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WATER/RSK/FLC/JB5/SRW/j1j

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS **RESOLUTION NO. W-4733**
Water and Sewer Advisory Branch **January 29, 2009**

R E S O L U T I O N

(RES. W-4733), GOLDEN STATE WATER COMPANY (GSWC). ORDER AUTHORIZING GSWC TO ENTER INTO A $7,352,632 CONTRACT FOR A NEW CUSTOMER INFORMATION/CUSTOMER RELATIONSHIP MANAGEMENT (CIS/CRM) SYSTEM, TO FILE A TIER 3 RATE BASE OFFSET NOT EXCEEDING $6,014,574 FOR THE CIS/CRM SYSTEM WHEN THE CIS/CRM SYSTEM IS USED AND USEFUL, AND TO TRACK IN A MEMORANDUM ACCOUNT ADDITIONAL COSTS UP TO $2,612,583 TO BE REQUESTED BY AN ADVICE LETTER IF UNCONTESTED OR IN AN APPLICATION IF CONTESTED.

SUMMARY

By Advice Letter (AL) 1297-W filed October 16, 2008, GSWC requests approval to: (1) enter into a $7,352,632 (before overheads) contract for a new CIS/CRM system; (2) spend in excess of the authorized amount of $2,982,841 in Decision (D.)07-11-037; and (3) file a Tier 1 rate base offset advice letter when unrecovered costs exceed $2 million. GSWC filed a supplement to AL 1297-W on December 11, 2008, to correct "typos, minor items, and to set forth their response for cost allocation of the CIS/CRM system" for affiliate use of excess capacity.

This resolution grants the request of GSWC to enter into a $7,352,632 contract (before overheads) for a new CIS/CRM system. GSWC is authorized to file a Tier 3 rate base offset advice letter to include the CIS/CRM system costs in rates. Costs are capped at $6,014,574 (before overheads) approved in this resolution. This figure is in addition to the $2,982,841 authorized in rates by D.07-11-037. GSWC is authorized to file for recovery of CIS/CRM system costs in rates when the system is used and useful. Finally, GSWC is authorized to track in a balancing account costs over $2,982,841 not to exceed the additional $6,014,574 (before overheads and interest) authorized in this resolution and to track costs not to exceed $2,612,583 (before overheads and interest) in a memorandum account. The memorandum account costs can be requested in rates by filing a Tier 3 rate base advice letter if uncontested or in an application if the amounts requested are contested.

BACKGROUND

GSWC provides water service to approximately 254,700 residential and industrial customers in 40 separate water systems within 75 communities in 10 counties in the State of California.

In Application (A.) 06-02-023, GSWC requested $9.1 million plus overheads for a new CIS/CRM system. Ordering Paragraph 7 in Commission D.07-11-037 states:

> By this decision, GSWC is authorized to spend no more than $2,982,841 (before overheads) for the purpose of beginning the acquisition and implementation of the proposed new Customer Information/Customer Relationship Management (CIS/CRM) system. In order to recover any additional amounts for the CIS/CRM system, GSWC shall be required to submit a Tier 3 advice letter as set forth in GO 96-B that satisfies the criteria set forth in COL [Conclusion of Law] 4.

The three criteria set forth in Conclusion of Law (COL) 4 require that GSWC demonstrate:

1. The new system is designed principally to meet the needs of GSWC's customers;
2. Any excess capacity in the system is designed to allow for growth in the number of such customers plus any additional applications GSWC's customers may need during the useful life of the new CIS/CRM system; and
3. GSWC has developed an adequate methodology for charging to GSWC's affiliates a share of the CIS/CRM system's total costs (including overheads) that is fully proportionate to the demands these affiliates place upon the CIS/CRM system while it still has excess capacity to serve these affiliates.

