

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

Application of Suburban Water Systems  
(U339W) for Authority to Increase Rates  
Charged for Water Service by \$8,932,501 or  
13.37% in 2015, by \$3,210,905 or 4.32% in  
2016, and by \$2,722,809 or 3.51% in 2017.

A.14-02-004  
(Filed February 24, 2014)

**SETTLEMENT AGREEMENT BETWEEN SUBURBAN WATER SYSTEMS  
AND  
OFFICE OF RATEPAYER ADVOCATES**

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**SETTLEMENT AGREEMENT BETWEEN SUBURBAN WATER SYSTEMS  
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THE OFFICE OF RATEPAYER ADVOCATES**

**I. GENERAL PROVISIONS**

Pursuant to Article 12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Office of Ratepayer Advocates (“ORA”) and Suburban Water Systems (“Suburban”) (collectively, “the Parties”) have agreed on the terms of this settlement agreement (the “Settlement Agreement”) which they now submit, for approval. With one limited exception, this Settlement Agreement addresses all of the disputed issues (and resulting derivative adjustments) between Suburban and ORA.

After conducting discovery, negotiating in person, and analyzing their respective interests, the Parties have determined that this Settlement Agreement is in their best interests, in the public interest, and more cost-effective for all concerned than undertaking the expense, delay, and uncertainty of further litigation. Because this Settlement Agreement represents a compromise, the Parties have entered into each stipulation contained in the Settlement Agreement on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.

Pursuant to Rule 12.5 of the Commission’s Rules of Practice and Procedure, approval of this Settlement Agreement by the Commission may not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding.

The Parties agree to maintain the confidentiality of all settlement negotiations and communications made during the course of settlement discussions in this matter. Such communications remain subject to Rule 12.6 of the Commission's Rules of Practice and Procedure.

The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of their agreement. All rights and remedies of the Parties are limited to those available before the Commission. Furthermore, the Settlement Agreement is being presented as an integrated package; the Parties are agreeing to the Settlement Agreement as a whole, as opposed to agreeing to specific elements of the Settlement Agreement. If the Commission adopts the Settlement Agreement with modifications, all the Parties must consent to the modifications or the Settlement Agreement is void. As between the Parties, this Settlement may be amended or changed only by a written agreement signed by the Parties.

Included in this Settlement Agreement are supporting references to the *Application of Suburban Water Systems (U339W) for Authority to Increase Rates Charged for Water Service* ("Application") and Exhibits A-F, the *Office of Ratepayer Advocates Amended Report on the Results of Operations, Suburban Water Systems, Test Year 2015 and Escalation Years 2016 and 2017* ("ORA Report") and Suburban's direct, supplemental and rebuttal testimonies.

## II. WATER CONSUMPTION AND OPERATING REVENUES

### A. Residential Water Sales Per Customer

	<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
San Jose Hills	191.9 ccf	200.4 ccf	200.4 ccf
Whittier/LaMirada	176.9 ccf	191.4 ccf	191.4 ccf

To develop its estimate, Suburban used a regression analysis using the most recent five years of data. ORA developed its estimate using the New Committee method and ten years of data, as discussed in D.07-05-062. In its rebuttal testimony, Suburban accepted ORA's

recommended residential unit consumption figures. Suburban also updated its residential annual consumption for years 2013, 2014 and 2016 to match ORA’s recommendation.

REFERENCES: Exh. SWS-01, *Suburban Water Systems Exhibit A*, dated February 24, 2014 (“Exhibit A”), Table 4-1; Exh. ORA-01, *Amended Report on the Results of Operations, Public Version*, dated June 23, 2014 (“ORA Report”), pp. 2-2 – 2-6; Exh. SWS-16, *Rebuttal Testimony of Robert L. Kelly (Errata Version)*, original dated June 30, 2014, errata dated August 21, 2014 (“Kelly Rebuttal”), p. 3.

**B. Business Water Sales Per Customer**

In Suburban’s rebuttal testimony, Suburban updated its business annual consumption for years 2013, 2014, and 2016 to match Test Year 2015.

Service Area	2013 - 2016
San Jose Hills	1,131.8 ccf
Whittier/LaMirada	1,110.4 ccf

REFERENCES: Exh. ORA-01, ORA Report, Table 2-2a; Exh. SWS-16, Kelly Rebuttal, p. 3.

Below is Suburban’s original proposal Business annual consumption:

A.14-02-004 (Original Proposal)	Estimated Year 2013	Estimated Year 2014	Test Year 2015	Attrition 2016
San Jose Hills	1,187.8 ccf	1,159.8 ccf	1,131.8 ccf	1,103.8 ccf
Whittier/LaMirada	1,168.5 ccf	1,139.5 ccf	1,110.4 ccf	1,081.4 ccf

REFERENCES: Exh. SWS-01, Exhibit A, Tables 4-1, 4-6A, pp. 4-1 – 4-2.

**III. ESCALATION**

A yearly rate of inflation is used to bring forward historical costs to forecast future years. Suburban used figures from then-current Commission escalation factor memoranda. As part of the settlement, the Parties agreed to use the Commission’s most recent escalation factor number memoranda once the numbers are finalized.

REFERENCES: Exh. ORA-01, ORA Report, p. 4-2; Exh. SWS-14, *Rebuttal Testimony of Kiki Carlson (Errata Version)*, original dated June 30, 2014, errata dated August 21, 2014 (“Carlson Rebuttal”), p. 2.



**IV. OPERATIONS AND MAINTENANCE EXPENSES**

**A. Source of Supply Expense**

**1. Purchased Water**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$15,414,200	\$17,360,295	\$17,349,112

Suburban based its recommendation on its estimate of projected water demand.

ORA based its recommendation on higher projected water demand. In its rebuttal testimony, Suburban accepted ORA's higher projected water demand, resulting in higher purchased water expense. Cooperating Respondent reimbursements have been recalculated to reflect the higher demand.

REFERENCES: Exh. SWS-01, Exhibit A, Tables 5-1, 8-2, pp. 5-1, 5-3 –5-4; Exh. ORA-01, ORA Report, pp. 3-4 – 3-5; Exh. SWS-14, Carlson Rebuttal, p. 17.

**2. Purchased Power**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$2,671,434	\$2,728,993	\$2,728,993

Suburban based its recommendation on its estimated projected water demand

ORA based its recommendation on higher projected water demand In its rebuttal testimony, Suburban accepted ORA's higher projected water demand, resulting in higher purchased power expenses.

REFERENCES: Exh. SWS-01, Exhibit A, Tables 5-1, 5-4, p. 5-4; Exh. ORA-01, ORA Report, p. 3-6; Exh. SWS-14, Carlson Rebuttal, p. 18.

**B. Maintenance of Pumping Equipment**

**1. Clay Valves**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$59,002	\$24,097	\$24,097

Suburban based its estimate on the recorded level of expense, adjusted for inflation. ORA based its recommendation on a five-year average. In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-1; Exh. ORA-01, ORA Report, pp. 3-7 – 3-8;  
Exh. SWS-14, Carlson Rebuttal, p. 3.

**2. Electric Motors**

Suburban	ORA	Settlement
\$26,509	\$23,900	\$23,900

Suburban based its estimate on recorded expense for 2012. ORA based its recommendation on an inflation-adjusted five-year average. Suburban accepted ORA's adjustment in its rebuttal testimony.

REFERENCES: Exh. ORA-01, ORA Report, p. 3-8; Exh. SWS-14, Carlson Rebuttal, p. 3.

**C. Water Treatment Expenses**

**1. Chemicals and Filtering Materials**

Suburban	ORA	Settlement
\$347,848	\$343,317	\$343,317

Suburban based its estimate on recorded expense for 2012. ORA based its recommendation on the inflation-adjusted five-year average. In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-2; Exh. ORA-01, ORA Report, pp. 3-9 – 3-10;  
Exh. SWS-14, Carlson Rebuttal, pp. 3, 4.

**D. Transmission and Distribution Expenses**

**1. Maintenance of Meters**

Suburban	ORA	Settlement
\$52,071	\$16,802	\$16,802

Suburban based its estimate on a proposed more aggressive testing program for production meters. ORA used a five-year historical average, adjusted for inflation. Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-2; Exh. ORA-01, ORA Report, pp. 3-11 – 3-12;  
Exh. SWS-14, Carlson Rebuttal, pp. 3, 4.

**E. Customer Account Expenses  
Bill Stock/Envelopes**

Suburban	ORA	Settlement
\$120,811	\$102,173	\$102,173

Suburban based its estimate on the 2012 recorded expense. ORA used an inflation-adjusted five-year average expense. Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-12 – 3-13; Exh. SWS-14, Carlson Rebuttal, pp. 3, 4-5.

**1. Uncollectible Amounts**

Suburban	ORA	Settlement
0.35%	0.26%	0.26%

Suburban based its uncollectible rate on a projected increasing trend in uncollectibles. ORA used the most recent three-year recorded average (2010-2012). Suburban accepted ORA's adjustment. The dollar amount will be determined based on 0.26% multiplied by the final water service revenues less the CPUC reimbursement fee.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-14 – 3-14; Exh. SWS-14, Carlson Rebuttal, pp. 3, 6.

