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EXHIBIT A

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Park Water)
Company (U 314 W) for Authority to Increase)
Rates Charged for Water Service by \$6,491,200) APPLICATION NO. 12-01-001
or 26.16% in 2013, \$1,182,595 or 3.77% in) (Filed January 3, 2012)
2014, and \$1,801,937 or 5.53% in 2015.)
_____)

SETTLEMENT AGREEMENT BETWEEN THE DIVISION OF RATEPAYER
ADVOCATES AND PARK WATER COMPANY
ON REVENUE REQUIREMENT ISSUES

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August 17, 2012

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Article I. SETTLEMENT AGREEMENT

1.0 GENERAL PROVISIONS

1.1 The Parties to this Settlement Agreement (“Settlement”) before the California Public Utilities Commission (“Commission”) are the Division of Ratepayer Advocates (“DRA”) and Park Water Company (“Park”) -- collectively, the “Parties”.

1.2 The Parties agree that no signatory hereto nor any member of the Staff of the Public Utilities Commission assumes any personal liability as a result of this Settlement. The Parties agree that no legal action may be brought in any state or federal court, or in any other forum, against any individual signatory representing the interest of DRA, its staff, its attorneys, or the DRA itself regarding this Settlement. All rights and remedies are limited to those available before the California Public Utilities Commission.

1.3 Park acknowledges that DRA is charged with representing the interests of customers of public utilities in the State of California, as required by Public Utilities Code Section 309.5, and nothing in this Settlement is intended to limit the ability of DRA to carry out that responsibility.

1.4 Since this Settlement represents a compromise by them, the Parties have entered into the Settlement on the basis that its approval by the Commission not be construed as

an admission or concession by either Party regarding any fact or matter of law in dispute in this proceeding. Furthermore, the Parties intend that the approval of this Settlement by the Commission not be construed as a precedent or statement of policy of any kind except as it relates to the current and future proceedings addressed in the Settlement. (Rule 12.5, Commission Rules of Practice and Procedure).

1.5 The Parties' negotiations have resulted in the resolution of all of the issues raised in DRA's Report on the Results of Operations of Park Water Company dated May 2, 2012.

1.6 Cross references ("REFERENCES") to the record of this proceeding including Park's Revenue Requirements Report ("Park Exh. -1"), DRA's Report on the Operations of Park Water Company Central Basin Division ("DRA Exh. -1"), and Park's rebuttal testimony are contained in the Settlement.

1.7 Pursuant to the Ruling of ALJ Linda Rochester, a Comparison Exhibit containing the Parties' respective ratemaking analyses, differences and the settlement amounts will be filed on August 17, 2012.

2.0 WATER CONSUMPTION AND REVENUES

2.1 Number of Customers

PARK WATER REQUEST:

In accordance with D.04-06-018, Park forecasted customer growth based on a five-year historical average. In instances where the calculated average was negative, zero growth was assumed.

DRA POSITION:

There were no issues concerning the number of customers. DRA agrees with Park's method of forecasting customers using a five-year average of the change in the number of customers by customer class as directed in the Rate Case Plan (D.04-06-018).

RESOLUTION:

DRA and Park agree to update the number of customers to reflect the actual number of customers as of year-end 2011. DRA and Park agree on the number of customers, as set forth in the table below.

Test Year 2013

Average Number of Customers	Park Original	DRA Original	Difference	Settlement
Residential Bi-Monthly	25,032	25,032	0	25,058
Business Bi-Monthly	1,666	1,666	0	1,672
Business Monthly	34	34	0	34
Industrial Bi-Monthly	3	3	0	3
Industrial-Monthly	2	2	0	2
Public Authority Bi-Monthly	141	141	0	141
Public Authority Monthly	57	57	0	58
Private Fire Service B-Monthly	103	103	0	104
Private Fire Service Monthly	84	84	0	84
Fire Hydrant Bi-Monthly	11	11	0	11
Temporary Bi-Monthly	2	2	0	2
Temporary Monthly	1	1	0	5
Irrigation-Reclaimed Monthly	26	26	0	26
Total Metered	27,162	27,162	0	27,200

Escalation Year 2014

Average Number of Customers	Park Original	DRA Original	Difference	Settlement
Residential Bi-Monthly	25,032	25,032	0	25,058
Business Bi-Monthly	1,666	1,666	0	1,672
Business Monthly	35	35	0	35
Industrial Bi-Monthly	3	3	0	3
Industrial Monthly	2	2	0	2
Public Authority Bi-Monthly	141	141	0	141
Public Authority Monthly	58	58	0	59
Private Fire Service Bi-Monthly	103	103	0	104
Private Fire Service Monthly	88	88	0	88
Fire Hydrant Bi-Monthly	11	11	0	11
Temporary Bi-Monthly	2	2	0	2
Temporary Monthly	1	1	0	5
Irrigation-Reclaimed Monthly	26	26	0	26
Total Metered	27,168	27,168	0	27,206

Escalation Year 2015

Average Number of Customers	Park Original	DRA Original	Difference	Settlement
Residential Bi-Monthly	25,032	25,032	0	25,058
Business Bi-Monthly	1,666	1,666	0	1,672
Business Monthly	36	36	0	36
Industrial Bi-Monthly	3	3	0	3
Industrial Monthly	2	2	0	2
Public Authority Bi-Monthly	141	141	0	141
Public Authority Monthly	59	59	0	60
Private Fire Service Bi-Monthly	103	103	0	104
Private Fire Service Monthly	92	92	0	92
Fire Hydrant Bi-Monthly	11	11	0	11
Temporary Bi-Monthly	2	2	0	2
Temporary Monthly	1	1	0	5
Irrigation-Reclaimed Monthly	26	26	0	26
Total metered	27,174	27,174	0	27,212

REFERENCES: Park Exh.-1, p. 20, Park Exh.-2, p. 1; DRA Exh. – 1, pp. 2-2 – 2-3.

2.2 Consumption per Customer

PARK WATER REQUEST:

For the Residential, Business, Public Authority, Temporary and Reclaimed Irrigation customer classes, Park forecasted sales based on 2010 actual consumption per customer because the New Committee Method sales forecasting methodology did not provide reasonable results. The New Committee Method does not account for conservation efforts including conservation rate design, conservation programs and the impacts of price elasticity. For the Industrial and Private Fire Service customer classes, Park forecasted sales based on a recorded five-year average of total sales.

DRA POSITION:

DRA finds Park’s estimates reasonable based on the circumstances presented in this case and recommends the Commission adopt Park’s estimates of water sales per customer.

RESOLUTION:

The Parties agree to the customer unit consumption proposed in Park’s application as set forth in the table below. The Parties agree that the sales forecasts agreement is contingent upon the continued existence of a full decoupling WRAM/MCBA for Park during the period that these forecasts are adopted.

Test Year 2013 and Escalation Years 2014 and 2015

Consumption per Customer (Ccf)	Park	DRA	Difference	Settlement
Residential Bi-Monthly	135.1	135.1	0	135.1
Business Bi-Monthly	519.3	519.3	0	519.3
Business Monthly	7,277.0	7,277.0	0	7,277.0
Industrial Bi-Monthly	2,456.3	2,456.3	0	2,456.3
Industrial Monthly	12,912.5	12,912.5	0	12,912.5
Public Authority Bi-Monthly	507.2	507.2	0	507.2
Public Authority Monthly	3,078.1	3,078.1	0	3,078.1
Private Fire Service Bi-Monthly	5.4	5.4	0	5.4
Private Fire Service Monthly	1.8	1.8	0	1.8
Fire Hydrant Bi-Monthly	NA	NA	NA	NA
Temporary Bi-Monthly	254.4	254.4	0	254.4
Temporary Monthly	1,823.3	1,823.3	NA	1,823.3
Irrigation-Reclaimed Monthly	4,359.8	4,359.8	0	4,359.8

REFERENCES: Park Exh.-1, pp. 20-21; DRA Exh.-1, pp. 2-3 – 2-5.

2.3 Unaccounted for Water

PARK WATER REQUEST:

Park requests unaccounted for water of 3.4% based on the latest information available at the time Park’s application was prepared.

DRA POSITION:

DRA recommends unaccounted for water of 2.33% based on a calculation error. There

are no methodological differences between Park’s and DRA’s estimates of unaccounted for water. After correction of DRA’s schedule, there is no difference between the Parties’ estimates of unaccounted for water.

RESOLUTION:

DRA and Park agree that while Park’s unaccounted for water has increased from Park’s previous GRC that it is still well within the generally acceptable range of unaccounted for water of 10% or less. DRA and Park agree to use Park’s recommended unaccounted for water estimate of 3.4% as set forth in the tables below.

Test Year 2013	Park Original	DRA Original	Difference	Settlement
Unaccounted For Water	3.4%	2.33%	1.07%	3.4%

Escalation Year 2014	Park Original	DRA Original	Difference	Settlement
Unaccounted For Water	3.4%	2.33%	1.07%	3.4%

Escalation Year 2015	Park Original	DRA Original	Difference	Settlement
Unaccounted For Water	3.4%	2.33%	1.07%	3.4%

REFERENCES: Park Exh.-1, Ch. III, Table III-C, Park Exh.-2, pp. 1-2; DRA Exh.-1, Ch. 2, Table 2-4.

2.4 Total Water Supply

PARK WATER REQUEST:

The total water supply represents the sum of water sales and unaccounted for water.

DRA RECOMMENDATION:

DRA finds Park’s methodology of total water supply to be reasonable. The original

differences between Park’s and DRA’s estimates resulted from different estimates of unaccounted for water.

RESOLUTION:

With the resolution of customers (Section 2.1) and unaccounted for water (Section 2.3), there is no difference in the total water supply. The Parties’ agree on the total water supply as set forth in the table below.

Test Year 2013

Total Water Supply (Ccf)	Park Original	DRA Original	Difference	Settlement
Residential Bi-Monthly	3,381,823	3,381,823	0	3,385,336
Business Bi-Monthly	865,154	865,154	0	868,270
Business Monthly	247,418	247,418	0	247,418
Industrial Bi-Monthly	7,369	7,369	0	7,369
Industrial Monthly	25,825	25,825	0	25,825
Public Authority Bi-Monthly	71,515	71,515	0	71,515
Public Authority Monthly	175,452	175,452	0	178,530
Private Fire Service Bi-Monthly	557	557	0	557
Private Fire Service Monthly	154	154	0	154
Fire Hydrant Bi-Monthly	0	0	0	0
Temporary Bi-Monthly	509	509	0	509
Temporary Monthly	1,823	1,823	0	9,117
Irrigation-Reclaimed Monthly	113,355	113,355	0	113,355
TOTAL	4,890,954	4,890,954	0	4,907,954

Escalation Year 2014

Total Water Supply (Ccf)	Park Original	DRA Original	Difference	Settlement
Residential Bi-Monthly	3,381,823	3,381,823	0	3,385,336
Business Bi-Monthly	865,154	865,154	0	868,270
Business Monthly	254,695	254,695	0	254,695
Industrial Bi-Monthly	7,369	7,369	0	7,369
Industrial Monthly	25,825	25,825	0	25,825
Public Authority Bi-Monthly	71,515	71,515	0	71,515
Public Authority Monthly	178,530	178,530	0	181,608
Private Fire Service Bi-Monthly	557	557	0	557
Private Fire Service Monthly	154	154	0	154
Fire Hydrant Bi-Monthly	0	0	0	0
Temporary Bi-Monthly	509	509	0	509
Temporary Monthly	1,823	1,823	0	9,117
Irrigation-Reclaimed Monthly	113,355	113,355	0	113,355
TOTAL	4,901,309	4,901,309	0	4,918,309

Escalation Year 2015

Total Water Supply (Ccf)	Park Original	DRA Original	Difference	Settlement
Residential Bi-Monthly	3,381,823	3,381,823	0	3,385,336
Business Bi-Monthly	865,154	865,154	0	868,270
Business Monthly	261,972	261,972	0	261,972
Industrial Bi-Monthly	7,369	7,369	0	7,369
Industrial Monthly	25,825	25,825	0	25,825
Public Authority Bi-Monthly	71,515	71,515	0	71,515
Public Authority Monthly	181,608	181,608	0	184,686
Private Fire Service Bi-Monthly	557	557	0	557
Private Fire Service Monthly	154	154	0	154
Fire Hydrant	0	0	0	0
Temporary Bi-Monthly	509	509	0	509
Temporary Monthly	1,823	1,823	0	9,117
Irrigation-Reclaimed Monthly	113,355	113,355	0	113,355
TOTAL	4,911,664	4,911,664	0	4,928,664

REFERENCES: Park Exh.-1, p. 36, Park Exh.-2, pp. 1-2; DRA Exh.-1, pp. 2-5 – 2-6.