In D.07-11-037, GSWC's need for a new CIS/CRM is addressed by the Commission in Finding of Facts 24 and 25 as noted below:

24. The CIS system that GSWC currently uses has significant limitations in terms of the programming language it uses, the documentation available for the system, the cost of making modifications to the system, and the time necessary for vendors to make such changes.
25. The CIS system that GSWC currently uses cannot be modified to meet modern business needs in a cost-effective manner, such as the need

for mobile computing, Internet access to account information, knowledge management, and data exchanges with other utilities.

GSWC relies on the Commission's finding of facts for the need of a new CIS/CRM system.

The Division of Ratepayer Advocates (DRA) expressed concern in opening comments of the proposed Commission decision in A.06-02-023 that DRA would not be provided the opportunity to adequately participate in the review of a Tier 3 advice letter. GSWC met and conferred with DRA on August 26, 2008, prior to drafting AL 1297-W.

GSWC chose to retain the assistance of an outside consultant in the selection of the new CIS/CRM system because of the scope and the dollar investment of this project. AAC Utility Partners (AAC) was selected as the consultant.

AAC worked with GSWC in the selection process of Oracle's Customer Care and Billing (CC&B) product to replace its current Customer Information System (CIS) and selected Blue Heron Consulting (Blue Heron) to implement the Oracle product.

On October 10, 2008, Blue Heron presented its Best and Final Offer (BAFO) of $7,352,632. This BAFO is submitted subject to Commission approval and will expire on January 29, 2009.

GSWC requests: (1) authorization to sign the contract with Oracle and Blue Heron; (2) spend in excess of the authorized amount in D.07-11-037, $2,982,841 plus overheads; and (3) provide a methodology for GSWC to earn on its expenditures through Tier 1 advice letter filings.

DRA filed a protest with DWA on November 13, 2008, to GSWC's AL 1297-W. DRA requested an extension of time to file this protest. DWA granted DRA an extension of time to file a protest until November 13, 2008. DRA recommends that AL 1297-W should be rejected and that a formal hearing would provide an appropriate forum for GSWC to develop a full and complete record of its request and to give DRA and other interested parties an opportunity to be heard.

A summary of DRA's protest is as follows:

1. AL 1297-W contains material errors or omissions.
2. There was not an adequate methodology to allocate costs to affiliates for the CIS/CRM system as required by COL 4 in D.07-11-037 before recovering any additional amounts for the CIS/CRM system.
3. The proposed cost allocation methodology requested is contingent on the outcome of a separate pending proceeding, A.08-07-010.

GSWC filed a response to the protest on November 25, 2008. GSWC also filed a supplement to AL 1297-W on December 11, 2008, pursuant to General Order 96-B. The supplement corrected numbers and included a discussion on the proposed cost allocation methodology to affiliates for use of the CIS/CRM system.

DISCUSSION

The Project

GSWC requests Commission approval to proceed with replacing its existing CIS with a new CIS/CRM system at a cost of $11,609,998 (before overheads). The Commission previously authorized GSWC to spend no more than $2,981,841 (before overheads) for the purpose of beginning the acquisition and implementation of a new CIS/CRM system. The Commission required GSWC to file a Tier 3 advice letter and satisfy the criteria set forth in COL 4 of D.07-11-037 before any additional amounts for the CIS/CRM system are authorized.

Selecting a Consultant

GSWC distributed a Request for Proposal (RFP) by e-mail to five CIS consulting firms in January 2006. The top three candidates were selected for their experience in CIS evaluation, selection and implementation quality assurance. A CIS executive steering committee (Committee) was formed to provide executive oversight and strategic guidance for the project. Three of the CIS consultants were invited to give a presentation and be interviewed by the GSWC CIS Consultant Evaluation and Selection Team (Team). The Team consisted of representatives from various functional areas that would be impacted by the new CIS/CRM system. The Team completed their Interview Evaluation Worksheets for Scope of Work, Project Plan, Related Experience, References, Interpersonal Skills of Team Members, and Pricing. The Committee selected AAC as the CIS consultant.

