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Major Increases

General Office

1) Increased General Office Rate Base [\$5.5 million in revenue requirement]

Cal Water's capital investment program will add utility plant between the last adopted and the proposed test year. Most of the improvements are to upgrade information systems at the General Office complex, which support the billing and networking system of all the operating districts. Cal Water will be upgrading these systems in accordance with our IT strategic plan. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Increased General Office Payroll [\$23.1 million in revenue requirement]

Cal Water has hired additional general operations staff since the last GRC. Some of these positions were allowed in rates after an advice letter filing. Cal Water is planning to hire additional employees to staff several new Company-wide programs. Cal Water plans to add employees to its general office departments. Most of these additional staff needs are to respond to state and federal laws and regulations.

3) Increased Benefits for General Office [\$19.5 million in revenue requirement]

Most of this increase in cost is associated with increased pension and benefit obligations. Cal Water describes in Chapter 6 that its pension obligations have increased.

4) Increased General Office Other A&G [\$19.5 million in revenue requirement]

Other A&G includes the expensed payroll of the corporate office administrative staff, office supplies, property insurance, injuries and damages, CPUC fees, regulatory expenses, outside consultants, and general expenses in the operation of the General Office.

5) Increased General Office taxes [\$3.4 million in revenue requirement]

This cost represents the associated payroll taxes for the Cal Water General Office staff. As explained above, this is due to Cal Water hiring additional staff and planning additional Company-wide programs that we describe in other areas of the report.

Antelope Valley

1) Increase in Rate Base [\$671 thousand in revenue requirement]

Cal Water's capital investment program will add \$4.0 million in utility plant between the last adopted and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Other Operations & Maintenance Expense [\$151 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. This category includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) District Payroll [\$93 thousand in revenue requirement]

Cal Water has to maintain competitive compensation to retain qualified personnel.

4) Increased Other Allocated Company Expenses [\$38 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

5) Ad Valorem Taxes [\$43 thousand in revenue requirement]

Cal Water pays taxes on its infrastructure investments. Cal Water plans on doing more capital improvements projects. Increasing the capital base increases the tax responsibility.

Bakersfield District

1) Increase in Rate Base [\$3.7 million in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply, as well as convert accommodate the conversion from flat-rate services to metered services. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Other Operations and Maintenance [\$1.9 million in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Bakersfield, this reflects the plans to complete the rehabilitation of three wells. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Increased Allocated Company Benefits and Payroll Costs [\$1.5 million in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4) District Benefits [\$1.5 million in revenue requirement]

Bakersfield is requesting seven additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care,

pension, and retiree health care have increased faster than general inflation during recent years.

5) District Payroll [\$1.3 million in revenue requirement]

Bakersfield is requesting seven additional operational employees. This amount reflects added payroll for the seven additional employees as well as annual escalation for payroll for the Bakersfield District.

Bayshore District

1) Increase in Rate Base [\$3.2 million revenue requirement]

Cal Water's capital investment program will add \$30.5 million in utility plant between the last adopted and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Increased Allocated Company Benefits and Payroll Costs [\$885 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

3) Conservation Expense [\$843 thousand in revenue requirement]

The company has planned higher conservation program expenses in compliance with Water Conservation Act of 2009 (SBx7-7) that requires 20% reductions in per-capita usage by the year 2020.

4) Other Operations and Maintenance [\$776 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Bayshore, this reflects transportation expenses, contracted maintenance, and other miscellaneous items.

5) Increased Other Allocated Company Expenses [\$754 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

Bear Gulch District

1) Increase in Rate Base [\$1.9 million in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Capital Book describe Cal Water's budgeted capital improvements in detail.

