes, Parties  
 18 agree to remove \$81,000 in recorded legal fees for East Los Angeles, and \$41,667 for  
 19 Westlake. The table below summarizes A&G non-specifics expenses for the 2017 test  
 20 year.

District	A&G Non-specifics (in \$1,000)
Antelope Valley	\$12.4
Bayshore	\$133.2
Bakersfield	(\$402.9)
Bear Gulch	\$64.8
Chico	\$121.2
Dixon	\$31.5
Dominguez	\$532.0
East Los Angeles	\$99.5
Hermosa Redondo	\$302.1
Kern River Valley	\$28.8



District	A&G Non-specifics (in \$1,000)
King City	\$12.4
Livermore	\$41.0
Los Altos	\$82.7
Marysville	\$17.7
Oroville	\$15.8
Palos Verdes	\$403.3
Redwood - Coast Springs	\$17.4
Redwood - Lucerne	\$70.5
Redwood - Unified	\$21.4
Salinas	\$105.9
Selma	\$33.6
Stockton	\$179.6
Visalia	\$110.2
Westlake	\$25.6
Willows	\$5.4
<b>Total</b>	<b>\$2,065.2</b>

1           **2) CSS A&G Purchased Services**

2           Similar to Cal Water’s regulated districts, CSS A&G non-specific expenses  
3 generally includes miscellaneous administrative and general expenditures encompassing  
4 multiple sub-accounts. Cal Water’s estimates are generally based on inflation-adjusted  
5 five-year average.

6                           **a.           Account 791 – Executive Incentive Compensation**

7           ISSUE: Cal Water in its application requested \$2,956,700 for executive incentive  
8 compensation in Account 791 (see Exhibit CWS-4, Appendix A, page 60). In its Report,  
9 ORA disagreed with the inclusion of the executive incentive compensation expenses and  
10 suggested stockholders should fund the plan, as they are the primary beneficiaries and  
11 the focus of the plan. As the basis for its recommendation, ORA stated the request  
12 grants more compensation in the form of short-term bonuses, decreases the vesting  
13 period for equity compensation, represents a 200% increase from the last authorized  
14 amount, and does not confer a direct benefit to customers, despite guaranteeing

1 income to a small, highly-compensated group of employees (Exhibit ORA-5, pages 42-  
2 48).

3 In Rebuttal, Cal Water asserted that Cal Water’s incentive compensation and  
4 Supplemental Executive Retirement Plan (“SERP”) reflect current market conditions and  
5 payment practices in the utility industry. These reflect changes due to the Dodd-Frank  
6 Act that push publicly-traded companies toward more “pay-for-performance.” Cal  
7 Water’s executive long-term and short-term incentive plans were designed in 2013 and  
8 2014 to specifically tie compensation to customer-focused metrics. (See Exhibit CWS-  
9 109, pages 50-57.)

10 RESOLUTION: Cal Water and ORA agree to include \$1,067,400 in Account 791 in  
11 the calculation of revenue requirement for this proceeding. This is the same amount  
12 approved in the last rate case (D.14-08-011).

13 **b. Account 792 – Office Supplies**

14 There is no contested issue in this category.

15 **c. Account 793 – Property Insurance**

16 There is no contested issue in this category.

17 **d. Account 794 – Injuries and Damages**

18 In CSS, injuries and damages expenses include workers’ compensation expenses,  
19 liability insurance, safety and training expenses and occupational sick leave. In its report  
20 (Exhibit ORA-2, pages 90-91), ORA agreed with Cal Water’s methodology except for  
21 workers’ compensation.

22 ISSUE: In its Application, Cal Water requested a total of \$3,414,000 of workers’  
23 compensation benefits associated with capitalized and expensed labor. Seventy-seven  
24 percent (77%) of this amount, or \$2,638,100, was requested as workers’ compensation  
25 expense associated with expensed labor. (See Exhibit CWS-4, Attachment A, pages 64-  
26 67.) Workers’ compensation was estimated on a company-wide basis and allocated  
27 based on the 2014 recorded payroll for each district. Customer Support Services was

1 allocated \$904,716 of workers' compensation expense, from which \$211,000 is adjusted  
2 out to offset the salary and benefits of the Disability Case Manager position.

3 In its Report, ORA recommended using a five-year (2010 through 2014) inflation-  
4 adjusted amount of \$2,438,003, resulting in \$1,883,894 of workers' compensation  
5 expenses. ORA asserted that Cal Water did not provide support for the actuarial  
6 methods and assumptions provided to the company by its actuary and used in its  
7 estimate; hence, the use of the five-year inflation adjusted average. (See Exhibit ORA-5,  
8 pages 39-41.)

9 In Rebuttal, Cal Water asserted that the justification for the estimate was  
10 provided by Milliman, an actuarial expert consultancy whose focus is workers'  
11 compensation costs. Cal Water further explained that because most claims are self-  
12 insured, funding rates have been volatile. (See Exhibit CWS-109, pages 89-90.)

13 RESOLUTION: Cal Water and ORA agree to a company-wide workers'  
14 compensation estimate of \$2,049,980 to be allocated to districts and CSS, based on  
15 2014 recorded payroll.

16 **e. Account 795 – Pension and Benefits**

17 Cal Water included in its application the following benefit components:  
18 Retirement Savings Plan (401k), Retirement Fund (Pension and SERP), Group Insurance  
19 (including medical, dental and vision) and Retirees' Group Health costs, post-retirement  
20 benefits other than pension ("PBOP") costs, and continuation of a pension cost  
21 balancing account and a health cost balancing account under the same terms as the  
22 existing accounts.

23 Retirement Savings Plan (401k)

24 ISSUE: There is no contested issue in this category. ORA agreed with Cal Water's  
25 methodology and the contribution rate of 5.4% (see Exhibit ORA-5, pages 26-27). The  
26 difference between Cal Water's and ORA's projections in testimony is due to the  
27 difference in projected payroll costs to which the 5.4% contribution rate is applied.

1            RESOLUTION: Cal Water and ORA agreed to include \$4,444,699 for retirement  
2 savings plan 401(k) expenses in the revenue requirement.

3            Pension Cost and Pension Cost Balancing Account – Account 7951-2

4            ISSUE: In its Report, ORA recommended that pension costs funded by ratepayers  
5 should exclude the costs for employees hired after 2016, that pension costs related to  
6 active employees be reduced by 8% to be in line with comparable utilities, and that the  
7 SERP be excluded and instead funded by shareholders. (See Exhibit ORA-5, pages 29-  
8 38.) ORA supported substantial revisions in the terms of a new Pension Cost Balancing  
9 Account. (See Exhibit ORA-5, pages 49-53 and 58-59.)

10           In Rebuttal, Cal Water argued that Cal Water’s retirement benefit program is  
11 market competitive and necessary to attract and retain qualified employees. Cal Water  
12 also argued that the pension program, combined with the 401(k) matching program,  
13 provide comparable benefits to that offered by public agency employers, even after  
14 recent law changes. (See Exhibit CWS-109, pages 40-49.)

15           RESOLUTION: Cal Water and ORA agreed to include a pension expense estimate  
16 (including SERP) of \$23,464,980 in the revenue requirement.

17           The Parties agree to a Pension Cost Balancing Account (“PCBA3”) that tracks the  
18 difference between the adopted pension expense and the actual pension expense, not  
19 including SERP costs, with a true-up of the difference at the end of the rate case period  
20 through customer surcharges or credits. For additional details of the PCBA3, see  
21 Chapter 7. A draft preliminary statement is included in **Attachment 7** of this  
22 Agreement.

23           Group Health Insurance – Account 7952

24           ISSUE: ORA did not agree with the inflation factors Cal Water used in calculating  
25 projected costs which are 8% for medical cost, 5% for dental costs and 3% for vision  
26 costs. ORA argued that these inflation factors are higher than the factors provided by  
27 IHS Global Insight forecasts of 2.9%, 3.6%, 4.4%, 3.9% and 3.8% for years 2015, 2016,

1 2017, 2018 and 2019, respectively. In its rebuttal (Exhibit CWS-109, pages 49), Cal  
2 Water agreed to ORA's escalation factors.

3 RESOLUTION: Cal Water and ORA agree to projected Test Year Group Insurance  
4 expenses of \$20,202,187.

5 Retirees' Group Health Insurance – Account 7952-1

6 ISSUE: There is no contested issue in this category. ORA accepted Cal Water's  
7 projected annual cost of \$6,050 per employee (Exhibit ORA-5, page 38).

8 RESOLUTION: Cal Water and ORA agree to apply the \$6,050 projected annual  
9 cost per employee to the total number of employees agreed to in this proceeding.

10 Health Cost Balancing Account

11 ISSUE: There is no contested issue in this category. ORA does not oppose Cal  
12 Water's request for a health cost balancing account similar to the existing account.

13 RESOLUTION: The Parties agree to a Health Cost Balancing Account ("HCBA3")  
14 that tracks the difference between the adopted health care expense (including PBOP)  
15 and the actual health care costs, with a true-up of 85% of that difference at the end of  
16 the rate case period through a surcharge or credit. For additional details of the HCBA3,  
17 see Chapter 7. A draft preliminary statement is included in **Attachment 7** in this  
18 Agreement.

19 **f. Account 797 – Regulatory Commission Expenses**

20 ISSUE: Regulatory Commission expenses are costs incurred by Cal Water related  
21 to its General Rate Case filings. In its application (A. 15-07-015), Cal Water estimated  
22 Regulatory Commission expenses using an inflation-adjusted four year average. In its  
23 report (Exhibit ORA-2, pages 91-92), ORA recommended using inflation-adjusted five-  
24 year average to estimate Regulatory Commission expenses.

25 RESOLUTION: In rebuttal, (Exhibit CWS-109, page 100), Cal Water agrees with  
26 ORA's recommendation.

1 **g. Account 798 – Outside Services**

2 ISSUE: Outside services consist of legal expenses, consulting and audit services.  
 3 Cal Water’s test year estimate was based on an inflation-adjusted five-year average.  
 4 During discovery process, Cal Water and ORA agreed to correct formula error in the  
 5 calculation.

6 RESOLUTION: Parties agree to \$6,105,500 estimated test year outside services  
 7 expenses less \$80,000 for estimated savings in training costs with the hiring of an  
 8 Employee Development Specialist.

9 **h. Account 799 – Miscellaneous General Expenses**

10 ISSUE: There is no contested issue in this category.

11 RESOLUTION: The table below summarizes CSS purchased services for the 2017  
 12 test year.

CSS A&G Non-Specifics	In \$1,000
791 EXECUTIVE COMPENSATION	\$1,067.4
792 OFFICE SUPPLIES	\$5,147.3
793 PROPERTY INSURANCE	\$220.6
794 INJURIES AND DAMAGES	\$4,212.1
795 PENSIONS AND BENEFITS	\$17,522.7
797 REGULATORY COM EXP	\$172.3
798 OUTSIDE SERVICES	\$6,021.1
799 MISC. GENERAL EXPENSES	\$2,733.7
SYNERGY ADJUSTMENTS	(\$361.4)
<b>Total</b>	<b>\$36,735.8</b>

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[END OF CHAPTER]

1           **CHAPTER 10.           TAXES**

2           **A. INCOME TAXES**

3           ISSUE: There are no methodological differences between ORA and Cal Water in  
4 calculating estimates for regulated income taxes. Both Parties agree on the following  
5 for forecasting taxes for the test year-

- 6           • Use of statutory rates (35% for federal and 8.84% for state) in calculating  
7 regulated income taxes.
- 8           • Calculate Qualified Production Activities Deduction (“QPAD”) based on the  
9 ratio of groundwater and surface water production to total water production  
10 applied to net production revenue and multiplied by the statutory rate of 9%.  
11 Districts that have 100% purchased water do not have this deduction.
- 12          • Use Option 1 treatment for Investment Tax Credit (“ITC”) where annual ITC  
13 amortization does not reduce federal income tax expense.
- 14          • Apply the weighted average cost-of-debt to total rate base excluding working  
15 capital in calculating interest expense deduction.
- 16          • Use test year’s California Corporate Franchise Tax (“CCFT”) estimate as a  
17 deduction in calculating test year’s federal income tax expense estimate.
- 18          • Use flow-through method in calculating CCFT in compliance with the  
19 provisions of D.89-11-058.

20          RESOLUTION: The Parties agree to incorporate the effects of the new corporate  
21 income tax regulations in the calculation of forecasted income taxes and deferred taxes  
22 in this proceeding.

23          **B. TAXES OTHER THAN INCOME**

24          Forecasted taxes other than income are comprised of the following; payroll  
25 taxes, ad valorem or property taxes, business license taxes and local franchise taxes.  
26 There is no contested issue in this category. ORA and Cal Water applied the same  
27 methodology in forecasting taxes other than income.

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[END OF CHAPTER]

1           **CHAPTER 11.           RATE BASE**

2           **A. DEPRECIATION**

3           Cal Water hired an outside consultant to perform a detailed depreciation study  
4 for the GRC. As part of the application, Cal Water provided three depreciation studies  
5 categorizing Cal Water’s districts into three geographic areas. The three geographic  
6 areas are:

- 7           1. *Metro*, which includes Bayshore, Bear Gulch, East Los Angeles, Hermosa  
8 Redondo, Livermore, Los Altos, Palos Verdes, Rancho Dominguez,  
9 Westlake Districts and Customer Support Services (CSS or GO).
- 10          2. *Valley*, which includes Bakersfield, Chico, Dixon, King City, Marysville,  
11 Oroville, Salinas, Selma, Stockton, Visalia and Willows.
- 12          3. *Dominguez*, which includes Dominguez South Bay, Antelope Valley, Kern  
13 River Valley and Redwood Valley.

14          Cal Water proposed to use the depreciation rates recommended in the  
15 depreciation studies.

16          ISSUE: ORA did not oppose Cal Water’s methodology of calculating depreciation  
17 accruals using depreciation rates from the studies. In its testimony (Exhibit ORA-9,  
18 pages 170-192), ORA recommended adjustments to the depreciation accrual rates for  
19 individual plant asset accounts for the following districts – Antelope Valley, Bayshore,  
20 Bear Gulch, Livermore, Redwood Valley (Coast Springs and Lucerne) and Westlake. In  
21 rebuttal (Exhibit CWS-109, page 105), Cal Water agreed with ORA’s recommendations.

22          RESOLUTION: The Parties resolved their differences on the individual plant  
23 account depreciation rates and the table below summarizes the settled depreciation  
24 rates. The depreciation rates by plant accounts for all districts are included in  
25 **Attachment 5** of this Agreement.



CHAPTER 11. RATE BASE

District	Asset Category	Settlement - Depreciation Rates
Antelope Valley	Water Treatment Equipment	10.01%
	Meter	7.59%
Bayshore	Transmission and Distribution	2.25%
Bear Gulch	Transmission and Distribution	2.11%
Livermore	Transmission and Distribution	2.14%
Redwood - Coast Springs	Transmission and Distribution	2.03%
Redwood - Lucerne	Meter	0.37%
Westlake	Services	4.62%

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**B. DEFERRED INCOME TAXES**

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Following the provisions of the Economic Recovery Act of 1981 (ERTA) and modified by the 1982 Tax Equity and Fiscal Recovery Act (TEFRA) and the Tax Reform Act of 1984, Cal Water normalized depreciation deduction in calculating its ratemaking federal income tax expense. ERTA and TEFRA, as modified by the Tax Reform Act, require that tax reductions in the early years of plant life be deferred to offset the additional tax liability anticipated in the later years of the assets' life. This means that the difference between actual book federal tax expense and ratemaking federal tax expense is recorded in the deferred income taxes account which is a reduction from rate base.

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ISSUE: Cal Water in its application included the impact of the repair deductions from its main replacement program. With the passing of the "Protecting Americans from Tax Hikes Act of 2015 (PATH Act), Cal Water provided revised estimates to ORA to incorporate the impact of bonus depreciation until 2019 in its deferred income taxes estimates.

17

18

RESOLUTION: ORA and Cal Water agree to incorporate the impact of the PATH Act (Section 179 of Bonus Depreciation deduction) in estimating deferred income taxes.

19

**C. RATE BASE**

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21

The rate base for the individual districts and consolidated regions are included in **Attachment 2** of this Agreement.

22

[END OF CHAPTER]

## 1           **CHAPTER 12.           GLOBAL PLANT ISSUES**

2           This chapter presents the Parties' settlement of contested plant issues that have  
3 company-wide impacts or affect corresponding plant estimates in multiple districts.  
4 Many of these issues involve Cal Water's company-wide capital programs or budgets,  
5 and/or were presented in ORA's Report on Plant – Common Issues (Exhibits 6 and 6C).

- 6           • Non-Specific Capital Budget
- 7           • Pipeline Replacement Program
- 8           • Flat to Metered (FTM) Program and AMI/AMR Projects
- 9           • Electrical Panelboards Replacement
- 10          • Supervisory Control And Data Acquisition (SCADA)
- 11          • Meter Replacement Program
- 12          • Flow Meter Replacement
- 13          • Vehicle Replacement Program
- 14          • Generator Replacement Program
- 15          • Pump Replacement Program
- 16          • Tank Painting Projects
- 17          • Hydro-Pneumatic Tank Replacement
- 18          • Control Valve Replacement
- 19          • Construction Work In Progress (CWIP)
- 20          • Capital Budget Carryforward Adjustment
- 21          • Acquired Systems
- 22          • Confidentiality of Application Information

### 23           **A. NON-SPECIFIC CAPITAL BUDGET**

24           ISSUE: Cal Water proposed "non-specific" capital budgets for its Customer  
25 Support Services (CSS) and each operating district using a methodology that projects  
26 future non-specific capital spending based on spending from the previous ten years.  
27 The non-specific budget is intended for unanticipated, emergency, and routine projects.  
28 However, projects opened during a rate case period that were not specifically approved  
29 by the Commission as part of the forecasted Advance Capital Budget (ACB) have  
30 historically defaulted automatically to the non-specific budget category. (In the 2012  
31 GRC, for example, the Advance Capital Budget adopted for 2013-2015 consisted of  
32 specific projects for each year, and a non-specific budget amount for each year.)

1 Due to Cal Water’s continually exceeding the authorized budget, ORA  
2 recommended that the Commission deny Cal Water’s request for an annual non-specific  
3 budget until Cal Water develops a better budgeting methodology and clearer  
4 boundaries for the types of projects for which the budget is used. ORA was also  
5 concerned with the increasing magnitude of non-specific capital spending and  
6 questioned the urgency of some projects that Cal Water recorded in the non-specific  
7 budgets. ORA recommended that any future non-specific budgets only be used for  
8 unanticipated, emergency, and regulatory compliance projects.

9 RESOLUTION: Parties recognize that non-specific budget spending has been  
10 increasing and has exceeded past forecasts. As part of the global capital settlement,  
11 Parties agree to reduce annual non-specific budgets for 2016-2018 by 20-25%  
12 depending on the operating district (and CSS) – see table below. The adjusted budgets  
13 will still allow Cal Water the ability to address routine projects, as well as unanticipated  
14 projects, such as for emergency replacement of failed components and for regulatory  
15 compliance needed for the safe operation of its water systems. While the cost of goods  
16 and services may increase over time, Cal Water will make additional efforts to control  
17 non-specific budget spending, and consider ways to increase the transparency of its  
18 non-specific budget spending.

19 For example, for its next GRC application, Cal Water will consider shifting routine  
20 plant replacements from the non-specific budget category to a specific project, or to a  
21 specific (routine) budget that can be separately evaluated by the Commission. In  
22 addition, instead of relying on the non-specific budgets, Cal Water will investigate and  
23 develop guidelines for property purchases for instances when a property purchase (land  
24 to construct a new well, for example) has not been authorized in a specific project, but  
25 where land becomes available for purchase, and Cal Water believes it is appropriate and  
26 prudent to take action (i.e., purchase the land). For example, Cal Water can consider (1)  
27 booking a property purchase that has not been approved as part of a specific Advance  
28 Capital Budget project as “Plant Held for Future Use” for accounting and ratemaking  
29 purposes, and (2) in its next GRC application, submitting an explicit request for

CHAPTER 12. GLOBAL PLANT ISSUES

1 Commission authorization and providing a detailed description and justification for the  
2 purchase.

3 Finally, Cal Water will continue to use its internal capital management  
4 improvements developed, in part, as a result of the 2012 GRC settlement negotiations  
5 to better manage the non-specific budgets. For example, proposed projects that would  
6 draw from the non-specific capital budget and exceed a certain threshold (such as 25%  
7 of the district’s annual non-specific budget) will go through an additional approval  
8 process through a standing capital program management committee consisting of  
9 company officers and directors.

District	Year	PID	Description	Settlement
Antelope Valley	2016	129-NON-SP	129- Antelope Valley Non-specific	\$56,800
Antelope Valley	2017	129-NON-SP	129- Antelope Valley Non-specific	\$58,000
Antelope Valley	2018	129-NON-SP	129- Antelope Valley Non-specific	\$59,400
Bakersfield	2016	101-NON-SP	101- Bakersfield Non-specific	\$3,186,720
Bakersfield	2017	101-NON-SP	101- Bakersfield Non-specific	\$3,259,360
Bakersfield	2018	101-NON-SP	101- Bakersfield Non-specific	\$3,331,440
Bayshore	2016	152-NON-SP	152- Bayshore Non-specific	\$1,808,420
Bayshore	2017	152-NON-SP	152- Bayshore Non-specific	\$1,851,132
Bayshore	2018	152-NON-SP	152- Bayshore Non-specific	\$1,893,160
Bear Gulch	2016	102-NON-SP	102- Bear Gulch Non-specific	\$2,172,525
Bear Gulch	2017	102-NON-SP	102- Bear Gulch Non-specific	\$2,223,750
Bear Gulch	2018	102-NON-SP	102- Bear Gulch Non-specific	\$2,274,450
Chico	2016	104NONSP16	104-Chico Non Specific	\$1,093,425
Chico	2017	104NONSP17	104-Chico Non Specific	\$1,119,075
Chico	2018	104NONSP18	104-Chico Non Specific	\$1,144,650
CSS	2016	330-NON-SP	330- General Office Non-specific	\$1,173,592
CSS	2017	330-NON-SP	330- General Office Non-specific	\$1,201,408
CSS	2018	330-NON-SP	330- General Office Non-specific	\$1,228,768
Dixon	2016	105-NON-SP	105- Dixon Non-specific	\$79,800
Dixon	2017	105-NON-SP	105- Dixon Non-specific	\$81,600
Dixon	2018	105-NON-SP	105- Dixon Non-specific	\$83,625
Dominguez	2016	128-NON-SP	128- Dominguez Non-specific	\$1,020,675
Dominguez	2017	128-NON-SP	128- Dominguez Non-specific	\$1,044,825
Dominguez	2018	128-NON-SP	128- Dominguez Non-specific	\$1,068,675
East Los Angeles	2016	106-NON-SP	106- East Los Angeles Non-specific	\$1,230,450
East Los Angeles	2017	106-NON-SP	106- East Los Angeles Non-specific	\$1,259,475
East Los Angeles	2018	106-NON-SP	106- East Los Angeles Non-specific	\$1,301,475

CHAPTER 12. GLOBAL PLANT ISSUES

<b>District</b>	<b>Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement</b>
Hermosa Redondo	2016	108-NON-SP	108- Hermosa Redondo Non-specific	\$1,003,500
Hermosa Redondo	2017	108-NON-SP	108- Hermosa Redondo Non-specific	\$1,027,200
Hermosa Redondo	2018	108-NON-SP	108- Hermosa Redondo Non-specific	\$1,050,600
King City	2016	109-NON-SP	Non Specific Project	\$109,950
King City	2017	109-NON-SP	Non Specific Project	\$112,500
King City	2018	109-NON-SP	Non Specific Project	\$115,050
Livermore	2016	110-NON-SP	110- Livermore Non-specific	\$816,450
Livermore	2017	110-NON-SP	110- Livermore Non-specific	\$835,875
Livermore	2018	110-NON-SP	110- Livermore Non-specific	\$854,850
Los Altos	2016	111-NON-SP	111- Los Altos Suburban Non-specific	\$1,064,700
Los Altos	2017	111-NON-SP	111- Los Altos Suburban Non-specific	\$1,089,825
Los Altos	2018	111-NON-SP	111- Los Altos Suburban Non-specific	\$1,114,650
Marysville	2016	112-NON-SP	112- Marysville Non-specific	\$128,550
Marysville	2017	112-NON-SP	112- Marysville Non-specific	\$131,700
Marysville	2018	112-NON-SP	112- Marysville Non-specific	\$134,775
Oroville	2016	113-NON-SP	113- Oroville Non-specific	\$188,475
Oroville	2017	113-NON-SP	113- Oroville Non-specific	\$192,825
Oroville	2018	113-NON-SP	113- Oroville Non-specific	\$197,250
Palos Verdes	2016	122-NON-SP	Non-Specific Projects	\$654,150
Palos Verdes	2018	122-NON-SP	Non-Specific Projects	\$684,900
Palos Verdes	2017	122-NON-SP	Non-Specific Projects	\$669,600
Salinas	2016	114-NON-SP	114- Salinas Non-specific	\$2,663,175
Salinas	2017	114-NON-SP	114- Salinas Non-specific	\$2,725,875
Salinas	2018	114-NON-SP	114- Salinas Non-specific	\$2,788,050
Selma	2016	117-NON-SP	117- Selma Non-specific	\$169,575
Selma	2017	117-NON-SP	117- Selma Non-specific	\$173,550
Selma	2018	117-NON-SP	117- Selma Non-specific	\$177,450
Stockton	2016	119-NON-SP	119- Stockton Non-specific	\$967,050
Stockton	2017	119-NON-SP	119- Stockton Non-specific	\$989,775
Stockton	2018	119-NON-SP	119- Stockton Non-specific	\$1,012,425
Kern River Valley	2016	134-NON-SP	134- Kern River Valley Non-specific	\$139,725
Kern River Valley	2017	134-NON-SP	134- Kern River Valley Non-specific	\$143,025
Kern River Valley	2018	134-NON-SP	134- Kern River Valley Non-specific	\$146,325
Visalia	2016	120-NON-SP	120- Visalia Non-specific	\$1,287,375
Visalia	2017	120-NON-SP	120- Visalia Non-specific	\$1,317,525

CHAPTER 12. GLOBAL PLANT ISSUES

District	Year	PID	Description	Settlement
Visalia	2018	120-NON-SP	120- Visalia Non-specific	\$1,347,675
Westlake	2016	123-NON-SP	123- Westlake Non-specific	\$150,825
Westlake	2017	123-NON-SP	123- Westlake Non-specific	\$154,500
Westlake	2018	123-NON-SP	123- Westlake Non-specific	\$164,550
Willows	2016	121-NON-SP	121- Willows Non-specific	\$106,575
Willows	2017	121-NON-SP	121- Willows Non-specific	\$109,050
Willows	2018	121-NON-SP	121- Willows Non-specific	\$111,450
Redwood Valley	2016	00NON-SP	Redwood Valley - Non-specific	\$183,500
Redwood Valley	2017	00NON-SP	Redwood Valley - Non-specific	\$187,900
Redwood Valley	2018	00NON-SP	Redwood Valley - Non-specific	\$191,900
Rancho Dominguez	2016	00NON-SP	RDOM - Non-specific	\$80,475
Rancho Dominguez	2017	00NON-SP	RDOM - Non-specific	\$82,350
Rancho Dominguez	2018	00NON-SP	RDOM - Non-specific	\$84,300

1 References: Exhibit ORA-6, pages 14-24; Exhibit CWS-110, pages 11-19.

2 **B. PIPELINE REPLACEMENT PROGRAM**

3 ISSUE: Cal Water proposed a comprehensive, programmatic water main  
 4 replacement program in each district. Cal Water states that its proposed program  
 5 targets mains that are either high-risk, or in unacceptable condition. According to Cal  
 6 Water, the program is designed to avoid excessive maintenance costs by replacing  
 7 water mains that are in poor condition, to provide reliable and safe water service to  
 8 customers, with priority given to critical customers such as hospitals, schools, police  
 9 stations and fire agencies, to protect the environment and community infrastructure by  
 10 replacing high-risk water mains, and to conserve water by minimizing leaks.

11 Historically, Cal Water has replaced approximately 0.3% of its water mains per  
 12 year. Cal Water contended that if this rate is maintained, many water mains would not  
 13 be replaced until they are greater than 300 years of age. Cal Water proposed replacing  
 14 an average of 0.8% of its system per year, which would result in a 125-year replacement  
 15 cycle.

16 ORA stated Cal Water’s historical replacement rate was likely to be closer to  
 17 0.74% rather than 0.3% per year. Based on this, ORA concluded that the need for a

1 “ramp-up” and for additional employees was overstated. ORA supported its  
2 recommended lower pipeline replacement rates and budgets, provided analysis on  
3 pipeline age, risk and life cycle costs, leaks/breaks, unaccounted for water (water loss),  
4 and historical unit costs.

5 RESOLUTION: To address safety concerns and system priorities, Parties agree to  
6 include in this GRC an increase in the pipeline replacement rate from Cal Water’s  
7 historic levels, as shown in the tables below. In addition, the Parties agree to the  
8 following:

- 9 1. For districts with a high leak rate and/or water loss rate such as Redwood  
10 Valley (Lucerne and Coast Springs) and Stockton, Cal Water should  
11 implement a vigorous Water Loss and Control Program consistent with  
12 practices specified in the American Water Works Association (AWWA)  
13 Manual M36 to determine the cause of high leak rate. Cal Water should  
14 continue to mature its asset management practices regarding pipelines and  
15 assess the value of inputs such as pipe materials, soil conditions, pressure  
16 fluctuations, installation methods, service life, etc.
- 17 2. Leak records need to be classified as “deterioration” or “damage” to better  
18 support analysis of pipeline condition. Mains with past leaks should be used  
19 to prioritize main replacements. In those cases where a main does not have  
20 a history of leaks, but has risk that justifies the replacement of the main,  
21 additional risk information will need to be provided to justify the project.
- 22 3. Cal Water will incorporate the Infrastructure Leak Index (ILI) into its main  
23 replacement program (where available) and use the results of the Water Loss  
24 Audits to align its resources toward efficient water loss control programs.
- 25 4. Due to the adjusted rate of replacement and total budget agreed upon in  
26 settlement, the completion of the main replacement program for 2016-2018  
27 will continue as described below.
  - 28 a. Districts will make use of the agreed upon replacement rate to determine  
29 the length to be constructed over three years.
  - 30 b. Districts will make use of the 2016-2018 total cost agreed in settlement.  
31 This will then be divided by three to determine a budget per year.
  - 32 c. The 2016 main replacement program has made substantial progress, and  
33 therefore these projects will continue to completion. See **Attachment 8**

CHAPTER 12. GLOBAL PLANT ISSUES

- 1 for a list of individual projects that make up the main replacement  
 2 program for 2016, by district.
- 3 d. The length of pipeline replacement in 2017 and 2018 will be adjusted to  
 4 conform to the total agreed upon replacement length for 2016 to 2018.
- 5 e. The projects will be completed at the current market cost per foot and as  
 6 previously agreed upon in the Cal Water Master Contracts. Any overage  
 7 in the total cost per district as compared to the total cost agreed upon in  
 8 settlement will be considered for recovery in Cal Water’s 2018 General  
 9 Rate Case (GRC).
- 10 f. Cal Water will work to provide better cost data in the next GRC to  
 11 improve main replacement cost estimating. A report will be provided  
 12 with the 2018 GRC filing identifying individual mainline replacement  
 13 projects completed per district as part of the 2015 GRC, along with  
 14 relevant project information. Information will include project  
 15 description, project ID, project replacement length, project purpose,  
 16 deficiencies eliminated, estimated costs, final costs, and a normalized  
 17 cost per foot. Eliminated deficiencies are identified as repaired leaks,  
 18 known leaks, reduction in unaccounted for water, or other adverse  
 19 conditions identified from field inspections.

District	Year	PID	Description	Settlement
Antelope Valley	2016	00099905	2016 Main Replacement Program Antelope Valley	\$184,196
Antelope Valley	2017	00099906	2017 Main Replacement Program Antelope Valley	\$188,801
Antelope Valley	2018	00099907	2018 Main Replacement Program Antelope Valley	\$193,521
Bakersfield	2016	101MRP16	2016 Main Replacement Program Bakersfield	\$5,764,150
Bakersfield	2017	101MRP17	2017 Main Replacement Program Bakersfield	\$5,908,254
Bakersfield	2018	101MRP18	2018 Main Replacement Program Bakersfield	\$6,055,960
Bayshore	2016	00099335	2016 Main Replacement Program Bayshore	\$4,124,847
Bayshore	2017	00099337	2017 Main Replacement Program Bayshore	\$4,227,969
Bayshore	2018	00099338	2018 Main Replacement Program Bayshore	\$4,333,668
Bear Gulch	2016	00099331	2016 Main Replacement Program Bear Gulch	\$2,908,642
Bear Gulch	2017	00099333	2017 Main Replacement Program Bear Gulch	\$2,981,358
Bear Gulch	2018	00099334	2018 Main Replacement Program Bear Gulch	\$3,055,892
Chico	2016	00099197	2016 Main Replacement Program Chico	\$1,655,411
Chico	2017	00099198	2017 Main Replacement Program Chico	\$1,705,073
Chico	2018	00099200	2018 Main Replacement Program Chico	\$1,756,225
Dixon	2016	00099202	2016 Main Replacement Program Dixon	\$231,627
Dixon	2017	00099206	2017 Main Replacement Program Dixon	\$237,417
Dixon	2018	00099207	2018 Main Replacement Program Dixon	\$243,353
Dominguez	2016	128MRP16	2016 Main Replacement Program Dominguez	\$2,059,924



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<b>District</b>	<b>Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement</b>
Dominguez	2017	128MRP17	2017 Main Replacement Program Dominguez	\$2,111,422
Dominguez	2018	128MRP18	2018 Main Replacement Program Dominguez	\$2,164,207
East Los Angeles	2016	106MRP16	2016 Main Replacement Program East Los Angeles	\$2,233,743
East Los Angeles	2017	106MRP17	2017 Main Replacement Program East Los Angeles	\$2,289,587
East Los Angeles	2018	106MRP18	2018 Main Replacement Program East Los Angeles	\$2,346,827
Hermosa Redondo	2016	108MRP16	2016 Main Replacement Program Hermosa Redondo	\$1,203,413
Hermosa Redondo	2017	108MRP17	2017 Main Replacement Program Hermosa Redondo	\$1,233,498
Hermosa Redondo	2018	108MRP18	2018 Main Replacement Program Hermosa Redondo	\$1,264,336
Kern River Valley	2016	00099217	2016 Main Replacement Program Kern River Valley	\$330,317
Kern River Valley	2017	00099218	2017 Main Replacement Program Kern River Valley	\$340,227
Kern River Valley	2018	00099219	2018 Main Replacement Program Kern River Valley	\$350,433
King City	2016	00098711	2016 Main Replacement Program King City	\$333,396
King City	2017	00099096	2017 Main Replacement Program King City	\$341,730
King City	2018	00099099	2018 Main Replacement Program King City	\$350,274
Livermore	2016	00099225	2016 Main Replacement Program Livermore	\$1,284,174
Livermore	2017	00099226	2017 Main Replacement Program Livermore	\$1,322,699
Livermore	2018	00099227	2018 Main Replacement Program Livermore	\$1,362,380
Los Altos	2016	00099221	2016 Main Replacement Program Los Altos	\$2,157,217
Los Altos	2017	00099223	2017 Main Replacement Program Los Altos	\$2,211,148
Los Altos	2018	00099224	2018 Main Replacement Program Los Altos	\$2,266,426
Marysville	2016	112MRP16	2016 Main Replacement Program Marysville	\$401,801
Marysville	2017	112MRP17	2017 Main Replacement Program Marysville	\$398,964
Marysville	2018	112MRP18	2018 Main Replacement Program Marysville	\$408,938
Oroville	2016	00099228	2016 Main Replacement Program Oroville	\$432,106
Oroville	2017	00099229	2017 Main Replacement Program Oroville	\$378,449
Oroville	2018	00099230	2018 Main Replacement Program Oroville	\$387,910
Palos Verdes	2016	122MRP16	2016 Main Replacement Program Palos Verdes	\$2,162,452
Palos Verdes	2017	122MRP17	2017 Main Replacement Program Palos Verdes	\$2,216,513
Palos Verdes	2018	122MRP18	2018 Main Replacement Program Palos Verdes	\$2,271,926
Redwood Valley (Coast Springs)	2016	00099358	2016 Main Replacement Program Redwood Valley (Coast Springs)	\$29,282
Redwood Valley (Coast Springs)	2017	00099362	2017 Main Replacement Program Redwood Valley (Coast Springs)	\$30,014

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<b>District</b>	<b>Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement</b>
Redwood Valley (Coast Springs)	2018	00099363	2018 Main Replacement Program Redwood Valley (Coast Springs)	\$30,765
Redwood Valley (Lucerne)	2016	00099355	2016 Main Replacement Program Redwood Valley (Lucerne)	\$146,412
Redwood Valley (Lucerne)	2017	00099356	2017 Main Replacement Program Redwood Valley (Lucerne)	\$150,072
Redwood Valley (Lucerne)	2018	00099357	2018 Main Replacement Program Redwood Valley (Lucerne)	\$153,824
Redwood Valley (Unified)	2016	00099373	2016 Main Replacement Program Redwood Valley (Unified)	\$73,206
Redwood Valley (Unified)	2017	00099375	2017 Main Replacement Program Redwood Valley (Unified)	\$75,036
Redwood Valley (Unified)	2018	00099376	2018 Main Replacement Program Redwood Valley (Unified)	\$76,912
Salinas	2016	00099233	2016 Main Replacement Program Salinas	\$4,460,557
Salinas	2017	00099236	2017 Main Replacement Program Salinas	\$4,594,374
Salinas	2018	00099237	2018 Main Replacement Program Salinas	\$4,732,205
Stockton	2016	00099368	2016 Main Replacement Program Stockton	\$12,142,268
Stockton	2017	00099370	2017 Main Replacement Program Stockton	\$11,694,030
Stockton	2018	00099372	2018 Main Replacement Program Stockton	\$11,986,380
Visalia	2016	00099239	2016 Main Replacement Program Visalia	\$904,745
Visalia	2017	00099241	2017 Main Replacement Program Visalia	\$931,887
Visalia	2018	00099243	2018 Main Replacement Program Visalia	\$959,844
Westlake	2016	123MRP16	2016 Main Replacement Program Westlake	\$290,657
Westlake	2017	123MRP17	2017 Main Replacement Program Westlake	\$222,163
Westlake	2018	123MRP18	2018 Main Replacement Program Westlake	\$235,004
Willows	2016	121MRP16	2016 Main Replacement Program Willows	\$206,720
Willows	2017	121MRP17	2017 Main Replacement Program Willows	\$212,921
Willows	2018	121MRP18	2018 Main Replacement Program Willows	\$219,309

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2           The below table provides the agreed-upon main replacement rates, three-year  
3 replacement lengths, and total three-year (2016-2018) budgets, by district.

<b>Cal Water Main Replacement Program</b>				
<b>District</b>	<b>Total Mains in District (ft)</b>	<b>Replacement Rate (%/yr)</b>	<b>3 Year Replacement (ft)</b>	<b>3 Year Total Budget (\$)</b>
<b>Antelope Valley</b>	<b>158,400</b>	0.50%	2,376	\$566,518
<b>Bayshore</b>	<b>2,756,160</b>	0.50%	41,342	\$12,686,484
<b>Bear Gulch</b>	<b>1,726,560</b>	0.50%	25,898	\$8,945,892
<b>Bakersfield</b>	<b>5,021,280</b>	0.50%	75,319	\$17,728,364
<b>Chico</b>	<b>2,022,240</b>	0.50%	30,334	\$5,116,709
<b>Dixon</b>	<b>174,240</b>	0.49%	2,561	\$712,397
<b>Dominguez</b>	<b>1,932,480</b>	0.50%	28,987	\$6,335,553
<b>East Los Angeles</b>	<b>1,388,640</b>	0.58%	24,162	\$6,870,157
<b>Hermosa Redondo</b>	<b>1,098,240</b>	0.50%	16,474	\$3,701,247
<b>King City</b>	<b>179,520</b>	0.50%	2,693	\$1,025,400
<b>Kern River Valley</b>	<b>485,760</b>	0.50%	7,286	\$1,020,977
<b>Los Altos</b>	<b>1,531,200</b>	0.50%	22,968	\$6,634,791
<b>Livermore</b>	<b>1,156,320</b>	0.50%	17,345	\$3,969,253
<b>Marysville</b>	<b>285,120</b>	0.50%	4,277	\$1,209,704
<b>Oroville</b>	<b>311,520</b>	0.50%	4,673	\$1,198,465
<b>Palos Verdes</b>	<b>1,737,120</b>	0.50%	26,057	\$6,650,891
<b>Redwood Valley (Coast Springs)</b>	<b>21120</b>	0.50%	317	\$90,062
<b>Redwood Valley (Lucerne)</b>	<b>105,600</b>	0.50%	1,584	\$450,309
<b>Redwood Valley (Unified)</b>	<b>52,800</b>	0.50%	792	\$225,154
<b>Selma</b>	<b>454,080</b>	0.00%	-	\$0
<b>Salinas</b>	<b>1,774,080</b>	0.50%	26,611	\$13,787,136
<b>Stockton</b>	<b>2,787,840</b>	1.50%	125,453	\$35,822,677
<b>Visalia</b>	<b>2,930,400</b>	0.22%	19,341	\$2,796,476
<b>Willows</b>	<b>195,360</b>	0.50%	2,930	\$638,950
<b>Westlake</b>	<b>586,080</b>	0.10%	1,758	\$747,824
<b>Company-wide</b>	<b>30,872,160</b>	<b>0.55%</b>	<b>511,539</b>	<b>\$138,931,389</b>

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2 References: Exhibit ORA-6, pages 25-65; Exhibit CWS-110, pages 20-32.3 **C. FLAT TO METERED (FTM) PROGRAM**

4 ISSUE: As required by California Water Code §527, meters must be installed on  
5 Cal Water's remaining flat rate services by 2025. Accordingly, Cal Water has an ongoing  
6 program to convert all remaining flat rate services to metered services. Districts with  
7 flat rate services still to be converted are Bakersfield, Marysville and Selma. For  
8 Marysville, Cal Water proposed to complete the remaining conversions by 2018, at a

1 rate of 250 per year for 2016-2018. ORA did not object to Cal Water’s proposal but  
 2 corrected the annual conversion rate to 262 per year to reflect a more up-to-date  
 3 number of flat rate services to be converted. ORA did not contest Cal Water’s estimated  
 4 cost per conversion.

5 For Selma, Cal Water proposed to complete the remaining conversions by 2018,  
 6 with 750 conversions in 2016, 250 in 2017 and 2018, for a total of 1,000 conversions in  
 7 2016-2018. Based on its evaluation of the district’s needs and rate impacts, ORA  
 8 recommended a uniform conversion rate of 274 per year for 2016-2018; this rate  
 9 reflects ORA’s use of a lower, more up-to-date number of flat rate services to be  
 10 converted. ORA did not contest Cal Water’s estimated cost per conversion.

11 In rebuttal, Cal Water agreed with ORA’s recommendations for Marysville and  
 12 Selma regarding flat-to-metered conversion projects.

13 Discussion on the Bakersfield conversion projects is presented in the Bakersfield  
 14 District Plant section of this Agreement.

15 **RESOLUTION:** In settlement, Cal Water proposed to reduce its Selma conversion  
 16 schedule further, to only 250 conversions for 2016 and none for 2017 and 2018. Parties  
 17 agree to Cal Water’s reduced number of conversions for Selma, and ORA’s  
 18 recommended conversion rate and costs for Marysville. The Settlement amounts listed  
 19 below reflect the Parties’ agreement for Marysville and Selma.

20 The Parties’ resolution regarding the Bakersfield conversion projects is presented  
 21 in the Bakersfield District Plant section of this Agreement.

District	Year	PID	Description	Settlement
Bakersfield	2016	00099019	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
Bakersfield	2016	00099021	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
Bakersfield	2017	00099040	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
Bakersfield	2017	00099041	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
Bakersfield	2018	00099042	Conversion of 930 Flat Rate Services to Metered Services	\$977,080
Bakersfield	2018	00099044	Conversion of 930 Flat Rate Services to	\$977,080

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District	Year	PID	Description	Settlement
			Metered Services	
Bakersfield	2016	00102082	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
Bakersfield	2016	00102083	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
Bakersfield	2017	00102087	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
Bakersfield	2017	00102088	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
Bakersfield	2018	00102089	Conversion of 930 Flat Rate Services to Metered Services	\$977,080
Bakersfield	2018	00102090	Conversion of 930 Flat Rate Services to Metered Services	\$977,080
Marysville	2016	00098668	Flat to meter retrofits 262 in 2016	\$121,978
Marysville	2017	00098651	Retrofit 262 flat rate services to metered during 2017	\$125,027
Marysville	2018	00098643	Retrofit 262 flat rate services to metered services	\$128,153
Selma	2016	00099531	250 Conversions of Flat Rate Services to Metered Services- State Mandated	\$174,685

1 References: Exhibit ORA-6, pages 66-117; Exhibit CWS-110, pages 40-65.

2 **D. AMI/AMR PROJECTS**

3 ISSUE: Cal Water’s proposed capital budget includes replacing existing manual  
4 read water meters with Automated Meter Reading (AMR) water meters for certain  
5 areas in four different districts– Bear Gulch, Los Altos, Palos Verdes and Salinas. The  
6 total cost of each project includes purchase and installation of AMR meters, as well as  
7 leak sensors and AMR mobile radio equipment (to collect data from the meters).  
8 Additionally, Cal Water proposed continuing to install AMR meters in the Dominguez  
9 District when replacing small meters that are due for replacement and installing  
10 Advanced Metering Infrastructure (AMI) water meters in Bakersfield when converting  
11 flat rate services to metered services.

12 AMI and AMR water meters measure, collect, and analyze water usage, which  
13 can be collected electronically as compared to manual read water meters that only  
14 measure cumulative water usage and require meter readers to record usage data. AMI  
15 and AMR data can be collected on a scheduled or on a demand basis. AMI and AMR

1 systems include water meters, AMI/AMR endpoints, computer hardware and software,  
2 and, often, optional leak detection sensors. AMI and AMR systems typically utilize the  
3 same electronic endpoint to connect to the water meters and can be programmed to  
4 operate in either an AMI or AMR environment. The significant difference between an  
5 AMI and AMR environment is an AMR system requires mobile meter data collection  
6 whereas an AMI system utilizes a fixed network for meter data collection and backhaul  
7 to the utility. As addressed in Cal Water's direct and rebuttal testimony some of the benefits  
8 associated with AMI and AMR meters are: reduced meter reading costs, safety and security,  
9 reduced greenhouse gas emissions, improved customer service, identifying and  
10 pinpointing customer and system losses, and detecting theft of service.

11 ORA recommended that the Commission reject the AMR projects in all four  
12 districts – Bear Gulch, Los Altos, Palos Verdes and Salinas and disallowing the Bakersfield  
13 AMI project proposal specifically, and AMI deployment generally. Additionally, ORA  
14 recommended that Cal Water should not be authorized to expand its Dominguez AMR  
15 pilot because of the lack of a comprehensive assessment of ratepayer impacts and  
16 concerns that AMR will not be implemented successfully, in a transparent manner, and  
17 at the least possible cost. Furthermore, ORA argued that AMI and AMR projects should  
18 give appropriate consideration to customer rate impacts, safety, (cyber) security,  
19 customer notification, and service. However, ORA stated that it is open to working with  
20 Cal Water and interested parties in this proceeding to develop a cost-effective,  
21 measured approach to testing AMR technology in Dominguez in a way that would not  
22 expose ratepayers to unnecessary risks.

23 Below are two tables the first of which shows Cal Water's requested number of  
24 AMR and AMI meters by district, and the second table compares Cal Water's requested  
25 costs to ORA's recommendation, including Cal Water's request for additional expenses  
26 and ORA's imputed cost savings.

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AMR and AMI Meter Installations	Number of Meters	District
AMR	10,554	Dominguez
AMI	15,600	Bakersfield
AMR	764	Bear Gulch
	632	Los Altos
	3,000	Palos Verdes
	185	Salinas

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District	Cal Water's AMR and AMI request	2016-2018	ORA's Recommendation
Bakersfield	Install AMI meters in FTM conversions, 5,200/yr	\$3,200,000	Disallow
Dominguez	AMR pilot 2016 (authorized in last GRC)	\$2,129,533	\$1,610,000
	Install AMR meters 2017 & 2018	\$4,684,500	Disallow
Bear Gulch	Install AMR in select areas	\$331,800	Disallow
Los Altos	Install AMR in select areas	\$321,600	Disallow
Palos Verdes	Install AMR in select areas	\$1,087,100	Disallow
Salinas	Install AMR in select areas	\$141,800	Disallow
Total		\$11,896,333	\$1,610,000
		Plus \$62,400/yr in operating expenses	Less \$42,702/yr in imputed cost savings

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**RESOLUTION:** Cal Water and ORA agree to exclude from this rate case all AMI projects and associated costs (including expenses) for Bakersfield, Bear Gulch, Los Altos, Palos Verdes and Salinas. Cal Water and ORA agree to the continuation of the Dominguez 2012 GRC AMR pilot with the following annual budgets, not including capitalized interest.