2.5 Operating Revenues

PARK WATER REQUEST:

Revenue at present rates consists of Service Charge Revenue, Commodity Charge Revenue, and Miscellaneous Revenue. Service Charge Revenue is based on the number of customers multiplied by the appropriate tariff and Commodity Charge Revenue is calculated by multiplying the number of customers by their applicable water use and appropriate tariff.

DRA POSITION:

DRA finds Park's methodology to be reasonable and recommends that the Commission adopt Park's estimate of operating revenues at present rates.

RESOLUTION:

With the resolution of the customer issue (Section 2.1) and the resultant change in total water supply (Section 2.4) the Parties agree on the present rate revenues as set forth in the table below.

Test Year 2013

Metered Revenues (\$)	Park	DRA	Difference	Settlement
Residential-Bi-Monthly	\$17,298,869	\$17,298,869	0	\$17,316,837
Business Bi-Monthly	\$4,202,733	\$4,202,733	0	\$4,217,870
Business Monthly	\$1,069,112	\$1,069,112	0	\$1,069,112
Industrial Bi-Monthly	\$36,140	\$36,140	0	\$36,140
Industrial Monthly	\$102,682	\$102,682	0	\$102,680
Public Authority Bi-Monthly	\$421,290	\$421,290	0	\$421,290
Public Authority Monthly	\$855,216	\$855,216	0	\$870,218
Private Fire Service Bi-Monthly	\$67,375	\$67,375	0	\$68,009
Private Fire Service Monthly	\$56,723	\$56,723	0	\$56,724
Fire Hydrant Bi-Monthly	\$5,871	\$5,871	0	\$5,871
Temporary Bi-Monthly	\$7,972	\$7,972	0	\$7,972
Temporary Monthly	\$9,729	\$9,729	0	\$48,647
Irrigation-Reclaimed Monthly	\$387,314	\$387,314	0	\$387,314
Miscellaneous Revenue	\$289,239	\$289,239	0	\$289,239
Total Revenue	\$24,810,265	\$24,810,265	0	\$24,897,924

REFERENCES: Park Exh.-1, Ch. III, Table III-D; DRA Exh.-1, Ch. 2, Table 2-6.

3.0 CUSTOMER SERVICE**DRA RECOMMENDATION:**

Based upon its review of Park's application, responses to data requests, and data obtained from the Commission's Consumer Affairs Branch, DRA finds Park's customer service to be acceptable.

PARK WATER RESPONSE:

Park agrees with DRA's findings.

RESOLUTION:

DRA and Park recommend that the Commission find Park's customer service to be satisfactory.

REFERENCES: DRA Exh.-1, Ch. 11.

4.0 OPERATIONS AND MAINTENANCE

4.1 Expense Estimating Methodology

PARK WATER REQUEST:

In general, Park's expense estimates were based on a five-year average of recorded expenses (2007 – 2011) escalated to the test year. The 2011 data used by Park were partially estimated because that was the most current data available to Park at the time its application was prepared. Park provided DRA with an update of the recorded 2011 data and an updated five-year average of recorded expense (2007 – 2011) from which DRA's estimates are based.

DRA POSITION:

Where appropriate, DRA's estimates are based on a five-year average of recorded expense (2007 – 2011) that includes recorded year 2011 data.

RESOLUTION:

Park agrees with DRA's use of the updated averages in those areas where a five-year average is the most reasonable way of estimating costs. The Parties agree to use the updated information for recorded year 2011 when a five-year average methodology is used to estimate expenses.

REFERENCES: Park Exh.-1, p. 30; DRA Exh.-1, pp. 3-1 – 3-2.

4.2 Escalation Factors

PARK REQUEST:

Park proposed labor escalation factors of 4.0% for 2012 and 3.0% for Test Year 2013. Park proposed non-labor escalation factors of 3.0% for 2012 and 3.0% for Test Year 2013.

DRA POSITION:

For comparison purposes only and to avoid differences resulting solely from the application of escalation factors, DRA used the same non-labor escalation factors in calculating test year expense estimates as Park. DRA recommends that most recent DRA memorandum escalation factors be used to prepare the Joint Comparison Exhibit.

RESOLUTION:

Park agrees to DRA's recommendation to update the escalation factors for 2012 and 2013 used by the Parties in the calculation of those expenses where escalation factors were used to estimate test year expenses (with the exception of Payroll Expense as explained in Section 4.3). The Parties agree to use the latest DRA memorandum which is the May 31, 2012 memorandum. The Parties agree to a labor escalation factor of 3.1% for 2012 and 2.2% for Test Year 2013. The Parties agree to use non-labor escalation factors of 2.16% for 2012 and 1.98% for Test Year 2013 based on the 60/40 weighting of the Non-Labor Index and the Compensation Per Hour Index as provided by DRA's memorandum.

Year 2012

	Park Original	DRA Original	Difference	Settlement
Labor	4%	4%	0%	3.10%
Composite	3%	3%	0%	2.16%
CPI	4%	4%	0%	3.10%

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Labor	3%	3%	0%	2.20%
Composite	3%	3%	0%	1.98%
CPI	3%	3%	0%	2.20%

REFERENCES: Park Exh.-1, p. 30; DRA Exh.-1, pp. 3-1 – 3-2.

4.3 O&M Payroll Expense

PARK WATER REQUEST:

Park's payroll estimate for 2012 is based on employees' hourly rates in effect at the end of 2011 with the estimated 2012 COLA increase and estimates of merit and promotional salary adjustments to be granted and overtime during 2012. The payroll estimate for Test Year 2013 is similarly estimated beginning with the hourly rates expected at the end of year 2012. For Test Year 2013 payroll expense, Park has included the costs associated with two new positions, Associate Risk Manager and Production Technician.

DRA POSITION:

DRA used the same methodology as Park to estimate the payroll expense. DRA recommends disallowance of the costs associated with the Associate Risk Manager and Production Technician. DRA further recommends a disallowance of payroll costs pertaining to Park's COLA and to eliminate Park's proposed merit increase budget.

RESOLUTION:

DRA and Park agree to the payroll costs set forth in the tables below. DRA and Park agree that the proposed positions of Production Technician and Associate Risk Manager should be authorized. Without reaching any specific agreement on the issues of COLA and merit budget, the Parties agree to calculate payroll using DRA's proposed end-of-year 2012 pay rates with an increase of 3.5% for 2013. The Parties disagree on the issue of merit salary adjustments and agree to the payroll expense as set forth in the table

below. The Parties agree that payroll expense for the escalation years 2014 and 2015 will be calculated according to the Escalation Year methodology in the Rate Case Plan.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Payroll Operations	\$1,114,985	\$982,244	\$132,741	\$1,073,404
Payroll Customers	\$927,983	\$889,110	\$38,873	\$893,071
Payroll Maintenance	\$369,392	\$360,414	\$8,978	\$357,895
Payroll Clearings	\$137,283	\$133,608	\$3,675	\$132,509
Total O & M Payroll	\$2,549,643	\$2,365,376	\$184,267	\$2,456,879

REFERENCES: Park Exh.-1, pp. 27-30, Park Exh. 2, pp. 2-3, Park Exh.-7, pp. 12-15, Park Exh.-9, pp. 2-7; DRA Exh.-1, pp. 3-2 – 3-9.

4.4 Purchased Water-Potable

PARK WATER REQUEST:

Park requests \$8,039,579 for Test Year 2013 for purchased water – potable costs based on its projections of total water supply less projected groundwater pumping and based on the current rate of \$915 per acre-foot.

Park purchases water from Central Basin Municipal Water District. Central Basin Municipal Water District charges a minimum flow violation when the flow through any Metropolitan connection falls below 10 percent, Central Basin Municipal Water District charges Park as though the full 10 percent was delivered. Park makes every effort to keep this penalty charge to a minimum but about 42 acre-feet is charged due to unavoidable operational conditions which is the basis of Park’s request of \$38,430.

DRA POSITION:

DRA finds Park’s purchased water estimates reasonable and recommends that the Commission adopt Park’s estimates of purchased water.

RESOLUTION:

The Parties agree to use the same methodology used in Park’s application to estimate purchased water potable. With the resolution of the customer issue (Section 2.1) and the resultant change in total water supply (Section 2.3) the Parties agree to the purchased water costs as set forth in the table below.

Test Year 2013

Purchased Water-Potable	Park Original	DRA Original	Difference	Settlement
Usage Cost	\$7,826,813	\$7,826,813	\$0	\$7,863,778
Monthly Service Charge	\$65,700	\$65,700	\$0	\$65,700
Monthly Capacity Charge	\$108,636	\$108,636	\$0	\$108,636
Min Flow Violation	\$38,430	\$38,430	\$0	\$38,430
Total	\$8,039,579	\$8,039,579	\$0.00	\$8,076,544

Escalation Year 2014

Purchased Water-Potable	Park Original	DRA Original	Difference	Settlement
Usage Cost	\$7,300,330	\$7,300,330	\$0	\$7,337,295
Monthly Service Charge	\$65,700	\$65,700	\$0	\$65,700
Monthly Capacity Charge	\$108,636	\$108,636	\$0	\$108,636
Min Flow Violation	\$38,430	\$38,430	\$0	\$38,430
Total	\$7,513,096	\$7,513,096	\$0.00	\$7,550,061

Escalation Year 2015

Purchased Water-Potable	Park Original	DRA Original	Difference	Settlement
Usage Cost	\$7,322,847	\$7,322,847	\$0	\$7,359,812
Monthly Service Charge	\$65,700	\$65,700	\$0	\$65,700
Monthly Capacity Charge	\$108,636	\$108,636	\$0	\$108,636
Min Flow Violation	\$38,430	\$38,430	\$0	\$38,430
Total	\$7,535,613	\$7,535,613	\$0.00	\$7,572,578

REFERENCE: Park Exh.-1, p. 36, Park Exh.-2, p. 4; DRA Exh.-1, pp. 3-9 – 3-13.

4.5 Purchased Water Reclaimed

PARK WATER REQUEST:

Park requests \$139,482 in purchased water reclaimed for Test Year 2013 based on the total water supply for the reclaimed customer class (Section 2.3) and the current rate of \$536 per acre-foot.

DRA POSITION:

DRA finds Park's purchased water reclaimed estimates reasonable and recommends that the Commission adopt Park's estimates of purchased water reclaimed.

RESOLUTION:

DRA and Park agree on purchased water reclaimed, as set forth in the table below.

Test Year 2013, Escalation Years 2014 & 2015

	Park Original	DRA Original	Difference	Settlement
Purchased Water Reclaimed	\$139,482	\$139,482	\$0.00	\$139,482

REFERENCES: Park Exh.-1, p. 36; DRA Exh.-1, p. 3-14.

4.6 Purchased Power

PARK WATER REQUEST:

Park requests \$202,721 for Test Year 2013 in purchased power expense based on its requesting pumping of 2,800 acre-feet in Test Year 2013 and the unit cost of pumping based on a three-year average (2008 – 2010) of kilowatt hour per cubic foot pumped for each well and booster pump. Park plans to increase groundwater pumping to 3,400 acre-feet in Escalation Years 2014 and 2015.

DRA POSITION:

DRA finds Park's purchased power estimates reasonable and recommends that the Commission adopt Park's estimates of purchased power.

RESOLUTION:

DRA and Park agree on purchased power as proposed in Park’s application, as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Purchased Power	\$202,721	\$202,721	\$0.00	\$202,721

Escalation Year 2014

	Park Original	DRA Original	Difference	Settlement
Purchased Power	\$223,151	\$223,151	\$0.00	\$223,151

Escalation Year 2015

	Park Original	DRA Original	Difference	Settlement
Purchased Power	\$223,151	\$223,151	\$0.00	\$223,151

REFERENCES: Park Exh.-1, p. 37; DRA Exh.-1, pp. 3-14 – 3-15.