AAC utilized a three-phase approach to identifying and selecting the appropriate vendor to supply and install the new CIS/CRM system: (1) Evaluation Criteria; (2) Selection of a Vendor; and (3) Evaluation and Best and Final Offer.

Establishing Criteria for the CIS/CRM

A core group of the Team (Core Team) consisting of eight GSWC staff in the areas of project management, functions related to technical, billing, collections, and customer service was organized to work with AAC to establish criteria for the CIS/CRM system and selecting a contractor. The Core Team and AAC developed a RFP that represented GSWC's business and technical needs. AAC accounted for the items identified in

GSWC's statement of work but also considered organizational needs, resources, and existing skill sets and implementation needs. Meetings with functional groups impacted and served by the new CIS were held to identify the needs of both internal and external customers.

Selecting a Vendor

Six vendors were selected to present an on-site scripted demonstration of the proposed software solution to the Core Team and end users. Vendors demonstrated the version of the software that they recommend be installed at GSWC. The six vendors made a 2½- day scripted on-site demonstration that showed the functionality of the proposed solution utilizing GSWC specific scripts, which represented daily processes. In parallel to the scripted demonstrations, technical personnel reviewed specific attributes of the proposal with each vendor during their designated demonstration time.

Evaluation and Best and Final Offer

In August 2008, following the vendor demonstrations, the Core Team recommended the CC&B product to replace its current CIS and selected Blue Heron to implement the Oracle product. In September 2008, GSWC met with Oracle and Blue Heron representatives. All the functional requirements as defined in the RFP were reviewed to confirm the vendors understanding of each requirement and additional information regarding GSWC's intent. On September 23, 2008, Blue Heron presented a BAFO. This BAFO is submitted subject to Commission approval and will expire January 29, 2009. The proposed cost for CIS/CRM system of $11,609,998 (without overheads) is detailed in Appendix A.

Addressing the Issues in COL 4 in D.07-11-037

COL 4 in D.07-11-037 delineated three criteria that have to be satisfied in order for GSWC to recover any additional costs for the proposed new CIS/CRM beyond the $2,982,841.

(1) The new CIS/CRM is designed principally to meet the needs of GSWC's customers.

In selecting CC&B, GSWC identified and addressed the system functions required to meet the needs of GSWC and its customers. These points were developed through interviews and meetings with GSWC employees. GSWC states that the CC&B application addresses the following business needs cited in its A. 06-02-023:

1. Agility in support of business changes;
2. Efficient training;

3. Better information access to enable management's decision-making;
4. Lower incidence of errors;
5. Better control of business rules;
6. Tighter user, application and field security;
7. Improved customer service;
8. Improved vendor support;
9. Timely response to problems; and
10. Availability of skilled technicians.

(2) Any excess capacity in the CIS/CRM is designed to allow for growth in the number of customers plus any additional applications GSWC's customers may need during the useful life of the new CIS/CRM.

GSWC states the CC&B application recognizes the critical technical drivers of scalability, usability, flexibility, high performance, and ease of integration. GSWC further states the CC&B application is capable of supporting millions of customers with no known constraint regarding customer count or the number of named or concurrent users.

Capacity can be measured by the number of licenses and the hardware purchased to accommodate storage requirements. CC&B is priced according to the number of licenses purchased. CIS vendors then typically sell blocks of licenses, in 25,000 increments, to allow for growth through the life of the product. With a 5% growth, GSWC anticipates having 354,147 customers (GSWC, Bear Valley Electric, and Chaparral Water Company) at the end of 2011, the go-live year for the new system, and 410,000 customers at the end of 2014. GSWC and AAC worked with the vendors to set expectations, reviewed benchmark studies, and sized the hardware through 2014.

There are 11 servers required and two back-up storage-area networks. The servers cover the production environment, web services, reporting, development, training, console management and disaster recovery.

(3) GSWC has developed an adequate methodology for charging GSWC's affiliates a share of the CIS/CRM's costs (including overheads) that is fully proportionate to the demands these affiliates place upon the CIS/CRM.