District	Year	PID	Description	Settlement
Dominguez	2016	00099162	AMR Pilot	\$1,490,598
Dominguez	2017	00099173	AMR Pilot	\$1,527,863
Dominguez	2018	00099183	AMR Pilot	\$1,566,060

1           Additionally, Cal Water has agreed to the items shown below to address ORA's  
2 concerns regarding the Dominguez AMR pilot.

3           Customer Notification and Feedback

- 4           1. Cal Water will notify affected customers in advance that it plans to  
5           replace existing manual read meters with "Automated Meter Reading  
6           device or meter," and provide 30 days for customers to contact Cal Water  
7           with any questions and concerns.
- 8           2. Cal Water will notify customers with an "Automated Meter Reading  
9           device or meter" that it replaced a manual read meter with an  
10           "Automated Meter Reading meter."
- 11           3. Cal Water will track all customer complaints (letters, phone calls, emails,  
12           in person) related to AMR installation and operation and provide such  
13           information when requested by ORA or the Commission. Information  
14           should include description of the complaints (misreads, security  
15           concerns, etc.) and the disposition.

16           AMR Information

17           In its next GRC filing, Cal Water will provide information regarding the AMR  
18           usage and billing information that was provided to customers, including how  
19           and when it was provided.

20           Leak sensors and water loss reduction

21           In its next GRC filing, Cal Water will report the following information on leak  
22           sensor installations:

- 23           1. The installed leak sensor ratio that is appropriate and cost effective for  
24           Dominguez.
- 25           2. Number of leaks that were detected using AMR data, including the  
26           number on mains, company service lines, and the customer-side of the  
27           meter.
- 28           3. How leak sensor information is used in the Dominguez District's  
29           operations.
- 30           4. Estimated water savings from leaks repaired using AMR data and leak  
31           sensors.



1           Meter Reading Operations

2           In its next GRC filing, Cal Water will report the following information related  
3           to meter reading operations:

- 4           1. Increase/savings in meter reading costs in terms of number of employees  
5           (or labor hours), vehicles (or vehicle miles), and truck rolls.  
6           2. Increase/reduction in meter mis-reads.  
7           3. Increase/reduction in courtesy adjustments (for high bills).

8           Cyber Security

9           In its next GRC filing Cal Water will provide the following information  
10          regarding the security of AMR-generated data:

- 11          1. Incidents of security breach/inappropriate disclosures and disposition.  
12          2. Written procedures for the management, processing, storage and  
13          disclosure of AMR-generated customer usage data.  
14          3. Employee cyber security training related to AMR deployment.

15          References: Exhibit ORA-6, pages 66-117; Exhibit CWS- 110, pages 40-65.

16          **E. ELECTRICAL PANELBOARD REPLACEMENT**

17          ISSUE: Cal Water stated that it undertook a systematic condition assessment of  
18          nearly 700 sites throughout the company to prioritize panelboard replacements. Cal  
19          Water stated that most of these electrical control facilities were built or expanded in the  
20          1950s and 1960s, during growth periods in California. Cal Water identified  
21          approximately 35 sites that it recommended for replacement in this GRC.

22          ORA recommended disallowing all panelboard replacements because, ORA  
23          asserted, Cal Water has not presented any evidence that the panelboards were beyond  
24          repair, or Cal Water has not provided citations/requirements from government  
25          authority to support its safety concerns. In addition, ORA performed a case study on Cal  
26          Water's proposed project at Station 12 in the East Los Angeles District and  
27          recommended repair instead of replacement.

1 In rebuttal, Cal Water explained that the panelboard condition assessment was  
2 conducted by a group of many technically qualified professionals. Cal Water also  
3 explained that the safety concerns, especially electrical code violations, may not apply  
4 to the panelboards built in the 50s and 60s, but the nature of the code is to provide a  
5 safe working environment; thus, Cal Water contended, the current electrical code  
6 requirements should not be overlooked. Further, Cal Water pointed to its difficulties in  
7 procuring obsolete parts to service these panelboards, and the potential liability if Cal  
8 Water uses aftermarket parts.

9 RESOLUTION: Parties agree to include in this GRC about half of the panelboard  
10 replacement requests. The individual projects and associated costs are presented in the  
11 respective district plant chapters and in **Attachment 9** in this Agreement. Parties  
12 prioritized on need, condition, and criticality. The remainder of the panelboards will be  
13 deferred to future rate cases. Panelboard replacements that are part of a larger project  
14 are also found in the following project discussions:

- 15 • BK Plant settlement for metal building project numbers PID 98008, 98444,  
16 99274, & 97994.
- 17 • BAY Plant settlement for station rebuild project PID 98596.
- 18 • BG Plant settlement for station rebuild project PID 97519.
- 19 • LAS Plant settlement for station rebuild project PID 99098.

20 References: Exhibit ORA-6, pages 118-125; Exhibit CWS-110, pages 66-75.

## 21 **F. SUPERVISORY CONTROL AND DATA ACQUISITION (SCADA)**

22 ISSUE: Cal Water proposed to replace its aging Supervisory Control and Data  
23 Acquisition (SCADA) system based on the lack of support for the SCADA system server  
24 software and hardware. Cal Water's proposal was to implement a new SCADA platform  
25 server (hardware and software) at its Customer Support Services (CSS) location and to  
26 replace SCADA hardware and software at several districts (see list above) to match the  
27 new platform. Cal Water stated that its current SCADA server hardware and software  
28 are outdated and no longer supported by the vendor. Cal Water was previously

1 authorized to start the initial phase of the SCADA platform replacement project in the  
2 2012 GRC, including a pilot project to test the compatibility of the new SCADA platform  
3 with the existing facilities.

4 Cal Water also requested to replace SCADA components such as sensors, control  
5 valves, logic controllers and SCADA communication terminals in various districts. Cal  
6 Water described such component replacements as Remote Terminal Unit (RTU)  
7 replacements or SCADA control valve/sensor replacements. Cal Water proposed  
8 replacement of these SCADA components based on condition assessment and need for  
9 improvement.

10 ORA opposed all SCADA related projects in this case except for a few SCADA  
11 component replacements. ORA also argued that the cost of such system investments  
12 (SCADA platform replacement) exceeded the cost metrics of other Class A utilities. Also,  
13 ORA argued that Cal Water had not presented the results of the SCADA pilot (Dixon  
14 Pilot) to verify the system compatibility and financial viability of the new SCADA  
15 platform. Thus, full scale SCADA platform replacement prior to such presentation, ORA  
16 contended, is premature. For SCADA component replacement projects, ORA argued  
17 that until the compatibility of the new platform has been verified, SCADA component  
18 replacements should be deferred.

19 In rebuttal, Cal Water stated that SCADA software provides the control room  
20 interface for operators to command, control, monitor, and acquire operational data  
21 from geographically distributed water system processes. Cal Water explained that the  
22 current SCADA software is no longer sold, is subject to upcoming retirement, and is  
23 currently supported only by very limited industrial resources. Cal Water explained that  
24 SCADA systems are the network of sensors, logic controllers, communications, and  
25 software brains behind controlling pressure, flow, pumping, storage levels, treatment,  
26 blending mechanics and providing operational visibility to the operators of the water  
27 systems. Cal Water stressed that these hardware assets are also aging and must be  
28 replaced to ensure reliability and interoperability. Cal Water stated that it is not feasible  
29 to operate water systems without SCADA for any extended period of time. Cal Water

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1 stated that to ensure continued water delivery and quality, this software and hardware  
 2 needs to be upgraded. Cal Water also argued that its proposed SCADA system projects  
 3 are not excessive as compared to other Class A utilities.

4 **RESOLUTION:** Parties agree to include the below listed SCADA projects in this  
 5 rate case as Advice Letter projects. Parties also agree that Cal Water should complete  
 6 the Dixon system’s SCADA pilot (part of PID 64294, authorized in the last GRC as an  
 7 Advice Letter project for \$5,104,536), and present the final results of that pilot to ORA  
 8 as soon as it becomes available. At this presentation, Cal Water will make its  
 9 Engineering Director of Technical Services available to present results and answer  
 10 questions regarding the long-term plan for SCADA implementation at Cal Water. Cal  
 11 Water agrees it will not start the work on the new SCADA projects included as the  
 12 Advice Letter projects until after this meeting, but will proceed to complete all carryover  
 13 SCADA projects as expeditiously as possible.

District	Expected Filing Year*	PID	Description	Settlement – Advice Letter
Bakersfield	2018	00099166	Replace SCADA software and hardware	\$1,590,809
Bakersfield	2018	00099267	SCADA NW WTP	\$103,800
Bayshore	2018	00099103	Replace SCADA software and hardware	\$922,538
Bear Gulch	2018	00099104	Replace SCADA software and hardware	\$762,610
Chico	2016	00098729	SCADA for PRVs	\$159,891
Chico	2018	00098722	SCADA RTUs	\$316,929
Chico	2018	00099106	Replace SCADA software and hardware	\$812,950
CSS	2018	00099272	Replace SCADA software and hardware	\$4,871,962
Dixon	2018	00099168	Replace SCADA software and hardware	\$305,710
Dominguez	2018	00099167	Replace SCADA software and hardware	\$675,121
East Los Angeles	2016	00098232	SCADA monitors	\$18,035
Hermosa Redondo	2018	00099169	Replace SCADA software and hardware	\$558,157
King City	2018	00099170	Replace SCADA software and hardware	\$344,460
Livermore	2016	00098846	Replace SCADA Modicon RTUs	\$73,374
Livermore	2017	00098854	Replace SCADA Modicon RTUs	\$75,208
Livermore	2018	00098856	Replace SCADA Modicon RTUs	\$77,088
Livermore	2018	00099171	Replace SCADA software and hardware	\$542,232
Los Altos	2016	00098508	SCADA tablets	\$1,442
Los Altos	2018	00099172	Replace SCADA software and hardware	\$596,548

District	Expected Filing Year*	PID	Description	Settlement – Advice Letter
Marysville	2018	00099174	Replace SCADA software and hardware	\$343,217
Oroville	2018	00099175	Replace SCADA software and hardware	\$355,987
Palos Verdes	2018	00099181	Replace SCADA software and hardware	\$371,788
Salinas	2018	00099176	Replace SCADA software and hardware	\$816,176
Selma	2018	00099177	Replace SCADA software and hardware	\$386,645
Stockton	2018	00099178	Replace SCADA software and hardware	\$782,028
Visalia	2016	00099369	34 SCADA radios	\$78,035
Visalia	2018	00099179	Replace SCADA software and hardware	\$913,127
Westlake	2016	00099026	SCADA RTU	\$51,221
Westlake	2018	00099182	Replace SCADA software and hardware	\$436,406
Willows	2018	00099180	Replace SCADA software and hardware	\$290,618

1           \* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

2     References: Exhibit ORA-6, pages 126-132; Exhibit CWS-110, pages 76-86.

3           **G. METER REPLACEMENT PROGRAM**

4           ISSUE: Cal Water proposed specific capital projects in each district to replace  
5 aging customer water meters. The meter replacement program is necessary to comply  
6 with the Commission’s General Order 103-A, which specifies periodic tests of water  
7 meters.

8           ORA did not contest the need for meter replacements, but did not agree with  
9 the increased replacement quantities proposed by Cal Water. ORA recommended lower  
10 meter replacement budgets, primarily based on Cal Water’s recorded six-year average  
11 replacement rates.

12          RESOLUTION: Parties agree to meter replacement budgets that are equal to Cal  
13 Water’s requests, except in four districts. For King City, Salinas, and Bayshore-South San  
14 Francisco, Cal Water agrees to reduce its budgets to about 50%. For Stockton, Cal  
15 Water agrees to reduce its budget by 23%. Parties agree that the settled budgets will  
16 still allow Cal Water to meet the meter requirements of General Order 103-A.

17          The settled meter replacement budget amounts are presented in the respective  
18 district chapters in this Agreement, and also shown below.

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<b>District</b>	<b>Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement</b>
Antelope Valley	2016	AVD0900	Meter Replacement Program	\$10,302
Antelope Valley	2017	AVD0900	Meter Replacement Program	\$10,560
Antelope Valley	2018	AVD0900	Meter Replacement Program	\$10,824
Bakersfield	2016	BKD0900	Meter Replacement Program	\$413,783
Bakersfield	2017	BKD0900	Meter Replacement Program	\$424,128
Bakersfield	2018	BKD0900	Meter Replacement Program	\$434,731
Bayshore	2016	SMD0900	Meter Replacement Program	\$324,365
Bayshore	2016	SSF0900	Meter Replacement Program	\$139,727
Bayshore	2017	SMD0900	Meter Replacement Program	\$332,474
Bayshore	2017	SSF0900	Meter Replacement Program	\$143,220
Bayshore	2018	SMD0900	Meter Replacement Program	\$340,787
Bayshore	2018	SSF0900	Meter Replacement Program	\$146,801
Bear Gulch	2016	BGD0900	Meter Replacement Program	\$237,710
Bear Gulch	2017	BGD0900	Meter Replacement Program	\$243,652
Bear Gulch	2018	BGD0900	Meter Replacement Program	\$249,743
Chico	2016	CHD0900	Meter Replacement Program	\$189,913
Chico	2017	CHD0900	Meter Replacement Program	\$194,660
Chico	2018	CHD0900	Meter Replacement Program	\$199,527
Dixon	2016	DIX0900	Meter Replacement Program	\$10,915
Dixon	2017	DIX0900	Meter Replacement Program	\$11,189
Dixon	2018	DIX0900	Meter Replacement Program	\$11,468
Dominguez	2016	DOM0900	Meter Replacement Program	\$68,872
Dominguez	2017	DOM0900	Meter Replacement Program	\$70,594
Dominguez	2018	DOM0900	Meter Replacement Program	\$72,359
East Los Angeles	2016	ELA0900	Meter Replacement Program	\$178,929
East Los Angeles	2017	ELA0900	Meter Replacement Program	\$183,402
East Los Angeles	2018	ELA0900	Meter Replacement Program	\$187,988
Hermosa Redondo	2016	HRD0900	Meter Replacement Program	\$292,851
Hermosa Redondo	2017	HRD0900	Meter Replacement Program	\$300,172
Hermosa Redondo	2018	HRD0900	Meter Replacement Program	\$307,676
Kern River Valley	2016	KRV0900	Meter Replacement Program	\$11,187
Kern River Valley	2017	KRV0900	Meter Replacement Program	\$11,467
Kern River Valley	2018	KRV0900	Meter Replacement Program	\$11,753
King City	2016	KCD0900	Meter Replacement Program	\$21,826
King City	2017	KCD0900	Meter Replacement Program	\$22,372
King City	2018	KCD0900	Meter Replacement Program	\$22,931
Livermore	2016	LIV0900	Meter Replacement Program	\$148,925
Livermore	2017	LIV0900	Meter Replacement Program	\$152,647
Livermore	2018	LIV0900	Meter Replacement Program	\$156,464

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<b>District</b>	<b>Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement</b>
Los Altos	2016	LAS0900	Meter Replacement Program	\$207,951
Los Altos	2017	LAS0900	Meter Replacement Program	\$213,150
Los Altos	2018	LAS0900	Meter Replacement Program	\$218,479
Marysville	2016	MRL0900	Meter Replacement Program	\$26,660
Marysville	2017	MRL0900	Meter Replacement Program	\$27,326
Marysville	2018	MRL0900	Meter Replacement Program	\$28,009
Oroville	2016	ORO0900	Meter Replacement Program	\$30,878
Oroville	2017	ORO0900	Meter Replacement Program	\$31,649
Oroville	2018	ORO0900	Meter Replacement Program	\$32,441
Palos Verdes	2016	PVD0900	Meter Replacement Program	\$23,596
Palos Verdes	2017	PVD0900	Meter Replacement Program	\$24,186
Palos Verdes	2018	PVD0900	Meter Replacement Program	\$24,791
Redwood Valley	2016	RDV0900	Meter Replacement Program	\$5,063
Redwood Valley	2017	RDV0900	Meter Replacement Program	\$5,189
Redwood Valley	2018	00012346	Meter Replacement Program	\$5,319
Redwood Valley (Lucerne)	2016	LUC0900	Meter Replacement Program/Improve Operations	\$2,326
Redwood Valley (Lucerne)	2017	LUC0900	Meter Replacement Program/Improve Operations	\$2,384
Redwood Valley (Lucerne)	2018	LUC0900	Meter Replacement Program/Improve Operations	\$2,444
Salinas	2016	SLN0900	Meter Replacement Program	\$185,001
Salinas	2017	SLN0900	Meter Replacement Program	\$189,626
Salinas	2018	SLN0900	Meter Replacement Program	\$194,367
Stockton	2016	STK0900	Meter Replacement Program	\$229,983
Stockton	2017	STK0900	Meter Replacement Program	\$235,410
Stockton	2018	STK0900	Meter Replacement Program	\$240,778
Visalia	2016	VIS0900	Meter Replacement Program	\$313,975
Visalia	2017	VIS0900	Meter Replacement Program	\$321,824
Visalia	2018	VIS0900	Meter Replacement Program	\$329,869
Westlake	2016	WLK0900	Meter Replacement Program	\$84,640
Westlake	2017	WLK0900	Meter Replacement Program	\$86,756
Westlake	2018	WLK0900	Meter Replacement Program	\$88,925
Willows	2016	WIL0900	Meter Replacement Program	\$18,141
Willows	2017	WIL0900	Meter Replacement Program	\$18,596
Willows	2018	WIL0900	Meter Replacement Program	\$19,060

1 References: Exhibit ORA- 6, pages 133-136; Exhibit CWS-110, pages 87-88.

1           **H. FLOW METER REPLACEMENT**

2            ISSUE: Cal Water proposed a comprehensive flowmeter replacement program in  
3 this GRC because many existing flow meters have worn and failing components which  
4 affects the accuracy of the meters. Cal Water stated that replacement of such parts has  
5 become difficult or impossible as many meters are no longer in production, and new  
6 parts must be NSF/ANSI approved. With an increased emphasis on accurate  
7 measurement of water production and consumption and reduced water usage per  
8 California’s regulations, Cal Water has placed a higher priority in replacing unreliable  
9 meters, and maintaining meters to be in compliance with current standards.  
10 Cal Water stated that its preventive and corrective maintenance activities identified a  
11 number of flow meters as needing to be replaced. In addition, replacement of  
12 associated vaults has been recommended in order to provide safe access for Cal Water  
13 workers performing routine maintenance, calibration and repairs.

14            ORA recommended disallowing many of the proposed meter replacements,  
15 citing lack of repair history and absence of a regulatory mandate. In rebuttal, Cal Water  
16 addressed many of ORA’s concerns.

17            RESOLUTION: Parties agree to a lower total flowmeter replacement budget than  
18 proposed by Cal Water. In this settlement, Cal Water agrees to remove its flowmeter  
19 replacement requests in Selma and either maintain or reduce its requests for the  
20 remaining districts, in which Cal Water proposed flowmeter replacements. Company-  
21 wide, the flowmeter replacement budget is about 74% of the total requested. The  
22 individual projects and associated costs are presented in the respective district plant  
23 chapters and in **Attachment 9** of this Agreement.

24            References: Exhibit ORA-6, pages 186-205; Exhibit CWS-110, pages 121-123.

25           **I. VEHICLE REPLACEMENT PROGRAM**

26            ISSUE: Cal Water requested a budget for 40 new and 180 replacement vehicles  
27 in its 2015 GRC. New requests included vacuum, leak, dump, and pickup trucks, as well  
28 as utility and other vehicles. Cal Water recommended replacement of vehicles using a



1 methodology previously authorized in its General Rate Cases. The aforementioned  
2 methodology generally follows the same recommendations as the California  
3 Department of General Services (DGS), which Cal Water contended calls for  
4 replacement of vehicles at 120,000 miles.

5           ORA recommended that the Commission reaffirm its policy to follow the DGS'  
6 vehicle replacement policy. ORA presented the DGS's criteria which specify  
7 replacement after 120,000 miles for sedan and light duty trucks, and after 150,000 miles  
8 for 4-wheel drive vehicles and for heavy duty trucks or vehicles having a gross vehicle  
9 weight rating of 8,501 pounds or more. ORA's recommended vehicle replacements and  
10 associated budgets followed these replacement criteria.

11           In rebuttal, Cal Water noted that there are deviations from the DGS's 120,000-  
12 mile criteria for larger vehicles; specifically, the higher mileage threshold is not  
13 appropriate for the larger vehicles in Cal Water's fleet. Cal Water explained that large  
14 vehicles often have to idle for long periods in order to operate the onboard equipment  
15 running off the diesel engine. The result is engine wear not reflected in the actual  
16 mileage of the vehicle. Cal Water noted that timely replacement of vehicles helps avoid  
17 more frequent and costly repairs. Cal Water also pointed out that a majority of its truck  
18 fleet should be considered "emergency" response vehicles, and as such they need to be  
19 in good operational condition and available at all times in the event of a water related  
20 emergency.

21           RESOLUTION: After considering the needs of the districts and CSS, Parties agree  
22 to include 37 new and 165 replacement vehicles in this GRC. The settled vehicle  
23 replacement projects and associated costs are presented in the respective district plant  
24 chapters and in **Attachment 11** of this Agreement.

25           References: Exhibit ORA-6, pages 144-157; Exhibit CWS-110, pages 91-93.

## 26           **J. GENERATOR REPLACEMENT PROGRAM**

27           ISSUE: Cal Water proposed projects company-wide to install new generators,  
28 replace existing diesel engine generators, and replace direct drive auxiliary engines. Cal

1 Water indicated that its project selection criteria include age of existing generators,  
2 documented problems, and reliability needs. Cal Water stated that generators provide  
3 back-up power to critical operating equipment during interruptions of utility power.

4 ORA recommended disallowing a majority of these projects, citing high capital  
5 costs and historically low usage of existing generators. ORA also questioned the basis  
6 for selecting permanent standby generators over portable generators. In addition, ORA  
7 stated that Cal Water's maintenance records on the existing engines do not indicate  
8 need for replacement.

9 In rebuttal, Cal Water stated that portable generators are not suitable for every  
10 project site due to space constraints or availability of trained personnel for manual  
11 connection and start-up. Cal Water also expressed its concerns regarding timely  
12 deployment of portable generators.

13 RESOLUTION: Based on the priority identified by Cal Water in settlement, Parties  
14 agree to include in this GRC the higher priority generator projects. The individual  
15 projects and associated costs are presented in the respective district plant chapters and  
16 in **Attachment 9** of this Agreement.

17 References: Exhibit ORA-6, pages 158-161; Exhibit CWS- 110, pages 94-98.

#### 18 **K. PUMP REPLACEMENT PROGRAM**

19 ISSUE: Cal Water stated that it established a comprehensive selection process to  
20 replace pumps based on multiple condition assessment criteria consistent with PG&E's  
21 Overall Plant Efficiency (OPE) performance ranges. Cal Water explained that factors  
22 such as asset criticality, estimated remaining useful life, annual run hours, and pump  
23 efficiency were weighted to provide an overall score. According to Cal Water, this  
24 approach improves upon the previous methods that were based solely on pump  
25 efficiency; the goal of this new comprehensive methodology is to minimize the overall  
26 life cycle cost of the asset while maximizing reliability.

27 Based on its review of the pump efficiency ratings, ORA recommended  
28 disallowing approximately half of the pump replacement projects proposed by Cal

1 Water. Noting that some pumps showed an increase in efficiency without replacement,  
2 ORA encouraged Cal Water to continue to explore ways to increase pump efficiency  
3 before resorting to pump replacement.

4 RESOLUTION: Parties agree to a lower number of pump replacements than  
5 proposed by Cal Water. Cal Water included pump replacement requests in 16 of its 23  
6 districts. In this settlement, Cal Water agrees to reduce the number of requests to 11  
7 out of those 16 districts. The settled pump replacement projects and associated costs  
8 are presented in the respective district plant chapters and in **Attachment 9** of this  
9 Agreement.

10 References: Exhibit ORA-6, pages 162-169; Exhibit CWS-110, pages 99-104.

#### 11 **L. TANK PAINTING PROGRAM**

12 ISSUE: Cal Water tank maintenance program includes routine tank inspections  
13 to evaluate the condition of the tanks (internal and external structures), lining, coatings  
14 (internal and external) and cathodic protection systems at least every five years. Based  
15 on the recommendation from the tank inspection reports, Cal Water proposed several  
16 tank coating projects in this rate case. In its report (Exhibit ORA-6, page 177), ORA  
17 recommended that only those tank painting projects where Cal Water's tank inspection  
18 reports recommended repair and coating to be completed in 2016-2018 be included in  
19 revenue requirement.

20 RESOLUTION: **Attachment 9** of this Agreement presents tank coating projects  
21 that Parties agree should be treated as regulatory assets to be amortized over ten years  
22 with the unamortized portion included in working cash.

23 References: Exhibit ORA-6, pages 173-177; Exhibit CWS-110, pages 113-116.

#### 24 **M. HYDRO-PNEUMATIC TANK REPLACEMENT PROGRAM**

25 ISSUE: Cal Water proposed to replace high-risk hydro-pneumatic tanks (pressure  
26 vessels) to address safety concerns in various districts, shown in the table above. Cal  
27 Water stated that the existing pressure vessels that were installed prior to the 1980s are

1 vulnerable to failure due to a combination of undocumented design, fabrication,  
2 inspection, testing, or certification issues. Cal Water developed replacement and  
3 prioritization criteria based on a set of factors such as the condition of the existing  
4 pressure vessels, whether the operating pressure exceeds the vessel's nameplate  
5 pressure, and the consequence of failure (risk) to surrounding area in that order of  
6 priority.

7 Cal Water developed this program in 2011 after experiencing two catastrophic  
8 failures, and began prioritizing replacement projects in the company's 2012 General  
9 Rate Case request. Cal Water hired an independent company Mistras to inspect many  
10 of the pressure vessels Cal Water proposed to replace in this case. Mistras conducted x-  
11 ray inspections, provided reports, and made recommendations, which Cal Water  
12 provided in some project justifications and in response to ORA's data requests. Some of  
13 Cal Water's proposed pressure vessel projects involve upsizing the existing vessels to a  
14 higher capacity to meet current operational needs regarding pressure and surging.

15 ORA reviewed the need for the pressure vessels at a district specific level. ORA  
16 reviewed the criteria established by Cal Water to determine whether a pressure vessel  
17 should be replaced ,and ORA made recommendations based on whether individual  
18 vessels would be able to safely operate based on the current operations of the system  
19 (e.g., whether a tank had adequate wall thickness to operate properly). ORA also did  
20 not agree with one of the up-sizing projects (PID 98244 in the Westlake District); ORA  
21 argued that the safety factor provided in the American Society of Mechanical Engineers  
22 code applied to new pressure vessels and is not applicable to existing pressure vessels.

23 In rebuttal, Cal Water stated that the evaluation of the replacement projects  
24 should consider all factors, including structural integrity of uncertain areas that was  
25 missed in the remaining life calculation cited in the inspection reports.

26 RESOLUTION: To address safety concerns and system priorities, Parties agree to  
27 include in this GRC eleven pressure vessel replacement projects, based on Cal Water's  
28 priority ranking. Parties agree that two of the eleven projects (PIDs 98124 and 97899 in  
29 the Bakersfield District) should be reduced in budget, because Cal Water has identified

1 an alternative replacement solution, rather than in-kind. The individual projects and  
2 associated costs are presented in the respective district plant chapters and in  
3 **Attachment 9** of this Agreement.

4 References: Exhibit ORA- 6, pages 178-185; Exhibit CWS-110, pages 117-120.

5 **N. CONTROL VALVE REPLACEMENT**

6 ISSUE: Cal Water proposed the replacement and restoration/overhaul for a  
7 number of automatic control valves in this GRC in multiple districts. Cal Water identified  
8 these special control valves that regulate the water flow and water pressure in the  
9 distribution system as critical infrastructure and the failure of these components might  
10 result in main breaks, property damage from tank overflows, or low pressure concerns.

11 Cal Water stated that its control valve maintenance program regularly evaluates  
12 distribution control valves and recommends replacement based on condition and age  
13 (typically over 30 years old). The replacement scope may also include the replacement  
14 of damaged or undersized vaults and vault covers, and piping, isolation valves, and  
15 other appurtenances, as needed, in addition to the valve itself. If a body and cover of a  
16 valve are in good condition, the tubing and internal parts can be replaced to refurbish  
17 the control valve.

18 ORA agreed with the need for these projects but disagreed with the costs. For  
19 the control valve overhaul projects, ORA recommended that the budget should be  
20 based on recorded overhaul costs and quantity of valves overhauled on an annual basis.  
21 Cal Water provided to ORA in response to an ORA data request a list of the control  
22 valves Cal Water intends on replacing through the proposed control valve replacement  
23 projects. ORA did not agree with the need to replace individual control valves in some  
24 of the districts.

25 RESOLUTION: Parties agree to include lower control valve replacement/overhaul  
26 budgets than requested by Cal Water (approximately 79% of total requested). The  
27 settled budgets are presented in the respective district plant chapters and in

1 **Attachment 9** of this Agreement, and will allow Cal Water to replace and overhaul  
2 control valves that it identifies as having high priority.

3 Reference: Exhibit ORA-6, pages 186-205; Exhibit CWS-110, pages 121-123.

4 **O. CONSTRUCTION WORK IN PROGRESS (CWIP)**

5 ISSUE: In its application, Cal Water requested to include construction work in  
6 progress (CWIP) in rate base (Special Request #7), which Cal Water contended is  
7 consistent with the Commission’s general policy for water companies. Since the early  
8 1990s, in lieu of including CWIP in rate base Cal Water has capitalized interest  
9 associated with capital projects for ratemaking. Cal Water made the change from  
10 including CWIP in rate base to capitalized interest to be consistent with the Internal  
11 Revenue Service requirement that interest associated with capital projects be  
12 capitalized and not expensed.

13 ORA recommended that Cal Water continue to capitalize interest rather than  
14 including CWIP in rate base. In its report, ORA stated that “ratepayers will be better off  
15 if CWS continues to include capitalized interest in its capital budget.”

16 In its rebuttal testimony, Cal Water pointed out that when ORA’s calculations are  
17 adjusted to reflect the Commission’s capitalized interest policy for Pacific Gas & Electric  
18 Company as set forth in Decision 14-08-032 that over a 40- year period, CWIP in rate  
19 base produces lower rates than capitalized interest.

20 RESOLUTION: Cal Water agrees to withdraw its proposal to include CWIP in rate  
21 base in this rate case. ORA and Cal Water agree that Cal Water will include capitalized  
22 financing costs of its projects in project totals consistent with California utility industry  
23 practices approved by the California Public Utilities Commission and the Commission’s  
24 Uniform System of Accounts.

25 References: Exhibit ORA-11, pages 160-165; Exhibit CWS-109, pages 103-104, 117 &  
26 138-147.

1           **P. CAPITAL BUDGET CARRYFORWARD ADJUSTMENT**

2           ISSUE: In its application, Cal Water included a company-wide estimate of \$223.5  
3 million in capital projects (plant additions) in 2015. This amount included projects that  
4 were authorized by the Commission for completion in 2015, projects authorized for  
5 completion in 2014 and earlier but not completed and booked to plant by the end of  
6 2014, and projects which had not been authorized by the Commission but Cal Water  
7 considered necessary in normal operations. This last category of projects was identified  
8 as non-specific projects and funded by non-specific budgets. All of these projects, in  
9 total, are referred to as carry-over projects proposed in this proceeding.

10           ORA's report, relying on information from Cal Water's response to ORA's data  
11 request JA-009, recommended that the Commission allow for carry-over projects  
12 company-wide as 2015 plant additions for a total of \$65.7 million.

13           In settlement, Cal Water had several discussions with ORA to explain why  
14 projects were not completed as scheduled, citing among other things permitting issues  
15 and property acquisition issues. Cal Water also explained that the \$65.7 million amount  
16 reported in its response to ORA's data request JA-009 was not from a comprehensive list  
17 of completed projects as of the end of 2015.

18           RESOLUTION: After extensive discussions regarding Cal Water's proposed carry-  
19 over projects, ORA and Cal Water agree to include a company-wide total of \$115.6  
20 million in 2015 plant additions. To account for the remaining carry-over projects  
21 proposed by Cal Water, ORA and Cal Water also agree to include a company-wide total  
22 of \$76.3 million and \$12.1 million of carry-over projects as plant additions for 2016 and  
23 2017, respectively. Cal Water and ORA also agree to project-specific details including  
24 cost estimates that make up the above agreed-to total-company amounts; these carry-  
25 over project details are presented in the CSS- and district-specific sections in this  
26 Agreement.

27           In recognition of the large carry-over totals proposed in this case, Cal Water  
28 agrees to a rate base carry-forward adjustment of \$89.6 million in 2016 for ratemaking  
29 purposes. This adjustment amount is a line item adjustment to be made in Cal Water's

CHAPTER 12. GLOBAL PLANT ISSUES

1 plant addition workpapers (WP 8A4) that will serve to reduce Cal Water’s revenue  
 2 requirement for the years 2017 through 2019. The total company \$89.6 million  
 3 adjustment is allocated among the districts and CSS based on the amount of plant  
 4 addition in each district and CSS as a percent of the total company plant addition – both  
 5 from Cal Water’s 2015 GRC application request. The details for that adjustment are  
 6 presented in the table below.

District	% Based on Plant Additions Included in GRC Application	
TOTAL	100%	\$89,600,000
Antelope Valley	0.4%	\$350,596
Bayshore	8.6%	\$7,741,118
Bakersfield	13.0%	\$11,677,597
Bear Gulch	6.8%	\$6,068,454
Chico	4.1%	\$3,666,779
Dixon	0.3%	\$295,723
Dominguez	4.9%	\$4,412,543
East Los Angeles	8.2%	\$7,390,587
Hermosa Redondo	3.1%	\$2,803,734
King City	0.9%	\$840,854
Kern River	0.9%	\$794,000
Livermore	2.6%	\$2,313,331
Los Altos	3.6%	\$3,210,097
Marysville	0.5%	\$479,720
Oroville	0.8%	\$740,669
Palos Verdes	4.0%	\$3,571,440
Rancho Dominguez	0.3%	\$243,468
Redwood Valley	0.1%	\$112,197
RWV-Coast Springs	0.1%	\$46,250
RWV-Lucerne	0.1%	\$124,937
RWV-Unified	0.1%	\$77,344
Salinas	7.9%	\$7,040,060
Selma	0.4%	\$381,183
Stockton	10.2%	\$9,151,824
Visalia	3.2%	\$2,879,799
Willows	0.5%	\$418,881
Westlake	0.8%	\$678,022
CSS-Other	7.7%	\$6,873,084
CSS-Equipment	3.1%	\$2,797,630
CSS-Software	2.7%	\$2,418,079

7



1 In addition, Cal Water agrees to convert the following carry-over projects to  
 2 advice letter due to their lack of progress in construction as of mid-2016.

District	PID	Description	Settlement – Advice letter
Bayshore	60861	Design and Construct Storage Tank - San Carlos	\$ 1,000,000
Bayshore	61318	Drill, Develop, and Equip Well - Sta. 1-24	\$ 1,189,243
Bakersfield	64433	Install GAC treatment system for Sta. 146, Well 4 for TCE removal to be in compliance with the MCL requirement in the Title 22 Code of Regulations.	\$ 2,067,148
Dominguez	76316	Dominguez Station 232 Upgrade	\$ 2,221,934

3 References: Exhibit ORA-6, pages 10-13; Exhibit CWS-110, pages 9-11.

4 **Q. ACQUIRED SYSTEMS**

5 ISSUE: Since 2006, Cal Water has acquired five small water systems and merged  
 6 them into existing districts. Cal Water stated that these small systems often require  
 7 infrastructure improvements to make them more reliable and to allow them to meet all  
 8 regulatory and Cal Water standards. Cal Water stated that additional investments are  
 9 needed to construct new sources of supply and storage tanks, replace pipeline, and  
 10 upgrade existing structures to serve customers in the acquired systems. Cal Water also  
 11 indicated that these acquisitions were in compliance with the Commission’s Water  
 12 Action Plan, where the Commission encourages large utilities to acquire small non-  
 13 viable water systems. The infrastructure improvements proposed by Cal Water for the  
 14 acquired systems totaled almost \$25 million. ORA objected to the increase in rates for  
 15 existing customers, who did not directly benefit from these infrastructure  
 16 improvements. ORA also stated that Cal Water did not seek any grants or low interest  
 17 loans from the State that may have been available to pay for needed infrastructure in  
 18 the small systems prior to their acquisitions.

19 RESOLUTION: For systems that Cal Water plans to acquire, Cal Water will  
 20 perform a due diligence review of each system acquisition and prepare a written report  
 21 with input from engineering, water quality, human resources, information technology,  
 22 and operations. Cal Water will also perform a 10-year infrastructure needs evaluation  
 23 and a plan for funding infrastructure needs, both immediate and future. As part of that

1 evaluation, Cal Water will identify and seek available state grants, State revolving loan  
2 funds, low-interest loans, and partnerships with cities to fund the infrastructure needs  
3 of the acquired systems. In the first GRC after each acquisition, Cal Water will provide  
4 copies of the due diligence report, the 10-year infrastructure needs evaluation report,  
5 including the funding identification, and the purchase agreement. ORA will have the  
6 opportunity to intervene in Certificate of Public Convenience and Necessity (CPCN)  
7 transfer and acquisition applications, and Cal Water and ORA will meet and discuss  
8 pending applications for new systems.

9 References: Exhibit ORA-6, pages 206-209; Exhibit CWS-110, pages 124-127.

#### 10 **R. CONFIDENTIALITY**

11 ISSUE: In its GRC application, Cal Water identified information in its capital  
12 project justification reports that Cal Water believed should be treated as confidential in  
13 order to maintain the safety and security of its infrastructure. During the discovery  
14 process, ORA challenged Cal Water’s approach because a majority of the confidential  
15 information is available elsewhere and does not pose a safety or security concern.  
16 Moreover, additional ORA resources were needed to handle the ubiquitous confidential  
17 documents. In further discussions, Cal Water agreed that certain information initially  
18 marked as “confidential” could be made public without posing a safety or security  
19 concern.

20 RESOLUTION: In the next GRC, Cal Water and ORA agree that, rather than  
21 marking entire pages or an entire document confidential, Cal Water will instead identify  
22 the specific confidential information and submit these confidential documents with its  
23 GRC application.

24 Examples of confidential information may include:

- 25 • Specific vulnerabilities such as site-specific security measures, site
- 26 weaknesses, treatment process details, and chemical storage details
- 27 • System maps with addresses and/or street names
- 28 • Personnel data of a confidential nature

- 1           • Data of a similar nature not available on Cal Water’s public websites or  
2           other public websites

3           Examples of non-confidential information may include:

- 4           • Data found on Cal Water’s public websites  
5           • Station numbers that do not include the corresponding addresses  
6           • Photos showing facilities otherwise visible to the public, or information  
7           that could be obtained by the public from outside a facility’s fence  
8           • Pressure zone hydraulic data, zone demand, zone maps, and limited  
9           piping drawings without addresses or street names included  
10          • Main replacement/new main cost estimates and main characteristics, not  
11          including identifiable locations  
12          • Distribution maps attached to specific projects without addresses or  
13          street names included  
14          • Site layouts, project descriptions, and justifications without addresses or  
15          street names included  
16          • Salary information not identified by a name, unique title, or another  
17          specific identifier

18          References: Exhibit ORA-1, pages 11-14.

19

20

[END OF CHAPTER]

1           **CHAPTER 13.           CUSTOMER SUPPORT SERVICES PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for Customer  
7 Support Services (CSS). In the narrative below, certain specific projects are discussed. In  
8 addition, there may be projects related to company-wide or “global” issues – issues that  
9 impact multiple districts – that are included in here, but discussed separately in the  
10 “Global Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (“GRC”) but which have not yet been completed. These  
15 are known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.  
16 Attachment 4 of this Agreement presents a list of carryover projects for all districts and  
17 for CSS. The Parties agree that Cal Water will complete the listed carryover projects at  
18 the identified settlement amounts and in the years indicated. The Parties agree that  
19 these projects’ forecasted costs should be included in the adopted revenue  
20 requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1        **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$10,296,407
2017	\$6,558,606
2018	\$16,748,373
Total	\$33,603,385

2  
3            The Parties agree to include specific projects in the Advance Capital Budget for  
4 the years 2016 through 2018, presented in the project list below. These projects'  
5 estimated costs ("Settlement" column) should be included in the adopted revenue  
6 requirement. For some of these projects, however, their estimated costs do not include  
7 the capitalized financing cost adjustment; this adjustment is discussed in the "Global  
8 Plant" section in this Agreement.

9            The project list also presents the non-specific projects budget and ACB projects  
10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
11 separate table.

12            Where Parties thought more detail would provide a better understanding of the  
13 settlement, those projects are discussed in more detail. Certain projects are  
14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
15 Global Plant Issues.

16        **C. CUSTOMER SUPPORT SERVICES: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**17        CSS Information Technology Projects - Reporting

18            As part of a comprehensive settlement that includes significant Information  
19 Technology (IT) projects to improve efficiency and enhance customer service, Cal Water  
20 agrees to submit a separate report in the 2018 GRC filing summarizing achievements  
21 resulting from major IT projects authorized in this case. This report will include a  
22 summary of major IT projects implemented, alternatives addressed, and project  
23 achievements. It will also report on measureable results and/or enhanced service such  
24 as, but not limited to, reduced customer complaints, improved response time, expense  
25 savings, reliability improvements, and reduced labor costs. Cal Water will make

1 available its Vice President of IT, or qualified designate, to answer questions, provide a  
 2 hands-on demonstration, and discuss the long-term and short-term plans and  
 3 objectives, including any updates to Cal Water’s IT Strategic plan.

4 In future GRCs, Cal Water will provide a cost-benefit analysis to support each  
 5 major IT project request. The analysis should explain measurable potential benefits,  
 6 such as reduced customer complaints, improved response time, expense savings,  
 7 reliability improvements, and reduced labor costs.

8 **1) TOOLS FOR ELECTRICAL/MECHANICAL TECHNICIANS**

- 9 98146 – EMT TOOLS
- 10 98170 – VIBRATION ANALYZERS
- 11 98210 -- ULTRASONIC FLOWMETERS
- 12 98216 – POWER QUALITY ANALYZERS
- 13 98231 – THERMAL IMAGING CAMERAS
- 14 98250 – HART CALIBRATOR
- 15 98766 – EMT TOOLS
- 16 98211 -- ULTRASONIC FLOWMETERS
- 17 98221 – POWER QUALITY ANALYZERS
- 18 98419 – HART CALIBRATOR
- 19 98179 – VIBRATION ANALYZERS
- 20 98213 -- ULTRASONIC FLOWMETERS
- 21 98223 – POWER QUALITY ANALYZERS
- 22

PID(s)	Year	Application	ORA Report	Settlement
98146	2016	\$40,199	\$0	\$40,199
98170	2016	\$17,482	\$0	\$17,482
98210	2016	\$33,872	\$0	\$33,872
98216	2016	\$13,112	\$0	\$13,112
98231	2016	\$13,112	\$0	\$13,112
98250	2016	\$ 8,741	\$0	\$ 8,741
98766	2016	\$32,779	\$0	\$32,779
98211	2017	\$34,719	\$0	\$34,719
98221	2017	\$13,440	\$0	\$13,440
98419	2017	\$ 8,960	\$0	\$ 8,960
98179	2018	\$18,368	\$0	\$18,368
98213	2018	\$35,587	\$0	\$35,587
98223	2018	\$13,776	\$0	\$13,776

23

1            ISSUE: Cal Water proposed a series of diagnostic tools for its  
 2 electrical/mechanical technicians. Since these projects’ estimated costs were less than  
 3 \$100,000, Cal Water did not provide detailed justifications, but included a project  
 4 description in the workpapers. ORA recommended disallowing these projects, because  
 5 Cal Water did not provide detailed support in the filing and did not adequately provide  
 6 the information through the discovery process.

7            RESOLUTION: Parties agree to include the requested projects for diagnostic  
 8 tools in this case. These tools will allow Cal Water’s maintenance teams to be more  
 9 data focused and will help Cal Water achieve better efficiency, and help optimize  
 10 electrical equipment. Parties agree that there should be continued discussions on how  
 11 to properly handle projects under \$100,000 in the next rate case, in terms of a  
 12 reasonable level of justification and review.

13 References: Exhibit ORA-7, pages 74-75; Exhibit CWS-110, pages 183-184 and  
 14 attachments.

15            **2) WATER QUALITY LAB EQUIPMENT**

- 16            98644 – REPLACE WATER QUALITY GC/MS MACHINE
- 17            98685 – REPLACE WATER QUALITY GC/MS FOR VOC
- 18            98730 – REPLACE WQ LAB EQUIPMENT
- 19            98733 – REPLACE INDUCTIVELY COUPLED PLASMA EQUIPMENT
- 20            98944 – REPLACE ION CHROMATOGRAPH

PID(s)	Year	CWS Application	ORA Report	Settlement
98644	2016	\$180,565	\$0	\$180,565
98685	2016	\$180,565	\$0	\$180,565
98730	2018	\$406,611	\$0	\$ 0
98733	2018	\$102,588	\$0	\$102,588
98944	2018	\$110,901	\$110,901	\$110,901

22

23            ISSUE: Cal Water identified five water quality laboratory testing instruments that  
 24 are old, unsupported by manufacturers, experiencing failure, and becoming unreliable.  
 25 Cal Water stated that the replacement schedule for these machines varies between 7  
 26 and 10 years and all machines are within this time range.



1           ORA recommended disallowing four of the five projects, noting that the  
 2 machines were each under a service contract. ORA supported the replacement of the  
 3 Ion Chromatograph machine (PID 98944).

4           In rebuttal, Cal Water noted the unstable nature of these older machines. Cal  
 5 Water also reemphasized the importance of these machines in ensuring customer  
 6 health and safety. Cal Water stated that when these machines are down, Cal Water is  
 7 forced to rely on contract labs to perform this work. Cal Water contended that a service  
 8 contract is for preventative care and maintenance, which helps to prolong the life of the  
 9 machine and is not a guarantee that the machine will run in perpetuity until the end of  
 10 the contract.

11           RESOLUTION: Parties agree to replace four of the five machines proposed in this  
 12 rate case, as shown in the above list. These replacements will allow Cal Water to  
 13 continue to perform accurate water quality testing.

14           References: Exhibit CWS-38, pages 16-28, and 274-282; Exhibit ORA-7, pages 25, and  
 15 52-53; Exhibit CWS-110, pages 164-168, 212-215 and attachments.

16           **3) 99030 – REPLACE 14 PORTABLE BOOSTER PUMPS**

PID(s)	Year	Application	ORA Report	Settlement
00099030	2016	\$1,745,166	\$0	\$1,745,166

17  
 18           ISSUE: Cal Water utilizes trailer mounted booster pumps connected to diesel  
 19 driven engines as an operational tool to bypass out of service booster pumps and to  
 20 enhance emergency operations. Cal Water proposed replacing 14 of its portable  
 21 booster pumps in this rate case, because, Cal Water contended, the California Air  
 22 Resources Board (CARB) requires fleet owners to retire all 50-HP or greater, non-  
 23 certified diesel engines (i.e., all engines not Tier 1 or better) by 2010, or designate them  
 24 as “emergency use” engines and commit to replacing them by 2017 with diesel engines  
 25 certified to the most stringent tier available at that time.

26           ORA recommended disallowing this project because ORA stated that retrofitting  
 27 existing diesel engines was likely a more cost effective way to comply with CARB’s

1 requirements. ORA also indicated that Cal Water had not provided adequate  
 2 information to rule out retrofitting as a viable option.

3 In rebuttal, Cal Water discussed the problems associated with retrofitting these  
 4 older engines. Cal Water contended that there are technology, cost, and reliability  
 5 issues associated with retrofitting older diesel engines.

6 RESOLUTION: Parties agree that these important components of Cal Water’s  
 7 emergency response plan should be replaced as proposed.

8 References: Exhibit CWS-38, pages 29-51; Exhibit ORA-7, pages 25-27; Exhibit CWS-110,  
 9 pages 168-171.

10 **4) POWERPLAN UPGRADES**

- 11 99378 – POWERPLAN UPGRADE TO LATEST VERSION
- 12 99379 – POWERPLAN UPGRADE – PROPERTY TAX MODULE
- 13 99383 – POWERPLAN UPGRADE TO TAX MODULE

PID(s)	Year	Application	ORA Report	Settlement
00099378	2016	\$1,519,243	\$650,682	\$1,519,243
00099379	2016	\$ 114,202	\$ 0	\$ 114,202
00099383	2016	\$ 539,005	\$ 0	\$ 539,005

15  
 16 ISSUE: Cal Water proposed three projects relating to its PowerPlan software  
 17 system. PowerPlan is the company’s system of records for its assets. The first project is  
 18 an update of the system to the latest version. Cal Water stated that the update is  
 19 needed so that Cal Water can perform complex calculations necessary for compliance  
 20 with the new IRS regulations and CPUC rulings.