4.7 Replenishment Assessment

PARK WATER REQUEST:

Park requests \$683,200 in replenishment assessment (pump taxes) for Test Year 2013 based on Park’s proposed groundwater pumping of 2,800 acre-feet in Test Year 2013 and based on the current rate of \$244 per acre-foot. Park plans to increase its groundwater pumping to 3,400 acre-feet in Escalation Years 2014 and 2015.

DRA POSITION:

DRA finds Park’s replenishment assessment estimates reasonable and recommends that the Commission adopt Park’s estimates of replenishment assessment.

RESOLUTION:

DRA and Park agree on replenishment assessment as proposed in Park’s application, as set forth below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Replenishment Assessment	\$683,200	\$683,200	\$0.00	\$683,200

Escalation Year 2014

	Park Original	DRA Original	Difference	Settlement
Replenishment Assessment	\$829,600	\$829,600	\$0.00	\$829,600

Escalation Year 2015

	Park Original	DRA Original	Difference	Settlement
Replenishment Assessment	\$829,600	\$829,600	\$0.00	\$829,600

REFERENCES: Park Exh.-1, Ch. IV, Table IV-D; DRA Exh.-1, pp. 3-14 – 3-15.

4.8 Leased Water Rights

PARK WATER REQUEST:

Park requests \$429,760 in leased water rights for Test Year 2013 based on Park’s proposed groundwater pumping of 2,800 acre-feet less projected water rights purchased of 114 acre-feet and based on the projected lease rate of \$160 per acre-foot. Park proposes to increase groundwater pumping to 3,400 acre-feet in Escalation Year 2014 and 2015. Park also proposes to purchase leased water rights of 110 acre-feet in 2014 and 160 acre-feet in 2015.

DRA POSITION:

DRA found Park’s estimate of leased water rights expense acceptable. There is no numerical difference for this category of expense. DRA recommends that the allowance

for leased water rights be adjusted in the event that Park is unable to negotiate a multi-year lease with California Water Service Company.

RESOLUTION:

After review of Park’s rebuttal testimony, the Parties agree that Park’s estimate of the cost to lease water rights should remain the same even if it is unable to negotiate a multi-year lease agreement with California Water Service Company. In that event, Park would lease water rights from another party with water rights in the Central Basin. The Parties agree on the leased water rights expenses proposed in Park’s application, as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Leased Water Rights	\$429,760	\$429,760	\$0.00	\$429,760

Escalation Year 2014

	Park Original	DRA Original	Difference	Settlement
Leased Water Rights	\$508,160	\$508,160	\$0.00	\$508,160

Escalation Year 2015

	Park Original	DRA Original	Difference	Settlement
Leased Water Rights	\$482,560	\$482,560	\$0.00	\$482,560

REFERENCES: Park Exh.-1, p. 36, Park Exh.-2, p. 4; DRA Exh. 1, p. 3-15.

4.9 Chemicals

PARK WATER REQUEST:

Park requests chemicals expense of \$42,430 for Test Year 2013 based on Park’s proposed groundwater pumping and the 2011 recorded cost per acre-foot.

DRA POSITION:

DRA finds Park’s chemical estimates reasonable and recommends that the Commission adopt Park’s estimates of chemicals.

RESOLUTION:

DRA and Park agree on the chemical expense as proposed in Park’s application. Additionally, in lieu of adding chemicals to the MCBA as requested by Park (Section 16.0), the Parties agree to add \$1,500 to Park’s application request to provide for estimated increases in chemical expense in the test period. DRA and Park agree on chemicals, as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Chemicals	\$42,430	\$42,430	\$0.00	\$43,930

REFERENCES: Park Exh.-1; DRA Exh.-1

4.10 Operations Other

PARK WATER REQUEST:

Park requests \$244,027 based on the five-year average (2007 – 2011) escalated to the Test Year. For selected accounts, Park has included additional amounts to reflect new circumstances not reflected in the historical average. For water quality laboratory expense, Park’s estimate is based on the schedule of required testing requirements for 2013, 2014 and 2015 amortized over three years.

DRA POSITION:

DRA finds Park’s methodology acceptable. The original difference between Park’s and DRA’s estimates resulted from DRA’s use of the updated data for recorded year 2011 (since DRA used Park’s escalation factors for comparison purposes). With the resolution of expense estimating methodology (Section 4.1) and escalation factors (Section 4.2) there is no difference between the Parties’ estimates.

RESOLUTION:

The Parties agree to the Operations Other Expense as shown in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Operations Other	\$244,027	\$245,890	(\$1,863)	\$244,118

REFERENCES: Park Exh.-1, pp. 31-32; DRA Exh.-1, pp. 3-17 – 3-19.

4.11 Customer Other (excluding conservation)

PARK WATER REQUEST:

Park requests \$305,426 based on the five-year average (2007 – 2011) escalated to the Test Year. For the customer billing and related expense, Park projected increases in the U.S. Postal Service rates.

DRA POSITION:

With the exception of customer billing and related expense, DRA finds Park’s estimates acceptable. The original difference between Park’s and DRA’s estimate resulted from DRA’s use of recorded year 2011 (since DRA used Park’s escalation factors for comparison purposes). With the resolution of the expense estimating methodology (Section 4.1) and escalation factors (Section 4.2) there is no difference in the Parties’ estimates.

RESOLUTION:

Park agrees to DRA’s estimates of postage expense. DRA and Park agree to the Customer Other expense as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Customers Other	\$305,426	\$298,832	\$6,594	\$294,261

REFERENCES: Park Exh.-1, pp. 32-33; DRA Exh.-1, p. 3-19.

4.12 Uncollectible

PARK WATER REQUEST:

Park’s estimate is based on a five-year average of recorded uncollectible expense (2006 – 2010).

DRA POSITION:

DRA finds Park’s methodology reasonable and recommends that the Commission adopt Park’s estimated uncollectible percentage (0.75%). There are no methodological differences between the Parties’ estimate of uncollectible expense. The original differences between Park’s and DRA’s estimates resulted from different estimates of revenues.

RESOLUTION:

The Parties agree to the uncollectible expense as set forth in the table below:

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Uncollectible Expense	\$234,761	\$220,077	\$14,684	\$225,975

REFERENCES: Park Exh.-1, p. 35; DRA Exh.-1, p. 3-20.

4.13 Maintenance Other

PARK WATER REQUEST:

Park requests \$616,430 based on the five-year average of recorded expenses (2007 – 2011) escalated to the Test Year.

DRA POSITION:

DRA finds Park’s methodology acceptable. There are no methodological differences between the Parties’ estimates of Maintenance Other. The original differences between Park’s and DRA’s estimates resulted from DRA’s use of the updated data for recorded year 2011 (since DRA used Park’s escalation factors for comparison purposes). With the

resolution of expense estimating methodology (Section 4.1) and escalation factors (Section 4.2) there is no difference between the Parties' estimates.

RESOLUTION:

The Parties agree to the Maintenance Other expense as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Maintenance Other	\$616,430	\$614,386	\$2,044		\$606,116

REFERENCE: Park Exh.-1, pp. 34-35; DRA Exh.-1, p. 3-20.

4.14 Depreciation Clearing

PARK WATER REQUEST:

Park requests \$141,788 based on its proposed depreciation rates (Section 9.2) and projected balances of utility plant in service.

DRA POSITION:

DRA finds Park's methodology acceptable. There are no methodological differences between the Parties' estimates. The original differences between Park's and DRA's estimates resulted from different estimates of utility plant in service. With the resolution of utility plant in service (Section 8.0), there is no difference between the Parties' estimates.

RESOLUTION:

The Parties agree to the depreciation clearing expense, as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Depreciation Clearings	\$141,787	\$122,103	\$19,684		\$134,402

Escalation Year 2014

	Park Original	DRA Original	Difference		Settlement
Depreciation Clearings	\$160,831	\$133,096	\$27,735		\$148,907

Escalation Year 2015

	Park Original	DRA Original	Difference		Settlement
Depreciation Clearings	\$179,874	\$144,089	\$35,785		\$163,413

REFERENCES: Park Exh.-1, Ch. VII; DRA Exh.-1, p. 3-20.

4.15 Clearings Other**PARK WATER REQUEST:**

Park requests \$234,432 based on its projected payroll costs and fuel costs.

DRA POSITION:

DRA finds Park's methodology acceptable. There are no methodological differences between DRA and Park. The original differences between DRA's and Park's estimates resulted from different estimates of payroll and the use of recorded data from 2011.

RESOLUTION:

With the resolution on escalation factors (Section 4.2) and expense estimating methodology (Section 4.1) the Parties agree on the Clearings Others as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Clearings Other	\$234,432	\$231,434	\$2,998		\$226,105

REFERENCES: Park Exh.-1, p. 35; DRA Exh.-1, p. 3-20.

5.0 ADMINISTRATIVE AND GENERAL

5.1 Payroll

PARK WATER REQUEST:

The contested issues are the same as identified in Section 4.3 above (O&M Payroll), the PTO, Holiday, etc. portions of those employee’s payroll is included in A&G payroll. The Parties agreement on A&G payroll is based upon the reasons provided in Section 4.3.

RESOLUTION:

The resolution is the same as identified in Section 4.3. DRA and Park agree on payroll as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
A & G Payroll	\$2,043,028	\$1,949,752	\$93,276		\$1,966,428

REFERENCES: Park Exh.-1, pp. 37-38; DRA Exh.-1, pp. 4-1 – 4-3.

5.2 Employee Benefits

PARK WATER REQUEST:

Park requests \$1,874,560 based on the projected premiums and projected payroll for the Test Year. In addition, Park made two special requests (Section 15.0, 15.2) associated with employee benefits. Park requests that a new balancing account be established to

track the difference between adopted pension expense included in rates and the actual expense incurred. Additionally, Park requests that both active employee healthcare expense and retiree health care expense (PBOP) be removed from the escalation year filings (2014 and 2015) and instead that specific expenses be adopted for both categories for all years of the rate case cycle including escalation years 2014 and 2015.

DRA POSITION:

DRA finds Park’s methodology to estimate employee benefits acceptable. There are no methodological differences between DRA and Park. The original differences between DRA and Park are due to differences in the estimates of payroll and DRA’s use of a CPI-based escalation factor for increases in medical and dental insurance, rather than the medical/dental cost increase projections used by Park. DRA opposed Park’s special requests.

RESOLUTION:

With the resolution of payroll (Section 4.3), the issues for benefits other than medical/dental are resolved. As a result of further discussions and settlement negotiations, the Parties agree to recalculate the test year expense using the methodology contained in Park’s application, using Park’s estimated medical/dental cost increases and incorporating the stipulated payroll; and Park agrees to withdraw, without prejudice, its special requests related to employee benefits expenses in the escalation years in this proceeding.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Employee Benefits	\$1,874,560	\$1,811,943	\$62,617	\$1,872,317

REFERENCES: Park Exh.-1, pp. 39-40, Park Exh.-8, pp. 5-13, Park Exh.-9, pp. 8-9; DRA Exh.-1, pp. 4-3 – 4-5.

5.3 Insurance

PARK WATER REQUEST:

Park requests \$897,074 based on the projected premiums and projected payroll for the Test Year.

DRA POSITION:

DRA finds Park’s methodology acceptable. There are no methodological differences between DRA and Park. The original differences between DRA and Park are due to differences in the estimates of payroll. With the resolution of payroll (Section 4.3) there are no longer any differences in the Parties’ position.

RESOLUTION:

The Parties agree to recalculate the Test Year expense using the methodology contained in Park’s application and to incorporate the stipulated payroll.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Insurance	\$897,074	\$868,199	\$28,875		\$876,087

REFERENCES: Park Exh.-1, pp. 38-39, Park Exh.-8, pp. 2-3; DRA Exh.-1, pp. 4-5 – 4-6.

5.4 Regulatory Commission Expense

PARK WATER REQUEST:

Park requests \$196,489 based on the recorded (partially estimated) cost of regulatory commission expense for Park’s subsidiary Apple Valley Ranchos Water Company Test Year 2012 GRC escalated to the test period.