DRA took the position in its protest that GSWC had not satisfied this criterion. Further, DRA argues that GSWC's proposed allocation methodology is contingent on the outcome of a pending proceeding before the Commission, A.08-04-010.

GSWC, in its supplement to AL 1297-W dated December 11, 2008, and in the response to DWA's Data Request #1, addressed DRA's concerns.

DRA filed a protest January 9, 2009, to the supplemented AL 1297-W and comments January 12, 2009, on the draft resolution for the supplemented AL 1297-W. DRA's main concern was the "one factor" methodology GSWC proposes to allocate costs of the CIS/CRM system.

GSWC responded to the DRA protest and comments and specifically addressed the allocation method.

GSWC proposes to record the CIS/CRM system as a separate asset and to create a separate sub-ledger to capture all direct costs related to operating the CIS/CRM system including but not limited to the annual maintenance costs. GSWC would then calculate the revenue requirement and depreciation expense related to the CIS/CRM system asset. Because each account or customer on the system requires its own license, GSWC proposes allocating the revenue requirement, depreciation expense and direct costs related to the CIS/CRM system to its affiliates based on a proportionate number of licenses in use on the CIS/CRM system. The associated rate base and direct costs would then be removed from general office rate base and expenses before calculating the balance of the general office allocation as determined in D.07-11-037.

DWA reviewed the GSWC methodology to allocate costs of the CIS/CRM system and considers the methodology to allocate these costs proposed by GSWC consistent with the criteria set forth in COL 4 of D.07-11-037.

Chaparral City Water Company (CCWC) is the only affiliate that will use the new CIS/CRM system. CCWC is an affiliated regulatory water utility in Arizona and serves approximately 14,176 customers. CCWC's customer accounts will be housed on and serviced by the new CIS/CRM system.

Except for CCWC, the issue of affiliate cost allocation is no longer relevant because GSWC anticipates that its contracts with various cities for Customer Information System services will be cancelled prior to the new CIS/CRM system going live at the end of 2010 or the beginning of 2011.

In addition, ASUS, a subsidiary of GSWC's parent company, American States Water Company, contracts with military bases to operate water and waste water systems at nine military bases throughout the United States. ASUS also has five subsidiaries of its own. GSWC contends that its call center and billing personnel have nothing to do with the military contracts. According to GSWC, the new CIS/CRM system will not support ASUS, any of its subsidiaries or any of the military bases it serves. GSWC will not allocate any costs to ASUS for GSWC's call center and the new CIS/CRM system.

DRA states that affiliates of GSWC such as CCWC, Bear Valley Electric (BVE), the City of Torrance, and the City of Bell Gardens are shown in the RFP to be served by CIS/CRM and expressed concern that ASUS may also utilize CIS/CRM.
GSWC responds that BVE is regulated by the Commission and is a part of GSWC and not an affiliate. The Commission has always treated BVE as a part of GSWC. The RFP for the CIS/CRM was released prior to American States Water's decision to cancel all City contracts and therefore the references to these contracts in the RFP. The licenses in Blue Heron's BAFO included licenses only for GSWC, BVE and CCWC.

Authorization for Expenditures in Addition to the Oracle/Blue Heron Contract

In addition to the $7,352,632 requested for the Oracle/Blue Heron Contract, GSWC is also requesting authorization for $4,257,366 in expenditures for equipment, services, and contingencies. As discussed below, DWA finds that $1,644,783 of these expenditures should be authorized in this resolution. There is an insufficient record provided by the advice letter process for DWA to recommend authorization of the remaining $2,612,583 in expenditures at this time. GSWC is authorized to establish a memorandum account to track these expenditures for subsequent authorization based on a showing as to their reasonableness.