21 The second project relating to PowerPlan is the addition of the Property Tax  
 22 Module, which Cal Water stated would replace Microsoft Excel for property tax  
 23 calculations and tracking, and would be used to perform review of assets by comparing  
 24 last year versus this year, by district and by county. Cal Water stated that this module  
 25 will help the company to determine the property tax cost per station, will reduce the  
 26 labor expense associated with responding to inquiries regarding property tax payments,  
 27 and will provide an audit trail to help prevent duplicate or inaccurate tax billings.

1           The third PowerPlan project is the addition of the Tax Module. Cal Water  
2 proposed an enhancement that would provide M-items tax calculations to allow Cal  
3 Water to more accurately and efficiently calculate deferred taxes and adjustments to  
4 rate base.

5           ORA opposed the proposed upgrading of existing PowerPlan modules. ORA  
6 opposed the Tax Repairs Module (a portion of the base upgrade), because Cal Water has  
7 been able to use this module by paying a license fee since 2014. ORA recommended  
8 removing the cost of the Tax Repairs installation, extension refund/AP interface, and  
9 certain escalation because ORA contended that Cal Water did not provide adequate  
10 information to explain the nature of these costs and the reasons they were needed.

11           ORA opposed the Property Tax Module because, ORA contended, Cal Water's  
12 property tax assessment process currently in place is sufficient. ORA also stated that Cal  
13 Water has already installed a first phase property tax module in 2013, which has  
14 provided the core functionality of the tax module that is needed to process property tax  
15 payments. Finally, ORA stated that there are no issues associated with the way Cal  
16 Water has been paying its property tax to the assessor's offices.

17           ORA opposed the Tax Module because the cost is high, at \$539,005. ORA stated  
18 that this expenditure would pose a financial burden to the ratepayers, and it is difficult  
19 to quantify its benefit in the absence of a cost-benefit analysis. ORA contended that  
20 other Class A water utilities in California also use Excel to perform these calculations.

21           In rebuttal, Cal Water explained that the base upgrade is needed because the  
22 existing modules are no longer supported, and that the upgraded modules will help  
23 provide a calculation for a deduction to rate base and provide ongoing benefit to  
24 ratepayers. Cal Water also stated that the Property Tax module and Tax module are  
25 needed because they will facilitate automatic uploading of data and result in expense  
26 savings, improve controls and efficiencies, and reduce errors.

27           RESOLUTION: As part of a comprehensive settlement agreement, Parties agree  
28 to include all three projects in this settlement. Cal Water further agrees that these

1 three IT projects will be included in the reporting discussed at the beginning of this  
 2 chapter.

3 References: Exhibit CWS-38, pages 68-83; Exhibit ORA-7, pages 29-31; Exhibit CWS-110,  
 4 pages 173-178.

5 **5) 99428 – ADDITIONAL WORKING SPACE AT CSS (GO)**

PID(s)	Year	Application	ORA Report	Settlement
99428	2016	\$393,985	\$0	\$0

6

7 ISSUE: Cal Water stated that its CSS campus in San Jose has reached its full  
 8 capacity of available workspace and parking space. There are approximately 265 full-  
 9 time and temporary Cal Water employees, as well as 30-40 auditors, consultants and  
 10 interns, on campus at any given time. As such, Cal Water contended that it will need to  
 11 add space by installing 3 modular trailers. Cal Water stated that the addition of these  
 12 trailers is the most cost effective and expedient means to help alleviate the lack of work  
 13 space. The additional trailers will yield approximately 2160 sq. ft. and no additional  
 14 monthly data, telecom, or electrical charges.

15 ORA recommended disallowing this project, stating that Cal Water’s consultant  
 16 completed a space needs analysis, but Cal Water is still evaluating the options presented  
 17 in that report.

18 In rebuttal, Cal Water discussed how several options require the leasing of off-  
 19 site space and how those are not cost effective compared to modular trailers. Cal Water  
 20 also explained that the option of converting the Media Center to a work area would take  
 21 away a conference room needed for training, video conference meetings and other  
 22 company functions. Cal Water presented reasons as to why other options are not ideal.

23 RESOLUTION: As part of comprehensive settlement for capital projects, Parties  
 24 agree to remove this project from this rate case.

25 Reference: Exhibit CWS-38, pages 99-101; Exhibit ORA-7, pages 32-33; Exhibit CWS-110,  
 26 pages 179-181.

27

1           **6) 101760 – SECURITY CAMERAS AT CSS (GO)**

PID(s)	Year	Application	ORA Report	Settlement
101760	2016	\$495,379	\$0	\$370,379

2

3           ISSUE: Cal Water proposed security cameras at its CSS facility to improve safety  
4 and security. The proposed project includes cameras and associated hardware and  
5 wiring. ORA recommended disallowing this project because, ORA stated, Cal Water’s  
6 support for the project is deficient and there is no evidence that any of the past security  
7 issues cited by Cal Water would be prevented with the proposed project.

8           RESOLUTION: In settlement, Parties agree that safety issues must be addressed.  
9 Since ORA was concerned with the very large numbers of proposed cameras, Parties  
10 agree to reduce the scope and budget of the project and include it in this case by  
11 installing fewer numbers of cameras at the facility, and/or by reviewing the unit cost of  
12 the cameras Cal Water is proposing.

13 References: Exhibit CWS-38, pages 110-112; Exhibit ORA-7, pages 33-35; Exhibit CWS-  
14 110, pages 105-113.

15           **7) 97782 – ENTERPRISE CONTENT MANAGEMENT**

PID(s)	Year	Application	ORA Report	Settlement
97782	2017	\$818,437	\$0	\$400,000

16

17           ISSUE: Cal Water proposed an Enterprise Content Management project as a  
18 component of its Knowledge and Information Management (KIM) Program, which it  
19 stated would allow the company to operate more efficiently. Cal Water stated that this  
20 project is consistent with and based on Cal Water’s Integrated Technology Master Plan  
21 and KIM Program. Cal Water further stated that there are multiple goals of the project  
22 including gathering business requirements and selecting an Enterprise Content  
23 Management system to improve regulatory compliance, collaboration between  
24 employees and/or consultants, and document version control to avoid unnecessary and  
25 costly errors. Cal Water indicated that there are many other goals and benefits of this  
26 project.

1           ORA recommended disallowing this project. ORA contended that Cal Water had  
 2 not provided a cost-benefit analysis to justify the project. ORA also contended that the  
 3 KIM program bears a high level of risk and that it may not meet its intended goals since  
 4 no other water utilities in the U.S. have deployed this information management  
 5 program.

6           In rebuttal, Cal Water discussed the importance of its Integrated Technology  
 7 Master Plan including the business drivers and targeted business value of its strategic  
 8 programs. Cal Water stated that the completion of this project will support the existing  
 9 KIM program at Cal Water.

10           RESOLUTION: In balancing need versus uncertainty and reaching a compromise,  
 11 Parties agree to include this project in the rate case at half of its proposed cost by  
 12 phasing-in the project across multiple rate case cycles, with the first part of the project  
 13 included in this rate case. Alternatively, Cal Water may upon further discussions with  
 14 the system vendor, determine that a reduced scope of implementation is appropriate  
 15 given the budget constraints. Cal Water further agrees that this IT project will be  
 16 included in the reporting discussed at the beginning of this chapter.

17           References: Exhibit CWS-38, pages 139-147; Exhibit ORA-7, pages 36-37; Exhibit CWS-  
 18 110, pages 188-191 and attachments.

19           **8) 99382 – PROCURE SUPPLY CHAIN MANAGEMENT SOFTWARE**

PID(s)	Year	Application	ORA Report	Settlement
99382	2017	\$646,134	\$0	\$426,000

20  
 21           ISSUE: Cal Water proposed a new supply-chain management solution to replace  
 22 its old, convoluted, and time consuming system used to create requisitions and  
 23 purchase orders.

24           ORA recommended disallowance of this project because, ORA contended, Cal  
 25 Water’s responses suggested that the company can manage the current procurement  
 26 system with more user support and education, and perhaps more resources. ORA noted  
 27 that it is unclear what additional costs, if any, would be needed for such efforts since Cal  
 28 Water did not perform a cost-benefit analysis on this project.

1 In rebuttal, Cal Water discussed the areas where additional functionality in the  
 2 procurement area will help the company improve efficiency. Cal Water also included a  
 3 cost-benefit analysis as a part of the rebuttal.

4 RESOLUTION: Parties agree that portions of this project could be scaled back  
 5 and still provide functionality to allow Cal Water to become more efficient in the supply  
 6 chain management area. Cal Water will meet with the application vendor to determine  
 7 an appropriate scope of implementation given the budget constraints in this rate case.  
 8 Cal Water may also propose further enhancements to this application in future rate  
 9 cases. Parties agree to include \$426,000 for this project in this rate case. Cal Water  
 10 further agrees that this IT project will be included in the reporting discussed at the  
 11 beginning of this chapter.

12 References: Exhibit CWS-38, pages 170-174; Exhibit ORA-7, pages 38-39; Exhibit CWS-  
 13 110, pages 191-194.

14 **9) 99426, 99427 – REPLACE HVAC UNITS**

PID(s)	Year	Application	ORA Report	Settlement
99426	2017	\$ 100,022	\$ 0	\$ 100,022
99427	2018	\$ 102,522	\$ 12,815	\$ 102,522

15  
 16 ISSUE: Cal Water proposed the replacement of the Heating, Ventilation, and Air  
 17 Conditioning (HVAC) equipment on the CSS San Jose campus as part of a routine  
 18 replacement program for these older units.

19 ORA did not support the project based on the age of the units. ORA  
 20 recommended replacement of HVAC units every 20 years instead of 15 years.

21 In rebuttal, Cal Water discussed the frequency of breakdowns, the units’  
 22 prolonged usage, and the impact to Cal Water in the event of equipment failure.

23 RESOLUTION: Parties agree to Cal Water’s phased in approach where not all  
 24 HVAC units are installed at once. The overall plan is to replace the HVAC equipment  
 25 items on a schedule so that they will not need to all be replaced at once in the future.

26 Reference: Exhibit CWS-38, pages 175-189, and 312-317; Exhibit ORA-7, pages 39-41  
 27 Exhibit CWS-110, pages 194-195.  
 28

1           **10) 99477 –PROCURE INTRUSION PREVENTION SYSTEM**

PID(s)	Year	Application	ORA Report	Settlement
99477	2017	\$344,605	\$0	\$344,605

2

3           ISSUE: Cal Water proposed this IT security project to help protect its network  
4 from sophisticated hacking and cyber-attacks. In 2013, Cal Water hired a consultant to  
5 evaluate its IT security and to make recommendations for improvements. Cal Water  
6 stated that this study indicated that the network would greatly benefit from an intrusion  
7 prevention and detection system on the corporate network and Supervisory Control and  
8 Data Acquisition (SCADA) network. Cal Water also stated that the company is  
9 designated as critical infrastructure as defined by the Department of Homeland Security  
10 (DHS) and is covered under the National Infrastructure Protection Plan (NIPP). The  
11 company also must comply with other standards such as Sarbanes-Oxley (SOX),  
12 Payment Card Industry (PCI), and Health Insurance Portability and Accountability Act  
13 (HIPAA).

14           ORA argued that Cal Water's current security tools (SEIM and QRadar) along with  
15 its IT staff are sufficient to deal with outside intrusion threats.

16           In rebuttal, Cal Water discussed its existing security software platform and  
17 pointed out the current gaps and limitations; Cal Water also stressed that the current  
18 system is not an intrusion detection or prevention system. Cal Water also noted that it  
19 has seen a marked increase in external attempts to hack, phish, or otherwise intrude  
20 into Cal Water's network.

21           RESOLUTION: Parties agree that Cal Water should be authorized to complete  
22 this project as proposed. Cal Water further agrees that this IT project will be included in  
23 the reporting discussed at the beginning of this chapter.

24           References: Exhibit CWS-38, pages 186-188; Exhibit ORA-7, pages 42-43; Exhibit CWS-  
25 110, pages 197-200.



**11) 99778 – WATER QUALITY WORKSPACE IMPROVEMENTS**

PID(s)	Year	Application	ORA Report	Settlement – Advice Letter
99778	2017	\$2,214,906	\$0	\$2,214,906

**ISSUE:** Cal Water proposed this Water Quality Workspace Improvements project to expand the laboratory space on the San Jose CSS campus to improve water quality testing operations to ensure Cal Water continues to deliver water that meet all public health requirements. Cal Water stated that the existing CSS laboratory does not provide sufficient space for the current workload and staff. The laboratory, built almost 25 years ago, was designed to support nine Water Quality staff members and a workload of 73,000 tests annually. After 25 years, the workload has increased to 400,000 tests annually and the number of staff has doubled in size. Cal Water included an assessment that was performed by an independent contractor.

ORA recommended disallowance of this project, citing unknowns involved in the project such as changes in City of San Jose’s zoning ordinances and a lack of supporting information. ORA also stated that Cal Water did not consider in the project cost estimate outside lab fees during the time when the lab is out of operation, and did not provide architectural plans.

**RESOLUTION:** Parties agree on a number of issues with regard to this project including the need for additional space. However, Parties also acknowledge that there are a number of unknowns that may impact the schedule, scope, and budget for this project. These unknowns include the City of San Jose’s planning and permitting requirements and timing, internal competition for space in the Engineering / Water Quality Building, and the interrelationship between this project’s needs and the overall space needs of the campus. Because of these identified uncertainties, Parties agree to advice letter status treatment for this project.

**References:** Exhibit CWS-38, pages 189-233; Exhibit ORA-7, pages 43-44; Exhibit CWS-110, pages 200-203.

1           **12) 100031 – HYPERION UPGRADE**

PID(s)	Year	Application	ORA Report	Settlement – Advice Letter
100031	2017	\$1,615,335	\$ 1,615,335	\$1,615,335

2

3           ISSUE: Cal Water proposed this project to upgrade the current Hyperion  
 4 software to the latest version. Cal Water stated that this will ensure compatibility with  
 5 other business functions, and optimize the company budgeting and financing modules,  
 6 and financial planning and analysis processes.

7           ORA did not oppose the project. However, ORA noted that since there is a  
 8 significant increase in the cost estimate for this project, which was originally approved  
 9 as part of the 2012 GRC, the project should be treated as a Tier II Advice Letter Project.

10          RESOLUTION: Because of the increases in cost, Parties agree to advice letter  
 11 status for this project. Cal Water further agrees that this IT project will be included in  
 12 the reporting discussed at the beginning of this chapter.

13          References: Exhibit CWS-38, pages 243-239; Exhibit ORA-7, page 46; Exhibit CWS-110,  
 14 pages 203-204.

15           **13) 102021 – BUDGETING AND RATE CASE MANAGEMENT**

PID(s)	Year	Application	ORA Report	Settlement
102021	2017	\$ 1,138,273	\$0	\$ 1,138,273

16

17          ISSUE: Cal Water proposed to add a new module in its PowerPlan system to  
 18 assist in the company’s rates and regulatory functions. Cal Water stated that this  
 19 module will run various reports and queries to gather data and information to flow  
 20 through the Excel models and calculate proposed revenue requirement in the General  
 21 Rate Cases. Cal Water also stated that it has experienced many technical problems and  
 22 challenges in data gathering in the current GRC for various reasons, such as version  
 23 incompatibility between the current Excel version and the versions of the company’s  
 24 core financial systems (PeopleSoft and PowerPlan).

1           ORA recommended disallowance of this project, because, ORA contended, Cal  
 2 Water has not demonstrated measurable cost-savings and increases in efficiency that  
 3 would result from this project. ORA further stated that Cal Water’s current process of  
 4 preparing the rate case is adequate. ORA stated that no other utility is using this system  
 5 and that the use of Excel as a primary tool to prepare general rate cases is standard  
 6 among all Class A utilities.

7           In rebuttal, Cal Water discussed risks and accuracy concerns and provided  
 8 additional information on the project. Cal Water also discussed the strategy for this  
 9 project, the benefit of reducing errors, and the challenge of performing the cost-benefit  
 10 analysis.

11           RESOLUTION: Parties agree to include this project in this rate case. Cal Water  
 12 further agrees that this IT project will be included in the reporting discussed at the  
 13 beginning of this chapter.

14           References: Exhibit CWS-38, pages 240-245; Exhibit ORA-7, pages 47-50; Exhibit CWS-  
 15 110, pages 204-205.

16           **14) 98551 – SOUTH ENGINEERING OFFICE IMPROVEMENTS**

PID(s)	Year	Application	ORA Report	Settlement
98551	2018	\$250,587	\$124,005	\$250,587

17  
 18           ISSUE: Cal Water proposed an overall reconfiguration of its engineering office in  
 19 Torrance. This project includes replacement and expansion workspace facilities.

20           ORA agreed with Cal Water’s assessment of the current office condition, but  
 21 contested the need to add more than 16 workstations. ORA pointed out that Cal Water  
 22 requested no additional engineering positions in the current GRC. ORA recommended  
 23 approval of the project at a cost of \$124,005, which reflects a scaled down version of Cal  
 24 Water’s proposed plan.

25           In rebuttal, Cal Water explained its needs for additional space in the Torrance  
 26 office, especially in light of the fact that the San Jose CSS campus is occupied at full  
 27 capacity.

1            RESOLUTION: Parties agree to include this project in this rate case as proposed  
 2 by Cal Water.  
 3 References: Exhibit CWS-38, pages 268-273; Exhibit ORA-7, pages 51-52; Exhibit CWS-  
 4 110, pages 209-212.

5            **15) 99346 – ENTERPRISE REPORTING AND ANALYSIS**

PID(s)	Year	Application	ORA Report	Settlement
99346	2018	\$1,103,813	\$ 0	\$700,000

6  
 7            ISSUE: Cal Water proposed this project to upgrade and enhance its existing  
 8 Business Intelligence Solution, which Cal Water stated would take advantage of the  
 9 latest technology such as big data concepts to improve the decision support process.  
 10 The current system houses data for CPUC General Order 103-A reporting, water quality  
 11 complaints, meter reading efficiency, phone performance, the valve exercise program,  
 12 and financial reporting. Cal Water stated that support for the current Business  
 13 Intelligence system (Oracle OBIEE 10g) ended in July 2015. Cal Water contended that  
 14 not receiving the latest software patches and fixes leaves its system vulnerable to  
 15 potential system errors and lack of technical support.

16            ORA recommended disallowing this project, because, ORA contended, there are  
 17 no water utilities, public or private, in California that uses this enhanced Business  
 18 Intelligence Solution for their enterprise reporting and analysis. ORA stated that Cal  
 19 Water must be able to demonstrate the project is cost effective.

20            In rebuttal, Cal Water discussed the overall strategy for this project and  
 21 explained how the data is used. Cal Water explained that it has actively investigated the  
 22 use of this technology and found it to be important for AMR and AMI rollout, water  
 23 consumption data, customer information, and other data driven decisions.

24            RESOLUTION: Parties agree to a compromise approach, and a reduced budget  
 25 for this project, which still allows Cal Water to make significant and measurable progress  
 26 in this area. Cal Water anticipates that it will be able to implement all or most of the  
 27 functionality of this project, given the reduced budget, and will meet and discuss  
 28 implementation options with the application vendor. Alternatively, Cal Water may

1 consider phasing-in the project across multiple rate case cycles, with the first part of the  
 2 project included in this rate case. Cal Water further agrees that this IT project will be  
 3 included in the reporting discussed at the beginning of this chapter.

4 References: Exhibit CWS-38, pages 296-305; Exhibit ORA-7, pages 59; Exhibit CWS-110,  
 5 pages 217-219.

6 **16) 99395 – STATEWIDE MICROWAVE RADIO NETWORK**

PID(s)	Year	Application	ORA Report	Settlement
99395	2018	\$1,229,524	\$0	\$600,000

7  
 8 ISSUE: Cal Water proposed a project to create a statewide microwave radio  
 9 network to replace most of its existing telephone based networks for data transmission.  
 10 Cal Water stated that this microwave network is required to solve a current problem  
 11 with its telephone based corporate network communications systems, and those  
 12 telephone systems have been unreliable for data transmission purposes.

13 ORA recommended disallowance of this project. ORA stated that Cal Water did  
 14 not provide a cost-benefit analysis to show that the microwave network is the most cost  
 15 effective alternative. ORA also stated that Cal Water did not provide the data as agreed  
 16 to in Cal Water’s 2012 GRC settlement regarding this project. Finally, ORA stated that  
 17 without the proposed SCADA replacement there will be no bandwidth need to justify  
 18 this project.

19 In rebuttal, Cal Water noted that it provided in its project justification a matrix of  
 20 design alternatives identifying the pros and cons of each alternative to improve its  
 21 network communications to remote district offices. Cal Water stated that it reviewed  
 22 five different design alternatives and showed that the only alternative that would  
 23 provide the level of service required by Cal Water was the privately owned microwave  
 24 network.

25 Cal Water also explained in rebuttal that it provided as part of its project  
 26 justification the measurement and tracking data from the 2012 GRC authorized project  
 27 benefits. The data provided shows how the radio system that was previously installed in  
 28 Cal Water’s Chico, Willows, Oroville, Marysville, and Dixon Districts can be used when

1 the phone lines are down and allowed Cal Water to keep its customer centers  
 2 operational.

3 Finally, in rebuttal, Cal Water pointed out disallowing the SCADA replacement  
 4 does not alleviate that need for additional bandwidth offered by the microwave  
 5 network, because Cal Water still has an existing SCADA system that requires  
 6 transmission.

7 RESOLUTION: Parties agree to include this project in this rate case, but with a  
 8 reduced scope and budget by phasing-in the project across multiple rate case cycles,  
 9 with the first part of the project included in this rate case.

10 References: Exhibit CWS-38, pages 306-311; Exhibit ORA-7, pages 59-61; Exhibit CWS-  
 11 110, pages 219-222.

12 **17) 99440 – CUSTOMER SERVICE/COMMUNICATION AND INFO ACCESS**

PID(s)	Year	Application	ORA Report	Settlement
99440	2018	\$ 813,218	\$0	\$813,218

13  
 14 ISSUE: Cal Water proposed this project to design and implement an enhanced  
 15 customer portal (including the Customer Care and Billing’s customer self-service) to  
 16 provide customers with updates on water usage, current and past water bills, water  
 17 conservation efforts and programs, current or planned outages, and the status of  
 18 service requests.

19 Cal Water stated that the project will also implement an enhanced call center  
 20 operation including: 1) unified communications (phone, voice mail and email), 2)  
 21 communications and data exchanges between customer service and water system  
 22 operations control (i.e., SCADA Room), and 3) unified service/work order management  
 23 and workforce scheduling (i.e., the new Cal Water’s Enterprise Workforce Management  
 24 System).

25 ORA recommended disallowance of this project, because, it contended Cal  
 26 Water’s request for this project is unnecessary and premature. ORA argued that Cal  
 27 Water customers can already receive information on water conservation efforts and  
 28 programs by accessing the company’s web site (calwater.com), and conservation

1 program information is already included in bill inserts and bill messages. ORA also  
 2 indicated that customers can contact Cal Water’s Conservation Department directly by  
 3 phone or email, or contact their local district offices for conservation program  
 4 information. Finally, ORA contended that the request is premature because there are  
 5 currently very few AMI meters configured. ORA also questioned the lack of a cost-  
 6 benefit analysis for this project.

7 In rebuttal, Cal Water noted that that the project is necessary to provide our  
 8 customers one place to go to access/view their water usage, conservation programs,  
 9 self-service features, and after-hours support.

10 RESOLUTION: Parties agree to include this project in this rate case. Cal Water  
 11 further agrees that this IT project will be included in the reporting discussed at the  
 12 beginning of this chapter.

13 References: Exhibit CWS-38, pages 318-325; Exhibit ORA-7, pages 61-63; Exhibit CWS-  
 14 110, pages 222-225.

15 **18) 99457 – CSS IT/COMPLETE CC&B SYSTEM**

PID(s)	Year	Application	ORA Report	Settlement
99457	2018	\$2,154,219	\$0	\$2,154,219

16

17 ISSUE: Cal Water proposed this project to add functionality to the Customer  
 18 Care and Billing system (CC&B). This includes standardizing business processes,  
 19 replacing computer servers, enhancing the customer portal, replacing the Tokay system  
 20 for cross connection control management, and integrating CC&B with Enterprise Asset  
 21 Management.

22 ORA recommended that this project be disallowed, because Cal Water had not  
 23 provided a detailed cost-benefit analysis for this project. ORA also stated that Cal  
 24 Water’s response to ORA’s inquiry was too vague and generic to be considered an  
 25 acceptable cost-benefit analysis. ORA also contended that the proposed new features  
 26 of the CC&B system are unnecessary.

In rebuttal, Cal Water discussed the benefits and potential improvements that it expects this project would bring to customers. Cal Water also argued that with phase II of CC&B, the company will be able to achieve more economy of scale for IT solutions.

**RESOLUTION:** Parties agree to include this project in this rate case. Cal Water further agrees that this IT project will be included in the reporting discussed at the beginning of this chapter.

**References:** Exhibit CWS-38, pages 330-338; Exhibit ORA-7, pages 63-64; Exhibit CWS-110, pages 225-227.

**19) ENTERPRISE ASSET MANAGEMENT PROJECTS**

- 99461 – PROCURE ASSET REFURBISHMENT AND REPLACEMENT SYSTEM
- 99464 – INTEGRATION OF GIS AND WATER MODELING APPLICATION
- 99469 – EAM MODELING APPLICATION
- 99472 – INTEGRATION OF ENTERPRISE WORKFORCE MANAGEMENT SYSTEM

PID(s)	Year	Application	ORA Report	Settlement
99461	2018	\$721,663	\$0	\$721,663
99464	2018	\$721,663	\$0	\$721,663
99469	2018	\$996,326	\$0	\$996,326
99472	2018	\$2,692,744	\$0	\$2,000,000

**ISSUE:** Cal Water proposed four projects relating to Enterprise Asset Management (EAM). Cal Water proposed PID 99461 to implement an Asset Refurbishment and Replacement (ARR) System, which builds on the Capital Asset Management (CAM) Decision Support System (DSS) that was initiated during the 2013-2015 time period. Cal Water explained that this project will refine the gathering of information from work orders necessary to complete the algorithms that identify asset candidates for either refurbishment or replacement. It also includes the integration of Maximo, CC&B, LMS (the sources of work orders), CAM, DSS, and Graphical Information System (GIS). The project’s includes scope is to purchase, design, build, test and implement a water system modeling application/data deployment plan for a third of Cal Water Districts.

Cal Water proposed PID 99464 to integrate its GIS and its water modeling applications. Cal Water stated in its project justification that the implementation of this



1 project will provide a tool to help manage the useful life and life-cycle costs of assets,  
2 including a visual display of the company's assets, where the assets are, what work  
3 orders are being worked, their location, and the ability to see the asset's history tied  
4 back to Maximo work order detail.

5 Cal Water proposed PID 99469 to design, build, test, and implement a water  
6 system modeling application/data deployment plan for another third of Cal Water's  
7 districts.

8 Finally, Cal Water proposed PID 99472 to update and integrate its work-order  
9 system to better manage assets with its EAM program. These work-orders are  
10 dispatched in the field and are the source information on the condition, maintenance,  
11 and repair of critical physical assets.

12 ORA did not support any of these EAM projects, because, it contended, Cal  
13 Water already has a system in place for asset refurbishment and replacement. ORA also  
14 stated that Cal Water already has a system in place for responding to water system  
15 outages and incidents. ORA also argued that a cost-benefit analysis is critical in  
16 determining the reasonableness of a project.

17 In rebuttal, Cal Water discusses its nine-year plan to implement the EAM  
18 program, which Cal Water explained has the goal of optimizing and extending the life of  
19 physical assets. Cal Water also explained that the EAM program will allow Cal Water to  
20 provide measurable benefits in future rate cases.

21 RESOLUTION: In settlement, Cal Water discussed its desire to move away from a  
22 manual reactive process to identify assets for refurbishment or replacement and  
23 integrate multiple legacy systems that store information about assets, so that asset data  
24 locations, connectivity, status, history and description can be easily accessed. Cal Water  
25 also discussed its need to have the most accurate information and hydraulic modeling to  
26 ensure key water quality parameters are correctly patterned, providing intangible  
27 benefits to customers.

28 Parties agree to a reduced project cost for PID 99472. The reduction reflects  
29 expected efficiencies that Cal Water can incorporate into the delivery of this project.

1 Parties agree to Cal Water’s proposed scope and budget for the other three projects.  
 2 Cal Water further agrees that these IT projects will be included in the reporting  
 3 discussed at the beginning of this chapter.

4 References: Exhibit CWS-38, pages 339-365, and 375-384; Exhibit ORA-7, pages 64-68;  
 5 Exhibit CWS-110, pages 228-240, and 243-246.

6 **20) 99471 – REPLACE LABORATORY INFORMATION MANAGEMENT SYSTEM**

PID(s)	Year	Application	ORA Report	Settlement
99471	2018	\$1,130,965	\$0	\$1,130,965

7  
 8 ISSUE: Cal Water proposed this project to provide enhancement to the  
 9 Laboratory Information Management System (LIMS). Cal Water stated that this project  
 10 would help Cal Water to stay in compliance with the Safe Drinking Water Act by allowing  
 11 it to link information through other applications.

12 ORA recommended disallowing this project, because Cal Water did not show the  
 13 measurable benefit that would result from this project.

14 In rebuttal, Cal Water discussed the efficiency and error rate reduction that this  
 15 technology could deliver. Specifically, Cal Water expected this project to provide 1,662  
 16 hours of labor savings based on 63,108 samples collected in 2015.

17 RESOLUTION: Parties agree to include this project in this rate case. Cal Water  
 18 further agrees that this IT project will be included in the reporting discussed at the  
 19 beginning of this chapter.

20 References: Exhibit CWS-38, pages 366-374; Exhibit ORA-7, pages 67-68; Exhibit CWS-  
 21 110, pages 240-243.

22 **21) 101814 – STATEWIDE DIGITAL RADIO SYSTEM**

PID(s)	Year	Application	ORA Report	Settlement
00101814	2018	\$1,643,307	\$0	\$0

23  
 24 ISSUE: Cal Water proposed a statewide digital radio-based communication  
 25 system to provide uninterruptible communication coverage for use during emergencies;  
 26 in addition, the system will be used to support day-to-day district functions. Cal Water

1 stated that this system will replace older generation communication technology that is  
 2 difficult to support and has operational limitations.

3 ORA recommended disallowing this project. ORA stated that Cal Water’s  
 4 responses to data requests regarding emergencies indicate that there was no issue with  
 5 its communication medium in each of these events.

6 Cal Water acknowledged that both its cell and landline coverage were available;  
 7 however, they might not be available if an earthquake or flood event occurs. ORA  
 8 stated that Cal Water’s current system to be adequate during an emergency scenario  
 9 based on its data request responses.

10 In rebuttal, Cal Water discussed the need for a digital radio system being an  
 11 overdue replacement of the inadequate and obsolete radio system that Cal Water  
 12 currently has in place.

13 RESOLUTION: Parties agree to exclude this project from this rate case and agree  
 14 that incremental solutions can be explored and enacted in the short term to meet  
 15 communication needs.

16 References: Exhibit CWS-38, pages 420-428; Exhibit ORA-7, pages 71-74; Exhibit CWS-  
 17 110, pages 251-258.

18 **22) MISCELLANEOUS EFFICIENCY PROJECTS**

- 19 69930- DISTRIBUTION MAP UPGRADE CAD TO GIS
- 20 99377- FIN MGMT/RPT INV DOC MGMT ENHANCE
- 21 99474- NEW RACKS FOR DATA CENTER
- 22 99049- PRECISE SERVICE MAPPING IN GIS
- 23 99027- HYDROGEN GENERATOR

PID	Year	Application	ORA Report	Settlement
00069930	2016	\$435,959	\$435,959	\$435,959
00099377	2017	\$554,660	\$554,660	\$554,660
00099474	2017	\$244,670	\$244,670	\$244,670
00099027	2018	\$18,511	\$18,511	\$18,511
00099049	2018	\$560,896	\$560,896	\$560,896

25 ISSUE: Cal Water proposed the above five projects to provide efficiencies to  
 26 existing processes.  
 27

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1           ORA supported these projects under the condition that an accompanying  
2 decrease in expenses be included to reflect expected savings.

3           **RESOLUTION:** In anticipation of reduced future expenses, Parties agree to  
4 include these projects in the capital budgets as proposed by Cal Water with a reduction  
5 of \$358,434 in the CSS expense forecast in this GRC.

6 **References:** Exhibit CWS-38, pages 7-14, 151-169, 180-182, and 283-288; Exhibit ORA-7,  
7 pages 23-24, 37-38, 41-42, 53-54, and 75-76.

8           **D. CUSTOMER SUPPORT SERVICES: ADVANCE CAPITAL BUDGET SUMMARY**  
9           **TABLE\***

Year	PID	Description	Settlement
2016	00069930	Distribution Map Upgrade CAD to GIS	\$435,959
2016	00097777	2016 PC Refresh	\$330,893
2016	00097778	2016 End User Software Licensing	\$0
2016	00098146	2016 EMT Large Tools	\$40,199
2016	00098151	GPS Unit & Accessories Purchase	\$17,608
2016	00098170	2016 Vibration Analyzers	\$17,482
2016	00098210	2016 Ultrasonic Flowmeter	\$33,827
2016	00098216	2016 Power Quality Analyzer	\$13,112
2016	00098231	2016 Thermal Imaging Cameras	\$13,112
2016	00098250	2016 HART Calibrator	\$8,741
2016	00098542	S.Eng Conference Rm Improvements	\$39,879
2016	00098542	S.Eng Conference Rm Improvements	\$0
2016	00098556	Data Recorders - Engineering	\$0
2016	00098597	Level Logger - S.Cal Engineering	\$7,331
2016	00098644	GC/MS WQ	\$180,565
2016	00098655	2016 AutoCAD purchase	\$14,247
2016	00098685	GC/MS WQ	\$180,565
2016	00098757	Purchase Leak Correlators	\$29,419
2016	00098766	2016 New EMT Tools	\$32,779
2016	00099030	Replace Portable Booster Pumps	\$1,745,166
2016	00099136	2016 Vehicle Replacement Program	\$608,037
2016	00099136	2016 Vehicle Replacement Program	\$0
2016	00099136	2016 Vehicle Replacement Program	\$0
2016	00099303	NEW ENVELOPE PRINTER	\$0
2016	00099306	NEW POSTAL SCALE	\$2,393
2016	00099308	Customer Support Services Equipment	\$19,668
2016	00099311	Customer Support Services Equipment	\$43,706

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Year	PID	Description	Settlement
2016	00099348	FIN MGMT & RPT/DEPRECIATION FORECAS	\$0
2016	00099360	Replace Plotter in Engineering	\$3,824
2016	00099378	FIN MGMT & RPT/POWERPLAN	\$1,519,244
2016	00099379	FIN MGMT & RPT/PROPERTY TAX	\$114,203
2016	00099383	FIN MGMT & RPT/TAX PROVISION	\$539,005
2016	00099384	Oce Printer replacement	\$43,706
2016	00099385	TMM TOOLS 2016	\$0
2016	00099387	TREASURY TRANSACTION SOLUTION	\$0
2016	00099400	HUMAN RESOURCES MANAGEMENT	\$1,365,812
2016	00099418	Pool Car - Corp Comm	\$38,243
2016	00099422	Facility Management Software	\$0
2016	00099423	Upgrade Elevator, Bldg C	\$180,318
2016	00099424	Install 3 fire hydrants	\$276,317
2016	00099425	HVAC Replacements (GO)	\$97,582
2016	00099428	Additional Working Space at CSS	\$0
2016	00099475	DATA LOSS PREVENTION/DC UPGRADE	\$249,208
2016	00099489	TM-ENT SFTW LIC - PHY KEYS MGMT	\$0
2016	00099534	MSDS MANAGEMENT	\$31,519
2016	00099679	WQ Copier	\$0
2016	00099961	REPLACE V204058	\$38,243
2016	00100038	SURVEY EQUIPMENT	\$41,706
2016	00101760	Security Cameras	\$370,379
2016	00102647	Network Enhancements	\$398,817
2016	330-NON-SP	330- General Office Non-specific	\$1,173,592
2017	00097779	2017 PC Refresh	\$342,525
2017	00097780	2017 End User Software Licensing	\$75,382
2017	00097781	2017 Video Conferencing Upgrade	\$190,920
2017	00097782	Enterprise Content Management	\$400,000
2017	00098135	2017 EMT Large Tools	\$0
2017	00098175	2017 Vibration Analyzers	\$0
2017	00098211	2017 Ultrasonic Flowmeters	\$34,719
2017	00098221	2017 Power Quality Analyzers	\$13,440
2017	00098238	2017 Thermal Imaging Cameras	\$0
2017	00098419	2017 HART Calibrator	\$8,960
2017	00098598	Plotter - S. Cal Engineering	\$39,327
2017	00098669	2017 AutoCAD Software purchase	\$14,604
2017	00098767	2017 New EMT Tools	\$0
2017	00099137	2017 Vehicle Replacement Program	\$711,178
2017	00099137	2017 Vehicle Replacement Program	\$0
2017	00099137	2017 Vehicle Replacement Program	\$0

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Year	PID	Description	Settlement
2017	00099301	Customer Support Services Equipment	\$33,599
2017	00099310	Customer Support Services Equipment	\$15,288
2017	00099377	FIN MGMT/RPT-INV DOC MGMT ENHANCE	\$554,660
2017	00099382	SUPPLY CHAIN MGMT ENHANCEMENT	\$426,000
2017	00099386	TMM TOOLS 2017	\$5,660
2017	00099393	RISK MGMT ANALYTICS & MGMT SOLUTION	\$53,845
2017	00099426	Replace HVAC Units (GO)	\$100,022
2017	00099459	CS MGMT/WEBSITE UPGRADE	\$96,920
2017	00099474	NEW RACKS FOR DATA CENTER	\$244,670
2017	00099476	DISTRICT DATA CENTER UPGRADES	\$400,603
2017	00099477	INTRUSTION PREVENTION SYSTEM	\$344,605
2017	00102021	Budgeting and Rate Case Mgmt	\$1,138,273
2017	00102614	Network Enhancements	\$111,997
2017	330-NON-SP	330- General Office Non-specific	\$1,201,408
2018	00097783	2018 PC Refresh	\$365,438
2018	00097784	2018 End User Software Licensing	\$77,267
2018	00097786	2018 Phone System Upgrade	\$839,889
2018	00098148	2018 EMT Large Tools	\$0
2018	00098179	2018 Vibration Analyzers	\$18,368
2018	00098213	2018 Ultrasonic Flowmeters	\$35,587
2018	00098223	2018 Power Quality Analyzers	\$13,776
2018	00098240	2018 Thermal Imaging Cameras	\$0
2018	00098421	2018 HART Calibrators	\$9,184
2018	00098551	S.Eng Office Interior Improvements	\$250,587
2018	00098551	S.Eng Office Interior Improvements	\$0
2018	00098730	GC-MS/MS WQ	\$0
2018	00098733	ICP WQ	\$102,558
2018	00098768	2018 New EMT Tools	\$0
2018	00098944	IC Ion Chromatograph WQ	\$110,901
2018	00099027	Hydrogen generator WQ	\$18,511
2018	00099049	Precise Service Mapping in GIS	\$560,896
2018	00099138	2018 Vehicle Replacement Program	\$611,809
2018	00099138	2018 Vehicle Replacement Program	\$0
2018	00099313	NEW FAX MACHINE 2018	\$0
2018	00099314	POSTAL METER 2018	\$20,663
2018	00099315	TRAY TAG PRINTER 2018	\$0
2018	00099346	ENT RPTG & ANALYSIS/SMART ANALYTICS	\$700,000
2018	00099392	TMM TOOLS 2018	\$0
2018	00099395	Microwave radio network	\$600,000
2018	00099427	Replace HVAC units (GO)	\$102,522

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Year	PID	Description	Settlement
2018	00099440	CS/CUST COMM & INFO ACCESS	\$813,218
2018	00099442	CS/METER&METER DATA MGMT	\$0
2018	00099457	CS/SERVICE OPTIMIZATION	\$2,154,219
2018	00099461	ASSET REFURB & REPLACE SYSTEM	\$721,663
2018	00099464	GIS DESIGN & INTEGRATION	\$721,663
2018	00099469	EAM - WATER SYSTEM MODEL	\$996,326
2018	00099471	ERC-LIMS REPLACEMENT	\$1,130,965
2018	00099472	EWWM-INTEGRATED WORK&WORKFORCE MGMT	\$2,000,000
2018	00099482	RATES COMPLIANCE SOFTWARE	\$0
2018	00099483	CUSTOMER OUTREACH PORTAL	\$0
2018	00099484	DATA STORAGE	\$764,506
2018	00099485	Upgrade Software Versions ENTERPRISE EU SOFTWARE	\$1,308,422
2018	00099487	TM-PROGRAM MGMT OFFICE	\$0
2018	00101814	Digital Radio System	\$0
2018	00102616	Network Enhancements	\$470,666
2018	330-NON-SP	330- General Office Non-specific	\$1,228,768

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. CUSTOMER SUPPORT SERVICES: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Amount
2017	00064294	Office - Replace SCADA Hardware and Software	\$5,104,536
2017	00099778	WQ Lab Space Improvement	\$2,299,072
2017	00100031	HYPERION UPGRADE	\$1,615,336
2018	00099272	Replace SCADA software and hardware	\$4,871,962

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5  
 6

[END OF CHAPTER]

1           **CHAPTER 14.            ANTELOPE VALLEY DISTRICT PLANT**

2           **A. OVERVIEW**

3            The Leona Valley Town Council (LVTC) participated in settlement discussions on  
4 behalf of ratepayers in the Antelope Valley District. Unless otherwise noted, the term  
5 “Parties” as used in this chapter refers to Cal Water, ORA and LVTC. The Parties request  
6 that the Commission approve the settlement plant values described herein under the  
7 conditions specified.

8            The Antelope Valley District consists of three ratemaking sub-areas: Lancaster,  
9 Leona Valley, and Fremont. The tables at the end of this chapter provide the plant  
10 settlement for this district. In the narrative below, certain specific projects are  
11 discussed. In addition, there may be projects related to company-wide or “global”  
12 issues – issues that impact multiple districts – that are included in here, but discussed  
13 separately in the “Global Plant” section of this Agreement.

14            The Advance Capital Budget (ACB) consists of projects in three categories as  
15 discussed below: non-specific capital budgets, specific projects, and advice letter  
16 projects. In addition to the ACB, the district may also have projects that were approved  
17 in an earlier general rate case (GRC) but which have not yet been completed. These are  
18 known as “carryover” projects.

19            The annual non-specific capital budget is for projects that are anticipated to be  
20 completed during the indicated year to resolve issues that were not known in detail  
21 when the Advance Capital Budget for that time period was adopted. The projects  
22 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
23 programmatic projects that need to be completed between GRCs. These budgets are  
24 reflected in the settled revenue requirement and discussed in greater detail in the  
25 “Global Plant” section of this Agreement.

26            The Advance Capital Budget for specific projects identifies the projects and  
27 forecasted costs that the Parties have agreed should be reflected in the adopted  
28 revenue requirement.



1           Amounts for certain specific and non-specific projects in the Advance Capital  
2 Budget are subject to a slight increase to account for capitalized financing cost  
3 adjustment related to resolution of Cal Water's request on Construction Work in  
4 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
5 the Global Plant section of this Agreement).

6           The Parties agree that certain capital projects should be treated as advice letter  
7 projects because they involved some level of uncertainty (e.g., timing). These projects  
8 may be included in rates after (1) they are in service and considered used and useful,  
9 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
10 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
11 recommends adoption of these projects as "Advice Letter" projects, and their costs are  
12 not included in the revenue requirement proposed for adoption in this Agreement.

13 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
14 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
15 adjustment.

16           The last category of projects are carryover projects which are capital projects  
17 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
18 not included in the non-specific budget and specific capital budget summarized above.  
19 Attachment 4 of this Agreement presents a list of carryover projects for all districts and  
20 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
21 listed carryover projects at the identified settlement amounts and in the years  
22 indicated. The Parties agree that these projects' forecasted costs should be included in  
23 the adopted revenue requirement.

24           The Parties agree that some capital projects proposed in the company's July  
25 2015 application should not be included in the capital budgets for 2016 through 2018  
26 rate case, unless otherwise indicated. These excluded projects encompass those that  
27 the company cancelled, those that are in service and already included in the beginning  
28 plant balance per this Agreement, and those that the Parties agree for other reasons to

1 not include in the rate case at this time. The exclusion of these projects does not  
 2 prevent the company from proposing them in a subsequent application.

3 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$363,841
2017	\$257,361
2018	\$428,162
Total	\$1,049,364

4  
 5 The Parties agree to include specific projects in the Advance Capital Budget for  
 6 the years 2016 through 2018, presented in the project list below. These projects’  
 7 estimated costs (“Settlement” column) should be included in the adopted revenue  
 8 requirement. For some of these projects, however, their estimated costs do not include  
 9 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 10 Plant” section in this Agreement.

11 The project list also presents the non-specific projects budget and ACB projects  
 12 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 13 separate table.

14 Where Parties thought more detail would provide a better understanding of the  
 15 settlement, those projects are discussed in more detail. Certain projects are  
 16 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 17 Global Plant Issues.

18 **C. ANTELOPE VALLEY: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

19 **1) 98536 – CONDUCT GROUNDWATER SUPPLY STUDY**

Year	PID(s)	Application	ORA Report	Settlement
2016	98536	\$88,076	\$0	\$0

20  
 21 ISSUE: Cal Water proposed this project to conduct a groundwater supply study  
 22 to evaluate suitable well locations and evaluate supply alternatives for the Leona Valley

1 system. ORA recommended disallowance of this project for several reasons, citing  
 2 declining water use and lack of cost savings (in replacing purchased water with  
 3 groundwater supply), and questioning Cal Water’s risk assessment.

4 In rebuttal, Cal Water explained the long-term benefit in exploring groundwater  
 5 options and that the project was important to address customer supply risk.  
 6 Additionally, in settlement discussions, the Leona Valley Town Council (LVTC) presented  
 7 information on recent private groundwater well drillings and contended that the project  
 8 is not needed.

9 **RESOLUTION:** Parties discussed potential interruptions of purchased water  
 10 supply, recent local well drilling and outcomes, and Cal Water’s options to study the  
 11 local groundwater hydrogeology and supply (via its upcoming Water Master Plan). In  
 12 light of the arguments presented, Cal Water agrees to remove this project from this  
 13 GRC.

14 **References:** Exhibit CWS-39, pages 200-204; Exhibit ORA-11, pages 5-10; Exhibit CWS-  
 15 111, pages 8-10.

16 **D. ANTELOPE VALLEY: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00098536	Conduct groundwater supply study to evaluate prime well locations and evaluate other supply alternatives for the Leona Valley system	\$0
2016	00099100	Vehicle Replacements > 120,000 miles	\$41,521
2016	00099100	Vehicle Replacements > 120,000 miles	\$71,022
2016	00099905	2016 Main Replacement Program Antelope Valley	\$184,196
2016	129- NON-SP	129- Antelope Valley Non-specific	\$56,800
2016	AVD0900	Meter Replacement Program	\$10,302
2017	00099906	2017 Main Replacement Program Antelope Valley	\$188,801
2017	129- NON-SP	129- Antelope Valley Non-specific	\$58,000
2017	AVD0900	Meter Replacement Program	\$10,560
2018	00097944	Replace rafters and install CWS standard insect screen on overflow.	\$15,182
2018	00099108	2018 Vehicle Replacement Program Vehicle Replacements > 120,000 miles	\$149,235
2018	00099907	2018 Main Replacement Program Antelope Valley	\$193,521

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Year	PID	Description	Settlement
2018	129- NON-SP	129- Antelope Valley Non-specific	\$59,400
2018	AVD0900	Meter Replacement Program	\$10,824

1 \* Amounts are subject to slight increase to account for capitalized interest  
2 adjustment related to resolution of CWIP Special Request #7.

3 **E. ANTELOPE VALLEY: ADVICE LETTER SUMMARY TABLE\*\***

4 There are no new Advice Letter projects recommended for the Antelope Valley  
5 District in this Agreement.

6 [END OF CHAPTER]

1           **CHAPTER 15.           BAKERSFIELD DISTRICT PLANT**

2           **A. OVERVIEW**

3           The City of Bakersfield participated in settlement discussions on behalf of  
4 ratepayers in the Bakersfield District. Unless otherwise noted, the term “Parties” as  
5 used in this chapter refers only to Cal Water and ORA. The Parties request that the  
6 Commission approve the settlement plant values described herein under the conditions  
7 specified.

8           The tables at the end of this chapter provide the plant settlement for this  
9 district. In the narrative below, certain specific projects are discussed. In addition,  
10 there may be projects related to company-wide or “global” issues – issues that impact  
11 multiple districts – that are included in here, but discussed separately in the “Global  
12 Plant” section of this Agreement.

13           The Advance Capital Budget (ACB” consists of projects in three categories as  
14 discussed below non-specific capital budgets, specific projects, and advice letter  
15 projects. In addition to the ACB, the district may also have projects that were approved  
16 in an earlier general rate case (GRC) but which have not yet been completed. These are  
17 known as “carryover” projects.