2) Increased Allocated Company Benefits and Payroll Costs [\$637 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

3) Other O&M [\$498 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Bear Gulch, this reflects the plans for mercury remediation, water discharge permits, UCMR 3 testing, and pressure tank inspections. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

4) Increased Other Allocated Company Expenses [\$476 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

5) District Benefits [\$113 thousand in revenue requirement]

Bear Gulch is requesting one additional operational employee. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

Chico District

1) Increased Allocated Company Benefits and Payroll Costs [\$556 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

2) District Employee Benefits [\$423 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Chico, this reflects the plans to some mercury remediation, Unregulated Contaminant Monitoring Rule 3 (“UCMR3”) compliance, pressure tank inspections, and two well rehabilitations. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Increased Other Allocated Company Expenses [\$415 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

4) District Payroll [\$395 thousand in revenue requirement]

Chico is requesting one additional operational employee. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

5) Increase in Rate Base [\$163 thousand in revenue requirement]

Cal Water's capital investment program will add \$4.2 million in utility plant between the last adopted and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

Dixon District

1) Increase in Rate Base [\$434 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Other O&M [\$134 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Dixon, this reflects the plans to complete the rehabilitation of one well, mercury remediation and compliance with the Unregulated Contaminant Monitoring Rule 3 (“UCMR3”). It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Increased Allocated Company Benefits and Payroll Costs [\$69 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4) District Benefits [\$53 thousand in revenue requirement]

Bakersfield is requesting seven additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

5) Increased Other Allocated Company Expenses [\$51 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these

areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

Dominguez District

1) Decrease in Purchased Water Expenses [-\$8.5 million in revenue requirement]

Cal Water is estimating lower sales in the test year. Lower sales levels result in lower purchased water expenses.

2) Increase in Rate Base [\$3.8 million in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3) Increased Other Allocated Company Expenses [\$1.5 million in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

4) Increased Allocated Company Benefits and Payroll Costs [\$1.0 million in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension,

and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5) Pump Tax [\$1.0 million in revenue requirement]

Cal Water plans on changing the water mix in the test year towards using more from company wells. Pumping more company well water increases the pumping tax cost.

East Los Angeles District

1) Decrease in Purchased Water Expense [-\$8.1 million in revenue requirement]

The East Los Angeles Districts plans on completing some well projects in the test year that will enable it to pump more water from company wells. This will enable Cal Water to rely reduce operating expenses.

2) Increase in Rate Base [\$3.8 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3) Ground Water Extraction Charges [\$1.2 million in revenue requirement]

The East Los Angeles District is proposing to change its water mix in the test year. This district has some well projects planned for the test year that will enable it to use purchased water. Pumping more water from company wells, increases the pump tax costs. Changing the water mix to rely on more company well water is more cost-effective, in reducing the purchased water cost by approximately \$8,102,000.

4) Increased Allocated Company Benefits and Payroll Costs [\$716 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5) District Payroll [\$544 thousand in revenue requirement]

East Los Angeles is not requesting any additional operational employees in this rate case. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

Hermosa Redondo District

1) Decrease in Purchased Water Expenses [-\$1.1 million in revenue requirement]

Cal Water is estimating lower sales in the test year. Lower sales levels result in lower purchased water expenses.

2) Increase in Rate Base [\$843 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3) Increased Allocated Company Benefits and Payroll Costs [\$530 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4) Increased Other Allocated Company Expenses [\$391 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these

areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

5) District Payroll and Benefits [\$208 thousand in revenue requirement]

Hermosa Redondo is not requesting any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

King City District

1) Increase in Rate Base [\$497 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Other O&M [\$76 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In King City, this reflects the plans to remediate mercury and comply with the Unregulated Contaminant Monitoring Rule 3 ("UCMR3"). It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) District Employee Benefits [\$55 thousand in revenue requirement]

King City is not requesting any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

4) Other Administrative and General Expense [\$50 thousand in revenue requirement]

Cal Water is estimating higher amortization of limited term investment for the Water Facilities and Supply Master Plan.

5) Increased Other Allocated Company Expenses [\$38 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

Kern River Valley District

1) Increase in Rate Base [\$390 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Capital Book describe Cal Water's budgeted capital improvements in detail.