**V. ADMINISTRATIVE AND GENERAL EXPENSES**

**A. Water Conservation**

Suburban	ORA	Settlement
\$675,000	\$351,478	\$351,478

Suburban based its estimate on its proposal for an expanded water conservation program. ORA used the amount the Commission authorized in the last general rate case, adjusted for inflation, because Suburban has been able to achieve significant water savings at this level of spending. Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, Table 5-1, pp. 5-2 – 5-3; Exh. ORA-01, ORA Report, pp. 3-15 – 3-20; Exh. SWS-14, Carlson Rebuttal, p. 3; Exh. SWS-10, *Direct Testimony of Darleen Phares*, dated February 24, 2014 ("Phares Direct"), pp. 1-11; Exh. SWS-17, *Rebuttal*

*Testimony of Darleen Phares*, dated June 30, 2014 ("Phares Rebuttal"), pp. 2-4, Attachment 1.

**B. Office Supplies and Other Expenses**

**1. Coffee Shop**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$17,562	\$2,000	\$2,000

Suburban provides break-rooms for its employees in each of its three offices, which are furnished with tables and chairs and appliances including refrigerators, microwave and toaster ovens, vending machines, and coffee machines for Suburban employees. Suburban also provides coffee, tea and other items. Suburban based its estimate on the five-year historical expenditure plus inflation. ORA recommended a smaller budget solely to purchase or maintain appliances for the storage and preparation of employees' meals eaten on site. Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-20 – 3-21; Exh. SWS-14, Carlson Rebuttal, pp. 3, 6-7.

**2. Travel Expense**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$82,143	\$59,315	\$59,315

Suburban based its estimate on the recorded expense for 2012, adjusted for inflation, plus \$15,000 to cover travel expenses for two proposed new hires, the Talent Leadership Development Manager and Public Relations Director. ORA used a five-year historical average, adjusted for inflation. ORA also removed the additional \$15,000 for the Talent Leadership Development Manager and Public Relations Director.

As discussed below, as part of the settlement Suburban agrees to withdraw its requests for the Talent Leadership Development Manager and Public Relations Director positions. Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-3; Exh. ORA-01, ORA Report, pp. 3-21 – 3-22; Exh. SWS-14, Carlson Rebuttal, pp. 3, 7.

**3. Meals and Entertainment**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$47,803	\$37,167	\$37,167

Suburban based its estimate on the recorded expense for 2012, adjusted for inflation, plus \$4,000 to cover expenses for the two proposed new hires (Talent Leadership Development Manager and Public Relations Director). ORA used a five-year historical average, adjusted for inflation. ORA also removed the additional \$4,000 for the two new hires. Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-3; Exh. ORA-01, ORA Report, p. 3-22; Exh. SWS-14, Carlson Rebuttal, pp. 3, 8.

**4. Subscriptions**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$7,274	\$6,010	\$6,010

Suburban based its estimate for media subscriptions on the last recorded year 2012. ORA recommended \$6,010 based on the historical level of expense. In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-22 – 3-23; Exh. SWS-14, Carlson Rebuttal, pp. 3, 8.

**5. Other Professional Services**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$1,113	\$325	\$325

Suburban based its estimate on the inflation-adjusted five-year average recorded expense. ORA based its recommendation on the inflation-adjusted five-year recorded average with a correction to the amount recorded for 2011, where an entry had been posted to this account rather than the community relations account. In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, p. 3-23; Exh. SWS-14, Carlson Rebuttal, pp. 3, 8-9.

**6. Professional Dues**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$25,435	\$24,207	\$24,207

Suburban developed its estimate using an inflation-adjusted five-year average.

ORA also used the inflation-adjusted five-year average, but reduced each year by \$1,110 due to finding several entries for memberships to Costco, Sam's Club, and Kiwanis Club of La Mirada.

In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, p. 3-23 – 3-24; Exh. SWS-14, Carlson Rebuttal, pp. 3, 9.

**7. Community Relations**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$9,483	\$6,818	\$6,818

Suburban based its estimate on the recorded expense for 2012. ORA used a five-year historical average, adjusted for inflation, after it added back the amount incorrectly posted to another account, as discussed above. Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-24 – 3-25; Exh. SWS-14, Carlson Rebuttal, pp. 3, 9.

**C. Employee Pension and Benefits**

**1. Safety/ Compliance Training**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$26,054	\$23,474	\$23,474

Suburban based its estimate on the last recorded 2012 expenditure, adjusted for inflation. ORA used a five-year inflation-adjusted average expense. In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, p. 3-26; Exh. SWS-14, Carlson Rebuttal, pp. 3, 9.

**2. Training and Seminars**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$83,610	\$43,610	\$43,610

Suburban based its estimate on a historical five-year average expenditure adjusted

for inflation, plus \$40,000 to cover travel expense and training for the requested Talent Leadership Development Manager position. ORA removed the additional expense for the Talent Leadership Development Manager position. Since, as discussed above, Suburban agreed to withdraw its request for the Talent Leadership Development Manager position, it agrees to ORA's estimate.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-3; Exh. ORA-01, ORA Report, p. 3-26 – 3-27; Exh. SWS-14, Carlson Rebuttal, pp. 3, 10.

**3. 401(k) Employer Contribution**

Suburban	ORA	Settlement
\$353,153	\$277,663	\$332,946

Suburban's estimate is 4% of the sum of the operation, maintenance, and administrative payroll. ORA used the same 4% factor, but arrived at a different dollar amount due to differences in the estimated payroll. For the purpose of settlement, the Parties recalculated the estimated costs for this category based on the settled payroll amount.

REFERENCES: Exh. SWS-01, Exhibit A, Table 8-2; Exh. ORA-01, ORA Report, p. 3-27; Exh. SWS-14, Carlson Rebuttal, pp. 17, 20.

**4. Medical and Dental Insurance, Net of Employee Contributions**

Suburban	ORA	Settlement
\$1,788,946	\$1,661,740	\$1,661,740

Suburban used its actual premiums for both medical and dental insurance in 2013 as a base year value to calculate Per Employee Per Month ("PEPM") values and then escalated these PEPM amounts to forecast the future test year amounts. The Parties differed as to the dental and medical PEPM due to different assumptions regarding head count and escalation, in particular how to reflect the Affordable Care Act. Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-5 – 5-7; Exh. ORA-01, ORA Report, p. 3-27, 10-20 – 10-23; Exh. SWS-14, Carlson Rebuttal, pp. 17, 20; Exh. SWS-03, *Direct Testimony of Walter J. Bench, Confidential Version*, dated February 24, 2014 ("Bench Direct"), pp. 29-39,

Attachments 6 - 12; Exh. SWS-13, *Rebuttal Testimony of Walter J. Bench (Errata Version)*, original dated June 30, 2014, errata dated August 21, 2014 (“Bench Rebuttal”), pp. 12-15.

**5. Employee Welfare**

Suburban	ORA	Settlement
\$156,541	\$50,000	\$132,927

This category includes expenses related to service awards, retirements, company-wide celebrations, pre-employment drug screens, employee physicals, post-accident drug screens, and employee flu shots. Suburban based its estimate on the last recorded year expense for 2012 plus an additional \$50,000 per year. ORA based its recommendation on a scaled-down and modified employee welfare program. As part of the settlement, the Parties agree to a \$23,614 reduction of Suburban’s proposed estimate.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-3; Exh. ORA-01, ORA Report, pp. 3-27 – 3-31; Exh. SWS-14, Carlson Rebuttal, pp. 3, 10-11.

**6. Auto Allowance**

Suburban	ORA	Settlement
\$49,629	\$0	\$49,629

Suburban provides a bi-weekly auto allowance to executives and some managers who use their personal vehicles to travel between Suburban’s three offices and to attend off-site meetings. These executives and managers are not assigned company vehicles. ORA recommended that the Commission disallow this category. As part of the settlement, the Parties agree to use Suburban’s estimate.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-31 – 3-33; Exh. SWS-14, Carlson Rebuttal, pp. 3, 11-12.

**7. Employee Education**

Suburban	ORA	Settlement
\$31,676	\$28,869	\$28,869

Suburban based its estimate on the last recorded year 2012 expense, plus \$10,000 to account for a projected increase in the number of employees eligible to participate in the



program. ORA used the historical five-year average expense adjusted for inflation. In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-3; Exh. ORA-01, ORA Report, p. 3-34; Exh. SWS-14, Carlson Rebuttal, pp. 3, 13.

**D. Franchise Requirements**

**1. Franchise Fees**

Suburban	ORA	Settlement	
\$875,340	\$899,969	\$899,969	At Present Rates
\$988,852	\$942,370	\$985,841	At Proposed Rates

Franchise fees are based on the franchise rate multiplied by total water service revenues. Both Suburban and ORA used a factor 1.31% of estimated revenue to determine franchise fees, but differed in their ultimate estimates due to differences in estimated water sales. The agreed-upon franchise fee estimate reflects the settlement with respect to water sales. The final franchise fee should be calculated based on the total water service revenues the Commission approves in the final decision in this proceeding.

REFERENCES: Exh. SWS-01, Exhibit A, Table 5-1, p. 5-4; Exh. ORA-01, ORA Report, p. 3-34; Exh. SWS-14, Carlson Rebuttal, pp. 17, 21.

**E. Regulatory Commission Expenses**

**1. Regulatory Expenses**

**a. Recovery of General Rate Case Expenses**

This category includes costs for the current (2014) general rate case, the 2017 general rate case, the 2012 cost of capital proceeding, and the 2016 cost of capital proceeding (originally scheduled for 2015). In addition to differences regarding the correct amounts, Suburban and ORA also disagreed as to the correct method for recovery of some of these costs.