GSWC estimated a contingency of $989,300 on 15 percent of the Blue Heron BAFO except travel expenses set forth in Appendix A. The 15 percent figure according to GSWC is based on AAC's experience in this area. DRA argues that GSWC's retention of a consulting firm to assist in the development of the CIS/CRM system, in addition to utilizing various staff members, should militate against the need for a 15 percent contingency. DRA takes exception to this contingency without the opportunity to explore this level of contingency in a proceeding. In GSWC's most recent general rate case decision, D.08-01-043, the Commission adopted a capital budgeting contingency rate of 5 percent. Based on this precedent, DWA recommends that a 5 percent contingency rate or $329,767 be authorized at this time. The remaining 10 percent contingency or $659,533 should be tracked in a memorandum account (with interest).

Authorization should be requested in a subsequent proceeding based on a showing of the reasonableness of contingency expenditures above $329,767.

DWA believes the following expenditures should be authorized in this resolution:

1. $25,000 for a third party to develop, implement and test their side of the interface to Oracle's CC&B system;
2. $220,700 for an additional 94,000 licenses estimated to last through June 2014;
3. $802,000 for necessary hardware detailed in Appendix I of AL 1297-W;
4. $15,000 for 30 mobile devices for field service personnel; and
5. $252,316 charged by AAC in Phase 1 for work to establish the criteria for the CIS/CRM system and evaluation and selection of a vendor.
6. $329,767 5% contingency.
7. $7,352,632 Blue Heron BAFO

Appendix B to this resolution shows the development of the additional approved costs of $6,014,574 for the CIS/CRM system considering the above items, the contract with Blue Heron for $7,352,632 and the $2,982,841 previously approved in Ordering Paragraph 7 of D.07-11-037.

Commission General Order 96-B governs the filing of Advice Letters. Section 3.1 defines an Advice Letter as " . . . an informal request by a utility for Commission approval, authorization, or other relief, . . ." Section 3.7 further defines an informal matter as " . . . either an uncontested matter or a matter for which a hearing is not required in order to resolve the contested issues." DWA agrees with DRA that the following $2,612,583 in proposed expenditures (shown in Appendix B) require a fuller review than can be provided by the advice letter process:

1. $625,000 for AAC project management;
2. $424,410 for additional services by Blue Heron for enhancements to the CIS/CRM system;
3. $903,640 in additional project management services by AAC; and
4. $659,533 for contingencies above the 5 percent authorized above.

These costs should be tracked in a memorandum account (with interest). Authorization for including these expenditures in rates should be requested in a subsequent proceeding. DWA recommends that this can be accomplished by a Tier 3 advice letter if the expenditures are uncontested. If DRA or another party contests these expenditures, GSWC should file an application seeking authorization for these expenditures following completion of the work on the CIS/CRM system. GSWC and DRA are directed to meet and confer informally on these expenditures prior to the filing of any request to recover these costs. The Commission is considering a similar process with respect to Suburban Water Company's cornerstone project in Application 08-01-004.

GSWC's Proposed Procedure for Incorporating into Rates its Expenditures in Excess of the Amount Authorized in D.07-11-037

GSWC will make additional payments to vendors at specific milestones during the CIS/CRM installation. GSWC requests authorization to file a rate base offset once a year or whenever the uncovered costs exceed 2 million dollars. GSWC proposes that the request for the rate base offset be filed as a Tier 1 advice letter with the surcharge effective 15 days after filing. All surcharges will be subject to review and refund. GSWC proposes that if its total costs, before overheads, exceed $11.6 million, GSWC will be required to file a Tier 3 advice letter and provide full justification for any additional costs.

GSWC's proposed process to recover in rates expenditures that have been authorized in this resolution is inconsistent with stated Commission policy. General Order 96-B (GO 96-B) in Water Industry Rules, Rule 7.3.3 (8), states that a "rate base offset" is classified as a Tier 3 advice letter requiring a Commission resolution. Standard Practice U-27-W states in paragraph #20 that "Class A utilities may file a rate base offset only if authorized by decision." Further, paragraph #23 states that "Rate base offsets are available for used and useful utility plant only." DWA recommends that when the

CIS/CRM system is used and useful, GSWC should file a Tier 3 advice letter for recovery of expenditures in rates capped at $6,014,574 (before overheads).