2) Other O&M [\$283 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Kern River Valley, this reflects the plans for mercury remediation. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Increased Other Allocated Company Expenses [\$131 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

4) Increased Allocated Company Benefits and Payroll Costs [\$123 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5) District Payroll [\$100 thousand in revenue requirement]

Kern River Valley is not requesting for any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

Los Altos District

1) Groundwater Extraction Charges [-\$1.4 million in revenue requirement]

Sales have been declining in recent years. Cal Water is estimating lower sales in the test year. This reduces the estimated pump tax expense.

2) Increase in Rate Base [\$1.2 million in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3) Other O&M [\$551 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Los Altos, this reflects the plans to complete the rehabilitation of two wells. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

4) Increased Allocated Company Benefits and Payroll Costs [\$261 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5) Increased Other Allocated Company Expenses [\$210 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

Livermore District

1) Purchased Water Expense [-\$2.7 million in revenue requirement]

Sales have been declining in recent years. Cal Water is estimating lower sales for the test year. Lower sales result in lower purchased water expenses.

2) Increase in Rate Base [\$1.8 million in revenue requirement]

Cal Water's capital investment program will add \$7.0 million in utility plant between the last adopted and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3) Other O&M [\$315 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Livermore, this reflects the plans to complete the rehabilitation of two wells. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

4) Increased Allocated Company Benefits and Payroll Costs [\$279 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5) Increased Other Allocated Company Expenses [\$216 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

Marysville District

1) Increase in Rate Base [\$431 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure, as well as to accommodate the conversion from flat-rate services to metered services. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Other O&M [\$81 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Marysville, this reflects the plans to complete the rehabilitation of one well. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Ad Valorem Taxes [\$48 thousand in revenue requirement]

Cal Water pays taxes on its infrastructure investments. Cal Water plans on doing more capital improvements projects. Increasing the capital base increases the tax responsibility.

4) District Benefits [\$42 thousand in revenue requirement]

Marysville is not requesting any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

5) District Payroll [\$34 thousand in revenue requirement]

Cal Water has to maintain competitive compensation to retain qualified personnel.

Oroville

1) Increase in Rate Base [\$216 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply, as well as to accommodate the conversion from flat-rate services to metered services. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Other O&M [\$113 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Increased Allocated Company Benefits and Payroll Costs [\$106 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4) Increased Other Allocated Company Expenses [\$80 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

5) District Payroll [\$63 thousand in revenue requirement]

Oroville is not requesting any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

Palos Verdes District

1) Purchased Water Expense [-\$4.7 million in revenue requirement]

Sales have been declining in recent years. Cal Water is estimating lower sales for the test year. Lower sales result in lower purchased water expenses.

2) Increase in Rate Base [\$691 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Capital Book describe Cal Water's budgeted capital improvements in detail.

3) Increased Allocated Company Benefits and Payroll Costs [\$602 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4) Other O&M [\$583 thousand in revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

5) Increased Other Allocated Company Expenses [\$457 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

Redwood Valley – Coast Springs

1) Increase in Rate Base [\$107 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Purchased Power Expense [\$5 thousand in revenue requirement]

For the test year, Cal Water is estimating an increase in purchased water expense due to an increase in the unit cost of power.

3) Increased Allocated Company Benefits and Payroll Costs [\$3 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4) Increased Other Allocated Company Expenses [\$3 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

5) Other Operations & Maintenance Expense [\$3 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. This category includes transportation expenses, contracted maintenance, and other miscellaneous items.

Redwood Valley – Lucerne

1) Other O&M [\$136 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

2) District Payroll [\$108 thousand in revenue requirement]

Lucerne is not requesting for any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

3) Increase in Rate Base [\$103 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

4) Purchased Power Expense [\$43 thousand in revenue requirement]

For the test year, Cal Water is estimating an increase in purchased water expense due to an increase in the unit cost of power.