DRA POSITION:

DRA found Park’s methodology for estimating regulatory commission expense to be reasonable except that DRA based its forecasted estimate on the recorded costs of the

Apple Valley Ranchos Water Company Test Year 2012 GRC. DRA’s estimate contained a calculation error that has been adjusted in the Settlement amount.

RESOLUTION:

As a result of the settlement agreement, the Parties agree on the regulatory commission expense as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Regulatory Commission Expense	\$196,489	\$192,551	\$3,938		\$186,814

REFERENCES: Park Exh.-1 p. 43, Park Exh.-2, p. 5; DRA Exh.-1, pp. 4-6 – 4-7.

5.5 Franchise Requirements

PARK WATER REQUEST:

Park’s estimate is based on a five-year average of recorded franchise expense (2006 – 2010).

DRA POSITION:

DRA finds Park’s franchise expense reasonable and recommends that the Commission adopt Park’s estimated franchise percentage (0.40%). There are no methodological differences between the Parties’ estimates of franchise requirements. The original differences between Park’s and DRA’s estimates resulted from different estimates of revenues.

RESOLUTION:

The Parties agree on the franchise requirements as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Franchise Requirements	\$125,206	\$117,241	\$7,965		\$120,520

REFERENCES: Park Exh.-1, p. 43; DRA Exh.-1, page 4-7

5.6 Outside Services

PARK WATER REQUEST:

Park requests \$205,543 based on a five-year average of recorded expenses (2007 – 2011) except for the categories of Safety Consulting, Public Relations Consulting and Other General Consulting where specific estimates were used. For Safety Consulting, Public Relations Consulting and Other General Consulting, Park used budgeted amounts because the use of the historical average does not meet the level of expense projected by Park.

DRA POSITION:

DRA recommends \$176,742 for Test Year 2013 based on the five-year average of recorded expenses (2007 – 2011).

RESOLUTION:

Based on further discussions and settlement negotiations, the Parties agree to include Park’s outside service requests related to Safety and Public Relations that are in addition to the five-year average of recorded expenses. Park agrees with DRA’s recommendation to remove the outside services cost associated with Other General Consulting. As a result of the resolution of Park’s request for a Green Projects Memorandum Account (Section 15.1), the Parties agree to add \$38,000 in outside services expense for a feasibility study. The Parties agree on the outside services expense as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Outside Services	\$205,543	\$176,742	\$28,801		\$229,594

REFERENCES: Park Exh.-1, pp. 40-42, Park Exh.-7, pp. 16-20; DRA Exh.-1, pp. 4-7 – 4-8.

5.7 A&G Other

PARK WATER REQUEST:

Park requests \$521,636 for Test Year 2013. Park's estimate is based on five-year average of recorded expenses (2007 – 2011) except for Telemetry, Company Membership, Regular Postage Costs, and the Corporate A&G Allocation where Park used budgeted amounts.

DRA POSITION:

DRA's estimate is based on a five-year average of recorded expense (2007 – 2011). DRA recommends disallowance of the additional telemetry expense based on its preliminary assessment of security. DRA recommends disallowance of the company membership associated with Chamber of Commerce, the Climate Action Registry, and the Minority Business Development Council.

DRA recommends a five-year average plus an additional 2.133% increase in U.S. Postal Service rates for postage expense.

DRA finds Park's methodology for the Corporate A&G allocation reasonable. There are no methodological differences between DRA's and Park's estimates. The original differences between Park's and DRA's estimates resulted from different estimates of payroll. With the resolution of the payroll there is no longer any difference between the Parties' positions.

RESOLUTION:

After review of Park's rebuttal testimony and additional discussions, the Parties agree to the amounts shown in the table below. Park agrees with DRA's recommendation for postage expense.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
A & G Other	\$521,636	\$498,892	\$22,734		\$510,702

REFERENCES: Park Exh.-1, pp. 42-43, Park Exh.-2, pp. 5-7; DRA Exh.-1, pp. 4-8 – 4-9.

5.8 A&G Transferred

PARK WATER REQUEST:

Park requests (\$523,546) for Test Year 2013 based on in its proposed capital expenditures.

DRA POSITION:

DRA accepts the methodology used by Park in its application. There are no methodological differences between DRA and Park. The original differences between Park’s and DRA’s estimates resulted from different estimates of capital expenditures.

RESOLUTION:

The Parties agree to calculate the administrative expense transferred incorporating the adopted plant additions as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
A&G Transferred Credit	(\$523,546)	(\$366,871)	(\$156,675)	(\$448,102)

Escalation Year 2014

	Park Original	DRA Original	Difference	Settlement
A&G Transferred Credit	(\$578,795)	(\$266,542)	(\$312,253)	(\$454,401)

Escalation Year 2015

	Park Original	DRA Original	Difference	Settlement
A&G Transferred Credit	(\$634,045)	(\$166,213)	(\$467,832)	(\$460,700)

REFERENCES: Park Exh.-1, Ch. IV, Table IV-B; DRA Exh.-1, pp. 4-9 – 4-10.

5.9 General Office Allocation

PARK WATER REQUEST:

Park's estimate of the general office allocation is based on its position in A.11-01-001. The General Office Allocation is the subject of litigation in A.11-01-001 (Apple Valley Ranchos Water Company/Park General Office Test Year 2012 GRC).

DRA POSITION:

DRA disagrees with Park's estimates and based its recommendation on its position in A.11-01-001.

RESOLUTION:

DRA and Park agree that the allocated General Office expenses will be determined by the Commission final decision in A.11-01-001. The General Office allocation adopted in A.11-01-001 for Test Year 2012 will be subject to the escalation factor agreed to in this proceeding for Test Year 2013 (see Section 4.2). The Parties agree to the General Office Allocation as set forth in the table below based on the proposed decision issued in A.11-01-001 dated July 20, 2012. Any change between the proposed decision and the final decision will require a corresponding change to the settlement amount.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
General Office Allocation	\$2,783,489	\$2,639,775	\$143,714		\$2,762,839

REFERENCES: Park Exh.-1, p. 44, Park Exh.-2, p. 7; DRA Exh.-1, p. 4-10.

5.10 Depreciation Expense

PARK WATER REQUEST:

Park's estimate of depreciation expense is based on its proposed depreciation rates and capital expenditures.

DRA POSITION:

DRA accepts Park’s proposed depreciation rates in its Application. There are no methodological differences between Park and DRA. The original differences between Park’s and DRA’s estimates of depreciation expense resulted from different estimates of utility plant in service.

RESOLUTION:

The Parties agree to calculate depreciation expense incorporating the adopting plant additions as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Depreciation Expense	\$2,236,838	\$1,817,854	\$418,984		\$1,841,298

Escalation Year 2014

	Park Original	DRA Original	Difference		Settlement
Depreciation Expense	\$2,472,319	\$1,945,191	\$527,128		\$2,026,658

Escalation Year 2015

	Park Original	DRA Original	Difference		Settlement
Depreciation Expense	\$2,944,310	\$2,072,527	\$871,783		\$2,212,019

REFERENCES: Park Exh.-1, Ch. VII; DRA Exh.-1

6.0 TAXES OTHER THAN INCOME

6.1 Ad Valorem Taxes

PARK WATER REQUEST:

Park’s estimates of ad valorem taxes are based on the methodology used by the Los Angeles County Tax Assessor’s Office.

DRA POSITION:

DRA accepts Park’s methodology for estimating ad valorem taxes. The original differences between Park’s and DRA’s estimates resulted from differences in estimates of utility plant in service. With the settlement agreement on utility plant in service there is no longer any difference in the Parties’ positions.

RESOLUTION:

The Parties agree to estimates of the ad valorem tax as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Ad Valorem Taxes	\$423,975	\$406,606	\$17,369	\$409,796

Escalation Year 2014

	Park Original	DRA Original	Difference	Settlement
Ad Valorem Taxes	\$503,101	\$457,799	\$45,302	\$473,031

Escalation Year 2015

	Park Original	DRA Original	Difference	Settlement
Ad Valorem Taxes	\$604,319	\$515,107	\$89,212	\$560,372

REFERENCES: Park Exh.-1, p. 49, Park Exh.-2, p. 8; DRA Exh.-1, p. 5-1.

6.2 Payroll Taxes

PARK WATER REQUEST:

Park requests \$408,072 for payroll taxes based on Park’s projections of payroll tax rates and limits.

DRA POSITION:

DRA accepts Park’s methodology with the exception of the proposed increase in the

FICA payroll tax limit. The original differences between Park’s and DRA’s estimates resulted from that issue and the differences in the estimates of payroll.

RESOLUTION:

With the settlement on payroll (Section 4.3) the sole difference in the Parties’ estimates is the FICA limit. After review of Park’s rebuttal testimony and further discussion, DRA agrees to Park’s proposed increase to the FICA limit. DRA and Park agree to the estimates of payroll taxes as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Payroll Taxes	\$408,072	\$385,000	\$23,072		\$396,693

REFERENCES: Park Exh.-1, p. 49, Park Exh.-8, pp. 3-4; DRA Exh.-1, pp. 5-1 – 5-2.

7.0 Income Taxes

7.1 Tax Depreciation

PARK WATER REQUEST:

Park estimates Federal Tax Depreciation of \$1,856,792 and State Tax Depreciation of \$2,261,543 based on Park’s actual ratemaking depreciation methodology and Park’s proposed plant additions.

DRA POSITION:

DRA accepts the methodology proposed by Park in its application. There are no methodological differences between DRA’s and Park’s estimates of the ratemaking tax depreciation deduction. The original differences between DRA’s and Park’s estimates result from the different estimates of plant additions and corrections to DRA’s schedule.

RESOLUTION:

The Parties agree that tax depreciation should be calculated using the methodology used

in Park and DRA’s estimates consistent with the adopted utility plant as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Federal Tax Depreciation	\$1,856,792	\$1,800,200	\$56,592	\$1,750,344
State Tax Depreciation	\$2,261,543	\$2,251,700	\$9,843	\$2,000,198

REFERENCES: Park Exh.-1, pp. 125-126, Park Exh.-2, p. 8; DRA Exh.-1, p. 6-3.

7.2 Interest Expense Deduction

PARK WATER REQUEST:

Park estimates the interest expense deduction of \$1,434,277 based on Park’s authorized weighted cost of long-term debt multiplied by the rate base.

DRA POSITION:

DRA finds Park’s methodology reasonable. There are no methodological differences between the Parties’ estimates of the interest expense deduction. The original differences between DRA’s and Park’s estimates result from different estimates of rate base.

RESOLUTION:

The Parties agree that the interest expense deduction should be calculated using the methodology used in Park’s and DRA’s estimates consistent with the adopted rate base as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Interest Expense	\$1,434,277	\$1,293,900	\$140,377	\$1,344,256

Test Year 2014

	Park Original	DRA Original	Difference		Settlement
Interest Expense	\$1,731,089	\$1,453,420	\$277,669		\$1,591,977

Escalation Year 2015

	Park Original	DRA Original	Difference		Settlement
Interest Expense	\$2,027,901	\$1,612,940	\$414,961		\$1,839,698

REFERENCES: Park Exh.-1, p. 126; DRA Exh.-1, p. 6-3.

7.3 Qualified Production Activities Deduction**PARK WATER REQUEST:**

Park's estimate of the Qualified Production Activities Deduction is based on the methodology prescribed by Internal Revenue Code Section 199.

DRA POSITION:

DRA accepts the methodology used by Park in its Application. The original differences between Park's and DRA's estimates resulted from the differences in estimates of revenue requirements.

RESOLUTION:

Based on all the other agreements in this settlement, the Parties agree to the Qualified Production Activities Deduction as set forth in the table below.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Qualified Production Activities Deduction	\$59,602	\$46,000	\$13,602		\$49,956

REFERENCES: Park Exh.-1, p. 126; DRA Exh.-1, p. 6-4.

7.4 Bonus Depreciation Effects

DRA RECOMMENDATION:

DRA recommends that Park file an advice letter for the disposition of the Resolution L-411-W Memorandum Account. There is no dollar difference in the summary of earnings for this issue.

PARK WATER RESPONSE:

Given the Commission's adoption of Resolution L-411-W, Park did not believe the GRC should address this issue and duplicate existing regulatory requirements.