Traditionally, Suburban has amortized in the test years expenses incurred for current rate case proceedings. In D.12-04-009, the Commission adopted Suburban's proposal to amortize regulatory costs for that general rate case, but directed Suburban to present a three-year

forecast for the next rate case cycle and a “catch-up” adjustment (to recover the costs for the 2014 general rate case) to transition from the amortization approach to a forward forecast. In its current application, as directed by the Commission, Suburban included a forecast for the next rate case cycle and a “catch-up” adjustment allowing for recovery of the 2014 general rate case costs over the three-year rate case cycle at the same time it would be recovering its forecasted cost for the 2017 general rate case. Suburban, however, recommended that the Commission authorize Suburban to continue its current practice of amortizing rate case expenses in the test years instead of moving to the forecast method. In its report, ORA recommended that the Commission shift to forecasted recovery of rate case expenses without a “catch-up” adjustment to provide for recovery of the expenses for the current general rate case. In the event the Commission determines that a “catch-up” provision is appropriate, ORA recommended that the Commission authorize Suburban to recover its 2014 general rate case costs over a six-year period instead of the three-year period proposed by Suburban.

As part of the settlement, ORA and Suburban agreed to dollar amounts for the 2014 general rate case and the forecasted 2017 general rate case. The Parties will brief the issues of: (1) whether the Commission should shift Suburban from amortized recovery of general rate case expenses to recovery of forecasted expenses; (2) whether the Commission should allow Suburban to recover the expenses for the 2014 general rate case; and (3) should the Commission allow recovery of the 2014 general rate case expenses, what should be the length of the recovery period.

REFERENCES: Exh. SWS-01, Exhibit A, Table 5-1, p. 5-4; Exh. ORA-01, ORA Report, pp. 3-34 – 3-37; Exh. SWS-14, Carlson Rebuttal, pp. 3, 13; Exh. SWS-16, Kelly Rebuttal, pp. 3-6.

**b. 2012 Cost of Capital Expense**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$138,038 over one month	\$138,038 over twelve months	\$138,038 over twelve months

Suburban included the forecasted cost for the 2012 cost of capital proceeding in its prior general rate case application (A.11-02-002). In D.12-04-009, the Commission excluded

recovery of the 2012 Cost of Capital expense, which had been included in the joint settlement between ORA and Suburban. The Commission granted limited rehearing on the recovery of the costs for the 2012 cost of capital proceeding in D.13-12-030.

Suburban recorded these costs in its 2012 Cost of Capital Litigation Memorandum Account. The Parties agreed how these costs should be recovered, but differed on the recovery period. Suburban requested recovering these costs via surcharge over a one-month period. ORA recommended a twelve-month recovery period. As part of the settlement, the Parties agreed that Suburban should recover the costs tracked in the memorandum account via surcharge over a twelve-month period.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-7; Exh. ORA-01, ORA Report, pp. 3-37; Exh. SWS-16, Kelly Rebuttal, pp. 7, 38-39.

**c. 2016 Cost of Capital Expense**

Both Suburban and ORA forecasted \$145,571 for this proceeding by using the 2012 Cost of Capital expenses as the basis and adjusting for inflation. The Parties agree that the forecasted costs should be recovered in rates.

REFERENCES: Exh. ORA-01, ORA Report, pp. 12-4 – 12-5.

**d. 2014 General Rate Case Expense**

Suburban	ORA	Settlement
\$702,187	\$659,144	\$661,971

ORA reduced Suburban's estimated costs based on removal or reductions in the costs for witness preparation, the cost of postage for customer mailings, and consultant expenses. In its rebuttal testimony, Suburban agreed to remove the cost of postage for separate customer mailings, since it was able to provide notices for the public participation hearing as bill inserts, and the cost for one consultant. As part of the settlement, ORA accepted Suburban's estimate for the witness preparation component of the 2014 general rate case expense.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-38 – 3-39; Exh. SWS-16, Kelly Rebuttal, pp. 6-7.

**e. 2017 General Rate Case Expense**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$744,829	\$461,797	\$617,792

Suburban developed its forecast for the 2017 general rate case based on its estimate for the 2014 general rate case, adjusted for inflation. ORA used its own forecast for the 2014 general rate case as the basis for the 2017 general rate case, and made further reductions in consultant fees. As with the 2014 settlement, ORA agreed to accept Suburban’s estimate for witness preparation in the 2017 general rate case. Suburban agreed to remove the postage cost for separate mailed notices, based on its experience in this proceeding. The Parties’ also compromised on a reduced estimate for consultant fees for the 2017 general rate case.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-39 – 3-40; Exh. SWS-16, Kelly Rebuttal, pp. 7-9.

**2. CPUC Reimbursement Fee**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>	
\$1,001,761	\$1,029,961	\$1,029,961	At Present Rates
\$1,136,251	\$1,080,000	\$1,131,768	At Proposed Rates

Suburban’s and ORA’s initial estimates were different because of the differences in total water sales. The agreed-upon amount for the CPUC Reimbursement Fee reflects the Parties’ agreement on water sales. The final reimbursement fee should be calculated based the components the Commission approves in the final decision in this proceeding.

REFERENCES: Exh. SWS-01, Exhibit A, Tables 5-1, 5-4, 9-4, 10-1; Exh. ORA-01, ORA Report, p. 3-41; Exh. SWS-14, Carlson Rebuttal, pp. 17, 21.

**F. Outside Services**

**1. Audit Fees**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$158,212	\$152,405	\$152,405

Suburban based its estimate on the inflation-adjusted last recorded year 2012. ORA used a five-year recorded average adjusted for inflation. In its rebuttal testimony, Suburban accepted ORA’s adjustment.

REFERENCES: Exh. ORA-01, ORA Report, p. 3-41; Exh. SWS-14, Carlson Rebuttal, pp. 3, 13.

**2. Other Professional Services**

Suburban	ORA	Settlement
\$189,481	\$148,080	\$148,080

Suburban based its estimate on a five-year recorded average adjusted for inflation. ORA also used an inflation-adjusted five-year average, but made a correction and removed some consultant fees. Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, pp. 3-41 – 3-43; Exh. SWS-14, Carlson Rebuttal, pp. 3, 13-14.

**G. Maintenance of General Plant**

**1. Janitorial Service and Supplies**

Suburban	ORA	Settlement
\$100,185	\$98,227	\$98,227

Suburban based its estimate on the last recorded year 2012 expenses. ORA used an inflation-adjusted five-year average. In its rebuttal testimony, Suburban accepted ORA's adjustment.

REFERENCES: Exh. ORA-01, ORA Report, p. 3-43; Exh. SWS-14, Carlson Rebuttal, pp. 3, 14-15.

**H. Miscellaneous Accounts**

**1. Administrative Expense Transferred**

Suburban	ORA	Settlement
(\$929,718)	(\$667,544)	(\$698,098)

This category represents a credit for General and Administrative Overhead. The differences in the Parties' initial estimates are due to differences in plant construction and costs of removal. The agreed-upon figure for this category reflects the settlement on those issues.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-4; Exh. ORA-01, ORA Report, pp. 3-43 – 3-44; Exh. SWS-14, Carlson Rebuttal, pp. 17, 22.

**I. Clearing Accounts**

**1. Inter-Company Clearing Accounts**

Description	Suburban	ORA	Settlement
Corporate Expense	\$4,480,822	\$3,868,983	\$4,190,198
IT Expense	\$370,274	\$271,240	\$293,759
Utility Group Expense	\$345,504	\$295,361	\$319,883

These accounts track allocated costs. The differences between the Parties were due to the different allocation factors used.

REFERENCES: Exh. SWS-01, Exhibit A, pp. 5-5 – 5-6; Exh. SWS-03, Bench Direct, pp. 7-12, Attachment 2; Exh. ORA-01, ORA Report, pp. 3-44, 10-3 – 10-4; Exh. SWS-14, Carlson Rebuttal, pp. 3, 15; Exh. SWS-13, Bench Rebuttal, pp. 2 - 4, Attachment 1.

**2. Transportation Expense**

**a. Car/Truck Gas**

Suburban	ORA	Settlement
\$345,653	\$324,815	\$324,815

Suburban based its estimate on the last recorded year 2012 expenses. ORA used an inflation-adjusted five-year average. Suburban accepted ORA’s adjustment.

REFERENCES: Exh. SWS-01, Exhibit A, Tables 5-1, 8-2, p. 5-5; Exh. ORA-01, ORA Report, p. 3-44; Exh. SWS-14, Carlson Rebuttal, pp. 3, 16.

**b. Transportation Capitalized**

Suburban	ORA	Settlement
(\$13,782)	(\$13,782)	(\$12,993)

Transportation capitalized is calculated based on two percent multiplied by capitalized payroll. The difference between Suburban and ORA amounts is due to differences in payroll expense. The agreed-upon Transportation Capitalized estimate reflects the settlement with respect to payroll expense.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-5; Exh. ORA-01, ORA Report, p. 3-44; Exh. SWS-14, Carlson Rebuttal, pp. 17, 22.

**VI. PAYROLL**

**A. Forecasting Methodology**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
\$8,828,816	\$6,941,580	\$8,323,654

Suburban calculated the 2015 test year payroll cost using the 2013 hourly rate for each position multiplied by 2,080 hours to arrive at the equivalent full time salary for each position, escalated using the DRA/ORA factors to arrive at the 2015 test year estimate. As it has in multiple past general rate cases, Suburban's estimate used a 0% vacancy rate. Suburban also included several new positions, discussed below.