NOTICE AND PROTESTS

In compliance with General Rule 4.3 of GO 96-B, a copy of this advice letter was mailed to all interested and affected parties as detailed in AL 1297-W for GSWC. DRA filed on November 13, 2008, a protest to GSWC's AL 1297-W. GSWC filed a response to this protest on November 25, 2008.

COMMENTS

In compliance with Public Utilities Code Section 311(g)(1), this draft resolution was served on DRA and GSWC for a 30-day public review and comment.

FINDINGS

1. Golden State Water Company estimated costs for the new Customer Information/Customer Relationship Management system is $11,609,998.

2. Golden State Water Company requests authorization to spend in excess of the authorized $2,982,841 in D.07-11-037 for a new system.

3. Golden State Water Company requests approval to spend an additional $8,627,157 to implement a new Customer Information/Customer Relationship Management system.

4. Golden State Water Company requests approval to sign a contract of $7,352,632 with Blue Heron Consulting to purchase Oracle Utilities Suite and to implement services for the new Customer Information/Customer Relationship Management system.

5. The Best and Final Offer from Blue Heron Consulting to Golden State Water Company will expire January 29, 2009.

6. Pursuant to General Order 96-B, a rate base offset to include in rates the cost of the Customer Information/Customer Relationship Management system requires a Tier 3 advice letter filing once the system is used and useful.

7. Division of Ratepayer Advocates filed a protest to Golden State Water Company's Advice Letter 1297-W on November 13, 2008, requesting that the advice letter be rejected.

8. Golden State Water Company responded to the Division of Ratepayer Advocates protest on November 25, 2008.

9. Golden State Water Company filed a supplement to advice letter 1297-W on December 11, 2008 to correct "typos, minor items, and to set forth their response for cost allocation of the Customer Information/Customer Relationship Management system" for affiliate use of excess capacity.

10. The new Customer Information/Customer Relationship Management system is designed principally to meet the needs of Golden State Water Company customers in compliance with Conclusion of Law 4(a) in Decision 07-11-037.
11. Golden State Water Company has designed any excess capacity in the new Customer Information/Customer Relationship Management system to accommodate growth in the number of Golden State Water Company customers and for any additional applications Golden State Water Company customers may need during the life of the new Customer Information/Customer Relationship Management system to comply with Conclusion of Law 4 (b) in D.07-11-037.

12. Golden State Water Company has developed an adequate methodology for charging to Golden State Water Company's affiliates a share of the new Customer Information/Customer Relationship Management system's total costs (including overheads) that is fully proportionate to the demands on the new Customer Information/Customer Relationship Management system while it still has capacity to serve these affiliates in compliance with Conclusion of Law 4 (c) in Decision 07-11-037.

13. The Commission has considered Bear Valley Electric to be a part of Golden State Water Company in previous proceedings.

14. Golden State Water Company plans to cancel all City contracts before implementation of the new Customer Information/Customer Relationship Management system.

15. Chaparral City Water Company is the only affiliate expected to be served by the new Customer Information/Customer Relationship Management system.

16. Golden State Water Company retained AAC Utility Partners as an outside consultant for the selection of the new Customer Information/Customer Relationship Management system.

17. A 5% contingency for the Best and Final Offer should be $379,767.

18. The hardware costs should be $802,000.

19. The costs for 30 mobile devices should be $15,000.

20. The costs for a third party to develop, implement, and test the Golden State Water Company's side of the interface to Oracle should be $25,000.
21. Golden State Water Company estimated a 5% customer growth to 400,000 customers to be served by the new Customer Information/Customer Relationship Management system by July 1, 2014.