18           The annual non-specific capital budget is for projects that are anticipated to be  
19 completed during the indicated year to resolve issues that were not known in detail  
20 when the Advance Capital Budget for that time period was adopted. The projects  
21 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
22 programmatic projects that need to be completed between GRCs. These budgets are  
23 reflected in the settled revenue requirement and discussed in greater detail in the  
24 “Global Plant” section of this Agreement.

25           The Advance Capital Budget for specific projects identifies the projects and  
26 forecasted costs that the Parties have agreed should be reflected in the adopted  
27 revenue requirement.

1 Amounts for certain specific and non-specific projects in the Advance Capital  
2 Budget are subject to a slight increase to account for capitalized financing cost  
3 adjustment related to resolution of Cal Water's request on Construction Work in  
4 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
5 the Global Plant section of this Agreement).

6 The Parties agree that certain capital projects should be treated as advice letter  
7 projects because they involved some level of uncertainty (e.g., timing). These projects  
8 may be included in rates after (1) they are in service and considered used and useful,  
9 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
10 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
11 recommends adoption of these projects as "Advice Letter" projects, and their costs are  
12 not included in the revenue requirement proposed for adoption in this Agreement.

13 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
14 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
15 adjustment.

16 The last category of projects are carryover projects which are capital projects  
17 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
18 not included in the non-specific budget and specific capital budget summarized above.  
19 Attachment 4 of this Agreement presents a list of carryover projects for all districts and  
20 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
21 listed carryover projects at the identified settlement amounts and in the years  
22 indicated. The Parties agree that these projects' forecasted costs should be included in  
23 the adopted revenue requirement.

24 The Parties agree that some capital projects proposed in the company's July  
25 2015 application should not be included in the capital budgets for 2016 through 2018  
26 rate case, unless otherwise indicated. These excluded projects encompass those that  
27 the company cancelled, those that are in service and already included in the beginning  
28 plant balance per this Agreement, and those that the Parties agree for other reasons to

1 not include in the rate case at this time. The exclusion of these projects does not  
 2 prevent the company from proposing them in a subsequent application.

3 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$14,964,100
2017	\$20,151,140
2018	\$18,248,964
Total	\$53,364,203

4

5 The Parties agree to include specific projects in the Advance Capital Budget for  
 6 the years 2016 through 2018, presented in the project list below. These projects’  
 7 estimated costs (“Settlement” column) should be included in the adopted revenue  
 8 requirement. For some of these projects, however, their estimated costs do not include  
 9 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 10 Plant” section in this Agreement.

11 The project list also presents the non-specific projects budget and ACB projects  
 12 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 13 separate table.

14 Where Parties thought more detail would provide a better understanding of the  
 15 settlement, those projects are discussed in more detail. Certain projects are  
 16 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 17 Global Plant Issues.

18 **C. BAKERSFIELD: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

19 **1) 98008, 98444, 99274, 97994 – REPLACE METAL BUILDING STA. 45, 89, 129,**  
 20 **and 42**

Station	Year	PID(s)	Application	ORA Report	Settlement
BK-89	2017	98444	\$542,697	\$11,539	\$331,140
BK-45	2017	98008	\$526,487	\$11,539	\$426,487
BK-129	2017	99274	\$452,831	\$11,539	\$0

Station	Year	PID(s)	Application	ORA Report	Settlement
BK-42	2018	97994	\$556,265	\$11,846	\$0

1

2 ISSUE: Cal Water stated that there are 56 aging galvanized pump building in  
 3 Bakersfield that need to have the building and electrical systems addressed. In this GRC,  
 4 Cal Water proposed to replace the existing buildings with concrete buildings and the  
 5 electrical systems at four of those locations.

6 ORA recommended disallowance of these projects because Cal Water has not  
 7 performed a comprehensive study to determine the most economical material for the  
 8 proposed building replacements. ORA recommended using metal buildings, which can  
 9 provide a similar range of functions as concrete buildings but at a lower cost. ORA also  
 10 indicated that the panelboards are not in violation with any electrical  
 11 standards/regulations and have no history of malfunctions that would require the  
 12 proposed upgrades.

13 In settlement, Cal Water explained that its plan was to select different building  
 14 alternatives to serve as pilots for replacements in the future.

15 RESOLUTION: Parties agree that it is reasonable for Cal Water to proceed with  
 16 building and electrical system replacements at two of the proposed sites; this will allow  
 17 Cal Water to evaluate different building alternatives to determine future, cost effective  
 18 replacement projects at other sites. Parties also agree that the two sites should be at  
 19 Station BK-89 and Station BK-45, and the cost estimates should be reduced as shown  
 20 above.

21 References: Exhibit CWS-40, pages 608-649; Exhibit ORA-10, pages 22-26; Exhibit CWS-  
 22 111, pages 206-208 and attachments.

23 **2) 99820, 99821, 98348, 99818 – Bakersfield Wells**

PID	Description	Completion Year	Application	ORA Report	Ratemaking Treatment*	Settlement
99820	Low Zone New – Well # 1	2017	\$1,964,470	\$0	ACB and PHFU	\$1,964,470
99821	Water Supply South West - New Well	2017	\$1,964,470	\$0	AL and PHFU	\$1,964,470



CHAPTER 15 BAKERSFIELD DISTRICT PLANT

PID	Description	Completion Year	Application	ORA Report	Ratemaking Treatment*	Settlement
98348	North Garden Zone - Well #1	2018	\$2,013,585	\$0	AL and PHFU	\$2,013,585
99818	North Garden Zone - Well #2	2018	\$2,013,585	\$0		\$0

1 \*ACB = Advance Capital Budget AL = Advice Letter PHFU = Plant Held for Future Use

2 ISSUE: After an analysis that factored in growth, capacity, and production  
3 changes at certain wells, Cal Water proposed several new projects for supply in  
4 Bakersfield. Cal Water stated that existing and future water supply is of significant  
5 concern for the district considering the recent drought conditions, declines in  
6 groundwater elevations, water quality issues, and future growth demand in North  
7 Garden and the Low Zone area.

8 ORA presented analysis showing that there is sufficient supply capacity to serve  
9 existing customers and contended that projects intended to serve expected growth  
10 should not be borne by Cal Water’s existing customers.

11 RESOLUTION: Parties generally agree that long-term supply will be needed for  
12 this district to accommodate expected growth. Parties also agree that facilities needed  
13 to serve new development should be paid for by new customers via revenues collected  
14 from Cal Water’s lot fees.

15 Parties agree to include one well supply project (PID 99820) in rates at this time  
16 and to utilize advice letter treatment for two additional wells (PID 98348 and 99821).  
17 Cal Water agrees to defer its request for the fourth well (PID 99818). To ensure that  
18 growth continues to pay its way, the Parties agree on Cal Water recalculated lot fees  
19 and that Cal Water will enhance how it tracks lot fees from developers to better match  
20 revenue collected with supply projects. For the three well projects (PID 98348, 99820  
21 and 99821), once completed, each project’s cost will be booked to plant held for future  
22 use (“PHFU”) until lot fees representing at least 85% of the cost of the project are  
23 collected and recorded to offset the cost of the asset. For each of these three wells, if  
24 after the well has been in service for 5 years and revenue collected from lot fees does  
25 not meet the 85% threshold amount, Cal Water will transfer out of rate base the

1 amount of the asset that is not covered by collected lot fees. If there are extenuating  
 2 circumstances, such as failure of an existing well, Cal Water may request a change in the  
 3 ratemaking status by demonstrating the need for the well in a general rate case. In  
 4 subsequent GRC applications, Cal Water will provide a full accounting of these well  
 5 assets, including the associated costs and lot fees collected to offset the cost of the  
 6 wells.

7 References: Exhibit CWS-40, pages 571-598; Exhibit ORA-10, pages 9-16; Exhibit CWS-  
 8 111, pages 186-191 and attachments.

9 **3) VARIOUS PIDs – Flat Rate to Metered Service Conversion**

District	Application	ORA Report	Settlement
<b>Bakersfield Total</b>	<b>\$23,013,972</b>	<b>\$5,587,560</b>	<b>\$11,441,318</b>
2016	\$7,481,061	\$1,816,724	\$3,720,000
2017	\$7,670,573	\$1,862,142	\$3,812,997
2018	\$7,862,338	\$1,908,694	\$3,908,320

10

11 ISSUE: As required by California Water Code §527, meters must be installed on  
 12 Cal Water’s remaining flat rate services by 2025. Accordingly, Cal Water has an ongoing  
 13 program to convert all remaining flat rate services to metered services. Cal Water  
 14 proposed to accelerate its flat-to-meter conversions to 5,200 per year for the years  
 15 2016-2018 to complete the conversions earlier than required. Cal Water stated that its  
 16 primary driver for accelerating the conversions in this proceeding was the drought, in  
 17 order to provide all customers the same expectations for water budgets and surcharges  
 18 during the drought and to achieve the State’s mandated conservation targets. Cal  
 19 Water’s estimated average cost per conversion is \$1,416 in 2016 dollars.

20 ORA recommended a more measured pace of 2,600 conversions/year, which is  
 21 approximately the average conversion rate in the three most recent years 2013-2015.  
 22 ORA stated that a more moderate conversion rate is needed to lessen the overall rate  
 23 increase and to avoid unnecessary costs caused by Cal Water performing work beyond  
 24 its normal staffing capacity and/or incurring a cost premium due to excessive use of

1 contractor services. Additionally, ORA based its conversion costs for Bakersfield on Cal  
2 Water's estimated cost of \$699 per conversion, in 2016 dollars, for the Selma District.

3 In rebuttal, Cal Water stated that the Bakersfield District's flat-to-meter program  
4 includes an evaluation of the age, material, condition, and location of the service line.  
5 Cal Water stated that it replaced service lines based on this evaluation. Cal Water  
6 explained that the early years of conversions focused on drop in meters, where a meter  
7 box and meter fittings were installed with the service. The remaining conversions are  
8 more complicated and, therefore, significantly more costly. Additionally, Bakersfield has  
9 numerous mains that were installed in easements located in alleys and backyards.  
10 Customers have installed landscaping, fences, pools, concrete and many other items  
11 that require extensive work to rebuild the service and install a meter. Cal Water stated  
12 that these conditions are far more prevalent in Bakersfield than in Selma. Furthermore,  
13 the City of Bakersfield requires concrete replacement of sidewalk from seam to seam  
14 and customers may request the same in their driveway. Replacing these services as part  
15 of the conversion process also improves water quality and water service reliability by  
16 avoiding service interruptions and reduced flows, which are common with aging  
17 galvanized pipe. Cal Water explained that its conversion cost estimate for Bakersfield is  
18 based on its recent conversion costs, including service line replacements.

19 RESOLUTION: In consideration of ORA's concerns and additional information  
20 provided in Cal Water's rebuttal, Parties agree to an annual average flat-to-meter  
21 conversion rate of 3,720 units for 2016-2018; this annual average rate is equal to Cal  
22 Water's recorded number of conversions in 2015. This rate will allow Cal Water to  
23 complete the necessary conversions 4.8 years ahead of the January 1, 2025 due date.  
24 Parties also agree to an average unit cost of \$1,000, in 2016 dollars, to reflect cost  
25 factors presented in Cal Water's rebuttal and potential cost savings resulting from the  
26 lower than Cal Water's proposed pace.

27 References: Exhibit CWS-40, pages 472-497; Exhibit ORA-6, pages 66-82; Exhibit CWS-  
28 110, pages 40-44 and attachments.

1                   **4) 99719 – Arsenic Treatment at Well Station 202**

PID	Year	Application	ORA Report	Settlement
99719	2016	\$1,769,484	\$0	\$1,769,484

2  
3                   ISSUE: Cal Water proposed the addition of an arsenic treatment system at well  
4 station 202 in South Bakersfield. This is a relatively new well that has been offline  
5 because the water’s arsenic level exceeds the maximum contaminant level (MCL).

6                   ORA recommended disallowing this project. ORA presented its supply and  
7 demand analysis and concluded that additional supply is not needed in this zone, and  
8 therefore this well can remain offline.

9                   RESOLUTION: Parties agree that Cal Water should add arsenic treatment to this  
10 well to increase supply in this zone, and that the project cost should be at the settled  
11 cost estimate above.

12 References: Exhibit CWS-40, pages 599-608; Exhibit ORA-10, pages 9-16; Exhibit CWS-  
13 111, pages 186-191 and attachments.

14                   **5) 99781 – Northwest Water Treatment Plant Production Rack**

PID’s	Year	Application	ORA Report	Settlement
99781	2017	\$833,303	\$0	\$416,651

15  
16                   ISSUE: Cal Water and the City of Bakersfield have changed the pretreatment at  
17 the NWWTP by adding plate settlers. Cal Water expected this change will improve the  
18 quality of the water being directed to the membrane filters at this facility, which will in  
19 turn require less backwashing via the backwash membrane rack. In order to increase  
20 plant outflow, Cal Water proposed the conversion of the backwash membrane to a full  
21 production rack.

22                   ORA recommended disallowing this project. ORA presented its supply and  
23 demand analysis and concluded that additional supply is not needed in the North  
24 Garden zone. ORA also argued that even if this project is allowed, because this is a joint

1 facility with the City of Bakersfield, Cal Water’s ratepayers should only have to pay for  
 2 one-half of the cost of the total project.

3 RESOLUTION: Parties agree that Cal Water should convert the backwash  
 4 membrane to a full production rack to increase the treatment plant’s output by 2 million  
 5 gallons per day. Parties agree that since the City of Bakersfield will receive one-half of  
 6 the increased supply from this project, Cal Water ratepayers should only pay for one-  
 7 half of the project’s cost. Parties agree that this project should be included in this GRC  
 8 at the settled cost estimate above.

9 References: Exhibit CWS-40, pages 674-681; Exhibit ORA-10, pages 9-16; Exhibit CWS-  
 10 111, pages 186-191 and attachments.

11 **6) 99135 – REPLACE TURBIDIMETERS AT NORTH EAST WATER TREATMENT**  
 12 **PLANT**

PID(s)	Year	Application	ORA Report	Settlement
99135	2016	\$ 192,200	\$ 0	\$ 192,200

13  
 14 ISSUE: The North East Water Treatment Plant is nearing 15 years of age. Cal  
 15 Water proposed the replacement of turbidimeters as part of routine replacement work.  
 16 These turbidimeters measure raw water turbidity, which is required for water quality  
 17 compliance and for process control.

18 ORA disagreed with the need for this project, stating that Cal Water did not  
 19 submit evidence that the parts were no longer supported by the manufacturer.

20 In its rebuttal, Cal Water stated: all filters and combined filter effluent must be  
 21 continuously monitored per regulations; upon failure, the units need to be replaced  
 22 within 48 hours or the plant must be shut down; newer equipment is not compatible  
 23 with older generation equipment. Cal Water also provided a letter from the  
 24 manufacturer validating the replacement needs.

25 RESOLUTION: Based on the information provided in Cal Water’s rebuttal, Parties  
 26 agree that the project is needed and should be included in this GRC at settled cost  
 27 estimate above.

1 References: Exhibit CWS-40, pages 398-405; Exhibit ORA-10, page44; Exhibit CWS-111,  
 2 page 197 and attachments.

3 **7) 99125, 99265 – NEW COMPRESSED AIR FOR WTP MICROFILTRATION**  
 4 **PROCESS**

PID(s)	Year	Application	ORA Report	Settlement
99125	2016	\$ 160,870	\$ -	\$ 160,870
99265	2016	\$ 156,638	\$ -	\$ 156,638

5  
 6 ISSUE: Cal Water proposed routine replacement of compressed air systems for  
 7 the filtration processes at both the Northeast Water Treatment Plant (NEWTP) and the  
 8 Northwest Water Treatment Plant (NWWTP). Cal Water used the high maintenance  
 9 costs of the existing systems as justification for their replacement.

10 ORA recommended disallowing the projects because ORA did not agree with the  
 11 projects’ cost effectiveness, pointing out that the projects’ annual revenue requirement  
 12 is 3.4 times the recorded 5-year annual average maintenance cost.

13 In its rebuttal, Cal Water stated that the projects are needed not for cost savings,  
 14 but for ensure reliability of the water treatment plants’ supply.

15 RESOLUTION: Based on information provided in Cal Water’s rebuttal, Parties  
 16 agree to the need of the projects. Parties agree to 100% of Cal Water’s requested cost  
 17 for PID 99125 for the NEWTP. For the project at the NWWTP, Parties agree that since  
 18 the City of Bakersfield will receive one-half of the benefit, Cal Water’s ratepayers should  
 19 only pay for one-half of the project’s cost.

20 References: Exhibit CWS-40, pages 383-389, pages 406-412; Exhibit ORA-10, pages 41-  
 21 42; Exhibit CWS-111, pages 195-196 and attachments.

22 **8) 100781 – UPGRADES TO STATION 196**

PID(s)	Year	Application	ORA Report	Settlement
100781	2016	\$689,841	\$0	\$0

23  
 24 ISSUE: Cal Water proposed a project to modify the booster pumps at Station 196  
 25 to increase and optimize the production from the well at this station. ORA presented its

1 supply and demand analysis and concluded that additional supply is not needed in this  
 2 zone. Thus, ORA opposed the project.

3 RESOLUTION: In light of the Parties' agreement on other supply-related projects  
 4 for Bakersfield, Cal Water agrees to defer this project at this time.

5 References: Exhibit CWS-40, pages 682-688; Exhibit ORA-10, page 27; Exhibit CWS-111,  
 6 pages 198-199 and attachments.

7 **D. BAKERSFIELD: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097419	Bakersfield CP System Upgrade -2016 - Sta.45 Tank 1, Sta.73 Tank 5, Sta.87 Tank 7	\$56,010
2016	00097762	Replace the existing 10,000 gal pressure tank at Sta. 100 which was installed in 1954.	\$221,860
2016	00097886	Replace existing pumps that have worn out and are over 3 years old. Repair parts are over half price of a new pump.	\$27,226
2016	00098072	Replacement of pump and motor.	\$67,092
2016	00098074	Replacement of pump and motor.	\$52,607
2016	00098075	Replacement of pump and motor.	\$0
2016	00098077	Replacement of pump and motor.	\$0
2016	00098078	Replacement of pump and motor.	\$0
2016	00098079	Replacement of pump and motor.	\$52,607
2016	00098081	Replacement of pump and motor.	\$191,174
2016	00098084	Replacement of pump and motor.	\$94,287
2016	00098526	Replacement of 4 control valves in Bakersfield. Location: 101_000_CV004, 101_000_CV016, 101_000_CV003, 101_045_VLV	\$117,065
2016	00098619	Overhaul of Control Valves in the Bakersfield District - 2016	\$39,070
2016	00098674	Replace the existing RTU panels at a total of 5 stations in BK District. Locations TBD	\$0
2016	00098690	Update RTU and Install control valve (Cla-Val) to take more water from University Tanks to Skyline Tanks.	\$45,568
2016	00099019	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
2016	00099021	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
2016	00099038	Replace 2 trailer mounted portable air compressors, existing compressors will not meet new CARB regulations which take effect on 01/01/2017	\$45,072
2016	00099048	Replace/purchase, field equipment for 2016 due to age and wear. Jackhammers, rock drill, trench pumps, locators box and stick.	\$44,908
2016	00099062	Field tools for operators	\$16,390
2016	00099083	Purchase and spread 3/4" rock on dirt area at various Bakersfield pump stations	\$0

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Year	PID	Description	Settlement
2016	00099110	Vehicle Replacements > 120,000 miles	\$339,814
2016	00099125	Purchase and install a new compressed air system for the NE WTP microfiltration process. System includes compressors, dryers, and receiver tanks.	\$160,870
2016	00099135	Replace on-line compliance turbidimeters at the NE WTP. On-line turbidimeters are required by regulations for process monitoring.	\$192,200
2016	00099265	Purchase and install a new compressed air system for the NW WTP microfiltration process. System includes compressors, dryers, and receiver tanks.	\$78,319
2016	00099407	Replace V204044 two years ahead of projection of vehicle to reach 120,000 miles due to repairs performed on vehicle.	\$0
2016	00100781	This project will provide upgrades to Station 196, so that the booster pump capacity will match the capacity of the existing well pump (600 gpm). This project will involve demolition of miscellaneous mechanical and electrical equipment at the site. Installation of a single booster pump along with panel board (electrical) upgrades, flow meter, motor VFD, and generator. Upgrade is required to meet water supply needs in the North Garden service area.	\$0
2016	00101575	The existing "farm" tanks Sta. 87 cannot be taken out of service for any maintenance works without need to shut down entire station operations first.	\$37,311
2016	00102082	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
2016	00102083	Conversion of 930 Flat Rate Services to Metered Services	\$930,000
2016	00102111	AMI Upgrade Flat to Metered Program (3-year program) - Marginal Cost to install AMI when installing a meter in the flat-to-meter program	\$0
2016	101MRP16	2016 Main Replacement Program Bakersfield	\$5,764,150
2016	101-NON-SP	101- Bakersfield Non-specific	\$3,186,720
2016	BKD0900	Meter Replacement Program	\$413,783
2017	00097420	Upgrade Cathodic Protection Systems at Stations: 100-T3, 116-T1, 116-T2, 116-T3, 116-T4	\$95,684
2017	00097728	The existing 5,000 gal pressure tank was installed in 1953 (see Attach 1). The unit will have been in service for 63 years by 2016. In short, the unit has reached the end of its useable useful life and replacement is needed for better station efficiency and improvement in operations.	\$150,993
2017	00097899	Replace the existing 10,000 gal pressure tank at Sta. 116, which was installed in 1953.	\$127,411
2017	00097936	Install 30" manway on Tank 1 and replace interior Saf-T-Climb rail on the interior ladder for Tank 4.	\$20,250
2017	00098008	BK 45 efg galvanized metal building and panelboard removal and replacement with outdoor station/panelboard	\$426,487
2017	00098092	Replacement of pump and motor.	\$0



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Year	PID	Description	Settlement
2017	00098093	Replacement of pump and motor.	\$58,917
2017	00098251	Replace existing chlorine pumps that have worn out and are over 3 years old. Repair parts are over half price of a new pump. We'll be installing Pulsatron pumps	\$27,907
2017	00098444	BK 89 Galvanized Metal Building removal and replacement	\$331,140
2017	00098532	Replacement of 1 control valve in Bakersfield. Location: 101_000_CV022	\$29,998
2017	00098626	Overhaul of Control Valves in the Bakersfield District - 2017	\$40,044
2017	00098679	Replace a total of 5 RTUs in BK District. Stations TBD	\$0
2017	00098696	Install Flow meters at 4 of the following 9 Stations 87, 45, 73, 100,116, 176, 186, 194, 196	\$183,643
2017	00098810	Replace existing auxiliary engine with 150 kW generator	\$0
2017	00098847	Replace existing auxiliary engine at BK 150 with new 150 kW generator	\$198,948
2017	00098977	Install a 10 PRV at Turnout with KCWA (Mohawk St & Ragusa Ln)	\$282,510
2017	00098992	Seismic retrofit of the storage tank inlet and outlet at Sta. 194 T1 with EBAA Flex Tend connection.	\$94,517
2017	00099040	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
2017	00099041	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
2017	00099054	Replace-purchase field equipment for 2017 due to age and wear	\$39,199
2017	00099068	Field equipment for pump operators	\$16,800
2017	00099082	To purchase 20 conference room chairs for the BK Field yard	\$0
2017	00099086	PURCHASE AND SPREAD 3/4" ROCK ON DIRT AREA TO REDUCE DUST AND WEEDS	\$0
2017	00099111	Vehicle Replacements > 120,000 miles	\$353,800
2017	00099127	Replace capacitors on two raw water pump VFD's at NE WTP raw water pumping plant.	\$115,914
2017	00099140	Standby generator for the raw water pumping plant at the NE WTP.	\$858,709
2017	00099160	Replace 144 filter modules at the NE WTP	\$382,889
2017	00099199	Replace electrical panelboard (indoors) at BK Sta. 81	\$0
2017	00099269	Replace on-line compliance turbidimeters at the NW WTP. On-line turbidimeters are required by regulators for process monitoring.	\$48,622
2017	00099270	Replace chemical feed pumps at the NW WTP.	\$144,177
2017	00099274	Remove galvanized metal building and panelboard. Replace with outdoor panelboard and acoustic shelter.	\$0
2017	00099297	Purchase and install new security cameras for the NE Treatment Plant and NE Raw Water Pumping Plant	\$123,852
2017	00099299	Purchase new tractor for solids handling process at NE WTP	\$60,426
2017	00099719	Arsenic Treatment Well 202-01	\$1,769,485
2017	00099780	Replace all modules (360 total) on the four production racks at NW WTP.	\$347,429
2017	00099781	Convert backwash recovery rack at NW WTP to a production rack.	\$416,651

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Year	PID	Description	Settlement
2017	00102087	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
2017	00102088	Conversion of 930 Flat Rate Services to Metered Services	\$953,249
2017	00102115	AMI Upgrade Flat to Metered Program (3-year program)- Marginal Cost to install AMI when installing a meter in the flat-to-meter program	\$0
2017	101MRP17	2017 Main Replacement Program Bakersfield	\$5,908,254
2017	101-NON-SP	101- Bakersfield Non-specific	\$3,259,360
2017	BKD0900	Meter Replacement Program	\$424,128
2018	00097438	Upgrade cathodic protection system at 2 of the following 3 locations - BK- Sta.148 Tank 2, Sta.161 Tank 1, and Sta.188 Tank 1	\$38,846
2018	00097938	Install CWS standard tank hatch and interior ladder with Saf-T-Climb rail on the interior of the tank. Sta. 164-T1	\$27,196
2018	00097994	BK STA 42 galvanized metal building removal and replacement, station piping change and panelboard replacement.	\$0
2018	00098047	Replace existing auxiliary engine at Sta. 157 with portable generator and automatic transfer switch	\$100,000
2018	00098094	Replacement of pump and motor.	\$71,896
2018	00098096	Replacement of pump and motor.	\$60,390
2018	00098124	Replace ex 9,500 gal pressure tank at Sta. 83	\$133,092
2018	00098269	Replace existing pumps that have worn out and over 3 years old. Repair parts are over half the price of a new pump.	\$18,389
2018	00098528	Replacement of 4 control valves in Bakersfield. Location: 101_045_CV008, 101_045_CV008, 101_045_CV008, 101_045_CV008	\$0
2018	00098628	Overhaul of Control Valves in the Bakersfield District - 2018	\$0
2018	00098688	Replace a total of 5 RTUs in BK District. Stations TBD	\$0
2018	00098844	Replace existing auxiliary engine at BK 049 with new 150kW generator	\$0
2018	00098850	Replace existing auxiliary engine at Sta. 116 with 150 kW generator	\$0
2018	00098966	Seismic upgrade, inlet and outlet pipe, of Tank T1 at Station 164	\$140,303
2018	00098967	Install a 10 inch pressure reducing valves (PRV's) at SW Meany Ave & Alken Street.	\$0
2018	00099018	Install Flow Control on Ex. 10" Pipeline	\$350,933
2018	00099042	Conversion of 930 Flat Rate Services to Metered Services	\$977,080
2018	00099044	Conversion of 930 Flat Rate Services to Metered Services	\$977,080
2018	00099058	2018 Field Equipment Replace and purchase due to wear and age.	\$48,789
2018	00099073	Filed equipment for pump operators	\$17,220
2018	00099088	Spread 3/4" Rock on dirt area to reduce dust and weeds	\$0
2018	00099112	Vehicle Replacements > 120,000 miles	\$261,141
2018	00099154	Replace chemical feed pumps at NE WTP. Pumps will be 14 years old, are outdated, and expensive to maintain.	\$501,724
2018	00099165	Replace 144 filter modules at the NE WTP	\$635,239

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Year	PID	Description	Settlement
2018	00099527	Seismic retrofit of the storage tank inlet and outlet with EBAA Flex Trend connections Sta.210-T1. Inlet and outlets are 12-inches in diameter and 16-inches in diameter respectively.	\$148,886
2018	00099818	New well addition in North Garden West - Well #2	\$0
2018	00099820	New well addition in S West - Well #1 Prospective Well Location To Be At Station 198	\$1,964,470
2018	00102089	Conversion of 930 Flat Rate Services to Metered Services	\$977,080
2018	00102090	Conversion of 930 Flat Rate Services to Metered Services	\$977,080
2018	00102116	AMI Upgrade Flat to Meter Program (3-year program)- Marginal Cost to install AMI when installing a meter in the flat-to-meter program	\$0
2018	101MRP18	2018 Main Replacement Program Bakersfield	\$6,055,960
2018	101-NON-SP	101- Bakersfield Non-specific	\$3,331,440
2018	BKD0900	Meter Replacement Program	\$434,731

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. BAKERSFIELD: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2018	00098348	New well addition in North Garden West - Well #1	\$2,090,099
2018	00099166	Replace SCADA software and hardware	\$1,590,809
2018	00099267	SCADA NW WTP	\$103,800
2018	00099821	Water supply South West – New Well	\$2,039,120
2016	00064433	Treatment for TCE at Station 146	\$2,067,148
2016	00076395	NW Bakersfield Treatment Plant Enhancements	\$2,852,112

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5  
 6

[END OF CHAPTER]

1           **CHAPTER 16.           BAYSHORE DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11           The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16           The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23           The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26           Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1           **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$10,173,743
2017	\$7,216,745
2018	\$11,251,588
Total	\$28,642,076

2

3           The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9           The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12           Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16           **C. BAYSHORE: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17           **1) 98495 – SAN CARLOS STATION 103 REBUILD**

PID(s)	Year	Application	ORA Report	Settlement
98495	2016	\$1,453,487	\$1,366,329	\$1,453,487

18

19           ISSUE: Cal Water proposed this project to demolish and remove an existing  
 20 concrete tank to be replaced with a block building and associated pumping facilities. Cal  
 21 Water completed the conceptual design in PID 60796 to develop project scope and  
 22 obtain use permits. Cal Water’s plan is to reutilize one existing Pump E, retire Pump D,  
 23 and to add two new pumps for a combined final plan of three pumps at this station.

1           ORA did not agree with a component of this project, specifically the installation  
 2 of two new pumps. ORA argued that the new pump capacity is not needed, because Cal  
 3 Water overstated its pumping capacity requirement by calculating it using the maximum  
 4 day demand (MDD) from the past ten years. Based on the sharp decline in demands  
 5 since 2005, ORA recommended using 2010-2014 demand data to determine pumping  
 6 capacity requirement. ORA’s calculated pumping capacity requirement is therefore  
 7 lower than Cal Water’s by 0.49 million gallons per day (MGD).

8           RESOLUTION: Parties did not agree on the demand numbers to calculate  
 9 pumping capacity requirement, but did discuss the Water Supply and Facilities Master  
 10 Plan and reviewed the operations and zones that this station supports. Parties agree  
 11 that it is not ideal to replace Pump D that had been replaced only eight years ago;  
 12 however, Parties agree that the existing Pump D is not compatible with the final design  
 13 of the station, which incorporate much more energy efficient vertical turbine type  
 14 boosters. Parties agree that Pump E is a vertical turbine pump and should be reused in  
 15 the new design. In summary, Parties agree that the project should be completed as  
 16 planned, with two new pumps and reusing one pump.

17 References: Exhibit CWS-41, pages 321-339; Exhibit ORA-9, pages 46-48; Exhibit CWS-  
 18 111, pages 28-29 and attachments.

19           **2) VARIOUS SUPPLY PROJECTS**

- 20           98548 – ACQUIRE LAND FOR NEW WELL
- 21           102027, 102028 – BRACKISH GROUNDWATER AQUIFER TEST
- 22           98553 – DRILL, DEVELOP, AND EQUIP SAN MATEO WELL
- 23           98589 – DRILL, DEVELOP, AND EQUIP WELL STA. 1-25

24

PID	Description	Year	Application	ORA Report	Settlement
98548	Acquire Land for Well	2016	\$1,015,446	\$0	\$0
102027	Brackish groundwater test	2017	\$1,401,222	\$0	\$0
102028	Brackish groundwater test	2017	\$700,611	\$0	\$0
98553	New San Mateo Well	2018	\$1,015,446	\$0	\$0
98589	New SSF Well	2018	\$2,160,400	\$0	\$0

25

26           ISSUE: Cal Water proposed these supply projects because most of the supply for  
 27 the Bayshore District comes from purchased water from San Francisco Public Utilities

1 Commission (SFPUC) and the rest from localized groundwater in South San Francisco.  
 2 Cal Water states that the cost of the SFPUC supply continues to increase and there is a  
 3 need for additional supply in the three Bayshore systems. The Water Supply and  
 4 Facilities Master Plan calls for additional wells in these systems to meet the projected  
 5 demand.

6 Cal Water proposed a brackish water desalinization pilot project, the purchase of  
 7 land and construction of a new well in San Mateo, and a replacement well in the existing  
 8 well field in South San Francisco. The goal of these projects is to improve system  
 9 reliability and to provide local supply during SFPUC shutdowns and during emergencies.

10 ORA recommended disallowance of all of these projects because they indicate  
 11 that the total demand for Cal Water’s Bayshore and Bear Gulch Districts has been  
 12 consistently under the Individual Supply Guarantee (ISG).

13 For the brackish water study, ORA also raised issues regarding alternative  
 14 funding sources, permit requirements, and alternative options for supply (e.g., recycled  
 15 water or groundwater and storage to meet the customer demand). ORA also contested  
 16 Cal Water’s request for additional land for a future well site due to uncertainty  
 17 regarding in locating land for well sites for previously approved projects.

18 **RESOLUTION:**

19 Given the projects’ uncertainties, especially in land acquisition, Parties agree  
 20 that this suite of projects should be excluded from this case.

21 References: Exhibit CWS-41, pages 357-373 and 445-456; Exhibit ORA-9, pages 28-33;  
 22 Exhibit CWS-111, pages 20-28 and attachments.

23 **3) 99296 – INSTALL SECURITY WINDOWS AT CUSTOMER SERVICE CENTER**

PID	Description	Year	Application	ORA Report	Settlement – Advice Letter
99296	Security Windows at Customer Service Center	2016	\$196,060	\$0	\$196,060

24  
 25 ISSUE: Cal Water is in the process of rebuilding its customer service center in the  
 26 Bayshore District (PID 63397). This rebuilding was authorized as an advice letter project



1 in the 2012 GRC and was carried over into this GRC. Subsequent to the authorization of  
 2 that project, Cal Water changed the company’s standard for security glass to protect  
 3 Customer Service Representatives handling cash. These security windows were not  
 4 originally anticipated for the new building. However, once identified, Cal Water  
 5 proposed to include this project in the 2015 GRC.

6 ORA did not object to the need for the project; however, ORA recommended  
 7 that this project be combined under the advice letter project for the operations center  
 8 rebuilding (PID 63397), because it is dependent on the design of the operations center.

9 RESOLUTION: Parties discussed the problems with added scope to an advice  
 10 letter project without increasing budget. Parties agree that Cal Water should be  
 11 authorized to complete this project as an advice letter project in parallel with the  
 12 operations center rebuilding project. Cal Water can then file for rate recovery of both  
 13 projects upon their completion.

14 References: Exhibit CWS-41, pages 340-344; Exhibit ORA-9, pages 48-50; Exhibit CWS-  
 15 111, pages 32-34.

16 **4) 98596 – STATION 106 REBUILD**

PID(s)	Year	Application	ORA Report	Settlement
98596	2018	\$635,161	\$324,777	\$349,843

17  
 18 ISSUE: Cal Water proposed a partial rebuild of this station and stated that the  
 19 site has a deteriorating metal pump building, malfunctioning piping accessories, and  
 20 erosion issues. Cal Water’s plan was to replace the building with a pump shelter,  
 21 replace the check valve and flow sensor, and install erosion control measures.

22 ORA recommended only a portion of this project including the piping. ORA  
 23 disagreed with the building replacement and recommended maintenance to address  
 24 peeling paint issues. In addition, ORA disagreed with the need to replace the electrical  
 25 panelboard that Cal Water had recently replaced.

26 RESOLUTION: Cal Water acknowledged that the electrical equipment  
 27 component of this project had been recently completed as authorized in the 2012 GRC,  
 28 and that Cal Water inadvertently included that component with this proposed project.

1 Parties therefore agree that the electrical panelboard replacement component should  
 2 not be included in this project.

3 The Parties agree with the need to replace the pumping building and settled on a  
 4 revised project cost of \$349,843 (after removing the panelboard and electrical  
 5 equipment portion of PID 98596).

6 References: Exhibit CWS-41, pages 430-437; Exhibit ORA-9, pages 25-26; Exhibit CWS-  
 7 111, pages 51-52.

8 **D. BAYSHORE: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097539	San Francisco CP System Upgrade -2016 - Sta.11 Tank 1, Sta.11 Tank 2	\$37,340
2016	00097618	Upgrade Cathodic Protection System on Mid Peninsula Tanks located at stations 17-T2, 119-T1, 24-T1, 24-T2, 25-T2	\$93,350
2016	00097619	Upgrade Cathodic Protection System on Mid Peninsula Tanks located at stations 106-T2, 106-T3.	\$37,340
2016	00097862	Replacement of 30 Hp Submersible pump and motor.	\$61,936
2016	00097866	Replace panelboard at San Mateo Sta. 27	\$317,180
2016	00097893	Replace panelboard at San Mateo Sta. 24	\$0
2016	00098021	Trailers for CAT skid steers to be able to transport units to field if needed.	\$0
2016	00098147	Hydrant Meter Reduced Pressure Principal Assembly	\$33,559
2016	00098160	Install a 150 kW generator at MPS Operations Center	\$196,492
2016	00098190	Hydrant Meter Reduced Pressure Principal Assembly	\$25,814
2016	00098261	Replace pump, foundation, and piping.	\$57,148
2016	00098275	Replace transfer switch at SSF Sta. 5	\$56,384
2016	00098277	Replace transfer switch at San Mateo Sta. 29	\$0
2016	00098304	Replace a flow meter and vault at Station 2 or at Station 4	\$48,933
2016	00098318	Trimble Navigation GPS device to document New main facility installations.	\$0
2016	00098325	Replace Flow meter and vault at Station 26, San Mateo	\$11,628
2016	00098373	New shelving and racks for storeroom materials at Operation Center. Retire existing shelving that are falling apart.	\$10,927
2016	00098374	Garage port for equipment storage (i.e. compressor, forklift, booster, skip loader)	\$0
2016	00098375	Lighting for CWS vehicle parking area and materials. The current lighting does not supply enough light at the operation yard (cws vehicles, materials) Retire two existing light poles with Halogen lights.	\$98,937
2016	00098376	New locating equipment for locating facilities. Retire two locating equipment.	\$16,390

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Year	PID	Description	Settlement
2016	00098377	Purchase Two New Oxygen Analyzers Abandon Two Oxygen Analyzers - RKI Model GX 2003 - Work Order 20620 Activity 3780-1	\$6,556
2016	00098378	Color copy machine to print oversized maps and office color copier.	\$21,853
2016	00098379	Two portable regulators	\$0
2016	00098380	Sludge area bin for Vac Truck spoils. Current bins is cracked and broken and do not meet current standards.	\$0
2016	00098381	Install new spoil, sand, and rock bins with covers. Current bins are uncovered and bin walls are craked and broken.	\$0
2016	00098383	Pipe Racks for Operation Center yard.	\$21,853
2016	00098384	Filing Cabinets	\$54,633
2016	00098385	Additional Outdoor Furniture for new Customer/Operation Center. Plus need additional outdoor furniture for new building..	\$10,927
2016	00098443	Overhaul of Control Valves in the Bayshore District - 2016	\$65,000
2016	00098449	Overhaul of Control Valves in the South San Francisco District - 2016	\$13,657
2016	00098495	Demolish existing White Oaks Tank and reconstruct pump station Sta. 103.	\$1,453,487
2016	00098506	Replacement of 4 of the following 5 control valves in Mid Peninsula MPS (SC) 117, MPS (SC) 118, MPS 0-CV12, MPS 0-CV17, MPS 0-CV26	\$117,065
2016	00098535	Purchase 5 Hach 900's and 4 Hach PH probes in order to perform various water quality tests.	\$10,927
2016	00098548	Acquire land for new well.	\$0
2016	00099113	Vehicle Replacements > 120,000 miles	\$205,661
2016	00099278	Replace fencing at Sta.25 with new CWS standard 8 ft fence with three strands of barbed wire on top. 550 ft	\$0
2016	00099279	Replace fence at Sta. 101 with new CWS standard 8ft fence with three strands of barbed wire on top. 350 ft	\$0
2016	00099280	Replace fencing at Sta. 107 with new CWS standard 8 ft fence with three strands of barbed wire on top. 335 ft	\$0
2016	00099293	Existing well pumps need to be upsized for the new head requirements including three electrical upgrades. Two boosters need to be replaced.	\$406,964
2016	00099302	Replace roof and install gutters and paint building to prolong life of building	\$0
2016	00099304	Install site drainage at Sta. 107 to keep runoff away from pumphouse, electrical panel and shed	\$0
2016	00099307	Widen driveway and install safety railing at Sta. 115 in San Carlos.	\$284,442
2016	00099335	2016 Main Replacement Program Bayshore	\$4,124,847
2016	116-NON-SP	116- Mid Peninsula Non-specific	\$0
2016	118-NON-SP	118- So. San Francisco Non-specific	\$0
2016	152-NON-SP	152- Bayshore Non-specific	\$1,808,420

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Year	PID	Description	Settlement
2016	SMD0900	Meter Replacement Program	\$324,365
2016	SSF0900	Meter Replacement Program	\$139,727
2017	00097652	Upgrade Cp system at San Francisco tanks - 12 -T1, 13 -T1	\$38,273
2017	00097759	Tank Mixing Equipment San Mateo station 24 Tank 1 & 2	\$0
2017	00097876	Replacement of horizontal pump and 100Hp motor (SSF001-D)	\$68,824
2017	00097877	Replacement of pump and 15 Hp motor (MPS 120-A)	\$53,922
2017	00098338	Install 30" manway and repair rafters ends at SSF 001-T1 and replace the existing vent with 24" cupola vent and replace roof hatch (24x24) at SSF 001-T2	\$76,479
2017	00098367	Purchase 3ea. Chemical Storage containers for Operation Center	\$55,998
2017	00098420	Install 36" cupola vent and replace 10' of upper interior ladder at SSF Sta.11 Tank 1 and Install 30" manway, replace 10' of upper interior ladder and replace anti-climb door at SSF Sta.11 Tank 2.	\$41,582
2017	00098437	Install 30" manway and install steel coupons to close of the shell vents (4 on each tank) at both Tanks 1 & 2 at Sta.27 and replace the 48" cupola vent and install 3- 24" cupola vents at Sta.27 Tank 1	\$86,692
2017	00098445	Overhaul of Control Valves in the Bayshore District - 2017	\$65,781
2017	00098451	Overhaul of Control Valves in the South San Francisco District - 2017	\$13,995
2017	00099260	Replace fencing Station 6 to meet CWS standard ( 8 ft fencing with three strands of barbed wire on top) - 1,300 ft in total	\$0
2017	00099266	Replace fencing at Sta. 28 to new CWS standards of 8 ft fence with three-strand barbed wire on top. 400 ft	\$0
2017	00099273	Replace fencing at Sta. 115 to new CWS standards to 8 ft fences with three strands of barbed wire on top. 1,000 ft	\$0
2017	00099275	Replace fencing at Sta. 116 to new CWS standard of 8 ft fence with three strands of barbed wire on top. 950 ft	\$0
2017	00099276	Install gutters at Sta. 6 pump building and improve drainage at site	\$0
2017	00099277	Replace fencing at Sta. 12 to new CWS standards of 8 ft fence with three strands of barbed wire on top. 900 ft	\$0
2017	00099287	Install gutter to improve drainage at site Sta. 28	\$0
2017	00099337	2017 Main Replacement Program Bayshore	\$4,227,969
2017	00102027	Perform brackish groundwater aquifer conductivity test at the San Mateo WWTP to determine potential yield from Desalination Plant that will supplement the water supply needs for the San Francisco Peninsula Districts	\$0
2017	00102028	Perform brackish groundwater aquifer conductivity test at the San Mateo WWTP to determine potential yield from Desalination Plant that will supplement the water supply needs for the San Francisco Peninsula Districts	\$0
2017	116-NON-SP	116- Mid Peninsula Non-specific	\$0
2017	118-NON-SP	118- So. San Francisco Non-specific	\$0
2017	152-NON-	152- Bayshore Non-specific	\$1,851,132

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Year	PID	Description	Settlement
	SP		
2017	SMD0900	Meter Replacement Program	\$332,474
2017	SSF0900	Meter Replacement Program	\$143,220
2017	00098186	Replace existing 3,000 gal hydropneumatic tank, foundation, and piping at Sta. 119.	\$160,404
2018	00097622	Upgrade Cathodic Protection System on Mid Peninsula Tanks located at stations 25-T3, 27-T1, 27-T2, 29-T1, 30-T1	\$104,987
2018	00097632	Tank Mixing Equipment San Mateo station 27 Tank 1 & 2	\$325,719
2018	00098123	Replace existing 3,000 gal hydropneumatic tank, foundation, and piping at Sta. 25.	\$156,492
2018	00098166	Replace existing 3,000 gal hydropneumatic tank, foundation, and piping at Sta. 115.	\$0
2018	00098172	Replace panelboard at SC 119	\$256,615
2018	00098368	Vacuum Truck for Potholing, leaks, tank cleaning & street cleaning. We will not be retiring our existing Vac Truck.	\$307,991
2018	00098479	Install an additional 30" manway, replace roof lip and floor chime, along with the berm around the tank- MPS Sta.23 Tank 1	\$237,281
2018	00098510	Replacement of 4 of the following 5 control valves in Mid Peninsula MPS (SM) 002, MPS (SM) 003, MPS (SM) 006, MPS (SC) 118, MPS 0-CV44	\$119,991
2018	00099114	Vehicle Replacements > 120,000 miles	\$167,995
2018	00097357	Upgrade Cathodic Protection System at Mid Peninsula Tanks 109-T2, 115-T1, 118 -T1, 118-T2, 120-T1, 123-T3	\$117,691
2018	00097661	Upgrade Cp system at San Francisco tanks: 14-T1, 1-T1	\$39,230
2018	00097761	Tank Mixing Equipment San Mateo station 17 Tanks 1, 2, & 3	\$176,751
2018	00097763	Tank Mixing Equipment San Mateo station 25 Tanks 1, 2, & 3	\$143,251
2018	00097765	Tank Mixing Equipment South San Francisco station 8 Tank 1	\$0
2018	00097879	Replacement of pump and 100Hp motor (MPS 26-B)	\$0
2018	00097880	Replacement of pump and 75 Hp motor (MPS 27-C)	\$70,488
2018	00097881	Replacement of pump and 75 Hp motor (MPS 27-D)	\$70,488
2018	00097882	Replacement of pump and 15 Hp motor (MPS 119-B)	\$55,270
2018	00097884	Replacement of pump and 40 Hp motor (MPS 119-C)	\$55,270
2018	00097982	Replace panelboard at San Carlos Sta. 107	\$0
2018	00097985	Replace panelboard MPS 112	\$0
2018	00098038	Purchase 7 telog units in order to monitor system pressures. Retire 7 telog units	\$11,480
2018	00098180	Replace existing 3,000 gal hydropneumatic tank, foundation, and piping at Sta. 116.	\$0
2018	00098278	Install portable generator quick connect at San Carlos Sta. 120	\$0
2018	00098281	Install portable generator quick connect at San Mateo Sta. 26	\$59,777
2018	00098448	Overhaul of Control Valves in the Bayshore District - 2018	\$66,927
2018	00098454	Overhaul of Control Valves in the South San Francisco District - 2018	\$23,495
2018	00098514	Replacement of 2 of the following 5 control valves in Mid Peninsula	\$76,869

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Year	PID	Description	Settlement
		MPS (SM) 025, MPS 0-CV45, MPS 0-CV47, MPS 0-CV63, MPS 0-CV65	
2018	00098516	Replacement of 1 of the following 2 control valves in South San Francisco. Location: SSF 0-CV3, SSF 0-CV4	\$30,748
2018	00098533	Install flow meters at 6 of the following 8 Stations 6, 12, 22, 23, 25, 27, 28, 29 San Mateo	\$253,597
2018	00098553	Drill, Develop, and Equip San Mateo Well	\$0
2018	00098589	Drill, Develop, and Equip Well - Sta. 1-25	\$0
2018	00098594	Replace building Sta. 22 booster C, add portable generator quick connect, piping, and landscaping.	\$958,325
2018	00098596	Replace Sta. 106 building with pump shelter, replace fence, grade site, and install drainage. Install portable generator quick connect.	\$349,843
2018	00099115	Vehicle Replacements > 120,000 miles	\$130,868
2018	00099254	Replace Flow meter and Vault at stations SSF-5,7,and 101	\$158,256
2018	00099281	Upgrade fencing at Sta. 112 with new CWS standard 8 ft fence with three strands of barbed wire on top. 700 ft	\$0
2018	00099300	Purchase 8 Hach 900's to perform various water samples	\$11,480
2018	00099338	2018 Main Replacement Program Bayshore	\$4,333,668
2018	116-NON-SP	116- Mid Peninsula Non-specific	\$0
2018	118-NON-SP	118- So. San Francisco Non-specific	\$0
2018	152-NON-SP	152- Bayshore Non-specific	\$1,893,160
2018	SMD0900	Meter Replacement Program	\$340,787
2018	SSF0900	Meter Replacement Program	\$146,801

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. BAYSHORE: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00020141	Design & Equip 4MG Storage Tanks - Sta. 27, Beresford - San Mateo	\$2,403,200
2016	00061972	Land - SM Well	\$921,000
2017	00060861	Water Storage - Tank (San Carlos)	\$1,000,000
2017	00061318	Water Supply - Well at Station 1-24	\$1,189,243
2017	00063397	Operations/Customer Service Center	\$10,200,000
2017	00063402	Office Furniture - Operations Center	\$204,000
2017	00063772	Tank Replacement - Sta. 6 - San Mateo	\$6,020,000
2018	00061336	Drill, Develop and Equip - SM Well	\$1,348,941
2016	00099296	Security windows in new building	\$203,510

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<b>Expected Filing Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement – Advice Letter</b>
2018	00099103	Replace SCADA software and hardware	\$922,538

1                   \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

2

3

[END OF CHAPTER]

1           **CHAPTER 17.           BEAR GULCH DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11           The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16           The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23           The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26           Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in



1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$10,970,763
2017	\$8,724,593
2018	\$12,942,066
Total	\$32,637,422

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. BEAR GULCH: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 97519 – STATION 45 REBUILD**

PID(s)	Year	Application	ORA Report	Settlement
97519	2018	\$1,104,908	\$0	\$1,104,908

18

19 ISSUE: Cal Water proposed to replace the existing station assets at Station 45  
 20 due to the poor condition of the tank and pump station (e.g. pumps and associated  
 21 electrical equipment). Cal Water stated that the poor condition of the existing tank  
 22 required the tank to be taken out of service. In addition, Cal Water stated that the  
 23 station faces operational problems since only one pump is capable of operating at a

1 time and the discharge valves must be manually throttled to avoid damage to the  
 2 distribution system.