ORA developed its own methodology to derive its payroll estimate. ORA used recent (December 2013-February 2014) data for its chosen sample personnel (accounting and meter reading positions) to arrive at an vacancy adjustment factor that it applied to the company as a whole. ORA also removed all but two of the requested new positions. Additionally, ORA calculated its payroll estimate using bi-monthly instead of bi-weekly compensation.

Once the bi-weekly vs. bi-monthly error was corrected, the Parties agreed, for the purpose of settlement, to use Suburban's zero vacancy method to calculate the payroll expense. The Parties also reached a compromise on the number of new positions, discussed below.

To calculate 2015 test year incentive compensation costs, Suburban first calculated the percentage difference between 2012 total payroll costs versus the 2012 incentive compensation costs. This calculation resulted in a percentage of 5.35%. Suburban then multiplied this percentage by the estimated 2015 total payroll costs to forecast the incentive compensation for the 2015 test year. ORA recommended that the Commission remove the entire incentive compensation amount. For the purpose of settlement, the Parties agreed upon \$270,249 as a reasonable estimate for estimated year 2013, resulting in a percentage of 3.49%. The incentive compensation for the 2015 test year is \$279,303.

REFERENCES: Exh. SWS-01, Exhibit A, p. 5-1; Exh. ORA-01, ORA Report, pp. 4-2 – 4-10; Exh. SWS-16, Kelly Rebuttal, pp. 9-20.

**B. New Positions**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
Customer Service Representative 1		
Talent Leadership Development Manager		
Human Resources Manager		Human Resources Manager
Public Relations Director		
Buyer	Buyer	
Data Warehouse Analyst	Data Warehouse Analyst	Data Warehouse Analyst
Three-Person Leak Crew		Three-Person Leak Crew

In its application, Suburban requested nine new positions. In its report, ORA only agreed with Suburban regarding the need for two of the positions, and recommended that the Commission disallow the rest.

As part of settlement, the Parties agreed that the three-person leak crew, Human Resources Manager, and Data Warehouse Analyst should be allowed. Suburban withdraws its request for the remaining positions.

REFERENCES: *Application of Suburban Water Systems (U339W) for Authority to Increase Rates Charged for Water Service*, filed February 24, 2014 (“Application”), pp. 3-2 – 3-4; Exh. ORA-01, ORA Report, pp. 4-12 – 4-20; Exh. SWS-16, Kelly Rebuttal, pp. 21-32.

**VII. CHAPTER 5: INCOME TAXES AND TAXES OTHER THAN INCOME**

**A. Agreement on Methodology**

For Ad Valorem tax, payroll taxes, state income tax and federal income tax, Suburban and ORA agreed as to methodology. The differences between estimates were due to different estimates of revenues, expenses, and rate base by the Parties.

REFERENCES: Exh. SWS-01, Exhibit A, Sections 9.1; Exh. ORA-01, ORA Report, pp. 5-1 – 5-



3; Exh. SWS-16, Kelly Rebuttal, p. 32.

**B. California Corporation Franchise Tax (“CCFT”) Deduction**

Suburban	ORA	Settlement
\$642,291	\$903,785	\$674,179

Calculation of the CCFT federal tax deduction has been a contentious issue between ORA and Suburban. In Suburban’s prior general rate case (A.11-02-002), Suburban recommended calculating the test year CCFT deduction using the prior year’s estimated CCFT. ORA recommended that the Commission use the CCFT of two years prior to the test year. In the decision in that general rate case, D.12-04-009, the Commission stated that the estimated test year CCFT should be used to calculate the test year CCFT deduction. In D.13-12-030, the Commission granted limited rehearing on this issue. During the prehearing conference in A.11-02-002 for the rehearing issues, the presiding officer decided to move the issue of the correct calculation of the CCFT deduction to the current proceeding. The final approved methodology will be used both for the current proceeding and for A.11-02-002. (See A.11-02-003, Reporter’s Transcript, pp. 41:21-42:8.)

Suburban submitted testimony recommending that the Commission continue the practice of calculating the test year CCFT deduction using the prior year’s estimated CCFT. In its report, ORA agreed with Suburban. Although the Parties used the same methodology, their estimates were different due to differences in operating revenues, expenses and capital expenditures. The agreed-upon CCFT deduction above reflects the settlement in those areas. REFERENCES: Exh. SWS-01, Exhibit A, Tables 9-4, 10-2, p. 8-2, Section 9.7; Exh. ORA-01, ORA Report, Tables 1-1, 1-2, pp. 5-1, 5-3 – 5-5; Exh. SWS-16, Kelly Rebuttal, pp. 32, 33.

**C. Domestic Production Activities Deduction (“DPAD”)**

Suburban	ORA	Settlement
\$0	\$428,618	\$301,938

Another component of calculating gross federal taxable income amount is the Domestic Production Activities Deduction (“DPAD”). This component is used as a deduction to

reduce the gross federal taxable income amount allowed by “American Jobs Creation Act of 2004” to encourage domestic production and production-related activities. Suburban did not include this deduction as part of its costs of service to reduce the federal taxable income. Suburban argued that DPAD should not be included in the calculation of federal income tax if Suburban’s parent company continued to experience tax losses.

In its report, ORA argued that regulated utilities should be treated as stand-alone entities for tax purposes, citing decisions in Suburban’s prior general rate case proceeding. ORA calculated Suburban’s DPAD by determining the ratio of qualified production and multiplying that ratio by taxable income for Federal Income Tax and multiplying that amount by the 9% DPAD deduction. The qualified production ratio was derived by adding total amount of well and surface water produced and dividing by total production. ORA recommended that the resulting amount be imputed in calculating the gross federal taxable income amount for test year 2015.

For the purpose of settlement, Suburban agrees to impute ORA’s recommended DPAD methodology in calculating gross federal taxable income amount for estimated year 2014, test year 2015, and attrition year 2016. The final DPAD should be calculated based on the components the Commission adopts in the final decision of this proceeding.

REFERENCES: Exh. SWS-01, Exhibit A, Section 9.6; Exh. ORA-01, ORA Report, Table 5-2, pp. 5-1, 5-5 – 5-6; Exh. SWS-16, Kelly Rebuttal, pp. 32, 34-35.

**VIII. UTILITY PLANT IN SERVICE**

(estimates are in millions)

	<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
2014	\$226.4	\$225.5	\$226.4
2015	\$242.5	\$238.2	\$240.2
2016	\$261.3	\$250.3	\$255.7

The differences between the Parties for average plant in service are due to ORA recommending reductions in capital additions. The agreed-upon weighted average plant in service figures for 2014, 2015 and 2016 are based on the settlement regarding capital projects,

discussed in more detail below. The final average plant in service should be calculated based on its components as adopted by the Commission in the final decision of this proceeding.

**A. Proposed Capital Budgets for Projects Not Previously Authorized**

Suburban proposed a budget for projects completed in 2012 and 2013, but not previously authorized. Due to the critical nature of these projects, it was necessary for Suburban to complete them prior to the current general rate case. ORA agreed on recovery for all but three of these projects.

**1. I-10 Widening Project for \$462,418 in 2013**

Suburban	ORA	Settlement
\$462,418	\$0	\$0

Suburban requested a \$462,418 budget to accommodate Caltrans I-10 widening project in 2013. In its report, ORA stated that this project qualifies for relocation at 100% state expense and therefore should be treated as contributed plant. In its rebuttal testimony, Suburban agreed with ORA.

REFERENCES: Exh. SWS-06, *Direct Testimony of Craig D. Gott, P.E.*, dated February 24, 2014 (“Gott Direct”), pp. 3, 21-23; Exh. ORA-01, ORA Report, pp. 6-8 – 6-9; Exh. SWS-15, *Rebuttal Testimony of Craig D. Gott, P.E., Confidential Version (Errata Version)*, original dated June 30, 2014, errata dated August 21, 2014 (“Gott Rebuttal”), pp. 16-17.

**2. Tie-In With the City of Cerritos in 2013**

Suburban	ORA	Settlement
\$8,899	\$0	\$8,899

The application includes costs for this project in 2013 and 2015. Suburban inadvertently omitted the 2013 costs for this item from its direct testimony, although it was included in the workpapers. The purpose of the project is to construct a tie-in with the City of Cerritos to provide emergency water supply to the portion of the 285 Zone that lies south of the I-5 freeway. The 2013 costs are design costs that Suburban incurred preparing documents to start negotiations with the City on an intertie agreement. The agreement has been reviewed and

accepted by the City but it has not yet been signed. ORA argued in its report that the project was not necessary. As part of the settlement, the Parties agree that this project should be approved.

REFERENCES: Exh. SWS-06, Gott Direct, pp. 225-228; Exh. ORA-01, ORA Report, Table 6-16, pp. 6-47 – 6-48; Exh. SWS-15, Gott Rebuttal, pp. 47-50.

**3. Main San Gabriel Basin Water Rights in 2013**

Suburban	ORA	Settlement
\$302,592	\$97,890	\$302,592

Suburban draws more water from the San Gabriel Valley Basin than it has rights to do so, causing it to incur higher costs for the “over-pumped” water. To address this issue, Suburban purchased 23.75 acre-feet of water rights from California Domestic Water Company in 2013. ORA questioned the benefit to customers and recommended that the Commission limit the amount of the purchase cost in rate base to \$97,890. The difference between the Parties is due to difference assumptions and methods in calculating benefit to customers. As part of the settlement, ORA agrees that the Commission should allow the full cost of the water rights in rate base.