RESOLUTION:

After additional discussion and settlement negotiations, DRA and Park agree that the accumulated amount in the memorandum account along with the additional accumulation balance for 2012 should be resolved through a tier 3 advice letter filing after the final amount for 2012 is known.

REFERENCES: Park Exh.-8, pp. 4-5; DRA Exh.-1, p. 6-5.

7.5 Accumulated Deferred Income Taxes – Repairs Deductions

DRA RECOMMENDATION:

In its prepared testimony, DRA raised concerns about the ratemaking treatment that would be applied to with respect to the treatment of repair costs for tax purposes. There is no dollar difference in the summary of earnings for this issue.

PARK WATER RESPONSE:

Park does not believe this to be an issue. The proposed income tax treatment is consistent with Park's actual accounting practices and therefore no deferred income taxes exist.

RESOLUTION:

After discussion and review of Park's current accounting and income tax treatment DRA found that no adjustment would be required by Park to be compliant with the proposed regulations regarding Deferred Income Taxes – Repairs Deductions.

REFERENCES: Park Exh.-8, p. 5; DRA Exh.-1, pp. 6-5 – 6-6.

8.0 UTILITY PLANT IN SERVICE

8.1 Capital Budgets

PARK WATER REQUEST:

Park requested total capital budgets of \$8,886,100 for 2012, \$10,756,456 for 2013, and \$12,086,700 for 2014.

DRA POSITION:

DRA recommended capital budgets of \$7,486,674 for 2012, \$7,466,306 for 2013, and \$5,529,998 for 2014.

RESOLUTION:

DRA and Park have resolved their differences regarding plant additions for 2012, 2013, and 2014. DRA and Park agree to a capital budget of \$7,822,954 for 2012, \$9,172,137 for 2013, and \$9,474,423 for 2014 as described in more detail below. The above amounts do not include the Well 19C project for which the Parties agreed to the necessity, but proposed advice letter treatment. (see Section 8.8.)

REFERENCES: Park Exh.-1; DRA Exh.-1, p. 7-3.

8.2 T&D Main Replacements

PARK WATER REQUEST:

Park requests T&D main extension of \$250,000 and T&D main replacements of \$4,025,400 for 2012, \$4,971,256 for 2013, and \$6,310,000 for 2014. Park's requested main replacements are based on its Asset Management for Water Mains Report and its KANEW Analysis for Water Mains Report.

DRA POSITION:

DRA recommends T&D main extension of \$250,000 for 2012 and T&D main

replacements of \$4,025,400 for 2012, \$3,027,956 for 2013, and \$ 1,389,000 for 2014 based on its separate independent analysis for water mains.

RESOLUTION:

DRA and Park agree to T&D main extension of \$250,000 and T&D main replacements of \$4,025,400 for 2012, \$4,295,656 for 2013, and \$4,691,500 for 2014. The Parties agree on the main replacements as set forth in the table below.

Year 2012

T&D Main Replacements	Park Original	DRA Original	Difference	Settlement
Cookacre, White Castlegate-1	\$574,000	\$574,000	0	\$574,000
Compton–Harris-San Vincente	\$750,400	\$750,400	0	\$750,400
Cookacre, White Castlegate-2	\$610,700	\$610,700	0	\$610,700
San Luis Frailey & Lime-1	\$430,300	\$430,300	0	\$430,300
Wilbarn	\$493,600	\$493,600	0	\$493,600
Cookacre, White Castlegate-3	\$580,700	\$580,700	0	\$580,700
San Luis Frailey & Lime-2	\$585,400	\$585,400	0	\$585,400
Total	\$4,025,400	\$4,025,400	0	\$4,025,400

Test Year 2013

T&D Main Replacements	Park Original	DRA Original	Difference	Settlement
Rosecrans-Lime-Frailey-Will	\$763,700	0	\$763,700	\$763,700
Lime-Saunders to Pixley	\$504,000	0	\$504,000	\$504,000
Atlantic N/Rosecrans W/Atlantic	\$373,800	0	\$373,800	0
Rosecrans-Cookacre to Butler	\$301,800	0	\$301,800	0
Tichenor E/Alondra	\$670,300	\$670,300	0	\$670,300
Elva, 121 st , W side of Central	\$891,000	\$891,000	0	\$891,000
Hillford-Tichenor-Northward	\$890,100	\$890,100	0	\$890,100
Central S/Reeve	\$178,100	\$178,100	0	\$178,100
Elva-121 st -125 th	\$398,456	\$398,456	0	\$398,456
Total	\$4,971,256	\$3,027,956	\$1,943,300	\$4,295,656

Test Year 2014

T&D Main Replacements	Park Original	DRA Original	Difference	Settlement
Atlantic N/Rosecrans W/Atlantic	0	0	\$373,800	\$373,800
Rosecrans-Cookacre to Butler	0	0	\$301,800	\$301,800
Thorson-Josephine	\$571,500	0	\$571,500	\$571,500
Stoneacre – Caldwell	\$284,800	\$284,800	0	\$284,800
Arbutus	\$323,900	\$323,900	0	\$323,900
Compton - Corydon	\$526,100	0	\$526,100	0
Amantha-Compton-Keene	\$404,300	0	\$404,300	0
Harris-McMillan to Olanda	\$404,300	0	\$404,300	\$404,300
153 rd -154 th -Keene-156 th	\$975,900		\$975,900	0
Raymond-Reeve	\$780,300	\$780,300	0	\$780,300
Central – El Segundo to 132 nd	\$387,800	0	\$387,800	0
Caude-Nestor	\$613,500	0	\$613,500	\$613,500
Thorson-Agnes	\$541,500	0	\$541,500	\$541,500
Corydon – 152nd	\$496,100	0	\$496,100	\$496,100
Total	\$6,310,000	\$1,389,000	\$4,921,000	\$4,691,500

REFERENCES: Park Exh. 1, pp. 51-54, pp. 77-80, pp. 95-97, Park Exh. 10, pp. 1-11; DRA Exh. 1, pp. 7-3 – 7-8.

8.3 Valves

PARK WATER REQUEST:

Park requests replacement valves of \$100,100 in 2012, \$103,100 in 2013, and \$106,200 in 2014. Park requests new valves of \$55,000 in 2012, \$56,600 in 2013, and \$58,300 in 2014. Park’s estimates are based on 25 replacement valves and 17 new valves per year.

DRA POSITION:

DRA accepts Park’s unit cost estimate for valves. DRA recommends replacement valves of \$80,052 in 2012, \$82,453 in 2013, and \$84,927 in 2014. DRA recommends new valves of \$48,467 in 2012, \$49,921 in 2013, and \$51,418 in 2014. DRA’s estimates are based on 20 replacement valves and 15 new valves per year.

RESOLUTION:

DRA agrees to use Park’s recommendation for replacement valves of \$100,100 in 2012, \$103,100 in 2013, and \$106,200 in 2014. Park agrees to use DRA’s recommendation for new valves of \$48,467 in 2012, \$49,921 in 2013, and \$51,418 in 2014.

Year 2012

Valves	Park Original	DRA Original	Difference	Settlement
Total	\$155,100	\$128,519	\$26,581	\$148,567

Test Year 2013

Valves	Park Original	DRA Original	Difference	Settlement
Total	\$159,700	\$132,374	\$27,326	\$153,021

Test Year 2014

Valves	Park Original	DRA Original	Difference	Settlement
Total	\$164,500	\$136,345	\$28,155	\$157,618

REFERENCES: Park Exh. 1, pp. 55-56, p. 70, p. 81, p. 99, Park Exh.-7, pp. 1-2; DRA Exh. 1, p. 7-10.

8.4 Blow Offs

PARK WATER REQUEST:

Park requests blow offs of \$44,200 in 2012, \$45,500 in 2013, and \$46,900 in 2014. Park’s estimates are based on 10 blow offs per year.

DRA POSITION:

DRA accepts Park’s unit cost estimate for blow offs. DRA recommends blow offs of \$22,099 in 2012, \$22,762 in 2013, and \$23,444 in 2014. DRA’s recommendations are based on 5 blow offs per year.

RESOLUTION:

DRA agrees to use Park’s recommendation for blow offs of \$44,200 in 2012, \$45,500 in 2013, and \$46,900 in 2014.

Year 2012

	Park Original	DRA Original	Difference	Settlement
Blow Offs				
Total	\$44,200	\$22,099	\$22,101	\$44,200

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Blow Offs				
Total	\$45,500	\$22,762	\$22,738	\$45,500

Test Year 2014

	Park Original	DRA Original	Difference	Settlement
Blow Offs				
Total	\$46,900	\$23,444	\$23,456	\$46,900

REFERENCES: Park Exh. 1, p. 56, p. 82, p. 99, Park Exh. 7, p. 3; DRA Exh. 1, pp. 7-10 – 7-11.

8.5 Hydrants**PARK WATER REQUEST:**

Park requests \$96,900 for replacement hydrants in 2012, \$99,800 in 2013, and \$102,800 in 2014. Park requests \$22,000 for new hydrants in 2012, \$22,600 in 2013, and \$23,300 in 2014. Park's estimates are based on 14 replacement hydrants and 3 new hydrants per year.

DRA POSITION:

DRA accepts Park's estimate of unit costs for hydrants. DRA recommends \$69,206 for replacement hydrants in 2012, \$71,282 in 2013, and \$73,420 in 2014. DRA accepts Park's request for new hydrants. DRA's estimates for replacement hydrants are based on 10 replacement hydrants instead of the 14 Park requested.

RESOLUTION:

Park accepts DRA's recommendation of \$69,206 for replacement hydrants in 2012, \$71,282 in 2013, and \$73,420 in 2014.

Year 2012

	Park Original	DRA Original	Difference	Settlement
Hydrants				
Total	\$118,900	\$91,206	\$27,694.0	\$91,206

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Hydrants				
Total	\$122,400	\$93,882	\$28,518.0	\$93,882

Test Year 2014

	Park Original	DRA Original	Difference	Settlement
Hydrants				
Total	\$126,100	\$96,720	\$29,380.0	\$96,720

REFERENCES: Park Exh.-1, p. 55, p. 98, Park Exh.-7, pp. 3-4; DRA Exh.-1, p. 7-11.

8.6 Services**PARK WATER REQUEST:**

Park requests \$75,200 for replacement services in 2012, \$77,400 in 2013, and \$79,800 in 2014. Park also requests \$108,000 for Area 18 replacement services in 2013. Park further requests \$119,000 for large replacement services in 2012, \$122,600 in 2013, and in \$126,300 in 2014. Park requests \$63,900 for new services in 2012, \$65,900 in 2013, and \$67,800 in 2014. Park's estimates are based on 43 replacement services, 6 large replacement services and 30 new services per year.

DRA POSITION:

DRA finds Park's estimates of replacement services, estimates of Area 18 replacement services, and new services reasonable and recommends the Commission adopt Park's estimates. DRA disagrees with Park's estimates of large replacement services. DRA recommends \$59,510 in 2012, \$61,296 in 2013, and \$63,134 in 2014. DRA estimates are based on 3 large replacement services.

RESOLUTION:

DRA agrees to use Park’s recommendation for large replacement services of \$119,000 in 2012, \$122,600 in 2013, and \$126,300 in 2014.

Year 2012

Services	Park Original	DRA Original	Difference	Settlement
	\$258,100	\$198,610	\$59,490	\$258,100

Test Year 2013

Services	Park Original	DRA Original	Difference	Settlement
	\$265,900	\$204,596	\$61,304	\$265,900

Test Year 2014

Services	Park Original	DRA Original	Difference	Settlement
	\$273,900	\$210,731	\$63,169	\$273,900

REFERENCES: Park Exh.-1, pp. 56-57, pp. 82-83, pp. 100-101, Park Exh.-7, p. 4; DRA Exh.-1

8.7 Meters

PARK WATER REQUEST:

Park requests \$361,700 in 2012, \$344,700 in 2013, and \$411,800 in 2014 for small meters. Park requests \$37,100 in 2012, \$38,200 in 2013, and \$39,300 in 2014 for large meters. Park’s estimate for large meters is based on 6 meters.