3 ORA recommended that Cal Water complete the Water Master Plan for Skyline  
 4 and Woodside Mutual systems (as proposed project PID 97631) prior to starting the  
 5 Station 45 rebuild project. Doing so will allow Cal Water to analyze the water demand,  
 6 existing facilities, and determine water supply requirements in order to prioritize for  
 7 future system improvements based on the Water Master Plan’s recommendations.

8 **RESOLUTION:** While Parties agree that the Water Master Plan for the Skyline  
 9 and Woodside Mutual should be completed to provide recommendations for Cal Water  
 10 to address the systems’ supply and reliability goals in a cost effective matter, the  
 11 conditions and vulnerabilities of this station necessitate the need for the rebuild  
 12 concurrent with the Water Master Plan to ensure customer safety and reliable station  
 13 operations. Parties agree to include this project in this GRC.

14 **References:** Exhibit CWS-42, pages 590-599; Exhibit ORA-9, pages 85-88; Exhibit CWS-  
 15 111, pages 150-151.

16 **2) 98344 – INSTALL A NEW 8” DI MAIN TO CONNECT WOODSIDE MUTUAL**  
 17 **ZONE 1810 TO SKYLINE SYSTEM ZONE 1610**

PID(s)	Year	Application	ORA Report	Settlement
98344	2016	\$2,102,960	\$0	\$0

18

19 **ISSUE:** Cal Water proposed this system interconnection between two recently  
 20 acquired systems to improve reliability to both areas, as well as to other parts of the  
 21 Bear Gulch System. Having this pipeline interconnection could allow water from  
 22 different wholesale turnouts to be utilized in different areas of the districts, improving  
 23 emergency operations.

24 ORA recommended that Cal Water complete the water master plan for the  
 25 Skyline and Woodside Mutual systems (as proposed in PID 97631) prior to starting the  
 26 proposed new pipeline project. ORA recommended that the water master plan include  
 27 a hydraulic model to evaluate the effectiveness of different project improvement  
 28 designs and to help determine the optimal solution.

1            **RESOLUTION:** Parties acknowledge that a water master plan would provide a  
 2 roadmap to system optimization and integration. The master plan will also help identify  
 3 the short-term and long-term system improvements required for this area. Cal Water  
 4 submitted the water master plan project request in this GRC, and planned to pursue  
 5 that project concurrent with this interconnection project. Cal Water agrees to defer its  
 6 request for this interconnection project, and will readdress the need for and benefit of  
 7 this project after the completion of the proposed water master plan for the area.

8            **References:** Exhibit CWS-42, pages 525-557; Exhibit ORA-9, pages 85-88; Exhibit CWS-  
 9 111, pages 133-134.

10            **3) 99325 – STATION 46 ORCHARD HILLS RE-BUILD**

PID(s)	Year	Application	ORA Report	Settlement
99325	2016	\$ 1,993,169	\$0	\$ 1,993,169

11  
 12            **ISSUE:** Cal Water proposed this project to replace existing redwood tanks  
 13 experiencing failing roofs, deteriorated walls, and failing foundations. Cal Water stated  
 14 that compromised structural integrity of the tanks was evident in the numerous leaking  
 15 holes and roof openings that posed a health risk. The Department of Public Health  
 16 inspected the tanks and facilities and required that Cal Water replace the tanks as soon  
 17 as possible. Cal Water installed temporary polyethylene tanks, which have replaced the  
 18 redwood tanks. This project was intended to replace the temporary tanks with  
 19 permanent bolted steel tanks.

20            ORA recommended the disallowance of this projects until Cal Water performs  
 21 the water master plan (as proposed in PID 97631) to analyze the water demand, existing  
 22 facilities, and determine water supply requirements in order to prioritize for future  
 23 system improvements based on master plan recommendations.

24            **RESOLUTION:** While Parties agree that the water master plan should be  
 25 completed to provide recommendations for Cal Water to optimize the system and to  
 26 address the system’s supply and reliability goals in a cost effective matter, the  
 27 conditions and vulnerabilities of this station necessitate the need for the rebuild

1 concurrent with the water master plan to ensure customer safety. Parties agree to  
 2 include this project in this GRC.

3 References: Exhibit CWS-42, pages 558-589; Exhibit ORA-9, pages 85-88; Exhibit CWS-  
 4 111, pages 134-136 and attachments.

5 **4) 97302 – STA. 42 – 0.25 MG STORAGE TANK**

PID(s)	Year	Application	ORA Report	Settlement
97302	2017	\$1,205,305	\$0	\$1,205,305

6

7 ISSUE: Cal Water proposed this project to replace two tanks with a new single  
 8 tank, because Cal Water stated that the existing tanks are in extremely poor condition.  
 9 The single tank would also allow for maximized storage at this small site.

10 Similar to PID 99325, ORA recommended the disallowance of this projects until  
 11 Cal Water performs the water master plan (as proposed in PID 97631) to analyze the  
 12 water demand and existing facilities, and to determine water supply requirements in  
 13 order to prioritize for future system improvements based on the water master plan  
 14 recommendations.

15 RESOLUTION: While Parties agree that the water master plan should be  
 16 completed to optimize the system and to address the system’s supply and reliability  
 17 goals in a cost effective matter, the conditions and vulnerabilities of this station  
 18 necessitate the need for the rebuild concurrent with the water master plan to ensure  
 19 customer safety. Parties agree to include this project in this case.

20 References: Exhibit CWS-42, pages 417-477; Exhibit ORA-9, pages 85-88; Exhibit CWS-  
 21 111, pages 138-139 and attachments.

22 **5) 97310 – ADDITIONAL STORAGE AT STA. 5- 3MG**

PID(s)	Year	Application	ORA Report	Settlement – Advice Letter
97310	2017	\$4,628,679	\$0	\$4,628,679

23

24 ISSUE: Cal Water proposed construction of a 3-MG welded steel, water storage  
 25 tank at Station 5 because there is not existing storage for the 220 hydraulic zone. That

1 zone is normally served via the Bear Gulch Water Treatment Plant and the San Francisco  
 2 Public Utilities Commission (SFPUC) connections. This project would supply that zone  
 3 should there be an emergency situation when SFPUC supply becomes unavailable.

4 ORA recommended disallowing this project, because based on its analysis the  
 5 proposed additional storage is not needed. ORA argued that the Cal Water overstated  
 6 its storage capacity requirement by calculating it using 2007 customer demand. Based  
 7 on the sharp decline in demands since 2007, ORA recommended using 2013 demand  
 8 data to determine storage capacity requirement. ORA also noted that that there is  
 9 sufficient supply from SFPUC to meet Peak Hour Demand (PHD) and emergency storage  
 10 requirements. ORA further indicated that the likelihood of all the available sources of  
 11 supply going out at once is very minimal.

12 RESOLUTION: The Parties agree that this water storage tank is central to the  
 13 district and that it can be used to meet a variety of emergency needs, including water  
 14 quality events on the SFPUC system and it will provide customers throughout the district  
 15 with a reliable supply during emergencies.

16 The property is currently owned by Cal Water, but since there is the need for  
 17 extensive tree removal and local planning commission requirements, the Parties note  
 18 that there is some uncertainty in the overall schedule. In light of that timing  
 19 uncertainty, Parties agree that this project should be an Advice Letter project.

20 References: Exhibit CWS-42, pages 478-490; Exhibit ORA-9, pages 89-91; Exhibit CWS-  
 21 111, pages 139-141.

22 **6) VARIOUS SUPPLY PROJECTS**

23 97750 – CONSULT HYDROGEOLOGIST & PURCHASE PROPERTY

24 97869 – DRILL NEW WELL & INSTALL TREATMENT AT STA. 44

25 99102 – DRILL NEW WELL & INSTALL TREATMENT

26 102024 – PERFORM BRACKISH GROUNDWATER AQUIFER CONDUCTIVITY TEST

27

PID(s)	Year	Application	ORA Report	Settlement
97750	2017	\$2,633,200	\$0	\$0
97869	2018	\$1,897,925	\$0	\$0
99102	2018	\$3,831,034	\$0	\$0
102024	2017	\$700,611	\$0	\$0

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ISSUE: Cal Water proposed these projects because 90% of the Bear Gulch District supply comes from purchased water from San Francisco Public Utilities Commission (SFPUC) and the rest from local surface supply. Cal Water stated that the cost of the SFPUC supply continues to increase and there is a need for additional supply in the Bear Gulch System. The 2008 Water Supply and Facilities Master Plan calls for wells in the system to meet the projected demand.

Cal Water proposed a brackish water desalinization pilot project, the purchase of land and construction of a new well with Iron and Manganese treatment, and an additional well and treatment at an existing site in a high elevation area. The goals of all of these projects are to improve system reliability and to provide local supply during SFPUC shutdowns and during emergencies.

ORA recommended disallowance of these projects because ORA found that the total demand for Cal Water’s Bayshore and Bear Gulch Districts has been consistently under the Individual Supply Guarantee (ISG).

For the brackish water study, ORA also raised issues regarding alternative funding sources, permit requirements, and alternative options for supply (e.g., recycled water or groundwater and storage to meet customer demand). For the new wells (and associated land purchase), ORA contested the cost effectiveness of the projects, relative to existing purchased water supply.

RESOLUTION: Parties agree that this suite of projects should be excluded from this GRC, because of the uncertainties in the projects, especially in land acquisitions, and because incremental progress is being made with regard to emergency storage and supply in this district (i.e., Parties’ agreement herein to include several storage projects for emergency supply projects in this GRC).

References: Exhibit CWS-42, pages 656-808; Exhibit ORA-9, pages 76-80; Exhibit CWS-111, pages 142-147.

1                   **7) 98036 – NEW TANKS SKEGG BG STA. 48 BOOSTER BG 41**

PID(s)	Year	Application	ORA Report	Settlement
98036	2018	\$ 2,928,884	\$0	\$500,000

2

3                   ISSUE: Cal Water proposed a new tank at a very high elevation in the system to  
 4 ensure that during heavy demand times, pressures would not drop below the 20 psi  
 5 minimum required by Title 22 section 64602. Cal Water stated that this pressure drop  
 6 has been observed at areas of higher elevation in Zone 2370. This project would  
 7 balance demand and resolve these pressure problems, while providing a portion of the  
 8 zone with additional pressure.

9                   Cal Water indicated that the Skyline area currently has a significant storage  
 10 deficiency. Since the proposed Skeggs tanks will be located in the highest area of  
 11 Skyline Boulevard, these tanks can provide storage for all customers along Skyline  
 12 Boulevard.

13                   ORA recommended that Cal Water complete the water master plan for the  
 14 Skyline and Woodside Mutual systems (as proposed in project PID 97631) prior to  
 15 starting the proposed project. ORA asserted that the water master plan should include  
 16 a hydraulic model to evaluate the effectiveness of different project improvement  
 17 designs and to help determine the optimal solution.

18                   RESOLUTION: Parties agree that the water master plan should be completed to  
 19 optimize the system and to address the system’s supply and reliability goals in a cost  
 20 effective matter.

21                   Because of the uncertainty on the timeline due to negotiations with the Mid-  
 22 Peninsula Open Space District regarding easement acquisition, Parties agree that this  
 23 project can be reduced in scope and budget to include only the design and easement  
 24 procurement portions. Parties agree to include \$500,000 in this GRC for the cost of  
 25 design and easement acquisition. Cal Water plans to propose the remaining portion of  
 26 this project in a future GRC and will include a more detailed plan. Parties agree that  
 27 should the new water master plan necessitate a change in the scope of this project, Cal  
 28 Water will present that information in the next GRC.



1 References: Exhibit CWS-42, pages 499-518; Exhibit ORA-9, pages 85-88, 95-96; Exhibit  
 2 CWS-111, pages 151-152.

3 **8) 98236 – BEAR GULCH UPPER LOW ZONE MITIGATION**

PID(s)	Year	Application	ORA Report	Settlement
98236	2018	\$2,473,429	\$0	\$2,473,429

4

5 ISSUE: Cal Water proposed system improvements to expand the 319 zone in the  
 6 northern direction to supply customers with a higher pressure zone. Cal Water stated  
 7 that this work is to resolve customer complaints regarding low pressure near the  
 8 220/400 zone boundary, along Alameda De Las Pulgas.

9 ORA recommended disallowance of this project, citing that Cal Water did not  
 10 perform any pressure study or provide any information showing that the number of  
 11 complaints is not the result of inside plumbing at the customer premises. ORA also  
 12 mentioned that Cal Water did not specify whether any of the complaints are related to  
 13 issues concerning the backflow devices, or whether these issues are customer specific,  
 14 rather than a system problem.

15 In rebuttal, Cal Water stated that its review of the annual pressure surveys  
 16 showed low pressure readings, indicating on-going, systemic low-pressure problem.

17 RESOLUTION: Parties agree that this rezoning work should be authorized to  
 18 remedy the identified low-pressure problem.

19 References: Exhibit CWS-42, pages 828-837; Exhibit ORA-9, pages 88-89; Exhibit CWS-  
 20 111, pages 153-154.

21 **D. BEAR GULCH: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097443	Bear Gulch CP System Upgrades -2016 - Sta.19 Tank 1, Sta.19 Tank 2, Sta.21 Tank 2, Sta.29 Tank 3	\$74,525
2016	00097559	Install 8"PVC in Whiskey Hill (fronting 450 Whiskey Hill Rd.) and 12" DI in Sand Hill from 515 Whiskey Hill to Manzanita Way	\$896,362
2016	00097617	Replace Generator (17.5 HP), install automatic transfer switch, replace pump 038-A and 038-B, flowmeter, Seismically Retrofit 38T1.	\$697,872
2016	00097735	Booster pump at station and new dedicated line for 5 services at Vista Verde Way Cul-de-Sac. Seismically retrofit of tank.	\$400,011

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Year	PID	Description	Settlement
2016	00097760	Replacement of pump and motor (4-G)	\$0
2016	00097766	Replacement of pump and motor (24-B)	\$52,607
2016	00097996	Purchase four additional Telog - Pressure Recorders with HPR Kit and carrying case.	\$9,127
2016	00098043	Hydrant Meter Reduced Pressure Principal Assembly	\$56,792
2016	00098056	Replacement of asphalt berm at tank sites	\$14,042
2016	00098060	Replacement of existing wood roof with steel roof (BG 2-T2)	\$424,231
2016	00098114	Replacement of roof hatch (24" x 24") & cupola vent (24" diam.). Retrofit of exterior safety rail.	\$26,443
2016	00098344	Install a new 8" Ductile Iron Main to connect Woodside Mutual System Zone 1810 to Skyline System Zone 1610 via Skyline Boulevard.	\$0
2016	00098390	Replace existing leak truck due to age and mechanical problems, Cab & Chassis F-650 along with fabricated body including dump bed, crane, tool boxes, compressor & generator system, emergency lights and radio unit.	\$144,230
2016	00098391	Purchase new vacuum & trailer for routine and emergency work and repairs, to assist with main leaks, service leaks, valve casing cleaning out, and meter box cleaning out.	\$90,144
2016	00098393	Purchase new Bobcat Street Sweeper and trailer. Unit will be used for repair work to mains and services during routine and emergency working conditions out in the field.	\$72,115
2016	00098394	Purchase new OCE Printer for the Bear Gulch Field Office. Printer is required to meet the new requirements of the Cities and Towns for the permitting process of water main projects.	\$39,521
2016	00098395	Purchase GPS Equipment for the Bear Gulch District. GPS equipment will assist in the location of Valves and mains throughout our system during street reconstruction projects, new main installations, system repair locations.	\$14,062
2016	00098426	Overhaul of Control Valves in the Bear Gulch District - 2016	\$46,259
2016	00098428	Video Surveillance cameras at the Bear Gulch Reservoir.	\$100,540
2016	00098521	Replacement of 2 of the following 3 control valves in Bear Gulch. Location: 102_000_CV003, 102_000_CV016, 102_000_CV017	\$58,533
2016	00098546	Panelboard Replacement at Bear Gulch Station 3	\$0
2016	00098692	Panelboard Replacement at Bear Gulch Station 16	\$0
2016	00098712	Portable emergency backup generator sized to keep Station 6, 23, 24, and 26 in service in the event of a power outage.	\$70,631
2016	00099039	Installation of 10 water quality sample stations.	\$82,829
2016	00099116	Vehicle Replacements > 120,000 miles	\$121,284
2016	00099268	Replace existing Generator at Sta. 33	\$166,555
2016	00099325	Sta 46 Orchard Hills Rebuild	\$1,993,169
2016	00099331	2016 Main Replacement Program Bear Gulch	\$2,908,642
2016	102-NON-SP	102- Bear Gulch Non-specific	\$2,172,525

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Year	PID	Description	Settlement
2016	BGD0900	Meter Replacement Program	\$237,710
2017	00097302	Sta 42 0.25MG Welded Steel Tank	\$1,205,305
2017	00097445	Upgrade cathodic protection systems at Bear Gulch Sta.5 Tank 9, Sta.6 Tank 1, Sta.17 Tank 1, Sta.32 Tank 1 & Sta.30 Tank 1	\$95,684
2017	00097580	Install 1,900 lf of 6" PVC pipe on station property, non paved from Sta 5 to 470 zone.	\$327,738
2017	00097631	Develop Master Plan for Skyline and Woodside Mutual and investigate well drilling opportunities in Skyline and Watershed	\$602,714
2017	00097750	Consult hydrogeologist and work with Real Estate Agent to purchase property over water bearing soils.	\$0
2017	00097769	Replacement of pump and motor (25-A)	\$53,922
2017	00097770	Replacement of pump and motor (25-B)	\$0
2017	00097838	Sta 37 Tank Seismic Retrofit	\$169,903
2017	00098015	Sta 27 Pressure Tank Replacement	\$171,609
2017	00098127	Replacement of cupola vent (24" diam.)	\$9,771
2017	00098435	Overhaul of Control Valves in the Bear Gulch District - 2017	\$48,216
2017	00098522	Replacement of 3 control valves in Bear Gulch. Location: 102_000_CV018, 102_000_CV021, 102_000_CV033	\$89,994
2017	00098689	Panelboard Replacement at Bear Gulch Station 14	\$236,869
2017	00099291	Replace existing Generator at Station 35	\$170,719
2017	00099333	2017 Main Replacement Program Bear Gulch	\$2,981,358
2017	00100197	Installation of 11 water quality sample stations.	\$93,390
2017	00102024	Perform brackish groundwater aquifer conductivity test at the San Mateo WWTP to determine potential yield from Desalination Plant that will supplement the water supply needs for the San Francisco Peninsula Districts	\$0
2017	102-NON-SP	102- Bear Gulch Non-specific	\$2,223,750
2017	BGD0900	Meter Replacement Program	\$243,652
2018	00097446	Upgrade cathodic protection system at BG- Sta.2 Tank 2, Sta.5 Tank 8 and Install CP system at the new acquired tanks - BG- Sta.33 Tank 1, Sta.36 Tank 1, Sta.37 Tank 1, Sta.38 Tank 1, Sta.39 Tank 1, Sta. 41 Tank 1.	\$156,922
2018	00097519	Rebuild Station 45 with 20,000 gallon tank, 2-20 hp booster and panelboard	\$1,104,908
2018	00097601	Demo building, install pump shelter, reconstruct driveway; tank and panelboard to remain. Sta. 6	\$74,419
2018	00097628	Install 18" DI raw-water pipeline, branch from Whiskey Hill Road connect to unused AC pipe in Woodside Rd. Connect stub at Moore Rd, traverse through Sta 5 and discharge to reservoir spillway.	\$90,014
2018	00097637	Geomorphologist to investigate eddie removal near headwall. Possibly manually adjust flow path.	\$190,229
2018	00097702	Replacement of pump and motor Sta. 33-A.	\$0
2018	00097709	Low Head pump at Sta 20 dedicated to supply 440 zone. PRV's to	\$0

CHAPTER 17 BEAR GULCH DISTRICT PLANT

Year	PID	Description	Settlement
		remain as emergency backup for fireflow. 1,200 lf of 6" to connect new pump at Sta 20 to La Cuest and Aliso Way.	
2018	00097713	Replace PRV at Santa Cruz and Sand Hill. Reliability improvement to provide suction pressure from zone 220 and 400 to pump station 20 if SFPUC turnout at Alpine Road is out of service.	\$229,919
2018	00097773	Replacement of pump and motor (19-A)	\$55,270
2018	00097775	Sta 36 Tank Seismic Retrofit	\$172,642
2018	00097844	Replace Vault of PRV's located at La Mesa Dr, Coquito Wy, Conil Wy, 2 at Garbarda Wy, Durazno Way.	\$708,719
2018	00097852	PRVs have been rebuilt, but old vaults still exist in Sharon Rd. and Palo Alto Way (2 total) near Santa Cruz Ave.	\$255,088
2018	00097869	Drill new well and install iron and manganese (Fe/Mn) treatment system at BG STA 44. Abandon existing BG STA 04-01	\$0
2018	00098013	Sta 19 Pressure Tank Replacement	\$158,985
2018	00098018	Slope Stabilization, retaining wall in creek and new easement. Project includes design and permitting.	\$275,265
2018	00098036	Design and Easement acquisition at BG STA 48 (Skeggs tanks).	\$500,000
2018	00098138	Install new interior safety climb rail	\$7,196
2018	00098157	Replacement of cupola vent (24" diam.) BG 041-T2	\$10,015
2018	00098220	Replace 1300 ft. of Fencing in Bear Gulch Water Shed	\$43,820
2018	00098236	Resolve low pressure complaints in upper low zone.	\$2,473,429
2018	00098442	Overhaul of Control Valves in the Bear Gulch District - 2018	\$49,374
2018	00098471	Purchase and Install AMR system for Skyline and Los Trancos systems	\$0
2018	00098524	Replacement of 4 control valves in Bear Gulch. Location: 102_000_CV033, 102_018_CV001, 102_019_CV001, 102_019_CV002	\$122,991
2018	00098610	Install flow meters at stations 4,20,33,35,36,38	\$298,683
2018	00098682	Panelboard Replacement at Bear Gulch Station 7	\$0
2018	00099102	Drill New 16" dia. Casing Well and install Fe and Mn Treatment based on hydrogeologist recommendations	\$0
2018	00099118	Vehicle Replacements > 120,000 miles	\$0
2018	00099295	Replace existing Generator at Station 36	\$174,987
2018	00099334	2018 Main Replacement Program Bear Gulch	\$3,055,892
2018	00100198	Installation of 11 water quality sample stations.	\$95,725
2018	00100620	Investigate feasibility of a new station (tank, pumps, genset, scada tower) along high pressure lift from Edmunds to Headquarters.	\$113,381
2018	102-NON-SP	102- Bear Gulch Non-specific	\$2,274,450
2018	BGD0900	Meter Replacement Program	\$249,743

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
2 related to resolution of CWIP Special Request #7.

1 **E. BEAR GULCH: ADVICE LETTER SUMMARY TABLE\*\***

<b>Expected Filing Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement – Advice Letter</b>
2016	00065249	Design of Dam Modifications	\$540,000
2017	00012922	Diversion Dam Fish Passage IMP	\$400,000
2017	00020196	Fish Passage Facility - Upper Division Dam	\$1,315,000
2017	00097310	Additional Storage at Station 5 -3MG	\$4,804,569
2018	00099104	Replace SCADA software and hardware	\$762,610

2 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

3

4

[END OF CHAPTER]

1 **CHAPTER 18 CHICO DISTRICT PLANT**

2 **A. OVERVIEW**

3 The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6 The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11 The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16 The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23 The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26 Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$5,617,743
2017	\$4,651,474
2018	\$4,620,698
Total	\$14,889,915

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. CHICO: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 6 PROJECTS TO ADDRESS OLD PUMP STATIONS BY CONSTRUCTING NEW**  
 18 **FACILILITES**

PID(s)	Year	Station	Application	ORA Report	Settlement
97444	2016	Station 16	\$ 590,370	\$545,050	\$590,370
97626	2016	Station 7	\$ 585,429	\$517,746	\$585,429
97638	2017	Station 11	\$ 578,613	\$514,795	\$578,613
97672	2017	Station 44	\$ 580,090	\$534,744	\$0
97772	2017	Station 14	\$ 445,345	\$398,891	\$0
97767	2018	Station 12	\$ 552,451	\$384,881	\$0

19



1            ISSUE: At six well stations in the Chico District, Cal Water proposed individual  
2 projects to facilitate modifications to remove obsolete components and rebuild the  
3 stations to improve efficiency, increase reliability, and improve maintenance activities.  
4 Cal Water stated that the building and electrical components for these six locations  
5 were installed between 1942 and 1950 and will have been in service for between 67 to  
6 75 years.

7            ORA supported many components of these 6 projects, but did not agree with the  
8 need to replace the chemical injection facilities; ORA stated that these facilities are still  
9 in good condition. ORA also recommended not replacing the pump buildings as ORA  
10 stated that the building issues Cal Water identified could be addressed with  
11 maintenance. ORA also recommended not replacing the flow meters, because it does  
12 not meet ORA's replacement criteria and maintenance records do not exist. ORA did  
13 not agree with the need to replace the existing well blow-off and storm drain at Stations  
14 7, 11, and 44. For Stations 7 and 11, ORA stated that the sewer fees Cal Water would  
15 incur due to the infrequent discharge from the stations does not justify the need to  
16 replace the existing well blow-off and storm drain. ORA did not agree with the need for  
17 the storm pipe at Station 44 due to the location of the station and the location of the  
18 station in relation to the storm drain. In addition, ORA did not agree with the need to  
19 replace the panelboard at Station 12.

20            RESOLUTION: Parties reached a logical compromise on these projects. Instead  
21 of replacing components and performing only a portion of the work at six sites, Parties  
22 agree on scaling back the number of stations to overhaul from 6 to 3, but completing all  
23 proposed work at each site of the 3 selected sites. Parties agree that Cal Water should  
24 consider reusing some of the chemical storage facilities, but not reusing the chemical  
25 injection components. Parties agree to the need for removing the deteriorated  
26 buildings, and replacing them with outdoor pump shelters only. Parties agree that it can  
27 be cost effective to replace the flow meters in conjunction with other work and while  
28 the sites are off line.

29            References: Exhibit CWS-43, pages 280-352; Exhibit ORA-9, pages 115-120; Exhibit  
30 CWS-111, pages 290-293, 298-302, and 304-306.

1                   **2) 97980 – PURCHASE LAND FOR NEW WELL SITE IN MOUNTAIN**  
 2                   **VISTA/SYCAMORE GLEN SUBDIVISION**

PID(s)	Year	Application	ORA Report	Settlement
97980	2016	\$315,018	\$0	\$315,018

3  
 4                   ISSUE: Cal Water proposed the purchase of property for the purpose of drilling a  
 5 new well and building a pump station. ORA recommended disallowing this project  
 6 because ORA contends this well will impact rates for existing customers, but benefit  
 7 only future customers of a proposed subdivision. ORA recommended that Cal Water  
 8 apply Tariff 15 and recover all cost associated with any future development of the well  
 9 through a combination of facility fees and contributions from the developer. Cal Water  
 10 stated that the new well will benefit the new development, but it will also supply water  
 11 to the entire 350 zone through interconnected piping in the Chico system, therefore  
 12 benefitting existing customers as well as providing additional reliability.

13                   RESOLUTION: Parties discussed the use of lot fees to ensure that development  
 14 continues to pay for supply projects needed to serve new subdivisions. Parties also  
 15 discussed how Cal Water treats these lot fees as deduction from rate base. Parties  
 16 agree that facilities needed to serve new development should be paid for by new  
 17 customers via revenues collected from Cal Water’s lot fees. Parties agree that Cal  
 18 Water should enhance how it tracks lot fees from developers to better match revenue  
 19 collected with growth-related supply projects. Parties agree to include this property  
 20 purchase in rate base estimate at the originally estimated cost. In subsequent GRC  
 21 applications, Cal Water will provide a full accounting of these well assets, including the  
 22 associated costs and lot fees collected to offset the cost of the wells.

23 References: Exhibit CWS-43, pages 353-360; Exhibit ORA-9, page 127-128; Exhibit CWS-  
 24 111, pages 295-296.

25                   **3) 98037 – SURFACE WATER FEASIBILITY STUDY**

PID(s)	Year	Application	ORA Report	Settlement
98037	2018	\$ 387,879	\$0	\$ 193,939

26

1            ISSUE: Cal Water proposed a surface water feasibility study to explore the  
 2 options available assess the feasibility of utilizing Butte County’s State Water Project  
 3 (SWP) long-term contract supply as a supplemental drinking water supply for Cal  
 4 Water’s Chico District service area in the City of Chico. Cal Water stated that this  
 5 proposed project if feasible could provide for the delivery of surface water supplies to  
 6 the Chico District to be used conjunctively with the District’s existing groundwater  
 7 supply.

8            ORA recommended disallowing this project due to the uncertainty regarding  
 9 scope and scale and the final impact to ratepayers. In addition, ORA was concerned  
 10 about the uncertainty in the additional and/or upgraded facilities necessary to convey  
 11 the surface water to the district, and in the availability of surface water, which might not  
 12 be available until 2020. ORA argued that approving a project without basic details on  
 13 costs, benefits, and effectiveness is premature.

14            RESOLUTION: Parties discussed the main purposes of the study and agree to the  
 15 need for a study to analyze the potential costs, benefits, and effectiveness of a surface  
 16 water supply in Chico. Parties also discussed the potential to partner on this project  
 17 with the Paradise Irrigation Districts. In light of this potential partnership, Parties agree  
 18 that a 50% reduction in the cost of this project (or \$193,939) is reasonable and  
 19 recommend that this project be included in the final decision.

20 References: Exhibit CWS-43, pages 361-394; Exhibit ORA-9, page 126 -127; Exhibit CWS-  
 21 111, pages 306-307.

22            **D. CHICO: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097963	HC 001-01 Replace Pump and Motor	\$0
2016	00097974	HC 002-01 Replace Pump and Motor	\$0
2016	104NONSP16	104-Chico Non Specific	\$1,093,425
2016	CHD0900	Meter Replacement Program	\$189,913
2017	104NONSP17	104-Chico Non Specific	\$1,119,075
2017	CHD0900	Meter Replacement Program	\$194,660
2018	104NONSP18	104-Chico Non Specific	\$1,144,650
2018	CHD0900	Meter Replacement Program	\$199,527
2016	00097298	Install Blow Off & Drain Pipe: CH 51	\$99,564

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Year	PID	Description	Settlement
2016	00097444	Station 16 - remove building and go with outside pump shelter, replace station piping, replace all electrical, remove air stripper, and replace pump. (booster pump may need removal only)	\$590,370
2016	00097585	ROUTINE REPLACEMENTS OF 6 ALLDOS CL2 PUMPS AT VARIOUS STATIONS	\$19,776
2016	00097589	GAC CARBON CHANGE OUT @ 2 STATIONS	\$142,753
2016	00097593	REPLACE MISC WQ TESTING EQUIP- PH & CL2 METERS	\$7,901
2016	00097596	REPLACE 5 SAMPLE SITES @ VARIOUS LOCATIONS	\$18,635
2016	00097626	Remove old building, install outside pump shelter, replace all electrical including panel board, tie in to storm drain system, new well blow off and piping, and driveway.	\$585,429
2016	00097718	INSTALL NEW CONSERVATION GARDEN AT CH STA 34	\$0
2016	00097736	INSTALL 4 CL2 ANALYZERS ON SCADA, VARIOUS LOCATIONS	\$89,450
2016	00097842	REPLACE 9 CSR CHAIRS IN THE CHICO CUSTOMER SERVICE CENTER	\$9,579
2016	00097863	REPLACE EXISTING LOCATING EQUIPMENT	\$9,615
2016	00097895	Install 2 new hydrants per agreement with city of Chico.	\$29,559
2016	00097961	Replacement of pump and 60 Hp motor. CH 018-01	\$63,950
2016	00097967	Replacement of pump and 75 Hp motor. CH 062-01	\$0
2016	00097973	Replacement of pump and 60Hp motor. CH 019-01	\$0
2016	00097980	Purchase land for new well site at Mountain Vista/Sycamore Glen subdivision on the outskirts of the City of Chico.	\$315,018
2016	00098014	Replace panelboard at CH 24	\$0
2016	00098024	Need to replace portable generator	\$1,442
2016	00098049	Hydrant Meter Reduced Pressure Principal Assembly	\$44,745
2016	00098734	Replace Flow meter at 3 stations in 2016	\$150,774
2016	00099051	Replacement of pump and 75 Hp motor. CH 047-01	\$0
2016	00099119	Vehicle Replacements > 120,000 miles	\$374,779
2016	00099408	Replace V204047 due to high repair costs	\$125,655
2016	00099197	2016 Main Replacement Program Chico	\$1,655,411
2017	00019368	Replace Carpet & Linoleum - Customer/Operations Center	\$18,796
2017	00097587	ROUTINE REPLACEMENT OF 6 ALLDOS CL2 PUMPS AT VARIOUS LOCATIONS	\$20,270
2017	00097590	GAC CARBON CHANGE OUT @ 2 STATIONS	\$146,322
2017	00097594	REPLACE MISC WQ TESTING EQUIP INCLUDING PH & CL2 METERS	\$8,405
2017	00097597	REPLACE 5 SAMPLE SITES @ VARIOUS LOCATIONS	\$15,399
2017	00097633	Installation of storm drain pipe, well blow off structure and catch basin at Sta. 31. Some concrete work is also needed	\$54,283
2017	00097638	Station 11 Building removal, installing outside pump shelter, all electrical replacement, new CL shed, storm drain piping and new blow off, station piping replacement with new configuration, new fence and removal/abandonment of old drainage system and concrete sump	\$578,613
2017	00097672	Building removal and replacement, station pipe replacement, blow	\$0

CHAPTER 18 CHICO DISTRICT PLANT

Year	PID	Description	Settlement
		off and storm drain piping installation Sta. 44	
2017	00097772	The station 14 building, associated equipment (including all electrical), station piping are to be removed. A new outdoor pump shelter and outdoor panel board will be installed	\$0
2017	00097846	Replace 8 CSR chairs in the Chico Customer Service Center	\$8,501
2017	00097885	Replacement of pump and 50Hp motor. CH 011-01	\$0
2017	00097962	Replacement of pump and 75Hp motor. CH 059-01	\$0
2017	00097965	Replacement of pump and 75 Hp motor CH 056-01	\$0
2017	00097968	Replacement of pump and 75 Hp motor. CH 034-01	\$86,188
2017	00098016	Panelboard Replacement at CH Sta. 026	\$160,981
2017	00098033	Need 2 new sump pumps to replace old/aging sump pumps.	\$2,464
2017	00098044	Install a 150 KW generator	\$201,404
2017	00098184	Install 2 hydrants per agreement with City of Chico	\$30,298
2017	00098400	Replacement of pump and 100 Hp motor. CH 041-01	\$103,641
2017	00098735	Install new or Replace Flow meters at 3 stations in 2017	\$154,543
2017	00099121	Vehicle Replacements > 120,000 miles	\$42,559
2017	00099198	2017 Main Replacement Program Chico	\$1,705,073
2018	00097454	Upgrade cathodic protection system at 1 of following 2 locations - CH- Sta.3 Tank 4, Sta.66 Tank 1	\$19,615
2018	00097588	ROUTINE REPLACEMENT OF 6 ALLDOS CL2 PUMPS AT VARIOUS LOCATIONS	\$20,777
2018	00097591	GAC CARBON CHANGE OUT @ 2 STATIONS	\$149,980
2018	00097595	REPLACE MISC WQ TESTING EQUIP INCLUDING PH & CL2 METERS	\$8,928
2018	00097598	REPLACE 5 SAMPLE SITES @ VARIOUS LOCATIONS	\$19,579
2018	00097646	Installing Blow Off and storm drain pipe - Sta. 35	\$87,475
2018	00097651	Well structure will be modified/repared to reduce pumping nitrate levels at Sta. 63-01	\$231,747
2018	00097767	Station 12 building, underground piping, all electrical (including panel board), are to be removed. Then we will install outside shelter and outdoor panel board and other station associated structures.	\$0
2018	00097878	Replace Customer Center copier	\$25,255
2018	00097966	Replacement of pump and 75 Hp motor. CH 027-01	\$0
2018	00097969	Replacement of pump and 75 Hp motor. CH 023-01	\$0
2018	00097970	Replacement of pump and 75 Hp motor. CH 048-01	\$0
2018	00097981	Replacement of pump and 75 Hp motor. CH 029-01	\$0
2018	00098032	Replace electrical panelboard at CH 35	\$156,148
2018	00098037	Study the Feasibility to bring a Surface Water Supply to the Chico service area	\$193,939
2018	00098041	Install 150 kW generator	\$206,439
2018	00098187	Install 2 new hydrants per agreement with City of Chico	\$31,055
2018	00098189	New vac machine needed to replace old/aging vac machine in Chico	\$109,041

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Year	PID	Description	Settlement
2018	00098398	Replacement of pump and 75 Hp motor. CH 063-01	\$88,342
2018	00098714	Install a Well Transducer at for 20 Wells. Most stations have one well.	\$0
2018	00098740	Replace Flow meter at 3 stations in 2018	\$78,990
2018	00099122	Vehicle Replacements > 120,000 miles	\$92,985
2018	00099200	2018 Main Replacement Program Chico	\$1,756,225

1            \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2            related to resolution of CWIP Special Request #7.

3            **E. CHICO: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00020515	1.5 MG Tank Site - Sta. 79	\$2,618,225
2016	00098729	SCADA for PRVs	\$159,891
2018	00098722	SCADA RTUs	\$316,929
2018	00099106	Replace SCADA software and hardware	\$812,950

4            \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

5

6

[END OF CHAPTER]

1           **CHAPTER 19 DIXON DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11           The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16           The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23           The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26           Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.



1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$560,176
2017	\$330,206
2018	\$338,446
Total	\$1,228,828

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. DIXON: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 97857 – STANDBY GENERATOR FOR CUSTOMER CENTER**

PID(s)	Year	Application	ORA Report	Settlement
97857	2016	\$162,445	\$0	\$142,445

18

19 ISSUE: Cal Water proposed to install a permanent generator to provide backup  
 20 power to the entire customer service center in the event of a power outage. Cal Water  
 21 stated that its current uninterruptable power supply (UPS) unit can only provide power  
 22 supply to the SCADA Master in case of a power outage.

CHAPTER 19 DIXON DISTRICT PLANT

1           ORA recommended disallowing this project, because of the lack of  
2 documentation of power outages and alternatives analysis.

3           **RESOLUTION:** Parties agree that the Dixon District’s customer service center is a  
4 critical facility for customer support and the SCADA master system. In settlement, Cal  
5 Water identified cost saving options which would allow the project to meet all identified  
6 requirements but at a lower project cost. Thus, Parties agree to include this project at  
7 the lower cost.

8 **References:** Exhibit CWS-44, pages 209-213; Exhibit ORA-8, pages 5-6; Exhibit CWS-111,  
9 pages 318-319.

10           **D. DIXON: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097857	Install Standby generator for Customer center	\$142,445
2016	00098050	Hydrant Meter Reduced Pressure Principal Assembly	\$6,884
2016	00099123	Replace V201001; >120K Miles	\$46,984
2016	00099123	Replace V208016; >120K Miles	\$41,521
2016	00099202	2016 Main Replacement Program Dixon	\$231,627
2016	105-NON-SP	105- Dixon Non-specific	\$79,800
2016	DIX0900	Meter Replacement Program	\$10,915
2017	00099206	2017 Main Replacement Program Dixon	\$237,417
2017	105-NON-SP	105- Dixon Non-specific	\$81,600
2017	DIX0900	Meter Replacement Program	\$11,189
2018	00099207	2018 Main Replacement Program Dixon	\$243,353
2018	105-NON-SP	105- Dixon Non-specific	\$83,625
2018	DIX0900	Meter Replacement Program	\$11,468

11           \* Amounts are subject to slight increase to account for capitalized interest adjustment  
12 related to resolution of CWIP Special Request #7.

1        **E. DIXON: ADVICE LETTER SUMMARY TABLE\*\***

<b>Expected Filing Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement – Advice Letter</b>
2018	00099168	Replace SCADA software and hardware	\$305,710
2018	00019807	New Generator - Sta. 4	\$146,667
2018	00061955	New Well - Sta. 4	\$2,602,060

2                    \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

3

4

[END OF CHAPTER]

1           **CHAPTER 20                   DOMINGUEZ DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$5,984,253
2017	\$5,938,475
2018	\$5,872,656
Total	\$17,795,384

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. DOMINGUEZ: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) MULTIPLE SUPPLY PROJECTS**

- 18 100482 – PROPERTY FOR NEW DOMINGUEZ WELL
- 19 98334 – NEW WEST BASIN WELL
- 20 98333, 99341, and 99522 – TREATMENT ON EXISTING WELLS

21

PID(s)	Application	ORA Report	Settlement	Ratemaking Treatment
100482	\$1,248,379	\$0	\$1,248,379	AL and PHFU
98334	\$3,749,017	\$0	\$3,749,017	AL
98333	\$7,284,039	\$0	\$0	Not applicable
99341	\$4,910,529	\$0	\$4,910,529	AL
99522	\$5,529,317	\$0	\$5,529,317	AL

CHAPTER 20 DOMINGUEZ DISTRICT PLANT

PID(s)	Application	ORA Report	Settlement	Ratemaking Treatment
101018	\$5,244,694	\$0	\$0	Not applicable

1

2 ISSUE: Cal Water proposed a number of projects in the Dominguez District to  
 3 maintain and to increase well production capacity in order to achieve full utilization of  
 4 adjudicated groundwater pumping rights in the West Coast and Central Groundwater  
 5 Basins.

6 ORA recommended disallowing these supply projects, citing lower demand due  
 7 to conservation, and the higher cost of groundwater, and questioning the proposed  
 8 location of the new wells. In addition, ORA argued that Cal Water’s contract with its  
 9 water wholesaler has a purchase commitment that it must purchase a certain amount of  
 10 water, and increasing groundwater supply would not reduce purchased water cost.

11 Cal Water stated that over the years, Cal Water diligently worked on  
 12 groundwater production-related projects to minimize dependency on purchased water  
 13 and diversify supply options in the event of an emergency. In addition, Cal Water  
 14 explained that it is no longer subject to minimum purchased requirements under the  
 15 water wholesaler’s restructured fee schedule.

16 RESOLUTION: Parties agree to include in this GRC a property purchase project  
 17 (PID 100482) and a subsequent and associated well construction project (PID 98334),  
 18 both as Advice Letter projects. Parties agree that the location for this new well should  
 19 be in the vicinity of the Central Basin per Cal Water’s Dominguez Supply Study  
 20 recommendations, and that the cost of the property purchase project should be booked  
 21 as Plant Held for Future Use until the well is completed and in service.

22 Due to the water quality concerns, Cal Water also agrees to not include the  
 23 drilling of a new well on an existing property within the West Coast Basin (PID 98333).

24 In addition, Parties agree that Cal Water should proceed with two of its three  
 25 requested treatment projects (PID 99341 & 99522), but as Advice Letter projects.

26 References: Exhibit CWS-45, page 245-467; Exhibit ORA-11, page 30-43; Exhibit CWS-  
 27 111, page 333-342 and attachments.

1           **2) 98399, 98397 & 98399 – REPLACE HYDRANT AND VALVES**

PID(s)	Application	ORA Report	Settlement
98396	\$502,219	\$79,504	\$502,219
98397	\$514,774	\$79,504	\$514,774
98399	\$527,644	\$79,504	\$527,644
Total	\$1,544,637	\$238,512	\$1,544,637

2

3           **ISSUE:** Cal Water stated that a significant number of fire hydrants in the  
 4 Dominguez District (384 total) do not have isolation valves and many hydrant risers are  
 5 deteriorated. Cal Water proposed the above listed projects to resolve these issues –  
 6 these projects are to replace about 40 hydrants per year. Cal Water explained that  
 7 without the isolation valves, an entire block may need to be shut down for testing,  
 8 flushing, or other emergency. Cal Water stated that these projects would allow  
 9 continued water delivery during regular hydrant maintenance and emergency scenarios.

10           ORA did not dispute the need for these projects but recommended a slower  
 11 replacement rate of seven fire hydrants a year – a rate based on Cal Water’s six-year  
 12 historical average in fire hydrant replacement. ORA also pointed out that there is no  
 13 government mandate to replace fire hydrants without isolation valves.

14           In its rebuttal, Cal Water argued that the National Fire Protection Association  
 15 and American Water Works Association consider installing isolation valves on fire  
 16 hydrants as a good water utility practice. Cal Water also asserted that the proposed  
 17 hydrant replacement projects would replace all of the 384 hydrants over 10-year period,  
 18 and the 40 hydrants per year replacement rate is within Cal Water’s capacity and  
 19 therefore reasonable.

20           **RESOLUTION:** Parties agree that the proposed replacement rate of 40 hydrants a  
 21 year is an acceptable rate to replace 384 total hydrants and to include the projects as  
 22 requested by Cal Water.

23           **Reference:** Exhibit CWS-45, pages 220-225, Exhibit ORA-11, pages 20-22; Exhibit CWS-  
 24 111, pages 330–331 and attachment.