REFERENCES: Exh. SWS-06, Gott Direct, pp. 3, 23-25; Exh. ORA-01, ORA Report, Tables 6-2, 6-14, pp. 6-3, 6-28, 6-30 – 6-33; Exh. SWS-15, Gott Rebuttal, pp. 36-40.

**B. Proposed Capital Budgets for Planned Projects**

(estimates are in the millions)

	Suburban	ORA	Settlement
2015	\$18.2	\$11.8	\$28.6 total for the two years
2016	\$17.0	\$6.1	

ORA accepted Suburban’s proposed capital budget for 2014. The differences between the Parties for 2015 and 2016 were due to ORA’s suggested disallowances and reductions.

For the purpose of settlement, the Parties agree to a total budget of \$28.6 million for 2015 and 2016 capital projects. The Parties agree that this amount is justified based on the projects Suburban proposed in its application, as discussed in its direct and rebuttal testimony, as

well as the concerns expressed by ORA in its report. While the Parties have agreed to a total amount, not specific projects, a revised list of capital projects justifying the total budget is included below. In its next general rate case, Suburban will, as always, comply with the reporting requirements for capital projects as set forth in the Commission's Rate Case Plan (D.07-05-062).

The Parties agree that the \$28.6 million provides a pool of funds for capital projects that is less than the amount originally requested by Suburban, but is comparable to the amount spent during its previous rate case cycle. Within this overall capital budget Suburban will have the flexibility to prioritize the capital projects in order to best serve its customers.

A portion of the proposed budget (\$172,000) in the Personal Computers (Hardware and Software) category is the cost for the hardware and software relating to the credit card payment option, discussed below. To properly account for the cost of this program for customers, Suburban will track incremental plant investments such as software, periodically measured on a cost of service basis (i.e. depreciation and return on investment) in the memorandum account associated with the credit card program.

	Estimated Year 2014		
	A.14-02-004	ORA	Settlement
<b>Construction Projects</b>			
Plant 224 Facility Construction - Northern Reservoir	6,548,000	6,548,000	6,548,000
Plant 408 Facility Construction - Santa Gertrudes Pipeline, Valve Stations	1,384,000	1,384,000	1,384,000
Plant 408 Facility Construction - 350 Zone Valve Station	306,000	306,000	306,000
Sorensen Channel Crossing - Freestanding	266,000	266,000	266,000
CIC Pump Station - Installation of Suburban pumps	189,000	189,000	189,000
Valley View Grade Separation Pipeline - Grade Separation Pipeline	294,000	294,000	294,000
Milvern and Molyknoll Pipeline - Pipeline	1,106,565	1,106,565	1,106,565
Plant 501 Vault - Vault Replacement	180,732	180,732	180,732
Tract No.46780 - Sunset and Farlington (Sunset and Palms)	230,000	230,000	230,000
Plant 132 Generator - Install fixed generator	178,000	178,000	178,000
Pump Replacements at Various Locations	212,000	212,000	212,000
QA Treatment Improvements	131,000	33,000	131,000
Water Sampling Stations	180,000	0	180,000
Air Release Valve Replacements	27,000	27,000	27,000
Blow-off Replacements	58,000	58,000	58,000
Governmental Projects	151,000	151,000	151,000
Misc. Pipeline Replacements	248,000	248,000	248,000
Valve Replacements	219,000	219,000	219,000
Vault Replacements	27,000	27,000	27,000
Plant Improvements	204,000	204,000	204,000
Plant Paving Project	45,000	12,215	45,000
Security Upgrades	190,000	190,000	190,000
GIS and Model System Upgrades	95,000	58,000	95,000
<b>Annual Projects and Direct Purchases</b>			
Services	1,141,000	981,858	1,141,000
Meters Replacements	258,000	258,000	258,000
Meters Installations	116,000	116,000	116,000
Hydrants	112,000	112,000	112,000
Office Furniture and Equip (excl personal computers)	36,000	36,000	36,000
Personal Computers (Hardware & Software)	58,000	39,000	58,000
Communication Equipment	33,000	33,000	33,000
Tools, Shop and Garage Equipment	31,000	31,000	31,000
<b>Total Expenditures</b>	<b>\$14,254,297</b>	<b>\$13,728,370</b>	<b>\$14,254,297</b>

REFERENCES: Exh. SWS-06, Gott Direct, pp. 37-194; Exh. ORA-01, ORA Report, pp. 6-9 – 6-27, 6-33 – 6-82; Exh. SWS-15, Gott Rebuttal, pp. 17-35, 41-94.

	Test Year 2015		
	A.14-02-004	ORA	Settlement
<u>Construction Projects</u>			
Plant 224 Facility Construction - Southern Reservoir	7,177,000	7,177,000	7,177,000
Plant 408 Facility Construction - Construct 500 L.F. on Colima from Lambert to Lanning	411,000	411,000	411,000
Cerritos Tie-In - Construct inter-connection with City of Cerritos	130,000	0	0
Ocaso Pipeline Project - Replace 4-inch and 2-inch steel pipe	502,000	502,000	502,000
I-5 freeway crossing extensions - extend 2 crossings	565,000	565,000	565,000
Central Basin Exploratory Well - Drill exploratory well in Central Basin - Plant 211	261,000	0	0
Bright Avenue Pipeline - Replace 2-inch steel distribution main	130,000	0	0
340 Zone Reliability - Construct additional source to the 340 zone	456,000	0	0
Plant 507 R-1 - Reservoir Rehabilitation	398,959	0	0
Plant 129 - Reservoir Replacement	2,716,000	0	0
I-10 Widening - From Citrus to 57	116,000	0	0
Pump Replacements at Various Locations	212,000	212,000	212,000
QA Treatment Improvements	93,000	33,000	93,000
Water Sampling Stations	180,000	0	180,000
Control Valve Refurbishment Program	139,000	24,000	139,000
Air Release Valve Replacements	27,000	27,000	27,000
Blow-off Replacements	58,000	58,000	58,000
Governmental Projects	151,000	151,000	151,000
Misc. Pipeline Replacements	248,000	248,000	248,000
Valve Replacements	219,000	219,000	219,000
Vault Replacements	27,000	27,000	27,000
Plant Improvements	204,000	204,000	204,000
Plant Paving Project	49,000	12,215	49,000
Security Upgrades	193,000	193,000	193,000
GIS and Model System Upgrades	90,000	58,000	90,000
<u>Annual Projects and Direct Purchases</u>			
Services	1,406,049	981,858	1,052,294
Meters Replacements	392,000	392,000	320,164
Meters Installations	166,000	49,318	136,083
Hydrants	112,000	112,000	112,000
Office Furniture and Equip (excl personal computers)	36,000	36,000	36,000
Personal Computers (Hardware & Software)	218,000	39,000	<u>46,000</u>
Vehicle Replacement	1,052,000	0	1,052,000
Communication Equipment	33,000	33,000	33,000
Tools, Shop and Garage Equipment	31,000	31,000	31,000
<b>Total Expenditures</b>	<b>\$18,199,008</b>	<b>\$11,795,391</b>	<b>\$13,363,541</b>

REFERENCES: Exh. SWS-06, Gott Direct, pp. 194-292; Exh. ORA-01, ORA Report, pp. 6-9 – 6-27, 6-33 – 6-82; Exh. SWS-15, Gott Rebuttal, pp. 17-35, 41-94.

Attrition Year 2016		
A.14-02-004	ORA	Settlement

Construction Projects

Plant 224 Facility Construction - Northern Reservoir			
Plant 224 Facility Construction - Southern Reservoir	1,407,000	1,407,000	1,407,000
Plant 408 Facility Construction - Site Grading and Walls	3,813,705	0	3,757,684
Cerritos Tie-In - Construct inter-connection with City of Cerritos			130,000
Central Basin Exploratory Well - Drill exploratory well in Central Basin - Plant 211			261,000
Bright Avenue Pipeline - Replace 2-inch steel distribution main			130,000
340 Zone Reliability - Construct additional source to the 340 zone			286,000
Plant 129 - Reservoir Replacement			2,716,000
Plant 507 R-2 - Reservoir Rehabilitation	354,557	0	354,557
Tract No. 40799 (Solana Park) - Azusa and Francisquito (services)	300,000	300,000	300,000
Sunkist and N. Garvey Alley - Replace 4-inch and 6-inch steel pipeline in Alley	335,000	258,572	335,000
900 Zone Reliability - Construct Check Valve from 730 to 900	83,000	83,000	83,000
Colima Crossing - Install pipeline across Colima Rd. south of Whittier Blvd.	89,000	0	0
600 Zone Reliability (La Serna) - Install 4,080L.F. of PVC pipe	823,000	0	0
WLM Valve Station 1 - L&W	100,000	100,000	100,000
WLM Valve Station 2 - L&L	105,000	105,000	105,000
San Ardo Pipeline	322,000	0	0
Radio Replacements	504,000	0	504,000
Sunkist & Meeker (Steel Pipe) Pipeline	311,000	0	0
Hemphill & Backton (AC Pipe)	175,000	0	0
La Sierra & Via Sierra (Steel Pipe) Pipeline	264,000	0	0
Homeland & Russell (Steel Pipe) Pipeline	198,000	0	0
Hornell and Stamy	164,000	0	0
Stanton & Rosalita (Steel Pipe) Pipeline	717,000	0	0
Plant 413 Suction Line - Construct 3,180LF of 24-inch DIP	2,003,000	0	0
Colima and Janne	60,000	60,000	60,000
Tract No. 39733 - California and Vine (services)	140,000	140,000	140,000
Larimore Street - Larimore from Cadwell to Hayland	120,000	120,000	120,000
Tract No. 51749 (Sunset Palms) - Sunset and Delvale	170,000	170,000	170,000
Beckner Street - Beckner from Orange to Tonopah	177,000	177,000	177,000
Tract No. 35791 - Francisquito and Aleron	34,000	34,000	34,000
Plant 109 Reservoir Rehabilitation	91,000	91,000	91,000
Pump Replacements at Various Locations	212,000	212,000	212,000
QA Treatment Improvements	33,000	33,000	33,000
Water Sampling Stations	180,000	0	180,000
Control Valve Refurbishment Program	139,000	24,000	139,000
Air Release Valve Replacements	27,000	27,000	27,000
Blow-off Replacements	58,000	58,000	58,000
Governmental Projects	151,000	151,000	151,000
Misc. Pipeline Replacements	248,000	248,000	248,000
Valve Replacements	219,000	219,000	219,000
Vault Replacements	27,000	27,000	27,000
Plant Improvements	204,000	204,000	204,000
Plant Paving Project	43,000	12,215	43,000
Security Upgrades	108,000	108,000	108,000
GIS and Model System Upgrades	68,000	58,000	68,000