DRA POSITION:

DRA accepts Park’s estimates of unit costs for meters. DRA accepts Park’s estimate of small meters and recommends that the Commission adopt it. DRA disagrees with Park’s estimate of large meters and recommends \$18,540 for 2012, \$19,096 for 2013 and \$20,259 for 2014. DRA’s estimate for large meters is based on 3 meters.

RESOLUTION:

DRA agrees to use Park’s recommendation for both small and large meters which total \$398,800 in 2012, \$382,900 in 2013, and \$451,100 in 2014.

Year 2012

Meters	Park Original	DRA Original	Difference	Settlement
	\$398,800	\$380,240	\$18,560.0	\$398,800

Test Year 2013

Meters	Park Original	DRA Original	Difference	Settlement
	\$382,900	\$363,796	\$19,104.0	\$382,900

Test Year 2014

Meters	Park Original	DRA Original	Difference	Settlement
	\$451,100	\$432,059	\$19,041.0	\$451,100

REFERENCES: Park Exh.-1, pp. 57-59, pp. 83-85, pp. 101-102; DRA Exh.-1, p. 7-12.

8.8 Well 19C and Associated Generator

PARK WATER REQUEST:

Park requests \$1,085,000 in 2012 for Well 19C and \$130,000 for the associated generator.

DRA POSITION:

DRA accepts the necessity for this project but recommends that both the well and the generator be subject to advice letter treatment.

RESOLUTION:

Park accepts DRA’s recommendation for advice letter treatment for Well 19C. DRA agrees to include the associated generator in plant in 2012 at \$186,081, the amount for which Park has already purchased the generator since the generator is useful for emergencies at other well sites. DRA and Park agree that the cap on the advice letter will

be \$1,380,991.50 which is the updated cost for Well 19C based on actual bids received for the job. To offset the increased cost, DRA and Park agree that Park will delay construction of the T&D main project Central – El Segundo to 132nd Street until the next rate case cycle (2015 – 2018) as this project is not related to any other pending main project and has no cost of removal. This agreement is incorporated in the amounts in Section 8.2.

Year 2012

	Park Original	DRA Original	Difference	Settlement
Well 19C & Generator	\$1,085,000	0	\$1,085,000.0	0

REFERENCES: Park Exh. 1, pp. 63-64, Park Exh.-7, pp. 5-6; DRA Exh. 1, p. 7-13.

8.9 Remote Water System Analyzers

PARK WATER REQUEST:

Park requests \$30,000 in 2012 and \$30,000 in 2013 for remote water system analyzers.

DRA POSITION:

DRA originally recommended that Park’s request for remote water system analyzers be disallowed.

RESOLUTION:

DRA agrees to use Park’s estimates of remote water system analyzers of \$30,000 in 2012 and \$30,000 in 2013.

Year 2012

	Park Original	DRA Original	Difference	Settlement
Remote Water System Analyzers	\$30,000	0	\$30,000.0	\$30,000

Test Year 2013

	Park Original	DRA Original	Difference	Settlement
Remote Water System Analyzers	\$30,000	0	\$30,000.0	\$30,000

REFERENCES: Park Exh.-1, pp. 69-70, Park Exh. 7, pp. 6-7; DRA Exh.-1, p. 7-19.

8.10 Main Office Remodel

PARK WATER REQUEST:

Park requests \$37,500 for the IT Department remodel and \$59,800 for IT Department panel/furniture system in 2012. In addition, Park requests \$40,000 for the Accounting Department remodel and \$30,000 for the Accounting Department remodel furniture in 2013.

DRA POSITION:

DRA finds Park’s estimates for the IT department remodel reasonable and recommends that the Commission adopt them. DRA disagrees with Park’s estimates for the Accounting Department remodel.

RESOLUTION:

After review of Park’s rebuttal testimony, DRA removed its objections to the Accounting Department remodel to accommodate additional General Office employees subject to the settlement agreement between Park and DRA in A.11-01-001 (Apple Valley Ranchos Water Company/Park General Office Test Year 2012 GRC). DRA and Park agree to Park’s estimates for Main Office Remodel.

Year 2012

Main Office Remodel	Park Original	DRA Original	Difference	Settlement
	\$97,300	\$97,300	0	\$97,300

Test Year 2013

Main Office Remodel	Park Original	DRA Original	Difference	Settlement
	\$70,000	0	\$70,000	\$70,000

REFERENCES: Park Exh.-1, p. 91, Park Exh.-7, pp. 7-8; DRA Exh.-1, pp. 7-21 – 7-22.

8.11 Solar Project

PARK WATER REQUEST:

Park proposed a solar project in the amount of \$826,000 in 2013 and \$826,000 in 2014.

DRA POSITION:

DRA recommended disallowance of this project based on its cost benefit analysis.

RESOLUTION:

Park agrees with DRA’s recommendation. DRA and Park agree to remove the cost associated with the solar project.

Test Year 2013

Solar Project	Park Original	DRA Original	Difference	Settlement
	826,000	0	826,000	0

Escalation Year 2014

Solar Project	Park Original	DRA Original	Difference	Settlement
	826,000	0	826,000	0

REFERENCES: Park Exh.-1, pp. 93-94, Park Exh.-7, pp. 8-10; DRA Exh.-1, pp. 7-23 – 7-28.

8.12 Vehicles and Equipment

PARK WATER REQUEST:

Park requests \$69,400 in 2012, \$71,500 in 2013, and \$86,300 in 2014 for vehicles and equipment.

DRA POSITION:

DRA finds Park’s estimates reasonable for 2012 and 2013 and recommends the Commission adopt those estimates. DRA disagrees with Park’s estimates for 2014 and recommends \$36,300 for 2014.

RESOLUTION:

Based on further discussion and settlement negotiations, DRA and Park agree to Park’s estimates for vehicles and equipment as set forth in the table below.

Year 2012

Vehicles	Park Original	DRA Original	Difference	Settlement
	\$69,400	\$69,400	0.0	\$69,400

Test Year 2013

Vehicles	Park Original	DRA Original	Difference	Settlement
	\$71,500	\$71,500	0.0	71,500

Escalation Year 2014

Vehicles	Park Original	DRA Original	Difference	Settlement
	\$86,300	\$36,300	\$50,000.0	\$86,300

REFERENCES: Park Exh.-1 p. 73, p. 91, Park Exh.-7, p. 10; DRA Exh.-1, pp. 7-28 – 7-29.

8.13 Generator

PARK WATER REQUEST:

Park requests emergency generators at a cost of \$130,000 for a 450 Kw generator associated with Well 19C and \$76,000 for a 250 Kw generator in 2012 and \$78,000 for a 250 Kw generator in 2013. For 2014, Park requests a 450 Kw generator at a cost of \$150,000 and a 200 Kw generator at a cost of \$134,000 for a total of \$284,000.

DRA POSITION:

With the exception of the generator associated with Well 19C, DRA finds Park’s estimates for 2012 and 2013 reasonable and recommends the Commission adopt these estimates. For 2014 DRA finds the \$150,000 for the 450 Kw generator reasonable but recommends that the cost of the 200 Kw generator be reduced from \$134,000 to \$80,000.

RESOLUTION:

Based on further discussion and settlement negotiations, DRA and Park agree to the amounts shown in the table below. For 2012, the settlement amount includes the actual cost (\$186,081) of the already purchased generator for Well 19C and the proposed cost of \$76,000 for the 250 Kw generator. For 2014, the settlement amount is based on \$80,000 for the 200 Kw generator and \$197,413 for the 450 Kw generator. That cost is based on escalating the actual cost of the 450 Kw generator just purchased for Well 19C.

Year 2012

Generator	Park Original	DRA Original	Difference	Settlement
	\$206,000	\$76,000	\$130,000	\$262,081

Test Year 2013

Generator	Park Original	DRA Original	Difference	Settlement
	\$78,000	\$78,000	0	\$78,000

Test Year 2014

Generator	Park Original	DRA Original	Difference	Settlement
	\$284,000	\$230,000	\$54,000	\$277,413

REFERENCES: Park Exh.-1, p. 73, p. 91, Park Exh.-7, pp. 10-11; DRA Exh.-1, pp. 7-30 – 7-31.

9.0 DEPRECIATION RATES, RESERVE, AND DEPRECIATION EXPENSE

9.1 Depreciation Rates

PARK WATER REQUEST:

Park proposed new depreciation rates based on a remaining life study completed in accordance with Standard Practice U-4, using plant and reserve balances as of January 1, 2011.

DRA POSITION:

DRA finds the depreciation rates proposed by Park reasonable and recommends the Commission adopt Park’s proposed depreciation rates.

RESOLUTION:

The Parties’ agree to use the depreciation rates as set forth in the table below.

Depreciation Rates	Present	Proposed
Wells	3.46%	3.71%
Source Of Supply - Other	2.04%	2.16%
Pumping - Struct. & Improv.	3.78%	3.99%
Electric Pump. Equip.	4.22%	4.12%
Water Treatment Equip.	5.35%	5.06%
T&D Reservoirs & Tanks	2.12%	2.05%
T & D Mains	1.91%	2.28%
Services	2.56%	2.54%
Meters	2.51%	2.84%
Hydrants	2.30%	2.28%
Gen. Plant Struct. & Improv.	2.48%	2.57%
Office Furniture & Equip.	5.72%	6.11%
Transportation Equipment	10.04%	7.78%
Stores Equipment	4.39%	4.01%
Tools & Shop Equipment	6.05%	5.51%
Laboratory Equipment	3.37%	4.42%
Power Operated Equipment	4.02%	6.61%
Communication Equipment	6.78	7.76%
Computer Equipment-Pc	17.37%	11.98%
Computer Equipment-Mis/Sftwr	6.78%	8.92%
Computer Mapping Equipment	1.92%	3.35%
Other Tangible Property	4.00%	4.00%

REFERENCES: Park Exh.-1, Ch. VII, Table VII.-A; DRA Exh.-1, p. 8-1.

9.2 Depreciation Reserve and Depreciation Expense

PARK WATER REQUEST:

Park requested depreciation expense and reserve based on its proposed depreciation rates and proposed utility plant.

DRA POSITION:

There are no methodological differences between Park and DRA. There was no issue regarding the depreciation rates proposed by Park. Differences in the Parties' original depreciation reserve and depreciation expense estimates resulted from differences in the utility plant estimates.

RESOLUTION:

The Parties agree that the depreciation expense and depreciation reserve should be calculated using the depreciation rates proposed in Park's application and the stipulated balances of plant in service incorporating stipulated adjustment and additions as set forth in the table below.

Test Year 2013

Depreciation Reserve & Expense	DRA	Park	Difference	Settlement
Beginning Year Balance	\$19,333,543	\$19,313,404	\$20,139	19,319,486
Annual Accrual Charged To:				
Clearing Accounts	\$112,300	\$130,695	\$(18,395)	\$134,402
Contributions	\$256,163	\$305,405	\$(49,242)	\$305,405
Depreciation Expense	\$1,895,753	\$1,737,986	\$157,767	\$1,770,806
Other				
Total	\$2,264,216	\$2,174,086	\$90,129	\$2,210,612
<u>Retirements & Adjustments</u>				
Net Retirements	\$622,280	\$609,184	\$13,096	\$609,184
Adjustments	\$39,006	\$38,625	\$381	\$38,625
Total	\$661,286	\$647,809	\$13,477	\$647,809
Net Additions	\$1,602,930	\$1,526,277	\$76,653	\$1,562,803
End Of Year Balance	\$20,936,473	\$20,839,681	\$96,792	\$20,882,290
Average Balance	\$20,135,008	\$20,076,542	\$58,466	\$20,100,888
<u>Statistics</u>				
Average Depreciable Plant	\$82,739,938	\$77,992,885	\$4,747,053	\$79,988,807
Accrual As % Of Plant	2.74%	2.79%		2.76%

Escalation Year 2014

Depreciation Reserve & Expense	DRA	Park	Difference	Settlement
Beginning Year Balance	20,936,473	20,839,681	96,792	20,882,290
Annual Accrual Charged To:				
Clearing Accounts	119,918	145,419	(25,500)	148,907
Contributions	258,672	306,971	(48,299)	306,971
Depreciation Expense	2,136,777	1,856,388	280,389	1,951,746
Other				
Total	2,515,367	2,308,777	206,590	2,407,624
<u>Retirements & Adjustments</u>				
Net Retirements	640,948	627,459	13,489	627,459
Adjustments	40,176	39,784	392	39,784
Total	681,124	667,243	13,881	667,243
Net Additions	1,834,243	1,641,534	192,709	1,740,381
End Of Year Balance	22,770,716	22,481,215	289,501	22,622,671
Average Balance	21,853,595	21,660,448	193,146	21,752,480
<u>Statistics</u>				
Average Depreciable Plant	92,030,899	79,816,525	12,214,374	85,917,489
Accrual As % Of Plant	2.73%	2.89%		2.80%

REFERENCES: Park Exh.-1; DRA Exh.-1 pp. 9-1 – 9-4.