CHAPTER 20 DOMINGUEZ DISTRICT PLANT

1

**D. DOMINGUEZ: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00093533	Advance Metering Pilot	\$0
2016	00096517	Inst. Lighting Sta-203	\$52,925
2016	00097939	DOM 232-T1: Install Cupola Vents	\$25,332
2016	00098057	Hydrant Meter RP	\$28,396
2016	00098361	Replace Air Tools 2016	\$36,418
2016	00098362	Replace Hand Tools 2016	\$11,904
2016	00098396	Replace HYD and Valves	\$502,219
2016	00098401	Inst. By-Pass and Valves	\$0
2016	00098427	Replace Blowoffs	\$70,883
2016	00098564	Install Analyzer Sta. 279	\$30,562
2016	00098565	Install Tank Circulation Sta. 279	\$75,287
2016	00098566	Install Lights Sta. 219	\$38,016
2016	00098573	Inst Free Chlorine Analyzer Sta 215	\$30,562
2016	00098575	Inst Free Chlorine Analyzer Sta 297	\$30,562
2016	00098576	Inst Free Chlorine Analyzer Sta 298	\$30,562
2016	00098577	Inst Tank Circulation Sta 277	\$75,287
2016	00098578	Inst Tank Circulation Sta 215	\$75,287
2016	00098579	Inst Tank Circulation Sta 298	\$75,287
2016	00098580	Install Light DOM Yard	\$38,016
2016	00098582	Install Lights Sta. 203	\$0
2016	00098630	2016 Control Valve Overhaul - 128	\$40,645
2016	00098958	Replace Ammonia Tanks	\$76,033
2016	00099162	Advanced Metering Infrastructure	\$1,490,598
2016	128MRP16	2016 Main Replacement Program Dominguez	\$2,059,924
2016	DOM0900	Meter Replacement Program	\$68,872
2016	128-NON-SP	128- Dominguez Non-specific	\$1,020,675
2017	00098097	DOM 279-01 Replace Pump and Motor	\$106,684
2017	00098397	Replace Hyd and Valves	\$514,774
2017	00098405	Install By-Pass & Valves	\$78,767
2017	00098567	Install Fence/Gate Sta. 232	\$61,888
2017	00098568	Inst Chlorine Tank/Pump Sta 203	\$12,683
2017	00098574	Inst Tank Overflow Dechlor Sta 203	\$31,326
2017	00098581	Inst Fence & Gates Sta 275	\$61,888
2017	00098583	Inst Fence/Gates DOM Yard	\$61,888
2017	00098584	Inst Fence/Gates Sta 272	\$61,888
2017	00098585	Inst Fence/Gates Sta 297	\$61,888
2017	00098586	Inst Chlorine Tank/Pump Sta 277	\$12,683

CHAPTER 20 DOMINGUEZ DISTRICT PLANT

Year	PID	Description	Settlement
2017	00098587	Inst Chlorine Tank/Pump Sta 298	\$12,683
2017	00098588	Inst Chlorine Tank/Pump Sta 215	\$13,420
2017	00098590	Inst Sta 279 tank overflow dechlor	\$16,045
2017	00098591	Inst Sta 232 tank overflow dechlor	\$8,405
2017	00098592	Inst Sta 298 tank overflow dechlor	\$8,405
2017	00098593	Inst Sta 297 tank overflow dechlor	\$8,405
2017	00098595	Inst Sta 277 tank overflow dechlor	\$8,405
2017	00098632	2017 Control Valve Overhaul - 128	\$41,645
2017	00099173	Advanced Metering Infrastructure	\$1,527,863
2017	128MRP1 7	2017 Main Replacement Program Dominguez	\$2,111,422
2017	DOM0900	Meter Replacement Program	\$70,594
2017	128-NON- SP	128- Dominguez Non-specific	\$1,044,825
2018	00098099	DOM 275-01 Replace Pump and Motor	\$88,342
2018	00098333	New West Basin Well (WB-02)	\$0
2018	00098399	Replace Hyd and Valves	\$527,644
2018	00098415	Station 203 Rebuild Design	\$0
2018	00098430	Replace Blowoffs	\$75,895
2018	00098561	Replace Air Compressor	\$20,583
2018	00098563	Replace Asphalt Sta. 298	\$39,941
2018	00098633	2018 Control Valve Overhaul - 128	\$44,662
2018	00099183	Advanced Metering Infrastructure	\$1,566,060
2018	00099288	Inst. By-Pass & Valves	\$162,781
2018	00099415	Replace Discharge Pipe Sta-297	\$41,507
2018	00101018	IX Treatment DOM 219	\$0
2018	128MRP1 8	2018 Main Replacement Program Dominguez	\$2,164,207
2018	DOM0900	Meter Replacement Program	\$72,359
2018	128-NON- SP	128- Dominguez Non-specific	\$1,068,675

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. DOMINGUEZ: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00020772	Well Head Treatment - Sta. 294-01	\$4,964,000
2016	00063837	Nitrification Control	\$200,000
2017	00076316	Station 232 Upgrade	\$2,221,934

CHAPTER 20 DOMINGUEZ DISTRICT PLANT

<b>Expected Filing Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement – Advice Letter</b>
2017	00020775	Drill, Develop, and Equip New Well - Central Basin	\$6,617,000
2017	00020838	Construct and Equip Well	\$6,617,000
2018	00076394	Tesoro Carson Refinery Recycled Water Pipeline	\$4,000,000
2017	00100482	Property for New DOM Well	\$1,248,379
2018	00098334	Water Supply - New Well West Basin	\$3,891,480
2018	00099167	Replace SCADA software and hardware	\$675,121
2018	00099341	Treatment at Station 297	\$5,097,130
2018	00099522	Treatment at Station 272	\$5,739,431

1                   \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

2

3

[END OF CHAPTER]

1           **CHAPTER 21 EAST LOS ANGELES DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$4,701,702
2017	\$7,838,527
2018	\$14,377,393
Total	\$26,917,622

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. EAST LOS ANGELES: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 98653, 98662 – INSTALL 3,168 LF OF 20-INCH DI TO DISTRIBUTE WELL**  
 18 **PRODUCTION SOUTH TO THE NORTH**

PID(s)	Year	Application	ORA Report	Settlement
98653	2017	\$2,156,035	\$0	\$2,156,035
98662	2018	\$2,156,054	\$0	\$2,156,054

19

20 ISSUE: Cal Water proposed two large (20-inch) diameter pipeline projects to  
 21 transmit pumped groundwater to other portions of the district. Cal Water stated that  
 22 this project would allow the East Los Angeles District to optimize its water supply

1 portfolio. ORA recommended disallowance of the project because the Tubeway wells  
 2 are not yet in service (Wells 62-01/02 in PID 98667) and as a result the requested 20-  
 3 inch transmission pipeline projects would not be needed to transfer new well  
 4 production capacity.

5 In rebuttal, Cal Water explained the need for these two pipeline projects to  
 6 support transferring new well production (Wells 62-01/02 in PID 98667) from the  
 7 district’s southern region to its northern region, and to reduce high pressures in the  
 8 system. Cal Water contended that both projects will move water from its three newly  
 9 constructed wells, and one future planned well, from the lower portion of Zone D to the  
 10 northern portions where storage exists. Cal Water also stated that these projects are  
 11 parts of its operations strategy to reduce reliability on purchased water while increasing  
 12 local water supply use.

13 RESOLUTION: Parties agree to include these two pipeline projects in this GRC  
 14 based on the fact that Well 63 has been constructed and the Tubeway Wells are  
 15 scheduled to be in operation by 2018.

16 References: Exhibit CWS-46, pages 241-244; Exhibit ORA-11, page 72; Exhibit CWS-112,  
 17 pages 21-22 and attachments.

18 **2) 99374 – TUBEWAY IMPROVEMENTS – PHASE 2**

PID(s)	Year	Application	ORA Report	Settlement
99374	2017	\$2,904,157	\$0	\$0

19  
 20 ISSUE: Cal Water proposed relocating the East Los Angeles District’s Operations  
 21 Center on Sheila Ave (Sheila Facility) to the Tubeway Property, which currently holds the  
 22 East Los Angeles District’s Customer Service Center. This project was also identified as  
 23 Phase 2 Tubeway Improvements, because the Phase 1 Tubeway Improvements was  
 24 done for the Customer Service Center in the previous GRC. Cal Water’s proposal for the  
 25 Sheila Facility relocation was based on Cal Water’s concerns regarding seismic stability  
 26 and American Disability Act (ADA) compliance. Cal Water stated that the project scope  
 27 includes: modifying the Tubeway warehouse space into office space, providing  
 28 furnishings for the office space, implementing Title 24 improvements, installing an

1 elevator for access to the proposed second floor office space, modifying data server and  
 2 SCADA system, and modifying the space for ADA compliance.

3 ORA opposed this project because ORA determined that the Operations Center  
 4 relocation is less cost effective than correcting the deficiencies at the Sheila Facility.  
 5 ORA found Cal Water’s seismic stability and ADA compliance concerns of the Sheila  
 6 facility unfounded.

7 RESOLUTION: As part of a comprehensive settlement, Parties agree to exclude  
 8 this Phase 2 project from this GRC and resolve a related Cal Water request concerning  
 9 the East Los Angeles Memorandum Account (ELA MA). See Chapter 7 of this Settlement  
 10 for a discussion of the ELA MA.

11 References: Exhibit CWS-46, pages 335-352; Exhibit ORA-11, page 78-79; Exhibit CWS-  
 12 112, pages 23-26 and attachments.

13 **3) 98667 – EQUIP AND INSTALL TREATMENT FOR WELLS 62-01 & 62-02**

PID(s)	Year	Application	]ORA Report	Settlement
98667	2018	\$5,956,580	\$0	\$5,956,580

14

15 ISSUE: Cal Water proposed this project to construct a groundwater treatment  
 16 plant for Wells 62-01 and 62-02. Cal Water stated that this would allow the utilization  
 17 of groundwater to offset water purchased from the Central Basin Municipal Water  
 18 District (CBMWD), the local wholesale supplier. Cal Water projected a lower overall life  
 19 cycle cost as compared to purchasing water.

20 ORA recommended disallowance of this project because ORA contended that Cal  
 21 Water should have included the impacts from the required transmission pipeline  
 22 projects, under PIDs 98653 and 98662, based on the need to transfer water from the  
 23 Tubeway Wells 62-01 and 62-02. With these costs, ORA indicated that the project is not  
 24 cost effective. ORA also disagreed with Cal Water’s purchased water cost estimate and  
 25 the revenue requirement calculations. ORA also questioned Cal Water’s decision to drill  
 26 wells in an area with water quality issues.

27 In rebuttal, Cal Water explained that the study performed by AECOM did not  
 28 identify any concerns with water quality at the site. Additionally, a recent well at



CHAPTER 21 EAST LOS ANGELES DISTRICT PLANT

1 Station 63, located 2 miles from Station 62, did not require any treatment. Therefore,  
 2 Cal Water did not originally budget treatment for the Tubeway wells at Station 62 given  
 3 that studies showed low probability of treatment requirements and given the results of  
 4 the Carob Well.

5 RESOLUTION: Considering the fact the well has already been drilled and  
 6 treatment is needed, Parties agree to include this project as proposed.

7 References: Exhibit CWS-46, pages 274-328; Exhibit ORA-11, page 72-76; Exhibit CWS-  
 8 112, pages 28-32 and attachments.

9 **D. EAST LOS ANGELES: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097479	East Los Angeles CP System Upgrade -2016 - Sta.12 Tank 2, Sta.23 Tank 1	\$37,340
2016	00097712	Complete pump replacement.	\$104,082
2016	00097940	Replace rafters on Tank 1 and replace rafters and girder on Tank 2.	\$28,431
2016	00097942	Replace wooden tank roof with a steel cone roof.	\$527,560
2016	00098058	Hydrant Meter Reduced Pressure Principal Assembly	\$21,512
2016	00098145	Replace Backwash Pump - Station 13	\$9,520
2016	00098177	Replace Reclaim Pump Sta #38	\$9,835
2016	00098246	PURCHASE FLOW TEST AND FLUSHING EQUIPMENT PURCHASE 1- 4" FLOW TEST PIPES & PURCHASE 1- 2.5" FLOW TEST PIPES. 1 - 2 1/2" x 10' Hose. 1 - 4" x 10 Hose. Various Fittings	\$6,675
2016	00098262	Purchase New Tommy Lift for 1/2 Ton Truck	\$5,075
2016	00098265	A/C Units - Various Treatment Facilities	\$5,242
2016	00098276	Purchase Diffusers - with Dechlor capabilities Hydrant & Hitch mount	\$6,055
2016	00098289	Purchase Tools and Equipment for Valve Nut Replacement/maintenance.	\$9,859
2016	00098306	Purchase 1- Excavator - for field operations	\$72,218
2016	00098314	Replace Vault Lids - Sta. 10	\$7,121
2016	00098355	Purchase Electronic Key Management System	\$16,227
2016	00098458	Install Standby generator for Operations Center	\$91,776
2016	00098537	Replacement of 2 control valves in East Los Angeles. Location: Sta. 023, Hazard and Folsom.	\$58,532
2016	00099131	Vehicle Replacements > 120,000 miles	\$41,521
2016	106MRP16	2016 Main Replacement Program East Los Angeles	\$2,233,743
2016	106-NON-SP	106- East Los Angeles Non-specific	\$1,230,450
2016	ELA0900	Meter Replacement Program	\$178,929
2017	00097509	East Los Angeles CP System Upgrade -2017 - Sta.40 Tank 1, Sta.42	\$38,273

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Year	PID	Description	Settlement
		Tank 1	
2017	00097562	Install Active Mixing System within the 500,000 Gallon Welded Steel Tank (T1) at Sta 61	\$102,263
2017	00097796	Install new Panelboard(MCC) and Emergency Generator Station 12	\$0
2017	00097848	Install Active Mixing System within the 500,000 Gallon Welded Steel Tank (T2) at Sta 61	\$102,263
2017	00097943	Replace wooden tank roof with a steel cone roof at Sta. 012-T2.	\$1,232,890
2017	00097978	Add inlet/outlet pipe seismic retrofits at ELA 42 T2, also add overflow pipe modifications to accommodate air gap and drain improvements.	\$132,110
2017	00098107	Seismic Retrofit ELA 42 T1 Only needs Concrete Apron, 12" Overflow Pipe Modifications to accommodate air gap, catch-basin/drain improvements.	\$57,670
2017	00098185	Replace Copier MPC4500 with Multi-Function Network Copier/Scanner - ELA CSC	\$13,900
2017	00098212	Replace Copier MPC3500 with Multi-Function Network Copier/Scanner - ELA Operations	\$13,000
2017	00098267	A/C Units - Various Treatment Facilities	\$5,541
2017	00098329	Replace Copier MP 4002 with Multi-Function Network Copier/Scanner	\$4,300
2017	00098360	Purchase Pipe Inspection Camera System	\$10,170
2017	00098364	Install Station #13 Fencing- Fence & Gate east side of property/partition	\$7,757
2017	00098387	Remove and replace existing asphalt at pump station #38.	\$92,582
2017	00098653	Install 3168 LF of 20-inch DI to distribute well production south to the north.	\$2,156,035
2017	00099133	Vehicle Replacements > 120,000 miles	\$85,118
2017	00099309	Install Standby generator for Customer center	\$0
2017	00099374	Tubeway Improvements - Phase 2	\$0
2017	00099409	Additional utility vehicle - 0.75 ton pickup with liftgate	\$52,190
2017	106MRP17	2017 Main Replacement Program East Los Angeles	\$2,289,587
2017	106-NON-SP	106- East Los Angeles Non-specific	\$1,259,475
2017	ELA0900	Meter Replacement Program	\$183,402
2018	00097510	East Los Angeles CP System Upgrade -2018 - Sta.60 Tank 1	\$19,615
2018	00097795	Complete pump replacement.	\$55,270
2018	00097850	Install Active Mixing System within the 500,000 Gallon Welded Steel Tank (T1) at Sta 55	\$104,820
2018	00097851	Install Active Mixing System within the 250,000 Gallon Welded Steel Tank (T1) at Sta 60	\$0
2018	00097908	Seismic Retrofit ELA 23 T1 for 260k tank with 10-inch common inlet/outlet for Zone G and 8-inch common inlet/outlet for Zone D. Install two 8-inch EBAA Flextend force balance fittings, 8x16 flush cleanout, concrete apron, catch basin, overflow airgap and	\$159,320

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Year	PID	Description	Settlement
		miscellaneous piping.	
2018	00098115	Complete pump replacement.	\$65,072
2018	00098181	10" Inlet/Outlet Pipe Seismic Retrofits, 6" Overflow Pipe Modifications to accommodate air gap, drain improvements and site paving. Flush Clean-out existing so no need to install.	\$98,424
2018	00098268	A/C Units - Various Treatment Facilities	\$5,837
2018	00098403	Chemical Feed Pumps- Various Stations	\$5,958
2018	00098410	Slurry seal over existing asphalt at pump station #10.	\$11,333
2018	00098413	Install lighting and security cameras at station #42 for security and safety	\$64,789
2018	00098416	Slurry seal over existing asphalt at pump station #42.	\$11,535
2018	00098418	Off-site improvements to consolidate hill side and prevent run-off/erosion at Sta. 42	\$89,841
2018	00098534	Replacement of 1 control valve in East Los Angeles. Location: 106_000_CV001	\$0
2018	00098662	Install 3168 LF of 20-inch DI to distribute well production south to the north.	\$2,156,054
2018	00098667	Wells 62-01/02 Equip Wells and Treatment System for Ammonia, Sulfide and Methane Removal. (4000 GPM)	\$5,956,580
2018	00098671	Install pumping capacity from Sta 16 at Sta 42 - panelboard, booster pump station, and site work	\$1,693,032
2018	00099134	Vehicle Replacements > 120,000 miles	\$43,623
2018	106MRP18	2018 Main Replacement Program East Los Angeles	\$2,346,827
2018	106-NON-SP	106- East Los Angeles Non-specific	\$1,301,475
2018	ELA0900	Meter Replacement Program	\$187,988

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. EAST LOS ANGELES: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00020583	Drill, Develop, and Equip New Wells (62-01/02)	\$1,943,782
2016	00020670	Construct Tank	\$3,777,023
2017	00016074	Construction of Well 53-02 and Treatment	\$8,240,000
2016	00098232	SCADA monitors	\$18,035

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

5 [END OF CHAPTER]

1           **CHAPTER 22       HERMOSA REDONDO DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$2,713,934
2017	\$3,074,589
2018	\$8,049,373
Total	\$13,837,895

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. HERMOSA REDONDO: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 97756 – REBUILD STATION HR 24**

PID(s)	Year	Application	ORA Report	Settlement
97756	2017	\$3,512,868	\$0	\$300,000

18

19 ISSUE: Cal Water proposed a Station 24 Rebuild project because , Cal Water  
 20 contended, most of the station’s facilities were deteriorated and in need of  
 21 replacement. Cal Water stated that two of four redwood reservoirs were leaking, and  
 22 all four redwood reservoirs did not meet the Division of Drinking Water’s (DDW)  
 23 requirements for overflow pipe air gap and seismic. Cal Water stated that the hydro

1 pneumatic needs to be replaced, but the current piping around the station prevents  
2 replacement unless the entire station is shut down. Cal Water stated that the station  
3 was built out progressively in stages, and became overly complex, making it difficult to  
4 maintain. Cal Water also stated that, while Station 24 is being rebuilt, a new pump  
5 station and a transmission pipeline need to be constructed at another site to supply  
6 water to zone 500.

7 ORA recommended disallowance of the project, because the reservoirs are in  
8 working order and the airgaps and seismic retrofits are not required for the existing  
9 tanks, which were built before the requirements were established. ORA stated that the  
10 reservoir leaks can be repaired and hydro-pneumatic tank can be replaced. ORA also  
11 stated that station piping and pumps could be replaced as the need arises.

12 In rebuttal, Cal Water explained that the redwood reservoirs were re-lined in the  
13 past to extend the life, but are now failing. Cal Water also explained that the DDW in its  
14 Inspection Report requires air gaps on the existing reservoirs. Cal Water described how  
15 the redwood reservoirs cannot be retrofitted to accommodate the air gaps on overflow  
16 pipes. Cal Water asserted that the existing station piping is of asbestos cement  
17 material, which broke easily when Cal Water attempted to replace portions of pipelines  
18 or change out pumps. Cal Water explained that Station 24 serves zones 400 and 500,  
19 and zone 500 can only be supplied by Station 24 via booster pumps. Cal Water  
20 contended that building a booster station off site and bringing in water by a  
21 transmission pipeline during the Station 24 rebuild is the best alternative.

22 RESOLUTION: After discussing Station 24's various needs, Parties agree that it  
23 should be rebuilt. However, there were uncertainties in the project scope: whether  
24 there is a need for a hydro-pneumatic tank if the rebuild utilizes variable frequency drive  
25 pumps; whether there is a need for a new pump station and transmission pipeline for a  
26 small zone with relatively low demand (zone 500's 2014 Maximum Day Demand is 224  
27 gpm). Parties agree to include only the design cost of the station rebuild (\$300,000) in  
28 this rate GRC. This will allow Cal Water to offer more certainty in its design and cost  
29 estimate for this rebuild project request in a future rate case.

1 References: Exhibit CWS-47, pages 251-279; Exhibit ORA -11, pages 94-97; Exhibit CWS-  
 2 112, pages 73-75.

3 **2) 101730 – NEW WEST BASIN CONNECTION IN THE SOUTH**

PID	Year	Application	ORA Report	Settlement
101730	2018	\$5,076,530	\$0	\$4,696,830

4

5 ISSUE: Cal Water proposed an additional connection to the West Basin  
 6 Municipal Water District (WBMWD) for supply reliability. Cal Water stated that the  
 7 recent planned shutdown of the existing connection WB-16 revealed a critical deficiency  
 8 in the system. Cal Water explained that during the shutdown, it was extremely difficult  
 9 to maintain pressure in the southern portion of the system.

10 ORA opposed the project and stated that Cal Water was able to meet system  
 11 demand successfully during the WB-16’s recent planned shutdown event (January 2015)  
 12 by utilizing the existing storage and supply from the Dominguez and Palos Verdes  
 13 districts via interconnections. Also, ORA had concerns with Cal Water planning and  
 14 provisioning for rare shutdown events.

15 In rebuttal, Cal Water discussed the need for additional supply redundancy for  
 16 the existing WB-16 connection. Cal Water explained that it barely met the customer  
 17 demand during the January 2015 event that lasted four days. Cal Water provided  
 18 additional information showing that the WBMWD recommends water utilities to be  
 19 prepared for outages lasting up to seven days.

20 RESOLUTION: Parties discussed the issue of potential planned/unplanned  
 21 outages for extended periods in high demand season. If an unplanned outage were to  
 22 occur during a period of high or average demand and WB-16 is offline, Cal Water  
 23 believes it would lose the complete contents of primary tanks in the south part of the  
 24 system (HR Station 26 Reservoir 1). This possesses a significant risk to customers  
 25 especially during an emergency event when water resources are needed (e.g. for fire  
 26 suppression, first aid, etc.).

27 In light of the concerns presented, Parties agree to include the project in this  
 28 GRC at a reduced budget of \$4,696,830 for 2018.



CHAPTER 22 HERMOSA REDONDO DISTRICT PLANT

- 1 References: Exhibit CWS-47, pages 291-317; Exhibit ORA-11, pages 101-102; Exhibit  
 2 CWS-112, pages 76-78.

3 **D. HERMOSA REDONDO: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097625	HR 2016 CP System Upgrades	\$54,018
2016	00097874	Purchase 3-DR 900	\$5,163
2016	00097890	Repl Asphalt Sta-23	\$37,170
2016	00098102	Hydrant Meter RP	\$11,186
2016	00098116	Replace Pump and Motor	\$52,607
2016	00098356	Air Tools	\$18,389
2016	00098358	Replace Hand Tools 2016	\$6,370
2016	00098540	2016 HR Control Valve Rplcmnt.	\$29,266
2016	00099231	Replace Fence Sta. 9	\$0
2016	108MRP16	2016 Main Replacement Program Hermosa Redondo	\$1,203,413
2016	HRD0900	Meter Replacement Program	\$292,851
2016	108-NON-SP	108- Hermosa Redondo Non-specific	\$1,003,500
2017	00097643	HR 2017 CP System Upgrades	\$38,274
2017	00097749	HR Sta 9- Seismic Retrofit	\$0
2017	00097756	HR Sta 24 rebuild design	\$300,000
2017	00098025	HR 023-T3: Install Overflow Air Gap	\$0
2017	00098118	HR 029-A Replace Pump and Motor	\$53,922
2017	00098120	HR 013-E Replace Pump and Motor	\$58,917
2017	00098615	2017 HR Control Valve Rplcmnt.	\$29,998
2017	00098754	Well level transducer Sta. 8	\$16,304
2017	00098756	Well level transducer Sta 30	\$16,304
2018	00101730	MET Connection-Second Lower Feeder	\$4,696,830
2017	108MRP17	2017 Main Replacement Program Hermosa Redondo	\$1,233,498
2017	HRD0900	Meter Replacement Program	\$300,172
2017	108-NON-SP	108- Hermosa Redondo Non-specific	\$1,027,200
2018	00097579	HR 2018 CP System Upgrades	\$39,230
2018	00097642	HR Sta 27 - Pumphouse Replacement	\$0
2018	00097754	HR Sta 23 - Seismic Retrofit	\$0
2018	00097995	Repl. Greensand AT 8-02	\$86,930
2018	00098005	Replace Greensand Sta. 22-01	\$86,930
2018	00098007	Replace Greensand	\$86,930
2018	00098121	HR 013-F Replace Pump and Motor	\$60,390
2018	00098128	HR 028-A Replace Pump and Motor	\$60,390
2018	00098312	HR 022-T1: Replace cupola vent	\$12,088

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Year	PID	Description	Settlement
2018	00098330	HR 008-T2: Replace Tank	\$146,162
2018	00098446	HR Well 30-1 Treatment	\$0
2018	00098539	2018 HR Control Valve Rplcmnt.	\$30,748
2018	00098642	Hermosa Redondo Sta 13 Manual Swt	\$60,066
2018	00099305	Station 14 HR Manual Swtich	\$60,066
2018	108MRP18	2018 Main Replacement Program Hermosa Redondo	\$1,264,336
2018	HRD0900	Meter Replacement Program	\$307,676
2018	108-NON-SP	108- Hermosa Redondo Non-specific	\$1,050,600

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. HERMOSA REDONDO: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2017	00064502	Blending Facility or Nano Filtration Facility - Sta. 8 Well 2	\$4,080,000
2018	00099169	Replace SCADA software and hardware	\$558,157

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5 [END OF CHAPTER]

1           **CHAPTER 23 KERN RIVER VALLEY DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$651,751
2017	\$756,279
2018	\$783,807
Total	\$2,191,837

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. KERN RIVER VALLEY: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 97630 – SURFACE WATER INTAKE FEASIBILITY STUDY**

PID(s)	Year	Application	ORA Report	Settlement
97630	2017	\$154,717	\$0	\$154,717

18

19 ISSUE: Cal Water stated that the existing intake structure for the Kernville  
 20 Surface Water Treatment Plant requires extensive maintenance to remove clogging and  
 21 operators to manually clean by air purging on a daily basis. Cal Water also stated that  
 22 the pump is operating at half of its design capacity due to the low water levels. Cal  
 23 Water proposed a feasibility study to explore intake solutions that are less impacted by

1 low water levels and that would allow the plant to provide a more consistent and  
 2 reliable raw water source. The study would address feasibility of alternatives,  
 3 regulatory agency acceptance, permitting requirements, and costs.

4 ORA recommended that Cal Water maintain the current pump intakes since low  
 5 water levels in the river are a temporary condition.

6 **RESOLUTION:** Parties agree that a feasibility study is an appropriate means to  
 7 identify long-term solutions and to compare the costs and benefits of those long-term  
 8 solutions before Cal Water proposes a permanent change.

9 **References:** Exhibit CWS-48, pages 212-219; Exhibit ORA-10, pages 62-67; Exhibit CWS-  
 10 112, pages 106-107.

11 **2) 99327 – BACKBONE COMMUNICATIONS SYSTEM**

PID(s)	Year	Application	ORA Report	Settlement
99327	2018	\$191,085	\$0	\$191,085

12  
 13 **ISSUE:** Cal Water proposed to install a private radio communications system at  
 14 nine sites as the first phase of Supervisory Controls and Data Acquisition (SCADA)  
 15 project in Kern River Valley. Cal Water stated that this radio system allows remote  
 16 monitoring and control of the water system, which reduces fuel cost and operator travel  
 17 time, especially when responding to emergencies.

18 ORA opposed the project, because ORA determined that the current leased  
 19 system, including expenses, cost less.

20 **RESOLUTION:** Upon further discussion, Parties agree that the proposed project  
 21 allows for the necessary continual monitoring and control of the water system in Kern  
 22 River Valley. Thus, Parties agree that Cal Water should be allowed to include this  
 23 project in this GRC, at Cal Water’s requested cost estimate.

24 **References:** Exhibit CWS-48, pages 208-211; Exhibit ORA-10, pages 58-62; Exhibit CWS-  
 25 110, pages 76-86.

1 **D. KERN RIVER VALLEY: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2017	00097630	This project will fund a feasibility study for a proposed surface water intake and booster station along the Kern River to supply the existing Kernville surface water treatment plant. The study will address feasibility, agency acceptance, permitting requirements, and will assess alternatives and costs.	\$154,717
2016	00097934	Project to improve rafter ends, install new interior ladder and install two 8" earthquake expansion joints on piping. Sta. 011 T1	\$57,980
2017	00097935	Project to improve rafters and install a 24" cupola vent. Sta. 006-T1	\$23,314
2017	00097945	Install airgap on overflow and two 10" flexible earthquake expansion joints on the tank piping.	\$32,010
2018	00098263	Installation of new 24" diam. cupola vent. Sta. 007-T1	\$9,593
2016	00099141	Replace V210025; >120K Miles	\$41,521
2016	00099141	Replace V208120; >120K Miles	\$71,022
2017	00099142	Replace V206055 & V211020; >120K Miles	\$51,518
2018	00099144	Replace V213039; >120K Miles	\$74,618
2016	00099217	2016 Main Replacement Program Kern River Valley	\$330,317
2017	00099218	2017 Main Replacement Program Kern River Valley	\$340,227
2018	00099219	2018 Main Replacement Program Kern River Valley	\$350,433
2018	00099327	Install a backbone communications system to collect data and allow for remote monitoring of the critical facilities in Kern River Valley including 5 treatment plants located all around the lake and additional facilities that are remote where travel time can be reduced significantly by having remote monitoring capabilities.	\$191,085
2016	134-NON-SP	134- Kern River Valley Non-specific	\$139,725
2017	134-NON-SP	134- Kern River Valley Non-specific	\$143,025
2018	134-NON-SP	134- Kern River Valley Non-specific	\$146,325
2016	KRV0900	Meter Replacement Program	\$11,187
2017	KRV0900	Meter Replacement Program	\$11,467
2018	KRV0900	Meter Replacement Program	\$11,753

2 \* Amounts are subject to slight increase to account for capitalized interest  
 3 adjustment related to resolution of CWIP Special Request #7.

4 **E. KERN RIVER VALLEY: ADVICE LETTER SUMMARY TABLE\*\***

5 There are no new Advice Letter projects recommended for the Kern River  
 6 Valley District in this Agreement.

7 [END OF CHAPTER]

1           **CHAPTER 24 KING CITY DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in



1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1           **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$549,487
2017	\$570,958
2018	\$2,375,362
Total	\$3,495,806

2

3           The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9           The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12           Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16           **C. KING CITY: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17           **1) 98984, 98313, 98322 – INSTALL 16” DI PIPE ELLIS ST. TO RUSS ST.**

PID(s)	Year	Application	ORA Report	Settlement
00098984	2017	\$ 805,092	\$486,262	\$805,092
00098313	2017	\$744,286	\$430,498	\$430,498
00098322	2018	\$743,905	\$441,260	\$231,905
Total		\$2,293,282	\$1,358,020	\$1,467,495

18

19           ISSUE: Cal Water proposed a series of large diameter transmission pipelines to  
 20 bring low-nitrate water from the west side of King City to Zone 555 feed point on the

1 east side. Cal Water separated this project into 6 phases to minimize rate impact to the  
 2 ratepayers, where the first 3 phases have been completed and the final 3 phases are  
 3 proposed in this GRC. The project proposed in this GRC is a 16” transmission line that  
 4 will replace aging 8” asbestos cement, and 4” and 6” cast iron pipes. The proposed  
 5 project also includes the replacement of old fire hydrants with those that meet current  
 6 California fire codes.

7 ORA did not contest the need for the project but disagreed with Cal Water’s  
 8 estimated unit costs and recommended lower budgets for these three phases.

9 RESOLUTION: Parties agree that project costs could be reduced on these  
 10 projects. For settlement, Cal Water investigated additional ways to reduce the cost of  
 11 the project to address ORA’s concerns and to minimize rate impact to the ratepayers.  
 12 As a result, Cal Water reduces the estimated unit cost by consolidating different phases  
 13 of the pipeline construction through reduced potholing, permitting, traffic controls and  
 14 Cal Water’s labor. Additionally, Cal Water realigns the tie-ins for the pipeline to allow  
 15 for shorter lengths of main installation.

16 Parties agree that Cal Water should be authorized to proceed with the remaining  
 17 three projects in this GRC at a total cost of \$1,467,495, as specified above.

18 References: Exhibit CWS-49, pages 213-234; Exhibit ORA-10, pages 82-84; Exhibit CWS-  
 19 112, pages 122-124.

20 **2) 99321 – ANTENNA TOWER FOR SCADA STA. 15**

PID(s)	Year	Application	ORA Report	Settlement
99321	2017	\$94,356	\$0	\$94,356

21  
 22 ISSUE: Cal Water proposed to install a new antenna tower to house existing  
 23 SCADA equipment to support operations and communications throughout the district.  
 24 Cal Water stated that the current SCADA equipment is located on the existing elevated  
 25 tank at Station 11 that has been deemed to be unstable in a seismic analysis performed  
 26 by Cal Water’s consultant.

27 ORA did not agree with the need for this antenna tower project because Cal

1 Water had proposed elsewhere in its application to repaint, thus still maintaining and  
 2 not demolishing, the elevated tank.

3 In its rebuttal, Cal Water stated that it has cancelled the tank painting project  
 4 due to the condition of the elevated tank.

5 RESOLUTION: In light of the information provided by Cal Water in its rebuttal  
 6 and Parties' agreement on tank painting projects herein, Parties agree to include this  
 7 antenna tower project in this rate case, at Cal Water's requested cost.

8 References: Exhibit ORA-10, pages 88-90; Exhibit CWS-112, pages 125-126.

9 **D. KING CITY: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097829	KC 004-D Replace Pump and Motor	\$0
2016	00097830	KC 008-01 Replace Pump and Motor	\$0
2016	00098117	Hydrant Meter RP	\$6,884
2016	00098680	Purchase locate equipment	\$5,463
2016	00098686	Valve machine accessory	\$0
2016	00098699	New main valve casings	\$0
2016	00098711	2016 Main Replacement Program King City	\$333,396
2016	00098745	Install new fire hydrants	\$0
2016	00100343	Telog Data Recorders	\$4,152
2016	KCD0900	Meter Replacement Program	\$21,826
2016	109-NON-SP	Non Specific Project	\$109,950
2016	00097831	KC 004-D Replace Pump and Motor	\$49,449
2016	00098687	Copier	\$18,368
2017	00097832	KC 006-01 Replace Pump and Motor	\$0
2017	00098694	Main line valve casings	\$0
2017	00098743	Install new fire hydrants	\$0
2017	00099096	2017 Main Replacement Program King City	\$341,730
2017	00099321	Install Antenna Tower	\$94,356
2017	KCD0900	Meter Replacement Program	\$22,372
2017	109-NON-SP	Non Specific Project	\$112,500
2018	00098313	16" DI Ellis St & Russ St to 3rd-965'	\$744,286
2018	00098984	16 " DI 1090' Ellis to Russ	\$805,092
2018	00098332	16" DI Ellis St & Third to 1ST 965'	\$231,905
2018	00098477	KC 010-T1-Tank Structure Imprvmnts	\$46,343
2018	00098695	VFD Installation KC 12	\$59,482

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2018	00098697	Install new valve casings	\$0
2018	00098744	New fire hydrants	\$0
2018	00098762	Well Level Transducer Sta 6	\$0
2018	00099099	2018 Main Replacement Program King City	\$350,274
2018	KCD0900	Meter Replacement Program	\$22,931
2018	109-NON-SP	Non Specific Project	\$115,050

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. KING CITY: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2018	00099170	Replace SCADA software and hardware	\$344,460

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5

6 [END OF CHAPTER]

1           **CHAPTER 25 LIVERMORE DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11           The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16           The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23           The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26           Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$3,280,763
2017	\$3,347,211
2018	\$2,691,741
Total	\$9,319,714

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **A. LIVERMORE: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 97703 – INSTALL CHLORAMINATION AT STA. 12**

PID(s)	Year	Application	ORARReport	Settlement
97703	2016	\$656,852	\$0	\$0

18

19 ISSUE: Cal Water proposed installation of chloramination equipment at Station  
 20 12 to achieve disinfection residual and maintain water quality as part of a well overhaul  
 21 effort. The well was rehabilitated in 2013 to address sanding problems.

22 ORA recommended disallowance of this project due to the operational status of  
 23 Station 12, noting that the well continued to experience sanding issues after the



1 overhaul. ORA noted that although the well was returned to service, it only produced  
 2 500 gpm, down from the design capacity of 700 gpm, again due to sanding problems.  
 3 The well was then taken off-line for repair and is still offline.

4 RESOLUTION: In light of the latest operational status of the well at Station 12,  
 5 Cal Water agrees to defer this request.

6 References: Exhibit CWS-50, pages 227-238; Exhibit ORA-8, pages 16-18; Exhibit CWS-  
 7 112, pages 164-165 and attachments.

8 **2) 97708 – DRILL & DEVELOP NEW WELL TO REPLACE STA. 8**

PID(s)	Year	Application	ORA Report	Settlement
97708	2018	\$2,018,905	\$0	\$0

9

10 ISSUE: Cal Water proposed to replace the well at Station 8 in order to meet  
 11 demand in the 610 pressure zone.

12 ORA noted that Cal Water had previously requested this project in the 2012 GRC  
 13 (PID 56749). However, ORA and Cal Water agreed in that GRC’s settlement that “Cal  
 14 Water should not pursue Project 56749 until a groundwater quality study has been  
 15 conducted in the 610 Zone and there is a need to construct the well.” Moreover, ORA’s  
 16 supply and demand analysis based on updated data does not support the need for this  
 17 project.

18 ORA recommended disallowing this project because (1) Cal Water  
 19 inappropriately proposed this project without completing the groundwater study as  
 20 required in the last GRC settlement, and (2) the project is not needed given ORA’s  
 21 estimated available supply and demand in Pressure Zone 610.

22 RESOLUTION: Cal Water recently completed a groundwater aquifer study for the  
 23 Livermore District and has since shared the results with ORA. In this GRC application,  
 24 Cal Water did not specify a site or include a project request for a land purchase for the  
 25 requested well. In settlement, Cal Water proposed to locate the well in an existing  
 26 station, but that station is near the poor water quality area identified in the study, and  
 27 presents a high risk of producing poor quality water; additionally, the station may not  
 28 have sufficient space for treatment facilities, if that becomes necessary. Given the

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1 uncertainty in the potential site for the project and ORA’s concerns regarding the  
 2 project’s need, Cal Water agrees to defer its request.  
 3 References: D.14-08-011, Attachment 1 (Settlement Agreement), page 267, lines 11-13;  
 4 Exhibit CWS-50, pages 242-258; Exhibit ORA -8, Pages 22-29; Exhibit CWS-112, pages  
 5 170-171 and attachments.

6 **C. LIVERMORE: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097647	Upgrade cathodic protection system at Liver tanks : 23 -T1, 23-T2	\$46,416
2016	00097703	Install Chloramination system at Sta 12.	\$0
2016	00097722	Change the horizontal splitcase boosters to Vertical Turbine boosters in order to eliminate the negative NPSHr problems at the station Sta. 18.	\$415,485
2016	00097889	Replacement of pump and 30 Hp motor. Sta. 010-A	\$52,607
2016	00097892	Replacement of pump and 7.5 Hp motor. Sta. 029-A	\$0
2016	00097949	Replacement of pump and 7.5 Hp motor. Sta. 029-B	\$0
2016	00098023	Replace panelboard at Livermore Station 9	\$268,055
2016	00098136	Hydrant Meter Reduced Pressure Principal Assembly	\$37,861
2016	00098470	Retrofit overflow with airgap (both tanks). Sta. 018 T1 & T2 Tank 2 - Replace top section of exterior overflow pipe; Retrofit roof w/ drain; Replace upper 4 rungs of int. ladder.	\$42,093
2016	00098472	Retrofit overflow pipe with airgap on both tanks. Sta. 013-T1 & 019-T1 Extend safety climb rail on Sta. 019-T1.	\$0
2016	00098523	Overhaul of Control Valves in the Livermore District - 2016	\$39,378
2016	00098599	Replacement of 3 control valves in Livermore.	\$87,799
2016	00098813	Install new RTU at station 8	\$0
2016	00099150	Vehicle Replacements > 120,000 miles	\$41,521
2016	00099225	2016 Main Replacement Program Livermore	\$1,284,174
2016	110-NON-SP	110- Livermore Non-specific	\$816,450
2016	LIV0900	Meter Replacement Program	\$148,925
2017	00097514	Livermore CP System Upgrade -2017 - Sta.13 Tank 2	\$19,137
2017	00097724	Install Mixing system in the tank at Sta 25	\$131,652
2017	00097951	Replacement of pump and 30Hp motor. Sta. 022-B	\$61,562
2017	00097952	Replacement of pump and 25Hp motor. Sta. 008-01	\$63,485
2017	00097953	Replacement of pump and 30 Hp motor. Sta. 022-A	\$0
2017	00098122	Replace the panelboard at Livermore Station 10	\$199,458
2017	00098150	Install a generator at Livermore Station 23	\$299,960
2017	00098473	Retrofit overflow pipe with airgap. Sta 014-T1	\$17,900
2017	00098525	Overhaul of Control Valves in the Livermore District - 2017	\$40,359

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Year	PID	Description	Settlement
2017	00098600	Replacement of 3 control valves in Livermore.	\$89,994
2017	00098818	Install new RTU at station 16	\$0
2017	00098868	Install flow meter for Zone 7 Turnout #VI to CWS system	\$64,325
2017	00099153	Vehicle Replacements > 120,000 miles	\$48,159
2017	00099226	2017 Main Replacement Program Livermore	\$1,322,699
2017	110-NON-SP	110- Livermore Non-specific	\$835,875
2017	LIV0900	Meter Replacement Program	\$152,647
2018	00097513	Livermore CP System Upgrade -2018 - Sta.18 Tank 2	\$19,615
2018	00097708	Drill & develop a new well as a replacement to Sta 8. Equip the well and Chloraminate the water for disinfection.	\$0
2018	00097725	Install mixing system at Sta 29	\$0
2018	00097954	Replacement of pump and 10HP motor. Sta. 026-A	\$55,270
2018	00097955	Replacement of pump and 30Hp motor. Sta. 010-B	\$0
2018	00097956	Replacement of pump and 60 Hp motor. Sta. 015-01	\$0
2018	00097957	Replacement of pump and 15 Hp motor. Sta. 028-A	\$0
2018	00098178	Replace the panelboard at Livermore Station 12	\$0
2018	00098527	Overhaul of Control Valves in the Livermore District - 2018	\$41,364
2018	00098601	Replacement of 3 control valves in Livermore.	\$92,243
2018	00098825	Install new RTU at station 12	\$0
2018	00098870	Install Flow Meter for Zone 7 Turnout # VII to CWS system	\$65,933
2018	00099155	Vehicle Replacements > 120,000 miles	\$43,623
2018	00099227	2018 Main Replacement Program Livermore	\$1,362,380
2018	110-NON-SP	110- Livermore Non-specific	\$854,850
2018	LIV0900	Meter Replacement Program	\$156,464

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **D. LIVERMORE: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00098846	Replace SCADA Modicon RTUs	\$73,374
2017	00098854	Replace SCADA Modicon RTUs	\$75,208
2018	00098856	Replace SCADA Modicon RTUs	\$77,088
2018	00099171	Replace SCADA software and hardware	\$542,232

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

5

6

[END OF CHAPTER]

1           **CHAPTER 26 LOS ALTOS DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$4,032,728
2017	\$3,964,442
2018	\$4,696,290
Total	\$12,693,460

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. LOS ALTOS: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 101681 – IMPROVEMENTS OF COMMERCIAL OFFICE SPACE**

PID(s)	Year	Application	ORA Report	Settlement
101681	2016	\$ 314,579	\$0	\$50,000

18

19 ISSUE: Cal Water proposed remodeling and equipping an area of the leased  
 20 commercial office space at 949 B Street in Los Altos to address space overcrowding at  
 21 the 1555 Miramonte Avenue operations center and to support the additional Main  
 22 Replacement Program and cross-connection control program employees. The proposed  
 23 improvements include a new cubicle, two new offices, four new workstations, the

1 addition of a common area and upgraded security. Cal Water stated that this is a  
 2 temporary fix to the space needs until a new combined operations and customer service  
 3 center is built at the 1579 Miramonte Avenue site.

4 ORA contended that it is not cost effective to make improvements to a leased  
 5 office space at this time, when Cal Water already has plans to build a combined  
 6 operations and customer service center in the near future.

7 RESOLUTION: Parties agree to only include \$50,000 in the 2016 capital budget  
 8 for limited temporary improvements at the customer center. Please see Operations  
 9 Center Property Improvements for additional information on office building space in the  
 10 Los Altos District.

11 References: Exhibit CWS-51, pages 272-280; Exhibit ORA-8, pages 41-43; Exhibit CWS-  
 12 112, pages 146-148.

13 **2) LOS ALTOS CUSTOMER CENTER & OPERATIONS CENTER PROPERTY**

PID(s)	Year	Application	ORA Report	Settlement PHFU (see discussion)
NA	2018	\$3,129,778	\$0	\$2,426,184

14  
 15 ISSUE: Cal Water included this property’s purchased cost in its 2014 Net Plant  
 16 Additions. The property is located at 1579 Miramonte Avenue, adjacent to the existing  
 17 Los Altos Suburban operations center, and is currently being used to store machinery,  
 18 equipment, and supplies and for employee parking. Cal Water contended that since the  
 19 existing operations center building is old, inadequate, not seismically safe, and may have  
 20 hazardous material risk, it hired outside consultants to evaluate Cal Water’s options for  
 21 replacement of the centers. Based on the recommendation in the consultant’s report,  
 22 Cal Water hired a design firm to perform preliminary planning to combine the customer  
 23 center and operation center facilities into one building. (In the meantime, Cal Water  
 24 also requested a short-term solution to what it described as overcrowding at the  
 25 operations center with project (PID 101681 for \$314,579, discussed above).)

26 ORA recommended that the Commission disallow the requested \$3,129,778  
 27 plant addition associated with the land purchase. ORA’s basis for its recommendation is

1 that Cal Water purchased the property to construct a new customer operations center,  
 2 but has not yet proposed a construction project or even a timeframe for when a  
 3 construction project proposal might be presented for Commission review. ORA also  
 4 pointed out that the land is not being used for its intended purpose. ORA noted that,  
 5 for similar reasons, Parties in the last GRC’s settlement (adopted by the Commission),  
 6 agreed to transfer this property purchase cost out of rate base and classified it as non-  
 7 operating property.

8 RESOLUTION: Parties agree to include in Plant Held for Future Use (PHFU) an  
 9 amount of \$2,426,184 (\$3,129,778 less overhead) for the 1579 Miramonte Avenue  
 10 property. Additionally, Cal Water agrees to file a separate application prior to its next  
 11 general rate case application to request Commission authorization to construct a  
 12 combined customer and operations center building on the property. Cal Water agrees  
 13 that if it fails to do so the property will be transferred back to non-operating property  
 14 status for subsequent GRCs’ forecasting purposes, and the ratemaking treatment for the  
 15 property will still need to be determined in the project-specific application. Parties  
 16 agree that the project-specific application can ask that rate recovery for the project (if  
 17 approved by the Commission) be made via Advice Letter upon project completion.

18 References: Exhibit CWS-51, pages 262-271; Exhibit ORA-8, pages 55-56; Exhibit CWS-  
 19 112, pages 131-133.

20 **3) 99098 – STATION 35 OVERHAUL**

PID(s)	Year	Application	ORA Report	Settlement
99098	2018	\$ 572,421	\$0	\$0

21  
 22 ISSUE: Cal Water included the Station 35 overhaul project because, as Cal Water  
 23 explained, there is currently no way to move water from the 665 upper zone to the 445  
 24 lower zone during a power outage. The project included the following: installation of a  
 25 pressure reducing valve, replacement of two portable booster connection hydrants,  
 26 construction of a retaining wall to secure the hillside, and installation of a turn-out to  
 27 allow for parking space for a vehicle that hauls a temporary portable booster on a  
 28 trailer.



1           ORA recommended disallowing this project because the station has been offline  
 2 and has not been in operation for 21 years, since 1994. Furthermore, no power outages  
 3 have been reported in the last five years that would require moving water from the 665  
 4 upper zone to the 445 lower zone.

5           In rebuttal, Cal Water explained that the new portable booster connections  
 6 would provide a back-up in case Cal Water cannot operate the pumps at Station 8 (a  
 7 station in current operation) due to a power outage or other operational failure. Cal  
 8 Water stated that the project described would not have restored the full functionality of  
 9 Station 35 (a powered booster pump station which has not been online since 1994) but  
 10 would only install facilities that can be used in the event of a power outage.

11           **RESOLUTION:** Although Parties generally agree that it is reasonable for Cal  
 12 Water to prepare for power outages and other single points of failure, this project is not  
 13 a high priority for this system at this time. Therefore, Cal Water agrees to defer this  
 14 project to a future rate case.

15           **References:** Exhibit CWS-51, pages 287-295; Exhibit ORA-8, pages 51-52; Exhibit CWS-  
 16 112, pages 152-153.