Annual Projects and Direct Purchases

Services	1,406,049	981,858	1,052,294
Meters Replacements	394,000	392,000	393,537
Meters Installations	144,000	49,318	144,388
Hydrants	112,000	112,000	112,000
Office Furniture and Equip (excl personal computers)	36,000	36,000	36,000
Personal Computers (Hardware & Software)	48,000	39,000	48,000
Vehicle Replacement	236,000	39,148	236,000
Communication Equipment	33,000	33,000	33,000
Tools, Shop and Garage Equipment	31,000	31,000	31,000

**Total Expenditures**     **\$17,017,311**     **\$6,140,111**     **\$15,064,460**



REFERENCES: Exh. SWS-06, Gott Direct, pp. 292-511; Exh. ORA-01, ORA Report, pp. 6-9 – 6-27, 6-33 – 6-82; Exh. SWS-15, Gott Rebuttal, pp. 17-35, 41-94.

**IX. DEPRECIATION RESERVE AND DEPRECIATION EXPENSE**

	<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
2014	\$80,478,058	\$80,480,700	\$80,478,058
2015	\$86,954,067	\$86,926,700	\$86,964,861
2016	\$93,990,371	\$93,791,800	\$93,948,910

The differences in ORA and Suburban’s average accumulated depreciation estimates for the estimated and test years were due to differences in plant additions. The agreed-upon estimates for accumulated depreciation are based on the settlement for plant additions. The final accumulated depreciation will be based on the plant additions the Commission approves in the final decision in this proceeding.

REFERENCES: Exh. SWS-01, Exhibit A, Chapter 7; Exh. SWS-02, *Direct Testimony of Christian Aldinger*, dated February 24, 2014, pp. 4-12, Attachment 1; Exh. ORA-01, ORA Report, Chapter 7.

**X. RATE BASE**

	<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
2014	\$112,126,748	\$109,842,590	\$111,678,671
2015	\$122,645,075	\$116,963,730	\$119,889,466
2016	\$134,457,507	\$120,573,040	\$128,552,704

The differences in the Parties’ estimates for rate base are due to differences in plant additions, depreciation and working cash. The agreed-upon rate base estimates reflect the settlement in those areas. The final rate base should be calculated based on the components the Commission approves in the final decision in this proceeding.

REFERENCES: Exh. SWS-01, Exhibit A, p. 8-1; Exh. ORA-01, ORA Report, pp. 8-1 – 8-2.

**A. Working Cash**

	<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
2013	(\$3,384,488)	(\$4,640,775)	(\$3,428,265)
2014	(\$3,003,671)	(\$4,369,557)	(\$3,008,519)
2015	(\$3,175,356)	(\$4,620,671)	(\$3,138,646)
2016	(\$3,235,960)	(\$4,689,736)	(\$3,138,265)

Both Suburban and ORA estimated negative working cash amounts. The differences between the Parties' estimates were due to the adjustments ORA made to the lead-lag study for working cash capital. Suburban based its working cash calculation on Commission Standard Practice U-16. ORA removed depreciation and non-cash items from the lead-lag calculations, and adjusted the lag days. The Parties also had a different amount for payroll costs and other expense. For the purpose of settlement, the Parties agreed to use Standard Practice U-16 to calculate working cash. The agreed-upon amounts reflect the settlement for payroll and other expenses. The final working cash should be calculated based on the components the Commission approves in the final decision in this proceeding.

REFERENCES: Exh. SWS-01, Exhibit A, p. 8-1; Exh. ORA-01, ORA Report, pp. 8-2 – 8-3; Exh. SWS-14, Carlson Rebuttal, pp. 22 - 27.

**1. Construction Work in Progress ("CWIP")**

	<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
2015	\$6,862,500	\$6,862,500	\$6,862,500
2016	\$5,495,353	\$3,588,500	\$5,467,342

The difference between the Parties' estimates for 2015 and 2016 CWIP is due to ORA's disallowance of capital projects. The agreed-upon CWIP above reflects the capital budget settlement.

REFERENCES: Exh. SWS-01, Exhibit A, Table 8-1; Exh. ORA-01, ORA Report, p. 8-4.

**XI. INDIRECT COST ALLOCATION**

There are two sets of allocations within this category. First is the allocation of indirect costs of Suburban's parent company, SouthWest Water, to Suburban and its affiliates,

including an affiliate involved in non-regulated service contract operations. At the time the application was filed, there were eleven service contracts under which a SouthWest entity provides operating services, a significant decrease from the last general rate case. Second is the allocation of the costs of the Utility Group business unit. For both categories, the Parties agree upon the amount of costs to be allocated, but differ as to the allocation methods.

REFERENCES: Exh. SWS-03, Bench Direct, pp. 7-12, Attachment 2.

**A. Allocation of Parent Company Costs Factor**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
49.8%	43%	46.57%

REFERENCES: Exh. SWS-01, Exhibit A, Table 5-2, pp. 5-5 – 5-6; Exh. SWS-03, Bench Direct, pp. 26-29, Attachments 2, 4, 5; Exh. ORA-01, ORA Report, pp. 10-1 – 10-5; Exh. SWS-13, Bench Rebuttal, pp. 4-10, Attachments 1, 2A and 2B.

**1. Allocation Method**

Traditionally, Suburban has used the four-factor allocation method set forth in the Commission's 1956 memorandum on allocation of parent company costs. As explained in that memorandum, the four factors are operating expenses, gross plant, payroll, and number of customers. In its decision in Suburban's last general rate case, D.12-04-009, the Commission directed Suburban to use a two-factor (operating expenses and payroll) allocation method. Suburban continued to use a two-factor allocation of parent company costs in this current proceeding, as it believes is required by D.12-04-009.

In its report, ORA disagreed with this interpretation of D.12-04-009, arguing that Suburban is still required to use the four-factor allocation method. In its report, however, ORA recommended a three-factor allocation method, eliminating the customer factor due to inability to obtain information on the number of end-users served under the eleven operations contracts (Suburban has historically taken the position that the number of customers is the number of contracts rather than the number of end users). ORA originally recommended that the gross plant of an organization that has contracted for operating services should be included in the gross

plant component of the four-factor calculation. Suburban disagreed, arguing that since SouthWest does not own this plant, it should not be included in the gross plant component. Since SouthWest does not have information on the gross plant of the entities with which it has operating contracts, ORA used replacement costs used for property insurance purposes as a proxy for the gross plant component of the four-factor allocation method.

In its application, Suburban inadvertently omitted the eleven operations contracts from the operating expense and payroll factors. Suburban added the contracts to those factors in its rebuttal testimony. Additionally, as part of the settlement, the Parties clarified that direct operating expenses net of depreciation and amortization should be used in calculation of operating expenses. For the purpose of settlement, the parties agree to use a three-factor allocation method (operating expenses, payroll, and gross plant), using the traditional calculation of gross plant (not the replacement cost for property insurance).

Additionally, SouthWest will work diligently to divest itself of its remaining operations service contracts. If SouthWest is unable to divest itself of these remaining contracts by the next general rate case, it will in its next application provide end-user figures and the plant values of those systems under each contract.

REFERENCES: Exh. SWS-01, Exhibit A, pp. 5-5 – 5-6, Table 5-2; Exh. SWS-03, Bench Direct, pp. 26-29, Attachments 2, 4, 5; Exh. ORA-01, ORA Report, pp. 10-5 – 10-18; Exh. SWS-13, Bench Rebuttal, pp. 4-10, Attachments 1, 2A and 2B.

## **2. Allocation of Five Information Technology (“IT”) Positions**

In its application, Suburban allocated the costs for five SouthWest IT positions based on the number of customers, since these specific five IT personnel provided services related areas where customers were the applicable cost driver. ORA argued that the costs for these positions should be included within the pool of parent company costs to be allocated. As part of the Settlement, the Parties agreed that these positions should not be allocated based on number of customers, but should instead be included in the pool of costs to be allocated using the agreed-upon three-factor allocation.