10.0 WORKING CASH

PARK WATER REQUEST:

Park requests working cash estimates of \$2,675,990 for Test Year 2013 and \$2,740,588 for Test Year 2014 based on the methodology prescribed in Standard Practice U-16.

DRA POSITION:

DRA recommends working cash estimates of \$2,389,807 for Test year 2013 and \$2,406,861 for Test Year 2014 based on adjustments to Park’s application amounts to remove from the lead-lag study purchased power, purchased water and replenishment expense, removal of depreciation expense from the lead-lag study, inclusion of interest expense in the lead-lag study with a lag of 91.3 days, exclusion of minimum bank balances from the lead-lag study.

RESOLUTION:

Aside from the methodological differences described above, the differences in the Parties’ original working cash estimates resulted from differences in revenues, expense and utility plant used in the total working cash calculation and an error in DRA’s schedule. While the Parties did not reach specific agreement on the issues raised by DRA regarding appropriate methodology to calculate the working cash, the Parties have reached agreement, as part of the overall settlement, to the working cash estimates of \$2,569,900 for Test Year 2013 and \$2,610,600 for Test Year 2014.

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Working Cash	\$2,675,990	\$2,389,807	\$286,183		\$2,569,900

Escalation Year 2014

	Park Original	DRA Original	Difference		Settlement
Working Cash	\$2,740,588	\$2,406,861	\$333,727		\$2,610,600

REFERENCES: Park Exh. 1, pp. 116-118, Park Exh.-11, pp. 2-10; DRA Exh.-1 pp. 9-1 – 9-4.

11.0 CONSERVATION

11.1 Budget Request

PARK WATER REQUEST:

Park proposed an increase in its conservation budget as compared to prior years. Park requests \$372,895 in 2013, \$387,888 in 2014, and \$399,605 in 2015 based on its Water Use Efficiency Plan. Park’s request is based on the conservation programs necessary for compliance with Commission Decision 11-05-004 (Conservation OII), the Urban Water Management Planning Act, AB 1420, SBX7-7, and the Best Management Practices (BMPs). Park is required as a signatory to the Memorandum of Understanding regarding Urban Water Conservation in California (MOU) to meet the BMPs.

DRA POSITION:

DRA recommends that Park maintain the current authorized level of conservation expenditures because Park is already in compliance with SBX7-7. DRA recommends conservation expense of \$199,833 in 2013, \$208,346 in 2014, and \$217,221 in 2015.

RESOLUTION:

The Parties agree to the level of conservation funding proposed by Park in its application, with reduction to Park’s conservation expense by outside funding currently estimated to be available for the first half of 2013 and any other outside funding through grants that Park is able to obtain for 2013-2015. The Parties agree that Park will endeavor to make reasonable attempts to secure additional grants. The Parties agree to conservation expense of \$337,995 for Test Year 2013, \$387,888 for Escalation Year 2014, and \$399,605 for Escalation Year 2015 (Park’s allowed conservation expense will effectively be reduced to account for actual future availability of additional grant funding through a reduction of the cap in the one-way balancing account as described in Section 1.4).

Test Year 2013

	Park Original	DRA Original	Difference		Settlement
Conservation	\$372,895	\$199,833	\$173,062		\$337,995

Escalation Year 2014

	Park Original	DRA Original	Difference		Settlement
Conservation	\$387,888	\$208,346	\$179,542		\$387,888

Escalation Year 2015

	Park Original	DRA Original	Difference		Settlement
Conservation	\$399,605	\$217,221	\$182,384		\$399,605

REFERENCES: Park Exh.-1, pp. 13-15, Park Exh.-12, pp. 1-5; DRA Exh.-1, Ch. 10.

11.2 2010 – 2012 Review

DRA RECOMMENDATION:

DRA conducted a review of Park’s actual and authorized conservation expenses for 2010 – 2011 and recommends adjustment of certain expenses.

PARK WATER RESPONSE:

Park disagrees with DRA’s conclusions. In addition, Park believes DRA’s audit in this proceeding to be premature and recommends that DRA conduct its audit after the completion of the entire 2010- 2012 rate case cycle when Park files for resolution of the one-way balancing account authorized for that period.

RESOLUTION:

The Parties agree that DRA will defer audit of 2010 – 2012 expenses at this time. DRA will perform an audit when Park files for cost recovery of its conservation one-way balancing account by a tier 2 advice letter filing. DRA will do reasonableness review as part of its audit.

REFERENCES: Park Exh.-12, pp. 5-9; DRA Exh.-1, Ch. 10.

11.3 Annual Reporting Requirements

DRA RECOMMENDATION:

DRA recommends that Park continue to file a an annual conservation report, separate from the Annual Report to the Commission, showing actual expenses, justification, and results for each conservation program.

PARK WATER RESPONSE:

Park's rebuttal testimony described the existing reporting requirements of the Commission related to conservation. Park opposed DRA's recommendation for a conservation report separate from the Annual Report to the Commission.

RESOLUTION:

The Parties agree that Park is subject to the conservation reporting requirements described in D.11-05-004, Decision Resolving Phase 2 Conservation Goals and Modifying Tracking of Conservation and Low-Income Data (Conservation OII I.07-01-022). As a result Park must include a detailed description of its water conservation programs in the Annual Report to the Commission. DRA agrees to remove its recommendation for the annual conservation report.

REFERENCES: Park Exh.-1, Park Exh.-2, pp. 10-11; DRA Exh.-1, Ch. 10.

11.4 One-Way Balancing Account

DRA RECOMMENDATION:

DRA recommends that Park's conservation expenses continue to be subject to a one-way balancing account that tracks actual and authorized conservation expenses. DRA also recommends closing out the one-way balancing account on a yearly basis instead of the rate case cycle.

PARK WATER RESPONSE:

Park agrees with DRA's recommendation for a one-way balancing account but opposes the one-year limitation due to the long lead time required for certain projects, and the

time required for processing of contracts and rebates with Central Basin Municipal Water District and Metropolitan Water District, both of whom operate on a July fiscal year.

RESOLUTION:

The Parties agree that, because conservation costs may not be incurred evenly throughout the rate cycle, that the cap will cover the entire rate cycle versus a yearly cap. The Parties agree that a one-way balancing account be continued for the conservation expenses. The cap is \$1,125,488 (including grants proposed through July 1, 2013) to be reduced for additional grants earned and received during the rate case cycle. The Parties agree that Park will endeavor to make reasonable attempts to secure additional grants. In the event that Park does not spend the amount of the cap during this rate case cycle, Park would refund to customers any unspent amount in its next rate case.

REFERENCES: Park Exh.-11, pp. 9-12; DRA Exh.-1, Ch. 10.

12.0 RATE DESIGN

PARK WATER REQUEST:

Park requests continuation of the current conservation rate design program that includes increasing block rates of two tiers for residential customers. Park requests that the breakpoints be adjusted to reflect more recent consumption patterns. Due to the different characteristics of its non-residential customers, Park recommends retaining the single quantity conservation rate for non-residential customers. The rate design uses the California Urban Water Conservation Council (“CUWCC”) BMP 11 on conservation rates by using the threshold guideline of having more than 70% of its revenue generated by the commodity charge as contained in the settlement agreement reached between Park and DRA dated May 26, 2009 and authorized by the Commission in D.09-12-001. Park’s request is contingent upon Park being authorized a full decoupling WRAM/MCBA over the period that this rate design is in effect.

DRA POSITION:

DRA finds Park’s methodology acceptable and recommends that the Commission adopt the rate design contained in Park’s application.

RESOLUTION:

The Parties agree that the rate design described above should be applied to the adopted revenue requirement to determine the adopted rates. The Parties agree that this agreement is contingent upon Park being authorized a full decoupling WRAM/MCBA over the period that this rate design is in effect.

REFERENCES: Park Exh.-1; DRA Exh.-1, Chapter 12.

13.0 WATER QUALITY

DRA RECOMMENDATION:

Based on review of information provided by Park and the California Department of Public Health (“CDPH”), DRA recommends that the Commission find that Park is in compliance with CDPH water quality regulations, federal drinking water standards, and the Commission’s General Order 103-A.

PARK WATER RESPONSE:

Park agrees with DRA’s recommendation.

RESOLUTION:

The Parties recommend that the Commission find Park is in compliance with all applicable federal and state drinking water standards including General Order 103-A.

REFERENCES: Park Exh.-1, Chapter X; DRA Exh.-1, Chapter 13.

14.0 SPECIAL REQUESTS

PARK WATER REQUEST:

Park requests Commission authorization for a Group Pension Balancing Account to track the difference between the authorized Commission pension expense included in rates in this proceeding and the actual expenses incurred.

DRA POSITION:

DRA did not take a specific position on this request.

RESOLUTION:

After further discussion during settlement negotiations, Park agrees to withdraw, without prejudice, its request for a Group Pension Balancing Account in this proceeding.

REFERENCES: Park Exh.-1; DRA Exh.-1

14.1 Green Projects Memorandum Account

PARK WATER REQUEST:

Park requests Commission authorization for a Green Projects Memorandum Account to track the costs, expenses and capital costs, associated with cost-effective “green” or pro-environment projects for potential recovery.

DRA POSITION:

DRA opposes this request.

RESOLUTION:

DRA and Park agree to narrow the scope of the proposed memorandum account and further agree to change the name of the memorandum account to reflect its narrowed scope. DRA and Park agree to the name the memorandum account “CB 53 In-Conduit Hydroelectric Memorandum Account.” In lieu of memorandum account authorization at this time, DRA recommends that \$38,000 for a feasibility study be included in rates (Section 5.6). After completion of the feasibility study and if the proposed project is shown to be viable, Park would then submit a Tier 2 advice letter along with the feasibility study and other supporting documents to request the establishment of a memorandum account to track potential costs.

REFERENCES: Park Exh.-1, Park Exh.-2, pp. 12-15; DRA Exh.-1, pp. 14-2 – 14-6.

14.2 Health Care Expense Escalation Methodology

PARK WATER REQUEST:

Park proposes to remove employee health insurance and retiree health insurance from the escalation methodology and instead request a three-year budget by using the amount authorized for the Test Year and applying the medical cost trend from Park's actuarial valuation report.

DRA POSITION:

DRA opposes this request.

RESOLUTION:

After further discussions during settlement negotiations regarding health care expense for both Test Year 2013 and Escalation Years 2014 and 2015, Park agrees to withdraw this request, without prejudice, in this proceeding.

REFERENCES: Park Exh.-1, Park Exh.-8, pp. 13-15; DRA Exh.-1, pp. 14-6 – 14-8.

14.3 New Tariff Charges

14.3.1 Fire Flow Test

PARK WATER REQUEST:

Park requests a tariff for fire flow testing, which includes the entire process of scheduling, physical testing, modeling and reporting fire flow and system pressure checks as requested by companies, groups or individuals, not as a part of a new subdivision or development.

DRA POSITION:

DRA supports this request.

RESOLUTION:

DRA and Park agree that fire flow testing is a cost that should be charged to those causing the expense, rather than distributed to all customers. DRA and Park agree that

Park will implement a tariff for fire flow testing of \$390 per fire flow test, which includes the entire process of scheduling, physical testing, modeling and reporting fire flow and system pressure checks as requested by companies, groups or individuals, not as a part of a new subdivision or development.

REFERENCES: Park Exh.-1, Park Exh. 2, pp. 15-16; DRA Exh.-1, pp. 14-8 – 14- 9.