22. The costs for an additional 94,000 licenses to the 306,000 licenses in the Best and Final Offer should be $220,700.

23. The Phase 1 costs including payments to AAC Utility Partners should be $252,316.

24. The 10% contingency costs of $659,533 for the Best and Final Offer needs further review.

25. Division of Water and Audits agrees with Division Ratepayer Advocates that the AAC Utility Partners project management costs of $625,000, Blue Heron Consulting additional services of $424,410 for enhancements of the Customer Information/Customer Relationship Management system, and AAC Utility Partners additional project management services of $903,640 need further review.

26. The costs of items needing further review of $2,612,583 should be tracked in a memorandum account (with interest) and be requested subsequently, if needed.

27. The authorization to include in rates costs needing further review should be accomplished by a Tier 3 advice letter if uncontested or in an application if contested when the Customer Information/Customer Relationship Management system is used and useful.

28. After Customer Information/Customer Relationship Management system costs are used and useful, Golden State Water Company should file a Tier 3 advice letter for costs capped at $6,014,574 (before overhead costs and interest).

29. Any costs for the new Customer Information/Customer Relationship Management system exceeding $11,609,998 (before overheads) should be reviewed in an application with the Commission.

30. In compliance with Public Utilities Code 311(g) (1), Division of Water and Audits sent this resolution to parties and is subject to a 30-day public review and comment.

THEREFORE IT IS ORDERED THAT:

1. Golden State Water Company is authorized to spend an additional $6,014,574 (before overheads) on the Customer Information/Customer Relationship Management system above the $2,982,841 previously authorized in D.07-11-037 for a total of $8,997,415.

2. Golden State Water Company is authorized to sign the Best and Final Offer from Blue Heron Consulting for $7,352,632 (before overheads).

3. Golden State Water Company is authorized to spend $1,644,783 (before overheads) for costs including: (1) $329,767 for a 5% contingency for the Best and Final Offer from Blue Heron Consulting; (2) $220,700 for an additional 94,000 licenses required for the Customer Information/Customer Relationship Management system covering the additional licenses needed between when the system is expected to be operational and July 2014; (3) $802,000 for hardware for the Customer Information/Customer Relationship Management system; (4) $25,000 for a third party to develop, implement, and test the Golden State Water Company side of the interface to Oracle hardware; (5) $15,000 for mobile devices for the Customer Information/Customer Relationship Management system; and (6) $252,316 for Phase 1 costs to AAC Utility Partners.

4. Golden State Water Company is authorized to track expenses not exceeding $6,014,574 (before overheads and interest) and to establish an interest bearing balancing account for the items stated in Ordering Paragraphs 2. and 3. above.

5. Golden State Water Company is authorized to file a Tier 3 rate base offset advice letter capped at $6,014,574 (before overheads and interest) for the items stated in Ordering Paragraphs 2. and 3. when the Customer Information/Customer Relationship Management system is used and useful.

6. Golden State Water Company is authorized to establish an interest bearing memorandum account to track the following expenses not exceeding $2,612,583 (before overheads and interest) for: (1) an additional 10% contingency of the Blue Heron Consulting Best and Final Offer or $659,533; (2) $625,000 for AAC Utility Partners project management of the new Customer Information/Customer Relationship Management system; (3) $424,410 to Blue Heron Consulting for additional services for the new Customer Information/Customer Relationship Management system; and (4) $903,640 to AAC Utility Partners for additional services for the new Customer Information/Customer Relationship Management system.

7. Golden State Water Company is authorized to file a Tier 3 rate base offset advice letter not exceeding $2,612,583 (before overheads and interest) for the dollars tracked for the items stated in Ordering Paragraph 6 above if uncontested or in an application if contested when the Customer Information/Customer Relationship Management system is used and useful.