REFERENCES: Exh. SWS-01, Exhibit A, Worksheet 5-2B, pp. 5-5 – 5-6; Exh. SWS-03, Bench Direct, pp. 16-19; Exh. ORA-01, ORA Rebuttal, pp. 10-5 – 10-18; Exh. SWS-13, Bench Rebuttal, pp. 4-10.

**B. Utility Group Allocation Factor**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
50.3%	43%	46.57%

For Utility Group costs, Suburban used the traditional four-factor allocation from the Commission’s 1956 memorandum on allocation of administrative and general expenses and common utility plant. Suburban did not include the eleven contracts in the Utility Group allocation because the Utility Group does not provide service to the non-regulated contract operations. ORA used the same three-factor allocation method for Utility Group that it used for the allocation of parent company costs, including the proxy for gross plant. ORA also included the eleven contracts in its calculations for the Utility Group.

As part of the settlement, the Parties agreed to calculate the Utility Group allocation factor using the same three-factor allocation agreed upon for parent company costs, including the traditional calculation of gross plant, and to keep the eleven contracts in the calculation.

REFERENCES: Exh. SWS-01, Exhibit A, Worksheet 5-2C, pp. 5-5 – 5-6; Exh. SWS-03, Bench Direct, pp. 27-28, Attachment 4; Exh. ORA-01, ORA Report, pp. 10-18 – 10-20; Exh. SWS-13, Bench Rebuttal, pp. 10-12, Attachment 1.

**XII. OTHER REVENUES NON-TARIFF PRODUCTS AND SERVICES (“NTP&S”)**

**A. Gross Revenue Allocations**

	<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
Residential Houeline, Antenna Lease, Recycled Water Administration	\$163,958	\$229,374	\$196,666

The Parties disagree as to the allocation of revenue to customers under the

Commission's non-tariff products and services rules, set forth in D.11-10-034. Under the Commission's rules, the first \$100,000 in NTP&S gross revenue is allocated to ratepayers and any additional revenues are shared between ratepayers and shareholders according to the percentages established in D.11-10-034. The Parties disagreed as to the application of the \$100,000 threshold. For the purpose of settlement, the Parties agreed to split the difference. REFERENCES: Exh. SWS-01, Exhibit A, Tables 4-7, 12-7, p. 4-3; Exh. ORA-01, ORA Report, pp. 10-24 – 10-26; Exh. SWS-14, Carlson Rebuttal, pp. 28.

### **XIII. EXISTING MEMORANDUM AND BALANCING ACCOUNTS**

#### **A. Recycled Water Balancing Account ("RWBA")**

The purpose of this balancing account is to record the variance of purchased cost of recycled water from the adopted price level of recycled water. ORA correctly noted that Suburban had neglected to include this balancing account in its preliminary statement. In its rebuttal testimony, Suburban agreed to include the balancing account in its preliminary statement with the following language:

**AUTHORIZATION:**

This balancing account was established pursuant to Commission's Decision 12-04-009, effective January 1, 2012.

**PURPOSE:**

The purpose of the RWBA is to record on a monthly basis: the difference between recorded and authorized quantity rate per acre foot for recycled water multiplied by the recorded purchased of recycled water.

**APPLICABILITY:**

The RWBA apply to all areas served.

**ACCOUNTING PROCEDURE:**

- a. The following entries will be recorded monthly:
  1. A debit entry for recorded recycled water purchased expenses.

2. A credit for the adopted cost per acre foot for recycled water multiplied by the recorded quantity.

3. Total net RWBA balance = (1) minus (2)

b. The Company will record the accumulated RWBA balance monthly, by adding its entry in section a.3. to the prior accumulated monthly balance.

c. Interest shall accrue monthly by applying one-twelfth of the Federal Reserve 3-month Commercial Paper Rate – Non Financial, from Federal Reserve Statistical Release H.15 (expressed as an annual rate) to the average monthly balance.

d. The recovery of under-collections or refunds of over-collection will be passed on to the ratepayers of recycled water through volumetric surcharge or surcredit respectively.

e. Franchise Fees and Uncollectible Accounts Expense shall be calculated using the factors most recently authorized by the Commission.

The Company will establish separate RWBA for each of its two service areas – San Jose Hills and Whittier/La Mirada.

REFERENCES: Exh. ORA-01, ORA Report pp. 11-3 – 44-1; Exh. SWS-16, Kelly Rebuttal, pp. 35-36.

**B. Security Measures Memorandum Account**

Since it currently has a zero balance, ORA recommended that the Commission direct Suburban to close the Security Measures Memorandum Account. The Commission approved this memorandum account, which authorizes Suburban to track costs associated with any federal and state legislation requiring security measures to prevent acts of terrorism, in D.03-05-078. Suburban believes that it may be required to incur such costs in the future and that the memorandum account should remain open. As part of the settlement, the Parties agreed that this memorandum account should remain open.

REFERENCES: Exh. ORA-01, ORA Report, pp. 11-5; Exh. SWS-16, Kelly Rebuttal, pp. 36-37.

**C. American Jobs Creation Act Deduction Memorandum Account**

Suburban mistakenly included this in the list of balancing accounts and memorandum accounts that it provided to ORA. Suburban does not have this account. Commission Resolution L-411-A exempted Suburban from the requirement to establish this account, since it addressed the new tax law in its last general rate case, which covered test year 2012. Based on this clarification, as part of the settlement ORA withdraws its recommendations regarding this issue.

REFERENCES: Exh. ORA-01, ORA Report, pp. 11-6 – 11-7; Exh. SWS-16, Kelly Rebuttal, p. 37.

**D. Low-Income Customer Data Sharing Memorandum Account**

In D.11-05-020, the Commission authorized water utilities to track reasonable and legitimate data sharing implementation and ongoing costs in memorandum accounts for future determination of recovery. In its report, ORA recommended that this account be closed and the costs forecast as part of the general rate case process. Suburban explained that the costs, which include postage and envelopes related to customer mailings resulting from data sharing with Southern California Edison and Southern California Gas Company, are variable and cannot be predicted. As part of the settlement, the Parties agreed that this memorandum account should remain open.

REFERENCES: Exh. ORA-01, ORA Report, p. 11-8; Exh. SWS-16, Kelly Rebuttal, p. 38.

**XIV. SPECIAL REQUESTS**

**A. Amortization of the 2012 Cost of Capital Litigation Memorandum Account**

As noted above, as part of the settlement, Parties agree that the costs in this account should be recovered via surcharge over a twelve-month period.

REFERENCES: Application, pp. 8-9; Exh. ORA-01, ORA Report, pp. 12-1 – 12-3; Exh. SWS-16, Kelly Rebuttal, pp. 38-39.



**B. Employee Healthcare Balancing Account**

Suburban requested an Employee Healthcare Balancing Account similar to that approved by the Commission for Apple Valley Ranchos Water Company. The balancing account would allow Suburban to record and recover the difference between the adopted forecast and the actual costs of employee health care expenses beginning January 1, 2015. Suburban explained that the balancing account is necessary because of the numerous drivers creating high medical care costs, in particular the newly enacted Patient Protection and Affordable Care Act. In its report, ORA argued that the impact from the Patient Protection and Affordable Care Act would be minimal and that the balancing account would provide no incentive for Suburban to control its costs.

As part of the settlement, the Parties agree that the Commission should authorize Suburban to establish the Employee Healthcare Balancing Account. The Parties agree that Suburban should use ORA's 2015 and 2016 estimate of \$1,661,740 and \$1,764,731, respectively for employee healthcare expenses as a baseline for the balancing account, which is net of employee contributions. Suburban will recover 85% of the costs above that baseline from customers. Suburban will periodically file a Tier 1 Advice Letter or request in a general rate case to determine the disposition of the accumulated balances. The balancing account for healthcare expenses would be in effect for this rate case cycle only. Suburban is required to provide a showing supporting the need for this account in its next general rate case if it wishes to continue to keep this account open.

REFERENCES: Application, pp. 9-10; Exh. ORA-01, ORA Report, pp. 12-5 – 12-10; Exh. SWS-16, Kelly Rebuttal, pp. 39; Exh. SWS-13, Bench Rebuttal, pp. 15-18.

**C. Credit Card Payment Option, Expenditure of Capital Costs, And Associated Memorandum Account**

Suburban requested authorization to commence a pilot credit card payment option for Suburban customers. For those customers participating in this program, there will not be a transaction charge for the use of an accepted credit card for utility bill payment. Suburban also requested a Credit Card Pilot Program Memorandum Account and clarifying changes to Rule

No. 9. The memorandum account will track credit card program costs and savings, including depreciation, return and income taxes relating to associated capital costs as approved by the Commission. Suburban modeled its request on a similar program the Commission approved for California Water Service. ORA recommended that the Commission deny Suburban's request, citing concerns that Suburban will have to seek recovery of costs to fund the credit card program from the general body of its customers.

In its rebuttal, in response to ORA concerns, Suburban modified its request and preliminary statement to clarify that customers who do not use the credit card/debit card option will not subsidize the option. As part of the settlement, the Parties agreed that the Commission should authorize the credit card program with Suburban's clarification. Additionally, as part of the settlement, the parties agreed that the preliminary language should be further modified to specify that the memorandum account will also track incremental plant investments such as software, periodically measured on a cost of service basis; i.e. depreciation and return on investment. The Parties agree that the Commission should approve the following preliminary statement for the Credit/Debit Card Program Memorandum Account ("CCPMA"):

A. PURPOSE: The purpose of The Credit/Debit Card Program Memorandum Account (CCPMA) is to ensure that the costs associated with processing credit and debit cards are not subsidized by customers who do not select those options. The CCPMA will track costs and savings identified below.