14.3.2 Restoration of Service

PARK WATER REQUEST:

Park proposes a new tariff charge for restoration of service during after-hours and voluntary disconnection for non-emergency, voluntary disconnection after-hours (non-regular hours).

DRA POSITION:

DRA opposes this request.

RESOLUTION:

After further discussion during settlement negotiations, Park and DRA agree that a tariff charge for restoration of service applicable to non-emergency, after-hours is a cost that should be charged to those customers causing the expense, rather than distributed to all customers. DRA and Park agree that Park will implement such a tariff charge for restoration of service of \$370.

REFERENCES: Park Exh.-1, Park Exh.-2, pp. 15-16; DRA Exh.-1, pp. 14-8 – 14-9.

14.3.3 Interest Rates Applied to Customer Deposits

PARK REQUEST:

Park requests to change the interest on customer deposits in Rule No. 7 from seven percent per annum to the average monthly 90-day commercial paper rate per month.

DRA POSITION:

DRA supports this request because customer deposits and the interest earned on the deposits have no impact on ratemaking and the current seven percent rate does not reflect current market conditions.

RESOLUTION:

DRA and Park agree that Park will revise the interest earned on customer deposits from 7% to the 90-day commercial paper rate. DRA and Park recognize that the Commission previously authorized a similar treatment for California Water Service Company in D.94-07-047.

REFERENCES: Park Exh.-1; DRA Exh.-1, p. 14-9 – 14-10.

14.4 Recognition of Future Offset

PARK REQUEST:

Park anticipates the filing of purchased water and replenishment offset advice letters subsequent to the filing of this GRC application but prior to the Test Year. Park requests that the Commission recognize any subsequent offsets prior to the issuance of a final decision in this GRC.

DRA POSITION:

DRA opposes this request.

RESOLUTION:

As a result of further discussions during settlement negotiations, DRA and Park agree that DRA will defer this issue until the next GRC.

REFERENCES: Park Exh. 1, Park Exh.-2, pp. 16-17; DRA Exh. 1, pp. 14-1 - 14-14.

15.0 WRAM/MCBA

PARK WATER REQUEST:

Park requests Commission authorization to continue its existing Water Revenue Adjustment Mechanism (“WRAM”)/Modified Production Cost Balancing Account (“MCBA”) with some small modifications. Park proposes to add the commodity revenues for recycled water to the WRAM balancing account. Park’s MCBA captures variations in production costs (purchased power, purchased water, and pump tax or replenishment assessments) due to either changes in unit price or changes in the consumption. Park requests that the production costs of leased water rights and chemicals be included in the supply costs captured by the MCBA. Park also requests to add the reclaimed purchased water production costs in the MCBA.

DRA POSITION:

DRA had no specific comment on this request.

RESOLUTION:

As a result of further discussion and settlement negotiations, DRA and Park agree that Park will withdraw its request to include the costs of leased water rights and chemicals in its MCBA in this proceeding, without prejudice. DRA and Park agree to add \$1,500 in additional chemical expense to the chemicals expense account (Section 4.10). DRA and Park agree that Park will withdraw, without prejudice, its request to include recycled water and leased water rights in the WRAM/ MCBA in this proceeding and that Park may address inclusion of reclaimed water, leased water rights, and chemicals in its WRAM/MCBA in OIR 10-11-014 (Water Recycling OIR) or in other appropriate proceedings.

REFERENCES: Park Exh. 1, Park Exh.-2, pp. 11-12.

15.1 Decision Addressing WRAM Amortization

ISSUE:

The Commission issued D.12-04-048 on April 30, 2012 addressing the amortization

mechanism of the WRAM/MCBA for several Class A Water Utilities, including Park (A.10-09-017). D.12-04-048 determined that a more vigorous review of the WRAM/MCBA mechanisms and options to the mechanisms, as well as sales forecasting, be conducted in each company's pending or next GRC proceeding.

RESOLUTION:

The Parties agree that Park's WRAM/MCBA balancing account is working as intended insofar as Park has filed for and been authorized amortization of balances on a timely basis according to the Commission's rules, and that under-collected balances in Park's WRAM/MCBA in 2009, 2010 and 2011 have all remained at 8.75% of revenues or lower, substantially lower than the 15% level over which concern was expressed in A. 10-09-017 (The Commission has approved Park Advice Letters 215-W-A, 222-W, and 230-W which requested amortization of WRAM/MCBA balances of 8.75% of revenues or less). Further, the Parties have taken these balances into consideration in the settlement in the forecast of sales and the Parties expect that the lower sales estimates agreed to by the Parties in this proceeding for 2013, 2014, and 2015 will cause the under-collections to decrease. The Parties agree that, given the timing of this proceeding relative to D.12-04-048, the Parties had no opportunity to conduct a rigorous review prior to issuing their initial testimony and that conducting such a review within the current schedule for this proceeding would not be possible, especially since the sales forecasts and rate design proposed by Park and agreed to by DRA were proposed and agreed upon contingent to the continued existence of a full decoupling WRAM. The Parties further agree that Park's WRAM/MCBA has only been in existence for a little over three years and there is currently not a lot of data available for review. Given the review of Park's WRAM/MCBA that has occurred in A. 10-09-017 and in this proceeding, and the current situation with respect to Park's WRAM/MCBA, the Parties agree that the agreements in this proceeding are sufficient to address this issue for the test period covered in this proceeding.

Therefore, the Parties agree that the vigorous review required by D.12-04-048 should occur in the next GRC due to be filed January 1, 2015. Further, the Parties agree that as

part of the review of Park's WRAM/MCBA mechanisms to be conducted in the company's next GRC in accordance with D.12-04-048, DRA may raise the question of whether Park is authorized to file offset letters pursuant to the Commission's Standard Practice for Processing Rate Offsets and Establishing and Amortizing Memorandum Accounts, Standard Practice U-27-W, and thus, can include changes in designated production costs in base rates instead of tracking the shortfalls in the MCBA, or whether Park is precluded under D.08-02-036 from filing for an offset based on how the WRAM/MCBA mechanisms are intended to function.

16.0 Low Income Program (CARW)

PARK REQUEST:

Park proposes to continue its existing low-income discount program known as California Alternate Rates for Water ("CARW"). Park requests continuing this program by increasing the current monthly service charge discount of \$5.50 by the average percentage increase to rates authorized in this proceeding. Park also proposes to implement a surcharge to offset the CARW discounts provided to qualifying customers.

DRA POSITION:

DRA finds Park's request acceptable and recommends that the Commission adopt Park's requested changes to the CARW program identified in Park's application.

RESOLUTION:

The Parties agree that qualifying customers would receive a monthly CARW discount of \$6.65. Non-qualifying customers, excluding customers receiving non-metered fire sprinkler service, reclaimed water service, construction and other temporary meter service and customers that receive a CARW credit, would be subject to a monthly surcharge of \$6.07.

The Parties further agree that the CARW Balancing Account continues to be necessary to track the balance of collected surcharges and discounts.

REFERENCES: Park Exh. 1, pp. 15-16; DRA Exh. 1, pp. 12-10 – 12-11.

17.0 Requests to the Commission

As a result of this Settlement, the Commission should act to resolve Park's requests in this proceeding. The Parties are providing a list of these requests under paragraph 19.0 below in an effort to ensure the Commission takes notice of necessary findings and orders arising from this proceeding.

18.0 Requests as a Result of the Settlement

18.1 The Parties request that the Commission authorize a change in Park's tariff fees pursuant to Sections 15.3.1, 15.3.2, and 15.3.3 effective January 1, 2013. Park's interest on deposits would be the average monthly 90-day commercial paper rate. Park's reconnection fee (outside of regular business hours) would be \$370. Park's fee for requested fire-flow tests would be \$390 per fire-flow test.

18.2 The Parties request that the Commission authorize a change in Park's CARW discount (for qualifying customers) and the surcharge (for non-qualifying customers) pursuant to Section 16.0.

18.3 The Parties request that the Commission authorize the continuance of the existing Water Revenue Adjustment Mechanism and Modified Cost Balancing Accounts pursuant to Section 16.

18.4 The Parties request that the Commission make a finding that Park meets all applicable water quality standards. This finding would be based upon DRA's review of water quality testimony and information provided by Park.

18.5 The Parties request that the Commission find that the properties referenced on page 109 of Park Exhibit -1 were appropriately considered to be non-utility property.

18.6 The Parties request that the Commission authorize capped, one-way balancing accounts for the conservation programs to track the difference between dollars spent on conservation and dollars collected in rates for conservation pursuant to Section 3.14.

18.7 The Parties request that the Commission authorize the filing of a rate base offset advice letter for Well 19C and generator pursuant to Section 8.8.

18.8 The Parties request that the Commission order the filing of advice letters to implement increases for escalation years 2014 and 2015.

18.9 The Parties request that the Commission find that Park's maintenance contract with Central Basin Municipal Water District, that is subject to the Excess Capacity Decision (D.00-07-018) and Non-Tariffed Products & Services Rules in D.10-10-019 (Appendix A, Rule X) for unregulated transactions is properly reflected in Park's revenue requirement.

18.10 The Parties request that the Commission authorize and implement all other agreements of the Parties contained in the Settlement.

19. Settlement

Rule 12.1(d) requires that a Settlement be "reasonable in light of the whole record, consistent with the law, and in the public interest." The Settlement between the Parties in this proceeding satisfies the criteria in Rule 12.1(d). The Commission should approve this motion, and adopt the Settlement which is supported by DRA and Park.

19.01 Settlement is Reasonable

The Settlement taken as a whole provides a reasonable resolution of the issues settled in this proceeding. The reasonableness of the Settlement is supported by DRA's reports and testimony, and by the testimony, reports and rebuttal testimony of Park. In addition, the parties considered the affordability of the rates, letters to the Commission, the financial health of Park, and the Commission's Water Action Plan. The parties fully reached a reasonable compromise on the various issues which were in contention. The settlement negotiations were accomplished at arm's length over the course of numerous weeks.

19.02 The Settlement is Lawful

The parties are aware of no statutory provisions or prior Commission decision that would be contravened or compromised by the Settlement. The issues resolved in the Settlement are clearly within the scope of the proceeding. Moreover, the Settlement, if adopted, would result in just and reasonable rates to Park's customers.

19.03 The Settlement Serves the Public Interest

The Settlement is in the public interest. The Commission has explained that a settlement which "commands broad support among participants fairly reflective of the affected interest" and "does not contain terms which contravene statutory provisions or prior Commission decisions" well serves the public interest. *Re San Diego Gas & Elec.*, D.92-12-019, 46 CPUC 2d at 552. In this proceeding, the parties fairly represent the affected parties' interests. Park provides water service to the customers in its service territory in Los Angeles County, and DRA is statutorily mandated with representing ratepayers in California, including those companies not directly at issue in this proceeding.

The principal public interest affected in this proceeding is the delivery of safe, reliable water service at reasonable rates. The Settlement advances these interests. In addition, Commission approval of the Settlement will provide speedy resolution of contested issues, which will conserve Commission resources.

19.04 The Settlement Conveys Sufficient Information

In addition, DRA and Park believe that the Settlement conveys sufficient information for the Commission to discharge its future regulatory obligations. Thus taken as a whole, the Settlement will satisfy the Commission's standards for approving a settlement presented to it.

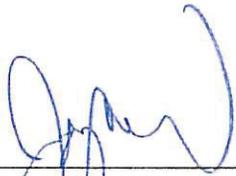
1. Appendices

Draft Tariffs related to agreements contained in this settlement are contained in the appendix. Draft tariffs are presented to the Commission as appendix to this settlement agreement to assist in the advice letter process. When it is appropriate to submit the tariffs to the Commission's Division of Water & Audits, Park will finalize these tariffs to

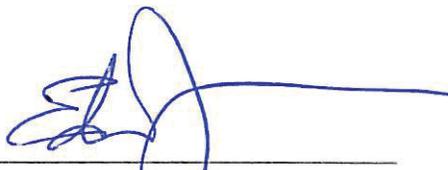
the Commission and submit them via advice letter. DRA reserves its complete rights to protest any of these advice letters in compliance with the Commission's rules of practice and procedure.

DIVISION OF RATEPAYER ADVOCATES

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Dated: August 17, 2012

Dated: August 17, 2012