17           **D. LOS ALTOS: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097656	Upgrade cathodic protection system at Los Altos tanks: 42 -T1, 42-T2, 42-T3, 111-T1 and 114-T1	\$98,625
2016	00097788	Replacement of pump and motor. Sta. 010-B	\$52,607
2016	00097789	Replacement of pump and motor. Sta. 114-D	\$52,607
2016	00097868	Purchase and install Itron MC3 mobile meter reading system on one existing vehicle and install electronic radio endpoints on LAS meter reading cycle M-01 (approximately 632 meter.)	\$0
2016	00097984	Replace wood roof. Replace overflow weir & inlet pipe Sta. 017-T1	\$0
2016	00098130	Hydrant Meter Reduced Pressure Principal Assembly	\$15,489
2016	00098425	Tank 1: Replace asphalt berm; Install new overflow; Replace (21) rafter ends, Tank 2: Replace asphalt berm Sta.119	\$85,551
2016	00098469	Overhaul of Control Valves in the Los Altos District - 2016	\$26,835
2016	00098765	Install flow meter at 3 of the following 5 stations 7,10,19,104,38	\$138,105
2016	00099157	Vehicle Replacements > 120,000 miles	\$83,042
2016	00099221	2016 Main Replacement Program Los Altos	\$2,157,217
2016	00101681	Tenant improvements of the Los Altos Suburban Commercial Office space to maximize use of space, increase security, and	\$50,000

CHAPTER 26 LOS ALTOS DISTRICT PLANT

Year	PID	Description	Settlement
		accommodate additional staff and/or potential complement increase.	
2016	111-NON-SP	111- Los Altos Suburban Non-specific	\$1,064,700
2016	LAS0900	Meter Replacement Program	\$207,951
2017	00097649	Upgrade cathodic protection system at Los Altos tanks: 119 -T1, 121-T1, 121-T2, 121-T3, and 123-T1	\$95,684
2017	00097700	Replace existing pressure tank.	\$0
2017	00097790	Replacement of pump and motor. Sta. 007-D	\$68,769
2017	00097865	Replace panelboard at Los Altos Station 9	\$194,949
2017	00098483	Add panel board overhangs where needed at Stations 24, 27, 28, 30, 31 and 32	\$8,779
2017	00098494	Add cameras, motion detectors and alarms at Station 17.	\$0
2017	00098501	Add cameras, motion detectors and alarms at Station 20.	\$0
2017	00098515	Overhaul of Control Valves in the Los Altos District - 2017	\$27,506
2017	00099158	Vehicle Replacements > 120,000 miles	\$0
2017	00099223	2017 Main Replacement Program Los Altos	\$2,211,148
2017	111-NON-SP	111- Los Altos Suburban Non-specific	\$1,089,825
2017	LAS0900	Meter Replacement Program	\$213,150
2017	00099157	Vehicle Replacements > 120,000 miles	\$54,632
2018	00097648	Upgrade cathodic protection system at Los Altos tanks: 2 -T1, 9-T1, 104-T1, 119-T2, 33-T1 and 33-T2	\$117,691
2018	00097813	Replacement of pump and motor. Sta. 017-A	\$70,488
2018	00097814	Replacement of pump and motor. Sta. 033-B	\$70,488
2018	00097987	Panelboard needs to be replaced at Los Altos Station 19	\$0
2018	00097989	Install new 30" manway; Replace roof hatch w/ 30" x 30" hatch; Replace upper 6' of interior ladder. Sta. 114-T1	\$22,791
2018	00098010	Panelboard needs to be replaced at Los Altos Station 27	\$277,563
2018	00098402	A Water Supply and Facility Master Plan will be prepared by a consultant.	\$469,018
2018	00098503	Installing cameras, motion detectors and alarms at Station 31.	\$0
2018	00098511	Replace portable booster connection with company standard hydrants.	\$24,246
2018	00098513	Old copier is out dated and in bad condition	\$0
2018	00098518	Install overhangs on panelboards to help protect charts from weather.	\$6,386
2018	00098519	Overhaul of Control Valves in the Los Altos District - 2018	\$28,194
2018	00098543	Replace upper 4 rungs of interior ladder. Install new interior safety climb rail. Sta. 007-T1	\$9,870
2018	00099098	Station 35 overhaul-Station 35 needs work done. Panelboard, Booster (Pump & Motor), Pump Control Valve, Plumbing Valves, Wharf head.	\$0

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Year	PID	Description	Settlement
2018	00099159	Vehicle Replacements > 120,000 miles	\$0
2018	00099224	2018 Main Replacement Program Los Altos	\$2,266,426
2018	111-NON-SP	111- Los Altos Suburban Non-specific	\$1,114,650
2018	LAS0900	Meter Replacement Program	\$218,479

1           \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2           related to resolution of CWIP Special Request #7.

3           **E. LOS ALTOS: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2017	00062077	Replace 100K Gallon Redwood Tank - Sta. 8 Loyola Tank	\$312,308
2016	00098508	SCADA tablets	\$1,442
2018	00099172	Replace SCADA software and hardware	\$596,548

4           \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

5

6

[END OF CHAPTER]

1           **CHAPTER 27 MARYSVILLE DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11           The Advance Capital Budget (“ACB”) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (“GRC”) but which have not yet been completed. These  
15 are known as “carryover” projects.

16           The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23           The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26           Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (“CSS”). The Parties agree that Cal Water will complete  
18 the listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$919,614
2017	\$704,842
2018	\$939,704
Total	\$2,564,160

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects'  
 5 estimated costs ("Settlement" column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the "Global  
 8 Plant" section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. MARYSVILLE: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 There are no specific project discussions.

18 **D. MARYSVILLE: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097958	Replacement of pump and 7.5 Hp motor.	\$0
2016	00098152	Hydrant Meter Reduced Pressure Principal Assembly	\$5,163
2016	00098666	Replace pipe locator	\$4,371
2016	00098668	Flat to meter retrofits, 250 in 2016	\$121,978
2016	00098713	Panelboard Replacement at Marysville Station 7	\$231,091
2016	112MRP16	2016 Main Replacement Program Marysville	\$401,801
2016	112-NON-	112- Marysville Non-specific	\$128,550

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Year	PID	Description	Settlement
	SP		
2016	MRL0900	Meter Replacement Program	\$26,660
2017	112-NON-SP	112- Marysville Non-specific	\$131,700
2017	00098649	Replace deteriorating wooden fences at various locations	\$0
2017	00098651	Retrofit 250 flat rate services to metered during 2017	\$125,027
2017	00098658	Replace valve box locator due to old age and constant breakdowns	\$2,240
2017	00098906	Replace Flow meter at Station 9	\$19,585
2017	112MRP17	2017 Main Replacement Program Marysville	\$398,964
2017	MRL0900	Meter Replacement Program	\$27,326
2018	00098643	Retrofit 250 flat rate services to metered services	\$128,153
2018	00098645	Replace Canon Image runner 2880 multi-purpose copier/scanner	\$0
2018	00098693	Panelboard Replacement at Marysville Station 9	\$239,830
2018	00098708	Electrical Upgrade at Marysville Station 12. Replace panelboard, orifice plate and install back up VFD.	\$0
2018	112MRP18	2018 Main Replacement Program Marysville	\$408,938
2018	112-NON-SP	112- Marysville Non-specific	\$134,775
2018	MRL0900	Meter Replacement Program	\$28,009

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. MARYSVILLE: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2018	00099174	Replace SCADA software and hardware	\$343,217

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5

6 [END OF CHAPTER]

1           **CHAPTER 28 OROVILLE DISTRICT PLANT**

2           **A. OVERVIEW**

3           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6           The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11          The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16          The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23          The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26          Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in



1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$1,439,196
2017	\$1,080,625
2018	\$740,444
Total	\$3,260,265

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. OROVILLE: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 98031 – VACUUM TRAILER**

PID(s)	Year	Application	ORA Report	Settlement
98031	2016	\$ 54,633	\$ 0	\$54,633

18

19 ISSUE: Cal Water proposed to replace a vacuum trailer, used for excavations.  
 20 Since this project was under \$100,000, Cal Water did not include a detailed project  
 21 justification in its application. In its project description, Cal Water simply stated that the  
 22 vacuum trailer or excavation trailer will be used to expose leaking services and mains to  
 23 make repairs quickly and safely.

1           ORA did not support this project, because ORA noted that the district already has  
 2 an existing trailer and Cal Water did not fully explain why it needs two vacuum trailers in  
 3 this district.

4           In rebuttal, Cal Water clarified that this project is a replacement for the existing  
 5 vacuum trailer unit that is in poor condition.

6           RESOLUTION: With the clarification provided in Cal Water’s rebuttal, Parties  
 7 agree that this project should be included.

8           References: Exhibit ORA -8, page 85; Exhibit CWS-112, page 213.

9           **2) 98912 – SOLAR POWERED TRANSMITTER**

PID(s)	Year	Application	ORA Report	Settlement
98912	2016	\$58,219	\$0	\$29,110

10  
 11           ISSUE: Cal Water proposed the installation of a solar-powered transmitter at the  
 12 Cherokee Reservoir. Since the estimated cost of this project was under \$100,000, Cal  
 13 Water did not include a detailed project description and justification in its Project  
 14 Justification book. In response to ORA’s inquiry, Cal Water stated that the project will  
 15 allow Cal Water to monitor the reservoir’s water level as it is filled at night. Cal Water  
 16 explained that since there is not a cost effective electrical supply at this location, Cal  
 17 Water proposed that this transmitter would be powered by a small solar panel.

18           ORA questioned the need to install a transmitter at this site, and stated that Cal  
 19 Water did not provide the dates or specific incidents where the Reservoir was over-  
 20 filled; ORA also contended that Cal Water could improve its filling time estimates to  
 21 prevent over-filling. In rebuttal, Cal Water clarified its position and re-iterated that the  
 22 project is necessary as there is currently no means of measuring the water level in the  
 23 Cherokee Reservoir.

24           RESOLUTION: With the information provided in Cal Water’s rebuttal, Parties  
 25 agree that this is a prudent project and should be included in this GRC, at a lower cost of  
 26 \$29,110. The reduction in cost is due to the revised scope that included a wireless solar

1 powered transmitter instead of a hardwired solar transmitter. This eliminates the need  
 2 for trenching and wiring connections.

3 References: Exhibit ORA-8, page 89; Exhibit CWS-112, pages 215-216.

4 **3) 97517 – CONCEPTUAL DESIGN FOR RESERVOIR IMPROVEMENTS**

PID(s)	YEAR	Application	ORA Report	Settlement
97517	2017	\$22,103	0	\$22,103

5  
 6 ISSUE: Cal Water proposed a project to plan and design improvements to the  
 7 Cherokee Reservoir; the improvements would include modifying the reservoir’s  
 8 dimensions, offsetting its location from public road, and replacing the fence to address a  
 9 safety and security hazard.

10 ORA did not support this project, citing lack of design details (e.g., permits  
 11 required) and consideration of alternatives (e.g., installing a road barrier, better lighting  
 12 or signage around the reservoir).

13 In rebuttal, Cal Water discussed the raw surface water operations and explained  
 14 the risks identified. Cal Water also stated that the intent of this project is to design an  
 15 improvement to the reservoir to reduce risk, by moving the banks of the reservoir  
 16 and/or raising the banks. Cal Water also explained that some design details are not  
 17 known yet, and this proposed project will identify the required permits.

18 RESOLUTION: Parties agree to include this project in this GRC at Cal Water’s  
 19 requested cost. Once the planning and preliminary design is completed, Cal Water may  
 20 propose a design and construction project in a future rate case.

21 References: Exhibit ORA-8, pages 89-90; Exhibit CWS-112, pages 217-220.

22 **4) 99722 – FOREBAY IMPROVEMENTS**

PID(s)	Year	Application	ORA Report	Settlement
99722	2017	\$221,015	\$167,255	\$167,255

23  
 24 ISSUE: Cal Water proposed various improvements to the forebay at the Oroville  
 25 Water Treatment Plant. Cal Water’s plan is to replace the steel grate screen with an

1 automated screen and pump filter with a control panel, to replace the wooden plank  
 2 walls with steel wing walls and beam,, and to replace two inoperable valves at the  
 3 treatment plant, also known as Station 15. Cal Water proposed increasing the forebay  
 4 wall height by 18 inches to improve operations.

5 ORA agreed with the need to replace the steel grate, wing wall, and valves. ORA  
 6 did not agree with the need to increase the forebay wall height (i.e., volume), because  
 7 the treatment plant was designed to run at 7.2 MGD, and for the past three years, the  
 8 treatment plant has never operated over 2.3 MGD.

9 In rebuttal, Cal Water pointed out that the forebay wall height was  
 10 recommended in the 2009 Water Supply and Facilities Master Plan. Cal Water also  
 11 stated that increasing the depth of the forebay would improve water quality issues by  
 12 promoting less algae growth; this has the potential to reduce the amount of chemicals  
 13 used in the treatment process.

14 RESOLUTION: Parties agree to include this project in this GRC, but a reduced  
 15 scope and cost (as shown above). The agreed upon project includes the steel grate,  
 16 wing wall and valve replacements, and excludes the forebay wall height increase.

17 References: Exhibit CWS-53, pages 282-289; Exhibit ORA-8, pages 75-77; Exhibit CWS-  
 18 112, pages 222-223 and attachments.

19 **5) 97871 – INSTALL SOLAR POWER AT TREATMENT PLANT**

PID(s)	Year	Application	ORA Report	Settlement
97871	2018	\$749,656	\$0	\$0

20

21 ISSUE: Cal Water proposed installing a 149-kW photovoltaic (PV) solar power  
 22 system to offset purchased power at the Oroville Treatment Plant.

23 While not necessarily opposing the use of alternative energy sources, ORA  
 24 questioned the cost effectiveness of this specific solar project. ORA contested Cal  
 25 Water’s cost-benefit analysis, particularly assumptions on inflation rate and project size.  
 26 ORA also questioned why Cal Water did not explore other potentially more cost  
 27 effective options such as leasing.

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1 In rebuttal, Cal Water discussed its basis for its calculations and goals for the  
 2 project.

3 **RESOLUTION:** Because of impact on customer rates, Cal Water agrees to defer  
 4 this project.

5 **References:** Exhibit CWS-53, pages 290-295; Exhibit ORA-8, pages 79-83; Exhibit CWS-  
 6 112, pages 224-226 and attachments.

7 **D. OROVILLE: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097457	Oroville CP System Upgrade -2016 - Sta.16 Tank 1	\$20,245
2016	00097507	Replace existing 5,000 gal hydropneumatic tank whose nameplate pressure is 75 psi, with a higher rated pressure vessel for normal operating conditions of 40 to 80 psi.	\$152,674
2016	00098031	A vacuum trailer or excavation trailer will be used to expose leaking services and leaking mains to make repairs quickly & safely.	\$54,633
2016	00098042	Gunite the earthen lined drain ditch at Oroville Reservoir to seal leak in the ditch.	\$81,251
2016	00098103	A new lawn mower, weed eater, and leaf blower are needed to maintain the gardening and lawn care at our stations.	\$0
2016	00098106	Additional filtering sand is needed for the multimedia filters to continue to produce high quality water.	\$24,734
2016	00098155	Hydrant Meter Reduced Pressure Principal Assembly	\$5,163
2016	00098700	Replace Manager's desk and add new tables and chairs are needed in the meeting room.	\$0
2016	00098715	Replace panelboard and install generator to operate all equipment at Oroville Station 15.	\$214,642
2016	00098902	Replace Flow meter at Sta. 10 to enable SCADA Monitoring	\$29,873
2016	00098905	Install a well level transducer at a well TBD, Connect to SCADA	\$0
2016	00098912	Install a solar powered wireless transmitter and level transducer at the Oroville treatment plant	\$29,110
2016	00099022	Replacement of pump and 100 Hp motor.	\$101,113
2016	00099228	2016 Main Replacement Program Oroville	\$432,106
2016	00099417	Vehicle Replacement due to number of years in service	\$74,300
2016	ORO0900	Meter Replacement Program	\$30,878
2016	113-NON-SP	113- Oroville Non-specific	\$188,475
2017	00097516	Both station 1 and 3 are aging stations with multiple facilities needing replacement including electrical.	\$31,168
2017	00097517	Conceptual design and planning for reservoir improvements.	\$22,103
2017	00098707	The open ditch coming into the treatment plant needs to be piped because the concrete lining has deteriorated and is leaking water.	\$206,318
2017	00098716	Paving - treatment plant driveway, parking area, loading area, and	\$8,300

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Year	PID	Description	Settlement
		filter area	
2017	00098903	Install a well level transducer at a well TBD, Connect to SCADA	\$0
2017	00099208	Vehicle Replacements > 120,000 miles	\$42,559
2017	00099229	2017 Main Replacement Program Oroville	\$378,449
2017	00099722	Replace forebay walls, screen, and associated appurtenances.	\$167,255
2017	ORO0900	Meter Replacement Program	\$31,649
2017	113-NON-SP	113- Oroville Non-specific	\$192,825
2018	00097871	Install solar panel equipment to power the treatment plant and reduce power purchased from PG&E.	\$0
2018	00098105	Replace the shingles on the company house at the Filter Plant.	\$35,598
2018	00098109	Replace broken gate valves in Mesa Ave. east of Spencer Ave. & district.	\$0
2018	00098904	Install a well level transducer at a well TBD, Connect to SCADA	\$0
2018	00099213	Vehicle Replacements > 120,000 miles	\$87,245
2018	00099230	2018 Main Replacement Program Oroville	\$387,910
2018	ORO0900	Meter Replacement Program	\$32,441
2018	113-NON-SP	113- Oroville Non-specific	\$197,250

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. OROVILLE: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2018	00099175	Replace SCADA software and hardware	\$355,987

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5

6 [END OF CHAPTER]

1 **CHAPTER 29 PALOS VERDES DISTRICT PLANT**

2 **A. OVERVIEW**

3 The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6 The tables at the end of this chapter provide a list of the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11 The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16 The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23 The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26 Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to slight increase to account for capitalized financing cost adjustment  
28 related to resolution of – Cal Water’s request on Construction Work in Progress (see the



1 Construction Work in Progress (CWIP Special Request #7) discussion in the Global Plant  
2 section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainties (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$4,277,487
2017	\$5,469,894
2018	\$4,599,421
Total	\$14,346,802

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. PALOS VERDES: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 97421 – RESERVOIR 7, STATION 43 IMPROVEMENTS**

PID(s)	Year	Application	ORA Report	Settlement
97421	2016	\$189,329	\$0	\$189,329

18

19 ISSUE: Cal Water stated that it identified a storage deficiency in the Palos Verdes  
 20 P-Cascade system. Cal Water explained that this proposed project would return  
 21 Reservoir 7 to operational status by making system modifications to allow adequate  
 22 cycling and reduce the potential of nitrification. Cal Water stated that restoring the  
 23 storage capacity of Reservoir 7 helps address the system storage deficiency.

1 ORA questioned Cal Water’s calculation of the storage deficit within the P-  
 2 Cascade system as a whole and for zone L-625 in which Reservoir 7 serves.

3 In rebuttal, Cal Water explained that addressing the water quality issue at  
 4 Station 43, Reservoir 7, will provide operational, emergency and fire flow storage, which  
 5 increases reliability to the service zone.

6 **RESOLUTION:** Parties agree to include this project in this GRC.

7 **References:** Exhibit CWS-54, pages 269-282; Exhibit ORA-11, pages 119-120; Exhibit  
 8 CWS-112, pages 238-240.

9 **2) 99184, 99185, & 99186 – ADVANCED METERING INFRASTRUCTURE**

PID(s)	Year	Application	ORA Report	Settlement
99184	2016	\$353,455	\$0	\$0
99185	2017	\$362,291	\$0	\$0
99186	2018	\$371,349	\$0	\$0

10

11 Please see AMI/AMR discussion in Chapter 12 (Global Plant Issues).

12 **3) 97946 – PV STATION 37-T1 STRUCTURAL IMPROVEMENTS**

PID(s)	Year	Application	ORA Report	Settlement
97946	2017	\$3,343,546	\$0	\$1,810,526

13

14 **ISSUE:** Cal Water stated that the 9.5-million gallon concrete reservoir at Station  
 15 37 is leaking at an average rate of 30,000 gallons per day. Cal Water proposed  
 16 improvements to address the reservoir’s structural deficiencies to mitigate the leakage.

17 ORA recommended disallowing improvements until additional structural  
 18 investigation is conducted.

19 In rebuttal, Cal Water stated that the tank was drained and inspected in  
 20 December 2015, by Cal Water and DN Tanks, an industry leader in the construction,  
 21 maintenance, and repair of concrete water tanks in seismically active zones such as  
 22 California. The inspection verified that past repair attempts have failed. DN Tanks  
 23 provided a proposal for structural improvements after the structural investigation.

1            **RESOLUTION:** In light of the information in Cal Water’s rebuttal, Parties agree to  
 2 include this project but at a lower cost of \$1,810,526 in this GRC. This lower cost  
 3 reflects a change in scope that resulted from a structural investigation conducted by Cal  
 4 Water and its consultant in December 2015. The investigation found that roof support  
 5 columns which were planned to be replaced as part of the project had cracks, but that  
 6 they have not demonstrated any structural weakness yet. The detailed scope identified  
 7 through structural investigation allowed for the reduction in the budget.

8            **References:** Exhibit CWS-54, pages 283-310; Exhibit ORA-11, pages 120-122; Exhibit  
 9 CWS-112, pages 243-245 and attachments.

10            **4) 98227 – PV STORAGE STUDY**

PID(s)	Year	Application	ORA Report	Settlement
98227	2018	\$7,292,324	\$0	\$750,000

11  
 12            **ISSUE:** Cal Water stated that its proposed P-Cascade Feasibility Study project  
 13 (PID 98227) addresses the storage deficiency identified in the Palos Verdes District’s P-  
 14 Cascade systems. Cal Water stated that its proposed project will include a new tank  
 15 site, geotechnical investigation of the site, due diligence activities, preliminary design,  
 16 and a property purchase for a future +/- 2.5-million gallon tank.

17            ORA opposed the project, citing Cal Water’s storage calculation errors. ORA  
 18 argued that Cal Water applied Maximum Day Demand (MDD) to calculate emergency  
 19 storage capacity whereas its project justification specified Average Day Demand (ADD)  
 20 should be used. ORA also opposed the project because of the uncertainty involved in  
 21 the necessary land purchase.

22            In rebuttal, Cal Water corrected its project justification, stating that MDD should  
 23 be used in calculating the emergency storage capacity for the P-Cascade system. Cal  
 24 Water provided its 2009 Water Supply and Facilities Master Plan as a basis for the  
 25 storage requirement. Cal Water acknowledged that finding a suitable land in Palos  
 26 Verdes will be challenging.

27            **RESOLUTION:** Parties agree to modify the scope of this project to exclude the  
 28 property purchase from the project scope, and to reduce the budget to \$750,000.

1 Parties agree that Cal Water will utilize the budget to conduct a feasibility study to  
 2 search for potential sites for the new water tank, perform geotechnical investigations,  
 3 and conduct due diligence on properties. Accordingly, the PID 98227 project’s name is  
 4 changed from P-Cascade Feasibility Study project to PV Storage Study.

5 References: Exhibit CWS-54, pages 361-410; Exhibit ORA -11, pages 124-126; Exhibit  
 6 CWS-112, pages 248-252 and attachment.

7 **5) 98326 & 98328 – CRENSHAW RIDGE SUPPLY & D-500 PROJECT**

PID(s)	Description	Year	Application	ORA Report	Settlement – Advice Letter
98326	Ridge System	2018	\$40.89 M	\$0	\$42.1 M
98328	D-500 Pipeline	2018	\$14.52 M	\$0	\$14.9 M

8  
 9 ISSUE: Supply to the Palos Verdes water system is 100% purchased and  
 10 delivered via two major pipelines from turnouts focused along the base/northeast end  
 11 of the peninsula. Ninety percent of the supply is pumped to tanks located at the top of  
 12 the mountain via a single transmission system (Ridge) then distributed to customers  
 13 downgradient. The lower elevation areas (D-500) are served from a single pipeline and  
 14 pump stations. Both transmission pipeline systems consist of pipe that is over 60 years  
 15 old and located in cross-country alignments that have become inaccessible due to  
 16 development that has occurred since the system was installed. Cal Water stated that if  
 17 either of these pipelines were to leak or break due to age, earthquake or other  
 18 catastrophe, residents of the peninsula would face lengthy water outages (90% of the  
 19 peninsula would be out of water for 1 to 1.5 days should the Ridge pipeline fail). Cal  
 20 Water also stated that failure of either pipeline system has the potential to cause  
 21 significant damage.

22 Cal Water proposed the Palos Verdes Pipeline to remedy these identified  
 23 deficiencies. The Palos Verdes Pipeline proposal consists of the Ridge System  
 24 component (PID 98326), which parallels existing transmission facilities, and the D-500  
 25 Pipeline component (PID 98328), which replaces portions of the existing pipeline.

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1 ORA opposed both of these projects due to several reasons. ORA pointed out  
 2 that the expected service life of the existing pipeline can be over 100 years, and Cal  
 3 Water has not adequately substantiated its claim regarding the vulnerability of the  
 4 Ridge System. ORA also pointed out uncertainties involved in these projects, including  
 5 Cal Water’s inability to acquire suitable property for a related project (PID 76174),  
 6 authorized in the last GRC as an Advice Letter project.

7 RESOLUTION: Parties agree that the proposed Ridge pipeline (PID 98326) will  
 8 provide redundancy to the Ridge system, and these two pipeline projects together  
 9 would provide additional reliability to Palos Verdes customers. Due to the scope of  
 10 these projects and the uncertainties of the related pump station project (PID 76174),  
 11 Parties agree that these two pipeline projects should be authorized as Advice Letter  
 12 projects.

13 References: Exhibit CWS-54, pages 411-423; Exhibit ORA-11, pages 126-132; Exhibit  
 14 CWS-112, pages 253-259.

15 **D. PALOS VERDES: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097421	RES 7 Improvements PV 43	\$189,329
2016	00097948	PV 037-T1: Structural Investigation	\$59,859
2016	00098131	PV 038-A Replace Pump and Motor	\$52,607
2016	00098133	PV 023-D Replace Pump and Motor	\$0
2016	00098165	Hydrant Meter RP	\$18,931
2016	00098224	Pump Replacement - 4A & 4C	\$0
2016	00098225	D-500 Inspection Program Ph.1	\$420,518
2016	00098492	Replace Air Tools	\$18,720
2016	00098496	Replace Air Tools	\$18,389
2016	00098499	Replace Hand Tools	\$6,370
2016	00098616	2016 PV Control Valve Rplcmnt.	\$204,863
2016	00099046	PV 023-D Install Pump Shelter	\$49,096
2016	00099184	Advanced Metering Infrastructure	\$0
2016	00099388	UPGRADE FIRE HYDRANTS	\$76,093
2016	00099473	32Reloc. PRV D-21-Via Arriba-PV	\$137,625
2016	00099480	Generator Replacement PV Sta 38	\$184,889
2016	122MRP1 6	2016 Main Replacement Program Palos Verdes	\$2,162,452
2016	PVD0900	Meter Replacement Program	\$23,596

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Year	PID	Description	Settlement
2016	122-NON-SP	Non-Specific Projects	\$654,150
2017	00097946	PV 037-T1: Structural Improvements	\$1,810,526
2017	00098140	PV 038-B Replace Pump and Motor	\$53,922
2017	00098142	PV 015-C Replace Pump and Motor	\$70,143
2017	00098149	PV 005-A Replace Pump and Motor	\$53,922
2017	00098229	Pipeline Inspection Program Ph.2	\$262,334
2017	00098618	2017 PV Control Valve Rplcmnt.	\$209,985
2017	00099080	PV 015-C Install Pump Shelter	\$17,296
2017	00099185	Advanced Metering Infrastructure	\$0
2017	00099394	UPGRADE FIRE HYDRANTS	\$81,468
2017	122MRP17	2017 Main Replacement Program Palos Verdes	\$2,216,513
2017	PVD0900	Meter Replacement Program	\$24,186
2017	122-NON-SP	Non-Specific Projects	\$669,600
2018	122-NON-SP	Non-Specific Projects	\$684,900
2018	00097563	RES. 11 Improvements PV 45	\$0
2018	00097947	PV 046-T1&048-T1: Tank Improvements	\$44,859
2018	00098144	PV 023-G Replace Pump and Motor	\$0
2018	00098156	PV 022-B Replace Pump and Motor	\$0
2018	00098227	PV Storage Study	\$750,000
2018	00098230	Reservoir 26 Seismic Retrofit	\$90,639
2018	00098237	Pipeline Inspection Program Ph.3	\$354,912
2018	00098620	2018 PV Control Valve Rplcmnt.	\$184,487
2018	00099078	PV 023-G Install Pump Shelter	\$51,581
2018	00099079	PV 022-B Install Pump Shelter	\$51,581
2018	00099186	Advanced Metering Infrastructure	\$0
2018	00099396	UPGRADE FIRE HYDRANTS	\$89,745
2018	122MRP18	2018 Main Replacement Program Palos Verdes	\$2,271,926
2018	PVD0900	Meter Replacement Program	\$24,791

1  
2

\* Amounts are subject to slight increase to account for capitalized interest adjustment related to resolution of CWIP Special Request #7.

1 **E. PALOS VERDES: ADVICE LETTER SUMMARY TABLE\*\***

<b>Expected Filing Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement – Advice Letter</b>
2016	00017331	Replace Panelboard - Sta. 22	\$620,000
2016	00026747	New Panelboard for Boosters - Sta. 22 A-D (Phase 2)	\$576,900
2017	00076174	Purchase Pump Station Property - PV Pipeline Project	\$2,000,000
2018	00098326	Crenshaw Ridge Supply Project	\$42,088,316
2018	00098328	D-500 Pipeline	\$14,884,852
2018	00099181	Replace SCADA software and hardware	\$371,788

2 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

3

4

[END OF CHAPTER]



1           **CHAPTER 30 RANCHO DOMINGUEZ (UMBRELLA) DISTRICT**  
2                                   **PLANT**

3           **A. OVERVIEW**

4           The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
5 Parties request that the Commission approve the settlement plant values described  
6 herein under the conditions specified.

7           The Rancho Dominguez District is an umbrella operation that provides support to  
8 three ratemaking districts – Dominguez, East Los Angeles and Hermosa Redondo. These  
9 three districts have their own capital budgets, but also share the operational resources  
10 of Rancho Dominguez (which has its own capital budgets). The tables at the end of this  
11 chapter provide the plant settlement for this district. In the narrative below, certain  
12 specific projects are discussed. In addition, there may be projects related to company-  
13 wide or “global” issues – issues that impact multiple districts – that are included in here,  
14 but discussed separately in the “Global Plant” section of this Agreement.

15           The Advance Capital Budget (ACB) consists of projects in three categories as  
16 discussed below: non-specific capital budgets, specific projects, and advice letter  
17 projects. In addition to the ACB, the district may also have projects that were approved  
18 in an earlier general rate case (GRC) but which have not yet been completed. These are  
19 known as “carryover” projects.

20           The annual non-specific capital budget is for projects that are anticipated to be  
21 completed during the indicated year to resolve issues that were not known in detail  
22 when the Advance Capital Budget for that time period was adopted. The projects  
23 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
24 programmatic projects that need to be completed between GRCs. These budgets are  
25 reflected in the settled revenue requirement and discussed in greater detail in the  
26 “Global Plant” section of this Agreement.

1           The Advance Capital Budget for specific projects identifies the projects and  
2 forecasted costs that the Parties have agreed should be reflected in the adopted  
3 revenue requirement.

4           Amounts for certain specific and non-specific projects in the Advance Capital  
5 Budget are subject to a slight increase to account for capitalized financing cost  
6 adjustment related to resolution of – Cal Water’s request on Construction Work in  
7 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
8 the Global Plant section of this Agreement).

9           The Parties agree that certain capital projects should be treated as advice letter  
10 projects because they involved some level of uncertainty (e.g., timing). These projects  
11 may be included in rates after (1) they are in service and considered used and useful,  
12 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
13 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
14 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
15 not included in the revenue requirement proposed for adoption in this Agreement.  
16 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
17 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
18 adjustment.

19           The last category of projects are carryover projects which are capital projects  
20 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
21 not included in the non-specific budget and specific capital budget summarized above.  
22 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
23 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
24 listed carryover projects at the identified settlement amounts and in the years  
25 indicated. The Parties agree that these projects’ forecasted costs should be included in  
26 the adopted revenue requirement.

27           The Parties agree that some capital projects proposed in the company’s July  
28 2015 application should not be included in the capital budgets for 2016 through 2018  
29 rate case, unless otherwise indicated. These excluded projects encompass those that

1 the company cancelled, those that are in service and already included in the beginning  
 2 plant balance per this Agreement, and those that the Parties agree for other reasons to  
 3 not include in the rate case at this time. The exclusion of these projects does not  
 4 prevent the company from proposing them in a subsequent application.

5 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$895,550
2017	\$277,091
2018	\$409,178
Total	\$1,581,818

6  
 7 The Parties agree to include specific projects in the Advance Capital Budget for  
 8 the years 2016 through 2018, presented in the project list below. These projects’  
 9 estimated costs (“Settlement” column) should be included in the adopted revenue  
 10 requirement. For some of these projects, however, their estimated costs do not include  
 11 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 12 Plant” section in this Agreement.

13 The project list also presents the non-specific projects budget and ACB projects  
 14 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 15 separate table.

16 Where Parties thought more detail would provide a better understanding of the  
 17 settlement, those projects are discussed in more detail. Certain projects are  
 18 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 19 Global Plant Issues.

20 **C. RANCHO DOMINGUEZ: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

21 There are no specific project discussions.

1 **D. RANCHO DOMINGUEZ: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00098464	Convert the Media Center Room to an Emergency Operation Center.	\$98,059
2016	00098464	Convert the Media Center Room to an Emergency Operation Center.	\$75,137
2016	00099216	Vehicle Replacements > 120,000 miles	\$325,610
2016	00099419	Replace current hydraulic valve truck	\$0
2016	00099460	Vehicle - 2.5 Ton- Vac Truck Unit w/ Accessories & Mobile Radio	\$316,268
2016	00NON-SP	RDOM - Non-specific	\$80,475
2017	00099084	Replace Air Compressor in the Dominguez District	\$20,081
2017	00099220	Vehicle Replacements > 120,000 miles	\$174,660
2017	00NON-SP	RDOM - Non-specific	\$82,350
2018	00099085	Replace Air Compressor in the Dominguez District	\$20,583
2018	00099222	Vehicle Replacements > 120,000 miles	\$304,295
2018	00NON-SP	RDOM - Non-specific	\$84,300

2 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 3 related to resolution of CWIP Special Request #7.

4 **E. RANCHO DOMINGUEZ: ADVICE LETTER SUMMARY TABLE\*\***

5 There are no new Advice Letter projects recommended for the Rancho  
 6 Dominguez District in this Agreement.

7

8 [END OF CHAPTER]

1 **CHAPTER 31 REDWOOD VALLEY DISTRICT PLANT**

2 **A. OVERVIEW**

3 Jeffrey Young participated in settlement discussions on issues of interest to the  
4 Coast Springs area of the Redwood Valley District. Unless otherwise noted, the term  
5 “Parties” as used in this chapter refers to Cal Water, ORA, and Jeffrey Young. The  
6 Parties request that the Commission approve the settlement plant values described  
7 herein under the conditions specified.

8 The Redwood Valley District consists of three ratemaking sub-areas – Coast  
9 Springs, Lucerne and Unified. The three sub-areas have separate water systems and  
10 capital budgets, but also share the Redwood Valley’s operational resources (each of  
11 which has its own capital budgets). The tables at the end of this chapter provide the  
12 plant settlement for this district. In the narrative below, certain specific projects are  
13 discussed. In addition, there may be projects related to company-wide or “global”  
14 issues – issues that impact multiple districts – that are included in here, but discussed  
15 separately in the “Global Plant” section of this Agreement.

16 The Advance Capital Budget (“ACB”) consists of projects in three categories as  
17 discussed below: non-specific capital budgets, specific projects, and advice letter  
18 projects. In addition to the ACB, the district may also have projects that were approved  
19 in an earlier general rate case (“GRC”) but which have not yet been completed. These  
20 are known as “carryover” projects.

21 The annual non-specific capital budget is for projects that are anticipated to be  
22 completed during the indicated year to resolve issues that were not known in detail  
23 when the Advance Capital Budget for that time period was adopted. The projects  
24 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
25 programmatic projects that need to be completed between GRCs. These budgets are  
26 reflected in the settled revenue requirement and discussed in greater detail in the  
27 “Global Plant” section of this Agreement.

1           The Advance Capital Budget for specific projects identifies the projects and  
2 forecasted costs that the Parties have agreed should be reflected in the adopted  
3 revenue requirement.

4           Amounts for certain specific and non-specific projects in the Advance Capital  
5 Budget are subject to a slight increase to account for capitalized financing cost  
6 adjustment related to resolution of – Cal Water’s request on Construction Work in  
7 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
8 the Global Plant section of this Agreement).

9           The Parties agree that certain capital projects should be treated as advice letter  
10 projects because they involved some level of uncertainty (e.g., timing). These projects  
11 may be included in rates after (1) they are in service and considered used and useful,  
12 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
13 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
14 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
15 not included in the revenue requirement proposed for adoption in this Agreement.  
16 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
17 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
18 adjustment.

19           The last category of projects are carryover projects which are capital projects  
20 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
21 not included in the non-specific budget and specific capital budget summarized above.

22 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
23 for Customer Support Services (“CSS”). The Parties agree that Cal Water will complete  
24 the listed carryover projects at the identified settlement amounts and in the years  
25 indicated. The Parties agree that these projects’ forecasted costs should be included in  
26 the adopted revenue requirement.

27           The Parties agree that some capital projects proposed in the company’s July  
28 2015 application should not be included in the capital budgets for 2016 through 2018  
29 rate case, unless otherwise indicated. These excluded projects encompass those that

1 the company cancelled, those that are in service and already included in the beginning  
 2 plant balance per this Agreement, and those that the Parties agree for other reasons to  
 3 not include in the rate case at this time. The exclusion of these projects does not  
 4 prevent the company from proposing them in a subsequent application.

5 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$713,359
2017	\$509,127
2018	\$523,844
Total	\$1,746,330

6  
 7 The Parties agree to include specific projects in the Advance Capital Budget for  
 8 the years 2016 through 2018, presented in the project list below. These projects’  
 9 estimated costs (“Settlement” column) should be included in the adopted revenue  
 10 requirement. For some of these projects, however, their estimated costs do not include  
 11 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 12 Plant” section in this Agreement.

13 The project list also presents the non-specific projects budget and ACB projects  
 14 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 15 separate table.

16 Where Parties thought more detail would provide a better understanding of the  
 17 settlement, those projects are discussed in more detail. Certain projects are  
 18 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 19 Global Plant Issues.

20 **C. REDWOOD VALLEY: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

21 **1) 98459 – PALL MEMBRANE FILTER REPLACEMENTS AT WTP**

PID(s)	Year	Application	ORA Report	Rebuttal	Difference
98459	2016	\$ 198,582	\$0	\$78,600	\$119,982

22

1            ISSUE: Cal Water proposed replacing the membranes at the Lucerne Water  
2 Treatment Plant (WTP). There are 44 Pall membrane filters, which were installed in  
3 2007. Cal Water stated that the filters have started to show signs of age and  
4 operational limitations. Cal Water also stated that the filters have experienced pinning  
5 failures and are exhibiting indication of clogging. Cal Water expressed concerns that the  
6 current filters will be out of warranty due to their age and the membrane manufacturer  
7 Pall will not provide technical support for operating issues. The filters were purchased  
8 at the same time and are operated under similar conditions; Cal Water, therefore,  
9 surmised they are all likely to require immediate replacement. The membranes would  
10 be purchased, stored, and then changed out as modules are identified to be in failure  
11 mode. Cal Water explained that the modes of failures include cracked housings,  
12 frequent plugging or clogging, and broken fibers above a certain level that would create  
13 the danger of passing unwanted material into the water system.

14            Cal Water stated that the Lucerne WTP was designed to utilize Pall membrane  
15 filters to remove organics. No other module would be available without modifying the  
16 existing treatment plant. Cal Water stated that replacing the filters at this time will  
17 allow the WTP to continuously produce high quality water that meets all State and  
18 Federal requirements.

19            ORA did not oppose the need to replace the Lucerne WTP Pall membrane filters.  
20 ORA recommended that the membrane replacement be treated as inventory under  
21 materials and supply until the membranes are placed into service. ORA stated that if  
22 the membranes were treated as inventory under materials and supply, it would be part  
23 of rate base but would not be depreciated until it is placed into service and booked into  
24 plant.

25            In rebuttal, Cal Water identified 22 modules in Skid B (of the Lucerne WTP) that  
26 needed to be replaced immediately due to operational issues.

27            RESOLUTION: Parties agree that stored filters should be considered inventory  
28 until the filters are installed and placed in service. The Parties agree that the 22 filters in  
29 Skid B should be replaced for a total of \$78,600, and considered as 2016 plant addition.



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1 The Parties also agree that the remaining 22 filters would be purchased the following  
 2 year (2017), placed in storage as inventory items, and be charged out to capital as the  
 3 filters are installed.

4 References: Exhibit CWS-56, pages 220-227; Exhibit ORA-9, pages 145-147; Exhibit  
 5 CWS-112, pages 272-273.

6 **D. REDWOOD VALLEY: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

7 **REDWOOD VALLEY**

Year	PID	Description	Settlement
2016	00099232	Vehicle Replacements > 120,000 miles	\$41,521
2016	RDV0900	Meter Replacement Program	\$5,063
2016	00NON-SP	Redwood Valley - Non-specific	\$183,500
2017	00099234	Vehicle Replacements > 120,000 miles	\$42,559
2017	RDV0900	Meter Replacement Program	\$5,189
2017	00NON-SP	Redwood Valley - Non-specific	\$187,900
2018	00012345	Vehicle Replacements > 120,000 miles	\$43,623
2018	00012346	Meter Replacement Program	\$5,319
2018	00NON-SP	Redwood Valley - Non-specific	\$191,900

8 **COAST SPRINGS**

Year	PID	Description	Settlement
2016	00098422	Replacement of 6 COS PALL membranes at the COS STA 07 treatment plant because the PALL membranes have reached the end of their service life.	\$25,370
2016	00098555	Replace roof at Well 4 shed; houses Well electrical controls to TP operations, roof failing, termite damage, Protects electrical & booster pump from coastal salt air corrosion.	\$0
2016	00098631	Routine replacement of chem feed peristaltic pump and spare head for ammonia injection required for chloramination disinfection system.	\$7,266
2016	00099358	2016 Main Replacement Program Redwood Valley (Coast Springs)	\$29,282
2017	00099362	2017 Main Replacement Program Redwood Valley (Coast Springs)	\$30,014
2018	00099363	2018 Main Replacement Program Redwood Valley (Coast Springs)	\$30,765

9 **LUCERNE**

Year	PID	Description	Settlement
2016	00097669	Install auto potential CP system at Lucerne 4-T1	\$18,670
2016	00098239	Install EBAA pipe fitting and complete piping changes to seismically retrofit the tank at Sta. 4 Tank 1.	\$46,361
2016	00098459	Replacement of 48 Lucerne PALL membranes at the LUC STA 01	\$78,600

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Year	PID	Description	Settlement
		treatment plant because the PALL membranes have reached the end of their service life.	
2016	00098482	Install new int. & ext. safety climb rail; Remove ext. ladder cage	\$20,453
2016	00099355	2016 Main Replacement Program Redwood Valley (Lucerne)	\$146,412
2016	LUC0900	Meter Replacement Program/Improve Operations	\$2,326
2017	00098484	Replace roof hatch; Replace cupola vent	\$15,972
2017	00099356	2017 Main Replacement Program Redwood Valley (Lucerne)	\$150,072
2017	LUC0900	Meter Replacement Program/Improve Operations	\$2,384
2018	00099357	2018 Main Replacement Program Redwood Valley (Lucerne)	\$153,824
2018	LUC0900	Meter Replacement Program/Improve Operations	\$2,444

1 **UNIFIED**

Year	PID	Description	Settlement
2016	00098552	Routine replacement of membrane filters with historical operational life of 3 yrs. To meet WQ compliance, well under influence of surface water.	\$6,978
2016	00098554	Support structure for NH TP electrical service & controls	\$2,711
2016	00099373	2016 Main Replacement Program Redwood Valley (Unified)	\$73,206
2016	00102003	Install emergency generator at Station 1 in Hawkins	\$25,640
2017	00099375	2017 Main Replacement Program Redwood Valley (Unified)	\$75,036
2018	00098431	Install 18' x 41' metal carport over well yard to provide protection and improve operations & maintenance during inclement weather. To include moveable panels for well maintenance.	\$5,696
2018	00098466	Airgap retrofit on tank overflow	\$6,265
2018	00098623	Replace roof hatch on Sta. 102-T1 & T2; Sta. 103-T1 & T2	\$7,097
2018	00099376	2018 Main Replacement Program Redwood Valley (Unified)	\$76,912

2 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 3 related to resolution of CWIP Special Request #7.

4 **E. REDWOOD VALLEY: ADVICE LETTER SUMMARY TABLE\*\***

5 There are no new Advice Letter projects recommended for the Redwood Valley  
 6 District in this Agreement.

7

8

[END OF CHAPTER]

1 **CHAPTER 32 SALINAS DISTRICT PLANT**

2 **A. OVERVIEW**

3 The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6 The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11 The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16 The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23 The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26 Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$9,974,678
2017	\$9,219,950
2018	\$11,423,935
Total	\$30,618,563

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. SALINAS: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 98022 – STORAGE & VACUUM TRUCK DUMP SITE**

PID(s)	Year	Application	ORA Report	Settlement
98022	2016	\$ 724,599	\$0	\$ 362,299

18

19 ISSUE: Cal Water proposed this project to create a permanent storage and dump  
 20 facility. This facility would be designed to handle both vacuum truck and leak truck  
 21 spoils to be in compliance with National Pollutant Discharge Elimination System (NPDES)  
 22 and Best Management Practices (BMPs). These spoils are associated with distribution  
 23 system repair and maintenance activities. As the vacuum truck spoils are more liquid in

1 nature, this facility would need an underdrain system and dewatering component to  
 2 properly handle this work.

3 ORA recommended that the Commission deny this project because Cal Water’s  
 4 current disposal practice is already in compliance with the NPDES and BMPs. ORA  
 5 pointed out that although Cal Water was fined for violating the NPDES permit earlier,  
 6 Cal Water has been able to operate without any violation in the most recent six years.  
 7 ORA also opposed the project because there was no cost savings associated with the  
 8 project, as contended by Cal Water.

9 RESOLUTION: Cal Water reviewed its other vacuum truck dump sites and agreed  
 10 that the scope of the project could be scaled back. Cal Water explained that spoils  
 11 management remains a challenge in this industry, where water, dirt, and debris from  
 12 leaks and underground construction activities required proper management. Parties  
 13 agree that this project does not necessarily generate cost savings, and that the primary  
 14 reason for the project is to help Cal Water comply with environmental regulations.  
 15 Therefore, Parties agree to include this project at a reduced scope and cost of \$362,299.

16 References: Exhibit CWS-57, pages 404-410; Exhibit ORA-10, pages 121-122; Exhibit  
 17 CWS-113, pages 14-15.

18 **2) 98985 – STATION 47 PUMP REPLACEMENTS**

PID(s)	Year	Application	ORA Report	Settlement
98985	2016	\$466,452	\$0	\$466,452

19  
 20 ISSUE: Cal Water stated that Station 47 is a critical station with a well of 2,300  
 21 gpm pump capacity, a storage tank, and two boosters to feed the 155 zone that supplies  
 22 large agricultural and residential customers in the southern area of Salinas. Cal Water  
 23 proposed to upgrade Booster Pump B to 2,000 gpm, to add a third booster pump of  
 24 2,000 gpm, piping, electrical, and controls, and to upsize the well pump to 3,000 gpm.  
 25 Cal Water contended that these improvements would allow a maximum well capacity of  
 26 3,000 gpm and improve the boosting capacity of 5,500 gpm at the station to meet peak  
 27 hour demand.

1 ORA did not support the project because Cal Water has already made  
 2 improvements at this station (PID 64095 and 64177, both authorized in the last GRC).  
 3 Based on its assumptions and calculations, ORA also determined that existing facilities  
 4 can meet expected peak hour demands (PHD).

5 RESOLUTION: In settlement, Parties discussed the challenges Cal Water has  
 6 experienced with water quality issues in this district. Since this source water is of very  
 7 good quality and does not require treatment and can supply many parts of the district,  
 8 Parties agree that this is a prudent project and should be included in this GRC as  
 9 requested.

10 References: Exhibit CWS-57, pages 323-333; Exhibit ORA-10, pages 107-110; Exhibit  
 11 CWS-113, pages 16-19.

12 **3) VARIOUS PIDs –SUPPLY PROJECTS**

PID	Year	Description	Application	ORA Report	Settlement
99380	2016	Purchase property to drill new well in 280 zone	\$ 601,237	\$0	\$ 0
99286	2018	Drill a new well and install treatment in 280 zone to address supply deficit in the zone	\$3,295,572	\$0	\$ 0
101336	2016	Drill new well in 155 zone in Salinas Main system to address supply deficit	\$ 601,237	\$0	\$ 0
101331	2018	Install blending facility *	\$3,047,525	\$0	\$ 250,000
98414	2018	Replacement well in Buena Vista System at existing station 72	\$2,334.052	\$0	\$ 0

13 \*Project scope changed from new well construction to blending project as a result of  
 14 settlement.  
 15

16 SALINAS SUPPLY BACKGROUND

17 Cal Water proposed an array of supply projects in Salinas. This included three  
 18 wells and two property purchases for new well construction. Cal Water stated that  
 19 these wells are needed to improve reliability in this system, which has had chronic  
 20 groundwater challenges.