B. APPLICABILITY: The CCPMA is applicable to all regulated operations.

C. ACCOUNTING PROCEDURE: The CCPMA does not have a rate component. Tracking of costs and savings in the CCPMA will begin when new rates go into effect, or within 90 days after a decision authorizing the CCPMA is adopted, whichever is later. Incremental debits and credits to the CCPMA shall include the following:

a. A debit equal to the costs from:

i. Vendor fees for processing credit and debit cards;

- ii. Vendor fees for credit/debit card equipment;
- iii. Incremental charges and labor associated with handling credit/debit transactions, including those that were rejected;
- iv. Incremental charges and labor for other significant activities that are primarily associated with the credit/debit card pilot program;
- v. Incremental costs associated with maintaining Suburban's billing and accounting software and integrate with that of the third party vendor; and
- vi. Incremental costs associated with any notice requirements, including printing and mailing costs and programming costs to post notice of the availability of the credit/debit card program.
- vii. Incremental plant investments such as software, periodically measured on a cost of service basis; i.e. depreciation and return on investment.

b. A credit equal to the savings from:

- i. The company's avoided costs for check processing, paper and postage associated with customers who use a credit/debit card;
- ii. An estimate of the company's cost savings that may be associated with customers who use the credit or debit option on a "one-time" basis;
- iii. An estimate of the company's cost savings that may be associated with avoiding shutoffs.

D. DISPOSITION: Request for closure of the CCPMA should be processed according to General Order 96-B and Standard Practices or requested in a general rate case. In the course of the Credit/Debit Card Pilot Program, if Suburban has been unable to develop a cost-effective way to offer payment by credit/debit card,

Suburban may end the Credit/Debit Card Pilot Program and close the CCPMA by filing a Tier 1 advice letter. In that event, any costs tracked in the CCPMA that exceed the savings will not be amortized, and will be absorbed by Suburban. Suburban would then have the option of pursuing a fec-based credit/debit payment offering by filing a Tier 3 advice letter.

REFERENCES: Application, pp. 10-11; Exh. ORA-01, ORA Report, pp. 12-10 – 12-14; Exh. SWS-16, Kelly Rebuttal, pp. 39-42.

**D. Water Revenue Adjustment Mechanism (“WRAM”) Balancing Account Amortization**

Suburban requested authority to amortize as a one-time surcharge the current debit balance as of December 31, 2013 in its WRAM Balancing Account. ORA agreed with the Suburban’s request to amortize the balance, but recommended a twelve-month amortization period. For the purpose of settlement, the Parties agree that the Commission should authorize Suburban to amortize the WRAM Balancing Account balance as of December 31, 2013 via a twelve-month surcharge. The final surcharge should be calculated based on the agreed-upon sales forecast.

REFERENCES: Application, p. 12; Exh. ORA-01, ORA Report, pp. 12-15 – 12-17; Exh. SWS-16, Kelly Rebuttal, pp. 42.

**E. Low Income Ratepayer Assistance Memorandum Account Amortization**

Suburban requested authority to amortize as a one-time surcharge the debit balance in its Low Income Ratepayer Assistance Memorandum Account as of December 31, 2013, which includes prior amortization amounts over-refunded as authorized by Advice Letter 294-W. ORA agreed with the request for amortization, but suggested a twelve-month recovery period. For the purpose of settlement, the Parties agree that the Commission should authorize Suburban to amortize the current balance in its Low Income Ratepayer Assistance Memorandum account as of December 31, 2013 via surcharge over a twelve-month period. The final surcharge should be calculated based on the final water sales quantity the Commission adopts in this

proceeding.

REFERENCES: Application, p. 12; Exh. ORA-01, ORA Report, pp. 12-17 – 12-18; Exh. SWS-16, Kelly Rebuttal, p. 42.

**F. Income Tax Repair Regulations Implementation Memorandum Account Amortization**

Suburban requested authority to amortize as a one-time surcharge the current \$40,297 debit balance in its Income Tax Repair Regulations Implementation Memorandum Account. In its report, ORA noted that since Suburban has decided not to take the federal tax deduction in 2014, ratepayers will not benefit from making the accounting switch to the repair deduction. ORA therefore recommended that the Commission deny recovery of the \$40,297 recorded in the memorandum account.

In its rebuttal testimony, Suburban agreed with ORA's recommendation and requested authorization to close the Income Tax Repair Regulations Implementation Memorandum Account and remove the account from its preliminary statement. ORA agrees with Suburban's request.

REFERENCES: Application, pp. 12-13; Exh. ORA-01, ORA Report, pp. 12-19 – 12-21; Exh. SWS-16, Kelly Rebuttal, 43.

**G. Increase Low Income Ratepayer Assistance ("LIRA") Program Surcharge**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
9,025 participants	6,032 participants	9,025 participants
\$0.043 per ccf	\$0.028 per ccf	\$0.040 per ccf

In its application, Suburban requested authority to increase the amount of the LIRA surcharge from \$0.014 to \$0.043 per ccf (the surcharge is applied to the monthly bills of all metered customers, excluding those customers receiving LIRA credit.) The increase in the LIRA program cost is directly proportional to the growing number of participants. Using the most recent recorded data from 2013, Suburban forecasted 9,025 LIRA participants per year during the rate case cycle. ORA forecasted 6,032 LIRA participants per year based on the average of the past three years and recommended a \$0.028 per ccf surcharge. For the purpose of

the settlement, the Parties agree to use Suburban's forecasted number of LIRA participants and the agreed-upon sales forecast. The recalculated surcharge is \$0.040 per ccf surcharge per month.

REFERENCES: Application, p. 13; Exh. ORA-01, ORA Report, pp. 12-24 – 12-28; Exh. SWS-16, Kelly Rebuttal, pp. 43-45.

**H. Affiliate Transaction Rule ("ATR") Employee Transfer, Military Family Relief Program Memorandum accounts Amortization, Leased Vehicle Sale Proceeds Amortization**

<b>Suburban</b>	<b>ORA</b>	<b>Settlement</b>
(\$0.101/ccf)	(\$0.101/ccf)	(\$0.097/ccf)

In its application, Suburban requested to amortize as a one-time surcredit totaling (\$160,857) for the following accounts:

- ATR Employee Transfer (\$41,147)
- Military Family Relief Program Memorandum Account \$8,694
- Leased Vehicle Sale Proceeds (\$128,405)

The surcredit is calculated based on the final water sales per the settlement.

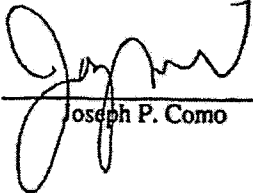
REFERENCES: Application, pp. 11-12; Exh. ORA-01, ORA Report, pp. 12-14 – 15-15.

**XV. EXECUTION AND APPROVAL**


This Settlement 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. By signing below, each signatory for a Party by signing below represents and warrants that he/she is authorized to sign this Settlement Agreement on such Party's behalf and thereby bind such Party to the terms of this Settlement Agreement.

The Parties agree to use their best efforts to obtain Commission approval of the Settlement Agreement. The Parties shall request that the Commission approve the Settlement Agreement without change and find the Settlement Agreement to be reasonable, consistent with the law, and in the public interest.

**OFFICE OF RATEPAYER ADVOCATES**

By:   
\_\_\_\_\_  
Joseph P. Como

**SUBURBAN WATER SYSTEMS**

By:   
\_\_\_\_\_  
Robert Kelly

312748465.1

PUC DOCKET NO. 45570  
SOAH DOCKET NO. 473-16-2873.WS

**MONARCH'S RESPONSES TO OPUC'S SECOND REQUESTS FOR INFORMATION**

**OPUC RFI 2-16:**     **Please admit or deny that SouthWest Water Company is a privately held company that does not currently declare or pay dividends to shareholders.**

**RESPONSE:**        Monarch admits that SouthWest Water Company is a privately held company. Monarch denies that SouthWest does not currently pay dividends to its shareholder.

Prepared by:        Kent Cauley  
Sponsored by:       Robert Kelly



**PUC DOCKET NO. 45570  
SOAH DOCKET NO. 473-16-2873.WS**

**MONARCH'S RESPONSES TO OPUC'S SECOND REQUESTS FOR INFORMATION**

**OPUC RFI 2-17:** Please admit or deny that the Monarch Revenue Held in Abeyance amounts have not been reviewed and approved by the Commission as part of a formal hearing.

**RESPONSE:** Monarch admits that Monarch Revenue Held in Abeyance amounts have not been reviewed and approved by the Commission as part of a formal hearing.

Prepared by: Robert Kelly  
Sponsored by: Robert Kelly

**PUC DOCKET NO. 45570  
SOAH DOCKET NO. 473-16-2873.WS**

**MONARCH'S RESPONSES TO OPUC'S SECOND REQUESTS FOR INFORMATION**

**OPUC RFI 2-18:**     **Please admit or deny that the Monarch Revenue Held in Abeyance amounts have not been granted to Monarch as a regulatory asset within any jurisdiction. If denied, provide the jurisdiction that approved of this type of adjustment.**

**RESPONSE:**        In responding to this RFI we interpret the term "regulatory asset" to mean authorization for future recovery in rates. Monarch admits that the Monarch Revenue Held in Abeyance amounts have not been authorized for future recovery in rates within any jurisdiction.

Prepared by:         Robert Kelly  
Sponsored by:        Robert Kelly