5) Increased Allocated Company Benefits and Payroll Costs [\$38 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general

expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

Redwood Valley – Unified

1) Increase in Rate Base [\$179 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply, as well as convert accommodate the conversion from flat-rate services to metered services. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) District Payroll [\$33 thousand in revenue requirement]

Unified is not requesting for any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

3) Increased Allocated Company Benefits and Payroll Costs [\$11 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional

staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4) Increased Other Allocated Company Expenses [\$8 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

5) District Benefits [\$5 thousand in revenue requirement]

Unified is not requesting for any additional operational employees. Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

Salinas District

1) Increase in Rate Base [\$2.1 million in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) District Payroll [\$573 thousand in revenue requirement]

Salinas is not requesting any additional operational employees. Labor expense accounts for an annual escalation in the Salinas District.

3) Conservation Expense [\$519 thousand in revenue requirement]

The company has planned higher conservation program expenses in compliance with Water Conservation Act of 2009 (SBx7-7) that requires 20% reductions in per-capita usage by the year 2020.

4) Increased Allocated Company Benefits and Payroll Costs [\$381 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5) District Benefits [\$379 thousand in revenue requirement]

Benefit costs are allocated to districts based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

Selma District

1) Increase in Rate Base [\$483 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Increased Allocated Company Benefits and Payroll Costs [\$124 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

3) Increased Other Allocated Company Expenses [\$90 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change.

4) Other Operations and Maintenance Expense [\$91 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Bakersfield, this reflects the plans to complete the rehabilitation of three wells. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

5) Other Administrative and General Expenses [\$76 thousand in revenue requirement]

Selma is requesting additional administrative and general expenses to cover increased functions for rent expense and other administrative functions.

Stockton District

1) Increased Allocated Company Benefits and Payroll Costs [\$770 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

2) Other O&M [\$737 thousand revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Stockton, this reflects the plans to complete the rehabilitation of two wells. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Increased Other Allocated Company Expenses [\$571 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

4) District Payroll [\$449 thousand in revenue requirement]

Stockton is not requesting any additional operational employees. The increase in expense is from an annual escalation estimate.

5) Increase in Rate Base [\$441 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

Visalia District

1) Increased Allocated Company Benefits and Payroll Costs [\$886 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance,

engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

2) Other O&M [\$689 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. In Visalia, this reflects the plans to complete the rehabilitation of two wells. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3) Increased Other Allocated Company Expenses [\$641 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

4) District Payroll [\$553 thousand in revenue requirement]

Visalia is not requesting any additional operational employees. The requested increase is to incorporate an annual escalation to retain qualified employees.

5) District Benefits [\$266 thousand in revenue requirement]

Benefit costs are calculated based on the number of employees. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years.

Westlake District

1) Purchased Water Expense [-\$1.2 million reduction in revenue requirement]

Sales in the Westlake District have been declining in recent years. Reduced sales require less purchased water quantities, reducing purchased water expenses.

2) Increased Allocated Company Benefits and Payroll Costs [\$246.7 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

3) Increased Other Allocated Company Expenses [\$186.3 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change.

4) Other Operations and Maintenance Expense [\$182.4 thousand in revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

5) Conservation Program Cost [\$136.3 thousand in revenue requirement]

Conservation program cost is needed to comply with state-mandated rules.

Willows District

1) Increase in Rate Base [\$112 thousand in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2) Increased Allocated Company Benefits and Payroll Costs [\$41 thousand in revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report. General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

3) Increased Other Allocated Company Expenses [\$31 thousand in revenue requirement]

Cal Water offers expertise in Engineering, Water Quality, Information Technology, Accounting, Regulatory Matters, Human Resources, and Environment and Safety functions in its General Office. Having a central expertise allows Cal Water to offer these services to its local districts at a much lower cost than if each district were to have individual experts in these areas. In the test year, Cal Water plans on updating its Information Technology infrastructure in order to maintain a reliable customer billing and financial reporting system that contributes to the revenue requirement change. These costs are allocated to districts based on the four-factor method.

4) Increased Administrative and General Expenses [\$22 thousand in revenue requirement]

Cal Water is estimated higher expenses for amortization of limited liabilities.

5) Conservation Expense [\$15 thousand in revenue requirement]

The company has planned higher conservation program expenses in compliance with Water Conservation Act of 2009 (SBx7-7) that requires 20% reductions in per-capita usage by the year 2020.