1           ORA recommended disallowing all new supply projects in Salinas. ORA indicated  
2 that the Sanitary Survey Reports by the State Water Resources Control Board’s Division  
3 of Drinking Water (DDW) did not identify any supply capacity deficiency in the Salinas  
4 System. ORA further contended that Cal Water overstated its capacity needs by using  
5 2004 demand data, and Cal Water’s demand projections did not reflect the downward  
6 trend in consumption due to conservation programs and recent drought mandate. ORA  
7 contended that Cal Water’s evaluation of the PHD requirement is flawed. Finally, ORA  
8 argued that Cal Water understated existing supply capacity by excluding one of its well  
9 sources.

10           In settlement, Parties discussed the DDW Sanitary Survey Reports’ findings  
11 regarding supply adequacy. Cal Water explained that the DDW’s reports are inspection  
12 reports that are intended to ensure water systems are capable of reliably delivering  
13 water and meet current minimum requirements for quantity and quality. Cal Water  
14 agrees that the Salinas system has enough capacity to meet the current demand in the  
15 zones for which Cal Water proposed new wells. However, Cal Water contends that if a  
16 well goes off-line for water quality or mechanical reasons, there could be pressure and  
17 flow issues. ORA contended that Cal Water understated the supply capacity by  
18 excluding one of its well sources at Station 108. Cal Water in its rebuttal clarified that  
19 the new well that is currently in construction will replace the existing well that requires  
20 expensive treatment for nitrates at Station 108. Therefore, this well was not included in  
21 the supply analysis for the zone.

22           Parties do not agree on whether the new well at Station 108 (1,500 gpm) should  
23 be included or excluded in the supply analysis. However, Parties agree to the following.

24           a. Land Purchase and New Well Construction in the 155 Zone (PIDs 101336  
25           and 101331):

26           ISSUE: Cal Water proposed new property acquisition and a new well in the 155  
27 hydraulic zone. This zone has experienced several wells failing because of  
28 contamination. Cal Water proposed this well to increase supply reliability in the zone.



1           ORA recommended disallowing this project. ORA contended that Zone 155 even  
2 without the wells lost due to contamination, has sufficient capacity to meet customer  
3 demand. ORA argued that Cal Water used outdated and overstated demand data. ORA  
4 stated that the blending option for Well 21-01 water should be considered. ORA  
5 indicated that Cal Water failed to consider the possibility that the proposed new well  
6 could produce poor quality water, necessitating additional treatment costs. Finally, ORA  
7 stated that Cal Water's cost analysis failed to consider other necessary costs, such as  
8 pipeline and booster pump costs.

9           Cal Water did not agree with ORA's approach in basing supply projections on the  
10 recent low demand resulting from conservation programs and drought mandate.

11           RESOLUTION: Parties further explored the blending concept of taking higher  
12 nitrate water from Well 21-01 and blending it to safe levels using water from Well 47-  
13 01. Parties also agree to additional capacity improvements at Station 47 (PID 98985,  
14 discussed above). Parties agree that in combination these two projects provide the  
15 lowest cost option at this time. Parties agree to change the scope of PID 101331 from a  
16 new well construction project to a blending facility project, with a capacity of 800 gpm,  
17 and to reduce PID 101331's cost estimate from \$3,047,525 to \$250,000. Cal Water  
18 agrees to defer its requested property purchase project PID 101336.

19           References: Exhibit CWS-57, pages 354-373; Exhibit ORA-10, pages 111-116; Exhibit  
20 CWS-113, pages 8-9.

21           b. Well Replacement at Station 72 (PID 98414):

22           ISSUE: Cal Water proposed the installation of a replacement well at Station 72 to  
23 address supply deficit and provide reliability to Station 71.

24           ORA recommended disallowing this project. ORA referred to the Buena Vista  
25 system's consolidation with Salinas Hills System and did not agree that Well 71-01 is the  
26 only source of supply for Buena Vista, because wells in Salinas Hills can supply the Buena  
27 Vista system. ORA also stated that since Buena Vista is now part of the Salinas Hills  
28 system, there is no supply deficiency in the Buena Vista System

1            RESOLUTION: Parties discussed alternatives to this well proposal, and Cal Water  
2 agrees to defer its request for a new well at Station 72.

3 References: Exhibit CWS-57, pages 374-386; Exhibit ORA-10, pages 116-120; Exhibit  
4 CWS-113, pages 10-11.

5            c. Land Purchase and New Well Construction in the 280 Zone (PID 99380  
6 and 99286):

7            ISSUE: Cal Water proposed a new well in the 280 hydraulic zone to provide  
8 reliability to the zones if one of the existing wells goes off-line. Cal Water stated that  
9 the 280 zone is a critical zone and the sole source of supply for the adjacent zones  
10 including the 230, 360, and 320 zones.

11            ORA recommended disallowing this project. ORA stated that the project is not  
12 currently needed based on ORA’s assessment of the DDW reports, expected demands  
13 and existing supply availability, as discussed above.

14            RESOLUTION: Cal Water agrees to defer its request for a new well in the 280  
15 Zone.

16 References: Exhibit CWS-57, pages 334-353; Exhibit ORA-10, pages 101-106; Exhibit  
17 CWS-113, pages 6-9.

18            **4) 97512 – STATION 70 SECOND TANK**

PID	Year	Application	ORA Report	Settlement
97512	2017	\$768,652	\$0	\$768,652

19

20            ISSUE: Cal Water proposed a new storage tank to address the storage deficit as  
21 well as to allow for the maintenance of the tanks at Station 70. ORA opposed this  
22 project. ORA pointed out that the construction of this storage tank should have been  
23 under PID 23267 funding, originally authorized by D.10-12-017 and again by D.14-08-  
24 011 for the construction of two tanks.

25            Cal Water explained that since its acquisition of the Buena Vista system it has  
26 had to resolve many issues, and changed plans multiple times due to various obstacles.  
27 Cal Water had anticipated that all of the work authorized in the last GRC would be  
28 finalized and would resolve identified problems in this system.

1 D.10-12-017 authorized Cal Water to complete all projects under previously  
 2 authorized Advice Letter Projects PIDs 23267 and 69429. In rebuttal, Cal Water  
 3 explained the work it accomplished and the amount spent on these system  
 4 improvements to resolve the longstanding issues associated with this system. Cal Water  
 5 stated that there are no additional funds available to build a second tank under PID  
 6 23267. Cal Water contended that this project request will be the final component in this  
 7 system’s overhaul.

8 RESOLUTION: Parties agree to include this project in this GRC to address storage  
 9 capacity concerns in this area. Parties agree that this project request will be the final  
 10 component in this system’s overhaul, as described by Cal Water above.

11 References: Exhibit CWS-57, pages 276-288; Exhibit ORA-10, pages 116-119; Exhibit  
 12 CWS-113, pages 29-31.

13 **5) 98607 – PIPELINE TO INTERCONNECT COUNTRY MEADOWS TO SALINAS**  
 14 **SYSTEM**

PID	Year	Application	ORA Report	Settlement
98607	2018	\$2,976,497	\$0	\$2,976,497

15  
 16 ISSUE: Cal Water proposed a pipeline to connect the Country Meadows system  
 17 to the Salinas system. Cal Water stated that one of the drivers is failing wells in the  
 18 Country Meadows system.

19 ORA opposed the project because of conflicting well capacity data provided by  
 20 Cal Water and the Monterey County Department of Health. ORA asserted that Cal  
 21 Water overstated the demand in the Country Meadows system by using outdated  
 22 maximum day demand, from 2006. ORA stated that Cal Water’s evaluation of PHD  
 23 requirement is flawed. In rebuttal, Cal Water addressed ORA points.

24 RESOLUTION: In settlement, Parties discussed the fact that the Country  
 25 Meadows system is a small isolated system supplied by only two wells. Parties agree  
 26 that the pipeline interconnection project will improve reliability for customers in the  
 27 Country Meadows system. Thus, Parties agree that Cal Water should be authorized to  
 28 complete this project at its original requested cost estimate.

CHAPTER 32 SALINAS DISTRICT PLANT

- 1 References: Exhibit CWS-57, pages 387-340; Exhibit ORA-10, pages 122-127; Exhibit
- 2 CWS-113, pages 29-31.

3 **D. SALINAS: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097458	Salinas CP System Upgrade -2016 - Sta.16 Tank 1	\$23,574
2016	00097815	Replacement of pump and motor.	\$67,092
2016	00097816	Replacement of pump and motor.	\$0
2016	00097817	Replacement of pump and motor.	\$67,092
2016	00097818	Replacement of pump and motor.	\$67,092
2016	00097819	Replacement of pump and motor.	\$52,607
2016	00098022	The district needs a maintenance facility to support our leak truck and Vacuum truck. This will include a location for vac truck spoils and bins for leak repair materials. Station 41 is the site location.	\$362,299
2016	00098026	District Leak detection equipment is outdated and unreliable. New technology is available and the district is in need of leak detection equipment.	\$10,927
2016	00098061	Salinas District needs to replace handheld metal detection equipment. New technology exist.	\$2,185
2016	00098062	Upgrade valve truck (V202002) with articulating machine, high pressure water and small vacuum system.	\$115,821
2016	00098090	Replace bunkers that hold repair materials and Spoils at the yard.	\$31,519
2016	00098112	Purchase new trimble geo 7x GPS unit.	\$13,166
2016	00098173	Purchase Tapping machine for the district Leak truck.	\$7,649
2016	00098188	Hydrant Meter Reduced Pressure Principal Assembly	\$24,094
2016	00098193	Purchase and Install AMR system in the Buena Vista system in the Salinas District.	\$0
2016	00098198	Upgrade valve operating machines on V208001 and V208006.	\$109,265
2016	00098286	Install new blowoffs for flushing and water quality in various locations, quantity of 9.	\$51,603
2016	00098487	Furniture for four field offices.	\$108,125
2016	00098489	Replace pressure tank at station 58 Country Meadows.	\$154,457
2016	00098505	Clark 24 Volt Walke Straddle for warehouse	\$19,231
2016	00098557	Replace vault and PRV located on Prestancia Way. ID 114_000_035	\$29,817
2016	00098602	Replacement of 2 control valves in Salinas. Location: 114_000_CV002. 114_000_CV002	\$58,532
2016	00098622	Upgrade all fire hydrant in the Toro Park area to Clow 950 quantity of 7 total. Current hydrant heads are old and need to be upgraded to provide adequate fire protection.	\$100,331
2016	00098634	Install Back up Generator sta 25 Salinas	\$261,370
2016	00098673	Replacement of 6 control valves in Salinas. Location: 114_000_CV010. 114_303_CV001, 114_203_CV001, 114_047_CV002, 114_203_CV002, 114_063_CV001	\$175,597
2016	00098926	Replace flow meters in new vaults at Stations. Location TBD	\$135,530

CHAPTER 32 SALINAS DISTRICT PLANT

Year	PID	Description	Settlement
2016	00098985	Remove and replace existing booster pumps at Station 47	\$466,452
2016	00099233	2016 Main Replacement Program Salinas	\$4,460,557
2016	00099238	Replace V204090; >120K Miles	\$41,521
2016	00099238	Replace V208023; >120K Miles	\$0
2016	00099329	Replace the generator at Salinas Station 30	\$0
2016	00099347	VFD Installation for station16	\$95,829
2016	00099380	Purchase property to drill new well in 280 zone.	\$0
2016	00100317	Replace Telog Data recorders	\$13,172
2016	00101336	Purchase land in 155 zone for new well station to meet supply deficit.	\$0
2016	114-NON-SP	114- Salinas Non-specific	\$2,663,175
2016	SLN0900	Meter Replacement Program	\$185,001
2017	00097512	Construct 150,000 Gallon tank at Buena Vista Station 70 to meet storage needs for the system	\$768,652
2017	00097820	Replacement of pump and motor.	\$53,922
2017	00097821	Replacement of pump and motor.	\$49,449
2017	00097823	Replacement of pump and motor.	\$49,449
2017	00097824	Replacement of pump and motor.	\$0
2017	00098191	Purchase new trimble GPS units	\$26,991
2017	00098209	Replace the generator at Salinas Station 29	\$198,069
2017	00098279	Complete sampling equipment for the district leak truck.	\$11,200
2017	00098315	Purchase 5 PH Meters	\$2,688
2017	00098347	Replace with 36" cupola vent at SLN 201-T2	\$11,260
2017	00098388	Purchase 5 Hach Pocket II Phosphate Colorimeters.	\$4,004
2017	00098389	Purchase 5 Hach Pocket II Colorimeters.	\$2,234
2017	00098417	Purchase 5 Grundfos chemical injection pumps.	\$12,503
2017	00098432	Replace the existing roof of the redwood tank at SLN 055-T1	\$56,196
2017	00098467	Replace PRV vault on Tomas Rd. in Las Lomas	\$53,484
2017	00098497	Two Message Boards to display for construction.	\$39,423
2017	00098603	Replacement of 2 of the following 3 control valves in Salinas. Location: 114_106_CV001, 114_305_CV001, 114_202_CV001	\$59,996
2017	00098929	Replace 2 flow meters in new vaults at Stations. Location TBD	\$65,282
2017	00098932	Install RTU at Station 41 to Monitor system pressure	\$0
2017	00098934	Replace the RTU Panels at 6 stations	\$0
2017	00099236	2017 Main Replacement Program Salinas	\$4,594,374
2017	00099240	Replace V206031; >120K Miles	\$89,543
2017	00100740	Vehicles for Proposed Complement	\$0
2017	00101284	Install new blowoffs for flushing and water quality in various locations, quantity of 9.	\$52,893
2017	00101306	Upgrade all fire hydrant in the Toro Park area to Clow 950 quantity of 7 total. Current hydrant heads are old and need to be upgraded	\$102,840

CHAPTER 32 SALINAS DISTRICT PLANT

Year	PID	Description	Settlement
		to provide adequate fire protection.	
2017	114-NON-SP	114- Salinas Non-specific	\$2,725,875
2017	SLN0900	Meter Replacement Program	\$189,626
2018	00097826	Replacement of pump and motor.	\$65,072
2018	00097827	Replacement of pump and motor. Sta. 201-01	\$0
2018	00098195	Purchase new trimble GPS units	\$27,666
2018	00098241	Replace the generator at Salinas Station 33	\$0
2018	00098414	Replacement well in Buena Vista System at existing station 72.	\$0
2018	00098493	Two Porta-potties with sink on trailer	\$12,628
2018	00098500	Forklift for warehouse	\$37,883
2018	00098604	Replacement of 3 of the following 4 control valves in Salinas. Location: 114_016_CV001, 114_016_CV002, 114_017_CV001, 114_017_CV002	\$92,244
2018	00098607	Pipeline connecting Country Meadows to Salinas Main system on Harrison Road	\$2,976,497
2018	00098930	Replace 2 flow meters in new vaults at Stations. Location TBD	\$44,137
2018	00099237	2018 Main Replacement Program Salinas	\$4,732,205
2018	00099242	Replace V208137; >120K Miles	\$43,562
2018	00099286	Drill a new well and install treatment in 280 zone to address supply deficit in the zone	\$0
2018	00101287	Install new blowoffs for flushing and water quality in various locations, quantity of 9.	\$54,215
2018	00101307	Upgrade all fire hydrant in the Toro Park area to Clow 950 quantity of 7 total. Current hydrant heads are old and need to be upgraded to provide adequate fire protection.	\$105,411
2018	00101331	Install blending facility	\$250,000
2018	114-NON-SP	114- Salinas Non-specific	\$2,788,050
2018	SLN0900	Meter Replacement Program	\$194,367

1           \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2           related to resolution of CWIP Special Request #7.

3           **E. SALINAS: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00023267	New 150K Gallon Storage Tank - Buena Vista	\$1,349,215
2018	00099176	Replace SCADA software and hardware	\$816,176

4           \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

5

6

[END OF CHAPTER]

## 1 CHAPTER 33 SELMA DISTRICT PLANT

### 2 A. OVERVIEW

3 The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6 The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11 The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16 The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23 The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26 Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.



1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$344,260
2017	\$173,550
2018	\$177,450
Total	\$695,260

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. SELMA: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 There are no specific project discussions.

18 **D. SELMA: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00098171	Hydrant Meter Reduced Pressure Principal Assembly	\$0
2016	00098636	Two uncased 8" diameter pipelines under Railroads at E. Dinuba Ave and Third St.	\$0
2016	00098923	Install or Replace Flow meter. Connect to SCADA	\$0
2016	00099245	Replace V210024; >120K Miles	\$0
2016	00099526	250 Conversions of Flat Rate Services to Metered Services per State Mandate	\$0

CHAPTER 33 SELMA DISTRICT PLANT

Year	PID	Description	Settlement
2016	00099528	250 Conversions of Flat Rate Services to Metered Services-State Mandated	\$0
2016	00099531	250 Conversions of Flat Rate Services to Metered Services- State Mandated	\$174,685
2016	117MRP16	2016 Main Replacement Program Selma	\$0
2016	117-NON-SP	117- Selma Non-specific	\$169,575
2016	SEL0900	Meter Replacement Program	\$0
2017	00098919	Install or Replace Flow meter. Connect to SCADA	\$0
2017	00098924	Install Well level Transducers at Stations 7,13,16	\$0
2017	00098925	Add new well level Transducers at Stations 17, 19, 20	\$0
2017	00099248	Replace V206027; >120K Miles	\$0
2017	00102727	250 Conversions of Flat Rate Services to Metered Services-State Mandated	\$0
2017	117MRP17	2017 Main Replacement Program Selma	\$0
2017	117-NON-SP	117- Selma Non-specific	\$173,550
2017	SEL0900	Meter Replacement Program	\$0
2018	00098647	VFD Installation for station 19	\$0
2018	117MRP18	2018 Main Replacement Program Selma	\$0
2018	117-NON-SP	117- Selma Non-specific	\$177,450
2018	SEL0900	Meter Replacement Program	\$0

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. SELMA: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2018	00099177	Replace SCADA software and hardware	\$386,645

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5  
 6

[END OF CHAPTER]

1 **CHAPTER 34 STOCKTON DISTRICT PLANT**

2 **A. OVERVIEW**

3 The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6 The tables at the end of this chapter provide a list of the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11 The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16 The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23 The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26 Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to slight increase to account for capitalized financing cost adjustment  
28 related to resolution of – Cal Water’s request on Construction Work in Progress (see the

1 Construction Work in Progress (CWIP Special Request #7) discussion in the Global Plant  
2 section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainties (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.  
10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.  
16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$13,873,666
2017	\$13,991,513
2018	\$18,498,992
Total	\$46,364,171

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. STOCKTON: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 100140, 101020, 101039 – REPLACEMENT OF ELEVATED STORAGE TANKS**

PID(s)	Year	Application	ORA Report	Settlement
100140	2017	\$ 4,346,144	\$0	\$4,346,144
101020	2018	\$2,347,791	\$0	\$0
101039	2018	\$2,347,791	\$0	\$0

18

19 ISSUE: In the 2012 GRC, Cal Water proposed to seismically retrofit two of the six  
 20 elevated tanks in the Stockton District (Station 3-Tank 4 and Station 84-Tank 3 as PIDs  
 21 79414 and 79416). ORA did not question the seismic safety aspect of the projects, but  
 22 did question whether it is cost effective to expend \$1-million retrofits on these aged

1 tanks. In settlement, Parties considered the tanks' current conditions, estimated life  
 2 expectancy and replacement costs and agreed to include the requested retrofit projects  
 3 as Advice Letter project with conditions. Those conditions, in summary, are:

- 4 1. Cal Water will in the advice letter present a thorough life expectancy analysis  
 5 and include a cost-benefit analysis for rehabilitating versus replacement.
- 6 2. Cal Water in the advice letter will present a detailed cost breakdown of  
 7 estimated vs. actual costs for construction.
- 8 3. Cal Water if requesting similar rehabilitation projects in the next GRC will  
 9 include results from a geotechnical/engineering report to support the  
 10 project's seismic retrofit needs and costs.

11 Cal Water did not proceed with the requested retrofits. In this GRC, Cal Water  
 12 stated that retrofitting the existing tanks would not completely eliminate the risk of  
 13 failure associated with a seismic event. Cal Water contended that it would be more cost  
 14 effective to replace all six existing tanks with three tank-booster combination projects  
 15 (PIDs 101020, 101039 and 101040, as described in the project list in Section D below).

16 ORA opposed the replacement of all six elevated tanks in this rate case. ORA  
 17 argued that it was premature to replace all of the elevated tanks given that Cal Water  
 18 was in the process of completing a new study to perform hazard assessment and finite  
 19 element modeling during a seismic event, identifying structural deficiencies of each  
 20 member, likelihood of the modes of failure, assessment management, and risk  
 21 management. The company's initial review of the elevated tanks, ORA noted, was still  
 22 in progress.

23 RESOLUTION: The Parties agree to include one of three tank replacement  
 24 projects requested by Cal Water in this rate case. Parties agree to include the 2.0-  
 25 million gallon centralized ground-level storage tank at Stockton Station 3 (PID 10140) to  
 26 replace the equivalent volume of lost storage associated with the removal of four  
 27 elevated tanks, which are Stockton Station 82-Tank 7, Station 81-Tank 2, Station 83-  
 28 Tank 6, and Station 3- Tank 4. Cal Water agrees to defer its request for two 0.5 MG  
 29 ground level storage tanks at Stockton Station 84-Tank 3 and Station 18 Tank 5 (PIDs  
 30 101020 and 101039).

31 References: Exhibit CWS-59, pages 299-313; Exhibit ORA-9, pages 158-162; Exhibit  
 32 CWS-113, pages 59-61 and attachments.

1

**D. STOCKTON: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00098900	Station 59-01 New Well Blow-Off to storm drain	\$62,119
2016	00099250	Replace 3 of 4 vehicles of V206087,V208032, V209039, V209041 > 120,000 miles	\$124,805
2016	00099326	Connection of FE/Mn Treatment system backwash tank to sanitary sewer instead of reclaim to distribution system due to TSS and turbidity.	\$70,202
2016	00099361	Connection of FE/Mn Treatment system backwash tank at Sta. 36 to sanitary sewer instead of reclaim to distribution system due to TSS and turbidity.	\$77,656
2016	00099365	Connection of FE/Mn Treatment system backwash tank at Sta. 61 to sanitary sewer instead of reclaim to distribution system due to TSS and turbidity.	\$73,929
2016	00099368	2016 Main Replacement Program Stockton	\$12,142,268
2016	00100703	Replace V200091 due to high repair costs	\$125,655
2016	119-NON-SP	119- Stockton Non-specific	\$967,050
2016	STK0900	Meter Replacement Program	\$229,983
2017	00097666	Upgrade CP System at Stockton Tanks: 81-T2, 82-T7	\$38,273
2017	00098194	Hydrant Meter Reduced Pressure Principal Assembly	\$44,745
2017	00098369	Install new Panelboard and retire existing at Sta. 7	\$263,398
2017	00098624	Install Back up Generator sta 79 Stockton	\$251,628
2017	00098625	Install Back up Generator sta 66 Stockton	\$282,906
2017	00098908	Station 60-01 New Well Blow-Off to storm drain	\$63,672
2017	00099251	Replace 1 of 2 vehicles of V206088,V208029 > 120,000 miles	\$127,676
2017	00099370	2017 Main Replacement Program Stockton	\$11,694,030
2017	00100741	Vehicles for Proposed Complement	\$0
2017	119-NON-SP	119- Stockton Non-specific	\$989,775
2017	STK0900	Meter Replacement Program	\$235,410
2018	00097664	Upgrade CP System at 1 of 2 Stockton Tanks: 3-T4 or 32-T3	\$18,670
2018	00097667	Upgrade CP System at Stockton Tanks: 83-T6, 84-T1	\$39,230
2018	00098353	Install new Panelboard and retire existing at Stn 35	\$256,144
2018	00098370	Install new Panelboard and retire existing at Stn 16	\$0
2018	00098911	Station 63-01 New Well Blow-Off to storm drain	\$65,264
2018	00098953	Install 3 flow meters. Locations TBD	\$132,750
2018	00098954	Install 3 flow meters. Locations TBD	\$139,470
2018	00099252	Replace V208030,V206090, V208029, V208031, V209042, V211014, V212018 > 120,000 miles	\$261,736
2018	00099372	2018 Main Replacement Program Stockton	\$11,986,380
2018	00100140	2.0 Million Gallon centralized storage tank and booster station to replace the storage within the elevated tanks at Sta 82 - T7, Sta 81 -	\$4,346,144

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Year	PID	Description	Settlement
		T2, Sta 83 - T6, Sta 3 - T4 that will be removed.	
2018	00101020	500,000 gallon storage tank and booster station to replace the elevated storage tank at STK Sta 84 - T3 that will be removed due to risk of catastrophic failure.	\$0
2018	00101039	500,000 gallon storage tank and booster station to replace the elevated storage tank at STK Sta 18- T5 that will be removed due to risk of catastrophic failure.	\$0
2018	119-NON-SP	119- Stockton Non-specific	\$1,012,425
2018	STK0900	Meter Replacement Program	\$240,778

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. STOCKTON: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00020204	Drill, Develop and Equip New Well	\$2,121,100
2018	00099178	Replace SCADA software and hardware	\$782,028

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5  
 6

[END OF CHAPTER]



## 1   **CHAPTER 35      VISALIA DISTRICT PLANT**

### 2       **A. OVERVIEW**

3           The City of Visalia participated in settlement discussions on behalf of ratepayers  
4 in the Visalia District. Unless otherwise noted, the term “Parties” as used in this chapter  
5 refers to Cal Water, ORA, and the City of Visalia. The Parties request that the  
6 Commission approve the settlement plant values described herein under the conditions  
7 specified.

8           The tables at the end of this chapter provide the plant settlement for this  
9 district. In the narrative below, certain specific projects are discussed. In addition,  
10 there may be projects related to company-wide or “global” issues – issues that impact  
11 multiple districts – that are included in here, but discussed separately in the “Global  
12 Plant” section of this Agreement.

13           The Advance Capital Budget (ACB) consists of projects in three categories as  
14 discussed below: non-specific capital budgets, specific projects, and advice letter  
15 projects. In addition to the ACB, the district may also have projects that were approved  
16 in an earlier general rate case (GRC) but which have not yet been completed. These are  
17 known as “carryover” projects.

18           The annual non-specific capital budget is for projects that are anticipated to be  
19 completed during the indicated year to resolve issues that were not known in detail  
20 when the Advance Capital Budget for that time period was adopted. The projects  
21 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
22 programmatic projects that need to be completed between GRCs. These budgets are  
23 reflected in the settled revenue requirement and discussed in greater detail in the  
24 “Global Plant” section of this Agreement.

25           The Advance Capital Budget for specific projects identifies the projects and  
26 forecasted costs that the Parties have agreed should be reflected in the adopted  
27 revenue requirement.

1 Amounts for certain specific and non-specific projects in the Advance Capital  
2 Budget are subject to a slight increase to account for capitalized financing cost  
3 adjustment related to resolution of – Cal Water’s request on Construction Work in  
4 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
5 the Global Plant section of this Agreement).

6 Amounts for specific and non-specific projects in the Advance Capital Budget are  
7 subject to slight increase to account for capitalized interest adjustment related to  
8 resolution of CWIP Special Request #7.

9 The Parties agree that certain capital projects should be treated as advice letter  
10 projects because they involved some level of uncertainty (e.g., timing). These projects  
11 may be included in rates after (1) they are in service and considered used and useful,  
12 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
13 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
14 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
15 not included in the revenue requirement proposed for adoption in this Agreement.  
16 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
17 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
18 adjustment.

19 The last category of projects are carryover projects which are capital projects  
20 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
21 not included in the non-specific budget and specific capital budget summarized above.  
22 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
23 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
24 listed carryover projects at the identified settlement amounts and in the years  
25 indicated. The Parties agree that these projects’ forecasted costs should be included in  
26 the adopted revenue requirement.

27 The Parties agree that some capital projects proposed in the company’s July  
28 2015 application should not be included in the capital budgets for 2016 through 2018  
29 rate case, unless otherwise indicated. These excluded projects encompass those that

1 the company cancelled, those that are in service and already included in the beginning  
 2 plant balance per this Agreement, and those that the Parties agree for other reasons to  
 3 not include in the rate case at this time. The exclusion of these projects does not  
 4 prevent the company from proposing them in a subsequent application.

5 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$2,922,198
2017	\$3,684,634
2018	\$2,681,011
Total	\$9,287,843

6  
 7 The Parties agree to include specific projects in the Advance Capital Budget for  
 8 the years 2016 through 2018, presented in the project list below. These projects’  
 9 estimated costs (“Settlement” column) should be included in the adopted revenue  
 10 requirement. For some of these projects, however, their estimated costs do not include  
 11 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 12 Plant” section in this Agreement.

13 The project list also presents the non-specific projects budget and ACB projects  
 14 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 15 separate table.

16 Where Parties thought more detail would provide a better understanding of the  
 17 settlement, those projects are discussed in more detail. Certain projects are  
 18 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 19 Global Plant Issues.

20 **C. VISALIA: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

21 There are no specific project discussions.

1 **D. VISALIA: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00097673	Upgrade CP system at Visalia 12-T2	\$18,670
2016	00098017	Standby power system for scada to be installed Station 59 Scada	\$0
2016	00098048	Replacement of 2 control valves in Visalia. 120_012_CV001 120_059_CV001	\$58,532
2016	00098200	Hydrant Meter Reduced Pressure Principal Assembly	\$0
2016	00098545	Install Portable Generator at Station 37	\$100,000
2016	00098549	Install Back up Generator sta 7 Visalia	\$238,901
2016	00099239	2016 Main Replacement Program Visalia	\$904,745
2016	00099253	Vehicle Replacements > 120,000 miles	\$0
2016	120-NON-SP	120- Visalia Non-specific	\$1,287,375
2016	VIS0900	Meter Replacement Program	\$313,975
2017	00098051	Replacement of pump and motor due to low efficiency.	\$63,485
2017	00098054	Replacement of pump and motor.	\$63,485
2017	00098064	Replacement of pump and motor.	\$86,188
2017	00098270	Install new Panelboard(MCC) and Emergency Generator	\$0
2017	00098290	Install new Panelboard and retire existing at Stn13	\$257,389
2017	00098340	Install new Panelboard and retire existing at Stn14	\$236,809
2017	00098341	Install new Panelboard and retire existing at Stn32	\$250,098
2017	00098997	Replace 3 flow meters and install vaults located at stations to be identified. Add to SCADA	\$139,856
2017	00098999	Replace flow meter Sta. 69	\$16,088
2017	00099241	2017 Main Replacement Program Visalia	\$931,887
2017	00099256	Vehicle Replacements > 120,000 miles	\$0
2017	00100742	Vehicles for Proposed Complement	\$0
2017	120-NON-SP	120- Visalia Non-specific	\$1,317,525
2017	VIS0900	Meter Replacement Program	\$321,824
2018	00098055	Replacement of pump and motor due to efficiency.	\$0
2018	00098066	Replacement of pump and motor.	\$0
2018	00098067	Replacement of pump and motor due to poor efficiency..	\$0
2018	00099243	2018 Main Replacement Program Visalia	\$959,844
2018	00099257	Vehicle Replacements > 120,000 miles	\$43,623
2018	120-NON-SP	120- Visalia Non-specific	\$1,347,675
2018	VIS0900	Meter Replacement Program	\$329,869

2 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
3 related to resolution of CWIP Special Request #7.

1 **E. VISALIA: ADVICE LETTER SUMMARY TABLE\*\***

<b>Expected Filing Year</b>	<b>PID</b>	<b>Description</b>	<b>Settlement – Advice Letter</b>
2016	00099369	34 SCADA radios	\$78,035
2018	00099179	Replace SCADA software and hardware	\$913,127

2 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

3

4 [END OF CHAPTER]

1 **CHAPTER 36 WESTLAKE DISTRICT PLANT**

2 **A. OVERVIEW**

3 The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6 The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11 The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16 The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23 The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26 Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$2,033,125
2017	\$1,001,371
2018	\$696,940
Total	\$3,731,435

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. WESTLAKE: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 **1) 97518 – EMERGENCY INTERCONNECT WITH THE CITY OF THOUSAND OAKS**  
 18 **AT WESTLAKE BLVD AND ALLYSON COURT**

PID(s)	Year	Application	ORA Report	Settlement
97518	2016	\$443,127	\$221,564	\$258,717

19

20 ISSUE: Cal Water proposed this emergency interconnection with the City of  
 21 Thousand Oaks because all three purchased water connections serving Zone III of the  
 22 Westlake water system are supplied from the Calleguas Municipal Water District’s  
 23 (CMWD) Lindero Feeder. Cal Water stated that this feeder is a single feed, dead-end



1 pipeline with no redundancy within Cal Water service area. Cal Water stated that the  
 2 City of Thousand Oaks’ service area bordering Zone III is supplied by a different CMWD  
 3 feeder, so constructing the proposed interconnection with the City will provide backup  
 4 supply to the Zone III if the Lindero feeder fails.

5 ORA pointed out that Cal Water has worked with the City of Thousand Oaks on a  
 6 cost sharing arrangement when it constructed an interconnection project (PID 64053  
 7 from 2012 GRC) in the past; for that project, the City reimbursed 50% of the  
 8 construction cost to Cal Water. ORA also noted that Cal Water anticipates the same  
 9 level of cost sharing from the City for this project. In anticipation of that same cost  
 10 sharing, ORA recommended that the project’s cost estimate, for rate recovery, be  
 11 reduced by 50%.

12 RESOLUTION: Considering the anticipated cost sharing from the City of  
 13 Thousand Oaks, Parties agree to reduce the project cost to \$258,717 and to include the  
 14 project at this reduced cost in this GRC.

15 References: Exhibit CWS-61, pages 225-241; Exhibit ORA-11, page 141; Exhibit CWS-  
 16 112, page 97.

17 **2) 97523 – INSTALL 6 INCH RECLAIMED WATER PIPELINE EXTENSION TO SERVE**  
 18 **TRIUNFO COMMUNITY PARK**

PID(s)	Year	Application	ORA Report	Settlement
97523	2016	\$502,935	\$0	\$502,935

19

20 ISSUE: Cal Water proposed to install 2,200 feet of 6-inch PVC recycled water  
 21 pipeline to convert the Triunfo Community Park to recycled water use. Cal Water stated  
 22 that the project would deliver approximately 30 acre-feet (AF) per year of recycled  
 23 water to the park. Cal Water also stated that the project will help Cal Water in meeting  
 24 SB X7-7 requirements.

25 ORA opposed this project and contended that the project is not needed for  
 26 purposes of SB X7-7 compliance. ORA stated that Cal Water’s Westlake system will be  
 27 able to meet SB X7-7 requirements without this project, and that the water savings from  
 28 this project would be minimal.

1 In rebuttal, Cal Water explained that this recycled water project would benefit  
 2 Westlake District ratepayers, and that it was cost effective with a Benefit-Cost Ratio of  
 3 1.2. Cal Water explained that this project will substitute recycled water for potable  
 4 water; this effort is in line with the State Water Resources Control Board’s Recycled  
 5 Water Policy to increase the use of recycled water in California by 200,000 AF per year  
 6 by 2020 and an additional 300,000 AF per year by 2030.

7 RESOLUTION: After considering this project’s value in promoting increased use  
 8 of recycled water in Cal Water’s system, Parties agree to include it in this GRC.

9 References: Exhibit CWS-61, page 242-247; Exhibit ORA-11, pages 142-143; Exhibit  
 10 CWS-112, pages 98-101.

11 **D. WESTLAKE: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00102937	Relocate Fire Hydrants for Street Widening	\$0
2016	00097506	Install Swing Check Valve to interconnect Zone I with Zone II C/D (at Channelford & Glastonbury) to prevent loss of supply to boosted Zone II C/D	\$98,003
2016	00097518	Emergency Interconnect with the City of Thousand Oaks at Westlake Blvd and Allyson Court	\$258,717
2016	00097523	Install 6inch Reclaimed Water Pipeline extension to serve Triunfo Community Park	\$502,935
2016	00098159	Replacement of pump and motor. Sta. 005-C	\$0
2016	00098162	Replacement of pump and motor. Sta. 005-D	\$0
2016	00098163	Replacement of pump and motor. Sta. 010-A	\$67,092
2016	00098176	District Office improvements phase 2.	\$122,096
2016	00098244	Station 011 Smokey Ridge Replace Hydropneumatic Pressure Vessel	\$219,364
2016	00098271	Install new cover/roof for genset at station #1.	\$42,391
2016	00098321	Hydrant Meter Reduced Pressure Principal Assembly	\$11,186
2016	00098605	Replacement of 1 control valve in Westlake. Location: 123_000_CV001	\$29,266
2016	00099000	Replace flow meter Sta. 10	\$31,391
2016	00099258	Vehicle Replacements > 120,000 miles	\$83,042
2016	00099420	Replace V206028 due to mechanical issues, repairs and high runtime	\$41,521
2016	123MRP16	2016 Main Replacement Program Westlake	\$290,657
2016	123-NON-SP	123- Westlake Non-specific	\$150,825
2016	WLK0900	Meter Replacement Program	\$84,640
2017	00097422	Station 008 Kanan Reservoir Seismic Retrofit	\$89,240

CHAPTER 36 WESTLAKE DISTRICT PLANT

Year	PID	Description	Settlement
		Scope of work limited to installation of double ball flexible joint at common inlet/outlet. Overflow and drain modifications are not necessary.	
2017	00097859	Upgrade CP system at Westlake tanks: 1-T1, 6-T1 and 9-T1	\$90,331
2017	00098168	Replacement of pump and motor. Sta. 010-B	\$68,769
2017	00098169	Replacement of pump and motor. Sta. 010-C	\$68,769
2017	00098202	Replacement of pump and motor. Sta. 010-D	\$68,769
2017	00098606	Replacement of 1 control valve in Westlake. Location: 123_000_CV002	\$29,998
2017	00099259	Vehicle Replacements > 120,000 miles	\$122,076
2017	123MRP17	2017 Main Replacement Program Westlake	\$222,163
2017	123-NON-SP	123- Westlake Non-specific	\$154,500
2017	WLK0900	Meter Replacement Program	\$86,756
2018	00097500	Station 009 Notter Reservoir Seismic Retrofit Scope of work limited to installation of double ball flexible joint at common inlet/outlet. Overflow and drain modifications are not necessary.	\$0
2018	00097807	Station 002 Asphalt Replacement	\$60,963
2018	00098203	Replacement of pump and motor. Sta. 007-C	\$55,270
2018	00098530	Sta 007 Install Driveway at Harper Reservoir	\$92,228
2018	123MRP18	2018 Main Replacement Program Westlake	\$235,004
2018	123-NON-SP	123- Westlake Non-specific	\$164,550
2018	WLK0900	Meter Replacement Program	\$88,925

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. WESTLAKE: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2016	00099026	SCADA RTU	\$51,221
2017	00064175	Duesenberg Dr. Thousand Oaks Main Replacement	\$2,886,247
2018	00099182	Replace SCADA software and hardware	\$436,406

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.

5  
 6

[END OF CHAPTER]

1 **CHAPTER 37 WILLOWS DISTRICT PLANT**

2 **A. OVERVIEW**

3 The term “Parties” as used in this chapter refers to Cal Water and ORA. The  
4 Parties request that the Commission approve the settlement plant values described  
5 herein under the conditions specified.

6 The tables at the end of this chapter provide the plant settlement for this  
7 district. In the narrative below, certain specific projects are discussed. In addition,  
8 there may be projects related to company-wide or “global” issues – issues that impact  
9 multiple districts – that are included in here, but discussed separately in the “Global  
10 Plant” section of this Agreement.

11 The Advance Capital Budget (ACB) consists of projects in three categories as  
12 discussed below: non-specific capital budgets, specific projects, and advice letter  
13 projects. In addition to the ACB, the district may also have projects that were approved  
14 in an earlier general rate case (GRC) but which have not yet been completed. These are  
15 known as “carryover” projects.

16 The annual non-specific capital budget is for projects that are anticipated to be  
17 completed during the indicated year to resolve issues that were not known in detail  
18 when the Advance Capital Budget for that time period was adopted. The projects  
19 funded by the non-specific budgets tend to be for emergency, unforeseen, or  
20 programmatic projects that need to be completed between GRCs. These budgets are  
21 reflected in the settled revenue requirement and discussed in greater detail in the  
22 “Global Plant” section of this Agreement.

23 The Advance Capital Budget for specific projects identifies the projects and  
24 forecasted costs that the Parties have agreed should be reflected in the adopted  
25 revenue requirement.

26 Amounts for certain specific and non-specific projects in the Advance Capital  
27 Budget are subject to a slight increase to account for capitalized financing cost  
28 adjustment related to resolution of – Cal Water’s request on Construction Work in

1 Progress (see the Construction Work in Progress (CWIP Special Request #7) discussion in  
2 the Global Plant section of this Agreement).

3 The Parties agree that certain capital projects should be treated as advice letter  
4 projects because they involved some level of uncertainty (e.g., timing). These projects  
5 may be included in rates after (1) they are in service and considered used and useful,  
6 and (2) their costs (up to the specified cap) are submitted for Commission review via a  
7 Tier 2 advice letter and the costs are found to be reasonable. This settlement  
8 recommends adoption of these projects as “Advice Letter” projects, and their costs are  
9 not included in the revenue requirement proposed for adoption in this Agreement.

10 **Attachment 3** of this Agreement presents a list of Advice Letter projects for all districts  
11 and CSS; the cost caps listed are inclusive of estimated capitalized financing cost  
12 adjustment.

13 The last category of projects are carryover projects which are capital projects  
14 that were not completed (in service, and used and useful) as of January 1, 2016, and are  
15 not included in the non-specific budget and specific capital budget summarized above.

16 **Attachment 4** of this Agreement presents a list of carryover projects for all districts and  
17 for Customer Support Services (CSS). The Parties agree that Cal Water will complete the  
18 listed carryover projects at the identified settlement amounts and in the years  
19 indicated. The Parties agree that these projects’ forecasted costs should be included in  
20 the adopted revenue requirement.

21 The Parties agree that some capital projects proposed in the company’s July  
22 2015 application should not be included in the capital budgets for 2016 through 2018  
23 rate case, unless otherwise indicated. These excluded projects encompass those that  
24 the company cancelled, those that are in service and already included in the beginning  
25 plant balance per this Agreement, and those that the Parties agree for other reasons to  
26 not include in the rate case at this time. The exclusion of these projects does not  
27 prevent the company from proposing them in a subsequent application.

1 **B. ADVANCE CAPITAL BUDGET**

Year	Settlement
2016	\$335,738
2017	\$340,567
2018	\$406,231
Total	\$1,082,536

2

3 The Parties agree to include specific projects in the Advance Capital Budget for  
 4 the years 2016 through 2018, presented in the project list below. These projects’  
 5 estimated costs (“Settlement” column) should be included in the adopted revenue  
 6 requirement. For some of these projects, however, their estimated costs do not include  
 7 the capitalized financing cost adjustment; this adjustment is discussed in the “Global  
 8 Plant” section in this Agreement.

9 The project list also presents the non-specific projects budget and ACB projects  
 10 excluded in this general rate case. Advice letter projects, if any, are summarized in a  
 11 separate table.

12 Where Parties thought more detail would provide a better understanding of the  
 13 settlement, those projects are discussed in more detail. Certain projects are  
 14 programmatic in nature and the programmatic discussions are presented in Chapter 12–  
 15 Global Plant Issues.

16 **C. WILLOWS: DISCUSSION OF CERTAIN SPECIFIC PROJECTS**

17 There are no specific project discussions.

18 **D. WILLOWS: ADVANCE CAPITAL BUDGET SUMMARY TABLE\***

Year	PID	Description	Settlement
2016	00098316	Hydrant Meter Reduced Pressure Principal Assembly	\$4,302
2016	121MRP16	2016 Main Replacement Program Willows	\$206,720
2016	121-NON-SP	121- Willows Non-specific	\$106,575
2016	WIL0900	Meter Replacement Program	\$18,141
2017	121MRP17	2017 Main Replacement Program Willows	\$212,921
2017	121-NON-	121- Willows Non-specific	\$109,050

CHAPTER 37. WILLOWS DISTRICT PLANT

Year	PID	Description	Settlement
	SP		
2017	WIL0900	Meter Replacement Program	\$18,596
2018	00098457	Reseal/Overlay hardscapes at stations 11 and 2 in Willows District	\$16,233
2018	121MRP18	2018 Main Replacement Program Willows	\$219,309
2018	00099264	Vehicle Replacements > 120,000 miles	\$40,179
2018	121-NON-SP	121- Willows Non-specific	\$111,450
2018	WIL0900	Meter Replacement Program	\$19,060

1 \* Amounts are subject to slight increase to account for capitalized interest adjustment  
 2 related to resolution of CWIP Special Request #7.

3 **E. WILLOWS: ADVICE LETTER SUMMARY TABLE\*\***

Expected Filing Year	PID	Description	Settlement – Advice Letter
2018	00099180	Replace SCADA software and hardware	\$290,618

4 \*\* Amounts listed are inclusive of estimated capitalized financing cost adjustment.  
 5

6 [END OF CHAPTER]

## **CHAPTER 38 EXECUTION OF THE AGREEMENT**

### **A. LEGAL TERMS OF SETTLEMENT**

1. Since this Agreement represents a compromise from their litigation positions, the Parties have entered into the Settlement. This Agreement should not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.
2. Pursuant to Rule 12.5, Commission Rules of Practice and Procedure, this Agreement should not be construed as a precedent or statement of policy of any kind except as it relates to the current and future proceedings addressed in the Agreement.
3. The Parties agree, without further consideration, to execute and/or cause to be executed, any other documents and to take any other action as may be necessary, to effectively consummate this Agreement. Except as specifically provided in Section A above, the Parties shall take no action in opposition to this Agreement. In the event that an alternative proposal identified in Section A is presented, a party's silence to that alternative does not constitute "action in opposition to this Agreement."
4. If any part of the Agreement is disapproved or modified, except for modifications relating to the alternative proposals identified in Section A above, the remaining provisions of the Agreement shall be void, with the Parties returning to their positions in this proceeding as if the Agreement were never reached.
5. The Parties agree that no signatory to the Agreement assumes any personal liability as a result of this Agreement. All rights and remedies of the Parties are limited to those available before the Commission.
6. The Parties acknowledge that unless expressly and specifically stated otherwise herein, the California Public Utilities Code, Commission regulations, orders, rulings, and/or decisions shall govern the interpretation and enforcement of this Agreement.
7. This Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

### **B. SIGNATORIES**

The undersigned acknowledge that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made



within the course and scope of their respective agency and/or employment.

<p>OFFICE OF RATEPAYER ADVOCATES</p> <p>By: _____/s/ _____</p> <p>Elizabeth Echols          Director          California Public Utilities Commission          505 Van Ness Avenue          San Francisco, CA 94102          415-703-2381; <a href="mailto:ele@cpuc.ca.gov">ele@cpuc.ca.gov</a></p>	<p>CALIFORNIA WATER SERVICE COMPANY</p> <p>By: _____/s/ _____</p> <p>Paul Townsley          Vice President          1720 North First Street          San Jose, CA 95112          408-367-8223  <a href="mailto:ptownsley@calwater.com">ptownsley@calwater.com</a></p>
<p>JEFFREY YOUNG</p> <p>By: _____/s/ _____</p> <p>Jeffrey Young          473 Woodley Place          Santa Rosa, CA 95409          707-538-7031; <a href="mailto:jffyng@gmail.com">jffyng@gmail.com</a></p>	<p>LEONA VALLEY TOWN COUNCIL</p> <p>By: _____/s/ _____</p> <p>Peggy Fuller          Chairman, LVTC Water Committee          PO Box 795          Leona Valley, CA 93551-7315          (661) 270-0771; <a href="mailto:pfuller@leonavalleytc.org">pfuller@leonavalleytc.org</a></p>
<p>CITY OF VISALIA</p> <p>By: _____/s/ _____</p> <p>Michael Olmos          City Manager          220 N. Santa Fe Street          Visalia, CA 93291          559-713-4332; <a href="mailto:molmos@ci.visalia.ca.us">molmos@ci.visalia.ca.us</a></p>	<p>COUNTY OF LAKE</p> <p>By: _____/s/ _____</p> <p>Anita Grant          Office of the County Counsel          255 North Forbes Street          Lake County, CA 95453  <a href="mailto:Anita.Grant@lakecountyca.gov">Anita.Grant@lakecountyca.gov</a></p>
<p>COUNTY OF KERN</p> <p>By: _____/s/ _____</p> <p>Charles Collins          Deputy County Counsel          Office of County Counsel          1115 Truxtun Avenue, 4th Floor          Bakersfield, CA 93301          661-868-3815; <a href="mailto:ccollins@co.kern.ca.us">ccollins@co.kern.ca.us</a></p>	<p>THE CALIFORNIA WATER UTILITY COUNCIL –          UTILITY WORKERS UNION OF AMERICA, AFL-          CIO</p> <p>By: _____/s/ _____</p> <p>Carl Wood          National Director of Regulatory Affairs          2021 S. Nevada St.          Oceanside, CA 92054          (951) 567-1199; <a href="mailto:carlwood@uwua.net">carlwood@uwua.net</a></p>

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