8. Golden State Water Company is authorized to request approval for any costs exceeding $11,609,998 (excluding overheads) for the new Customer Information/Customer Relationship Management system in an application after the system is used and useful.
9. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California on January 29, 2009, with the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

MICHAEL R. PEEVEY
President
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

Appendix A

Customer Information /Customer Relationship Management Systems

Oracle/Blue Heron/Hewlett-Packard/AAC Utility Partners		
Project Area	Description	BAFO
Oracle/Blue Heron Costs & Related Costs		
Software Costs-Oracle	CIS Licensing 306,000 accounts	$ 1,359,300
Oracle RDMS	Data Base	$ 433,080
Reporting Software	Software and Service	$ 161,300
DOC 1	Bill Printing Software and Services	$ 423,500
Services-BHC	Implementation Services	$ 4,063,338
Expenses	Travel Expenses	$ 757,364
Mobile Service Applications	Field Service Order-Electronically	$ 154,720
	Blue Heron Offer Letter	**$ 7,352,632**
Contingency	15% of Projected Costs	$ 989,300
3rd Party Interfaces	3rd Party Expenses for Interfaces-Est.	$ 25,000
Consulting Services	AAC Project Mgt. Services and Staffing	$ 625,000
Increased Licensing Costs	Increase Licensing to 4000,000 Accounts	$ 220,700
	Total	**$ 9,212,632**
Hardware Costs		
Hardware Costs	Application and Disaster Recovery Costs-HP	$ 802,000
Field Hardware	Mobile Devices-Estimated	$ 15,000
	Total	**$ 817,000**
Project Related Costs		
Additional Implementation Services (BHC)	Reporting, Portals, Change Management Svcs.	$ 424,410
Additional Project Management Services (AAC)	Mobile Devices-Estimated	$ 903,640
	Total	**$ 1,328,050**
Other		
Amount that Will Be Spent-Phase 1	Consulting Services and Other Expenses	252,316
	Total Estimate	**11,609,998**

Appendix B

	CIS/CRM Costs		
GSWC Total Request	$ 11,609,998	Appendix A	
Approved by D 07-11-037	$ 2,982,841		
GSWC Additional Request	**$ 8,627,157**		
Approved Additional Amount			
Third Party Interface	$ 25,000	Appendix A	
Additional 94,000 Licenses	$ 220,700	Appendix A	
Hardware Costs	$ 802,000	APPENDIX I AL Workpapers	
Field Hardware	$ 15,000	50 Mobiles at $300	
Phase 1 Costs for AAC	$ 252,316	Table 1	GSWC Response
Five Percent of $6,595,330 Contingency Costs	$ 329,767	Appendix A	
Approved Costs Excluding Blue Heron BAF	**$ 1,644,783**		
Blue Heron BAFO	$ 7,352,632	Appendix A	
Minus Amount Approved by D 07-11-037	$ 2,982,841		
Total	**$ 6,014,574**		
Additional Costs for Further Review			
Ten Percent of $6,595,330 Contingency Costs	$ 653,533	Appendix A	
Additional AAC Project Management Services	$ 625,000	$25,000 per Month for 25 Months	
Additional Blue Heron Implementation Services	$ 424,410	Table 2	GSWC Response
Additional AAC Project Management Services	$ 903,640	Table 3	GSWC Response
Total	**$ 2,612,583**		
Table 1			
Phase 1 Costs including AAC			
Miscellaneous Software	$ 2,951.25		
Labor-Regular Time	$ 6,297.22		
Labor-Overtime	$ 508.17		
Labor-Double Time	$ 1,662.56		
Labor Burden	$ 3,772.29		
Transportation	$ 5.27		
Contract Labor/Material	$ 233,813.57		
Travel and Meetings	$ 3,230.25		
Other Miscellaneous	$ 75.42		
Total	**$ 252,316.00**		
Table 2			
Additional Blue Heron Implementation Services			
Reports	$ 42,300		
Portals	$ 42,300		
Technical Services	$ 63,450		
Change Management Services	$ 276,360		
Total	**$ 424,410**		
Table 3			
Additional AAC Project Management Services			
Planning	$ 70,000		
Execution	$ 833,640		
Total	**$ 903,640**		